

APPROVED



Veritas Preparatory Charter School

Minutes

Investment Sub-Committee Quarterly Meeting

Zoom Meeting

Date and Time

Tuesday April 26, 2022 at 4:00 PM

Location

Join Zoom Meeting

<https://vpcs-org.zoom.us/j/85226421087>

Meeting ID: 852 2642 1087

Trustees Present

D. Ford (remote), M. Landon (remote)

Trustees Absent

A. Mendelson

Guests Present

N. Gauthier (remote), R. Romano (remote), S. Howard (remote)

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

M. Landon called a meeting to order on Tuesday Apr 26, 2022 at 4:08 PM.

C. Approve Minutes

II. Veritas Investment Portfolio

A. Update on Veritas Investment Portfolio

Steve updates the committee on Veritas' investment portfolio to date.

Looks can be deceiving: Purchasing power has been eroded by inflation. Inflation is a hidden risk to "safe" portfolios. Official measures of inflation have been contained, but key areas have exhibited significant price increases (Education, Medical, Home Prices).

Macroeconomic Discussion

OUTLOOK: In contrast with most of the past 18 months, we have turned cautious on the outlook for equities, given the potential for meaningfully slower economic growth, tightening financial conditions (high energy prices, lower savings rates, and a normalization of Federal Reserve monetary policy).

CORPORATE EARNINGS ARE SLOWING: We see the potential for meaningfully lower corporate earnings growth as we head toward the second half of the year.

OBJECTIVE: The VERITAS PREP Portfolio is currently positioned quite defensively, given the challenging growth, inflation, and policy backdrop.

Waiting for evaluations and expectations to come back a little more. Mostly were waiting for growth and volatility signals to inflect.

B. Questions and Answers

Denise asks if we have to make any other adjustments or will we hold where we are right now?

Steve says we are going to hold. On the buffers, he is always looking for a better risk reward and the only other thing he would say on the rational specialization fund is if selling starts to beget selling, he will make some choices. He will continue to monitor liquidity and how fair the marks are related to credit quality and we may take some more steps then. What's good about our portfolio is we're not taking any tax issues on.

Denise asks what if it becomes a real recession?

Steve says unless there's a crisis (usually liquidity) there are always ways to nibble around the edges and find opportunities. Recessions can be targeted to finite areas of the economy so we have to figure out where the focal point is. He doesn't see one flashing area of red risk wise.

Matt thinks we have to come back to our timing, we've only been invested for 6 months. What is our overall equity exposure currently?

Steve says about 1/4 currently. A lot of that is in buffers so there are some guardrails on it. He continues, the Veritas portfolio is one that is half the risk of the market itself. If you start to slow the speed of inflation things are going to get better because right now there are supply issues but not demand issues.

Denise asks about the real estate market and big loans that will be re-pricing?

Steve thinks this is a concern but it's the shadow banks that are going to start to feel the stress, he has not seen anything on the commercial side yet. Yesterday was the first high yield bond offering since the war began in February.

Denise thinks locally its the smaller to medium banks that may start having a problem because they have a lot of real estate on their books.

Steve would agree with that. All the small and medium banks he works with talk about that rate of change. In addition, the demand has fallen off a cliff.

Denise concludes we are not really exposed there.

Steve says listening to some of the large CEO industrial firms talking about the market, they say an industrial recession is not at the top of people's minds. That could change but again supply is the issue, not demand. Demand could actually pull back a little bit and give supply a chance to breathe.

Rachel's only concern is about potentially pulling equity out of it to buy our building, do we need to reconsider some of these things.

Matt thinks when we entered this Lynne felt like this could be collateral to buy the building and we wouldn't have to actually take anything out. He says this is a conservative portfolio and when you go into risk assets there are times it is not always fun. The important thing to consider about buying the building would be timeline. If our time horizon for use of funds is 7-10 years, he's not worried. If it's much less, we may want to think about things.

Denise thinks it would not be less than 7 years so we have some time to fluctuate.

Rachel just asks if the down market continues for a long time, maybe we can up our risk tolerance a little bit to take advantage of the time we're in, if it persists.

Steve says we could go to 60% equities without changing anything in the IPS.

Matt says what he likes about Steve's group is that they are always looking for those opportunities.

III. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 5:00 PM.

Respectfully Submitted,
R. Romano

Documents used during the meeting

None