

Retail investor preferences for green-objective funds with closer impact: role of high and low investment stakes

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SUMMARY: This study investigates how retail investors' preferences for green-objective funds vary with the level of investment stakes. Using a discrete choice experiment with Swedish retail investors, the research examines the impact of different fund characteristics, including environmental objectives, expected impact, and management strategies. The findings indicate that investors show substantial interest in green funds, but there is no clear prioritization among environmental objectives or preference for a closer region of operations. Instead, the study finds that the proximity of expected impact matters conditionally, with higher stakes significantly increasing the required compensation for risk without reducing stated willingness to choose green funds.

METHOD: The study employs a discrete choice experiment with a split-sample treatment, varying the portfolio share to be reallocated to proposed funds. The funds differ in EU Taxonomy-related environmental objectives, region of operations, expected impact, management strategy, environmental performance information, risk classification, and expected return. The sample consists of Swedish retail investors, and the data are analyzed using latent class analysis.

KEY FINDINGS:

- Substantial overall interest in the proposed green funds.
- No clear prioritization among environmental objectives.
- No general preference for a closer region of operations.
- Proximity of expected impact matters conditionally, particularly for biodiversity.
- Positive screening and active engagement are preferred over exclusion.
- Higher investment stakes significantly increase required compensation for risk.
- Anticipated regret, moral norms, and affective heuristic explain preference heterogeneity.

IMPLICATION FOR TRADING: The findings suggest that green-fund demand is more influenced by risk, management strategy, and impact proximity than broad environmental labels. Traders and fund managers should focus on providing clear and credible information about the environmental impact and risk profile of green funds. Additionally, understanding that higher stakes increase the required compensation for risk can help in designing investment products that cater to a broader range of investor preferences.

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Retail investor preferences for green-objective funds with closer impact: role of high and low investment stakes.

Abstract: This study examines the role of high and low investment stakes on investors' preferences for environmental equity funds. We use a discrete choice experiment with Swedish retail investors and a split-sample treatment varying the portfolio share to be reallocated to proposed funds. The funds differ in EU Taxonomy-related environmental objective, region of operations and expected impact, fund management strategy, environmental performance information, risk classification and expected return. Results show substantial overall interest in the proposed funds, but no clear prioritisation among environmental objectives and no general preference for a closer region of operations. Instead, proximity matters conditionally: closer expected impact is preferred for biodiversity, a more spatially bounded objective, and this pattern is also reflected in latent investor classes. Positive screening and active engagement are preferred to exclusion even in this context of being tied to green investments, and even more so under higher investment stake. Higher stake also significantly increases required compensation for risk, without reducing stated willingness to choose green funds. Latent class analysis further shows that anticipated regret, moral norms and affective heuristic explain preference heterogeneity. The findings suggest that green-fund demand depends less on broad environmental labels than on risk, management strategy and impact proximity for biodiversity.

Keywords: ESG, impact, stake, discrete choice experiment, moral norms, regret, emotions.

1. Introduction

The amount of green finance needed to reach net-zero and other environmental objectives is vast and is only growing as progress stalls (World Economic Forum, 2025). To address the green finance gap, the EU Taxonomy outlines environmental objectives to which investment should be directed (Nipper et al., 2025) and Sustainable Finance Disclosure Regulation (SFDR) classifies Article 8 funds that promote sustainability and Article 9 funds with a sustainable investment objective (Sanctuary et al., 2025). These investment regulations are further underpinned by the Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS), which outline the scope of sustainability reporting and the need for at least limited assurance of company sustainability reports. Finally, the Corporate Sustainability Due Diligence Directive (CSDDD) requires large companies to identify, prevent, mitigate, and account for environmental impacts across their own operations, subsidiaries, and value chains.

The private sector is widely recognised as central to closing the green finance gap (World Economic Forum, 2025), with retail investors contributing through their savings and pension fund portfolios. Notably, for private investors, the rapid expansion of “green” fund products and evolving disclosure rules creates a more complex decision environment: they must decide not only whether to invest sustainably, but which environmental objectives their savings should support, what type of impact and where to target, and how credible a fund’s strategy and decision-making data are. This challenge is salient as evidence suggests that the new labelled “green” funds do not hold substantially different portfolios from Article 6 funds, which merely disclose sustainability risks (Sanctuary et al., 2025), and investors face informational constraints associated with making green investment decisions (Anderson and Robinson, 2022).

Existing research has found retail investors to be open to or even preferring sustainable investments (Apostolakis et al., 2018; Gutsche et al., 2023; Gutsche and Ziegler, 2019). Furthermore, experimental work has studied preferences for fund characteristics within specific environmental topics like climate change (Gottlieb & Edenbrandt, 2024) or across ESG pillars (Lagerkvist et al., 2020). However, while the

above-mentioned regulations continue to develop and be revised under the EU Omnibus proposal, investors' trade-offs across the new green fund characteristics remain under-investigated and relevant in two regards. The universe of green investment objectives, impacts, and underlying data is widening beyond climate (e.g., biodiversity, pollution, circularity) and deepening towards location-specificity, assured data, and standardised impact disclosure metrics. Consequently, the heterogeneity among investors is likely to increase. On the one hand, investors may differ more in what they prioritise, i.e. systematic preferences, e.g. certain objectives weighing more in their utility functions for investments. On the other hand, the increasing complexity may make decisions more difficult and random. Whether and how these behavioural responses occur is important for better understanding the potential of private investors to adapt to the new types of green investments promoted in the EU. Against this background, we ask: what are retail investors' preferences for emerging green equity fund features, and to what extent do observed choices reflect systematic preferences?

For retail investors, who typically manage their savings and pensions, investment opportunities are often constrained by disposable income, raising questions about how much can be invested and whether preferences are sensitive to this relative amount. The same holds for much of the experimental sustainable investment literature, where the absolute investment amount is fixed in experimental scenarios (e.g., Lagerkvist et al., 2020; Gottlieb and Edenbrandt, 2024) or represented by small endowments (e.g., Bonnefon et al., 2025; Chew and Li, 2026). The role of stakes has been surprisingly under-studied in the context of sustainable finance investment. While stake effects have been widely considered in contexts of bargaining (Karagözoğlu & Urhan, 2017) or risk aversion under gain and loss framing (Fehr-Duda et al., 2010), we explore their relevance in the context of green equity fund investing. In this regard, we inquire: how does the investment stake influence preferences for green funds and their features? To this end, we use a split-sample design to examine the 'stake size' effect on preferences for environmentally-oriented equity funds and their attributes. This treatment requires respondents to invest different proportions (20% or 60%) of their current monthly fund investment into a hypothetical environmental equity fund with the above-mentioned characteristics.

This study contributes to experimental sustainable finance in three ways. First, we estimate preferences for still-emerging green fund attributes under the latest sustainable finance regulations (Hales, 2023; Sanctuary et al., 2025), including proximity to environmental impact. Second, using a split-sample design, we experimentally test how investment stake size influences preferences for environmental funds, expanding the scarce literature on investment stakes (e.g., Bonnefon et al., 2025) and building on the literature about the “peanuts effect” (e.g., Weber and Chapman, 2005). Third, we provide deeper insights into why investors may favour certain environmental equity funds, extending the literature on psychological and behavioural drivers of investment decisions, especially regarding moral norms, anticipated regret (Weber and Chapman, 2005), and affect heuristic (Waters et al., 2023). In particular, while previous studies have identified the role of moral motivations in socially responsible investing (e.g., Riedl and Smeets, 2017; Chew and Li, 2026), we examine whether the influence of moral norms and anticipated regret interacts with the size of the investment stake. Investigating this interaction helps us understand whether sustainable investment intentions weaken when financial consequences become more salient.

2. Literature and hypotheses

To answer the first question, we use a DCE because it isolates trade-offs among green-fund attributes that are emerging under sustainable-finance regulation but are not yet consistently observable in market data. Beyond risk and return, the design varies environmental objective, region of operations and expected impact, management strategy, and the environmental information used by fund managers.

2.1. Preferences for emerging green fund attributes

2.1.1 Environmental objective

Environmental sustainability is multidimensional, and climate change mitigation and adaptation are not a sufficient measure of overall sustainability (Allevi et al., 2019; Steffen et al., 2015). Reflecting this, environmentally oriented funds are increasingly expected to address a wider set of environmental objectives. Recent EU frameworks, including the EU Taxonomy and ESRS, have formalised additional objectives and

associated disclosure expectations, including the transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems, as well as sustainable use and protection of water and marine resources.

While finance research has also begun to consider a broader set of environmental topics, we still know little about how investors prioritise and trade off the emerging environmental objectives against one another when selecting equity funds (Delsen & Lehr, 2019). Prior evidence suggests that sustainability information can shape behaviour when it is salient and credible (Hartzmark and Sussman, 2019; Welling et al., 2022). Climate change is widely recognised as a material topic for businesses and subject to a vast number of regulatory frameworks (Hales, 2023). Biodiversity is also rising in sustainable finance research (de Grefte and de Bruin, 2025), increasingly reflected in frameworks like the Task Force on Nature-related Financial Disclosures or the new IFRS E3 standard on Nature-related Disclosures. Investors also consider biodiversity transition risks and demand premiums for stocks of firms with higher biodiversity footprints (Garel et al., 2024). As compared to pollution-related data and regulations that in the EU have a long history, circular economy initiatives are criticised as still lacking clear strategies and metrics, implying that vague approaches could hinder effective implementation (Dewick et al., 2020). Against this background, it is worth examining how retail investors would compare environmental objectives that are likely to be salient to varying degrees due to topic specificity, regulatory and media emphasis and thus potentially familiarity for the investors. We therefore posit the following exploratory hypothesis:

Hypothesis 1. Investors will show positive preferences for each of the following EU Taxonomy environmental objectives - climate change, biodiversity, and pollution – when compared to the circular economy objective.

2.1.2 Region of operations

Existing research documents a home bias in investment decisions, with investors favouring domestic equity markets (Strong and Xu, 2003) and retail investors often preferring close-to-home investments (Baltzer et al., 2013). While this literature shows that geographic proximity can influence investment choices, less is known about whether investors also value the geographic proximity of the environmental impact generated by their investments. This distinction is important because the location of a

company's headquarters or primary listing may not fully correspond to the regions where its operations, value-chain activities, and environmental impacts occur.

Recent regulatory developments, including the CSDDD and the ESRS, further emphasise the relevance of impact beyond firms' own operations and across upstream and downstream value chains. In this context, the region of operations can serve as a more impact-oriented geographical attribute than headquarters or listing location alone. We therefore include the region of operations and expected impact as an attribute in the choice experiment. This attribute captures whether the environmental effects of the portfolio companies are presented as occurring closer to the investor, namely in Sweden or Europe, rather than globally. In terms of the general proximity effect, the following hypothesis asks whether investors prefer funds whose portfolio companies operate, and are expected to have environmental impact, in geographically closer regions, irrespective of the specific environmental objective.

Hypothesis 2a. Investors will show a preference for funds with portfolio companies in a closer region of operations and expected impact (Sweden or Europe) versus the "Global" region of operations.

Furthermore, we are also interested in whether this proximity effect depends on the type of environmental objective. Some environmental objectives have benefits that are more spatially bounded and easier to imagine as local. Pollution prevention and control, for example, can affect air, water, and soil quality in specific places, while biodiversity protection is often tied to particular ecosystems and habitats. By contrast, other environmental objectives, such as climate-change mitigation, are more global in nature because benefits are less directly tied to the region where the investment impact occurs. The literature on psychological distance (Liu and Yang, 2023) generally finds that spatial- as well as temporal-, social- and hypothetical distance components matter for individuals' level of concern, attitudes, risk perception and ultimately behaviours. Given the increasing focus on impact and its location across large value chains and the highlighted literature, we posit that investor preference for closer regions is stronger when the environmental objective is one for which local benefits are more plausible:

Hypothesis 2b. Investors will show an even stronger positive preference for funds with "local benefit" environmental objectives of pollution and biodiversity for portfolio

companies that have a closer region of operations and expected impact (Sweden and/or Europe).

2.1.3 Fund management strategy

The environmental objective of a green fund can be implemented through different fund portfolio-management strategies. Grounded in the history of sin stocks aversion (Chew and Li, 2026), exclusion strategies (negative screening) restrict the investment universe by omitting firms or sectors that fail to meet specified ESG criteria, while positive screening instead allocates capital toward firms that meet or exceed relevant sustainability criteria relative to peers (Agapova et al., 2025). Comparing these types of screening, survey evidence suggests that investors favour positive screening over negative (Berry and Junkus, 2013). Evidence from US ESG mutual fund flows further nuances this finding: funds using positive screening attract higher net flows than restrictive screening funds, despite broadly similar returns across screening types, although sensitivity to positive screening is lower among retail investors than institutional investors (Agapova et al., 2025). Shareholder engagement, by contrast, uses ownership rights to influence portfolio companies' practices. It has been found to be an effective mechanism for achieving ESG improvements within companies, whereas the impact of screening-based capital allocation depends on market share, asset substitutability, and firms' financing constraints (Kölbel et al., 2020). Finally, sustainable thematic strategies, such as funds focused on renewable energy, have also been shown experimentally to elicit positive retail investor preferences (Lagerkvist et al., 2020).

However, existing evidence remains limited on how investors compare positive screening, engagement and exclusion within a green-fund choice setting where the strategy is tied to a specific environmental objective. We therefore test whether investors value more proactive strategies more highly than exclusion-based screening:

Hypothesis 3. Investors will show a positive preference for equity funds that practice an “influence strategy” (active engagement) or “select strategy” (positive screening) towards portfolio companies over those that employ an “exclusion strategy” (negative screening).

2.1.4 Environmental performance information

While there are various approaches and data types for fund managers to identify companies that would fit the environmentally oriented portfolios, we focus on the key data types: the assured environmental information reported by portfolio companies and the third-party ESG metrics (Berg et al., 2022). The CSRD requires limited assurance requirements for sustainability reports of companies, albeit companies often opt for a higher reasonable level of assurance for subsets of data, e.g. on GHG emissions. Sustainability ratings, in part relying on companies' sustainability reports and data, also play a key role in sustainable investing by providing opportunities for comparison and benchmarking. However, diverse and inconsistent data and methodologies used by ESG rating agencies have been criticised (Arena et al., 2025; Berg et al., 2022). Literature suggests that investors demand detailed ESG information to inform investment choices (e.g., Escrig-Olmedo et al., 2019) and that they rely more on aggregated sustainability ratings than on detailed sustainability data provided by mutual funds (Hartzmark and Sussman, 2019). This suggests a psychological preference for the perceived benefits of sustainability labels over the actual magnitude of impact (Bonnefon et al., 2025; Heeb et al., 2023). However, Nipper et al. (2025) also find that the third-party sustainability score does not offset the negative effect of the EU Taxonomy company metric on willingness to invest.

We do not assume that retail equity fund investors examine the environmental data or ESG scores of each portfolio company themselves. Rather, in the experiment, the information source is framed as a fund-level allocation criterion: the fund makes investment decisions based either on auditor-assured company sustainability information or on third-party environmental scores of portfolio companies. From the investor's perspective, the relevant question is therefore whether the type of information used by the fund manager adds value to the green-fund offering. Building on evidence that investors respond to aggregated and comparable sustainability signals, we test whether third-party environmental scores are preferred to assured company-reported information, even when the latter has been independently verified.

Hypothesis 4. Investors will show a positive preference for funds that base their allocation decisions on third-party environmental score of portfolio companies versus no third-party score (assured company data).

2.2 Role of investment stake size

Rabin's (1993) model of reciprocity and fairness in games suggests that fairness-related motives have greater scope to affect choices when material payoffs are small, whereas larger material payoffs make standard payoff-maximising incentives more dominant. Although developed for fairness in strategic interactions rather than environmental investment, this provides a theoretical rationale for expecting non-pecuniary motives to become less influential when more is financially at stake. Empirical evidence on stake size is mixed in bargaining and distribution experiments (Karagözoğlu and Urhan, 2017), and remains surprisingly limited in the investment context. Bonnefon et al. (2025) found that subjects faced investment choices with either positive or negative externalities showed no change in prosocial preferences when the stakes were increased by a factor of five, albeit from a baseline of only 2 USD. Yet, as the variation in stake size remained relatively limited, the absence of a stake effect should be interpreted with caution. The present study therefore revisits this question using a more substantial stake variation to examine whether higher stakes influence preferences for reallocating part of the portfolio to environmental equity funds. We formulate the respective hypothesis:

Hypothesis 5. The willingness to participate (relocate investments to green funds) decreases when stakes are higher.

The relationship between higher stakes and risk preferences for green funds is also highly relevant. In risky choice, the “peanuts effect” refers to lower risk aversion, or greater willingness to take risks, when monetary outcomes are small (Markowitz, 1952; Prelec and Loewenstein, 1991; Weber and Chapman, 2005). Fehr-Duda et al. (2010) find that for gains, relative risk aversion increases with stake size and that this pattern cannot be explained by utility curvature alone. Instead, a shift in the perception of how likely outcomes are, termed probability weighting, is identified as the driver of the higher observed risk-aversion under high-stake choices. Considering that a larger stake exposes a greater share of the portfolio to the risk profile of the green fund, we test the following hypothesis:

Hypothesis 6. Preference for the risk attribute of the environmental equity funds will be more negative in the high investment stake group and thus respondents will require

more expected-return compensation (higher WTA) or be willing to forego less expected return (lower WTP).

Higher stakes may also affect how investors value sustainability-specific fund design attributes. When the reallocation concerns a larger share of the portfolio, the strategy through which the fund seeks to achieve environmental objectives becomes more consequential. Higher stakes may likewise increase the value of environmental performance information that is comparable and externally benchmarked. When a larger share of the portfolio is at stake, ESG-score benchmarked information may therefore become more valuable because it facilitates comparison across portfolio companies and can make the environmental basis for fund selection more decision-relevant than assured company-reported information alone.

Hypothesis 7. Preference for fund management strategies based on active engagement or positive screening will be more positive in the high investment stake group and thus respondents will require less expected-return compensation (lower WTA) or be willing to forego more expected return (higher WTP).

Hypothesis 8. Preference for third-party environmental score about portfolio companies will be more positive in the high investment stake group and thus respondents will require less expected-return compensation (lower WTA) or be willing to forego more expected return (higher WTP).

2.3 Role of moral norms and anticipated regret

Private investments in green funds can be interpreted as a form of private provision of a public good, where individuals voluntarily contribute different amounts to reducing negative environmental externalities. In this context, investors may derive private utility not only from financial returns but also from contributing to environmental sustainability. The importance of non-pecuniary motivations in investment behaviour has been increasingly recognised in recent decades. Alongside financial considerations, psychological factors, personal values, and social norms influence investment decisions (e.g., Chew and Li, 2026; Gutsche and Ziegler 2019; Riedl and Smeets 2017). Since the present study varies the share of investments to be reallocated, stake size is central to whether such non-pecuniary motivations remain salient when the financial consequences of the decision increase.

The linkages between stake size and behavioural constructs is also supported by the above-discussed “peanuts effect”, which describes individuals’ greater willingness to take risks when the stakes are small. Weber and Chapman (2005) show that anticipated disappointment plays a key role in this phenomenon. Disappointment occurs when an unfavourable state of the world is realised, for example, when an investment performs poorly, whereas regret involves wishing that a different decision had been made (Raeva-Beri and Ellis, 2026). Importantly, individuals differ in their sensitivity to regret: some individuals are more inclined to avoid regret than others and therefore adapt their behaviour to minimise the possibility of experiencing such emotions (Nygren, 2000). Higher anticipated regret has also been associated with greater indecisiveness and self-doubt in decision-making processes (Djulgovic et al., 2015).

When stakes are low, the emotional consequences of negative outcomes are relatively limited, which reduces both anticipated disappointment and anticipated regret. As a result, individuals tend to be less risk-averse and may be more willing to pursue options that reflect their preferences or values. Conversely, when stakes are higher, the potential financial losses and associated emotional costs become more salient. In such situations, individuals are more likely to focus on avoiding negative outcomes, which increases risk aversion and heightens concern about potential regret.

In the context of sustainable investing, value orientations such as post-materialism, altruism, and social responsibility have been shown to strongly influence investment preferences and pension investment objectives (Delsen and Lehr, 2019). Furthermore, existing research suggests that psychological benefits such as self-reward, guilt reduction, and enhanced self-esteem can activate pro-social behaviour (Abu Hatab et al., 2022). Such motivations are closely related to the phenomenon of ethical dissonance, which arises from the tension between maintaining a moral self-image and the temptation to deviate from what one believes is the morally appropriate action (ibid.). To account for these mechanisms, moral norms are considered in this study to represent an internalised sense of obligation to act in accordance with one’s values. Moral norms reflect individuals’ perceptions of what constitutes the ‘right’ behaviour and contribute to maintaining positive self-esteem and a consistent moral self-image (Abu Hatab et al., 2022). Within the context of sustainable investment, these

internalised norms may motivate investors to allocate capital towards environmentally responsible financial products.

When the financial stakes are relatively small, individuals may feel freer to express their social preferences and moral values through their investment choices. However, as the stakes increase, the perceived financial and emotional risks associated with potential losses intensify. This may shift attention away from moral considerations and towards avoiding negative outcomes. In this way, higher stakes may rebalance the trade-off between the moral motivation to contribute to environmental sustainability and the emotional cost associated with potential investment failure. Based on these arguments, we propose the following hypothesis:

Hypothesis 9: A higher investment stake will result in lower activation of moral norms and in higher anticipated regret.

In addition to the main hypothesis testing, this study also includes an explorative heterogeneity analysis to capture potential variations in preferences, treatment effects and the role of moral norms and anticipated regret.

3. Data and method

3.1. Study design

This study was preregistered¹ and targeted Swedish retail investors. In Sweden, half the adult population actively saves in funds and almost all adults own funds once pension fund placements are included (Fondbolagens förening, 2024a). We collected a sample that follows the distribution of the general population with respect to age and gender.

The online survey conducted in June 2024 was administered through a professional panel provider. Participation in the survey was voluntary and based on informed consent. Prior to entering the survey, respondents were informed about the purpose of the study, which was generally formulated around studying the types of equity funds that interest people who save monthly in an investment fund. No sensitive personal

¹ Pre-registration number is #179207 on Aspredicted.org. The formulation of the hypotheses has been refined in the manuscript to enhance clarity, for example, by adding the preference-space expectation to the stated willingness to accept space formulations.

information was collected, and according to the Swedish Ethical Review Authority, studies of this type do not require formal ethical approval.

The survey followed a structured sequence (see Appendix Section C for the complete survey instrument), where respondents first completed screening questions to ensure eligibility for the study (discussed in Section 3.2). This was followed by questions about respondents' investment practices and experience with financial products (Section 3.1.3). Next, respondents were introduced to the attributes and levels used in the discrete choice experiment (Section 3.1.2) and were provided with the scenario context describing the investment decision. The between-subjects experimental treatment variation—high and low investment stake—was introduced at this scenario stage (Section 3.1.1). After completing the choice tasks, respondents answered additional questions capturing control variables and attitudinal measures relevant to the analysis (Section 3.1.3).

3.1.1 Experimental treatment

The choice context was designed to reflect the investment environment of Swedish retail investors, who predominantly allocate their savings to equity funds (Gottlieb and Edenbrandt, 2024; Lagerkvist et al., 2020). The choice scenarios were presented in a simplified but realistic format, balancing clarity with sufficient detail to allow respondents to make informed decisions (Mariel et al., 2021). The investment horizon was framed in line with the Agenda 2030 timeline, and respondents were asked to consider making a fixed monthly contribution to equity funds.

The experimental treatment manipulated the investment stake associated with the decision. Respondents were randomly assigned to one of two groups. In the control group (low-stake), participants were asked to allocate 20% of their monthly equity fund savings to one of two proposed actively managed environmental equity funds (Fund A or Fund B). In the treatment group (high-stake), respondents were asked to allocate 60% of their monthly equity fund savings between the same alternatives. Apart from the investment share, all other aspects of the decision scenario were identical across groups (see Appendix Section C for the full scenario description).

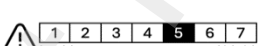
Random assignment ensured comparability between groups, and sample size calculations following de Bekker-Grob et al. (2015) suggest that our stake sub-sample group size of ca. 400 is sufficient to retrieve all non-zero priors with 80% power and at 5% statistical significance.

3.1.2 Discrete choice experiment

Across both groups, we applied a DCE, a stated-preference method based on Lancaster's (1966) theory of economic value and random utility theory (McFadden, 1974). The DCE design was refined through a multi-stage process, beginning with a thorough literature review and followed by qualitative pre-testing using the 'talk-aloud' method (Johnston et al., 2017). A pilot analysis was conducted with 140 respondents in March 2024 to obtain estimated priors for a more efficient choice design and for calibrating questions and information presentation for enhanced clarity.

Participants were presented with choices to allocate a share of their current equity-fund savings to funds that varied only in the fund attributes shown in Table 1. The sustainability-related attributes were selected to reflect emerging green-fund characteristics under recent sustainable finance regulation: environmental objectives were aligned with the ESRS, while management strategy reflects the typology used in Sweden (Svensk Försäkring, 2021). We also included two conventional financial fund attributes: risk classification and expected annual return. These attributes make the choice tasks comparable to ordinary equity-fund decisions and ensure that preferences for environmental fund characteristics are estimated while respondents face explicit financial trade-offs. Previous Swedish DCE evidence on sustainable and responsible equity funds shows that latent investor classes can differ not only in sustainability preferences, but also in their sensitivity to risk exposure and expected return (Lagerkvist et al., 2020). Risk classification and expected annual return therefore entered the design as separate attributes, allowing risk and return sensitivity to be estimated directly. Expected annual return also serves as the monetary attribute used to calculate WTP/WTa estimates. Risk profiles were presented based on the guidelines for Swedish funds (Fondbolagens förening, 2024b). To reduce the number of attributes, and because the study focuses on active green funds, we specified that funds "A and B are both actively managed funds, which typically have a management fee of around 1.4–2.5% per year".

Table 1. Attributes and Levels.

Environmental objective		Transition to circular economy (<i>reference level</i>)
		Pollution prevention and control
		Protection and restoration of biodiversity and ecosystems
		Climate change mitigation and adaptation
Management strategy		Exclude (<i>reference level</i>)
		Select
		Influence
Region of operations		Global (<i>reference level</i>)
		Sweden
		Europe
Environmental performance information		Assured by an auditor (<i>reference level</i>)
		Environmental score issued by a third party
Expected annual return		Return 6%
		Return 9%
		Return 12%
		Return 15%
Risk classification		3 (lower medium)
		4 (medium risk)
		5 (upper medium risk)
		6 (second highest risk)

Notes: The table includes the attribute level names and visual icons as demonstrated to the participants in the description of the attributes and the choice cards. See the Appendix with the full survey instrument for a full presentation of these attributes as shown to the respondents.

The DCE design was developed in Ngene software using a Bayesian D-efficient design approach. Interaction terms between the attributes region and local environmental objectives were included in the design to enable it to better estimate them. This design included a total of 24 choice cards, which were split into four blocks of six choice cards, meaning that each respondent viewed and made choices 6 times (see Figure 1 for an example of a choice card). Each choice card included two neutrally-named unlabelled alternatives (fund A or fund B) and an opt-out alternative akin to the “none of these”.

The opt-out alternative thus refers to no portfolio reallocation, representing the current investment practices of the respondents (more on these in section 3.2). The opt-out represented maintaining the respondent's current portfolio allocation rather than selecting one of the proposed green funds, because the choice task was designed as a reallocation decision into a new green fund rather than a direct comparison between conventional and green-labelled products.

Figure 1. Example of a choice card with two environmental fund alternatives and an opt-out.

Consider carefully all information in the choice situation. **Choose if and how you would invest 60% of your monthly investments into equity funds** if you were to choose in real life.

	Fund A	Fund B	
<i>Environmental objective</i>	 Transition to a circular economy	 Protection & restoration of biodiversity & ecosystems	
<i>Management strategy</i>	 Select	 Exclude	
<i>Region of operations</i>	 Sweden	 Global	Neither A nor B.
<i>Environmental performance information</i>	 Environmental score by a third party	 Assured by an auditor	
<i>Risk classification</i>	 second highest risk class 6	 lower medium risk class 3	
<i>Expected annual return</i>	 Return 12%	 Return 9%	

- ☐ I choose fund A
☐ I choose fund B
☐ If these are the only funds to choose from, I choose none

Note: This example choice card featured the high-stake treatment group.

3.1.3 Other measures

We measured several behavioural and attitudinal variables following the DCE choices. Table A1 of the Appendix presents the various control variables available and indicates

their order (Q. number) in the survey. Of relevance for H9, we considered measures of moral norms (MN, Q35) and anticipated regret (AR, Q34) (Abu Hatab et al., 2022). Besides this, we also measured constructs such as deliberation (Betsch and Kunz 2008, Q29), perceived severity of impacts of environmental problems on one's funds (Q28) and affect heuristic cue (Waters et al. 2023, Q18b). AR, MN and all other control variables measured as factor scores from the factor analysis have good psychometric properties. For example, moral norms factor score of 4 retained measurement items has a Cronbach's alpha of 0.85 and a single factor with eigenvalue of 2.3, while the anticipated regret factor score of 3 measurement items has Cronbach's alpha 0.86 and a single factor eigenvalue of 1.92.

3.2. Data collection and participants

The sample consists of 804 respondents. The demographic composition (see Table 2) is representative in terms of gender and age by design. Our sample is also similar to the population of Swedish retail investors in terms of monthly saving amount per age groups (Table A2 in the Appendix) and on average (our respondents save 2,117 SEK a month vs. general investors' 2,270 SEK). The median response time was 14 minutes and an average of 24 minutes. For external validity to the target group of active investors (Mariel et al., 2021), we retained² respondents with investment experience in equity-, interest-, or mixed funds, investing monthly and in equity funds, but not in a professional capacity.

Table 3 shows summary statistics for selected investment variables. Respondents invest monthly and predominantly in equity funds, such as those in focus in this study. Around 50% manage between two and five funds, and almost 11% hold more than 10 funds. 31% of the respondents have already invested in sustainable funds, of which

² Screening involved: individuals working professionally with investments (N=186, Q21 of Appendix Section C), lacking investment experience in equity, interest, or mixed funds (N=108, Q3), not engaging in monthly investments (N=115, Q4) or investments in equity funds (N=18, Q5), respondents who failed an early attention check (N=187, Q6.3), amounting to 604 respondents. A large number of professional investors screened is likely due to profiling applied by the market research company towards respondents holding equity funds.

environmental sustainability was the most considered aspect, emphasising the relevance of our ex-ante experimental analysis.

Table 2. Socio-demographics.

Characteristics					
Age			Gender		
18-25	76	(9.5%)	Male	405	(50.4%)
26-35	162	(20.1%)	Female	397	(49.4%)
36-45	145	(18.0%)	Non-binary	2	(0.2%)
46-55	145	(18.0%)	Others	0	
56-65	144	(17.9%)	Annual income		
66-75	132	(16.4%)	Under SEK 100k	46	(5.7%)
City size			SEK 100k – 199k	61	(7.6%)
More than 150k inhabitants	273	(34.0%)	SEK 200k – 299k	103	(12.8%)
50k– 150k inhabitants	217	(27.0%)	SEK 300k – 399k	175	(21.8%)
10k– 50k inhabitants	164	(20.4%)	SEK 400k – 499k	163	(20.3%)
Less than 10k inhabitants	139	(17.3%)	SEK 500k – 599k	99	(12.3%)
Don't know	10	(1.2%)	SEK 600k – 699k	53	(6.6%)
Level of education			SEK 700k – 799k	25	(3.1%)
Elementary school or equivalent	22	(2.7%)	SEK 800k – 899k	17	(2.1%)
High school or equivalent	311	(38.7%)	SEK 900k – 999k	7	(0.9%)
College/university ≤ 3 years	180	(22.4%)	Over SEK 1,000k	21	(2.6%)
College/university > 3 years	281	(35.0%)	Don't know	12	(1.5%)
Other	9	(1.1%)	Prefer not to say	21	(2.6%)

Note: The sample was by design representative of the Swedish population in age and gender. N=804 for age and gender, and 803 for other variables in Table 2. 1 SEK was ca. 0.088 EUR at the time of data collection.

Table A1 of the Appendix further shows that the majority rate their knowledge of sustainability criteria and investment options as low to moderate. Respondents do not have a negative view of sustainable investments and often see them as comparable in risk and return to conventional investments, though generally with a slight inclination towards higher returns and higher risks.

Table 3. Respondent investment practices (n=804).

Variable	Share	Variable	Share
Instruments ever used:		Average monthly hours spent on investment management:	5
Equity funds	0.728	Average equity funds' share of all investments for those with equity funds (N=660):	0.570
Interest rate funds	0.304	Invested in sustainability-oriented funds	
Mixed funds	0.457	Yes	0.307
Funds, but not sure which	0.468	No	0.351
Stocks	0.616	Don't know	0.342
Others	0.081	Of those with sustainable investments (N=247), which all sustainability aspect(s) have been considered in investments:	
Average monthly investment in funds:		Environment	0.704
1 – 500 SEK	0.215	Society	0.364
501 – 1,000 SEK	0.207	Corporate governance	0.219
1,001 – 2,000 SEK	0.216	None of the above	0.121
2,001 – 3,000 SEK	0.122	Don't know	0.053
3,001 – 4,000 SEK	0.062	Of those with sustainable investments (N=247), which all sustainable information types have been considered:	
4,001 – 5,000 SEK	0.054	Sustainability disclosure	0.372
5,001 – 7,000 SEK	0.042	indicators or news media coverage	
7,001 – 10,000 SEK	0.029	Sustainability label or ranking	0.551
10,001 – 17,000 SEK	0.025	Sustainability fund theme	0.364
More than 17,000 SEK	0.008	Fund industry or region	0.385
Don't know'	0.019	None of the above	0.049
Prefer not to say	0.002	Don't know	0.032
Planned investment holding period:			
Until 1 year	5.22		
1 - 5 years	23.63		
5 - 10 years	25.25		
10 - 15 years	13.31		
15-30 years	16.79		
More than 30 years	6.09		
Don't know	8.96		
Prefer not to say	0.75		

Notes: N = 804 respondents unless otherwise indicated. Around 50% manage between two and five funds, and almost 11% hold more than 10 funds.

3.2.1 Data quality

Besides ensuring the representativeness of the sample and conducting screening of participants, we undertook several other steps to ensure data quality. To ensure understanding of the attributes, we included a true-or-false test question for each attribute and the respondents who failed at least one were shown the attribute description again and repeated the test questions, resulting in no errors during the second round of tests. We included a cheap-talk in the scenario description (Carlsson et al., 2005) as one of ex-ante approaches to address the hypothetical bias in stated

preference experiments (Lagerkvist et al., 2026). We also assessed the perceived credibility (Welling et al., 2022, Q18) of the proposed funds, finding that 52% of respondents find them rather or very likely to become available for investments, compared to 16% who find them rather or very unlikely, with the rest unsure. As an additional measure, we implemented the approach by Malone & Lusk (2018) to identify so-called zero-utility respondents. We thus constrain systemic utility to zero for all attributes for the latent class with random choices (Lagerkvist et al., 2020).

3.3 Analysis

To test hypotheses H1–H4, we estimate mixed logit (MXL) models, which retain one random choice class (Malone & Lusk, 2018) and allow the opt-out parameter to be normally distributed. The parameters are estimated using the maximum simulated likelihood method with 1000 modified Latin hypercube sampling (MLHS) draws in R using Apollo package (Hess & Palma, 2019). To test H5-6 regarding stake sizes, we compare preferences across the treatment groups. For a more detailed explanation of the models, see Appendix Section A. Because preference coefficients estimated in separate choice models are not directly comparable across treatment groups, treatment comparisons relevant for H5-H8 are based on return-equivalent ratios using expected annual return as the monetary attribute. These ratios express each attribute's valuation in percentage points of expected annual return. Differences between the high- and low-stake groups are tested using Poe tests, which compare the simulated distributions of these return-equivalent estimates (Poe et al., 1994, 2005).

To test H9 regarding moral norms and anticipated regret, we conduct t-tests and Mann–Whitney for these variables across the high and low stake samples (Table 4). To further explore preference heterogeneity with respect to the variables tested in H9, we also estimate a Latent Class Logit (LCL) model where variables are included in the membership function determining the probability of belonging to a certain latent class.

4. Results

4.1 Systematic preferences and scale heterogeneity

As a first step, we test whether the control (low-stake) and treatment (high-stake) groups differ systematically, or whether they can be pooled, following the approach of Swait and Louviere (1993). Likelihood-ratio tests³ comparing the pooled model with the separately estimated treatment and control models reject the null hypothesis of parameter equality across groups ($LR \chi^2 = 45.79$, $df = 16$, $p = 0.0001$). These findings hold when controlling for scale differences across treatments and including treatment interactions for the hypothesised attributes, with expected return included to preserve the interpretation of the risk-return trade-off. We therefore proceed with separate models for each treatment group in Section 4.2. The estimates, including the pooled models with and without treatment interactions and scale, are reported in Appendix Table A3.

4.2 Preferences for emerging green fund attributes

Table 5 shows the mixed logit estimates for attribute preferences for the low-stake and high-stake subsamples, using a specification with one random class and a normally distributed opt-out term.

Within the low- and high-stake subsamples, the support for Hypothesis 1 is limited. Relative to the reference category of circular economy, biodiversity and climate change do not receive positive and statistically significant coefficients in either model. The estimated coefficient for Pollution prevention and control is positive but insignificant in the low-stake sample and negative, though only weakly significant, in the high-stake sample. Similarly, Hypothesis 2a is not supported by the main effects for region of operations and expected impact. There is no general preference for geographically closer operations relative to the global reference category. In the high-stake model, both Sweden and Europe are associated with negative and statistically significant

³ The LR-statistic was computed as $-2 \times (LL_{pooled} - (LL_{lowstake} + LL_{highstake}))$, where LL denotes the log-likelihood of the respective model. The degrees of freedom were calculated as $K_{lowstake} + K_{highstake} - K_{pooled}$, where K represents the number of estimated parameters in each model.

coefficients, indicating that Global operations are preferred when a larger portfolio share is allocated to the green fund.

Table 5: Mixed logit estimates in preference space for high- and low-investment groups.

Attribute	Level	Hyp.	Low-stake sample estimates [z-val]	High-stake sample estimates [z-val]
Environmental objective	Pollution prevention and control	H1 (+)	0.19 [1.16]	-0.26 [-1.66]
	Biodiversity	H1 (+)	0.18 [1.25]	-0.06 [-0.39]
	Climate Change (ref.: circular economy)	H1 (+)	0.02 [0.27]	0.11 [1.36]
Region of operations	Sweden	H2a (+)	-0.05 [-0.48]	-0.25 [-2.11]
	Europe (ref.: global)	H2a (+)	0.08 [0.78]	-0.28 [-2.38]
Management strategy	Select	H3 (+)	0.17 [2.49]	0.36 [5.07]
	Influence (ref.: exclude)	H3 (+)	0.13 [1.53]	0.35 [3.79]
Environmental performance information	Third-party score (ref.: assured)	H4 (+)	0.05 [0.87]	0.04 [0.66]
Risk classification			-0.23 [-6.68]	-0.31 [-8.57]
Expected annual return			0.14 [10.90]	0.13 [8.62]
Opt-out			-3.22 [-7.35]	-4.47 [-5.47]
St. dev. of opt-out			2.29 [6.47]	3.62 [5.40]
<u>Attribute Interactions</u>				
	Pollution x Sweden	H2b (+)	-0.39 [-1.92]	0.34 [1.65]
	Pollution x Europe	H2b (+)	-0.10 [-0.62]	0.21 [1.33]
	Biodiversity x Sweden	H2b (+)	0.35 [2.18]	0.08 [0.50]
	Biodiversity x Europe	H2b (+)	0.08 [0.46]	0.45 [2.55]
Delta (random class intercept)			2.60 [5.48]	2.43 [4.70]
Random class share			0.07	0.08
N observations			2400	2424
N individuals			400	404
Loglikelihood			-1949.59	-1988.17

Notes: Bold numbers are significant at the 5%-level. Robust z-val, 1000 Modified Latin Hypercube Sampling draws.

The interaction terms, however, provide support for Hypothesis 2b. In the low-stake sample, the interaction between biodiversity and Sweden is positive and statistically significant, while in the high-stake sample the interaction between biodiversity and Europe is positive and significant. By contrast, the pollution-region interactions are not statistically significant in either subsample.

The clearest within-sample results concern management strategy. Relative to Exclusion, Select and Influence strategies are positive and statistically significant in both subsamples. These findings support Hypothesis 3 and indicate that respondents value more active sustainability strategies over negative screening. By contrast, Hypothesis 4 is not supported: the coefficient for third-party environmental scores is small and statistically insignificant in both models, suggesting no clear preference relative to assured company data.

The financial attributes behave as expected in both subsamples. Expected annual return enters positively and significantly, whereas risk classification is negative and highly significant, indicating that respondents require compensation in the form of higher expected return to accept greater risk.

The opt-out constant is negative and significant in both models, implying that, on average, the choice probability is higher for the presented funds. The positive, significant standard deviation of the opt-out term indicates substantial heterogeneity in participation propensities. Descriptive results for all the respondents also suggest that the green fund alternatives attracted substantial overall interest: only 8.92% of all choices were opt-outs, while in terms of respondents, 13.5% of them opted out at least once and 3.5% more than once - indicating a generally favourable view of the proposed funds. Furthermore, the positive and significant delta parameter indicates the presence of a small additional random choice class, accounting for approximately 7-8% of respondents in both subsamples, warranting this approach to ensuring data quality.

4.3 Role of investment stake size

To facilitate comparisons across the treatment groups and address Hypotheses 5-8, Table 6 presents WTP/WTa estimates and PoE test differences between the low- and high-stake groups. Because the monetary attribute is expected annual return, these estimates express preferences in percentage points of return received by investors. Positive values indicate the amount of expected return respondents are willing to forego to obtain an attribute level (WTP). Negative values indicate the additional expected return respondents would require to accept an attribute level (WTa). For example, in the low-stakes group, respondents would be willing to forego 1.22

percentage points of expected annual return for the Select management strategy relative to the Exclude strategy, all else equal.

Table 6: Comparison between low- and high-stake groups.

Attribute	Low-stake Mean WTP/WT [95% CI]	High-stake Mean WTP/WT [95% CI]	Poe test p-value
Pollution prevention and control	1.38 [-0.70; 3.44]	-2.05 [-4.25; 0.09]	0.024
Biodiversity	1.32 [-0.75; 3.34]	-0.45 [-2.74; 1.82]	0.252
Climate Change	0.16 [-1.03; 1.33]	0.87 [-0.39; 2.11]	0.419
Select	1.22 [0.15; 2.28]	2.84 [1.71; 3.98]	0.041
Influence	0.91 [-0.17; 1.96]	2.72 [1.54; 3.91]	0.025
Third-party score	0.34 [-0.40; 1.06]	0.28 [-0.51; 1.05]	0.928
Sweden	-0.34 [-1.79; 1.12]	-1.93 [-3.51; -0.32]	0.147
Europe	0.59 [-1.10; 2.26]	-2.17 [-4.18; -0.27]	0.035
Risk	-1.72 [-2.07; -1.36]	-2.44 [-2.86; -2.05]	0.005
Opt-out	-23.71 [-31.03; -17.08]	-34.86 [-46.19; -24.36]	0.091
Pollution prevention and control x Sweden	-2.86 [-5.68; -0.11]	2.664 [-0.44; 5.71]	0.009
Pollution prevention and control x Europe	-0.74 [-3.38; 1.82]	1.68 [-1.07; 4.42]	0.210
Biodiversity x Sweden	2.53 [-0.18; 5.18]	0.63 [-2.33; 3.63]	0.341
Biodiversity x Europe	0.60 [-2.09; 3.30]	3.47 [0.39; 6.49]	0.157

Note: Numbers in brackets are 95 percent confidence intervals. WTP/WT estimates are obtained with Krinsky and Robb method with 10,000 repetitions.

Hypothesis 5, expecting differences in the opt-out alternative, is not supported. The Poe test does not indicate a statistically significant difference in the opt-out estimate between the low- and high-stake groups at conventional levels ($p = 0.091$). In both groups, the opt-out estimate is negative, indicating that respondents would require additional expected return to choose the opt-out alternative. However, and importantly, the estimate is more negative in the high-stakes group than in the low-stakes group (-34.86 versus -23.71). This suggests that respondents were, if anything, less inclined

to opt out when the allocation to the green fund was larger, although this pattern should be interpreted with caution given the weak statistical evidence.

The strongest support emerges for Hypothesis 6, expecting differences in risk preferences. In both treatments, respondents would need ca. 2-3 percentage points of additional expected return to accept one higher risk class, but the required compensation is significantly larger in the high-stakes group (-2.44 versus -1.72 percentage points; Poe $p = 0.0054$). This indicates that higher stakes amplify sensitivity to financial risk.

Furthermore, Hypothesis 7, expecting differences in preferences for Select and Influence strategies, is supported. The return-equivalent valuations of Select and Influence are positive in both groups, indicating that respondents are willing to forego expected annual return for these attributes relative to the reference category of Exclude strategy. They are larger in the high-stakes group, and the Poe tests indicate statistically significant differences across treatments ($p = 0.0410$ and $p = 0.0248$, respectively). This suggests that, once respondents consider participating, they place greater value on active sustainability strategies when the investment decision involves a larger share of the portfolio.

Hypothesis 8, expecting differences in preferences for third-party environmental scores, is not supported. The return-equivalent valuation of third-party benchmarked environmental score is not statistically significantly different from zero, as suggested by the confidence intervals, and with no statistically significant difference between the treatment groups ($p = 0.928$). Hence, higher investment stakes do not appear to increase respondents' valuation of this benchmarked score.

Finally, the evidence for environmental objectives remains mixed. Preferences for pollution prevention and control differ significantly across groups in the Poe test ($p = 0.024$), whereas preferences for biodiversity and climate change do not. The region and interaction terms also do not show a general shift toward stronger preferences for local impact under higher stakes. Instead, they suggest more context-specific changes. Europe is valued negatively in the high-stakes group and differs significantly across groups, while the pollution prevention and control $\times$ Sweden interaction also differs significantly across groups. By contrast, the remaining local-impact interactions do not

differ statistically between treatments. Overall, the results suggest that increasing stake size primarily sharpens aversion to financial risk and raises the salience of active management strategies, while leaving preferences over environmental objectives more contingent and less stable.

4.4 Role of moral norms, anticipated regret and other behavioural controls

To test hypothesis 9 that a higher investment stake lowers moral norm activation and increases anticipated regret, we first compare these constructs across the low- and high-stake groups. Because both constructs are non-normally distributed, we use two-sample Wilcoxon rank-sum tests. Neither moral norms nor anticipated regret differ significantly between the treatment groups (moral norms p-val. 0.8; anticipated regret: p-val. 0.29, Appendix Table A1). The hypothesis is therefore not supported. The same absence of treatment-group differences is observed for the other measured behavioural constructs, including deliberation, perceived severity of environmental problems for one's fund investments, psychological distance, and the affective evaluation of the proposed funds relative to current holdings. Because these measures refer to environmental equity funds in general, rather than to each specific choice situation, this result should be interpreted as an absence of treatment-level differences in the measured constructs, not as evidence that moral or affective considerations are irrelevant for green fund choices (both moral norms and anticipated regret vary significantly among respondents who hold or do not hold any sustainable investments).

As an exploratory step, we then examine whether these constructs help explain preference heterogeneity within each stake condition. We estimated candidate latent class models with varying numbers of classes and alternative sets of class-membership predictors. Details of the model-selection process are reported in the Appendix Table A4.

Unlike the mixed logit models reported above, these latent class models are estimated on the full estimation sample within each stake condition and without an additional all-zero random-choice class. When such a random class was included in latent class specifications, it absorbed relatively large shares of respondents, for example over 19% in the high-stake sample (Appendix Table A5). This suggests that the all-zero

class was likely capturing structured low-sensitivity preferences rather than purely random choices. We also tested alternative response-duration indicators as class membership predictors, but these were not statistically significant and were therefore omitted.

Based on fit statistics, convergence, and interpretability, we retained a three-class model for the high-stakes subsample and a two-class model for the low-stakes subsample. In the class membership equations, Class 1 is the normalised reference class required for identification; the reported covariate coefficients therefore indicate how each predictor changes the probability of belonging to the other class(es) relative to Class 1.

The high-stakes group panel a) of Table 7 shows substantial preference heterogeneity. Class 1, comprising approximately 35% of respondents, is mainly return-sensitive: expected annual return is positive and statistically significant, while risk classification is not significant at the 5% level. While this class has a negative preference for Europe as the region of operations per se, once biodiversity is the specific objective for impact in this region, the preference becomes positive, as evidenced by the significant interaction between biodiversity and Europe. Class 2 is small, comprising approximately 8% of respondents, and is characterised primarily by risk aversion: risk classification is negative and significant, while none of the environmental objectives, management strategies, or regional attributes are statistically significant. Relative to Class 1, higher anticipated regret and more time spent on investment management increase the likelihood of belonging to Class 2, whereas stronger moral norms and a more positive affective evaluation of the proposed funds relative to current holdings reduce it. Class 3 is the largest high-stakes class, comprising approximately 57% of respondents. This class combines positive and significant preferences for both Select and Influence strategies over the Exclude strategy, a strong negative opt-out coefficient, indicating willingness to choose one of the proposed green funds, and a strong negative coefficient for risk classification. Respondents spending more hours on investment management, being older, being women, and respondents reporting lower average returns on their current investments are more likely to belong to Class 3 than to Class 1.

Table 7: Preference heterogeneity: Latent Class Logit models with class membership predictors.

	Class 1:		Class 2:		Class 3:	
Panel a) High-stake sub-sample						
Class Share	0.354		0.083		0.567	
	Est.	Rob.z-val.	Est.	Rob.z-val.	Est.	Rob.z-val.
Env. Obj.: Pollution	-0.25	-0.73	-1.05	-1.11	0.00	-0.01
Env. Obj.: Biodiversity	0.06	0.17	-0.83	-1.28	-0.06	-0.33
Env. Obj.: Climate Change	0.15	0.81	-0.19	-0.32	0.14	1.18
Strategy: Select	0.14	0.71	-0.56	-1.02	0.62	5.72
Strategy: Influence	-0.06	-0.27	-0.30	-0.94	0.54	4.62
Env. perf. info.: Third-party score	0.01	0.05	0.52	1.29	0.01	0.10
Region of operations: Sweden	-0.38	-1.82	-0.11	-0.23	0.00	0.02
Region of operations: Europe	-0.63	-1.96	0.03	0.06	-0.03	-0.18
Risk classification	-0.16	-1.41	-0.49	-2.42	-0.41	-7.26
Expected annual return	0.32	5.27	-0.05	-0.94	0.04	1.89
Opt-out	-1.12	-1.49	-1.16	-0.99	-2.87	-9.08
<i>Attribute interaction:</i>						
Biodiversity in Europe	1.38	2.01	0.29	0.27	0.24	1.08
<u>Class membership predictors:</u>						
Anticipated regret	0	.	1.17	2.10	0.02	0.08
Moral norms	0	.	-1.49	-2.41	0.40	1.34
Perceived severity of env. problems	0	.	0.41	1.60	0.04	0.22
Inv. feels better than current funds	0	.	-0.49	-2.98	-0.05	-0.39
Deliberation	0	.	-0.24	-0.77	-0.24	-0.99
Psychological distance	0	.	-0.15	-0.47	-0.14	-0.68
Hours spent on investments monthly	0	.	0.07	2.41	0.07	2.48
Female	0	.	0.29	0.46	0.87	2.20
Age	0	.	0.02	1.08	0.02	1.96
Average return on current invest.	0	.	-0.03	-0.66	-0.08	-2.77
Intercept	0	.	-1.76	-1.77	-0.49	-0.61
Panel b) Low-stake sub-sample						
Class Share	0.593		0.407			
	Est.	Rob.z-val.	Est.	Rob.z-val.		
Env. Obj.: Pollution	0.10	0.52	-0.16	-0.82		
Env. Obj.: Biodiversity	0.40	2.23	-0.17	-0.80		
Env. Obj.: Climate Change	0.12	0.77	-0.26	-1.59		
Strategy: Select	0.05	0.37	0.34	2.12		
Strategy: Influence	0.04	0.26	0.40	2.45		
Env. perf. info.: Third-party score	0.11	1.19	-0.12	-0.95		
Region of operations: Sweden	-0.13	-0.82	-0.09	-0.57		
Region of operations: Europe	-0.15	-0.82	0.45	3.23		
Risk classification	-0.02	-0.33	-0.52	-4.76		
Expected annual return	0.20	4.88	0.02	0.81		
Opt-out	-1.28	-2.20	-2.83	-6.08		
<i>Attribute interaction:</i>						
Biodiversity in Sweden	0.25	0.91	0.51	1.78		

Class membership predictors:

Anticipated regret	0	.	0.48	1.44
Moral norms	0	.	-0.02	-0.08
Inv. feels better than current funds	0	.	-0.30	-2.48
Psychological distance	0	.	-0.16	-0.82
Female	0	.	0.78	2.63
Consider environment now in inv.	0	.	-1.40	-2.70
Investment horizon	0	.	-0.31	-2.37
Intercept	0	.	1.26	2.69

Note: Bold numbers are significant at the 5%-level. Panel a) LL (-1880.02), BIC (4211.9), AIC (3876.4, N individuals 403, N choices 2418. Panel b) LL (-1895.4), BIC (4039.86), AIC 3854.8), N individuals 400, N choices 2400.

Next, panel b) of Table 7 shows that preference heterogeneity in the low-stake subsample is captured by two classes. Class 1, comprising approximately 59% of respondents, has a significant positive preference for biodiversity relative to the circular economy and a positive preference for expected annual return. The negative opt-out coefficient indicates a general willingness to choose one of the proposed green funds, while risk classification is not statistically significant. Class 2, comprising approximately 41% of respondents, displays a more strategy- and risk-oriented preference pattern. Respondents in this class have significant positive preferences for Select and Influence strategies, a positive preference for Europe relative to Global, and a strong negative preference for risk. The opt-out coefficient is also negative and significant, indicating willingness to reallocate to the proposed funds. The biodiversity-Sweden interaction is positive but only marginally significant. Being female increases the likelihood of belonging to Class 2 relative to Class 1, whereas a more positive affective evaluation of the proposed funds relative to current holdings, having already considered environmental aspects in investments, and having a longer investment horizon reduce the likelihood of Class 2 membership.

Overall, the latent class results show that the behavioural variables explain class membership. In the high-stakes subsample, anticipated regret increases the likelihood of belonging to the small risk-averse class, while stronger moral norms and a more positive affective evaluation of the proposed funds relative to current holdings reduce it. In the low-stakes subsample, moral norms and anticipated regret do not significantly predict class membership, but the affect heuristic proxy does: respondents who evaluate the proposed funds more favourably than their current holdings are less likely to belong to the strategy- and risk-oriented class. Thus, although Hypothesis 9 is not

supported at the treatment level, moral norms, anticipated regret, and affective evaluations remain relevant for characterising latent preference heterogeneity.

5. Concluding discussion

This study examined how Swedish retail equity-fund investors evaluate emerging green-fund attributes and how these preferences change as the investment stake increases. The findings contribute to experimental sustainable finance in three ways: a) by identifying preferences for emerging green-fund attributes, like less established environmental objectives of biodiversity, pollution and circularity and their impact location proxy, b) by testing whether higher investment stakes matter for preferences and invoked values and emotions and c) by showing how such moral norms, anticipated regret and affect heuristic help explain heterogeneity of preferences for environmental equity funds.

5.1 Positive screening and engagement towards closer biodiversity impact

Addressing the first research question on preferences for green equity fund features, our results indicate substantial overall interest in the proposed green funds, including funds targeting less established EU Taxonomy objectives such as circular economy, pollution prevention and control, and biodiversity. The opt-out constant is negative and significant in both models, implying that respondents were generally more likely to choose one of the presented funds than to opt out. However, the mixed logit results provide limited support for significant prioritisation among specific environmental objectives of the EU Taxonomy. Relative to the more nascent circular economy objective, the coefficients for climate change, biodiversity, and pollution prevention and control are not consistently positive and significant. This may suggest that once a respondent is interested in the environmental domain of the fund, the choices appear to depend more on how the objective is implemented through financial risk, expected return, management strategy and region of operations. This nuance is relevant given the increasing breadth of sustainable-finance regulation and disclosure beyond climate change (Allevi et al., 2019; Hales, 2023; Steffen et al., 2015).

Preferences for environmental objectives become more nuanced once we consider their interaction with the region of operations and expected impact, an attribute motivated by regulatory developments such as the CSDDD and the ESRS. The preference for Sweden and Europe on its own does not support a general home-bias interpretation, despite earlier evidence that investors often prefer domestic or close-to-home investments (e.g., Baltzer et al. 2013). In the high-stakes model, both closer regions are valued negatively relative to the global reference category. However, our attribute captures the region of operations and expected environmental impact rather than headquarters or listing location. The interaction effects with the environmental objectives thus provide a more specific interpretation. Biodiversity becomes more attractive when linked to Sweden in the low-stake sample and to Europe in the high-stake sample, while similar patterns are not observed for pollution. Thus, proximity does not appear to matter as a general attribute of green funds; rather, it matters conditionally when the environmental objective is perceived as spatially bounded and relevant. This conditional proximity effect is consistent with psychological-distance arguments (Liu & Yang, 2023), but it also shows that proximity effects should not be assumed to operate uniformly across environmental objectives. One possible explanation is that pollution prevention may be perceived as more regulatory-driven or less salient in the Swedish context. Descriptive severity ratings are consistent with this interpretation, as more respondents rated biodiversity loss as severe or very severe than air, water, and soil pollution.

Our findings regarding strong preference for positive screening and active engagement align with earlier evidence (Berry and Junkus 2013; Lagerkvist et al. 2020; Agapova et al. 2025). We extend this evidence to a setting where strategy is linked to specific environmental objectives within an environmental equity-fund choice experiment, rather than when different ESG foci of the funds are compared (Lagerkvist et al. 2020) or not considered. Preferences for positive screening and engagement are also stronger when the investment stake is high.

By contrast, we find no significant preference for funds that base allocation decisions on third-party environmental scores rather than auditor-assured company information. This result adds nuance to prior evidence that investors respond to salient sustainability ratings and fund-level sustainability signals (Hartzmark & Sussman,

2019). In our experiment, respondents did not choose between a fund with and without sustainability information. Instead, they compared two types of information that could both support a fund manager's allocation decisions, of which company data was articulated as assured given the recent requirements of CSRD. The absence of a significant difference suggests that third-party scores do not necessarily add value once they are compared with independently assured company data. This is consistent with concerns about ESG rating disagreement and methodological opacity (Arena et al., 2025; Berg et al., 2022), as well as some experimental evidence that third-party sustainability ratings may not offset other sustainability-performance information (Nipper et al., 2025). It may also reflect the fact that respondents could expect a competent fund manager to consider several information sources simultaneously.

5.2 Stake size, risk and behavioural implications

Our research also asked, on the one hand, whether the widening variety of green investment options leads to variation in what investors prioritise, i.e. systematic preferences, and/or complexity and difficulty of making decisions. On the other hand, we wanted to see whether and how the relative size of the investment plays a role. The findings indicate that increasing the investment stake changes systematic preferences. For experimental sustainable finance, this is important because stake size is often treated as a background feature of the scenario (e.g., Gottlieb and Edenbrandt 2024; Lagerkvist et al. 2020) or is captured by a generally small endowment (e.g., Bonnefon et al. 2025; Chew and Li 2026) rather than as a significant determinant of investment preferences. Our findings suggest that investment size matters for average respondents and especially for variation in preferences. More broadly, analysing stake-size effects can help to address concerns about the external validity of experiments (Karagözoğlu and Urhan, 2017).

Conceptually, we do not find that higher stakes reduce participation in green funds in the expected direction. The opt-out estimate is negative in both groups, indicating a general willingness to choose one of the proposed green funds, and the cross-group difference is not statistically significant. If anything, the more negative opt-out estimate in the high-stakes group suggests that respondents were less inclined to opt out when the reallocation share was larger, although this should be interpreted cautiously given

weak statistical significance. This contrasts with a simple crowding out interpretation in which higher stakes reduce pro-environmental investment behaviour. It also extends Bonnefon et al. (2025), who find no change in prosocial investment preferences when stakes are increased from a low baseline. In our setting, higher stakes matter, but they affect specific fund attributes rather than producing a general retreat from green investment.

The strongest stake effect is increased risk sensitivity. Respondents in both treatments require additional expected return to accept a higher risk class, but the required compensation is significantly larger in the high-stake group. This supports the expectation that a larger portfolio share increases the salience of financial risk and is consistent with evidence on stake-dependent risk aversion and the “peanuts effect” (Fehr-Duda et al., 2010; Markowitz, 1952; Prelec & Loewenstein, 1991; Weber & Chapman, 2005). Importantly, stronger risk aversion does not eliminate interest in green funds. Instead, higher stakes simultaneously increase risk compensation demands and strengthen preferences for proactive management strategies.

The results for moral norms, anticipated regret, and affect heuristic (feeling better about green funds compared to current investments) further nuance stake-size findings. We find no support for the hypothesis that higher stakes directly lower moral norm activation or increase anticipated regret. However, the latent class models show that these two constructs, together with the affect heuristic, help explain preference heterogeneity in the high-stake sample. A latent class comprising roughly 8% of respondents in the high-stakes group is primarily risk-averse, and membership in this class is positively associated with anticipated regret and negatively associated with moral norms and perception of proposed funds as “better”. In the low-stakes sample, heterogeneity is instead organised around a biodiversity-and-return-oriented class and a strategy-and-risk-oriented class, with only the affect heuristic, but not moral norms or anticipated regret, serving as heterogeneity predictors among behavioural constructs. These findings are consistent with literature showing that values, regret and affective considerations shape sustainable investment behaviour (Abu Hatab et al., 2022; Chew & Li, 2026; Delsen & Lehr, 2019; Riedl & Smeets, 2017), but they indicate that such constructs operate more as sources of preference heterogeneity,

predicting who becomes risk-averse, strategy-oriented or environmentally oriented under different stake conditions.

5.3 Practical implications, limitations and future research

For practitioners, the findings suggest that attracting retail capital to green funds requires more than environmental labelling (Sanctuary et al., 2025). Respondents value positive screening and shareholder engagement, especially when more of their portfolio is at stake, but they also become more sensitive to risk. This suggests that funds that emphasise positive screening and active engagement management strategies, coupled with lower risk, would be more suitable candidates for efforts to redirect larger green investment flows, especially among women (e.g., Gottlieb and Edenbrandt, 2024). For regulators and disclosure standard-setters, the results highlight the importance of connecting sustainability disclosures to fund-level decision processes in ways that retail investors can understand and compare, with assurance of company environmental data not appearing as statistically significant in our studied context.

Our study faces several limitations inherent in stated preference elicitation. Although we used ex-ante mitigation to reduce hypothetical bias (Lagerkvist et al., 2026) and respondents viewed the proposed novel funds as realistic (Welling et al., 2022), actual market behaviour may differ from stated choices. Future research should therefore compare these findings with observed fund flows where comparable attributes are available, and with incentivised experimental designs for fund characteristics that are not yet widely observable in the market. Finally, future research could examine impact characteristics more directly by varying the magnitude, location, and verification of impact, and by testing novel data-driven metrics of company- or third-party-assessed impacts, including their positive and negative dimensions, as well as likelihood, severity, and irreversibility promoted in sustainability reporting regulations. Our results suggest that impact proximity matters most when linked to specific objectives such as biodiversity, but the mechanisms behind this pattern require further testing.

Overall, the study shows that retail investors are receptive to environmental equity funds, but their preferences are conditional on financial risk, proactive fund strategy, and heterogeneous moral and affective responses under higher stakes.

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