



## 3 Top Financial Stocks for Fundamental Investors

### Description

As a fundamental investor, I'm always on the lookout for high-quality companies whose stocks are trading at discounted levels and have great dividends, and after a quick search of the financial sector, I came across three very attractive options. Let's take a closer look at each, so you can determine if you should invest in one of them today.

#### 1. IGM Financial Inc.

**IGM Financial Inc.** ([TSX:IGM](#)) is one of Canada's largest personal financial services companies, and one of its largest managers and distributors of mutual funds and other managed asset products with approximately \$132 billion in total assets under management. Its subsidiaries include Investors Group Inc., Mackenzie Financial Corporation, and Investment Planning Council Inc.

At today's levels, IGM's stock trades at just 12.6 times fiscal 2016's estimated earnings per share of \$2.92 and only 11.7 times fiscal 2017's estimated earnings per share of \$3.16, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 14.4 and its industry average multiple of 44.8.

In addition, the company pays a quarterly dividend of \$0.5625 per share, or \$2.25 per share annually, which gives its stock a yield of about 6.1%.

It is also important to make the following two notes.

First, IGM has raised its annual dividend payment for two consecutive years, but this streak will end if it does not announce an increase before the end of 2016.

Second, I think the company's ample amount of working capital, including the \$841.8 million it reported at the end of the first quarter, will allow it to continue its streak of annual dividend increases by announcing a slight hike when it reports its second-quarter earnings results in August.

#### 2. Sun Life Financial Inc.

**Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) is one of the world's largest financial services organizations. It provides protection and wealth products and services to more than 37 million clients around the world, and it currently has over \$860 billion in assets under management.

At today's levels, Sun Life's stock trades at just 11.6 times fiscal 2016's estimated earnings per share of \$3.78 and only 10.7 times fiscal 2017's estimated earnings per share of \$4.09, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.1 and its industry average multiple of 19.2.

In addition, the company pays a quarterly dividend of \$0.405 per share, or \$1.62 per share annually, which gives its stock a yield of about 3.7%.

It is also important to make the following two notes.

First, Sun Life's three dividend hikes since the start of 2015, including its 2.6% hike in November 2015 and its 3.8% hike earlier this month, have it on pace for 2016 to mark the second consecutive year in which it has raised its annual dividend payment.

Second, the company has a target dividend-payout range of 40-50% of its underlying net earnings, so I think its very strong growth, including its 13.1% year-over-year increase to \$0.95 per share in the first quarter of 2016, will allow its streak of annual dividend increases to continue for the next several years.

### **3. Equitable Group Inc.**

**Equitable Group Inc.** ([TSX:EQB](#)) is ninth-largest independent Schedule I bank in Canada with over \$18.6 billion in assets under management. It offers a wide range of products and services, including residential lending, commercial lending, and savings solutions.

At today's levels, Equitable Group's stock trades at just 7.2 times fiscal 2016's estimated earnings per share of \$7.87 and only 6.5 times fiscal 2017's estimated earnings per share of \$8.72, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 7.8 and its industry average multiple of 52.8.

In addition, the company pays a quarterly dividend of \$0.21 per share, or \$0.84 per share annually, which gives its stock a yield of about 1.5%.

A 1.5% yield may not seem impressive at first, but it is important to make the following two notes.

First, Equitable Group's three dividend hikes since the start of 2015, including its 5.3% hike in November 2015 and its 5% hike earlier this month, have it on pace for 2016 to mark the sixth consecutive year in which it has raised its annual dividend payment.

Second, I think the company's strong operational performance, including its 26% year-over-year increase in originations to a record \$1.6 billion in the first quarter, the growth potential of EQ Bank, its digital banking initiative that recently launched, and its very low dividend-payout ratio, including just 11.1% of its net income in the first quarter, will allow its streak of annual dividend increases to continue for many years to come.

## **CATEGORY**

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1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

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

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### **Author**

jsolitro

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