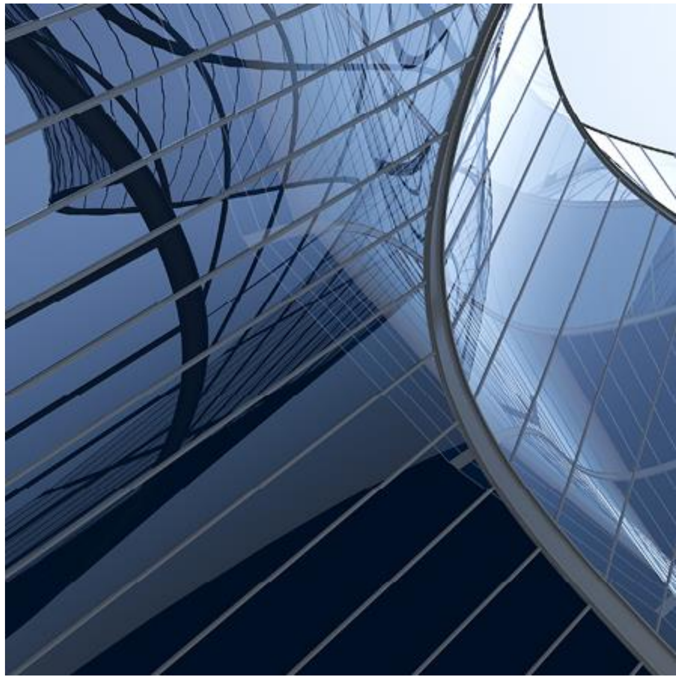
Morgan Stanley
INVESTMENT MANAGEMENT

Emerging Markets Debt Monitor

Emerging Markets Team

Q3 2023



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

Q3 2023 Recap

Q3 2023 Recap

- EMD markets produced negative performance across all segments with currencies weakening versus the U.S. dollar and interest rates rising in most economies around the world. In contrast, credit spreads tightened around the world including in EM and likely related, at least in part, to the strength of the U.S. economy.
- The resiliency of the U.S. economy has been impressive with economic data surprises having consistently come in to the upside during the period. Combined with stubborn inflation and the big rally in oil prices, which was largely on the back of the extension of supply cuts by OPEC+, markets further priced U.S. Federal Reserve interest-rate policy as being “higher for longer.”
- China’s economic recovery after lifting zero-COVID policy appears to have been short-lived and shallow; growth appeared to continue to slow while the property sector continued to struggle.
- We did see a number of central banks across emerging markets cut rates during the period as inflation continued falling in many spots. These cuts collectively represented further evidence that emerging markets central banks have run better monetary policy during this global inflation cycle than their developed-market peers.
- While all EMD indices produced negative total returns during the period, underlying risk factors were mixed with currencies and interest rates selling off while credit spreads generally rallied. The corporate space was down the least among EMD segments as spreads tightened substantially, but not enough to overcome the move higher in U.S. Treasury yields. The USD-denominated sovereign index within the EMD universe was next as spreads also tightened, but similarly to corporates, not enough to overcome the sell-off in U.S. Treasury yields. The local segment produce the weakest returns with most EM currencies weakening and most interest rates rising.
- The asset class experienced outflows during the quarter with approximately -$15.1 billion net going out of dedicated-EMD funds globally during the quarter. Both hard currency and local currency funds were in outflows with -$10.6 billion and -$4.5 billion, respectively.

Q3 2023 Recap, *continued*

Asia

- Domestic politics in a handful of countries appear to be at an inflection point – notably in Thailand, Indonesia, Malaysia, and Pakistan. A conflict appears to be growing between changing societies and the relatively long-standing political order. This bears watching closely.
- While on the surface the business cycle in Asia would seem to be quite positive – the Fed near the end of tightening cycle, supply shocks generally worked out, China out of zero-COVID. However, this is not the reality as China continues to slow, exports broadly across the region are not very strong, and central banks are in a challenging spot "on hold" as currencies have been weak with low rates relative to the U.S., but fundamentals may be unable to deal with higher rates.
- Some of the "frontier" markets are facing challenges: Vietnam's property sector is struggling, Sri Lanka's road to recovery appears long, and both Mongolia and Bangladesh appear to need structural reforms.

CEEMEA

- Turkey appears to making an impressive, "U-turn" in policy with a return to sound monetary policy via large rate hikes (which were much needed) and reestablishing fiscal discipline. We believe these better policies need to be sustained before the market will fully buy in, but the country may be in the process of transitioning from being uninvestable (in our previous opinion) to a potential good reform story.
- Nigeria may also be embarking on impressive reforms under new President Tinubu including removing energy subsidies and a more credible central bank.
- Poland joined the list of central banks that cut rates with a shocking, 75 bps cut in September to 6% even as inflation still hovered around 10%. Some viewed this action as being politically motivated in advance of October elections while the currency was one of the weakest in the world after the cut.

LATAM

- Rotating topic this quarter: see pages 11-16.
- Argentina is poised for political change, but the challenges in seeking to balance the economy remain massive.
- Ecuador's elections are underway but will represent only an 18-month term before the next election and it will be hard to do anything. The fiscal situation is challenged while policymaking appears erratic. There is no market access nor an IMF program coming while debt repayments accelerate soon.
- Chile cut rates more than expected and the currency weakened quite dramatically – even as inflation continued to slow.

Q3 2023 RECAP

EM Corporate Credit – Q3 update and outlook

The Corporate Emerging Markets Broad Diversified Debt index returned -0.26% over the past quarter. This is versus -3.26% for the EM local index and -2.23% for the EM sovereign hard currency index. Adjusting for the sell-off in rates, the spread index returned 1.33% for the past quarter.

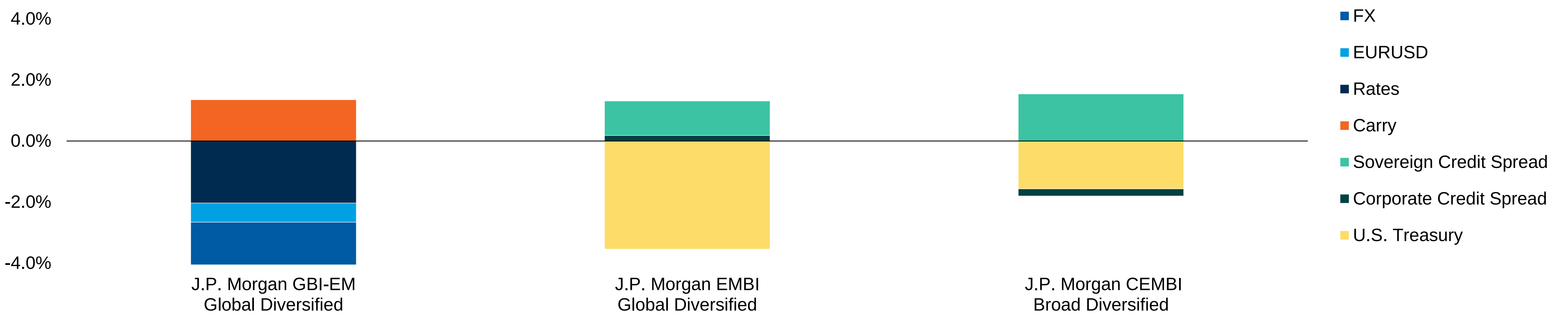
Notable developments over the past quarter include the following:

- US economic data in July and August produced a general risk rally with markets pricing in higher odds of a soft landing (or possibly, no recession at all). September, however, has been met with a sharp sell-off in US duration, and this pickup in rates volatility has created a lot of noise in credit spread pricing in the market. The USD strength against almost all other currencies has also been particularly noteworthy
- Issuers have finally digested the notion that higher rates are likely to stay here for longer. As such, those that had the luxury of waiting to come to market to raise capital finally showed up in September. The amount of supply still remains well below historical levels, with the noticeable absence of Asia HY and lower levels of Latam and CEMEA HY issuance. The HY new issues that did come to market had to clear at higher levels of new issue premium, reflecting general lack of demand for emerging market corporate bonds in this market
- The China property market has not disappointed in producing more defaults during the quarter. Most recently, Country Garden, arguably the largest privately owned developer, announced that it did not make it coupon payment on two securities. While this was subsequently resolved during the grace period, a default remains highly likely, and security prices fully reflect this probability. A confluence of too much supply of distressed property debt, very few marginal buyers of bonds, and meager property sales on the ground have resulted in price levels of low-to-mid single digits (including for some that were previously rated investment grade). This is despite an improving policy backdrop
- On a positive note, issuers in other EM countries are showing that they have access to alternate sources of funding if the international debt markets are either too costly or unavailable to them. This includes domestic bank financing, local debentures and/or international syndicated loans. Others that do not have this luxury but have looming maturities are opting for the exchange route to deal with their refinancing needs. In most cases, these exchange offers have been largely bondholder-friendly (i.e. better security, improved economics, par-for-par)
- The outflows, particularly from EM local and EM external debt funds have continued, and crossover investors remain lightly positioned in EM debt risk. With cash yields on dollars this high, this is not surprising. The lower levels of supply have helped keep credit spread levels contained, particularly in Investment Grade, where crossover interest is currently at its highest
- Fundamentals generally remain strong with corporate balance sheets and cash flows at healthy levels. There is a large universe of well-managed, high quality businesses in the market from which we would expect any dislocation in spreads driven by technicals to represent an attractive entry point for adding risk

Q3 2023 RECAP

Index Performance Recap

Q3 2023



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	-1.95%	-0.63%	-2.03%	1.35%	—	—	—	**-3.26%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	1.13%	0.18%	-3.54%	**-2.23%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	1.54%	-0.23%	-1.57%	**-0.26%**

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.

Q3 2023 RECAP

Index Performance Recap

Q3

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J.P. Morgan CEMBI Broad Diversified	—	—	—	—	1.54%	-0.23%	-1.57%	**-0.26%**

YTD as of 9/30/2023

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	-0.58%	-0.16%	0.97%	4.04%	—	—	—	**4.28%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	3.42%	0.47%	-2.12%	**1.76%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	2.46%	1.05%	-0.14%	**3.38%**

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.

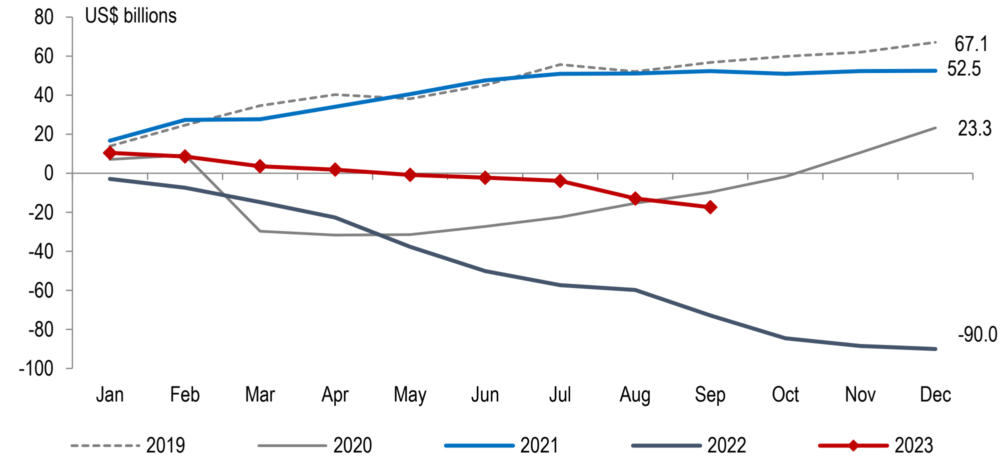
Q3 2023 RECAP

Technical: 2023 Flows YTD

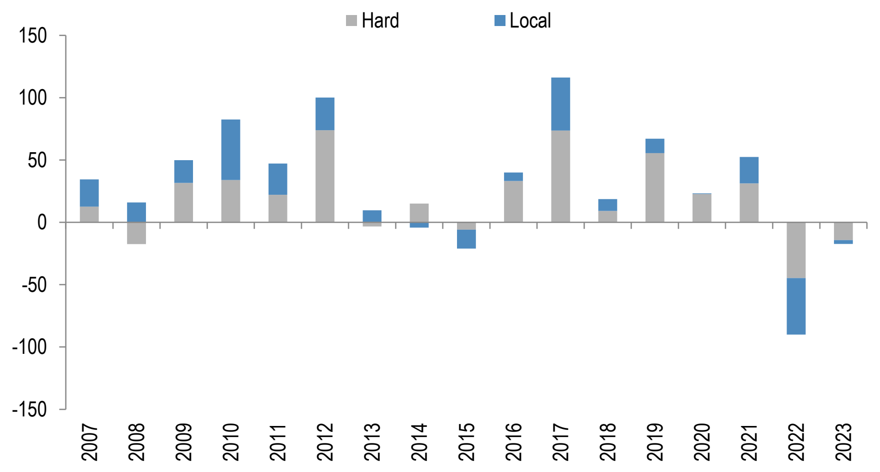
Investors remain risk off and outflows picked up during the quarter.

- 2022 outflows in hard and local currency funds were the largest annual outflows in recent history, and by a considerable amount.
- Technicals were supportive for local funds during Q2 despite outflows for hard currency funds, however, both hard currency and local currency funds were consistently in outflows for Q3.

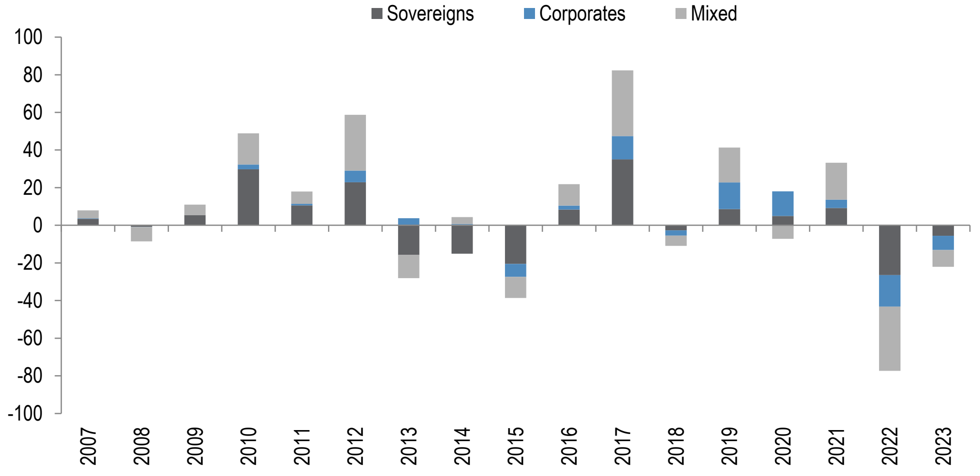
Annual Cumulative Bond Flows



Annual Flows by Currency



Annual Flows by Sovereign/Corporate/Mixed (Retail)



Source for all charts above: JPMorgan. All data as 9/27/2023. For illustrative purposes only. **Past performance is no guarantee of future results**.

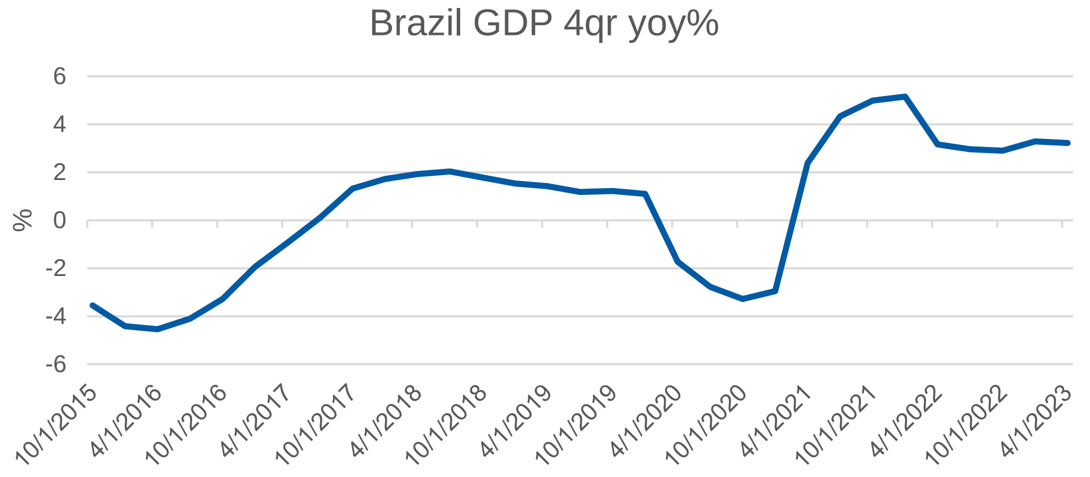
Rotating Topic

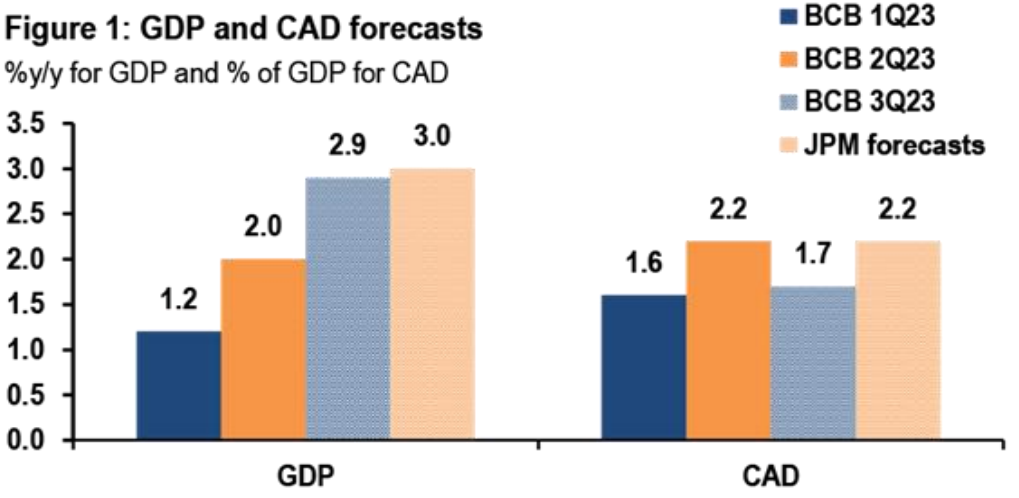
Latin America Update: fiscal risks, surprising growth, and political uncertainty

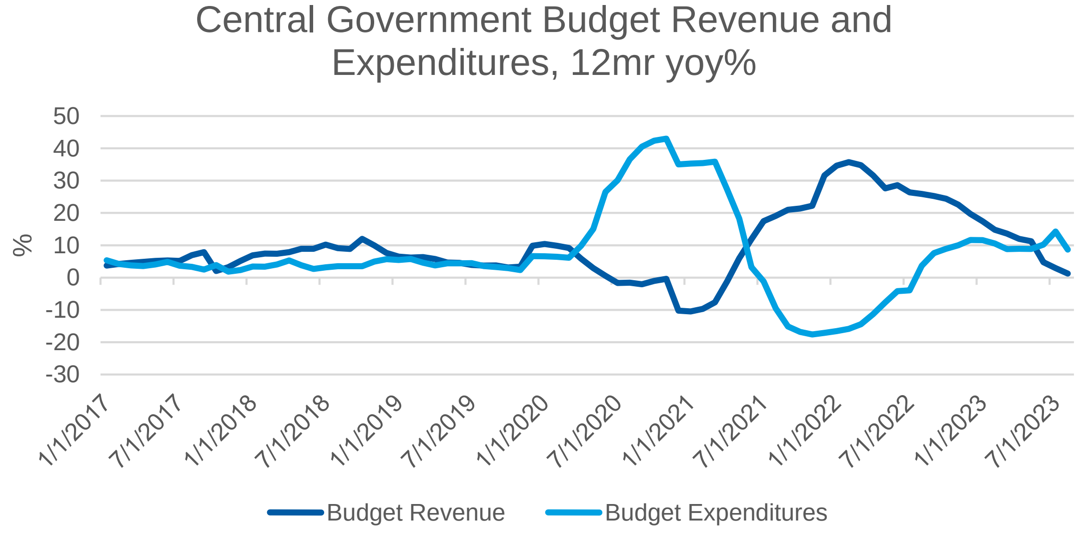
ROTATING TOPIC

Brazil

2023 growth has been continuously revised upward, while fiscal deteriorations on the margin are within the context of a new fiscal framework.





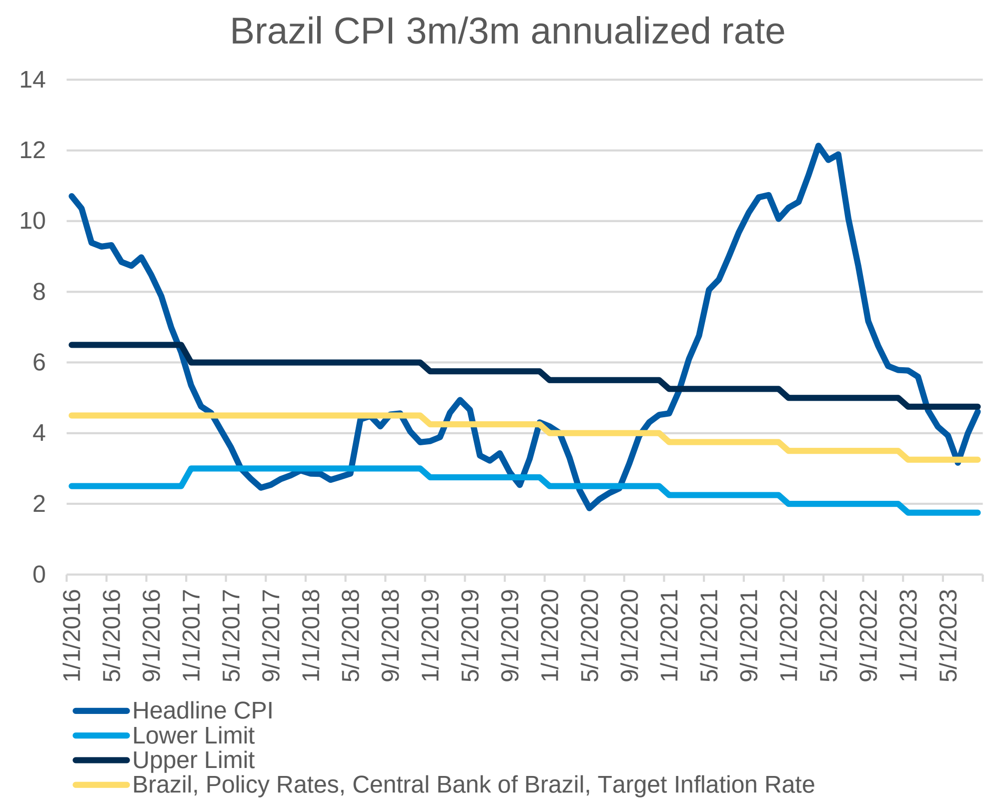


Source: Brazilian Institute of Geography & Statistics, Secretariat of National Treasury, Brazilian Ministry of Finance (STN), BCB and J.P Morgan

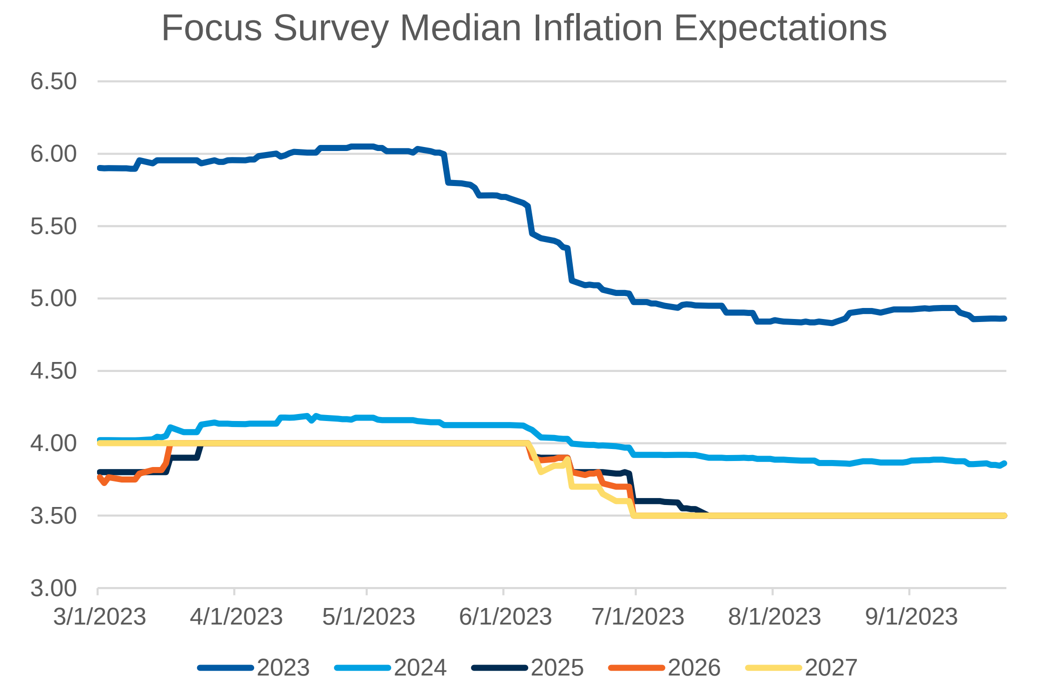
ROTATING TOPIC

Brazil

BCB has struggled to get market participants to anchor their inflation expectations around their 3% target. Recent meeting minutes suggest fiscal risks may be to blame.



Inflation momentum has been well-behaved in recent months, but hasn't been convincing enough…



Inflation expectations remain unanchored off the Central Bank's 3% target for 2024 and 2025

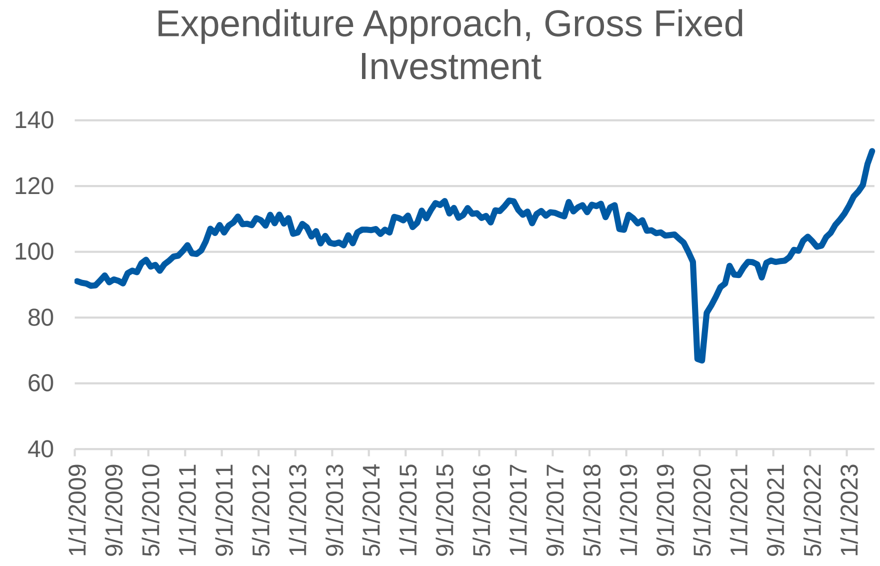
Source: Brazilian Institute of Geography & Statistics (BGE), Central Bank of Brazil, FGV Gatulio Vargas Foundation (BRE Brazilian Insitute of Economy)

ROTATING TOPIC

Mexico

Nearshoring, sticky core services inflation, and fiscal worries with 2024 election around the corner.

- Nearshoring is beginning to show up in the data. Gross fixed capital formation is bearing this out, with investment being led by the public sector. Public sector spending likely to pick up heading into 2024 election year. Most of the nearshoring investment concentrated in the northern states near the US border (Tesla, etc).
- Banxico has been on hold since March, citing concerns around momentum in core services inflation. Tightness in the labor market is contributing to the inflation picture, and forward looking indicators like net employment outlook & PMIs remain strong.
- Elections next year put the fiscal picture in focus, with president AMLO promising vast support to Pemex.



Morena Candidate: Claudia Sheinbaum

PAN Candidate: Xochitl Galvez

Source: Morgan Stanley Investment Management. Photos: Bloomberg via Getty Images and Wikimedia Commons

ROTATING TOPIC

Argentina

- Argentina seems poised for political change, but hope and heartache have happened before, most recently under Macri. Elections are on Oct. 22, polls not a useful tool at this point.
- Spiraling inflation, no access to markets, and negative net reserves will make adjustments difficult, but whoever wins must stay the course in order to put Argentina firmly back on a path of macroeconomic stability.
- All three candidates would need to undertake a fiscal adjustment. Massa (who is also the acting finance minister) has disregarded nearly every IMF program target. Milei has proposed dollarizing with few details on implementation. Bullrich is a political veteran with a deep bench of advisors.

JxC Candidate: Patricia Bullrich

UxP Candidate: Sergio Massa

La Libertaed Avanza Candidate: Javier Milei

Source: Photos Wikimedia Commons

ROTATING TOPIC

Argentina

Is the October election a first step towards economic stabilization?

- Net international reserves have become increasingly negative in recent months
- The gap between the official FX rate and the dollar MEP (Electronic Payment Rate) continues to widen heading into the first round
- Economic activity is cratering

BCS (Blue Chip Swap) Premium over Official FX

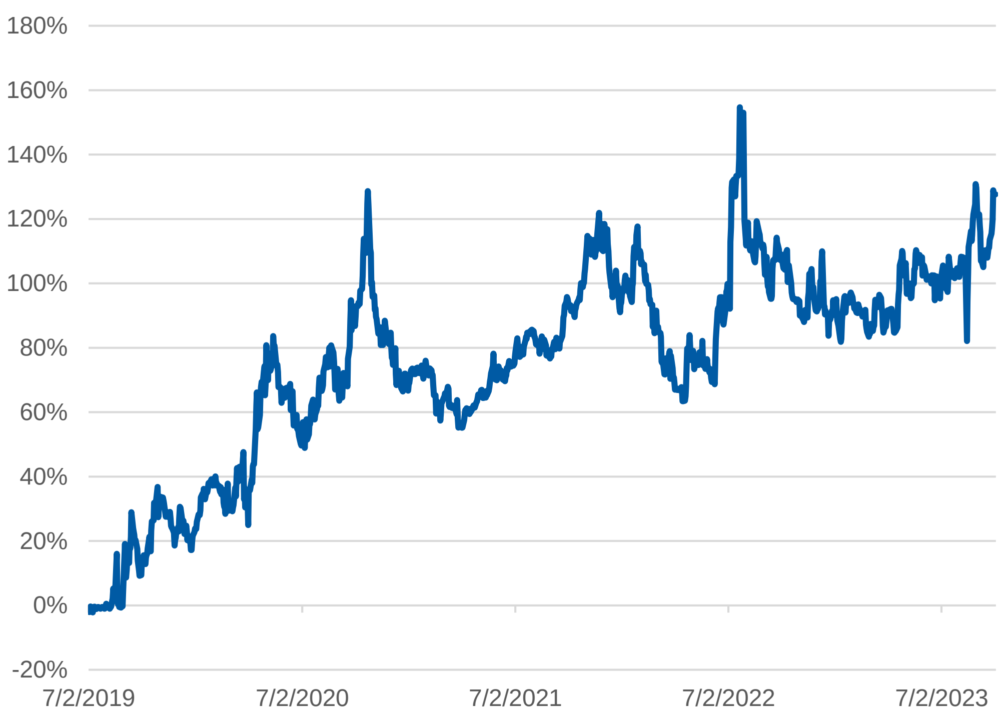


Table 1. Net International Reserves ($mn)

$mn	07-Aug-19	31-Dec-21	31-Dec-22	31-Mar-23	30-Jun-23	15-Sep-23
Gross International Reserves	**66,399**	**39,662**	**44,598**	**39,060**	**27,926**	**27,530**
Current accounts in FC	15,957	12,083	12,064	12,116	10,278	9,456
Government deposits	3,407	1,162	6,845	3,922	196	6,365
Special Drwaing Rights (DEG)	438	446	424	428	423	420
Obligations with IFIs	2,665	3,155	3,132	3,126	3,137	3,149
Swap china	18,502	20,401	18,848	18,922	17,927	17,867
Net International reserves	25,430	2,416	3,286	546	-4,035	-9,728

Sources: BCRA, INDEC and Alberdi Partners.

Three Rules for Argentina

1. Argentina is always a trade, never an investment
2. Only look for asymmetry, not symmetry…Argentina is not a carry trade
3. Don't underestimate the ability of policymakers to change the rules of the game

Source: Bloomberg, LP, BCRA, INDEC, and Alberdi Partners

Q4 2023 Outlook

Q4 2023 Outlook

Macro Drivers

- While it is nearer the end of its tightening cycle than the beginning, the Fed's terminal rate is uncertain as is how long it will keep its policy rate elevated.
- More orthodox monetary policy by many EM central banks has allowed them to end tightening cycles and, in an increasing number of cases, begin easing. As such, opportunities exist to earn attractive real yields while also the potential for market rates to fall with policy rates and inflation – a compelling total return opportunity.
- China's economic recovery appears to have been shallow and short-lived and its property sector remains extremely challenged. Growth may very well be low for years while capital investment will also remain low.
- Oil prices have reached a level that will become problematic again for importers as well as for those countries that subsidize energy costs for their citizens. On the other hand, exporters should benefit if oil remains at or near these levels.
- Flows to the asset class have turned notably negative as investors digest implications from U.S. Fed policy and a slowing China.

Country Drivers

- Interestingly, less capital investment going to China may very well result in more capital flows into other, well-run emerging market countries to their further benefit.
- The market narrative that we've noted previously with many EM central banks having run more orthodox monetary policy than DM central banks, remains in tact. A number of larger EM countries have joined the list of those cut rates in 2023 and even more are likely to join the list soon. This may be further supportive of growth in those countries.
- Politics are crucial for EM investing and, as always, vary broadly across countries. Important elections are upcoming in many places and some could be transformational.
- Growth, inflation and policy are quite divergent across the heterogeneous universe of countries we refer to collectively as "emerging markets." As such, we continue to expect markets to place an emphasis on differentiation amongst countries and credits.

Q4 2023 OUTLOOK

EMD Risk Factor Dashboard

Outlook and summary

	Underweight	Moderate Underweight	Neutral	Moderate Overweight	Overweight	Summary
Currency			◆			We downgrade to neutral given the relative strength of EM currencies for the year-to-date (the third quarter notwithstanding) as well as the divergence we expect between regions and countries moving forward.
Local Interest Rates				◆		We keep local rates at moderate overweight. While the third quarter saw most interest-rates move higher, we believe global disinflation is likely to result in still lower yields over the intermediate term.
Sovereign Credit			◆			Sovereign credit downgraded to neutral given the relative outperformance of credit spreads globally for the year-to-date and bringing their levels closer to long-term averages.
Corporate Credit				◆		Maintain at moderate overweight given the combination of attractive valuations and underlying fundamental strength of issuers.
EM Equity				◆		Maintain at moderate overweight. Our constructive view on duration suggests long-duration assets including stocks will deliver positive, attractive total returns. Recent concerns about a global growth slowdown are offset by particularly low equity valuations.

Data provided is for informational use only and should not be considered investment advice.

EM FX

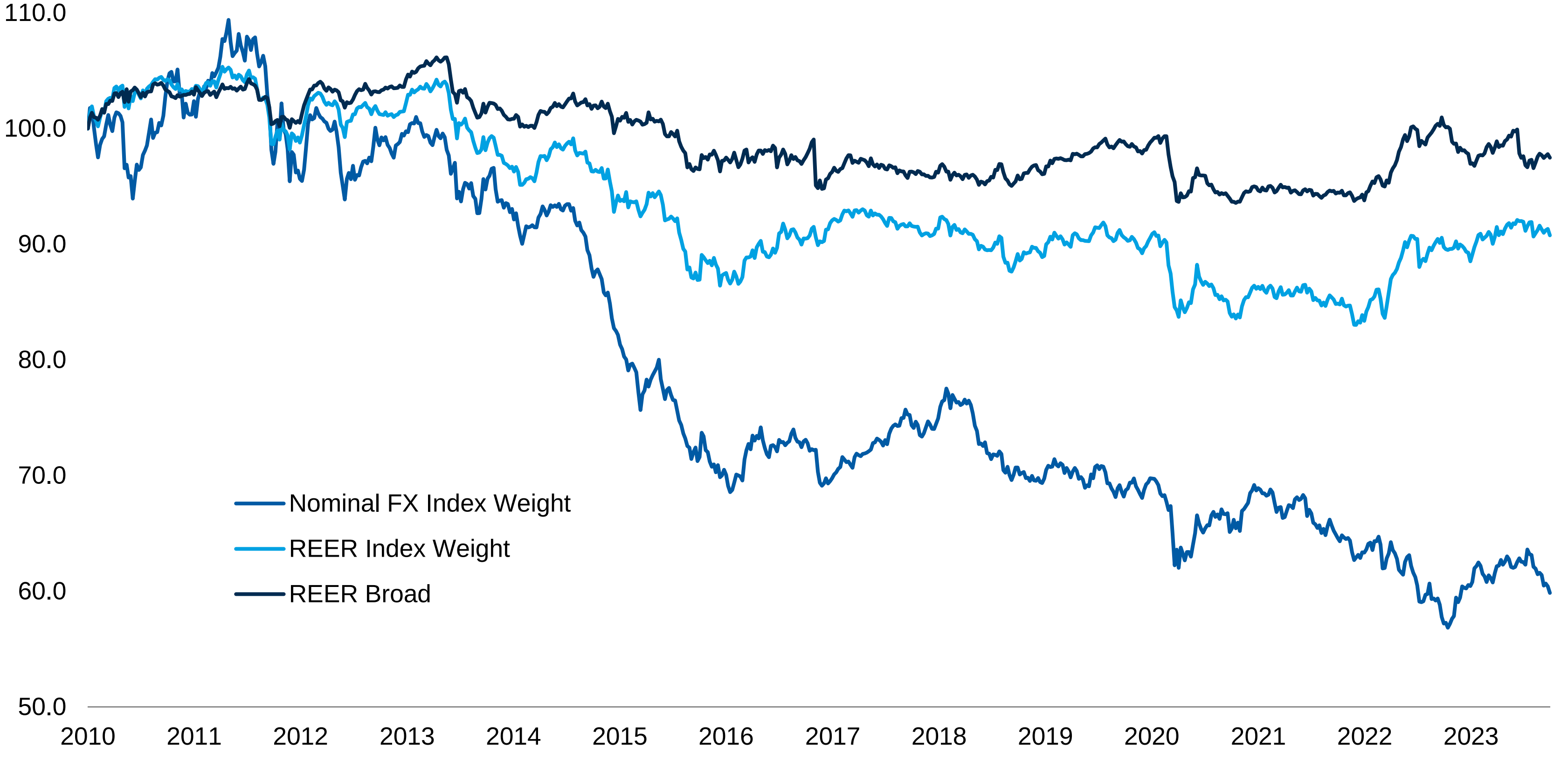
EM FX

EM currencies broadly weakened in nominal terms. However, currencies were relatively flat based on a real effective exchange rate largely due to differentials in real rates with the U.S.

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.

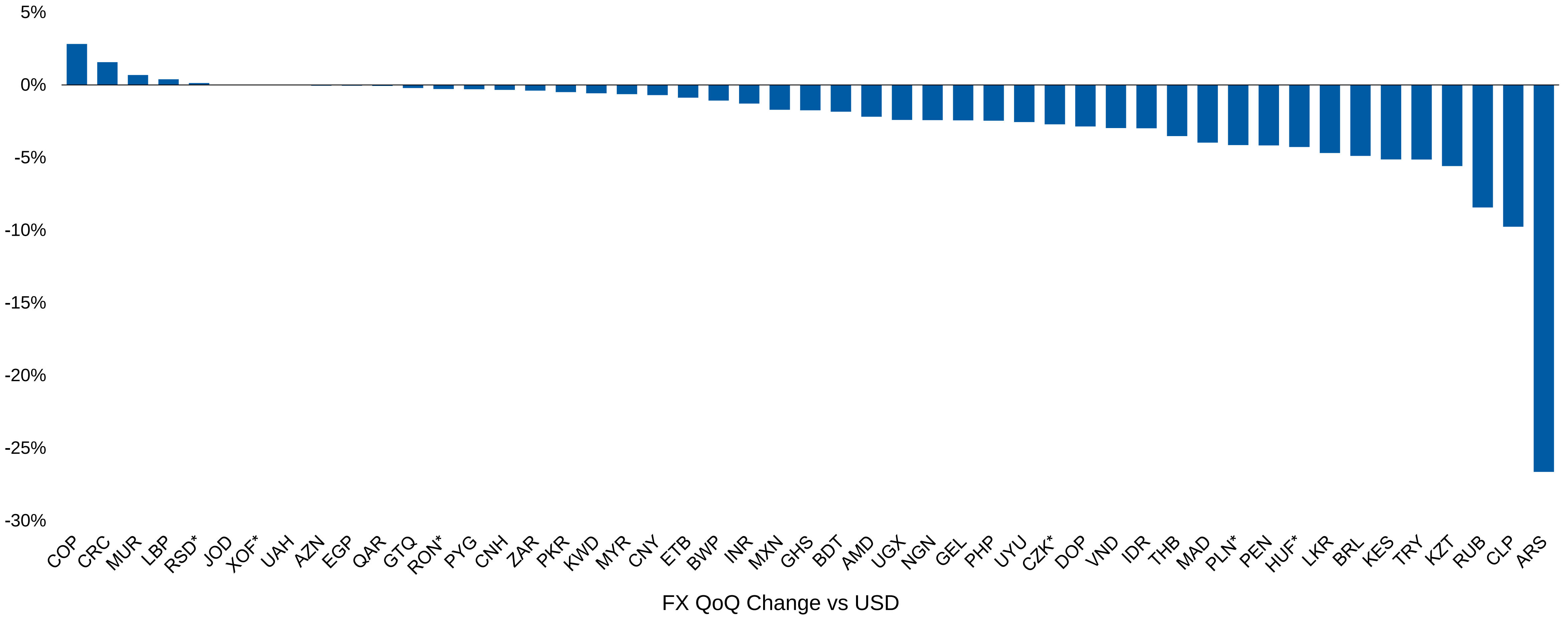
REER Broad: If you broaden the universe beyond the GBI-EM benchmark it shows that FX is not as cheap by this measure but value remains.



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

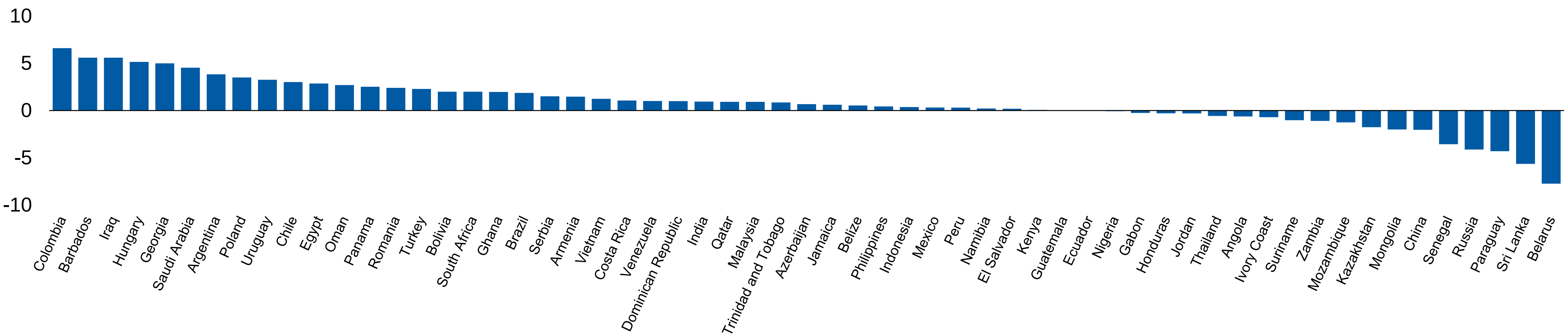
EM currencies broadly sold off during the quarter. U.S. growth proved resilient and the U.S. dollar resumed strengthening.



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.

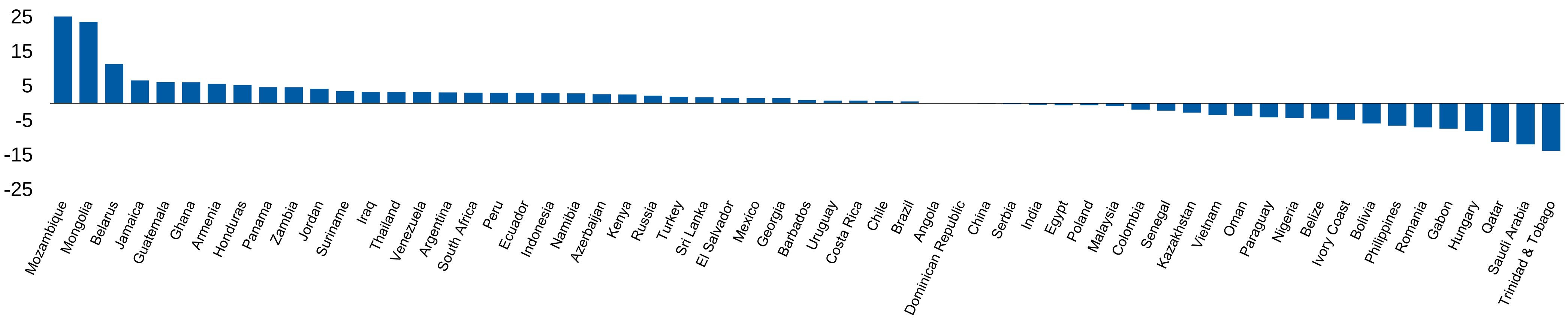
EM FX likes good growth and strong external balances.

% Change in IMF Growth Forecasts (From October 2022 WEO to April 2023 WEO)



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

Current Account % Change as % of GDP (2013 to 2022 Estimates)



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

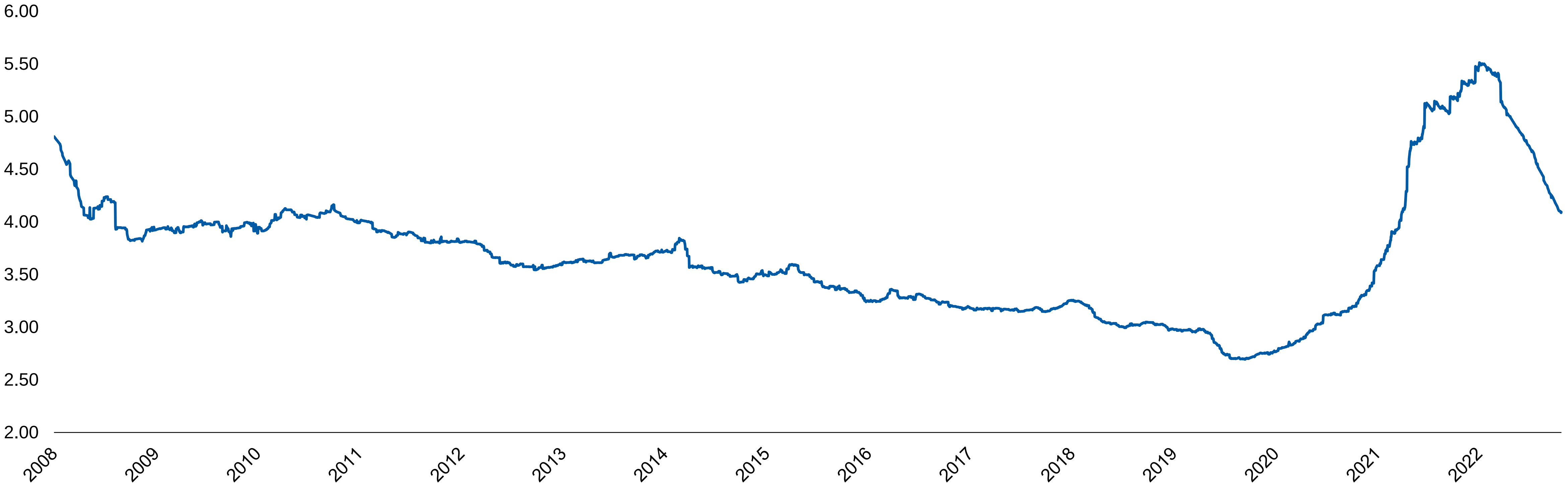
Source: IMF World Economic Outlook (WEO). Data provided is for informational use only. See end of report for important additional information.

EM Interest Rates

EM INTEREST RATES

The global disinflationary trend continues particularly in EM countries.

EM Consensus CPI Expectations*
(% Change YOY)

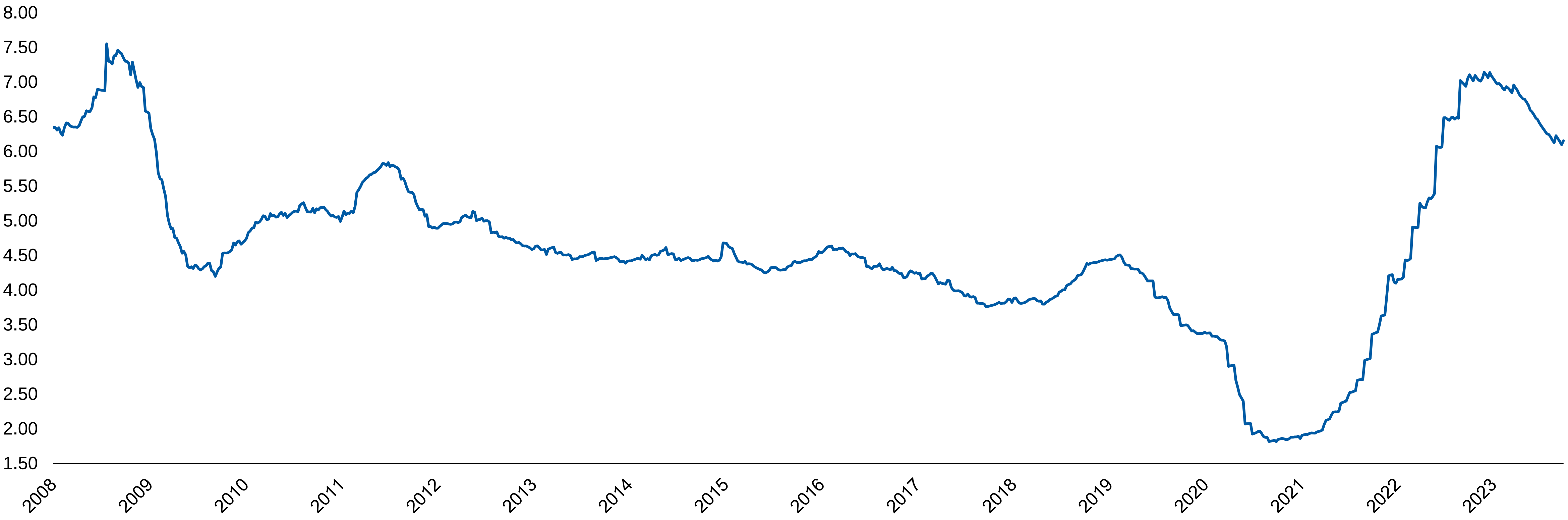


Source: Bloomberg, Morgan Stanley Investment Management. As of 9/30/2023. *Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified,. 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

Policy rate expectations continued to come down as inflation eased. EM central banks continued the rate cut momentum with Brazil, Chile, Uruguay, and Poland cutting rates during the quarter. On the other hand, Turkey massively hiked rates in an effort to reverse bad policy.

EM Consensus Policy Rate Expectations*

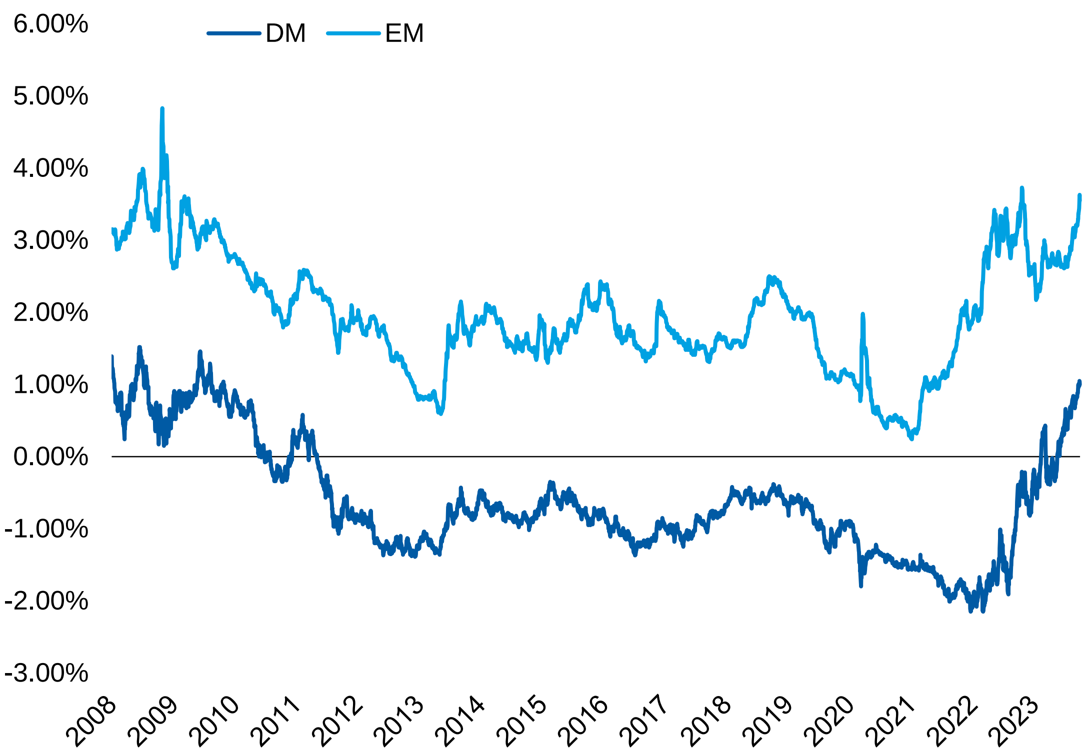


Source: Bloomberg, Morgan Stanley Investment Management. As of 9/30/2023. *Data is the equal weighted average of expected policy rates in 12 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. 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.

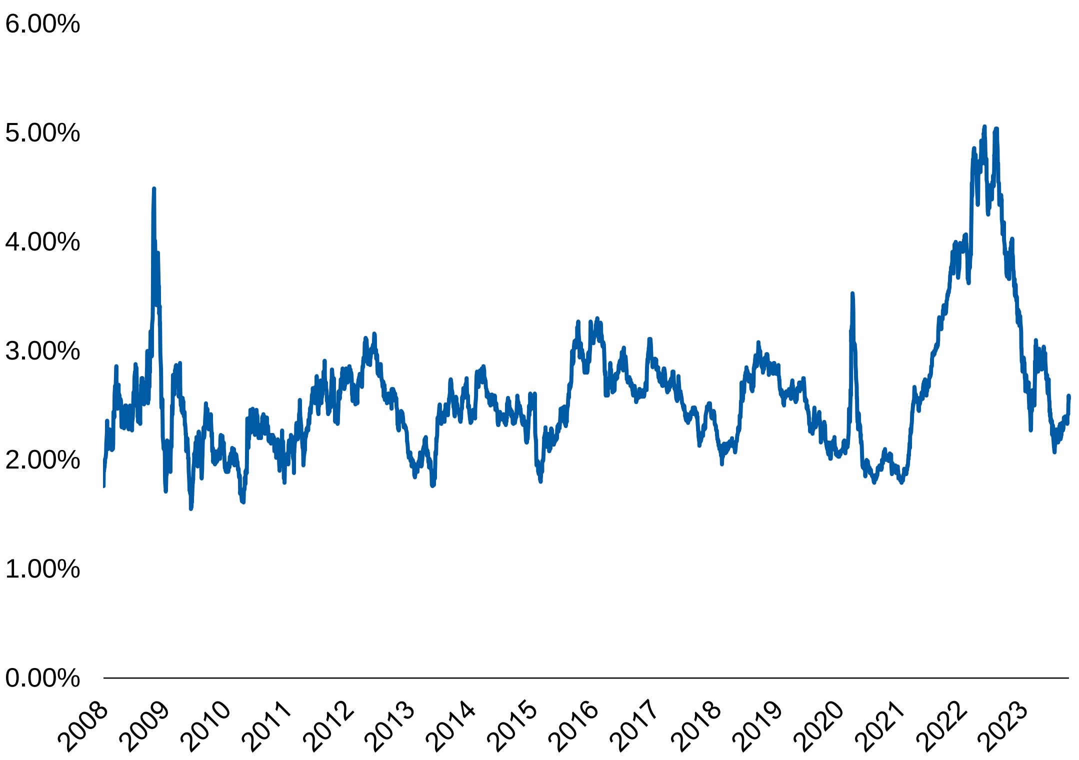
EM INTEREST RATES

EM and DM real yields using inflation expectations. Real yield differentials widened during the period as EM real rates rose more than DM real rates.

EM Real Yields
(Using Inflation Forecasts)



EM-DM Real Yield Differential
(Using Inflation Forecasts)



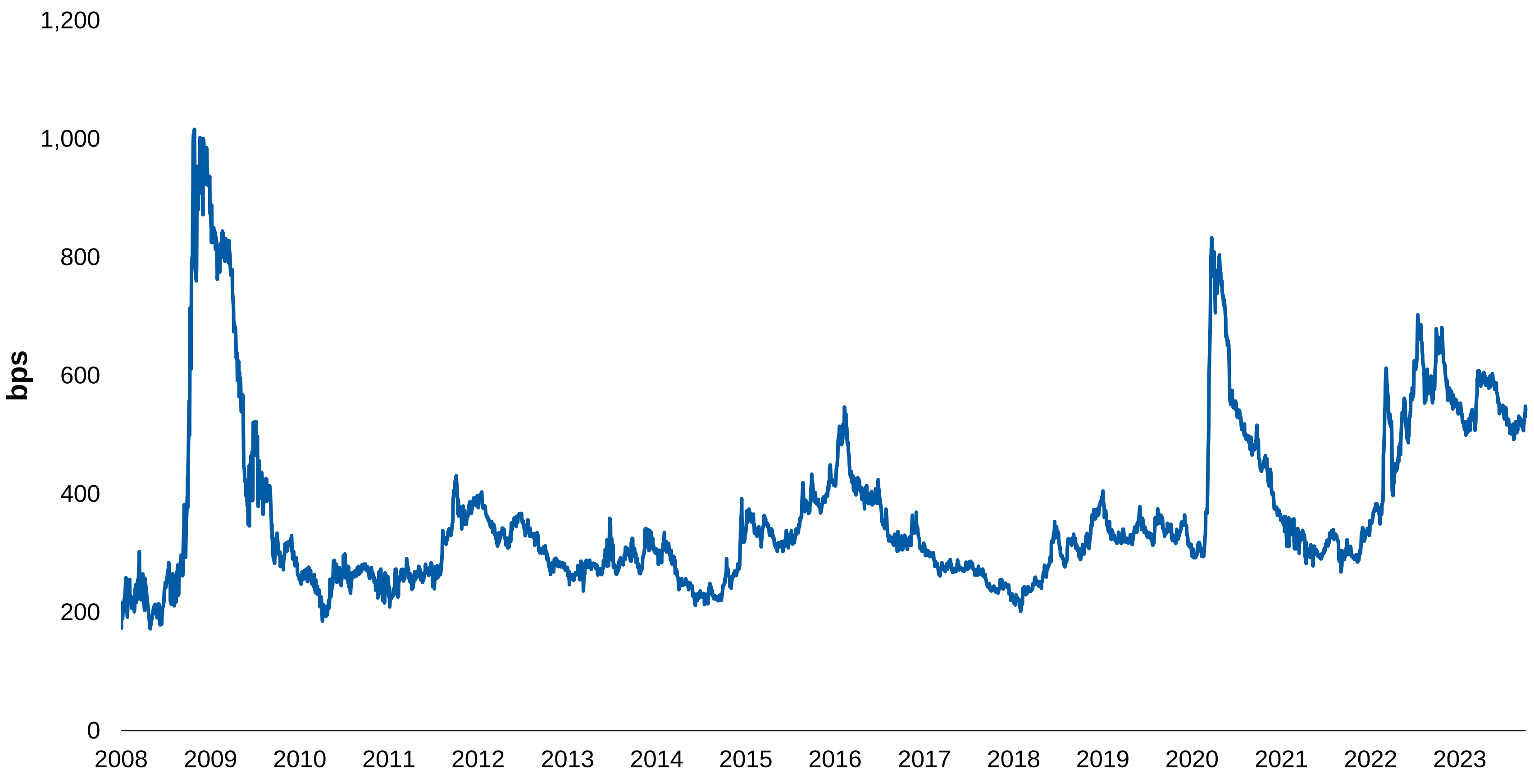
Source: Bloomberg, J.P. Morgan, Morgan Stanley Investment Management. As of 9/30/2023. Real yields are calculated as nominal yield minus headline inflation expected in 18-30 months by economists surveyed by Bloomberg. Excludes Argentina, Turkey, and Romania. Forecasts/estimates are based on current market 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.

EM Sovereign Credit

EM SOVEREIGN CREDIT

- Sovereign spreads marginally tightened during the quarter and remain quite wide of long-term averages.
- Notable bifurcation remains in the market and even increased during the period as lower credit-quality countries broadly underperformed 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.

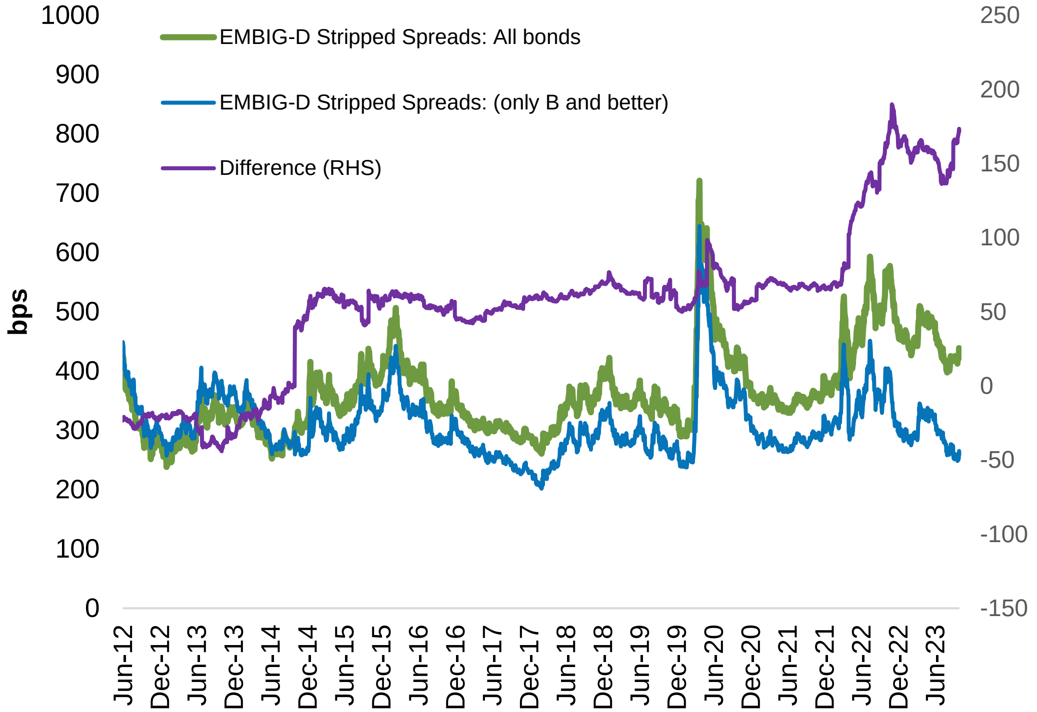
5-Year Equal Weight Sovereign Spread



Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2023. Excludes Argentina. Underlying individual country spreads are capped at 3,000 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.

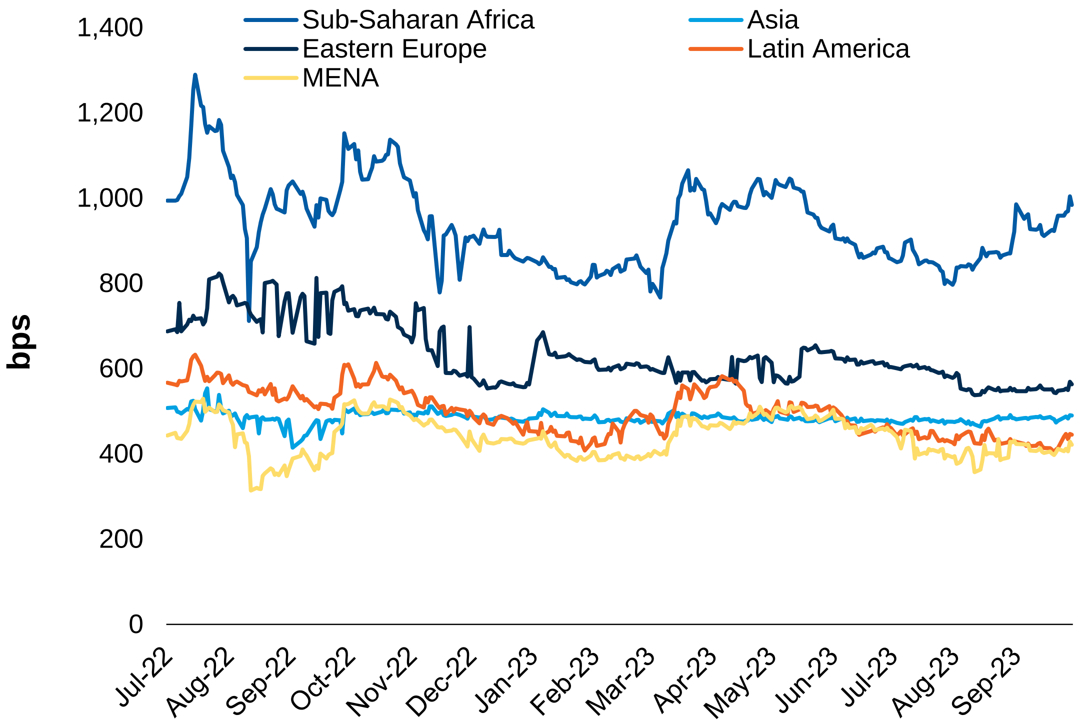
EM SOVEREIGN CREDIT

There is a large dispersion across credit quality. Country selection is particularly important to capture unique value and mispricings in lower quality issuers.



Spreads tightened with the exception of Africa which slightly widened towards the end of the quarter.

5-Year Equal Weight Sovereign Spread by Region

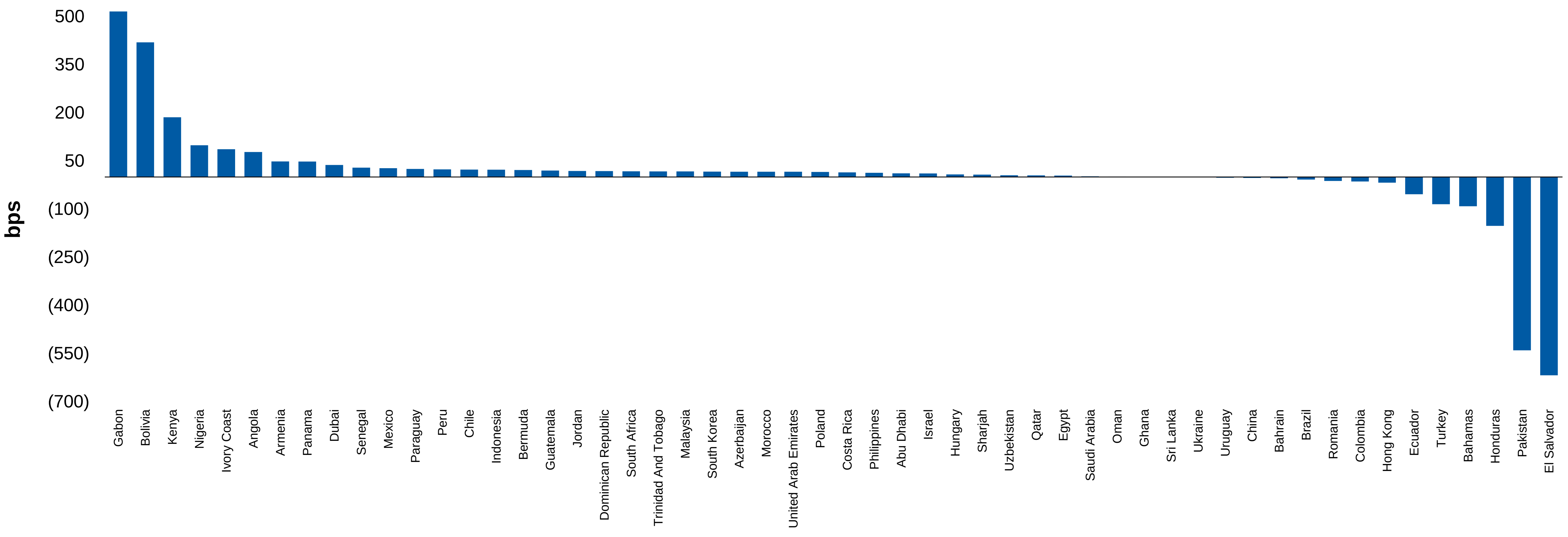


Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2023. Excludes Argentina. Underlying individual country spreads are capped at 3,000 bps. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs 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

Credit spreads marginally tightened, while a few countries notably widened highlighting the dispersion across the universe.

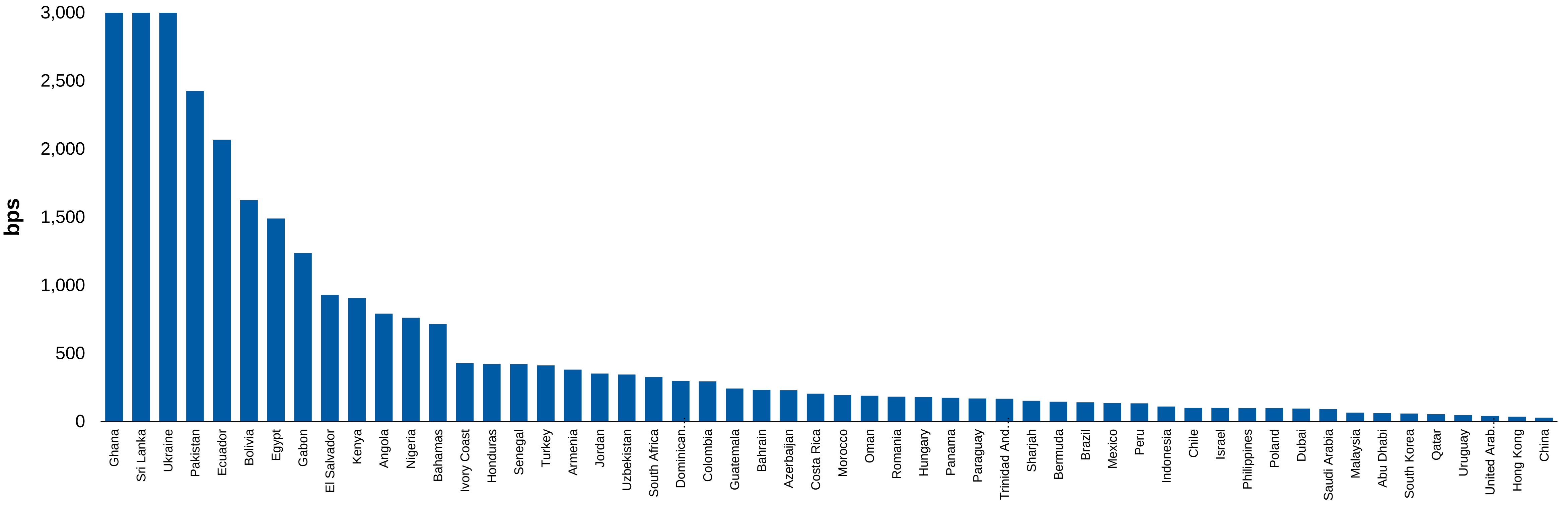
Q3 2023 Change in 5-Year Spread



Underlying individual country spreads are capped at 3,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2023. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

Variance among issuers increased while the bifurcation based on issuer credit quality remained notable.

5-Year Spreads



Underlying individual country spreads are capped at 3,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2023. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

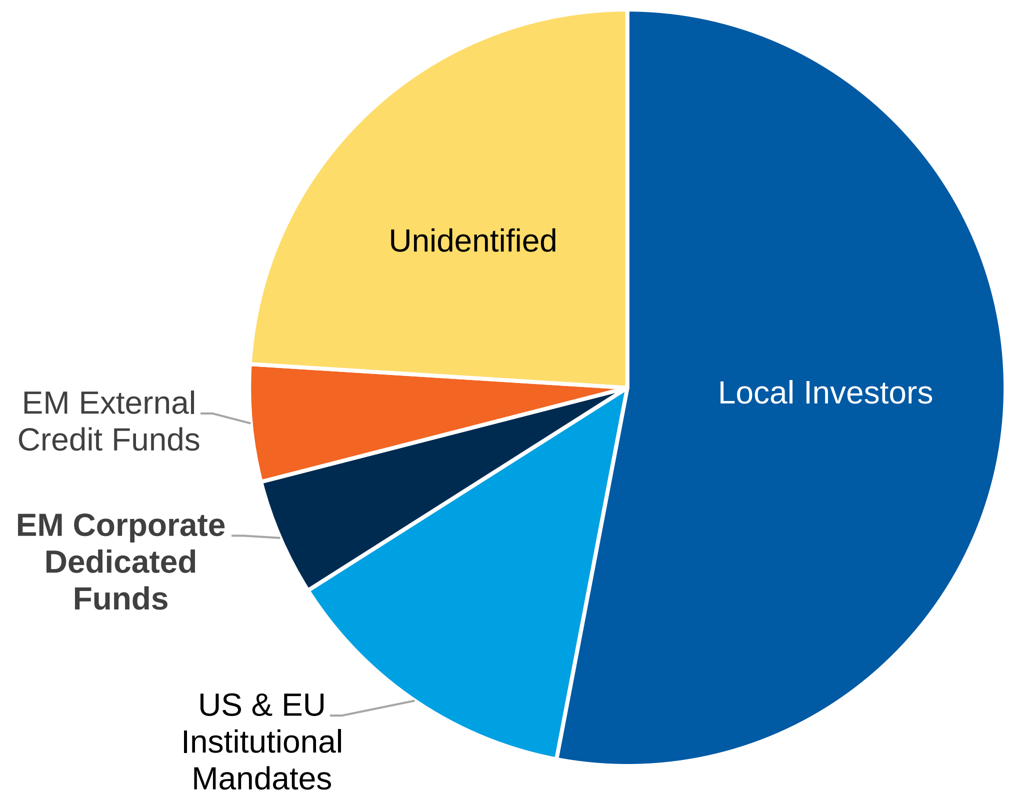
EM Corporate Credit

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.

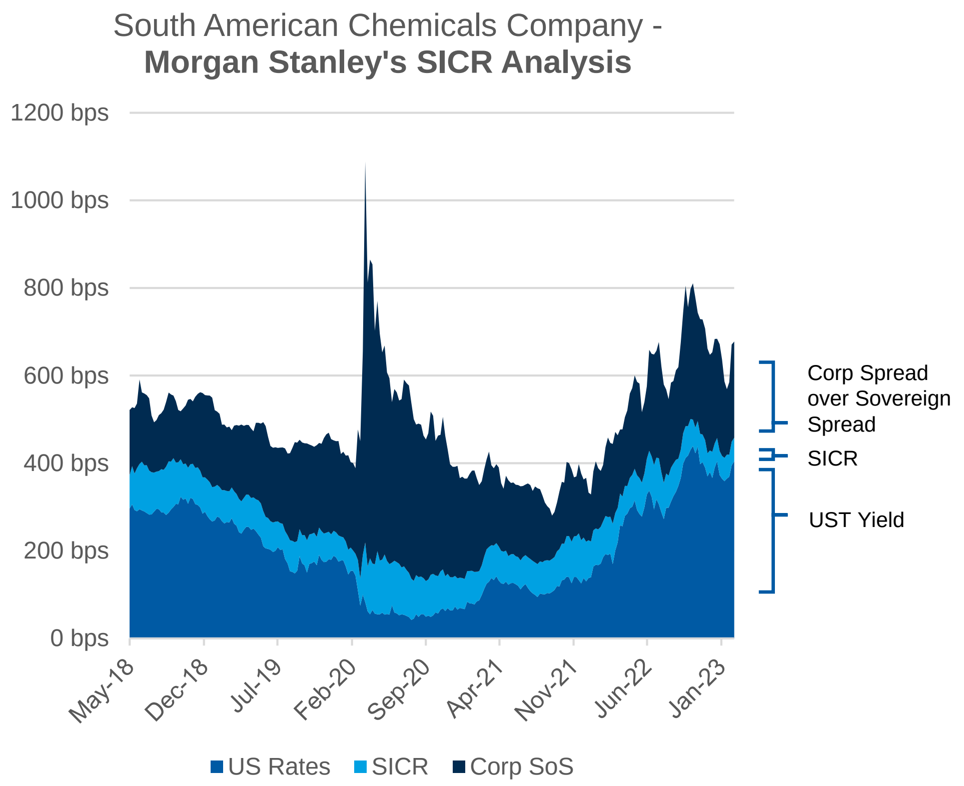


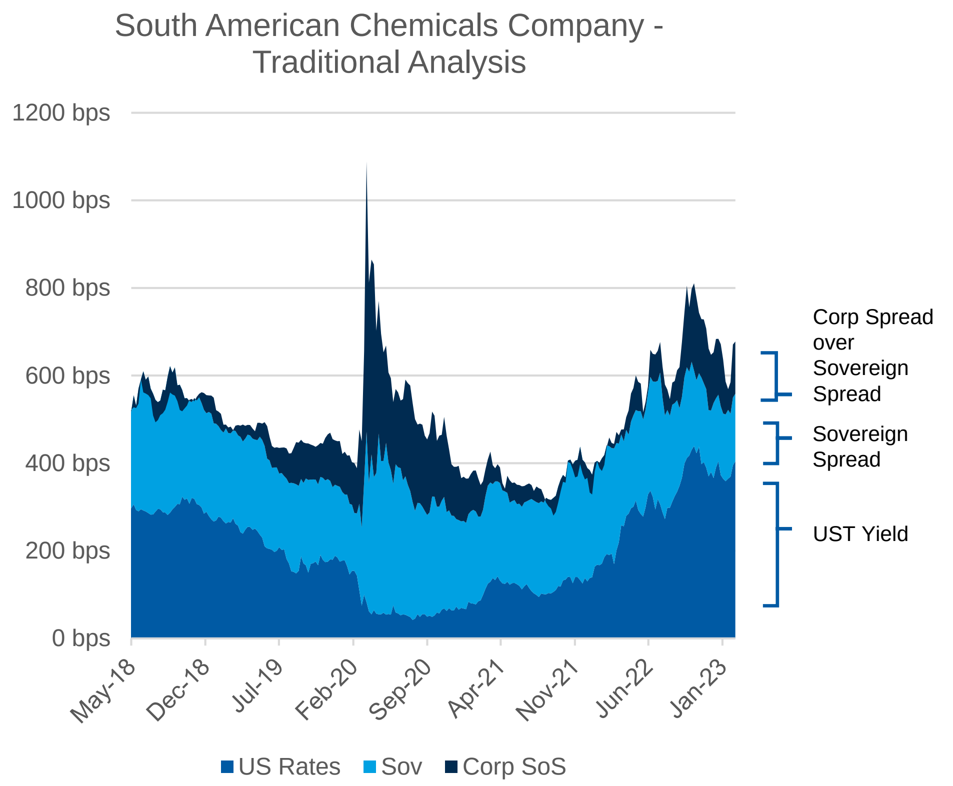
Source: JP Morgan Markets as of 12/31/2022

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)





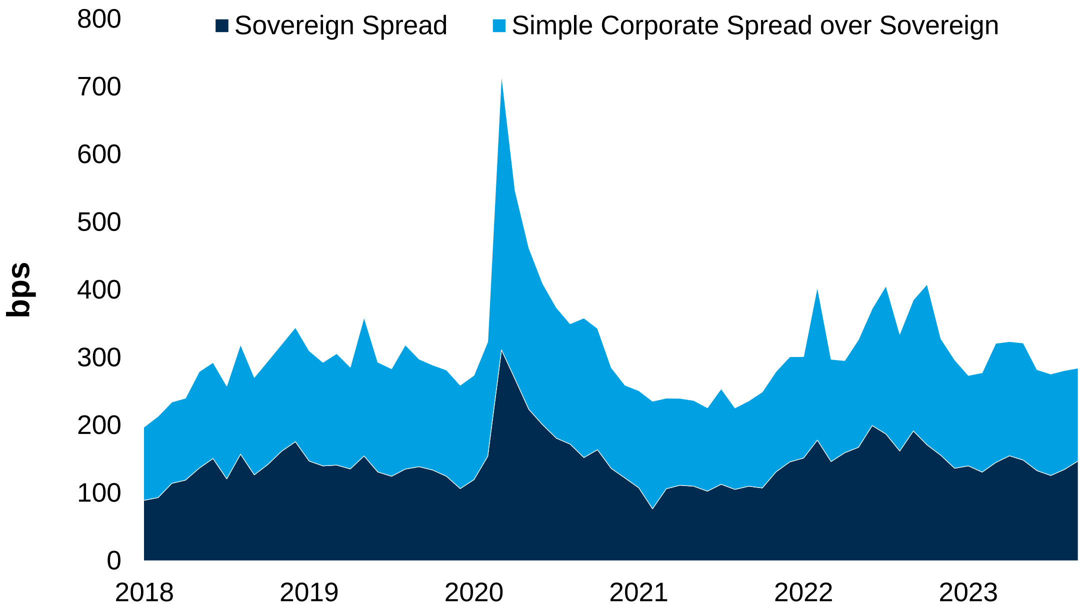
Source: Morgan Stanley Investment Management proprietary data and calculations. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. This represents how the portfolio management team generally implements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

EM CORPORATE CREDIT

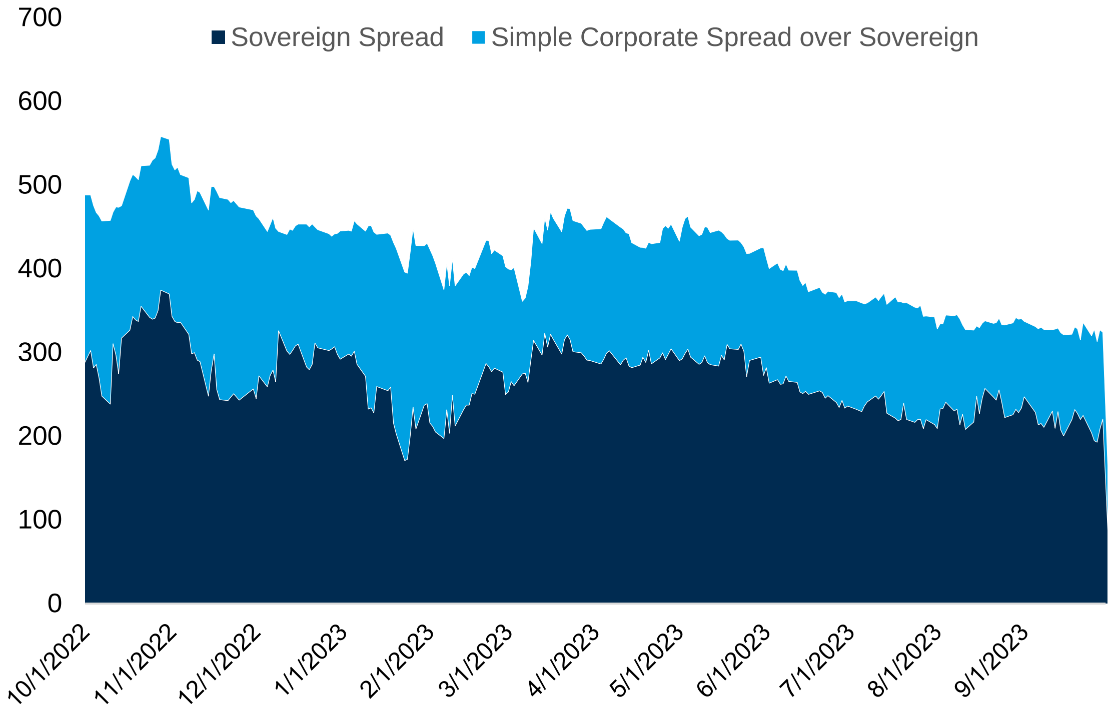
Valuations

Today's spread and nominal yield levels adequately compensate investors for the risk entailed. As IG spreads compress to levels inside of historical averages, we think investors will start stepping into high quality BB issuers to pick up yield. In addition, bonds that have been beaten up on refinancing concerns may experience relief rallies if they show an ability to access others pockets of capital.

Spread Over Sovereign (CEMBI)
(5-Year Period)



Spread Over Sovereign (EV Universe)
(1-Year Period)

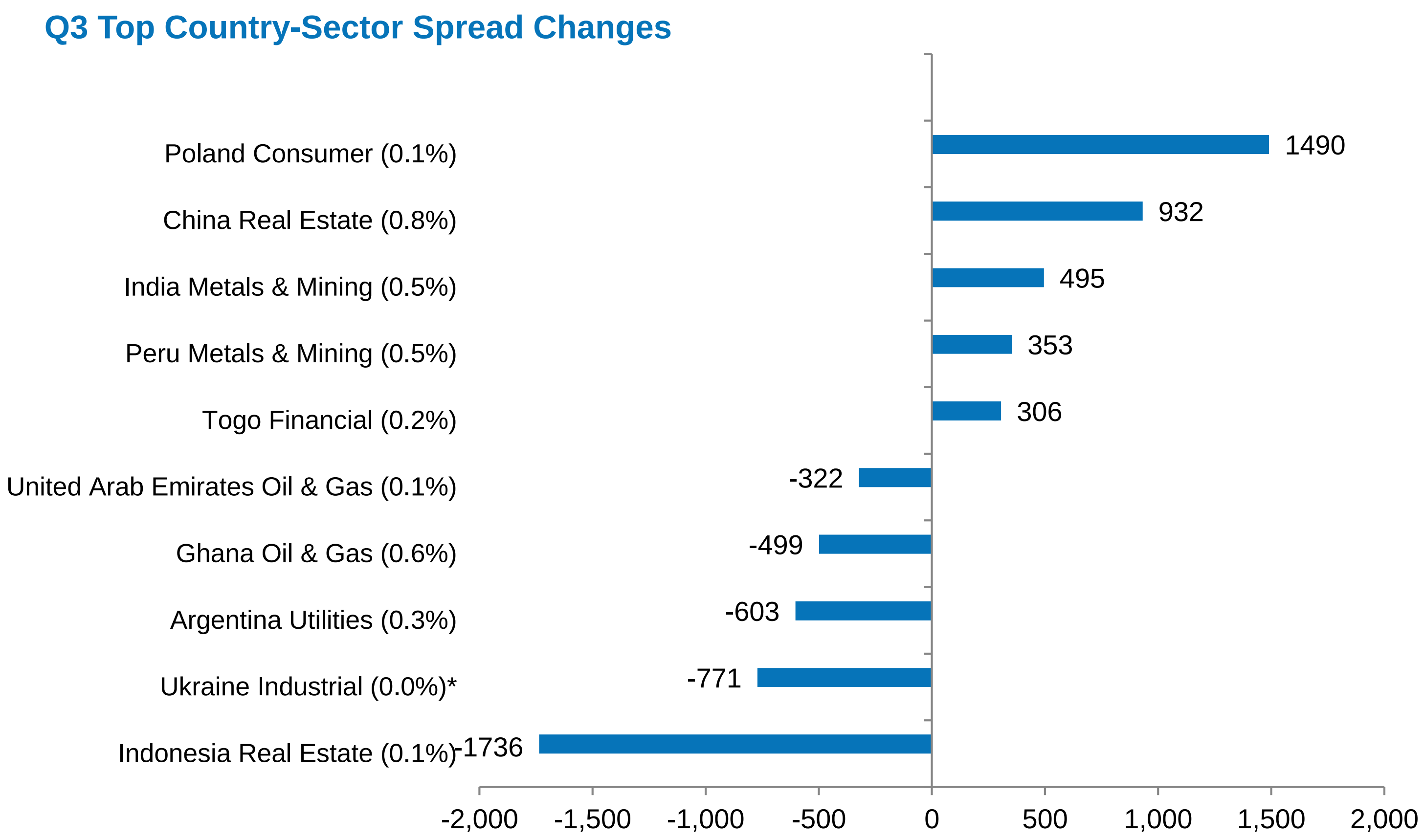


Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2023. CEMBI bonds used in calculation. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

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)



Source: JP Morgan. As of 9/30/2023. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.
*Off benchmark position

White Paper and Blog Post Summary

WHITE PAPER AND BLOG POST SUMMARY

White Papers: 2022-2023

Date	Headline	Summary
6/28/2023	Country Allocation: Still the Primary Determinant of International Equity Returns	Investors making international equity allocations to developed and emerging markets strategies should determine the relative importance that a manager places on country, industry and stock selection. For international equity funds, country selection — more so than industry or stock choice — has been the dominant determining factor of why performance differs from a broad equity benchmark.
5/30/2023	Gaining a Trading Edge in Emerging Markets Debt	The trading capabilities of an emerging markets debt manager can have a significant impact on realized returns. Many emerging markets managers lack the commitment to master the operational complexities unique to each local market, but MSIM believes such capabilities are key to adding alpha for clients.
03/30/2023	Economic Policy's Critical Role for Shaping ESG Outcomes in Emerging Markets	While the foundational factors behind improvements in environmental, social and governance (ESG) considerations are seldom investigated at the country level, the evidence demonstrates a clear relationship between the orientation of economic policy and ESG outcomes.
9/9/2022	Emerging Markets Debt: Determinants of Sovereign Bond Quality and Returns	The Emerging Markets Debt (EMD) team at Morgan Stanley Investment Management explores the key drivers of sovereign bond ratings, spread performance and frequency of defaults for a data set of 165 countries from 2000 to 2019. The findings demonstrate the determinant role that economic policy plays, in particular, which is analyzed alongside other macro variables related to the real economy, external sector and political orientation of the government.
9/9/2022	Policy's Pivotal Role in Shaping	Country allocation, more so than sector and stock selection, remains the primary factor for why an international equity fund's return deviates from a benchmark return. In this article, we survey existing literature on studies that examine the critical role that country allocation plays for equity returns and share an economic policy metric used by the Morgan Stanley Investment Management Emerging Markets Debt team to make country-level investment decisions.
6/9/2022	Going beyond active vs. passive in EM debt	The Morgan Stanley Investment Management Emerging Markets team offers proactive management that seeks to fully capitalize on the broadest possible EM opportunity set. Our portfolios offer unique exposures within the EM debt sector thanks to the ability to source our own investments. Such opportunities cannot be captured through routine bond issuances, the secondary markets or passive indexes.

WHITE PAPER AND BLOG POST SUMMARY

Blog Post Summary — 2022/2023

Date	Headline	Summary
9/19/2023	Well-Being Greater in More Economically Free Countries, Says Fraser Institute Report	This year's report highlights that well-being is much greater in 'economically free' countries, as measured by average income, life expectancy, infant mortality rates and depth of poverty. Partially driving the recent drop in world economic freedom is higher inflation, which has taken a toll on the soundness of the money supply in many countries.
8/25/2023	China's Economy: Ghosted	The portfolio investors, venture capitalists and banks, who all clamored to get into China, may now open their eyes to the broader universe of EM opportunities. China's large, ailing property sector looks set to continue weighing on the country's economy. After years of crowding out other emerging economies in global capital markets, China's sluggishness may prove to be a boon for these countries.
8/1/2023	EM Debt Moves Higher on Spread Tightening, Monetary Policies	EM central banks pursued a more orthodox monetary policy than their developed market (DM) peers, with a bias toward holding rates steady or easing. As a result, EM interest rates broadly rallied during the quarter, while DM rates broadly sold off.
6/21/2023	Greek Tax Reforms Kick-Start Economic Resurgence	Greece stands out as an emerging markets success story thanks to pro-business reforms that have fostered a better investment climate to kick-start growth. According to the Greek think tank, The Center for Liberal Studies — Markos Dragoumis (KEFiM), "Tax Freedom Day" falls on June 21 this year, a 14-day improvement from 2022 and the earliest date in the calendar since 2011.
6/14/2023	China’s Outlook Mixed After Reopening	Top-tier cities appear better placed for a property recovery than second- and lower-tier locations, while urban centers look stronger than remote areas. While sentiment remains weak, it is unclear whether we will see pent-up demand underpin stronger consumption and private investment in the coming months. The government is emphasizing "high quality growth," which we interpret to mean increased state intervention in practice
5/5/2023	IMF Spring Conference Focuses on Sticky Inflation and Accelerating Economic Fragmentation	The April meeting of the IMF revealed an outlook made uncertain by financial sector distress and continuing high inflation levels, while policy debates focused on the risks of supply-chain disruptions, rising geopolitical tensions and increasing geo-economic fragmentation.The narrative among central banks is that bringing inflation down close to target will be easy, but bringing it all the way back to target will be tough.
4/25/2023	Outlook for EM Debt Shining Brighter at Second Quarter’s Start	Emerging markets (EM) debt produced positive performance during the first quarter of the year despite a mixed backdrop for global capital markets. With the outlook broadly improving, we believe that opportunities remain compelling across the EM debt universe and appear to offer particularly attractive compensation to investors at present.
4/6/2023	Are EM Banks Susceptible to the Same Risks as Silicon Valley Banks?	The recent collapse of Silicon Valley Bank (SVB) and Credit Suisse underscores the resilience of emerging markets (EM) banks, which operate in fundamentally different ways. The EM investment universe comprises banks built on traditional universal banking models, including many with well-diversified deposit bases.
1/13/2023	Reflections on 2022 and Research Retreat Highlights	The EM landscape has changed in the wake of the pandemic, which made the conversations at our December 2022 retreat particularly timely. Following the strong rally that closed out the year, we are seeing investors differentiate based not just on their dependence on oil but on varied policy responses to the virus and the potential impacts on health care systems, social dynamics, economies and finances.

IMPORTANT ADDITIONAL INFORMATION

Important Information and Disclosure

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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

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Important Information and Disclosure

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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.

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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.

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