Sun Life Financial Inc.: Is it Time to Buy This Stock?

Description

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) has pulled back over the past three months, and investors are wondering if this is a good opportunity to start a position in the stock.

Let's take a look at the company to see if it deserves to be in your portfolio.

Earnings

Sun Life reported net income of $1.02 billion for the first half of 2016, down from $1.17 billion during the same period last year.

The company is doing reasonably well given the challenging economic environment, but low interest rates are hindering returns.

A number of macroeconomic factors, including the decision by the U.K. to leave the European Union, are putting pressure on global interest rates, and that trend isn't expected to change much in the near term.

Sun Life is less sensitive to interest rate today than it has been historically, but falling rates still have a negative impact on results.

Growth

Sun Life is making good progress on the integration of acquisitions announced in 2015 and continues to invest for future growth.

In the wake of the financial crisis Sun Life sold off its troublesome U.S. annuities business and decided to focus on fee-based investments.

The company set up a new division, Sun Life Investment Management, and has made several purchases to beef up the new portfolio. Sun Life bought two businesses specializing in providing fixed-income solutions to pension funds and insurance companies, as well as real estate management firm.

The insurer and wealth manager is also betting big on overseas growth. The company recently increased its stake in its Birla Sun Life partnership in India from 26% to 49%. The Indian insurance market is expected to grow significantly in the coming years, and Sun Life is positioned well to benefit.

In Vietnam, the company has raised its ownership in a key partnership from 45% to 75%, and recently announced a significant pension acquisition in Hong Kong.

Dividends

Sun Life currently pays a quarterly dividend of $0.405 per share. That’s good for a yield of 3.9%.

The company held its dividend steady during the Great Recession and began raising the payout again last year. Investors should see the distribution continue to grow as new assets begin to contribute more significantly to the revenue stream.

Should you buy?

Sun Life currently trades at 12.5 times trailing earnings, which puts the P/E ratio at a discount to the five-year average of about 14.

If you are looking for a pick in the financial space, but are concerned about the risks connected to the Canadian housing market, Sun Life might serve as a nice alternative to the banks. The stock also gives investors an easy way to play middle-class growth in Asia.

At some point, interest rates will begin to rise. When that happens, Sun Life should do very well.

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1. Investing

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1. Editor's Choice

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