The Fiduciary Focus

Investment News From a Pro-Shareholder Perspective

December 10, 2025

This Week: Forbes highlights Strive's push for fair indexing; New study shows how ESG funds game the system; The Bitcoin Brief examines Vanguard's embrace of Bitcoin.

Forbes Highlights Strive's Push For Fair Indexing

Forbes covered Strive's new letter urging MSCI not to exclude companies that hold Bitcoin from major indexes. Our message is simple: investors deserve neutral benchmarks, not arbitrary rules that shut out innovation. We're proud to lead this conversation at a crucial moment for the market.

Strive's Letter

How ESG Funds Game The System

ESG mutual funds are gaming the system to appear green, while boosting profitability with traditional investments, finds a new study in the Harvard Law Forum for Corporate Governance.

The Context:

- ESG mutual funds are rated on sustainability based on the ESG profiles of the companies they hold as of their quarterly disclosure deadline.
- But mutual funds can swap out their assets at any time, even in between their quarterly disclosure statements.
- Researchers therefore set out to determine whether ESG mutual funds are gaming the system by holding ESG-approved companies at the time of quarterly disclosures, and then swapping them out for higher performing traditional investments later on.

The Study: Such gamesmanship is hard to detect given that ESG funds only have to disclose their holdings once a quarter. But the researchers used a clever method to detect shenanigans. Because a fund's financial performance is reported daily, they could determine how closely these ESG funds' financial performance tracked the ESG index they purportedly followed immediately before the disclosure date vs. immediately after.

The Results: What they found was astonishing: Immediately before the quarterly disclosures, ESG funds' financial performance almost perfectly matched the financial performance ESG index; immediately after, they suddenly diverged. That could mean only one thing: ESG funds buy ESG-friendly investments immediately prior to disclosure time to secure high ESG ratings, then dump them ASAP.

In the Authors' Own Words:

> [W]e document a striking and largely hidden pattern in how sustainable mutual funds manage their portfolios around disclosure deadlines. Although ESG investing is marketed as a long-term commitment to responsible asset allocation, we show that many funds behave quite differently: they acquire sustainable assets just before regulatory filings and unwind these positions as soon as investors stop looking. This strategic reshuffling—what we call green window dressing—artificially inflates sustainability ratings while allowing managers to hold more profitable but less sustainable portfolios during the rest of the quarter.

Why It Matters: As things stand, ESG funds already underperform their financially-focused counterparts, sometimes by 10 percentage points or more. But even that gap may be an understatement if many ESG funds are juicing their stats by picking up profitable conventional companies when their green rating agencies' aren't looking. When it comes to ESG funds, it's buyer beware.

DEI Linked Pay Drops Sharply

The practice of tying executive compensation to meeting DEI quotas has dropped sharply over the past year, the Financial Times reports.

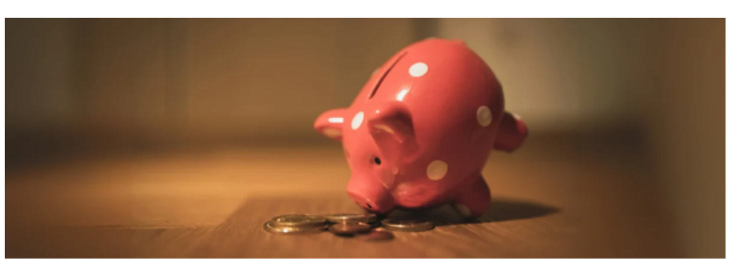
A DEI Retreat: In 2024, 206 companies in the S&P 500 paid their executives for meeting DEI goals. In 2025, just 130 companies did so.

A Litigation Risk: Since the Supreme Court's decision in *Students for Fair Admissions v. Harvard*, it's become increasingly clear that race-based preferences are a litigation risk. Companies from Walmart to Starbucks to Paramount have been sued for DEI-based discrimination claims, and executive compensation policies that financially incentivize such discrimination are often Exhibit 1. Given these risks, it's no surprise to see many companies pulling back.

Meanwhile: Some companies have gone further, with Microsoft, Google, and Meta no longer publishing DEI reports or disclosing workforce composition data.

Strive's Impact: We've long argued that both hiring and compensation should be based on merit alone. Last year, the Financial Times credited Strive with the first wave of DEI-based executive-compensation rollbacks; now, other companies are following suit.

State Street Still Pushing ESG to Curry Favor with Progressive State Officials



As many Wall Street firms pull back from ESG, State Street is continuing to push these values in a bid to impress progressive state money managers, the New York Post reports.

What's Going On:

- NYC pension fund manager Brad Lander has called to drop BlackRock and Fidelity as asset managers over their allegedly insufficient commitment to fighting climate change, ESG Today reports.
- In his letter, however, he explicitly praised State Street, saying that while BlackRock has pulled back, "other large asset managers (e.g., State Street) maintain a much more robust approach to climate engagement."
- The firm has also held firm to its "Diversity" standards, including requiring companies to promote gender diversity and requiring racial diversity at the board level "in select markets."

A Half-Hearted Denial: State Street, for its part, did not deny its ESG policies, but claimed that it was pushing these directives only at the behest of its clients and that its "voting and engagement policies and practices comply with US law."

BlackRock's Response: BlackRock, meanwhile, was eager to defend its sustainability bona fides, writing a public letter in response to Lander's missive touting its Climate and Decarbonization Stewardship program. The world's largest asset manager also threw shade at Lander, the outgoing New York City comptroller, wishing him well "as you pursue your next career opportunity."

Vanguard's "Institutional Dementia" Finds Its Cure

After years of calling Bitcoin an "immature asset class" with "no inherent economic value," Vanguard just opened its platform to Bitcoin ETFs. The world's second-largest asset manager, which oversees $10 trillion and serves more than 50 million brokerage customers, has finally stopped fighting the inevitable.

The reversal is rich with irony. Until last week, Vanguard executives insisted that Bitcoin could wreak "havoc" on portfolios and wasn't "appropriate" for long-term investors. Former CEO Tim Buckley said it was "really tough to think about how it belongs in a long-term portfolio." Yet thanks to the cold logic of index investing (i.e., the very discipline Vanguard pioneered), the firm became Strategy's single largest shareholder (formerly called MicroStrategy), holding over 20 million shares worth more than $9 billion in what is essentially a Bitcoin proxy. As VanEck's Matthew Sigel observed, "Indexing into $9B of what you openly mock isn't strategy. It's institutional dementia."

That dementia now appears cured. Starting this week, Vanguard customers can trade ETFs and mutual funds holding Bitcoin, Ether, XRP, and Solana. The firm still won't create its own crypto products, and it's explicitly excluding memecoins. That's a sensible guardrail we can all appreciate. But the broader shift is unmistakable. "Cryptocurrency ETFs and mutual funds have been tested through periods of market volatility, performing as designed while maintaining liquidity," said Andrew Kadjeski, Vanguard's head of brokerage and investments. Translation: we were wrong.

The timing couldn't be more significant. Vanguard's announcement came the same week Texas became the first state to buy Bitcoin for its strategic reserve through BlackRock's IBIT ETF, a powerful signal that institutions from pension funds to asset managers are done sitting on the sidelines. With crypto-linked ETFs becoming one of the fastest-growing segments in U.S. fund industry history and BlackRock's IBIT still managing roughly $70 billion despite recent market corrections, the momentum is undeniable. Even during price declines, institutional appetite for regulated Bitcoin exposure continues expanding.

Perhaps the final irony is this: Vanguard's philosophical conviction in its index-fund approach—buy and hold whatever's in the index, regardless of personal preferences, to generate long-term returns—is what forced it to own billions in Strategy. But that same kind of philosophical conviction—buy and hold Bitcoin, regardless of short-term volatility, to generate long-term returns—is also what has driven Strategy's unprecedented business success. In the end, then, Vanguard and Strategy were probably never the archenemies that prior Vanguard leadership believed them to be.

And so while the result of Vanguard's prior policies was that it seemed to suffer from institutional dementia, offering Bitcoin ETFs on its platform may prove to be the cure.

The Best of The Rest

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

- Trump Administration lowers fuel-economy standards in its latest move to relieve carmakers from the green energy push.
- Why factories will keep looking for alternatives to China; the trade wars may be cooling, but U.S. companies are still eyeing other countries to meet their manufacturing needs.
- UK seeks to regulate ESG ratings companies to avoid conflicts of interest; ratings agencies would not also be able to act as consultants to help companies improve their ratings.
- Ben & Jerry's continues to feud with parent company; CEO says it's time to hand the brand "over to a new generation," while Ben Cohen responded that "I don't think there is an age limit on campaigning for social justice and peace."
- Unleashed Prosperity puts out its annual ESG report card; several funds, including Nationwide Funds, Gotham Funds, Pimco Funds, AllSpring Funds, and DWS Funds, still receive failing (D or lower) scores.

Know someone who might enjoy this newsletter? Be sure to share it with them. Not signed up and want to receive your own weekly copy of The Fiduciary Focus? Click here to sign up.

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.

Strive, 200 Crescent Court, Suite 1400, Dallas, Texas 75201, United States, (855) 427-7360