The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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This Week: Strive closes merger with Asset Entities; NBA rocked by ESG scandal; The Bitcoin Brief heads to El Salvador.

Strive Closes Merger with Asset Entities

It's a big week at Strive!

On Friday, Strive announced the closing of its merger with Asset Entities, making Strive the first publicly traded asset management Bitcoin treasury company.

And yesterday, Strive announced its board of directors and initial Bitcoin strategy, including:

- Chairman Matt Cole, CEO of Strive, Inc.
- Ben Pham, CFO of Strive, Inc.
- Logan Beirne, CLO of Strive, Inc.
- Arshia Sarkhani, CMO of Strive, Inc.
- Shirish Jajodia, Corporate Treasurer at Strategy, Inc.
- Pierre Rochard, CEO of The Bitcoin Bond Company
- Ben Werkman, CIO of Swan, Inc.
- James Lavish, Managing Partner, Portfolio Manager of The Bitcoin Opportunity Fund
- Avik Roy, Co-Founder & Chairman of the Foundation for Research on Equal Opportunity
- Mahesh Ramakrishnan, Co-Founder & Managing Partner of EV3 Ventures
- Jonathan Macey, Yale Professor of Corporate Law, Corporate Finance, and Securities Law
- Jeff Walton, VP of Bitcoin Strategy of Strive, Inc. – Board observer

"We intentionally put together this team to enable Strive to lead with an unwavering focus on Bitcoin accumulation, strategic decision making, and fiduciary duty in service of our mission to increase Bitcoin per share and outperform Bitcoin over the long run," Strive CEO Matt Cole explains.

Now it's time to accelerate.

To learn more, read our press release below or follow us on X.

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NBA Rocked By ESG Scandal

The NBA is rocked by an ESG scandal, following allegations that the LA Clippers funneled millions of dollars to star player Kawhi Leonard via the climate-fintech startup Aspiration to evade the league's salary cap, the Financial Times reports.

The Allegations: Per independent US sports investigative journalist Pablo Torre,

- In 2021, Clippers' owner Steve Ballmer invested $50 million into Aspiration, and the Clippers agreed to purchase another $50 million in carbon credit offsets from the startup.
- Shortly thereafter, Aspiration entered into a four-year $28 million endorsement deal with Kawhi Leonard—except the contract didn't obligate Leonard to do any endorsements at all (and he never did).
- By late 2022, Aspiration was nearly bankrupt, laying off hundreds of employees and unable to pay its debts. That included the $1.75 million quarterly payment due to Leonard.
- That's when Clippers co-owner Dennis Wong stepped in with a $2 million investment; days later, Leonard got paid.
- The following quarter, when Leonard's next $1.75 million payment came due, Ballmer stepped in again with an additional $10 million "investment" into the nearly-defunct company.

Aspiration: Evading salary caps via sham endorsements is ethically wrong and maybe even illegal. But what makes this story more interesting is the vehicle that the Clippers allegedly used to launder the funds: a sustainability-focused fintech startup called Aspiration.

- Aspiration touted itself as a Silicon Valley startup that would revolutionize finance to save the climate. It offered debit cards where customers could "round up" the change to plant trees, launched fossil-fuel-free mutual funds, and sold carbon credits to major companies. "Clean rich is the new filthy rich," its motto read.
- It raised hundreds of millions of dollars, including from Hollywood stars like Leonardo DiCaprio, and celebrated a $2.3 billion valuation at its peak.
- But questions soon arose about the startup and its financing, with claims that the carbon credits it was selling were largely fraudulent and its CEO had obtained hundred-million-dollar personal loans based on inflated financials.
- Last month, Aspiration's CEO pled guilty to defrauding investors and faces 20 years behind bars, while the company filed for bankruptcy in March.

ESG As Cover: Fraudsters exist everywhere, of course, but the ESG industry seems to be particularly prone. That shouldn't come as a surprise. ESG, at its heart, preys on people's wishful thinking: that they can get rich quick by doing more good in the world. The concept isn't new. Theranos bilked investors by promising its one-drop-of-blood tests would not only revolutionize medicine, but save lives in the developing world. Sam Bankman-Fried's FTX pledged to be carbon neutral and build solar panels for communities in the Amazon, before its monumental collapse. Aspiration is cut from the same cloth. As one corporate governance scholar told the Financial Times, "Aspiration had all the buzzwords to create the irrational exuberance that leads to fraud." Sustainability, carbon credits, and ESG are chief among them.

Shell Sued Over DEI-Based Discrimination

Oil and gas giant Shell was hit with a lawsuit last month from former non-minority employees who allege they were ousted from the company in a "discriminatory" purge, the New York Post reports.

The Allegations:

- The three employees worked on Shell's security team in Houston, Texas for over a decade.
- In January, the department engaged in a restructuring to further the company's DEI goals, which included race-based employment targets.
- All non-minority workers were forced to reapply for their jobs, while minority employees were not.
- One boss explained that non-minority workers had to reapply because "others had expressed interest" and Shell "was looking to diversify the talent."
- All three were replaced by minority workers who were less qualified, including two people with no prior security experience and one who had previously been in the process of being terminated for poor performance.

The Civil Rights Laws:

- The Civil Rights Act protects all workers from race-based discrimination.
- As the Supreme Court affirmed last year, the same standard applies to minorities and non-minorities alike.
- Following that ruling, the EEOC reminded employers that it has "taken this colorblind, group-neutral position for at least 50 years" and reiterated its commitment to "root out discrimination where it remains entrenched."

Alleged Violations Abound: Despite the unusual clarity of the law, corporate confusion (or perhaps willful ignorance) abounds. While many companies that adopted race-based DEI targets at the height of the self-described social justice movement have walked them back, other companies have been reticent to do so, perhaps concerned that a rollback will cause further backlash or encourage victims to sue. But companies that continue to hold onto discriminatory policies are only compounding their legal liabilities, particularly as unfavorable judicial precedent mounts. In addition to Shell, similar complaints have been filed against:

- CBS
- 3M
- Starbucks
- IBM
- Johnson & Johnson and
- a "flood of claims" against regular companies that aren't household names.

Consequences Beyond the Courtroom: There's more at stake than just lawsuits. At its core, the question is whether employees can trust their employers to treat them fairly, and whether shareholders can trust the companies they invest in to build teams based on merit rather than demographic balancing. Companies that erode that trust may find the damage goes far beyond the courtroom.

Department of Labor Speaks Out Against ESG at OECD Conference

Last week, Senior Policy Advisor for the Employee Benefits Security Administration and former Strive Head of Corporate Governance Justin Danhof delivered remarks at the OECD Conference in Paris, speaking out against ESG.

On Retirement Goals: In his speech, Danhof noted that in the United States, retirement fund managers must focus on financial performance alone, explaining:

> [A]nyone that oversees private pension dollars must act "for the exclusive purpose of . . . providing benefits to participants and beneficiaries." As such, they are duty bound to maximize risk-adjusted financial return to the exclusion of all other pursuits. Our pension system is designed to pursue one social purpose, one normative good—the provision of a secure and prosperous retirement to our workers.

On ESG: Danhof went on to explain how ESG is antithetical to these financial pursuits. ESG, in his view, is "at once everything and nothing since it's in the eye of the beholder." That leads to "corporate mediocrity," and diminished returns for retirees.

See Also: SEC Chair Paul Atkins also gave an address at OECD, in which he also spoke out against ESG, primarily with regards to the EU's new corporate social responsibility reporting regime. On that issue, he warned:

> I have significant concerns with the prescriptive nature of these laws and their burdens on U.S. companies, the costs of which are potentially passed on to American investors and customers. While I am encouraged by the EU's recent commitment to ensure that these laws do not pose undue restrictions on transatlantic trade, as well as efforts to streamline and simplify these laws, further work remains to refocus regulatory regimes on the principle of financial, instead of [social and environmental], materiality.

Bottom Line: The OECD conference is typically a nice-to-see-you diplomatic event in which countries pat themselves on the back for all the "good" they're doing in the world, via capital markets and otherwise. This year, the United States delivered a very different message. Whether the EU is in the mood to listen is an open question.

El Salvador Splits the (Bitcoin) Baby

Last month, El Salvador announced it would distribute its $678 million in Bitcoin across 14 digital wallets to reduce quantum risk. The Central American nation transferred all 6,274 Bitcoin from a single address into separate wallets, each holding no more than 500 Bitcoin. It's a defensive play with offensive potential.

El Salvador has long been a leader in the sovereign Bitcoin space, becoming the first country to make Bitcoin legal tender in 2021 and establishing a national Bitcoin reserve the same year. Despite recent pressure from international leaders to scale back its Bitcoin initiatives, the country is once again taking the lead by establishing a security protocol that, as CoinDesk explains, may become a "blueprint that others could follow."

As we've noted before, we believe the quantum computing threat to Bitcoin is largely overblown. Current quantum computers can't even crack 3-bit encryption, let alone Bitcoin's 256-bit private keys. And if quantum computers ever become powerful enough to threaten Bitcoin, they'll pose an equal threat to traditional banking, credit card systems, email accounts, digital medical records, and government databases too. The world will upgrade together, or not at all.

That said, distributing Bitcoin across multiple wallets is so simple, it just makes sense. There's no need for armored trucks to haul metric tons of gold to scattered vaults; no need to even keep the "locations" secret. For a few dollars a transaction, El Salvador can secure its entire national treasure. Bitcoin's distributed ledger is what makes the blockchain secure in the first place—distributing addresses for storing Bitcoin simply takes this principle to heart.

In El Salvador's case, this extra layer of security may have an additional benefit: loosening the International Monetary Fund's (IMF) chokehold over the country's Bitcoin policies. The IMF has long been a crypto skeptic, and imposed strict controls on developing nations like El Salvador as a condition of making loans. The country agreed to a $1.4 billion IMF deal in December that required it to scale back its Bitcoin purchases. But with volatility down and security up, El Salvador's move may help convince the IMF that Bitcoin is an asset fit for a king (or a sovereign nation, as the case may be).

That would be good news not just for El Salvador, but for the developing world as a whole. That's because the countries most dependent on IMF funds are also the countries that would benefit most from Bitcoin, for at least two reasons: First because poorer nations have the most to gain from an appreciating asset like Bitcoin, and second, because their local, fiat-based currencies are even more susceptible to debasement than those in the developed world. And in many countries, U.S. dollars (a popular, though flawed, way to mitigate debasement risk) can be hard to find. Bitcoin, by contrast, is always accessible, 24/7, to anyone with an internet connection.

Which is a key part of Bitcoin's promise: that no individual, bank or government entity—not even the IMF itself—should be able to gatekeep financial freedom. El Salvador's wallet shuffle might look like a simple IT upgrade, but it's really a masterclass in how to hold your Bitcoin—and your ground.

The Best of The Rest

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

- Microsoft imposes limits on speech at work; has shut down politically-related internal slack channels and upped security amid Gaza protests.
- European Union and United States agree on trade rules regarding ESG issues including how deforestation and corporate social responsibility rules will apply to U.S. companies doing business in the bloc.
- China's economy facing deep deflationary pressures; companies and factories forced to offload goods at reduced prices due to excess capacity.
- New study models AI's expected boost to future productivity growth; researchers forecasts compounded growth to reach 3.7% by 2075, indicating a permanent increase in economic activity.
- Department of Energy says it has dissolved group that wrote climate report; asks court to dismiss lawsuit over its controversial findings as moot.

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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.

Full disclosures and terms of use here.

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