



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – JUNE 2011

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 30 June 2011	1 Mth %	6 Mths %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAM Research Limited*	-3.0%	+2.9%	+17.3%	+7.2%	+2.0%
S&P/ASX 300 Industrials Accumulation Index	-0.9%	+0.8%	+9.2%	+2.3%	+0.3%
Outperformance	-2.1%	+2.1%	+8.1%	+4.9%	+1.7%
S&P/ASX Small Industrials Accumulation Index	-1.8%	-2.6%	+15.7%	+0.0%	-2.6%
Outperformance	-1.2%	+5.5%	+1.6%	+7.2%	+4.6%

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

The following NTA figures are after the payment of an interim dividend of 3.0 cents per share fully franked paid on 28 March 2011.

NTA before tax	87.38c
NTA after tax and before tax on unrealised gains	92.78c*
NTA after tax	92.78c*

*These figures include tax assets of 5.4 cents per share.

Market Outlook

The conclusion to the financial year was eventful with the S&P/ASX All Ordinaries Accumulation Index bouncing back late in the month, to only finish down 2.4% after being down more almost 6% at one stage. Deteriorating macroeconomic data from the US and in particular Europe was the focus for investors during the month. A resolution from the Greek government towards the end of the month drove the market higher as confidence returned. Commodity prices continued their weakness as further questions are being asked about Chinese growth off the back of significant monetary tightening over the last 6 months.

Market Outlook (continued)

At the time of writing another interest rate increase has been announced in China. We expect the economic data from China will continue to show weakness over the next 6 months and in turn see commodity prices trade lower.

In Australia analysts have commenced adjusting earnings expectations downwards for the new financial year. We expect this to continue during the corporate reporting season in August. Focus points for us over the upcoming months will be how reporting season and results look along with further clarity from the Reserve Bank on the future direction of interest rates in Australia. The RBA have softened their tone recently, however given the nature of the two speed economy in Australia we see further rate increases placing our economy in a precarious position. As such we remain cautious and will continue to look for individual stock opportunities.

Dividends

On 28 March 2011 the company paid an interim dividend of 3.0 cents per share fully franked. This is a 15% increase on the interim dividend last year.

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 2010 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.

Portfolio Structure

Investment Type	As at 31 May 2011		As at 30 June 2011	
	\$m	%	\$m	%
Listed Equities	87.0	80.0%	77.4	73.5%
Fixed Interest and Cash	21.8	20.0%	27.9	26.5%
Total Fund Size	\$108.8m	100.0%	\$105.3m	100.0%
	No.		No.	
Total ordinary shares on issue	119,217,215		119,217,215	

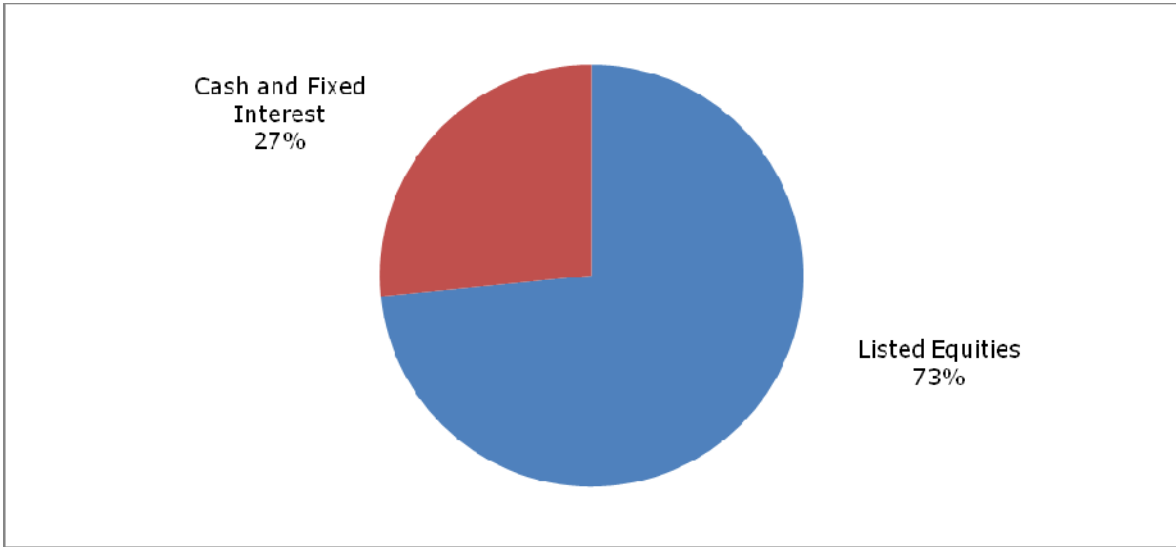
Portfolio Structure (continued)

At 30 June 2011 the major securities held in the portfolio were:

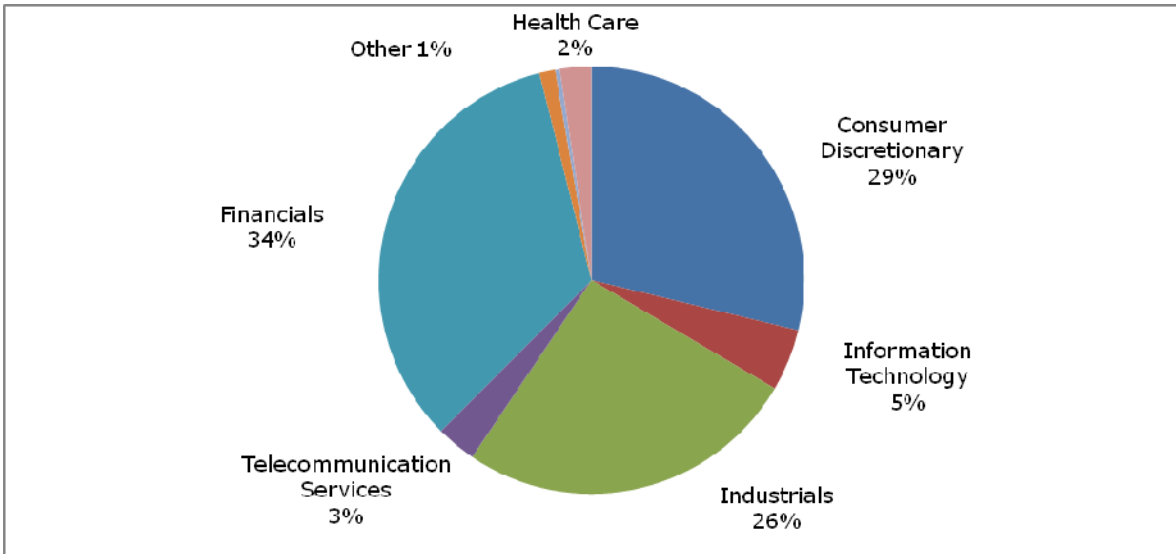
Code	Company	Market Value \$	Market Value as % of Gross Assets
MMS	McMillan Shakespeare Limited	6,121,840	5.8%
NAB	National Australia Bank Limited*	5,892,600	5.6%
WBC	Westpac Banking Corporation*	4,730,250	4.5%
APE	AP Eagers Limited	3,559,769	3.4%
WBB	Wide Bay Australia Limited	3,368,099	3.2%
MYS	MyState Limited	3,218,354	3.1%
ANZ	Australia and New Zealand Banking Group Limited*	2,915,000	2.8%
SGN	STW Communications Group Limited	2,874,577	2.7%
BRG	Breville Group Limited	2,856,823	2.7%
CCP	Credit Corp Group Limited	2,635,647	2.5%
RKN	Reckon Limited	2,338,977	2.2%
SAI	SAI Global Limited	2,264,396	2.1%
ARP	ARB Corporation Limited	2,194,270	2.1%
SKE	Skilled Group Limited	2,050,675	1.9%
NVT	Navitas Limited	2,003,244	1.9%
BKL	Blackmores Limited	1,840,458	1.7%
AAD	Ardent Leisure Group	1,835,338	1.7%
AMM	Amcom Telecommunication Limited	1,686,855	1.6%
CIW	Clime Investment Management Limited	1,649,541	1.6%
CAF	Centrepont Alliance Limited	1,620,405	1.5%

*Indicates that options were outstanding against the holding.

Portfolio Structure - Asset Allocation



Long Portfolio Structure - Sector Allocation



Performance

Set out below is the performance of WAX since listing to 30 June 2011 on a financial year basis. The performance data excludes 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 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 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	+17.3%	+9.2%	+8.1%	+15.7%	+1.6%

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