

Navigating Emerging Markets

The next growth cycle



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What Investors Are Missing in Emerging Markets

Emerging markets have rarely faced a more complex backdrop. Geopolitical tensions, trade disputes, AI-driven market concentration and renewed uncertainty in the Middle East continue to dominate headlines. Yet the message from Aubrey Capital Management and LarrainVial's Navigating Emerging Markets: The Next Growth Cycle seminar was clear: while the headlines may have changed, the long-term investment case for emerging markets remains firmly intact.

Bringing together more than 100 investment professionals at London's historic Carpenters' Hall, the event explored the structural, economic and geopolitical forces shaping the next phase of emerging markets investing. Although each speaker approached the topic from a different perspective, looking at different regions and sectors, a consistent theme emerged throughout the morning - successful investing requires looking beyond short-term market noise to identify the long-term drivers of growth.

José Manuel Silva, Chief Investment Officer at LarrainVial Asset Management, opened proceedings by challenging many of the long-held assumptions surrounding Latin America. While the region is often viewed through the lens of political instability, Silva argued decades of structural reform are beginning to reshape the investment landscape.

He highlighted improving fiscal discipline, increasingly independent central banks and a shift towards more market-friendly governments across several countries, alongside attractive valuations that remain well below historical averages. Combined with Latin America's growing role as a supplier of critical minerals, energy and agricultural products, he believes these forces are creating the conditions for a sustained re-rating.

As Silva observed: *"The big question is, can Latin America sustain this momentum? We believe these five structural forces are helping drive the re-rating of Latin American assets."*

Andrew Dalrymple, Founder and Investment Manager at Aubrey Capital Management, shifted the discussion from macroeconomics to the long-term structural drivers of emerging markets growth. While acknowledging the current extraordinary dominance of AI-related technology stocks in Taiwan and South Korea, he argued investors risk overlooking the far broader opportunity being created by demographics, urbanisation and rising incomes.

With around half of the world's population living in emerging markets, a rapidly expanding middle class and hundreds of millions of consumers entering their prime earning years, Dalrymple comments the most durable investment opportunities continue to lie in businesses that improve everyday lives rather than simply following the latest technology trend.

Importantly, he also highlighted how the rapid appreciation of just a handful of semiconductor companies has dramatically increased concentration within emerging markets indices, strengthening the argument for active management and disciplined stock selection.

As he explained: *"We don't know what the price of copper or oil will be next year, but we do know there will be more Indians owning their own property, driving their own motorcycle or owning a car. That is pretty much guaranteed."*

Taking a different perspective, **Hlelo (Lo) Giyose**, Chief Investment Officer at First Avenue Investment Management, explored how emerging economies develop over time through what he described as the "Flying Geese" theory. Rather than focusing solely on macroeconomic indicators, he encouraged investors to identify businesses capable of becoming globally competitive leaders by leveraging their domestic strengths before expanding internationally.

Using examples from Japan, China and South Africa, Giyose argued many of today's most successful companies have followed remarkably similar development paths. For long-term investors, the challenge is identifying tomorrow's global champions before they become household names.

As he noted: *"Countries develop by having companies that grow to a certain point, saturate the domestic market and then look for new opportunities."*

The event concluded with **Nicholas Hopton**, former UK Ambassador to the Middle East, who examined how an increasingly fragmented geopolitical landscape is reshaping investment risk. Rather than viewing geopolitics as a series of isolated events, Hopton explained investors are entering a fundamentally different era characterised by renewed Great Power competition, shifting alliances and a more multipolar world.

Using the recent conflict in the Middle East as a case study, he demonstrated how geopolitical developments increasingly influence everything from energy markets and supply chains to inflation and commodity prices. For investors, understanding geopolitics is no longer a niche discipline but an essential component of investment decision making.

As Hopton concluded: *"We're entering a new era of strong powers, stronger leaders and increasing uncertainty. That creates significant risks, but for the right emerging markets it also creates opportunities."*

While the presentations covered very different topics, they all pointed towards the same conclusion. Emerging markets are becoming more diverse, more globally interconnected and more differentiated than ever before. Long-term structural trends - from urbanisation and demographic change to industrial development and technological innovation - remain firmly in place, even as geopolitical uncertainty increases.

At the same time, the growing concentration of benchmark indices around a small number of AI-related companies reinforces the importance of active management. As emerging markets continue to evolve, successful investing will increasingly depend on looking beyond headlines, understanding regional differences and identifying the businesses best positioned to benefit from the next phase of global growth.

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