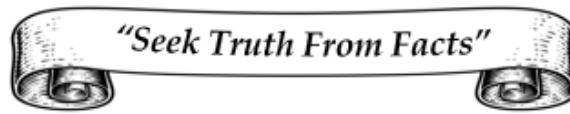


# The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #14



Dec. 1<sup>st</sup>, 2025

In this edition: how we know China stocks are still largely unloved, from a Chongqing visit what their subway tells us about China's future growth, why Haier Smarthome #06690 is a good company at a fair price and teeing up some of 2025s 'mulligans' for 2026.

## China Stocks - Still Largely Unloved

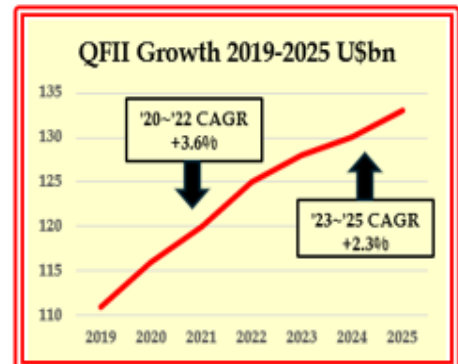
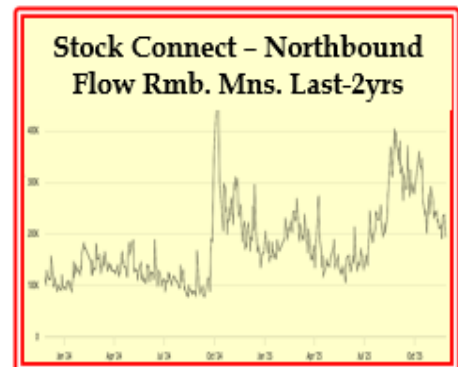
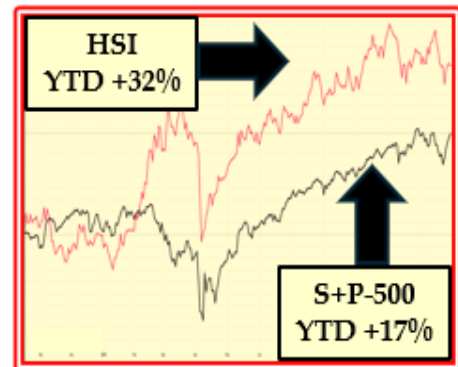
Since Jan. 2024 to the end of Nov. the S+P-500 has risen 44%, the HSI\* 54%. Since Jan. 2025 to the end of Nov., the S+P-500 has risen 17%, the HSI 32%. Global funds with a China mandate have been noisy about increased exposure (as you'd expect) but I can't see evidence of a broader move into the space. [\*If total returns, including dividends, are compared the HSI advantage would have been bigger.]

A look at Northbound Flows in the Stock Connect show a surge in September 2024 following a stimulus package but since then only anaemic follow through. QFII numbers jumped in 2019 when quotas were abolished, but since then growth has been limp, declining recently.

China stock price movements in the last 2-years then have occurred in spite, not because of, renewed interest by the biggest global asset managers in these assets.

This observation doesn't add up to a bull case. Nobody needs to own China stocks in the way many funds must own stocks that more closely represent their liabilities. To have missed China stocks in the last couple of years would be acceptable if other bets had played out so much better: but for many this hasn't been the case.

As allocators strategize for the year ahead how likely is it they'll be planning to remain underweight this cheap, strategic and *strongly performing* assets class? Not very would be my guess.



# Thoughts From A Visit To Chongqing

Located in China's far-West this mega-metropolis may be familiar to some as the former power base of [Mr. Bo Xilai](#) (fondly remembered by my cabbie to the airport going home). The last time I was here, in 2010, his star was in the ascendant, and the city was a model of what could be achieved in non-First-Tier cities. Subsequently, Mr. Bo's star fell and so did the fortunes of the city. Things then started to improve before COVID, and a nationwide property slump came along. In short, the last few years have been bumpy ones for this town.

However, for some perspective on the city's development I draw your attention to its metro. [Chongqing's subway system](#) is an engineering marvel given the mountainous terrain and my desire to check on its progress was a big reason for this trip (yes, really).

It's a metaphor for how China keeps coming and how it plans to keep on coming. Back in 2010 I was told by a senior engineer that development beyond the three (I think?) lines then in operation would be problematic as a result of the challenging topography. Weeell...



From nothing in 2005, to [today](#).  
Can I get a 'Wow!' here?

Today there are 12 lines in operation with plans for a total of 18 by 2050. An aside on how this forward planning is so powerful. A few years ago, I was in another second-tier city looking at a new residential property project. I noted it was somewhat out of the way, but the agent countered this wasn't an issue (she'd already bought two units) as subway line #9 was planned to run near the building. The city at that time had only just completed line #2. In China, when the government tells you a new road/bridge/tunnel/subway is coming, it comes. This allows for ancillary planning, public and private, years ahead of demand and is one of the reasons China's cities are so well ordered. Viz. no shanties, no slums.

Back to Chongqing. The post-Bo slowdown, the enervating effects of the COVID response and the consequences of China's ongoing property market adjustment are evident across the city. The better shopping malls are two thirds full, there are half full offices, empty offices and unfinished commercial and residential spaces wherever you look; but I suspect this is as bad as things get. In fact, it's likely what I saw wasn't a nadir but considerable progress from where things were in, say, 2022?

Despite the challenging economic terrain Chongqing, like its subway, will continue to grow. I don't believe its 18-million citizens will settle for less and I'm already looking forward to my next visit. Hopefully, before another 15-years has elapsed!



# Stockwatch: Haier Smarthome #06690

## Summary of a recent closer look

**Basically:** (All historic) Market cap.: c. U\$33bn, P/E: 12.4x, Yield: 4.0%, P/B: 2.1x. Avg. daily T/O (3m) U\$58m. World's largest white goods manufacturer. Brands include: GE Appliances, Fisher & Paykel, Casarte, Candy, Hoover, Leader and Haier. China sales c. 50%.

The company has a track record of successful operation from 1985 when (now) legend Mr. [Zhang Ruimin](#) took charge. It listed in Hong Kong by 'introduction' in 2020 around H\$25.30.

Growth has been via organic gains in the home market and successful acquisitions overseas. Dividend policy for 2025 is 50% of NPAT and an interim has recently been introduced.

The stock price is multi-year depressed **1**. Problems: the China housing market, the end to consumption promotions, competition ([esp. Xiaomi](#)) and an out of favour business.

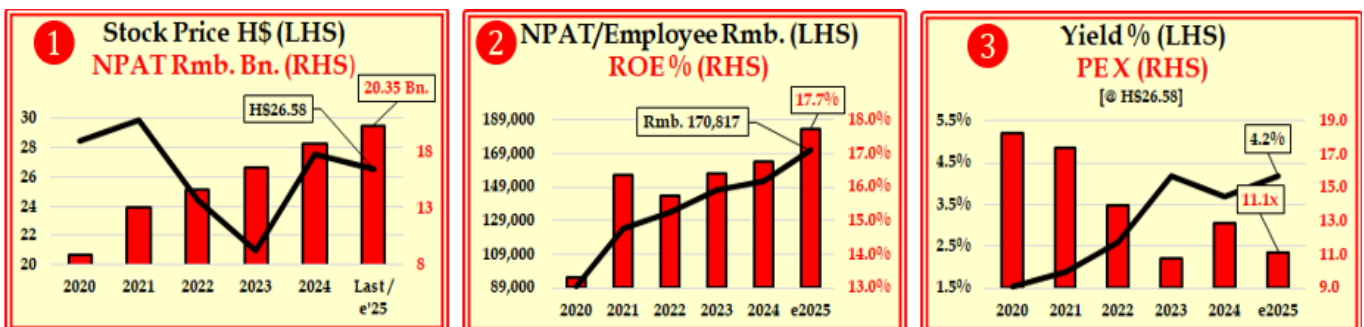
Employees are incentivised by ESOP schemes not options. Share buy backs are a constant theme. A placement in 2022 to Seganti, Janchor and others at H\$28.00 was a mistake.

It's a very big company with lots, and lots of moving parts. Management of this extensive business, domestically and overseas, has been faultless **2**. It makes analysis hard though.

**Not to like:** Their auditors are less of a household name than one usually finds with enterprises of this size and complexity. Historically they've been weak in aircon but are addressing this, which may involve market share acquisition costs.

**To like:** I rarely work on such a high calibre businesses. Usually I'm looking at cheap-for-a-reason prospects; but this is a great business, with a remarkable history run by a team with strength in depth. The stock appears, to me at least, to be cheap-for-no-good reason.

**Would I buy them?** Yes, but what's a fair price? Whirlpool (WHR), a good comparable is cheap; but it's indebted and loss making (Haier has net cash) and [Korean](#) and [Turkish](#) peers trade on high single or low double digit multiples. I'd be happy to enter if I could get a 5% yield which'd also give me a multiple below 10x **3**. For 2025 I'm expecting an EPS of H\$2.40 and DPS of H\$1.11, which is conservative. I'd get my 5% yield at H\$22.20 where the P/E would be 9.25x; and if I could achieve that I'd own a good company, at a fair price.



[For e25 I'm taking aH125 combined with aH224. This is likely to be lower than the actual 2025 results but 2026 is looking like a tough one so as numbers to base an entry target on I'm happy with the approach. I think the dividend is secure in any event.]

# How's My Investing?

## Performance summary, review of recent trading etcetera

<b>November Performance:</b>	<b>+2.9%</b>
<b>Performance Since Inception (Nov. '24):</b>	<b>+25.5%</b>
<b>Cash Percentage of Portfolio:</b>	<b>23%</b>

## Mulligans

I started this Letter last November and since then have profiled a stock each month. As a result, in two cases, I've acquired new positions at attractive prices. Elsewhere, I've found good companies but expensive stocks or businesses that were 'not-at-any-pricers'.

Below I've summarized the outstanding rainy-day list. I only know for sure markets in 2026 will fluctuate and as they do I want to make sure that when the mulligans Ms. Market often re-presents come up I'm ready to swing. To be clear, these are neither 'recommendations' nor 'picks' (if you'd like a list of current holdings LMK, there are no secrets there either). I share thoughts here in the same vein as the rest of this Letter, a summary of what I'm up to which may help inform *your* strategy.

<b>Code</b>	<b>Short Name</b>	<b>Target Price H\$</b>	<b>End Nov. Price H\$</b>	<b>Distance to Target</b>
<b>06186</b>	<b>China Feihe</b>	<b>\$3.85</b>	<b>\$4.14</b>	<b>7%</b>
<b>00341</b>	<b>Café de Coral</b>	<b>\$4.75</b>	<b>\$5.65</b>	<b>16%</b>
<b>06690</b>	<b>Haier Smarthome</b>	<b>\$22.20</b>	<b>\$26.58</b>	<b>16%</b>
<b>00066</b>	<b>MTR Corporation</b>	<b>\$24.00</b>	<b>\$30.88</b>	<b>22%</b>
<b>06198</b>	<b>Qingdao Port</b>	<b>\$5.40</b>	<b>\$7.28</b>	<b>26%</b>
<b>03899</b>	<b>CIMC Enric</b>	<b>\$5.55</b>	<b>\$7.99</b>	<b>31%</b>
<b>06862</b>	<b>Haidilao</b>	<b>\$9.15</b>	<b>\$13.75</b>	<b>33%</b>
<b>01579</b>	<b>Yihai International</b>	<b>\$7.00</b>	<b>\$12.42</b>	<b>44%</b>

I'd love to hear from you if you have suggestions for me to pick over in the months ahead. Must be: listed for at least 5-years, pay a dividend, be no more than 60% geared if a property co., 30% for any other business, preferably though net-cash, some sort of market leader, impeccable CG (no WVR structures), important to China Inc., HK listed and have a valuation attached to present and likely future earnings. Not too much to ask for, right?

Barring last-minute calamity, this will turn out to be a great year for China stocks, on top of a not-half-bad one in 2024. Despite these strong runs valuations of China stocks remain low.

The U.S. and other global equity markets are not however supported by compelling valuations and their comeuppance, in some form, remains a when not if issue in my opinion. I intend therefore to continue to run a high cash balance. As the comeuppances roll in it'll be fun to deploy dry-powder into stocks here (maybe some of the above?) that'll surely get sympathetic but unjustified knocks in the process. Meantime, best all for the Holidays!

# Datawatch

## Key Releases In The Last Month

Four 😞 Four 😞 No 😊

**Trade** 😞 : Oct. exports -1.1% (Sep. +8.3%), imports +1.0% (Sep. +7.4%). September data was surprisingly good, October looks like payback.

**Prices** 😞 : Oct. CPI +0.2% (Sep. -0.3%), PPI -2.1% (Sep. -2.3%). The CPI was an unexpected up-flip, the PPI remained multi-year (3-now) soft.

**Credit** 😞 : Oct. M2 +8.2% (Sep. +8.4%), Total Social Financing +8.5% (Sep. +8.7%). Outstanding loan growth +6.5% (Sep. +6.6%). Frustrating.

**Consumption** 😞 : Oct. Retail Sales +2.9% (Sep. +3.0%). Better than the +2.7% forecast but still a meh.

**Industrial Activity** 😞 : Oct. Industrial Output +4.9% (Sep. +6.5%). Another in the series of poor macro-reads last month.

**New Home Prices** 😞 : Oct. -2.2% (Sep. -2.2%). Check the trend here <https://tradingeconomics.com/china/housing-index>. Stable at least.

**Business Confidence** 😞 : Nov. Manufacturing PMI rose 49.2 (Oct. 49.0). The Non-Mfg. PMI fell to 49.5 (Oct. 50.1). Mixed messages.

**'Outstanding'? I Don't Think So** 😞 : I'm tracking this data for the first time this month ('Credit', above). At +6.5% for Oct. it suggests an economy close to stall-speed. Something will have to be done and will, in time be, I'm sure.



That wraps it up for November. What's here isn't advice or recommendation, it's what I've been up to, how I'm looking at the world and a small piece of the market puzzle which, combined with yours, I hope may be of some use.

*"He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me".* Thomas Jefferson.

Good Luck with *your* investing. Feedback please to me at [nial@nialgooding.com](mailto:nial@nialgooding.com)