

Investment Update & Net Tangible Assets Report

AS AT 31 JANUARY 2014



Performance

Performance at 31 January 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio	0.0%	11.0%	17.0%	23.6%	17.3%	19.1%
S&P/ASX All Ordinaries Accumulation Index	-2.8%	5.6%	11.4%	10.7%	7.0%	9.9%
Outperformance	+2.8%	+5.4%	+5.6%	+12.9%	+10.3%	+9.2%

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

Net Tangible Assets (NTA) figures

NTA before tax	109.60c
NTA after tax and before tax on unrealised gains	107.47c
NTA after tax	107.12c

* The above figures are after 96,805 options exercised during the month and have not been adjusted for the remaining options on issue.

Market overview

Australia's equity market had a negative start to the new calendar year with the S&P/ASX All Ordinaries Accumulation Index ('Index') falling 2.8% dragged lower by a range of factors including a series of company downgrades, the wind-down of the United States' Quantitative Easing ('QE') program, slower than expected growth in China and the spread of the so-called emerging markets crisis.

To date, volatility has characterised equity markets in February with the Index up 2.3% after dropping almost 2.0% in the first two sessions of the month. The interim reporting season is now underway with company results so far mixed. Our expectation over the coming weeks is for generally reasonable profit announcements with many companies reporting a second half skew to their earnings. Over coming weeks, we will be closely monitoring companies' ability to achieve earnings growth which, in our view, will be key to the Australian market edging higher.

In the medium to longer term, we have a bullish view of the equity market contingent on an increase in economic activity driven by record low interest rates. In the immediate term, we continue to have a cautious view of equities and our outlook for global and local sharemarkets remains subdued. We anticipate flat performances this calendar year with the majority of the economic recovery already priced in to current stock values. Despite this, we are confident that prevailing market conditions will continue to give rise to a range of opportunities and, with a strong cash weighting, the investment portfolio is well positioned to seize on these opportunities.

WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$153.2m
Market cap	\$153.9m
Share price	\$1.115
NTA before tax	\$1.10
Shares on issue	138,037,534
Options on issue	68,808,192
Fully franked annualised interim dividend (FY2014)	7.5c
Dividend yield	6.7%

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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AS AT 31 JANUARY 2014



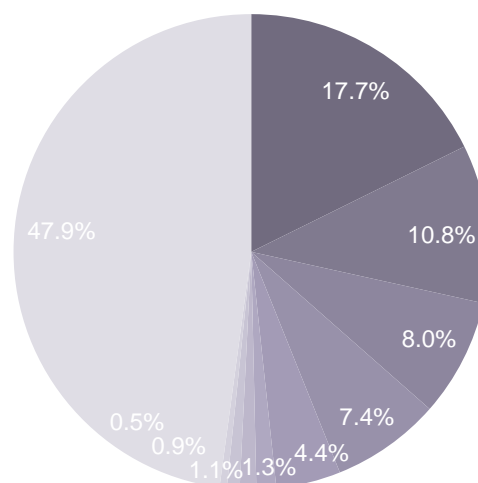
Diversified portfolio

Investment Type	December 2013		January 2014	
	\$m	%	\$m	%
Listed Equities	77.8	50.8	79.9	52.1
Fixed Interest & Cash	75.5	49.2	73.3	47.9
Gross Assets	\$153.3m	100.0%	\$153.2m	100.0%
Total shares on issue	137,940,729		138,037,534	
Total options on issue	68,904,997		68,808,192	

Top holdings

Code	Company	Market Value as % Gross Assets
SGH	Slater & Gordon Limited	3.4%
AHE	Automotive Holdings Group Limited	3.1%
NEA	Nearmap Limited	2.9%
SGN	STW Communications Group Limited	2.5%
NXT	NEXTDC Limited	2.4%
GWA	GWA Group Limited	2.2%
IPP	iProperty Group Limited	2.2%
CSV	CSG Limited	2.2%
CIW	Clime Investment Management Limited	2.2%
AAD	Ardent Leisure Group	2.1%
TNE	Technology One Limited	2.0%
VOC	Vocus Communications Limited	1.9%
DNA	Donaco International Limited	1.9%
SFW	SFG Australia Limited	1.8%
WEB	Webjet Limited	1.7%
RWH	Royal Wolf Holdings Limited	1.7%
RCR	RCR Tomlinson Limited	1.5%
FXL	Flexigroup Limited	1.3%
TEN	Ten Network Holdings Limited	1.3%
OFX	Ozforex Group Limited	1.1%

Sector allocation



- Consumer Discretionary: 17.7%
- Information Technology: 10.8%
- Financials: 8.0%
- Industrials: 7.4%
- Telecommunication Services: 4.4%
- Health Care: 1.3%
- Materials: 1.1%
- Consumer Staples: 0.9%
- Energy: 0.5%
- Cash and Fixed Interest: 47.9%

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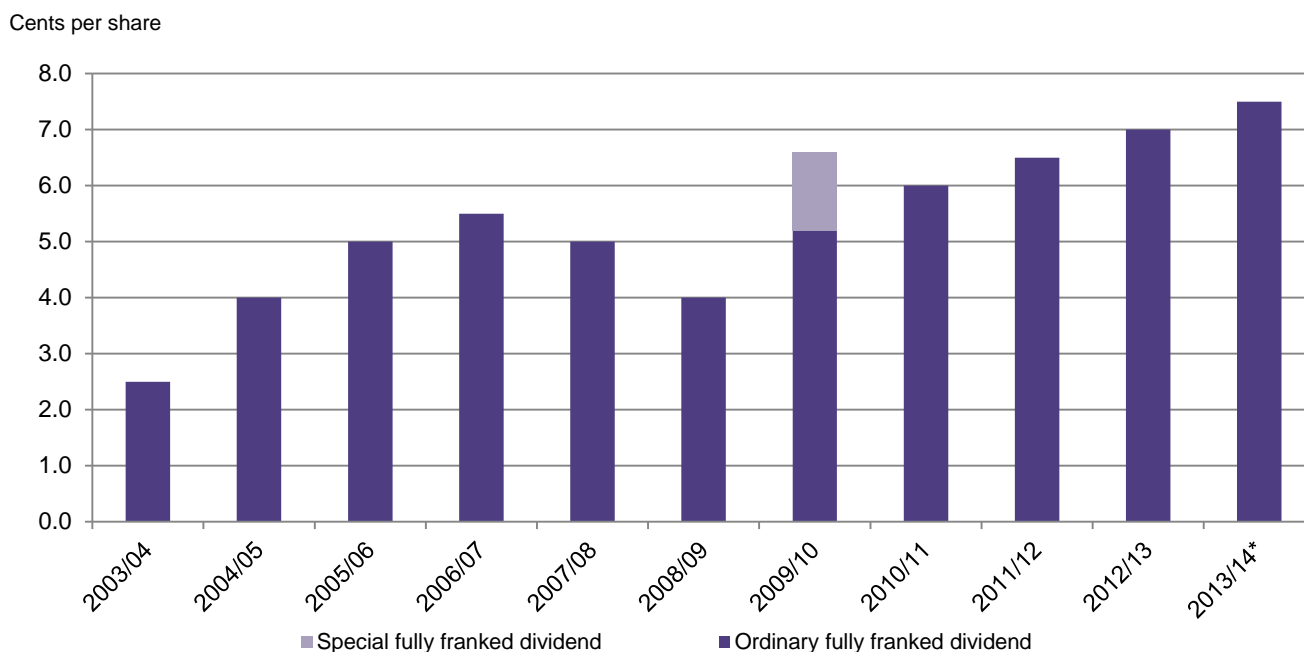
AS AT 31 JANUARY 2014



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) no later than 17 April 2014.

Key dividend dates

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. The options give shareholders the right, but not the obligation, to subscribe for shares in WAM Research at \$1.20 per share. The options can be exercised in full or in part. The options are currently trading on the Australian Securities Exchange ('ASX') under the code WAXO.

As at 31 January 2014, 96,805 options had been exercised for a total consideration of \$116,166, with the remaining balance of outstanding options being 68,808,192.