Asia Fund Manager Survey

Waiting for AI monetization and BoJ normalization

BofA September Asia Fund Manager Survey

Spotlight: 80% are looking for clearer proof of tangible AI monetization before adding exposure to AI-related stocks (see Exhibit 1 below). As a downside hedge, investors now favor rotation into defensive sectors, while preferences for shifting into value and cyclical names have fallen sharply (Exhibit 18). Meanwhile, concerns over India's limited AI exposure have eased significantly, declining from 32% to just 10%.

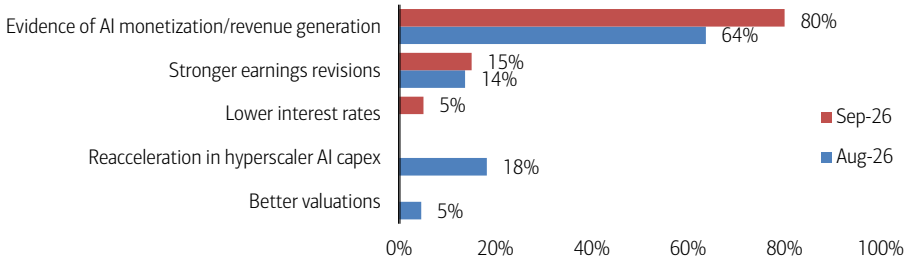
Macro: Investors now expect stronger corporate profits and greater earnings upside (Exhibit 5), consistent with improving earnings revision ratios (see note). Nearly 80% expect a BoJ rate hike this month, while the perceived intervention trigger for USD/JPY has declined to 160 from 165 in August.

Expected Returns: Investors are increasingly bullish on both Asia ex-Japan and Japanese equities, expecting 6.3% and 6.4% upside over the next 12 months, with optimism levels reaching the 89th and 94th percentiles, respectively.

Themes: BoJ policy normalization has overtaken earnings as the dominant theme for Japan equities (Exhibit 14).

Positioning: Japan and Taiwan remain the most favored markets in APAC despite a modest MoM decline in positioning. Within Asia ex-Japan, Technology retained its top ranking, while Telecom rose to third place. In Japan, positioning remains heavily concentrated in banks and semiconductors, with allocations to banks reaching a new historical high.

Exhibit 1: Four out of five investors view proven AI monetization as the key consideration to add 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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Refer to important disclosures on page 17 to 19.

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FMS: Fund Manager Survey
APAC: Asia Pacific

Notes to readers

A total of 190 panelists with $512bn AUM participated in the September survey. 170 participants with $470bn AUM responded to the Global FMS questions and 87 participants with $211bn AUM responded to the Regional FMS questions.

Survey period: Sep 4 – 10, 2026

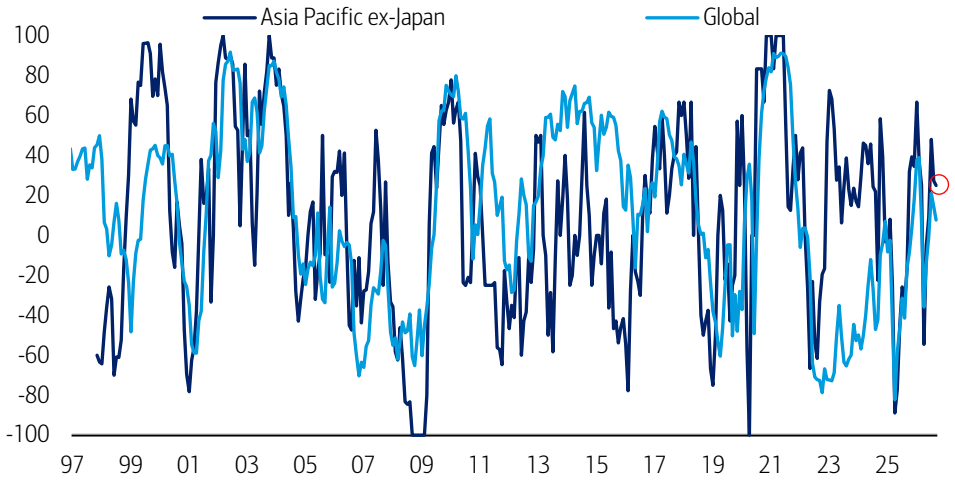
How to join the FMS panel

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

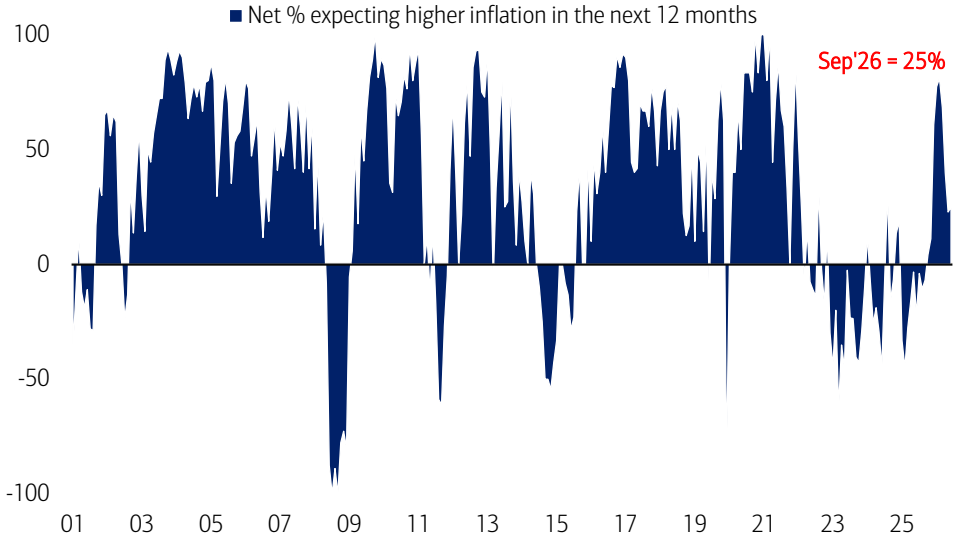
Exhibit 2: With renewed concerns that Fed rate hikes could return to the table, growth expectations softened slightly in Sep
Net % expecting a stronger Global / APAC ex-Japan economy



Source: BofA Global & Asia Fund Manager Survey

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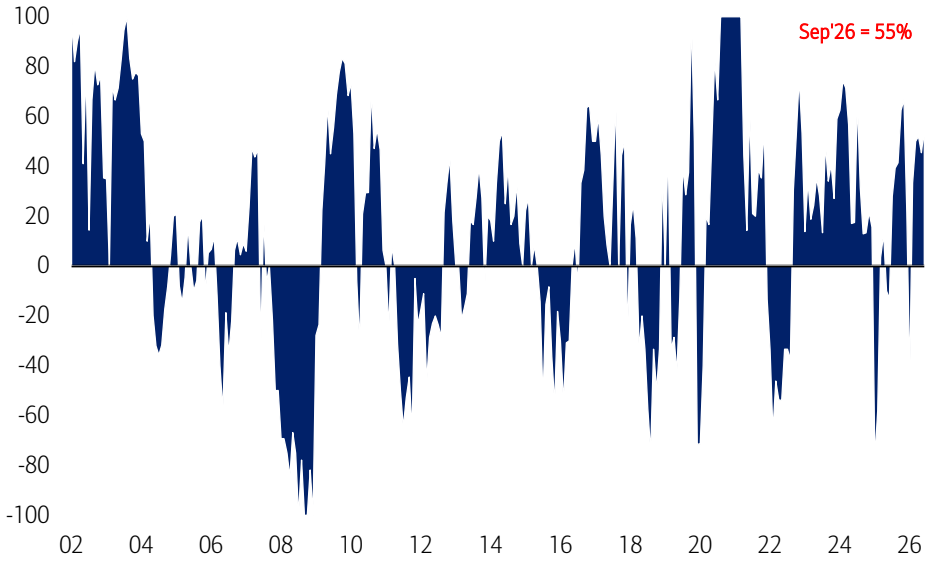
Exhibit 3: Inflation expectations were broadly stable in Sep, with net 25% expecting higher inflation
Net % expecting higher inflation in Asia Pacific ex-Japan in the next 12 months



Source: BofA Asia Fund Manager Survey

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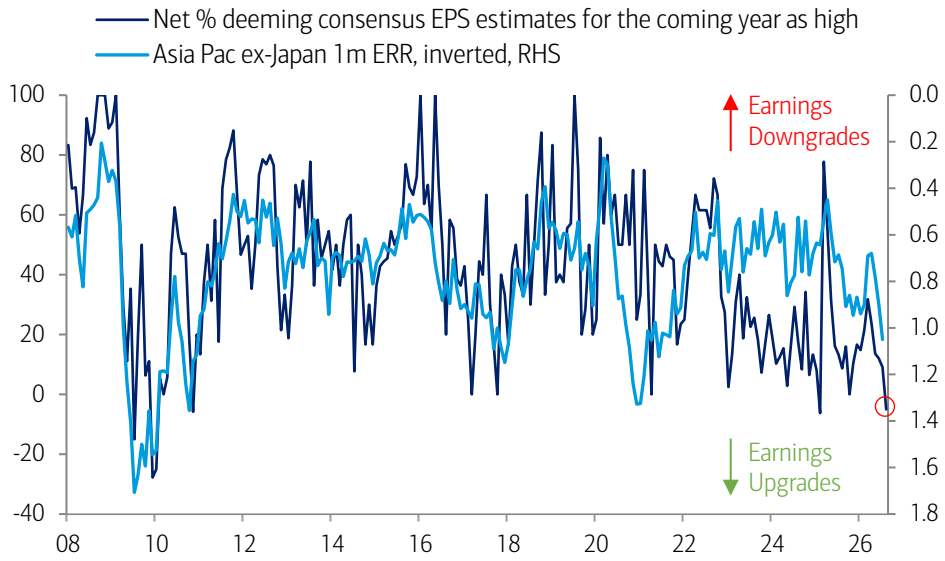
Exhibit 4: Net 55% expect better profits, up from 45% in Aug
Net % expecting better corporate profits in Asia Pacific ex-Japan in the next 12 months



Source: BofA Asia Fund Manager Survey

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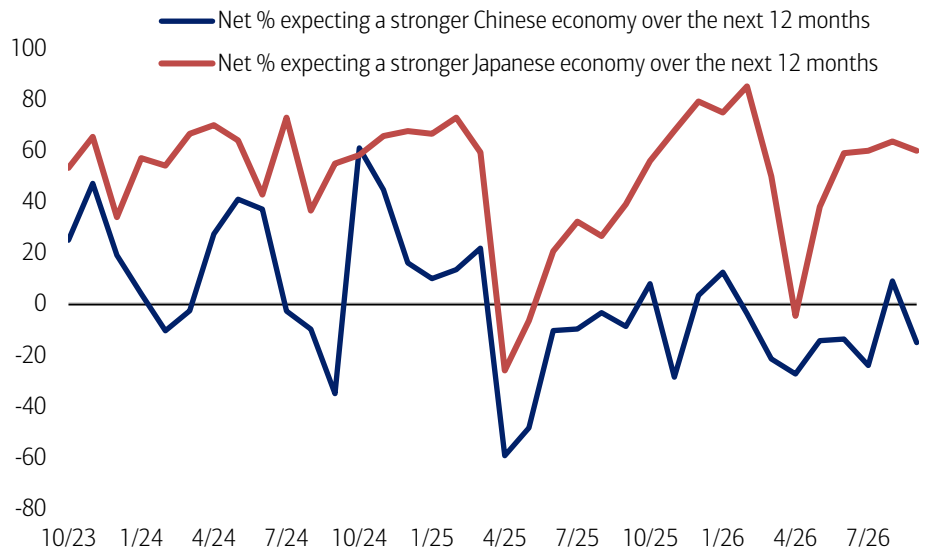
Exhibit 5: Concerns over optimistic earnings estimates have reversed, suggesting investors now see greater scope for earnings upside
Net % deeming consensus EPS estimates for the coming year as high



Source: BofA Asia Fund Manager Survey

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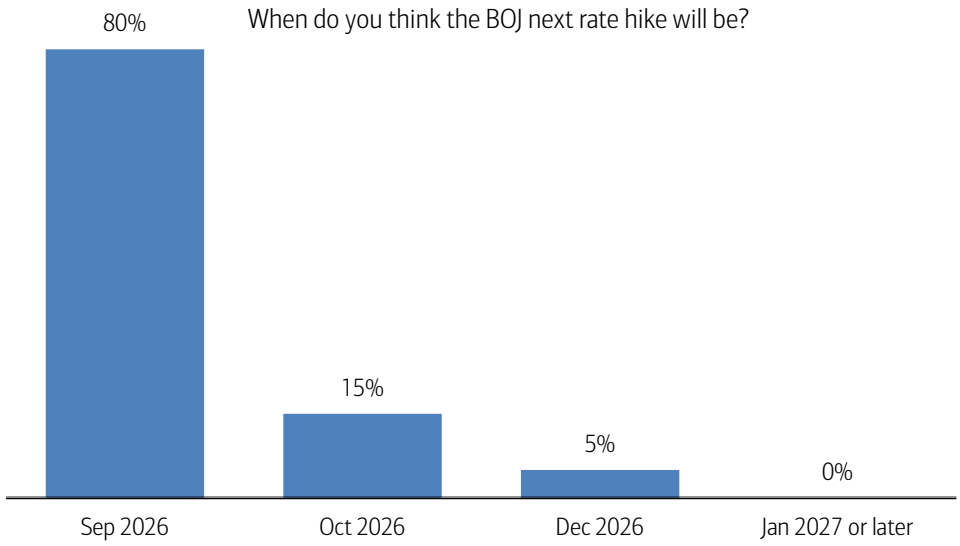
Exhibit 6: China's economic outlook deterioated sharply in Sep while Japan remained stable
Net % expecting stronger Chinese and Japanese economies in the next 12 months



Source: BofA Asia Fund Manager

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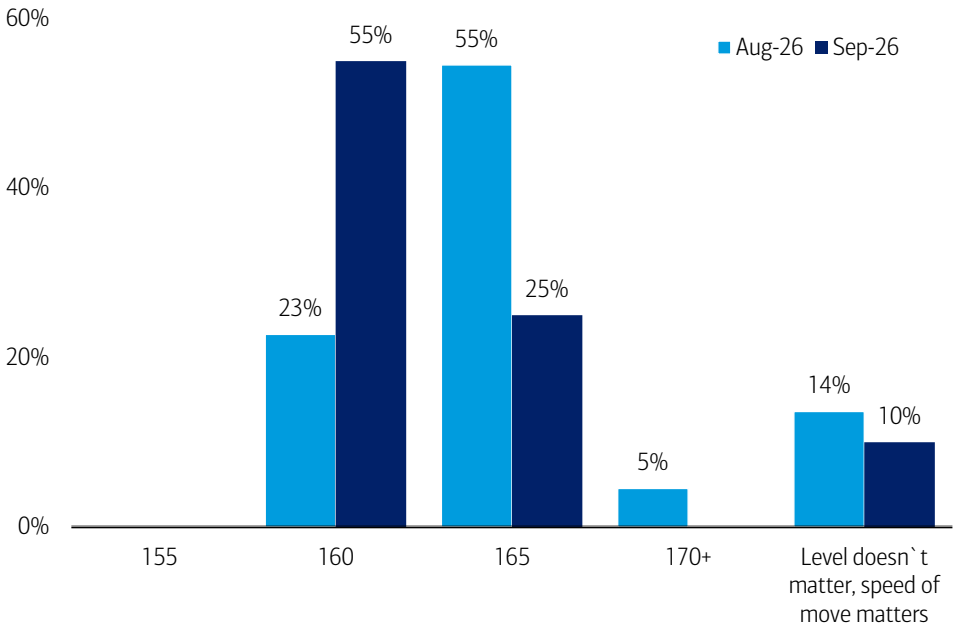
Exhibit 7: Nearly 80% of investors expect the next BoJ rate hike to occur this month
When do you think the BOJ next rate hike will be?



Source: BofA Asia Fund Manager

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Exhibit 8: Investors now see USD/JPY 160 as the most likely intervention trigger instead of165
What USD/JPY level would likely trigger FX intervention by Japanese authorities?



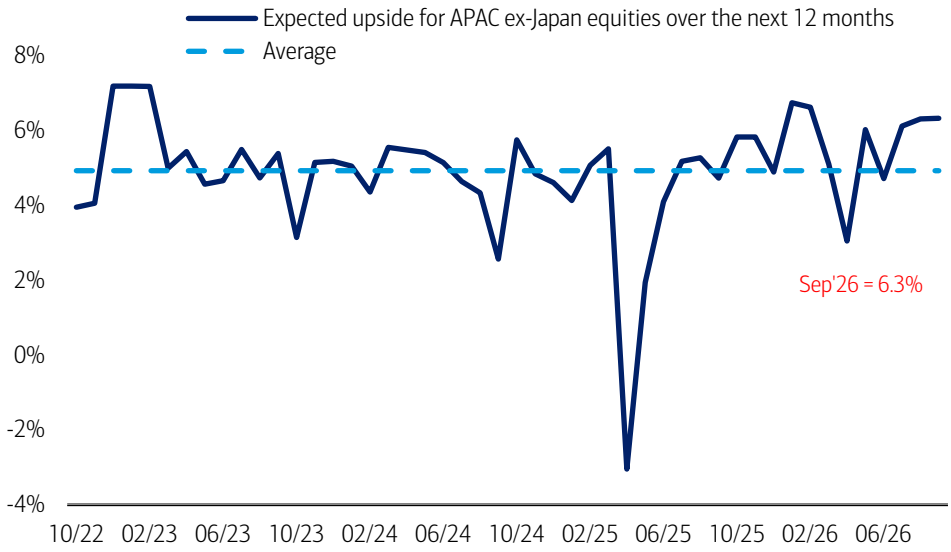
Source: BofA Asia Fund Manager

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Expected Returns and Valuations

Exhibit 9: Investors stayed optimistic about Asia ex-Japan equities, expecting 6.3% upside, the 89th historical percentile

FMS views on expected upside for Asia Pac ex-Japan equities over the next 12 months

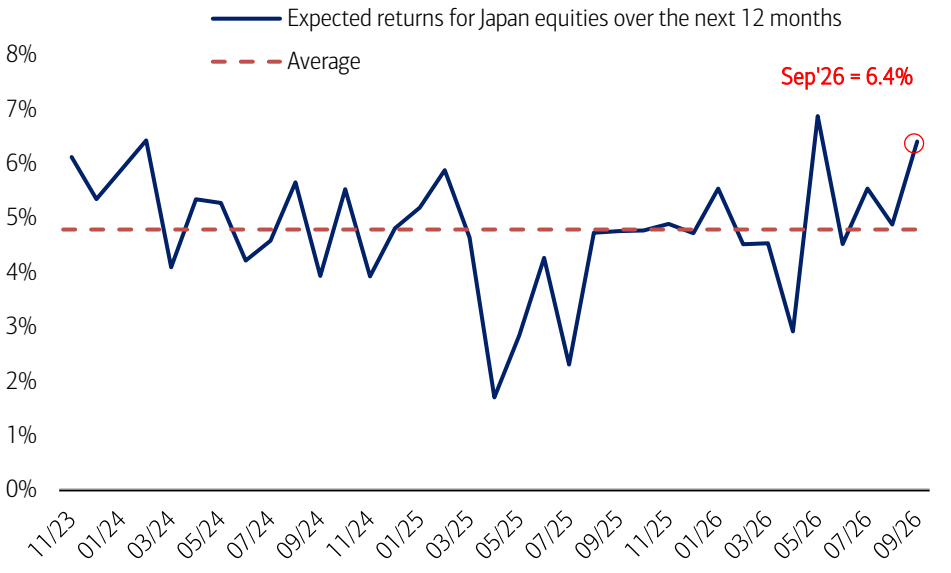


Source: BofA Asia Fund Manager Survey

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Exhibit 10: Expected returns for Japanese equities rose sharply to 6.4%, the 94th historical percentile

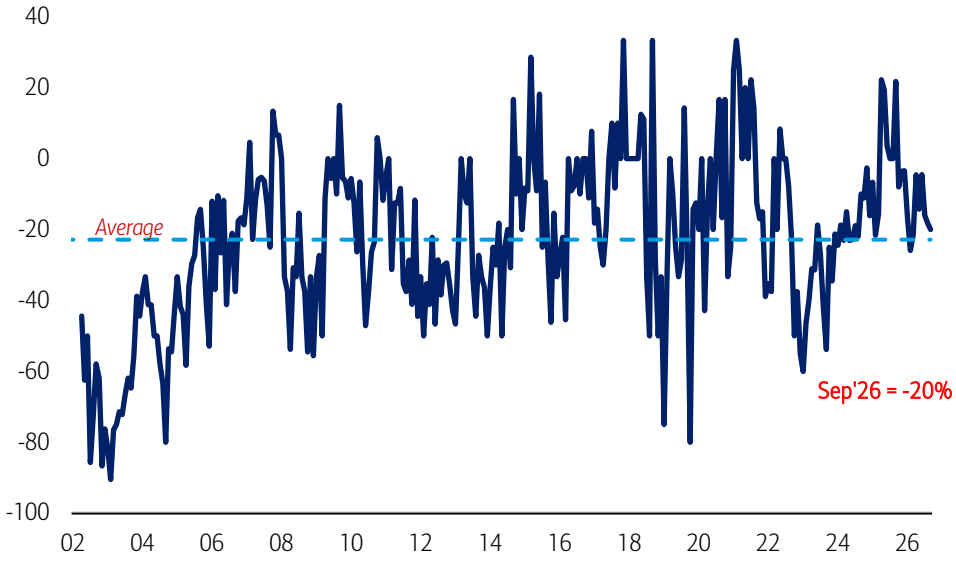
FMS views on expected upside for Japan equities over the next 12 months



Source: BofA Asia Fund Manager Survey

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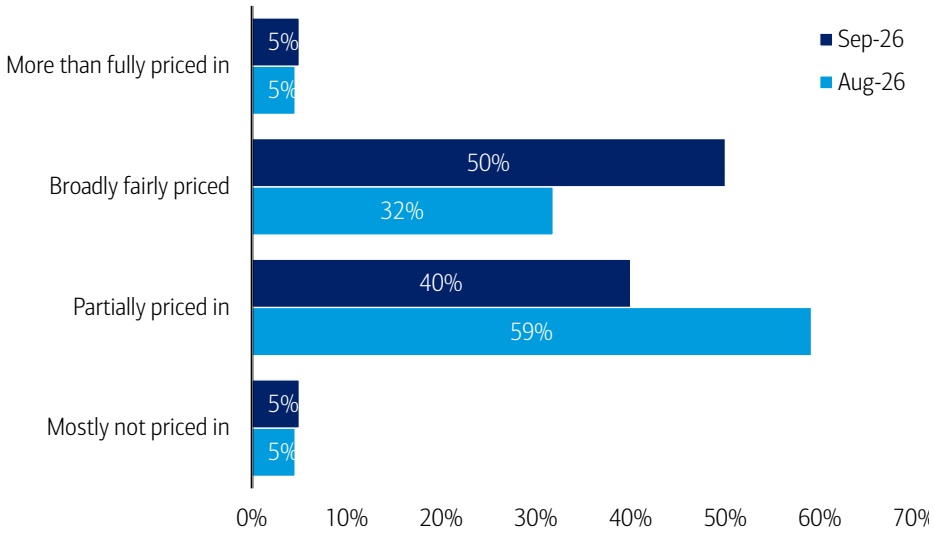
Exhibit 11: APAC ex-Japan equities are increasingly viewed as undervalued
Net % saying Asia Pacific ex-Japan equities are overvalued



Source: BofA Asia Fund Manager Survey

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Exhibit 12: 55% of FMS investors say the positive AI impact on equities is broadly fairly or more than fully priced in, up from 37% in Aug
How much of the positive AI impact on equities is already reflected in the price?

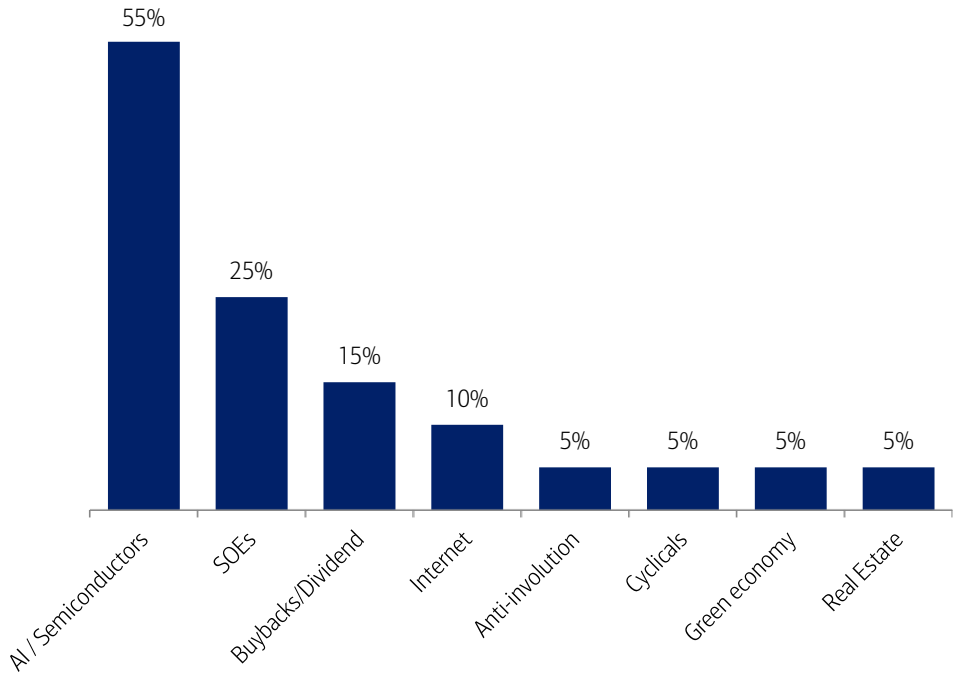


Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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Themes

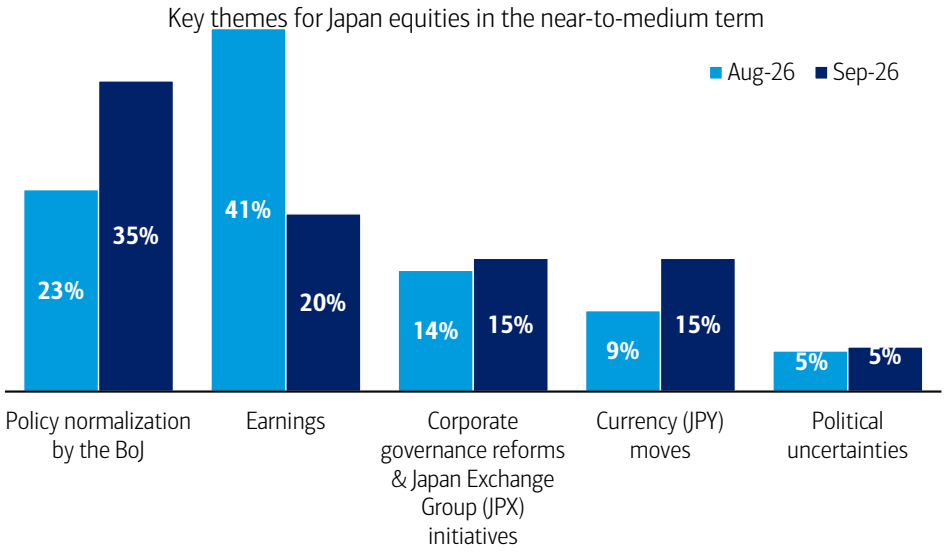
Exhibit 13: Within China, AI/semis and SOEs are key investor priorities
FMS views on TWO most favorite themes in China



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

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Exhibit 14: BoJ policy normalization overtook earnings to become the key theme for Japan equities
FMS views on the themes that hold the key for Japan equities in the near-to-medium term

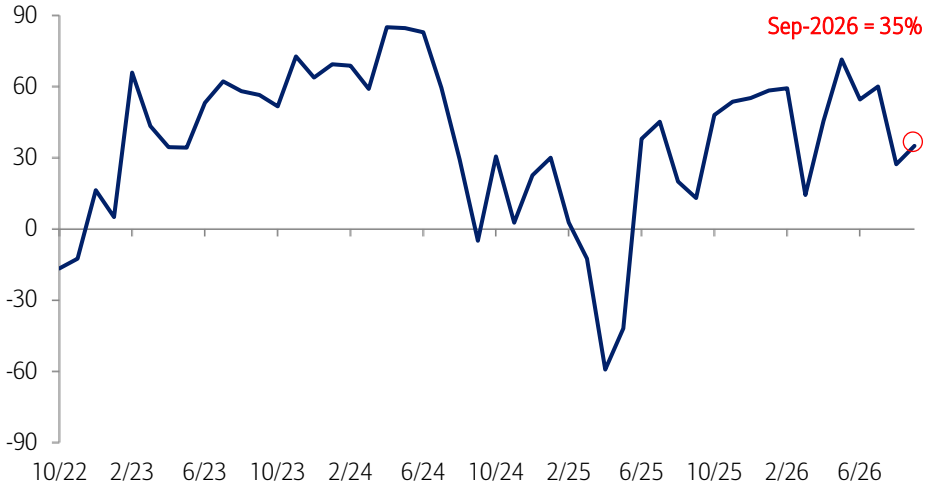


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' are not shown above

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Exhibit 15: Expectations for a stronger semiconductor cycle recovered to 35% but remain well below 60% in July

FMS views on the semis cycle (Korea/Taiwan exports growth) over the next 12 months

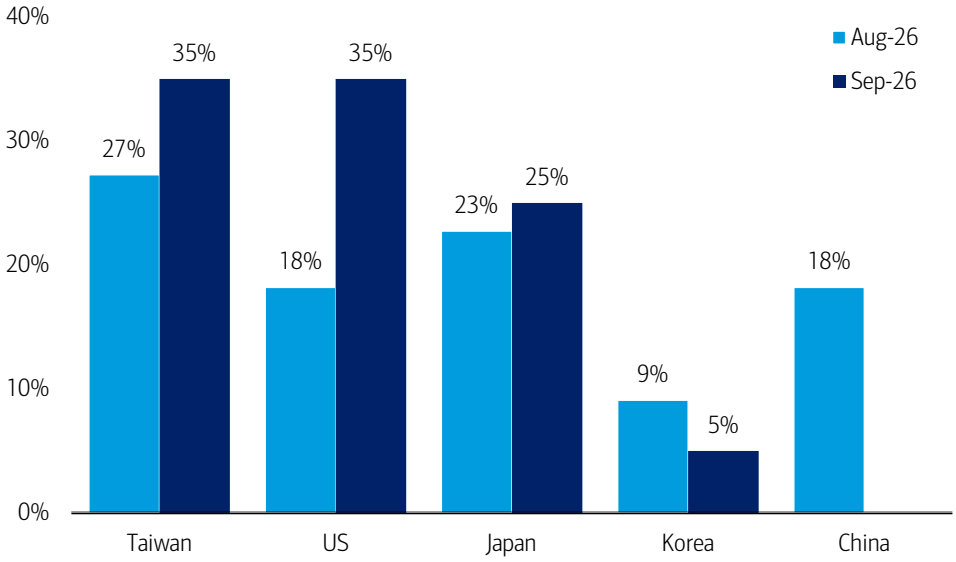


Source: BofA Asia Fund Manager Survey

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Exhibit 16: Taiwan and the US jointly lead as the expected beneficiaries of the next AI cycle

Which market benefits most from the next phase of the AI cycle?

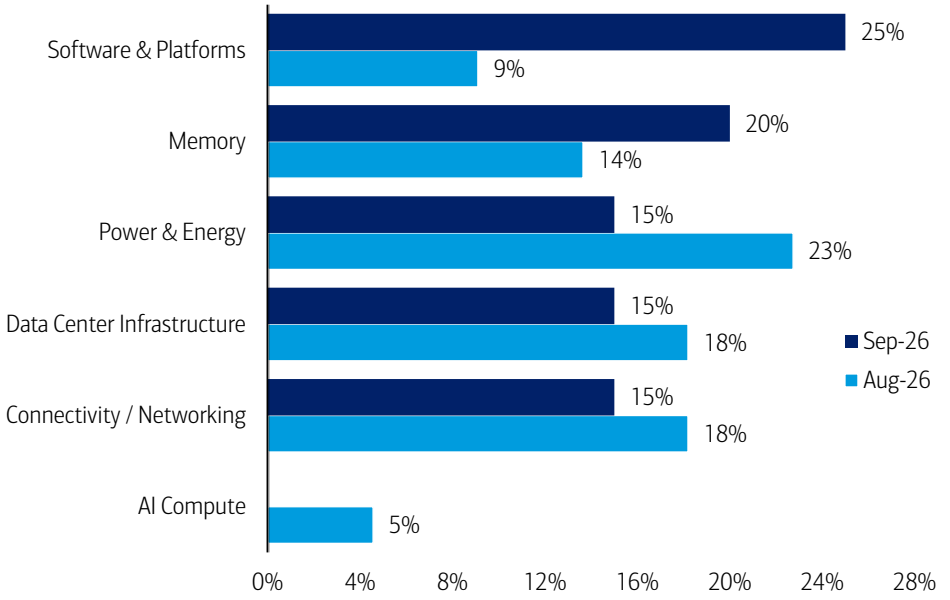


Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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Exhibit 17: Software & Platforms now offer the best perceived AI risk-reward, overtaking Power & Energy

Which part of the AI value chain offers the best risk-reward over the next 12 months?

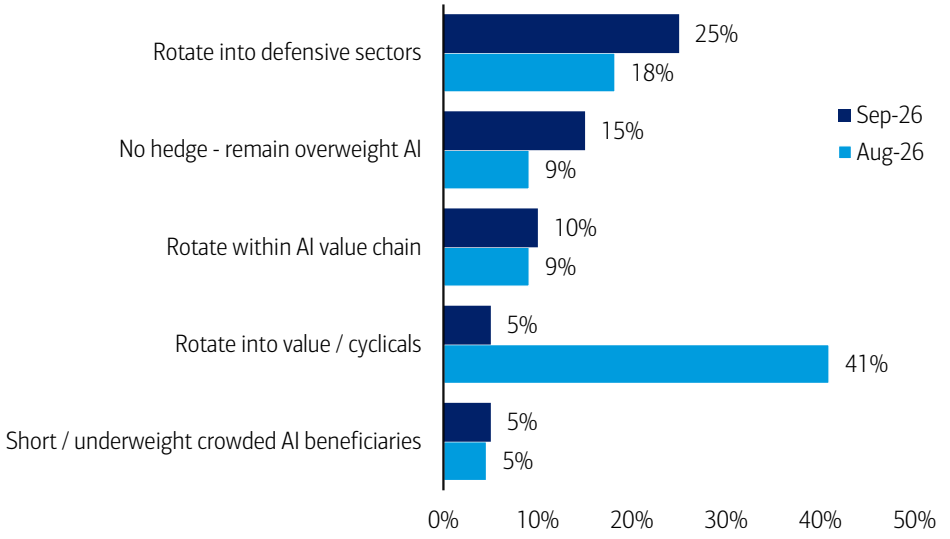


Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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Exhibit 18: Defensive-sector rotation became the leading AI downside hedge, while rotation into value and cyclicals plunged

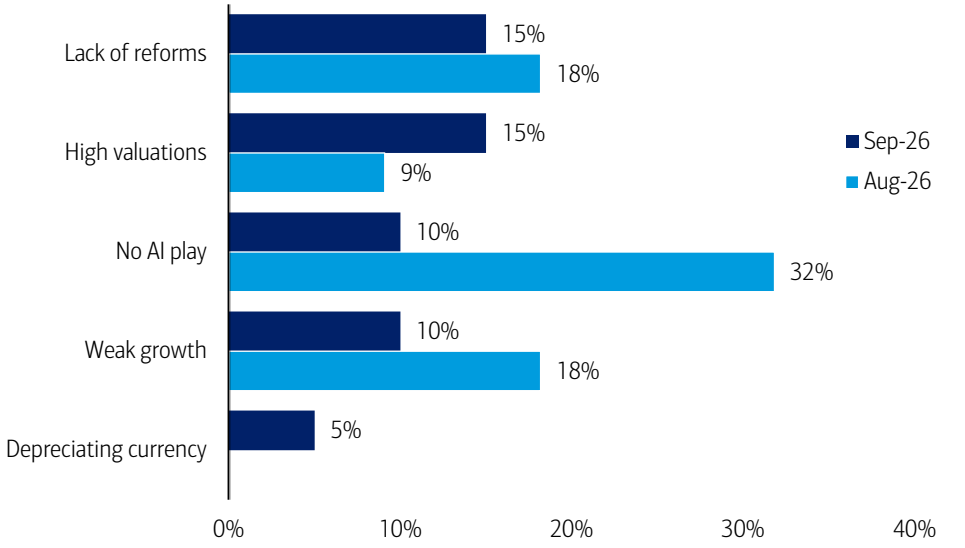
How are you currently hedging downside risk in the AI trade over the next 6-12 months?



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

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Exhibit 19: Concern about India's lack of AI exposure fell from 32% to 10%
What is your key concern for Indian market?

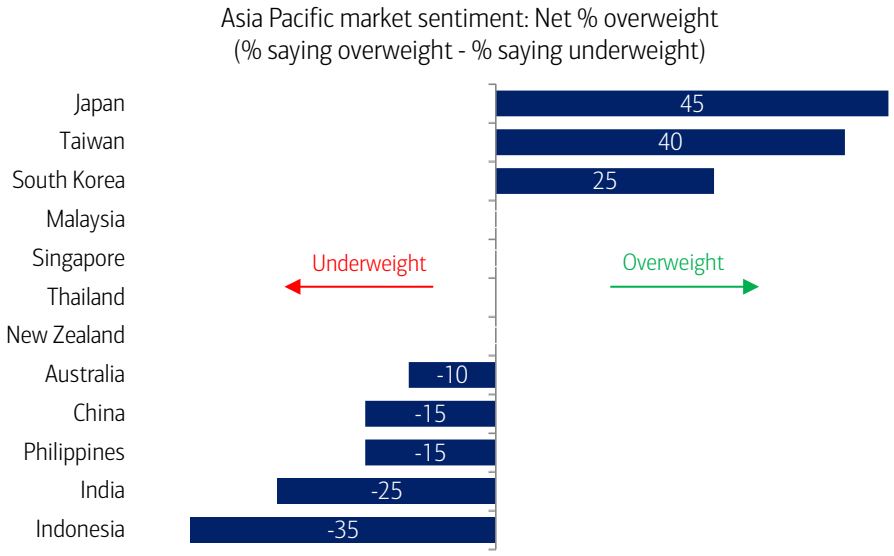


Source: BofA Asia Fund Manager Survey. Note: Votes for 'Don't know' are not shown above

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Positioning

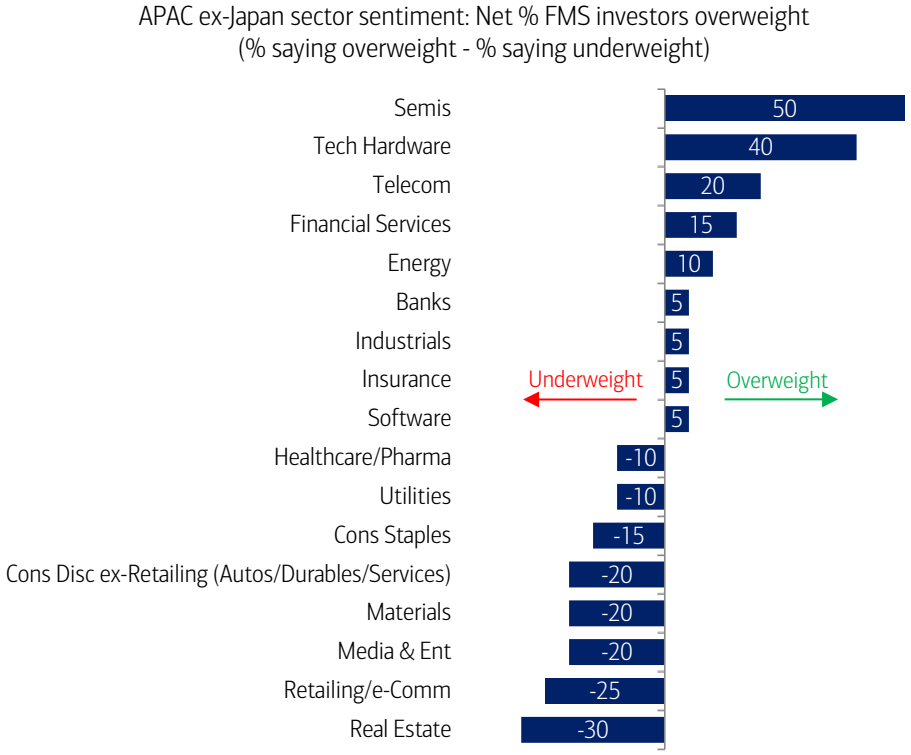
Exhibit 20: Japan and Taiwan remain the preferred APAC markets, despite falling MoM
Asia Pacific market sentiment: Net % overweight



Source: BofA Asia Fund Manager Survey

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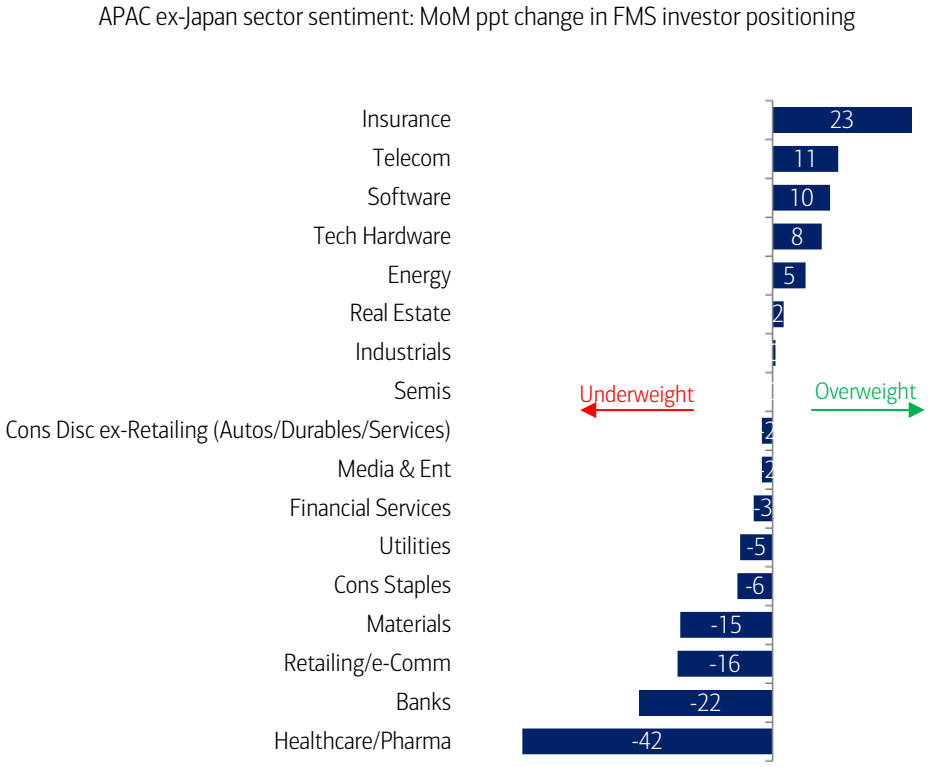
Exhibit 21: Technology retained leadership, while Telecom climbed to third place
Asia Pacific ex-Japan sector sentiment: Net % overweight



Source: BofA Asia Fund Manager Survey

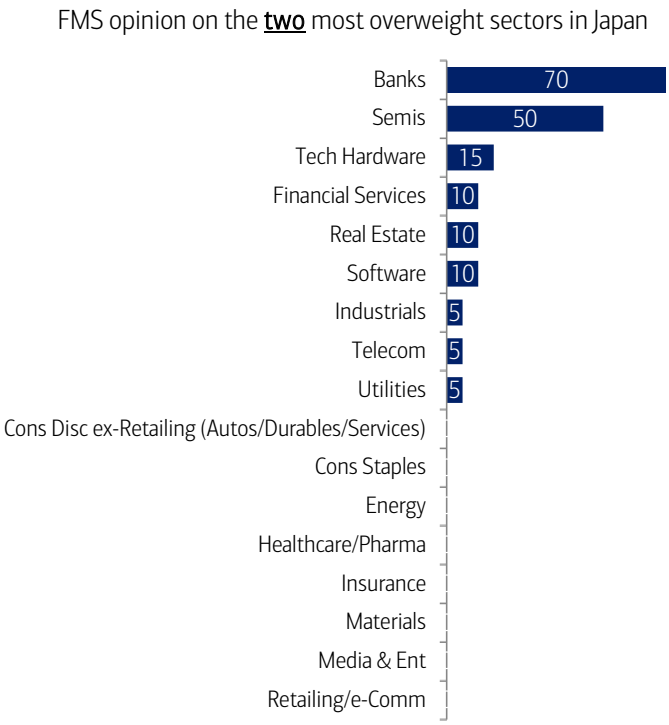
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Exhibit 22: September saw a sharp rotation into Insurance, Telecom and Software, paired with steep reductions in Healthcare, Banks, Retailing, and Materials.
Monthly change in FMS investor positioning



Source: BofA Asia Fund Manager Survey

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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[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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