



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – AUGUST 2011

WAM Research Limited (WAX) is a listed investment company primarily investing in small to medium sized industrial companies listed on the ASX. The investment objectives are to provide a growing stream of fully franked dividends and to achieve a high real rate of return, comprising both income and capital growth within risk parameters acceptable to the Directors.

| Performance as at 31 August 2011 | 1 Mth % | 6 Mths % | Fin Ytd % | 1 Yr % | 3 Yrs %pa | 5 Yrs %pa |
|--|----------------|-----------------|------------------|---------------|------------------|------------------|
| WAM Research Limited* | -1.8% | -6.3% | -3.2% | +9.8% | +5.1% | +0.4% |
| S&P/ASX 300 Industrials Accumulation Index | -0.5% | -7.7% | -5.3% | +0.0% | -1.0% | -1.4% |
| Outperformance | -1.3% | +1.4% | +2.1% | +9.8% | +6.1% | +1.8% |
| S&P/ASX Small Industrials Accumulation Index | -2.2% | -7.2% | -4.0% | +4.5% | -3.8% | -3.9% |
| Outperformance | +0.4% | +0.9% | +0.8% | +5.3% | +8.9% | +4.3% |

*The change in the gross portfolio before all expenses, fees and taxes.

The following NTA figures are before the payment of a fully franked final dividend of 3.0 cents per share fully franked paid on 21 October 2011.

| | |
|---|----------------|
| NTA before tax | 84.96c |
| NTA after tax and before tax on unrealised gains | 91.22c* |
| NTA after tax | 91.22c* |

*These figures include tax assets of 6.26 cents per share.

Market Outlook

In what was one of the most remarkable months witnessed on the Australian market, we managed to only finish down 2% on the S&P/ASX All Ordinaries Accumulation Index after being down a massive 16% intra month. The heightened level of volatility not seen since the GFC was driven predominately by uncertainty around the European banking system and weak economic data out of the US. The US Federal Reserve's statement during the month to keep interest rates low for two years lifted investor sentiment along with the domestic reporting season which broadly came in line with investors expectations.

Market Outlook (continued)

In Australia we have seen mixed economic data which has widened the gap with investor's expectation on the future direction of interest rates. GDP for the June quarter of 1.2% was ahead of expectations, although two thirds of this figure was driven by inventory restocking. This could leave a gap in future quarters. Unemployment has reached 5.3% and will likely trend higher in future months given the weakness amongst cyclical companies in Australia. We expect further weakness in economic data could see interest rate cuts in Australia. In the meantime, we remain cautious and will continue to research for individual stock opportunities.

Dividends

On 27 July 2011 the Board announced a fully franked final dividend of 3.0 cents per share fully franked. This is a 15% increase on the final fully franked dividend last year and brings the full year dividend to 6.0 cents per share fully franked. The final dividend dates are as follows:

Ex Date: 10 October 2011
Record Date: 14 October 2011
Payment Date: 21 October 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$0.72 being closing price 9 September 2011) is a 15.3% discount to the 31 August 2011 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 14 October 2011.

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis. Government legislation introduced in June 2010 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will be made with consideration to cash flow, cash holdings and available franking credits.

Portfolio Structure

| Investment Type | As at 31 July 2011 | | As at 31 August 2011 | |
|---------------------------------------|--------------------|---------------|----------------------|---------------|
| | \$m | % | \$m | % |
| Listed Equities | 79.2 | 76.3% | 74.1 | 72.8% |
| Fixed Interest and Cash | 24.5 | 23.7% | 27.7 | 27.2% |
| Total Fund Size | \$103.7m | 100.0% | \$101.8m | 100.0% |
| | No. | | No. | |
| Total ordinary shares on issue | 119,217,215 | | 119,217,215 | |

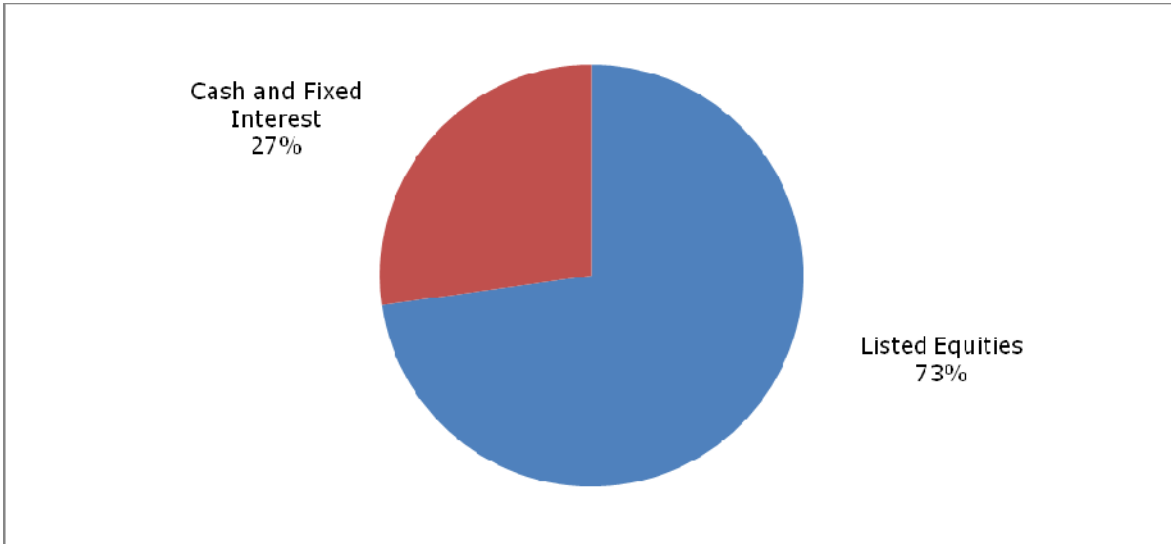
Portfolio Structure (continued)

At 31 August 2011 the major securities held in the portfolio were:

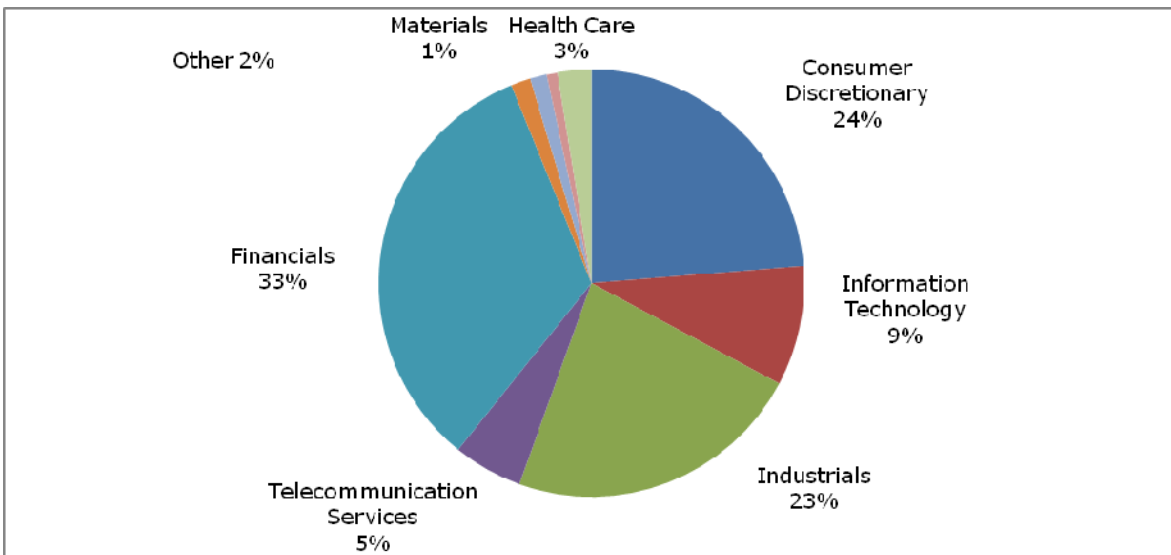
| Code | Company | Market Value \$ | Market Value as % of Gross Assets |
|-------|--|--------------------|---|
| NAB | National Australia Bank Limited* | 5,455,600 | 5.4% |
| MMS | McMillan Shakespeare Limited | 5,388,048 | 5.3% |
| WBC | Westpac Banking Corporation | 4,377,500 | 4.3% |
| APE | AP Eagers Limited | 3,734,268 | 3.7% |
| MYS | MyState Limited | 3,319,214 | 3.3% |
| WBB | Wide Bay Australia Limited | 3,140,045 | 3.1% |
| BRG | Breville Group Limited | 2,859,740 | 2.8% |
| RKN | Reckon Limited | 2,696,096 | 2.6% |
| ANZ | Australia and New Zealand Banking Group Limited* | 2,688,425 | 2.6% |
| ARP | ARB Corporation Limited | 2,492,830 | 2.4% |
| SAI | SAI Global Limited | 1,977,875 | 1.9% |
| BKL | Blackmores Limited | 1,897,794 | 1.9% |
| SGN | STW Communications Group Limited | 1,861,121 | 1.8% |
| IPP | IProperty Group Limited | 1,759,899 | 1.7% |
| AAD | Ardent Leisure Group | 1,671,814 | 1.6% |
| SKE | Skilled Group Limited | 1,666,699 | 1.6% |
| CIW | Clime Investment Management Limited | 1,553,638 | 1.5% |
| CCP | Credit Corp Group Limited | 1,358,489 | 1.3% |
| SVWPA | Seven Network Ltd preference shares | 1,335,000 | 1.3% |
| RCR | RCR Tomlinson Limited | 1,311,465 | 1.3% |

*Indicates that options were outstanding against the holding.

Portfolio Structure - Asset Allocation



Long Portfolio Structure - Sector Allocation



Performance

Set out below is the performance of WAX since listing to 31 August 2011 on a financial year basis. The performance data before all expenses, fees and taxes and is used as a guide to how the company's investment portfolio has performed against the S&P/ASX 300 Industrials Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are both before tax and expenses measures.

Previously performance was compared against the S&P/ASX All Ordinaries Accumulation Index. The equity portfolio is made up of small and large industrial companies and it is believed that the S&P/ASX Small Industrials Accumulation Index and the S&P/ASX 300 Industrials Accumulation Index better reflect how the portfolio has previously been invested and will be invested going forward.

Thus these benchmarks represent a more effective way to evaluate the fund's performance based on the underlying composition of the portfolio.

| Financial Year | Gross Portfolio | S&P/ASX 300 Industrials Accumulation Index | Outperformance | S&P/ASX Small Industrials Accumulation Index | Outperformance |
|----------------|-----------------|--|----------------|--|----------------|
| 2003/2004 | +6.5% | +13.5% | -7.0% | +10.7% | -4.2% |
| 2004/2005 | +5.2% | +22.4% | -17.2% | +26.1% | -20.9% |
| 2005/2006 | +13.4% | +17.2% | -3.8% | +20.1% | -6.7% |
| 2006/2007 | +30.7% | +29.5% | +1.2% | +38.2% | -7.5% |
| 2007/2008 | -31.6% | -26.7% | -4.9% | -36.5% | +4.9% |
| 2008/2009 | -4.8% | -14.5% | +9.7% | -21.6% | +16.8% |
| 2009/2010 | +10.3% | +14.5% | -4.2% | +10.3% | +0.0% |
| 2010/2011 | +17.3% | +9.2% | +8.1% | +15.7% | +1.6% |
| YTD 2011/2012 | -3.2% | -5.3% | +2.1% | -4.0% | +0.8% |