



## Is Sun Life Financial Inc. (TSX:SLF) Stock About to Heat Up as Interest Rates Rise?

### Description

As we move deeper into a rising interest rate environment, naturally, it makes sense for long-term investors to pay close attention to the Big Three Canadian lifecos, which will treat the effect of rising rates as a tailwind.

**Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) has arguably been the best-in-breed Canadian life insurance stock over the past few years, beating the likes of **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) and **Great-West Lifeco Inc.** by a country mile.

With an attractive 3.6% dividend yield and a stronger technical chart than that of its peers, there's no question that today may seem like a compelling time to "brighten up" your portfolio with Sun Life stock, especially if you're exposed to other high-income plays that will be negatively impacted by higher interest rates (think REITs, telecoms, and utilities).

### Pretty hot Q1 2018 results

Sun Life saw its EPS increase 35% to \$1.26, beating the Street consensus of \$1.12. The annualized ROE of 15.1% was worthy of a round of applause in itself thanks to greater cost controls and subtle improvements on the margin front.

Compared to Manulife, which has suffered from meagre single-digit ROE numbers over the past few years thanks to its [lagging John Hancock business](#), Sun Life looks like the best bang for your buck if you're keen on jumping into the lifeco space.

Management hiked its dividend by 4% in Q1 to \$0.475 per quarter. Moving forward, it looks like Sun Life can continue growing its dividend at a five-year historical average dividend CAGR around 6%, as it continues to benefit from rising interest rates and improving ROEs across its geographic segments.

### Is the stock a buy right now?

Although [Sun Life crushes Manulife](#) on the ROE front, it's worth noting that Sun Life is more exposed

to both mortgage and lower-credit corporate loans than Manulife or Great-West. That means the company could find itself in hot water if cracks were to develop in the frothy housing market.

At the time of writing, Sun Life stock trades at a 14.4 trailing P/E, a 1.4 P/B, a 1.2, P/S, and a 10.8 P/CF, all of which are relatively in line with the company's five-year historical average multiples of 13.1, 1.5, 1.2, and 9.5.

Based on traditional valuation metrics, shares look fairly valued. With a shortage of meaningful near-term catalysts, I think shares could consolidate over the next few months. I would recommend investors look elsewhere, unless they're content with collecting the juicy 3.6% dividend yield.

Stay hungry. Stay Foolish.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

## Date

2025/08/17

## Date Created

2018/07/30

## Author

joefrenette

default watermark