



Should You Buy Sun Life Financial Inc. or Manulife Financial Corp.?

Description

As the Canadian economy works its way through some difficult times, investors with positions in the banks are looking to diversify their financial holdings. Many are turning to the insurers because they offer more diversified exposure to growth areas like insurance and wealth management, while limiting the risks connected to an overheated housing market.

Let's take a look at **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) and **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) to see if one deserves to be in your portfolio.

Sun Life

Sun Life reported Q2 2015 operating earnings of \$726 million, or \$1.19 per share, a 49% increase over the same period last year. The company is seeing strong underlying growth from both its wealth management and insurance businesses. Total wealth sales increased 25% in the second quarter and insurance sales rose by 8%.

Management is making acquisitions to boost growth. The company bought three U.S.-based companies in the first half of this year that will grow assets under management by \$50 billion in the company's new Investment Management group. Sun Life also plans to expand its ownership of its Indian subsidiary, Birla Sun Life, from 26% to as much as 49%. The Indian insurance market is expected to grow from \$60 billion in 2015 to \$240 billion by 2025.

The company increased the dividend by 6% earlier this year. The distribution of \$1.52 yields about 3.7%. Sun Life trades at 10.9 times forward earnings. The company is well capitalized with an MCCR ratio of 223%. Canadian insurance companies are required to maintain a ratio of at least 150%.

Manulife

Manulife reported a 36% drop in Q2 earnings compared with a year ago due to a hit it took on the steepening of the yield curve in U.S. interest rates. Overall core earnings were up 29% in the quarter, with Asia being the standout on a percentage basis. Insurance sales in the region increased by 36% and asset management gross flows rose 176%.

Manulife has also been on a buying binge. Last year the company acquired the Canadian assets of **Standard Life Plc** for \$4 billion. The deal launched Manulife into a leadership position in Quebec, where it had previously struggled to gain a foothold. Manulife and Standard Life are also planning to cross-sell products to their global customers. This is a very efficient way for Manulife to enter markets like India, where it doesn't already have a presence.

The company has also signed a 15-year deal with Singapore-based **DBS Bank Ltd.** for the exclusive rights to sell insurance and wealth management products to DBS's Asian banking clients.

Manulife pays a dividend of \$0.68 per share that yields about 3.2%. The company cut the payout in half during the financial crisis, but has increased it twice in the past year. Manulife trades at 10.2 times forward earnings. The company is well capitalized with an MCCR ratio of 236%.

Which should you buy?

Both companies have diversified global revenue streams and now boast very strong balance sheets. At this point, Sun Life is probably a better bet based on its opportunities in India and its larger dividend yield.

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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Author

aswalker

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