10 Myths of Emerging Market Investing

White Paper

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ABS GLOBAL INVESTMENTS

SUMMARY

Emerging markets represent 61% of world GDP, 86% of the world's population, and over 52% of all listed companies globally[1] — yet they remain one of the most underutilized allocations in institutional portfolios. The reasons are not a lack of opportunity, but a persistent set of misconceptions. This paper addresses 10 of the most common myths that lead investors to underweight, access inefficiently, or mismanage their emerging markets exposure.

The evidence is clear: emerging markets have outperformed developed markets over the long run, most global and international managers are structurally underweight the asset class, and market timing and style rotation strategies have largely failed to add value. Accessing emerging markets effectively requires specialization, deep local expertise, and the infrastructure to source, evaluate, and monitor managers over time. Investors who approach the asset class with that level of rigor are well positioned to capture one of the most compelling opportunities in global equities today.

Myth 1: Emerging Markets Are Irrelevant
At 86% of world population and 61% of global GDP, emerging markets are the growth engine of the global economy.

Myth 2: Emerging Markets Underperform
The full cycle record since 1988 and recent outperformance in 2025 demonstrate that emerging markets can and do deliver compelling returns.

Myth 3: I Access Emerging Markets via My Global Manager
Being in the benchmark does not mean being adequately covered — 61% of global managers were underweight emerging markets in 2025.

Myth 4: My International Manager Covers Emerging Markets
Emerging markets represents an important part of the international opportunity set, yet 83% of international managers were structurally underweight over the last 15 years.

Myth 5: My Global Emerging Markets Manager Can Time Markets
Country returns rotate unpredictably year to year, making tactical allocations a source of volatility rather than a consistent source.

Myth 6: Pairing GEM Growth and Value Gives Me Alpha
Style factors have become less predictable and increasingly correlated, turning growth and value pairings into a source of turnover and frustration rather than alpha.

Myth 7: My Global Emerging Markets Manager Can Do It All
With over 13,000 stocks across 24 countries, it is hard for a single manager to cover the emerging markets universe with the depth the opportunity demands.

Myth 8: I Can Pick Country Managers Myself
Identifying and monitoring specialist managers requires decades of relationships, extensive travel, and dedicated infrastructure that most allocators do not have.

Myth 9: I Can Go Direct and Pay Less
Scale and relationships can make a specialist allocator more cost effective, with better terms, greater transparency, and access to exclusive opportunities less available to direct investors.

Myth 10: Emerging Markets Are Easy to Understand
24 countries, 16 languages, 7 political systems, and 36 exchanges—the complexity of emerging markets demands dedicated expertise and local presence.

INTRODUCTION

Emerging markets have long been a significant, yet often misunderstood, allocation in institutional portfolios. For those who have approached it with the right resources and expertise, it has been a source of compelling returns and diversification — yet a persistent set of concerns has stood in the way of many investors fully capturing what the asset class has to offer.

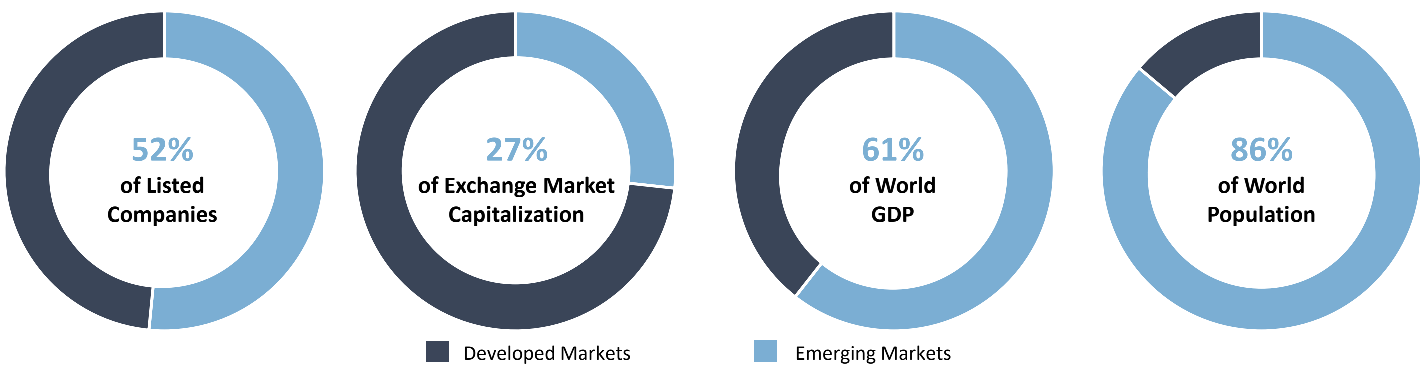
These concerns range from the fundamental — do emerging markets even matter? — to the operational — can they be accessed cost effectively? In between lie 10 key myths about performance, manager coverage, timing, style, and complexity that together explain why many investors remain less well positioned than they should be.

At ABS, having spent over two decades investing in emerging markets, we have seen these myths play out repeatedly. Below, we address each one.

MYTH 1: EMERGING MARKETS ARE IRRELEVANT

The question of relevance arises from one number: Emerging markets represent only 12% of the MSCI AC World Index[2]. For many investors, that modest weight makes emerging markets feel optional. That notion mistakes a benchmark construction dynamic from economic reality.

Too Big to Ignore: Emerging Markets in the World Context



Source: Bloomberg data as of May 31, 2026 and IMF Datamapper 2026 Estimates for population and GDP as of June 10, 2026. Number of Stocks reflects total number of stocks in the relevant country exchanges. Developed and emerging market country definitions based on MSCI classifications for Listed Companies and Exchange Market Capitalization figures. Developed and Emerging Market country definitions based on IMF for World GDP and World Population. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

Emerging markets are the growth engine of the world. These economies, driven by large, educated, and increasingly productive populations, have expanded faster than developed markets while undergoing profound economic transformation. Rising incomes, urbanization, and technological adoption are already reshaping consumption, industry, and financial markets across 24 countries and 5 continents.

That dynamism shows up in capital markets. Emerging markets account for 52% of all listed companies globally, a share that keeps growing[3], and over 60% of IPOs in recent years have originated from emerging markets[4], reflecting the pace of innovation and new business creation. This is not your prior generation's emerging markets: commodity exporters and low-cost manufacturing hubs that could be treated as a single monolithic bet. Today's emerging markets are diverse, sophisticated, and innovative, with largely independent central banks and increasingly disciplined fiscal frameworks.

At 61% of world GDP, 86% of world population, and 52% of all listed companies globally, emerging markets are too large, too fast growing, and too transformative to ignore[5].

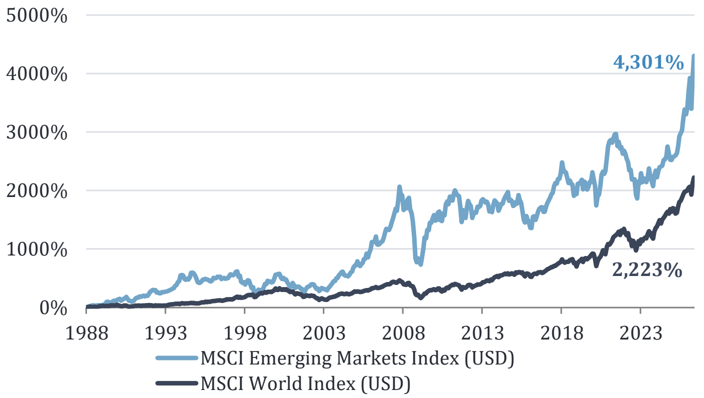
MYTH 2: EMERGING MARKETS UNDERPERFORM

The underperformance narrative has real roots. The past decade has been a challenging period for emerging markets. US technology dominance, a strong dollar, and China headwinds created a prolonged stretch where developed markets pulled ahead. That experience led many investors to question whether emerging markets belonged in their portfolios at all.

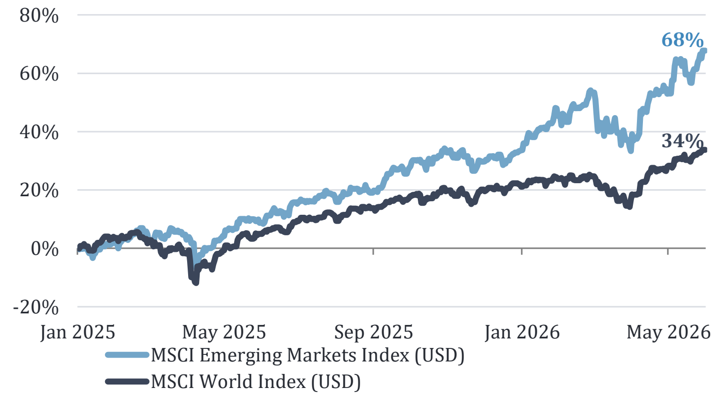
Zooming out, the picture changes entirely. Since the inception of the MSCI indices in 1988, the MSCI Emerging Markets Index has returned 4,301%, nearly double the 2,223% delivered by the MSCI World Index over the same period. The long run record is clearly compelling, and the more recent data suggests the tide has turned again. Since January 2025, the MSCI Emerging Markets Index returned 68% versus 34% for the MSCI World Index, a meaningful gap in emerging markets' favor that mirrors the kind of outperformance historical trends would lead one to expect[6].

Timing any market is a largely futile exercise, and emerging markets is no exception. But the evidence across short and long horizons is clear: Emerging markets can substantially outperform developed markets.

Long Term Emerging Market Outperformance (1988-2026)



Short Term Emerging Market Outperformance (2025-2026)



Source: Bloomberg and MSCI as of the dates described above. All data updated as of May 31, 2026. The indices above reflect the following indices: MSCI Emerging Markets Index (USD) (ticker: NDUEEGF), MSCI World Index (USD) (ticker: NDDUWI) Past returns are not a guarantee of future results. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

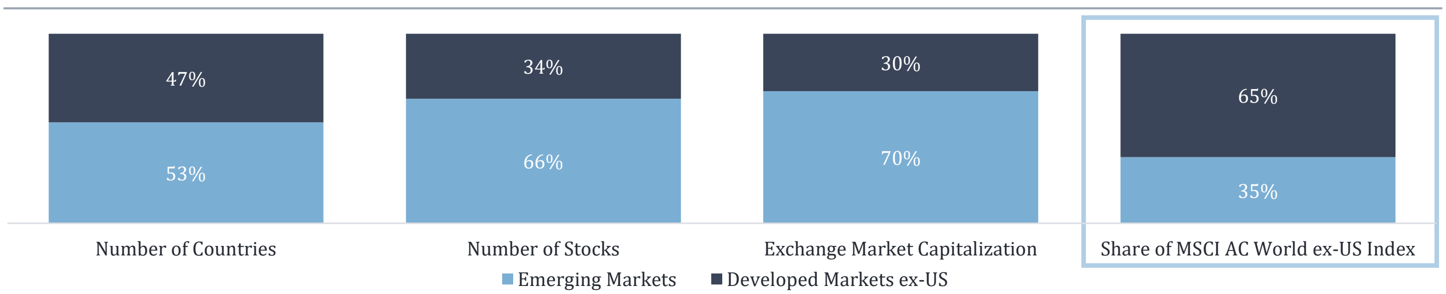
MYTH 3: I ACCESS EMERGING MARKETS VIA GLOBAL MANAGER

Having accepted that emerging markets is vast, fast growing, and capable of delivering compelling returns, many investors arrive at a comfortable conclusion: They are already covered. Their global manager handles it. After all, many global managers use the MSCI AC World Index as their benchmark, which includes a 12% allocation to emerging markets. But just because it is in their benchmark does not mean it is adequately represented in their portfolio. In 2025, 61% of global managers were underweight emerging markets[7].

MYTH 4: MY INTERNATIONAL MANAGER COVERS EMERGING MARKETS

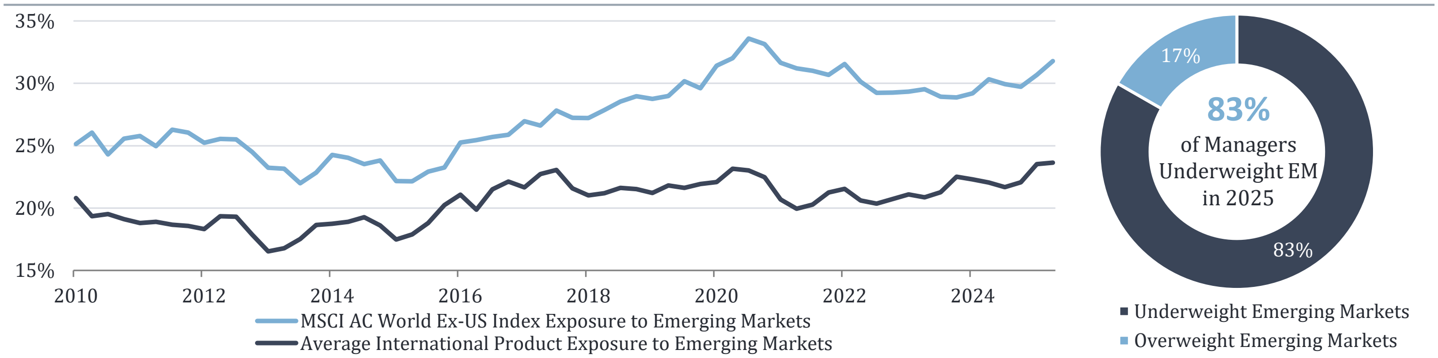
The same logic that leads investors to rely on their global manager for emerging markets exposure often extends to their international manager—after all, emerging markets are part of the international universe. But just as with the global mandate, being in the benchmark does not mean being adequately researched or represented in the portfolio. Even though emerging markets account for most of the international opportunity set across a variety of metrics—53% of countries, 66% of listed stocks, and 70% of exchange market capitalization within the MSCI AC World ex-US universe[8]—83% of international managers were underweight emerging markets in 2025. This figure has barely moved in fifteen years. That persistence suggests this is not a story of active positioning, but rather a structural resource problem. Doing fundamental equity research across emerging markets requires far more than its 35% index weight would suggest, and most international teams simply are not built for it[9].

Emerging Markets from the Perspective of an International Manager



Source: Bloomberg and MSCI data as of May 31, 2026. Developed and Emerging Market country definitions based on MSCI classifications. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

Average International Manager Exposure to Emerging Markets



Source: eVestment as of Q1 2025. Universe defined as all active products within eVestment's "All ACWI ex-US Equity" universe with over $100M in AUM. Universe filtered to include only products with a preferred benchmark of MSCI ACWI ex-US Equity, MSCI ACWI ex-US Growth Equity, MSCI ACWI ex-US Value Equity and MSCI ACWI ex-US Small Cap Equity. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

MYTH 5: MY GLOBAL EMERGING MARKETS MANAGER CAN TIME MARKETS

Market timing is widely considered a futile exercise, having humbled many investors throughout the years. Yet with 24 countries to choose from, there seems to be a natural temptation towards rotating across markets; for example, overweighting last year's winners at the expense of last year's laggards, creating a momentum bias.

The data does little to validate that temptation. Looking across the 15 largest emerging markets countries from 2016 to 2025, the top performer in one year is as likely to appear near the bottom the next, making consistent country selection an extraordinarily difficult endeavor.

Picking the Country Winners Works Well Until It Does Not

2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
Brazil	66%	Poland	55%	Qatar	30%	Kuwait	37%	Korea	45%	UAE	50%	Brazil	14%	Poland	49%	Taiwan	34%	Korea	100%
Thailand	27%	China	54%	Kuwait	16%	Taiwan	36%	Taiwan	41%	S. Arabia	38%	Kuwait	9%	Mexico	41%	Malaysia	21%	S. Africa	78%
Taiwan	19%	Korea	47%	Brazil	0%	Brazil	26%	China	29%	Kuwait	32%	Thailand	5%	Brazil	33%	UAE	20%	Poland	75%
S. Africa	18%	India	39%	S. Arabia	-4%	China	23%	India	16%	India	26%	Indonesia	4%	Taiwan	30%	China	19%	Mexico	56%
Indonesia	17%	S. Africa	36%	Thailand	-6%	Korea	13%	Malaysia	4%	Taiwan	26%	Mexico	-2%	Korea	23%	India	11%	Brazil	50%
UAE	14%	Thailand	35%	Malaysia	-6%	Mexico	11%	S. Arabia	1%	Mexico	23%	S. Africa	-4%	India	21%	Kuwait	11%	Taiwan	39%
Korea	9%	Taiwan	28%	India	-7%	S. Africa	10%	UAE	-1%	Qatar	15%	S. Arabia	-5%	S. Arabia	11%	S. Africa	7%	China	31%
Qatar	6%	Malaysia	25%	UAE	-8%	Thailand	9%	Mexico	-2%	Poland	8%	Malaysia	-6%	Indonesia	7%	Qatar	3%	UAE	27%
Kuwait	4%	Indonesia	24%	Taiwan	-9%	Indonesia	9%	Qatar	-2%	S. Africa	4%	UAE	-6%	Qatar	4%	Thailand	1%	Malaysia	15%
China	1%	Brazil	24%	Indonesia	-9%	India	8%	S. Africa	-4%	Indonesia	2%	Qatar	-7%	S. Africa	2%	S. Arabia	1%	Kuwait	11%
Poland	0%	Kuwait	19%	Poland	-13%	S. Arabia	7%	Indonesia	-8%	Thailand	-1%	India	-8%	UAE	1%	Poland	-7%	Qatar	8%
S. Arabia	0%	Mexico	16%	Mexico	-16%	UAE	4%	Kuwait	-9%	Malaysia	-6%	China	-22%	Malaysia	-3%	Indonesia	-13%	Thailand	7%
India	-1%	UAE	3%	China	-19%	Qatar	-1%	Poland	-11%	Korea	-8%	Poland	-27%	Kuwait	-7%	Korea	-23%	India	3%
Malaysia	-4%	S. Arabia	0%	Korea	-21%	Malaysia	-2%	Thailand	-12%	Brazil	-17%	Korea	-29%	Thailand	-10%	Mexico	-27%	Indonesia	-3%
Mexico	-9%	Qatar	-12%	S. Africa	-25%	Poland	-6%	Brazil	-19%	China	-22%	Taiwan	-30%	China	-11%	Brazil	-30%	S. Arabia	-5%

Source: Bloomberg and MSCI as of December 31, 2025. Annual Returns represent the returns of the 15 largest countries' allocations in the MSCI Emerging Markets Index as of March 31, 2025. Past returns are not a guarantee of future results. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

Emerging markets is already an inherently volatile asset class. Layering tactical country allocation risk on top of that does not introduce a consistent source of alpha—it introduces an additional and largely uncompensated source of risk. The historical record suggests that the gains from correct country calls do not always offset the cost of getting them wrong. Attempts to time country rotation tend to compound the natural volatility of the asset class rather than result in more returns.

MYTH 6: PAIRING GLOBAL EMERGING MARKET GROWTH AND VALUE GIVES ME ALPHA

If country timing does not always work, perhaps style diversification—pairing a growth manager with a value manager within emerging markets—creates alpha through the cycle. Although this is a sensible idea, it has become increasingly difficult to execute in practice as style factors have become less predictable.

Rotations between growth and value are happening faster and with greater intensity, while rising index concentration means a handful of companies and themes can dominate benchmark returns in ways that distort both styles simultaneously. As a result, growth and value exposures increasingly overlap and correlate, eroding the diversification benefit the pairing was designed to deliver.

Furthermore, style leadership across emerging markets has rotated unpredictably every year from 2011 to 2025, with no consistent pattern that would allow an investor to anticipate which style will lead. In practice, this creates a frustrating, vicious cycle. When one style underperforms, there is pressure to replace that manager, only to find that style has since come back into favor while the other has fallen out. Investors end up chasing the wrong manager at the wrong time, generating turnover without generating alpha.

The Illusion of Outperformance Relative to MSCI EM Index

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Value 0.6%	Growth 0.4%	Growth 0.6%	Growth 2.3%	Growth 2.4%	Value 1.8%	Growth 3.6%	Value 3.7%	Growth 9.5%	Growth 3.8%	Value 6.7%	Value 13.0%	Value 6.5%	Growth 4.3%	Growth 4.4%
Growth -0.6%	Value -0.5%	Value -0.6%	Value -2.4%	Value -2.5%	Growth -1.9%	Value -3.7%	Growth -3.6%	Value -9.2%	Value -3.7%	Growth -6.5%	Growth -12.8%	Growth -5.9%	Value -3.9%	Value -4.0%

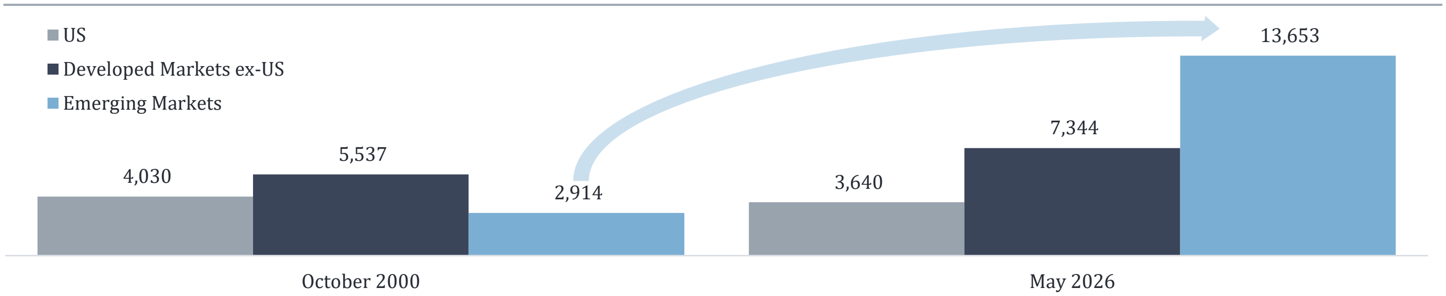
Source: Bloomberg and MSCI as of December 31, 2025. Data reflect returns of the MSCI Emerging Markets Growth Index and MSCI Emerging Markets Value Index relative to the MSCI Emerging Markets Index. Past returns are not a guarantee of future results. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

We believe that a more efficient alternative is to focus on how strategies behave and interact within the portfolio. In emerging markets, where the environment is inherently unpredictable, the goal is to have a structure that is diversified, adaptable, and resilient across different regimes, not one that is hostage to the favored style of the month or year.

MYTH 7: MY GLOBAL EMERGING MARKET MANAGER CAN DO IT ALL

The emerging markets equity universe has grown from almost 3,000 stocks in 2000 to over 13,000 by May 2026—surpassing both the US and developed markets ex-US as the largest investable equity universe by number of names[10]. Many investors already consider the US market too large to cover as a single mandate, dividing it into style boxes and market cap segments to make it manageable. If that is true for one country, it is even more true for emerging markets, which spans 24 countries with various economic regimes, regulatory environments, political landscapes, and languages.

A Universe That is Too Large: Number of Stocks



Source of October 2000 Data: MSCI, FactSet as of October 31, 2000. Includes all stocks by country with market caps over $100M as of 10/31/2020. Source of May 2026. Data: MSCI, Bloomberg. Data based on Bloomberg EQS screen that includes all stocks by country of domicile with market caps over $100M and only includes primary security of company as defined by Bloomberg, as of May 31, 2026. Developed and Emerging Market country definitions based on MSCI classifications. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision. Past performance are not an indicator of future performance.

A single manager faced with this reality will need to determine where to focus their attention, often gravitating toward the largest index constituents and leaving a significant portion of the universe under-researched. Yet it is precisely those less covered, less efficient areas where the most compelling opportunities tend to reside. Research coverage outside of large benchmark constituents remains limited, and that is where skilled, specialized managers with deep local expertise have a structural advantage.

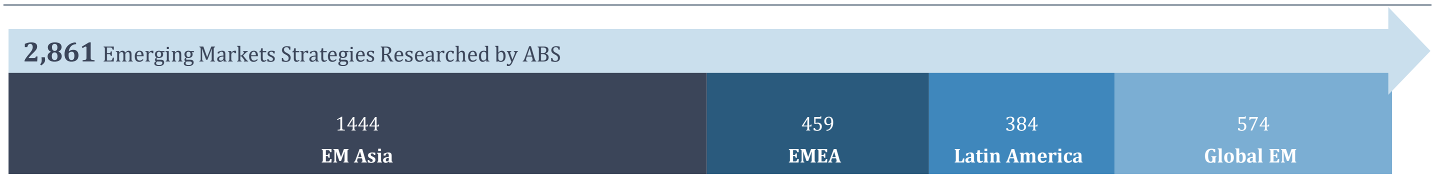
Breaking the emerging markets opportunity set by region is the most logical solution. It creates a more focused and manageable universe for each manager to research with real depth and breadth, while ensuring that the people doing the research are locals who live and work in the markets they cover. Local presence translates into market insight built from the ground up, stronger industry networks, deeper company relationships, and earlier detection of market shifts. Combined with a focused regional mandate that enables more granular research and faster decision making with sector specific conviction, the specialist approach covers the opportunity set more completely and with a depth that a single global mandate is structurally unable to match.

MYTH 8: I CAN PICK COUNTRY MANAGERS MYSELF

Building a portfolio of regional specialist managers demands time, dedicated resources, and extensive travel. Potential managers must be sourced through broad networks and trusted relationships with fund managers built over many years. Managers must then be assessed on the ground and evaluated not just on returns but on team stability, investment process, local market knowledge, and research infrastructure. There is no substitute for seeing how a manager operates in their own environment.

The scale of that effort is reflected in our own research database. ABS has been researching emerging markets managers since the late 1990s and has built a proprietary database of over 2,800 strategies since inception, with more than 1,300 currently tracked across Emerging Markets Asia, EMEA, Latin America, and Global Emerging Markets[11]. That depth of coverage, built over decades, means ABS is often among the first institutional investors approached when skilled managers launch new strategies.

ABS Emerging Market Research Breadth & Depth



Source: ABS as of February 13, 2026. Data reflects all EM strategies researched by ABS since Inception. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.

But selecting the right manager is only the first step. The ongoing work of monitoring invested managers, tracking the broader universe, and ensuring that conviction in current allocations remains strong is a continuous and resource-intensive undertaking. Markets evolve, teams change, and new opportunities emerge. Without the infrastructure, discipline, and focus to stay close to all of it, the risk is not just missing the next great manager, it is holding on to the wrong one for too long.

MYTH 9: I CAN GO DIRECT AND PAY LESS

Going direct and sourcing local specialists independently may seem like the more cost-efficient path, but the economics rarely work out that way. With over $6 billion invested in emerging markets strategies, ABS represents a meaningful and often significant relationship for the managers in our portfolios. That scale, along with the relationships built over many years, translates into preferred terms that individual investors approaching the same managers directly would be unlikely. For context, ABS enjoys an average management fee discount of 72% and an average performance fee discount of 39% across our portfolio, relative to the managers' standard terms[12].

Beyond fees, investors working through ABS benefit from preferential liquidity terms, greater transparency, and in some cases access to exclusive strategies customized specifically for ABS clients.

The operational complexity of investing with local specialists independently presents an additional and often underestimated barrier. India, one of the largest countries in the MSCI Emerging Markets Index, is a useful illustration. Account opening in that market alone can take several months, requiring extensive documentation and regulatory filings. While not every market presents the same level of complexity, navigating local market access across emerging markets requires established infrastructure, local expertise, and dedicated operational management that most allocators are simply not set up to provide.

MYTH 10: EMERGING MARKETS ARE EASY TO UNDERSTAND

The final myth is the thread that connects all others. Each of the preceding nine myths shares a common root: An underestimation of just how complex emerging markets truly is. For starters, it is not a single market. It spans 24 countries across 5 continents, 16 languages, 7 distinct political systems, 21 interest rate regimes, and 36 separate exchanges, with more than 13,000 investable stocks[13]. It is difficult to find global or international equity mandates to navigate such complexities, but this does not mean investors should avoid emerging markets. Instead, the solution is to approach it with the seriousness and resources that the allocation deserves. Investors who do so are well positioned to capture what is arguably the most compelling and dynamic opportunity set in global equity markets today.

CONCLUSION

Emerging markets reward those who approach it with the right structure, the right relationships, and the right expertise. At ABS, that has meant one consistent approach over more than two decades: that the only way to do justice to an opportunity set as large and complex as emerging markets is to break it into focused, manageable mandates run by partner local specialists who know their markets from the inside out. Local managers with deep regional expertise, strong industry networks, and dedicated research teams cover the opportunity set more completely. That specialization, applied systematically across regions, is how emerging markets move from an underutilized allocation to a source of long-term portfolio value. It is this approach we believe can break these myths and concerns and turn them into long-term value generating opportunities.

DISCLOSURES

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1 Source: Bloomberg data as of May 31, 2026 and IMF Datamapper 2026 Estimates for population and GDP as of June 10, 2026. Number of Stocks reflects total number of stocks in the relevant country exchanges with developed and emerging market country definitions based on MSCI classifications for Listed Companies. Developed and Emerging Market country definitions based on IMF for World GDP and World Population.
2 Source: Bloomberg and MSCI data as of May 31, 2026
3 Source: Bloomberg data as of May 31, 2026. Developed and emerging market country definitions based on MSCI classifications.
4 Source: EY analysis and Dealogic as of 2024.
5 Source: Bloomberg data as of May 31, 2026 and IMF Datamapper 2026 Estimates for population and GDP as of June 10, 2026. Number of Stocks reflects total number of stocks in the relevant country exchanges with developed and emerging market country definitions based on MSCI classifications for Listed Companies. Developed and Emerging Market country definitions based on IMF for World GDP and World Population.
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7 Source: eVestment as of Q4 2025. Universe defined as all active products within eVestment's "All ACWI Equity" universe with over $100M in AUM. Universe filtered to include only products with a preferred benchmark of MSCI ACWI Equity, MSCI ACWI IMI Equity, MSCI ACWI Mid Cap Equity, MSCI ACWI Small Cap Equity, MSCI ACWI Value Equity.
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10 Source of October 2000 Data: MSCI, FactSet as of October 31, 2000. Includes all stocks by country with market caps over $100M as of 10/31/2020. Source of December 2025. Data: MSCI, Bloomberg. Data based on Bloomberg EQS screen that includes all stocks by country with market caps over $100M as of December 31, 2025. Developed and Emerging Market country definitions based on MSCI classifications.
11 Source: ABS as of February 13, 2026. Data reflects all EM strategies researched by ABS since Inception.
12 Source: ABS as of February 13, 2026. Data reflects all EM strategies researched by ABS since Inception. Graph is presented for illustrative purposes only and should not be relied on to make an investment decision.
13 Source of December 2025. Data: MSCI, Bloomberg. Data based on Bloomberg EQS screen that includes all stocks by country with market caps over $100M as of December 31, 2025. Developed and Emerging Market country definitions based on MSCI classifications.