



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – JANUARY 2012

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.

Performance as at 31 January 2012	1 Mth %	6 Mths %	Fin Ytd %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAM Research Limited*	+2.4%	-1.0%	-2.5%	-1.3%	+13.5%	-2.1%
S&P/ASX 300 Industrials Accumulation Index	+2.9%	+3.0%	-1.8%	-2.8%	+11.2%	-3.9%
Outperformance	-0.5%	-4.0%	-0.7%	+1.5%	+2.3%	+1.8%
S&P/ASX Small Industrials Accumulation Index	+5.5%	-3.8%	-5.6%	-8.4%	+12.9%	-7.6%
Outperformance	-3.1%	+2.8%	+3.1%	+7.1%	+0.6%	+5.5%

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

The NTA numbers below are before the payment of a 3.25 cent per share fully franked interim dividend which is due to be paid on 23 April 2012. The shares traded ex dividend on 10 April 2012.

NTA before tax	82.08c
NTA after tax and before tax on unrealised gains	88.92c*
NTA after tax	88.92c*

*These figures include tax assets of 6.84 cents per share.

Market Outlook

January was a positive month for equity markets with the S&P/ASX All Ordinaries Accumulation Index up 5.2%. Global equity markets performed well primarily on the back of the near 500bn Euro lending programme before Christmas which saw demand for European sovereign debt increase markedly in January. This increased demand saw debt auctions being completed at lower yields than those of comparable auctions in December. A possible resolution to the Greece situation also buoyed equity markets both here in Australia and abroad.

Market Outlook (continued)

Australia's CPI came through in line with market consensus showing that inflation is well within the RBA's target band of 2-3%. This coupled with the outlook in Europe, drove the RBA to leave rates unchanged in February. However, with all of the big 4 banks increasing their rates independently in February, the RBA decision and commentary in March will be carefully watched to gauge the RBA's reaction to these independent moves by the banks.

While the Australian reporting season does not kick off in earnest until mid-February, we are expecting more negative earnings surprises than positive ones. We expect anaemic earnings growth for the industrial stocks reporting in the coming weeks.

We are cautiously optimistic on the outlook for equity markets in 2012. Key items of focus will remain the European economy and the slowly improving US economy. We continue to research heavily for future investment opportunities while maintaining higher than average cash weightings.

Dividends

On 8 February 2012, the Board announced an interim dividend of 3.25 cents per share fully franked. The interim dividend is 77% (or 2.5 cents) LIC capital gain which will enable some shareholders to claim a further tax deduction. The shares will trade ex dividend on 10 April 2012 and payment made on 23 April 2012. This is an 8.3% increase on the prior year's interim dividend.

The dividend reinvestment plan will operate at no discount. The current share price (\$0.73 being closing price 13 February 2012) is trading at 11.1% discount to the 31 January 2012 pre-tax NTA. To participate in the dividend reinvestment plan, please send your election to our share registrar no later than 16 April 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.

Providing the company is deemed solvent by the Board, WAX should always be in a position to pay dividends.

Portfolio Structure

Investment Type	As at 31 December 2011		As at 31 January 2012	
	\$m	%	\$m	%
Listed Equities	56.3	58.2%	55.9	56.6%
Fixed Interest and Cash	40.5	41.8%	42.9	43.4%
Total Fund Size	\$96.8m	100.0%	\$98.8m	100.0%
	No.		No.	
Total ordinary shares on issue	119,983,168		119,983,168	

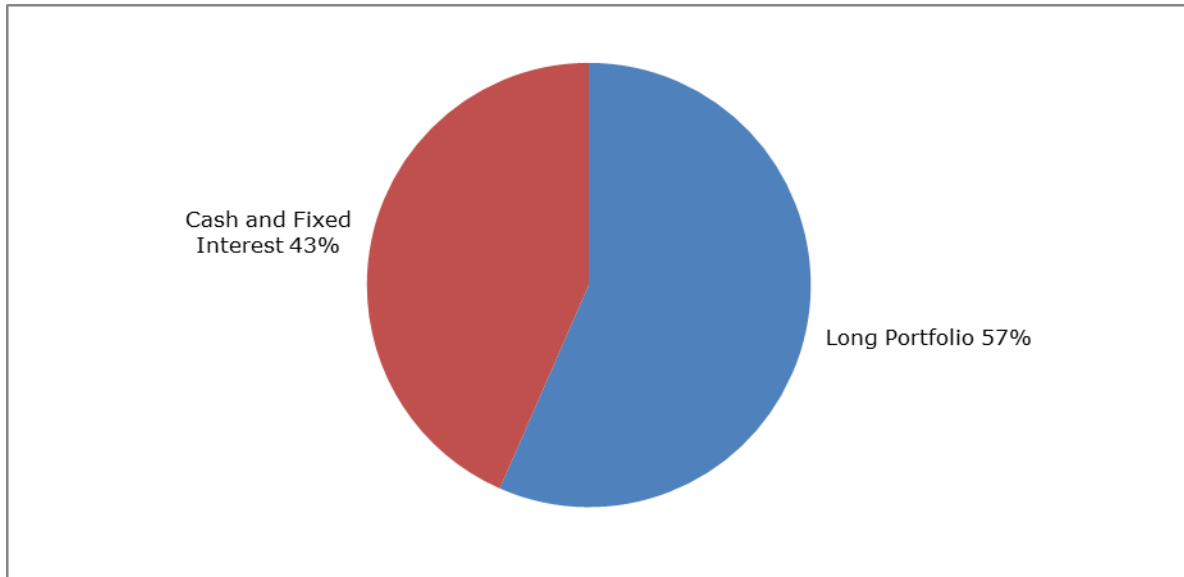
Portfolio Structure (continued)

At 31 January 2012 the major securities held in the portfolio were:

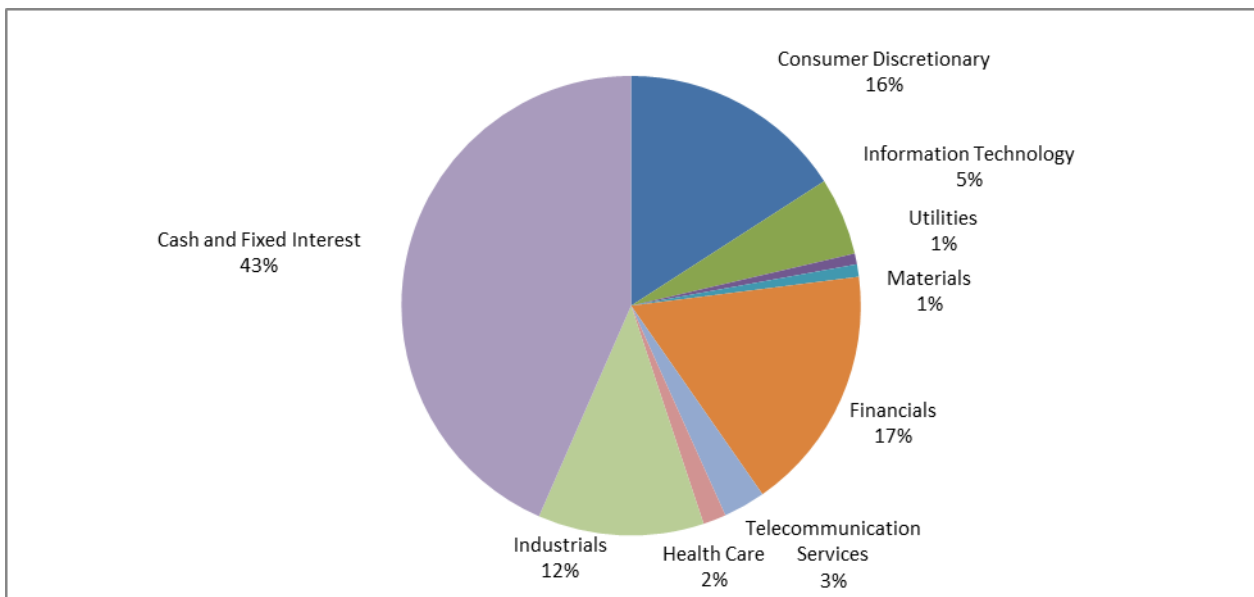
Code	Company	Market Value \$	Market Value as % of Gross Assets
NAB	National Australia Bank Limited*	5,485,500	5.6%
APE	AP Eagers Limited	4,324,073	4.4%
RKN	Reckon Limited	3,722,289	3.8%
MMS	McMillan Shakespeare Limited	3,467,595	3.5%
MYS	MyState Limited	3,145,001	3.2%
BRG	Breville Group Limited	2,767,702	2.8%
ARP	ARB Corporation Limited	2,382,682	2.4%
COF	Coffey International Limited	1,860,886	1.9%
SGN	STW Communications Group Limited	1,841,551	1.9%
WBB	Wide Bay Australia Limited	1,754,587	1.8%
AMM	Amcom Telecommunication Limited	1,697,868	1.7%
AAD	Ardent Leisure Group	1,639,977	1.7%
BKL	Blackmores Limited	1,601,171	1.6%
SAI	SAI Global Limited	1,545,989	1.6%
IPP	Iproperty Group Limited	1,499,740	1.5%
SKE	Skilled Group Limited	1,493,317	1.5%
CIW	Clime Investment Management Limited	1,476,915	1.5%
RCR	RCR Tomlinson Limited	1,395,930	1.4%
SVWPA	Seven Network Ltd preference shares	1,305,000	1.3%
NXT	NEXTDC Limited	1,230,966	1.3%

*Indicates that options were outstanding against the holding.

Portfolio Structure - Asset Allocation



Portfolio Structure - Sector Allocation



Performance

Set out below is the performance of WAX since listing to 31 January 2012 on a financial year basis. The performance data is 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.

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	+10.3%	+14.5%	-4.2%	+10.3%	+0.0%
2010/2011	+17.3%	+9.2%	+8.1%	+15.7%	+1.6%
YTD 2011/2012	-2.5%	-1.8%	-0.7%	-5.6%	+3.1%