

Asia Fund Manager Survey

In outperformers we trust

Ten things fund managers are telling us

- 1) The new year is here but global narratives remain largely the same – an off-the-lows yet below-trend growth outlook for the world economy, with net 40% of the Global FMS panelists seeing a weaker economy in the next 12 months. Such is the conviction on the slowdown that [43% admit to being taken aback](#) if growth in 2024 trumps that in 2023.
- 2) The relative optimism in the Asia FMS is also fading, with net 14% expecting the regional economy to strengthen in the next 12 months, down from 39% in August, as [hopes of a growth revival in China die down](#). Japan, on the other hand, stands out.
- 3) From a market perspective, the Asia FMS expects a run-of-the-mill year, with a [concentration of votes \(47%\) in the mid-to-high single digit band](#). Overall, 80% of investors look for a rise in Asia Pacific ex-Japan equities in the next 12 months, on the basis of improving profits and supportive policy against a backdrop of fair valuations.
- 4) Return expectations in Japan are even bolder, with [more than a quarter anticipating double-digit returns](#) in the next 12 months. It is, by far, the favorite market in the region, as cited by net 59% of investors, with a tilt towards semis and banks.
- 5) The FMS deems [wage negotiations and BoJ policy normalization](#) to be the most closely watched event in Japan this year, with 73% anticipating forex intervention at one level or another starting from 150. Meanwhile recent developments have made survey participants push out the timeline for an end to NIRP/YCC beyond the first quarter.
- 6) Pessimism in China is all but entrenched now. Chronic disappointment has turned investors away from Chinese equities, with 2 in 5 investors looking elsewhere for opportunities, given their belief that Chinese households will hold on to their [savings rather than spend/invest \(8%/2% of votes\)](#).
- 7) Tellingly, the FMS shed China allocation 12ppt to the [steepest net underweight position in more than a year](#) in a reflection of the dire state of affairs. The apathy is consistent across horizons, with 69% thinking that structural de-rating is on the cards.
- 8) The FMS stays [optimistic on the semis cycle](#), with net 69% expecting an improvement in the next 12 months, resonating the bullishness of our [Memory Indicator](#).
- 9) [Sector allocations stack up accordingly](#), with technology (semis: net 33% overweight; tech hardware: net 27% overweight | software: net 8% overweight) at the top of the investor pecking order. At the other end of the spectrum, consumer staples (net 16% underweight) joins real estate (27%) and utilities (20%) as the least preferred sectors.
- 10) Among markets, the [FMS likes India](#) (net 18% overweight), apart from Japan, while Australia (net 6% underweight) and Thailand (4%) remain unloved besides China.

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 12 to 14.

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

Notes to readers

A total of 256 panelists with \$669bn AUM participated in the survey. 221 participants with \$589bn AUM responded to the global FMS questions and 146 participants with \$319bn AUM responded to the regional FMS questions.

Survey period: 5 – 11 January 2024

How to join the FMS panel

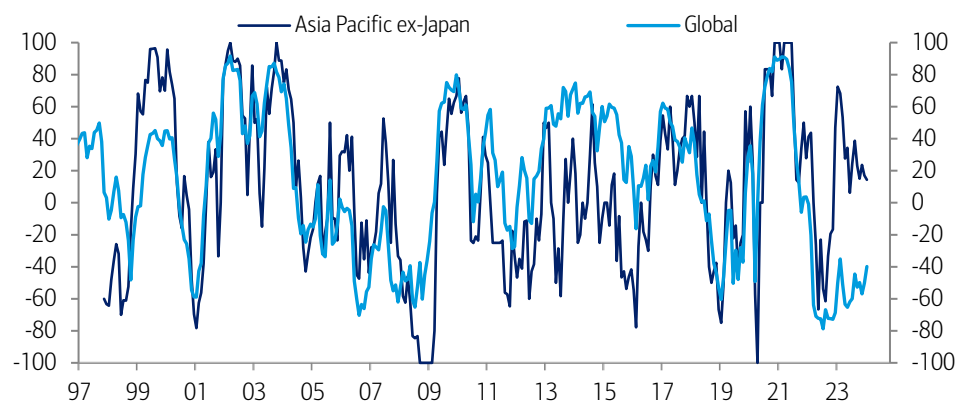
Investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting [Michael Hartnett](#) or your BofA sales representative.

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

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

Net 40% of the Global FMS panelists brace for a weaker economy in the next 12 months; the relative optimism in the Asia FMS is also fading as...

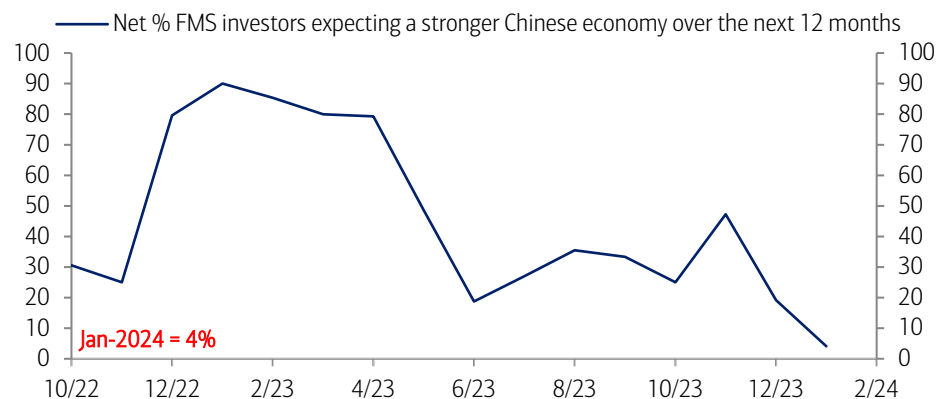


Source: BofA Global & Asia Fund Manager Survey

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Exhibit 2: Net % FMS investors expecting a stronger Chinese economy

...hopes of a growth revival in China die down



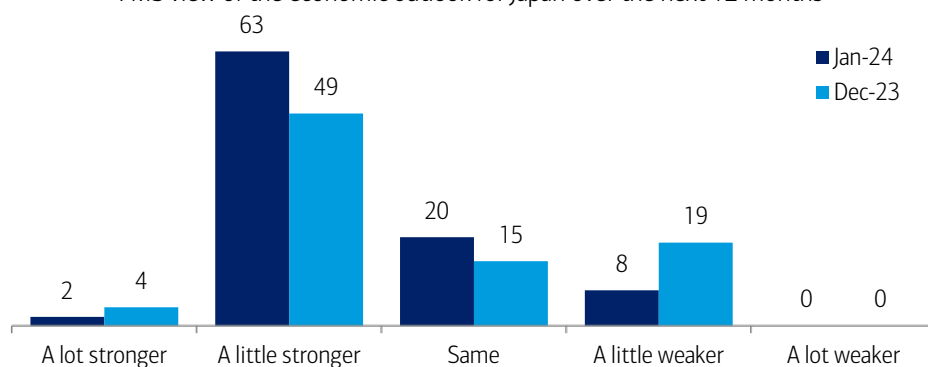
Source: BofA Asia Fund Manager Survey

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Exhibit 3: Net % FMS investors expecting a stronger Japanese economy

Japan stands out: net 57% expect a stronger economy in the next 12 months versus 34% in December

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

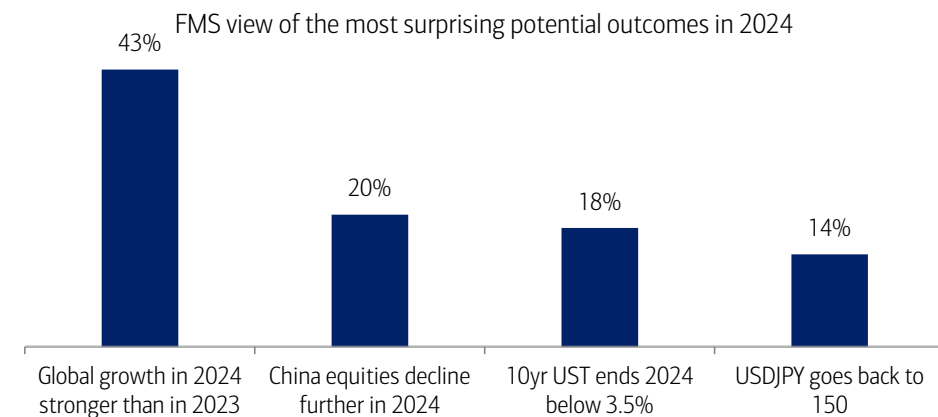


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (6% | 13%) are not shown above.

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Exhibit 4: FMS view of the most surprising potential outcomes in 2024

43% of investors admit to be taken aback if global growth in 2024 trumps that in 2023

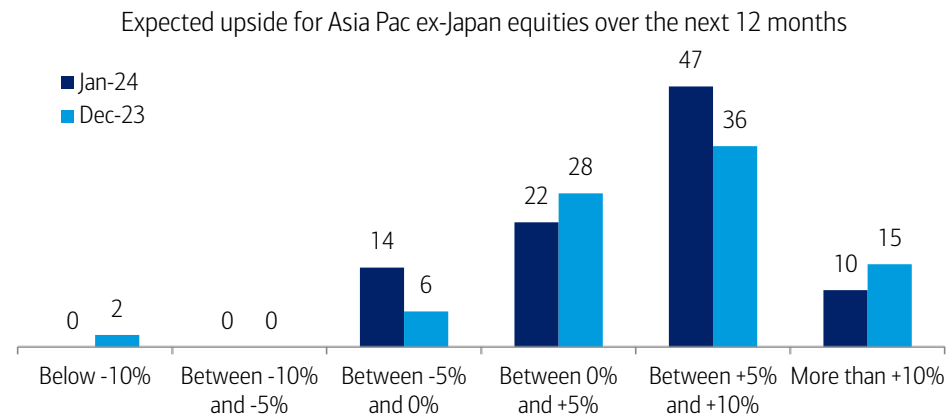


Source: BofA Asia Fund Manager Survey

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Exhibit 5: FMS view of Asia Pac ex-Japan equities over the next 12 months

The Asia FMS expects a run-of-the-mill year, with a concentration of votes in the mid-to-high single digit band



Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (6% | 13%) are not shown above.

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Exhibit 6: Net % FMS investors expecting better corporate profits in Asia Pacific ex-Japan

The buy-side shares the enthusiasm of the sell-side on corporate earnings, as net 41% of investors expect stronger profits in Asia Pacific ex-Japan in the next 12 months versus the long-term average of 12%



Source: BofA Asia Fund Manager Survey

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

Net 43% of investors expect lower inflation in APAC ex-Japan in the next 12 months, setting the stage for monetary easing to usher in

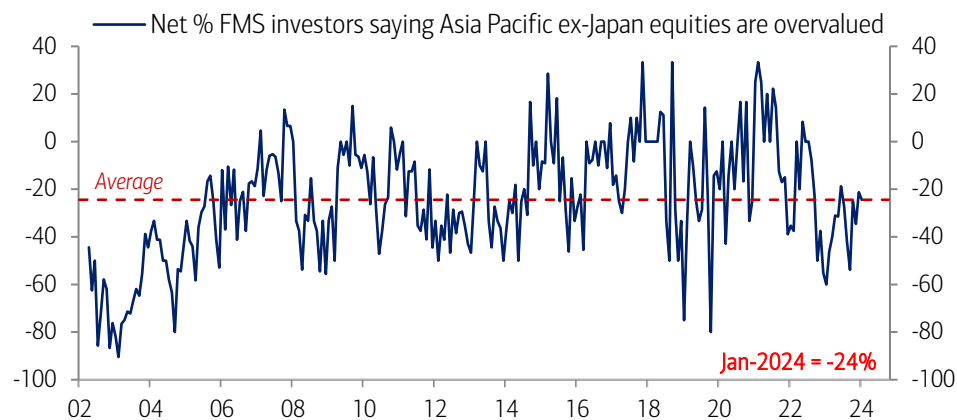


Source: BofA Asia Fund Manager Survey

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Exhibit 8: Net % FMS investors saying Asia Pacific ex-Japan equities are overvalued

Net 24% of investors perceive the regional equities as undervalued, in line with the long-term average

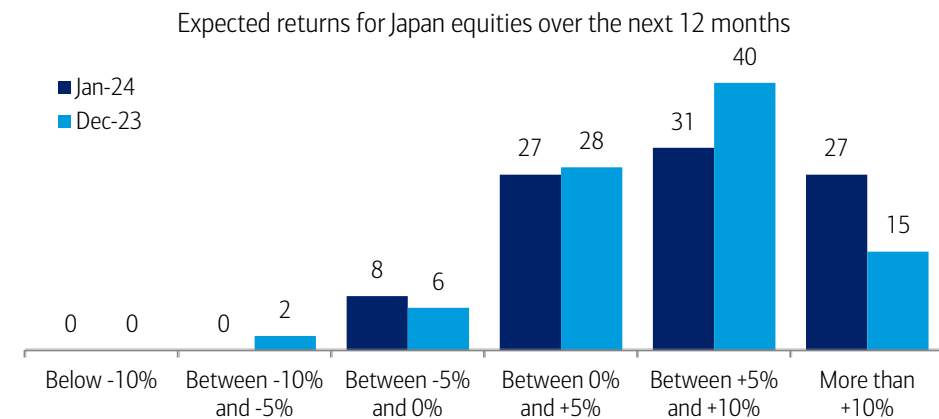


Source: BofA Asia Fund Manager Survey

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

Return expectations in Japan are bolder, with 27% anticipating double-digit returns in the next 12 months

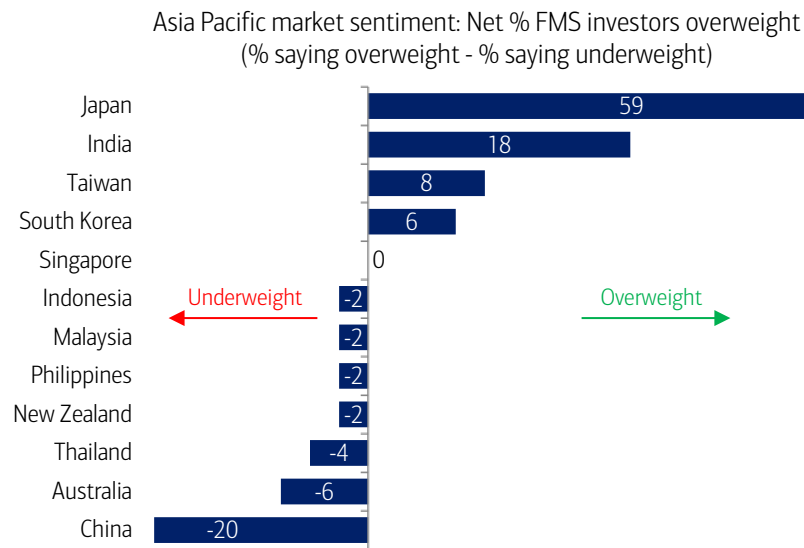


Source: BofA Asia Fund Manager Survey

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Exhibit 10: Asia Pacific market sentiment: Net % FMS investors overweight

Japan (net 59% overweight) sits atop the country preference list, followed by India (18%), while China (net 20% underweight) dropped to the steepest underweight position in more than a year

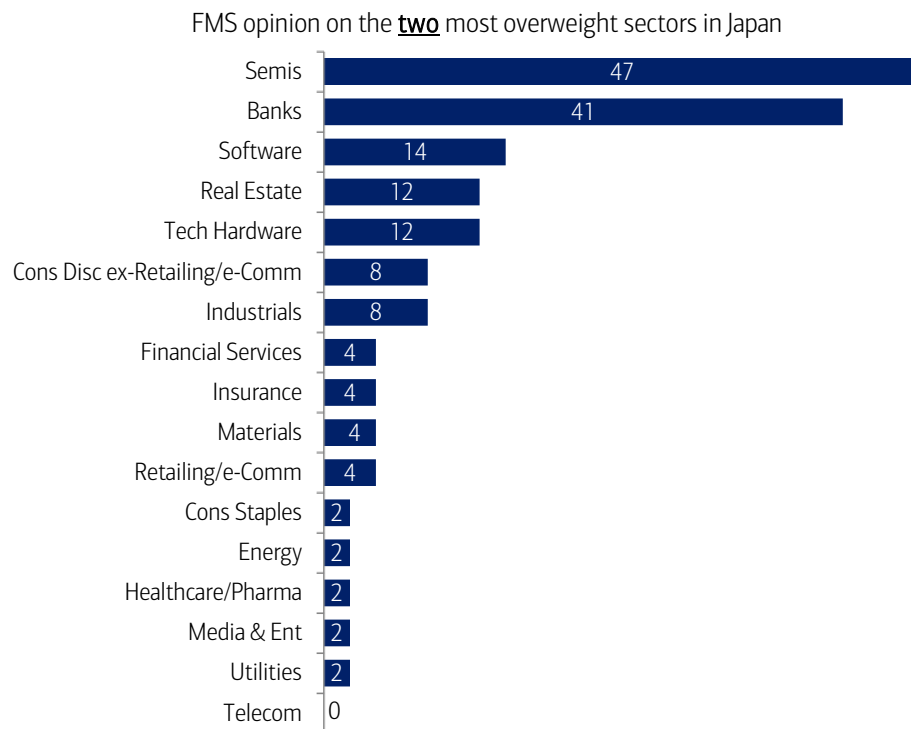


Source: BofA Asia Fund Manager Survey

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Exhibit 11: FMS opinion on the two most overweight sectors in Japan

The FMS expresses a tilt towards semis and banks, and away from defensives (telecom | utilities | healthcare | staples) and energy in Japan

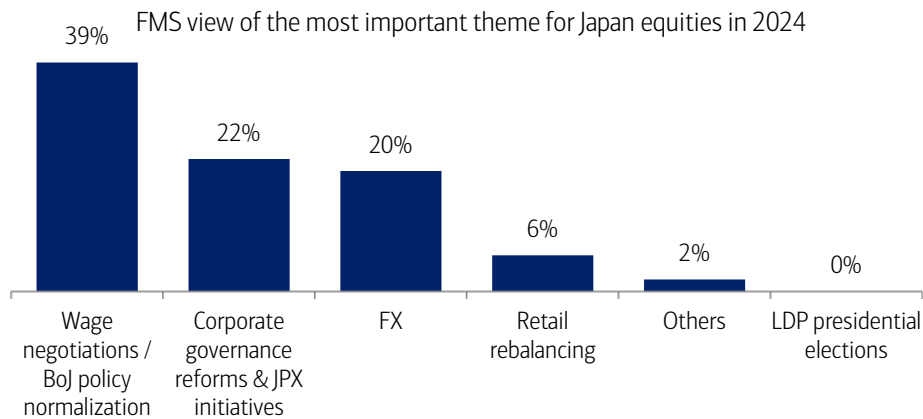


Source: BofA Asia Fund Manager Survey

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Exhibit 12: FMS view of the most important theme for Japan equities in 2024

The FMS deems wage negotiations and BoJ policy to be the most closely watched event in Japan in 2024

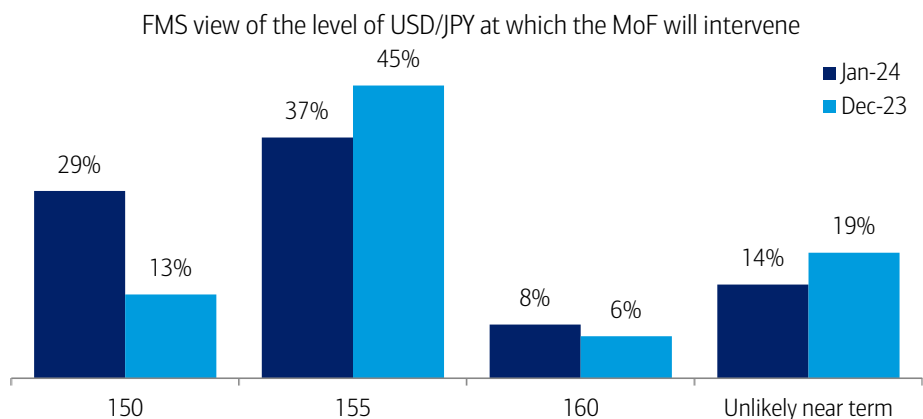


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (10%) are not shown above.

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Exhibit 13: When will the Ministry of Finance (MoF) intervene in the Japan forex market?

73% of the panelists anticipate forex intervention at one level or another starting from 150

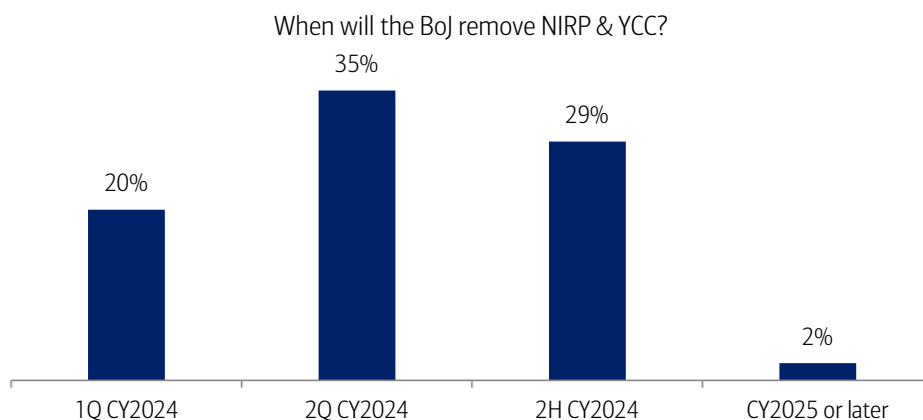


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (12% | 17%) are not shown above.

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Exhibit 14: When will the BoJ remove NIRP & YCC?

Recent developments have pushed out the timeline for the potential end to NIRP/YCC beyond 1Q

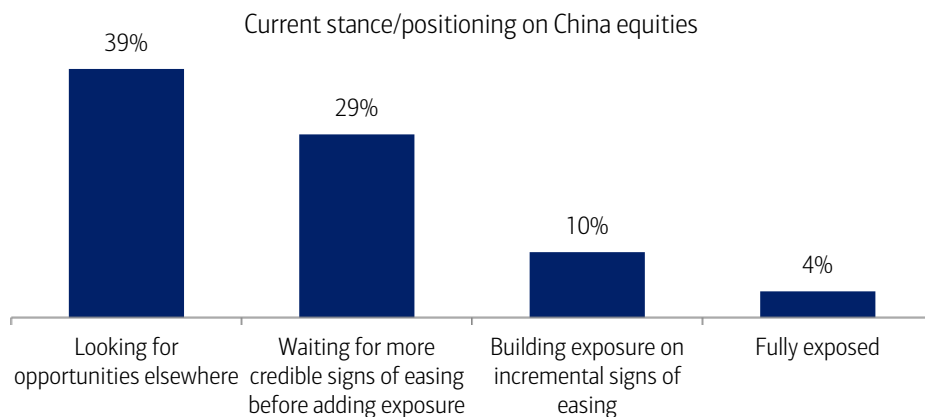


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (14%) are not shown above.

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Exhibit 15: FMS current stance/positioning on China equities

Chronic disappointment has turned investors away from Chinese equities, with 2 in 5 investors looking elsewhere for opportunities

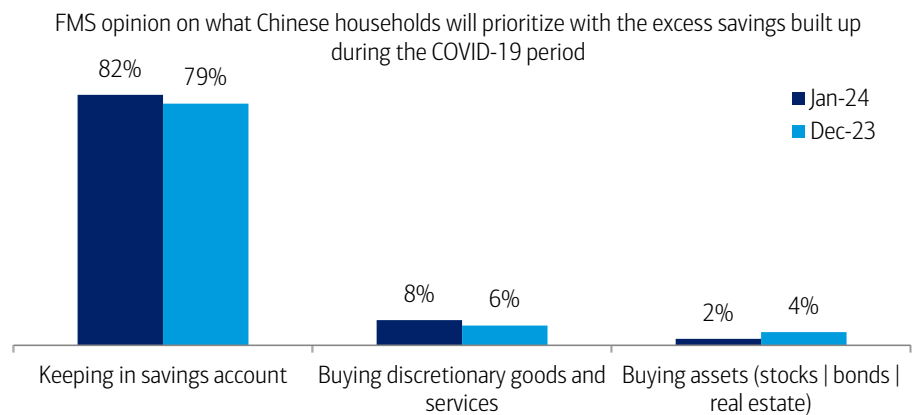


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (18%) are not shown above.

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Exhibit 16: What Chinese households will prioritize with the excess savings built up during COVID-19

Shockingly low risk appetite: the FMS anticipates Chinese households to cling on to their savings rather than spend/invest

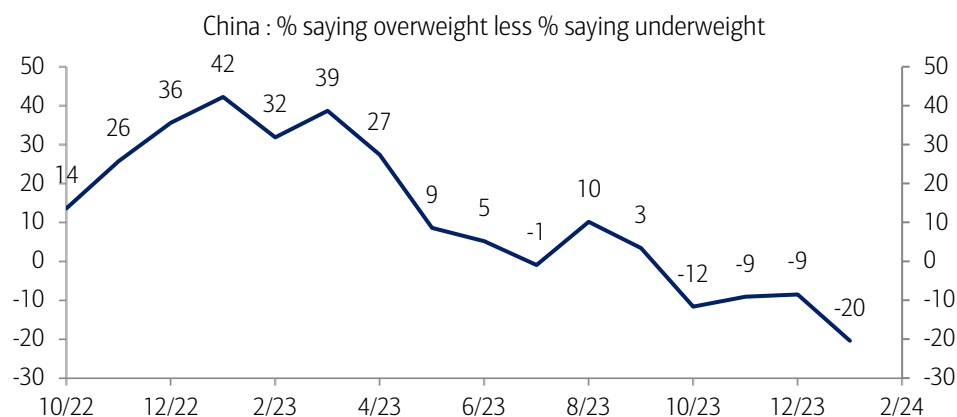


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (8% | 11%) are not shown above.

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Exhibit 17: Net % FMS investors overweight on China

Dire state of affairs: China allocation drops 12ppt to the steepest underweight position in more than a year



Source: BofA Asia Fund Manager Survey

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

Three-fourths of participants believe a structural de-rating process of the China equity market is underway

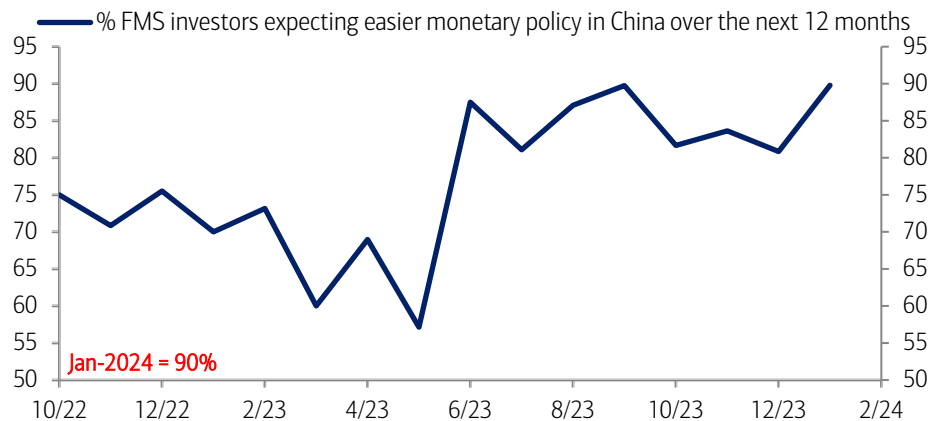


Source: BofA Asia Fund Manager Survey

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Exhibit 19: FMS view of monetary policy in China

Overwhelming demand for monetary policy easing in China, but a concerted action has been lacking so far

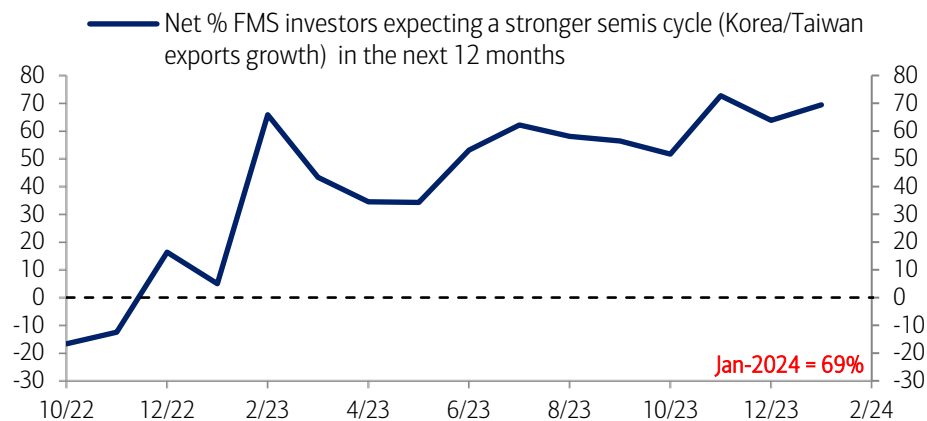


Source: BofA Asia Fund Manager Survey

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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 69% expecting it to strengthen in the next 12 months

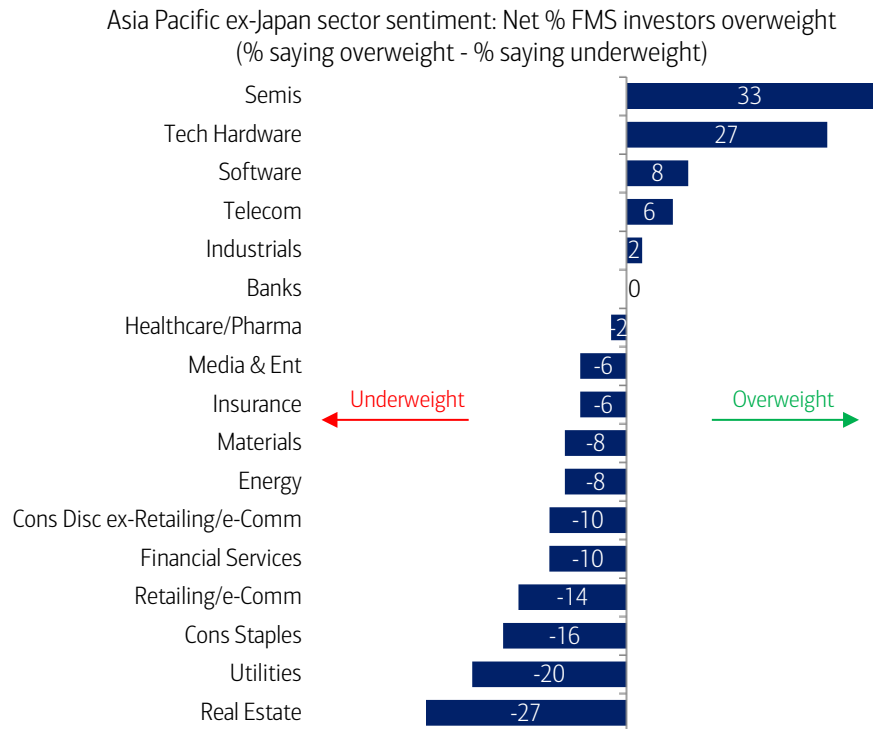


Source: BofA Asia Fund Manager Survey

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

Technology (semis: net 33% overweight; tech hardware: net 27% overweight | software: net 8% overweight) is the uncontested investor favorite. Meanwhile, consumer staples (net 16% underweight) joins real estate (net 27% underweight) and utilities (net 20% underweight) as the least preferred sectors

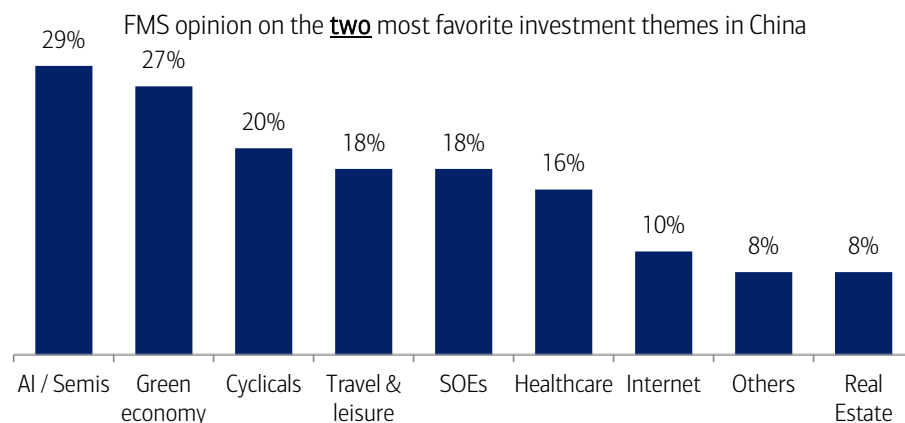


Source: BofA Asia Fund Manager Survey

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

Even within China, investors are most bullish on AI/semis stocks, while internet stocks lose their appeal



Source: BofA Asia Fund Manager Survey

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Exhibit 23: Market intelligence as of 15 January 2024

Performance, valuation and growth information by country/region

15-Jan-2024		USD perf (%)			12m forward								EPS growth^ (%)		
Region/Country (# Co)	Mkt cap* (U\$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 (697)	44,075	24.5	0.1	1.3	19.4	8.3	3.7	23.4	1.4	1.6	18.6	19.3	16.9	1.2	10.6
Canada (88)	1,904	12.6	-1.5	2.1	13.7	-5.8	1.7	-1.3	1.1	3.4	-6.5	12.4	11.9	-8.4	6.6
US (609)	42,171	25.0	0.2	1.2	19.8	9.0	3.9	24.3	1.4	1.5	20.0	19.8	17.3	1.9	10.9
Europe (425)	10,404	16.7	-1.8	-0.1	12.8	-10.9	1.8	4.2	1.0	3.7	-0.7	14.1	12.1	-2.7	5.3
Austria (4)	30	12.8	0.3	2.0	6.9	-31.2	0.8	-12.9	0.5	6.7	-59.8	11.8	9.7	-9.9	-5.6
Belgium (13)	153	4.1	-0.7	-1.7	16.2	-7.8	1.5	-14.5	0.6	2.9	10.0	9.5	10.3	30.3	5.2
Denmark (16)	552	29.7	2.1	7.9	26.9	33.8	5.4	43.3	1.2	1.8	21.7	20.2	19.0	-31.8	17.0
Finland (13)	175	-8.2	0.4	3.1	14.4	-12.9	1.8	-14.8	1.2	4.4	-6.4	12.2	12.6	-25.6	11.6
France (61)	1,900	18.8	-2.6	-2.0	13.1	-8.7	1.7	13.0	0.9	3.3	2.9	13.2	10.8	0.0	3.6
Germany (58)	1,360	19.9	-2.1	-1.1	11.1	-14.3	1.3	-11.3	0.9	3.6	-11.0	11.9	11.6	0.3	7.7
Ireland (6)	82	22.9	-4.1	-1.4	12.5	-25.5	1.5	-14.4	0.5	3.1	-44.6	11.9	10.4	42.6	1.2
Italy (24)	425	31.7	-0.3	1.0	8.3	-29.8	1.2	6.1	0.6	5.9	-25.8	14.7	10.1	11.0	-0.5
Netherlands (26)	728	23.7	-3.0	-3.4	16.9	-2.3	2.6	17.4	1.1	2.3	11.9	15.2	12.8	22.4	6.8
Norway (12)	105	-0.4	-3.6	-0.1	9.9	-21.8	1.6	-1.2	0.9	6.3	-27.2	16.1	13.2	-38.1	11.2
Portugal (4)	35	5.1	-2.7	-1.3	15.1	-7.9	2.0	9.1	1.2	3.7	10.1	13.2	11.2	31.5	8.1
Spain (19)	428	28.2	-0.8	0.3	10.2	-19.7	1.2	0.5	1.0	5.2	-12.5	11.7	9.5	12.0	2.9
Sweden (42)	493	21.0	-5.0	-3.0	14.2	-10.4	2.2	4.8	1.1	3.7	1.1	15.7	13.5	20.4	0.1
Switzerland (45)	1,595	13.3	-1.3	1.0	17.1	-1.5	3.1	17.5	1.4	3.2	-0.6	18.2	15.3	1.5	9.2
UK (82)	2,344	9.5	-1.7	0.7	10.6	-18.9	1.6	-5.7	1.1	4.4	-1.3	14.8	12.9	-13.2	4.6
Israel (14)	110.9	9.3	-0.7	3.8	10.5	-2.7	2.2	56.2	1.0	2.0	15.4	20.7	13.0	-6.9	2.6
Asia Pac (1538)	10,866	8.8	-1.0	1.2	13.1	-2.7	1.4	0.7	0.9	2.8	-0.1	10.7	10.3	2.4	14.0
Japan (225)	3,768	17.8	3.7	5.6	15.0	6.9	1.4	13.7	0.8	2.3	2.2	9.3	8.8	9.6	8.2
Australia (58)	1,190	9.9	-3.5	-0.1	16.2	3.3	2.1	9.3	1.3	4.1	10.2	13.0	12.3	-3.8	-1.7
New Zealand (6)	32	3.4	-2.0	1.2	31.3	17.5	2.8	5.1	1.3	3.0	16.6	8.8	10.0	14.5	12.8
Asia ex-Japan (1249)	5,875	3.6	-3.3	-1.1	11.9	-6.6	1.3	-6.8	1.0	2.8	-2.7	11.2	11.3	0.2	20.4
ASEAN (127)	610	-3.1	-1.4	1.9	13.0	-10.9	1.4	-10.2	1.1	4.2	-24.0	10.9	10.9	18.8	6.8
China (766)	1,784	-13.3	-4.8	-4.3	8.6	-24.6	1.0	-30.1	1.1	2.9	-15.1	11.6	12.5	13.6	14.9
Hong Kong (33)	335	-17.8	-5.0	-3.0	11.2	-24.2	0.8	-26.5	0.8	4.5	-36.2	7.4	7.7	3.2	12.4
India (131)	1,216	19.6	2.8	4.0	22.3	18.1	3.5	26.0	1.4	1.3	16.7	15.8	14.8	24.0	14.0
Indonesia (22)	135	3.3	1.0	2.8	14.1	-4.8	2.2	-9.9	1.4	4.2	-36.4	15.4	16.3	36.5	7.8
Korea (102)	844	21.6	-7.8	-3.2	10.6	2.0	0.9	-3.4	0.9	2.3	-7.0	9.0	9.7	-34.0	69.3
Malaysia (31)	95	-7.2	0.5	1.6	13.6	-10.4	1.2	-19.4	1.3	4.3	-19.8	9.2	10.2	7.7	8.8
Philippines (14)	44	1.7	2.4	2.6	12.3	-26.4	1.6	-22.2	1.3	2.6	-35.8	12.8	12.0	25.7	8.4
Singapore (22)	217	0.4	-3.1	2.3	11.5	-13.4	1.2	-0.8	0.9	5.0	-20.4	10.4	9.1	38.9	2.2
Taiwan (90)	1,085	26.9	-4.2	-0.5	15.3	8.9	2.2	17.0	1.0	3.2	18.3	14.3	13.3	-19.0	17.8
Thailand (38)	119	-12.6	-3.8	0.0	15.9	3.7	1.6	-12.7	0.9	3.2	-2.1	9.9	11.9	-21.3	16.1
EMEA (157)	895	4.6	-0.2	1.9	10.5	5.5	1.6	23.4	0.7	4.2	2.8	14.8	12.6	3.1	6.3
Czech Republic (3)	11	22.4	-0.3	2.6	12.1	-7.8	1.7	24.9	1.3	6.7	-5.8	14.4	10.8	-41.1	-1.5
Egypt (3)	8	37.7	5.1	2.1	7.0	-21.6	2.1	19.5	1.1	4.1	-15.4	30.3	20.2	84.9	20.6
Greece (10)	35	44.2	4.9	6.1	9.6	-25.0	1.9	13.2	0.7	5.3	-15.6	19.7	13.6	5.0	-1.3
Hungary (3)	19	45.5	5.6	7.9	5.5	-40.7	0.9	-15.2	0.6	5.0	-48.6	17.1	12.3	4.1	-6.8
Kuwait (7)	57	-10.4	7.0	7.3	10.5	-36.4	1.8	-6.1	na	4.7	-28.9	17.5	12.7	13.8	9.9
Poland (15)	64	45.0	-6.8	-4.9	8.8	-21.9	1.1	-3.9	0.8	4.9	-28.6	12.2	10.1	7.7	-11.7
Qatar (13)	62	-2.9	-0.6	6.4	11.0	-12.4	1.4	-17.6	na	4.8	-12.5	13.2	13.9	-0.3	8.0
Saudi Arabia (42)	300	7.2	2.3	6.1	17.5	2.6	2.1	2.0	na	3.5	5.8	12.1	12.3	-15.1	16.6
South Africa (32)	202	-1.6	-6.8	-5.5	9.2	-26.7	1.4	-26.3	0.9	4.5	-19.1	15.1	15.3	4.1	8.9
Türkiye (18)	46	-8.9	7.0	-2.4	4.7	-32.6	1.2	10.6	0.7	4.7	2.2	24.9	15.9	16.0	18.0
UAE (11)	91	-3.0	2.0	4.7	10.2	-11.4	1.4	-1.8	na	4.3	2.6	13.4	12.2	24.5	-6.0
Latin America (90)	651	25.1	-2.6	0.8	9.0	-23.4	1.5	-7.9	1.2	5.7	-36.3	16.6	14.2	-21.6	7.8
Brazil (48)	402	23.4	-2.1	2.3	8.0	-23.9	1.3	-12.2	1.1	6.2	-27.1	16.7	15.1	-25.3	8.5
Chile (12)	33	-1.2	-8.7	-8.2	8.5	-39.3	1.1	-22.3	1.1	8.1	-71.0	12.5	10.0	-50.1	16.9
Colombia (3)	8	2.3	6.4	12.7	5.9	-46.0	0.8	-31.3	na	6.6	-65.5	13.6	11.4	-7.4	0.5
Mexico (24)	188	36.2	-3.1	-1.2	12.4	-18.2	2.1	2.4	1.5	4.6	-51.5	17.3	14.0	9.7	3.6
Peru (3)	20	30.2	-2.3	2.1	11.7	-6.8	1.7	-6.2	0.5	4.2	-42.9	14.4	14.3	-20.5	13.7
Developed Markets (1480)	60,133	21.8	-0.1	1.2	17.3	4.3	2.8	20.7	1.2	2.1	14.5	16.1	13.9	0.8	8.8
Emerging Markets (1441)	6,870	7.0	-2.8	-0.6	11.4	-4.8	1.4	-2.6	1.0	3.1	-3.8	12.5	12.2	-4.1	17.7
World (2921)	67,002	20.1	-0.4	1.1	16.4	3.4	2.5	17.2	1.1	2.2	12.4	15.5	13.7	0.1	10.0

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.

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Regional survey demographics data

Exhibit 24: Position / institution / approach of participants in the regional survey

Demographics details for regional Fund Manager Survey participants

	Jan-24	Dec-23	Nov-23
Structure of the panel - by position			
Chief Investment Officer	14	11	15
Asset Allocator / Strategist / Economist	28	31	28
Portfolio Manager	89	88	91
Other	15	10	17
Structure of the panel - by expertise			
Regional specialists + EM specialists only	35	35	40
Regional specialists with a global view	111	105	111
Total # of respondents to regional questions	146	140	151
Which of the following best describes the type of money you are running?			
Institutional funds (e.g. pension funds / insurance companies)	44	42	45
Hedge funds / proprietary trading desks	25	27	32
Mutual funds / unit trusts / investment trusts	64	58	57
None of the above	13	13	17
What do you estimate to be the total current value of assets under your direct control?			
Up to \$250mn	30	28	39
Around \$500mn	17	20	23
Around \$1bn	28	25	27
Around \$2.5bn	29	25	23
Around \$5bn	10	9	8
Around \$7.5bn	3	4	3
Around \$10bn or more	13	13	10
No funds under my direct control	16	16	18
Total (USD bn)	319	310	268
What best describes your investment time horizon at this moment?			
3 months or less	36	33	44
6 months	50	41	41
9 months	13	15	16
12 months or more	43	49	47
Weighted average	7.3	7.7	7.3
Don't know	4	2	3
Which region do you specialise in?			
US / North America	40	34	38
Europe / Continental Europe / Eurozone / UK	36	34	34
Asia Pacific / Asia Pacific ex Japan / Japan	49	47	55
South Africa	14	15	14
MENA (Middle East and North Africa)	4	6	7
None of the above	3	4	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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