

1 Secular Trend That Will Significantly Boost Manulife Financial Corp.'s Performance

Description

An important aspect of investing is the ability of investors to identify trends that are cyclical in nature and those that are secular. Secular trends are ground-breaking social, economic, demographic, or technological shifts that can last for years or even decades that can be powerful tailwinds for those companies capable of identifying and benefiting from them. What makes them important for investors is that they are unaffected by the state of the economy, meaning they are unaffected by market downturns.

One secular trend that many companies have failed to identify and position themselves for is the massive growth in wealth in emerging markets. In recent years wealth as well as the volume of high net-worth individuals and middle-class households in those countries have exploded.

This has created considerable opportunities for wealth advisors and asset managers in societies that lack any established industry offering such services and products. It has, in fact, been estimated that in coming decades more than US\$30 trillion in assets will be transferred to the next generation, creating an unprecedented opportunity for investment managers and advisors.

With the majority of that growth occurring in Asia, Canada's largest insurer **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) is one of the best positioned to benefit from this trend.

Now what?

You see, Manulife has focused on expanding its business outside Canada. It has a significant focus on beefing up its business opportunities in Asia. It's operating with a solid footing in Hong Kong and Japan and has considerable exposure to the rapidly growing Chinese market.

In fact, the solid operational footprint that Manulife has built in Asia now sees it operating across 12 regional markets with the region responsible for roughly half of its insurance sales.

Manulife's regional operations aren't restricted solely to insurance, but also include wealth and asset management, positioning it perfectly to prosper from Asia's growing wealth and changing demographics.

The potential held by Manulife's Asian business can be seen in its first-quarter 2016 results. It reported record premium sales and an impressive 32% year-over-year increase in core earnings. This substantial growth means Manulife's Asian business is responsible for over a third of its earnings—generating more earnings than its Canadian operations.

The growth doesn't stop there. For the same quarter Manulife's Asian business saw its assets under management grow by 7% to US\$82 billion because of strong mutual fund sales in China. This strong growth will continue not only because of Manulife's significant scale in Asia, but also because it

remains focused on building its presence and distribution channels in the region.

So what?

Asia is shaping up as a key market for insurers, investment advisors and wealth managers. Its growing wealth and rapidly expanding middle-class has triggered a sharp surge in demand for investment products and services. Manulife has seized this opportunity by expanding its operations in the region, leaving it well positioned to benefit from these phenomena.

While investors wait for this to translate into a healthy bump in its bottom line and ultimately a higher share price, they will continue to be rewarded by its regular dividend payments, which yield a juicy 4%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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Author

mattdsmith

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