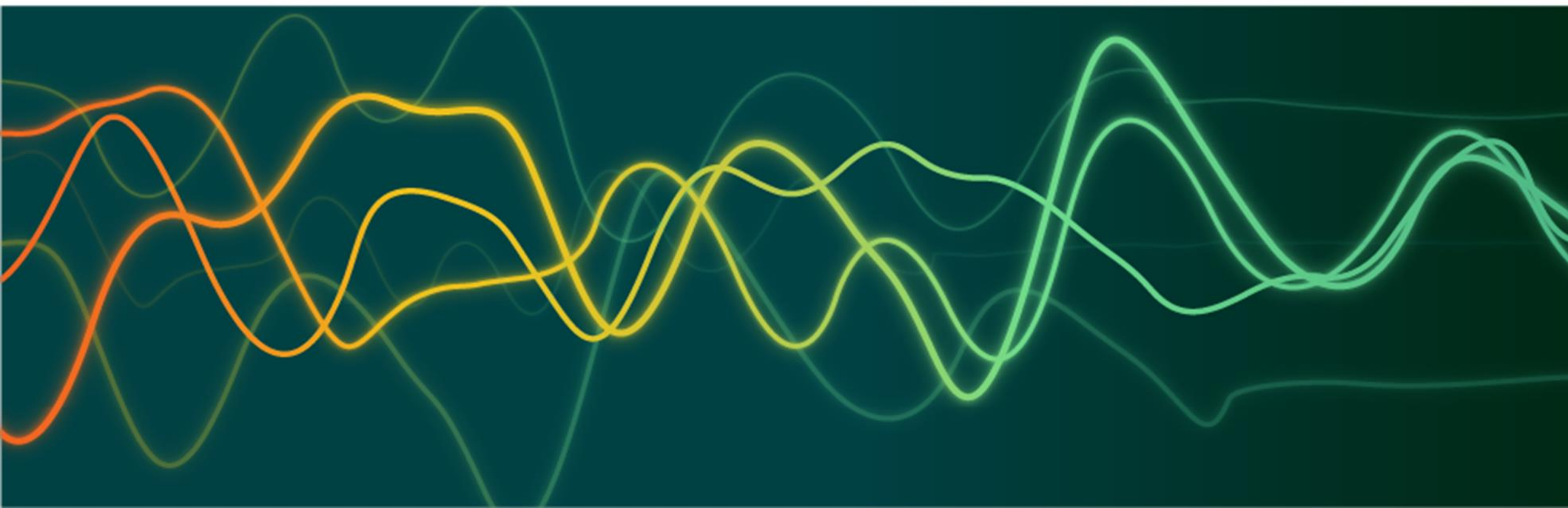


Emerging Markets Debt Monitor

Emerging Markets Team

Q1 2025



Important Information and Disclosure

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

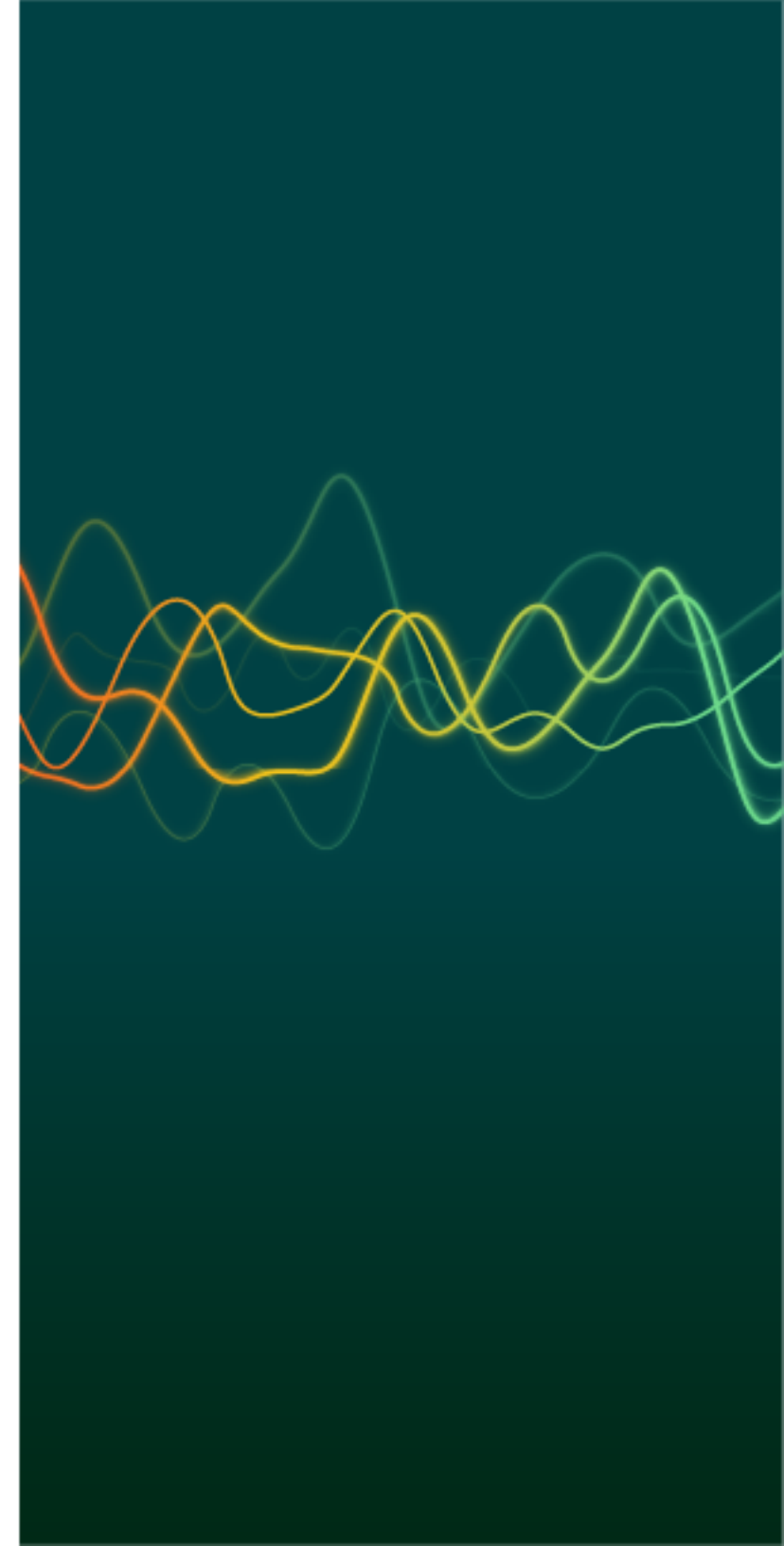
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EM SOVEREIGN CREDIT 26	EM CORPORATE CREDIT 31			



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.**

Q1 2025 Recap



Q1 2025 RECAP

Q1 2025 Recap

- Performance was positive for EMD markets as EM currencies broadly strengthened and rates rallied globally while spreads modestly widened for sovereign and corporate credit. Hard currency assets were supported by the fall in U.S. Treasury rates.
- President Trump began his second term on January 20th and enacted a slew of executive orders and focused tariff discussions on China, Mexico, and Canada initially. For most of the quarter, uncertainty loomed in the macro economy as the administration's stance on foreign policy and tariffs varied – additional countries with trade surpluses with the U.S. were added to the tariff list. The U.S. cut fiscal spending on defense and outlined to European leaders that the responsibility of global defense spending would need to shift. Specifically in the context of the Russia and Ukraine war, EU leaders realized the need to ramp up spending – Germany took material steps during the quarter.
- By the end of the quarter, 20% tariffs were placed on Chinese imports and China responded with retaliatory tariffs. Mexico and Canada had 25% tariffs placed in February, which were delayed until March, went into effect, and then most were subsequently postponed until April 2nd. Policy responses have been varied, but Mexico President Claudia Sheinbaum made progress with the U.S. on a bilateral solution. The EU was also hit with tariffs on aluminum and steel, and retaliatory tariffs were announced but delayed until April with the hope that negotiations could result in a mutual solution.
- Several EM central banks cut rates during the quarter including the South African Reserve Bank, Czech National Bank, Reserve Bank of India and the Bank of Mexico. As U.S. tariffs unfold, global growth expectations and potential slowdowns are likely to be a focus.
- A ceasefire agreement was reached between Israel and Hamas in January and Hamas released 33 hostages. Unfortunately, the ceasefire agreement did not hold, and the war resumed in March. Russia and Ukraine, along with the U.S., started negotiations to end the Russia-Ukraine war. There were some signs of progress, but tensions escalated on multiple occasions and ultimately no peace agreement was made.
- Performance for the underlying EMD risk factors was positive. The local segment of the asset class was the strongest for the quarter as currencies strengthened due to the U.S. dollar weakening broadly and carry also aided performance as rates also rallied although the spread between local rates and the U.S. widened. Positive returns on the USD-denominated EMD sovereign index and the corporate index were primarily driven by the fall in U.S. Treasury yields.
- Outflows continued but moderated following the reactionary outflows in November and December following the U.S. election, with approximately -\$3.8 billion net going out of dedicated EMD funds globally during the quarter with -\$1.9B from hard currency funds and -\$1.9B from local currency funds.

Q1 2025 RECAP

Q1 2025 Recap, continued

ASIA

- Indonesian President Prabowo Subianto continued to introduce unpredictable initiatives with the announcement of a sovereign wealth fund called the Danatara. The fund has enveloped all Indonesian SOEs and dividends will go directly into the fund. The economy continues to weaken, and ministries are being cut or gutted – most recently rumors of the Finance Minister being replaced – uncertainty continues to mount.
- Vietnam Secretary General Too Lam announced major political reforms in December, which were seen as positive. In addition, economic reforms were announced this quarter and while details are still in the works these will be positive as well. Vietnam has a large trade surplus with the U.S. so the country could be a target of notable tariffs. Initial discussion with the U.S. have gone well.
- China's economy remains depressed, and structural reforms are needed to evoke real change. China was hit with various tariffs throughout the quarter, with more expected, and announced retaliatory tariffs on the U.S.. The PBOC did not cut rates during the quarter – tariffs might impact future growth expectations. DeepSeek released an advanced, low-cost AI model which caught global markets by surprise.

CEEMEA

- Protests in Serbia escalated as citizens expressed concerns over alleged government corruption and populist President Vucic. Protests stemmed from the Navi Sad rail station collapse which killed 15 people in November, and protesters are blaming corruption and negligence for the collapse.
- President Erdogan arrested his main political opposition, the Istanbul Mayor Imamoglu, which raised concerns about the continuation of orthodox economic policy. The lira initially plunged sharply over the market's concerns and the central bank stepped in and used foreign reserves to stabilize the currency, which decreased net foreign assets. The mayor's arrest triggered mass protests.
- South Africa's GNU coalition held together amicably through the end of the year, but political and diplomatic challenges started to emerge during the quarter. The annual budget presentation was postponed due to disagreements primarily surrounding a VAT increase. Despite revisions, major parties still rejected it. Relations between South Africa and the U.S. deteriorated as the U.S. suspended all aid disagreeing with land expropriation policies.

LATAM

- President Petro continues to lose popularity and is blocked from doing leftist reforms, but he is not backing down. Fiscal issues continue to worsen but strong institutions such as the central bank have continued to remain so. Colombia was caught in U.S. tariff clashes following disagreements over U.S. deportation actions, but the tariffs were dropped following an agreement.
- Ecuador had its first round of Presidential elections which was unexpectedly close – President Noboa recently has been falling in the polls. Elections will go to the second round in April and it's a very binary election with people voting for either the center right incumbent or leftist opposition. Bonds notably sold off following the first-round elections.
- Argentina had seen positive progress on reforms from President Milei and his administration but issues with FX policy and potentially an overvalued peso are coming into focus. The future of FX policy is uncertain, but additional information may be revealed when the upcoming IMF program is voted on in April.

Please reference page 2 "Important Information and Disclosure"

Q1 2025 RECAP

EM Corporate Credit – Q1 Update and Outlook

HIGHLIGHTS DURING THE QUARTER AND YEAR:

The EM Corporate index returned 2.42% over the past quarter. Credits spreads started the year at reasonably tight levels reflecting the favorable macro backdrop for credit risk and strong inflows into global fixed income mandates. In addition, EM corporate fundamentals have been, and continue to be at very healthy levels versus historical standards. All the return for the quarter came from the rally in U.S. treasuries, while credit spreads are moderately wider.

Some notable events during the past quarter include:

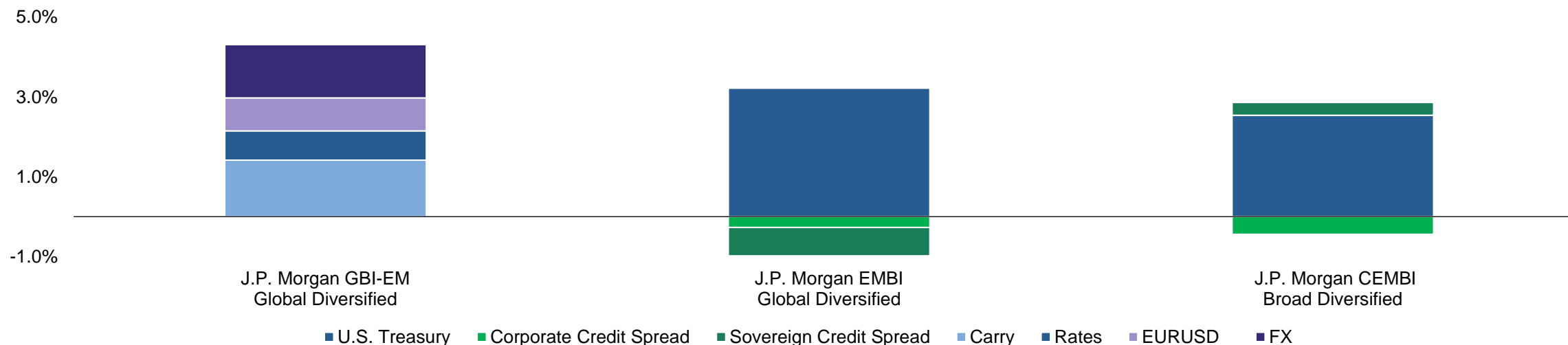
- China risk assets have performed very well YTD driven by cheap valuations, light investor positioning and policy stimulus. While this has been the case for a while, the success of DeepSeek's AI algorithm reignited investors' interest in the Chinese tech landscape. We expect Chinese tech assets to continue to perform well vs. U.S. tech equities driven by the large valuation differential.
- Latin American corporates continue to be the place where most EM corporate portfolios are taking active high yield risk. A combination of a large and vibrant investable universe, strong fundamentals and lack of opportunities elsewhere has driven this phenomenon.
- Oil prices have sold off materially for the year-to-date (and continue to do so today in the midst of the tariff trade wars). A slowdown in global growth is the primary driver for this price decline. Fortunately, most EM corporate oil companies have very low break-even costs (with exception of some such as the Colombian E&Ps).
- On the Trump tariff trade war, we believe the largest impact will be on East Asian economies (including Southeast Asia), Mexico, Canada and the European markets. These are the countries that export the largest amount to the U.S. With few exceptions, most EM corporate issuers are not directly in the crosshairs of these tariffs, but they will likely get indirectly impacted from weakening investor sentiment and/or a slowdown in the global economy. Mexican REITs, auto suppliers, Chinese electronics companies are some of the examples of issuers that are directly impacted.

The current sell-off in risk assets will likely create some attractive long-term investment opportunities. As is always the case, we are looking for strong businesses with deep moats that can withstand negative shocks, with debt securities outstanding that offer compelling total return potential. Global credit valuations tend to be highly correlated because of the buyer base. As such, negative developments in the U.S. will also contaminate EM corporate valuations, even for issuers that are fundamentally unaffected. The much lower leverage metrics for EM corporate issuers vs. U.S. corporate credit should provide some downside protection against credit losses should the U.S. economy continue to get weaker.

Q1 2025 RECAP

Index Performance Recap

Q1 2025



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	1.33%	0.83%	0.73%	1.42%	—	—	—	4.31%
J.P. Morgan EMBI Global Diversified	—	—	—	—	-0.71%	-0.27%	3.22%	2.24%
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.32%	-0.44%	2.54%	2.42%

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.

Q1 2025 RECAP

Index Performance Recap

Q1 2025

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J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.32%	-0.44%	2.54%	2.42%

2024

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

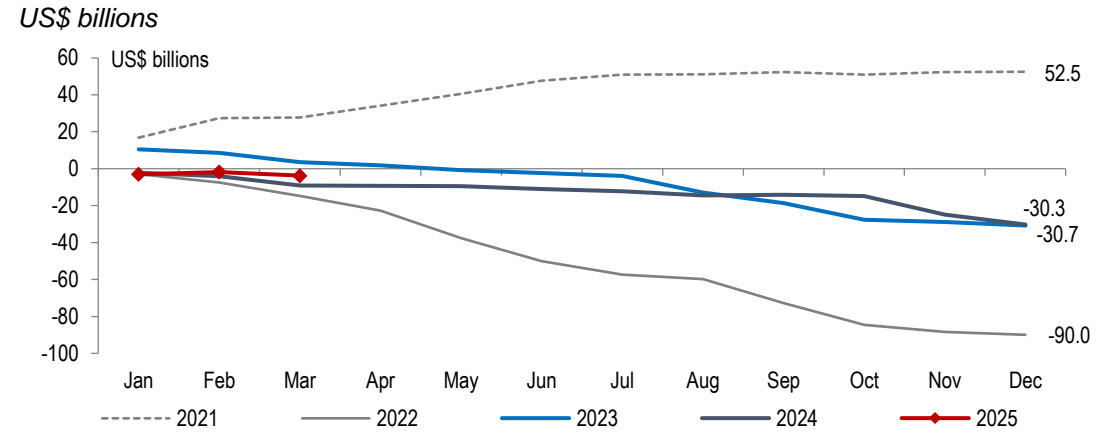
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Q1 2025 RECAP

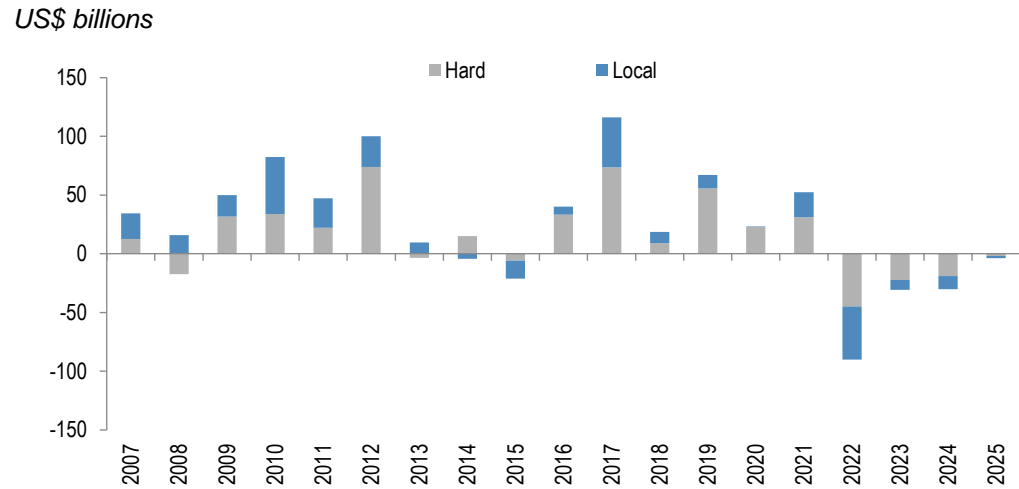
Technical: 2025 Flows

- The notable acceleration in outflows around the U.S. election continued into January. Uncertainty in U.S. policy, a weaker dollar, and selloffs in the U.S. equity market had investors looking outside the U.S. and flows into the asset class materialized in February.
- Inflows in February were muted by outflows for both hard and local currency funds in January and March. While global assets generally benefitted, investors remain cautious to return to the asset class in a meaningful way.

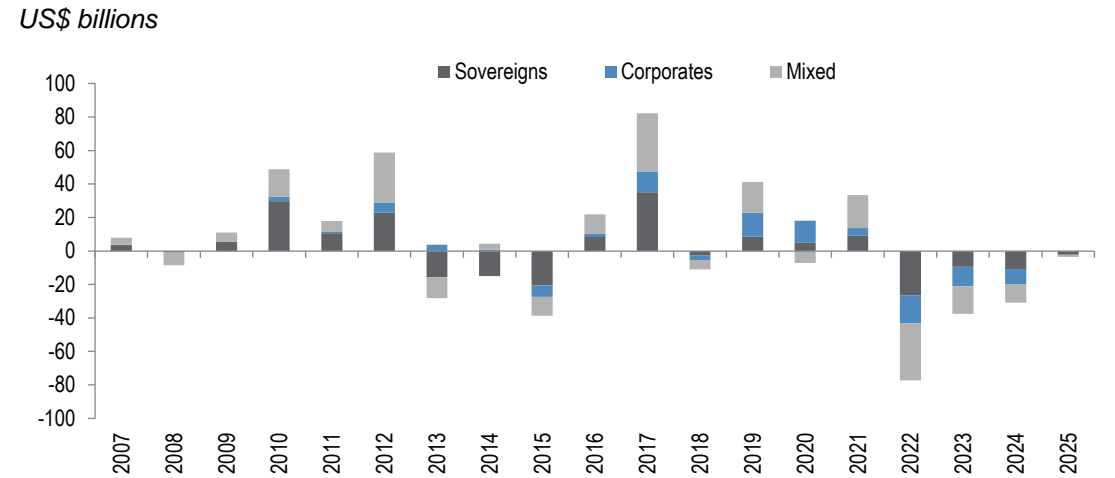
Annual Cumulative Bond Flows



Annual Flows by Currency



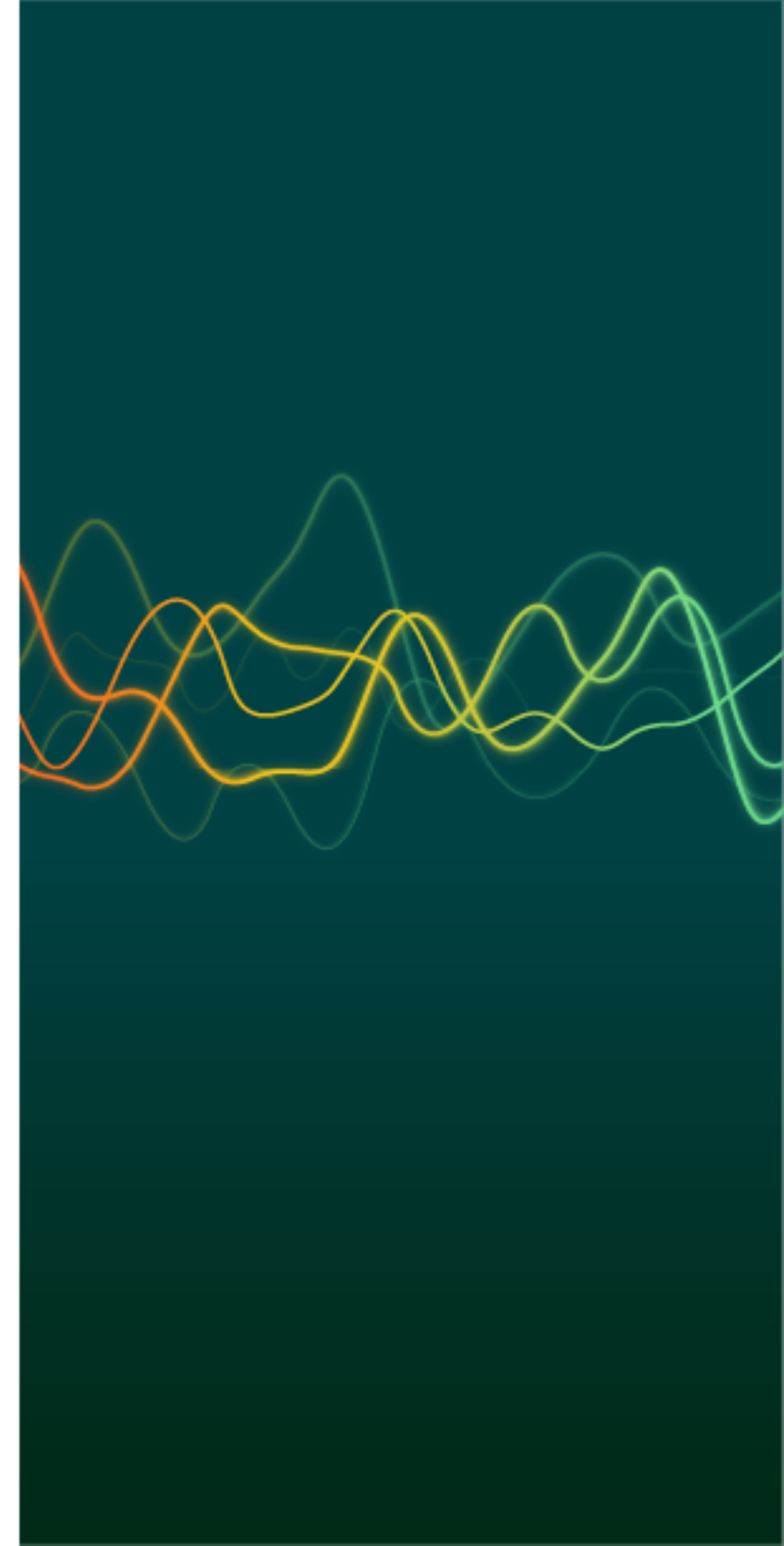
Annual Flows by Sovereign/Corporate/Mixed (Retail)



Source for all charts above: JPMorgan. All data as 3/28/2025. For illustrative purposes only. Past performance is no guarantee of future results.

Rotating Topic

Private Credit in Emerging Markets



ROTATING TOPIC

What is EM Private Credit and Why is it Important?

Direct lending fills an important financing gap in developing regions through tailored structures.

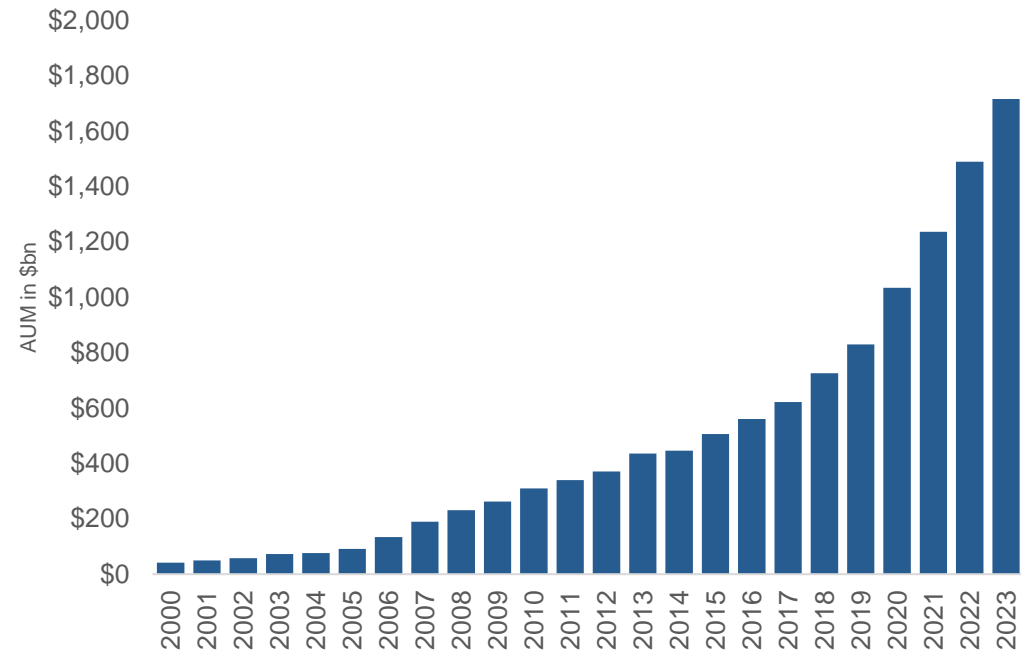
Expanded Financing Options

- Additional funding options to meet borrowers needs that often can't be met in traditional public markets.
- Banks and public markets can be more selective in their allocation of capital. Tend to favor large, high-quality corporations and sovereigns.

Growing Market for Capital

- Capital needs continue to grow, but traditional capital suppliers are not.
- Traditional lenders such as institutional investors or dedicated emerging markets debt funds are shrinking.
- Private Credit market has been growing for over two decades providing more funding for borrowers but also investment opportunities.

The Private Credit Market has seen rapid growth



Source: The Federal Reserve, Morgan Stanley Investment Management. As of 3/31/2025. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

ROTATING TOPIC

Why Invest in EM Private Credit?

A diversified risk/return profile* due to different structures and end borrowers.

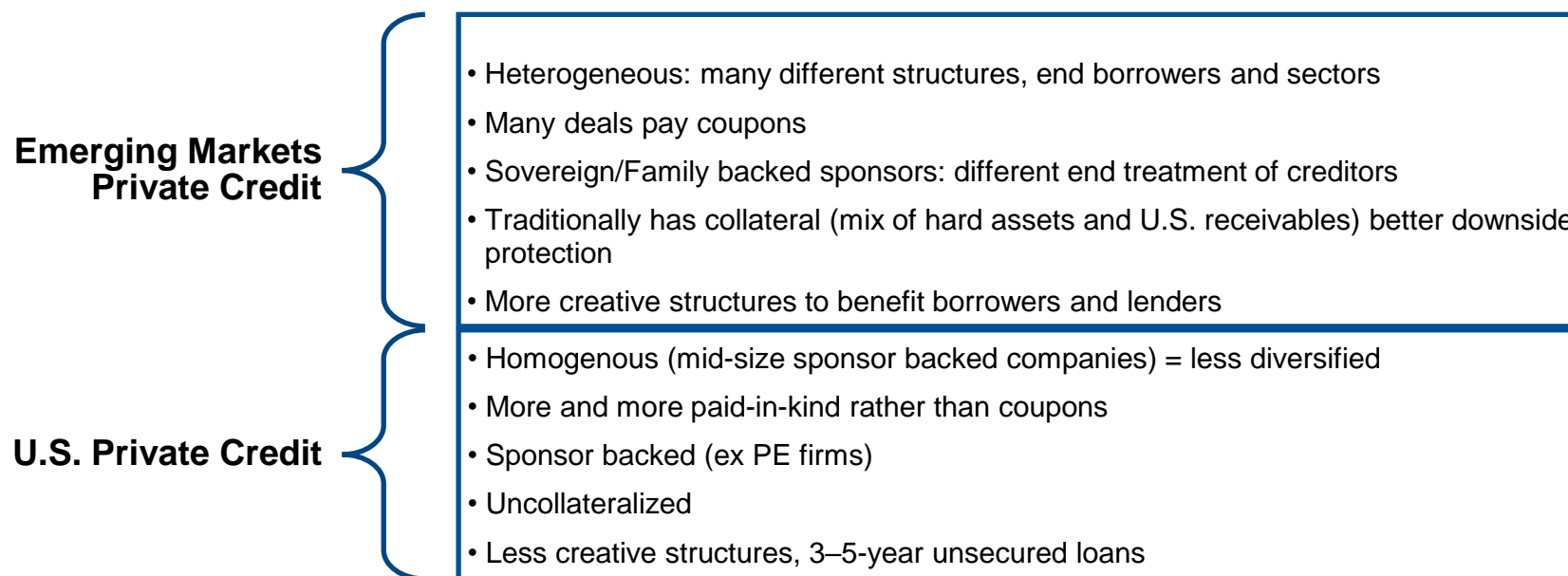
Higher Gross Returns	Higher IRR vs DM private credit markets
	Spread vs EM public markets
	Lower leverage and default rates vs DM peers
Diversification and low correlation	Low correlation to public markets
	Low correlation to DM private markets and EM private equity markets
Market/Structural Inefficiencies	90% of corporate funding in EM comes from the banking sector vs 20 – 40% in US
	Strict credit limits lead to excess need for capital funding in EM
	Limited flexibility due to rigid requirements on banks in structuring traditional financing instruments
Lower Risk Profile	Stronger debt covenants vs DM private credit markets
	More flexibility in bespoke instruments; ability to dictate terms
	English law documentation

Source: Morgan Stanley Investment Management. As of 3/31/2025. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.** *Diversification does not eliminate the risk of loss. This represents how the portfolio management team generally implements its investment process under normal market conditions.

ROTATING TOPIC

Differences between EM and U.S. Private Credit

U.S. Private Credit is beta to U.S. Credit and U.S. economic cycles, adding EM Private Credit could help improve diversification.

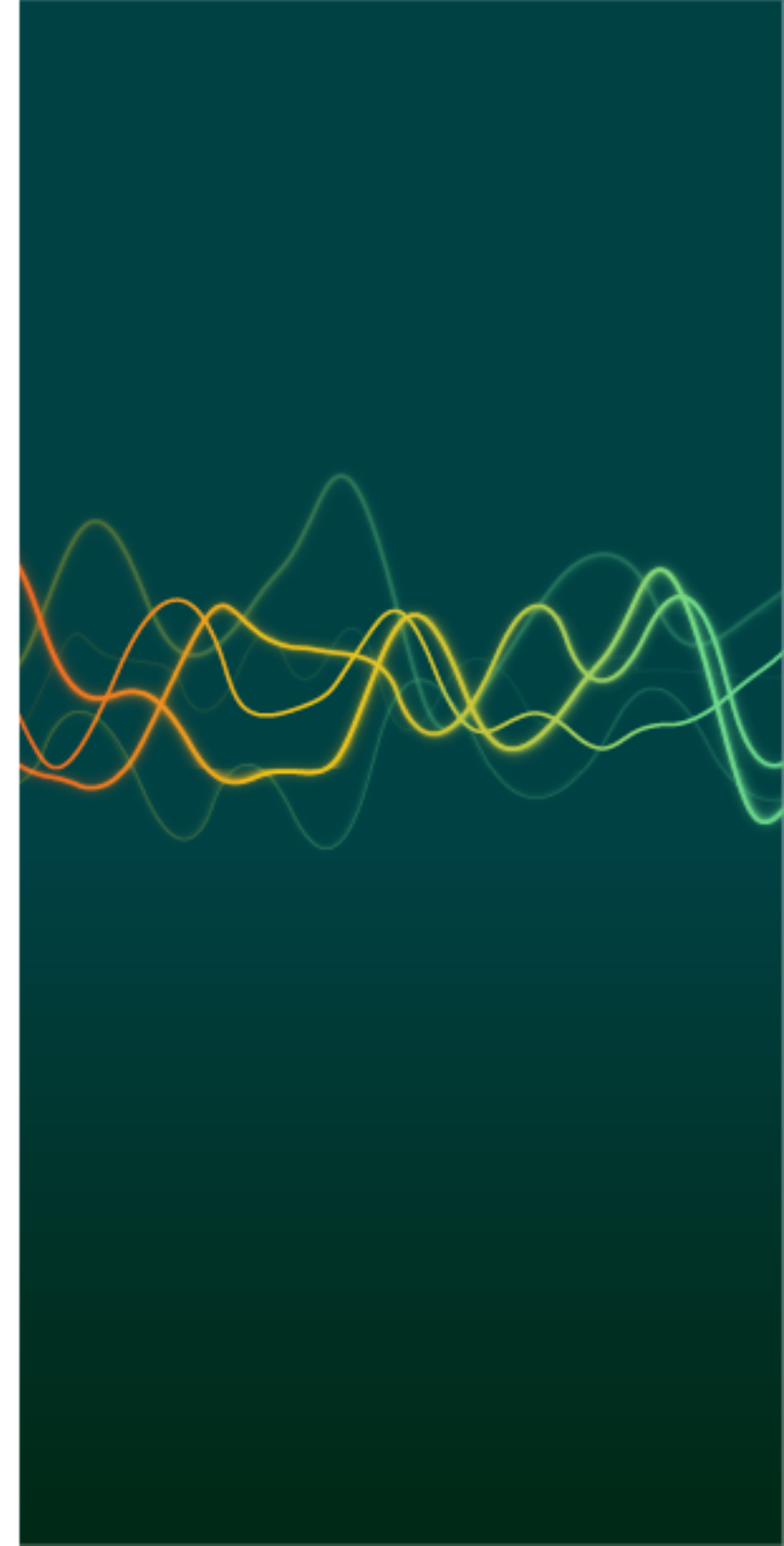


Full Spectrum of EM Opportunities

Sovereign	Corporate	Structured Financing
<ul style="list-style-type: none"> • Private lending to sovereigns and municipalities • Repo financing for ministries and central banks 	<p>Direct lending to corporates at low LTVs backed by strong security packages; ability to dictate terms to further enhance downside protections</p>	<ul style="list-style-type: none"> • FX-Hedged Frontier Local Structures • Bespoke CDS • ABS Structures • Trade Finance

As of 3/31/2025. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

Q2 2025 Outlook



Q2 2025 OUTLOOK

Q2 2025 Outlook

MACRO DRIVERS

- The U.S. Fed held rates at its March meeting, which was largely expected. Growth expectations were lowered, and inflation forecasts were increased. As U.S. tariffs are unveiled and go into effect, eyes will be on how these policies impact employment, growth, and inflation. Initial reactions were seen in the U.S. equities market with a large selloff for the quarter.
- The “U.S. exceptionalism” narrative that has dominated markets was called into question with the worst U.S. stock market returns since the COVID pandemic in 2020. There is still a lot of uncertainty and a range of scenarios – particularly when potential tax cuts and deregulation also come into play. However, downside scenarios include weakening U.S. growth, which could spillover into weakening global growth, and increasing inflation.
- The wars between Russia-Ukraine and Israel-Hamas continued despite attempts to negotiate peace agreements. As additional countries are inserted into the conflicts, spillover effects such as increased defense spending and geopolitical tensions rise.
- Outflows continued in the asset class, but the tide could turn as investors seek assets that are broadly supported by a weaker U.S. dollar and away from the volatility of U.S. Should an increased policy risk premium be priced into U.S. assets, international assets could gain more appeal.

COUNTRY DRIVERS

- As U.S. foreign policy and tariffs become more clear, individual country responses will be important to watch. We have seen initial divergences in policy such as retaliatory tariffs as a negative response, and the desire for negotiations and bilateral solutions as a positive response.
- With over 100 countries in the emerging markets universe, many countries are not notable trade partners with the U.S. and will be less directly impacted by tariffs. But we can’t ignore the fact that some countries will certainly be hit hard.
- Important elections to come this year include Ecuador’s second round of presidential elections in April, Suriname general elections in May, and Poland’s presidential election in May.
- Given the uncertain macro backdrop, we continue to place an emphasis on differentiation amongst countries and credits in order to uncover value.

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

Q2 2025 OUTLOOK

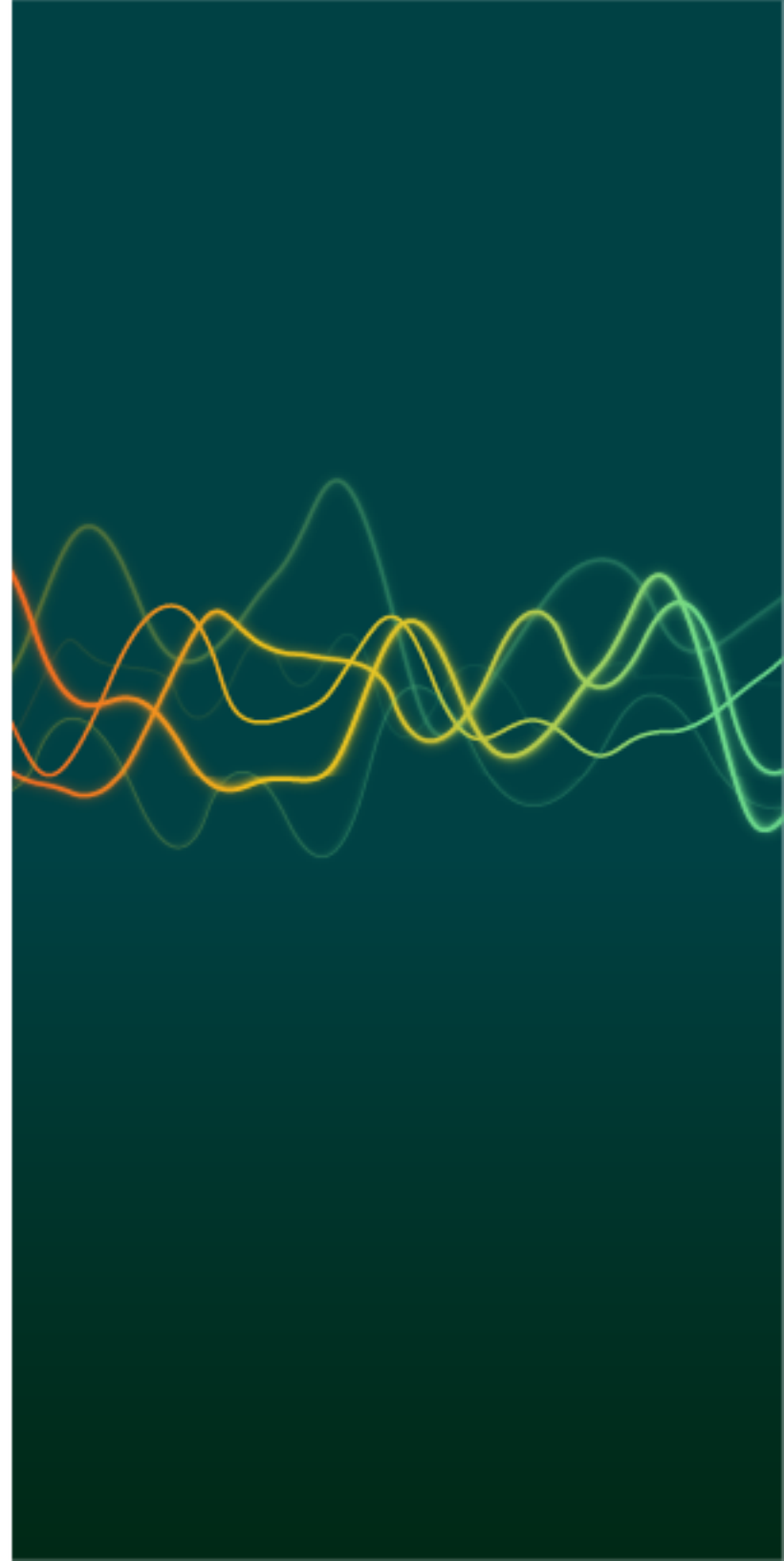
EMD Risk Factor Dashboard

Outlook and Summary

	Underweight	Moderate Underweight	Neutral	Moderate Overweight	Overweight	Summary
Currency				◆		We move currencies to moderate overweight. The prospect of a weakening U.S. dollar, influenced by U.S. foreign policy, could be broadly supportive for EM currencies.
Local Interest Rates				◆		We keep local rates at moderate overweight. Real-yield differentials remain wide and widened during the quarter. EM central banks, and select developed markets continue to cut – growth expectations may come more into focus.
Sovereign Credit			◆			We move sovereign credit to neutral. Off-benchmark countries continue to provide valuable opportunities. Globally uncertainty and elevated risk levels could create an interesting entry point for additional EM credit risk.
Corporate Credit				◆		We move corporate credit to moderate overweight. Many exciting opportunities remain for investors dedicated to deep fundamental research. EM corporate issuers will generally not be directly in the crosshairs of tariffs.
EM Equity			◆			We keep EM equity at neutral. Valuations remain low on absolute and relative basis. However, risks of U.S. foreign policy and slowing China growth could be a headwind.

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

EM FX



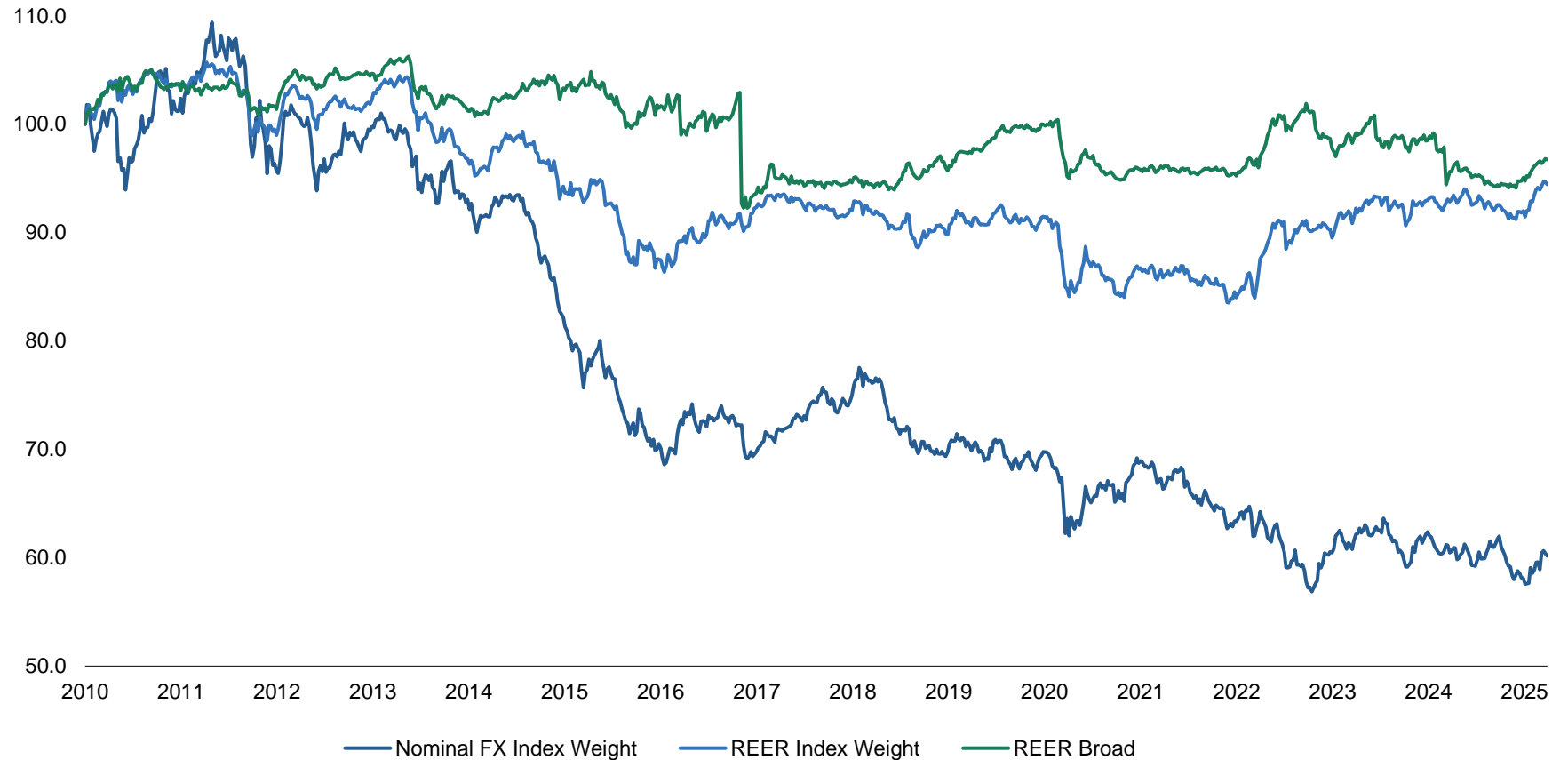
EM FX

EM currencies broadly strengthened as the U.S. dollar weakened for most of the quarter amid volatility surrounding U.S. foreign policy.

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.

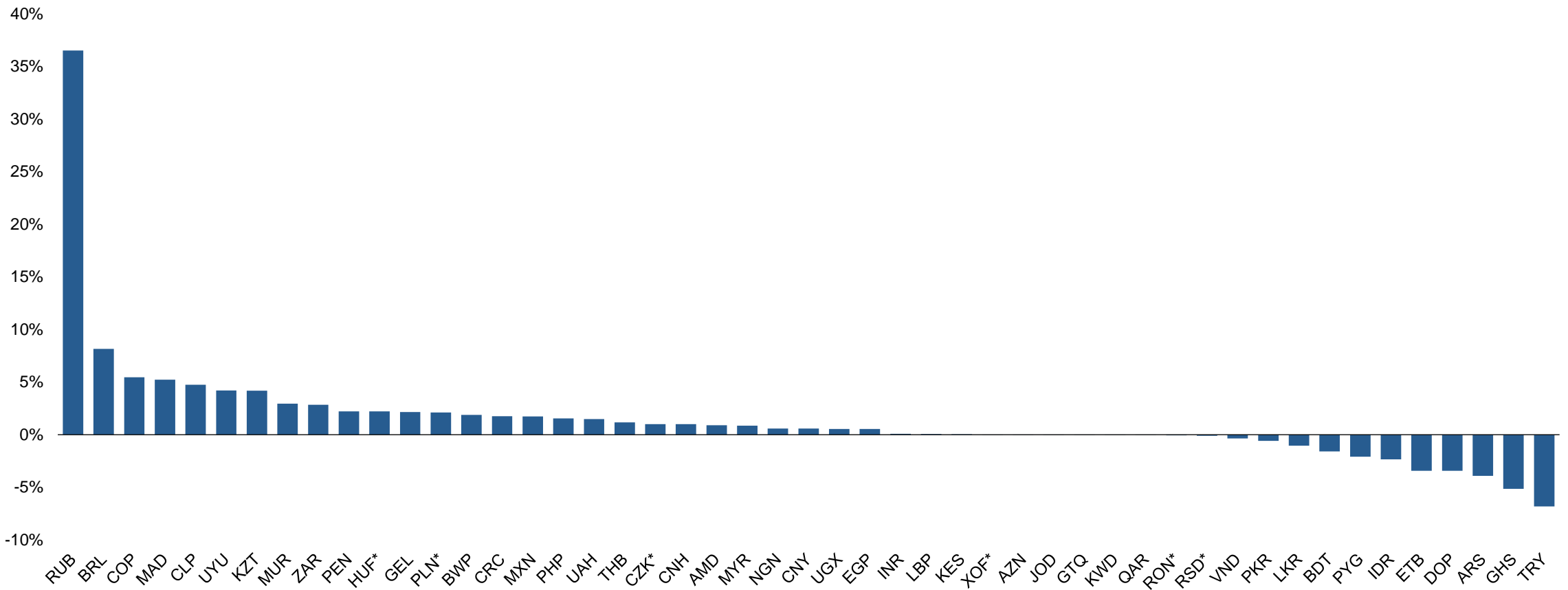


Source: J.P. Morgan, Barclays. Nominal FX Index Weight is the J.P. Morgan GBI-EM Global Diversified index currencies and weights. REER Index Weight is the Barclays real effective exchange rate data of the currencies in the J.P. Morgan GBI-EM GD. REER Broad uses Barclays real effective exchange rate data 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

While most EM currencies rallied on the backdrop of a weaker U.S. dollar, country level fundamentals drove some outliers. The Russian ruble made strong gains as negotiations between Russia, Ukraine, and the U.S. for a ceasefire progressed. Argentina’s central bank was forced to sell substantial foreign reserves to support the currency as investors shifted out of the peso in anticipation of an FX correction with the upcoming IMF deal.

FX QoQ Change vs USD

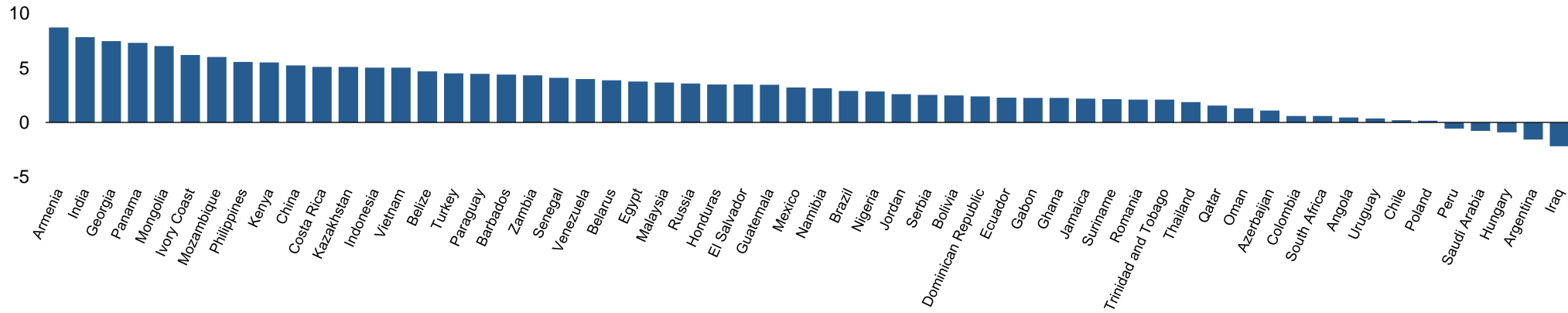


Source: Bloomberg, Morgan Stanley Investment Management. *Versus euro. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. Ethiopian Birr (ETB) was devalued during the period QoQ change -51%.

EM FX

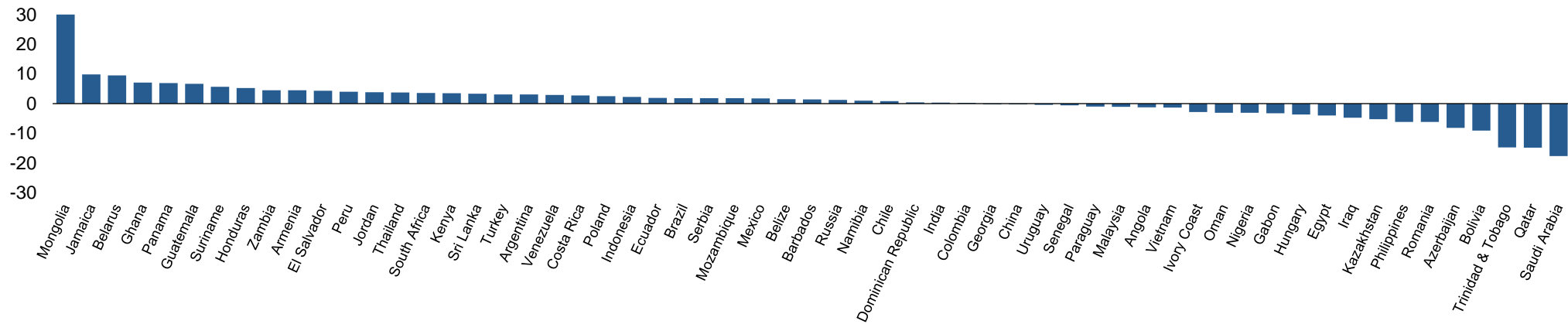
EM FX Likes Good Growth and Strong External Balance

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



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

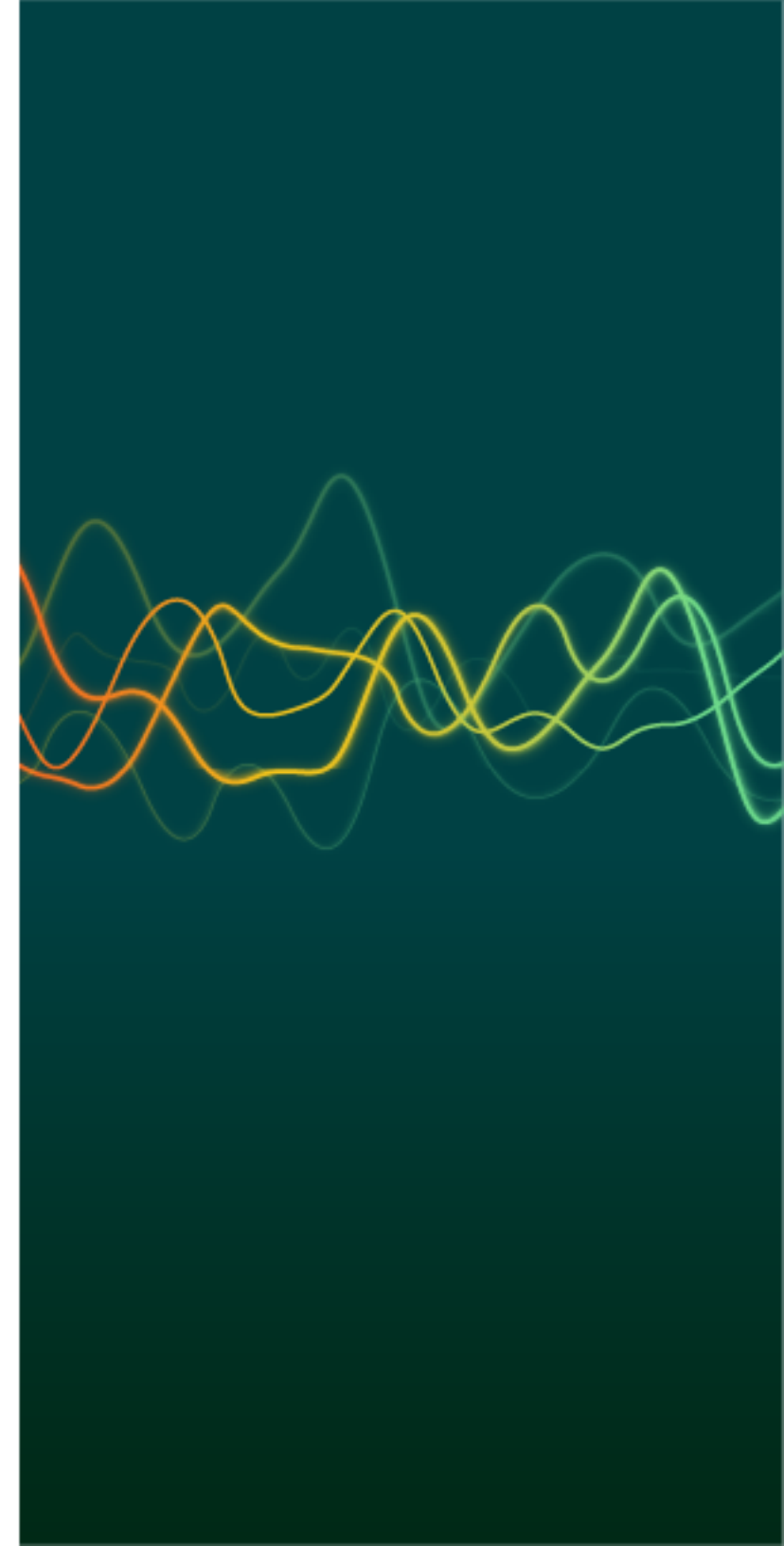
Current Account % Change as % of GDP (2013 to 2024 Estimates)



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

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

EM Interest Rates



EM INTEREST RATES

Emerging markets inflation generally decreased, but the pace continued to moderate. Many EM countries still have room to cut rates, and as developed markets cut simultaneously the backdrop is supportive.

EM Consensus CPI Expectations ¹

(% Change YOY)



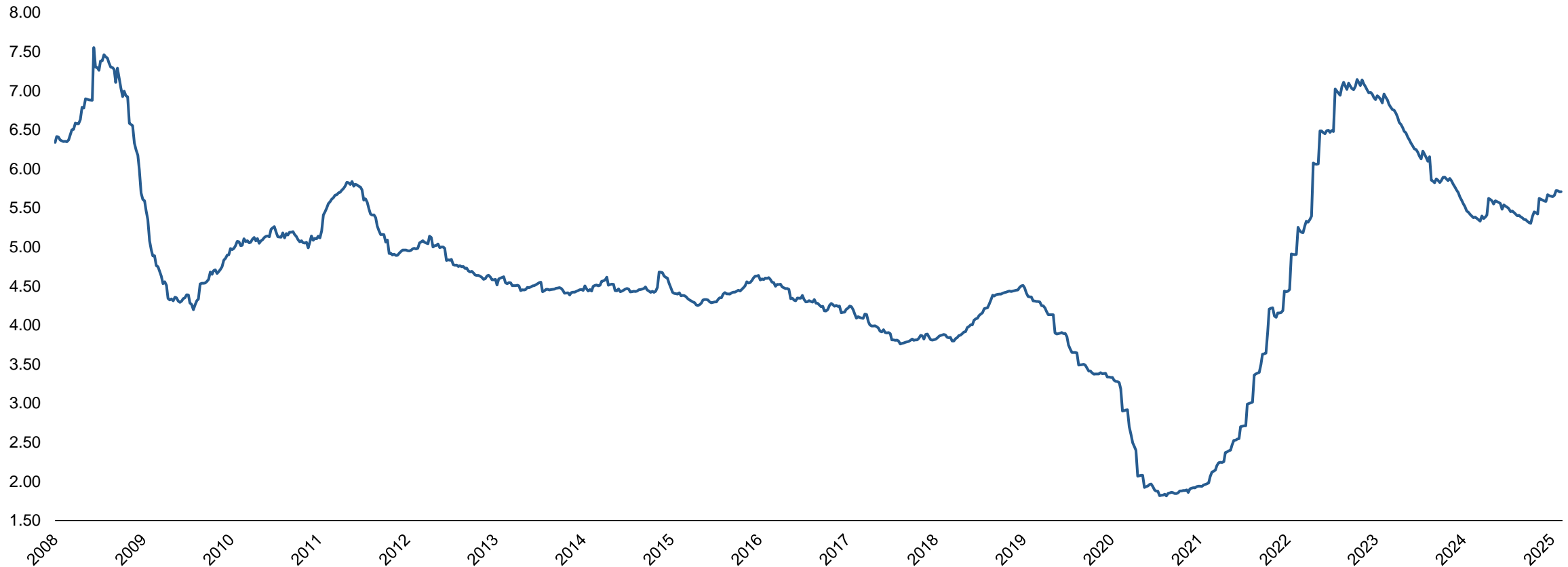
Source: Bloomberg, Morgan Stanley Investment Management. As of 3/31/2025.

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

EM INTEREST RATES

Monetary policy activity has diverged over the past few months. While most EM central banks are still cutting rates or are paused, Ghana and Brazil hiked rates as inflation remains sticky.

EM Consensus Policy Rate Expectations ¹



Source: Bloomberg, Morgan Stanley Investment Management. As of 3/31/2025.

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

EM INTEREST RATES

Real yield differentials moderately widened. Emerging markets central banks continued to cut rates with several DM central banks such as the ECB, Bank of Canada, and Bank of Australia also cutting. Growth is a concern for many countries in anticipation of impact from U.S. tariffs.

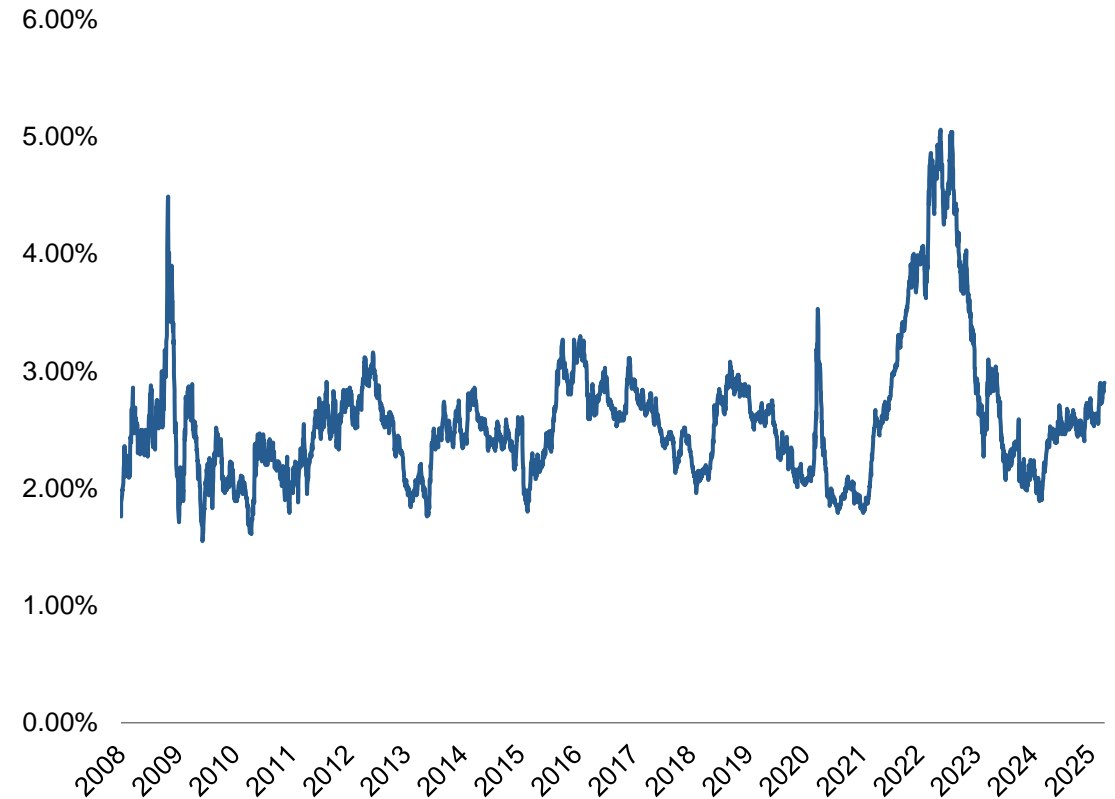
EM-DM Real Yields

(Using Inflation Forecasts)



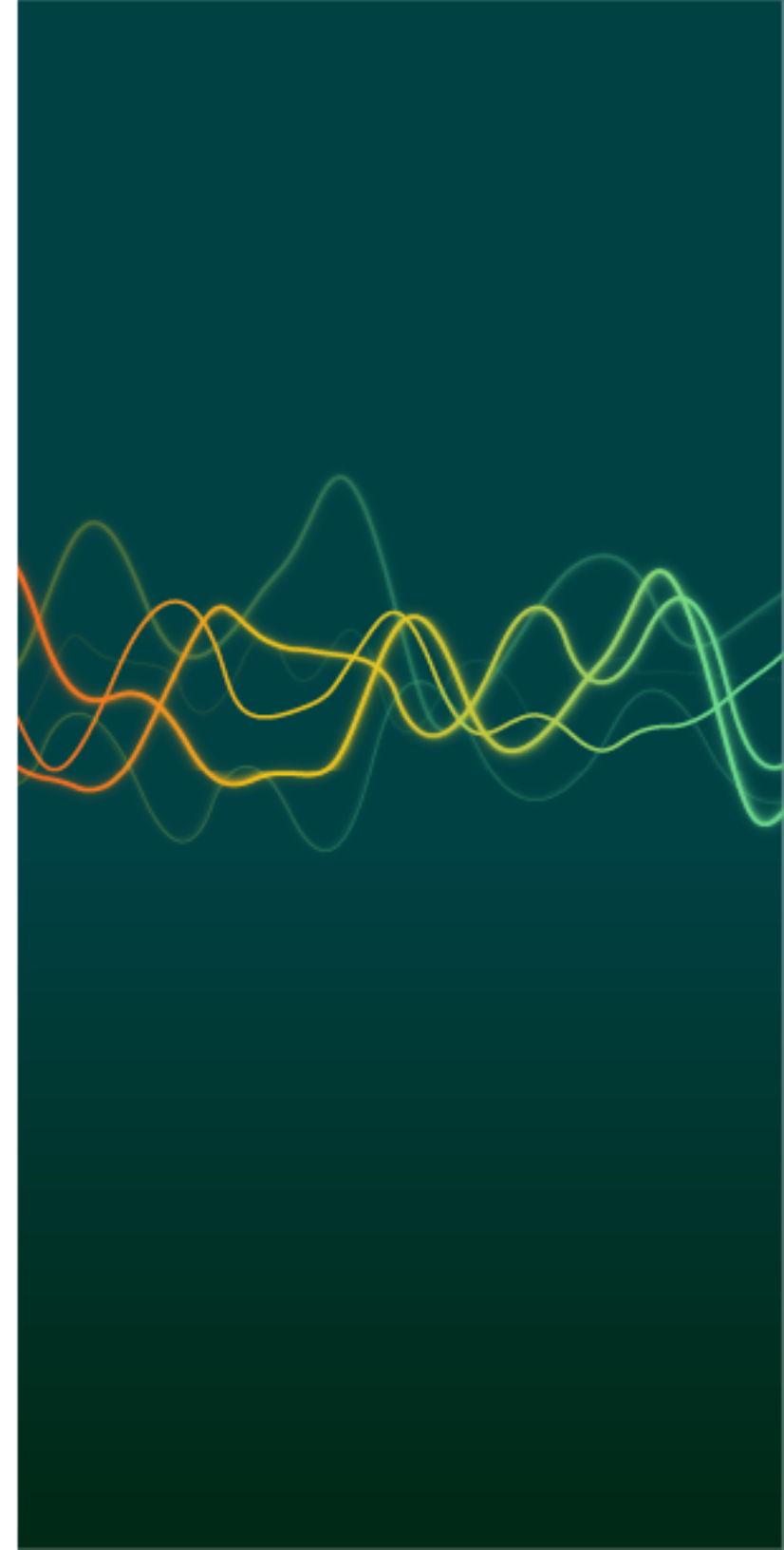
EM-DM Real Yield Differential

(Using Inflation Forecasts)



Source: Bloomberg, J.P. Morgan, Morgan Stanley Investment Management. As of 3/31/2025. 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 waivered during the quarter but ended relatively flat.
- 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

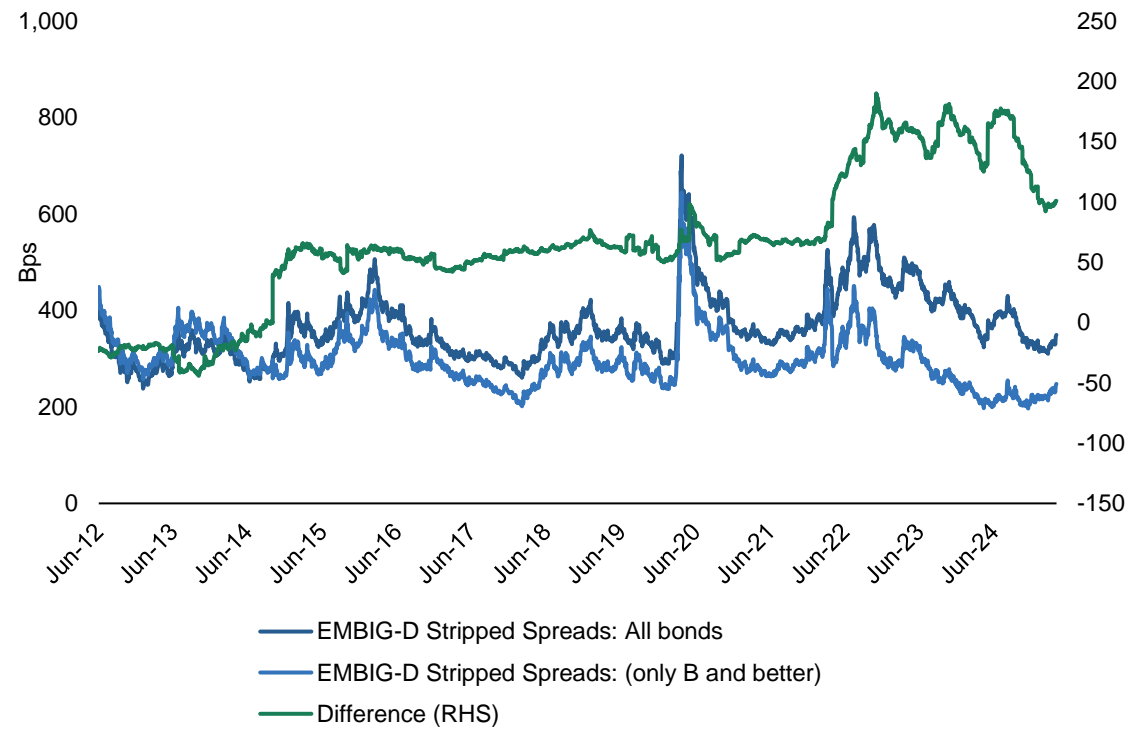
5-Year Equal Weight Sovereign Spread



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

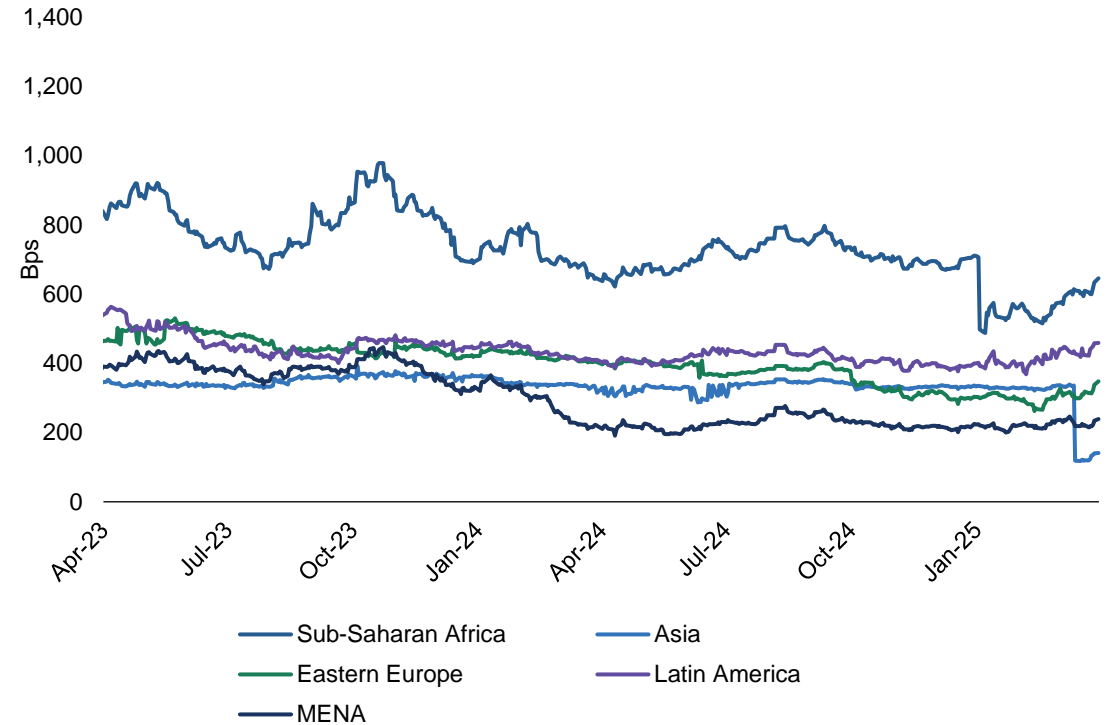
EM SOVEREIGN CREDIT

Country selection is particularly important to capture unique value and mispricings in lower quality issuers.



Spreads marginally widened. Sri Lanka successfully restructured its defaulted hard currency debt bringing spreads out of distressed levels.

5-Year Equal Weight Sovereign Spread by Region

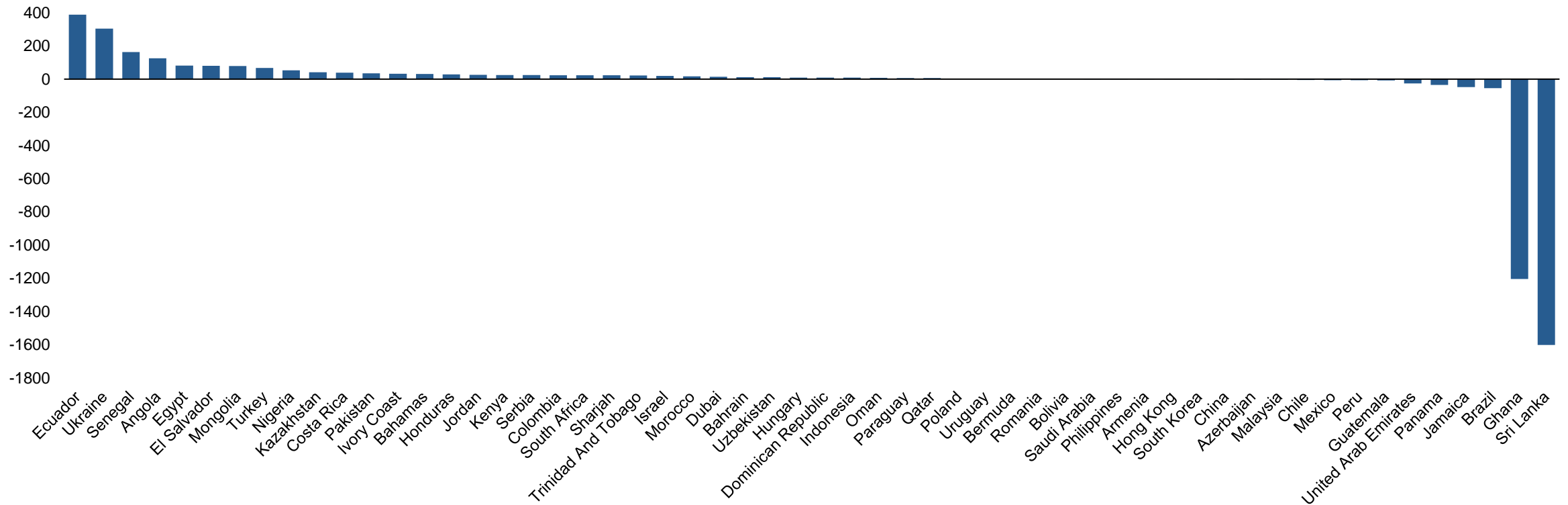


Source: Morgan Stanley Investment Management proprietary data and calculations. As of 3/31/2025. Excludes Argentina. Underlying individual country spreads are capped at 2,000 bps. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs from EMBI data which is comprised of discount and premium bonds with different maturities. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM SOVEREIGN CREDIT

There was a wide dispersion among countries. Ecuador assets notably sold off following election results while Ghana spreads tightened as a new administration took office in January and the Finance Minister released a government budget focused on fiscal consolidation and economic reform.

Q1 2025 Change in 5-Year Spread

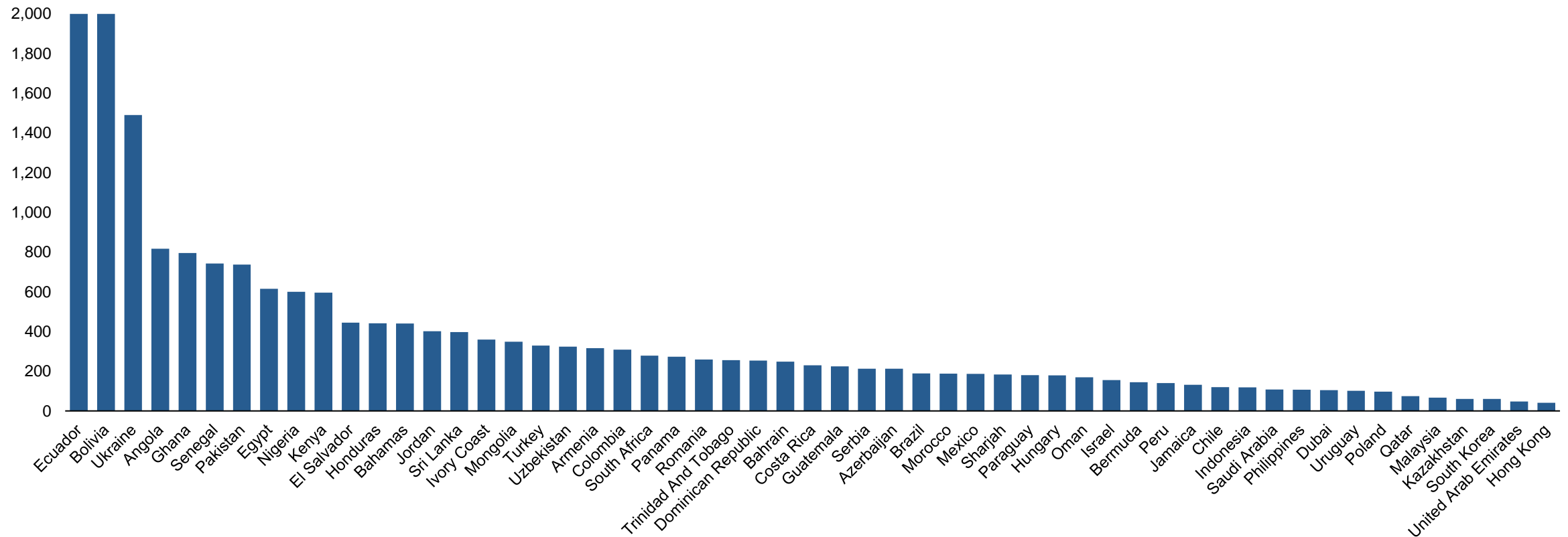


Underlying individual country spreads are capped at 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 3/31/2025. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM SOVEREIGN CREDIT

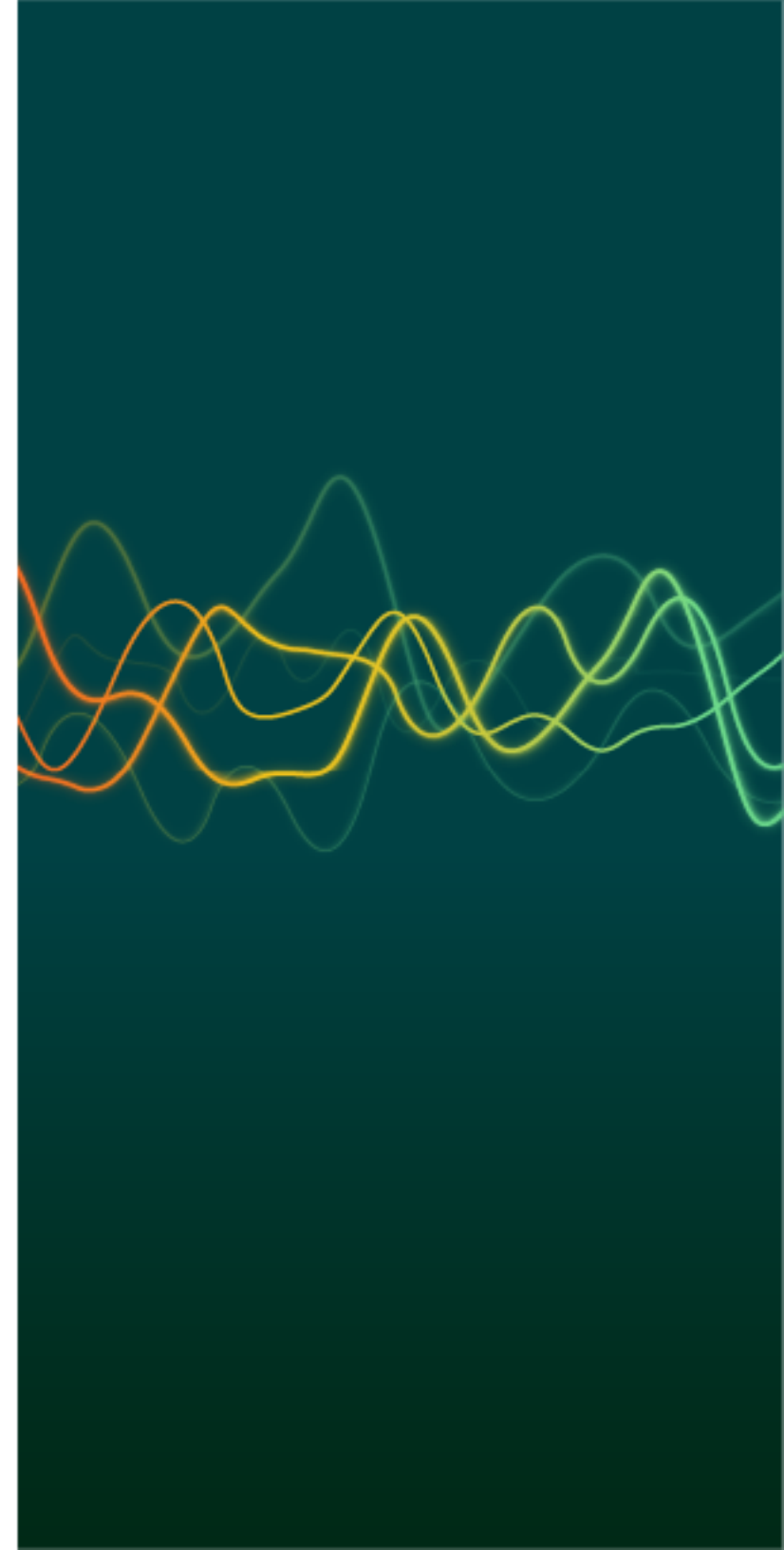
Variance among issuers increased while the bifurcation based on issuer credit quality remained notable

5-Year Spreads



Underlying individual country spreads are capped at 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 3/31/2025. 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

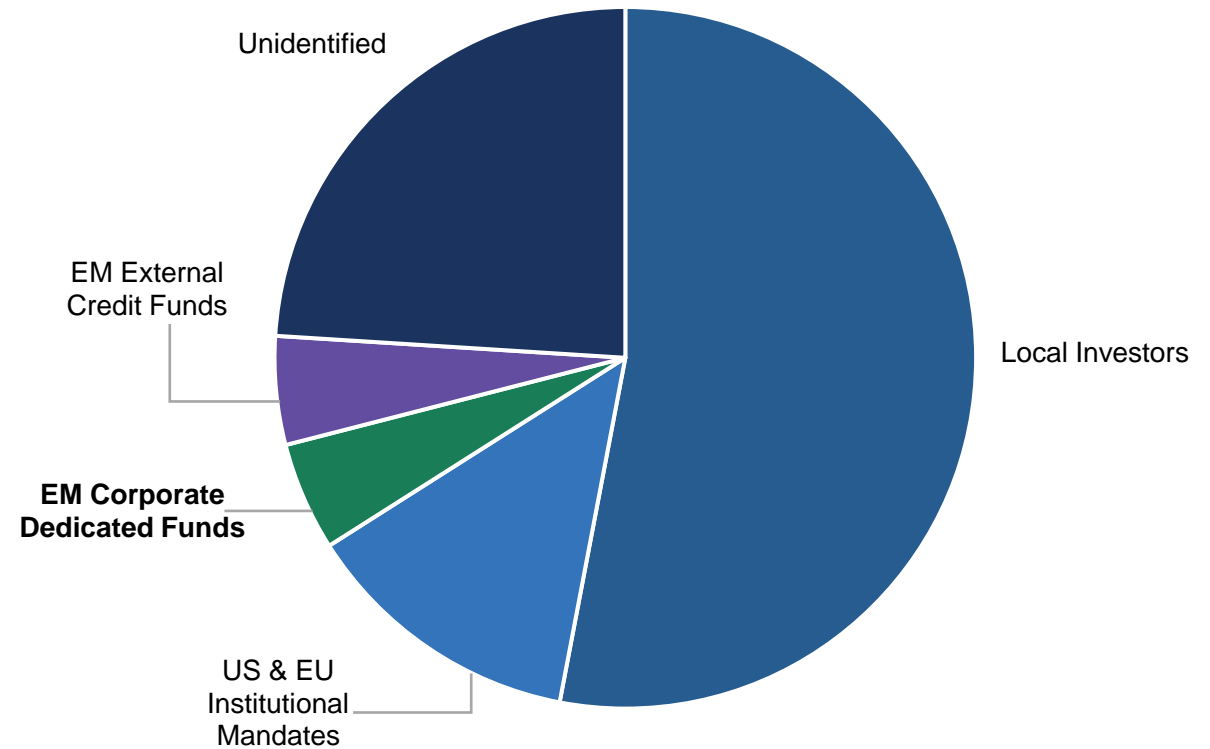


EM CORPORATE CREDIT

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.



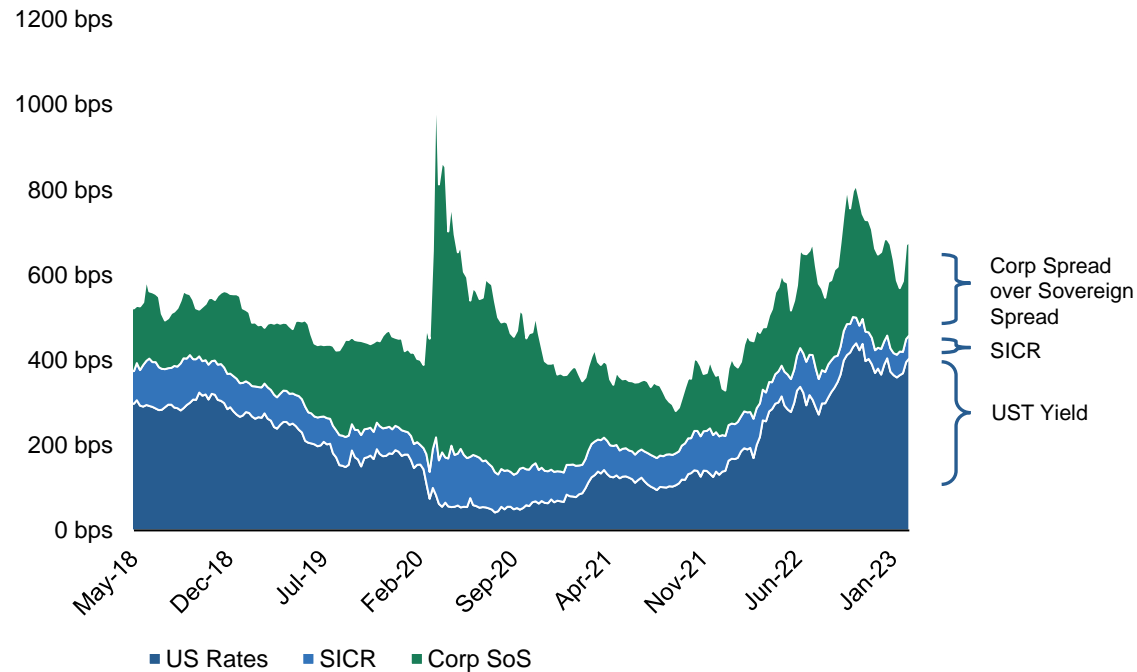
Source: JP Morgan Markets as of 12/31/2022. This represents how the portfolio management team generally implements its investment process under normal market conditions

EM CORPORATE CREDIT

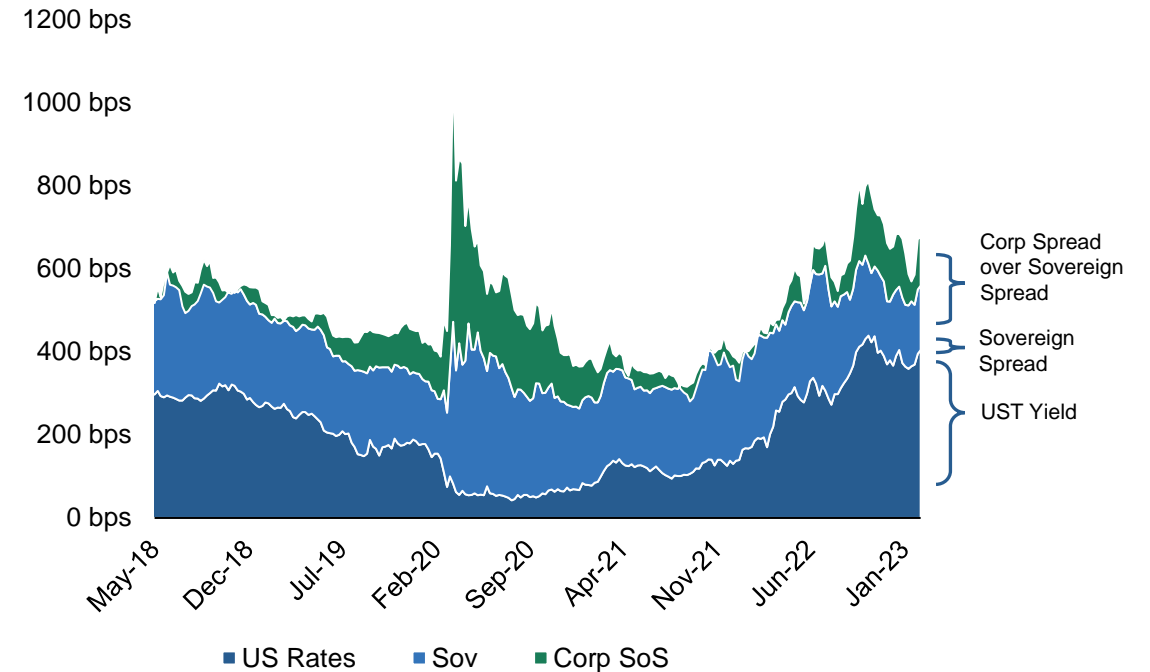
Our Approach

- 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.
- $SICR = Probability(Sovereign\ default \cap Corporate\ default\ given\ sovereign\ default) \times (1 - Loss\ given\ default)$

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.

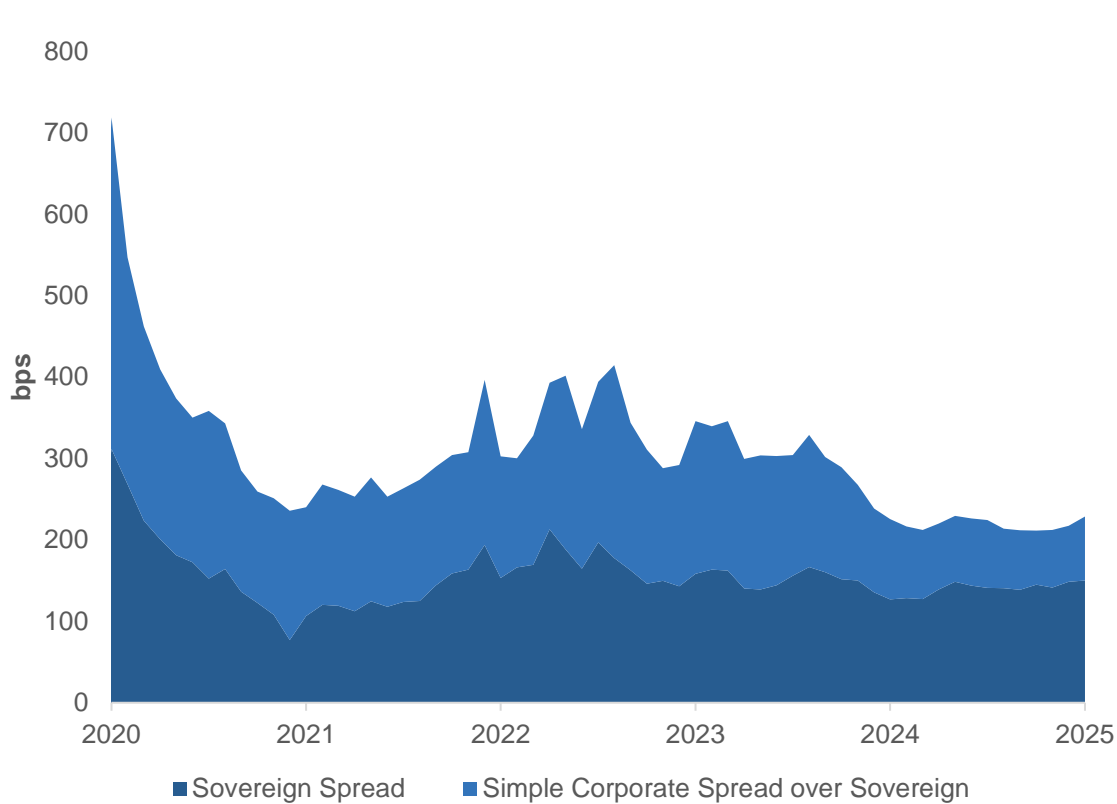
EM CORPORATE CREDIT

Valuations

U.S. recession fears developed throughout the quarter which led to lower interest rates driving gains in the corporate segments of the asset class. CEMBI Broad Div performed well during Q1 '25 (+2.42%), driven by high returns from Eastern Europe. Over the quarter supply was 25% above the past five-year average of \$119bn and up 32% y/y, supported primarily by issuance out of Asia.

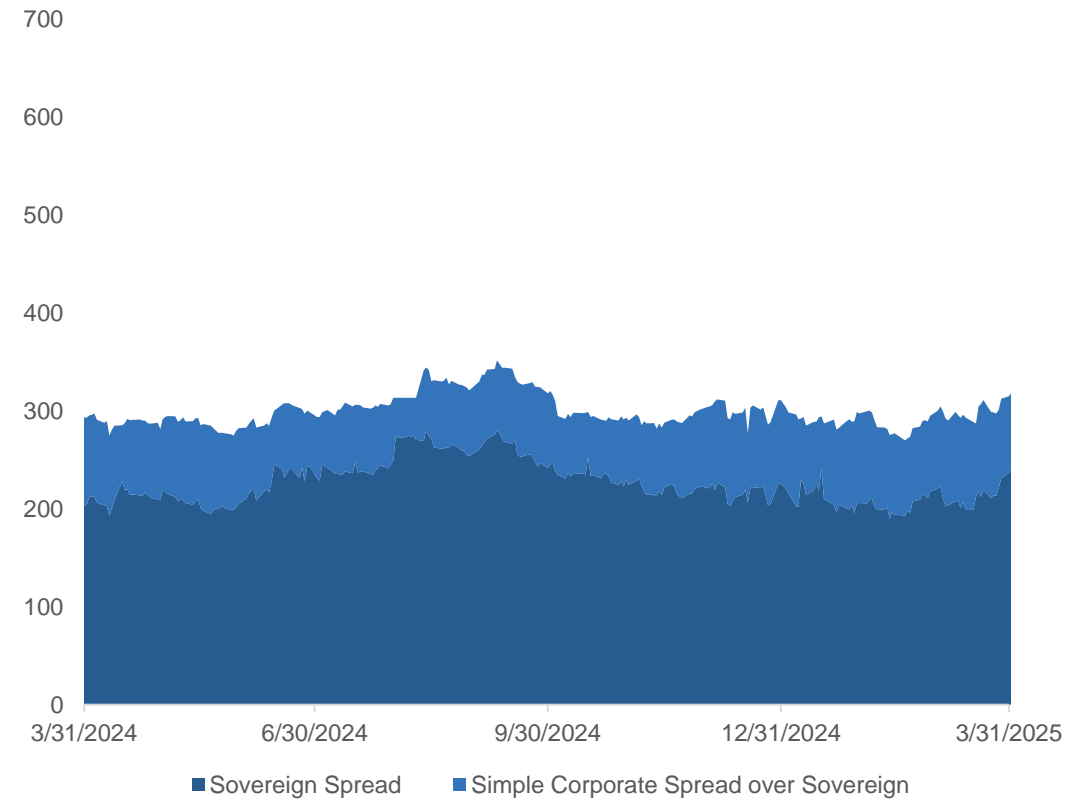
Spread Over Sovereign (CEMBI)

(5-Year Period)



Spread Over Sovereign (EV Universe)

(1-Year Period)



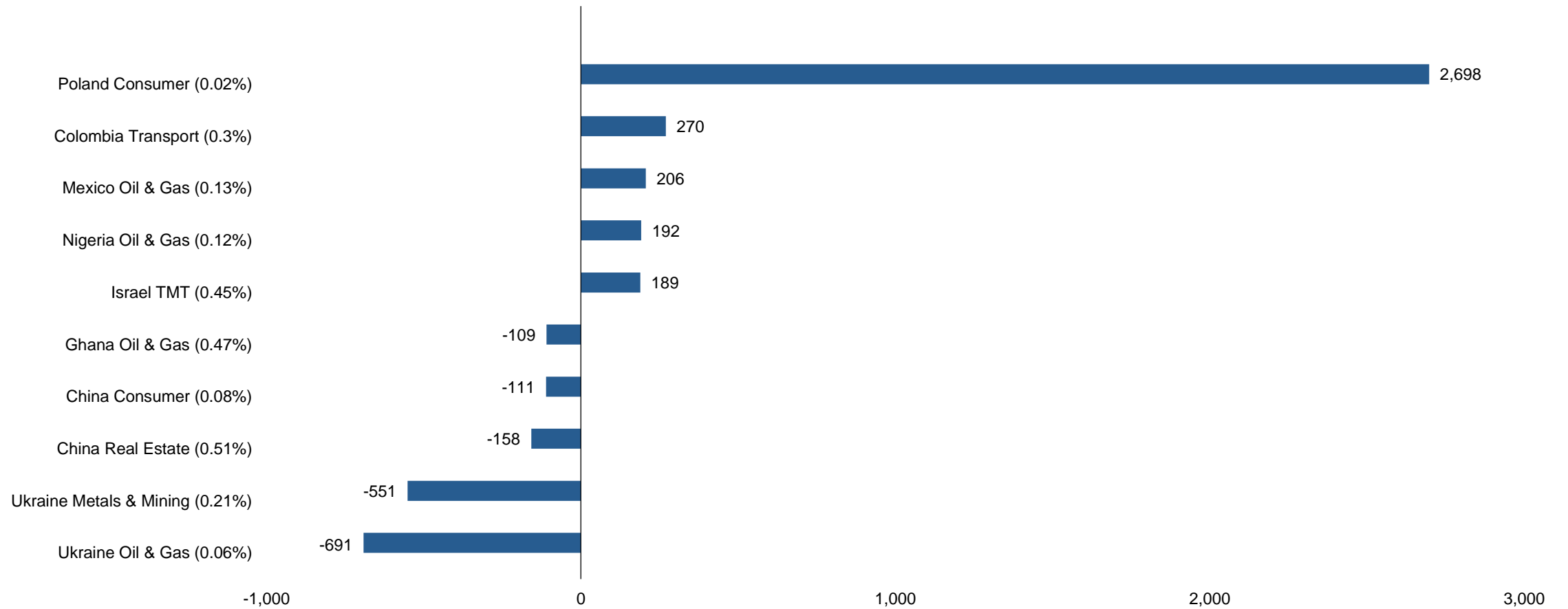
Source: Morgan Stanley Investment Management proprietary data and calculations. As of 3/31/2025. CEMBI bonds used in calculation. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

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)

Q1 Top Country-Sector Spread Changes



Source: JP Morgan. As of 3/31/2025. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

IMPORTANT ADDITIONAL INFORMATION

Risk Considerations

RISK CONSIDERATIONS

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

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Risk Considerations

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

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

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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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