



**WAM RESEARCH LIMITED (WAX)**  
**ABN 15 100 504 541**  
**INVESTMENT UPDATE & NTA – MARCH 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.

In March WAX's gross portfolio (before all fees, costs and taxes) rose by 0.2%, while the S&P/ ASX 300 Industrials Accumulation Index was flat and the S&P/ASX Small Industrials Accumulation Index rose by 1.4%.

<b>Annualised Performance as at 31 March 2011</b>	<b>6 Months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
WAM Research Limited*	+11.8%	+12.3%	+5.0%	+2.6%
S&P/ASX 300 Industrials Accumulation Index	+4.4%	-0.5%	-0.5%	+0.7%
<b>Outperformance</b>	<b>+7.4%</b>	<b>+12.8%</b>	<b>+5.5%</b>	<b>+1.9%</b>
S&P/ASX Small Industrials Accumulation Index	+7.8%	+5.8%	-3.2%	-2.1%
<b>Outperformance</b>	<b>+4.0%</b>	<b>+6.5%</b>	<b>+8.2%</b>	<b>+4.7%</b>

\*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.

<b>NTA before tax</b>	<b>90.79c</b>
<b>NTA after tax and before tax on unrealised gains</b>	<b>94.23c*</b>
<b>NTA after tax</b>	<b>94.23c*</b>

\*These figures include tax assets of 3.44 cents per share.

### **Market Outlook**

Volatility returned to the Australian share market in March, with the S&P/ASX All Ordinaries Accumulation Index slumping 7 per cent during the month, before rallying strongly to close 0.64 per cent higher. The catalyst for the sharp selloff and subsequent rebound were the political upheavals in the oil producing nations and the devastating earthquake in Japan. Both events shook investor confidence but failed to stop the upward march of equities.

## Market Outlook (continued)

Equity markets have risen strongly for 2 years now following the March 2009 bottom of the Global Financial Crises. Valuations have gone from being cheap on virtually any measure, to being fairly priced. Historically low interest rates around the globe and the US Federal Reserve's quantitative easing policy have provided enormous liquidity for assets to reflate. The unintended consequence of commodity based inflation, lead by the surge in the oil price, has now emerged and presents a new threat to both developed and developing nations. In addition to this China is aggressively reducing the money supply through lending restrictions and higher interest rates in a bid to curb its own spiking inflation. Until these matters become clearer we believe the markets will stay volatile through the middle part of the year, and as a result we will continue to maintain our cautious stance. We prefer to concentrate our efforts on individual stock opportunities that arise from time to time.

## 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 28 Feb 2011		As at 31 Mar 2011	
	\$m	%	\$m	%
Listed Equities	90.1	80.3%	90.4	82.6%
Fixed Interest and Cash	22.1	19.7%	19.0	17.4%
<b>Total Assets</b>	<b>112.2</b>	<b>100.0%</b>	<b>109.4</b>	<b>100.0%</b>
	<b>No.</b>		<b>No.</b>	
<b>Total ordinary shares on issue</b>	118,526,587		119,217,215	

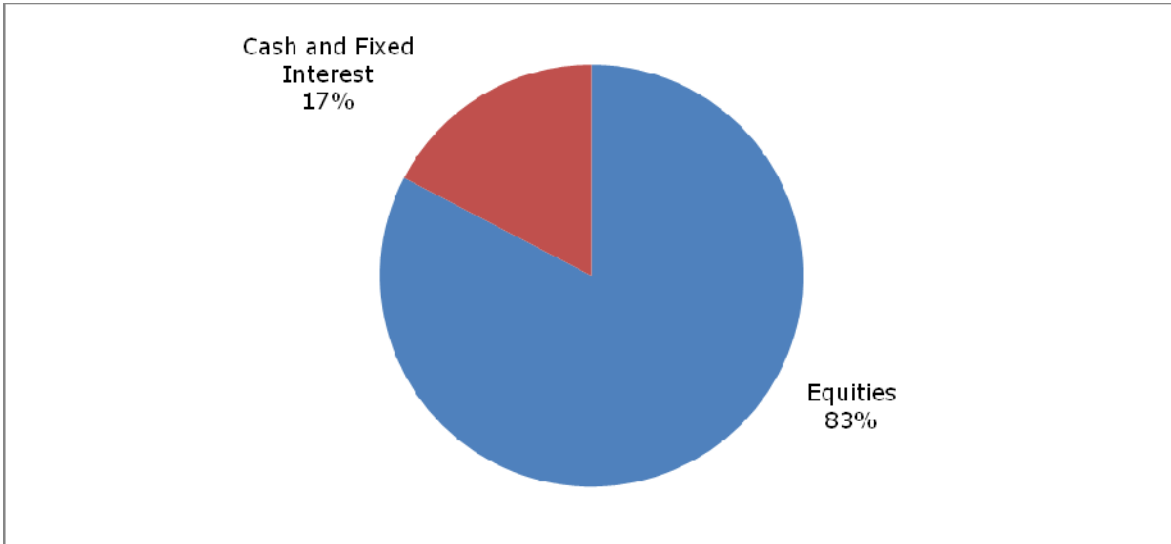
## Portfolio Structure (continued)

As at 31 March 2011 the top listed equities (value over \$1 million) were as follows:

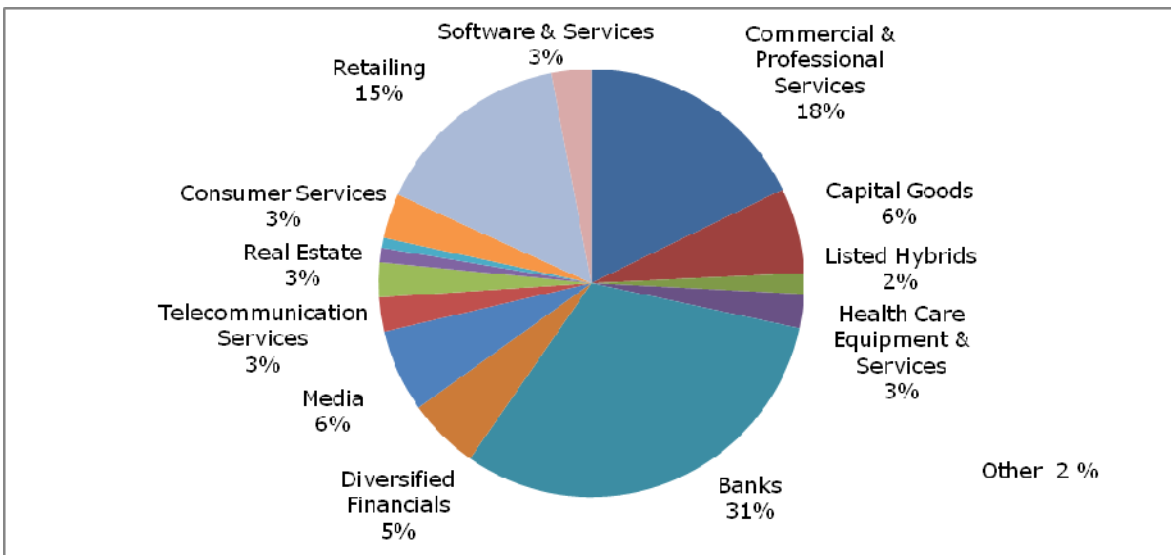
Code	Company	Market Value \$	Market Value as % of Gross Assets
MMS	McMillan Shakespeare Limited	6,262,425	5.7%
NAB	National Australia Bank Limited*	5,635,000	5.2%
CCP	Credit Corp Group Limited	4,896,767	4.5%
WBC	Westpac Banking Corporation*	4,781,250	4.4%
APE	AP Eagers Limited	4,289,173	3.9%
WBB	Wide Bay Australia Limited	4,094,373	3.7%
CBA	Commonwealth Bank of Australia*	4,029,560	3.7%
SGN	STW Communications Group Limited	3,951,256	3.6%
MYS	MyState Limited	3,438,413	3.1%
RHG	RHG Limited	3,144,182	2.9%
ANZ	Australia and New Zealand Banking Group Limited*	3,113,750	2.8%
BRG	Breville Group Limited	2,877,404	2.6%
SAI	SAI Global Limited	2,598,938	2.4%
TGA	Thorn Group Limited	2,522,541	2.3%
ARP	ARB Corporation Limited	2,394,277	2.2%
BKL	Blackmores Limited	2,324,156	2.1%
SKE	Skilled Group Limited	2,298,095	2.1%
CAF	Centrepoint Alliance Limited	2,070,518	1.9%
NVT	Navitas Limited	1,913,515	1.7%
RCR	RCR Tomlinson Limited	1,877,329	1.7%
CIW	Clime Investment Management Limited	1,802,987	1.6%
AMM	Amcom Telecommunication Limited	1,604,829	1.5%
SVWPA	Seven Network Limited Preference Shares	1,408,500	1.3%
RKN	Reckon Limited	1,391,954	1.3%
IRE	IRESS Market Technology Limited	1,351,150	1.2%
CTD	Corporate Travel Management Limited	1,161,926	1.1%
AAD	Ardent Leisure Group	1,072,501	1.0%
AHE	Automotive Holdings Group Limited	1,048,659	1.0%
CWP	Cedar Woods Properties Limited	1,038,683	0.9%
ALS	Alesco Corporation Limited	1,024,634	0.9%
REH	Reece Australia Limited	1,023,469	0.9%
SSM	Service Stream Limited	1,006,365	0.9%

\*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 31 March 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 YTD	+10.3%	+14.5%	-4.2%	+10.3%	+0.0%
2010/2011	+21.6%	+12.2%	+9.4%	+21.4%	+0.2%

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