

APPROVED



## Veritas Preparatory Charter School

### Minutes

#### Investment Sub-Committee Quarterly Meeting

Zoom Meeting

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#### **Date and Time**

Tuesday October 25, 2022 at 4:00 PM

#### **Location**

[Join Zoom Meeting](#)

ID: 82169855637

Passcode: 458469

[\(US\) +1 301-715-8592](#)

Passcode: 458469

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#### **Trustees Present**

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

#### **Trustees Absent**

*None*

#### **Guests Present**

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

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#### **I. Opening Items**

**A. Record Attendance**

**B. Call the Meeting to Order**

M. Landon called a meeting to order on Tuesday Oct 25, 2022 at 4:04 PM.

**C. Approve Minutes**

D. Ford made a motion to approve the minutes from Investment Sub-Committee Quarterly Meeting on 02-08-22.

M. Landon seconded the motion.

The team **VOTED** unanimously to approve the motion.

**D. Approve Minutes**

D. Ford made a motion to approve the minutes from Investment Sub-Committee Quarterly Meeting on 04-26-22.

M. Landon seconded the motion.

The team **VOTED** unanimously to approve the motion.

**E. Approve Minutes**

D. Ford made a motion to approve the minutes from Investment Sub-Committee Quarterly Meeting on 07-26-22.

M. Landon seconded the motion.

The team **VOTED** unanimously to approve the motion.

**II. Veritas Investment Portfolio**

**A. Update on Veritas Investment Portfolio**

Steve updates the committee on the status of the Veritas portfolio. He says they went in thinking this was not going to be a typical year and they would need to use some non-traditional tools to sidestep some of the issues that they knew they would face. A 10% portfolio decline, which our portfolio has seen, is not great but could be worse. Once we see things start to improve, we will have a lot of "dry powder" to work with. We have an "anti-fragile" portfolio and that allows us quite a bit of flexibility. Steve's personal take is that it is a strange market but we have yet to get to the bottom "pain point". Steve's view is the "pivot" is secondary to what is happening in the economy. So even if the Federal Reserve were to pivot, the market won't improve right away when the Federal Reserve stops raising rates.

**It's time in the market, not market timing.**

The equity market volatility has felt unprecedented, but turmoil has been more the norm than the exception over the past century.

**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**

- Our base case calls for three more quarters of decelerating growth.
- We expected inflation to remain elevated
- Late-cycle indicators remain robust, but economic gravity will likely take hold
- Earnings look poised to suffer.
- Cost of capital looks poised to rise.
- Target, AT&T, Nike, and other bellwethers show signs of stress

CORPORATE EARNINGS ARE SLOWING: During economic slowdowns, corporate earnings are not immune. Over the past 100 years, markets have closely tracked earnings.

OUTLOOK: Thus far, the market moves have been painful but largely orderly. In our view, this provides cover for the Federal Reserve to continue to raise interest rates to combat inflation.

Steve shares Veritas' portfolio.

OBJECTIVE: The VERITAS PREP Portfolio is currently positioned quite defensively, given the challenging growth, inflation, and policy backdrop. See YTD returns through the end of the second quarter for major asset classes. We see upside catalysts for the largest fixed income holding (Rational Special Situations).

How have we stayed at only a 10% loss? We have underweighted and sold some of the things that were the most volatile. In this market, we should be able to make some reasonable returns.

**B. Questions and Answers**

Matt asks about the classic pie chart of our allocations - what would that look like?

Steve says it is lower on the liquid alternatives and higher on bonds because of the treasuries. It is going to be more like 50% bonds and cash, 20% alts and 30% equity.

**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,  
M. Landon

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#### **Documents used during the meeting**

- Veritas YTD 2022 10.14.22.pdf
- VERITAS Update 1022.pdf