



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – FEBRUARY 2012

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 29 February 2012	1 Mth %	6 Mths %	Fin Ytd %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAX Investment Portfolio	+4.8%	+5.6%	+2.2%	-1.0%	+16.8%	-1.3%
S&P/ASX 300 Industrials Accumulation Index	+2.5%	+6.2%	+0.6%	-2.0%	+13.0%	-4.5%
Outperformance	+2.3%	-0.6%	+1.6%	+1.0%	+3.8%	+3.2%
S&P/ASX Small Industrials Accumulation Index	+8.6%	+6.8%	+2.5%	-0.9%	+20.3%	-6.1%
Outperformance	-3.8%	-1.2%	-0.3%	-0.1%	-3.5%	+4.8%

The NTA numbers below are before the payment of a 3.25 cent per share fully franked interim dividend which is due to be paid on 23 April 2012. The shares will trade ex dividend on 10 April 2012.

NTA before tax	85.64c
NTA after tax and before tax on unrealised gains	91.43c*
NTA after tax	91.43c*

*These figures include tax assets of 5.79 cents per share.

Market Outlook

February continued the positive start to the year for equity markets with the S&P/ASX All Ordinaries Accumulation Index up 2.4%. Results season completed and was generally in line with analysts' downgraded expectations. Outside of the resources sector, forecasts for growth remains subdued for the second half of this financial year. We expect analysts' forecasts will need to be downgraded in the coming months as we move into FY13.

Market Outlook (continued)

The Reserve Bank of Australia (RBA) kept interest rates on hold this month and appear to be on hold for the time being. Interest rates remain at long term average levels with inflation and unemployment under control. We expect further interest rate cuts towards the second half of 2012. With the major Australian banks moving independently of the RBA for the first time, the future impacts of rate cuts on the broader economy are less certain.

The US economy continues to show small but positive signs of a gradual economic recovery. During the month a second bailout for Greece was agreed and the ECB conducted its second major lending programme to European commercial banks with roughly €530bn lent. Even though the European debt crisis has been steadily improving over the past few months, to say the crisis is over would be a bridge too far at this stage.

We remain cautiously optimistic on the outlook for equity markets in 2012. We continue to research heavily for future investment opportunities.

Dividends

On 8 February 2012, the Board announced an interim dividend of 3.25 cents per share fully franked. The interim dividend is 77% (or 2.5 cents) LIC capital gain which will enable some shareholders to claim a further tax deduction. The shares will trade ex dividend on 10 April 2012 and payment made on 23 April 2012. This is an 8.3% increase on the prior year's interim dividend.

The dividend reinvestment plan will operate at no discount. The current share price (\$0.755 being closing price 12 March 2012) is trading at 11.8% discount to the 29 February 2012 pre-tax NTA. To participate in the dividend reinvestment plan, please send your election to our share registrar no later than 16 April 2012.

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.

Providing the Company is deemed solvent by the Board, WAX should always be in a position to pay dividends.

Portfolio Structure

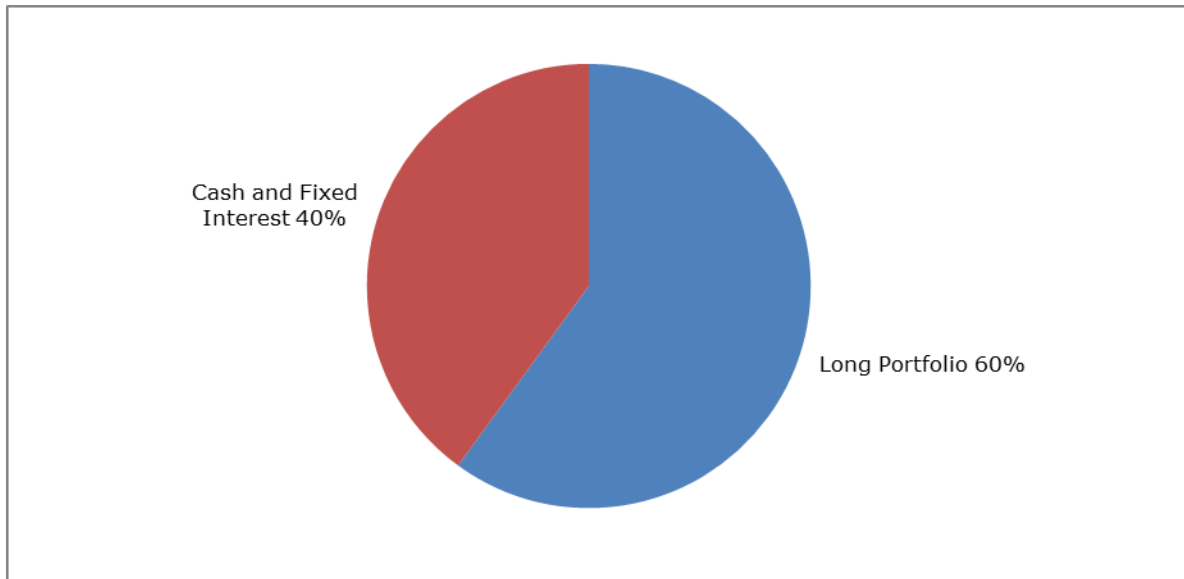
Investment Type	As at 31 January 2012		As at 29 February 2012	
	\$m	%	\$m	%
Listed Equities	55.9	56.6%	62.2	60.0%
Fixed Interest and Cash	42.9	43.4%	41.4	40.0%
Total Fund Size	\$98.8m	100.0%	\$103.6m	100.0%
Total number ordinary shares on issue	119,983,168		119,983,168	

Portfolio Structure (continued)

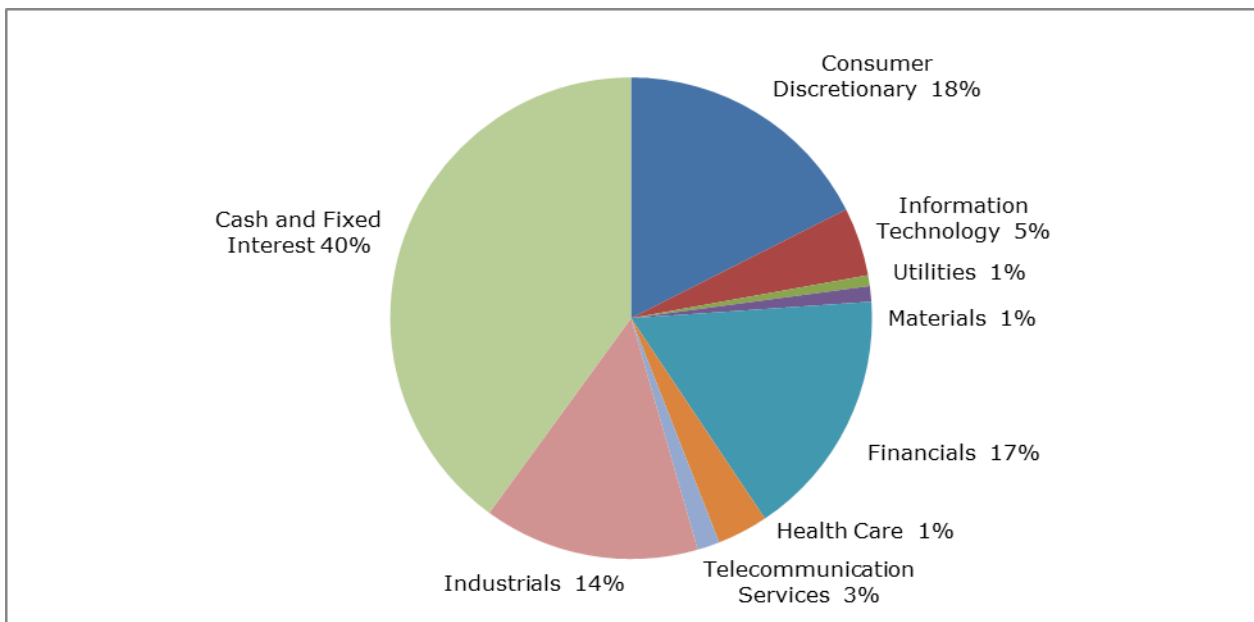
At 29 February 2012 the major securities held in the portfolio were:

Code	Company	Market Value \$	Market Value as % of Gross Assets
NAB	National Australia Bank Limited	5,485,500	5.3%
APE	AP Eagers Limited	4,324,073	4.5%
BRG	Breville Group Limited	3,722,289	3.5%
MYS	MyState Limited	3,467,595	3.1%
MMS	McMillan Shakespeare Limited	3,145,001	3.1%
RKN	Reckon Limited	2,767,702	2.9%
COF	Coffey International Limited	2,382,682	2.8%
ARP	ARB Corporation Limited	1,860,886	2.4%
AMM	Amcom Telecommunication Limited	1,841,551	2.2%
AAD	Ardent Leisure Group	1,754,587	1.8%
SKE	Skilled Group Limited	1,697,868	1.8%
IPP	Iproperty Group Limited	1,639,977	1.7%
CIW	Clime Investment Management Limited	1,601,171	1.6%
WBB	Wide Bay Australia Limited	1,545,989	1.6%
CTD	Corporate Travel Management Limited	1,499,740	1.5%
RCR	RCR Tomlinson Limited	1,493,317	1.5%
BKL	Blackmores Limited	1,476,915	1.5%
CBAPB	CBA Perpetual Exc Resale Listed Sec - PERLS IV	1,395,930	1.4%
SAI	SAI Global Limited	1,305,000	1.3%
NXT	NEXTDC Limited	1,230,966	1.3%

Portfolio Structure - Asset Allocation



Portfolio Structure - Sector Allocation



Performance

Set out below is the performance of WAX's investment portfolio since listing to 29 February 2012 on a financial year basis. The performance data is 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	+17.5%	+9.2%	+8.3%	+15.7%	+1.8%
YTD 2011/2012	+2.2%	+0.6%	+1.6%	+2.5%	-0.3%