

APPROVED



Veritas Preparatory Charter School

Minutes

Investment Subcommittee Quarterly Meeting

Date and Time

Tuesday August 6, 2024 at 3:00 PM

Location

Join Zoom Meeting

<https://vpcs-org.zoom.us/j/88179863848?pwd=axTGftwMkM19mTkTV3fqJFOKcGChir.1>

Committee Members Present

A. Mendelson (remote), D. Ford (remote), M. Landon (remote), R. Martin (remote), T. Maxey (remote)

Committee Members Absent

None

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 Aug 6, 2024 at 3:00 PM.

C.

Approve Minutes - April Quarterly Meeting

M. Landon made a motion to approve the minutes from Investment Subcommittee Quarterly Meeting on 04-23-24.

D. Ford seconded the motion.

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

D. Approve Minutes - Working Session

M. Landon made a motion to approve the minutes from Investment Sub-Committee Working Session on 05-21-24.

D. Ford seconded the motion.

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

II. Investment Sub-Committee

A. Veritas Investment Portfolio Update

Economic Outlook and Market Trends

Matt provided insights into the rebounding international markets compared to the U.S market. He elaborated on factors affecting market fluctuations such as Japanese investors' impact on U.S assets following changes in rates by the Bank of Japan.

The discussion delved into economic trends related to monetary policies with a focus on long-term implications for global economic powers like China vis-a-vis historical empires' rise-and-fall patterns.

Steve expressed a view that unless there is a major labor hiccup or an event precipitating significant output deterioration like a war, they anticipate a soft landing in the markets. However, he noted that there has been an increase in the probability of recession from close to zero in June to around 25-50% according to some sources. The discussion also delved into market volatility indices (Vix) trends and their implications for investors.

Matt and Steve discussed the historical patterns of global economic and military empires, referencing Ray Dalio's book on the subject. They highlighted the transitions between empires such as China, the United Kingdom, and the United States. The conversation emphasized that power reserve currency status is not guaranteed.

Portfolio Management

There was an exchange regarding portfolio compliance checks with legal counsel involvement concerning investments under state regulations. It was confirmed that there were no conflicts or prohibited investments within their current portfolio based on feedback from auditors.

Steve detailed portfolio adjustments made during the meeting, including an increase in equity allocation through strategic investments. He mentioned specific funds such as

VanEck Morningstar Wide Moat Index and Capital Group Dividend Value Fund, highlighting their outperformance compared to major indices. Furthermore, he discussed investments in Central Securities closed-end fund for long-term stock picking.

Steve emphasized a focus on high-quality international stocks for long-term investment success rather than momentum-driven stocks. He highlighted successful non-consensus calls related to exposure to India and small-cap growth companies with good stock pickers finding suitable names.

Denise sought clarification from Steve regarding current asset allocation levels during which they reviewed equity percentages based on recent data provided by Matt. The discussion revolved around achieving target allocations while considering different investment objectives and styles within their portfolio.

Matt presented an asset allocation breakdown focusing on equity and US stocks while discussing categorization differences within systems used for analysis. This led to a review of pure equity percentages along with additional allocations through buffer funds designed to provide some downside protection amidst market fluctuations.

Steve discussed adjusting investments to manage volatility, considering upside exposure and downside protection. He mentioned the potential for further weakness and the use of ultra buffers due to asymmetric risk reward. Aaron inquired about adding to the equity portion, and Steve expressed a preference for adding it to the equity section rather than increasing buffers by 5%. Denise sought clarification on maintaining the current mix amidst volatility, with Steve indicating a temporary hold strategy.

When asked about adding new equities or expanding existing portfolios, Steve emphasized favoring high-quality companies at discounted prices. He highlighted specific funds such as Fidelity Blue chip growth fund and Vanguard Dividend Appreciation Index as potential areas for expansion within his existing portfolio.

Market Mechanics and Impacts

Steve provided insights into market mechanics including leverage levels in hedge funds due to low volatility conditions. He mentioned concerns about options trading with short expiration periods leading to potential wealth erosion if investments turn out worthless.

There was analysis regarding potential impacts on companies such as Apple, Google, Amazon due to macroeconomic factors like GDP deceleration and regulatory hurdles which could affect growth prospects.

Central Bank Policies

Steve expressed his belief that the Federal Reserve would lower interest rates by 50 basis points in September due to various economic indicators such as cooling labor and industrial markets. He highlighted the challenges faced by the Fed and potential impacts

of geopolitical events on commodity prices. Additionally, he discussed the unwinding of a complacent carry trade in Japan, emphasizing its potential impact on market dynamics.

Discussion revolved around tools developed post-2009 financial crisis by central banks for managing crises more effectively than before through targeted solutions rather than broad rate reductions.

Closing Matters

Matt requested a real-time update on their financial standing, which was confirmed by Steve as being north of the Mendelssohn line of 600 units. The discussion also touched upon pending approvals from finance committee regarding policy matters.

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 4:00 PM.

Respectfully Submitted,
M. Landon

Documents used during the meeting

- Veritas Performance Monitor July 2024.pdf
- July.JPG