Looking for a Bond-Like Yield of 4.3%? Buy This Top TSX Stock Today

Description

Many investors can remember back to the good, old days, when bond yields were much higher than 4.3%. Today, getting a 4.3% yield usually requires taking on some pretty significant risk. The risk-free Treasury rate has been cut to nearly zero on the short end of the curve and has risen to 1.5% for 10-Year U.S. Treasuries, but that's still a far cry from the yield **Manulife Financial** (TSX:MFC)(NYSE:MFC) provides investors today.

Here's why I think Manulife is one of the best high-yielding bond proxies on the stock market right now.

Don't ignore the business model

How does Manulife generate the cash flow to pay out such a generous yield?

Manulife's business model is built to generate growing cash flow to support its juicy, and growing, dividend yield.

Most investors are well aware of Manulife's insurance business. Indeed, this is the core business segment Manulife focuses on. However, the company has a whole range of additional products and services it sells as well. These include wealth management services and other products designed for middle class consumers like you and me.

What's really interesting about Manulife compared to other North American insurance plays is the company's leverage to international growth markets. Manulife is a growing player in the Chinese market, a key growth market many Manulife investors have focused on as a key reason to own this stock. Indeed, I think Manulife's Chinese exposure is a massive long-term growth catalyst. The growing middle class in China relative to more mature markets is where investors want to be. Manulife is a great way for investors to gain diversified global exposure in the insurance and wealth management space today.

There’s cheap, and then there’s dirt cheap

Right now, I think Manulife could be one of the most undervalued companies in the financials space.

The company is trading at a valuation multiple of under nine times earnings. Compared to major banks that demand a multiple of around 11 or 12 times earnings, that’s dirt cheap.

I think Manulife’s undervalued stock price is indicative of some worries around how insurance companies could fare in such a low interest rate environment. However, with bond yields rising of late, steepening the yield curve, there’s hope that profitability could improve on the company’s investment returns.

Additionally, I think any short-term bumps the company sees in its domestic portfolio of business is likely to be offset by Asian growth. Therefore, I’d recommend value investors check out Manulife right now. Indeed, comparing Manulife to the banks or other large players really puts the spotlight on how cheap this stock is right now.

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