



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – DECEMBER 2010

WAM Research Limited (WAX) (previously Wilson Investment Fund Ltd) is a listed investment company primarily investing in small to medium sized industrial companies listed on the ASX. Our investment objectives are to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors and to preserve the capital of the Company.

In December WAX's gross portfolio (before all fees, costs and taxes) rose by 3.3%, while the S&P/ ASX 300 Industrials Accumulation Index rose by 2.5% and the S&P/ASX Small Industrials Accumulation Index rose by 4.8%.

Annualised Performance as at 31 December 2010	1 Month	6 Months	1 Year	3 Years	5 Years
WAM Research Limited*	+3.3%	+14.1%	+4.4%	-4.6%	+2.4%
S&P/ASX 300 Industrials Accumulation Index	+2.5%	+8.4%	-2.6%	-7.8%	+1.3%
Outperformance	+0.8%	+5.7%	+7.0%	+3.2%	+1.1%
S&P/ASX Small Industrials Accumulation Index	+4.8%	+18.8%	+2.2%	-11.2%	-0.9%
Outperformance	-1.5%	-4.7%	+2.2%	+6.6%	+3.3%

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

The below figures are after the payment of the final dividend and the special dividend of 2.6 cents and 1.4 cents respectively per share fully franked paid on 29 October 2010.

NTA before tax	88.82c
NTA after tax and before tax on unrealised gains	93.53c*
NTA after tax	93.53c*

*These figures include tax assets of 4.67 cents per share.

MARKET OUTLOOK AND QUEENSLAND FLOODS

Our thoughts go out to all the people affected by the recent devastating floods in Queensland. We send all of them our best wishes for the recovery effort.

Global share markets recorded stellar returns in December after investors were buoyed by positive news out of the US, the world's largest economy. The Australian market participated in the rally, with the S&P ASX All Ordinaries Accumulation Index spiking 3.8 per cent higher. Leading the charge was the highly favored mining index with the S&P/ASX All Resources Accumulation Index up 6.1 per cent, compared to a rise of 2.5 per cent by the S&P/ASX All Industrials Accumulation index. Investors are keen to best take advantage of improving world economy.

Heading into the new calendar year we remain cautious despite the rally in equities since July 2010. We remain concerned about a bubble forming in the mining sector, especially among smaller resource stocks, with many leaping by more than 100 per cent in just six months. The emergence of inflation in China could result in authorities being forced to slow growth and, as a result, reduce demand for Australian commodities.

We are more encouraged by the industrial sector, which is experiencing difficult economic conditions in Australia. The Reserve Bank's decision to lift official interest rates through 2009 and 2010 has slowed domestic activity, putting pressure on earnings growth. If the Reserve Bank is able to keep rates steady through the course of 2011, industrial stocks should at some stage receive investor support. In the short term however, the sector will need have to work its way through a poor earnings reporting season, to be announced in February.

We believe our portfolio is well placed to take advantage of this changing landscape. In addition, we are nimble enough to change strategy if the economic outlook changes.

STRATEGY

The Board has been engaged in a strategic review of the Fund to determine the best way to maximise value for shareholders. The outcome of this process is that the Board has instructed the Manager to more actively manage the portfolio.

The Manager will continue to focus on identifying small to medium sized companies that represent good value and have a strong growth outlook. The Boards vision for the future was outlined in the latest Investor Newsletter mailed to shareholders in late September and announced to the ASX on 30 September 2010.

Coinciding with this review, the Board proposed a name change to reflect the investment strategy and to better align with the current naming convention and branding of the WAM Group.

DIVIDENDS

On 12 January 2011 the company announced a fully franked interim dividend of 3.0 cents per share. This is a 15% increase on the final dividend and is to be paid as follows.

Ex Date: 15 March 2011
Record Date: 21 March 2011
Payment Date: 28 March 2011

The dividend re-investment plan will be operating at no discount. The current share price (\$0.75 being closing price 13 January 2011) is a 15.6% discount to the 31 December 2010 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 21 March 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 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will not be reliant on reported profit and retained earnings as it was previously. Rather, it will be with consideration to cash flow, cash holdings and available franking credits. This is a major change for Listed Investment Companies.

PORTFOLIO STRUCTURE

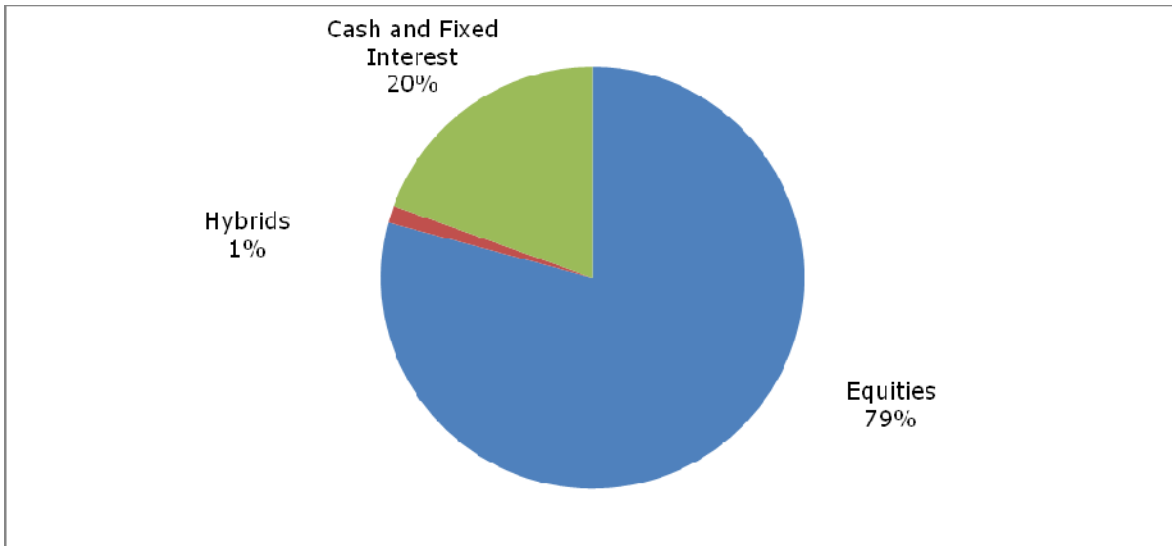
Investment Type	As at 30 Nov 2010		As at 31 Dec 2010	
	\$m	%	\$m	%
Listed Equities	80.04	78.0%	83.73	79.2%
Listed Hybrids	1.34	1.3%	1.37	1.3%
Fixed Interest and Cash	21.19	20.7%	20.63	19.5%
Total Assets	102.57	100.0%	105.73	100.0%
	No.		No.	
Total ordinary shares on issue	118,526,587		118,526,587	

PORTFOLIO STRUCTURE (CONTINUED)

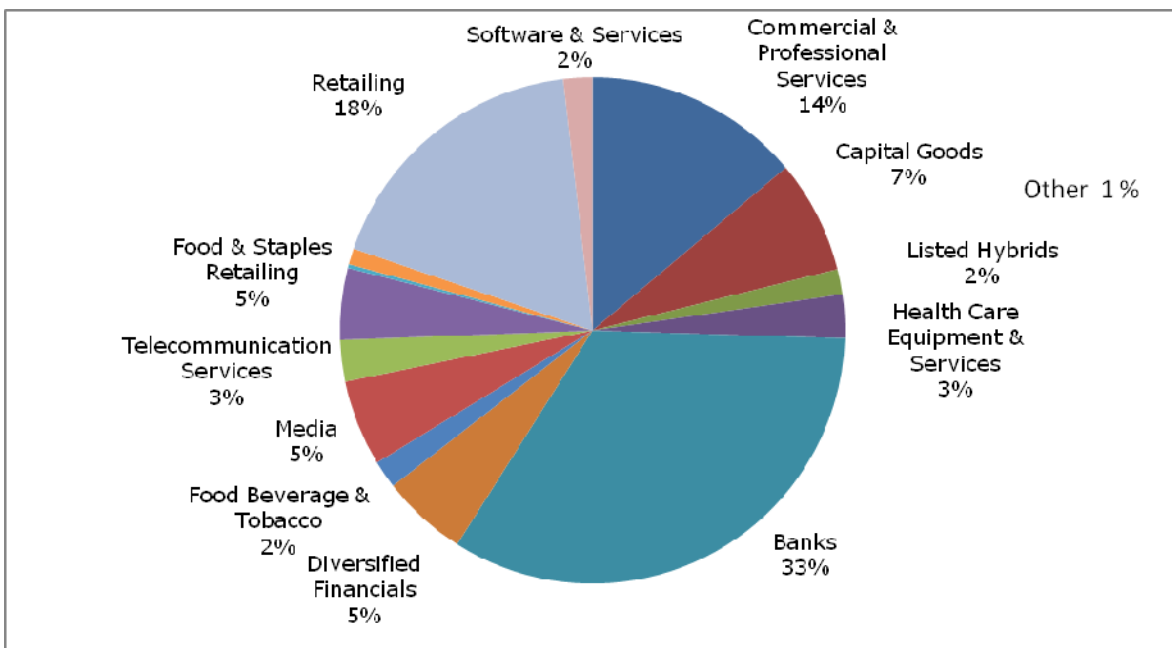
As at 31 December 2010 the top listed equities and hybrids (value over \$1 million) were as follows:

Code	Company	Market Value \$	Market Value as % of Gross Assets
NAB	National Australia Bank Limited	5,451,000	5.2%
MMS	McMillan Shakespeare Limitd	5,406,135	5.1%
WBC	Westpac Banking Corporation	4,719,625	4.5%
WBB	Wide Bay Australia Limited	4,466,588	4.2%
APE	AP Eagers Limited	4,362,463	4.1%
MTS	Metcash Limited	3,904,500	3.7%
CBA	Commonwealth Bank of Australia	3,904,213	3.7%
CCP	Credit Corp Group Limited	3,487,873	3.3%
SGN	STW Communications Group Limited	3,461,431	3.3%
MYS	MyState Limited	3,410,905	3.2%
ANZ	Australia and New Zealand Banking Group Limited	3,093,875	2.9%
TGA	Thorn Group Limited	2,942,590	2.8%
ARP	ARB Corporation Limited	2,725,057	2.6%
SAI	SAI Global Limited	2,531,500	2.4%
RHG	RHG Limited	2,453,586	2.3%
BKL	Blackmores Limited	2,366,224	2.2%
BRG	Breville Group Limited	2,277,086	2.2%
AMM	Amcom Telecommunications Limited	2,075,876	2.0%
RCR	RCR Tomlinson Limited	2,039,726	1.9%
ORL	OrotonGroup Limited	1,847,291	1.7%
CIW	Clime Investment Management Limited	1,687,903	1.6%
SHV	Select Harvest Limited	1,511,318	1.4%
SVWPA	Seven Network Ltd preference shares	1,372,500	1.3%
IRE	IRESS Market Technology Limited	1,261,555	1.2%
CAF	Centrepoint Alliance Limited	1,254,575	1.2%
CSR	CSR Limited	1,233,750	1.2%
RQL	Resource Equipment Limited	1,153,933	1.1%
IMFG	IMF (Australia) Ltd 10.25% Sec Red Conv Note	1,053,345	1.0%

PORTFOLIO STRUCTURE - ASSET ALLOCATION



LONG PORTFOLIO STRUCTURE - SECTOR ALLOCATION



PERFORMANCE

Set out below is the performance of WAX since listing to 31 December 2010 on a financial year basis 1 July to 30 June. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX 300 Industrials Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are also before tax and expenses.

Previously performance was compared against the S&P/ASX All Ordinaries Accumulation Index. The equity portfolio is made up of large and small 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 better represent a way to evaluate the funds 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 YTD	+10.3%	+14.5%	-4.2%	+10.3%	+0.0%
2010/2011	+14.1%	+8.4%	+5.7%	+18.8%	-4.7%

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