

## China Strategy

# Finding the next multibaggers in China: When “Little” becomes “Giant”

### Every new cycle has new winners

A buy-and-hold, beta-focused strategy in the equity market hasn't been an effective way to monetize China's impressive economic growth: In the past decade, during which nominal GDP averaged 9% per annum, MSCI China/SHCOMP merely returned 0%/3% CAGR vs. 10% by SPX. That said, picking the right themes/sectors in the right cycle has proven to be highly rewarding, as exemplified by the outsized alpha from Commodity Cyclical in the early 2000s, Financials in the late 2000s, and Consumer/TMT stocks in the past decade.

### The recipe for multibaggers in Chinese equities

We examine 134 cases where individual names in the existing MSCI China universe returned at least 10x within a rolling 5-year period over the past 2 decades and note these common traits: 1) high realized growth rates; 2) strong small/mid-cap bias; 3) favorable sector beta; 4) inexpensive starting valuations; and, 5) alignment with top-down policy goals/directions. These five factors have collectively explained almost 100% of the occurrence of these historical multibaggers.

### All stars are aligned: Growing with Chinese “Little Giants”

Chinese “Little Giants” check many of the above boxes: They are emerging companies handpicked by the authorities for explicit policy support. Sectorally, they mostly reside in Cap Goods, (new) Materials, Tech Hardware, and Semi, which are critical to Chinese national security, growth sustainability, and achieving “Common Prosperity”. In terms of market attributes, they are growthy small/mid caps trading at historical-low and below-market valuations (PEG).

### Introducing GS “Little Giants” Portfolio (GSSRCNLG)

Among the +700 listed “Little Giants”, we screen for 40 names with favorable rankings in R&D intensity, management incentive plans, sell-side coverage, and attractive growth/valuation profiles to gain targeted exposure to this compelling story. They have an average market cap/ADT of US\$4.5bn/US\$61mn, trade at 25x fP/E and 0.8x fPEG, and offer 36% 22-24E EPS CAGR. Our back-test shows that the basket has risen 115% since 2020, outperforming MXCN/CSI300 by 146pp/123pp.

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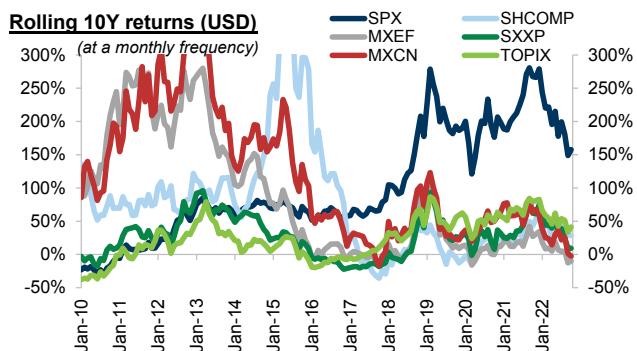
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## Every new cycle has new winners

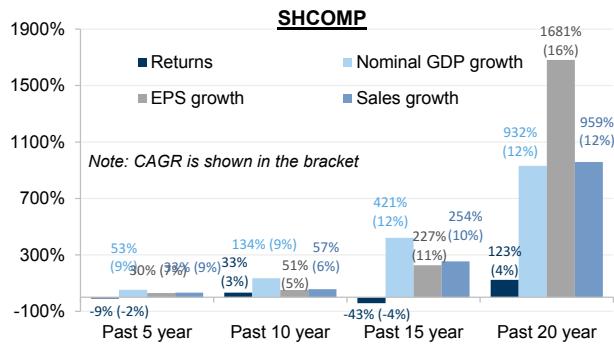
- **China's economic achievements have been impressive** since Deng Xiaoping introduced "reform and openness/socialist market economy" in 1978 and made his famous "Southern Tour" in 1992: China has delivered a GDP CAGR of 14% since 1990, become the second largest economy in the world (also 2nd largest in terms of market value for equities and bonds globally), managed to grow its per capita income to US\$12,588 as of 2021 (US\$19,170 in PPP terms), and has the largest asset class in the world in its US\$60tn residential housing market.
- While the aggregate market cap of Chinese stocks (A shares and Offshore listed combined) has also increased 17x since 2000, **the realized equity returns at the headline index level have significantly lagged the strong economic performance**: MSCI China, HSCEI, SHCOMP have only gained 0%, -6%, and 3% CAGR in USD terms (-2% to 6% adding dividends) over the past 10 years during which GDP growth was averaging 9% per annum. The realized market returns have also trailed those from major equity markets globally, with SPX, SXXP, TOPIX, and Emerging Markets (MXEF) generating 14%, 6%, 6% and 2% total returns during the same period despite slower macro growth in their respective home markets.
- In our recent Global Strategy Paper—The Asian Earnings Enigma—we discussed **some potential explanations for the disparity between equity gains and economic growth** in China, notably index composition shifts, shares dilution, and compressing profitability due to various macro and sector specific reasons. At a higher level, the issues around regulation tightening targeting the New Economy, the increasing policy/socioeconomic pivot towards socialism and "Common Prosperity" vs. pure market-driven capitalism, and other structural growth headwinds such as a slowing property market, high systemwide leverage, and aging population are also possible reasons for the lackluster equity returns.
- While a simple buy-and-hold, beta-oriented strategy in the stock market may not be the most efficient way to monetize the strong economic growth (potential) in China, **picking the right themes and sectors in the right cycle has proven to be highly rewarding**, as evidenced by the significant realized alpha from Commodity Cyclical in the early 2000s, Financials in the late 2000s, and Consumer/TMT stocks over the past decade. Dividing the past 2 decades into 4 equal periods based on China's 5-Year Plans, we note that the best-3 performing Industry Groups (GICS level 2) on average gained 275% in each of the 4 cycles, outpacing the worst-3 performing sectors by 311pp and the benchmark by 218pp. In our view, this underscores the importance of embracing active investing (or dynamic tilt for passive investing) in China and proactively shifting investment focuses as the economic and political cycles evolve.

**Exhibit 1: China equity indexes have significantly lagged their global peers in the past decade**



Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 3: ...as well as for A shares**



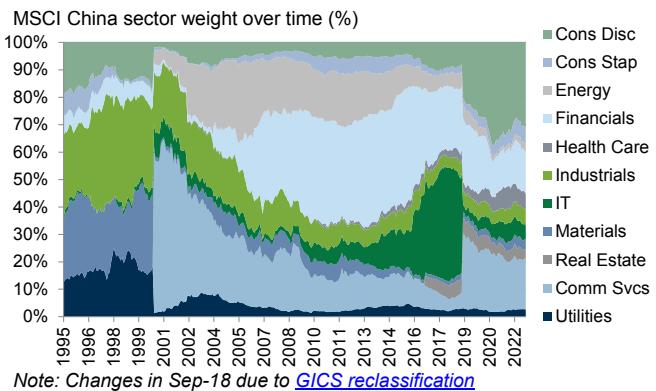
Source: FactSet, Goldman Sachs Global Investment Research

**Exhibit 2: Strong fundamental growth hasn't translated into equity gains for Offshore-listed equities...**



Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 4: Significant sector composition shifts in the benchmark equity index over the past 2 decades**



Source: MSCI, FactSet, Goldman Sachs Global Investment Research

## Exhibit 5: Significant rotation and return disparity across sectors over the past 20 years

MSCI China industry groups annual price return during past policy cycles							
Policy cycles	10th 5YP 2001-2005	11th 5YP 2006-2010	12th 5YP 2011-2015	13th 5YP 2016-2020	14th 5YP 2021-now	CAGR since 2001/inception	
MXAPJ	76%	55%	-14%	61%	-32%	4%	
China	29%	127%	-10%	82%	-48%	4%	
MXCN GICS Industry Groups							
Cyclicals	Capital Goods	-4%	71%	-27%	-4%	-22%	0%
	Transportation	172%	69%	-26%	-14%	-23%	4%
	Autos & Components	164%	138%	13%	228%	-51%	12%
	Consumer Durables	38%	54%	-34%	257%	-28%	6%
	Consumer Services	-	-28%	25%	385%	-64%	9%
	Commercial Services	-	-	-	27%	-36%	1%
	Retailing	-	153%	-50%	11%	-59%	0%
	Software & Services	-57%	144%	329%	315%	-73%	8%
	Media & Entertainment	-	-	-	-24%	-52%	-9%
	Tech Hardware	-36%	99%	10%	115%	-60%	1%
Consumer Staples	Semiconductors	-	67%	-54%	162%	-39%	-3%
	Energy	299%	140%	-53%	-18%	38%	8%
	Materials	312%	113%	-52%	106%	-28%	9%
	Banks	-	106%	-17%	8%	-22%	2%
	Diversified Financials	-46%	456%	-35%	-34%	-46%	-2%
Financials	Insurance	-	423%	-8%	24%	-51%	7%
	Real Estate	231%	108%	10%	45%	-58%	7%
	Telecom	-15%	100%	7%	-46%	-28%	-2%
	Food & Beverage	118%	206%	-43%	213%	-36%	10%
	Pharma & Biotech	57%	-26%	16%	170%	-51%	4%
Defensives	Utilities	110%	24%	66%	18%	-20%	7%
	Health Care Equip & Svcs	-	-	-16%	105%	-58%	-1%
	Average of Top 3	281%	362%	140%	319%	-1%	10%
	Average of Bottom 3	-46%	-10%	-53%	-35%	-66%	-4%
	Gap	327%	372%	193%	354%	65%	14%

pricing as of Oct 3

Source: MSCI, FactSet, Goldman Sachs Global Investment Research

# The recipe for multibaggers in Chinese equities

Given the highly concentrated and dynamic nature of alpha distribution in China historically, we examine **the success cases in the stock market over a long run** to better understand the necessary conditions for generating excess returns, especially at a time when the challenging global macro backdrop characterized by a worsening growth/inflation trade-off, tightening policy, and elevated geopolitical tensions is weighing on risk assets.

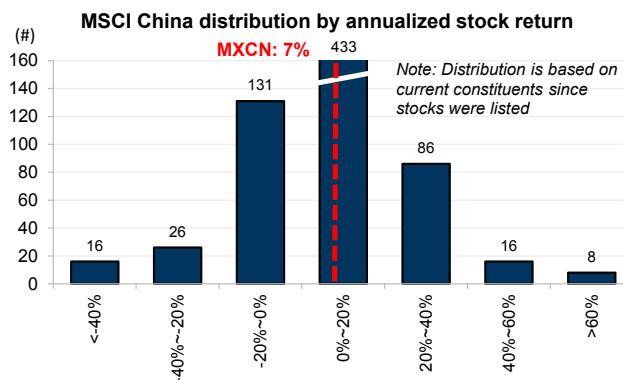
Specifically, we construct a study universe encompassing 134 names that were able to generate at least 10x total returns within a 5-year rolling period (monthly) since 2000 based on the current MSCI China index constituents (721 stocks). On average, it took 47 months for these names to reach the 10x threshold, achieving a total return of 1900% when they hit the peak price levels during their respective 5-year (or shorter) outperformance windows. In a nutshell, we observe the following common features among those multibagger stocks:

- 1. High realized growth rates:** 75% of the multibaggers managed to generate at least 40% revenue or profit growth during their outperformance periods. This reinforces the core investing principle that earnings growth is the fundamental driver of equity returns, and our belief that international investors have a structural preference for Growth over Value in China (and in other developing markets more broadly) when growth opportunities become increasingly scarce across the globe.
- 2. Strong small/mid-cap bias:** Low base effect in most cases should be a favorable condition for stock returns as far as market cap size and profit pool is concerned as it simply implies larger headroom for growth, ceteris paribus. Additionally, the policy emphasis of supporting SMEs in the real economy and capital markets, and the regulatory restrictions regarding anti-trust and monopolistic behaviors should theoretically bode well for small/mid caps over time. However, Size is far from a sufficient condition for strong realized alpha empirically, with less than half of the stocks in the universe embarking on their uptrend with an initial market cap below US\$500mn.
- 3. Favorable sector beta:** As detailed in the 5th edition of our China A Primer, China is probably one of the best markets globally to trade/look for idiosyncratic alpha and inefficiency arbitrage opportunities, reflected by its high intra-market return disparity at both the sector and stock levels, a retail-dominated liquidity setup, and still-limited/developing sell-side research footprint. The potential excess returns from an active sector strategy approach could be significant as our previous analysis shows that picking the “average” stocks (i.e. stocks with median returns) in the “right” sectors (Industry Groups with top-quartile returns) would generate 25/34 pp annual alpha over “outperforming” stocks (stock with top-quartile returns) in the “underperforming” sectors (Industry Groups with bottom-quartile returns) in the offshore/A-share market. Our study reveals that 66% of the multibagger cases took place when their corresponding sectors outperformed in the rolling 5-year (or shorter) periods.

- 4. Inexpensive starting valuations:** We note that 40% of the companies in our study universe traded below 10x PE or 1x P/B before they eventually became multibaggers. That said, the explanatory power of “low valuation” seems highly linked to the market valuation cycles as 43% of the multibaggers took off when the market was under significant stress, notably 2002-03, 2008-09, and 2015-16. It suggests to us that valuation level might not be a sufficient condition to call a market bottom nor a reason to derail a bull trend, but it does play an important role in framing risk and reward, and driving excess returns in the long run.
- 5. Policy tailwinds:** It is widely accepted/embraced by investors that it is critical to align their portfolio with strategic policy goals and directions in China, especially considering the regulatory shocks since late 2020 which have been mainly responsible for the US\$2tn erosion of market capitalization in the TMT sector since then. As such, we leverage our news-searching tools with a specific focus on articles from State-sponsored media outlets (e.g. Xinhua News, People's Daily, and China Daily, 2mn in total since 2005) to gauge the cyclical policy orientation at the sector level over time. By mapping the relative strength of policy support per our key-words analysis onto historical sector returns, we observe that the Policy factor has coincided with 75% of the occurrence of multibagger cases since 2005.

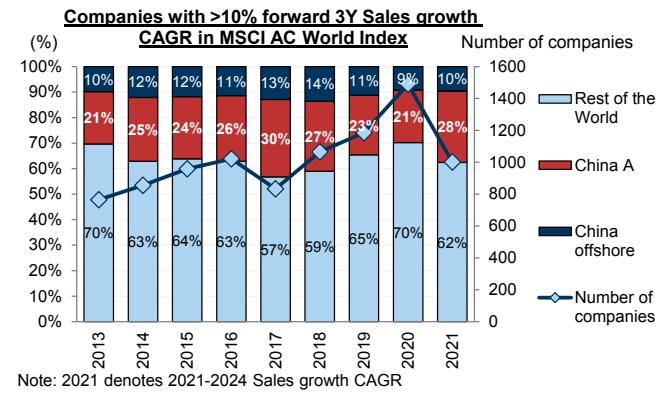
While other (unobservable) factors might also be contributors to the strong returns, the above five considerations **have indeed collectively explained almost 100%** (133 out of 134 cases) **of the occurrence of historical multibagger stocks**, with those satisfying multiple conditions generally delivering higher absolute returns/alpha. Among them, Size and Valuations have appeared to be less influential while Growth, Policy, and Sector have been comparatively more dominant factors for the creation of multibaggers.

**Exhibit 6: A very concentrated alpha distribution in Chinese equities**

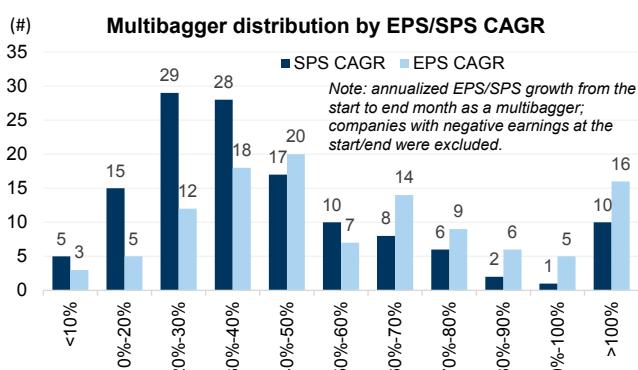


Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 7: China is still the place to look for organic Growth opportunities**



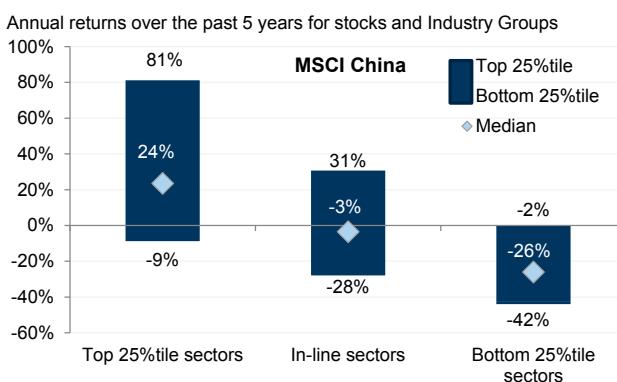
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 8: "High growth" is a common feature of multibaggers**


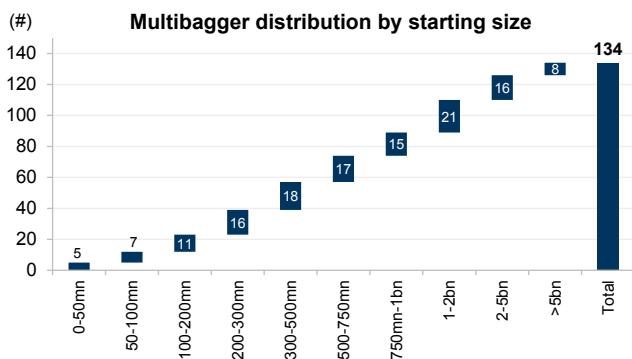
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 10: Small/mid caps have outperformed large caps in the past 15 years, but with significant ups and downs**

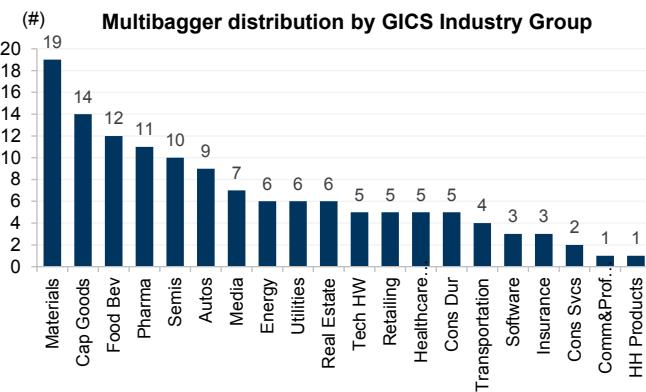

Source: MSCI, CSI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 12: Median stocks in top-quartile Industry Groups have performed significantly better than top-quartile stocks in bottom-quartile Industry Groups**


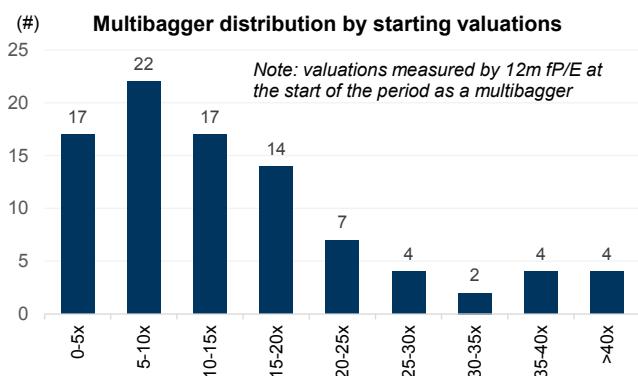
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 9: Favorable base effect matters for ensuing returns as far as Size is concerned**


Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 11: Historical multibaggers have been concentrated in Materials, Cap Goods, and F&B**


Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 13: The occurrence of multibaggers is negatively correlated with prevailing stock valuations**


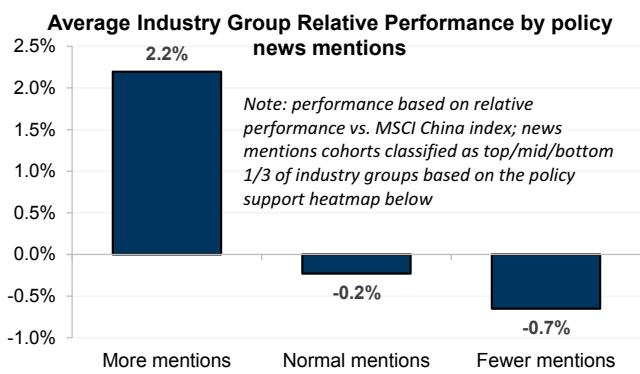
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 14: Low prevailing market valuations appear a necessary condition for multibaggers**



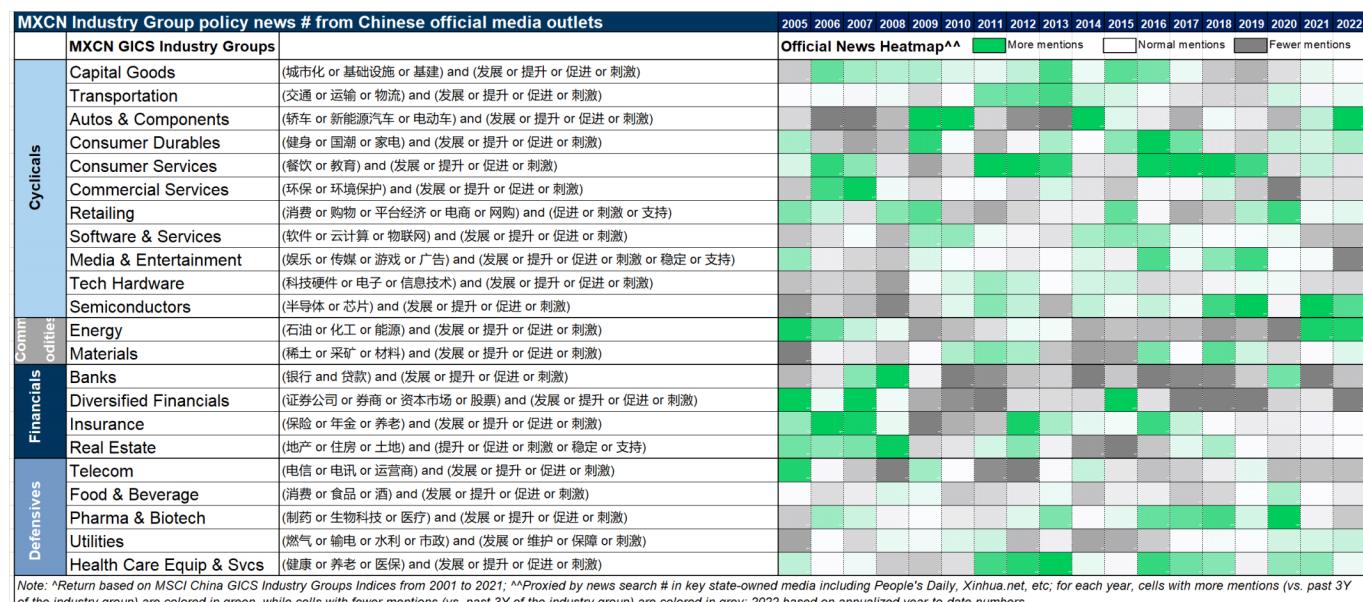
Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 15: Industry groups with more positive policy mentions from official news tend to outperform those with fewer mentions**



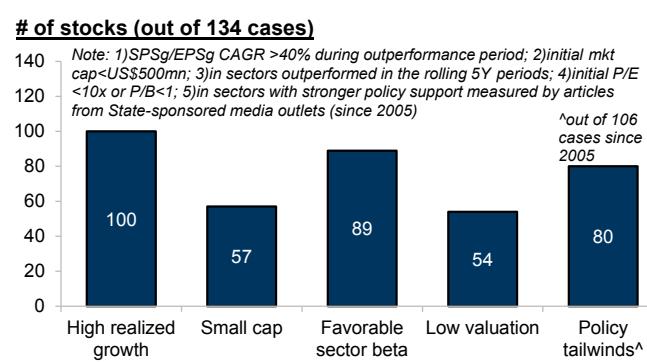
Source: Factiva, MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 16: Our policy support heatmap based on news-searching technique**



Source: Factiva, MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 17: The five key common denominators of historical multibaggers in the Chinese equity universe**



Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 18: The 5 conditions have collectively explained the occurrence of almost all 134 multibaggers in China in the past 20 years**

# of criteria met	# of stocks	Average Total Return within 5Y (multiple)
0	1	11x
1	10	15x
2	27	18x
3	70	20x
4	24	24x
5	2	34x
<b>Sum</b>	<b>134</b>	<b>20x</b>

Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 19: 134 names in the existing MSCI China universe had returned more than 10x within 5-year rolling periods over the past 20 years**

Multibaggers in MXCN constituents: achieved over 10x total return within 5-year period^											
Ticker	Name	Industry Group	Start Date	End Date	Max Total Return within 5Y (multiple)	Ticker	Name	Industry Group	Start Date	End Date	Max Total Return within 5Y (multiple)
NTES UW	NetEase	Media	Sep-01	Mar-06	152x	285 HK	BYD Electronic	IT	Sep-12	Sep-17	14x
1268 HK	MeiDong Auto	Retailing	Feb-16	Nov-20	58x	2338 HK	Weichai Power	Industrials	Feb-06	Nov-10	14x
2333 HK	Great Wall Motor	Autos	Nov-08	Oct-13	57x	1818 HK	Zhaojin Mining Industry	Materials	Oct-08	Aug-11	14x
VIPS UN	Vipshop	Retailing	Apr-12	Mar-15	55x	BGNE UW	BeiGene	Health Care	Jul-16	May-21	14x
316 HK	Orient Overseas (Int)	Transportation	Sep-02	Jul-07	47x	135 HK	KunLun Energy	Utilities	Oct-02	Oct-07	14x
1579 HK	Yihai International	Food Bev	Jan-17	Jan-21	42x	902 HK	Huaneng Power	Utilities	Feb-00	Mar-04	14x
900948 CG	Inner Mongolia Yitai Coal	Energy	Sep-03	Oct-07	42x	603737 CG	SKSHU Paint	Materials	Dec-18	Jun-21	13x
6865 HK	Flat Glass	Semis	Jul-18	Aug-21	40x	3323 HK	National Building Material	Materials	May-06	Oct-07	13x
NIO UN	NIO	Autos	Oct-19	Jan-21	39x	002192 CS	YOUNGY	Materials	Oct-18	Aug-21	13x
700 HK	Tencent	Media	Jan-05	Dec-09	38x	GDS UQ	GDS Holdings	IT	May-17	Jan-21	13x
1066 HK	Shandong Weigao Medical	Healthcare Equip	Apr-05	Apr-10	37x	268 HK	Kingdee International	IT	Jun-16	Dec-20	13x
358 HK	Jiangxi Copper	Materials	Oct-02	Sep-07	36x	322 HK	Tingyi	Cons Stpl	Mar-05	Nov-09	13x
688 HK	COLI	Real Estate	Mar-03	Oct-07	34x	300601 CS	Kangtai Biological	Health Care	May-17	Jul-20	13x
189 HK	Dongyue	Materials	Feb-08	Jun-11	33x	1919 HK	COSCO SHIPPING	Industrials	Oct-05	Oct-07	13x
914 HK	Anhui Conch Cement	Materials	Nov-02	Oct-07	33x	3998 HK	Bosideng International	Cons Disc	May-17	Aug-21	13x
1109 HK	China Resources Land	Real Estate	Apr-03	Oct-07	33x	601633 CG	Great Wall Motor	Cons Disc	Dec-18	Oct-21	13x
2600 HK	Aluminum Corp of China	Materials	Sep-02	Aug-07	32x	002460 CS	Ganfeng Lithium	Materials	Jan-17	Aug-21	13x
2382 HK	Sunny Optical	Tech HW	Sep-11	Aug-16	32x	6185 HK	CanSino Biologics	Health Care	Aug-19	Jun-21	13x
1882 HK	Haitian International Hdg's	Cap Goods	Nov-08	Oct-13	31x	603799 CG	Zhejiang Huayou Cobalt	Materials	Feb-16	Jan-21	13x
2313 HK	Shenzhen Int'l	Cons Dur	Oct-08	May-13	30x	000733 CS	Zhenhua Science & Tech	IT	Dec-18	Jun-22	13x
2899 HK	Zijii Mining	Materials	Aug-04	Oct-07	30x	603806 CG	First Applied Material	IT	Jul-18	Aug-21	12x
200596 CS	Anhui Gujing Distillery	Food Bev	Oct-08	Aug-11	30x	300347 CS	Tigermed Consulting	Health Care	Jan-17	Jun-21	12x
754 HK	Hopson Development	Real Estate	Dec-02	Oct-07	29x	600309 CG	Wanhua Chemical	Materials	Mar-16	Feb-21	12x
300274 CS	Sungrow Power Supply	Cap Goods	Oct-18	Jul-21	29x	2628 HK	China Life Insurance	Financials	Apr-04	Oct-07	12x
DQ UN	Daqo New Energy	Semis	Apr-17	Feb-21	28x	2269 HK	Wuxi Biologics	Health Care	Jul-17	Jun-21	12x
1211 HK	BYD	Autos	Oct-05	Mar-10	28x	2883 HK	Offshore Services	Energy	Apr-03	Oct-07	12x
1548 HK	Genscript Biotech	Pharma	Jul-16	Jun-21	27x	603486 CG	Ecovacs Robotics	Cons Disc	Nov-19	Jun-21	12x
601100 CG	Hengli Hydraulic	Cap Goods	Feb-16	Jan-21	27x	148 HK	Kingboard Holdings	IT	Oct-02	Sep-07	12x
600809 CG	Xinghuacun Fen Wine	Food Bev	Feb-16	Dec-20	27x	002326 CS	Zhejiang Yongtai Technology	Materials	Jun-18	Oct-21	12x
300661 CS	SG Micro	Semis	Jul-17	Jul-21	25x	300015 CS	Aier Eye Hospital	Health Care	Mar-17	Jun-21	12x
TAL UN	TAL Education	Cons Svcs	Jan-13	Sep-17	25x	600438 CG	Tongwei	Cons Stpl	May-17	Aug-21	12x
BIDU UW	Baidu	Media	Apr-06	Mar-11	24x	3888 HK	Kingsoft	Comm Svcs	Feb-09	Jan-14	12x
2331 HK	Li Ning	Cons Dur	Jul-16	Jun-21	24x	600480 CG	Silan Microelectronics	IT	Jan-17	Jul-21	12x
257 HK	China Everbright Int'l	Comm&Prof Svcs	Apr-03	Oct-07	24x	2020 HK	ANTA	Cons Disc	Jul-16	Jun-21	12x
300014 CS	EVE Energy	Cap Goods	Oct-18	Nov-21	23x	1171 HK	Yanzhou Coal Mining	Energy	Mar-00	Feb-05	12x
002709 CS	Tinci Material	Materials	Oct-18	Oct-21	23x	BILI UW	Bilibili	Media	Apr-18	Feb-21	12x
371 HK	Beijing Enterprises Water	Utilities	Feb-06	May-08	22x	966 HK	China Taiping Insurance	Insurance	Jul-05	Nov-09	11x
002791 CS	Guangdong Kinlong	Cap Goods	Dec-18	Jul-21	21x	002920 CS	Desay SV Automotive	Autos	Dec-18	Jul-22	11x
2018 HK	AAC Technologies	Tech HW	Nov-08	May-13	20x	988 HK	Xinyi Solar	Semis	Feb-16	Dec-20	11x
3311 HK	China State Construction	Cap Goods	Aug-05	Jul-09	20x	144 HK	China Merchants Port	Transportation	Dec-02	Oct-07	11x
1772 HK	Ganfeng Lithium	Materials	Aug-19	Aug-21	20x	2688 HK	ENN Energy Holdings Limited	Utilities	Oct-02	Sep-07	11x
1030 HK	Seazen Group	Real Estate	Sep-14	Jun-19	20x	2689 HK	Nine Dragons	Materials	Oct-08	Nov-09	11x
1177 HK	Sino Biopharm	Pharma	Dec-00	Jun-05	20x	HTHT UW	H World Group	Cons Svcs	Jun-13	May-18	11x
1044 HK	Hengan	HH Products	Dec-02	Nov-07	19x	2318 HK	Ping An	Insurance	Jul-04	Sep-07	11x
002176 CS	Jiangxi Special Electric Motor	Cap Goods	May-20	Aug-21	19x	694 HK	Beijing Capital International Airport	Transportation	Oct-02	Sep-07	11x
002371 CS	NAURA Technology	Semis	May-17	Jul-21	19x	1193 HK	China Resources Gas	Utilities	Oct-08	Apr-13	11x
603185 CG	Shangji Automation	Cap Goods	Nov-19	Aug-21	19x	WB UW	Weibo	Media	Sep-15	Jan-18	11x
002812 CS	Yunnan Energy New Material	Materials	Jan-17	Oct-21	18x	386 HK	China Petroleum & Chemical	Energy	Nov-02	Oct-07	11x
601012 CG	LONGi Green Energy	Semis	Dec-16	Oct-21	18x	3808 HK	Sinotruk Hong Kong	Cap Goods	Jan-16	Jul-20	11x
881 HK	Zhongsheng Group	Retailing	Feb-16	Nov-20	18x	631 HK	Sany Heavy	Cap Goods	Sep-16	Aug-21	11x
2238 HK	Guangzhou Automobile	Autos	Feb-00	Jan-04	18x	ZLAB UQ	Zai Lab	Pharma	Oct-18	May-21	11x
136 HK	Ruyi Holdings	Media	Mar-20	Feb-21	18x	2669 HK	China Overseas	Real Estate	Feb-16	May-20	11x
600763 CG	Topchoice Medical	Healthcare Equip	Aug-17	Jun-21	18x	1995 HK	Ever Sunshine Lifestyle Services	Real Estate	Jan-19	Jan-21	11x
853 HK	MicroPort Scientific	Healthcare Equip	Feb-16	Jan-21	18x	2357 HK	AviChina	Cap Goods	Dec-05	Oct-10	11x
570 HK	Trad Chi Med	Pharma	Oct-08	May-13	17x	600519 CG	Kweichow Moutai	Food Bev	Jan-16	Dec-20	11x
000799 CS	Jiugui Liquor	Food Bev	Oct-18	Jun-21	17x	300223 CS	Ingenic Semiconductor	Semis	Oct-18	Jul-21	11x
900926 CG	Baosight Software	Software	Feb-00	Jun-01	17x	956 HK	China Suntien Green Energy	Energy	Dec-16	Sep-21	10x
857 HK	PetroChina	Energy	Nov-02	Oct-07	17x	300750 CS	CATL	Cap Goods	Aug-18	Nov-21	10x
002568 CS	Shanghai Bairun Investment	Food Bev	Oct-18	Jun-21	17x	002129 CS	TCL Zhonghuan	Semis	Oct-18	Jun-22	10x
601888 CG	China Tourism Group Duty Free	Retailing	Dec-16	May-21	16x	168 HK	Tsingtao Brewery	Food Bev	May-00	Oct-03	10x
1585 HK	Yadea Group	Autos	Jun-16	Jan-21	16x	002850 CS	Kedali	Autos	Oct-18	Nov-21	10x
300595 CS	Ovttek China	Healthcare Equip	Jul-17	Jun-21	16x	600436 CG	Plentzhuang Pharma	Pharma	Feb-16	Jan-21	10x
175 HK	Geely	Autos	Oct-08	Oct-10	15x	000893 CS	Asia-Potash Int'l	Materials	Jul-18	Apr-22	10x
002714 CS	Muyuan Foods	Food Bev	Jan-17	Feb-21	15x	600779 CG	Sichuan Swellfun	Food Bev	Sep-15	Aug-20	10x
300122 CS	Zhilfei Biological Products	Pharma	Jan-17	Apr-21	15x	000155 CS	Sichuan New Energy Power	Cap Goods	Jan-19	Aug-21	10x
600132 CG	Chongqing Brewery	Food Bev	Jul-16	Jun-21	15x	600346 CG	Hengli Petrochemical	Materials	Jun-16	Jan-21	10x
384 HK	China Gas	Utilities	Oct-08	Jul-13	15x	PDD UW	PDD	Retailing	Oct-18	Dec-20	10x

<sup>^</sup>based on current constituents, calculated by monthly data since 2000

Source: MSCI, FactSet, Goldman Sachs Global Investment Research

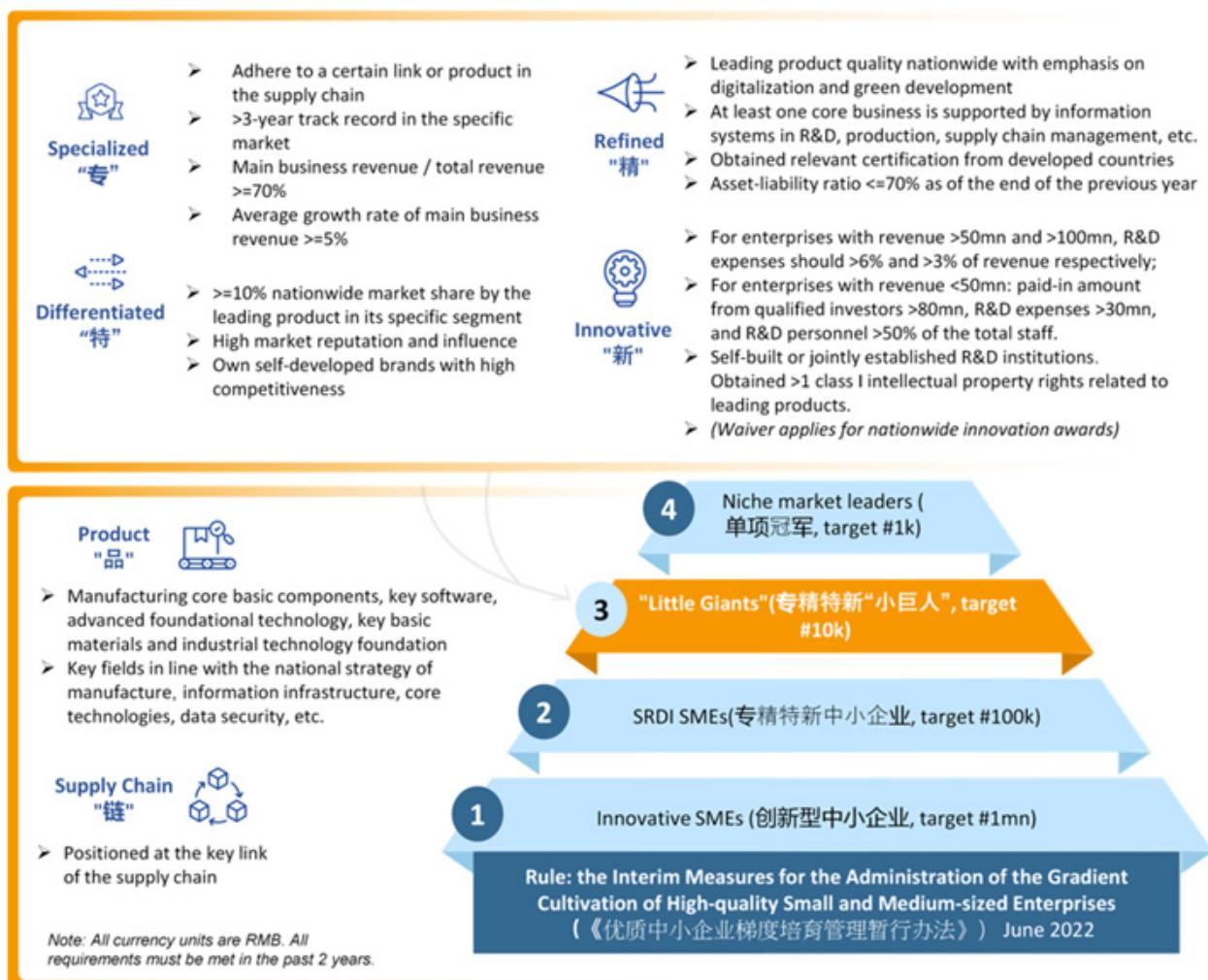
# All stars are aligned: Growing with Chinese “Little Giants”

**What are Chinese “Little Giants”?** Since 2018, the Ministry of Industry and Information Technology (MIIT) has selected more than 1mn SMEs and/or emerging companies concentrated in the Technology and Industrial sectors as strategic development focuses by 2025. Later on, the chosen companies were further categorized into four main tiers—Innovative SMEs, SRDI (Specialized, Refined, Differentiated, Innovative) SMEs, “Little Giants” and Niche Market Leaders—depending on their size, industry positioning, business maturity, and technological competitiveness. Among the four groups, the “Little Giants” cohort seems to have received the most attention from the authorities from both the media propaganda and actual policy implementation (e.g. specific measures at the Central and Provincial government levels) standpoints. Out of the full “Little Giants” universe with a total 9119 companies as of August 2022, 703 of them (or their parent companies/main subsidiaries) are listed in A shares based on the mapping from WIND, mostly hosted by the ChiNext and STAR boards.

**Top down, listed “Little Giants” check many boxes that define the successful formula of historical multibaggers:**

- From a policy alignment perspective, **they are handpicked by the Chinese authorities for explicit and comprehensive policy support**, spanning administrative measures, easier access to capital markets, to tax incentives and direct subsidies.
- Sectorally, the listed “Little Giants” mainly reside in Cap Goods, (new) Materials, Tech Hardware, and Semi, all of which are **critical to Chinese national security**, growth sustainability, and supply chain stability, in our view.
- Thematically, they are well synced with, and are essential building blocs to, **the “Common Prosperity” vision** considering their sector exposures/composition according to our “Common Prosperity” framework.
- In terms of market attributes, the listed “Little Giants” carry a strong **small/mid-cap flavor** in the context of A shares, averaging Rmb7.6bn/US\$1.1bn of listed market cap, but with **a reasonably strong liquidity profile** of US\$16mn of ADT.
- Fundamentally, they realized 22% top-line and 21% of bottom-line growth in the past 2 years on a median basis, and are expected by Wind consensus to **generate 35% EPS CAGR** in the next 2 (2022-2024E) years vs. 21% by CSI300. Their historical profit growth track record may not appear as strong as their STAR and ChiNext peers, but they have similar profitability, ROE, and R&D statistics. They on average trade over 21x fP/E on Wind consensus earnings (15x for CSI300), but **look attractively priced** when their growth potential is taken into consideration, boasting a PEG ratio of merely 0.6x.

**Exhibit 20: "Little Giants" are handpicked by Chinese authorities for policy support, and appear strategically important to China in terms of its growth sustainability and national security**



4 Rounds  
9119 "Little Giants"



Announced by	Area	Policy Support	Period
MINISTRY OF FINANCE THE PEOPLE'S REPUBLIC OF CHINA	Fiscal	Subsidize RMB 6mn each (2mn each year) by national government; extra RMB 0.2-2mn by local government; Preferential tax policy (vary at local level): lower VAT, profit tax; tax deduction by R&D expenditure	Valid for 3 years (eligible for extension for 3 more years upon review)
STATE TAXATION ADMINISTRATION OF THE PEOPLE'S REPUBLIC OF CHINA	Financing	Broaden financing channels for SMEs, and prepare high-quality ones for IPOs	
MIIT 工信部	Resource Allocation	Leverage market mechanism to allocate technology, human capital and data to these "Little Giants"	
CHINA BANKING AND INSURANCE REGULATORY COMMISSION	Regulation	Lower barriers to entry by streamlining administrative and regulatory power	
中国人民银行 THE PEOPLE'S BANK OF CHINA	Digitalization	Implement special action plans to enhance SMEs' ability to use digital and design resources	
NRDC 发改委	Public Service	Support service agencies to develop service projects for innovative "Little Giant" enterprises, and conduct extensive management consulting and talent training	

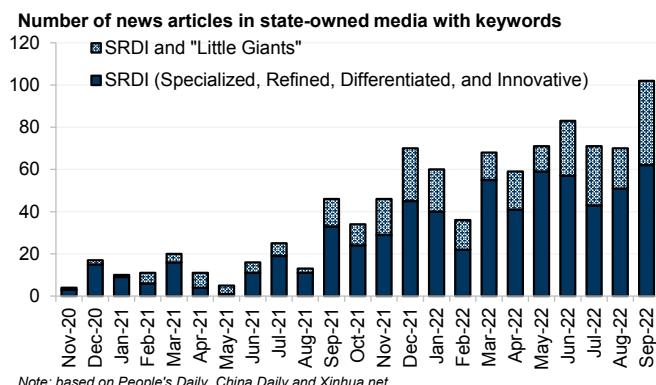
Source: Wind, MoF, STA, MIIT, Data compiled by Goldman Sachs Global Investment Research

### Exhibit 21: Case studies: Policy support to Little Giants in Zhejiang and Guangdong

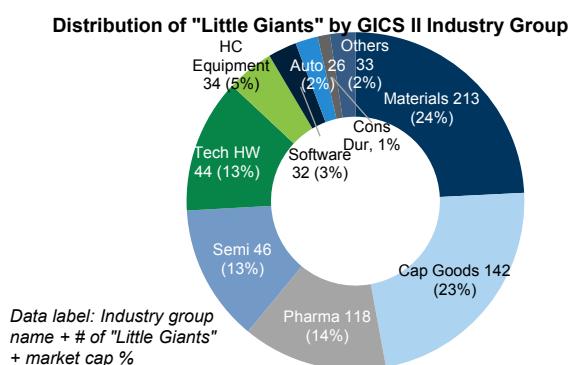
	Zhejiang	Guangdong
Fiscal	An one-off extra reward of <b>RMB 0.5-1mn</b>	An one-off extra reward of <b>RMB 2mn</b>
Financing	The "Zheke Loan" provided Little Giant enterprises with an <b>increase of &gt;30%</b> on the mortgage-free guaranteed loan amount, an increase of the loan period for <b>&gt;1 year</b> , and with the <b>best loan interest rate</b>	Proportion of the "little giant" enterprises obtaining loans reached <b>74.3%, 30% higher</b> than other enterprises
Resource Allocation	Talents in the Little Giant Enterprise can apply for the senior professional <b>titles</b> and will be provided supports in <b>housing</b> and children's <b>education</b>	Each "Little Giant" enterprise in Guangdong will own <b>2 quotas for talents</b> on an one-time <b>RMB 100,000</b> reward
Digitalization	Establish <b>pilot programs</b> for digital transformation. Each service platform should complete the digitalization for <b>&gt;10 pilot enterprises within a year</b>	Guangzhou gives <b>30% direct subsidy</b> for the digital transformation costs of Little Giant enterprises
Public Service	Zhejiang University has set up a number of "Little Giant" talents cultivation and promotion projects	Guangzhou has spent > <b>RMB 3 mn</b> every year to purchase <b>professional consulting services</b> for enterprise development since 2020

Source: Government websites, Data compiled by Goldman Sachs Global Investment Research

### Exhibit 22: Media/policy emphasis on SRDI SMEs, notably "Little Giants", has been on a rise

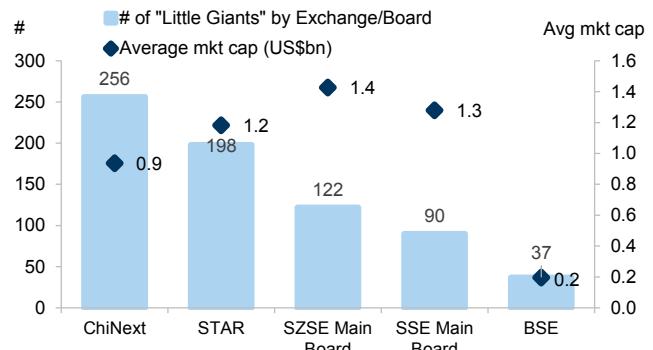


### Exhibit 24: Sectorally, "Little Giants" are mainly concentrated in (New) Materials, Cap Goods, Hardware Tech, and Semi



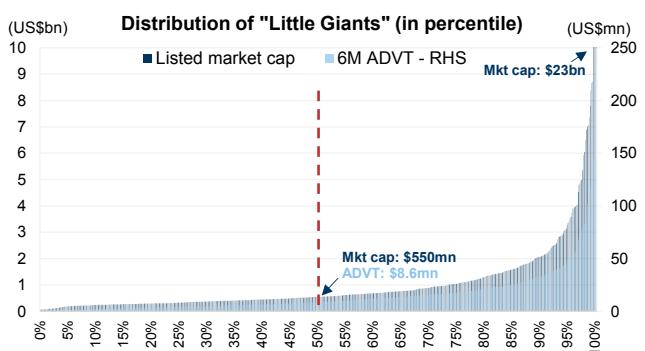
Source: Wind, FactSet, Goldman Sachs Global Investment Research

### Exhibit 23: Many "Little Giants" are listed on ChiNext, followed by the STAR Board



Source: Wind, FactSet, Goldman Sachs Global Investment Research

### Exhibit 25: Many "Little Giants" are small/mid caps and have relatively thin liquidity at the tail end



Source: Wind, FactSet, Goldman Sachs Global Investment Research

**Exhibit 26: "Little Giants" are expected by WIND consensus to deliver similar profit growth as their ChiNext and STAR peers in the next 2 years**

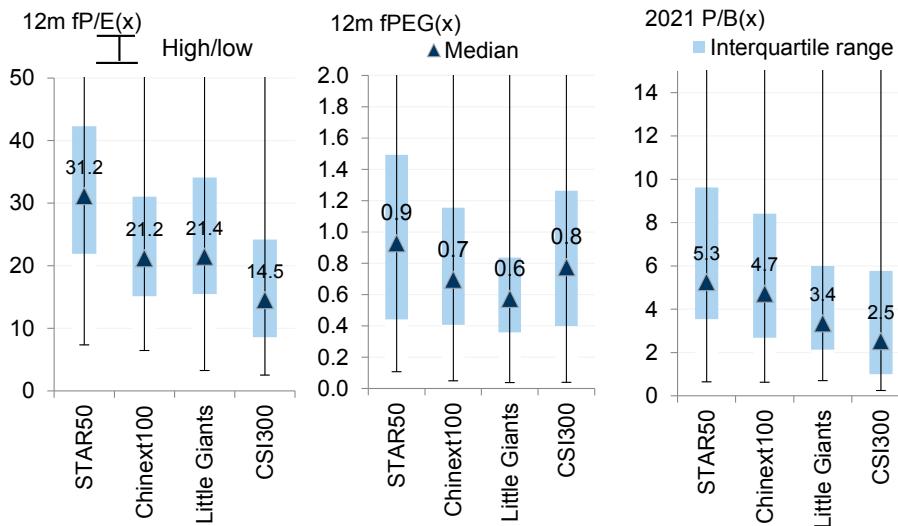
**Fundamental Metric Comparison (based on median level of constituents)**

		"Little Giants"	STAR50	Chinext100	CSI300
# of stocks		703	50	100	300
Revenue growth (yoY)	2020	16%	31%	27%	14%
	2021	28%	51%	33%	24%
Earnings growth (yoY)	2020	26%	76%	37%	20%
	2021	16%	49%	35%	24%
	2022E	36%	42%	31%	12%
	2023E	38%	41%	30%	23%
	2024E	31%	33%	26%	19%
Capex growth (yoY)	2020	30%	41%	39%	15%
	2021	56%	94%	64%	26%
R&D Intensity	2020	5.6%	8.7%	6.0%	3.1%
	2021	5.7%	9.0%	6.0%	3.0%
Profit margin	2020	15%	17%	18%	15%
	2021	14%	18%	18%	16%
ROE	2020	11%	10%	14%	12%
	2021	10%	11%	15%	12%

<sup>^</sup>Values higher than peers are highlighted in green; earnings growth estimates based on Wind consensus forecasts (median level of constituents with data available).

Source: Wind, Goldman Sachs Global Investment Research

**Exhibit 27: "Little Giants" are trading on lower PE and PB relative to ChiNext and STAR stocks**



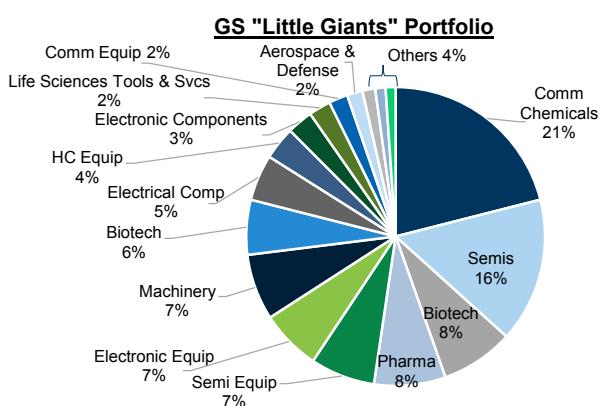
based on median level of constituents

Source: Wind

# Introducing GS “Little Giants” Portfolio (GSSRCNLG)

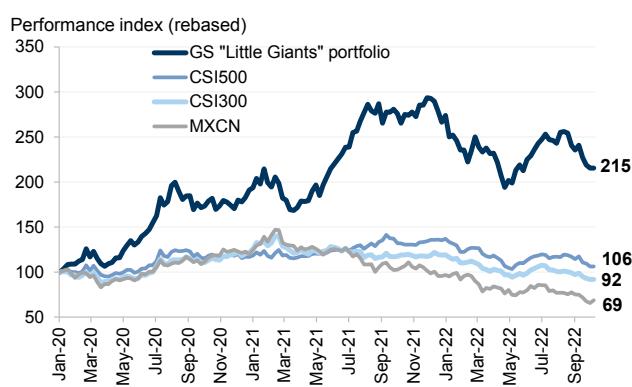
- While the “Little Giants” story seems compelling to us and could be a major source of potential alpha generation in the years to come, **it might not be a practical theme for some investors** given its broad universe (703 stocks, 57 sub-industries), small/mid cap bias, limited sell-side footprint, and other corporate governance concerns (e.g. accounting standards, ESG compliance).
- As such, we leverage **various top-down growth, valuation, and R&D parameters**, corporate-governance related considerations such as the breadth of **sell-side coverage** and **management incentive plans**, and accessibility factors (ADT and Northbound eligibility) to distill the broad theme into a more confined universe.
- The above conditions allow us to screen for **40 names (all Northbound Connect eligible) from 17 sub-industries and form our GS “Little Giant” Portfolio (GSSRCNLG)**, of which 13 are covered by our equity analysts. Sectorally, 85% of the basket weights are concentrated in Tech (Hardware), Materials, and Health Care. It has an aggregate/average market cap of US\$180bn/4.5bn and ADT of US\$2bn/61mn, trades on 25x fP/E and 0.8x fPEG, and is expected by IBES consensus to grow earnings by 36% CAGR over the next 2 years. While its absolute valuations look high, the portfolio is trading on all-time lows in fP/E and fPEG terms, both at -2.1 s.d. to their respective historical means.
- Our back-test shows that the basket has gained 115% since 2020, significantly outperforming CSI500, CSI300, and MSCI China by 109pp, 123pp, and 146pp respectively. It has demonstrated a beta of 1.1 to CSI500, but only 1.0 to CSI300/ChiNext and 0.8 to STAR, suggesting that it could be **an effective vehicle to buy Growth in China without taking excessive beta risk**.

**Exhibit 28: The constituents spread across 17 sub-industries, with a strong “Hard Tech” flavor**



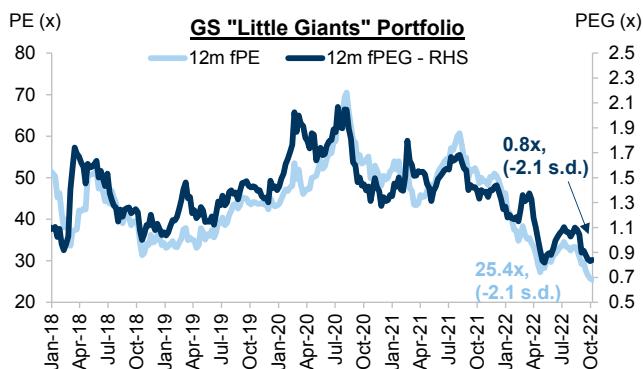
Source: Wind, FactSet, Goldman Sachs Global Investment Research

**Exhibit 29: The basket has gained 115% since 2020, outperforming CSI500, CSI300 and MXCN by 109pp, 123pp and 146pp respectively**



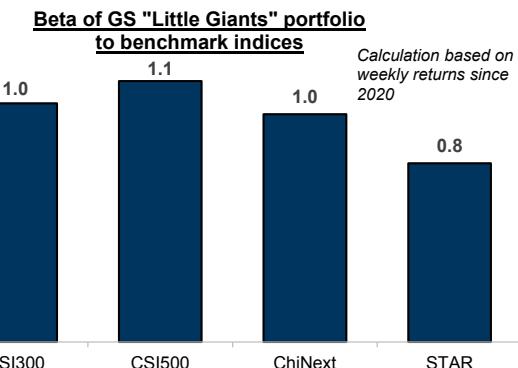
Source: Wind, FactSet, Goldman Sachs Global Investment Research

**Exhibit 30: The basket is trading at historically low valuations in both PE and PEG terms**



Source: Wind, FactSet, Goldman Sachs Global Investment Research

**Exhibit 31: The basket has been less volatile compared with ChiNext and STAR**



Source: Wind, FactSet, Goldman Sachs Global Investment Research

**Exhibit 32: The constituents of our Little Giants Basket (GSSRCNLG)**

Ticker	Name	GICS Sub-Industry	Basket weight <sup>a</sup>	Top 50 (on avg %ile ranking)			Management incentive plans <sup>^^</sup>	Analyst coverage (IBES)	Listed Mkt Cap (US\$b)	6M ADVT (US\$mm)	23E PE (x)	22E PEG (x)	2022-24E EPS CAGR (%)
				R&D intensity (past 3y avg)	Revenue CAGR (2021-23E)	ROE (past 3y avg)							
<b>"Little Giants" Portfolio</b>													
002812 CS	Yunnan Energy New Material	Commodity Chemicals	5.0%	5%	51%	18%	✓	28	21.9	188	22	0.7	39
002049 CS	Unigroup Guoxin Microelectronics	Semiconductors	5.0%	15%	32%	20%	✓	16	17.3	191	30	1.1	35
603659 CG	Putalai New Energy Technology	Specialty Chemicals	5.0%	5%	51%	13%	✓	17	10.9	99	18	0.7	36
688063 CG	Pylon Technologies	Electrical Components & Equipment	5.0%	7%	109%	11%	✓	10	8.7	138	36	0.6	81
300142 CS	Walvax Biotechnology	Biotechnology	5.0%	17%	35%	7%	✓	6	8.2	142	32	0.9	37
603290 CG	StarPower Semiconductor	Semiconductors	5.0%	7%	48%	14%	✓	22	7.8	116	53	2.1	36
603185 CG	Wuxi Shangji Automation	Industrial Machinery	4.9%	4%	81%	27%	✓	4	7.4	188	10	0.2	42
002821 CS	Asynchem Laboratories	Pharmaceuticals	4.5%	8%	52%	16%	✓	20	6.7	139	19	6.3	9
300661 CS	SG Micro	Semiconductors	4.5%	17%	41%	25%	✓	21	6.7	77	35	1.4	32
300769 CS	Shenzhen Dynanonic	Commodity Chemicals	4.3%	5%	141%	26%	✓	14	6.4	123	19	1.0	26
300699 CS	Weihai Guangwei Composites	Commodity Chemicals	4.0%	11%	17%	18%	✓	12	6.1	56	35	1.7	24
688301 CG	Iray Technology	Health Care Equipment	3.6%	14%	28%	13%	✓	8	5.3	26	45	1.6	32
300604 CS	Changchuan Technology	Semiconductor Equipment	3.2%	24%	58%	7%	✓	7	4.9	65	44	1.3	45
002414 CS	Wuhan Guide Infrared	Electronic Equipment & Instruments	2.9%	15%	16%	17%	✓	6	4.3	61	21	1.0	23
688598 CG	KBC Corp. Ltd. Class A	Commodity Chemicals	2.6%	8%	28%	22%	✓	12	4.0	61	31	1.2	33
688188 CG	Shanghai Friendless Electronics	Electronic Equipment & Instruments	2.6%	13%	21%	17%	✓	10	3.9	16	32	1.2	33
300357 CS	Wolvo Bio-Pharmaceutical	Pharmaceuticals	2.4%	11%	21%	22%	✓	10	3.6	18	49	2.3	28
603127 CG	Jiann Laboratories	Life Sciences Tools & Services	2.4%	5%	33%	20%	✓	15	3.6	51	29	1.3	30
300487 CS	Sunresin New Materials	Commodity Chemicals	2.3%	6%	46%	18%	✓	4	3.4	30	34	1.2	29
688200 CG	Huafeng Test & Control Technology	Semiconductor Equipment	1.9%	13%	31%	14%	✓	18	2.9	41	25	1.0	34
300777 CS	Sinofibers Technology	Commodity Chemicals	1.9%	9%	72%	18%	✓	5	2.8	45	30	1.1	35
003031 CS	Hebei Sinopack Electronic Technology	Electronic Components	1.9%	13%	33%	10%	✓	6	2.8	24	82	2.7	34
688019 CG	Anji Microelectronics Technology	Semiconductor Equipment	1.8%	21%	44%	13%	✓	8	2.7	31	61	2.3	43
300775 CS	Xi'an Triangle Defense	Aerospace & Defense	1.7%	4%	36%	15%	✓	5	2.5	41	21	0.8	35
300035 CS	Human Zhongke Electric	Industrial Machinery	1.4%	6%	85%	11%	✓	8	2.2	82	13	0.3	56
688696 CG	Chengdu Xigimi Technology	Consumer Electronics	1.4%	5%	25%	34%	✓	14	2.1	32	17	0.7	31
300613 CS	Fulham Microelectronics	Semiconductors	1.2%	20%	34%	12%	✓	7	1.8	43	18	0.7	29
300767 CS	QuakeSafe Technologies	Construction Materials	1.1%	3%	105%	11%	✓	9	1.7	21	25	0.5	82
300841 CS	Kanghua Biological Products	Biotechnology	1.1%	5%	43%	28%	✓	7	1.6	24	9	0.3	37
300567 CS	Wuhan Jingjue Electronic	Electronic Equipment & Instruments	1.1%	16%	9%	14%	✓	7	1.6	26	32	1.3	59
688016 CG	MicroPort Endovascular MedTech	Health Care Supplies	1.1%	17%	30%	20%	✓	6	1.6	23	20	0.7	34
300638 CS	Fibocom Wireless, Inc.	Communications Equipment	1.1%	11%	33%	21%	✓	13	1.6	20	15	0.6	28
300394 CS	Suzhou TFC Optical Communication	Communications Equipment	1.0%	10%	26%	18%	✓	14	1.5	25	20	0.9	27
300653 CS	Yantai Zhenghai Bio-Tech	Biotechnology	0.9%	8%	23%	21%	✓	4	1.4	19	33	1.2	42
300481 CS	Puyang Huicheng Electronic Material	Specialty Chemicals	0.9%	7%	21%	18%	✓	6	1.4	45	21	1.2	23
002810 CS	Shandong Head Group	Commodity Chemicals	0.9%	4%	35%	22%	✓	5	1.4	32	13	0.4	35
300811 CS	POCO Holding	Electronic Components	0.9%	6%	38%	13%	✓	5	1.3	13	33	1.0	41
300401 CS	Zhejiang Garden Bio-chemical High-tech	Pharmaceuticals	0.9%	6%	34%	17%	✓	4	1.3	33	13	0.5	34
300685 CS	Amoy Diagnostics	Biotechnology	0.9%	16%	18%	18%	✓	7	1.3	12	24	1.6	24
603666 CG	Yijiahe Technology	Industrial Machinery	0.8%	13%	27%	22%	✓	4	1.2	21	11	0.5	22
Average			10%	43%	17%			4.5	61	28	1.2	36	
Aggregate								180	2,435	24	0.6	34	

Notes: Prices as of Sep 30, 2022; Valuation items are I/B/E/S consensus. Stocks that are not eligible for Northbound Stock Connect have been excluded. <sup>a</sup>Basket is market cap-weighted while weights of individual stocks are capped at 5%. <sup>^^</sup>Indicates companies have conducted management incentive plans since 2016

Source: Wind, FactSet, IBES, Goldman Sachs Global Investment Research

# Appendix

**Exhibit 33: Policy focuses are evolving in China as the economy grows, as exemplified by the four 5-Year Plans in the past 2 decades**

	Time period	Major objective		Key targets		Realized GDP growth and unemployment rate
Tenth Five-Year Plan	2001–2005	To build a relatively complete social security system and make significant progress in establishing a modern enterprise system in state-owned enterprises.	Quantitative	<ul style="list-style-type: none"> <li>- Average annual GDP growth at 7%</li> <li>- Registered urban unemployment rates at 5%</li> <li>- Per capita disposable income of residents increase by 5% annually</li> <li>- Raise R&amp;D funding to 1.5% of GDP</li> </ul>	✓ ✓ ✓ X	Realized annual GDP growth: 9.8% Realized registered urban unemployment rate: 4.2%
			Qualitative	<ul style="list-style-type: none"> <li>- Optimize and upgrade the industrial structure</li> <li>- Improve the national economy and social IT levels</li> <li>- Kick-start the operations of more infrastructure facilities</li> <li>- Raise levels of urbanization</li> <li>- Increase education enrollment rates</li> <li>- Reduce natural population growth rate</li> </ul>	-	
Eleventh Five-Year Plan	2006–2010	Optimize and upgrade the industrial structure and improve resource utilization.	Quantitative	<ul style="list-style-type: none"> <li>- Average annual GDP growth at 7.5%</li> <li>- Urbanization rate up to 47% in 2010</li> <li>- Registered urban unemployment rates at 5%</li> <li>- Per capita disposable income of residents increase by 5% annually</li> <li>- Raise R&amp;D funding to 2% of GDP</li> </ul>	✓ ✓ ✓ ✓ X	Realized annual GDP growth: 11.2% Realized registered urban unemployment rate: 4.1%
			Qualitative	<ul style="list-style-type: none"> <li>- Quality growth with focus on "greener" GDP</li> <li>- Balancing growth and developing rural/inland economies</li> <li>- Preferring domestic demand over trade</li> <li>- Further transition into a full market-based economy</li> </ul>	-	
Twelfth Five-Year Plan	2011–2015	Increase input in education and science and technology and set goals for environmental protection.	Quantitative	<ul style="list-style-type: none"> <li>- Average annual GDP growth at 7%</li> <li>- Urbanization rate increase by 4%</li> <li>- Registered urban unemployment rates at 5%</li> <li>- Per capita disposable income of residents increase by 7% annually</li> <li>- Raise research and development funding to more than 2.2% of GDP</li> </ul>	✓ ✓ ✓ ✓ X	Realized annual GDP growth: 7.8% Realized registered urban unemployment rate: 4.1%
			Qualitative	<ul style="list-style-type: none"> <li>- Urbanization</li> <li>- Household income increases</li> <li>- Housing reform</li> <li>- Income redistribution and public service provision</li> </ul>	-	
Thirteenth Five-Year Plan	2016–2020	Doubling income goal; Use innovation to drive development.	Quantitative	<ul style="list-style-type: none"> <li>- Average annual GDP growth at 6.5%</li> <li>- The value added of service increase to 56%</li> <li>- Registered urban unemployment rates at 5%</li> <li>- Technological progress contribute to &gt;60% of economic growth</li> <li>- Raise research and development funding to more than 2.5% of GDP</li> </ul>	X X ✓ ✓ X	Realized annual GDP growth: 6.7% (2019) Realized registered urban unemployment rate: 3.8%
			Qualitative	<ul style="list-style-type: none"> <li>- Encourage people to do business creatively and drive innovation</li> <li>- Made in China 2025</li> <li>- Economy needs a Rule of Law"</li> <li>- National defense reform</li> <li>- New national Urbanization</li> </ul>	-	
Fourteenth Five-Year Plan	2021–2025	Strengthen the domestic circulation; Make progress on the common prosperity	Quantitative	<ul style="list-style-type: none"> <li>- Registered urban unemployment rates at 5.5%</li> <li>- The added value of the digital economy industry accounts for 10% of GDP</li> <li>- Raise research and development funding growth to more than 7%</li> <li>- Comprehensive food production capacity &gt; 65mn tons</li> <li>- Comprehensive energy production capacity &gt; 460 mn tons of standard coal</li> </ul>	- - - - -	-
			Qualitative	<ul style="list-style-type: none"> <li>- Average annual GEP growth in a reasonable range</li> <li>- Keep the manufacturing industry proportion stable</li> <li>- Ensure the disposable income growth broadly in line with GDP</li> <li>- Make the reform of the property rights system and fair competition system more complete</li> </ul>	-	

Note: Target data that is not available for fourteenth five-year plan is marked with "-".

Source: Xinhua.net, Reuters, Data compiled by Goldman Sachs Global Investment Research



**Exhibit 35: Distribution of multi-baggers by starting year & sector**

Starting Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Cyclicals	Capital Goods	-	-	-	-	-	2	1	-	1	-	-	-	-	-	3	-	4	2	1	14	
	Transportation	-	-	3	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	4	
	Autos & Components	1	-	-	-	-	1	-	2	-	-	-	-	-	-	1	-	3	1	-	9	
	Consumer Durables	-	-	-	-	-	-	-	1	-	-	-	-	-	-	2	1	-	1	-	5	
	Consumer Services	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	2	
	Commercial Services	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	
	Retailing	-	-	-	-	-	-	-	-	-	-	1	-	-	-	3	-	1	-	-	5	
	Software & Services	1	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	3	
	Media & Entertainment	-	1	-	-	-	1	1	-	-	1	-	-	-	-	1	-	-	1	-	7	
	Tech Hardware	-	-	1	-	-	-	-	1	-	-	1	1	-	-	-	-	-	1	-	-	5
Financials	Semiconductors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	4	4	-	-	10	
	Energy	1	-	2	2	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	6	
	Materials	-	-	3	-	1	-	1	-	3	-	-	-	-	-	3	2	5	1	-	19	
	Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
	Diversified Financials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
	Insurance	-	-	-	-	2	1	-	-	-	-	-	-	-	-	-	-	-	-	-	3	
	Real Estate	-	-	1	2	-	-	-	-	-	-	-	-	-	1	-	1	-	1	-	6	
	Telecom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	
	Food & Beverage	1	-	-	-	-	1	-	-	1	-	-	-	-	-	1	3	3	2	-	12	
	Pharma & Biotech	1	-	-	-	-	-	-	-	1	-	-	-	-	-	3	4	1	1	-	11	
Defensives	Utilities	1	-	2	-	-	1	-	2	-	-	-	-	-	-	-	-	-	-	-	6	
	Health Care Equip & Svcs	-	-	-	-	1	-	-	-	-	-	-	-	-	-	1	3	-	-	-	5	
	Household Products	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	
	Total	6	1	13	5	3	8	4	0	12	1	0	1	2	2	1	2	24	18	22	7	2

Source: MSCI, FactSet, Goldman Sachs Global Investment Research

**Exhibit 36: Distribution of multi-baggers by ending year & sector**

Ending Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Cyclicals	Capital Goods	-	-	-	-	-	-	1	2	-	-	1	-	-	-	-	-	-	-	1	9	-	14
	Transportation	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4
	Autos & Components	-	-	-	1	-	-	-	2	-	-	1	-	-	-	-	-	-	-	4	1	1	9
	Consumer Durables	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	4	-	5	
	Consumer Services	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-	-	2
	Commercial Services	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
	Retailing	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	3	1	-	5	
	Software & Services	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	2	-	3
	Media & Entertainment	-	-	-	-	1	-	1	-	1	-	1	-	-	-	-	1	-	-	2	-	7	
	Tech Hardware	-	-	-	-	-	1	-	-	-	1	-	-	1	1	-	-	-	-	1	5	-	10
Financials	Semiconductors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	8	1	10
	Energy	-	-	-	3	4	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	6	
	Materials	-	-	-	-	-	5	-	1	-	2	-	-	-	-	-	-	-	-	10	1	1	19
	Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	Diversified Financials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	Insurance	-	-	-	-	-	2	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	3
	Real Estate	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	1	1	1	-	6		
	Telecom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	Food & Beverage	-	1	-	-	-	-	-	1	-	1	-	-	-	-	-	3	6	-	12			
	Pharma & Biotech	-	-	-	-	1	-	-	-	-	-	1	-	-	-	-	-	1	8	-	11		
Defensives	Utilities	-	-	-	1	-	-	2	1	-	-	-	-	2	-	-	-	-	-	-	-	-	6
	Health Care Equip & Svcs	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	4	-	5	-	1
	Household Products	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
	Total	1	0	1	2	2	1	23	1	5	5	4	0	7	1	1	1	2	2	1	11	59	4

Source: MSCI, FactSet, Goldman Sachs Global Investment Research

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