



## 3 Reasons to Buy Manulife Financial (TSX:MFC) for Your TFSA Today

### Description

**Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)) is coming off a period of strong performance.

With a market capitalization in excess of \$50 billion, Manulife is a force to be reckoned with, with a strong past and a very promising future.

In the last five years, the company has seen a 15% compound annual growth rate (CAGR) in core EPS, a 28% CAGR in the business value in Asia, and strong growth in its global wealth and asset management business, with a 20% CAGR in assets under management — and all this while maintaining a strong capital position.

Here are three reasons investors should think about adding Manulife stock to their TFSA portfolios.

### Returning cash to shareholders

In 2018, Manulife increased its dividend by 14% in a move that came earlier than expected at a greater magnitude than expected and more than last year's 7% dividend increase.

Manulife stock is currently trading at a [dividend](#) yield of 4.54%.

Recently, management has been ramping up its share-buyback program, buying back 1.2% of its shares outstanding in the fourth quarter of 2018 with the intention of doubling its share-buyback program in 2019, as they believe Manulife stock is significantly undervalued.

### Strong growth in wealth management and Asia

Manulife continues to see strong growth in wealth and asset management and in its expansion in Asia, making it so much more than a Canadian life insurer.

As evidence of this, we can just look to 2018 results. Manulife posted a better-than-expected 23% increase in core earnings, earnings per share of \$2.74, and generated a solid ROE of 13.7%.

Core earnings in Asia were up 23% year over year, reflecting continued growth in that region and reflecting the general thesis.

## Interest rate sensitivity

Although interest rates look set to stay low for a while, if you believe that rates will go up in the long term, Manulife is for you, as it has good sensitivity to rising interest rates.

According to Manulife, a 50-basis-point increase in interest rates would have a \$100 million impact on net income and a meaningful effect on its Minimum Continuing Capital and Surplus Requirement ratio.

Manulife stock trades at a P/E of roughly 10 times this year's earnings, well below its peer group (over 10 times) and its historical range. So, Manulife is trading at a discount relative to other life insurers but also relative to its own earnings growth and potential.

Investor skepticism, short-sellers, and a very public legal dispute has kept investors away, despite the company actually reporting good results for some time now.

## Final thoughts

Strong, better-than-expected results, continued [undervaluation](#), and strong year-to-date stock performance of +14.5% have kept Manulife stock on my radar.

Investors should consider adding it to their TFSA for its dividend yield and growth potential.

### CATEGORY

1. Dividend Stocks
2. 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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**Date**

2025/08/02

**Date Created**

2019/03/09

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