



WAM RESEARCH LIMITED
ABN 15 100 504 541
CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING

Delivered by Geoffrey Wilson at the Annual General Meeting of shareholders held at Lyceum Theatre, Wesley Centre, Sydney on Wednesday 28 November 2012.

Introduction

Good Afternoon and welcome to the ninth Annual General Meeting of WAM Research Ltd (WAM Research). My name is Geoff Wilson, I am the Chairman of the Board of Directors and I will be chairing the meeting today. Before I report on what we have achieved with your money in 2011/2012 and discuss the outlook, I would like to introduce my fellow board members – Matthew Kidman, John Abernethy and Julian Gosse and our Company Secretary Kate Thorley.

Also joining us to address questions regarding the Financial Statements is our audit partner from Moore Stephens, Scott Whiddett.

Financial Results

The year to June 2012 was another difficult period for Australian and global equities. The European debt crisis cast a pall over international markets and dampened consumer and investor sentiment. The S&P/ASX All Ordinaries Accumulation Index fell for the third time in the past five years. WAM Research continued its defensive stance and during the year retained an average of 36.6 per cent of its portfolio in cash, deposited in term deposits with the major Australian banks.

The company's investment portfolio achieved a return of 4.5 per cent for the year to 2012 June which was significantly better than the performance of the broader market. The S&P/ASX All Ordinaries Accumulation Index fell 7.0 per cent, this equates to an outperformance of 11.5 per cent.

Operating profit before tax in the year to June 2012 was \$780,434. Operating profit after tax was \$1,956,069, including an income tax benefit from franking credit offsets of \$1,175,635. Total comprehensive income was \$3,089,725.

WAM Research delivered performance in a number of metrics during the 2012 financial year. The company achieved a 2.6 per cent increase in after-tax net tangible assets, adjusted for dividends, and WAM Research's share price, adjusted for dividends, rose 10.4 per cent representing a continued narrowing of the discount to net tangible assets.

Overall the updated investment strategy implemented in July 2010 has resulted in greater flexibility and is providing benefits to shareholders.

Performance as at 30 June 2012	1 Year %	Since July 2010* %pa	3 Years* %pa	5 Years* %pa
WAM Research Investment Portfolio	+4.5%	+10.8%	+10.7%	-2.5%
S&P/ASX All Ordinaries Accumulation Index	-7.0%	+2.1%	+5.9%	-4.1%
Outperformance	+11.5%	+8.7%	+4.8%	+1.6%

* investment process revised July 2010

Dividend Growth

During the financial year WAM Research increased the fully franked full year dividend by 8.3% to 6.5 cents per share. This consisted of a fully franked interim dividend of 3.25 cents per share and a fully franked final dividend of 3.25 cents per share. The final dividend included 0.4 cents of LIC capital gain which will enable some shareholders to claim a further tax deduction.

This represents an annualised fully franked dividend yield of 7.6 per cent based on the 27 November closing price of \$0.855.

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 and cash holdings.

Outlook

In the first months of the 2013 financial year, investment markets continue to focus on the dire economic situation in Europe, the uncertain direction of fiscal settings in the United States and questions over China's ability to generate growth at comparable rates to the recent past.

The Australian stockmarket has begun the financial year well and the WAM Research portfolio has risen 11.4 per cent in the first 4 months.

At WAM Research our strategy is to invest in undervalued growth companies and in doing so we take a medium to long term view. We buy when we see a catalyst that is going to change the market's valuation of a stock, such as a structural change in an industry, new management or an earnings surprise. We undertake intensive research, which in the past year included over 1,000 company meetings. We believe it is vital we know and understand our investee companies and their management as this gives us a thorough understanding for how they make money and their various profit drivers. This gives us a competitive insight into what motivates people and what drives their behaviour.

Since November 2011, the Reserve Bank has lowered its cash rate from 4.75 per cent to 3.25 per cent. Lower borrowing costs for businesses and consumers provide a stimulus for economic activity. The cuts are positive for sharemarket valuations because lower interest rates mean higher price to earnings ratios. Lower rates on savings products also force bank depositors to look to equities for better returns.

Six months ago average term deposits paid around 6 per cent interest. Now they pay a little over 4 per cent.

If a revival in economic activity makes investors less risk-averse, money will flow into the sharemarket. At the same time, the reduction in deposit rates will encourage a shift into equities over time. We believe this will be positive for WAM Research in the year ahead.

WAM Research's is well positioned with 39.2% held in cash and term deposit with the major Australian banks and the remaining 60.8% in listed equities. This provides us with considerable flexibility to invest as opportunities arise.

In the year ahead, we envisage Research Driven opportunities to continue to present themselves as valuations are at low levels. The challenge will be the correct forecasting of earnings growth.

Appreciation

I would like to thank the team at Wilson Asset Management for their considerable efforts and my fellow Board members for their valued contributions.

Finally, on behalf of the Board I extend my thanks to our loyal shareholders for their continuing support and also welcome those of you who are new WAM Research shareholders this year. The Board and the Wilson Asset Management team looks forward to meeting you and continuing to deliver strong performance and fully franked dividends over time.