



Bank of Nova Scotia: A Top Pick for Emerging Market Exposure?

Description

Canadian investors are searching for safe ways to benefit from growth opportunities in developing countries.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#)) ([NYSE:BNS](#)) to see if it deserves to be on the [buy](#) list.

Pacific Alliance strategy

Bank of Nova Scotia has invested heavily in building up its presence in Mexico, Colombia, Chile, and Peru.

Why?

These four countries form the core of the Pacific Alliance, which is a trade bloc set up to promote the free movement of goods and capital among the member states. Together, the combined markets are home to more than 200 million consumers.

As the middle class grows, demand for loans and investment products should increase, and Bank of Nova Scotia is positioned well to benefit.

On the commercial side, companies require a variety of cash-management services when they enter new markets. With its presence in all four of the major Pacific Alliance countries, Bank of Nova Scotia can capitalize on these needs.

Management continues to search for new opportunities in the region, and recently announced a \$2.9 billion deal to acquire a majority position in BBVA Chile. Bank of Nova Scotia plans to merge the assets with its existing operations, Scotiabank Chile.

The move will make the division the third-largest private sector bank in Chile with a market share of about 14%.

Earnings

Bank of Nova Scotia recently reported strong fiscal Q4 results. The company generated net income of \$2.07 billion in the quarter compared to \$2.01 billion in the same period last year.

For fiscal full year 2017, net income rose 8% compared to 2016.

The company's international banking operations contributed \$2.4 billion in annual earnings, representing a 15% increase over the same period the previous year.

Dividends

Bank of Nova Scotia has a solid history of [dividend growth](#). The company raised the payout twice this year for a total increase of 6%. The current quarterly distribution of \$0.79 per share provides an annualized yield of 3.8%.

Should you buy?

Bank of Nova Scotia is an attractive option to get strong emerging market exposure without taking on the risks connected to buying local companies in the specific countries.

The bank already gets close to 30% of its net income from the international operations, and that could increase as the company expands its presence in the Pacific Alliance countries.

If you want a reliable Canadian dividend stock that provides international diversification, Bank of Nova Scotia deserves to be on your radar.

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aswalker

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