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Asia Fund Manager Survey

Show me the money-tization

BofA October Asia Fund Manager Survey

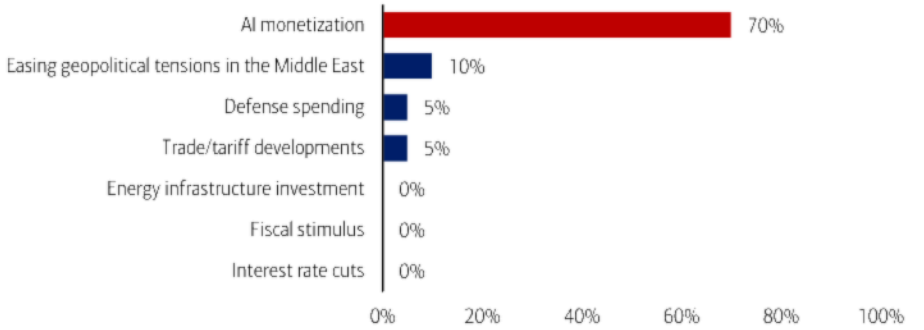
Spotlight: Investor confidence in the AI theme strengthened meaningfully in October. Concerns around AI overvaluation eased (Exhibit 11), with only 35% of investors believing AI's positive impact is fairly or more than fully priced in (vs. 55% in Sep). Positioning also became more constructive, as 45% remain overweight AI or rotate within AI opportunities, compared with just 25% a month earlier. 70% view AI monetization as the biggest driver of APAC equity performance in next 12 months.

Macro: While growth expectations held steady, 50% now expect higher inflation, up from 25% last month. 60% expect the next BoJ rate hike to occur in Dec, in line with our Japan economist's expectation (see note).

Themes: Earnings became the dominant theme for Japan equities, surpassing BoJ policy normalization. The Earnings Revision Ratio for Japan reached a record high in Sep (see note). Expectations for a stronger semiconductor cycle recovered, while memory emerged as the market's preferred AI risk-reward opportunity (Exhibit 16).

Positioning: Taiwan and Japan remain the most favored markets (Exhibit 20), reflecting continued investor preference for technology and AI-related opportunities. For Asia ex Japan, investors rotated further into Healthcare, Materials and Industrials during the month, while reducing exposure to Insurance and consumer-related sectors (Exhibit 22). In Japan, positioning remains highly concentrated in banks and semiconductors.

Exhibit 1: 70% see AI monetization as the primary driver of APAC equity performance over the next 12 months
What do you believe is the single biggest driver of APAC equity performance over the next 12 months?



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

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Refer to important disclosures on page 16 to 17. 13027094

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Equity Strategy
Asia Pacific

BofA
Data
Analytics

Kaspar Lam >>
Research Analyst
Merrill Lynch (Hong Kong)
kaspar.lam@bofa.com

Masashi Akutsu >>
Strategist
BofAS Japan
masashi.akutsu@bofa.com

Winnie Wu >>
Research Analyst
Merrill Lynch (Hong Kong)
winnie.wu@bofa.com

Amish Shah, CFA >>
Research Analyst
BofAS India
shah.amish@bofa.com

FMS: Fund Manager Survey
APAC: Asia Pacific

Notes to readers

A total of 185 panelists with $512bn AUM participated in the September survey. 161 participants with $453bn AUM responded to the Global FMS questions and 95 participants with $245bn AUM responded to the Regional FMS questions.

Survey period: Oct 2 – 8, 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: Growth expectations held steady in October, with the APAC ex-Japan outlook remaining stronger than the global outlook
Net % expecting a stronger Global / APAC ex-Japan economy



Source: BofA Global & Asia Fund Manager Survey

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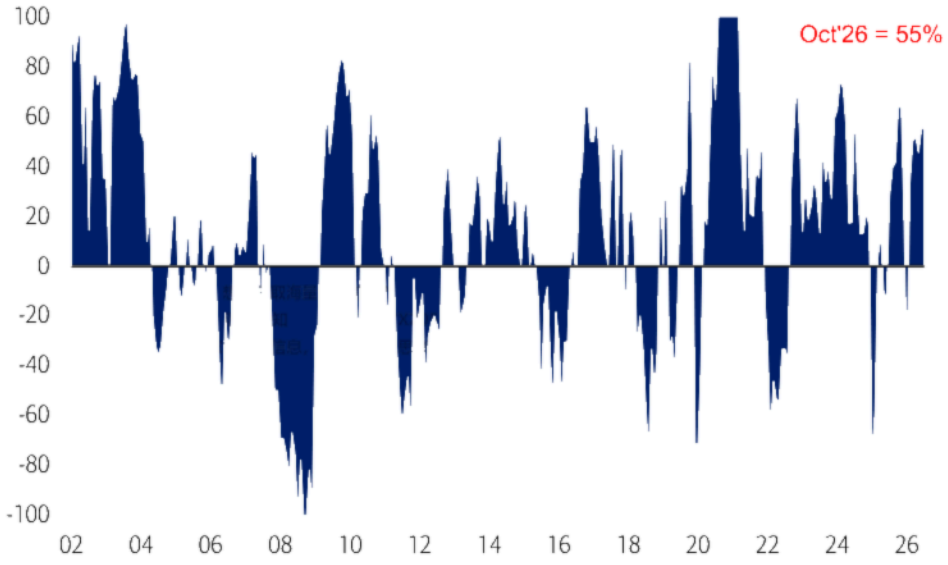
Exhibit 3: Inflation expectations jumped 25ppt MoM to a net 50%, signalling a sharp rise in inflation concerns
Net % expecting higher inflation in Asia Pacific ex-Japan in the next 12 months



Source: BofA Asia Fund Manager Survey

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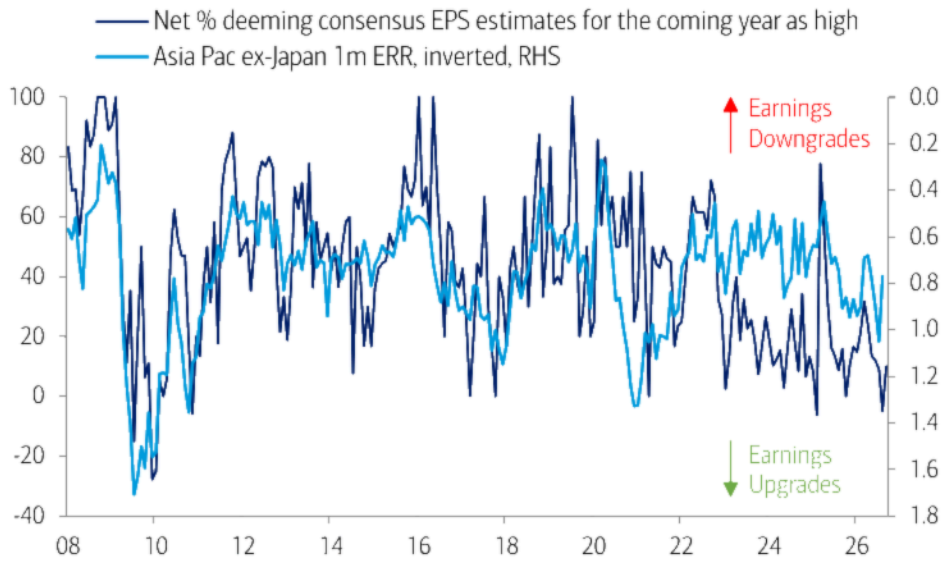
Exhibit 4: Net 55% expect better profits, similar to Sep
Net % expecting better corporate profits in Asia Pacific ex-Japan in the next 12 months



Source: BofA Asia Fund Manager Survey

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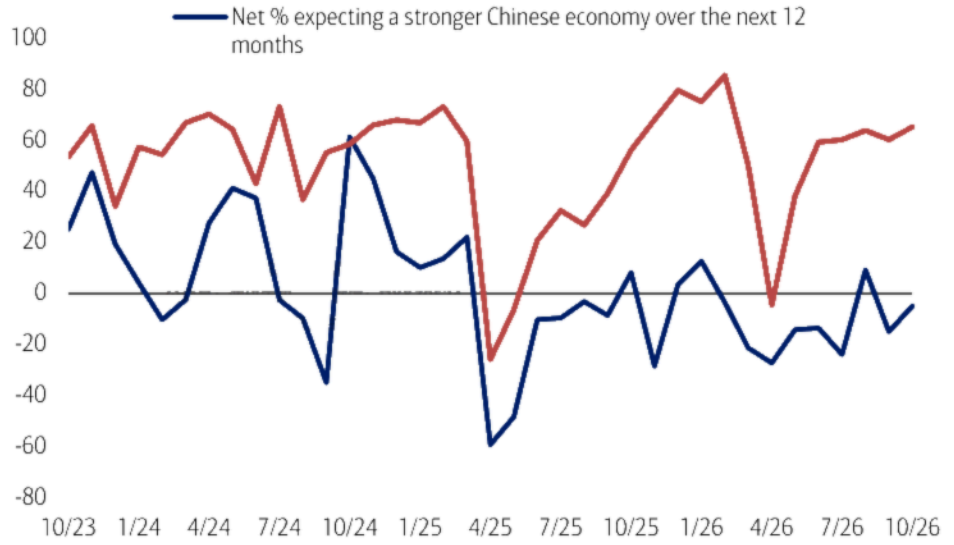
Exhibit 5: Concern over earnings estimates rose 15ppt MoM to a net 10%, but remains low at the 10th percentile historically
Net % deeming consensus EPS estimates for the coming year as high



Source: BofA Asia Fund Manager Survey

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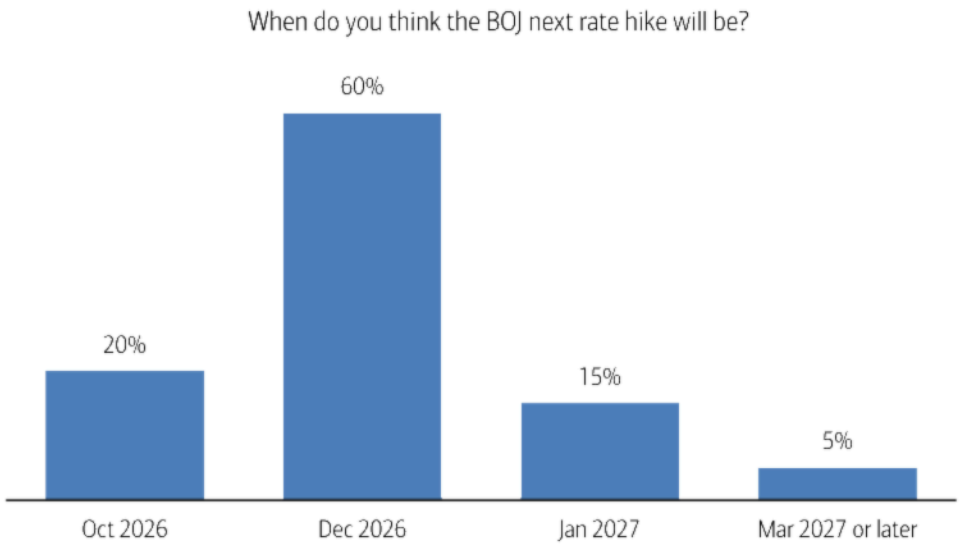
Exhibit 6: Both Japan and China's economic outlook improved slightly in Oct
Net % expecting stronger Chinese and Japanese economies in the next 12 months



Source: BofA Asia Fund Manager

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

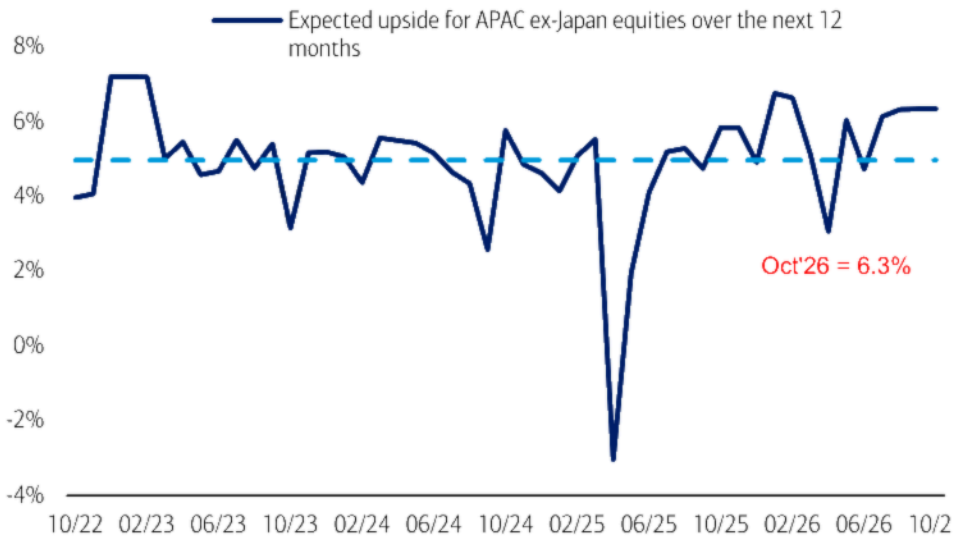


Source: BofA Asia Fund Manager

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Expected Returns and Valuations

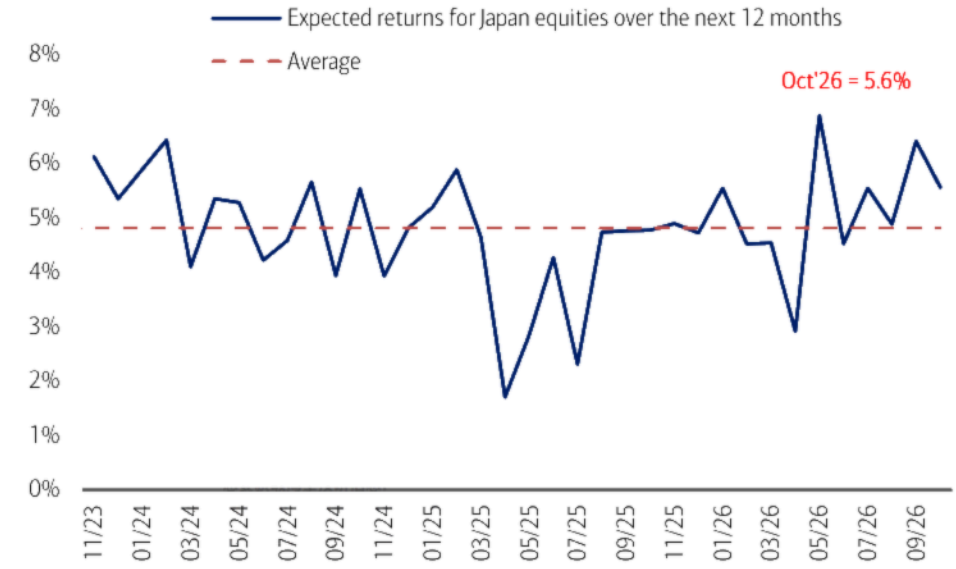
Exhibit 8: Investors stayed optimistic about Asia ex-Japan equities, expecting 6.3% upside (unchanged from Sep), the 89th historical percentile
FMS views on expected upside for Asia Pac ex-Japan equities over the next 12 months



Source: BofA Asia Fund Manager Survey

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Exhibit 9: Expected returns for Japanese equities fell to 5.6%, still above the average of 4.8%
FMS views on expected upside for Japan equities over the next 12 months



Source: BofA Asia Fund Manager Survey

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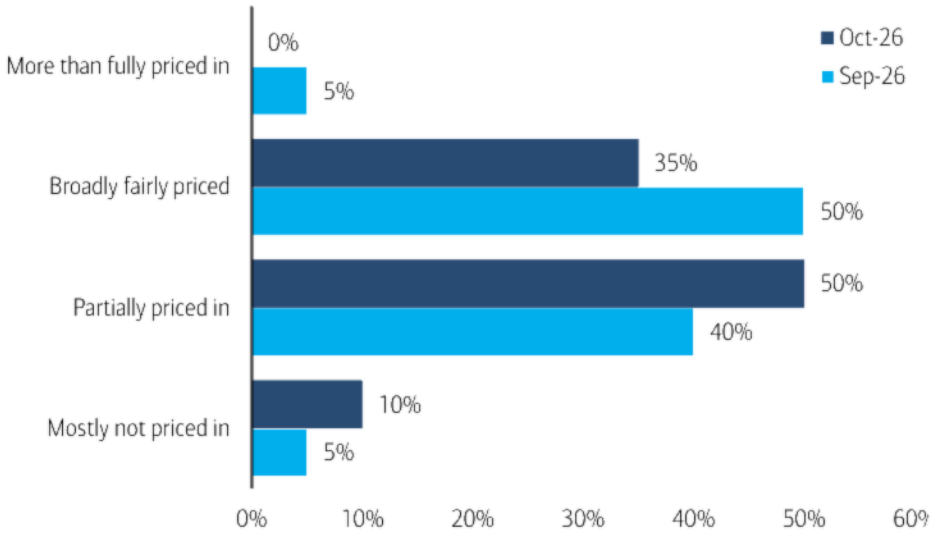
Exhibit 10: APAC ex-Japan equities are increasingly viewed as undervalued
Net % saying Asia Pacific ex-Japan equities are overvalued



Source: BofA Asia Fund Manager Survey

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Exhibit 11: 35% of FMS investors say the positive AI impact on equities is broadly fairly or more than fully priced in, down from 55% in Sep
How much of the positive AI impact on equities is already reflected in the price?

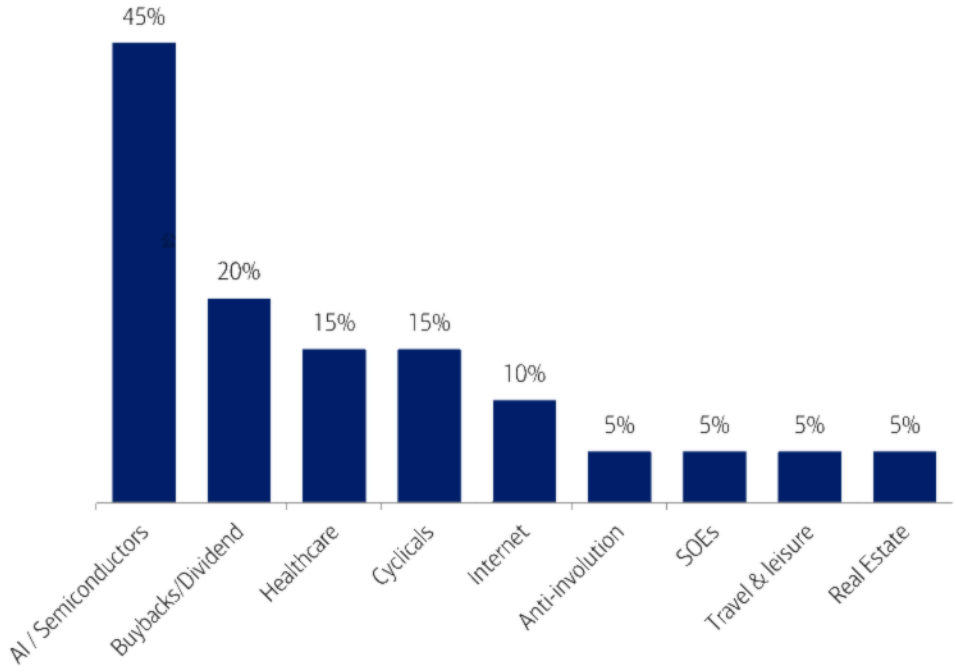


Source: BofA Asia Fund Manager Survey. Note. Votes for 'Don't know' are not shown above

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Themes

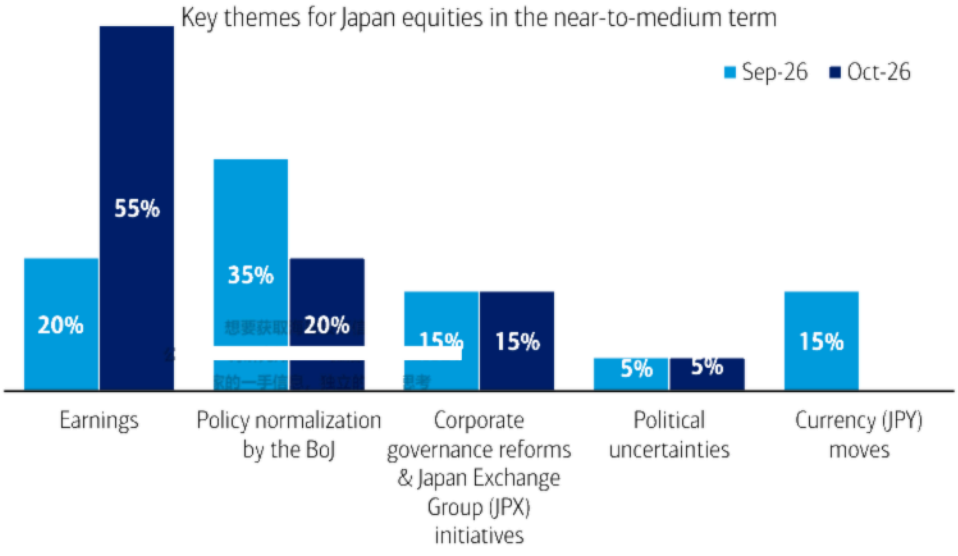
Exhibit 12: Within China, AI/semis and buybacks/dividend are investor priorities
FMS views on TWO most favorite themes in China



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

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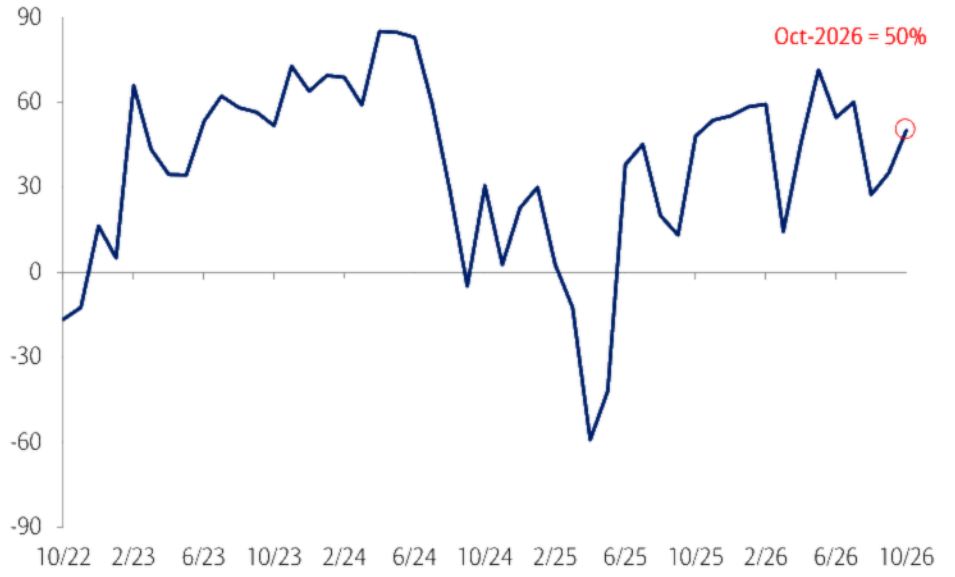
Exhibit 13: Earnings overtook BoJ policy normalization to become the key theme for Japan equities
FMS views on the themes that hold the key for Japan equities in the near-to-medium term



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

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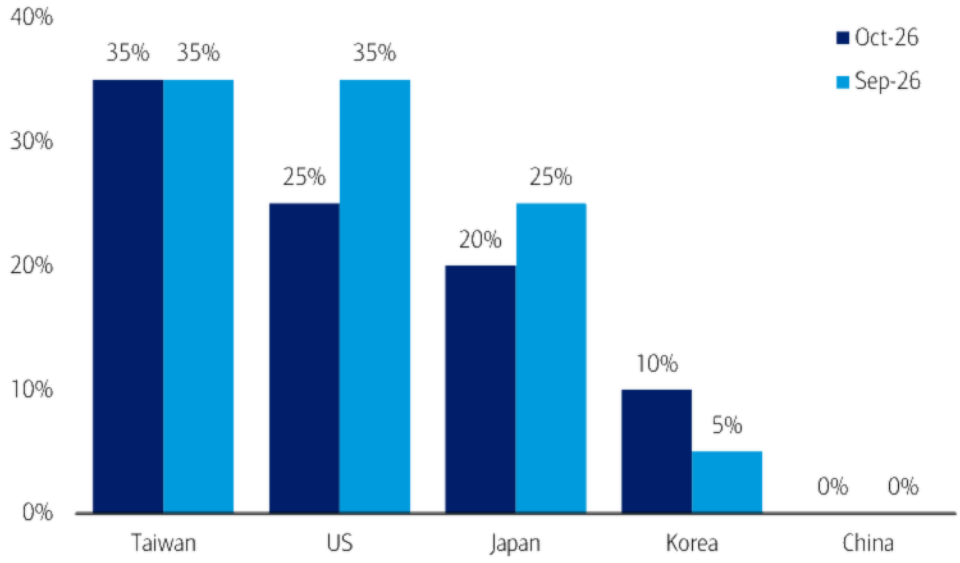
Exhibit 14: Expectations for a stronger semiconductor cycle recovered to 50% in Oct
FMS views on the semis cycle (Korea/Taiwan exports growth) over the next 12 months



Source: BofA Asia Fund Manager Survey

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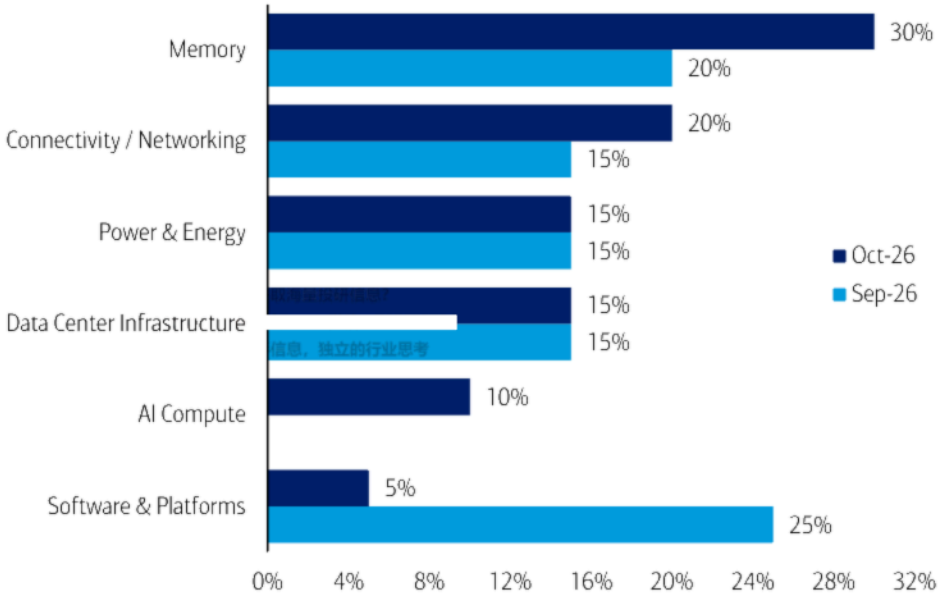
Exhibit 15: Taiwan and the US jointly lead as the expected beneficiaries of the next AI cycle
Which market benefits most from the next phase of the AI cycle?



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

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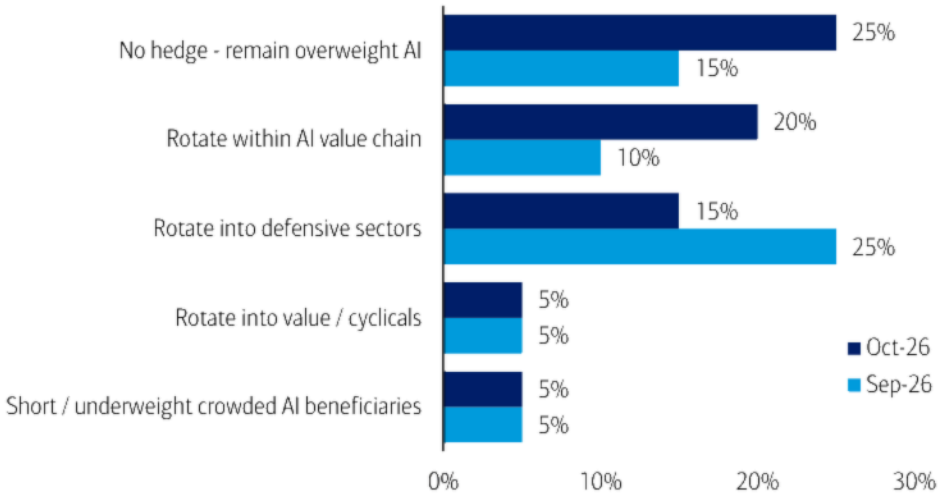
Exhibit 16: Memory emerged as the top AI risk-reward opportunity; Software & Platforms plunged
Which part of the AI value chain offers the best risk-reward over the next 12 months?



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

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Exhibit 17: AI conviction strengthened as 45% remain overweight AI or rotate within AI (vs 25% in Sep), while defense rotation fell
How are you currently hedging downside risk in the AI trade over the next 6-12 months?

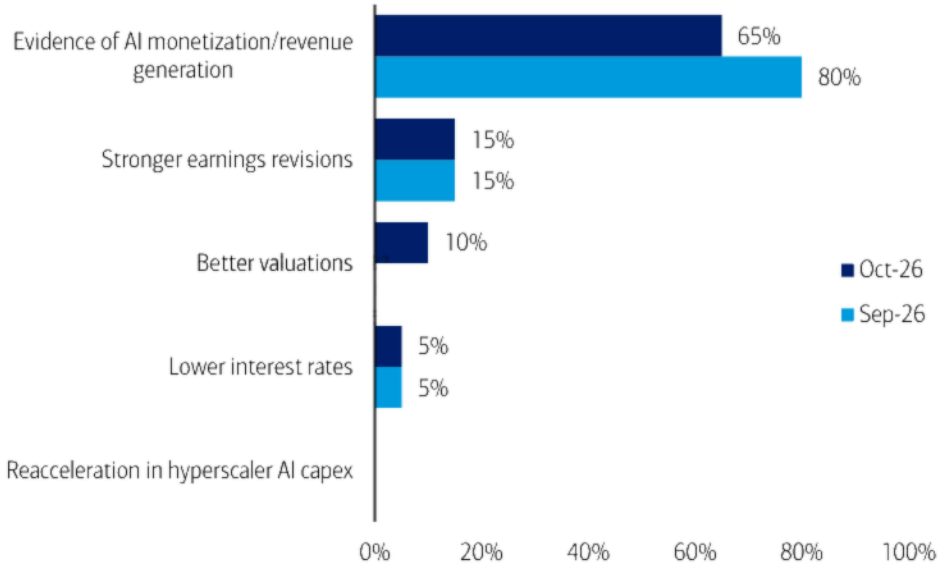


Source: BofA Asia Fund Manager Survey. Notes: Votes for 'Don't know' are not shown above.

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Exhibit 18: Evidence of AI monetization remains the dominant catalyst at 65%, despite easing 15pp MoM

What would most increase your conviction to add to AI-related stocks?

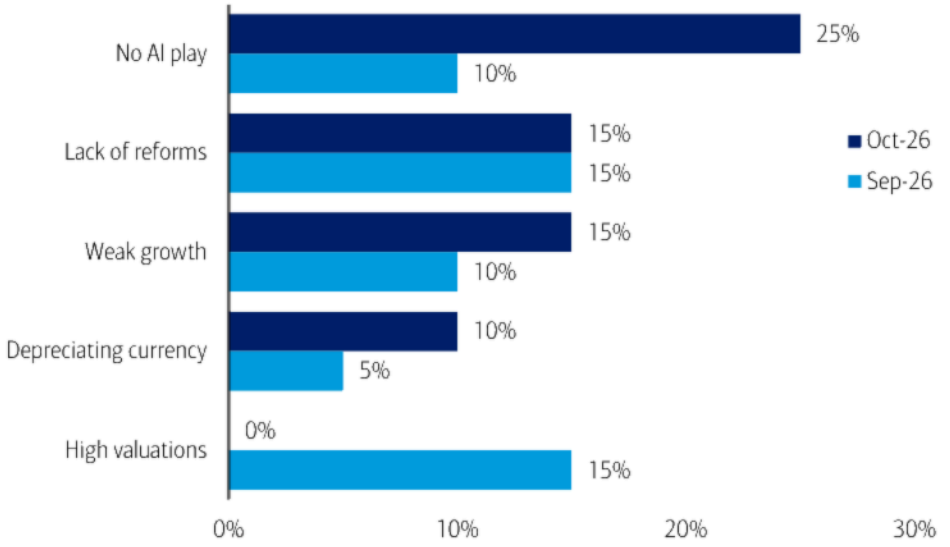


Source: BofA Asia Fund Manager Survey. Note. Votes for 'Other" are not shown above

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Exhibit 19: 'No AI play' returned as the top Indian-market concern at 25% (+15pp MoM)

What is your key concern for Indian market?

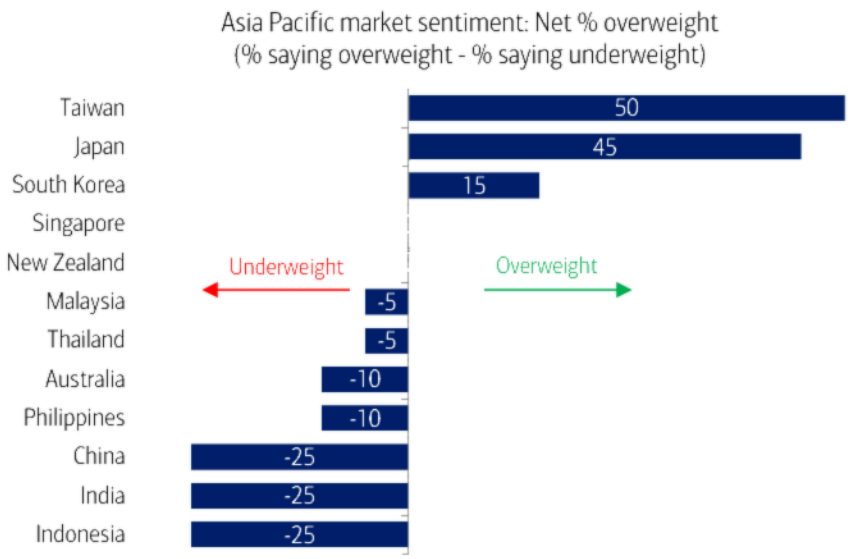


Source: BofA Asia Fund Manager Survey. Note. Votes for 'Don't know' are not shown above

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Positioning

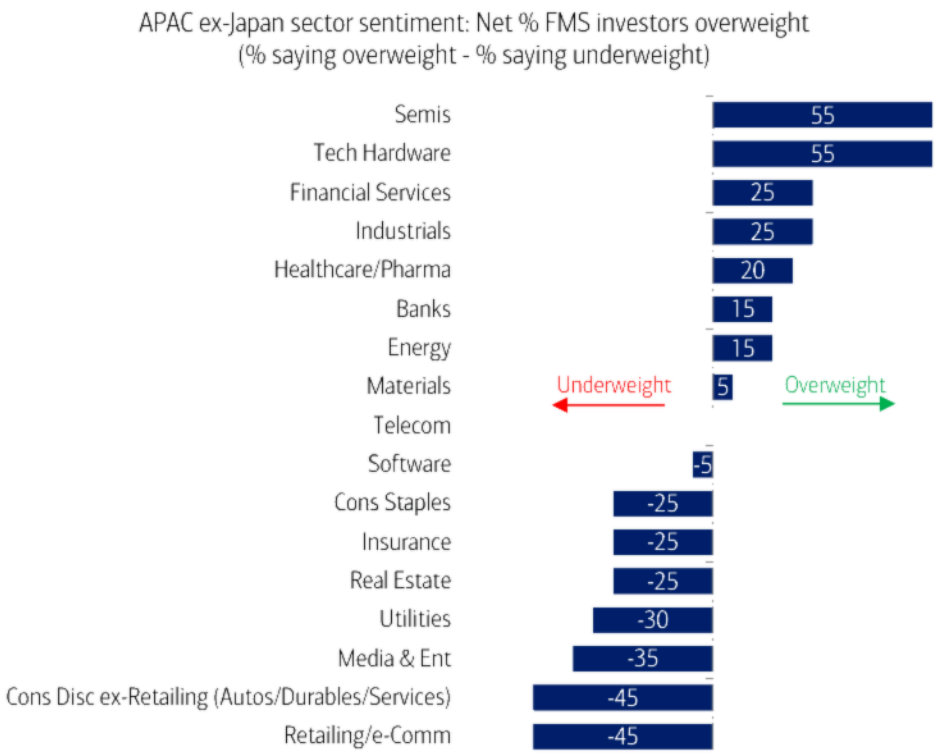
Exhibit 20: Taiwan and Japan stand out as the preferred markets, while China, India and Indonesia are the largest underweights
Asia Pacific market sentiment: Net % overweight



Source: BofA Asia Fund Manager Survey

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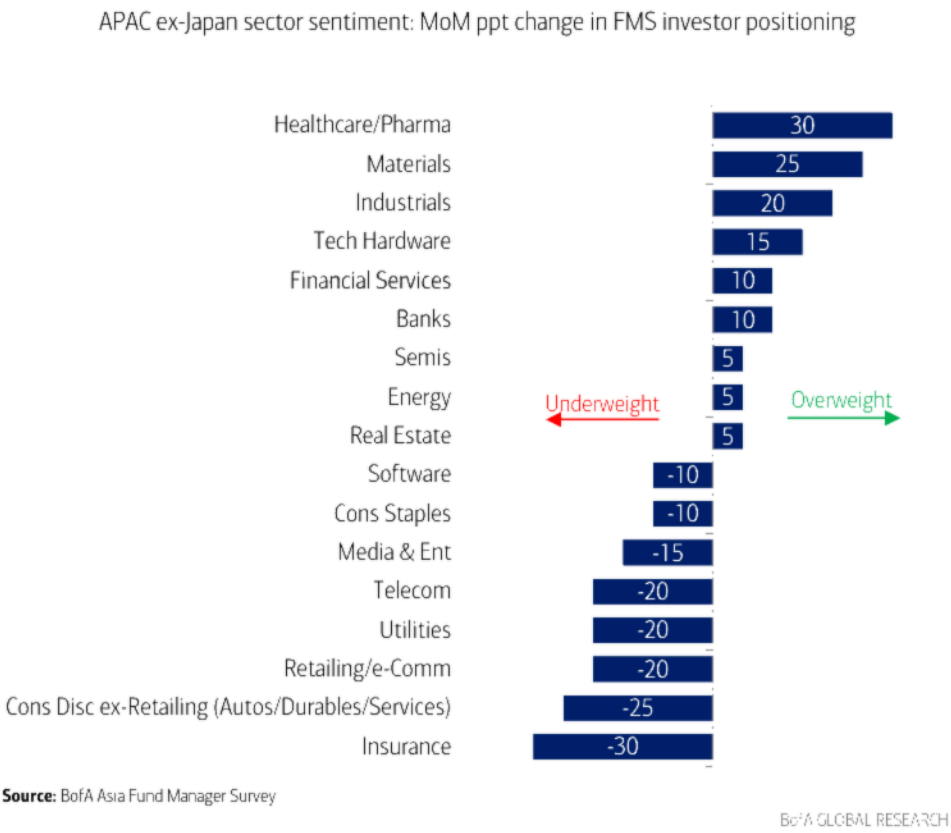
Exhibit 21: Investors continue to decisively favor tech, while consumer sectors are the clearest underweights
Asia Pacific ex-Japan sector sentiment: Net % overweight



Source: BofA Asia Fund Manager Survey

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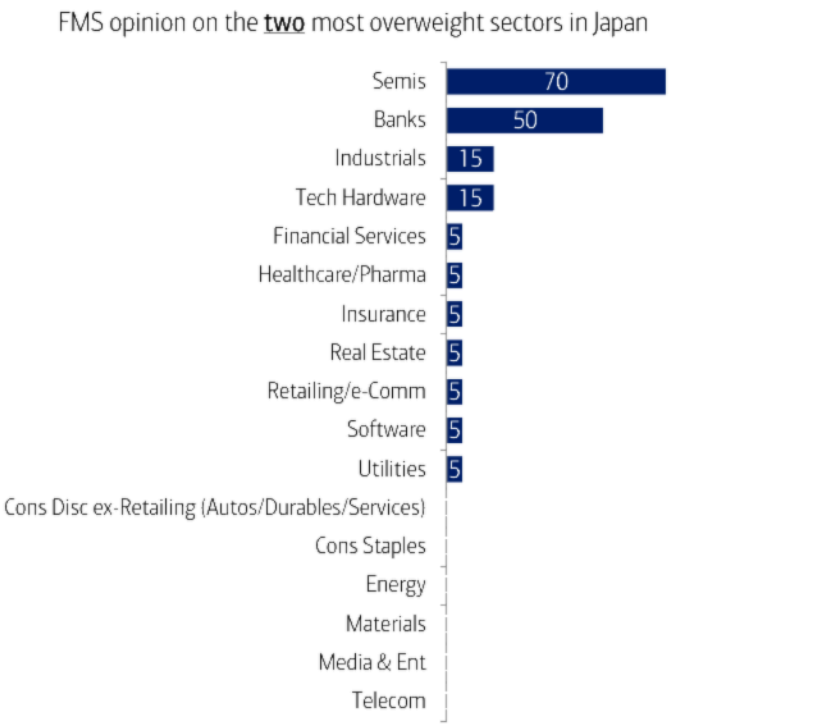
Exhibit 22: Investors rotated sharply into Healthcare, Materials, and Industrials in October, while materially cutting positions in Insurance, Consumer Discretionary, Retailing, Utilities, and Telecoms
Monthly change in FMS investor positioning



Source: BofA Asia Fund Manager Survey



Exhibit 23: Japan positioning remains highly concentrated in banks and semiconductors
FMS opinion on the two most overweight sectors in Japan



Source: BofA Asia Fund Manager Survey

Regional survey demographics data

Exhibit 24: Position / institution / approach of participants in the regional survey
Demographics details for regional Fund Manager Survey participants

	Oct-26	Sep-26	Aug-26
Structure of the panel - by position			
Chief Investment Officer	8	12	10
Asset Allocator / Strategist / Economist	19	13	15
Portfolio Manager	59	53	64
Other	9	9	9
Structure of the panel - by expertise			
Regional specialists + EM specialists only	24	20	23
Regional specialists with a global view	71	67	75
Total # of respondents to regional questions	**95**	**87**	**98**
Which of the following best describes the type of money you are running?			
Institutional funds (e.g. pension funds / insurance companies)	28	23	23
Hedge funds / proprietary trading desks	14	12	17
Mutual funds / unit trusts / investment trusts	44	42	44
None of the above	9	10	14
What do you estimate to be the total current value of assets under your direct control?			
Up to $250mn	14	15	13
Around $500mn	11	8	14
Around $1bn	16	16	19
Around $2.5bn	16	16	15
Around $5bn	10	9	11
Around $7.5bn	4	3	4
Around $10bn or more	10	8	12
No funds under my direct control	14	12	10
Total (USD bn)	**245**	**211**	**272**
What best describes your investment time horizon at this moment?			
3 months or less	35	23	31
6 months	26	27	36
9 months	6	4	6
12 months or more	23	29	23
Weighted average	**6.6**	**7.4**	**6.7**
Don't know	5	4	2
Which region do you specialise in?			
US / North America	27	23	29
Europe / Continental Europe / Eurozone / UK	32	28	34
Asia Pacific / Asia Pacific ex Japan / Japan	20	20	22
South Africa	10	11	9
MENA (Middle East and North Africa)	2	2	1
None of the above	4	3	3

Source: BofA Fund Manager Survey

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