



Brighten Up Your Portfolio With Sun Life Financial Inc.

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) is a Canadian financial life insurance and wealth management company with businesses located in Canada, the U.S., and Asia. Sun Life is well positioned to thrive as interest rates continue their climb over the next few years.

Over the past five years, life and health sales have grown at a compound annual growth rate (CAGR) of about 15% with wealth sales growing at a 9% CAGR. Net income has grown at a 16% CAGR, and it appears that the positive momentum is likely to continue in the years going forward as we gradually leave an environment with rock-bottom interest rates.

Like its peer, **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)), Sun Life has also seen weakness from its U.S. business. Manulife's U.S. business John Hancock hasn't been living up to expectations, and shareholders have been pushing for the company to sell the lagging segment. Manulife has expressed interest in starting an IPO or spinning off its U.S. business with the hopes of boosting long-term returns for shareholders. The Canadian and Asian businesses are doing really well, after all, but unfortunately, the impressive growth is being dragged down by the weakness in the U.S. segment.

Could Sun Life follow Manulife by spinning off its U.S. business? It's possible, and shareholders would probably be all for it, but I think now would be a bad time to sell the U.S. business. Interest rates are on their way up, and as the U.S. economy strengthens under Trump's agenda, it's very likely that we'll see consumers spend more on insurance products.

Let's face it. Insurance is probably the last thing on our minds, especially if we can barely afford it. It's another expense, and it's usually one of the first things to cut when times get tough. This is a major reason why insurance companies like Sun Life and Manulife have still yet to recover from the Financial Crisis. Over the next few years, it's quite possible that we could see life insurance companies move into the green again as the environment becomes more favourable.

Sun Life also offers exposure its investors exposure to the developing countries like India, Vietnam, and the Philippines, all of which are expected to see their middle classes grow by a substantial amount over the next few years.

Valuation

Sun Life pays a very attractive 3.7% yield that patient income investors are sure to appreciate. Shares also look fairly valued at current levels, especially when you consider the tailwind of an increasing interest rate environment.

The stock currently trades at a 11.7 price-to-earnings multiple and a 10.7 price-to-cash flow multiple, both of which are lower than the company's five-year historical average multiples of 14.3, and 13.1, respectively.

If you're looking for a non-bank financial with international exposure, an attractive dividend, and some positive long-term catalysts, then Sun Life looks like a solid bet.

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Date

2025/08/26

Date Created

2017/07/18

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