Don’t Miss an Opportunity to Acquire a Top Financial Stock Yielding 3%

Description

The Trump reflation trade continues to lift financial stocks as the prospects of reduced regulation and fiscal stimulus south of the border fuel considerable optimism over the outlook for the economy. One financial stock that will benefit from its considerable U.S. business and remains attractively priced is Canada’s second-largest insurer **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF).

Despite the improving outlook for financials, Sun Life is almost 2% down for the year-to-date and now appears attractively priced, making now the time for investors to add it to their portfolios.

Now what?

Sun Life reported solid 2016 results, illustrating the strength of its business and that it will continue to perform strongly as the conditions for insurers improve. Key among these results was a healthy 14% increase in net income. This can be primarily attributed to insurance sales growing by 27% and wealth sales rising by 14% for the year.

Meanwhile, assets under management rose by just under 2%. Given the sticky nature of insurance policies and investments, such solid growth should generate higher fee revenue for Sun Life for the foreseeable future.

Another important aspect of Sun Life’s business it is that it has considerable exposure to the U.S., generating over a quarter of its revenue from south of the border.

It has, in fact, been estimated that Sun Life could very well be earning almost half of its earnings from the U.S. in two years. This is because it has remained focused on expanding its U.S. business. As the U.S. economy continues to strengthen, the demand for insurance and wealth management products will swell, further boosting Sun Life’s revenues.

Trump's moves to reduce the regulatory and tax burden for businesses operating in the U.S. coupled with other fiscal stimulus should lift consumption and boost consumer sentiment. It is expected thatU.S. GDP will expand by 2.2% in 2017, which is 60 basis points higher than the 1.6% reported for2016; because of Trump's planned economic stimulus, this number can only grow.

It isn't only the U.S. market that will act as a powerful tailwind for Sun Life. Its growing operational footprint in Asia will allow it to benefit from the massive expansion in wealth that the region is experiencing. During 2016, regional insurance and wealth sales expanded by 29% and 25%, respectively, and can only continue to grow.

According to Boston Consulting Group, Asia has overtaken Europe in terms of total wealth. This combined with a rapidly expanding middle class, which the OECD expects to account for 66% of the global middle-class population and 59% of middle-class consumption by 2030, will act as a powerful growth driver for insurers operating in the region.

Sun Life's commitment to the region can be seen; it completed five acquisitions and deployed $500 million of capital in Asia over the course of 2016. Because of Asia's rapidly expanding wealth**,** this will give its bottom line a healthy bump in coming years.

So what?

It is hard not to like Sun Life with its forward price-to-earnings ratio of 11 and a price-to-book ratio of 1.5. Along with its solid growth prospects, it appears very attractively valued. While investors wait for that to translate into a higher share price, they will be rewarded by that sustainable 3% dividend yield. For these reasons, now is the time for investors to take the plunge and acquire Sun Life.

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

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