Why Manulife Financial Corp. Should Be Part of Every Portfolio

Description

Insurance companies in Canada, particularly the larger ones, like **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC), have a problem. More specifically, Manulife has a very good problem.

With the insurance market in Canada now fairly saturated and Manulife boasting one in three Canadians as clients, Manulife has been looking at expansion outside Canada as the primary growth vehicle for the company.

Manulife's expansion into Asia

Parts of Asia are in the midst of the largest periods of wealth generation from the middle class ever seen. As a result, there is now an incredible demand for the insurance products that Manulife and other insurers offer. Some sources estimate that the amount of wealth that will be passed to the next generation is over US$30 trillion.

Manulife has been steadily investing in Asia over the past few years to the point where nearly one-third of earnings from the company now comes from Asia in addition to nearly half of all insurance sales. As impressive as this may sound now, this is a trend that is likely to continue growing over the next few years.

Manulife has forged a number of deals across Asia that have seen the company blanket the continent in coverage. One example of this is the deal between Manulife and DBS Group Holdings Ltd. in Singapore. Under the terms of the agreement, Manulife has exclusive rights of wealth management products in Singapore as well as with DBS's clients across Asia.

Another great example is the 15-year deal that Manulife entered last year with Standard Chartered bank in Hong Kong, resulting in Manulife gaining exclusive rights to products there.

Deals like these have been emerging throughout Asia over the past few years, and more are likely to follow based on the incredible demand. The Singaporean market in particular has proven particularly lucrative for Manulife. Sales from that market are up by over 500% over the past year, and other markets, such as Vietnam and the Philippines, are showing 50% year-over-year increases.

Manulife is a great dividend stock

Following the Great Recession, Manulife slashed its dividend by 50% but has since steadily rebuilt it. Its current level is $0.185 per share, which, at the current price, results in a respectable yield of 3.78%.

In the most recent quarter, Manulife posted net income attributed to shareholders of $704 million, representing an impressive 17% gain over the same quarter last year. Core earnings for the quarter came in at $833 million, signifying a drop of 8% over the same quarter last year.

From a growth perspective, the Asian market provided a 30% increase in insurance sales, whereas Canadian insurance sales saw a 28% drop due to inherent variability stemming from group sales. Turning to the U.S. segment, insurance rates registered a 9% drop, which is attributed primarily to market conditions and increased competition.

In my opinion, Manulife remains a solid option for any portfolio. Manulife has aggressively pursued expansion into the Asian market, which has and will continue to provide an increasingly large part of the company's revenue in the future. In turn, investors can expect to see the already impressive dividend continue to grow.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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dafxentiou