W A M Research

2019 Half Year Results





Dear Shareholders,

During the six-month period to 31 December 2018, equity market volatility increased as investor sentiment oscillated with global macroeconomic and political news. Slowing economic growth in major global markets, quantitative tightening (QT) and rising interest rates in the United States (US), the US-China trade war and the ongoing Brexit drama were some of the major drivers of the significant fluctuations in equity prices during the period.

In Australia, the second half of the calendar year was defined by weaker economic growth, Federal Government instability and a raft of interventionist proposals from the Opposition, the Royal Commission into the Banking, Superannuation and Financial Services Industry, falling property prices and diminishing consumer and business sentiment.

These factors weighed on the Australian equity market with small and mid-cap companies suffering the most during the period. The S&P/ASX All Ordinaries Accumulation Index declined 7.3% during the six-month period and the S&P/ASX Small Ordinaries Accumulation Index fell 12.7%.

Given our long-held view of an impending bear market, we adjusted our cash holding to preserve shareholder capital and ensure liquidity in the portfolio. Our cash level increased from 25.6% to 53.3% during the period, reducing our exposure from 45 to 38 individual companies.

The holdings that performed well during the period included: Scottish Pacific Group (ASX: SCO), Jumbo Interactive (ASX: JIN), Bravura Solutions (ASX: BVS), Pinnacle Investment Management Group (ASX: PNI) and IPH Limited (ASX: IPH). The detractors to the portfolio performance were Emeco Holdings (ASX: EHL), GTN Limited (ASX: GTN), Seven West Media (ASX: SWM), WorleyParsons (ASX: WOR) and FlexiGroup (ASX: FXL).

Despite the significant volatility in the equity market, the Board of Directors is pleased to declare an increased fully franked interim dividend of 4.85 cents per share, representing an annualised dividend yield of 7.2%. The dividend has been achieved through the historical performance of the investment portfolio and the profits reserve available. This is consistent with our investment objective of delivering investors a stream of fully franked dividends. Since inception in 2003, WAM Research has paid 94.6 cents per

share in fully franked dividends to shareholders.

Overall, the investment portfolio decreased 11.1% in the half year to 31 December 2018, resulting in a reduction of \$26 million in assets, which led to an operating loss after tax of \$18.6 million.

At the end of 2018 our market outlook was extremely bearish due to signs that the US Federal Reserve would raise interest rates in 2019 and QT would continue at unprecedented levels. At the same time, leading economic indicators were pointing to a slowing global economy. The combined impact of these factors on equity markets would have been brutal. This did not occur and the major turning point in January was the unexpected about-face of the US Federal Reserve, holding interest rates for the foreseeable future and indicating that QT might be over. This change in approach provided equity markets with strong support.

Also during January, President Xi Jinping increased China's stimulus significantly, which will have implications for global economic growth, with particular relevance to Australia. We remain focused on these macroeconomic factors and their impact on markets and company results.

The investment portfolio's cash level is currently 35.1%, down from 53.3% on 31 December 2018, reflecting this change in outlook. The investment portfolio has increased 3.8% in the month to date.

We look forward to providing an update to our WAM Research shareholders during our Investor Conference Call on 19 March 2019 and meeting you at our next Shareholder Presentations in May 2019.

Thank you for your support of WAM Research and good luck investing in 2019,



Geoff Wilson AO
Chairman & Chief Investment Officer

Based on 26 February 2019 share price of \$1.35.





Fully franked interim dividend

The Board declared a fully franked interim dividend of 4.85 cents per share. The DRP will be operating at a 2.5% discount for the interim dividend.

Key dividend dates

Ex dividend date	10 April 2019
Record date	11 April 2019
Last election date for DRP	15 April 2019
Payment date	26 April 2019

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. Since inception in August 2003, WAM Research has paid 94.6 cents per share in fully franked dividends to shareholders.

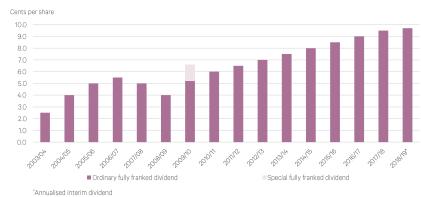
Performance

as at 31 December 2018

	6 mths	1 yr	3 yrs %pa	5 yrs %pa	i 7 yrs %pa	Since change in nvestment strategy %pa (Jul-10)
WAX Investment Portfolio*	-11.1%	-7.3%	6.1%	12.4%	17.0%	15.3%
S&P/ASX All Ordinaries Accumulation Index	-7.3%	-3.5%	6.6%	5.7%	9.4%	7.9%
Outperformance	-3.8%	-3.8%	-0.5%	+6.7%	+7.6%	+7.4%

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

Fully franked dividends since inception



Annualised Interim dividen

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Top 20 holdings in alphabetical order

as at 31 December 2018

Code A2B ASB BVS CCX CDA CCP EHL EVT GTN IMD IPH LIC MYX MYR NBL PSI RKN	Company A2B Australia Limited Austal Limited Bravura Solutions Limited City Chic Collective Limited Codan Limited Credit Corp Group Limited Emeco Holdings Limited Event Hospitality and Entertainment Limited GTN Limited Imdex Limited IPH Limited Lifestyle Communities Limited Mayne Pharma Group Limited Myer Holdings Limited Noni B Limited PSC Insurance Group Limited Reckon Limited
SSM TAH	Service Stream Limited Tabcorp Holdings Limited
VOC	Vocus Group Limited

