



WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NTA – OCTOBER 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 October 2011	1 Mth %	6 Mths %	Fin Ytd %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAM Research Limited*	+3.2%	-6.7%	-2.8%	+5.0%	+9.6%	-0.8%
S&P/ASX 300 Industrials Accumulation Index	+6.4%	-5.4%	-2.3%	-1.1%	+5.5%	-2.1%
Outperformance	-3.2%	-1.3%	-0.5%	+6.1%	+4.1%	+1.3%
S&P/ASX Small Industrials Accumulation Index	+5.8%	-8.8%	-5.3%	-4.6%	+7.9%	-5.6%
Outperformance	-2.6%	+2.1%	+2.5%	+9.6%	+1.7%	+4.8%

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

The following NTA figures are after the payment of a fully franked final dividend of 3.0 cents per share paid on 21 October 2011.

NTA before tax	82.02c
NTA after tax and before tax on unrealised gains	88.48c*
NTA after tax	88.48c*

*These figures include tax assets of 6.46 cents per share.

Market Outlook

October saw the bulls return in force with the S&P/ASX All Ordinaries Index Accumulation Index up 7.2%. Europe remained the focus for investors with speculation of a bailout package driving the market higher during the month. News of European bank recapitalisations and the European Financial Stability Facility (EFSF) instilled confidence with investors that an end was in sight to the debt situation that exists.

Market Outlook (continued)

Locally, economic data remains weak, reflecting recessionary type conditions in some sectors. Early November has seen the Reserve Bank produce the first interest rate cut for over two and a half years. The driver behind their decision, apart from weak economic data, was that the outlook for inflation has improved significantly since the start of 2011. We see this initial cut as a positive for equity markets, however we believe a succession of rate cuts will be needed to stimulate the domestic economy. As always we continue to research heavily for individual stock opportunities.

Dividends

On 21 October 2011, the company paid a fully franked final dividend of 3.0 cents per share fully franked. This brings the FY2011 full year dividend to 6.0 cents per share fully franked.

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. Dividend payments will be made with consideration to cash flow, cash holdings and available franking credits.

Providing the company is deemed solvent by the Board, WAX should always be in a position to pay dividends.

Portfolio Structure

Investment Type	As at 30 September 2011		As at 31 October 2011	
	\$m	%	\$m	%
Listed Equities	65.2	65.9%	72.1	73.0%
Fixed Interest and Cash	33.8	34.1%	26.7	27.0%
Total Fund Size	\$99.0m	100.0%	\$98.8m	100.0%
	No.		No.	
Total ordinary shares on issue	119,217,215		119,983,168	

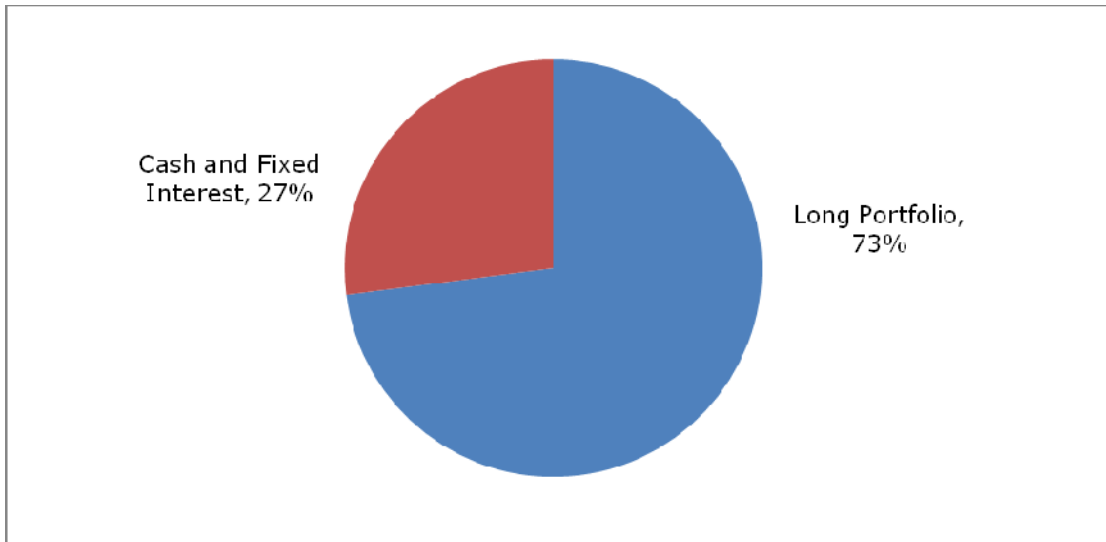
Portfolio Structure (continued)

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

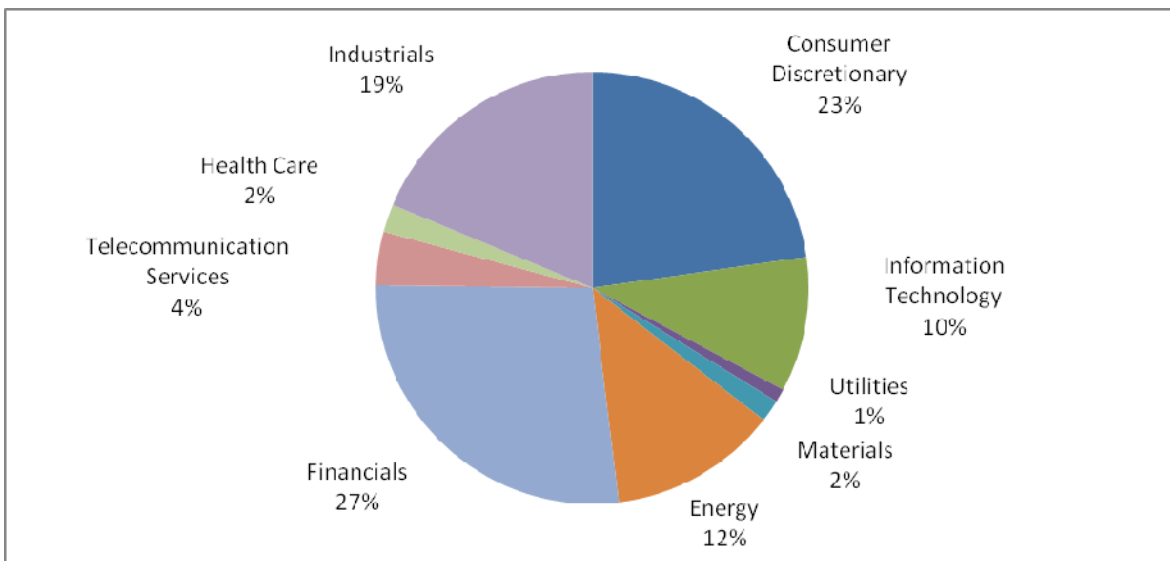
Code	Company	Market Value \$	Market Value as % of Gross Assets
CNA	Coal & Allied Industries Limited	9,094,053	9.2%
NAB	National Australia Bank Limited*	5,520,000	5.6%
MMS	McMillan Shakespeare Limited	4,328,623	4.4%
APE	AP Eagers Limited	4,013,466	4.1%
RKN	Reckon Limited	3,686,028	3.7%
MYS	MyState Limited	3,346,722	3.4%
BRG	Breville Group Limited	2,870,904	2.9%
ANZ	Australia and New Zealand Banking Group Limited*	2,848,750	2.9%
WBB	Wide Bay Australia Limited	2,683,660	2.7%
ARP	ARB Corporation Limited	2,318,912	2.3%
SAI	SAI Global Limited	1,986,274	2.0%
SGN	STW Communications Group Limited	1,893,280	1.9%
IPP	Iproperty Group Limited	1,683,382	1.7%
AAD	Ardent Leisure Group	1,565,282	1.6%
BKL	Blackmores Limited	1,494,646	1.5%
SKE	Skilled Group Limited	1,438,987	1.5%
CIW	Clime Investment Management Limited	1,438,554	1.5%
SVWPA	Seven Network Limited preference shares	1,378,500	1.4%
AMM	Amcom Telecommunication Limited	1,268,940	1.3%
RCR	RCR Tomlinson Limited	1,238,888	1.3%

*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 October 2011 on a financial year basis. The performance data is before 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 small and large 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 represent a more effective 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	+10.3%	+14.5%	-4.2%	+10.3%	+0.0%
2010/2011	+17.3%	+9.2%	+8.1%	+15.7%	+1.6%
YTD 2011/2012	-2.8%	-2.3%	-0.5%	-5.3%	+2.5%