



Will Manulife Financial Corporation (TSX:MFC) Remain in the “Dark Ages” Forever?

Description

Manulife Financial Corporation ([TSX:MFC](#))([NYSE:MFC](#)) has been a pretty big laggard in the Canadian life insurance space. The company is still feeling the effects from the Great Recession, and as it attempts to recover from the “dark ages,” management has emphasized its intent to make the insurance application process smoother (and more technologically advanced), as it simultaneously looks to the [Asian markets](#) to reignite meaningful growth.

The Asian opportunity is enormous, but thus far, the positive effects have been dampened by the lower ROE John Hancock business that many investors want Manulife to rid itself of. John Hancock is a solid foundation, but it’s a low-return business given its capital-intensive nature, and with no way to offload it in the near future, Manulife may have difficulty taking off, even with promising growth coming from Asia.

Manulife is [firing on all cylinders](#) with its Asian segment, and that’s something for long-term investors to be excited about. The company has exclusive partnerships with banks across various Asian countries, including China, Hong Kong, Indonesia, and Singapore. With a front-row seat to wealth management growth out of Asia, Manulife is poised to capitalize on the trillions of dollars in wealth that’s set to be passed on younger generations.

Before you back up the truck on shares of Manulife though, you should know that in spite of the continued growth in Manulife’s global wealth management business, I suspect old-fashioned high-margin mutual funds will be in secular decline, as more technologically advanced means to invest become more prominent.

Tencent Holdings Ltd. (OTCMKTS:TCEHY) was recently granted a licence to sell mutual funds to the users of the popular app, WeChat (China’s version of Whatsapp), which has over one billion users.

Weimin Insurance Agency, a subsidiary of Tencent, will likely contribute a majority of the third-party mutual funds sold through the WeChat app, and with insurance products also available through the popular Chinese app, I think Manulife is facing stiff competition in China and potentially other Asian markets.

Although there are no significant dents in Manulife's Asian armour yet, I think Tencent (and other tech-savvy Chinese players) could be seen as a potential threat to the overall success of Manulife's Asian expedition over the long term.

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joefrenette

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