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May 7, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Data released this week showed continued improvement in the US economy. The ADP National Employment report showed an acceleration in private sector hiring, with more jobs added in April than in March. The ISM Non-Manufacturing Index—a barometer of the services sector, which comprises the bulk of the economy—declined from a high level. This was the same pattern as its manufacturing counterpart earlier in the week; both readings still point to rapid growth. In advance of Friday's US employment report, initial jobless claims dropped meaningfully and US Treasury yields drifted lower. In the Euro-area, unemployment rates declined, and the UK manufacturing purchasing managers' index (PMI) came in at 60.9, marking its 11th consecutive month of expansion. Credit spreads were mixed across major credit market indices, while total returns were predominantly positive. Emerging markets external sovereign debt outperformed, led by non-investment grade credits. The US dollar appreciated vs the Euro, and EM currencies declined, on average.

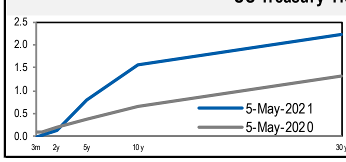
Emerging Markets

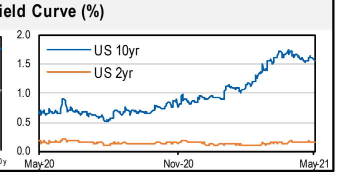
Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	342		0	15.03%
EMBI GD IG	149		1	7.05%
EMBI GD HY	579		-3	25.53%
Africa	527		5	33.82%
Asia	210		-3	9.67%
Europe	284		2	10.89%
LATAM	347		-1	15.83%
Middle East	354		1	12.12%
CEMBI BD	256		-3	14.34%
CEMBI BD IG	156		-2	8.96%
CEMBI BD HY	461		-2	22.23%
GBIEM GD (%)	4.93		0	11.66%
EM Blend (%)	4.82		-4	13.72%
EMBI ESG	320		1	13.59%
CEMBI ESG	257		-2	13.85%
GBI ESG (%)	4.70		0	12.15%
		-600-450-300-150 0 150		May-20 Nov-20 May-21

Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	290		-4	19.69%
US HY BB	214		-1	16.08%
US HY B	319		-8	18.94%
US HY CCC	489		-13	35.09%
Pan Euro HY	297		-2	16.00%
LSTA 100 (%)	3.72		1	16.31%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.44		-3	-5.00%
1M LIBOR (%)	0.11		-1	0.16%
US Agg	31		1	0.19%
US IG Corp	89		1	5.46%
Global Agg	32		0	0.46%
		-200 -100 0 100 200		May-20 Nov-20 May-21

US Treasury Yield Curve (%)





Other Asset Classes (12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.20	10.75%	Gold	1,784	2.68%	S&P500	4,168	45.29%
USDJPY	109.21	-2.39%	VIX	19	-43.02%	MSCI World	8,777	47.52%
EM FX		7.72%	Brent	69	122.67%	MSCI EM	3,167	52.43%
		May-20 Nov-20 May-21			May-20 Nov-20 May-21			May-20 Nov-20 May-21

As of: May 5, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

In efforts to increase global access and supply, the US is supporting a proposal to waive intellectual property protections for Covid-19 vaccine development. Similar to last week, vaccinations in the US increased, but at a decelerating rate, with 56.7% of adults now having received at least one dose of vaccine, while 41.3% have been fully vaccinated. During a pre-recorded interview, Treasury Secretary Janet Yellen said that "interest rates will have to rise somewhat to make sure our economy doesn't overheat" which, when released, accelerated an intraweek sell-off in risk assets. She subsequently clarified that her remarks were not intended to predict or recommend changes to interest rates. President Biden's proposed US$4 trillion spending plan makes its way to Congress, where both parties believe there will be a higher probability of compromise. To garner support for the spending plan, the President is said to be open to dividing the package into several smaller plans, although he still intends to increase the tax rate on the wealthier segment of the population and corporations.

Europe

Germany's vaccination program gathered more momentum this week as the rate of inoculations outpaced the US and UK for the first time, with just under 30% of the population now having received at least one dose. In light of the progress, German officials are reviewing the potential to ease curfew and contact restrictions for those who have been fully vaccinated and/or currently have antibodies.

The EU is preparing to re-open its borders for travellers who have been fully vaccinated with vaccines approved within the EU and by the World Health Organization (WHO), as well as individuals from countries with relatively low infection rates. The proposal is pending a vote by the EU's member states. Similarly, the UK is preparing to resume international leisure travel to a limited "green" list of approved countries. Details will be released at the end of this week and are expected to take effect starting 17 May — the third stage of the country's four-phase re-opening roadmap.

Japan/Asia

Infections in India accelerated for another week with the latest daily case count surpassing 412,000. Despite the escalating rate of infections, Prime Minister Narendra Modi continues to avoid a national lockdown as he considers it a last resort. Japanese officials are considering extending the current state of emergency restrictions, which were originally set to end after 11 May, as infections remain elevated across Tokyo and several other prefectures. The government is expected to announce their decision by 7 May. Vaccinations are progressing but remain well behind other developed countries. The Reserve Bank of Australia (RBA) kept its current policy settings unchanged and left the cash rate and 3-year yield target at 0.10%. The central bank reiterated its intentions of maintaining low interest rates until at least 2024 as inflation continues to undershoot, but upgraded this year's economic growth forecast to 4.5%, and 2022's forecast to 3.5%. The central bank will review its asset purchase program at its July meeting.

Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

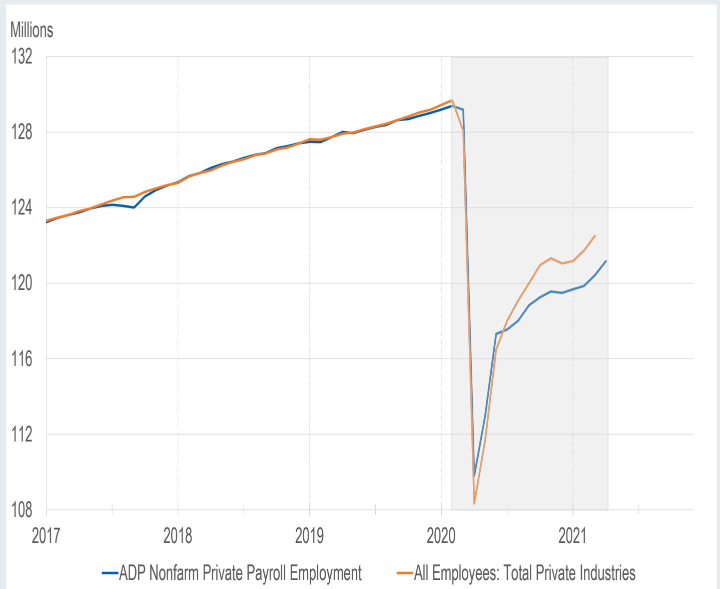
When it comes to assessing incoming data over the next several weeks and months—data that we broadly expect to be very good—differentiating between levels vs growth rates will be very important. Though both matter, when it comes to assessing policy and the overall state of the economy, we lean much more heavily on levels than growth rates.

US growth in the late winter and early spring has picked up substantially. Q1 GDP growth was over 6% and we are currently tracking Q2 in the double digits, fueled by the combination of fiscal stimulus and vaccine-led re-opening. This week, ADP estimated April private sector job gains at 742,000, a pickup from 565,000 in March. Indeed, we expect overall payroll growth—estimated by the Bureau of Labor Statistics (BLS)—to average above 1 million per month through the rest of spring. To put this in context, the best single month of payroll gains in the previous recovery was 540,000 in May 2010.

The rapid growth is part of the picture—an important part—but only part. The accompanying graph shows the other part of the picture: not the growth rate of employment, but the level. Even with the rapid gains we have seen and expect to continue, the level of employment remains far below pre-pandemic, and employment should have grown further over the last several years. The rapid gains we expect will help to close that hole, but until it is closed, it's too early to worry about overheating or expect the Fed to withdraw accommodation.

Why talk about this in terms of employment rather than GDP, where the gap looks smaller? Mainly because the Fed has clearly and consistently emphasized they care about the labor market, in-line with their Congressional mandate.

Level Matters More than Growth Rates for Employment



As of: April 30, 2021
Source: ADP, Bureau of Labor Statistics, Haver Analyitics

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads were unchanged and the JP Morgan EMBI Global Diversified returned 0.43%. Non-investment grade credits continued to outperform investment grade credits this week. The top country performers included Sri Lanka (7.12%), Lebanon (5.15%), and Zambia (1.93%). The bottom performers included El Salvador (-3.37%), Argentina (-0.77), and Papua New Guinea (-0.66%). All regions posted positive total returns, led by Asia.

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -0.20%. EM currencies returned -0.31% in aggregate. The Philippine peso outperformed, returning 0.95%, followed by the Thai baht (0.83%), and Indonesian rupiah (0.45%). The bottom performers were Colombia (-3.93%), Turkey (-1.25%), and Mexico (-1.11%).

The yield of the JP Morgan GBI EM Global Diversified was generally unchanged and ended the week at 4.93%. Colombia underperformed (+40 bps), followed by Brazil (+25 bps), and Poland (+9 bps). On the other hand, Chile (-17 bps), Turkey (-15 bps), and South Africa (-8 bps) outperformed.

In central bank actions, Brazil hiked rates by 75 bps to 3.50%, as expected and with indication of another possible 75 bps hike at the next meeting. Key rates were unchanged in Colombia (1.75%), Dominican Republic (3.00%), Czech Republic (0.25%), Malaysia (1.75%), Poland (0.10%), Thailand (0.50%), and Turkey (19.00%).

EM Corporate Debt

The CEMBI Broad Diversified generated strong performance for the week and returns were relatively even across the major markets, supported by US Treasury and oil markets. There were some notable exceptions, such as Colombia, which significantly underperformed as protests over proposed changes to the tax system turned violent and spurred more speculation about the country's investment grade rating coming under pressure. In China, a number of supportive statements from various government organizations have boosted the prices of the Huarong Asset Management bond curve from the lows of a few weeks ago. Corporate bond prices in Peru rebounded after selling off a few weeks ago on concerns over the upcoming presidential election. Ukraine prices continued to recover after Russia withdrew from the country's border. Finally, in Ghana, Tullow Oil announced its much anticipated liability management strategy, which was received very positively by the market.

Flows/Issuance

EM sovereign debt issuance this week included US dollar-denominated issues from Chile, and US-dollar and local currency-denominated issues from Kazakhstan. Chile issued approximately US$1.7 billion in 20-year notes and US$300 million in 10-year notes; and Kazakhstan issued approximately US$500 million in US dollar-denominated 10-year notes and approximately US$234 million in local currency bonds. In EM corporate debt, the new issuance market was quite active, especially in Latin America. Brazilian airline GOL was road-showing a tap of existing secured deal, and chemical company Orbia was marketing a two-tranche sustainability-linked transaction.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$478 million for the week through 4 May, driven predominantly by inflows into blended funds. We note that EPFR data provides a partial picture of portfolio flows as it accounts for a segment of the total market.

Source: EPFR

Sovereign Soundbites

Argentina

According to local press reports, Finance Minister Martin Guzman asked Undersecretary of Energy Federico Basualdo to resign this past weekend over policy disagreements. Purportedly, President Alberto Fernandez backed the decision. Guzman intends to hike energy tariffs two times this year, staring with a 9% hike in May, which Basualdo apparently rejected. As of this writing, Basualdo remains in his position, and a 9% tariff hike has been announced with no clear indication exactly when it will be implemented. The press also reported that supporters of Vice President and former President Cristina Fernandez Kirchner, including former Finance Minister, now governor of Buenos Aires Province Axel Kicillof, support Basualdo and rejected additional tariff hikes this year. In our view, the incident highlights disagreement over key policy issues, which we will be watching over the next several months as important negotiations between Argentina and the Paris Club and IMF over upcoming amortizations develop. Argentina's external sovereign credits spreads widened.

Chile

Government officials and opposition representatives met this week to negotiate the terms of a universal emergency subsidy. The proposal outlines an increase in coverage of the Emergency Family Income from 80% to 100% of the most vulnerable households in the country. The broader coverage expands the number of beneficiaries from 13 million to 14.5 million and represents approximately US$200 million in additional fiscal cost per month. The government lacks immediate resources to finance the new fiscal support that is being negotiated, and the Treasury will likely seek to increase the issuance of public debt this year, which is currently set to reach 33% of GDP. The likely path would be for the government to issue abroad, given that the main buyers of local debt—Chile's pension funds and insurance companies—have just started the disinvestment process to facilitate the third round of asset drawdowns from the pension funds.

Colombia

Colombia's Finance Minister Alberto Carrasquilla resigned early this week after President Ivan Duque withdrew a controversial tax reform bill amid violent public protests. President Duque subsequently announced his government will draft an alternative tax bill that would include temporary measures such as a corporate tax surcharge, increase in wealth and dividends taxes, and further expenditure cuts. In addition, he announced Minister of Commerce, Industry and Trade Jose Manuel Restrepo as the new Finance Minister. The proposal for a VAT increase on goods and services will be eliminated. Given that the tax reform is a critical piece of legislation and could potentially have significant impact on the country's investment grade status, peaceful and sustainable fiscal adjustments will be critical over the coming weeks, in our view. As of this writing, the protests continue to escalate and the situation remains highly volatile. Colombia's peso depreciated 3.93% against the US dollar and local bond yields increased. External sovereign credit spreads widened.

El Salvador

El Salvador's legislature, which is controlled by President Nayib Bukele's New Ideas party, voted to remove five judges from the constitutional chamber of the country's Supreme Court and the Attorney General. New Ideas politicians claim that the judges had impeded the government's health strategy and that they had to be removed to protect the public. In our view, this was a politically motivated move by President Bukele to consolidate power and a preemptive measure to push for Constitutional reform, allowing a path for re-election. This action complicates IMF negotiations. There has been no popular backlash, but we suspect politics will likely remain volatile. External sovereign credit spreads widened over 50 bps.

Papua New Guinea

S&P Global Ratings downgraded Papua New Guinea's long-term foreign and local currency sovereign credit ratings to B from B+, citing rising government debt and debt service costs due to lower revenues and slower economic growth. While Papua New Guinea continues to be supported by technical assistance from development partners—including Australia, the World Bank, the IMF, and the Asia Development Bank—elevated debt levels have increased liquidity risks. The country's reliance on commodity exports also exposes the economy to commodity price shocks. External sovereign credit spreads widened and total returns were negative, on average.

Senegal

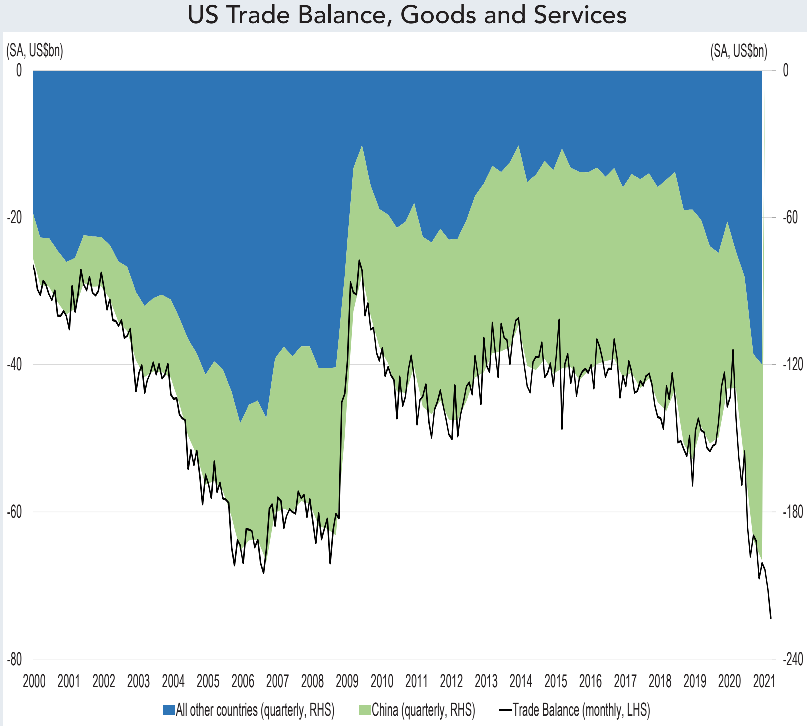
The IMF team reached a staff-level agreement with the Senegalese authorities on financial and economic policies that could lead to the approval of the third review under the Policy Coordination Instrument (PCI), as well as support a new 18-month Financing Arrangement. The requested amount of approximately US$650 million would be directed to the health crisis response and promote a broad-based recovery. Against a more challenging macroeconomic outlook, the growth forecast for 2021 has been revised lower to 3.7% from 5.2% initially projected. The mission noted that the authorities are revising their budget priorities for 2021-2023 based on weaker growth expectation and new spending priorities associated with the pandemic. At the same time, the authorities are maintaining the objective of gradually returning to a deficit of 3% of GDP by 2023 compared to a deficit of roughly 5.4% of GDP in 2021. A review of the staff-level agreement by the IMF's Executive Board is tentatively scheduled for early June this year. Senegal's external sovereign credit spreads tightened.

Sri Lanka

The government has been able to roll over US$693 million of short-term foreign-currency denominated debt through local investors, according to Central Bank data. This development follows two unsuccessful auctions of the Sri Lanka Development Bonds (SLDBs) in November 2020 and January 2021. The latest news, along with other recent funding support we have highlighted in the past – i.e., US$1.5 billion swap line from the Central Bank of China, US$500 million loan agreement with China Development Bank; potential US$800 million IMF Special Drawing Rights (SDR) allocation – have alleviated liquidity concerns for the time being, and may further delay any discussions the government may have with the IMF. External sovereign credit spreads tightened over 180 bps.

Chart of the Week

US Trade Balance, Goods and Services



Source: Census Bureau. Haver Analytics, Stone Harbor Investment Partners LP

The US trade deficit continues to widen, and this is good news for emerging markets. In March the deficit reached US$75.5 billion for goods and services. Thus, the rest of the world was running a combined US$75.5 billion trade surplus. And an increasing share is due to countries other than China. The trade deficit with other trading partners increased from about US$40-50 billion quarterly during 2013-2018 to US$20 billion in Q4 2020.

Several factors have been driving the widening of the deficit. The strong US recovery supported by fiscal and monetary stimulus has spurred spending, including for imports. Moreover, the shift away from consuming local services towards consuming more goods during the pandemic has further increased the demand for imports. And finally, rising commodity prices also contributed but to a smaller extent. Going forward, we expect demand patterns for goods and services to normalize again as the pandemic eases. This could reverse some of the recent widening of the trade balance. However, the other factors will continue to remain in place for some time, in particular, the strong growth momentum, and this will continue to help EM economies benefitting from improving external demand.

Global High Yield

US High Yield

Positive market sentiment contributed to strong performance for US high yield. Energy remained an outperformer due to higher commodity prices. Additionally, aerospace outperformed due to better-than-expected results from Bombardier.

Earnings for most companies have been in-line to better than expected with bond prices reacting positively. However, Bausch Health bonds dropped as much as 3 points as the company increased its leverage target for RemainCo from 5.5x to 6.5x, following the spinoff of its Eyecare unit.

Leveraged Loans

There was a balanced tone in the overall loan market this week. The S&P/LSTA Leveraged Loan Index returned +0.02%, the average bid price increased 1 bp to US$97.74, and the spread-to-maturity widened 2 bps to L+409. As we've seen for consecutive weeks, the lower-rated CCC portion of the market continued to outperform the broader index as investors search for yield, while the dispersion of B and BB returns narrowed. We continued to see strength in credits from industries tied to the re-opening theme as well as commodity-related issuers, particularly those tied to idiosyncratic credit issues surrounding earnings releases. There were no defaults this week, and the default rate as of April month-end was 2.61%, below the long-term historical average for the asset class.

European High Yield

European high yield returned +0.12% week-over-week. Performance across rating categories ranged from 0.04% to 0.20% with CCC-rated names outperforming. Overall, spreads were 2 bps tighter, leaving spreads 59 bps tighter for the year-to-date. Volatility in the US and European equity markets abated by the end of the period, retracing losses after Treasury Secretary Yellen clarified that her previous comments about the need for rising interest rates were not a recommendation of a rate hike. Most sectors rallied with the usual outperformance of cyclicals and lower-rated names continuing.

Flows/Issuance

In US high yield, technicals softened as fund outflows increased to US$800 million and the new issue calendar resumed its heavy pace. April new issuance ended at US$49.2 billion, a record for the month and the fifth highest of any calendar month. The total was 34% higher than April 2020 and brings the year-to-date total to US$199 billion, up 82%. The strong market returns and low yields provide an environment where all types of issuers enjoy strong access to capital. Community Health issued US$1.44 billion second lien notes (Caa3/CCC-) at 6.125%, below price talk of mid 6%, with the bonds trading 1 point higher.

The new issue loans market remained active this week with several deals launching and allocating. Looking ahead, however, the forward calendar of new deals has decreased week-over-week. Refinancing transactions have moderated and the loan market has seen increasing mergers and acquisitions (M&A) and leveraged buyout (LBO) new issue activity. US loan funds recorded a US$931 million inflow for the week. Demand remains strong, with the asset class posting its sixteenth consecutive week of retail inflows from loan mutual funds and Exchange Trade Funds (ETFs), and year-to-date the asset class has seen approximately US$14 billion of inflows. Additionally, we continue to see healthy Collateralized Loan Obligation (CLO) formation with another US$5 billion worth of deals pricing for the week.

In European high yield, EPFR data continue to show small flows into the asset class this week.

Source: Lipper, EPFR, JP Morgan

Industry Insights

Cable: We are now largely through Q1 2021 cable earnings season. Sector trends have now normalized back to 2019 levels with broadband subscriber additions slowing to pre-Covid levels, and video churn also returning to more historical levels. However, despite tough comps to Covid-impacted quarters last year, cable companies continue to deliver revenue and earnings growth. As we look forward, we anticipate high yield Cable companies to be material issuers this year as they continue to opportunistically refinance debt and fund share repurchases.

Midstream: Debt reduction from capex and distribution cuts is the continuing mantra of the sector. With US production flat and E&P companies guiding for a maintenance capex spending year, Master Limited Partnerships (MLPs) have no need to grow and are guiding capex slightly above maintenance levels (roughly US$25 billion for the sector; 50% below 2019 and 24% below 2020 levels). 2022 preliminary capex guide points for spending control, -20% from 2021's lows. Particularly, oil pipe in the Permian is overbuilt, and is operating at ~70% utilization. Money not spent on capex and equity distributions are being directed to pay down debt. Also helping the sector de-lever, natural gas liquids (NGL) prices are up +78% year-over-year, allowing midstream operators with processing arms to generate very strong margins. The controversial Dakota Access Oil pipeline (DAPL) avoided a shutdown when the Justice Department did not act when the Army Core of Engineers (ACE) permit was viewed as invalid, allowing the pipeline to continue until ruling/proper permitting. The District Court is reviewing whether to reissue an injunction to take DAPL out of service pending completion of the Environmental Impact Study (EIS). It remains to be seen if it will first defer to a Supreme Court petition on the EIS ruling before rendering its decision.

Refining: Refiner utilization is picking up, with this week's utilization hitting 86.5%, the highest since March 2020. Vehicle Miles Traveled (VMT) is still -10% year-over-year, but rising with increased vaccinations. Vaccination rollouts should also benefit jet travel and jet fuel demand, a large overhang on refining margins. While crack spreads are up 54% year-over-year, the year-to-date crack spreads reflects escalating pricing for Renewable Identification Numbers (RINs; a required blending ingredient for refiners), up 300% since January 2021. On 20 March, the Environmental Protection Agency (EPA) published a ruling stating it would extend the 2019 and 2020 Renewable Fuel Standard (RFS)/RIN compliance deadline, benefiting the sector by delaying, but not eliminating, a significant cash obligation. RIN prices dropped by 10% on 20 March, but are now back up to the pre-ruling peak of US$1.42/unit, likely due to the RINs key ingredient, corn, 36% rise this year. The Supreme Court is hearing a case wherein small refiners seek to overturn a ruling that struck down small refinery exemptions from the RFS. An overturned ruling would be favorable for small refiners, allowing them to request Federal waivers for the blending requirements.

Investment Grade

Governments

US Treasury yields drifted towards the lower end of their recent range as Treasury volatility, measured by the ICE BofAML MOVE Index, moved below its recent range and ended the period at 57. After briefly reaching 1.69% late last week, the yield on 10-year US Treasuries was on a slow descent, ending the period 4 bps lower to 1.57% while 30-year Treasuries closed 5 bps lower to 2.24%. 10-year Breakevens, a proxy of inflation expectations, edged up another 5 bps to a multi-year high of 2.47%. The US Treasury curve steepened slightly, with 5s30s rising 1.3 bps to 145, as shorter-dated maturities saw better demand than longer bonds. In contrast to the US, core European government bond yields were more subdued as the 10-year yield on Bunds were unchanged at -0.23% while Gilts rose 2 bps to 0.82%. Peripheral spreads widened 2 bps with the spread on 10-year Spanish and Italian bonds now at 0.68% and 1.13%, respectively. The yield on 10-year Australian and Japanese government bonds were unchanged at 1.68% and 0.10%, respectively.

Corporates

Investment grade corporate spreads have been in a 4 bps range over the last 5 weeks, ending the most recent week at +89 bps, according to the Bloomberg/Barclay's corporate OAS. Investors in the near term are focused on Q1 2021 earnings, which continue to show solid gains while new issuance remains at a healthy pace. Excess returns for April were modest at +13 bps as spreads tightened 3 bps on the month, while total returns were much better at +1.11% given the lower move in rates. Returns were uniform across the rating categories and in line with index performance, except for crossover credits, which outperformed. Corporates maturing inside of 10 years outperformed those with maturities longer than 10 years, with the longest duration buckets underperforming. The best performing sectors were healthcare and retail REITS, along with other utilities, while the worst performers were tobacco, health insurance, and pharmaceuticals.

Securitized

Securitized sectors were flattish to slightly tighter in spread this week. Agency mortgages tightened 1 bp, asset-backed securities (ABS) tightened 3-4 bps and commercial mortgage-backed securities (CMBS) were flat to 10 bps tighter. Mortgage bond supply estimates have risen above US$600 billion as prepayment projections slow. Bloomberg announced they will add specified pool pricing and characteristics to its MBS index starting next year in Q2, potentially adding more transparency and liquidity to specified pools. Hertz received a sweetened offer from Knighthead to buy the company out of bankruptcy, in competition with an offer from Centerbridge. Former Consumer Financial Protection Bureau (CFPB) head Richard Cordray is now the head of the Office of Federal Student Aid, where he may push for more accountability in the federal student loan program. Biden's American Families Plan proposes to limit the use of 1031 tax exchanges, which allow investors to roll over capital gains taxes into new real estate investments. Use of the 1031 tax exchange is primarily concentrated in smaller transactions, and this change could possibly affect liquidity and price appreciation of some transactions.

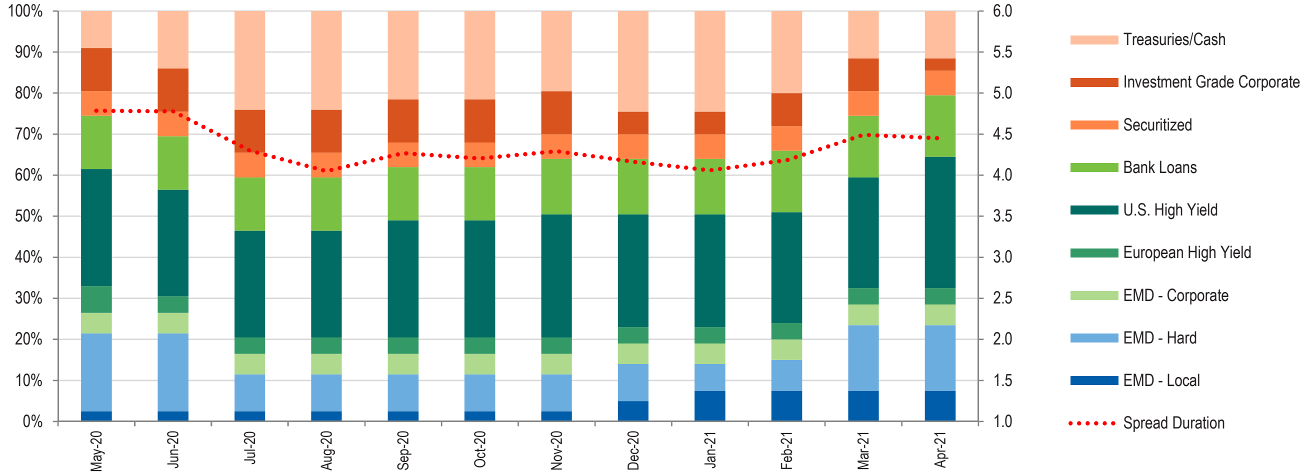
Flows/Issuance

High grade fund flows saw inflows of US$4 billion (HG Corporate + HG Aggregate ex short-term) for the latest period according to EPFR. Flows showed a familiar pattern with Aggregate funds receiving the largest inflows.

Supply for the week was wrapped around US$25 billion, in line with expectations. The calendar for April was spurred by heavy bank issuance, which pushed supply to US$124.275 billion. Year-to-date supply is US$590 billion, which is down roughly 30% year-over-year.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 30 April 2021. Actual allocations within any account may be significantly different from the target allocations shown here. For illustrative purposes only.

Credit Market Indices Snapshot

As of May 5, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	342	(0)	4	(11)	(8)	(254)	0.4	0.1	2.3	(2.3)	15.0
	CEMBI Broad Diversified	256	(3)	3	(1)	(14)	(280)	0.3	0.1	0.7	(0.1)	14.3
	GBI EM Global Diversified Yield	4.93	0.00	(0.01)	(0.07)	0.71	0.11	(0.2)	0.1	2.3	(4.5)	11.7
EM Sovereign Debt	EMBI Global Diversified	342	(0)	4	(11)	(8)	(254)	0.4	0.1	2.3	(2.3)	15.0
	EMBI GD Investment Grade	149	1	5	8	1	(156)	0.3	0.1	0.9	(4.4)	7.0
	EMBI GD High Yield	579	(3)	3	(41)	(29)	(456)	0.5	0.2	3.9	0.1	25.5
EM Sovereign Debt Regions	Africa	527	5	5	(29)	(28)	(429)	0.3	0.1	3.7	(0.4)	33.8
	Asia	210	(3)	(0)	(3)	(22)	(192)	0.9	0.4	1.8	(0.9)	9.7
	Europe	284	2	2	(6)	18	(162)	0.3	0.2	1.7	(2.8)	10.9
	LATAM	347	(1)	7	(14)	(7)	(288)	0.4	(0.1)	3.0	(3.9)	15.8
	Middle East	354	1	3	(4)	(13)	(207)	0.3	0.2	1.5	(1.7)	12.1
EM Corporates	CEMBI Broad Diversified	256	(3)	3	(1)	(14)	(280)	0.3	0.1	0.7	(0.1)	14.3
	CEMBI BD Investment Grade	156	(2)	3	7	(13)	(165)	0.2	0.1	0.4	(1.3)	9.0
	CEMBI BD High Yield	461	(2)	2	(9)	(24)	(426)	0.4	0.1	1.1	1.5	22.2
US High Yield	US High Yield	290	(4)	(1)	(20)	(70)	(447)	0.2	0.2	1.2	2.1	19.7
	US High Yield BB	214	(1)	0	(13)	(50)	(305)	0.2	0.1	1.2	1.1	16.1
	US High Yield B	319	(8)	(1)	(15)	(60)	(416)	0.2	0.1	1.1	2.2	18.9
	US High Yield CCC	489	(13)	(12)	(59)	(169)	(937)	0.5	0.4	1.6	5.3	35.1
European High Yield	Barclays PanEur HY	297	(2)	2	(16)	(59)	(389)	0.1	0.1	0.6	2.3	16.0
	2% Ex Financials Yield	3.14	(0.01)	0.03	(0.13)	(0.29)	(4.78)	-	-	-	-	-
Bank Loans	LSTA Price	97.8	(0.0)	(0.0)	0.2	1.6	11.9	0.0	0.0	0.5	2.3	16.3
	LSTA 100 Yield	3.72	0.01	0.02	(0.02)	(0.26)	(4.08)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.44	(0.03)	(0.05)	(0.16)	0.66	0.84	0.3	0.4	1.4	(4.4)	(5.0)
	1M LIBOR	0.11	(0.01)	(0.00)	(0.01)	(0.04)	(0.14)	0.0	0.0	0.0	0.0	0.2
	US Aggregate	31	1	2	0	(11)	(46)	0.3	0.2	1.0	(2.4)	0.2
	US Investment Grade Corporates	89	1	1	(2)	(7)	(117)	0.4	0.4	1.5	(3.2)	5.5
	Global Aggregate	32	0	0	0	(4)	(38)	0.1	0.2	0.4	(2.1)	0.5
	Barclays 1-5 Year Credit	41	0	0	(6)	0	(100)	0.1	0.1	0.5	(0.1)	3.8
FX	DXY (US dollar)	90.95						0.8	0.0	(2.1)	1.5	(8.4)
	GBI EM FX							(0.3)	(0.1)	1.5	(2.2)	7.7

1W reflects data from April 28 close through May 5 close. Source: Stone Harbor; Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Important Information

Representative asset class benchmarks referenced herein are defined as follows: US HY: ICE BofAML U.S. High Yield Constrained Index (HUC0); EMD: J.P. Morgan EMBI Global Diversified; Loans: S&P/LSTA Leveraged Loan Index; EMDLC: J.P. Morgan GBI-EM Global Diversified; EMDCR: J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified; EUR HY: Bloomberg Barclays PanEuropean High Yield; IG Corp: Bloomberg Barclays Global Aggregate Corporate Index. The J.P. Morgan ESG Index applies a multidimensional approach to ESG investing for fixed income investors. It incorporates ESG score integration, positive screening (e.g. green bonds) as well as exclusions of controversial sectors and UN Global Compact violators. The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The MSCI World index captures large and mid-cap representation across 23 Developed Markets. Index constituents cover approximately 85% of the free float- adjusted market capitalization in each country. The index is a broad global equity benchmark without emerging markets exposure. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of January 2009 the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. The U.S. Dollar Index (USDX) indicated the genera int'l value of the USD. The USDX does this by averaging the exchange rated between the USD and major world currencies. The ICE U.S. computed this by using the rates supplies by some 500 banks. VIX is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.

Investments may not be made directly in an index. The J.P. Morgan CEMBI Broad Diversified (CEMBI Broad Diversified) tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in emerging market countries and consists of an investable universe of corporate bonds. The minimum amount outstanding required is $350 mm for the CEMBI Broad Diversified. The CEMBI Broad Diversified limits the weights of those index countries with larger corporate debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding. The J.P. Morgan EMBI Global Diversified (EMBI Global Diversified) limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global. The J.P. Morgan GBI-EM Global Diversified (GBI EM Global Diversified) consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. The weightings among the countries are more evenly distributed within this index. The ICE BofAML European Currency Non-Financial High Yield 2% Constrained Index contains all non-Financial securities in The ICE BofAML European Currency High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. The Bloomberg Barclays Treasury Index tracks the obligations of the U.S. Treasury with a remaining maturity of one year or more. The Bloomberg Barclays Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer. The ICE BofAML U.S. High Yield Constrained Index (HUC0) contains all securities in ICE BofAML U.S. High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issues in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis. The S&P/LSTA Leveraged Loan Index is a partnership between Standard & Poor's and the Loan Syndications and Trading Association, tracking returns in the leveraged loan market and capturing a broad cross-section of the U.S. leveraged loan market - including dollar-denominated, U.S.-syndicated loans to overseas issuers. The Bloomberg Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and assetbacked securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The Bloomberg Barclays U.S. Corporate Investment Grade Index is a sub-index of the U.S. Aggregate Index. It measures the investment grade, fixed rate, taxable corporate bond market and includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multicurrency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. The Bloomberg Barclays 1-5 Year Credit Index tracks publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity of between one and five years, liquidity, and quality requirements. Qualifying bonds must be SEC-registered.

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