



## The Bank of Nova Scotia: 1 Dividend Stock to Buy and Hold Forever

### Description

Lots of companies raise their dividends, but few are as predictable as the **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)).

Since the end of the financial crisis, the banking giant has gotten into the habit of hiking its dividend every other quarter. That includes the most recent bump on August 26, when the company increased its quarterly dividend by 3% to \$0.66 per share.

That increase may seem puny in isolation, but those small hikes can add up to some hefty gains for shareholders. Bank of Nova Scotia's dividend has shot up 49% since the bad old days of 2009. Investors who have bought and held the stock over that time are now earning an 10% yield on their original investment.

### Can Bank of Nova Scotia keep those dividend hikes coming?

Analysts think so, given the company's recent track record and growth prospects.

Touted as Canada's international lender, the Bank of Nova Scotia has operations in more than 55 countries. The street is seeing some good growth numbers out of its global businesses — notably Asia — as it continues to work on increasing its presence in Central and South America.

"To drive the greatest growth, we remain focused on building scale in our highest priority markets of Mexico, Peru, Columbia, and Chile," Bank of Nova Scotia President and CEO Brian Porter told analysts during a conference call last week.

This international footprint is a big advantage for the company. Developed markets, where Bank of Nova Scotia's rivals mostly operate, are generally mature, with limited growth opportunities. In contrast, the emerging economies of Latin America and Asia are expanding fast, providing a nice tailwind for loan growth.

Emerging economies also tend to be more profitable than their developed counterparts. Fierce competition in the United States and Europe means returns on capital barely scratch the mid-single

digits. However, Bank of Nova Scotia routinely delivers double-digit returns on its international operations thanks to lower competition.

Bank of Nova Scotia's expansion isn't limited to emerging markets either. Last quarter, the company's wealth management division posted record earnings thanks to strong demand for mutual funds and other investment products. The firm's insurance profits were also up big following the sale of its stake in **C.I. Financial**.

Of course, Bank of Nova Scotia is no slam dunk. The company's expansion into emerging markets, as evident from the disappointing numbers out of the Caribbean last quarter, is not without its risks. Investors are also worried about a retail banking slowdown right here in Canada.

That said, one disappointing quarter doesn't discredit the company's international growth story. Nobody promised a smooth journey. But investors who can look beyond the month to month swings will be rewarded over the long haul.

And while the company's mortgage business is slowing, Bank of Nova Scotia is finding new ways to generate profits elsewhere. The firm is expanding operations in other divisions such as personal loans and credit cards. Bank of Nova Scotia's auto insurance business is also posting solid numbers.

The bottom line is, Bank of Nova Scotia will be delivering dividend hikes for many years to come. That's why this stock deserves a spot in any income portfolio.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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