



Your Instant 3-Stock Financials Portfolio

Description

When building a portfolio of Canadian stocks, the financial services companies are a great place to start. This is the largest sector in the **S&P/TSX 60**, and it's also fairly stable, especially by international standards.

But which companies should you buy? Below are three good names to include in your portfolio.

1. Toronto-Dominion Bank

Toronto-Dominion Bank ([TSX: TD](#))([NYSE: TD](#)) is one of Canada's most popular stocks to own, for a number of reasons.

First of all, TD has arguably the best Canadian banking franchise in the industry. This is partly because customers consistently rank TD ahead of its peers for service. And TD earns more than 40% return on equity in Canada, which is very impressive by any standard.

Secondly, TD has a very large presence in the United States. In fact, it has more branches there than in Canada. And while the U.S. banking environment isn't great right now, a continuing economic recovery and rising interest rates should help mightily. So there is plenty of room for TD to grow earnings.

2. The Bank of Nova Scotia

While TD is strong in Canada and the U.S., **The Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)) seems to be strong everywhere else. So it can be the perfect complement to a TD holding.

In fact, The Bank of Nova Scotia is Canada's most international bank, with about half of net income coming from outside our borders. Most of these earnings come from Latin America, especially Mexico, Colombia, Peru, and Chile. These markets are all healthy, growing, and underbanked, which should help The Bank of Nova Scotia grow earnings in a very meaningful way.

Granted, The Bank of Nova Scotia does not have a Canadian franchise as substantial as TD's, but this

is another point of emphasis. Recent deals involving Tangerine and Canadian Tire Financial Services should help.

3. Manulife Financial Corp.

Finally, **Manulife Financial Corp.** ([TSX: MFC](#))([NYSE: MFC](#)) is the perfect complement to both TD and The Bank of Nova Scotia in any portfolio. What makes the company such a great buy?

Well, to provide some context, one must look back to the financial crisis. At the time, Manulife suffered more than any other Canadian financial institution, even struggling to raise enough capital. Fast-forward six years and the company is determined not to repeat past mistakes.

As a result, Manulife has decided to build up lots of capital rather than pay out big dividends. This, of course, makes the stock unpopular in today's investing climate. So Manulife trades at only 10.4 times earnings, a significant discount to its peers (the company's past might play a part, too). But Manulife's prospects are as bright as ever, and even its dividend has increased for the first time in years. So this is a perfect opportunity to add the stock to your portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:TD (The Toronto-Dominion Bank)

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