PRO

This fund manager beating the market is betting AI stocks like Micron will outperform again in second half

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Lisa Kailai Han
@LISAKAILAIHAN

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Brendan McDermid | Reuters

The second half of the year is underway, and investor Andrew Graham thinks technology stocks will continue to lead the market higher.

The S&P 500 has climbed 15% in 2024 to record highs, propelled by the artificial intelligence trade. Year to date, graphics processing unit manufacturer Nvidia has soared a whopping 148%.

Investors have debated whether technology stocks can sustain their lofty gains, or if the market rally is due to broaden. But Graham, founder and managing partner of Jackson Square Capital — which manages around $500 million in assets — said that this tech revolution can build on its momentum.

“I don’t think this should be downplayed,” he told CNBC in an interview Monday. Graham said he is heavily invested in the artificial intelligence theme, with technology making up his biggest overweight position.

The investor likes semiconductor names such as Nvidia and Micron, which he said should benefit from the ongoing memory cycle. “Micron has more upside, and is really going to shock people in terms of earnings power,” he said.

Micron shares are up 55% year to date.

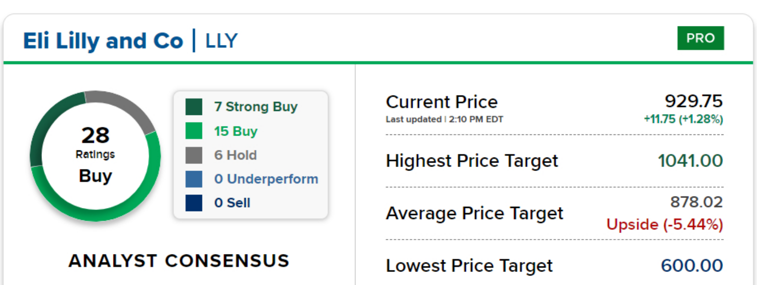
MU year to date

Outside of tech, Graham favors industrials, which are adjacent to the AI theme. The investor listed Vertiv and Eaton as top picks for their exposure to cooling systems for data centers. Other tech- and industrial-adjacent names Graham is bullish on include Arista, Dell, Coherent, AT&T, Arm Holdings and Broadcom.

The portfolio manager also has positions in NextEra Energy, which he thinks is primed to capitalize on AI. Shares of the renewable energy company have climbed 16% this year.

“You can see it showing up now in all the fiscal spending that’s gone on, from the CHIPS act to the Inflation Reduction Act, all that spending is pointing to the reindustrialization of the U.S., and that all requires greater amounts of power demand,” he said. “So our preference is for NextEra, which generates almost all their power from alternative sources, and the fact that data centers want to at least show a green footprint to a certain extent would mean they would be buyers of their power gen.”

Graham’s second-largest overweight is health care, specifically pharmaceutical, stocks. The investor sees promise in Eli Lilly due to the biopharma’s stronghold in the GLP-1 market, as well as its current venture into the Alzheimer’s drug market.



Jackson Square Capital's actively managed growth and income-generating strategy funds outperformed their benchmarks in the first quarter of the year. The firm's growth fund averaged an annual total return net of fees of 16.27% in the first quarter versus its benchmark's 7.11% return, while the income-generating strategy returned 7.96% over the benchmark's 6.01%.

The first quarter returns also beat the S&P 500's 10.2% surge during that period.

Both funds have also outpaced their respective benchmarks over the past three years and since their inception in 2024. The growth strategy has returned 13.27% since inception and 7.63% in the last three years, while the income-generating fund has returned 11.23% since inception and 7.38% in the last three years.

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