



## 2 Top TSX Stocks to Play Emerging Markets

### Description

The anticipated post-pandemic economic recovery has investors wondering which top TSX stocks are good buys to get exposure to a rebound in emerging markets.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) has significant international operations in Latin America with a focus on the Pacific Alliance countries of Mexico, Peru, Colombia, and Chile. These countries have a combined population that is roughly nine times larger than Canada's, and the bank penetration rate is less than 50%, so opportunity for long-term revenue growth is significant.

The pandemic hit Latin America hard, and it will be some time before things get back on track. In addition, the political situation in the four Pacific Alliance countries is always a concern. However, the expected global economic recovery should boost demand for oil, copper and other metals. The production of these products are key sources of revenues and economic activity in the four countries.

Bank of Nova Scotia continues to be very profitable, even in the current economic conditions. The bank earned adjusted net income of \$2.56 billion in fiscal Q3 2021. The international banking operations generated \$493 million of that amount.

Bank of Nova Scotia finished the quarter with a CET1 ratio of 12.2%, so it has excess cash to deploy. The CEO recently said the bank is considering wealth management acquisitions in the United States. Investors should also get a big [dividend](#) increase when the government lets the banks restart distribution hikes.

At the time of writing, the stock provides a 4.6% dividend yield.

### Sun Life Financial

**Sun Life** ([TSX:SLF](#))([NYSE:SLF](#)) is an insurance and wealth management company with core

operations in Canada, the United States, and Asia.

The Asian business arguably holds the most potential to drive long-term growth. Sun Life has an established presence in India through its Birla Sun Life partnership. The country's growing middle class presents strong opportunities for the sale of both insurance and wealth management products. Sun Life is also in other emerging Asian markets with large populations including Indonesia, the Philippines, Malaysia, and Vietnam, as well as China.

Sun Life reported strong [Q2 2021 results](#). Underlying net income increased by 19% to \$883 million in the quarter compared to Q2 last year. Canada, the U.S., and Asia also posted better results, as did the global asset management operations.

Higher life insurance and wealth management sales drove the gains in Canada. This likely reflects the impacts of the pandemic. People have become more aware of their mortality, and the lockdowns over the past year forced a rise in personal savings.

In the United States, Sun Life is a leader in group benefits insurance provided to companies and other organizations. Underlying net income rose 34% to \$165 million in the quarter.

Asia's underlying net income increased 6% to \$152 million. Insurance sales rose 35%. Wealth sales rose 64% to 44 billion, driven by strong mutual fund sales in India, money market sales in the Philippines, and the pension business in Hong Kong.

Return on equity was a solid 16.3% and Sun Life finished the quarter with \$3.2 billion in cash and other liquid assets.

## The bottom line

Bank of Nova Scotia and Sun Life are top-quality Canadian stocks that give investors good exposure to emerging markets without having to take on the risks of making local investments in Latin America or Asia. If you have some cash to put to work in your RRSP or TFSA retirement fund, these stocks deserve to be on your radar.

### CATEGORY

1. Investing

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2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:SLF (Sun Life Financial Inc.)

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