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Energy Mutual Funds: The Behavior of Environmental, Social and Governance Funds

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Abstract : Sustainable finance identifies the process that leads, in the adoption of investment decisions, to take into account environmental and social factors, with the aim of orienting investments towards sustainable and long-term activities. Considering that the topic is at the center of the interest of national agendas, long-term investments will no longer be analyzed only by looking at financial data, but environmental, social, and governance (ESG) factors will be increasingly important and will play a fundamental role in determining the risk and return of an investment. Although this perspective does not deny the orientation to profit, ESG mutual funds represent sustainable finance applied to the world of mutual funds. So the goal of this paper is to verify this attitude, in particular in the energy sector. The choice of the sector is not casual: ESG is the acronym for environmental, social, and governance, and energy companies are strictly related to the environmental theme. The methodology adopted leads to a comparison between a sample of ESG funds and a sample of ESG funds with similar characteristics, using the most important indicators of literature: yield, standard deviation, and Sharpe index. The analysis is focused on equity funds. Results that are partial, due to the lack of historicity, show a good performance of ESG funds, testifying how a sustainable approach does not necessarily mean lower profits. It is clear that these first findings do not involve an absolute preference for ESG funds in terms of performance because the persistence of results is requested. Furthermore, these findings are to be verified in other sectors and in bond funds.

Keywords : mutual funds, ESG, performance, energy
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