STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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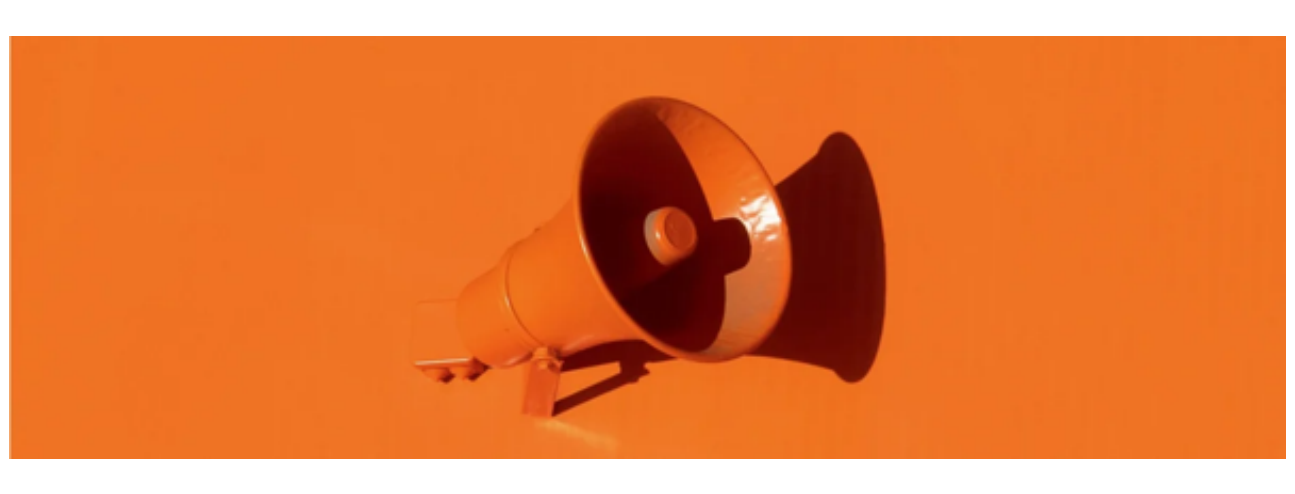
This Week: Partisan tweets hurt share prices, study finds; Munich Re exits net zero groups; The Bitcoin Brief corrects the record on corporate Bitcoin adoption.

Partisan Tweets Hurt Share Prices, Study Finds



Politically charged corporate tweets are on the rise, despite the fact that they tend to hurt shareholder value, the City Journal reports.

The Study: Researchers at Harvard Business School and the University of Washington in St. Louis recently released a working paper with three key findings. In the authors' own words:

- First, the volume of partisan corporate speech has risen sharply between 2012 and 2022.
- Second, this increase has been disproportionately driven by companies adopting more Democratic-leaning language, a trend that is widespread across industries, geographies, and CEO political affiliations.
- Third, partisan corporate statements are followed by negative abnormal stock returns.

The Numbers Don't Lie: Following a partisan tweet, "a company's stock price tended to decline about 0.3 percent over the next 13 days before leveling off." Notably, the drop was more severe for companies whose views were less aligned with their customers and investors (like, hypothetically, Disney talking about LGBTQ+ issues) and less severe for companies whose views were more aligned (like, hypothetically, Patagonia talking about sustainability).

BlackRock To Blame? The authors also sought to determine why companies would be engaging in behavior that appears to destroy shareholder value. Their conclusion? Institutional investors including BlackRock pushed companies to the left in order to sell their own ESG products. Per the paper:

> The growth of Democratic-leaning corporate speech is closely correlated with the expansion of assets under management in funds with environmental, social, and governance (ESG) objectives. [And] because institutional investors are broadly diversified across industries and geographies, their influence could help explain why the increase in Democratic-sounding speech is so pervasive. [Finally,] using a difference-in-differences design, we document a notable increase in the use of Democratic language by firms with high BlackRock ownership following Larry Fink's influential 2019 letter to CEOs, which urged corporate leaders to engage on divisive social and political issues.

The Takeaway: For companies, the lesson seems clear: businesses should focus on business, and political tweets should be left to the politicians.

Munich Re Leaves Net Zero Groups

Last week, Munich Re, Europe's largest insurance company and the world's largest reinsurer, left several major net zero organizations, ESG Today reports.

The Organizations: Munich Re is leaving:

- Climate Action 100+, which has come under legal scrutiny for using financial pressure (including from banks, investors, and insurers) to strong-arm companies to adopt carbon emission goals;
- Institutional Investors Group on Climate Change, which seeks to "bring the investment community together to work towards a net zero,"
- Net Zero Asset Managers, which suspended operations earlier this year to reassess its strategy amid several high-profile departures; and its sister organization,
- Net Zero Owners' Alliance.

The insurance giant had already left the Net Zero Insurance Alliance in 2023.

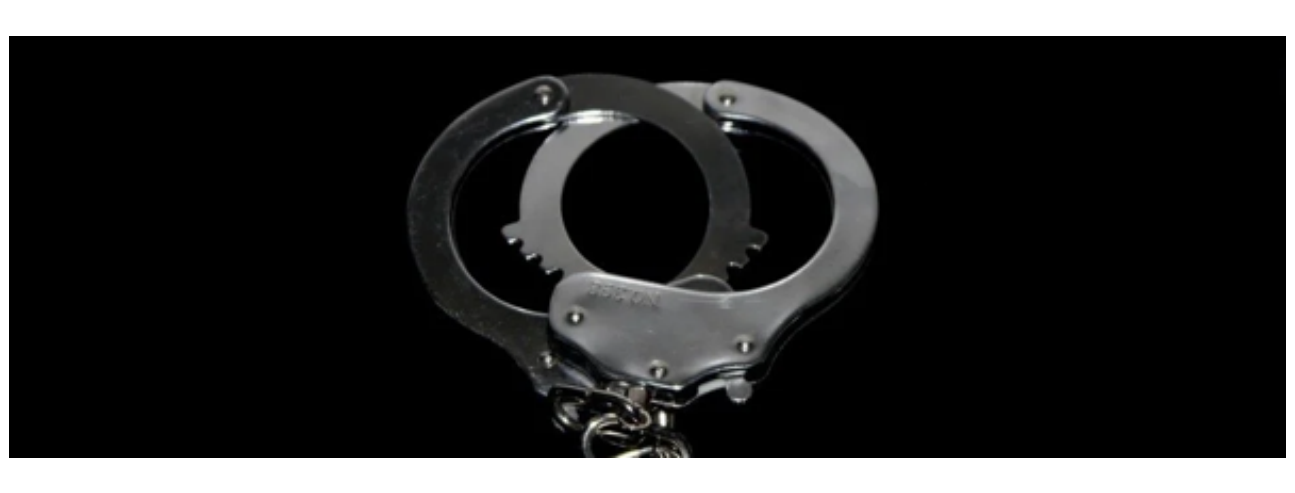
The Rationale: While Munich Re is formally exiting these organizations, it hasn't abandoned its net zero goals. Per Munich Re:

> [C]limate protection remains an urgent priority for Munich Re [and we will] continue to pursue our goal of contributing to the achievement of the Paris climate targets... We are convinced that we will be able to pursue our climate targets in a more focused and targeted manner on our own and simultaneously avoid non regulatory prescribed reporting requirements and legal uncertainty.

Taking A Page From BlackRock: The departure statement echoes those made by other financial institutions that have exited net zero coalitions while promising to pursue the same climate goals on their own. That includes BlackRock, which left NZAM earlier this year, while emphasizing that its "continued investment conviction [is] that the energy transition is a mega force" and that "how we manage [our clients'] portfolios" will "not change."

What It Means: The message from Munich Re—and others like BlackRock—is clear: they're not exiting their climate commitments, just the organization. In other words, they're leaving their climate theater meet-ups behind—but they're all still reading from the same script. For fossil fuel producers and other climate bad boys that have been cut off from traditional financial services, that's not good news.

DOJ Invites Corporate Whistleblowers to Cash In on DEI Violations



Last month, the Department of Justice announced it was inviting corporate insiders to blow the whistle on illegal discrimination via companies' DEI practices, and that those who come forward would be eligible for rewards under the False Claims Act, the Wall Street Journal reports.

The New Math of Corporate Risk: For years, ESG activists, including asset managers like BlackRock, have recognized the importance of using financial incentives to change behaviors. That's why they've supported tying executive pay to meeting DEI targets. Now, the Department of Justice is flipping the script.

- Whistleblowers will now be eligible for 15%-25% of whatever penalties the federal government recovers, which for major violations could be a seven-figure sum; while
- Executives could potentially find themselves in handcuffs for meeting the very same targets they once lauded, as the False Claims Act carries criminal penalties like jail time as well as civil fines.

The Certification Minefield: Per an executive order issued earlier this year, all federal contractors must certify that they do "not operate any programs promoting DEI that violate any applicable Federal anti-discrimination laws" and acknowledge that this certification is "material" to the government's payment decision. That means when companies sign those certifications while potentially running discriminatory programs, they're not just breaking civil rights law—they're potentially committing fraud against the United States government.

Not Just Defense Contractors: When people think of federal contractors, they often envision defense giants like Lockheed Martin and Boeing. But in reality, roughly 70% of Fortune 100 companies have government contracts. Microsoft provides cloud services, Pfizer has vaccine contracts, McDonald's operates on army bases, FedEx delivers packages. The list could go on, but the point is clear: the impact of the new policy is likely to be felt far beyond the beltway.

The Bottom Line: If companies have been waiting for yet another sign that it's time to drop their DEI policies—this is it.

The *Wall Street Journal* Gets Bitcoin Backwards

Last week, the Wall Street Journal warned that companies are "bingeing on crypto" and "dialing up the market's risks." Their thesis: corporate Bitcoin adoption creates dangerous instability for both companies and Bitcoin itself.

They're wrong on both counts.

Let's start with the facts. The Journal notes that around sixty non-crypto-related companies have recently put Bitcoin on their corporate balance sheets. "They make software, and offer marketing and healthcare services," the Journal reports. It also worries that some may be borrowing too heavily to buy Bitcoin. That is something to watch closely.

But the Journal's reporting goes further, citing unnamed "industry insiders" who predict that companies are "courting disaster" due to Bitcoin's supposed volatility.

Bitcoin's volatility, however, is not as high as many people think—and it's continually decreasing. Per one report, Bitcoin's 30-day trailing volatility hit 9% during the 2020-2021 bull run; in May, it dropped below 2%. Even in 2024—when Bitcoin was more volatile than it is today—Bitcoin exhibited a lower historical annualized volatility figure than 33 companies in the S&P 500. Yet no one bats an eye when Netflix buys back its own shares or Berkshire Hathaway loads up on Apple stock.

More importantly, skeptics ignore Bitcoin's role in corporate treasuries. Fiat currency is guaranteed to lose purchasing power through inflation; Bitcoin offers a genuine store of value. Being largely uncorrelated with other asset classes, Bitcoin provides diversification benefits as well. Corporate treasurers aren't gambling; they're applying textbook portfolio theory.

But the Journal's most puzzling claim is that institutional adoption could be destabilizing for Bitcoin itself, speculating that falling prices might "compel companies to sell their tokens—accelerating the selloff."

But corporate treasurers aren't day traders that will panic-sell at the first dip; they're sophisticated investors with multi-year horizons and strategic allocation frameworks. Moreover, these early adopters likely understand Bitcoin's price fluctuations and long-term value proposition better than most.

Already, institutional adoption—both governmental and corporate—appears to have increased market stability. Over the past 18 months, Bitcoin supply on major exchanges has dropped by one million coins—a 30% reduction in liquid, tradeable Bitcoin. When companies move Bitcoin into treasury positions, they remove it from daily volatility pools, creating price floors during stress rather than cascades.

As more institutions allocate to Bitcoin, they legitimize the asset, leading to clearer regulatory frameworks and better custody infrastructure. Each corporate adoption makes the next one easier and safer. This is how financial markets mature—through institutional participation, not despite it.

Corporate America isn't grandstanding or putting it all on red—they're quietly solving a treasury management problem that traditional finance cannot address. In doing so, they're helping to build the infrastructure for Bitcoin's institutional maturation.

Put differently, the Journal's concerns about Bitcoin instability are being solved by the very corporate adoption trend they're warning against. That's a good thing. Because if there's one true sign of true institutional maturity, it's probably this: being featured—even if imperfectly—in the pages of the Wall Street Journal.

Strive CEO To Speak At BTC Prague

Strive CEO Matt Cole will be speaking at BTC Prague, the biggest and most influential Bitcoin conference in Europe, which runs from June 19-21. Join him as he talks about Bitcoin treasury adoption and the future of corporate finance.

Learn More

Voting Spotlight: Walmart

Walmart

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

Earlier this month, Strive voted for a proposal asking Walmart to revisit its plastic packaging policies. The proponent noted that Walmart has pledged that its private brand products would be 100% recyclable by 2025 and that 17% of its packaging will be made from post-consumer waste. Yet these goals appear to be driven by pressure from ESG activists that are relying on biased and unsubstantiated reports of environmental harm, rather than a return-on-investment analysis designed to help the company's bottom line.

The company opposed the proposal, claiming that it is "optimizing" its plastics strategy "to improve the customer experience and reduce waste." The company's response, however, fails to address the proponent's core concerns that these pledges (1) were undertaken to serve a social, rather than financial, purpose, (2) expose the company to legal, financial and reputational risks as it becomes increasingly clear that Walmart will not meet them, and (3) are overall unlikely to deliver value to shareholders.

Because Strive believes that companies should undertake all endeavors with an eye towards maximizing shareholder value alone, Strive supported the proposal.

The Best of The Rest

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

- Residential solar panel company Sunnova declares bankruptcy; is second solar panel to declare bankruptcy this month, as BlackRock investors reportedly take losses on asset manager's bet on green energy.
- UK to lift ban on crypto ETNs for retail investors; the regulatory change means that crypto ETNs can be sold to individuals, rather than only professional investors.
- China's producer deflation deepened to worst level in nearly two years as economy continues to face headwinds.
- Ram CEO apologizes for ditching gas guzzling engine to fight climate change; new ad says company will bring back the classic HEMI V-8 engine.
- Assistant Attorney General issues memo prioritizing civil rights enforcement; directs civil division attorneys to "use all available resources to pursue affirmative litigation combatting unlawful discriminatory practices in the private sector," with a particular focus on "illegal private-sector DEI preferences, mandates, policies, programs, and activities."
- Cancellations of renewable energy projects spike in Texas; rising tariffs and the likely discontinuation of subsidies cited as concerns.

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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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