

APPROVED



Veritas Preparatory Charter School

Minutes

Investment Sub-Committee Working Session

Date and Time

Tuesday May 21, 2024 at 4:00 PM

Location

Join Zoom Meeting

<https://vpcs-org.zoom.us/j/88520210365?pwd=dVF1NzF1a2N2S0h2SHRPNGNXbGJCZz09>

Committee Members Present

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

Committee Members Absent

A. Errichetti

Guests Present

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

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

D. Ford called a meeting of the Investment Sub-Committee Committee of Veritas Preparatory Charter School to order on Tuesday May 21, 2024 at 4:03 PM.

II. Investment Sub-Committee

A. Veritas Investment Policy Review and Discussion

Investment Policy Statement (IPS) Review and Approval

Matt initiated a discussion on revisiting the investment policy statement (IPS) to ensure its relevance. He highlighted the need to review guidelines, return objectives, time horizon, liquidity needs, and asset classes within the IPS.

Matt clarified that the current IPS was approved in July 2021 and emphasized that specific details needed updating based on current assets.

Return Objectives and Time Horizons

The group discussed pegging return objectives at 5% and reviewed potential adjustments based on time horizons and liquidity needs. They also considered balancing returns through income growth principles.

There is an exchange about achieving a 5% annual return where Steve points out that it was achieved last year despite challenging market conditions but expresses dissatisfaction overall due partly to mandate constraints.

The group debated adjusting the return goal from 5% to 6%, factoring in inflation targets and potential investment returns over ten years. Aaron suggested setting the total return goal at 6%, aiming for a million dollars within ten years.

Investment Portfolio Allocation and Strategy

Matt suggests revisiting portfolio allocation, considering no immediate liquidity needs, while Steve proposes increasing equity allocation by 15%. The discussion revolves around target weights for equities, fixed income, liquid alternatives, and cash reserves based on a seven to ten-year horizon.

The discussion revolved around the allocation of the investment portfolio, with Matt and Steve considering different equity ranges and their flexibility. They debated on setting a maximum target for equities at 80% and a minimum at 40%, acknowledging the need for flexibility in response to market conditions. There was agreement on allowing Steve full flexibility within these ranges based on data analysis.

Steve and Matt discussed the target allocation, considering a split of 30 between liquid ALS and fixed income. They settled on a target of 15 for each, with considerations for private credit and equity rates.

The team deliberated over the impact of inflation on their investment strategy, particularly in higher inflation regimes where there was consensus that being more invested in stocks could be beneficial. They also discussed how rising interest rates might affect spending

behavior and considered giving Steve full flexibility to adjust allocations based on prevailing economic conditions.

Asset Class Allocations

Steve advocates for liquid alternatives as risk-mitigating tools within the portfolio due to their ability to provide meaningful equity returns with reduced downside risk. He highlights specific funds such as buffer funds and Calamos market neutral fund as examples of effective options.

The conversation shifted towards fixed income allocation, with considerations about owning zero fixed income during certain periods while maintaining a maximum closer to 30%. This involved discussing specific types of fixed income investments and determining appropriate levels of flexibility within these allocations.

The conversation delves into fixed income performance over recent years with Steve expressing dissatisfaction due to market conditions affecting returns negatively. He also discusses potential adjustments based on interest rate fluctuations impacting money market funds.

Matt raised questions about classifying commodity exposure under liquid alts or creating another category for real assets like forestry companies or copper miners. Steve mentioned that commodities are typically classified under liquid ALS, providing flexibility within the proposed allocation range of zero to forty percent.

Cash Holdings and Market Scenarios

The team deliberated on cash holdings in different market environments, proposing to hold zero cash in normal situations but allowing up to 25% when it's earning. They also considered scenarios like deflation or pandemic situations.

There were discussions about potential future market scenarios, including considerations for adjusting portfolio allocations if faced with adverse market conditions or significant changes in economic indicators such as high inflation or rising interest rates. It was emphasized that providing ample flexibility within set ranges would allow for responsive decision-making under varying circumstances.

Inflation Considerations

Discussions revolved around whether the target inflation rate should remain at two and a half percent or be adjusted based on current economic conditions. There were considerations about Treasury's efforts to control inflation rates.

Responsibilities and Duties

Aaron raised concerns about duties related to investment consultants versus managers within their responsibilities. This led to discussions about combining roles for efficiency

purposes with input from Steve regarding his firm's involvement in these aspects of management.

Lease and Building Purchase

Rachel discusses the current lease, estimating it to be three years into a five-year term before Joe might consider selling the building. She anticipates being ready to purchase the building in around two years and emphasizes prioritizing purchasing over growing funds. Denise mentions tight finances for next year but potential contributions in subsequent years. Aaron expresses contentment with a seven to ten-year timeline for investment.

Matt proposed marking up all changes discussed during the meeting before sending them out for review by everyone involved. He suggested running it through FIN committee before presenting it to the board potentially in June.

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

Documents used during the meeting

- VPCS_Investment_Policy_Statement_Final_for_7-22_Board_Meeting.docx