

A Sub-Fund of Morgan Stanley Investment Funds

Emerging Markets Debt Fund

EMERGING MARKETS DEBT TEAM

Performance Review

In the one month period ending 30 September 2025, the Fund's I shares returned 1.74% (net of fees)¹, while the benchmark returned 1.78%.

Contributors to Relative Performance

- An overweight to Ukrainian sovereign credit contributed to performance as President Trump renewed his support for Ukraine while expressing frustration with President Putin.
- An overweight to Ethiopian sovereign credit contributed to performance as negotiations with investors to restructure its \$1 billion Eurobond started.

Detractors from Relative Performance

- An overweight to Brazilian petrochemical company Braskem detracted from performance as the company came under stress due to continued weak chemical prices, disputes at the shareholder level, and a surprise announcement that the company hired financial advisors and counsel to guide on the capital structure.
- An overweight to Mexican real estate developer Murano detracted from performance as the company defaulted on a coupon payment due during the month.

Market Review

Performance was positive for emerging markets debt (EMD) for the third quarter. Emerging markets (EM) currencies broadly strengthened for most of the period against a weakening U.S. dollar (USD), although the USD weakened at a slower pace than the first half of the year. The USD briefly strengthened in July as some trade agreements with the U.S. reduced uncertainty and U.S. economic data remained strong, despite lingering tariff noise. U.S. policy was top of mind for many investors, given tariffs and an anticipated September interest rate cut. The European Union (EU), Indonesia and Japan established new trade agreements with the U.S., while Brazil and India continued to navigate the threat of elevated tariffs. China has displayed a strong negotiating position with the U.S., first through rare earth metals, and now TikTok and a potential meeting with President Xi as leverage tools. Israel expanded its military operations in Gaza and began to take control of Gaza City in September. In early September, Israel also launched an airstrike on Doha targeting Hamas leadership. The Israeli government lifted its deficit target to finance the ongoing war. EU leaders are looking to leverage frozen Russian central bank reserves as collateral for a reparations loan to Ukraine, for support for the ongoing war. The asset class continued to attract strong inflows, with its tenth straight week of inflows to end the quarter. This is a sharp contrast to the first four months of the year, which saw large outflows. The hard currency segment of the asset class saw \$7 billion in inflows during the third quarter, while the local currency segment saw \$4.3 billion in inflows.²

Performance for the underlying EMD indexes was positive for the month. Performance for the hard currency segment of the asset class was driven by both sovereign and corporate spreads tightening and U.S. interest rates falling. The USD-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was up 1.78%. The EM corporate bond index — the J.P. Morgan CEMBI Broad Diversified Index — was up 0.95%. Finally, the local segment of the asset class, represented by the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was up 1.40%.

Portfolio Activity

During the month, we increased the allocations to Panama and Kuwait sovereign credit and reduced exposures to Argentine and Suriname sovereign credit.

Strategy and Outlook

Asset class fundamentals remain strong as many countries pursue strong reform agendas. Valuations are also still attractive, particularly for local assets. Many EM currencies are relatively cheap and are supported by the weakening U.S. dollar, while real yield differentials between emerging and developed markets remain appealing. The U.S. Federal Reserve (Fed) cut interest rates in September, which was largely expected by the market. Additional rate cuts are expected for 2025, but how many is up for debate. The Fed is caught between balancing inflation, which could increase at any time due to tariffs, and a worsening labor market. Many EM countries are experiencing further disinflation due to decreased demand, which should allow many central banks to continue their easing cycles. Demand for EM assets picked up during the quarter and is likely to continue. Investors are continuing to look outside the U.S. considering uncertain policy. The broad asset class has performed well year-to-date, aided by macro factors and

¹ Source: Morgan Stanley Investment Management Limited. Data as of 30 September 2025.

² Source: J.P. Morgan. Data as of 30 September 2025.

individual country-level fundamentals. We think that bottom-up country level evaluation will continue to be key to uncover value in the very differentiated landscape.

For further information, please contact your Morgan Stanley Investment Management representative.

Fund Facts

Launch date	01 April 1995
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class I Shares	9.75	11.97	13.48	-18.53	-2.09	6.92	14.65	-6.83	10.07	10.44	-2.16
Blended Benchmark	10.66	6.54	11.09	-17.78	-1.80	6.45	14.42	-4.61	9.32	10.19	1.23

All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of shares. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). **Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.**

Share Class I Risk and Reward Profile

- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- The value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- Investment in Fixed Income Securities via the China Interbank Bond Market may also entail additional risks, such as counterparty and liquidity risk.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

Please refer to the Prospectus for full risk disclosures, available at www.morganstanleyinvestmentfunds.com. All data as of 30.09.2025 and subject to change daily.

Applications for shares in the Sub-Fund should not be made without first consulting the current Prospectus and the Key Information Document ("KID") or Key Investor Information Document ("KIID"), which are available in English and in the language of countries authorized for fund distribution and is available online at Morgan Stanley Investment Funds Webpages or free of charge from the Registered Office at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

The summary of investor rights is available in the aforementioned languages and website location under the General Literature section.

Information in relation to sustainability aspects of the Fund is available in English online at: Sustainable Finance Disclosure Regulation.

If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA

country where it is registered for sale, it will do so in accordance with the UCITS rules.

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The use of leverage increases risks, such that a relatively small movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the value of the Fund.

Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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Charts and graphs provided herein are for illustrative purposes only and subject to change.

INDEX INFORMATION

Blended Benchmark refers to performance of Fund's benchmark since inception - April 1st, 1995 to June 8th, 2020 – **J.P. Morgan Emerging Markets Bond Index Global**; June 8th, 2020 and beyond – **J.P. Morgan Emerging Markets Bond Index Global Diversified**.

J.P. Morgan Emerging Markets Bond Index Global Diversified – tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million.

The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

The **JP Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging-markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging-markets entities.

The **J.P. Morgan EMBI Global Diversified Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi-sovereign entities.

The **JP Morgan GBI-EM Global Diversified Index** is a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries which give access to their capital market to foreign investors (excludes China, India). The index is market capitalization weighted, with a cap of 10% to any one country.

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