

# INVESTOR'S BUSINESS DAILY

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## MUTUAL FUNDS

### MUTUAL FUND PROFILE

# Goldman Sachs Fund Aims For Quality

## In Top 6% Of Peers

Growth Opportunities' managers seek stocks at attractive valuations

BY PAUL KATZEFF

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It's all in the execution. Like a lot of funds, Goldman Sachs Growth Opportunities aims for quality stocks at attractive valuations.

For this \$1.7 billion portfolio<sup>GGOAX</sup>, the hunt is going well this year. It is up like a Roman candle, boasting a 26.37% gain going into Thursday. That puts Growth Opportunities in the top 6% of funds in 2009.

That is ahead of the 15.62% averaged by its mid-cap growth rivals tracked by Morningstar. The S&P 500's gain is 5.28%.

Its recent leap has helped the fund erase much of last year's 40.2% decline. Over the past three years, the fund's average annual return is -0.55% vs. -6.41% by its peers and -7.13% for the S&P 500.

To the fund's managers, high quality means companies that are industry leaders with high readings in several metrics: recurring revenue, return on invested capital, sustainable free cash flow and pricing power.

Those tend to translate into sustainable long-term growth rates, says Steven Barry, who runs the fund with David Shell.

And buying a stock at an attractive valuation is important, Barry says. It gives the value of a company's earnings more room to grow. "When we buy growth, we can use compounding to create wealth," Barry said.

A low buy price also helps cushion the fund from market volatility.

One example was **Equinix**<sup>EQIX</sup>, which the fund bought several times last year, including around its Nov. 21 low of 32.72. Shares then traded at less than half their current multiple of around 10 to 12 times what the fund calls sustainable free cash flow.

The company, a top holding as of the fund's latest disclosure, provides global data-center services. Equinix was among companies that investors sold off as the credit crisis of late 2008 unfolded. Investors were wary of companies they saw as dependent on heavy borrowing. In Equinix's case, Barry and Shell disagreed with that rejection.

### Global Growth

Equinix was using leverage to finance expansion of its data centers globally, Barry says. And as a leader in its field, Equinix's facilities were generating strong free cash flow. Many of its customers had contracts with price escalators.

The company has posted two quarters of accelerating triple-digit EPS growth. The stock is up 36% so far this year.

## Goldman Sachs Growth Opportunities



Steven Barry

■ Max. front load: 5.50%

■ Expenses: 1.47%

Total returns as of 6/10/09

2008: -40.20% 3-yr. avg.: -0.55%

YTD: 26.37% 5-yr. avg.: 2.11%

10-yr. avg.\*: 8.27%

Source: Morningstar Inc.

\* as of 5/31/09

### Sector weightings as of 3/31/09

|                      | % of stock assets | Rel. to S&P |
|----------------------|-------------------|-------------|
| <b>Information</b>   | <b>17.89%</b>     |             |
| Software             | 5.54              | 1.30        |
| Hardware             | 6.99              | 0.67        |
| Media                | 0.09              | 0.03        |
| Telecom              | 5.27              | 1.52        |
| <b>Service</b>       | <b>53.59</b>      |             |
| Health care          | 20.43             | 1.47        |
| Consumer services    | 12.86             | 1.55        |
| Business services    | 10.44             | 2.11        |
| Financial services   | 9.86              | 0.72        |
| <b>Manufacturing</b> | <b>28.53</b>      |             |
| Consumer goods       | 8.51              | 0.85        |
| Industrial materials | 10.67             | 0.94        |
| Energy               | 9.35              | 0.71        |
| Utilities            | 0.00              | 0.00        |

**CME Group**<sup>CME</sup> was a top buy as of the fund's latest disclosure.

CME runs the world's largest futures and options exchanges. Shares have skyrocketed 60% so far this year.

In their first-quarter commentary, managers Barry and Shell said, "We have high conviction in CME Group and believe its vertically integrated clearinghouse and exchanges as well as its unique product offering is a competitive advantage."

Furthermore, they believe CME's over-the-counter clearing business, Clearport, is a significant growth opportunity as it meets its customers' demands for more transparency and less counterparty risk.

**Amphenol**<sup>APH</sup> was another top holding in the latest disclosure. The maker of electrical and electronic components was up 37% so far this year.

It is closing in on doubling off its Nov. 21 intraday low of 18.38 as it builds the right side of a base.

Strength in sales in global wireless communications, aerospace and defense made up for weakness in sales to the automotive and communications equipment markets, Barry says.

Further, the company knows its job is to create shareholder wealth. "Its headquarters in Wallingford, Conn., are not palatial," Barry said. "They focus on keeping costs low."

**Coach**<sup>COH</sup> is up 35% so far this year.

The retailer of leather handbags and accessories is in relatively stable financial shape. Sales have slipped 2% and 1% the past two quarters, but that's better than many rivals.

The company uses cash flow and cash on hand to finance expansion in markets such as China, Barry says.

**FOR MORE INFORMATION ON THE GOLDMAN SACHS GROWTH OPPORTUNITIES FUND, PLEASE CONTACT YOUR INVESTMENT PROFESSIONAL.**

**Goldman Sachs Growth Opportunities Fund - Standardized Total Returns & Expense Ratios  
(includes 5.5% maximum sales charge for Class A shares) for the quarter ending June 30, 2009**

|                | 1 Year  | 5 Years | 10 Years | Since Inception | Current Expense Ratio (net) | Expense Ratio Before Waiver (gross) |
|----------------|---------|---------|----------|-----------------|-----------------------------|-------------------------------------|
| Class A Shares | -27.57% | 0.10%   | 7.01%    | 7.56% (5.24.99) | 1.38%                       | 1.47%                               |
| Class I Shares | -23.04% | 1.63%   | 8.04%    | 8.58% (5.24.99) | 0.98%                       | 1.07%                               |

These figures and the figures in the accompanying report represent past performance. Past performance does not guarantee future results. The Fund's investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted above. Please visit [www.goldmansachsfunds.com](http://www.goldmansachsfunds.com) to obtain the most recent month-end returns.

The Standardized Total Returns are average annual total returns or cumulative total returns (only if the performance period is one year or less) as of the most recent calendar quarter-end. They assume reinvestment of all distributions at net asset value. These returns reflect a maximum initial sales charge for Class A shares. Because Institutional shares do not involve a sales charge, such a charge is not applied to the standardized total returns.

The expense ratios of the funds, both with and without waivers and expense limitations, are as set forth above. The waivers and expense limitations are voluntary and may be modified or terminated at any time at the option of the Investment Adviser. If this occurs, the expense ratio may increase without shareholder approval.

The Growth Opportunities Fund invests in U.S. equity investments with a primary focus on mid-cap companies. The Fund is subject to market risk so that the value of the securities in which it invests may go up or down in response to the prospects of individual companies, particular industry sectors and/or general economic conditions. The securities of mid-capitalization companies involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements.

The Fund may invest in foreign securities, which may be more volatile and less liquid than investment in U.S. securities and will be subject to the risks of currency fluctuations and sudden economic or political developments. At times, the Fund may be unable to sell certain of its portfolio securities without a substantial drop in price, if at all.

The Fund may participate in the Initial Public Offering (IPO) market, and a portion of the Fund's returns consequently may be attributable to its investment in IPOs. The market value of IPO shares may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, and the small number of shares available for trading and limited information about the issuer. When a fund's asset base is small, IPOs may have a magnified impact on the fund's performance. As a fund's assets grow, it is probable that the effect of the fund's investment in IPOs on its total returns may not be as significant, which could reduce the fund's performance.

**Percentage weight of Holdings referenced in the article as of 6/30/09:**

Equinix Inc (2.8%); CME Group Inc (0.75%); Amphenol Corp (1.97%); Coach Inc (2.2%)

This piece must be accompanied by the fund fact card for 9/30/2009 if used after 10/1/2009.

**A prospectus for the Fund containing more complete information may be obtained from your authorized dealer or from Goldman, Sachs & Co. by calling 1-800-526-7384. Please consider a fund's objectives, risks, and charges and expenses, and read the prospectus carefully before investing. The prospectus contains this and other information about the Fund.**

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