

# Investment Update & Net Tangible Assets Report

AS AT 31 MAY 2016



## Performance

Performance at 31 May 2016	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	5 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	5.6%	8.5%	23.3%	20.6%	22.3%	19.3%	19.9%
S&P/ASX All Ordinaries Accumulation Index	3.1%	6.7%	4.4%	-1.2%	8.1%	7.3%	8.6%
<b>Outperformance</b>	<b>+2.5%</b>	<b>+1.8%</b>	<b>+18.9%</b>	<b>+21.8%</b>	<b>+14.2%</b>	<b>+12.0%</b>	<b>+11.3%</b>

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

## Net Tangible Assets (NTA) figures

NTA before tax	<b>122.07c</b>
NTA after tax and before tax on unrealised gains	<b>118.89c*</b>
NTA after tax	<b>118.78c*</b>

\*These figures are after the payment of \$119k (0.07 cents per share) in tax during the month.

## Market overview

The S&P/ASX All Ordinaries Accumulation Index gained 3.1% for the month.

Global equity markets fell early in the month but rallied following commentary from the US Federal Reserve, which indicated a possible rate hike in June. The comments spurred the domestic market, which was also boosted by a rate cut and dovish inflation outlook from the Reserve Bank of Australia (RBA).

Australia's major banks reported interim results or trading updates, which showed structural and cyclical headwinds still remain in the sector. The bank sector outperformed on the back of the rate cut, lifting the overall index during the month.

We remain cautious on the short-term performance of the Australian equity market. Our cash levels ensure we are well positioned to find opportunities in the market as they arise.

## Zenith Investment Partners Product Assessment

Last week WAM Research was rated by independent research house Zenith Investment Partners. You can read the full report on our website at [www.wamfunds.com.au](http://www.wamfunds.com.au).

### WAM Research Limited

ASX Code	<b>WAX</b>
Listed	<b>Aug 2003</b>
Gross assets	<b>\$220.2m</b>
Market cap	<b>\$229.9m</b>
Share price	<b>\$1.335</b>
NTA before tax	<b>\$1.22</b>
Shares on issue	<b>174,169,283</b>
Fully franked annualised interim dividend (FY2016)	<b>8.5c</b>
Dividend yield	<b>6.4%</b>

### Investment objectives

- Provide a rising stream of fully franked dividends
- Achieve a high real rate of return, comprising both income and capital growth within risk parameters acceptable to the Directors

### Company overview

WAM Research Limited (ASX: WAX) is a Listed Investment Company managed by Wilson Asset Management Group. 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.

### Investment & Management Team

**Geoff Wilson**  
Chairman/Portfolio Manager

**Kate Thorley**  
Chief Executive Officer

**Chris Stott**  
Chief Investment Officer/  
Portfolio Manager

**Linda Vo**  
Company Secretary

**Matthew Haupt**  
Portfolio Manager

**Martin Hickson**  
Senior Equity Analyst/Dealer

**Tobias Yao**  
Senior Equity Analyst

**John Ayoub**  
Senior Equity Analyst

**Oscar Oberg**  
Equity Analyst

**James McNamara**  
Head of Corporate Affairs

# Investment Update & Net Tangible Assets Report

AS AT 31 MAY 2016



## Diversified portfolio

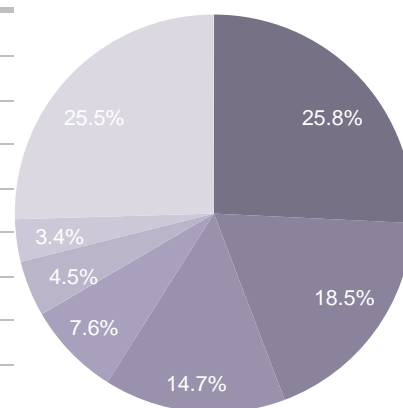
Investment Type	April 2016		May 2016	
	\$m	%	\$m	%
Listed Equities	\$135.2	64.7	\$164.1	74.5
Fixed Interest & Cash	\$73.7	35.3	\$56.1	25.5
Gross Assets	\$208.9	100.0	\$220.2*	100.0
Total shares on issue	174,169,283		174,169,283	

\*This figure is after the payment of \$119k (0.07 cents per share) in tax during the month.

## Top holdings

Code	Company	Market Value \$	Market Value as % Gross Assets
ECX	Eclipx Group Limited	11,116,833	5.0%
SIQ	Smartgroup Corporation Limited	9,935,250	4.5%
NCK	Nick Scali Limited	7,373,219	3.3%
MYX	Mayne Pharma Group Limited	7,325,424	3.3%
RWC	Reliance Worldwide Corporation Limited	7,009,961	3.2%
AAD	Ardent Leisure Group	6,961,806	3.2%
CCP	Credit Corp Group Limited	6,943,301	3.2%
VOC	Vocus Communications Limited	6,827,341	3.1%
SXL	Southern Cross Media Group Limited	6,775,273	3.1%
SGF	SG Fleet Group Limited	6,633,394	3.0%
RCG	RCG Corp Limited	6,163,269	2.8%
CL1	Class Limited	6,080,234	2.8%
VTG	Vita Group Limited	5,638,244	2.6%
SDF	Steadfast Group Limited	5,554,044	2.5%
PME	Pro Medicus Limited	4,919,519	2.2%
TRS	The Reject Shop Limited	4,909,536	2.2%
ASB	Austal Limited	4,646,405	2.1%
PSI	PSC Insurance Group Limited	4,501,294	2.0%
ISU	iSelect Limited	3,077,214	1.4%
CVW	ClearView Wealth Limited	2,998,641	1.4%

## Sector allocation



- Consumer Discretionary: 25.8%
- Industrials: 18.5%
- Financials: 14.7%
- Health Care: 7.6%
- Information Technology: 4.5%
- Telecommunication Services: 3.4%
- Cash and Fixed Interest: 25.5%

# Investment Update & Net Tangible Assets Report

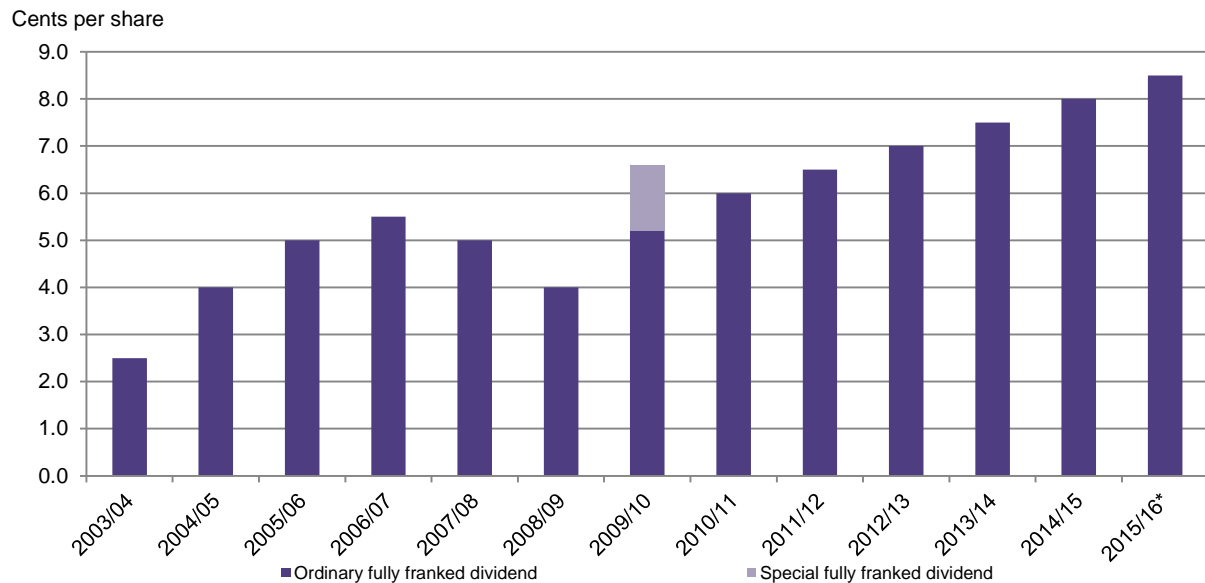
AS AT 31 MAY 2016



## Dividend growth

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. Dividends are usually paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

### WAM Research dividends since inception



\*Annualised interim dividend

On 29 April 2016, the Company paid a fully franked interim dividend of 4.25 cents per share, an increase of 6.3% on the previous corresponding period.