



The Cheaper Way to Own Bank of Nova Scotia Stock

Description

Canadian bank stocks are an integral part of most Canadians' portfolios. We can't live without them.

They consistently pay juicy 3% dividend yields that retirees can't live without; not to mention the Big Six make a ton of money each year, which drives their stock prices ever higher. It's a winning combination to be sure. For those investors who favour **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) because of its presence in emerging markets like Latin America and India, there's an easy way to own its stock—but it requires doing a little math first.

Economic Investment Trust Limited ([TSX:EVT](#)) is Canada's oldest closed-end investment trust formed all the way back in 1927. Initially capitalized at \$2.6 million, today it has net assets of \$745 million. Like all closed-end funds, it trades at a discount to the net asset value per share. Currently, you can buy a dollar of its assets for approximately 75 cents.

That's a great deal. But before you run off and buy it, you'll want to figure out a few numbers.

First, Economic Investment Trust has historically traded at a discount between 20% and 45%. Earlier this year that discount got as low as 18.79% making its shares relatively expensive given its trading pattern over the years. In recent times, its discount hasn't got anywhere near 45%; the closest was a 34% discount in 2012.

What does any of this have to do with Bank of Nova Scotia?

Well, the fund has two components.

First, it owns, directly and indirectly, three Canadian stocks as long-term investments. Those stocks are **E-L Financial Corporation** ([TSX:ELF](#)), **Algoma Central Corporation** ([TSX:ALC](#)) and Bank of Nova Scotia. These represent 52% of its total equity investments. The remaining 48% is an externally managed portfolio of 47 global equities. Burgundy Asset Management was paid 0.42% in 2015 to manage the \$367 million global portfolio.

The fund's Bank of Nova Scotia investment is held through two private companies. It represents 5.3%

of its \$784 million investment portfolio. At the end of 2015, it was carried on the books at \$48.5 million. The equivalent amount of Bank of Nova stock on December 31, 2015, would have cost \$55.97 per share, buying you approximately 866,536 shares.

If you'd bought the same amount of shares at the June 6 closing price of \$65.86, it would have cost you \$57.1 million. Applying the fund's 25% discount means you get the stock for \$49.40 per share, or \$42.8 million, almost \$6 million less than the carrying value at the end of 2015. The bank's stock is up 19% year-to-date.

By investing in Economic Investment Trust, you essentially get all of the bank stock's 2016 appreciation for nothing.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

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

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Date

2025/08/27

Date Created

2016/06/08

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