Morgan Stanley Emerging Markets Debt Fund, Inc.

Adviser and Administrator
Morgan Stanley Investment Management Inc.
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New York, New York 10036

Custodian
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Legal Counsel
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For additional Fund information, including the Fund's net asset value per share and information regarding the investments comprising the Fund's portfolio, please call toll free 1 (800) 231-2608 or visit our website at www.morganstanley.com/im. All investments involve risks, including the possible loss of principal.

Morgan Stanley

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Morgan Stanley

INVESTMENT MANAGEMENT

Morgan Stanley
Investment Management Inc.
Adviser

Morgan Stanley Emerging Markets Debt Fund, Inc.
NYSE: MSD

Annual Report
December 31, 2016

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Letter to Stockholders (unaudited)

Performance

For the year ended December 31, 2016, the Morgan Stanley Emerging Markets Debt Fund, Inc. (the "Fund") had total returns of 11.77%, based on net asset value, and 13.50% based on market value per share (including reinvestment of distributions), compared to its benchmark, the J.P. Morgan Emerging Markets Bond Global Index (the "Index")*, which returned 10.19%. On December 31, 2016, the closing price of the Fund's shares on the New York Stock Exchange was $9.10, representing a 13.7% discount to the Fund's net asset value per share. Past performance is no guarantee of future results. Please keep in mind that high double-digit returns are highly unusual and cannot be sustained.

Factors Affecting Performance

- Emerging market (EM) external sovereign and quasi-sovereign debt returned 10.19% in 2016 as measured by the Index. Lower-rated, higher-yielding bonds, particularly those of energy exporters, outperformed investment grade bonds, which were weighed down by rising U.S. Treasury yields. Commodity-related credits such as Venezuela, Ecuador, Zambia, Ghana, Iraq, and Gabon outperformed as Brent oil prices rose +56% in the year.[1] Bonds from Turkey, India, Slovakia, Lithuania, Poland, Latvia, Romania, and the Philippines lagged over the year. Bonds from Belize especially suffered after the country missed an interest payment and defaulted on $544 million worth of bonds in late September.

- EM fixed income assets traveled a bumpy road to reach high single-digit, low double-digit returns for the year. Markets found their footing after a shaky start, which was fueled by concerns over capital flight from China and continued weakness in global growth and commodity prices. Sentiment improved heading into February as a rebound was built on a mixture of attractive valuations and investor positioning, combined with strengthening commodity prices, an improving EM growth profile, an easing of China fears, as well as a weakening of the U.S. dollar and generally accommodative central bank policies. Investment flows into the asset class were driven by both pull factors, such as political and economic improvement within EM countries, as well as push factors, such as attractive relative valuations and investors fleeing the negative real yields offered by many global government bonds. These flows contributed to the favorable backdrop that provided an entry for new and returning issuers including Saudi Arabia, Oman, and Argentina. The rise in developed market populism generated ballot surprises with Britain's populace voting for a Brexit (referendum vote to leave the European Union) and the U.S. presidential victory of Donald Trump. While the immediate market reaction to the Brexit vote turned out to be much ado about nothing, Trump's win triggered a rotation from bonds to equities and from emerging to U.S. markets, as the market became excited about the potential for stimulative policies and resulting higher growth and inflation. The populist surge in the U.S. and Western Europe was, for the most part, not mirrored in emerging markets, which benefited from reform-minded leaders in India, Indonesia, Argentina, and Brazil. Assets from these reform story countries, as well as those from energy-exporting nations, led the rally for EM fixed income in 2016.

- There was a changing of the guard in many EM countries as the Philippines elected outspoken President Rodrigo Duterte, President Dilma Rousseff of Brazil was impeached and Vice President Michel Temer took the helm, Thailand's ruler of 70 years, King Bhumibol, passed away, and South Korea's President Park Geun-hye was impeached. EM credit ratings were under pressure during the year. Initially, energy-related countries and companies sustained a round of downgrades as agencies adjusted

Letter to Stockholders (unaudited) (cont'd)

their ratings to reflect the new revenue outlook, before attention was turned to politically-driven issues in Brazil, Turkey and South Africa. Brazil completed its seven-year ratings roundtrip after Moody's stripped the country of its final investment grade rating, amid the far-reaching corruption investigation, Lava Jato, which resulted in the impeachment of President Dilma Rousseff and the elevation of Vice President Michel Temer to Acting President. Following an unsuccessful coup attempt, Turkey's weakened institutional strength, coupled with sluggish economic growth and external funding requirements, contributed to the loss of its investment grade rating. In contrast, South Africa maintained its investment grade status despite political infighting involving President Jacob Zuma. In more positive news, Hungary's foreign currency credit rating was upgraded to investment grade on the back of stronger-than-expected economic performance and fiscal rectitude, which reduced external vulnerabilities. In Colombia, the government ratified a peace deal with Revolutionary Armed Forces of Colombia, or FARC, rebels, which ended the 52-year civil war and provided President Santos the political capital necessary to enact fiscal reforms to solidify Colombia's investment grade credit rating.

- After a bearish year in 2015, commodity-related investments led the rally in 2016 as commodity prices bounced back from the lows touched in February. Despite the strong rally in commodity prices ranging from oil and coal to copper and iron ore, the repercussions of overall lower commodity-related revenues continued to reverberate through emerging markets. Energy exporters enacted fiscal adjustments and issued bonds to fund deficits, while importers, and EM economies more broadly, benefited from disinflationary pressures, which allowed them to reduce subsidies and strengthen their fiscal positions.

- For the year, security selection and overweight positions in Argentina and Mexico contributed to relative performance, as did overweight positions in Indonesia, Brazil, Zambia, Dominican Republic, Ukraine, Ecuador, Jamaica, and Hungary. An underweight position and security selection in Turkey also contributed to relative performance, as did security selection in Peru.

- Conversely, security selection in Venezuela, Russia, and Ghana detracted from relative performance, as did underweight positions in Uruguay, Costa Rica, El Salvador, Azerbaijan, Lebanon, Colombia, and China. The use of U.S. Treasury futures, used to manage interest rate duration, also detracted from performance in the year.

Management Strategies

- After the U.S. elections, global fixed income markets are pricing in a significant relaxation in U.S. fiscal policy that may boost economic growth, strengthen the U.S. dollar and, as a result, supercharge the developed market (DM) yield curve steepening trend that was already underway pre-election. While it is still too early to know the exact contours of the next U.S. administration's fiscal, trade and immigration policies, the market hasn't waited to re-price not only the global fixed income outlook, but also the outlook for EM countries likely to be the most affected, such as Mexico, with the impact on China still a question mark.

- For global growth, the beneficial impact of higher U.S. growth is likely to be offset partly by the extent of the new president's potentially protectionist trade agenda. The net effect won't be known for a while, but Mexico and China will remain a key focus, with joint cooperation between the new president and the more traditional trade-friendly wing of the Republican Party

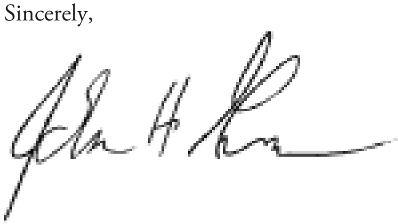
Letter to Stockholders (unaudited) (cont'd)

potentially reducing the impact, especially if stronger U.S. economic growth becomes a more important goal than fulfilling populist campaign promises that risk damaging the U.S. economic outlook. We still expect the EM/DM growth differential to recover during 2017 in favor of EM as the negative growth impacts from Brazil and Russia lessen. China's growth slowdown is likely to continue in the medium term, with short-term growth prospects reliant on continued fiscal and monetary policy support. Recent data out of China has been suggesting resilience, but we believe we could see growth slowdown again at the end of the first quarter or in the second quarter of 2017. However, we continue to believe that China has ample policy buffers in 2017 to offset a too rapid deceleration in economic growth.

- On Mexico, post the U.S. elections, we note that the Mexican peso is now the most undervalued currency in emerging markets and is pricing in a fairly severe slowdown in Mexican growth and worsening in the funding of the current account deficit. On the rates side, the central bank (Banxico) has clearly signaled it doesn't want to overreact with tightening and after its prudent 50 basis point (bps) hike mid-November and 50 bps hike following the U.S. Fed hike in December. We think Banxico will largely follow the Fed, unless there is another round of severe market pressure on Mexico.

- We expect historically low developed market yields to still support the selective carry opportunities and spreads as we expect an ongoing "push" factor of inflows into higher-yielding assets, including select EM fixed income. Given that the "Trump Tantrum" is not EM-specific, we believe that the various factors both pushing and pulling investors into EM fixed income remain in place: developed market yields remain very low, EM economic data appear to have stabilized, fears of multiple Fed rate hikes have subsided (although two interest rate hikes next year are more likely than one) and concerns of a sharp slowdown in China have diminished. We believe that EM assets could well absorb Fed rate hikes in 2017 if driven by increasing U.S. growth and not inflation; however, assets remain vulnerable to spikes in U.S. policy uncertainty.

Sincerely,



John H. Gernon
President and Principal Executive Officer

January 2017

*The J.P. Morgan Emerging Markets Bond Global Index tracks total returns for U.S. dollar-denominated debt instruments issued by emerging markets sovereign and quasi-sovereign entities: Brady Bonds, loans, Eurobonds and local market instruments for emerging market countries. It is not possible to invest directly in an index.

[1] Source Bloomberg L.P. and JP Morgan

Portfolio of Investments

(Showing Percentage of Total Value of Investments)

		Face Amount (000)		Value (000)
FIXED INCOME SECURITIES (95.5%)				
Argentina (5.8%)				
Corporate Bonds (2.2%)				
IRSA Propiedades Comerciales SA, 8.75%, 3/23/23 (a)	$	520	$	552
Province of Salta Argentina, 9.13%, 7/7/24 (a)		1,095		1,158
Province of Santa Fe, 6.90%, 11/1/27 (a)		1,180		1,112
Provincia del Chaco Argentina, 9.38%, 8/18/24 (a)		2,380		2,219
				5,041
Sovereign (3.6%)				
Argentina Bonar Bonds, 24.26%, 10/9/17 (b)	ARS	14,020		888
Argentine Republic Government International Bond, 6.88%, 4/22/21 (a)	$	2,500		2,669
7.50%, 4/22/26 (a)		2,730		2,873
Republic of Argentina, 2.50%, 12/31/38 (c)		1,750		1,081
7.13%, 7/6/36 (a)		720		687
				8,198
				13,239
Brazil (5.9%)				
Corporate Bonds (2.5%)				
CIMPOR Financial Operations BV, 5.75%, 7/17/24 (a)(d)		1,318		1,104
Minerva Luxembourg SA, 8.75%, 4/3/19 (a)(b)(e)		1,290		1,330
Petrobras Global Finance BV, 8.38%, 5/23/21		3,040		3,283
				5,717
Sovereign (3.4%)				
Brazil Minas SPE via State of Minas Gerais, 5.33%, 2/15/28		1,900		1,781
5.33%, 2/15/28 (a)		2,750		2,578
Brazilian Government International Bond, 4.25%, 1/7/25		956		895
5.00%, 1/27/45		2,988		2,439
				7,693
				13,410

		Face Amount (000)		Value (000)
Chile (1.1%)				
Corporate Bond (0.6%)				
Colbun SA, 4.50%, 7/10/24 (a)	$	1,372	$	1,389
Sovereign (0.5%)				
Empresa Nacional del Petroleo, 4.75%, 12/6/21		1,102		1,141
				2,530
China (3.4%)				
Sovereign (3.4%)				
Sinopec Group Overseas Development 2013 Ltd., 4.38%, 10/17/23		4,740		4,967
Three Gorges Finance I Cayman Islands Ltd., 2.30%, 6/2/21 (a)		2,000		1,951
3.70%, 6/10/25 (a)		780		787
				7,705
Colombia (2.2%)				
Sovereign (2.2%)				
Colombia Government International Bond, 4.38%, 7/12/21		1,460		1,533
5.00%, 6/15/45		2,400		2,289
11.75%, 2/25/20		815		1,041
				4,863
Croatia (1.2%)				
Sovereign (1.2%)				
Croatia Government International Bond, 5.50%, 4/4/23		2,500		2,646
Dominican Republic (1.1%)				
Sovereign (1.1%)				
Dominican Republic International Bond, 6.85%, 1/27/45 (a)		432		410
6.88%, 1/29/26 (a)		1,215		1,266
7.45%, 4/30/44 (a)		666		676
				2,352

The accompanying notes are an integral part of the financial statements.

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

		Face Amount (000)		Value (000)
Ecuador (2.4%)				
Sovereign (2.4%)				
Ecuador Government International Bond,				
9.65%, 12/13/26 (a)	$	410	$	420
10.75%, 3/28/22 (a)		4,580		4,981
				5,401
Egypt (0.4%)				
Sovereign (0.4%)				
Egypt Government International Bond,				
5.88%, 6/11/25		980		893
El Salvador (0.7%)				
Sovereign (0.7%)				
El Salvador Government International Bond,				
6.38%, 1/18/27		1,699		1,572
Gabon (0.5%)				
Sovereign (0.5%)				
Republic of Gabon,				
6.95%, 6/16/25 (a)		1,200		1,128
Ghana (1.0%)				
Sovereign (1.0%)				
Ghana Government International Bond,				
10.75%, 10/14/30		1,950		2,316
Guatemala (0.4%)				
Sovereign (0.4%)				
Guatemala Government Bond,				
4.50%, 5/3/26 (a)		890		858
Honduras (0.5%)				
Sovereign (0.5%)				
Republic of Honduras,				
8.75%, 12/16/20		1,030		1,152
Hungary (2.0%)				
Sovereign (2.0%)				
Hungary Government International Bond,				
4.00%, 3/25/19		152		158
6.38%, 3/29/21		1,050		1,178
7.63%, 3/29/41		2,220		3,114
				4,450
India (0.4%)				
Corporate Bond (0.1%)				
Adani Transmission Ltd.,				
4.00%, 8/3/26 (a)	$	288	$	273
Sovereign (0.3%)				
Export-Import Bank of India,				
3.38%, 8/5/26 (a)		800		749
				1,022
Indonesia (8.9%)				
Sovereign (8.9%)				
Indonesia Government International Bond,				
4.13%, 1/15/25		2,670		2,652
4.75%, 1/8/26 (a)		1,360		1,407
5.13%, 1/15/45 (a)		1,530		1,531
5.88%, 1/15/24 (a)		1,200		1,327
5.88%, 1/15/24		4,360		4,821
5.95%, 1/8/46 (a)		1,360		1,507
7.75%, 1/17/38		2,429		3,129
Majapahit Holding BV,				
7.75%, 1/20/20		729		820
Pertamina Persero PT,				
4.30%, 5/20/23		1,100		1,098
6.45%, 5/30/44 (a)		1,720		1,748
				20,040
Ivory Coast (1.4%)				
Sovereign (1.4%)				
Ivory Coast Government International Bond,				
5.38%, 7/23/24 (a)(d)		830		802
5.75%, 12/31/32		2,470		2,295
				3,097
Jamaica (1.5%)				
Corporate Bond (0.4%)				
Digicel Group Ltd.,				
8.25%, 9/30/20		1,150		992
Sovereign (1.1%)				
Jamaica Government International Bond,				
7.63%, 7/9/25 (d)		380		435
7.88%, 7/28/45		870		947
8.00%, 3/15/39		1,010		1,127
				2,509
				3,501

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

	Face Amount (000)	Value (000)
Kazakhstan (2.8%)		
Sovereign (2.8%)		
Development Bank of Kazakhstan JSC, 4.13%, 12/10/22 (a)	$ 278	$ 269
KazAgro National Management Holding JSC, 4.63%, 5/24/23 (a)	1,390	1,306
Kazakhstan Government International Bond, 5.13%, 7/21/25 (a)	2,100	2,251
KazMunayGas National Co., JSC, 9.13%, 7/2/18	2,180	2,374
		6,200
Lithuania (0.8%)		
Sovereign (0.8%)		
Lithuania Government International Bond,		
6.63%, 2/1/22	950	1,105
7.38%, 2/11/20	500	571
		1,676
Mexico (14.2%)		
Corporate Bonds (2.3%)		
Alfa SAB de CV, 6.88%, 3/25/44	1,340	1,310
Fermaca Enterprises S de RL de CV, 6.38%, 3/30/38 (a)	1,825	1,807
Nemak SAB de CV,		
5.50%, 2/28/23 (a)	440	439
5.50%, 2/28/23	1,500	1,496
		5,052
Sovereign (11.9%)		
Banco Nacional de Comercio Exterior SNC, 3.80%, 8/11/26 (a)(b)	2,250	2,112
Comision Federal de Electricidad, 4.75%, 2/23/27 (a)	770	741
Mexico City Airport Trust, 5.50%, 10/31/46 (a)	1,450	1,309
Mexico Government International Bond,		
3.60%, 1/30/25	3,450	3,334
4.35%, 1/15/47	1,110	955
4.60%, 1/23/46	2,080	1,875
6.05%, 1/11/40	898	974
Petroleos Mexicanos,		
4.88%, 1/24/22	$ 1,863	$ 1,873
5.63%, 1/23/46	2,000	1,667
6.38%, 1/23/45	2,520	2,306
6.50%, 3/13/27 (a)	1,240	1,281
6.50%, 6/2/41	2,600	2,448
6.63%, 6/15/35 - 6/15/38	2,780	2,722
6.88%, 8/4/26 (a)	860	909
8.63%, 12/1/23	1,990	2,169
		26,675
		31,727
Mongolia (1.0%)		
Sovereign (1.0%)		
Mongolia Government International Bond, 10.88%, 4/6/21	2,170	2,287
Namibia (0.6%)		
Sovereign (0.6%)		
Namibia International Bonds, 5.25%, 10/29/25 (a)	1,402	1,378
Nigeria (0.6%)		
Sovereign (0.6%)		
Nigeria Government International Bond, 6.38%, 7/12/23	1,430	1,389
Panama (1.7%)		
Sovereign (1.7%)		
Aeropuerto Internacional de Tocumen SA, 5.63%, 5/18/36 (a)(d)	1,530	1,593
Panama Government International Bond,		
4.00%, 9/22/24	1,434	1,466
5.20%, 1/30/20	460	495
8.88%, 9/30/27	263	363
		3,917
Paraguay (1.0%)		
Sovereign (1.0%)		
Republic of Paraguay,		
4.63%, 1/25/23 (a)(d)	680	690
6.10%, 8/11/44 (a)	1,420	1,448
		2,138

The accompanying notes are an integral part of the financial statements.

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

	Face Amount (000)	Value (000)
Peru (2.8%)		
Corporate Bonds (1.3%)		
Banco de Credito del Peru, 6.13%, 4/24/27 (a)(b)(d)	$ 1,680	$ 1,820
Union Andina de Cementos SAA, 5.88%, 10/30/21 (a)(d)	960	996
		2,816
Sovereign (1.5%)		
Corporación Financiera de Desarrollo SA, 5.25%, 7/15/29 (a)(b)	978	1,007
Fondo MIVIVIENDA SA, 3.50%, 1/31/23 (a)	491	486
Peruvian Government International Bond, 6.55%, 3/14/37	1,550	1,954
		3,447
		6,263
Philippines (2.9%)		
Sovereign (2.9%)		
Philippine Government International Bond, 3.95%, 1/20/40	3,114	3,081
9.50%, 2/2/30	2,200	3,475
		6,556
Poland (1.5%)		
Sovereign (1.5%)		
Poland Government International Bond, 3.00%, 3/17/23	2,250	2,210
4.00%, 1/22/24	570	584
5.00%, 3/23/22	470	513
		3,307
Russia (7.7%)		
Sovereign (7.7%)		
Russian Foreign Bond - Eurobond, 4.50%, 4/4/22	14,200	14,800
5.63%, 4/4/42	400	432
SCF Capital Ltd., 5.38%, 6/16/23 (a)	1,950	1,983
		17,215
Serbia (0.7%)		
Sovereign (0.7%)		
Republic of Serbia, 7.25%, 9/28/21	$ 1,495	$ 1,671
South Africa (1.1%)		
Sovereign (1.1%)		
Eskom Holdings SOC Ltd., 5.75%, 1/26/21 (a)(d)	2,556	2,569
Sri Lanka (1.2%)		
Sovereign (1.2%)		
Sri Lanka Government International Bond, 6.25%, 10/4/20	100	103
6.25%, 10/4/20 (a)	650	669
6.85%, 11/3/25 (a)	1,980	1,954
		2,726
Tunisia (0.5%)		
Sovereign (0.5%)		
Banque Centrale de Tunisie SA, 5.75%, 1/30/25 (a)	1,210	1,129
Turkey (4.9%)		
Sovereign (4.9%)		
Export Credit Bank of Turkey, 5.88%, 4/24/19 (a)	2,100	2,153
Turkey Government International Bond, 3.25%, 3/23/23	3,100	2,754
4.88%, 4/16/43	1,800	1,457
5.63%, 3/30/21	3,600	3,700
6.88%, 3/17/36	1,000	1,032
		11,096
Ukraine (3.5%)		
Sovereign (3.5%)		
Ukraine Government International Bond, 7.75%, 9/1/22 - 9/1/26	8,300	7,860
Venezuela (5.2%)		
Sovereign (5.2%)		
Petroleos de Venezuela SA, 6.00%, 11/15/26	29,870	11,575
TOTAL FIXED INCOME SECURITIES (Cost $218,363)		214,854

Portfolio of Investments (cont'd)

(Showing Percentage of Total Value of Investments)

	No. of Warrants	Value (000)
WARRANTS (0.1%)		
Nigeria (0.1%)		
Central Bank of Nigeria Bond, expires 11/15/20 (b)(f)	2,250	$ 164
Venezuela (0.0%)		
Venezuela Government International Bond, expires 4/15/20 (b)(f)	5,450	18
TOTAL WARRANTS (Cost $—)		182
	Shares	
SHORT-TERM INVESTMENTS (4.2%)		
Securities held as Collateral on Loaned Securities (1.4%)		
Investment Company (1.1%)		
Morgan Stanley Institutional Liquidity Funds — Treasury Securities Portfolio — Institutional Class (See Note E)	2,577,480	2,577
	Face Amount (000)	
Repurchase Agreements (0.3%)		
Merrill Lynch & Co., Inc., (0.50%, dated 12/30/16, due 1/3/17; proceeds $243; fully collateralized by U.S. Government agency securities; 2.88% - 4.60% due 11/20/65 - 11/20/66; valued at $248)	$ 243	243
Merrill Lynch & Co., Inc., (0.50%, dated 12/30/16, due 1/3/17; proceeds $49; fully collateralized by a U.S. Government obligation; 1.88% due 8/31/22; valued at $50)	49	49
Merrill Lynch & Co., Inc., (0.81%, dated 12/30/16, due 1/3/17; proceeds $364; fully collateralized by Exchange Traded Funds; valued at $401)	364	364
		656
TOTAL SECURITIES HELD AS COLLATERAL ON LOANED SECURITIES (Cost $3,233)		3,233

		Shares	Value (000)
Investment Company (2.8%)			
Morgan Stanley Institutional Liquidity Funds — Treasury Securities Portfolio — Institutional Class (See Note E) (Cost $6,275)		6,274,766	$ 6,275
		Face Amount (000)	
Argentina (0.2%)			
Sovereign (0.2%)			
Letras del Banco Central de la Republica Argentina, 28.25%, 1/11/17	ARS	2,930	183
29.50%, 1/11/17		2,940	184
TOTAL SOVEREIGN (Cost $411)			367
TOTAL SHORT-TERM INVESTMENTS (Cost $9,919)			9,875
TOTAL INVESTMENTS (100.0%) (Cost $228,282) Including $8,098 of Securities Loaned (g)(h)			224,911
LIABILITIES IN EXCESS OF OTHER ASSETS			(3,332)
NET ASSETS			$221,579

Country assignments and aggregations are based generally on third party vendor classifications and information, and may be different from the assignments and aggregations under the policies set forth in the Fund's prospectus and/or statement of additional information relating to geographic classifications.

(a) 144A security — Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.

(b) Variable/Floating Rate Security — Interest rate changes on these instruments are based on changes in a designated base rate. The rates shown are those in effect on December 31, 2016.

(c) Multi-step — Coupon rate changes in predetermined increments to maturity. Rate disclosed is as of December 31, 2016. Maturity date disclosed is the ultimate maturity date.

(d) All or a portion of this security was on loan at December 31, 2016.

Portfolio of Investments (cont'd)

(e) Perpetual — One or more securities do not have a predetermined maturity date. Rates for these securities are fixed for a period of time, after which they revert to a floating rate. Interest rates in effect are as of December 31, 2016.

(f) Security has been deemed illiquid at December 31, 2016.

(g) Securities are available for collateral in connection with open foreign currency forward exchange contracts and an open futures contract.

(h) At December 31, 2016, the aggregate cost for federal income tax purposes is approximately $229,519,000. The aggregate gross unrealized appreciation is approximately $6,809,000 and the aggregate gross unrealized depreciation is approximately $11,417,000, resulting in net unrealized depreciation of approximately $4,608,000.

Foreign Currency Forward Exchange Contracts:

The Fund had the following foreign currency forward exchange contracts open at December 31, 2016:

Counterparty	Contracts to Deliver (000)	In Exchange For (000)	Delivery Date	Unrealized Depreciation (000)
Citibank NA	ARS 7,640	$ 469	1/18/17	$ (7)
Citibank NA	ARS 2,280	$ 140	1/18/17	(2)
Citibank NA	ARS 11,850	$ 713	2/21/17	(7)
Citibank NA	ARS 23,100	$ 1,261	6/13/17	(58)
Citibank NA	$ 1,328	ARS 23,100	6/13/17	(9)
				$(83)

ARS — Argentine Peso

Futures Contract:

The Fund had the following futures contract open at December 31, 2016:

	Number of Contracts	Value (000)	Expiration Date	Unrealized Appreciation (000)
Short:				
U.S. Treasury 10 yr. Note	80	$(9,943)	Mar-17	$3

Portfolio Composition*

Classification	Percentage of Total Investments
Sovereign	87.3%
Corporate Bonds	9.6
Other**	3.1
Total Investments	100.0%***

* Percentages indicated are based upon total investments (excluding Securities held as Collateral on Loaned Securities) as of December 31, 2016.

** Industries and/or investment types representing less than 5% of total investments.

*** Does not include an open short futures contract with an underlying face amount of approximately $9,943,000 with total unrealized appreciation of approximately $3,000. Does not include open foreign currency forward exchange contracts with total unrealized depreciation of approximately $83,000.

Financial Statements

Statement of Assets and Liabilities

	December 31, 2016 (000)
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value(1) (Cost $219,430)	$216,059
Investment in Security of Affiliated Issuer, at Value (Cost $8,852)	8,852
Total Investments in Securities, at Value (Cost $228,282)	224,911
Foreign Currency, at Value (Cost $61)	62
Interest Receivable	3,911
Receivable for Variation Margin on Futures Contract	100
Receivable for Investments Sold	25
Receivable from Affiliate	1
Other Assets	23
Total Assets	229,033
Liabilities:	
Dividends Declared	3,679
Collateral on Securities Loaned, at Value	3,239
Payable for Advisory Fees	187
Deferred Capital Gain Country Tax	119
Unrealized Depreciation on Foreign Currency Forward Exchange Contracts	83
Payable for Professional Fees	54
Bank Overdraft	47
Payable for Custodian Fees	8
Payable for Administration Fees	7
Payable for Stockholder Servicing Agent Fees	1
Other Liabilities	30
Total Liabilities	7,454
Net Assets	
Applicable to 21,022,225 Issued and Outstanding $0.01 Par Value Shares (100,000,000 Shares Authorized)	$221,579
Net Asset Value Per Share	$ 10.54
Net Assets Consist of:	
Common Stock	$ 210
Paid-in-Capital	240,092
Accumulated Undistributed Net Investment Income	436
Accumulated Net Realized Loss	(15,634)
Unrealized Appreciation (Depreciation) on:	
Investments (Net of $79 of Deferred Capital Gain Country Tax)	(3,446)
Futures Contracts	3
Foreign Currency Forward Exchange Contracts	(83)
Foreign Currency Translations	1
Net Assets	$221,579
(1) Including:	
Securities on Loan, at Value:	$ 8,098

The accompanying notes are an integral part of the financial statements.

Financial Statements (cont'd)

Statement of Operations

	Year Ended December 31, 2016 (000)
Investment Income:	
Interest from Securities of Unaffiliated Issuers (Net of $—@ of Foreign Taxes Withheld)	$15,572
Income from Securities Loaned — Net	75
Dividends from Securities of Unaffiliated Issuers	57
Dividends from Securities of Affiliated Issuer (Note E)	9
Total Investment Income	15,713
Expenses:	
Advisory Fees (Note B)	2,273
Administration Fees (Note C)	182
Professional Fees	130
Stockholder Reporting Expenses	50
Custodian Fees (Note D)	15
Stockholder Servicing Agent Fees	8
Directors' Fees and Expenses	8
Other Expenses	58
Total Expenses	2,724
Waiver of Administration Fees (Note C)	(103)
Rebate from Morgan Stanley Affiliate (Note E)	(6)
Reimbursement of Custodian Fees (Note D)	(60)
Net Expenses	2,555
Net Investment Income	13,158
Realized Loss:	
Investments Sold (Net of $40 of Capital Gain Country Tax)	(4,101)
Foreign Currency Forward Exchange Contracts	(182)
Foreign Currency Transactions	(70)
Futures Contracts	(116)
Net Realized Loss	(4,469)
Change in Unrealized Appreciation (Depreciation):	
Investments (Net of Increase in Deferred Capital Gain Country Tax of $38)	13,842
Foreign Currency Forward Exchange Contracts	(83)
Foreign Currency Translations	25
Futures Contracts	(5)
Net Change in Unrealized Appreciation (Depreciation)	13,779
Net Realized Loss and Change in Unrealized Appreciation (Depreciation)	9,310
Net Increase in Net Assets Resulting from Operations	$22,468

The accompanying notes are an integral part of the financial statements.

Financial Statements (cont'd)

Statements of Changes in Net Assets

	Year Ended December 31, 2016 (000)	Year Ended December 31, 2015 (000)
Increase (Decrease) in Net Assets:		
Operations:		
Net Investment Income	$ 13,158	$ 12,481
Net Realized Gain (Loss)	(4,469)	653
Net Change in Unrealized Appreciation (Depreciation)	13,779	(15,994)
Net Increase (Decrease) in Net Assets Resulting from Operations	22,468	(2,860)
Distributions from and/or in Excess of:		
Net Investment Income	(13,277)	(13,106)
Capital Share Transactions:		
Repurchase of Shares (480,712 and 1,112,006 shares)	(4,426)	(10,192)
Net Decrease in Net Assets Resulting from Capital Share Transactions	(4,426)	(10,192)
Total Increase (Decrease)	4,765	(26,158)
Net Assets:		
Beginning of Period	216,814	242,972
End of Period (Including Accumulated Undistributed Net Investment Income of $436 and $563)	$221,579	$216,814

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Selected Per Share Data and Ratios

	Year Ended December 31,				
	2016(1)	**2015**	**2014**	**2013**	**2012**
Net Asset Value, Beginning of Period	$ 10.08	$ 10.74	$ 10.97	$ 13.08	$ 11.54
Net Investment Income(2)	0.62	0.57	0.53	0.56	0.58
Net Realized and Unrealized Gain (Loss)	0.44	(0.71)	(0.23)	(1.73)	1.59
Total from Investment Operations	1.06	(0.14)	0.30	(1.17)	2.17
Distributions from and/or in excess of:					
Net Investment Income	(0.63)	(0.60)	(0.57)	(0.60)	(0.60)
Net Realized Gain	—	—	—	(0.37)	(0.03)
Total Distributions	(0.63)	(0.60)	(0.57)	(0.97)	(0.63)
Anti-Dilutive Effect of Share Repurchase Program	0.03	0.08	0.04	0.03	—
Net Asset Value, End of Period	$ 10.54	$ 10.08	$ 10.74	$ 10.97	$ 13.08
Per Share Market Value, End of Period	$ 9.10	$ 8.57	$ 9.09	$ 9.54	$ 11.95
TOTAL INVESTMENT RETURN:(3)					
Market Value	13.50%	0.95%	1.02%	(12.27)%	21.04%
Net Asset Value	11.77%	0.50%	3.80%	(7.84)%	19.51%
RATIOS, SUPPLEMENTAL DATA:					
Net Assets, End of Period (Thousands)	$221,579	$216,814	$242,972	$254,350	$309,645
Ratio of Expenses to Average Net Assets(6)	1.12%(4)	1.16%(4)	1.14%(4)	1.16%(4)	1.13%(4)
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	N/A	N/A	N/A	1.14%(4)	N/A
Ratio of Net Investment Income to Average Net Assets(6)	5.79%(4)	5.32%(4)	4.73%(4)	4.66%(4)	4.65%(4)
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.00%(5)	0.00%(5)	0.00%(5)	0.00%(5)	0.01%
Portfolio Turnover Rate	52%	38%	80%	85%	46%
(6) Supplemental Information on the Ratios to Average Net Assets:					
Ratios Before Expenses Waived by Administrator:					
Ratio of Expenses to Average Net Assets	1.20%	1.21%	1.19%	1.21%	1.18%
Ratio of Net Investment Income to Average Net Assets	5.71%	5.27%	4.68%	4.61%	4.60%

(1) Refer to Note D in the Notes to Financial Statements for discussion of prior period custodian out-of pocket expenses that were reimbursed in the current period. The amount of the reimbursement was immaterial on a per share basis and did not impact the total return of the Fund. The Ratio of Expenses to Average Net Assets would have been 0.03% higher and the Ratio of Net Investment Income to Average Net Assets would have been 0.03% lower had the custodian not reimbursed the Fund.

(2) Per share amount is based on average shares outstanding.

(3) Total investment return based on net asset value per share reflects the effects of changes in net asset value on the performance of the Fund during each period, and assumes dividends and distributions, if any, were reinvested. This percentage is not an indication of the performance of a stockholder's investment in the Fund based on market value due to differences between the market price of the stock and the net asset value per share of the Fund. Total returns are based upon the market value and net asset value on the last business day of each period.

(4) The Ratios of Expenses and Net Investment Income reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

(5) Amount is less than 0.005%.

Notes to Financial Statements

Morgan Stanley Emerging Markets Debt Fund, Inc. (the "Fund") was incorporated in Maryland on May 6, 1993, and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "Act"). The Fund applies investment company accounting and reporting guidance. The Fund's primary investment objective is to produce high current income and as a secondary objective, to seek capital appreciation, through investments primarily in debt securities of government and government-related issuers located in emerging countries, of entities organized to restructure outstanding debt of such issuers and debt securities of corporate issuers in or organized under the laws of emerging countries. To the extent that the Fund invests in derivative instruments that Morgan Stanley Investment Management Inc. (the "Adviser") believes have economic characteristics similar to debt securities of government and government-related issuers located in emerging market countries and of entities organized to restructure outstanding debt of such issuers, such investments will be counted for purposes of meeting the Fund's investment objective. To the extent the Fund makes such investments, the Fund will be subject to the risks of such derivative instruments as described herein.

A. Significant Accounting Policies: The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("GAAP"). Such policies are consistently followed by the Fund in the preparation of its financial statements. GAAP may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

1. **Security Valuation:** (1) Bonds and other fixed income securities may be valued according to the broadest and most representative market. In addition, bonds and other fixed income securities may be valued on the basis of prices provided by a pricing service/vendor. The pricing service/vendor may employ a pricing model that takes into account, among other things, bids, yield spreads, and/or other market data and specific security characteristics. Alternatively, if a valuation is not available from an outside pricing service/vendor, and the security trades on an exchange, the security may be valued at its latest reported sale price (or at the exchange official closing price if such exchange reports an official closing price), prior to the time when assets are valued. If there are no sales on a given day and if there is no official exchange closing price for that day, the security is valued at the mean between the last reported bid and asked prices if such bid and asked prices are available in the relevant exchanges; (2) an equity portfolio security listed or traded on an exchange is valued at its latest reported sales price (or at the exchange official closing price if such exchange reports an official closing price), and if there were no sales on a given day and if there is no official exchange closing price for that day, the security is valued at the mean between the last reported bid and asked prices if such bid and asked prices are available on the relevant exchanges;
(3) futures are valued at the settlement price on the exchange on which they trade or, if a settlement price is unavailable, at the last sale price on the exchange; (4) when market quotations are not readily available, including circumstances under which the Adviser determines that the closing price, last sale price or the mean between the last reported bid and asked prices are not reflective of a security's market value, portfolio securities are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors (the "Directors"). Occasionally, developments affecting the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business of the New York Stock Exchange ("NYSE"). If developments occur during such periods that are expected to materially affect the value of such securities, such valuations may be adjusted to reflect the estimated fair value of such securities as of the close of the NYSE, as determined in good faith by the Directors or by the

Notes to Financial Statements (cont'd)

Adviser using a pricing service and/or procedures approved by the Directors; (5) quotations of foreign portfolio securities, other assets and liabilities and forward contracts stated in foreign currency are translated into U.S. dollar equivalents at the prevailing market rates prior to the close of the NYSE; and (6) investments in mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value ("NAV") as of the close of each business day.

The Directors have responsibility for determining in good faith the fair value of the investments, and the Directors may appoint others, such as the Fund's Adviser or a valuation committee, to assist the Directors in determining fair value and to make the actual calculations pursuant to the fair valuation methodologies previously approved by the Directors. Under procedures approved by the Directors, the Fund's Adviser has formed a Valuation Committee whose members are approved by the Directors. The Valuation Committee provides administration and oversight of the Fund's valuation policies and procedures, which are reviewed at least annually by the Directors. These procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

2. **Fair Value Measurement:** Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurement" ("ASC 820"), defines fair value as the value that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

- Level 1 – unadjusted quoted prices in active markets for identical investments

Notes to Financial Statements (cont'd)

- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs including the Fund's own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2016.

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Fixed Income Securities				
Corporate Bonds	$ —	$ 21,280	$—	$ 21,280
Sovereign	—	193,574	—	193,574
Total Fixed Income Securities	**—**	**214,854**	**—**	**214,854**
Warrants	—	182	—	182
Assets: (cont'd)				
Short-Term Investments				
Investment Company	$ 8,852	$ —	$—	$ 8,852
Repurchase Agreements	—	656	—	656
Sovereign	—	367	—	367
Total Short-Term Investments	**8,852**	**1,023**	**—**	**9,875**
Futures Contract	3	—	—	3
Total Assets	**8,855**	**216,059**	**—**	**224,914**
Liabilities:				
Foreign Currency Forward Exchange Contracts	—	(83)	—	(83)
Total	**$8,855**	**$215,976**	**$—**	**$224,831**

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Fund recognizes transfers between the levels as of the end of the period. As of December 31, 2016, the Fund did not have any investments transfer between investment levels.

3. **Repurchase Agreements:** The Fund may enter into repurchase agreements under which the Fund lends cash and takes possession of securities with an agreement that the counterparty will repurchase such securities. In connection with transactions in repurchase agreements, a bank as custodian for the Fund takes possession of the underlying securities which are held as collateral, with a market value at least equal to the amount of the repurchase transaction, including principal and accrued interest. To the extent that any repurchase transaction exceeds one business day, the

Notes to Financial Statements (cont'd)

value of the collateral is marked-to-market on a daily basis to determine that the value of the collateral does not decrease below the repurchase price plus accrued interest as earned. If such a decrease occurs, additional collateral will be requested and, when received, will be added to the account to maintain full collateralization. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the counterparty to the agreement, realization of the collateral proceeds may be subject to cost and delays. The Fund, along with other affiliated investment companies, may utilize a joint trading account for the purpose of entering into repurchase agreements.

4. **Reverse Repurchase Agreements:** The Fund may enter into reverse repurchase agreements with institutions that the Adviser has determined are creditworthy. Under a reverse repurchase agreement, the Fund sells securities and agrees to repurchase them at a mutually agreed upon date and price. Reverse repurchase agreements involve the risk that the market value of the securities purchased with the proceeds from the sale of securities received by the Fund may decline below the price of the securities the Fund is obligated to repurchase. Reverse repurchase agreements also involve credit risk with the counterparty to the extent that the value of securities subject to repurchase exceed the Fund's liability under the reverse repurchase agreement. Securities subject to repurchase under reverse repurchase agreements, if any, are designated as such in the Portfolio of Investments.

   At December 31, 2016, the Fund did not have any outstanding reverse repurchase agreements.

5. **Foreign Currency Translation and Foreign Investments:** The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

   — investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;

   — investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

   Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances. However, pursuant to U.S. federal income tax regulations, gains and losses from certain foreign currency transactions and the foreign currency portion of gains and losses realized on sales and maturities of foreign denominated debt securities are treated as ordinary income for U.S. federal income tax purposes.

   Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from foreign currency forward exchange contracts, disposition of foreign currencies, currency gains (losses) realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) in the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

Notes to Financial Statements (cont'd)

A significant portion of the Fund's net assets consist of securities of issuers located in emerging markets, which are denominated in foreign currencies. Such securities may be concentrated in a limited number of countries and regions and may vary throughout the year. Changes in currency exchange rates will affect the value of securities and investment income from foreign currency denominated securities. Emerging market securities are often subject to greater price volatility, limited capitalization and liquidity, and higher rates of inflation than securities of companies based in the U.S. In addition, emerging market issuers may be subject to substantial governmental involvement in the economy and greater social, economic and political uncertainty.

6. **Derivatives:** The Fund may, but is not required to, use derivative instruments for a variety of purposes, including hedging, risk management, portfolio management or to earn income. Derivatives are financial instruments whose value is based, in part, on the value of an underlying asset, interest rate, index or financial instrument. Prevailing interest rates and volatility levels, among other things, also affect the value of derivative instruments. A derivative instrument often has risks similar to its underlying asset and may have additional risks, including imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which the derivative instrument relates, risks that the transactions may not be liquid and risks arising from margin requirements. The use of derivatives involves risks that are different from, and possibly greater than, the risks associated with other portfolio investments. Derivatives may involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments. All of the Fund's holdings, including derivative instruments, are marked-to-market each day with the change in value reflected in unrealized appreciation (depreciation). Upon disposition, a realized gain or loss is recognized.

Certain derivative transactions may give rise to a form of leverage. Leverage magnifies the potential for gain and the risk of loss. Leverage associated with derivative transactions may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable Securities and Exchange Commission rules and regulations, or may cause the Fund to be more volatile than if the Fund had not been leveraged. Although the Adviser seeks to use derivatives to further the Fund's investment objectives, there is no assurance that the use of derivatives will achieve this result.

Following is a description of the derivative instruments and techniques that the Fund used during the period and their associated risks:

Futures: A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying asset, reference rate or index at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. During the period the futures contract is open, payments are received from or made to the broker based upon changes in the value of the contract (the variation margin). A decision as to whether, when and how to use futures contracts involves the exercise of skill and judgment and even a well-conceived futures transaction may be unsuccessful because of market behavior or

Notes to Financial Statements (cont'd)

unexpected events. In addition to the derivatives risks discussed above, the prices of futures contracts can be highly volatile, using futures contracts can lower total return, and the potential loss from futures contracts can exceed the Fund's initial investment in such contracts. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. There is also the risk of loss by the Fund of margin deposits in the event of bankruptcy of a broker with which the Fund has open positions in the futures contract.

Foreign Currency Forward Exchange Contracts: In connection with its investments in foreign securities, the Fund also entered into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date. A foreign currency forward exchange contract ("currency contract") is a negotiated agreement between the contracting parties to exchange a specified amount of currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract. Currency contracts may be used to protect against uncertainty in the level of future foreign currency exchange rates or to gain or modify exposure to a particular currency. To the extent hedged by the use of currency contracts, the precise matching of the currency contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date on which the contract is entered into and the date it matures. Furthermore, such transactions may reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. There is additional risk to the extent that currency contracts create exposure to currencies in which the Fund's securities are not denominated. Unanticipated changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts. The use of currency contracts involves the risk of loss from the insolvency or bankruptcy of the counterparty to the contract or the failure of the counterparty to make payments or otherwise comply with the terms of the contract. A currency contract is marked-to-market daily and the change in market value is recorded by the Fund as unrealized gain or loss. The Fund records realized gains (losses) when the currency contract is closed equal to the difference between the value of the currency contract at the time it was opened and the value at the time it was closed.

FASB ASC 815, "Derivatives and Hedging" ("ASC 815"), is intended to improve financial reporting about derivative instruments by requiring enhanced disclosures to enable investors to better understand how and why the Fund uses derivative instruments, how these derivative instruments are accounted for and their effects on the Fund's financial position and results of operations.

The following table sets forth the fair value of the Fund's derivative contracts by primary risk exposure as of December 31, 2016.

	Asset Derivatives Statement of Assets and Liabilities Location	Primary Risk Exposure	Value (000)
Futures Contract	Variation Margin on Futures Contract	Interest Rate Risk	$3(a)

	Liability Derivatives Statement of Assets and Liabilities Location	Primary Risk Exposure	Value (000)
Foreign Currency Forward Exchange Contracts	Unrealized Depreciation on Foreign Currency Forward Exchange Contracts	Currency Risk	$(83)

(a) This amount represents the cumulative appreciation (depreciation) as reported in the Portfolio of Investments. The Statement of Assets and Liabilities only reflects the current day's net variation margin.

Notes to Financial Statements (cont'd)

The following tables set forth by primary risk exposure the Fund's realized gains (losses) and change in unrealized appreciation (depreciation) by type of derivative contract for the year ended December 31, 2016 in accordance with ASC 815.

Realized Gain (Loss)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$(182)
Interest Rate Risk	Futures Contracts	(116)
Total		$(298)

Change in Unrealized Appreciation (Depreciation)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$(83)
Interest Rate Risk	Futures Contracts	(5)
Total		$(88)

At December 31, 2016, the Fund's derivative assets and liabilities are as follows:

Gross Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities

Derivatives(b)	Assets(c) (000)	Liabilities(c) (000)
Foreign Currency Forward Exchange Contracts	$—	$(83)

(b) Excludes exchange traded derivatives.

(c) Absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

The Fund typically enters into International Swaps and Derivatives Association, Inc. Master Agreements ("ISDA Master Agreements") or similar master agreements (collectively, "Master Agreements") with its contract counterparties for certain OTC derivatives in order to, among other things, reduce its credit risk to counterparties. ISDA Master Agreements include provisions for general obligations, representations, collateral and events of default or termination. Under an ISDA Master Agreement, the Fund typically may offset with the counterparty certain OTC derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment (close-out netting) in the event of default, termination and/or potential deterioration in the credit quality of the counterparty. Various Master Agreements govern the terms of certain transactions with counterparties, including transactions such as swap, forward, repurchase and reverse repurchase agreements. These Master Agreements typically attempt to reduce the counterparty risk associated with such transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Cross-termination provisions under Master Agreements typically provide that a default in connection with one transaction between the Fund and a counterparty gives the non-defaulting party the right to terminate any other transactions in place with the defaulting party to create one single net payment due to/due from the defaulting party and may be a feature in certain Master Agreements. In the event the Fund exercises its right to terminate a Master Agreement after a counterparty experiences a termination event as defined in the Master Agreement, the return of collateral with market value in excess of the Fund's net liability may be delayed or denied.

The following tables present derivative financial instruments that are subject to enforceable netting arrangements as of December 31, 2016.

Gross Amounts Not Offset in the Statement of Assets and Liabilities

Counterparty	Gross Liability Derivatives Presented in Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Pledged (000)	Net Amount (not less than $0) (000)
Citibank NA	$83	$—	$—	$83

Notes to Financial Statements (cont'd)

For the year ended December 31, 2016, the approximate average monthly amount outstanding for each derivative type is as follows:

Foreign Currency Forward Exchange Contracts:
Average monthly principal amount $2,977,000

Futures Contracts:
Average monthly original value $12,108,000

7. **Securities Lending:** The Fund lends securities to qualified financial institutions, such as broker-dealers, to earn additional income. Any increase or decrease in the fair value of the securities loaned that might occur and any interest earned or dividends declared on those securities during the term of the loan would remain in the Fund. The Fund would receive cash or securities as collateral in an amount equal to or exceeding 100% of the current fair value of the loaned securities. The collateral is marked-to-market daily by State Street Bank and Trust Company ("State Street"), the securities lending agent, to ensure that a minimum of 100% collateral coverage is maintained.

Based on pre-established guidelines, the securities lending agent invests any cash collateral that is received in an affiliated money market portfolio and repurchase agreements. Securities lending income is generated from the earnings on the invested collateral and borrowing fees, less any rebates owed to the borrowers and compensation to the lending agent, and is recorded as "Income from Securities Loaned — Net" in the Fund's Statement of Operations. Risks in securities lending transactions are that a borrower may not provide additional collateral when required or return the securities when due, and that the value of the short-term investments will be less than the amount of cash collateral plus any rebate that is required to be returned to the borrower. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

The following table presents financial instruments that are subject to enforceable netting arrangements as of December 31, 2016.

	Gross Amounts Not Offset in the Statement of Assets and Liabilities		
Gross Asset Amounts Presented in Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than $0) (000)
$8,098(d)	$—	$(8,098)(e)(f)	$0

(d)Represents market value of loaned securities at period end.

(e)The Fund received cash collateral of approximately $3,239,000, of which approximately $3,233,000 was subsequently invested in Repurchase Agreements and Morgan Stanley Institutional Liquidity Funds as reported in the Portfolio of Investments. As of December 31, 2016, there was uninvested cash of approximately $6,000, which is not reflected in the Portfolio of Investments. In addition, the Fund received non-cash collateral of approximately $5,020,000 in the form of U.S. Government obligations, which the Fund cannot sell or repledge, and accordingly are not reflected in the Portfolio of Investments.

(f)The actual collateral received is greater than the amount shown here due to overcollateralization.

FASB Accounting Standards Update No. 2014-11 ("ASU No. 2014-11"), "Transfers & Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures", is intended to provide increased transparency about the types of collateral pledged in securities lending transactions and other similar transactions that are accounted for as secured borrowing.

The following table displays a breakdown of transactions accounted for as secured borrowings, the gross obligations by class of collateral pledged, and the remaining contractual maturity of those transactions as of December 31, 2016.

Notes to Financial Statements (cont'd)

Remaining Contractual Maturity of the Agreements	Overnight and Continuous (000)	<30 days (000)	Between 30 & 90 days (000)	>90 days (000)	Total (000)
Securities Lending Transactions					
Corporate Bonds	$ 783	$—	$—	$—	$ 783
Sovereign	2,456	—	—	—	2,456
Total	$ 3,239	$—	$—	$—	$ 3,239
Total Borrowings	**$3,239**	**$—**	**$—**	**$—**	**$3,239**
Gross amount of recognized liabilities for securities lending transactions					**$3,239**

8. **Structured Investments:** The Fund invested a portion of its assets in structured investments. A structured investment is a derivative security designed to offer a return linked to a particular underlying security, currency, commodity or market. Structured investments may come in various forms including notes (such as exchange-traded notes), warrants and options to purchase securities. The Fund will typically use structured investments to gain exposure to a permitted underlying security, currency, commodity or market when direct access to a market is limited or inefficient from a tax or cost standpoint. There can be no assurance that structured investments will trade at the same price or have the same value as the underlying security, currency, commodity or market. Investments in structured investments involve risks including issuer risk, counterparty risk and market risk. Holders of structured investments bear risks of the underlying investment and are subject to issuer or counterparty risk because the Fund is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing the Fund's illiquidity to the extent that the Fund, at a particular time, may be unable to find qualified buyers for these securities.

9. **Indemnifications:** The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

10. **Dividends and Distributions to Stockholders:** Dividend income and distributions to stockholders are recorded on the ex-dividend date. Dividends from net investment income, if any, are declared and paid quarterly. Net realized capital gains, if any, are distributed at least annually.

11. **Other:** Security transactions are accounted for on the date the securities are purchased or sold. Realized gains (losses) on the sale of investment securities are determined on the specific identified cost basis. Interest income is recognized on the accrual basis except where collection is in doubt and is recorded net of foreign withholding tax. Dividend income and distributions are recorded on the ex-dividend date (except certain dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes.

B. Advisory Fees: The Adviser, a wholly-owned subsidiary of Morgan Stanley, provides the Fund with advisory services under the terms of an Investment Advisory Agreement, calculated weekly and payable monthly, at an annual rate of 1.00% of the Fund's average weekly net assets.

C. Administration Fees: The Adviser also serves as Administrator to the Fund and provides administrative services pursuant to an Administration Agreement for an annual fee, accrued daily and paid monthly, of 0.08% of the Fund's average weekly net assets. The Adviser has agreed to limit the

Notes to Financial Statements (cont'd)

administration fee through a waiver so that it will be no greater than the previous administration fee of 0.02435% of the Fund's average weekly net assets plus $24,000 per annum. This waiver may be terminated at any time. For the year ended December 31, 2016, approximately $103,000 of administration fees were waived pursuant to this arrangement.

Under a Sub-Administration Agreement between the Administrator and State Street, State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Fund.

D. Custodian Fees: State Street (the "Custodian") serves as Custodian for the Fund in accordance with a Custodian Agreement. The Custodian holds cash, securities, and other assets of the Fund as required by the Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

In December 2015, the Fund's Custodian announced that it had identified inconsistencies in the way in which clients were invoiced for out-of-pocket expenses from 1998 until November 2015. The dollar amount difference between what was charged and what should have been charged, plus interest, was paid back to the Fund in September 2016 as a reimbursement. The Custodian reimbursed the Fund directly, which was recognized as a change in accounting estimate and was reflected as "Reimbursement of Custodian Fees" in the Statement of Operations.

E. Security Transactions and Transactions with Affiliates: For the year ended December 31, 2016, purchases and sales of investment securities for the Fund, other than long-term U.S. Government securities and short-term investments, were approximately $114,206,000 and $117,878,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the year ended December 31, 2016.

The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds (the "Liquidity Funds"), an open-end management investment company managed by the Adviser, both directly and as a portion of the securities held as collateral on loaned securities. Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Fund due to its investment in the Liquidity Funds. For the year ended December 31, 2016, advisory fees paid were reduced by approximately $6,000 relating to the Fund's investment in the Liquidity Funds.

A summary of the Fund's transactions in shares of the Liquidity Funds during the year ended December 31, 2016 is as follows:

Value December 31, 2015 (000)	Purchases at Cost (000)	Sales (000)	Dividend Income (000)	Value December 31, 2016 (000)
$23,648	$78,024	$92,820	$9	$8,852

The Fund is permitted to purchase and sell securities ("cross-trade") from and to other Morgan Stanley Funds as well as other funds and client accounts for which the Adviser or an affiliate of the Adviser serves as investment adviser, pursuant to procedures approved by the Directors in compliance with Rule 17a-7 under the Act (the "Rule"). Each cross-trade is executed at the current market price in compliance with provisions of the Rule. For the year ended December 31, 2016, the Fund did not engage in any cross-trade transactions.

The Fund has an unfunded Deferred Compensation Plan (the "Compensation Plan"), which allows each independent Director to defer payment of all, or a portion, of the fees he or she receives for serving on the Board of Directors. Each eligible Director generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Morgan Stanley funds that are offered as investment options under the Compensation Plan. Appreciation/depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the NAV of the Fund.

Notes to Financial Statements (cont'd)

F. **Federal Income Taxes:** It is the Fund's intention to continue to qualify as a regulated investment company and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements.

The Fund may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued based on net investment income, net realized gains and net unrealized appreciation as such income and/or gains are earned. Taxes may also be based on transactions in foreign currency and are accrued based on the value of investments denominated in such currency.

FASB ASC 740-10, "Income Taxes — Overall", sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other Expenses" in the Statement of Operations. The Fund files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended December 31, 2016, remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal years 2016 and 2015 was as follows:

2016 Distributions Paid From:		2015 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
$13,277	$—	$13,106	$—

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from GAAP. These book/tax differences are either considered temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions and basis adjustments for securities sold, resulted in the following reclassifications among the components of net assets at December 31, 2016:

Accumulated Undistributed Net Investment Income (000)	Accumulated Net Realized Loss (000)	Paid-in-Capital (000)
$(8)	$8	$—

At December 31, 2016, the components of distributable earnings for the Fund on a tax basis were as follows:

Undistributed Ordinary Income (000)	Undistributed Long-Term Capital Gain (000)
$552	$—

At December 31, 2016, the Fund had available for federal income tax purposes unused short term and long term capital losses of approximately $3,576,000 and $10,818,000, respectively, that do not have an expiration date.

To the extent that capital loss carryforwards are used to offset any future capital gains realized, no capital gains tax liability will be incurred by the Fund for gains realized and not distributed. To the extent that capital gains are offset, such gains will not be distributed to the stockholders.

Notes to Financial Statements (cont'd)

G. Other: As permitted by the Fund's offering prospectus, on October 8, 2007, the Fund commenced a share repurchase program for purposes of enhancing stockholder value and reducing the discount at which the Fund's shares trade from their NAV. During the year ended December 31, 2016, the Fund repurchased 480,712 of its shares at an average discount of 14.21% from NAV. Since the inception of the program, the Fund has repurchased 3,750,677 of its shares at an average discount of 14.72% from NAV. The Directors regularly monitor the Fund's share repurchase program as part of their review and consideration of the Fund's premium/discount history. The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Directors. You can access information about the monthly share repurchase results through Morgan Stanley Investment Management's website: www.morganstanley.com/im.

At December 31, 2016, the Fund did not have record owners of 10% or greater.

H. Results of Annual Meeting of Stockholders (unaudited): On June 21, 2016, an annual meeting of the Fund's stockholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Directors by all stockholders:

	For	Against
Frank L. Bowman	16,617,920	1,332,921
Jakki L. Haussler	16,611,229	1,339,612
Manuel H. Johnson	16,604,204	1,346,637

I. Accounting Pronouncements: In December 2016, FASB issued Accounting Standards update 2016-19 — Technical Corrections and Improvements ("ASU 2016-19"), which is effective for interim periods for all entities beginning after December 15, 2016. ASU 2016-19 includes an amendment to Topic 820, Fair Value Measurement, which clarifies the difference between a valuation approach and a valuation technique when applying the guidance in that Topic. That amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. The transition guidance for the amendment must be applied prospectively because it could potentially involve the use of hindsight that includes fair value measurements. Although still evaluating the potential impacts of ASU 2016-19 to the Fund, management expects that the impact of the Fund's adoption will be limited to additional financial statement disclosures.

In October 2016, the Securities and Exchange Commission ("SEC") issued a new rule, Investment Company Reporting Modernization, which, among other provisions, amends Regulation S-X to require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Compliance with the guidance is effective for financial statements filed with the SEC on or after August 1, 2017; adoption will have no effect on the Fund's net assets or results of operations. Although still evaluating the potential impacts of the Investment Company Reporting Modernization to the Fund, management expects that the impact of the Fund's adoption will be limited to additional financial statement disclosures.

Notes to Financial Statements (cont'd)

For More Information About Portfolio Holdings (unaudited)

The Fund provides a complete schedule of portfolio holdings in its semi-annual and annual reports within 60 days of the end of the Fund's second and fourth fiscal quarters. The semi-annual reports and the annual reports are filed electronically with the Securities and Exchange Commission (SEC) on Form N-CSRS and Form N-CSR, respectively. Morgan Stanley also delivers the semi-annual and annual reports to Fund stockholders and makes these reports available on its public website, www.morganstanley.com/im. Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the Fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to stockholders, nor are the reports posted to the Morgan Stanley public website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, www.sec.gov. You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC toll free at 1(800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address (publicinfo@sec.gov) or by writing the public reference room of the SEC, 100 F Street, NE, Washington, DC 20549-0102.

In addition to filing a complete schedule of portfolio holdings with the SEC each fiscal quarter, the Fund makes portfolio holdings information available by providing the information on its public website, www.morganstanley.com/im. The Fund provides a complete schedule of portfolio holdings on the public website on a monthly basis at least 15 calendar days after month-end and under other conditions as described in the Fund's policy on portfolio holdings disclosure. You may obtain copies of the Fund's monthly website postings by calling toll free 1(800) 231-2608.

Proxy Voting Policy and Procedures and Proxy Voting Record (unaudited)

A copy of (1) the Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities; and (2) how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, is available without charge, upon request, by calling toll free 1(800) 231-2608 or by visiting our website at www.morganstanley.com/im. This information is also available on the SEC's web site at www.sec.gov.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Morgan Stanley Emerging Markets Debt Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Morgan Stanley Emerging Markets Debt Fund, Inc. (the "Fund"), including the portfolio of investments, as of December 31, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2016, by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Morgan Stanley Emerging Markets Debt Fund, Inc. at December 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Boston, Massachusetts
February 28, 2017

Portfolio Management (unaudited)

The Fund is managed by members of the Emerging Markets Debt team. The team consists of portfolio managers, analysts and traders. The members of the team jointly and primarily responsible for the day-to-day management of the Fund are Eric J. Baurmeister, a Managing Director of the Adviser, Jens Nystedt, a Managing Director of the Adviser, Warren Mar, a Managing Director of the Adviser and Sahil Tandon, an Executive Director of the Adviser. Mr. Baurmeister has been associated with the Adviser in an investment management capacity since 1997. Mr. Baurmeister began managing the Fund in July 2002. Mr. Nystedt has been associated with the Adviser in an investment management capacity since November 2014. Prior to November 2014, Mr. Nystedt was a Senior Global Strategist at Moore Capital Management from November 2008 to November 2014. Mr. Mar has been associated with the Adviser in an investment management capacity since August 2012. Prior to August 2012, Mr. Mar was the global head of Emerging Markets Corporate Research & Strategy at J.P. Morgan Chase from April 2004 to August 2012. Mr. Tandon has been associated with the Adviser in an investment management capacity since 2004.

Investment Policy (unaudited)

Derivatives

The Fund may, but it is not required to, use derivative instruments for a variety of purposes, including hedging, risk management, portfolio management or to earn income. Derivatives are financial instruments whose value is based, in part, on the value of an underlying asset, interest rate, index or financial instrument. Prevailing interest rates and volatility levels, among other things, also affect the value of derivative instruments. A derivative instrument often has risks similar to its underlying asset and may have additional risks, including imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which the derivative instrument relates, risks that the transactions may not be liquid and risks arising from margin requirements. The use of derivatives involves risks that are different from, and possibly greater than, the risks associated with other portfolio investments. Derivatives may involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments. In addition, proposed regulatory changes by the Securities and Exchange Commission ("SEC") relating to a mutual fund's use of derivatives could potentially limit or impact the Fund's ability to invest in derivatives and adversely affect the value or performance of the Fund or its derivative investments.

Certain derivative transactions may give rise to a form of leverage. Leverage magnifies the potential for gain and the risk of loss. Leverage associated with derivative transactions may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable SEC rules and regulations, or may cause the Fund to be more volatile than if the Fund had not been leveraged. Although the Adviser seeks to use derivatives to further the Fund's investment objective, there is no assurance that the use of derivatives will achieve this result.

Following is a description of the derivative instruments and techniques that the Fund may use and their associated risks:

Foreign Currency Forward Exchange Contracts. In connection with its investments in foreign securities, the Fund also may enter into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date. A foreign currency forward exchange contract ("currency contract") is a negotiated agreement between the contracting parties to exchange a specified amount of currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract. The Fund may also invest in non-deliverable foreign currency forward exchange contracts ("NDFs"). NDFs are similar to other foreign currency forward exchange contracts, but do not require or permit physical delivery of currency upon settlement. Instead, settlement is made in cash based on the difference between the contracted exchange rate and the spot foreign exchange rate at settlement. Currency contracts may be used to protect against uncertainty in the level of future foreign currency exchange rates or to gain or modify exposure to a particular currency. In addition, the Fund may use cross currency hedging or proxy hedging with respect to currencies in which the Fund has or expects to have portfolio or currency exposure. Cross currency hedges involve the sale of one currency against the positive exposure to a different currency and may be used for hedging purposes or to establish an active exposure to the exchange rate between any two currencies. To the extent hedged by the use of currency contracts, the precise matching of the currency contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those

Investment Policy (unaudited) (cont'd)

securities between the date on which the contract is entered into and the date it matures. Furthermore, such transactions may reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. There is additional risk that such transactions may reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken and that currency contracts create exposure to currencies in which the Fund's securities are not denominated. The use of currency contracts involves the risk of loss from the insolvency or bankruptcy of the counterparty to the contract or the failure of the counterparty to make payments or otherwise comply with the terms of the contract.

Futures. A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying asset, reference rate or index at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. A decision as to whether, when and how to use futures contracts involves the exercise of skill and judgment and even a well-conceived futures transaction may be unsuccessful because of market behavior or unexpected events. In addition to the derivatives risks discussed above, the prices of futures contracts can be highly volatile, using futures contracts can lower total return, and the potential loss from futures contracts can exceed the Fund's initial investment in such contracts. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. There is also the risk of loss by the Fund of margin deposits in the event of bankruptcy of a broker with which the Fund has open positions in the futures contract.

Loan Participation Notes. The Fund may invest in loan participation notes ("LPNs"), which are interests in loans or other direct debt instruments relating to amounts owed by a corporate, governmental or other borrower to another party. LPNs are notes issued through a special purpose vehicle for the purpose of funding or acquiring a loan to final obligor. LPNs are subject to the same risks as other debt obligations, which may include credit risk, interest rate risk, liquidity risk and market risk. LPNs have limited recourse to the issuer, to the extent of the amount received by the issuer from the ultimate borrower in paying the principal and interest amounts as defined under the loan agreement. The Fund may be exposed to the credit risk of both the lender and the borrower, and may not benefit from any collateral supporting the underlying loan.

Options. If the Fund buys an option, it buys a legal contract giving it the right to buy or sell a specific amount of the underlying instrument or futures contract on the underlying instrument or foreign currency at an agreed-upon price typically in exchange for a premium paid by the Fund. If the Fund sells an option, it sells to another person the right to buy from or sell to the Fund a specific amount of the underlying instrument or foreign currency or futures contract on the underlying instrument or foreign currency at an agreed-upon price typically in exchange for a premium received by the Fund. When options are purchased over-the-counter ("OTC"), the Fund bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Options may also be illiquid and the Fund may have difficulty closing out its position. A decision as to whether, when and how to use options involves the exercise of skill and judgment and even a well-conceived option transaction may be unsuccessful because of market behavior or unexpected events. The prices of options can be highly volatile and the use of options can lower total returns.

Investment Policy (unaudited) (cont'd)

Structured Investments. The Fund also may invest a portion of its assets in structured investments. A structured investment is a derivative security designed to offer a return linked to a particular underlying security, currency, commodity or market. Structured investments may come in various forms including notes (such as exchange-traded notes), warrants and options to purchase securities. The Fund will typically use structured investments to gain exposure to a permitted underlying security, currency, commodity or market when direct access to a market is limited or inefficient from a tax or cost standpoint. There can be no assurance that structured investments will trade at the same price or have the same value as the underlying security, currency, commodity or market. Investments in structured investments involve risks including issuer risk, counterparty risk and market risk. Holders of structured investments bear risks of the underlying investment and are subject to issuer or counterparty risk because the Fund is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing the Fund's illiquidity to the extent that the Fund, at a particular point in time, may be unable to find qualified buyers for these securities.

Swaps. The Fund may enter into OTC swap contracts or cleared swap transactions. An OTC swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indices, reference rates, currencies or other instruments. Typically swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (i.e., the two payment streams are netted out, with only the net amount paid by one party to the other). The Fund's obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each party. Cleared swap transactions may help reduce counterparty credit risk. In a cleared swap, the Fund's ultimate counterparty is a clearinghouse rather than a swap dealer, bank or other financial institution. OTC swap agreements are not entered into or traded on exchanges and often there is no central clearing or guaranty function for swaps. These OTC swaps are often subject to credit risk or the risk of default or non- performance by the counterparty. Both OTC and cleared swaps could result in losses if interest rates, foreign currency exchange rates or other factors are not correctly anticipated by the Fund or if the reference index, security or investments do not perform as expected. The Fund's use of swaps may include those based on the credit of an underlying security, commonly referred to as "credit default swaps." Where the Fund is the buyer of a credit default swap contract, it would typically be entitled to receive the par (or other agreed-upon) value of a referenced debt obligation from the counterparty to the contract only in the event of a default or similar event of the issuer of the referenced debt obligation. If no default occurs, the Fund would have paid to the counterparty a periodic stream of payments over the term of the contract and received no benefit from the contract. When the Fund is the seller of a credit default swap contract, it typically receives the stream of payments but is obligated to pay an amount equal to the par (or other agreed-upon) value of a referenced debt obligation upon the default or similar event of the issuer of the referenced debt obligation. The Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulatory developments require the clearing and exchange-trading of certain standardized swap transactions. Mandatory exchange-trading and clearing is occurring on a phased-in basis.

Special Risks Related to Cyber Security

The Fund and its service providers are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks;

Investment Policy (unaudited) (cont'd)

unauthorized access to relevant systems; compromises to networks or devices that the Fund and its service providers use to service the Fund's operations; or operational disruption or failures in the physical infrastructure or operating systems that support the Fund and its service providers. Cyber attacks against or security breakdowns of the Fund or its service providers may adversely impact the Fund and its stockholders, potentially resulting in, among other things, financial losses; the inability of Fund stockholders to transact business and the Fund to process transactions; inability to calculate the Fund's NAV; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. The Fund may incur additional costs for cyber security risk management and remediation purposes. In addition, cyber security risks may also impact issuers of securities in which the Fund invests, which may cause the Fund's investment in such issuers to lose value. There can be no assurance that the Fund or its service providers will not suffer losses relating to cyber attacks or other information security breaches in the future.

Foreign and Emerging Market Securities

Investing in the securities of foreign issuers, particularly those located in emerging market or developing countries, entails the risk that news and events unique to a country or region will affect those markets and their issuers. The value of the Fund's shares may vary widely in response to political and economic factors affecting companies in foreign countries. These same events will not necessarily have an effect on the U.S. economy or similar issuers located in the United States. In addition, investments in certain foreign markets that have historically been considered stable may become more volatile and subject to increased risk due to ongoing developments and changing conditions in such markets. Moreover, the growing interconnectivity of global economies and financial markets has increased the probability that adverse developments and conditions in one country or region will affect the stability of economies and financial markets in other countries or regions.

Investments in foreign markets entail special risks such as currency, political, economic and market risks. There also may be greater market volatility, less reliable financial information, higher transaction and custody costs, decreased market liquidity and less government and exchange regulation associated with investments in foreign markets. Certain foreign markets may rely heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, organizations, entities and/or individuals, changes in international trading patterns, trade barriers, and other protectionist or retaliatory measures. Economic sanctions could, among other things, effectively restrict or eliminate the Fund's ability to purchase or sell securities or groups of securities for a substantial period of time, and may make the Fund's investments in such securities harder to value. Investments in foreign markets may also be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or the imposition of punitive taxes. The governments of certain countries may prohibit or impose substantial restrictions on foreign investing in their capital markets or in certain sectors or industries. In addition, a foreign government may limit or cause delay in the convertibility or repatriation of its currency which would adversely affect the U.S. dollar value and/or liquidity of investments denominated in that currency. Certain foreign investments may become less liquid in response to market developments or adverse investor perceptions, or become illiquid after purchase by the Fund, particularly during periods of market turmoil. When the Fund holds illiquid investments, its portfolio may be harder to value. The risks of investing in emerging market countries are greater than risks associated with

Investment Policy (unaudited) (cont'd)

investments in foreign developed countries. In addition, the Fund's investments in foreign issuers may be denominated in foreign currencies and therefore, to the extent unhedged, the value of the investment will fluctuate with the U.S. dollar exchange rates.

Determination of NAV

The Fund determines the NAV per share as of the close of the NYSE (normally 4:00p.m. Eastern time) on each day that the NYSE is open for business. Shares generally will not be priced on days that the NYSE is closed, although shares may be priced on such days if the Securities Industry and Financial Markets Association ("SIFMA") recommends that the bond markets remain open for all or part of the day. On any business day when SIFMA recommends that the bond markets close early, the Fund reserves the right to price its shares at or prior to the SIFMA recommended closing time. If the NYSE is closed due to inclement weather, technology problems or any other reason on a day it would normally be open for business, or the NYSE has an unscheduled early closing on a day it has opened for business, the Fund reserves the right to treat such day as a business day and calculate its NAV as of the normally scheduled close of regular trading on the NYSE for that day, so long as the Adviser believes there generally remains an adequate market to obtain reliable and accurate market quotations. The Fund may elect to price its shares on days when the NYSE is closed but the primary securities markets on which the Fund's securities trade remain open.

Dividend Reinvestment and Cash Purchase Plan (unaudited)

Pursuant to the Dividend Reinvestment Plan (the Plan), each stockholder will be deemed to have elected, unless Computershare Trust Company, N.A. (the Plan Agent) is otherwise instructed by the stockholder in writing, to have all distributions automatically reinvested in Fund shares. Participants in the Plan have the option of making additional voluntary cash payments to the Plan Agent, quarterly, in any amount from $100 to $3000, for investment in Fund shares.

Dividend and capital gain distributions (Distribution) will be reinvested on the reinvestment date in full and fractional shares. If the market price per share equals or exceeds net asset value per share on the reinvestment date, the Fund will issue shares to participants at net asset value or, if net asset value is less than 95% of the market price on the reinvestment date, shares will be issued at 95% of the market price. If net asset value exceeds the market price on the reinvestment date, participants will receive shares valued at market price. The Fund may purchase shares of its Common Stock in the open market in connection with dividend reinvestment requirements at the discretion of the Board of Directors. Should the Fund declare a Distribution payable only in cash, the Plan Agent will purchase Fund shares for participants in the open market as agent for the participants.

The Plan Agent's fees for the reinvestment of a Distribution will be paid by the Fund. However, each participant's account will be charged a pro rata share of brokerage commissions incurred on any open market purchases effected on such participant's behalf. Although stockholders in the Plan may receive no cash distributions, participation in the Plan will not relieve participants of any income tax which may be payable on such dividends or distributions.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who are participating in the Plan.

Stockholders who do not wish to have Distributions automatically reinvested should notify the Plan Agent in writing. There is no penalty for non-participation or withdrawal from the Plan, and stockholders who have previously withdrawn from the Plan may rejoin at any time. Requests for additional information or any correspondence concerning the Plan should be directed to the Plan Agent at:

Morgan Stanley Emerging Markets Debt Fund, Inc.
Computershare Trust Company, N.A.
P.O. Box 30170
College Station, Texas 77842
1(800) 231-2608
Monday–Friday between 8:30 a.m. and 6:00 p.m. (EDT)

Privacy Notice (unaudited)

Morgan Stanley Investment Management Inc.
An Important Notice Concerning Our U.S. Privacy Policy

We are required by federal law to provide you with a copy of our privacy policy annually. This policy applies to current and former individual investors in funds managed or sponsored by Morgan Stanley Investment Management Inc. ("MSIM") as well as current and former individual clients of MSIM. This policy is not applicable to partnerships, corporations, trusts or other non-individual clients or investors. Please note that we may amend this policy at any time, and will inform you of any changes as required by law.

We Respect Your Privacy

We appreciate that you have provided us with your personal financial information. We strive to maintain the privacy of such information while we help you achieve your financial objectives. This Notice describes what non-public personal information we collect about you, why we collect it, when we may share it with others and how certain others may use it. It discusses the steps you may take to limit our sharing of certain information about you to affiliated companies in the Morgan Stanley family of companies ("other Morgan Stanley companies"). It also discloses how you may limit use of certain shared information for marketing purposes by other Morgan Stanley branded companies. Throughout this policy, we refer to the non-public information that personally identifies you or your accounts as "personal information."

1. What Personal Information Do We Collect About You?

We obtain personal information from applications and other forms you submit to us, from your dealings with us, from consumer reporting agencies, from our Web sites and from third parties and other sources.

For example:

- We may collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through subscription documents, applications and other forms you submit to us.

- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.

- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.

- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.

- If you interact with us through our public and private Web sites, we may collect information that you provide directly through online communications (such as an e-mail address). We may also collect information about your Internet service provider, your domain name, your computer's operating system and Web browser, your use of our Web sites and your product and service preferences, through the use of "cookies." Please consult the Terms of Use of these sites for more details.

Privacy Notice (unaudited) (cont'd)

2. When Do We Disclose Personal Information We Collect About You?

We may disclose personal information we collect about you to other Morgan Stanley companies and to non-affiliated third parties.

a. Information We Disclose to Other Morgan Stanley Companies. We may disclose personal information to other Morgan Stanley companies for a variety of reasons, including to manage your account(s) effectively, to service and process your transactions, to let you know about products and services offered by us and other Morgan Stanley companies, to manage our business, and as otherwise required or permitted by law. Offers for products and services from other Morgan Stanley companies are developed under conditions designed to safeguard your personal information.

b. Information We Disclose to Non-affiliated Third Parties. We do not disclose personal information that we collect about you to non-affiliated third parties except to those who provide marketing services on our behalf, to financial institutions with whom we have joint marketing agreements, and as otherwise required or permitted by law. For example, we may disclose personal information to nonaffiliated third parties for servicing and processing transactions, to offer our own products and services, to protect against fraud, for institutional risk control, to respond to judicial process or to perform services on our behalf. When we share personal information with a non-affiliated third party, they are required to limit their use of personal information to the particular purpose for which it was shared and they are not allowed to share personal information with others except to fulfill that limited purpose or as may be permitted or required by law.

3. How Do We Protect the Security and Confidentiality of Personal Information We Collect About You?

We maintain physical, electronic and procedural security measures to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information. Third parties that provide support or marketing services on our behalf may also receive personal information, and we require them to adhere to confidentiality standards with respect to such information.

4. How Can You Limit the Sharing of Certain Types of Personal Information With Other Morgan Stanley Companies?

We offer you choices as to whether we share with other Morgan Stanley companies the personal information that was collected to determine your eligibility for products and services you request ("eligibility information"). Eligibility information does not include your identification information or personal information pertaining to our transactions or experiences with you. Please note that, even if you direct us not to share eligibility information with other Morgan Stanley companies ("opt-out"), we may still share personal information, including eligibility information, with those companies in circumstances excluded from the opt-out under applicable law, such as to process transactions or to service your account.

5. How Can You Limit the Use of Certain Types of Personal Information by Other Morgan Stanley Companies for Marketing?

By following the opt-out instructions in Section 6 below, you may limit other Morgan Stanley branded companies from marketing their products or services to you based on personal information we disclose to them. This information may include, for example, your

Privacy Notice (unaudited) (cont'd)

income and account history with us. Please note that, even if you choose to limit Other Morgan Stanley Companies from using personal information about you that we may share with them for marketing their products and services to you, Other Morgan Stanley Companies may use your personal information that they obtain from us to market to you in circumstances permitted by law, such as if the Other Morgan Stanley Company has its own relationship with you.

6. How Can You Send Us an Opt-Out Instruction?

If you wish to limit our sharing of eligibility information about you with other Morgan Stanley companies or other Morgan Stanley companies' use of personal information for marketing purposes, as described in this notice, you may do so by:

- Calling us at (800) 231-2608
  Monday–Friday between 8a.m. and 6p.m.(EST)
- Writing to us at the following address:

  Computershare Trust Company, N.A.
  c/o Privacy Coordinator
  P.O. Box 30170
  College Station, Texas 77842

Your written request should include your name, address, telephone number and account number(s) to which the opt-out applies and whether you are opting out with respect to sharing of eligibility information (Section 4 above), or if information used for Marketing (Section 5 above) or both. Written opt-out requests should not be sent with any other correspondence. In order to process your request, we require that the request be provided by you directly and not through a third party.

Your opt-out preference will remain in effect with respect to this policy (as it may be amended) until you notify us otherwise. If you have a joint account, your direction for us not to share this information with other Morgan Stanley companies and for those other Morgan Stanley companies not to use your personal information for marketing will be applied to all account holders on that account. Please understand that if you limit our sharing or our affiliated companies' use of personal information, you and any joint account holder(s) may not receive information about Morgan Stanley products and services, including products or services that could help you manage your financial resources and achieve your investment objectives.

7. What if an Affiliated Company Becomes a Non-affiliated Third Party?

If, at any time in the future, an affiliated company becomes a non-affiliated third party, further disclosures of personal information made to the former affiliated company will be limited to those described in Section 2(b) above relating to non-affiliated third parties. If you elected under Section 6 to limit disclosures we make to affiliated companies, or use of personal information by affiliated companies, your election will not apply to use by any former affiliated company of your personal information in their possession once it becomes a non-affiliated third party.

Privacy Notice (unaudited) (cont'd)

SPECIAL NOTICE TO RESIDENTS OF VERMONT

The following section supplements our policy with respect to our individual clients who have a Vermont address and supersedes anything to the contrary in the above policy with respect to those clients only.

The state of Vermont requires financial institutions to obtain your consent prior to sharing personal information that they collect about you with affiliated companies and non-affiliated third parties other than in certain limited circumstances. Except as permitted by law, we will not share personal information we collect about you with non-affiliated third parties or other Morgan Stanley companies unless you provide us with your written consent to share such information ("opt-in").

If you wish to receive offers for investment products and services offered by or through other Morgan Stanley companies, please notify us in writing at the following address:

Computershare Trust Company, N.A.
c/o Privacy Coordinator
P.O. Box 30170
College Station, Texas 77842

Your authorization should include your name, address, telephone number and account number(s) to which the opt-in applies and should not be sent with any other correspondence. In order to process your authorization, we require that the authorization be provided by you directly and not through a third party.

SPECIAL NOTICE TO RESIDENTS OF CALIFORNIA

The following section supplements our policy with respect to our individual clients who have a California address and supersedes anything to the contrary in the above policy with respect to those clients only.

In response to a California law, if your account has a California home address, your personal information will not be disclosed to nonaffiliated third parties except as permitted by applicable California law, and we will limit sharing such information with our affiliates to comply with California privacy laws that apply to us.

Director and Officer Information (unaudited)

Independent Directors:

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years and Other Relevant Professional Experience	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Frank L. Bowman (72) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	President, Strategic Decisions, LLC (consulting) (since February 2009); Director or Trustee of various Morgan Stanley Funds (since August 2006); Chairperson of the Compliance and Insurance Committee (since October 2015); formerly, Chairperson of the Insurance Sub-Committee of the Compliance and Insurance Committee (2007-2015); served as President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (February 2005-November 2008); retired as Admiral, U.S. Navy after serving over 38 years on active duty including 8 years as Director of the Naval Nuclear Propulsion Program in the Department of the Navy and the U.S. Department of Energy (1996-2004); served as Chief of Naval Personnel (July 1994-September 1996) and on the Joint Staff as Director of Political Military Affairs (June 1992-July 1994); knighted as Honorary Knight Commander of the Most Excellent Order of the British Empire; awarded the Officier de l'Orde National du Mérite by the French Government; elected to the National Academy of Engineering (2009).	90	Director of BP p.l.c.; Director of Naval and Nuclear Technologies LLP; Director Emeritus of the Armed Services YMCA; Director of the U.S. Naval Submarine League; Member of the National Security Advisory Council of the Center for U.S. Global Engagement and a member of the CNA Military Advisory Board; Chairman of the charity J Street Cup Golf; Trustee of Fairhaven United Methodist Church; and Director of other various non-profit organizations.
Kathleen A. Dennis (63) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	President, Cedarwood Associates (mutual fund and investment management consulting) (since July 2006); Chairperson of the Liquidity and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Senior Managing Director of Victory Capital Management (1993-2006).	91	Director of various non-profit organizations.

Director and Officer Information (unaudited) (cont'd)

Independent Directors (cont'd):

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years and Other Relevant Professional Experience	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Nancy C. Everett (61) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since January 2015	Chief Executive Officer, Virginia Commonwealth University Investment Company (since November 2015); Owner, OBIR, LLC (institutional investment management consulting) (since June 2014); formerly, Managing Director, BlackRock Inc. (February 2011-December 2013); and Chief Executive Officer, General Motors Asset Management (a/k/a Promark Global Advisors, Inc.) (June 2005-May 2010).	91	Member of Virginia Commonwealth University School of Business Foundation; formerly, Member of Virginia Commonwealth University Board of Visitors (2013-2015); Member of Committee on Directors for Emerging Markets Growth Fund, Inc. (2007-2010); Chairperson of Performance Equity Management, LLC (2006-2010); and Chairperson, GMAM Absolute Return Strategies Fund, LLC (2006-2010).
Jakki L. Haussler (59) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since January 2015	Chairman and Chief Executive Officer, Opus Capital Group (since January 1996); formerly, Director, Capvest Venture Fund, LP (May 2000-December 2011); Partner, Adena Ventures, LP (July 1999-December 2010); Director, The Victory Funds (February 2005-July 2008).	91	Director of Cincinnati Bell Inc. and Member, Audit Committee and Compensation Committee; Director of Northern Kentucky University Foundation and Member, Investment Committee; Member of Chase College of Law Transactional Law Practice Center Board of Advisors; Director of Best Transport; Director of Chase College of Law Board of Visitors; formerly, Member, University of Cincinnati Foundation Investment Committee; Member, Miami University Board of Visitors (2008-2011); Trustee of Victory Funds (2005-2008) and Chairman, Investment Committee (2007-2008) and Member, Service Provider Committee (2005-2008).

Director and Officer Information (unaudited) (cont'd)

Independent Directors (cont'd):

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years and Other Relevant Professional Experience	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Dr. Manuel H. Johnson (67) c/o Johnson Smick International, Inc. 220 I Street, N.E. — Suite 200 Washington, D.C. 20002	Director	Since July 1991	Senior Partner, Johnson Smick International, Inc. (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since July 1991); Co-Chairman and a founder of the Group of Seven Council (G7C) (international economic commission); formerly, Chairperson of the Audit Committee (July 1991-September 2006), Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.	91	Director of NVR, Inc. (home construction).
Joseph J. Kearns (74) c/o Kearns & Associates LLC 46 E Peninsula Center #385 Rolling Hills Estates, CA 90274-3712	Director	Since August 1994	President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 1994); formerly, Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of various Morgan Stanley Funds (since August 1994); CFO of the J. Paul Getty Trust.	93	Director of Electro Rent Corporation (equipment leasing). Prior to December 31, 2013, Director of The Ford Family Foundation.
Michael F. Klein (58) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	Managing Director, Aetos Capital, LLC (since March 2000); Co-President, Aetos Alternatives Management, LLC (since January 2004) and Co-Chief Executive Officer of Aetos Capital LLC (since August 2013); Chairperson of the Fixed Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Managing Director, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management, President, various Morgan Stanley Funds (June 1998-March 2000) and Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999).	90	Director of certain investment funds managed or sponsored by Aetos Capital, LLC; Director of Sanitized AG and Sanitized Marketing AG (specialty chemicals).

Director and Officer Information (unaudited) (cont'd)

Independent Directors (cont'd):

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years and Other Relevant Professional Experience	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Patricia Maleski (56) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since January 2017	Management Director, JPMorgan Asset Management (2013-2016); President, JPMorgan Funds (2010-2013), Chief Administrative Officer, JPMorgan Funds (2004-2010), Treasurer, JPMorgan Funds (2003-2004, 2008-2010), and Vice President and Board Liaison, JPMorgan Funds (2001-2004); Managing Director, J.P. Morgan Investment Management Inc. (2001-2013); Vice President of Finance, Pierpont Group (1996-2001); Vice President, Bank of New York (1995-1996); Senior Audit Manager, Price Waterhouse, LLP (1982-1995).	91	None.
Michael E. Nugent (80) 522 Fifth Avenue New York, NY 10036	Chair of the Board and Director	Chair of the Boards since July 2006 and Director since July 1991	Chair of the Boards of various Morgan Stanley Funds (since July 2006); Chairperson of the Closed-End Fund Committee (since June 2012) and Director or Trustee of various Morgan Stanley Funds (since July 1991); formerly, Chairperson of the Insurance Committee (until July 2006); General Partner, Triumph Capital, L.P. (private investment partnership) (1988-2013).	92	None.
W. Allen Reed (69) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	Chairperson of the Equity Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, President and CEO of General Motors Asset Management; Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005).	91	Director of Legg Mason, Inc.; formerly, Director of the Auburn University Foundation (2010-2015).
Fergus Reid (84) c/o Joe Pietryka, Inc. 85 Charles Colman Blvd. Pawling, NY 12564	Director	Since June 1992	Chairman, Joe Pietryka, Inc.; Chairperson of the Governance Committee and Director or Trustee of various Morgan Stanley Funds (since June 1992).	92	Formerly, Trustee and Director of certain investment companies in the JP Morgan Fund Complex managed by JP Morgan Investment Management Inc. (1987-2012).

* This is the earliest date the Director began serving the Morgan Stanley Funds. Each Director serves an indefinite term, until his or her successor is elected.

Director and Officer Information (unaudited) (cont'd)

** The Fund Complex includes (as of December 31, 2016) all open-end and closed-end funds (including all of their portfolios) advised by Morgan Stanley Investment Management Inc. (the "Adviser") and any funds that have an adviser that is an affiliated person of the Adviser (including, but not limited to, Morgan Stanley AIP GP LP).

*** This includes any directorships at public companies and registered investment companies held by the Director at any time during the past five years.

Executive Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years
John H. Gernon (53) 522 Fifth Avenue New York, NY 10036	President and Principal Executive Officer	Since September 2013	President and Principal Executive Officer of the Equity and Fixed Income Funds and the Morgan Stanley AIP Funds (since September 2013) and the Liquidity Funds and various money market funds (since May 2014) in the Fund Complex; Managing Director of the Adviser; Head of Product (since 2006).
Timothy J. Knierim (58) 522 Fifth Avenue New York, NY 10036	Chief Compliance Officer	Since December 2016	Managing Director of the Adviser and various entities affiliated with the Adviser; Chief Compliance Officer of various Morgan Stanley Funds and the Adviser (since December 2016) and Chief Compliance Officer of Morgan Stanley AIP GP LP (since 2014). Formerly, Managing Director and Deputy Chief Compliance Officer of the Adviser (2014-2016); and formerly, Chief Compliance Officer of Prudential Investment Management, Inc. (2007-2014).
Francis J. Smith (51) 522 Fifth Avenue New York, NY 10036	Treasurer and Principal Financial Officer	Treasurer since July 2003 and Principal Financial Officer since September 2002	Managing Director of the Adviser and various entities affiliated with the Adviser; Treasurer (since July 2003) and Principal Financial Officer of various Morgan Stanley Funds (since September 2002).
Mary E. Mullin (49) 522 Fifth Avenue New York, NY 10036	Secretary	Since June 1999	Executive Director of the Adviser; Secretary of various Morgan Stanley Funds (since June 1999).

* This is the earliest date the officer began serving the Morgan Stanley Funds. Each officer serves a one-year term, until his or her successor is elected and qualifies.

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