

European Fund Manager Survey

EU-rresistible

German stimulus plans boost EU growth expectations

A net 60% of respondents expect stronger European growth over the coming twelve months, up from 9% two months ago and close to the high seen last May, with a large majority considering German fiscal stimulus as the main catalyst for stronger growth, followed by EU defense spending.

Global growth expected to slow with the US the key drag

A net 44% project the global economy to weaken over the next twelve months (up from 2% last month), opening up the largest gap to European growth expectations in at least 30 years. 83% of investors expect US growth to slow in the near term, up from 28% last month. However, recession concerns remain low, with 64% seeing a soft-landing as the most likely scenario, followed by 19% seeing a no landing and 11% a hard landing. A majority now expect the Trump administration to have a negative impact on growth and a positive impact on inflation, effectively anticipating a stagflationary environment (while last month a majority called for a higher-for-longer regime of robust growth and sticky inflation). 69% think the theme of US exceptionalism has peaked. A net 12% see upside for 10-year bond yields, the highest reading since August 2022.

Record rotation out of the US & into European equities

A net 39% say they are overweight European equities relative to global markets, up from 12% last month and the biggest overweight since mid-2021. A net 23% report being underweight US equities now, the highest share since mid-2023, while in February a net 17% said they were overweight. This constitutes the sharpest rotation out of the US and into Europe on record (with data going back to 1999). However, in terms of the outlook for absolute performance, investor bullishness has cooled somewhat, with a net 30% expecting further near-term gains for European equities, down from 66% last month, and a net 67% projecting upside over the coming twelve months, down from 76%.

New interest in small caps, more crowding into financials

A net 50% of respondents see further upside for European cyclical versus defensives, up from 28% last month, with cyclical optimism now extending to small caps, with a net 37% expecting small caps to outperform large caps, the highest share in more than three years. Positioning in financials increased, with banks and insurance solidifying their spots as the largest sector overweights in Europe, followed by industrials, which sees a sharp improvement in positioning, most likely driven by defense stocks. A plurality of respondents anticipates industrials to be the best performing sector in Europe this year, slightly ahead of financials. Cyclical like retail, media and autos still dominate the sector underweights. Germany remains the most preferred equity market in Europe.

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 22 to 23.

18 March 2025

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Notes to readers

An overall total of 205 panellists with \$477bn AUM participated in the survey. 171 participants with \$426bn AUM responded to the global FMS questions and 107 participants with \$193bn AUM responded to the regional FMS questions.

Survey period: 7th March 2025 to 13th March 2025.

How to join the FMS panel

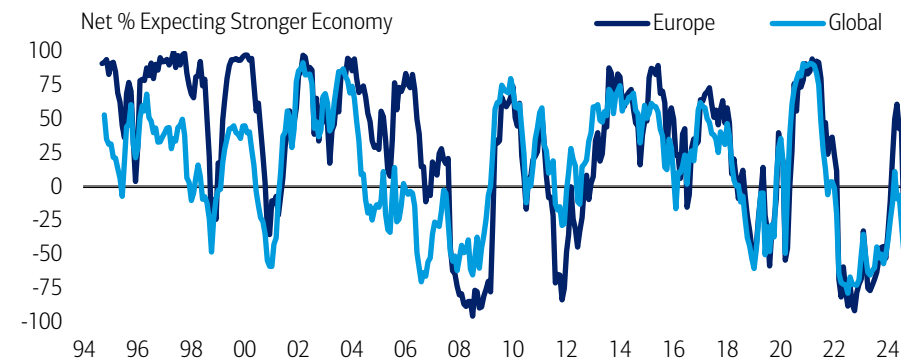
Investors/clients are encouraged to sign up to participate in the Survey. This can be done by contacting [Michael Hartnett](#) or your BofA sales representative.

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

European macro overview

Exhibit 1: A net 60% of European investors think European growth will accelerate over the coming twelve months, up from 45% last month and close to the high seen in May last year. A net 44% of global investors project global growth to slow, up from 2% and the highest since last August

How do you think the region's economy will develop over the next twelve months?

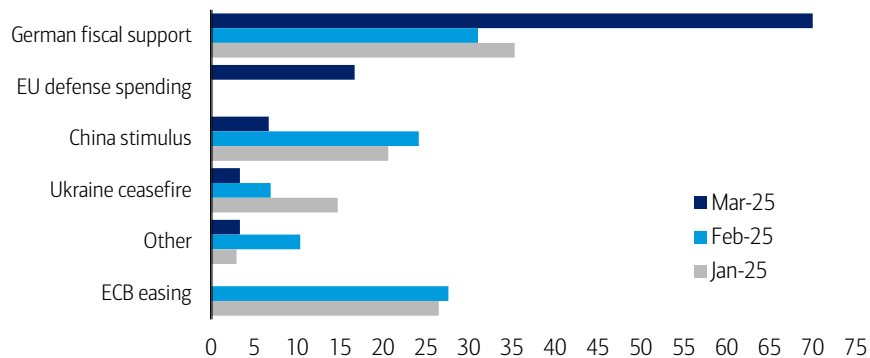


Source: BofA European & Global Fund Manager Survey

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Exhibit 2: A plurality of 70% of European investors consider German fiscal stimulus as the most likely catalyst for European growth to strengthen, followed by EU defense spending at 17%

What do you see as the most likely reason for European growth to accelerate?

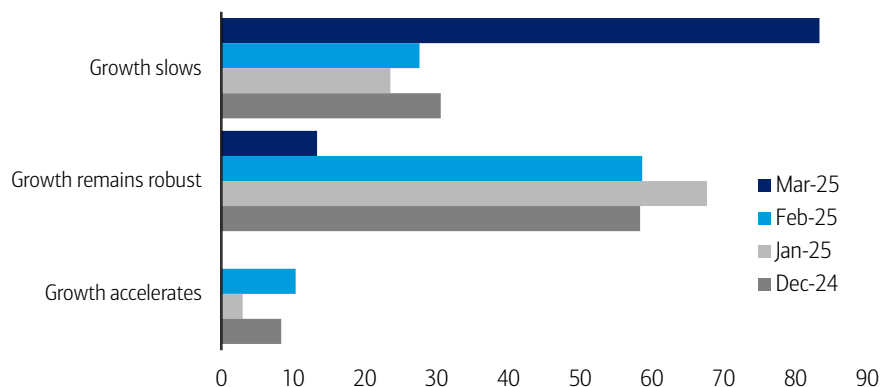


Source: BofA European Fund Manager Survey

BofA GLOBAL RESEARCH

Exhibit 3: 83% of European investors expect US growth to slow down over the coming months, up from 28% last month, while 13% expect growth to stay robust, down from 59% previously

What is the outlook for the US economy over the coming months?

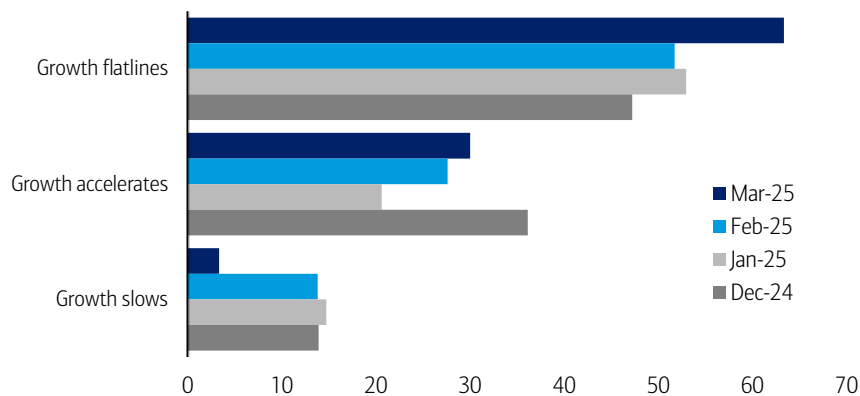


Source: BofA European Fund Manager Survey

BofA GLOBAL RESEARCH

Exhibit 4: 63% of European investors expect China growth to flatline, up from 52% last month, while 30% expect a renewed growth acceleration, slightly higher than the 28% previously

What is your view on the outlook for China's economy over the coming months?

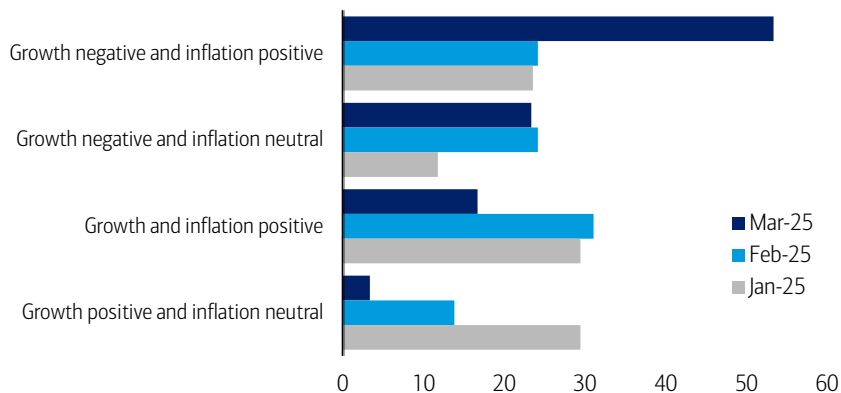


Source: BofA European Fund Manager Survey

BofA GLOBAL RESEARCH

Exhibit 5: 53% of European investors expect the new Trump administration to have a negative impact on global growth and a positive impact on inflation (more than doubled last month's share)

What do you think will be the impact of the Trump administration's policies on the global macro outlook?

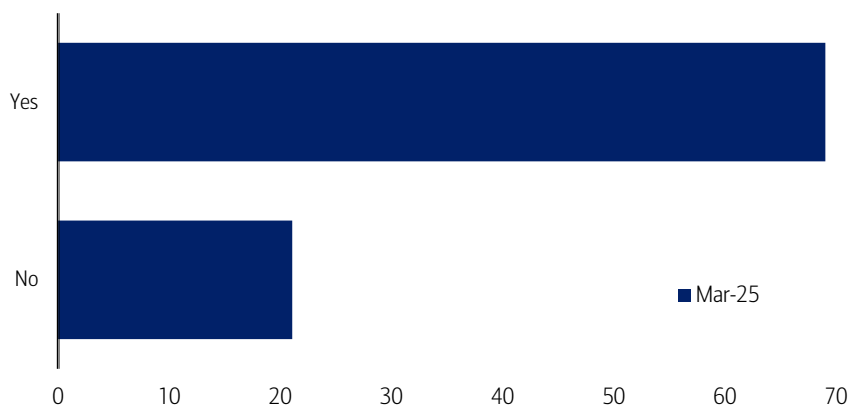


Source: BofA European Fund Manager Survey

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Exhibit 6: 69% of global investors think the theme of US exceptionalism has peaked

Do you think the theme of US exceptionalism has peaked?

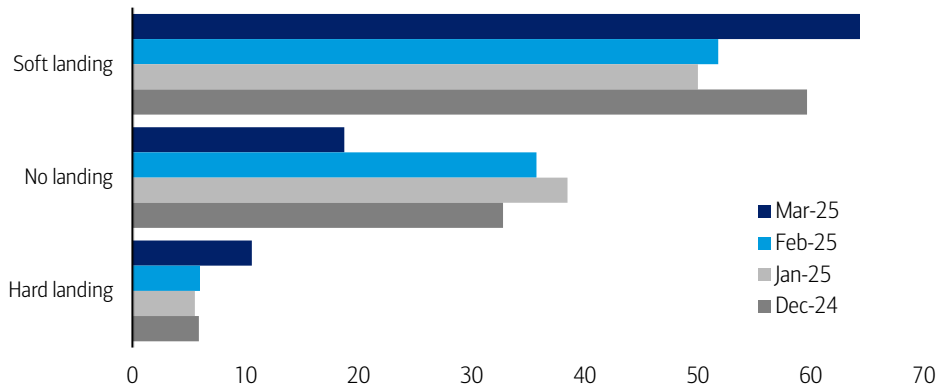


Source: BofA Global Fund Manager Survey

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Exhibit 7: 64% of global investors see a soft landing as the most likely outcome for the global economy (up from 52% last month), with 19% expecting no landing (down from 36% previously) and 11% expecting a hard landing (up from 6% previously)

What is the most likely outcome for the global economy in the next 12 months?

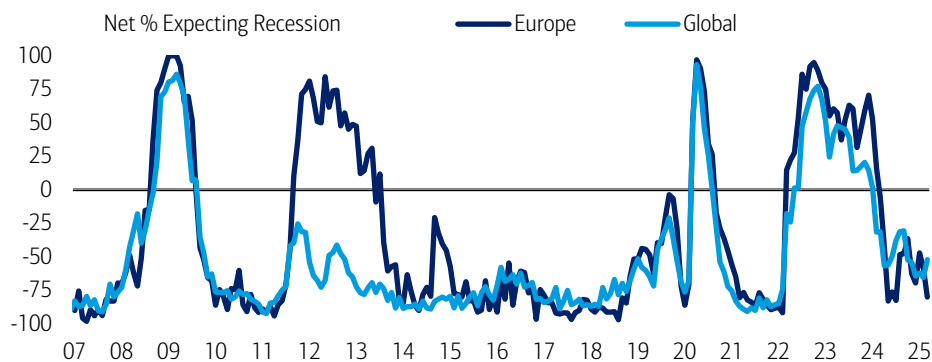


Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Exhibit 8: A net 52% of global investors think that the global economy will not see a recession over the next twelve months, down from 65% last month. A net 80% of European investors expect Europe to avoid a recession, up from 59% previously

How likely do you think it is that the economy in this region will see a recession over the next 12 months?

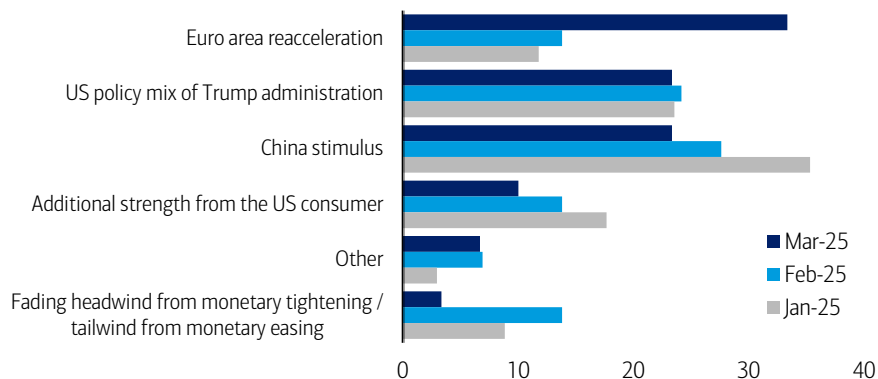


Source: BofA European & Global Fund Manager Survey

BofA GLOBAL RESEARCH

Exhibit 9: A plurality of 33% of European investors see a Euro area growth reacceleration as the biggest upside risk for global growth, up from 14% last month. 23% see the Trump administration's policy mix as the biggest upside risk, broadly unchanged from last month

What do you view as the largest upside risk for global growth?

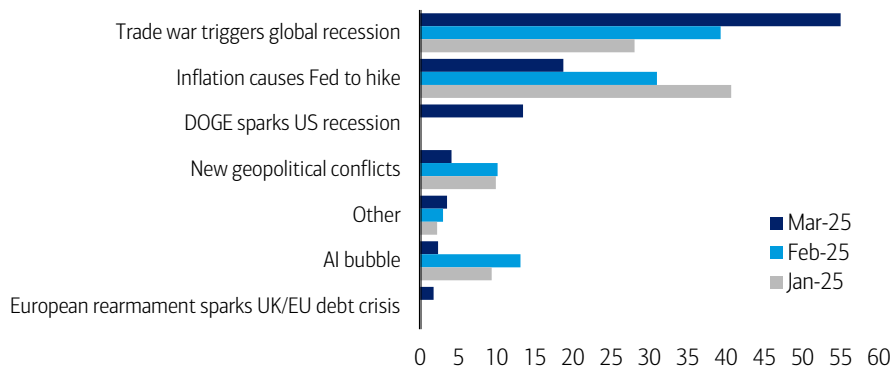


Source: BofA European Fund Manager Survey

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Exhibit 10: A plurality of 55% of global investors consider a global trade war as the most prominent tail risk for markets, up from 39% last month, while 19% regard Fed hikes in response to renewed inflation as the biggest tail risk, down from 31% previously

What do you consider the biggest 'tail risk'?

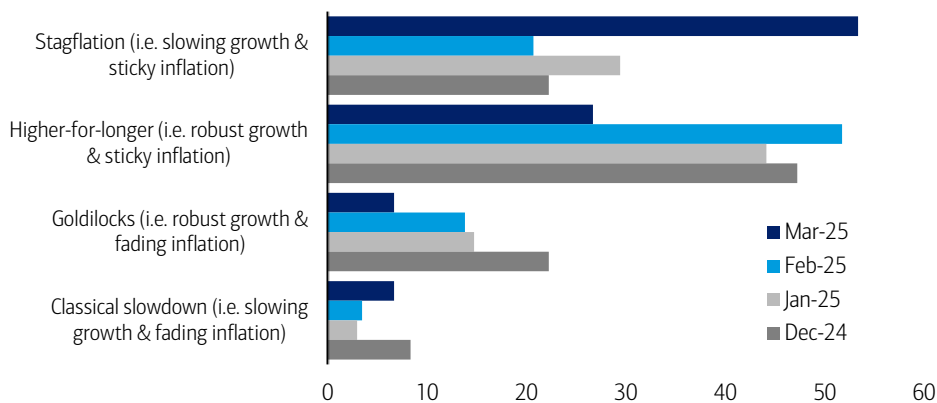


Source: BofA Global Fund Manager Survey

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Exhibit 11: A plurality of 53% of European investors expect a stagflationary backdrop, up sharply from 21% last month, while 27% expect markets to face a 'higher-for-longer' macro environment (down from 52% previously)

What regime do you expect the market to be in over the coming three months?

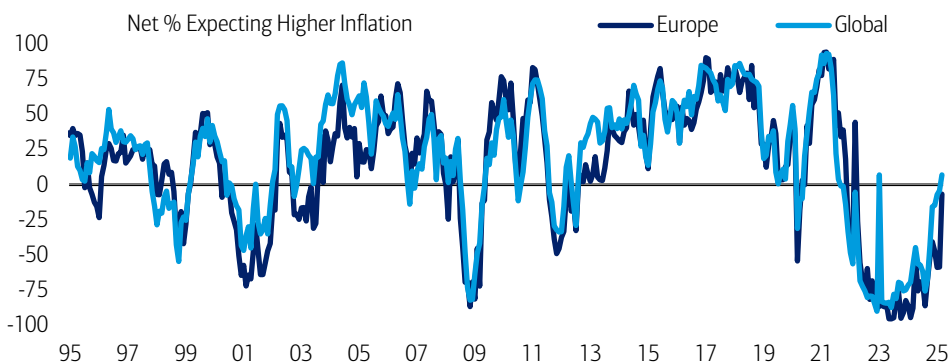


Source: BofA European Fund Manager Survey

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Exhibit 12: A net 7% of European investors expect lower inflation in Europe over the coming year, the lowest reading since April 2022, while a net 7% of global investors expect higher core inflation globally, versus 4% that expected lower inflation last month

In twelve months' time, do you think core consumer price inflation rate (in y-o-y terms) will be...?

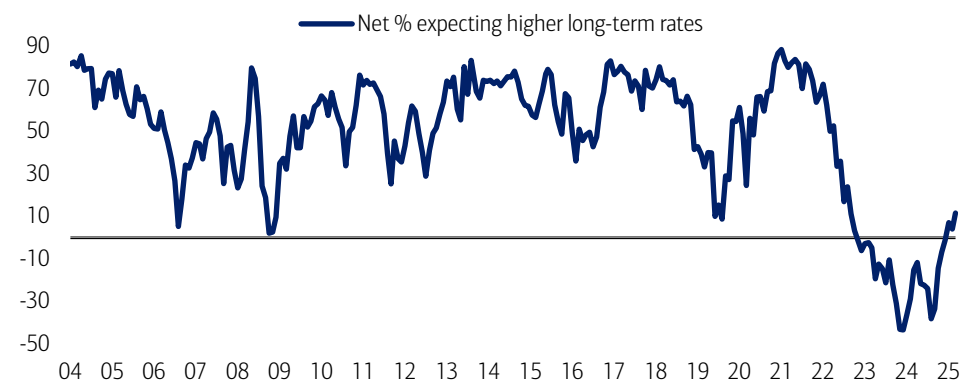


Source: BofA European & Global Fund Manager Survey

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Exhibit 13: A net 12% of global investors expect higher 10-year bond yields over the coming twelve months, up from 4% last month and the highest level since August 2022

In twelve months' time, do you think global long-term interest rates (i.e. 10-year rates) will be...?



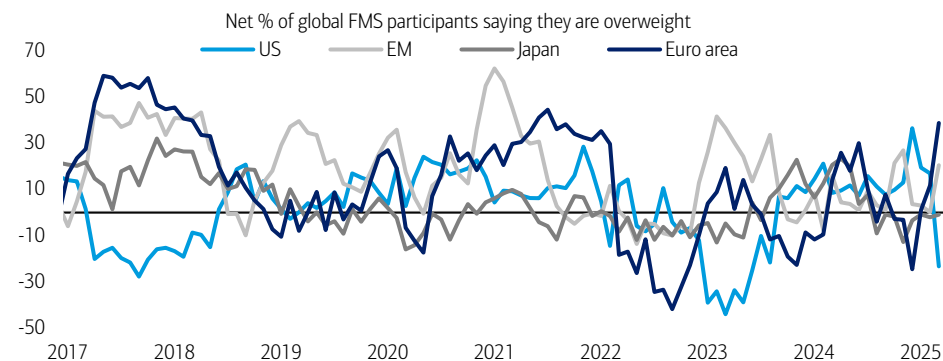
Source: BofA Global Fund Manager Survey

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European equities

Exhibit 21: A net 39% of global investors say they are overweight European equities in a global allocation context, the highest since mid-2021. A net 23% report being underweight US equities, the highest since mid-2023, while a net 17% said they were overweight last month

How overweight or underweight do you consider your position to be relative to your internal benchmark

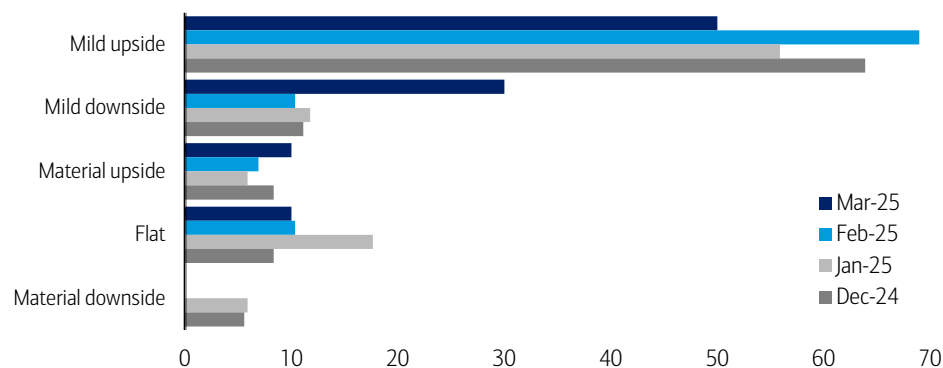


Source: BofA Global Fund Manager Survey

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Exhibit 14: 60% of European investors expect near-term upside for European equities, down from 76% last month, while the share that sees downside has gone up to 30% from 10% (resulting in a net 30% looking for near-term upside, versus a net 65% last month)

What is the outlook for European equities over the coming months?

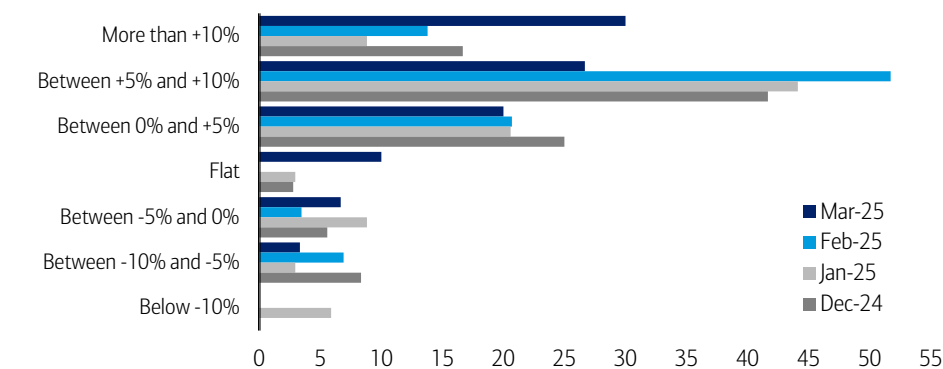


Source: BofA European Fund Manager Survey

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Exhibit 15: 77% of European investors see upside for European equities over the coming twelve months, down from 86% last month. On a net basis, i.e. accounting for the 10% that anticipate downside, a share of 67% expect a higher market (down from 76% last month)

How much upside do you expect for European equities over the coming twelve months?

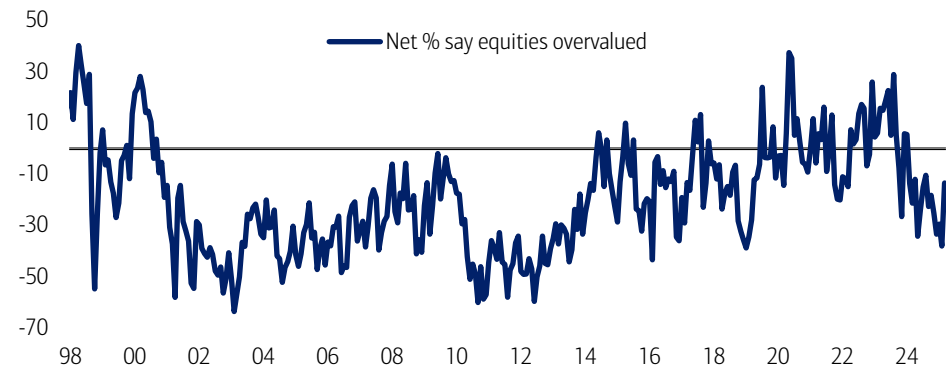


Source: BofA European Fund Manager Survey

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Exhibit 16: A net 13% of European investors see equities as undervalued, down from a six year high of 38% last month

Do you think that the European equity market is currently overvalued, fairly valued or undervalued?

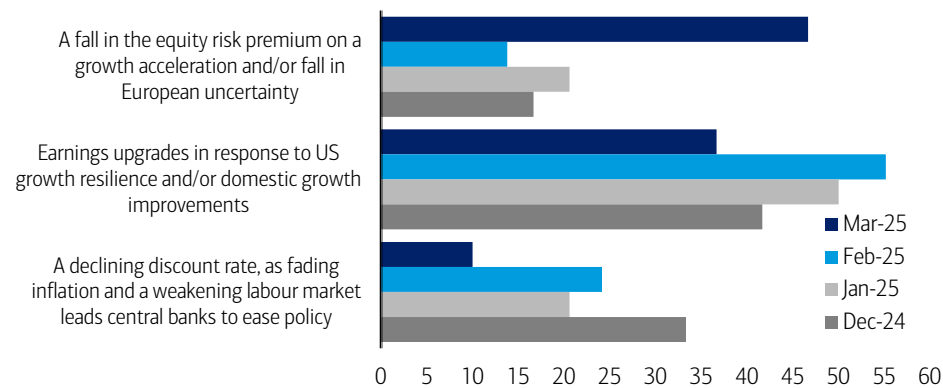


Source: BofA European Fund Manager Survey

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Exhibit 17: 47% of European investors count on a fall in risk premia to drive European equities higher (up from 14% last month), while 37% see earnings upgrades as the most likely reason for equity gains (down from 55% previously)

What would be the most likely reason for European equities to move higher?

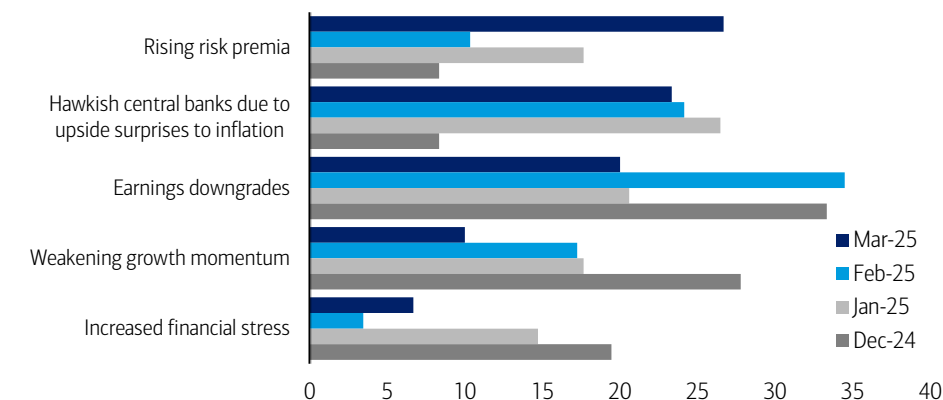


Source: BofA European Fund Manager Survey

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Exhibit 19: 27% of European investors see rising risk premia as the most likely cause for a market correction (up from 10% last month), followed by hawkish central banks at 23% (little changed from last month)

What is the most likely catalyst for a correction?

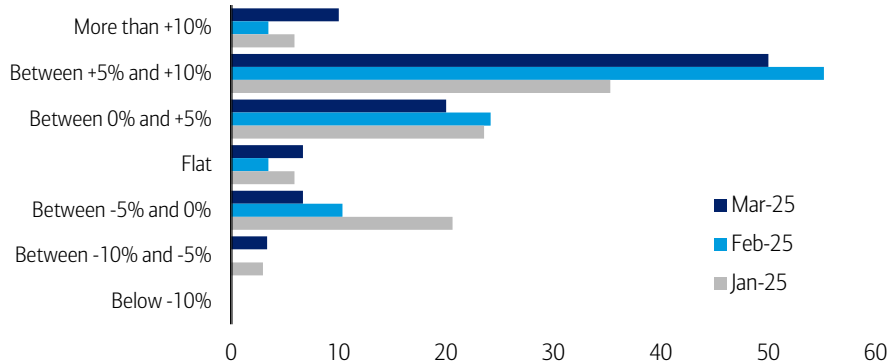


Source: BofA European Fund Manager Survey

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Exhibit 18: A net 70% expect upside for European 12-month forward EPS over the next twelve months (80% look for upside while 10% look for downside), down marginally from 72% last month

How much upside do you see for European 12m fwd EPS expectations over the coming twelve months?

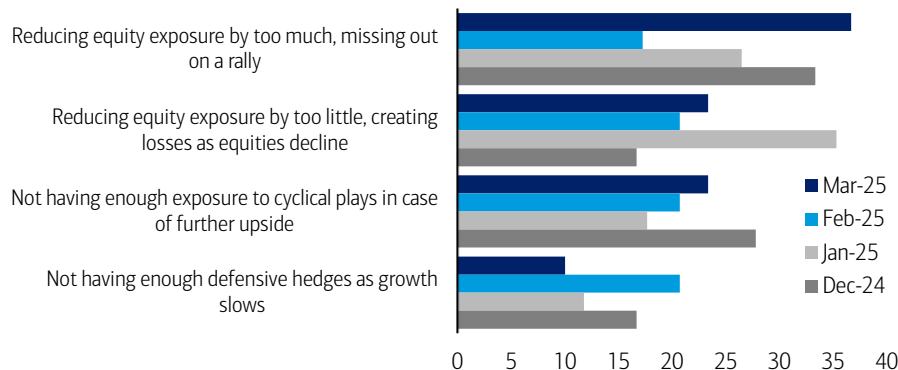


Source: BofA European Fund Manager Survey

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Exhibit 37: 37% of European investors judge reducing equity exposure by too much and thus missing out on the rally as the biggest portfolio risk (more than doubled from last month), while a further 23% expect reducing equity exposure by too little and thus creating losses as equity declines as the key risk (slightly up from 21% previously)

Which of the following risks are you most worried about when making portfolio decisions?

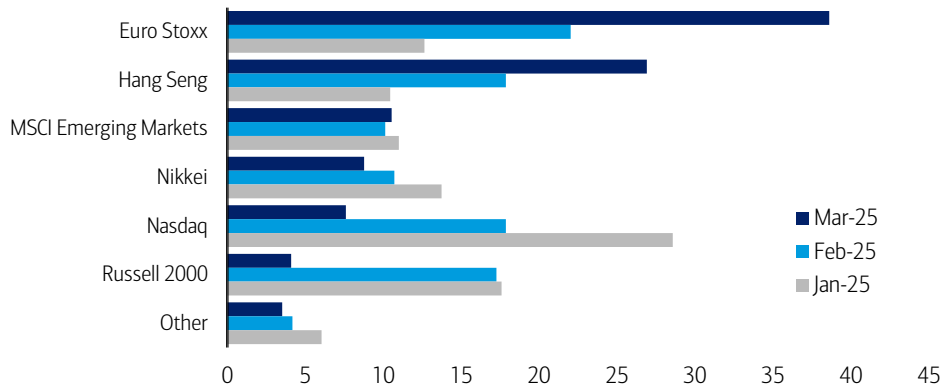


Source: BofA European Fund Manager Survey

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Exhibit 20: A plurality of 39% of global investors expect the Euro Stoxx to be the best performing equity market globally this year, up from 22% last month

Which of the following equity indices do you expect to outperform in 2025?



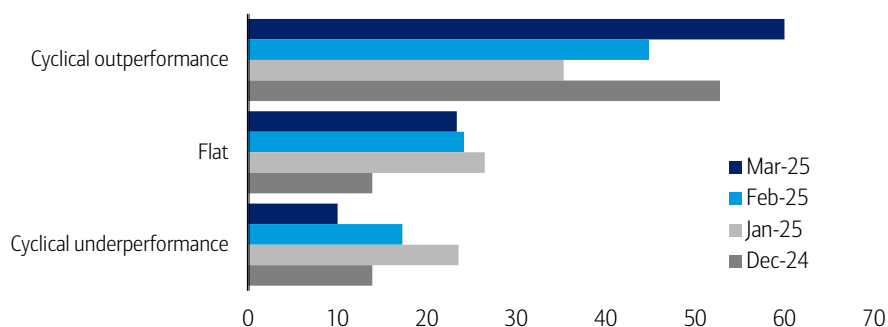
Source: BofA European Fund Manager Survey

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European styles, sectors and countries

European styles

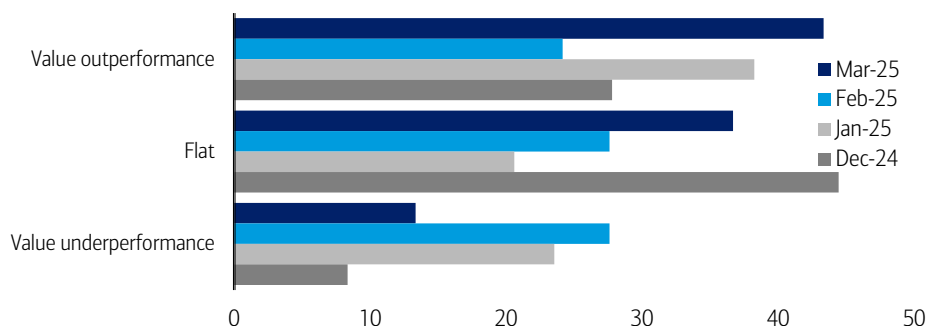
Exhibit 23: 60% of European investors expect European cyclicals to outperform defensives over the coming months (up from 45% last month), while 10% expect underperformance (down from 17% last month). On a net basis, 50% are looking for outperformance, up sharply from 28% last month
What is the likely next move for European cyclicals versus defensives?



Source: BofA European Fund Manager Survey

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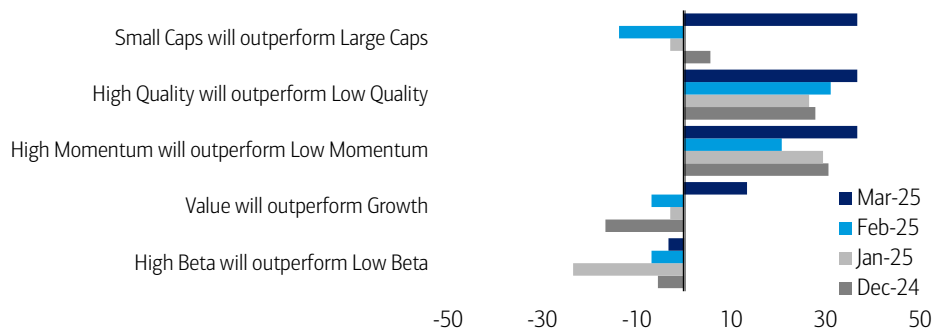
Exhibit 24: 43% of European investors project value stocks to outperform growth stocks in the months ahead (up from 24% last month), while 13% see value underperformance (down from 28% previously). On a net basis, 30% expect value outperformance, versus 4% that expected underperformance last month
What is your view on value versus growth outperformance?



Source: BofA European Fund Manager Survey

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Exhibit 25: The net share of European investors expecting small cap stocks to outperform large cap stocks has risen to 37% (versus 14% that expected small caps to underperform last month), while the share that thinks high-quality stocks will outperform low quality stocks is up from 31% to 37%
How do you see investment style performance in Europe over the next twelve months?



Source: BofA European Fund Manager Survey

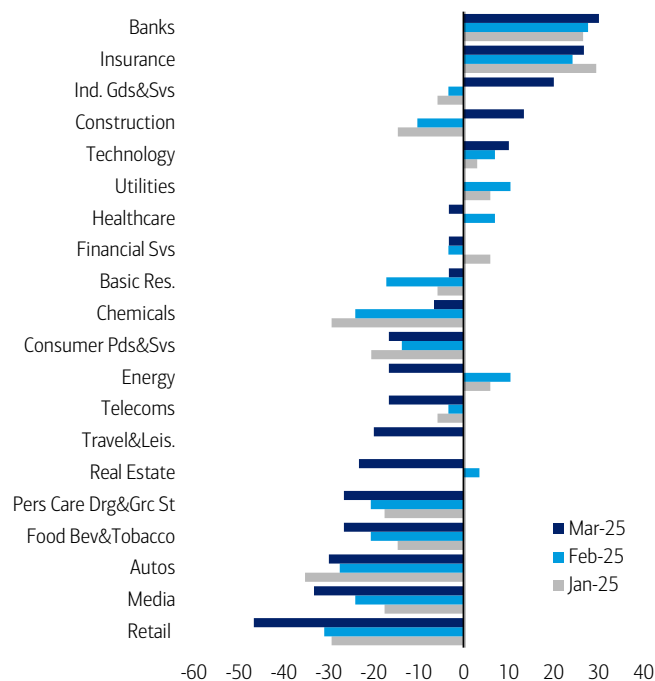
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European sectors

Exhibit 26: European banks and insurance are the largest consensus sector overweights, followed by industrial goods, while retail, media and autos are the largest underweights

European sector positioning (% saying overweight-% saying underweight)

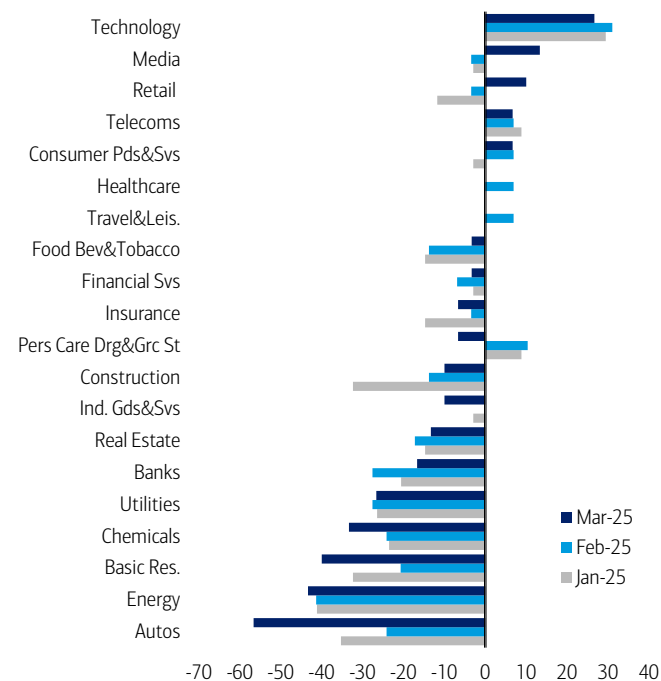


Source: BofA European Fund Manager Survey

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Exhibit 27: European tech, media and retail are seen as the most overvalued sectors, while autos, energy and basic resources are seen as the most undervalued

European sector valuation (% saying overvalued-% saying undervalued)

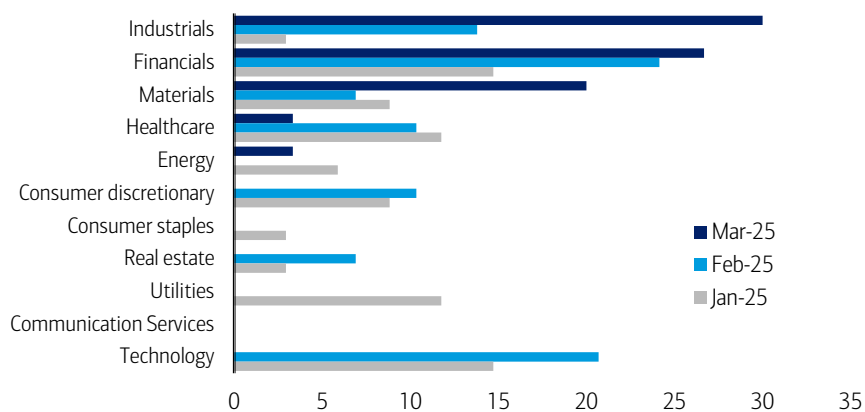


Source: BofA European Fund Manager Survey

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Exhibit 28: A plurality of 30% of European investors expect industrials to be the best performing sector in 2025, followed by financials and basic materials at 27% and 20%, respectively

What do you expect to be the best performing sector in European equities in 2025?

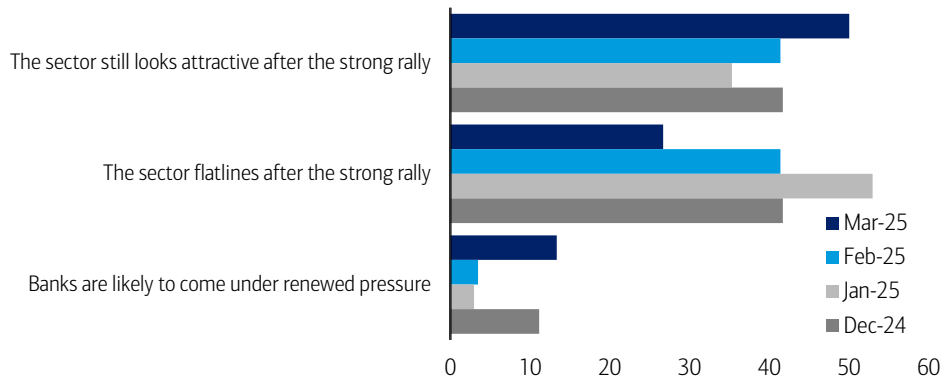


Source: BofA European Fund Manager Survey

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Exhibit 29: 50% of European investors think European banks still look attractive (up from 41% last month), while a further 27% expect banks to flatline after the strong rally (down from 41%) and 13% think banks are likely to come under renewed pressure (sharply up from 3% previously)

What is your view on European banks?

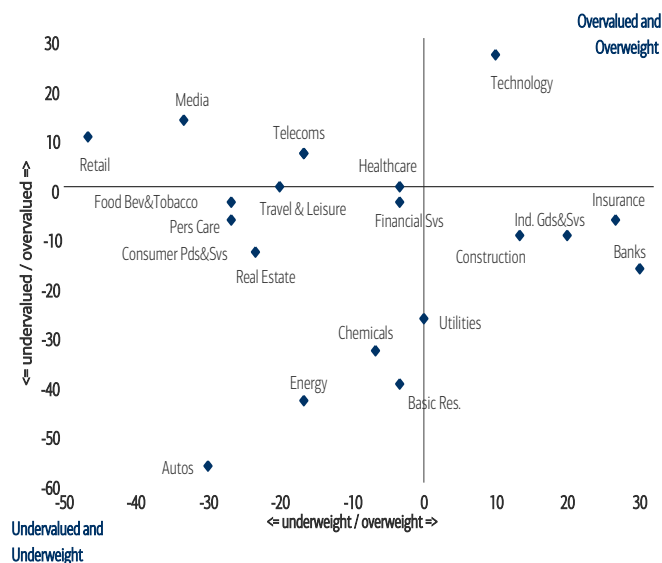


Source: BofA European Fund Manager Survey

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Exhibit 30: European autos and energy are the most underweight and undervalued sectors, according to European survey respondents, while tech is the most overweight and overvalued sector

European sectors net valuation versus net positioning



Source: BofA European Fund Manager Survey

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Exhibit 31: Positioning for construction, industrial goods and chemicals has improved the most from last month, while that of energy, real estate and travel & leisure has fallen the most

Month-on-month changes in FMS sector positioning and valuation

	Positioning	Valuation
Construction	23	4
Ind. Gds&Svs	23	-10
Chemicals	17	-9
Basic Res.	14	-19
Technology	3	-4
Insurance	3	-3
Banks	2	11
Financial Svs	0	4
Autos	-2	-33
Consumer Pds&Svs	-3	0
Pers Care Drg&Grc St	-6	-17
Food Bev&Tobacco	-6	10
Media	-9	17
Healthcare	-10	-7
Utilities	-10	1
Telecoms	-13	0
Retail	-16	13
Travel&Leis.	-20	-7
Real Estate	-27	4
Energy	-27	-2

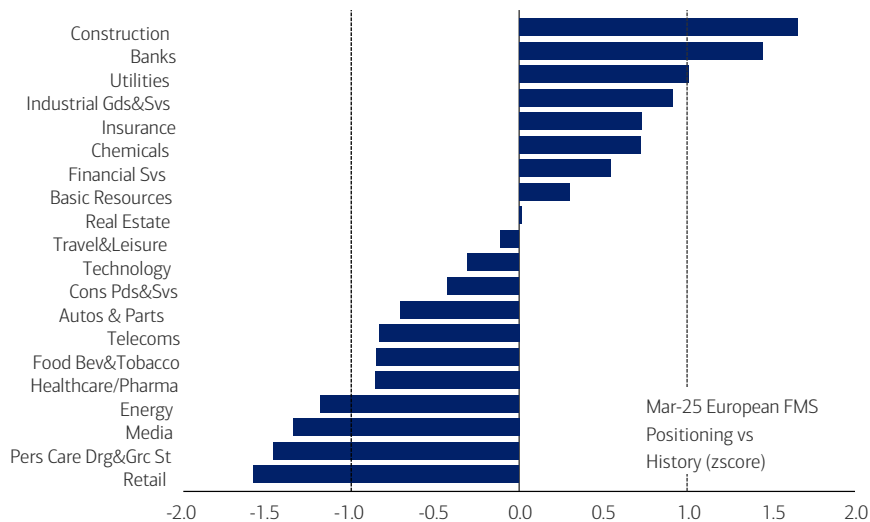
Source: BofA European Fund Manager Survey

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Exhibit 32: European construction and banks are the most over-owned sectors relative to history, while retail, personal care, media and energy are most under-owned

Current European sectors positioning relative to history (z-scores)



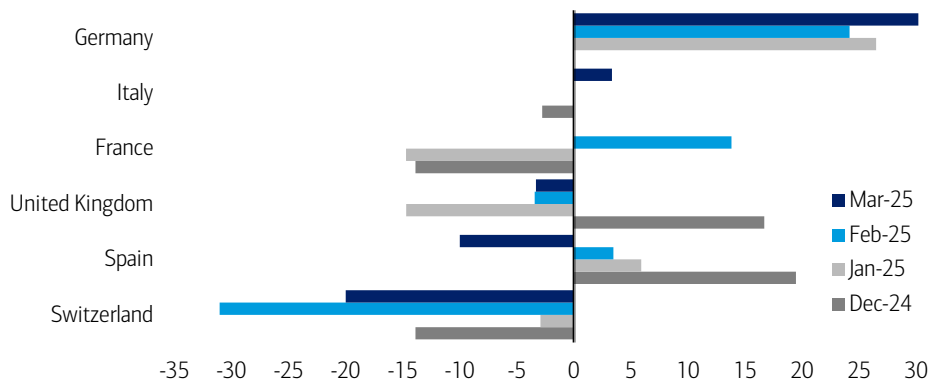
Source: BofA European Fund Manager Survey. Note: z-score based on full time series. Sector history since 2003, except: Consumer Gds & Svs (Personal& HH Gds), Chemicals, Construction, Financial Svs, Travel & Leisure since 2006, Real estate since 2008, Personal care, drug & grocery stores since Oct 2020

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European countries

Exhibit 33: Germany remains the most preferred equity market in Europe, now followed by Italy, while Switzerland is the least preferred, followed by Spain

Which equity markets would you overweight or underweight over the coming twelve months?



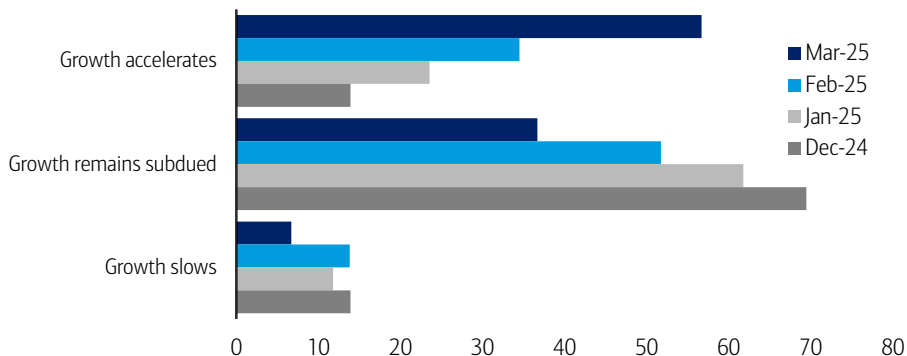
Source: BofA European Fund Manager Survey

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Appendix

Macro & market overview

Exhibit 34: 57% of European investors expect growth in Europe to accelerate in the months ahead, up significantly from 34% last month, while 37% expect growth to remain subdued, down from 52%
What do you expect to happen to European growth momentum over the coming months?



Source: BofA European Fund Manager Survey

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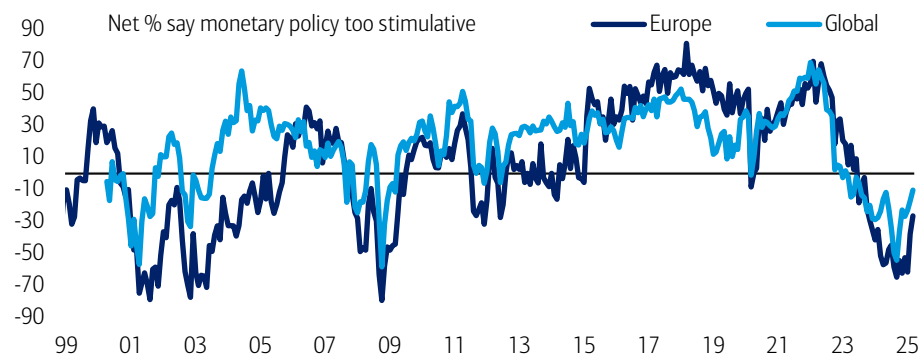
Exhibit 35: A net 30% of European investors think Europe's fiscal stance is too restrictive, close to the high of 32% in January, while a net 22% of global investors judge fiscal policy globally to be overly supportive, down from 30% last month
Given where we are in the business cycle, do you think fiscal policy in your region is currently...?



Source: BofA European & Global Fund Manager Survey

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Exhibit 36: A net 27% of European investors consider European monetary policy to be too restrictive (down from 38% last month), while a net 11% of global investors think this is the case globally (down from 17% previously)
Do you think monetary policy in this region is currently...?



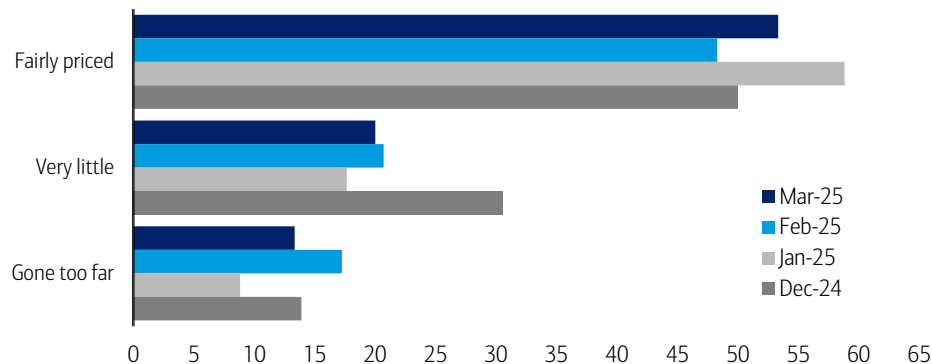
Source: BofA European & Global Fund Manager Survey

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Exhibit 22: 53% of European investors see the positive AI effect on equities as fairly priced (up from 48% last month), while 20% think very little of the good news is priced (largely unchanged from last month) and 13% gauge the AI rally has gone too far (down from 17% previously)

How much of the positive AI effect for equities is now in the price?



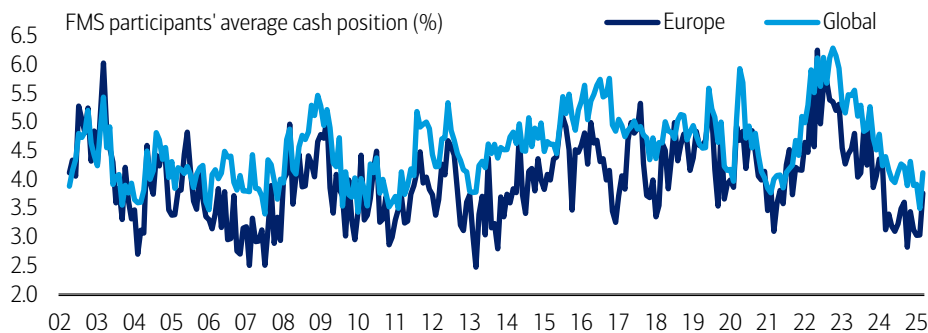
Source: BofA European Fund Manager Survey

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Cash levels & USD sentiment

Exhibit 38: The average cash position among European investors stands at 3.8%, up from 3.0% last month, while cash levels among global investors stand at 4.1%, up from 3.5% last month

What comes closest to your current cash position in your portfolio?

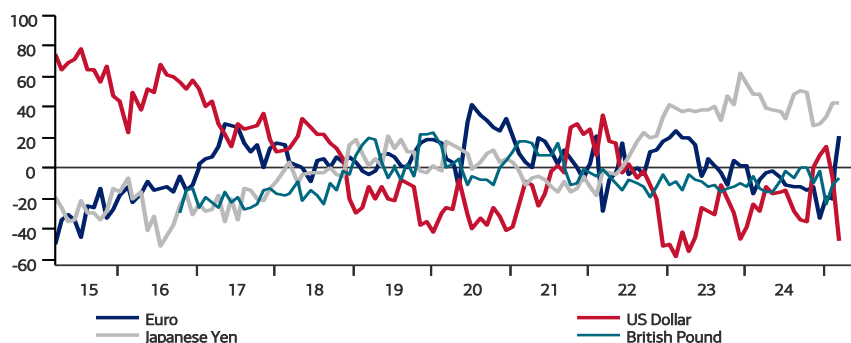


Source: BofA European & Global Fund Manager Survey

BofA GLOBAL RESEARCH

Exhibit 39: Bearish USD sentiment has grown, with a net 48% of global investors expecting the USD to weaken over the coming twelve months, up from 6% last month

Over the next twelve months, which FX do you expect to appreciate / depreciate the most on a TWI basis?



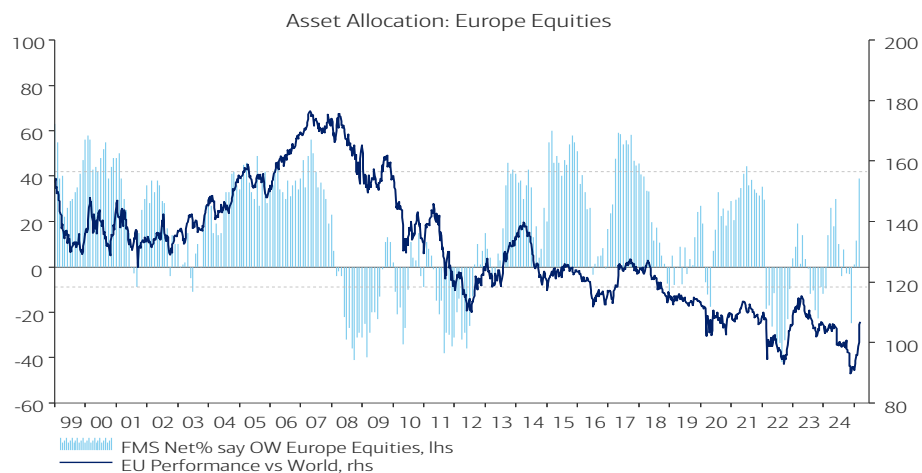
Source: BofA Global Fund Manager Survey

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Europe in the global context

Exhibit 40: A net 39% of global investors say they are overweight European equities, versus 12% last month

Please indicate for each of the following equity markets, how overweight or underweight you consider your position to be relative to your internal benchmark

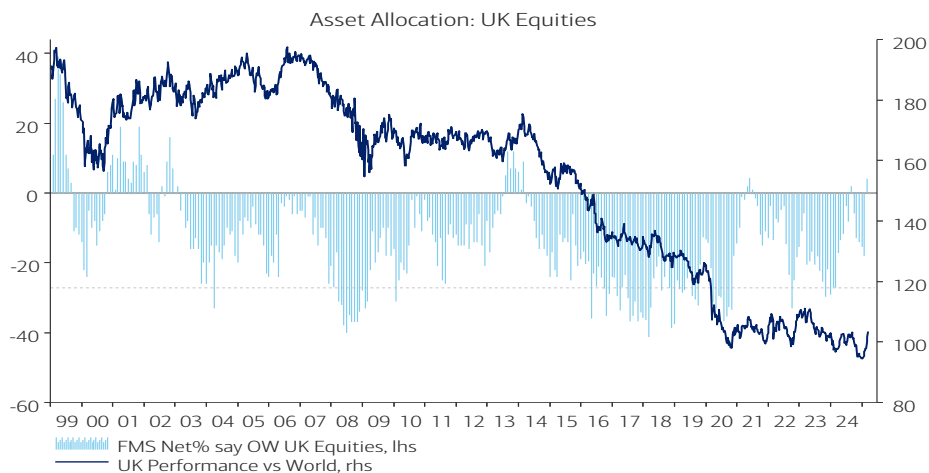


Source: BofA Global Fund Manager Survey, Datastream

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Exhibit 41: A net 4% of global investors say they are overweight UK equities, versus 18% that said they were underweight last month

Please indicate for each of the following equity markets, how overweight or underweight you consider your position to be relative to your internal benchmark



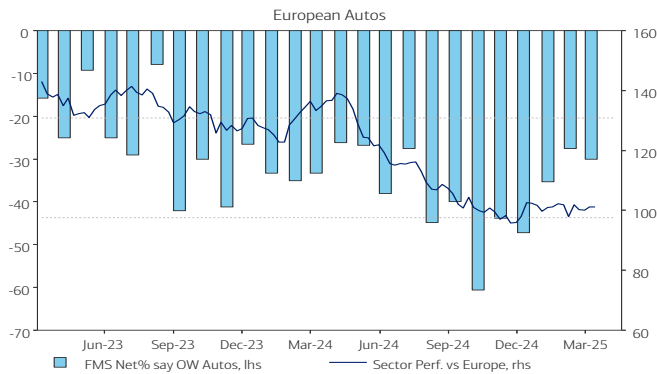
Source: BofA Global Fund Manager Survey, Datastream

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European sector details

Exhibit 42: European autos & parts

Net 30% of European participants say they are underweight the sector

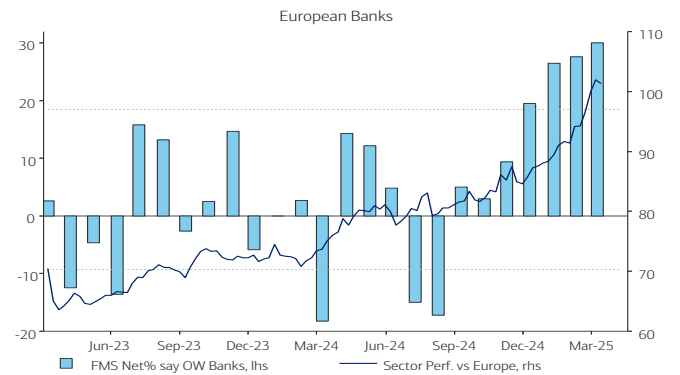


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 43: European banks

Net 30% of European participants say they are overweight the sector

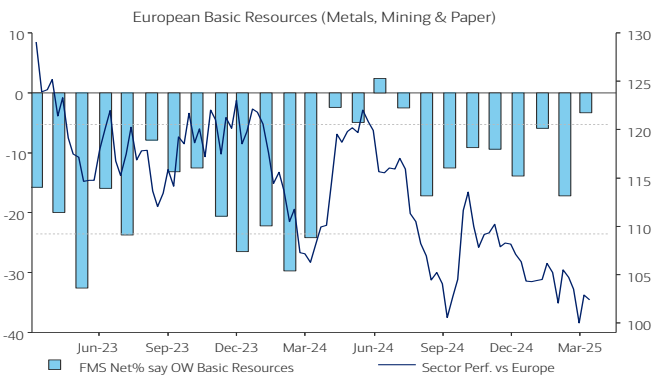


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 44: European basic resources

Net 3% of European participants say they are underweight the sector

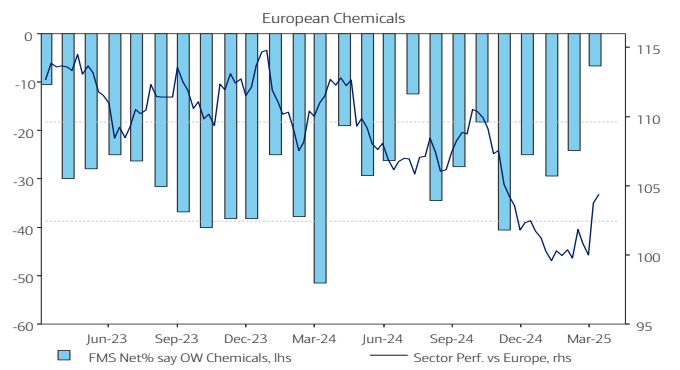


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 45: European chemicals

Net 7% of European participants say they are underweight the sector

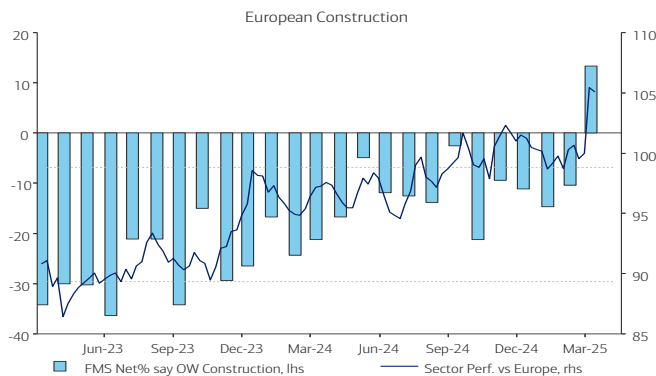


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 46: European construction

Net 13% of European participants say they are overweight the sector

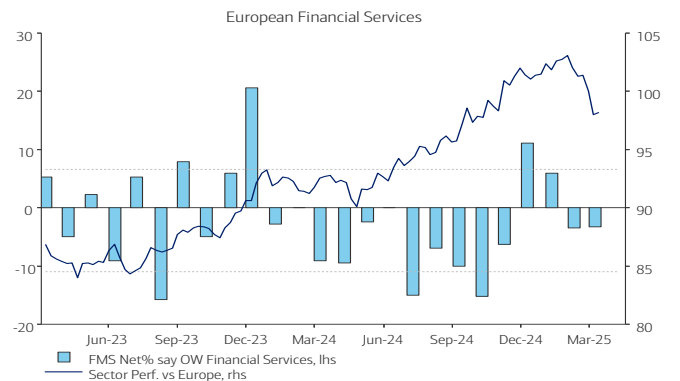


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 47: European financial services

Net 3% of European participants say they are underweight the sector

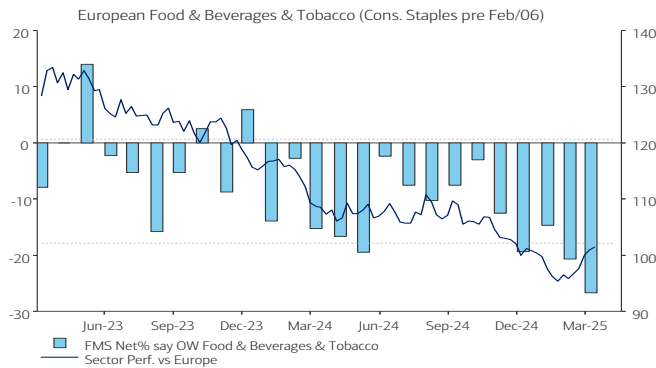


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 48: European food & beverages & tobacco

Net 27% of European participants say they are underweight the sector

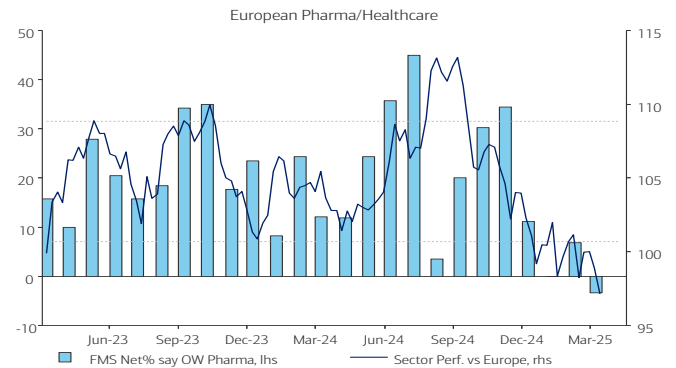


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 49: European healthcare

Net 3% of European participants say they are underweight the sector

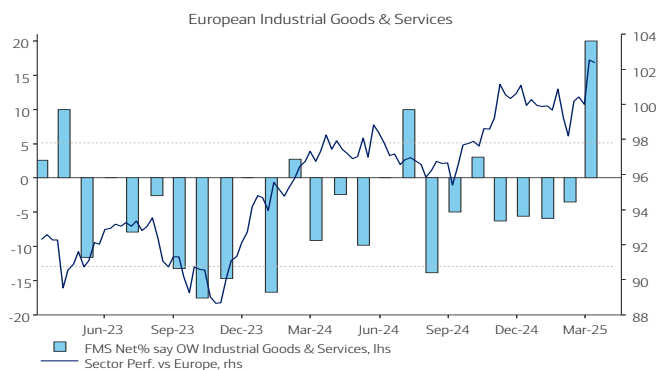


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 50: European industrial goods & services

Net 20% of European participants say they are overweight the sector

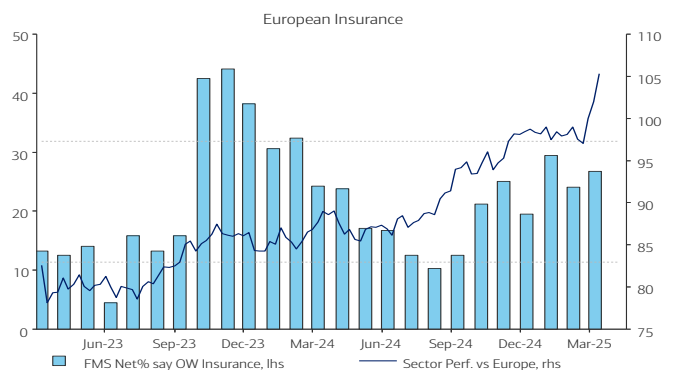


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 51: European insurance

Net 27% of European participants say they are overweight the sector

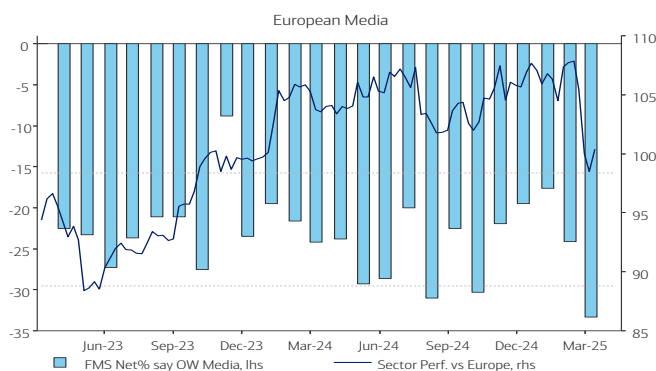


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 52: European media

Net 33% of European participants say they are underweight the sector

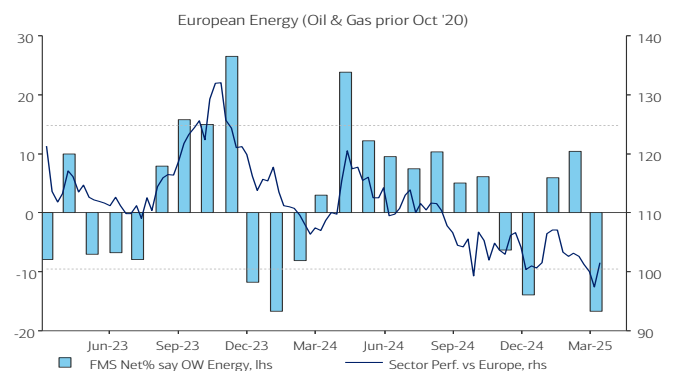


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 53: European energy

Net 17% of European participants say they are underweight the sector



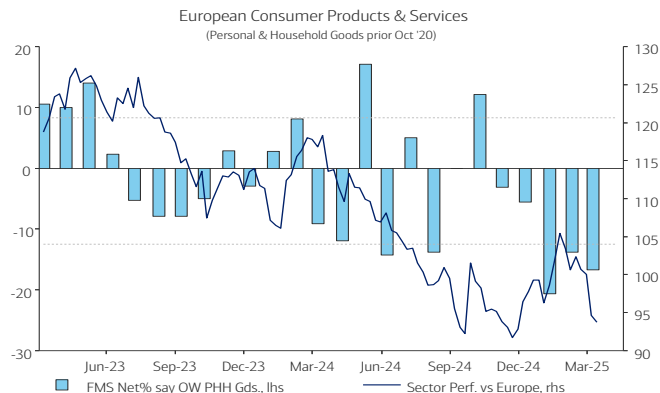
Source: BofA European Fund Manager Survey, Datastream

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Exhibit 54: European consumer products & services

Net 17% of European participants say they are underweight the sector

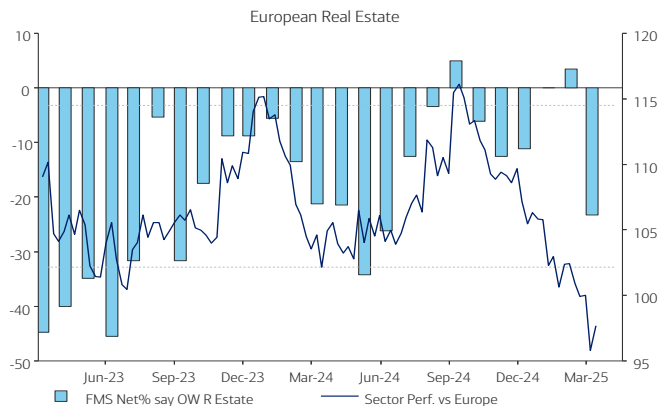


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 55: European real estate

Net 23% of European participants say they are underweight the sector

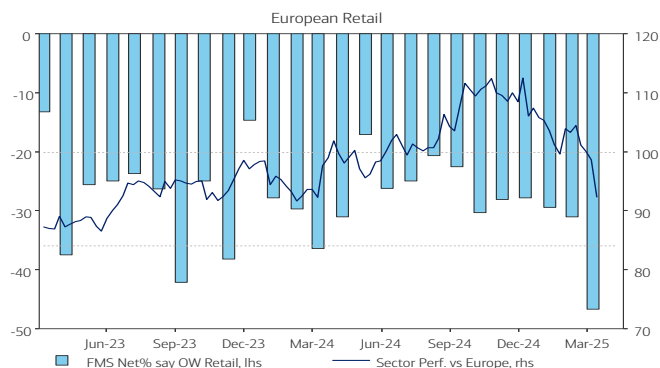


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 56: European retail

Net 47% of European participants say they are underweight the sector

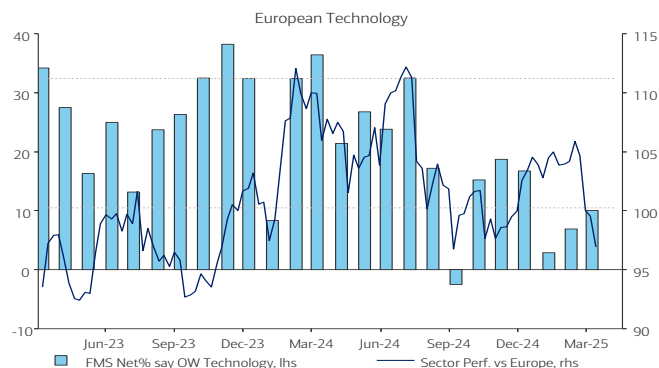


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 57: European technology

Net 10% of European participants say they are overweight the sector

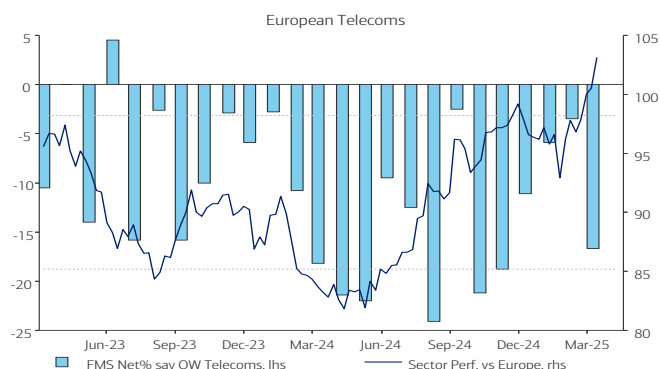


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 58: European telecoms

Net 17% of European participants say they are underweight the sector

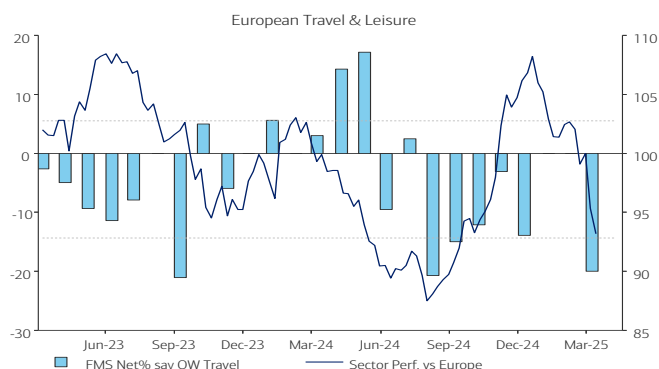


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 59: European travel & leisure

Net 20% of European participants say they are underweight the sector

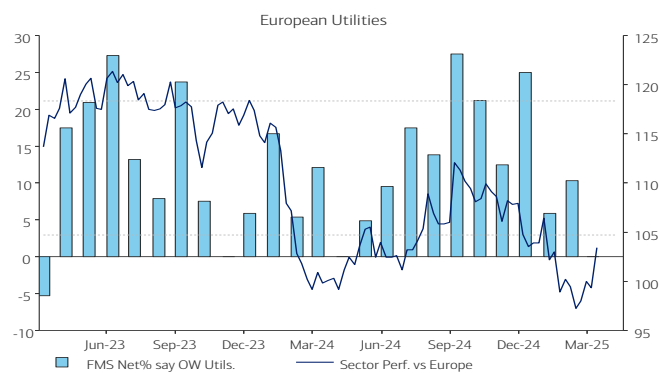


Source: BofA European Fund Manager Survey, Datastream

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Exhibit 60: European utilities

Net 0% of European participants say they are overweight the sector



Source: BofA European Fund Manager Survey, Datastream

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Regional survey demographics data

Exhibit 61: Position / institution / approach of participants in the regional survey

Demographics details for regional Fund Manager Survey participants

	Mar-25	Feb-25	Jan-25
Structure of the panel - by position			
Chief Investment Officer	10	10	10
Asset Allocator / Strategist / Economist	17	26	20
Portfolio Manager	72	63	73
Other	8	11	8
Structure of the panel - by expertise			
Regional specialists + EM specialists only	34	37	32
Regional specialists with a global view	73	73	79
Total # of respondents to regional questions	107	110	111
Which of the following best describes the type of money you are running?			
Institutional funds (e.g. pension funds / insurance companies)	32	34	31
Hedge funds / proprietary trading desks	20	23	18
Mutual funds / unit trusts / investment trusts	46	46	53
None of the above	9	7	9
What do you estimate to be the total current value of assets under your direct control?			
Up to \$250mn	23	21	26
Around \$500mn	15	13	13
Around \$1bn	22	27	21
Around \$2.5bn	20	19	20
Around \$5bn	7	5	12
Around \$7.5bn	3	5	4
Around \$10bn or more	5	5	4
No funds under my direct control	12	15	11
Total (USD bn)	193	199	214
What best describes your investment time horizon at this moment?			
3 months or less	33	35	34
6 months	25	22	20
9 months	8	16	10
12 months or more	37	34	43
Weighted average	7.4	7.4	7.7
Don't know	4	3	4
Which region do you specialise in?			
US / North America	24	28	26
Europe / Continental Europe / Eurozone / UK	30	29	34
Asia Pacific / Asia Pacific ex Japan / Japan	32	37	30
South Africa	15	13	18
MENA (Middle East and North Africa)	2	1	1
None of the above	4	2	2

Source: BofA European Fund Manager Survey

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