



## Could Sun Life Financial Inc. Hit \$50?

### Description

**Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) has pulled back from its recent multi-year highs as money continues to exit the Canadian financial sector. Investors who have been waiting for an opportunity to add the company to their portfolios might want to consider starting the position soon.

Here's why.

### International growth

Sun Life has spent several years patiently laying down the foundations to build a powerful international business in Asia. This effort is starting to pay off and the growth potential is enormous.

Demand for insurance products and wealth management services is growing in Asian countries as the middle class expands at a pace the greatly outstrips the more developed countries.

In India, Birla Sun Life is currently the sixth-largest private insurance company. In December 2014, an Indian parliamentary committee recommended increasing the foreign investment cap on insurance joint ventures to 49%. The current rules limit international ownership to 26%.

The Indian government wants to open the doors for more investment in the \$60 billion insurance industry that has seen growth opportunities restricted by a lack of funds. By increasing the investment cap, the government estimates that as much as \$2 billion in new investment would go into the insurance sector in the first 12 months alone.

Life insurance penetration rates in India are about 3%. This compares to 10% for Japan. Sun Life is in a great position to capitalize on the proposed changes because it has already built a strong brand in the country.

The company's other Asian business units are also doing well. In its third quarter 2014 earnings statement, Sun Life reported a 35% year-over-year quarterly increase in life insurance sales in Hong Kong. The Philippines delivered a gain of 24%, and China jumped by 111%.

## Lower risk profile

The Great Depression hit Sun Life hard, and the company has made several changes that limit its exposure to volatility in the equity markets. The company has also fortified its balance sheet. At the end of Q3 2014, Sun Life had a Minimum Continuing Capital and Surplus Requirements Ratio (MCCSR) of 218%. The government requirement for insurance companies is 150%.

## Dividend growth

Sun Life maintained its dividend throughout the financial crisis. The company's earnings have steadily improved and investors should start to see the payout move higher. Sun Life pays a dividend of \$1.74 that yields about 3.6%.

## Should you buy?

Long-term investors should benefit from the company's strong Asian operations and any increase in U.S. interest rates in 2015 should provide a strong tailwind for the stock.

If you are looking for an alternative to the banks in the financial sector, Sun Life is probably a good bet.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:SLF (Sun Life Financial Inc.)

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