



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
NOVEMBER 2012

Company overview

WAM Research Limited (WAX) is a listed investment company that invests in undervalued growth companies, primarily small to medium sized industrial companies listed on the ASX.

Investment objective

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.

Outperformance against sharemarket

The performance of the WAX Investment Portfolio against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The investment performance is before expenses, fees and taxes.

| Performance as at 30 November 2012 | 1 Mth % | 6 Mths % | Fin YTD % | 1 Yr % | 3 Yrs %pa | 5 Yrs %pa |
|---|--------------|--------------|--------------|---------------|--------------|--------------|
| WAX Investment Portfolio | +1.9% | +14.1% | +13.5% | +23.8% | +9.6% | +1.0% |
| S&P/ASX All Ordinaries Accumulation Index | +0.3% | +12.0% | +11.7% | +13.1% | +2.9% | -3.1% |
| Outperformance | +1.6% | +2.1% | +1.8% | +10.7% | +6.7% | +4.1% |

Net Tangible Asset (NTA) figures

The following NTA figures are after the payment of a fully franked final dividend of 3.25 cents per share paid on the 19 October 2012.

| | |
|---|----------------|
| NTA before tax | 90.85c |
| NTA after tax and before tax on unrealised gains | 93.83c* |
| NTA after tax | 93.83c* |

*These figures include tax assets of 2.98 cents per share.

Market Outlook

November keeps positive momentum going - just!

The ASX S&P All Ordinaries Accumulation Index finished up 0.27% for November. The market rallied strongly in the second half of the month to recover its early losses and eke out a small gain. This continued its positive momentum in 2012. We have now registered 10 positive months in the last 11. There was also another 0.25% cash rate cut from the RBA just after the month's end, returning the cash rate to the same level as during the GFC. These low interest rates should help stimulate merger and takeover activity as their cost of capital for funding corporate activity has now fallen significantly. At some point this low interest rate environment should also stimulate the broader economy.

AGM season reflections

The number and breadth of earnings downgrades announced during the AGM season in November was the most notable in memory. This suggests that, even after the recent interest rate cuts, there could be more reductions by the RBA in 2013. Company feedback suggests economic conditions remain tough.

Miners digging for savings

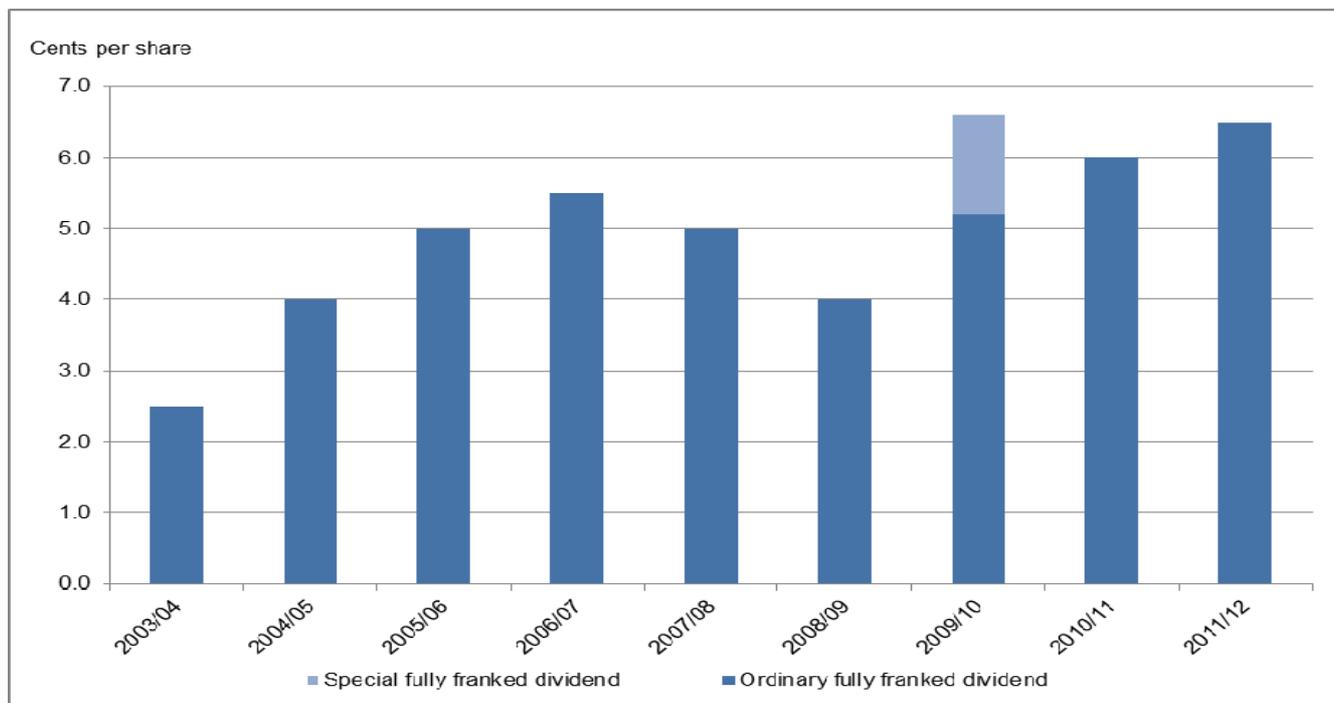
Rio Tinto announced a major cutback in their capital expenditure and exploration budget during the month. This follows similar moves by BHP Billiton and Fortescue Metal Group a few months ago. The brunt of these cuts will be felt by many mining services companies who work with the major miners. Although companies in the sector have experienced big declines in their share prices over the last 6 months, they may have further falls based on these cost reduction programs. As new contracts are negotiated and current contracts come up for renewal, profit margins may be squeezed and revenue could fall as less work is undertaken. As these mining services companies are smaller in size they may provide us with trading opportunities as this new phase of the resources story plays out.

Dividends – 3.25 cents per share fully franked final

On 19 October 2012, the Company paid a fully franked final dividend of 3.25 cents per share. This is a 8.3% increase on the previous year's final dividend. The final dividend includes 0.4 cents of LIC capital gain which will enable some shareholders to claim a further tax deduction.

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. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow and cash holdings.

Dividends (continued)



Portfolio structure

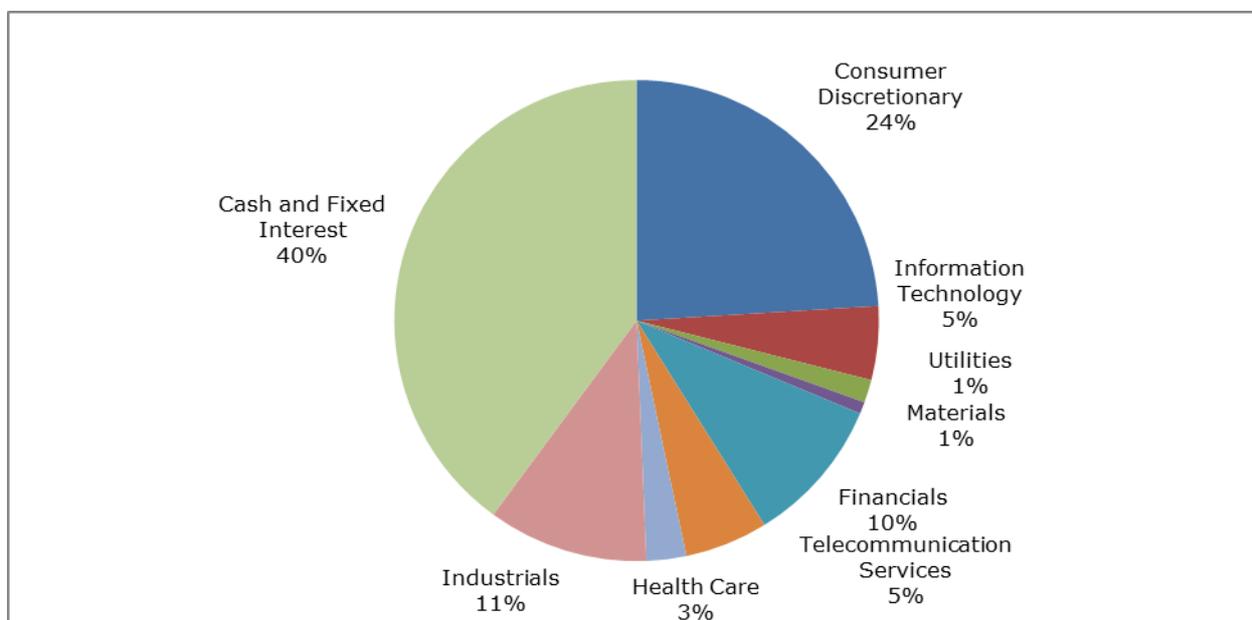
| Investment Type | As at 31 October 2012 | | As at 30 November 2012 | |
|--|-----------------------|---------------|------------------------|---------------|
| | \$m | % | \$m | % |
| Listed Equities | 66.5 | 60.8% | 66.9 | 60.1% |
| Fixed Interest and Cash | 42.8 | 39.2% | 44.4 | 39.9% |
| Total Fund Size | \$109.3m | 100.0% | \$111.3m | 100.0% |
| Total number ordinary shares on issue | 121,634,257 | | 121,634,257 | |

Portfolio structure (continued)

At 30 November 2012 the major securities held in the portfolio were as follows:

| Code | Company | Market Value \$ | Market Value as % of Gross Assets |
|------|-------------------------------------|--------------------|---|
| APE | AP Eagers Limited | 6,803,973 | 6.1% |
| MFG | Magellan Financial Group Limited | 3,856,530 | 3.5% |
| NXT | NEXTDC Limited | 3,427,200 | 3.1% |
| BRG | Breville Group Limited | 3,301,516 | 3.0% |
| AHE | Automotive Holdings Group Limited | 3,257,070 | 2.9% |
| ALS | Alesco Corporation Limited | 3,154,790 | 2.8% |
| ARP | ARB Corporation Limited | 3,104,443 | 2.8% |
| AMM | Amcom Telecommunication Limited | 2,748,488 | 2.5% |
| FAN | Fantastic Holdings Limited | 2,740,700 | 2.5% |
| CTD | Corporate Travel Management Limited | 2,575,181 | 2.3% |
| RKN | Reckon Limited | 2,495,674 | 2.2% |
| SKE | Skilled Group Limited | 2,043,877 | 1.8% |
| RHG | RHG Limited | 2,014,622 | 1.8% |
| IPP | iProperty Group Limited | 1,867,777 | 1.7% |
| CIW | Clime Investment Management Limited | 1,822,168 | 1.6% |
| REA | REA Group Limited | 1,581,558 | 1.4% |
| LCM | Logicamms Limited | 1,524,496 | 1.4% |
| EAX | Energy Action Limited | 1,516,671 | 1.4% |
| GEM | G8 Education Limited | 1,506,202 | 1.4% |
| CCP | Credit Corp Group Limited | 1,428,792 | 1.3% |

Portfolio structure - sector allocation



Performance – yearly comparison

Set out below is the performance of WAX's investment portfolio since listing to 30 November 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to the performance of the investment portfolio against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

| Financial Year | WAX Investment Portfolio | S&P/ASX All Ordinaries Accumulation Index | Outperformance |
|----------------|--------------------------|---|----------------|
| 2003/2004 | +6.5% | +22.4% | -15.9% |
| 2004/2005 | +5.2% | +24.8% | -19.6% |
| 2005/2006 | +13.4% | +24.2% | -10.8% |
| 2006/2007 | +30.7% | +30.3% | +0.4% |
| 2007/2008 | -31.6% | -12.1% | -19.5% |
| 2008/2009 | -4.8% | -22.2% | +17.4% |
| 2009/2010 | +10.3% | +13.8% | -3.5% |
| 2010/2011 | +17.5% | +12.2% | +5.3% |
| 2011/2012 | +4.5% | -7.0% | +11.5% |
| YTD 2012/2013 | +13.5% | +11.7% | +1.8% |

For more information

Please contact Geoff Wilson, Chris Stott or Kate Thorley.

Wilson Asset Management
Level 11, 139 Macquarie Street, Sydney NSW 2000
GPO Box 4658 Sydney NSW 2001

Phone 02 9247 6755
Fax 02 9247 6855
info@wamfunds.com.au

www.wamfunds.com.au