

Still moving forward.

At the time of writing, despite a tapering off of enthusiasm over the last week or so, global markets continue to hold-on to the gains made from the low of March 9th this year...

Index	Current Level	Rebound since March
 All Ordinaries	4305	39.23%
 Dow Jones	9350	44.51%
 Hang Seng	20328	79.18%
 Nikkei	10252	46.88%
 FTSE	4756	37.42%

Consumer confidence grows.

Australians are exhibiting a strong willingness to break free of the global financial crisis, according to new research published by Nielsen.

The latest Nielsen Global Confidence Survey covering 28 markets across the world has revealed Australia's Consumer Confidence Index to be the fifth highest and just behind the fast-growing developing nations of Indonesia, India, the Philippines and Brazil.

The Nielsen survey analysis suggests that on the back of economic data indicating Australia narrowly escaped a technical recession, there are signs consumers believe the worst is over.

It said 44 per cent of Australians believed now was a good or excellent time to buy the things they want, indicating a renewed willingness to spend on discretionary items.

As well, 59 per cent of respondents described their personal finances as being good or excellent for the year ahead.

Nielsen Pacific Consumer Group managing director Chris Percy said growing consumer optimism driven by less negative press about the economy in the past few months had led Australian consumers to believe that economic recovery would come sooner rather than later.

\$50 billion China gas deal.

Western Australia has signed its biggest-ever resources deal, a \$50 billion agreement to export liquid natural gas to China.

Energy giant PetroChina has agreed to buy 2.25 million tonnes of LNG a year for 20 years worth \$50 billion, underpinning the massive Gorgon natural gas project to be developed off Western Australia by joint venture partners Chevron, ExxonMobil and Shell.

The project is expected to provide six thousand jobs at the peak of construction and comes a week after a \$25 billion deal to supply gas to India.

Minister for Resources and Energy Martin Ferguson said the Gorgon project will be a major boost to our export income along with contracts to sell around \$300 billion worth of LNG to customers in the Asia-Pacific over the next 20 years.

The deal follows months of diplomatic tension over China's arrest of Australian Rio Tinto executive Stern Hu and the visit to Australia by Uighur community leader Rebiya Kadeer.



The landmark \$50 billion Gorgon gas deal will not only underpin Australia's resources sector, but it's also a win for clean energy, Mr Ferguson said. Aside from the commercial benefits, Mr Ferguson claimed the deal was good for the environment.

"LNG is also part of a movement to low emissions fuel economy because it is clean energy," he told ABC Radio on Wednesday. "So it's important to Australia in an export sense, but it's also important to India and China that we also go forward on the climate change challenge."

Gorgon is slated to begin construction next year and would be the biggest single construction project in Australia's history, Mr Ferguson said. It is expected to provide 6,000 jobs at its peak.

The site of the project, Barrow Island, has yet to receive environmental approval, but Mr Ferguson said the government was working at pace to assess it.

ING's 'capital protection' offer.

As expected, Axa's capital protected 'North' product for now has some serious competition.

Fund manager ING have introduced two new investment options to their 'OneAnswer' stable – the 'ING Aus 50 Fund' and the 'ING Protected Growth Fund No 2'.

Both ING 'protected' funds (like Axa North) provide the advantage of investing in growth assets while limiting losses when markets fall.

Specifically, the ING Aus50 fund provides an avenue for investors wanting pure exposure to blue-chip Australian shares while the ING Protected Growth Fund No 2 behaves more like a diversified managed 'growth' fund. Both funds protect investor capital to a minimum of 80% and 85% respectively.

Unlike many capital protected offerings clients have access to their investment at any time with **no lock-in**

periods or set maturity dates. Both funds also provide a **rising level of capital protection** to secure clients' investments as they grow.

As Axa's North product has been wildly successful to date (thanks to the Global Financial Crisis) and one can only assume that ING's Protected Funds will also succeed in this space. In our view, both products deserve consideration, and which one is better will depend on individual client concerns and priorities.

Please contact Westmount if you would like to discuss these options in more detail.

Sharper focus. Lower fees.

Like most things, an investment portfolio should be viewed as a work in progress, as there are so many changing variables (many beyond our control) that even the longest term investor should eventually feel compelled to take action.

Rapidly changing economic conditions are an obvious example as it usually forces, at a minimum, a total rethink of investment strategy and objectives. However, subtle changes in the status quo can also impact on your portfolio such as investment trends, government legislation and product innovation.

Fees: As markets rise and fall it is easy to forget about the cost structure of your investment, superannuation or pension portfolio. For this reason we encourage clients to not only review their investment strategy and financial objectives with us on a regular basis but also take a closer look at their fees from time to time.

For example, many of our long-standing clients are still unaware that Westmount has been a 'fee-for-service' practice for some time and that it may be advantageous to move to our fee-for-service model (optional for long-standing clients).

Another area where clients can significantly reduce their fees is by investing in a combination of direct shares,

exchange traded funds and/or index funds, instead of solely relying on managed funds. Replacing some managed funds with good quality blue-chip shares and index funds can eliminate many of the costs usually associated with traditional managed funds, without adding to your risks.

In a number of cases, we've helped clients purchase 'capital protection' using the savings created from the use of index funds, with little or no impact on existing fees.

Sharper focus: Equally important, resisting the 'one size fits all' approach of some managed funds will also improve flexibility by permitting clients to tilt their personal investment strategies towards specific investment sectors or themes (like resources, China and the banks) and away from less desirable sectors.

Of course, actively managing your portfolio is easier said than done, and is obviously a two-edged sword. Again, we encourage all clients to discuss these issues (lowering fees and sharpening focus) with us at anytime.

Residential property recovering.

Several indicators published over the past few months point to an upward trend in residential property prices and also a revival of investor interest in the sector.

The RP Data-Rismark index shows that for the year to May, the average value of a house in Australia rose 1.6 per cent. The index shows that rate of growth has started to pick up; in the first five months of 2009 the average price rose 3.9 per cent, an annualised rate of 9.4 per cent.

Perth prices were down 4.6 per cent over the year, down 0.7 per cent in Adelaide, down 0.5% in Brisbane and down 0.2 per cent in Canberra.

However, strong gains in Darwin (14.3 per cent) and Melbourne and Sydney (3.5 per cent) picked up the average.

The upward momentum in the national average was a result of low interest rates, generous grants to first home buyers (that will expire later this year) and tight rental markets. Another important factor is that reasonably conservative lending practices in Australia meant there has been no US-style housing collapse.

It is also believed that the shortage of housing (a result of reduced building activity and high immigration numbers) will continue to feed into the already tight rental market. Lower interest costs and higher rents will continue to tilt the rent or buy question in favour of buying.

Economic forecaster BIS Shrapnel expects prices to keep going up but they will move slowly until 2010/11 financial year. It forecasts a return to double-digit growth in residential property prices in the 2011/12 financial year.

ANZ house price forecasts...

Annual change to	%	Sep 2009	Dec 2009	Mar 2009	Jun 2009	Sep 2010	Dec 2010
National Average		-4	-2.5	0.5	2	3.4	4.4
Sydney		-3.8	-2.4	1	2	3.2	4.2
Melbourne		-3.2	-1.8	1.5	2.8	4.2	5
Brisbane		-4.9	-3.1	-1.5	0.8	2.5	3.9
Adelaide		-0.3	0.4	1.7	2.5	3.2	3.9
Perth		-9.2	-6.9	-2.5	0.5	3.3	4.6
Darwin		8.6	5.3	4.1	4.3	4.6	4.8

In the news...



Premier Barnett talks up WA gas deals. Western Australia is set to become the "Saudi Arabia of natural gas" as other deals follow the signing of a \$50 billion agreement to supply liquefied natural gas to China, Premier Colin Barnett says.

The Chevron-led joint venture contract with Chinese energy giant PetroChina to supply LNG from the Gorgon development off the West Australian coast is Australia's



biggest ever resources deal. It comes a week after the signing of a \$25 billion contract to supply gas to India from the same project, breaking the \$12 billion record set a few years ago by the North West Shelf Pluto LNG project, now under construction. Mr Barnett said it appeared a "whole series of projects is queuing up".

"What you are seeing now is that the future production of Gorgon is being purchased around the world - China, India, Japan and Europe and other places," Mr Barnett told Fairfax Radio Network.

"Today I'm about to go to a signing between a major French group and Santos, who are developing a relatively small field right up off the Kimberley coast. "That'll probably be a floating production facility as it is a small field. I think you'll see a whole series of projects queuing up. Western Australia is basically becoming the Saudi Arabia of natural gas."



Woodside Petroleum expects to treble production from its Pluto LNG project at the Burrup Peninsula by 2014, after formally starting front end engineering and design work for two additional production trains at the site.

In another huge leap forward for WA's booming LNG sector, Woodside today predicted its Pluto 2 train would start production in 2013, followed by Pluto 3 in the following year. It also said it expected to add two more trains in following years as it identified additional gas or secured supplies from other explorers in the region. Woodside chief executive Don Voelte said the company's rapid-fire development strategy for Pluto had given it a huge advantage over its competitors and would deliver significant benefits for the company, shareholders and the nation.

"You can understand what an advantage Woodside has

based on our early industry-leading Pluto decision," he told media and analysts. "If I may say so myself, it was a gutsy call but it is going to pay off big time, I think."



Qantas' profit for FY2009 fell sharply, by 88% to \$117m. Total revenue declined 6.9% to \$14.6bn. No final dividend was declared. Result at the bottom line looked below average analyst forecasts of around \$131.5m. However Profit before tax fell 87% to \$181m. The group told the market in April it expected pre tax profit to be between \$100m and \$200m so the result on this basis was at the higher end of the range.

On the outlook the group refrained from giving specific guidance given significant level of uncertainty. They said "There has never been a more volatile and challenging time for the world's aviation industry".



Rio Tinto's first half profit plunged 64.7 per cent, after the mining giant suffered the effect of falling prices for many of its key commodities.

The world's third-biggest miner on Thursday revealed a net profit of \$US2.451 billion (\$A2.96 billion) for the six months ended June 30, down from \$US6.95 billion in the previous corresponding period.

Underlying earnings fell 54 per cent to \$US2.565 (\$A3.09) billion. Rio Tinto chairman Jan du Plessis said the company took "swift and decisive action" to respond to the global economic crisis and sharp falls in metals and minerals prices.

"As a result of our successful rights issues, we have reduced net debt by \$US14.8 billion (\$A17.85 billion)," he said in a statement on Thursday. "There is more work to do, but we are better positioned with renewed financial strength and a leaner cost base.

While Westmount Securities believes that the information contained in this document is reliable no warranty is given as to its accuracy, and persons who rely on it do so at their own risk. In so far as this document contains material from other sources, Westmount Securities has not checked those sources and accepts no responsibility for the accuracy of that material. This document is intended to provide background information only and does not contain any personal advice or recommendation. The mention of any particular investment or security should not be taken as a personal or general recommendation to the reader. This update was completed on 21 July 2009