



1 Top Canadian Financials Stock to Buy This Summer

Description

Financial stocks have been a go-to option for investors who are focused on wealth protection. These stocks provide healthy dividend income and reliable total returns over very long periods of time.

Accordingly, these are stocks that one ought to consider when they're beaten up the most. Indeed, investors who bought **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) at the bottom last year certainly have a lot to show for it. This stock has absolutely taken off over the past year, and is now trading above pre-pandemic levels. That said, I think much more upside could be on the horizon.

Here's why I think this stock is a [top bond proxy](#) investors should consider this summer.

Strong business model

Manulife is a big name in wealth management and financial protection services. How big? Well, the company has operations in more than 20 countries across the globe. So we know it's got some real geographic diversification value for investors.

However, the company's international footprint, particularly in Asia, provides another key element investors want today. Namely, growth. The company's looking to continue to expand in Asia, and as it does, I expect excellent cash flow growth over the long-term.

However, what's boggling to me is the discount Manulife trades at relative to large Canadian banks. Perhaps this company doesn't have the cachet of its large banking peers — or maybe investors are more concerned about the disproportionate effect low interest rates have on insurance-heavy financials companies. Whatever the case, it's what I see as an [undervalued](#) stock.

Accordingly, Manulife's valuation (which is near book value), and the company's dividend of 4.2% scream "buy" today. This insurance player's diversified portfolio extends across a range of other sectors. Indeed, Manulife's growing wealth management business as well as its private banking and securities lending businesses are excellent growth areas investors will want to be in for the next few decades.

Couple these businesses with the growth potential Asian markets provide, and investors can start to see that this company is a real long-term winner.

Valuation doesn't get better than this

Yes, Manulife has skyrocketed above pre-pandemic levels. However, I still stand by the fact that this is an undervalued stock.

When one compares Manulife's valuation multiple to that of the big banks, it's clear this stock is undervalued. Manulife has consistently traded around 20% cheaper than the big banks, for really no reason at all. In fact, I like the company's business model and geographic diversification better.

So, what gives?

Well, it appears investors remain on the fence with how the company's investments will do in the face of rising rates. And I do think this is a key headwind to consider.

However, this is also a headwind for banks. Therefore, I continue to be baffled by this valuation discrepancy.

Today, I view Manulife as one of the safest arbitrage opportunities on the **TSX** right now. I think long-term investors would do well to continue to accumulate at these levels, until the company's valuation crosses that of the big banks. Then, perhaps taking the foot off the gas makes sense.

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TICKERS GLOBAL

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

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