



Diversify Your Portfolio With Manulife Financial Corporation

Description

I recently mentioned how several of Canada's big banks are expanding into foreign markets as a means of fueling growth. One the big banks chose to seek out [opportunities in Latin America](#), which has proven wildly successful, whereas another chose to focus [expansion efforts in the U.S. market](#).

The insurance market in Canada is in a word, saturated. **Manulife Financial Corporation** ([TSX:MFC](#))([NYSE:MFC](#)) is the largest insurer in the country and boasts having one in three Canadians as clients.

Impressive as that may be, that level of saturation leaves little room for growth or cross-merchandising, and Manulife has addressed this by expanding aggressively into Asian markets.

Why expand to Asia?

Asia is undergoing the single largest explosion of wealth ever seen. That expansion isn't restricted to one country either — nations as varied as Vietnam and Singapore to India and China are experiencing a rapidly growing middle class that has both the income and desire to seek out the financial products that Manulife offers.

Manulife undertook that expansion by signing a series of partnership agreements with local financial institutions in each local market, effectively making Manulife the preferred, if not exclusive provider of financial products to that market.

The decision to cast a wide net into Asia was also wise in that Manulife diversified itself into nearly every single market in Asia. When coupled with the exclusive partnership deals signed in each market, the result is a very effective and lucrative business arrangement.

In terms of results, over the course of fiscal 2017, the Asia business arm of the company realized a 25% increase in new business value, which topped \$1.2 billion.

Manulife is set to give an update on the first fiscal quarter of 2018 next month.

What about interest rates?

The current environment of rising interest rates is one that continues to draw attention to Manulife. Being an insurer, Manulife can reap significant gains from an interest rate hike owing to its business model.

Manulife receives payments referred to as premiums from its customers. Those premiums are disbursed as needed to customers when a claim is filed. Thankfully, not every client files a claim, and the difference between the premium and claims paid out, which is referred to as a float, is invested for additional profits.

When factoring in companies such as Manulife that have floats which are measured in the billions, the impact of even a small quarter-percent hike could spell millions in additional profits for Manulife.

Manulife can be an income play too

Investors looking for an income-producing stock will be equally as pleased with Manulife. The company offers a quarterly payout to investors that provides a respectable 3.70% yield.

Manulife has kept current with providing annual bumps to the dividend as well, with the most recent uptick coming in the form of a 7% increase in the last quarter.

Manulife is an intriguing long-term option for those investors looking for growth or income-producing potential.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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