

# Emerging Markets: From Followers to Global Disruptors

Four businesses carving new paths in innovation and transformation.

## The World's Factory

In our daily lives, labels reading “Made in China” or “Manufactured in Taiwan” are never far from reach. Most likely, the device you’re reading this on—or several of its parts—was produced in an emerging market economy.

This pervasive presence in our everyday lives reflects a remarkable transformation. Over time, emerging markets manufacturers and entrepreneurs have elevated their ambitions and capabilities, moving beyond basic, mass-market goods to producing specialized tech components and semiconductors now essential to modern life. Plastic toy cars, once dominating production lines, have transitioned to electric vehicle (EV) batteries and ultimately, full-scale EVs. In many cases, these products are competing with—or even exceeding—those of the most sophisticated global incumbents.

## Necessity Is the Mother of Invention

Businesses operating in emerging markets often face additional obstacles than their developed market counterparts. Chronic underinvestment in infrastructure, frequent currency volatility, and less predictable regulatory environments can present significant hurdles to growth. In many cases, access to capital is limited, compelling companies to optimize their spending and to strategize under greater uncertainty. These persistent challenges often force firms to prioritize agility and operational efficiency, traits that are essential for survival and may become critical competitive advantages over time.

Adversity in these markets frequently acts as a powerful innovation catalyst. The lack of legacy systems and entrenched practices, often prevalent in mature markets, allows emerging market businesses to experiment boldly with new business models and technologies. Companies might harness locally available materials

in novel ways, develop mobile-first platforms to compensate for inadequate infrastructure, or pioneer new modes of customer engagement better suited to the realities on the ground.

Often, the resilience forged by constant exposure to volatility prepares these companies for future growth and international expansion. Thriving in unpredictable circumstances can cultivate leadership with a keen risk tolerance and an exceptional knack for problem-solving. Over time, this adaptive capacity has the ability to position emerging market businesses as savvy innovators on the global stage—ready to export their solutions and inspire transformation elsewhere.

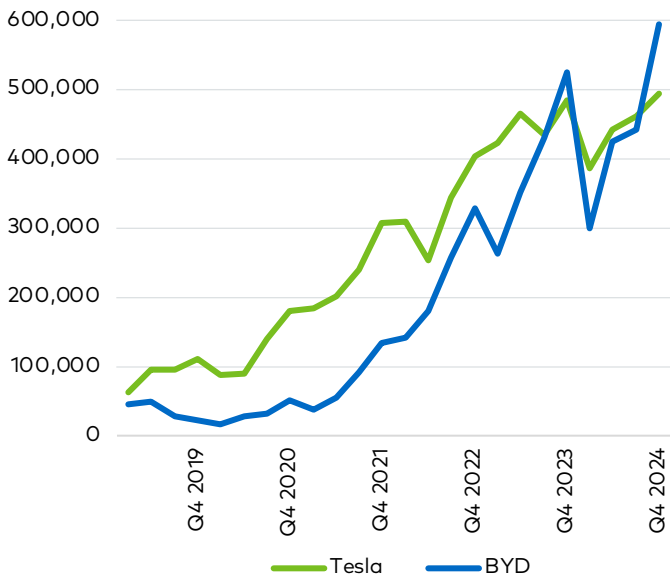
## Moving to a New Era: Four Potential Disruptors to Watch

Many emerging market businesses, particularly in China, 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.

Emerging Disruptor	BYD
Established Leader	Tesla

**What We See:** BYD (Build Your Dreams) is the leading EV manufacturer in China, a standout producer in the country's ruthlessly competitive EV market. It's now building on this success to grow its business around the world. In 2024, BYD reported revenue of \$107 billion, compared to \$97.7 billion for Tesla.<sup>1</sup> BYD achieved this result despite not selling any vehicles in the U.S. We believe the market undervalues BYD's globally dominant EV 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: Global EV Battery Sales



Emerging Disruptor	Tencent Music
Established Leader	Spotify

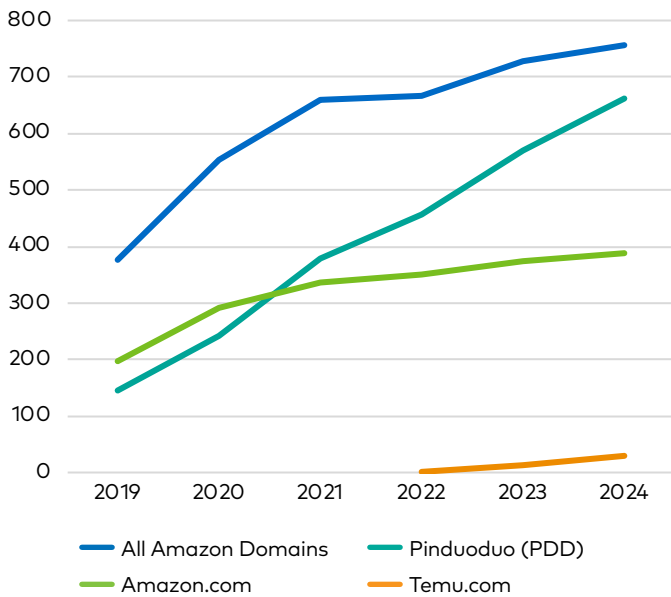
**What We See:** Tencent Holdings, is China's leading online music streaming service. Tencent Music has more than 555 million active users and 100 million subscribers, giving it approximately 70% market share in China.<sup>2</sup> The company enjoys many of the favorable trends driving Spotify today, including rising revenue per user, low churn, and rising profitability. With very low prices, low subscription penetration, and control of the largest music label in China, we see a significant opportunity for Tencent Music to continue increasing revenue per user and overall profitability.

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

Emerging Disruptor	Pinduoduo
Established Leader	Amazon

**What We See:** Pinduoduo has established itself as one of China's most fiercely competitive companies. By pioneering an innovative and highly successful e-commerce model in its home market, it set the stage for global expansion through its Temu business with substantial impact. While PDD was heavily loss-making in its early years, the company's cash generation has accelerated as the business matured. This supports its ability to self-fund robust growth initiatives that we believe could disrupt some of the most successful incumbent retailers in the world.

Figure 2: E-Commerce: Gross Merchandise Volume



Emerging Disruptor	DeepSeek
Established Leader	OpenAI (ChatGPT)

**What We See:** In 2024, the little-known Chinese startup DeepSeek introduced an AI model that matched the performance of OpenAI's ChatGPT, topping Apple's app store in total downloads and surpassing ChatGPT. Even more notable is the fact that DeepSeek's model cost only \$5.6 million to develop, over 500 times less than the estimated \$3 billion it took OpenAI to train its GPT 4 model.<sup>3</sup>

[Hear more on the shifting global technology landscape →](#)

## Key Takeaway for Investors

At Polen Capital, we seek to invest in the most outstanding businesses we can find wherever they are in the world. Selectivity is vital, though, particularly in the vast emerging markets universe. With over 24 different countries and currencies in the MSCI Emerging Markets Index,<sup>4</sup> all with varied governance systems, not every company stands as a winner.

Many investors globally have maintained low allocations to emerging markets for years, given the robust performance of U.S. markets. Even minor reallocations could significantly increase EM exposure, potentially reshaping the entire investment landscape and improving the prospects for the most competitively advantaged businesses in these markets. We expect these companies will draw increasing global attention, and the former "followers" may well rise to challenge the global giants.

## Footnotes

<sup>1</sup> BBC, Chinese electric carmaker BYD sales beat Tesla, March 24, 2025

<sup>2</sup> Bloomberg, Tencent Music Shares Double on Break From China Price Cut Script, June 19, 2025.

<sup>3</sup> Reuters, What is DeepSeek and why is it disrupting the AI sector?, January 28, 2025

<sup>4</sup> MSCI, Market Classification Framework, July 31, 2025. The MSCI Emerging Markets Index is a market capitalization weighted equity index that measures the performance of the large and mid-cap segments across emerging market countries. The index is maintained by Morgan Stanley Capital International. It is impossible to invest directly in an index. The performance of an index does not reflect any transaction costs, management fees, or taxes.

## Important Disclosures

BYD and Tencent Music are holdings in Polen's Emerging Markets Growth and China Growth portfolios as of June 30, 2025. PDD is a holding in Polen's Emerging Markets Growth strategy, Amazon is a holding in Polen's Focus Growth and Global Growth portfolios, and Spotify is a holding in Polen's International Growth strategy as of the same date. DeepSeek and Tesla are not holdings in any Polen portfolio as of June 30, 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.