

WAM Research delivers strong total shareholder return and increased fully franked dividend

8 August 2017
ASX announcement
& media release

Highlights

- 18.8% total shareholder return
- 11.1% investment portfolio performance
- 9.0 cents per share fully franked full year dividend, with a fully franked final dividend of 4.5 cents per share

WAM Research Limited (ASX: WAX) today reported an operating profit before tax of \$20.3 million and an operating profit after tax of \$15.6 million for the financial year ended 30 June 2017.

WAM Research Chairman Geoff Wilson said the Board was pleased to deliver an increased fully franked 4.5 cents per share final dividend to shareholders, bringing the full year fully franked dividend to 9.0 cents per share and representing a dividend yield of 5.6%*.

“WAM Research continues to deliver on its commitment to providing shareholders an increasing stream of fully franked dividends,” Mr Wilson said.

“The company delivered a return of 18.8% to shareholders for the 2017 financial year. This total shareholder return was driven by WAM Research’s investment portfolio performance of 11.1% and the continued increase in the share price premium to net tangible assets,” he said.

Wilson Asset Management Chief Investment Officer Chris Stott said the company’s proven research-driven investment methodology had delivered strong stock selection for the 2017 financial year.

“WAM Research has consistently applied its investment philosophy to achieve an investment portfolio return of 18.6% per annum since its change in investment strategy in 2010, which is 9.8% greater than the annual average return from the S&P/ASX All Ordinaries Accumulation Index,” Mr Stott said.

“The 11.1% increase in the investment portfolio in FY2017 was achieved with an average 35.4% cash weighting and an average 64.6% exposure to equities.

“Our best performing investments for the year were Credit Corp Group (ASX: CCP), Nick Scali (ASX: NCK), Pinnacle Investment Management Group (ASX: PNI), ClearView Wealth (ASX: CVW) and iSelect (ASX: ISU),” he said.

*Based on the 7 August 2017 closing price of \$1.595.

Performance at 30 June 2017	1 Yr	2 Yrs %pa	3 Yrs %pa	4 Yrs %pa	5 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAM Research Investment Portfolio**	11.1%	18.1%	19.6%	19.9%	21.9%	18.6%
S&P/ASX All Ordinaries Accumulation Index	13.1%	7.4%	6.8%	9.4%	11.6%	8.8%
Outperformance	-2.0%	+10.7%	+12.8%	+10.5%	+10.3%	+9.8%

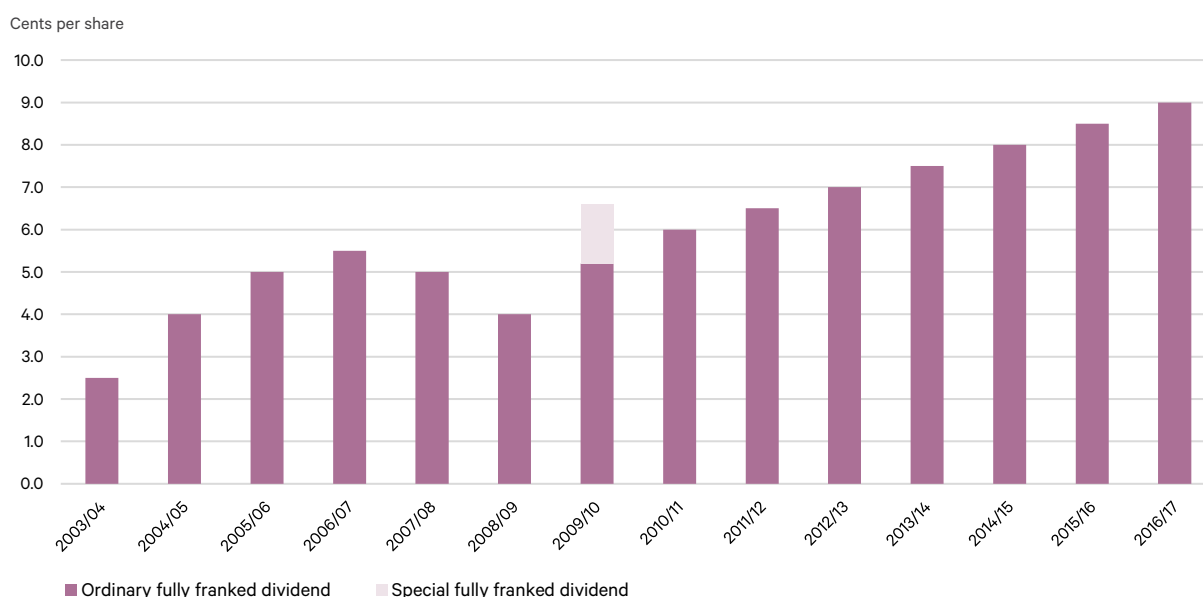
**Investment performance and Index returns are before expenses, fees and taxes.

Increased fully franked dividends

The Board declared a fully franked full year dividend of 9.0 cents per share, an increase of 5.9% on the previous year with the fully franked final dividend being 4.5 cents per share. The final dividend will be paid on 27 October 2017 and will trade ex on 17 October 2017. The dividend reinvestment plan (DRP) is available to shareholders for the final dividend. The dividend reinvestment plan will operate at a 2.5% discount. The last election date for the DRP will be 20 October 2017.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders, provided the company has sufficient profit reserves and franking credits and it is within prudent business practices. The company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

WAM Research's fully franked dividends since inception



Equity market outlook

Mr Stott said the investment team was confident the Australian equity market would present attractive investment opportunities in FY2018.

“During the 2017 financial year, small-to-mid-cap companies underperformed large-cap companies, with the S&P/ASX Small Ordinaries Accumulation Index underperforming the S&P/ASX 200 Accumulation Index by 7.1%. An estimated \$5 billion was removed from the small-cap sector and invested in other asset classes throughout the year, placing downward pressure on the share prices of the small-to-medium sized listed companies,” Mr Stott said.

“We believe this adjustment has ended and that the headwinds facing the small-cap sector have abated. Company valuations for small and mid-cap companies are more attractive compared to 12 months ago and we are confident in our ability to continue to identify undervalued growth companies.

“Since the global financial crisis, the 50 largest central banks around the world have cut interest rates 700 times and injected \$9 trillion of liquidity into global markets. This has driven equity valuations to high levels which has created another set of risks,” he said.

Top holdings as at 30 June 2017

Code	Company	%	Code	Company	%
ALQ	ALS Limited	3.1%	NXT	NEXTDC Limited	2.1%
CGF	Challenger Limited	3.0%	IMD	Index Limited	2.0%
AUB	AUB Group Limited	2.9%	RKN	Reckon Limited	2.0%
SXL	Southern Cross Media Group Limited	2.8%	PSI	PSC Insurance Group Limited	2.0%
ISU	iSelect Limited	2.7%	NUF	Nufarm Limited	2.0%
NCK	Nick Scali Limited	2.6%	CVW	ClearView Wealth Limited	2.0%
SLC	Superloop Limited	2.4%	ONE	Oneview Healthcare PLC	1.6%
CL1	Class Limited	2.4%	PEA	Pacific Energy Limited	1.3%
PNI	Pinnacle Investment Management Group Limited	2.3%	RBD	Restaurant Brands New Zealand Limited	1.1%
HT1	HT&E Limited	2.2%	NBL	Noni B Limited	1.0%

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 2017.
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.

About WAM Research

WAM Research Limited (ASX: WAX) is a listed investment company with an investment management agreement with Wilson Asset Management. Listed in August 2003, WAM Research provides investors with exposure to a diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies listed on the Australian Securities Exchange. WAM Research's investment objectives are to provide 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.

About Wilson Asset Management

Established in 1997, Wilson Asset Management is the investment manager for six of Australia's leading listed investment companies: WAM Capital (ASX: WAM), WAM Leaders (ASX: WLE), WAM Microcap (ASX: WMI), WAM Research (ASX: WAX), WAM Active (ASX: WAA) and Century Australia (ASX: CYA); and is responsible for over \$2 billion in shareholder capital on behalf of more than 55,000 retail investors. Wilson Asset Management also created Australia's first listed investment companies to provide investors with access to leading fund managers while supporting our future generation: Future Generation Investment Company (ASX: FGX) and Future Generation Global Investment Company (ASX: FGG).

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