



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
MAY 2013

Company overview

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

Investment objectives

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

The performance of WAX's 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 May 2013	1 Mth %	6 Mths %	Fin YTD %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAX Investment Portfolio	-2.5%	14.8%	30.2%	31.0%	16.2%	8.5%
S&P/ASX All Ordinaries Accumulation Index	-4.4%	10.9%	23.9%	24.2%	8.0%	+1.2%
Outperformance	+1.9%	+3.9%	+6.3%	+6.8%	+8.2%	+7.3%

Net Tangible Asset (NTA) figures

NTA before tax	98.67c
NTA after tax and before tax on unrealised gains	99.48c
NTA after tax	99.48c*

*Includes the net effect of 1.24 cents of tax assets and 0.43 cents of deferred tax liabilities.

Market Outlook

The ASX/S&P All Ordinaries Accumulation Index suffered a sharp decline in May, falling 4.4%, weighed down by a plethora of earnings downgrades across a number of sectors. The RBA cut official interest rates to 2.75%, their lowest in more than 50 years, citing below-trend growth in Australia and overseas. The US Federal Reserve's comments suggesting a tapering of asset purchases in the near term created downward pressure on the market.

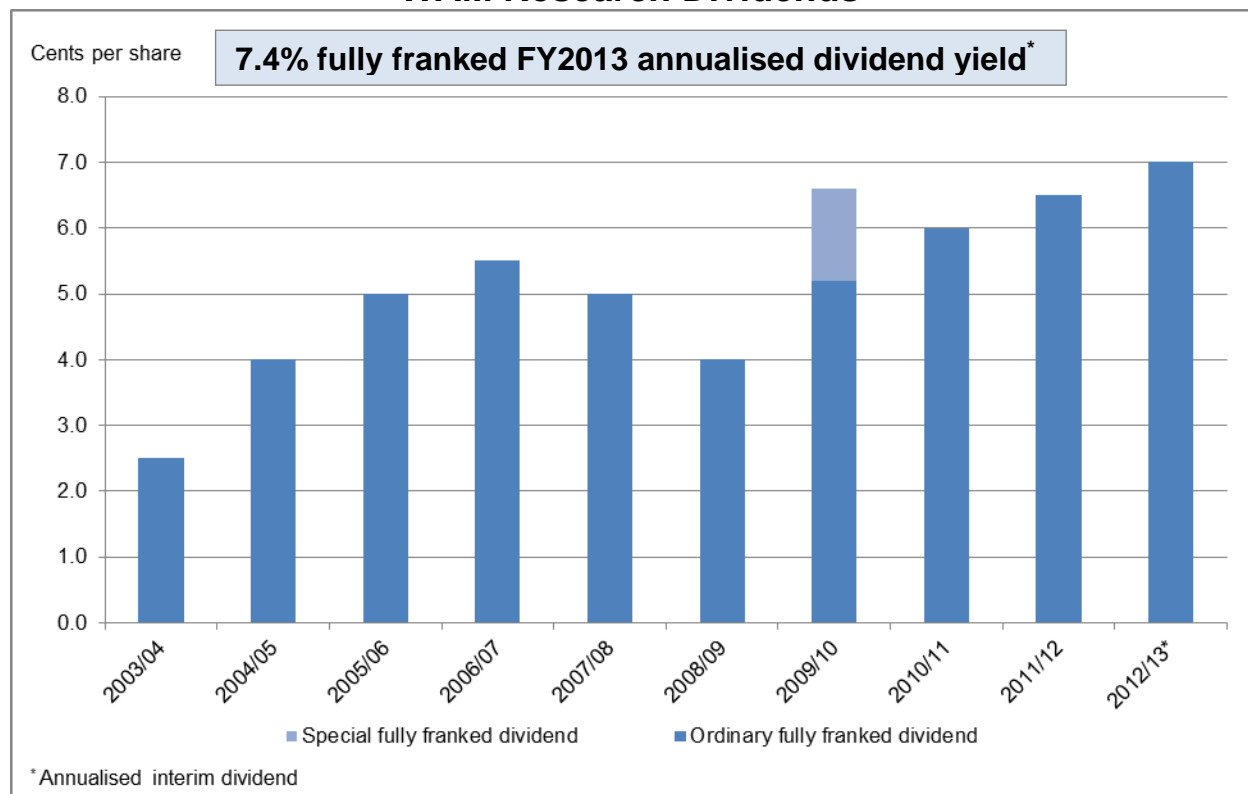
The Australian share market has rallied strongly since June last year. Given that historically share prices generally rise 9 to 12 months before earnings start to improve, the rally reflects the market's expectation that earnings will rise in the short term. Through the month of May, this has not yet eventuated. In light of the recent slew of earnings downgrades, we have become more cautious in our outlook for the Australian share market and have adjusted the portfolio accordingly.

Dividends – 3.5 cents per share fully franked interim

On 19 April 2013, the Company paid a fully franked interim dividend of 3.5 cents per share. This was a 7.7% increase on the previous year's interim dividend and represents an annualised fully franked dividend yield of 7.4% based on the last sale price. The interim dividend includes 1.1 cents of LIC capital gain which will enable some shareholders to claim a further tax deduction.

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 and profitability.

WAM Research Dividends



*Based on the 13 June 2013 closing price.

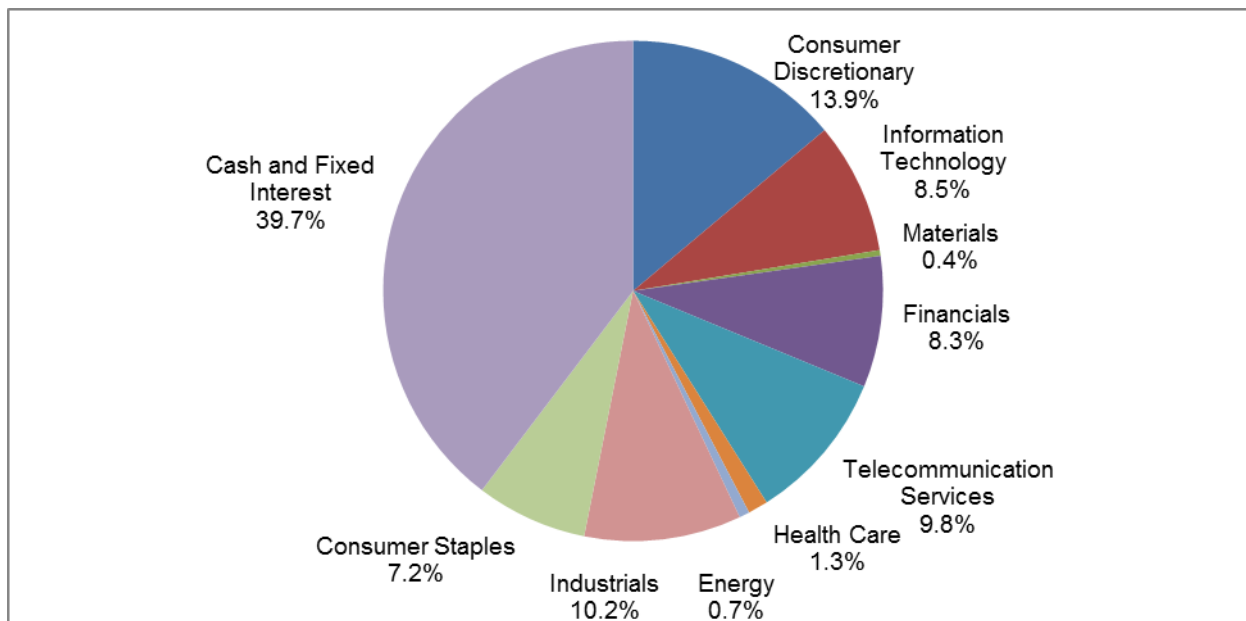
Portfolio structure

Investment Type	As at 30 April 2013		As at 31 May 2013	
	\$m	%	\$m	%
Listed Equities	82.3	65.4%	73.9	60.3%
Fixed Interest and Cash	43.6	34.6%	48.6	39.7%
Total Fund Size	\$125.9m	100.0%	\$122.5m	100.0%
Total number ordinary shares on issue	122,599,235		122,599,235	

At 30 April 2013, the major securities held in the portfolio were as follows:

Code	Company	Market Value \$	Market Value as % of Gross Assets
GNC	Graincorp Limited	7,493,851	6.1%
MTU	M2 Telecommunications Group Limited	3,953,478	3.2%
SGH	Slater & Gordon Limited	3,949,353	3.2%
SFW	SFG Australia Limited	3,070,820	2.5%
CSV	CSG Limited	2,939,628	2.4%
RCR	RCR Tomlinson Limited	2,794,735	2.3%
CIW	Clime Investment Management Limited	2,702,938	2.2%
SGN	STW Communications Group Limited	2,698,989	2.2%
GEM	G8 Education Limited	2,654,800	2.2%
TPM	TPG Telecom Limited	2,590,848	2.1%
VRL	Village Roadshow Limited	2,284,323	1.9%
VOC	Vocus Communications Limited	2,273,568	1.9%
RWH	Royal Wolf Holdings Limited	2,140,383	1.7%
NEA	Nearmap Limited	2,087,642	1.7%
SKE	Skilled Group Limited	2,048,578	1.7%
APE	AP Eagers Limited	1,724,367	1.4%
AHE	Automotive Holdings Group Limited	1,717,112	1.4%
SHJ	Shine Corporation Limited	1,662,597	1.4%
AMM	Amcom Telecommunication Limited	1,616,282	1.3%
NXT	NEXTDC Limited	1,569,220	1.3%

Portfolio structure - sector allocation



Performance – yearly comparison

Set out below is the performance of WAX's investment portfolio since listing to 31 May 2013 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	30.2%	23.9%	+6.3%

For more information

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