

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

WAM Research Limited (WAX) is a listed investment company primarily investing in small to medium sized industrial companies listed on the ASX. 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.

<b>Performance as at 30 September 2011</b>	<b>1 Mth %</b>	<b>6 Mths %</b>	<b>Fin Ytd %</b>	<b>1 Yr %</b>	<b>3 Yrs %pa</b>	<b>5 Yrs %pa</b>
WAM Research Limited*	-2.7%	-9.0%	-5.8%	+1.8%	+5.7%	-0.7%
S&P/ASX 300 Industrials Accumulation Index	-3.2%	-10.7%	-8.2%	-6.7%	-0.4%	-2.5%
<b>Outperformance</b>	<b>+0.5%</b>	<b>+1.7%</b>	<b>+2.4%</b>	<b>+8.5%</b>	<b>+6.1%</b>	<b>+1.8%</b>
S&P/ASX Small Industrials Accumulation Index	-6.8%	-14.7%	-10.5%	-8.0%	-2.2%	-5.7%
<b>Outperformance</b>	<b>+4.1%</b>	<b>+5.7%</b>	<b>+4.7%</b>	<b>+9.8%</b>	<b>+7.9%</b>	<b>+5.0%</b>

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

The following NTA figures are before the payment of a fully franked final dividend of 3.0 cents per share due to be paid on 21 October 2011. The shares traded ex dividend on 10 October 2011.

<b>NTA before tax</b>	<b>82.58c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>89.83c*</b>
<b>NTA after tax</b>	<b>89.83c*</b>

\*These figures include tax assets of 7.25 cents per share.

### **Market Outlook**

The Australian market continued its downward trajectory with September producing the sixth straight month of negative returns. The S&P/ASX All Ordinaries Accumulation Index closed the month down 6.3% with investors continuing to grapple with slowing economic growth globally. Focus was once again centered on Europe and the potential solutions being proposed to resolve the financial crisis, in particular stopping Greece defaulting. We continue to expect a prolonged period of deleveraging globally over the next few years.

## Market Outlook (continued)

Locally, the Reserve Bank minutes in October have indicated a high probability of a cut in interest rates on Melbourne Cup day. If this scenario plays out, we believe this could be positive for industrial earnings growth over the next 1-2 years. In the meantime, we expect the equity markets will continue to be led by offshore events in Europe and the US. As such, we remain cautious with higher than average cash levels.

## Dividends

On 21 October 2011, the company will pay a fully franked final dividend of 3.0 cents per share fully franked. This brings the FY2011 full year dividend to 6.0 cents per share fully franked.

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 be made with consideration to cash flow, cash holdings and available franking credits.

## Portfolio Structure

Investment Type	As at 31 August 2011		As at 30 September 2011	
	\$m	%	\$m	%
Listed Equities	74.1	72.8%	65.2	65.9%
Fixed Interest and Cash	27.7	27.2%	33.8	34.1%
<b>Total Fund Size</b>	<b>\$101.8m</b>	<b>100.0%</b>	<b>\$99.0m</b>	<b>100.0%</b>
	<b>No.</b>		<b>No.</b>	
<b>Total ordinary shares on issue</b>	119,217,215		119,217,215	

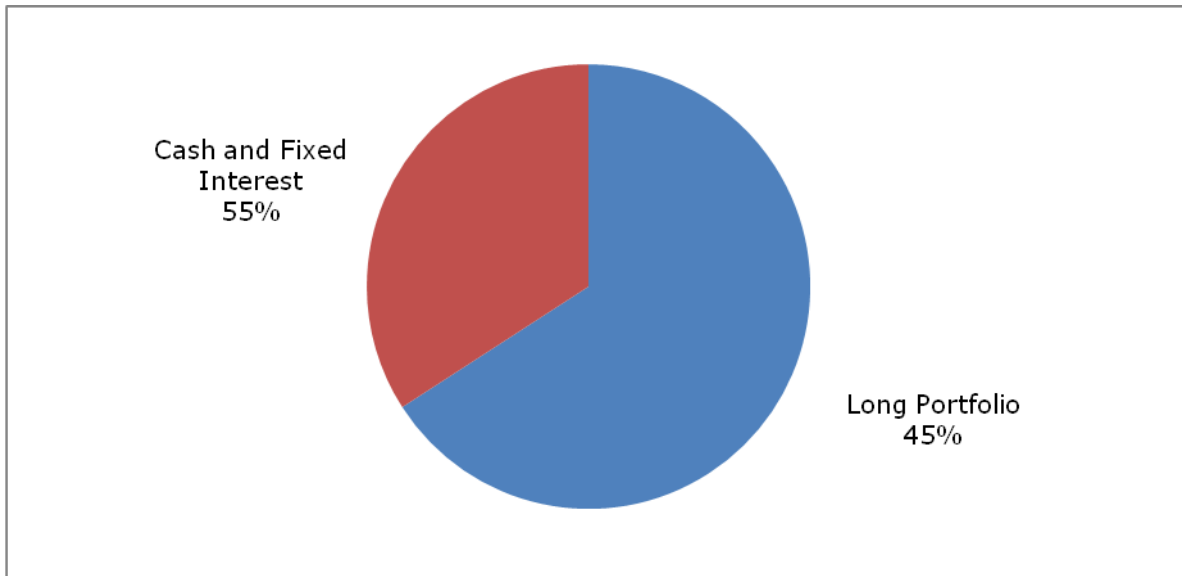
## Portfolio Structure (continued)

At 30 September 2011 the major securities held in the portfolio were:

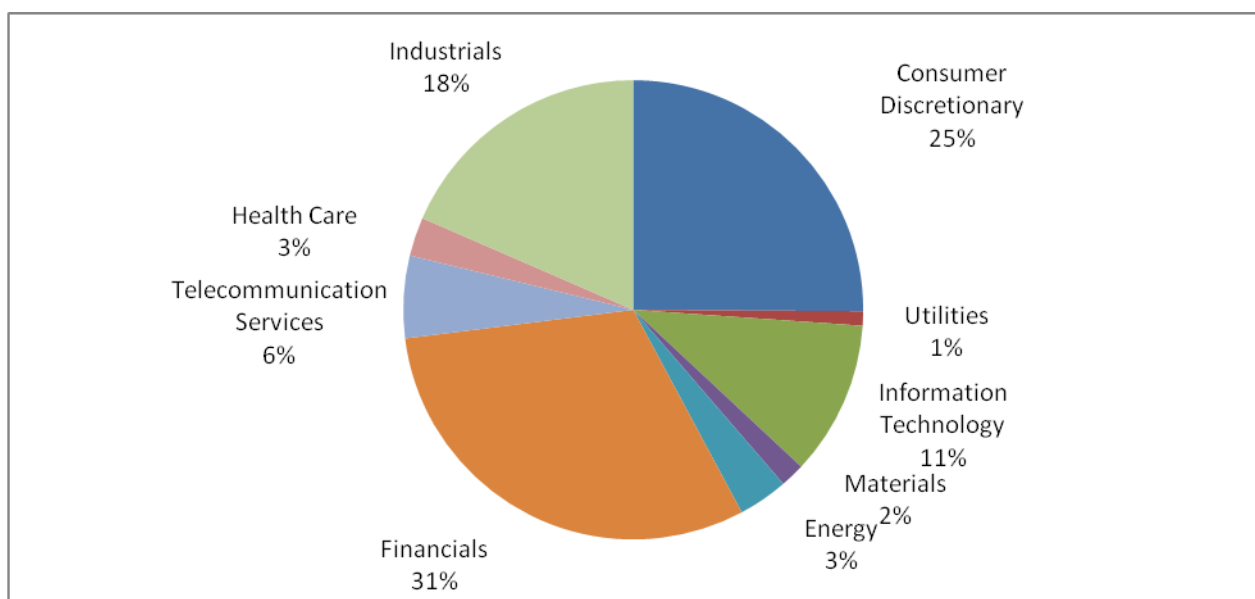
<b>Code</b>	<b>Company</b>	<b>Market Value \$</b>	<b>Market Value as % of Gross Assets</b>
NAB	National Australia Bank Limited	5,145,100	5.2%
MMS	McMillan Shakespeare Limited	4,323,380	4.4%
APE	AP Eagers Limited	3,838,967	3.9%
RKN	Reckon Limited	3,448,393	3.5%
MYS	MyState Limited	3,262,617	3.3%
WBB	Wide Bay Australia Limited	2,724,788	2.8%
BRG	Breville Group Limited	2,633,971	2.7%
ANZ	Australia and New Zealand Banking Group Limited*	2,586,400	2.6%
ARP	ARB Corporation Limited	2,347,898	2.4%
CNA	Coal & Allied Industries Limited	2,280,742	2.3%
SAI	SAI Global Limited	2,108,973	2.1%
SGN	STW Communications Group Limited	1,862,242	1.9%
BKL	Blackmores Limited	1,780,052	1.8%
AAD	Ardent Leisure Group	1,612,634	1.6%
IPP	Iproperty Group Limited	1,599,213	1.6%
CIW	Clime Investment Management Limited	1,381,011	1.4%
SKE	Skilled Group Limited	1,356,196	1.4%
SVWPA	Seven Network Ltd preference shares	1,312,500	1.3%
AMM	Amcom Telecommunication Limited	1,177,759	1.2%
RCR	RCR Tomlinson Limited	1,166,721	1.2%

\*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 30 September 2011 on a financial year basis. The performance data before all expenses, fees and taxes and is used as a guide to how the company's investment portfolio has performed against the S&P/ASX 300 Industrials Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are both before tax and expenses measures.

Previously performance was compared against the S&P/ASX All Ordinaries Accumulation Index. The equity portfolio is made up of small and large 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 represent a more effective way to evaluate the fund's performance based on the underlying composition of the portfolio.

<b>Financial Year</b>	<b>Gross Portfolio</b>	<b>S&amp;P/ASX 300 Industrials Accumulation Index</b>	<b>Outperformance</b>	<b>S&amp;P/ASX Small Industrials Accumulation Index</b>	<b>Outperformance</b>
2003/2004	+6.5%	+13.5%	<b>-7.0%</b>	+10.7%	<b>-4.2%</b>
2004/2005	+5.2%	+22.4%	<b>-17.2%</b>	+26.1%	<b>-20.9%</b>
2005/2006	+13.4%	+17.2%	<b>-3.8%</b>	+20.1%	<b>-6.7%</b>
2006/2007	+30.7%	+29.5%	<b>+1.2%</b>	+38.2%	<b>-7.5%</b>
2007/2008	-31.6%	-26.7%	<b>-4.9%</b>	-36.5%	<b>+4.9%</b>
2008/2009	-4.8%	-14.5%	<b>+9.7%</b>	-21.6%	<b>+16.8%</b>
2009/2010	+10.3%	+14.5%	<b>-4.2%</b>	+10.3%	<b>+0.0%</b>
2010/2011	+17.3%	+9.2%	<b>+8.1%</b>	+15.7%	<b>+1.6%</b>
YTD 2011/2012	-5.8%	-8.2%	<b>+2.4%</b>	-10.5%	<b>+4.7%</b>