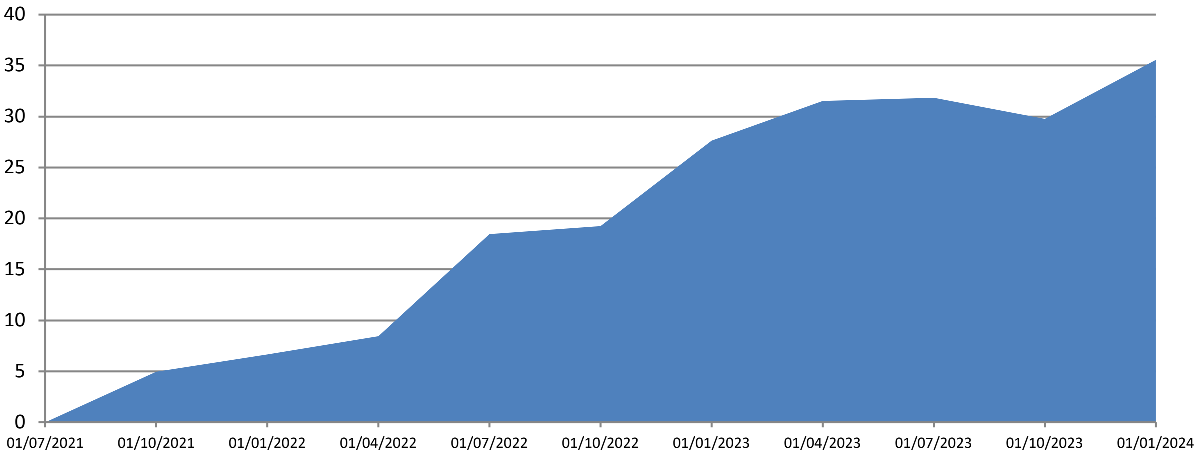
RIO Smart Money recorded a return of 4.45% in the final quarter of 2023. Since launch this investment has recorded nine gaining quarters and one losing quarter; and over that period the account has produced a net return of 35.55% for those invested.



One of the main equities traded has been NIO, in fact I have successfully traded this stock since 2021, but Smart Money currently holds only one position open. This buy trade had been placed on the 13th of February when I acquired NIO stock at 5.76.

For several months, our analysts have been researching BYD and Li Auto. I am happy to announce that following weeks of pre-trading trials, I have now added BYD to Smart Money's stock selection; the account has begun trading this stock.

Looking forward, NIO's potential entry into the US market in 2025 hinges on the success of its innovative battery-swap technology. The direction of this expansion will likely be influenced by Professor Wen's contributions to NIO's technological advancements.

NIO

Shares of NIO Inc. stock have rallied back from what was its lowest price in nearly four years, the fall in value partly due to concerns over the price reductions announced by Tesla Inc. and a weakening of the economy. The stock fell as investors in the China-based electric vehicle maker weighed up the pros and cons of recent moves. The fresh lows initially came after Tesla reportedly cut prices on two models in China, as the Texas-based EV giant faces increasing competition. NIO had at one point fell to what was its lowest close since June 12, 2020, having tumbled more than 26%. Today, and as I write, the share price is down just over 27% YTD; the stock has been challenging to trade recently, but that said, I will continue to trade this auto manufacturer for many reasons, I still like the stock because this Chinese company boasts an impressive growth rate and they have several key innovations which sets NIO apart from the competition.

The Chinese EV market is competitive, and as such, automakers must offer a unique value proposition to stand out. NIO does just that, it stands out. This company is targeting the premium side of the industry with new products, such as its ET9 sedan, which is expected to retail for 800,000 yuan

($112,151) when it becomes available in 2025. But better still, NIO's unique position continues beyond there.

Unlike rivals, NIO has pioneered a unique charging strategy called battery as a service, allowing customers to subscribe to a program for swapping batteries at any of its 2,200 global swap stations. According to management, its technology can exchange spent batteries for new ones in three minutes. This is significantly faster than Tesla superchargers, which take 15 minutes to fill a battery up to provide 200 miles of service.

NIO already has plans to build an additional 1,000 swap stations this year. Our analysts have underlined that they expect the company to ramp up this strategy over the next three years. Things may become apparent when I say that 11 out of our 13 analysts agree with me when I state that it's this which could result in NIO being favoured against other automakers, the additional revenue opportunities (such as licensing fees) as other companies design their cars to share its technology could well be very lucrative.

To underline this, I would highlight that during November, the Chinese automaker Geely (owner of Volvo) inked a partnership with NIO to work together on standards and tech for battery swapping, this is a vote of confidence in the battery-as-a-service strategy.

Another positive factor was NIO's unaudited third-quarter results, which reflected positive results with vehicle sales up 47% year over year to 17,408.9 million renminbi ($2.38 billion); this is even more encouraging considering the ongoing price war in the EV industry. But, yes, the company generated an operating loss of $663.9 million, up 25% compared to the prior-year period. It's also true that NIO's losses are still increasing instead of decreasing; but this simply indicates that the company is still in a relatively early stage of building its business model.

NIO trading at a low valuation multiple

With a price-to-sales (P/S) multiple of just 1.95, NIO's stock is extremely cheap compared to U.S-based alternatives like Tesla, which trades for a P/S of 8.62, or Rivian Automotive, which trades for 4.73. This is surprising considering the Chinese company's rapid revenue growth rate and unique product differentiation strategy.

With the recent positive developments, our analyst's optimism in NIO is perhaps to be expected. They are forecasting an average upside for NIO of more than 75% to +$10.55 within a year. Our analysts have given their view, with nine rating the stock a buy at below 6.25 and four stating hold.

Recently added stocks

BYD has now emerged as a top player in the EV arena; they have challenged and, to a degree, beaten established industry leaders. In 2023, BYD's sales were impressive, with 3 million new energy vehicles sold, topping industry leaders such as Tesla. This underscores their ascent to the top; they are a significant competitor in the EV market. Adding this stock to the Smart Money selection was simply a must.

BYD is now the world's largest EV manufacturer, but a closer look shows that BYD is not resting on its laurels. The company is investing $1.4 billion in constructing its first sodium-ion battery plant, targeting an ambitious 30 GWh annual capacity. They are rocketing forward, having already overtaken Tesla in EV production; BYD is looking to become a frontrunner in battery innovation. It is renowned for its Blade Battery technology, which top automakers, including Tesla and Ford, utilize.

China's BYD Co Ltd is also looking at setting up a new electric vehicle (EV) factory in Mexico, with this factory aiming to establish an export hub in the United States. BYD has already launched a feasibility study for the Mexican plant and is currently negotiating with officials over terms, including the factory's location.

Joby Aviation (NYSE: JOBY) stock is up about 5% on my buy and has just featured on many financial news websites. The driver of recent gains was the firm's announcement that the company had reached a deal to launch an air taxi service in the United Arab Emirates (UAE). Joby is developing electric vertical take-off and landing (eVTOL) aircraft. They aim to provide air taxi services by early 2026.

The firm is looking to begin testing its air-taxi operations there next year. Under the agreement, Joby will be the only provider of air-taxi services in Dubai for six years; the eVTOL maker stated that the company would benefit from a variety of support from (Dubai) including financial mechanisms.

The deal could lead to Joby becoming a leader in providing air taxi services to many neighbouring countries. For example, Saudi Arabia, located next door to Dubai, shares cultural and political ties and has a much larger population. It also has the funds to help Joby launch air-taxi services in its capital city of Riyadh. Consequently, I wouldn't be surprised to see the firm make a similar deal with Saudi Arabia.

Buy - JOBY stock is still down over half from its all-time peak of $15.12 in 2021.

William Gray
The RIO Club