



## 4 Compelling Reasons to Invest in This Insurer

### Description

When reviewing the insurance market in Canada, one word comes to mind: saturated. **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) is the largest insurer in the country, already counting one in three Canadians as clients.

Rather than sitting on its laurels, however, Manulife recently turned to markets outside Canada to drive growth, which is one of several reasons why investors should consider investing in the company.

### Manulife's expansion into Asia

Manulife has recently expanded into Asia, where a massive wealth explosion has created a unique opportunity for Manulife.

Throughout Asia, a new middle class is emerging — a demographic with both the income and the desire to invest in the financial products the company has on offer. This represents an incredible opportunity that Manulife continues to capitalize on.

To cater to that opportunity, Manulife has set up strategic agreements with local banks in a host of countries across the continent, becoming the exclusive provider of those financial products.

To say that the effort has been successful would be an understatement.

The Asia segment of the company continues to provide double-digit growth for Manulife, with the most recent quarterly update revealing an impressive 21% growth from the segment. The \$427 million earned in the segment is on par with the earnings from the U.S. segment.

### Strong results

Financial results for the first fiscal of 2018 was announced earlier this month – results that continued to highlight the strength and appeal of investing in Manulife.

In the most recent quarter, Manulife reported net income of \$1,372 million, or \$0.67 per diluted

common share. This represents a small uptick from the \$1,350 million, or \$0.66 per diluted common share reported in the same quarter last year.

Core earnings were \$1,303 million in the quarter, thereby representing an impressive 22% increase over the same quarter last year. The increase was attributed primarily to higher investment gains and growth across the various segments of the company.

### **Growing dividend and interest rate concerns**

Manulife offers investors a quarterly dividend of \$0.22 per share, which at the current price results in a very handsome 3.55% yield.

The continuing success in Asia is likely going to continue fueling [dividend growth](#), which has maintained an annual or better uptick over the past several years.

This makes Manulife a compelling income investment as well as a growth investment, but the best is yet to come.

In its simplest form, the insurance business model has clients paying the insurer a premium, which is then disbursed to a client when a claim is filed. The difference between the premium and claim is known as the *float*, and insurers will invest this float to earn even more money. In the case of a massive insurer such as Manulife, that float could be hundreds of millions, if not billions.

Interest rates began their first movements upwards last year, and additional increases will likely follow. In the case of Manulife, an increase of 50 basis points could earn an additional \$100 million in net income from the reinvested float.

In my opinion, Manulife remains a [great financial sector investment](#) that appeals to both income and growth-seeking investors looking to diversify their portfolios.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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