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STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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This Week: Strive CEO takes on the climate cartel; Tractor Supply drops ESG; The Silicon Surge discusses China's chip turmoil.

Strive CEO Takes On The Climate Cartel

Last month, the House Judiciary Committee grilled climate activists on collusion in ESG investing. Congressman Thomas Massie kicked off the hearing with a bang, explaining that "[t]he climate cartel is engaged in anticompetitive collusion to impose radical ESG goals on the American people." Following these opening remarks, the committee began questioning representatives from CalPERS, Ceres, and Arjuna Capital on their climate coordination.

While many important questions were posed, many remain. Strive CEO Matt Cole, a sixteen-year employee of CalPERS, shares several of them in his op-ed for RealClear Energy.

Read It Here

Tractor Supply Drops Non-Business Pursuits

On Thursday, Tractor Supply issued a statement that it would no longer be pursuing ESG goals; instead, it will focus on "activities and giving tie[d] directly to our business."

The Backdrop: In recent weeks, Tractor Supply has come under scrutiny on X and elsewhere for pursuing divisive political goals rather than focusing on its business. Journalist Robby Starbuck, for example, criticized the company's DEI policies as "putting more of a focus on race" in a way that "divides us."

Not a Recent Trend: While concern over the company's policies reached a fever pitch in the past week, Tractor Supply's commitment to ESG goals isn't new. Its CEO is an outspoken ESG proponent, and its executive compensation packages tied executives' pay to both DEI and ESG goals. For these very reasons, Strive voted against Tractor Supply's CEO and compensation packages at its annual meeting this Spring.

A New Stance: Per the statement, Tractor Supply will now:

- "stop sponsoring nonbusiness activities like pride festivals and voting campaigns,"
- "withdraw our carbon emission goals," and
- "eliminate DEI roles and retire our current DEI goals," among other things.

Strive's Take: We're thrilled to see companies willing to reevaluate their priorities and focus on their customers, their business and their shareholders. Hopefully, now that Tractor Supply has shed some light on this issue, other companies will also decide to make hay while the sun shines.

Supreme Court Reins In Agencies

Last summer, Strive submitted an amicus brief asking the Supreme Court to rein in federal agencies, explaining that bureaucratic overreach was hurting American businesses and investors alike. On Friday, the Supreme Court issued a ruling doing just that.

The Ruling: The Court held that the National Marine Fishery Service did not have the authority to require fishermen pay the salaries of the federal monitors that ensure they are complying with ethical fishing regulations. But the ruling was quite broad. The Court overruled a longstanding legal principle called the *Chevron* doctrine that gave agencies a lot of latitude to pass regulations, even when Congress didn't explicitly authorize them to do so.

Why It Matters: With the *Chevron* doctrine out of the picture, many federal regulations may now be on the chopping block, including some that may be holding investment portfolios back. Regulations that may now be in question include:

- The Department of Labor's regulation allowing retirement fund managers to consider ESG factors when investing retiree funds in some cases;
- The Securities and Exchange Commission's new rule requiring companies disclose their carbon emissions; and
- An untold number of the thousands of other regulations that cost American businesses $300 billion annually in compliance costs.

Read More: To learn more about the decision and how it may affect investors, read this X article by Strive Head of Corporate Governance Justin Danhof, available here.

Glass Lewis Takes Heat for ESG Activism

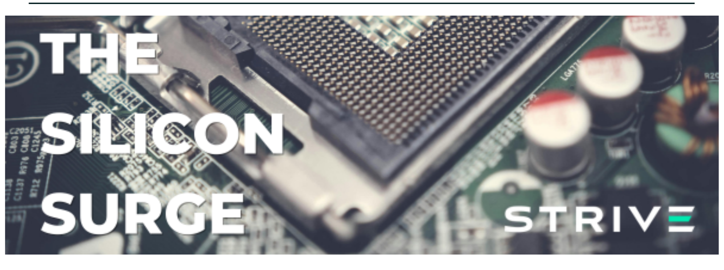
Glass Lewis is taking heat from State Financial Officers Foundation (SFOF) CEO Derek Kreifels in a new piece in Real Clear Politics.

SFO-what?: SFOF is an organization comprised of state treasurers and other financial officers who seek to promote fiscal responsibility and resist the pressure to "adopt progressive policies that undermine economic freedom and hurt economic growth."

Concern About Glass Lewis: Kreifels levies sharp criticism at Glass Lewis, primarily related to how the proxy advisor claims to be unbiased, while using its position of power to impose ESG policies on corporate America. Evidence includes:

- Its gender policy, which pushes companies to appoint not just women, but "gender diverse" nonbinary people to their boards;
- Its decision to hire Bob Mann as CEO, despite the fact that Mann was subject to a 20-state investigation at his last job for penalizing companies that did business with Israel by lowering their ESG scores;
- Its failed attempt to oust Exxon's board in retaliation for Exxon's decision to sue climate activists over a proposal to end the company's oil and gas business.

Not The First Stone: Kreifels' op ed is just the latest in a wave of criticism against Glass Lewis. Tesla blasted the company in May for "omitting key considerations, using faulty logic, and relying on speculation and hypotheticals" when advising shareholders to vote against Elon Musk's pay package. And in December, the House of Representatives launched a probe into Glass Lewis alleging that the company may have "colluded to promote ESG-related goals."



China's Chip Turmoil

A decade ago, China invested in over 50,000 companies across its semiconductor sector to compete with the United States and Taiwan. Today, nearly half have shut down.

Chinese firm Shanghai Wusheng Semiconductor, founded in 2021 with an investment of over $2 billion, recently declared bankruptcy. A collaboration between GlobalFoundries and Chengdu ended in failure. And the high-profile Wuhan Hongxin project was ultimately exposed as a scam, dubbed "China's semiconductor Theranos" in the press.

There are several reasons for these failed projects—certain companies weren't able to meet targets, others had broader financial woes. But across the industry, one factor stands out: Before U.S. restrictions, Chinese chip companies could access foreign tools and advanced technologies. That's no longer true. As a result of the latest sanctions, they now have no option but to produce them domestically without outside help. And these firms are struggling to figure it out.

In communist China, of course, the solution to a failure of central planning is more central planning, and the solution to a failure of government subsidies is more government subsidies. Given this philosophy, it's no surprise that China has increased its spending spree with its latest $47.5 billion Big Fund III.

But it may not be enough.

Despite the windfall, the market is skeptical. As a result, companies are rethinking going public. So far, 23 Chinese semiconductor companies have retracted their IPO plans. And experts predict more could be on the horizon.

As investor caution grows, so does the pressure on Chinese semiconductor companies to deliver advanced semiconductor chips. For the Chinese semiconductor industry, the government subsidies may be plentiful, but time may be running out.

The Best of the Rest

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

- American Airlines to stand trial over ESG investing in 401(k)s; judge criticized the airline's "incestuous relationship with BlackRock" and found sufficient evidence for a jury to decide "whether that relationship disloyally influenced administration of the Plan."
- Denmark to charge farmers €100 a cow in world's first carbon tax on agriculture industry.
- Court revives SEC rule requiring proxy advisors notify issuers of recommendations and give them a chance to correct inaccuracies; Trump-era rule had been suspended by the Biden Administration, but the court found the suspension improper.
- BlackRock first firm named on Indiana ESG watch list; the state is concerned about BlackRock's efforts to prioritize "risky ESG engagement over its fiduciary duty to its clients," per the state treasurer's office.
- House holds hearing on ending illegal workplace discrimination; hears testimony on controversial DEI practices that "add nothing to the bottom lines of companies and nothing to the wealth of the country or citizens."
- Warren Buffett buying blue-chip U.S. energy stocks; the Wall Street Journal offers clues why.

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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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