

# Asia Fund Manager Survey

## February FMS: don't change a winning combination

### Signs of a break-out (ex-China)

The Global Fund Manager Survey (FMS) view of the global economy has risen to a 2-year high after a protracted period of gloom, echoing the optimism of our proprietary growth indicators. See [BofA GPS: Anatomy of a bull market 30 January 2024](#). The outlook for the regional economy moved up in tandem, with net 29% expecting a stronger APAC ex-Japan economy (*highest since August*), and net 54% a stronger Japan economy in the next 12 months. The lone exception: China, bucking the trend with more participants in favor of a weakening rather than a strengthening in the year ahead for the first time since the launch of this periodical 17 months ago.

### Yet, return expectations have softened

Surprisingly, in an apparent disconnect, the return expectations for the region have mellowed down a notch, likely due to the underwhelming YTD performance of index heavyweight China. The moderation was driven by a dip in both the profits outlook as well as the undervaluation perception of the regional equity markets.

### Acute apathy on China

The China equity market, in particular, failed to obtain the nod of approval from survey participants, with the majority willing to sit out/avoid at the moment, including 15% who are looking to cut risk on any bounces. Tellingly, China allocation struck a new low as investors brace for a structural de-rating, given their belief that the propensity among Chinese households to preserve cash rather than spend/invest is here to stay.

### Roaring bulls in Japan: from value trap to value bias

The optimism on Japan remains unscathed, as FMS spells out even brighter prospects for returns than before. 29% of participants expect double-digit returns in the next 12 months with scant bids for a peak anytime soon. It is, by far, the favorite market in the region, as cited by net 56% of investors, with a tilt towards semis and banks. Once dubbed a 'value trap', investors now harbor a clear value bias in Japan, as corporate governance reforms – slated to be the most closely watched event this year – take centerstage. Wage negotiations and BoJ policy normalization is yet another topic of interest for investors, with the FMS looking for only a measured rise in the Shunto wage growth from 3.6% in 2023 to 3.8% this year.

### Allocation: status quo

The February FMS has chosen momentum over rotation across markets and sectors. The favorable views on technology stay intact, with semis at the helm yet again (cited by net 40% of participants) while real estate (net 23% underweight) stays out of favor. Among markets, investors prefer India and Taiwan (net 19% overweight each) apart from Japan, while avoiding Thailand (net 17% underweight) and China (-23%).

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 249 panelists with \$656bn AUM participated in the survey. 209 participants with \$568bn AUM responded to the global FMS questions and 145 participants with \$331bn AUM responded to the regional FMS questions.

Survey period: 2 – 8 February 2024

### How to join the FMS panel

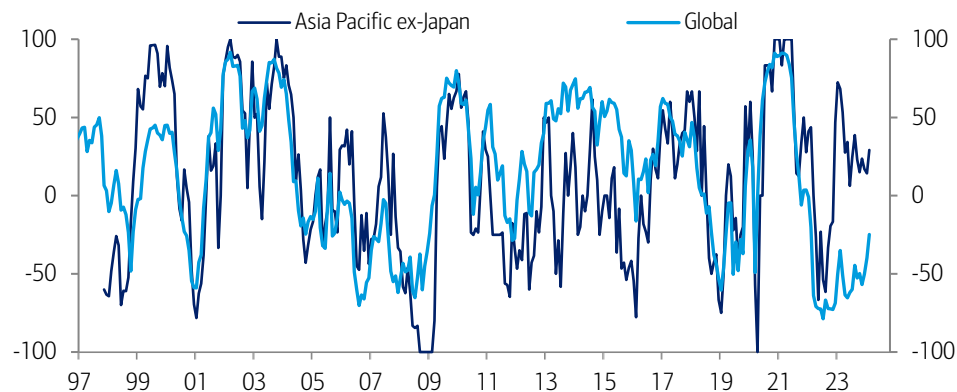
Investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting [Michael Hartnett](#) or your BofA sales representative.

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

# February FMS: don't change a winning combination

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

The FMS view of the global economy has risen to a 2-year high; the view on the Asian economy also picked up from a month ago



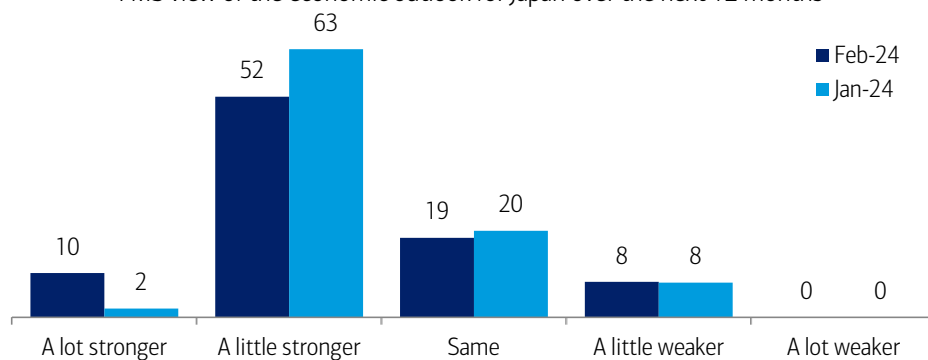
Source: BofA Global & Asia Fund Manager Survey

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## Exhibit 2: Net % FMS investors expecting a stronger Japanese economy

Optimism on Japan stays unscathed: net 54% 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' (10% | 6%) are not shown above.

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## Exhibit 3: Net % FMS investors expecting a stronger Chinese economy

But the FMS sounded alarm bells for the Chinese economy

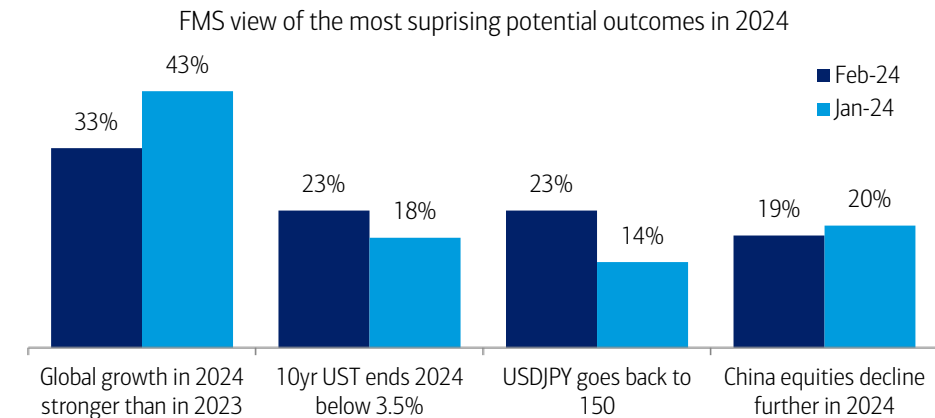


Source: BofA Asia Fund Manager Survey

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

33% of investors admit being taken aback if global growth in 2024 trumps that in 2023

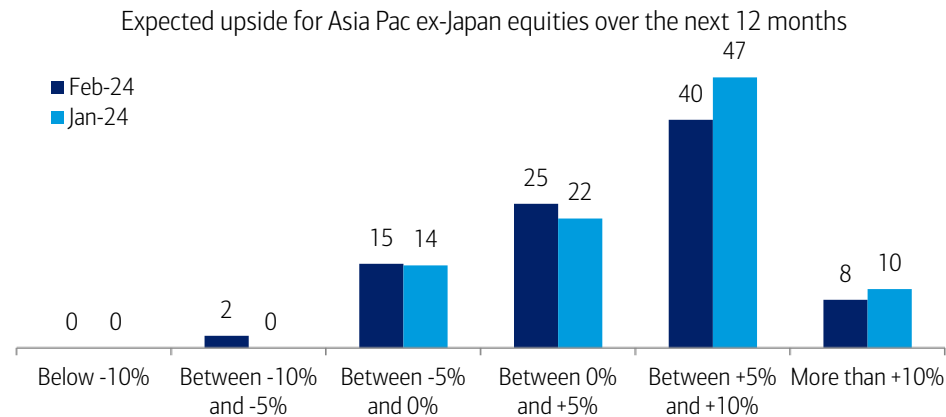


Source: BofA Asia Fund Manager Survey

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

Return expectations have mellowed down a tad, likely due to the underwhelming performance of China YTD



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**

Disconnect: profit outlook takes a dip despite better economic outlook

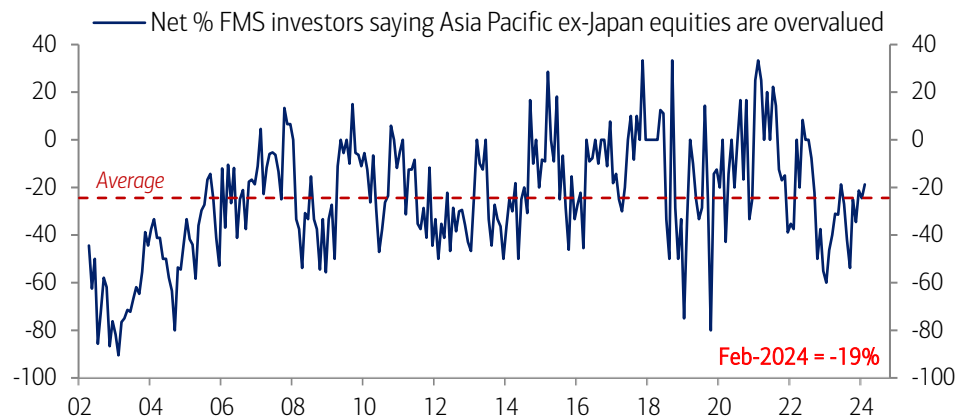


Source: BofA Asia Fund Manager Survey

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**Exhibit 7: Net % FMS investors saying Asia Pacific ex-Japan equities are overvalued**

Net 19% 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 8: Net % FMS investors expecting higher inflation in Asia Pacific ex-Japan**

Net 29% of investors expect lower inflation in APAC ex-Japan in the next 12 months versus 43% in January

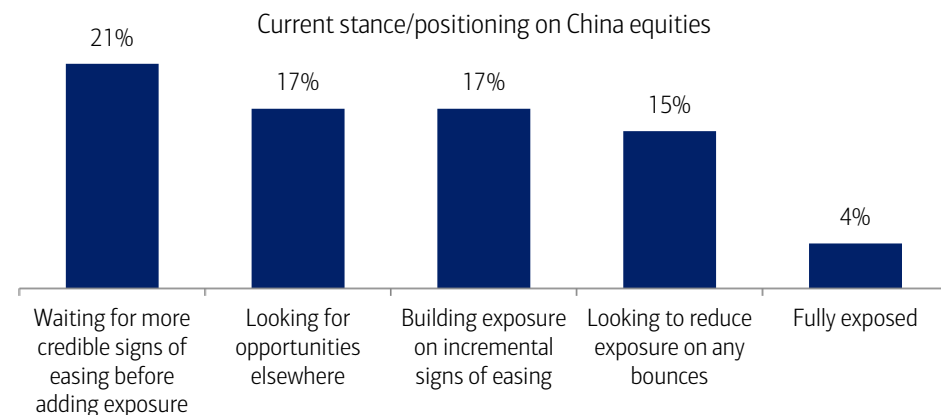


Source: BofA Asia Fund Manager Survey

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**Exhibit 9: FMS current stance/positioning on China equities**

Lack of clarity, but majority of investors look to sit out/avoid at the moment, including 15% who are looking to cut risk on any bounces

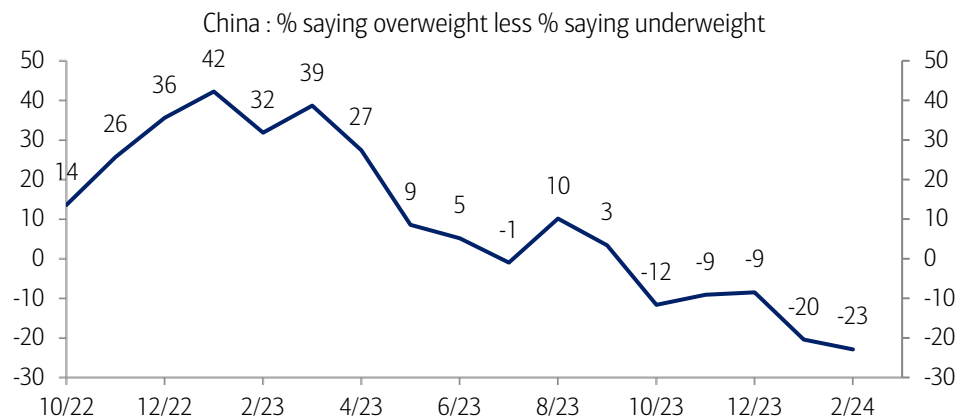


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (27%) are not shown above.

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**Exhibit 10: Net % FMS investors overweight on China**

Dire state of affairs: China allocation sank to a new low of net 23% underweight



Source: BofA Asia Fund Manager Survey

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**Exhibit 11: FMS view on the potential for structural de-rating of the China equity market**

Two-thirds of participants believe a structural de-rating process of the China equity market is underway

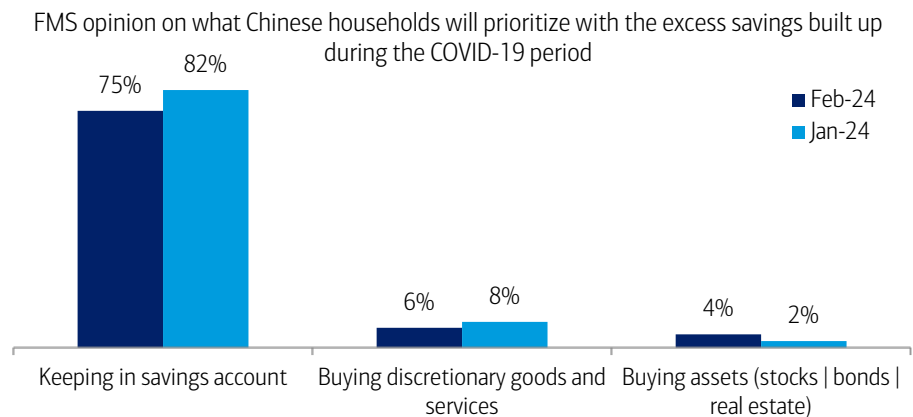


Source: BofA Asia Fund Manager Survey

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**Exhibit 12: 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' (15% | 8%) are not shown above.

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**Exhibit 13: FMS view of monetary policy in China**

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

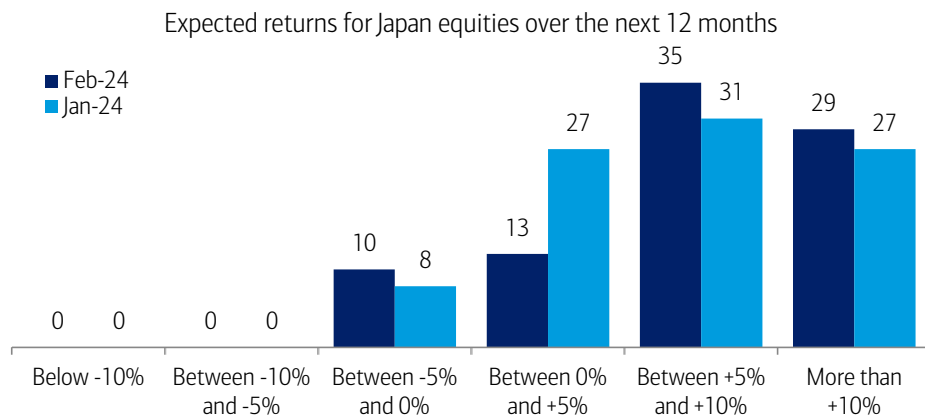


Source: BofA Asia Fund Manager Survey

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**Exhibit 14: FMS view of Japan equities over the next 12 months**

Roaring bulls: 29% of investors anticipate double-digit returns in Japan in the next 12 months, with...

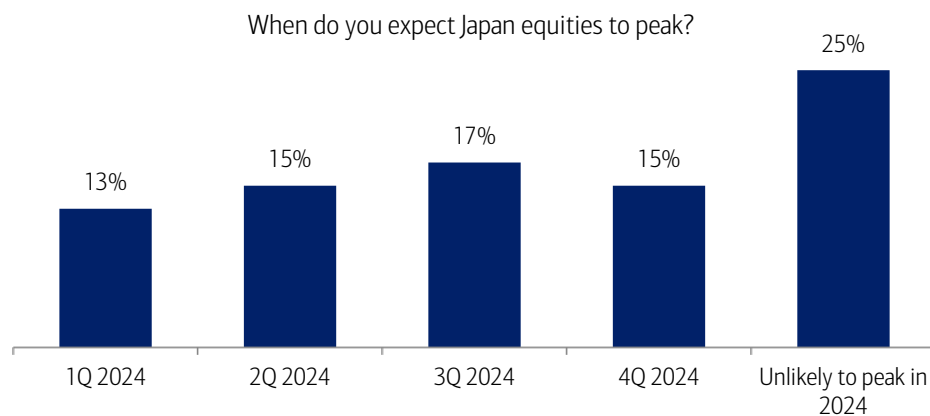


Source: BofA Asia Fund Manager Survey

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**Exhibit 15: When do you expect Japan equities to peak?**

...scant bids for a peak anytime soon

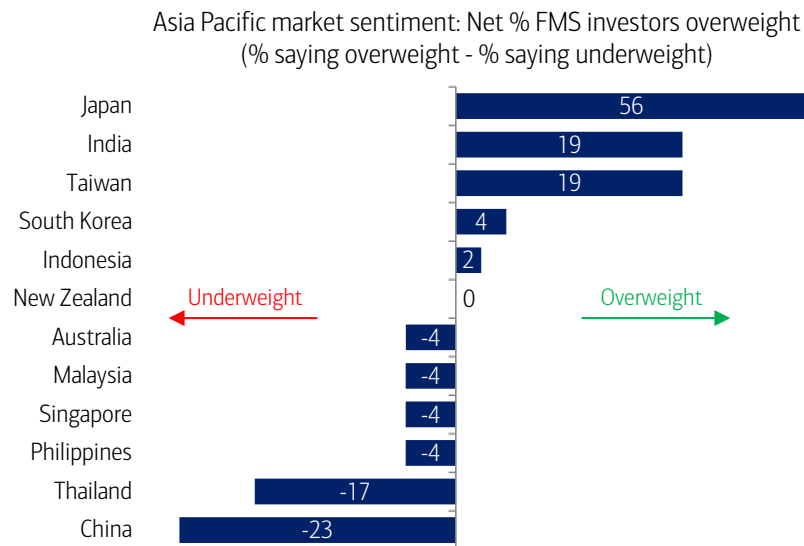


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (17%) are not shown above.

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**Exhibit 16: Asia Pacific market sentiment: Net % FMS investors overweight**

Japan (net 56% overweight) sits atop the country preference list, followed by India and Taiwan (19% each), while China allocation (net 23% underweight) struck a new low

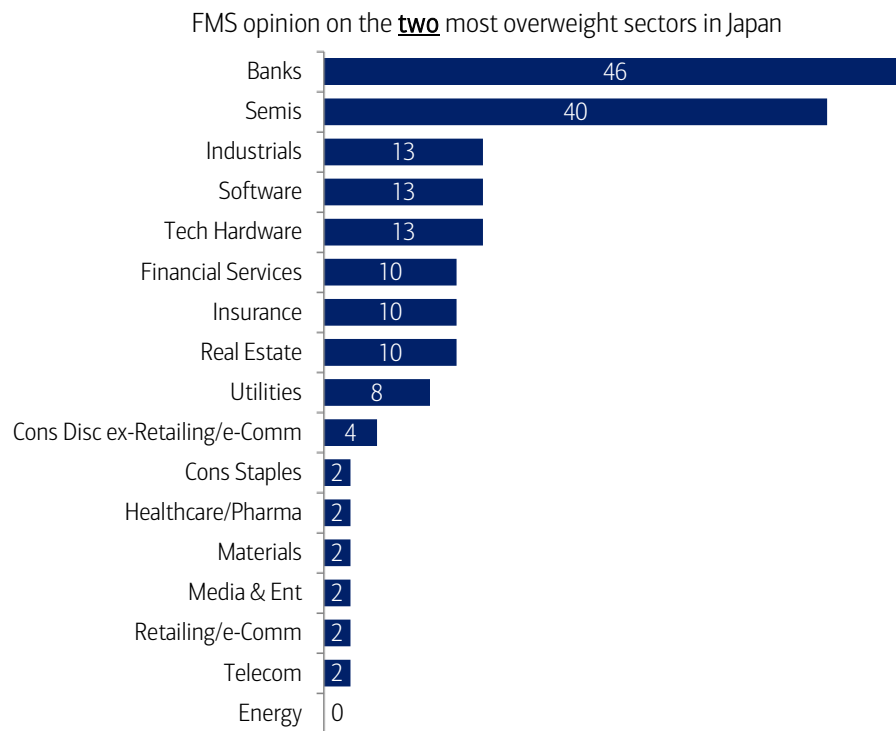


Source: BofA Asia Fund Manager Survey

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**Exhibit 17: FMS opinion on the two most overweight sectors in Japan**

The FMS expresses a tilt towards banks and semis, and away from defensives (communication services | healthcare | staples), resources (energy | materials) and retailing in Japan

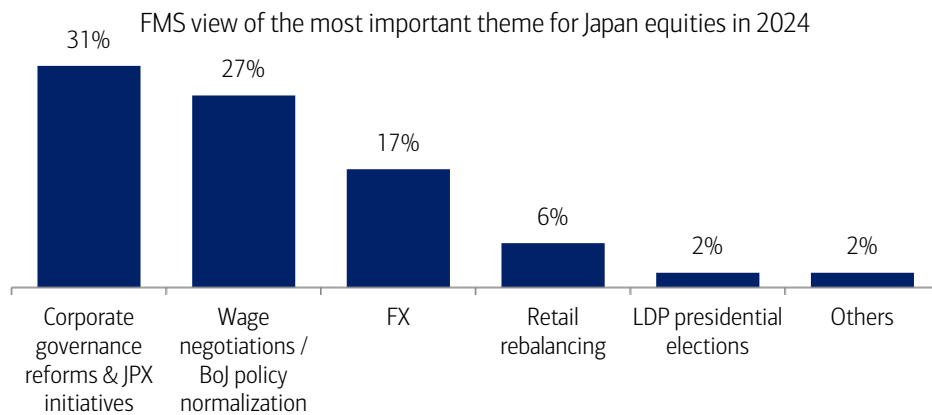


Source: BofA Asia Fund Manager Survey

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**Exhibit 18: FMS view of the most important theme for Japan equities in 2024**

The FMS deems wage corporate governance reforms to be the most closely watched event in Japan in 2024

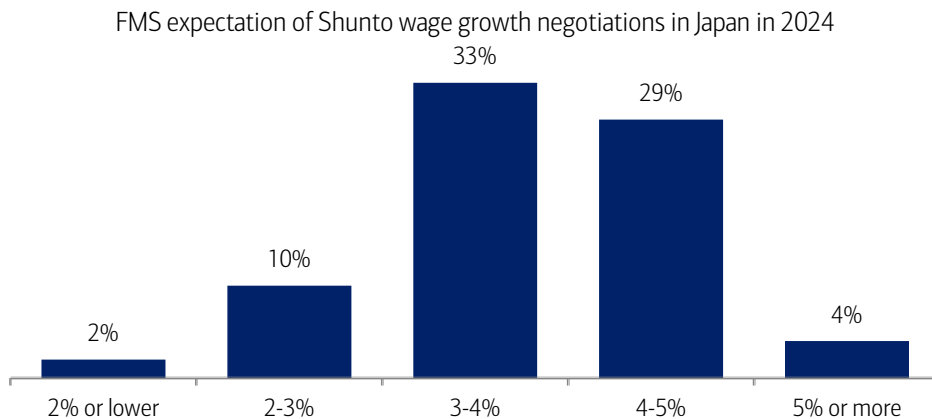


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (15%) are not shown above.

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**Exhibit 19: FMS expectation of Shunto wage growth negotiations in Japan in 2024**

The FMS anticipates only a measured rise in Shunto wage growth from 3.6% in 2023 to 3.8% this year

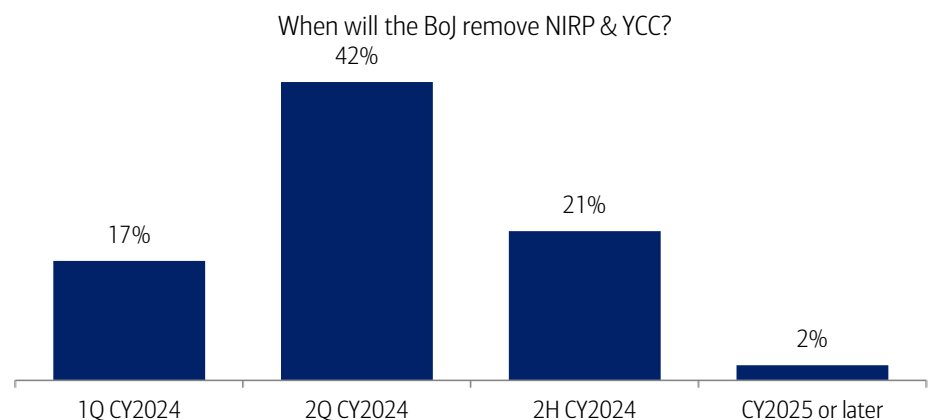


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (21%) are not shown above.

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**Exhibit 20: When will the BoJ remove NIRP & YCC?**

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



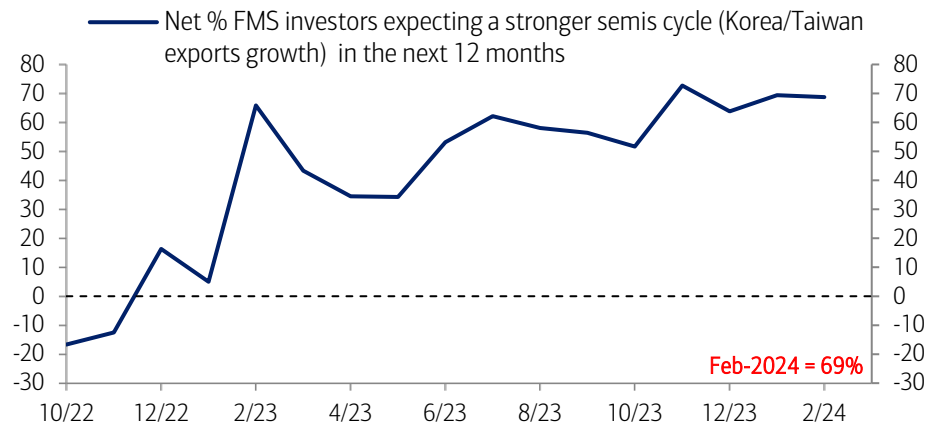
Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' (19%) are not shown above.

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**Exhibit 21: 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



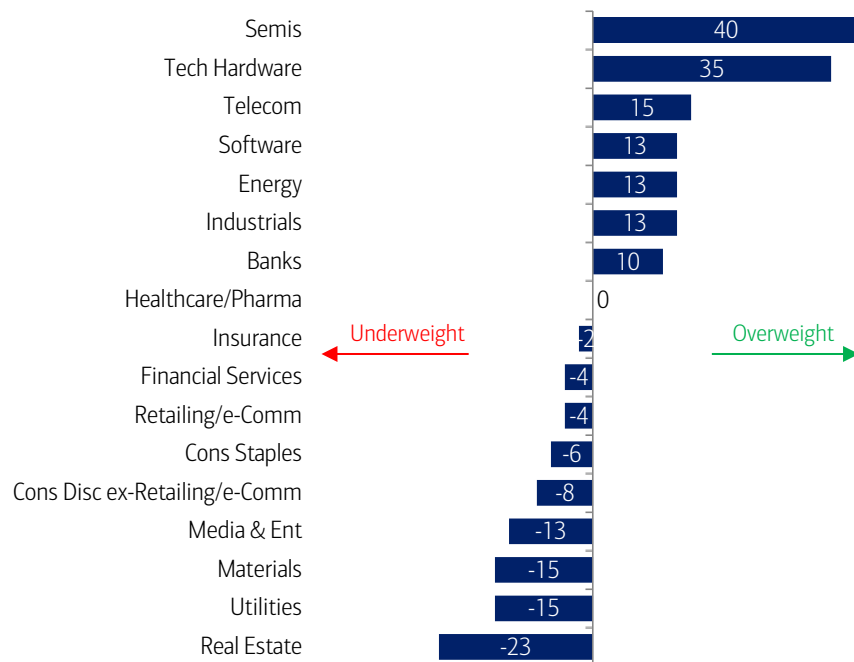
Source: BofA Asia Fund Manager Survey

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**Exhibit 22: Asia Pacific ex-Japan sector sentiment: Net % FMS investors overweight**

Technology (semis: net 40% overweight | tech hardware: net 35% overweight | software: net 13% overweight) stays at the helm, while real estate (net 27% underweight) is the least preferred sector

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

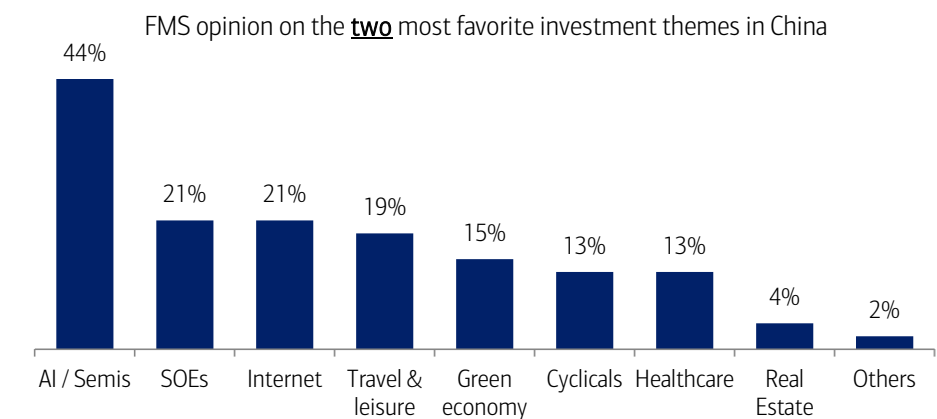


Source: BofA Asia Fund Manager Survey

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**Exhibit 23: FMS opinion on the two most favorite investment themes in China**

Even within China, investors are most bullish on AI/semis stocks, while green economy stocks take a pause



Source: BofA Asia Fund Manager Survey

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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

	Feb-24	Jan-24	Dec-23
<b>Structure of the panel - by position</b>			
Chief Investment Officer	14	14	11
Asset Allocator / Strategist / Economist	33	28	31
Portfolio Manager	87	89	88
Other	11	15	10
<b>Structure of the panel - by expertise</b>			
Regional specialists + EM specialists only	40	35	35
Regional specialists with a global view	105	111	105
<b>Total # of respondents to regional questions</b>	<b>145</b>	<b>146</b>	<b>140</b>
<b>Which of the following best describes the type of money you are running?</b>			
Institutional funds (e.g. pension funds / insurance companies)	50	44	42
Hedge funds / proprietary trading desks	23	25	27
Mutual funds / unit trusts / investment trusts	63	64	58
None of the above	9	13	13
<b>What do you estimate to be the total current value of assets under your direct control?</b>			
Up to \$250mn	29	30	28
Around \$500mn	22	17	20
Around \$1bn	23	28	25
Around \$2.5bn	25	29	25
Around \$5bn	8	10	9
Around \$7.5bn	5	3	4
Around \$10bn or more	15	13	13
No funds under my direct control	18	16	16
<b>Total (USD bn)</b>	<b>331</b>	<b>319</b>	<b>310</b>
<b>What best describes your investment time horizon at this moment?</b>			
3 months or less	37	36	33
6 months	38	50	41
9 months	15	13	15
12 months or more	52	43	49
<b>Weighted average</b>	<b>7.7</b>	<b>7.3</b>	<b>7.7</b>
Don't know	3	4	2
<b>Which region do you specialise in?</b>			
US / North America	35	40	34
Europe / Continental Europe / Eurozone / UK	37	36	34
Asia Pacific / Asia Pacific ex Japan / Japan	48	49	47
South Africa	16	14	15
MENA (Middle East and North Africa)	6	4	6
None of the above	3	3	4

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 <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> 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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