HIRTLE CO

The Original Investment Office™

Strengthening the Mission

Endowment Planning for 2026 and Beyond

Nonprofit institutions are facing a far more challenging environment than in recent years. Higher education is grappling with enrollment pressure from the demographic cliff, healthcare organizations face shifting federal funding and foundations are seeing rising community demand amid uneven regional recoveries. As a result, operating risk has become much more intertwined with investment risk. When budget stress coincides with market volatility, equity drawdowns can be significantly more costly for organizations without the structural resilience to withstand them. To stem this tide, we outline a roadmap to move from reactive decision-making to intentional resilience, aligning your investment strategy with your organization's true risk capacity.

Redefining Risk: Ability vs. Willingness

Building a resilient endowment starts with a holistic view of risk. It is critical to distinguish between an organization's willingness to take risk (behavioral) and its ability to take risk (financial capacity). True risk capacity is about building a portfolio that can absorb volatility without forcing reactive, poorly timed decisions. Incorporating a complete view of the enterprise, including programmatic goals and current financial condition, allows the investment program to be tailored to the organization's genuine ability to weather market and liquidity stress without impairing its mission.

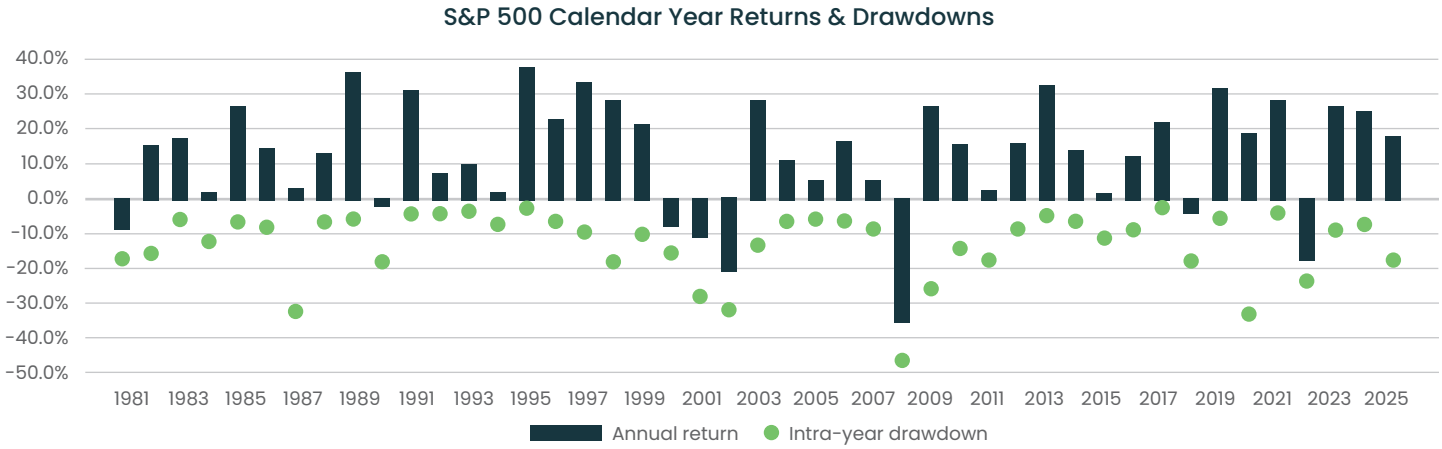


HC HOLISTIC RISK FRAMEWORK



Equity Drawdowns Are a Structural Reality

Equity market volatility is not an anomaly, but rather a structural feature of capital markets. While long-term equity returns have been attractive, intra-year drawdowns have been frequent and at times severe, even in years that ultimately delivered strong calendar-year performance. For institutions whose effective time horizons shorten during periods of operating stress, these drawdowns can create significant challenges. The key is not in forecasting when the next drawdown will occur but ensuring that the organization and its endowment are designed to absorb them without forcing reactive decisions that can ultimately undermine long-term objectives.

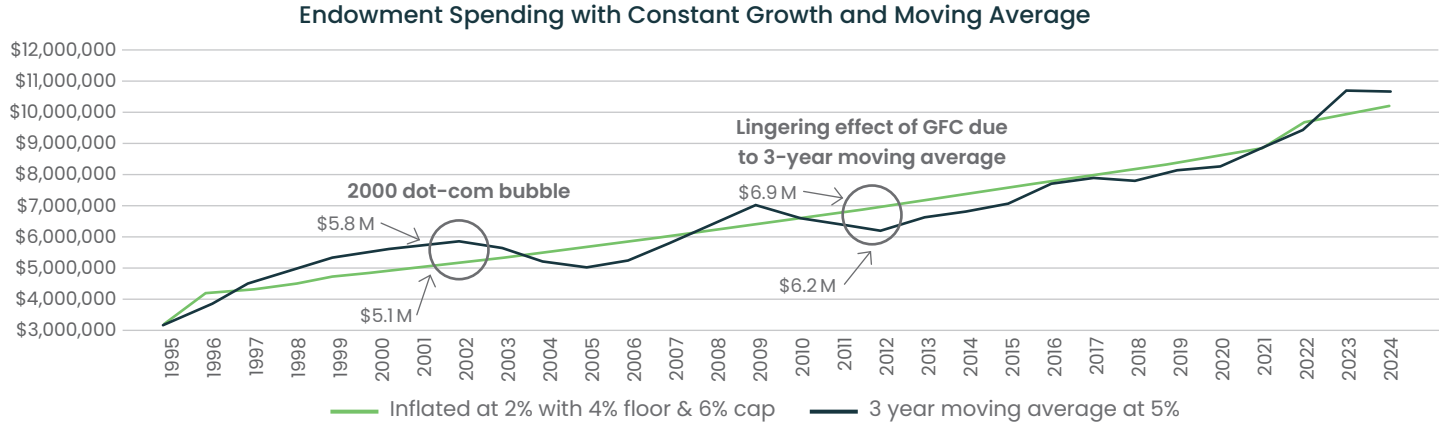


Source: Factset, Hirtle & Co.. As of December 31, 2025.

Strategies for Resilience and Flexibility

To maximize your organization's resilience at this potential inflection point, we recommend focusing on three key areas:

1. **DECOUPLING SPENDING FROM VOLATILITY**
   Organizations can reduce the direct linkage between short-term market movements and operating support by adopting a constant growth spending approach. This methodology establishes a base spending level that grows with an inflation proxy, subject to defined caps and floors, to smooth operating support over time. In contrast, common moving average approaches tend to amplify volatility, often increasing spending during strong extended markets and reducing support during downturns when it is likely needed the most. The objective is not to smooth market returns, but to create predictable operating outcomes that allow leadership to execute their mission with greater confidence.

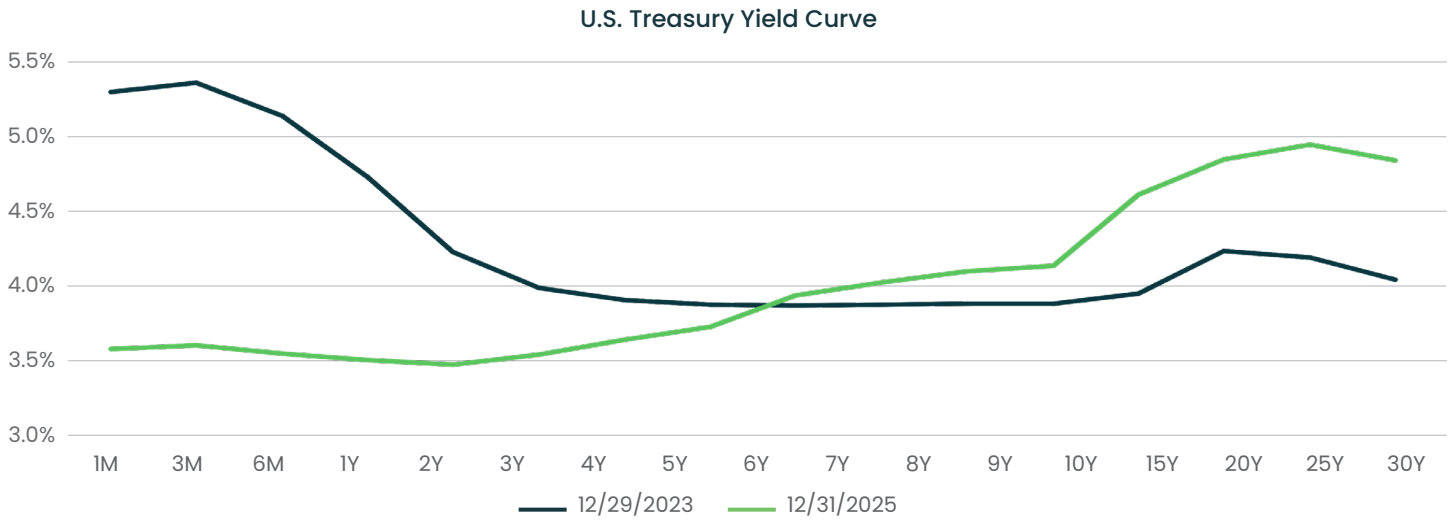


Source: Hirtle & Co. Spending rules shown are hypothetical examples and do not represent recommendations or actual client policies.

2. VIEWING LIQUIDITY AS A STRATEGIC ASSET

Money market yields have declined and the yield curve has normalized significantly since 2023. As a result, organizations can now deploy fixed income assets more strategically to earn higher relative returns. This environment contrasts sharply with the negative real rates of the COVID era and the inverted yield curve that followed as monetary policy shifted toward battling inflationary pressures.

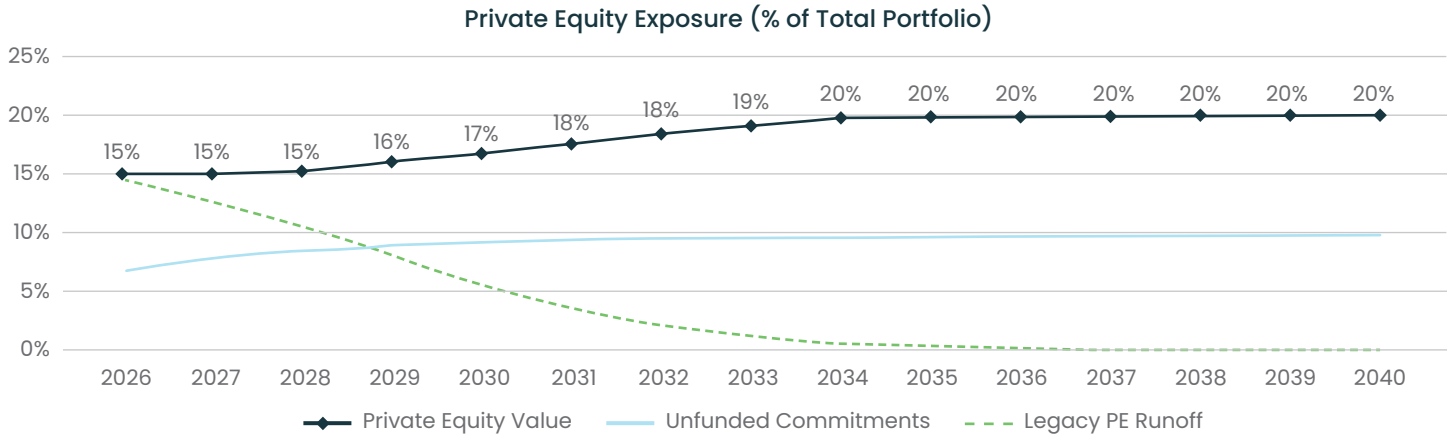
In this environment, we are talking to clients about prudently extending duration and incorporating high quality credit within operating reserve portfolios held outside the endowment. When structured with clear liquidity parameters and risk controls, these allocations can enhance income potential relative to risk free assets while preserving the flexibility and stability required to support near-term operating needs.



Source: Bloomberg, Hirtle & Co.. As of December 31, 2025.

3. A DISCIPLINED APPROACH TO PRIVATE MARKETS

While private markets offer significant long-term return potential, maintaining that exposure requires disciplined commitment pacing to prevent the natural erosion of exposure as investments mature and are realized. To avoid a liquidity crunch or being forced to pull back on commitments during market downturns or stress in the private equity markets and potentially missing attractive vintages, we reassess private market allocations every 18 to 24 months to ensure commitments remain aligned with both asset targets and current operating realities.



Source: As of December 31, 2025. The private equity exposure shown is hypothetical and for illustrative purposes only. It is based on assumed commitment pacing, capital calls, distributions and portfolio growth and does not represent actual client experience or results. Actual outcomes will vary materially based on market conditions, manager performance, cash flows and implementation decisions. No assurance is provided that any target allocation or exposure level will be achieved.

Looking Ahead

The most resilient institutions align their operating models with their investment programs, ensuring the endowment supports the mission through all market conditions. In 2026 and beyond, strong governance likely will be the defining factor for success. If you have not yet engaged with us in a planning exercise to evaluate your organization's willingness and ability to take risk, we encourage you to do so. Aligning these factors today is the most effective way to ensure your organization is prepared to navigate the increasingly complex landscape.



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Nick is a Director and co-leads our Institutional Portfolio Management Group. Nick develops and implements customized investment solutions for complex institutions, including endowments, foundations, pension plans and insurance portfolios. He works closely with staff and boards to ensure that their portfolios are aligned with their distinct goals and risk parameters in addition to reflecting our best investment thinking. Nick has experience in asset allocation, investment policy and portfolio construction, manager selection and risk management. Nick serves on the Investment Committee, which is directly responsible for the firm's asset allocation strategies and the selection of investment managers for client portfolios. Nick has spent over 20 years at Hirtle & Co., previously working as a Portfolio Analyst and in Institutional Client Development. Nick began his career at Aberdeen Asset Management. Nick received his B.S. in Accounting and M.B.A. with a concentration in finance from the University of Delaware while also participating as a member of the football team. Nick is a CFA charterholder and a member of The CFA Society of Philadelphia.

Founded in 1988 as The Original Investment Office™, Hirtle & Co. has been serving as a dedicated, independent investment office for families and mission-driven organizations for nearly 40 years. Our business is centered around making it personal. With each client in mind, we create customized investment programs that are diversified across global opportunities, including public and private markets. We hold ourselves accountable as if we are employees in our clients' own internal investment office, knowing that their investment results will help create opportunities, solve difficult societal problems, educate generations of students and make our world a better place. Learn more at www.hirtle.com.

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