

# Investment update

As at 31 May 2017



wilsonassetmanagement.com.au  
ABN 15 100 504 541

## Snapshot

Pre-tax net tangible assets

**\$1.20**

Fully franked  
dividend yield

**6.4%**

Gross assets

**\$222.7m**

Performance  
(p.a. since July 2010)

**18.4%**

## WAM Research Limited

ASX code	WAX
Listed	Aug 2003
Gross assets	\$222.7m
Market cap	\$260.9m
Share price	\$1.415
NTA before tax	\$1.20
Shares on issue	184,404,085
Annualised fully franked interim dividend (FY2017)	9.0c
Fully franked dividend yield	6.4%

## Investment objectives

- Provide shareholders 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

## Wilson Asset Management investment & management team

Geoff Wilson	Chairman & Portfolio Manager
Kate Thorley	Chief Executive Officer
Chris Stott	Chief Investment Officer & Portfolio Manager
Matthew Haupt	Portfolio Manager
Martin Hickson	Head of Trading
Tobias Yao	Senior Equity Analyst
John Ayoub	Senior Equity Analyst
Oscar Oberg	Senior Equity Analyst
Cooper Rogers	Assistant Dealer

## Company overview

WAM Research Limited (ASX: WAX) is a listed investment company managed by Wilson Asset Management. 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 ASX.

## Market overview

The S&P/ASX All Ordinaries Accumulation Index closed down 2.6% for the month, impacted by a sell-off in domestic bank stocks following the proposed levy on the five major banks announced in the Federal Government's budget and mounting concerns around the Australian residential property market. May showed a second consecutive monthly fall in property prices as bank led interest rate increases and Australian Prudential Regulatory Authority (APRA) led lending restrictions on interest-only loans weakened demand. Employment data released by the Australian Bureau of Statistics was stronger than expected, with jobs rising 37,400 and the unemployment rate dropping to 5.7% versus consensus expectations of 5.9%. Positive measures contained in the federal budget included funding for major infrastructure projects. In the US, minutes released by the Federal Reserve indicated officials were in broad agreement at their recent May meeting to shrink the central bank's balance sheet. The majority of officials said it would "soon" be time to raise rates again.

## Stock news

During the month, power generation company Pacific Energy Limited (ASX: PEA) announced it had won a contract to build, own and operate an 11MW power station for Altura Mining Limited (ASX: AJM). The company said the project, along with several recent expansions had seen group contracted capacity exceed 278MW. We see potential for further material contract wins in the coming months and believe that the growth prospects for Pacific Energy are undervalued by the market.

## Net tangible asset (NTA) figures

NTA before tax	120.43c*
NTA after tax and before tax on unrealised gains	119.61c
NTA after tax	119.55c

\*The before tax figure is after the payment of \$11k (0.01 cents per share) in tax during the month.

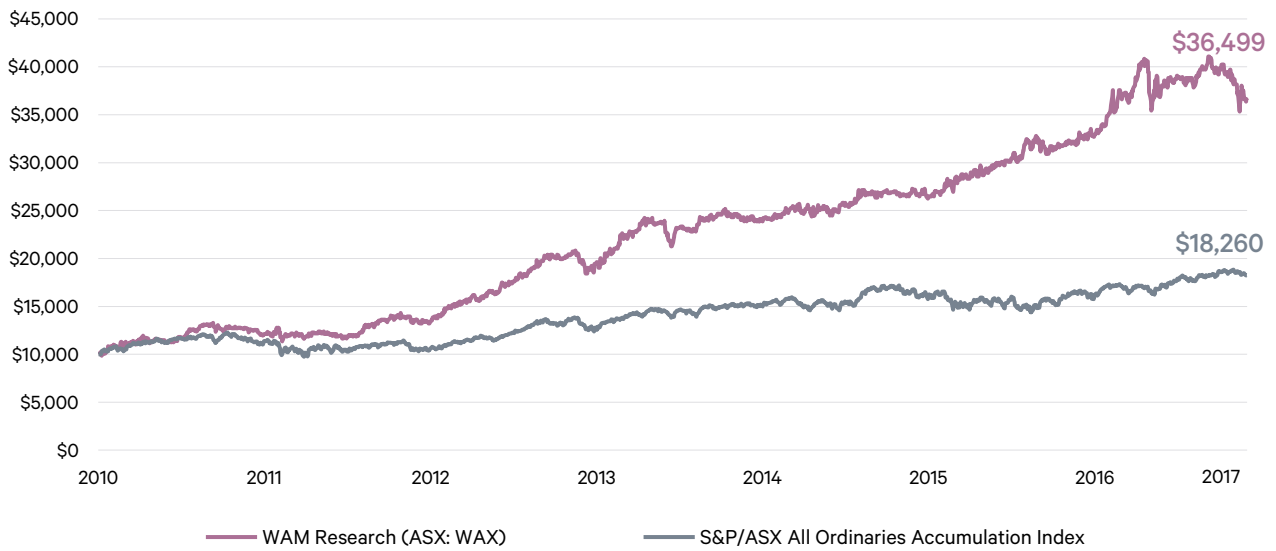
## Performance

Performance at 31 May 2017	1 Mth	6 Mth	Fin YTD	1 Yr	3 Yrs %pa	5 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	-1.0%	-1.9%	8.3%	10.2%	18.5%	21.4%	18.4%
S&P/ASX All Ordinaries Accumulation Index	-2.6%	6.9%	12.8%	10.2%	6.2%	11.6%	8.9%
<b>Outperformance</b>	<b>+1.6%</b>	<b>-8.8%</b>	<b>-4.5%</b>	<b>+0.0%</b>	<b>+12.3%</b>	<b>+9.8%</b>	<b>+9.5%</b>

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

## Growth of \$10,000 investment since change in investment strategy

### WAM Research versus the Index



## Diversified portfolio

Investment type	April 2017		May 2017	
	\$m	%	\$m	%
Listed equities	156.3	69.4	133.1	59.8
Fixed interest & cash	68.9	30.6	89.6	40.2
<b>Gross assets</b>	<b>\$225.2m</b>	<b>100.0</b>	<b>\$222.7m*</b>	<b>100.0</b>
<b>Total shares on issue</b>	184,404,085		184,404,085	

\*This figure is after \$11k (0.01 cents per share) paid in tax during the month.

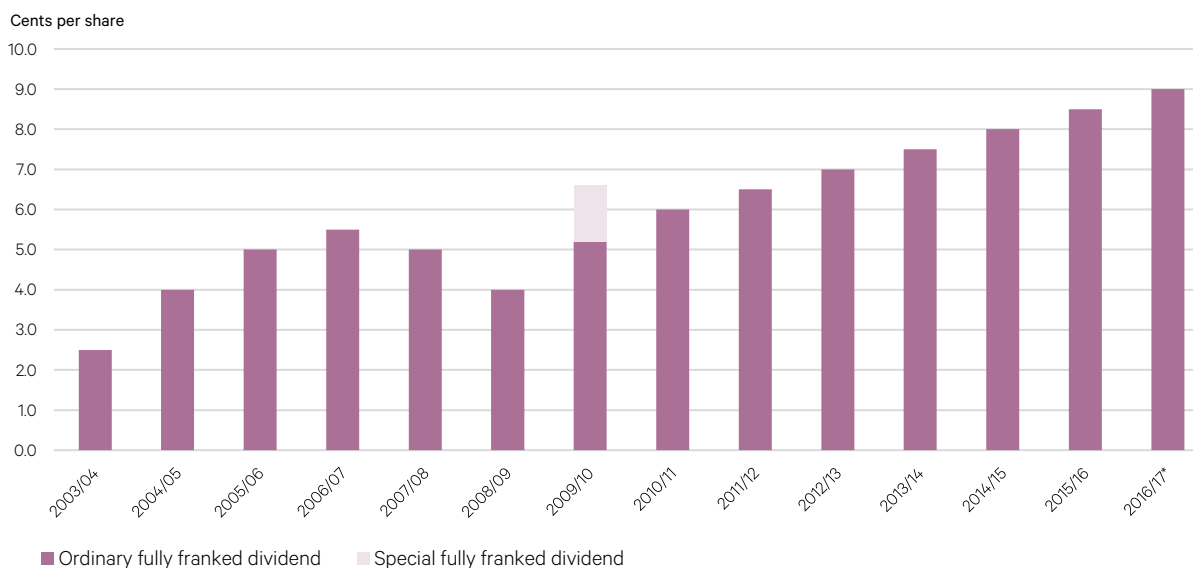
## Top 20 holdings

Code	Company	Code	Company
AUB	AUB Group Limited	IMD	Index Limited
CGF	Challenger Limited	NUF	Nufarm Limited
ISU	iSelect Limited	RKN	Reckon Limited
NCK	Nick Scali Limited	CVW	ClearView Wealth Limited
SLC	Superloop Limited	ECX	Eclix Group Limited
SXL	Southern Cross Media Group Limited	HT1	HT&E Limited
PSI	PSC Insurance Group Limited	CAR	Carsales.Com Limited
CL1	Class Limited	NHF	NIB Holdings Limited
NXT	NEXTDC Limited	PEA	Pacific Energy Limited
PNI	Pinnacle Investment Management Group Limited	ONE	Oneview Healthcare PLC

## Fully franked dividends

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 usually paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

### Fully franked dividends since inception



\*Annualised interim dividend