



Should You Buy Sun Life Financial Inc. or Manulife Financial Corp. as a Play on Asia?

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) and **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) have recovered well from the dark days of the Great Recession and are now firmly focused on growth.

Both companies are betting big on Asia and investors are wondering which company will provide the best returns.

Let's take a look at Sun Life and Manulife to see if one is a better bet right now.

Sun Life Financial

Sun Life has been operating in Asia for a long time and the company is starting to see the fruits of those efforts.

In the fourth quarter of 2014 Sun Life's Asian operations reported net income of of \$62 million compared to \$42 million in the same period in 2013. Asia represented 8% of Sun Life's 2014 revenue.

The company operates in India, China, Hong Kong, Indonesia, Vietnam, Malaysia, and the Philippines. These markets together represent about 70% of Asia's total population.

The company offers life insurance products in all of the countries and is expanding its asset management and group benefits services in the region.

One opportunity that stands out today is India. The company has been building a strong business in the country for more than 15 years through its **Birla Sun Life** joint partnership. at the end of 2014 the business had \$21.5 billion in assets under management (AUM).

A recent decision by the Indian government to increase investment limits for foreign insurers is great news for Sun Life. International companies will be allowed to own 49% of local partnerships, up from 26%. The government expects the new rule to bring in as much as \$2 billion in new investment in the first 12 months. Birla Sun Life is already India's sixth-largest insurer and the company should continue

to make headway into the \$60 billion market.

The stock currently trades at 11 times forward earnings, which is attractive compared to its five-year average.

Manulife Financial

Manulife has been quite active recently in its efforts to boost its Asian presence. On April 8 Manulife announced a US\$1.2 billion deal with Singapore-based **DBS Bank Ltd.** that will give Manulife exclusive distribution of its products to DBS's large Asian banking franchise.

The 15-year agreement takes effect next year and Manulife expects the deal to be accretive to earnings in 2017. The two companies will sell Manulife's insurance and wealth management products to customers in Singapore, China, Hong Kong, and Indonesia. Manulife also has a strong presence in Japan, Vietnam, and the Philippines.

In India Manulife will probably enter the market through its recent alliance with **Standard Life Plc**, which already operates in the country. Manulife just completed a \$4 billion acquisition of Standard Life's Canadian assets and the deal also includes an agreement to cross-sell each other's products around the globe.

In 2014 Manulife's Asian operations represented 18% of total premiums and deposits and accounted for 13% of AUM. Insurance sales in the region increased 31%, and wealth sales rose 2% compared with 2013.

Manulife trades at a reasonable 10.7 times forward earnings.

Which should you buy?

Both companies should do well in Asia in the long run. If you think India offers the best opportunity, Sun Life is better positioned to capitalize on the new investment limits. Manulife's new deal with DBS could be a catalyst for strong growth, but investors will have to wait to see if the deal works out as well as expected.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

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

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