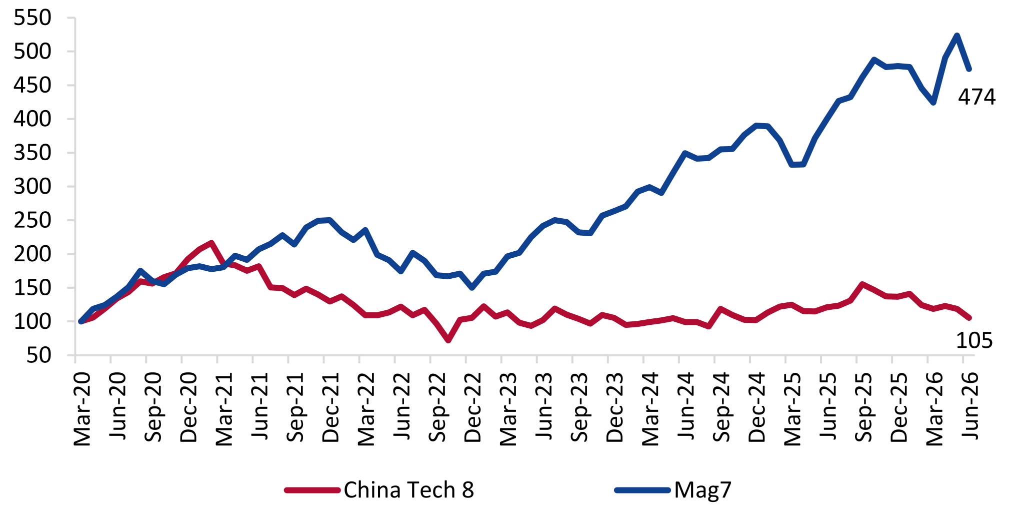
MAG 7 vs China Tech 8: The AI Premium vs The Value Discount

Investment Thesis: MAG 7 and China Tech 8 offer two structurally different paths to tech returns i.e., MAG7 trades at a premium (~23x forward P/E), reinvesting aggressively into AI infrastructure and platforms for earnings visibility and monetization upside, while China Tech 8 trades at roughly half that multiple (~10x) with a rising dividend yield (toward 3.2% within two years) and rerating potential if China's policy and macro backdrop improve.

PRICE PERFORMANCE

Indexed total price performance (Mar 2020 = 100)



+116%
China Tech 8 peaked from Mar 2020 to Feb 2021.

+374%
MAG7 from Mar 2020 to June 2026 (index ~474)

+5%
China Tech 8 from Mar 2020 to June 2026 (index ~105)

WHAT HAPPENED, AND WHY MAG7 LEADS NOW?

2020 to 2021

China Tech 8 led the rebound

- Rapid digital adoption across e-commerce, gaming, food delivery and fintech drove a sharp post-COVID rally.
- China Tech 8 was up about 116% by from Mar 2020 to Feb 2021 versus 77% for MAG7 during the same period.
- Chinese tech firms were seen as high-growth opportunities driven by scale, market size, and monetisation potential.

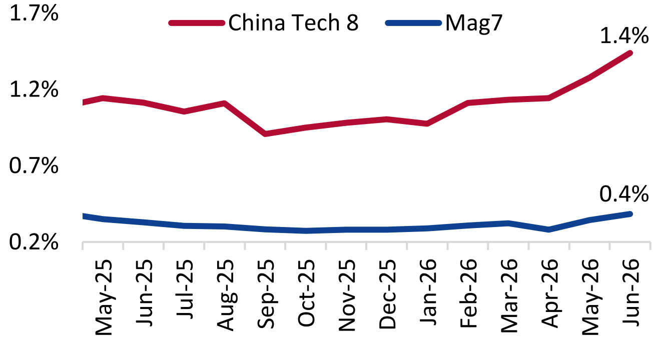
2023 onward

Why MAG7 leads today

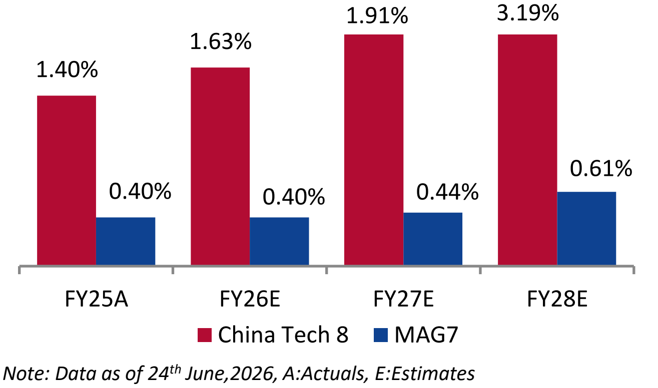
- The AI investment cycle rerated NVIDIA, Microsoft, Alphabet, Amazon and Meta from 2023.
- Leadership is backed by over 35% of S&P 500 market cap, about 25% of its earnings.
- Combined Mag7 2026 capex now exceeding $700bn to $725bn, up from earlier guidance of roughly $300bn aggregate.

DIVIDEND YIELD

Trailing dividend yield (%)



Dividend yield outlook (%): actual and forward estimates



Mag 7 includes: Apple, Microsoft, Alphabet, Amazon, NVIDIA, Mera, Tesla.
China 8 includes: Baidu, NetEase, Alibaba, Tencent, JD,PDD, Xiaomi, Meituan.

Note: Data as of 24th June,2026, A:Actuals, E:Estimates

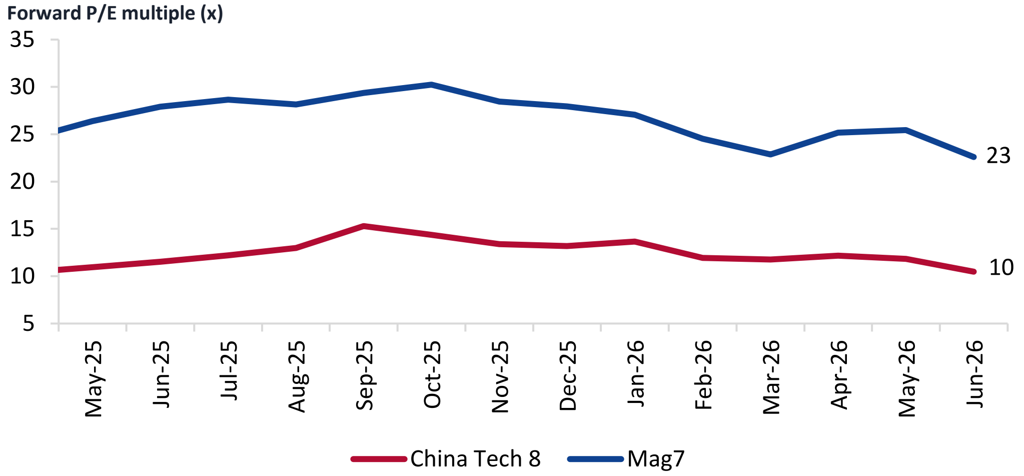
Mag 7 vs China Tech 8: The AI Premium vs The Value Discount

Two capital-allocation models

Why the yield gap is structural

- MAG7 firms reinvest aggressively into AI infrastructure, cloud and chips and favour buybacks, so payouts stay low near 0.3% despite strong earnings.
- China Tech 8 trades at lower valuations yet generates strong cash, supporting a higher yield near 1.3% to 1.9% and rising forward estimates.
- Forward estimates lift China Tech 8 toward about 3.19% by Y+2 versus about 0.61% for MAG7, widening the income advantage.
- This makes China Tech 8 relatively more appealing for income-oriented mandates, alongside its rerating optionality.

VALUATION: THE P/E GAP



~23x
MAG7 forward P/E (latest)

~10x
China Tech 8 forward P/E (latest)

>2x
MAG7 valuation premium to China Tech 8

VALUATION DIFFERENCE: MAG7 vs CHINA TECH 8

MAG7

An AI-led growth theme

- Performance reflects expectations around AI, cloud, semiconductors, platforms and software.
- Premium valuations price in strong future earnings and aggressive investment ahead of rivals.
- Heavy capex on AI infrastructure creates a timing gap before monetisation, raising valuation and bubble risk if earnings lag.

China Tech 8

A discounted value theme

- A concentrated China theme spanning internet, consumer, financials and EVs; a proxy for confidence in recovery.
- Low multiples offer a margin of safety and may already price in growth, property and regulatory concerns.
- But low valuations alone does not guarantee returns; weak demand, policy and trade risk could leave it a value trap.

The bottom line: balance, not rotation

MAG7 remains positioned around stability and long-term growth, supported by strong earnings visibility, platform leadership, and ongoing AI monetization opportunities. China Tech 8 reflects relatively lower valuations, higher dividend yields, and potential for rerating driven by policy support, domestic recovery, and improvement in foreign investor flows. However, near-term risks in China highlight the differences in market conditions and support a balanced comparison between the two segments.

Mag 7 vs China Tech 8: The AI Premium vs The Value Discount

MAG7 vs CHINA TECH 8 AT A GLANCE

Particulars	MAG7	China Tech 8
Strength	AI infrastructure and global platforms	Manufacturing AI components & EVs
Risk	Overvaluation and capex pressure	Geopolitics and weak economy
Earnings quality	Higher	Lower but improving
Valuation	Expensive	Cheap
Likely leaders	Microsoft, Alphabet, Meta	Tencent, Alibaba, BYD
Highest volatility	NVIDIA, Tesla	EVs, semiconductors
Best opportunity	AI monetisation	Valuation rerating and industrial AI

OUTLOOK ACROSS TWO HORIZONS

MAG7

- Next 12 months: Core holding; focus shifts to AI monetisation and margins.
- 2026 to 2028: Names diverge on execution; leaders Microsoft, Alphabet, Meta, Amazon.

China Tech 8

- Next 12 months: Tactical; modest upgrades can drive rerating.
- 2026 to 2028: Industrial AI in EVs, robotics and chips; highest upside if flows return.

WHICH BASKET FITS WHICH MANDATE, AND WHY?

Investor profile	View	Rationale
Defensive, capital preservation	China Tech 8	Lower valuation base and better dividend support; remain selective given China macro, policy and geopolitical risk.
Dividend, income-focused	China Tech 8	Lower valuations and stronger yield potential cushion uncertain markets and suit cash-return seekers.
Value-driven, contrarian	China Tech 8	Depressed multiples may price in growth, property and regulatory concerns; scope to rerate if sentiment recovers.
Aggressive growth	MAG7	Premium valuations buy exposure to AI, cloud, semis, platforms and automation, with higher valuation risk.
AI, technology thematic	MAG7	Clearest direct exposure to the global AI theme: infrastructure, cloud, chips, advertising and software.
Momentum investing	MAG7	Backed by market leadership and earnings resilience; momentum can reverse if valuations stretch or earnings miss.
Balanced, diversified	Blend	Combines MAG7 growth and AI premium with China Tech 8 valuation and yield; balances upside with discipline.
Core-satellite	Blend	MAG7 as high-growth satellite; China Tech 8 as a value and recovery allocation for exposure to both themes.
Risk-averse	Blend	Both carry concentration risk; if included, prefer a smaller China Tech 8 weight for its valuation cushion.
Recovery, re-rating	China Tech 8	Geared to a China recovery on policy easing, improving sentiment or renewed inflows from discounted levels.
Quality-growth	MAG7	Strong balance sheets, dominant platforms and high margins; risk is that quality is already heavily priced in.
Opportunistic, tactical	Blend	Rotate by valuation gaps, momentum and rates: China Tech 8 in value phases, MAG7 in tech-led risk-on.

Source: Bloomberg, Aranca Research, Mint, Investing.com, CapIQ. All the figures are as of 24th June 2026

Connect with our Team

Mukund Agarwal

Analyst,
Investment Research

+91 223937 9999
mukund.agarwal@aranca.com

Ruchika Mungekar

Assistant Manager,
Investment Research

+91 223937 9999
ruchika.mungekar@aranca.com

Decide Fearlessly

From startups to the Fortune 500, private equity and global financial firms,

Aranca is the trusted research and advisory partner for over 2500 companies

www.aranca.com

2500+
Global Clients

500+
Strong professional team across multi-disciplinary domains

120+
Sectors and sub-sectors researched by our analysis

80+
Countries where we have delivered projects

ABOUT ARANCA

Growth Advisory
CXOs in Strategy, SBUs, Sales, Marketing, CI/MI, Innovation

Valuation & Financial Advisory
CFOs in Start-ups, PE/VC Firms, Corporate M&A Teams, Mid-market Companies

Technology | IP Research & Advisory
R&D, Tech Scouting, Open Innovation, IP Teams, Product Development

Investment Research & Analytics
Brokerage, Hedge Funds, IRPs, I-Banks, AMCs, Investor Relations

Sustainability & Climate
Energy transition, carbon management, circular economy, and sustainable procurement

For more details: *www.aranca.com* | *https://www.linkedin.com/company/aranca* | *https://www.aranca.com/knowledge-library*