

Chairman's update

Geoff Wilson AO



- 205.2% increase in operating profit before tax
- 27.3%[^] investment portfolio performance in the half year to December, outperforming the Index by 11.6%[^]
- 4.95c per share fully franked interim dividend

Annualised fully franked
interim dividend

9.9c

Annualised fully franked
dividend yield*

6.3%

Dividends paid since inception
(per share)

114.1c

WAM Research Limited (ASX: WAX) achieved a 205.2% increase in operating profit before tax to \$44.6 million and a 188.0% increase in operating profit after tax to \$31.7 million in its FY2021 half year results. The operating profit is reflective of the strong investment portfolio performance over the period.

The Board of Directors declared a fully franked interim dividend of 4.95 cents per share, representing an annualised fully franked dividend yield of 6.3%^{*} and a grossed-up dividend yield of 9.1%^{**}. Since inception, WAM Research has paid 114.1 cents per share in fully franked dividends to shareholders.

The fully franked dividend has been achieved through the strong performance of the investment portfolio since its change in investment strategy in 2010, the profits reserve available and is consistent with the Company's investment objective of delivering investors a stream of fully franked dividends.

The investment portfolio increased 27.3%[^] during the period, outperforming the S&P/ASX All Ordinaries

Accumulation Index by 11.6%[^], with an average cash level of 11.3%. Over the 2020 calendar year the investment portfolio increased 11.9%[^], outperforming the Index by 8.3%[^], with an average cash holding of 17.4%. We were pleased with the strong investment portfolio outperformance, which was achieved by the investment team's rigorous application of our proven investment process.

The Company grew its gross assets to over \$225 million during the six months to 31 December 2020. The pre-tax net tangible assets (NTA) grew to \$1.14, up from \$0.99 at 30 June 2020. This growth is after the payment of the FY20 fully franked final dividend of 4.9 cents per share, or \$7.8 million.

WAM Research provided shareholders with a total shareholder return of 22.3% in the six months to 31 December 2020, reflecting the Company's strong investment portfolio performance and the increase in the share price premium to NTA.

[^]Investment portfolio performance and Index returns are before expenses, fees and taxes.

^{*}Based on the 31 December 2020 share price of \$1.56 per share.

^{**}Grossed-up dividend yield includes the benefit of franking credits and is based on a tax rate of 30.0%.

Fully franked interim dividend

The Board declared a fully franked interim dividend of 4.95 cents per share. The Dividend Reinvestment Plan (DRP) will be operating at a 2.5% discount for the interim dividend.

Since inception in August 2003, WAM Research has paid 114.1 cents per share in fully franked dividends to shareholders.

Key dividend dates

Ex dividend date	7 April 2021
Record date	8 April 2021
Last election date for DRP	12 April 2021
Payment date	20 April 2021

The Board is committed to paying a stream of fully franked dividends to shareholders, provided the Company has sufficient profits 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 on profits.

The Company's profits reserve at the end of the period was 37.5 cents per share, before the payment of the fully franked interim dividend of 4.95 cents per share, representing 3.8 years of dividend coverage.

Lead Portfolio Manager's update

Oscar Oberg

We were pleased to deliver strong portfolio outperformance, derived from a diversified portfolio of undervalued growth companies.

Core holdings that significantly contributed to the investment portfolio outperformance during the period included: specialty retailer of homefurnishings, Adairs (ASX: ADH), metal detection and mining technology company, Codan (ASX: CDA), online marketplace, Redbubble (ASX: RBL), transport services and tourism provider, SeaLink Travel Group (ASX: SLK) and software services provider, The Citadel Group (ASX: CGL). Detractors for the period included: Bravura Solutions (ASX: BVS), Sigma Healthcare (ASX: SIG) and FINEOS Corporation Holdings (ASX: FCL).

Growing confidence in a pathway to economic recovery, saw the Australian market witness a shift from growth companies towards value companies and we identified significant opportunities within sectors set to benefit from a successful roll-out of vaccines. Given the changes in the market we increased our exposure to cyclical sectors such as financials and continue remain positive on companies, which are likely to benefit from earnings accretive acquisitions. Areas of opportunity included mining services, which we believe will benefit from increased exploration and infrastructure spending from the major mining and energy companies.

We participated in several raises including the initial public offering (IPO) of Australian construction materials, equipment and services provider, MAAS Group Holdings (ASX: MGH). We remain positive on the outlook for MAAS Group and companies exposed to building materials and government infrastructure spend. Over the next few years federal and state governments in Australia are poised to commit record levels of infrastructure expenditure, and companies within these sectors should also benefit from the low interest rate environment and increasing consumer confidence.

While we expect volatility to remain over the course of 2021, we are constructive on the outlook for equities. Sustained volumes of economic support from central banks should encourage positive economic data, although we remain cautious on inflation as central banks show continued reluctance through the recovery period to raise interest rates. We continue to focus on investing in companies offering material liquidity, with 82% of the portfolio able to be sold within 30 days as at 31 December 2020.

Investment portfolio performance

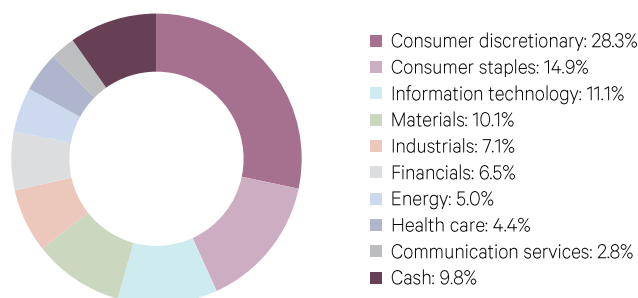
as at 31 December 2020

	Fin YTD	1 yr	3 yrs %pa	5 yrs %pa	7 yrs %pa	Since change in investment strategy %pa (Jul-10)
WAX Investment Portfolio	27.3%	11.9%	8.7%	10.6%	13.9%	15.8%
S&P/ASX All Ordinaries Accumulation Index	15.7%	3.6%	7.4%	9.3%	7.9%	8.9%
Outperformance	+11.6%	+8.3%	+1.3%	+1.3%	+6.0%	+6.9%

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

Portfolio composition by sector

As at 31 December 2020



Top 20 holdings with portfolio weightings

as at 31 December 2020

Code	Company	%
CDA	Codan Limited	5.1%
IFM	Infomedia Limited	3.8%
BWX	BWX Limited	3.6%
FBU	Fletcher Building Limited	3.5%
ELD	Elders Limited	3.4%
SLK	SeaLink Travel Group Limited	3.3%
BAP	Bapcor Limited	3.2%
VEA	Viva Energy Group Limited	3.0%
UMG	United Malt Group Limited	2.9%
BRG	Breville Group Limited	2.9%
AFG	Australian Finance Group Limited	2.8%
IMD	Imdex Limited	2.7%
IEL	IDP Education Limited	2.5%
BGA	Bega Cheese Limited	2.4%
FLT	Flight Centre Travel Group Limited	2.1%
CCX	City Chic Collective Limited	2.1%
PRN	Perenti Global Limited	2.0%
WOR	Worley Limited	2.0%
SVW	Seven Group Holdings Limited	2.0%
ADH	Adairs Limited	2.0%