



5 Reasons to Own Sun Life Financial Inc.

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) has battled back from the dark days of the Great Recession to become one of Canada's most attractive investments in the financial sector.

Here are the reasons why I think investors should consider adding the company to their portfolios right now.

1. Earnings growth

Sun Life just reported Q2 2015 operating earnings of \$726 million, or \$1.19 per share, a 49% increase over the same period last year. Operating ROE increased to 16.5% from 12.6%, and assets under management hit \$808 billion, up from \$684 billion in Q2 2014.

The company is seeing strong underlying growth in both its wealth management and insurance businesses. Total wealth sales increased 25% in the quarter and total insurance sale improved by 8%.

2. Diversified revenue streams

Sun Life has a balanced portfolio of assets. This diversification is attractive to Canadian investors who want to own companies with global operations.

Canada delivered 39% of net income in Q2 2015. The company's U.S.-based global wealth management operations, MFS, accounted for 27% of the earnings, while the American insurance group, SLF U.S., added 16%. SLF Asia contributed 11%, and SLF U.K. pitched in 7% of Q2 earnings.

3. Strong financial position

Sun Life learned a valuable lesson during the financial crisis. The company has worked hard to reduce its exposure to large movements in both equity markets and interest rates, and is extremely well capitalized.

The company's MCCR ratio is 223%, which means it is more than capable of withstanding a financial

shock. The government requires insurance companies to have a minimum ratio of 150%.

Sun Life finished Q2 2015 with \$1.7 billion in cash on its balance sheet.

4. Focus on growth

In the first half of 2015 the company announced a number of U.S.-based strategic acquisitions that will boost Sun Life Investment Management group's assets under management by \$50 billion. During Q2 the company completed its acquisition of Ryan Labs. It also agreed to purchase real estate investment manager Bentall Kennedy and investment management firm Prime Advisors.

Investors should see the trend continue now that the company has a healthy balance sheet.

In India, Sun Life is looking to expand its stake in Birla Sun Life. The Indian government recently approved legislation that will allow foreign insurance companies to own up to 49% of their partnerships. The previous cap was set at 26%.

The Indian insurance industry is expected to grow from \$60 billion to as much as \$240 billion over the next 10 years.

5. Dividends and share buybacks

Shareholders are finally seeing some dividend growth. The company increased the payout by 6% earlier this year to \$1.52 per share. That's good for a yield of 3.4%.

Sun Life is also buying back its stock. During the second quarter the company repurchased and cancelled 2.2 million shares.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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Date

2025/07/08

Date Created

2015/08/17

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