

The Motley Fool, 15 July 2014



Invest like a legend with these 3 stock tips

By Mike King - July 15, 2014 | More on: [ANN](#) [ORI](#) [SHL](#) [^XKO](#)

Market veteran Anton Tagliaferro is one of Australia's most well-known fund managers. Coming out of Perpetual investments, Mr Tagliaferro founded Investors Mutual (IML) in 1998. He follows a value investing approach to stock picking – a highly successful strategy popularised by the investing success of legend Warren Buffett (among others).

Since that date the company's Australian Share Fund has beaten the **S&P/ASX 300 Accumulation index** (Index: ^AXKO) (ASX: XKO) with an average return of 11.6% each year, compared to the index's 9%. Interestingly, 5.2% of that has come from dividends showing how important dividends are in delivering market beating returns.

Recently the investment manager launched a listed investment company known as **QV Equities Limited** (ASX: QVE), which invests in stocks outside Australia's top 20 stocks. The rationale behind that decision is to give many investors exposure beyond the big four banks and **Telstra Corporation Ltd** (ASX: TLS).

QV Equities will emulate the strategy followed by Tagliaferro, which focuses on companies with strong competitive advantages, recurring earnings, good management and a cheap price.

Speaking to Morningstar, Tagliaferro identified three mid-cap stocks, which he says can deliver income for yield hungry investors. Those three stocks are **Sonic Healthcare Limited** (ASX: SHL), **Ansell Limited** (ASX: ANN) and **Orica Ltd** (ASX: ORI). Those 3 are currently paying yields of 3.6%, 2.2% and 4.5% respectively, with Orica's dividend fully franked.

As Mr Tagliaferro told Morningstar, *"A lot of companies outside the top 20 are still quality businesses with a long history of growing their dividends. We actually prefer those companies that can deliver on both growth and income"*.

He says Ansell can continue to deliver earnings growth through product innovation, cost-out programmes as well as bolt-on acquisitions, and at a 2015 financial year P/E ratio of 14.5 believes Ansell is a high quality company trading at an attractive price. Orica is one of the Australian Share Fund's top ten holdings, while Tagliaferro says Sonic is a global business and everyday people need blood tests.

It can pay to follow the experts and here's two ASX stocks Warren Buffet would love, as well as some of his investing secrets...