

Investment Update & Net Tangible Assets Report

AS AT 31 OCTOBER 2014



Performance

Performance at 31 October 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	1.0%	10.4%	9.8%	12.4%	22.9%	18.9%
S&P/ASX All Ordinaries Accumulation Index	4.0%	2.8%	3.7%	5.9%	12.9%	10.4%
Outperformance	-3.0%	+7.6%	+6.1%	+6.5%	+10.0%	+8.5%

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

Net Tangible Assets (NTA) figures

The following NTA figures are after the 3.75 cents per share fully franked final dividend paid on 24 October 2014.

NTA before tax	109.21c
NTA after tax and before tax on unrealised gains	108.77c
NTA after tax	108.53c

* The above figures are after the payment of 1.77 cents in tax during the month and have not been adjusted for the remaining options on issue.

Market overview

The Australian sharemarket bounced back from an eight-month low during October with the S&P/ASX All Ordinaries Accumulation Index ending the month up 4.0%. The rally was led by financials following their heavy sell-off in September due to regulatory uncertainty and good results coming out of the US quarterly earnings season. Despite ending the month in positive territory, global equity markets saw increased volatility as measured by the VIX Index – a volatility index based on the S&P 500 Index in the US and widely used as a global indicator of market volatility – reaching its highest level since June 2012.

In the US, the S&P 500 Index rallied to close up 2.3%, with news of faster than anticipated economic growth leading to new highs in the sharemarket. Third quarter GDP figures came in at 3.5%, well ahead of market expectations of 3.0%. At the same time, the Fed's third round of quantitative easing (QE) came to an end. Meanwhile the Bank of Japan surprised markets by announcing an expansion to its asset-buying program – its own form of QE, while equity markets in Europe were weaker across the board in October due to concerns about the prospects of European growth.

We continue to be cautious in our short term view of Australia's equity market. AGM season, which has commenced, is providing mixed news flow. Industries directly exposed to consumers, such as retail, are continuing to experience tough operating conditions. Our investment portfolio is conservatively positioned, exhibiting higher than average cash levels and as volatility returns to equity markets, we are well positioned to ride through the fluctuations in the market as we have done in past cycles.

WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$159.2m
Market cap	\$165.1m
Share price	\$1.16*
NTA before tax	\$1.09*
Shares on issue	142,293,632
Options on issue	66,977,206
Fully franked dividends (FY2014)	7.5c
Dividend yield	6.5%

*After the payment of the 3.75c fully franked final dividend.

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
Senior Equity Analyst

Tobias Yao
Equity Analyst

Melanie Shaw
Corporate Affairs

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Diversified portfolio

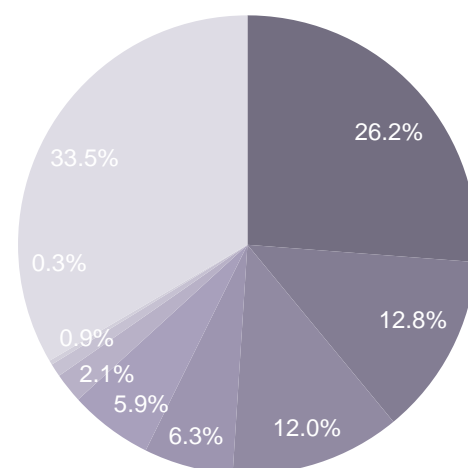
Investment Type	September 2014		October 2014	
	\$m	%	\$m	%
Listed Equities	104.1	63.5	105.8	66.5
Fixed Interest & Cash	59.9	36.5	53.4	33.5
Gross Assets	\$164.0m	100.0%	\$159.2m*	100.0%
Total shares on issue	140,609,565		142,293,632	
Total options on issue	67,407,336		66,977,206	

*This is after payment of the FY2014 fully franked final 3.75 cent dividend and 1.77 cents in tax paid during the month.

Top holdings

Code	Company	Market Value as % Gross Assets
SGH	Slater & Gordon Limited	3.7%
CSV	CSG Limited	3.3%
AHE	Automotive Group Holdings Limited	3.0%
GXL	Greencross Limited	2.8%
RFG	Retail Food Group Limited	2.5%
IFM	Infomedia Limited	2.5%
CTD	Corporate Travel Management Limited	2.2%
MTR	Mantra Group Limited	2.2%
AAD	Ardent Leisure Group	2.2%
ENE	Energy Developments Limited	2.1%
SRX	Sirtex Medical Limited	2.1%
AHD	Amalgamated Holdings Limited	2.1%
VED	Veda Group Limited	2.1%
TNE	Technology One Limited	2.1%
CCP	Credit Corp Group Limited	2.1%
ISU	iSelect Limited	2.1%
3PL	3P Learning Limited	2.0%
ASB	Austal Limited	2.0%
NVT	Navitas Limited	2.0%
ISD	iSentia Group Limited	1.9%

Sector allocation



- Consumer Discretionary: 26.2%
- Information Technology: 12.8%
- Industrials: 12.0%
- Health Care: 6.3%
- Financials: 5.9%
- Utilities: 2.1%
- Consumer Staples: 0.9%
- Materials: 0.3%
- Cash and Fixed Interest: 33.5%

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.

As at 31 October 2014, 1,971,685 options had been exercised for a total consideration of \$2,366,022, with the remaining balance of outstanding options being 66,977,206.

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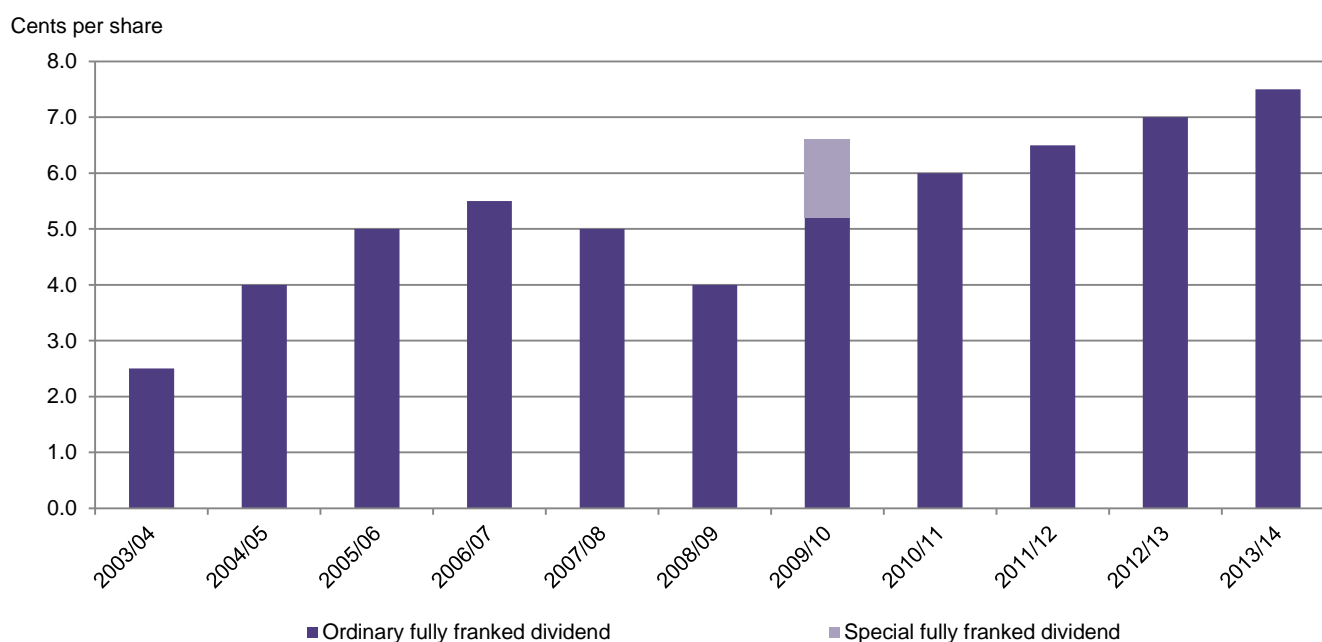
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Dividend growth

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. The Company's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax. 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



On 24 October 2014, the Company paid a fully franked final dividend of 3.75 cents per share. This brings the full year fully franked dividend to 7.5 cents per share, an increase of 7.1% on the previous corresponding period.

Upcoming investor presentations

Date	City	Location	Time
Wednesday 19 November 2014	Perth	Rydges Perth Cnr King & Hay St	10:00am – 12:00pm
Friday 28 November 2014	Sydney	Wesley Conference Centre Wesley Theatre 220 Pitt Street	WAX AGM 10:00am – 10:30am Presentation 11:30am – 12:30pm
Monday 1 December 2014	Adelaide	National Wine Centre of Australia Cnr Botanic & Hackney Rd	10:00am – 12:00pm
Tuesday 2 December 2014	Melbourne	Rydges Hotel 180 Exhibition St	10:00am – 12:00pm
Wednesday 3 December 2014	Brisbane	Brisbane Convention & Exhibition Centre Cnr Merivale & Glenelg Street South Bank	10:00am – 12:00pm
Thursday 4 December 2014	Canberra	Belconnen Premier Inn 110 Benjamin Way Belconnen	10:00am – 12:00pm

If you wish to attend one of our investor presentations, please RSVP by email to info@wamfunds.com.au or call our office on (02) 9247 6755.