STRIVE

# The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

**February 13, 2025**

**This Week:** Google drops DEI targets; States investigate BlackRock, others over China risk; The Bitcoin Brief explores Bitcoin's accounting boost.

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## Google Drops DEI Targets


Last week, Google became the biggest name to join the ranks of companies dropping their DEI targets, the Wall Street Journal reports.

**The Changes:**

- **No More DEI Targets:** In 2020, Google announced it would increase the number of underrepresented minorities in leadership to 30% by 2025. It also promised to double the number of black workers over the same timeframe. Now, those goals are out.
- **Revised Annual Report:** The company also deleted a sentence from its previous annual report, which stated that the company was "committed to making diversity, equity, and inclusion part of everything we do and to growing a workforce that is representative of the users we serve."

**ESG Remains:** While the hiring targets are out, Google appears to be continuing a number of related DEI programs, including employee affiliation groups and its supplier diversity program. And various other ESG initiatives—including its goal to achieve net zero emissions throughout its value chain by 2030—appear wholly unchanged.

**Legal cover:** Google's move came just days before Attorney General Pam Bondi urged the Justice Department to launch criminal investigations into companies potentially engaging in illegal discrimination. Accordingly, Google's recent policy changes might not just deliver shareholder value, but prove to be a stay-out-of-jail-free card for Google's execs.

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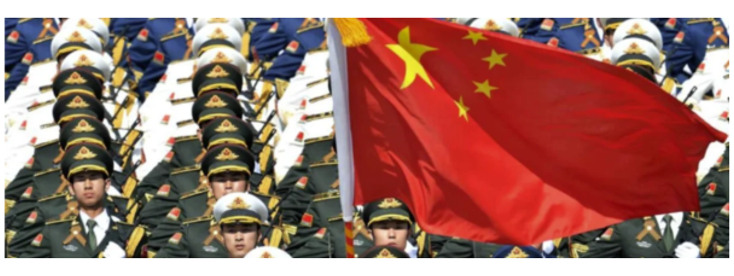
## States Probe BlackRock, Others Over China Risk



Seventeen state attorneys general, led by Montana, have launched a probe into BlackRock and other asset mangers over allegedly misleading their clients about the risks of investing in Chinese companies, Bloomberg reported Thursday.

**The Targets:** BlackRock, State Street Corp., Invesco, JPMorgan Chase & Co., Goldman Sachs Group Inc., and Morgan Stanley have received letters asking them to respond to questions about their Chinese investment funds.

**The Concerns:** "Many of the largest asset managers in the world appear to make misrepresentations and omit essential disclosures for funds that include Chinese investments," state prosecutors wrote. Specifically, the letter cites concerns about:

- **Misstatements regarding geopolitical risks:** The letter highlights geopolitical tensions between the U.S. and China—including that China is an official "foreign adversary" and has threatened to invade Taiwan—and accuses the asset managers of failing to disclose how these risks may impact investments.
- **Misstatements regarding risks of VIE structure:** The letter also emphasizes the dangers of the "variable interest entity" or "VIE" structure, which allow Americans to invest in Chinese companies only through shell entities, typically incorporated in the Cayman Islands, that aren't recognized by the CCP and have no legal ownership over their Chinese counterparts.
- **Conflicts of Interest:** The letter also accuses BlackRock and others of enriching themselves at their clients' expense by downplaying China risk to curry favor with the CCP.

**The Ask:** The letter contains detailed questions for each asset manager over their China-related disclosures (and lack thereof). Responses are due March 10.

**Dive Deeper:** Strive has long recognized that China risk is investment risk. To learn more, read our white paper or our recent piece in RealClear Markets.

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## Target Hit With Class Action Suit Over Pride Collection


Target was hit with a class action lawsuit alleging the retail giant defrauded investors over its DEI policies, Reuters reported last week.

**The Allegations:** In a proposed class action complaint, shareholders led by the City of Riviera Beach Police Pension Fund in Florida alleged that Target defrauded them into paying inflated stock prices and supporting management's "misuse of investor funds to serve political and social goals." They also alleged that the CEO failed to warn of the risks of boycotts from Target's DEI and ESG policies.

**The Context:** The lawsuit follows a similar lawsuit filed in August 2023, which alleged that Target violated federal securities laws by failing to disclose the risks of its LGBTQ+ pride collection. In that case, the court recently upheld the complaint and is allowing the case to move forward, which could set a strong precedent for the police pension fund suit filed last week.

**Zoom Out:** Target has dropped many of its most divisive DEI policies, following in the footsteps of Lowe's, Ford, Toyota, McDonald's and others. But its recent stock performance still trails that of its largest rival, Walmart, and its reputation remains damaged by the controversy surrounding its Pride collection. Win, lose, or draw, the most recent lawsuit should serve as a reminder that wading into controversial social issues rarely helps a company's bottom line.

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**New accounting rules giving Bitcoin treasuries earnings boost**

This earnings season, Tesla got a long-awaited boost. Although auto revenue fell, it reported a $600 million profit from its Bitcoin investments, amounting to over a quarter of its Q4 earnings. The leap came from the Financial Accounting Standards Board's (FASB) new rules allowing—and now requiring—companies to let unrealized Bitcoin gains flow to the bottom line. Recognizing Bitcoin appreciation as profit should be a tailwind for corporate adoption: Bitcoin treasuries are now a legitimate line of business.

Tesla is one of the earliest beneficiaries of the new accounting standards, but far from the biggest. It may look like one of the largest corporate Bitcoin owners with its stash worth $1 billion, but that's not even 1% of its $1.1 trillion-dollar market cap. Much smaller adopters, like Strategy (formerly MicroStrategy) four years ago, or small caps like KULR Technology, stand to see the biggest earnings swings from injecting Bitcoin gains into their balance sheets.

KULR is a good case study of a new entrant into the Bitcoin arena. Its business selling heat management solutions for energy systems had delivered a declining stock over the last five years. On December 4th, it suddenly announced a plan to commit up to 90% of its cash reserves to Bitcoin. Over the next couple weeks, its stock skyrocketed from just over $1 to almost $5. Although it's lost about half those gains as Bitcoin's consolidated, KULR has used the dip to accumulate over 500 Bitcoin already.

That $50 million war chest makes a good starting point to diversify KULR's operations, now that the FASB recognizes it as a potential profit engine. With revenue around $10 million in 2024 and a $17 million earnings loss, any meaningful rise in Bitcoin price could single-handedly carry KULR to a profit, giving it breathing room to expand its thermal management business. Once profitable in its own right, that in turn can feed recurring, non-correlated revenue into buying more Bitcoin for the treasury.

There's one string attached to Bitcoin treasuries' accounting windfall: Uncle Sam might want a cut. 2022's Inflation Reduction Act established a 15% corporate alternative minimum tax that could apply to unrealized Bitcoin earnings, potentially a multibillion dollar tax bill for a company like Strategy. But as the Wall Street Journal reports, a friendly SEC could grant Bitcoin treasury companies an exception for unrealized gains much like Berkshire Hathaway receives for its investments. That regulatory helping hand could be the next step for Bitcoin treasury adoption.

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### The Free Press Highlights *Last Call for Bud Light*

Last week, the Free Press published a piece from Strive co-founder Anson Frericks adapted from his new book, *Last Call for Bud Light*.

In a compelling insider account, former Anheuser-Busch executive Anson Frericks reveals how the beer giant's embrace of ESG and stakeholder capitalism led to one of corporate America's most costly missteps. The Bud Light saga vividly illustrates what happens when companies put politics over profits, with AB InBev suffering a staggering $40 billion market cap loss and Bud Light losing its place as America's top-selling beer. This cautionary tale exemplifies why Strive focuses exclusively on maximizing shareholder value rather than pursuing unrelated social agendas.

For an eye-opening look at how ESG policies can derail even America's most iconic brands, *Last Call for Bud Light* is a must-read.

Last Call for Bud Light

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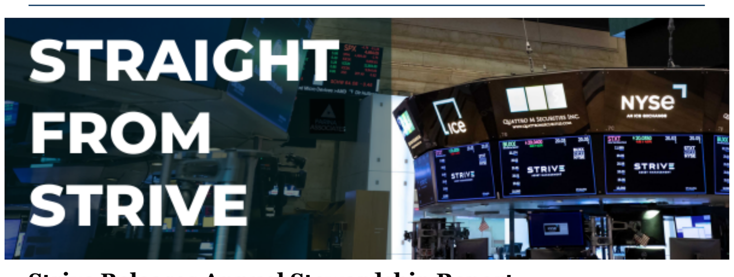


### Strive Releases Annual Stewardship Report

DEI, net zero, and ESG activism, oh my. We're covering it all in our 2023-2024 stewardship report, where we lay out our engagements with corporate leaders, how we cast our votes, and what it means for wealth-focused investors. Read our full report by clicking below.

Read Here

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### The Best of The Rest

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

- Cathy Wood's ARK says Bitcoin could hit $1.5M by 2030 in bull case scenario; would require institutional investors to invest 6.5% holdings in Bitcoin, publicly-traded companies invest 10% of treasuries and nation-states invest 7% of non-gold holdings.
- Average ESG head rakes in $500,000 salary new survey reveals.
- U.S. Energy Secretary decries net zero in new order: "Net-zero policies raise energy costs for American families and businesses, threaten the reliability of our energy system, and undermine our energy and national security."
- Hedge funds slam "enormous burden" of EU ESG reporting; question who the reporting is even for.
- Vanguard continues to push for board diversity; softens language, but continues to "look for boards to be fit for purpose by reflecting sufficient breadth of skills, experience, perspective, and personal characteristics (such as age, gender, and/or race/ethnicity)."

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**Who Are We?**
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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