

# Investment Update & Net Tangible Assets Report

AS AT 30 SEPTEMBER 2014



## Performance

Performance at 30 September 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	0.9%	7.8%	8.7%	14.0%	23.7%	19.0%
S&P/ASX All Ordinaries Accumulation Index	-5.3%	0.2%	-0.3%	5.9%	14.0%	9.6%
<b>Outperformance</b>	<b>+6.2%</b>	<b>+7.6%</b>	<b>+9.0%</b>	<b>+8.1%</b>	<b>+9.7%</b>	<b>+9.4%</b>

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

## Professional Planner / Zenith Fund Awards 2014

We are pleased to share with you that Wilson Asset Management took home the award for the Listed Investment Company Category at the Professional Planner/Zenith Fund Awards 2014 on Friday. We are delighted to be recognised for our work and would like to thank our shareholders for their ongoing support.

## Net Tangible Assets (NTA) figures

The following NTA figures are before the 3.75 cents per share fully franked final dividend due to be paid on 24 October 2014. The shares traded ex-dividend on 13 October 2014.

NTA before tax	<b>113.12c</b>
NTA after tax and before tax on unrealised gains	<b>111.37c</b>
NTA after tax	<b>111.12c</b>

\* The above figures are after 561,947 options exercised during the month and have not been adjusted for the remaining options on issue.

## Market overview

The Australian sharemarket stumbled in September with the S&P/ASX All Ordinaries closing down 5.3% for the month, wiping out all of the gains since the start of the financial year. The market was weighed down by the heavy underperformance of its two biggest sectors – banks, as concerns around additional capital requirements intensified, and mining due to falling commodity prices, in particular iron ore.

Global equities also struggled during the month with the S&P 500 Index in the US falling 1.6%. Uncertainty around the timing of interest rate hikes in the US and the UK put further pressure on the AUD, which fell 6.3% over the month and caused the Australian sharemarket to significantly underperform global markets in USD terms. We believe offshore investors have continued to repatriate funds after chasing yield in Australia over the last five years.

Looking to the near term, we are cautious about the upcoming AGM season. In our view, the Australian economy continues to be lethargic, as evidenced by second quarter GDP growth slowing to 3.1% from 3.4% in the first quarter of the year. With our current cash levels, we are well placed to take advantage of opportunities as they arise. Over the short term, equity market returns are likely to remain below longer term averages, however we believe that the medium to longer term view of the market is more positive.

### WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$164.0m
Market cap	\$164.5m
Share price	\$1.17*
NTA before tax	\$1.13*
Shares on issue	140,609,565
Options on issue	67,407,336
Fully franked dividends (FY2014)	7.5c
Dividend yield	6.4%

\*Before the payment of the final dividend of 3.75c fully franked.

### 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**  
Senior Equity Analyst

**Tobias Yao**  
Equity Analyst

**Melanie Shaw**  
Corporate Affairs

# Investment Update & Net Tangible Assets Report

AS AT 30 SEPTEMBER 2014



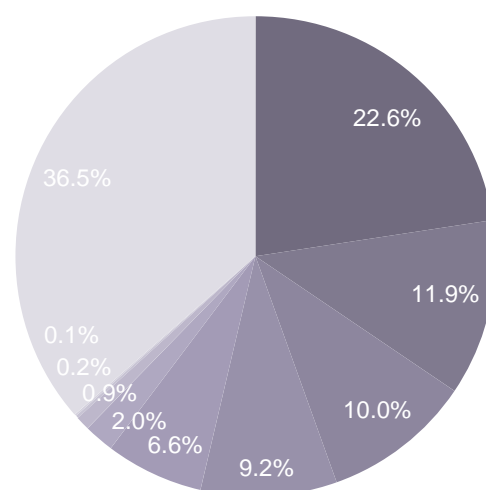
## Diversified portfolio

Investment Type	August 2014		September 2014	
	\$m	%	\$m	%
Listed Equities	127.8	78.8	104.1	63.5
Fixed Interest & Cash	34.3	21.2	59.9	36.5
Gross Assets	\$162.1m	100.0%	\$164.0m	100.0%
Total shares on issue	140,047,618		140,609,565	
Total options on issue	67,969,283		67,407,336	

## Top holdings

Code	Company	Market Value as % Gross Assets
SGH	Slater & Gordon Limited	4.0%
CSV	CSG Limited	3.2%
CBAPA	CBA Perpetual Exc Resale Listed Sec - PERLS V	2.9%
GXL	Greencross Limited	2.9%
AHE	Automotive Holdings Group Limited	2.7%
IFM	Infomedia Limited	2.3%
SRX	Sirtex Medical Limited	2.2%
CTD	Corporate Travel Management Limited	2.2%
MTR	Mantra Group Limited	2.1%
ISU	iSelect Limited	2.1%
3PL	3P Learning Limited	2.0%
ENE	Energy Developments Limited	2.0%
CCP	Credit Corp Group Limited	2.0%
TNE	Technology One Limited	2.0%
VED	Veda Group Limited	1.9%
AHD	Amalgamated Holdings Limited	1.9%
ISD	Isentia Group Limited	1.8%
AAD	Ardent Leisure Group	1.8%
SIQ	Smartgroup Corporation Limited	1.7%
CIW	Clime Investment Management Limited	1.6%

## Sector allocation



- Consumer Discretionary: 22.6%
- Information Technology: 11.9%
- Industrials: 10.0%
- Financials: 9.2%
- Health Care: 6.6%
- Utilities: 2.0%
- Consumer Staples: 0.9%
- Telecommunication Services: 0.2%
- Energy: 0.1%
- Cash and Fixed Interest: 36.5%

# Investment Update & Net Tangible Assets Report

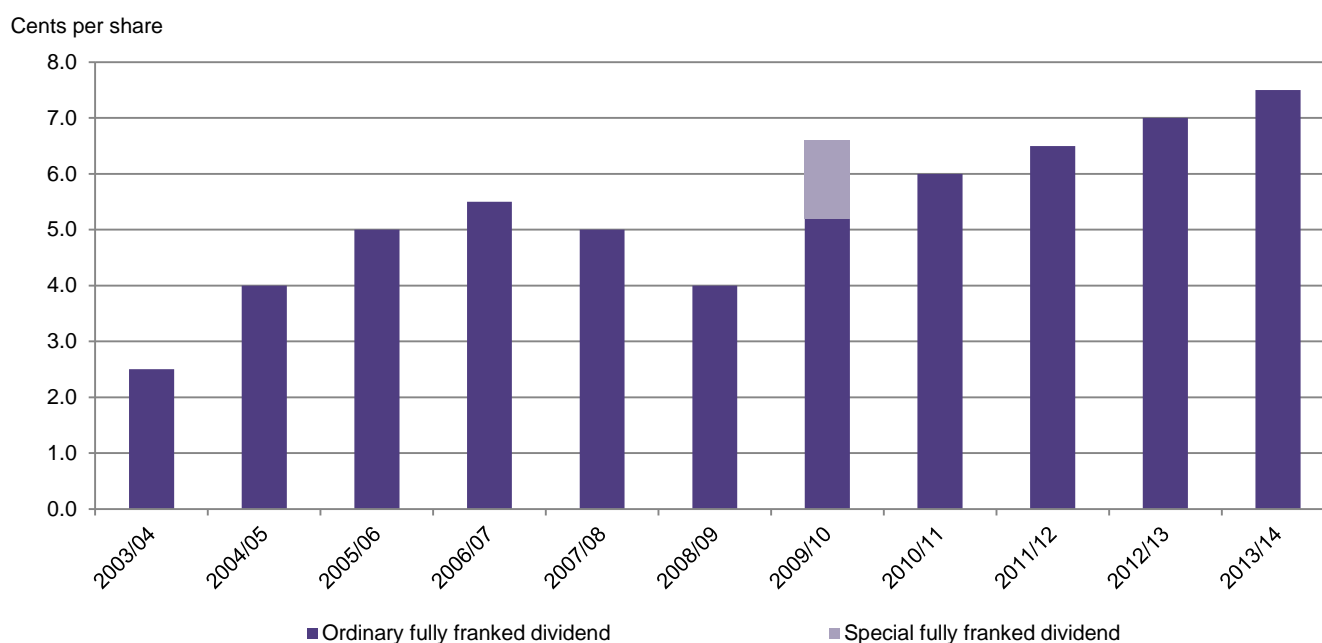
AS AT 30 SEPTEMBER 2014



## 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. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. 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 4 August 2014, the Company announced a fully franked final dividend of 3.75 cents per share. This brings the full year fully franked dividend to 7.5 cents per share, an increase of 7.1% on the previous corresponding period.

The dividend reinvestment plan (DRP) will operate at a 2.5% discount for the final dividend. To participate in the DRP, shareholders should send their DRP Election Form to the Company's share registrar (Boardroom) no later than 16 October 2014.

## Key dividend dates

Ex date:	13 October 2014
Record date:	15 October 2014
Last election date for DRP:	16 October 2014
Payment date:	24 October 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.

As at 30 September 2014, 1,541,555 options had been exercised for a total consideration of \$1,849,866, with the remaining balance of outstanding options being 67,407,336.