

# The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

January 28, 2025

**This Week:** The Big Three support DEI at Costco; Gen Z cools on ESG; The Silicon Surge explores China's AI breakthrough.

## Big Three Support DEI at Costco



We've [reported](#) on the many companies backtracking from DEI. Costco took a different tack, deciding to put the issue to a shareholder vote instead. All of the major asset managers—including BlackRock, Vanguard, and State Street—voted in [favor of DEI](#), even though such programs tend to increase [workplace hostility](#) and [do not help](#) companies' bottom line. Now, the company is under [investigation](#) for illegal discrimination, with nineteen state attorney generals accusing the company of "clinging to DEI policies that courts and businesses have rejected as illegal."

### Costco's DEI:

- **C-Suite:** Employs a [Chief Diversity Officer](#), as well as [other employees](#) exclusively devoted to DEI
- **Hiring:** Uses race and gender to make [hiring](#) and employment decisions
- **Suppliers:** Favors racial minorities and women-owned businesses when choosing [suppliers](#)
- **Donations:** Touts [donations](#) to several controversial activist groups, including some that have been forced to shut down for [illegally discriminating](#) based on race.

**The Shareholder Proposal:** The [proposal](#) asked the company to evaluate the risks of its DEI policies.

- It noted that Starbucks was forced to pay a \$25 million verdict for a single instance of discrimination against a white employee.
- Applied to Costco, the risks were staggering: if even a fraction of Costco's estimated 200,000 non-minority male employees sued, the company could be hit with a judgment in the tens of billions of dollars.

**The Double Down:** Costco opposed the proposal, hoping to continue its DEI program unabated. The company provided limited financial analysis to justify the program, instead admitting that the company's "focus on diversity, equity and inclusion is not ... only for the sake of improved financial performance but to enhance our culture and the well-being of people whose lives we influence."

**The Big Three's Pro-DEI Vote:** As of the time of writing, the Big Three (BlackRock, State Street and Vanguard) have not disclosed how they voted. But Costco reported that [98%](#) of shareholders voted in favor of DEI. Given that Vanguard, BlackRock, and State Street [own](#) 9%, 8% and 4% of Costco respectively, the only inference is that they supported the measure.

**Risks Materializing:** The Big Three are continuing to push DEI even as legal risks mount. Last Tuesday, President Trump issued an [executive order](#) directing federal agencies to take "appropriate measures to encourage the private sector to end illegal discrimination and preferences, including DEI." Each agency must identify nine targets, including publicly-traded companies, to investigate. But federal action isn't the only threat. On Monday, nineteen state attorney generals [voted](#) to Costco to express their concern that its DEI policies may violate the law. Costco has 30 days to drop its DEI policies or explain why it refuses to do so.

## Gen Z Support for ESG Falls Off a Cliff

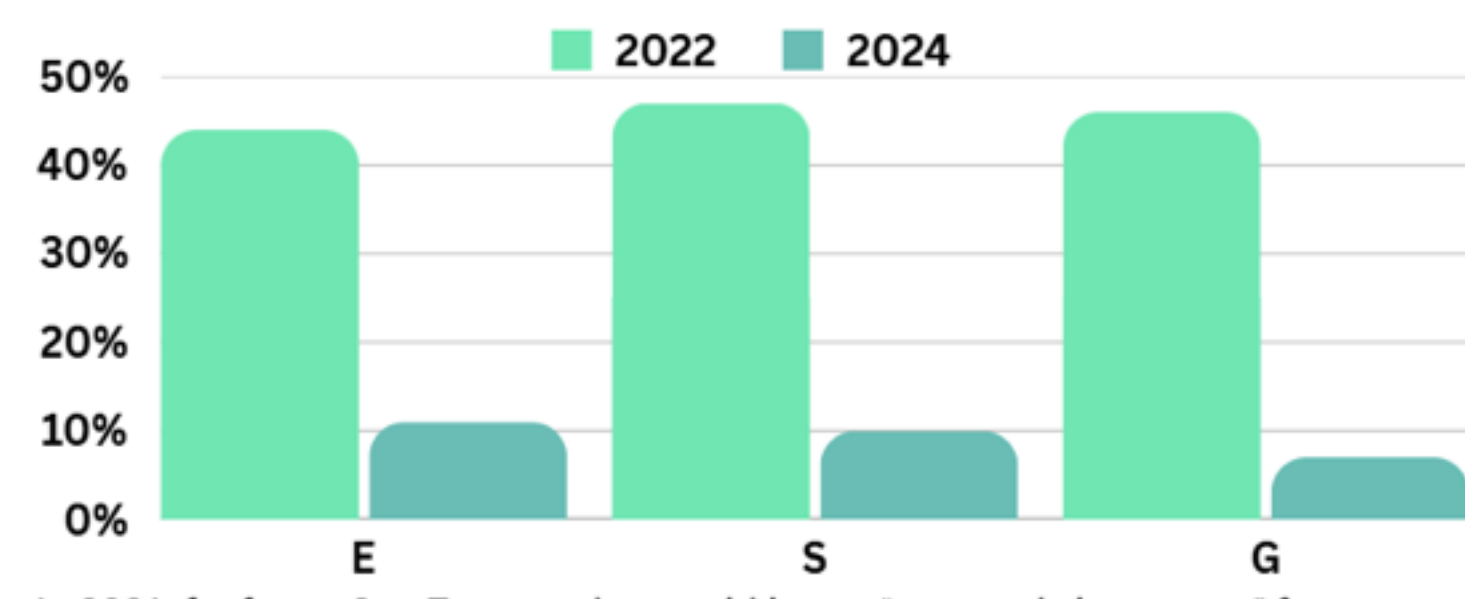


After years of strong support, Gen Z has soured on ESG, a new survey from [Stanford University](#) found this week.

### Catch Me Up Quick:

- The researchers' first study, in 2022, showed a stark generational gap between Boomers and Gen X, who generally did not support ESG investing, and their Millennial and Gen-Z counterparts, who did.
- Now, that gap is closing, as investors of all ages are rejecting ESG.

### The Results:



In 2024, far fewer Gen Z respondents said it was "extremely important" for investment companies to use their size and voting power to push ESG priorities on portfolio companies

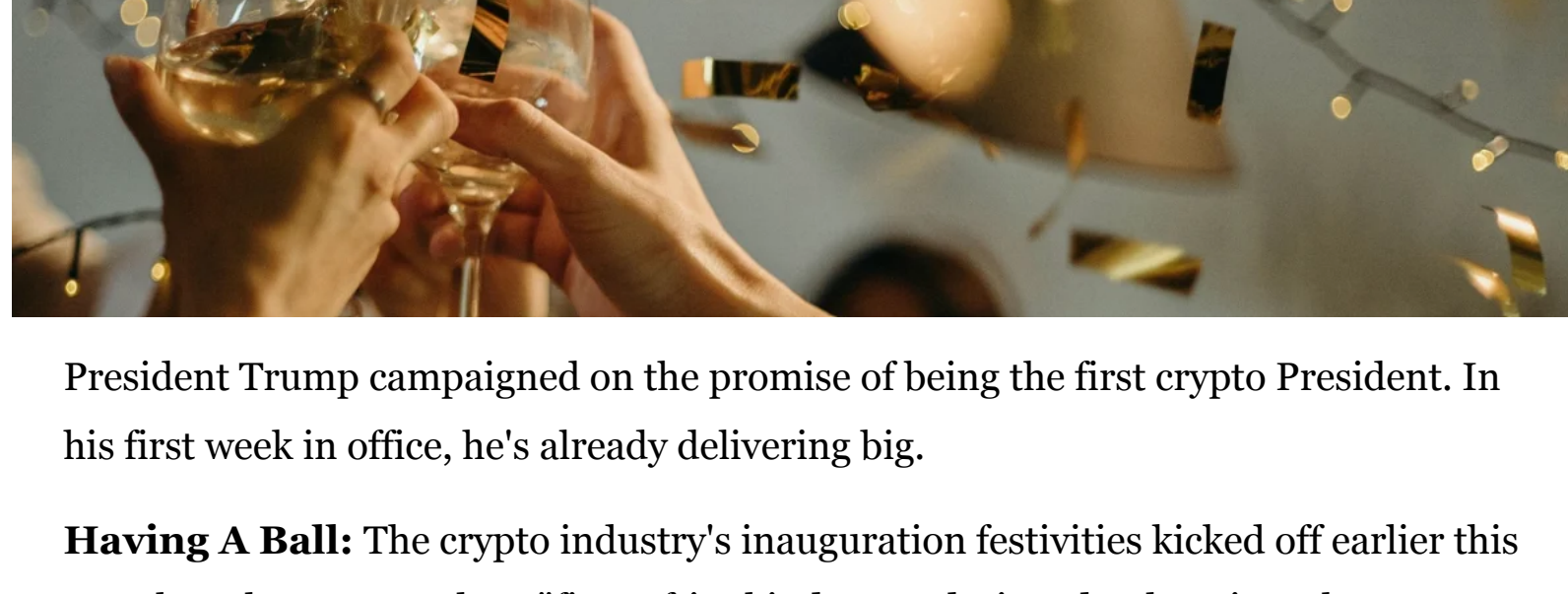
Source: Strive Asset Management. Data from <https://iepr.stanford.edu/news/young-investors-support-esg-dropped-dramatically-2024>

**Also:** Gen Z investors are also markedly less willing to sacrifice returns for ESG causes. Two years ago, 33% of Gen Z investors said they were willing to sacrifice ten percent of their retirement savings for ESG; today, just 10% say they would.

**A Possible Rationale:** The past two years have wreaked economic havoc on many Americans. As a result, "young investors [are] more pessimistic about the economy and less willing to lose money on environmental or social goals, bringing them into closer alignment with older investors who were never keen to do so."

**The Takeaway:** "What they're basically saying is, 'We really want you to increase the value of our holdings,'" one of the researchers wrote. And as a growing body of [research](#) confirms, ESG investing is simply not the way to do it.

## The Crypto Ball, Davos, and A Call To Action



President Trump campaigned on the promise of being the first crypto President. In his first week in office, he's already delivering big.

**Having A Ball:** The crypto industry's inauguration festivities kicked off earlier this month at the crypto gala, a "first-of-its-kind event designed to lean into the Trump administration's potential embrace of cryptocurrency," the [Wall Street Journal](#) writes. Industry titans mixed with incoming officials to celebrate crypto's resurgence as they prepare for what's next.

"The reign of terror against crypto is over," Trump's digital currency and AI czar David Sacks told the crowd. "And the beginning of innovation in America for crypto has just begun."

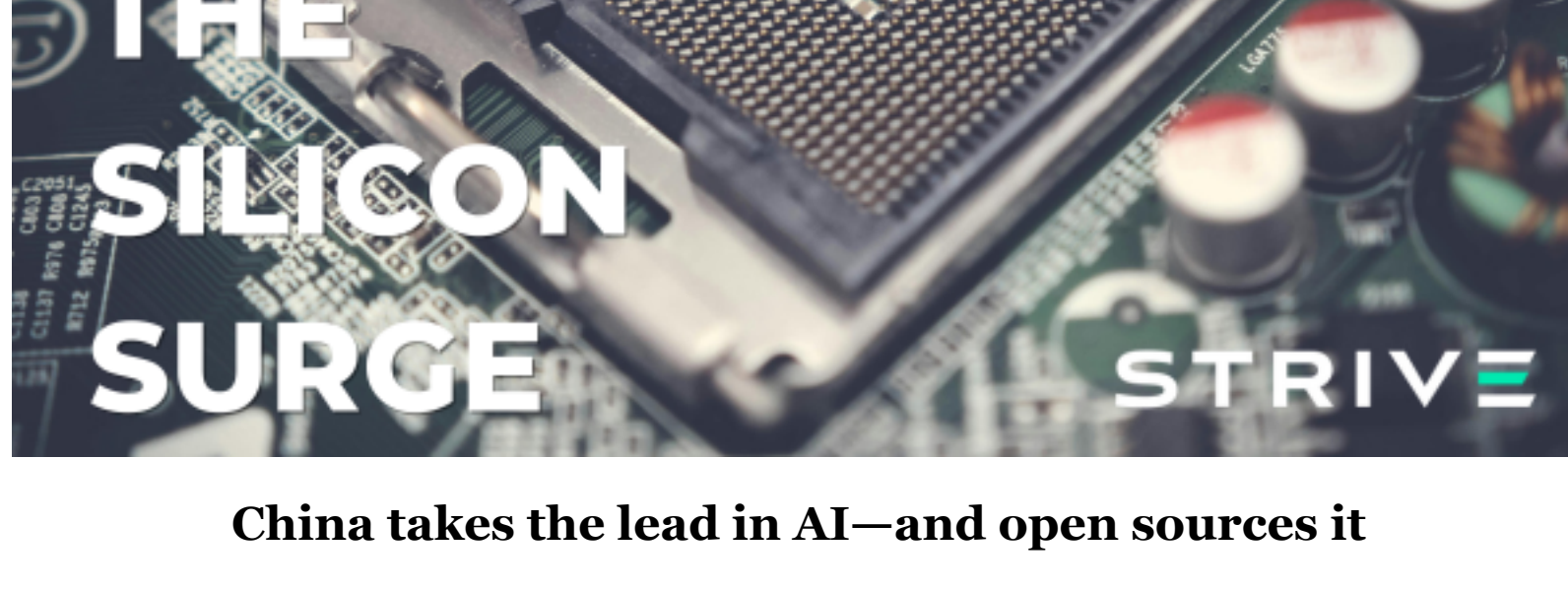
**Davos Abuzz:** Crypto was also a hot topic of discussion among the CEOs who attended the World Economic Forum in Davos, Switzerland last week. [CNBC](#) reports.

- The U.S. financial industry, in particular, seems optimistic about cryptocurrency, though caution abounds.
- "So far, wealth management businesses have only facilitated trades if customers requested exposure," the outlet explains.
- But that's poised to change, with banks keeping a close eye on regulatory and legislative developments that might let them expand their services to the crypto industry and provide cryptocurrency-related advice to their clients more freely.

**Executive Action:** The festivities come as President Trump has already taken significant action.

- The most concrete action came Thursday, when President Trump signed an [executive order](#) promoting crypto. The order outlines key priorities for the industry, including protecting individuals and companies, and studying building a strategic reserve.
- President Trump has also tapped Securities and Exchange Commissioner Hester Peirce—dubbed "Crypto Mom" for her support of digital currencies—to lead a new [crypto task force](#), "dedicated to developing a comprehensive and clear regulatory framework for crypto assets."
- The SEC has [repealed](#) the controversial Staff Accounting Bulletin 121, which required banks to record crypto held for customers as liabilities, rather than assets, on their balance sheets.

**Innovation Ahead:** While developing a new legal framework for crypto will take some time, there's no doubt that, as Sacks [explained](#), "the beginning of innovation in America for crypto has just begun."



## China takes the lead in AI—and open sources it

The AI community and stock market were stunned this week by the release of a Chinese model that matches the best Western ones on performance at a fraction of the cost. DeepSeek's R1 adopts OpenAI's new reasoning approach but adds significant efficiency improvements. Surprisingly, DeepSeek [open sourced](#) its methods, allowing hobbyists and Big Tech companies alike to adopt them. In spite of market panic, this is a positive development for the U.S. semiconductor sector and economy.

DeepSeek's breakthrough was born from efforts to get around barriers from the U.S. government and its own. It [began](#) life as a cutting-edge quant fund. But when the CCP imposed restrictions on high-frequency trading it had spare GPUs, so it started using them for Bitcoin mining and AI research. When President Biden curtailed Chinese GPU access, DeepSeek was forced to develop creative algorithms to milk more compute out of its supply. The result was R1, which costs perhaps [10%](#) as much as OpenAI's new o1 model.

Uncumbered by GPU restrictions, the U.S. has focused on making as many giant data centers as possible. R1 stole the thunder from President Trump's Stargate initiative, which plans to invest \$500 billion in AI infrastructure over four years to support OpenAI. Elon Musk questioned whether it had the money. When asked if Stargate could meet its \$500 billion funding target, Microsoft CEO Satya Nadella [quipped](#), "All I know is I'm good for my \$80 billion."

That's the question the market asked Monday morning—are you? Are you still planning on investing \$80 billion in AI compute this year after the massive efficiency improvements DeepSeek has open sourced? Is Google still good for its \$100 billion commitment? Meta for its \$65 billion? The market clearly thinks data center GPU spending will be cut.

But AI is an arms race, both between nations and corporations. The CCP's announcement of a [\\$138 billion](#) investment in AI a week after DeepSeek's release shows it doesn't expect greater efficiency to lessen its appetite for compute; it has to match Stargate. Microsoft's AI capex has to keep pace with Google's. If anyone takes their foot off the gas, they'll simply ensure their rivals have more and better AI, which could translate to military and economic dominance.

In our view, Nadella's still good for his \$80 billion. He [suggested](#) as much by raising Jevons Paradox, which holds that increased ability to use a resource increases consumption of it. He implied top-tier open source AI makes it a commodity, which lowers the price of model access, not demand for compute—bad for OpenAI, but not for Microsoft or Nvidia.

As Nvidia senior engineer Dr. Jim Fan [put it](#), "DeepSeek is unequivocal proof that one can produce unit intelligence gain at 10x less cost, which means we shall get 10x more powerful AI with the compute we have today and are building tomorrow."

While the market feels fear, AI experts are feeling greed: the pie just got a lot bigger.



## Strive CEO Talks Bitcoin on The Pomp Podcast

Why is Bitcoin the ultimate asset for meritocracy?

How are Bitcoin treasuries changing companies?

And why does BlackRock need to go further with Bitcoin?

Strive CEO Matt Cole tackles these questions (and more!) in his interview with Anthony Pompliano on The Pomp Podcast. Watch now to see why we believe Bitcoin is reshaping modern finance!

[Watch Here](#)

## The Best of The Rest

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

- [President Trump exonerates Bank of America, JP Morgan for political debanking](#); alleged banks had closed accounts of conservatives over political views, saying "What you're doing is wrong."
- [EV prepares to scale back its sustainability regime](#); France expected to make formal proposal next week.
- [Insurance industry increasingly targeted by shareholder activists](#); including ESG proponents hoping to influence companies.
- [Target latest company to join DEI retreat](#); will end three-year diversity goals, stop supplying data to the Human Rights Campaign, and will terminate program focused on carrying products from black-owned businesses.
- [President Trump announces new energy priorities](#); withdraws from Paris Agreement and halts new offshore wind projects.

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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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