



**WAM RESEARCH LIMITED (WAX)**  
**ABN 15 100 504 541**  
**INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT**  
**JUNE 2013**

**Company overview**

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

**Investment objectives**

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**

The performance of WAX's 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.

<b>Performance as at 30 June 2013</b>	<b>1 Mth %</b>	<b>6 Mths %</b>	<b>1 Yr %</b>	<b>3 Yrs %pa</b>	<b>5 Yrs %pa</b>
WAX Investment Portfolio	0.1%	10.4%	30.4%	17.0%	11.0%
S&P/ASX All Ordinaries Accumulation Index	-2.6%	4.4%	20.7%	8.0%	2.2%
<b>Outperformance</b>	<b>+2.7%</b>	<b>+6.0%</b>	<b>+9.7%</b>	<b>+9.0%</b>	<b>+8.8%</b>

**Net Tangible Asset (NTA) figures**

<b>NTA before tax</b>	<b>98.17c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>99.14c</b>
<b>NTA after tax</b>	<b>99.14c*</b>

\*Includes the net effect of 1.35 cents of tax assets and 0.38 cents of deferred tax liabilities.

## Market Outlook

The S&P/ASX All Ordinaries Accumulation Index finished up 20.7% for the year - its best annual performance in six years, although down for the second consecutive month with the Index falling 2.6% in June. There were a number of company downgrades throughout the month including AMP Limited (AMP), Billabong International (BBG) and Cochlear (COH) - just some of the bigger names that lowered their earnings outlook. We do not hold any of these stocks in our portfolio. Mining and resources companies suffered further share price declines as concerns about China continued to weigh on the sector.

As we look ahead to 2014, we believe the Australian economy will lack any real impetus until after the federal election and a degree of certainty comes back into federal politics. We believe companies and consumers will remain cautious prior to the election and will delay making any major decisions, for example, those relating to capital expenditure. The year ahead will see the effect of the US Federal Reserve's reversal of their Quantitative Easing ('QE') programme on both bond and equity markets. To date, comments by the Federal Reserve Chairman Bernanke around the tapering of the current QE program have caused bond and share prices to fall sharply globally. Therefore, we do not expect to see a significant pick-up in the Australian economy until at least early 2014.

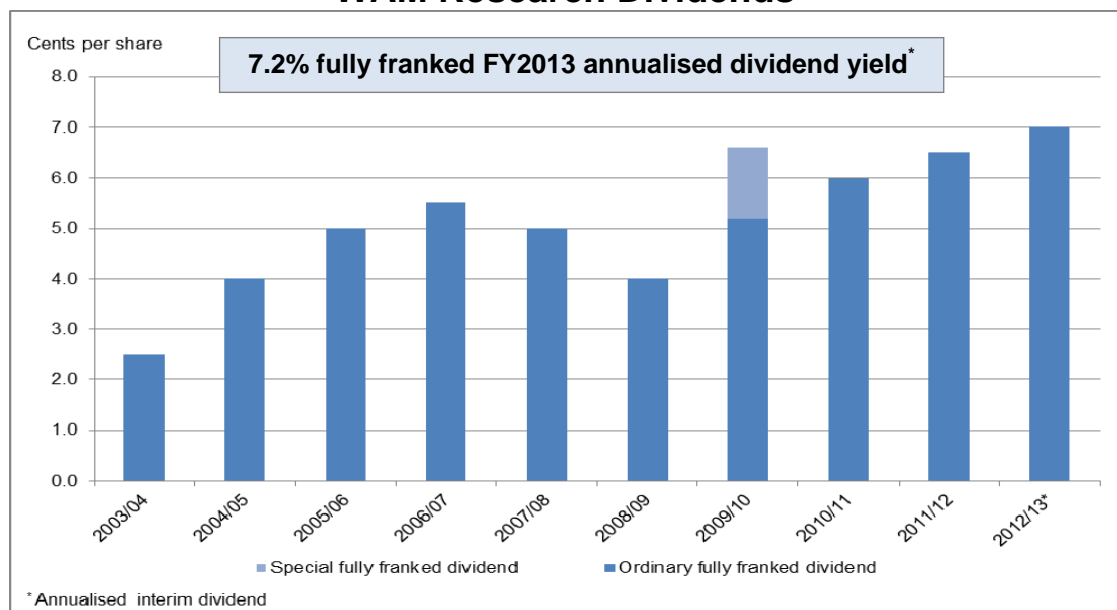
The softer economic conditions will make it difficult for companies to substantially grow earnings and we believe the current tough trading conditions will continue for the near-term. However, given the current cash levels in our portfolio (44.5%) we are well positioned to rapidly take advantage of opportunities when they present themselves.

## Dividends – 3.5 cents per share fully franked interim

On 19 April 2013, the Company paid a fully franked interim dividend of 3.5 cents per share. This was a 7.7% increase on the previous year's interim dividend and represents an annualised fully franked dividend yield of 7.2% based on the last sale price. The interim dividend includes 1.1 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 profit reserves, 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



\*Based on the 11 July 2013 closing price.

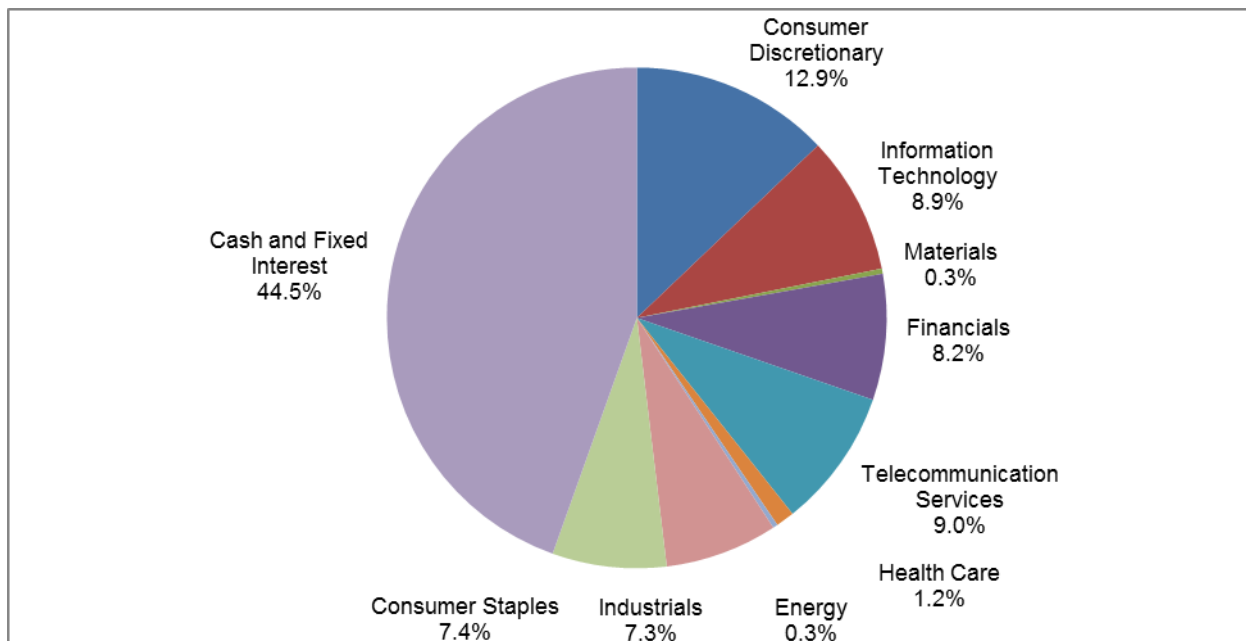
## Portfolio structure

Investment Type	As at 31 May 2013		As at 30 June 2013	
	\$m	%	\$m	%
Listed Equities	73.9	60.3%	68.1	55.5%
Fixed Interest and Cash	48.6	39.7%	54.6	44.5%
<b>Total Fund Size</b>	<b>\$122.5m</b>	<b>100.0%</b>	<b>\$122.7m</b>	<b>100.0%</b>
<b>Total number ordinary shares on issue</b>	122,599,235		122,599,235	

At 30 June 2013, the major securities held in the portfolio were as follows:

Code	Company	Market Value \$	Market Value as % of Gross Assets
GNC	Graincorp Limited	7,417,142	6.1%
MTU	M2 Telecommunications Group Limited	4,267,130	3.5%
SGH	Slater & Gordon Limited	3,785,932	3.1%
CSV	CSG Limited	3,311,509	2.7%
VRL	Village Roadshow Limited	2,864,447	2.3%
RCR	RCR Tomlinson Limited	2,806,886	2.3%
TPM	TPG Telecom Limited	2,750,880	2.2%
SFW	SFG Australia Limited	2,703,290	2.2%
CIW	Clime Investment Management Limited	2,683,769	2.2%
SGN	STW Communications Group Limited	2,458,301	2.0%
NEA	Nearmap Limited	2,427,466	2.0%
VOC	Vocus Communications Limited	2,231,072	1.8%
RWH	Royal Wolf Holdings Limited	2,029,673	1.7%
NXT	NEXTDC Limited	1,782,901	1.5%
SHJ	Shine Corporate Limited	1,679,678	1.4%
AHE	Automotive Holdings Group Limited	1,594,054	1.3%
IPP	iProperty Group Limited	1,538,447	1.3%
APE	AP Eagers Limited	1,505,176	1.2%
LCM	Logicamms Limited	1,492,377	1.2%
YBR	Yellow Brick Road Holdings Limited	1,420,628	1.2%

## Portfolio structure - sector allocation



## Performance – yearly comparison

Set out below is the performance of WAX's investment portfolio since listing to 30 June 2013 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%
2012/2013	30.4%	20.7%	+9.7%

## **For more information**

Please contact Geoff Wilson, Chris Stott or Kate Thorley.

Wilson Asset Management  
Level 11, 139 Macquarie Street, Sydney NSW 2000  
GPO Box 4658 Sydney NSW 2001

Phone 02 9247 6755  
Fax 02 9247 6855  
[info@wamfunds.com.au](mailto:info@wamfunds.com.au)

[www.wamfunds.com.au](http://www.wamfunds.com.au)