



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – APRIL 2011

WAM Research Limited (WAX) is a listed investment company primarily investing in small to medium sized industrial companies listed on the ASX. The investment objectives are to provide a growing stream of fully franked dividends and to achieve a high real rate of return, comprising both income and capital growth within risk parameters acceptable to the Directors.

In April WAX's gross portfolio (before all fees, costs and taxes) rose by 0.7%, while the S&P/ ASX 300 Industrials Accumulation Index was rose by 0.5% and the S&P/ASX Small Industrials Accumulation Index fell by 1.1%.

Annualised Performance as at 30 April 2011	6 Months	1 Year	3 Years	5 Years
WAM Research Limited*	+12.6%	+12.9%	+5.2%	+2.6%
S&P/ASX 300 Industrials Accumulation Index	+4.6%	+0.3%	-1.0%	+0.3%
Outperformance	+8.0%	+12.6%	+6.2%	+2.3%
S&P/ASX Small Industrials Accumulation Index	+4.5%	+4.9%	-4.2%	-2.3%
Outperformance	+8.1%	+8.0%	+9.4%	+4.9%

*The change in the gross portfolio before all expenses, fees and taxes.

The following NTA figures are after the payment of an interim dividend of 3.0 cents per share fully franked paid on 28 March 2011.

NTA before tax	91.30c
NTA after tax and before tax on unrealised gains	94.47c*
NTA after tax	94.47c*

*These figures include tax assets of 3.17 cents per share.

Market Outlook

Should we have sold all our shares in May and gone away for the winter? This philosophy has been trumpeted by American investors for decades. It refers to the fact that in the northern hemisphere market activity dries up and share prices drift as stock brokers and investors take off for a well earned summer break.

Market Outlook (continued)

Unsurprisingly, the performance of the US share market has lent credibility to the saying, with the key benchmark indexes delivering virtually no gain for investors over many years. In contrast, the months from October to April have proven extremely fruitful with market participants focused on making money rather than sunning themselves.

How does the local share market look heading into the northern summer? After a sharp rebound into early April from the shock of the Japanese earthquake the overall market faded with the benchmark S&P ASX All Ordinaries Accumulation index closing the month down 0.6 per cent. The downward trend has continued into May with the S&P ASX All Ordinaries index close to 3 per cent down for the month at the time of writing this report.

The biggest contributor to the downdraft has been the selloff in the resources sector, especially the smaller miners. Commodity prices from oil and gas to minerals and food, soared in the first quarter of the year. However, investor enthusiasm for commodities has waned as the Chinese economy slowed on the back of tightening monetary policy by the central government.

We remain cautious about the Australian share market and in particular the resources sector. China, with a sharp eye on inflation, is determined to cap economic growth in the short to medium term. This should see commodity prices and mining stock underperform until the end of the northern summer in September. In contrast the industrial and financial sectors of the Australian market look to represent relatively good value, however, with the spectre of higher official interest rates it may be too early to delve into this section of the market.

Dividends

On 28 March 2011 the company paid an interim dividend of 3.0 cents per share fully franked. This is a 15% increase on the interim dividend last year.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis.

Government legislation introduced in June 2010 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will not be reliant on reported profit and retained earnings as it was previously. Rather, it will be with consideration to cash flow, cash holdings and available franking credits.

Portfolio Structure

Investment Type	As at 31 Mar 2011		As at 30 Apr 2011	
	\$m	%	\$m	%
Listed Equities	90.4	82.6%	91.6	83.2%
Fixed Interest and Cash	19.0	17.4%	18.5	16.8%
Total Assets	109.4	100.0%	110.1	100.0%
	No.		No.	
Total ordinary shares on issue	119,217,215		119,217,215	

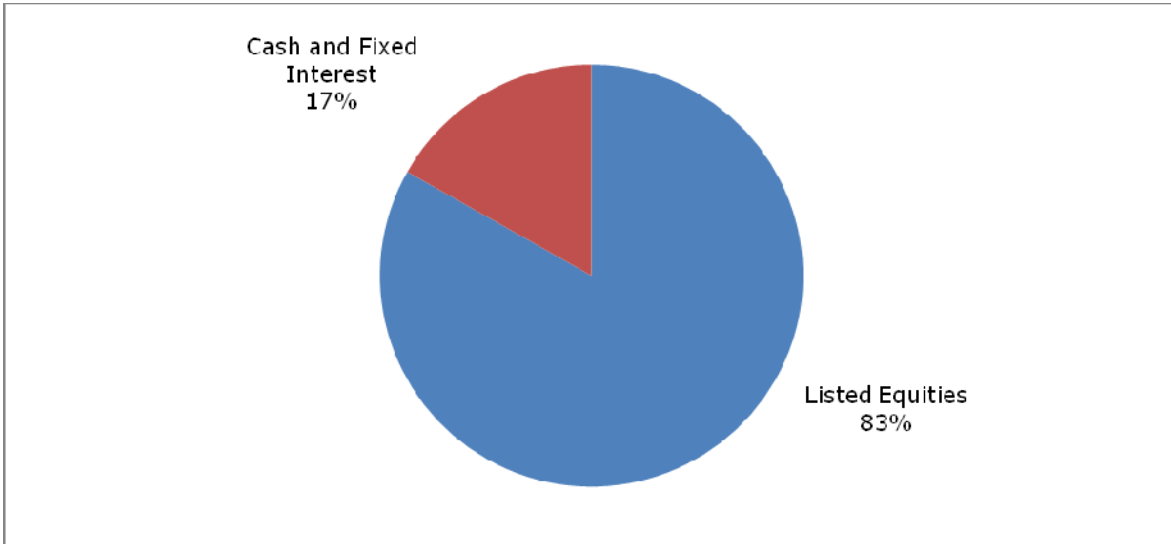
Portfolio Structure (continued)

At 30 April 2011 the major securities held in the portfolio were:

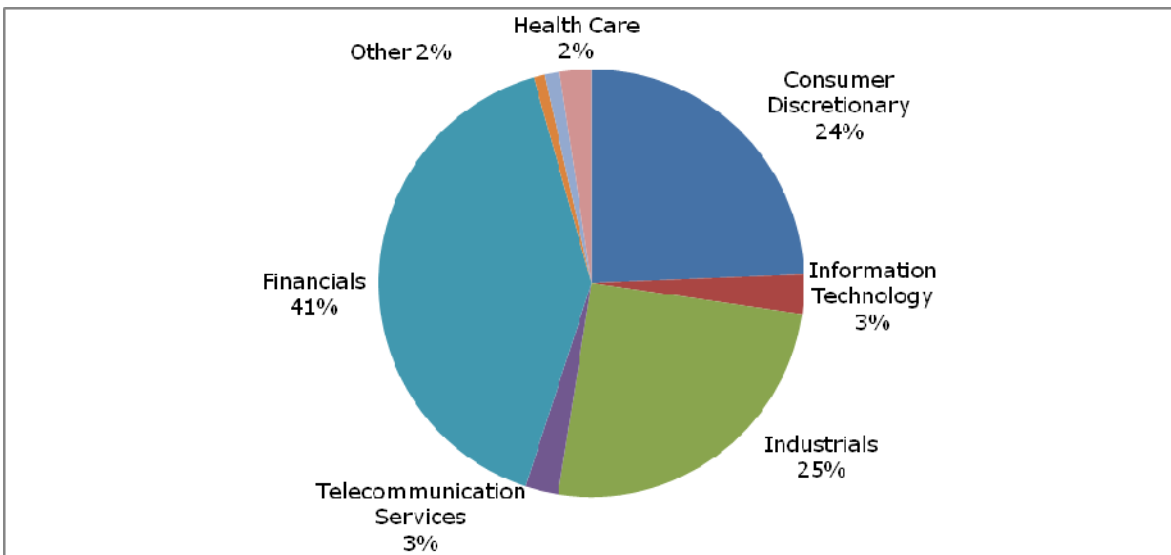
Code	Company	Market Value \$	Market Value as % of Gross Assets
MMS	McMillan Shakespeare Limited	6,070,719	5.5%
NAB	National Australia Bank Limited*	5,635,000	5.1%
CCP	Credit Corp Group Limited	5,111,538	4.6%
WBC	Westpac Banking Corporation*	4,781,250	4.3%
APE	AP Eagers Limited	4,153,064	3.8%
RHG	RHG Limited	4,146,222	3.8%
CBA	Commonwealth Bank of Australia*	4,075,700	3.7%
WBB	Wide Bay Australia Limited	4,024,065	3.7%
SGN	STW Communications Group Limited	3,787,981	3.4%
MYS	MyState Limited	3,456,751	3.1%
ANZ	Australia and New Zealand Banking Group Limited*	3,180,000	2.9%
BRG	Breville Group Limited	3,116,534	2.8%
SAI	SAI Global Limited	2,593,750	2.4%
ARP	ARB Corporation Limited	2,391,378	2.2%
SKE	Skilled Group Limited	2,365,734	2.1%
TGA	Thorn Group Limited	2,284,240	2.1%
BKL	Blackmores Limited	2,194,086	2.0%
CAF	Centrepoint Alliance Limited	2,079,520	1.9%
NVT	Navitas Limited	2,023,128	1.8%
AAD	Ardent Leisure Group	1,904,378	1.7%

*Indicates that options were outstanding against the holding.

Portfolio Structure - Asset Allocation



Long Portfolio Structure - Sector Allocation



Performance

Set out below is the performance of WAX since listing to 30 April 2011 on a financial year basis. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company's investment portfolio has performed against the S&P/ASX 300 Industrials Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are both before tax and expenses measures.

Previously performance was compared against the S&P/ASX All Ordinaries Accumulation Index. The equity portfolio is made up of large and small industrial companies and it is believed that the S&P/ASX Small Industrials Accumulation Index and the S&P/ASX 300 Industrials Accumulation Index better reflect how the portfolio has previously been invested and will be invested going forward.

Thus these benchmarks better represent a way to evaluate the fund's performance based on the underlying composition of the portfolio.

Financial Year	Gross Portfolio *	S&P/ASX 300 Industrials Accumulation Index	Outperformance	S&P/ASX Small Industrials Accumulation Index	Outperformance
2003/2004	+6.5%	+13.5%	-7.0%	+10.7%	-4.2%
2004/2005	+5.2%	+22.4%	-17.2%	+26.1%	-20.9%
2005/2006	+13.4%	+17.2%	-3.8%	+20.1%	-6.7%
2006/2007	+30.7%	+29.5%	+1.2%	+38.2%	-7.5%
2007/2008	-31.6%	-26.7%	-4.9%	-36.5%	+4.9%
2008/2009	-4.8%	-14.5%	+9.7%	-21.6%	+16.8%
2009/2010 YTD	+10.3%	+14.5%	-4.2%	+10.3%	+0.0%
2010/2011	+22.4%	+12.8%	+9.6%	+20.1%	+2.3%

*The change in the portfolio before all expenses, fees and taxes.