Asia Fund Manager Survey

Tech is still king, but defensives are rising

18 August 2026

Equity Strategy
Asia Pacific

BofA Data Analytics

BofA August Asia Fund Manager Survey

Spotlight: Despite tech retaining the top positions among investors' preferences, FMS investors have clearly shifted toward a more defensive stance (Exhibit 21). 59% are hedging AI downside risk by rotating into value, cyclical, and defensive sectors, more than double the level seen in July. Nearly two-thirds of investors require clearer evidence of AI monetization before increasing exposure to AI-related stocks (Exhibit 19).

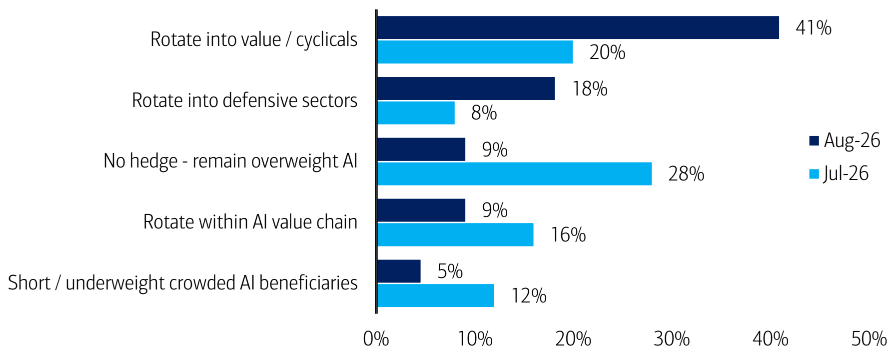
Macro: Nearly 60% expect the next BoJ rate hike to occur as early as next month (Exhibit 7), in line with our economist's expectation (see note). Most investors see USD/JPY at 165 as the likely trigger for intervention by Japan authorities (Exhibit 8).

Valuations: Investor optimism toward Asia ex-Japan equities rose to 89th percentile in August. Investors also increasingly view Asia ex-Japan equities as undervalued.

Themes: FMS views on the semis cycle weakened sharply in Aug (Exhibit 15). Power & Energy remain the most favored segments of the AI value chain (Exhibit 17).

Positioning: For Asia ex-Japan, Investors rotated out of cyclicals and technology into defensives sectors (Exhibit 22) such as Utilities, Banks, Staples, Healthcare, and Telecoms, while industrials and tech hardware recorded the sharpest declines. In Japan, investor exposure remains heavily concentrated in Banks and Semiconductors, with Banks rising to a historical high (Exhibit 23).

Exhibit 1: Investors shifted toward value, cyclicals, and defensive sectors to hedge AI downside risk
How are you currently hedging downside risk in the AI trade over the next 6-12 months?



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

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FMS: Fund Manager Survey
APAC: Asia Pacific

Notes to readers

A total of 203 panelists with $581bn AUM participated in the August survey. 180 participants with $525bn AUM responded to the Global FMS questions and 105 participants with $272bn AUM responded to the Regional FMS questions.

Survey period: Aug 7 – 13, 2026

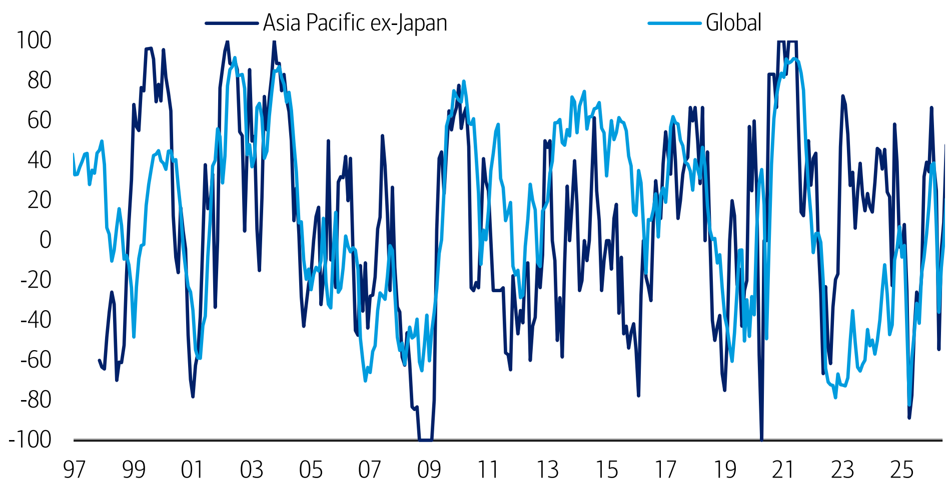
How to join the FMS panel

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.

Macro

Exhibit 2: Recent CPI and jobs data have eased concerns over Fed rate hikes, yet growth expectations have weakened...
Net % expecting a stronger Global / APAC ex-Japan economy



Source: BofA Global & Asia Fund Manager Survey

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Exhibit 3: ...inflation expectations further ease in August, reinforcing reduced rate-hike concerns
Net % expecting higher inflation in Asia Pacific ex-Japan in the next 12 months

Source: BofA Asia Fund Manager Survey

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Exhibit 4: Corporate profit expectations stay well above the long-run average in August
Net % expecting better corporate profits in Asia Pacific ex-Japan in the next 12 months

Source: BofA Asia Fund Manager Survey

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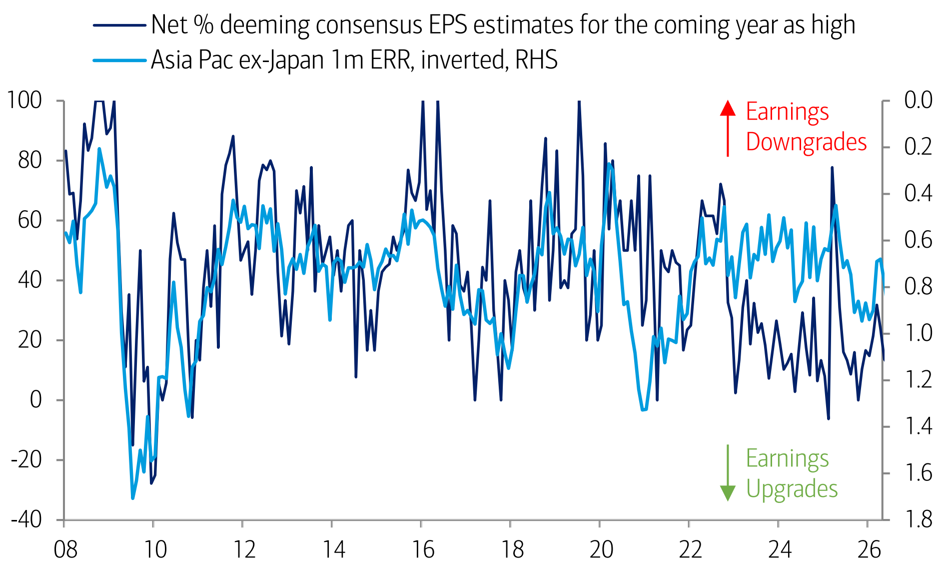
Exhibit 5: Concern that APAC ex-Japan earnings estimates are too high continue to fade in August, now at 9th percentile historically
Net % deeming consensus EPS estimates for the coming year as high



Source: BofA Asia Fund Manager Survey

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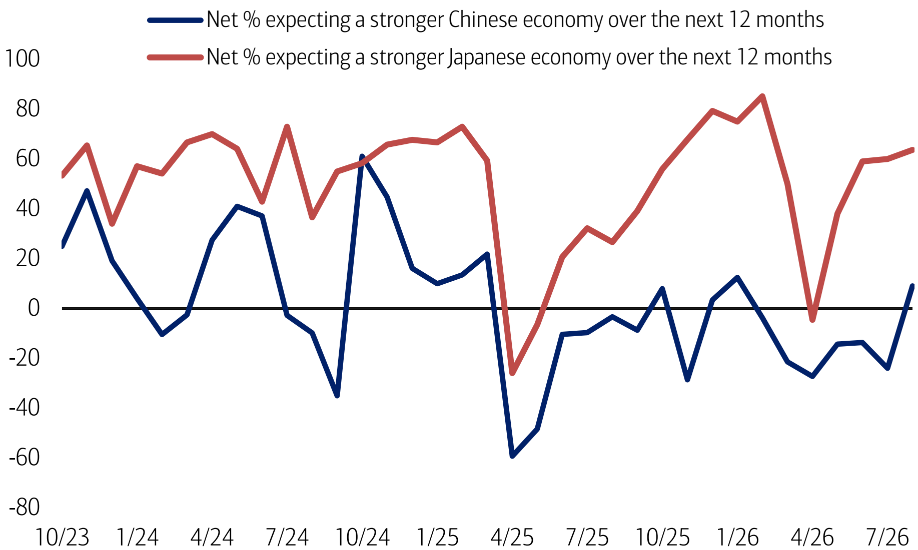
Exhibit 6: China's economic outlook rebounded sharply in August, but optimism still significantly trails Japan
Net % expecting stronger Chinese and Japanese economies in the next 12 months



Source: BofA Asia Fund Manager

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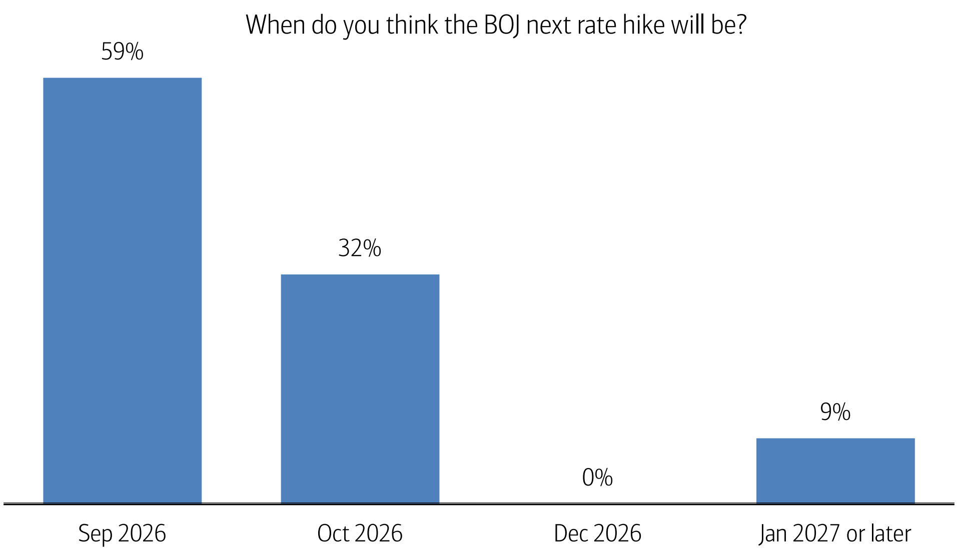
Exhibit 7: Nearly 60% of investors expect the next BoJ rate hike to occur next month
When do you think the BOJ next rate hike will be?



Source: BofA Asia Fund Manager

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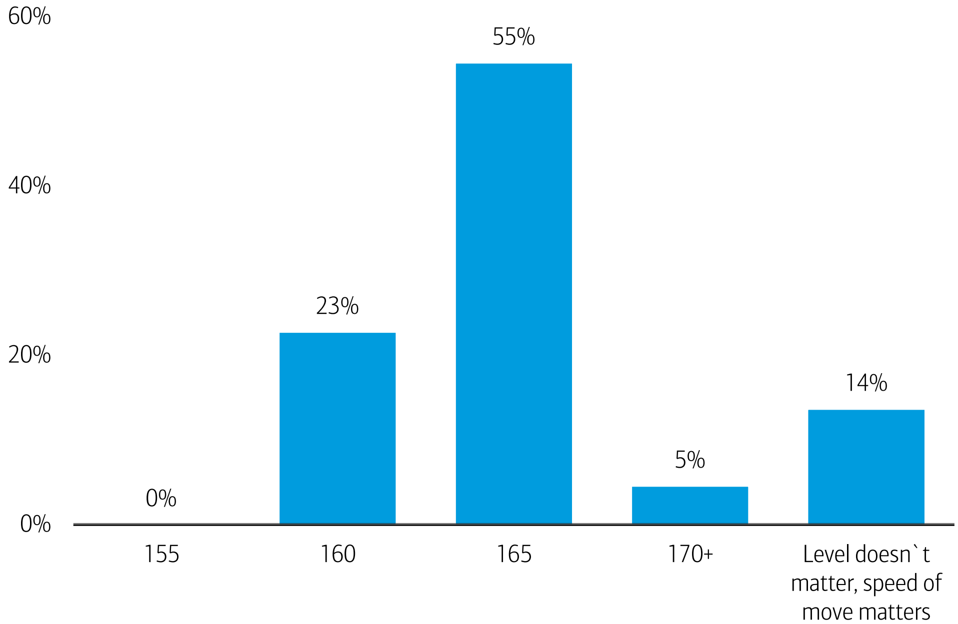
Exhibit 8: A majority of investors see USD/JPY at 165 as the likely trigger for intervention
What USD/JPY level would likely trigger FX intervention by Japanese authorities?



Source: BofA Asia Fund Manager

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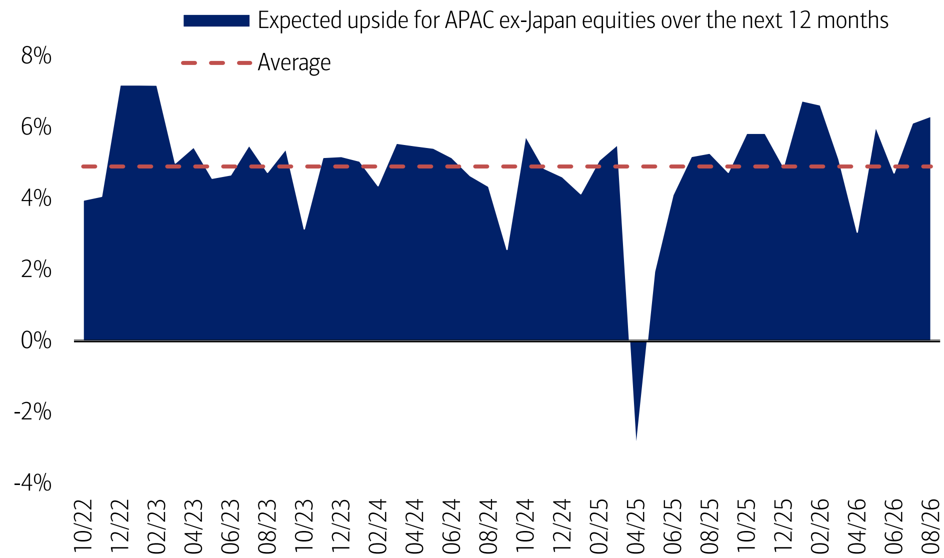
Expected Returns and Valuations

Exhibit 9: Investor optimism toward Asia ex-Japan equities rose to 89th percentile in August...
FMS views on expected upside for Asia Pac ex-Japan equities over the next 12 months



Source: BofA Asia Fund Manager Survey

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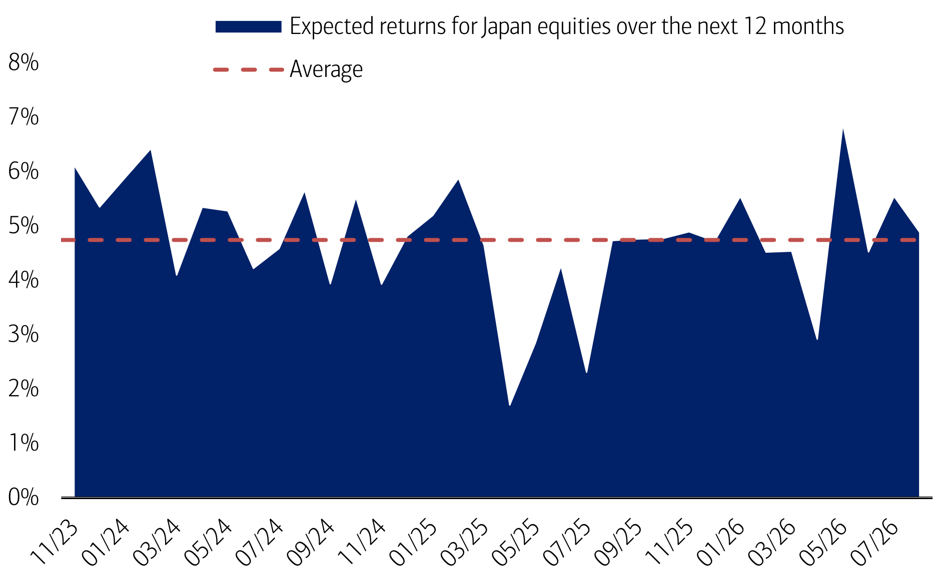
Exhibit 10: ...meanwhile expected returns for Japanese equities moderated to 4.9% in August from 5.5% in July
FMS views on expected upside for Japan equities over the next 12 months



Source: BofA Asia Fund Manager Survey

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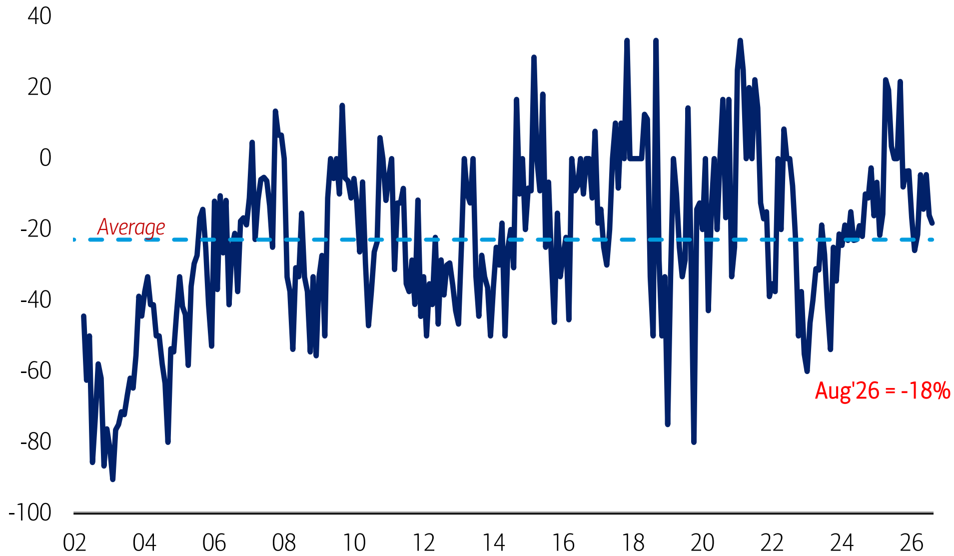
Exhibit 11: APAC ex-Japan equities are increasingly viewed as undervalued
Net % saying Asia Pacific ex-Japan equities are overvalued



Source: BofA Asia Fund Manager Survey

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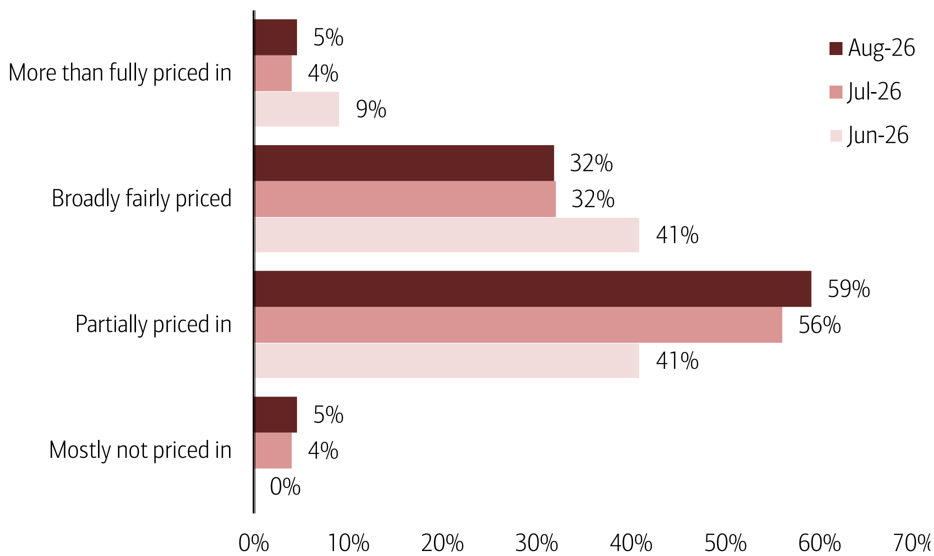
Exhibit 12: 59% of FMS investors say the positive AI impact on equities is only partially priced in
How much of the positive AI impact on equities is already reflected in the price?



Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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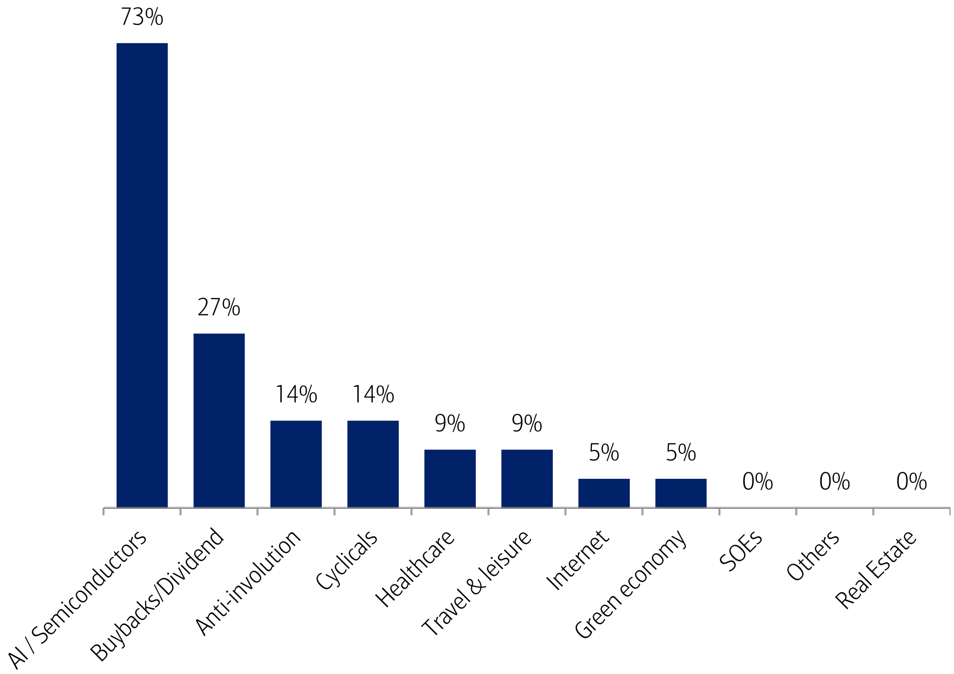
Themes

Exhibit 13: Within China, AI/semis and buybacks/dividend remain key investor priorities
FMS views on TWO most favorite themes in China



Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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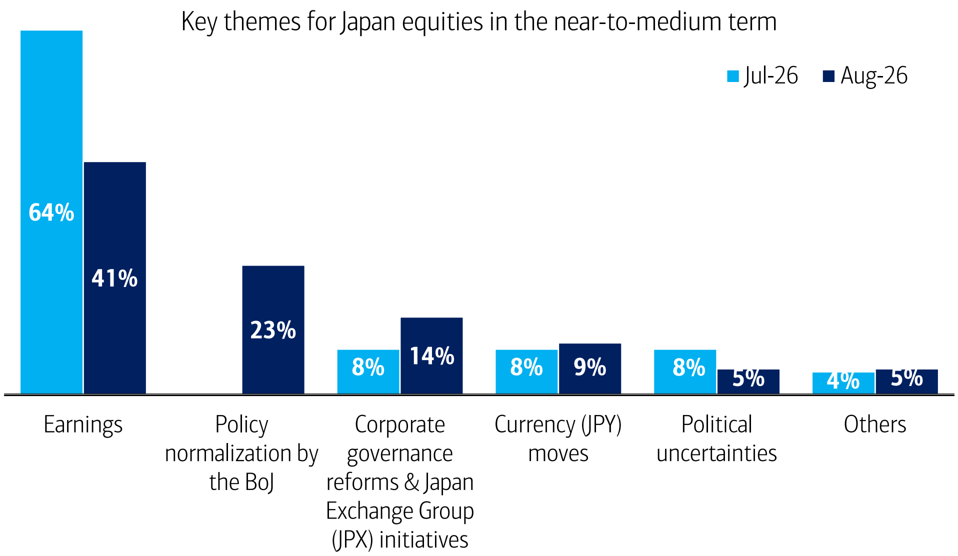
Exhibit 14: Earnings remain the key theme for Japan equities, while BoJ policy normalization rose to 23%
FMS views on the themes that hold the key for Japan equities in the near-to-medium term



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

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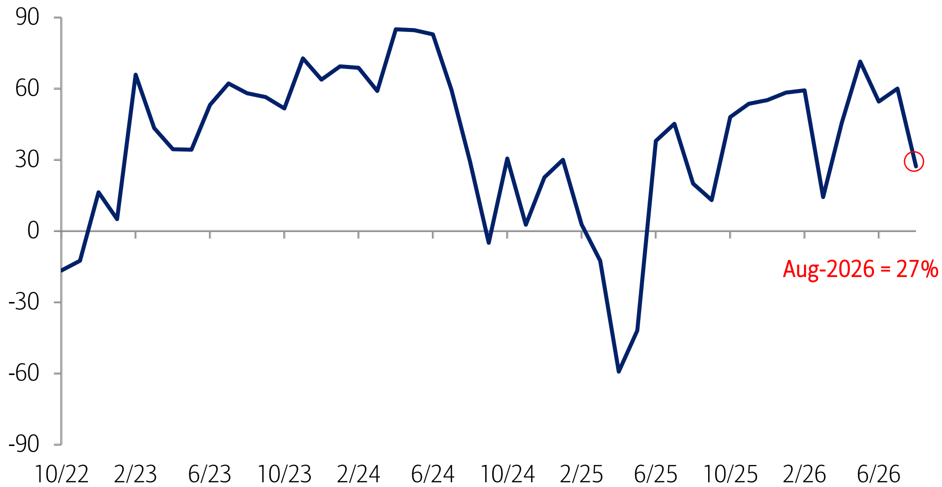
Exhibit 15: Optimism on the semiconductor cycle weakened sharply in August
FMS views on the semis cycle (Korea/Taiwan exports growth) over the next 12 months



Source: BofA Asia Fund Manager Survey

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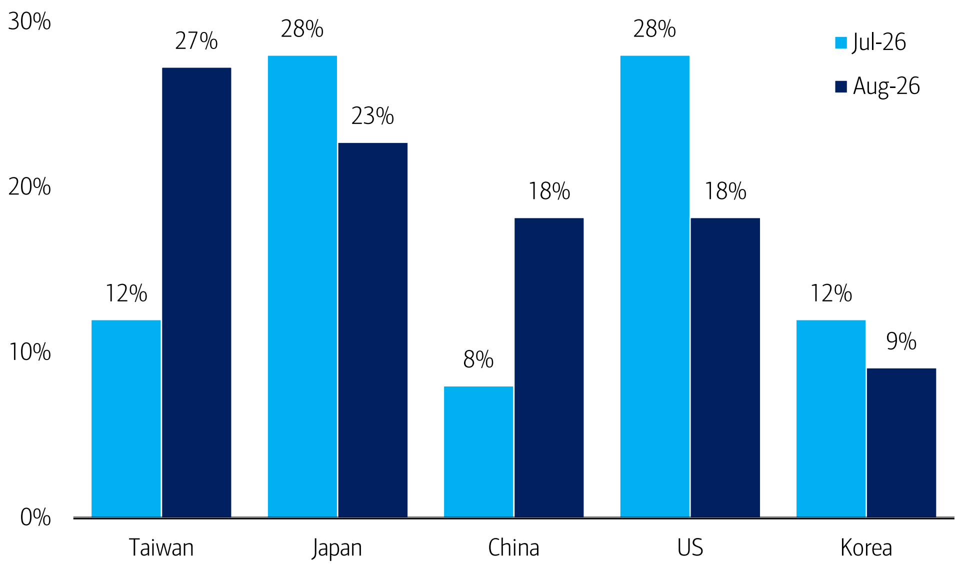
Exhibit 16: Taiwan regained the lead as the clearest beneficiary of the next phase of the AI cycle
Which market benefits most from the next phase of the AI cycle?



Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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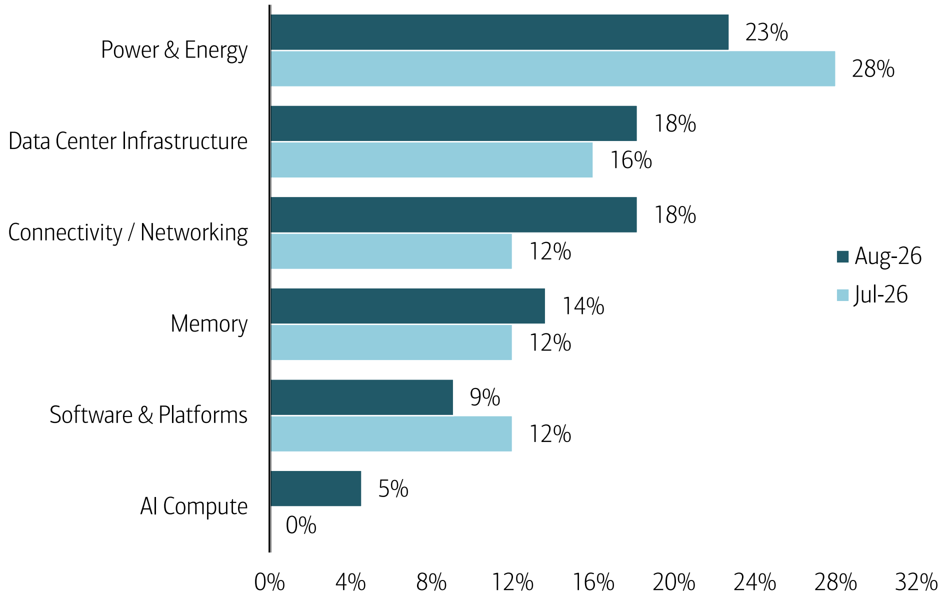
Exhibit 17: Power & Energy ranks among the most favored segments of the AI value chain
Which part of the AI value chain offers the best risk-reward over the next 12 months?



Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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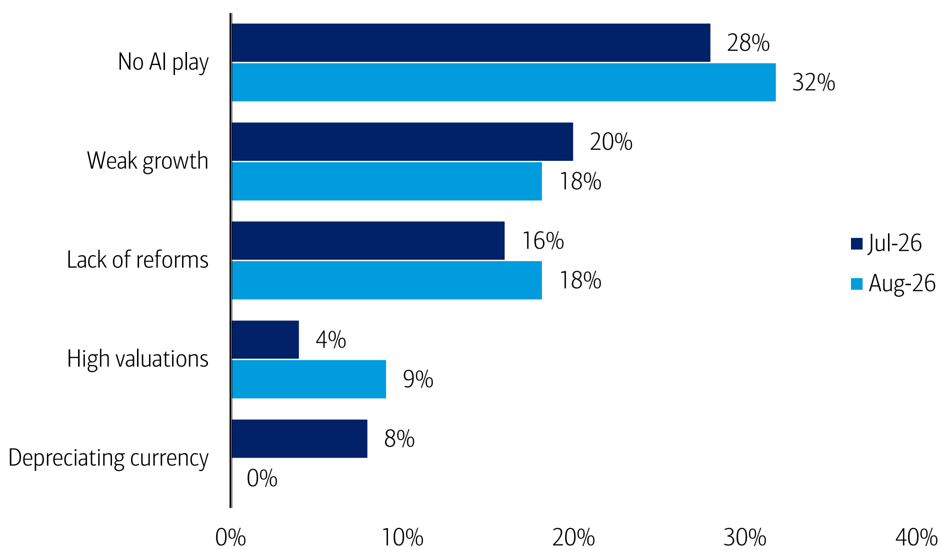
Exhibit 18: The lack of a clear AI exposure remains the key concern for Indian equities, with weak growth emerging as the next most important risk
What is your key concern for Indian market?



Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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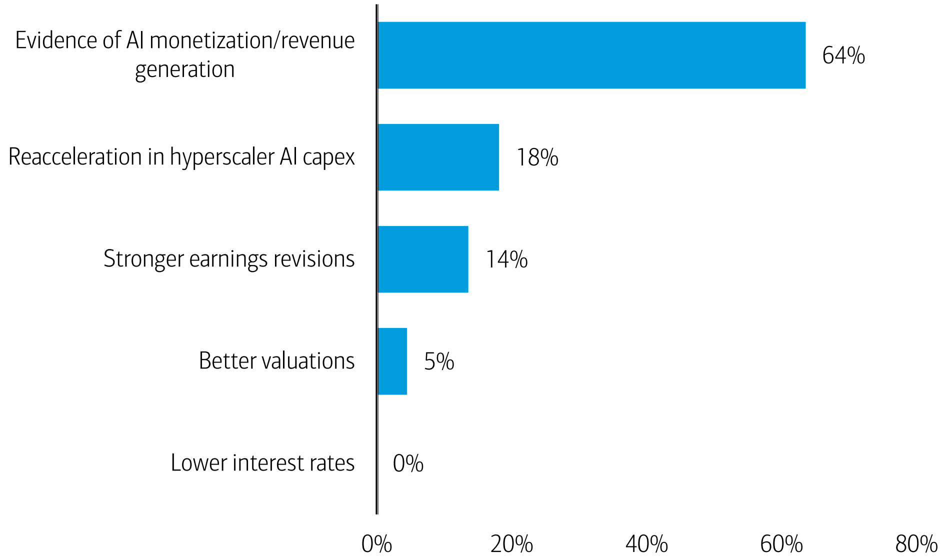
Exhibit 19: Nearly two-thirds of investors need evidence of AI monetization before adding to AI-related stocks
What would most increase your conviction to add to AI-related stocks?



Source: BofA Asia Fund Manager Survey. Note: Votes for 'Other" are not shown above

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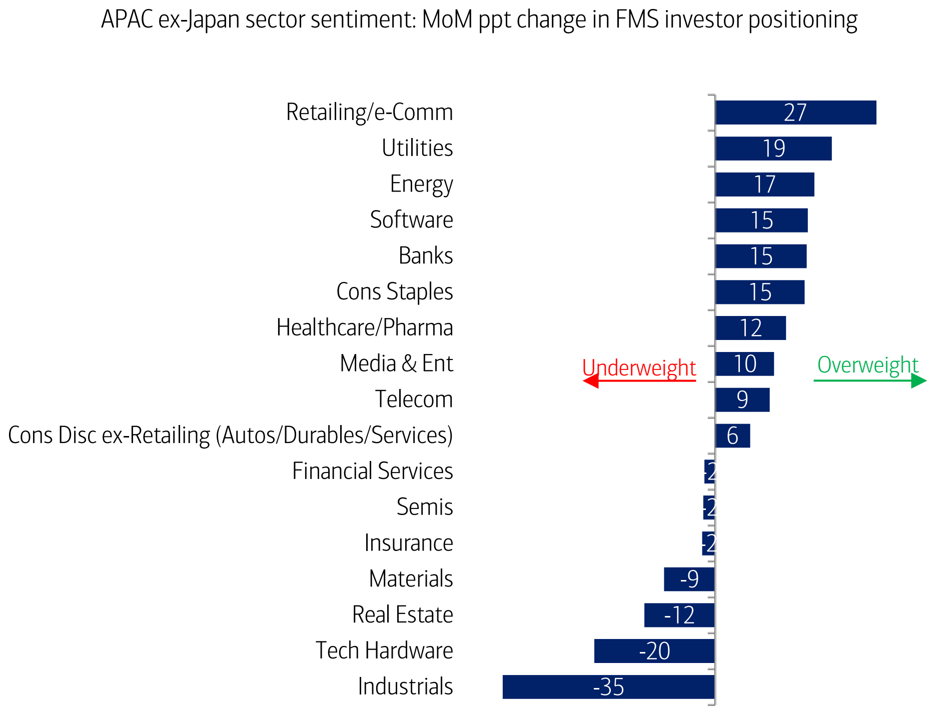
Exhibit 22: Positioning rotated from cyclicals and tech toward defensives while industrials and tech hardware recorded the sharpest declines

Monthly change in FMS investor positioning



Source: BofA Asia Fund Manager Survey

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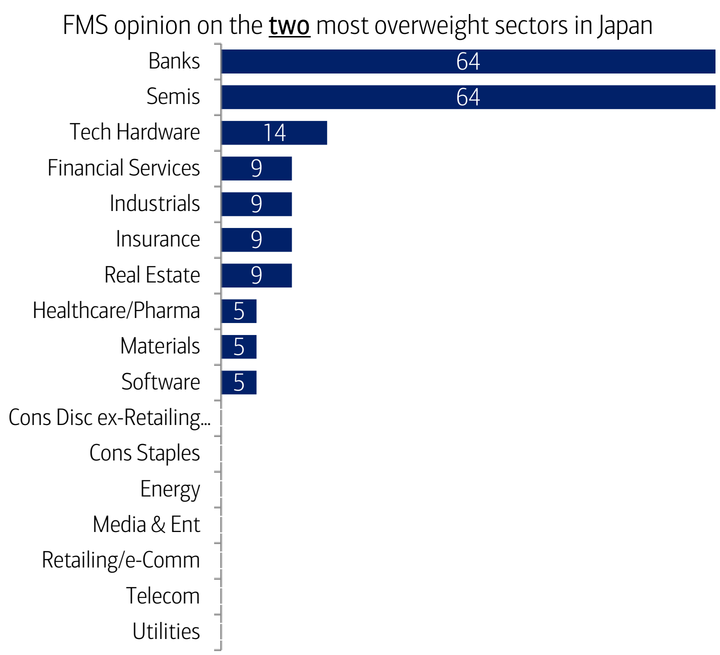
Exhibit 23: Japan positioning is highly concentrated in banks and semiconductors, with Banks rising to a historical high

FMS opinion on the two most overweight sectors in Japan



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

	Aug-26	Jul-26	Jun-26
Structure of the panel - by position			
Chief Investment Officer	10	10	11
Asset Allocator / Strategist / Economist	15	17	18
Portfolio Manager	64	72	63
Other	9	10	7
Structure of the panel - by expertise			
Regional specialists + EM specialists only	23	29	26
Regional specialists with a global view	75	80	73
Total # of respondents to regional questions	**98**	**109**	**99**
Which of the following best describes the type of money you are running?			
Institutional funds (e.g. pension funds / insurance companies)	23	29	27
Hedge funds / proprietary trading desks	17	18	13
Mutual funds / unit trusts / investment trusts	44	54	48
None of the above	14	8	11
What do you estimate to be the total current value of assets under your direct control?			
Up to $250mn	13	16	15
Around $500mn	14	16	10
Around $1bn	19	19	21
Around $2.5bn	15	22	16
Around $5bn	11	8	12
Around $7.5bn	4	5	4
Around $10bn or more	12	11	11
No funds under my direct control	10	12	10
Total (USD bn)	**272**	**274**	**270**
What best describes your investment time horizon at this moment?			
3 months or less	31	33	34
6 months	36	36	26
9 months	6	6	9
12 months or more	23	29	27
Weighted average	**6.7**	**6.9**	**6.9**
Don't know	2	5	3
Which region do you specialise in?			
US / North America	29	32	30
Europe / Continental Europe / Eurozone / UK	34	35	28
Asia Pacific / Asia Pacific ex Japan / Japan	22	25	22
South Africa	9	11	14
MENA (Middle East and North Africa)	1	0	0
None of the above	3	6	5

Source: BofA Fund Manager Survey

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Neutral	≥ 0%	≤ 30%
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[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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