



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
AUGUST 2012

Company overview

WAM Research Limited (WAX) is a listed investment company that invests in undervalued growth companies, primarily small to medium sized industrial companies listed on the ASX.

Investment objective

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.

Outperformance against sharemarket

The performance of the WAX Investment Portfolio against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The investment performance is before expenses, fees and taxes.

Performance as at 31 August 2012	1 Mth %	6 Mths %	Fin YTD %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAX Investment Portfolio	+3.8%	+8.8%	+6.4%	+14.9%	+9.1%	-0.5%
S&P/ASX All Ordinaries Accumulation Index	+2.1%	+1.1%	+5.9%	+4.0%	+3.1%	-2.9%
Outperformance	+1.7%	+7.7%	+0.5%	+10.9%	+6.0%	+2.4%

NTA figures

The following Net Tangible Asset (NTA) figures are before the payment of a fully franked final dividend of 3.25 cents per share payable on the 19 October 2012.

NTA before tax	88.81c
NTA after tax and before tax on unrealised gains	93.15c*
NTA after tax	93.15c*

*These figures include tax assets of 4.34 cents per share.

Market Outlook

The S&P/ASX All Ordinaries Accumulation Index finished up 2.1% for August continuing its good start to the new financial year. Comments from ECB president Mario Draghi that policymakers would do “whatever it takes” to preserve the Eurozone saw markets trade higher.

Reporting season downbeat

Reporting season was generally good with results better than the markets low expectations. However, FY13 earnings expectations by equity analysts were downgraded by 4%. Outlook and guidance statements provided by companies during reporting season were generally downbeat. Companies highlighted the tough operating environment in sectors exposed to mining, housing and the consumer.

Mining slowdown

BHP Billiton announced that its Olympic Dam mine expansion and Outer Harbour developments have been postponed for the time being. Falling commodity prices and prohibitive development costs in Australia were cited as some of the reasons for not progressing. Drilling services provider, Boart Longyear downgraded its FY12 earnings by 20% due to poor future sales visibility. This company is normally a lead indicator for many listed peers exposed to the mining sector. Fortescue Metals has lowered its capital expenditure budget for FY13 and highlighted some asset sales. This was in response to the plummeting iron ore price which was down 24% for the month. All of this suggests a moderating of growth in the resources sector and possible further earnings downgrades for mining services stocks in FY13. Share prices in mining services companies have already moved lower in anticipation of this occurring.

Although we are conservative in our outlook for equity markets in 2013, volatile equity markets can provide profitable opportunities. Thus we continue to research thoroughly and meet with company management teams to identify such opportunities.

Dividends – 3.25 cents per share fully franked final

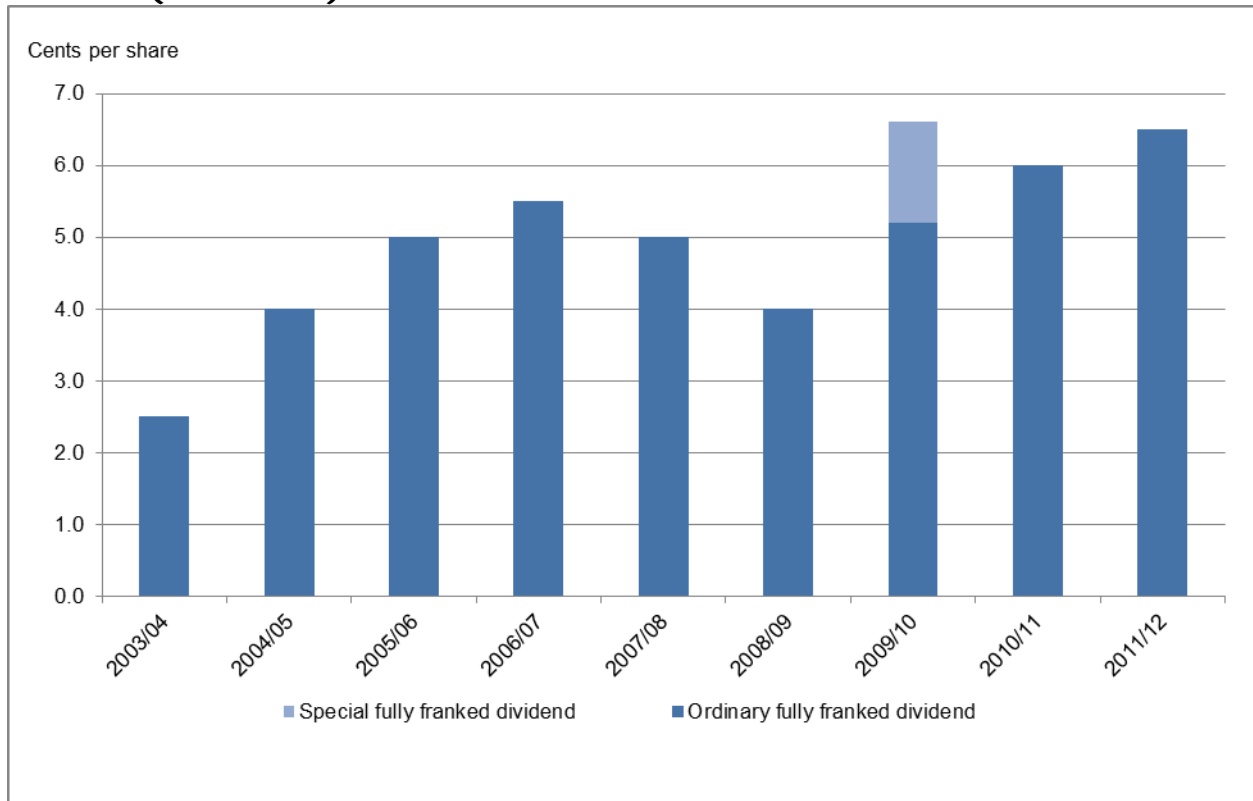
On 30 July 2012, the Board announced a fully franked FY2012 final dividend of 3.25 cents per share. This was a 8.3% increase on the previous year’s dividend. The final dividend includes 0.4 cents of LIC capital gain which will enable some shareholders to claim a further tax deduction.

➤ Dividend ex date	8 October 2012
➤ Dividend record date	12 October 2012
➤ DRP election date	12 October 2012
➤ Dividend payment date	19 October 2012

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. It must also comply with Government legislation and the ATO’s interpretation of a company’s ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow, cash holdings and available franking credits.

The dividend reinvestment plan will operate at the weighted average market price of shares sold on the ASX on the books closing date (i.e. record date) and the three trading days prior to the record date. To participate in the dividend reinvestment plan, please send your election to our share registrar no later than 12 October 2012.

Dividends (continued)



Portfolio structure

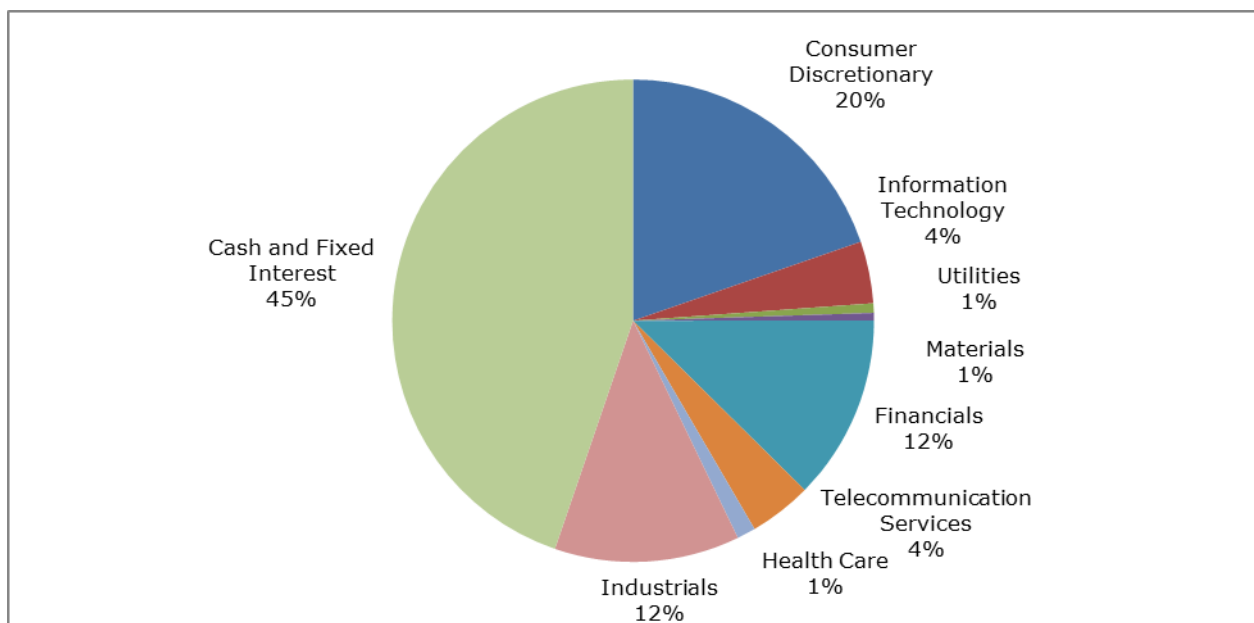
Investment Type	As at 31 July 2012		As at 31 August 2012	
	\$m	%	\$m	%
Listed Equities	57.1	54.5%	60.0	55.3%
Fixed Interest and Cash	47.6	45.5%	48.6	44.7%
Total Fund Size	\$104.7m	100.0%	\$108.6m	100.0%
Total number ordinary shares on issue	120,854,228		120,854,228	

Portfolio structure (continued)

At 31 August 2012 the major securities held in the portfolio were as follows:

Code	Company	Market Value \$	Market Value as % of Gross Assets
APE	AP Eagers Limited	6,040,759	5.6%
BRG	Breville Group Limited	4,472,630	4.1%
ALS	Alesco Corporation Limited	3,427,737	3.2%
CBAPB	CBA Perpetual Exc Resale Listed Sec - PERLS IV	3,282,600	3.0%
ARP	ARB Corporation Limited	2,869,654	2.6%
SKE	Skilled Group Limited	2,609,418	2.4%
WEB	Webjet Limited	2,413,448	2.2%
RKN	Reckon Limited	2,363,334	2.2%
AMM	Amcom Telecommunication Limited	2,355,846	2.2%
NXT	NEXTDC Limited	2,216,089	2.0%
MMS	McMillan Shakespeare Limited	2,303,159	2.1%
AHE	Automotive Holdings Group Limited	2,126,760	2.0%
IPP	iProperty Group Limited	2,125,615	2.0%
FXL	Flexigroup Limited	1,951,670	1.8%
FAN	Fantastic Holdings Limited	1,935,438	1.8%
CIW	Clime Investment Management Limited	1,841,349	1.7%
MYS	MyState Limited	1,805,496	1.7%
COF	Coffey International Limited	1,785,804	1.6%
RHG	RHG Limited	1,745,457	1.6%
MFG	Magellan Financial Group Limited	1,366,021	1.3%

Portfolio structure - sector allocation



Performance – yearly comparison

Set out below is the performance of WAX's investment portfolio since listing to 31 August 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to the performance of the investment portfolio against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

Financial Year	WAX Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2003/2004	+6.5%	+22.4%	-15.9%
2004/2005	+5.2%	+24.8%	-19.6%
2005/2006	+13.4%	+24.2%	-10.8%
2006/2007	+30.7%	+30.3%	+0.4%
2007/2008	-31.6%	-12.1%	-19.5%
2008/2009	-4.8%	-22.2%	+17.4%
2009/2010	+10.3%	+13.8%	-3.5%
2010/2011	+17.5%	+12.2%	+5.3%
2011/2012	+4.5%	-7.0%	+11.5%
YTD 2012/2013	+6.4%	+5.9%	+0.5%

For more information

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