STRIVE

# The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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**This Week:** Strive launches retirement plans; Boeing faces criticism for prioritizing diversity over safety; An Eye on Energy examines the importance of the Panama Canal for U.S. LNG.

## Strive Launches 401(k) Plans

On Thursday, Strive announced a new retirement plan offering for businesses small to large, focused exclusively on maximizing shareholder value.

The new offering provides an alternative for employers who have been stuck offering 401(k) plans through ESG-focused asset managers like BlackRock and Fidelity, Strive CEO Matt Cole explained to Fox Business in an interview last week. "Your retirement plan should be working for you, not against you," he said.

Cole also shared the two questions he would ask of every investor. First, "Are you willing to accept lower returns in exchange for pushing values in corporate America, yes or no?" And second, "If you were pushing the values, do you agree with the values of racial equity audits in corporate America? Affirmative action? Forced emissions reductions? Do you agree with those values or would you have different values?"

For employers and workers unwilling to accept lower returns to push these values, Strive's new plan provides a solution.

Read More About Strive's 401(k) Plans on Fox Business

## Boeing Takes Heat For Prioritizing DEI Over Safety

In the aftermath of last week's alarming inflight door malfunction, Boeing is facing criticism for prioritizing diversity, equity, and inclusion (DEI) efforts over flier safety.

As reported in the New York Post, Boeing changed its executive compensation plans in 2022 to pay bonuses based on climate and DEI targets, rather than safety and quality issues alone. “While our 2021 design incorporated operational performance in the areas of product safety, employee safety and quality, for 2022 we will add two other focus areas critical to our long-range business plan: climate and diversity, equity and inclusion (DE&I),” the company said in a filing with the Securities and Exchange Commission at the time. Boeing also issued a 2023 DEI report in which it touted that 47% of its new hires were diverse and that it planned to "raise the bar" on diverse hiring going forward.

These policies have come under scrutiny following the mid-flight blowout of a door on a Boeing plane during an Alaska Airlines flight last week, leading to a probe of Boeing aircraft that is grounding over 150 flights a day.

The accusations gained traction after a series of Elon Musk tweets asking if customers feel safe flying in an airplane where they prioritized DEI hiring over safety. Since then, diversity policies at both United Airlines and the Federal Aviation Administration have also been questioned. "Diversity really has nothing to do with safe travel," aviation expert Kyle Bailey told Fox News. Whether the airline industry will return to merit-based policies following the controversy remains to be seen.

## Gen Z and Millennials Less Willing To Sacrifice Returns For Socially Responsible Investing

A new study shows that Gen Z and Millennial investors are less willing to sacrifice returns for the social and climate good, Business Insider reported last week.

The new study out of Stanford University polled nearly a thousand U.S. investors in the second half of 2023. This year, less than half of Gen Z and Millennial investors said they were "very concerned" about environmental issues, compared to 80% last year, bringing their views much closer to those of the Baby Boomers. The percentage of younger investors who were "very concerned" about social issues dropped from 65% to 53%.

Younger investors were even less supportive of environmental and social initiatives if it meant sacrificing financial return. In 2022, the average respondent was willing to give up 6-10% of their expected return in exchange for ESG goals; in 2023, that dropped to just 1-5%.

"More investors are unwilling to personally bear the risk of advancing environmental and social change," Stanford professor and study co-author David Larcker wrote. "They might want conditions around them to change, but they don't want it to come out of their pocket."

The new study is released as both academics and investors are beginning to realize that ESG investing often harms, rather than helps, financial return. Whether the results indicate a lasting trend, or whether younger investors will return to ESG-focused investing should the economy improve, remains to be seen.

## Do BlackRock's Layoffs Indicate A Genuine ESG Retreat? Skepticism Remains.

Given BlackRock's history of telling both sides of the ESG debate what they want to hear, many of its ESG claims are met with a healthy dose of skepticism.

Its layoff announcements are no exception: Last week, Scott Shepard of the National Center for Public Policy Research penned a piece for Real Clear Markets doubting BlackRock's retrenchment from ESG, even as the company announced it was laying off 600 employees.

Preliminarily, contrary to early reports, it's not even clear that the layoffs are targeted at the firm's sustainability employees. BlackRock, for its part, has denied the claim, with an insider telling Business Today that no single team was the focus of the cuts.

But regardless of who was let go, BlackRock's focus on ESG investing remains. As Shepard explains, despite the layoff news, BlackRock continues to allow fund managers to consider ESG metrics when running non-ESG funds. Further, BlackRock CEO Larry Fink has continued to commit to pushing socially responsible investment practices across the firm, but by a different name:

> [A]dd as context Fink’s interview a month or so before the dissolution of the ESGs during which said he was no longer going to use the term ESG, preferring “conscientious capitalism”—but then revealed that by conscientious capitalism he just meant the same old ESG policies and behaviors. But changing the label of a thing for the purpose of continuing to do that thing without people knowing is fundamentally deception.

Given this history, Shepard argues that "the burden lies with BlackRock to prove that it has mended its way, rather than just muddying the waters."

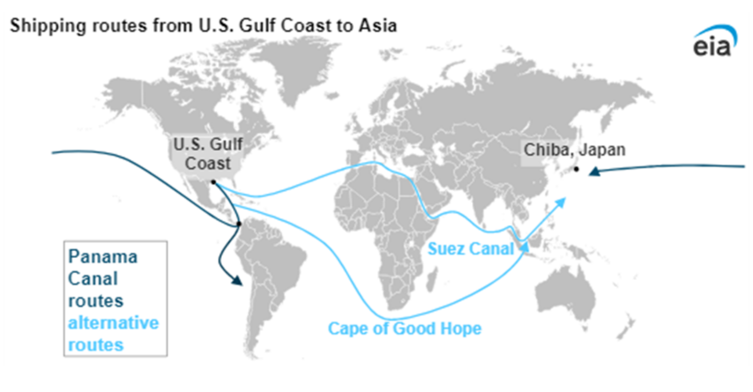
## An Eye on Energy

**Panama Canal Logjam, Red Sea Turbulence, and U.S. LNG**

We've talked about how the Red Sea provides a vital shipping route for oil and gas—particularly for gas produced in the Middle East destined for the European market—and how that route has come under attack by Iranian-backed Houthi rebels in Yemen.

But that same route is also becoming more important for U.S. produced LNG traveling to Asia in the other direction, meaning the Houthi's attacks are impacting U.S. shipments as well.

Typically, the United States relies on the Panama Canal to ship most of its LNG from the Gulf of Mexico to Asia. The reason is clear: alternative routes take a lot longer, raising shipping costs. It **takes** just 24 days for LNG cargo from the Gulf of Mexico to reach Northeast Asia via the Panama Canal, compared to 36 days via the Suez Canal or 38 days via the Cape of Good Hope.




Source: U.S. Energy Information Administration.

But for the past several months, a drought has been limiting ship traffic and causing a logjam at the canal. Shippers who have historically relied on the Panama Canal are left with few good options: wait in the queue for weeks, pay millions to skip the line, or take a different, much longer route.

Many have opted for option number three. In November 2022, for example, 60% of U.S. LNG shipments bound for Asia traversed the Panama Canal. This past November, that number fell to 27%, with the majority of LNG shippers going through the Suez Canal or around South Africa instead.

But with the Houthi upping their attacks in the Red Sea, and tensions continuing to rise, even Plan B is becoming more perilous.

There are few signs that tensions are easing. To the contrary, on January 11, the United States, with the support of other nations, executed air strikes on over 60 targets at 16 Houthi locations in Yemen as a response to the recent attacks on international maritime vessels in the Red Sea. The Houthis are identifying retaliation options and promising a response that is “beyond the imagination.”

These developments mean that fewer ships are traversing the Red Sea, instead opting for a Plan C that involves going around South Africa. Linerlytica reports, for example, that 80% of all containerships on the Suez Canal since mid-December have diverted to the Cape of Good Hope. And it predicts that number will continue to rise.

All of this instability has increased shipping times, fuel costs, and overall freight costs, threatening the current profitability of U.S. LNG in Asian markets. "The reality is that it is too long and expensive to go through the Panama Canal at the moment, even though the forward curve has Asia as the best market for LNG," shipping industry consultant Jason Feer told Reuters. But alternative routes are no less costly: "[i]t is only just at the cusp of being profitable to ship cargoes from the United States around Cape/Suez to Northeast Asia," S&P said.

In the past, trade flows and geography were the main impacts on transport and logistics investments, but that's now changed: Today, heightened geopolitical tensions continue to fragment international commodity markets, forcing shippers to evolve to meet new challenges in the face of instability.

The result will likely be upward pressure on the price of oil and natural gas, at least until a stable, reliable shipping solution can be found.

## The Best of the Rest

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

- Corporate America has gone silent on ESG; but silence does not indicate behavioral change: "[m]any CEOs stress that they continue to follow ESG commitments made years ago—even if they are no longer talking about them as often publicly,” per the Wall Street Journal.
- ESG fund launches plummet as investor scrutiny continues.
- New greenwashing claims asserted against Canadian banks; activists hope to pressure the banks to do more to live up to climate commitments.
- A philosophical critique of ESG investing: "parts of the ESG agenda are dehumanizing and amount to little more than justifications for theft."
- CalSTRS chief investment officer retiring; plans to focus on climate change and energy transition.
- On China risk: an invasion of Taiwan could cost the world economy $10 trillion, the Financial Times reports.
- Culture wars as business risk; a more reserved approach may better suit businesses in 2024.
- Wyoming Secretary of State comments on proposed SEC rule that would allow investments in natural assets; expresses concern about "protecting Wyoming’s investors from the harmful impacts of ESG investing strategies."
- A new governance issue for 2024: officer exculpation for Delaware corporations.

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