



## Is Bank of Nova Scotia a Top RRSP Pick?

### Description

Canadian savers are searching for top-quality stocks to add to their RRSP portfolios, and the Canadian [banks](#) regularly crop up as popular picks.

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

### International focus

Investors often skip Bank of Nova Scotia when considering a financial institution for their TFSA holdings, but that might be a mistake, especially if the position will be held for the long run.

### Why?

Bank of Nova Scotia has spent billions to build a strong international division, with a particular focus on Mexico, Colombia, Peru, and Chile. These four countries form the core of the Pacific Alliance, which is a trade block set up to promote the free movement of goods and capital among the member states. When combined, the total market is home to more than 200 million consumers.

As the middle-class expands, demand for loans and investment products should increase, which bodes well for Bank of Nova Scotia. The company continues to make strategic acquisitions in the region, including a significant deal announced in Chile in 2017.

### Growth at home

Bank of Nova Scotia is also doing deals in Canada, including the recent agreement to buy wealth manager Jarislowsky Fraser for \$950 million. The purchase will make Bank of Nova Scotia the third-largest active wealth manager in the country with assets under management of \$166 billion.

### Earnings

Bank of Nova Scotia reported Fiscal Q1 2018 net income of \$2.34 billion, representing a 16% increase

over the same period last year. The Canadian banking operations saw net income rise 12%, supported by a 6% increase in mortgage loans and a 14% jump in business loans. International banking stole the show with net income up 18%, driven primarily by a 16% increase in loans in Latin America.

The international division generated \$667 million, or 29% of the company's profits. This is important for investors who might be concerned about a downturn in Canada, as the international group provides a nice hedge against any potential trouble in the home market.

## Risks

A steep drop in Canadian house prices would have a negative impact on all of the Canadian banks. As interest rates rise, some homeowners will run into trouble and be forced to sell their houses. If this becomes a domino effect, things could certainly get ugly, but most analysts predict a gradual pullback, and Bank of Nova Scotia's mortgage portfolio is certainly capable of riding out a downturn.

The company finished Q1 2018 with \$208 billion in Canadian residential mortgages on the books. Nearly half the loans are insured and the loan-to-value ratio on the uninsured loans is 53%. This means house prices would have to fall considerably before Bank of Nova Scotia sees a material hit.

## Dividends

Bank of Nova Scotia recently raised its quarterly payout by \$0.03 to \$0.82 per share. At the time of writing, that's good for a 4% [yield](#). The company has a strong track record of increasing the distribution, and the trend should continue.

## Should you buy?

Bank of Nova Scotia gives buy-and-hold investors an opportunity to gain exposure to emerging market growth through a rock-solid Canadian company. The bank trades at a discount to its larger peers due to the perceived risks associated with Latin America, but the gap could close as the market becomes more comfortable with the improved stability and opportunity in the region.

If you have some cash sitting on the sidelines, Bank of Nova Scotia deserves to be on your RRSP radar.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
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2. TSX:BNS (Bank Of Nova Scotia)

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