



**WAM RESEARCH LIMITED (WAX)**  
**ABN 15 100 504 541**  
**INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT**  
**OCTOBER 2012**

**Company overview**

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

**Investment objective**

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.

**Outperformance against sharemarket**

The performance of the WAX 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.

<b>Performance as at 31 October 2012</b>	<b>1 Mth %</b>	<b>6 Mths %</b>	<b>Fin YTD %</b>	<b>1 Yr %</b>	<b>3 Yrs %pa</b>	<b>5 Yrs %pa</b>
WAX Investment Portfolio	+2.6%	+9.6%	+11.4%	+19.8%	+9.8%	-0.3%
S&P/ASX All Ordinaries Accumulation Index	+3.0%	+4.0%	+11.4%	+8.9%	+3.5%	-3.6%
<b>Outperformance</b>	<b>-0.4%</b>	<b>+5.6%</b>	<b>+0.0%</b>	<b>+10.9%</b>	<b>+6.3%</b>	<b>+3.3%</b>

**Net Tangible Asset (NTA) figures**

The following NTA figures are after the payment of a fully franked final dividend of 3.25 cents per share paid on the 19 October 2012.

<b>NTA before tax</b>	<b>89.49c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>92.87c*</b>
<b>NTA after tax</b>	<b>92.87c*</b>

\*These figures include tax assets of 3.38 cents per share.

## Market Outlook

### *Market up again*

The ASX S&P All Ordinaries Accumulation Index finished up 2.97% for October. This was its 5th consecutive positive month. It has also now registered 9 positive months in the last 10. Another 0.25% interest rate cut by the RBA and the expectation of further cuts helped drive the market higher.

### *Merger and acquisition activity heats up*

A low interest rate environment is conducive to merger and acquisition activity, as we have mentioned previously. This month a plethora of deals were announced with takeover or merger talks involving Arrium, Discovery Metals, Graincorp, WHK Group and SFG Australia. We believe this trend will continue as more interest cuts are delivered by the RBA during FY13.

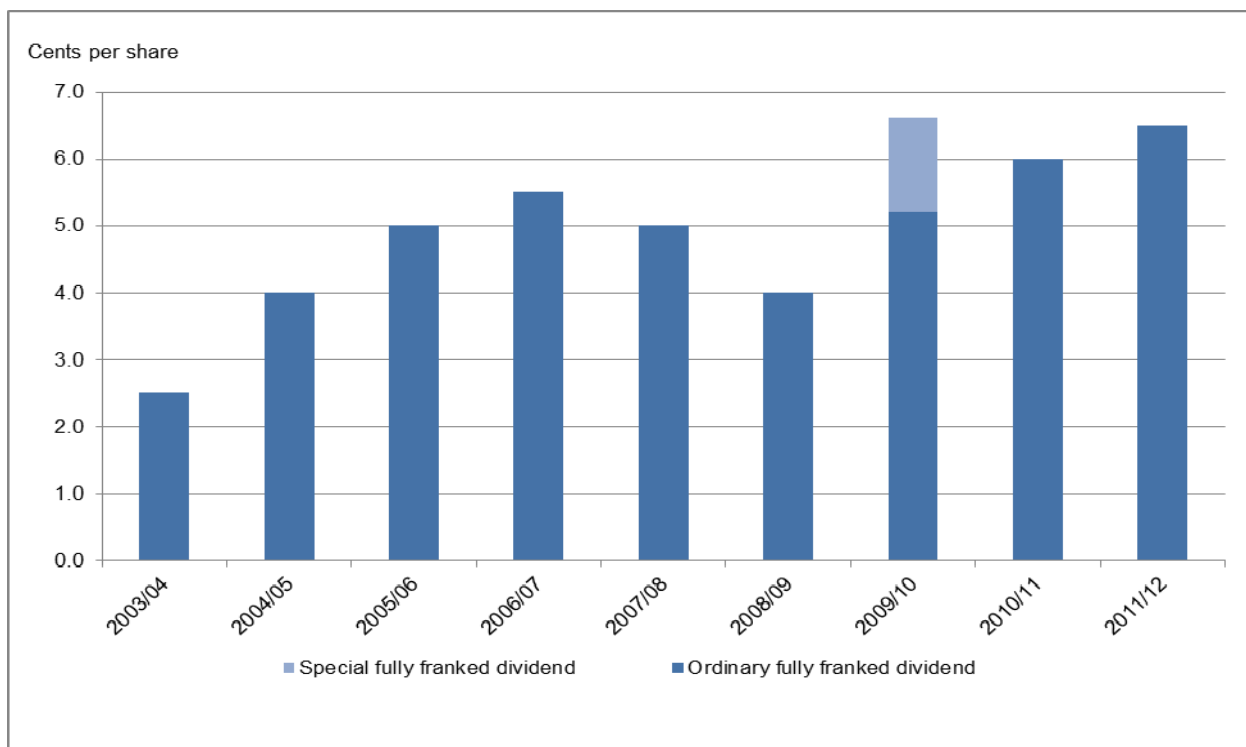
### *Downgrades leak out*

Downgrades have been announced from companies such as Harvey Norman, SMS Management and Technology, QBE Insurance Group and Origin Energy, representing varying sectors of the economy. November is a key time for AGMs and we expect further downgrades to be revealed at these meetings. The feedback we continue to receive from companies is that trading conditions remain challenging.

## **Dividends – 3.25 cents per share fully franked final**

On 19 October 2012, the Company paid a fully franked final dividend of 3.25 cents per share. This is a 8.3% increase on the previous year's final dividend. The final dividend includes 0.4 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 cash holdings.



## Portfolio structure

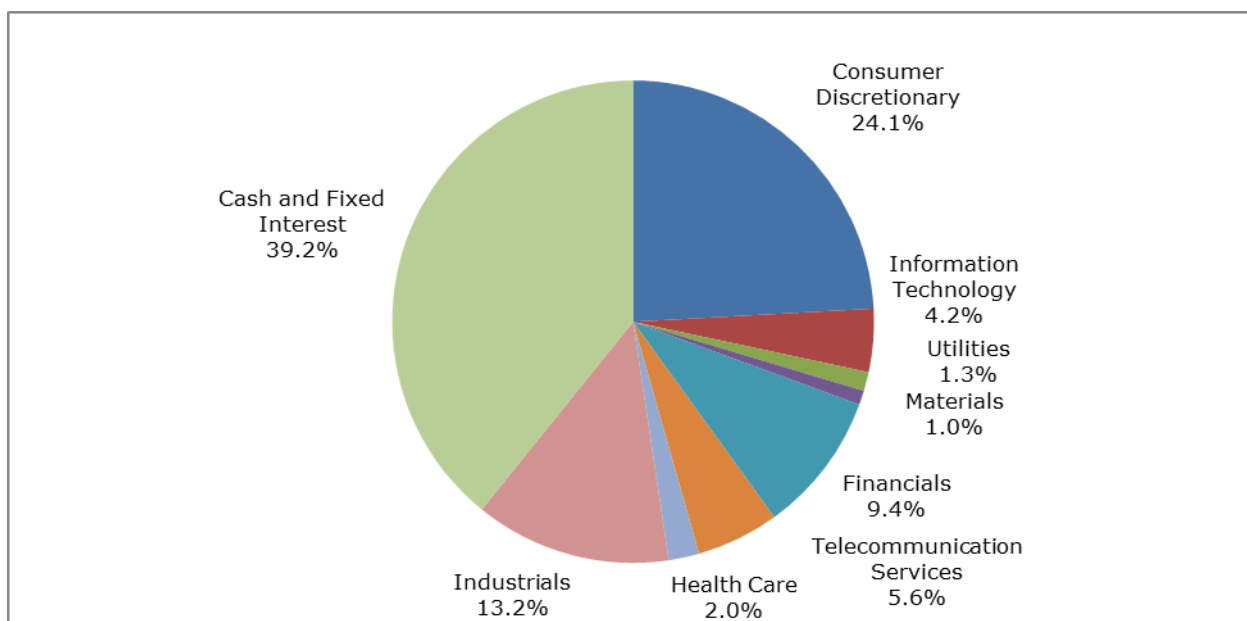
Investment Type	As at 30 September 2012		As at 31 October 2012	
	\$m	%	\$m	%
Listed Equities	64.7	58.8%	66.5	60.8%
Fixed Interest and Cash	45.4	41.2%	42.8	39.2%
<b>Total Fund Size</b>	<b>\$110.1m</b>	<b>100.0%</b>	<b>\$109.3m*</b>	<b>100.0%</b>
<b>Total number ordinary shares on issue</b>	120,854,228		121,634,257	

\* This is after the payment of the \$3,292,857 fully franked final dividend during the month.

At 31 October 2012 the major securities held in the portfolio were as follows:

Code	Company	Market Value \$	Market Value as % of Gross Assets
APE	AP Eagers Limited	6,170,668	5.7%
ALS	Alesco Corporation Limited	3,585,093	3.3%
BRG	Breville Group Limited	3,541,721	3.2%
AHE	Automotive Holdings Group Limited	3,440,415	3.2%
NXT	NEXTDC Limited	3,427,200	3.1%
MFG	Magellan Financial Group Limited	3,227,748	3.0%
ARP	ARB Corporation Limited	2,976,903	2.7%
RKN	Reckon Limited	2,677,722	2.5%
AMM	Amcom Telecommunication Limited	2,645,161	2.4%
FAN	Fantastic Holdings Limited	2,560,982	2.3%
SKE	Skilled Group Limited	2,491,202	2.3%
CTD	Corporate Travel Management Limited	2,381,910	2.2%
IPP	iProperty Group Limited	1,926,666	1.8%
MMS	McMillan Shakespeare Limited	1,978,151	1.8%
CIW	Clime Investment Management Limited	1,860,529	1.7%
RHG	RHG Limited	1,817,539	1.7%
LCM	Logicamms Limited	1,582,572	1.4%
MYS	MyState Limited	1,500,120	1.4%
REA	REA Group Limited	1,486,243	1.4%
COF	Coffey International Limited	1,412,307	1.3%

## Portfolio structure - sector allocation



## Performance – yearly comparison

Set out below is the performance of WAX's investment portfolio since listing to 31 October 2012 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%	<b>-15.9%</b>
2004/2005	+5.2%	+24.8%	<b>-19.6%</b>
2005/2006	+13.4%	+24.2%	<b>-10.8%</b>
2006/2007	+30.7%	+30.3%	<b>+0.4%</b>
2007/2008	-31.6%	-12.1%	<b>-19.5%</b>
2008/2009	-4.8%	-22.2%	<b>+17.4%</b>
2009/2010	+10.3%	+13.8%	<b>-3.5%</b>
2010/2011	+17.5%	+12.2%	<b>+5.3%</b>
2011/2012	+4.5%	-7.0%	<b>+11.5%</b>
YTD 2012/2013	+11.4%	+11.4%	<b>+0.0%</b>

## **Investor Presentations**

The team at Wilson Asset Management enjoys the opportunity to meet with you at the semi-annual investor presentations to be held on the following dates:

Perth – 20 November 2012  
Sydney – 28 November 2012  
Melbourne – 29 November 2012  
Adelaide – 30 November 2012  
Canberra – 3 December 2012  
Brisbane – 4 December 2012

We look forward to seeing you and please feel free to invite any other interested parties.

## **For more information**

Please contact Geoff Wilson, Chris Stott or Kate Thorley.

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