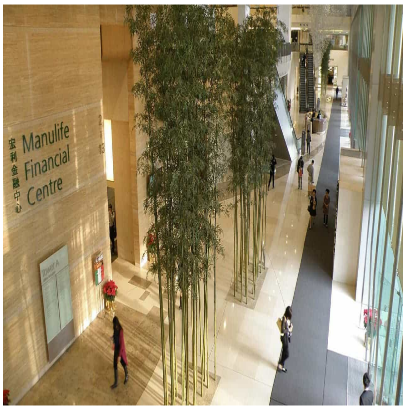

Manulife Financial Corp.: Canada’s Best International Value Stock as Rates Rise?

Description

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC) is a great option for Canadians who want a non-bank financial stock. While rising interest rates are a negative for many asset classes, insurance companies like Manulife will benefit from higher rates gradually over the next few years. In addition, the company has an incredible Asian business and an underappreciated U.S. business that will support dividend hikes for many years to come.

John Hancock hasn’t been sold yet, but that’s okay

Earlier in the year, many investors were pushing Manulife to spin off or sell its John Hancock business, which has been a real laggard when compared to the Canadian and Asian businesses, both of which had higher ROEs.

There’s no question that John Hancock is an incredibly capital-intensive business with a weaker ROE; however, I don’t think that the lack of a sale will continue to result in sub-par performance for shares of Manulife, especially when you consider how well the segment has been performing of late.

With or without John Hancock, Manulife is still a cheap stock with a promising growth runway and many tailwinds. The U.S. isn’t exactly the worst place to be as a lifeco right now either. John Hancock may start to finally pick up the slack as the U.S. economy strengthens following Trump’s much-anticipated corporate tax cut for U.S. businesses.

Asian expansion will likely drive Manulife shares much higher

Manulife has made several deals with some of Asia’s big banks, including an exclusive deal to become the exclusive life insurance provider for Hong Kong-based Standard Chartered Bank until 2030. More recently, Manulife made another long-term deal with DBS Bank of Singapore and FTB Bank of Cambodia.

The management team realizes how huge the opportunity is in Asia, and it’s made all the right moves to ensure it captures a huge chunk of the pie. Trillions of dollars are being passed down to the next generation in Asia over the next several years. Given this, I believe Manulife is well positioned to thrive given its long-term partnerships with various Asian banks. Going forward, I expect more exclusive deals to be made which will further strengthen Manulife's long-term growth profile.

Bottom line

Shares of Manulife currently trade at a 14.15 price-to-earnings multiple, which is a really small price to pay considering you'll likely enjoy 8-10% earnings growth per year over the medium term. Manulife will be riding many tailwinds, and given its solid international presence and relative margin of safety at current levels, I think investors should think about backing up the truck.

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