



COWAN CAPITAL
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5 Smart Investment Strategies for 2024



When it comes to investment advice, certain strategies can be considered timeless. Build and maintain a balanced and diverse portfolio. High returns are accompanied by high risks. Cash is king in periods of market stress. There are reasons these and other established axioms still ring true today.

However, with so many variables, ever-changing markets, and the acceleration of technology, it's wise to take more of an annual approach. In 2024, innovation is moving at the speed of sound. While one massive market in the Far East may have plateaued after years of high growth, another may be finally emerging from economic stagnation.

While AI is all the rage right now, AGI should soon emerge as the acronym on every investor's minds. China may be down now but Japan looms as a possible new bull.

To this end, Cowan Capital has settled on five high-level strategies for smart, successful investing in 2024. We're confident these top tips can wisely inform your next move as the year continues to evolve.



Top Tip 1: Invest in AI (and AGI) Advancements



Over the past few years, Artificial Intelligence, or AI, has surged from an intriguing buzzword into a well-travelled avenue for creativity, insight, growth, and acceleration. Amazingly, the earliest example of American AI (then known as Machine Learning) can be found all the way back in 1951, when mathematician and electrical engineer Claude Shannon built a remote-controlled mouse (think of it as the first computer mouse) called [Theseus](#). Not only was Theseus able to successfully escape a labyrinth, but it could remember the correct course.

Many AI evolutions and revolutions have occurred in the 73 years since the first smart mouse, with exceptional advancements being made in the past decade. As recently as 10 years ago, no machine could consistently match human performance in language or image recognition. In 2024, many AI systems are not only matching, but consistently exceeding humans in an array of tests and domains.

Much of the current talk and investment around AI involves what's referred to as "[generative AI](#)"—a type of AI technology that can create content of various types, including text, imagery, audio, and synthetic data. The rapid advances of generative-AI platforms, particularly [ChatGPT](#), have inspired transformative creative growth and infused a new energy and enthusiasm into society (and social media). Apple CEO Tim Cook stated in the opening months of 2024 that his game-changing company is currently "investing significantly" in generative-AI platforms. Not to be outdone, longtime tech rival Microsoft invested \$10 billion in AI research and deployment

company (and ChatGPT creator and owner) [OpenAI](#)—a funding total that amounts to 20 percent of all investment within the sector.¹

But just how does one go about investing intelligently in artificial intelligence in 2024? When it comes to “putting stock” in emerging AI and AI-related entities, it’s good to follow a few rules of the road. First and foremost, be sure to invest in firms and companies that supply the most usable AI technologies, applications, and innovations. If a company can make AI implementation faster, easier, and more convenient, their services should be in constant demand—across a wide swath of industries. As some have stated, it’s best not to invest in AI, but rather around AI.

It’s also advisable to invest in firms, companies, and entities that stand to benefit the most from the use of these emerging and ever-evolving technologies. Some sectors that stand poised for great benefit and growth here include cybersecurity and health technology. Of course, any company that intelligently and effectively embraces and implements AI and AI-driven solutions stands poised to experience increasing gains in productivity—along with market share and value—over the coming years.

Just be sure to keep a close eye on the evolution of AI. As we mentioned in this article’s intro, the AI everyone is excited about today should pale in comparison to the next-generation, next-level iteration—often referred to as Artificial General Intelligence, or AGI for short. Tomorrow’s AGI will be able to interact with customers throughout the entire consumer cycle and pipeline. It’s also expected to manage accounting, effectively and independently protect against serious cyber threats, and much more. This coming change could also very well lead to the development and evolution of regulations in the world of AI and AGI.

¹ <https://www.nytimes.com/2023/01/23/business/microsoft-chatgpt-artificial-intelligence.html>

Top Tip 2: Stick with Large- and Mid- Market Capitalization



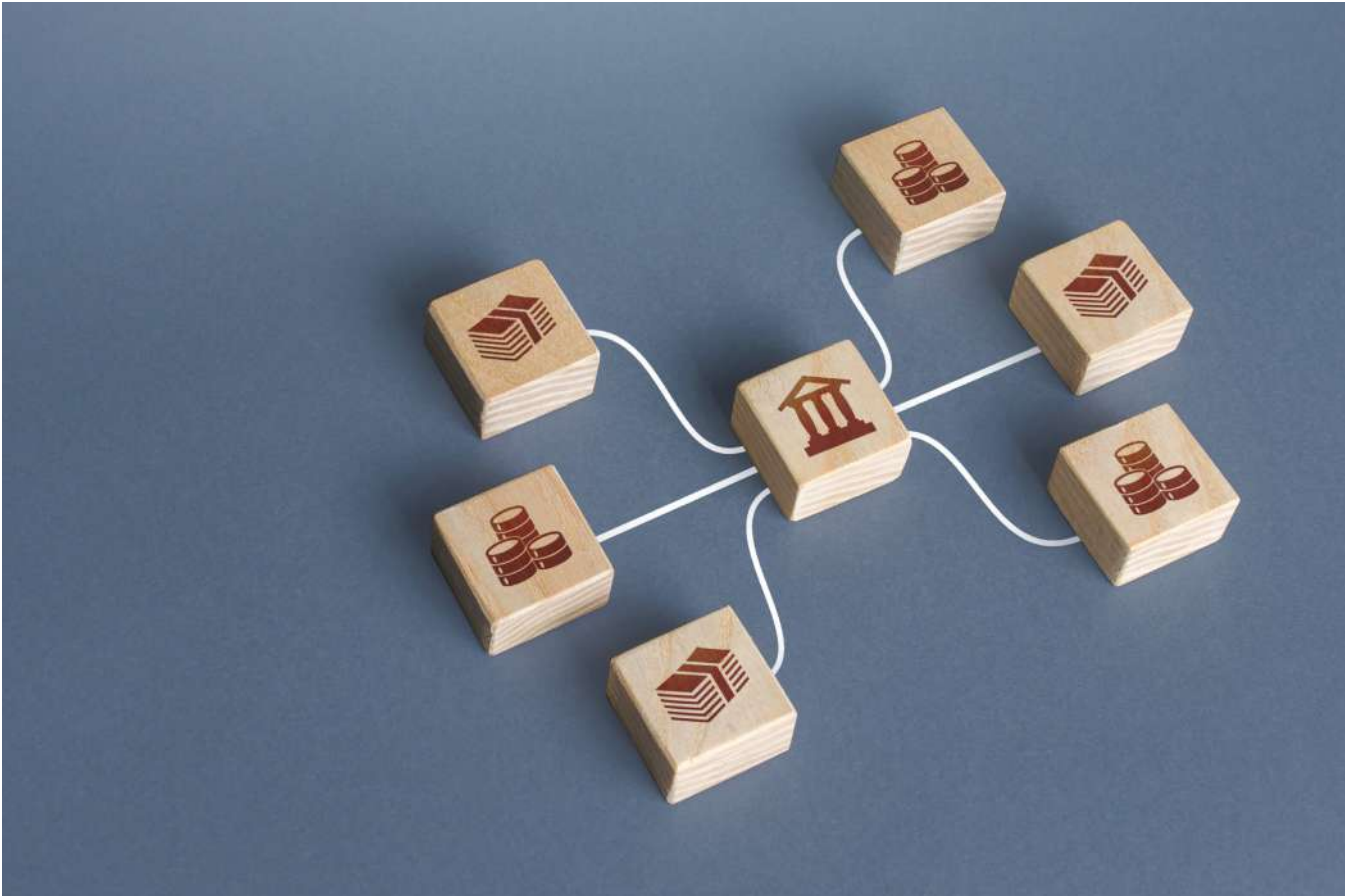
At present stick with mid or large market cap companies. Small companies typically do better in the beginning stages of a new bull market cycle. We estimate we are currently in a mid to late expansion phase of the market cycle. Stability and size matter, so investing in companies with market capitalization values greater than \$4 billion remains a prudent path forward in 2024—and into the foreseeable future.

Market capitalization refers to the total number of outstanding shares of a company in the market—multiplied by the current price of each share. Ultimately, it serves as a measure of a company’s estimated valuation. On the stock exchanges, a company is categorized as either large-cap, mid-cap, or small-cap. Companies with market capitalizations exceeding \$80 billion qualify as large-cap. A mid-cap company has a market capitalization between \$2 billion and \$10 billion. Small-cap companies run from \$250 million in market capitalization up to \$2 billion.

Why do we advise 2024 investors to go big with large-cap investments? Much of our reasoning involves what small-cap companies cannot do or deliver. Small companies simply don’t have the hefty research-and-development budgets of larger organizations, entities, and firms. As a result, they can’t and don’t move the market nor the economy in any meaningful manner. They also face a much higher rates of corporate attrition.

Large-cap companies and their stocks, on the other hand, are powerful and reliable in many ways. Large-caps tend to be sizeable, mature, and well-known, meaning they command strong market positions and significant market share. Apple, Amazon, Alphabet/Google, Microsoft, META/Facebook, are all strong examples. They tend to be more stable than mid-cap and small-cap stocks. For all these reasons and more, large-caps represent a significant portion of the U.S. equity market and are often core staples of an investment portfolio. They also often attract investors during economic downturns or periods of uncertainty. As much as we might want to convince ourselves otherwise, 2024 qualifies as such a year.

While we're less bullish on small-cap investments in 2024, we're not entirely averse to mid-cap options. Over time, mid-cap companies can evolve into large-cap companies. Before they reach that point, of course, they will offer investors greater growth potential than existing large-cap companies.



Top Tip 3: Invest in Innovation



The only true constant in life—and in most markets—is change. Nothing is neither static nor current for too long, especially in today’s technology-driven and individual-oriented world. Innovation is always a wise word to keep in mind, as well as a smart strategy to implement when investing. You might even call it “innovative investing” if you’d like.

A broad definition of innovation defines it as the process of creating and introducing new or novel ideas, methods, products, services, or solutions that make a powerful impact and provide great value. Innovation is all about coming up with a creative concept—and then transforming that concept into tangible, real-world products, experiences, or outcomes that help improve society. Not merely limited to technological advancements, innovation also includes pioneering approaches to processes, practices, solution generation, and even entire business models.

In the investing world, the term “[innovation economy](#)” has become more and more commonplace. This specific sector of the market includes companies in categories such as venture fundraising/venture capital, startup accelerators/investment, exit, and more.

The growing field of innovation economics (generally considered an economic theory and applied/experimental economics) revolves around the belief that knowledge, entrepreneurship, technology, collaboration, and innovation are the primary drivers of economic growth. It promotes the application of any type of innovations,

particularly technological, into economic usage. By creating and bringing to market innovative new ideas and technologies, companies can introduce society to products, services, and business models that propel us all forward into the future. They can also increase their value—and their value to investors.

The domain and potential of the innovation economy is truly vast. As recent innovations and the companies that pioneered or capitalized them have shown us, imagining and creating the future isn't about simply producing new products or services—it's just as much, if not more, about the delivery of those products or services. From generative-AI platforms to subscription-based streaming services to mobile-maximized social media providers, we constantly see new examples of such game-changing firms and technologies.

Observing is much easier than investing, of course. Much like the “disruptive technology” and fast-expanding business and investment sector of AI, the always-evolving innovation economy landscape can be a difficult one to navigate, understand, and invest in. Here at Cowan Capital, we recommend you invest diligently in high-innovation, growth-oriented sectors and companies. That includes industries like technology and communication services.

At first glance, it might appear that biotechnology would be a smart play here. But a closer look here reveals a complex, convoluted, often anti-innovation environment—one that's always awash in failed research and development and slow-moving or ill-fated FDA clearances. One sobering statistic here, per the National Institutes of Health: [90 percent of clinical drug development \(or clinical trials\) fail to pass](#). The NIH also states in this same report that “drug discovery and development is “a long, costly, and high-risk process that takes over 10-15 years with an average cost of over \$1 billion-\$2 billion for each new drug to be approved for clinical use.”²

² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10043823/>

Top Tip 4: Wall-Off China



Avoid mainland China. For Now. Simply put, the myriad of deeply-rooted issues that continue to percolate in the world's second-largest economy won't be disappearing anytime soon, even if an increasingly interventionist government (PRC) might tell China's 1.41 billion citizens or foreign investors a much sunnier story.

After driving so much global growth over the previous few decades, China's over-leveraging and increasingly hostile business environment has conspired to lead to de-risking by foreign firms doing business there. From a massive property bust to the outbreak of a generation-altering pandemic, to ever-surging tensions between the PRC and U.S. governments, would-be investors are now facing a wide range of roadblocks, hurdles, and walls within China.

The world's second-largest economy and population base also ranks as the single largest consumer of commodities on the planet. But any recent rankings when it comes to outside investment have been on the other end of the spectrum—far, far away from the top or second-best. In fact, [U.S. Commerce Secretary Gina Raimondo recently made headlines for claiming China will soon be viewed as “uninvestable” by American companies.](#)

While such a statement might be a stretch, recent [China data from Morningstar Direct](#) demonstrates that U.S. equity funds' average asset-weighted exposure to Chinese stocks in December of 2023 was just 1.38 percent—a sharp decline from 2.17

percent three years earlier. This data also revealed that U.S. emerging market funds' allocation to China as a share of total EM exposure declined from 28.6 percent to 20.6 percent on an asset-weighted basis. The data regarding global emerging market funds saw similar sharp declines, with an overall EM equity allocation drop from 27.1 percent to 19.5 percent on an asset-weighted basis.

While many global and U.S.-based investment firms and advisors are now classifying China and Chinese entities as an “alternative investment”, Cowan Capital stands firm in its guidance to avoid investing in China in 2024 and firms which are deriving any considerable source of revenue from the PRC.



Top Tip 5: Re-emergence of Japan?



Reconsider Japan in 2024. After three-and-a-half decades marred by some serious economic doldrums, investors all around the world (including the revered [Warren Buffett](#)) are re-evaluating the world's fourth-largest economy (Germany supplanted them to claim the number-three spot late last year). And right now, they're liking what they're seeing. Quite a bit. And so are we.

In the opening months of 2024, outside investors' confidence in Japan has been buoyed by strong corporate earnings, governmental reform efforts, workers' wage increases, improved corporate governance, and other positive developments. In short, a long-term deflationary cycle may finally be coming to an end in today's Japan.

Japan's economy famously roared to previously unseen heights in the 1980s, with the bubble bursting dramatically at the end of that decade's final year. The dawn of the 1990s saw devastating market crashes in Japan, including a 60-percent slide over a period of just a few years. This ushered in an extended economic slump, leading to some serious struggles.

Those years of stagnation appear to be increasingly leading to economic revival, however—particularly within the technology sector, where Japan has been and continues to be a leader in emergent technologies.

In late February, Japan's equity markets set a new record, with the Nikkei 225 Index besting a previous high-water mark set all the way back in those heady final days of

1989. Just weeks earlier, Toyota Motor set the new record for highest market valuation for a Japanese company (48.7 trillion yen; or approximately \$323.5 billion). That previous high mark had been established by telecom giant NTT back in 1987.

In addition to these dramatically strong earnings, a revived focus on corporate governance reform, improved shareholder advocacy, and a stronger overall corporate sector are leading to an influx of funds into the Japanese markets. According to the New York Times and Japan Exchange Group, foreign investors poured a net \$14 billion into the Japanese stock market—just in January of 2024.



About Cowan Capital and James Cowan

James Cowan

Founder and CEO

Investor James Cowan founded Cowan Capital with an eye on providing high-quality service for high-net-worth clients and their families. At Cowan Capital, balancing risk and return is the focus. Cowan Capital utilizes sophisticated technology in its management of focused equity strategies.

We rely on a blend of proprietary and third-party research tools to shape our perspective on current market conditions—and determine the optimal portfolio positioning. We believe the best way to deliver long-term value is by investing in the best firms.

We look carefully and closely at the quality of earnings and the strength of cash flows from a firm's operations—key metrics in evaluating their ongoing viability. To mitigate the risk of relying on a single strategy, we typically engage multiple managers to truly diversify our assets. We also utilize Nitrogen software to ensure we build portfolios that remain consistent with each client's assessed risk tolerance.

There's a strong track record at work with us, too. James has worked for some of the largest public and private investment firms in the country, with a specific focus on private wealth management. These experiences have informed and influenced a clear philosophy employed by Cowan Capital today.

"The asset management business is all too often focused on pushing products, big marketing campaigns, and scale—all of which is detrimental to clients," states Cowan. "This is one of the primary reasons I founded this firm. We limit our advisor-client capacity to a reasonable level to ensure we always maintain high service standards."



Let's Get Personal

We hope this closer look at key investment strategies for 2024 proves insightful and helpful to you. We also welcome the opportunity to discuss these matters, and any other investing concerns you may have, on a more personal and individual level.

By accurately and fully understanding what particular and unique needs you and your family have, we can better construct a suitable portfolio which is consistent with your long/short term objectives and risk tolerance.

We utilize proprietary investment strategies and can help secure truly meaningful diversification by balancing your portfolio with complimentary strategies from other well-respected money management teams. We may even design and implement a custodian-built investment strategy. This flexibility and ability to provide you with custom-built strategies sets us apart from our competition in an often-assembly line and cookie-cutter portfolio industry.

When you're ready to dive deeper and meet, reach out to us at your convenience. You may call us anytime at 650.242.8704 or email James Cowan directly at jcowan@cowancapital.us. You can also learn more by visiting us online at www.cowancapital.us.

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