



## Portfolio increased 25.5%, record outperformance of 23.5%, record profit and increased fully franked final dividend

- Operating profit before tax increased 35.1% to record \$35.9 million
- Investment portfolio increased 25.5%, outperforming by 23.5%
- Total shareholder return of 24.3%
- Increased fully franked full year dividend of 8.5 cents per share

WAM Research Limited (ASX: WAX) today announces a 35.1% increase in operating profit before tax to \$35.9 million for the year ended 30 June 2016 (2015: \$26.6 million) and a 34.4% increase in operating profit after tax to \$26.2 million (2015: \$19.5 million). The Company's record profit reflects the investment portfolio returning 25.5% in the year, outperforming the market by 23.5%.

Chairman Geoff Wilson said the record performance of the investment portfolio reconfirmed the ability of the Wilson Asset Management investment team to identify undervalued growth companies despite poor market conditions.

"WAM Research has delivered an exceptional result for shareholders, having outperformed the market by 23.5%, a record for the Company," Mr Wilson said.

"The Company provides shareholders with a diversified portfolio of undervalued growth companies and has delivered a total shareholder return of 24.3% for the year," he said.

Wilson Asset Management Chief Investment Officer Chris Stott said the rigorous research driven investment process delivered strong stock selection during the financial year.

"The 25.5% increase in the investment portfolio was achieved with an average 39% cash weighting and an average 61% exposure to equities over the year," he said.

"Our best performing stocks for the year were in the vehicle leasing, retail, health and professional services sectors. These top stocks were Smartgroup Corporation Limited (ASX: SIQ), The A2 Milk Company Limited (ASX: A2M), Mayne Pharma Group Limited (ASX: MYX), IPH Limited (ASX: IPH) and The Reject Shop Limited (ASX: TRS)," Mr Stott said.

Wilson Asset Management Chief Executive Officer Kate Thorley said the Company is pleased to announce a fully franked final dividend of 4.25 cents per share, bringing the full year fully franked dividend to 8.5 cents per share, representing a dividend yield of 5.8% (based on closing price as at Friday, 5 August 2016).

"WAM Research is committed to providing shareholders with an increasing stream of fully franked dividends," Ms Thorley said.

Performance at 30 June 2016	1 Yr	2 Yrs %pa	3 Yrs %pa	5 Yrs %pa	Since change in investment strategy (Jul-10) %pa
WAX Investment Portfolio*	25.5%	24.1%	22.9%	20.4%	19.9%
S&P/ASX All Ordinaries Accumulation Index	2.0%	3.8%	8.2%	7.3%	8.1%
<b>Outperformance</b>	<b>+23.5%</b>	<b>+20.3%</b>	<b>+14.7%</b>	<b>+13.1%</b>	<b>+11.8%</b>

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

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8 August 2016

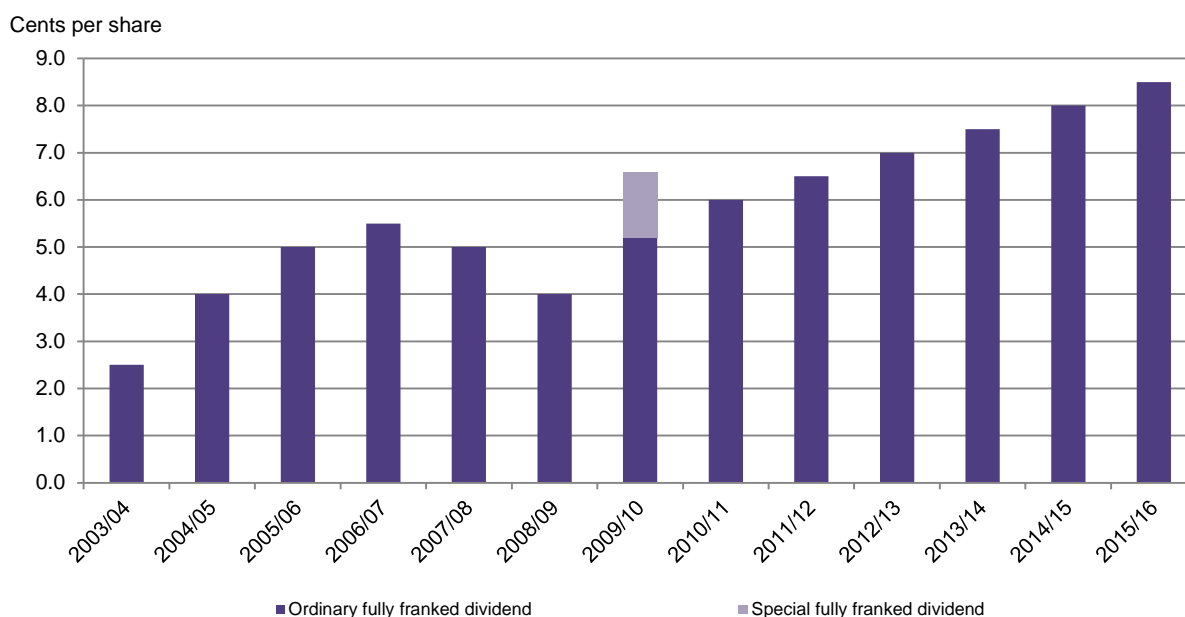


### Increased fully franked dividend

The Board today announces a fully franked final dividend of 4.25 cents per share. This brings the full year fully franked dividend to 8.5 cents per share, an increase of 6.3% on the previous year. The final dividend will be paid on 28 October 2016 and will trade ex on 17 October 2016.

The dividend reinvestment plan (DRP) will operate at a 2.5% discount for the final dividend. The last election date for the DRP will be 20 October 2016. 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 is within prudent business practices.

#### WAM Research's dividends since inception



### Equity market performance and outlook

Chief Investment Officer Chris Stott said Wilson Asset Management's equity market outlook for the next 12 months remains mixed.

"The small-cap sector has outperformed the large-cap sector for the last two years, which is a trend we expect will continue as the market favours companies with earnings growth. This has proved a challenge for many large companies, which have struggled in the anaemic economic environment," Mr Stott said.

"While the recent federal election created short-term uncertainty in the economy and impacted consumer and business confidence, the effect has been modest and we expect consumer sentiment to improve in the coming months on the back of further interest rate cuts.

"We expect the recently announced interest rate cut will be positive for the economy, in particular driving further growth in the housing market and retail sectors. However, further interest rates cuts are needed to drive economic growth above trend over the medium term.

"Our expectation is that the loosening cycle will continue for another 12 months with inflation remaining below the Reserve Bank of Australia's target range of 2-3%. We note that the market is now pricing in a cash rate closer to 1% in 2017. This low interest rate environment will be supportive of earnings growth for companies in the small-to-mid cap sector.

# WAM Research Limited (WAX)

## ASX Announcement/Media Release

8 August 2016

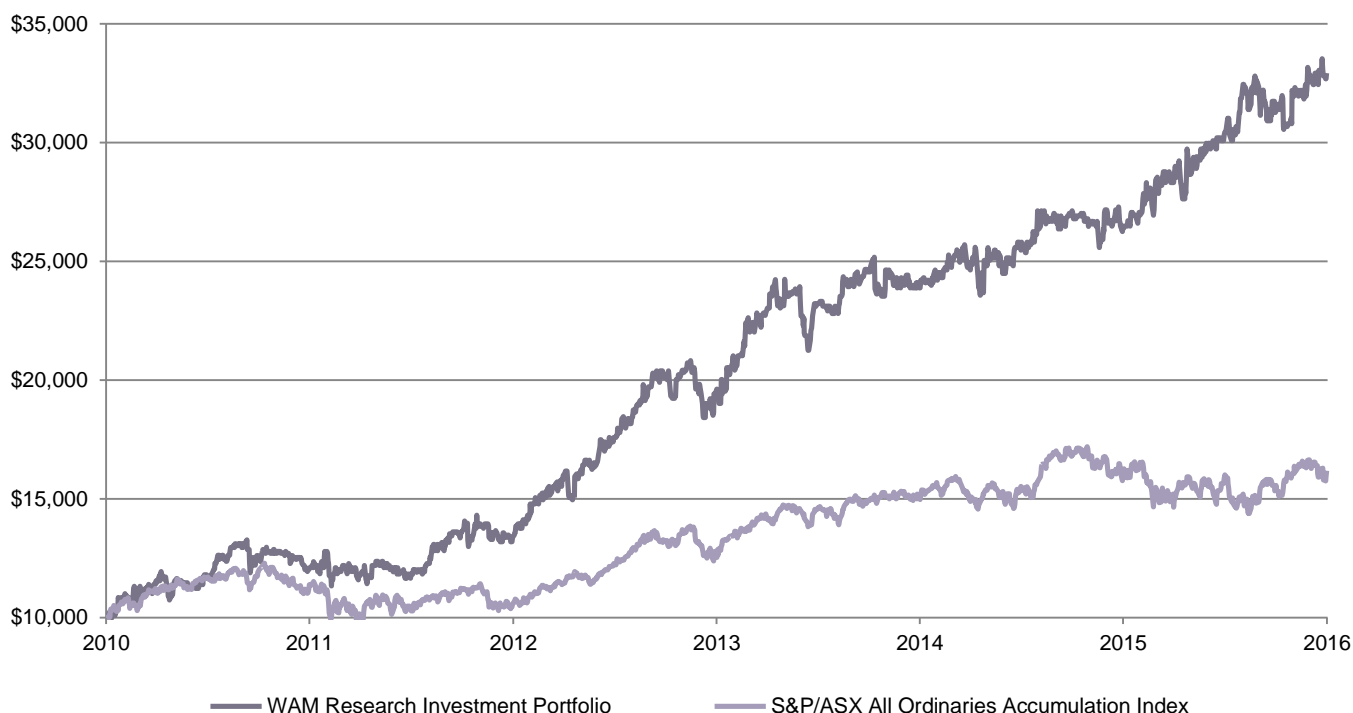


"We see merger and acquisition activity increasing in the coming year, which will be driven by the prevalence of cheap debt and the strength of company balance sheets. Recent examples for the company have been Smartgroup Corporation (ASX: SIQ) and RCG Corporation (ASX: RCG) where the markets appetite for earnings accretive deals are at elevated levels.

"Larger companies are looking for small-cap companies with valuable intellectual property, robust cash flow, and a strong strategic position in their industry to absorb and deliver growth," Mr Stott said.

WAM Research enters the new financial year with strong visibility around future dividends, a high cash weighting, no debt and a flexible and proven investment approach. The Company will continue to seek opportunities irrespective of market conditions and remains well positioned to capitalise on value opportunities as they emerge.

### Growth of a \$10,000 investment since change in investment strategy



### Advocating for retail shareholders

Wilson Asset Management continues to engage in public policy discussions and advocate on behalf of all shareholders regarding issues of importance. We recently made a submission to the Australian Securities Exchange (ASX) in response to proposed changes to its admission requirements for listed entities. Proposed changes set out in the ASX's public consultation paper, included amendments to the listing rules that whereby only shareholders with at least \$5,000 of shares (up from \$2,000) would be counted towards the 'spread test' admission requirement. We recommended the ASX retain the current \$2,000 minimum threshold as, in our view, initial public offerings (IPOs) with a minimum subscription amount of \$5,000 would deter retail investors and act as a barrier to entering the share market. Our submission also made recommendations relating to proposed changes to the market capitalisation assets test and the planned introduction of a formal free float test. Over coming months we will monitor the ASX's public consultation process regarding the proposed changes and engage in the public debate.

# WAM Research Limited (WAX)

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## Top holdings (as at 30 June 2016)

Code	Company	Market Value \$	Market Value as % Gross Assets
SIQ	Smartgroup Corporation Limited	9,458,227	4.2%
MYX	Mayne Pharma Group Limited	8,525,873	3.8%
NCK	Nick Scali Limited	7,715,489	3.4%
RWC	Reliance Worldwide Corporation Limited	7,345,607	3.3%
CL1	Class Limited	7,015,655	3.1%
ECX	Eclixp Group Limited	6,991,159	3.1%
CCP	Credit Corp Group Limited	6,779,597	3.0%
SXL	Southern Cross Media Group Limited	6,748,171	3.0%
RCG	RCG Corporation Limited	6,609,883	3.0%
SDF	Steadfast Group Limited	6,342,760	2.8%
VOC	Vocus Communications Limited	6,181,609	2.8%
SGF	SG Fleet Group Limited	6,179,777	2.8%
VTG	Vita Group Limited	6,147,085	2.7%
AAD	Ardent Leisure Group	5,933,761	2.7%
TRS	The Reject Shop Limited	4,972,183	2.2%
PME	Pro Medicus Limited	4,925,405	2.2%
PSI	PSC Insurance Group Limited	4,549,412	2.0%
HLO	Helloworld Limited	4,175,938	1.9%
ASB	Austal Limited	3,659,830	1.6%
CVW	ClearView Wealth Limited	3,310,153	1.5%

## About WAM Research

WAM Research Limited (ASX: WAX) is a listed investment company with an investment management agreement with Wilson Asset Management. 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. WAM Research's investment objectives are to provide a rising stream of fully franked dividends and 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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