



Manulife Financial Corp. Reminds Us of the Importance of Diversification

Description

The importance of diversifying investments can't be overstated. Finding a balance of investments that cater to both growth and dividend-paying objectives can be challenging at times.

Fortunately, there are some stocks in the market that are diversified and cater to both the growth and dividend-income audiences.

Manulife Financial Corp. ([TSX:MFC](#)) ([NYSE:MFC](#)) continues to impress analysts and investors alike.

Manulife is the largest insurer in Canada, proudly boasting having one in three Canadians as customers. While this is an impressive feat, it is also limiting from the perspective of growth, at least within the Canadian market. To counter the saturated Canadian market, Manulife has looked outside Canada in recent years to fuel growth.

Manulife has a growing presence in the U.S., where the company operates under the John Hancock brand, and, while the U.S. market continues to show growth for the company, Manulife's venture into Asia is where real growth is taking shape.

Asian market potential

Asia is undergoing the largest wealth-generation boom ever seen. As the new middle class emerges, there is untapped demand for the insurance products Manulife offers. Some experts have pegged that the wealth market, which will be passed down to the next generation, is over US\$30 trillion.

Manulife has been bolstering its exposure to Asia over the past few years to the point that a significant share of its earnings and nearly half of insurance sales are now attributed to Asia.

Part of the reason for this growth has been Manulife's masterstroke deals in the region, which have allowed the company move in to nearly every country on the continent. The Singaporean market in particular has been a major growth source for the company; double-digit growth year over year is not uncommon.

The Trump factor

Turning back to North America, president-elect Trump has been particularly vocal about wanting to boost the U.S. economy, and interest rate hikes are central to that theme.

Even a small interest rate hike could spell significant gains for Manulife. To put the magnitude of this into perspective, consider the premium and claim business model that insurance companies adhere to. Insurance companies often invest premiums into an array of investments, such as securities or government debt, which currently pay little interest.

For a company such as Manulife, which has over \$300 billion invested, even the slightest uptick in interest rates could result in billions of new revenue.

Quarterly results

Manulife provided quarterly results earlier this month, showcasing why it is such a great investment opportunity.

Overall, Manulife impressed with a 79.6% increase in profits—fueled by gains in the company's diverse portfolio of investments.

In terms of earnings, Manulife reported \$0.49 per share, bettering the \$0.34 per share that some analysts had been calling for.

Within the Canadian division, net income increased 58% over the same period last year, coming in at \$435 million. Canadian core earnings also showed an increase for the quarter, coming in at \$1,025 million compared to the \$900 million posted in the same quarter last year. Insurance sales in Canada were also up for the quarter by 27%, but when viewed on a year-to-date basis, insurance sales remain down by 13% over last year.

Another factor worth mentioning is Manulife's dividend. Manulife currently pays a quarterly dividend of \$0.19 per share, which, at the current stock price, results in an impressive 3.21% yield. When the dividend is weighed alongside the impressive results and growth prospects, the real potential of this stock starts to take hold.

Manulife is a great investment for any portfolio

Whether seeking dividend income or long-term growth, Manulife remains a great option for almost any investor or portfolio. Between the incoming U.S. administration that will likely push interest rates up and the continued growth potential coming from Asia, there's still plenty of upside to Manulife.

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