Master theses topics FSS 2023

Chair of Corporate Governance

Prof. Dr. Alexandra Niessen-Ruenzi, Chia-Yi Yen, Larissa Ginzinger, Clemens Mueller

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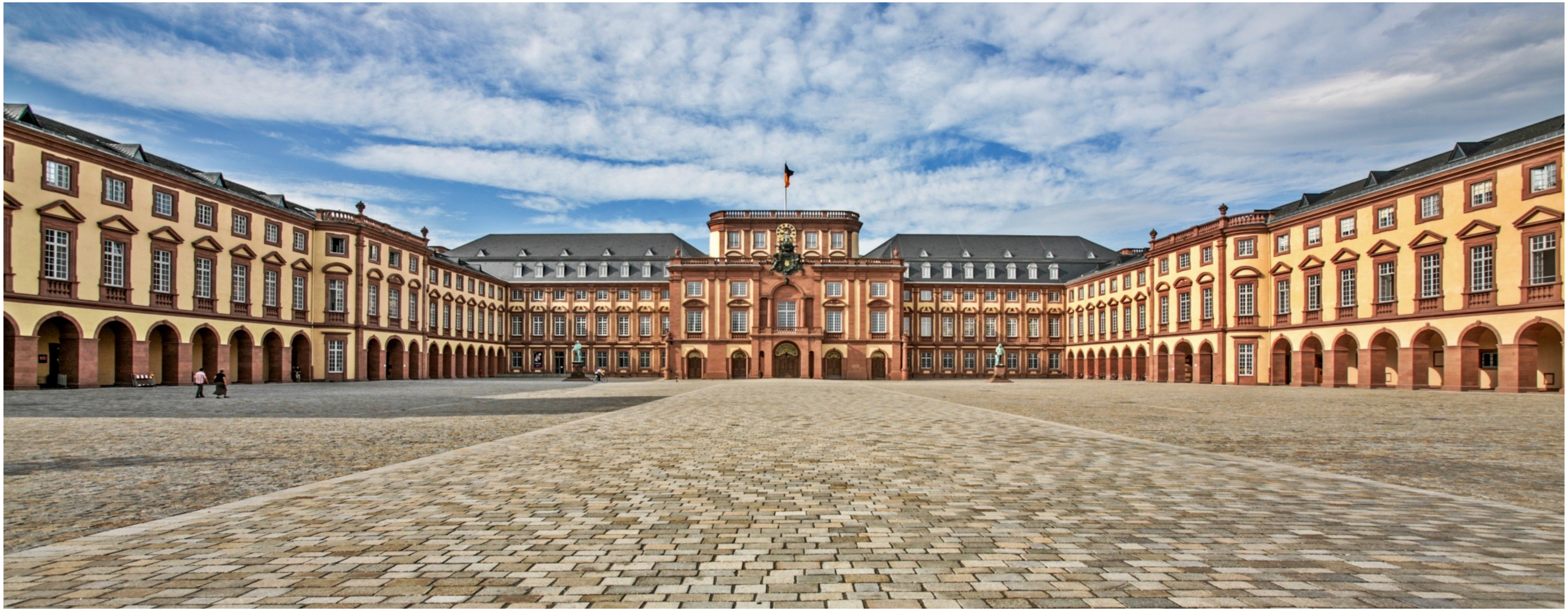

Organization

- All necessary information (including topic descriptions) can be found on our website
  - https://www.bwl.uni-mannheim.de/niessen-ruenzi/.
- Advisor:
  - Chia-Yi Yen, cyen@mail.uni-mannheim.de
  - Larissa Ginzinger, larissa.ginzinger@uni-mannheim.de
  - Clemens Mueller, clemens.mueller@uni-mannheim.de

What are the prerequisites?

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- You are a master student.
- You must have successfully completed a seminar at one of the finance chairs.
- Some knowledge of statistics and econometrics is useful and participants should be motivated to undertake empirical work.
- You are available in the time period from March to July.

Time-line

Process Guide and Schedule

Date	Event	Additional Information
01.03.2023	Topics Announcement	Topics will be uploaded to the individual websites of the participating chairs.
02.03.2023	Topics Presentation via Zoom	Topics will be presented by the participating chairs. Schedule: ■ 13:30 – LS Ruenzi ■ 14:15 – LS Niessen-Ruenzi ■ 15:00 – LS Spalt ■ 15:45 – LS Maug ■ 16:30 – LS Theissen The Zoom-Link will be provided here.
03.03.2023 – 16.03.2023	Online Application	Students should submit an online application form indicating their preferences. The link for the Ilias group will be provided here.
21.03.2023	Topics Allocation Announcement	The allocation of topics will be published here.
21.03.2023 – 28.03.2023	Registration Period	Ask your advisor to register your thesis at the student services office within this period.
28.03.2023	Starting Date	Formal starting date of the writing phase.
28.07.2023	Submission Deadline	Last day to hand in your thesis.

- Please pay attention to the deadlines!
  - Website of Finance area: https://www.bwl.uni-mannheim.de/en/finance/teaching/master/masters-theses/

How to apply?

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- Submit your priority list online.
- You can combine topics from different chairs, e.g.:
  - First preference: “3rd Topic, Chair of Prof. Niessen-Ruenzi”;
  - Second preference: “10th Topic, Chair of Prof. Weber”;
  - Third preference: “4th Topic, Chair of Prof. Theissen”
- Please only choose topics you are really willing to work on.
- The allocation of topics is based on the grade in one of the seminars of the Finance Area and your priority list from the master thesis application form.

Colloquia

- There will be two block seminars held <u>at campus</u>
  - <u>May 8th, 2023</u>
  - <u>June 19th, 2023</u>
- Participation in the block seminars is mandatory for all students.
- The block seminars provide a platform to discuss the structure of your thesis, present (first) empirical results, raise questions, and to further stimulate your research.
- The colloquia are not graded.

How do we grade?

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- Supervision of the thesis by Prof. Niessen-Ruenzi and the assigned advisor.
- 100% paper
- The colloquia are not graded.
- Plagiarism: no excuse policy

How should your thesis look like?

- ~50 pages (without appendix)
- Language: English
- Detailed formal requirements: see the guidelines provided on our website

TOPIC NR1: How does taxation affect delegated portfolio management?

- Advisor: Chia-Yi Yen
- Background:
  - Taxation is the biggest cost for mutual fund investors.
    - Sialm and Starks (2012), the average tax burden of a mutual fund is as large as 1% of the fund's value, similar in magnitude as the fund expense ratio.
  - Tax-aware investors should pay attention to how their fund managers react to an increase in taxation. A higher tax
    - Sialm and Zhang (2020): may facilitate tax-efficient portfolio management
    - Agarwal et al. (2021): may trigger agency problems., e.g., distorting work incentive of managers
- Goals:
  - literature review: how taxation affects delegated portfolio management
  - Empirical replication: Agarwal et al. (2021) in the mutual fund context.
    - Do mutual fund managers and investors react to tax changes and if so, do they respond differently?
    - For instance, from the perspective of mutual fund managers, do they manage portfolios in a more tax-efficient manner, or do they exert fewer effort because of a lower after-tax income?
    - In addition, from the perspective of mutual fund investors, do they really care about tax efficiency and reveal their preferences with respect to fund flows? If not, why don't they care about taxes?
- Introductory Literature:

  - Agarwal, V., Chen, G., Shi, Z., & Wang, B. (2021). Income taxes and managerial incentives: Evidence from hedge funds. SSRN Electronic Journal.
  - Sialm, C., & Starks, L. (2012). Mutual fund tax clienteles. The Journal of Finance, 67(4), 1397-1422.
  - Sialm, C., & Zhang, H. (2020). Tax-Efficient Asset Management: Evidence from Equity Mutual Funds. The Journal of Finance, 75(2), 735–777.

TOPIC NR2: Do fund managers value ESG? A revealed preference approach

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- Advisor: Chia-Yi Yen
- Background:
  - Environmental, social, and governance (ESG) integration has gained increasing popularity
    - more than two-thirds of asset owners have now incorporated ESG elements in their investment processes (Index Industry Association, 2022).
  - Why?
    - [1] On the one hand, fund managers may tilt their portfolios towards more ESG stocks in order to <u>improve long-term performance, taking into account the ESG risks.</u>
    - [2] On the other hand, fund managers may simply use the buzzword "ESG investment" in order to <u>attract more fund flows, at the expense of an under-diversified and inferior portfolio.</u>
  - Orlove et al. (2022): using Revealed preference
    - Assumption: those managers with "skin-in-the-game" tend to make decisions based on their own preferences
    - Do"skin-in-the-game" managers tend to tilt their portfolio towards ESG stocks? No!
- Goals:
  - literature review: whether and why fund managers value ESG investment.
  - empirical replication: Orlov et al. (2022)
    - the impact of ESG integration on fund performance, fund risk-taking, and fund flows.
- Introductory Literature:
  - Orlov, V., Ramelli, S., & Wagner, A. F. (2022). Revealed Beliefs about Responsible Investing: Evidence from Mutual Fund Managers. *Swiss Finance Institute Research Paper*, (22-98).

TOPIC NR3: Carbon transition risk and asset prices: Is there are carbon premium?

Advisor: Larissa Ginzinger

- Background:
  - Many studies attempt to explain cross-sectional pattern of stock returns based on exposure to aggregate risk factors or firm-specific risk linked to observable firm characteristics.
  - Evidence of rising temperatures and renewed policy efforts to curb carbon emissions raise the question of whether carbon emissions now pose a material transition risk to investors.

    → **Is carbon transition risk priced in financial assets?**
- Goals:
  - Replication: replicate the main findings of **Bolton and Kacperczyk (2021)**
    - Do (changes in) different types of carbon emissions affect stock returns?
    - Do investors avoid companies with high carbon emissions?
  - Extension:
    - Extending the sample period to more recent years
    - Employing the text analysis-based measure by Sautner et al. (2023) as an alternative to measure climate change exposure at the firm level
- Introductory Literature:

  - Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk?. Journal of Financial Economics, 142(2), 517-549.
  - Giglio, S., Kelly, B., & Stroebel, J. (2021). Climate finance. Annual Review of Financial Economics, 13, 15-36.
  - Sautner, Z., van Lent, L., Vilkov, G., & Zhang, R. (2023). Firm-level climate change exposure. Journal of Finance, forthcoming.

TOPIC NR4: Corporate green bonds and firms' environmental profiles

Advisor: Larissa Ginzinger

- Background:
  - Green bonds are bonds whose proceeds are used to finance environmental and climate-friendly projects such as renewable energy, green buildings or resource conservation.
  - Corporate issuance of green bonds has increased tremendously over the past five years (“green bond boom”).

  → **Do green bonds signal a credible commitment by firms to improve their environmental profile?**
- Goals:
  - Replication: replicate the main findings of **Flammer (2021)**
    - How do investors react to the issuance of green bonds?
    - Do green bond issuers improve their environmental performance after issuance?
  - Extension:
    - Extending the sample period to more recent years
    - Accounting for climate regulatory risk, e.g., by using the Paris Agreement as a shock to expected climate risk regulation along the lines of Seltzer et al. (2022).
- Introductory Literature:

  - Flammer, C. (2021). Corporate green bonds. Journal of Financial Economics, 142(2), 499-516.
  - Sautner, Z., van Lent, L., Vilkov, G., & Zhang, R. (2023). Firm-level climate change exposure. Journal of Finance, forthcoming.
  - Seltzer, L. H., Starks, L., & Zhu, Q. (2022). Climate regulatory risk and corporate bonds. NBER Working Paper.

TOPIC NR5: The effect of stock ownership incentives on employee performance

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- Advisor: Clemens Mueller
- Background:
  - Stock ownership programs: Incentivize employees to invest (stock) in their employer
  - Previous research has highlighted positive effects to firm productivity, lower turnover

- Goals:
  - Review staggered (national) regulatory changes to stock ownership programs in Europe
  - Test whether inventors perform better when a country increases incentives to participate in such programs: Are inventors more productive (in terms of patenting outcomes?
  - The European Commission provides the starting point for this thesis, assistance with patenting data will be provided in regular meetings with the supervisor.

- Introductory Literature:
  - Kim, E.H.; Ouimet, P. (2014). Broad-Based Employee Stock Ownership: Motives and Outcomes, The Journal of Finance, Volume 69, Issue 3, Pages 1273-1319
  - Aldatmaz, S.; Ouimet, P.; Van Wesep E. (2018). The option to quit: The effect of employee stock options on turnover, Journal of Financial Economics, Volume 127, Issue 1, Pages 136-151

TOPIC NR6: Do portfolio returns of judges affect criminal case outcomes?

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- Advisor: Clemens Mueller
- Background:
  - The literature has extensively looked at biased decision making of criminal judges.
  - Recently data is available on portfolio holdings of judges in the U.S.

- Goals:
  - Assemble a dataset of portfolio holdings of judges in the U.S. Are judges diversified investors? (Data is messy, but this challenging task will be rewarded)
  - Test whether financial performance affects criminal decision making

- Introductory Literature:
  - Knill, A.M.; Kindelsperger, J.; Ovtchinnikov, A.V. (2022). Stock Ownership of Federal Judges and its Impact on Firms. HEC Paris Research Paper No FIN-2021-1443
  - Cohen, A.; Yang C.S. (2019). Judicial Politics and Sentencing Decisions. American Economic Journal: Economic Policy, 11 (1): 160-91

- Thank you for the attention.
- Any question?