

Renaming with purpose:
Investor response and fund manager behaviour after fund
ESG renaming

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3rd September 2024

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ESG demand prompts more than 250 European funds to change tack

Repurposing helped push European sustainable AUM to €1.1tn by the end of 2020

16 FEB, 2022

16 funds rebrand as sustainable, but how green are they?

Regulators are to take a tougher line on funds claiming sustainability credentials but, until then, investors will have to decide for themselves.

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One Fund, Three Names and Lots of Questions for 'ESG'

NEW:

From "impact" to "ESG" to "sustainable," a BlackRock fund rebrands and rebrands again —and millions flow in.



BlackRock headquarters in New York. Photographer: Jeenah Moon/Bloomberg

By [Silla Brush](#)

25 July 2022 at 11:00 CEST Updated on 25 July 2022 at 15:26 CEST

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ESMA launches a consultation on guidelines for the use of ESG or sustainability-related terms in funds' names

FUND MANAGEMENT

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18/11/2022

Guidelines on funds' names

Timeline

Last updated: 21 August 2024



125 responses
asset managers and their industry associations, NGOs and consumer representatives



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Press Release

SEC Proposes Rule Changes to Prevent Misleading or Deceptive Fund Names

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SEC Adopts Rule Enhancements to Prevent Misleading or Deceptive Investment Fund Names

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Conceptual background I

Investor behaviour:

- Many investors have preference for investments that are mindful of ESG issues (Bauer, Ruof, and Smeets, 2021; Heeb, Kölbel, Paetzold, and Zeisberger, 2023), and funds that cater to them might benefit from positive or more stable money flows (Bollen, 2007; Ceccarelli, Ramelli, and Wagner, 2024; Hartzmark and Sussman, 2019).
 - However, investors may be unable to distinguish between superficial and non-superficial fund name changes (Cooper, Gulen, and Rau, 2005; Espenlaub, UI Haq, and Khurshed, 2017).
- Studying flows helps to understand whether investors are responsive to (superficial) ESG name changes.

Conceptual background II

Fund manager behaviour:

- Information asymmetry between investors and fund managers:
 - Fund managers could be using renaming either as a signal
 - or only cosmetically to attract capital from investors sensitive to trendy names (Cooper et al., 2005; Espenlaub et al., 2017) and/or charge higher fees (Laudi, Smeets, and Weitzel, 2023).
 - Differences in ESG orientation across EU or US based fund managers (Amel-Zadeh and Serafeim, 2017; Gibson Brandon, Glossner, Krueger, Matos, and Steffen, 2022)
- Studying ESG performance and fees helps to determine fund manager motivations.

Contributions

- Earlier literature on the effects of name changes on mutual fund flows (Cooper et al., 2005; Espenlaub et al., 2017).
- Small body of evidence on the effects of ESG-related name changes undertaken by U.S. mutual funds (El Ghouli and Karoui, 2021), recently expanded to global sample in a contemporaneous paper (Cochardt, Heller, and Orlov, 2023).
- Broader literature on whether those claiming to apply ESG criteria "walk the talk" (Candelon, Hasse, and Lajaunie, 2021; Kaustia and Yu, 2021; Kim and Yoon, 2023).

Data I

- Time frame: July 2015 → March 2023. Name changes between July 2016 → October 2022.
- Sample: open-ended equity funds.
- MSCI ESG Fund Metrics module from FactSet provides the universe of international share classes: over 220,000.
- CRSP Mutual Funds, Factset, Eikon and Morningstar databases provide fund characteristics such as legal structure, domicile, and time varying variables such as returns, TNA and ESG score.

Data II

- Flows calculated using total net assets (TNA) and returns, as in [Sirri and Tufano \(1998\)](#).
- MSCI ESG score: range 0 - 10 and Morningstar portfolio corporate sustainability score: range 0 - 100. Both are developed by aggregating the firm-level ESG score or risk ratings of the fund's holdings.
- Different components of the MSCI ESG score: sustainable impact, and SRI exclusion factors, as well as carbon intensity.

Identifying name change funds

Fund name	Date	Share class names
Neuberger Berman...	2021-04	Neuberger Berman Systematic Gbl Eq EUR M...
Neuberger Berman...	2021-05	NB Systematic Gbl Sus Value EUR M Acc Hgd
Neuberger Berman....	2021-04	Neuberger Berman Systematic Global Eq USD A...
Neuberger Berman...	2021-05	NB Systematic Gbl Sus Value USD A Acc
Neuberger Berman....	2021-04	Neuberger Berman Systematic Global Eq USD Z..
Neuberger Berman...	2021-05	NB Systematic Gbl Sus Value USD Z Acc

► Keywords

Identifying name change funds

Fund name	Date	Share class names
Neuberger Berman...	2021-04	Neuberger Berman Systematic Gbl Eq EUR M...
Neuberger Berman...	2021-05	NB Systematic Gbl Sus Value EUR M Acc Hgd
Neuberger Berman....	2021-04	Neuberger Berman Systematic Global Eq USD A...
Neuberger Berman...	2021-05	NB Systematic Gbl Sus Value USD A Acc
Neuberger Berman....	2021-04	Neuberger Berman Systematic Global Eq USD Z..
Neuberger Berman...	2021-05	NB Systematic Gbl Sus Value USD Z Acc

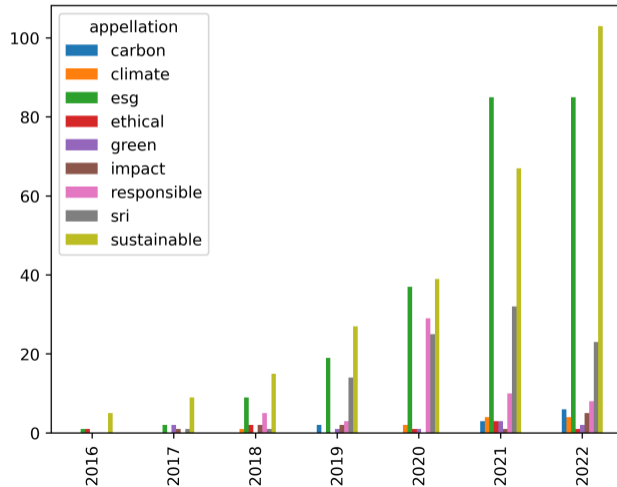
► Keywords

Fund name changes Jul 2016 - Oct 2022

Repurposed date	All mutual funds	Active	Passive
2016	9	8	1
2017	16	14	2
2018	39	35	4
2019	74	71	3
2020	143	132	11
2021	216	168	48
2022	243	201	42
Total	740	629	111

▶ Geographic distribution

Appellations used in name changes over time



Diff-in-diff specification

- $y_{i,t} = \alpha_i + \alpha_t + \beta \cdot \text{Repurposed}_{i,t} + \text{Controls}_{i,t} + \epsilon_{i,t}$
- Dependent variables: flows, ESG performance, fees.
- For each fund (share class) i , at month t , α_i are fund (share class) fixed effects and α_t time fixed effects.
- $\text{Repurposed}_{i,t}$ is a dummy variable which takes value of 1 after repurposing (i.e. post*treat).
- Controls: lagged TNA (size of fund), past performance, ex ante ESG score and fees. Clustering at fund level.
- **Callaway and Sant'Anna (2021)** estimator → allows for dynamic effects and heterogeneity across group time

Fund characteristics

	Renamed Funds				Control Funds		
	count	mean	median	std	mean	median	std
Monthly lagged flow %	715	0.3	-0.1	11.1	0.9	-0.3	12.6
Six month cum. flow %	700	4.7	-1.5	38.7	9.1	-2.8	80.0
MSCI ESG score	739	7.4	7.6	1.4	6.4	5.7	1.6
MS portfolio risk score	688	25.4	21.4	10.8	26.9	24.8	12.6
MSCI impact	597	7.2	6.0	5.8	6.6	5.1	5.3
MSCI SRI exclusion factors	739	5.4	4.4	5.0	5.5	5.6	6.1
MSCI carbon intensity	739	139.0	113.6	111.8	193.1	139.6	375.3
Turnover %	139	65.0	47.1	64.8	68.1	44.0	91.6
Expense ratio %	708	1.2	1.2	0.8	1.4	1.4	2.2
Six month cum. return %	712	2.1	3.2	15.5	2.5	6.0	13.7
TNA (\$ mil)	731	181.2	53.4	429.8	220.1	34.8	556.1
Age (months)	740	163.1	137.0	127.6	140.0	104.0	115.7

Fund characteristics: Six months pre- and post-renaming

	Pre			Post			Diff in means
	count	mean	median	count	mean	median	Tstatistic
Monthly lagged flow %	715	0.3	-0.1	726	1.0	-0.0	1.0
Six month cum. flow %	700	4.7	-1.5	719	7.6	-1.5	1.0
MSCI ESG score	652	6.9	7.1	716	7.9	8.1	22.1***
MS portfolio risk score	537	22.0	21.6	618	20.8	20.4	-22.3***
MSCI impact	555	6.9	5.8	589	7.6	6.5	5.3***
MSCI SRI exclusion factors	652	6.8	5.6	716	4.4	3.1	-12.9***
MSCI carbon intensity	652	155.7	127.7	716	125.6	101.3	-9.5***
Turnover %	145	63.9	49.0	146	78.6	65.0	3.3***
Expense ratio %	703	1.2	1.3	697	1.2	1.3	-2.3***
Six month cum. return %	712	2.1	3.2	728	1.1	-0.1	-1.2
TNA (\$ mil)	727	181.0	53.0	724	181.5	51.1	-0.3

$p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *

Fund flows: TWFE

	(1)	(2)	(3)
Repurposed	1.816*** (0.1492)	1.934*** (0.1617)	1.051*** (0.2058)
Repurposed × Institutional		-0.3972 (0.2953)	-0.1376 (0.3798)
Lagged TNA			-2.449*** (0.0448)
Lagged return			0.1658*** (0.0043)
Lagged ESG score			0.1648*** (0.0203)
Lagged fees			-0.0907 (0.1001)
Effects: Fund & time	✓	✓	✓
Observations	2,589,825	2,589,825	1,559,770
R ²	0.07568	0.07569	0.10802

Standard errors clustered at fund level. $p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *

Fund flows: Staggered DiD

Sample	ATT	SE
Retail	0.8544**	0.4125
Retail, Europe	1.1699***	0.4673
Retail, U.S.	-1.7222	0.8684

Group/cohort aggregation. $p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *

Standard errors are bootstrapped with 1000 iterations.

▶ PT flows

Fund MSCI ESG scores: TWFE

	(1)	Active vs passive		U.S. vs Europe	
		(2)	(3)	(4)	(5)
Repurposed	0.3279*** (0.0295)	0.2992*** (0.0316)	0.2920*** (0.0326)	0.6714*** (0.1067)	0.6691*** (0.1067)
Repurposed × Passive		0.1874** (0.0845)	0.2104** (0.0875)		
Repurposed × Europe				-0.3724*** (0.1104)	-0.3772*** (0.1107)
Lagged TNA			0.0109*** (0.0028)		0.0110*** (0.0028)
Lagged return			0.0020*** (0.0002)		0.0020*** (0.0002)
Effects: Fund & time	✓	✓	✓	✓	✓
Observations	1,343,552	1,343,552	1,313,326	1,343,552	1,313,326
R ²	0.85507	0.85508	0.85627	0.85518	0.85637

Standard errors clustered at fund level. p<0.01*** p<0.05 ** p<0.1 *

Fund MS portfolio risk scores: TWFE

		Active vs passive		U.S. vs Europe	
	(1)	(2)	(3)	(4)	(5)
Repurposed	-0.6022*** (0.0561)	-0.5759*** (0.0611)	-0.5425*** (0.0608)	-0.8653*** (0.3194)	-0.8810*** (0.3133)
Repurposed × Passive		-0.1698 (0.1509)	-0.1569 (0.1470)		
Repurposed × Europe				0.2804 (0.3242)	0.3305 (0.3181)
Lagged TNA			0.0005 (0.0055)		0.0004 (0.0055)
Lagged return			-0.0052*** (0.0004)		-0.0052*** (0.0004)
Effects: Fund & time	✓	✓	✓	✓	✓
Observations	855,338	855,338	819,781	855,338	819,781
R ²	0.93968	0.93968	0.94084	0.93969	0.94085

Standard errors clustered at fund level. $p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *

Fund MSCI ESG scores & MS portfolio risk: Staggered DiD

	MSCI ESG scores		Morningstar risk scores	
	ATT	SE	ATT	SE
Retail	0.0912***	0.032	-0.1349**	0.0605
Retail, Europe	0.0884**	0.0305	-0.1148	0.0671
Retail, U.S.	0.4308*	0.0916	-0.684**	0.2361

Group/cohort aggregation. Standard errors are bootstrapped with 1000 iterations.

$p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *

▶ PT scores

▶ Robustness checks score

Other fund ESG metrics after renaming: Staggered DiD

	Impact scores		SRI Exclusion factors		Carbon intensity	
	ATT	SE	ATT	SE	ATT	SE
Retail	0.2616**	0.1177	-1.0109***	0.1354	-9.0533*	2.6002
Retail, Europe	0.1031	0.1314	-0.7004***	0.1411	-3.9384*	2.381
Retail, U.S.	0.455	0.3224	-1.6887**	0.5427	-21.8445	13.015

Group/cohort aggregation. Standard errors are bootstrapped with 1000 iterations.

p<0.01*** p<0.05 ** p<0.1 *

Fund fees: TWFE

	(1)	(2)	(3)	(4)
Repurposed	-0.0255*** (0.0078)	-0.0236*** (0.0085)	-0.0144* (0.0078)	-0.0432 (0.0297)
Repurposed × Passive		-0.0144 (0.0198)	-0.0037 (0.0112)	
Repurposed × Europe				0.0344 (0.0303)
Lagged TNA			-0.0093*** (0.0008)	-0.0093*** (0.0008)
Lagged return			0.0001*** 0.0000471	0.0001*** 0.0000471
Lagged ESG score			0.0025*** (0.0007)	0.0025*** (0.0007)
Effects: Fund & time	✓	✓	✓	✓
Observations	1,768,480	1,768,480	1,177,695	1,177,695
R ²	0.99269	0.99269	0.97778	0.97779

Standard errors clustered at fund level. $p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *

Fund fees: Staggered DiD

	ATT	SE
Retail	0.0376	0.0114
Retail, Europe	0.0464***	0.0127
Retail, U.S.	-0.0494	0.0248
Institutional	-0.006	0.0123
Institutional, Europe	0.0068	0.0162
Institutional, U.S.	-0.0171	0.0118

Group/cohort aggregation. $p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *

Standard errors are bootstrapped with 1000 iterations.

Conclusions

- We study the widespread phenomenon that mutual funds change their name to ESG-related appellations, i.e., ESG repurposing.
- We find mixed and somewhat weak evidence on the response of mutual fund flows.
- We find consistent evidence that mutual funds improve their ESG performance after ESG name changes.
- For the most, funds that rename do not appear to materially change expenses.

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Keyword search terms

► Name change

['Ansva', 'Anti Corruption', 'Anti-Corruption', 'Baeredygtig', 'Baeredygtige', 'Baptist', 'Be Long', 'Be=Long', 'Better Future', 'Better World', 'Better Future', 'Better World', 'Beyond Infrastructure & Transition', 'Biodiversity', 'Carbon', 'Carbone', 'Carbono', 'Catholic', 'Christian', 'Circular', 'cleantech', 'Clim', 'clima', 'Climat', 'Climate', 'Climt', 'Community', 'Crbn Transition', 'Crbn Transition', 'CSR', 'Decarbonisation', 'Decarbonization', 'Durable', 'Duurzaam', 'Eco', 'Ecologie', 'Ecology', 'Education', 'Efficient Energy', 'Efficient Resources', 'Energy Transition', 'Env and Soc', 'Environment', 'Environmental', 'Environnement', 'ESG', 'Ethic', 'Ethical', 'Ethically', 'Ethics', 'Ethik', 'Ethikfonds', 'Ethique', 'ethisch', 'Etica', 'Etico', 'Etik', 'Etisk', 'ex cw', 'Ex-fossil', 'Fair', 'Faith', 'female', 'FFR', 'Fossil Fuel Reserves Free', 'Fossil Fuel Free', 'Fossil fuel reserves free', 'Fossil Fuel Scrd', 'Fossil Fuel Screened', 'Fossilfri', 'Future Earth', 'gender', 'Global Transition', 'Global Warming', 'global transition', 'Green', 'Hallbarhet', 'hållbar', 'Impact', 'Impct', 'Inclusion Diversity', 'Inclusion Diversity', 'Inclusion and diversity', 'Inclusive', 'Infrastructure Transition', 'Islam', 'Islamic', 'ISR', 'Katholische', 'kestävää', 'Klimatindex', 'Klimawandel', 'Lavkarbon', 'Low CO2', 'Low carbon', 'Lutheran', 'Medioambiente', 'milieu', 'Mission', 'nachhaltig', 'Nachhaltigkeit', 'Nachhaltigkeits', 'Nachhaltigkeitsfonds', 'Nachhaltigkeitsstrategie', 'New energy', 'Oeko', 'Oekofonds', 'Planete', 'Positive', 'religion', 'Renewable', 'Renewables', 'Resource Efficient', 'Resource Efficiency', 'Resource Efficient', 'Resp', 'Responsable', 'Responsables', 'Responsavel', 'Responsibility', 'Responsible', 'Save Earth', 'SDG', 'Smart Energy', 'Soc Res', 'Soc Rsp', 'Social', 'Socially', 'Solidaires', 'Solidarity', 'Sostenible', 'SRI', 'Sus', 'Sust', 'Sustain', 'Sustainab', 'Sustainability', 'Sustainability', 'Sustainable', 'Sustanibility', 'Sustentab', 'Sustentabilidade', 'Sustentavel', 'Sustnibltv'

Geographic distribution

Continent	Country	Control funds	Renamed funds
Europe		14683	639
	Austria	261	14
	Denmark	347	13
	France	1031	98
	Germany	507	26
	Ireland	2578	55
	Luxembourg	5905	277
	Netherlands	184	11
	Spain	495	13
	Switzerland	609	59
	UK	1620	38
North America		6719	71
	Canada	570	2
	United States	6078	69

► Fund name changes

Average Fund level ESG scores

Domicile	count	mean	std	min	25%	50%	75%	max
Austria	12606	6.9	1.6	0.0	5.8	6.9	8.1	10.0
Denmark	19399	6.7	1.6	1.8	5.5	6.6	7.9	10.0
France	50760	7.2	1.3	1.2	6.4	7.2	8.1	10.0
Germany	28909	7.1	1.3	2.0	6.2	7.1	8.0	10.0
Ireland	115490	6.4	1.6	0.0	5.2	6.3	7.7	10.0
Luxembourg	282718	6.5	1.7	0.0	5.3	6.5	7.7	10.0
Netherlands	8602	6.9	1.5	2.7	5.8	6.8	8.0	10.0
Spain	25517	6.8	1.3	0.3	5.8	6.8	7.6	10.0
Switzerland	32289	7.0	1.4	1.8	6.0	6.9	7.9	10.0
UK	86740	6.8	1.5	0.0	5.7	6.6	8.0	10.0
America	368513	5.7	1.5	0.0	4.6	5.5	6.6	10.0

► MSCI TWFE

Robustness checks: MSCI ESG scores

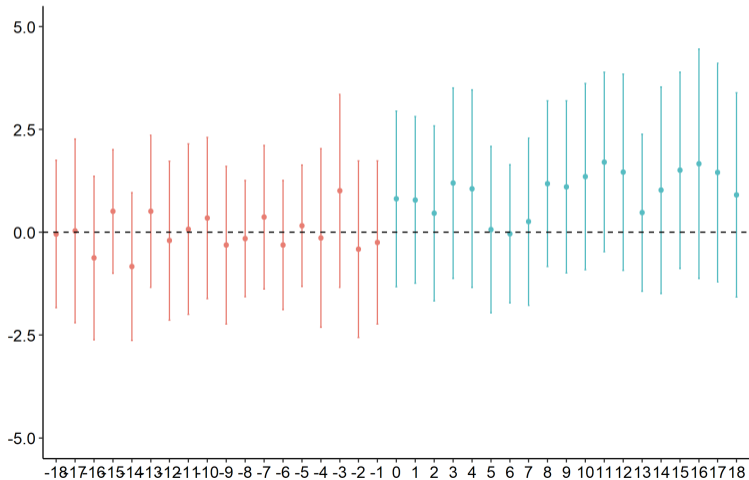
Sample: Control group	ATT	SE
All: ESG funds	0.195***	0.0331
All: Conventional funds	0.099**	0.0322
Europe: Not-yet-treated	0.088	0.0322
U.S.: Not-yet-treated	0.431	0.0909

Group/cohort aggregation. $p < 0.01$ *** $p < 0.05$ ** $p < 0.1$ *
 Standard errors are bootstrapped with 1000 iterations.

▶ CS scores

Parallel trends: flows

▸ CS flows



Parallel trends: MSCI ESG scores

▶ CS scores

