

DEEP DIVE: FAITH MEETS FINANCE

THE EVOLUTION OF VALUES-DRIVEN INVESTING

Key takeaways

- **Faith-based investors can embrace private market strategies for impact and diversification**

While much of faith-based investing today focuses on public market screens, vast opportunity exists for both deeper impact alignment and diversified returns in private markets. CapShift's Research Engine has identified nearly 400 private impact opportunities, representing \$74 billion in capital that is either directly tied to the practice of faith or aligned to faith-driven values, such as justice, equality, and environmental stewardship.¹

- **Diverse investment solutions across markets**

Faith-based investors have access to a broad range of investment opportunities across asset classes. These options span the spectrum from market-rate investments in real assets, private credit, private equity/venture capital - to more charitably inclined structures, such as program-related investments (PRIs) and recoverable grants.

- **Faith-based portfolios cater to a wide range of investor types**

Faith-based portfolios are adaptable to various investor groups, including family offices, foundations, donor-advised fund accounts, faith-based endowments, and wealth advisor clients. This flexibility enables a diverse range of investors to engage in values-aligned strategies that resonate with their missions and financial goals.

The evolution of faith-based investing

The landscape of faith-based investing is undergoing a pivotal transformation, driven by the growing demand for socially responsible, values-aligned investment opportunities. What once centered primarily on exclusionary screens in public markets is now expanding into proactive strategies in private markets — aligning financial decisions more deeply with religious values.

This faith-driven approach is deeply rooted in religious principles, with origins tracing back to sacred texts like the Old Testament and the Qur'an, which emphasize ethical stewardship and justice. Religious groups were early pioneers of values-based investing, and introduced moral guidelines that helped shape the modern impact movement. The commitment to avoid profiting from harmful activities took institutional form with the 1928 launch of the first socially responsible U.S. mutual fund, which screened out industries such as tobacco, alcohol, and gambling, based on religious criteria.

What began as a moral imperative to avoid profiting from harmful industries has evolved into a forward-looking strategy focused on seeking to generate lasting, positive impact. Today, faith-based investors are actively directing capital toward solutions in affordable housing, renewable energy, and social justice — areas that reflect both spiritual commitments and societal needs.

As this evolution continues, more investors are embracing private market opportunities, such as impact investing, that aims to offer deeper impact potential and diversified returns. This shift marks a transformative moment for the field, as it seeks to fulfill both financial goals and a broader moral mission.

What is faith-based investing?

Faith-based investing is an investment strategy that aligns financial decisions with religious values and beliefs. This approach allows investors to support causes that resonate with their faith while avoiding investments in sectors that contradict their values. Faith-based investing is an important form of values-based investing, as it emphasizes ethical and socially responsible investment choices. Impact investing takes many of its founding roots in faith-based investing.

The state of faith-based investing in the U.S.

According to [a 2023 Morningstar report](#), there are 850 faith-based funds and Exchange-Traded Funds (ETFs) globally, with combined assets of just over \$100 billion in public markets.² To date, the majority of public investment opportunities sourced by CapShift tend to adopt exclusionary screening standards, such as:

- Strategies that invest in equities in accordance with the U.S. Conference of Catholic Bishops standards
- Those adopting an Islamic Principles lens (e.g., ruling out companies that have less than five percent of revenues from “haram” or prohibited activities like banks, alcohol, adult entertainment, and pork)
- ETFs and Separately Managed Account (SMA) strategies aligned with Jewish values and engaging with companies on values like combatting antisemitism and promoting Tikkun Olam, or “repair the world” principles

Historically, faith-based investors have focused on screening out industries such as gambling, tobacco, and weapons. In recent years, the emphasis has shifted toward proactive impact investing that supports social and environmental good, as opportunities to drive more targeted impact in private markets have grown.

With alternative investments spanning all asset classes offering the potential to drive deeper social and environmental change, faith-based investors are exploring new and innovative ways to deploy capital that reflects their mission-driven goals.

The rise of faith-based investing underscores a broader shift toward values-driven capital, as more faith-driven investors actively choose to direct their resources in ways that support social, environmental, and community-driven causes. As the sector continues to expand, it reflects a growing recognition of the potential to make a meaningful impact while maintaining religious and ethical values.

Supporting faith-based investors through private markets

CapShift’s targeted investment strategy on faith-based investing goes beyond the traditional approach of screening out “sin” stocks and industries from public portfolios. We believe that faith-based investors have the opportunity to take a more impactful, proactive role by focusing primarily on private market opportunities that harmonize with their core values. By investing in solutions that directly benefit faith-based communities and address key values such as justice, environmental stewardship, and care for the poor, CapShift ensures that capital is fully aligned with an investor’s mission. The benefits of this approach allow faith-driven investors to not only preserve their values, but to align their faith-based capital with its mission of creating lasting, impactful change.

Opportunities for faith-based investing

Leveraging our comprehensive Research Engine of private impact opportunities, CapShift has identified over 400 opportunities, representing nearly \$74 billion in capital, that align with faith-based investors and complement two main types of investible opportunities that we identify within private markets:

1. Those that are directly tied to the practice of faith
2. Those that reflect broader values of faith, including justice and equality, care for the poor, widow, orphan, and refugee, and stewards of creation (environmental justice)

For the first, examples include leveraging impact-first tools such as program-related investments (PRIs) to help lower the cost of capital for religious institutions financing building improvements and energy installations, or affordable housing for the underserved within specific faith communities. Additionally, faith-based investors have participated in initiatives that promote interfaith dialogue and understanding — for example, a donor leveraging recoverable grant capital to support a film focused on a Jewish Synagogue and Black Ministry, promoting a shared community and mutual understanding. As for another example, investing in funds that invest in local Arab entrepreneurs in Israel, encouraging the cooperation between Arabs and Jews in Israel to build successful international companies.

Beyond opportunities directly tied to faith-driven practices, faith-based investors have a much wider opportunity set to support values-based projects in areas like affordable housing, small business lending, humanitarian relief, rebuilding funds for refugees, and environmental justice efforts such as clean energy and regenerative agriculture promoting environmental stewardship.

By aligning capital with mission-driven goals, faith-based investors can address pressing global challenges while supporting the growth of sustainable and inclusive communities.

Asset classes and impact-first structures

Faith-based investors have a range of asset classes and impact-first structures to consider when aligning their investments with their values, with diverse opportunities to suit the needs of their portfolio:

Real Assets

Real assets such as solar financing for religious institutions and affordable housing projects can create tangible, positive impact for local communities. Investments in clean technology, regenerative agriculture, and infrastructure can be compelling opportunities to support the values of “Stewards of Creation” from Christianity or Tikkun Olam, a tenet of Judaism meaning “Repair the World.”

Private Credit

Private credit investments, such as low-cost or even zero-interest financing for capital improvements and small business lending for low-income communities, help promote justice and equality in underserved areas, while humanitarian bridge loans provide critical funding to vulnerable populations.

Private Equity/Venture Capital

Opportunities in venture capital and private equity, including venture funds that support entrepreneurs of a given faith or interfaith, promote cross-cultural understanding and dialogue.

Recoverable Grants

Recoverable grants, like those funding films that combat discrimination or promote understanding between faiths, help create social change and combat discrimination such as islamophobia and antisemitism through the arts and media.

Investor spotlight: faith-based capital empowering social impact

Two experienced organizations — The Jewish Community Federation and Endowment Fund (JCFEF) and an anonymized faith-based network supporting Catholic initiatives — demonstrate the power of faith-based capital in driving social impact and aligning investments with core values:

The Jewish Community Federation and Endowment Fund (JCFEF)

The Jewish Community Federation and Endowment fund is the San Francisco Bay Area’s Center for Jewish Philanthropy. The Federation has built a leading impact investing program in the Jewish community, funding projects that help create a more inclusive and equitable economy. By investing in and lending to mission-driven organizations that close the gap where traditional financial services fall short, the Federation takes a proactive approach to impact investing by channeling philanthropic assets into private market opportunities that align with Jewish values. The foundation supports initiatives that drive economic development, social justice, and environmental stewardship, showcasing how faith-driven investment strategies can create tangible change.

At the Federation, capital from donor-advised funds (DAFs) and supporting foundations is mobilized through impact-first investments which aim to preserve charitable assets while potentially earning a

small return. Money invested is returned to Federation DAFs and supporting foundations at the end of the term to be used again for investing or grantmaking. From 2019 through 2024, [Federation funds invested approximately](#) \$56 million in 27 nonprofits and mission-driven financial institutions focused on building affordable housing, job creation and economic development, access to quality education, and more. The Federation offers curated opportunities to invest in projects that improve the quality of life for residents of the San Francisco Bay Area, across the U.S., and in Israel. This impact investing program puts Jewish values into action for universal Impact.³

A faith-based philanthropic network supporting Catholic initiatives

This Catholic philanthropic network, that serves Catholic (and Catholic-inspired) philanthropists, appeals to private donors and Catholic foundations who are dedicated to supporting Catholic activities and initiatives both domestically and globally. The network believes that Mission Driven Investing (MDI) is central to their identity as Catholics and philanthropists, responding to the call of the Gospel to address global economic issues. The network supports Catholic investors in integrating these practices into their investment portfolios. Through the Gospel and Catholic social tradition, the group actively responds to the cries of the Earth and the poor, using its capacity as asset stewards to make a difference.

With nearly five decades of impact in the Church and in the field of Catholic philanthropy, the network supports investors in exploring private market opportunities in affordable housing, education, healthcare, and more.

Why does private investing matter to faith-based investors?

If you're an advisor supporting faith-driven clients, understanding the growing significance of faith-based investing is crucial. As more clients seek investments that align with their values, it's important to recognize the benefits and opportunities this approach offers:

- **Values alignment:** Clients increasingly want their investments to reflect their faith and moral convictions
- **Diversification:** Private investments can enhance portfolio diversification and provide access to asset classes that potentially offer strong returns
- **Growing market demand:** As interest in sustainability and impact investing expands, faith-based investing is becoming an attractive option for institutional and individual investors alike

Leveraging faith-based investing for lasting impact

Faith-based portfolios can be suitable for a range of investor types – whether family offices, foundations, donor-advised fund accounts, faith-based endowments, or wealth advisor clients. Faith-based investors are increasingly seeking ways to focus on opportunities that support mission-driven projects that align with their values of promoting justice, equality, and environmental stewardship, especially as these societal issues continue to dominate public discourse. This innovative approach allows faith-driven investors to align their capital with solutions that create real, lasting impact – whether through affordable housing, renewable energy, or fostering cross-cultural understanding. As the demand for values-aligned investment expands, faith-based investing is shaping the future of social impact – by bridging the gap between financial return and positive change.

Unlocking impactful investments with CapShift

CapShift helps private wealth and charitable firms source investments that align with their mission and principles that reflect values of inclusion, justice, and sustainability. We believe in a unique approach to faith-based investing — one that goes beyond exclusionary screens and embraces a strategy to build measurable, positive social and environmental change. Whether through affordable housing, renewable energy, or cross-cultural dialogue, investors can deploy capital in alignment with their values to create lasting, real-world change.

Our comprehensive platform supports our partners at every step — from client interest to allocation. If you are seeking tools and resources tailored to help you explore new models in faith-based investments, please reach out to us to learn more and demo our platform.

ABOUT CAPSHIFT



Designed to scale, CapShift is the backbone of impact investing solutions across many of the world's largest financial, charitable, and corporate institutions. Our comprehensive platform supports our partners at every step — from client interest to allocation. Rely on our expertise and technology to find opportunities, engage clients, and invest easily.

Visit www.capshift.com to learn more about us and the capital that we have mobilized for purpose to date.

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