

# Investment Update & Net Tangible Assets Report

AS AT 31 OCTOBER 2015



## Performance

Performance at 31 October 2015	1 Mth	Fin YTD	6 Mths	1 Yr	3 Yrs %pa	5 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	3.6%	11.3%	10.9%	24.4%	24.4%	19.4%	19.9%
S&P/ASX All Ordinaries Accumulation Index	4.6%	-1.5%	-6.2%	0.4%	9.9%	6.8%	8.4%
<b>Outperformance</b>	<b>-1.0%</b>	<b>+12.8%</b>	<b>+17.1%</b>	<b>+24.0%</b>	<b>+14.5%</b>	<b>+12.6%</b>	<b>11.5%</b>

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

## Net Tangible Assets (NTA) figures

The following NTA figures are after the 4.0 cents per share fully franked final dividend paid on 23 October 2015.

NTA before tax	<b>116.99c</b>
NTA after tax and before tax on unrealised gains	<b>115.86c</b>
NTA after tax	<b>115.72c</b>

## Market overview

The Australian equity market improved in October as it came close to recovering the 5.8% fall in the first quarter of the 2015-16 financial year. The S&P/ASX All Ordinaries Accumulation Index gained 4.6% for the month, the best monthly performance in over two years.

Economic data released included below consensus inflation figures leading to speculation of an interest rate cut by the Reserve Bank of Australia (RBA) on Melbourne Cup day, which did not eventuate. The decision by the major Australian banks to raise mortgage rates increases our view that the RBA may lower the cash rate in the coming months. With mortgage holders effectively receiving a rate rise, we will be monitoring closely the impact this may have on consumer sentiment and the broader economy.

Our discussions with various companies that we have visited recently have been consistent in their feedback with economic conditions remaining patchy. The mining sector remains very weak while select retail stocks continue to benefit from low interest rates. It appears this housing cycle has peaked and as such we have seen stocks in this sector underperform over the last six months. Recent falls in auction clearance rates in Sydney are a clear sign of this.

We believe that in this subdued economic environment investment opportunities will continue to present themselves. We remain well positioned with our high levels of cash to preserve capital and take opportunities as they arise.

### WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$209.9m
Market cap	\$209.9m
Share price	\$1.215
NTA before tax	\$1.17
Shares on issue	172,768,120
Fully franked dividends (FY2015)	8.0c
Dividend yield	6.6%

### 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/  
Company Secretary

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

**Martin Hickson**  
Senior Equity Analyst/Dealer

**Matthew Haupt**  
Senior Equity Analyst

**Tobias Yao**  
Equity Analyst

**James McNamara**  
Communications Manager

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## Diversified portfolio

Investment Type	September 2015		October 2015	
	\$m	%	\$m	%
Listed Equities	\$119.3	59.4	\$126.8	60.4
Fixed Interest & Cash	\$81.4	40.6	\$83.1	39.6
Gross Assets	\$200.7m	100.0	\$209.9m*	100.0
Total shares on issue	165,303,976		172,768,120**	

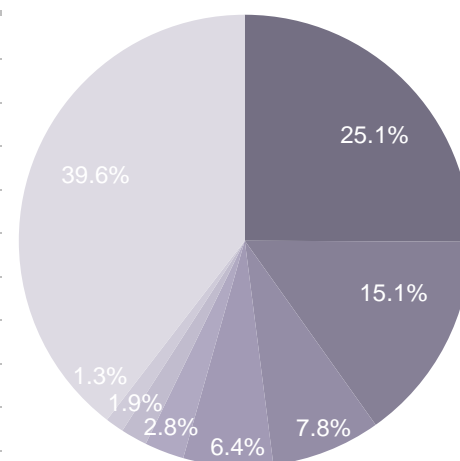
\*This figure is after the 4.0 cents per share (\$4.9m) fully franked dividend paid during the month.

\*\*During the month, 7.5m shares were issued under the Dividend Reinvestment Plan (DRP) and DRP shortfall placement for the final dividend.

## Top holdings

Code	Company	Market Value \$	Market Value as % Gross Assets
ECX	Eclix Group Limited	9,075,590	4.3%
ASB	Austral Limited	8,238,650	3.9%
SIQ	Smartgroup Corporation Limited	8,188,031	3.9%
IPH	IPH Limited	6,392,611	3.0%
AAD	Ardent Leisure Group	5,655,941	2.7%
CSV	CSG Limited	5,639,876	2.7%
MTR	Mantra Group Limited	4,991,625	2.4%
RCG	RCG Corporation Limited	4,896,095	2.3%
AHD	Amalgamated Holdings Limited	4,612,104	2.2%
AHG	Automotive Group Holdings Limited	4,340,720	2.1%
GUD	GUD Holdings Limited	4,321,459	2.1%
TRS	The Reject Shop Limited	4,262,003	2.0%
CCP	Credit Corp Group Limited	4,249,871	2.0%
A2M	The A2 Milk Company Limited	4,148,740	2.0%
CKF	Collins Foods Limited	3,590,516	1.7%
BBN	Baby Bunting Group Limited	3,355,648	1.6%
PME	Pro Medicus Limited	3,059,810	1.5%
BLX	Beacon Lighting Group Limited	2,933,431	1.4%
SDA	SpeedCast International Limited	2,489,305	1.2%
CIW	Clime Investment Management Limited	2,325,481	1.1%

## Sector allocation



- Consumer Discretionary: 25.1%
- Industrials: 15.1%
- Financials: 7.8%
- Information Technology: 6.4%
- Consumer Staples: 2.8%
- Health Care: 1.9%
- Telecommunication Services: 1.3%
- Cash and Fixed Interest: 39.6%

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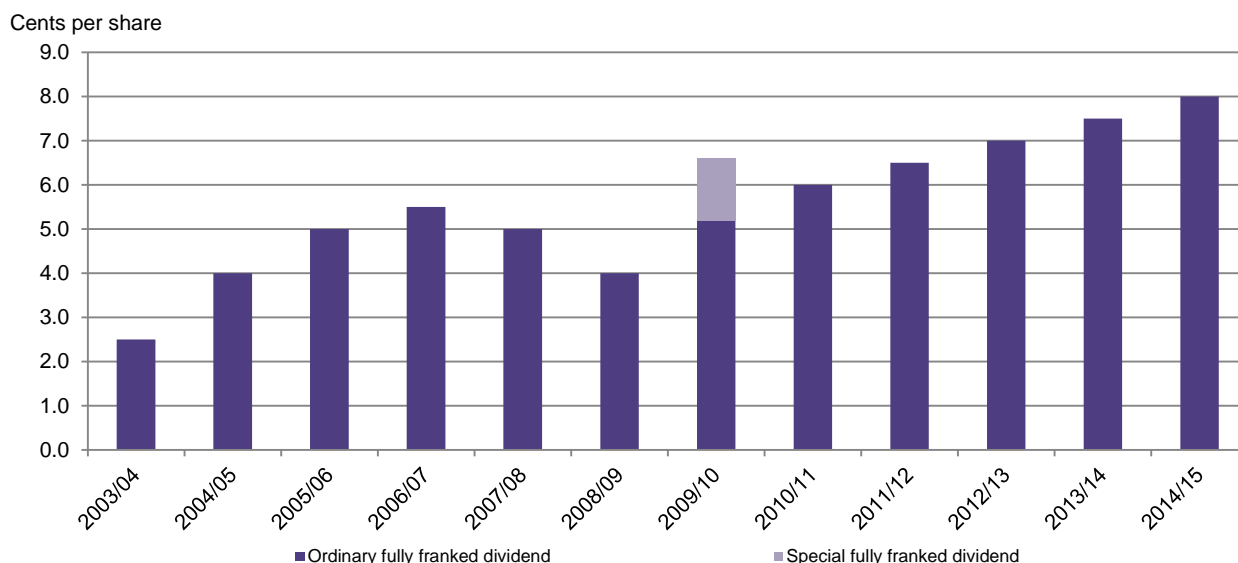
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## Dividend growth

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



On 23 October 2015, the Company paid a fully franked final dividend of 4.0 cents per share. This brings the full year fully franked dividend to 8.0 cents per share, an increase of 6.7% on the previous corresponding period.

The Dividend Reinvestment Plan (DRP) for the FY2015 final dividend was underwritten. The DRP price was \$1.1932 per share and shares were allotted on 27 October 2015.

## Upcoming investor presentations

Date	City	Location	Time
Thursday 19 November 2015	Perth	Parmelia Hilton 14 Mill Street	10:00am – 12:00pm
Tuesday 24 November 2015	Sydney	Wesley Centre Auditorium 220 Pitt Street	WAX AGM 10:00am – 10:30am Presentation 11:00am – 12:30pm
Wednesday 25 November 2015	Adelaide	The Playford 120 North Terrace	10:00am – 12:00pm
Thursday 26 November 2015	Melbourne	Rydges Melbourne 186 Exhibition Street	10:00am – 12:00pm
Friday 27 November 2015	Brisbane	Brisbane Convention & Exhibition Centre Cnr Merivale & Glenelg Street South Bank	10:00am – 12:00pm
Monday 30 November 2015	Canberra	Belconnen Premier Inn 110 Benjamin Way Belconnen	10:00am – 12:00pm

If you wish to attend one of our investor presentations, please RSVP by email to [info@wamfunds.com.au](mailto:info@wamfunds.com.au) or call our office on (02) 9247 6755.