

Investment Update & Net Tangible Assets Report

AS AT 31 DECEMBER 2013



Performance

| Performance at 31 December 2013 | 1 Mth | Fin YTD | 1 Yr | 3 Yrs %pa | Since change in investment strategy (Jul-10) %pa |
|---|--------------|--------------|--------------|---------------|--|
| WAX Investment Portfolio | 0.1% | 17.0% | 29.1% | 18.0% | 19.6% |
| S&P/ASX All Ordinaries Accumulation Index | 0.9% | 14.6% | 19.7% | 8.0% | 11.0% |
| Outperformance | -0.8% | +2.4% | +9.4% | +10.0% | +8.6% |

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

Net Tangible Assets (NTA) figures

| | |
|--|----------------|
| NTA before tax | 110.51c |
| NTA after tax and before tax on unrealised gains | 108.00c |
| NTA after tax | 107.76c |

* The above figures are after 43,894 options exercised during the month and have not been adjusted for the remaining options on issue.

Market overview

After the market's poor start to December, the forecast 'Christmas Rally' bore out with the S&P/ASX All Ordinaries Accumulation Index ('Index') closing up 0.9% for the month. The market's December gains added to its overall strong performance in calendar year 2013 with the Index up 19.7% for the year. The 2013 calendar year marked the Index's biggest one year rise since calendar year 2009.

In December, local and international markets maintained their strong appetite for Initial Public Offerings ('IPOs') with 33 companies listing on the Australian Securities Exchange ('ASX') raising \$18.5 billion. A total of 61 companies floated on the ASX in calendar year 2013 to raise a total of \$56.9 billion - an increase of 17.8% on the previous year. We expect that the surge in IPOs will be followed by an increase in corporate Merger and Acquisition activity in Australia in 2014. Our forecast is contingent on clear signals that economic activity is picking up and so providing company boards with greater confidence in the underlying strength of their businesses.

We remain quite cautious in our outlook for the year ahead and anticipate a more subdued performance for Australian and global equity markets. The main reason for this view is that over the last 12 to 18 months company price to earnings (P/E) multiples have expanded significantly while earnings growth has remained anaemic. We will be more positive in our outlook for the market once we start to see a growth in earnings - a thematic we will be watching carefully during next month's reporting season.

WAM Research Limited

| | |
|----------------------------------|-------------|
| ASX Code | WAX |
| Listed | Aug 2003 |
| Gross assets | \$153.3m |
| Market cap | \$155.2m |
| Share price | \$1.125 |
| NTA before tax | \$1.11 |
| Shares on issue | 137,940,729 |
| Options on issue | 68,904,997 |
| Fully franked dividends (FY2013) | 7.0c |
| Dividend yield | 6.2% |

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
Equity Analyst

Mark Tobin
Equity Analyst

Meredith Hemsley
Corporate Affairs

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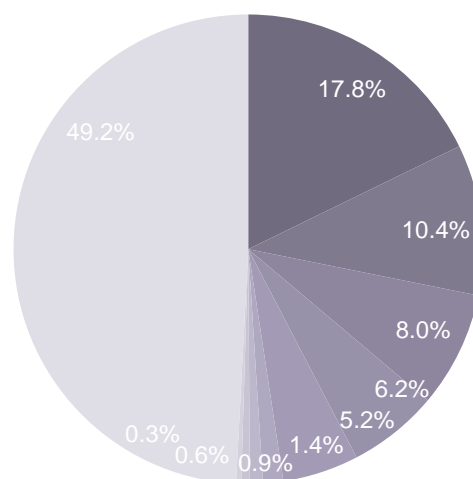
Diversified portfolio

| Investment Type | November 2013 | | December 2013 | |
|------------------------|---------------|--------|---------------|--------|
| | \$m | % | \$m | % |
| Listed Equities | 93.6 | 61.0 | 77.8 | 50.8 |
| Fixed Interest & Cash | 59.7 | 39.0 | 75.5 | 49.2 |
| Gross Assets | \$153.3m | 100.0% | \$153.3m | 100.0% |
| Total shares on issue | 137,896,835 | | 137,940,729 | |
| Total options on issue | - | | 68,904,997 | |

Top holdings

| Code | Company | Market Value as % Gross Assets |
|------|-------------------------------------|--------------------------------|
| SGH | Slater & Gordon Limited | 3.8% |
| AHE | Automotive Holdings Group Limited | 3.1% |
| NEA | Nearmap Limited | 2.8% |
| NXT | NEXTDC Limited | 2.4% |
| SGN | STW Communications Group Limited | 2.3% |
| GWA | GWA Group Limited | 2.2% |
| VOC | Vocus Communications Limited | 2.1% |
| AAD | Ardent Leisure Group | 2.1% |
| TNE | Technology One Limited | 2.0% |
| CSV | CSG Limited | 2.0% |
| WEB | Webjet Limited | 2.0% |
| RCR | RCR Tomlinson Limited | 2.0% |
| DNA | Donaco International Limited | 1.9% |
| CIW | Clime Investment Management Limited | 1.8% |
| IPP | iProperty Group Limited | 1.8% |
| SFW | SFG Australia Limited | 1.7% |
| RWH | Royal Wolf Holdings Limited | 1.7% |
| PGH | Pact Group Holdings Limited | 1.3% |
| OFX | Ozforex Group Limited | 1.1% |
| TEN | Ten Network Holdings Limited | 1.0% |

Sector allocation



- Consumer Discretionary: 17.8%
- Information Technology: 10.4%
- Industrials: 8.0%
- Financials: 6.2%
- Telecommunication Services: 5.2%
- Materials: 1.4%
- Consumer Staples: 0.9%
- Energy: 0.6%
- Health Care: 0.3%
- Cash and Fixed Interest: 49.2%

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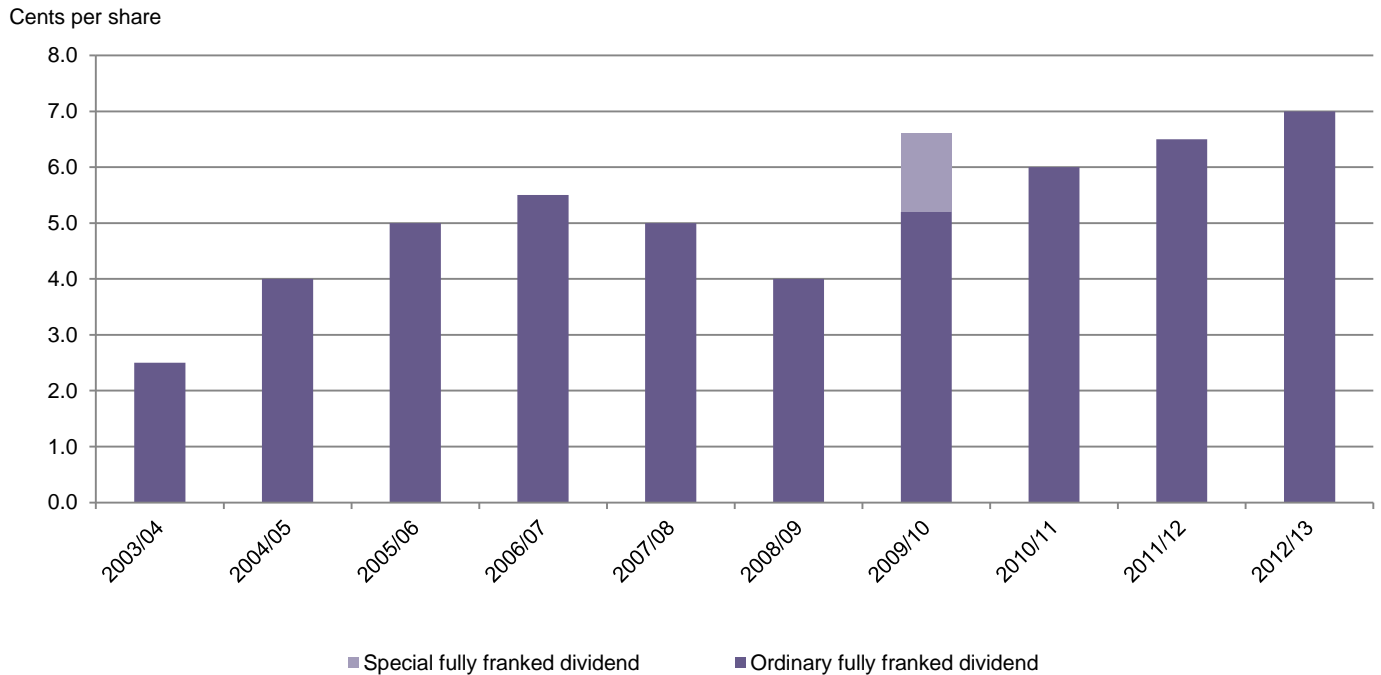
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Dividend growth

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. 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 31 October 2013, the Company paid a fully franked final dividend of 3.5 cents per share, an increase of 7.7% on the previous corresponding period. The final dividend included 1.84 cents of Listed Investment Company ('LIC') capital gain which will enable some shareholders to claim a further tax deduction. The final dividend brings the total dividend for FY2013 to 7.0 cents per share and represents a fully franked annual dividend yield of 6.3%, based on the last closing price.

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. The options give shareholders the right, but not the obligation, to subscribe for shares in WAM Research at \$1.20 per share. The options can be exercised in full or in part. The options are currently trading on the Australian Securities Exchange ('ASX') under the code WAXO.

As at 31 December 2013, 43,894 options had been exercised for a total consideration of \$52,673, with the remaining balance of outstanding options being 68,904,997.