

Emerging Markets: From Followers to Global Disruptors

Four businesses carving new paths in innovation and transformation.

The World's Factory

Most likely, the device you're reading this on—or several of its parts—was produced in an emerging market economy.

These products are now a big part of our daily lives, showing how much things have changed. Companies in emerging markets have grown and improved. They used to make basic items like plastic toy cars, but now they build high-tech parts like semiconductors and batteries—and even full electric vehicles (EVs). In many cases, these companies are not just keeping up with top firms from developed countries—they're beating them.

The Crucible Effect

Businesses in emerging markets often have a tougher time than those in developed countries. They may not have good roads or internet, it can be harder to get money to grow, and the rules can change a lot. Because of this, companies must be quick and efficient to survive—and that can actually make them stronger and better over time.

These tough conditions can also spark new ideas. Since they don't have old systems holding them back, they can try new ways of doing things and use the latest technology. Sometimes, they even skip older steps completely. For example, in China, people went straight from using cash to mobile payments, skipping credit cards. This kind of flexibility helps these companies become global leaders, ready to share their smart ideas and fast ways of working with the rest of the world.

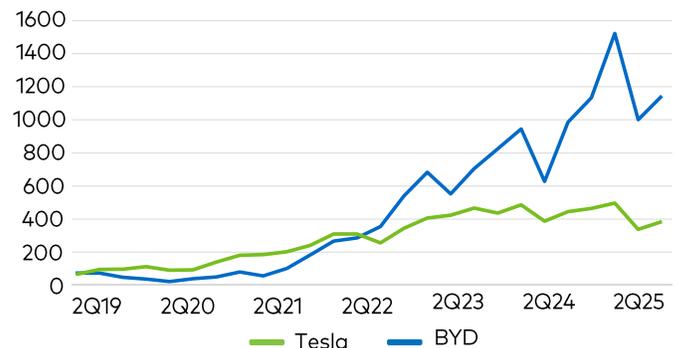
Moving to a New Era: Four Potential Disruptors to Watch

Many Emerging Market businesses are climbing the value chain to challenge their Western peers on both quality and price. Here are four compelling examples that our Polen Emerging Markets Growth Team has researched, illustrating this dynamic shift.

1	Emerging Disruptor	Established Leader
	BYD	Tesla

What We See: BYD is the leading New Energy Vehicle (NEV) manufacturer in China, a standout producer in the country's ruthlessly competitive auto market. It is now building on this success to grow its business around the world. In 2024, BYD reported NEV sales of 4.3 million units, compared to 1.8 million units for Tesla. It also achieved higher revenues than its American counterpart¹. BYD achieved this result despite not selling any vehicles in the U.S. We believe the market undervalues BYD's globally dominant NEV business and do not expect the prospect of increased U.S. tariffs to halt the company's phenomenal global growth. Paradoxically, these tariffs may even accelerate it.

Figure 1: BYD vs Tesla: Battery Electric Vehicle Volumes Sold (thousands)



Source: Bloomberg, Polen Capital Research

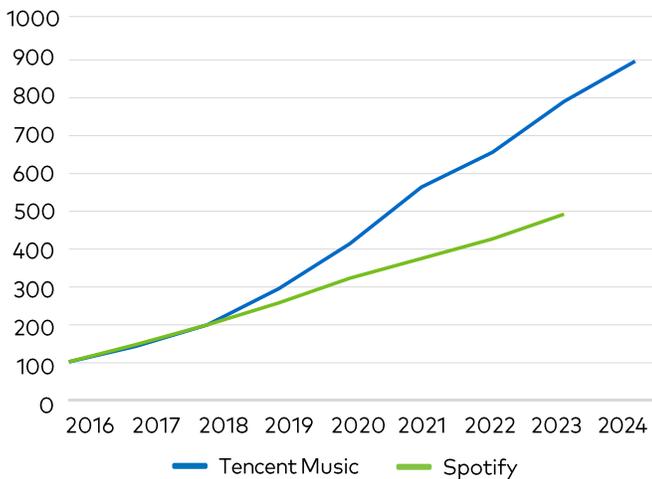
Tencent Music

Spotify

What We See: Tencent Music is China's leading online music streaming service. Tencent Music has more than 555 million active users and 100 million subscribers, giving it approximately 70% market share in China². The company enjoys many of the favorable trends driving Spotify today, including a massive user base, rising subscription penetration and revenue per user, low churn, and improving profitability.

With very low prices and subscription penetration relative to Spotify, we see a significant opportunity for Tencent Music to continue increasing revenue per user and its absolute earnings. Meanwhile, the more fragmented nature of IP ownership and thus lesser bargaining power of record labels should enable a more attractive margin structure and expanded role in the music value chain for Tencent Music.

Figure 2: Tencent Music vs Spotify: Paying User Growth (rebased to 100)



Source: Bloomberg, Polen Capital Research

[Hear more about the tailwinds supporting Tencent Music→](#)

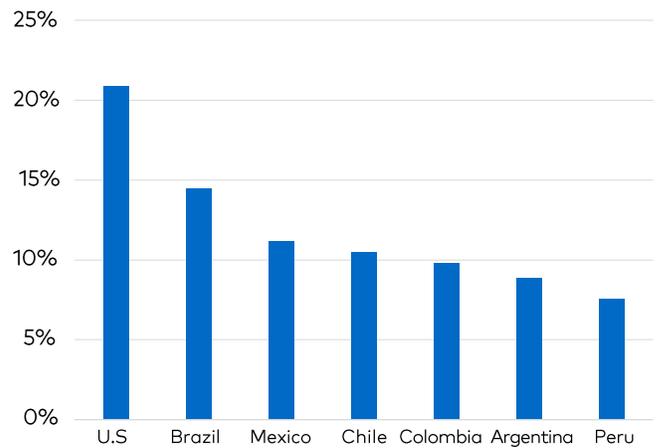
MercadoLibre

Amazon

What We See: MercadoLibre is Latin America's largest e-commerce and fintech ecosystem, operating in 18 countries including Brazil, Mexico, and Argentina, where it is the market leader³. It combines a dominant marketplace with integrated logistics and a fast-growing fintech arm to create a powerful network effect across commerce and payments, forming a deep competitive moat.

The company disrupts traditional banking and payment systems by offering low-cost, accessible financial services to millions of previously unbanked or underserved consumers. It operates a digital wallet and acquiring platform, leveraging real-time payments and credit products to capture share from incumbents and accelerate financial inclusion. With e-commerce penetration still in the mid-teens and access to financial services low, MercadoLibre is well positioned to capitalize on the substantial runway for growth ahead of it.

Figure 3: MercadoLibre vs Amazon: Ecommerce Penetration (Online Retail Sales / Total Retail Sales %)

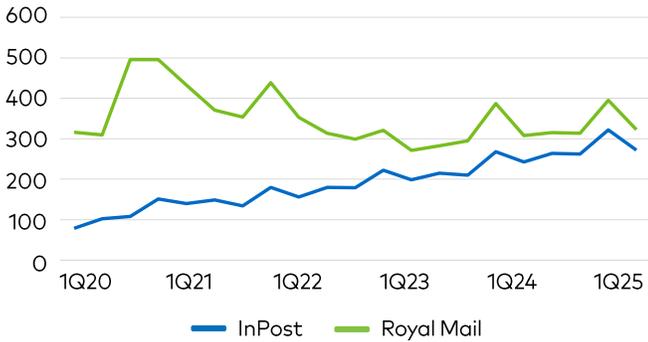


Source: Mordor Intelligence, E-Commerce Market Analysis

What We See: InPost is a leading European logistics innovator that is expanding across Western Europe, particularly in the UK and France. The company's extensive network of Automated Parcel Machines and Out-Of-Home solutions has transformed the delivery experience. With nearly 47,000 parcel machines and over 34,000 Pick-Up Drop-Off points⁴, it offers convenience, speed, and sustainability that enable it to deliver a superior user experience and effectively challenge legacy players.

InPost benefits from a strong foundation in Poland, where it enjoys high margins, dominant market share, and robust returns. Its scale enables investments in logistics infrastructure and digital transformation to fund expansion without proportional increases in cost, while not suffering from legacy technological infrastructure, reinforcing its competitive edge.

Figure 4: InPost vs Royal Mail: Parcel Volumes Delivered (millions)



Source: InPost Group EU, Financial Results; Royal Mail Plc, Annual Results/ Full Year Results, IDX

Key Takeaway for Investors

We believe that many of the world's most innovative and leading companies are increasingly found within Emerging Markets themselves. Historically, global allocators could gain exposure to the world's best businesses in the USA, Europe and Japan. Today however, companies of similar caliber are emerging from countries such as China, Brazil, and Poland, amongst others.

Many investors have maintained low allocations to Emerging Markets for years, largely due to the strong performance of U.S. equities. But with current valuations in Emerging Markets looking attractive — both compared to their history and their developed market peers — and with the quality of companies in Emerging Markets rapidly increasing, we would argue there is a strong case for increased investor interest in developing markets.

Footnotes

¹ BBC, [Chinese electric carmaker BYD sales beat Tesla](#), March 24, 2025

² Bloomberg, [Tencent Music Shares Double on Break From China Price Cut Script](#), June 19, 2025.

³ Polen Capital: Emerging Markets Investment Team Research

⁴ Polen Capital: Emerging Markets Investment Team Research

Important Disclosures

BYD and Tencent Music are holdings in Polen's Emerging Markets Growth and China Growth portfolios as of August 31, 2025. Amazon is a holding in Polen's Focus Growth and Global Growth portfolios, and Spotify is a holding in Polen's International Growth portfolio as of the same date. Tesla is not a holding in any Polen portfolio as of August 31, 2025. These companies were all selected for discussion because they exemplify secular growth trends and competitive dynamics that Polen Capital's Emerging Markets Growth Team believes are reshaping global markets.

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We adhere to a time-tested process of researching and analyzing companies around the globe—seeking only the best to build highly concentrated portfolios. Then, we invest for the long haul and with a business owner's mindset, giving these companies time to grow.