STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

April 8, 2025

This Week: New York Times talks ethical investing; CalPERS meeting devolves into political theater; The Silicon Surge covers TSMC's potential joint venture with Intel.

New York Times Talks Ethical Investing

The New York Times ethicist recently fielded a question about the ethics of investing in a company whose political stances you loathe. The Grey Lady's answer may surprise you.

The Question: The reader asked whether it was unethical to hold a financially well-performing stock when the CEO has made public political statements with which the reader strongly disagreed.

The Short Answer: No, it's not unethical.

The Longer Answer: The ethicist provided a thoughtful, well-reasoned response that considered both the potential impact on the company (controversial CEO speech often spurs boycotts and counter-boycotts, which hurt employees and shareholders) and the CEO's right to speak freely as a citizen, so long as it doesn't impact how his company is run. It's complicated!

But the bottom line was this (emphasis ours):

> [N]o, owning shares in MegaCorp doesn't make you the evil sidekick to the villain in charge. Indeed, as you note, the policy you're considering isn't obviously one you could universalize. If you own stock in lots of companies — say, through a mutual fund or retirement plan — you're connected to a whole circus of C.E.O.s, and no doubt some will have voiced opinions you'd find objectionable. We're all interconnected in economic webs too tangled to fully comprehend, let alone sanitize. If your investment is paying off handsomely, perhaps the best approach isn't divestment but redirection: **Channel some of those profits toward causes you believe in.** Civic engagement and advocacy for values you hold dear are more likely to create meaningful change than trying to curate a politically pristine investment portfolio.

Strive's Approach: The ethicist didn't name Strive, of course, but this is exactly the approach we champion. We believe our job as an asset manager is to maximize value for our clients, who can then spend their money to precisely align with their own values, whether that's funding their retirement, children's education, or a cause they believe in. As the ethicist noted, "[u]nless you invest on a Warren Buffett-like scale, your entrance and exit will ripple the market about as much as a pebble plonked in the Pacific." But even a small donation to a local food bank or church or charity can make a big splash; there's no ethical reason to forgo that additional profit or spend that money on higher-fee ESG money managers instead.

CalPERS Board Meeting Devolves Into Political Theater

Last month's CalPERS board meeting devolved into political theater as the public weighed in on the pension fund's updates on its engagement and proxy voting policies.

The Update: Ahead of the meeting, CalPERS released a slide deck indicating it was pushing ESG on corporate America. And it pushed *hard*.

By the Numbers: The deck revealed the pension fund:

- Opposed 395 directors for not doing enough to fight climate change,
- Opposed 783 directors because the board did not have enough racial and gender diversity,
- Supported 100% of environmental proposals, including to force companies to reduce their carbon emissions,
- Supported 83% of racial equity audits, and
- Engaged with 16 companies that have recently rolled back DEI initiatives

Public Outcry: The moves elicited a public outcry, but not by fiscally-minded public workers hoping to get CalPERS back on track to meet its funding needs. Instead, those who appeared at the meeting—a mix of ESG activist groups like the Sierra Club, union representatives, individuals, and local officials—urged CalPERS to go further in its ESG activism.

- One speaker decried "corporations hell bent on destroying my child's future" and "poisoning" Californians, and urged CalPERS to divest from Exxon, Shell, and Chevron.
- Another commentator argued CalPERS has a "moral responsibility" to divest from Tesla to "preserve ... America's democracy" and "keep tyrants at bay"; another called Musk a "supporter for white supremacy,"
- Another speaker lamented that in 1960, his neighborhood was "all white," bashed Ronald Reagan, and then asked CalPERS not to "demonize DEI."
- A self-described local Elder and reverend sought "real solutions" to climate change, led the meeting in prayer, and informed the board about an upcoming faith and climate change forum.

Investment Director Weighs In: Following the public comments, CalPERS's investment director provided some insights into how it is engaging with companies and asset managers to push its ESG goals:

- Environmental Push: When asked about asset manager departures from Climate Action 100+, the director responded that CalPERS has engaged with asset managers multiple times to "reiterate things that are important to us," and that the asset managers reassured CalPERS that they only left the organization because "now they have their own internal teams to do this work."
- DEI: On DEI, the director similarly confirmed that "we continue to press companies on this" and that most companies are continuing their DEI push despite the legal risks.

Economic Reality Check: As of the beginning of this year, CalPERS has $180 billion in unfunded pension liabilities. Its ESG investing strategy isn't helping. CalPERS needs to singularly focus on return-maximization alone; otherwise, California's retirees and tax payers will be left holding the bag.

Congress Introduces Bill to Protect Investors

Congress has introduced a new bill to protect retail investors and retirement accounts from ESG investing, the New York Post reports.

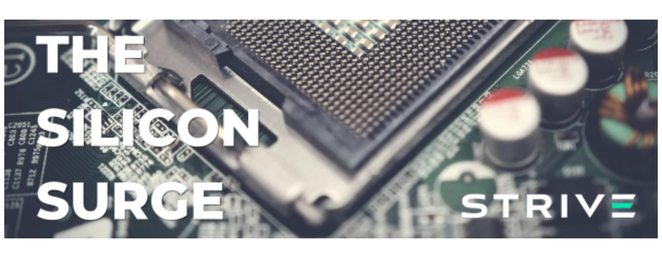
Catch Me Up:

- When it comes to retirement accounts, the law has long required that fund managers invest the money for financial value alone.
- Other laws require all investment advisors to act as fiduciaries, investing money how their clients direct.
- The previous administration used rulemaking to water down some of these protections, allowing ESG investing to infiltrate investments, often without the knowledge or consent of investors.
- Congress is now taking steps to hard-wire protections into law.

The New Bill: The proposed law doesn't ban ESG investing outright, but:

- Requires investment advisors disclose any differences in fees and expected returns from an ESG product, as compared to a rival index fund,
- Allows retirement fund managers to consider non-pecuniary factors only when two investment options are "indistinguishable" in financial terms (which, as a practical matter, we believe to be impossible), and, even then, require retirement fund managers explain how the use of any potential use of a non-pecuniary factor is consistent with beneficiaries' financial interests, and
- Commissions a study of underfunded state and local pension funds to determine if they are subordinating their beneficiaries' financial interests to ESG interests instead (we're looking at you, CalPERS).

A Potential Victory for Investors: In our view, the bill isn't, and shouldn't be, particularly controversial. On this point, it's worth recalling that a bipartisan majority of both the House and Senate passed a similar bill in 2023, which was vetoed by President Biden. This time around, a presidential veto seems far less likely.



Intel and TSMC discussing joint venture

The world's leading chipmaker is in talks to partner up with the US leader to make chips in America. On April 3rd, the Information reported that the Taiwan Semiconductor Manufacturing Company has recently discussed a preliminary agreement to form a joint venture to operate Intel's factories. TSMC would take a 20% stake in the new company. While both companies have plenty of reasons to discuss a deal, it's easier said than done.

For Intel, the partnership would offer a way to rescue its struggling foundry business. It lost its lead in semiconductor manufacturing to TSMC about ten years ago. As the gap in advanced processes widened, Intel even had to outsource production of some of its own chips to its Taiwanese competitor. Former CEO Pat Gelsinger had big plans to reclaim Intel's dominance, but as his push to build new fabs bled cash and faced delays, the board lost confidence and fired him. So Intel's incentive to make a deal is simple: if you can't beat them, join them.

TSMC's incentive is even simpler: tariffs. All of this negotiation is happening in the shadow of the semiconductor tariffs that President Trump has promised, but not yet imposed. Last month, TSMC made its first overture to him with a joint announcement of a plan to invest $100 billion to create three new US chip fabs and two packaging facilities. But these factories could take up to a decade to construct and TSMC's US fabs would represent well under 10% of its total production—a symbolic move.

The White House wants more. In fact, the Trump administration is reportedly the driving force urging TSMC and Intel to make a deal. President Trump reportedly wants TSMC to share its chipmaking know-how with Intel. TSMC isn't eager to carry its competitor. It's been pitching US chip designers Nvidia, AMD, and Broadcom on taking stakes in the joint venture, and it made the $100 billion investment in an effort to wriggle out of the Intel partnership. But it's now clear that the White House has not been appeased.

This backdrop explains why semiconductors were excluded from the 32% tariff the US recently imposed on Taiwan. It also explains why Taiwan's offer to lower its own tariffs to zero and raise US investments probably won't work; the President wants its technology. So TSMC is back to reluctantly discussing the Intel joint venture as the unspecified semiconductor tariffs loom over it. The deal is worth watching, but because the impetus comes from outside, analysts are already cautioning that the two companies' cultures and methods may be too different for any genuine partnership to come to fruition.

Voting Spotlight: General Mills

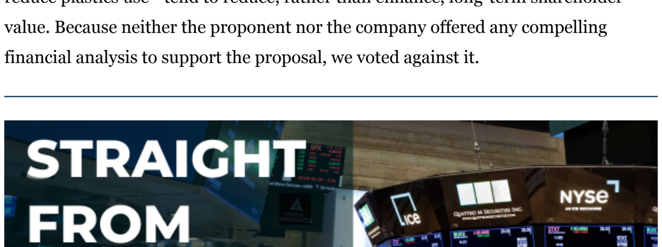
General Mills

Each week during proxy voting season, Strive will highlight one interesting vote from a recent company's annual meeting.

Earlier this season, Strive voted against a proposal asking General Mills to reduce its plastics use. The proponent cited concerns about ocean pollution and microplastics, and complained that even though the vast majority of General Mills' packaging is recyclable, most consumers don't actually recycle it.

General Mills opposed the proposal, primarily citing its pledge to use 100% recyclable packaging by 2030.

Strive also opposed the proposal, but for a different reason. Strive believes that the corporate adoption of environmental and social goals—including commitments to reduce plastics use—tend to reduce, rather than enhance, long-term shareholder value. Because neither the proponent nor the company offered any compelling financial analysis to support the proposal, we voted against it.



CEO Matt Cole Joins the Bitcoin Frontier Podcast

What do you call an asset that has high returns and no volatility?

Strive CEO Matt Cole shares the answer and explains why bitcoin's volatility isn't a bad thing during his conversation with Joe Burnett on The Bitcoin Frontier podcast.

Watch Here

The Best of The Rest

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

- EEOC releases new technical assistance for workers harmed by DEI; explains how anti-bias trainings can create a hostile work environment and that customer preferences for DEI are not a defense for unlawful discrimination.
- BlackRock CEO Larry Fink's annual letter is released; makes no mention of ESG or DEI.
- New York Comptroller threatens to sue Tesla, claiming Musk's involvement in DOGE hurt the stock price; comptroller announces the move as he runs for mayor of New York City, muddying the distinction between his personal political aspirations and his fiduciary duties to pensioners.
- Microsoft CEO talks about company's second-mover AI strategy: "That's actually our strategy, is to really play a very tight second, given the capital-intensiveness of these models."
- Net zero won't pay off for 100 years, UK government admits.
- House Financial Services Committee asks SEC to rescind ESG names rules; committee sent a separate letter to the Office of Comptroller of Currency, which has already rescinded guidance telling banks how to manage climate risk.

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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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