ING Emerging Markets High Dividend Equity Fund

Closed-End Fund | Strategy Brief June | 2012

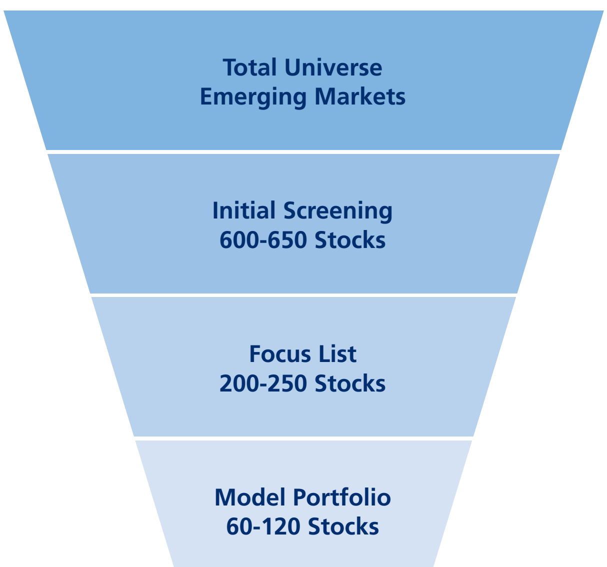
NYSE Symbol: IHD	**Inception Date:** 04/26/11
CUSIP #: 45685X104	**Inception NAV:** $19.06
NAV Symbol: XIHDX	**Inception Share Price:** $20.00

Fund Overview

Emerging Markets	Participate in the potential dynamic growth opportunities of emerging market equities.
High Dividend	Seeks stocks with above-average and historically sustainable dividend yields.
Call Option Overlay	Sells call options on emerging market index ETFs, international, regional or country indices, and/or equity securities.

Equity Investment Process

- Seeks to identify through bottom-up fundamental research, attractively priced stocks with sustainable dividend yields and potential for capital appreciation.
- Initially screens universe of emerging market stocks based on liquidity and dividend yield factors.
- Top-ranked stocks are evaluated for dividend sustainability and growth potential by undergoing a detailed fundamental review analysis.
- Build a portfolio of 60 to 120 equity securities.



Investment Objective[1]

- Seeks total return through a combination of current income, capital gains and capital appreciation

Investment Strategy

- The Fund will seek to achieve its investment objective by investing principally in a portfolio of equity securities, primarily of issuers in emerging market countries. The sub-adviser will seek to construct a portfolio with a weighted average gross dividend yield that exceeds the dividend yield of the MSCI Emerging Markets Index®.

Call Writing Strategy

- The Fund seeks to secure gains and enhance the stability of returns over a market cycle by writing (selling) call options on selected exchange-traded funds ("ETFs") and/or international, regional or country indices of equity securities, and/ or on equity securities on 15–50% of the total portfolio value.
- Typically the Fund writes at- or near-the-money, over-the-counter call options expiring between 7-90 days.

1 There can be no assurance that the Fund will achieve its investment objective.

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Manager Commentary

Market Review

Emerging market equities posted negative results during the second quarter and underperformed developed market equities. The worst declines occurred in May, as continued weak U.S. employment data, deteriorating economic momentum from China, Moody's downgrade of Spanish banks, inflation concerns in Brazil, development of stagflation in India and severe currency weakness negatively impacted risk appetite. A modest recovery unfolded in June, as hope arrived that central banks in the U.S., Europe and China would sanction additional stimulus. Finally, European Union (EU) summit policy "progress" relieved anxiety as a first step toward a full banking union is underway. In China, following May's reserve-requirement ratio reduction, the central bank cut interest rates — the first such occurrence since September 2008. This signaled it is now prepared to ease monetary policy to further support economic growth. However, we feel that the stimulus measures announced are insufficient to meaningfully support growth. India's central bank lowered the lending rate in April by 0.5% to 8.0% — the first reduction in three years. India's economic growth during the first half of 2012 fell below the psychologically significant 6.0% level for the first time in three years. This is a clear sign that the country's slowdown is deepening and affecting all sectors of the economy. Inflation was over 7.0% during the same period; hence, India has fallen into a substantially below-trend growth and above-trend inflation nexus: in other words, stagflation. In Brazil, the central bank continued cutting interest rates to 8.5%.This is lower than the 8.75% rate reached during the 2009 financial crisis. Other supportive measures included a reduction in tax on consumer lending, a lower valued added tax (VAT) on autos and possible tax cuts on investments.In Russia, Vladimir Putin was inaugurated as president and Dmitri Medvedev was approved as prime minister. Though the new government's commitment to reform remains to be seen, its composition looks promising. Strong economic data demonstrates resilience from the crisis, although a rapidly declining oil price is a concern.GDP growth during the first quarter of 2012 was 4.9%, slightly higher than the previous quarter's 4.8% expansion. Industrial production grew 3.7% year-over-year in May, retail sales gained 6.8% versus 6.5% in April and the unemployment rate fell from 5.8% in April to 5.4%in May. Unemployment is now at its lowest level since the crisis of 2008.

Equity Portfolio

The equity portion of the Fund outperformed its broad reference index during the second quarter. Sector allocation was positive, due mainly to overweight positions in the defensive sectors of health care, telecommunication services and utilities. Stock selection was relatively neutral, as good picks within telecommunication services, energy and utilities were offset by negative contributions from financials, materials, consumer discretionary, information technology (IT) and industrials. The best individual stock holdings were China Resources Power, Indonesian telecom operator Telekomunikasi Indonesia and Taiwanese food manufacturer Uni-President Enterprises. Mining company Eurasian Natural Resources and Taiwanese Smartphone manufacturer HTC Corp. detracted the most from performance. In terms of country allocation, which is the result of bottom-up decisions, our underweight in Mexico detracted the most from performance, while overweights in Singapore and Hong Kong contributed the most to results. Movements in emerging market currencies over the period were favorable for the Fund's positioning. In terms of sector allocation, at the end June, we had a relatively low exposure in the IT sector. We also have limited exposure to capital goods. In contrast, we favor utilities and telecommunication services. Within financials we prefer insurance over banks. From a country perspective, we find limited attractively valued dividend-paying stocks in India and Mexico. Also due to concerns regarding dividend sustainability, we refrain from significant exposure to South Korea and Taiwan. On the other hand, we have increased our exposure to Chinese dividend-paying stocks given attractive valuations. In addition, Poland was well represented in the portfolio at the end of the second quarter.

Option Portfolio

During the reporting period, call options were written against the emerging markets portfolio. The option portfolio consists of a series of short-dated call options on the iShares ETF, with the MSCI Emerging Markets Index Fund as underlying. The MSCI Emerging Markets Index is the reference index for the Fund. Therefore, the options portfolio keeps a low tracking error with its benchmark. The options generally were sold having a maturity in the range of four to five weeks. The overall portfolio coverage was 20%. Options were sold generally at-the-money and implemented in the over-the-counter market to enable the Fund managers to profit from its flexibility, liquidity and opportunities. During the second quarter emerging market equities declined and implied volatility increased. As a consequence, the option strategy contributed to the Fund's performance, as the amount that was collected by writing call options exceeded what needed to be settled at expiration

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Performance

For the quarter, the Fund returned -8.10% on a net asset value basis and -6.62% on a market value basis. By comparison, the Fund's reference index, the MSCI Emerging Markets Index, returned -8.90%.

Outlook and Strategy

In general, prospects are better for emerging market countries than for their developed market counterparts. We believe emerging market equities may again perform in line with their stronger fundamentals (low indebtedness, high growth, vast counter-cyclical ammunition, attractive valuations, etc.). A necessary condition for emerging market equities to outperform is a soft economic landing in China. Lately, some doubts have popped up and fears for a hard landing have crept into investors' minds. We nevertheless think that China is still on track for a soft landing and that it will ease policy further if necessary. From a dividend perspective, the payout ratio in emerging markets is still considerably lower than in the developed markets. Given better fundamentals, the potential for dividend growth in emerging market equities is strong. What's more, governments in the emerging markets are becoming increasingly aware of the need for state-owned companies to enhance dividend policy. Therefore, companies are increasingly incented to create dividend discipline and growth.

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