STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

February 4, 2025

This Week: Texas hits BlackRock, banks with ESG probe; The Bitcoin Brief heads to the mines; Strive Co-Founder releases *Last Call for Bud Light*.

Texas Hits BlackRock, Banks with ESG Probe

Last week, Texas, joined by nine other states, launched an investigation into BlackRock, JP Morgan, Bank of America, and other U.S. banks over their potentially illegal ESG practices.

Starting with a Bang: The letter begins,

> Each of you—BlackRock, Goldman Sachs, Morgan Stanley, JPMorgan Chase, Bank of America, and Citigroup—....appear to have embraced race- and sex-based quotas and to have made business and investment decisions based not on maximizing shareholder and asset value, but in the furtherance of political agendas. We, the undersigned Attorneys General, are concerned this may violate federal and State laws.

Zoom In: The prosecutors allege:

- **Quotas in Exchange for Lower Interest Rates:** The banks and BlackRock allegedly colluded to amend revolving-credit agreements "so that BlackRock will save or pay millions of dollars based on whether BlackRock meets race- and sex-based employment targets."
- **"Optics Only" Retreat from Net Zero:** The letter accuses the targets of leaving some net zero groups, while remaining members of other climate-focused organizations and making "public statements of continued, independent commitment to the net-zero agenda." As the prosecutors explain, "[t]hese actions raise serious concerns as to whether your exodus is an optics-only effort."
- **Discriminatory Supplier Quotas:** The letter alleges that the targets use illegal set-asides, making minimum spending commitments for suppliers owned by members of certain races or genders.

Next Steps: The letter contains dozens of detailed questions for BlackRock and the banks to answer, including why the asset managers voted for climate measures and whether they've ever conducted any financial analysis to determine whether their diversity policies add to, or subtract from, shareholder return. The letter also indicates that the prosecutors are interested in speaking with key employees once responses are received. Those responses are due March 12.

AI Wants To Go Nuclear—and California Just Might Let It

The AI boom may bring California's nuclear energy industry back from the dead, CalMatters reported last week.

Catch Me Up Quick:

- AI is an energy hog. Each ChatGPT query uses the same amount of energy as leaving a light bulb on for 20 minutes.
- Tech companies are therefore pushing for new energy sources to help power their AI products, including the energy-intensive data centers on which they run.
- California has had a moratorium on new nuclear facilities for nearly 50 years, refusing to allow construction of any new sites until the federal government determined a method of permanent disposal of nuclear waste, which it hasn't done.
- Now, some lawmakers are pushing back, seeking to end the moratorium, create exemptions for new, smaller plants and extend the life of California's lone remaining nuclear site.

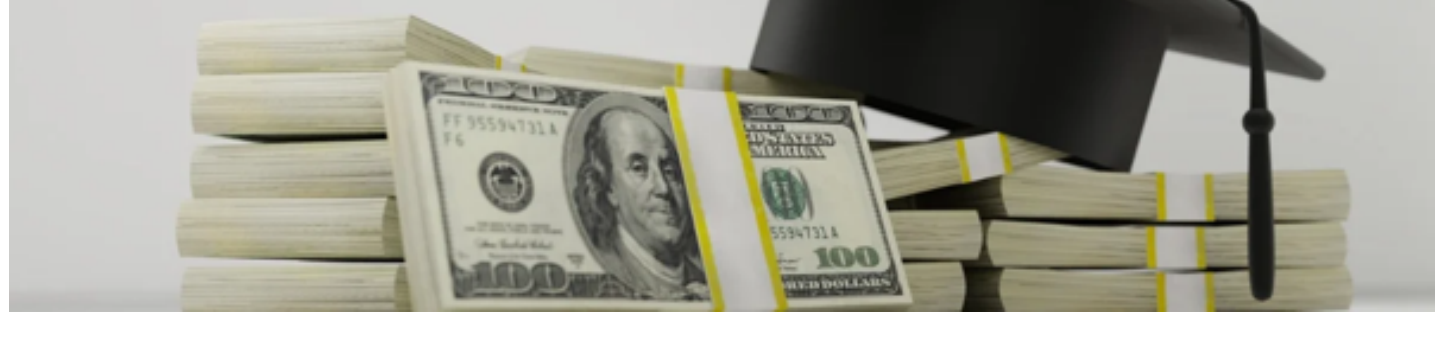
A Nuclear Renaissance: The potential for a nuclear renaissance is near, with lawmakers on both sides of the political aisle pushing for change. California Republicans have long supported nuclear energy, citing the need to meet increasing energy demands and shore up California's electric grid. More recently, Democrats are softening their anti-nuclear stance, especially as they realize that solar and wind is unlikely to generate enough carbon-free energy to meet the state's net zero goals.

A Sympathetic Governor: Even Governor Newsom is warming to the idea, telling the outlet he's "always maintained an interest in new, promising technologies, including advancements in emerging nuclear power technologies, that follow strong safety, cost, and environmental considerations."

Growing Demand: The AI boom is in full swing, and energy demand isn't going anywhere. As we talked about last week, even if AI is able to get more energy efficient, in our view, this efficiency will likely lead only to increased demand for AI—not less demand for energy. We've seen this pattern repeat itself time and again: energy-efficient LED lights didn't reduce overall energy consumption, but it did increase the number of lights people used; improved insulation in Europe didn't reduce energy usage, but it did increase window size; improved U.S. fuel standards didn't reduce gas consumption, but it did increase how much people drove.

The Lesson Is Clear: Better, faster, cheaper AI is on the horizon, and that's a good thing. But having enough power to support it—including from nuclear generators—is essential. California, it seems, may finally be catching on.

Parents Ditching 529s for Crypto Wallets



Move over SNOO, there's a hot new baby present in town: Bitcoin.

The Scoop: Per Bloomberg, as crypto has risen in value and credibility, some parents are ditching their 529 accounts in favor of buying Bitcoin to save for college expenses.

The Rationales: The parents profiled in the article each have their own reasons for choosing Bitcoin, which include:

- **Potential Returns:** "Some parents are turning to crypto to supercharge their college savings. Returns on traditional stocks just won't cut it, the thinking goes, when the price tag for a single year at a top private university is approaching $100,000."
- **Longer Investment Horizons:** Parents of young children are less concerned about volatility because they won't need the funds for a decade or more. "They have even longer to save money," one parent told Bloomberg, "so if this all does blow up, they'll have time to recover."
- **Family Bonding:** Some families have turned their investment decisions into family bonding time, with kids and teens weighing in on crypto markets while parents teach the importance of financial planning.

Potential Downsides: The piece also notes the potential downsides of the strategy, including forgoing the tax perks that come with 529 accounts and crypto's reputation for volatility. But some parents pushed back on this thinking: "I think it's incredibly risky to have 0% exposure to Bitcoin," a father of four countered.

Innovation Ahead: Currently, there are limited ways for parents to invest in Bitcoin within a 529 account. But with the new administration's focus on crypto, and emerging solutions like crypto-focused ETFs, that could change. That would be welcome news for the next generation, which will likely need every dollar, or Bitcoin, they can scrape together to pay for the ever-rising cost of higher education.

Bitcoin miners plan their evolution

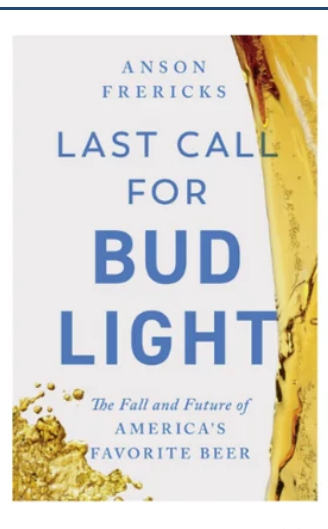
Nashville is the place Donald Trump chose to deliver his landmark speech promising to make the US the crypto capital of the world. It's also the home of Bitcoin Park, a small campus where over a hundred Bitcoin mining insiders, experts, and fans gathered last week to discuss the future of their industry. The theme was clear: pure-play mining is evolving into hybrid business models combining Bitcoin treasury operations, grid energy services, and AI compute infrastructure.

This evolution is partly driven by competition with artificial intelligence for electricity resources. As AI data centers outbid miners for power capacity, some are adapting by joining the AI revolution, converting facilities into hybrid operations that can switch between mining and AI compute based on market conditions. Others are focusing on renewable energy and grid services, selling power back to the grid during peak demand periods. A recent report found that Bitcoin miners have already saved Texas $18 billion by removing the need for expensive gas peaker plants.

Many miners are also following MicroStrategy's playbook, raising capital through share offerings and convertible notes to build Bitcoin treasuries. However, this strategy presents a complex trade-off: while buying Bitcoin immediately increases Bitcoin-per-share, it dilutes the mining business itself, potentially reducing future Bitcoin acquisition from mining. One alternative is to adapt MicroStrategy's tactics by investing bond proceeds in mining more Bitcoin, not buying it. With industry-leading mining costs around $35,000 per Bitcoin, this approach allows them to accumulate Bitcoin at a discount.

The Bitcoin treasury strategy ties into a broader industry trend of miners becoming more sophisticated capital allocators. Leading companies are using innovative structures to limit dilution, conducting share buybacks when the market undervalues their mining capabilities, and timing their Bitcoin sales to maintain operations throughout market cycles. The days of miners simply accumulating Bitcoin and hoping for price appreciation are over.

For investors, the key is finding miners who truly understand these dynamics. The winners won't just be those who can mine Bitcoin efficiently—they'll be companies that can optimize their capital structure, maximize their operating leverage to Bitcoin, and build competitive advantages in energy markets and digital infrastructure. Those who get it right hope to offer shareholders something more valuable than Bitcoin itself: leveraged exposure to its upside with built-in growth potential.



Strive Co-Founder Releases *Last Call for Bud Light*

Today, Strive Co-Founder Anson Frericks released *Last Call for Bud Light: The Fall and Future of America's Favorite Beer*. The book dives into the shocking downfall of America's #1 beer brand, driven by misguided political activism that put stakeholder capitalism over profits. In this timely and compelling release, Frericks—former president of Anheuser-Busch prior to co-founding Strive—shows why companies should stick to their core mission and serve their customers, not the political causes du jour.

But it's not all doom and gloom. As anyone who knows him knows, Frericks is an unrelenting optimist, and a helpful one too. To that end, the book charts a clear path for companies trying to navigate unfamiliar and often hyper-partisan terrain. Sometimes, a clear vision, a strong team and a great product are all you need. And that's something we can all raise a glass to.

The Best of The Rest

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

- Pfizer ends racially discriminatory fellowship program; move resolves lawsuit against the pharmaceutical giant.
- Engagement trumps divestment when it comes to impact investing, concludes a forthcoming study in the *Journal of Financial Economics*.
- Boston to require all new buildings meet net zero standards; critics concerned that mounting burdens may stall development at a time when city is facing housing shortages.
- Fifteen states move to initiate strategic Bitcoin reserves; Alabama, Arizona, Florida, Kentucky Massachusetts, Montana, New Hampshire, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Texas, Utah and Wyoming have all introduced or passed bills to do so.
- Chevron joins race to power AI; plans to build natural gas plants connected directly to AI data centers.

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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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