



Assessing ESG Impact: Insights from the Hong Kong Fund Market

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ABSTRACT

Hong Kong, a Special Administrative Region of China, has long been a premier international financial hub and is now emerging as a significant center for sustainable finance. This study examines the influence of ESG factors and evaluates ESG policies in Hong Kong's open-end funds market. Findings reveal that ESG funds demonstrating improvements in sustainability status attract more capital flows than conventional funds. Additionally, funds with lower ESG and environmental risks are linked to higher risk-adjusted abnormal returns. These findings highlight the increasing importance of addressing ESG factors, particularly environmental risks in Hong Kong's fund market. Furthermore, evidence suggests that the new ESG circular implemented by the Hong Kong Securities and Futures Commission (SFC) has reduced the overall ESG risk of SFC-authorized ESG funds, indicating the policy's effectiveness in guiding fund managers' investment behaviors.

Keywords: Hong Kong funds, ESG, fund flows, fund performance

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