



Why the Sun Life Stock Price Soared Over 6.5% Yesterday

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) stock rallied yesterday after the company reported much stronger than expected first quarter results. This came after a difficult end to 2019, and was a welcomed result. Both management and Sun Life shareholders certainly breathed a sigh of relief.

Let's take a closer look at why the Sun Life stock price soared over 6.5% yesterday.

Sun Life's stock price soars on strong results out of Asia

Asia represents 20% of Sun Life's total earnings. This geographic segment has the potential to be a strong growth driver for the company. In fact, analyst estimate that this region will generate almost 20% earnings growth in 2020.

Results out of Asia were disappointing in the fourth quarter of 2019. This was mostly the result of the coronavirus disruptions, and it rattled investors, because Asia is Sun Life's growth opportunity. So with the fourth-quarter disappointment, and the subsequent spread of the virus, Sun Life stock tumbled. In March, it was down as much as 40% from January levels.

The first quarter of 2020, by contrast, saw strong results out of Asia. Earnings increased approximately 10% in the quarter. This was driven by a favourable credit experience and new business gains. The message from management on the call was that sales were strong in countries out of lockdown. Countries still in lockdown saw weak sales.

Sun Life earnings release shows a turnaround at MFS

After suffering a prolonged period of net outflows, MFS reported net inflows of \$1.8 billion. This far surpassed expectations, and is another strong driver of the company's earnings beat. The company's efforts in the wealth management business seem to finally be paying off.

Sun Life has made numerous sizable wealth management acquisitions over the last several years. Sun

Life acquired wealth manager BentalGreenOak in July 2019. The latest acquisition was the \$16 billion acquisition of global infrastructure and real estate manager InfraRed Capital Partners in December 2019. These acquisitions are expected to drive earnings growth over time.

Today, with more than \$1.1 billion of assets under management, Sun Life's growing wealth business serves to underpin strong growth and diversification. As one of Canada's big three life insurance companies that also has a significant wealth management presence, Sun Life is a leader that keeps growing, providing shareholders with strong long-term gains.

Sun Life's stock price is underpinned by a strong capital position and leverage ratio

So with the return to growth in Asia and an improving wealth management business, investors are more optimistic. And Sun Life's strong capital position and leverage ratio complement the company's recovering businesses. All of this translates into [a stock that has a low risk profile with strong growth potential](#).

Foolish bottom line

Sun Life stock rallied yesterday after earnings of \$1.31 beat expectations by 17%. This represented a 9.2% growth rate and was the result of improving business fundamentals. Today, Sun Life stock has an attractive risk/reward profile. This insurance stock has a low risk balance sheet and it provides investors with a dividend yield of 4.6%. [Covid-19-related disruptions to the business may linger but the company's diversification will serve it well throughout these difficult times](#).

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