

# ING International High Dividend Equity Income

Closed-End Fund | Strategy Brief

June | 2012

**NYSE Symbol:** IID  
**CUSIP #:** 45684Q100  
**NAV Symbol:** XIIDX

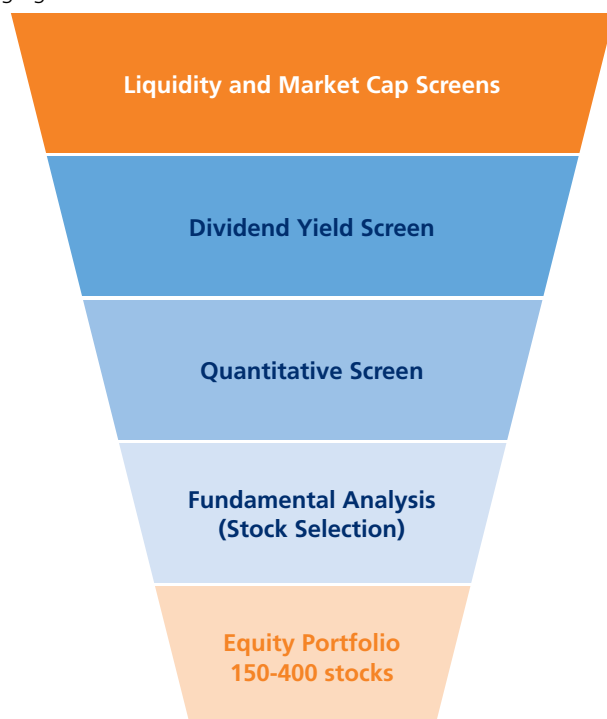
**Inception Date:** 9/25/07  
**Inception NAV:** \$19.06  
**Inception Share Price:** \$20.00

## Fund Overview

<b>International</b>	Participate in value opportunities of European equities and potential dynamic growth prospects of Asia Pacific equities.
<b>High Dividend</b>	Distinctive investment approach focused on high dividend yielding equities.
<b>Equity Income</b>	Seek enhanced total return over a full market cycle through a call writing strategy.

## Equity Investment Process

- The Fund seeks to construct a portfolio of 150 to 400 equity securities with a dividend yield that exceeds the weighted average dividend yield of the MSCI AC (All countries) ex USA Index.
- Equity investment process combines quantitative and fundamental analysis to identify attractively priced stocks with high dividend yields and potential for growing dividends and capital appreciation.
- The target regional allocation of the Fund is expected to be approximately 50% Europe, 40% Asia Pacific sleeve and 10% invested in the Rest-of-the-World sleeve. The Rest-of-the-World Sleeve invests in potentially attractive, high dividend securities from Canada, the U.S. and other emerging markets.



## Investment Objective<sup>1</sup>

- Seeks to provide total return through a combination of current income and current gains with a secondary objective of long-term capital appreciation.

## Investment Strategy

- The Fund seeks to achieve its investment objective by investing primarily in a portfolio of dividend-producing securities or derivatives linked to such securities or indices that include such securities, which the portfolio manager believes will pay above-average, sustainable, dividends and by selling call options on selected international, regional or country indices, and/or on equity securities and/or exchange traded funds (ETFs).

## Call Writing Strategy

- The Fund employs a call option writing strategy with the underlying value of such calls generally having 20% to 50% of the value of its holdings of equity securities. It typically writes call options on selective indices and/or equity securities and/or exchange traded funds (ETFs).
- Typically the Fund writes at or near the money, over the counter call options expiring between 30-120 days.

<sup>1</sup> There can be no assurance that the Fund will achieve its investment objective.

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## Manager Commentary

### Market Review

Global markets fell sharply in April and May, due to the re-escalation of the European sovereign debt crisis and a visibly slowing global economy. Additional European supportive measures to aid Spain in particular, as well as monetary easing in China, helped to calm markets, which recovered some of the prior months' losses in the course of June. Cyclically sensitive sectors such as materials, consumer discretionary, financials, industrials and information technology bore the brunt of the correction, while defensive sectors such as telecommunication services, health care and consumer staples eked out marginal gains. Energy stocks were also relatively weak. The weakness was broad-based, with emerging markets underperforming developed markets and North American stocks being the least impacted.

### Equity Portfolio

At the Fund level, the equity strategy matched the return of the reference index during the quarter. Sector allocation delivered a neutral result. Likewise, security selection within sectors added no value, with contributions from the financials, consumer discretionary, health care and energy sectors offset by adverse selection in consumer staples, information technology, materials and utilities. Pan-European security selection detracted from performance, largely due to detractions from consumer staples and information technology, which were partly offset by positive outcomes in financials and health care. The Asia Pacific ex-Japan component outperformed its regional benchmark, due largely to positive stock selection in industrials and materials. The sleeve outside these two core regions added value, due largely to its holdings of relatively defensive North American stocks in a strong market, especially in the energy and consumer staples sectors.

### Option Portfolio

The option strategy of the Fund seeks to reduce volatility of total returns as well as to gain by writing calls on selected equity indices. The construction of the option portfolio is such that there is a low tracking error with the reference index of the equity portfolio. The actual composition also depends on the attractiveness of volatility premiums and market trading opportunities. In this manner, the Fund seeks to control basis risk and to keep intact the potential alpha generated by the equity managers. In the second quarter of 2012, call options were sold on the FTSE 100, DJ EuroStoxx 50, ASX, KOSPI 200, TWSE and Hang Seng indices. The options had a maturity in the range of four to five weeks. The option coverage ratios, for both the Asia Pacific and European sleeves, were maintained at approximately 40%. The strike levels of the call options were generally at-the-money. During the second quarter, markets declined and implied volatility increased. Consequently, the premiums collected by writing calls exceeded the amounts that were settled at expiry of the options, thereby contributing to the total return of the Fund.

### Market Outlook

High-dividend strategies are designed to dampen volatility versus the broader market across an investment cycle. The global growth outlook deteriorated somewhat during the second quarter, due to increased weakness in Europe, slowing emerging economies and decelerating growth in the United States. The outlook remains fragile and is mainly contingent on cushioning the European recession and the success of the recently announced monetary easing measures in China. While Europe has taken considerable steps to strengthen its banking sector, we think much more is necessary to stabilize the intensifying recession. We remain hopeful that the European economy will stabilize by year-end and recover modestly in 2013. On a more positive note, recent data releases have heightened the probability of a soft economic landing in China. Global economic and market prospects could, on this basis, improve somewhat as we head into 2013. For the coming months, however, we expect markets to remain nervous and volatile before confidence returns later in the year.

## Performance

For the three month period ended June 30, 2012, the Fund provided a total return based on net asset value (NAV) of -5.50% and -7.48% based on market price. The Fund uses a customized reference index (which is a blend of 55% MSCI Europe and 45% MSCI Asia Pacific ex-Japan) to reflect the strategic emphasis of the Fund. The blended reference index returned -6.85% for the quarter, with Asia-Pacific ex-Japan and Europe posting returns of -6.39% and -7.05%, respectively. Up to 20% of the Fund may be invested in securities outside Europe and Asia Pacific (primarily North America, Latin America and Eastern Europe).

**Past performance is no guarantee of future results.** The performance quoted represents past performance. Investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

**Principal Risks:** All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. Price volatility, liquidity, and other risks that accompany an investment in equity securities of domestic and foreign companies, and small and mid sized capitalized companies. International investing does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified for investments in emerging markets. Bond investments are subject to interest rate risk such that when interest rates rise, the prices of bonds, and thus the value of the Fund, can decline and the investor can lose principal value. This Fund has additional risks which you should consider, such as: Market Discount Risk, Investment and Market Risk, Emerging Market Risk, Foreign (non U.S.) Currency Risk, Asia Pacific Regional and Country Risk, Option Risk, Index Call Option Risk, Issuer Risk, Small-Cap and Mid-Cap Companies Risk, Derivatives Risk, Interest Rate Risk, Distribution Risk, Tax Risk, Portfolio Turnover Risk, Management Risk, Initial Public Offering ("IPOs") Risk, Depositary Receipts Risk, Securities Lending Risk, Non-Diversification Risk, Market Disruption and Geo-Political Risk, Dividend Risk, Temporary Defensive Strategies Risk. **These and other risks are described more fully in the Fund's prospectus and the most current annual or semi-annual report. The prospectus should be read carefully before investing. Consider the Fund's investment objective, risks, and charges and expenses carefully before investing.**

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