# Is Manulife Financial Corp. a Better Option Than the Big Banks?

## Description

Despite strong quarterly earnings reports, shares of Canada's big banks have struggled recently as investors continue to fret over the economic impact of weak crude oil prices. One option for investors seeking exposure to the financial sector is **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC), a heavily traded insurance company whose shares are up more than 8% this year, and hit a six-year intraday high on Wednesday.



Manulife had a difficult time during the financial crisis and was forced to reduce its dividend. However, the insurer rode out the storm and has thrived, even in a lengthy low interest rate environment. Manulife has a strong capital position and is diversified geographically, with 45% of its earnings coming from the United States and 28% from Asia, a targeted growth area for the company, says Greg Newman, associate portfolio manager at Scotia McLeod. Newman added that interest rates will eventually rise, providing a tailwind for Manulife.

To reflect its stronger position, Manulife raised its dividend twice in the last year, including a nearly 10% increase in May, bringing its total dividend increase to 31% over the past 12 months and bumping up its dividend yield to 2.9%.

Recent reports suggest Manulife is planning a $450 million initial public offering of some of its U.S. property assets in Singapore. The listing would use the real estate investment trust structure, *Reuters* said. Manulife's real estate portfolio had a market value of $6.3 billion as of the end of 2014. Manulife also recently announced a 15-year regional distribution agreement with DBS Bank, providing exclusive distribution rights in Singapore, Hong Kong, Indonesia, and China.

Manulife's latest quarterly earnings report also shows a company clearly in growth mode, with net earnings rising nearly 11% to $797 million and revenues also climbing 11% to $15.8 billion. The company's assets under management hit a record $821 billion.

"We had a good start to 2015," said Manulife CEO Donald Guloien. "We completed two key acquisitions in North America, announced an exclusive 15-year distribution agreement with DBS in Asia, and in the United States, we launched Vitality, a forward-thinking solution that rewards customers for healthy living and revolutionizes the whole notion of life insurance.”

Chief financial officer Steve Roder noted that the company has chosen to retain a strong capital base and reduce leverage, an approach that is both “prudent and desirable, given continued economic uncertainty and our desire to fund strategic investments.”

Manulife’s traditional insurance business continues to generate strong income for the company, added to its rapidly growing wealth management division. All in all, you have to respect Manulife’s management for keeping the company afloat during the dark days of the financial crisis, and ultimately creating a company that is better off today than it was in 2009. It is a fine pick for investors looking for a durable performer in the financial sector.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)



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