



Is Bank of Nova Scotia a Top RRSP Pick?

Description

Canadian savers are searching for top stocks to add to their self-directed [RRSP](#) portfolios, and the big banks often come up as popular picks.

Let's take a look at **Bank of Nova Scotia** ([TSX:BNS](#)) ([NYSE:BNS](#)) to see if it might be an attractive option right now.

International focus

Bank of Nova Scotia has spent billions to build an impressive international division, with a specific focus on Mexico, Peru, Chile, and Colombia. These countries make up the Pacific Alliance, which is a trade bloc set up to promote the free movement of goods and capital among the member states.

Combined, the four markets are home to more than 220 million people.

As the middle class grows, demand for loans and investment products should increase, and Bank of Nova Scotia is well positioned to benefit. In addition, the company can help business clients in the region who are taking advantage of the Pacific Alliance agreement to expand their operations.

Bank of Nova Scotia continues to make strategic acquisitions in Latin America. The company is working through a US\$2.2 billion deal to purchase a majority stake in BBVA Chile, and it recently announced a \$130 million agreement to buy a 51% interest in Banco Cencosud in Peru.

Canadian growth

Bank of Nova Scotia is also boosting its presence in the Canadian market. Earlier this year, the bank agreed to purchase wealth manager Jarislowsky Fraser for about \$950 million. The acquisition is expected to close in fiscal Q3 2018 and will make Bank of Nova Scotia the third-largest Canadian active assets manager.

Earnings

Bank of Nova Scotia reported fiscal Q1 2018 net income of \$2.34 billion, representing a 16% increase over the same period in 2017. Diluted earnings per share (EPS) came in at \$1.86, or 18% better than the same period last year. That handily outpaced the company's medium-term EPS growth target of 7%.

International banking contributes nearly 30% of the company's net income, providing investors with a nice hedge against potential weakness in the Canadian economy.

Dividends

Bank of Nova Scotia has a strong track record of dividend growth, and that should continue in step with rising earnings. At the time of writing, the stock provides a [yield](#) of 4%.

Returns

Long-term investors have done well with this stock. A \$10,000 investment in Bank of Nova Scotia 20 years ago would be worth more than \$80,000 today with the dividends reinvested.

Should you buy?

Bank of Nova Scotia trades at a discount to its larger Canadian peers. The reason is likely connected to perceived risk associated with the international operations, but the Pacific Alliance countries are more stable than in the past and offer impressive growth potential for the bank.

If you are looking for a reliable dividend-growth pick for your RRSP, Bank of Nova Scotia deserves to be on your radar.

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aswalker

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