

Anti-ESG Funds Make Noise. Here's What They Look Like.

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Corrections and Clarifications

[Correction](#) issued June 9, 2023

Executive Summary

In the past year, criticism of sustainable and environmental, social, and governance investing has become louder and increasingly politicized in the United States.^{1,2,3} Against this backdrop, new funds have emerged, which we call “anti-ESG funds.” These strategies come in different flavors but have in common their aim — providing an alternative to ESG investing. In this study, we took a look at this quickly evolving space, not to take a position on the value of these investments but to shine a light on trends and differences within the sample.

Key Takeaways

- ▶ We have identified 27 funds that can be considered to have an anti-ESG agenda, generally by marketing themselves as such.
- ▶ Assets in anti-ESG funds reached USD 2.1 billion at the end of March, 7 times the total one year ago.
- ▶ Anti-ESG funds took off in late 2022, but the sentiment can be traced back to the early 2000s.
- ▶ Anti-ESG funds come in different shapes and sizes. The oldest invest in companies known as “sin stocks” that were traditionally excluded by socially responsible funds. Some invest in companies aligned with politically conservative values. Others are traditional passive funds with anti-ESG proxy-voting policies.
- ▶ Anti-ESG funds deliver on some expectations but surprise on others. They tend to have higher levels of ESG risk than peers, but some also have strong exposure to positive environmental impact.
- ▶ As expected, anti-ESG funds exhibit above-average exposure to controversial industries, such as controversial weapons and fossil fuels, and vote against pro-ESG shareholder resolutions.
- ▶ Anti-ESG funds have yet to gain traction with investors. After one year on the market, Capital Constrained ESG Orphans ETF ORFN filed with the SEC to liquidate in June 2023.⁴

¹ Phillips, D. 2022. “Will Anti-ESG Forces Undermine What Made American Mutual Funds Great?” Morningstar. Nov. 16, 2022. <https://www.morningstar.com/sustainable-investing/will-anti-esg-forces-undermine-what-made-american-mutual-funds-great>

² Norton, L. 2023. “In the ESG Backlash, What Makes Sense and What Doesn't?” Morningstar. March 20, 2023. <https://www.morningstar.com/sustainable-investing/esg-backlash-what-makes-sense-what-doesnt>

³ It is important to note that Morningstar does not view ESG investing as specific to any one political party, but the recent explosion in anti-ESG sentiment is driven primarily by a vocal subset of Republican politicians.






⁴ On June 2, 2023, Constrained Capital ESG Orphans ETF filed with the SEC to close and liquidate its assets on or around June 26, 2023. https://www.sec.gov/Archives/edgar/data/1742912/000138713123007195/constrained-497_060123.htm

The Anti-ESG Funds Universe

As of March 2023, we identified 27 funds in the Morningstar Direct database that could be considered anti-ESG either by marketing themselves as such or investing against ESG principles.

We group anti-ESG funds into five mutually exclusive categories. These groupings were determined primarily based on prospectus language, which mirrors the process we follow to establish Morningstar's sustainable funds universe. For the occasional borderline case, we consulted proxy-voting policies and marketing materials.⁵

Exhibit 1 Anti-ESG Categories

Anti-ESG	Political	Renouncer	Vice	Voter
				
Anti-ESG funds use environmental, social, and governance data to build portfolios by tilting toward companies that management believes are unduly penalized by ESG ratings providers.	Political funds commonly refer to ESG investing as part of a "woke, liberal agenda." These funds invest in companies believed to be supportive of conservative-values-aligned policies.*	Renouncer funds previously claimed to adhere to ESG investing principles but subsequently removed references to ESG principles from fund names and documents for fear of being associated with the ESG movement.	Vice funds invest in companies traditionally excluded by socially responsible or ethical funds. These include "sin stocks," which tend to be concentrated in alcohol, tobacco, weapons, and gambling.	Voter funds are traditional passive funds with voting policies in opposition to ESG principles.

Source: Manager Research. Data as of March 31, 2023. *It is important to note that Morningstar does not view ESG investing as specific to any one political party, but the recent explosion in anti-ESG sentiment is driven primarily by a vocal subset of Republican politicians.

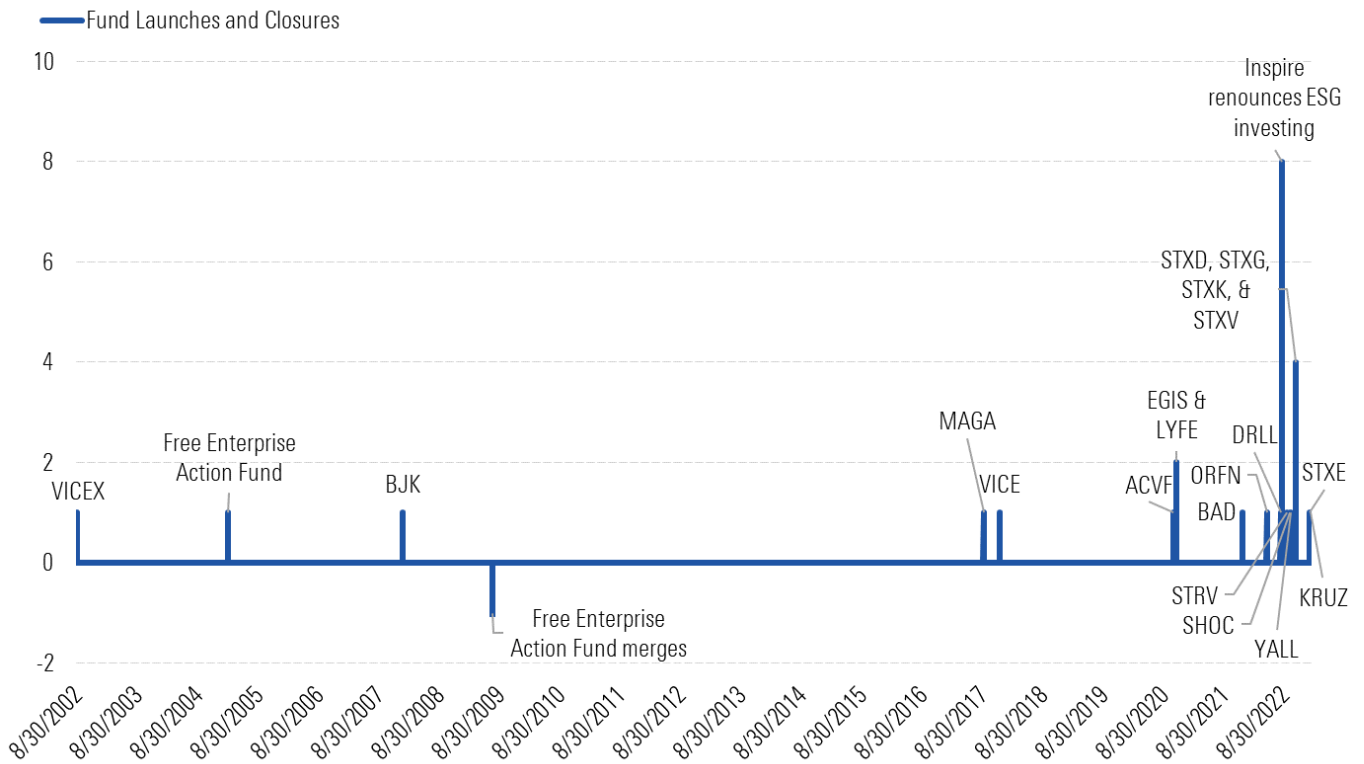
Anti-ESG investments come in all shapes and sizes. As such, the lines between these five anti-ESG categories are blurred, and in many cases, it is unclear whether a fund qualifies as anti-ESG, a plain-vanilla index fund, a niche thematic offering, or something else entirely.

We took a broad approach to defining the group of funds included in this report, searching for funds included in news articles on the ESG backlash, scouring social media for anti-ESG sentiment, and consulting a diverse group of industry participants for ideas. Some of the fund companies included in

⁵ For specific information about each fund's anti-ESG classification, refer to the Appendix.

this report may not see themselves as opponents of ESG investing, and some anti-ESG advocates were likely excluded.⁶

Exhibit 2 Timeline of Anti-ESG Product Development



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample.

Vice funds have the longest track records within our sample, dating back more than 20 years in the case of USA Mutuals Vice VICEX. These funds tend to concentrate investments in industries commonly excluded by religious institutions, such as tobacco, alcohol, gambling, adult entertainment, and firearms. As the ESG-focused investor base has become more secular over time, avoiding sin stocks is no longer such a key tenet of the space, but vice funds remain a key approach for anti-ESG investors.

⁶ We excluded from this sample any funds that specifically and exclusively targeted cannabis. These funds may previously have fallen into the Vice fund category, but social norms around cannabis use have evolved since Colorado and Washington legalized recreational marijuana in 2012. In many cases, cannabis is now viewed as a pro-social industry because of its use in treatment of chronic pain.

Exhibit 3 Anti-ESG Categories

Anti-ESG	Political	Renouncers	Vice	Voters					
Constrained Capital ESG Orphans ETF	ORFN	2ndVote Life Neutral Plus ETF	LYFE	Inspire 100 ETF	BIBL	AdvisorShares Vice ETF	VICE	Strive 1000 Dividend Growth ETF	STXD
		2ndVote Society Defended ETF	EGIS	Inspire Corporate Bond ETF	IBD	B.A.D. ETF	BAD	Strive 1000 Growth ETF	STXG
		American Conservative Values ETF	ACVF	Inspire Faithward Mid Cap Momentum ETF	GLRY	USA Mutuals Vice Fund	VICEX	Strive 1000 Value ETF	STXV
		God Bless America ETF	YALL	Inspire Fidelis Multi Factor ETF	FDLS	VanEck Gaming ETF	BJK	Strive 500 ETF	STRV
		Point Bridge America First ETF	MAGA	Inspire Global Hope ETF	BLES			Strive Emerging Markets Ex-China ETF	STXE
		Unusual Whales Subversive Republican Trading ETF	KRUZ	Inspire International ETF	WWJD			Strive Small-Cap ETF	STXK
				Inspire Small/Mid Cap ETF	ISMID			Strive U.S. Energy ETF	DRLL
				Inspire Tactical Balanced ETF	RISN			Strive U.S. Semiconductor ETF	SHOC

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample.

Just one fund perfectly fits the definition of an Anti-ESG fund, and it includes the term in its name: Constrained Capital ESG Orphans ETF. The prospectus kicks off by explaining that its parent index is composed of "companies whose primary business is in a sector or sub-sector that is commonly "orphaned", discarded, or excluded by Environmental, Social, and Governance ("ESG")-centric mutual funds and exchange-traded funds ("ETFs")." It doesn't get more true-to-form than that.

In the case of two categories—Renouncers and Voters—a firm's full fund lineup stands separate from other anti-ESG fund categories. The Renouncer funds in this sample come from Inspire Investing, whose CEO loudly repudiated ESG investing in August 2022, claiming the subject had "become weaponized" by the political left.⁷ This comment was made only five months after "ESG" had been *added* to the names of two of its funds. It is worth noting, however, that Inspire's funds don't fit neatly into the anti-ESG box as the most recent prospectuses (dated Oct. 14, 2022) still indicate a focus on environmental issues such as air quality, greenhouse gas emissions, and ecological impacts (including biodiversity loss, habitat destruction, and deforestation).

Meanwhile, the Strive ETF lineup comprises our Voters category. These funds track traditional broad market indexes, and their prospectus filings include no reference to ESG principles, for or against. The key differentiating factor from other passive funds is their proxy-voting policies, which state that the firm will generally oppose environmentally or socially motivated shareholder proposals.⁸ The firm's leadership also touts a "post-ESG" position in public statements. For instance, on the day that Strive launched its first fund—Strive U.S. Energy ETF DRLL—firm founder Vivek Ramaswamy appeared on CNBC to tout the fund's "post-ESG mandate to the U.S. energy sector to drill for more oil . . . without regard to political, social, cultural, or environmental agendas."⁹ Still, the lack of ESG considerations in the portfolio-construction process makes this approach an imperfect fit for anti-ESG investors who want their portfolios to tilt toward companies considered ESG laggards.

Finally, we call the last group the Political category, which currently includes a handful of anti-ESG investments largely geared toward Republican voters and principles. It is important to note that Morningstar does not view ESG investing as specific to any one political party, but the recent explosion

⁷ Biblical Investors Renouncing ESG, Robert Netzly, Aug. 18, 2022. <https://www.inspireinvesting.com/post/biblical-investors-renouncing-esg>

⁸ Strive Asset Management Proxy Voting Guide, October 2022. <https://strive.com/wp-content/uploads/2023/05/Proxy-Voting-Guide-5.8.23-1.pdf>

⁹ Strive founder Vivek Ramaswamy on new anti-ESG fund, 'anti-woke' investing, CNBC, Aug. 10, 2022.

<https://www.cnn.com/video/2022/08/10/strive-founder-vivek-ramaswamy-on-new-anti-esg-fund-anti-woke-investing.html>

in anti-ESG sentiment is driven primarily by a vocal subset of Republican politicians. One Political fund—American Conservative Values ETF ACVF—seeks to avoid companies "perceived as hostile to conservative values" based on the philosophy that "politically active companies negatively impact their shareholders' value by . . . supporting issues and causes, which are opposed to conservative political beliefs."¹⁰ As shown below in a screenshot from the fund's website, the fund company markets itself aggressively as an alternative to "Woke" and "Liberal" politics, which it conflates with socialism.

Exhibit 4 American Conservative Values ETF Website

STOP INVESTING IN THE WOKE/LIBERAL AGENDA

We believe that conservatives either unwittingly or begrudgingly support the liberal agenda with their current investments. Whether through mutual funds, ETFs, or 401 (k) plans, we all unfortunately own companies that support the woke/liberal agenda.

**DISTURBINGLY,
YOUR CURRENT INVESTMENTS MAY SUPPORT:**

- Companies That Are Hostile To Conservative Values Or Proudly Push The "Woke/Liberal" Agenda
- Suppression Of Conservative Voices And Services (Big Tech, Social Media & Banking)
- Woke Corporate Culture / Liberal Activism
- Biased Liberal Media, Banks And Asset Managers
- Contributions To Socialist Candidates And Causes

AND, YOUR CURRENT INVESTMENTS MAY UNDERMINE

- Freedom of Religious Expression/View Point Diversity
- Right to Bear Arms
- Sanctity of Life

Source: American Conservative Values ETF Website (<https://acvetfs.com/ideology/>). Image captured on May 26, 2023.

Same Approach, Different Day

With the exception of two vice funds—VanEck Gaming ETF BJK and USA Mutuals Vice Fund—anti-ESG funds have short track records. However, anti-ESG sentiment is not a new phenomenon in the United States. Online publications trace the origins of the modern-day anti-ESG movement to 2004, when tobacco lobbyist Steve Milloy and Philip Morris alum Tom Borelli formed the Free Enterprise Education Institute, a nonprofit focused on discrediting corporate social responsibility, or CSR, initiatives.^{11, 12} The group managed a website called "CSR Watch: Your eye on the anti-business movement," featuring hand-selected articles that the curators saw as undermining CSR efforts. One such article titled "CPAC: Liberals Keep People Poor, Diseased, Dying Early" began with, "A free enterprise advocate on Friday said

¹⁰ American Conservative Values ETF prospectus effective Nov. 30, 2022.

¹¹ The curious origins of the anti-ESG movement, Emily Atkin, Oct. 14, 2022. <https://heated.world/p/the-dirty-origins-of-the-anti-esg>

¹² In 1997, Milloy became executive director of The Advancement of Sound Silence Coalition, which was founded by Philip Morris and public relations firm APCO & Associates in response to a 1992 U.S. Environmental Protection Agency report outlining the health risks of secondhand smoke. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1446868/>

liberal activists and their promotion of 'corporate social responsibility' keeps third world citizens 'poor, diseased, and dying early.'¹³

The group also started a fund—the Free Enterprise Action Fund—to invest in companies that management viewed as economically disadvantaged as a result of social activism.¹⁴ The firm provided the following examples of what it termed "harmful social activism":

- ▶ Financial institutions that have changed their lending policies and practices based on social activism rather than relying on traditional assessments of creditworthiness;
- ▶ Energy companies that have forgone investment in power plants based on social and environmental activism rather than on the projected profitability of building such facilities;
- ▶ Manufacturing companies that have forgone establishing plants and factories in foreign countries based on activists concerns regarding the foreign countries' treatment of their citizens rather than the economic feasibility of operating in such countries;
- ▶ Companies that have made certain benefits available and other concessions to their employees based on activism rather than on sound management principles.

The fund intended to undo the effect of harmful social activism "through shareholder activism, company dialogue, generating media stories and mobilizing other shareholders to reverse the companies' position." After less than five years on the exchange, however, the fund merged into the Congressional Effect Fund, which itself closed five years later.¹⁵ Fast-forward 20 years, and Strive is building a full fund lineup to employ a very similar approach.

¹³ Burchfiel, N. 2006. "CPAC: Liberals Keep People Poor, Diseased, Dying Early." Feb. 11, 2006.

<https://web.archive.org/web/20060419114008/http://www.cnsnews.com/news/viewstory.asp?Page=%5CForeignBureaus%5Carchive%5C200602%5CFOR20060211a.html>

¹⁴ Free Enterprise Action Fund Prospectus, dated May 1, 2009.

¹⁵ <http://www.freeenterpriseactionfund.com/>

Anti-ESG Funds Grew Rapidly in 2022

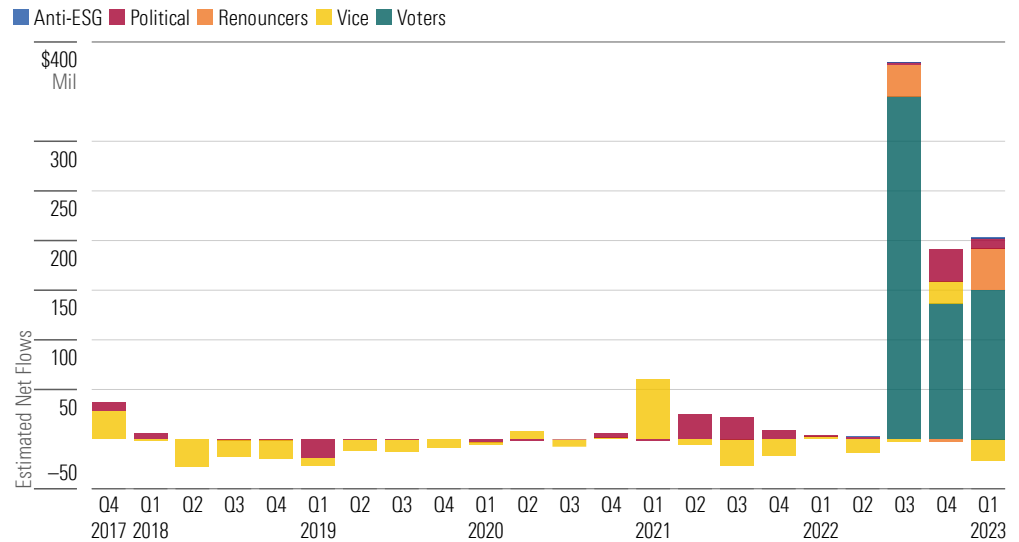
Flows Into Anti-ESG Funds Peaked in 2022's Third Quarter

Boosted by product development, flows into anti-ESG funds peaked at USD 377 million during the third quarter of 2022, more than 5 times the previous record seen in the first quarter of 2021. More than 80% of that was collected by Strive's first fund—Strive U.S. Energy ETF—which attracted nearly USD 100 million in its first week and more than USD 300 million in its first month.

Strive looked poised to continue this momentum when it launched seven more funds over the following four months, but what started as a downpour quickly lost steam. The second fund—Strive 500 ETF *STRV*—picked up USD 33 million in its first month on the market, and the following six funds attracted less than USD 5 million on average in each month since launch. In January 2023, Strive Emerging Markets Ex-China ETF *STXE* launched and picked up USD 103 million at inception, but monthly flows have averaged USD 5 million since (through May).

The following exhibit shows net flows into the five categories of anti-ESG funds beginning with the fourth quarter of 2017 (the first time that investors had more than two Vice funds to choose from).

Exhibit 5 Quarterly Net Flows Into Anti-ESG Funds



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample. Inspire fund flows were excluded from the sample until September 2022, the first full month following the CEO's renouncement of ESG investing.

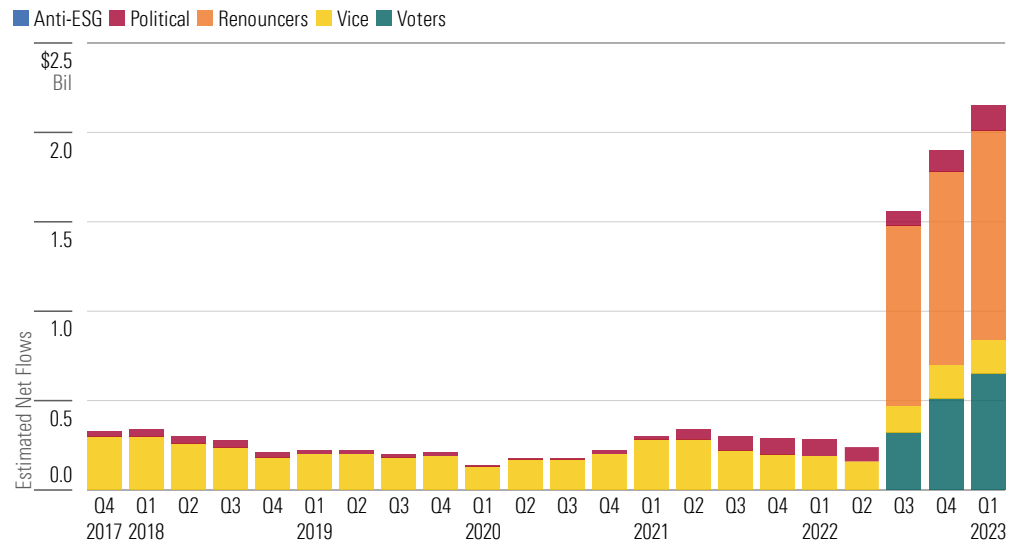
Aside from Strive's funds, demand for anti-ESG funds has been muted. From 2017's final quarter through the first half of 2022, anti-ESG funds lost an average of USD 1.2 million each quarter. During the same period, U.S. equity funds attracted roughly USD 980 million each quarter. Funds in our Vice category were the worst affected, losing nearly USD 4 million each quarter, while Political funds picked up roughly USD 2.6 million each quarter. However, Strive's marketing may have had knock-on effects for other anti-ESG funds: Renouncers and Political funds attracted USD 71 million and USD 49 million, respectively, over the past three quarters combined.

The lone fund in our Anti-ESG category has struggled so far to gain traction. Constrained Capital ESG Orphans ETF launched in May 2022 and picked up USD 870,000 on average in each quarter since. On June 2, 2023, the fund filed to liquidate before the month is over.

Assets in Anti-ESG Funds Ballooned in 2022's Third Quarter

Assets in anti-ESG funds stayed below USD 250 million until 2022's third quarter but shot up to pass USD 2 billion by the end of 2023's first quarter. Inspire's funds followed ESG mandates until the CEO renounced ESG investing in August 2022. Consequently, these funds joined the anti-ESG cohort in September 2022, boosting assets in this category by more than USD 1 billion in conversions.

Exhibit 6 Quarterly Assets in Anti-ESG Funds



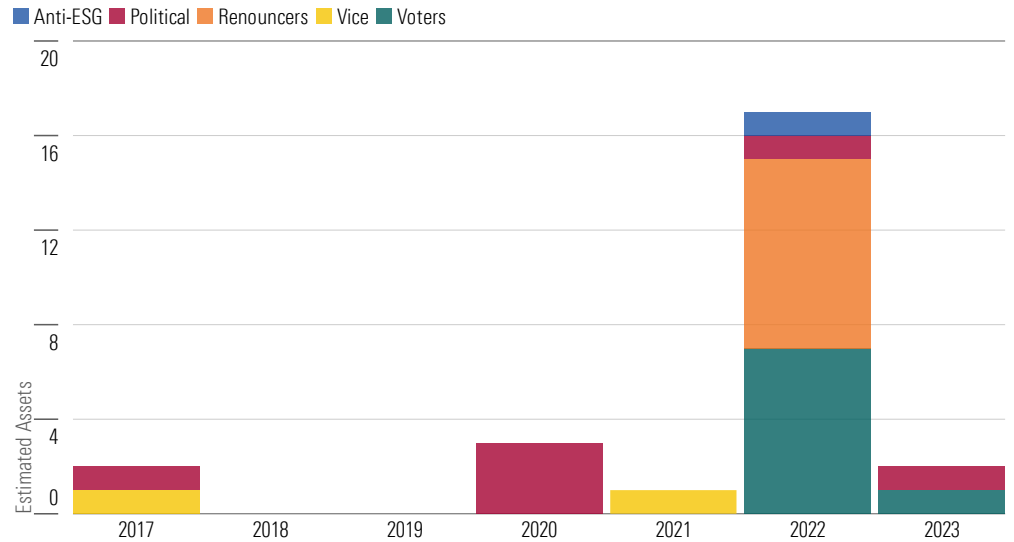
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample. Inspire fund assets were excluded from the sample until September 2022, the first full month following the CEO's renouncement of ESG investing.

Renouncers and Voters comprise the majority of anti-ESG fund assets by a large margin, with USD 1.2 billion and USD 680 million, respectively. Although Vice and Political funds have the longest track records, growth has been slow, so neither category claimed more than USD 200 million at the end of 2023's first quarter. On the other hand, Constrained Capital ESG Orphans ETF is too constrained to appear on the exhibit above, with just USD 3.5 million in assets.

Anti-ESG Product Development Picked Up in 2022

Nearly 20 funds picked up the anti-ESG banner in 2022, more than 5 times the previous record set in 2020. The third quarter of 2022 was the most active, with eight Inspire funds renouncing their ESG mandates and Strive introducing its first two offerings.

Exhibit 7 New Anti-ESG Funds

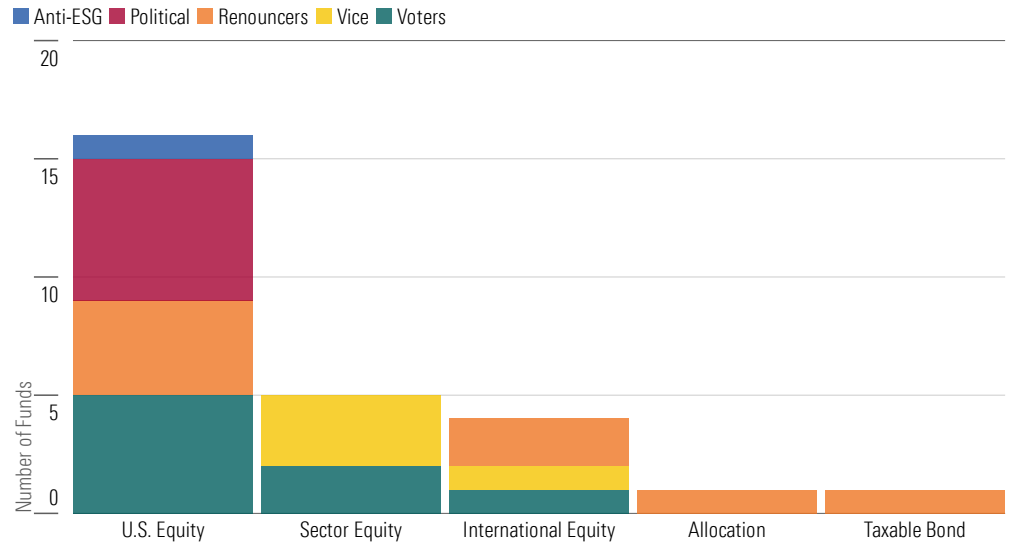


Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample. Inspire funds were excluded from the sample until August 2022, when the CEO renounced ESG investing.

So far in 2023, one Voter and one Political fund came to market. Strive launched an emerging-markets ex-China ETF. Unusual Whales Subversive Republican Trading ETF KRUZ debuted in February and aims to mimic the portfolios of Ted Cruz and other sitting Republican members of Congress.

Almost all of the funds in our anti-ESG sample are equity funds, and most of those are concentrated in domestic large-cap stocks. The only two nonequity funds come from Inspire: Inspire Corporate Bond ETF IBD and Inspire Tactical Balanced ETF RISN land in the U.S. corporate bond and moderately aggressive allocation Morningstar Categories, respectively.

Exhibit 8 Most Anti-ESG Offerings Are Equity Funds



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample.

With the exception of one open-end offering—USA Mutuals Vice—all anti-ESG funds are ETFs. Most are also passively managed and track broad market indexes. Actively managed strategies include Inspire Faithward Mid Cap Momentum ETF GLRY and Inspire Fidelis Multi Factor ETF FDLS.

What's Inside Anti-ESG Funds?

Anti-ESG Funds Provide Exposure to ESG Risk

Although anti-ESG funds employ diverse approaches to portfolio construction, they tend to deliver greater exposure to ESG risk compared with peers. To understand this dynamic, we use the Morningstar Sustainability Rating, a five-tier rating where a greater number of globes corresponds to a lower level of ESG risk in the portfolio.¹⁶

Exhibit 9 Anti-ESG Funds With High and Above Average Exposure to ESG Risk

Name	Ticker	Anti-ESG		Inception Date	Morningstar	Fund Assets Q1 2023 (\$ Mil)
		Category	Branding Name		Sustainability Rating	
USA Mutuals Vice Fund	VICEX	Vice	USA Mutuals	8/30/2002	🌐	77
Inspire Fidelis Multi Factor ETF	FDLS	Renouncers	Inspire	8/23/2022*	🌐	52
Point Bridge America First ETF	MAGA	Political	Point Bridge Capital	9/6/2017	🌐	19
Unusual Whales Subversive Republican Trading ETF	KRUZ	Political	Subversive Capital	2/7/2023	🌐	5
Constrained Capital ESG Orphans ETF	ORFN	Anti-ESG	Constrained Capital	5/17/2022	🌐	4
Strive U.S. Energy ETF	DRLL	Voters	Strive Asset Management	8/8/2022	🌐🌐	344
Inspire Global Hope ETF	BLES	Renouncers	Inspire	2/27/2017*	🌐🌐	150
Inspire Small/Mid Cap ETF	ISMD	Renouncers	Inspire	2/27/2017*	🌐🌐	136
Strive Emerging Markets Ex-China ETF	STXE	Voters	Strive Asset Management	1/30/2023	🌐🌐	113
God Bless America ETF	YALL	Political	Curran Investment Partners	10/10/2022	🌐🌐	32
B.A.D. ETF	BAD	Vice	BAD Investment	12/21/2021	🌐🌐	9
AdvisorShares Vice ETF	VICE	Vice	AdvisorShares	12/11/2017	🌐🌐	9
Strive 1000 Value ETF	STXV	Voters	Strive Asset Management	11/9/2022	🌐🌐	7

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample.

Nearly half of the funds in our sample (13, to be exact) have High or Above Average levels of exposure to ESG risk, which corresponds to 1 and 2 globes, respectively. For perspective, roughly 30% of the overall fund universe receives these Morningstar Sustainability Ratings, so anti-ESG funds are disproportionately represented at the higher end of ESG risk exposure. As expected, Constrained Capital ESG Orphans ETF is among those with the highest levels of ESG risk. Portfolio holdings such as Exxon

¹⁶ The Morningstar Sustainability Rating is an asset-weighted roll-up of Sustainalytics' company and sovereign ESG Risk Ratings based on the trailing 12 months of a fund's portfolios. Each sleeve (corporate or sovereign) of the fund's portfolio is ranked within the global peer category group, and 1 to 5 globes are assigned. Each sleeve's rating is multiplied by its respective globe rating to arrive at the fund's overall globe rating. https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt98ccfd4eafc767f/744156_Morningstar_Sustainability_Rating_for_Funds_Metodology.pdf

Mobil XOM and aerospace & defense company Raytheon Technologies RTX contribute to the fund's Low Sustainability Rating.

Exhibit 10 Anti-ESG Funds With Low, Below Average, and Average Exposure to ESG Risk

Name	Ticker	Anti-ESG		Inception Date	Morningstar	Fund Assets
		Category	Branding Name		Sustainability Rating	Q1 2023 (\$ Mil)
Inspire 100 ETF	BIBL	Renouncers	Inspire	10/30/2017*	🌐🌐🌐🌐	289
Inspire International ETF	WWJD	Renouncers	Inspire	9/30/2019*	🌐🌐🌐🌐	169
Strive 500 ETF	STRV	Voters	Strive Asset Management	9/14/2022	🌐🌐🌐🌐	136
VanEck Gaming ETF	BJK	Vice	VanEck	1/22/2008	🌐🌐🌐🌐	91
Inspire Faithward Mid Cap Momentum ETF	GLRY	Renouncers	Inspire	12/7/2020*	🌐🌐🌐🌐	43
2ndVote Society Defended ETF	EGIS	Political	2nd Vote	11/17/2020	🌐🌐🌐🌐	28
Strive U.S. Semiconductor ETF	SHOC	Voters	Strive Asset Management	10/5/2022	🌐🌐🌐🌐	23
2ndVote Life Neutral Plus ETF	LYFE	Political	2nd Vote	11/17/2020	🌐🌐🌐🌐	18
Strive 1000 Growth ETF	STXG	Voters	Strive Asset Management	11/9/2022	🌐🌐🌐🌐	8
Strive Small-Cap ETF	STXK	Voters	Strive Asset Management	11/9/2022	🌐🌐🌐🌐	8
Inspire Corporate Bond ETF	IBD	Renouncers	Inspire	7/10/2017*	🌐🌐🌐🌐🌐	237
Inspire Tactical Balanced ETF	RISN	Renouncers	Inspire	7/15/2020*	🌐🌐🌐🌐🌐	96
American Conservative Values ETF	ACVF	Political	ACV ETFs	10/28/2020	🌐🌐🌐🌐🌐	39
Strive 1000 Dividend Growth ETF	STXD	Voters	Strive Asset Management	11/9/2022	🌐🌐🌐🌐🌐	9

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023.

A few funds surprise by delivering below average or low levels of ESG risk exposure. Notably, Strive 1000 Dividend Growth ETF STXD is the lone anti-ESG fund to receive a High Sustainability Rating. The fund holds Microsoft MSFT and Apple AAPL, which have low levels of ESG risk.

Anti-ESG Funds Invest in Controversial Industries

In this section, we analyze anti-ESG funds through the lens of each portfolio's involvement in controversial business activities. This helps us compare them with one another and ascertain whether they deliver on their investment philosophies. For example, do Vice funds overexpose the investor to sin stocks? Do Renouncer funds avoid businesses that go against biblical beliefs?

The next few exhibits compare funds in the five anti-ESG groups against the Morningstar US Market Index, a broad market benchmark that targets exposure to the top 97% of the U.S. market by market capitalization.¹⁷ For comparison, we use Morningstar Portfolio Product Involvement metrics within the following categories: Abortive/Contraceptives/Stem Cell, Alcohol, Gambling, Controversial Weapons,

¹⁷ The Morningstar US Market Index is designed to provide exposure to the top 97% market capitalization of the U.S. market by free float. For more detail, refer to Construction Rules for the Morningstar US Market Index Family, Morningstar Indexes, March 2020.

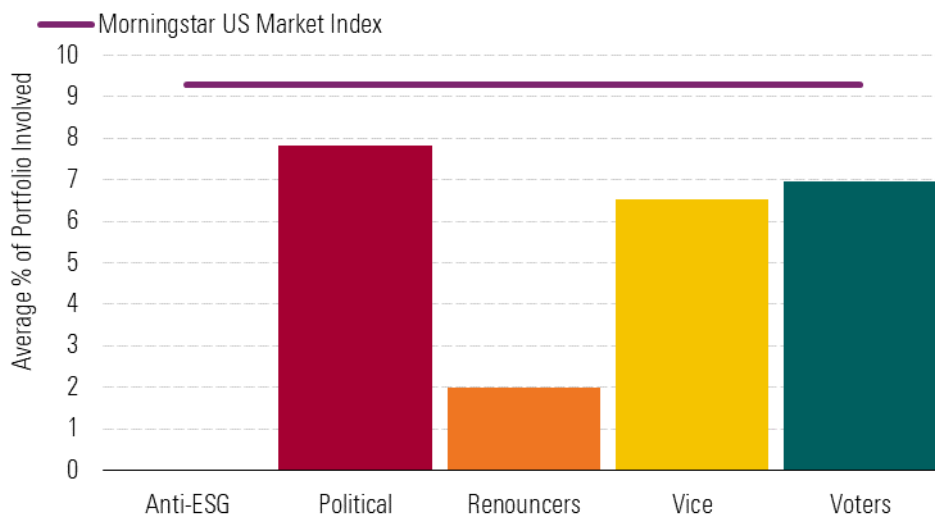
https://indexes.morningstar.com/resources/PDF/upload/Morningstar_US_Market_Final.pdf. As of April 2023, the top three sectors were technology (25.9%), healthcare (14.2%), and financial services (12.7%). Energy stocks represented 4.7% of the index (compared with 3.4% a year earlier). The index tilts toward large-growth stocks, as indicated by a size score of 65 and a style score of 40, respectively. Compared with funds in the large blend Morningstar Category, the index leans more into growth stocks and less into mega-cap stocks. For more information on Morningstar's Factor Profile, refer to the Morningstar Factor Profile Methodology, Morningstar Quantitative Research, November 2019. https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt09d73b4a44d9f14/61b8e525ad89d90d95a0a5c4/Factor_Profile_Methodology.pdf

Thermal Coal, as well as Morningstar Portfolio Fossil Fuel Involvement metrics.^{18, 19} Product involvement measures the percentage of a portfolio that is exposed to a products, services, and business activities that can be tied to specific categories. For each, Morningstar leverages Sustainalytics’ company-level exposures, which it aggregates at the fund level on an asset-weighted basis.²⁰

Abortive/Contraceptives/Stem Cell

We start by analyzing whether companies held by anti-ESG funds engage in providing abortions and contraceptive surgical procedures, as well as the production and distribution of abortifacients.

Exhibit 11 Average % of Portfolio Involved in Abortion Industry vs. the Morningstar US Market Index



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

At the high end, more than one fourth of B.A.D. ETF’s BAD assets are invested in companies exposed to the abortion and/or the contraceptive industry, versus just 9.3% of the Morningstar US Market benchmark. One of its top holdings, Novartis NVS, produces a drug that is widely prescribed for treating rheumatism and certain cancers but which can also be combined with a separate medication to induce abortions (although such use is considered off-label and is not FDA-approved). In the case of abortion, B.A.D. stands out from other Vice funds, which exhibit zero exposure to the industry.

Each Political fund shows some level of exposure to the abortion industry. 2ndVote Society Defended ETF EGIS and God Bless America ETF YALL are both overexposed, compared with the Morningstar US

¹⁸ Morningstar Portfolio Product Involvement Methodology, Morningstar Direct, 28 September 2017. https://www.morningstar.com/content/dam/marketing/shared/research/methodology/812380_PortfolioProductInvolvement.pdf
¹⁹ Portfolio Fossil Fuel & Carbon Solutions Involvement Methodology, Morningstar Sustainalytics Methodology & Product Architecture, March 31, 2023. https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/bltbdff01b1f5402c73/Portfolio_Fossil_Fuel_Carbon_Solutions_Involvement.pdf
²⁰ Sustainalytics is a Morningstar company and a leading provider of environmental, social, and governance research and ratings.

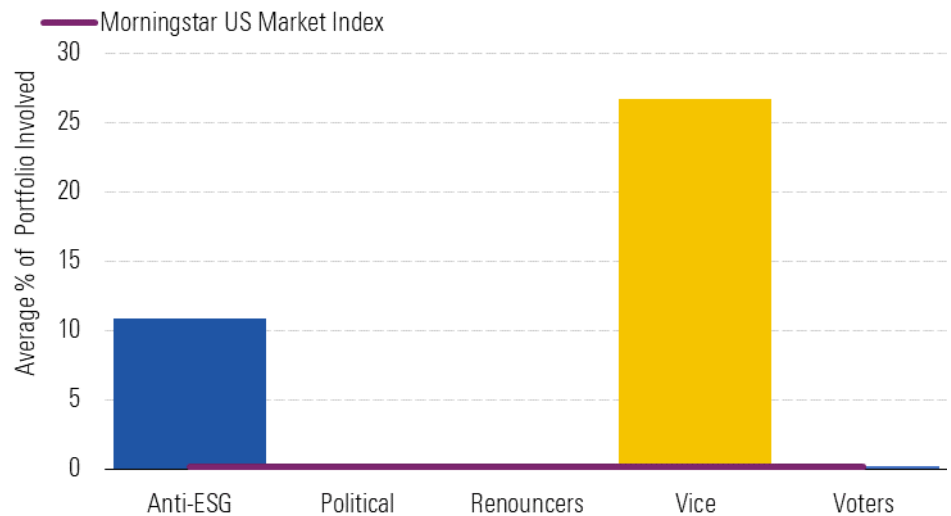
Market benchmark, with more than 12% involvement in each portfolio. God Bless America ETF holds HCA Healthcare HCA, which owns and operates acute care hospitals that may perform abortions.

Of note, three out of the eight Renouncer funds in our sample have at least 3% involvement in the abortion industry. Inspire International ETF WWJD holds Fresenius FRE, a company that produces methotrexate injections (among other things). Although methotrexate is most commonly used in cancer treatment, it can also have abortifacient properties when taken in combination with other medications. In each of these cases, the fund’s exposure to the industry is below that of the index, but the exposure remains greater than some might expect given these funds’ alignment to biblical values.

Alcohol

As expected, the funds with the highest level of involvement in the alcohol industry are Vice funds, although the specific level of involvement across each fund varies.

Exhibit 12 Average % of Portfolio Involved in Alcohol Industry vs. the Morningstar US Market Index



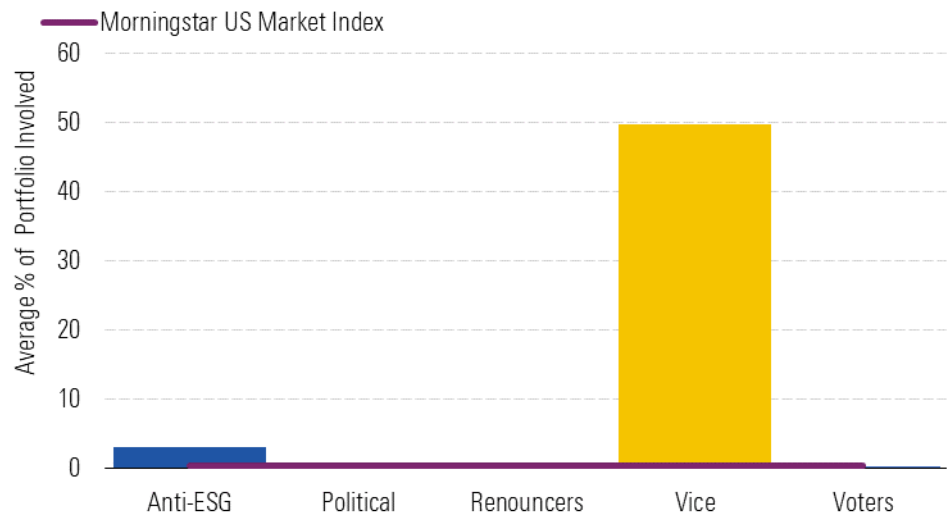
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

AdvisorShares Vice ETF VICE has the highest exposure, with a whopping 46-percentage-point overweighting, relative to the Morningstar US Market benchmark. VanEck Gaming ETF, on the other hand, has no exposure at all. Diageo DEO, a common holding in all funds except VanEck Gaming ETF, is a British multinational alcoholic beverage company that is the world’s largest distributor of Scotch whisky.

Gambling

Gambling includes companies that offer gambling services (such as operation of casinos, lotteries, and online gambling), manufacture gambling products (slot machines and other gambling devices), or that support gambling operations.

Exhibit 13 Average % of Portfolio Involved in Gambling Industry vs. the Morningstar US Market Index



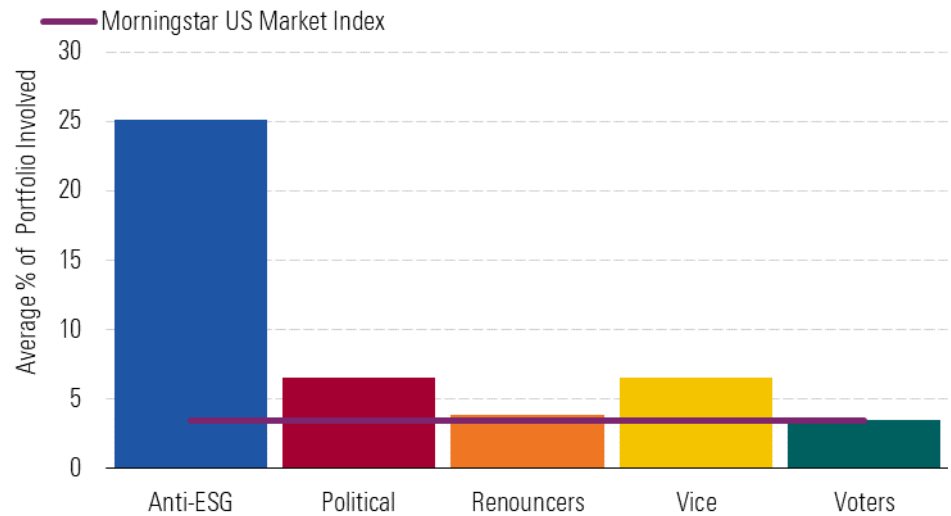
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

As expected, Vice funds have a higher exposure to companies that derive their revenue from gambling, compared with the benchmark. The totality of VanEck Gaming ETF’s portfolio is involved in gaming, compared with the benchmark’s 1% exposure. Las Vegas Sands LVS, an American casino and resort company, is a major holding in the fund. Other Vice funds like B.A.D. ETF and USA Mutuals Vice also have sizable positions in Las Vegas Sands.

Controversial Weapons

In contrast to conventional weapons, controversial weapons have a disproportionate and indiscriminate impact on civilian populations. Some controversial weapons are illegal, as their production and use are prohibited by international treaties and bans.

Exhibit 14 Average % of Portfolio Involved in Controversial Weapons vs. the Morningstar US Market Index



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023.. This exhibit excludes STXE, as it was omitted from the original sample.

Anti-ESG fund Constrained Capital ESG Orphans ETF has the highest involvement at 24%, closely followed by Vice fund USA Mutuals Vice at 23%. Both overweigh the Morningstar US Market benchmark by more than 20 percentage points.

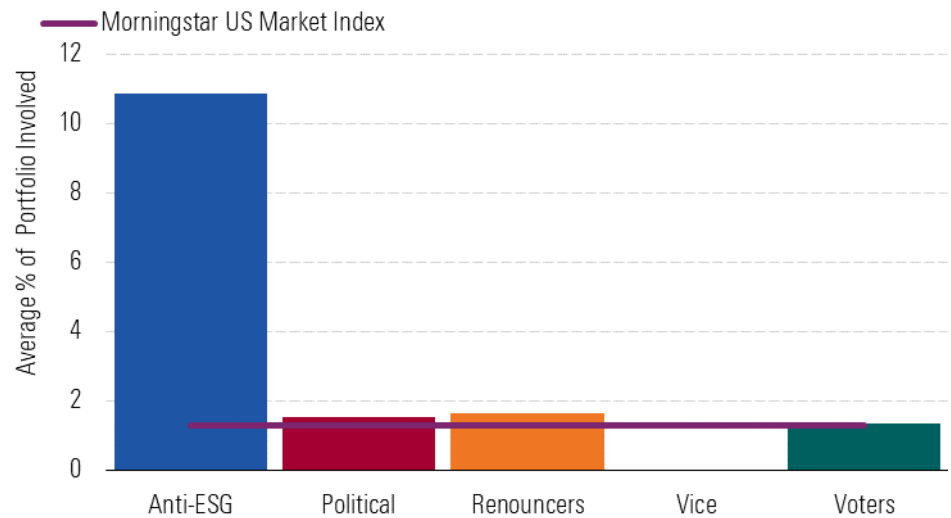
Each of the Political funds also present at least 2% involvement in controversial weapons. Notably, both 2ndVote Life Neutral Plus ETF LYFE and 2ndVote Society Defended ETF have high exposure to the industry, at 8% and 5%, respectively. It is surprising that 2ndVote Life Neutral Plus ETF shows higher involvement in controversial weapons than its Society Defended relative, since the latter specifically invests in companies that support border security and support for law enforcement.

L3Harris Technologies LHX, aerospace and defense industrial company Raytheon Technologies RTX, and engineering company Jacobs Solutions J are the names driving 2ndVote Life Neutral Plus ETF's high exposure. In particular, L3Harris Technologies is a defense contractor and IT company that is a sizable holding in USA Mutuals Vice, 2ndVote Life Neutral Plus ETF, and Constrained Capital ESG Orphans ETF.

Thermal Coal

Here, we examine the exposure of anti-ESG funds to one of the most carbon-intensive energy sources. Thermal Coal Involvement includes companies that extract thermal coal for mining and exploration (known as *direct involvement*) and those that generate electricity from thermal coal, including utilities that own or operate coal-fired power plants (known as *indirect involvement*).

Exhibit 15 Average % of Portfolio Involved in Thermal Coal vs. the Morningstar US Market Index



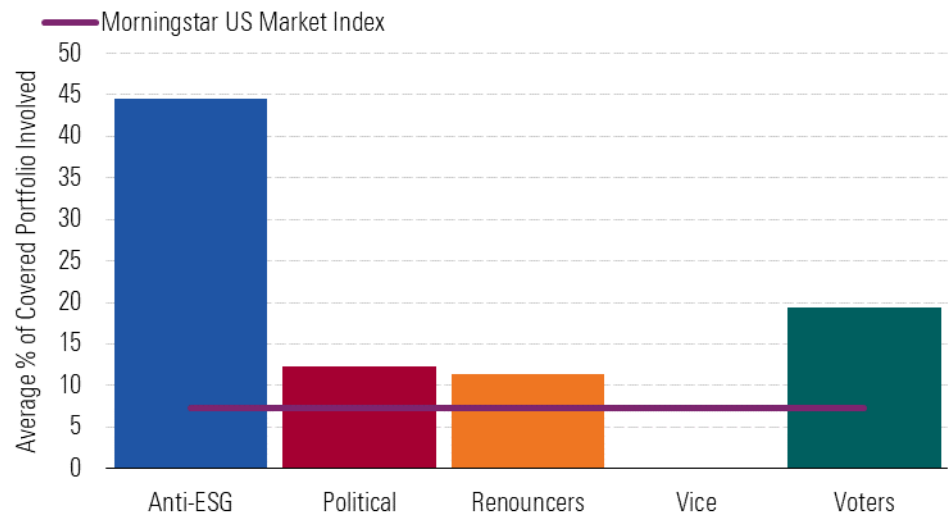
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

Apart from the truly Anti-ESG fund Constrained Capital ESG Orphans ETF, not many portfolios in our list have significant exposure to thermal coal. With 11% involvement in the category, Constrained Capital ESG Orphans ETF overweighs the Morningstar US Market Index by nearly 10 percentage points. The portfolio holds names like Southern Company *SO*, Duke Energy *DUK*, American Electric Power *AEP*, Dominion Energy *D*, Xcel Energy *XEL*, and WEC Energy *WEC*, all of which generate electricity from thermal coal or own/operate coal-fired power plants. Southern's operations are particularly carbon-emissions-intensive, driving a High ESG Risk Rating.

Fossil Fuel

Fossil Fuel Involvement examines a portfolio's exposure to thermal coal, oil and gas, oil sands, shale energy, deep-water production, and Arctic offshore exploration. It comes as no surprise that Strive U.S. Energy ETF has the highest exposure to the industry. Approximately 97% of the companies in the portfolio earn revenue from fossil fuels.

Exhibit 16 Average % of Portfolio Involved in Fossil Fuels vs. the Morningstar US Market Index



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

Exxon Mobil accounts for nearly one fourth of Strive U.S. Energy ETF's portfolio. Exxon carries Severe levels of ESG risk because of the likelihood of oil spills across its broad network of pipelines and refineries, and its position as one of the world's largest manufacturers of petrochemicals exposes the company to significant legal and financial risks. For instance, the company was fined USD 14 million for air pollution violations at its Baytown Complex in Texas in 2017.

Anti-ESG Funds Deliver Exposure to Environmental and Social Impact

Increasingly, many investors are eager to help drive more just and sustainable outcomes in their communities. Here, we dive deeper into anti-ESG funds to understand their portfolio exposures, or lack thereof, to revenue associated with positive environmental or social impact. Sustainalytics' Impact Metrics calculate the percentage of a given company's revenues that are associated with impact, and then the Morningstar Portfolio Impact Metrics aggregate those revenue exposures to the fund level.²¹⁻²² Positive impact is grouped into five key themes:

²¹ Morningstar Sustainalytics' Impact Framework, Sustainalytics, 2023. <https://www.sustainalytics.com/impact-metrics>

²² Morningstar Portfolio Impact Metrics, Morningstar Research, Dec. 22, 2021.

[https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt5a9efe56ca05f039/Morningstar_Portfolio_Impact_Metrics_Methodology_\(1\).pdf](https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt5a9efe56ca05f039/Morningstar_Portfolio_Impact_Metrics_Methodology_(1).pdf)

1. *Climate Action* refers to mitigating or adapting to the effects of climate change;
2. *Healthy Ecosystems* addresses biodiversity degradation or the effects of land, air, or water pollution;
3. *Resource Security* relates to minimizing the use of raw materials and improving recycling;
4. *Basic Needs* includes fundamental human needs such as housing, healthcare, clean water, and food;
5. *Human Development* refers to enhancing quality of life through education, employment opportunities, and initiatives that promote diversity, equity, and inclusion.

Impact metrics highlight the degree to which a company focuses its business model on creating products and services needed for a more just and sustainable future. As our colleague Megan Wallingford pointed out in a recent article,

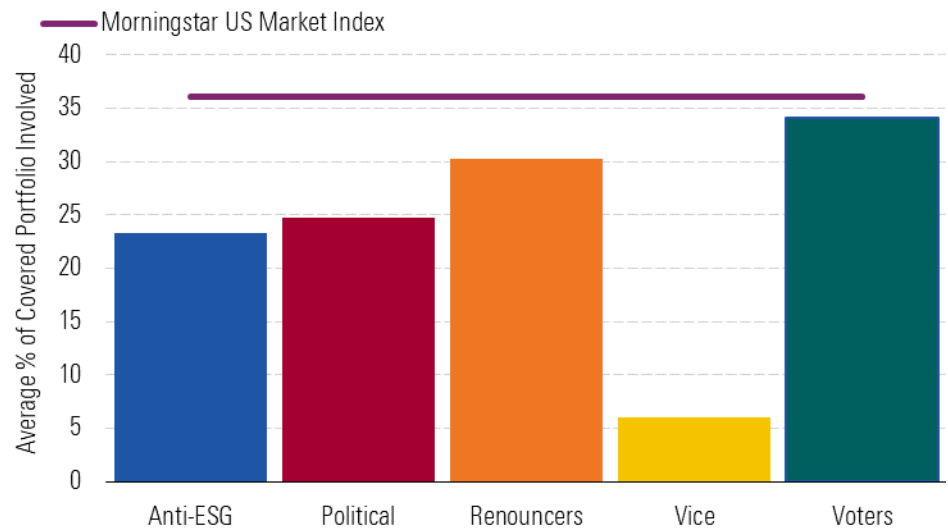
“Typically, this is expressed as revenue, such as the percentage of revenue an automaker derives from electric vehicles, but it is important to note that revenue data doesn’t measure impact directly. It doesn’t, for example, measure the amount of carbon emissions that are avoided or drinking water that is saved as a result of more efficient transportation or improved water filtration.”²³

Despite its limitations, revenue helps us understand whether a company is dedicated to expanding its initiatives to deliver better social and environmental outcomes.

Climate Action

This theme is concerned with the global effort to curb the Earth’s temperature rise and cope with unavoidable consequences. It includes measures to promote clean energy, limitations on greenhouse gas emissions, and climate change adaption measures.

Exhibit 17 Portfolio Exposure to Climate Action Impact by Anti-ESG Category



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

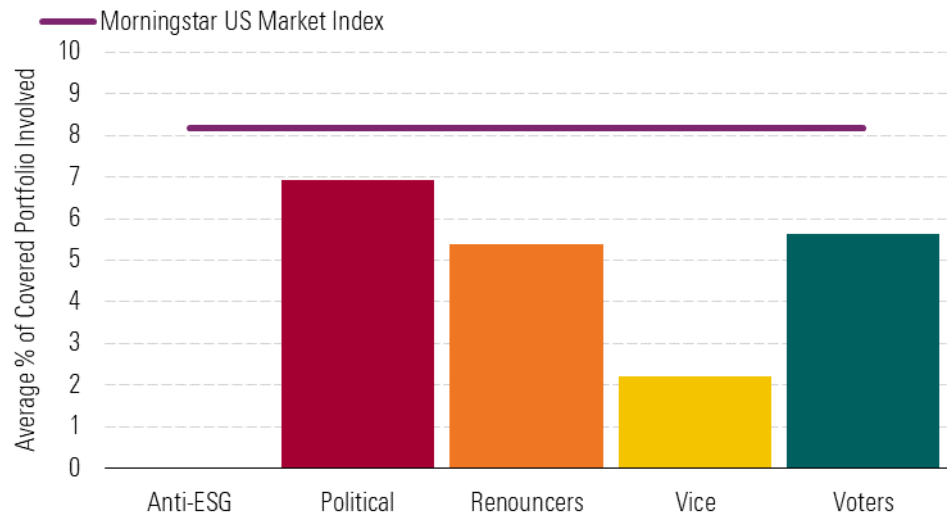
²³ Wallingford, M. 2022. “Expect to Hear More About Impact Investing.” Oct. 4, 2022. Morningstar.com. <https://www.morningstar.com/sustainable-investing/expect-hear-more-about-impact-investing>

On average, none of the categories in our sample outweigh the benchmark, the Morningstar US Market Index. However, many portfolios in our list have high levels of alignment to climate action impact. For instance, 84% of Strive U.S. Semiconductor ETF’s SHOC portfolio is involved in climate action impact, a whopping 48-percentage-point overweighting relative to the benchmark, followed by Strive 1000 Growth ETF and Strive 500 ETF at 43% and 36%, respectively. Each of the three funds has a major position in Nvidia NVDA, a multinational technology company that contributes heavily to the climate action theme. For example, Nvidia recently launched an Earth-2 initiative to build the world’s most powerful artificial intelligence supercomputer dedicated to predicting climate change. In 2021, the company also disclosed manufacturing energy-efficient GPUs for gaming and professional visualization.

Healthy Ecosystems

This theme focuses on the protection of ecologically sound environments on land, air, and water. It includes activities like pollution prevention, sustainable agriculture, food manufacturing, and forestry, but it does not include greenhouse gas emissions or water consumption, as these are covered under other themes.

Exhibit 18 Portfolio Exposure to Healthy Ecosystems Impact by Anti-ESG Category



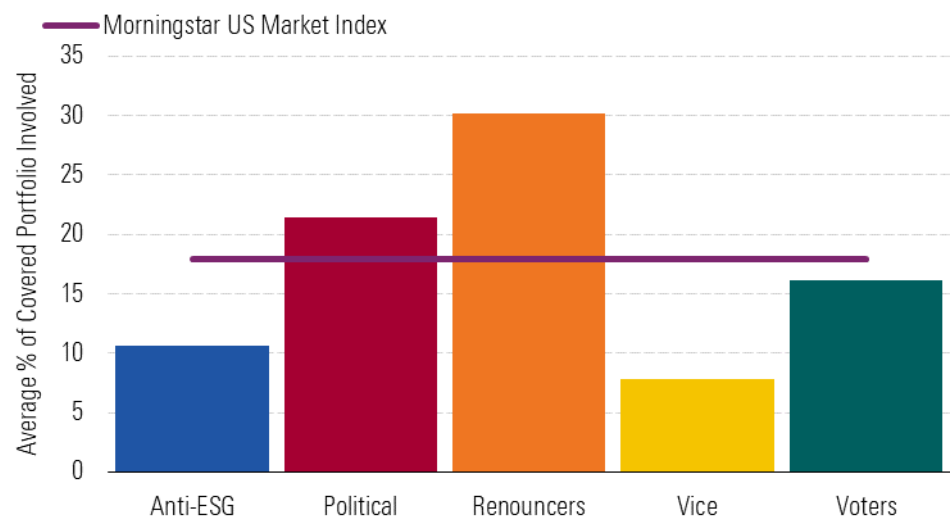
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

Most funds in our list have low levels of exposure to healthy ecosystems impact, and on average, none of the categories exceed the benchmark’s exposure to the theme. Strive 1000 Dividend Growth ETF and Strive 1000 Growth ETF rank toward the top at roughly 11% exposure, which is slightly higher than the Morningstar US Market benchmark’s 8%. One of the strongest contributors to Strive 1000 Dividend Growth ETF’s impact exposure is Cummins CMI. Nearly 15% of Cummins’ revenue comes from developing pollution-prevention technologies, which is aligned to healthy ecosystems.

Resource Security

Resource security impact includes efficient use of resources and circular economies (a model of production and consumption that involves sharing, reducing, reusing, and recycling materials to extend their life cycle). Resources of concern include water, timber, metals, minerals, gases, and all types of manufactured materials.

Exhibit 19 Portfolio Exposure to Resource Security Impact by Anti-ESG Category



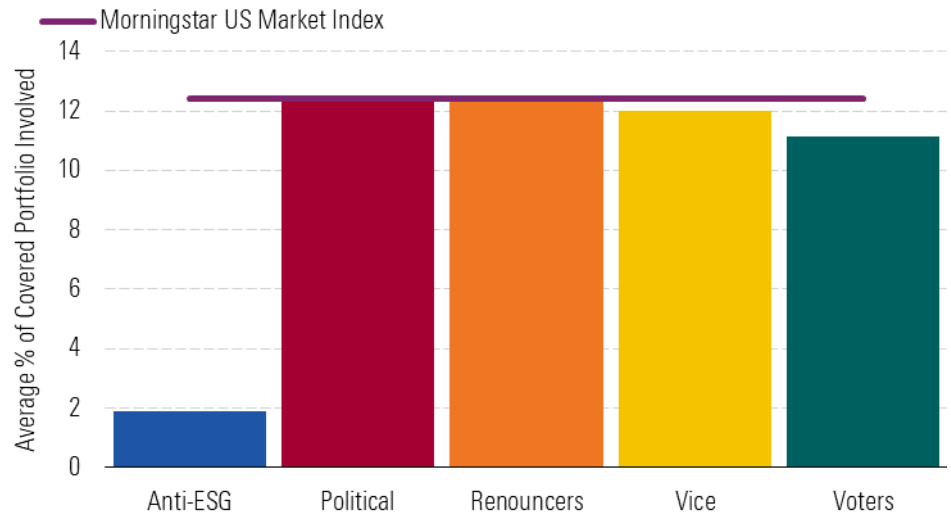
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

On average, Renouncers and Political funds have higher alignment to this theme compared with the benchmark. Renouncer funds, in particular, have the highest percentage of revenue that aligns to resource security impact. Inspire Faithward Mid Cap Momentum ETF and Inspire International ETF both have close to 32% of their portfolios involved in this theme, which tops the benchmark's 18%. Both funds hold Carlisle Companies [CSL](#), a manufacturer and seller of rubber and plastic engineered products, which has 80% of its revenue aligned with green building supporting activities.

Basic Needs

This theme includes providing access to food, housing, essential healthcare, clean water, and energy for underserved populations. It also addresses human safety, including safe workplaces and communities.

Exhibit 20 Portfolio Exposure to Basic Needs Impact by Anti-ESG Category



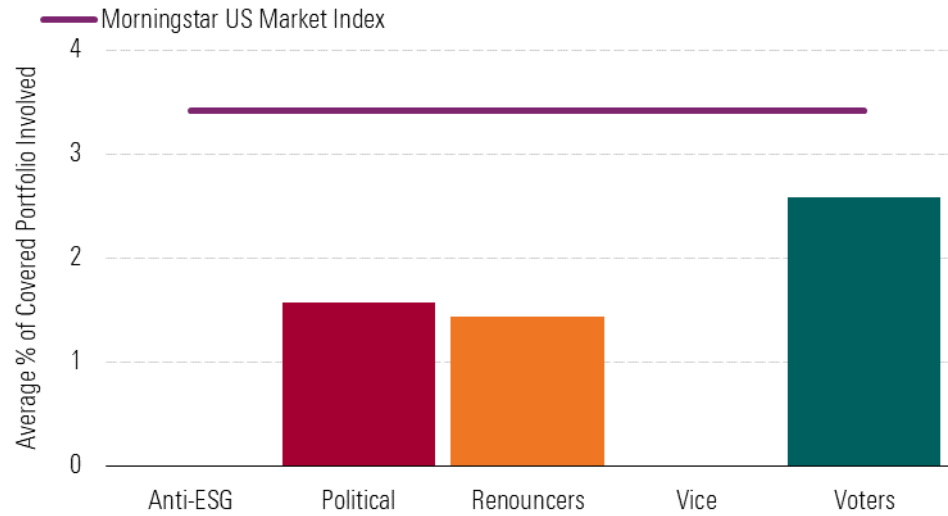
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

B.A.D. ETF and Strive 1000 Dividend Growth ETF have high levels of exposure to the basic needs impact theme, at 39% and 19%, respectively. The former overweighs the Morningstar US Market Index by an eye-catching 27 percentage points. Both funds hold pharmaceutical giant Eli Lilly LLY, which derives most of its revenue from producing medicines that treat major and neglected diseases such as diabetes, cancer, and depression.

Human Development

This theme is concerned with promoting human progress through measures that support education, improve quality of life, provide employment opportunities, and advance healthcare.

Exhibit 21 Portfolio Exposure to Human Development Impact by Anti-ESG Category



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

Exposure to human development impact is low across the board, but a few Voters rank above the benchmark, with roughly 5% of their portfolios involved in human development. For example, Strive 1000 Value ETF invests in health insurance provider Humana *HUM* and financial-services company Huntington Bancshares *HBAN*. Roughly 5% of Humana's revenue comes from providing insurance policies that help the most vulnerable populations pay their medical expenses. Huntington, on the other hand, is a bank that offers affordable mortgage loans to low-income borrowers.

A Peak Inside the Portfolios

In this section, we look inside anti-ESG funds to examine the most commonly held companies in each grouping, as well as their sector, style, Morningstar Rating, 2022 returns, ESG Risk Rating, and Carbon Risk Rating.²⁴

Anti-ESG

Only one fund in our sample neatly fits into the Anti-ESG box: Constrained Capital ESG Orphans ETF. The name and strategy draw on the idea that certain kinds of businesses are " 'orphaned,' discarded or

²⁴ Each of the common holdings shown in this section appeared in at least two funds within a given category with the exception of Constrained Capital ESG Orphans ETF, which stands alone in the Anti-ESG category. Companies shown in the following exhibits only include those which accounted for at least 1% of portfolio assets at the time of this analysis.

excluded by ESG-centric mutual funds,” and thus can be bought at lower prices.²⁵ The exhibit below shows Constrained Capital ESG Orphans ETF's top 10 holdings as of March 31, 2023.

Exhibit 22 Anti-ESG: Top 10 Portfolio Holdings

Name	Ticker	Sector	Equity Style Box	Morningstar Rating	Q1 2023 Return	2022 Return	ESG Risk Rating	Human Development	Impact - % of Revenue				
									Resource Security	Climate Action	Basic Needs	Healthy Ecosystems	
Philip Morris International	PM	Consumer Defensive		★★★	-2.7	11.8		0	0	0	0	0	
Raytheon Technologies	RTX	Industrials		★★★★	-2.4	19.8		0	0	0	0	0	
NextEra Energy	NEE	Utilities		★★★★	-7.2	-8.6		0	1.0	14.0	0	0	
Exxon Mobil	XOM	Energy		★★★	0.2	86.1		0	0	0	0	0	
Boeing	BA	Industrials		★★★	11.5	-5.4		0	0	0	0	0	
Lockheed Martin	LMT	Industrials		★★★	-2.2	40.1		0	0	0	0	0	
Chevron	CVX	Energy		★★★	-8.3	57.8		0	0	0	0	0	
Diageo	DEO	Consumer Defensive		★★	2.5	-17.4		0	0	0	0	0	
Anheuser-Busch InBev	BUD	Consumer Defensive		★★★★★	11.1	-0.2		0	0	0	0	0	
Altria Group	MO	Consumer Defensive		★★★★	-0.3	4.2		0	0	0	0	0	

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023.

Top holdings include Exxon Mobil, tobacco firm Philip Morris PM, and defense contractor Raytheon Technologies. In 2021, Exxon Mobil and Chevron CVX posted gains of 86% and 58%, respectively, due to the fossil fuel price surge that followed Russia's invasion of Ukraine. Six stocks in this group carry Severe to High levels of ESG Risk, with Exxon Mobil getting the riskiest rating. The higher levels of risk in these names can be traced to the high carbon emissions within each company's and/or greenhouse gas emissions of products and services while in use by consumers.

Political

Political funds tend to be diversified with broad sector and stock exposure. Most stocks in these funds are large cap and posted volatile returns in 2022 and 2023. Tesla TSLA lost 65% in 2022, partly because of concerns related to flagging demand. However, the stock bounced back in early 2023 due to perceived demand tailwinds from China as well as the newly implemented EV purchase tax credits in the U.S.

Exhibit 23 Common Holdings in Political Funds

Name	Ticker	Sector	Equity Style Box	Morningstar Rating	Q1 2023 Return	2022 Return	ESG Risk Rating	Human Development	Impact - % of Revenue				
									Resource Security	Climate Action	Basic Needs	Healthy Ecosystems	
Broadcom	AVGO	Technology		★★	15.6	-13.4		0	0	0.7	0	0	
Tesla	TSLA	Consumer Cyclical		★★★	68.4	-65.0		0	84.6	85.9	0	0	
Berkshire Hathaway	BRK.A	Financial Services		★★★★	-0.7	4.0		0	0	1.7	0	0	

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023.

²⁵ Constrained Capital ESG Orphans ETF prospectus, dated May 16, 2022.

Tesla is also a common holding for some environmentally minded impact investors, and 86% of its revenue is aligned to the climate action impact theme because of its leading position as a supplier of electric vehicles.

Renouncers

Inspire funds comprise the Renouncers category within our anti-ESG sample because of their repudiation of ESG principles in 2022. When it comes to security selection, however, the funds focus on helping faith-based investors match their portfolios to biblical principles.

Exhibit 24 Common Holdings in Renouncer Funds

Name	Ticker	Sector	Equity Style Box	Morningstar Rating	Q1 2023 Return	2022 Return	ESG Risk Rating	Human Development	Impact - % of Revenue			
									Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Builders FirstSource	BLDR	Industrials		★★★★*	36.8	-24.3		0	3.6	3.6	0	0
Chemed	CHE	Healthcare		★★★★*	5.4	-3.2		0	0	0	0	0
KLA	KLAC	Technology		★★★	6.2	-11.2		0	0	0	0	0
Parker Hannifin	PH	Industrials		★★★	16.0	-6.9		0	0.5	0	0.5	0
Reinsurance Group of America	RGA	Financial Services		★★★★*	-6.0	32.6		0	0	0	0	0
Watsco	WSO	Industrials		★	28.6	-17.6		0	0	0	0	0

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. *Indicates the Morningstar Rating is quantitatively derived.

Many (secular) ESG-focused investors look for companies that provide direct access to healthcare including abortion care. However, biblically responsible investors screen out companies that profit from or support abortion, pornography, gambling, or LGBTQ+ issues. This is true for Inspire funds and leads to the exclusion of stocks like Meta [META](#) and Amazon.com [AMZN](#) (or other so-called FAANG stocks, which include Apple, Netflix [NFLX](#), and Alphabet [GOOGL](#)).

Inspire's philosophy leads it away from "sin stocks" but drives the funds toward companies that benefit society. Some of Inspire funds' common holdings include Builders FirstSource [BLDR](#), a manufacturer and supplier of building materials; Watsco [WSO](#), distributor of air conditioning and refrigeration equipment; and Chemed [CHE](#), a medical services provider. Chemed provides hospice and palliative care services for the terminally ill, making it a natural fit for a faith-based investor.

Builders FirstSource has higher exposure to ESG Risk than either Watsco or Chemed because of the carbon intensity of the former's operations. However, 4% of the company's revenue is also aligned with climate action impact because it provides materials for the construction of green buildings.

Vice

Vice funds in our sample tend to be more concentrated at the sector level than some of the other anti-ESG categories. The majority of commonly held stocks in these funds fall under the consumer cyclical and consumer defensive sectors. The median return for these stocks was just over 17% in 2023's first quarter, but DraftKings [DKNG](#) blew peers out of the water with its 70% gain during the period. The

company's stock got a boost when its home state, Massachusetts, legalized sports betting, and soon after it launched DK Horse, a betting site for horse racing.

Exhibit 25 Common Holdings in Vice Funds

Name	Ticker	Sector	Equity Style Box	Morningstar Rating	Q1 2023 Return	2022 Return	ESG Risk Rating	Impact - % of Revenue				
								Human Development	Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Boyd Gaming	BYD	Consumer Cyclical		★★★*	17.9	-15.9		0	0	0	0	0
DraftKings	DKNG	Consumer Cyclical		★★★★*	70.0	-58.5		0	0	0	0	0
Gaming and Leisure Properties	GLPI	Real Estate		★★★*	1.8	12.8		0	0	0	0	0
International Game Technology	IGT	Consumer Cyclical		★★★★*	19.0	-18.8		0	0	0	0	0
Las Vegas Sands	LVS	Consumer Cyclical		★★★	19.5	27.7		0	5.1	0	0	5.1
Molson Coors Beverage	TAP	Consumer Defensive		★★★★*	-7.3	35.4		0	0	0	0	0
The Duckhorn Portfolio	NAPA	Consumer Defensive		★★★*	-4.0	-29.0		0	0	0	0	0

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. *Indicates the Morningstar Rating is quantitatively derived.

Even though Vice funds do not explicitly invest against ESG ratings, they do indulge in the “sin” industry and primarily hold names in alcohol, tobacco, and gambling. Boyd Gaming **BYD**, Las Vegas Sands **LVS**, and Molson Coors Beverage Company **TAP** are some of the most commonly held stocks within Vice funds. Notably, Molson Coors Beverage, a multinational drink and brewing company, is a top holding in three out of the four funds in our sample. Like many holdings in this category, the company has Medium exposure to ESG risk, driven by material issues such as carbon-intense operations and labor relations. In 2021, the beverage company had various issues due to a newly introduced wage structure in one of its Montreal breweries. Workers were able to strike a deal at the end of March 2022.

Voters

Voter funds share many characteristics with Political funds. The main difference is the message Strive delivers to the companies in which it invests.

Exhibit 26 Common Holdings in Voter Funds

Name	Ticker	Sector	Equity Style Box	Morningstar Rating	Q1 2023 Return	2022 Return	ESG Risk Rating	Impact - % of Revenue				
								Human Development	Resource Security	Climate Action	Basic Needs	Healthy Ecosystems
Raytheon Technologies	RTX	Industrials		★★★★	-2.4	19.8		0	0	0	0	0
NextEra Energy	NEE	Utilities		★★★	-7.2	-8.6		0	1.0	14.0	0	0
Exxon Mobil	XOM	Energy		★★★	0.2	86.1		0	0	0	0	0
Broadcom	AVGO	Technology		★★	15.6	-13.4		0	0	0.7	0	0
NVIDIA	NVDA	Technology		★★	90.1	-50.3		0	0	56.1	0	0
Alphabet	GOOG	Communication Serv		★★★★	17.6	-39.1		0	0	0	0	0
Eli Lilly	LLY	Healthcare		★★	-5.8	33.9		0	0	0	87.9	0
Apple	AAPL	Technology		★★	27.1	-26.3		0	0	80.5	0	0
Procter & Gamble	PG	Consumer Defensive		★★	-1.3	-5.1		0	0.3	0	0	0.3
UnitedHealth Group	UNH	Healthcare		★★★	-10.6	6.9		0	0	0	0	0

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

The most commonly held stocks in Voter funds are large caps, and the median return in this cohort was 0.3% for 2022, a modest gain but significantly above the Morningstar US Market Index's 19.4% loss during the year. Exxon Mobil and Chevron led the pack, but technology names like Broadcom [AVGO](#), Nvidia, Alphabet, and Apple all reported double-digit losses during the period.

Notably, some of the commonly held names in Strive's funds have high levels of exposure to climate action impact. For example, Apple derives a large portion of its revenue from manufacturing energy-efficient consumer electronics and appliances, and roughly half of Nvidia's revenue comes from developing energy-efficient graphics cards.

All in all, Strive's index-tracking funds (or Voter funds) closely resemble those offered by other large asset managers. For instance, the top five holdings and their respective portfolio weights are identical for Strive U.S. Energy ETF and iShares US Energy ETF [IYE](#). The portfolios have nearly 85% overlap, but there are a few surprising differences. Some of the distinct holdings in Strive U.S. Energy ETF (that don't appear in the iShares version) display alignment to climate action impact. In particular, renewable energy companies Brookfield Renewable [BEPC](#) and NextEra Energy Partners [NEP](#) have 96% and 73% of their revenues aligned with climate action impact, respectively. Still, ESG ratings are not a consideration in Strive's index construction process; the firm seeks to make a difference through its proxy voting and engagement activities, which we analyze in a later section.

Investment Performance

The 27 anti-ESG funds in our sample are a young and disparate bunch. As of March 2023, only eight anti-ESG funds claimed track records longer than one year; the remaining 19 funds launched in late 2022 to early 2023 or—in the case of Inspire's fund range—renounced their ESG mandates later in the year. Furthermore, these 27 funds can be found in 13 Morningstar Categories, meaning the investment strategies and performance drivers will vary widely across the sample. Against this backdrop, any conclusions drawn through performance analysis should not be mistaken for indicative of broader trends.

In this section, we compare funds in the five anti-ESG groups against the Morningstar US Market Index, a broad market benchmark that targets exposure to the top 97% of the U.S. market by market capitalization.²⁶ We evaluate anti-ESG funds' Morningstar Medalist Ratings, total returns, risk-adjusted returns (as measured by the Sharpe ratio), and the contribution of different equity sectors to benchmark-relative performance.

Morningstar Medalist Ratings

Nearly half of the funds in our Anti-ESG cohort earn medals under the Morningstar Medalist Rating, meaning Morningstar has some degree of confidence in their ability to outperform peers or relevant benchmarks.

²⁶ The Morningstar US Market Index is designed to provide exposure to the top 97% market capitalization of the U.S. market by free float. For more detail, refer to Construction Rules for the Morningstar US Market Index Family, Morningstar Indexes, March 2020. https://indexes.morningstar.com/resources/PDF/upload/Morningstar_US_Market_Final.pdf. As of April 2023, the top three sectors were technology (25.9%), healthcare (14.2%), and financial services (12.7%). Energy stocks represented 4.7% of the index (compared with 3.4% a year earlier). The index tilts toward large-growth stocks, as indicated by a size score of 65 and a style score of 40, respectively. Compared with funds in the large blend Morningstar Category, the index leans more into growth stocks and less into mega-cap stocks. For more information on Morningstar's Factor Profile, refer to the Morningstar Factor Profile Methodology, Morningstar Quantitative Research, November 2019. https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt09d73b4a44d9f14/61b8e525ad89d90d95a0a5c4/Factor_Profile_Methodology.pdf

Exhibit 27 Medalist Anti-ESG Funds

Name	Ticker	Anti-ESG Category	Inception Date	Morningstar Medalist Rating	Index Fund	Morningstar Category
Strive 1000 Growth ETF	STXG	Voters	11/9/2022	Silver	Yes	Large Growth
Strive Small-Cap ETF	STXK	Voters	11/9/2022	Silver	Yes	Small Blend
Constrained Capital ESG Orphans ETF	ORFN	Anti-ESG	5/17/2022	Bronze	Yes	Large Blend
Inspire 100 ETF	BIBL	Renouncers	10/30/2017	Bronze	Yes	Large Blend
Inspire Global Hope ETF	BLES	Renouncers	2/27/2017	Bronze	Yes	Global Large-Stock Blend
Inspire Small/Mid Cap ETF	ISMD	Renouncers	2/27/2017	Bronze	Yes	Small Blend
Point Bridge America First ETF	MAGA	Political	9/6/2017	Bronze	Yes	Large Value
Strive 1000 Dividend Growth ETF	STXD	Voters	11/9/2022	Bronze	Yes	Large Blend
Strive 1000 Value ETF	STXV	Voters	11/9/2022	Bronze	Yes	Large Value
Strive 500 ETF	STRV	Voters	9/14/2022	Bronze	Yes	Large Blend
Strive U.S. Energy ETF	DRLL	Voters	8/8/2022	Bronze	Yes	Equity Energy
Strive U.S. Semiconductor ETF	SHOC	Voters	10/5/2022	Bronze	Yes	Technology

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023.

Each of the 12 anti-ESG funds that earns a Morningstar Medal is an index-tracking strategy, and the process for assigning Morningstar Medals to passive strategies is slightly different from that for active funds. A higher-rated passive strategy is one that Morningstar believes should be able to outperform the majority of its Morningstar Category peers on a risk-adjusted basis over time; in the case of active funds, the relevant bogy is the Morningstar Category index (for example, Russell 1000 for U.S. large-cap blend equity strategies).²⁷

The two Silver-rated strategies in our sample—Strive 1000 Growth ETF and Strive Small-Cap ETF—deliver benchmark replication at relatively low fees, driving Above Average Process Pillar ratings and the highest rating for price. Expenses are one of the greatest indicators of a strategy's likelihood of outperformance, so these funds' cheapest-quintile fees give them a leg up over peers.

Exhibit 28 Neutral and Negative Anti-ESG Funds

Name	Ticker	Anti-ESG Category	Inception Date	Morningstar Medalist Rating	Index Fund	Morningstar Category
2ndVote Life Neutral Plus ETF	LYFE	Political	11/17/2020	Neutral	No	Large Blend
2ndVote Society Defended ETF	EGIS	Political	11/17/2020	Neutral	No	Large Blend
God Bless America ETF	YALL	Political	10/10/2022	Neutral	No	Large Blend
Inspire Fidelis Multi Factor ETF	FDLS	Renouncers	8/23/2022	Neutral	Yes	Large Blend
Inspire International ETF	WWJD	Renouncers	9/30/2019	Neutral	Yes	Foreign Large Blend
Strive Emerging Markets Ex-China ETF	STXE	Voters	1/30/2023	Neutral	Yes	Diversified Emerging Markets
VanEck Gaming ETF	BJK	Vice	1/22/2008	Neutral	Yes	Consumer Cyclical
American Conservative Values ETF	ACVF	Political	10/28/2020	Negative	No	Large Blend
Inspire Corporate Bond ETF	IBD	Renouncers	7/10/2017	Negative	Yes	Corporate Bond
Inspire Faithward Mid Cap Mmntm ETF	GLRY	Renouncers	12/7/2020	Negative	No	Small Growth
Inspire Tactical Balanced ETF	RISN	Renouncers	7/15/2020	Negative	No	Moderately Aggressive Allocation
Unusual Whales Subversive Rep Trd ETF	KRUZ	Political	2/7/2023	Negative	No	Large Blend
USA Mutuals Vice Investor	VICEX	Vice	8/30/2002	Negative	No	Global Large-Stock Blend

Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit has been revised to include STXE, originally omitted from our sample.

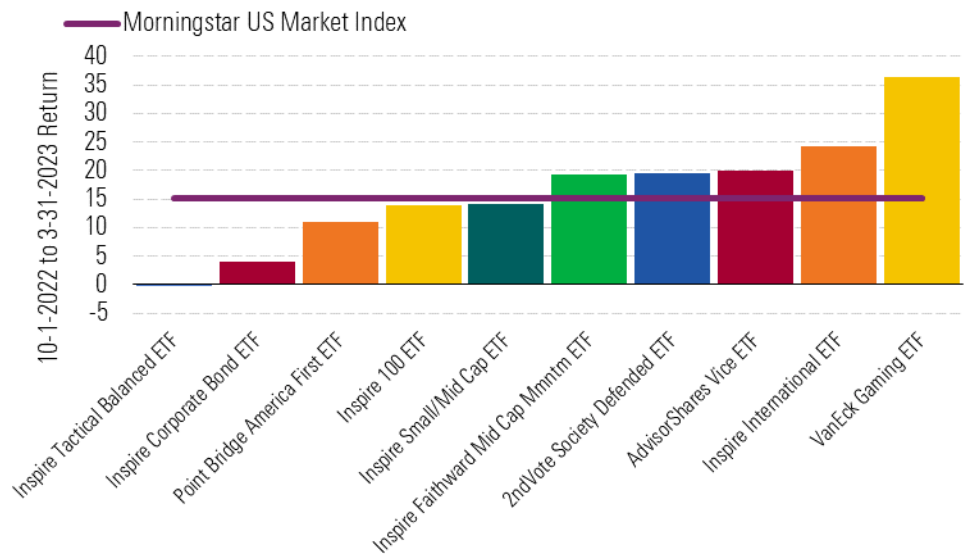
²⁷ Morningstar Medalist Rating for Funds Methodology, Morningstar Research, May 2, 2023.
https://s21.q4cdn.com/198919461/files/doc_downloads/othe_disclosure_materials/2023/1134512.pdf

On the other hand, six anti-ESG funds earn Negative Morningstar Medalist Ratings, indicating an expectation of risk-adjusted underperformance over a market cycle. Half of these come from Inspire, where relatively low fees don't outweigh middling management teams. The oldest anti-ESG fund—USA Mutuals Vice—also earns a Negative Morningstar Medalist Rating, dragged down by costly expenses, new management, and a tendency toward low-quality, high-volatility stocks. These traits give the portfolio less ballast than peers during economic downturns, increasing the pressure on management during economic booms.

Anti-ESG Funds Outperformed Recently

Most funds (19, to be exact) in our anti-ESG sample have two quarters of performance to evaluate. From Oct. 1, 2022, through March 31, 2023, the median anti-ESG fund gained 17%, besting the Morningstar US Market Index by nearly 2 percentage points.

Exhibit 29 Anti-ESG Funds: Top and Bottom Performers



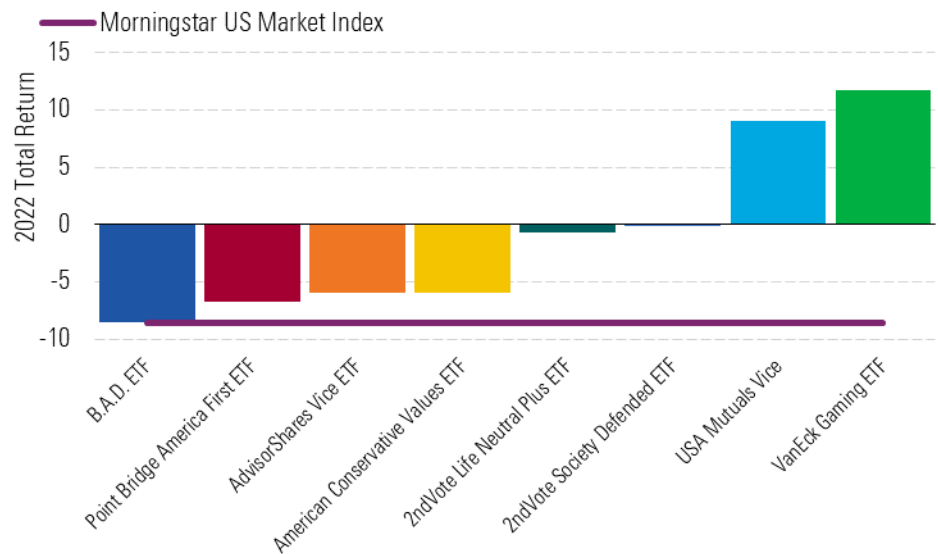
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

Returns ranged from VanEck Gaming ETF's 36% gain to Inspire Tactical Balanced ETF's slight 0.2% loss. One dozen of these funds also beat most of their peers to land in the top half of their respective Morningstar Categories.

Relative to the Morningstar US Market Index, some anti-ESG funds took on disproportionate levels of risk to achieve their total returns during the trailing two quarters (ended March 2023). As the only fund in our sample that explicitly invests in companies rated poorly by ESG data providers, it is notable that Constrained Capital ESG Orphans ETF beat the Morningstar US Market Index by 45 basis points over the trailing two quarters but lagged the benchmark on a risk-adjusted basis.

Each of the eight anti-ESG funds with a track record greater than one year beat the Morningstar US Market Index in 2022, even though just one of those—USA Mutuals Vice—posted positive returns for the year.

Exhibit 30 Anti-ESG Funds: 2022 Return

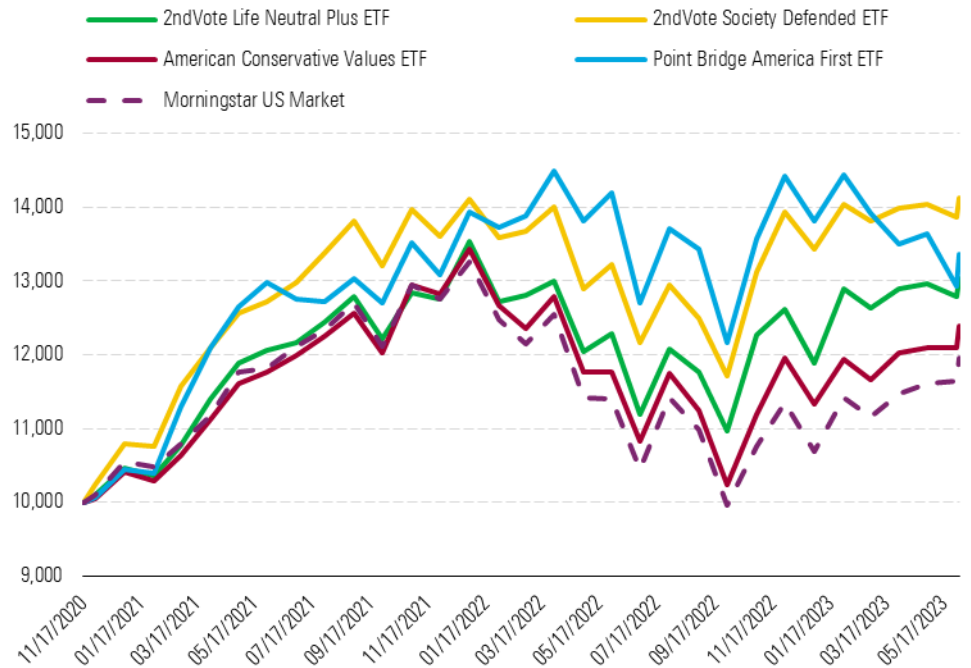


Source: Manager Research, Morningstar Direct. Data as of March 31, 2023. This exhibit excludes STXE, as it was omitted from the original sample.

The index lost 19.4 percentage points during the year, and the median anti-ESG fund gave up 12.4%. Each of these funds also outperformed more than half their respective Morningstar Category peers, hinting that strong returns may have been driven by more than stylistic tilts.

Of the five anti-ESG categories, Political funds and Vice funds are the only groups with longer eligible track records for study.²⁸ The exhibit below reflects the growth of a hypothetical investor's USD 10,000 contribution to Political anti-ESG funds in November 2020 through March 2023.

Exhibit 31 Growth of Political Anti-ESG Funds



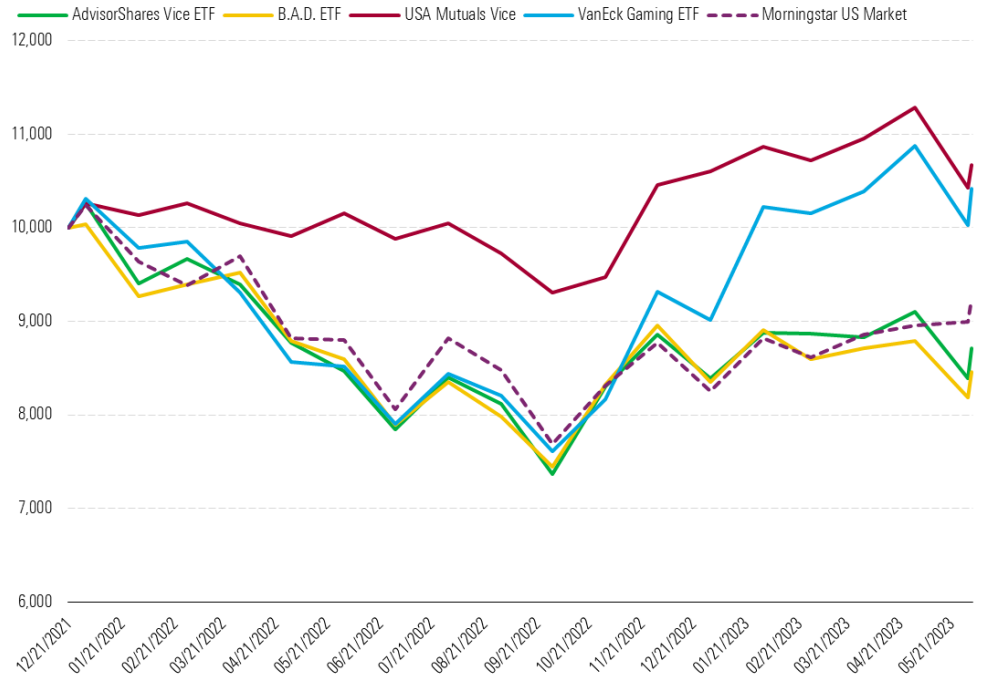
Source: Manager Research, Morningstar Direct. Data as of March 31, 2023.

2ndVote Society Defended ETF has stayed close to the top of this group since day one, and the hypothetical investor would have gained roughly 40% in cumulative returns over the period. However, Point Bridge America First ETF *MAGA* put up quite the fight, and the hypothetical investor in that fund would have netted a 35% cumulative gain. Notably, all four of these funds beat the Morningstar US Market Index over the period.

²⁸ Constrained Capital ESG Orphans ETF stands on its own in the Anti-ESG category but only launched in May 2022. Strive's first fund launched in August 2022, and Inspire's funds renounced their ESG mandates in the same month.

Results were more mixed among the four Vice funds in our sample. The exhibit below shows the growth of a hypothetical investor's USD 10,000 contribution to Vice anti-ESG funds in December 2021 through March 2023.

Exhibit 32 Growth of Vice Anti-ESG Funds



Source: Manager Research, Morningstar Direct. Data as of March 31, 2023.

While an investor in VanEck Gaming ETF or USA Mutuals Vice may have felt like they shot the moon by beating the Morningstar US Market Index, investors in B.A.D. ETF or AdvisorShares VICE ETF would have lost money over the period. In this case, it was a 50/50 call whether the house won.

Proxy Voting

Voter Funds Vote Down Environmental and Social Shareholder Proposals

Strive's ETF lineup comprises the Voters category of anti-ESG funds. These funds track traditional broad market indexes and promise to generally oppose environmentally or socially motivated shareholder proposals.²⁹ The annual proxy season concludes at the end of June, and Strive's funds only launched in August 2022, so we don't yet have comprehensive voting records to evaluate. However, early indicators show that Strive's policy is playing out as promised.³⁰

So far, Strive voted against all 11 of the key ESG shareholder resolutions that we have identified at S&P 100 companies so far in 2023.³¹ These resolutions related to issues such as working conditions, pay equity, lobbying activities, and the freedom to unionize. Of these 11, one of the resolutions that garnered significant support was a proposal requesting an assessment of Starbucks SBUX employees' freedom to join unions following backlash in 2022.³²

Exhibit 33 Strive's Voting Decisions on 11 Key ESG Shareholder Resolutions

Company	Ticker	Meeting Date	Item No.	Category	Proposal	Strive
Amazon	AMZN	5/24/2023	7	Social	Report on Customer Due Diligence on Human Rights	Against
Amazon	AMZN	5/24/2023	16	Social	Third Party Report on Company's Commitment to Freedom of Association and Collective Bargaining	Against
Amazon	AMZN	5/24/2023	21	Social	Third Party Report on Warehouse Working Conditions	Against
Amazon	AMZN	5/24/2023	23	Social	Report on Customer use of Facial Recognition and Associated Risks	Against
Charter Communications	CHTR	4/25/2023	5	Governance	Report on Lobbying Activities	Against
International Business Machines Corp	IBM	4/25/2023	6	Governance	Transparency in Lobbying	Against
Meta Platforms, Inc.	META	5/31/2023	5	Social	Report on Human Rights Impact Assessment of Targeted Advertising	Against
Meta Platforms, Inc.	META	5/31/2023	6	Governance	Report on Lobbying Payments and Policy	Against
Meta Platforms, Inc.	META	5/31/2023	11	Social	Report on Child Safety and Harm Reduction	Against
Starbucks	SBUX	3/23/2023	8	Social	Assessment of Worker Rights Commitments	Against
The Boeing Company	BA	4/18/2023	9	Social	Pay Equity Disclosure	Against

Source: Morningstar Direct. Data as of June 4, 2023.

29 Strive Asset Management Proxy Voting Guide, October 2022. <https://strive.com/wp-content/uploads/2023/05/Proxy-Voting-Guide-5.8.23-1.pdf>

30 Strive Asset Management Proxy Voting Dashboard. <https://central-webd.proxydisclosure.com/WebDisclosure/wdFundSelection?token=984212e74d844c3ca263efd02061d746>

31 Morningstar defines key resolutions as those that address environmental or social themes that were supported by 40% or more of a company's independent shareholders—that is, excluding company insiders such as directors, founders, and strategic investors.

32 Stewart, L. 2023. "Starbucks Shareholder Meeting: Investors Aren't Unified on Unionization." April 6, 2023. Morningstar.com. <https://www.morningstar.com/sustainable-investing/starbucks-shareholder-meeting-investors-arent-unified-unionization>

How meaningful are these resolutions to company management? Very meaningful, it turns out. While resolutions are advisory and management is under no obligation to adopt the proposed measures, analysis by BlackRock found that, over a three-year period ended 2020, ESG-related proposals were fully implemented in 94% of cases where they achieved majority support. In three fourths of cases where support was at least 30%, management acted on the proposal.³³ The landscape of shareholder proposals has evolved since BlackRock's analysis concluded, and there are more resolutions coming to a vote these days than there were in past years. Still, proxy voting is a key tool to make investors' voices heard.

Intentionally or not, Strive's approach seems an anti-ESG foil to that of Engine No. 1, which attracted significant attention when it successfully campaigned to replace three members of Exxon's board with directors more focused on climate change in 2021. Both firms aim to vote for resolutions that help managers more effectively run their companies, but they take different stances on how helpful environmental and social measures are to this effort.^{34,35}

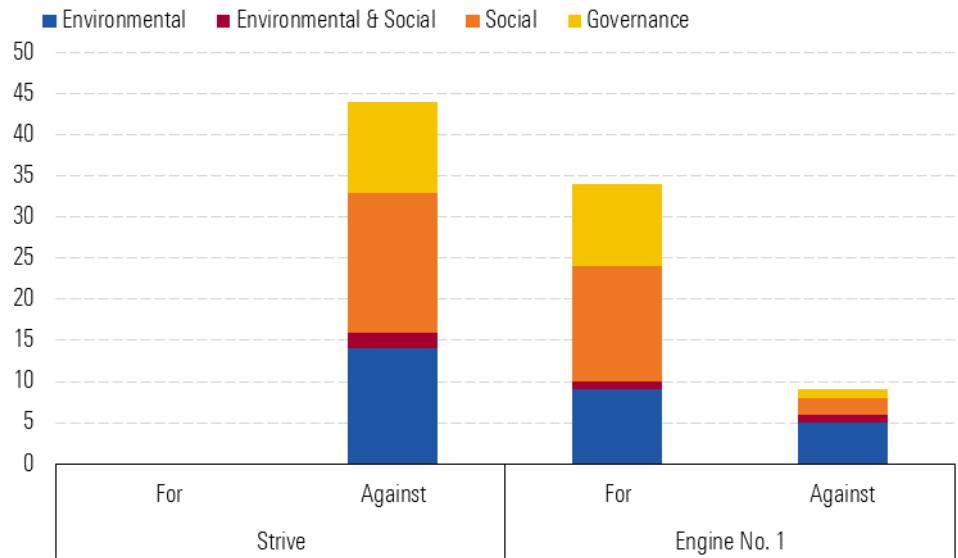
³³ Our 2021 Stewardship Expectations, BlackRock, 2020. <https://www.blackrock.com/corporate/literature/publication/our-2021-stewardship-expectations.pdf>

³⁴ Strive Asset Management Proxy Voting Guide, October 2022. <https://strive.com/wp-content/uploads/2023/05/Proxy-Voting-Guide-5.8.23-1.pdf>

³⁵ Engine No. 1 Proxy Voting Guidelines, April 2022. https://vds.issgovernance.com/repo/12498/policies/Engine%20No.%201_Proxy%20Voting%20Guidelines%202022%20UPDATED%205.18.22.pdf

So far in 2023, Strive and Engine No. 1 voted differently on nearly every ESG shareholder resolution. We evaluated a list of 44 ESG-related resolutions put forward at large U.S. companies, and Strive and Engine No. 1 opposed one another in 80% of cases.³⁶ Engine No. 1 voted in support of all 11 key ESG resolutions mentioned above.³⁷ The firm also voted for resolutions that received lower levels of overall support, such as one that requested additional reporting on gender/racial pay gaps at Amazon.

Exhibit 34 Comparison of 44 ESG Proxy-Voting Decisions



Source: Manager Research analysis of public filings and website disclosures. Data as of June 4, 2023.

Strive and Engine No. 1 made the same decision on nine of the 44 resolutions. These resolutions were put forward at Chevron, Exxon Mobil, and Meta Platforms, and topics ranged from setting scope 3 greenhouse gas emissions reductions targets to reporting on community impact from plant closures or energy transitions. In each of these cases, the company board recommended a vote against the proposal, and Strive and Engine No. 1 agreed. For example, shareholder advocacy group Follow This submitted a proposal at Chevron to set scope 3 emissions reductions targets, and the board responded that such targets “would require shrinking Chevron’s business.”³⁸

³⁶ The list of 44 resolutions includes environmental and social proposals that received support from 30% or more of a company’s independent shareholders plus environmental or social proposals put forward at Chevron and ExxonMobil. Because of the recency of these votes, the level of support could not be calculated before publication.

³⁷ Engine No. 1 Proxy Voting Dashboard. <https://vds.issgovernance.com/vds/#/MTI00Tg=>

³⁸ United States Securities and Exchange Commission. 2023. *2023 notice of the Chevron Corporation annual meeting of stockholders*. May 31, 2023. https://www.sec.gov/Archives/edgar/data/93410/000119312523099292/d433226ddef14a.htm#toc433226_66

Exhibit 35 Chevron Corporation 2023 Proxy Statement

stockholder proposal to set a medium-term scope 3 GHG emissions reduction target

board of directors' response

Your Board understands the interest of Chevron's investors and stakeholders in addressing climate change and the role of greenhouse gas ("GHG") emissions as a contributor to climate change. According to the International Energy Agencies' *World Energy Outlook 2022*, energy demand is projected to grow by 50% in the decades ahead. The journey to a lower carbon future will still require oil and gas as part of the energy mix in nearly all scenarios, particularly in sectors with no effective substitutes, such as air travel, heavy duty transportation, and industrial activities, all of which are contributors to Scope 3 emissions. Chevron believes the world's continued demand for oil and gas should be supplied by the most responsible producers.

a responsible approach to a lower carbon future

Chevron believes the future of energy is lower carbon and intends to be a leader today and in that future by providing lower carbon energy to help meet growing demand. Chevron is holding itself accountable for reducing its carbon intensity by using the Portfolio Carbon Intensity ("PCI") metric. The PCI metric covers the full value chain emissions of Chevron's products, from production to use by customers. Your Board is holding Chevron accountable by endorsing PCI reduction targets. Chevron intends to reach these goals through innovation and top-tier performance.

The majority of Chevron's Scope 3 emissions result from the use of products by customers, not activities controlled by Chevron. These emissions are driven by demand for Chevron's products, which in turn is driven by the interplay of economics, technology, policy, and consumer behaviors. Chevron's PCI approach allows for flexibility and growth, incentivizes greater carbon efficiency for operations within Chevron's control, incentivizes production of lower carbon intensity fuels for customers, and is aligned with the interests of stockholders in higher returns and lower carbon. In addition, our PCI metrics allow for transparent, comparable, and performance-based measures of emissions.

The proposal would have Chevron adopt absolute Scope 3 GHG emissions reduction targets, which would require shrinking Chevron's business. Your Board does not believe that committing to reduce Chevron's absolute Scope 3 GHG emissions is in stockholders' interests, nor should it be Chevron's responsibility. Your Board believes that the Company's approach to focus on PCI effectively positions Chevron as a leader today and in the future in helping meet the world's growing demand for lower carbon energy.

Therefore, your board recommends that you vote AGAINST this proposal.

Chevron Corporation 2023 Proxy Statement
111

Source: Chevron Schedule 14A Filing (https://www.sec.gov/Archives/edgar/data/93410/000119312523099292/d433226ddef14a.htm#toc433226_66). Image captured on June 4, 2023.

We can't say for certain why Strive and Engine No. 1 both agreed to vote against this proposal. It may be that the resolution itself was too prescriptive to receive significant shareholder support; those statistics are not yet available.

Strive typically voted in line with management's recommendation, but there have been exceptions. For instance, Strive supported two nearly identical proposals submitted by the Bahnsen Family Trust at ExxonMobil and Chevron. In these resolutions, the Bahnsen Family calls climate science into question, stating:

Claims about the need for decarbonization at all, but especially by some activist-generated date certain, are based on a long series of assumptions that are either counterfactual or insufficiently examined. For decades, for instance, claims have been made that action must be taken before some date, or it will be too late. If those claims were right, it's too late for decarbonization to

*matter now, so we should be building up economic resources to deal with climate change. If they are wrong, then the odds are high that current claims are also wrong.*³⁹

The Bahnsen Family requests creation of new board committees to dig deeper into these concerns in light of the companies' net-zero goals. The resolutions are not-so-subtle attempts to undermine the companies' decarbonization strategies. Similar types of resolutions appeared in 2022 but gathered little support.⁴⁰ It is an area we will continue to monitor as the season progresses. ■■

³⁹ Exxon Mobil Notice of 2023 Annual Meeting and Proxy Statement, United States Securities and Exchange Commission, April 13, 2023. https://www.sec.gov/Archives/edgar/data/34088/000119312523100079/d429320ddef14a.htm#toc429320_18

⁴⁰ Anti-ESG Sentiment Gains Spotlight but Not Support, Ruth Saldanha, Aug. 15, 2022. <https://www.morningstar.com/sustainable-investing/anti-esg-sentiment-gains-spotlight-not-support-2>

Appendix

Exhibit A: Source Material for Categorization of Anti-ESG Funds

Exhibit A Source Material for Categorization of Anti-ESG Funds

Name	Ticker	Category	Source	Excerpt	Effective Date/Date of Capture
Constrained Capital ESG Orphans ETF	ORFN	Anti-ESG	Prospectus	The Index includes... companies whose primary business is in a sector or sub-sector (each, an "Orphaned Sector") that is commonly "orphaned", discarded, or excluded by Environmental, Social, and Governance ("ESG")-centric mutual funds and exchange-traded funds ("ETFs")... The Index methodology currently considers the following as Orphaned Sectors: fossil fuel energy, nuclear power, tobacco, weapons/firearms, alcohol and gambling.	16-May-22
2ndVote Life Neutral Plus ETF	LYFE	Political	Website	2ndVote Analytics... dives deep to weed out companies that advocate for progressive agendas. The rating system evaluates information, for a number of issues, about companies'... lobbying spent for or against various issues on federal and state levels, and any other activities that demonstrate advocacy/activism by or on behalf of the company. For example, companies that are evaluated as having progressive agendas on the issues relevant to each ETF (e.g., that oppose 2nd Amendment rights, border security, civil society or support for law enforcement; or support abortion), are excluded from the investment universe for our EGIS and LYFE ETFs respectively. https://www.2ndvoteinvestments.com/investment-process/	19-May-23
2ndVote Society Defended ETF	EGIS	Political	Prospectus	While all companies begin with a base "3.0" or Neutral score, Analytics gathers Activities and Policies Data, converts this data into a point system that is then added or deducted from the base score. With respect to the 2nd Amendment Score, the base score will increase for monetary donations that support the right to bear arms or decrease for monetary donations that support gun control laws based on the dollar amount. The degree to which companies provide direct or indirect support to organizations which support gun free zones, support of gun control legislation, oppose stand-your-ground-laws, oppose concealed carry, support banning of firearms or refusal to do business with the firearms industry, and related advocacy groups or legislation will lower their 2nd Amendment Score... The degree to which companies have an over-reliance on, or have outsourced their supply chain to countries (e.g., China) having interests adverse to the United States or which provide direct or indirect support to organizations that back open borders, promote or support sanctuary cities, that encourage the DREAM Act or are anti-Immigration and Customs Enforcement will lower their Border Security Score... Companies with a 2nd Amendment Score or a Border Security Score of less than "3.0" on the scoring system are not included in the Fund's portfolio.	01-Nov-22

Exhibit A Source Material for Categorization of Anti-ESG Funds

Name	Ticker	Category	Source	Excerpt	Effective Date/ Date of Capture
American Conservative Values ETF	ACVF	Political	Prospectus	<p>The Fund's strategy reflects the Adviser's conviction that politically active companies negatively impact their shareholders' value by misallocating the company's resources, as well as supporting issues and causes, which are opposed to conservative political beliefs and values. Representative examples of which are: belief in "American Exceptionalism," individual liberty, and free enterprise... The Fund is actively managed and seeks to avoid ownership of companies which the Adviser determines with the use of negative screening are perceived as hostile to conservative values resulting from having a negative reputation among politically conservative investors, business activities which alienate politically conservative customers and employees, and disproportionate support of liberal causes. Such support could be financial, as part of corporate governance, marketing, business strategy or public activism, campaign contributions and advocacy by the company and or its senior management. Representative examples of a liberal causes include advocacy groups and campaigns that support Planned Parenthood, the Center for American Progress and the Courage to Change PAC.</p> <p>Given the qualitative and quantitative analysis required to determine a company's alignment with conservative values, the Adviser has considerable discretion regarding the selection of securities which will achieve the Fund's investment objective.</p> <p>Companies are continually evaluated by the Adviser for portfolio exclusion or inclusion based on financial reporting and data sources, such as, but not limited to: press releases, social media, advertising, lobbying efforts, data from Federal and State Election Commissions, market research, surveys, polling, as well as Fund Investor sourced research and opinion. Fund Investor sourced research and opinion is captured through a proprietary web-based advocacy platform that allows the Fund's investors to nominate companies for portfolio exclusion or inclusion.</p>	30-Nov-22
God Bless America ETF	YALL	Political	Website	<p>In recent years we have seen the world's largest publicly-traded companies and best known brands chime in on issues related to: Children being taught lessons on sexual orientation and gender identity, Taking the life of a preborn child, Funding radical social movements, Assembling a workforce based on skin color & sexual orientation rather than merit. We believe investors today are being forced to give their hard-earned money to companies that trounce on their values. After going through our initial list and seeing which companies were left, we were pleasantly surprised by the number of wonderful businesses that refused to bow to the liberal mob.</p> <p>https://www.godblessamericaetf.com/</p>	19-May-23
Point Bridge America First ETF	MAGA	Political	Website	<p>Politically Responsible Investing®</p> <p>The innovative strategy behind the MAGA ETF that allows you to invest in companies that align with your Republican political beliefs. The MAGA Index is made up of 150 companies from the S&P 500 Index whose employees and political action committees (PACs) are highly supportive of Republican candidates.</p> <p>https://www.investpolitically.com/why-maga-etf/</p>	19-May-23
Unusual Whales Subversive Republican Trading ETF	KRUZ	Political	Prospectus	<p>The Fund will focus on the equity securities purchased or sold by members of Congress who are registered members of the Republican Party and their families. The Fund will not consider investments by any U.S. Congressperson who is not registered as a member of the Republican Party (e.g., a U.S. Congressperson who is registered as an Independent but who may caucus as member of the Republican Party).</p>	01-Feb-23
Inspire 100 ETF	BIBL	Renouncers	Website	<p>Inspire initially adopted the term "faith-based ESG" back in 2019 to describe their biblically responsible approach to investing and how it applies a biblical worldview to ESG criterion. More recently, due to pervasive liberal activism under the guise of "ESG", the term has received backlash from conservatives and has become broadly perceived as the antithesis of biblical values. To reflect this development of public perception, Inspire publicly renounced the ESG label, explaining their decision in an article published by Inspire CEO, Robert Netzly.</p> <p>https://www.inspireetf.com/news/inspire-investing-removes-esg-from-all-fund-names</p>	19-May-23
Inspire Corporate Bond ETF	IBD				
Inspire Faithward Mid Cap Momentum ETF	GLRY				
Inspire Fidelis Multi Factor ETF	FDLS				
Inspire Global Hope ETF	BLES				
Inspire International ETF	WWJD				
Inspire Small/Mid Cap ETF	ISMD				
Inspire Tactical Balanced ETF	RISN				

Exhibit A Source Material for Categorization of Anti-ESG Funds

Name	Ticker	Category	Source	Excerpt	Effective Date/ Date of Capture
AdvisorShares Vice ETF	VICE	Vice	Prospectus	The Fund... [invests in] (i) companies that derive at least 50% of their net revenue from tobacco and alcoholic beverages, (ii) companies that derive at least 50% of their net revenue from the food and beverage industry, and (iii) companies that derive at least 50% of their net revenue from gaming activities... In addition to its investment in securities of companies that derive a significant portion of their assets or revenue from tobacco and alcoholic beverages, the food and beverage industry, and gaming activities, the Fund also will seek to invest in equity securities of companies that, in the opinion of the Advisor, engage in other vice-related business activities.	01-Nov-22
B.A.D. ETF	BAD	Vice	Prospectus	The Index... [includes] i. Companies that derive a majority of their operating revenue from casinos, gaming and online gaming operations and have a market capitalization of at least \$1 billion; ii. Companies that derive a majority of their operating revenue from the manufacturing and distribution of alcohol and/or cannabis cultivation and have a market capitalization of at least \$1 billion; iii. Companies that derive a majority of their operating revenue from pharmaceutical drug and biotechnology product development and manufacturing and have a market capitalization of at least \$10 billion.	31-Mar-23
USA Mutuals Vice Fund	VICEX	Vice	Website	The Vice Fund invests in domestic and foreign companies engaged in the aerospace and defense industries, owners and operators of casinos and gaming facilities, manufacturers of cigarettes and other tobacco products, and brewers, distillers, vintners and producers of other alcoholic beverages. These sectors have exhibited resilient demand through economic cycles and have fundamental strengths that help explain why they've endured for centuries. https://usamutuals.com/vice-fund/	19-May-23
VanEck Gaming ETF	BJK	Vice	Prospectus	To be initially eligible for the Gaming Index, companies must generate at least 50% of their revenues from gaming. Gaming includes casinos and casino hotels, sports betting (including internet gambling and racetracks) and lottery services as well as gaming services, gaming technology and gaming equipment.	01-Feb-23

Source: Morningstar Direct. Data as of May 19, 2023.

Exhibit A Source Material for Categorization of Anti-ESG Funds

Name	Ticker	Category	Source	Excerpt	Effective Date/Date of Capture
Strive 1000 Dividend Growth ETF	STXD	Voters	Proxy Voting Guidelines	Board Members: To evaluate director nominations, Strive intends to research each board nominee to determine whether, based on publicly available information, the nominee has any red flags warranting further investigation. Such red flags may include (1) taking public stances favoring ESG or stakeholder capitalism, (2) signing, pledging or joining any organizations devoted to ESG goals, or (3) any evidence that the nominee has steered the company, or any other company, towards ESG or away from Excellence Capitalism.	19-May-23
Strive 1000 Growth ETF	STXG			-	
Strive 1000 Value ETF	STXV			Emissions Caps and Fossil Fuel Boycotts And ESG proponents made similar requests of insurance companies—including Chubb, Hartford and Travelers—asking them to stop underwriting new fossil fuel business. ¹¹ On its face, it is hard to imagine how turning down new business for environmental reasons helps the long-term profitability of these banks or insurance companies. Further, refusing to finance or underwrite new fossil fuel projects risks political backlash, as states like Texas have passed anti-boycott laws, which would further jeopardize shareholder value. Strive will therefore generally oppose such resolutions, which prevent management from making decisions that it believes are in the best long-term financial value of shareholders.	
Strive 500 ETF	STRV			-	
Strive Emerging Markets Ex-China ETF	STXE			Affirmative Action and Racial Equity Audits In recent years, many ESG proponents have sought to dictate corporate hiring and promotion activities based on gender, race, and sexual orientation preferences. These initiatives are often backed by large asset managers. ¹⁵ Some proponents have also pushed for affirmative action type systems for corporate boards and often receive support from large U.S. asset managers.	
Strive Small-Cap ETF	STXK			Strive generally opposes any proposal that asks a company to make hiring and promotion decisions based on anything other than merit. - Abortion Proposals	
Strive U.S. Energy ETF	DRLL			In recent years, there has been an uptick in shareholder proposals related to abortion and life issues, which is likely to increase following the Supreme Court's Dobbs decision. ²² Companies such as Walmart, TJX, Krogers, and Lowes faced shareholder votes on proposals that were designed to craft corporate policies regarding abortion. ²³ To date, these resolutions are primarily designed to pressure businesses to relocate from states with pro-life laws and make political donations to pro-life causes and candidates.	
Strive U.S. Semiconductor ETF	SHOC			https://strive.com/wp-content/uploads/2023/05/Proxy-Voting-Guide-5.8.23-1.pdf	

Source: Morningstar Direct. Data as of May 19, 2023.

Exhibit B: Portfolio Exposures to Product Involvement Metrics

Exhibit B Portfolio Exposures to Product Involvement Metrics

Name	Ticker	Anti-ESG Category	Abortive/ Contraceptives/		Controversial Weapons	Fossil		Thermal Coal
			Stem Cell	Alcohol		Fuels	Gambling	
Constrained Capital ESG Orphans ETF	ORFN	Anti-ESG	0.00	11.28	24.34	44.48	3.07	11.18
2ndVote Life Neutral Plus ETF	LYFE	Political	5.07	0.00	8.23	7.31	0.00	0.00
2ndVote Society Defended ETF	EGIS	Political	12.79	0.00	5.85	10.64	0.00	0.00
American Conservative Values ETF	ACVF	Political	8.96	0.28	2.38	7.05	0.28	0.78
God Bless America ETF	YALL	Political	12.27	0.00	5.05	7.27	0.00	1.64
Point Bridge America First ETF	MAGA	Political	4.23	0.65	4.65	25.75	0.00	6.97
Unusual Whales Subversive Republican Trading ETF	KRUZ	Political	4.84	0.06	2.41	16.12	1.08	0.46
Inspire 100 ETF	BIBL	Renouncers	1.84	0.00	0.00	7.65	0.00	1.06
Inspire Corporate Bond ETF	IBD	Renouncers	2.96	0.00	0.62	15.99	0.00	3.42
Inspire Faithward Mid Cap Momentum ETF	GLRY	Renouncers	0.00	0.00	0.00	11.78	0.00	2.61
Inspire Fidelis Multi Factor ETF	FDLS	Renouncers	1.05	0.00	0.00	12.55	0.00	2.08
Inspire Global Hope ETF	BLES	Renouncers	3.45	0.23	1.05	14.62	0.00	2.32
Inspire International ETF	WWJD	Renouncers	3.25	0.47	1.62	16.85	0.00	2.80
Inspire Small/Mid Cap ETF	ISMD	Renouncers	1.75	0.00	0.76	3.04	0.00	1.15
Inspire Tactical Balanced ETF	RISN	Renouncers	0.77	0.00	0.00	7.86	0.00	0.44
AdvisorShares Vice ETF	VICE	Vice	0.00	47.67	0.00	0.00	27.89	0.00
B.A.D. ETF	BAD	Vice	26.92	28.16	0.00	0.00	32.81	0.00
USA Mutuals Vice Fund	VICEX	Vice	0.00	29.36	23.91	0.00	29.82	0.00
VanEck Gaming ETF	BJK	Vice	0.00	0.00	0.00	0.00	100.00	0.00
Strive 1000 Dividend Growth ETF	STXD	Voters	18.20	0.39	3.07	2.29	0.06	0.92
Strive 1000 Growth ETF	STXG	Voters	10.43	0.20	1.20	1.85	0.12	0.24
Strive 1000 Value ETF	STXV	Voters	8.29	0.16	3.58	18.88	0.82	3.49
Strive 500 ETF	STRV	Voters	10.23	0.17	1.99	7.48	0.18	1.25
Strive Small-Cap ETF	STXK	Voters	1.70	0.19	1.06	7.99	0.64	2.34
Strive U.S. Energy ETF	DRLL	Voters	0.00	0.00	0.31	97.16	0.00	1.78
Strive U.S. Semiconductor ETF	SHOC	Voters	0.00	0.00	0.00	0.00	0.00	0.00

Source: Morningstar Direct. Data as of March 31, 2023.

Exhibit C: Portfolio Exposures to Impact Metrics

Exhibit C Portfolio Exposures to Impact Metrics

Name	Ticker	Anti-ESG Category	Impact - % of Covered Portfolio Involved				
			Climate Action	Basic Needs	Healthy Ecosystems	Human Development	Resource Security
Constrained Capital ESG Orphans ETF	ORFN	Anti-ESG	22.7	1.9	0.0	0.0	10.6
2ndVote Life Neutral Plus ETF	LYFE	Political	26.2	15.9	6.2	0.0	17.6
2ndVote Society Defended ETF	EGIS	Political	23.8	16.2	2.0	2.9	19.4
American Conservative Values ETF	ACVF	Political	29.4	11.9	8.3	1.9	20.6
God Bless America ETF	YALL	Political	33.6	13.2	9.3	0.0	35.4
Point Bridge America First ETF	MAGA	Political	22.6	6.2	6.8	1.3	23.1
Unusual Whales Subversive Republican Trading ETF	KRUZ	Political	22.2	8.9	5.5	3.2	16.9
Inspire 100 ETF	BIBL	Renouncers	31.5	16.0	3.7	0.6	29.7
Inspire Corporate Bond ETF	IBD	Renouncers	36.3	13.4	12.2	0.3	45.8
Inspire Faithward Mid Cap Momentum ETF	GLRY	Renouncers	31.8	12.1	3.0	0.0	32.7
Inspire Fidelis Multi Factor ETF	FDLS	Renouncers	29.9	12.6	2.9	1.3	22.7
Inspire Global Hope ETF	BLES	Renouncers	30.2	10.4	5.9	1.9	29.3
Inspire International ETF	WWJD	Renouncers	35.0	8.7	6.3	2.8	32.7
Inspire Small/Mid Cap ETF	ISMD	Renouncers	27.0	10.0	5.4	1.0	26.9
Inspire Tactical Balanced ETF	RISN	Renouncers	31.4	15.9	3.7	0.6	29.8
AdvisorShares Vice ETF	VICE	Vice	0.0	6.7	7.8	0.0	7.8
B.A.D. ETF	BAD	Vice	2.3	39.4	0.0	0.0	2.3
USA Mutuals Vice Fund	VICEX	Vice	6.6	0.0	0.0	0.0	6.6
VanEck Gaming ETF	BJK	Vice	14.6	1.3	1.3	0.0	14.6
Strive 1000 Dividend Growth ETF	STXD	Voters	28.9	20.0	10.9	4.9	23.7
Strive 1000 Growth ETF	STXG	Voters	43.3	12.6	10.0	2.4	19.8
Strive 1000 Value ETF	STXV	Voters	20.0	11.7	4.2	5.5	14.7
Strive 500 ETF	STRV	Voters	36.9	12.6	8.4	3.6	17.6
Strive Small-Cap ETF	STXK	Voters	22.2	10.6	5.0	1.6	25.2
Strive U.S. Energy ETF	DRLL	Voters	5.4	7.1	0.0	0.0	7.4
Strive U.S. Semiconductor ETF	SHOC	Voters	83.8	0.0	0.0	0.0	7.2

Source: Morningstar Direct. Data as of March 31, 2023.

Exhibit D: List of 44 ESG Shareholder Resolutions & Voting Decisions by Strive and Engine No. 1**Exhibit D** Comparison of Voting Decisions by Strive and Engine No. 1 on 44 ESG Shareholder Resolutions

Company	Ticker	Meeting Date	Item No.	Category	Proposal	Strive	Engine No. 1
Amazon	AMZN	5/24/2023	7	Social	Report on Customer Due Diligence on Human Rights	Against	For
Amazon	AMZN	5/24/2023	10	Environmental & Social	Report on Climate-Related Stakeholder Impacts including "Just Transition"	Against	For
Amazon	AMZN	5/24/2023	13	Social	Additional Reporting on Median Gender/Racial Pay Gaps	Against	For
Amazon	AMZN	5/24/2023	16	Social	Third Party Report on Company's Commitment to Freedom of Association and Collective Bargaining	Against	For
Amazon	AMZN	5/24/2023	21	Social	Third Party Report on Warehouse Working Conditions	Against	For
Amazon	AMZN	5/24/2023	22	Environmental	Report on Efforts to Reduce Use of Plastic Packaging	Against	For
Amazon	AMZN	5/24/2023	23	Social	Report on Customer use of Facial Recognition and Associated Risks	Against	For
Apple Inc	AAPL	3/10/2023	8	Social	Racial and Gender Pay Gaps	Against	For
Charter Communications	CHTR	4/25/2023	5	Governance	Report on Lobbying Activities	Against	For
Chevron	CVX	5/31/2023	6	Environmental	Set a Medium-Term Scope 3 GHG Emissions Reduction Target	Against	Against
Chevron	CVX	5/31/2023	7	Environmental	Recalculate Emissions Baseline to Exclude Emissions from Material Divestitures	Against	For
Chevron	CVX	5/31/2023	9	Social	Report on Worker and Community Impact from Facility Closures and Energy Transitions	Against	Against
Chevron	CVX	5/31/2023	10	Social	Report on Racial Equity Audit	Against	Against
Chevron	CVX	5/31/2023	11	Governance	Report on Tax Practices	Against	For
Chevron	CVX	5/31/2023	12	Governance	Independent Chair	Against	For
Citigroup Inc	C	4/25/2023	8	Social	Report on the Effectiveness of Policies and Practices in Respecting Indigenous Peoples	Against	For
Dow Inc	DOW	4/13/2023	5	Environmental	Single-Use Plastics Report	Against	For
Eli Lilly and Co	LLY	5/1/2023	7	Governance	Proposal to Publish an Annual Report Disclosing Lobbying Activities	Against	For
Exxon Mobil	XOM	5/31/2023	7	Environmental	Report on Carbon Capture and Storage	Against	Against
Exxon Mobil	XOM	5/31/2023	8	Environmental	Report on Methane Emission Disclosure Reliability	Against	For
Exxon Mobil	XOM	5/31/2023	9	Environmental	Adopt Medium-Term Scope 3 GHG Reduction Target	Against	Against
Exxon Mobil	XOM	5/31/2023	10	Environmental	Issue a Report on Worst-Case Impacts of Oil Spills from Operations Offshore of Guyana	Against	Against
Exxon Mobil	XOM	5/31/2023	11	Environmental	Recalculate GHG Emissions Baseline to Exclude Emissions from Material Divestitures	Against	For
Exxon Mobil	XOM	5/31/2023	12	Environmental	Report on Asset Retirement Obligations Under IEA NZE Scenario	Against	For
Exxon Mobil	XOM	5/31/2023	13	Environmental	Commission Audited Report on Reduced Plastics Demand	Against	For
Exxon Mobil	XOM	5/31/2023	14	Environmental	Report on Potential Costs of Environmental Litigation	Against	Against
Exxon Mobil	XOM	5/31/2023	15	Governance	Publish a Tax Transparency Report	Against	For
Exxon Mobil	XOM	5/31/2023	16	Environmental & Social	Report on Social Impact From Plant Closure or Energy Transition	Against	Against
International Business Machines Corp	IBM	4/25/2023	6	Governance	Transparency in Lobbying	Against	For
International Business Machines Corp	IBM	4/25/2023	8	Social	Independent Review of Anti-Harassment and Discrimination Efforts	Against	For
JPMorgan Chase	JPM	5/16/2023	9	Environmental	Report on Climate Transition Planning	Against	For
JPMorgan Chase	JPM	5/16/2023	11	Governance	Report on Congruence of Political Spending	Against	For
Meta Platforms, Inc.	META	5/31/2023	5	Social	Report on Human Rights Impact Assessment of Targeted Advertising	Against	For
Meta Platforms, Inc.	META	5/31/2023	6	Governance	Report on Lobbying Payments and Policy	Against	For
Meta Platforms, Inc.	META	5/31/2023	7	Governance	Report on Allegations of Political Entanglement and Content Management Biases in India	Against	For
Meta Platforms, Inc.	META	5/31/2023	8	Environmental	Report on Framework to Assess Company Lobbying Alignment with Climate Goals	Against	For
Meta Platforms, Inc.	META	5/31/2023	9	Social	Report on Data Privacy regarding Reproductive Healthcare	Against	Abstain
Meta Platforms, Inc.	META	5/31/2023	10	Social	Report on Enforcement of Community Standards and User Content	Against	For
Meta Platforms, Inc.	META	5/31/2023	11	Social	Report on Child Safety and Harm Reduction	Against	For
Meta Platforms, Inc.	META	5/31/2023	12	Governance	Report on Executive Pay Calibration to Externalized Costs	Against	For
Meta Platforms, Inc.	META	5/31/2023	13	Governance	Commission Independent Review of Audit & Risk Oversight Committee	Against	Against
Starbucks	SBUX	3/23/2023	8	Social	Assessment of Worker Rights Commitments	Against	For
The Boeing Company	BA	4/18/2023	9	Social	Pay Equity Disclosure	Against	For
The Goldman Sachs Group Inc	GS	4/26/2023	12	Social	Reporting on Pay Equity	Against	For

Source: Morningstar Direct. Data as of June 4, 2023.

Corrections and Clarifications

A previous version of this paper excluded Strive Emerging Markets Ex-China ETF STXE. [It has been added.](#) The total fund count, amount of flows, and information in the exhibits has been updated.

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