STRIVE

The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

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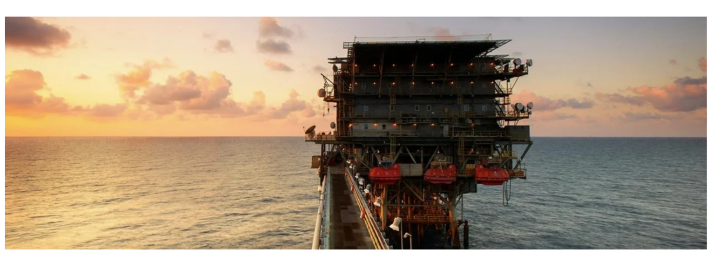
This Week: The Big Beautiful Bill aims to unleash American energy; IBM faces third lawsuit over DEI; The Bitcoin Brief examines how the GENIUS Act could pave the way for Bitcoin.

Big Beautiful Bill Aims To Unleash American Energy



On Independence Day, President Trump signed the Big Beautiful Bill. And while the far-reaching bill touches everything from corporate tax rates to additional funding for border control, there's one sector that is particularly excited about its passage: U.S. energy companies.

Fossil Fuels Win: The bill is seen as a big win for traditional fossil fuel companies, as the law:

- expands access to federal lands and waters for mining, drilling, and other fossil fuel extraction;
- slashes the royalties that oil and gas producers pay for extracting fossil fuels on federal property, encouraging additional output; and
- allows the use of an advanced manufacturing tax credit for mining coal to make steel.

Nuclear Wins: The bill also contains several provisions designed to help the U.S. nuclear energy industry, including provisions:

- Restoring tax credits for new and existing nuclear power generators
- Allocating $125 million for small modular nuclear reactors

Renewables Lose: Wind and solar companies, on the other hand, see a less rosy tax and regulatory landscape, as the bill phases out tax credits for renewables projects and investment.

What They're Saying:

- "This bill will be the most transformational legislation that we've seen in decades in terms of access to both federal lands and federal waters. It includes almost all of our priorities."—Mike Sommers, President of the American Petroleum Institute
- "[The] bill will continue to address economic hurdles and provide confidence to invest in today's nuclear plants, while securing long-term, well-paying jobs. Further, the bill allows us to continue down the path to achieve the Administration's ambitious goals for deploying new, cutting-edge nuclear technologies that will meet the growing demand for more reliable energy."—Maria Korsnick, President and CEO of the Nuclear Energy Institute.
- The bill "increases the competitiveness of the American mining industry and provides vital incentives, including funding to counter China's mineral dominance."—Rich Nolan, President and CEO of the National Mining Association.

Elsewhere: The U.S. semiconductor industry is also slated to benefit, with the bill expanding the tax credit offered by the CHIPS Act from 25% to 35%.

IBM Faces Third Lawsuit Over DEI

IBM has been hit with its third lawsuit alleging that its DEI policies led to discrimination against non-minority employees, Fox Business reported last week.

The Big Picture: IBM faces yet another lawsuit, as 64-year-old John Loeffler alleges systemic discrimination based on his race, gender, and age, as the company favored minority employees to meet its diversity quotas.

The Allegations:

- Loeffler, a sales employee, was paired with a black female employee, who was given commission credit for contracts that Loeffler secured. As a result, Loeffler was denied commissions he had already earned.
- Loeffler was then put on a performance improvement plan, and ultimately let go, despite nearly a decade of strong performance, to make way for employees from more favored demographic groups.
- After being terminated, he was replaced by two younger minority employees who lacked the experience and technical knowledge required for their positions.

The Smoking Gun: During a company meeting, executives praised Loeffler's new manager for "injecting diverse talent" and adding "Black and Brown faces" to the team, and promised to reward Loeffler's manager for these efforts.

The Corroborating Evidence: IBM's own documents appear to support the discrimination claims:

- CEO Arvind Krishna was caught in undercover footage discussing how executives' bonuses were explicitly tied to racial quotas;
- The company's 2022 annual report describes a "diversity modifier" in its executive compensation; and
- IBM's 2023 ESG report confirms bonuses tied to workforce demographics.

Bottom Line: IBM may have finally dropped ESG from its executive compensation packages, but the lawsuits keep coming. As the legal battles pile up, IBM's once-celebrated DEI strategy is starting to look more like a liability than an asset.

Net Zero Group Takes On Deforestation

Last month, the Net Zero Asset Owners Initiative announced that it is setting specific targets for its members' portfolios to "phase out" any deforestation harms caused by their investments by no later than 2030, Pensions and Investments reports.

The Mandate: The new mandate calls on members to "drive systemic change" by engaging with companies to eliminate deforestation from their supply chains, and threaten to drop them their investment portfolios if they refuse. It also calls on companies to "align political engagement with phasing out deforestation"—i.e., only support politicians and policies whose views on deforestation align precisely with UN goals—as well ending "associated human rights abuses."

An Environmentally-Driven Demand: While the report is sprinkled with vague allusions to economic harm, it's clear the group's concerns are primarily environmental. "Forests have an outsize influence on protecting our planetary boundaries," one member explained in NZAO's announcement. Members must therefore "safeguard these ecosystems" by using the capital they manage to pressure private companies to eliminate deforestation.

The Backing: While many net zero groups have seen departures following public backlash to their ESG efforts, NZAO continues to boast members controlling $9.5 trillion in assets, including U.S. pension fund giants in California and New York.

Our Take: NZAO's ambitious new goals show that ESG may be down, but not out. That's not good news for companies that may soon find themselves in the crosshairs or for the pensioners whose fund managers are more concerned about playing politics than guaranteeing them a financially secure retirement.

How the GENIUS Act Could Pave the Way for Bitcoin

Late last month, the Senate passed the GENIUS Act—a bipartisan bill establishing guardrails for payment in stablecoins, digital currency that can be redeemed for dollars. The law requires full 1:1 backing with dollars or Treasury bills, regular audits, and consumer protections. President Trump called it "American brilliance at its best," pledging to "show the world how to win with digital assets like never before," while Treasury Secretary Scott Bessent noted that increasing demand for Treasurys through stablecoin issuance "could help reduce the national debt."

Almost simultaneously, major retailers including Walmart and Amazon have begun exploring issuing their own stablecoins to streamline payments, eliminate "swipe" fees, and speed cash flow. The retail giants believe they could save billions by cutting out credit card processors; Visa and Mastercard shares fell 5% on the news.

While many Bitcoin advocates are rightly skeptical of stablecoins given that, by definition, they are pegged to fiat currency, these recent developments may nonetheless accelerate Bitcoin's adoption as well.

Stablecoins do two important things that benefit Bitcoin: first, they onboard users into crypto wallets and habits; second, they entrench blockchain-compatible infrastructure. That means millions of consumers will get comfortable managing private keys, transferring tokens, and using wallet apps; while retailers will get comfortable transacting in digital currency (and grow accustomed to the higher profits they see once they cut out the payment processor middlemen). Once they've done that, moving from a branded (or unbranded) stablecoin to Bitcoin—superior in its ability to retain real purchasing power over time—is a smaller leap.

Conceptually, stablecoins mean asking people to go from dollars in bank account to dollars in a wallet; from there, it's just one more step to get to Bitcoin. It's the difference between diving into the deep end or wading in slowly. Stablecoins provide the shallow end.

Stablecoins could accelerate Bitcoin in a more indirect way, too. As Secretary Bessent noted, stablecoin backing is expected to drive demand for government debt. That, in turn, could create interest rate and monetary expansion risks, as the U.S. Government may be even more tempted to issue more debt given the increased demand, thereby increasing the federal deficit and potentially driving inflation. Against that backdrop, Bitcoin, with its fixed supply and inflation-resistant properties, becomes even more appealing.

The market's reaction to the GENIUS Act itself appears to bolster this conclusion. "Markets love certainty; Bitcoin ... popped right after the 66-32 cloture vote," British economist Garrick Hileman told Newsweek. "GENIUS advancing helps remove some of the regulatory discount on crypto."

So while the GENIUS Act doesn't directly relate to Bitcoin, it strengthens it by legitimizing the stablecoins that may onboard users, normalize digital currency, and ultimately reinforce Bitcoin's position as a superior monetary alternative. In other words, stablecoin may provide the training wheels, but Bitcoin is the real ride.

The Best of The Rest

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

- Nokia secures $1.5 billion loan linked to carbon emission reduction; interest rates will rise or fall based on whether Nokia hits environmental targets.
- New Peter Thiel-backed bank Erebor to rival Silicon Valley Bank; plans to serve the "innovation economy," including tech companies focused on virtual currencies, artificial intelligence, defense, and manufacturing.
- Spain, France to tax private jets to fund climate change initiatives; new coalition of seven countries aims to tackle emissions.
- Oregon governor signs ESG investing bill; becomes one of the first states to mandate consideration of its retirement fund investments' impact on climate change and set reduction goals.
- CalPERS chief defends proxy advisors as industry has faced scrutiny for making voting recommendations based on social beliefs rather than economic benefit.
- Banks are backing away from DEI-based pay; 8% of banks now include race targets in compensation formulas, compared to 53% in 2022 and 2023.

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