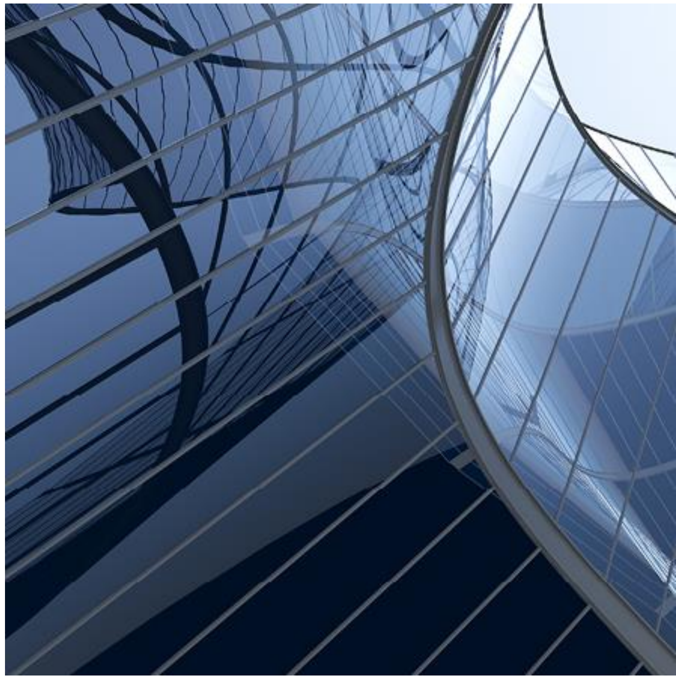
Morgan Stanley

INVESTMENT MANAGEMENT

Emerging Markets Debt Monitor

Emerging Markets Team

Q4 2023



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Q4 2023 Recap

Q4 2023 Recap

- EMD markets produced strongly positive performance across all segments with currencies strengthening versus the U.S. dollar, interest rates falling in most economies around the world, and credit spreads tightening.
- After a challenging October, markets seemed to take weaker economic data out of the U.S. released in November (finally) as an initial sign that the Fed may be done with its hiking cycle as it seeks to engineer a soft landing. The U.S. Federal Reserve seemed to confirm that market view with its dovish pivot in December, which was the most notable event of the quarter for the asset class – and really all risky assets.
- The dramatic fall in oil prices due to a strong supply response globally helped to advance the global disinflation narrative and, perhaps, helped the Fed and other central banks across emerging markets pursue a more dovish path forward.
- China continued to disappoint as support for its ailing property sector fell well short of expectations. Both consumer confidence and foreign investment appeared to continue to wane and create further challenges for growth.
- We did see a number of central banks across emerging markets continue to cut rates during the period as inflation remained well-contained in many spots, real rates are still quite high, and the Fed provided additional cover.
- As noted, all EMD indices produced strongly positive total returns during the period as did all underlying risk factors. The USD-denominated sovereign index within the EMD universe was the best-performing segment as spreads approached their tightest levels of the year and the notable fall in U.S. Treasury yields provided further support. The local segment was the next strongest performing with most EM currencies strengthening versus the U.S. dollar and most interest rates mirroring the move lower in the U.S. The corporate space was up the least among EMD segments, but still produced notably positive performance, too, as spreads tightened substantially and also benefitted from the fall in U.S. Treasury yields.
- The asset class experienced outflows during the quarter with approximately -$5.9 billion net going out of dedicated-EMD funds globally during the quarter. Both hard currency and local currency funds were in outflows with -$3.7 billion and -$2.2 billion, respectively.

Q4 2023 Recap, *continued*

Asia

- It was perhaps more notable what didn't happen in China, than what did. The Party had several meetings that were expected to produce notable support for the property sector, but nothing of note came to fruition. To us, it appeared rather that stabilizing the relationship with the U.S. at APEC while also continuing to further national security were the priorities.
- The region is building towards several elections that potentially carry notable political risk. The most notable is Taiwan, while Indonesia and Pakistan are also to be watched closely.
- The region has continued to be on a different economic cycle than much of the rest of the world the past few years as growth, inflation and interest rates have generally all remained little changed. We continue to believe many countries in the region may benefit from China slowing, but the lack of a cycle is notable.

CEEMEA

- Turkey and Nigeria continued to make notable progress with their positive reforms that surprised us earlier in the year. We add Kenya to this list from the region in 2023 with the start of its long-awaited monetary policy normalization and a step towards liberalizing its currency.
- Ethiopia became the only sovereign default of the year. It was not a surprise to markets in the slightest and we actually remain positive on the trajectory of the country from here.
- After a period of seemingly moving towards a more peaceful region, geopolitical risk from the Middle East flared with the October 7 attack by Hamas on Israel. While the conflict remains somewhat contained for now, we believe contagion risks should not be ignored, particularly given recent Houthi attacks in the Red Sea.

LATAM

- The election of Javier Milei in Argentina has the potential to be transformational for the country and, so far, he appears to be doing what is needed to seek to rebalance the economy. That said, we continue to note the monumental challenges in store for his administration.
- The easing of sanctions by the U.S. on Venezuela was an important development, having a notable impact on oil prices as well as representing the return of a large debt issuer in the market that could see its bonds put back into indices near term. While the lifting of this subset of sanctions is far from a given going forward as Maduro appears to be doing just enough to preserve them for now, it is a reminder that things can change quickly in emerging markets.
- Suriname's restructuring was completed during the period with the new bond and supplemental 'value recovery instrument" (VRI) both performing very well.

Please reference page 2 "Important Information and Disclosure"

Q4 2023 RECAP

EM Corporate Credit – Q3 update and outlook

For the year ended December 2023, CEMBI spreads tightened 41bp to end at 281bp. Total return for the CEMBI Broad Diversified index stood at 9.1%. While these total return figures are impressive, they are lower than the HC sovereign index returns of 11.1% and 13.5% for US HY. Credit spreads for US high tightened 113bps over the course of the year, while CEMBI HY only tightened 35bps.

The risk of a sharp slowdown in the US economy and its impact on global credit markets has remained the most talked about macro factor for EM corporate investors in 2023. This uncertainty has driven a heightened level of rates volatility and market participants have experienced a roller coaster ride throughout the year. However, the sharp rally in Q4 2023 drove the US 10-year treasury bond to end the year with yields generally in line with the beginning of the year. Credit spread markets have broadly taken this positively, with higher odds of a soft landing in the US being priced in, causing EM sovereign and corporate credit spreads to also compress in parallel.

Some highlights from the recent quarter:

1. Investors in First Quantum, a large EM copper miner with assets in Panama and Zambia, experienced a shock when the government announced a plan to shut down the multi-billion dollar Panamanian mine on the back of public protests;

2. Despite several positive macro headlines on property policy loosening, investor appetite for China property bonds remains practically dead. A substantial industry recovery is needed, especially for projects launched by defaulted developers, for any meaningful rebound in asset prices;

3. Israeli corporate and bank credit spreads initially widened post the October 7th attacks, but have since retraced a fair amount of the spread widening as the risk of a broader conflict are contained. Oil prices have also remained generally range-bound reflecting the limited disruption to shipping lanes (so far);

4. For the second year in a row, Turkey and Argentina have contributed meaningfully to index-level investment performance despite macro uncertainty and volatility; and

5. A number of debt exchange or consent solicitation transactions have been successfully launched and completed to deal with near-term maturities. All offers have been generally bond-holder friendly and have received high levels of support from the investor community

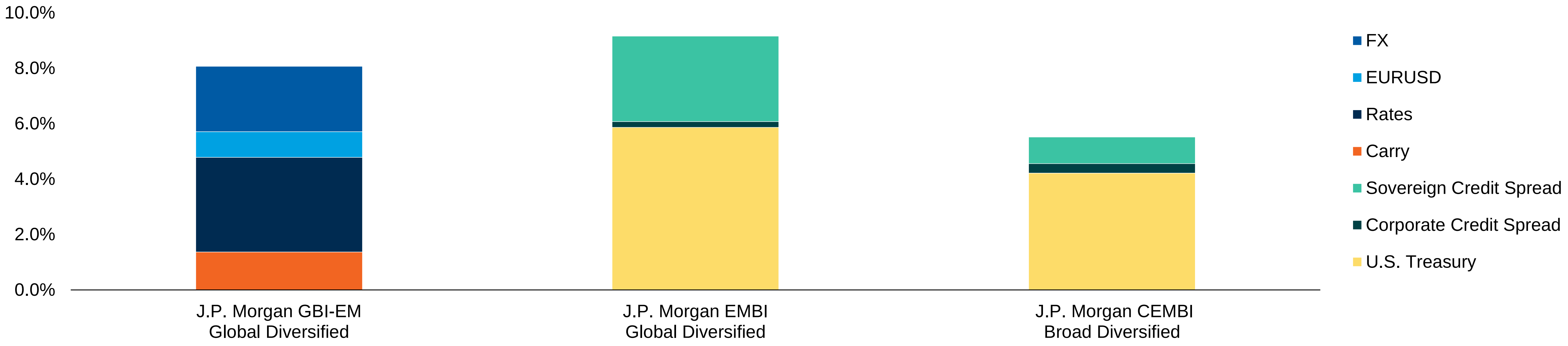
We believe the stars are lining up well for the fixed income asset class to receive sizable inflows in 2024. Equity valuations are expensive, nominal yields in fixed income are high and the probability of a recession in the US in the back half of 2024 are relatively high. Moreover, investing in EM corporates allows investors to diversify their credit exposure away from US corporate earnings, which are far more exposed to a slowdown in the US economy. The single-B and lower part of the market offers a number of idiosyncratic investment opportunities for total return – these credits have not gotten much attention over the past 12 months as investors were happy clipping the higher-than-average yields in BBB and BB credits. The last 12 months have shown that many of these single-B issuers have alternate sourcing of financing to repay obligations or can opt for a friendly exchange route. Lastly, there are a number of storied BB and BBB-rated issuers where absolute spread levels have room for compression on the back of specific catalysts. As has been the case for a while, credit fundamentals for most issuers in the asset class are incredibly strong and capital allocation decisions are generally prudent.

Please reference page 2 “Important Information and Disclosure”

Q4 2023 RECAP

Index Performance Recap

Q4 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	2.36%	0.92%	3.42%	1.37%	—	—	—	**8.07%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	3.08%	0.21%	5.87%	**9.16%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.96%	0.34%	4.22%	**5.52%**

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

Q4 2023 RECAP

Index Performance Recap

Q4

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YTD as of 12/31/2023

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	2.17%	0.63%	4.43%	5.47%	—	—	—	**12.70%**
J.P. Morgan EMBI Global Diversified	—	—	—	—	6.76%	0.71%	3.62%	**11.09%**
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	3.69%	1.32%	4.08%	**9.08%**

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.

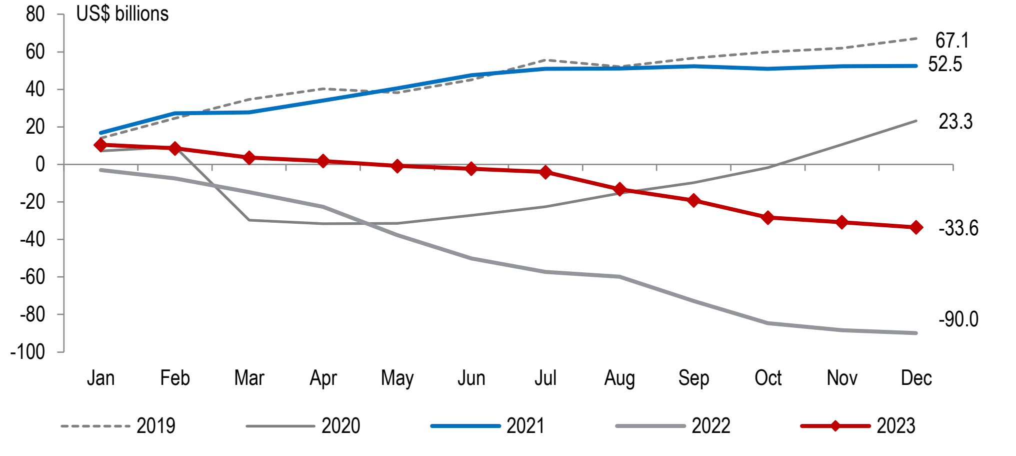
Q4 2023 RECAP

Technical: 2023 Flows YTD

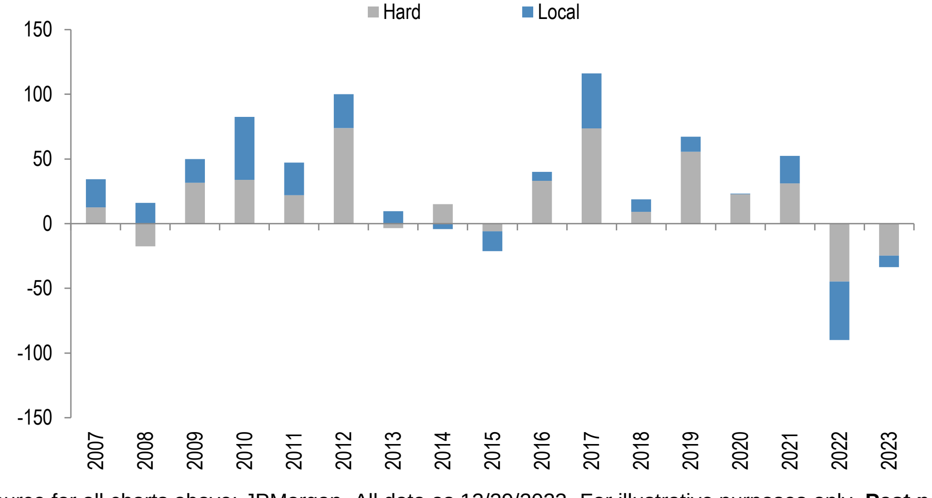
Investors remained hesitant to allocate to EMD, but the tide may be turning.

- 2022 outflows in hard and local currency funds were the largest annual outflows in recent history, and by a considerable amount.
- Both hard currency and local currency funds were in consistent outflows during Q4.
- However, outflows from EM bond funds slowed during the market rally in November and December.

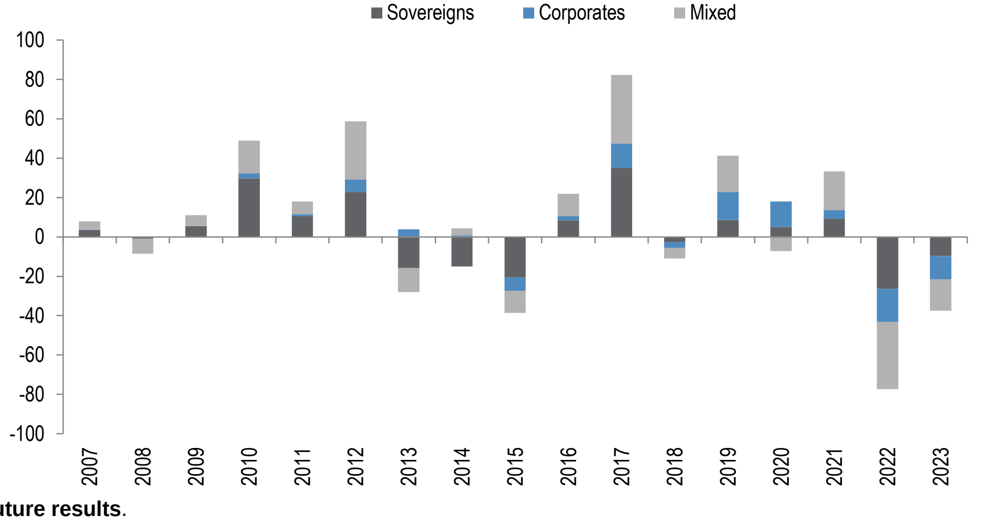
Annual Cumulative Bond Flows



Annual Flows by Currency



Annual Flows by Sovereign/Corporate/Mixed (Retail)



Source for all charts above: JPMorgan. All data as 12/29/2023. For illustrative purposes only. **Past performance is no guarantee of future results**.

Rotating Topic

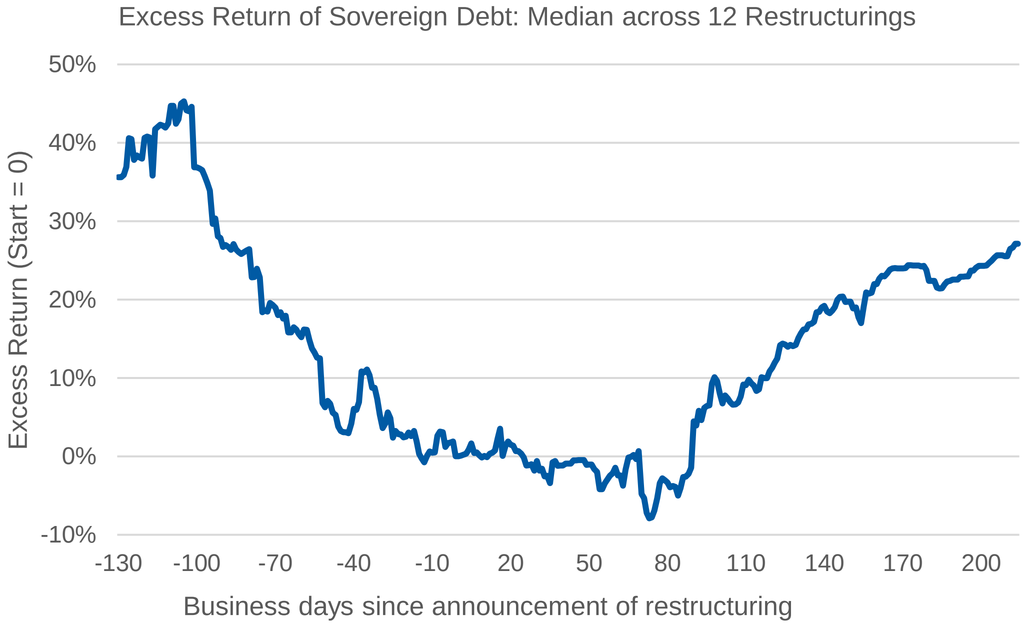
Distressed Debt: An opportunity for engaged investors

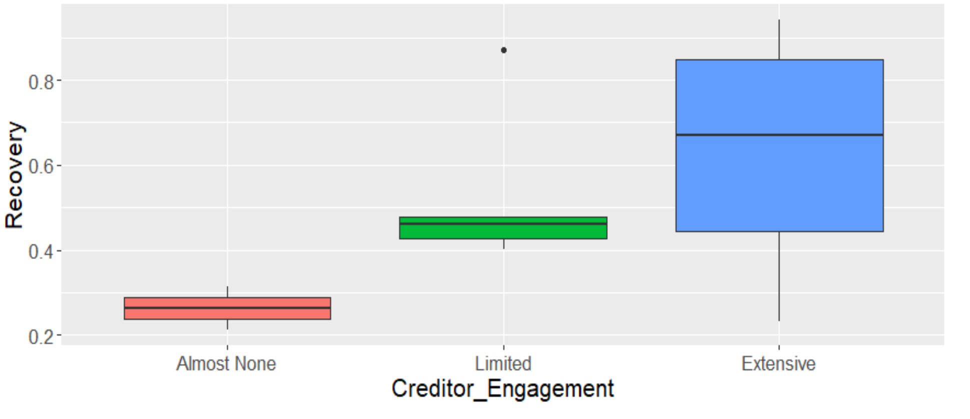
ROTATING TOPIC

Distressed Debt: Restructurings

The Playbook

- Some investors may think that restructurings are a black box.
- We think there are historical patterns that play out during restructurings.
- However, we do believe that engaged investors can produce unique value during a restructuring. A pure passive approach cannot generate the returns that experienced, active and engaged investors can.





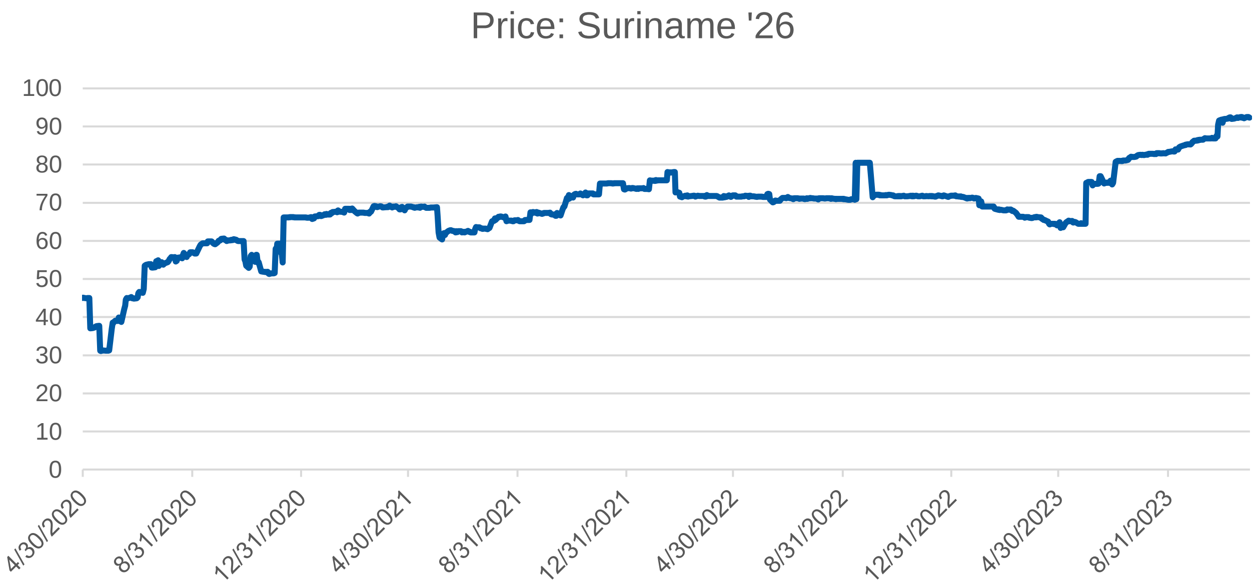
Source: Bloomberg, LP, BAML, JP Morgan, and MSIM. Data is set from 1/1/2015 -12/31/2021. Data is provided for informational use only. The views, opinions, forecasts and estimates expressed are those of the portfolio management team as of the date of the presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole. See end of presentation for important additional information.

ROTATING TOPIC

Distressed Debt: Restructurings

Completed Case Study: Suriname

- Suriname announced intention to restructure in June 2020 following a presidential election. The country faced challenges of high debt and fiscal deficits. Yet the new government had a strong desire to reform plus a bright macroeconomic future from oil finds.
- A creditor committee was formed which over time controlled almost 90% of the bonds.
- Similar to prior restructuring patterns, bond prices fell as the market anticipated a restructuring. But prices strongly recovered, resulting in a 104% total return for a holder buying at the time of announcement and holding until the exchange.
- The creditor committee successfully engaged with the government to obtain a portion of the bondholder recovery via an innovative value recovery instrument. This instrument pays cash flows based on the oil production in Suriname.



Source: Bloomberg, LP, BAML, JP Morgan, and Morgan Stanley Investment Management. This case study is being provided for informational purposes only. The views, opinions, forecasts and estimates expressed are those of the portfolio management team as of the date of the presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole. See end of presentation for important additional information.

ROTATING TOPIC

Distressed Debt: Restructurings

Ongoing Case Studies

- Positive policy change, active progress, and a strong creditor committee are key ingredients for a successful restructuring.

Country	Context	Policy Change?	Active Progress	Creditor Committee	Returns from Start*	Outlook
Sri Lanka	Defaulted after accumulating high levels of debt. New government in power	New government in power	TRUE	Strong	~30%	Advanced: Government moving to resolve the default
Ghana	Defaulted after accumulating high levels of debt. Same government in power	Same government in power	TRUE	Strong	~23%	Beginning: Government has only taken moderate steps towards resolving default
Ethiopia	Liquidity situation	Same government in power but likely IMF program	TRUE	Strong	~04%	Beginning: Government only announced intentions to restructure in Nov '23
Lebanon	Wide ranging political and macroeconomic crisis	No strong government in power	FALSE	Small	~-74%	Little progress
Venezuela	Wide ranging political and macroeconomic crisis	Pariah government	FALSE	Small	~-24%	Little progress
Ukraine	War	War	FALSE	None	~29%	Progress complicated by war

- Active management is required not only to avoid defaults, but also to buy into default events at the proper time.
- Active and engaged EM managers with experience running creditor committees can create value in distressed situations.

 *At the time that the government either announces its intention to default/restructure or defaults

Q1 2024 Outlook

Q1 2024 Outlook

Macro Drivers

- The Fed's dovish pivot is notable and is likely to be broadly supportive of EM assets as we look forward.
- The more orthodox monetary policy that we have repeatedly noted by many EM central banks may be even more notable in the near term as the Fed changes course. The combination of high real yields, broad disinflation, and central banks cutting rates across EM is likely to provide a good environment for local bonds.
- China's sluggish economic recovery and lack of support for its property sector may keep growth relatively low for years. As such, we believe foreign capital may go elsewhere in the region to the benefit of those other countries
- Oil prices declined notably and towards levels that ease the burden on importers. These levels will likely also resume support of the global disinflation narrative while also being high enough to support exporters.
- While flows out of dedicated EMD funds were very large in 2023 (after record outflows in 2022), we expect that pressure will abate as the attractiveness of the asset class draws investors back.

Country Drivers

- As noted, we continue to believe that 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. And that may likely extend beyond the region; Mexico is a good example.
- A number of EM central banks cut policy rates in 2023 and we expect that to continue into 2024. While that is likely to be good for local bonds, it will also likely be further supportive of growth in those countries and potentially benefit all assets.
- Turkey, Nigeria, Argentina, and Venezuela. All large EM countries with troubled, recent paths and all experiencing meaningfully positive events in 2023. Additionally, while caution is advised, each country may be investable again.
- 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.

Q1 2024 OUTLOOK

EMD Risk Factor Dashboard

Outlook and summary

	Underweight	Moderate Underweight	Neutral	Moderate Overweight	Overweight	Summary
Currency				◆		We upgrade to moderate overweight as the Fed pivot combined with valuations in many spots make this risk broadly attractive.
Local Interest Rates				◆		We keep local rates at moderate overweight. While real-yield differentials with developed markets have narrowed, the absolute levels are still high and global disinflation should support rates, broadly.
Sovereign Credit		◆				We downgrade sovereign credit to moderate underweight given the relative outperformance of credit spreads globally throughout the year and bringing their levels closer to long-term averages.
Corporate Credit			◆			We also downgrade corporate credit to neutral. We maintain that the segment continues to hold substantial value for those who are equipped to conduct deep, fundamental research. However, more broadly and similar to sovereign credit, we acknowledge the strong performance of credit spreads globally throughout the quarter and the year.
EM Equity				◆		Maintain at moderate overweight. Our constructive view on duration suggests long-duration assets including stocks will deliver positive, attractive total returns. EM equity valuations remain low on absolute and relative basis.

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EM FX

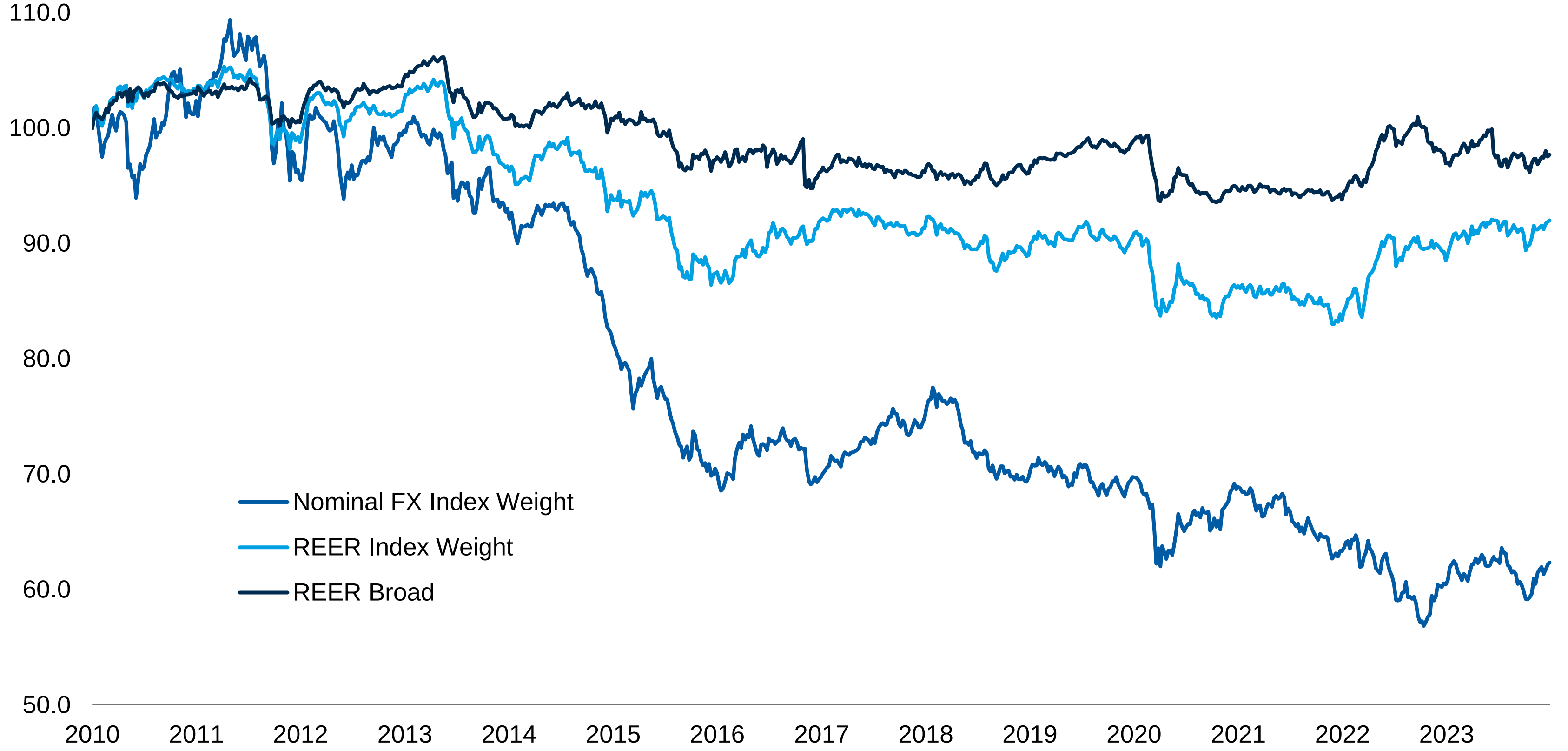
EM FX

EM currencies broadly strengthened during Q4. Weaker economic data out of the U.S. and the Fed's pivot pushed the dollar consistently weaker during the quarter creating a favorable environment for EM currencies.

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.

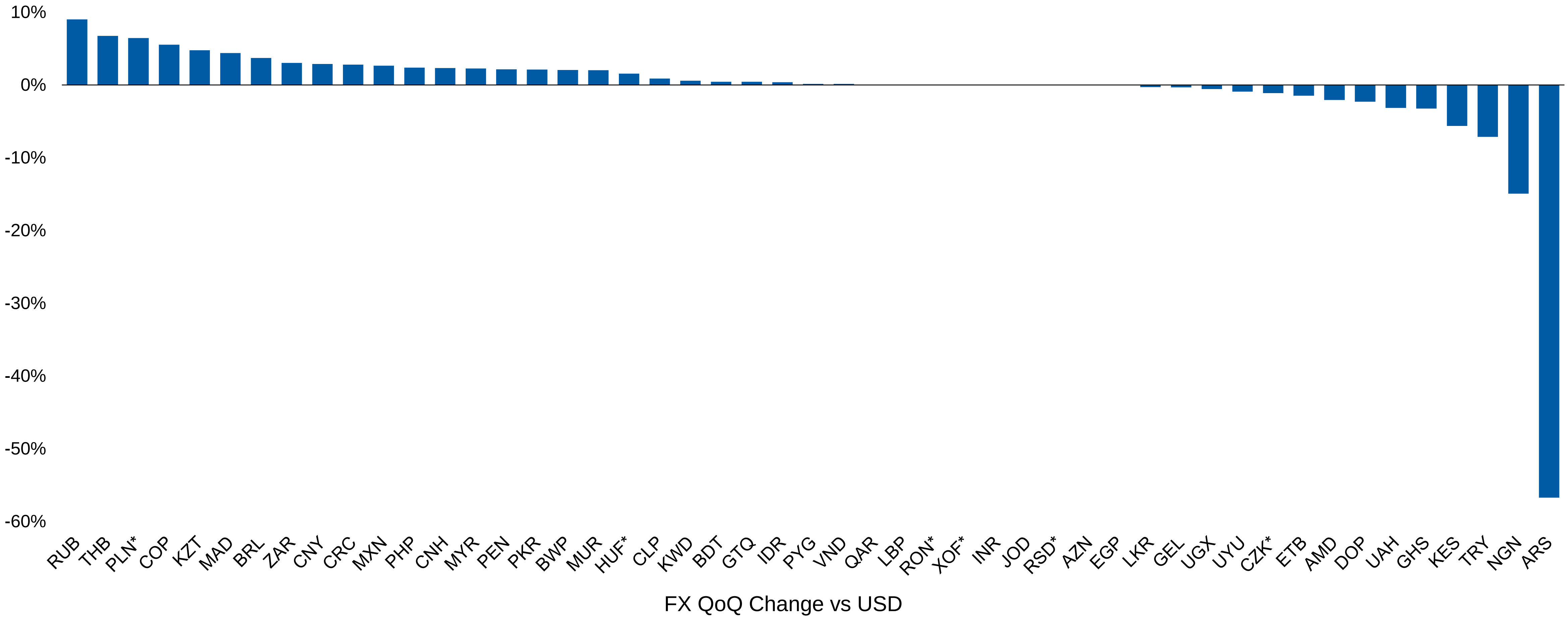
REER Broad: If you broaden the universe beyond the GBI-EM benchmark it shows that FX is not as cheap by this measure but value remains.



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

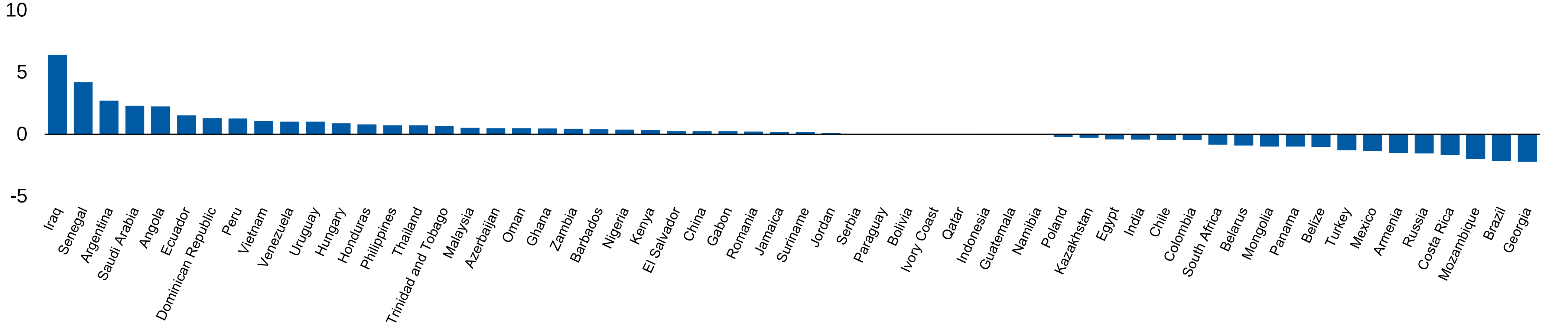
EM currencies broadly strengthened during the quarter. An outlier was the Argentine peso which was devalued in December, representing a change in policy that was long overdue and much needed.



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.

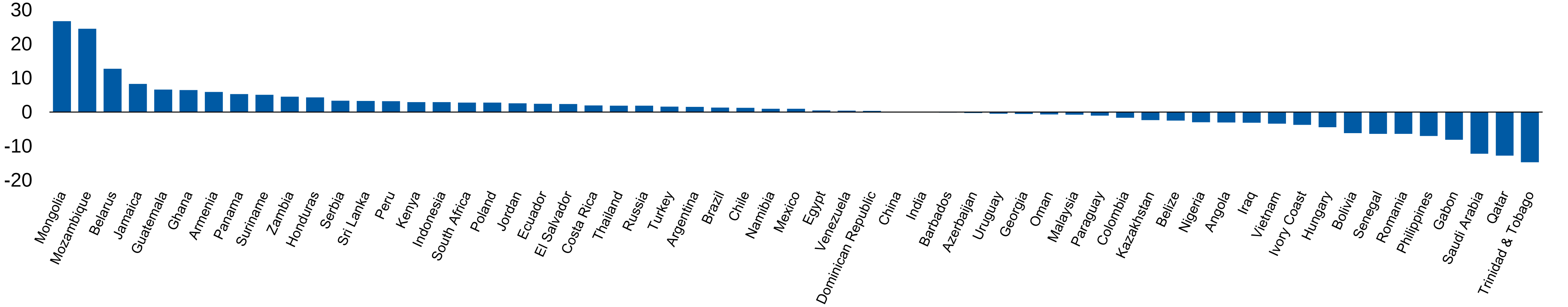
EM FX likes good growth and strong external balances.

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



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

Current Account % Change as % of GDP (2013 to 2023 Estimates)



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

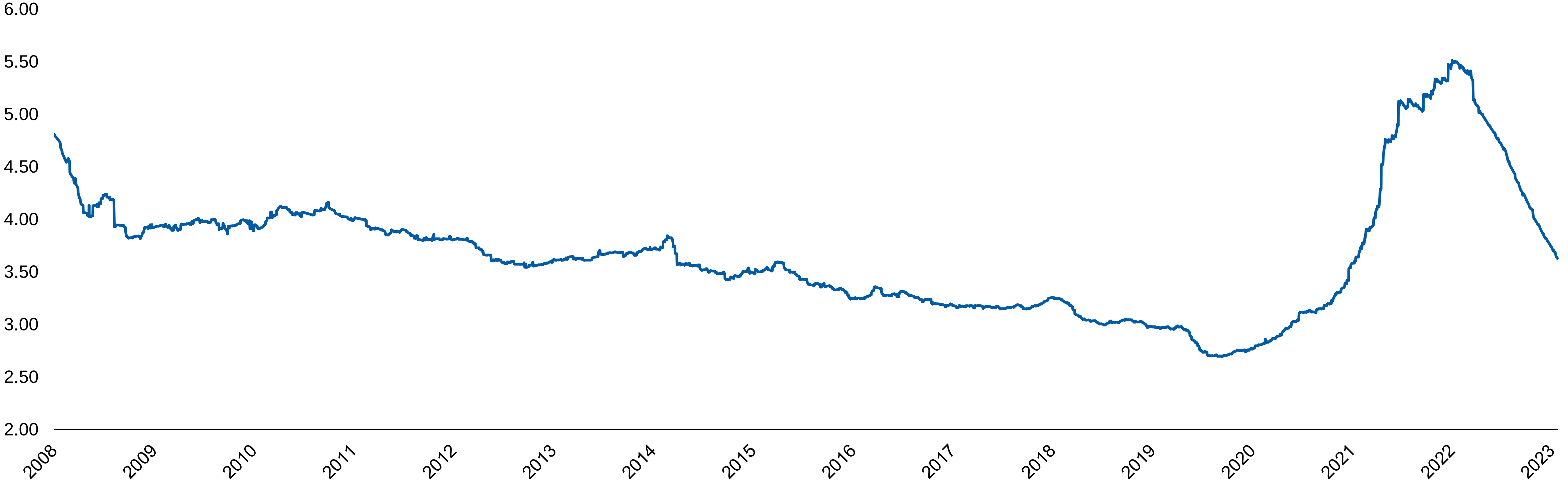
Source: IMF World Economic Outlook (WEO). Data provided is for informational use only. See end of report for important additional information.

EM Interest Rates

EM INTEREST RATES

The global disinflationary trend continued and was particularly notable across EM countries.

EM Consensus CPI Expectations*
(% Change YOY)

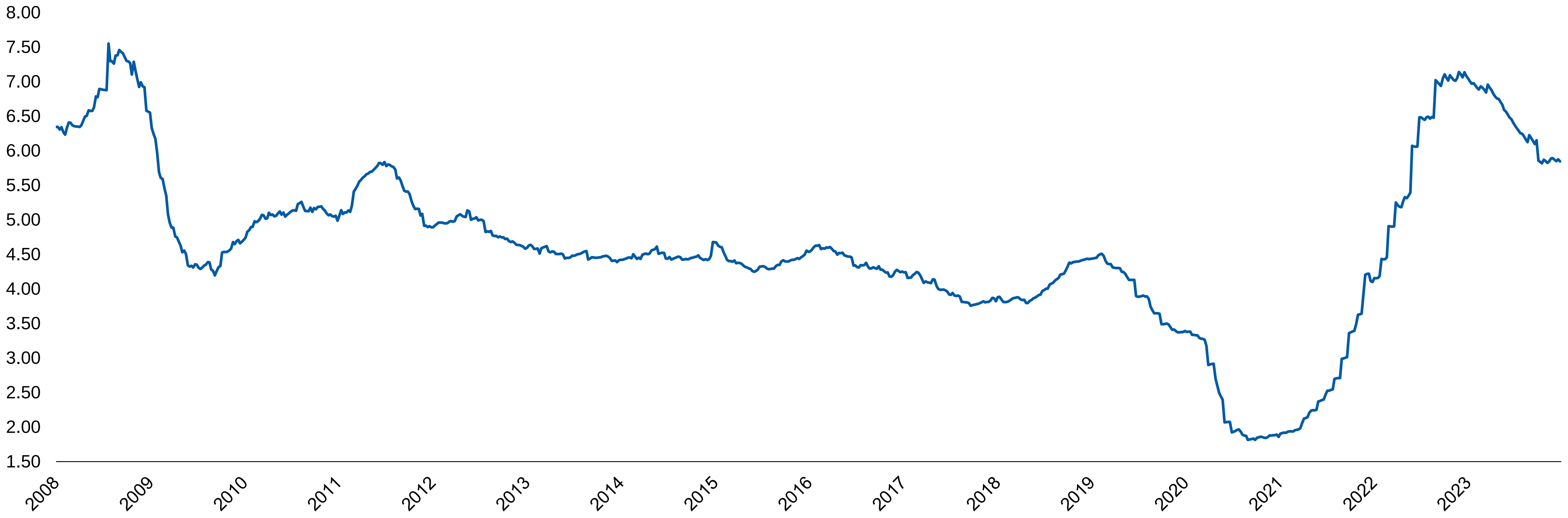


Source: Bloomberg, Morgan Stanley Investment Management. As of 12/31/2023. *Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified,. 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

Markets continued to price in easier monetary policy from EM central banks.

EM Consensus Policy Rate Expectations*

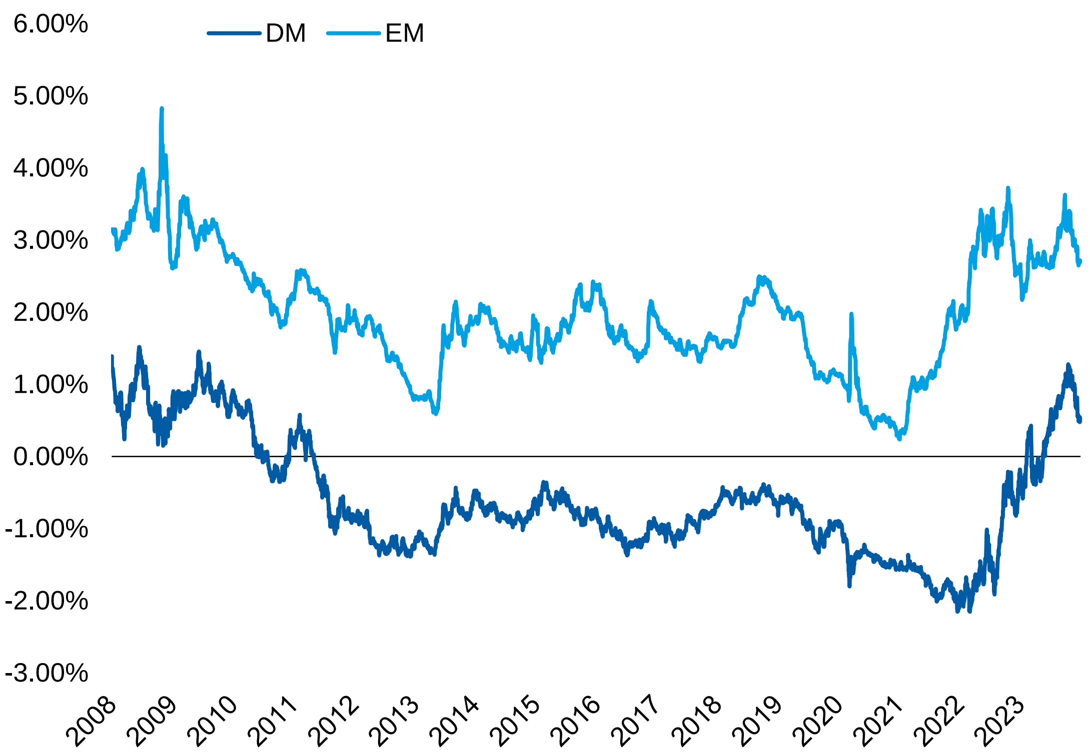


Source: Bloomberg, Morgan Stanley Investment Management. As of 12/31/2023. *Data is the equal weighted average of expected policy rates in 12 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. 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.

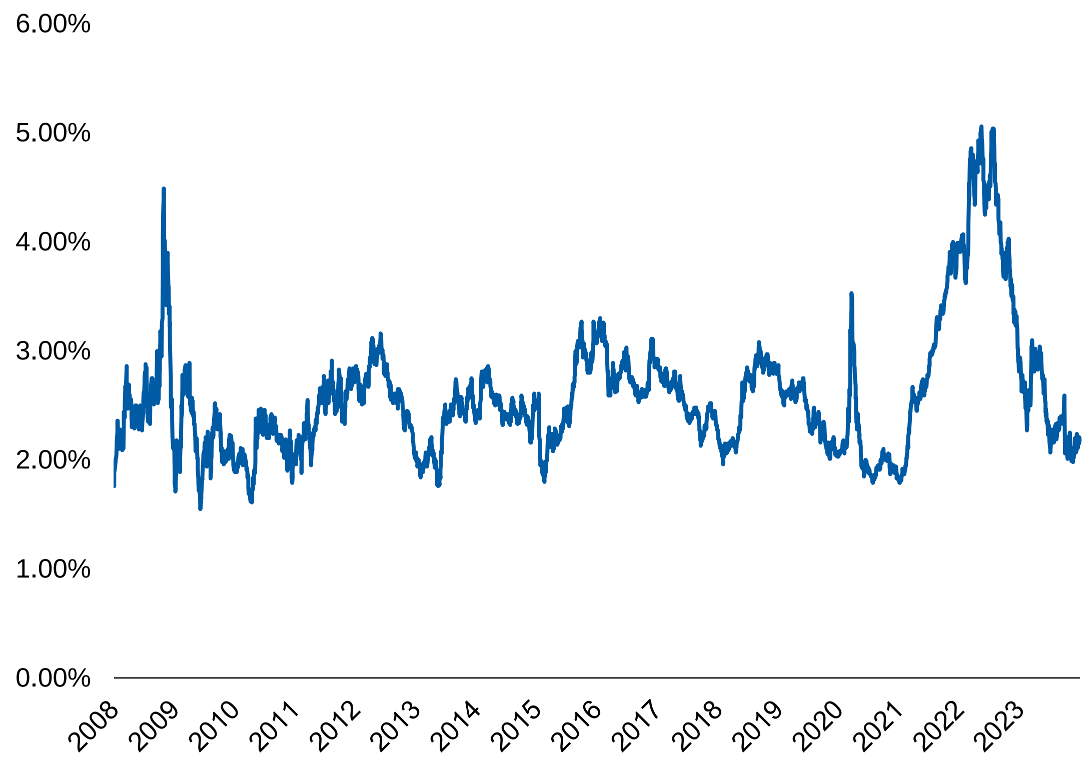
EM INTEREST RATES

EM and DM real yields using inflation expectations. While real yield differentials between EM and DM have narrowed dramatically over the past year (right chart), absolute levels still appear compelling (left chart).

EM-DM Real Yields
(Using Inflation Forecasts)



EM-DM Real Yield Differential
(Using Inflation Forecasts)



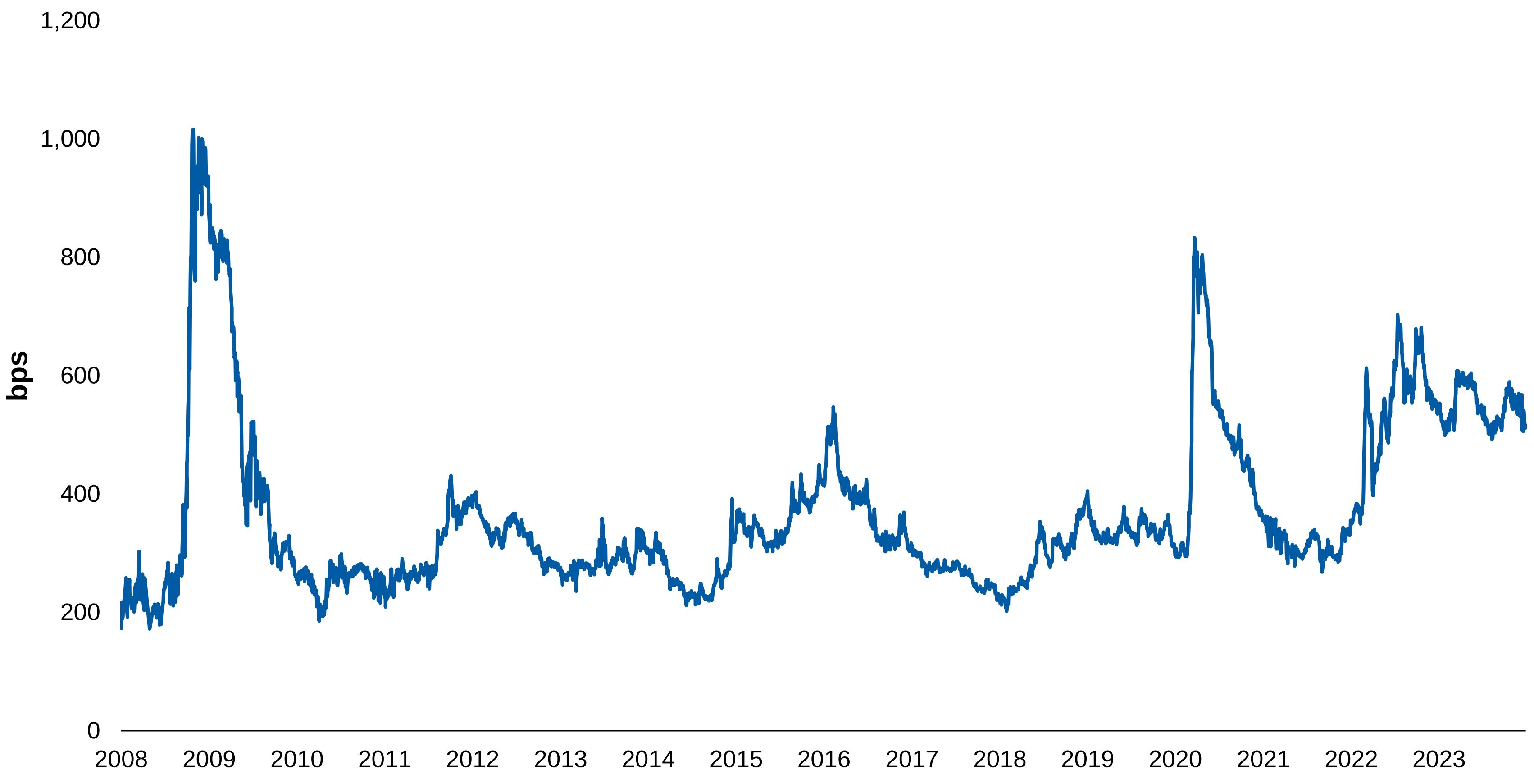
Source: Bloomberg, J.P. Morgan, Morgan Stanley Investment Management. As of 9/30/2023. Real yields are calculated as nominal yield minus headline inflation expected in 18-30 months by economists surveyed by Bloomberg. Excludes Argentina, Turkey, and Romania. Forecasts/estimates are based on current market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

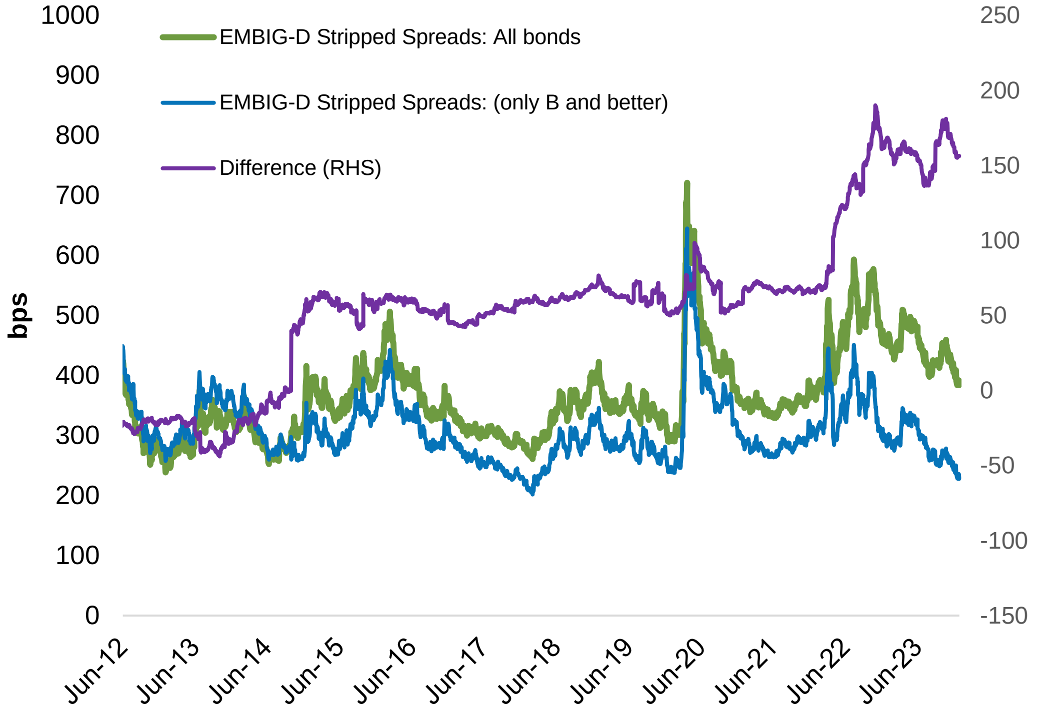
5-Year Equal Weight Sovereign Spread



Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2023. 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.

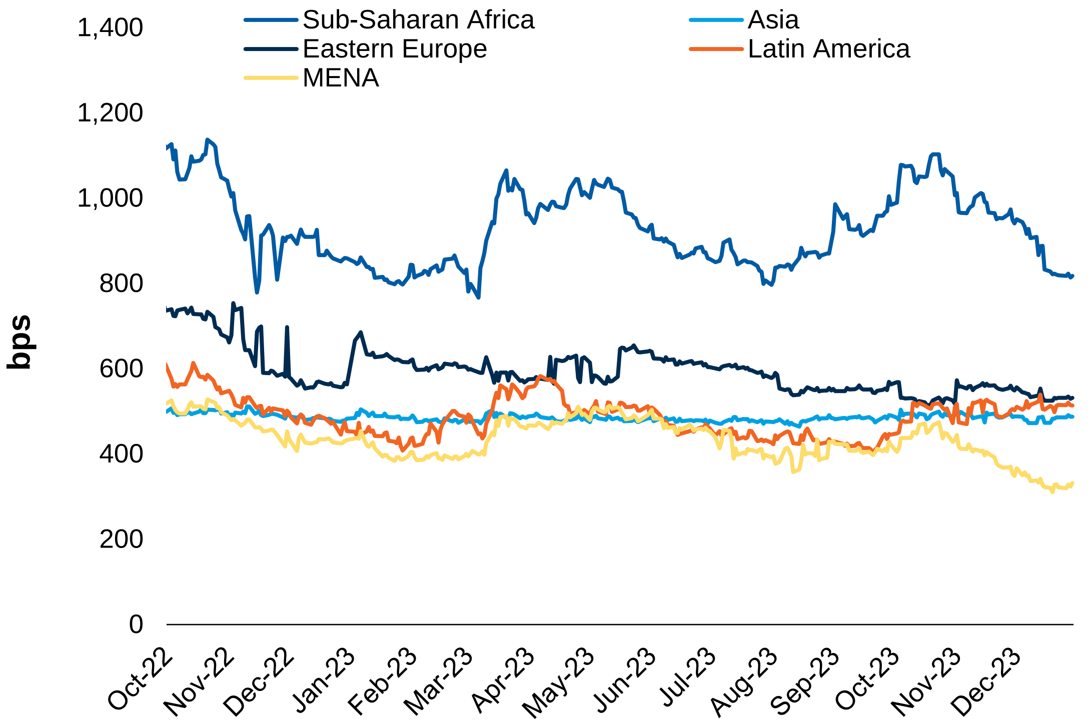
EM SOVEREIGN CREDIT

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 across regions except for Latin America where concerns over stress in Bolivia and Ecuador further increased.

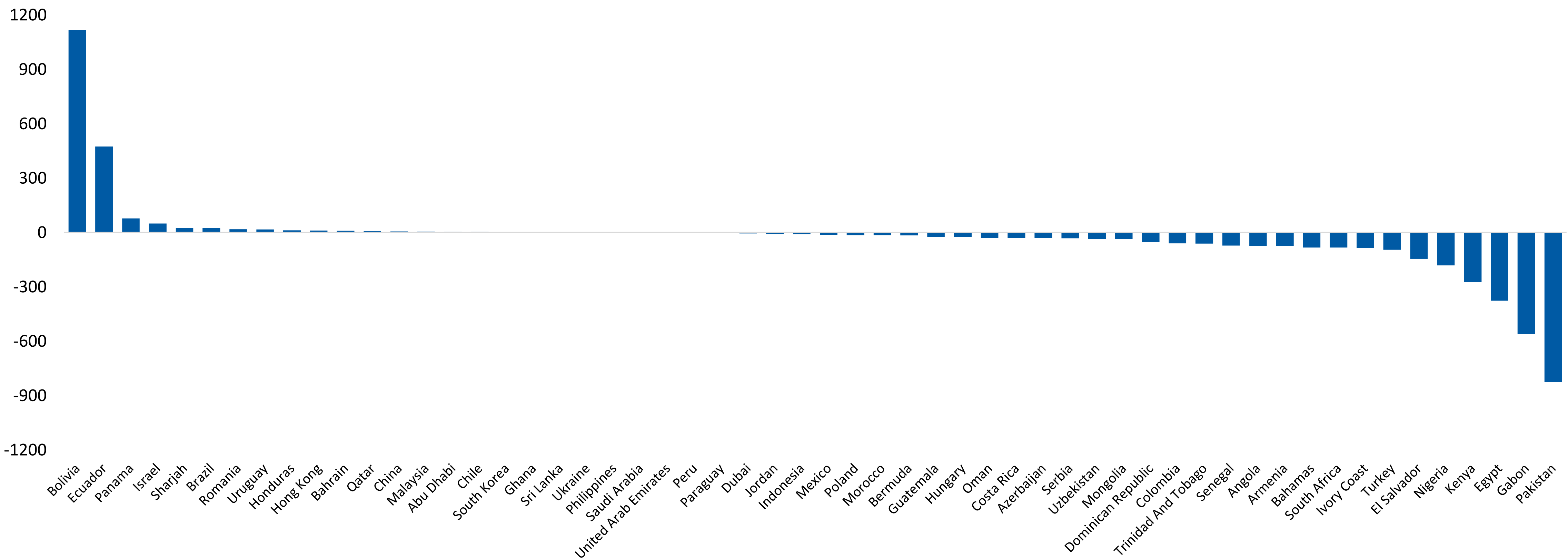
5-Year Equal Weight Sovereign Spread by Region



Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2023. 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.

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

Q4 2023 Change in 5-Year Spread

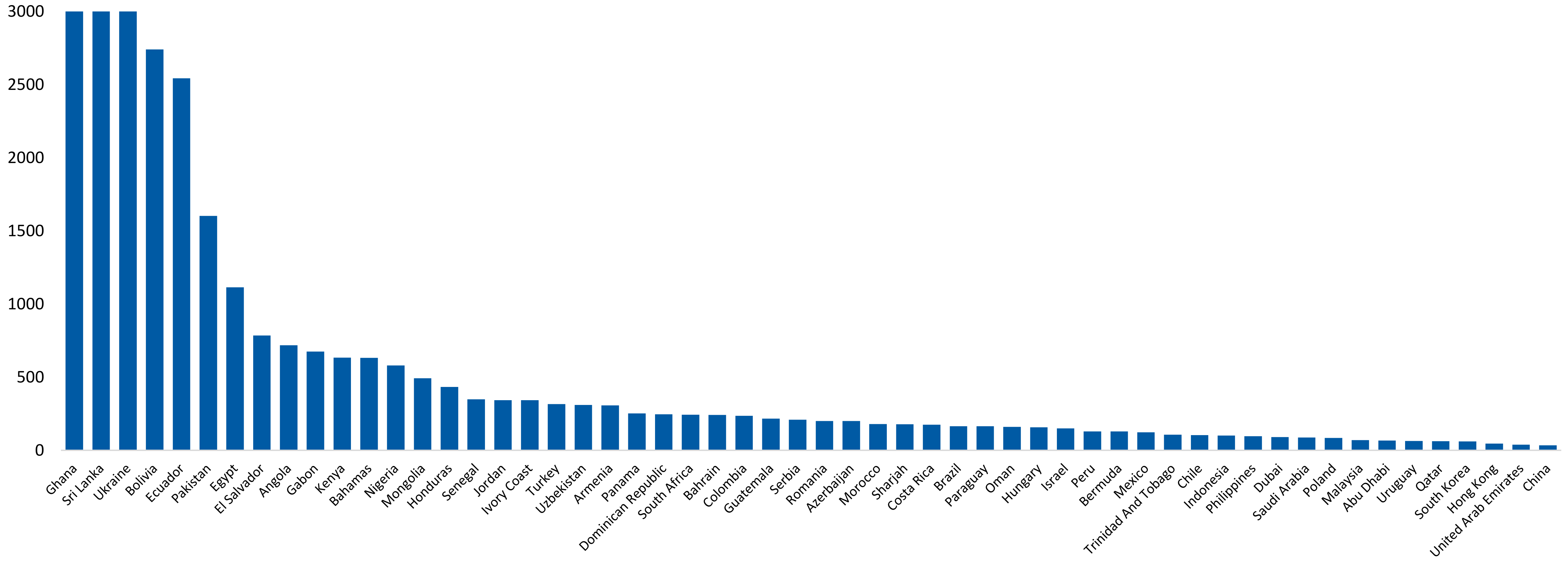


Underlying individual country spreads are capped at 3,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2023. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

EM SOVEREIGN CREDIT

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

5-Year Spreads



Underlying individual country spreads are capped at 3,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2023. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

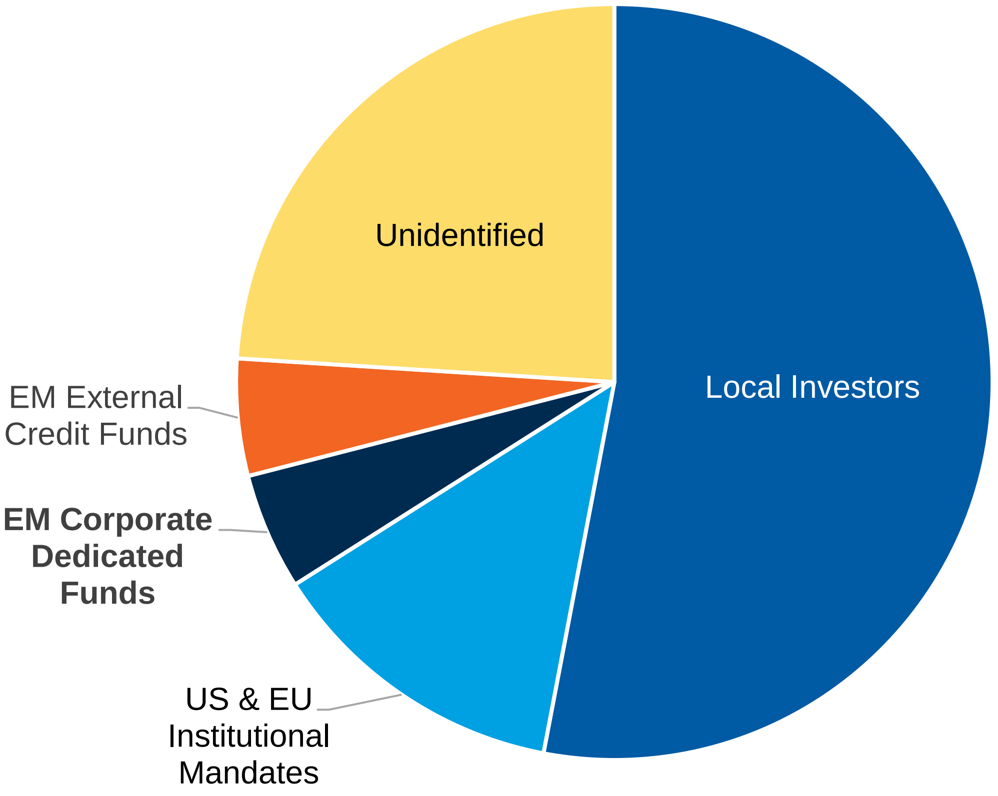
EM Corporate Credit

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.



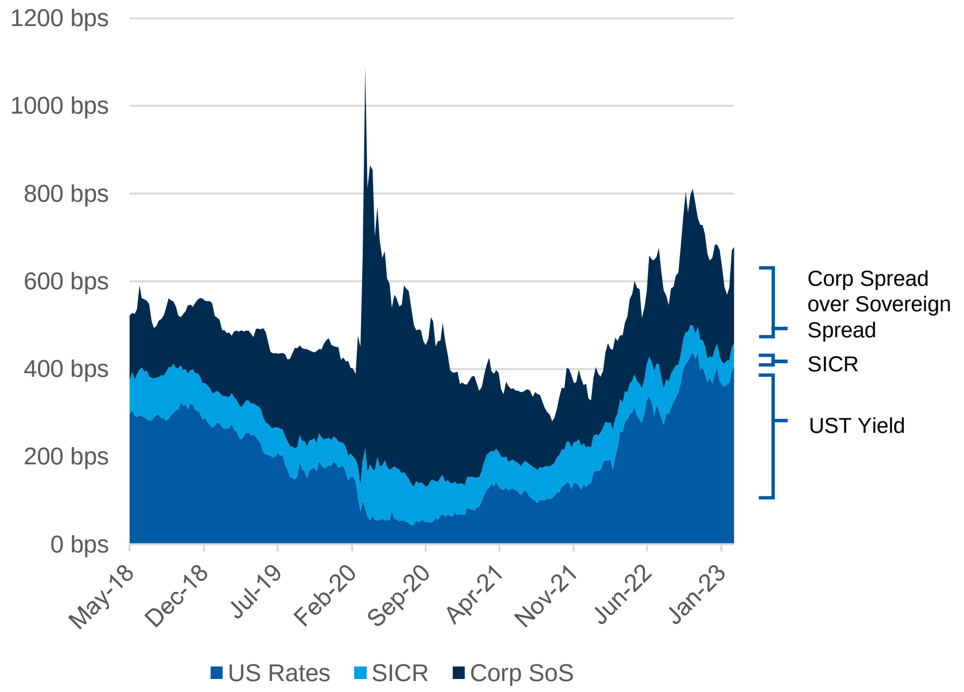
Source: JP Morgan Markets as of 12/31/2022

EM CORPORATE CREDIT

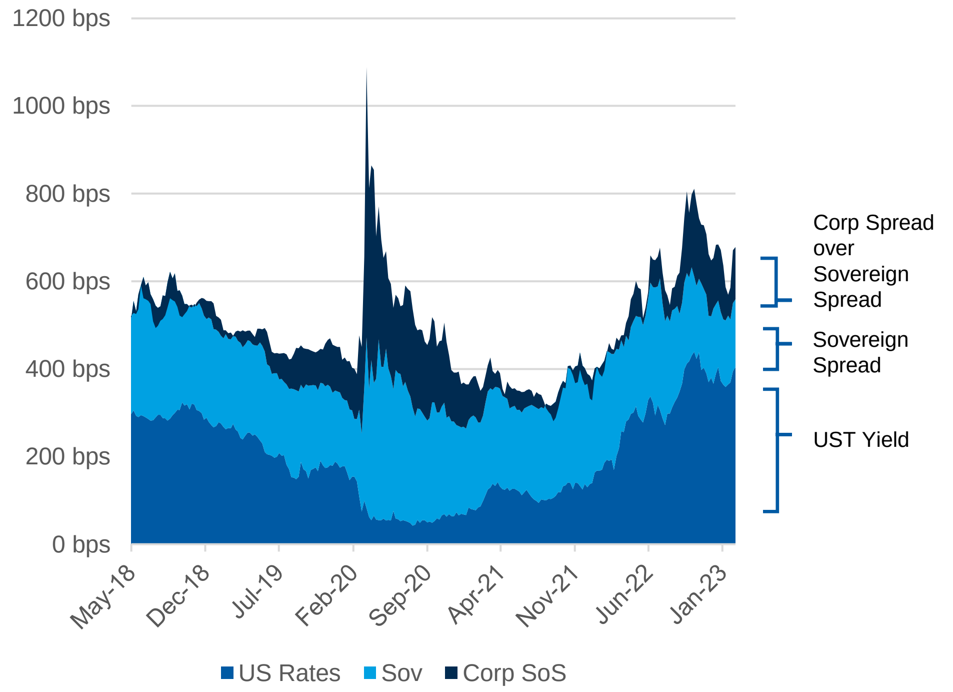
Our Approach

- 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)

South American Chemicals Company -
Morgan Stanley's SICR Analysis



South American Chemicals Company -
Traditional Analysis



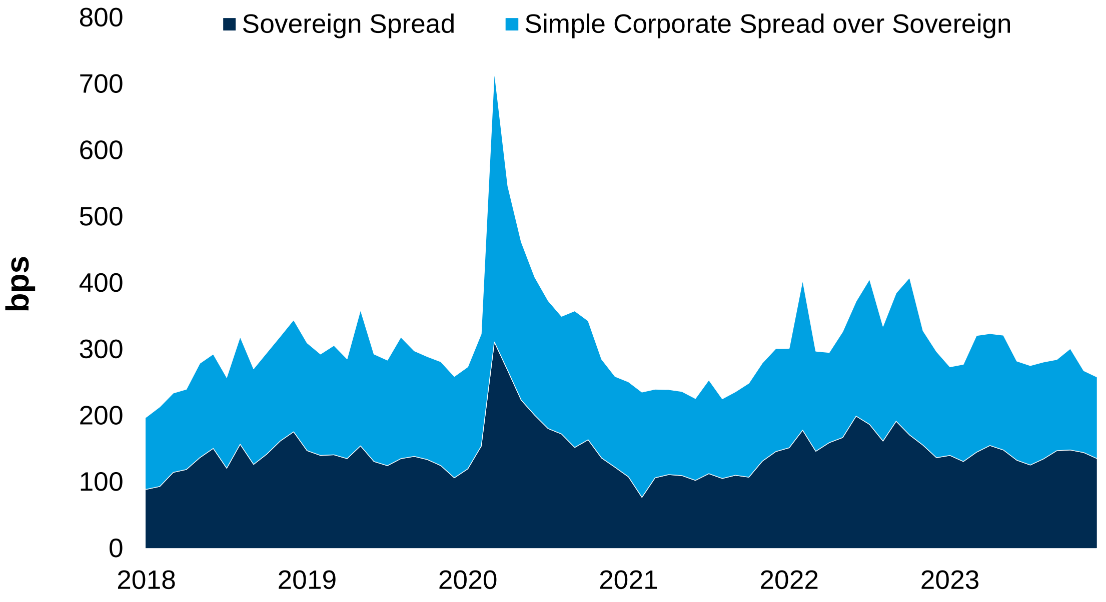
Source: Morgan Stanley Investment Management proprietary data and calculations. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information. This represents how the portfolio management team generally implements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

EM CORPORATE CREDIT

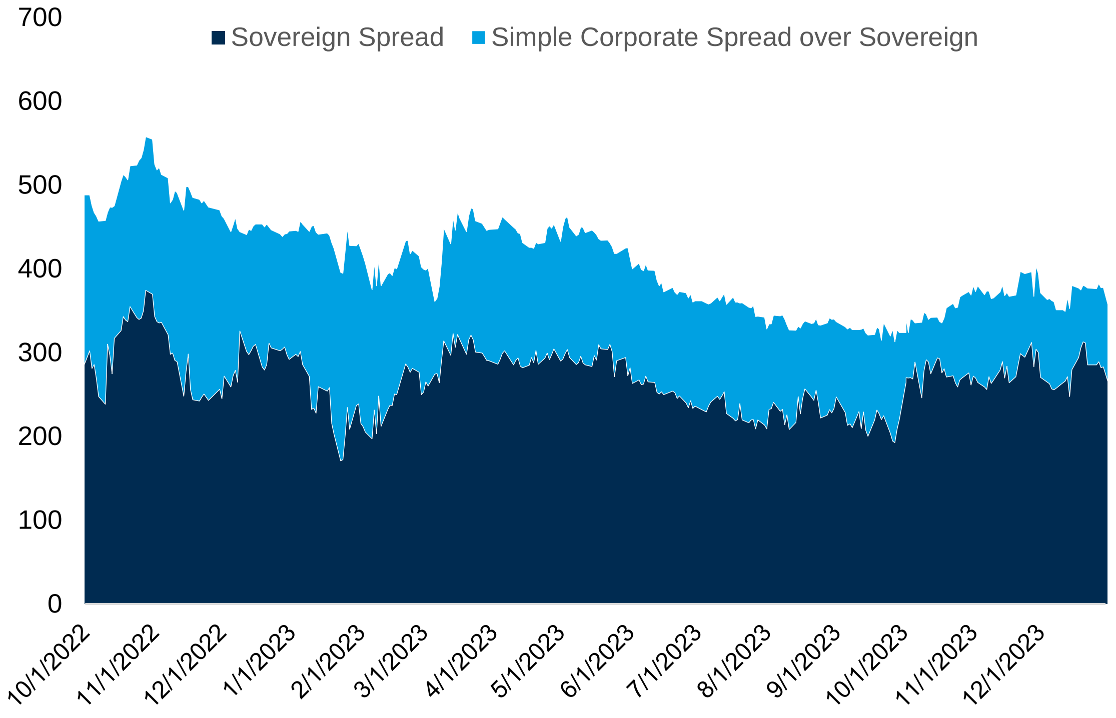
Valuations

Spread tightening in 4Q was supported by a shift towards the soft landing narrative, which is expected to continue in the near term given the rally in US treasury bills in December. Despite an improving macroenvironment backdrop and continued strength in EM corporate fundamentals, liquidity concerns present looming technical pressure for the asset class.

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



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

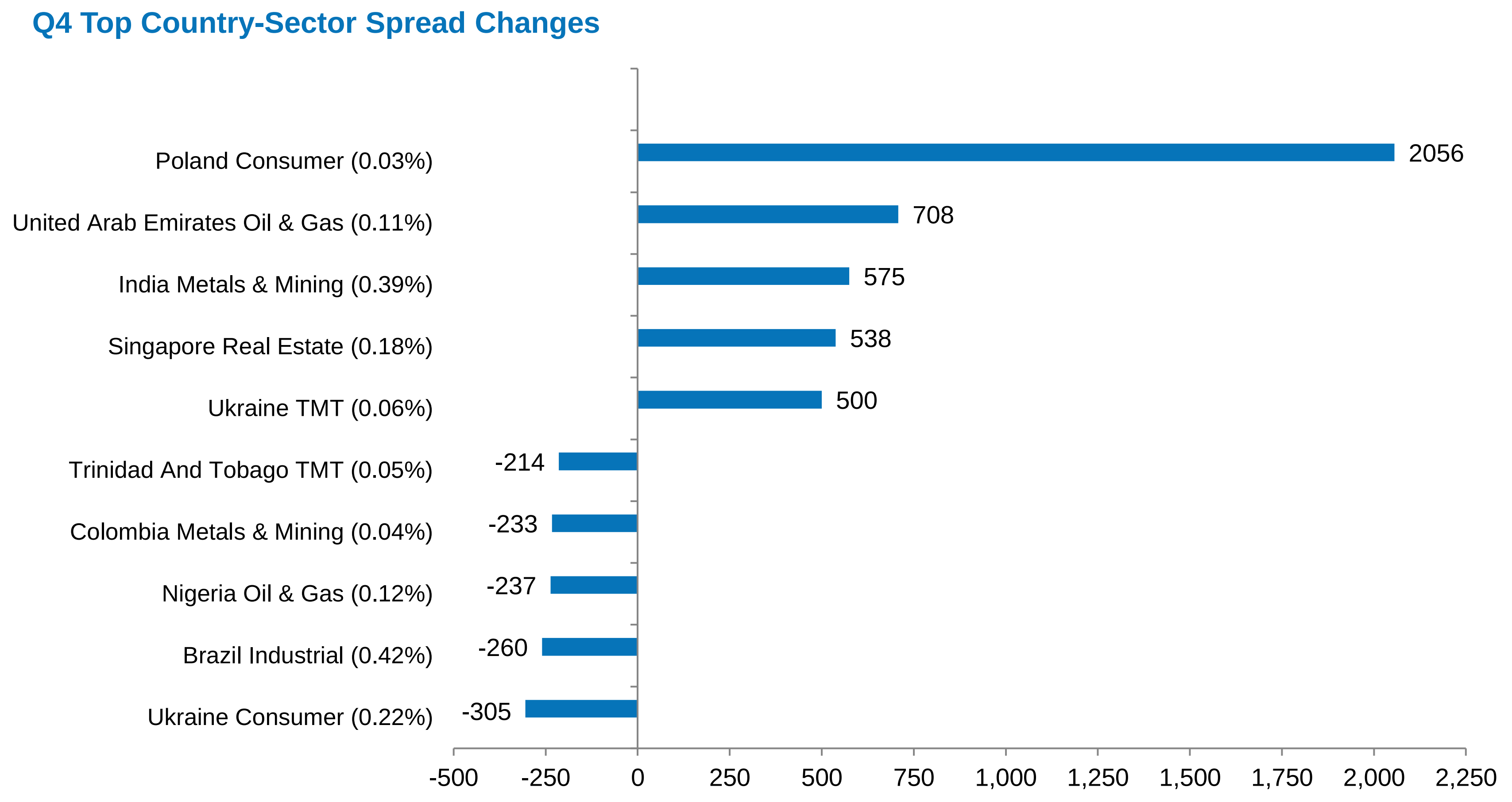


Source: Morgan Stanley Investment Management proprietary data and calculations. As of 12/31/2023. CEMBI bonds used in calculation. Data provided is for informational use only. **Past performance is no guarantee of future results**. See end of report for important additional information.

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 12/31/2023. Data provided is for informational use only. Past performance is no guarantee of future results. See end of report for important additional information.

White Paper and Blog Post Summary

WHITE PAPER AND BLOG POST SUMMARY

White Papers: 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.

WHITE PAPER AND BLOG POST SUMMARY

Blog Post Summary — 2022/2023

Date	Headline	Summary
12/14/023	Bridge to ESG Integration: Country Selection in Emerging Markets	EM countries often have weak governance institutions and poor economic freedom, which is reflected in EM valuations. But, as with many ESG issues, what matters most is the direction and rate of change.
12/14/2023	Go Global in 2024 with Emerging Markets Corporate Debt	It may surprise some, but average recoveries on defaulted EM corporate bonds have largely been in line with those in U.S. high yield. The evolution of the asset class teaches an important lesson for investors: In our view, when active managers steer clear of isolated credit events, they can deliver attractive risk-adjusted returns in this asset class.
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

Risk Considerations

RISK CONSIDERATIONS

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

IMPORTANT ADDITIONAL INFORMATION

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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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INDEX DEFINITIONS:

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

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