WAM RESEARCH LIMITED
ABN 15 100 504 541

8 February 2011

MEDIA RELEASE

"STRONG PROFIT, INCREASED DIVIDEND"

WAM RESEARCH LIMITED
RESULTS SUMMARY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

* Gross portfolio increased by 14.1% for the 6 months to 31 December 2010
* Profit before tax $5.7m for the 6 months to 31 December 2010
* Profit after tax $5.4m for the 6 months to 31 December 2010
* Interim fully franked dividend increased 15% to 3.0 cents a share
* Pre tax net tangible assets 88.82 cents per share
* After tax net tangible assets 93.53* cents per share

* Includes tax assets of 4.71 cents per share

WAM RESEARCH LIMITED

WAM Research Limited (WAX) today announced a 213.6% increase in operating profit before tax for the half year to 31 December 2010 to $5,701,654, and a 149.8% increase in after tax profit of $5,369,783.

In the 6 months revenue from dividends and interest increased by 83.1%. This was due to a significant increase in dividends received from takeovers and an increase in interest income from a slightly higher cash balance and higher interest rates.

During the half year to 31 December 2010, the total portfolio for WAX increased by 14.1% while the S&P/ASX All Ordinaries Accumulation Index increased by 14.5%, the S&P/ASX Small Industrials Accumulation Index increased 18.8% and the S&P/ASX 300 Industrial Accumulation Index increased 8.4%.

Over the six months, WAX on average held 81.7% in equities with the remaining 18.3% of its funds in fixed interest and cash.

In January the company was pleased to announce a fully franked interim dividend of 3.0 cents per share which is a 15% increase on the prior year's interim dividend. Geoff Wilson, Chairman of WAX, today said *"The increase in flexibility in managing the company's portfolio will ensure the company is well positioned to continue to grow fully franked dividends into the future."*

DIVIDENDS

On 12 January 2011 WAX announced a fully franked interim dividend of 3.0 cents per share. This is a 15% increase on last year's fully franked interim dividend and is to be paid as follows.

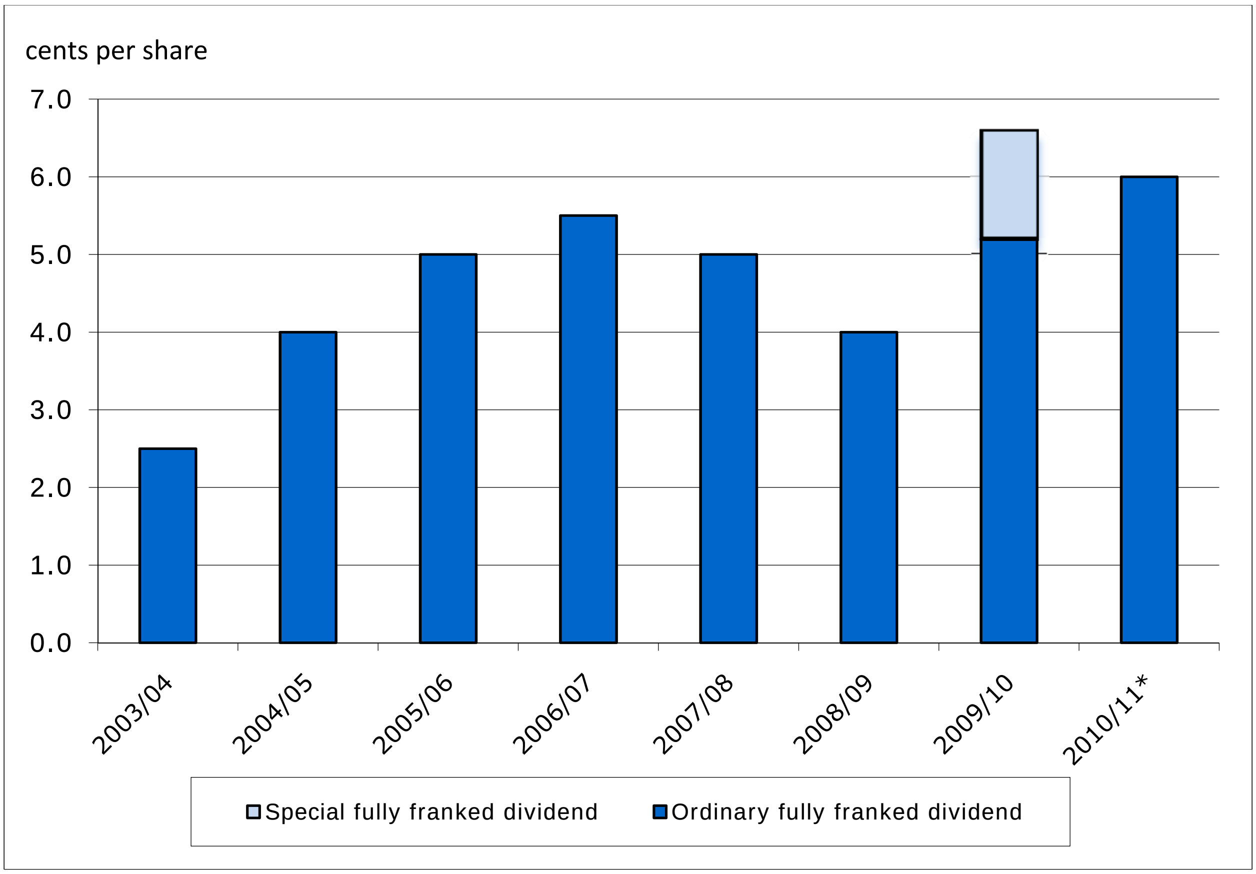
Ex Date:	15 March 2011
Record Date:	21 March 2011
Payment Date:	28 March 2011

The dividend re-investment plan will be operating at no discount. The current share price ($0.77 being closing price 7 February 2011) is a 14% discount to the estimated 31 January 2011 pre-tax NTA. To participate in the dividend re-investment plan, please send your election to our share registrar no later than the 21 March 2011.

DIVIDENDS CONTINUED

The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits, and it is within prudent business practices. Dividends are paid on a six-monthly basis.

Government legislation introduced in June 2010 now enables companies to pay dividends if the company is deemed solvent. Dividend payments will not be reliant on reported profit and retained earnings as it was previously. Rather it will be with consideration to cash flow, cash holdings and available franking credits. It will allow WAX to pay dividends in all market environments.



*annualised interim dividend

NET ASSET BACKING

The net tangible assets (NTA) on listing in August 2003 were 98.0 cents a share.

Below is a table of the Company's position as at 31 December 2010. Since listing the Company has paid 32.6 cents a share in fully franked dividends of which 8.2 cents a share was LIC capital gains.

NTA before tax	88.82c
NTA after tax and before tax on unrealised gains	93.53c*
NTA after tax (including unrealised gains tax)	93.53c*

*Includes tax assets of 4.71 cents per share.

STRATEGY

The Board has been engaged in a strategic review of the Fund to determine the best way to maximise value for shareholders. The outcome of this process is that the Board has instructed the Manager to more actively manage the portfolio.

The Manager will continue to focus on identifying small to medium sized companies that represent good value and have a strong growth outlook. The Boards vision for the future was outlined in the latest Investor Newsletter mailed to shareholders in late September and announced to the ASX on 30 September 2010.

Coinciding with this review, the Board proposed a name change to reflect the investment strategy and to better align with the current naming convention and branding of the WAM Group. This was approved at the AGM in November 2010.

PERFORMANCE

The gross portfolio increased 14.1% for the 6 months to 31 December 2010, while the S&P/ASX 300 Industrials Accumulation Index increased 8.4% and the S&P/ASX Small Industrials Accumulation Index increased 18.8%. The after tax NTA, adjusted for dividends, increased 9.8% while the share price, adjusted for dividends rose 19.8% for the 6 months to 31 December 2010.

Previously performance was compared against the S&P/ASX All Ordinaries Accumulation Index. The equity portfolio is made up of large and small industrial companies and it is believed that the S&P/ASX Small Industrials Accumulation Index and the S&P/ASX 300 Industrials Accumulation Index better reflect how the portfolio has previously been invested and will be invested going forward.

Thus these benchmarks better represent a way to evaluate the funds performance based on the underlying composition of the portfolio.

PERFORMANCE CONTINUED

Annualised Performance as at 31 December 2010	1 Year	3 Years	5 Years	Since Inception (Aug-03)
WAM Research Limited*	+4.4%	-4.6%	+2.4%	+4.3%
S&P/ASX 300 Industrials Accumulation Index	-2.6%	-7.8%	1.3%	+7.2%
Outperformance	**+7.0%**	**+3.2%**	**+1.1%**	**-2.9%**
S&P/ASX Small Industrials Accumulation Index	+2.2%	-11.2%	-0.9%	+6.4%
Outperformance	**+2.2%**	**+6.6%**	**+3.3%**	**-2.1%**

*The change in the gross portfolio before all expenses, fees and taxes.

Set out below is the performance of WAX since listing to 31 December 2010 on a financial year basis 1 July to 30 June. The performance data excludes all expenses, fees and taxes and is used as a guide to how the company has performed against the S&P/ASX 300 Industrials Accumulation Index and the S&P/ASX Small Industrials Accumulation Index which are also before tax and expenses.

Financial Year	Gross Portfolio*	S&P/ASX 300 Industrials Accumulation Index	Outperformance	S&P/ASX Small Industrials Accumulation Index	Outperformance
2003/2004	+6.5%	+13.5%	-7.0%	+10.7%	-4.2%
2004/2005	+5.2%	+22.4%	-17.2%	+26.1%	-20.9%
2005/2006	+13.4%	+17.2%	-3.8%	+20.1%	-6.7%
2006/2007	+30.7%	+29.5%	+1.2%	+38.2%	-7.5%
2007/2008	-31.6%	-26.7%	-4.9%	-36.5%	+4.9%
2008/2009	-4.8%	-14.5%	+9.7%	-21.6%	+16.8%
2009/2010	+10.3%	+14.5%	-4.2%	+10.3%	+0.0%
YTD 2010/2011	+14.1%	+8.4%	+5.7%	+18.8%	-4.7%

*The change in the portfolio before all expenses, fees and taxes.

MARKET OUTLOOK

The consensus among Australia's top share market strategists is the S&P/ASX All Ordinaries Index will rise approximately 14 per cent in 2011. This number is based upon a survey in the Australian Financial Review on January 4 of the top 10 strategists in the local market. If proven to be correct this would mean we could expect a total return, including dividends, of close to 18 per cent which is well above the long term average of around 11 per cent.

This bullish outlook is a significant improvement on 2010, which saw the S&P/ASX All Ordinaries Accumulation Index track sideways before closing up for the year by 3.3 per cent.

The market's performance in 2010 was characterised by a strong 10 per cent gain by the resources sector and a 7 per cent decline by the top 200 industrial stocks. The hottest sector for the year was the small resources sector which leapt 30 per cent, mainly in the last four months of the calendar year.

The 2011 bulls argue the year ahead should see solid gains based on reasonable stock valuations, continued strong demand for resources from South East Asia, in particular China, and an acceleration of the economic recovery in the US. All of these arguments are a continuation of the themes that dominated Australian markets from early July in 2010.

We are however much more circumspect. We agree that industrial stocks are reasonably priced at around 13 times forecast 2011 earnings, however, the prospect of higher interest rates through the course of 2011 could put a cap on earnings growth. If this is indeed the case, we will see little upside in share prices for industrial stocks coming from price to earnings multiple expansions. In fact, it is quite possible that multiples may contract if the Reserve Bank of Australia is forced to aggressively raise interest rates due to a tight labour market and a massive expansion from the resources sector.

While a sharp hike in rates is unlikely, it cannot be totally discounted. The best result for the industrial market would be for official interest rates to be on hold for the course of 2011.

Other recent events that will impact economic growth in 2011 are the widespread flooding and cyclonic conditions primarily affecting the eastern states of Australia. While the full effects of these natural disasters are yet to be known, current estimates predict a loss of 0.5% from GDP which is approximately $6.5 billion.

We also believe that China, the engine for above average world growth during 2010, may not provide such a buoy for the local economy in 2011. In recent months, the Chinese Government has been forced to lift interest rates and restrict lending practices to try and cool the economy. These measures have failed to have an immediate impact and inflationary pressures have emerged. As a result, China will be forced to keep raising interest rates, which should eventually ease inflationary pressures and ratchet down economic growth from over 10 per cent to possibly as low as 7 per cent. In turn, the much loved Australian resources sector, may find it difficult to repeat its stellar performance of last year. If this scenario plays out, the Australian dollar may also retrace some of its substantial gains of 2010. This is not to say, the China economic miracle is over, but it may need to have a health check in 2011.

The prospect of the US economy continuing to recover in 2011 is more likely. Share market bulls are likely to be frustrated by the pace of the recovery given the moribund housing market. However, low interest rates should support economic growth of around 3 to 3.5 per cent for 2011. This may not lower unemployment dramatically but it will be supportive of company earnings and equity prices. Leverage to this recovery can be found in Australian listed companies that have major operations in the US.

All of these factors should see equities struggle to move significantly higher in 2011. We do believe the drivers of the market will change during the course of the year with the resources sector easing back, especially at the red hot small end of the market, while industrials, especially those with exposure to the US economy could perform strongly. We have moved to position our portfolio to take advantage of this view.

PORTFOLIO STRUCTURE

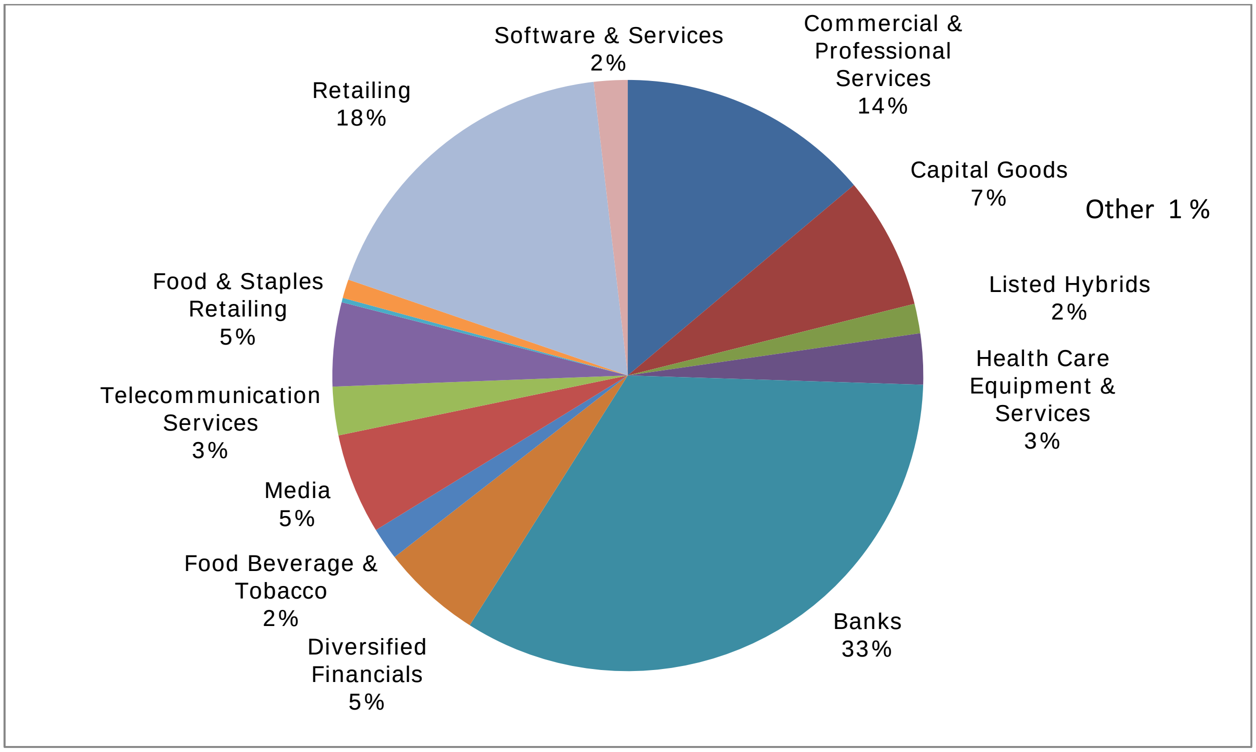
	As at 30 June 2010			As at 31 Dec 2010	
Investment Type	**$m**	**%**		**$m**	**%**
Listed Equities	79.68	80.9%		83.73	79.2%
Listed Hybrids	1.16	1.2%		1.37	1.3%
Fixed Interest and Cash	17.65	17.9%		20.63	19.5%
Total Assets	**98.49**	**100.0%**		**105.73**	**100.0%**
	No.			**No.**	
Total ordinary shares on issue	117,549,582			118,526,587	

PORTFOLIO STRUCTURE CONTINUED

As at 31 December 2010 the top listed equities (value over $1 million) were as follows:

Code	Company	Market Value $	Market Value as % of Gross Assets
NAB	National Australia Bank Limited	5,451,000	5.2%
MMS	McMillan Shakespeare Limited	5,406,135	5.1%
WBC	Westpac Banking Corporation	4,719,625	4.5%
WBB	Wide Bay Australia Limited	4,466,588	4.2%
APE	AP Eagers Limited	4,362,463	4.1%
MTS	Metcash Limited	3,904,500	3.7%
CBA	Commonwealth Bank of Australia	3,904,213	3.7%
CCP	Credit Corp Group Limited	3,487,873	3.3%
SGN	STW Communications Group Limited	3,461,431	3.3%
MYS	MyState Limited	3,410,905	3.2%
ANZ	Australia and New Zealand Banking Group Limited	3,093,875	2.9%
TGA	Thorn Group Limited	2,942,590	2.8%
ARP	ARB Corporation Limited	2,725,057	2.6%
SAI	SAI Global Limited	2,531,500	2.4%
RHG	RHG Limited	2,453,586	2.3%
BKL	Blackmores Limited	2,366,224	2.2%
BRG	Breville Group Limited	2,277,086	2.2%
AMM	Amcom Telecommunications Limited	2,075,876	2.0%
RCR	RCR Tomlinson Limited	2,039,726	1.9%
ORL	OrotonGroup Limited	1,847,291	1.7%
CIW	Clime Investment Management Limited	1,687,903	1.6%
SHV	Select Harvest Limited	1,511,318	1.4%
SVWPA	Seven Network Ltd preference shares	1,372,500	1.3%
IRE	IRESS Market Technology Limited	1,261,555	1.2%
CAF	Centrepoint Alliance Limited	1,254,575	1.2%
CSR	CSR Limited	1,233,750	1.2%
RQL	Resource Equipment Limited	1,153,933	1.1%
IMFG	IMF (Australia) Ltd 10.25% Sec Red Conv Note	1,053,345	1.0%
AHE	Automotive Holdings Group Limited	1,018,886	1.0%
REH	Reece Australia Limited	1,016,613	1.0%

LONG PORTFOLIO STRUCTURE – SECTOR ALLOCATION



We continue to look for companies with strong earnings per share growth, trading on attractive earnings multiples, which are well positioned in growth industries and have proven management.

We would like to thank our investors for their continued support. We look forward to seeing you at our shareholder presentation in May where we will give you a further update on the Company's performance and the broader markets.

For further information contact Geoff Wilson, Kate Thorley, Matthew Kidman, Chris Stott, Martin Hickson on (02) 9247 6755

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