



Nonprofit Investor Outlook: Preparing for a Wider Range of Market Outcomes

If you missed our recent [Endowment & Foundation Investment Outlook](#) webinar, here's the takeaway: the range of possible market outcomes is wider than usual, and that wider range could impact how nonprofit investment portfolios are constructed.

For nonprofit investment committee members, this means the primary goal has shifted. Your job is no longer to try to predict exactly what will happen next. Instead, it is to prepare for several possible futures and make sure the organization's portfolio can hold up in each one.

Below, read seven additional takeaways from the webinar, hosted by the CAPTRUST Investment Committee.

1. Nonprofit Investment Committees Should Focus on Preparation

In a typical market, professional investors can make educated guesses about what is most likely to happen in the economy and markets. Today, that is harder to do. Change is happening quickly, and the most likely outcome is anything but clear.

Right now, preparation matters more than prediction. In practice, that means:

- Making sure your investment returns can come from different places, not just one type of investment or one asset class.
- Thinking carefully about liquidity, or how quickly the organization's assets can be turned into cash if they're needed; and
- Relying more on a strong decision-making process and clear governance than forecasts alone.

As James Stenstrom, CAPTRUST senior director of institutional portfolios, explains, the goal is to create "a framework to evaluate what we do know [?]" rather than letting uncertainty overwhelm the decision-making process. "A solid process can help committee members stay calm and make



steady, informed choices for the good of the organization, even when markets are volatile or uncertain.

2. Geopolitical Conflicts Are Raising Energy Costs

One clear shift weâ??re seeing is in the energy sector. For years, fairly low and steady energy costs let many countries focus on affordability and cleaner energy sources. But that picture is evolving quickly as countries put more emphasis on energy security and try to make sure they can reliably access the energy they need.

The result may be higher energy costs over the long term, and some regions will feel the difference more than others. Europe and parts of Asia, which depend more on imported energy, are likely to face the highest pressure. North America may be better protected because of its domestic energy production.

For nonprofit investment committees, an energy-sector shift could mean rethinking how much of the portfolio is invested in different regions, then adjusting portfolio growth expectations if costs stay high.

3. AI Is Both a Tailwind and a Source of Uncertainty

Economically, AI could provide a tailwind. Even a small boost in productivity can lead to stronger economic growth over time. But the future is still highly uncertain.

More optimistic views of AI point to faster growth and better efficiency, while cautious views focus on the risk of economic disruption. Jobs may be eliminated and prices in some parts of the economy could fall.

The lesson here is not that investment committees need to choose one view they believe in. Itâ??s that the range of possible market outcomes is wider than normal, so portfolios should be built to stay resilient regardless of how the AI story unfolds.

4. Market Returns Are Becoming More Concentrated and More Uneven

So far this year, a small group of companies is driving a large share of market performance. (Consider the [Magnificent Seven](#).) At the same time, weâ??re seeing more variation within the market leaders. The mega-cap companies are no longer moving in lockstep as they did a year or two ago.

For nonprofit leaders, this raises a few important points.

- Missing a small but important part of the market could have a big effect on portfolio results.
- Benchmarks may not show the full picture of how a portfolio is doing.
- Investment committee decisions, whether intentional or not, matter more than they used to.



At this point, it is especially important to look beyond overall returns and regularly check where your organization's portfolio may be too heavily invested or not invested enough.

5. Private Credit Headlines Don't Tell the Full Story

Private credit has received a lot of attention lately, but the recent stress appears to be limited to certain areas, not the entire asset class.

At a high level, the basics still seem stable. Defaults, realized losses, and *leverage* (e.g., borrowed money used to invest) are still below long-term averages. Where stress is showing up is in semi-liquid funds designed for retail investors. These products offer limited access to cash and are sold to individuals, rather than institutions. The core institutional market (where most nonprofits invest) has not seen the same level of disruption.

Still, private investments are not something to set and forget. Areas to watch include:

- more use of payment-in-kind (PIK) interest, which means paying interest with more debt instead of cash;
- more loans being placed on watchlists because they are at higher risk; and
- wider differences in risk inside sectors like software.

6. Policy Risk Is Higher Than Usual

The Federal Reserve adds another layer of uncertainty. Inflation is still high, unemployment remains low, and leadership is being replaced. Taken together, that means there are more moving parts than usual. "This creates a formula for a potential policy error," says Jim Underwood, CAPTRUST senior director of portfolio management.

It does not necessarily mean a mistake will happen. But it does mean nonprofit investors should pay extra attention to *rate sensitivity*, or how much an investment's value may change when interest rates move, especially in longer-duration assets.

7. Long-Term Trends Could Make Investments Move More Together

Looking ahead, several long-term changes could affect how portfolios behave, even if the underlying investments still look healthy.

One example is the expected wave of large IPOs. Another is the growing connection between public and private markets, especially as large public companies invest heavily in private AI businesses. This may blur the usual lines between those markets and change how performance appears within portfolios. These are not reasons to make immediate changes, but they are worth watching.

Final Thought: Build for Resilience, Not Precision



Across these themes, one idea stands out: the path forward is less predictable than what most investors are accustomed to. For nonprofit investment committee members, that means being more thoughtful about how risk shows up in the organization's portfolio.

To start, investment committees should review a few core questions, such as:

- Where are we relying on a single market outcome?
- Where might we be more exposed than we realize?
- Does our portfolio reflect the environment we're in?

For additional context behind any of these themes, revisit the full webinar recording, where we unpack each topic in greater detail.

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