

WAM Research announces interim profit of \$20.4 million and increased fully franked dividend

22 February 2018
ASX announcement
& media release

Highlights

- Interim profit before tax of \$20.4 million
- 9.8% investment portfolio performance, outperforming the index
- Increased fully franked interim dividend of 4.75 cents per share

WAM Research Limited (ASX: WAX) today announces an operating profit before tax of \$20.4 million (2016: \$22.3 million) and an operating profit after tax of \$15.1 million (2016: \$16.4 million) for the six months to 31 December 2017.

Chairman Geoff Wilson AO said the Board was pleased to announce an increased fully franked interim dividend of 4.75 cents per share, representing an annualised fully franked dividend yield of 6.1%.

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

Chairman Geoff Wilson AO said the increased dividend and profit was driven by the solid performance of the investment portfolio, which increased 9.8% during the period, outperforming the S&P/ASX All Ordinaries Accumulation Index.

“The 9.8% investment portfolio performance for the six months to 31 December 2017 was delivered with less volatility than the index while holding an average 71.8% exposure to equities,” Mr Wilson said.

“WAM Research has achieved investment portfolio performance of 18.7% per annum, outperforming the index by 9.2% through its research-driven investment process focused on identifying undervalued growth companies,” he said.

Mr Wilson said this rigorous research-driven investment process delivered sound stock selection during the period.

“The best performing stocks for the period were Afterpay Touch Group (ASX: APT), Smartgroup Corporation (ASX: SIQ), PSC Insurance Group (ASX: PSI), Imdex (ASX: IMD) and Ausdrill (ASX: ASL),” he said.

Performance at 31 December 2017	6 months	1 yr	3 yrs %pa	5 yrs %pa	Since change in investment strategy %pa (Jul-10)
WAX Investment Portfolio*	9.8%	9.6%	18.9%	20.1%	18.7%
S&P/ASX All Ordinaries Accumulation Index	9.3%	12.5%	9.2%	10.4%	9.5%
Outperformance	+0.5%	-2.9%	+9.7%	+9.7%	+9.2%

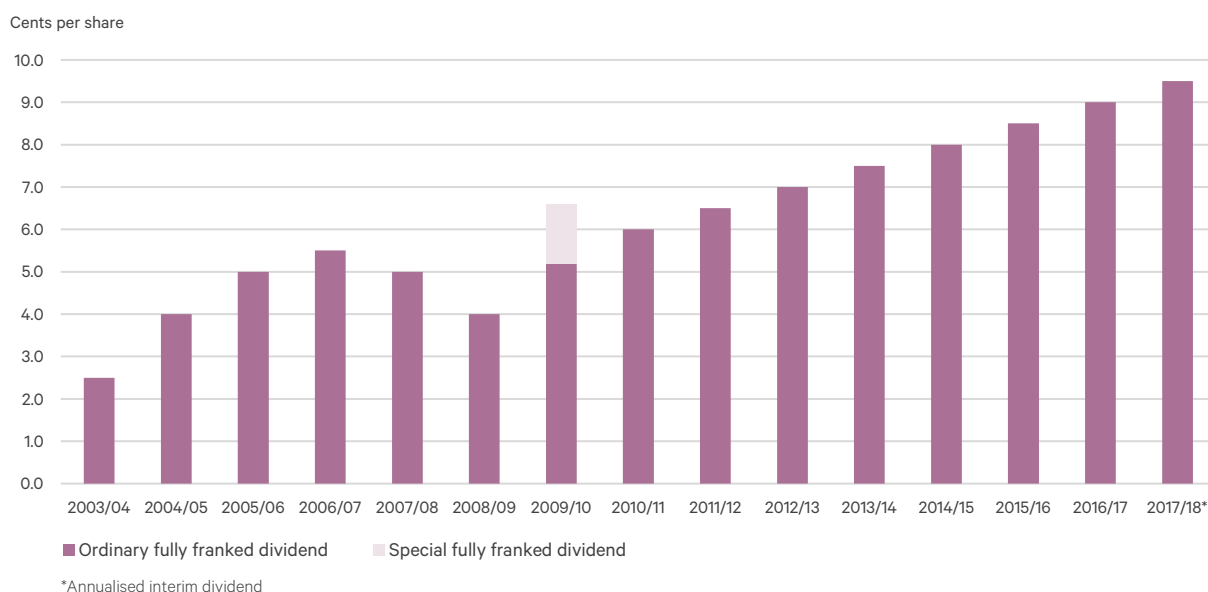
*Investment performance and Index returns are before expenses, fees and taxes

Increased fully franked dividends

The Board declared a fully franked interim dividend of 4.75 cents per share, an increase of 5.6% on the previous year. The dividend will be paid on 27 April 2018 and will trade ex on 12 April 2018. The DRP is available to shareholders for the interim dividend. The dividend reinvestment plan will operate at a 2.5% discount. The last election date for the DRP will be 17 April 2018.

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

Wilson Asset Management Chief Investment Officer Chris Stott said the investment team believed equity markets would continue to face uncertainty following the correction in early February.

“We are almost nine years into the current global equity bull market and risk has appeared mispriced for some time. The correction in valuations and heightened volatility the market is experiencing is indicative of investors’ uncertainty.

“The major risk for global equity markets in the near-term is the contraction in price-to-earnings multiples due to faster than expected increases in interest rates resulting from stronger global macroeconomic conditions.

“In Australia, we believe inflation will continue to gain momentum as the year progresses and we expect interest rate increases in the later parts of calendar 2018 or early 2019.

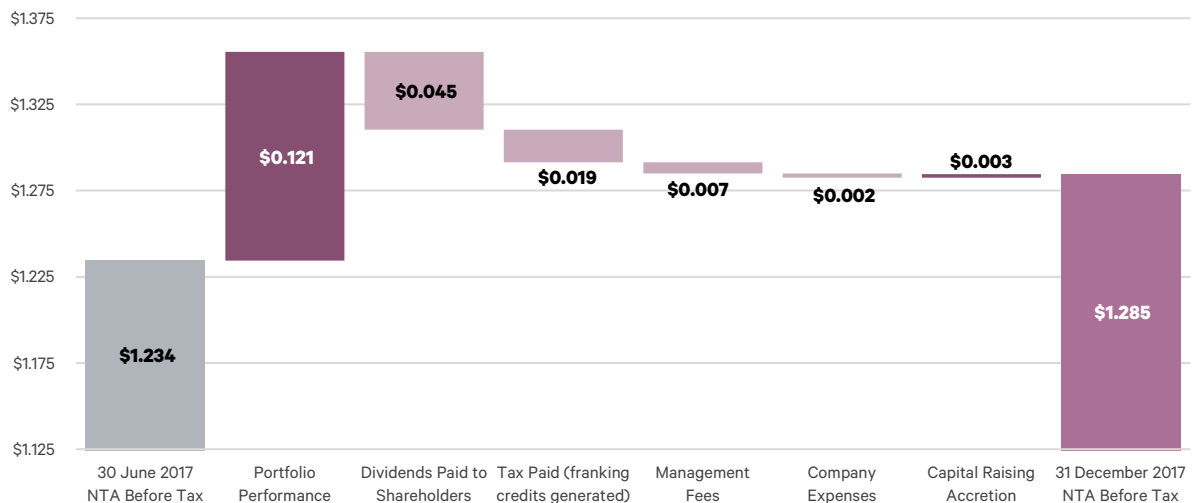
“We remain cautious about the direction of the equity market and have recently increased our cash weighting to 43.9%.

“We are optimistic about opportunities that may appear on the other side of any potential correction if we continue to see downward pressure on equities,” Mr Stott said.

Top holdings as at 31 December 2017

Code	Company	Code	Company
APT	Afterpay Touch Group Limited	SGF	SG Fleet Group Limited
SIQ	Smartgroup Corporation Limited	CCP	Credit Corp Group Limited
ASL	Ausdrill Limited	PNI	Pinnacle Investment Management Group Limited
PSI	PSC Insurance Group Limited	NXT	NEXTDC Limited
MTR	Mantra Group Limited	RKN	Reckon Limited
SDA	Speedcast International Limited	PAC	Pacific Current Group Limited
IMD	Imdex Limited	SGR	The Star Entertainment Group Limited
MYO	MYOB Group Limited	NGI	Navigator Global Investments Limited
MLB	Melbourne IT Limited	EHL	Emeco Holdings Limited
SCO	Scottish Pacific Group Limited	IPH	IPH Limited

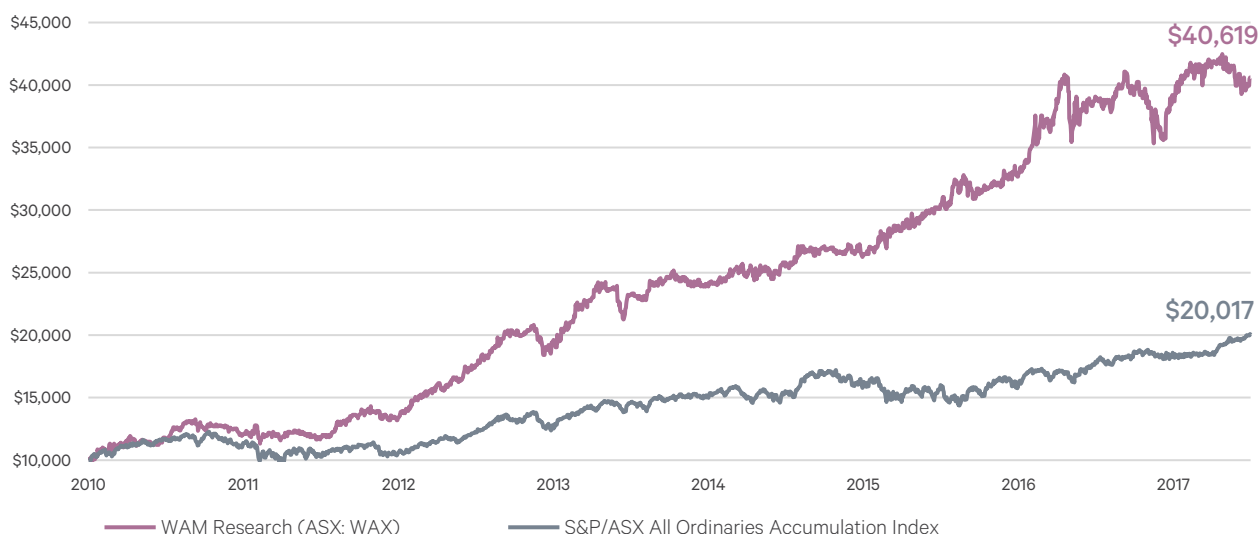
WAM Research pre-tax NTA performance



WAM Research's before tax NTA, after adjusting for dividends, increased 7.8% for the six months to 31 December 2017. This increase is after tax paid of 1.9 cents per share or 1.5%, with 4.5 cents of fully franked dividends being paid during the period. Corporate tax payments made throughout the period was the major item of difference between the investment portfolio performance of 9.8% 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 period were management fees of 0.5%, other company related and capital raising expenses of 0.2%, being offset by capital raising accretion of 0.2%.

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

WAM Research versus the Index



Notes:

1. The above graph reflects the period from the change in investment strategy in July 2010 to 31 December 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.

The total shareholder return for the Company for the period to 31 December 2017 was 4.6%. This was primarily driven by WAM Research's investment portfolio performance and offset by the reduction in the share price premium to NTA during the period. This measure does not value the potential benefit of franking credits distributed to shareholders through fully franked dividends.

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

Wilson Asset Management has a 20-year track record of making a difference for shareholders and the community. As the investment manager for six 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), Wilson Asset Management invests almost \$3 billion on behalf of more than 55,000 retail investors. Wilson Asset Management is the creator and lead supporter of Future Generation Investment Company and Future Generation Global Investment Company.



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