The Fiduciary Focus

STRIVE

Investment News From a Pro-Shareholder Perspective

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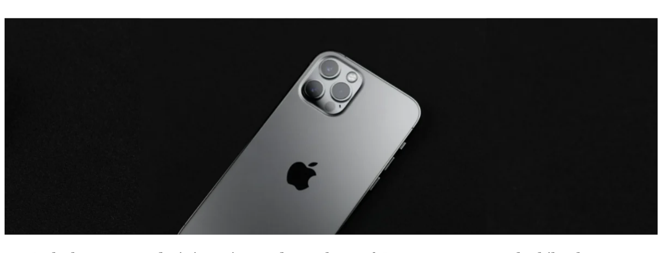
This Week: Apple's Chinese AI plans get a congressional reality check; GM's political pirouettes take another turn; The Bitcoin Brief heads to the Lone Star State.

Apple's Chinese AI Plans Get a Congressional Reality Check



Both the Trump administration and members of Congress may put the kibosh on Apple's plans to partner with a Chinese company to put AI on its iPhones, the New York Times reports.

The Big Picture: Apple's grand plan to bring AI to Chinese iPhones has hit a Washington-sized speed bump. The Trump administration is scrutinizing Apple's potential partnership with Alibaba to power AI features on iPhones in China—and suddenly, everyone's rediscovering that China risk is, in fact, investment risk.

What's Happening:

- Congressional officials have been grilling Apple executives about their Alibaba deal, asking pointed questions about data sharing, regulatory commitments and whether Apple understands what it's signing up for.
- In a March meeting with the House Select Committee on China, Apple executives reportedly couldn't (or wouldn't) answer most of these basic questions.
- Now Congress is considering adding Alibaba and other Chinese AI companies to a black list, which would prevent U.S. companies from working with them.

Why The U.S. Cares: As one representative explained:

> Alibaba is a poster child for the Chinese Communist Party's military-civil fusion strategy, and why Apple would choose to work with them on A.I. is anyone's guess. There are serious concerns that this partnership will help Alibaba collect data to refine its models, all while allowing Apple to turn a blind eye to the fundamental rights of its Chinese iPhone users.

The Numbers Game:

- Sales in China account for nearly 20% of Apple's sales, yet
- Apple's share of the China market fell from 19% to 15% last year

Strive's Take: We've been beating this drum since 2023: China risk is investment risk. We even took to the pages of the Hill, imploring Apple to address its China risk, calling it "a critical business threat" that the company had "overlooked." Shockingly, almost every other major asset manager—including BlackRock, State Street, and Vanguard—opposed our calls, happy to let Apple kick the can down the road. Now, shareholders may be the ones paying the price.

Elsewhere: President Trump threatens to hit Apple with steep tariffs unless it moves iPhone manufacturing to the U.S., while Reuter's argues that "Apple's China Detox Is Painful and Overdue."

GM's Political Pirouettes Take Another Turn

On Thursday, the Senate voted to kill California's electric vehicle mandate, the Wall Street Journal reports, marking the latest twist in a regulatory saga that has turned America's automakers into political weather vanes—with GM leading the way.

The Timeline:

- 2019: GM supports the Trump administration's efforts to revoke California's emissions waiver, which let California set stricter emissions standards than what federal law requires.
- 2020: GM reversed itself after President Biden's election, saying it no longer supported federal efforts to bar California from setting its own standards.
- 2021: GM announced net zero goals, including pledging that it phase out all gas-powered vehicles and move to an all-electric strategy no later than 2040.
- 2022: GM supports California's EV mandate, which bans the sale of new, gas-powered cars by 2035, saying it "marries quite well with GM's business plans."
- 2025: GM reverses itself again, enlisting its employees to lobby their congressmen to kill the California mandate, calling it a "serious threat to our business."

Costly Pivots: While GM was busy reading the political tea leaves, it was burning shareholder capital. The company abandoned its target to build 400,000 EVs by mid-2024, delayed plans for a Buick EV, and pushed back the opening of an EV truck factory. Each pivot requires retooling supply chains, retraining workers and reshuffling production lines—expensive exercises in indecision.

The Market Speaks:

- National EV sales fells 5% in April, while the broader car market grew 10%.
- Even California—the nation's EV cheerleader—couldn't hit its own targets. EVs make up just 20% of new sales, versus the mandated 35%.

Turns out that political mandates can't manufacture demand.

Stranded Assets? With EV subsidies evaporating and companies abandoning net zero commitments, automakers face a classic "stranded assets" problem. Those multi-billion dollar EV factories and battery plants? They're looking increasingly like expensive monuments to political posturing, rather than sound business strategy.

What's Next: The bill is now on President Trump's desk to sign, and California has already pledged to sue. In other words, GM will have plenty of additional opportunities to state its case for, or against, the EV mandate.

U.S. Supports Antitrust Suit vs. the Big Three

The Federal Trade Commission and Antitrust Division of the Department of Justice have filed a statement of interest supporting Texas's antitrust lawsuit against BlackRock, State Street and Vanguard (the "Big Three"), the Financial Times reports.

The Allegations: Texas alleges that the Big Three collectively own 24-34% of major U.S. coal companies, and used that leverage to orchestrate production cuts through their Net Zero Asset Managers Initiative commitments. The result? Higher energy prices for consumers while asset managers "reaped the rewards" of "higher fees and higher profits."

Federal Antitrust Regulators Weigh In: Now, federal regulators have weighed in, filing a statement of interest supporting Texas's claims. It reads (in part):

> This case is about alleged anticompetitive conduct that increased energy prices for ordinary American consumers and businesses... As alleged, the holders of large quantities of stock in competing companies agreed to use those shareholdings to reduce the output of U.S. coal to increase profits at the expense of American consumers and businesses. This case is about precisely the sort of conduct, including concerted efforts to reduce output, which have long been condemned under the antitrust laws.

The Big Three's Denial: The Big Three have denied wrongdoing, with BlackRock calling the suit "absurd," State Street calling it "baseless," and Vanguard claiming it "contorts the law." But the legal theories are not as novel as the Big Three would make it seem. Notably, even during the Biden administration, the FTC warned companies that there is no ESG exception to the antitrust laws.

Why It Matters:

- For asset managers: The case could reshape how asset managers exercise shareholder influence. If successful, it would create a bright line: you can advocate for better governance, but you can't coordinate across your portfolio to promote a social goal.
- For the free market: Whether the issue is net zero, or racial equity, or cage-free eggs, the ESG movement operates by having every company agree to meet the same goals, on the same timeline, via the same pledges. That's fundamentally anticompetitive. Free market capitalism requires that companies compete with one another on every available axis—some may focus on delivering the highest quality products at the best price, while others may raise prices to fund net zero goals or DEI initiatives—and let consumers decide.
- For investors: DOJ's Gail Slater put it bluntly: "We will not hesitate to stand up against powerful financial firms that use Americans' retirement savings to harm competition under the guise of ESG." If the suit succeeds, investors will reap the benefits too.

Strive's Take: This case validates what we've argued from day one: asset managers have a fiduciary duty to maximize returns for investors, not to pursue climate activism that raises energy costs. The fact that federal prosecutors now agree shows how far the ESG pendulum has swung—and how ready regulators are to swing it back.

Texas Poised to Become America's Bitcoin Treasury Leader

The Lone Star State is about to make history. Last week, the Texas House passed Senate Bill 21 by a commanding 101-42 margin, bringing the Texas Strategic Bitcoin Reserve tantalizingly close to reality. With Governor Abbott's office already signaling support—calling Texas the future "crypto capital"—this isn't just another legislative proposal. It's the beginning of a new era in state-level Bitcoin adoption.

What makes Texas different from Arizona's cautious toe-dip or New Hampshire's pioneering but modest approach is scale and conviction. While Arizona's reserve can only be funded via seized or unclaimed crypto, and New Hampshire caps Bitcoin allocation at 5% of public funds (roughly $250 million), Texas operates with more funding mechanisms, a significantly larger treasury and no explicit cap.

The Texas bill is also much more detailed, and ambitious, than its counterparts. Beyond simple holding strategies, the bill allows the state's comptroller to use derivatives and loan the state's Bitcoin. It also creates a regulatory framework for third party custodians, cold storage, auditors, and biennial reporting. And it establishes a five-member advisory committee comprised of the comptroller and cryptocurrency experts to guide the process.

The timing couldn't be better. President Trump's executive order establishing a federal strategic Bitcoin reserve has created political cover for states to do the same. Texas, already dominating Bitcoin mining with nearly three times the capacity of any other state, now positions itself to lead on the treasury adoption front too. When energy-rich Texas commits public funds to Bitcoin, it sends a powerful signal about both the asset's legitimacy and the state's long-term thinking.

The legislative momentum is telling. Bipartisan Senate passage (25-5) followed by strong House support suggests this isn't political posturing—it's about securing the State's financial future. As both corporations and foreign sovereigns embrace Bitcoin, state governments are recognizing the same fundamental truth: in an era of monetary instability, programmable scarcity beats printable promises.

With final Senate concurrence expected and Governor Abbott indicating he intends to sign the bill into law, Texas is about to set a precedent that could reshape how states manage sovereign assets in the digital age.

Voting Spotlight: Amazon

amazon

Each week during proxy voting season, Strive will highlight one interesting vote from a recent company's annual meeting.

Last week, Strive voted against proposals asking Amazon to scale back, or change, its AI efforts over concerns about alleged climate change and human rights impacts. The first proponent noted that AI requires a tremendous amount of power and claimed that states like Virginia are keeping coal plants online longer to meet data center demand, therefore accelerating our planet's demise. The second proponent faulted Amazon for developing AI that might one day be used by the military to deploy weapons or by police officers to discriminate against racial minorities.

The company opposed the proposals, explaining that it is committed to its climate change goals and that it has a robust ethics policy that prevents its AI tools from being used in these ways.

Strive believes that companies that do not voluntarily impose socially-driven constraints on themselves, particularly when it comes to rapidly developing technology like artificial intelligence, are more likely to financially outperform those that do. For that reason, and because the proponents offered no evidence that changing Amazon's AI policies would increase shareholder value, we opposed them.

The Best of The Rest

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

- Delaware tells companies, "Let's stay together"; passes new director-friendly laws following high profile corporate departures.
- Canada's top pension fund drops net zero goals citing unspecified "recent legal developments in Canada."
- Microsoft takes heat for race-based "pay equity" scheme; company also maintains an "inclusion journey library" with videos on "allyship," "inclusive perspectives," and implicit bias.
- France joins Germany's call to scrap EU's ESG supply chain law; "Clearly we are very aligned now with Chancellor Merz... CSDDD and some other regulations have to not just be postponed for one year, but to be put out of the table," French President Emmanuel Macron said.
- Apple, Tesla and Nvidia shares to trade as digital tokens on crypto exchange, as Kraken will offer foreign customers tokenized versions of over 50 stocks and ETFs.
- Louisiana treasurer urges retirement funds to divest from China; $1.012 billion is currently invested in Chinese stocks and bonds.
- Target sales dented by DEI boycott; demonstrating how difficult it can be for companies to extricate themselves once they've inserted themselves into the political fray.

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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.