Why Sun Life Financial (TSX:SLF) Stock Rose 6% in August

Description

Technically, **Sun Life Financial** (TSX:SLF)(NYSE:SLF) closed the month up just 1% against its opening quote, but the fact remains that SLF shares rose 6.4% between August 6 and the month's end and have gone on to rise another 5.5% so far in September.

Canada's second-largest insurer behind only **Manulife Financial** (TSX:MFC)(NYSE:MFC) in that regard, is coming off a strong second-quarter earnings report, driven in large part by strong sales performance in its Asian wealth division.

While reported EPS was actually down slightly against the first quarter as well as against its second quarter from a year ago, underlying EPS was up, albeit modestly, by 3.3% against the first quarter of 2019 and by the same measure of the year-ago quarter.

Management and the board of directors were kind enough to reward shareholders by returning $200 million in cash through the company's share-repurchase program in addition to paying its regular $0.525 quarterly dividend, equivalent to a 3.67% annual yield against Wednesday's closing price.

Management also announced as part of its second-quarter reporting that it has renewed its normal course issuer bid to repurchase up to an additional 15 million of its outstanding common shares, subject to regulatory approval.

Second-quarter performance benefited from continued growth in its Canadian businesses, which was complemented by a muted rise in operating costs.

However, the big story of the second quarter was undoubtedly strength from its Asian business units, including insurance sales up 10% on a constant-currency basis and a strong performance from its wealth business, which enjoyed 22% growth on a constant-currency basis, including 7% growth in Canada driven by its group retirement services.

Investors should note that the nature of SLF's business is such that we can expect to see a certain degree of lumpiness from period to period, yet the future continues to look bright and the stock's current dividend yield also is looking pretty favourable in light of the severely depressed bond yields that have continued to hamper markets in recent weeks and months.

Foolish bottom line

SLF stock has strongly outperformed the returns of its rival MFC since late July, despite that its given back some of that edge through the first week or so of September.

MFC currently pays the higher dividend of the two at a 4.20% annual yield as of Wednesday close and, to boot, is offering the lower trailing price-to-earnings ratio.

But still, for my money, I tend to favour SLF.

SLF stock has continually outperformed MFC going back to the start of the current decade, and until I see something that will convince me otherwise, I don't see any reason why we couldn't expect the current trend to continue.

At a trailing dividend yield of less than 15 times annual earnings, SLF isn't expensive by any stretch of the imagination.

This could be a solid core holding for many Canadian investors in both their TFSA accounts and RRSP accounts.

CATEGORY

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2. Investing

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

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