

Investment Update & Net Tangible Assets Report

AS AT 31 OCTOBER 2013



Outperformance against sharemarket

Performance at 31 October 2013	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	5 Yrs %pa
WAX Investment Portfolio*	2.5%	15.0%	17.8%	37.8%	20.1%	16.8%
S&P/ASX All Ordinaries Accumulation Index	3.9%	7.2%	15.1%	24.7%	9.3%	11.1%
Outperformance	-1.4%	+7.8%	+2.7%	+13.1%	+10.8%	+5.7%

* The investment performance is before expenses, fees and taxes.

Net Tangible Assets (NTA) figures

The following NTA figures are after the payment of the 3.5 cent per share fully franked final dividend on 31 October 2013.

NTA before tax	111.27c
NTA after tax and before tax on unrealised gains	107.98c
NTA after tax	107.57c

Market overview

In October, the S&P/ASX All Ordinaries Accumulation Index ('Index') increased 3.9% with markets globally driven higher by a consensus view that the US Federal Reserve would not taper its program of Quantitative Easing ('QE') until well into calendar year 2014. Early in the month the market was weighed down by concerns arising from the US Congress' impasse over the country's debt ceiling. The market's gains in October add to strong performance in recent months with the Index now up more than 20% for the calendar year to date.

In Australia and overseas, the Initial Public Offering ('IPO') market is extremely buoyant with the much-anticipated float of social media giant Twitter last week far exceeding initial market expectations - its share price surging 72% on its first day of trade. Locally, the IPO market is also strong with applications for shares in several companies readying to list being oversubscribed well ahead of their scheduled IPO dates. We anticipate a rush of IPOs between now and the Christmas/New Year break including the ASX market debut of the online contracting site Freelancer Limited (FLN) which is expected later this month. Like Twitter, FLN will test the market's appetite for the pure online business model. We have participated in many recent IPOs.

The market's appetite for IPOs and its recent strong performance is not however reflected in company earnings with numerous companies reporting earnings downgrades in recent weeks including Ausdrill Limited (ASL) and Echo Entertainment (EGP). The Annual General Meeting season will peak over the next fortnight and we expect other companies will use their shareholder meetings as an opportunity to revise their profit forecasts downwards. The Company does not hold any shares in ASL or EGP.

WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$138.4m
Market cap	\$145.1m
Share price	\$1.175
NTA before tax	\$1.11
Shares on issue	123,510,949
Fully franked dividends (FY2013)	7.0c
Dividend yield	6.0%

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

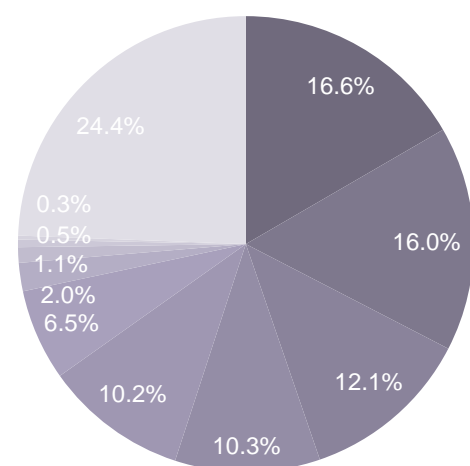
Investment Type	September 2013		October 2013	
	\$m	%	\$m	%
Listed Equities	104.9	75.6	104.6	75.6
Fixed Interest & Cash	33.8	24.4	33.8	24.4
Gross Assets	\$138.7m	100.0%	\$138.4m*	100.0%
Total shares on issue	122,599,235		123,510,949	

* This is after the payment of the fully franked final dividend during the month.

Top holdings

Code	Company	Market Value as % Gross Assets
CLO	Clough Limited	5.6%
GNC	Graincorp Limited	5.4%
SGH	Slater & Gordon Limited	3.8%
NEA	Nearmap Limited	3.0%
AHE	Automotive Holdings Group Limited	2.9%
NXT	NEXTDC Limited	2.6%
SFW	SFG Australia Limited	2.6%
MTU	M2 Telecommunications Group Limited	2.5%
CSV	CSG Limited	2.4%
RCR	RCR Tomlinson Limited	2.4%
CIW	Clime Investment Management Limited	2.3%
GWA	GWA Group Limited	2.3%
SGN	STW Communications Group Limited	2.1%
TPM	TPG Telecom Limited	2.1%
AAD	Ardent Leisure Group	2.1%
EPW	ERM Power Limited	2.0%
VOC	Vocus Communications Limited	2.0%
IPP	iProperty Group Limited	1.9%
RWH	Royal Wolf Holdings Limited	1.9%
UGL	UGL Limited	1.8%

Sector allocation



- Consumer Discretionary 16.6%
- Industrials 16.0%
- Information Technology 12.1%
- Financials 10.3%
- Telecommunication Services 10.2%
- Consumer Staples 6.5%
- Utilities 2.0%
- Energy 1.1%
- Health Care 0.5%
- Materials 0.3%
- Cash and Fixed Interest 24.4%

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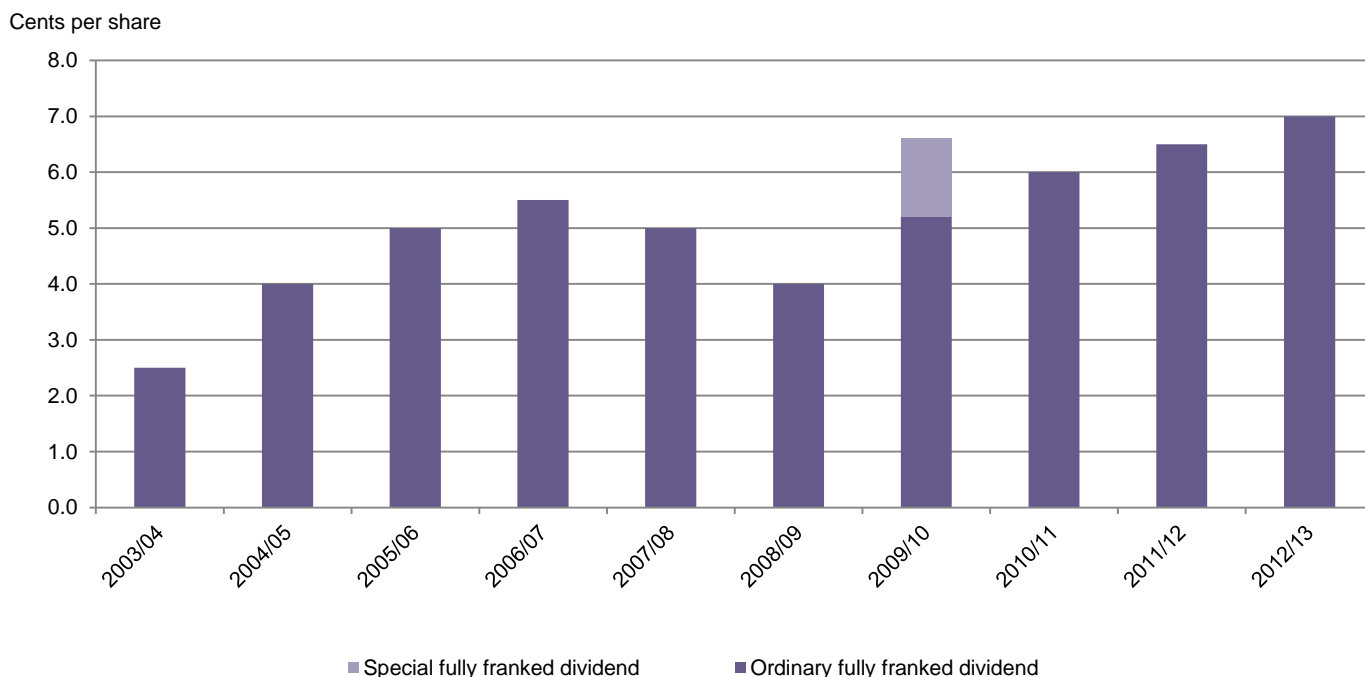
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Dividend growth

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



On 31 October 2013, the Company paid a fully franked final dividend of 3.5 cents per share, an increase of 7.7% on the previous corresponding period. The final dividend includes 1.84 cents of Listed Investment Company ('LIC') capital gain which will enable some shareholders to claim a further tax deduction. The final dividend brings the total dividend for FY2013 to 7.0 cents per share and represents a fully franked annual dividend yield of 6.1%, based on the last closing price.

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. Shareholders will be issued one option for every two shares held in the Company under the Bonus Option Issue. Options are issued at no cost to shareholders.

Options will have an exercise price of \$1.20 per share and will expire on 17 June 2015. The options will trade on the ASX under the code WAXO. A prospectus for the Bonus Option Issue will be sent to shareholders of the Company in due course. WAM Research shares will trade ex-bonus entitlement on 28 November 2013. The record date to determine entitlements under the Bonus Option Issue will be 4 December 2013.

DRP Shortfall Placement

On 30 October 2013, the Company announced that it successfully raised \$16.5 million through the DRP Shortfall Placement. The Placement was substantially oversubscribed with strong interest from a range of investors.

WAM Research's increased capital base reduces the Company's fixed administration costs, as a percentage of assets. In addition, a larger capital structure increases the Company's liquidity and relevance in the market.