Faith-Based Investing: Global Landscape

Analyzing market developments across the major faiths.

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Introduction and Objectives

Religious investors represent a small but growing segment of the investor landscape. The number of adherents to Christianity and Islam alone numbers over four billion people; thus, the total addressable market is enormous, yet the funds explicitly built to serve them remain a fraction of that potential. In this study, we map the global universe of faith-based funds, examine how their exclusion frameworks translate into structural portfolio tilts, and assess what those choices mean for cost, performance, and investor flows.

Key Takeaways

- Faith-based funds represent roughly USD 169 billion of assets under management across 853 strategies active as of April 30, 2026.
- Alongside established open-end and active funds, AUM and product availability across exchange-traded funds and passives has grown rapidly over recent years, reflecting the growth of these products more broadly, as well as the move of institutional investors from mandates into funds.
- The universe still has notable gaps, particularly for Christian and Catholic investors: Coverage skews heavily toward broad, generalist equity strategies, with only a handful of fixed-income, specialist equity or alternative products, and passive options remain limited.
- On average, faith-based funds are more expensive than their nonreligious counterparts, reflecting lower levels of competition, particularly from passive alternatives, which have been growing quickly but only over the past few years.
- This premium is the starkest among passives, where faith-based products on an asset-weighted basis have roughly double the average fees of their nonreligious counterparts.
- Historically, the market has been highly segmented, with little standardization or coordination between faith-based investors and divergent views on both exclusion and execution. While we have seen moves toward greater standardization within religions, implementation remains varied.
- The portfolio implications can be significant: Shariah funds are structurally underweight financials and correspondingly overweight technology, while Christian funds are notably underweight healthcare.
- Funds sharing the same denominational label can diverge materially in what they actually exclude, so investors should not assume a shared label implies a shared set of exclusions. Indeed, political and doctrinal differences, combined with a lack of standardization, drive notable divergences between regions—European funds tilt away from energy and toward growth under stronger environmental, social, and governance integration, while US funds retain meaningful energy and defense exposure.
- Exclusions cost little at the index level, yet at the fund level, faith-based products have underperformed nonreligious peers by roughly 1% annualized on average, largely with Christian funds lagging. A significant amount of this was driven by structural sector tilts, so we actually saw Shariah funds outperform over recent years owing to a technology overweight.

What Is Faith-Based Investing?

Faith-based investors align their portfolios not just to optimize financial outcomes but also to reflect their personal and religious beliefs. In this paper, we look at the landscape of products available to these investors.

In our view, religious investing is a subset of broader values-based investing, where nonfinancial considerations play a role alongside pecuniary outcomes. Unlike ESG approaches, which typically seek to optimize risk/return outcomes within a defined peer group subject to ESG constraints and with a strong linkage between criteria, faith-based investing is more explicitly guided by doctrinal rules and, therefore, more case-specific in the constraints applied.

As these approaches include strict exclusion criteria, they can generate systematic portfolio tilts, particularly where entire sectors are excluded, for example, weapons, alcohol, or tobacco.

Defining the Universe

To understand how the peer group of religious funds is built, we first need to define and tag the relevant products. Morningstar started tracking European-domiciled Islamic funds in 2011 with the launch of the first Shariah equity categories. Similarly, we launched tags for the Christian and Jewish universe in the US in April 2026. For this study, we expand the universe of faith-based funds to Europe, Asia, and Africa geographies, with these tags being made available in Morningstar products in July 2026.

To identify such funds, we utilize information gathered from prospectuses to identify funds whose investment policy explicitly aligns with the principles of religious institutions, or derive their investment principles in accordance with religious institutions. Since many products in the European market are distributed in continental European markets (for example, Germany, Spain, Italy, and so on), we utilize a large language model to classify the universe according to the religious taxonomy. This approach handles translation of prospectus terms without having to explicitly state keywords across languages.

The classification is implemented using a prompt-based framework. The LLM is used as a text classifier to map fund descriptions into a predefined religious taxonomy. Classifications are then manually reviewed for accuracy. The relatively small sample size makes this scalable.

Using this framework, we extend the total universe of faith-based funds to a total of 853 active funds across the US, Middle East, Asia, and Europe as of April 30, 2026. Of these 853 funds, 650 were Shariah, 114 were nondenominational Christian, 87 were Catholic funds, and one was a Jewish fund.

Taxonomy of Religious Investment Frameworks

What does it mean to invest in a faith-based manner? There is no single authority or approach to constructing a personalized portfolio such that it fits an interpretation of doctrine. Indeed, faith-based investing long predates ESG investing, with currently active funds in our database dating back to the 1950s (although most launches were after 1990).

Across the investable universe, strategies tend to reflect differences in (1) the rigidity of constraints, (2) the mode of screening, and (3) the interpretation and translation of doctrine into rules.

To analyze this landscape, we focus on funds domiciled in the US and EMEA (Europe and selected markets in Asia and Africa), as well as Shariah funds domiciled in the Middle East and parts of Asia. This yielded a sample of 1,148 where prospectus information is available, including obsolete products. Of these 1,148 funds, we collected exclusion data on 702 funds.

Negative Screening (Exclusion-Based Frameworks)

Negative screening represents the most common and foundational approach across faith-based investment strategies. At a minimum, these strategies exclude securities based on doctrinally defined prohibitions. Common exclusions include alcohol, gambling, weapons, and adult entertainment, which appear broadly across religious traditions. In addition, religion-specific exclusions are observed, such as pork-related activities and tobacco exposure in many Shariah-compliant funds, and restrictions related to abortion or stem-cell research in Christian and Catholic mandates. Within our sample, negative screening-only strategies were the most common at 502 strategies, and predominantly Shariah funds, which are, by some way, the most numerous overall.

Positive/Best-in-Class Frameworks

Positive screening approaches allocate capital toward securities that meet favorable qualitative or quantitative criteria, often aligned with broader notions of stewardship, responsibility, or ethical conduct. In practice, these strategies are more prevalent among Christian (nondenominational and Catholic) funds and typically operate as hybrid frameworks, combining positive selection with exclusionary screens. Within our sample, 20 funds of 702 adopt this hybrid structure, of which about seven funds were Shariah.

Values-Based/Thematic Frameworks

These funds tend to adopt a more interpretive or flexible approach, where faith consistency is assessed without the use of explicit exclusion lists or rigid screening thresholds. They typically evaluate holdings on a case-by-case basis, guided by overarching religious principles and through a qualitative lens rather than through codified rules. We identified 179 of 702 funds following this approach in our sample, all of which were Christian funds.

Market Developments

Historically, the faith-based fund landscape has been highly segmented, with little standardization.

In our paper *Decoding Sukuk*[1], published in June 2025, we highlighted how the sukuk market is subject to competing interpretations of Shariah compliance and changing guidance from standard-setting boards. The relatively conservative Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions is the leading authority on Shariah-compliant finance in the Gulf region. Many investors in Saudi Arabia, the UAE, Bahrain, Kuwait, and Qatar prize the AAOIFI-compliant label when selecting funds or individual securities. Meanwhile, the Malaysia-based Islamic Financial Services Board sets the standard for Islamic finance practices in Southeast Asia and is known for a more pragmatic and flexible approach.

[1] https://www.morningstar.com/business/insights/research/sukuk-bond-fund-market

The lack of standardization has also affected the Catholic church, while the doctrine is central (as opposed to the nondenominational Christian space). Historically, interpretation and application were largely delegated to individual diocesan investment offices and stand-alone institutions (for example, the US Conference of Catholic Bishops and Institute for the Works of Religion), which resulted in considerable differences in implementations. Local contextual and political considerations also played a meaningful role; for example, French bishops have tended to be more supportive of nuclear energy, whereas German bishops have often taken a more restrictive stance (so, while we see no restrictions on nuclear from France-domiciled funds in our sample, three of the eight German-domiciled Catholic funds explicitly excluded nuclear).

A significant step change occurred in 2022 with the publication of *Mensuram Bonam* ("Good Measure") by the Vatican's Pontifical Academy of Social Sciences. The document set out a more formalized framework for faith-consistent investing aligned with Catholic social teaching. At its core, it places human dignity as the central organizing principle, with exclusions extending to environmental harm, human rights abuses, and activities deemed contrary to human life and dignity. In addition to negative screening, the framework explicitly encourages positive screening and active ownership, with engagement preferred over divestment where it is deemed capable of producing meaningful influence. Importantly, *Mensuram Bonam* emphasizes materiality, context, and prudential judgment rather than prescriptive rules or rigid numerical thresholds, acting as a directive as opposed to a more rigid rules-based construction.

As a result of varying interpretations between and within faith groups, implementation of faith-based investment principles across products remains highly variable. Catholic funds typically adopt a hybrid approach combining hard exclusions with position-level or revenue-based screening, a structure that differs meaningfully from Shariah finance, which relies more systematically on clearly defined negative screens based on financial and business activity criteria, such as requiring businesses to meet leverage requirements or excluding industries like tobacco, pork, or alcohol producers.

The percentage of funds that have hard exclusions is shown below. Note that "Other" for Christian and Catholic funds mostly referred to restrictions on contraceptive production and distribution, while for Shariah funds, this was pork products. As shown below, there is a considerable variation between religions and sects, so for instance, Catholic funds have, on average, a more liberal screen than Christian and Shariah peers for alcohol, despite otherwise sharing many overlapping values-based concerns.

This divergence is even more pronounced in categories tied to specific doctrinal or social positions. Abortion/stem cells is the clearest example: excluded by 78% of Catholic funds and 80% of Christian funds, but by just 4% of Shariah funds, reflecting the fact that this screen stems from a distinctly Christian theological concern rather than a broadly shared one. Controversial weapons tells a similar story in reverse—Catholic funds screen this far more heavily (87%) than Christian funds (39%), which is a somewhat counterintuitive result given the overlapping faith tradition, and may point to the influence of specific advocacy or doctrinal statements (for example, Catholic social teaching on arms production) that don't carry the same weight across the broader Christian nondenominational universe.

Alongside these hard exclusions, revenue-based thresholds are widely used, although they are far from standardized. While 5% is the most observed cutoff, we do see variable thresholds up to 10%-15%, particularly for the Christian fund universe. Specific to Shariah funds, we see mandates on interest-bearing debt and cash on the balance sheet typically less than 30%, which adheres to the Shariah prohibitions on interest, as opposed to revenue screening per se.

Taken together, these differences imply that faith-based investing is not a single coherent strategy class, but rather a collection of heterogeneous frameworks that vary systematically in strictness, interpretability, and implementation structure. As a result, cross-universe comparisons should be interpreted with caution, particularly where screening intensity and disclosure regimes differ materially across regions and religious traditions.

Exhibit 1 Hard Exclusions by Faith

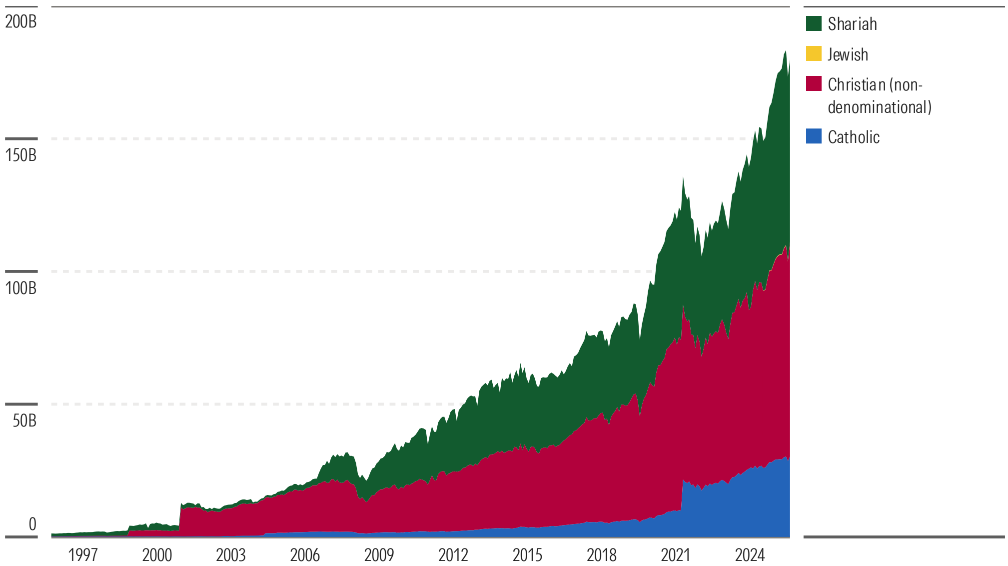
	Catholic	Christian (Nondenominational)	Shariah	Total
Other	76%	84%	90%	87%
Gambling	43%	93%	90%	84%
Alcohol	21%	92%	91%	82%
Tobacco	67%	96%	68%	73%
Adult Entertainment	82%	90%	66%	72%
Controversial Weapons	87%	39%	59%	59%
Small Arms	51%	37%	60%	55%
Military Contracting	30%	27%	56%	47%
Abortion/Stem Cells	78%	80%	4%	27%
Thermal Coal	38%	13%	5%	11%
Fossil Fuel	29%	14%	4%	9%
Nuclear	13%	12%	0%	4%
Genetically Modified Organisms	16%	4%	1%	3%
Animal Testing	22%	2%	0%	3%
Pesticides	10%	1%	0%	2%
Fur and Specialty Leather	3%	1%	0%	1%
Palm Oil	0%	2%	0%	0%

Source: Morningstar Direct. Data as of March 31, 2026.

Market Structure and Product Landscape

AUM in faith-based investment strategies has grown substantially in recent years. As of March 2026, the universe comprises approximately USD 169 billion of assets across 853 active funds, with AUM growing at a compound rate of 18% over the 30 years to March 2026 and the number of strategies growing by 11% per year. By comparison, global large-cap blend equities saw AUM growth of 16.5% with the number of products growing by 7.0% (annualized) over the same period. While nondenominational Christian-focused strategies account for the largest share of AUM, both Catholic and Shariah-compliant segments have also experienced meaningful expansion over the period. Although this remains a small amount of assets relative to the nonreligious cohort, it reflects institutional investors preferring mandates and segregated accounts as opposed to open-ended vehicles, as well as many potential faith-based investors using conventional funds without religious screens. Equities remain by far the most popular product with about 60% of AUM, and about half the number of products, with fixed-income and multi-asset products taking up most of the remainder.

Exhibit 2 Total AUM (USD) in Religious Strategies



Source: Morningstar Direct. Data as of March 31, 2026.

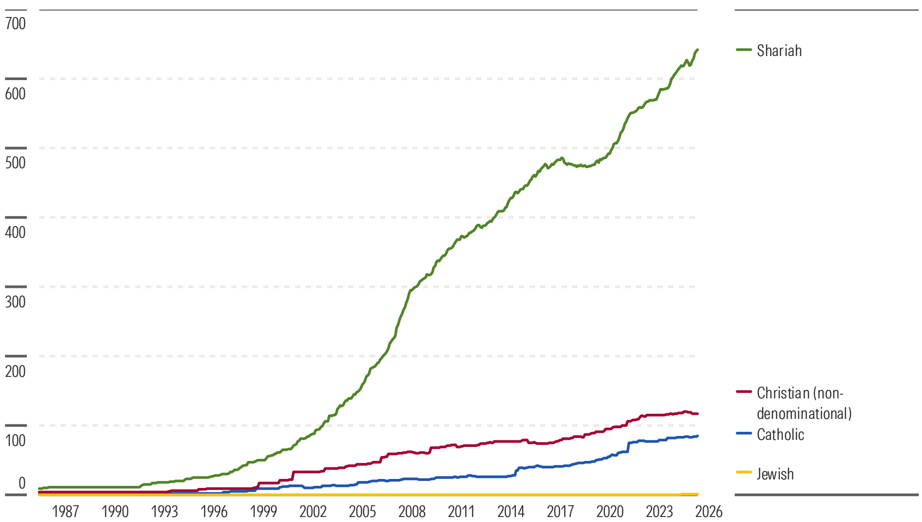
By number of strategies, Shariah funds are by far the largest segment, with well over 600 active strategies as of March 2026—more than 3 times the size of the Christian fund universe. Launches have been considerable, and at much higher rates than we have seen in the Christian and Catholic cohort. However, this segment has also experienced a relatively high rate of fund closures, with over 300 (cumulative from 2002 to 2026) and a lot of very small products in AUM terms. Still, the scale of the net growth in strategies and AUM versus Christian strategies is striking and is explained by a combination of factors.

Regulatory efforts and attempts to standardize the Shariah market were taken relatively early, with the establishment of the aforementioned AAOIFI in 1990 and Malaysia's 2017 Islamic Fund and Wealth Management Blueprint, and meanwhile, exclusions at the fund level are generally well-aligned. This compares with the Christian and Catholic space, where little coordination and regional differences within religions and sects have resulted in a lack of standardization in implementation.

Second, the development of standardized, rules-based Shariah index methodologies from the late 1990s (Dow Jones Islamic Market Index in 1999, followed by FTSE and others) gave managers a replicable template for launching compliant products, materially lowering the barrier to entry relative to bespoke, in-house screening. Meanwhile, equivalent frameworks for Christian and Catholic indexes were not developed until the 2010s.

There is also a larger, clearly addressable market, with the Islamic finance market estimated in 2024 to be at least USD 3.9 trillion.[2] Although covering the broader finance ecosystem (banking, sukuk, insurance, funds, and so on), it represents capital that is required to be invested along Shariah grounds, whereas the amount of Christian and Catholic capital is less clearly defined.

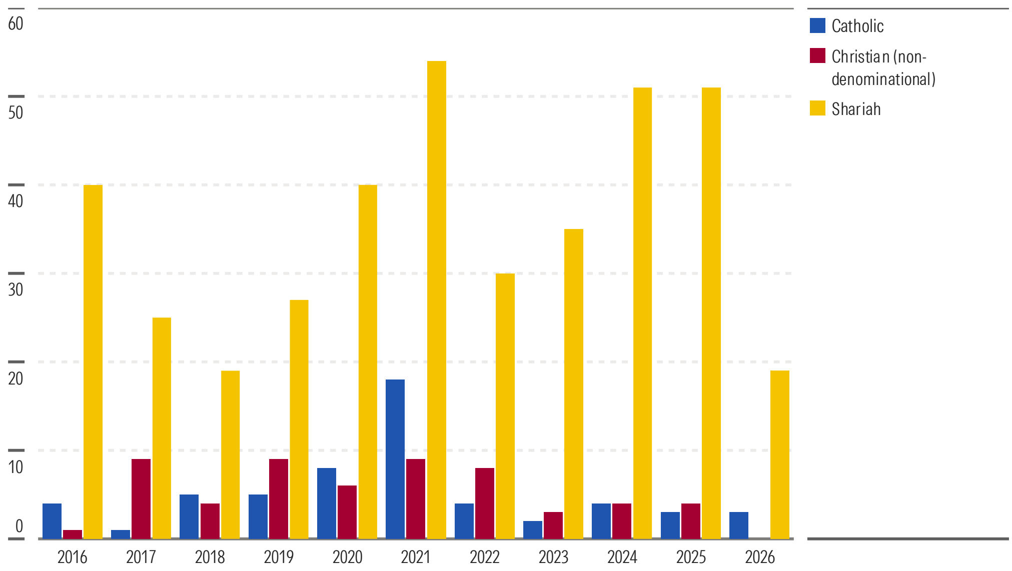
Exhibit 3 Total Number of Strategies by Faith



Source: Morningstar Direct. Data as of March 31, 2026.

2 https://www.ifsb.org/wp-content/uploads/2025/05/IFSI-Stability-Report-2025.pdf.

Exhibit 4 Total Number of New Launches by Faith



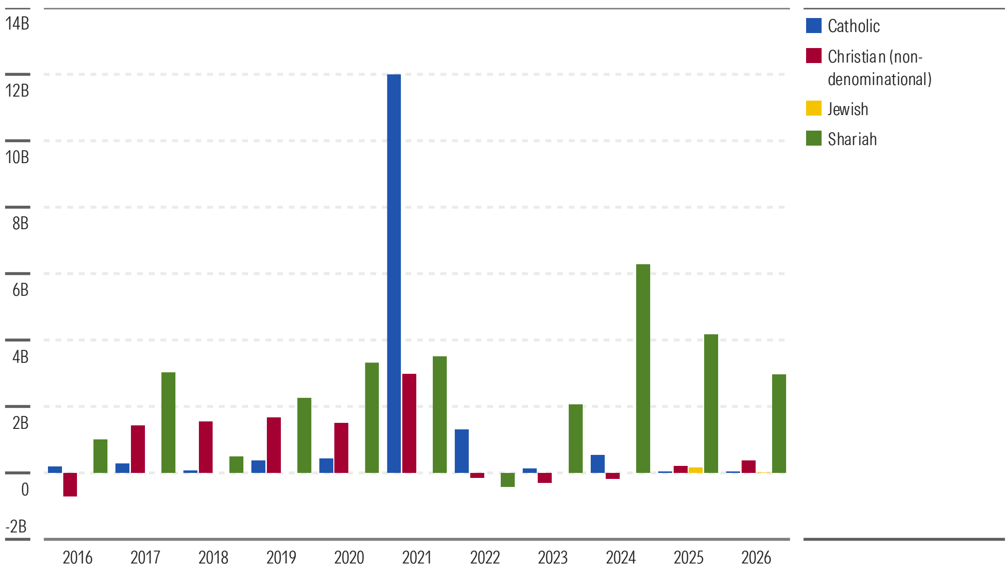
Source: Morningstar Direct. Data as of May 31, 2026.

From a geographic perspective, the Christian and Catholic fund universe remains heavily concentrated in the US, which accounts for approximately 88% of the total AUM, with the remainder primarily domiciled in Europe. Shariah-compliant strategies are also predominantly based in the US and Europe, although we also see substantial AUM in the Middle East and Asia, notably Malaysia and Saudi Arabia.

Flows

Annual flows for the four groups are shown below. Unsurprisingly, given the AUM picture and fund launches, Shariah flows have generally led over the 10 years to 2026, albeit the most volatile; for instance, we saw substantial outflows of USD 2 billion for Middle East-domiciled Shariah products over 2022 (albeit net inflows into US-domiciled Shariah funds muted the overall effect). While we saw substantial Catholic inflows over 2021, this was due to the launch of several Catholic Responsible Investments products, as opposed to net inflow into an existing strategy. Catholic strategies have tended to have small but continuously positive flows, and particularly driven by the US with European Catholic and Christian strategies having net outflows over 2023-26.

Exhibit 5 Annual Flows by Faith

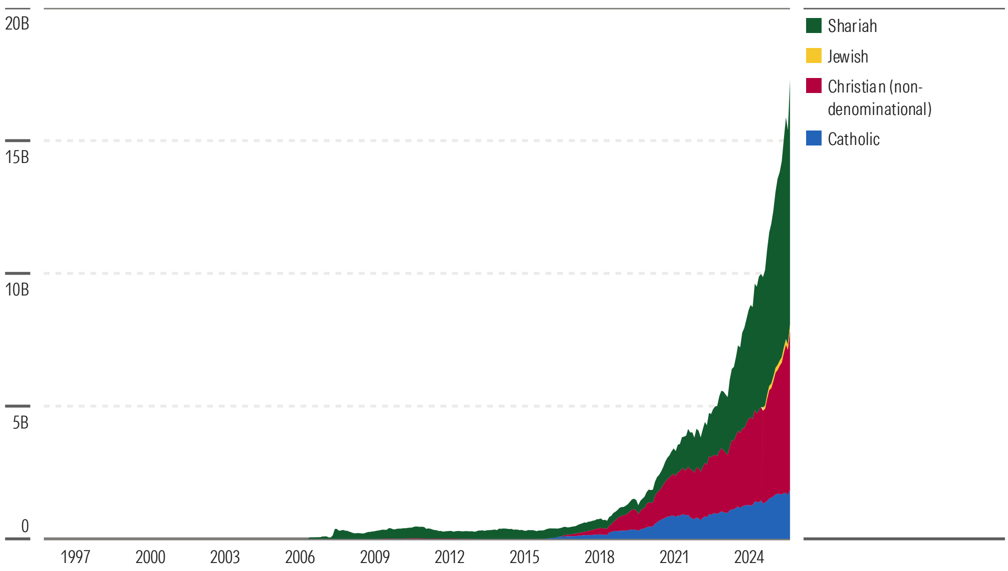


Source: Morningstar Direct. Data as of April 30, 2026.

Across the broader market, the peer group of open-end funds comprises Shariah-compliant Islamic vehicles, nondenominational Christian vehicles, Catholic vehicles, and one Jewish-oriented ETF. Historically, activity has been concentrated in the US and Europe; however, over the past decade, there has been a clear expansion of the market in the Middle East and Asia, reflecting both growing institutionalization of Islamic finance and increasing availability of faith-aligned investment products in emerging markets.

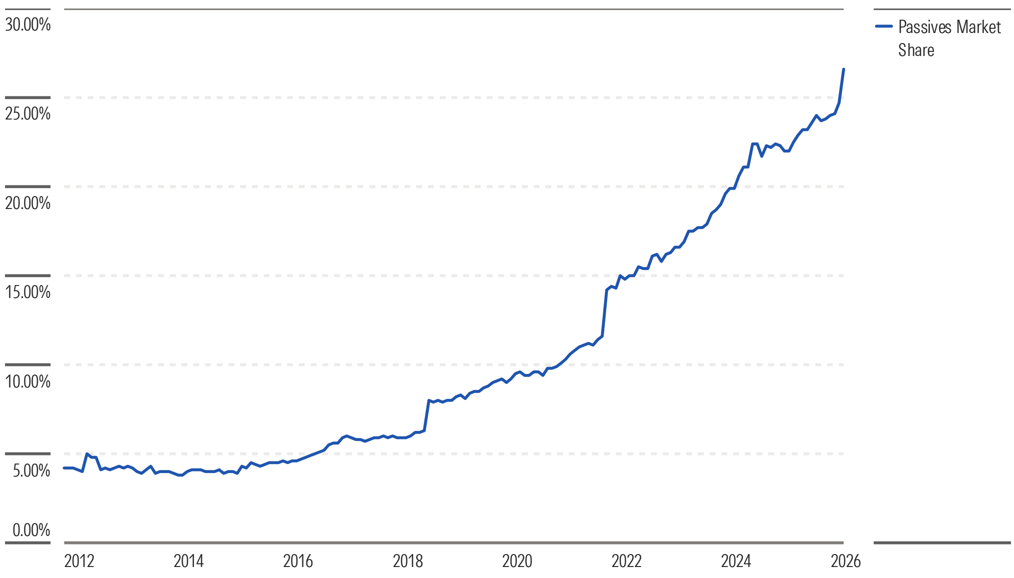
While open-end funds and active strategies continue to dominate, we have seen a proliferation of ETFs and passive investments overall, following broader industry trends. For instance, since 2014, the market share of passives quintupled from less than 5% to over 25%, compared with global large-cap blend, where the market share in passive strategies has almost tripled from 18% to just over 50%. While historically the space of religious investing has been dominated by active, discretionary managers, the availability of the modern investing toolkit has mapped the space to the broader investment industry.

Exhibit 6 AUM in Religious ETFs Has Grown Rapidly Over Recent Years



Source: Morningstar Direct. Data as of April 30, 2026.

Exhibit 7 The Market Share of Passives Has Quintupled Since 2014



Source: Morningstar Direct. Data as of April 30, 2026.

Asset Managers

The largest managers in the active and passive spaces are shown below. It's worth noting that this data only captures open-end funds and ETFs held in the Morningstar database; it does not extend to segregated accounts and institutional mandates, which continue to represent a significant (and in many cases, dominant) share of institutional capital in this space. As a result, these rankings should be read as indicative of the fund and ETF landscape specifically, rather than as a definitive picture of the largest faith-based asset managers overall.

Active managers have historically been the dominant force in faith-based investing, and this legacy is still visible today: The largest firms by AUM continue to be US-based Christian and Catholic investment houses, most of which built their franchises around actively managed strategies rather than index-tracking products, such as GuideStone, Catholic Responsible Investments, and Eventide. However, given the considerable growth we have seen in Shariah assets, houses such as HSBC, Amana, and Aham Asset Management have rapidly grown in the open-end fund space.

Exhibit 8 Largest Active Parents

Parent	AUM (USD Billion)
GuideStone	24.5
Catholic Responsible Investments Funds	9.4
Amana	8.3
CCLA Fund Managers	7.7
Eventide	6.8
Aham Asset Management	6.2
Public Mutual	6.1
Principal	5.5
Ave Maria	3.6
Maybank	3.1

Source: Morningstar Direct. Data as of April 30, 2026.

Exhibit 9 Largest Passive Parents

Parent	AUM (USD Billion)
HSBC	9.9
GuideStone	8.9
Catholic Responsible Investments Funds	4.8
SP Funds	2.9
Inspire	2.6
Everence	2.0
iShares	2.0
Timothy Plan	1.2
Invesco	1.1
Global X	1.1

Source: Morningstar Direct. Data as of April 30, 2026.

As for the index providers, MSCI and S&P were, by some way, the largest in terms of number of products, although S&P was, by far, the dominant player in AUM terms with almost USD 28 billion of assets linked to indexes it manages (as of April 30, 2026). Given the dominance of equity strategies in AUM terms, it should not be surprising to see the largest equity index providers at the top. For both S&P and MSCI, the split leaned toward Shariah products, although this was balanced with 40%-50% in Christian and Catholic-oriented products.

Exhibit 10 Largest Index Providers

Index Providers	Number of Products	AUM (USD Billion)
S&P	19	27.9
MSCI	19	7.0
Dow Jones	8	4.7
FTSE Russell	11	3.9
Morningstar/CRSP	4	2.3
Bloomberg	4	1.5
JPM	2	0.3
JLens	1	0.3
ICE	1	0.1
Indeks	1	0.0

Source: Morningstar Direct. Data as of April 30, 2026.

Fees

Below, we see asset-weighted average annual fees for funds in the global category "global large-cap equity," which groups global equity funds across domiciles. We use this as representative since it is, by some way, the most represented type of strategy in our religious fund group.

On average, religious funds are more expensive than their nonreligious counterparts, reflecting perhaps less competition, particularly from passives, which, as outlined above, have only gained market share rapidly in the past few years. A more niche audience and lower allocation of institutional capital have also perhaps led to a less competitive landscape in terms of fee pressures. That said, there were some competitively priced products, notably active Shariah equity funds in Europe and the US.

Notably though, there is a considerable premium on faith-based passives, where average fee level generally sits at double that of the nonreligious cohort. This likely reflects smaller fund sizes and a lack of scale economics in faith-based passive ranges, rather than any meaningful difference in the complexity of the underlying index construction.

Exhibit 11 Asset-Weighted Average Fees by Faith

Active/Passive	Catholic	Christian (Nondenominational)	Shariah	Nonreligious
Active	1.04	0.64	0.75	0.84
Passive	0.29	0.39	0.28	0.14

Source: Morningstar Direct. Data as of April 30, 2026.

Looking more granularly at the regional differences, we calculate asset-weighted average fee levels by faith and domicile. We see the Middle East and Other (largely Malaysian-domiciled Shariah funds) as being relatively expensive for active funds, whereas US-based nonequity strategies were generally competitively priced. Again though, we see the US as dominating in terms of passive offering, where fees were considerably lower than their European, Middle Eastern, and Asian peers.

The regional pattern within Shariah funds is particularly consistent: Active equity fees rise steadily moving from the US (0.78%) to Europe (0.81%) to the Middle East and Africa (1.25%) and Other (1.66%), a more than twofold difference between the cheapest and most expensive domiciles. This likely reflects a combination of smaller fund sizes outside the US and limited competition in the Middle East and Asian markets.

Catholic and Christian funds show more mixed regional patterns. Catholic active equity fees are notably higher in Europe (1.18%) than the US (0.87%), the reverse of the Christian nondenominational pattern, where European active equity fees (0.51%) sit well below US levels (0.95%). Fixed-income fees are generally lower than equity across all categories, as would be expected given typical fee structures for the asset class, though Shariah fixed income stands out as an exception—fees of 0.79% (US) and 1.09% (Europe) are close to, or even above, Shariah equity fee levels, and considerably higher than Catholic or Christian fixed-income offerings in the same domiciles.

Exhibit 12 Asset-Weighted Active Fees

Asset Class	Domicile	Catholic	Christian (Nondenominational)	Shariah
Equity	US	0.87	0.95	0.78
Equity	Europe	1.18	0.51	0.81
Equity	Middle East and Africa	-	-	1.25
Equity	Other	-	-	1.66
Fixed Income	US	0.40	0.50	0.79
Fixed Income	Europe	0.73	0.29	1.09
Fixed Income	Other	-	-	0.58
Other	US	0.13	0.49	0.67
Other	Europe	1.13	0.81	1.04
Other	Middle East and Africa	-	-	1.07
Other	Other	-	-	0.37

Source: Morningstar Direct. Data as of May 31, 2026.

Exhibit 13 Asset-Weighted Passive Fees

Asset Class	Domicile	Catholic	Christian (Nondenominational)	Shariah
Equity	Europe	0.29	-	0.29
Equity	US	0.15	0.31	0.47
Equity	Middle East and Africa	-	-	0.47
Equity	Other	-	-	0.63
Fixed Income	US	-	0.41	0.50
Fixed Income	Europe	0.35	-	0.29

Source: Morningstar Direct. Data as of May 31, 2026.

What's in These Funds and How Pure Are They?

Here we look at the relative exposure of equity funds in the faith-based universe. To calculate the relative exposure, we map these funds to an appropriate benchmark given their investment area and strategy, for example, US large-cap, global ex-US small/mid-cap, and so on. As a result of the constraints that underpin their investment process, faith-based funds come with notable sector biases.

The most prominent sector bias is the relative underweighting in financial services in Shariah funds. The core of many banks' business models, certainly conventional banks and specifically global institutions like JPMorgan Chase, HSBC, or BNP Paribas, conflicts with the prohibition of interest ("riba"), including loans, for example, mortgages, credit cards, and so on, but also deposits and interbank lending. This is not to say that there are no Shariah funds with significant exposure to financials. Indeed, there are strategies focused on Middle Eastern equities where there are Shariah-compliant banks available and make up a large portion of the Shariah fund universe in countries like Kuwait, Saudi Arabia, and the UAE.

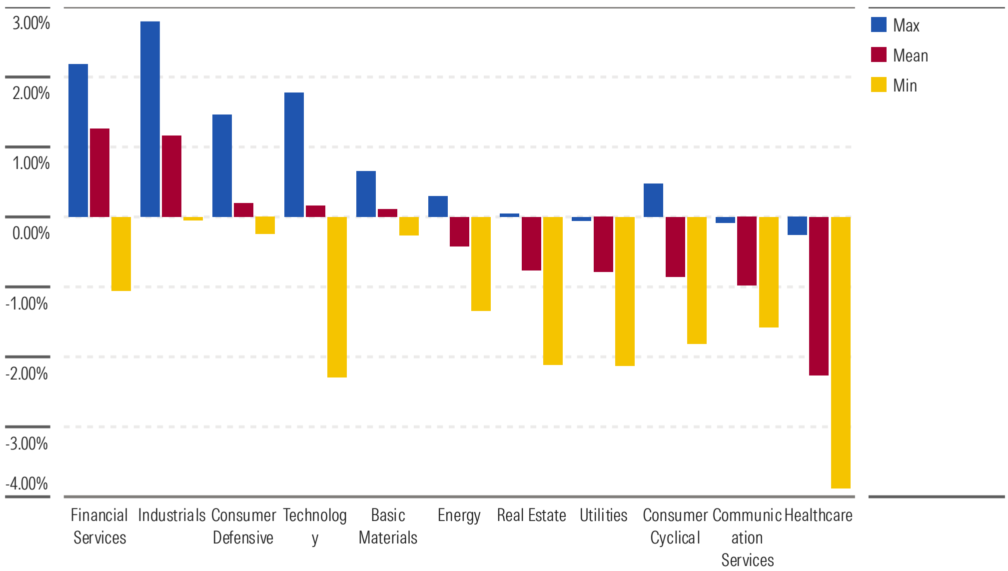
We also found a substantial overweighting in technology in Shariah funds. This exposure is largely a mechanical outcome of Shariah screening, rather than an intentional decision. The exclusion of conventional financial services removes one of the largest sectors in global equity indexes, while additional restrictions on leverage and business activities further reduce exposure to capital-intensive and cyclical industries such as airlines, infrastructure, and utilities. As a result, the remaining investable universe is disproportionately composed of asset-light, equity-financed firms with high margins and low reliance on debt. Technology companies, particularly large-cap US names, tend to meet these criteria more readily than firms in traditional sectors such as financials, energy, or consumer staples. This effect is further reinforced by the composition of global indexes, where US technology constitutes a large share of market capitalization, and therefore, naturally dominates once other sectors are screened out. Taken together, the observed overweighting in technology reflects a combination of sector exclusions, balance-sheet constraints, and benchmark composition effects, rather than an explicit preference for the sector itself.

Within Christian funds, one of the most notable structural underweightings is in the healthcare sector. In particular, exposure to companies involved in abortion-related products and services, contraceptives, and embryonic stem-cell research renders a meaningful portion of the investable healthcare universe ineligible under many mandates.

However, this exclusion is not uniform across all strategies. Some funds do maintain exposure to the sector, either through more nuanced screening frameworks or broader interpretations of doctrinal constraints. Examples include the Global X S&P Catholic Values Developed ex-U.S. ETF, which retains healthcare exposure within its screening approach, as well as more specialized strategies such as Mutuafondo Salud, which provides dedicated healthcare equity exposure while adhering to faith-guided principles.

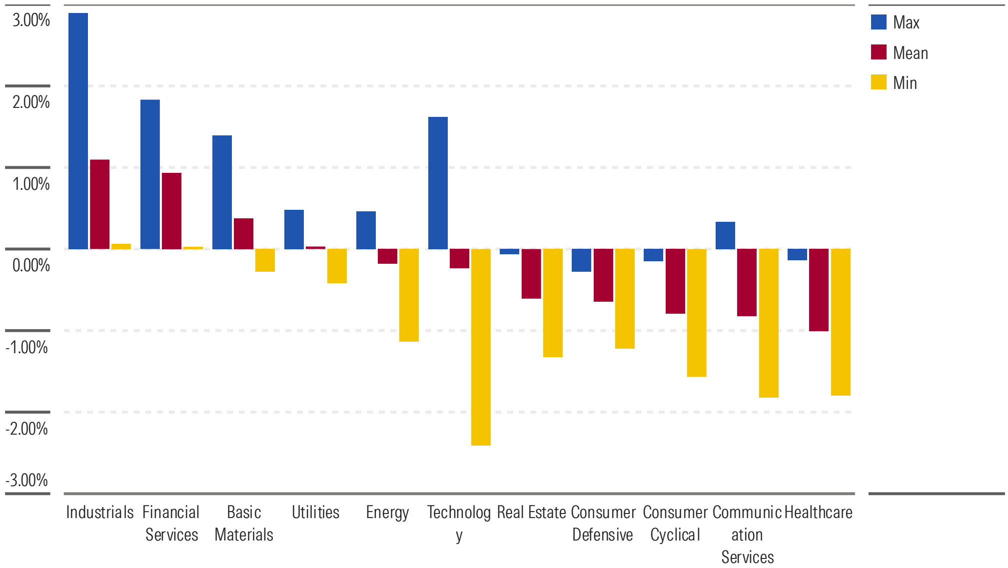
This heterogeneity highlights an important feature of the Christian investment universe: Despite shared doctrinal foundations, there remains substantial room for qualitative judgment in how ethical constraints are interpreted and constructed at the portfolio level. This is compounded by the inconsistency between ESG data providers and how second-order effects from supply-chain exposure and so forth are measured. We encourage investors to look closely at the specifics of what their investment funds can and can't invest in, with rules around revenue thresholds and the interpretation of what constitutes, for instance, an unacceptable exposure to stem-cell research.

Exhibit 14 Catholic Funds, Relative Sector Exposure March 2019 to March 2026



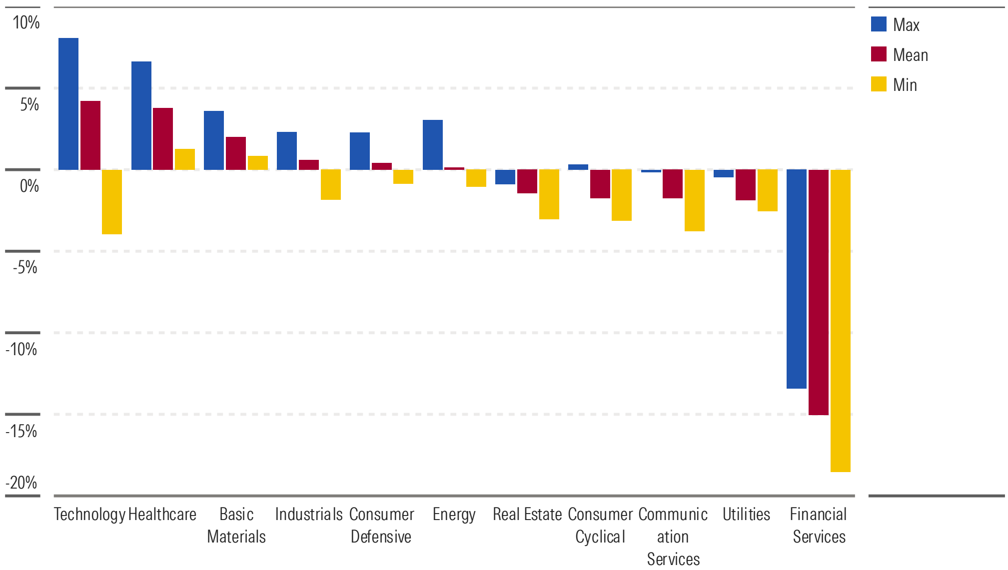
Source: Morningstar Direct. Data as of March 31, 2026.

Exhibit 15 Nondenominational Christian Funds, Relative Sector Exposure March 2019 to March 2026



Source: Morningstar Direct. Data as of March 31, 2026.

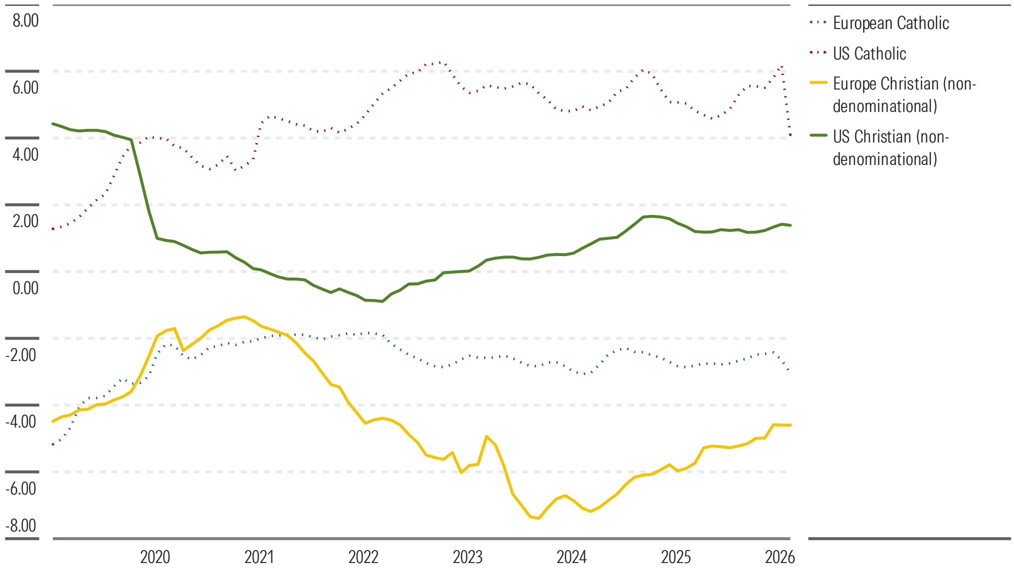
Exhibit 16 Shariah Funds, Relative Sector Exposure March 2019 to March 2026



Source: Morningstar Direct. Data as of March 31, 2026.

We also see the local divergence in sectors like energy. As shown in Exhibit 17, US Christian strategies are significantly overweight, whereas European-domiciled funds are, on average, significantly underweight. This underweighting has been particularly notable since 2022, when a sharp increase in commodity prices led to strong outperformance of energy equities. As a result, European strategies faced a meaningful relative performance headwind over this period, reflecting both their lower exposure to the sector and the constraints imposed by underlying ethical screening frameworks.

Exhibit 17 Rolling 3-Month Relative Energy Exposure in Christian Funds

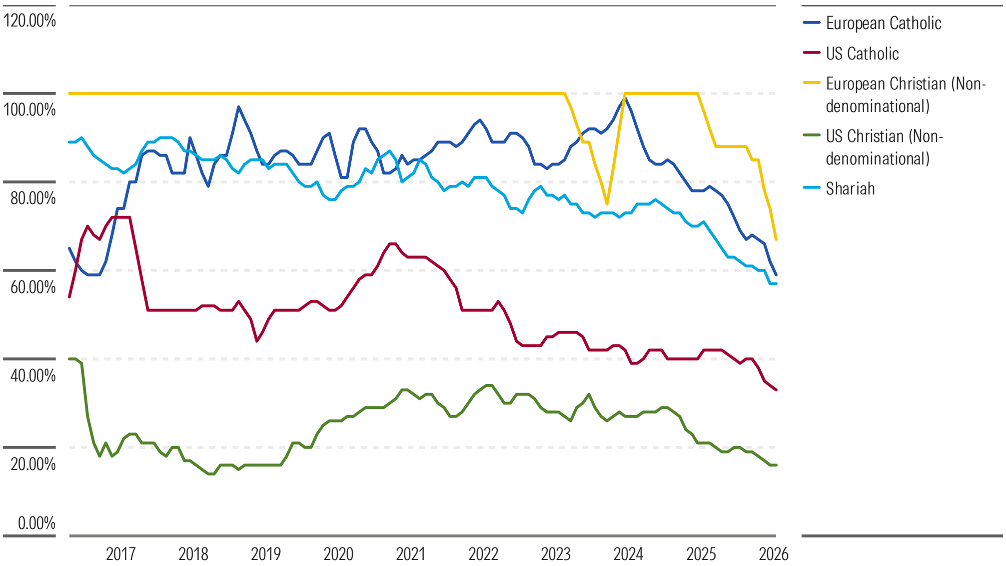


Source: Morningstar Direct. Data as of March 31, 2026.

In the US, many Christian and Catholic funds are primarily values-screened rather than sustainability-led. Their exclusions tend to focus on activities such as abortion, pornography, gambling, tobacco, or weapons, while traditional energy companies are often viewed as acceptable investments provided they do not violate these moral screens. As a result, US religious funds frequently retain meaningful exposure to the energy sector, and in some cases, become overweight relative to broad benchmarks because other sectors are more heavily screened. In contrast, European religious investing has evolved within a much stronger ESG and sustainability framework. Many European faith-based funds integrate climate considerations, stewardship principles, and environmental exclusions alongside religious criteria. This has led to reduced exposure to fossil fuel producers and carbon-intensive industries, particularly following the acceleration of sustainable finance regulation and investor demand for decarbonization after the Paris Agreement. Consequently, European religious funds are more likely to be underweight energy relative to conventional benchmarks.

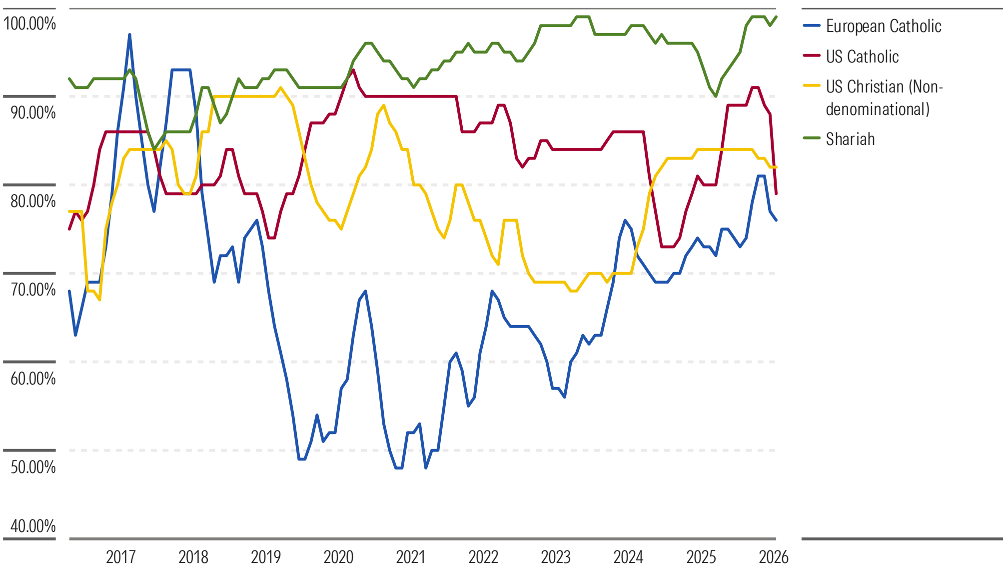
When we look at specific industries which focus on so-called "sin stocks," we see there is some alignment between the faiths and geographies. For instance, almost all faith-based strategies have negligible exposure to the gambling, tobacco, or thermal coal sectors, among the most common broad-based sector exclusions. It should be noted that these industries are not significant weights in global benchmarks, indeed having been less than 1% of the Morningstar Global Target Market Exposure Index for over a decade. Meanwhile, divergence in sectors such as aerospace and defense and alcohol continues to vary considerably between domicile and religion, and similar to the picture on energy, with a noted divergence between US and European funds. We note that there tends to be much more consensus around exclusions among Shariah funds, and thus, exposure to such industries is consistent across geographies.

Exhibit 18 Percentage of Funds With Negligible Exposure to Aerospace and Defense



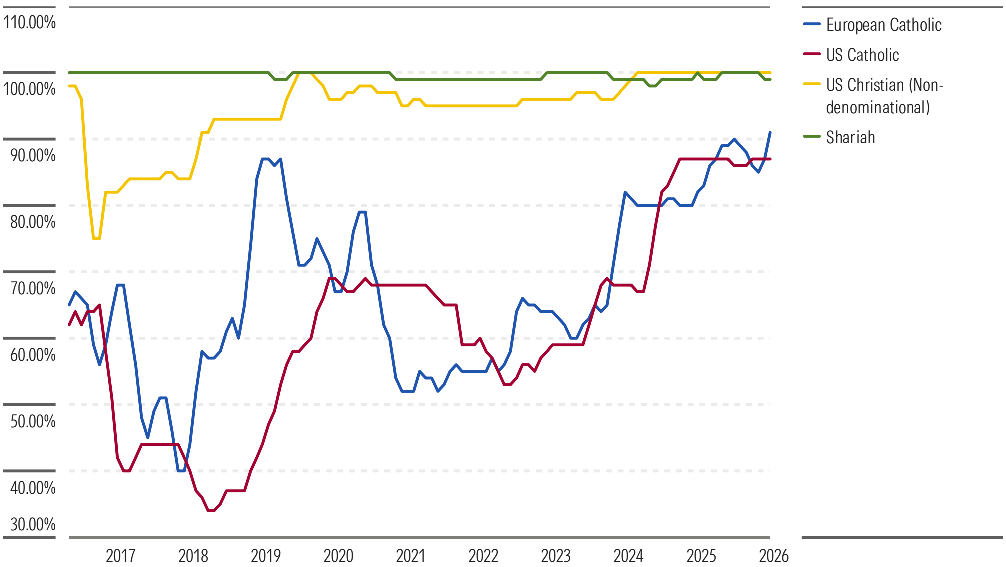
Source: Morningstar Direct. Data as of March 31, 2026.

Exhibit 19 Percentage of Funds With Negligible Exposure to Brewers



Source: Morningstar Direct. Data as of March 31, 2026.

Exhibit 20 Percentage of Funds With Negligible Exposure to Wineries and Distilleries



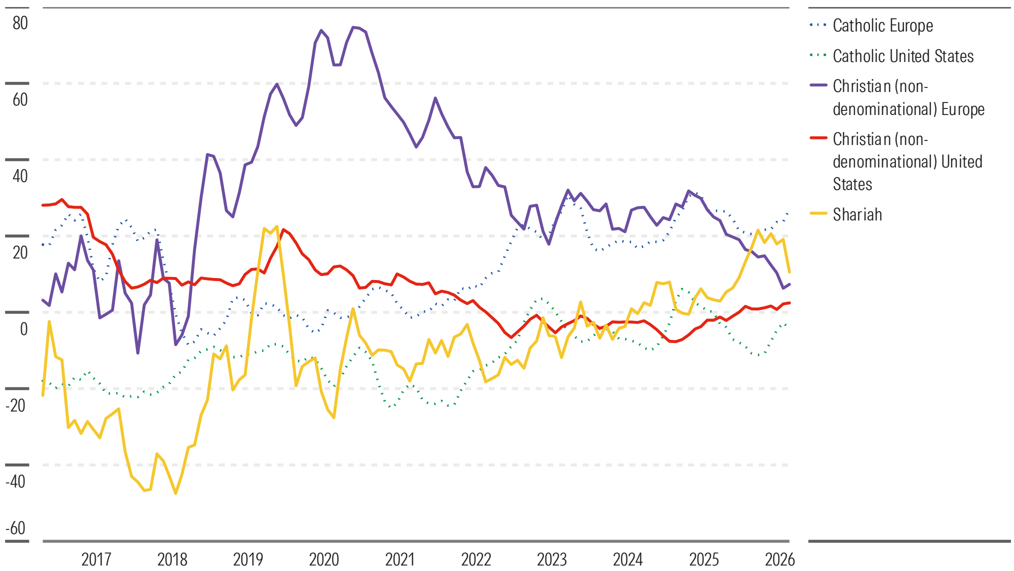
Source: Morningstar Direct. Data as of March 31, 2026.

In addition to sectors, we also observe a divergence in style exposures across regions, with Shariah and Christian funds in Europe exhibiting a gradual tilt toward growth characteristics, while value–growth scores (a metric to position a stock in the Morningstar Style Box) in US-domiciled strategies have been structurally lower on a relative basis, pointing to greater exposure to value-oriented stocks.

It is important to note that these measures are calculated relative to each fund's benchmark and are largely driven by underlying regional equity exposures, particularly allocations to US equities, where growth stocks have continued to dominate market performance. In this context, many managers have been reluctant to meaningfully underweight or overweight growth relative to benchmarks, particularly as large-cap growth names have become an increasingly dominant share of index composition. For example, the average faith-based US equity fund held approximately a 30% allocation to the technology sector as of early 2026, reflecting the benchmark structure.

At the same time, over the 10 years to 2026, US Christian and Catholic funds continue to exhibit persistent overweightings in more value-leaning sectors such as financials, energy, real estate, and materials, reflecting both screening effects and sector tilts embedded in traditional exclusions and constraints. In contrast, the European universe exhibits a more pronounced structural growth tilt, which is partially reinforced by the interaction between faith-based screening and ESG integration. Given the generally lower capital intensity and higher intangible exposure of ESG-favored companies, European strategies tend to allocate more heavily toward growth-oriented sectors such as technology and healthcare, thereby reinforcing the observed regional divergence in style exposures.

Exhibit 21 Rolling 3-Month Relative Value-Growth Score by Geography, Faith



Source: Morningstar Direct. Data as of March 31, 2026.

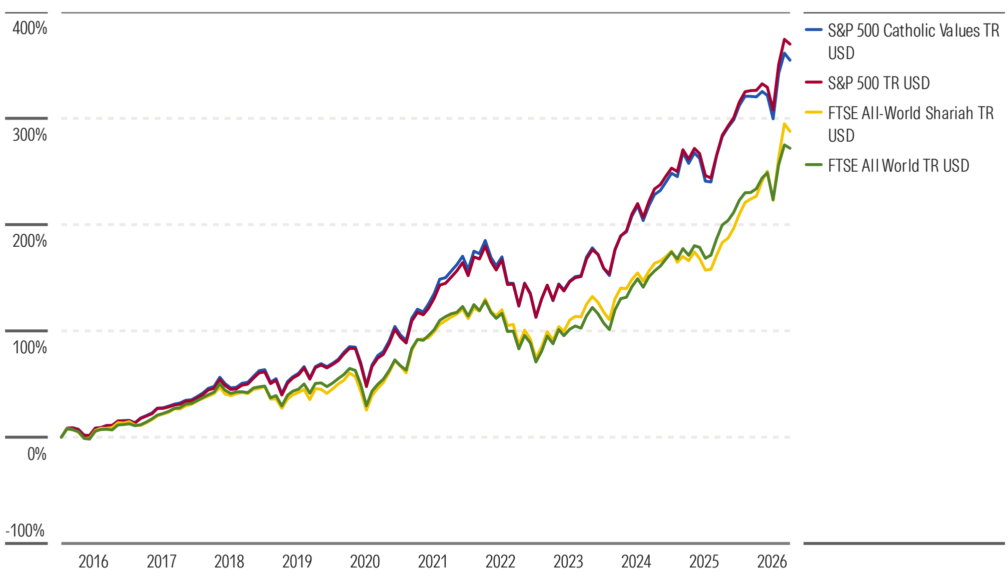
Performance

One natural question that follows is whether faith-based investors give up return for not optimizing for financial outcome alone. Here we only look at equity strategies, where there is more granular data around sector allocations and stock-level performance.

The prima facie evidence indicates that investors do not give up much in the way of return from exclusions alone. For instance, both the S&P Catholic Values and FTSE All World Shariah exhibited a correlation of 99% and 98% in their monthly returns versus their respective parent index from September 2015 to May 2026. Through this period, the Catholic index underperformed its parent by 0.4% annualized, while the Shariah index outperformed by 0.4% annualized. In both cases, sector weighting played a significant role. For instance, the negligible exposure to financials in the Shariah index and compensatory overweighting in technology and communication services were the main drivers of outperformance at a time when growth stocks were favored. Meanwhile, the underweighting in healthcare in the S&P Catholic Values Index was a significant detractor, notably Eli Lilly. However, in both cases, substantial weights to the technology sector, which generated the bulk of return over this period, meant that any structural detractors were not felt by investors.

Still, when considering a faith-based allocation, one must be mindful of how the induced sector biases interact with the sector allocation of the nonscreened equity universe. For instance, Christian investors in the UK would have to exclude the tobacco, pharmaceutical, oil and gas, mining, and defense names, which would likely make seven of the top 10 names uninvestable (as of May 2026).

Exhibit 22 Performance of Catholic and Shariah Indexes Versus Their Respective Parents



Source: Morningstar Direct. Data as of May 31, 2026.

When we turn to the fund-specific picture, results are less clear. First, we should be mindful of the limitations of our analysis. This is a relatively small sample of funds with some geographic subcategories, for example, Europe-domiciled Catholic global equity just making up 10-12 funds throughout the sample. Second, the period is relatively short, with many of these products having five years or less of track record, and over a period where we have seen narrow market leadership and pronounced stylistic biases.

To compare performance, we look at the categories with the most reasonable sample size, once aggregated by their investment area (for instance, we group together US-based global equity funds with those based in Europe and the Middle East). Accordingly, we looked at categories with more than 20 currently active products where there is a directly mapped peer group. This narrowed the scope to just global equities, Malaysia large-cap equities, and US large-cap blend. We then map to the appropriate benchmark and compare the distribution of rolling 36-month excess returns versus the index to allow for cross-regional comparison, including obsolete funds, to mitigate survivorship bias. Since we are looking at benchmark-relative returns, we only include actively managed funds and split them into tagged religious funds and nonreligious cohorts.

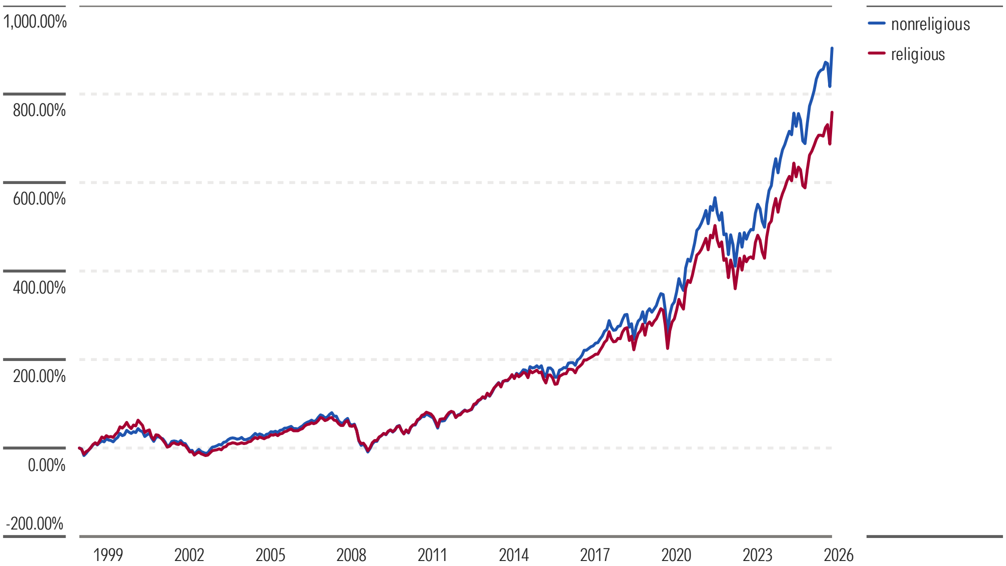
We observe that, on average, faith-based products underperformed their nonfaith-based counterparts, by an average annualized excess return of negative 1%. However, when you look deeper into the time series and split by category, this relationship is not exactly stable. For instance, in the EAA global large-cap blend category from 2009 to 2016, the religious cohort outperformed the nonreligious peer group in five of the eight years, of which two years were statistically significant (p-values < 0.01). And looking specifically at Islamic funds in global equity categories, they outperformed nonreligious funds in six of the eight years from 2009 to 2016, four of which were statistically significant.

Meanwhile, US large-cap blend had the starkest picture, where every year from 2012 to 2026 has shown statistically significant underperformance of the nonreligious peers. Notably, Shariah funds were able to outperform their nonreligious counterparts in US large-cap blend; however, sector and factor exposures likely bear a considerable influence on performance. In particular, the structural technology overweight proved a strong contributor here.

Exhibit 23 Religious Versus Nonreligious Funds in Global Large-Cap Blend Equity

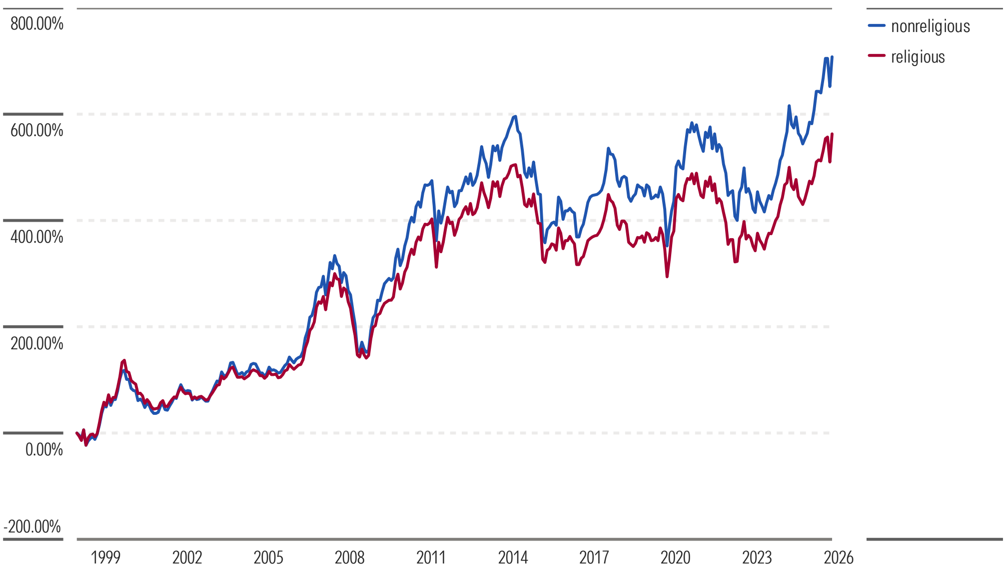
Source: Morningstar Direct. Data as of April 30, 2026.

Exhibit 24 Religious Versus Nonreligious Funds in US Large-Cap Blend Equity



Source: Morningstar Direct. Data as of April 30, 2026.

Exhibit 25 Religious Versus Nonreligious Funds in Malaysia Large-Cap Blend Equity



Source: Morningstar Direct. Data as of April 30, 2026.

Conclusion

For investors, the central takeaway is that faith-based investing is not a single, standardized category, and a manager or index label should not be taken as a proxy for a specific set of beliefs. Before allocating, investors should examine the screening methodology and thresholds and understand the resulting sector and regional tilts, since these are the primary drivers of return divergence. Meanwhile, fees should be scrutinized relative to conventional alternatives, particularly for passive products; and weigh the still-limited track records and sample sizes of many strategies before drawing firm conclusions on performance or resilience. In a market this heterogeneous, the burden falls on the investor to verify a strategy genuinely reflects their own beliefs, rather than assuming that a shared label guarantees alignment.

Meanwhile, the universe still needs building out, and particularly for the Christian and Catholic segment. While there is probably enough diversification to build a suitable retirement portfolio, the universe leans heavily toward equity strategies, but this diversification has largely broad-based generalist strategies, that is, global equities, as opposed to more specific geographic and specialized allocations. There are a lot of gaps; for instance, as of May 2026, there was just one Christian or Catholic passive fixed-income product in Europe. Meanwhile, the product set in alternatives is basically nonexistent.

Morningstar continues to try and assist investors in the space. We launched Shariah categories starting in 2011, and introduced tags for Christian, Catholic, and Other religions in 2026, both in the US and Europe. Morningstar Manager Research actively covers 20 such strategies globally with 230 strategies eligible for Medalist ratings, representing USD 110 billion of AUM as of March 2026. Morningstar manages indexes that USD 2.3 billion of passive AUM tracks and released their European and US Catholic Values Indexes in partnership with the Institute for the Works of Religion.

Appendix 1: Faith-Based Tags

In 2026, we launched faith-based tags at the strategy level for funds in the US and Europe. Our taxonomy covers the most popular types of strategy as outlined in this paper, with tags for Catholic, Christian (nondenominational), Sharia, Jewish, and Other. We also have a Shariah-compliant data point available in the product.

Data Point: Faith-Based Strategy

Appendix 2: List of All Faith-Based Morningstar Categories

EAA Islamic Equity—Other
EAA Islamic Global Equity
EAA Islamic Allocation—Other
EAA Islamic Global Sukuk
Malaysia Equity—Malaysia Large-Cap (Shariah)
Malaysia Equity—Malaysia Mid/Small-Cap (Shariah)
Malaysia Equity—Asia-Pacific ex-Japan (Shariah)
Malaysia Blended—Global Balanced (Shariah)
Malaysia Blended—Malaysia Balanced (Shariah)
Malaysia Bonds—Malaysia (Shariah)
Malaysia Money Market—Malaysia (Shariah)
Middle East Bond and Sukuk
Middle East GCC Islamic Equity
Middle East Global Islamic Allocation
Middle East Global Islamic Equity
Middle East Kuwait Islamic Equity
Middle East Saudi Islamic Equity

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