

Just do the right thing....

I grew up on Long Island in the 70's & 80's and as many of the young men of my generation, I was sent to an all-boys Catholic high school ("sent" because who at 14 years of age would have made that choice themselves!). I was fortunate enough to be accepted to Chaminade High School, one of the preeminent all-boys Catholic high schools not only in the New York metropolitan area, but possibly the country. Entry was based on scholastic merit only, as was graduating. Every year 100% of the senior class graduated, with 99% going on to college.

In addition to a rigid religious educational foundation, we were encouraged to participate on sporting teams and social clubs, primarily to teach us to not run afoul of the strict disciplinary environment that we attended school under during that generation. All of this was purposely designed so that each year they could turn more than 400 young boys into well-rounded gentlemen after four years at Chaminade. And not just any type of "gentleman," but rather, a "Chaminade Man." This concept of being a certain type of gentlemen was quietly ingrained into students through every interaction during our four years of high school, whether it be our classroom behavior, our contributions to team sports or just the camaraderie of sodality within this Marianist Society.

“The Chaminade man does the right thing at the right time because it is the right thing to do, regardless of who is watching.”

I often find myself dwelling on our school's motto as I travel through life as well as while navigating my Wall Street career and now making investment decisions for my clients at Double Eagle Partners. I would assume that everyone would try to operate under these auspices, or at least want to. And if we all did behave with these words as our moral compass in all things that we do in life, then would not all outcomes be beneficial for all of society at large?

Alas, it does not always work out as such, even with good intentions, because many who try to "do the right thing" fail to get all four components correct. You can "want" to do the right thing, but maybe for the wrong reasons. You might do the right thing but too late, either because of self-interest or possibly waiting for people to notice your efforts of virtue signaling as might a politician or a celebrity.

I see this negatively affecting Wall Street and the investment management industry because of decisions that people make when it comes to trying to do the right thing. Investment decisions should be about efficiently committing capital to profitable endeavors for the benefit of the investors and eventually the society that they support. These investment allocation decisions should come about organically as those investing their capital see a vision for the future that they want to invest in and support, and if they

are correct, they will be rewarded with profitable investment returns and the economy they support will be better off as well.

All too often we are “told” how to invest and run our businesses by others that do not have any chips in the game or even a seat at the table. A panoply of alphabet soup concepts like “ESG” and “DEI” are being mandated or dictated by other alphabet agencies in the Government such as the SEC, the FDIC and the CFPB, under the auspices of doing the right thing for our people, our climate and our country.

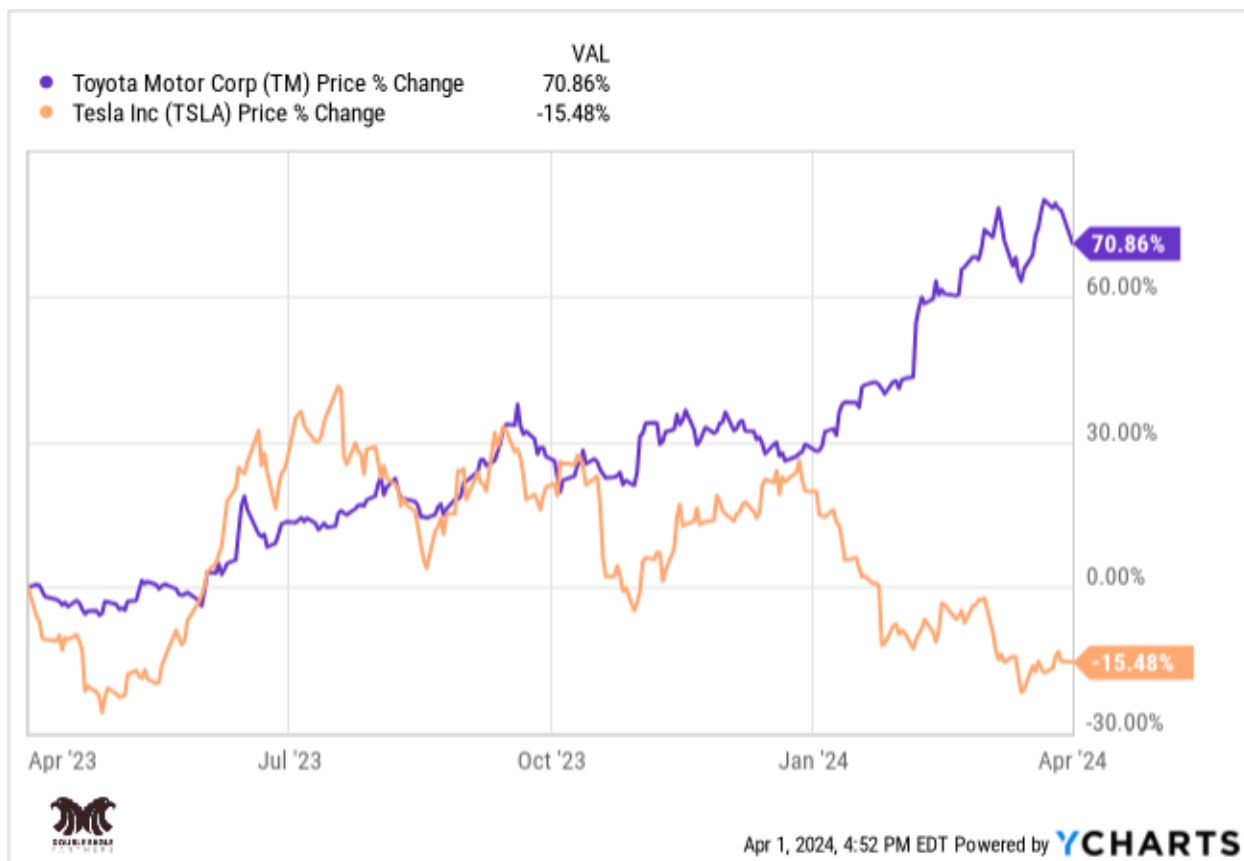
Environmental Social Governance sounds wonderful, we should want to be good stewards of the environment, but within the context of existing guidelines. Corporations’ Boards of Directors want to avoid being sued or having negative press coverage, so they will listen to the HR department about increasing DEI hires and creating equitable outcomes for all employees, regardless of profitability and shareholder returns that may be negatively impacted by these inclusion measures. And allowing the Government to force an industry like the automotive sector (one that has been innovating for 100 years!) to give up on internal combustion engines for an all-new fleet of vehicles to be EVs within the next five years so everyone can drive a Tesla? The electric vehicle industry is still so nascent, with several bankruptcies to boot. But, more importantly, can our electric grid handle the growth caused by misallocated resources done “for the right reasons?”

I have always been suspect of the way that ESG and DEI quickly gained in popularity, first in the press and eventually the boardroom had to follow. However, now many others are starting to question the rationale for allowing such fads to infect one’s business or portfolio. The latest [Rasmussen Reports](#) national survey found that just 25% of American adults surveyed think diversity, equity, and inclusion programs make companies better. Support for ESG proposals in corporate proxy resolutions has plummeted from 33% in 2021 to just 21% in 2023, as investors are wanting companies to get back to the business of business, and just do the right thing.

But the SEC is trying to force public companies in the other direction. The SEC’s recent climate disclosure rule will require publicly traded companies to disclose a host of climate-related information in their periodic reports and registration statements. Required ESG information includes disclosing climate-related risks; activities to address or adapt to such risks; information on the company’s board of directors’ oversight of climate-related risks; and information about any climate-related goals material to the company’s business and financial condition. In other words, the Government will now have a new tool to force companies to implement these possibly distracting and wasteful ideas of ESG regardless of the efficacy.

One such Governmental push towards ESG and inefficient allocations of resources is the Government’s desire to have everyone drive an electric vehicle. When I am helping my clients to allocate their capital and make investment decisions, I would be in violation

of my fiduciary duty to them to not make sure that we are efficiently committing to ventures that are economically viable, profitable, and sustainable. I am all for the future where everyone that wants to drive a Tesla, can drive a Tesla. But right now, more people want to drive a hybrid vehicle than a fully electric. This is a fact that cannot be mandated away by the Government in the name of “doing the right thing for the climate.” In many of my clients’ portfolios we sold our Tesla positions last year in favor of Toyota, because Toyota is committed to making hybrid cars, cars that people actually want to buy and can afford yet are still pretty good for the environment. **And by the way, our investment returns speak for themselves. Over the last 12 months, Toyota stock is up 70% while Tesla shares are down 15%!**



Doing the right thing, at the right time, for the right reason regardless of who is watching is sometimes very hard. I am sure my father felt that way when he forced my brothers and me to go to Chaminade, kicking and screaming after we were accepted. But once we were involved academically and socially, we understood that only those of us that were meritoriously worthy of graduating from Chaminade would earn the privilege of graduating from such a prestigious school. If DEI were to infiltrate this and other hallowed institutions and great corporations, they would lose the best reason to attend

the school or the reason some companies make great investments through multiple economic cycles for investors that do the right thing with their capital.

These are the types of schools that we should all want our children to have the opportunity to attend and these are the types of companies that I want to help my clients invest in. Please contact me if you would like to discuss how we can partner together in such a way for your financial future.

Fortes in Unitate!

-Jim Claire

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