



W | A | M *Research*

2019 Annual Report

For the year ended 30 June 2019

WAM Research Limited

WAM Research Limited (WAM Research or the Company) is a listed investment company and is a reporting entity. It is primarily an investor in equities listed on the Australian Securities Exchange.

Directors

Geoff Wilson AO (Chairman)
John Abernethy
Julian Gosse
Kate Thorley

Auditor

Pitcher Partners

Country of Incorporation

Australia

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
T: (02) 9290 9600
F: (02) 9279 0664

Company Secretary

Linda Vo

Registered Office

Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

For enquiries relating to shareholdings, dividends (including participation in the dividend reinvestment plan) and related matters, please contact the share registry.

Investment Manager

MAM Pty Limited
Level 26, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
(part of Wilson Asset Management)

Contact Details

Postal Address: GPO Box 4658
Sydney NSW 2001
T: (02) 9247 6755
F: (02) 9247 6855
E: info@wilsonassetmanagement.com.au
W: wilsonassetmanagement.com.au

Australian Securities Exchange

WAM Research Limited
Ordinary Shares (WAX)

Shareholder Presentations 2019

Annual General Meeting and Presentation Sydney

Tuesday 19 November

Presentation: 10.00am – 12.00pm

AGM: 2.55pm – 3.15pm

The Westin Sydney

1 Martin Place

Sydney NSW 2000

To be streamed live on our website wilsonassetmanagement.com.au.



Canberra

Monday 18 November

10.00am – 12.00pm

Hotel Realm

18 National Circuit

Canberra ACT 2600

Brisbane

Thursday 21 November

10.00am – 12.00pm

Hilton Hotel

190 Elizabeth Street

Brisbane QLD 4000

Hobart

Monday 25 November

10.00am – 12.00pm

Hotel Grand Chancellor

1 Davey Street

Hobart TAS 7000

Perth

Tuesday 26 November

10.00am – 12.00pm

The Westin

480 Hay Street

Perth WA 6000

Adelaide

Wednesday 27 November

10.00am – 12.00pm

Hilton Hotel

233 Victoria Square

Adelaide SA 5000

Melbourne

Thursday 28 November

10.00am – 12.00pm

Grand Hyatt

123 Collins Street

Melbourne VIC 3000

The Future Generation Presentations will be held from 12.15pm – 1.15pm in each city.

Access exclusive investment ideas from leading Australian and global fund managers at the

Future Generation Investment Forum which will be held from 1.45pm – 3.15pm on Thursday 28 November in Melbourne.

Key highlights FY2019

\$1.6m

Operating profit
after tax

9.7c

Fully franked full year
dividend

7.3%

Fully franked
dividend yield

Snapshot as at 30 June 2019

Listing date	August 2003
Gross assets	\$226.2m
Market capitalisation	\$253.0m
Share price	\$1.325
Shares on issue	190,907,874
Net tangible assets (pre-tax)	\$1.18
Net tangible assets (post-tax)	\$1.16
Fully franked dividends FY2019	9.7 cents
Fully franked FY2019 dividend yield	7.3%

FY2019 results

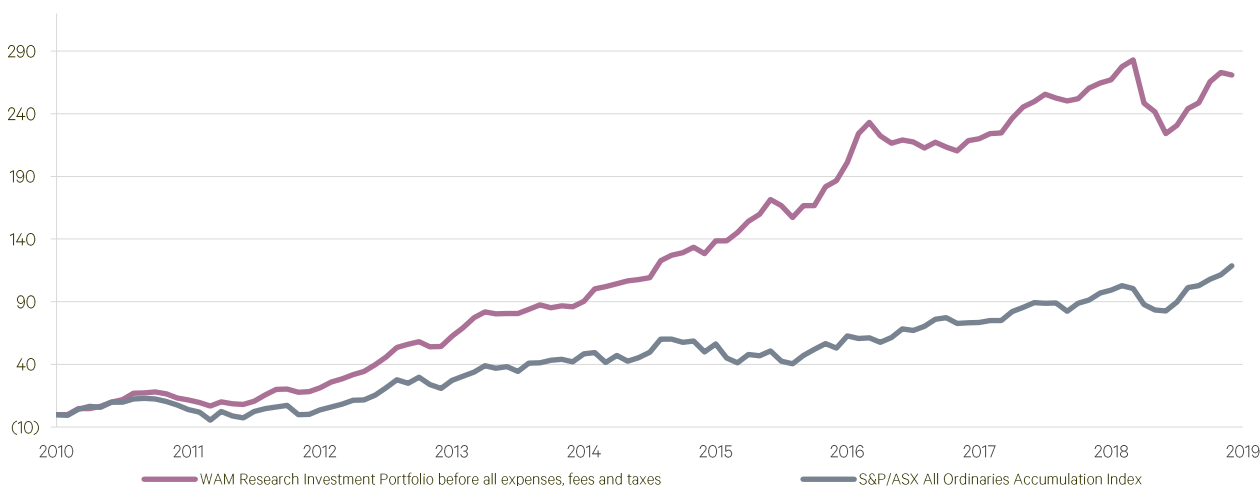
WAM Research reported an operating profit before tax of \$0.4 million for the year (FY2018: \$28.9 million) and an operating profit after tax of \$1.6 million (FY2018: \$21.6 million). The after tax figure was boosted by a \$1.2 million income tax benefit delivered through franking credits received on franked dividend income from investee companies.

The operating profit for 2019 is reflective of the performance of the investment portfolio over the period which was impacted by the heightened volatility in the Australian equity market. While holding on average 31.2% in cash, the investment portfolio increased 18%, while the S&P/ASX Small Ordinaries Accumulation Index rose 1.9% and the S&P/ASX All Ordinaries Accumulation Index increased 11.0%.

The Board declared a fully franked full year dividend of 9.7 cents per share, with the fully franked final dividend being 4.85 cents per share. Since inception, the Company has paid 99.45 cents per share in fully franked dividends to shareholders.

WAM Research's investment portfolio has returned 16.2% p.a. since revised investment strategy outperforming the market by 6.6% p.a.

Index re-based



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Chairman's letter

Dear Fellow Shareholders,

I would like to thank all WAM Research shareholders for your continued support of the Company during the 2019 financial year. I would also like to welcome each of the 714 new shareholders who have joined us during the year.

The 2019 financial year was a dynamic year for equity markets, beginning with expectations of synchronised – albeit softening – global growth and tighter United States (US) monetary policy. In the December quarter the global economy faltered, China's growth slowed and the end of the longest US bull market appeared to be approaching. By January 2019, the US Federal Reserve was conducting its u-turn, pausing its interest rate increases and signalling the end to quantitative tightening. This, coupled with aggressive Chinese stimulus, drove equity markets to new heights as interest rates fell, and the global economy weakened.

The MSCI World Index (AUD) ended the financial year up 12.0%, while the S&P Global Mid Small Index increased only 5.6% in AUD terms. Large-cap companies drove the US market's gains. The S&P 500 Index climbed 10.4% during the year in local terms. In contrast, the small-cap focused Russell 2000 Index fell by 3.4% in local terms.

The divergence of large-cap and small-cap returns globally was mirrored in Australia, as the S&P/ASX 200 Accumulation Index increased 11.5% in the financial year and the S&P/ASX Small Ordinaries Accumulation Index rose by just 1.9%. The large-cap performance led the S&P/ASX All Ordinaries Accumulation Index, which rose 11.0% for the financial year. The WAM Research investment portfolio increased 1.8% in the 12-month period, climbing 6.4% in the final quarter and rebounding 14.5% in the six months to 30 June 2019. Over the 12-months we adjusted our cash levels continuously while averaging 31.2% throughout the period. In 2019, the Company recorded an operating profit before tax of \$0.4 million (2018: \$28.9 million) and an operating profit after tax of \$1.6 million (2018: \$21.6 million). The after tax figure was boosted by a \$1.2 million income tax benefit delivered through franking credits received on franked dividend income from investee companies.

During the period we invested in 112 individual companies and at 30 June we had investments in 46 companies. The largest contributors to the investment portfolio's performance during the period included: global ship building company and defence contractor, Austal (ASX: ASB); leading plus-sized fashion retailer, City Chic Collective (ASX: CCX); information and communications technology provider, Service Stream (ASX: SSM); global digital retailer of official government and charitable lotteries, Jumbo Interactive (ASX: JIN); and receivables and specialist financing company, Scottish Pacific Group (ASX: SCO).

We remain cautious about the direction of the Australian market, as the record low interest rates have driven up valuations and increased speculation. The investment portfolio's cash level ended the year at 25.4%.

WAM Research has consistently applied its proven investment process to achieve an investment portfolio return of 16.2% per annum since its change in investment strategy in 2010, which is 6.6% greater than the annual average return from the S&P/ASX All Ordinaries Accumulation Index. This long-term performance has enabled the Company to pay shareholders an average annualised dividend yield on the initial public offering price of 6.5% fully franked per year over the last 16 years. The fully franked full year dividend for the 2019 year was 9.7 cents per share, representing a 7.3% yield on the 30 June 2019 share price.

Company performance

There are three key measures we use to evaluate the performance of a listed investment company: investment portfolio performance; net tangible asset (NTA) growth; and total shareholder return (TSR). Investment portfolio performance measures the growth of the underlying portfolio of equities and cash before expenses, fees and taxes. A key objective of WAM Research is long term outperformance against the S&P/ASX All Ordinaries Accumulation Index, which is achieved by growing the investment portfolio at a greater rate. The S&P/ASX All Ordinaries Accumulation Index is measured before expenses, fees and taxes. NTA growth is the change in value of the Company's assets, less liabilities and costs (including tax, management and performance fees) and is essentially the tangible realisable value of the Company. The NTA is announced to shareholders on the ASX each month. TSR measures the tangible value shareholders gain from share price growth and dividends paid over the period. Importantly, TSR does not include the value of franking credits distributed to shareholders by way of fully franked dividends.

1. Investment portfolio performance

Performance at 30 June 2019	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since change in investment strategy % pa (Jul-10)
WAM Research Investment Portfolio	1.8%	9.0%	14.8%	17.7%	16.2%
S&P/ASX All Ordinaries Accumulation Index	11.0%	12.6%	9.0%	11.8%	9.6%
Outperformance	-9.2%	-3.6%	+5.8%	+5.9%	+6.6%
S&P/ASX Small Ordinaries Accumulation Index	1.9%	10.7%	9.3%	7.6%	5.8%
Outperformance	-0.1%	-1.7%	+5.5%	+10.1%	+10.4%

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

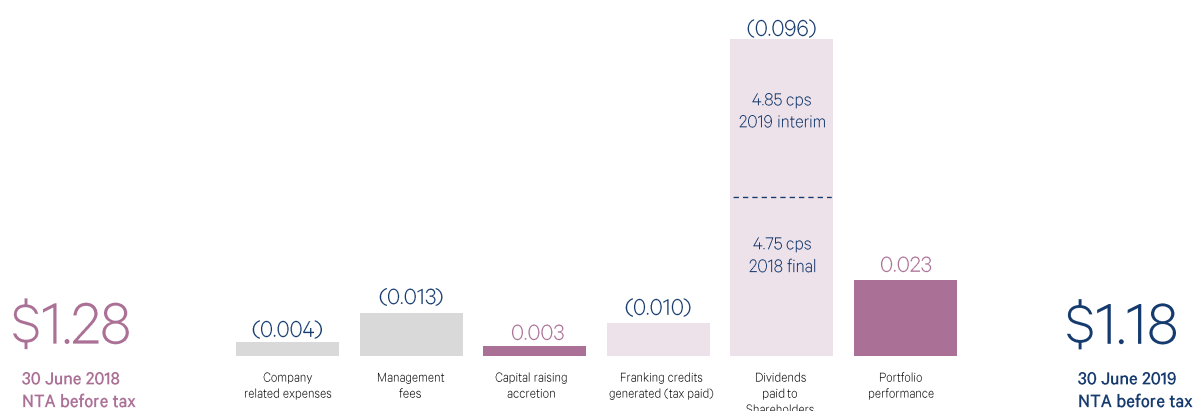
Set out below is the performance of WAM Research since the change in the investment strategy on a financial year basis. The performance data excludes all expenses, fees and taxes and is used as a guide to how the Company's investment portfolio has performed against the S&P/ASX All Ordinaries Accumulation Index over the same period.

Financial year	WAM Research Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2010/2011	17.5%	12.2%	+5.3%
2011/2012	4.5%	-7.0%	+11.5%
2012/2013	30.4%	20.7%	+9.7%
2013/2014	20.5%	17.6%	+2.9%
2014/2015	22.8%	5.7%	+17.1%
2015/2016	25.5%	2.0%	+23.5%
2016/2017	11.1%	13.1%	-2.0%
2017/2018	14.5%	13.7%	+0.8%
2018/2019	1.8%	11.0%	-9.2%

2. NTA growth

WAM Research's NTA before tax decreased 0.1% for the 12 months to 30 June 2019, including the 9.6 cents per share of fully franked dividends paid to shareholders during the year. This decrease is after corporate tax paid of 1.0 cent per share or 0.8% during the year. Corporate tax payments made throughout the period were one of the major items of difference between the investment portfolio performance of 1.8% and the net tangible asset performance. The franking credits attached to corporate tax payments are available for distribution to shareholders through fully franked dividends. Other items contributing to the change in the value of the assets during the year were management fees of 1.0%, other company related and capital raising expenses of 0.3%, being offset by capital raising accretion of 0.2%.

WAM Research pre-tax NTA performance



3. Total shareholder return

This measure shows the tangible return to shareholders, being the change in the share price together with dividends, assuming the dividends are reinvested during the period. The TSR for WAM Research for the year to 30 June 2019 was impacted by the decline in the share price premium to NTA. As at 30 June 2019, the share price premium to NTA was 12.2% (2018: 18.0%). This was offset by the investment portfolio performance, with TSR decreasing 5.9% for the year. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

Growth of a \$10,000 investment since revised investment strategy



Notes:

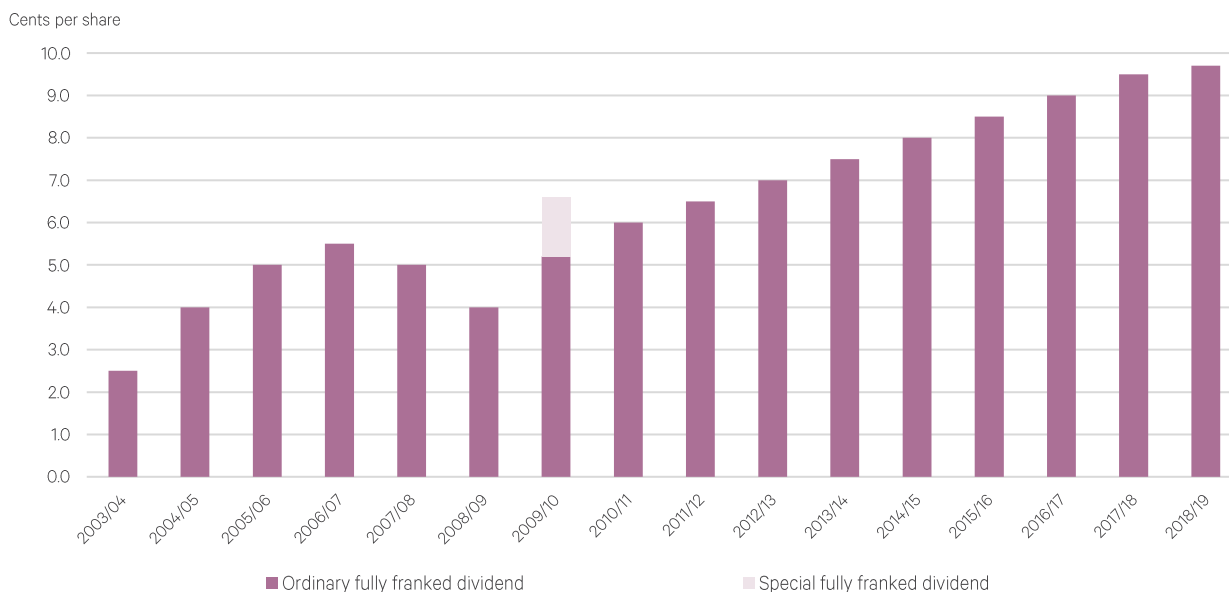
1. The above graph reflects the period from the change in investment strategy in July 2010 to 30 June 2019.
2. WAM Research's performance is calculated using the closing daily share price in Australian dollars and assumes all dividends are reinvested.
3. The S&P/ASX All Ordinaries Accumulation Index 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.

Dividends

The Board declared a fully franked full year dividend of 9.7 cents per share, with the fully franked final dividend being 4.85 cents per share. Since inception, WAM Research has paid 99.45 cents per share in fully franked dividends to shareholders.

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. As at 31 July 2019, the Company had 32.1 cents per share available in its profits reserve, before the payment of the fully franked final dividend of 4.85 cents per share. 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. The dividend reinvestment plan will be operating at a 2.5% discount for the final dividend.

WAM Research dividends since inception



Company outlook

WAM Research enters the 2020 financial year with a conservative balance sheet, a high cash weighting, no debt and a flexible and proven investment approach with the patience and expertise of an experienced investment team. Following a strong rally in July 2019, August has seen a higher level of volatility driven by trade war re-escalation and sharp currency movements arising from global central banks' interest rate decisions. The preservation of shareholder capital is a key focus of our investment process. Despite our cautious outlook, we continue to identify and act on opportunities in the market and are confident that the WAM Research portfolio is comprised of companies with valuation upside and compelling fundamentals.

Public policy and advocacy

On behalf of our 80,000 shareholders of our six LICs as well as self-funded retirees and low-income earners throughout Australia, we advocated against the inequitable and illogical policy to remove refunds on franked dividend income that was announced on 13 March 2018. We were pleased to see the end of the proposal and thank our shareholders for their support.

Shareholder engagement and communication

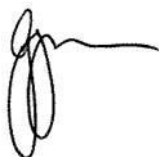
Shareholders are the owners of WAM Research. Our responsibility is to manage the Company on their behalf and be available to report to them on a regular basis. We encourage all shareholders to meet with us and utilise our proactive approach to keeping them informed. We do this regularly in many ways, including:

- Weekly investor updates from our Lead Portfolio Managers;
- Regular investment insights and market updates;
- Regular roundtables with our shareholders and planners, advisers and their clients;
- Monthly investment updates;
- Semi-annual conference calls on our LICs;
- Semi-annual presentations and lunches across all major Australian cities; and
- Annual and semi-annual profits announcements.

WAM Research shareholders are encouraged to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information.

We aim to provide valuable and insightful information and welcome all feedback on how we can improve our communication and engagement. Please contact myself or our Head of Corporate Affairs James McNamara on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au with any questions or feedback.

Thank you for your continued support.



Geoff Wilson AO
Chairman

Investing with Wilson Asset Management

Wilson Asset Management has a strong track record of delivering risk-adjusted returns for shareholders and making a difference for investors and the community for more than 20 years. Established in 1997 by Geoff Wilson AO, Wilson Asset Management is responsible for investing more than \$3 billion in Australian and international companies on behalf of 80,000 retail investors across six LICs:

- WAM Capital (ASX: WAM) – focus on small to mid-cap Australian companies
- WAM Leaders (ASX: WLE) – focus on large-cap Australian companies
- WAM Global (ASX: WGB) – focus on small to mid-cap international companies
- WAM Microcap (ASX: WMI) – focus on micro-cap Australian companies
- WAM Research (ASX: WAX) – focus on small to mid-cap Australian companies
- WAM Active (ASX: WAA) – focus on market mispricing within the Australian equity market

Wilson Asset Management created and is the lead supporter of the first LICs to deliver both investment and social returns: Future Generation Australia (ASX: FGX) and Future Generation Global (ASX: FGG). Wilson Asset Management advocates and acts for retail investors, is a member of the global philanthropic Pledge 1% movement and provides all team members with \$10,000 each year to donate to charities of their choice. This philanthropic investment is made by the Investment Manager.

WAM Research has an investment management agreement with Wilson Asset Management. For WAM Research shareholders, that means an experienced team working on your behalf, to achieve your investment aims. Investing with Wilson Asset Management provides the following benefits:

Risk-adjusted returns. Wilson Asset Management is focused on delivering strong returns while taking the least risk possible to protect shareholders' capital. Our flexible mandate allows for above average cash holdings.

Deep diversification. LICs managed by Wilson Asset Management hold small positions in many companies, providing shareholders with access to highly diversified portfolios.

Experienced experts. Wilson Asset Management's investment team is comprised of 12 professionals with a total focus on protecting and growing shareholder capital and is informed by more than 160 years combined equity market experience.

Full market access. Wilson Asset Management's investment team hold more than 2,500 company meetings each year, that coupled with their extensive network in the market, provides insight, intelligence and opportunities.

Transparency. Wilson Asset Management values shareholder engagement and its LICs adhere to strict corporate governance requirements.

Shareholder advocacy. Wilson Asset Management regularly and actively engages in public debate on behalf of self-managed superannuation funds and retail investors.

A positive impact to the community. Wilson Asset Management is passionate about making a difference to the broader community.

Objectives and investment process

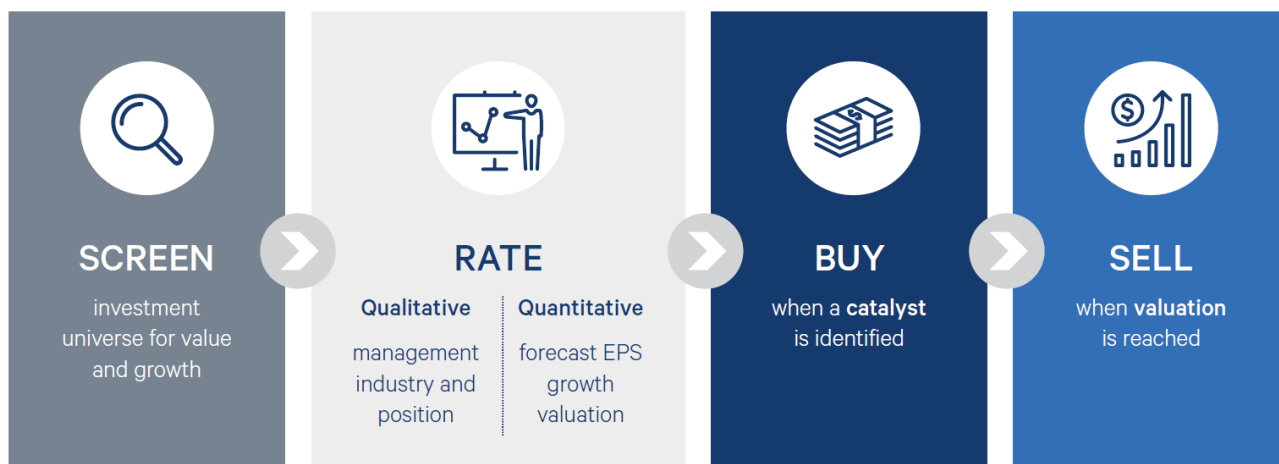
Investment objectives

The investment objectives of WAM Research are to:

- deliver investors a rising stream of fully franked dividends; and
- achieve a high real rate of return, comprising both income and capital growth within risk parameters acceptable to the Directors.

Investment process – focus on small to mid-cap Australian companies

WAM Research provides investors with access to Wilson Asset Management’s research-driven process, focused on identifying undervalued growth companies. This investment process involves diligent and deep research that focuses on free cash flow, return on equity and the quality of a company. Each company is carefully rated with respect to management, earnings growth potential, valuation and industry position. Under this proprietary process, our investment team will only ever invest in a security once we can identify a catalyst or event that we expect will change the market’s valuation of the company.



Directors' Report to shareholders for the year ended 30 June 2019

The Directors present their report together with the financial report of WAM Research for the financial year ended 30 June 2019.

Principal activity

The principal activity of the Company is making investments in listed companies. The Company's investment objectives are to deliver a rising stream of fully franked dividends and to achieve a high real rate of return, comprising both income and capital growth, within the risk parameters acceptable to the Directors. No change in this activity took place during the year or is likely to in the future.

Operating and financial review

Investment operations over the year resulted in an operating profit before tax of \$378,353 (2018: \$28,894,489) and an operating profit after tax of \$1,611,935 (2018: \$21,600,279). The after tax figure was boosted by a \$1.2 million income tax benefit delivered through franking credits received on franked dividend income from investee companies. The operating profit for the year is reflective of the investment portfolio performance which was impacted by the heightened volatility in the Australian equity market. The investment portfolio increased 1.8% in the 12 months to 30 June 2019, whilst holding on average 31.2% in cash. The S&P/ASX Small Ordinaries Accumulation Index rose 1.9% and the S&P/ASX All Ordinaries Accumulation Index increased 11.0% for the year to 30 June 2019.

The operating profit for the period includes unrealised gains or losses arising from changes in the market value of the investments held in the portfolio during the period. This movement in the market value of investments can add to or reduce the realised gains and losses on the investment portfolio and other revenue from operating activities (such as dividend and interest income) in each period. Because of this treatment under the Accounting Standards, this can cause large variations in reported operating profits between periods.

The operating profit for each financial period is reflective of the underlying investment portfolio performance and is important to understand with context to the overall performance of equity markets in any given period. As a result, we believe the more appropriate measures of the financial results for the period are the investment portfolio performance, the change in net tangible assets (NTA) and fully franked dividends, together with total shareholder return.

Further information on the three key listed investment company performance measures and the operating and financial review of the Company is contained in the Chairman's Letter.

Financial position

The net asset value of the Company as at 30 June 2019 was \$221,998,505 (2018: \$235,020,451). Further information on the financial position of the Company is contained in the Chairman's Letter.

Significant changes in state of affairs

There was no significant change in the state of affairs of the Company during the year ended 30 June 2019.

Dividends paid or recommended

Dividends paid or declared during the year are as follows:

	\$
Fully franked FY2018 final dividend of 4.75 cents per share paid on 26 October 2018	8,949,307
Fully franked FY2019 interim dividend of 4.85 cents per share paid on 26 April 2019	9,193,724

Since the end of the year, the Directors declared a fully franked final dividend of 4.85 cents per share to be paid on 18 October 2019.

Directors

The following persons were Directors of the Company during the financial year and up to the date of this report:

- Geoff Wilson AO
- Julian Gosse
- John Abernethy
- Kate Thorley

Information on Directors

Geoff Wilson AO (Chairman – non-independent)

Experience and expertise

Geoff Wilson has over 39 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed investment companies to deliver both investment and social returns, Future Generation Australia and Future Generation Global. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors (AICD).

Geoff has been Chairman of the Company since June 2003.

Other current directorships

Geoff Wilson is currently Chairman of WAM Capital Limited (appointed March 1999), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017), WAM Global Limited (appointed February 2018) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Investment Company Limited (appointed July 2014) and Future Generation Global Investment Company Limited (appointed May 2015) and a Director of Australian Leaders Fund Limited (appointed October 2003), Global Value Fund Limited (appointed April 2014), Century Australia Investments Pty Limited (appointed September 2014), 8IP Emerging Companies Limited (appointed April 2018), Incubator Capital Limited (appointed February 2000), Hearts and Minds Investments Limited (appointed September 2018), Wealth Defender Equities Pty Limited (appointed October 2018), Wollongong 2022 Limited (appointed March 2019), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is the founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

Geoff Wilson AO (Chairman – non-independent) (cont'd)

Former directorships in the last 3 years

Geoff Wilson resigned as a director of Clime Capital Limited in March 2018.

Special responsibilities

Chairman of the Board.

Interests in shares of the Company

Details of Geoff Wilson's interests in shares of the Company are included later in this report.

Interests in contracts

Details of Geoff Wilson's interests in contracts of the Company are included later in this report.

John Abernethy (Director – independent)

Experience and expertise

John Abernethy has over 36 years' experience in funds management and corporate advisory. He spent ten years at NRMA Investments as Head of Equities. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited (formerly Loftus Capital Partners Limited) in 1996. John was also appointed Chairman of Clime Capital Limited in July 2009. He has a Bachelor of Law and Commerce from The University of New South Wales.

John Abernethy has been a Director of the Company since May 2002.

Other current directorships

John Abernethy is Chairman of Clime Capital Limited (appointed July 2009). He is a Director of Clime Investment Management Limited (appointed July 2000), Clime Private Limited (appointed August 2016), Australian Leaders Fund Limited (appointed November 2003), Jasco Holdings Limited and CBG Asset Management Limited.

Former directorships in the last 3 years

John Abernethy resigned as a director of WAM Active Limited in March 2018, CBG Capital Limited in August 2018 and Watermark Market Neutral Fund Limited and Watermark Global Leaders Fund Limited in April 2019.

Special responsibilities

Chairman of the Audit and Risk Committee.

Interests in shares of the Company

Details of John Abernethy's interests in shares of the Company are included later in the report.

Interests in contracts

John Abernethy has no interests in contracts of the Company.

Julian Gosse (Director – independent)

Experience and expertise

Julian Gosse has spent the last 21 years of his career working as a Professional Director of Public Companies. Prior to that he was involved in the stockbroking, merchant banking and venture capital industries.

Julian Gosse has been a Director of the Company since June 2003.

Other current directorships

Julian Gosse is a Director of Australian Leaders Fund Limited (appointed October 2003) and Clime Capital Limited (appointed November 2003).

Former directorships in the last 3 years

Julian Gosse resigned as a non-executive director of Iron Road Limited in March 2018.

Special responsibilities

Member of the Audit and Risk Committee.

Interests in shares of the Company

Julian Gosse has no interests in shares of the Company.

Interests in contracts

Julian Gosse has no interests in contracts of the Company.

Kate Thorley (Director – non-independent)

Experience and expertise

Kate Thorley has over 14 years' experience in the funds management industry and more than 20 years of financial accounting and corporate governance experience. Kate is the Chief Executive Officer of Wilson Asset Management (International) Pty Limited, Director of WAM Capital Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited, WAM Global Limited and Future Generation Investment Company Limited. Kate is the Joint Company Secretary of Future Generation Global Investment Company Limited. She holds a Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment, Graduate Diploma of Applied Corporate Governance and is a fully qualified CA. She is a member of the Australian Institute of Company Directors (AICD).

Kate Thorley has been a Director of the Company since August 2014.

Other current directorships

Kate Thorley is a Director of WAM Active Limited (appointed July 2014), WAM Leaders Limited (appointed March 2016), Future Generation Investment Company Limited (appointed April 2015), WAM Capital Limited (appointed August 2016), WAM Microcap Limited (appointed March 2017) and WAM Global Limited (appointed February 2018).

Former directorships in the last 3 years

Kate Thorley has not resigned as a Director from any listed companies within the last three years.

Special responsibilities

Member of the Audit and Risk Committee.

Kate Thorley (Director – non-independent) (cont'd)

Interests in shares of the Company

Details of Kate Thorley's interests in shares of the Company are included later in this report.

Interests in contracts

Kate Thorley has no interests in contracts of the Company.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Linda Vo

Linda Vo has over 15 years' experience in financial accounting including more than 11 years in the funds management industry. As the Finance Manager of Wilson Asset Management (International) Pty Limited, Linda oversees finance and accounting and is also Company Secretary for six listed investment companies, WAM Capital Limited, WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited and WAM Global Limited. Linda holds a Bachelor of Commerce and is a fully qualified CPA. She is a certified member of the Governance Institute of Australia.

Linda was appointed Company Secretary of WAM Research in May 2016.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each Director of WAM Research.

a) Remuneration of Directors

All Directors of WAM Research are non-executive Directors. The Board from time to time determines remuneration of Directors within the maximum amount approved by the shareholders at the Annual General Meeting. Directors are not entitled to any other remuneration.

Fees and payments to Directors reflect the demands that are made on and the responsibilities of the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

The maximum total remuneration of the Directors of the Company has been set at \$120,000 per annum. Directors do not receive bonuses nor are they issued options on securities by the Company as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration received for the year ended 30 June 2019:

Director	Position	Short-term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Geoff Wilson	Chairman	9,132	868	10,000
John Abernethy	Director	27,397	2,603	30,000
Julian Gosse	Director	30,000	-	30,000
Kate Thorley	Director	9,132	868	10,000
		75,661	4,339	80,000

Remuneration Report (Audited) (cont'd)

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individuals benefits for FY2019 and do not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

The following table reflects the Company's performance and Directors' remuneration over five years:

	2019	2018	2017	2016	2015
Operating profit after tax (\$)	1,611,935	21,600,279	15,590,751	26,157,144	19,463,163
Dividends (cents per share)	9.7	9.5	9.0	8.5	8.0
NTA after tax (\$ per share)	1.16	1.25	1.22	1.20	1.12
Total Directors' remuneration (\$)	80,000	120,000	120,000	112,500	100,000
Shareholder's equity (\$)	221,998,505	235,020,451	224,622,520	208,768,206	186,168,680

As outlined above, Directors' fees are not directly linked to the Company's performance.

b) Director related entities remuneration

All transactions with related entities during the year were made on normal commercial terms and conditions and at market rates.

The Company has an investment management agreement with MAM Pty Limited (the Investment Manager or the Manager). Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as the Manager, and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of the value of the portfolio amounting to \$2,493,199 inclusive of GST (2018: \$2,614,890). As at 30 June 2019, the balance payable to the Manager was \$207,305 inclusive of GST (2018: \$221,856).

In addition, MAM Pty Limited is to be paid, annually in arrears, a performance fee being 20% (plus GST) of:

- where the level of the S&P/ASX All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the S&P/ASX All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in value of the portfolio.

No performance fee is payable in respect of any performance period where the value of the portfolio has decreased over that period. For the year ended 30 June 2019, no performance fee was payable to MAM Pty Limited (2018: nil).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Research to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2019, the fee for accounting services amounted to \$46,200 inclusive of GST (2018: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2018: \$16,500). Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited.

Remuneration Report (Audited) (cont'd)

b) Director related entities remuneration (cont'd)

These amounts are in addition to the above Directors' remuneration. Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company of the Director or with a firm of which he/she is a member or with a Company in which he/she has substantial financial interest.

c) Remuneration of executives

There are no executives that are paid by the Company. MAM Pty Limited, the Investment Manager of the Company, provides the day to day management of the Company and is remunerated for these services as outlined above.

d) Equity instruments disclosures of Directors and related parties

As at the date of this report, the Company's Directors and their related parties held the following interests in the Company:

Ordinary shares held Directors	Balance at 30 June 2018	Acquisitions	Disposals	Balance at the date of this report
Geoff Wilson	4,857,552	884	418,665	4,439,771
John Abernethy	10,000	-	-	10,000
Julian Gosse	-	-	-	-
Kate Thorley	62,817	5,500	-	68,317
	4,930,369	6,384	418,665	4,518,088

Directors and director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

- End of Remuneration Report -

Directors' meetings

Director	No. eligible to attend	Attended
Geoff Wilson	4	3
John Abernethy	4	4
Julian Gosse	4	4
Kate Thorley	4	4

Audit and Risk Committee meetings

The main responsibilities of the Audit and Risk Committee are set out in the Company's 2019 Corporate Governance Statement.

Audit and Risk Committee member	No. eligible to attend	Attended
John Abernethy	4	4
Julian Gosse	4	4
Kate Thorley (appointed 5 July 2018)	4	4

After balance date events

Since the end of the year, the Directors declared a fully franked final dividend of 4.85 cents per share to be paid on 18 October 2019.

No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Future developments

The Company will continue to pursue investment activities – primarily investing in equities listed on the Australian Securities Exchange – to achieve the Company's stated objectives.

The Company's future performance is dependent on the performance of the Company's investments. In turn, the performance of these investments is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market and these investments.

As such, we do not believe it is possible or appropriate to accurately predict the future performance of the Company's investments and, therefore, the Company's performance.

Environmental regulation

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnification and insurance of officers or Auditors

During the financial year the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

During the year Pitcher Partners, the Company's auditor, performed taxation services to the Company. Details of the amounts paid to the auditors and their related parties are disclosed in Note 5 to the financial statements.

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provisions of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2017/191, the amounts in the Directors' Report have been rounded to the nearest dollar, unless otherwise indicated.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2019 is provided on the Company's website at wilsonassetmanagement.com.au.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 22 of the Annual Report.

Signed in accordance with a resolution of the Board of Directors.



Geoff Wilson AO
Chairman

Dated in Sydney this 22nd day of August 2019

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Sydney NSW 2000

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GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Auditor's Independence Declaration
To the Directors of WAM Research Limited
ABN 15 100 504 541**

In relation to the independent audit of WAM Research Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



S M Whiddett
Partner

Pitcher Partners
Sydney

22 August 2019

Statement of comprehensive income for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Net realised and unrealised (losses)/gains on financial assets		(2,784,433)	25,613,627
Other revenue from operating activities	2	6,508,696	6,812,772
Management fees		(2,323,208)	(2,436,602)
Directors fees		(80,000)	(120,000)
Brokerage expense on share purchases		(455,613)	(544,454)
Custody fees		(20,508)	(17,053)
ASX listing and chess fees		(99,862)	(95,174)
Share registry fees		(79,307)	(66,447)
ASIC industry funding levy		(26,075)	-
Other expenses from ordinary activities		(261,337)	(252,180)
Profit before income tax		378,353	28,894,489
Income tax benefit/(expense)	3(a)	1,233,582	(7,294,210)
Profit after income tax attributable to members of the Company		1,611,935	21,600,279
Other comprehensive income/(loss)			
Net unrealised gains/(losses) on investments taken to equity, net of tax		39,035	(58,462)
Total comprehensive income for the year		1,650,970	21,541,817
Basic and diluted earnings per share	14	0.85 cents	11.58 cents

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	12	57,506,206	68,050,560
Trade and other receivables	6	3,978,870	1,413,159
Financial assets at fair value through income statement	7	167,149,639	178,525,024
Total current assets		228,634,715	247,988,743
Non-current assets			
Financial assets at fair value through other comprehensive income	7	1,682,252	1,705,861
Deferred tax assets	3(b)	1,226,378	55,796
Total non-current assets		2,908,630	1,761,657
Total assets		231,543,345	249,750,400
Current liabilities			
Trade and other payables	8	4,471,380	7,979,618
Current tax liabilities	3(c)	5,073,460	296,467
Total current liabilities		9,544,840	8,276,085
Non-current liabilities			
Deferred tax liabilities	3(d)	-	6,453,864
Total non-current liabilities		-	6,453,864
Total liabilities		9,544,840	14,729,949
Net assets		221,998,505	235,020,451
Equity			
Issued capital	9(a)	208,207,225	204,737,110
Reserves	10	34,146,995	44,616,826
Accumulated losses	11	(20,355,715)	(14,333,485)
Total equity		221,998,505	235,020,451

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2019

	Note	Issued capital \$	Accumulated losses \$	Profits reserve \$	Asset revaluation reserve \$	Other reserves \$	Total equity \$
Balance at 1 July 2017		198,689,753	(14,333,485)	59,817,175	295,272	(19,846,195)	224,622,520
Profit for the year		-	21,600,279	-	-	-	21,600,279
Transfer to profits reserve		-	(21,600,279)	21,600,279	-	-	-
Transfer from asset revaluation reserve		-	-	-	(9,917)	9,917	-
Other comprehensive loss for the year		-	-	-	(58,462)	-	(58,462)
Transactions with owners:							
Shares issued via dividend reinvestment plan	9(b)	3,437,022	-	-	-	-	3,437,022
Shares issued via placement	9(b)	2,642,640	-	-	-	-	2,642,640
Share issue costs (net of tax)	9(b)	(32,305)	-	-	-	-	(32,305)
Dividends paid	4(a)	-	-	(17,191,243)	-	-	(17,191,243)
Balance at 30 June 2018		204,737,110	(14,333,485)	64,226,211	226,893	(19,836,278)	235,020,451
Profit for the year		-	1,611,935	-	-	-	1,611,935
Transfer to profits reserve		-	(7,634,165)	7,634,165	-	-	-
Transfer from asset revaluation reserve		-	-	-	(13,103)	13,103	-
Other comprehensive income for the year		-	-	-	39,035	-	39,035
Transactions with owners:							
Shares issued via dividend reinvestment plan	9(b)	3,470,115	-	-	-	-	3,470,115
Dividends paid	4(a)	-	-	(18,143,031)	-	-	(18,143,031)
Balance at 30 June 2019		208,207,225	(20,355,715)	53,717,345	252,825	(19,823,175)	221,998,505

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Proceeds from sale of investments		378,451,782	359,077,794
Payments for purchase of investments		(375,851,076)	(380,567,421)
Dividends received		4,815,367	5,263,659
Interest received		1,507,380	1,601,111
Other investment income received		186,232	43,306
Management fee (GST inclusive)		(2,507,750)	(2,602,144)
Brokerage expense on share purchases (GST inclusive)		(488,367)	(584,250)
Payments for administration expenses (GST inclusive)		(574,699)	(480,897)
Income tax paid		(1,630,600)	(3,833,751)
GST on brokerage expense on share sales		(38,725)	(44,100)
Net GST received from the ATO		259,018	266,047
Net cash provided by/(used in) operating activities	13	4,128,562	(21,860,646)
Cash flows from financing activities			
Dividends paid – net of reinvestment		(14,672,916)	(13,754,221)
Proceeds from issue of shares		-	2,642,640
Share issue costs		-	(46,150)
Net cash used in financing activities		(14,672,916)	(11,157,731)
Net decrease in cash and cash equivalents held		(10,544,354)	(33,018,377)
Cash and cash equivalents at beginning of the year		68,050,560	101,068,937
Cash and cash equivalents at the end of the year	12	57,506,206	68,050,560
Non-cash transactions:			
Shares issued via dividend reinvestment plan		3,470,115	3,437,022

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2019

1. Significant accounting policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

WAM Research is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report was authorised for issue on 22 August 2019 by the Board of Directors.

WAM Research is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs with the exception of certain financial assets and liabilities which have been measured at fair value.

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The Company has applied AASB 9: *Financial Instruments* from 1 July 2018. All of the Company's investments in financial assets continue to be accounted for at fair value through profit or loss or at fair value through other comprehensive income under AASB 9. Accordingly, first time application of AASB 9 had no impact on the Company's accounting for its investments in financial assets. AASB 9 has also introduced the expected credit loss model which is a forward looking model applicable to other financial assets of the Company. Please refer to Note 1(g) for further details.

a) Financial assets

Initial recognition

Financial assets are recognised when the Company becomes party to the contractual provisions of the asset. This is equivalent to the date that the Company commits itself to purchase or sell the asset (i.e. trade date accounting is adopted).

1. Significant accounting policies (cont'd)

a) Financial assets (cont'd)

Classification and subsequent measurement

Financial assets are subsequently measured at fair value. Current market prices for all quoted investments are used to determine fair value. For all listed or unlisted securities that are not traded in an active market, valuation techniques are applied to determine fair value, including recent arm's length transactions and reference to similar instruments.

The Company classifies its financial assets into the following categories:

(i) Financial assets at fair value through income statement

Financial assets are classified 'at fair value through income statement' when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of comprehensive income in the period in which they arise.

(ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recognised initially at cost and the Company has elected to present subsequent changes in the fair value of financial assets in the Statement of comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability. When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the profits reserve.

b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the current financial year. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets relating to temporary differences and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are only offset where a legally enforceable right of

1. Significant accounting policies (cont'd)

b) Income tax (cont'd)

set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and term deposits maturing within six months or less.

d) Revenue and other income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established. All revenue is stated net of the amount of goods and services tax (GST).

e) Trade and other receivables

Trade and other receivables are non-derivative financial assets and are initially recognised at fair value. They are subsequently stated at amortised cost, less any provision for impairment. Refer to Note 1(g) for further detail.

f) Trade and other payables

Trade and other payables are non-derivative financial liabilities and are stated at their amortised cost.

g) Impairment of assets

The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition (this has replaced the incurred loss model). All the trade receivables of the Company share the same credit risk characteristics. Indicators that there is no reasonable expectation of recovery include, amongst others, the Standard & Poor's credit risk rating of a debtor, and a failure to make contractual payments for a period of greater than 30 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within the Statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item. As at 30 June 2019 there are no expected credit losses recognised (2018: nil).

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of financial position.

1. Significant accounting policies (cont'd)

h) Goods and Services Tax (GST) (cont'd)

Cash flows are presented in the Statement of cash flows on a gross basis (inclusive of GST), except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

j) Profits reserve

The profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

k) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

l) Dividends

Dividends are recognised when declared during the financial year.

m) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

There are no estimates that have a material impact on the Company's financial results for the year ended 30 June 2019. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

n) New standards and interpretations not yet adopted

There are no new standards or interpretations applicable that would have a material impact for the Company.

2. Other revenue

	2019 \$	2018 \$
Australian sourced dividends	4,996,174	5,095,959
Interest	1,371,137	1,590,982
Trust distributions	16,873	53,283
Foreign sourced dividends	92,502	37,678
Underwriting fees	32,010	34,870
	6,508,696	6,812,772

3. Income tax

a) Income tax (benefit)/expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2019 \$	2018 \$
Prima facie tax on profit before income tax at 30% (2018: 30%)	113,506	8,668,347
Imputation credit gross up	561,583	600,301
Foreign income tax offset gross up	4,897	1,996
Franking credit offset	(1,871,942)	(2,001,003)
Foreign income tax offset	(16,324)	(6,652)
Other non-assessable items*	(25,302)	31,221
	(1,233,582)	7,294,210
Effective tax rate	(326.0%)	25.2%

The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year, which was in excess of the corporate tax rate of 30% on the Company's profit before income tax. The decrease in the effective tax rate from the comparative year is reflective of the higher proportion of franked dividend income received in comparison to the net profit before tax for the period.

*Other non-assessable items primarily relates to timing differences on dividends receivable.

Total income tax (benefit)/expense results in a:

Current tax liability	6,401,977	915,357
Deferred tax asset	(1,278,934)	30,109
Deferred tax liability	(6,356,625)	6,348,744
	(1,233,582)	7,294,210

3. Income tax (cont'd)**b) Deferred tax assets**

	2019 \$	2018 \$
Provisions	10,411	10,015
Capitalised share issue costs	29,543	45,781
Fair value adjustments	1,186,424	-
	1,226,378	55,796
Movement in deferred tax assets		
Balance at the beginning of the period	55,796	72,060
Charged to the Statement of comprehensive income	1,278,934	(30,109)
Share issue costs	-	13,845
Transfer of fair value adjustments on financial assets held at fair value through other comprehensive income	(108,352)	-
At reporting date	1,226,378	55,796

c) Current tax liabilities

	2019 \$	2018 \$
Balance at the beginning of the year	296,467	3,210,611
Current year income tax expense on operating profit	6,401,977	915,357
Income tax expense on realised gains on investments	5,616	4,250
Income tax paid	(1,630,600)	(3,833,751)
At reporting date	5,073,460	296,467

d) Deferred tax liabilities

	2019 \$	2018 \$
Fair value adjustments	-	6,453,864
	-	6,453,864
Movement in deferred tax liabilities		
Balance at the beginning of the year	6,453,864	134,425
(Credited)/charged to the Statement of comprehensive income	(6,356,625)	6,348,744
Charged/(credited) to equity	11,113	(29,305)
Transfer of fair value adjustments on financial assets held at fair value through other comprehensive income	(108,352)	-
At reporting date	-	6,453,864

4. Dividends

a) Ordinary dividends paid during the year

	2019 \$	2018 \$
Final dividend FY2018: 4.75 cents per share fully franked at 30% tax rate, paid 26 October 2018 (Final dividend FY2017: 4.5 cents per share fully franked)	8,949,307	8,298,193
Interim dividend FY2019: 4.85 cents per share fully franked at 30% tax rate, paid 26 April 2019 (Interim dividend FY2018: 4.75 cents per share fully franked)	9,193,724	8,893,050
	18,143,031	17,191,243

b) Dividends not recognised at year end

	2019 \$	2018 \$
In addition to the above dividends, since the end of the year, the Directors have declared a 4.85 cent per share fully franked dividend (2018: 4.75 cents per share fully franked) which has not been recognised as a liability at the end of the financial year:	9,259,032	8,949,301

c) Dividend franking account

	2019 \$	2018 \$
Balance of franking account at year end	1,072,051	5,345,094
Adjusted for franking credits arising from: - Estimated income tax payable	5,073,460	296,467
Subsequent to year end, the franking account would be reduced by the proposed dividend disclosed in Note 4(b):	(3,968,157)	(3,835,415)
	2,177,354	1,806,146

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

5. Auditor's remuneration

	2019 \$	2018 \$
Remuneration of the auditor for:		
Auditing and reviewing the financial report	44,887	41,984
Other services provided by a related practice of the auditor:		
Taxation services	8,250	7,810
	53,137	49,794

5. Auditor's remuneration (cont'd)

The Company's Audit and Risk Committee oversees the relationship with the Company's external auditor. The Audit and Risk Committee reviews the scope of the audit and review and the proposed fee. It also reviews the cost and scope of other services provided by a related entity of the audit firm, to ensure that they do not compromise independence.

6. Trade and other receivables

	2019 \$	2018 \$
Outstanding settlements	3,632,470	1,060,778
Investment income receivable	284,219	284,502
GST receivable	62,181	67,879
	3,978,870	1,413,159

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within two days from the date of the transaction. Investment income receivable relates to interest, dividends and trust distributions receivable at the end of the reporting period.

7. Financial assets

	2019 \$	2018 \$
Financial assets at fair value through income statement	167,149,639	178,525,024
Financial assets at fair value through other comprehensive income	1,682,252	1,705,861
	168,831,891	180,230,885
Financial assets at fair value through other comprehensive income:		
- Clime Investment Management Limited	1,358,850	1,382,459
- Clime Private Limited	323,402	323,402
	1,682,252	1,705,861

The details of all financial assets are disclosed on page 52.

8. Trade and other payables

	2019 \$	2018 \$
Outstanding settlements	4,104,312	7,602,240
Management fee payable	207,305	221,856
Sundry creditors	159,763	155,522
	4,471,380	7,979,618

8. Trade and other payables (cont'd)

Outstanding settlements are on the terms operating in the securities industry. These do not incur interest and require settlement within two days from the date of the transaction. Sundry creditors are settled within the terms of payment offered. No interest is applicable on these accounts.

9. Issued capital

a) Paid-up capital

	2019 \$	2018 \$
190,907,874 ordinary shares fully paid (2018: 188,406,337)	208,207,225	204,737,110

b) Ordinary shares

	2019 \$	2018 \$
Balance at the beginning of the year	204,737,110	198,689,753
1,154,930 ordinary shares issued on 26 October 2018 under a dividend reinvestment plan	1,730,758	-
1,346,607 ordinary shares issued on 26 April 2019 under a dividend reinvestment plan	1,739,357	-
1,101,899 ordinary shares issued on 27 October 2017 under a dividend reinvestment plan	-	1,696,997
1,716,000 ordinary shares issued on 2 November 2017 under a DRP shortfall placement	-	2,642,640
1,184,353 ordinary shares issued on 27 April 2018 under a dividend reinvestment plan	-	1,740,025
Share issue costs (net of tax)	-	(32,305)
At reporting date	208,207,225	204,737,110

Holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholder meetings, otherwise each member present at a meeting or by proxy has one vote on a show of hands. In the event of winding up of the Company, ordinary shareholders rank after creditors and share in any proceeds on winding up in proportion to the number of shares held.

c) Capital management

The Board manages the Company's capital by regularly reviewing the most efficient manner by which the Company deploys its capital. At the core of this, the Board is of the belief that shareholder value should be preserved through the management of the level of distributions to shareholders, share placements, share purchase plans, option issues and share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board. There have been no changes in the strategy adopted by the Board to manage the capital of the Company during the year. The Company is not subject to any externally imposed capital requirements.

10. Reserves

	2019 \$	2018 \$
Profits reserve	53,717,345	64,226,211
Asset revaluation reserve	252,825	226,893
Capital profits reserve – capital account	24,366	11,263
Capital profits reserve – revenue account	(19,847,541)	(19,847,541)
	34,146,995	44,616,826

The profits reserve is made up of amounts transferred from current year profits and are preserved for future dividend payments. The asset revaluation reserve is used to record increments and decrements on the revaluation of the financial assets at fair value through other comprehensive income, net of potential tax. The capital profits reserve records gains or losses arising from the disposal of financial assets at fair value through other comprehensive income, that are designated on revenue or capital account for taxation purposes respectively.

	2019 \$	2018 \$
Movement in profits reserve		
Balance at the beginning of the year	64,226,211	59,817,175
Transfer of profits during the year	7,634,165	21,600,279
Final dividend paid (refer Note 4(a))	(8,949,307)	(8,298,193)
Interim dividend paid (refer Note 4(a))	(9,193,724)	(8,893,050)
At reporting date	53,717,345	64,226,211
Movement in asset revaluation reserve		
Balance at the beginning of the year	226,893	295,272
Transfer to capital profits reserve – capital account	(13,103)	(9,917)
Other comprehensive income/(loss)	39,035	(58,462)
At reporting date	252,825	226,893
Movement in capital profits reserve – capital account		
Balance at the beginning of the year	11,263	1,346
Transfer from asset revaluation reserve	13,103	9,917
At reporting date	24,366	11,263

11. Accumulated losses

	2019 \$	2018 \$
Balance at the beginning of the year	(14,333,485)	(14,333,485)
Profit for the year attributable to members of the Company	1,611,935	21,600,279
Transfer to profits reserve	(7,634,165)	(21,600,279)
	(20,355,715)	(14,333,485)

12. Cash and cash equivalents

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

	2019 \$	2018 \$
Cash at bank	45,769,984	20,928,984
Term deposits	11,736,222	47,121,576
	57,506,206	68,050,560

The weighted average interest rate for cash and term deposits as at 30 June 2019 is 1.33% (2018: 2.32%). The term deposits have an average maturity of 64 days from the end of the period (2018: 52 days). All the term deposits are invested with major Australian banks and their 100% owned banking subsidiaries institutions that have a Standard & Poor's A-1+ rating.

13. Cash flow information

	2019 \$	2018 \$
Reconciliation of profit after tax to cash flow from operations:		
Profit after income tax	1,611,935	21,600,279
Fair value gains and movements in financial assets	5,385,139	(47,103,254)
Changes in (assets)/liabilities:		
Decrease in receivables	5,981	96,353
(Increase)/decrease in deferred tax assets	(1,181,696)	30,109
(Decrease)/increase in payables	(10,310)	85,517
Increase/(decrease) in current tax liabilities	4,771,377	(2,914,144)
(Decrease)/increase in deferred tax liabilities	(6,453,864)	6,344,494
Net cash provided by/(used in) operating activities	4,128,562	(21,860,646)

14. Earnings per share

	2019 Cents per share	2018 Cents per share
Basic and diluted earnings per share	0.85	11.58

	2019 \$	2018 \$
Profit after income tax used in the calculation of basic and diluted earnings per share	1,611,935	21,600,279

	2019 No.	2018 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share	189,562,508	186,560,466

There are no outstanding securities on issue that are potentially dilutive in nature at the end of the year.

15. Financial risk management

The Company's financial instruments consist of listed and unlisted investments, trade receivables and trade payables. The risks exposed to through these financial instruments are discussed below and include credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objective, policies and processes for managing or measuring the risks during the period.

Under delegation from the Board, the Manager has the responsibility for assessing and monitoring the financial market risk of the Company. The Manager monitors these risks daily. On a formal basis the investment team meet twice weekly to monitor and manage the below risks as appropriate.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contracted obligation. The Manager monitors the credit worthiness of counterparties on an ongoing basis and evaluates the credit quality of all new counterparties before engaging with them.

The maximum exposure to credit risk on financial assets, excluding investments, of the Company which have been recognised on the Statement of financial position, is the carrying amount net of any expected credit losses of those assets.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager is satisfied that the counterparties are of sufficient quality and diversity to minimise any individual counterparty credit risk. The majority of the Company's receivables arise from unsettled trades at year end which are settled two days after trade date. Engaging with counterparties via the Australian Securities Exchange facilitates the Company in both mitigating and managing its credit risk on an ongoing basis.

15. Financial risk management (cont'd)

a) Credit risk (cont'd)

Credit risk is not considered to be a major risk to the Company as the majority of cash and term deposits held by the Company or in its portfolios are invested with major Australian banks and their 100% owned banking subsidiaries that have a Standard and Poor's short rating of A-1+ and long-term rating of AA-. The majority of all maturities for cash and term deposits are within three months.

None of the assets exposed to credit risk are overdue or considered to be impaired.

b) Liquidity risk

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's major cash payments are the purchase of securities and dividends paid to shareholders, the levels of which are managed respectively by the Manager and the Board.

The Company's cash receipts depend upon the level of sales of securities, dividends and interest received, the exercise of options or other capital management initiatives that may be implemented by the Board from time to time.

The Manager monitors the Company's cash flow requirements daily by reference to known sales and purchases of securities, dividends and interest to be paid or received. Should these decrease by a material amount, the Company can alter its cash payments as appropriate. The Company also holds a portion of its portfolio in cash and term deposits sufficient to ensure that it has cash readily available to meet all payments. Furthermore, the assets of the Company are largely in the form of tradable securities which, where liquidity is available, can be sold on market when, and if required.

The table below reflects an undiscounted contractual maturity analysis for the Company's liabilities. The timing of cash flows presented in the table to settle liabilities reflects the earliest possible contractual settlement date to the reporting date.

30 June 2019	>1 month \$	<1 month \$	Total \$
Liabilities			
Total trade and other payables	-	4,471,380	4,471,380
Total	-	4,471,380	4,471,380

30 June 2018	>1 month \$	<1 month \$	Total \$
Liabilities			
Total trade and other payables	-	7,979,618	7,979,618
Total	-	7,979,618	7,979,618

15. Financial risk management (cont'd)

c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and other market prices will affect the fair value or future cash flows of the Company's financial instruments.

By its nature, as a listed investment company that invests in tradable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free, as the market price of these securities can fluctuate.

(i) Interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. The Company however is not materially exposed to interest rate risk as the majority of its cash and term deposits mature within three months. As the Company's exposure to interest rate risk is not significant, interest rate sensitivities have not been performed.

At the end of the reporting period, the Company's exposure to interest rate risk and the effective weighted average interest rate was as follows:

30 June 2019	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	1.33%	57,506,206	-	57,506,206
Trade and other receivables		-	3,978,870	3,978,870
Financial assets		-	168,831,891	168,831,891
Total		57,506,206	172,810,761	230,316,967
Liabilities				
Trade and other payables		-	4,471,380	4,471,380
Total		-	4,471,380	4,471,380
<hr/>				
30 June 2018	Weighted average interest rate (% pa)	Interest bearing \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	2.32%	68,050,560	-	68,050,560
Trade and other receivables		-	1,413,159	1,413,159
Financial assets		-	180,230,885	180,230,885
Total		68,050,560	181,644,044	249,694,604
Liabilities				
Trade and other payables		-	7,979,618	7,979,618
Total		-	7,979,618	7,979,618

15. Financial risk management (cont'd)

c) Market risk (cont'd)

(ii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the majority of the Company's investments are carried at fair value with fair value changes recognised in the Statement of comprehensive income, all changes in market conditions will directly affect net investment income. Due to the short-term nature of receivables and payables, the carrying amounts of these financial assets and financial liabilities approximate their fair values.

The Manager seeks to manage and reduce the other price risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily in order to manage risk. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company's industry sector weighting of gross assets as at 30 June 2019 is as follows:

Industry sector	2019 %	2018 %
Consumer discretionary	26.3	30.5
Industrials	17.7	6.8
Information technology	11.0	2.4
Financials	7.5	16.5
Consumer staples	5.3	1.7
Materials	2.2	5.9
Telecommunications services	2.2	2.1
Energy	1.8	1.0
Health care	0.6	5.2
Real estate	-	2.3
Total	74.6	74.4

There were no securities representing over 5 per cent of the gross assets of the Company as at 30 June 2019. Nine Entertainment Co. Holdings Limited represented 6.3% of the gross assets of the Company as at 30 June 2018.

15. Financial risk management (cont'd)

c) Market risk (cont'd)

(ii) Other price risk (cont'd)

Sensitivity analysis

For investments held by the Company at the end of the reporting period, a sensitivity analysis was performed relating to its exposure to other price risk. This analysis demonstrates the effect on current year net assets after tax as a result from a reasonably possible change in the risk variable. The sensitivity assumes all other variables remain constant.

Investments represent 74.6% (2018: 74.4%) of gross assets at year end. A 5.0% movement in the market value of each of the investments within the portfolio would result in a 2.7% (2018: 2.7%) movement in the net assets after tax. This would result in the 30 June 2019 net asset backing after tax moving by 3.1 cents per share (2018: 3.4 cents per share).

d) Financial instruments measured at fair value

AASB 13: Fair Value Measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability are not based on observable market data (unobservable inputs).

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets and liabilities have been based on the closing quoted last prices at the end of the reporting period, excluding transaction costs. Included within Level 2 of the hierarchy includes an unlisted investment which have been valued using the last sale price to determine fair value.

There were no transfers between Level 1 and Level 2 during the year (2018: nil).

30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	168,508,489	323,402	-	168,831,891
Total	168,508,489	323,402	-	168,831,891
30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets	179,907,483	323,402	-	180,230,885
Total	179,907,483	323,402	-	180,230,885

16. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 3,984 (2018: 3,425). Each contract note could involve multiple transactions. The total brokerage paid on these contract notes was \$1,056,937 (2018: \$1,240,033).

17. Segment reporting

The Company engages in investing activities, including cash, term deposits and financial assets. It has no reportable operating segments.

18. Capital commitments

There were no capital commitments for the Company as at 30 June 2019 (2018: nil).

19. Contingent liability

There were no contingent liabilities for the Company as at 30 June 2019 (2018: nil).

20. Key management personnel compensation

The names and position held of the Company's key management personnel (including Directors) in office at any time during the financial year are:

- Geoff Wilson AO Chairman
- John Abernethy Director
- Julian Gosse Director
- Kate Thorley Director

a) Remuneration

There are no executives that are paid by the Company.

Individual Directors' remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 17, as required by Corporations Regulation 2M.3.03 and 2M.6.04.

	Short-term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Total Directors remuneration paid by the Company for the year ended 30 June 2019	75,661	4,339	80,000
Total Directors remuneration paid by the Company for the year ended 30 June 2018	112,190	7,810	120,000

20. Key management personnel compensation (cont'd)

b) Share holdings

The number of ordinary shares held in the Company during the financial year by each key management personnel of the Company and their related parties are set out below:

Ordinary shares held Directors	Balance at 30 June 2018	Acquisitions	Disposals	Balance at 30 June 2019
Geoff Wilson	4,857,552	884	418,665	4,439,771
John Abernethy	10,000	-	-	10,000
Julian Gosse	-	-	-	-
Kate Thorley	62,817	5,500	-	68,317
	4,930,369	6,384	418,665	4,518,088

Ordinary shares held Directors	Balance at 30 June 2017	Acquisitions	Disposals	Balance at 30 June 2018
Geoff Wilson	4,857,552	-	-	4,857,552
John Abernethy	10,000	-	-	10,000
Julian Gosse	-	-	-	-
Kate Thorley	58,617	4,200	-	62,817
	4,926,169	4,200	-	4,930,369

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

21. Related party transactions

All transactions with related parties during the year were made on normal commercial terms and conditions and at market rates.

The Company has an investment management agreement with MAM Pty Limited. Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of WAM Research. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as the Manager, and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a. (plus GST) of the value of the portfolio amounting to \$2,493,199 inclusive of GST (2018: \$2,614,890). As at 30 June 2019, the balance payable to the Manager was \$207,305 inclusive of GST (2018: \$221,856).

21. Related party transactions (cont'd)

In addition, MAM Pty Limited is to be paid, annually in arrears, a performance fee being 20% (plus GST) of:

- where the level of the S&P/ASX All Ordinaries Accumulation Index has increased over that period, the amount by which the value of the portfolio exceeds this increase; or
- where the S&P/ASX All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in value of the portfolio.

No performance fee is payable in respect of any performance period where the value of the portfolio has decreased over that period. For the year ended 30 June 2019, no performance fee was payable to MAM Pty Limited (2018: nil).

Wilson Asset Management (International) Pty Limited has a service agreement in place with WAM Research to provide accounting and Company Secretarial services on commercial terms. For the year ended 30 June 2019, the fee for accounting services amounted to \$46,200 inclusive of GST (2018: \$46,200) and the fee for Company Secretarial services amounted to \$16,500 inclusive of GST (2018: \$16,500). Entities associated with Geoff Wilson hold 100% of the issued shares of Wilson Asset Management (International) Pty Limited.

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company of the Director or with a firm of which he/she is a member or with a Company in which he/she has substantial financial interest.

22. Events subsequent to reporting date

Since the end of the year, the Directors declared a fully franked final dividend of 4.85 cents per share to be paid on 18 October 2019.

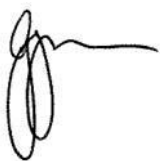
No other matter or circumstance has arisen since the end of the financial year, other than already disclosed, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Declaration

The Directors of WAM Research Limited declare that:

- 1) The financial report as set out in pages 23 to 45 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 17 to 19, are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the financial position of the Company as at 30 June 2019 and of its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- 2) The Directors have been given declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer of the Manager, MAM Pty Limited declaring that:
 - a) the financial records of the Company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view.
- 3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Geoff Wilson AO
Chairman

Dated in Sydney this 22nd day of August 2019

**Independent Auditor's Report
To the Members of WAM Research Limited
ABN 15 100 504 541**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of WAM Research Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of WAM Research Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Existence and Valuation of Financial Assets Refer to Note 7: Financial Assets	
<p>We focused our audit effort on the existence and valuation of the Company’s financial assets as they represent the most significant driver of the Company’s Net Tangible Assets and Profit.</p> <p>The majority of the Company’s investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as either “level 1” (i.e. where the valuation is based on quoted prices in active markets) or “level 2” (i.e. where key inputs to valuation are based on other observable inputs).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the investment management processes and controls; ▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and where necessary obtaining bridging letters; ▪ Obtaining confirmations of the investment holdings directly from the Custodians; ▪ Assessing and recalculating the Company’s valuation of individual investment holdings using independent pricing sources; ▪ Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Key audit matter	How our audit addressed the matter
Accuracy, Completeness and Existence of Management and Performance Fees Refer to Note 8: Trade and other payables and Note 21: Related party transactions	
<p>We focused our audit effort on the accuracy, completeness and existence of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments and key inputs. Adjustments include company dividends, tax payments, capital raisings, capital reductions and other relevant expenses. Key inputs include the value of the portfolio, the performance of the relevant comparable benchmark and application of the correct fee percentage in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the processes and controls for calculating the management and performance fees; ▪ Making enquiries with the Investment Manager and those charged with governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements and Board meeting minutes; ▪ Testing of adjustments such as company dividends, tax payments, capital raisings, capital reductions as well as any other relevant expenses used in the calculation of management and performance fees; ▪ Testing of key inputs including the value of the portfolio, the performance of the relevant comparable benchmark and application of the correct fee percentage in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of WAM Research Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S M Whiddett
Partner



Pitcher Partners
Sydney

22 August 2019

Investments at market value as at 30 June 2019

Company Name	Code	Market Value \$	% of Gross Assets
Consumer discretionary			
InvoCare Limited	IVC	8,193,947	3.7%
Myer Holdings Limited	MYR	6,954,795	3.1%
Harvey Norman Holdings Limited	HVN	6,852,012	3.0%
Nine Entertainment Co. Holdings Limited	NEC	5,598,296	2.5%
City Chic Collective Limited	CCX	3,541,332	1.6%
Noni B Limited	NBL	3,488,272	1.5%
Lovisa Holdings Limited	LOV	3,317,802	1.5%
Accent Group Limited	AX1	2,919,978	1.3%
AP Eagers Limited	APE	2,631,437	1.2%
Automotive Holdings Group Limited	AHG	2,413,130	1.1%
Jumbo Interactive Limited	JIN	2,206,022	1.0%
Premier Investments Limited	PMV	2,052,289	0.9%
G8 Education Limited	GEM	1,896,632	0.8%
Village Roadshow Limited	VRL	1,601,785	0.7%
Propel Funeral Partners Limited	PFP	1,392,920	0.6%
Event Hospitality and Entertainment Limited	EVT	1,127,038	0.5%
Vita Group Limited	VTG	1,015,387	0.4%
Baby Bunting Group Limited	BBN	1,010,159	0.4%
Nick Scali Limited	NCK	732,808	0.3%
GTN Limited	GTN	516,261	0.2%
		59,462,302	26.3%
Industrials			
Austral Limited	ASB	9,319,629	4.1%
Service Stream Limited	SSM	7,816,394	3.5%
Cleanaway Waste Management Limited	CWY	5,614,282	2.5%
AMA Group Limited	AMA	5,274,652	2.3%
Monadelphous Group Limited	MND	4,605,177	2.0%
Emeco Holdings Limited	EHL	3,514,903	1.6%
Johns Lyng Group Limited	JLG	2,737,532	1.2%
Smartgroup Corporation Limited	SIQ	1,095,426	0.5%
		39,977,995	17.7%
Information technology			
Vista Group International Limited	VGL	4,573,688	2.0%
Infomedia Limited	IFM	4,536,615	2.0%
Xero Limited	XRO	4,487,528	2.0%
Codan Limited	CDA	3,669,383	1.6%
Data#3 Limited	DTL	2,111,028	0.9%
Bravura Solutions Limited	BVS	2,093,601	0.9%
Reckon Limited	RKN	1,790,710	0.8%
Rhipe Limited	RHP	1,774,804	0.8%
		25,037,357	11.0%

Company Name	Code	Market Value \$	% of Gross Assets
Financials			
Credit Corp Group Limited	CCP	8,524,827	3.8%
PSC Insurance Group Limited	PSI	6,834,072	3.0%
Clime Investment Management Limited	CIW	1,358,850	0.6%
Clime Private Limited [*]	n/a	323,402	0.1%
		17,041,151	7.5%
Consumer staples			
The a2 Milk Company Limited	A2M	9,757,103	4.3%
Elders Limited	ELD	2,232,185	1.0%
		11,989,288	5.3%
Materials			
CSR Limited	CSR	4,971,999	2.2%
		4,971,999	2.2%
Telecommunications services			
Vocus Group Limited	VOC	4,963,628	2.2%
		4,963,628	2.2%
Energy			
Viva Energy Group Limited	VEA	4,130,867	1.8%
		4,130,867	1.8%
Health care			
Integral Diagnostics Limited	IDX	1,257,304	0.6%
		1,257,304	0.6%
		168,831,891	74.6%
Total long portfolio			
Total cash and cash equivalents, income receivable and net outstanding settlements		57,380,764	25.4%
Gross assets		226,212,655	

^{*}Unlisted investment.

The total number of stocks held at the end of the financial year was 46.

ASX additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Shareholdings

Substantial shareholders (as at 31 July 2019) - there are currently no substantial shareholders.

On-market buy back (as at 31 July 2019) - there is no current on-market buy back.

Distribution of shareholders (as at 31 July 2019)

Category	Number of shareholders
1 – 1,000	881
1,001 – 5,000	2,085
5,001 – 10,000	1,682
10,001 – 100,000	3,802
100,001 and over	253
	8,703

The number of shareholdings held in less than marketable parcels is 216.

Twenty largest shareholders – Ordinary shares (as at 31 July 2019)

Name	Number of ordinary shares held	% of issued capital held
Entities associated with Mr Geoff Wilson	4,439,771	2.3%
Mr VJ Plummer	1,750,000	0.9%
BNP Paribas Nominees Pty Limited	1,716,775	0.9%
Citicorp Nominees Pty Limited	1,089,506	0.6%
Mr BS & Mrs M Locke	1,035,000	0.5%
Invia Custodian Pty Limited	1,000,000	0.5%
HSBC Custody Nominees (Australia) Limited	897,999	0.5%
Jupiter Growth Pty Limited <Jupiter A/C>	752,239	0.4%
Emu Court Pty Limited	557,390	0.3%
Mr K Carter	550,000	0.3%
Dr S & Mrs B Kitchings	529,059	0.3%
Pollywam Pty Limited	517,044	0.3%
Mr JC Plummer	500,000	0.3%
Mr R Miller	450,000	0.2%
Netwealth Investments Limited <Wrap Services A/C>	440,688	0.2%
Baranda Pty Limited	432,656	0.2%
Seweta Pty Limited	427,760	0.2%
Mr KR and Mrs SM Craig <K&S Craig Superfund A/C>	405,937	0.2%
Sanolu Pty Limited	390,238	0.2%
Mr JG Phillips	381,388	0.2%
	18,263,450	9.5%

Stock exchange listing

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

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