



Sun Life Financial Inc. vs. Manulife Financial Corp.: Which Is the Best Investment?

Description

Sun Life Financial Inc. ([TSX: SLF](#))([NYSE: SLF](#)) and **Manulife Financial Corp.** ([TSX: MFC](#))([NYSE: MFC](#)) have rebounded well from the dreary days of the Great Recession. Investors are beginning to kick the tires again but how do you decide which stock to buy?

Let's take a look at each company to see which one is the best place to invest new money right now.

Sun Life Financial Inc.

Sun Life operates a variety of insurance and wealth management businesses in Canada, the U.S., and Asia. Renewed strength in equity markets has helped Sun Life's stock battle back from a 2009 low of about \$15 to over \$40 today.

In its Q2 2014 earnings statement, Sun Life reported a year-over-year underlying net income increase of 34% and announced record assets under management of \$684 billion, a 16% rise over the same period in 2013.

The strongest part of the company's portfolio is its Boston-based global asset management division, MFS Investment Management. MFS grew its assets under management by 24% to a record US\$439 billion in the second quarter.

For long-term investors, it is Sun Life's Asian operations that could be the most interesting part of the company.

Through its Indian joint venture, Birla Sun Life Asset Management, Sun Life has an opportunity to reap huge profits from India's growing middle class. Sun Life currently holds a 25% interest in the business — the maximum limit currently permitted under Indian law. Recent plans announced by the new Indian government would allow foreign operators such as Sun Life to boost their ownership level to 49%.

Sun Life reported a 25% increase in agency sales in Hong Kong, and a 19% increase in Indonesia during the second quarter.

In the Philippines, Sun Life's business has been the leading life insurance company for three consecutive years and the division has nearly tripled its premium income in just four years.

Sun Life's minimum continuing capital and surplus requirement (MCCSR) ratio is 222%, indicating a strong capital position.

The dividend is currently \$1.44 per share and yields about 3.5%. Sun Life trades at about 15 times earnings.

Manulife Financial Corp.

Manulife competes with Sun Life in many of the same markets, including Canada, the U.S., Hong Kong, and Indonesia.

During the financial crisis Manulife's stock price dropped below \$10 and the company slashed its dividend in half.

Today, the stock is back above \$20, the company is well capitalized, and management is focusing once again on growth.

Manulife recently announced it is buying the Canadian assets of **Standard Life plc** for \$4 billion. The deal will give Manulife a boost in Quebec, where it has struggled to gain a foothold. More importantly, the two companies have agreed to cross-sell insurance and wealth management products.

For investors looking to buy Manulife, the long-term benefits from this arrangement could be substantial. The two companies have a broad global footprint and the deal provides a cost-effective way to expand global sales, especially for Manulife's flagship U.S. operation, John Hancock.

Manulife reported mixed results from its various business units in the Q2 2014 earnings statement. Total funds under management hit a record \$637 billion. Asian operations saw strong insurance sales in Japan but the region's wealth management results were weak. Sales in Canada and the U.S. were also mixed.

Despite the lukewarm results, Manulife finally increased its dividend by 19%. The current payout of \$0.62 yields about 2.8% and the payout ratio remains low at 24%.

Manulife trades at about 10 times earnings. The company's MCCSR ratio is 243%.

Which stock is the best bet?

If you think Manulife's deal with Standard Life will be a game changer, Manulife might offer bigger long-term rewards in both dividend increases and capital appreciation. Otherwise, the better bet would be on Sun Life's stronger Asian presence.

Based on the second-quarter results, Sun Life appears to be performing better and the market is rewarding it with a significantly higher price-to-earnings ratio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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