

Investment Update & Net Tangible Assets Report

AS AT 31 MAY 2014



Performance

Performance at 31 May 2014	1 Mth	6 Mths	Fin YTD	1 Yr	3 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	0.9%	3.5%	21.0%	21.1%	17.0%	18.4%
S&P/ASX All Ordinaries Accumulation Index	0.6%	5.1%	19.3%	16.2%	9.3%	10.9%
Outperformance	+0.3%	-1.6%	+1.7%	+4.9%	+7.7%	+7.5%

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

Net Tangible Assets (NTA) figures

NTA before tax	107.97c
NTA after tax and before tax on unrealised gains	106.70c
NTA after tax	106.38c

* The above figures are after 34,199 options exercised during the month and have not been adjusted for the remaining options on issue.

Market overview

The S&P/ASX All Ordinaries Accumulation Index ('Index') continued its upward trajectory in May rising 0.6%. This was the Index's first positive performance for the month of May since 2009. The Index's increase disproved the well-known market adage, 'sell in May and go away'. Australian equities lagged global markets which continued to rally. During the month the MSCI All-Country Index, which measures the performance of international equities, reached a record high in response to news that the European Central Bank would once again lower interest rates. United States equity markets edged higher defying mixed macroeconomic data and continued tapering of the Federal Reserve's Quantitative Easing program. The local Index closed up 19.3% for the financial year to date and up an astonishing 47.9% since its last low in June 2012.

Despite Australia's better-than-expected employment figures out earlier in the month, the Federal Budget announced on 13 May has had a negative impact on consumer and business confidence. The Abbott Coalition Government's first budget will have a contractionary impact. We estimate the impact on the nation's economic growth will be negative 0.5% next financial year and approximately negative 2.0% over the coming four years. In our view, last week's first quarter GDP figure painted an overly optimistic picture of the economy boosted by coal and iron ore exports. Based on our research, we expect the second quarter figures will reflect the challenging conditions currently facing the economy. We are cautious in our short term outlook for Australian equities with the investment portfolio holding higher than average levels of cash. Our current cash reserves ensure the Company is well positioned to seize on opportunities in the market when they arise.

WAM Research Limited

ASX Code	WAX
Listed	Aug 2003
Gross assets	\$151.9m
Market cap	\$157.9m
Share price	\$1.13
NTA before tax	\$1.08
Shares on issue	139,761,743
Options on issue	68,255,158
Fully franked annualised interim dividend (FY2014)	7.5c
Dividend yield	6.6%

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

Mark Tobin

Equity Analyst

Meredith Hemsley

Corporate Affairs

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AS AT 31 MAY 2014



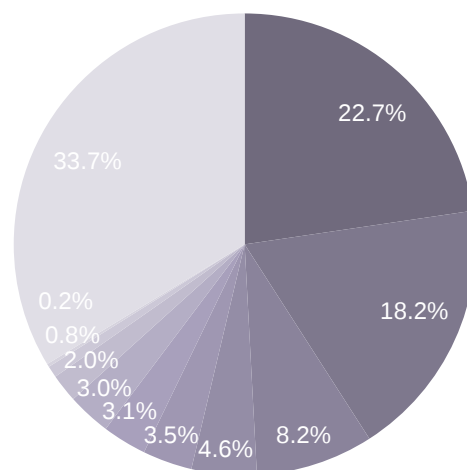
Diversified portfolio

Investment Type	April 2014		May 2014	
	\$m	%	\$m	%
Listed Equities	88.8	59.0	100.7	66.3
Fixed Interest & Cash	61.8	41.0	51.2	33.7
Gross Assets	\$150.6m	100.0%	\$151.9m	100.0%
Total shares on issue	139,727,544		139,761,743	
Total options on issue	68,289,357		68,255,158	

Top holdings

Code	Company	Market Value as % Gross Assets
CBAPA	CBA Perpetual Exc Resale Listed Sec - PERLS V	3.8%
FXJ	Fairfax Media Limited	3.4%
DLX	DuluxGroup Limited	3.0%
SGH	Slater & Gordon Limited	2.9%
IIN	iiNet Limited	2.8%
AAD	Ardent Leisure Group	2.7%
TNE	Technology One Limited	2.5%
AHE	Automotive Holdings Group Limited	2.4%
SFW	SFG Australia Limited	2.1%
MTR	Mantra Group	2.1%
CIW	Clime Investment Management Limited	2.1%
CSV	CSG Limited	2.0%
AHD	Amalgamated Holdings Limited	2.0%
ENE	Energy Developments Limited	2.0%
VET	Vocation Limited	1.8%
ANZPB	ANZ Convertible Preference Share - CPS2	1.8%
EQT	Equity Trustees Limited	1.8%
VOC	Vocus Communications Limited	1.7%
WBCPB	WBC Stapled Preferred Security II	1.7%
NEA	Nearmap Limited	1.7%

Sector allocation



- Consumer Discretionary: 22.7%
- Financials: 18.2%
- Information Technology: 8.2%
- Telecommunication Services: 4.6%
- Industrials: 3.5%
- Materials: 3.1%
- Health Care: 3.0%
- Utilities: 2.0%
- Consumer Staples: 0.8%
- Energy: 0.2%
- Cash and Fixed Interest: 33.7%

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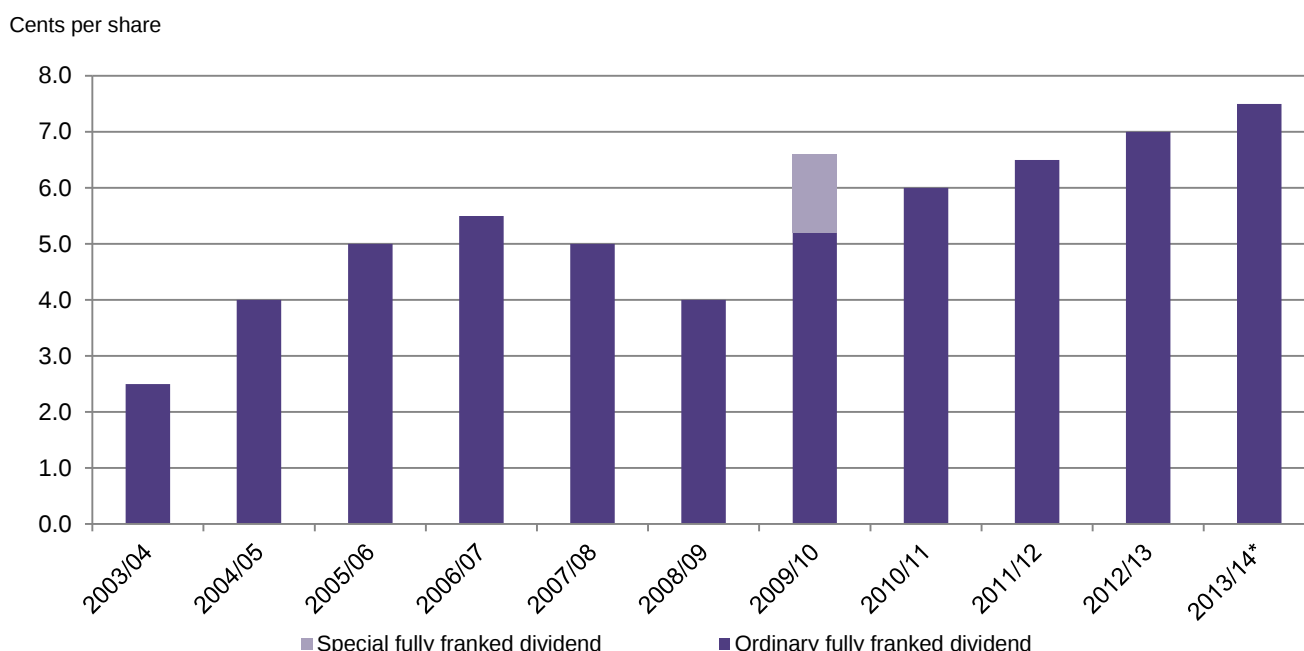
Dividend growth

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. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.

On 30 April 2014, the Company paid a fully franked interim dividend of 3.75 cents per share. This was an increase of 7.1% on the previous corresponding period.

As at 31 May 2014, the Company's estimated profit reserve is 21.7 cents per share and the franking account has a balance of \$36,261. The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax. The franking balance does not include the current tax liability and tax to be paid on unrealised investment gains recognised as deferred tax liability.

WAM Research dividends since inception



*Annualised interim dividend

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 May 2014, 693,733 options had been exercised for a total consideration of \$832,480, with the remaining balance of outstanding options being 68,255,158.

Sign up to our Weekly Investor Update

Every week we share our investment team's market insights with our shareholders in a Weekly Investor Update. The email by our Chief Investment Officer Chris Stott includes topical market news, views on macroeconomic trends, our current outlook, latest news on companies in the investment portfolio, recent articles we have written and upcoming media appearances.

To sign up, go to the 'subscribe here' button on our website www.wamfunds.com.au.