



## Is Sun Life Financial Inc. a Better Bet Than the Banks?

### Description

The weakening Canadian economy has investors wondering if they should put new money into the banks or look for another financial company that offers decent yield while limiting some of the domestic risks.

Let's take a look at **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) to see if it fits the bill.

### Earnings strength

Sun Life delivered Q2 2015 earnings of \$726 million, or \$1.18 per share, a 49% increase over the same period last year.

Operating ROE rose to 16.5% from 12.6%, and the company's assets under management increased to \$808 billion compared with \$684 billion in the second quarter of 2014.

Sun Life is seeing strong growth in both its wealth management and insurance businesses. For the second quarter, total wealth sales jumped 25% and insurance sales increased 8% compared with last year.

### Revenue diversification

Sun Life received 39% of its Q2 2015 net income from its Canadian operations. The company's U.S.-based global wealth management unit, MFS, contributed 27% of earnings, while Sun Life U.S. pitched in another 16% of the profits. Overseas, the Asian operations accounted for 11% of overall earnings, and the U.K. group added the remaining 7%.

### Solid balance sheet

Sun Life really took it on the chin during the financial crisis, but management learned from its mistakes, and the company is much less exposed to sharp movements in equity markets or interest rates than it used to be. The company is also very well capitalized with a MCCR ratio of 223%. The minimum requirement for Canadian insurance companies is 150%.

At the end of Q2, Sun Life had \$1.7 billion in cash sitting on its balance sheet.

### **Investments in growth**

Sun life has been on a buying binge over the past year, with a focus on asset management firms. The company wants to beef up its presence in the asset management space as a way to diversify its revenue stream.

Asia also remains a key area of growth. Sun Life is expected to increase its investment in the company's Birla Sun Life partnership in India. New rules allow foreign insurers to boost their ownership from 26% to 49%. India's insurance industry is growing rapidly with one estimate expecting a four-fold expansion in the next 10 years.

### **Dividend strength**

Management increased the dividend by 6% earlier this year to \$1.52 per share. That's good for a yield of 3.5%.

### **Should you Buy Sun Life instead of the banks?**

Sun Life offers Canadian investors strong international exposure to growing markets while minimizing the risks faced by the banks in Canada—specifically the exposure to the oil and gas sector and an over-heated housing market.

Given its solid ROE numbers, a growing dividend, and rising stock price, Sun Life might be a smarter bet right now.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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### **Date**

2025/08/26

### **Date Created**

2015/09/17

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