



# FINANCIAL REVIEW



Anton Tagliaferro has launched QV Equities, which will offer exposure to stocks outside the top 20. PHOTO: LOUISE KENNERLEY

## LIC looks beyond usual suspects

### Jonathan Shapiro

Anton Tagliaferro's Investors Mutual is set to launch the Australian markets' first listed investment company (LIC) exposed to stocks outside the 20 largest companies on the ASX.

The company, to be known as QV Equities, is among a wave of listings of investment companies seeking to capitalise on the \$500 billion self-managed superannuation fund sector, which has built large, overweight exposures to high-yielding major bank stocks and Telstra shares.

"A lot of people are investing direct which means they are bypassing fund managers," Mr Tagliaferro told *The Australian Financial Review*. "But a lot of advisers we talk to said [we shouldn't] do a 'me too' LIC with National Australia Bank, BHP, Westpac and Telstra."

The LIC is based on Tagliaferro's view that a portfolio of stocks outside the 20 largest is likely to perform better than the largest companies over three to five years. It will also give investors broader exposure to industries and allow them to benefit from the global expansion of leading companies.

Mr Tagliaferro, founder of the \$4.9 billion equity manager Investors Mutual, lists **Ancor**, **Ansell** and **Orica** as quality ASX listed stocks outside the top 20. "These are great companies. It comes down to price but if you look at the multiples on **Sonic** and **Ansell**, they don't look too expensive," he said.

"Ancor is one of the largest packaging companies in the world, Orica is one of the largest explosive companies in the world, Sonic is the largest private

pathology company in a Germany with an ageing population of 70 million people. Ansell is No. 2 globally in gloves and condoms and they have clever new products. Recall is the No. 2 in documents storage," he said.

Tagliaferro says these companies are capitalising on the strength of the Australian sharemarket to pursue growth overseas. "They are fortunate in that they are listed in a well-supported sharemarket with this huge superannuation pool. So they are raising money in Australia and buying things overseas, and that's effectively where their

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growth will come from – not Australia. "Their growth will come from being global companies that can tap the Australian stock market and make incremental acquisitions overseas."

Mr Tagliaferro favours **Caltex**, which is transforming from a refiner to a marketer of energy, and **DUET Group** as domestically focused ASX-20 stocks that appear attractively valued.

QV Equities' pitch to investors is a diversifier to the major banks and large caps. Official statistics and independent work conducted by planners showed individual investors are heavily concen-

trated towards the major banks. "If you look at SMSF data, most have five stocks and they tend to be banks, **BHP**, **Telstra** and **Woolworths**. It really doesn't give investors enough diversity."

Mr Tagliaferro doesn't advocate that investors sell their bank shares but said they need to be aware of the risks of being exposed to a single sector. "They have to reduce their exposure at some point but there is no hurry. You have to remind investors that the banks are cyclical and they do have bad debt charges that could upset the apple cart. They are highly leveraged vehicles."

The rise of the self-managed superannuation sector has had a major impact on sharemarkets and the investment management industry. Broker Credit Suisse recently dropped its underweight position in **Westpac** in recognition of the buying power of self-managed super funds that are gravitating towards high-yielding bank shares.

But the SMSF sector has overlooked stocks outside those that are well covered and high yielding. Tagliaferro says it is harder for investors to get information and research about lower profile companies like **Ansell** and **Sonic**.

The funds management industry has responded to the SMSF sector by recapturing the \$500 billion that is diverting professional money managers to be directly invested in assets. The result has been a rush to create direct investment products for empowered SMSF investors.

QV Equities will charge a fee of 0.90 per cent until its net asset value rises above \$150 million, when it will fall to 0.75 per cent.