RRSP Investors: 2 Canadian Stocks to Diversify a Self-Directed Pension Fund

Description

The Canadian stock market isn't known for being very balanced.

In fact, it is heavily dominated by commodity and financial stocks, with a sprinkle of other sectors making up the remaining part of the TSX Index. As a result, building industry diversification can be a challenge, and getting safe exposure outside Canada is also an issue.

Investors can own U.S.-based stocks inside their RRSPs, but that comes with some currency risk. Trying to buy other international stocks can also be problematic, so going with ETFs might be an attractive strategy. This is especially true for investors who would like to replicate a basket of shares in a specific region or segment.

Those who prefer to stick to individual stocks can seek out Canadian companies that generate a good chunk of their earnings from international assets.

Let's take a look at two stocks that might be interesting RRSP picks today.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) has a misleading name. The company's operations reach far beyond the eastern part of the country. In fact, Bank of Nova Scotia is Canada's third-largest bank with nearly 100,000 employees serving customers in several countries.

The largest international presence lies in Latin America, where Bank of Nova Scotia has invested billions of dollars to acquire assets in Mexico, Peru, Chile, and Colombia.

The four countries make up the Pacific Alliance trade bloc that is home to more than 225 million people. Banking penetration in the region is below 50%, offering Bank of Nova Scotia an attractive long-term growth opportunity as the middle class expands.

The international operations provided about a third of the $2.4 billion in adjusted net income the bank generated in fiscal Q4 2019.

Owning Bank of Nova Scotia is an attractive way to add exposure to Latin America. Investors get the benefit of growth in the region while holding a solid and reliable Canadian company.

Bank of Nova Scotia has a strong track record of dividend growth. The current payout provides generous 4.9% yield.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is an alternative asset management company that invests in real estate, infrastructure, and renewable energy opportunities around the globe.

If you've ever dreamed of owning world-class office towers and hotels or would like to be a student-housing landlord but don't want the headaches of managing the properties, Brookfield Asset Management might be the stock to buy.

The company is a giant in the alternative asset sector and has the scale and financial firepower, as well as the internal expertise, to do deals that only a handful of players in the world would be able to pull off, let alone attempt. This gives Brookfield Asset Management a strategic advantage in its industry.

The leadership team does a good job of identifying opportunities. They aren't afraid to lock in profits on assets in order to free up capital for more attractive opportunities and have a good handle on where growth opportunities are available around the world.

The stock enjoyed a huge rally in 2019 on the back of falling interest rates. The global trend toward negative bond yields should be supportive.

The bottom line

Bank of Nova Scotia and Brookfield Asset Management are two top Canadian stocks that investors can own to boost global exposure in their RRSP portfolios.

If you have some cash available to invest, these stocks deserve to be on your radar.

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