A Sub-Fund of Morgan Stanley Investment Funds

Emerging Markets Debt Fund

EMERGING MARKETS DEBT TEAM

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this UCITS presents disproportionate communication on the consideration of extra-financial criteria in its management.

Performance Review

In the one month period ending 31 December 2025, the Fund's Z shares returned 1.27% (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 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

1 Source: Morgan Stanley Investment Management. Data as of 31 December 2025.
2 Source: J.P. Morgan. Data as of 31 December 2025.

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	J.P. Morgan Emerging Markets Bond Index Global Diversified

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 Z Shares	14.48	14.48	12.07	13.56	-18.46	-2.03	6.96	14.68	-6.79	10.11	10.49
Blended Benchmark	14.30	14.30	6.54	11.09	-17.78	-1.80	6.45	14.42	-4.61	9.32	10.19

All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of shares. The sources for all performance and index data is Morgan Stanley Investment Management ('MSIM Ltd'). **Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund's other share classes.**

Share Class Z Risk and Reward Profile

- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- The value of bonds are likely to decrease if interest rates rise and vice versa.
- The value of financial derivative instruments are highly sensitive and may result in losses in excess of the amount invested by the Sub-Fund.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.
- Investment in Fixed Income Securities via the China Interbank Bond Market may also entail additional risks, such as counterparty and liquidity risk.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

Please refer to the Prospectus for full risk disclosures, available at www.morganstanleyinvestmentfunds.com. All data as of 31.12.2025 and subject to change daily.

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..

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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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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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