

APPROVED



Veritas Preparatory Charter School

Minutes

Investment Sub-Committee Meeting

Date and Time

Tuesday January 24, 2023 at 4:00 PM

Location

[Join Zoom Meeting](#)

ID: 81777127130

Passcode: 206526

[\(US\) +1 669-444-9171](#)

Passcode: 206526

Join Zoom Meeting:

<https://vpcs-org.zoom.us/j/81777127130?pwd=MWZMeXIGc2RRK1Z4V0ZKb3NFWHlxQT09>

Committee Members Present

A. Mendelson (remote), D. Ford (remote), D. Fuller (remote), M. Landon (remote), R. Martin (remote), R. Romano (remote), S. Howard (remote)

Committee Members Absent

L. Goncalves

Guests Present

N. Gauthier (remote)

I. Opening Items

A.

Record Attendance

B. Call the Meeting to Order

M. Landon called a meeting of the Investment Sub-Committee Committee of Veritas Preparatory Charter School to order on Tuesday Jan 24, 2023 at 4:05 PM.

C. Approve Minutes

D. Ford made a motion to approve the minutes from Investment Sub-Committee Quarterly Meeting on 10-25-22.

R. Martin seconded the motion.

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

II. Investment Sub-Committee

A. Veritas Investment Portfolio Update

Steve says the fourth quarter was a challenging period for growth. So, where do we go from here?

MACROECONOMIC DISCUSSION:

OVERVIEW: As we take the temperature from colleagues, clients, and peers just a few weeks into the new year, we get the feeling that most are hopeful that the worst is behind us. Investors are ready to draw a line and move on from the rare dual bear market in stocks and bonds. It's little surprise, given how many areas of the capital markets felt the pain of skyrocketing prices, slowing growth, and lofty valuations. We would like to join those looking for smoother sailing; however, we continue to preach patience given our expectation for tightening monetary conditions and a continued deceleration in growth. We would love to celebrate the peak in inflation and the potential for a friendlier Federal Reserve, but we think investors may be caught offside by slower-than-expected growth and tightening financial conditions.

- We are likely in the midst of the steepest point of deceleration in growth for the cycle.
- Valuations do reflect slowing growth, but we fear estimates may have further to fall.
- The "orderly" market decline could give way to sharper, choppier conditions if credit conditions begin to deteriorate.
- The bond market appears hopeful that the Fed will soon "pivot." We would not be so sure.
- Copper and gasoline have begun rising, while wages remain stubbornly high.
- IF the Federal Reserve pauses while inflation falls towards more normal levels, it would still create significantly tighter financial conditions.

- Put another way, the cycle remains a risk as does a policy mistake

It seems like the Fed may be doing one more rate hike. Seeley Howard's person view is that the Fed will be airing on the side of leaving rates higher for longer.

Remember the mantra: It's time in the market, not market timing.

CORPORATE EARNINGS ARE SLOWING: We believe earnings expectations, which have been trending lower since midway through 2022, remain too optimistic.

THE YIELD CURVE IS INVERTED: The Federal Reserve has been tightening into a slowdown, which has caused a rapid inversion in the 2YR-10-Year Spread. Currently, the spread stands at -72bps.

All the forecasts they use are pointing towards a worse than consensus view on earnings in the economy that's why they have been hesitant to throw money back into the market.

THE MARKET IS SAYING THE WORST (OF INTEREST RATE HIKES) IS BEHIND US: The futures market shows just over one more 25 basis point hike this year. Optimism on this front has help lift markets. We do believe the worst is behind us on the inflation front. However, the market may be ignoring the impact of a meaningful earnings slowdown.

VALUATIONS HAVE FALLEN, BUT TOUGH TO CALL THE MARKET "CHEAP": We see the potential for trailing earnings to look overly flattering given the deteriorating earnings environment.

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

Steve's real desire is to put more money to work towards more traditional assets when risk reward favors that. We do have equity exposure through our buffer funds.

Trustees asked Steve questions about market volatility and Steve explained different scenarios or potential situations that could occur.

Matt outlines headlines from the numbers provided in Steve's report on page 6. Relatively speaking, we've had a lots of wins compared to the market in general from his perspective. Seeley Howard is taking an active and conservative approach that has served us well in an uncertain forward looking market.

Steve provides the Board with a snapshot of the Veritas portfolio over the past year. He also shares a monthly allocation positions spreadsheet for the past year and highlights which allocations have been more successful than others.

Follow Up: Denise reminds the Board members that once a year we had said we will review the investment policy on our end. We will put it on the agenda for the next quarterly meeting.

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 5:02 PM.

Respectfully Submitted,
M. Landon

Documents used during the meeting

- 4Q22-Veritas Annual Performance Report January 2023.pdf
- 0422-VERITAS Update January 2023.pdf