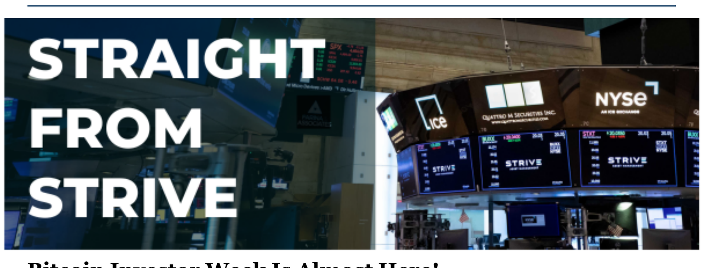
STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

February 19, 2025

This Week: Bitcoin Investor Week is almost here; Disney pulls back on DEI; The Silicon Surge explores Elon Musk's new AI.



Bitcoin Investor Week Is Almost Here!

Next week, Strive CEO Matt Cole will take the stage at Bitcoin Investor Week in New York City, hosted by Anthony Pompliano, joining an all-star lineup that includes Strive co-founder Vivek Ramaswamy, Cathie Wood, Marty Bent, Dylan LeClair, Tim Kotzman and more.

Matt will break down why Bitcoin is the Hurdle Rate for corporations and the investment case for Bitcoin bonds.

Learn more, and reserve your spot, by clicking below.

Join Us

Disney Pulls Back on DEI

Disney is pulling back on some, but not all, of its DEI initiatives, Forbes reported last week.

Changes to Disney's DEI Program

	Old	New
Executive Comp	70% financial targets, 30% other performance factors including "diversity and inclusion"	70% financial targets, 30% other performance factors including "talent strategy"
Less Preachy Trigger Warnings	Films like Dumbo & Peter Pan had trigger warnings that the films contained " stereotypes [that] were wrong then and are wrong now," but that"[r]ather than remove this content, we want to acknowledge its harmful impact, learn from it and spark conversation to create a more inclusive future together."	"This program is presented as originally created and may contain stereotypes or negative depictions."
On Screen DEI Mandates	Urged that 50% of all recurring characters be from underrepresented LGBTQ+ or racial groups	None
Employment Quotas	Pushed for 50% writing and production staff from underrepresented groups; year-over-year increases	None

Source: Strive Asset Management. Data from https://corporate.mcdonalds.com/corpmcd/our-stories/article/our-commitment-to-inclusion.html; https://www.foxbusiness.com/media/disney-drops-controversial-reimagine-tomorrow-program-company-pares-back-dei-initiatives; https://www.kron4.com/news/national/disney-amid-changes-to-dei-initiatives-will-alter-content-warning-ahead-of-peter-pan-dumbo-and-other-older-films/amp/ and the Wayback Machine.

What Remains:

- **Race and LGBTQ+ Supplier Preferences:** Despite the pullback, Disney continues to give preferential treatment to suppliers that are "51% or more own[ed by] women-, minority-, [and] LGBTQIA+" individuals.
- **Racially Discriminatory Internship and Scholarship Programs:** Disney also continues to sponsor an internship program and fund scholarships open only to black students.
- **Employee Affiliation Groups:** Disney also continues to support race- and gender-based affiliation groups at the company.
- **Chief Diversity Officer:** Disney employs a Chief Diversity Officer and has not announced any changes to its DEI department.

Zoom Out: Disney's changes come after its previous CEO, Bob Chapek, put the company in the center of the culture wars by publicly feuding with Florida Governor Ron DeSantis and pushing divisive ideologies in its children's programming. Strive has repeatedly engaged with Disney and fellow shareholders to get the company back on track. Finally, its current CEO, Bob Iger, seems to slowly be trying to do just that.

Wise Words: More than tinkering with individual programs, Iger's made clear that Disney's focus needs to be on business, not politics. "[O]ur job is not to advance any kind of agenda," Iger has said. "Creators lost sight of what their No. 1 objective needed to be ... We have to entertain first."

SEC Issues New Guidance on Shareholder Proposals and Engagement

Last week, the Securities and Exchange Commission adopted two new sets of guidance that may curtail ESG shareholder proposals and related engagement.

ESG engagements:

- The first guidance document heightens the reporting requirements for large asset managers that own more than 5% of a publicly-traded company and pressure that company to adopt ESG goals.
- Historically, index fund providers like BlackRock have been exempt from the most onerous filing and disclosure requirements because they are considered "passive" investors.
- But the new guidance suggests they may not be eligible to keep that status if they actively engage companies to adopt non-financial goals.

From the SEC's desk: The guidance warns Wall Street asset managers that they may lose their exemptions if they urge companies to "undertake specific actions on a social, environmental, or political policy and, as a means of pressuring the issuer to adopt the recommendation, explicitly or implicitly conditions its support of one or more of the issuer's director nominees at the next director election on the issuer's adoption of its recommendation."

Shareholder proposals: The SEC also issued a new staff bulletin rescinding the Biden Administration's guidance that allowed ESG proponents to submit all kinds of socially-focused shareholder proposals, even when they were irrelevant to a company's bottom line.

- Economic Irrelevance Exclusion: The new guidance allows companies to exclude shareholder proposals that relate to operations than account for less than 5% of earnings or assets, even if they "raise social or ethical" issues. And the burden is on the proponent to show economic relevance: "[t]he mere possibility of reputational or economic harm" is not enough.
- Ordinary Business Exclusion: The guidance also restores the ordinary business exclusion, which banned shareholder proposals related to day-to-day management issues. Under prior guidance, micromanaging-type proposals were allowed if they related to a "significant social policy" that affected society at large. Now, the proposals must be significant for the business itself.

Making Corporate Governance Great Again: While many of the Trump Administration's policies are breaking new ground (see, e.g., crypto), these SEC guidance documents are not. Instead, they're mainly restoring the agency's historical, pre-Biden Administration interpretation of rules that have been in place since the 1990s. Hopefully, these common-sense changes will help keep politics out of the boardroom.

GameStop Mulls Bitcoin Treasury

Videogame retailer GameStop is eyeing possible investments in crypto, including Bitcoin and other cryptocurrencies, CNBC reported last week.

The Scoop: The retailer is "exploring investments in alternative asset classes, including crypto and bitcoin in particular," three sources told the outlet. The comments come days after GameStop CEO Ryan Cohen posted a picture of himself with Strategy (formerly called MicroStrategy) CEO Michael Saylor, who has led the charge in stockpiling Bitcoin in corporate treasuries.

The Market Responds: Per CNBC, "[s]hares of GameStop soared as much as 20% in extended trading following the news," before rebounding to about 2% higher than the pre-announcement price, as of midday Tuesday.

A Broader Trend: GameStop's interest is not unique. Within the past week, Forbes has reported that Goldman Sachs has been quietly buying billions of dollars of Bitcoin and Ethereum ETFs, while Abu Dhabi's sovereign wealth fund revealed it's also betting on Bitcoin with a $436 million stake in a Bitcoin ETF.

Musk's Grok 3 proves AI chip demand still growing fast

On Monday, Elon Musk's xAI released its long-awaited Grok 3 model, achieving leading performance. The true significance wasn't the model itself, but what it demonstrated to a market shaken by DeepSeek's recent efficiency gains. Investors and engineers had been looking to Grok 3 to see if the standard approach of training better AI by using more GPUs had hit a wall. Musk just proved there is no wall: we can still improve AI simply by throwing more compute into training it. That means chip demand will remain red-hot.

The rapid AI advances of the last few years have been driven by the scaling laws, dimensions on which engineers can reliably improve AI just by doing *more* of something. More GPUs, more data, more algorithmic tweaks, more time spent thinking about answers. There had been some evidence that the classic "more GPUs" scaling law was dead—OpenAI's successor to GPT-4 reportedly failed to improve as much as expected during training and Grok 3 encountered delays.

Those fears can now be put to rest. Musk essentially used brute force to surge from AI laggard to leader in less than a year. The early versions of Grok had been far behind frontier labs' best models. Musk caught up using speed and scale: xAI built the largest GPU cluster in the world in four months, a feat that would normally take four years. Installing Nvidia hardware would usually take a year alone; Nvidia CEO Jensen Huang says xAI managed to do it in 19 days.

While Chinese companies like DeepSeek have been forced to develop more efficient algorithms because Biden's export restrictions starved them of GPUs, Musk proved that the American approach of spending the most money to buy the most chips still works. Combined with the Chinese techniques, American compute will compound even faster. And although xAI's Colossus supercluster in Memphis used 100,000 Nvidia H100s to train Grok 3, it's now adding 100,000 H200s with the new Blackwell chip—the GPU scaling law that has now been reaffirmed hasn't even had a chance to benefit yet from Nvidia's best GPU.

What this all means is that big tech companies will keep buying as many GPUs as they can get. The recent wave of quarterly earnings reports confirms that's what they're doing. The implications go far beyond Nvidia—the entire AI ecosystem was sold off on the news of DeepSeek, from semiconductors to nuclear power to grid infrastructure. If scaling up GPUs is back on the menu, so is the AI bull case for all those supporting sectors.

Correction: In the January 28, 2025 edition of The Fiduciary Focus, our story about Costco stated that the company had an "estimated 200,000 non-minority male employees." Per the shareholder proposal put forth on page 32 of the company's proxy statement, the 200,000 figure reflects the number of employees "who are potentially victims of this type of illegal discrimination because they are white, Asian, male or straight"; the number of non-minority male employees is likely smaller.

The Best of The Rest

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

- Goldman Sachs drops board quotas for taking companies public as Wall Street firms revisit their DEI policies in the wake of public backlash and the new federal administration.
- Vance warns Europe not to overregulate AI at Paris summit; promises to make the U.S. the "gold standard" for AI development.
- Judge allows rule on ESG investing in 401(k)s to stand despite Supreme Court case curbing agency power; appeal appears likely.
- Google DeepMind AlphaFold co-developer launches AI drug discovery startup; seeks to make biology "programmable" and replace wet labs with computational models.
- EU weighs easing corporate liability under toughest ESG laws; currently, law imposes fines of up to 5% of revenue on companies that fail to comply and requires companies to monitor and influence behavior of other companies layers deep into their supply chains.
- UK risks "going bust" if it continues to pursue net zero, warns hedge fund boss Sir Paul Marshall.

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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.
