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 December 2025, the Fund's A shares returned 1.20% (net of fees)[1], while the benchmark returned 0.72%.

Contributors:

- An overweight to Ukrainian sovereign credit contributed to performance after the EU approved an aid package for Ukraine and gross domestic product-linked warrants were restructured in December.
- An overweight allocation to Egyptian sovereign credit aided performance due to continued reserve accumulation, fiscal reforms and investment from regional partners.
- An overweight to Romanian sovereign credit helped performance as spreads continue to compress due to improved fiscal policy.

Detractors:

- An overweight to Venezuelan PDVSA bonds detracted from performance. Since early fall, assets have generally rallied due to increased U.S. military pressure in the Caribbean. But in December, decreased oil production and uncertainty regarding the future of the Maduro administration caused a brief sell-off.
- An underweight to Panama sovereign credit detracted from performance.

Market Review

Both the local currency and hard currency segments of the emerging markets debt market delivered strong performance during the fourth quarter. The U.S. dollar (USD) strengthened in October and through most of November as the Federal Reserve (Fed) took a more cautious tone on future interest rate cuts following September's cut. Weakness in the euro and Japanese yen during that period also helped to boost the USD. In December, the USD reversed course due to slower economic growth in the third quarter and a further 25-basis-point rate cut by the Fed. Local rates also broadly rallied, aiding performance of the local segment of the asset class. Spreads tightened for both sovereign and corporate credit, bringing spread levels to multiyear lows. The U.S. and China established an updated trade deal in November. The U.S. lowered its fentanyl-related tariff to 10% and extended the expiration of select exclusions until November 2026. China suspended retaliatory tariffs, removed rare earth export controls and resumed soybean purchases. In December, the European Union approved a €90 billion aid package for Ukraine. The funds were financed through external borrowing rather than using frozen Russian assets, which was previously considered. In Argentina, President Milei's La Libertad Avanza (LLA) party redeemed itself in the countrywide midterm elections at the end of October. This came after a poor performance by LLA in September's provincial elections; the resulting political uncertainty led to large outflows and saw the market mechanisms to defend the peso nearly depleting reserve levels. Emerging markets debt finished the year with strong inflows for both hard and local currency funds. The asset class saw a couple of single weeks of outflows in mid-October and the first week of

[1] Source: Morgan Stanley Investment Management. Data as of 31 December 2025.

November as investors briefly turned risk-off, but October also saw the largest weekly inflow in over two years. The hard currency segment of the asset class received $6.4 billion, while the local currency segment saw $6.8 billion in inflows for the quarter.[2]

Performance for the underlying emerging markets debt indexes was positive for the month. The local segment of the asset class, represented by the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified, was up 1.49%. The USD-denominated sovereign index, the J.P. Morgan EMBI Global Diversified Index, was up 0.72%. Finally, the emerging markets corporate bond index — the J.P. Morgan CEMBI Broad Diversified Index — was up 0.48%.

Portfolio Activity

During the month we added to our Panama and U.A.E. sovereign credit positions. We reduced our Ecuador sovereign credit position.

Strategy and Outlook

Valuations remain attractive for many areas of the emerging markets debt universe, particularly on the local credit side. Average annual inflation is likely to continue to fall for many EM countries relative to developed markets. As a result, select EM central banks will likely be positioned to continue to cut rates, with further support from U.S. easing and a weaker USD. Geopolitical conflicts remain, as the Russia-Ukraine war continues and both Israel and Hamas have accused each other of breaching the ceasefire. Beyond the humanitarian tragedies of these conflicts, there have been global spillovers that continue to trickle through to the world economy. Credit spreads are tight and near multiyear lows, but the universe does still have select pockets of opportunity, particularly off benchmark, in our view. While the landscape is very differentiated, individual country-level fundamentals continue to improve, lowering the sovereign risk premium. We believe that bottom-up country-level evaluation continues to be key to uncover value.

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	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Class A Shares	13.50	13.50	11.07	12.56	-19.17	-2.86	6.06	13.73	-7.59	9.41	9.81
Blended Benchmark	14.30	14.30	6.54	11.09	-17.78	-1.80	6.45	14.42	-4.61	9.32	10.19

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 Sub-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 from the Prospectus of the Fund.

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.

IMPORTANT INFORMATION

This material has been prepared solely for informational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. Investors should be aware that a diversified strategy does not protect against a loss in a particular market.

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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

[2] Source: J.P. Morgan. Data as of 31 December 2025.

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 **JP 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 **JP 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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