

Investment Update & Net Tangible Assets Report

AS AT 31 MARCH 2014



Performance

Performance at 31 March 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio	1.9%	5.7%	21.5%	20.1%	17.0%	19.4%
S&P/ASX All Ordinaries Accumulation Index	0.3%	5.7%	17.1%	13.2%	7.7%	10.9%
Outperformance	+1.6%	+0.0%	+4.4%	+6.9%	+9.3%	+8.5%

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

Net Tangible Assets (NTA) figures

The following NTA figures are before the payment of the 3.75 cents per share fully franked interim dividend which will be paid on 30 April 2014. The shares will trade ex dividend on 11 April 2014.

NTA before tax	112.00c
NTA after tax and before tax on unrealised gains	110.51c
NTA after tax	110.18c

* The above figures are after 78,432 options exercised during the month and have not been adjusted for the remaining options on issue.

Market overview

The Australian equity market had a lacklustre performance in March with the S&P/ASX All Ordinaries Accumulation Index ('Index') rising 0.3%. After a strong start to the month, markets globally faltered following comments by new US Federal Reserve Chair Janet Yellen that the central bank would continue to slow its bond-buying program and that interest rates could go up by mid-2015. After falling 2.8% in January and then rising 4.8% in February, the Index ended the March quarter up 2.2%.

The All Ordinaries Accumulation Index is now up 17.1% for the financial year to date and up a remarkable 45.2% from its previous low in June 2012. We continue to be concerned that companies' Price to Earnings (P/E) ratios across a range of sectors are significantly exceeding their historical averages. The average P/E of the top 100 small cap companies is now above pre-GFC levels and technology firms in particular are trading on very high P/E ratios, however the current volatility of US tech stocks indicates the sector is losing its shine.

Our short term outlook for the market remains subdued as some companies appear to be overpriced with limited potential for earnings growth in the immediate term. In line with the Index's performance for the calendar year to date, we expect the market will end 2014 relatively flat. The market continues to present opportunities and, with a strong cash weighting, the investment portfolio is well positioned to capitalise on such opportunities. Over the medium to longer term, we maintain a bullish view of the equity market contingent on increased economic activity supported by historically low interest rates.

WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$156.7m
Market cap	\$164.4m
Share price	\$1.19
NTA before tax	\$1.12
Shares on issue	138,182,644
Options on issue	68,663,082
Fully franked annualised interim dividend (FY2014)	7.5c
Dividend yield	6.3%

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
Equity Analyst

Mark Tobin
Equity Analyst

Meredith Hemsley
Corporate Affairs

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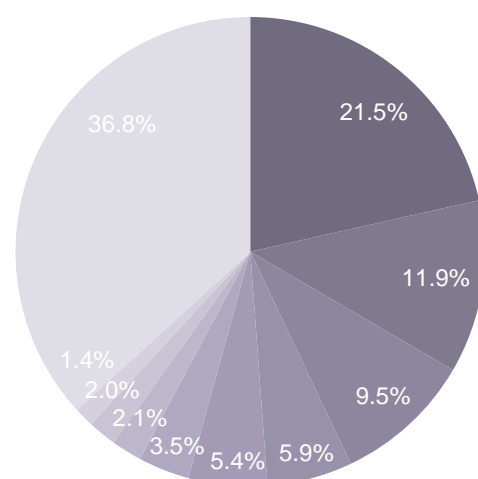
Diversified portfolio

Investment Type	February 2014		March 2014	
	\$m	%	\$m	%
Listed Equities	91.9	59.8	99.1	63.2
Fixed Interest & Cash	61.8	40.2	57.6	36.8
Gross Assets	\$153.7m	100.0%	\$156.7m	100.0%
Total shares on issue	138,104,212		138,182,644	
Total options on issue	68,741,514		68,663,082	

Top holdings

Code	Company	Market Value as % Gross Assets
SGH	Slater & Gordon Limited	3.6%
AAD	Ardent Leisure Group	3.2%
DNA	Donaco International Limited	3.1%
CBAPA	CBA Perpetual Exc Resale Listed Sec - PERLS IV	2.7%
AHE	Automotive Holdings Group Limited	2.7%
NEA	Nearmap Limited	2.6%
TPM	TPG Telecom Limited	2.5%
VOC	Vocus Communications Limited	2.2%
GWA	GWA Group Limited	2.1%
CSV	CSG Limited	2.1%
CIW	Clime Investment Management Limited	2.0%
TNE	Technology One Limited	2.0%
FXJ	Fairfax Media Limited	2.0%
DLX	DuluxGroup Limited	2.0%
ENE	Energy Developments Limited	2.0%
IPP	iProperty Group Limited	1.8%
ANZPB	ANZ Convertible Preference Share - CPS2	1.8%
SFW	SFG Australia Limited	1.7%
RWH	Royal Wolf Holdings Limited	1.6%
SGN	STW Communications Group Limited	1.4%

Sector allocation



- Consumer Discretionary: 21.5%
- Financials: 11.9%
- Information Technology: 9.5%
- Telecommunication Services: 5.9%
- Industrials: 5.4%
- Health Care: 3.5%
- Materials: 2.1%
- Utilities: 2.0%
- Consumer Staples: 1.4%
- Cash and Fixed Interest: 36.8%

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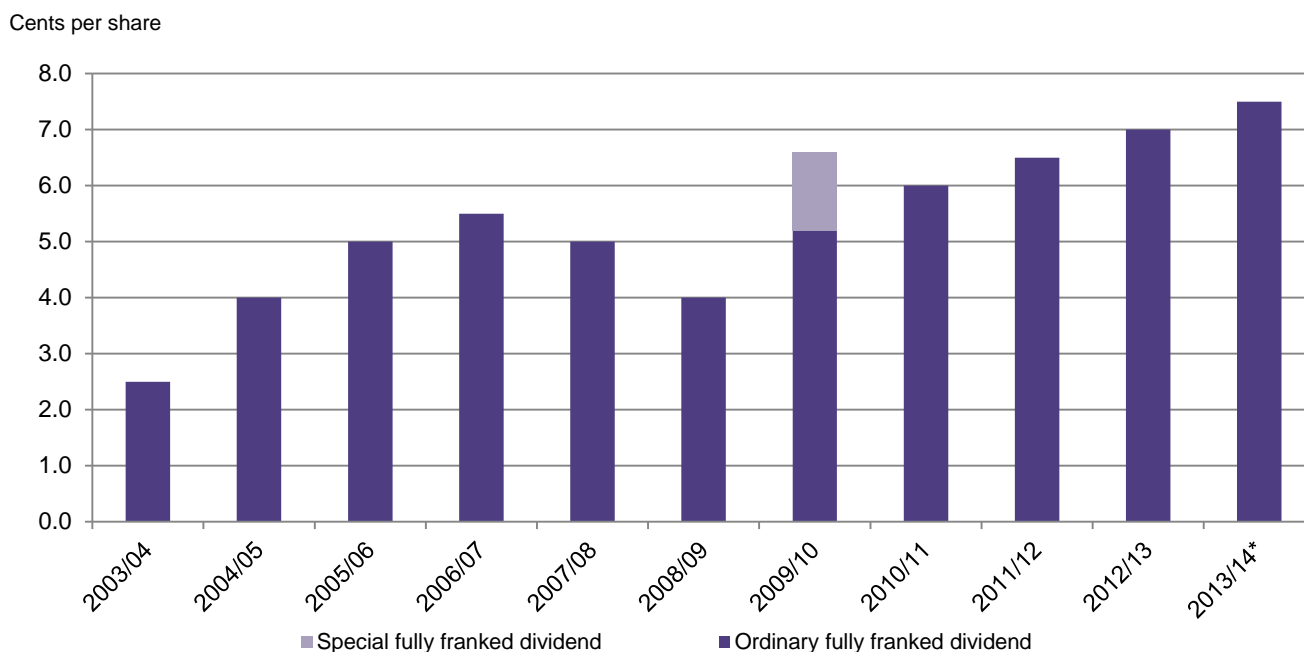
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Dividend growth

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. 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 since inception



*Annualised interim dividend

On 3 February 2014, the Company announced a fully franked interim dividend of 3.75 cents per share. This is an increase of 7.1% on the previous corresponding period and represents an annualised fully franked dividend yield of 6.2%, based on the last closing price. The interim dividend will be paid on 30 April 2014 and will trade ex on 11 April 2014.

The Dividend Reinvestment Plan (DRP) will operate at a 2.5% discount. To participate in the DRP, shareholders should send their election to the Company's share registrar (Boardroom Pty Limited) no later than 17 April 2014.

Key dividend dates

Last day for Options holders to exercise options in order to be eligible for the dividend:	10 April 2014
Ex date:	11 April 2014
Record date:	17 April 2014
Last election date for the DRP:	17 April 2014
Payment date:	30 April 2014

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. Option holders who would like to exercise their options to be eligible for the 3.75 cent fully franked interim dividend should do so by 10 April 2014.

As at 31 March 2014, 285,809 options had been exercised for a total consideration of \$342,971, with the remaining balance of outstanding options being 68,663,082.

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WAM submission to FSI – levelling the playing field for retail investors

Wilson Asset Management Group is a strong advocate for all shareholders (retail and wholesale) to be treated equally and equitably when investing in the Australian equity market. On 28 March 2014, we made a submission to the federal government's Financial System Inquiry recommending that the government 'level the playing field' by allowing retail investors to participate in primary equity raisings by ASX listed entities without the use of a prospectus. Currently, wholesale investors are advantaged over retail investors with private placements to wholesale investors raising capital at an average discount of 7.8% over the last ten years. To read the full submission, please go to the What's New section of our website www.wamfunds.com.au.