

Asia Fund Manager Survey

Rational optimism

Clearer skies ahead

The global economic outlook continues to build on positive momentum seen in prior months, as attested to by panelists in the Global Fund Manager Survey (FMS) as well as our proprietary growth indicators. See [BofA GPS: Anatomy of a bull market - Part II 28 February 2024](#). The FMS view on the regional economy improved in tandem, with a year-high net 46% of the participants expecting the APAC ex-Japan economy and net 67% expecting the Japan economy to strengthen in the next 12 months.

Solid returns, shallow corrections

The near-unidirectional rally in global equities since the October-lows has pushed measures of [investor sentiment to euphoric levels \(see note\)](#). Yet, contrarians are hard to come by: less than a quarter envisage a double-digit correction this year. The optimism has rubbed off on the regional equities too. 7 in 8 investors anticipate Asia Pacific ex-Japan equities to rise in the next 12 months, driven by a boost in corporate earnings (*net 59% expect stronger profits in the next 12 months*) against a backdrop of fair valuations.

Paradigm shift

Japan has been, and continues to be, the market of choice for investors, and with reason, outrunning the global benchmark by 4% YTD. While the positivity remains intact, the unsustainable pace has prompted investors to curb the return expectations in the largest market in the region. While banks and semis are the favored sectors, the FMS continues to harbor a clear value bias in Japan as corporate governance reforms – one of the key themes for 2024 – play out. With the upside surprise in the first round of the all-important Shunto wage negotiations, investors are gearing up for an official end to deflation by June, with calls for exit from NIRP/YCC confirmed earlier today.

Signs of turnaround

Even the tone on China was more enthusiastic. Following an extended period of pessimism, we observe a dash of inflections in the China-specific questions, from expectations on the economic outlook to portfolio allocations to the propensity among households to spend or invest. Fewer investors are looking to cut risk on bounces than in February, as more policy actions come to the fore, including leadership changes in regulatory agencies. However, the long-term view is still uncomfortably dispirited, with 77% of investors subscribing to a structural de-rating view for China equities.

Little enthusiasm for Korea Corporate Value-Up Program

Technology stays in vogue, with semis being the undisputed leader, while real estate remains out of favor. Among markets, investors prefer India apart from Japan, while avoiding China. Interestingly, the Corporate Value-Up Program in Korea, deemed to moderately positively impactful, failed to nudge market allocations even a bit.

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

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Refer to important disclosures on page 13 to 15.

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FMS: Fund Manager Survey
NIRP: Negative interest rate policy
YCC: Yield curve control

Notes to readers

A total of 226 panelists with \$572bn AUM participated in the survey. 198 participants with \$527bn AUM responded to the global FMS questions and 119 participants with \$256bn AUM responded to the regional FMS questions.

Survey period: 8 – 14 March 2024

How to join the FMS panel

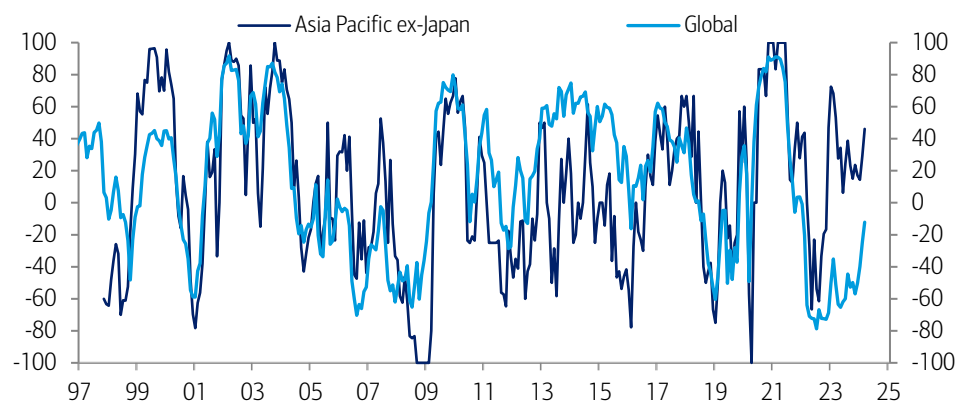
Investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting [Michael Hartnett](#) or your BofA sales representative.

Participants in the survey receive the full set of results for the months in which they participate.

Rational optimism

Exhibit 1: Net % FMS investors expecting a stronger Global / Asia Pacific ex-Japan economy

The FMS view of the global economy continues to build on positive momentum from prior months, while that on the APAC ex-Japan economy hit a 1-year high



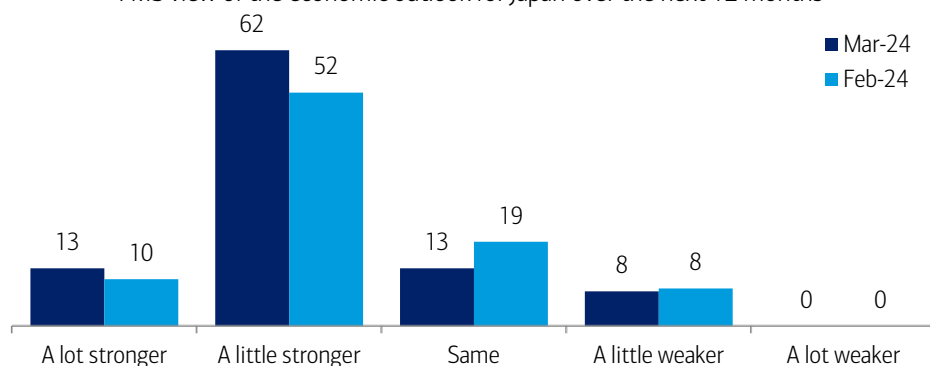
Source: BofA Global & Asia Fund Manager Survey

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Exhibit 2: FMS view of the economic outlook of Japan

Optimism on Japan stays unscathed: net 67% expect a stronger economy in the next 12 months

FMS view of the economic outlook for Japan over the next 12 months



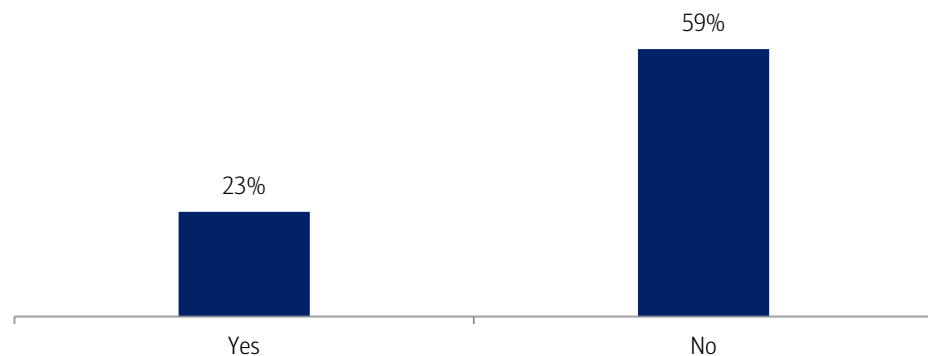
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (5% | 10%) are not shown above.

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Exhibit 3: FMS opinion about the potential of a double-digit correction in global equities in 2024

Contrarians are a rare breed: despite euphoric sentiment, less than a quarter envisage a double-digit correction this year

FMS opinion about the potential of a double-digit correction in global equities in 2024



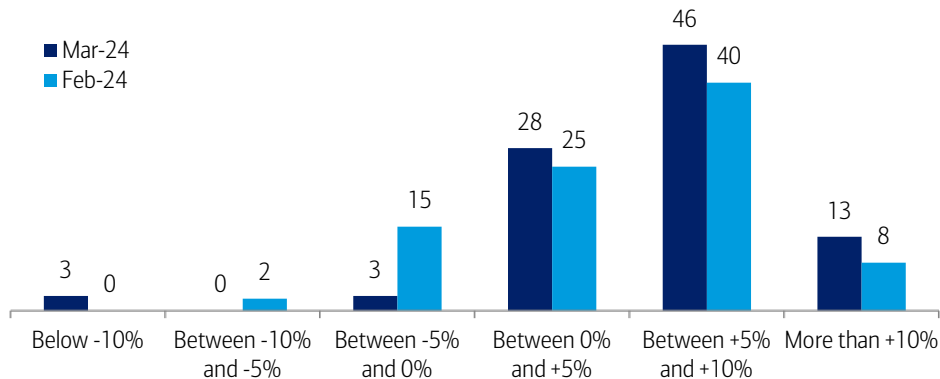
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (18%) are not shown above.

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Exhibit 4: FMS view of Asia Pac ex-Japan equities over the next 12 months

Resplendent: 7 in 8 investors anticipate Asia Pacific ex-Japan equities to rise in the next 12 months

Expected upside for Asia Pac ex-Japan equities over the next 12 months



Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (10% | 8%) are not shown above.

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Exhibit 5: Net % FMS investors expecting better corporate profits in Asia Pacific ex-Japan

Net 59% of participants expect stronger profits in the next 12 months – a top quintile outcome

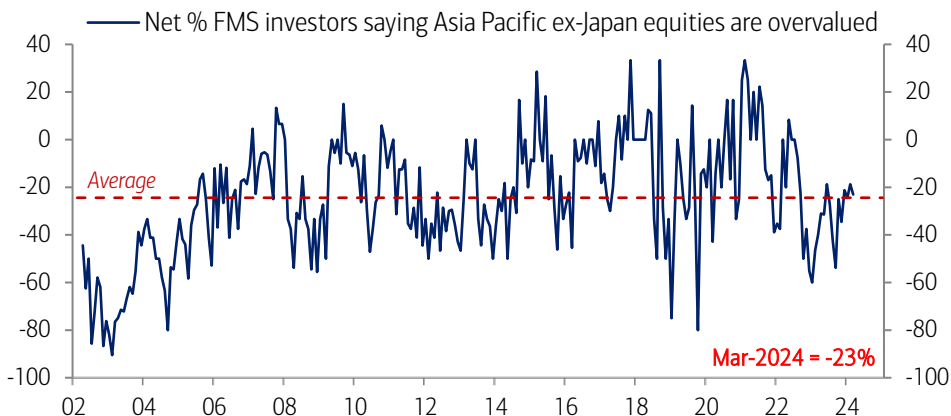


Source: BofA Asia Fund Manager Survey

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Exhibit 6: Net % FMS investors saying Asia Pacific ex-Japan equities are overvalued

Net 23% of investors perceive the regional equities as undervalued, in line with the long-term average



Source: BofA Asia Fund Manager Survey

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Exhibit 7: Net % FMS investors expecting higher inflation in Asia Pacific ex-Japan

Net 10% of investors expect lower inflation in APAC ex-Japan in the next 12 months versus 29% in February

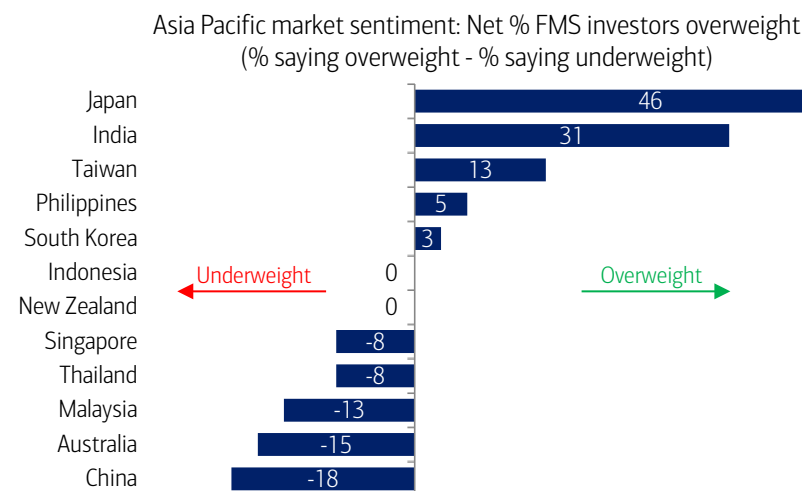


Source: BofA Asia Fund Manager Survey

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Exhibit 8: Asia Pacific market sentiment: Net % FMS investors overweight

Japan (net 46% overweight) sits atop the country preference list, followed by India (31%) and Taiwan (13%), while China (net 18% underweight) stays out of favor

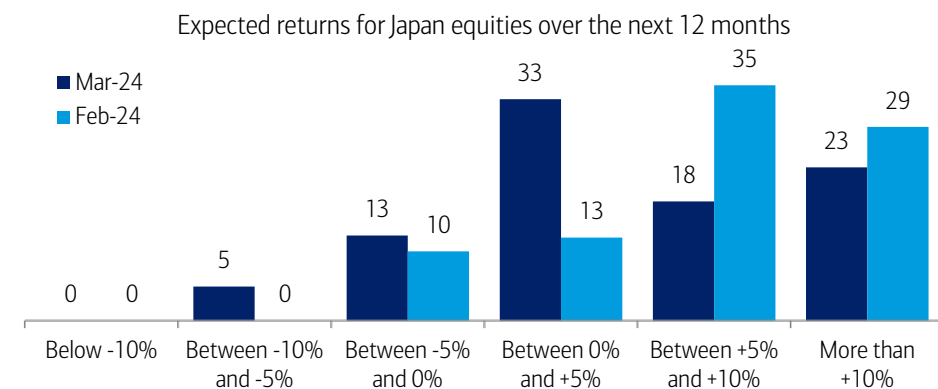


Source: BofA Asia Fund Manager Survey

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Exhibit 9: FMS view of Japan equities over the next 12 months

Unsustainable pace: while the positivity remains intact, the FMS has curbed the return expectations in Japan

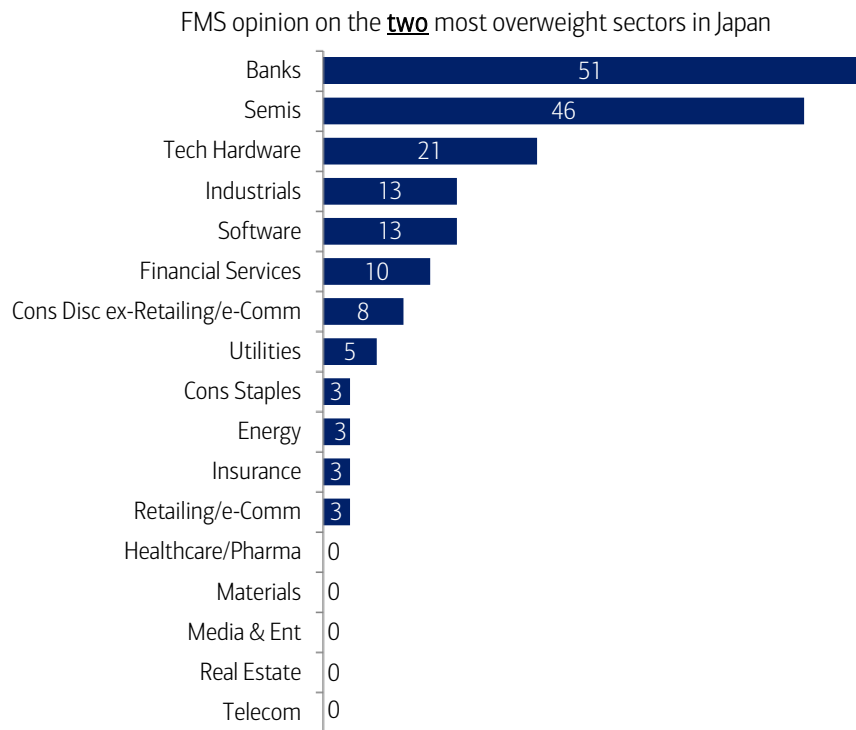


Source: BofA Asia Fund Manager Survey

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Exhibit 10: FMS opinion on the two most overweight sectors in Japan

The FMS expresses a tilt towards banks and semis, and away from communication services, real estate, materials, and healthcare in Japan

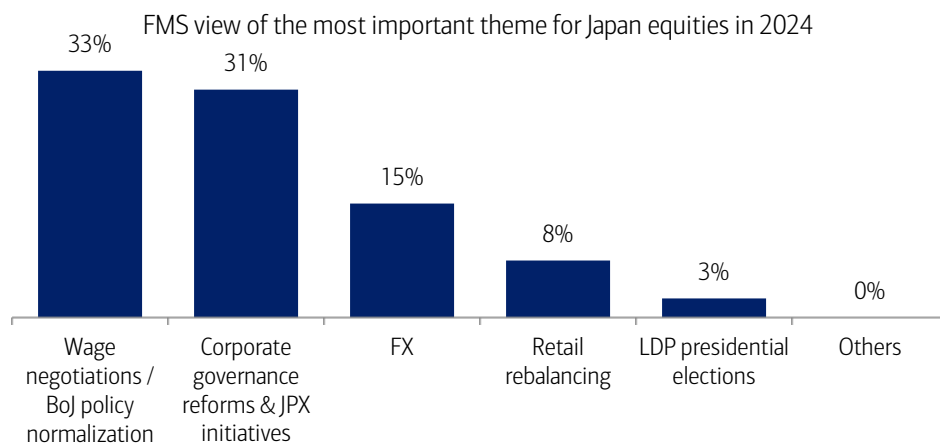


Source: BofA Asia Fund Manager Survey

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Exhibit 11: FMS view of the most important theme for Japan equities in 2024

BoJ policy and corporate governance reforms are set to be the most closely watched events in Japan in 2024



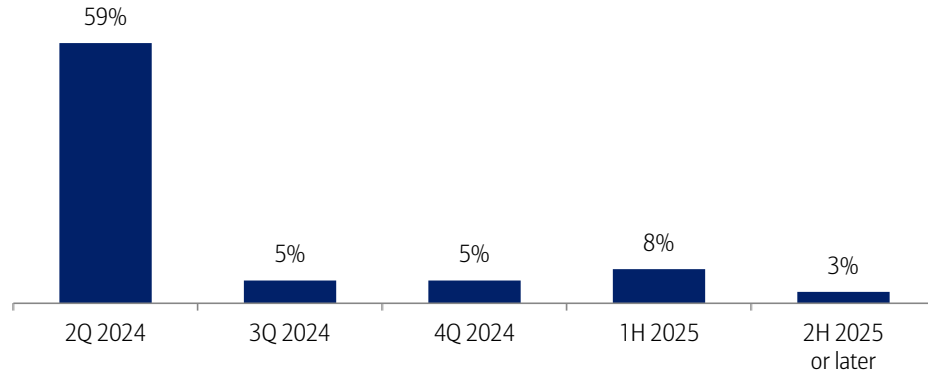
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (10%) are not shown above.

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Exhibit 12: When do you think the Japanese government will declare an end to deflation?

The FMS is gearing up for an official end to deflation by the first half of the calendar

When do you think the Japanese government will declare an end to deflation?



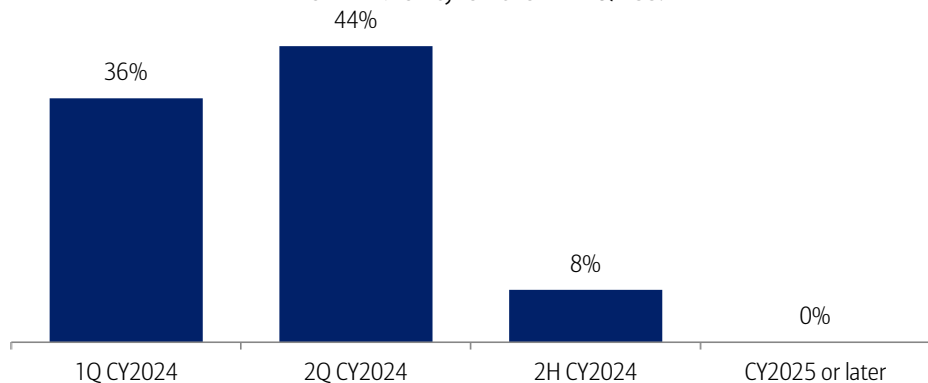
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (21%) are not shown above.

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Exhibit 13: When will the BoJ remove NIRP & YCC?

Policy normalization at the door: FMS calls for an exit from NIRP/YCC have been confirmed earlier today

When will the BoJ remove NIRP & YCC?



Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (13%) are not shown above.

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Exhibit 14: Net % FMS investors expecting a stronger Chinese economy

Ray of hope: The FMS view on the economic outlook of China ticked up in March



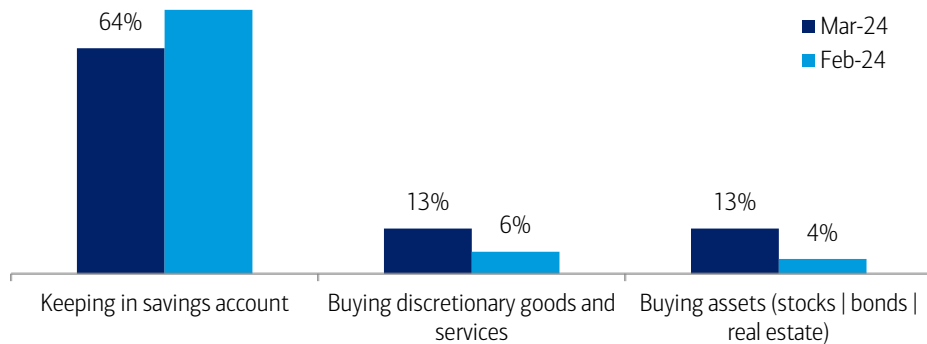
Source: BofA Asia Fund Manager Survey

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Exhibit 15: What Chinese households will prioritize with the excess savings built up during COVID-19

Ray of hope: 26% of the panelists see Chinese households spend/invest rather than save

FMS opinion on what Chinese households will prioritize with the excess savings built up during the COVID-19 period

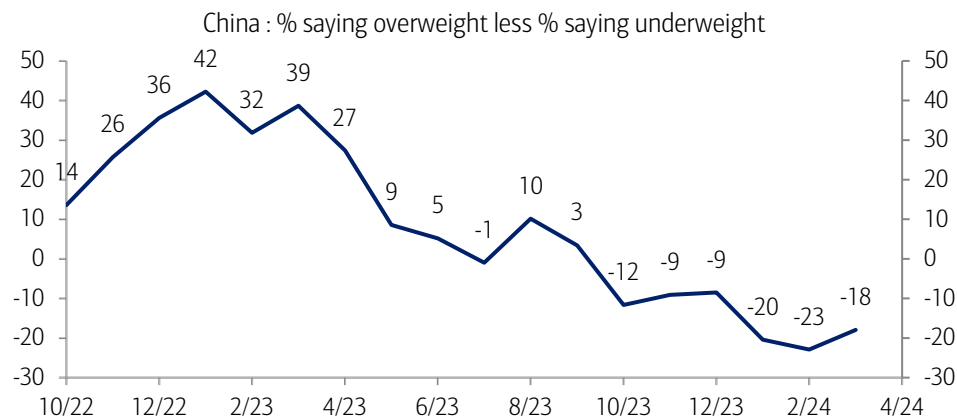


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (10% | 15%) are not shown above.

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Exhibit 16: Net % FMS investors overweight on China

Ray of hope: China allocation inflects up with the biggest monthly uptick since August

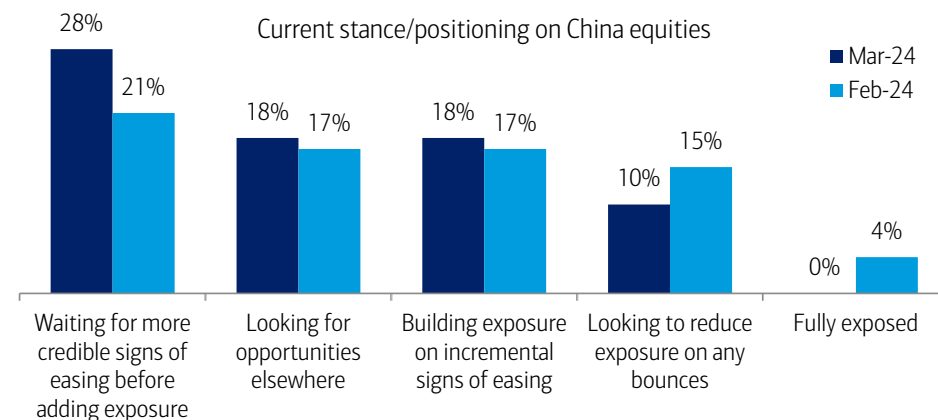


Source: BofA Asia Fund Manager Survey

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Exhibit 17: FMS current stance/positioning on China equities

Lack of clarity, but worth noticing that fewer investors are looking to cut risk on bounces than in February



Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (26% | 27%) are not shown above.

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Exhibit 18: FMS view on the potential for structural de-rating of the China equity market

Cyclical inflection, but structural bearishness: Three-fourth of the participants think a structural de-rating is underway for the China equity market



Source: BofA Asia Fund Manager Survey

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Exhibit 19: FMS view of monetary policy in China

Policy actions have started to roll in, but demand for easier monetary policy is still overwhelming

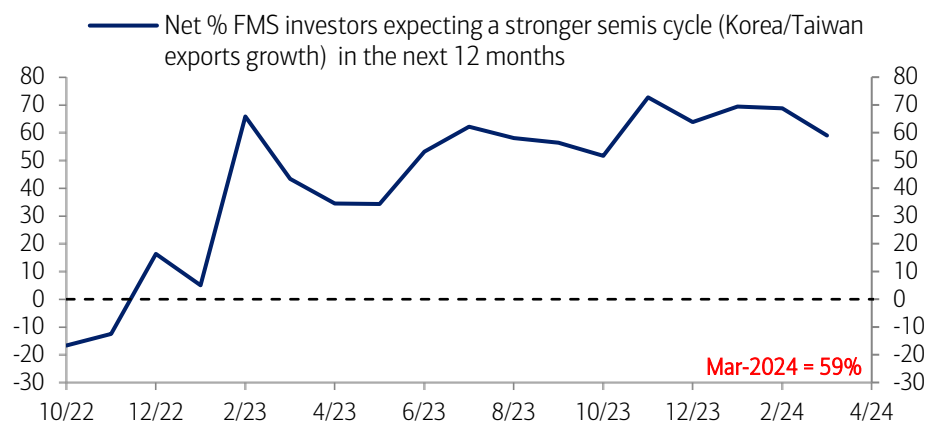


Source: BofA Asia Fund Manager Survey

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Exhibit 20: FMS view of the semis cycle (Korea/Taiwan exports growth)

The FMS retains its favorable views on the semiconductor cycle, with net 59% expecting it to strengthen in the next 12 months



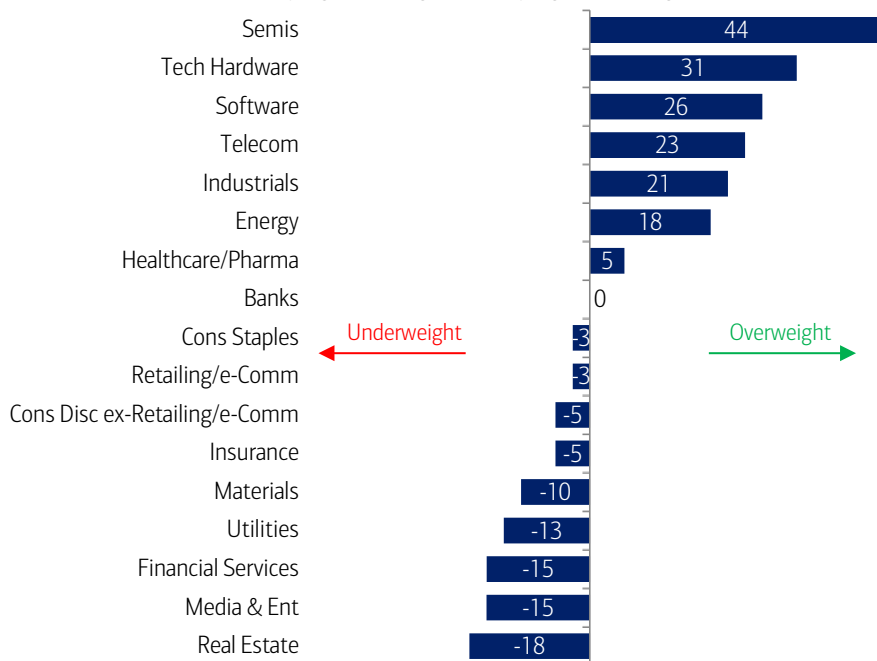
Source: BofA Asia Fund Manager Survey

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Exhibit 21: Asia Pacific ex-Japan sector sentiment: Net % FMS investors overweight

Technology (semis: net 44% overweight | tech hardware: net 31% overweight | software: net 26% overweight) stays at the helm, while real estate (net 18% underweight) is the least preferred sector

Asia Pacific ex-Japan sector sentiment: Net % FMS investors overweight
(% saying overweight - % saying underweight)



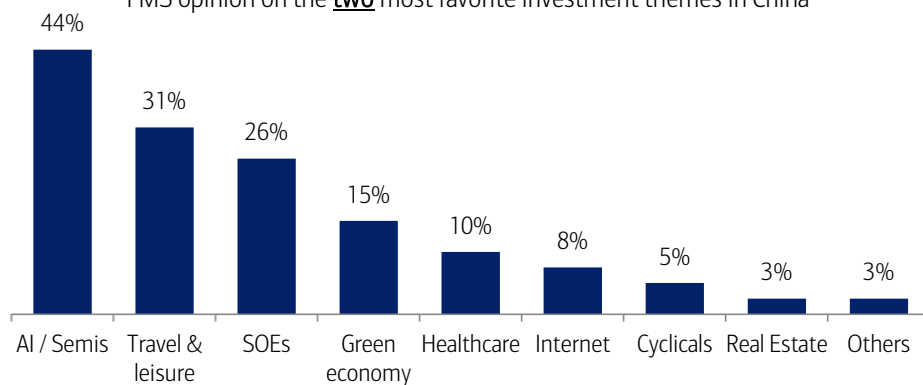
Source: BofA Asia Fund Manager Survey

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Exhibit 22: FMS opinion on the two most favorite investment themes in China

Within China too, investors are most bullish on AI/semis stocks, while shunning real estate

FMS opinion on the two most favorite investment themes in China

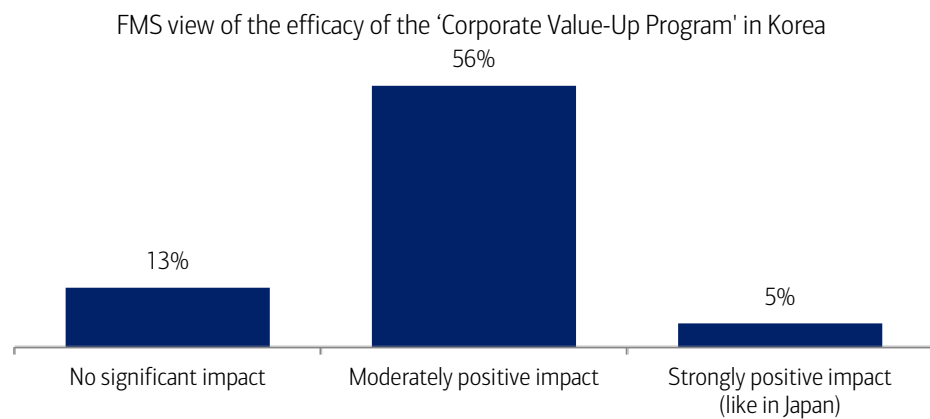


Source: BofA Asia Fund Manager Survey

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Exhibit 23: FMS view of the efficacy of the 'Corporate Value-Up Program' in Korea

Moderately positive, but not enough to have an effect on portfolio allocations



Source: BofA Asia Fund Manager Survey. **Notes:** Votes for 'Don't know' (26%) are not shown above.

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Exhibit 24: Market intelligence as of 18 March 2024

Performance, valuation and growth information by country/region

18-Mar-2024		USD perf (%)			12m forward								EPS growth^ (%)		
Region/Country (# Co)	Mkt cap* (US\$bn)	2023	YTD	1m	PE (x)	% dev 10Y avg	PB (x)	% dev 10Y avg	PB at 2008-09-lows	Div yld (%)#	% dev 10Y avg	ROE (%)	10Y avg	CY2023	CY2024
North America (698)	47,108	24.5	7.5	2.8	20.6	14.5	4.0	29.8	1.4	1.5	22.8	19.3	16.9	1.9	9.3
Canada (87)	1,961	12.6	1.9	2.5	14.5	-0.1	1.8	5.1	1.1	3.2	-1.1	12.4	11.9	-8.5	2.5
US (611)	45,147	25.0	7.8	2.8	21.0	15.1	4.2	30.5	1.4	1.4	24.1	19.8	17.4	2.7	9.8
Europe (421)	10,933	16.7	3.7	3.6	13.7	-4.5	1.9	10.6	1.0	3.5	4.9	14.0	12.2	-3.2	3.3
Austria (4)	29	12.8	-3.0	2.1	7.2	-28.2	0.8	-15.5	0.5	6.9	-61.5	11.0	9.7	-10.0	-11.3
Belgium (13)	151	4.1	-1.7	-0.4	16.2	-7.7	1.5	-15.9	0.6	2.8	11.6	9.3	10.2	38.8	-3.1
Denmark (15)	632	29.7	17.6	5.8	29.5	45.5	6.4	66.2	1.2	1.6	26.9	21.7	19.1	-28.8	19.4
Finland (13)	165	-8.2	-5.3	-1.2	14.1	-14.3	1.7	-17.5	1.2	4.7	-11.5	12.0	12.6	-25.1	4.2
France (62)	2,051	18.8	5.7	5.6	14.6	1.5	1.9	23.2	0.9	3.1	9.4	13.0	10.8	-3.5	4.0
Germany (56)	1,442	19.9	4.5	5.1	12.0	-6.7	1.4	-4.8	0.9	3.3	-0.9	11.8	11.6	1.6	3.3
Ireland (5)	58	22.9	14.6	8.0	11.0	-33.7	1.4	-18.4	0.5	3.5	-63.4	12.9	10.5	32.5	-1.9
Italy (24)	464	31.7	11.1	8.8	9.1	-22.3	1.3	16.9	0.6	5.4	-15.1	14.7	10.2	9.7	1.2
Netherlands (26)	840	23.7	12.7	1.1	19.8	13.8	3.0	37.4	1.1	1.9	26.2	15.4	12.8	31.4	0.2
Norway (12)	100	-0.4	-7.6	1.2	10.5	-16.8	1.6	-2.7	0.9	6.5	-31.4	15.0	13.2	-40.1	3.5
Portugal (4)	30	5.1	-16.1	-2.9	13.8	-15.9	1.7	-9.5	1.2	4.2	-1.4	12.1	11.3	16.9	14.8
Spain (17)	435	28.2	3.7	8.6	10.3	-18.0	1.2	3.9	1.0	5.0	-9.5	11.9	9.5	15.4	2.5
Sweden (42)	532	21.0	2.3	4.8	15.4	-2.8	2.4	12.1	1.1	3.6	4.5	15.5	13.5	21.5	-2.8
Switzerland (45)	1,596	13.3	-1.3	1.7	18.0	3.9	3.2	21.8	1.4	3.1	1.0	18.0	15.3	-4.3	9.5
UK (83)	2,406	9.5	-0.2	1.2	11.1	-14.8	1.6	-1.6	1.1	4.2	4.5	14.7	12.9	-12.6	1.8
Israel (14)	122.1	9.3	8.6	2.8	11.5	5.9	2.4	68.5	1.0	1.8	23.1	20.7	13.2	-2.3	-4.3
Asia Pac (1464)	11,389	8.8	4.0	3.1	13.9	2.8	1.5	7.6	0.9	2.7	4.5	10.8	10.3	1.8	14.8
Japan (218)	3,974	17.8	9.8	4.3	15.7	11.6	1.5	21.5	0.8	2.2	6.8	9.5	8.8	11.2	9.5
Australia (58)	1,199	9.9	-2.8	0.4	16.3	4.2	2.2	12.9	1.3	4.1	10.2	13.3	12.3	-3.7	-1.3
New Zealand (6)	31	3.4	-5.2	-2.0	30.6	13.8	2.7	3.4	1.3	3.1	14.6	8.9	10.0	14.7	12.3
Asia ex-Japan (1182)	6,185	3.6	2.0	2.9	12.7	-0.9	1.4	-1.1	1.0	2.7	1.6	11.2	11.3	-1.4	21.0
ASEAN (124)	616	-3.1	-0.3	0.7	13.2	-9.5	1.4	-8.1	1.1	4.2	-23.0	11.0	10.9	25.0	8.0
China (704)	1,843	-13.3	-0.5	4.2	9.2	-19.9	1.1	-25.7	1.1	2.9	-13.9	11.6	12.5	12.2	13.4
Hong Kong (30)	318	-17.8	-7.4	-2.0	11.3	-23.3	0.8	-27.3	0.8	4.5	-35.2	7.2	7.6	-4.7	17.0
India (136)	1,258	19.6	4.5	-0.4	21.8	15.0	3.5	23.5	1.4	1.4	14.5	15.9	14.8	26.4	13.9
Indonesia (22)	136	3.3	1.9	-1.2	13.7	-7.1	2.2	-6.2	1.4	4.2	-37.6	16.4	16.3	36.8	8.3
Korea (99)	894	21.6	-2.1	2.3	11.2	7.7	1.0	1.3	0.9	2.1	-0.9	8.9	9.6	-39.3	77.2
Malaysia (32)	99	-7.2	2.5	2.2	13.9	-8.1	1.3	-17.0	1.3	4.2	-16.2	9.2	10.2	5.2	13.0
Philippines (14)	46	1.7	6.2	0.9	12.5	-24.8	1.6	-19.2	1.3	2.6	-32.7	13.0	12.0	24.2	10.8
Singapore (21)	222	0.4	-0.3	1.3	11.8	-10.6	1.2	1.0	0.9	5.0	-18.6	10.2	9.1	37.0	3.6
Taiwan (89)	1,256	26.9	10.9	7.4	17.4	23.9	2.5	32.5	1.0	2.8	29.5	14.3	13.4	-20.9	20.5
Thailand (35)	112	-12.6	-7.0	0.8	16.2	5.1	1.6	-11.8	0.9	3.2	-3.4	9.8	11.8	5.6	13.9
EMEA (154)	892	4.6	-0.8	-1.5	10.7	6.9	1.5	21.0	0.7	4.2	2.7	14.3	12.7	4.1	3.5
Czech Republic (3)	10	22.4	-4.5	5.3	12.3	-6.5	1.7	23.7	1.3	6.9	-9.7	14.1	10.9	-41.2	-3.0
Egypt (3)	6	37.7	-23.1	-31.4	6.6	-25.7	2.2	20.7	1.1	3.5	2.4	32.8	20.5	74.1	46.6
Greece (10)	38	44.2	7.9	0.4	9.1	-26.8	1.8	4.8	0.7	5.8	-24.3	19.3	13.8	6.7	0.7
Hungary (3)	18	45.5	1.5	-2.3	5.5	-39.8	0.9	-22.6	0.6	5.2	-52.2	15.5	12.4	10.2	-12.7
Kuwait (7)	59	-10.4	8.6	0.7	15.2	-7.6	1.8	-5.6	na	3.3	8.6	12.2	12.7	15.1	7.9
Poland (14)	68	45.0	-0.2	0.4	9.5	-14.7	1.1	-3.0	0.8	5.2	-37.9	11.4	10.2	8.8	-16.5
Qatar (13)	61	-2.9	-4.8	0.5	10.4	-16.6	1.4	-20.0	na	4.9	-16.0	13.4	13.9	1.0	6.9
Saudi Arabia (41)	306	7.2	4.6	0.0	18.0	5.4	2.2	4.3	na	3.4	7.4	12.0	12.2	-19.6	19.6
South Africa (32)	193	-1.6	-10.8	-2.6	9.1	-27.5	1.4	-27.3	0.9	4.4	-18.0	15.1	15.3	2.2	6.0
Türkiye (17)	46	-8.9	6.5	-9.0	4.6	-32.7	1.2	10.7	0.7	5.1	-4.2	25.2	16.0	33.9	7.0
UAE (11)	87	-3.0	-2.2	-3.3	9.4	-17.7	1.3	-7.2	na	4.8	-8.3	13.7	12.2	33.7	-8.8
Latin America (91)	629	25.1	-6.1	-2.1	8.9	-24.3	1.4	-11.1	1.2	6.0	-40.7	16.2	14.3	-24.3	8.7
Brazil (49)	373	23.4	-9.5	-4.2	7.7	-26.7	1.3	-17.3	1.1	6.6	-34.6	16.5	15.1	-22.7	3.0
Chile (12)	35	-1.2	-4.4	5.1	8.9	-35.6	1.2	-11.7	1.1	7.5	-55.2	13.5	10.0	-57.2	15.8
Colombia (3)	8	2.3	10.0	6.4	6.1	-43.9	0.8	-34.1	na	8.4	-109.4	12.6	11.4	-5.6	-7.8
Mexico (24)	189	36.2	-2.4	-0.8	12.6	-16.6	2.1	-0.4	1.5	4.6	-51.1	16.6	14.1	-15.8	30.6
Peru (3)	24	30.2	16.5	10.3	13.8	10.3	2.1	16.8	0.5	3.8	-26.2	15.1	14.3	-22.6	20.5
Developed Markets (1466)	63,907	21.8	6.7	2.9	18.4	10.8	3.0	28.1	1.2	2.0	19.2	16.2	14.0	1.1	7.7
Emerging Markets (1376)	7,166	7.0	1.4	2.1	12.0	0.0	1.5	2.0	1.0	3.0	-0.5	12.4	12.2	-5.3	17.5
World (2842)	71,072	20.1	6.1	2.8	17.5	9.7	2.7	24.3	1.1	2.1	17.1	15.5	13.7	0.2	9.0

Source: BofA Global Research, MSCI, IBES estimates. Note: numbers in red text indicate that the valuation metric is 2 standard deviations above its 10-year average. Numbers in green indicate the valuation metric is 2 standard deviations below its 10-year average. #Positive deviation for dividend yield implies current dividend is LOWER than the 10yr average and vice-versa. *Market caps shown are free float. ^Currency for EPS growth estimates: (a) UK: GBP; (b) Eurozone country and regional indices: EUR; (c) Other regional indices, Russia, Peru: USD; (d) Other individual countries: Local currency.

Regional survey demographics data

Exhibit 25: Position / institution / approach of participants in the regional survey

Demographics details for regional Fund Manager Survey participants

	Mar-24	Feb-24	Jan-24
Structure of the panel - by position			
Chief Investment Officer	10	14	14
Asset Allocator / Strategist / Economist	21	33	28
Portfolio Manager	76	87	89
Other	12	11	15
Structure of the panel - by expertise			
Regional specialists + EM specialists only	28	40	35
Regional specialists with a global view	91	105	111
Total # of respondents to regional questions	119	145	146
Which of the following best describes the type of money you are running?			
Institutional funds (e.g. pension funds / insurance companies)	39	50	44
Hedge funds / proprietary trading desks	20	23	25
Mutual funds / unit trusts / investment trusts	46	63	64
None of the above	14	9	13
What do you estimate to be the total current value of assets under your direct control?			
Up to \$250mn	25	29	30
Around \$500mn	17	22	17
Around \$1bn	21	23	28
Around \$2.5bn	23	25	29
Around \$5bn	7	8	10
Around \$7.5bn	5	5	3
Around \$10bn or more	9	15	13
No funds under my direct control	12	18	16
Total (USD bn)	256	331	319
What best describes your investment time horizon at this moment?			
3 months or less	33	37	36
6 months	33	38	50
9 months	18	15	13
12 months or more	34	52	43
Weighted average	7.3	7.7	7.3
Don't know	1	3	4
Which region do you specialise in?			
US / North America	30	35	40
Europe / Continental Europe / Eurozone / UK	33	37	36
Asia Pacific / Asia Pacific ex Japan / Japan	39	48	49
South Africa	15	16	14
MENA (Middle East and North Africa)	1	6	4
None of the above	1	3	3

Source: BofA European Fund Manager Survey

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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