GOVERNANCE SPOTLIGHT

ENDOWMENT
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The Most Important Investment Decision Your Board Is Making Right Now (And It Has Nothing to Do With the Market)

Nonprofit boards across the country are asking a similar question with increasing urgency: whether they should be doing something differently in response to today's market environment. Volatility, persistent headlines, and heightened fiduciary awareness naturally create pressure to act. When uncertainty rises, the instinct to adjust investment strategy, reallocate assets, or make tactical changes can feel both prudent and responsible.

Yet in practice, the most consequential investment decision a board makes during periods like these rarely involves the market itself. Instead, it centers on whether the organization's governance framework is strong enough to guide decisions calmly, consistently, and in alignment with mission. Markets fluctuate, but governance is what carries an organization through those fluctuations.

Volatility, while uncomfortable, is an expected feature of long-term investing. Endowments and other long-term pools are designed to operate across full market cycles, including periods of decline. Short-term drawdowns do not indicate failure. The greater risk often emerges when boards respond to discomfort rather than discipline, allowing uncertainty to drive reactive decision-making. Over time, these reactions can erode sustainability more than market movements ever could.

Strong boards respond to uncertainty not by predicting markets, but by reaffirming purpose. They take time to ensure that their policies still reflect the realities of the organization, that spending expectations remain aligned with mission, and that decision-making authority is clearly understood. When governance is current and well understood, investment discussions become more productive and less reactive. Confidence follows clarity.

This focus on governance also matters deeply to donors. While donors may not follow asset allocation decisions closely, they care about stewardship. They want assurance that their gifts will be managed thoughtfully, that decisions are guided by mission rather than emotion, and that the organization has the discipline to sustain impact over time. Strong governance quietly communicates trustworthiness in a way that performance reports alone cannot.

The purpose of governance is not to eliminate uncertainty or guarantee outcomes. It is to create a decision-making framework that remains steady when conditions are not. Boards that invest time in aligning governance with mission, policy, and long-term objectives are better positioned to lead through difficult markets and strong ones alike.

The question, then, is not whether a board should act in response to market conditions. It is whether the foundation for decision-making is strong enough to guide action when it is truly needed. When governance is sound, boards can move forward with confidence, regardless of the market environment.