



Better Buy: Manulife Financial Corp. (TSX:MFC) or Sun Life Financial Inc. (TSX:SLF)?

Description

With [interest rates rising](#), investors may want to consider positioning their portfolios into companies and stocks that are bound to benefit from this ongoing trend. Life insurance companies are a good place to start.

At its latest meeting on October 24, 2018, the Bank of Canada opted to raise the benchmark interest rate to 1.75% in a move that was widely expected. This level represents a 125-basis-point increase from 2017 levels, which is a big move. Going forward, we can expect more interest rate increases, as the economy is strong and inflation is pushing onto the Bank's target level.

Let's take a look at two of Canada's biggest life insurers to determine which is the better buy.

Manulife Financial ([TSX:MFC](#))([NYSE:MFC](#))

With a market capitalization in excess of \$50 billion, Manulife is a force to be reckoned with, with a strong past and a very promising future.

In the last five years, the company has seen a 15% compound annual growth rate (CAGR) in core EPS, a 28% CAGR in the business value in Asia, and strong growth in its global wealth and asset management business, with a 20% CAGR in assets under management — and all this while maintaining a strong capital position.

Manulife continues to see strong growth in wealth and asset management and in its expansion in Asia, making it so much more than a Canadian life insurer.

Third-quarter earnings were significantly better than expected, with EPS of \$0.75 (compared to consensus estimates of \$0.67). And the company increased its [dividend](#) by 14% this year.

Manulife stock has been trading at a discount relative to other life insurers but also relative to its own earnings growth and potential.

A 50-basis-point increase in interest rates would have a \$100 million impact on net income and a meaningful effect on its minimum continuing capital and surplus requirement ratio.

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#))

Sun Life's third quarter was mixed, with soft results out of Asia and continued fund outflows continuing to pressure the business. EPS came in at \$1.20 and the dividend was increased by 5%.

So, while general results were strong, there are real pockets of weakness that, especially considering the stock's premium valuation, lead me to favour Manulife.

Manulife stock is attractively valued and is seeing better operational strength at this time. Sun Life stock currently has a dividend yield of 4.13% compared to Manulife stock's dividend yield of 4.52%.

Lastly, Manulife has greater sensitivity to rising interest rates, which is positive in this rising interest rate environment.

CATEGORY

1. Dividend Stocks
2. Investing

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

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