

Investment Update & Net Tangible Assets Report

AS AT 31 AUGUST 2014



Performance

Performance at 31 August 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	5.3%	8.9%	7.7%	18.5%	22.3%	19.2%
S&P/ASX All Ordinaries Accumulation Index	0.7%	6.0%	5.2%	14.4%	13.6%	11.2%
Outperformance	+4.6%	+2.9%	+2.5%	+4.1%	+8.7%	+8.0%

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

Net Tangible Assets (NTA) figures

NTA before tax	113.53c
NTA after tax and before tax on unrealised gains	111.30c
NTA after tax	111.09c

* The above figures are after 15,855 options exercised during the month and have not been adjusted for the remaining options on issue.

Market overview

The strong start to the new financial year continued throughout August with the S&P/ASX All Ordinaries Accumulation Index rising 0.7% for the month after the local sharemarket reached a six year high mid-month.

In the US, the S&P 500 Index reached another record high, inching above 2000 points for the first time in history. Since its most recent low of 666 points in March 2009, the US market is now up 200% in the last five and a half years. US Federal Reserve Chair Janet Yellen made an economic address at Jackson Hole during the month, giving little indication as to the direction of short term US interest rates. Investor sentiment suggests interest rate tightening will commence in early 2015.

Locally, August was dominated by annual company reporting season with results broadly in line with our low expectations. Many companies have concluded lengthy cost-cutting programs and while we typically expect to see a return to strong revenue growth at this point in the market cycle, this is yet to materialise. We remain cautious in our short term view of the Australian equity market. While consumer spending and business confidence remain subdued, we expect historically low interest rates to stimulate economic activity over the medium to longer term.

WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$162.1m
Market cap	\$164.6m
Share price	\$1.175
NTA before tax	\$1.14
Shares on issue	140,047,618
Options on issue	67,969,283
Fully franked dividends (FY2014)	7.5c
Dividend yield	6.4%

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

Judith Buchan
Head of Corporate Affairs

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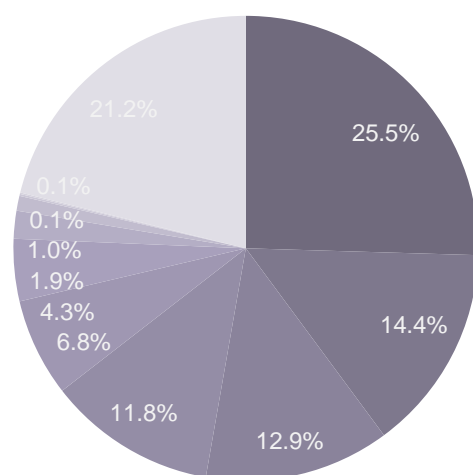
Diversified portfolio

Investment Type	July 2014		August 2014	
	\$m	%	\$m	%
Listed Equities	122.6	79.0	127.8	78.8
Fixed Interest & Cash	32.5	21.0	34.3	21.2
Gross Assets	\$155.1m	100.0%	\$162.1m	100.0%
Total shares on issue	140,031,763		140,047,618	
Total options on issue	67,985,138		67,969,283	

Top holdings

Code	Company	Market Value as % Gross Assets
SGH	Slater & Gordon Limited	4.4%
VED	Veda Group Limited	4.3%
GXL	Greencross Limited	3.1%
CBAPA	CBA Perpetual Exc Resale Listed Sec - PERLS V	3.0%
CSV	CSG Limited	3.0%
AHE	Automotive Holdings Group Limited	3.0%
TNE	Technology One Limited	2.8%
MTR	Mantra Group Limited	2.7%
IFM	Infomedia Limited	2.5%
AAD	Ardent Leisure Group	2.2%
VOC	Vocus Communications Limited	2.2%
SRX	Sirtex Medical Limited	2.2%
CTD	Corporate Travel Management Limited	2.2%
IIN	iiNet Limited	2.1%
3PL	3P Learning Limited	2.1%
FXJ	Fairfax Media Limited	2.1%
ISD	Isentia Group Limited	2.1%
AHD	Amalgamated Holdings Limited	2.0%
IFL	IOOF Holdings Limited	2.0%
ENE	Energy Developments Limited	1.9%

Sector allocation



- Consumer Discretionary: 25.5%
- Financials: 14.4%
- Industrials: 12.9%
- Information Technology: 11.8%
- Health Care: 6.8%
- Telecommunication Services: 4.3%
- Utilities: 1.9%
- Consumer Staples: 1.0%
- Energy: 0.1%
- Materials: 0.1%
- Cash and Fixed Interest: 21.2%

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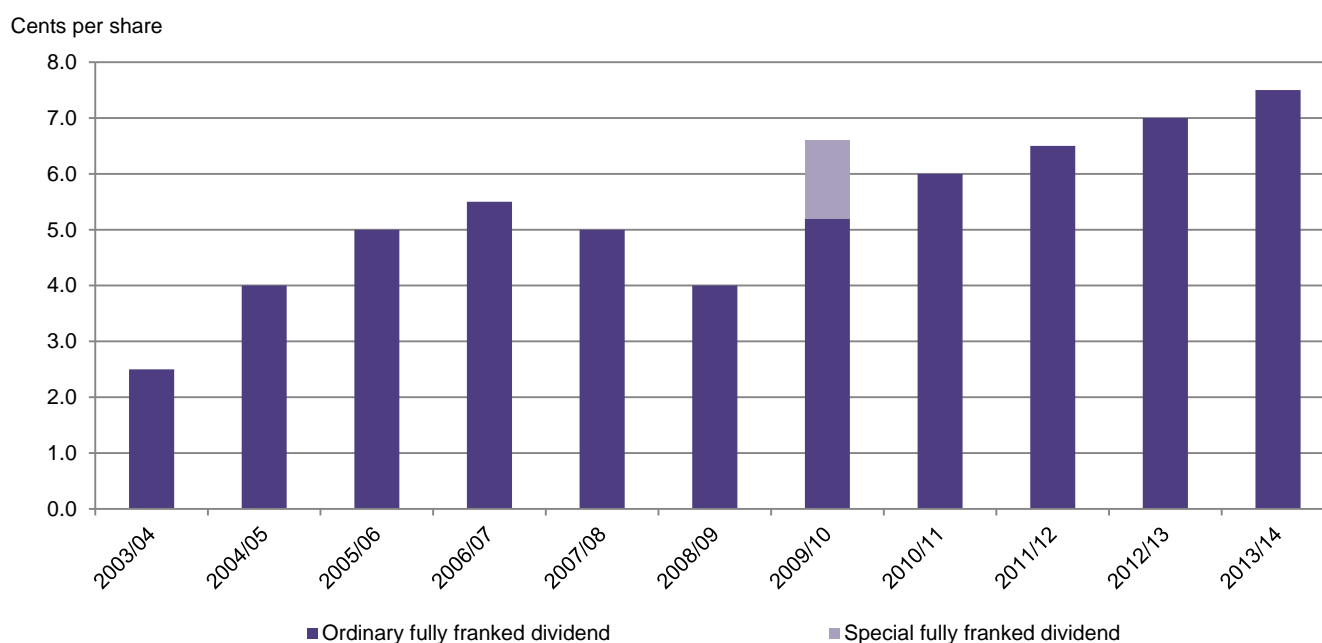
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Dividend growth

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 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 4 August 2014, the Company announced a fully franked final dividend of 3.75 cents per share. This brings the full year fully franked dividend to 7.5 cents per share, an increase of 7.1% on the previous corresponding period.

The dividend reinvestment plan (DRP) will operate at a 2.5% discount for the final dividend. To participate in the DRP, shareholders should send their DRP Election Form to the Company's share registrar (Boardroom) no later than 16 October 2014.

Key dividend dates

Ex date:	13 October 2014
Record date:	15 October 2014
Last election date for DRP:	16 October 2014
Payment date:	24 October 2014

Bonus Option Issue

On 28 October 2013, the Company announced a one for two bonus option issue ('Bonus Option Issue') to all WAM Research shareholders to acquire ordinary shares in the Company. The options have an exercise price of \$1.20 per share and can be exercised at any time on or before 17 June 2015.

As at 31 August 2014, 979,608 options had been exercised for a total consideration of \$1,175,530, with the remaining balance of outstanding options being 67,969,283.