



13 August 2014

Dear fellow shareholder

### Shareholder Update

I would like to thank you for your continued support of WAM Research Limited and provide you with an overview of the Company's recent results. Please also see below an update on various matters including upcoming shareholder presentations and the Dividend Reinvestment Plan.

#### WAM Research FY2014 Financial Results

The Company was pleased to recently announce a full year before tax profit of \$21.3 million and a fully franked final dividend of 3.75 cents per share. In 2014 WAM Research's investment portfolio increased 20.5% and the total shareholder return was 24.0%. Full details of the Company's FY2014 results are enclosed.

#### Dividend Reinvestment Plan – discount 2.5%

#### Dividend Timetable – 3.75 cent dividend per share

|                                 |                                 |
|---------------------------------|---------------------------------|
| Dividend ex date                | 13 October 2014                 |
| Dividend record date            | 15 October 2014                 |
| Elect to participate in the DRP | (no later than) 16 October 2014 |
| Dividend payment date           | 24 October 2014                 |

#### DRP Rules Updated

The WAM Research DRP Rules were recently amended to reflect changes to the ASX Listing Rules requiring companies shorten the ex period on dividends. Under the new DRP Rules, the subscription price for shares allotted under the DRP will be the volume weighted average market price (VWAP) of shares sold on the ASX on the ex date for the relevant dividend and the three trading days following that date, less any discount (i.e. a 4 day VWAP ex dividend share price). Previously, the subscription price was calculated using the VWAP for the three days *preceding* the record date (i.e. a 4 day VWAP ex dividend share price)

The updated DRP Rules are available on our website [www.wamfunds.com.au](http://www.wamfunds.com.au) or alternatively, if you would like to receive a copy please contact the office – details below.

#### Weekly Investor Update – gain valuable market insights


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, our current market outlook, latest news on companies in the investment portfolio, recent articles we've written and upcoming media appearances. If you would like to subscribe to our complimentary Weekly Investor Update, you can subscribe through the 'subscribe here' button on our website [www.wamfunds.com.au](http://www.wamfunds.com.au) or please contact the office – details below.

### **Upcoming Investor Presentations**

Our upcoming Investor Presentations will provide shareholders with the opportunity to meet our investment team and gain a deeper insight into our investment approach and current views on the equity market. Investor Presentations will be held in November and December in capital cities around the country. You will receive a formal invitation in October, however, presentation dates and details are provided below so you can mark your diaries now.

If we can help you with any information, please contact our office on (02) 9247 6755.

Yours sincerely



Geoff Wilson  
Chairman

## **Investor Presentation Details**

### **Perth**

Thursday, 20 November 2014  
10.00am – 12.00pm  
Rydges  
Cnr King & Hays St  
Perth

### **Sydney**

Friday, 28 November 2014  
10.00am – 10.30am (AGM)  
11.30am – 12.30pm (Presentation)  
Wesley Conference Centre  
220 Pitt Street  
Sydney

### **Adelaide**

Monday 1 December 2014  
10.00am – 12.00pm  
National Wine Centre of Australia  
Cnr Botanic & Hackney Rd  
Adelaide

### **Melbourne**

Tuesday 2 December 2014  
10.00am – 12.00pm  
Rydges  
180 Exhibition St  
Melbourne

### **Brisbane**

Wednesday 3 December 2014  
10.00am – 12.00pm  
Brisbane Convention & Exhibition Centre  
Cnr Merivale & Glenelg St  
South Bank

### **Canberra**

Thursday 4 December 2014  
10.00am – 12.00pm  
Belconnen Premier Inn  
110 Benjamin Way  
Belconnen



## WAM Research investment portfolio increases 20.5% Fully franked full year dividend 7.5 cents

### Highlights

- Operating profit before tax of \$21.3 million
- Total shareholder return 24.0%
- Fully franked full year dividend of 7.5 cents per share
- Investment portfolio increased 20.5% in FY2014

WAM Research Limited (ASX: WAX) ('WAM Research' or the 'Company') announces an operating profit before tax of \$21.3 million for the year (\$22.2 million in FY2013), and an operating profit after tax of \$15.8 million (\$16.7 million in FY2013). The nominal decrease in profit is attributed to the investment portfolio returning 30.4% in the prior year against 20.5% in FY2014. The investment portfolio, while being on average 63.7% invested in equities, outperformed the S&P/ASX All Ordinaries Accumulation Index.

The Company announces a fully franked final dividend of 3.75 cents per share, bringing the full year dividend to 7.5 cents per share, an increase of 7.1% and representing an annualised dividend yield of 6.6% (based on closing price as at 1 August 2014).

WAM Research Chairman, Geoff Wilson, said: "This result reflects the continuing strong performance of the investment portfolio which has again outperformed the market, and demonstrates the success of the Company's investment process."

CEO Kate Thorley said: "WAM Research continues to provide investors with a diversified portfolio of undervalued growth companies while delivering strong risk-adjusted returns. During the year, the Company issued options with the aim of increasing the capital of the Company, reducing the fixed expense ratio and increasing the liquidity of the Company's shares."

| Performance at<br>30 June 2014               | 1 Yr         | 2 Yrs<br>%pa | 3 Yrs<br>%pa | Since change in<br>investment strategy<br>(Jul-10) %pa |
|--|--------------|--------------|--------------|--|
| WAX Investment<br>Portfolio*                 | 20.5%        | 25.4%        | 18.0%        | 17.9%  |
| S&P/ASX All Ordinaries<br>Accumulation Index | 17.6%        | 19.2%        | 9.7%         | 10.3%  |
| <b>Outperformance</b>                        | <b>+2.9%</b> | <b>+6.2%</b> | <b>+8.3%</b> | <b>+7.6%</b>   |

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



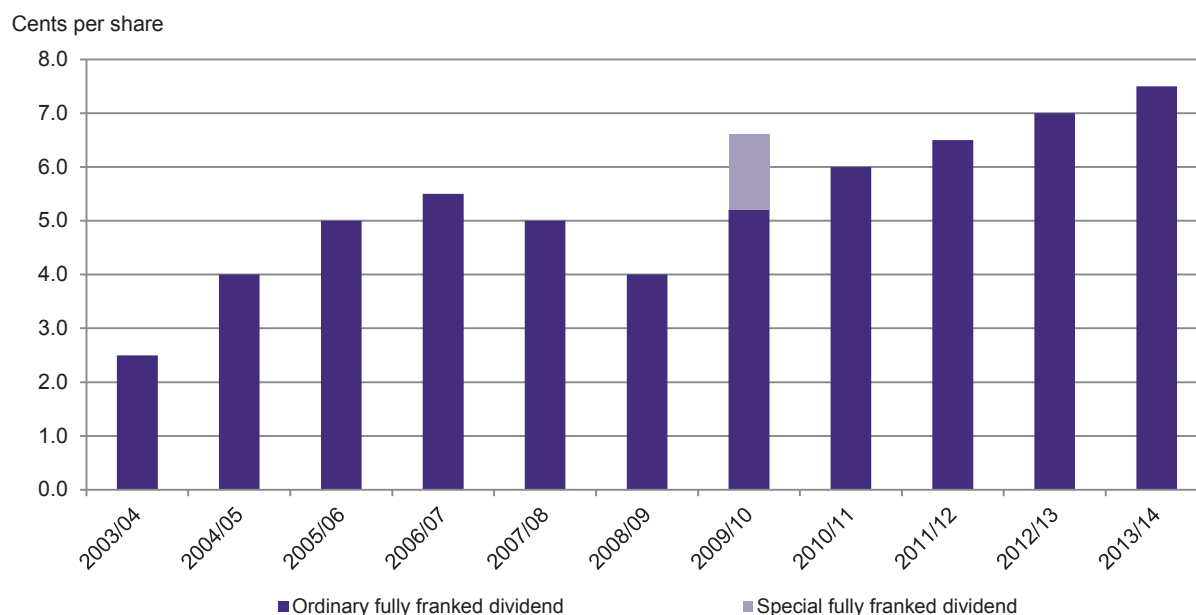
### Increased fully franked dividend

The Board announces a fully franked final dividend of 3.75 cents per share, bringing the full year fully franked dividend to 7.5 cents per share, an increase of 7.1% on the previous year. The final dividend will be paid on 24 October 2014 and will trade ex on 13 October 2014.

The dividend reinvestment plan will operate at a 2.5% discount.

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.

### WAM Research's Dividends since Inception



### Investment portfolio performance

The WAM Research investment portfolio rose 20.5% in FY2014 with an average equity weighting of 63.7%, outperforming both the S&P/ASX All Ordinaries Accumulation Index, which rose 17.6%, and the S&P/ASX Small Industrials Accumulation Index, which rose 13.1%.

Chief Investment Officer, Chris Stott, said: "The Company's investment portfolio performed strongly in FY2014. We have delivered a strong risk-adjusted result, outperforming the S&P/ASX All Ordinaries Accumulation Index by 2.9% while holding an average cash position of 36.3%."

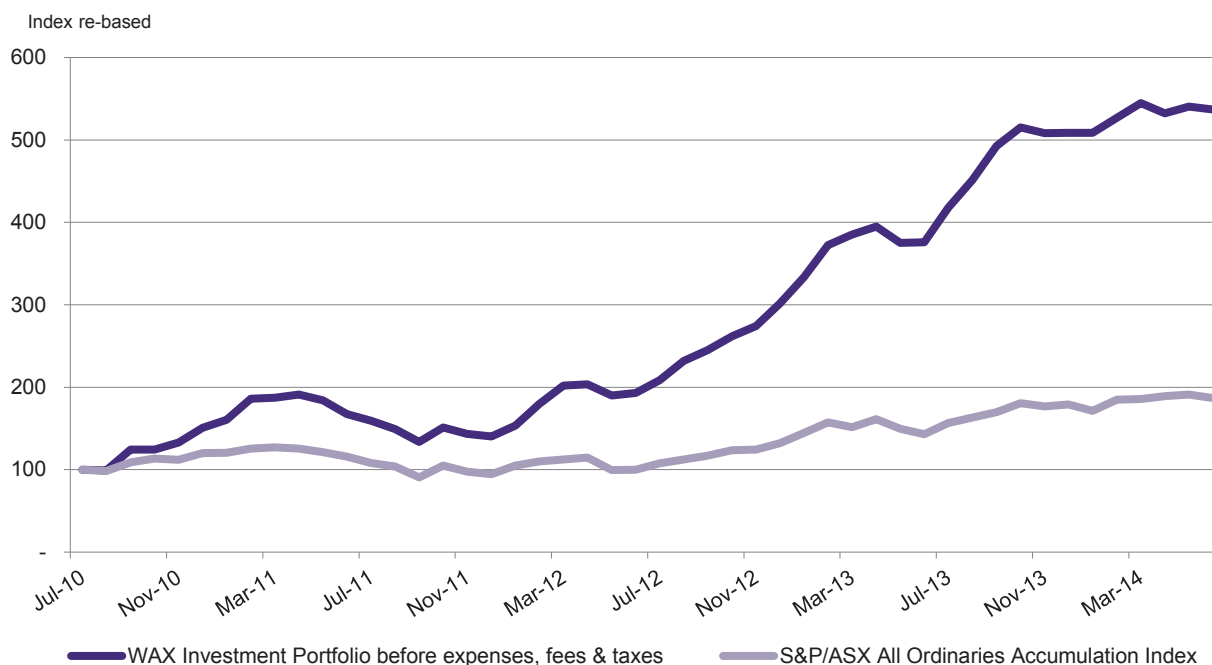
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## Outperformance against sharemarket



The investment portfolio's top performing stocks for the period were Slater & Gordon Limited (SGH), iProperty Group Limited (IPP), Vocus Communications Limited (VOC), and Ardent Leisure Group (AAD). During the FY2014 period, the Company has also established new positions in Southern Cross Media Group Limited (SXL), Infomedia Limited (IFM), and Greencross Limited (GXL).

## WAM Research growth to benefit shareholders

During the period, shareholders equity grew 22.0% to \$148.6 million, due in part to capital management initiatives. The Company successfully raised \$16.5 million in November 2013 through a DRP Shortfall Placement ('Placement') which was oversubscribed with strong interest from a range of investors. The Placement was offered at a premium to the Company's pre-tax Net Tangible Assets ('NTA') which benefits shareholders.

In October 2013 WAM Research announced a one-for-two bonus option issue to acquire ordinary shares in the Company, with shareholders issued one option for every two shares held. The options were issued at no cost to shareholders. The options have an exercise price of \$1.20 per share and can be exercised at any time on or before 17 June 2015.

## Equity market outlook

Domestically, we expect interest rates to remain low in the short to medium term, and this will eventually have a positive impact on Australia's economic growth. The May Federal Budget has thwarted recent growth with consumer confidence dipping below GFC levels.

Globally, the US economy remains in recovery mode six years post recession, with the housing market very strong and the US share-market continuing to hit record highs. The economic recovery will continue to

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improve but much will depend on how the US stockmarket reacts to the anticipated increase in interest rates in 2015.

The outlook for European economies remains mixed. Continuing high unemployment in several regions, including Spain and Greece, is likely to result in Europe's economic growth remaining well below trend for many years.

Chinese authorities have forecast 7.5% economic growth for the 2014 calendar year which restores the country's growth to a more sustainable level.

"Low interest rates, strong company balance sheets and subdued domestic growth is expected to lead to accelerated mergers and acquisitions activity over the coming year," said Mr Stott.

## Company outlook

With a conservative cash weighting, a flexible mandate, no debt and a disciplined investment approach, WAM Research is well positioned to quickly capitalise on opportunities as and when they arise in the market. The investment team remains committed to identifying undervalued growth companies as they present themselves in the coming year.

## Top holdings (as at 30 June 2014)

| Code  | Company                                       | Market Value as %<br>Gross Assets |
|-------|---|-----------------------------------|
| CBAPA | CBA Perpetual Exc Resale Listed Sec - PERLS V | 3.8%                              |
| SGH   | Slater & Gordon Limited                       | 3.8%                              |
| FXJ   | Fairfax Media Limited                         | 3.1%                              |
| DLX   | DuluxGroup Limited                            | 3.1%                              |
| AHE   | Automotive Holdings Group Limited             | 2.9%                              |
| CSV   | CSG Limited                                   | 2.6%                              |
| MTR   | Mantra Group                                  | 2.6%                              |
| TNE   | Technology One Limited                        | 2.5%                              |
| IIN   | iiNet Limited                                 | 2.1%                              |
| SFW   | SFG Australia Limited                         | 2.1%                              |
| VOC   | Vocus Communications Limited                  | 2.1%                              |
| AAD   | Ardent Leisure Group                          | 2.1%                              |
| ENE   | Energy Developments Limited                   | 2.0%                              |
| ISD   | Isentia Group Limited                         | 2.0%                              |
| VET   | Vocation Limited                              | 2.0%                              |
| AHD   | Amalgamated Holdings Limited                  | 1.9%                              |
| EQT   | Equity Trustees Limited                       | 1.8%                              |
| CIW   | Clime Investment Management Limited           | 1.7%                              |
| IFM   | Infomedia Limited                             | 1.7%                              |



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Ends

## About WAM Research

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. WAX's investment objectives are: to provide a rising 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.

For more information visit [www.wamfunds.com.au](http://www.wamfunds.com.au)

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