STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

January 22, 2025

This Week: Strive CEO Matt Cole joins Maria in the Morning to discuss market predictions; Net zero group suspends operations; The Bitcoin Brief unpacks wrapped BTC.

What could the next four years look like for markets?

Watch Strive CEO Matt Cole join Maria in the Morning to to share why expectations for the Trump presidency might not be as priced in as many think.

Watch Here

Net Zero Asset Managers Suspends Operations

The Net Zero Asset Managers Initiative (NZAM) is suspending operations following BlackRock's departure, Reuters reported last week.

Catch Me Up Quick:

- The UN-backed group was created to allow asset managers to coordinate on how to fast-track the companies they invest in to net zero carbon emissions.
- In recent years, however, the group has come under scrutiny from antitrust regulators who allege that the collusion drives down fossil fuel production, raising prices for consumers.
- It has also faced criticism from pro-investor organizations, like Strive, who believe that the groups' members, including BlackRock, State Street and Vanguard, often used their clients' investments to pursue environmental goals rather than financial gains, often without their clients' consent.
- Over the past several months, there have been a string of departures from the organization, culminating with BlackRock's exit a week and a half ago.

The Suspension: Following BlackRock's departure, NZAM announced it was reviewing its activities and "suspending activities to track signatory implementation and reporting." NZAM also said it would "remove the commitment statement and list of NZAM signatories from its website, as well as their targets and related case studies, pending the outcome of the review."

The Group Disbands, But Its Mission Lives On: Nearly all of the asset managers who left NZAM have promised to continue the group's climate-focused mission on their own. That's a problem. Pressuring corporate America to ditch fossil fuels and adopt environmental causes isn't rocket science. These asset managers have already colluded; the playbook is written. They don't need regular meetings to keep them on track. So while the suspension—or even disbandment—of NZAM would be welcome news to our ears, in our view, investors won't be fully protected until NZAM's former signatories promise to abandon this financially ill-advised mission in its entirety.

Meta Chooses Merit

Big changes are underway at Meta, including abolishing DEI, depoliticizing business decisions, and firing the lowest performing 5% of workers as the company aims to "raise the bar," the Wall Street Journal reports.

Changes Underway: Changes at Meta range from hiring based solely on merit, rather than race and gender, to significantly reducing the amount of censorship on its platform.

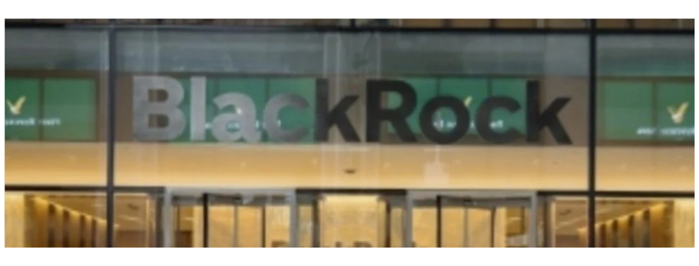
Changes at Meta

	Old	New
Hiring Quotas	100% increase in women, Black and Hispanic employees globally 30% increase in POC in U.S. leadership	None
Firing Practices	Manage out low performers over the course of a year; no set targets	Lay off lowest 5% performing staff; backfill positions based on merit
Depoliticize Business Decisions	Made censorship decisions in response to political pressure content moderators based in California	Pledged to promote free speech on platform mods based in Texas to reduce bias
Board Appointees	Touted race- and gender diversity of board members and nominees	Touted business success of new directors, no mention of race or gender

Source: Strive Asset Management. Data from https://scontent-lga3-2.xx.fbcdn.net/v/t39.8562-6/10000000_1974692352892843_2880908794103790486_n.pdf; https://d18rn0p25nwr6d.cloudfront.net/CIK-0001326801/8c7f110d-9cc4-4034-b356-ece89d4cb1c5.pdf; https://about.fb.com/news/2025/01/dana-white-john-elkann-charlie-songhurst-meta-board-of-directors/; https://www.wsj.com/podcasts/the-journal/the-end-of-facebooks-content-moderation-era/5985ff84-eb24-42de-b947-31fa44a2e916; sources linked in newsletter and the Wayback Machine.

A Target For Activism: Meta's position as one of the world's largest social media companies has made it a target for ESG activism. Last year, we wrote about how ESG activists were pressuring the company to promote left-leaning journalism on the site ahead of the U.S. election. But censorship wasn't the only issue on the ballot. Activists also asked the company to focus on human rights, fighting climate change, reducing mob violence in places like Brazil and India, and more. None of these efforts seem likely to help the company's bottom line. Hopefully, the changes at Meta will make clear that the company is and will remain focused on its financial future alone.

BlackRock, Tennessee Settle Lawsuit over ESG



BlackRock and Tennessee have settled a lawsuit the state brought against BlackRock over its ESG investing, per a court document filed last week.

The Lawsuit: Last year, we reported on Tennessee's first-of-its-kind lawsuit, which alleged that BlackRock misled its clients over its ESG strategies. The allegations were twofold:

- BlackRock misled its financially-focused clients by making firmwide ESG commitments and integrating ESG into all of its funds, even those that were marketed as maximizing financial value alone;
- BlackRock misled its ESG clients by claiming that ESG maximizes financial returns, which isn't true

The Settlement: The settlement requires BlackRock to clearly differentiate its ESG from its non-ESG offerings, requiring the company to:

- make more disclosures about which funds are ESG and which are not,
- engage and vote the shares held in its non-ESG funds to maximize value alone, and
- refrain from coordinating with third parties over its engagements or votes—likely a key force behind BlackRock's recent departure from Net Zero Asset Managers and other groups.

A Tight Leash: The settlement agreement also calls for BlackRock to submit to a third-party audit for the next three years to ensure that BlackRock is complying with the settlement agreement and voting the shares it holds in non-ESG funds purely for financial gain. It also allows Tennessee to reinstitute the suit should BlackRock fail to comply.

From The Attorney General: Tennessee's Attorney General Jonathan Skrmetti issued a statement, explaining:

> While investors are always free to buy cause-oriented products instead of focusing on maximum return, this settlement ensures that only investors who make a knowing choice will see their assets directed toward these non-financial goals.

While the settlement doesn't require BlackRock to pay compensation to the investors it misled, private plaintiffs are free to sue on their own.

Trump startup bought $47 million of wrapped Bitcoin—what's that?

The morning of the 47th president's inauguration, the decentralized finance startup his family is backing went on a crypto shopping spree. World Liberty Financial, which is advised by President Trump and his sons, announced it had bought over a hundred million in cryptocurrency, including $47 million in Ether and $47 million in wrapped Bitcoin tokens, WBTC. But what's that? And why buy it instead of Bitcoin itself?

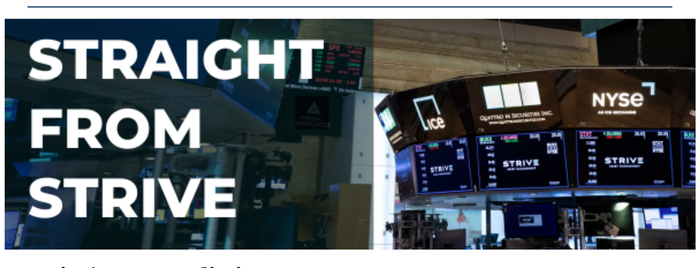
A "wrapper" refers to any product people place Bitcoin in to make it transferable in a financial system beyond the Bitcoin blockchain. Investors are already familiar with the concept through spot Bitcoin ETFs—an exchange-traded fund is literally a standardized wrapper that makes Bitcoin tradeable in the traditional financial system. It does that by creating a regulated investment company that owns Bitcoin; investors can then own shares of that.

Likewise, the WBTC tokens World Liberty Financial bought simply wrap spot Bitcoin in a shell of code that makes them tradeable on the Ethereum blockchain, accessing a different cryptocurrency ecosystem. Just like the ETFs, each one of these tokens is still backed by a real Bitcoin held by a custodian. That gives them tight correlation to the price movement of Bitcoin along with giving owners the flexibility to buy and sell Bitcoin on the Ethereum blockchain.

While Bitcoin's claim to fame is its scarcity, Ethereum's is its functionality. With its supply cap of 21 million, Bitcoin prioritizes the function of currency as a store of value. Ether—the cryptocurrency the Ethereum network runs on—prioritizes the transactional nature of currency. Its blockchain is more programmable, allowing participants to write smart contracts that automatically execute themselves.

So why did the Trumps' crypto startup buy wrapped Bitcoin instead of Bitcoin itself? For a decentralized finance platform like World Liberty Financial, the ability to smoothly move other cryptocurrency assets into Bitcoin is valuable. Its Bitcoin's Ethereum wrapper also gives World Liberty the ability to execute a variety of smart contracts like lending it out for interest, providing liquidity to decentralized exchanges, or using it as collateral for loans. If the company wants regular Bitcoin, it can simply unwrap it by burning its WBTC tokens and releasing the associated Bitcoin from its custodian.

Like the spot ETFs, wrapped Bitcoin is nothing to be alarmed by—just another vehicle allowing investors to own Bitcoin within a different financial system.



Strive's Ten Predictions For 2025

Watch out fortune tellers—Strive is breaking out its crystal ball. From Bitcoin's ascendency to a new presidential administration to shifting cultural tides, 2025 is sure to mix things up. While the future is uncertain, we've staked out our top ten predictions for the year ahead.

Read Here

The Best of The Rest

Additional stories about ESG investing, company happenings, and more.

- Bitcoin gains as Trump reportedly plans crypto executive order; order could make crypto a national priority.
- Bank of Montreal first Canadian bank to leave Net Zero Banking Alliance; follows several recent departures by U.S. banks.
- Land O'Lakes faces backlash over its ESG policies; nonprofit Consumers Research urges company to abandon ESG goals.
- Federal Reserve leaves climate group; the Network of Central Banks and Supervisors for Greening the Financial System charged bank regulators and supervisors with policing climate risk in the financial system.
- Malaysia expects surge of Chinese investment as chipmakers and tech companies set up shop to avoid U.S. tariffs.

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Who Are We?
Strive is one of the fastest growing asset management firms. Our mission is to maximize value for our clients by leading companies to focus on excellence. **Click here** to learn more.

What Makes Strive Different?
While many asset managers push companies to focus on other stakeholders such as employees, suppliers, the environment and society at large, we live by a strict commitment to shareholder primacy — the belief that **the purpose of a for-profit corporation is to maximize long-run value for investors. Click here** to learn why shareholder primacy is so important.

How Does Strive Maximize Value?
Our corporate governance team engages with the companies in which our clients are invested to advocate for the pursuit of excellence in corporate America. We are aggressively apolitical when it comes to utilizing our corporate governance tools and demand that companies focus exclusively on delivering long-term financial value for investors. The corporate governance team also determines how to cast our shareholder votes at annual meetings and special elections, evaluating each proposal through the lens of maximizing financial return.

Our research team conducts deep analysis of macro economic trends, market developments, and industry- and company-specific metrics to identify potential risks and opportunities for our clients. We then incorporate the results of this research into our engagement and voting strategy, and share it with our clients in the form of white papers and market research reports so they can make the most educated investment decisions possible.

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