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Why the Integration of Global Perspective and Local Expertise Matters When Investing in Emerging Markets

As investors, our approach to emerging markets (EM) is shaped by the recognition that these economies do not exist in isolation. The complexity and dynamism of emerging markets require us to look beyond local factors and consider the broader global context.

Why Global Integration Matters

Regulatory Connections:

Regulatory changes in developed markets (DM) often set precedents for emerging economies. By tracking these developments globally, we can anticipate shifts and better understand the rationale behind local policy changes.

Interconnected Risks and Opportunities:

Supply chains, capital flows, and business relationships span continents. A platform that integrates insights from both developed and emerging markets helps us see how events in one region may impact risks and opportunities elsewhere.

Cross-Border Innovation:

Business models and technological advancements increasingly move across borders. By analyzing patterns globally, we identify trends that may shape the future of industries in emerging markets.

EM Sector Insights Through a Global Lens: Investor Perspectives

By leveraging the MFS® Global Research Platform, MFS EME generates nuanced, well-rounded investment insights. While certain investment decisions may appear to be similar across DM and EM, the underlying rationale and context often differ, creating opportunities to tap into niche trends and market nuances. Below are sector specific insights gleaned from our regional analysts that demonstrate the intersection of global perspective and local expertise.

Gaming:

The gaming sector in EM is a vivid example of global convergence. Intellectual property standards, consumer preferences, and regulatory frameworks established in DM influence the evolution of EM gaming companies. Successful intellectual property (IP) developed in DM often sets benchmarks for EM studios, while regulatory approaches in markets like China can prompt policy discussions in DM. Comparing how incumbents in both EM and DM respond to technological shifts and regulatory pressures provides a nuanced understanding of resilience, growth potential, and competitive advantage.

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Autos:

The electric vehicle (EV) transformation is a global narrative with local chapters. China's rapid ascent as an EV powerhouse is reshaping supply chains, technology standards, and competitive dynamics worldwide. Meanwhile, India's market structure — characterized by low vehicle penetration and unique regulatory conditions — offers lessons in adaptation and innovation. By analyzing how DM automakers react to EM advances, and how EM markets absorb global innovations, we can better anticipate sectoral shifts and investment implications.

IT Services:

The global shortage of software engineers is a challenge that transcends borders. Indian information technology (IT) service providers have become indispensable partners for DM enterprises seeking to bridge skill gaps and drive digital transformation. At the same time, the increasing complexity of enterprise innovation means that best practices and technological advances flow in both directions. Our global perspective allows us to evaluate not just the supply of talent, but also the evolving nature of demand, competition, and value creation.

Exchanges & AI Capex:

Financial exchanges and AI infrastructure investment highlight the interconnectedness of EM and DM. DM exchanges, with their diversified revenue streams and advanced analytics, set benchmarks for EM markets that are rapidly evolving and adopting new technologies. Similarly, AI capital expenditure by US cloud service providers has ripple effects for semiconductor companies in EM, demonstrating how investment decisions in one region can create opportunities — and risks — in another.

Conclusion

Given the complexities of emerging markets, we believe that robust fundamental research will provide differentiated high-conviction outcomes. Our blending of global perspective and local expertise enables us to connect insights across developed and emerging markets, uncovering relationships and trends that would otherwise remain hidden. This holistic approach empowers us to identify risks, anticipate opportunities, and make informed decisions in a world where markets are increasingly complex and interconnected. ▲

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Emerging markets can have less market structure, depth, and regulatory, custodial or operational oversight and greater political, social, geopolitical and economic instability than developed markets.

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