



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

In February WAX's gross portfolio (before all fees, costs and taxes) rose by 4.5%, while the S&P/ ASX 300 Industrials Accumulation Index rose by 1.7% and the S&P/ASX Small Industrials Accumulation Index rose by 0.4%.

<b>Annualised Performance as at 28 February 2011</b>	<b>6 Months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
WAM Research Limited*	+17.2%	+14.3%	+3.1%	+2.9%
S&P/ASX 300 Industrials Accumulation Index	+8.3%	+3.8%	-0.9%	+1.2%
<b>Outperformance</b>	<b>+8.9%</b>	<b>+10.5%</b>	<b>+4.0%</b>	<b>+1.7%</b>
S&P/ASX Small Industrials Accumulation Index	+12.5%	+7.9%	-5.2%	-1.5%
<b>Outperformance</b>	<b>+4.7%</b>	<b>+6.4%</b>	<b>+8.3%</b>	<b>+4.4%</b>

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

<b>NTA before tax</b>	<b>93.76c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>97.07c*</b>
<b>NTA after tax</b>	<b>97.07c*</b>

\*These figures include tax assets of 3.31 cents per share.

### **Market Outlook**

The Australian share market managed to post its third consecutively monthly gain during February, pushing the S&P/ASX All Ordinaries Index back over the 5,000 mark for the first time in 10 months. In a familiar trend the impetus for the latest monthly rise came from a surging US share market, which jumped 3.2 per cent for the month. The best performing sector in the Australian market during February was the resources sector which continues to strongly outperform the overall market as demand out of China for commodities rise.

## Market Outlook (continued)

Towards the end of February and in early March shares around the globe have been sold off. This is not unexpected given the spectacular run most markets have enjoyed since July 2010. The trigger for the sell-off has been the spike in oil prices on the back of political unrest in the Middle East and North Africa. The violence has raised concerns about the supply of oil in the coming months causing oil prices to rise. In previous cycles sharp jumps in the price of oil has eventually led to a slowdown in Western economies causing share markets to sell off. The most recent lift in oil prices may only be short lived but it shows that global economic growth is still fragile and investors should be cautious about equities. Given the environment, we retain a conservative position looking for opportunities if equities are sold down.

## Dividends

On 12 January 2011 the company announced a fully franked interim dividend of 3.0 cents per share. This is a 15% increase on the interim dividend last year and is to be paid as follows.

Ex Date: 15 March 2011  
Record Date: 21 March 2011  
Payment Date: 28 March 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$0.805 being closing price 9 March 2011) is a 14.1% discount to the 28 February 2011 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 21 March 2011.

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 not be reliant on reported profit and retained earnings as it was previously. Rather, it will be with consideration to cash flow, cash holdings and available franking credits. This is a major change for Listed Investment Companies

## Portfolio Structure

Investment Type	As at 31 Jan 2011		As at 28 Feb 2011	
	\$m	%	\$m	%
Listed Equities	81.8	76.1%	90.1	80.3%
Fixed Interest and Cash	25.7	23.9%	22.1	19.7%
<b>Total Assets</b>	<b>107.5</b>	<b>100.0%</b>	<b>112.2</b>	<b>100.0%</b>
	<b>No.</b>		<b>No.</b>	
<b>Total ordinary shares on issue</b>	118,526,587		118,526,587	

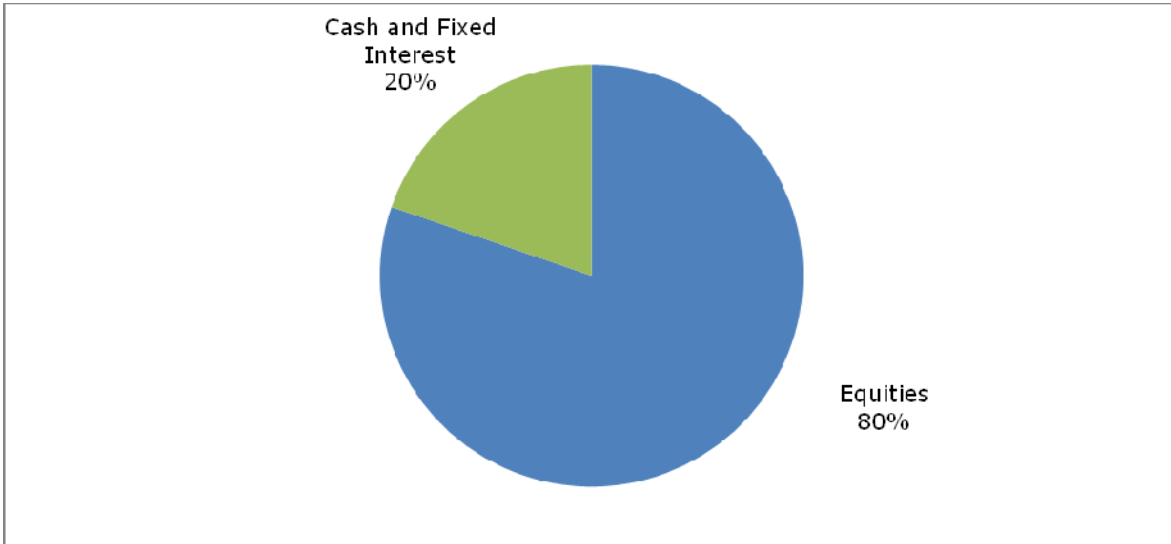
## Portfolio Structure (continued)

As at 28 February 2011 the top listed equities (value over \$1 million) were as follows:

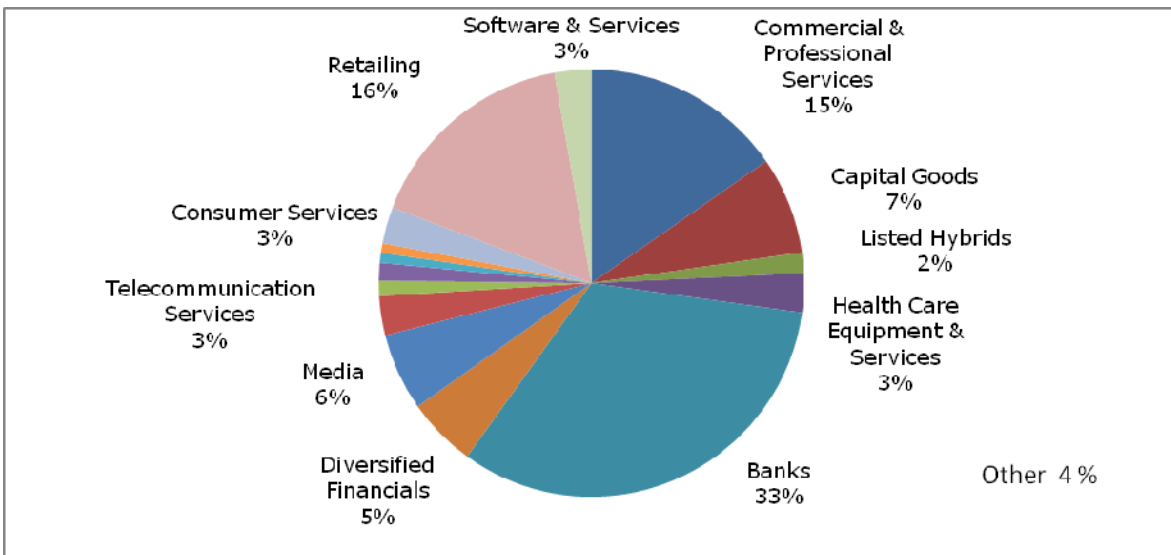
Code	Company	Market Value \$	Market Value as % of Gross Assets
MMS	McMillan Shakespeare Limited	6,013,206	5.4%
NAB	National Australia Bank Limited*	5,934,000	5.3%
WBC	Westpac Banking Corporation*	5,000,125	4.5%
CCP	Credit Corp Group Limited	4,441,454	4.0%
WBB	Wide Bay Australia Limited	4,392,145	3.9%
APE	AP Eagers Limited	4,292,663	3.8%
SGN	STW Communications Group Limited	4,179,841	3.7%
CBA	Commonwealth Bank of Australia*	4,084,159	3.6%
MYS	MyState Limited	3,484,258	3.1%
RHG	RHG Limited	3,358,370	3.0%
ANZ	Australia and New Zealand Banking Group Limited*	3,197,225	2.8%
BRG	Breville Group Limited	2,877,404	2.6%
BKL	Blackmores Limited	2,662,002	2.4%
TGA	Thorn Group Limited	2,613,180	2.3%
SAI	SAI Global Limited	2,474,438	2.2%
RCR	RCR Tomlinson Limited	2,346,686	2.1%
ARP	ARB Corporation Limited	2,220,358	2.0%
AMM	Amcom Telecommunication Limited	1,950,066	1.7%
CIW	Clime Investment Management Limited	1,802,987	1.6%
CAF	Centrepont Alliance Limited	1,637,517	1.5%
ORL	OrotonGroup Limited	1,612,984	1.4%
SVWPA	Seven Network Limited preference shares	1,409,250	1.3%
IRE	IRESS Market Technology Limited	1,297,682	1.2%
RQL	Resource Equipment Limited	1,276,867	1.1%
NVT	Navitas Limited	1,261,500	1.1%
CTD	Corporate Travel Management Limited	1,224,348	1.1%
SHV	Select Harvest Limited	1,217,378	1.1%
RKN	Reckon Limited	1,199,303	1.1%
IPP	IPGA Limited	1,109,021	1.0%
AHE	Automotive Holdings Group Limited	1,074,019	1.0%

\*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 28 February 2011 on a financial year basis 1 July to 30 June. The performance data excludes 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 also before tax and expenses.

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

Financial Year	Gross Portfolio *	S&P/ASX 300 Industrials Accumulation Index	Outperformance	S&P/ASX Small Industrials Accumulation Index	Outperformance
2003/2004	+6.5%	+13.5%	-7.0%	+10.7%	-4.2%
2004/2005	+5.2%	+22.4%	-17.2%	+26.1%	-20.9%
2005/2006	+13.4%	+17.2%	-3.8%	+20.1%	-6.7%
2006/2007	+30.7%	+29.5%	+1.2%	+38.2%	-7.5%
2007/2008	-31.6%	-26.7%	-4.9%	-36.5%	+4.9%
2008/2009	-4.8%	-14.5%	+9.7%	-21.6%	+16.8%
2009/2010 YTD	+10.3%	+14.5%	-4.2%	+10.3%	+0.0%
2010/2011	+21.4%	+12.1%	+9.3%	+19.7%	+1.7%

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