

APPROVED



Veritas Preparatory Charter School

Minutes

Investment Subcommittee Quarterly Meeting

Date and Time

Tuesday October 22, 2024 at 4:00 PM

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)

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

Documents used during the meeting

- 3Q24-Veritas Portfolio Monitor October 2024.pdf