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Catholic Values Investing: A Historical, Theological, and Practical Framework for Today's Investors

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Catholic Values Investing

Catholic Values Investing (CVI), also known as faith-consistent or Catholic Responsible Investing, emerges from a deep and continuously developing moral tradition. Far from being a modern invention, CVI draws upon more than a century of Catholic Social Teaching (CST), Vatican reflection on the economy, and the Church's evolving analysis of globalization, financial systems, ecology, and human development. The consistent theme across these teachings is clear: the economic sphere, including investing, is a domain of moral responsibility. These teachings guide Sage's investment process, shaping how these principles are applied in the construction and management of modern portfolios that seek to align ethical considerations with sustainable income generation and positive impact.

The Church's core principles on human dignity, solidarity, subsidiarity, the common good, and integral ecology form the essential architecture for an investment approach that avoids harm, promotes good, and uses capital as a tool for justice.

This report weaves together the historical evolution of CST, the doctrinal foundations of modern CVI, and the practical frameworks that now guide Catholic institutions, asset managers, and fiduciaries.

Key Takeaways

A Moral Tradition, Not a Market Trend

Catholic Values Investing is grounded in more than a century of Catholic Social Teaching that affirms investing as a moral activity shaped by human dignity, justice, and responsibility.

Principles That Guide Practice

Core teachings — including solidarity, subsidiarity, the common good, and integral ecology — provide a durable framework for aligning capital with ethical intent and fiduciary discipline.

From Exclusions to Engagement

Modern Catholic investing has evolved beyond screening alone, emphasizing active ownership, governance oversight, and accountability as essential tools for shaping ethical market outcomes.

A Guide for Modern Catholic Investors

Recent guidance, culminating in *Mensuram Bonam*, translates Catholic Social Teaching into actionable standards for portfolio construction, risk management, stewardship, and impact measurement.



Foundations: The Birth of Modern Catholic Social Thought (1891–1931)

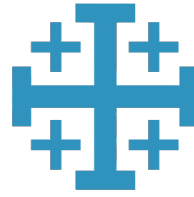
The foundations of Catholic Values Investing trace their roots to the late 19th and early 20th centuries, a period marked by profound social and economic transformations. As the Industrial Revolution reshaped societies, the Church responded with teachings that laid the groundwork for viewing economic activities through a moral lens. This era's encyclicals addressed immediate injustices while establishing enduring principles that continue to influence CVI.

Rerum Novarum (“On the Condition of Labor,” 1891): The Moral Dimensions of Economic Life

The modern Catholic social tradition begins with Leo XIII’s *Rerum Novarum*, a landmark response to the upheavals of the Industrial Revolution. This encyclical defended workers’ rights to organize, insisted upon just wages, affirmed private property, and challenged the moral failings of both unrestrained capitalism and socialism. By establishing that economic decisions are inherently moral, it introduced an ethical perspective essential for investing. This document inspired later Catholic responses to exploitation and provided the earliest conceptual basis for values-aligned screening.

Quadragesima Anno (“On Reconstruction of the Social Order,” 1931): Subsidiarity, Social Justice, and Power Dynamics

Forty years later, Pius XI extended this framework in *Quadragesima Anno*, articulating subsidiarity and condemning excessive economic concentration, monopolies, and the abuse of capital power. These insights resonate today in governance, anti-monopoly, and worker-justice considerations common in CVI frameworks. Together, these documents establish the bedrock principles on which the rest of CST — and modern CVI — are built. As global interconnections grew, these principles evolved to address emerging international challenges.



Expansion: Global Development, Rights, and Solidarity (1960s–1970s)

In the mid-20th century, the Church's social teachings expanded to encompass the complexities of a globalizing world. Globalization, decolonization, technological change, and geopolitical tensions prompted a broader view of economic ethics, shifting focus from domestic labor issues to international justice and human solidarity. This period's documents deepened the Church's commitment to equity and inspired practical actions that foreshadowed modern shareholder activism.

The Church responded with key encyclicals:

- ***Mater et Magistra*** (“On Christianity and Social Progress,” 1961) on global equity and modernization
- ***Pacem in Terris*** (“Peace on Earth,” 1963) on comprehensive human rights
- ***Populorum Progressio*** (“On the Development of Peoples,” 1967) on integral human development and global solidarity

These teachings marked the Church’s transition to addressing international economic justice, ethical development, and the responsibilities of wealthier nations. *Populorum Progressio* catalyzed 1970s shareholder activism — including anti-apartheid campaigns led by Catholic religious orders — thus becoming an early model of faith-driven active ownership. As financial markets accelerated, the Church further refined its stance on work and capitalism.



Modernization: Human Work, Market Ethics, and the Conditions for Capitalism (1980s–1990s)

The late 20th century introduced rapid globalization and

financialization, prompting the Church to refine its understanding of markets and human labor. Under John Paul II, CST modernized to affirm capitalism's potential while insisting on ethical constraints. This era bridged traditional teachings with contemporary economic realities, facilitating Catholic participation in financial markets.

John Paul II advanced this through pivotal encyclicals:

- ***Laborem Exercens*** (“On Human Work,” 1981) underscores the priority of labor over capital and the non-negotiable dignity of workers.
- ***Sollicitudo Rei Socialis*** (“On Social Concern,” 1987) critiques “structures of sin” in economic systems.
- ***Centesimus Annus*** (“On the Hundredth Anniversary of Rerum Novarum,” 1991), the most market-affirming CST text, recognizes the legitimacy of markets only when constrained by ethics and oriented toward the common good.

Centesimus Annus provided moral legitimacy for Catholic engagement in markets, paving the way for Catholic mutual funds and the earliest USCCB investment guidelines. This balanced view marked a significant step in integrating faith with finance. As the new millennium began, crises in finance and the environment necessitated a more comprehensive approach.



Finance, Ecology, and Ethics in a Global Age (2000s–2020)

In the 21st century, CST addressed the intertwined challenges of financial crises, environmental degradation,

and global inequalities. Popes Benedict XVI and Francis incorporated ecology and ethical finance, emphasizing interconnectedness and systemic reform. This period's teachings offered explicit guidance for modern issues like speculation and climate change, operationalizing CVI in a global context.

Caritas in Veritate (“Charity in Truth,” 2009)

Pope Benedict XVI links globalization, inequality, and ethics, insisting that economic systems lacking moral foundations cannot serve human development. This encyclical is foundational to contemporary CVI approaches to impact and development-oriented investing.

Laudato Si’ (“Praise Be to You,” 2015): On Care for Our Common Home

Francis introduces integral ecology, the interdependence of environmental, social, and economic systems, mandating creation-care as a core investment concern. This document is the theological foundation for climate-related exclusions, just-transition engagement, and environmental stewardship screens.

Oeconomicae et Pecuniariae Quaestiones (“Economic and Financial Questions,” 2018): Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System

One of the Vatican’s most explicit critiques of modern finance, this document condemns speculative practices detached from the real economy, opacity, conflicts of interest, and systemic abuses. It provides doctrinal justification for governance expectations, transparency, and risk oversight in Catholic portfolios.

Fratelli Tutti (“All Brothers,” 2020): On Fraternity and Social Friendship

Francis emphasizes social friendship, inclusion, and the moral obligation to avoid exclusionary or exploitative economic structures. These insights inform CVI approaches to inequality, supply-chain ethics, and community development.

This progression reflects a maturing understanding of global challenges, connecting ecological stewardship with economic justice. Subsequently, the Church provided its most direct blueprint for faith-consistent investing.



Culmination: Mensuram Bonam (“A Good Measure,” 2022): Faith-Based Measures for Catholic Investors: A Starting Point and Call to Action

Mensuram Bonam marks a turning point: the first Vatican-level resource designed specifically to guide faith-consistent investing. Issued in 2022, it represents the culmination of over a century of reflection, transforming abstract principles into concrete tools. Unlike earlier CST documents, *Mensuram Bonam* provides practical guidance, making it the most explicit blueprint for modern CVI.

It provides:

- A theological foundation for evaluating investments
- Clear distinctions between intrinsic evils (requiring exclusion) and prudential areas (requiring discernment)
- Detailed guidance on active ownership — engagement, proxy voting, escalation strategies
- A “good measure” framework for evaluating investor impact beyond intentions

This document bridges doctrine and practice, enabling Catholic investors to align portfolios with faith while pursuing financial goals. For instance, it encourages discernment in complex areas like technology or supply chains. With this foundation, CST converges into a comprehensive framework for contemporary investing.



Convergence: How CST Forms Today’s Catholic Values Investing Framework

CST translates into modern investment practice through a cohesive framework where historical teachings inform contemporary strategies. This framework demonstrates how CST evolves from foundational principles to practical application. The following table summarizes the four essential components:

Component	Description	Key Elements
Ethical Exclusions (Non-Negotiables)	Grounded in CST and USCCB guidelines, contemporary CVI screens exclude issuers involved in activities that contradict Church teachings.	<ul style="list-style-type: none"> - Abortion & abortifacients - Pornography - Certain weapons - Predatory lending - Severe human-rights abuse - Egregious environmental harm
Positive Screens & Thematic Priorities	Based on human dignity, solidarity, and integral ecology, CVI favors issuers advancing positive social and environmental outcomes.	<ul style="list-style-type: none"> - Worker rights - Healthcare, housing, education - Environmental stewardship - Responsible governance
Stewardship & Active Ownership	Following <i>Mensuram Bonam</i> , investors are called not only to avoid harm but to actively shape markets.	<ul style="list-style-type: none"> - Shareholder engagement - Proxy-voting aligned to CST - Escalation when dialogue fails
Measurement & Impact Evaluation	Modern CVI adopters emphasize transparency and measurable outcomes aligned with CST themes.	<ul style="list-style-type: none"> - Outcome metrics aligned with CST themes - SDG mapping as a communication tool - Transparency around corporate behavior and engagement outcomes



Pope Leo XIV's Perspective

Since his election in May 2025, Pope Leo XIV has positioned CST as a dynamic framework for addressing modern challenges such as artificial intelligence, climate change, and economic inequality.

Choosing his name to honor Leo XIII's *Rerum Novarum*, he views CST as an evolving doctrine that integrates faith with reason, emphasizing the preferential option for the poor as a path to holiness and urging a "poor Church for the poor." In his apostolic exhortation *Dilexi Te* ("I Have Loved You," October 2025): *On Love for the Poor*, he critiques ideological uses of CST, promoting it for dialogue and structural justice.

Regarding CVI, Leo XIV supports ethical investing that avoids harm and promotes human dignity. His *motu proprio Coniuncta Cura* ("Shared Responsibility," October 2025) reformed Vatican finances to allow external investments while mandating CST-aligned ethics, prioritizing transparency and diversification without speculation. For a December 2025 audience, he condemned profit-driven portfolios that exact a "bloody price" on human lives and the environment, aligning with CVI's exclusions and positive screens. This further reinforces CST's role in guiding investments toward mercy, sustainability, and the common good, ensuring capital serves Gospel values in an apostolic age.



Conclusion

Catholic Values Investing is not an overlay or a sustainable investment subclass; it is the contemporary expression of a rich moral tradition. From the labor-capital debates of the 19th century to today's demands for ecological justice and ethical financial systems, CST has continuously shaped how Catholics understand their economic responsibilities.

CVI is the applied form of CST — historically grounded, theologically faithful, financially practical, and oriented toward human flourishing. Sage Advisory Services exemplifies this through our research and strategies, such as the Sage Leaf Score® and SDG-aligned impact reporting, which operationalize these principles in fixed income investing for Catholic clients.

Modern Catholic investors — whether dioceses, religious orders, foundations, pension plans, or asset managers — inherit a powerful and comprehensive framework for integrating faith and finance. As the Church's teaching continues to evolve, so too will the responsibilities and opportunities for Catholic investors called to steward capital with integrity, transparency, and purpose.

Sources

- Papal Encyclicals and Vatican Documents: Holy See. Key texts on Catholic Social Teaching (1891–2022), including *Rerum Novarum*, *Quadragesimo Anno*, *Mater et Magistra*, *Pacem in Terris*, *Populorum Progressio*, *Laborem Exercens*, *Sollicitudo Rei Socialis*, *Centesimus Annus*, *Caritas in Veritate*, *Laudato Si'*, *Oeconomicae et Pecuniariae Quaestiones*, *Fratelli Tutti*, and *Mensuram Bonam*. Accessed via vatican.va.
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Glossary

- *Rerum Novarum*: On the Condition of Labor
- *Quadragesimo Anno*: On Reconstruction of the Social Order
- *Mater et Magistra*: On Christianity and Social Progress
- *Pacem in Terris*: Peace on Earth
- *Populorum Progressio*: On the Development of Peoples
- *Laborem Exercens*: On Human Work
- *Sollicitudo Rei Socialis*: On Social Concern
- *Centesimus Annus*: On the Hundredth Anniversary of *Rerum Novarum*
- *Caritas in Veritate*: Charity in Truth
- *Oeconomicae et Pecuniariae Quaestiones*: Considerations for an Ethical Discernment Regarding Some Aspects of the Present Economic-Financial System
- *Laudato Si'*: Praise Be to You (On Care for Our Common Home)
- *Fratelli Tutti*: All Brothers (On Fraternity and Social Friendship)
- *Mensuram Bonam*: A Good Measure (Faith-Based Measures for Catholic Investors: A Starting Point and Call to Action)
- *Dilexi Te*: I Have Loved You (On Love for the Poor)
- *Coniuncta Cura*: Shared Responsibility



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