This Financial Services Stock Can Help You Ride Out Market Downturns

Description

Global stock markets have been going through a bit of a slump recently, and the TSX has been no exception. Last month, the Canadian benchmark index dropped to its lowest level in almost two years. This recent downturn is a reminder, if one was needed, of the importance of investing in equities that can perform relatively well regardless of market conditions.

While stocks were busy racing to the bottom, **Sun Life Insurance** (TSX:SLF) (NYSE:SLF) has weathered the storm better than most. The company's share value has remained constant throughout the recent market drop. SLF's financial stability and growth prospect are to credit for this performance.

Steady Financial Performance

SLF's revenue and income to date already match last year's, with only slightly lower revenues and slightly higher profits. Generating profits efficiently has been an area of concern for SLF over the past few years. The insurance provider seems to have taken notice and is now looking to steady the ship. This year's performance to date indicates greater efficiency on the part of the financial services company. Indeed, SLF's net profit margin is up from last year.

SLF currently offers a 4.15% dividend yield, along with a 53% payout ratio, which indicates some room for growth. During its latest quarterly earnings report, the company announced it would increase dividends by 5%, which it has been doing consistently for the past few years.

Breaking down SLF's performance by geographical area reveals that despite its strong presence in the U.S and elsewhere, Canada remains its most profitable region. SLF Canada's net income was down by 5% year over year in its latest quarterly earnings report. This decline was largely due to a drop in sale activity that impacted much of the insurance market. However, the company boasted an annualized ROE of 19%. By way of comparison, SLF's ROE was around 10% last year. Once market conditions reverse, SLF should take full advantage.

The U.S. market was less kind to SLF during the third quarter, recording a $267 million drop year over year. This poor result, though, was largely due to unfavorable impact of changes within the company's accounting practices and assumptions, so this is hardly cause for concern. More importantly, SLF has been steadily increasing its performance in the U.S market over the past couple of years.

Strong Growth Prospects

SLF has been trying to establish a better footing in the Asian market, where it operates in seven countries. The latest quarterly results were a bit of a letdown, however, with a lower net income and much lower overall business activity year over year. Things could change soon for SLF though, particularly in the Chinese market.

As a result of pressure from the U.S and other business partners, China recently announced plans to allow more foreign investment in its financial sector, most notably by raising foreign ownership limits to 51% in securities, fund management, futures and life insurance companies. The current ownership cap for securities, futures and fund management firms is 49% and the cap for insurance companies is 50%. These limits, the Chinese government promised, will eventually be eliminated.

Foreign businesses in the financial services sector will most definitely benefit from these changes, particularly those that already have a strong presence in the Chinese market. SLF has made several acquisitions in the region and is currently one of the companies bidding on FTLife, one of Hong Kong’s largest life insurance companies. Of course, there is no guarantee SLF will acquire FTLife, but this shows the company’s dedication to expanding its footing in the Asian market.

With a steady financial performance and strong growth prospect, investors would be wise to consider adding SLF to their portfolio while much of the stock market tanks.

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