

A Sub-Fund of Morgan Stanley Investment Funds

Emerging Markets Debt Fund

EMERGING MARKETS DEBT TEAM

Important Information

- The Fund invests primarily in the debt securities of government and government-related issuers located in emerging countries, and the Fund may also invest in debt securities of entities organised to restructure outstanding debt of such issuers, together with investing in the debt securities of corporate issuers located in or organised under the laws of emerging countries.
- Investment involves risks. Key risks for this fund include Emerging Market Risk, Credit Risk, Interest Rate Risk, High Yield Securities Risk, Derivatives Risk, Downgrading Risk, Unrated Securities Risk, Risk of Exposure to the Euro and the Eurozone and Risk of Discretionary Distributing Share Class.
- The Fund may pay distributions out of capital. Payment of dividends out of capital amounts to a return or withdrawal of part of a Shareholder's original investment or from any capital gains attributable to that original investment. Any distribution involving payment of dividends out of capital may result in an immediate decrease of the NAV per share.
- There is a risk that you may potentially lose your entire investment in this Fund.
- The investment decision is yours but you should not invest unless the intermediary who sells it to you has advised you that it is suitable for you and has explained why, including how buying it would be consistent with your investment objectives. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.
- The Fund may use derivatives for investment or efficient portfolio management (including hedging) purposes which may expose to higher counterparty, liquidity and valuation risks. The Fund may suffer losses from its derivatives usage.

Performance Review

In the one month period ending 31 March 2025, the Fund's A shares returned -1.65% (net of fees)¹, while the benchmark returned -0.76%.

Contributors to Relative Performance

- Off-benchmark exposure to Hong Kong property developer New World Development contributed to performance, as the company's bonds rallied following an announcement it would increase cash flow and cut debt.
- An underweight to Indonesian sovereign credit was supportive, as President Prabowo Subianto continued to introduce unpredictable initiatives with the announcement of Danantara, a sovereign wealth fund.

Detractors from Relative Performance

- An overweight to Ukrainian sovereign credit detracted from performance. While there were some signs of progress on a peace agreement with Russia, tensions escalated on multiple occasions and ultimately no peace agreement was made.
- An overweight to Lebanese sovereign credit hurt performance as tensions escalated between Lebanon and Israel.

Market Review

Emerging markets debt (EMD) markets were supported by emerging markets (EM) currencies, which broadly strengthened, as well as a global rally in interest rates, while spreads modestly widened for sovereign and corporate credit. Hard currency assets were supported by the fall in U.S. Treasury yields. President Trump began his second term on 20 January and enacted a slew of executive orders, with tariff discussions initially focused on China, Mexico and Canada. For most of the quarter, uncertainty loomed in the macro economy as the administration's stance on foreign policy and tariffs varied. Additional countries with trade surpluses with the U.S. were added to the tariff list. The U.S. also cut fiscal spending on defense and signaled to European leaders that the responsibility of global defense spending would need to shift. Specifically in the context of the Russia and Ukraine war, European leaders realized the need to ramp up spending; Germany took material steps during the quarter. A ceasefire agreement was reached between Israel and Hamas in January and Hamas released 33 hostages. Unfortunately, the ceasefire did not hold, and the war resumed in March. Russia and Ukraine, along with the U.S., started negotiations to end the conflict in Eastern Europe. There were some signs of progress, but tensions escalated on multiple occasions and ultimately no peace agreement was made. Outflows continued but moderated following the reactionary outflows in November and December on the back of the U.S. election, with approximately -\$3.8 billion net going out of dedicated EMD funds globally during the quarter, of which -\$1.9 billion flowed from hard currency funds and -\$1.9 billion from local currency funds.²

¹ Source: Morgan Stanley Investment Management Limited. Data as of 31 March 2025.

² Source: J.P. Morgan. Data as of 31 March 2025.

Performance for the major segments of EMD were mixed. The local segment of the asset class, represented by the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was up 3.85%, supported by the broad EM currency rally. The EM corporate bond index — the J.P. Morgan CEMBI Broad Diversified Index — was up 0.35%; although spreads modestly widened, the fall in U.S. Treasury yields drove performance. Finally, the U.S. dollar-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was down -0.49% as spreads widened.

Portfolio Activity

During the month we added exposure to Malaysia and Montenegro and we reduced exposure to Indonesia.

Strategy and Outlook

The U.S. Federal Reserve held interest rates at its March meeting, which was largely expected. Growth expectations were lowered, and inflation forecasts were increased. As U.S. tariffs are unveiled and go into effect, all eyes will be on how these policies impact employment, growth and inflation. Initial reactions were seen in the U.S. equities market, with a large sell-off for the quarter. The “American exceptionalism” narrative that has dominated markets was called into question with the worst U.S. stock market returns since the pandemic in 2020. There is still a lot of uncertainty and a range of possible scenarios — particularly when potential tax cuts and deregulation also come into play. However, downside scenarios include weakening U.S. growth, which could spill over into weakening global growth, and increasing inflation. As U.S. foreign policy and tariffs become clearer, we think individual country responses will be important to watch. We have seen initial divergences in policy, with some countries opting for retaliatory tariffs, and others expressing a desire for negotiations and bilateral solutions. Many of the more than 100 countries in the emerging markets universe are not notable trading partners with the U.S. and may be less directly impacted by tariffs, but we can’t ignore the fact that some countries will likely be hit hard.

For further information, please contact your Morgan Stanley Investment Management representative.

Fund Facts

Launch date	01 April 1995
Base currency	U.S. dollars
Benchmark	Custom- Blended Benchmark

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class A Shares	2.30	11.07	12.56	-19.17	-2.86	6.06	13.73	-7.59	9.41	9.81	-2.71
Blended Benchmark	2.24	6.54	11.09	-17.78	-1.80	6.45	14.42	-4.61	9.32	10.19	1.23

Investment involves risks. All performance data is calculated NAV to NAV, net of fees, and assume the reinvestment of all dividends and income. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). Please refer to the relevant offering documents for fund details, including risk factors.

Applications for shares in the Fund should not be made without first consulting the current Prospectus and the Key Information Document (“KID”) or Key Investor Information Document (“KIID”), which are available in English and in the language of countries authorized for fund distribution and is available online at [Morgan Stanley Investment Funds Webpages](#) or free of charge from the Registered Office at European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxemburg B 29 192.

The summary of investor rights is available in the aforementioned languages and website location under the General Literature section.

Information in relation to sustainability aspects of the Fund is available in English online at: [Sustainable Finance Disclosure Regulation](#).

If the management company of the relevant Fund decides to terminate its arrangement for marketing that Fund in any EEA country where it is registered for sale, it will do so in accordance with the UCITS rules.

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The use of leverage increases risks, such that a relatively small movement in the value of an investment may result in a disproportionately large movement, unfavourable as well as favourable, in the value of that investment and, in turn, the

value of the Fund. Investment in the Fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as building or shares of a company, as these are only the underlying assets owned.

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Charts and graphs provided herein are for illustrative purposes only and subject to change.

INDEX INFORMATION

Blended Benchmark refers to performance of Fund's benchmark since inception - April 1st, 1995 to June 8th, 2020 – **J.P. Morgan Emerging Markets Bond Index Global**; June 8th, 2020 and beyond – **J.P. Morgan Emerging Markets Bond Index Global Diversified**.

J.P. Morgan Emerging Markets Bond Index Global Diversified – tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US

dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million.

The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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A blended benchmark has been used because there has been a change in benchmark during the reporting period shown.

The **J.P. Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging-markets benchmark that tracks U.S.-denominated corporate bonds issued by emerging-markets entities.

The **J.P. Morgan EMBI Global Diversified Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan GBI-EM Global Diversified Index** is a comprehensive global local emerging markets index that consists of regularly traded, liquid fixed-rate, domestic currency government bonds and includes only the countries which give access to their capital market to foreign investors (excludes China, India). The index is market capitalization weighted, with a cap of 10% to any one country.

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