

## Accepted Manuscript

Do social factors influence investment behavior and performance? Evidence from mutual fund holdings

Arian Borgers, Jeroen Derwall, Kees Koedijk, Jenke ter Horst

PII: S0378-4266(15)00183-1

DOI: <http://dx.doi.org/10.1016/j.jbankfin.2015.07.001>

Reference: JBF 4764

To appear in: *Journal of Banking & Finance*

Received Date: 6 June 2014

Accepted Date: 6 July 2015



Please cite this article as: Borgers, A., Derwall, J., Koedijk, K., Horst, J.t., Do social factors influence investment behavior and performance? Evidence from mutual fund holdings, *Journal of Banking & Finance* (2015), doi: <http://dx.doi.org/10.1016/j.jbankfin.2015.07.001>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

**Do social factors influence investment behavior and performance?  
Evidence from mutual fund holdings**

Arian Borgers<sup>a</sup>, Jeroen Derwall<sup>a,b</sup>, Kees Koedijk<sup>b,c,d</sup>, Jenke ter Horst<sup>b,c</sup>

*This version: March 2015*

**Abstract:** When tastes affect investment decisions of a significant number of investors they have the potential to affect asset prices and consequently also expected returns (Fama and French, 2007). In this paper we evaluate whether tastes for socially sensitive stocks affect holdings of U.S. equity mutual funds. We start with a comparison of socially responsible investment funds to conventional funds and document on the existence of conventional funds that have “more socially responsible” holdings than SRI labeled funds. Subsequently, we analyze whether these exposures to socially sensitive stocks affect mutual fund performance. Our findings indicate that especially investments in Tobacco, Alcohol, and Gambling stocks have the potential to positively affect risk-adjusted fund returns, while exposures to the most socially responsible firms negatively affect performance. This potential is not fully exploited by the mutual funds in our sample as they hold diversified portfolios resulting in small exposure differences between funds. These small exposure differences also explain why the literature has generally found no performance differences between SRI labeled and conventional funds. Based on our main findings we advice the use of holdings based analyses when investigating the effects of social tastes on investment portfolios.

**Keywords:** Mutual funds, Tastes, Sin stocks, Controversial stocks, Socially responsible investing  
**JEL classification:** G11, G23, M14

Borgers, a.borgers@maastrichtuniversity.nl, +31433883949; Derwall, jderwall@uvt.nl and j.derwall@maastrichtuniversity.nl, +31433884875; Koedijk, c.koedijk@uvt.nl, +31134663048; and Ter Horst, j.r.terhorst@uvt.nl, +31134668211. a) Maastricht University, European Centre for Corporate Engagement, P.O. Box 616, 6200 MD Maastricht, The Netherlands. b) Tilburg University, School of Economics and Management, P.O. Box 90153, 5000 LE Tilburg, The Netherlands. c) Tias School for Business and Society, P.O. Box 90153, 5000 LE Tilburg, The Netherlands. d) Centre for Economic Policy Research, 77 Bastwick Street, London EC1V 3PZ, UK. Part of the work was done during A. Borgers' PhD dissertation completion at b) and c). The financial support of MISTRA is gratefully acknowledged. We thank Dirk Brounen, Peter de Goeij, Sebastien Pouget, Frans de Roon, Michael Viehs and participants of the ECCE-Stellenbosch conference on financial globalization and sustainable finance. All errors are our own.

Download English Version:

<https://daneshyari.com/en/article/5088366>

Download Persian Version:

<https://daneshyari.com/article/5088366>

[Daneshyari.com](https://daneshyari.com)