

WAM RESEARCH LIMITED (WAX)
ABN 15 100 504 541
INVESTMENT UPDATE & NET TANGIBLE ASSETS REPORT
SEPTEMBER 2012

Company overview

WAM Research Limited (WAX) is a listed investment company that invests in undervalued growth companies, primarily small to medium sized industrial companies listed on the ASX.

Investment objective

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.

Outperformance against sharemarket

The performance of the WAX Investment Portfolio against the S&P/ASX All Ordinaries Accumulation Index is shown in the table below. The investment performance is before expenses, fees and taxes.

Performance as at 30 September 2012	1 Mth %	6 Mths %	Fin YTD %	1 Yr %	3 Yrs %pa	5 Yrs %pa
WAX Investment Portfolio	+2.1%	+7.1%	+8.6%	+20.5%	+7.3%	-0.3%
S&P/ASX All Ordinaries Accumulation Index	+2.1%	+2.1%	+8.2%	+13.4%	+1.8%	-3.6%
Outperformance	+0.0%	+5.0%	+0.4%	+7.1%	+5.5%	+3.3%

NTA figures

The following Net Tangible Asset (NTA) figures are before the payment of a fully franked final dividend of 3.25 cents per share payable on the 19 October 2012. The shares traded ex dividend on 8 October 2012.

NTA before tax	90.57c
NTA after tax and before tax on unrealised gains	94.63c*
NTA after tax	94.63c*

*These figures include tax assets of 4.06 cents per share.

Market Outlook

Index up for the month

The ASX S&P All Ordinaries Accumulation Index finished the month up 2.1% and up 8.2% for the first quarter of the new financial year. The September quarter was the best for the Australian market in three years. The market was boosted by the US and European central banks announcing further monetary stimulus. Expectations of interest rate cuts domestically also improved market sentiment. A cut of 0.25% was delivered in early October with further rate cuts expected over the next 12 months.

Iron ore still rusting

While iron ore prices recovered somewhat during September there was no respite for companies in the mining services sector. Macmahon Holdings downgraded its FY13 profit forecast by 40% - 70%. This was one month after their full year result when a 20% rise in FY13 profits was forecast. Fortescue Metals Group cut staff numbers, announced asset sales, cut capital expenditure and refinanced debt to relieve pressure on its balance sheet. The reduction in capital expenditure by the major mining companies is slowly filtering through the mining services sector. We expect further downgrades in the coming months.

Waiting for guidance

We still believe analysts' expectations for FY13 earnings are too high and that further earnings downgrades will be announced. Annual General Meeting (AGM) season is only a few weeks away and the profit guidance provided will be watched closely. Many companies provided little or no guidance with their results in August, where they would have normally done so. Thus there will be added emphasis on the updates provided at this year's AGMs.

Dividends – 3.25 cents per share fully franked final

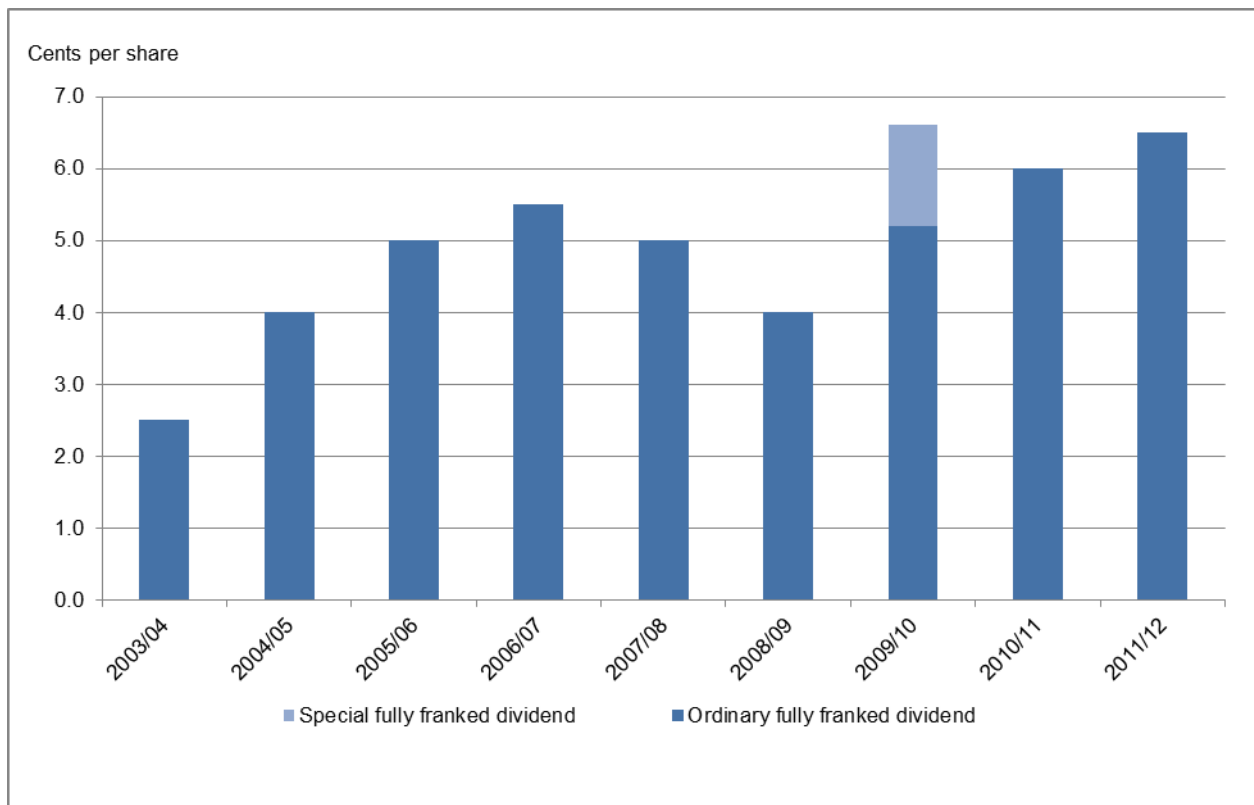
On 30 July 2012, the Board announced a fully franked FY2012 final dividend of 3.25 cents per share. This was a 8.3% increase on the previous year's dividend. The final dividend includes 0.4 cents of LIC capital gain which will enable some shareholders to claim a further tax deduction.

➤ Dividend ex date	8 October 2012
➤ Dividend record date	12 October 2012
➤ DRP election date	12 October 2012
➤ Dividend payment date	19 October 2012

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. It must also comply with Government legislation and the ATO's interpretation of a company's ability to pay franked dividends. Dividends are paid on a six-monthly basis. Dividend payments will also be made with consideration to cash flow, cash holdings and available franking credits.

The dividend reinvestment plan will operate at the weighted average market price of shares sold on the ASX on the books closing date (i.e. record date) and the three trading days prior to the record date. To participate in the dividend reinvestment plan, please send your election to our share registrar no later than 12 October 2012.

Dividends (continued)



Portfolio structure

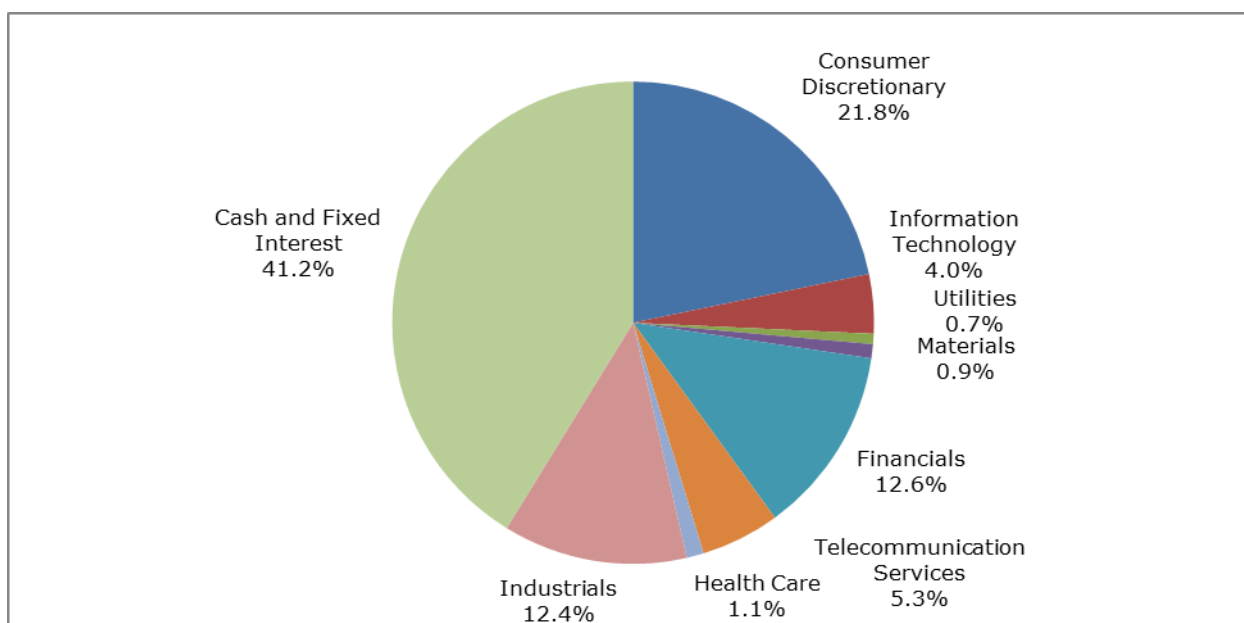
Investment Type	As at 31 August 2012		As at 30 September 2012	
	\$m	%	\$m	%
Listed Equities	60.0	55.3%	64.7	58.8%
Fixed Interest and Cash	48.6	44.7%	45.4	41.2%
Total Fund Size	\$108.6m	100.0%	\$110.1m	100.0%
Total number ordinary shares on issue	120,854,228		120,854,228	

Portfolio structure (continued)

At 30 September 2012 the major securities held in the portfolio were as follows:

Code	Company	Market Value \$	Market Value as % of Gross Assets
APE	AP Eagers Limited	6,251,861	5.7%
BRG	Breville Group Limited	3,998,629	3.6%
ALS	Alesco Corporation Limited	3,873,577	3.5%
CBAPB	CBA Perpetual Exc Resale Listed Sec - PERLS IV	3,290,478	3.0%
AHE	Automotive Holdings Group Limited	3,267,855	3.0%
NXT	NEXTDC Limited	3,225,600	2.9%
ARP	ARB Corporation Limited	2,829,073	2.6%
AMM	Amcom Telecommunication Limited	2,603,830	2.4%
FAN	Fantastic Holdings Limited	2,516,052	2.3%
RKN	Reckon Limited	2,460,902	2.2%
WEB	Webjet Limited	2,369,582	2.2%
SKE	Skilled Group Limited	2,291,274	2.1%
MFG	Magellan Financial Group Limited	2,178,687	2.0%
MMS	McMillan Shakespeare Limited	2,068,732	1.9%
IPP	iProperty Group Limited	1,905,724	1.7%
CTD	Corporate Travel Management Limited	1,779,370	1.6%
CIW	Clime Investment Management Limited	1,764,626	1.6%
MYS	MyState Limited	1,759,956	1.6%
RHG	RHG Limited	1,671,979	1.5%
COF	Coffey International Limited	1,617,273	1.5%

Portfolio structure - sector allocation



Performance – yearly comparison

Set out below is the performance of WAX's investment portfolio since listing to 30 September 2012 on a financial year basis. The performance data is before all expenses, fees and taxes and is used as a guide to the performance of the investment portfolio against the S&P/ASX All Ordinaries Accumulation Index which is also a before tax and expenses measure.

Financial Year	WAX Investment Portfolio	S&P/ASX All Ordinaries Accumulation Index	Outperformance
2003/2004	+6.5%	+22.4%	-15.9%
2004/2005	+5.2%	+24.8%	-19.6%
2005/2006	+13.4%	+24.2%	-10.8%
2006/2007	+30.7%	+30.3%	+0.4%
2007/2008	-31.6%	-12.1%	-19.5%
2008/2009	-4.8%	-22.2%	+17.4%
2009/2010	+10.3%	+13.8%	-3.5%
2010/2011	+17.5%	+12.2%	+5.3%
2011/2012	+4.5%	-7.0%	+11.5%
YTD 2012/2013	+8.6%	+8.2%	+0.4%

For more information

Please contact Geoff Wilson, Chris Stott or Kate Thorley.

Wilson Asset Management
Level 11, 139 Macquarie Street, Sydney NSW 2000
GPO Box 4658 Sydney NSW 2001

Phone 02 9247 6755
Fax 02 9247 6855
info@wamfunds.com.au

www.wamfunds.com.au