

# Catholic Investing in an AI Economy: Parallels with *Magnifica Humanitas*

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## SUMMARY

- Artificial intelligence (AI) is reshaping capital investment, corporate balance sheets, energy and water demand, labor, and supply chains, while raising questions around governance, privacy, human rights, and the distribution of economic benefits.
- Pope Leo XIV's 2026 encyclical *Magnifica Humanitas* builds on themes addressed in the Vatican's 2025 *Antiqua et Nova*, offering a timely framework for Catholic investors considering AI.
- Breckinridge's Catholic Values customization<sup>1</sup> is designed to align with USCCB's Socially Responsible Investment Guidelines, while our fundamental security analysis and engagement address themes explored in *Magnifica Humanitas*.
- For Catholic investors, these parallels can help frame questions around AI-related investments.



1. Breckinridge's Catholic Customization excludes corporate issuers flagged by MSCI's Catholic Values Screening Methodology based on the United States Conference of Catholic Bishops (USCCB) Socially Responsible Investment Guidelines. It also excludes certain municipal issuers associated with hospitals or research institutes. The USCCB publishes Socially Responsible Guidelines to help guide Catholic investors as they attempt to fulfill their "religious mandate and fiscal responsibilities."



## A New Catholic Lens on an AI Economy

As AI expands across economic activity and daily life, the capital supporting its expansion is increasingly significant for investors. Technology companies are spending heavily on data centers and computing infrastructure. Utilities are investing to meet rising electricity demand. Communities are confronting increased water and power demands. Companies are considering how AI may reshape workforces, supply chains, and business models.

For investors guided by Catholic values, these developments present questions that extend beyond whether AI creates attractive investment opportunities. They may also prompt consideration of how technological advancement affects human dignity, workers, communities, natural resources, and the common good.

Those questions became particularly timely in May 2026, when Pope Leo XIV issued his first encyclical, *Magnifica Humanitas: On Safeguarding the Human Person in the Time of Artificial Intelligence*. The encyclical builds upon longstanding Catholic social teaching and the Vatican's 2025 *Antiqua et Nova*, while placing AI within a broader discussion of human dignity, work, economic power, justice, peace, and care for our common home.

This article explores parallels between the AI-related themes addressed in *Magnifica Humanitas*, *Antiqua et Nova* and Breckinridge's security analysis process, including issuer engagement and the assessment of material sustainability risk factors.

It also considers the Breckinridge Catholic Values customization, which seeks to manage portfolios to align with the USCCB's Socially Responsible Investment Guidelines and Catholic teachings around the themes of avoid doing harm, and promote the common good.

*Magnifica Humanitas* calls for discernment of AI-related issues, grounded in principles including: the dignity of the human person; the universal destination of goods; the preferential option for the poor; care for our common home; and peace.<sup>2</sup> For Catholic investors, these principles can provide a useful lens through which to consider some of the economic, social, and environmental consequences of AI alongside traditional investment analysis.<sup>3</sup>

*Magnifica Humanitas* is not an investment screen, and Breckinridge does not present it as one. Rather, several issues examined in the encyclical have meaningful parallels with questions that are already arising in Breckinridge's fundamental investment research, issuer engagement, and portfolio construction, particularly as investors consider the implications of AI.

## Human Dignity, Work & Human Rights

AI can improve productivity, create new capabilities, and potentially enhance economic growth. At the same time, its implementation can affect employment, worker autonomy, privacy, discrimination, and economic inequality. These issues can also create financially material risks for companies.

2. Pope Leo XIV, *Magnifica Humanitas: On Safeguarding the Human Person in the Time of Artificial Intelligence*, encyclical letter, May 15, 2026, no. 14, <https://www.vatican.va/content/leo-xiv/en/encyclicals/documents/20260515-magnifica-humanitas.html>.

3. In addition to *Magnifica Humanitas* and *Antiqua et Nova*, investors may find it helpful to review the [resources](#) developed by the United States Conference of Catholic Bishops (USCCB) that address AI.



Breckinridge research explores how human-rights considerations—including labor practices, supply-chain oversight, transparency, and accountability—can affect business performance and investment risk. Effective policies and practices may help companies manage operational, legal, and reputational risks, while strengthening oversight. Our recent human rights-related engagements are discussed in greater detail [here](#).

As AI becomes increasingly embedded within corporate operations, investors may therefore consider questions such as:

- How is AI affecting workers and employment practices?
- Are companies identifying and mitigating potential algorithmic bias?
- How are privacy and security protections incorporated into AI systems?
- What standards apply to suppliers and other AI-related supply chain participants?
- Are companies transparent about data sourcing and human-rights implications of the technology?

These considerations echo a central theme of *Magnifica Humanitas*: technological advancement should remain at the service of the human person rather than diminish human dignity.

## Stewardship of Resources & Our Common Home

AI may appear intangible, but its infrastructure is decidedly physical.

Data centers require significant amounts of electricity, water, land, computing equipment, and supporting infrastructure. Their rapid expansion may create new investment requirements across technology, electric utilities, water systems, and municipalities.<sup>4</sup>

Recent Breckinridge research has examined several dimensions of this transformation:



### *The Price of AI: How Capex Is Rewriting Tech Balance Sheets*

explores the extraordinary capital requirements associated with AI infrastructure and resulting shifts in technology-sector balance sheets, as hyperscalers increasingly turn to debt markets to finance data centers, computing capacity, and power needs.



*Quantifying Power Demand from Artificial Intelligence* follows AI investment into the electric grid, where data centers could account for more than half of projected U.S. electricity-demand growth, potentially contributing to higher utility capital spending and affordability concerns.



*The Water Footprint of AI: Implications for Investors* examines how data-center growth can strain local water supplies and infrastructure, particularly in water-stressed regions, and potentially affect household affordability.

These are investment questions, but they also have clear parallels with the Catholic principle of care for our common home. Investors may need to assess infrastructure demands, prudent resource management, and associated costs.

4. Pope Leo XIV, *Magnifica Humanitas: On Safeguarding the Human Person in the Time of Artificial Intelligence*, encyclical letter, May 15, 2026, no. 101, <https://www.vatican.va/content/leo-xiv/en/encyclicals/documents/20260515-magnifica-humanitas.html>.



As AI infrastructure expands, sustainable bonds with dedicated use-of-proceeds may offer investors greater transparency into how capital is being directed. Depending on the project and each institution's guidelines, proceeds may support water infrastructure, energy efficiency, grid modernization, climate adaptation, or other investments addressing the resource demands associated with AI.

### **Governance, Accountability, & Responsible AI**

One of the clearest areas of intersection between Catholic concerns about AI and fundamental investment analysis is governance. As companies deploy AI systems, investors may want to understand who is accountable for their development, deployment, and oversight.

Breckinridge's engagement has begun to explore questions such as:

- Does the company have a Chief AI Officer or similarly designated senior executive responsible for AI?
- How does the Board of Directors oversee AI policy, and what relevant expertise exists at the board level?
- Are AI technologies, systems, and policies subject to independent audit or review?
- What measures are in place to identify and mitigate bias?

Questions like these are not intended to determine whether AI is inherently "good" or "bad." Rather, they can help investors assess whether management teams are identifying and governing risks that may become increasingly material as AI adoption expands.

### **Issuer Engagement: From Principles to Practice**

Breckinridge engages directly with companies, municipalities and other bond issuers as part of its investment research process. These conversations can help our analysts better understand material credit and sustainability risks, assess management practices and encourage improved disclosure where appropriate.

During 2025, Breckinridge analysts engaged with issuers across four sectors particularly affected by AI expansion—Technology, Electric Utilities, Water Utilities and Cities.

Discussions included:

- Financing significant infrastructure investment;
- Managing rising electricity and water demand;
- Addressing resource constraints and customer affordability;
- Strengthening fiscal and operational resilience;
- Technology and cybersecurity risks; and
- Governance surrounding rapidly evolving technologies.

An example of an engagement underway in 2026 is our outreach to technology hardware companies about their circularity strategies. We are examining the companies' efforts in the areas of product longevity, modular design, product takeback and reuse, supplier standards, and auditing practices related to labor and human-rights risks.<sup>5</sup>

Breckinridge's issuer engagements can be particularly relevant to Catholic investors because they provide a means to complement exclusionary screens to explore how issuers are responding to evolving risks and responsibilities, including those associated with AI.

5. Product takeback is a corporate policy where a company takes responsibility for collecting its used, broken, or unwanted goods from consumers or businesses.



## Avoid Doing Harm, Actively Work for Change, Promote the Common Good

Breckinridge's Catholic Values investment customization aligns with USCCB's Socially Responsible Investment Guidelines, with particular focus on avoiding harm, working for change, and promoting the common good. AI-related investment considerations can be viewed through each of these lenses.

**Avoid Doing Harm:** In addition to more traditional USCCB-aligned issuer screening and client-directed restrictions, investors may consider whether issuers are adequately identifying and managing risks related to human dignity, labor practices, privacy, discrimination, human rights, resource consumption, and other material concerns associated with AI.

**Actively Work for Change:** The USCCB Guidelines encourage investors to help shape corporate policies through dialogue with management and collaboration with religious and other groups that promote corporate responsibility. In addition to our engagement program, Breckinridge's membership in the Interfaith Center on Corporate Responsibility (ICCR) also connects the firm with a network focused on corporate responsibility. Following the publication of *Magnifica Humanitas*, ICCR highlighted the role of investors in encouraging companies to establish governance guardrails and frameworks intended to mitigate AI-related risks to people and the planet.

**Promote the Common Good:** Investors may also evaluate whether capital is supporting infrastructure, technologies, and business models capable of producing durable economic and social benefits, while appropriately considering their effects on workers, communities, and natural resources.

These three frameworks highlight that investment analysis can consider both financial outcomes and how those outcomes are generated.

## Looking Ahead

AI is likely to remain both a source of investment opportunity and an evolving set of financial, social, and environmental risks. *Magnifica Humanitas* does not prescribe security-level decisions; rather, it encourages discernment centered on human dignity, responsible stewardship, and the common good.

Breckinridge's Catholic Values customization provides clients with an additional values-based lens through which to view investing. For Catholic investors seeking to go further, Breckinridge offers robust customization capabilities and can work with clients to incorporate additional client-directed preferences and guidelines as appropriate.

For Catholic investors, combining values-based guidelines with fundamental research, issuer engagement, and thoughtful portfolio construction may provide a practical way to consider those principles alongside traditional investment objectives.



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When considering sustainability factors, Breckinridge's investment team will include those factors that they believe are material. However, the investment team may conclude that other attributes outweigh these considerations when making investment decisions. Breckinridge can change its sustainability analysis methodology at any time.

Breckinridge's sustainability analysis is based on third party data and Breckinridge analysts' internal analysis. Analysts will review a variety of sources such as corporate sustainability reports, data subscriptions, and research reports to obtain available metrics for internally developed frameworks. Qualitative information is obtained from company reports, engagement discussion with corporate management teams, among others.

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