# 3 Reasons to Buy Bank of Nova Scotia

## Description

When building a portfolio, there are certain stocks that one should use to form the foundation. These are ideally the shares of companies that have a strong footing and can be counted upon year after year. And if the right companies are selected, these stocks can be owned in higher quantities and for longer periods of time.



In Canada, the banks are often the cited as the best starting point for any portfolio. But the question always stays the same: which ones? With that in mind, here are a few reasons to select **The Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

**Emerging markets**

Of all the banks, Bank of Nova Scotia has the most international exposure; nearly a quarter of the bank's net income comes from international banking. And these international banking operations are mainly in fast-growing emerging markets, with a particular focus on Latin America.

This gives the company plenty of opportunities to reinvest its earnings in an effort to drive growth. Not only are Latin American countries growing quickly (for the most part), but they are also generally under-banked. So as more people get bank accounts and mortgages in these countries, Bank of Nova Scotia stands to benefit.

In contrast, banks such as **The Bank of Montreal** (TSX:BMO)(NYSE:BMO) mainly have their foreign operations in the United States, which is not as advantageous. Not only is the U.S. slower-growing, but the banking industry is also much more competitive.

**Consistent earnings and dividend growth**

Of course the Canadian banks are a favourite among income-oriented investors, and Bank of Nova Scotia is no exception. The company recently bumped up its quarterly dividend to 64 cents, meaning the stock now yields about 4%. To put this into context, this dividend is almost 50% higher than it was in 2007, before the financial crisis.

This is what separates Canadian banks such as this one from their American peers. Bank of Nova Scotia remained well-capitalized and profitable throughout the crisis – its return on equity remained above 16% in both 2009 and 2008. It is that kind of reliability that makes it suitable for the foundation of anyone's portfolio.

**Worst-performing stock**

There is a widely cited strategy for investing in Canadian banks: Simply buy the bank stock that has performed the worst over the preceding year. Such a strategy has resulted in returns well in excess of the Canadian bank index. The moral is that investors often overreact to short-term events when investing in Canadian banks – and the best strategy is to bet on a reversion to the mean.

And no bank stock has performed worse than Bank of Nova Scotia's over the past 12 months. Over this time period, its shares have increased by 7.5%. Meanwhile, the best performing bank stock has been **TD Bank** (TSX:TD)(NYSE:TD), which has increased over 20%.

**Foolish bottom line**

At the end of the day, the Canadian banks have far more similarities than differences, and a portfolio's foundation should probably have more than one bank stock. But it still pays to choose among the banks selectively, and Bank of Nova Scotia is certainly one of the most compelling options.



**CATEGORY**

1. Investing

**TICKERS GLOBAL**

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2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TD (The Toronto-Dominion Bank)
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5. TSX:BNS (Bank Of Nova Scotia)
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bensinclair