



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
DECEMBER 2012

Company overview

WAM Research Limited (WAX) is a listed investment company that invests in undervalued growth companies, primarily small to medium sized industrial companies listed on the ASX.

Investment objective

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.

Outperformance against sharemarket

The performance of the WAX investment portfolio against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The investment performance is before expenses, fees and taxes.

Performance as at 31 December 2012	1 Mth %	6 Mths %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAX Investment Portfolio	+4.0%	+18.1%	+29.5%	+9.9%	+2.0%
S&P/ASX All Ordinaries Accumulation Index	+3.4%	+15.5%	+18.8%	+2.8%	-2.0%
Outperformance	+0.6%	+2.6%	+10.7%	+7.1%	+4.0%

Net Tangible Asset (NTA) figures

The following NTA figures are after the payment of a fully franked final dividend of 3.25 cents per share paid on the 19 October 2012.

NTA before tax	94.33c
NTA after tax and before tax on unrealised gains	96.37c*
NTA after tax	96.37c*

*These figures include tax assets of 2.04 cents per share.

Market Outlook

A strong run into the New Year

The ASX/S&P All Ordinaries Accumulation Index finished up 3.4% in December. The market rallied strongly in the 2012 calendar year. The Australian share market posted its best calendar year performance since 2009 finishing up 18.8%. The market rallied strongly despite a deteriorating earnings outlook and a weak economic environment. In early January 2013 global equity markets including Australia rallied strongly post the US Fiscal Cliff resolution.

Expectations for 2013

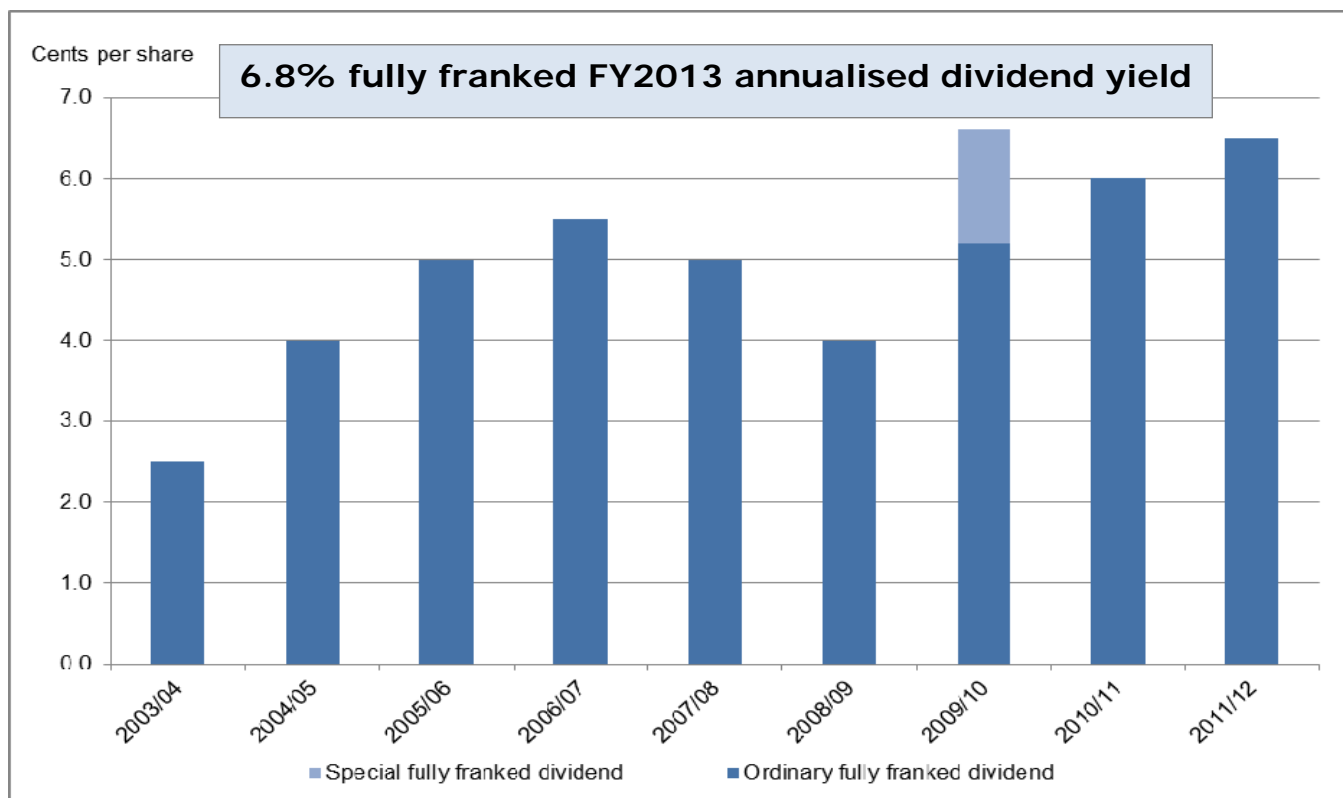
We expect the Australian sharemarket will increase by around 10% in 2013 calendar year. We anticipate macroeconomic data to show signs of improvement globally by mid-2013. As interest rates move lower in Australia this will lead to an expansion in price to earnings ratios (P/E), an increase in corporate activity and a reallocation from cash and term deposits to equities.

Dividends – 3.25 cents per share fully franked final

On 19 October 2012, the Company paid a fully franked final dividend of 3.25 cents per share. This was a 8.3% increase on the previous year's final dividend. The final dividend includes 0.4 cents of LIC capital gain which will enable some shareholders to claim a further tax deduction.

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. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow and cash holdings.

WAM Research Dividends



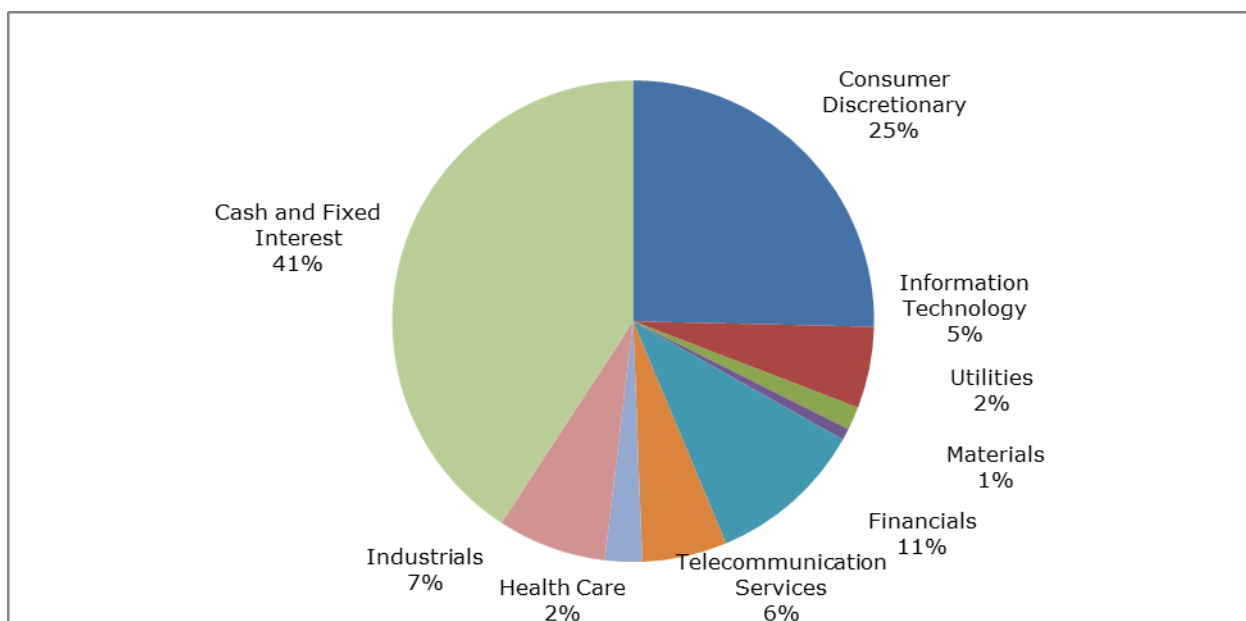
Portfolio structure

Investment Type	As at 30 November 2012		As at 31 December 2012	
	\$m	%	\$m	%
Listed Equities	66.9	60.1%	68.5	59.2%
Fixed Interest and Cash	44.4	39.9%	47.2	40.8%
Total Fund Size	\$111.3m	100.0%	\$115.7	100.0%
Total number ordinary shares on issue	121,634,257		121,634,257	

At 31 December 2012 the major securities held in the portfolio were as follows:

Code	Company	Market Value \$	Market Value as % of Gross Assets
APE	AP Eagers Limited	6,904,715	6.0%
MFG	Magellan Financial Group Limited	4,644,603	4.0%
BRG	Breville Group Limited	3,721,200	3.2%
AHE	Automotive Holdings Group Limited	3,569,835	3.1%
AMM	Amcom Telecommunication Limited	3,455,310	3.0%
ARP	ARB Corporation Limited	3,159,518	2.7%
NXT	NEXTDC Limited	3,134,037	2.7%
CTD	Corporate Travel Management Limited	2,604,858	2.3%
FAN	Fantastic Holdings Limited	2,548,824	2.2%
CCV	Cash Converters International	2,486,286	2.1%
RKN	Reckon Limited	2,443,463	2.1%
SKE	Skilled Group Limited	2,292,696	2.0%
CIW	Clime Investment Management Limited	2,262,033	2.0%
IPP	iProperty Group Limited	2,006,257	1.7%
RHG	RHG Limited	1,970,825	1.7%
GEM	G8 Education Limited	1,693,179	1.5%
LCM	Logicamms Limited	1,691,465	1.5%
EAX	Energy Action Limited	1,628,497	1.4%
REA	REA Group Limited	1,584,198	1.4%
CCP	Credit Corp Group Limited	1,528,432	1.3%

Portfolio structure - sector allocation



Performance – yearly comparison

Set out below is the performance of WAX's investment portfolio since listing to 31 December 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to the performance of the investment portfolio against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

Financial Year	WAX Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2003/2004	+6.5%	+22.4%	-15.9%
2004/2005	+5.2%	+24.8%	-19.6%
2005/2006	+13.4%	+24.2%	-10.8%
2006/2007	+30.7%	+30.3%	+0.4%
2007/2008	-31.6%	-12.1%	-19.5%
2008/2009	-4.8%	-22.2%	+17.4%
2009/2010	+10.3%	+13.8%	-3.5%
2010/2011	+17.5%	+12.2%	+5.3%
2011/2012	+4.5%	-7.0%	+11.5%
YTD 2012/2013	+18.1%	+15.5%	+2.6%

For more information

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