



## 3 Reasons to Buy and Hold the Bank of Nova Scotia Forever

### Description

Growing global macro-economic and geopolitical uncertainty, coupled with increased market volatility has brought the focus firmly back on investing fundamentals. This couldn't be truer when surveying the economic landscape in Canada. While the U.S. economy is firing on all cylinders, weaker oil prices and declining commodity demand from Asia are hurting Canada's economy.

The key investing fundamentals, which over time will almost guarantee success are identifying companies with easily understood businesses, stable but ever-growing earnings, wide economic moats, and solid long-term growth prospects. Companies possessing these characteristics, have the ability to continue rewarding shareholders year in, year out through consistently growing dividends.

One Canadian company that stands out for all of these reasons is the **Bank of Nova Scotia** ([TSX: BNS](#))([NYSE: BNS](#)).

Its decisive strengths can be distilled into three key points.

First and foremost as Canada's third largest bank by assets, its business is almost impossible for a competitor to replicate.

This is for a variety of reasons, but key are the steep barriers to entry with banking being a heavily regulated industry which requires significant capital in order to commence operations.

Bank of Nova Scotia has built an impressive operational footprint, which spans over 55 countries with significant international operations in the Caribbean, Colombia, and Peru. It has also worked hard to scale up its consumer lending business, where it trailed the other four top banks, as well as its insurance and wealth management operations, giving it an impressive diversified financial services portfolio.

Each of these characteristics endow Bank of Nova Scotia with a wide multifaceted economic moat, protecting its competitive advantage, smoothing out earnings, and providing it with some impressive growth prospects.

Second, while financial services can suffer during economic downturns with demand for credit declining and defaults rising, Bank of Nova Scotia's geographically diversified portfolio of products and services mitigates this risk.

Its diversified geographic footprint, which sees it operating Colombia's fifth largest bank and Peru's third largest, reduces its dependence on the domestic economy. It also endows it with some solid growth prospects with both of those economies among the fastest growing in Latin America. For 2015, Colombia's GDP is expected to grow by 4.5% while Peru's will expand 6%, compared to Canada's 2.5%.

More impressively, Bank of Nova Scotia monitors the state of its operations so as to continually improve efficiencies across its business and actively manage credit exposure, further enhancing earnings.

Finally and the real reason for holding Bank of Nova Scotia, is its long history of consistently paying steadily increasing dividends.

The bank has paid a dividend since 1892 and hiked its dividend for the last four consecutive years, giving it an impressive dividend yield of 3.8% coupled with a sustainable payout ratio of 45%. Such a conservative payout ratio coupled with the bank's wide economic moat and solid growth prospects bodes well for further dividend hikes.

More impressively is during the global financial crisis, Bank of Nova Scotia maintained its dividend leaving it untouched at a time when the majority of banks, insurances companies and other financial institutions worldwide were slashing theirs or ending them altogether. This serves to instill confidence in the bank's ability to continue paying dividends along with its conservative approach to growing its business and managing risk.

All of the characteristics should garner the attention of investors and make Bank of Nova Scotia a key buy and hold forever stock for any long-term stock portfolio.

## **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

## **TICKERS GLOBAL**

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

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