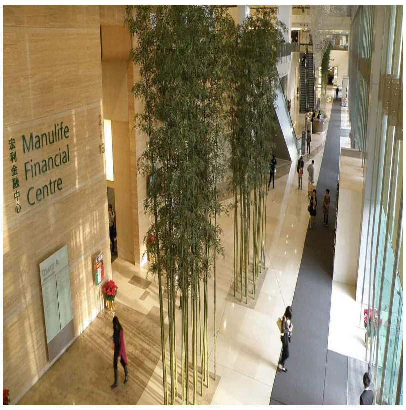

Why This Boring Dividend Stock Is a Good Candidate for Your TFSA

Description

Insurance companies don't attract a lot of attention from investors or the financial press. And the main reason of this apathy is the boring nature of their business.

But you may be surprised to know that the world's most successful value investor, Warren Buffett, credits his success to his insurance portfolio. Insurance has been the main pillar of growth for **Berkshire Hathaway Inc.** (NYSE:BRK.B)(NYSE:BRK.A) since his 1967 acquisition of National Indemnity. In fact, Buffett specifically referred to the insurance industry as Berkshire's "most important sector" in his latest letter to shareholders last year.

Value investors love insurance stocks due to their ability to generate steady cash flows and the strength of their balance sheets. If you're looking to add a solid insurance stock that pays regular dividend in your TFSA, then Manulife Financial Corporation (TSX:MFC)(NYSE:MFC), Canada's largest insurer, may be a perfect candidate. Here's why.

Global presence

The company has a large global presence focusing on Asia, where it operates in some of the largest economies of the region, including China, Japan, Hong Kong, Singapore, Vietnam, the Philippines, and Cambodia.

Manulife serves 26 million customers globally, with more than a trillion dollars in assets under management and administration. Manulife's strong presence in Asia is helping the company grow its earnings, as some of these emerging markets are still underserved when it comes insurance and wealth management services.

In the first-quarter earnings, Manulife Financial reported an 18.3% jump in its profits as it benefited from robust growth in Asia. The company said its total core earnings rose to $1.3 billion, or $0.64 per share, in the quarter ended March 31, from $1.1 billion, or $0.53, a year earlier. Core earnings from the company's Asia division rose 19.6% to $427 million in the quarter.

Share performance

If you look at Manulife’s share performance over the past 12 months, you’ll notice that its shares didn’t budge. But according to some analysts, the company is probably ready to break out of this sluggish cycle.

Manulife shares are trading at just 8.64 times the forward earnings per share, which is well below the 10-year average of 10.7. That valuation is quite attractive when compared to Manulife’s peers and the largest lenders in Canada. That compelling valuation and a momentum in the company’s Asian business are probably the two main reasons that the majority of analysts now have a “buy” rating on Manulife stock.

With the 12-month analysts’ consensus price target of $30.85, Manulife stock offers a potential 26% upside. Trading at $24.46 and with a dividend yield of over 3.63%, Manulife stock is a good buy-and-hold candidate for your TFSA. The company pays $0.22 a share in quarterly dividend that was raised by 7% in February.

The bottom line

Insurance stocks are attractive buy-and-hold picks for long-term investors. In an environment when interest rates are rising, insurance companies generally do better than other financial stocks. The time appears right to get excited about this old and boring stock.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BRKA (Berkshire Hathaway Inc.)
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