



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

Performance as at 31 July 2011	1 Mth %	6 Mths %	Fin Ytd %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAM Research Limited*	-1.4%	-0.2%	-1.4%	+11.7%	+7.0%	+1.6%
S&P/ASX 300 Industrials Accumulation Index	-4.7%	-5.6%	-4.7%	-0.4%	+0.9%	-0.4%
Outperformance	+3.3%	+5.4%	+3.3%	+12.1%	+6.1%	+2.0%
S&P/ASX Small Industrials Accumulation Index	-1.8%	-4.7%	-1.8%	+8.3%	-1.4%	-2.7%
Outperformance	+0.4%	+4.5%	+0.4%	+3.4%	+8.4%	+4.3%

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

The following NTA figures are before the payment of a fully franked final dividend of 3.0 cents per share fully franked paid on 21 October 2011.

NTA before tax	86.61c
NTA after tax and before tax on unrealised gains	92.25c*
NTA after tax	92.25c*

*These figures include tax assets of 5.64 cents per share.

Market Outlook

Macroeconomic data and overseas events drove the Australian market once again in July. Volatility was rife with the S&P/ASX All Ordinaries Accumulation Index falling away sharply late in the month to finish on its lows down 3.4%. The European debt crisis and political posturing in the US over lifting its debt ceiling dominated the direction of the equity market rather than individual company fundamentals. Results season in the US was generally more positive than analyst expectations.

Market Outlook (continued)

In Australia, investors continue to grapple with large sentiment shifts regarding the future direction of interest rates and softening economic data. Expectations at the time of writing are for interest rate cuts by the end of 2011, which is strongly against the Reserve Bank's views. We have not seen this type of disparity between the bond market and the Reserve Bank for many years.

At the time of writing the Australian market is down 6.5% for August month to date after being down a whopping 15% intra month. The US did manage to lift their debt ceiling which was a short term aberration with investors focusing on the chance of a double dip global recession. The US and Europe remain in a precarious state and we expect it could take years for both economies to fully recover. If interest rate cuts do eventuate domestically, we see this as a positive for the equity market and would assist us in changing our defensive stance. As such we remain cautious and will continue to research for stock opportunities.

Dividends

On 27 July 2011 the Board announced a fully franked final dividend of 3.0 cents per share fully franked. This is a 15% increase on the final fully franked dividend last year and brings the full year dividend to 6.0 cents per share fully franked. The final dividend dates are as follows:

Ex Date: 10 October 2011
Record Date: 14 October 2011
Payment Date: 21 October 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$0.68) being closing price 11 August 2011) is a 21.5% discount to the 31 July 2011 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 14 October 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 be made with consideration to cash flow, cash holdings and available franking credits.

Portfolio Structure

Investment Type	As at 30 June 2011		As at 31 July 2011	
	\$m	%	\$m	%
Listed Equities	77.4	73.5%	79.2	76.3%
Fixed Interest and Cash	27.9	26.5%	24.5	23.7%
Total Fund Size	\$105.3m	100.0%	\$103.7m	100.0%
	No.		No.	
Total ordinary shares on issue	119,217,215		119,217,215	

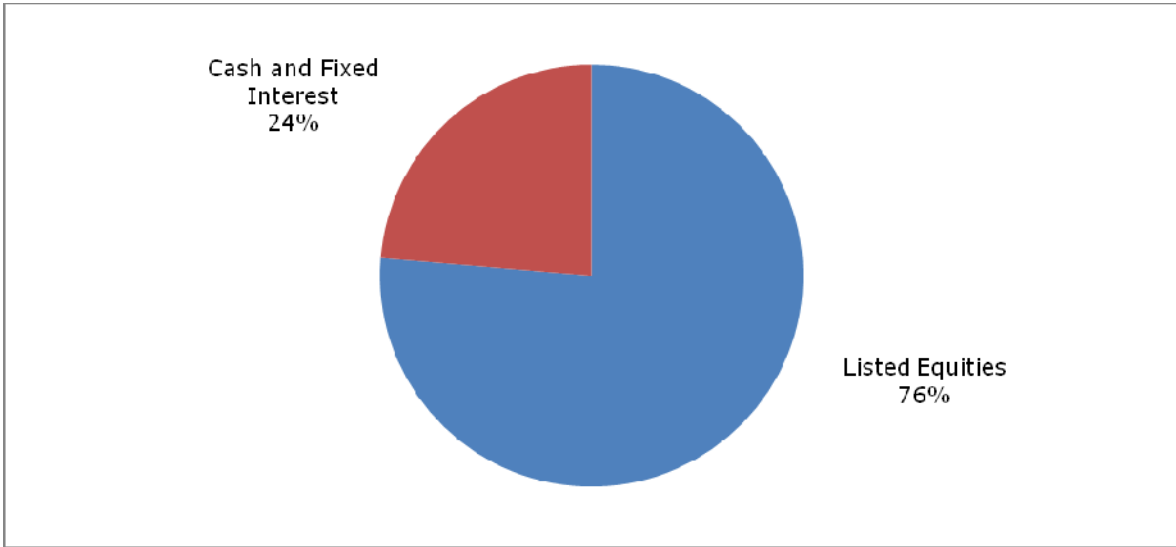
Portfolio Structure (continued)

At 31 July 2011 the major securities held in the portfolio were:

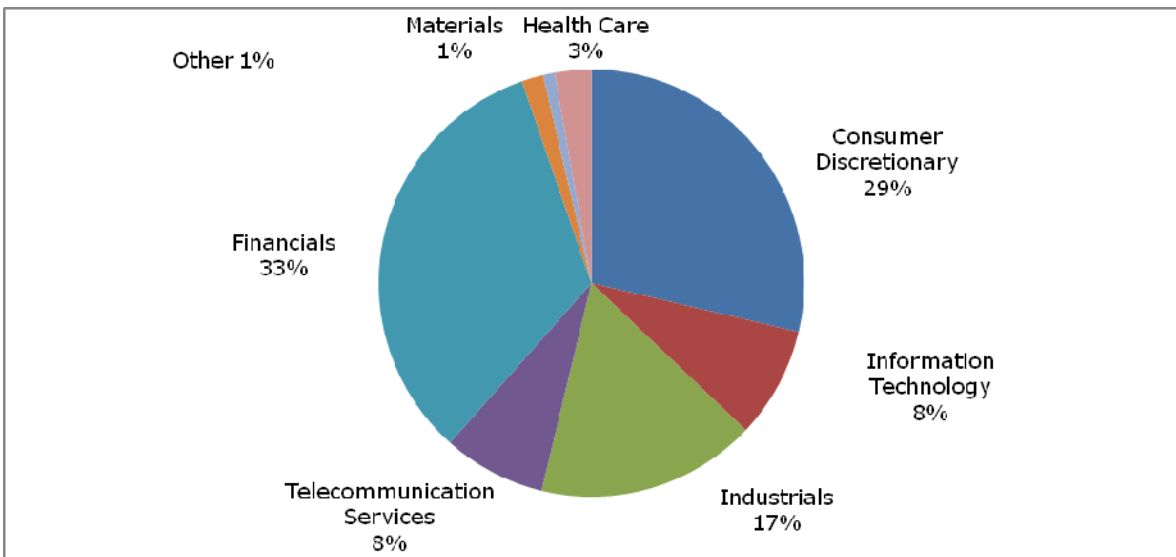
Code	Company	Market Value \$	Market Value as % of Gross Assets
NAB	National Australia Bank Limited*	5,520,000	5.3%
WBC	Westpac Banking Corporation*	4,339,250	4.2%
APE	AP Eagers Limited	3,664,469	3.5%
WBB	Wide Bay Australia Limited	3,266,754	3.1%
RKN	Reckon Limited	2,776,153	2.7%
ANZ	Australia and New Zealand Banking Group Limited	2,759,975	2.7%
BRG	Breville Group Limited	2,700,996	2.6%
SGN	STW Communications Group Limited	2,505,300	2.4%
TLS	Telstra Corporation Limited	2,242,500	2.2%
CCP	Credit Corp Group Limited	2,106,677	2.0%
SAI	SAI Global Limited	1,971,506	1.9%
SKE	Skilled Group Limited	1,885,372	1.8%
NVT	Navitas Limited	1,874,003	1.8%
BKL	Blackmores Limited	1,815,449	1.8%
AAD	Ardent Leisure Group	1,734,575	1.7%
CAF	Centrepoint Alliance Limited	1,716,834	1.7%
AMM	Amcom Telecommunication Limited	1,641,264	1.6%
CIW	Clime Investment Management Limited	1,534,457	1.5%
IPP	IPGA Limited	1,507,392	1.5%
SVWPA	Seven Network Ltd preference shares	1,372,500	1.3%

*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 31 July 2011 on a financial year basis. The performance data 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%
2011/2012	-1.4%	-4.7%	+3.3%	-1.8%	+0.4%