STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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This Week: New survey shows Americans are tired of corporate social advocacy; Strive urges Securities and Exchange Commission to reconsider proposed AI rule likely to harm investors; An Eye on Energy discusses uranium prices; and more.

Americans Sick Of Corporate Social Advocacy, Study Shows

A new Gallup poll shows consumers are less interested in having corporations weigh in on divisive social and political issues, the Wall Street Journal reports.

The study found just 41% of Americans thought companies should speak out on current events, down from 48% last year. Many topics did even worse. Less than a 30% of respondents, for example, thought companies should take a public stance on international conflicts, abortion, religion, or political candidates.

Bentley University professor Cynthia Clark, who contributed to the report, explained that companies should use caution before speaking out on sociopolitical issues, lest they risk "entering into a culture war." Notably, every single demographic studied—Republicans and Democrats, young and old, of all ethnic groups—saw a decline in the percentage of respondents who wanted to see corporations engage in such advocacy. Corporate America would be wise to take note.

California Enacts Sweeping Climate Disclosure Laws

Governor Newsom has signed two laws requiring companies that do business in California to make extensive climate-related disclosures, Fortune reported on Wednesday.

The bills go beyond the climate-related disclosures the SEC has been mulling for the past year, and require any business with more than $1 billion in revenue to report not only its own emissions, but those of its suppliers, vendors, and customers throughout its value chain. As a result of these so-called "Scope 3" disclosure requirements, the laws will likely affect not only large companies, but any company that sells good or services to larger companies, since these companies will have to provide estimates of their own emissions for their larger counterparts to report.

The California Chamber of Commerce fiercely opposed the effort, calling it "an onerous emissions tracking and paperwork requirement that will increase costs on California businesses" of all sizes. One of the bill's sponsors estimated the new law would cost businesses around $300,000 annually, but there are reasons to suspect that number may be low. The SEC, for example, estimated its own, narrower regulation would cost companies over $500,000—a figure criticized by the SEC's former chief economist, who explained it omitted many costs, including the cost of climate disclosure related litigation that will almost certainly follow.

Even Governor Newsom expressed concern, issuing a press release stating that he believed implementation was "infeasible" and that he was "concerned about the overall financial impact" on businesses. He nonetheless signed the bills into law, asking only that regulators "monitor" their impact going forward.

Oklahoma's Pro-Fossil Fuel Law Benefiting State Economy, Despite Asset Managers' Resistance To Change

An Oklahoma law barring the state from doing business with anti-fossil fuel investment managers and banks is paying off for the state in small but meaningful ways, lawmakers learned at a legislative study last week.

The state's Corporate Commissioner says she's seen change in the banking industry, as it has become more welcoming to the oil and gas industry since the law went into effect. The Commissioner further explained, however, that global investment companies like BlackRock have not been willing to change their ESG policies.

State Treasurer Todd Russ echoed these concerns, explaining that large asset managers have quieted the ESG rhetoric, but continue to promote anti-fossil fuel ESG policies in practice. "To all of these financial people that come to see me, my statement became, 'Don't tell me. Show me. Because when I go look at your website, what you're telling me is very different from what your history and from what your public statements—publicly facing statements—are actually saying,'" Russ said. "And they couldn't argue that. It was really like they just kind of got caught red-handed."

He went on to call out BlackRock in particular, criticizing the firm for imposing ESG mandates on U.S. companies, while profiting from coal projects in China and abroad. "If we're really about the carbon footprint and the environmental quality of the ozone layer, why would BlackRock be managing the sovereign wealth fund of the largest country in the world developing the one thing that they're putting everybody else out of business on and making that a huge disadvantage for the rest of the world?"

The legislative study comes as lawmakers are considering tweaks to the law to close loopholes that have made it easier for the state's pension fund managers to ignore the mandate and justify keeping assets with BlackRock and other non-purely-financially-focused asset managers. "If the bill is important to the state of Oklahoma, it's got to be clear enough that it's defensible. Otherwise, we won't change one penny of our position financially in the state," Russ said.

House Republican Launches Probe Into SEC's Role In EU ESG Regulations

House Oversight Committee Chairman James Comer has asked the SEC to turn over documents related to its involvement in drafting EU regulations that will impose environmental, social and governance requirements on American businesses, Bloomberg reports.

Congressman Comer expressed concern that the SEC has been "stonewalling" Congress's request for information on whether the SEC coordinated with the EU on its climate disclosure regulations, which many fear will harm U.S. companies that do business in Europe.

The congressman has given the SEC until October 19 to respond. Should the SEC decline to turn over documents, Congressman Comer had indicated his intent to use compulsory processes, such as a subpoena, to require compliance.

Straight From Strive

Strive Urges Securities and Exchange Commission to Reconsider Proposed AI Rule Likely to Harm Investors

Last Tuesday, Strive submitted a public comment in response to the SEC's proposed rule, *Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker Dealers and Investment Advisors*.

The proposed rule aims to protect investors from the dangers of artificial intelligence, but is so restrictive that it will essentially prevent investment advisors from discussing AI-related investment advice or incorporating innovative technology like push notifications or robo advisory services into their offerings. As a result, the rule will likely harm the very investors it is supposed to protect.

As an investment advisor that puts clients first, Strive has asked the Securities and Exchange Commission to reconsider. In its current form, the rule will be extremely costly to implement, meaning that investors will either have to pay more for the same services or be shut out from receiving cutting-edge advice at all.

In addition, the proposed rule also likely violates investors' First Amendment rights to engage in complete, uncensored conversations with their advisors. Former Attorney General Bill Barr alluded to these concerns in the Wall Street Journal last month, when he explained that "there is no 'securities law exception' to the First Amendment"; so long as the investment advisor isn't being deceptive, the government is simply not permitted to tell consenting adults what topics are and are not off limits for discussion. Strive's comment letter digs deeper, analyzing the historical and jurisprudential roots of the First Amendment's free speech clause, and why the proposed regulation is unlikely to meet its strictures.

Read our public comment to the SEC here.

An Eye on Energy

Uranium Prices are High!

Uranium prices have risen to their highest since 2011. The weekly spot uranium price was at $72.75 a pound as of October 2, according to data from UxC. This is around 50% higher than one year ago, but lower than uranium's peak of $140 a pound that occurred in 2007.

Drivers of the price increase include:

- Increase in global nuclear energy capacity in Asia;
- Efforts to reduce dependence on Russian fuel supply, uranium mining and enrichment; and
- Increase in demand for electricity that will require uranium supply to increase by 28% by 2030.

Concern over security of supply will require markets in Australia, southern Africa and the United States to grow. In the U.S., more supply is expected to be available at a steady pace. According to the U.S. Energy Information Agency (EIA), uranium concentrate production was 10 times higher in 2022. Notable projects and developments include ConverDyn (Colorado) reopening a uranium conversion facility in Illinois and Centrus Energy (Maryland) moving forward with a $150 million cost-share plant project with the U.S. Department of Energy to produce an advanced uranium fuel for next generation nuclear reactors. In addition, on October 13, Centrus resumed enriching uranium in Ohio for the first time in a generation.

We believe that global uranium supply shortage will persist and continue to follow trends that are driving the price and investment outlook for this sector.

The Best of the Rest

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

- Morningstar analyzes Big Three ESG voting; "the Big Three's voting policies for 2023 did not change radically compared with 2022."
- UK construction companies more focused on net zero than safety goals, new study shows.
- Do shoppers really reward good ESG behavior? There's strong reasons to doubt it, one commentator explains.
- China on the brink of deflation; real risk of falling prices moving forward, endangering profits for U.S. businesses operating there.
- "Friend-shoring" supply chains away from China may bring its own risks; U.S. companies need to evaluate potential for retaliation and proceed strategically.
- European Banking Authority to require ESG risk assessment and buffers for capital requirement rules in global first.
- Chinese EV maker XPENG gets ESG ratings upgrade by MSCI; has achieved highest AAA rating, despite ties to the Xinjiang region of China, infamous for its forced labor of Uyghur minorities.

Strive News

On Wednesday, Strive CEO Matt Cole and portfolio manager Jeff Sherman published an article in the Wall Street Journal entitled "The Charities Hiding in Your 401(k)."

The piece explains how vanilla index funds often include not just for-profit companies, but public benefits corporations (PBCs) with hybrid missions to serve both shareholders and the public good. Shoemaker Allbirds, for example, says its mission is "environmental conservation"; insurance company Lemonade seeks to benefit "communities and their common causes."

As one might expect, PBCs have historically underperformed financially, as it is impossible to determine how much of the company's profits belong to shareholders versus other causes. Yet such companies have exploded in popularity since the Delaware corporate code began allowing them several years ago, and have even infiltrated certain major indices, such as the Russell 1000. As a result, investors who think they are investing in standard index funds are in fact directing at least some of their investment money towards these dual-purpose charities instead. Cole and Sherman published the piece to shine a spotlight on this issue, so that investors will be able to make more informed choices on where their investment dollars are put.

The full article is available here.

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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.