DATA SET

Responsible Investing: The ESG-Efficient Frontier – Original Paper Data

October 29, 2020

This is the original data set used in "Responsible Investing: The ESG-Efficient Frontier" (Pedersen, Fitzgibbons and Pomorski). The paper proposes a theory in which each stock's environmental, social, and governance (ESG) score plays two roles: 1) providing information about firm fundamentals and 2) affecting investor preferences. The solution to the investor's portfolio problem is characterized by an ESG-efficient frontier, showing the highest attainable Sharpe ratio for each ESG level. The corresponding portfolios satisfy four-fund separation. Equilibrium asset prices are determined by an ESG-adjusted capital asset pricing model, showing when ESG increases or lowers the required return. Combining several large data sets, the paper computes the empirical ESG-efficient frontier and shows the costs and benefits of responsible investing. Finally, it tests its theory's predictions using commercial ESG measures, governance, sin stocks, and carbon emissions.

This dataset contains the total returns of value-weighted and equal-weighted portfolios used in the paper.

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