



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – MAY 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 31 May 2011	1 Mth %	6 Mths %	Fin Ytd %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAM Research Limited*	-1.2%	+9.4%	+20.9%	+18.6%	+4.4%	+2.7%
S&P/ASX 300 Industrials Accumulation Index	-2.3%	+4.3%	+10.2%	+6.7%	-1.4%	+0.9%
Outperformance	+1.1%	+5.1%	+10.7%	+11.9%	+5.8%	+1.8%
S&P/ASX Small Industrials Accumulation Index	-1.9%	+3.9%	+17.8%	+11.9%	-4.4%	-1.9%
Outperformance	+0.7%	+5.5%	+3.1%	+6.7%	+8.8%	+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	89.96c
NTA after tax and before tax on unrealised gains	94.48c*
NTA after tax	94.48c*

*These figures include tax assets of 4.52 cents per share.

Market Outlook

The Australian equity market continued its downward trend in May with the S&P/ASX All Ordinaries Accumulation Index finishing down 1.9%. Commodity prices remained weaker as concerns emerged over Chinese growth from the monetary policy tightening in that market of the last 6-12 months. The Small Resources Index here in Australia is now down 18% from its recent peak in February 2011 at the time of writing.

Market Outlook (continued)

Questions are also now being asked whether US economic recovery remains on track given the raft of soft economic data we have seen in recent times. The conclusion of the Federal Reserve's quantitative easing program in coming weeks will provide a good test for equity markets.

In Australia, the RBA continues to see upside to interest rates to combat medium term inflation risks driven by our two speed economy. Further interest rate hikes in Australia will dampen growth expectations for the small industrials over the next 12 months. We note current market forecasts of >15% EPS growth in this sector looks too high. We remain cautious on the Australian equity market and continue to research for individual stock opportunities as they arise.

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 30 Apr 2011		As at 31 May 2011	
	\$m	%	\$m	%
Listed Equities	91.6	83.2%	87.0	80.0%
Fixed Interest and Cash	18.5	16.8%	21.8	20.0%
Total Fund Size	\$110.1m	100.0%	\$108.8m	100.0%
	No.		No.	
Total ordinary shares on issue	119,217,215		119,217,215	

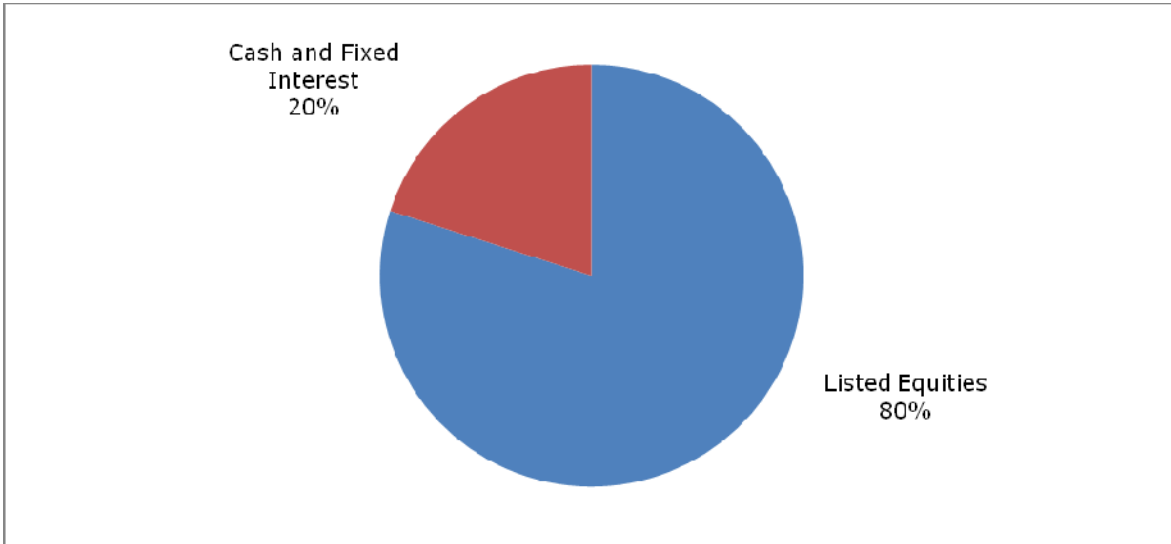
Portfolio Structure (continued)

At 31 May 2011 the major securities held in the portfolio were:

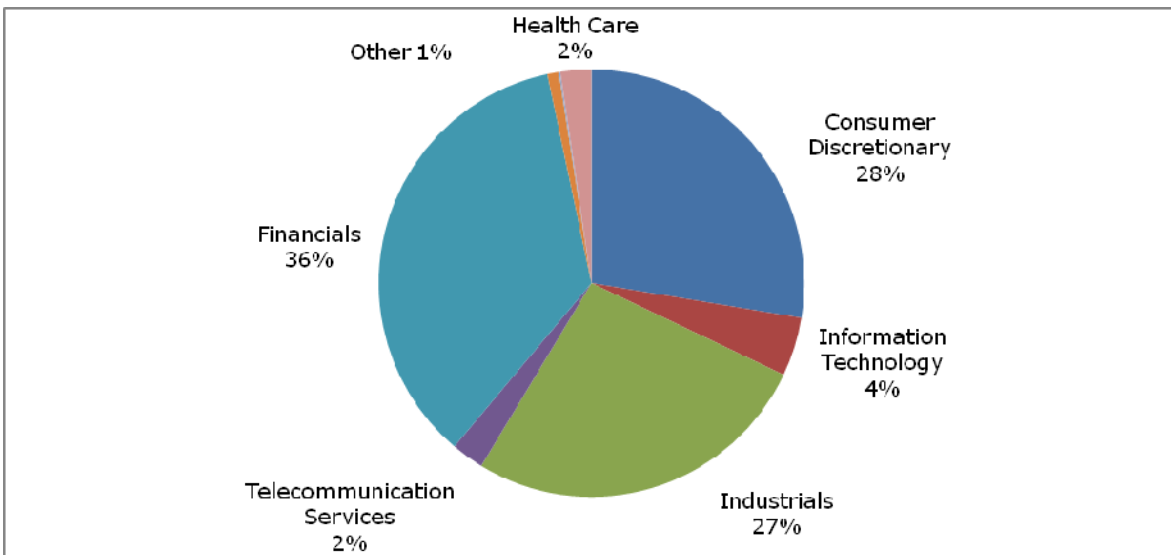
Code	Company	Market Value \$	Market Value as % of Gross Assets
MMS	McMillan Shakespeare Limited	6,773,644	6.2%
NAB	National Australia Bank Limited*	5,635,000	5.2%
WBC	Westpac Banking Corporation*	4,702,625	4.3%
CCP	Credit Corp Group Limited	4,278,228	3.9%
APE	AP Eagers Limited	4,013,466	3.7%
CBA	Commonwealth Bank of Australia	3,892,678	3.6%
WBB	Wide Bay Australia Limited	3,809,007	3.5%
MYS	MyState Limited	3,438,413	3.2%
SGN	STW Communications Group Limited	3,359,912	3.1%
ANZ	Australia and New Zealand Banking Group Limited*	2,932,225	2.7%
BRG	Breville Group Limited	2,900,108	2.7%
RKN	Reckon Limited	2,486,731	2.3%
SAI	SAI Global Limited	2,420,363	2.2%
ARP	ARB Corporation Limited	2,339,202	2.1%
AAD	Ardent Leisure Group	2,143,339	2.0%
SKE	Skilled Group Limited	2,142,223	2.0%
NVT	Navitas Limited	2,132,486	2.0%
BKL	Blackmores Limited	2,029,524	1.9%
CAF	Centrepoint Alliance Limited	1,944,486	1.8%
RCR	RCR Tomlinson Limited	1,855,339	1.7%
TGA	Thorn Group Limited	1,751,608	1.6%

*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 May 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	+20.9%	+10.2%	+10.7%	+17.8%	+3.1%

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