

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations. We believe Knowledge Pays and we want our knowledge to help pay for you.

COVID TRAVEL INSURANCE – WHO OFFERS IT AND WHY IT'S IMPORTANT IF TRAVELING

While the Government of Canada still advises against non-essential international travel, there is nothing stopping anyone who wishes to do so. What travelers should know is that the COVID-19 related risks associated with this travel fall solely on the individual. Unlike in the early days of the COVID-19 pandemic, you can no longer expect the government to bail you out if you get sick with COVID-19 abroad or if get stranded abroad during a lockdown in the jurisdiction you are visiting.

Due to the heightened medical and regulatory uncertainty related to COVID-19 relative to other ailments, many insurers have either excluded COVID-19 from their normal travel insurance offerings or significantly reduced COVID-19 related coverage. For example, many standard travel insurance plans that have some COVID-19 coverage exempt all medical coverage if you travel in an area that has a travel advisory either before your departure date or before your effective date of insurance.

Some insurance providers now offer COVID-19 coverage as a rider to their standard travel insurance plans. Note that the COVID-19 coverage varies widely depending on the plan, so comparing the finer details is important when comparing travel insurance policies. In addition to examining exclusions and coverage scenarios, considering total coverage limits is also important. Some providers – Medipac, Tour+Med, Blue Cross – offer coverage of up to \$5 million, including COVID-19, while Manulife caps its coverage at \$200,000. Quoted premiums for insurance coverage need to be compared in relation to the differences in coverage and coverage limits.

Some airlines now include some COVID-19 travel insurance with premium travel packages to select destinations in Mexico and the Caribbean with coverage ranging from \$100,000 to \$200,000. This coverage is not available for travel to other destinations including the US.

While the ability to insure against COVID-19 infection abroad could make or break someone's decision to travel, it is important to consider the possibility that incurred medical costs exceed the coverage limits or are excluded from coverage based on the insurance contract's exclusions. While anecdotal, the following link goes on to describe how someone can rack up over \$1 million in COVID-related medical bills while in the US. **[Breaking Down This Miracle COVID-19 Survivor's \\$1.1M Hospital Bill](#)**

The **[Tour+Med COVID-19 Rider Page](#)** contains a useful tool that provides an insurer's view of each travel destination, their assessment of COVID-related risk, and whether insurance is available for that destination at the current time. The tool can also be used to gauge whether insurance is likely to be available as you approach your date of departure.

Current Rates & Data

Govt of Canada

90 day	0.10%
1 year	0.19%
2 year	0.24%
5 year	0.45%
10 year	0.74%
30 year	1.30%

U.S. Treasury

90 day	0.08%
1 year	0.09%
2 year	0.12%
5 year	0.37%
10 year	0.93%
30 year	1.68%

Canada Prime Rate

2.45%

U.S. Prime Rate

3.25%

Exchange Rates

CAD/USD	0.774
USD/EUR	1.215
JPY/USD	103.7

ECONOMIC TIDBITS INTEREST RATES: DO INVESTORS HAVE IT BACKWARDS? US STOCK VALUATIONS THINK SO

• In modern history, the best time to invest in equities as a long-term investor was when interest rates were at an all-time high. Why then do we keep hearing that extreme equity valuations are justified today when interest rates are at an all-time low? Like always, equities play an important role in a diversified investment portfolio but investors should expect below average equity returns going forward.

Estimated US Equity Returns (Nominal Returns)			
Company	Estimate Date	Annual Return Estimate	Time Period
BlackRock	Sept 2020	5.0%	10 Years
GMO LLC	Oct 2020	-6.2%	7 Years
JP Morgan	Sept 2020	5.6%	10-15 Years
Hussman Funds	Nov 2020	-3.6%	12 Years
Morningstar	Dec 2019	1.7%	10 Years
Research Affiliates	Dec 2019	1.7%	10 Years
Vanguard	Dec 2019	3.5% - 5.5%	10 Years

• US equity market valuations are at a level only seen during the US tech bubble from 1998-2000. The table to the right shows that by most metrics, the S&P is at an all-time high valuation. This valuation, the inevitable unwinding of the current speculative IPO/SPAC frenzy and the long-term rise in corporate borrowing costs (after 40 years of falling corporate borrowing costs) pose major headwinds for equities.

S&P 500 Valuations		
Model Factors	Most Recent Value	Historical Percentile
Median EV to Sales	4.0	100%
US Total Market Cap to GDP	170%	100%
EV to Free Cash Flow (Ex-Financials)	48.8	100%
Median Price to Sales	2.8	100%
Median Price to Book Value	3.9	100%
Median EV to EBITDA (Ex-Financials)	15.0	100%
Aggregate EV to Forward EBITDA (2021)	15.9	100%
Aggregate Price to 2021 Book Value	3.8	100%
Aggregate Price-to-Earnings	27.9	98%
Cyclically Adjusted P/E (CAPE ratio)	32.9	97%
Aggregate Price-to-2021 Earnings	25.6	97%

LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

Investor Excitement Over ‘The Next Big Thing’ Creating Opportunities in Technology Bellwethers

- Investors have gravitated toward fast growing technology stocks in 2020 and avoided slower growing but historically undervalued technology stocks. These technology bellwethers comprise a much larger share of the global economy than these smaller peers and should benefit from broad economic recovery.
- **Intel Corp (INTC)** and **Cisco Systems (CSCO)** are two glaring examples of this.
- **Intel** trades at ~10x trailing earnings, a ~20% discount to its historical valuation and an extreme discount to other slow growing megacap technology companies. Intel remains a leader in the chip business and its discount valuation appears to be due to an exaggeration of competition from peers Nvidia and AMD.
- **Cisco** trades at ~14x trailing earnings, a ~20% discount to its historical valuation despite a reinvigorated business due to its cloud offerings. Cisco remains core to global economic growth and should benefit from broad based growth and its cloud offerings should allow it to participate in growth of that market.

Key risk points: Both stocks are cyclically sensitive and could underperform if economic growth disappoints. Both are targets for disruption and may suffer if new entrants grow faster than expected.

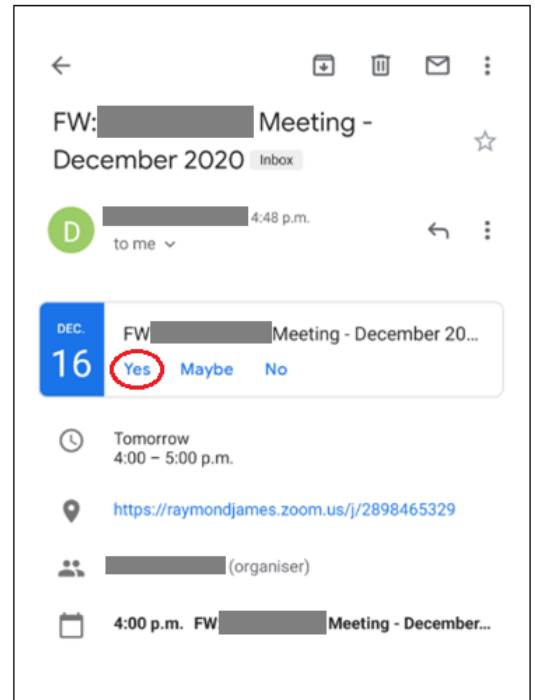
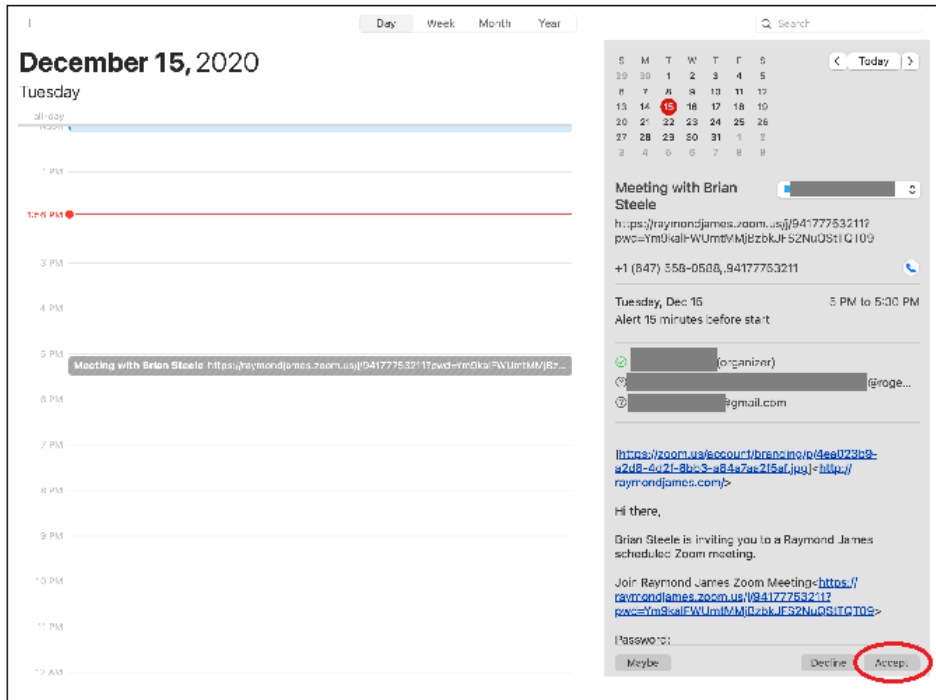
JEANNINE’S TIP O’ THE MONTH Reminder to Accept Virtual Meeting Invitations So They Reach Your Calendar

Virtual meetings are the new normal and will be for quite some time yet. There have been times when clients have forgotten meetings and/or cannot find the meeting links and either miss or are late to meetings.

We kindly remind you to accept meeting invitations and review your email calendars regularly.

The location of the ‘Accept’ button may differ depending on the email provider. On the next page, we show where the two most common places for the ‘Accept’ button are located.

The picture on the left shows the calendar screen within Rogers desktop Email. Some email providers show the 'Accept' button on the calendar screen as circled below. The picture on the right shows Gmail mobile meeting invitation. There is an option to accept the meeting invite in the email itself. The ability to accept a meeting invite should always be either in the email itself or in the calendar module.



This newsletter has been brought to you by Steele Wealth Management

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