

ESG Sentiment and ESG Performance of Green Funds

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Abstract

In this research, we investigate environmental, social, and governance (ESG) sentiment on the motivation of green funds (GFs) to uphold ESG objectives. Our analysis utilizes data from US mutual funds that specifically promote themselves as adhering to socially responsible investment (SRI) principles, commonly referred to as green funds. We discover that fund managers tend to enhance their ESG practices in the following year when investor interest in ESG issues increases. Furthermore, our findings reveal that greater performance leads to a decrease in the commitment of green funds to ESG principles in the subsequent year. These results underscore the influence of ESG sentiment on the motivations of green funds with regard to their pursuit of ESG objectives.

Keywords: ESG, Mutual funds, Performance