



## Bank of Nova Scotia Makes a Big Push Into Wealth Management

### Description

Canada's third-largest lender **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) made a big splash and a strong pivot towards [securing a stronger wealth management business](#) on Monday when it acquired Montreal-based Jarislowsky Fraser in a cash deal for approximately \$950 million.

Prior to the deal, Jarislowsky Fraser was one of the oldest and most respected investment managers in the country in addition to being one of the largest. "JF," as it's commonly referred to, oversees close to \$40 billion in assets held for pension funds, corporations, and high-net-worth individuals and families.

When the deal closes, Bank of Nova Scotia will have upwards of \$160 billion in assets under management, so the move to acquire JF has effectively grown the company's book of business by an additional 33%.

Not only does Bank of Nova Scotia now have some of the country's best asset managers under one roof, but acquiring JF goes a long way to providing diversification benefits to the Canadian lender.

For one, JF's book of business is primarily focused on institutional clients like pension funds, corporations, charitable foundations, and endowments — 70% of the firm's business, in fact, comes from these types of clients.

Meanwhile, Bank of Nova Scotia's legacy business was predominantly retail clients, so the deal helps to add some balance there.

Additionally, the move will help the bank shift its focus out of traditional lending or credit products and diversify more into the types of fee-based services charged for wealth management products.

While this may seem counter-intuitive given that rates are currently on their way up, it may prove to be a rather cunning move in that fee-based businesses like JF aren't much in demand right now compared to the prices these types of businesses demand when rates are lower.

### A good fit within Bank of Nova Scotia's current strategy

On Investor Day, the company announced it wanted to grow its wealth management business to account for 15% of the company's total earnings from 12%, and this week's deal should drive the company well past that mark and put the lender closer to being on par with Canada's other big banks.

Following a few years of relatively quiet activity, Bank of Nova Scotia has been much more active as of late, including the JF acquisition; in December the bank made moves to buy out **Citigroup Inc.'s** Columbian commercial lending business and also made a deal to acquire a 68% stake in Chilean banker BBVA Chile.

## Conclusion

Although the JF deal will ultimately be financed with the issuance of additional equity capital, the bank enters 2018 on solid footing with the goal to grow earnings per share by 7% over the next few years.

While there are certainly questions about the sustainability of the average Canadian household's balance sheet, at a forward price-to-earnings multiple of 11 times, [shares in Bank of Nova Scotia appear to be as good a buy today](#) as they've ever been.

## 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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