Seminar: Socially Responsible Investments

Winter 2016/17

Seminar within the specializations "Financial Markets" and "Financial Intermediation"

Market economies are based on the notion of creating value by the decentralized and considerate actions of individuals. Nevertheless, there is a wide-spread feeling that the aggregate outcomes of markets are mechanical, impersonal and even myopic drivers of value. Impersonal markets are readily made responsible for crises, not necessarily the (many) individuals behind the underling strategies. Often in periods of crises markets are made accountable for implementing irresponsible strategies. Do markets lure individuals into irresponsible behavior? How can unintended outcomes result from otherwise responsible investments? Can monitoring and certification by third parties improve market outcomes? These are the underlying issues that the seminar wants to address by discussing investment behavior in global securities markets.

Cooperation:

This seminar is organized in cooperation with Mag. Markus Stadlmann, MBA (U. Chicago, 1999) of Lloyds Banking Group, London.

Requirements:

This is an advanced master-level seminar. It also serves as a potential basis for the preparation of a master thesis or other advanced work. Therefore, having passed successfully the course "Principles of Finance" is a pre-requirement. Prior knowledge of any specialization in “Market Microstructure” or “Financial Intermediation” strongly recommended. Knowledge of “Empirical Finance” or “Financial Econometrics” is helpful for presenting and testing empirical analyses.
Topics:

- **Markets, Agents and Morality**
  - Markets and individual responsibility
  - Uncertainty, information and trust
  - Altruism, externalities and cooperation
  - Conduct, client treatment and principal agent challenges
  - Are markets myopic?

- **What is SRI? Different notions of social responsibility**
  - Market trends and industry evolution
  - UN development goals
  - Sustainable investments
  - Ethical investments
  - Community investments
  - Alternative investments
  - Private equity

- **Do SRIs perform differently?**
  - Drivers of risk and return (value, liquidity, …)
  - Ratings and external monitoring
  - Investment horizon and trading frequency

- **Does CSR affect management decisions and investment behavior?**
  - Best customer treatment
  - Impact on company policies
  - The role of internal and external stakeholders
  - The role of large shareholders and ownership concentration
  - Shareholder activism

- **University Endowments and Sovereign Wealth Funds**
  - Investment policies
  - Investment performance
  - Role of liquidity
  - Impact on markets
Literature:

- Ang, A., A. Ayala, W. Goetzmann (2013): Investment Beliefs of Endowments, Yale WP.
- Dowell, G., S. Hart, B. Yeung (2001): Do Corporate Global Environmental Standards Create or Destroy Value?
Schedule

17.10.2016

10-12 Uhr

Thomas Gehrig and Markus Stadlmann: Introduction and allocation of topics

- Individual meetings during the course of the semester

23.1.2017

13-16.30 Uhr

Thomas Gehrig and Cooperation Partners: Final Presentation and Discussion (Skylounge, OMP 1, tbc)

Grading:

Grading is based on three elements:

1. The worked out seminar paper (40 points).
   Each candidate has to submit a single-authored paper not exceeding 12 pages.
   The seminar draft has to be submitted one week prior to the presentation in electronic form. This version is distributed to seminar participants in order to allow them preparation. After the presentation the paper can still be improved.

   Final submission for all papers is February 6, 2017. Thereafter no corrections are possibly anymore.

2. Presentation of the seminar paper (30 points)
   Presentations can be shared, but each candidate will be assessed on his/her own part.

3. Course participation (30 points)
   Active preparation and active participation are required, which requires regular participation. You will be asked questions even if you are not presenting in order to generate discussions. If you are repeatedly denying answers, this will affect your grade. Likewise repeatedly missing sessions will not help to increase your score. You will not be able to score more than 5 points per meeting.