Morgan Stanley
INVESTMENT MANAGEMENT

Emerging Markets Debt Monitor

Emerging Markets Team

Q4 2024

Important Information and Disclosure

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively “the Firm”) and may not be reflected in all the strategies and products that the Firm offers.

Table of Contents

If you are viewing this book on your computer or tablet, **click or tap on the title box to jump to the beginning of each section.**

Data provided is for informational use only. See end of report for important additional information.

Morgan Stanley | INVESTMENT MANAGEMENT

Q4 2024 Recap

Q4 2024 Recap

- Performance was disappointing for EMD markets as EM currencies broadly sold off and sovereign and corporate credit were negatively impacted by the rise in US Treasury yields for most of the quarter.
- The US Presidential election was top of mind for global investors. Following the Fed's first rate cut of this cycle in September, October was marked with uncertainty in anticipation of the election - US Treasury yields increased and the dollar strengthened. The market responded to the Trump election victory with increased volatility and, although it cut rates at its December meeting, the Fed's less dovish tone coming out of the meeting grabbed investors' attention and rates continued to rise along with the US dollar.
- The year of global elections closed out the year with several surprising results. In Uruguay, the center-left opposition won by a larger than expected margin, yet a referendum for an unfavorable pension reform was still voted down – a positive in our view. In Romania, a far-right, pro-Russia candidate won the first round of Presidential elections in a surprising victory. However, the constitutional court then annulled the first round due to allegations of Russian interference. Georgia's new President ousted the incumbent who had more Western ideologies, which reinforced the Georgia Dream's control, pausing potential progress towards joining the EU. Additionally, Mexico President Claudia Sheinbaum took office on October 1st.
- In the Middle East, geopolitical uncertainty increased as the Assad regime in Syria fell after four decades of ruling. The fall of the regime was partially a consequence of a weaker Iran. Alliances and centers of power in the region have the potential to shift also due to the ongoing war in the region.
- South Korea President Yoon Suk Yeol briefly imposed martial law to "protect the country from anti-state forces," and likely as a result of the President's political troubles and lack of influence after the opposition won the general election earlier this year. Yoon and acting President Han Duck-soo were both impeached by Parliament creating political ambiguity, but the Constitutional Court still must determine if impeachment is legal.
- Performance for the underlying EMD risk factors was negative. The EM corporate index was down the least as spreads compressed, but the rise in US Treasury yields dominated performance. The USD-denominated EMD sovereign index also saw spreads compress, to a lesser degree than corporates, but US Treasury yields were a similar drag on performance. Finally, the local segment of the asset class suffered most as currencies sold off and local rates rose, albeit less than US Treasury yields.
- Outflows continued with approximately -$15.8 billion net going out of dedicated-EMD funds globally during the quarter with -$11.6B from hard currency funds and -$4.2B from local currency funds.

Please reference page 2 "Important Information and Disclosure"

Q4 2024 RECAP

Q4 2024 Recap, continued

ASIA

- Sri Lanka's new President, Anura Kumara Dissanayake (AKD), has settled into office with a focus on growth and political stability. Sri Lanka's debt restructuring is finally concluding following the agreement in principle prior to the Presidential election in September and a bond swap occurring during the last month of the year.
- Vietnam President Too Lam announced an unscheduled speech on December 1 in which he announced a dramatic restructuring of the political system. The measures included reducing the number of provinces and merging government ministries. We view these as positive changes since it will reduce the size of the (relatively large) government.
- India lost a bit of its positive momentum this quarter in the wake of the Adani scandal. This could increase discussions about the need for improved governance and a closer look at corruption. Inflation spiked during the quarter due to high vegetable prices and growth hit a soft patch, however, it's still the fastest growing economy among EM peers.

CEEMEA

- Reform momentum in Nigeria continued. The introduction of locally refined petrol allowed fuel subsidies to finally be removed in October. The naira has faced significant volatility and pressure this year, but the central bank introduced a new unified platform for FX trading called BMatch which has been praised by analysts to eliminate distortion and the naira appreciated.
- The Turkish central bank revised up its inflation target for 2025 from 14% to 21% and softened its tone earlier in the quarter signalling the beginning of rate cuts. Before the end of the year, the central bank cut rates by 250bps, which was more than expected.
- After more than 150 days, the coalition formed after the South Africa Presidential election is still in place and is expected to remain in place until at least the 2026 municipal elections. The Monetary Policy Committee also cut rates in line with expectations and as inflation continued to fall substantially towards the low end of its target range.

LATAM

- Brazil's fiscal issues remain unresolved and impacted markets this quarter with the real and interest rates aggressively selling off. The central bank has been forced to accelerate its hiking cycle as inflation has become unanchored and significant tightening is now priced into the market. Congress also doubled down on fiscal spending and handouts. Additionally, President Lula was hospitalized and underwent surgery for a brain bleed.
- Ecuador's early 2025 Presidential election is being closely watched as polls got a bit tighter this quarter. There were numerous electricity blackouts due to Ecuador's reliance on hydropower and the country is in the midst of a severe drought. Blackouts have been impacting the economy and incumbent President Noboa's popularity.
- The IMF and El Salvador reached a staff level agreement that was years in the making. The IMF cited that the economy has steadily expanded since the pandemic and security has improved. Spread levels were substantially distressed just a few years ago but now sit at low to mid 300bps levels.

Please reference page 2 "Important Information and Disclosure"

Q4 2024 RECAP

EM Corporate Credit – Q4 Update and Outlook

HIGHLIGHTS DURING THE QUARTER AND YEAR:

The EM corporate index (CEMBI Broad Div.) delivered another strong year, ending 2024 with total returns of 7.6%, despite the back-up in US rates. Credit spreads compressed 75bps for the full year, with the high yield segment significantly outperforming with 136bps of spread tightening. IG spreads also tightened materially, ending the year 41bps lower than the start of the year. On the back of these strong results, credit spreads, on average, leave limited room for further compression as overall levels of 206bps represent some of the lowest "start-of-the-year" spreads we've seen in quite a while. When viewed through this lens, the EM corporate debt market does not seem very attractive. However, if we factor in the very strong fundamentals of underlying issuers, and the "even tighter" credit spreads on offer in Developed Market fixed income assets, we think EM corporate credit spreads still offer some relative attractiveness if 2025 plays out to be a benign year from a macro standpoint.

- The new issue market is alive and healthy today. 2024 saw a meaningful pick-up in bond supply, with issuers raising more than $400 billion of capital via the international debt markets. This represents a 40% increase versus 2023. Although this is a large increase, it is still a discount to historical highs of $500+ billion achieved during 2020 and 2021, when China HY issuance was in full swing. The demise of the China property sector and the removal of Russian corporates from the investable universe has likely caused a permanent step-down in new issue supply for the EM corporate asset class. Of note, Turkish and Argentinian issuers have been able to tap the debt markets with relative ease over the past 12 months, after being effectively shut out of the markets for the 3+ years preceding 2024. Reform momentum and macro stability in these two volatile jurisdictions increased investors' appetite for owning these assets;
- Cross-over investors have been very active buyers of EM corporate bonds in 2024. Despite the strong underlying performance, EM dedicated investors have continued to experience outflows. However, 2024 was a very strong year for global fixed income flows, and these investors have been very active in buying EM corporate bonds, IG in particular. They are the key reason credit spreads have been able to grind tighter;
- Brazil assets have broadly performed poorly in 2024 (FX, equities, rates, sovereign credit). However, to a large extent, Brazilian corporates have been able to buck this trend, primarily because of the strong demand for high quality corporate credit globally, and strong fundamentals for issuers. Local sentiment is very weak because of lack of confidence in the Lula administration, and concerns around the fiscal health of the government – these local investors tend to be more active in the equity and rates markets;
- Chinese stimulus measures continue to trickle and disappoint the market. And while the latest data suggests the property market has bottomed, the level of rebound in activity is not nearly enough to provide a recovery for badly bruised debt investors in the space. We continue to believe more substantial reforms and measures are needed to reverse the consumer and business confidence malaise the Chinese economy currently finds itself in.

OUTLOOK

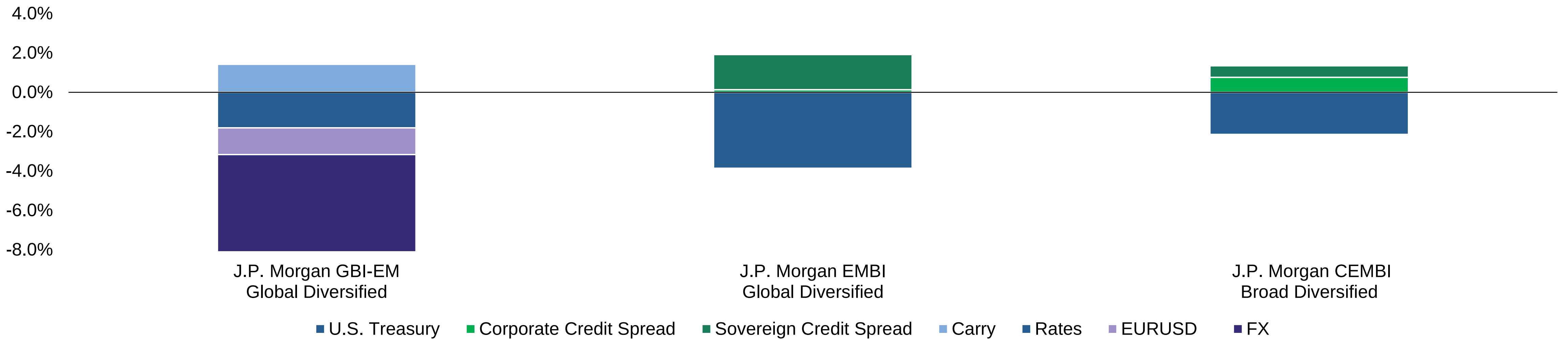
- Our outlook for EM corporates remains mixed. While we are excited about the health of the new issue market as it could bring new and interesting investment opportunities to the market, as well as the fundamental strength of existing issuers, credit spreads are fairly priced and offer limited room for any negative shocks. Comparisons with balance sheets of Developed Market corporates reminds us of the relative resiliency of EM corporate capital structures. As such, the EM corporate market can be a useful diversifier for investors looking to reduce their exposure to US and/or Euro corporate earnings streams.

Please reference page 2 "Important Information and Disclosure"

Q4 2024 RECAP

Index Performance Recap

Q4 2024



Index	FX	Eurusd Exchange Rate Move	Rates	Carry	Sovereign Credit Spread	Corporate Credit Spread	U.S. Treasury	Total Return
J.P. Morgan GBI-EM Global Diversified	-5.23%	-1.36%	-1.81%	1.42%	—	—	—	**-6.98%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	1.79%	0.13%	-3.86%	**-1.94%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.58%	0.76%	-2.14%	**-0.80%**

Source: J.P. Morgan, Morgan Stanley Investment Management calculations. Corporate Credit Spread and Sovereign Credit Spread return attributions are modeled by decomposing the overall spread return to its two components: the sovereign spread and the corporate spread over the sovereign. It is not possible to invest directly in an index. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. Please refer to page 39 for a description of each index.

Q4 2024 RECAP

Index Performance Recap

Q4 2024

Index	FX	Eurusd Exchange Rate Move	Rates	Carry	Sovereign Credit Spread	Corporate Credit Spread	U.S. Treasury	Total Return
J.P. Morgan GBI-EM Global Diversified	-5.23%	-1.36%	-1.81%	1.42%	—	—	—	**-6.98%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	1.79%	0.13%	-3.86%	**-1.94%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.58%	0.76%	-2.14%	**-0.80%**

2024

Index	FX	Eurusd Exchange Rate Move	Rates	Carry	Sovereign Credit Spread	Corporate Credit Spread	U.S. Treasury	Total Return
J.P. Morgan GBI-EM Global Diversified	-6.43%	-1.30%	-0.28%	5.63%	—	—	—	**-2.38%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	5.77%	0.91%	-0.15%	**6.54%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	2.33%	3.55%	1.75%	**7.63%**

Source: J.P. Morgan, Morgan Stanley Investment Management calculations. Corporate Credit Spread and Sovereign Credit Spread return attributions are modeled by decomposing the overall spread return to its two components: the sovereign spread and the corporate spread over the sovereign. It is not possible to invest directly in an index. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. Please refer to page 39 for a description of each index.

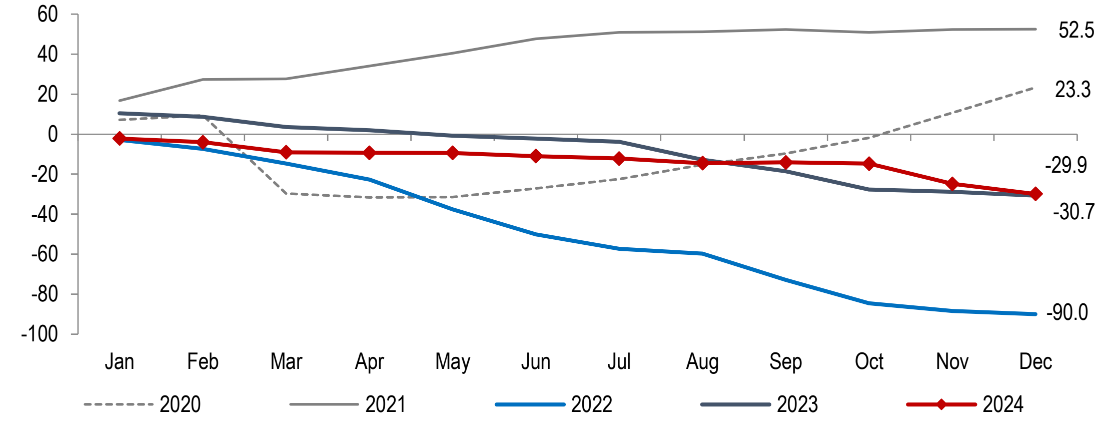
Q4 2024 RECAP

Technical: 2024 Flows

- Following two of the worst years in recent history for EMD outflows, outflows continued due to risk off investor concern. Although the pattern was not linear with a notable acceleration in outflows around the U.S. election.
- Hard currency inflows were strong during Q2, and then local currency funds were in inflows for September and October following the Fed rate cut. The final quarter of the year outflows from hard and local currency fund were notable reflecting investor concern.

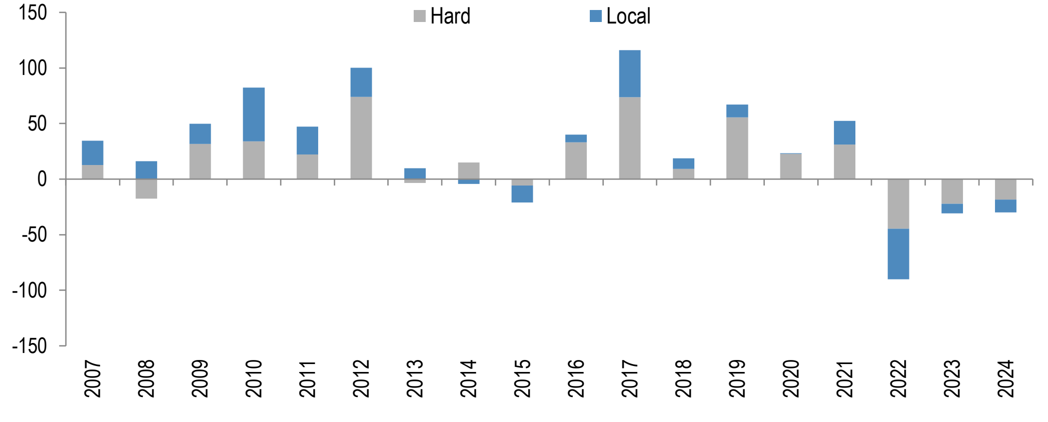
Annual Cumulative Bond Flows

US$ billions



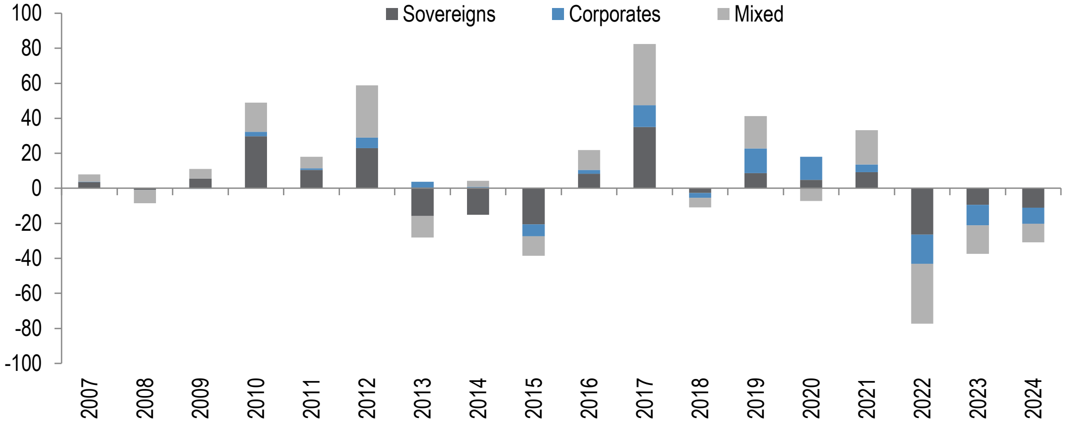
Annual Flows by Currency

US$ billions



Annual Flows by Sovereign/Corporate/Mixed (Retail)

US$ billions



Source for all charts above: JPMorgan. All data as 12/27/2024. For illustrative purposes only. **Past performance is no guarantee of future results.**

Rotating Topic

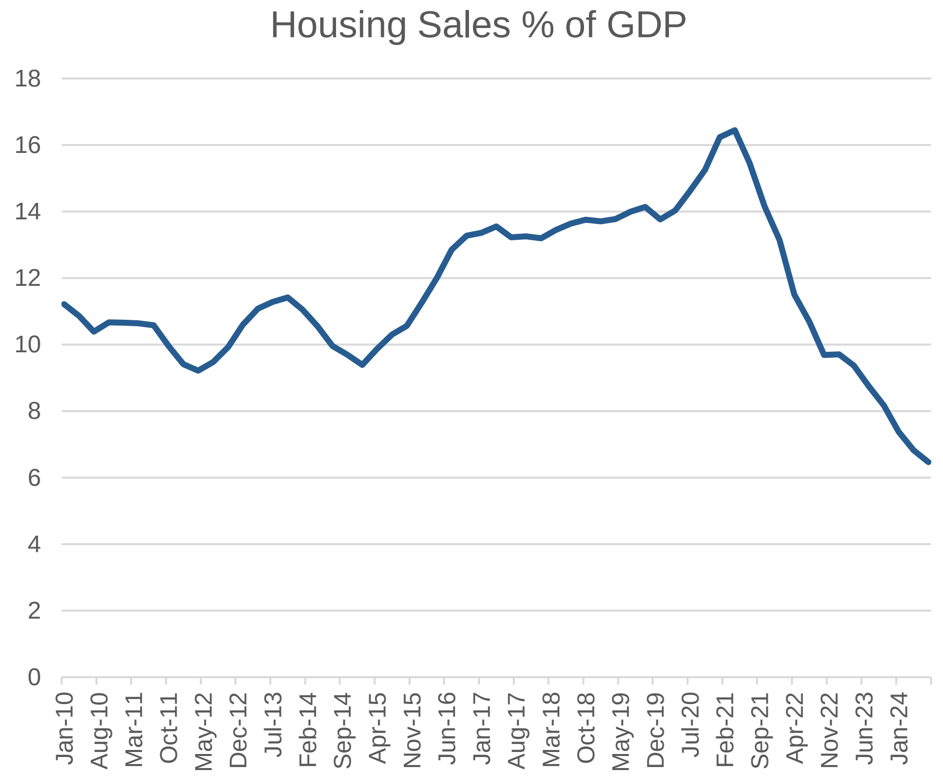
Asia Regional Update: China, elections, and beyond

ROTATING TOPIC

China: Coordinated Policy Measures

In September, the government announced stabilization measures for housing and the stock market. However, these are viewed as cyclical measure, rather than structural changes.

Sales began to bounce back in Q4 to lift sentiment.



Re-rating in stock prices to shore-up investor confidence.

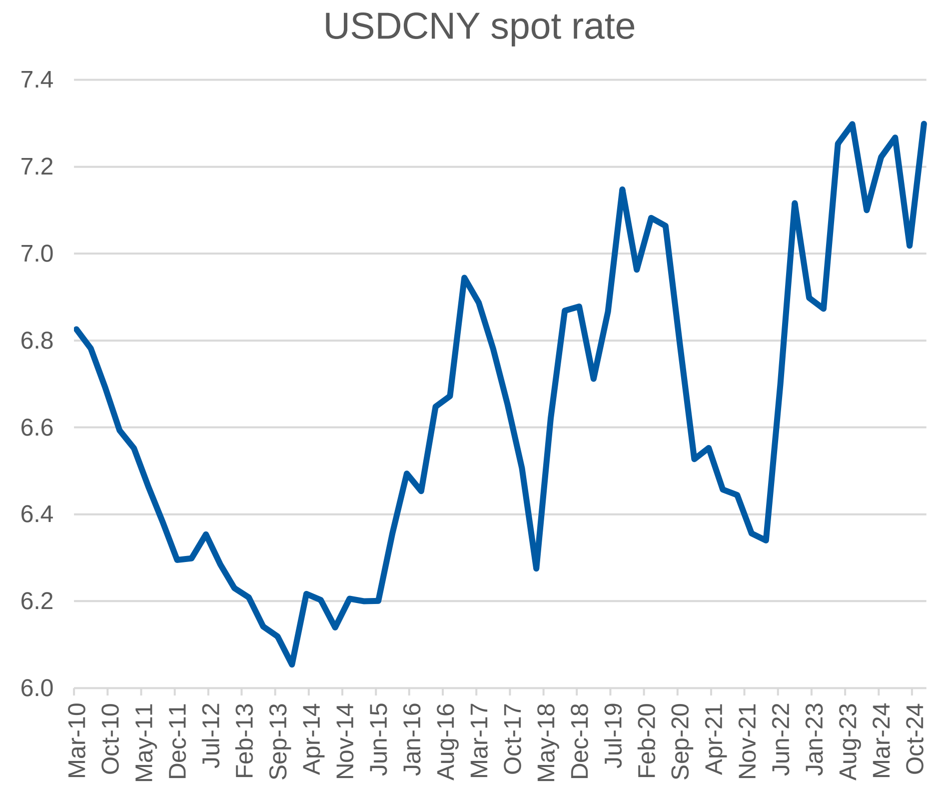
Source: Macrobond, Bloomberg. As of 12/31/202. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

ROTATING TOPIC

We don’t believe that these policy measures are fundamental changes that will alter the trends of Chinese debt assets.

PBOC has been in a cutting cycle and continued in September by reducing interest rates further

Inadequate reforms and poor sentiment continue to weight RMB.



Source: Macrobond, Bloomberg as of 12/31/2024. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

ROTATING TOPIC

Necessary Reforms

These reforms, if implemented, will help China lift and reach its growth potential.

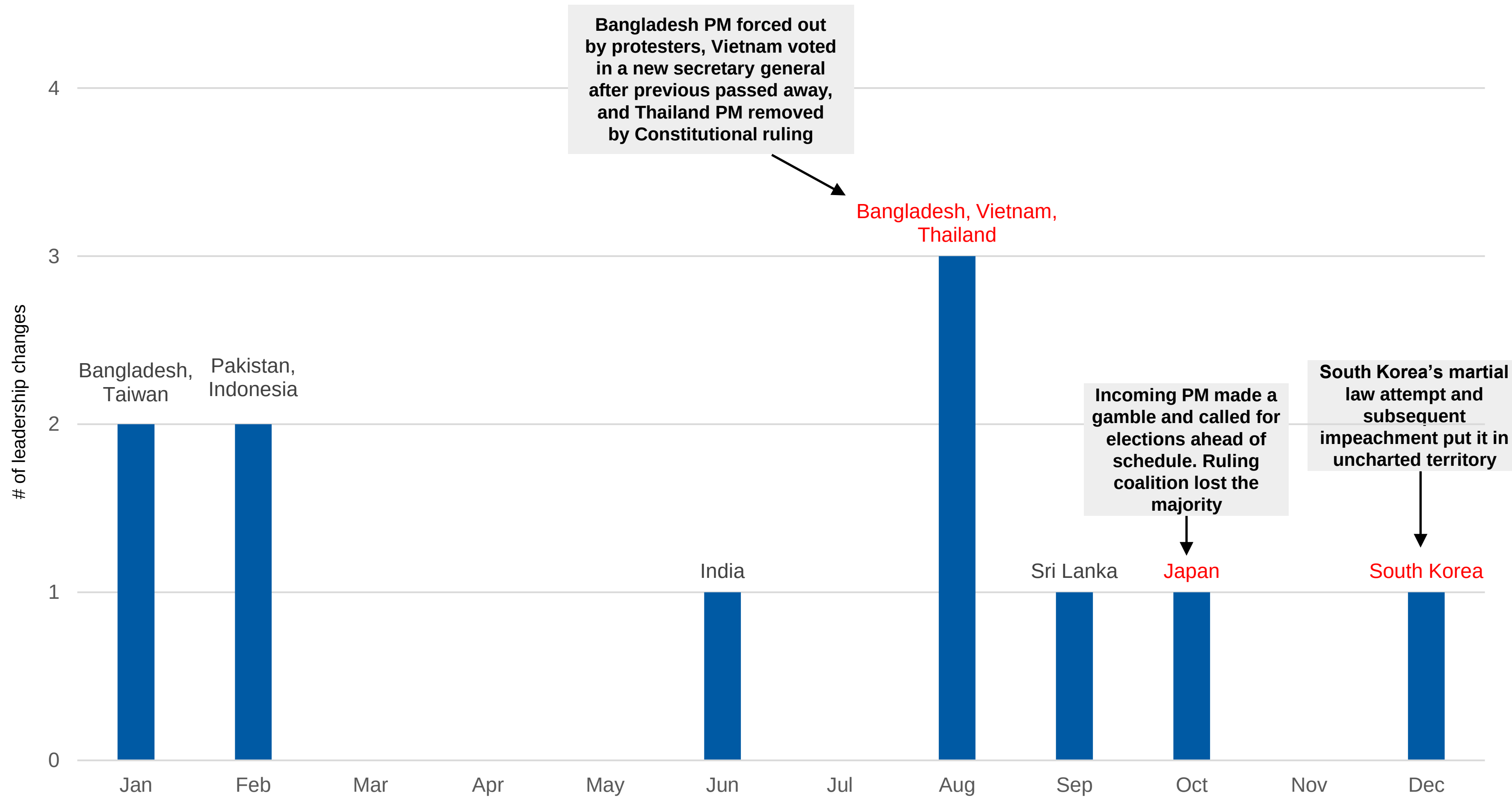
Reform	Current Implementation Status
Government support for pre-sale property delivery	YES
Retirement age increase	YES
Reduce infrastructure spending	NO
Reduce regulatory uncertainty on tech	NO
Stable US-China trade relations	NO
Hukou reform	NO
Pension reform	NO
Reduce industrial subsidies and incentives	NO
Open-up sectors for private sector and foreign ownership/competition	MIXED
Capital account opening	NO

As of 12/31/2024. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

ROTATING TOPIC

Regional Leadership Changes in 2024 (5 Unscheduled)

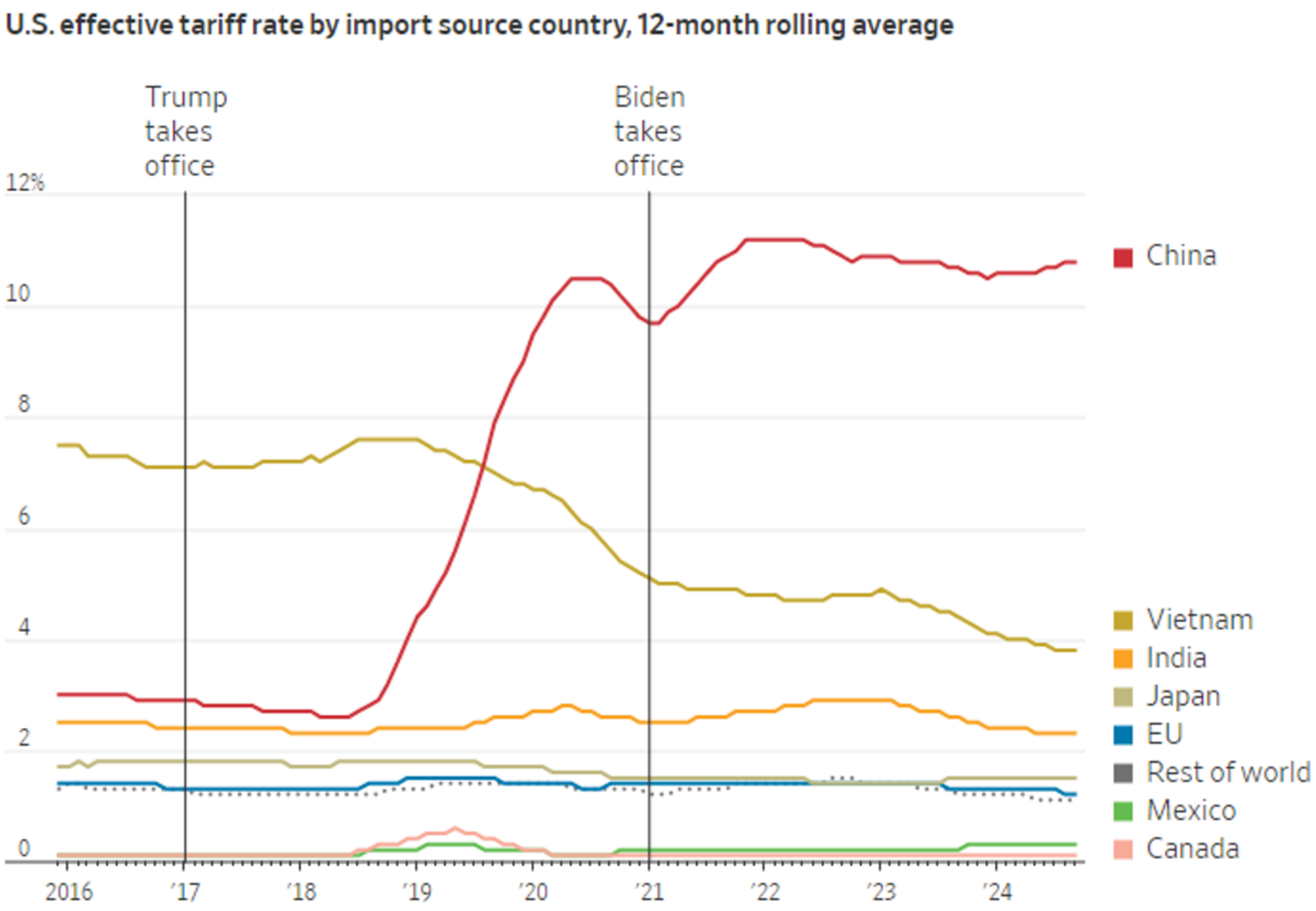
Some of the biggest political changes occurred in countries without elections.



As of 12/31/2024. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

ROTATING TOPIC

China and Trump tariffs



Source: WSJ, Trade Partnership World Wide, Census Bureau. As of 12/31/2024. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

ROTATING TOPIC

China and Trump tariffs

China's policy response matters. If these policies are implemented, it will help the partner countries diffuse the trade tension and lift their growth potential.

Potential Policy Responses

Currency reform
Reduce SOE role
Reduce industrial subsidy/incentives
Open-up sectors for foreign ownership/competition/imports
Reduce tariffs
Reduce non-tariff barriers
Enforce US rules of origins
Improve intellectual property protection
Good faith negotiations
Follow US sanction rules

As of 12/31/2024. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

ROTATING TOPIC

China and Trump tariffs

Examples of good and bad country responses

China: Disregarding partner's concerns turn economics into a zero-sum game

Xi says there is no such thing as 'China's overcapacity'

Updated: May 7, 2024 02:06 Xinhua

Chinese President Xi Jinping attends a China-France-EU trilateral meeting with French President Emmanuel Macron and European Commission President Ursula von der Leyen at Elysee Palace, in Paris, France, May 6, 2024. [Photo/Xinhua]

PARIS, May 6-- Whether viewed from the perspective of comparative advantage or global market demand, there is no such thing as "China's overcapacity problem," Chinese President Xi Jinping said here Monday.

Malaysia: Improving the business environment and openness can deliver returns

mk NEWS

M'sia welcomes proposed US tech giants' US$14.7b investment - PM

Bernama
Published: Oct 11, 2024 8:48 AM · Updated: 9:59 AM

Malaysia has welcomed the proposed US$14.7 billion investment by United States technology giants - Google, Microsoft, Enovix Corporation, Amazon Web Services, Abbott Laboratories, and Boeing.

Source: Xinhua, Bernama. As of 12/31/2024. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

Morgan Stanley | INVESTMENT MANAGEMENT

Q1 2025 Outlook

Q1 2025 Outlook

MACRO DRIVERS

- The US Fed cut rates at its December meeting which was largely expected. However, the shift in tone and outlook for future cuts in 2025 turned more restrictive than it was just a few months ago. EM central banks will continue to watch the actions of the Fed as they navigate future rate cuts.
- Real yields differential widened between EM and DM as the number of rate cuts moderated across emerging markets, but developed markets continued on their cutting cycle. Emerging markets inflation continued to come down, although at a slower rate, and the market stays cautious in anticipation of global policies that could trigger an uptick in inflation.
- While US politics are often not directly related to emerging markets, policies can have spillover effects. As the next administration comes into office, foreign policy and trade policy will begin to take shape – we will monitor how this may impact countries at an individual level.
- Geopolitical tensions increased during the quarter. The fall of the Assad regime along with the conflict that has expanded beyond Israel and Hamas may open the potential for a shift in the centers of influence and shift in alliances in the region.
- Investors appear concerned about the potential impact of “Trump 2.0” on EM. The asset class saw a sharp increase in outflows during the last quarter of the year and this pattern may continue as investors remain on guard.

COUNTRY DRIVERS

- China disappointed the market following its September coordinated policy measures when its November fiscal measures were lackluster. Going forward, China’s policy for managing Trump will start to materialize as potential tariffs start to take shape.
- 2024 was an important year for elections across the globe and 2025 offers the opportunity for additional inflection points. A number of countries have upcoming Presidential elections including Ecuador, Belarus, and Poland.
- Sri Lanka finalized its debt restructuring with a bond swap and the introduction of governance linked bonds. Zambia, Ghana, and Ethiopia continue to work through their restructurings.
- Given the uncertain macro backdrop, we continue to place an emphasis on differentiation amongst countries and credits in order to uncover value.

The views expressed are those of the Strategy’s investment team and are current only through the date stated on the cover of this presentation. These views are subject to change at any time without notice based upon market or other conditions, and Morgan Stanley Investment Management disclaims any responsibility to update such views. Different views and opinions may be expressed by others. These views may not be relied upon as investment advice and, because investment decisions are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Morgan Stanley Investment Management strategy. Please see additional important information and disclosure contained in the Appendix.

Q1 2025 OUTLOOK

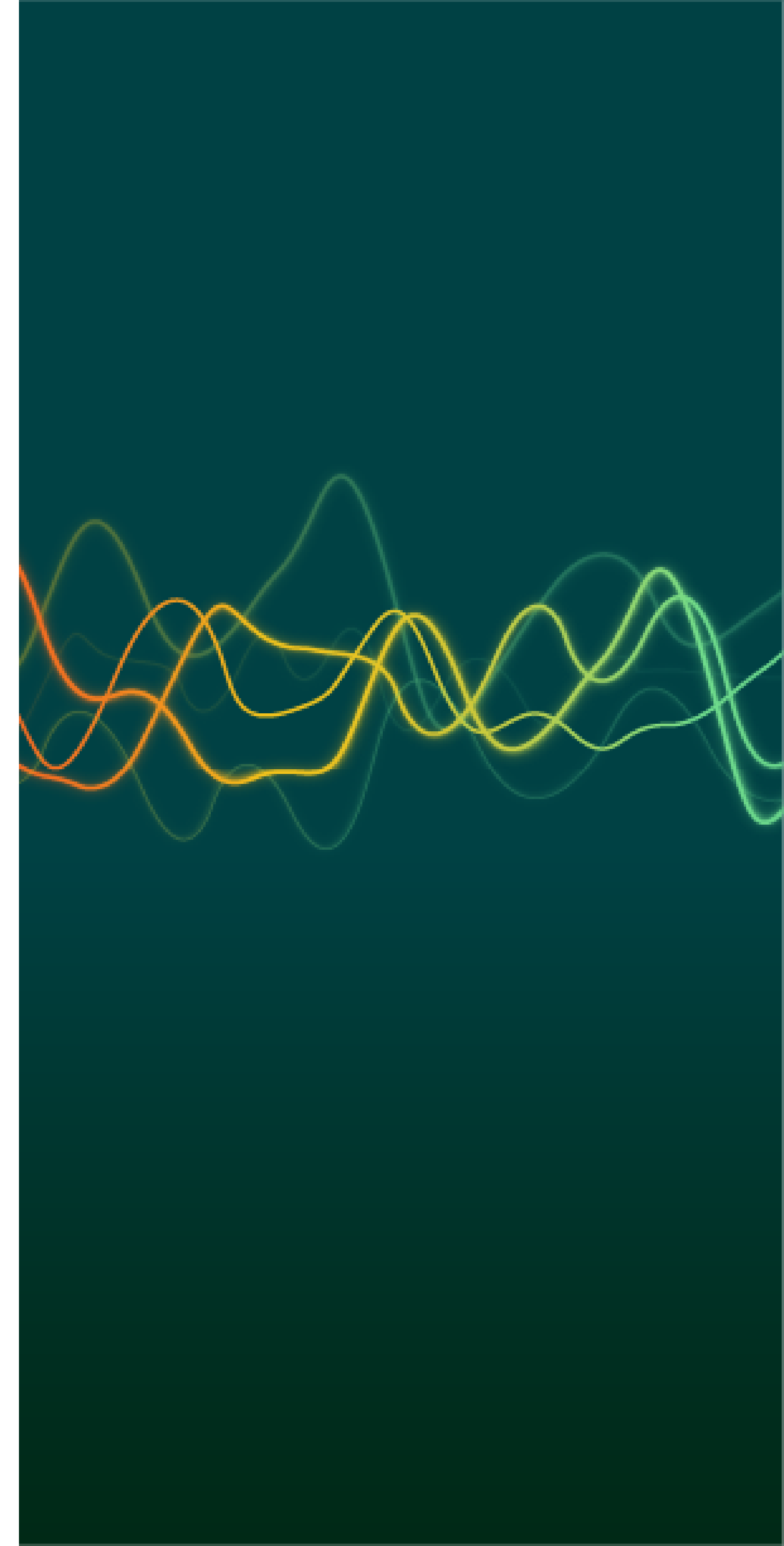
EMD Risk Factor Dashboard

Outlook and Summary

	Underweight	Moderate Underweight	Neutral	Moderate Overweight	Overweight	Summary
Currency			◆			We move currencies to neutral. The prospect for a stronger dollar and potentially restrictive foreign policy and trade policy from the US could hurt certain currencies.
Local Interest Rates				◆		We keep local rates at moderate overweight. Real-yield differentials remain wide and widened during the quarter. However, EM rate cuts may be more selective as the Fed turned less dovish.
Sovereign Credit		◆				We maintain sovereign credit at moderate underweight as spreads remain near long term averages. Off-benchmark countries continue to provide more valuable opportunities but there is less dispersion in the market.
Corporate Credit		◆				We keep corporate credit at moderate underweight. Spreads continued to compress and are near long term averages, but many exciting opportunities remain for investors dedicated to deep fundamental research.
EM Equity			◆			We move EM equity to neutral. Valuations remain low on absolute and relative basis. However, risks of US foreign policy and slowing China growth could be a headwind.

For informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The tactical views expressed above are a broad reflection of our team's views and implementations, expressed for client communication purposes. Individual team allocations may differ. The information herein does not contend to address the financial objectives, situation or specific needs of any individual investor. The signals represent the Teams view on each asset class..

EM FX



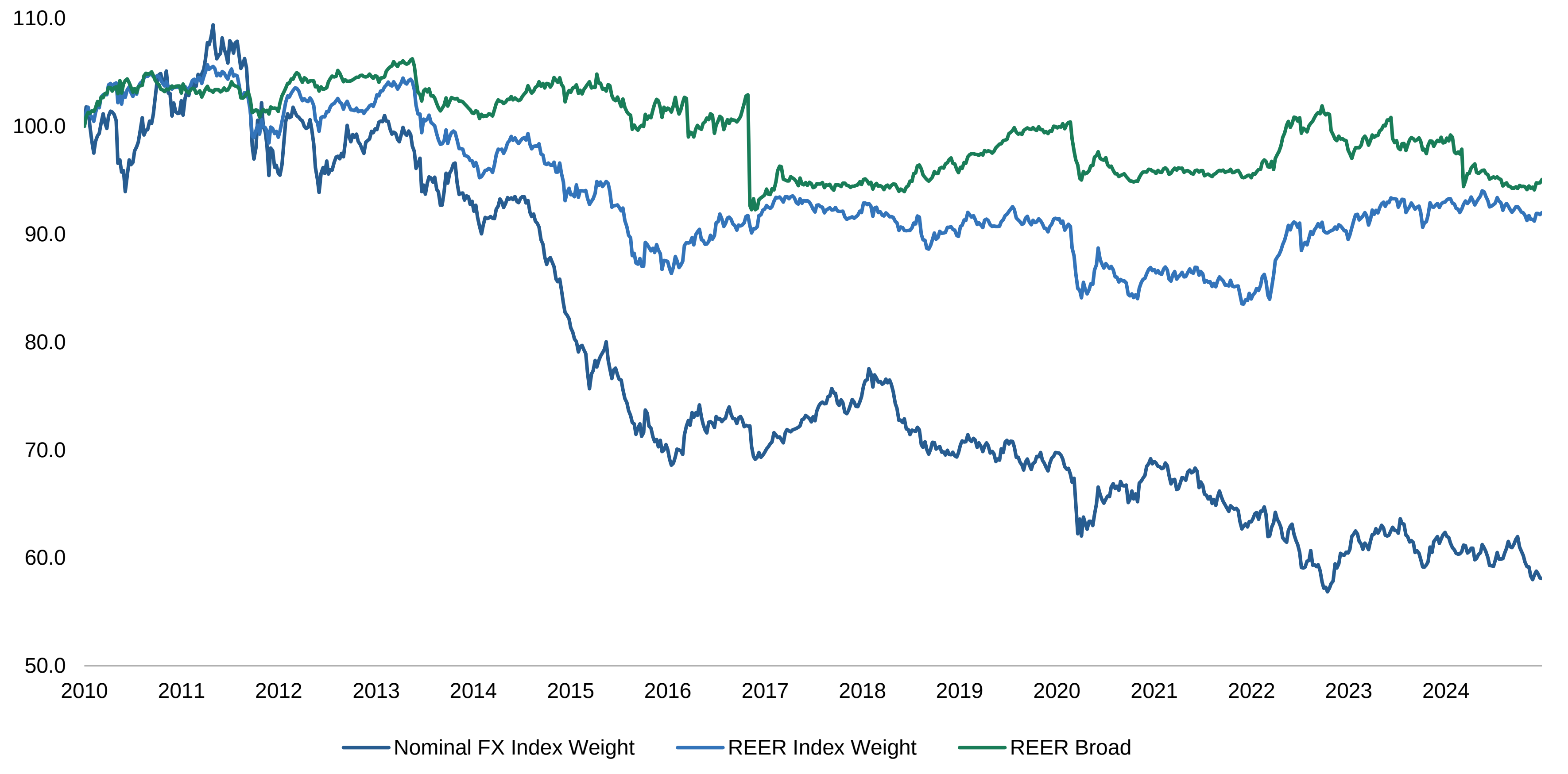
EM FX

EM currencies broadly weakened due to the backdrop of a strong US dollar and concern for EM following the US election.

Nominal FX Index Weight: Nominal FX (in GBI-EM Index) has weakened significantly since 2018.

REER Index Weight: But looking at real effective exchange rate (REER) is a better way to get a sense of value. This shows less of a decline but still highlights recent volatility and current value.

REER Broad: If you broaden the universe beyond the GBI-EM benchmark it shows that FX is not as cheap by this measure but value remains.

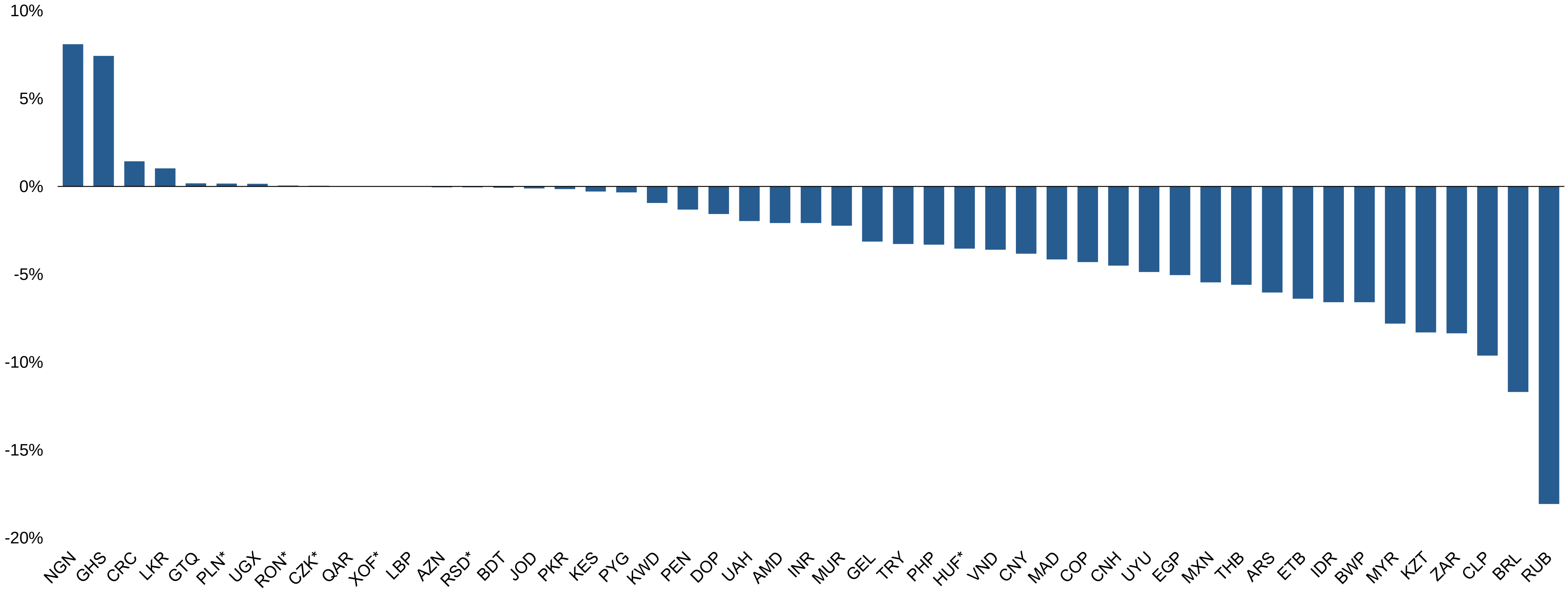


Source: J.P. Morgan, Barclays. Nominal FX Index Weight is the J.P. Morgan GBI-EM Global Diversified index currencies and weights. REER Index Weight is the Barclays real effective exchange rate data of the currencies in the J.P. Morgan GBI-EM GD. REER Broad uses Barclays real effective exchange rate data for the following countries equal weighted: Brazil, Chile, Colombia, Hungary, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Romania, South Africa, Thailand, Turkey, China, India, Uruguay, Vietnam, Nigeria, Egypt. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM FX

Although most EM currencies sold off, a few off-benchmark currencies rallied. The most notable were, the Nigerian naira, which rallied in response to the launch of an FX trading platform and the Ghanian cedi, due to a successful democratic election and IMF disbursement.

FX QoQ Change vs USD

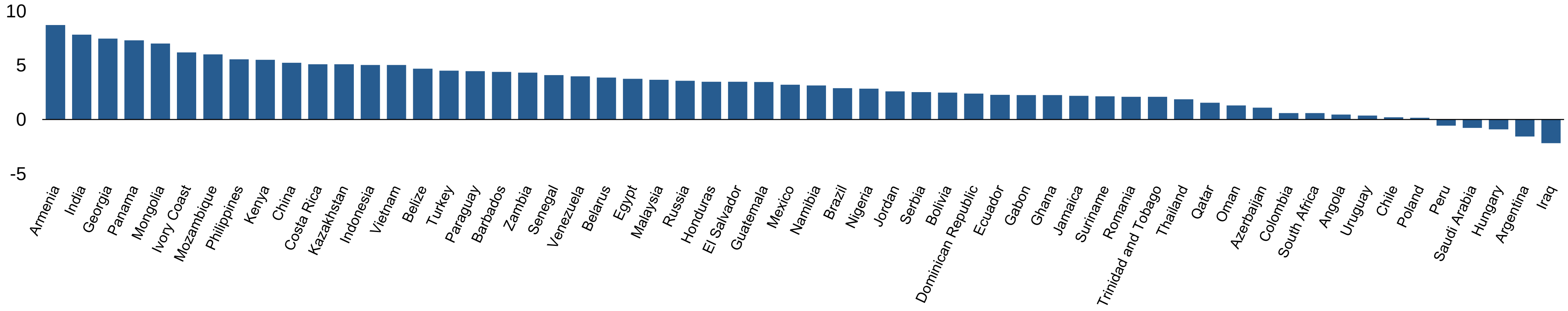


Source: Bloomberg, Morgan Stanley Investment Management. *Versus euro. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. Ethiopian Birr (ETB) was devalued during the period QoQ change -51%.

EM FX

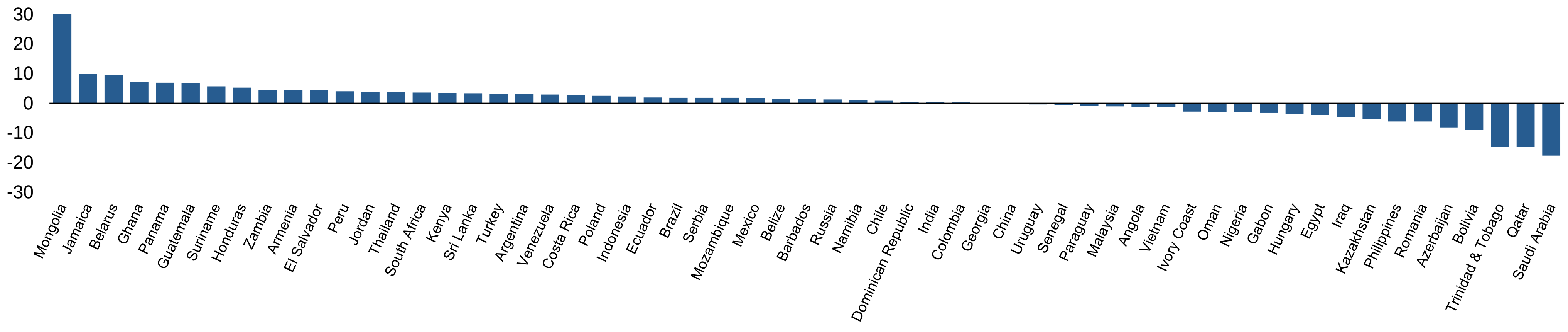
EM FX Likes Good Growth and Strong External Balance

% Change in IMF Growth Forecasts (From October 2023 WEO to April 2024 WEO)



Growth forecasts have generally improved as inflation has peaked in many markets.

Current Account % Change as % of GDP (2013 to 2024 Estimates)



Current account adjustments have been mixed, but commodity exporters have also generally fared better than importers.

Source: IMF World Economic Outlook (WEO). Data provided is for informational use only. See end of report for important additional information.

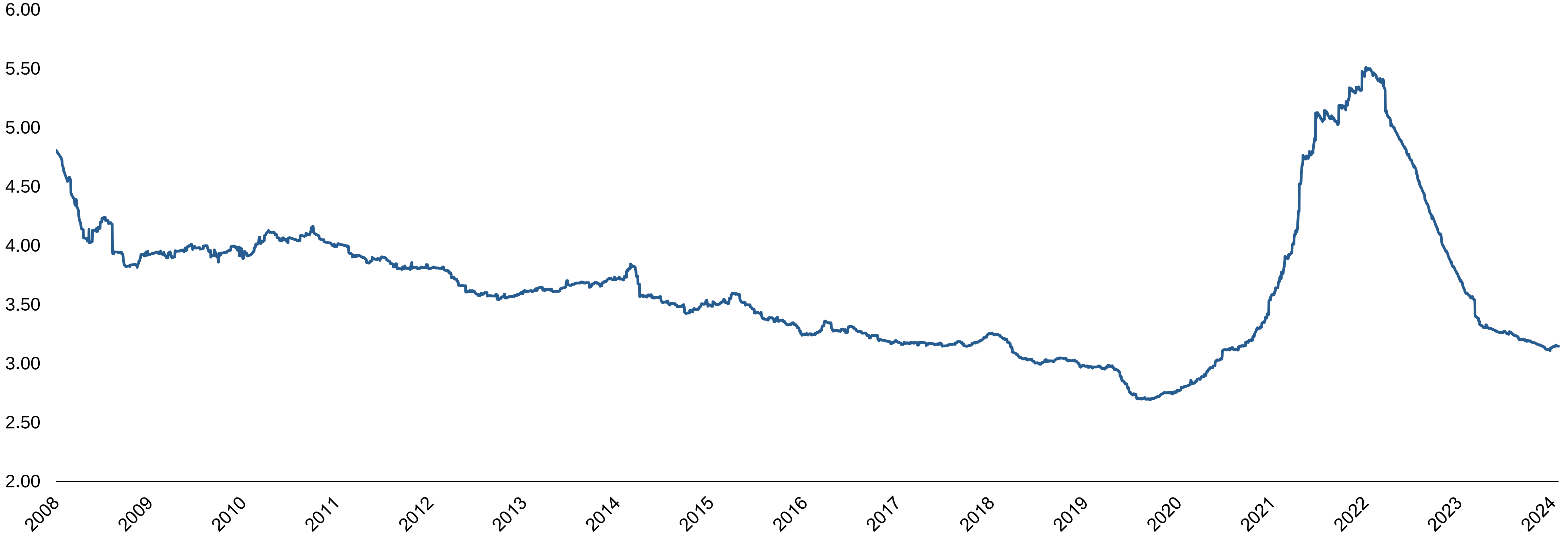
EM Interest Rates

EM INTEREST RATES

Emerging markets inflation continued to come down, although at a slower rate compared to earlier this year. EM central banks still have room to cut but they will keep an eye on developed market monetary policy activity.

EM Consensus CPI Expectations [1]

(% Change YOY)



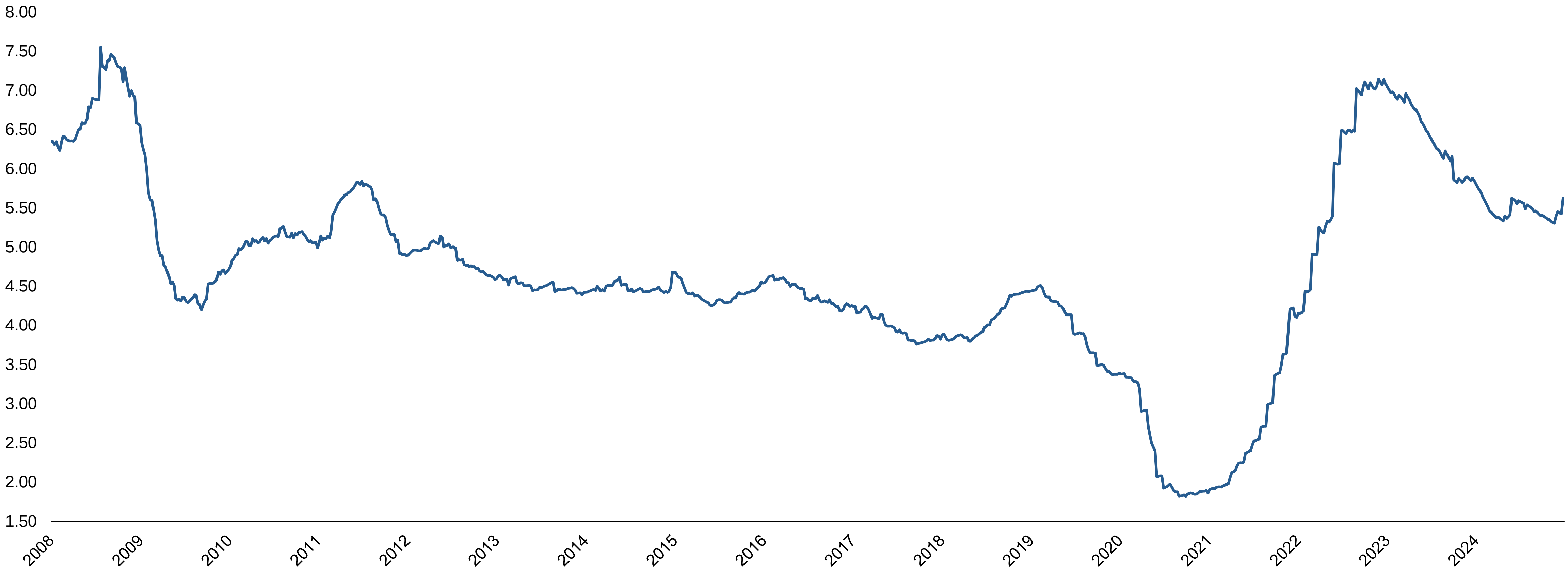
Source: Bloomberg, Morgan Stanley Investment Management. As of 12/31/2024.

1. Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified,. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

EM INTEREST RATES

Monetary policy activity has diverged over the past few months. While most EM central banks are still in cutting cycles, a handful of countries have paused, and Brazil has been in a consistent hiking cycle.

EM Consensus Policy Rate Expectations [1]



Source: Bloomberg, Morgan Stanley Investment Management. As of 12/31/2024.

1. Data is the equal weighted average of expected policy rates in 12 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM INTEREST RATES

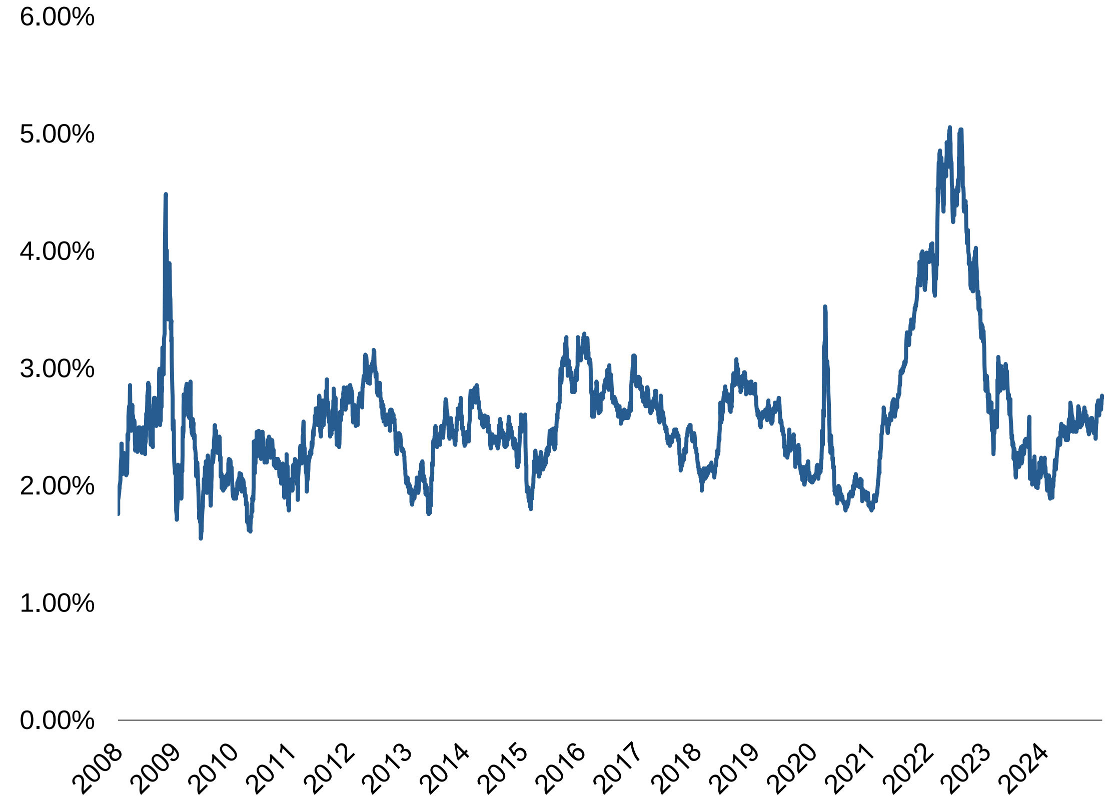
Real yield differentials moderately widened as inflation continued to decrease and DM central banks such as the US and UK cut rates. EM rate cuts moderated during the quarter but are expected to continue.

EM-DM Real Yields

(Using Inflation Forecasts)

EM-DM Real Yield Differential

(Using Inflation Forecasts)



Source: Bloomberg, J.P. Morgan, Morgan Stanley Investment Management. As of 12/31/2024. Real yields are calculated as nominal yield minus headline inflation expected in 18-30 months by economists surveyed by Bloomberg. Excludes Argentina, Turkey, and Romania. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

Morgan Stanley | INVESTMENT MANAGEMENT

EM Sovereign Credit

EM SOVEREIGN CREDIT

- Sovereign spreads tightened during the quarter.
- Notable bifurcation remains in the market and even increased during the period as lower credit-quality countries broadly outperformed higher-credit quality countries
- Fundamentals remain mixed although broadly appear to be improving. Fiscal policy will be critical moving forward and is likely to vary significantly by country
- As always, idiosyncratic troubled spots remain as do opportunities and, as always, specific circumstances need to be analyzed country-by-country

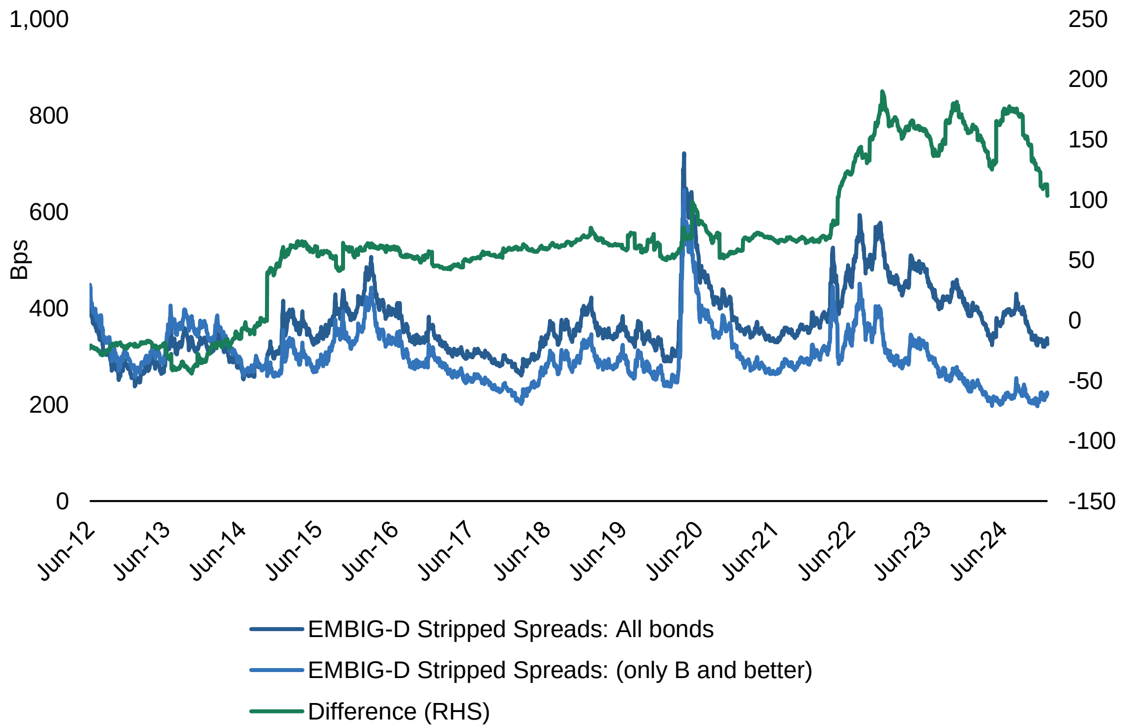
5-Year Equal Weight Sovereign Spread

bps

Source: J.P. Morgan, Barclays. Nominal FX Index Weight is the J.P. Morgan GBI-EM Global Diversified index currencies and weights. REER Index Weight is the Barclays real effective exchange rate data of the currencies in the J.P. Morgan GBI-EM GD. REER Broad uses Barclays real effective exchange rate data for the following countries equal weighted: Brazil, Chile, Colombia, Hungary, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Romania, South Africa, Thailand, Turkey, China, India, Uruguay, Vietnam, Nigeria, Egypt. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

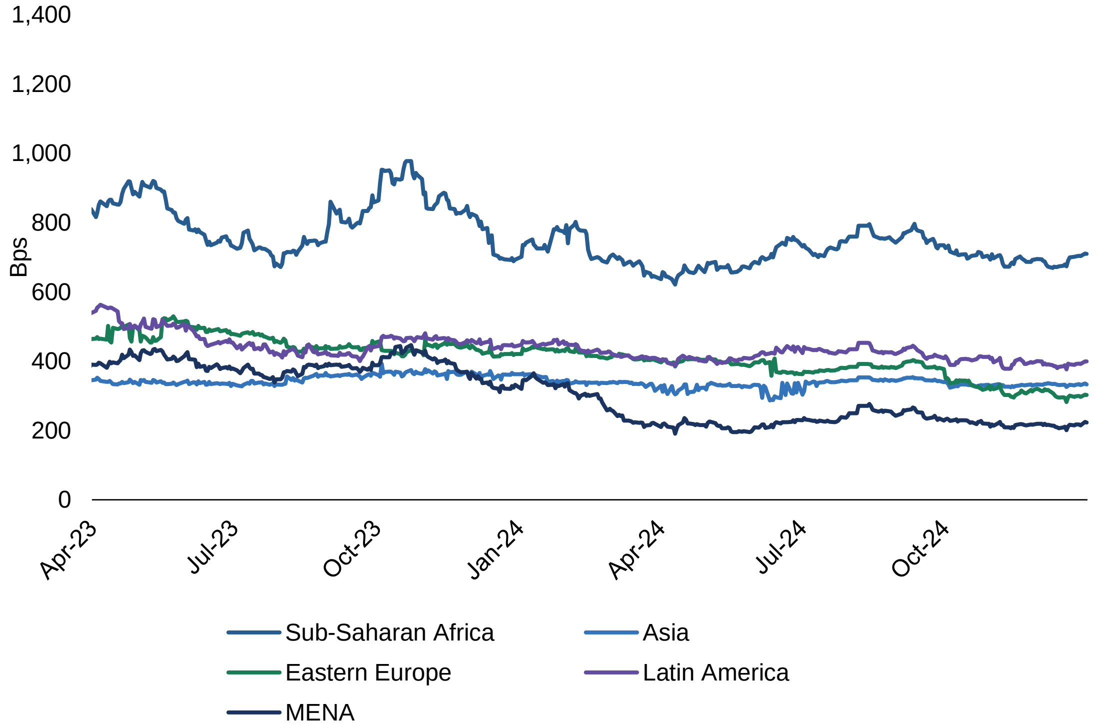
EM SOVEREIGN CREDIT

Country selection is particularly important to capture unique value and mispricings in lower quality issuers. Spread compression picked up in HY countries compared to IG.



Spreads tightened across all regions during the quarter.

5-Year Equal Weight Sovereign Spread by Region

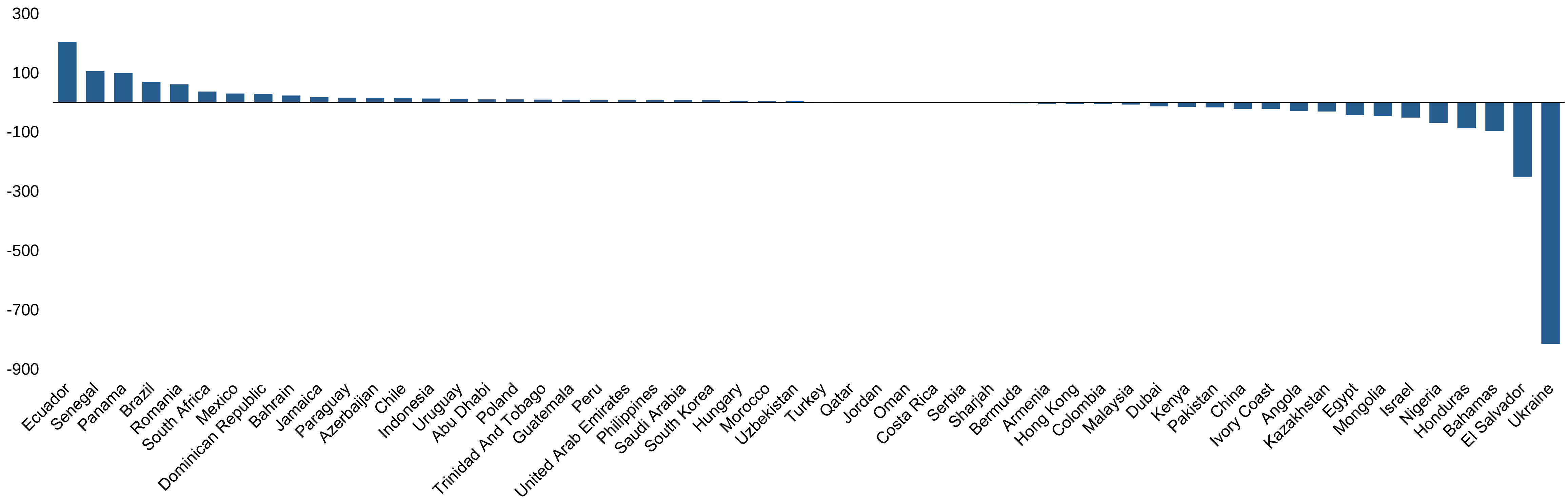


Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2024. Excludes Argentina. Underlying individual country spreads are capped at 2,000 bps. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs from EMBI data which is comprised of discount and premium bonds with different maturities. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

EM SOVEREIGN CREDIT

There was a wide dispersion among countries. Ukraine spreads compressed after a successful debt restructuring in September. The Senegal Economy Ministry announced that its debt and budget deficit were much wider than previously publicized causing spreads to widen.

Q4 2024 Change in 5-Year Spread

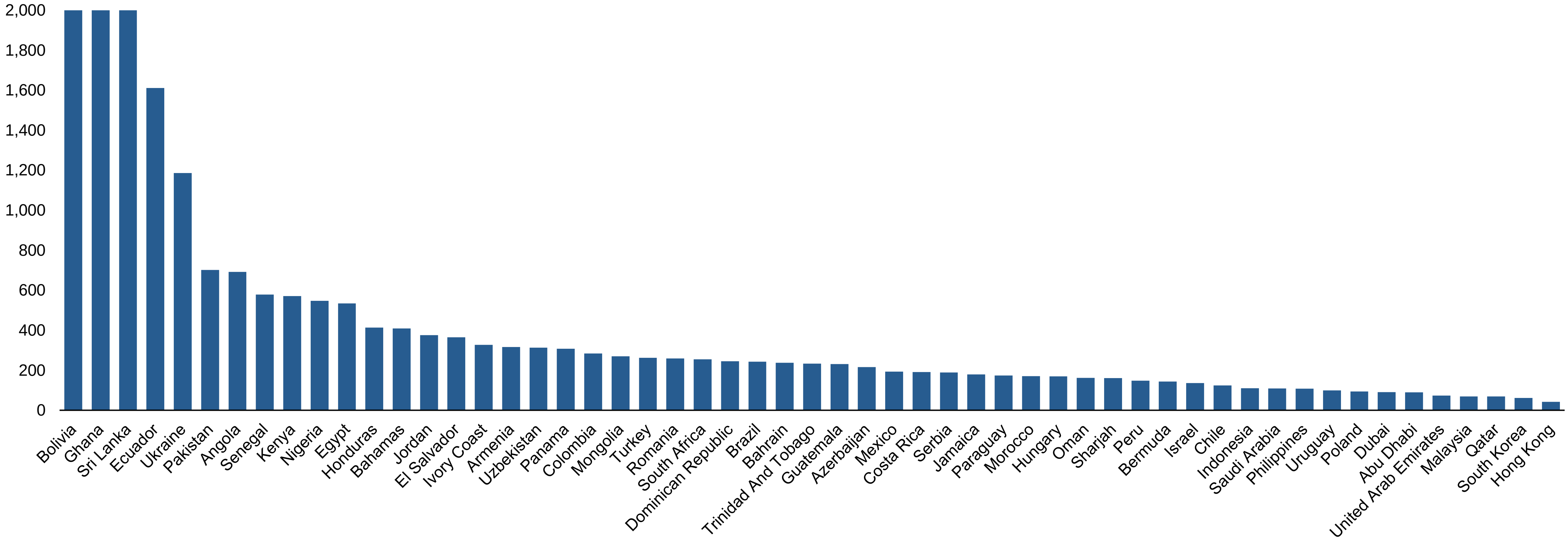


Underlying individual country spreads are capped at 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2024. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM SOVEREIGN CREDIT

Variance Among Issuers Increased while the Bifurcation based on Issuer Credit Quality Remained Notable

5-Year Spreads



Underlying individual country spreads are capped at 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2024. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

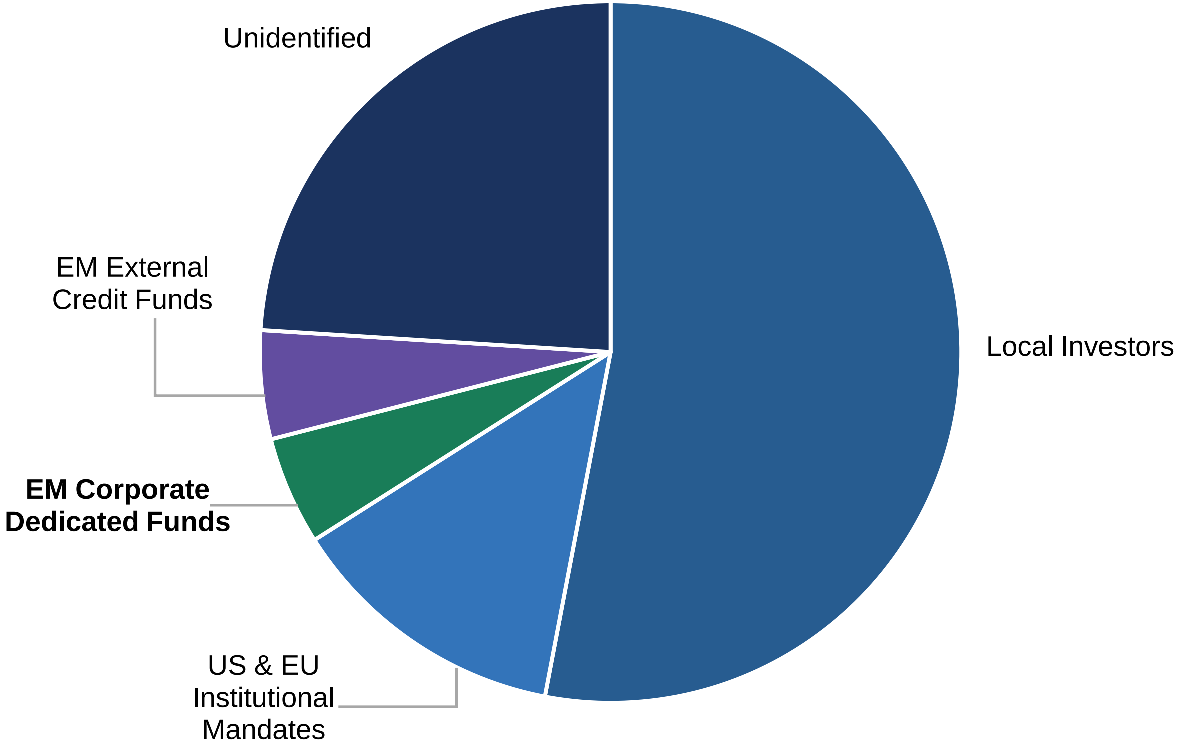
EM Corporate Credit

EM CORPORATE CREDIT

Investor Base

EM Corporate Debt Market is Unique Because of its Disparate Buyer Base

- The market attracts capital from a diverse mix of investors with various mandates from EM sovereign and global corporate strategies to local pension funds and
private banks.
- While dedicated EM corporate debt managers are growing in number and in size, this group remains a small subset of the buyer universe.
- Our expertise in, and focus on conducting detailed bottoms-up analysis on company fundamentals combined with our world-class sovereign research capabilities uniquely positions us to identify mispriced securities in the marketplace.



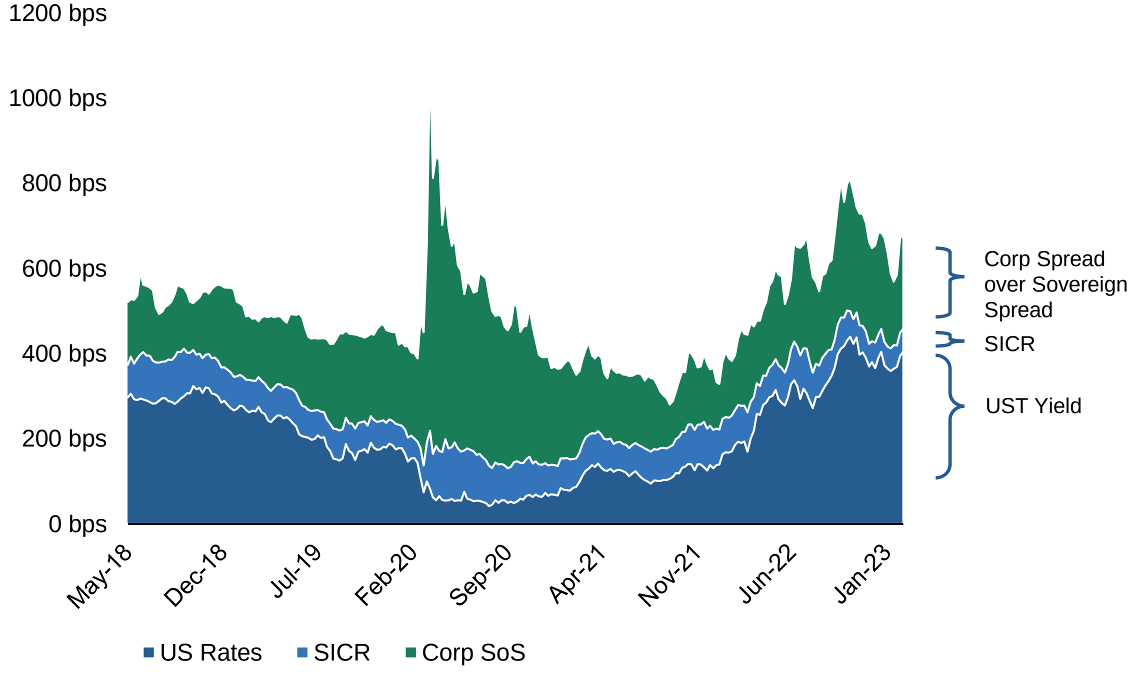
Source: JP Morgan Markets as of 12/31/2022. This represents how the portfolio management team generally implements its investment process under normal market conditions

EM CORPORATE CREDIT

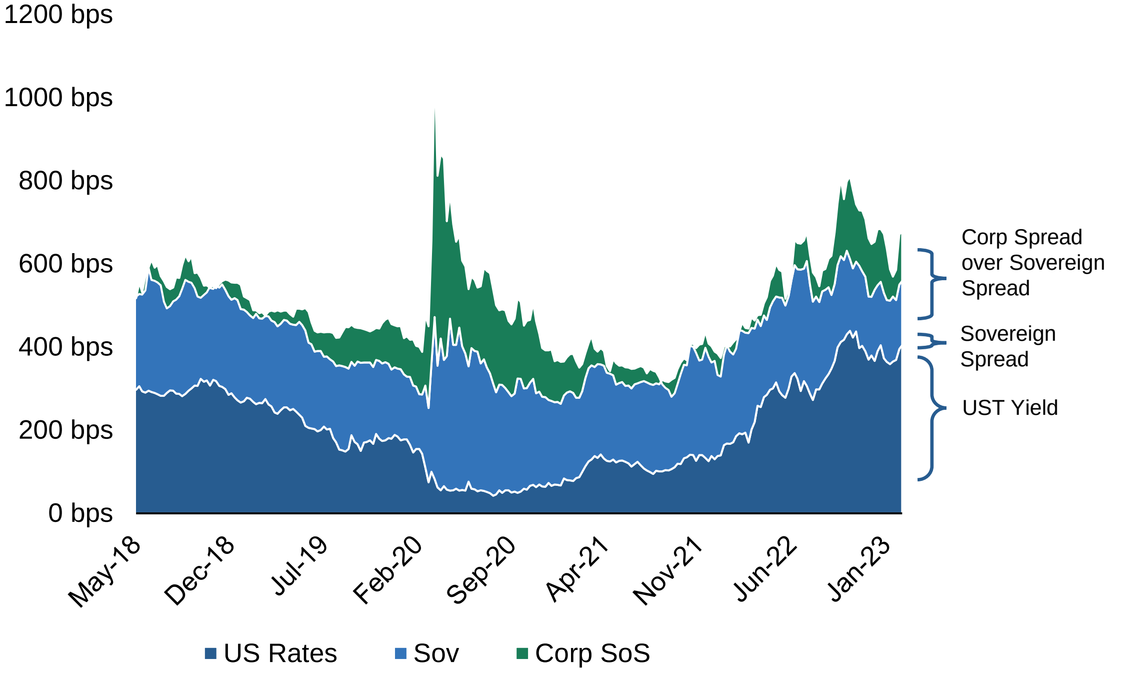
Our Approach

- We decompose risk premia into three components: **US treasury, sovereign-induced corporate credit (SICR), and corporate spread over sovereign spread.**
- We believe our proprietary SICR method most accurately isolates sovereign credit risk premium from corporate risk.
- SICR = Probability(Sovereign default ∩ Corporate default given sovereign default) x (1 - Loss given default)

South American Chemicals Company - Morgan Stanley's SICR Analysis



South American Chemicals Company – Traditional Analysis



Source: Morgan Stanley Investment Management proprietary data and calculations. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. This represents how the portfolio management team generally implements its investment process under normal market conditions.

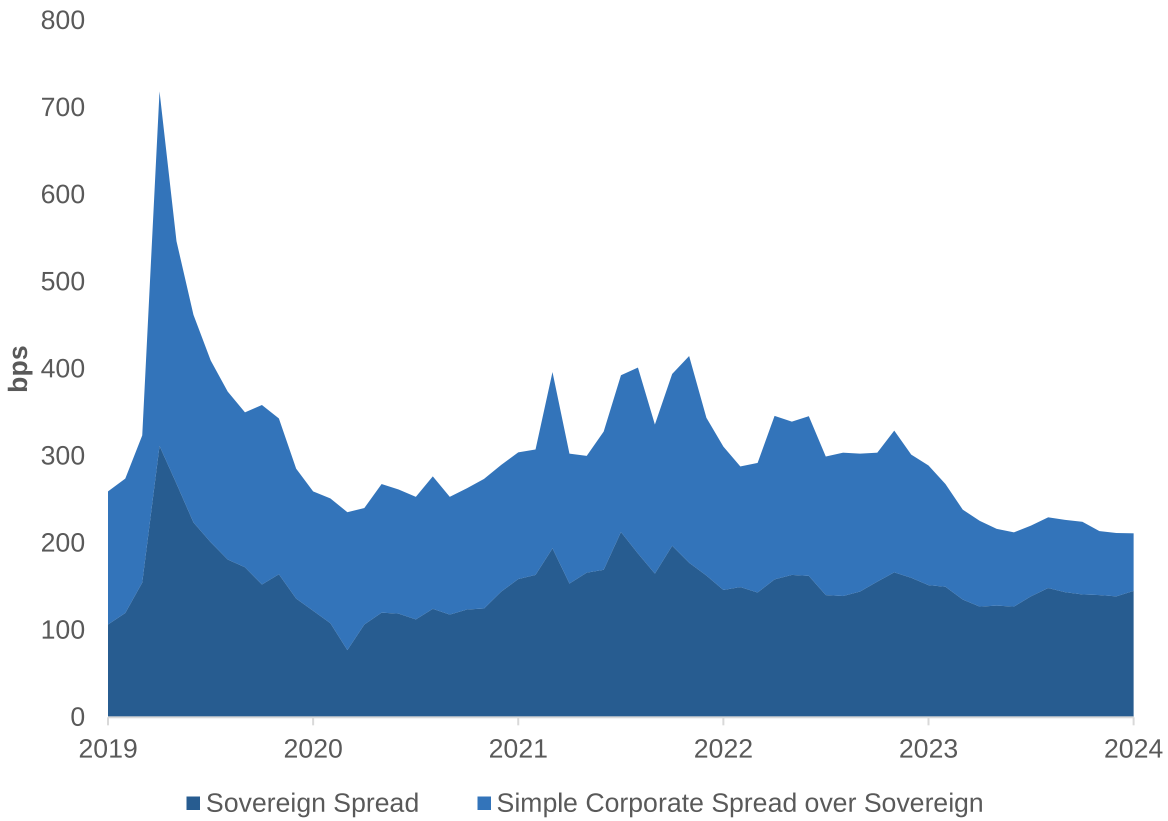
EM CORPORATE CREDIT

Valuations

Performance for the CEMBI Broad Diversified was strong in 2024, ending the year with total returns of 7.6% and credit spreads compression of 75bps, with the high yield segment significantly outperforming at 136bps of spread tightening. In addition to robust levels, fundamentals remain very strong fundamentals for underlying issuers across the investment universe and new bond supply has increased 40% since 2023.

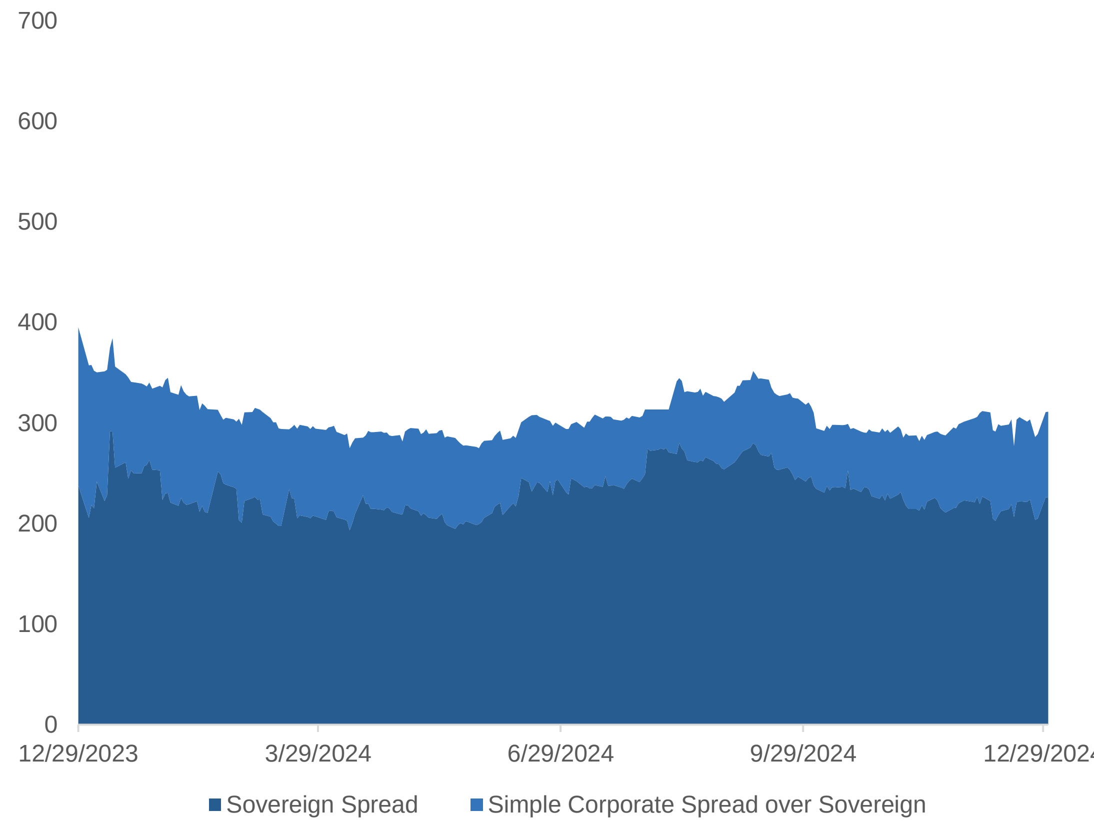
Spread Over Sovereign (CEMBI)

(5-Year Period)



Spread Over Sovereign (EV Universe)

(1-Year Period)



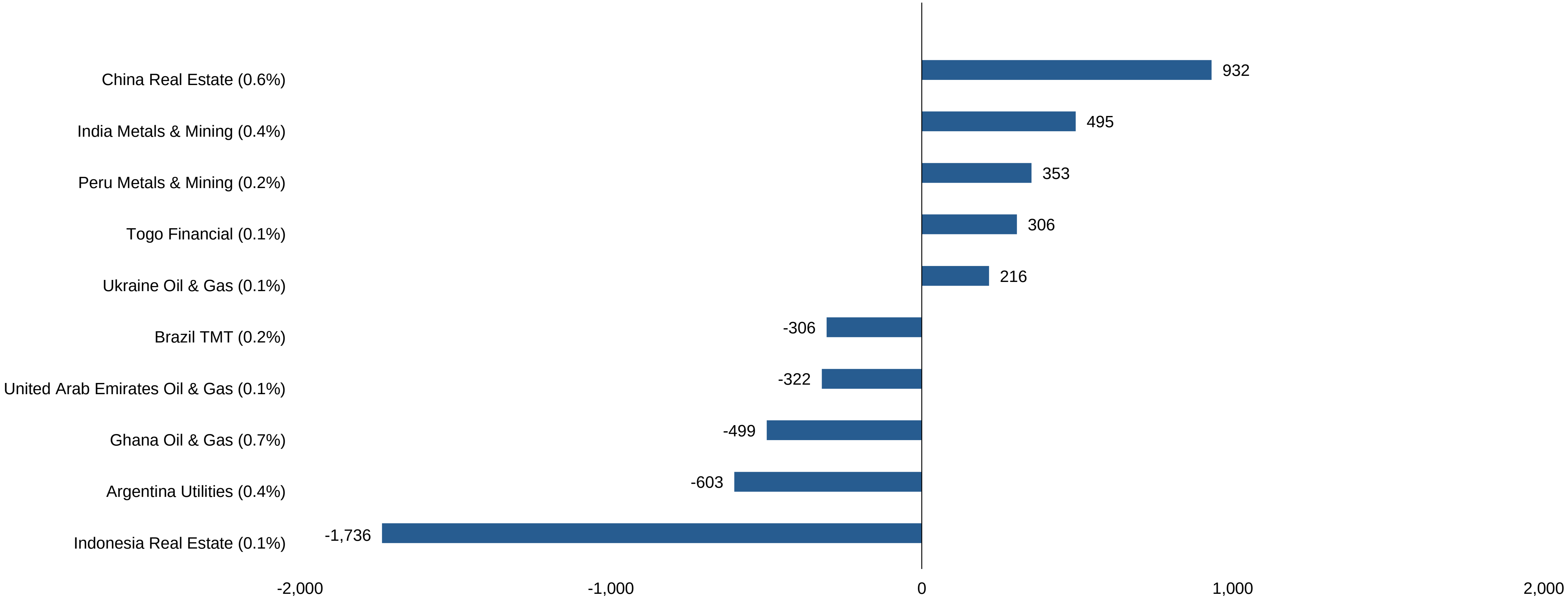
Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2024. CEMBI bonds used in calculation. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM CORPORATE CREDIT

Sector Spread Changes

The chart below highlights spread moves within the corporate asset class bucketed by country-sector (weighting is in parenthesis)

Q4 Top Country-Sector Spread Changes



Source: JP Morgan. As of 12/31/2024. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

IMPORTANT ADDITIONAL INFORMATION

Risk Considerations

RISK CONSIDERATIONS

There is no assurance that a Portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the Portfolio will decline and may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing . Fixed-income securities are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, currency exchange rates or other conditions. In emerging or frontier countries, these risks may be more significant. Investors should be aware that this strategy may be subject to additional risks, which should be carefully considered prior to any investment decision

IMPORTANT ADDITIONAL INFORMATION

Risk Considerations

ABOUT ASSET CLASS COMPARISONS:

Elements of this report include comparisons of different asset classes, each of which has distinct risk and return characteristics. Every investment carries risk, and principal values and performance will fluctuate with all asset classes shown, sometimes substantially. Asset classes shown are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. All asset classes shown are subject to risks, including possible loss of principal invested.

The principal risks involved with investing in the asset classes shown are interest-rate risk, credit risk and liquidity risk, with each asset class shown offering a distinct combination of these risks. Generally, considered along a spectrum of risks and return potential, U.S. Treasury securities (which are guaranteed as to the payment of principal and interest by the U.S. government) offer lower credit risk, higher levels of liquidity, higher interest-rate risk and lower return potential, whereas asset classes such as high-yield corporate bonds and emerging market bonds offer higher credit risk, lower levels of liquidity, lower interest-rate risk and higher return potential. Other asset classes shown carry different levels of each of these risk and return characteristics, and as a result generally fall varying degrees along the risk/return spectrum.

Costs and expenses associated with investing in asset classes shown will vary, sometimes substantially, depending upon specific investment vehicles chosen. No investment in the asset classes shown is insured or guaranteed, unless explicitly stated for a specific investment vehicle. Interest income earned on asset classes shown is subject to ordinary federal, state and local income taxes, excepting U.S. Treasury securities (exempt from state and local income taxes) and municipal securities (exempt from federal income taxes, with certain securities exempt from federal, state and local income taxes). In addition, federal and/or state capital gains taxes may apply to investments that are sold at a profit. Morgan Stanley Investment Management does not provide tax or legal advice. Prospective investors should consult with a tax or legal advisor before making any investment decision.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. **A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required. For important information about the investment managers, please refer to Form ADV Part 2.**

Credit ratings that may be referenced are based on Moody's, S&P or Fitch, as applicable. Credit ratings are based largely on the rating agency's investment analysis at the time of rating and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. The rating assigned to a security by a rating agency does not necessarily reflect its assessment of the volatility of a security's market value or of the liquidity of an investment in the security. Ratings of BBB or higher by Standard and Poor's or Fitch (Baa or higher by Moody's) are considered to be investment grade quality.

INDEX DEFINITIONS:

J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified is an emerging market debt benchmark that tracks local currency bonds issued by emerging market governments. **J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified** is an unmanaged index of USD-denominated bonds with maturities of more than one year issued by emerging markets governments. **J.P. Morgan Corporate Emerging Market Bond Index (CEMBI) Broad Diversified** is an unmanaged index of USD-denominated emerging market corporate bonds. **ICE BAML U.S. High Yield Index** is an unmanaged index of below-investment grade U.S. corporate bonds. **ICE BAML US Corporate Index** is an unmanaged index that measures the performance of investment-grade corporate securities.

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan’s prior written approval. Copyright 2019, J.P. Morgan Chase & Co. All rights reserved.

ICE® BofAML® indices are not for redistribution or other uses; provided “as is”, without warranties, and with no liability. Morgan Stanley Investment Management has prepared this report and ICE Data Indices, LLC does not endorse it, or guarantee, review, or endorse Morgan Stanley Investment Management’s products. BofAML® is a licensed registered trademark of Bank of America Corporation in the United States and other countries.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. **A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required. For important information about the investment managers, please refer to Form ADV Part 2.**

IMPORTANT ADDITIONAL INFORMATION

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

Forecasts and/or estimates provided herein are subject to change and may not actually come to pass. Information regarding expected market returns and market outlooks is based on the research, analysis and opinions of the authors or the investment team. These conclusions are speculative in nature, may not come to pass and are not intended to predict the future performance of any specific strategy or product the Firm offers. Future results may differ significantly depending on factors such as changes in securities or financial markets or general economic conditions.

This material has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and the Firm has not sought to independently verify information taken from public and third-party sources.

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

Charts and graphs provided herein are for illustrative purposes only. **Past performance is no guarantee of future results**.

The indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto.

The Firm has not authorised financial intermediaries to use and to distribute this material, unless such use and distribution is made in accordance with applicable law and regulation. Additionally, financial intermediaries are required to satisfy themselves that the information in this material is appropriate for any person to whom they provide this material in view of that person's circumstances and purpose. The Firm shall not be liable for, and accepts no liability for, the use or misuse of this material by any such financial intermediary.

This material may be translated into other languages. Where such a translation is made this English version remains definitive. If there are any discrepancies between the English version and any version of this material in another language, the English version shall prevail.

The whole or any part of this material may not be directly or indirectly reproduced, copied, modified, used to create a derivative work, performed, displayed, published, posted, licensed, framed, distributed or transmitted or any of its contents disclosed to third parties without the Firm's express written consent. This material may not be linked to unless such hyperlink is for personal and non-commercial use. All information contained herein is proprietary and is protected under copyright and other applicable law.

Morgan Stanley Investment Management is part of Morgan Stanley Investment Management. Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

DISTRIBUTION

This material is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

MSIM, the asset management division of Morgan Stanley (NYSE: MS), and its affiliates have arrangements in place to market each other's products and services. Each MSIM affiliate is regulated as appropriate in the jurisdiction it operates. MSIM's affiliates are: Eaton Vance Management (International) Limited, Eaton Vance Advisers International Ltd, Calvert Research and Management, Eaton Vance Management, Parametric Portfolio Associates LLC, and Atlanta Capital Management LLC.

This material has been issued by any one or more of the following entities:

IMPORTANT ADDITIONAL INFORMATION

EMEA

This material is for Professional Clients/Accredited Investors only.

In the EU, MSIM and Eaton Vance materials are issued by MSIM Fund Management (Ireland) Limited (“FMIL”). FMIL is regulated by the Central Bank of Ireland and is incorporated in Ireland as a private company limited by shares with company registration number 616661 and has its registered address at 24-26 City Quay, Dublin 2, DO2 NY19, Ireland.

Outside the EU, MSIM materials are issued by Morgan Stanley Investment Management Limited (MSIM Ltd) is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

In Switzerland, MSIM materials are issued by Morgan Stanley & Co. International plc, London (Zurich Branch) Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland.

Outside the US and EU, Eaton Vance materials are issued by Eaton Vance Management (International) Limited (“EVMI”) 125 Old Broad Street, London, EC2N 1AR, UK, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

Italy: MSIM FMIL (Milan Branch), (Sede Secondaria di Milano) Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy. The **Netherlands:** MSIM FMIL (Amsterdam Branch), Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. **France:** MSIM FMIL (Paris Branch), 61 rue de Monceau 75008 Paris, France. **Spain:** MSIM FMIL (Madrid Branch), Calle Serrano 55, 28006, Madrid, Spain. **Germany**: MSIM FMIL Frankfurt Branch, Große Gallusstraße 18, 60312 Frankfurt am Main, Germany (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG). **Denmark:** MSIM FMIL (Copenhagen Branch), Gorrissen Federspiel, Axel Towers, Axeltorv2, 1609 Copenhagen V, Denmark.

MIDDLE EAST

Dubai: MSIM Ltd (Representative Office, Unit Precinct 3-7th Floor-Unit 701 and 702, Level 7, Gate Precinct Building 3, Dubai International Financial Centre, Dubai, 506501, United Arab Emirates. Telephone: +97 (0)14 709 7158).

This document is distributed in the Dubai International Financial Centre by Morgan Stanley Investment Management Limited (Representative Office), an entity regulated by the Dubai Financial Services Authority (“DFSA”). It is intended for use by professional clients and market counterparties only. This document is not intended for distribution to retail clients, and retail clients should not act upon the information contained in this document.

U.S.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

ASIA PACIFIC

Hong Kong: This material is disseminated by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to “professional investors” as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this material have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this material shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong. **Singapore:** This material is disseminated by Morgan Stanley Investment Management Company and may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than to (i) an accredited investor (ii) an expert investor or (iii) an institutional investor as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”); or (iv) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. This publication has not been reviewed by the Monetary Authority of Singapore. **Australia:** This material is provided by Morgan Stanley Investment Management (Australia) Pty Ltd ABN 22122040037, AFSL No. 314182 and its affiliates and does not constitute an offer of interests. Morgan Stanley Investment Management (Australia) Pty Limited arranges for MSIM affiliates to provide financial services to Australian wholesale clients. Interests will only be offered in circumstances under which no disclosure is required under the Corporations Act 2001 (Cth) (the “Corporations Act”). Any offer of interests will not purport to be an offer of interests in circumstances under which disclosure is required under the Corporations Act and will only be made to persons who qualify as a “wholesale client” (as defined in the Corporations Act). This material will not be lodged with the Australian Securities and Investments Commission.

IMPORTANT ADDITIONAL INFORMATION

Japan

For professional investors, this material is circulated or distributed for informational purposes only. For those who are not professional investors, this material is provided in relation to Morgan Stanley Investment Management (Japan) Co., Ltd. ("MSIMJ")'s business with respect to discretionary investment management agreements ("IMA") and investment advisory agreements ("IAA"). This is not for the purpose of a recommendation or solicitation of transactions or offers any particular financial instruments. Under an IMA, with respect to management of assets of a client, the client prescribes basic management policies in advance and commissions MSIMJ to make all investment decisions based on an analysis of the value, etc. of the securities, and MSIMJ accepts such commission. The client shall delegate to MSIMJ the authorities necessary for making investment. MSIMJ exercises the delegated authorities based on investment decisions of MSIMJ, and the client shall not make individual instructions. All investment profits and losses belong to the clients; principal is not guaranteed. Please consider the investment objectives and nature of risks before investing. As an investment advisory fee for an IAA or an IMA, the amount of assets subject to the contract multiplied by a certain rate (the upper limit is 2.20% per annum (including tax)) shall be incurred in proportion to the contract period. For some strategies, a contingency fee may be incurred in addition to the fee mentioned above. Indirect charges also may be incurred, such as brokerage commissions for incorporated securities. Since these charges and expenses are different depending on a contract and other factors, MSIMJ cannot present the rates, upper limits, etc. in advance. All clients should read the Documents Provided Prior to the Conclusion of a Contract carefully before executing an agreement. This material is disseminated in Japan by MSIMJ, Registered No. 410 (Director of Kanto Local Finance Bureau (Financial Instruments Firms)), Membership: the Japan Securities Dealers Association, The Investment Trusts Association, Japan, the Japan Investment Advisers Association and the Type II Financial Instruments Firms Association.

© 2025 Morgan Stanley. All rights reserved.

4145014 expiration 12/31/2025

42156 1.13.25