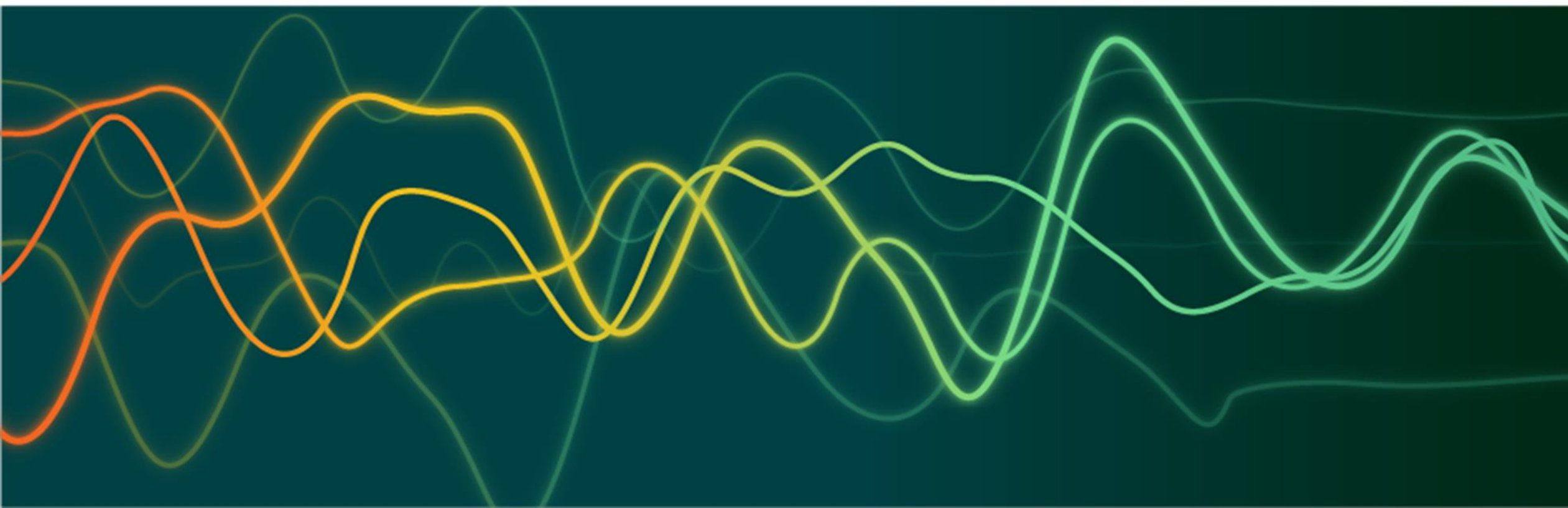


Emerging Markets Debt Monitor

Emerging Markets Team

Q2 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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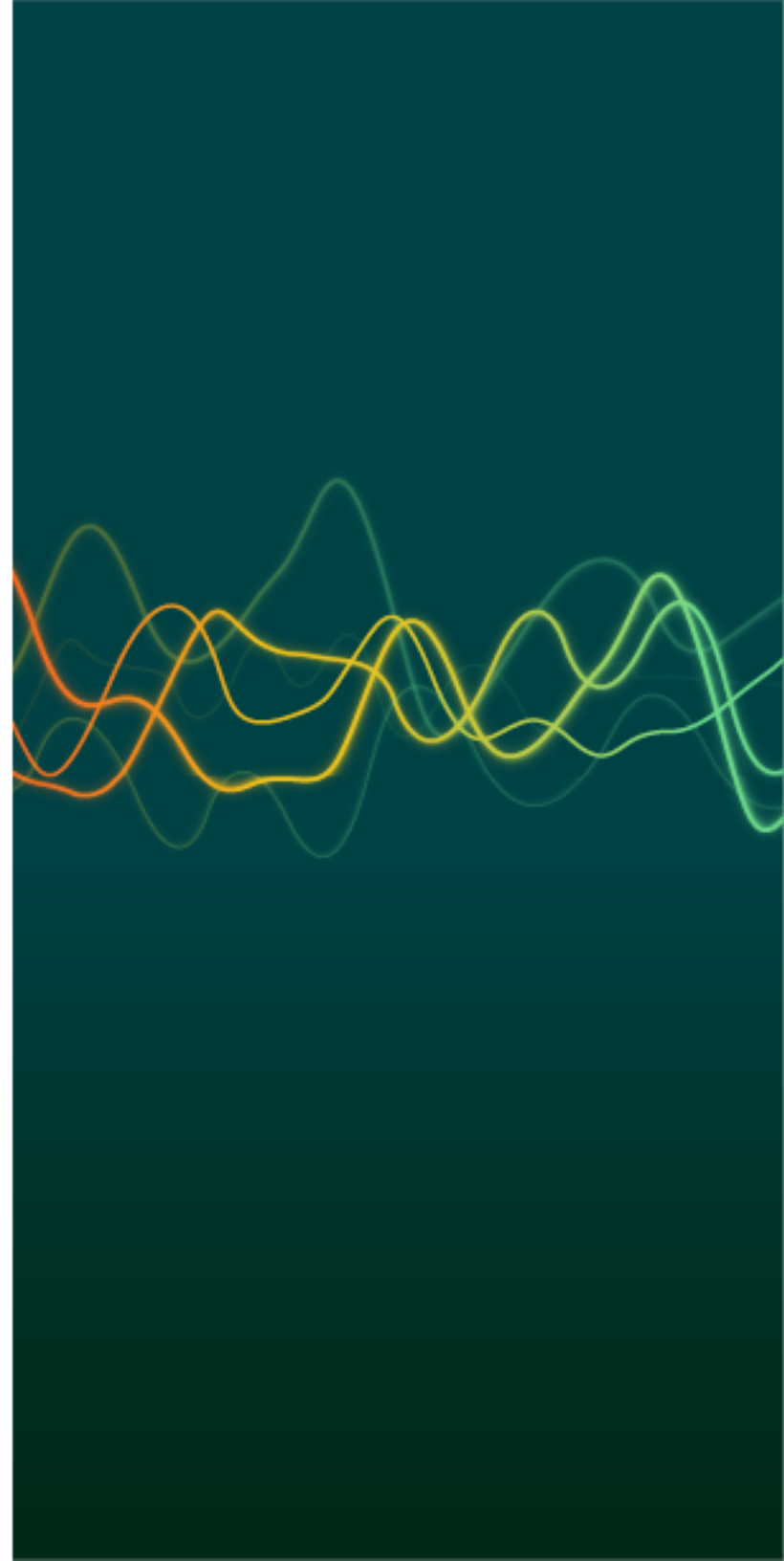
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EM SOVEREIGN CREDIT 27	EM CORPORATE CREDIT 32			



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.

Q2 2025 Recap



Q2 2025 RECAP

Q2 2025 Recap

- Performance was strong for EMD markets as EM currencies broadly strengthened against the backdrop of a weakening USD, and EM rates outperformed global rates. Amidst a volatile period, spreads tightened for sovereign credit and modestly tightened for corporate credit.
- President Trump's focus on foreign policy and tariffs continued into the second quarter with his April 2nd "Liberation Day" tariff announcements. This included a 10% tariff on all U.S. imports and then additional measures on select regions and countries including the EU and China. Most tariffs were then swiftly paused for 90 days but uncertainty remained. Reactions were mixed as a number of countries attempted to negotiate while China came back with reciprocal tariffs. Tariff levels peaked with 145% on Chinese goods and 125% on U.S. goods. The two countries came to an agreement to significantly reduce tariffs and called a truce in the trade war, but both countries then accused the other of breaking the tariff truce agreement. During this time, China identified rare earth metals as a powerful negotiating tool.
- Israel launched an attack on Iran on June 13th targeting nuclear facilities and military sites. Iran retaliated with attacks on Israel, and the conflict escalated further with U.S. airstrikes on Iran nuclear facilities. A ceasefire between Israel-Iran was agreed to 12 days after the conflict started and has generally held. The Israel-Gaza war continued with rising violence, controversial and restricted aid distribution, and stalled discussions to reach a ceasefire.
- The path towards a peace agreement between Ukraine-Russia has been a bumpy one. Many European countries have continued to pledge their military and financial support to Ukraine while the U.S. has signaled reduced support. However, the U.S. and Ukraine did sign a critical minerals deal on April 30th with the goals of attracting investment and boosting the future economy of Ukraine.
- Several countries had presidential elections including Romania, Suriname, Poland and South Korea. In Poland, the conservative party that is less EU-friendly won. In Romania, the hard-right candidate won the first round in a landslide causing substantial market volatility. However, with a surprise upset in the second round, the centrist candidate won.
- Performance for the underlying EMD risk factors was positive. The local segment of the asset class continued its YTD theme with strong performance as currencies strengthened at an even faster pace than Q1, and the macro environment was supportive for local rates due to the disinflationary shock of U.S. tariff announcements. Positive returns on the USD-denominated EMD sovereign index and the corporate index were driven by sovereign spread tightening and U.S. rates falling.
- Following outflows in April, the asset class flows turned positive in May and June for both local and hard currency funds as volatility from the April 2nd tariff announcements subsided and investors looked outside the U.S. for opportunity. In aggregate, the asset class had -\$3.7B in outflows with -\$5.1B for hard currency funds and inflows of \$1.4B for local funds.

Q2 2025 RECAP

Q2 2025 Recap, continued

ASIA

- The historical tensions between India and Pakistan reignited with an alleged Pakistani terrorist attack in Kashmir which then escalated with an Indian retaliatory attack bombing multiple sites in Pakistan. Fears were elevated that a broader situation between two nuclear nations could emerge but the conflict ultimately deescalated.
- The Taiwan dollar, a generally stable currency, rallied notably in May as exporters rushed to convert excess USD to Taiwan dollars and life insurers increased their USD hedging. This was a dramatic shift in policy since historically excess USD were invested in U.S. markets. Due to tariff policies and a weak USD momentum, the Central Bank intentionally let the Taiwan dollar appreciate but has since kept it stable.
- In South Korea, the first Presidential election occurred since former President Yoon Suk Yeol enacted martial law in December, was impeached, and removed from office as a result. Newly elected President Lee is part of the left-wing party, but he is not an established member of the party. One of his primary initiatives is to revive the Korean stock market which generally trades at a discount.

CEEMEA

- The Egyptian government is working for renewed support from GCC countries. Qatar is in advanced stage discussions for a tourism project on the Mediterranean coast and Kuwait announced the intention for additional investments in Egypt. The government also hiked fuel prices for the first time in 2025 as the country seeks to meet the requirements of the IMF and reduce fuel subsidies.
- South Africa parliamentary debates over the 2025 budget were intense but the proposed VAT hike was eventually rejected, and the budget was passed in June while avoiding a possible coalition collapse. The SARB cut rates for the first time in over a year, and discussions to lower the inflation target gained traction with support from the SARB.
- The National Bank of Kazakhstan made strong reforms by starting to publish minutes of its meetings, discussing the potential to increase reserve requirements for banks, and upsizing the gold sterilization program in dollar terms in line with gold price changes. Parliament also passed the final version of a tax reform that will increase revenues by at least 2-3% of GDP and reduce the non-oil deficit. The President and broader government more seriously expressed the need to reduce reliance on the oil fund.

LATAM

- The IMF approved a new program for Argentina in April, and it represents the most front-loaded program in history. The Argentine government liberalized capital controls marginally and is letting the currency float in a band. Additional FX reserves will be needed to fully lift capital controls.
- Ecuadorian incumbent President Noboa won the Presidential election in a run-off despite doing poorly in the first round. Markets sold off with his poor performance in the first round but rallied with the second-round results. He has the support of Congress and previously reached a deal with the IMF – including an extra \$1billion in funding.
- The Bank of Mexico continued to cut rates as the economy has started to slow down. President Sheinbaum previously worked well with President Trump during initial tariff discussions earlier this year but in Q2 the pace of US/Mexico negotiations slowed. Judicial elections were held, and the turnout was minimal with only government supporters, so government backed judges won their seats.

Please reference page 2 “Important Information and Disclosure”

Q2 2025 RECAP

EM Corporate Credit – Q2 Update and Outlook

HIGHLIGHTS DURING THE QUARTER AND YEAR:

The EM Corporate debt market returned 1.57% over the 2nd quarter, driven by a ~15bps reduction in US rates and a 5bps tightening in credit spreads as represented by the CEMBI Diversified index. Tightening occurred in the investment grade and the higher quality BB part of the market, while the lower-rated segment experienced some spread widening. Notably, U.S. HY spreads meaningfully tightened during the quarter, ending Q2 at average spread levels of 337bps, or 47bps tighter versus the end of Q1. Although the start and end-points of Q2 suggest a muted quarter, the three months were very volatile due to the Liberation Day tariff announcements and the uncertainty this potential trade war had on the market. While final results on tariffs remain uncertain, the worst-case scenarios are likely behind us as the US government negotiates bilateral deals with foreign countries.

Some notable events during the quarter include:

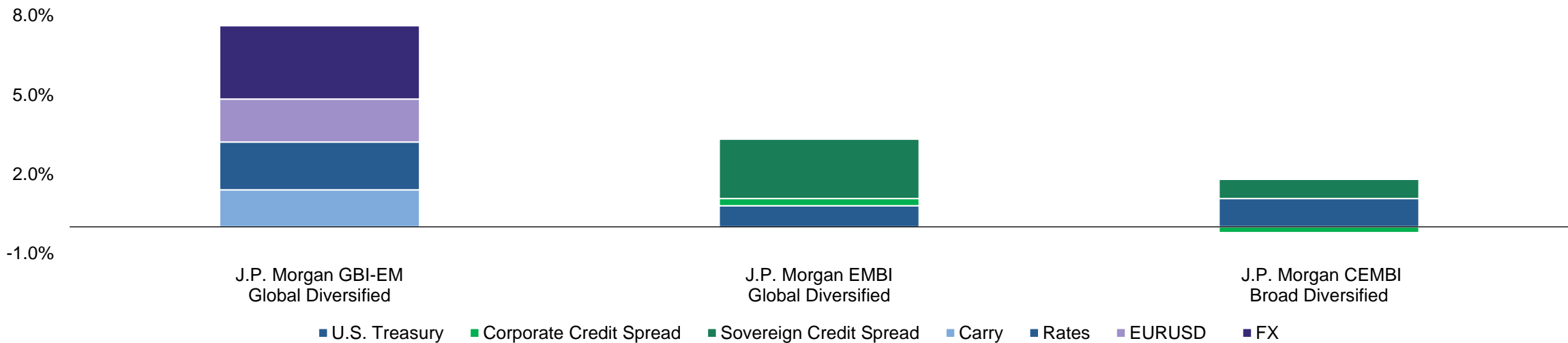
- Market is functioning well for issuers: There continues to be very strong demand for high quality credit (investment grade, high quality-BB credits, etc.). Despite the relatively low credit spreads, all-in yields remain high and this continues to attract capital flows. Although higher quality issuers can easily tap primary markets today at attractive spread levels to raise capital, more complicated or first-time issuers may require more time to build books;
- Oil price volatility: In addition to the uncertainty caused by Liberation Day, oil prices have also been volatile due to disagreements within OPEC+ followed by the escalation in the Middle East. OPEC+ disagreements have caused an increase in the supply of oil into the market, causing prices to fall, while the prospects of a deeper conflict in the Middle East added geopolitical risk premium to the price of oil for a short while (this has largely gone away as of the end of Q2). Some of the higher cost oil producers (e.g. Colombia, Sub-Saharan Africa, etc.) have been negatively impacted by these lower oil prices;
- Emergence of Argentina shale oil players: In addition to the macro reforms currently taking place in Argentina under Milei, the Vaca Muerta oil ecosystem is also experiencing rapid change and growth. The capital expenditure requirements to develop these reserves are high and many of the players have tapped the international debt markets to raise the funding needed for these projects
- African multinationals: The market has been increasingly focused on the strength of select African supra-national institutions' preferred credit status (e.g. African Export-Import Bank). These institutions primarily fund their operations through the capital markets. Credit spreads for the sector more broadly widened during the quarter;

Overall, absent some weakness in cyclical sectors such as chemicals and select oil producers, the fundamental health of issuers in the asset class remains very strong. Although absolute credit spread levels are not high versus historical averages, flows into fixed income are likely going to continue to drive valuations to tighter tights, especially given the supply of securities remains relatively limited.

Q2 2025 RECAP

Index Performance Recap

Q2 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	2.78%	1.63%	1.81%	1.40%	—	—	—	7.62%
J.P. Morgan EMBI Global Diversified	—	—	—	—	2.25%	0.27%	0.80%	3.32%
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	0.73%	-0.22%	1.07%	1.57%

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.

Q2 2025 RECAP

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2025 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	4.32%	2.55%	2.56%	2.84%	—	—	—	12.26%
J.P. Morgan EMBI Global Diversified	—	—	—	—	1.58%	0.01%	4.05%	5.64%
J.P. Morgan CEMBI Broad Diversified	—	—	—	—	1.04%	-0.64%	3.64%	4.04%

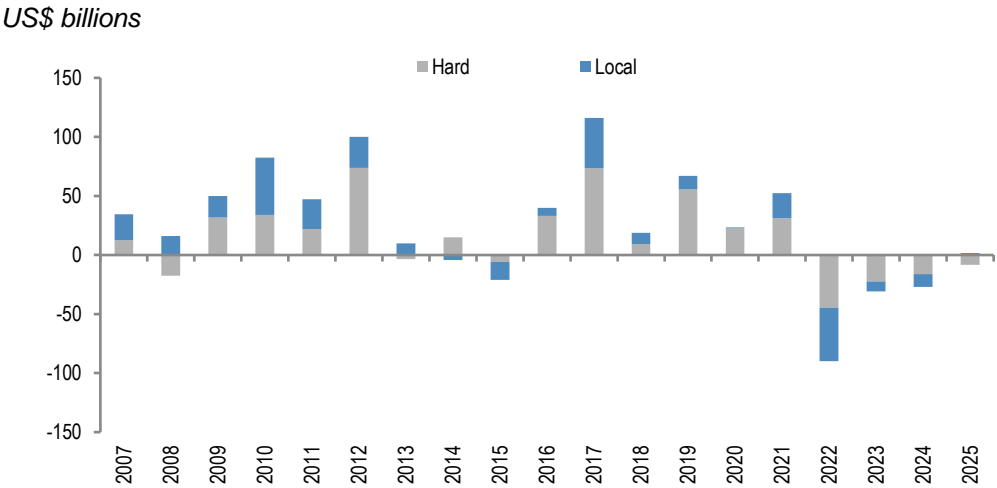
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Q2 2025 RECAP

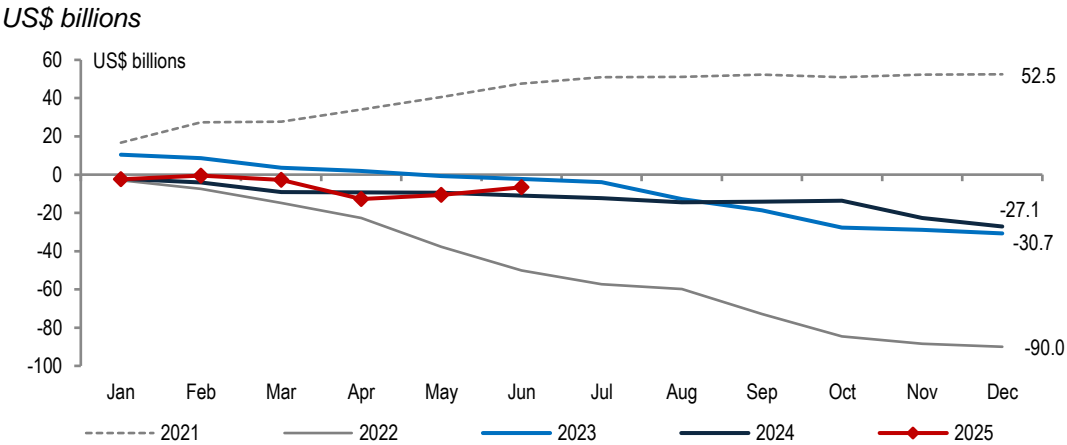
Technical: 2025 Flows

- Volatility and uncertainty following the April 2nd tariff announcements kept investors risk off in April. Credit spreads notably sold off which led investors to flee hard currency funds – April was the worst month of hard currency outflows since September 2022.
- The narrative swiftly changed in May and June when flows were positive for both hard and local currency funds. Investors may be seeking to reallocate their overweights to U.S. assets in light of a weaker USD and trade policy.

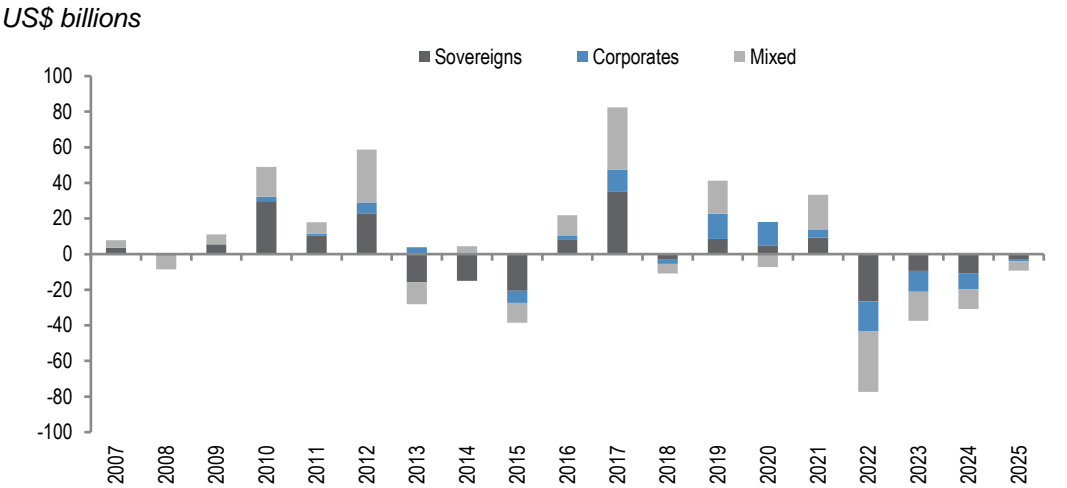
Annual Flows by Currency



Annual Cumulative Bond Flows



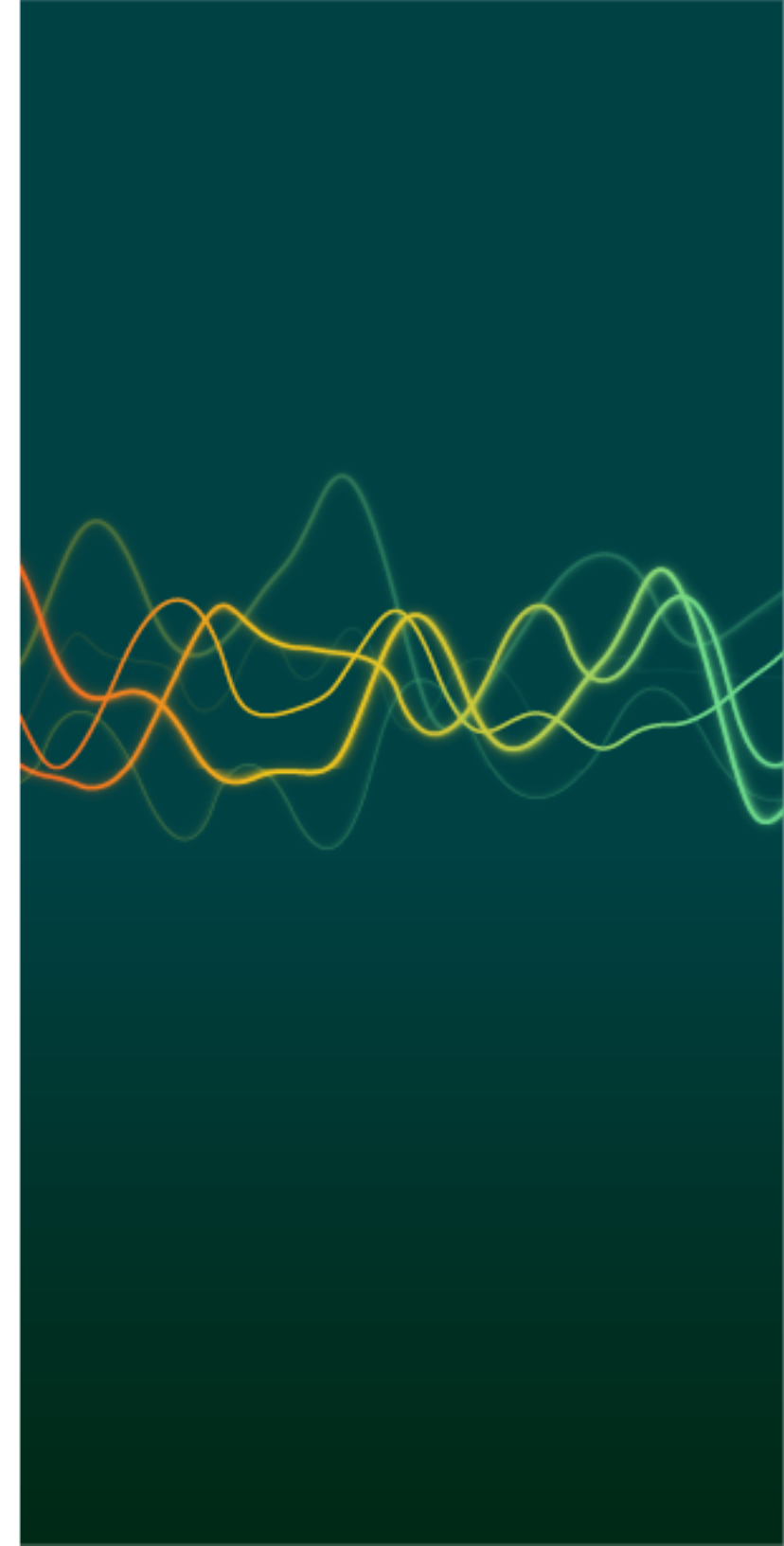
Annual Flows by Sovereign/Corporate/Mixed (Retail)



Source for all charts above: JPMorgan. All data as 6/27/2025. For illustrative purposes only. Past performance is no guarantee of future results.

Rotating Topic

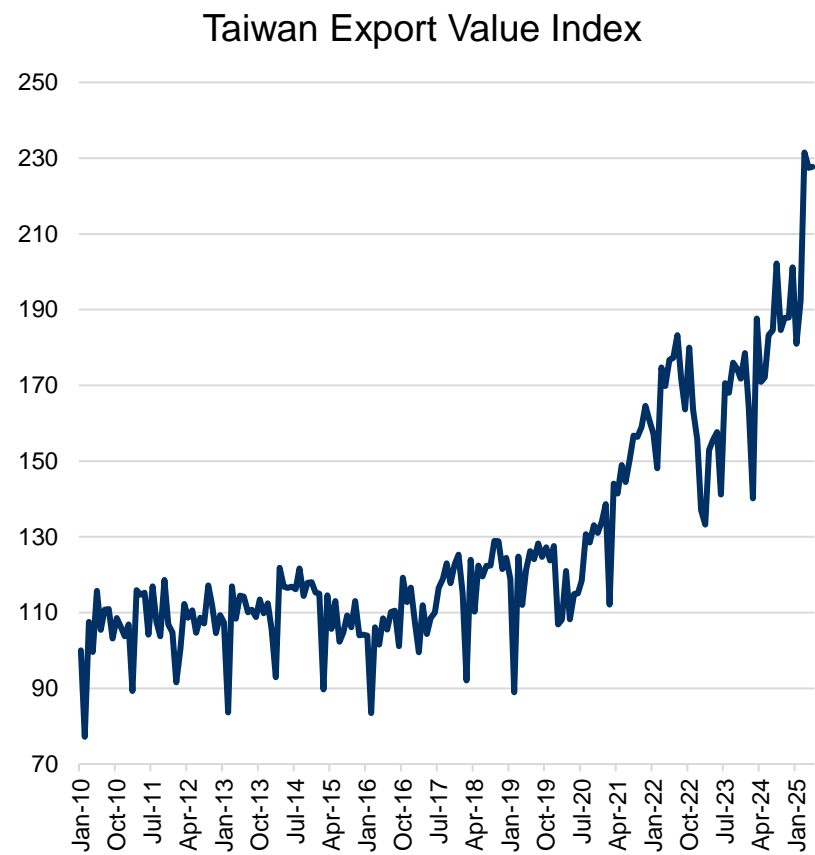
U.S. tariff policy and its impact on Asia



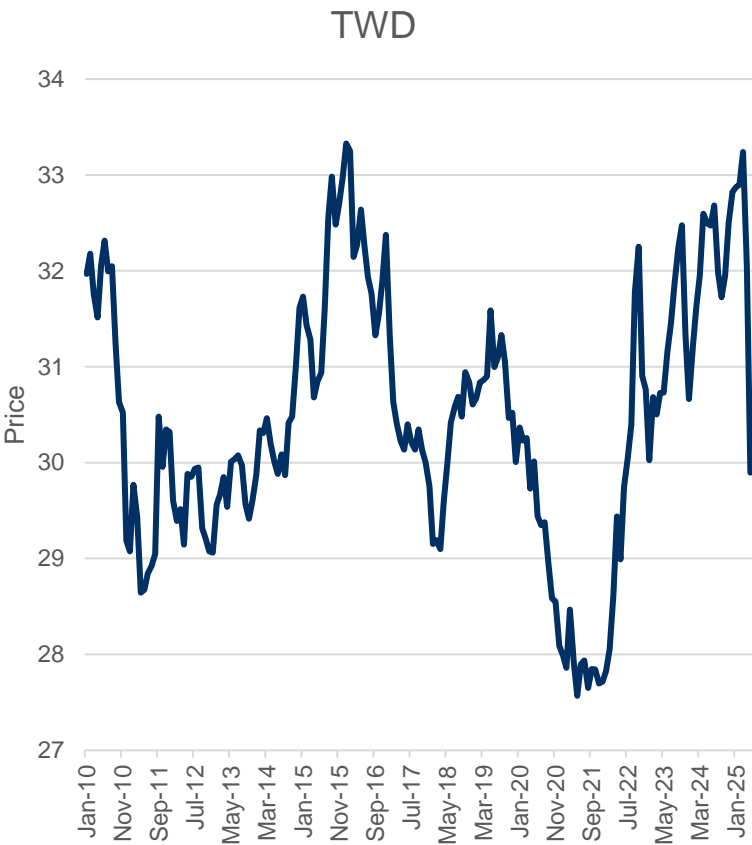
ROTATING TOPIC

Trump accelerated Taiwan’s currency revaluation
Taiwan wants to move away from competing with cheap exports

Expertise in chips raises the export value



TWD appreciated 11% YTD

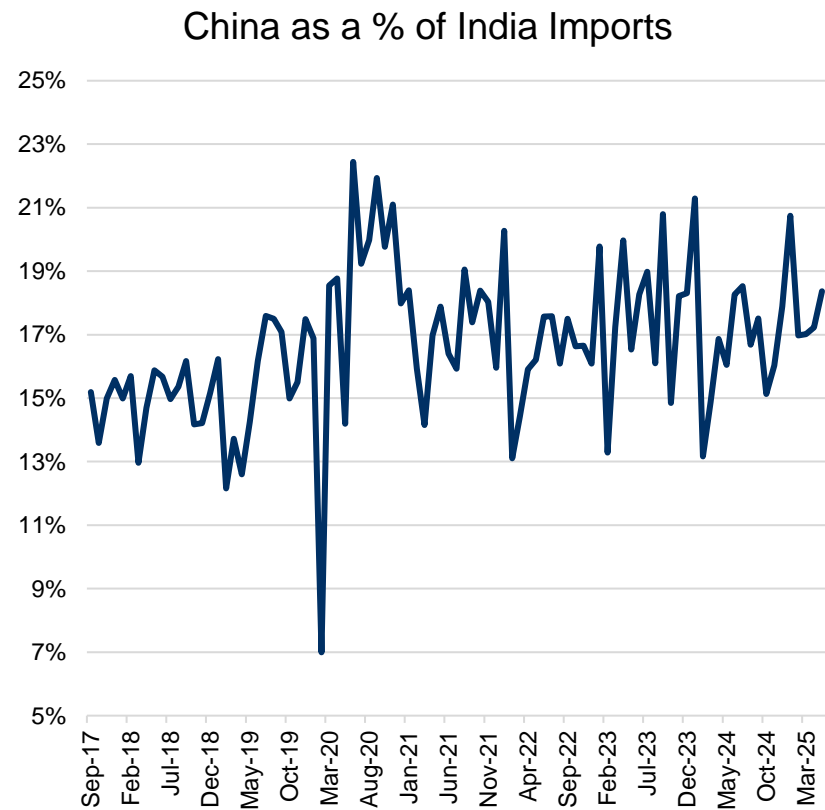


Source: Macrobond. As of 6/30/2025. The views and opinions expressed are those of the Emerging Markets Debt Team at the time of the writing of this presentation and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass. **Past performance is no guarantee of future results.**

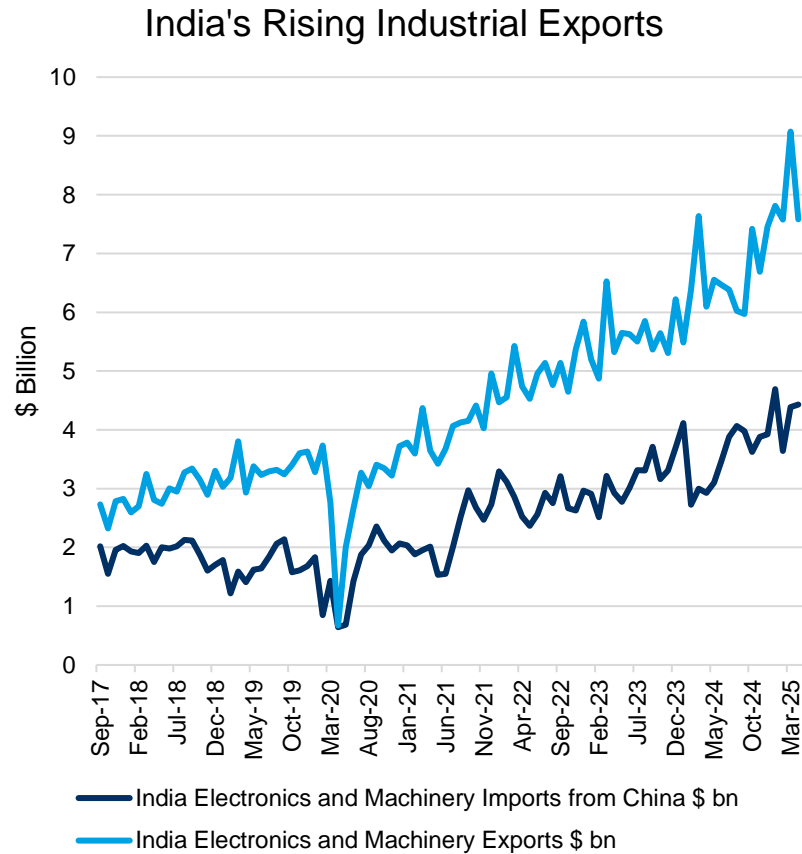
ROTATING TOPIC

Trump accelerated India’s decoupling from China
India wants to reduce its reliance on China

2020 Border clash was a turning point



More manufacturing value-add in India

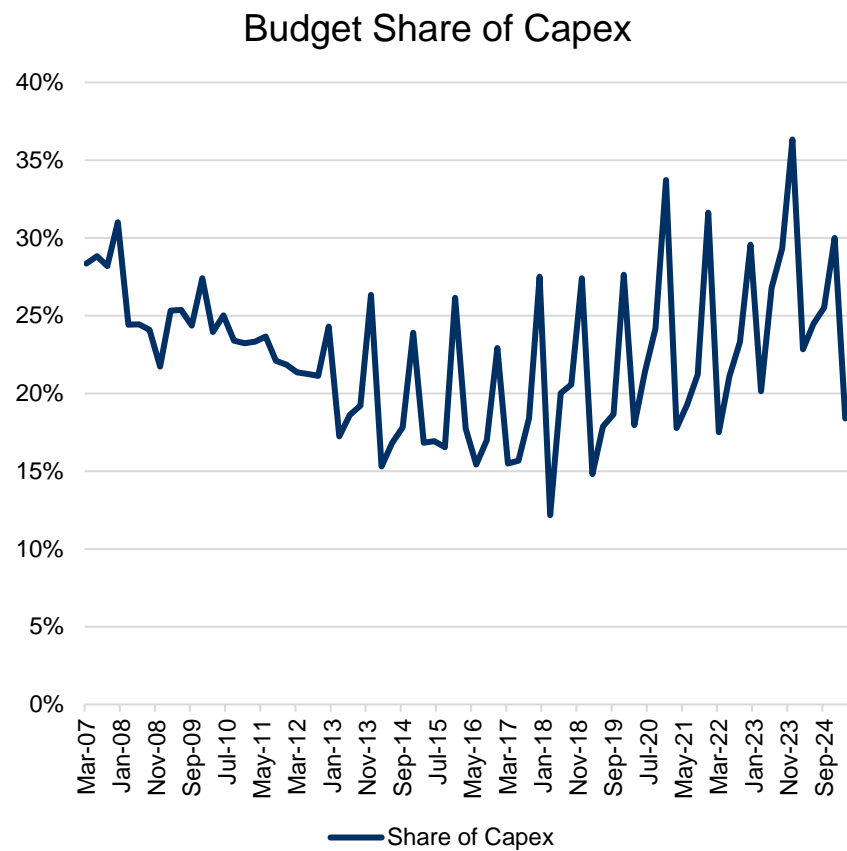


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*Diversification does not eliminate the risk of loss. This represents how the portfolio management team generally implements its investment process under normal market conditions.

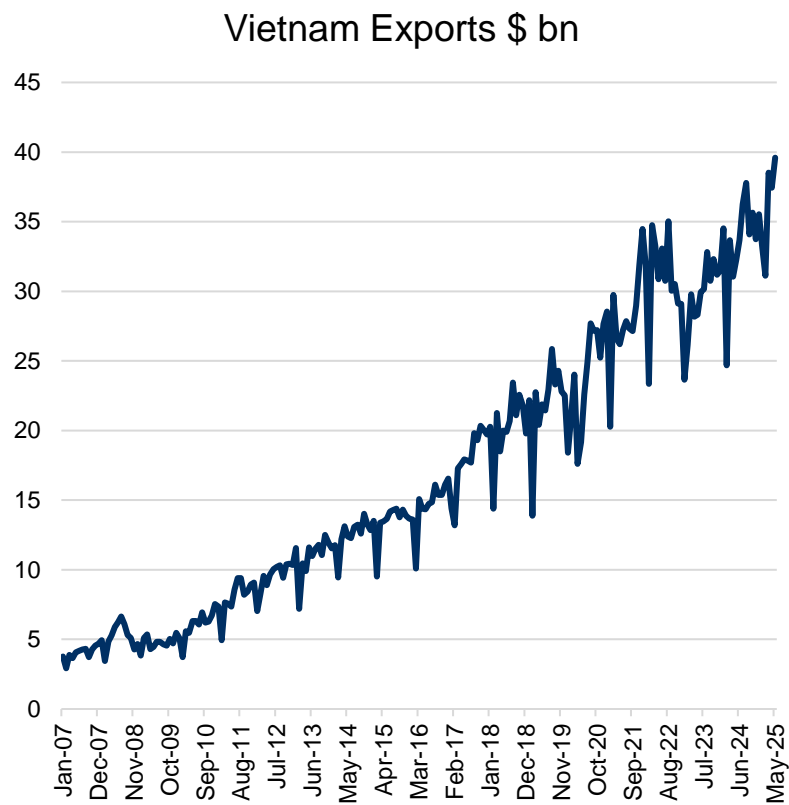
ROTATING TOPIC

Trump accelerated Vietnam’s reforms
To Lam has a vision of more high-value investments, less cheap exports

Downsizing the government for more capex



Desire to rely less on exports for growth



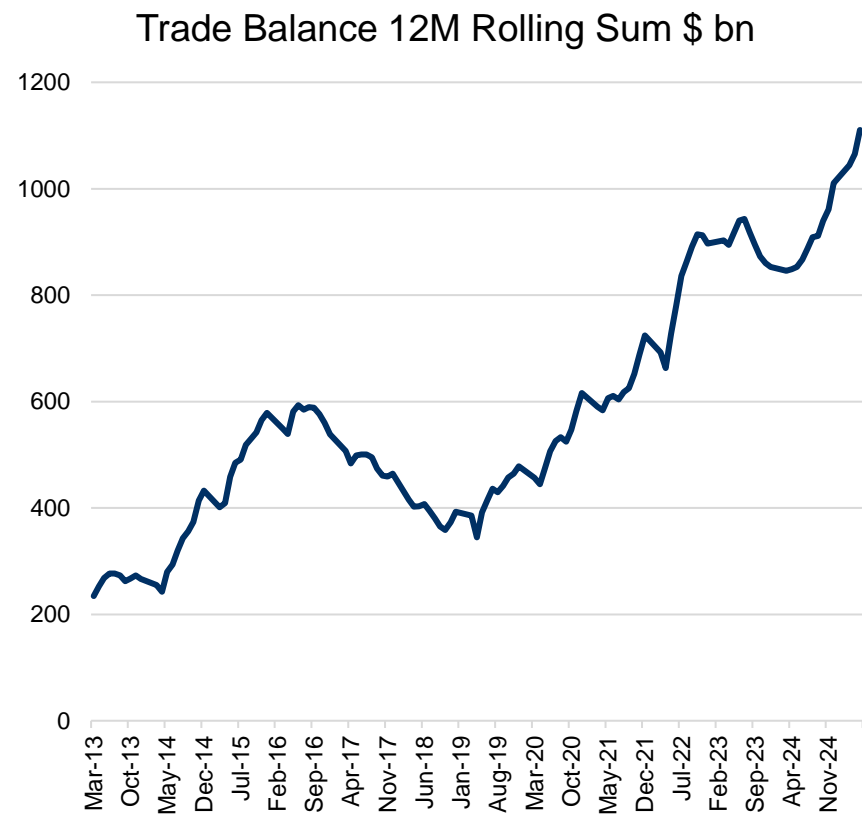
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ROTATING TOPIC

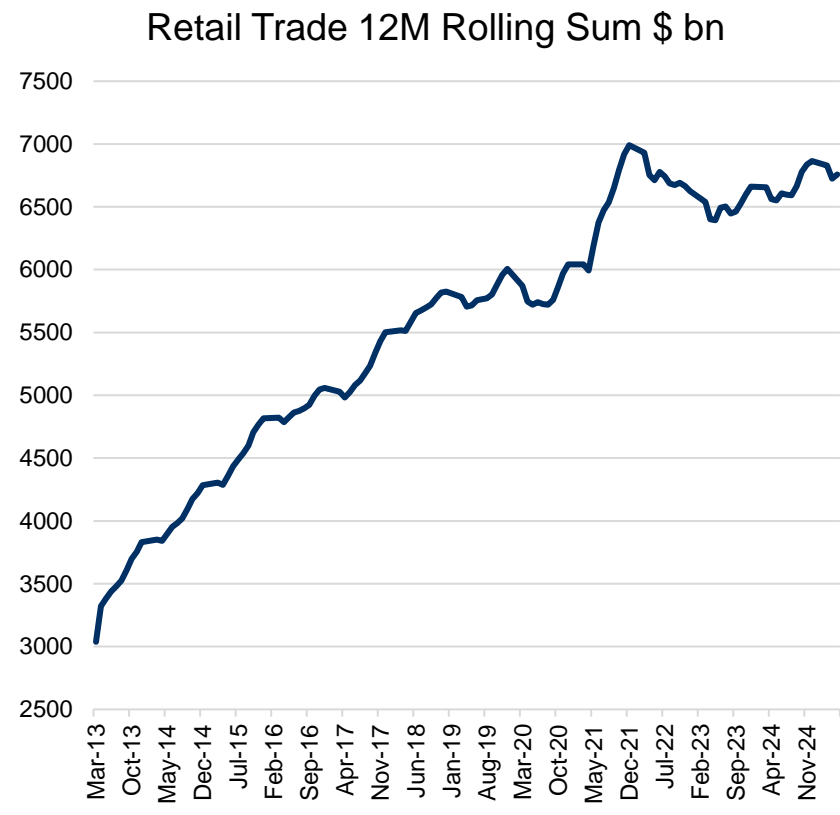
China has not changed its behavior

China is still relying on exports and investments for growth, not consumption

Concerns for China dumping is now mainstream

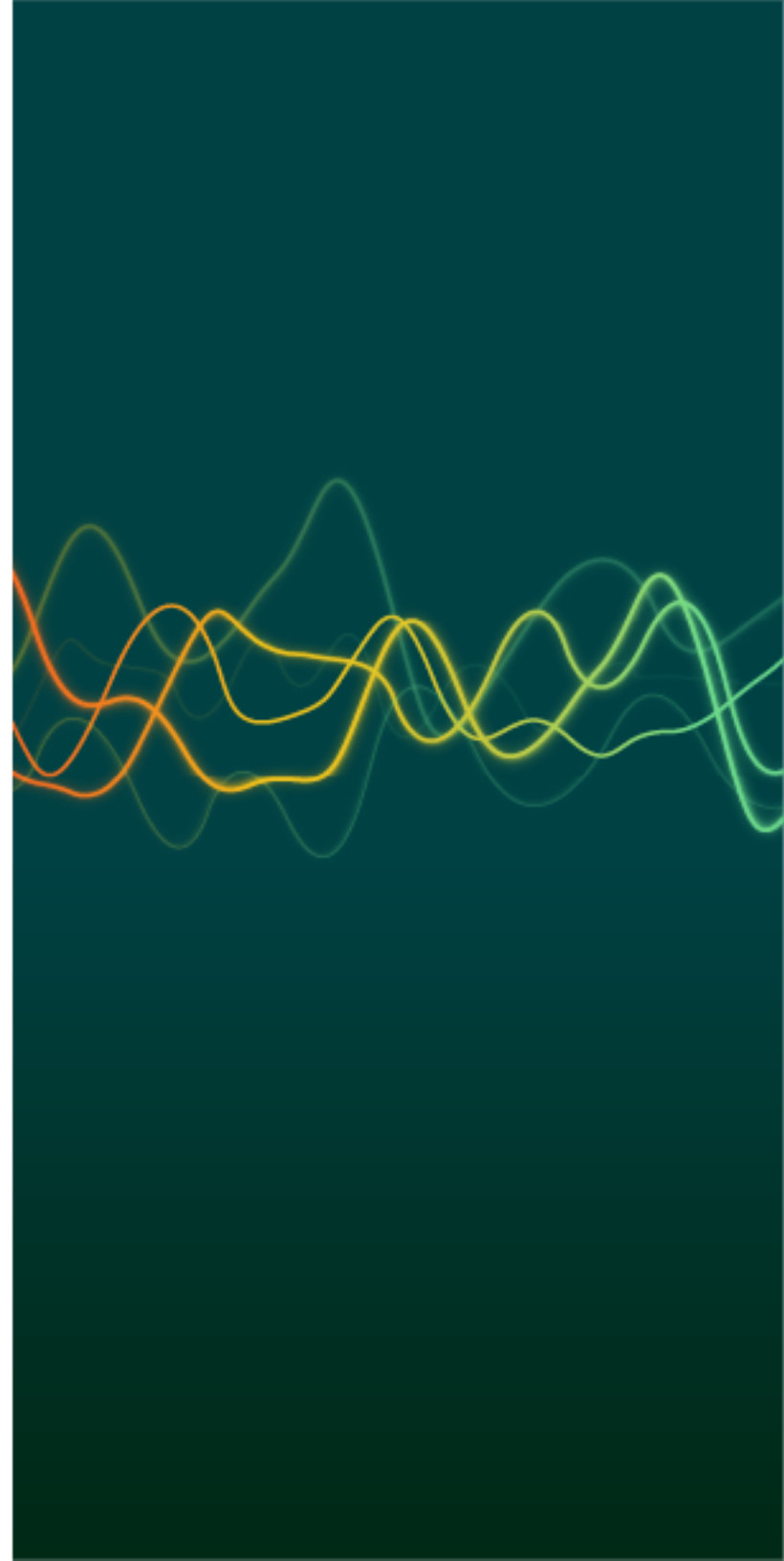


Domestic consumption has been weak



Source: Macrobond. As of 6/30/2025. 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.**

Q3 2025 Outlook



Q3 2025 OUTLOOK

Q3 2025 Outlook

MACRO DRIVERS

- The U.S. Fed held rates at its June meeting despite pressure from the U.S. administration. Ahead of the spring IMF meetings, global growth expectations were revised down significantly based on the April 2nd tariff announcements. Uncertainty lingers amidst the 90-day pause as active bilateral negotiations continue.
- The level of impact of tariffs on U.S. inflation remains uncertain, while it does appear to be clearly disinflationary outside of the U.S. Outside of the U.S., negative demand shocks and excess supplies that will need to be rerouted will continue to put downward pressure on prices.
- The wars between Russia-Ukraine and Israel-Hamas continue despite additional attempts for peace while the Israel-Iran conflict added additional volatility to the region. Despite the U.S. joining the attack against Iran, a ceasefire there held through the end of the quarter while much of the rest of the world continues pushing for ceasefires in the other conflicts.
- Technicals are likely to be supportive for the asset class as investors showed increased interest in both local and hard currency funds during the last 8 weeks of the quarter. A number of factors are enticing investors to look outside the U.S. including Moody's downgrade of U.S.'s long term credit rating, the USD's weakening streak, and an increasingly attractive opportunity set in the emerging markets following a tough start to the decade.

COUNTRY DRIVERS

- U.S. tariff policies continue to be negotiated on a country-by-country basis, and these bilateral discussions are likely to continue into Q3.
- Initial responses to U.S. tariffs have shifted policies, most notably in Asia. Taiwan's currency revaluation was accelerated and India made efforts to reduce its reliance on China. Ongoing discussions with Vietnam will be important to watch as a notable trading partner with the U.S. and for how it may impact Chinese goods produced in Vietnam.
- 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.
- Brazil, Colombia, and Benin are a few countries with presidential elections in 2026. Over the next few months, focus will shift to preparing for those elections. Chile has an upcoming election in November.
- Despite emerging markets debt performing well YTD and the attractive opportunity set the asset classes offers, we continue to place an emphasis on differentiation amongst countries and credits.

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.

Q3 2025 OUTLOOK

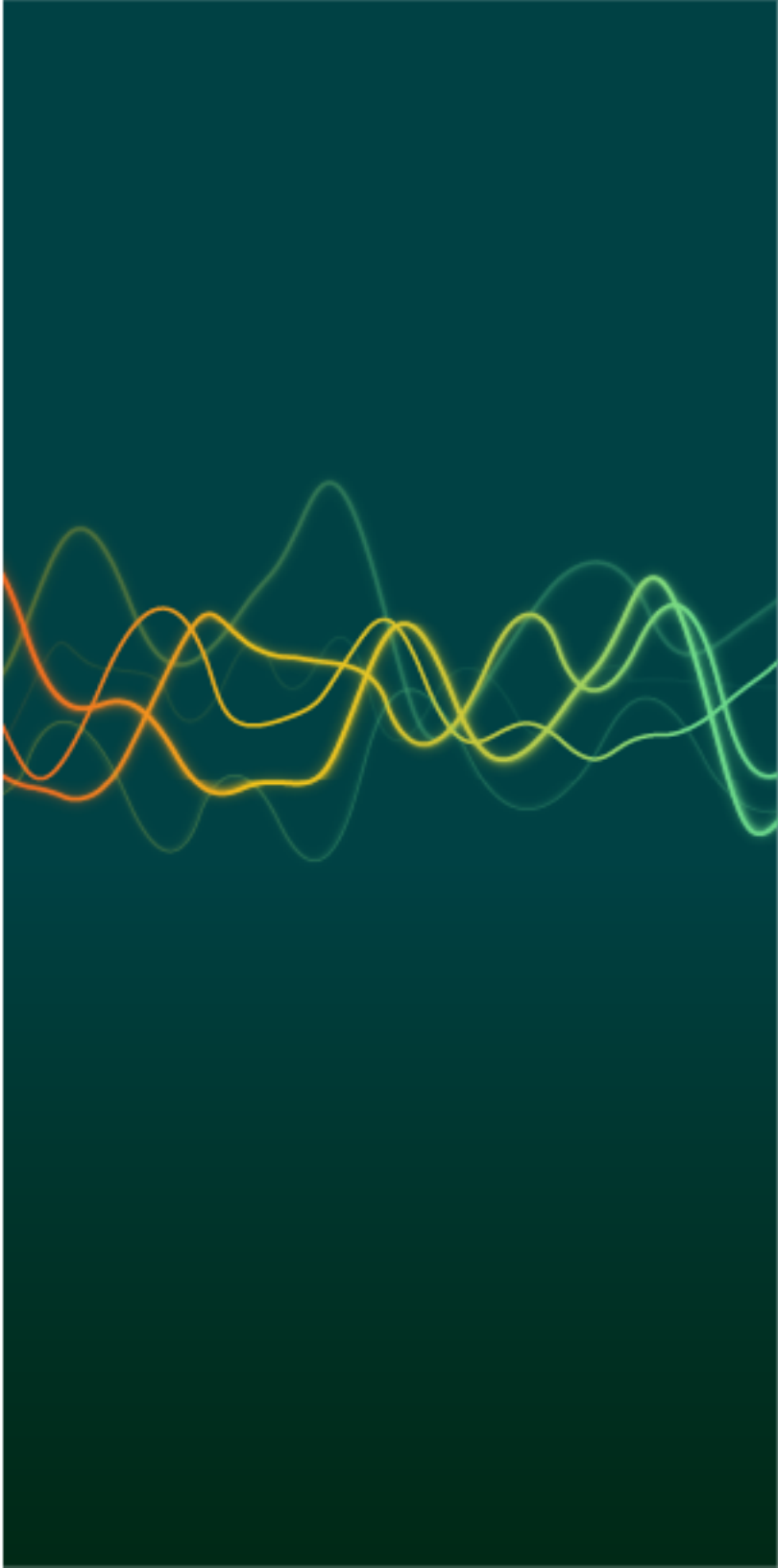
EMD Risk Factor Dashboard

Outlook and Summary

	Underweight	Moderate Underweight	Neutral	Moderate Overweight	Overweight	Summary
Currency				◆		We keep currencies at moderate overweight. The prospect of a weakening U.S. dollar and improving country fundamentals driving individual country currency appreciation is encouraging at the macro and country level.
Local Interest Rates				◆		We keep local rates at moderate overweight. Real-yield differentials remain wide between DM and EM. A broad U.S. tariff policy will be supportive for global rates as EM central banks will be positioned to keep cutting rates.
Sovereign Credit			◆			We keep sovereign credit at neutral. Select off-benchmark countries continue to provide valuable opportunities. Global uncertainty and elevated risk levels could create volatility in the credit space.
Corporate Credit			◆			We move corporate credit to neutral. Fundamentals remain strong with pockets of weakness in sectors exposed to cyclical downturns. Overall credit spread levels at or close to fair value.
EM Equity				◆		We move EM equity to moderate overweight. Valuations remain low on absolute and relative basis. A weaker USD is also a tailwind for the asset class.

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



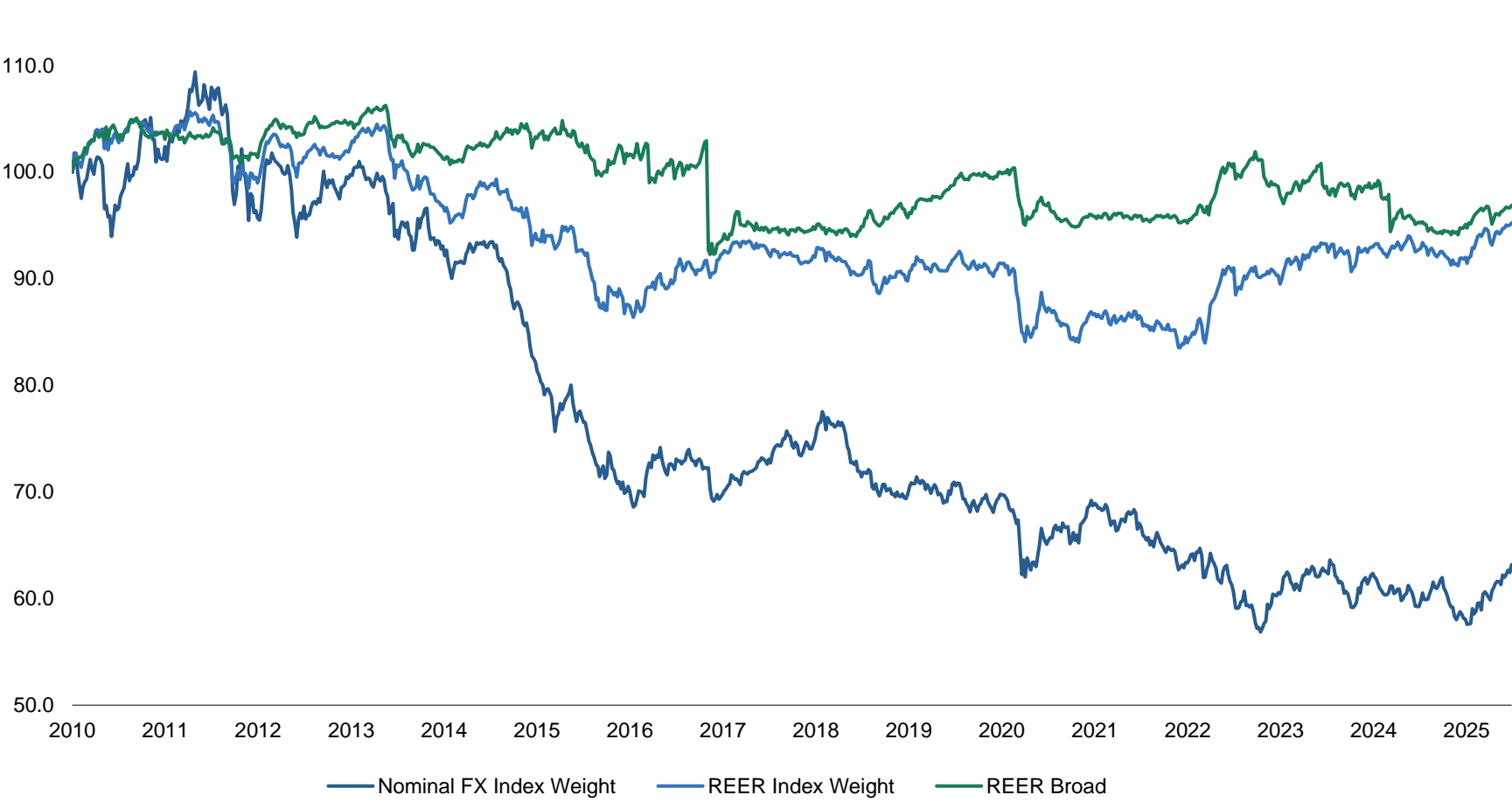
EM FX

EM currencies continued to strengthened vs. the U.S. dollar. A sweeping tariff policy would normally cause the domestic currency to appreciate, but the USD is experiencing the opposite. Investors are looking global for investment opportunities and utilizing short dollar trades which is adding to downward pressure on the dollar.

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.

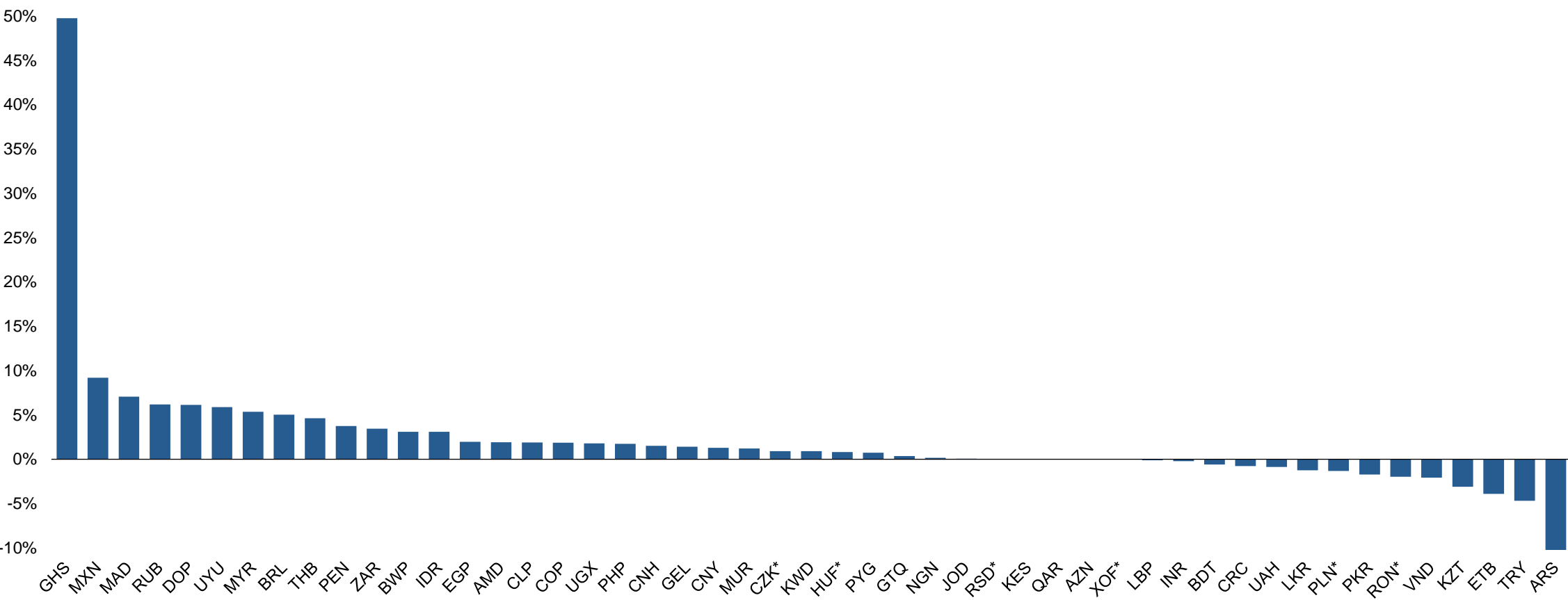


Source: J.P. Morgan, Barclays. Nominal FX Index Weight is the J.P. Morgan GBI-EM Global Diversified index currencies and weights. REER Index Weight is the Barclays real effective exchange rate data of the currencies in the J.P. Morgan GBI-EM GD. REER Broad uses Barclays real effective exchange rate data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

Most EM currencies strengthened but a handful of currencies were impacted by bottom-up fundamentals. Argentina removed its crawling peg exchange rate and let the currency float in a band - despite the drop this is viewed as a positive reform. The Turkish lira steadily weakened during the quarter pressured by high inflation and political instability as politically motivated arrests of mayors and other politicians continued.

FX QoQ Change vs USD

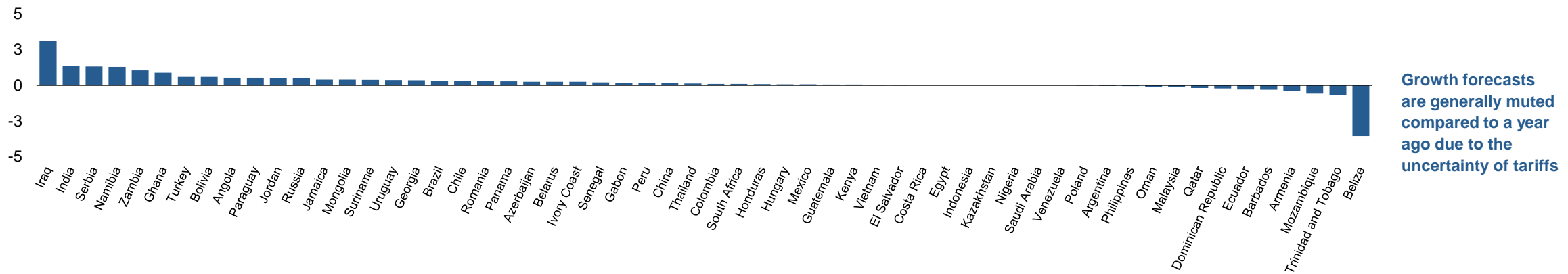


Source: Bloomberg, Morgan Stanley Investment Management. *Versus euro. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information. Ethiopian Birr (ETB) was devalued during the period QoQ change -51%.

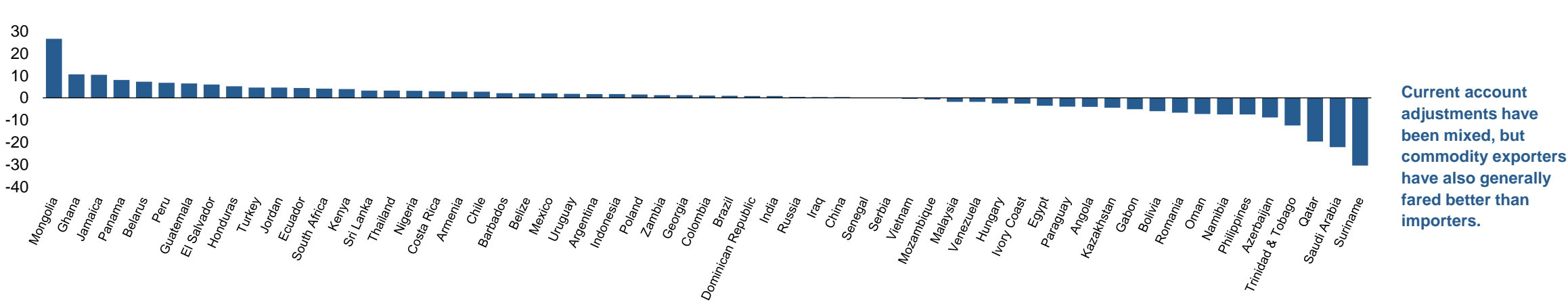
EM FX

EM FX Likes Good Growth and Strong External Balance

% Change in IMF Growth Forecasts (From April 2024 WEO to April 2025 WEO)

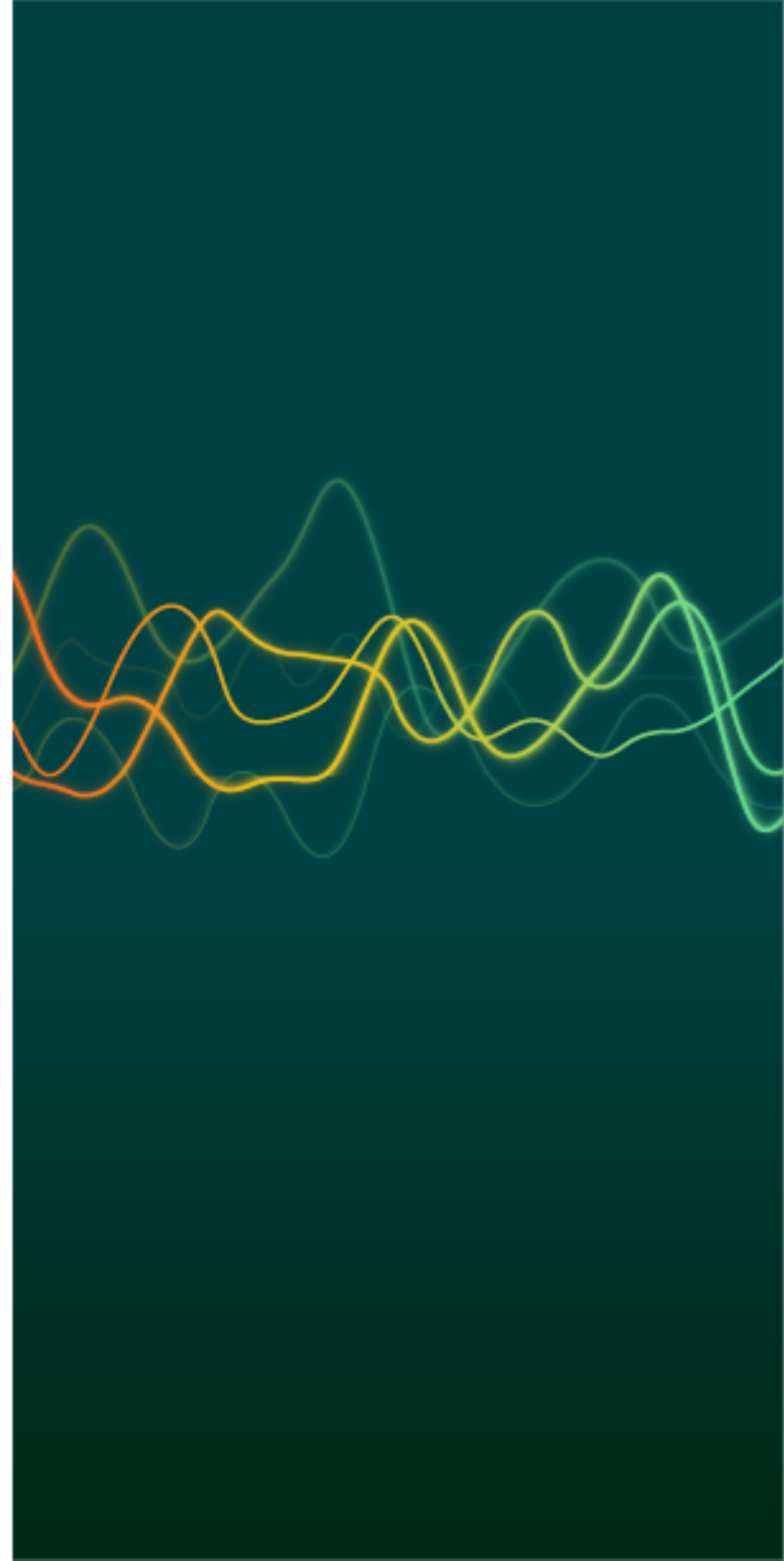


Current Account % Change as % of GDP (2013 to 2025 Estimates)



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

EM Interest Rates

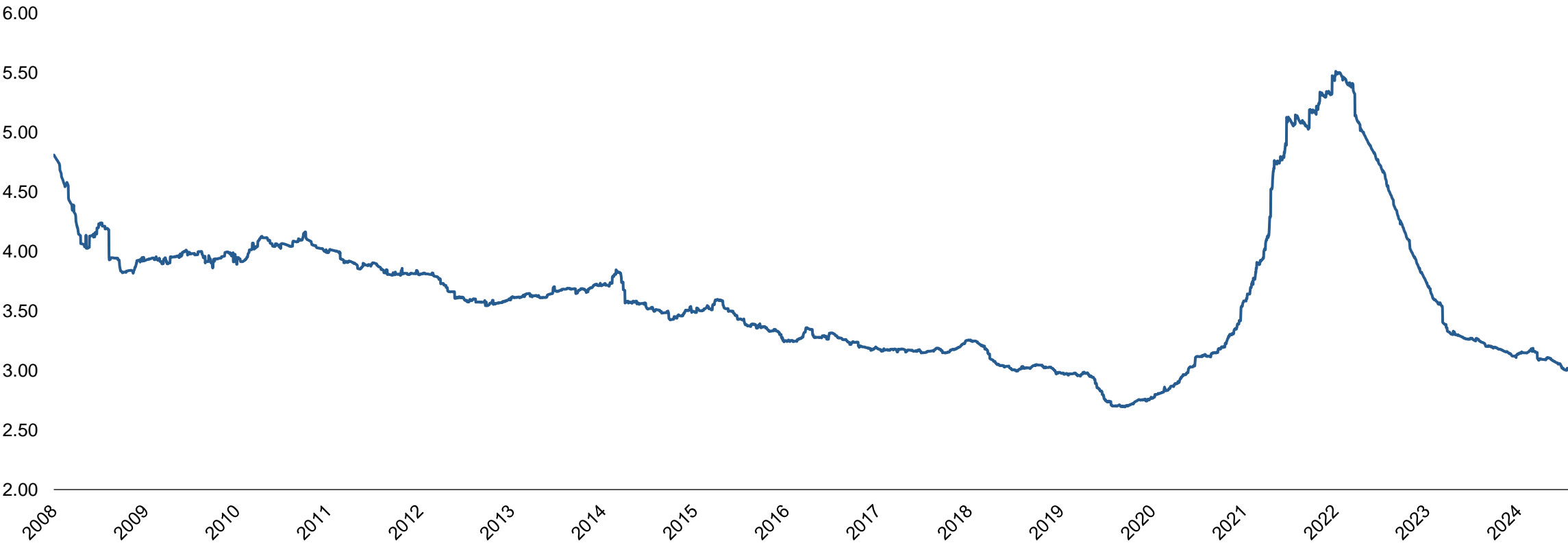


EM INTEREST RATES

The macro environment was supportive for EM rates with the disinflationary shock of the U.S. blanket tariff announcements.

EM Consensus CPI Expectations ¹

(% Change YOY)

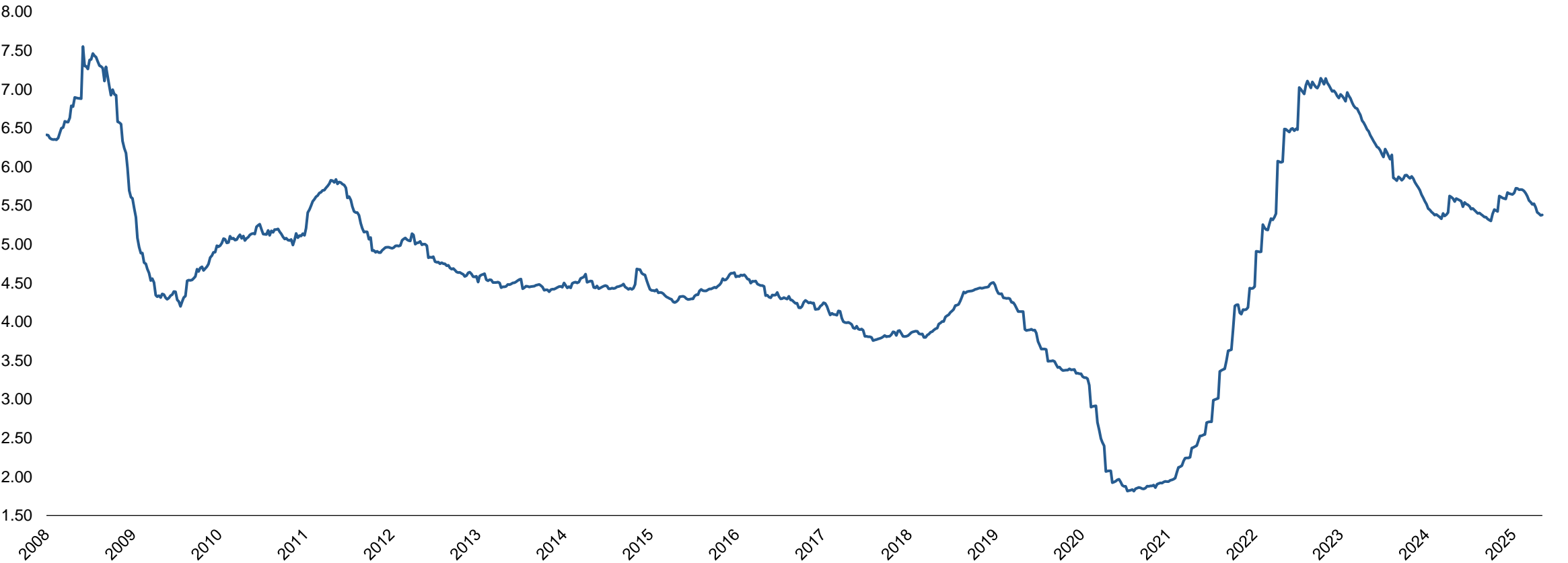


Source: Bloomberg, Morgan Stanley Investment Management. As of 6/30/2025.
1. Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified,. 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

Following the April 2nd tariff announcements, EM central banks are likely to continue their rate cutting trajectory as inflation is slated to continue decreasing.

EM Consensus Policy Rate Expectations ¹



Source: Bloomberg, Morgan Stanley Investment Management. As of 6/30/2025.
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 stayed relatively flat quarter-over-quarter. The U.S. Fed held rates steady but several DM central banks including the ECB cut rates. EM central banks continued to cut rates as inflation decreased and to stimulate growth in light of the uncertainty from U.S. tariff policy.

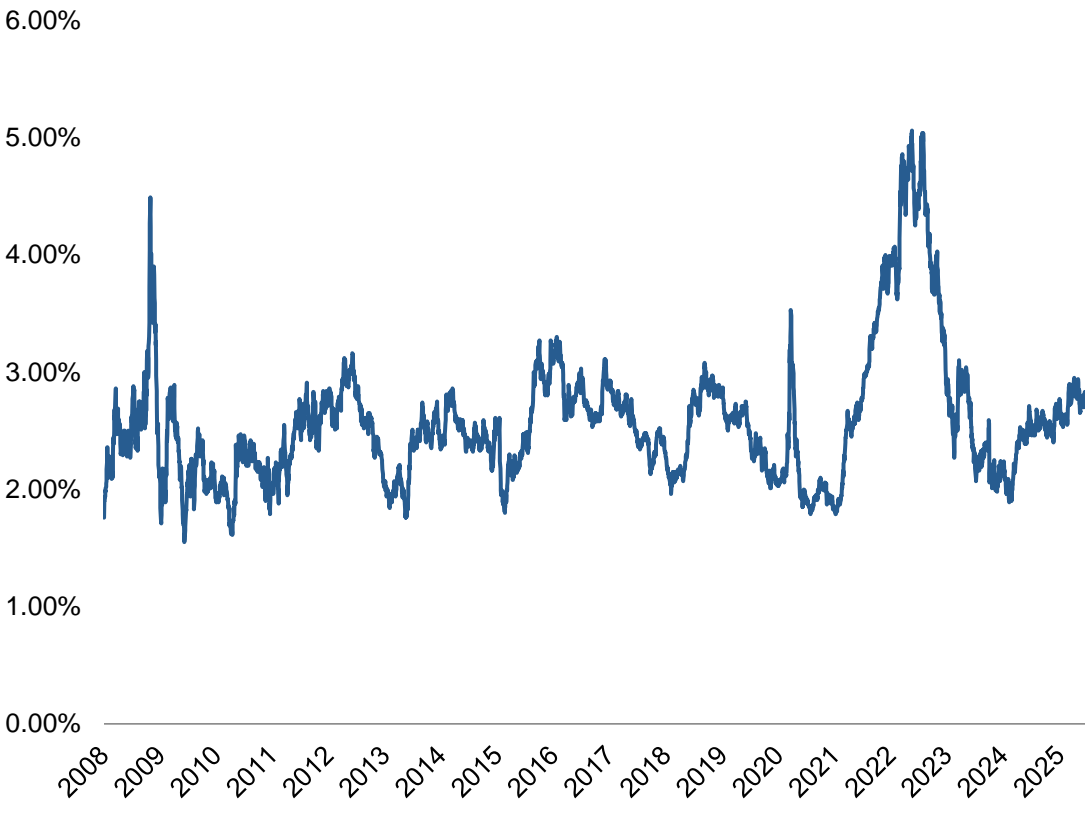
EM-DM Real Yields

(Using Inflation Forecasts)



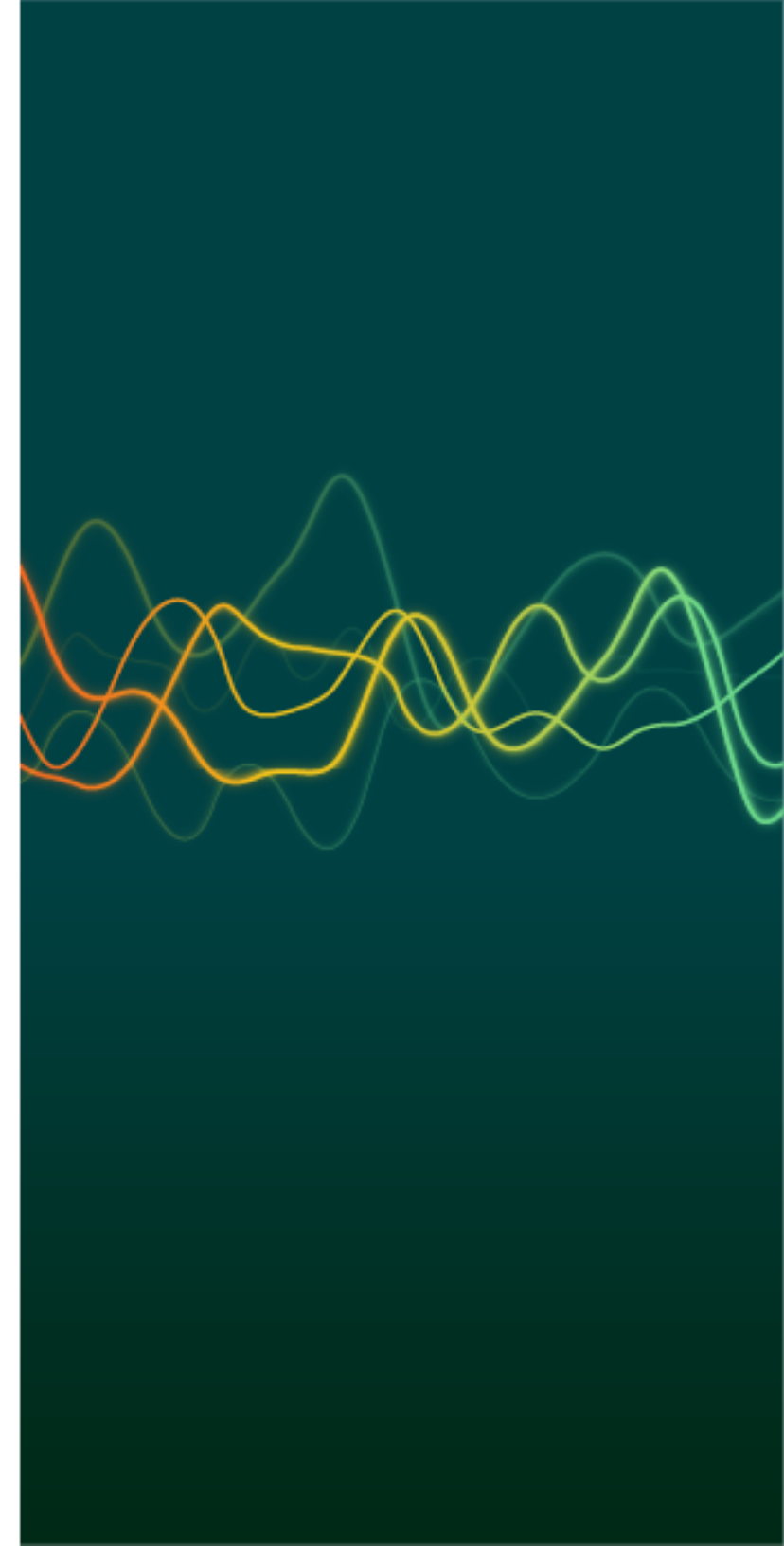
EM-DM Real Yield Differential

(Using Inflation Forecasts)



Source: Bloomberg, J.P. Morgan, Morgan Stanley Investment Management. As of 6/30/2025. 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 notably widened following the April 2nd tariff announcements but then subsequently tightened.
- 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

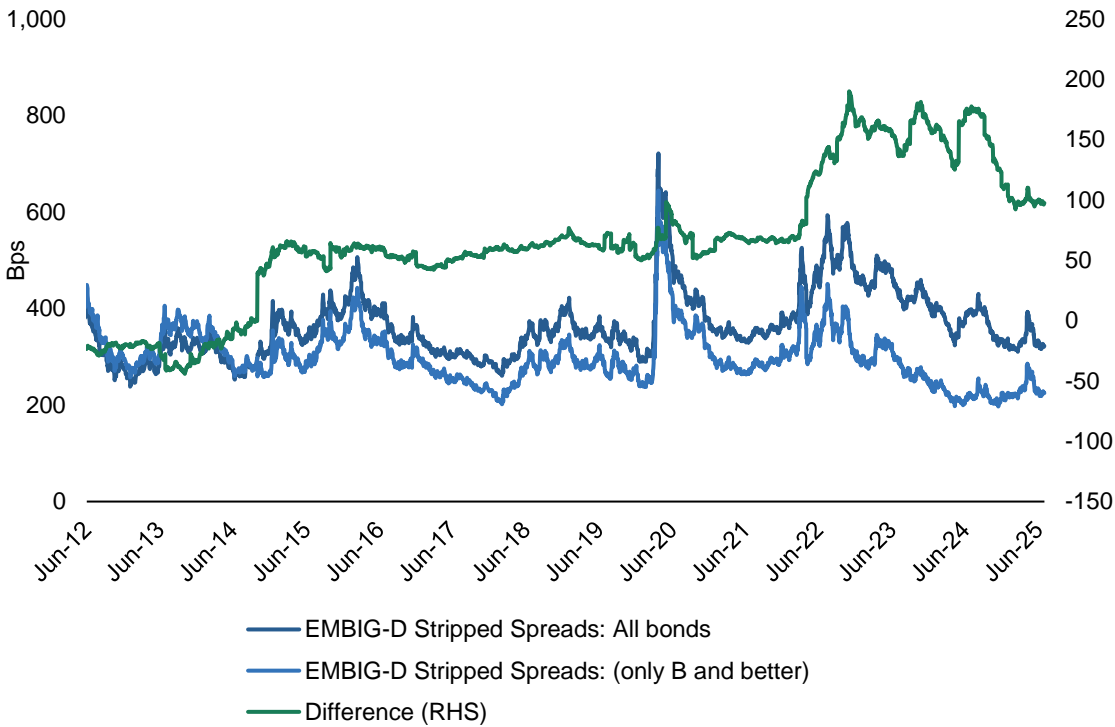
5-Year Equal Weight Sovereign Spread



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.

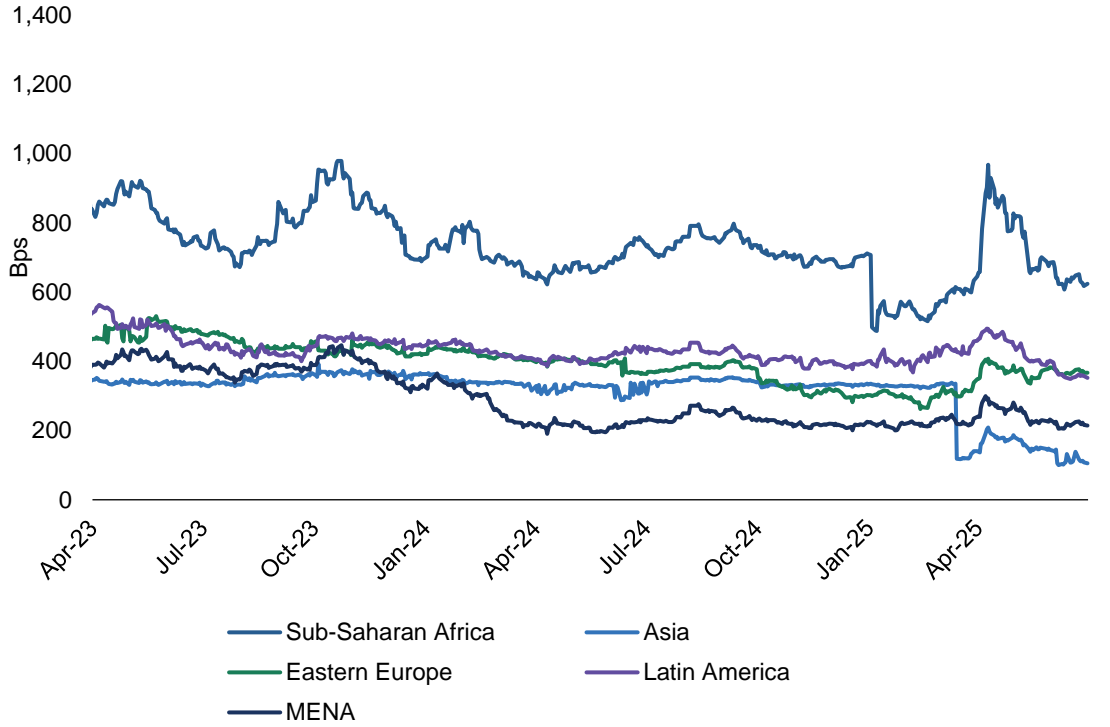
EM SOVEREIGN CREDIT

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



Spreads widened in April due to market uncertainty from the April 2nd tariff announcements, but the volatility did subside, and spreads normalized.

5-Year Equal Weight Sovereign Spread by Region

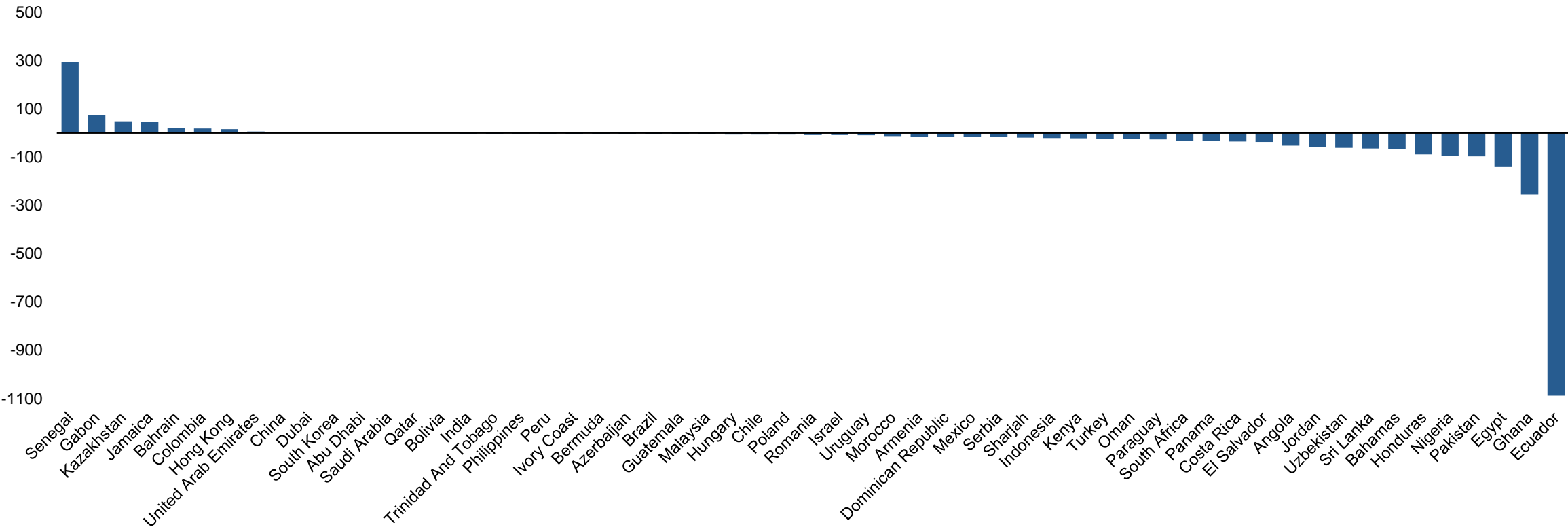


Source: Morgan Stanley Investment Management proprietary data and calculations. As of 6/30/2025. Excludes Argentina. Underlying individual country spreads are capped at 2,000 bps. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs 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

Following a volatile credit selloff in April most countries saw spread tightening quarter-over-quarter. Ecuador’s election results helped assets rally. In Nigeria, Parliament approved a series of fiscal reforms and the government’s security reaction to a vandalized pipeline was positive.

Q2 2025 Change in 5-Year Spread

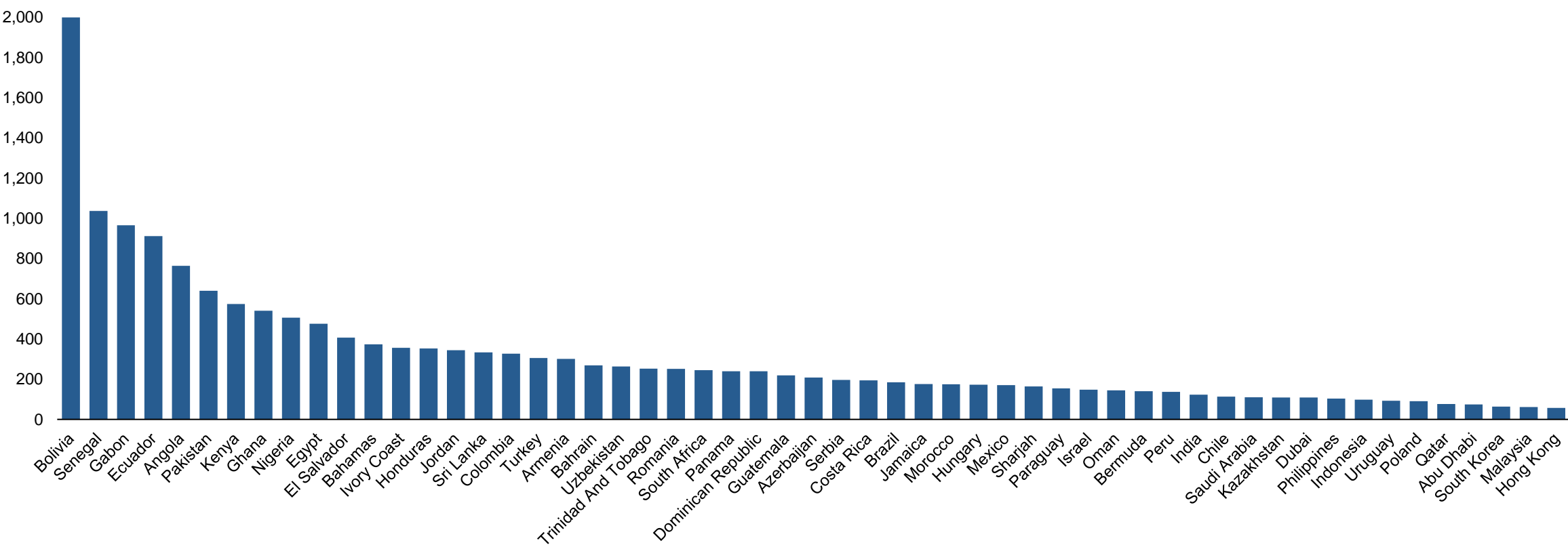


Underlying individual country spreads are capped at 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 6/30/2025. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

EM SOVEREIGN CREDIT

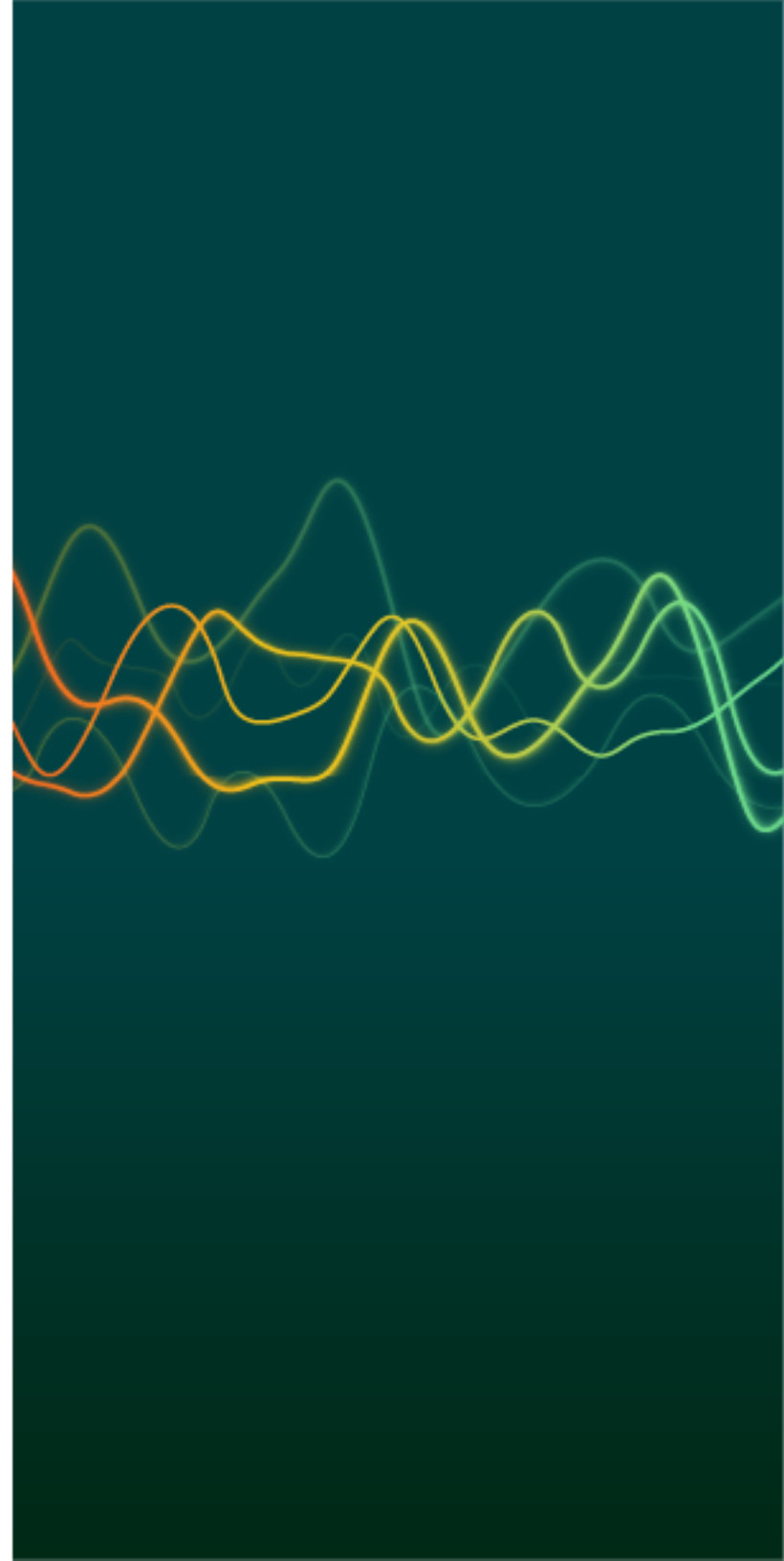
Variance among issuers increased while the bifurcation based on issuer credit quality remained notable.

5-Year Spreads



Underlying individual country spreads are capped at 2,000 bps. Source: Morgan Stanley Investment Management proprietary data and calculations. As of 6/30/2025. 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

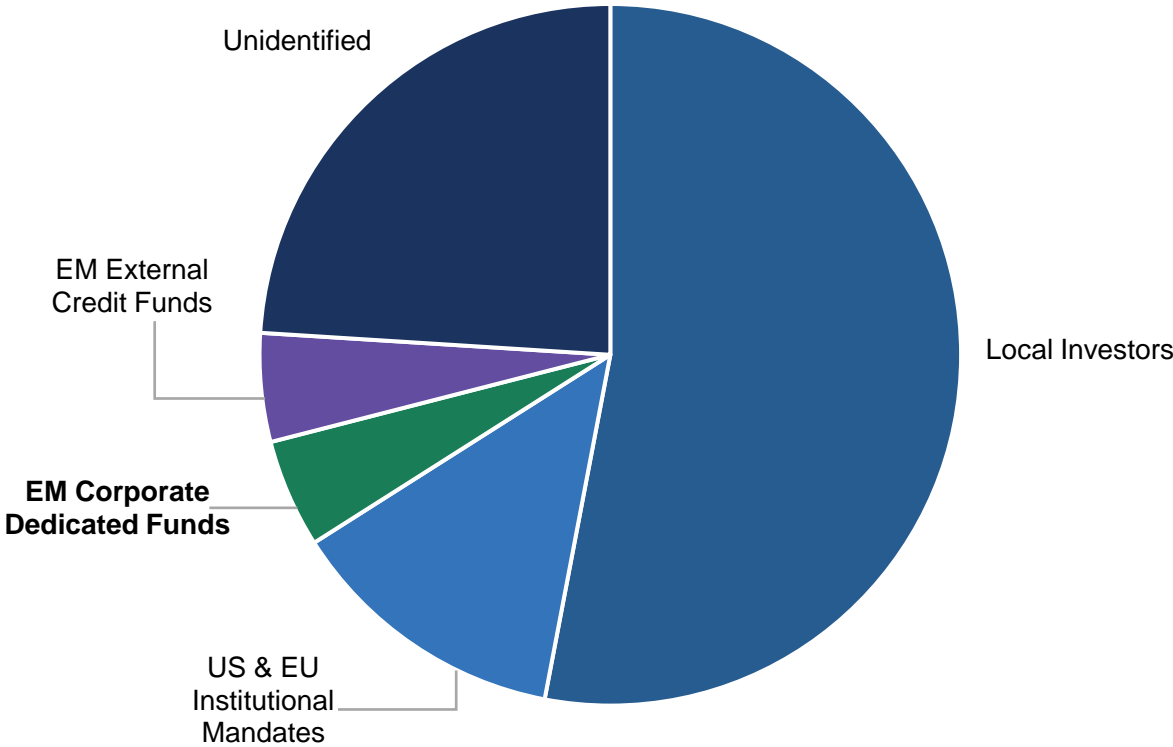


EM CORPORATE CREDIT

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.



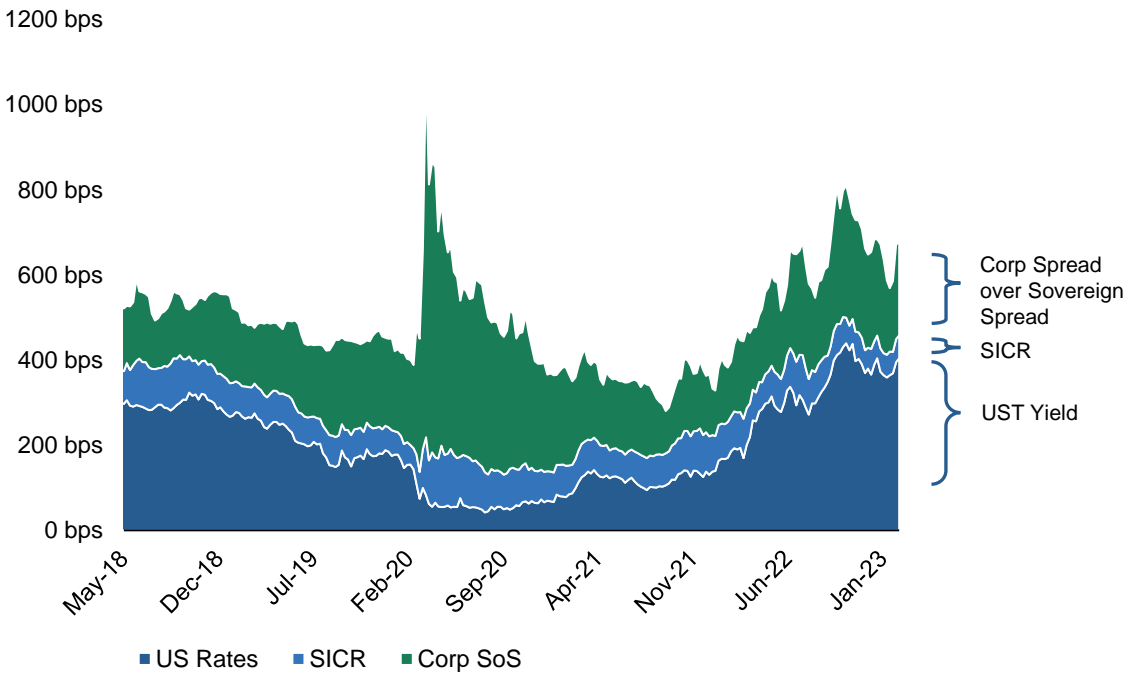
Source: JP Morgan Markets as of 12/31/2022. This represents how the portfolio management team generally implements its investment process under normal market conditions

EM CORPORATE CREDIT

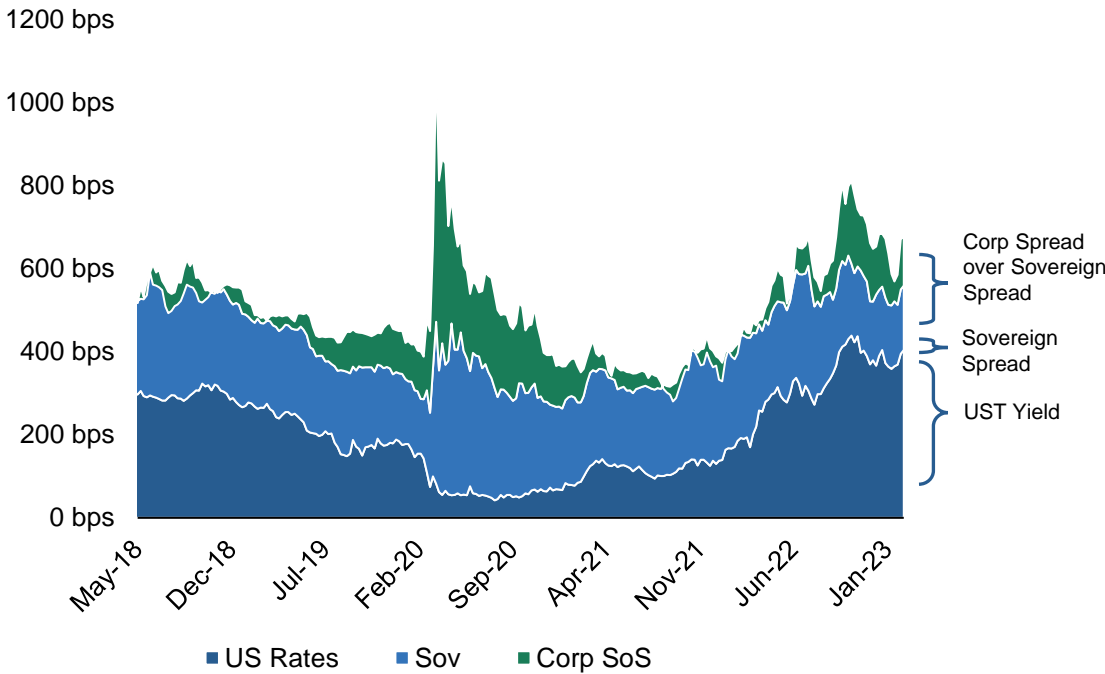
Our Approach

- 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.

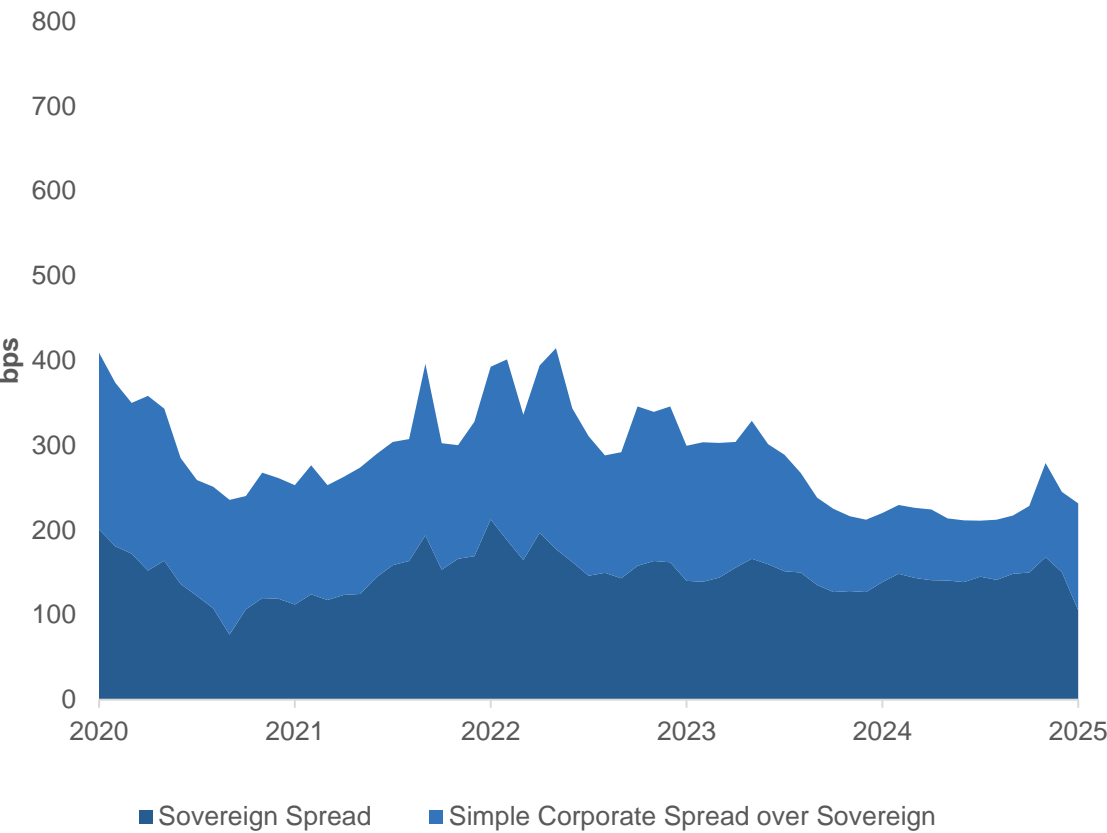
EM CORPORATE CREDIT

Valuations

Broadly speaking, spreads across the EM Corporate space are tight and yields are low relative to historical levels for the assets class but still provide some pickup to developed market yields. Despite the uncertainty caused by the lack of visibility around tariff policy, asset class fundamentals have remained strong, with leverage ratios near historical lows.

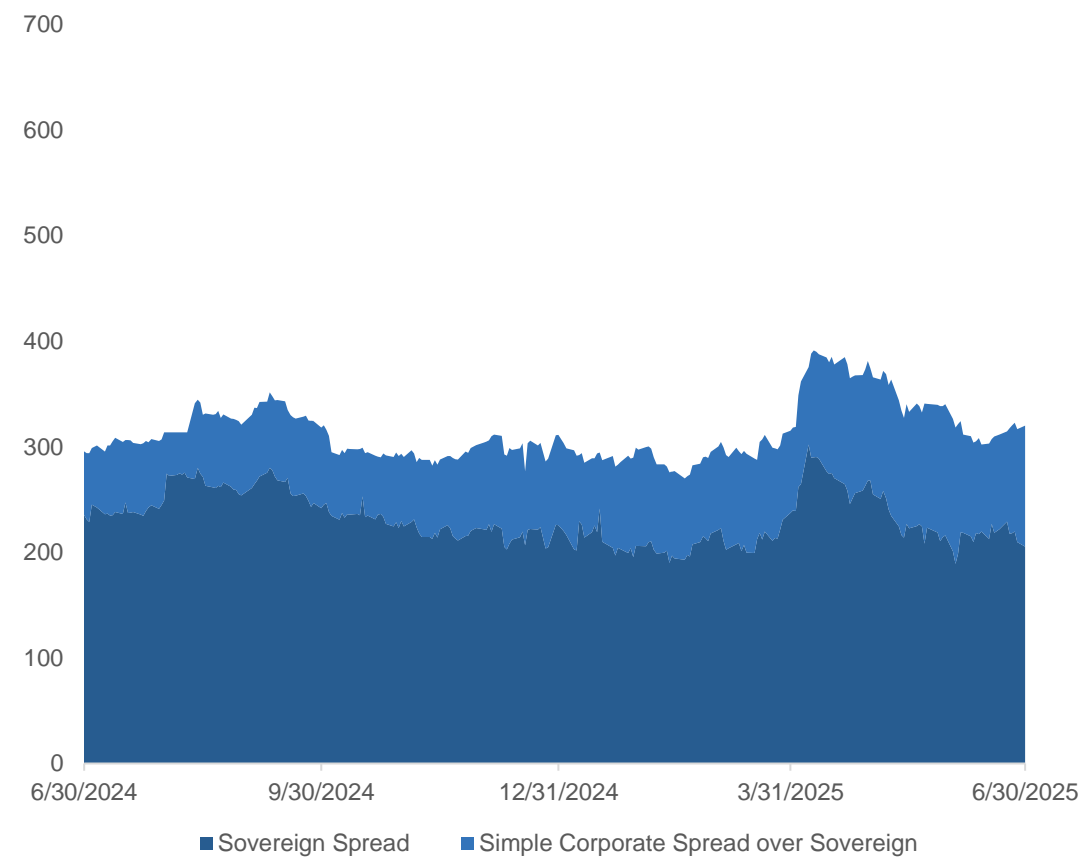
Spread Over Sovereign (CEMBI)

(5-Year Period)



Spread Over Sovereign (EV Universe)

(1-Year Period)



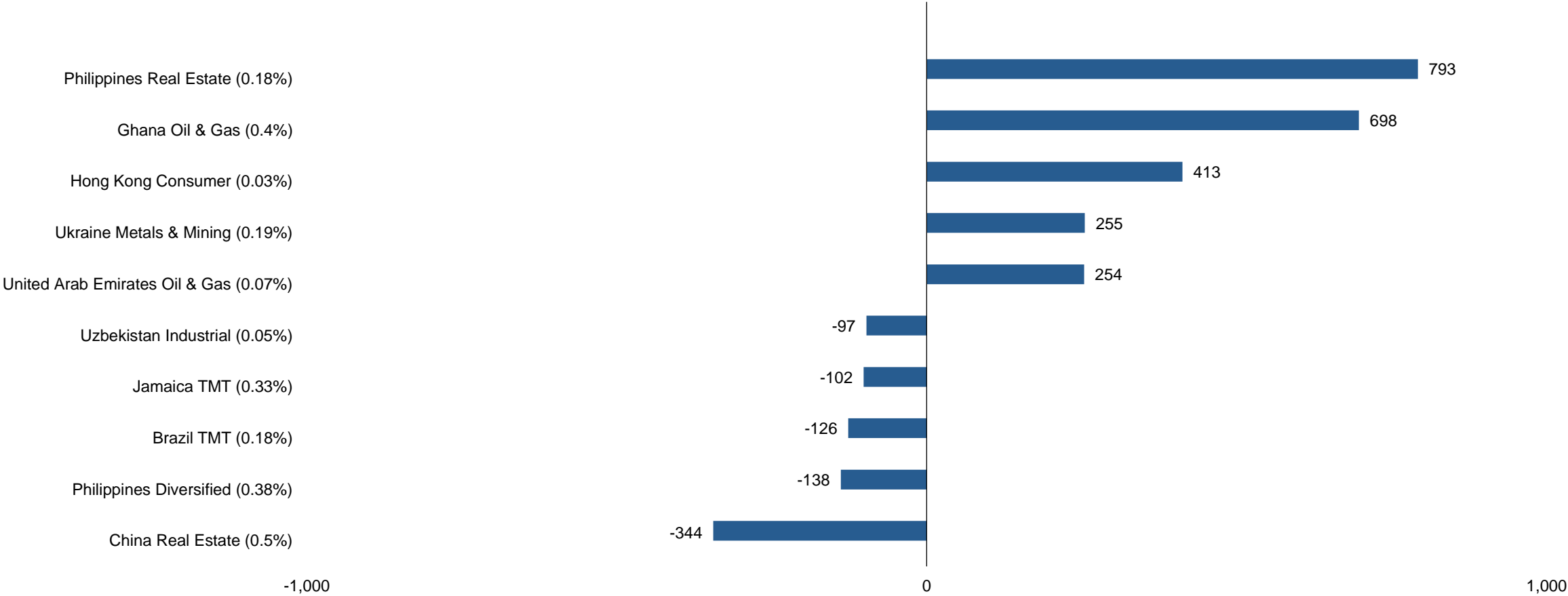
Source: Morgan Stanley Investment Management proprietary data and calculations. As of 6/30/2025. CEMBI bonds used in calculation. Data provided is for informational use only. **Past performance is no guarantee of future results.** See end of report for important additional information.

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)

Q2 Top Country-Sector Spread Changes



Source: JP Morgan. As of 6/30/2025. 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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