



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

Outperformance

The performance of the WAX Investment Portfolio against the various benchmarks is set out in the table below. The performance relates to investments and excludes expenses, fees and taxes.

Performance as at 30 June 2012	1 Mth %	6 Mths %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAX Investment Portfolio	+0.6%	+9.7%	+4.5%	+10.7%	-2.5%
S&P/ASX 300 Industrials Accumulation Index	+2.4%	+8.5%	+3.5%	+9.0%	-4.1%
Outperformance	-1.8%	+1.2%	+1.0%	+1.7%	+1.6%
S&P/ASX Small Industrials Accumulation Index	-1.8%	+8.7%	-2.7%	+7.5%	-9.2%
Outperformance	+2.4%	+1.0%	+7.2%	+3.2%	+6.7%

NTA figures

The following Net Tangible Asset (NTA) figures are after the payment of a fully franked interim dividend of 3.25 cents per share paid on 23 April 2012.

NTA before tax	83.59c
NTA after tax and before tax on unrealised gains	89.32c[*]
NTA after tax	89.32c[*]

^{*}These figures include tax assets of 5.73 cents per share.

Market Outlook

With a last minute sprint for the finish line, June scraped into positive territory with the S&P/ASX All Ordinaries Accumulation Index up 0.25%. However the index was down 7.0% for the financial year. This marks the third time in the last five financial years the market has finished down.

A raft of profit downgrades and discounted capital raisings were announced during June. The cast included some big names: Boral, Billabong, Ten Network Holdings, and Qantas. Given these downgrades and the weak economic environment, we believe that analysts' earnings estimates for FY13 remain too optimistic and will need to be revised downwards. We expect this to occur over the coming months as full year results for most companies are released and analysts update their models and forecasts. The 0.25% interest rate cut in June should ultimately be a positive for industrial companies as it will help stimulate economic activity. Unfortunately, feedback from the companies we meet is that they have not seen any flow-on effects or a change in consumer behaviour from the recent interest rate cuts. Since the current loosening cycle commenced in November 2011, we have seen a 1.25% reduction in the cash rate.

Moving offshore, concerns about the Greek election results and the continuing European sovereign debt crisis drove government bond yields lower during June - to multi-century lows in some cases. After the Greek election and the actions from the latest EU summit on the crisis, concerns dissipated somewhat and yields retreated from record low levels. These low Government bond yields imply a low growth environment, which is concerning for the future growth in company earnings.

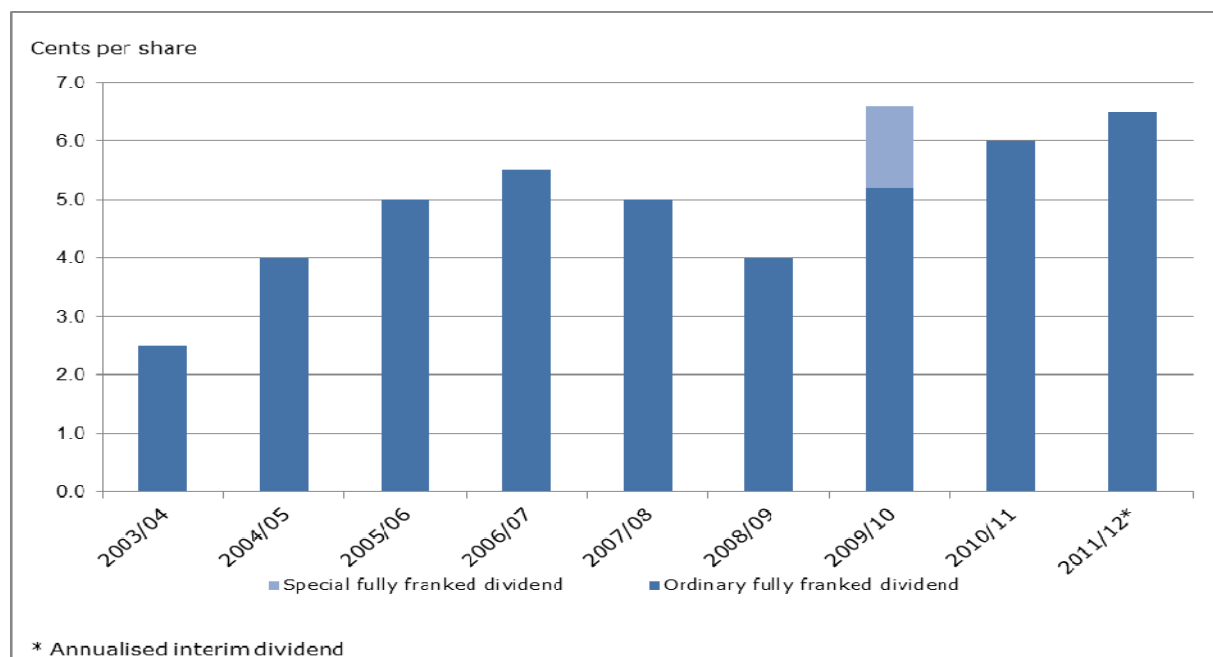
Although we have become more conservative in our outlook for equity markets in 2013, volatile equity markets provide exceptional opportunities. Thus we continue to research thoroughly and meet with company management teams to identify such opportunities.

Dividends – 3.25 cents per share fully franked interim

On 23 April 2012, the Company paid a fully franked interim dividend of 3.25 cents per share, which included a 2.5 cent LIC capital gain. This was an 8.3% increase on the previous year's interim dividend.

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, cash holdings and available franking credits.



Portfolio structure

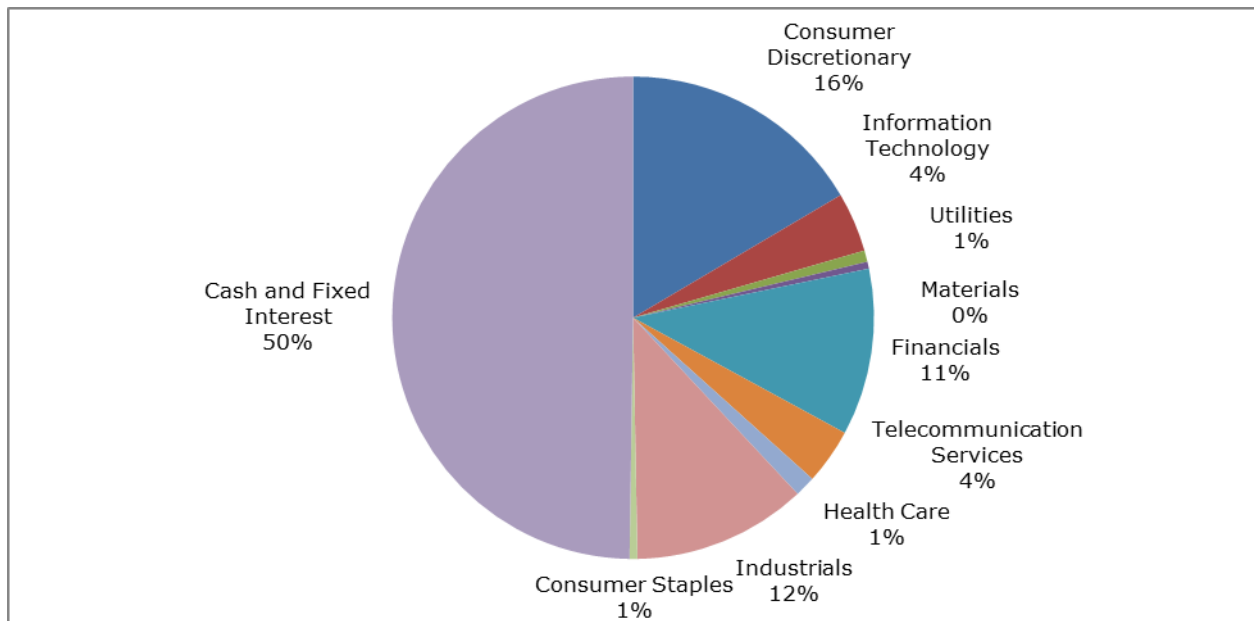
Investment Type	As at 31 May 2012		As at 30 June 2012	
	\$m	%	\$m	%
Listed Equities	55.2	54.2%	51.5	50.3%
Fixed Interest and Cash	46.6	45.8%	50.9	49.7%
Total Fund Size	\$101.8m	100.0%	\$102.4m	100.0%
Total number ordinary shares on issue	120,854,228		120,854,228	

Portfolio structure (continued)

At 30 June 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	6,028,812	5.9%
BRG	Breville Group Limited	3,409,506	3.3%
MMS	McMillan Shakespeare Limited	3,090,374	3.0%
CBAPB	CBA Perpetual Exchangeable Resale Listed Sec - PERLS IV	2,875,600	2.8%
ARP	ARB Corporation Limited	2,637,762	2.6%
RKN	Reckon Limited	2,276,606	2.2%
SKE	Skilled Group Limited	2,255,140	2.2%
AMM	Amcom Telecommunication Limited	2,231,855	2.2%
FXL	Flexigroup Limited	2,199,205	2.1%
WEB	Webjet Limited	2,097,243	2.0%
IPP	iProperty Group Limited	1,789,983	1.7%
MYS	MyState Limited	1,746,793	1.7%
CIW	Clime Investment Management Limited	1,687,903	1.6%
NXT	NEXTDC Limited	1,581,039	1.5%
COF	Coffey International Limited	1,562,578	1.5%
FAN	Fantastic Holdings Limited	1,524,389	1.5%
TWO	Talent2 International Limited	1,473,385	1.4%
ONT	1300 Smiles Limited	1,238,630	1.2%
CTD	Corporate Travel Management Limited	1,137,531	1.1%
RHG	RHG Limited	1,121,605	1.1%

Portfolio structure - sector allocation



Performance – yearly comparison

The table below shows the investment performance of WAX since listing to 30 June 2012 on a financial year basis. The performance data is before all expenses, fees and taxes. It is used as a guide to the performance of the Company's investment portfolio 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.

Financial Year	Investment 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	+4.5%	+3.5%	+1.0%	-2.7%	+7.2%

For more information

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