



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

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

In January WAX's gross portfolio (before all fees, costs and taxes) rose by 1.8%, while the S&P/ ASX 300 Industrials Accumulation Index rose by 1.7% and the S&P/ASX Small Industrials Accumulation Index rose by 0.4%.

Annualised Performance as at 31 January 2011	1 Month	6 Months	1 Year	3 Years	5 Years
WAM Research Limited*	+1.8%	+11.9%	+9.0%	-0.5%	+2.6%
S&P/ASX 300 Industrials Accumulation Index	+1.7%	+5.6%	+4.2%	-3.2%	+1.3%
Outperformance	+0.1%	+6.3%	+4.8%	+2.7%	+1.3%
S&P/ASX Small Industrials Accumulation Index	+0.4%	+13.7%	+8.5%	-5.8%	-0.9%
Outperformance	+1.4%	-1.8%	+0.5%	+5.3%	+3.5%

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

NTA before tax	90.31c
NTA after tax and before tax on unrealised gains	94.60c*
NTA after tax	94.60c*

*These figures include tax assets of 4.3 cents per share.

MARKET OUTLOOK

The upward march on world equity markets continued in January with investors becoming increasingly positive about the medium term economic outlook for global powerhouse, the United States. This offset growing concerns about inflation and higher interest rates in China. The impact of the floods held the benchmark S&P/ASX All Ordinaries Accumulation index to only a 0.07 per cent higher close.

MARKET OUTLOOK (CONTINUED)

Bucking a recent trend, industrial stocks outperformed the booming resources sector. Mining companies were sold off as investors became increasingly cautious about the possibility of slow down in the Chinese economy. The Chinese government has been forced to restrict bank lending and lift interest rates to quell inflation which is hovering around 5 per cent. This tightening is expected to continue through the first half of calendar year 2011 and we watch in anticipation. If Chinese interest rates need to be raised aggressively in the coming months we anticipate that resource stocks will undergo a multiple month correction. Once this is complete we would envisage that demand for base commodities will strengthen during calendar year 2012.

In contrast, industrial stocks are beginning to benefit from a more bullish 2011 outlook for the US economy. With the Federal Reserve in the US determined to keep interest rates at historical lows for an extended period, investors will be keen to buy equities to take advantage of a recovering economy. This should be a major positive for Australia's industrial stocks. In addition, we eagerly await the next move by the Australian Reserve Bank on domestic interest rates. While the market's perception is that official interest rates will track higher in 2011, we believe the current soft economy will allow the RBA to hold fire despite the boom in the mining sector. Flat interest rates would allow the industrial and financial sectors to enjoy stronger growth in the medium term. The upcoming reporting period will provide an insight into the impact of the rise in interest rates from last year has had on the economy.

DIVIDENDS

On 12 January 2011 the company announced a fully franked interim dividend of 3.0 cents per share. This is a 15% increase on the interim dividend last year and is to be paid as follows.

Ex Date:	15 March 2011
Record Date:	21 March 2011
Payment Date:	28 March 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$0.79 being closing price 11 February 2011) is a 12.5% discount to the 31 January 2011 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 21 March 2011.

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. This is a major change for Listed Investment Companies.

PORTFOLIO STRUCTURE

Investment Type	As at 31 Dec 2010		As at 31 Jan 2011	
	\$m	%	\$m	%
Listed Equities	85.10	79.3%	81.85	76.1%
Fixed Interest and Cash	20.63	20.7%	25.73	23.9%
Total Assets	105.73	100.0%	107.58	100.0%
	No.		No.	
Total ordinary shares on issue	118,526,587		118,526,587	

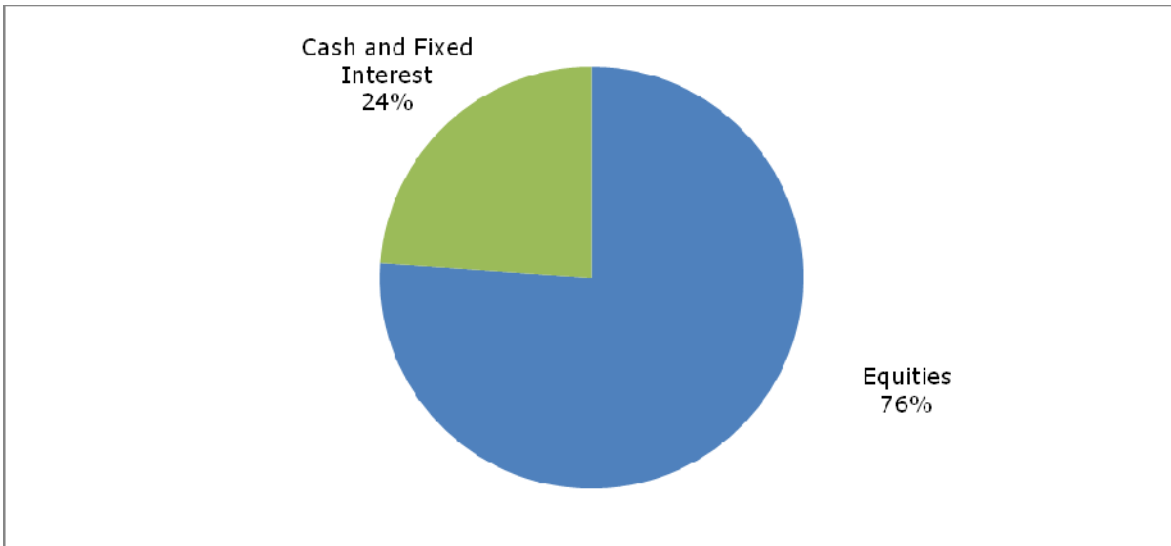
PORTFOLIO STRUCTURE (CONTINUED)

As at 31 January 2011 the top listed equities and hybrids (value over \$1 million) were as follows:

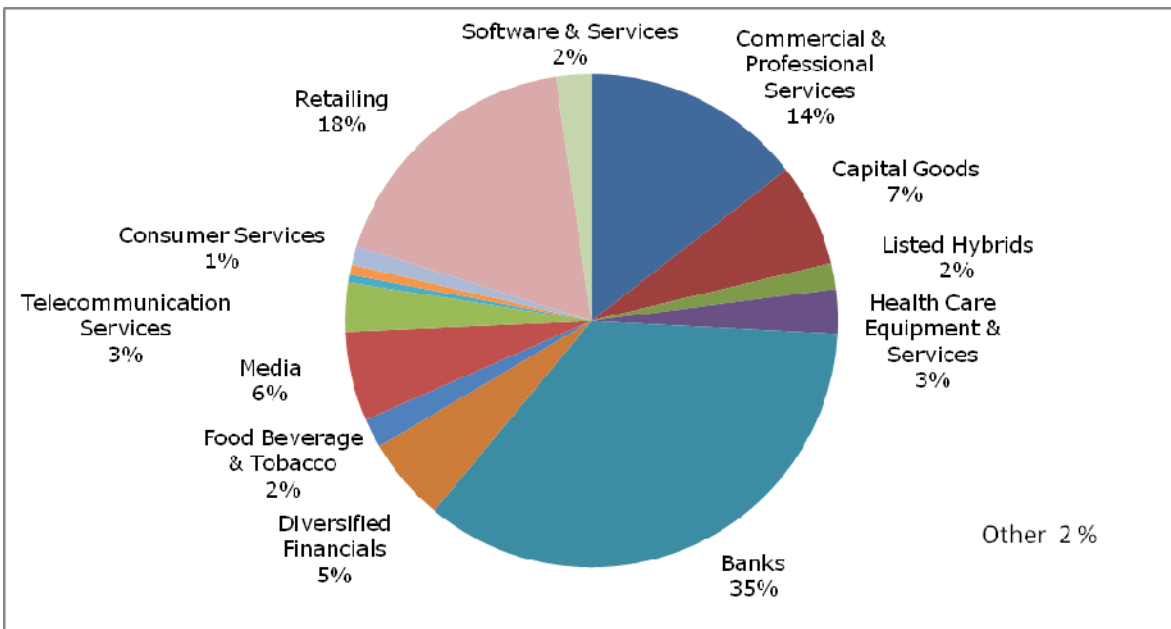
Code	Company	Market Value \$	Market Value as % of Gross Assets
NAB	National Australia Bank Limited*	5,671,800	5.3%
MMS	McMillan Shakespeare Limited	5,348,623	5.0%
WBC	Westpac Banking Corporation*	4,885,375	4.5%
APE	AP Eagers Limited	4,369,442	4.1%
WBB	Wide Bay Australia Limited	4,301,159	4.0%
CBA	Commonwealth Bank of Australia*	4,034,174	3.8%
SGN	STW Communications Group Limited	3,690,016	3.4%
CCP	Credit Corp Group Limited	3,676,871	3.4%
MYS	MyState Limited	3,438,413	3.2%
RHG	RHG Limited	3,309,224	3.1%
ANZ	Australia and New Zealand Banking Group Limited*	3,136,275	2.9%
TGA	Thorn Group Limited	2,812,909	2.6%
BRG	Breville Group Limited	2,473,386	2.3%
SAI	SAI Global Limited	2,422,563	2.3%
BKL	Blackmores Limited	2,358,618	2.2%
ARP	ARB Corporation Limited	2,168,183	2.0%
RCR	RCR Tomlinson Limited	2,077,036	1.9%
AMM	Amcom Telecommunication Limited	1,981,518	1.8%
CIW	Clime Investment Management Limited	1,687,903	1.6%
SHV	Select Harvest Limited	1,572,716	1.5%
ORL	OrotonGroup Limited	1,566,256	1.5%
SVWPA	Seven Network Ltd preference shares	1,389,000	1.3%
CAF	Centrepont Alliance Limited	1,317,917	1.2%
IRE	IRESS Market Technology Limited	1,296,237	1.2%
IPP	IPGA Limited	1,112,698	1.0%
RQL	Resource Equipment Limited	1,105,381	1.0%
IMFG	IMF (Australia) Ltd 10.25% Sec Red Conv Note	1,086,545	1.0%
AHE	Automotive Holdings Group Limited	1,043,839	1.0%
CTD	Corporate Travel Management Limited	1,010,872	0.9%
REH	Reece Australia Limited	1,007,928	0.9%

*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 31 January 2011 on a financial year basis 1 July to 30 June. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX 300 Industrials Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are also before tax and expenses.

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	+16.1%	+10.3%	+5.8%	+19.3%	-3.2%

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