



Manulife Financial Corp.: It's All About Asia

Description

With its population continuing to grow and the middle class developing aggressively, many companies have sought out ways in which they could infiltrate the region and gain access to the wealth being generated. **Manulife Financial Corp.'s** ([TSX:MFC](#))([NYSE:MFC](#)) success depends on Asia. The good news for the company and its investors is that it has had tremendous success over the past few years in the region.

A big part of this success has been through a series of acquisitions and agreements it has signed. In September 2015, Standard Chartered Bank, one of the oldest banks in Hong Kong, sold its pension business to Manulife. Along with the acquisition, Manulife became the sole insurance provider to Standard Chartered for a term of 15 years, meaning that until 2030, Manulife will be the only one selling insurance.

Then in January 2016, Manulife signed another 15-year partnership, this time with DBS Bank, a Singaporean multinational banking and financial services corporation. This deal ensures that Manulife will be the only provider of insurance products to DBS Bank's clients in China, Hong Kong, Indonesia, and Singapore. Then in August, it signed an agreement with FTB Bank — a bank that has been operating in Cambodia for 36 years — to sell its insurance products.

These deals did more than just provide customers for the insurance company, though. Thanks to relationships Manulife has built over the past few years, it was able to tap a debt market that most insurance companies did not have access to, giving it even more capital to invest with.

In May 2016, Manulife raised approximately \$470 million by selling 10-year subordinated notes in Singapore. This was the first foreign insurer to raise capital in the country. In December, it raised US\$270 million in the region. And in June, it raised US\$1 billion in the Taiwanese market through a 30-year debt offering.

The numbers all point to Manulife's strategy working. In the third quarter, Manulife's Asia division posted net income of US\$430 million, which was up from US\$84 million a year prior. A big part of this was due to the 28% improvement to US\$633 million in sales of Manulife products. When compared to

the total US\$1.117 billion in net income attributed to shareholders — up from US\$622 million in the previous year — it's clear that Asia is playing a huge part in what the company is able to achieve.

So, should you buy Manulife?

It has been a great few months for the company. Ever since the U.S. Federal Reserve increased the benchmark interest rates from 0.25-0.50% to 0.50-0.75%, the stock has seen quite a resurgence, going from under \$19 a share to over \$24. Although this interest rate change is small, much of Manulife's investments are in U.S. dollars, and its assets benefit from rising interest rates, so this is a sign of a strong U.S. economy, which benefits Manulife.

I very much believe that Manulife has a bright future ahead of it. And as trillions in wealth prepare to be transferred from one generation to the next in many Asian countries, Manulife is in a prime position to benefit. While Asia only accounts for a third of the bank's profits today, I anticipate this will grow to be more like 50% of a much larger pie in the coming years. I say buy.

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