



Values-Based Investing

MORNINGSTAR'S 2026 GLOBAL
INVESTMENT OUTLOOK

Why we believe faith-driven investors are uniquely positioned for 2026 and beyond.

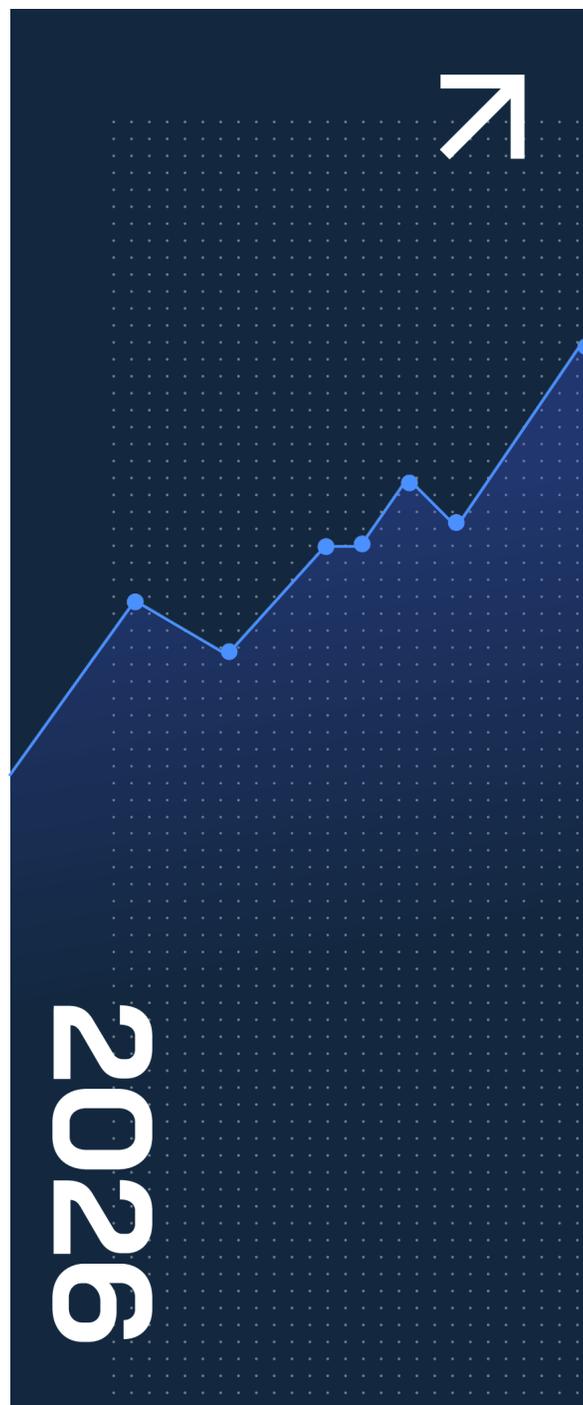
All quotes sourced from the Morningstar's 2026 Morningstar Global Investment Outlook.

Morningstar's 2026 Global Investment Outlook is not a document about values-based investing. It's a secular, data-driven evaluation of the global markets. And yet, recommendation after recommendation, the themes Morningstar highlights line up remarkably well with the core structure and philosophy of faith-based investing.

This alignment isn't something Morningstar® set out to design. It's simply what happens when long-term discipline, intelligent diversification, principled exclusion, and stewardship-based thinking meet a market strained by concentration, speculation, and geopolitical fragility.

In other words, the world has shifted into a place where faith-driven investment frameworks are not only morally compelling but could be strategically advantageous.

This analysis highlights the top insights from Morningstar's 2026 Global Investment Outlook and explores how they connect naturally to the values-based investing movement.



1. Market Concentration Risk Is at Historic Levels

"The top 10 US stocks now account for roughly 35% of the market, up from just 18% a decade ago." (p. 16)

This is one of the most important insights of the entire report. Diversification breaks down when an index becomes this concentrated and heavily dependent on a small handful of mega-cap companies. Investors who believe they own a broad market exposure may actually be owning a concentrated bet.

"Such narrow leadership creates vulnerability." (p. 17)

Morningstar's guidance:

- Diversify beyond the dominant names
- Increase exposure to mid- and small-cap stocks
- Rebalance away from overconcentration

"US small caps and international equities offer better valuations and more diverse return drivers." (p. 17)

Why this resonates with faith-based investing

Values-based strategies often screen out mega-cap technology companies due to business practices or governance concerns, which naturally:

- Reduces overweight exposure to the Magnificent Seven
- Tilts portfolios toward mid- and small-cap names Morningstar recommends
- Broadens sector and factor diversification

The result? Faith-based investors often arrive at the exact portfolio shape Morningstar says is healthier for 2026.

2. Morningstar Warns About AI Concentration & Elevated

“Hyperscalers are investing hundreds of billions... valuations in AI-linked sectors are elevated.” (pp. 11-15)

For many investors, AI has become a gravitational force by pulling capital, attention, and expectation into a handful of companies whose valuations already assume perfect execution and unlimited growth. But Morningstar calls out the risk by outlining how AI adoption is real, but its monetization is slow, its costs are massive, and investor enthusiasm is far ahead of actual profitability.

While the average investor becomes increasingly entangled with AI-heavy mega-caps simply by owning a passive index, many faith-based investors sit at a healthier distance.

“Broad equity indexes already carry significant exposure to AI.” (p. 12)

Why this aligns with values-based investing

Faith-based screens frequently remove:

Companies leveraging user data unethically
Firms involved in controversial technologies
Businesses whose practices conflict with biblical values
This often means:

Lower direct exposure to AI hyperscalers
Reduced concentration in the most inflated sectors
More balanced portfolios across industries Morningstar deems undervalued
Where broad indexes lean heavily into the AI story, values-based investors often hold a steadier, more diversified footing.

3. International Diversification Is Becoming Essential

"The US dollar weakened sharply... Non-US assets offer better value and currency appreciation potential." (pp. 7-10)

While many investors think that the international sector has already had its moment in 2025, Morningstar still encourages investors to break their U.S. home bias and embrace global diversification for 2026.

"UK equities have outperformed many global markets... and still trade at a deep discount to the US." (pp. 21-23)

This is where faith-based investing shines uniquely.

Inspire's faith-driven international strategies:

Exclude China, Russia, and nations tied to human rights abuses

Prioritize countries with stronger governance and ethical alignment

Lean into developed markets Morningstar calls "compelling" for 2026

It's a combination of moral clarity and geopolitical risk management that Morningstar, from a purely financial perspective, is now echoing.



4. The High Cost of Stepping Out: Why Buy-and-Hold Still Wins

“Missing the best 10 days more than halved long-term returns.” (p. 7)

Morningstar makes one point abundantly clear: long-term profitability depends far more on staying invested than on predicting volatility. Their data shows that during a recent period of market stress:

- Staying invested ended with \$118,722
- Moving to cash ended with \$105,970
- Leaving the market and waiting three months ended with just \$99,560 (p. 5)

That is the real danger of stepping aside: recoveries happen fast, and passive, buy-and-hold investors capture them while market timers miss them.

Index funds are designed to keep investors fully invested so they participate in the rebounds no one can time.

Faith-based investors, with portfolios built around conviction rather than reaction, are uniquely equipped to live out this discipline. Their values naturally reinforce the long-term mindset that passive strategies require and that Morningstar says will be essential in 2026.

5. Fixed Income's New Role: Why Quality & Maturity Matter in 2026

"Intermediate-term bonds... offer the sweet spot of yield and potential capital gains." (p. 19)

After a decade of ultra-low rates, fixed income has stepped back into its traditional role as a stabilizer and income generator. But this is not a moment to chase yield. Morningstar stresses that investors should emphasize:

- Investment-grade issuers
- Responsible balance sheets
- Cleaner, more transparent governance
- Intermediate-term maturity structures

And once again, this is an area where faith-based investing naturally aligns with the research. Values-driven fixed income strategies often exclude highly leveraged or morally questionable companies.

In other words, the bond profile that Morningstar says is essential for 2026—investment-grade, intermediate-term, principled, and resilient—has long been the default setting for faith-based fixed income.

"Credit spreads are tight—quality matters more than ever." (pp. 20-21)



Conclusion: We Believe 2026 Is the Year Values-Based Investing Steps Into Its Strategic Moment

Morningstar did not write its 2026 Outlook with faith-driven investors in mind, yet its conclusions repeatedly affirm the potential strengths of values-based investing:

- Diversification away from mega-cap concentration
- A natural tilt toward mid- and small-cap opportunity
- Thoughtful, ethically aligned international exposure
- Lower reliance on overheated AI-driven sectors
- Higher portfolio quality in fixed income

A long-term behavioral discipline Morningstar sees as essential
We believe that in a market full of noise, values-based investing offers clarity. In a season marked by uncertainty, it offers conviction. And in an economy where moral and financial risks increasingly overlap, it offers integrity.

Faith-based investing has always been about honoring God through wise stewardship. And in 2026, that stewardship aligns with what one of the world's most respected research firms believes will drive better outcomes in the years ahead.



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