



Sun Life Financial Inc.: Should You Buy the Pullback?

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) is down 17% in the past six months.

Let's take a look at the global insurance and wealth management firm to see if it deserves to be in your portfolio.

Earnings

Sun Life reported underlying net income of \$573 million for Q1 2017, representing a 2% drop from the same period last year.

Underlying ROE was 11.5% compared to 12.4% in Q1 2016.

Top-line growth was strong with a 58% increase in insurance sales and a 13% jump in wealth sales.

The Canadian and Asian businesses performed well, but weakness appeared in Sun Life's U.S. business, and net outflows continued in the MFS Investment Management group.

MFS had net outflows of US\$11.1 billion in the quarter, which continued a trend from Q4 2016, where net outflows came in at US\$9.5 billion.

Net outflows in Q1 2016 were US\$1.1 billion.

The company says the net outflows are a result of institutional client rebalancing and a trend towards passive investing.

Assets under management across the company rose to \$927 billion in the quarter compared to \$903 billion in the first quarter last year.

Dividends

Sun Life just raised the dividend by 4% to \$0.435 per share. That's good for 3.9% yield.

Should you buy?

Weakness in the U.S. business is a concern, especially if the net outflow trend over the past two quarters at MFS continues or picks up steam.

That said, Sun Life's other businesses are performing well, including the Asian operations, where most of the future growth is likely to come.

Sun Life's global presence makes it an appealing play on the expanding middle class in India, Indonesia, Vietnam, China, and the Philippines, where it has subsidiaries or joint-venture partnerships.

The company should also benefit once interest rates begin to rise at a regular pace. Higher rates are normally good for insurance businesses because the companies can earn more on the funds they have to set aside for potential claims.

If you are looking for a financial pick to add to your dividend portfolio, but don't want to own the Canadian banks right now, Sun Life is worth considering as an alternative. You get exposure to wealth management and insurance segments, while reducing direct risks connected to the Canadian residential housing market.

At the current valuation, Sun Life is attractive option in place of the banks; however, I would wait for the Q2 numbers to come out to see how the MFS group is doing before buying the stock.

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