Master theses topics HWS 2021

Chair of Corporate Governance
Prof. Dr. Alexandra Niessen-Ruenzi, Chia-Yi Yen, Larissa Ginzinger

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@gess.uni-mannheim.de

What are the prerequisites?

- 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 September to January.

Time-line

Date	Event	Additional Information
06.09.2021	Topics Announcement	Topics will be uploaded to the individual websites of the participating chairs.
08.09.2021	Topics Presentation via Zoom	Topics will be presented by the participating chairs (13.30 – 18.00). Schedule: tba The Zoom-Link will be provided here.
09.09.2021 – 17.09.2021	Online Application	Students should submit an online application form indicating their preferences. The link for the Ilias group will be provided here.
22.09.2021	Topics Allocation Announcement	The allocation of topics will be published here.
22.09.2021 – 27.09.2021	Registration Period	Ask your advisor to register your thesis at the student services office within this period.
27.09.2021	Starting Date	Formal starting date of the writing phase.
27.01.2022	Submission Deadline	Last day to hand in your thesis.

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

Colloquia

- There will be two block seminars
  - November 8th, 2021
  - January 13th, 2022
- 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.
- Participation in the block seminars is mandatory for all students.

How to apply?

- 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.

How do we grade?

- 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: Mutual fund managerial ownership and capital gains taxes

- Advisor: Chia-Yi Yen
- Background:
  - when taking into account personal-level capital gains tax, fund manager's decision may be affected
    - For example: risk-taking due to "locked-in" effect, as in Yost (2017):
      - CEOs are reluctant to realize capital gain to avoid paying tax →
      - CEOs over-expose to firm-specific risk.
      - As a result, they will reduce firms' risk and hence limit their personal risk.
  - To align incentives of fund managers and fund investors: Managerial ownership
    - Ma and Tang (2018): ownership of fund manager → less agency-induced risk-taking in holdings
  - Is it good or bad for fund investors?
    - Better align with fund investors' tax preference?
    - lock-in effect?
- Goals:
  - Conduct a literature review on the tax distortion effect and consequence on fund managers' decisions
  - Examine how unrealized tax burdens on fund managers influence fund-level activities, such as riskiness, performance, turnover, and flows.
  - Manually collect fund managerial ownership data from SEC EDGAR

TOPIC NR2: Firms’ Environmental Profiles and Financing Conditions

Advisor: Larissa Ginzinger

- Background:
  - Environmental reputation is becoming increasingly important for companies because more and more institutional investors consider environmental criteria when making investment decisions.
  - Prominent example: BlackRock
  - Such changes in investor preferences can have a huge impact on firms’ expected returns and if more and more investors prefer to hold sustainable firms, then one can expect to see a decrease in the cost of equity for such firms compared to other firms in the economy.
  - Chava (2014) provides evidence that firms with higher MSCI environmental performance scores are associated with lower cost of equity and debt.
  - There is recent evidence of a lack of standardization of ESG scores across different data providers.
- Goals:
  - Replication: broadly replicate the findings of Chava (2014) and include more recent data in the analysis. How are MSCI environmental performance scores and financing conditions related?
  - Extensions:
    - Are the results robust to using E-scores from Refinitiv Asset4 instead of MSCI data?
    - Does the relation found for E-Scores also hold for S-Scores and/or firms’ carbon emissions?
- Introductory Literature:

  - Chava, S. (2014). Environmental externalities and cost of capital. Management Science, 60(9), 2223-2247.
  - Berg, F., Koelbel, J. F., & Rigobon, R. (2019). Aggregate confusion: The divergence of ESG ratings. Working Paper available at SSRN.

TOPIC NR3: Climatic Disaster Risk and Mutual Fund Investments

Advisor: Larissa Ginzinger

- Background:
  - Usually, a company's risk exposure to climate change is associated with its greenhouse gas emissions because of, e.g., regulatory or technological risks.
  - Another dimension of climate change risk is physical risk, which captures the vulnerability of corporations' production processes to disastrous events amplified by climate change.
  - Alok et al. (2020) examine how professional money managers react to large climatic disasters.
  - They find that fund managers located near a disaster region underweight disaster zone stocks to a much greater degree than distant managers.
- Goals:
  - Replication: Analyze the portfolio responses of fund managers to natural disasters w.r.t. disaster zone stocks.
  - Extension: How does portfolio-level ESG performance of funds in disaster regions change relative to benchmark funds not affected by a natural disaster?
- Introductory Literature:
  - Alok, S., Kumar, N., & Wermers, R. (2020). Do fund managers misestimate climatic disaster risk. The Review of Financial Studies, 33(3), 1146-1183.
  - Giglio, S., Kelly, B., & Stroebel, J. (2021). Climate finance. National Bureau of Economic Research.

TOPIC NR4: The Impact of Social Norms and Preferences on Financial Markets

Advisor: Larissa Ginzinger

- Background:
  - Increased pressure from policymakers, the public, and investors causes firms to also incorporate environmental, social, and corporate governance (ESG) related outcomes into their decision-making.
  - This shift in corporate decision making induced by social norms and preferences might translate into financial market effects.
  - Hong and Kacperczyk (2009) show that sin stocks, i.e., stocks from alcohol, tobacco, and gaming industries, display significantly lower institutional ownership than comparable non-sin stocks.
  - At the same time, these sin stocks seem to have earned larger excess returns.
- Goals:
  - Replication: Broadly replicate the findings of Hong and Kacperczyk (2009). Do institutional investors shy away from sin stocks? Are there return differences between sin stocks and otherwise comparable non-sin stocks?
  - Extensions: Extend the analysis of Hong and Kacperczyk (2009) with respect to the (i) environmental performance and (ii) social performance of firms.
- Introductory Literature:
  - Hong, H., & Kacperczyk, M. (2009). The price of sin: The effects of social norms on markets. Journal of financial economics, 93(1), 15-36.
  - Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk? Journal of Financial Economics.

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- Thank you for your attention.
- Any questions?