



National Bank of Canada Continues to Make All the Right Moves

Description

National Bank of Canada ([TSX:NA](#)) recently announced that it is investing \$6 million in Toronto-based robo-advisor, Nest Wealth. In addition, the bank's financial advisors will use Nest Wealth's digital platform to manage their clients' money.

"Our objective at National Bank is clear: to augment and complement our present platforms, thereby equipping our advisors with an additional working tool [Nest Wealth] that will take our investment offer to the next level," said Martin Gagnon, Co-President and Co-Chief Executive Officer, National Bank Financial and Executive Vice-President – Wealth Management.

National Bank, the first of the so-called big banks to make a strategic investment in a Canadian fintech, continues to make all the right moves; it might be the smallest of the big six, but that hasn't stopped it from hitting above its weight.

Investors, take notice.

I happen to have a friend that works for the bank, and he's told me about some of the changes happening at the company – some are good, some not-so-good – very much in the same vein as the high-pressure sales tactics of **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)).

However, when he first joined the bank close to a decade ago, it didn't even have a decent email communication system; the Nest Wealth tie-up shows just how far it's come from the formerly stodgy, old-school bank, that it once was.

This announcement is a positive for National Bank and its stock.

If you want to compete in wealth management in this country, you have got to have the best digital technology possible, or you will lose assets under management to those who do.

Power Financial Corp (TSX:PWF) understood this back in April 2015 when it agreed to invest up to \$30 million in Wealthsimple, another Toronto-based robo-advisor. Since then it's invested another \$22 million in the company, is now the majority owner, and has expanded Wealthsimple into the U.S.

"For us, in the U.S. that is still a massive, massive market," Wealthsimple CEO Michael Katchen said in a January article in the Financial Post. "While there has been a lot of hype and growth and excitement around the robo-space, it's still such a tiny percentage of the investable assets in the U.S. that we see it as wide open."

Growing a digital platform is all about scale. With the backing of Power Financial, Wealthsimple can speed up its plans to capture market share in the North American wealth management industry while also helping Power Financial subsidiary, **IGM Financial Inc.** ([TSX:IGM](#)), put the right tools in the hands of its financial advisors.

The same thing will happen with National Bank and Nest Wealth. The bank gets another tool in its wealth management arsenal, and Nest Wealth gets to hurry along its expansion plans.

You can bet that within the next 12-24 months, the other banks with the possible exception of **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), who already has a robo-advisor (SmartFolio), will take ownership stakes in the handful of remaining independents.

Bottom line on National Bank stock

Fool.ca contributor Joey Frenette recently [discussed](#) National Bank, and although he found a lot to like about Canada's sixth-largest bank, he ultimately passed on its stock saying it was fully valued and didn't have enough exposure to the U.S. unlike some of its larger peers. Fair points, I'll admit.

However, its Q1 2017 earnings report is too strong to ignore.

"National came in well ahead of expectations and, more importantly, raised its regulatory capital ratio to a level that should ease most concerns," said John Aiken, an analyst with Barclays in Toronto. "While trading did help results, its provisions were essentially in line, meaning that the beat came from core operations, including strength in its retail banking and wealth management operations, underpinned by strong cost controls."

Like I said at the top, National Bank is making all the right moves, including running a very efficient core business.

My [favourite](#) big bank is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). National Bank comes a close second.

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