



Consumers' Research

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The Honorable Jay Inslee
Governor, State of Washington

The Honorable Henry McMaster
Governor, State of South Carolina

The Honorable Ron DeSantis
Governor, State of Florida

The Honorable J. Kevin Stitt
Governor, State of Oklahoma

The Honorable Kathy Hochul
Governor, State of New York

The Honorable Tom Wolf
Governor, State of Pennsylvania

The Honorable Steve Sisolak
Governor, State of Nevada

The Honorable Greg Gianforte
Governor, State of Montana

The Honorable Pete Ricketts
Governor, State of Nebraska

The Honorable Jim Justice
Governor, State of West Virginia

Dear Governor:

Later today, Consumers' Research, the nation's oldest consumer advocacy organization, will issue a *Consumer Warning* focused on the world's largest money management firm, BlackRock. The warning is meant to raise awareness among American consumers that BlackRock is taking their money and betting on China. In so doing they are putting American security at risk, along with billions of dollars from U.S. investors, including many state-run pension plans. I wanted to make sure that you were aware that your state is one of the top ten states whose public pension funds are invested in BlackRock and, therefore, potentially at risk based on the issues we outline in our *Consumer Warning*.

BlackRock's connections to China are outlined in our *Consumer Warning*. These ties date back to the early 2000s and create concerning conflicts that consumers should be aware of. These ties start from the top. BlackRock's CEO, Larry Fink, has become a trusted partner with China's communist leadership. So much so that he has been summoned to consult with them multiple times: during economic downturns and even when China was involved in trade negotiations with the United States, choosing China over America.

BlackRock's unabashed gusto for Chinese markets flies in the face of concerns about China's ascendant standing in the world, its authoritarian model of government, and its ambitions to supplant the U.S. as the pre-eminent world power. Administrations of both parties have come to understand the great risk posed by the CCP and, breaking from prior policy of promoting China's peaceful rise, labeled it a strategic rival against which the U.S. must compete. Earlier this month the U.S.-China Economic and Security Review Commission, a body of security and economic experts convened by Congress, issued a report recommending that the United States take more aggressive steps to curtail, not expand, economic ties with China.

Still, BlackRock has maintained a bullish approach to investing billions in Chinese firms, supporting their economy, and helping fuel the rise of their military, which barely a month ago tested a hypersonic missile. Investment in Chinese companies could also make U.S. investors unwitting accomplices in the expansion of the CCP's surveillance and intelligence gathering apparatus, or worse yet, make them party to human rights abuses like the ongoing genocide against Uyghurs in Xinjiang, China.

BlackRock's funneling of billions in U.S. capital to China carries with it risks not present in other markets, risks that threaten the large wagers the company is putting on steep returns from the Middle Kingdom. As investors in Luckin Coffee learned, Chinese firms are not held to the same transparency standards as their western counterparts, so foreign investors are often hard pressed to appreciate the true risk profile of what they're investing in. Further, according to Chinese law those investments are not in the actual firms themselves but in a mechanism called a Variable Interest Entity (VIE). You could lose your shirt when a Chinese company's performance falls and have no legal recourse. And, perhaps riskiest of all, the central government exercises complete control over even ostensibly private firms, meaning foreign investments can rise and fall at the mercy of the CCP.

For these reasons and more, Consumers' Research wants to ensure you are aware of the risks associated with investing with BlackRock. We urge elected officials to do their due diligence in educating themselves and their staff on the multiple risks posed by BlackRock's extensive investments in Chinese companies, both from an ethical standpoint as well as the fiduciary responsibility owed to U.S. pension holders and retirees. As the leader of a state whose pension funds are among the top ten most extensively invested in BlackRock, we invite you to examine our report and conduct any necessary efforts to learn more about the risks to the assets of your state's public employees.

Sincerely,



William Hild

Executive Director, Consumers' Research

Attachment:

Consumers' Research Consumer Warning on BlackRock