Universität Stuttgart
Lehrstuhl für Finanzwirtschaft

University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

Seminars at the Department of Finance

Basic information

- To participate in the seminar, please register via the online-form on our website: https://www.bwi.uni-stuttgart.de/en/dept3/teaching/lectures/seminars/Kontaktformular/
- Registration must be completed no later than the **registration deadline of 23.10.2023.** Please be sure to meet this deadline - registrations received after the deadline will not be considered.
- The **kick-off event** will take place on **25.10.2023 at 15:45 in room 7.013.** Additionally, there will be an introduction into the Bloomberg Terminal on November 8th, **2023 in room 7.034**, the appointment will be arranged individually. Participation in both events is mandatory.
- A major in finance is strongly recommended. Depending on your studies, an attended module in the fields of competence offered by our chair may be required. Please take note of your exam regulations.
- The presentations will eventually take place at Kreissparkasse Böblingen including some practical lectures by our cooperation partner.
- Please note that once you have confirmed your place in the seminar, you must **also register for the seminar on C@MPUS within the exam registration period (15.11. to 07.12.2023).**

Submission of written thesis:	Tuesday, January 16th, 2024, until 11:30 a.m.
Presentations as block seminar:	Thu./Fri., January 25th/26th, 2024 (depending on the number of participants), location: to be announced. Presentations must be submitted by email as PDF or PowerPoint file by the presentation date.

The submission of the written thesis has to be sent as **PDF** to **patrick.rank@bwi.uni-stuttgart.de.**

University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

General information about the seminar thesis

- The topics to be assigned for the seminar can be found starting on page 3. Please note that different topics will be assigned depending on the degree (Bachelor and Master). Topics will be assigned on the day of the kick-off event.
- The given topics can be assigned to several students at the same time. Each student is supposed to (independently) write a thesis that should be approximately 12 pages (font size 12, line spacing 1.5). Each thesis must be accompanied by a signed statement declaring that the thesis has been written independently and that no aids or literature sources other than those listed have been used. The use of sources that are not listed will be considered an attempt at deception and will result in immediate exclusion from the seminar and a seminar performance graded as "deficient".
- The BWI citation guidelines are to be followed.
- The presentation will be given as a group work consisting of several students working on the same topic. Groups will also be assigned on the day of the kick-off event.
- Although the same topics will be assigned to multiple students, we cannot guarantee that you will receive your preferred topic.
- Attendance at the kick-off event and the full block seminar is mandatory. Any absence must be justified in written form (medical certificate or similar).
- Your examination performance consists of a written thesis (60% of the total grade) and a presentation of the topic (40% of the total grade).
- The seminar paper can be written in German or English.

University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

Seminar topic: Sustainable Finance

This semester, in our seminar, we look at exciting research from the area of Sustainable Finance. In particular, the seminar is about a very current branch of finance that considers the influence of sustainable investment decisions and ESG (Environmental Social Governance) criteria in general on capital markets as well as asset prices and risk premia. Bachelor's and Master's students conduct empirical analyses on, among other things, the performance difference between "green" and "brown" stocks and bonds or the impact of ESG on investment funds.
In the course of this seminar, you can get to know the databases available at the chair, work with financial market data yourself, and conduct your own empirical investigations based on scientific articles published in leading international journals.

Topics for Bachelor Students

Topic 1: Realized vs. expected return of green assets

Investments in "green" assets have gained substantial popularity in recent years. In this context, higher risk-adjusted returns represent a common motivation for sustainable investment decisions. Unexpectedly growing climate concerns and an associated increased preference for green investments have historically led to rising prices and higher realized returns on sustainable assets. However, Pástor, Stambaugh, and Taylor (2022) argue that green tastes and higher risks associated with climate change imply a premium or excess returns on brown securities.
The seminar paper should first summarize the previous literature on the performance difference of green and brown assets and present the key findings of Pástor, Stambaugh and Taylor (2022). Subsequently, you should conduct your own empirical investigation. Analogous to the underlying paper, it is possible either to examine green government bonds issued by the German government since 2020 or to analyze the difference in stock returns between green and brown firms in the USA or Europe.

Basic literature:

- Pástor, L., Stambaugh, R., & Taylor, L. (2022). Dissecting Green Returns. Journal of Financial Economics, 146 (2), 403-424.

University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

<u>Topic 2a & 2b:</u> Do companies' carbon emissions have an impact on their stock returns?

Recently, the topics of sustainability and environmental protection have also come increasingly into focus in capital market research. In this context, the potential impact of CO2 emissions on the stock returns of the respective company is a highly controversial topic. According to Bolton and Kacperczyk (2021), shares of companies that have higher total carbon dioxide emissions have higher returns, although these cannot be explained by common risk factors. This is countered by the study of Aswani, Raghunandan, and Rajgopal (2023), who find no circumstantial evidence for these excess returns once emissions are considered relative to sales instead of total emissions and industry affiliation is taken into account.

<u>Task topic 2a:</u>
The aim of the seminar paper is to clarify the described problem from the perspective of Bolton and Kacperczyk (2021) and to understand it through one's own empirical analysis.

Basic literature (topic 2a):

- Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk? Journal of Financial Economics, 142(2), 517-549.

<u>Task topic 2b:</u>
The aim of the seminar paper is to clarify the described problem from the point of view of Aswani, Raghunandan and Rajgopal (2023) and to follow it up with one's own empirical analysis.

Basic literature (topic 2b):

- Aswani, J., Raghunandan, A., & Rajgopal, S. (2023). Are Carbon Emissions Associated with Stock Returns? Review of Finance.

In the presentations, the scientific dispute between Bolton and Kacperczyk (2021) and Aswani, Raghunandan and Rajgopal (2023) should also be addressed and discussed together with the other students.

Universität Stuttgart
Lehrstuhl für Finanzwirtschaft

University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

Topics for Master Students

<u>Topic 3:</u> Does industrial pollution have an impact on asset prices?

In addition to the direct costs incurred in the production of goods, the pollution caused by industrial plants gives rise to negative externalities. While direct costs are borne directly by the respective companies, emissions as a by-product of production create costs for others. While companies have an incentive to minimize their investments in environmental protection in the short run, externalities can have a strong negative impact on success and image in the long run. To what extent does the potential expectation of negative effects and rising long run costs due to regulation etc. influence the stock prices of highly polluting firms? Motivated by this issue, Hsu, Li, and Tsou (2023) examine the relationship between expected returns and industrial pollution of listed companies. As a result, they find that companies with high emission intensity in form of toxic chemicals have to offset this disadvantage with higher expected returns.
In the seminar, students will first present the findings of the paper by Hsu, Li, and Tsou (2023) and relate the results to current literature. In the following, they should conduct their own empirical analysis building on the first part of the paper.

Basic literature:

- Hsu, P-H., Li, K., & Tsou, C-Y. (2023). The Pollution Premium. Journal of Finance, 78(3), 1343-1392.

Universität Stuttgart
Lehrstuhl für Finanzwirtschaft

University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

Topic 4: Value maximization or value investing? ESG in the fund industry

In recent years, more and more investment funds are focusing on sustainability. But do investors value sustainability? For some investors, the focus on sustainability might be counterproductive for the goal of value maximization because of the high costs involved. Other investors not only pursue pure value maximization as a goal, but also want that their investment decisions are in line with their personal values. Are preferences for sustainability reflected in investment behavior in investment funds? This question was addressed by Hartzmark and Sussman, among others, in their paper "Do Investors Value Sustainability? A Natural Experiment Examining Ranking and Fund Flows." They found that, on average, investors view a sustainable orientation of funds positively. Funds that perform well in sustainability ratings experience fund inflows and, on the other hand, funds that perform poorly in sustainability ratings experience fund outflows.
In this seminar paper, first, the current state of research on sustainability in the fund industry should be summarized. Subsequently, you will be able to gain new insights into sustainability in the fund industry through your own empirical analysis.

Basic literature:

- Hartzmark, S.M., Sussman, A.B. (2019). Do Investors Value Sustainability? A Natural Experiment Examining Ranking and Fund Flows. Journal of Finance, 74(6), 2789-2847.