

Investment update

As at 31 January 2018



Snapshot

Pre-tax net tangible assets

\$1.30

Fully franked
dividend yield

6.0%

Gross assets

\$245.1m

Performance
(p.a. since July 2010)

18.8%

WAM Research Limited

ASX code	WAX
Listed	Aug 2003
Gross assets	\$245.1m
Market cap	\$281.8m
Share price	\$1.505
NTA before tax	\$1.30
Shares on issue	187,221,984
Fully franked dividends (FY2017)	9.0c
Fully franked dividend yield	6.0%

Investment objectives

- Provide shareholders 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

Wilson Asset Management investment & management team

Geoff Wilson	Chairman & Portfolio Manager
Kate Thorley	Chief Executive Officer
Chris Stott	Chief Investment Officer & Portfolio Manager
Matthew Haupt	Portfolio Manager
Catriona Burns	Portfolio Manager
Martin Hickson	Portfolio Manager
Oscar Oberg	Portfolio Manager
Tobias Yao	Senior Equity Analyst
John Ayoub	Senior Equity Analyst
Cooper Rogers	Assistant Dealer

Company overview

WAM Research Limited (ASX: WAX) is a listed investment company managed by Wilson Asset Management. 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 ASX.

Save the date: Investor conference calls

We look forward to our upcoming investor conference call on Tuesday 6 March at 4:30pm (Sydney time). We will discuss our LICs, equity market outlook and highlights from the February reporting season and hold a Q&A. On 15 March 2018 at 11.00am (Sydney time) investors interested in WAM Global can hear from Lead Portfolio Manager Catriona Burns.

Market overview

The S&P/ASX All Ordinaries Accumulation Index closed down 0.3% in January. Economic data for the month was mixed. Retail sales surprised on the upside, increasing 1.2% in November, while the Australian Bureau of Statistics announced the fourth-quarter consumer price index (CPI), which increased 0.6%, falling below consensus expectations. As such, and in line with the Reserve Bank of Australia's recent commentary, we do not expect any imminent changes to interest rates.

While we continue to find attractive investment opportunities we remain cautious about the direction of the equity market over the short-to-medium term following the sell-off in early February. The US Dow Jones Industrial Average is now down more than 10% from its January highs, a technical correction. Data released on US wage growth in early February sparked expectations of higher inflation, in turn leading to a sell off of bonds given concerns about the pace of interest rate increases. Equity markets around the world followed suit, Australia included. In our opinion, the major risk for global equity markets in the near-term is the contraction in price-to-earnings multiples due to faster than expected increases in interest rates resulting from stronger global macroeconomic conditions.

We are well placed to withstand a correction in the market, given our flexible mandate that places no limit on the portfolio's cash weighting. Over the last few weeks we have increased our cash weighting and have realised gains in positions that have reached our valuation, seeing the Company's cash position move from 28.2% at 31 January to 39.8% as at 12 February. In previous cycles, our ability to hold high levels of cash provides some protection in terms of preserving capital through periods of high volatility. Times of heightened volatility can also provide attractive investment opportunities. Over the next two months the team will meet with over 200 primarily small-to-medium sized industrial companies allowing the investment team to assess current positions and search for new investment ideas to enter the portfolio.

Net tangible asset (NTA) figures

NTA before tax	130.05c
NTA after tax and before tax on unrealised gains	129.67c
NTA after tax	126.84c

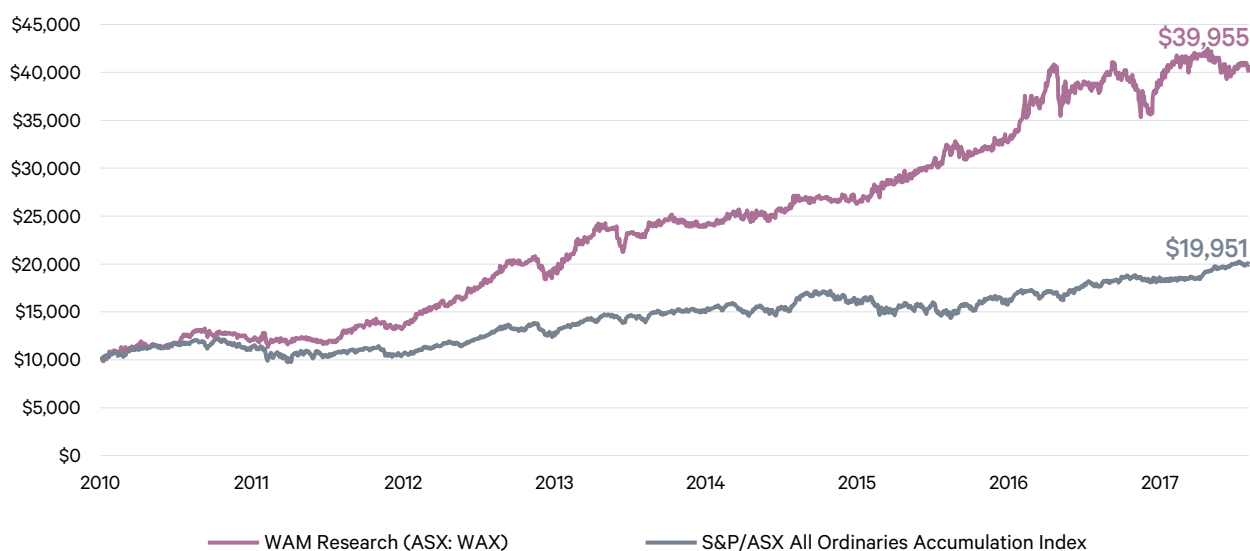
Performance

Performance at 31 January 2018	1 mth	6 mths	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	Since change in investment strategy %pa (Jul-10)
WAX Investment Portfolio*	1.7%	11.1%	11.7%	12.0%	19.4%	19.5%	18.8%
S&P/ASX All Ordinaries Accumulation Index	-0.3%	8.8%	8.9%	13.0%	8.0%	9.2%	9.3%
Outperformance	+2.0%	+2.3%	+2.8%	-1.0%	+11.4%	+10.3%	+9.5%

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

Growth of \$10,000 investment since change in investment strategy

WAM Research versus the Index



Notes:

- The above graph reflects the period from the change in investment strategy in July 2010 to 31 January 2018.
- WAM Research's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
- The S&P/ASX All Ordinaries Accumulation Index has been chosen for comparison purposes only. The graph is not intended to be an indication of future performance of any asset class, index or the WAM Research portfolio.

Diversified portfolio

Investment type	December 2017		January 2018	
	\$m	%	\$m	%
Listed equities	174.1	72.2	175.9	71.8
Fixed interest & cash	67.1	27.8	69.2	28.2
Gross assets	\$241.2m	100.0	\$245.1m	100.0
Total shares on issue	187,221,984		187,221,984	

Top 20 holdings

Code	Company	Code	Company
APT	Afterpay Touch Group Limited	SGF	SG Fleet Group Limited
ASL	Ausdrill Limited	SCO	Scottish Pacific Group Limited
SDA	SpeedCast International Limited	CCP	Credit Corp Group Limited
PRY	Primary Health Care Limited	PAC	Pacific Current Group Limited
SIQ	Smartgroup Corporation Limited	MNF	MNF Group Limited
IMD	Imdex Limited	RKN	Reckon Limited
PSI	PSC Insurance Group Limited	CVW	ClearView Wealth Limited
EHL	Emeco Holdings Limited	NXT	NEXTDC Limited
PNI	Pinnacle Investment Management Group Limited	IPH	IPH Limited
NGI	Navigator Global Investments Limited	SGR	The Star Entertainment Group Limited

Fully franked dividends

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.

Fully franked dividends since inception

