

# Investment Update & Net Tangible Assets Report

AS AT 28 FEBRUARY 2014



## Performance

Performance at 28 February 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio	2.0%	8.8%	19.3%	19.8%	16.3%	19.3%
S&P/ASX All Ordinaries Accumulation Index	4.8%	7.9%	16.8%	10.4%	7.9%	11.1%
<b>Outperformance</b>	<b>-2.8%</b>	<b>+0.9%</b>	<b>+2.5%</b>	<b>+9.4%</b>	<b>+8.4%</b>	<b>+8.2%</b>

Investment performance and Index returns are before expenses, fees and taxes.

## Net Tangible Assets (NTA) figures

The following NTA figures are before the payment of the 3.75 cents per share fully franked interim dividend which will be paid on 30 April 2014. The shares will trade ex dividend on 11 April 2014.

NTA before tax	<b>110.40c</b>
NTA after tax and before tax on unrealised gains	<b>109.28c</b>
NTA after tax	<b>108.97c</b>

\* The above figures are after the payment of 1.81 cents in tax during the month and have not been adjusted for the remaining options on issue.

## Market overview

After a negative start to the 2014 calendar year (falling 2.8% in January), Australian equities rebounded in February with the S&P/ASX All Ordinaries Accumulation Index surging 4.8% by the end of the month. The strong performance was driven largely by a better than expected interim reporting season. Despite the market's positive reaction to company results announcements, the best reporting season since 2010 by some measures, there has still been no significant improvement to company earnings – a factor we believe is critical to driving the Australian equities market higher.

We are growing increasingly concerned that company Price to Earnings (P/E) ratios are far exceeding historical averages, particularly in the tech sector. Technology companies reported some of the strongest results during reporting season and, as a result, there have been significant re-ratings of some of these stocks. The high P/E trend has emerged amongst companies in other sectors also. We consider the P/Es some companies are trading on to be exceptionally high by historical standards.

We continue to be cautious in our outlook for the market in the short term. Although there have been some small earnings upgrades, these improvements have been driven by companies cutting costs, while revenue growth remains sluggish. With flat earnings and mixed company outlook statements, we anticipate the Australian sharemarket will end the year even. We are more optimistic over the medium to longer-term on the proviso that economic activity increases, driven by low interest rates.

### WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$153.7m
Market cap	\$161.6m
Share price	\$1.17
NTA before tax	\$1.10
Shares on issue	138,104,212
Options on issue	68,741,514
Fully franked annualised interim dividend (FY2014)	7.5c
Dividend yield	6.4%

### Investment objectives

- Provide a rising stream of fully franked dividends
- Achieve a high real rate of return, comprising both income and capital growth within risk parameters acceptable to the Directors

### Company overview

WAM Research Limited (ASX: WAX) is a Listed Investment Company managed by Wilson Asset Management Group. Listed in August 2003, WAM Research provides investors with exposure to a diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies listed on the Australian Securities Exchange.

### Investment & Management Team

**Geoff Wilson**  
Chairman/Portfolio Manager

**Kate Thorley**  
Chief Executive Officer/  
Company Secretary

**Chris Stott**  
Chief Investment Officer/  
Portfolio Manager

**Martin Hickson**  
Senior Equity Analyst/Dealer

**Matthew Haupt**  
Equity Analyst

**Mark Tobin**  
Equity Analyst

**Meredith Hemsley**  
Corporate Affairs

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## Diversified portfolio

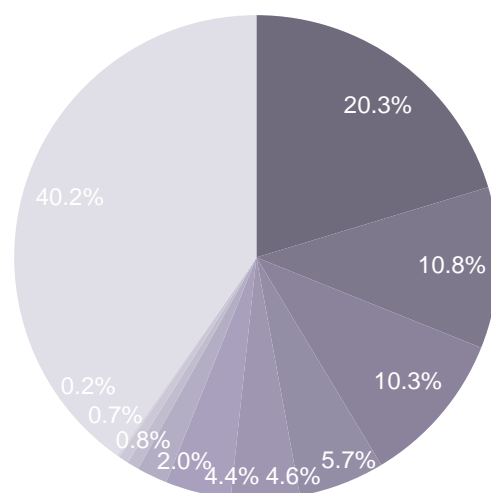
Investment Type	January 2014		February 2014	
	\$m	%	\$m	%
Listed Equities	79.9	52.1	91.9	59.8
Fixed Interest & Cash	73.3	47.9	61.8	40.2
Gross Assets	\$153.2m	100.0%	\$153.7m*	100.0%
Total shares on issue	138,037,534		138,104,212	
Total options on issue	68,808,192		68,741,514	

\*This is after the payment of \$2.5 million of tax during the month.

## Top holdings

Code	Company	Market Value as % Gross Assets
SGH	Slater & Gordon Limited	3.9%
AHE	Automotive Holdings Group Limited	3.1%
AAD	Ardent Leisure Group	3.0%
IPP	iProperty Group Limited	2.7%
SGN	STW Communications Group Limited	2.6%
DNA	Donaco International Limited	2.3%
CSV	CSG Limited	2.3%
VOC	Vocus Communications Limited	2.3%
NEA	Nearmap Limited	2.3%
NXT	NEXTDC Limited	2.3%
GWA	GWA Group Limited	2.1%
TNE	Technology One Limited	2.1%
CIW	Clime Investment Management Limited	2.0%
ENE	Energy Developments Limited	2.0%
WEB	Webjet Limited	2.0%
VRT	Virtus Health Limited	1.9%
SFW	SFG Australia Limited	1.8%
RWH	Royal Wolf Holdings Limited	1.7%
FXL	Flexigroup Limited	1.5%
OFX	Ozforex Group Limited	1.2%

## Sector allocation



- Consumer Discretionary: 20.3%
- Information Technology: 10.8%
- Financials: 10.3%
- Telecommunication Services: 5.7%
- Health Care: 4.6%
- Industrials: 4.4%
- Utilities: 2.0%
- Consumer Staples: 0.8%
- Materials: 0.7%
- Energy: 0.2%
- Cash and Fixed Interest: 40.2%

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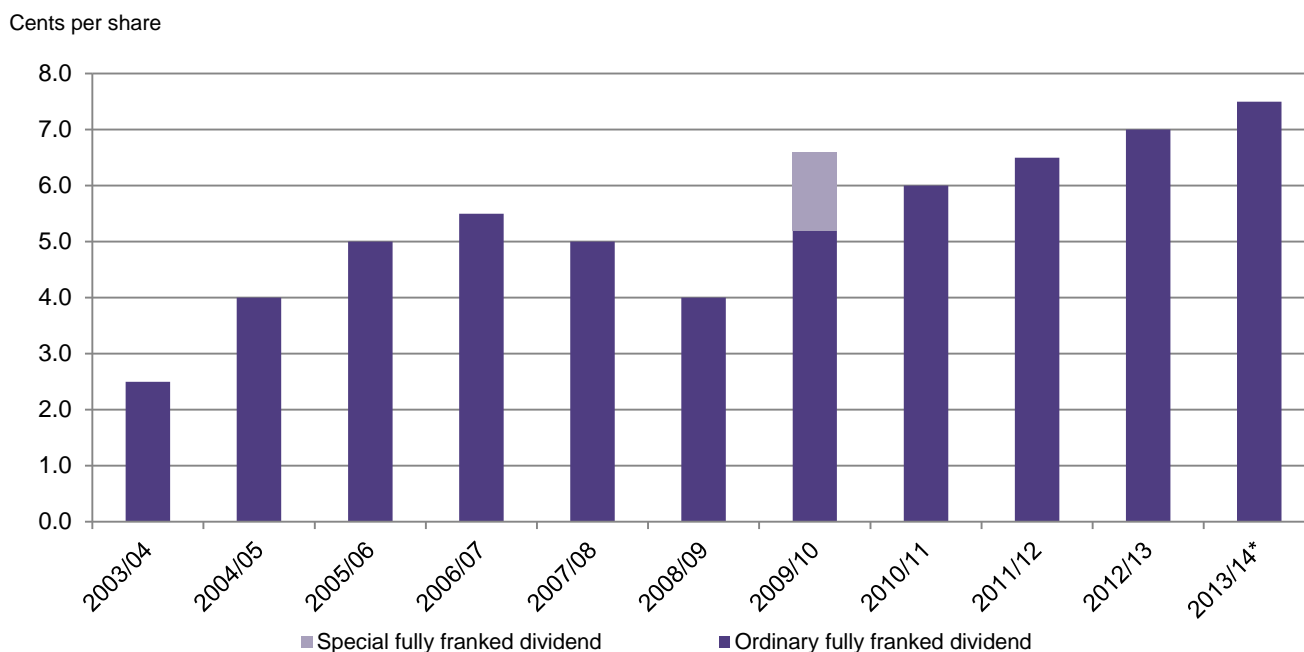
AS AT 28 FEBRUARY 2014



## Dividend growth

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

### WAM Research dividends since inception



\*Annualised interim dividend

On 3 February 2014, the Company announced a fully franked interim dividend of 3.75 cents per share. This is an increase of 7.1% on the previous corresponding period and represents an annualised fully franked dividend yield of 6.4%, based on the last closing price. The interim dividend will be paid on 30 April 2014 and will trade ex on 11 April 2014.

The Dividend Reinvestment Plan (DRP) will operate at a 2.5% discount. To participate in the DRP, shareholders should send their election to the Company's share registrar (Boardroom Pty Limited) no later than 17 April 2014.

## Key dividend dates

Last day for Options holders to exercise options in order to be eligible for the dividend:	10 April 2014
Ex date:	11 April 2014
Record date:	17 April 2014
Last election date for the DRP:	17 April 2014
Payment date:	30 April 2014

## Bonus Option Issue

On 28 October 2013, the Company announced a one for two bonus option issue ('Bonus Option Issue') to all WAM Research shareholders to acquire ordinary shares in the Company. The options have an exercise price of \$1.20 per share and can be exercised at any time on or before 17 June 2015. Option holders who would like to exercise their options to be eligible for the 3.75 cent fully franked interim dividend should do so by 10 April 2014.

As at 28 February 2014, 207,377 options had been exercised for a total consideration of \$248,852, with the remaining balance of outstanding options being 68,741,514.