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The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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This Week: *Financial Times* credits Strive for pushing companies to drop ESG from executive pay; John Deere pulling back on ESG; An Eye on Energy looks at the American energy trade.

The Financial Times Credits Strive for Pushing Companies to Drop ESG-Linked Compensation

Following Strive's vocal opposition over the past year, sixty companies have removed climate and diversity targets from executive pay packages, the *Financial Times* reported Sunday. As Strive CEO Matt Cole told the outlet:

> It's not surprising to see corporations struggle when their executives are incentivized in ways that don't improve and often impair financial performance... Several bold corporations have improved how they incentivize their executives this year, by moving away from DEI and ESG measures. I expect more corporations to follow in their footsteps.

Read the full article here.

John Deere Pulling Back on ESG

John Deere is pulling back on its ESG and DEI efforts amid backlash, *The Wall Street Journal* reported Thursday.

Oh Deere: Over the past several days, John Deere has faced withering criticism for its social stances, including donations to pride events for preschoolers, "genderbread man" training, and commitments to increase representation of certain racial groups. It's now pulled back on some of these initiatives, but remains committed to "diversity" overall, leaving some ambiguity as to whether the company has actually ended its DEI programs.

Tractor Supply's Lead: The move follows that of Tractor Supply, which effectively ended its DEI and climate initiatives following similar backlash earlier this month. Notably, the reaction has been mostly positive. Per one new survey, 78% of frequent Tractor Supply shoppers said they supported the company's decision to drop its DEI efforts (and most other respondents were neutral on the move).

Who's Next? Robby Starbuck, the influencer behind the Tractor Supply and John Deere campaigns, has promised he has more companies in his sights. For companies that continue to take sides in the culture wars, it's probably only a matter of time before the battle reaches them.

NY Pension Fund Pushing for Renters' Rights

A New York City pension fund is using its position as an investor to push real estate companies to protect tenant rights, *The Wall Street Journal* reported last week.

A Long History of Activism: New York City's pension funds have long been ESG activists, using their control over public retirees' funds to push for progressive social goals like self-described racial equity efforts, climate change initiatives, anti-gun measures, pro-union reforms, and other changes across corporate America.

Rent Control: Now, a New York City pension fund is pushing for the real estate funds it's invested in to limit rent increases and give additional notice before evicting tenants.

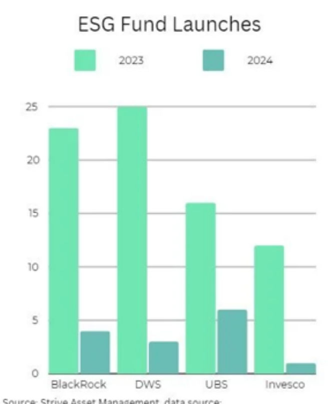
Politically Motivated: By the comptroller's own admission, the new focus was motivated by political goals, rather than returns for pensioners. The new rules—dubbed the Responsible Property Management Standards—were created after the comptroller recalled complaints from constituents while he was a city council member. Once he became comptroller, he met with housing activists who encouraged him to use his new position to protect renters.

A National Standard: Per *The Wall Street Journal*, New York City is hoping the new standard catches on and that other pension funds follow its lead.

Strive's Take: In our view, pension fund managers shouldn't be asked to choose between the pensioners they purportedly serve and outside stakeholders, whether that's renters or workers or environmentalists. But it's even more shocking when it's another pension fund manager doing the asking.

Wall Street Cools on Sustainable Funds

Wall Street has launched far fewer new ESG funds this year, the latest sign that enthusiasm for the once-red-hot investment trend is waning, per *Bloomberg*.



Source: Strive Asset Management. data source: https://finance.yahoo.com/news/backlash-against-esg-seen-sharp-060000870.html

The drop in sustainable fund launches is even more notable given the fact that asset managers are launching non-ESG funds at essentially the same rate as last year.

What They're Saying:

> "Launches of ESG funds have plummeted due to adverse performance, poor product design and politics," said Huw van Steenis, vice chair at Oliver Wyman. "Once again, investors have learned the hard way that investing by acronym is never an enduring way to allocate capital."

No Sign of Retreat: Despite the pullback on new fund launches, the trend may be more a sign of deceleration than retreat. As representatives from several asset managers told *Bloomberg*, their comprehensive suite of ESG products is robust and isn't going anywhere; the latest figures simply reflect that *additional* ESG funds aren't really needed.

Deglobalization's Effect on American Energy

Our trade relations remain one of the most fundamental activities shaping global energy markets.

In 2020, the U.S. became a net energy exporter, thanks to shale horizontal drilling and hydraulic fracturing technologies. American energy dominance, however, has also exposed the U.S. economy to global energy consumption risks, such as a sudden geopolitical event that could shift global energy trade patterns and export demand.

Energy trade is susceptible to geopolitical events because the various parts of the industry are localized. Whether it's exploration and production, the distribution of electricity, or marine chokepoints, the global economy impacts them all. Today, global conflicts and geopolitical risks are forcing investors to deal with new levels of volatility. Bank of America's July global fund manager survey reported that geopolitical conflict surpassed inflation as a significant tail risk.

The energy trade has seen several shocks over the last few years, from 2020, when WTI crude oil fell to -$37.63 at the height of the COVID pandemic, to Russia's invasion of Ukraine, to the Red Sea conflict.

What sets the recent geopolitical disturbances apart from the 1973 oil embargo is the resilience of the U.S. energy market. With a significant increase in U.S. oil and natural gas production, American energy swiftly entered the market, preventing energy supplies from remaining low for long.

As the U.S. increases its crude oil production from 13.2 million barrels per day to 13.8 mb/d in 2025, energy producers must have reliable energy trade networks to support greater demand.

The dynamics of deglobalization in a volatile world will have significant investment and business implications. Developing the right balance between avoiding risks and seizing opportunities will make reliable energy trade with Canada and Mexico a critical objective for U.S. energy. Addressing these challenges will necessitate strategic investment in new infrastructure and developing necessary knowledge and partnerships.

Join Strive CEO Matt Cole at the Las Vegas MoneyShow Masters Symposium August 1-4, where he will dissect how the growing focus on ESG and DEI is undermining the core of capitalist efficiencies and eroding shareholder value.

The Best of the Rest

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

- Microsoft shuttering a DEI team; "role and team were eliminated due to 'changing business needs' as of July 1st, 2024," company said.
- Fifth Circuit punts case on Department of Labor ESG rule back to Texas court; asks lower court to consider the Supreme Court's recent ruling overturning *Chevron* deference and reducing agency power.
- Bud Light slips to #3 beer brand in U.S.; more than a year after its influencer controversy, sales remain down.
- Over 80% of CFOs feel pressure from three or more stakeholder groups on sustainability issues, with most asking the company to do more.
- Texas Teachers approves reallocation; reduces China exposure over geopolitical risks, increases developed international markets.

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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.

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