



## Enhance Your Returns by Investing in This Top Dividend-Growth Stock

### Description

Dividend-growth investing is among the easiest paths to achieve investing success. This is because companies that pay regularly growing, sustainable dividends possess wide economic moats, mature businesses, and solid growth prospects. Investors are also able to enhance their returns by reinvesting dividends and accessing the power of compounding.

One top Canadian dividend-growth stock that stands out for all the right reasons is the third-largest lender **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)).

### Now what?

Bank of Nova Scotia has reported strong earnings growth, which has allowed it to hike its dividend for the last six years straight, giving it a tasty and sustainable 4% yield. There are signs that this solid growth will continue for at least for the foreseeable future.

What differentiates Bank of Nova Scotia from the other Big Six banks is its considerable international exposure focused on Latin America. It has invested in establishing a credible operational presence in the rapidly growing economies of Chile, Mexico, Colombia, and Peru, which are the founding members of Latin America's Pacific Alliance trade bloc.

Aside from Chile, the other three nations are heavily underbanked, presenting Bank of Nova Scotia with considerable growth opportunities, particularly as those countries develop and their economies expand further. It is this which underpinned a significant expansion in its lending activities in the region.

For the fiscal third quarter 2017, its operations in the Pacific Alliance nations experienced loan growth of an impressive 13% year over year. That can be attributed to an improvement in economic growth in those countries because of firmer commodity prices and an improving outlook. This impressive expansion of its regional lending portfolio helped to grow net income for its international banking business by 14% year over year. Such remarkable growth should continue because of the increasingly positive economic outlook for emerging markets in Latin America.

The bank's focus on expanding its operations in Latin America in recent years has also reduced its

dependence Canada's heavily saturated mortgage market, further enhancing its growth potential.

You see, the major banks have already benefited substantially from the rationalization of the domestic market, and that means there are fewer growth opportunities available. Along with the massive expansion in mortgage lending over the last decade and high levels of household debt, this has significantly narrowed the opportunities for growth domestically.

The opportunities offered by the relatively untapped markets of Mexico, Chile, Colombia, and Peru, along with the higher margins that Bank of Nova Scotia can earn in those nations, makes its international business an important growth lever. The bank's focus on costs and improving the efficiency of its operations will also give margins a healthy boost, leading to higher earnings, which increases the likelihood of yet more dividend hikes.

### **So what?**

For investors seeking to take full advantage of Bank of Nova Scotia's growing earnings, it makes sense to reinvest those dividends by buying more shares. This can be done at no additional cost through the bank's dividend and share-purchase plan. By doing this, investors can access the power of compounding and significantly enhance their long-term returns. This becomes apparent when examining the historical performance of Bank of Nova Scotia over the last 10 years. For an investment of \$10,000, where the dividends had been reinvested, a total return of 90% would have been realized, yet had the dividends been taken in cash, the total return would fall to 65%.

Bank of Nova Scotia is one of the most attractive dividend-growth investments available, and it should outperform the majority of the other Big Six banks because of its international exposure.

### **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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mattdsmith

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