



2019 Full Year Results

From the Chairman



Dear Fellow Shareholder,

WAM Research reported an operating profit before tax of \$0.4 million and an operating profit after tax of \$1.6 million in the 2019 financial year. The after tax figure was boosted by a \$1.2 million income tax benefit delivered through franking credits received on franked dividend income from investee companies.

The Board of Directors declared a fully franked final dividend of 4.85 cents per share. The final dividend brings the 2019 fully franked full year dividend to 9.7 cents per share.

The fully franked dividend has been achieved through the performance of the investment portfolio since inception and the profits reserve available and is consistent with the Company's investment objective of delivering investors a stream of fully franked dividends. Since inception in 2003, WAM Research has paid 9945 cents per share in fully franked dividends to shareholders. The Company's profits reserve is currently 32.1 cents per share, before the payment of the fully franked final dividend of 4.85 cents per share.

The 2019 financial year was a dynamic year for equity markets, beginning with expectations of synchronised – albeit softening – global growth and tighter United States (US) monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest US bull market appeared to be approaching.

By January 2019, the US Federal Reserve was conducting its u-turn, pausing its interest rate increases and signalling the end to quantitative tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new heights as interest rates fell and the global economy weakened. The MSCI World Index (AUD) ended the financial year up 12.0%, while the S&P Global Mid Small Index increased only 5.6% in AUD terms.

Large-cap companies drove the US market's gains. The S&P 500 Index climbed 10.4% during the year in local terms. In contrast, the small-cap focused Russell 2000 Index fell by 3.4% in local terms.

The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%. The large-cap performance led the S&P/ASX All Ordinaries Accumulation Index, which rose 11.0% for the financial year. The WAM Research investment portfolio increased 18% in the 12-month period, climbing 64% in the final quarter and rebounding 14.5% in the six months to 30 June 2019. Over the 12-months we adjusted our cash levels continuously while averaging 31.2% throughout the period.

During the period we invested in 112 individual companies and at 30 June we had investments in 46 companies. The largest contributors to the investment portfolio's performance during the period included: global ship building company and defence contractor, Austal (ASX: ASB); leading plus-sized fashion retailer, City Chic Collective (ASX: CCX); information and communications technology provider, Service Stream (ASX: SSM); global digital retailer of official government and charitable lotteries, Jumbo Interactive (ASX: JIN); and receivables and specialist financing company, Scottish Pacific Group (ASX: SCO).

We remain cautious about the direction of the Australian market, as the record low interest rates have driven up valuations and increased speculation. The investment portfolio's cash level ended the year at 25.4%.

Following a strong rally in July 2019, August has seen a higher level of volatility driven by trade war re-escalation and sharp currency movements arising from global central banks' interest rate decisions. The preservation of shareholder capital is a key focus of our investment process. Despite our circumspect outlook, we continue to identify and act on opportunities in the market and are confident that the WAM Research portfolio is comprised of companies with valuation upside and compelling fundamentals.

We look forward to providing an update at our Investor Conference Call on Tuesday, 10 September 2019 at 3.30pm – 4.30pm (Sydney time) and seeing you at our [Shareholder Presentations](#) in November 2019.

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Thank you for your support of WAM Research,

Geoff Wilson AO
Chairman

*As at 31 July 2019.



Highlights

Operating profit after tax

\$1.6m

Fully franked full year dividend

9.7c

Fully franked full year dividend yield

7.3%*

Fully franked final dividend

The Board declared a fully franked final dividend of 4.85 cents per share, bringing the full year dividend to 9.7 cents per share. The DRP will be operating at a 2.5% discount for the final dividend.

Since inception in August 2003, WAM Research has paid 99.45 cents per share in fully franked dividends to shareholders.

Key dividend dates

Dividend ex-date	4 October 2019
Record date	7 October 2019
Last election date for DRP	9 October 2019
Payment date	18 October 2019

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the Company has sufficient profits 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.

*Based on the 30 June 2019 share price of \$1.325 per share.

Performance

as at 30 June 2019

	3 mths	6 mths	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since change in investment strategy %pa (Jul-10)
WAX Investment Portfolio	6.4%	14.5%	1.8%	9.0%	14.8%	17.7%	16.2%
S&P/ASX All Ordinaries Accumulation Index	7.8%	19.8%	11.0%	12.6%	9.0%	11.8%	9.6%
Outperformance	-1.4%	-5.3%	-9.2%	-3.6%	+5.8%	+5.9%	+6.6%
S&P/ASX Small Ordinaries Accumulation Index	3.7%	16.8%	1.9%	10.7%	9.3%	7.6%	5.8%
Outperformance	+2.7%	-2.3%	-0.1%	-1.7%	+5.5%	+10.1%	+10.4%

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

Top 20 holdings

as at 30 June 2019

Code	Company	%
A2M	The a2 Milk Company Limited	4.3%
ASB	Austral Limited	4.1%
CCP	Credit Corp Group Limited	3.8%
IVC	InvoCare Limited	3.7%
SSM	Service Stream Limited	3.5%
MYR	Myer Holdings Limited	3.1%
HVN	Harvey Norman Holdings Limited	3.0%
PSI	PSC Insurance Group Limited	3.0%
CWY	Cleanaway Waste Management Limited	2.5%
NEC	Nine Entertainment Co. Holdings Limited	2.5%
AMA	AMA Group Limited	2.3%
CSR	CSR Limited	2.2%
VOC	Vocus Group Limited	2.2%
MND	Monadelphous Group Limited	2.0%
VGL	Vista Group International Limited	2.0%
IFM	Infomedia Limited	2.0%
XRO	Xero Limited	2.0%
VEA	Viva Energy Group Limited	1.8%
CDA	Codan Limited	1.6%
CCX	City Chic Collective Limited	1.6%