This Top 20 Canadian Large-Cap Value Stock May Surprise You

Description

Among the list of Canada's top 20 stocks by market capitalization are the largest banks, oil and gas companies, and telecommunications firms; however, on a relative fundamental valuation basis, an unlikely firm rises to the top: **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC). This insurance company boasts the lowest price-to-book (P/BV) ratio (1.08) and price-to-cash flow (P/CF) ratio (2.66) among the top 20 companies with a competitive dividend and a better-than-average 15 times earnings valuation.

In November, I wrote an article highlighting a bullish thesis for Manulife on the basis of a Trump presidency providing a boost for this insurance firm. Since the November 9th election, shares of Manulife have appreciated approximately 25% and have maintained this level as investors and analysts consider both the headwinds and tailwinds for this industry moving forward. With financials performing quite well in general since the election, Manulife has remained an interesting way to play the continued Trump Rally in this sector, outperforming many of its peers over the past eight months.

Fellow Fool contributor Joey Frenette has highlighted another driver for the insurance company, focusing on Manulife's Asian exposure as a key catalyst that could drive shares higher in the long term. Manulife has remained very forward-looking when compared to its insurance peers. Diversifying revenue streams, along with tapping into broader global growth trends in Asia, should serve the company well in the long run compared to the competition.

As the 12th-largest company in the country, investors interested in initiating a position in Manulife may focus on the company's size as one of the key investment theses. While the insurer's growth profile over time may be slower than its other smaller peers, the stability and predictability of earnings moving forward make this a long-term investor's dream. With a current yield of almost 3.5%, income-focused investors can rely with reasonable certainty on the income stream and expect modest capital appreciation over time, making Manulife a fantastic long-term addition for any portfolio with an investment horizon of 10 years or more.

Bottom line

Of the 20-largest Canadian firms, Manulife remains one of my top long-term recommendations for investors with a sufficiently long time horizon. At current levels, Manulife is trading at valuation multiples much cheaper than its peers and is offering a dividend that is much higher than its long-term average level. With solid growth expectations built into the stock price and the dividend moving forward, investors can expect modest, stable returns over time.

Stay Foolish, my friends.

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