3 Reasons Why Manulife Financial Corp. Is a Great Long-Term Investment

Description

If you're like me, you're frustrated by the lack of quality companies in Canada. Too many of our largest firms are extremely cyclical, have poor balance sheets, and quite frankly make for bad long-term investments.

But if you look hard enough, there are Canadian companies you can invest in for years, or even decades. One of them is **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC), Canada's largest life insurer. Below are three reasons why this is a great place to park your money.

1. All cleaned up

I know what you're thinking: didn't Manulife screw up really badly during the financial crisis? Didn't it struggle to survive? Didn't it slash its dividend? Well, the answer is yes to all of those questions.

But since then, led by new CEO Donald Guloien, Manulife has become a lot safer. It has emphasized safer, fee-based businesses such as wealth management. And more importantly, the company has built up a very strong balance sheet. Today, its capital ratio is actually stronger than that of its two large rivals.

Ironically, Manulife is more secure precisely because of its troubled past. The company knows what its like to struggle for survival, and is determined not to relive that experience. Investors should feel very comfortable knowing what the company's top priority is.

2. Great opportunities in Asia

Looking ahead, Manulife has plenty of opportunities for growth. Most promising is the company's presence in Asia, which currently accounts for about a third of core earnings.

Asia is a market that everyone wants to be in. And it's easy to see why. By 2030, the continent will be home to two-thirds of the world's middle class. These people will need the services that insurers provide. As a result, some companies have had to pay big dollars just to gain entry to the market.

But Manulife has been in Asia for over a century. As a result, it can grow in the region without having to spend too much money.

3. A cheap price

In early December, Manulife shares were trading north of $23 per share, but have since slumped, and now trade at just over $20. This is a very low price for the company. Allow me to explain.

Manulife now trades for about 1.3 times its book value — by comparison, the big 5 banks trade at roughly two times book value. Manulife also has much better growth opportunities than the banks do. Over the next 10 years, this stock could easily get you double-digit annual returns. You just have to be patient.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
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