

# Investment Update & Net Tangible Assets Report

AS AT 28 FEBRUARY 2015



## Performance

Performance at 28 February 2015	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	6.6%	11.2%	19.8%	21.1%	24.4%	19.7%
S&P/ASX All Ordinaries Accumulation Index	7.0%	7.1%	12.7%	13.6%	15.2%	11.6%
<b>Outperformance</b>	<b>-0.4%</b>	<b>+4.1%</b>	<b>+7.1%</b>	<b>+7.5%</b>	<b>+9.2%</b>	<b>+8.1%</b>

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

## Net Tangible Assets (NTA) figures

NTA before tax	<b>117.94c</b>
NTA after tax and before tax on unrealised gains	<b>115.50c</b>
NTA after tax	<b>115.32c</b>

\* The above figures are after the payment of 0.76 cents in tax during the month and have not been adjusted for the remaining options on issue.

## Market overview

The S&P/ASX All Ordinaries Accumulation Index continued its strong start to 2015 to close up 7% in February. The market rally was sparked by the Reserve Bank of Australia's surprise decision to reduce the cash rate to 2.25%. Our expectation is that interest rates will be reduced again during the remainder of 2015 which will have a positive impact on Australian economic growth which is waning.

Domestic earnings season revealed little change in the environment domestically for many companies, with weak revenues and a focus on costs. Interest in expansion was also still limited and the emphasis on distributing earnings remained, with more companies lifting dividends. Corporate earnings continued to be weak, in particular in the resources sector which is adjusting to the end of the mining boom. Companies linked to the strong residential housing sector delivered strong results as expected, in particular companies exposed to the Sydney housing market.

In addition to low interest rates both domestically and globally, we expect four drivers will continue to define the Australian equities market throughout the remainder of 2015: global quantitative easing, a falling Australian dollar, a low oil price and corporate earnings. Overall, we remain cautious and are well positioned to capitalise on opportunities as they arise.

### WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$172.4m
Market cap	\$176.1m
Share price	\$1.225
NTA before tax	\$1.18
Shares on issue	143,789,954
Options on issue	65,480,884
Fully franked annualised interim dividend (FY2015)	8.0c
Dividend yield	6.5%

### 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

**James McNamara**  
Communications Manager

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## Diversified portfolio

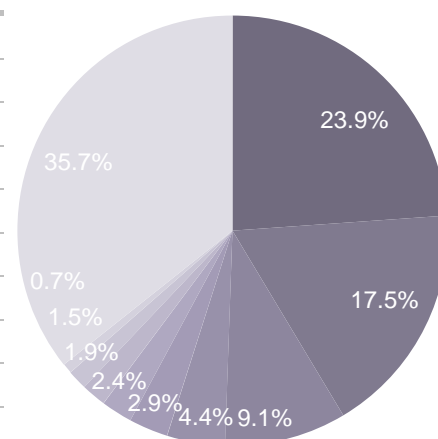
Investment Type	January 2015		February 2015	
	\$m	%	\$m	%
Listed Equities	99.3	60.9	110.9	64.3
Fixed Interest & Cash	63.7	39.1	61.5	35.7
Gross Assets	\$163.0m	100.0%	\$172.4m*	100.0%
Total shares on issue	142,369,025		143,789,954	
Total options on issue	66,901,813		65,480,884	

\*This is after payment of 0.76 cents in tax paid during the month.

## Top holdings

Code	Company	Market Value \$	Market Value as % Gross Assets
SGH	Slater & Gordon Limited	5,760,934	3.3%
RFG	Retail Food Group Limited	5,697,345	3.3%
CSV	CSG Limited	5,691,565	3.3%
CTD	Corporate Travel Management Limited	5,688,839	3.3%
IPH	IPH Limited	5,653,399	3.3%
ASB	Austal Limited	5,149,576	3.0%
TPM	TPG Telecom Limited	5,072,063	2.9%
AHD	Amalgamated Holdings Limited	4,686,546	2.7%
MTR	Mantra Group Limited	4,318,477	2.5%
VED	Veda Group Limited	4,097,654	2.4%
ISU	iSelect Limited	4,088,698	2.4%
ENE	Energy Developments Limited	4,060,192	2.4%
CCP	Credit Corp Group Limited	3,797,341	2.2%
ISD	iSentia Group Limited	3,490,222	2.0%
SIQ	Smartgroup Corporation Limited	3,443,131	2.0%
AAD	Ardent Leisure Group	3,285,614	1.9%
SGM	Sims Metal Management Limited	3,202,390	1.9%
CMG	Chandler Macleod Group Limited	2,688,808	1.6%
ALU	Altium Limited	2,539,539	1.5%
CIW	Clime Investment Management Limited	2,379,675	1.4%

## Sector allocation



- Consumer Discretionary: 23.9%
- Industrials: 17.5%
- Information Technology: 9.1%
- Financials: 4.4%
- Telecommunication Services: 2.9%
- Utilities: 2.4%
- Materials: 1.9%
- Health Care: 1.5%
- Consumer Staples: 0.7%
- Cash and Fixed Interest: 35.7%

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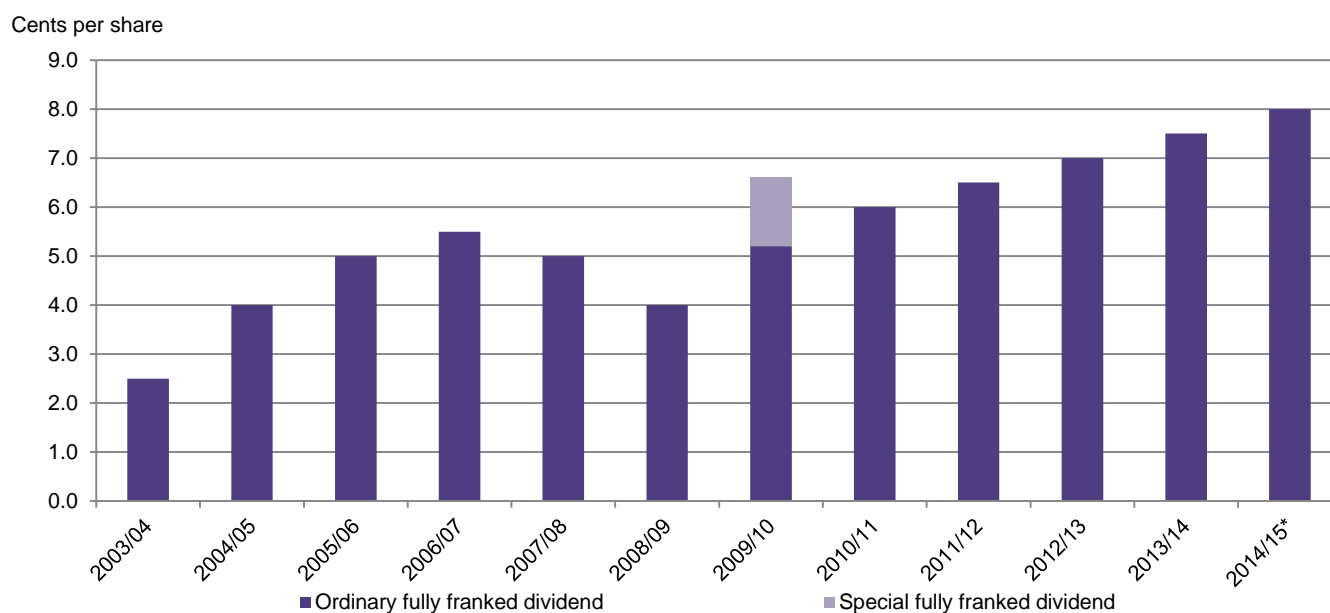
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## Dividend growth

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 usually 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



\*Annualised interim dividend

On 27 January 2015, the Company announced a fully franked interim dividend of 4.0 cents per share, an increase of 6.7% on the previous corresponding period.

The dividend reinvestment plan (DRP) will operate at a 2.5% discount for the interim dividend. To participate in the DRP, shareholders should send their DRP Election Form to the Company's share registrar (Boardroom) no later than 21 May 2015. Option holders are required to exercise their options by 13 May 2015 to be eligible for the 4.0 cent fully franked interim dividend.

## Key dividend dates

Ex date:	18 May 2015
Record date:	20 May 2015
Last election date for DRP:	21 May 2015
Payment date:	28 May 2015
Last day for Option holders to exercise options in order to be eligible for the dividend:	13 May 2015

## 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 28 February 2015, 3,468,007 options had been exercised for a total consideration of \$4,161,608, with the remaining balance of outstanding options being 65,480,884.