# Investment Update & Net Tangible Assets Report

AS AT 31 DECEMBER 2015

## Performance

| Performance at 31 December 2015 | 1 Mth | Fin YTD | 1 Yr | 3 Yrs %pa | 5 Yrs %pa | Since change in investment strategy (Jul-10) %pa |
|---|---|---|---|---|---|---|
| WAX Investment Portfolio* | 4.6% | 18.9% | 30.7% | 24.8% | 19.8% | 20.7% |
| S&P/ASX All Ordinaries Accumulation Index | 2.6% | 0.4% | 3.8% | 9.3% | 6.5% | 8.6% |
| **Outperformance** | **+2.0%** | **+18.5%** | **+26.9%** | **+15.5%** | **+13.3%** | **12.1%** |

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

## Net Tangible Assets (NTA) figures

| | |
|---|---|
| NTA before tax | **123.06c** |
| NTA after tax and before tax on unrealised gains | **120.20c** |
| NTA after tax | **120.06c** |

*These figures are after the payment of $10k (0.006 cents per share) in tax during the month.

## Market overview

In December 2015 the S&P/ASX All Ordinaries Accumulation Index climbed 2.6% to close the calendar year up a lacklustre 3.8%. The index was in negative territory for the first half of the month as global equity and commodity prices collapsed and the market factored in expectations of a United States rate increase, which came to fruition on 16 December. After early signs of strong Christmas spending, the market rallied in the final two weeks of the month rising almost 8%.

Australian employment data released in December was very strong, pointing to an increase of 71,000 jobs in November – one of the largest rises on record. However, the Federal Government released a downbeat mid-year economic and fiscal outlook (MYEFO), which saw Federal deficit projections downgraded by $26 billion to $108 billion over the next four years.

The Australian equities market has experienced a negative start to 2016 driven by renewed concerns around global growth, in particular out of China.

Our conservative cash weighting enables us to preserve capital in times of heightened volatility and provide the flexibility to pursue opportunities that arise.

### WAM Research Limited

| | |
|---|---|
| ASX Code | **WAX** |
| Listed | **Aug 2003** |
| Gross assets | **$220.4m** |
| Market cap | **$222.9m** |
| Share price | **$1.29** |
| NTA before tax | **$1.23** |
| Shares on issue | **172,768,120** |
| Fully franked dividends (FY2015) | **8.0c** |
| Dividend yield | **6.2%** |

### 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

**Matthew Haupt**
Portfolio Manager

**Martin Hickson**
Senior Equity Analyst/Dealer

**Tobias Yao**
Equity Analyst

**James McNamara**
Communications Manager

# Investment Update & Net Tangible Assets Report

AS AT 31 DECEMBER 2015

## Diversified portfolio

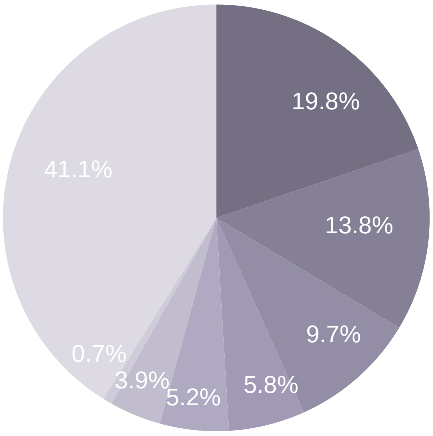
| | November 2015 | | December 2015 | |
|---|---|---|---|---|
| Investment Type | $m | % | $m | % |
| Listed Equities | $126.9 | 60.2 | $129.8 | 58.9 |
| Fixed Interest & Cash | $83.9 | 39.8 | $90.6 | 41.1 |
| Gross Assets | $210.8m | 100.0 | $220.4m* | 100.0 |
| Total shares on issue | 172,768,120 | | 172,768,120 | |

*This figure is after the payment of $10k (0.006 cents per share) in tax during the month.

## Top holdings

| Code | Company | Market Value $ | Market Value as % Gross Assets |
|---|---|---|---|
| SIQ | Smartgroup Corporation Limited | 11,513,305 | 5.2% |
| A2M | The A2 Milk Company Limited | 10,265,646 | 4.7% |
| IPH | IPH Limited | 7,659,715 | 3.5% |
| ECX | Eclipx Group Limited | 7,270,713 | 3.3% |
| MTR | Mantra Group Limited | 6,338,003 | 2.9% |
| CSV | CSG Limited | 6,305,452 | 2.9% |
| RCG | RCG Corporation Limited | 6,001,575 | 2.7% |
| FXL | FlexiGroup Limited | 4,579,758 | 2.1% |
| SRX | Sirtex Medical Limited | 4,283,508 | 1.9% |
| BBN | Baby Bunting Group Limited | 4,221,053 | 1.9% |
| TRS | The Reject Shop Limited | 4,157,478 | 1.9% |
| EVT | Event Hospitality and Entertainment Limited | 3,763,612 | 1.7% |
| SXL | Southern Cross Media Group Limited | 3,700,541 | 1.7% |
| CKF | Collins Foods Limited | 3,465,428 | 1.6% |
| ASB | Austal Limited | 3,427,605 | 1.6% |
| BLX | Beacon Lighting Group Limited | 3,406,040 | 1.5% |
| PME | Pro Medicus Limited | 3,267,376 | 1.5% |
| PSI | PSC Insurance Group Limited | 3,008,864 | 1.4% |
| CCP | Credit Corp Group Limited | 2,260,658 | 1.0% |
| CIW | Clime Investment Management Limited | 2,213,986 | 1.0% |

## Sector allocation

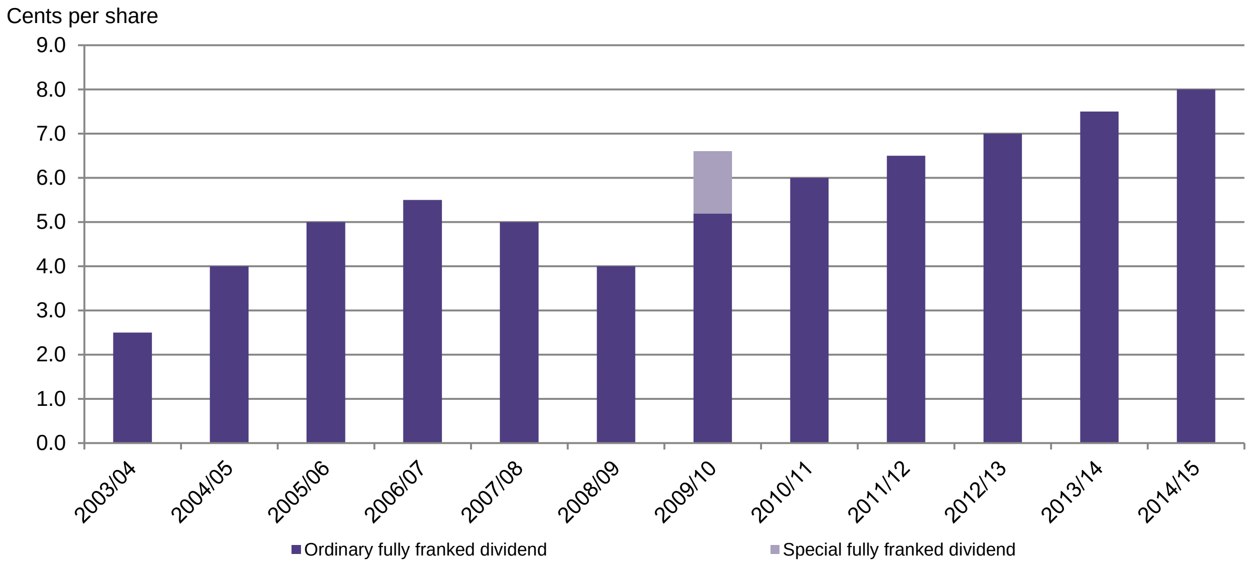



- Consumer Discretionary: 19.8%
- Industrials: 13.8%
- Financials: 9.7%
- Information Technology: 5.8%
- Consumer Staples: 5.2%
- Health Care: 3.9%
- Telecommunication Services: 0.7%
- Cash and Fixed Interest: 41.1%

## 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 usually 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 23 October 2015, the Company paid a fully franked final dividend of 4.0 cents per share. This brings the full year fully franked dividend to 8.0 cents per share, an increase of 6.7% on the previous corresponding period.