



## Veritas Preparatory Charter School

### Minutes

#### Investment Subcommittee Quarterly Meeting

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##### **Date and Time**

Tuesday October 22, 2024 at 4:00 PM

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##### **Committee Members Present**

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

##### **Committee Members 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 of the Investment Sub-Committee Committee of Veritas Preparatory Charter School to order on Tuesday Oct 22, 2024 at 4:08 PM.

##### **C. Approve Minutes - August (July) Quarterly Meeting**

D. Ford made a motion to approve the minutes from Investment Subcommittee Quarterly Meeting on 08-06-24.

A. Mendelson seconded the motion.

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

## **II. Investment Sub-Committee**

### **A. Veritas Investment Portfolio Update**

#### **Portfolio Performance**

- The portfolio is up 9.6% year-to-date through the previous day's close, with a balance of nearly \$637,000.
- This represents a significant improvement from the previous year, having already surpassed last year's total return through just the first three quarters.

#### **Current Asset Allocation**

The current asset allocation is approximately 60% equity.

- This includes 52.73% in pure equity positions and an additional 15.83% in buffer funds that provide equity-like exposure with downside protection, for a total of 68.56% equity exposure.

#### **Key Holdings and Recent Changes**

- There has been an increased position in Central Securities Corp, a closed-end fund with a strong long-term track record.
- The Calamos Timpani small cap growth fund is up about 30% year-to-date after previously underperforming.
- Buffer funds continue to be used for downside protection.
- The Rational special situations fund is up nearly 9% over one year in the fixed income space.
- The Vanguard dividend appreciation fund has been maintained.
- Exposure to emerging markets through India is up 35% over the last year.
- There has been a shift from healthcare to energy sector exposure.
- An addition was made to the VanEck Morningstar Wide Moat ETF, an actively managed fund focusing on companies with sustainable competitive advantages.

#### **Portfolio Manager's Strategy**

- The strategy involves actively managing the buffer fund exposure, rotating into pure equity positions when opportunities arise and vice versa based on market conditions.
- The base case remains a soft landing for the economy, but there are concerns about potential inflationary pressures re-emerging.

#### **Inflation Concerns**

- Base effects are making year-over-year comparisons easier.

- Increased government spending and stimulus talks from both political parties are ongoing.
- China's economic acceleration and stimulus package are contributing to the situation.
- Rising commodity prices are observed, both in hard and soft commodities.

### **Fixed Income Positioning**

- The positioning is cautious regarding longer-duration fixed income due to these inflationary concerns.
- Variable rate bond funds are utilized for fixed income exposure.

### **Political Considerations**

- Potential impacts of different outcomes on markets and economic policy heading into the next election cycle were discussed.
- The rising cost of servicing U.S. government debt was noted as a long-term concern, with interest payments now exceeding defense spending.

### **Market Expansion Opportunities**

- Opportunities for further market expansion through broadening beyond the 'Magnificent Seven' large tech stocks that have driven much of the recent gains were identified.
- Balancing long-term growth objectives with risk management and potential liquidity needs was extensively discussed.

### **Investment Policy Statement (IPS)**

- The current IPS treats this as long-term money with no expected liquidity needs for at least 7 years.
- Any fundamental change to this approach would require revising the IPS.

### **Risk Management Options**

- There is a potential for moving more assets to cash or lower-risk investments if the portfolio reaches certain gain thresholds.
- The portfolio is treated like an endowment, taking regular distributions.
- There is an increasing use of buffer funds or other downside protection strategies during periods of heightened risk.
- Emphasis is placed on the ability to quickly adjust positioning if market conditions deteriorate, citing the research team's track record of identifying major market shifts.

### **Drawdowns and Diversification**

- Drawdowns are an inherent part of equity investing, but a diversified portfolio of quality companies reduces the risk of permanent capital impairment compared to concentrated or speculative positions.
- The group ultimately reaffirmed the current long-term growth mandate while acknowledging the importance of ongoing risk monitoring and having contingency plans in place.

### **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 5:11 PM.

Respectfully Submitted,  
M. Landon

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

- 3Q24-Veritas Portfolio Monitor October 2024.pdf