Why This Is the Only Bank Your Portfolio Needs Right Now

Description

Canada's banking sector remains more stable and regulated over that of the U.S. market — a fact which has helped Canada's big banks avoid the types of crises that plague the U.S. market every 15-20 years. But what if we could take those regulated and stable practices and apply them to the lucrative cross-border banking market?

Enter **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and the incredible opportunity for investors that awaits.

Entry into the U.S. market was the right thing to do at the right time

While most of us recognize TD, few of us may actually realize just how big the bank really is. TD is one of the largest banks in North America and has over 22 million clients scattered across the globe, offering a suite of banking and wealth management options. In the lucrative U.S. market, TD has rapidly ascended to become one of the top 10 banks in the country thanks to a series of masterstroke acquisitions completed at the perfect time.

Specifically, in the years following the Great Recession, TD managed to acquire a series of regional banks along the U.S. east coast, which were quickly re-branded under a single name with a branch network that stretched from Maine to Florida. Worth noting is the point that an expansion into the U.S. market was by no means something accomplished by just TD; many of the bank's peers engaged in their own expansion efforts both within and outside the U.S. market, with varying degrees of success.

Ironically, despite the impressive, if not explosive growth that we've seen from TD as a result of its U.S. venture, the bank is still only operating in a handful of U.S. states and therefore still holds plenty of expansion potential for long-term investors.

Strong expansion has led to strong results

TD's impressive move into U.S. markets has left the bank awash with growth. TD's Canadian retail segment saw net income gains of 5% over the same quarter last year, coming in at $1,741 million, while the U.S. retail segment realized an incredible 44% gain over the same period last year, with adjusted net income for the quarter coming in at $1,139 million. In short, the U.S. segment nearly accounts for a third of all revenue at the bank, and that figure is growing with each passing quarter.

That growth is also being passed on in the form of a generous quarterly dividend, which provides a respectable 3.96% yield. While this may sound lower than some of the other big banks, keep in mind that TD is historically shown itself to be more conservative than its peers, even in forecasting EPS growth for 2019, currently sitting between 7-10%. That's not to say that TD hasn't hiked its dividend to remain competitive; the bank has maintained consecutive annual hikes as the norm for years and has been providing shareholders with a dividend for well over a century, which may be reason enough for some investors to commit to buying.

Given the volatile end to 2018 and the overall slump in the market that we saw, much of TD's success in 2018 flew right under the radar as the market and investors focused on more macro issues impacting the economy, with everything from trade agreements and interest rates taking a front seat. Incredibly, despite that stellar growth and secure dividend, TD still trades at an attractive P/E of just 11.43, making it an excellent long-term option for both growth- and income-seeking investors looking to diversify their portfolios.

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