The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #25 "Seek Truth From Facts" **November 2nd, 2026**

In this edition: CATL (#300750/#03750), latest in a long line of 'good' China ideas that hasn't worked out. Report from a recent Dalian wander. Qualcomm (QCOM) ♥ Huawei. What makes Geely Auto (#00175) a great company, and the right price for ingress. Why I'm not happy about missing my benchmark; but happy staying put. How China hits its 2026 GDP growth target and why Europe should stop bleating and start competing.

CATL – A Good Idea That Hasn't Worked Well - But Why?

Yes, for the few who bought CATL (#300750) stock at its launch in Shenzhen in June 2018 at Rmb25.14, or the handful who managed to get into the Hong Kong (#03750) IPO in May 2025 at H$263.00, returns will have been great. Most of today's holders though will have boarded this ride along the way at much higher prices (including placees of a sale in April this year who paid H$628.2 for 62.4m new shares, last H$338.80; down 46%). A look at the 1-year return for Hong Kong investors and 5-year return for the Shenzhen holders gives a fairer picture of how most have fared: -40% and -64%.

Another In A Long Line

A while back China Mobile (#00941) was the place to be. Its stock peaked at just over H$150 in '07 and lives today around H$80. Li and Fung, privatized in 2020, was in every institutional portfolio in the early noughties before collapsing and recently Alibaba (#09988), Tencent (#00700), etcetera have gone from must-have's to uninvestable. There seems to be a pattern.



Three 'C's And The Low Volatility 'Anomaly'

Peculiar to China are the 'Three Cs' of unrelenting Competition, no-limits Capacity and Consumption-reality that quickly finds just so many consumers. These issues explain, in part, why the businesses of highly thought of companies in China often find their operations floundering. To these China-specific dynamics add the fact that the Capital Asset Pricing Model, that says more risk = higher returns, is wrong (not my opinion, fact). CATL may be a great business, I don't know; but its stock is a useful reminder to beware hotties in general, and especially in China where headwinds unique to the latitude have to be considered.

Dalian Wander

Last month I was in the northern port-city of Dalian, the second largest city in Liaoning Province. In 1860 it was given the name Port Arthur by the British but has also been called Dalniy by the Russians and either Dairen or Ryojun by the Japanese all of whom have either occupied, held sway in or leased parts of it. Russian troops finally left in 1955.

Its history, past and recent-present, is what brought me here. It was the site of The Siege of Port Arthur (1904~'05) when the Japanese fought a costly but significant battle to dislodge dug-in Russian defenders. This was the beginning of the end of the Russo-Japanese war and the starting point of Japan's full-scale colonial expansion into its neighbours. In recent times it was the place, in 1992, the journey of an ambitious Chinese politician Mr. Bo Xilai began and also the place rags-to-riches entrepreneur Mr. Wang Jianlin started to roll his snowball which ultimately grew into the Dalian Wanda Group.

Here are just some of the boxes I managed to tick: I climbed Hill 203, mooched around the Lüshun district and visited (some of) Otani's mummies. I went to Zhongshan Square, originally known as Nikolayevskaya Square and then Ōhiroba before taking its present name in 1945. I also visited Xinghai Square (right) which isn't a square at all, but a massive reclamation vanity-project overseen by Bo Xilai and completed in 1997. In all, an efficient few days.



In conclusion: property blight is manifest. In the Tier-1 or more vibrant Tier-2 cities it's not so obvious, but here it's relentlessly in your face. Smaller cities don't have local economies with strong enough flywheels to fade the issue quickly, but this is a problem that reflects where a city has come from not where it's going. At the end of my stay, I had a sense of growth proceeding at a sustainable canter which, compared to the unsustainable gallop of the past, is no bad thing. A nice town, I'm already looking forward to my return review.

Qualcomm ♥ Huawei

Remember the U.S.-led campaign to shut Huawei down? It continues with them now in the dock in New York facing charges of IP theft. A deal last month between Qualcomm (QCOM) and the company for technology and patent transfer, *from* Huawei *to* Qualcomm, was therefore worth noting. China has long been accused of being a copycat (or worse) arriviste, but the Qualcomm-Huawei deal reveals the present reality of home-grown technological prowess. N.B. China is also the world's second largest payer of IP fees. Arriviste perhaps, but playing, paying and winning the game fair and square.



Stockwatch: #00175 Geely Automobile Holdings Limited

Summary of a recent closer look

Basically: Mkt. Cap. U$19.1bn, P/E 7.5x, P/B 1.5x, Yield 3.6% Av. Daily T/O (3m) U$71m. Business: China's third largest auto maker (BYD #1, SAIC #2) . Owner of Volvo, Lynk & Co, Lotus and Zeekr brands. The Chairman has a 10% stake in Mercedes-Benz Group. Among other auto related assets the company has a 49.9% stake in Malaysia's Proton.

This is an awesome company. From refrigerator compressors to scooters the Chairman Mr. Li Shufu has built one of the most important companies in China today; respect.

Not only has the enterprise been developed, brick-on-brick, without recourse to leverage it's also walked up the quality of its products and unit sales price steadily 1.

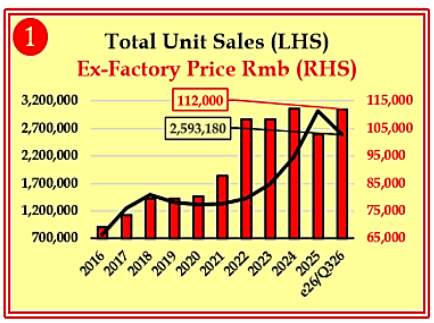
It has a cash war-chest and fortress balance sheet 2. This gives it flexibility for further strategic acquisitions or protection in the event of an industry downturn.

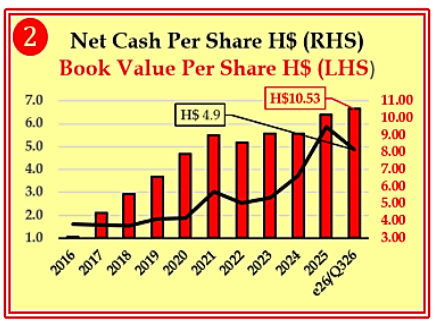
It maintained profitability through COVID and 2026 could be a record year in terms of unit sales and NPAT. In addition, margins appear to be in the ascendant 3.

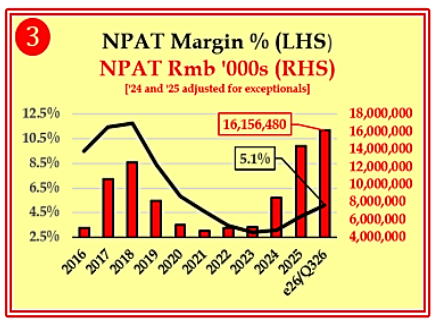
Not to like: Awesomeness aside, it's still an auto company. Established operators elsewhere trade on single digit multiples and industry earnings are cyclical. There've been odd treasury operations in the past and payables are high. Founder-genius Mr. Li recently decided to step back from day-to-day operations. Govt. may 'suggest' a use for their cash.

To like: The track record does its own talking. Zeekr is already displacing Mercedes and BMW in certain segments as a go-to luxury brand. They have a finger in most next-generation auto technologies and are technologically self-sufficient. Scale, combined with their balance sheet implies a multi-year runway of future growth and product development.

Would I buy them? Yes, at the right price. Within the group (not the listco) there's a 'hidden' asset worth c. U$4bn and I'd like to buy the existing business at a price where I get optionality on that for free and the rest cheap. Using Ford (F) as a guide, a 'fair' valuation range would be a P/E of 6x~12x. Cheap is where I'd achieve a 1:4 downside/upside ratio and that would be 7.2x. Taking Q1~Q3 NPAT and multiplying it by 1.125x I get to an e'26 EPS of Rmb1.46 or H$1.71 (Rmb1=H$1.17). This produces a **target of H$12.30**. Cheeky, sure, as I expect the a'26 EPS to be higher but we won't have that number for another five months so why take chances? China? Autos? Technology? Tariffs? What could possibly go wrong?







How's My Investing?

Performance summary, review of recent trading etcetera

October — YTD, Performance:	**-3.3% — -7.5%**
Performance Since Inception (Nov. '24):	**+15.6%**
Cash Percentage of Portfolio:	**14%**

Not Happy Missing My Benchmark; But Happy Staying Put

At any time, a market is composed of traders, money-managers, fools, operators, arbitrageurs, technicians and a small number of we investors. Each group claims victory on its own terms: we hedged our risk, we beat our benchmark, we took a turn, we learned a useful lesson etcetera; but for investors there's only one reckoning, 'did I beat benchmark-zero?' I.e. have I made more, not less than a zero return. I'm clam-happy when I have, but clam-happiness has proved elusive so far this year.

China stocks' profit growth has been weak, a reappraisal of AI-benefits has hurt some big index drivers, and the property-fog shows no sign of lifting. All of this has led to valuations reflecting a maximum-pessimism; disappointing but not vexatious. Stock markets elsewhere however have become disappointing *and* vexatious and as a result, despite missing my benchmark for the year to date, I'm happy staying put.



Q3 GDP Growth

Curmudgeons anticipating a soggy number were disappointed. Q3 growth came in at +4.5% implying the full year target, between 4.5%~5.0%, will be met. Q4 would have to be lower than c. +4.2% for a miss and, sorry sourpusses, that's not going to happen.

A Tale Of 2 Shirts

European politicians claim Chinese goods are unfairly advantaged. I recently ordered two T-shirts of similar quality, one from Taobao, the other from a vendor in Italy. The Taobao shirt was ordered at 11:22 and shipped at 15:32 on the same day. It arrived in Hong Kong two days later at 12:10 with a shipping fee of H$13.57 (U$1.74), total cost H$248 (U$32). The Italian garment was dispatched eight days following confirmation of the order with a shipping fee of €25.0 (U$28.00), total cost €75 (U$84). A follow up inquiry (Dov'è shirt? ten days after dispatch) was responded to in Italian with a message my query had been passed to another department. **Chinese manufacturers are succeeding in large part because they're fast, provide great service and offer high-quality goods at attractive prices. It's that simple.** Unfairly advantaged? Europeans need to start competing and stop bleating. The Italian shirt BTW, over a month from its order-date, remains undelivered. Grazie mille?

Datawatch

Key Releases In The Last Month

Three 😟 Two 😐 Three 😊

Trade 😊: Sep. exports +36.3% (Aug. +25.0%), imports +31.0% (Aug. +28.2%). Wowzah! It can't all be AI related, surely?

Prices 😊: Sep. CPI +0.9% (Aug. +0.8%), PPI +5.0% (Aug. +3.8%). There'll come a point we worry about acceleration, but that's not yet.

Credit 😟: Sep. M2 +7.2% (Aug. +7.5%), Outstanding Loan Growth +4.8% (Aug. +4.9%). I didn't think this series could get worse; wrong.

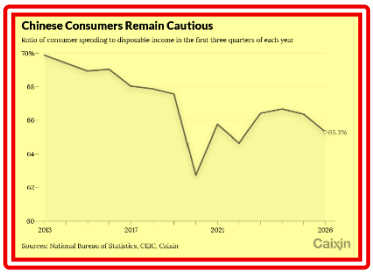
Consumption 😐: Sep. retail sales +1.1% (Aug. +0.4%). This was the best number in six months. Q1~Q3 growth +2.6%. Still not great though.

New Home Prices 😐: Sep. -2.8% (Aug. -3.0%).The trend continues to improve. Dire becoming less so. Check out the series in detail here.

Industrial Activity 😊: Sep. +5.8% (Aug. +5.2%). Slightly ahead of forecasts and in itself not a bad number. We could use more like it.

Business Confidence 😟: Oct. PMIs. Mfg. 49.3 down from 50.1. Svcs. 49.7 from 50.2. Comp. 49.7 from 50.7. It seemed to be improving, hmm.

China's Constipated Consumers 😟: 2026 Q1~Q3 per capita disposable income rose 5.3%. Huzzah? Not so fast. Per capita consumer spending rose only 3.6%. IMHO, it's still the property market, stupid! The chart on the right shows the trend, and the longer story is here.



That wraps it up for October. 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