Emerging Markets: looking beyond the headline index

Published 30 July 2026

Ayush Babel
Director, Quantitative Research

Akhil Goyal
Analyst, Quantitative Research

Key Takeaways

- Recent semiconductor volatility exposed how strongly traditional emerging market benchmarks can be driven by a small number of Asian technology companies.
- Despite broad constituent counts, country and sector concentration can leave investors with a narrower exposure than the 'emerging markets' label suggests.
- Economic development and market maturity do not always align neatly with established index classifications, making the definition of 'emerging' increasingly important.
- WisdomTree's True Emerging Markets framework uses a holistic country classification framework by including economic, market, and growth indicators to identify truly emerging markets.
- The resulting strategy offers less reliance on dominant technology names and greater exposure to economies and sectors linked to the economic and financial development of the developing countries.

On 13 July 2026, SK Hynix fell more than 15%[1] in a single session; its worst one-day decline on record. Samsung Electronics shed over 10%[1] over the same stretch. By 20 July, the MSCI Emerging Markets Index was down more than 6% month-to-date[2]. The episode did not create the benchmark's concentration; it exposed it.

For investors, the episode offers a useful window into a simple question: when you buy 'emerging markets' today, what are you actually buying?

A benchmark built on a handful of names

On the surface, the MSCI Emerging Markets Index appears highly diversified. It contains 1,178 large- and mid-cap companies across 24 countries. Look beneath that headline number, however, and a very different picture emerges.

As of 30 June 2026, TSMC, Samsung and SK Hynix together made up close to 31% of the MSCI Emerging Markets Index. The ten largest constituents collectively represented 40.23%, while large-cap companies

accounted for approximately 90% of the index. Information technology alone represented roughly 45%, leaving an ostensibly broad benchmark heavily tilted toward larger companies, one sector and a narrow group of Asian technology businesses. This is an important consideration for investors seeking broader diversification beyond established large-cap leaders.

Figure 1: MSCI Emerging Market Index is heavily concentrated in large-cap stocks

	Large Cap	Mid Cap	Small Cap	Top 10
MSCI Emerging Markets Index	89.71%	10.23%	0.06%	40.23%

Source: WisdomTree. As of 30 June 2026. Small caps are defined as stocks with a market cap below $2bn, mid caps go up to $10bn and large caps have more than $10bn. **Historical performance is not an indication of future performance, and any investment may go down in value.**

This concentration has increasingly attracted attention beyond index-provider research. In July, the Financial Times reported that large asset managers were reassessing their exposure after the three chip-related companies came to represent close to 30% of MSCI Emerging Markets. The concern was not necessarily that these were poor companies, but that their size could make a broad emerging-markets portfolio unusually dependent on the fortunes of a single global investment theme.

That raises an important question: is a traditional emerging markets allocation still providing broad exposure to economies undergoing development, or has it increasingly become a concentrated allocation to a small number of companies connected to the global artificial intelligence (AI) and semiconductor cycle?

The concentration also runs through countries

The same pattern appears at the country level. As of 30 June 2026, Taiwan (27.3%), South Korea (23.7%) and China (19.0%) together accounted for more than 70% of the MSCI Emerging Markets Index. The issue is not unique to MSCI. FTSE Russell reported in June that Taiwan's share of the FTSE Emerging Index had increased from approximately 19% to around one-third in just 12 months.

This raises a broader question: have widely tracked emerging-market indices evolved in line with changing market conditions?

While there is no single, universally accepted answer, several structural measures suggest that China, Taiwan and South Korea increasingly resemble developed economies, even as established classifications keep them anchored in emerging-market benchmarks.

Figure 2: On income, market depth and credit quality, China, Korea and Taiwan look closer to developed markets than to a typical emerging economy

	China	Korea	Taiwan	True EM Average
GDP per capita (USD)	~$13,000	~$35,000	~$33,000	~$3,000–$8,000
Stock market cap (USD tn)	~$10tn	~$2tn	~$2tn	Much smaller, less liquid
Sovereign credit rating	A+ (S&P)	AA (S&P)	AA+ (Fitch)	BB to BBB range
MSCI market classification	EM (legacy)	EM (legacy)	EM (legacy)	EM / Frontier
Manufacturing PMI (Jan 2026)	49.3	51.2	51.7	India: 55.4, Indonesia: 52.6

Source: International Monetary Fund (IMF), FTSE Emerging Markets, MSCI as of 31 March 2026. Please note: PMI – Purchasing Managers Index. **Historical performance is not an indication of future performance, and any investment may go down in value.**

The more useful question for investors, therefore, may not be whether a classification is technically correct. It may be whether the resulting benchmark delivers the type of economic and portfolio exposure they expected when making an emerging markets allocation.

What should ‘emerging’ actually mean?

If classification is doing so much work, it is worth being deliberate about the definition. A more useful one starts not from index legacy but from where an economy actually sits on its development path: a country that is not yet economically and institutionally comparable to developed markets, that still has real room for development-led growth and capital-market deepening, and that remains practically investable. That framing points toward structural growth, convergence and financial deepening, the features that made emerging-market investing attractive in the first place.

Rethinking emerging markets

This is the thinking behind more selective approaches to the asset class. Rather than relying on traditional country classifications, which can leave a portfolio dominated by a few large, increasingly mature economies, a multi-metric framework can be used to identify countries that the WisdomTree methodology considers to remain more closely aligned with its definition of emerging markets. The WisdomTree True Emerging Markets UCITS Index considers measures such as the IMF’s World Economic Outlook classification, gross domestic product (GDP) per capita, the UN Human Development Index, sovereign credit ratings and GDP growth momentum, which together provide a more forward-looking picture than a static label.

The objective is to identify investable economies in which development-related forces, such as productivity catch-up, rising domestic consumption, digitalisation, institutional change and the deepening of local capital markets may still play an important role. The WisdomTree True Emerging Markets UCITS Index aims for just that.

The resulting exposure looks quite different from a standard EM benchmark. It excludes countries that no longer fit the emerging market definition, such as China, Taiwan and Korea, and leans towards economies such as India, Brazil, South Africa, Indonesia and Mexico, while including other smaller economies that traditional indices could often miss.

Figure 3: Key exclusions and inclusions versus MSCI Emerging Markets Index

Key exclusions vs the MSCI Emerging Markets Index	
Taiwan	27.34%
Korea	23.72%
China	19.00%
Greece	0.51%

Key additions in WisdomTree True Emerging Markets UCITS Index	
Vietnam	1.96%
Argentina	1.12%
Romania	0.80%
Morocco	0.67%
Kazakhstan	0.38%

Source: WisdomTree. As of 30 June 2026. **Historical performance is not an indication of future performance, and any investment may go down in value.**

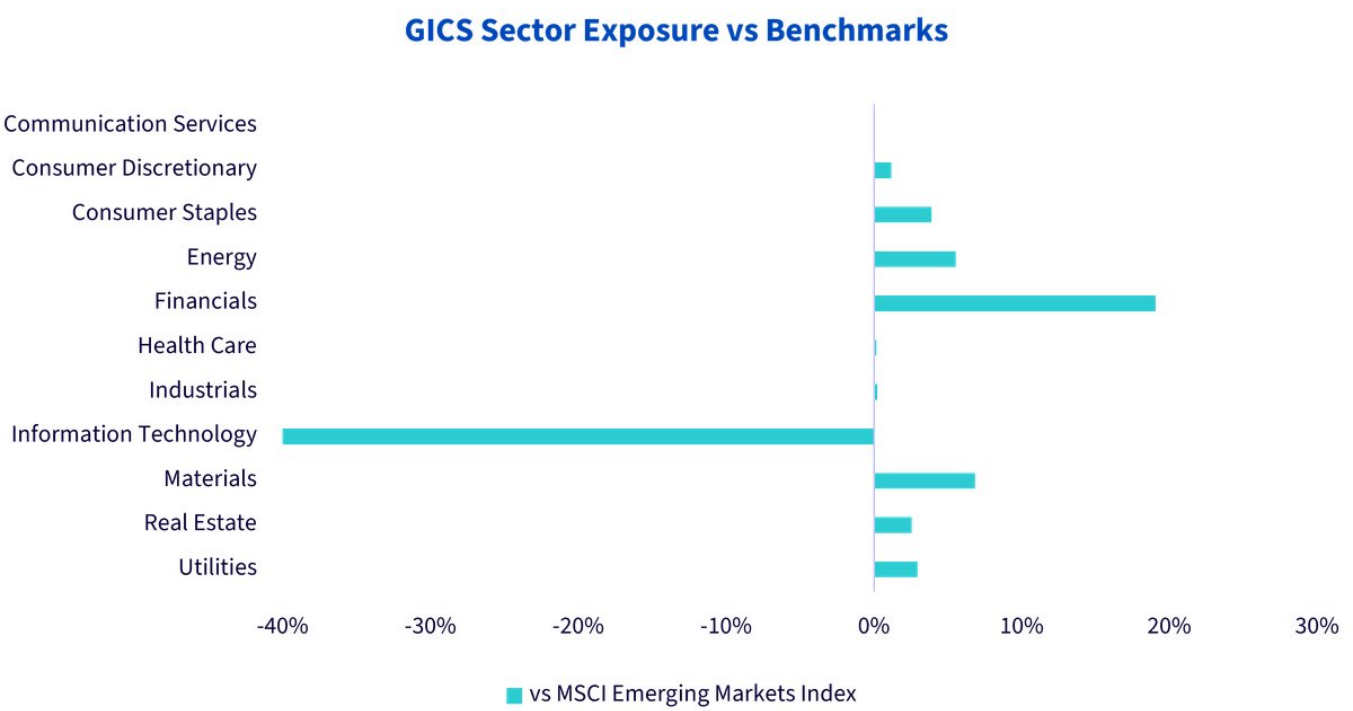
Three consequences follow. First, the portfolio becomes far less top-heavy: on a ‘true emerging’ basis the top 10 holdings represent only 15.64%, a fraction of what they do in the MSCI EM Index, which means single-stock risk is reduced. Second, the Index provides broader exposure across company sizes, with 76.62% in large caps, 23.05% in mid caps and 0.33% in small caps, helping investors access a wider segment of the emerging market opportunity set within a single allocation. Third, the sector mix shifts, with a large underweight to information technology relative to the MSCI EM Index, and greater weight to financials, materials and consumer names that are more closely tied to domestic development stories.

Figure 4: WisdomTree True Emerging Markets UCITS Index aims to provide diversified exposure

	Large Cap	Mid Cap	Small Cap	Top 10
WisdomTree True Emerging Markets UCITS Index	76.62%	23.05%	0.33%	15.64%

Source: WisdomTree. As of 30 June 2026. Small caps are defined as stocks with a market cap below $2bn, mid caps go up to $10bn and large caps have more than $10bn. **Historical performance is not an indication of future performance, and any investment may go down in value.**

Figure 5: Sector exposure versus the MSCI Emerging Markets Index



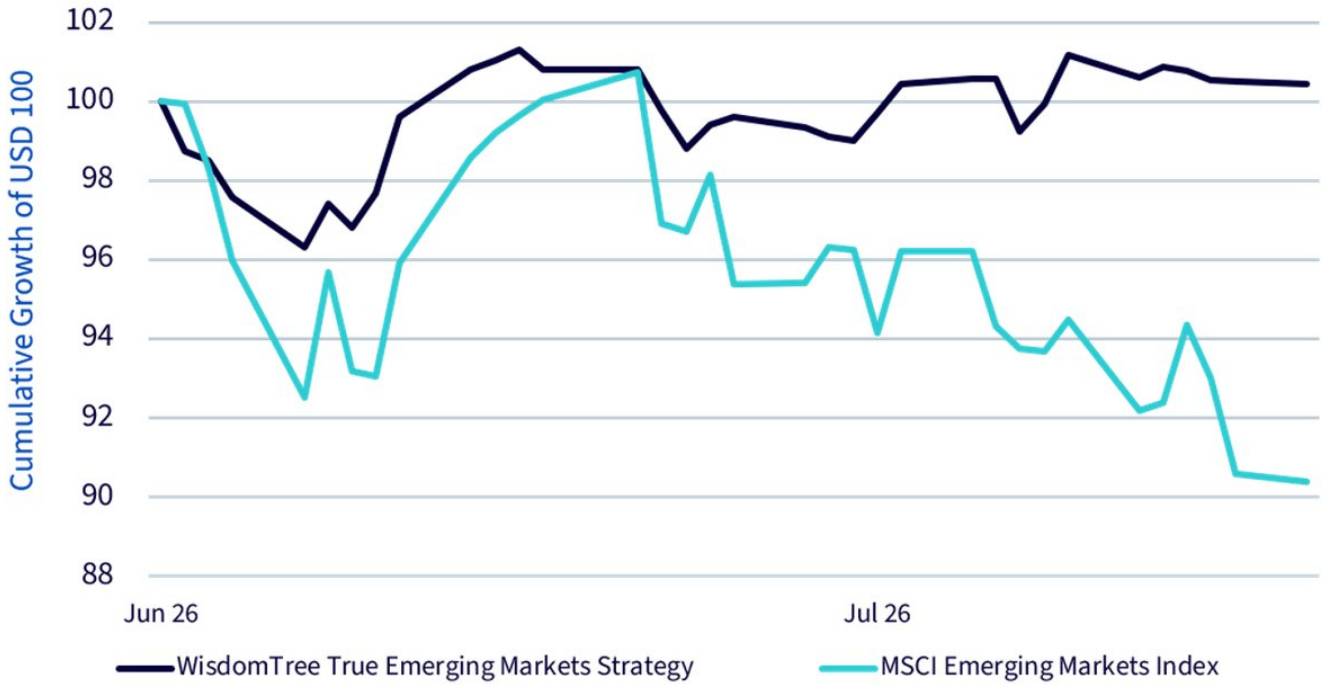
Source: WisdomTree, Factset, MSCI. As of 30 June 2026. GICS – Global Industry Classification Standard. **Historical performance is not an indication of future performance, and any investment may go down in value.**

Why it matters: a recent illustration of concentration risk

July 2026 offered something close to a live experiment. As the AI-semiconductor trade wobbled, the standard benchmark fell with it. A more diversified, development-focused basket, with far less riding on those same three names, declined less over the period shown.

These episodes do not establish that semiconductor companies are unattractive investments. They do, however, demonstrate concentration is not a problem only when it goes wrong; it is a standing risk that determines how a portfolio behaves when a single theme turns out of favour. The July drawdown simply made it visible.

Figure 6: Price levels through the July 2026 semiconductor volatility



Source: WisdomTree. MSCI. Data from 1 June 2026 to 20 July 2026. **Historical performance is not an indication of future performance, and any investment may go down in value.**

A more intentional exposure to Emerging Markets

Not all emerging market indices reflect where economies actually stand today. Many are slow to reclassify countries, leaving investors with exposure that no longer matches the reality on the ground. WisdomTree's True Emerging Markets exchange-traded fund (ETF) is designed to close that gap. Using the multi-metric framework described above, it offers an alternative expression of emerging market exposure based on WisdomTree's classification framework, at a total expense ratio of 0.25%. The aim is not to avoid emerging markets, but to define them more deliberately. It is not intended to suggest that established benchmark providers have classified markets incorrectly. Instead, it starts with a different investment question: where are the forces traditionally associated with emerging-market development still most active, and how can investors access them without allowing a handful of large companies to dominate the allocation

Note that investments in emerging markets are subject to risks, including market volatility, political and economic uncertainty, currency fluctuations and changes in regulation, which may affect performance over time. This makes it vital to tackle idiosyncratic risks and rely on the only free lunch financial markets arguably offer – ‘diversification’.

[1] Source: The Straits Times, 2026.
[2] Source: WisdomTree, 2026.

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable).Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication is intended for all investors; however, the WisdomTree products described in this document and related materials may be restricted in certain jurisdictions and may only be available to particular categories of investors in accordance with applicable laws and regulations. Where a product is not authorised or its distribution is restricted in your jurisdiction, it is the responsibility of any person or entity in possession of this information to inform themselves of, and comply with, all relevant restrictions. Before making any investment, investors should seek appropriate legal, regulatory, tax and investment advice to assess the suitability and implications of investing in these products. Information about WisdomTree products is available at wisdomtree.eu. WisdomTree does not offer investment advice tailored to individual circumstances. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission

or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

Certain funds referred to in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an open-ended, umbrella-type Irish Collective Asset-management Vehicle with segregated liability between sub-funds and is authorised by the Central Bank of Ireland (“CBI”) as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under Irish law. Each fund is represented by a separate class of shares (the “Shares”) issued by WT Issuer.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer (“WT Prospectus”). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the Shares.

The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe’s website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification.

For Investors in Switzerland:

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus (in English only) and the key investor information documents (KID) (in German, French and Italian) are available from WisdomTree's website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports

For WisdomTree UCITS products only: the representative and paying agent of the ETPs in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent. Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA may only be available to Qualified Investors.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.

For Investors in Israel: Offering materials for the offering of the Shares and securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any

other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. The products mentioned herein have not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute “an offer to the public” under sections 15 and 15a of the Israel Securities Law, 5728-1968 (“the Securities Law”) or section 25 of the Joint Investment Trusts Law, 5754-1994 (“the Joint Investment Trusts Law “), as applicable. The products are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum (“the Addendum”) to the Securities Law, “Sophisticated Investors”) who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

This prospectus or this document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a product is purchasing such product for its own benefit and account and not with the aim or intention of distributing or offering such product to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing a product for another party which is a Sophisticated Investor).

Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. A recipient of this document may be required to provide confirmation that it is a Sophisticated Investor purchasing a product for its own account or, where applicable, for other Sophisticated Investors.

Certain information contained herein (the “Information”) is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates (“MSCI”), or information providers (together the “MSCI Parties”) and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund’s assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided “as is” and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI

Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.