The Rise of Sustainable Investing: Does Employment of ESG Talents Predict Mutual Funds Activities?

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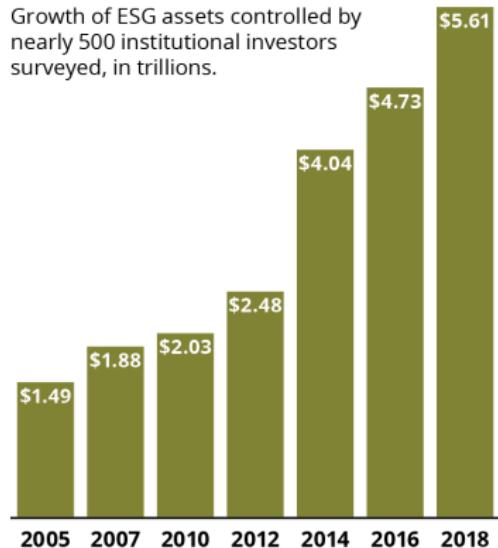
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Motivation

- ESG Investing Boom
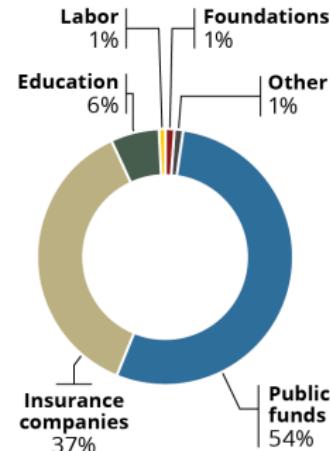
**Institutions embrace ESG investing**

Growth of ESG assets controlled by nearly 500 institutional investors surveyed, in trillions.

Institutional investment in ESG assets by investor type as of 2018.
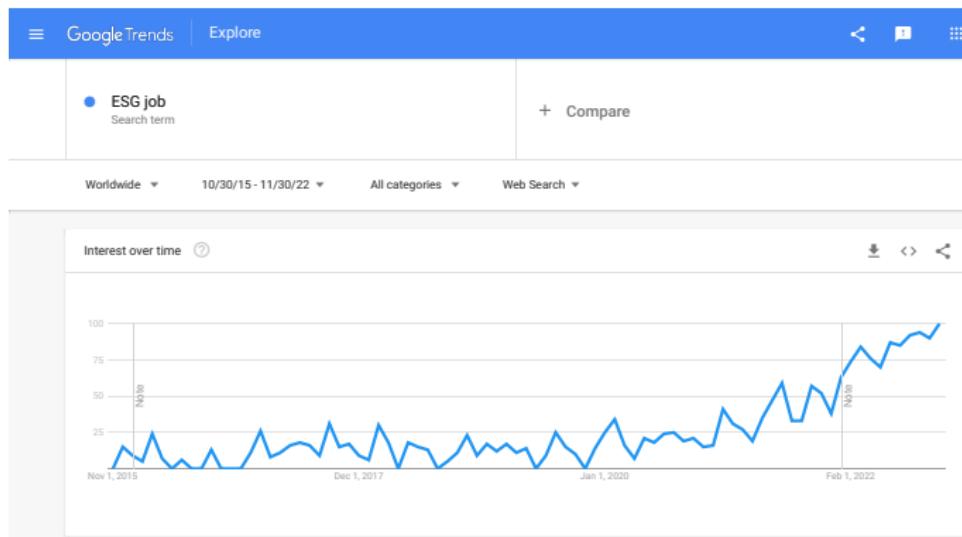
Source: US SIF Foundation

Motivation

- ESG-specialized Human Capital
- ESG Hiring Growing Trend

Research Questions

- Does hiring of ESG-specialized professionals predicts next quarter's mutual fund portfolio choices and ESG scores?

- Does recruitment of ESG specialists predict next quarter's fund outperformance on high ESG stocks?

- How do investors react to the hiring decisions of ESG-specialized professionals through fund flows?

Data

- Quarterly Portfolio Holdings
  - CRSP and Thomson Reuters
- LinkedIn Profiles
  - Education
  - Work Experience

Examples: Education

Education

University of Cambridge
Masters in Sustainable Leadership, Sustainability Studies
2015 - 2018

Grade: Distinction

The Master's develops leaders who have:
- awareness and understanding of the social, environmental, ethical and economic challenges and opportunities facing the world
- vision and ambition to drive business leadership to achieve systems change
- knowledge, experience and ability to evaluate a range of strategic levers for change
- leadership capacity and confidence to use these levers to effect transformation

It includes modules across the topics:
1. Sustainability Concepts, Trends & Pressures
2. Business Case for Action
3. Leadership for Sustainability
4. Employment & Operational Practices
5. Cooperation, Collaboration & Partnership
6. Sustainable Production & Consumption
7. Sustainable Design & Technology
8. Government Policy & Regulations
9. Sustainable Finance & Investment
10. Business Models, Strategy & Corporate Governance
11. International Governance
12. Communication, Advocacy & Education

The thesis covered the attitude-behaviour gap between pro-climate attitudes and financial behaviour.

Examples: Work Experiences

Fidelity Investments

Boston, Massachusetts, United States · Contact info

500+ connections

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About

Specialties: ESG, sustainable investing, responsible investing, factor investing, ESG integration, ESG/climate reporting, materiality, ESG attribution, portfolio analytics, behavioral finance, quantitative research, financial modeling, simulation, parametric/non-parametric analysis, backtesting, equities, fixed income, statistics, large data set, data science, data architecture, data quality, ESG rating agencies, ESG criteria, visualization   ...see more

Activity

526 followers

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Experience

Director, Investment Research & Development - Fidelity ESG Pro
Fidelity Investments · Full-time

Examples: Work Experiences

Unlabeled Textual Descriptions　　**LinkedIn Bert Language Model**　　**Binary Classification**

ESG-related

Others

Methods and Tests

- Funds' Portfolio Choice and ESG Score

$$
\begin{aligned}
ESG\_Score_{i,t+1} = {} & \beta_0 + \beta_1 ESG\_Talents_{i,t} + \beta_2 ESG\_Fund_{i,t} \\
& + \beta_3 ESG\_Score_{i,t} + Controls_{i,t} \\
& + FundFE + YearQtrFE + \epsilon_{i,t}
\end{aligned}
\tag{1}
$$

Methods and Tests

- Funds' Portfolio Choice and ESG Score
- Fund Performance on High ESG stocks

$$\begin{aligned}
\alpha_{i,t+1} - \alpha_{ESG,t+1} = \beta_0 &+ \beta_1 ESG\_Talents_{i,t} + \beta_2 ESG\_Fund_{i,t} \\
&+ \beta_3(\alpha_{i,t} - \alpha_{ESG,t}) + Controls_{i,t} \\
&+ FundFE + YearQtrFE + \epsilon_{i,t}.
\end{aligned} \tag{2}$$

Methods and Tests

- Funds' Portfolio Choice and ESG Score
- Fund Performance
- Fund Flows

$$Flows_{i,t+1} = \beta_0 + \beta_1 ESG\_Talents_{i,t} + \beta_2 ESG\_Fund_{i,t} + \beta_3 Flows_{i,t}$$
$$+ \beta_4 \alpha_{i,t} + Controls_{i,t} + FundFE + YearQtrFE + \epsilon_{i,t}.$$
$$(3)$$