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Quick Take: EM Investing—Look Beyond Country Narratives

November 2026

In Emerging Market (EM) investing, country themes come in waves

2024

Foreign investors struggle to keep up with **India's** rise
Reuters, Sep 2024

China's sudden stock rally sucks money from rest of Asia
Bloomberg, Oct 2024

2025

DeepSeek drives $1.3 trillion **China** stock rally as funds pile in
Bloomberg, Feb 2025

Foreigners pour billions into **Taiwan**, **South Korea** stocks on AI, growth optimism
Reuters, Aug 2025

Today

Taiwan, **South Korea** tech shares reel ahead of key AI tests
Reuters, Nov 2026

AI slump revives Asia's forgotten trades from **China** to **India**
Bloomberg, Nov 2026

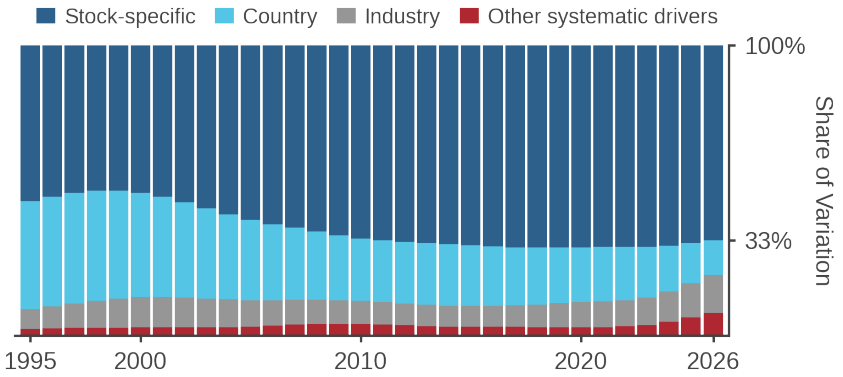
But country-based narratives often lead EM investors astray

- Behavioral issues: Often backward-looking, country narratives encourage performance chasing, contributing to poor tactical allocation decisions.
- Implementation issues: Country ETFs and other convenient tactical vehicles may provide poor exposure to the opportunities underlying the themes.

The real opportunity? Broad-based stock selection

- EM encompasses over 20,000 investable stocks; stock-specific sources account for roughly two-thirds of their return variation in the cross section, while country effects have diminished in importance. (See chart.)
- Broad-based stock selection that employs the full EM universe without first imposing country themes, which unnecessarily narrow investment decisions, is a far better way to exploit the opportunity set.

Drivers of return variation in the EM cross-section



Source: Acadian based on the EM segment of the S&P Global BMI. Index data from S&P Global. Copyright © 2026 Standard & Poor's Financial Services LLC. All rights reserved. Chart shows results of a monthly cross-sectional regression analysis explaining EM stock returns in terms of country, industry, and selected risk factor drivers. Stock specific is the residual that cannot be explained by those variables. Results are smoothed over time. For illustrative purposes only.

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