

APPROVED



Veritas Preparatory Charter School

Minutes

Investment Subcommittee Quarterly Meeting

Date and Time

Tuesday January 21, 2025 at 4:00 PM

Committee Members Present

A. Mendelson (remote), D. Ford (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 Jan 21, 2025 at 4:07 PM.

C. Approve Minutes - October Quarterly Meeting

D. Ford made a motion to approve the minutes from Investment Subcommittee Quarterly Meeting on 10-22-24.

M. Landon seconded the motion.

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

II. Investment Sub-Committee

A. Veritas Investment Portfolio Update

Investment Portfolio Performance

The investment portfolio has shown significant gains, with the total value increasing from \$600,000 to approximately \$654,000.

- The strategy focused on increasing equity exposure, which proved successful, resulting in about 50% of the portfolio in true long equity positions and an additional 20% in buffer funds.
- This allocation is categorized as 'moderate growth,' and the implementation of 'Operation Get More Equity' over the past year has yielded positive results.
- Small-cap growth funds and small-cap buffers have been particularly beneficial in achieving these gains.
- There is consideration for adding more to a December buffer in the small-cap arena, offering potential upside even if the market remains flat or experiences a moderate downturn.

Market Outlook and Opportunities

A positive outlook was expressed regarding the broadening theme in the market, noting that much of the market outside top performers is relatively cheap after three years of underperformance.

- This situation creates potential opportunities if there is a rebound in growth and earnings.
- The focus remains on finding opportunities in buffer funds, which offer downside protection while still allowing for upside potential.
- Fixed income allocations have performed well, with strong returns from funds like the Rational Special Situations Income Fund and Sierra Tactical.
- Consideration is being given to adding exposure to some of the 'MAG 7' (mega-cap tech) stocks based on their fundamentals and valuations, with Amazon currently looking attractive.

Changes in Investment Positions

The portfolio recently sold out of an India ETF position due to headwinds from tariffs and currency issues, despite previous good returns.

- Interest was expressed in Argentina as a potential frontier market opportunity, drawing comparisons to Brazil in the 1990s.
- Argentina is seen as unique with decelerating inflation and growing expectations of real economic growth over the next few quarters, though any position would likely be very small due to liquidity constraints.

Fixed Income and Cash Management Strategies

Discussion included strategies for managing fixed income and cash positions, with yields of around 5.8% achievable using agency paper from entities like the Federal Home Loan Bank.

- Consideration was given to how to manage cash positions in a potentially changing interest rate environment.
- Buffer funds were discussed as a strategy for managing downside risk while capturing some upside potential, with the idea of using them on a rotating basis to continually increase the portfolio's floor while allowing for upside participation.

Balancing Long-Term Growth and Liquidity Needs

The balance between long-term growth and potential liquidity needs was discussed, recognizing the original mandate for long-term growth without immediate liquidity needs.

- There was consideration of carving out a portion of the portfolio for more immediate access or lower-risk investments.
- Any material changes to how the money is managed would require revising the Investment Policy Statement (IPS).
- Currently, about \$110,000 (17% of the portfolio) is in buffer funds, providing some downside protection.

Potential Future Uses for Funds

Potential future uses for the funds were discussed, including the possibility of using some money for teacher salaries or special programs.

- It was noted that the current fund size (\$600,000) is not sufficient to sustainably address salary issues, which would require freeing up about \$500,000 annually in the operating budget.
- Significant salary increases would likely require cutting some positions, although the recent increase in the salary cap from \$75,000 to \$90,000 was seen as a positive step for retention and recruitment of seasoned teachers.
- Consideration was also given to handling potential future capital campaign funds, with the suggestion of creating a separate account with its own investment policy for such funds.

Market Monitoring

- Assurance was given that market conditions are being closely monitored, noting that while volatility is currently subdued, there is always a risk of complacency as markets continue to rise.
- Cautious optimism was expressed about the potential for undervalued stocks to become overvalued if economic growth improves over the next year.

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 4:48 PM.

Respectfully Submitted,
M. Landon

Documents used during the meeting

- 4Q24--Veritas Performance Monitor January 2025.pdf
- 01.15.25 Veritas Portfolio Weight Snapshot.xlsx