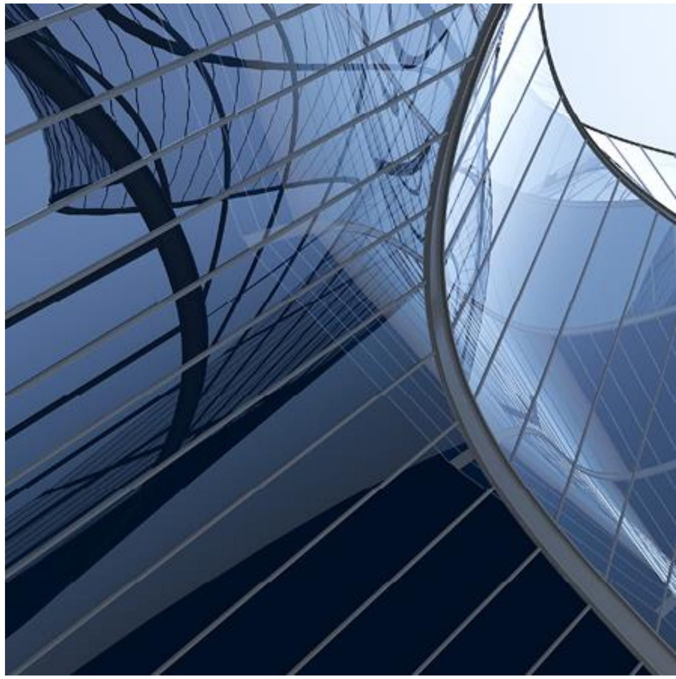
Morgan Stanley
INVESTMENT MANAGEMENT

Emerging Markets Debt Monitor

Emerging Markets Team

Q3 2024



Important Information and Disclosure

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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.

Q3 2024 Recap

Q3 2024 Recap

- Performance was strong for EMD markets as EM currencies broadly rallied and sovereign and corporate credit were supported by the fall in US treasury rates.
- The impending start of the Fed's cutting cycle was top of mind for investors. At the start of the quarter, a September cut started to be priced into the market and US rates consistently fell. A disappointing US jobs number in July caused market volatility but the US dollar weakened, and rates continued to fall which was supportive for EMD. The Bank of Japan unexpectedly raised rates at the end of July which caused spillover effects into the broader economy as popular yen carry trades fell out of favor and rapidly unwound. EM currencies in general benefitted during this period, and low yielding EM currencies such as Malaysian ringgit and Thai baht rallied as a fallout of the yen carry trade.
- The year of global elections continued with a contested presidential election in Venezuela and election results from earlier this year started to play out, most notably in Mexico and South Africa. In Bangladesh, even without an election, there was disorder in politics as the Prime Minister, Sheikh Hasina, was forced out of office by protestors and fled the country.
- China announced a group of policy measures including rate cuts, bank recapitalizations, facilities to boost the stock market, and fiscal spending. Markets initially reacted positively, especially the Chinese stock market which rallied over 20%, but these current measures are likely not enough to turnaround the economy. The property market in particular needs more investment from the central government.
- EM central banks continued to cut rates and were further supported by the Fed's 50bps rate cut. A notable exception was Brazil where the economy is overheated, deficits remain high, and inflation continues to increase. The central bank hiked rates during the quarter and additional hikes are looming.
- Performance for the underlying EMD risk factors was positive. The local segment was the best performing segment of the market as EM currencies and local rates rallied. The USD-denominated EMD sovereign index was the second-best performing index, sovereign spreads widened early in the period but broadly ended the quarter flat. The EM corporate index trailed the other segments of the markets and similar to the sovereign segment of the market spreads were broadly flat. The fall in US Treasury yields, especially leading up to the Fed's rate cut, helped support the sovereign and corporate segments of the market.
- Outflows continued with approximately -$3.1 billion net going out of dedicated-EMD funds globally during the quarter with outflows concentrated in July and August, but flows switched to inflows for both hard currency and local funds in September.

Please reference page 2 "Important Information and Disclosure"

Q3 2024 Recap, *continued*

Asia

- Sri Lanka elected their new President, Anura Kumara Dissanayake (AKD) of the JVP/NPP party, who was seen as a market unfriendly candidate but his early days in office have been positive. He wants to stabilize the economy and then work with the IMF to accelerate the review of its current program.
- Fundamentals have been improving in Malaysia as Prime Minister Anwar has been able to control politics better than expected which is helping to create stability after years of frequent changes in the government. The new King was crowned in July for his 5-year term and is seen as very business oriented.
- Thailand’s Prime Minister was removed from office following a court ruling that he violated the constitution. While this was eventful and does create political uncertainty, there was previously policy paralysis. The new government noted they will prioritize stimulating the economy and working through debt issues.

CEEMEA

- Markets continued to react positively to the results of South Africa’s presidential election and the continuity of the GNU. The SARB cut rates for the first time in this cycle by 25bps and the weakening USD helped the ZAR rally. The GNU is focused on boosting growth and expectations have been lifted given the recent momentum.
- Egypt formed a new government with Ahmed Kouchouk as the Finance Minister with a focus on bringing down inflation and debt. The government cut bread subsidies and raised domestic fuel prices ahead of an IMF review in July and increased electricity prices. Continued execution of reform measures remains critical.
- Geopolitical risks increased in the region as Hamas leader Ismael Haniyeh was killed in Iran and Israel allegedly conducted a coordinated pager attack targeting Hezbollah in Syria and Lebanon. As we close in on the one-year mark since the October 7th attack on Israel by Hamas, the conflict has expanded in the Middle East – additional contagion risks should be monitored.

LATAM

- Mexican assets sold off following the election success of President Claudia Sheinbaum and her political party, and the market continued to digest the negative and business unfriendly reform measures. Judicial reforms led by outgoing President AMLO went into effect and measures to eliminate independent agencies, particularly related to energy are on the horizon.
- Venezuela's Presidential election remains widely challenged as Nicolas Maduro claimed to be the winner, but the opposition party appears to have done very well and better than expectations. Maduro remains in power and will likely stay in power for the foreseeable future. International communities, including the US, may attempt to mediate and impose sanctions.
- Ecuador’s President, Daniel Noboa, continues to implement good fiscal measures, reserves are at record levels, and trade balances have turned around for a number of commodities – not just oil. Presidential elections are next year but polls show that Noboa is in the lead which would be key for continued reforms and security improvements.

Please reference page 2 “Important Information and Disclosure”

Q3 2024 RECAP

EM Corporate Credit – Q3 update and outlook

Highlights during the quarter :

- We saw a meaningful pickup in new supply. Issuers are taking advantage of the open window (before the November elections) and lower US rates to raise long-term debt capital. In particular, issuers from countries such as Turkey and Argentina, who have been shut out of the market for the last 2 years have finally been able to tap the market.
- Emerging market debt inflows picked up more recently. This is after a long run of outflows from the asset class. We believe the generally strong appetite for fixed income assets amongst end investors, the Fed cuts and weaker dollar have precipitated this reversal in trends for the EM debt asset class.
- Buyers of EM corporate debt are a mixture of yield and credit spread buyers. As such, when rates rallied during this past quarter, we did see some widening of credit spreads – a phenomenon that is to be expected given the presence of yield buyers in the market.
- The Chinese government announced a series of stimulus measures to address the malaise that has been plaguing the property sector and local government financing needs. While it is unclear if this stimulus will help revive demand in a sector that many fear is left for dead, it should help, on the margin, clear out the almost 30 months of excess unsold real estate inventory that is sitting on developers' balance sheets. Equity valuations, more so than credit spreads, were at incredibly depressed levels prior to this stimulus announcement, and have reacted sharply to this positive macro news. The MSCI China index was up ~30% in the last week of the quarter alone.
- Oil prices have been volatile affected by demand concerns out of the US and China, the growing conflict in the Middle East, and mixed news coming out of OPEC+. Initially prices fell with fears of slowing demand and a lack of production cuts from OPEC+, but more recently, prices have recovered due to the Middle East conflict and China stimulus. Given the high percentage of energy-related corporates in the investment universe, the price of crude oil continues to be a very relevant risk factor for sentiment and valuations in the asset class.

Outlook

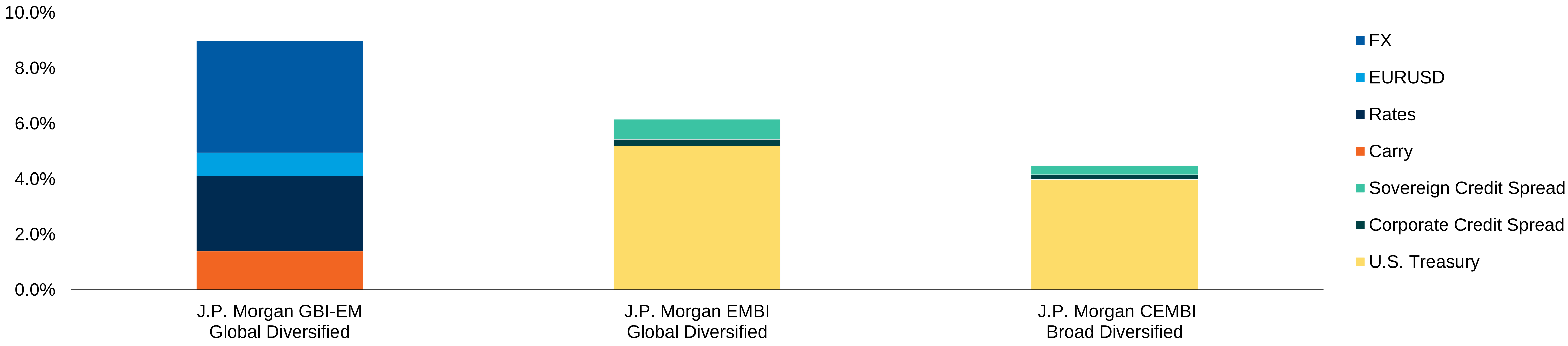
- The team continues to find attractive total return investment opportunities in the primary as well as secondary markets. Latin America, in particular, has been a fertile ground for investment ideas, followed by pockets in CEEMEA. Asia corporate credit remains a tale of two stories: high quality, investment grade corporates trading at historically tight credit spreads; and higher-risk, high yield corporates struggling to attract interest. Rates volatility is expected to continue as US data comes in, impacting the path of Fed cuts. This will, in turn, drive US credit spreads which will indirectly impact EM corporate credit spreads.
- We believe the stage is set for a meaningful growth of EM corporate supply. All-in coupons are at relatively attractive levels for issuers to return to the international debt markets. Many had switched to domestic funding sources when US interest rates spiked, but we think some of this behaviour will reverse over the next quarter or two.

Please reference page 2 "Important Information and Disclosure"

Q3 2024 RECAP

Index Performance Recap

Q3 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	4.04%	0.83%	2.72%	1.40%	—	—	—	**8.99%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	0.73%	0.23%	5.20%	**6.16%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.32%	0.17%	3.99%	**4.48%**

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 2024 RECAP

Index Performance Recap

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J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.32%	0.17%	3.99%	**4.48%**

2024 YTD

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	-0.95%	0.19%	1.56%	4.15%	—	—	—	**4.95%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	3.98%	0.81%	3.86%	**8.64%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	1.74%	2.78%	3.97%	**8.50%**

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.

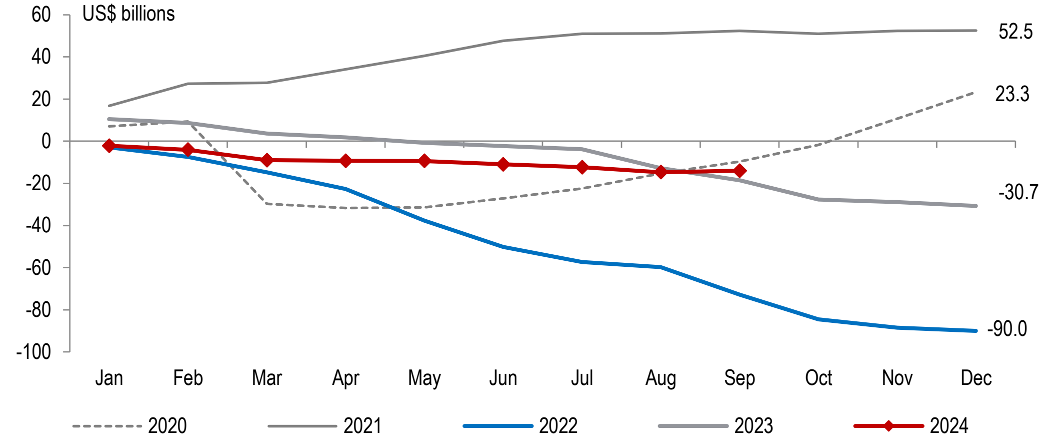
Q3 2024 RECAP

Technical: 2024 Flows YTD

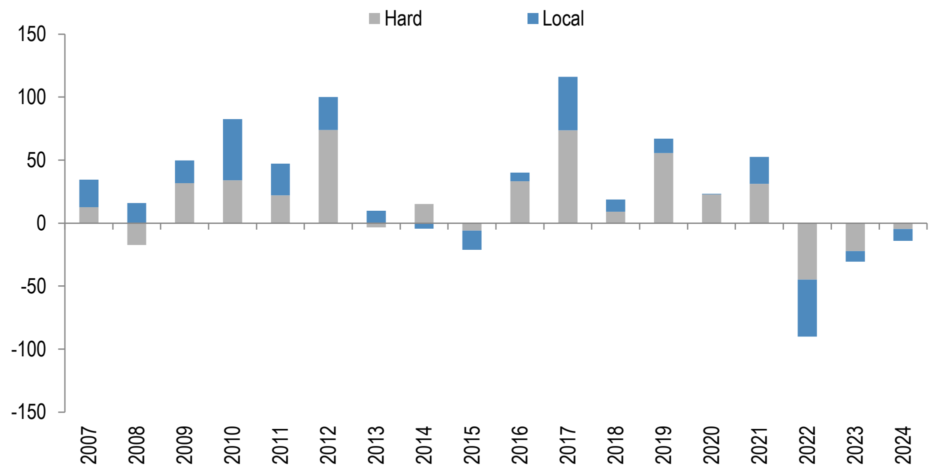
Investors are starting to show interest in EMD

- Following two of the worst years in recent history for EMD outflows, the tide appears to be turning.
- July and August saw outflows from both hard currency and local currency funds, despite strong emerging markets performance. However, as the prospect of a US Fed rate cut in September materialized and EMD continued to rally, investors allocated to the asset class and September flows were positive for both hard and local currency funds.

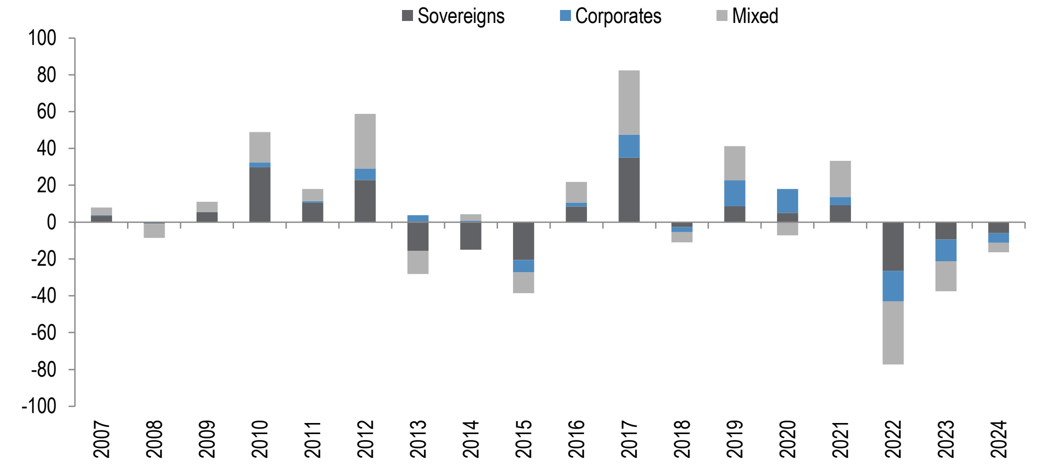
Annual Cumulative Bond Flows



Annual Flows by Currency



Annual Flows by Sovereign/Corporate/Mixed (Retail)



Source for all charts above: JPMorgan. All data as 9/27/2024. For illustrative purposes only. **Past performance is no guarantee of future results**.

Rotating Topic

Uncovering value and engagement opportunities in frontier markets through trading

ROTATING TOPIC

Trading Philosophy

Operational Alpha provides to a durable advantage

1. BACK OFFICE IS FRONT OFFICE
   – Lowering costs and reducing risks

2. PROACTIVE ENGAGEMENT
   – Reduce country risk premiums by engaging with policy makers on market structure initiatives

3. GO WHERE OTHERS ARE NOT
   – Focus on providing the largest opportunity set to generate alpha

4. PLAN FOR TOMORROW, TODAY
   – Prepare for opportunities that may be many years away

Source: Morgan Stanley Investment Management. As of 9/30/2024. For Illustrative purposes only. This represents how the portfolio management team generally implements its investment process under normal market conditions

ROTATING TOPIC

A History of Engagement: Focused on the Long term

Relationships with Countries and Corporates are at the heart of our investment process

Illustrative Experiences

Serbia

- 15+ year relationship working with local policy makers to improve domestic capital markets. Culminated with GBI-EM inclusion in 2022

Paraguay

- The inaugural non-resident portfolio investor in local currency debt issuance.

Republic of Georgia

- First non-resident portfolio investor in the local debt markets. Initiated improvements in the FX market structure.

Uzbekistan

- Pioneering relationships with local banks for inaugural UZS linked bond issuance
- Continued partnership with government on local currency linked bond issuance

Vietnam

- Long term engagement in market structure topics, most recently advocating for reforms in the FX market structure that will take effect in Q4 ‘24

Dominican Republic

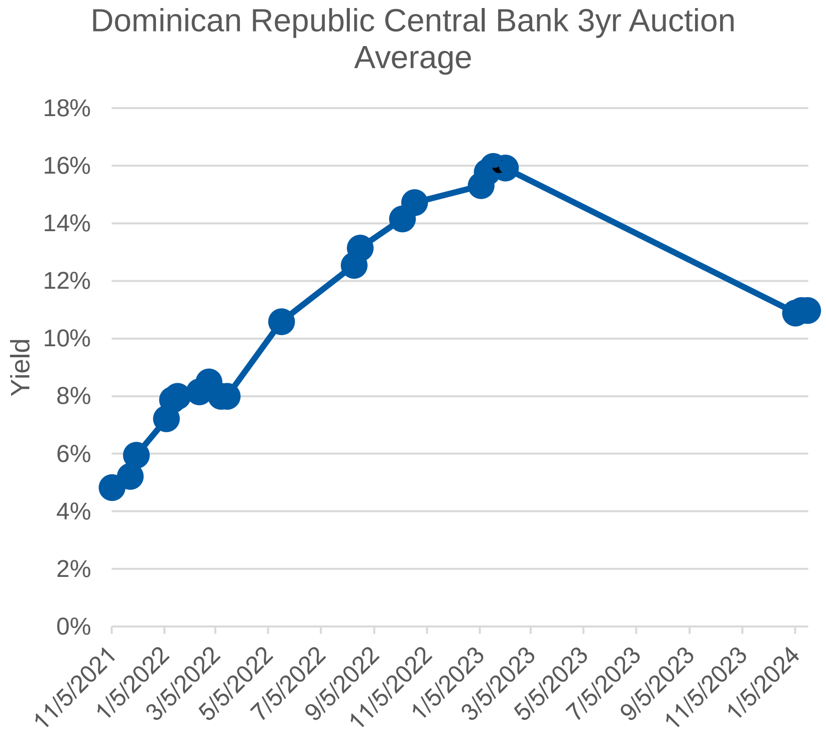
- Long term engagement in market structure topics, most recently advocating for reforms in the FX market

Source: Morgan Stanley Investment Management. For illustrative purposes only. This is intended to provide a summery overview. The statements above reflect the opinions and views of the Emerging Markets Debt Investment Team as of 8/31/2024 and not as of any future date and will not be updated or supplemented.

ROTATING TOPIC

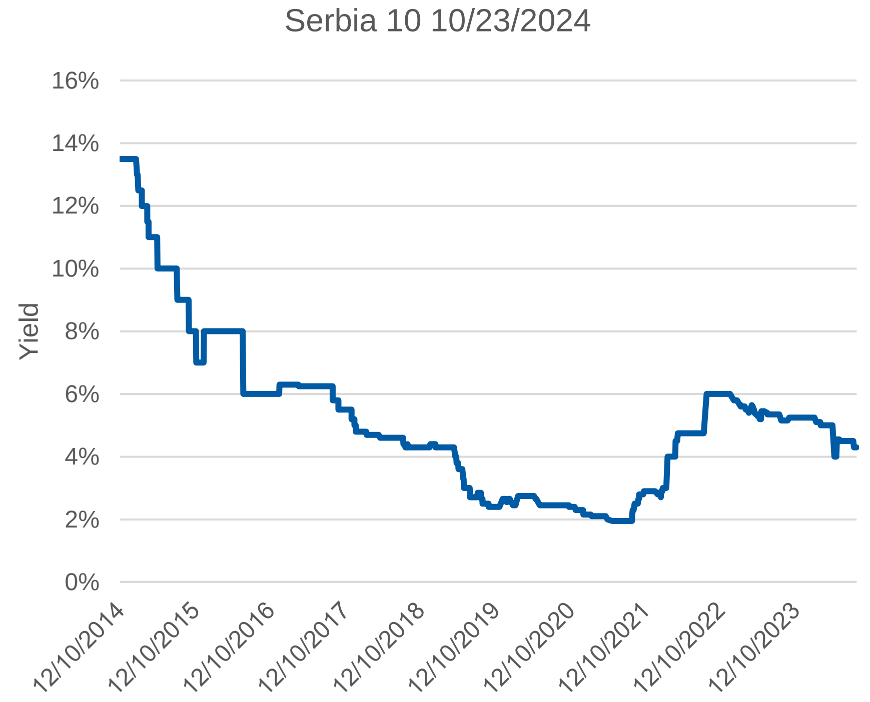
Operational Alpha and Engagement in practice

Dominican Republic: Nimble Execution



The peak in yields was sharp and short. Investors had a small window to add this lucrative position.

Serbia: Long term decline in risk premia



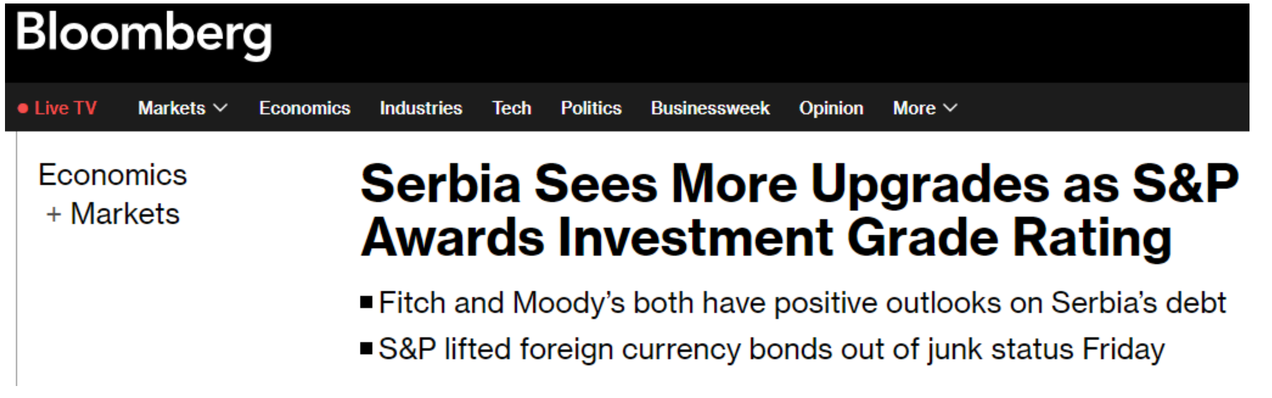
Our long-term relationship with the Central Bank and Ministry of Finance helped to simplify the account opening process.

Source: Banco Central Republica Dominicana and Bloomberg, L.P. As of 9/30/2024. For illustrative purposes only. Not a recommendation to buy or sell any security. It is not possible to invest directly in an index. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. Past performance is not indicative of future results

ROTATING TOPIC

Projecting to the future: Operational Alpha into the 4th decade

- Emerging Markets tend to have more mispricing's due to idiosyncratic risks.
- Every market evolves at its own pace
- Operational Alpha also provides downside protection
- As peers focus on ‘outsourcing’ we focus on improving our access and processes
- The pipeline is strong: future opportunities are still being identified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Serbia Sees More Upgrades as S&P Awards Investment Grade Rating

- Fitch and Moody’s both have positive outlooks on Serbia’s debt
- S&P lifted foreign currency bonds out of junk status Friday

Source: Bloomberg, L.P. as of 10/5/2024. This represents how the portfolio management team generally implements its investment process under normal market conditions

Q4 2024 Outlook

Q4 2024 Outlook

Macro Drivers

- The US Fed cut rates, which was largely priced in during the quarter, but the expected size of the cut, 50bps, wasn't as clear to the market. EM currencies and local rates rallied supported by the macro environment.
- Real yields fell as inflation continued to come down and both EM and DM central banks continued to cut rates. The differential between EM and DM remains wide.
- China's recent bundle of policy and stimulus measures ignited strong market rallies. However, we are watching the direction of policy and the motivation for these measures to determine if this is an improvement in institutions. Current stimulus does not seem meaningful enough to turnaround the ailing economy or cleanup the property sector, additional policies may be on the horizon.
- Conflict in the Middle East continues to escalate as it expands beyond Israel and Hamas. Geopolitical risks could increase as tensions with Iran intensify and western nations increase their involvement.
- The quarter ended with inflows into the asset class, and this will likely continue as yields come down in developed markets and a dovish macro backdrop allows broader support for the EMD asset class.

Country Drivers

- Elections can be a turning point for a country, good or bad. Many of the elections from the world's most populous countries have already occurred this year and the results are starting to play out. Next up, the US Presidential elections in November. While not directly related to emerging markets, policies can have spillover effects into EM.
- EM central banks continued with their cutting cycles including Indonesia, South Africa, Czech Republic, and China. Many EM countries have additional room to cut their policy rates.
- Ukraine came to an agreement with creditors to restructure more than $20 billion in outstanding debt which was a stipulation for its IMF program and crucial for the economy during the ongoing war. A few EM countries are still working through restructurings including Sri Lanka.
- Growth, inflation and policy are quite differentiated across emerging markets. As such, we continue to expect markets to place an emphasis on differentiation amongst countries and credits.

Q4 2024 OUTLOOK

EMD Risk Factor Dashboard

Outlook and summary

	Underweight	Moderate Underweight	Neutral	Moderate Overweight	Overweight	Summary
Currency				◆		We keep currencies at a moderate overweight. The prospect for a weaker dollar and lower developed market rates, as we expect the Fed to have additional rate cuts this year, will be supportive for EM currencies.
Local Interest Rates				◆		We keep local rates at moderate overweight. Real-yield differentials remain wide but were flat during the quarter. EM central banks still have room to cut as inflation continues to come down.
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 deep fundamental research.
EM Equity				◆		Maintain at moderate overweight. Valuations remain low on absolute and relative basis. Long duration assets, including stocks, are set up to deliver attractive returns.

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

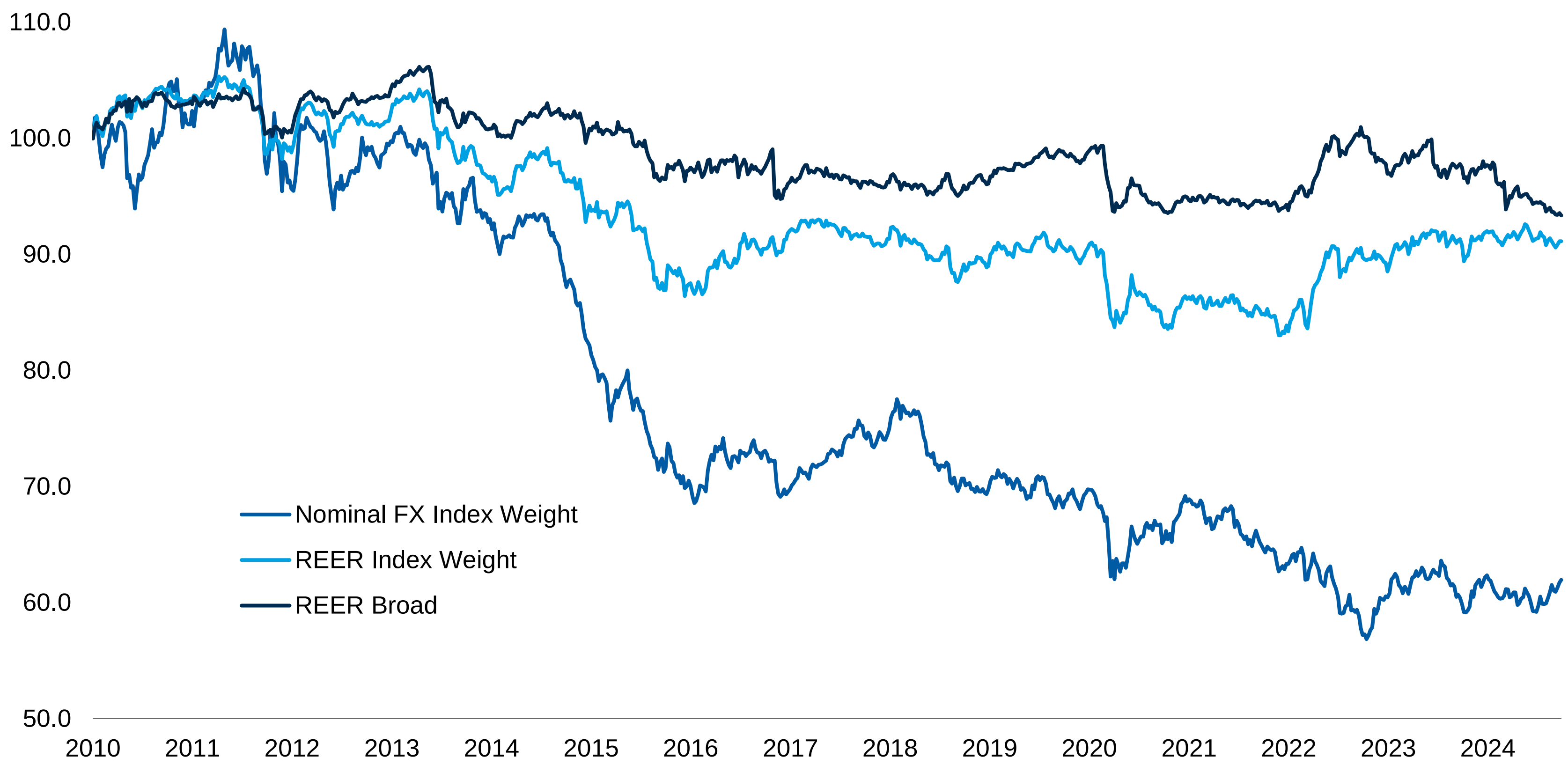
EM FX

EM currencies broadly strengthened in Q3 vs. the US dollar as the dollar weakened due to market expectations for the September Fed rate cut and weak US jobs figures early in the quarter.

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.

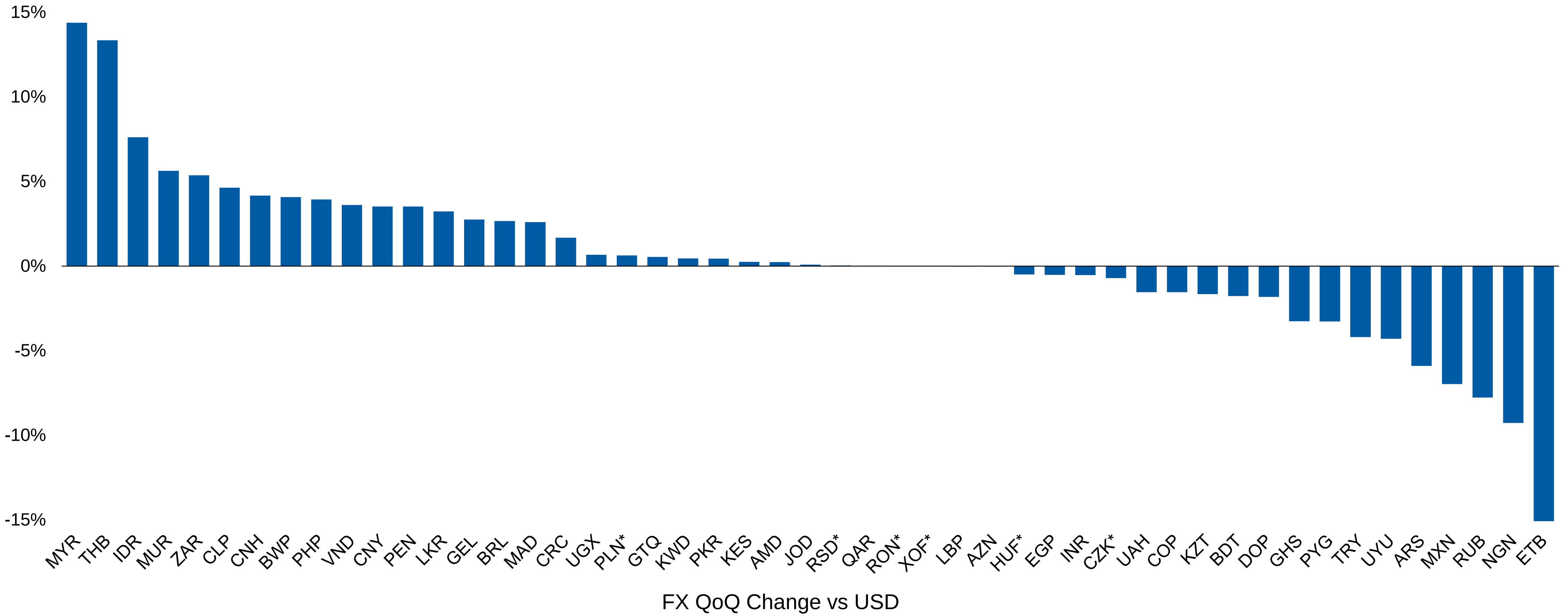
REER Broad: If you broaden the universe beyond the GBI-EM benchmark it shows that FX is not as cheap by this measure but value remains.



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

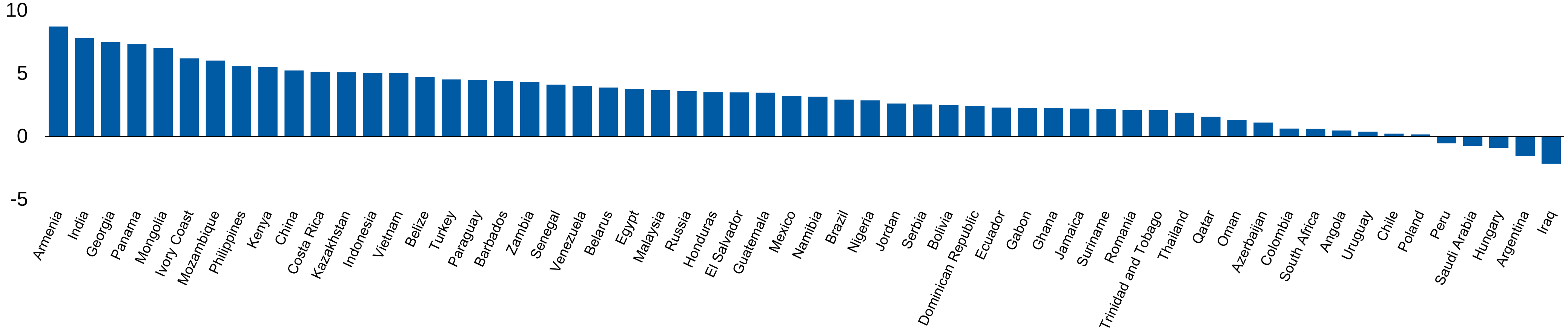
Many Asian currencies appreciated as a factor of the unwind of the Japanese yen carry trade. A number of EM currencies did selloff for idiosyncratic reasons including Mexico (unfavorable election results), Ethiopia (currency devaluation) and Nigeria (market volatility and loss of investor confidence).



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%.

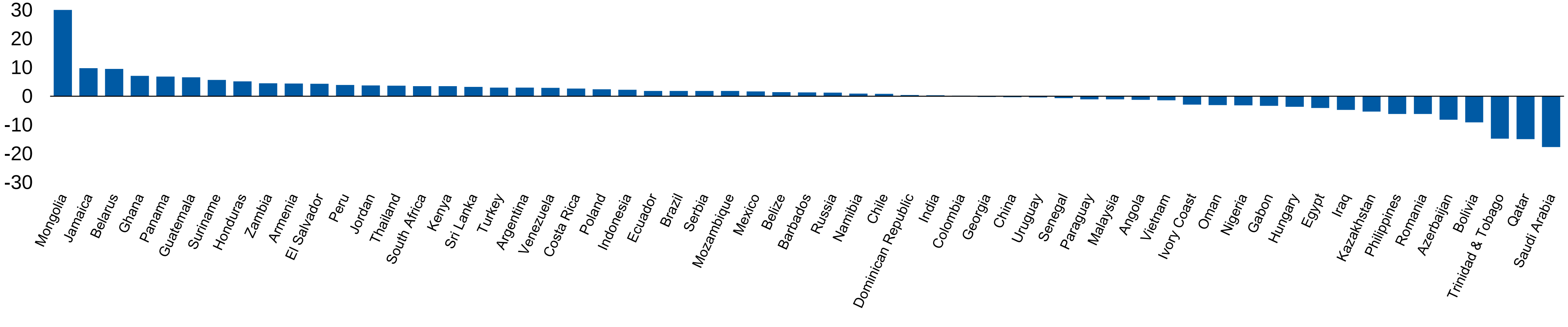
EM FX likes good growth and strong external balances.

% 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.

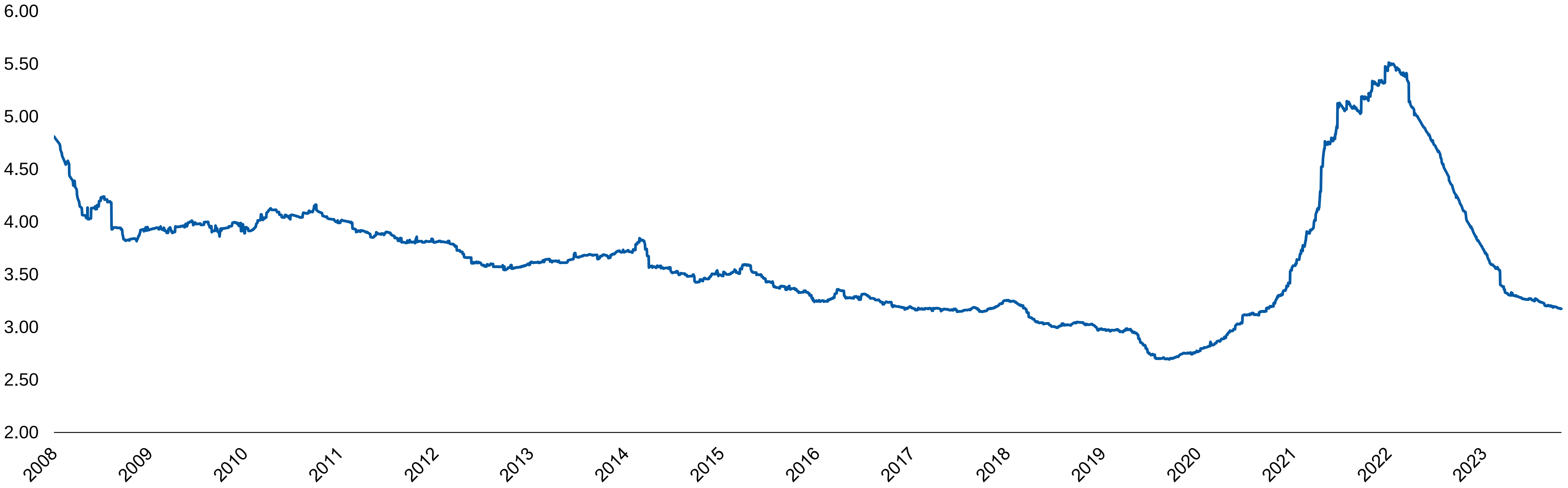
Source: IMF World Economic Outlook (WEO). Data provided is for informational use only. See end of report for important additional information.

EM Interest Rates

EM INTEREST RATES

Apart from Brazil, the global disinflationary trend continued at a steady pace. Many emerging markets are expected to continue their cutting cycles as this trend still has additional room to come down.

EM Consensus CPI Expectations*
(% Change YOY)

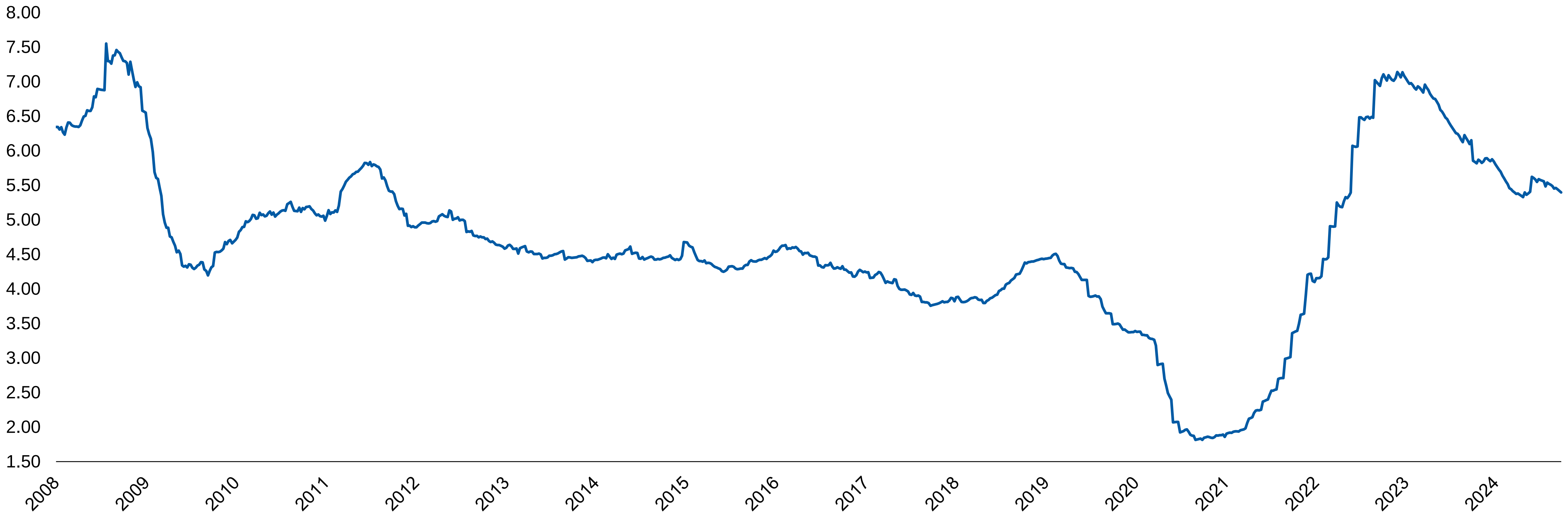


Source: Bloomberg, Morgan Stanley Investment Management. As of 9/30/2024. *Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified,. 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

EM central banks continued to cut rates or felt supported by a more dovish macro environment to start cutting.

EM Consensus Policy Rate Expectations*

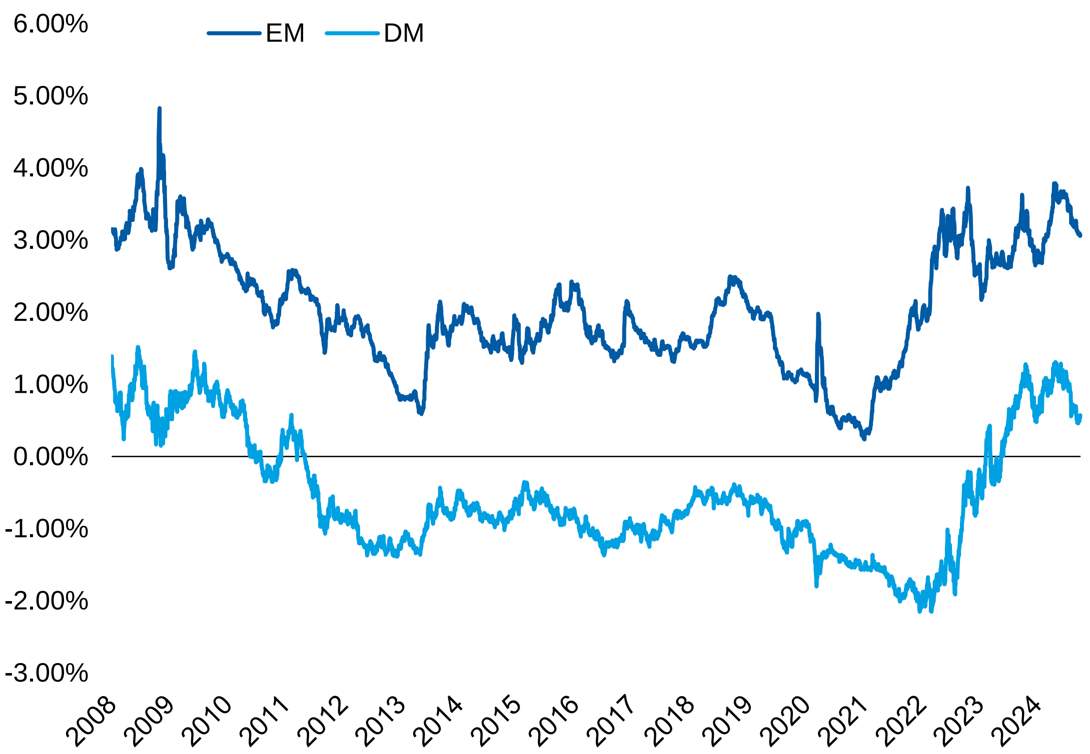


Source: Bloomberg, Morgan Stanley Investment Management. As of 9/30/2024. *Data is the equal weighted average of expected policy rates in 12 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. 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.

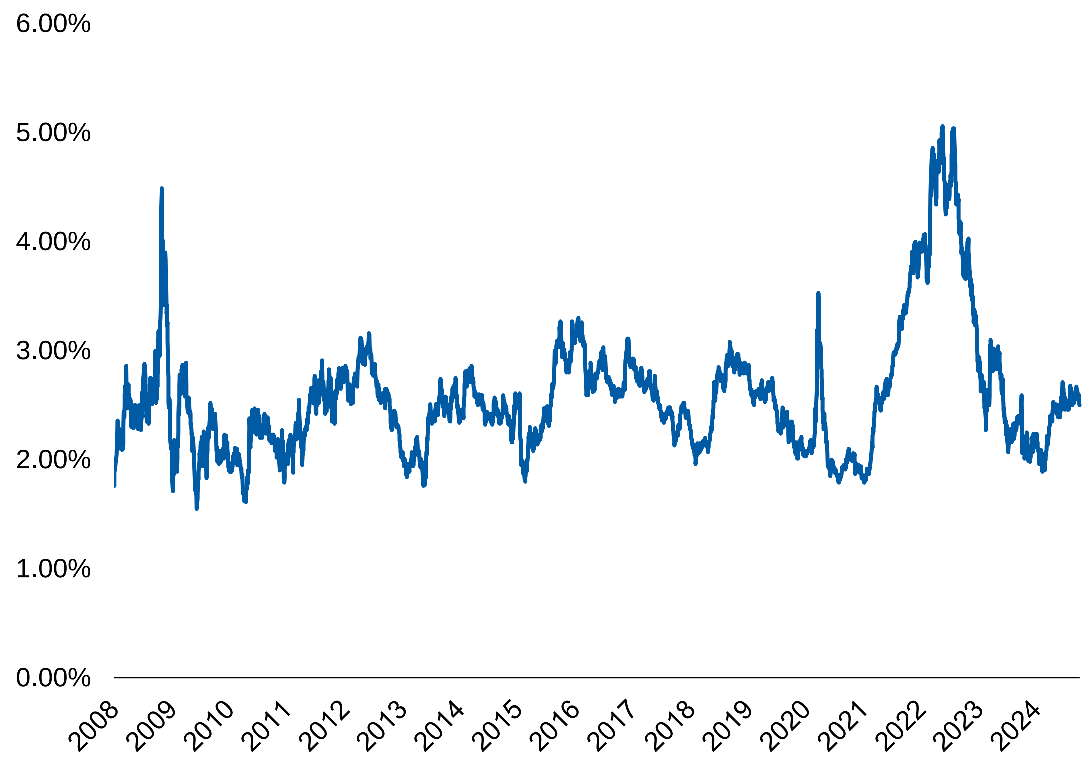
EM INTEREST RATES

Real yield differentials remained near long term wide levels as inflation continued to come down in both EM and DM. A soft landing in the US is becoming more likely as the Fed has become more aggressive.

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 9/30/2024. 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.

EM Sovereign Credit

EM SOVEREIGN CREDIT

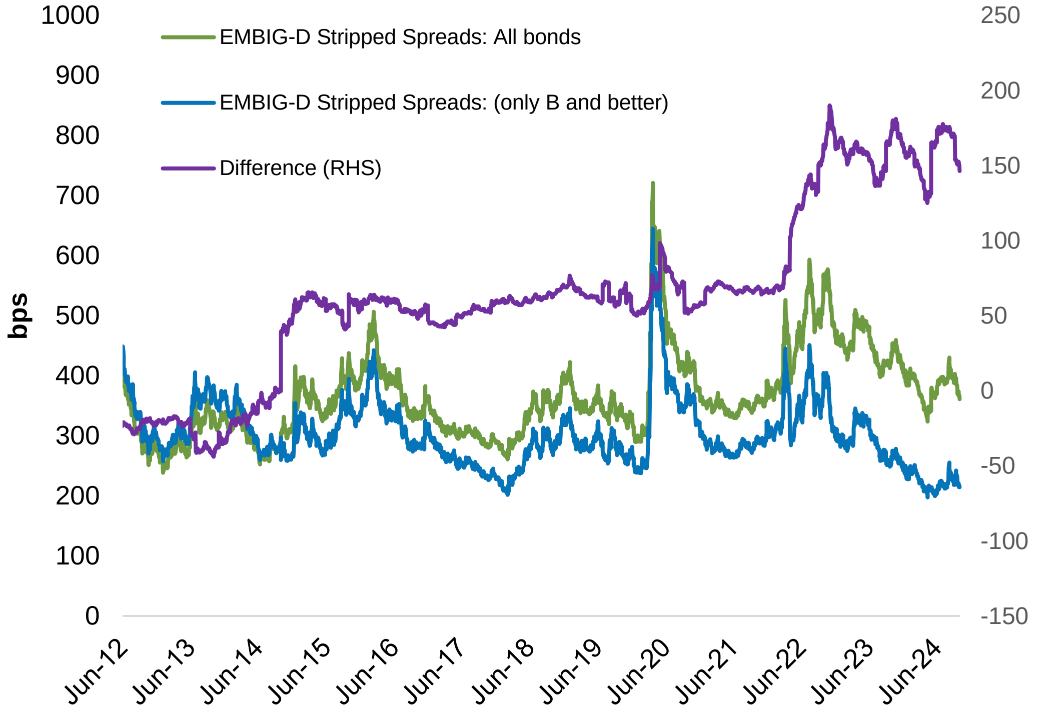
- Sovereign spreads marginally widened during the quarter but settled tighter by the end of the quarter.
- Notable bifurcation remains in the market and even increased during the period as lower credit-quality countries broadly outperformed higher-credit quality countries.
- Fundamentals remain mixed 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

Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2024. 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.

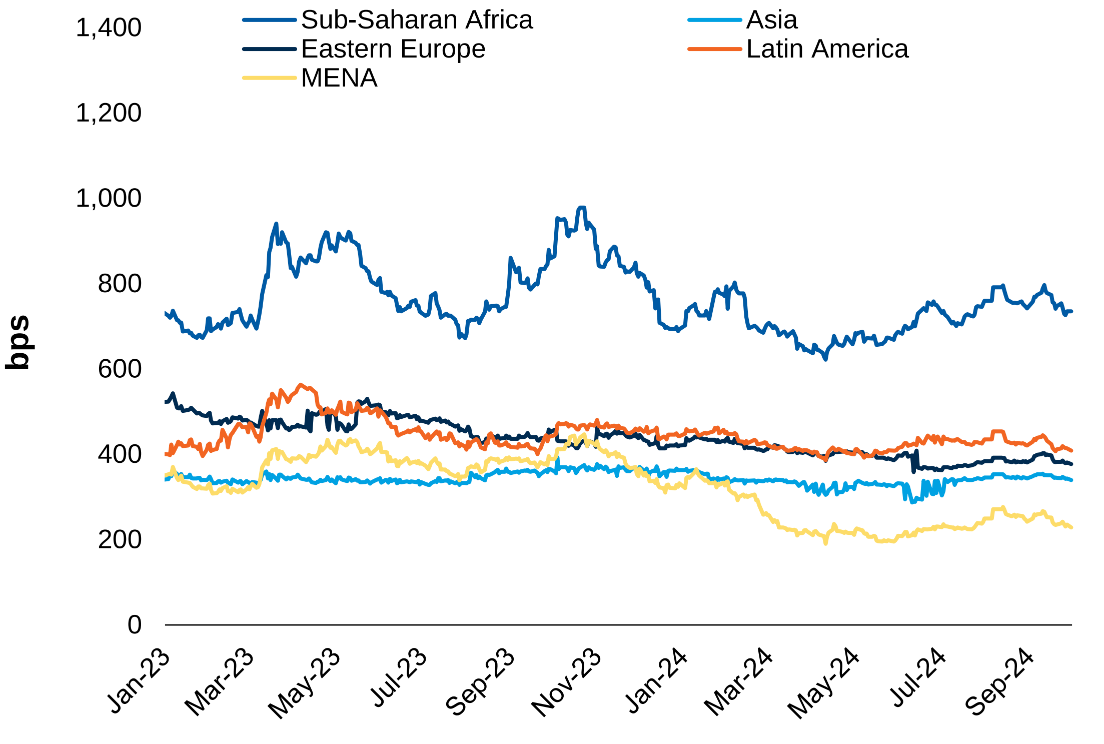
EM SOVEREIGN CREDIT

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



Spreads initially widened with spikes in July and September but ended the quarter flat.

5-Year Equal Weight Sovereign Spread by Region

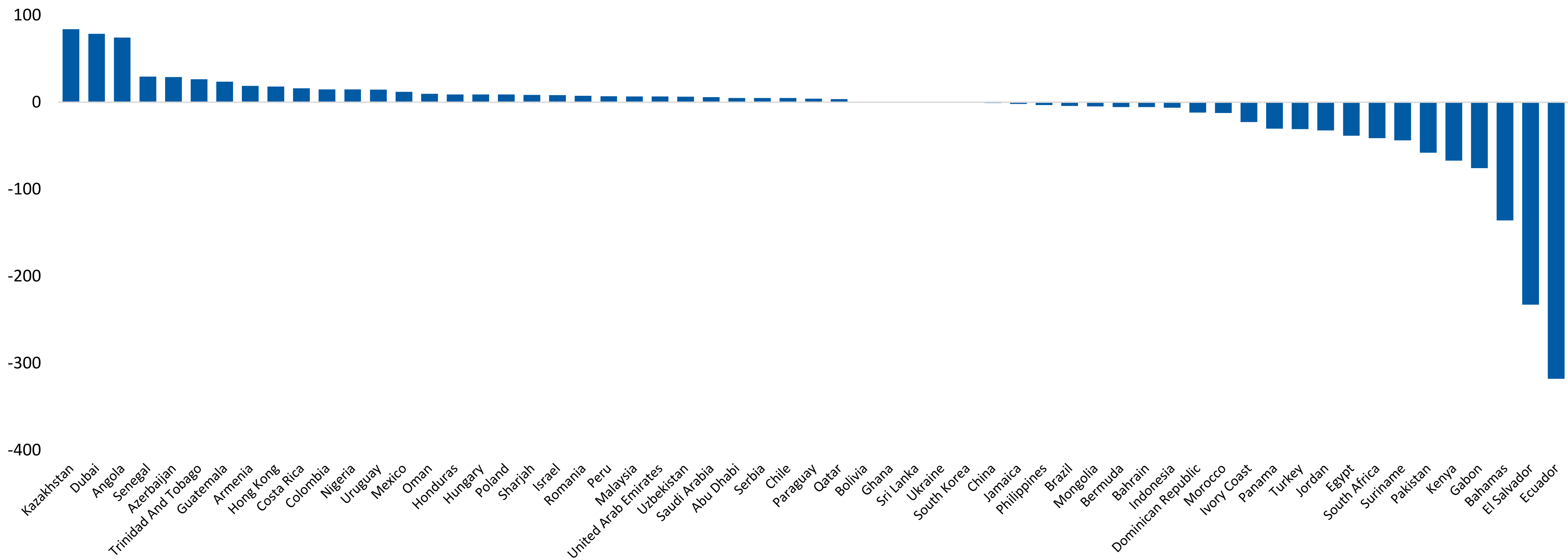


Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2024. Excludes Argentina. Underlying individual country spreads are capped at 2,000 bps. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs 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

While credit spreads ended the quarter flat, there was dispersion among countries. Suriname prepared to have a final investment decision from TotalEnergies for a major oil and gas project. In Angola, the government faced some budgetary shortfalls and decreasing oil prices put pressure on government revenues.

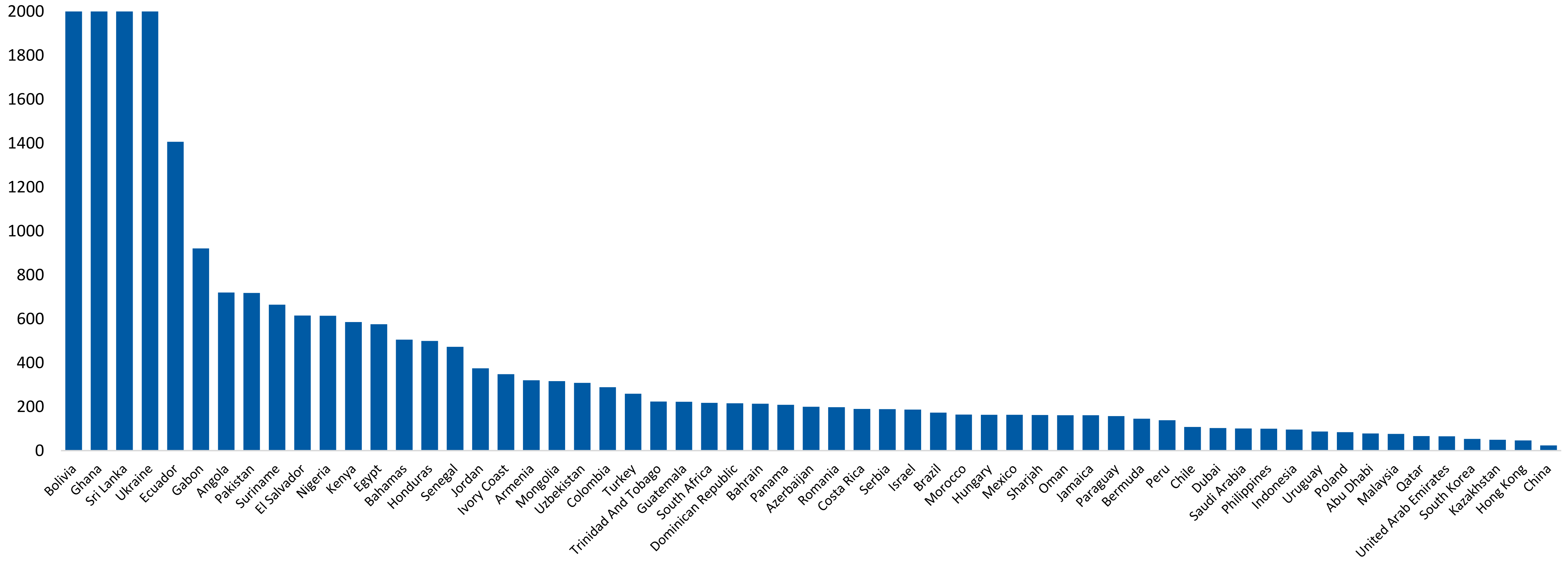
Q3 2024 Change in 5-Year Spread



Underlying individual country spreads are capped at 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2024. 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 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2024. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

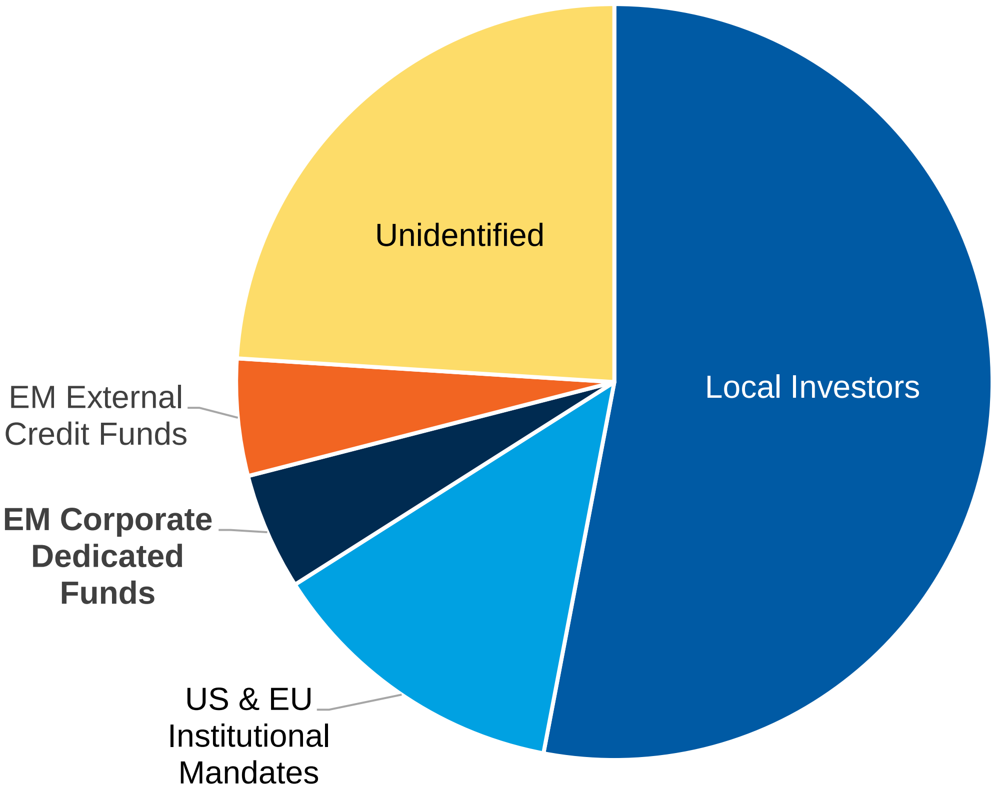
EM Corporate Credit

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.

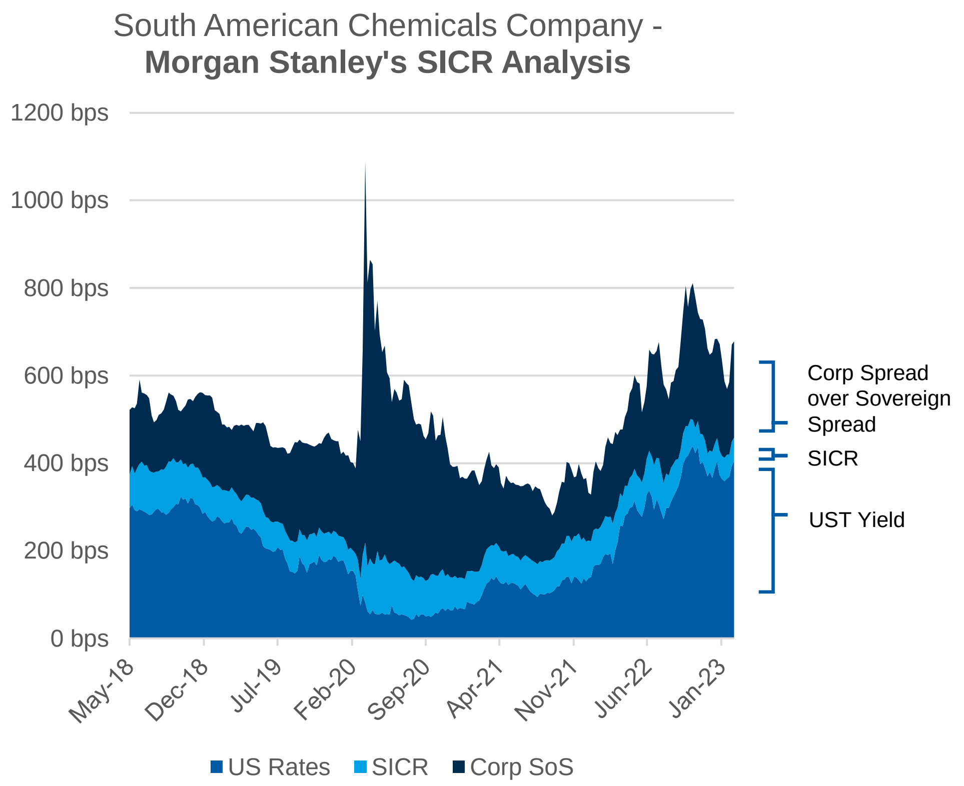


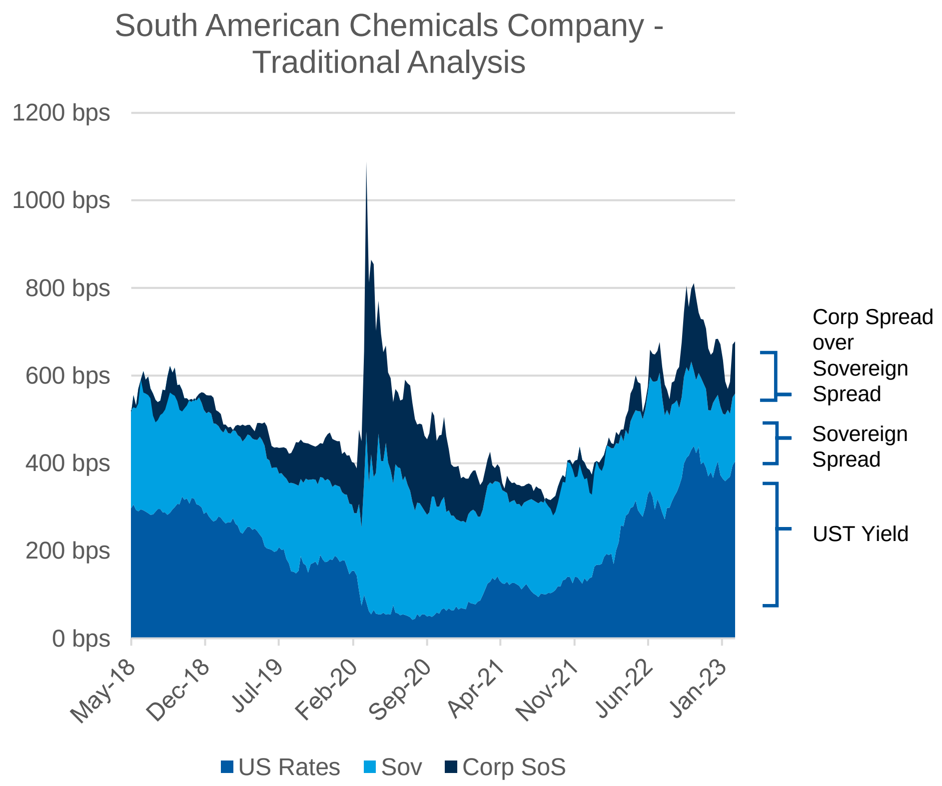
Source: JP Morgan Markets as of 12/31/2022. This represents how the portfolio management team generally implements its investment process under normal market conditions

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)





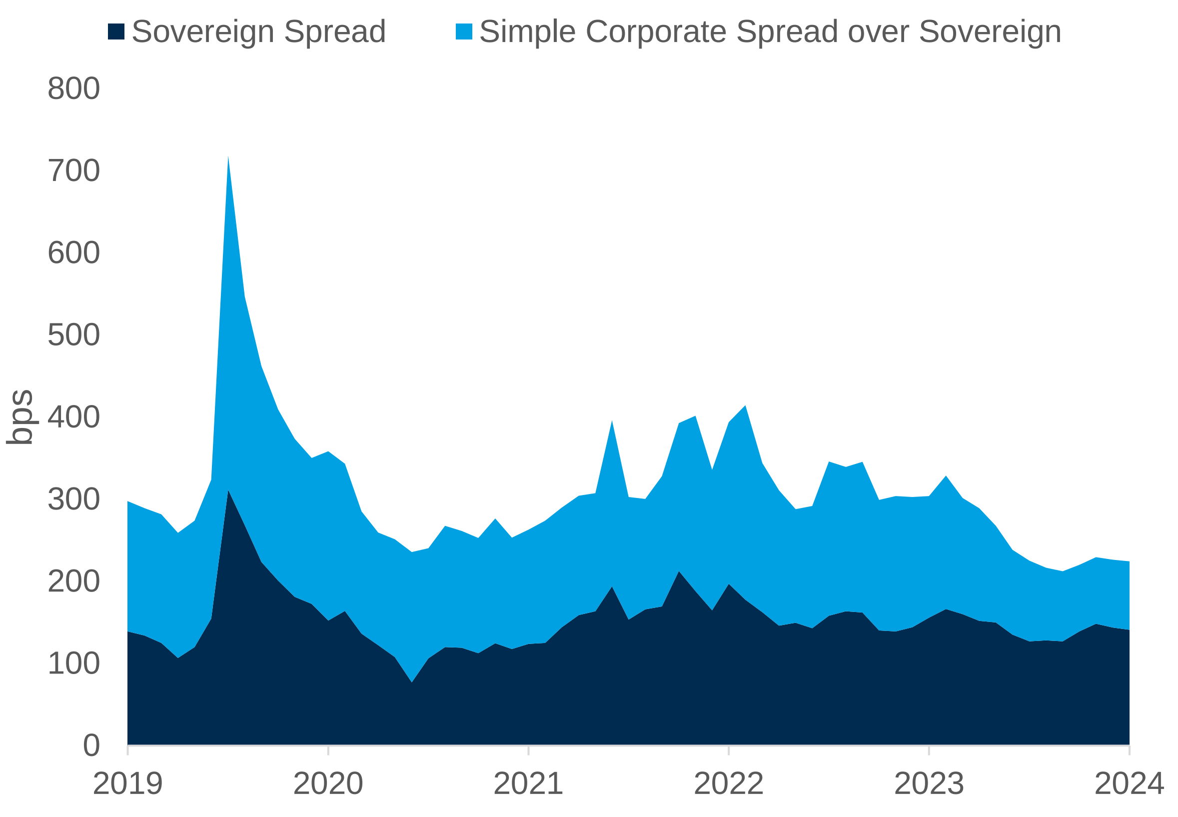
Source: Morgan Stanley Investment Management proprietary data and calculations. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. This represents how the portfolio management team generally implements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

EM CORPORATE CREDIT

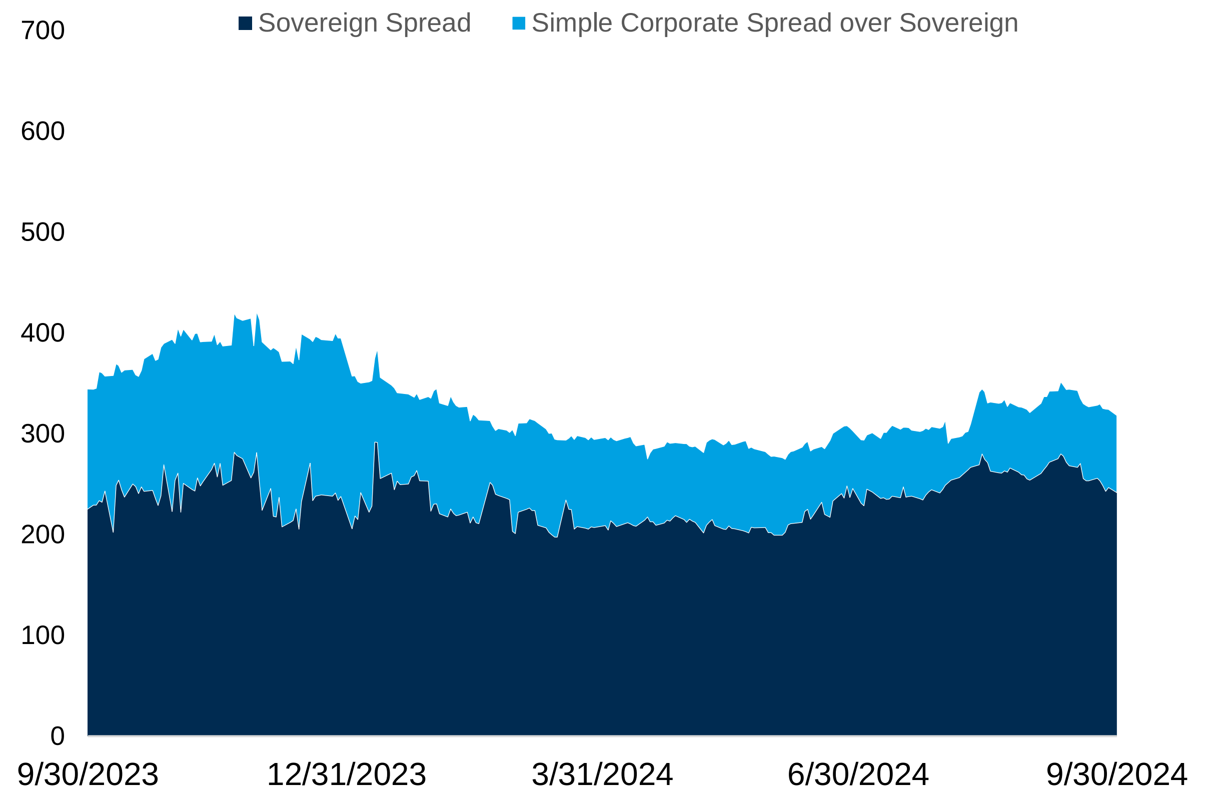
Valuations

Q3 was a strong quarter for EM corporates, benchmark total returns (+4.75%), but most of these gains came from the rally in US rates. Credit spreads returned ~50bps for the quarter, with the high yield segment continuing to outperform the investment grade sub-index. CEMBI high yield spread returns are now north of 700bps for the year-to-date period, reflecting the strong appetite for credit risk and strong issuer fundamentals.

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



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



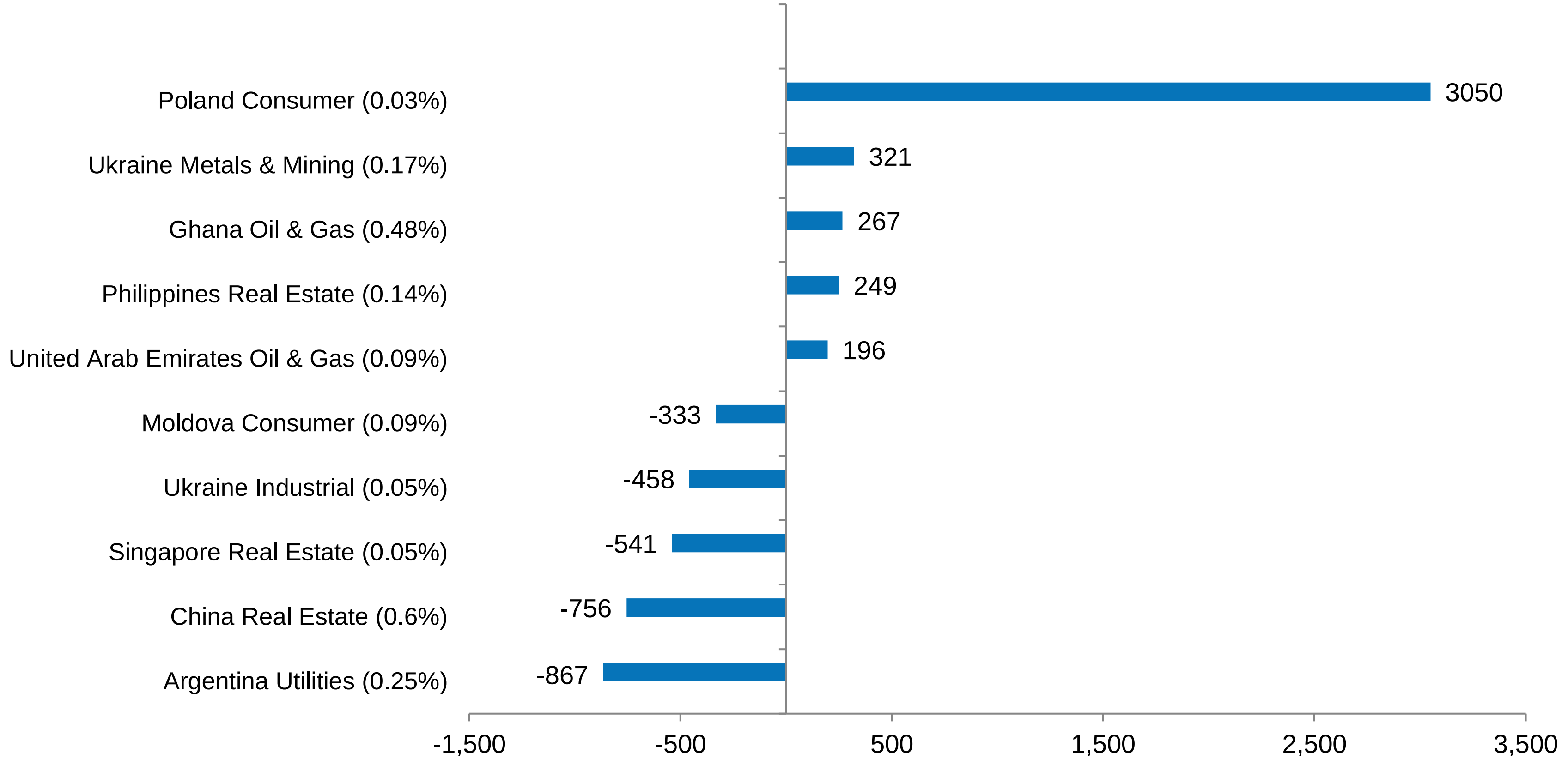
Source: Morgan Stanley Investment Management proprietary data and calculations. As of 9/30/2024. CEMBI bonds used in calculation. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

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)

Q3 Top Country-Sector Spread Changes



Source: JP Morgan. As of 9/30/2024. 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

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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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