

# Investment Update & Net Tangible Assets Report

AS AT 30 JUNE 2014



## Performance

Performance at 30 June 2014	1 Mth	6 Mths	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	-0.4%	3.1%	20.5%	18.0%	17.9%
S&P/ASX All Ordinaries Accumulation Index	-1.4%	2.7%	17.6%	9.7%	10.3%
<b>Outperformance</b>	<b>+1.0%</b>	<b>+0.4%</b>	<b>+2.9%</b>	<b>+8.3%</b>	<b>+7.6%</b>

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

## Net Tangible Assets (NTA) figures

NTA before tax	<b>107.19c</b>
NTA after tax and before tax on unrealised gains	<b>106.11c</b>
NTA after tax	<b>105.85c</b>

\* The above figures are after 264,930 options exercised during the month and have not been adjusted for the remaining options on issue.

## Market overview

The S&P/ASX All Ordinaries Accumulation Index ('Index') fell 1.4% in June to finish the 2014 financial year up 17.6%. The Index is now up a remarkable 42% since its last low in June 2012 driven higher by investors seeking yield as interest rates remain at historical lows. During the month, the Reserve Bank of Australia kept the cash rate at 2.5% with Governor Stevens' language indicating rates would stay at these levels for a prolonged period. Ahead of the reporting season, numerous retailers downgraded their profit forecasts reflecting tougher trading conditions due to weaker consumer confidence following the May Federal Budget.

Economic data continues to provide evidence of a sustainable recovery in the United States prompting the Federal Reserve to announce last week that its stimulatory bond buying program would be completed by October this year. Although a survey of the members of the central bank have indicated they expect US interest rates will start to rise early in the new calendar year, we expect this will occur sooner.

We maintain our cautious stance towards Australia's equity market in the near term as reflected by the investment portfolio's higher than average cash weighting. We are confident that despite prevailing market conditions, opportunities will continue to present themselves and our current cash levels position us well to capitalise on these as they arise.

## Priority offer to WAM Research Shareholders in Future Generation Investment Fund

Future Generation Investment Fund Limited was launched recently with the prospectus to invest in the company now available. See further details below.

### WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$151.7m
Market cap	\$156.8m
Share price	\$1.12
NTA before tax	\$1.07
Shares on issue	140,026,673
Options on issue	67,990,228
Fully franked annualised interim dividend (FY2014)	7.5c
Dividend yield	6.7%

### Investment objectives

- Provide 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

### Company overview

WAM Research Limited (ASX: WAX) is a Listed Investment Company managed by Wilson Asset Management Group. 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 Australian Securities Exchange.

### Investment & Management Team

**Geoff Wilson**  
Chairman/Portfolio Manager

**Kate Thorley**  
Chief Executive Officer/  
Company Secretary

**Chris Stott**  
Chief Investment Officer/  
Portfolio Manager

**Martin Hickson**  
Senior Equity Analyst/Dealer

**Matthew Haupt**  
Senior Equity Analyst

**Mark Tobin**  
Equity Analyst

**Meredith Hemsley**  
Corporate Affairs

# Investment Update & Net Tangible Assets Report

AS AT 30 JUNE 2014



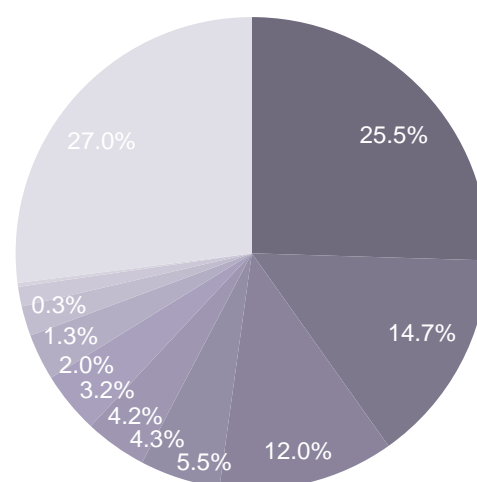
## Diversified portfolio

Investment Type	May 2014		June 2014	
	\$m	%	\$m	%
Listed Equities	100.7	66.3	110.7	73.0
Fixed Interest & Cash	51.2	33.7	41.0	27.0
Gross Assets	\$151.9m	100.0%	\$151.7m	100.0%
Total shares on issue	139,761,743		140,026,673	
Total options on issue	68,255,158		67,990,228	

## Top holdings

Code	Company	Market Value as % Gross Assets
CBAPA	CBA Perpetual Exc Resale Listed Sec - PERLS V	3.8%
SGH	Slater & Gordon Limited	3.8%
FXJ	Fairfax Media Limited	3.1%
DLX	DuluxGroup Limited	3.1%
AHE	Automotive Holdings Group Limited	2.9%
CSV	CSG Limited	2.6%
MTR	Mantra Group	2.6%
TNE	Technology One Limited	2.5%
IIN	iiNet Limited	2.1%
SFW	SFG Australia Limited	2.1%
VOC	Vocus Communications Limited	2.1%
AAD	Ardent Leisure Group	2.1%
ENE	Energy Developments Limited	2.0%
ISD	Isentia Group Limited	2.0%
SXL	Southern Cross Media Group Limited	2.0%
VET	Vocation Limited	2.0%
AHD	Amalgamated Holdings Limited	1.9%
EQT	Equity Trustees Limited	1.8%
CIW	Clime Investment Management Limited	1.7%
IFM	Infomedia Limited	1.7%

## Sector allocation



- Consumer Discretionary: 25.5%
- Financials: 14.7%
- Information Technology: 12.0%
- Industrials: 5.5%
- Health Care: 4.3%
- Telecommunication Services: 4.2%
- Materials: 3.2%
- Utilities: 2.0%
- Consumer Staples: 1.3%
- Energy: 0.3%
- Cash and Fixed Interest: 27.0%

# Investment Update & Net Tangible Assets Report

AS AT 30 JUNE 2014



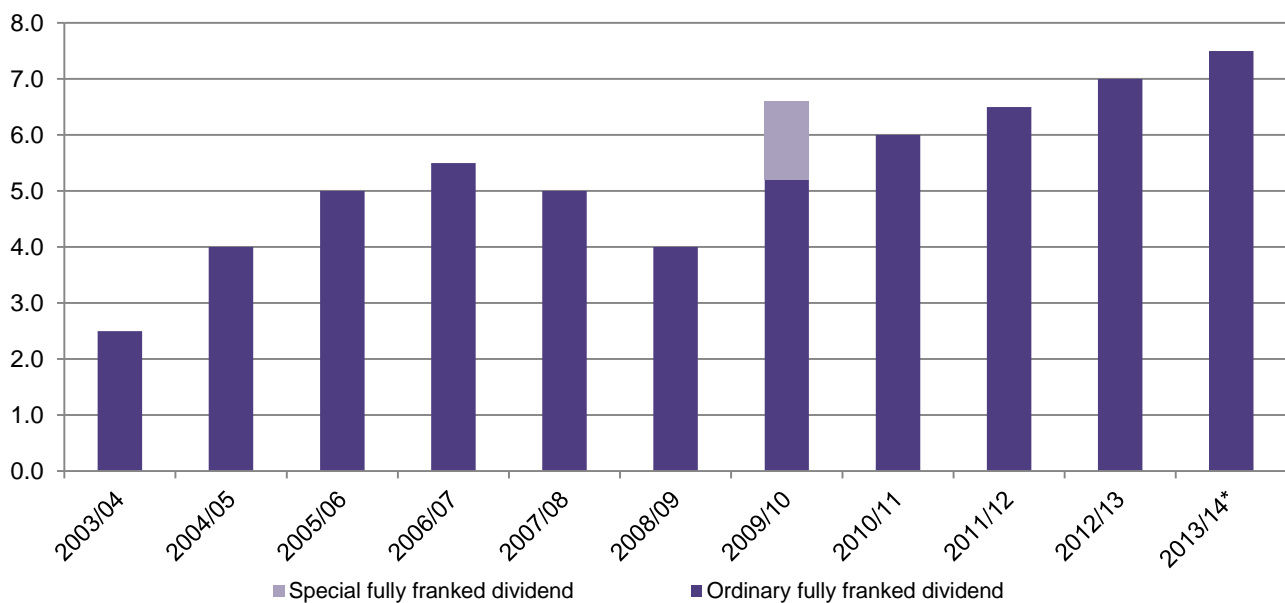
## Dividend growth

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

On 30 April 2014, the Company paid a fully franked interim dividend of 3.75 cents per share. This was an increase of 7.1% on the previous corresponding period.

## WAM Research dividends since inception

Cents per share



\*Annualised interim dividend

## Priority offer to WAM Research Shareholders in Future Generation Investment Fund

Future Generation Investment Fund Limited was launched recently with the prospectus to invest in the company now available. In a first for the Australian market, investors can now gain unprecedented access to Australia's best fund managers for 0.0% performance fees and 0.0% management fees. As fund managers, and many service providers, will be providing their services on a pro bono basis, this will allow the company to donate 1.0% of assets each year to children's charities to invest in Australia's future generation. Where the balance of the forgone fees is greater than the amount paid to charities, the balance will be for the benefit of shareholders. Investors are invited to attend the final presentations about this investment opportunity this week in Brisbane, Sydney and Melbourne. Details below:

**Brisbane:** Tuesday 15 July 2014, 10am – 11am, Brisbane Convention and Exhibition Centre

**Sydney:** Wednesday 16 July 2014, 10am – 11am, Wesley Conference Centre

**Melbourne:** Friday 18 July 2014, 10am – 11am, Morgans at 401

To RSVP, call 02 9247 6755 or email [info@wamfunds.com.au](mailto:info@wamfunds.com.au).

For further information including the prospectus and online application form visit [www.futuregeninvest.com.au](http://www.futuregeninvest.com.au).

---

# Investment Update & Net Tangible Assets Report

AS AT 30 JUNE 2014

---



## Bonus Option Issue

On 28 October 2013, the Company announced a one for two bonus option issue ('Bonus Option Issue') to all WAM Research shareholders to acquire ordinary shares in the Company. The options have an exercise price of \$1.20 per share and can be exercised at any time on or before 17 June 2015.

As at 30 June 2014, 958,663 options had been exercised for a total consideration of \$1,150,396, with the remaining balance of outstanding options being 67,990,228.