Stone Harbor
INVESTMENT PARTNERS

May 14, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Market concerns around the upward trajectory of inflation and its negative impact on the economic recovery were the focus this week, contributing to a broad risk-off sentiment. In the US, while a weaker-than-expected April jobs report helped to assuage fears that the Federal Reserve (Fed) would begin removing accommodation and initiate the hiking cycle sooner than anticipated, the higher CPI reading brought the possibility of an earlier policy adjustment timeline back into focus. This market reaction transpired despite the Fed's consistent communication about needing to see "substantial further progress" towards their inflation and employment goals before removing easy monetary policy. In the Euro-zone, investor confidence rose at its fastest pace this year amid vaccine optimism. Credit spreads and total returns were mixed across major credit market indices. Emerging markets local currency sovereign debt outperformed. The US dollar depreciated vs the Euro, and EM currencies strengthened, on average.

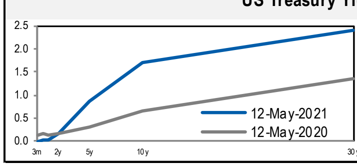
Emerging Markets

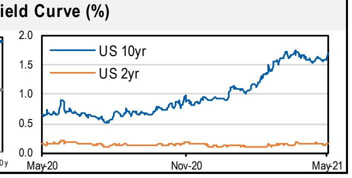
Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	331		-11	13.13%
EMBI GD IG	137		-12	6.05%
EMBI GD HY	569		-10	22.22%
Africa	512		-16	28.42%
Asia	201		-8	9.68%
Europe	270		-13	9.72%
LATAM	338		-9	13.10%
Middle East	341		-13	10.77%
CEMBI BD	247		-9	13.37%
CEMBI BD IG	149		-7	8.30%
CEMBI BD HY	449		-12	20.75%
GBIEM GD (%)	4.96		4	11.94%
EM Blend (%)	4.84		2	12.86%
EMBI ESG	308		-11	11.93%
CEMBI ESG	247		-10	13.01%
GBI ESG (%)	4.75		5	12.49%
		-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	302		12	18.39%
US HY BB	225		11	15.11%
US HY B	332		13	17.25%
US HY CCC	506		17	33.27%
Pan Euro HY	299		2	15.52%
LSTA 100 (%)	3.73		1	15.17%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.54		10	-5.68%
1M LIBOR (%)	0.09		-1	0.15%
US Agg	30		-1	-0.22%
US IG Corp	87		-2	5.31%
Global Agg	32		0	0.23%
		-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	1.21	11.28%	Gold	1,823	5.00%	S&P500	4,063	41.56%
USDJPY	109.67	-2.33%	VIX	28	-16.50%	MSCI World	8,615	43.56%
EM FX		8.53%	Brent	69	131.22%	MSCI EM	3,127	48.18%
		May-20 Nov-20 May-21			May-20 Nov-20 May-21			May-20 Nov-20 May-21

As of May 12, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

Late last week, the non-farm payroll reported that 266k jobs were added in April, nearly a quarter of estimates, which is somewhat inconsistent with most other measures of the labor market. Conversely, the latest inflation readings surprised to the upside with headline CPI rising 0.8% in April and 4.2% from a year earlier. Core inflation, excluding food and energy, grew 3% year-over-year. The stronger-than-expected prints were largely attributed to base effects and reflect the economy reopening with notable increases in pre-owned vehicles prices, airfares, and lodging costs.

The Food and Drug Administration (FDA) approved Pfizer's vaccine for children aged 12 to 15, which should further reduce the transmission of the virus. Similar to prior weeks, vaccinations in the US increased, but at a decelerating rate, with 59% of adults now having received at least one dose of vaccine, while 45% have been fully vaccinated.

Europe

German officials took measures to ease restrictions as the country's infection rate reached its lowest point in a month. One third of its population has now received at least one dose of vaccine, while 10% have been fully vaccinated. Individuals who have been fully vaccinated and/or currently have antibodies can travel to low risk countries without needing to quarantine upon return to Germany.

In the UK, the Conservative Party's victory in the midterm elections was attributed to the relatively successful vaccine rollout and its execution of Brexit. Although the Scottish National Party fell one seat short of a parliamentary majority, the decent performance by the Greens, another pro-independence party, keeps the possibility of an independence referendum on the table.

Post-Brexit tensions are rising once again after France threatened to block the memorandum of understanding (MOU) which requires approval by all 27 member states, as the French perceive England to be failing to uphold its agreement on fisheries. The MOU, agreed upon in March, lays the foundation for a Joint Financial Regulatory Forum and is the initial step towards offering British financial firms access to the EU's single market.

Asia/Japan

India remains the current epicenter as infections climbed for another consecutive week, albeit at a decelerating rate, with the average weekly case count reaching a new month-to-date low of 362k. The World Health Organization (WHO) reported that the highly contagious strains, behind the outbreak in India, were detected in 44 countries. Several other countries have taken measures to restrict travel to and from India.

Japan extended its state of emergency restrictions, originally set to end on 11 May, out to the 31 May as infections remain elevated. Vaccinations are progressing, with nearly 4% of the population inoculated with at least one dose, but remains far behind other developed countries. The government still expects to proceed with hosting the Olympics in July.

Economist Corner

Seamus Smyth, PhD, Developed Markets

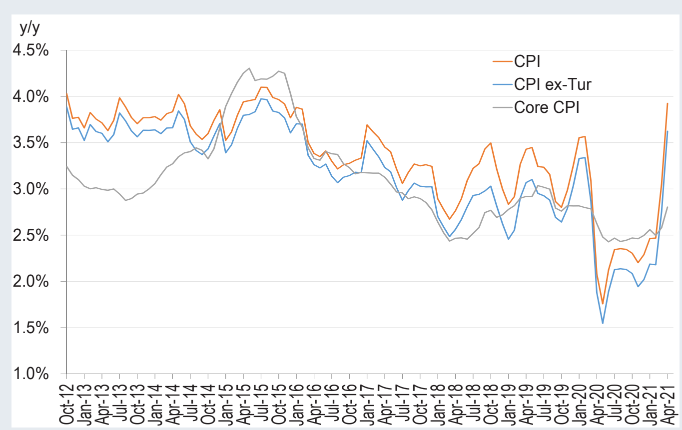
US core inflation increased sharply in April. We have long been expecting an upswing in the spring as the data laps the large declines in prices during the worst of activity restrictions from spring 2020, and we did see that as the year-over-year (yoy) rate leaped to 3.0% from 1.7%. The increase went beyond what we had expected as the month-over-month increase of 0.92% was the most rapid in about 40 years.

Our base case for inflation views the jump primarily stemming from transitory pressure tied to the reopening, though we are watching incoming price and wage data even more closely. Supporting a reopening effect, 0.63 percentage points of that month-over-month increase comes from just five categories—lodging away from home, airfares, rental cars, car insurance and used car prices—clearly tied to the pandemic. Recent European inflation data shows how Covid, and the response to it, can swing around inflation data. This January, due partly to technical factors—expiration of a VAT rebate, shifts in seasonal timing of some prices and changes to the consumption basket—European yoy core inflation jumped to 1.30% from 0.21%. Since then, about half of that increase unwound and yoy core inflation now sits at +0.76%.

Steffen Reichold, PhD, Emerging Markets

In EM, April inflation data also jumped sharply. While base effects drove much of the increase in yoy numbers, the impact of higher commodity prices is becoming evident. With a higher weight of food and fuel and lower weights on services, EM inflation tends to be more sensitive to commodities. Core inflation has remained much more contained despite the pressures from cumulative FX depreciation and higher commodity prices. We believe the absence of large fiscal stimulus in most EMs has a dampening effect. In fact, two countries that stand out among EMs for the size of their fiscal or credit stimulus, Brazil and Turkey, have recorded larger increases in inflation. And in both cases, that stimulus is currently being withdrawn. Looking forward, we believe that commodities and the continuing global recovery will continue to exert pressure on prices but still significant slack in EM economies, fiscal tightening, and more proactive monetary policy will keep the pressures contained.

EM Inflation, GBI EM GD weighted



As of April 30, 2021
Sources: Haver Analyitics, Stone Harbor Investment Partners LP

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 11 basis points (bps) and the JP Morgan EMBI Global Diversified returned 0.04%. Non-investment grade credits continued to outperform investment grade credits this week. The top country performers included Zambia (3.03%), Belize (2.67%), and Sri Lanka (2.35%). The bottom performers included Argentina (-2.19%), Papua New Guinea (-2.18%), and Jamaica (-1.03%). Regional performance diverged; Africa led, while Latin America lagged in total returns.

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 1.02%. EM currencies returned 1.09% in aggregate. The Colombian peso outperformed, returning 3.41%, followed by the Brazil real (2.89%) and Peru (2.41%). The bottom performers were Turkey (-1.24%), Chile (-0.79%), and Thailand (-0.50%).

The yield of the JP Morgan GBI EM Global Diversified increased 4 bps and ended the week at 4.96%. Brazil underperformed (+24 bps), followed by Poland (+19 bps) and Hungary (+18 bps). On the other hand, Peru (-33 bps), Dominican Republic (-17 bps) and South Africa (-7 bps) outperformed.

In central bank actions, key rates were unchanged in Chile (0.50%), Mexico (4.00%), Peru (0.25%), Philippines (2.00%), Romania (1.75%) and Serbia (1.00%).

EM Corporate Debt

CEMBI Broad Diversified generated a small positive return this week, as US Treasury rates continued to move higher. As a result, even though high grade tightened by 7 bps, high yield once again outperformed. Quarter-to-date, high yield has now outperformed high grade by more than 100 bps. Latin America was the best performer among the main three geographic regions, boosted in part by Argentina, where YPF reported solid first quarter results. Peru also had good positive returns as polls around the upcoming presidential election began to tighten. Asia had an overall negative weekly return as the longer-duration nature of many high grade markets in the region were negatively impacted by the move in US Treasury rates. In addition, the Huarong Asset Management curve in China was once again quite volatile on continued speculation in the local press about a potential reorganization of the company.

Flows/Issuance

EM sovereign debt issuance this week included peso-denominated and US dollar-denominated Global Bonds due in 2031 from Uruguay. In EM corporate debt, the new issue market saw a number of new deals, the most notable coming from Latin America, where petrochemical company Orbia issued a two tranche Sustainability-Linked transaction.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$1.3 billion for the week through 11 May, driven predominantly by inflows into local currency 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

Colombia

The national protest committee - comprising the country's main unions, teachers, farmers, and truck drivers – met with government officials and President Ivan Duque on Monday. The government has indicated that it is open to reaching an agreement with demonstrators. This gesture and the prospect of a revised tax reform generated investor optimism. Recall that recent demonstrations forced the government to withdraw a plan to reduce the fiscal deficit by as much as 1.4% of GDP. A tax reform roughly half as large (0.7%-0.8% of GDP), we believe, is possible and may be sufficient to ensure that Colombia retains its investment grade rating from S&P (BBB-) and Fitch (BBB-). The Colombian peso appreciated and was the top performing currency this week.

Dominican Republic

On completion of the 2021 Article IV Consultation, the IMF staff noted that the economic recovery currently underway has been supported by an effective policy response, the vaccination program, and strong government reinforcement for the tourism sector – all of which are important factors that contribute to raising income levels over the medium term. Based on the IMF's projections, the economy is expected to grow by 5 ½ % this year, and inflation is likely to gradually settle within the target range as the impact of supply shocks recedes later this year. The mission outlined key reforms that would help further buttress growth, which include strengthening policy frameworks, broadening the tax base, advancing energy generation, strengthening financial regulatory framework, enhancing infrastructure and human capital investment, and improving social support programs.

Honduras

The IMF reached a staff-level agreement with the Honduran authorities on the fourth review of the economic reform program supported by the Stand-By Arrangement (SBA) and the Standby Credit Facility (SCF). The IMF staff proposed increasing the size of the program by approximately US$215 million, bringing total access to roughly US$769 million. According to the IMF team, the increase is justified in the context of balance of payments needs necessitated by the recent tropical storms and the protracted pandemic. The agreement is pending approval by the IMF's Executive Board, which is scheduled for next month.

On the political front, the presidential race is being shaped by four candidates of the leading parties – Nasry Asfura, Xiomara Castro, and Yani Rosenthal, who won the March primaries, as well as Salvador Nasralla, who finished second in the 2017 election. Of the four candidates, Asfura of the National Party (PN) is generally thought to be the most market-friendly and represents continuity with the macroeconomic stability policies of the outgoing President Juan Hernandez. Historically, PN has had the highest support of roughly 30%; therefore, pressure is building for the opposition groups to form a unified front and increase their competitiveness against the PN. Electoral alliances between parties must be finalized by 27 May.

Peru

The latest opinion polls show a narrowing gap in voter preferences between presidential candidates Pedro Castillo and Keiko Fujimori. Castillo has shown signs that he is prepared to act within Peru's existing institutional and legal frameworks. He has signed ten policy commitments to garner the endorsement of a former leftist presidential candidate Verónika Mendoza. Castillo has also indicated that he will sign agreements with civil-society and religious organizations in support of their priorities, and he has promised legal stability to the business community. Accordingly, Fujimori has signed an agreement in favor of the protection of democracy, Peru's institutional division of powers, freedom of speech, and the implementation of additional social programs. These latest developments underscore the high degree of uncertainty that has characterized the presidential race. Peru's external sovereign debt spreads tightened.

Separately, Congress voted to override the government veto of the bill that enables the third round of withdrawals of private pension-fund assets up to a limit of PEN 17,600 for each account holder. The government indicated that it may challenge this law in the Constitutional Court.

Philippines

The Philippine central bank kept key interest rate unchanged at 2% this week in response to weaker economic data. The GDP contracted by 4.2% in the first quarter, placing the country among the weakest to rebound in Southeast Asia this year. The broad GDP reports suggests a slower pace of recovery in domestic demand in 1Q21. Private consumption and fixed investment activity continue to detract from headline GDP. The slow pace of fixed investment recovery likely reflects weak business sentiment associated with quarantine measures, which in turn have resulted in partial operations of select sectors (e.g., manufacturing of non-essential goods). The inflation forecast for 2021 was also lowered to 3.9% from a previous estimate of 4.2%, with an indication that the policy makers are looking past inflation, which has been running above-target. The bank's inflation target range is 2%-4%.

Poland

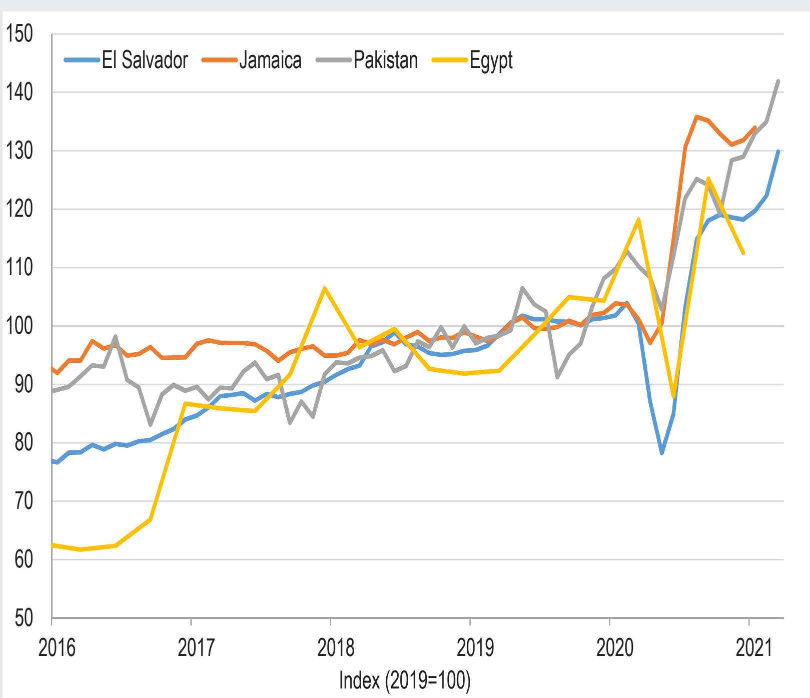
Poland's Supreme Court has again delayed a decision on how to treat cases involving mortgage loans that were taken out in Swiss francs over a decade ago to take advantage of low Swiss interest rates. The court's decision had been expected to provide details around whether banks can charge interest rates on the loans and the period during which banks can claim reimbursement. According to a court spokesman, the court has decided to consult with the Polish central bank, financial regulator KNF and the children's right ombudsman for their opinions before rendering a decision.

Zambia

The IMF mission has continued discussions with the Zambian authorities on their request for an Extended Credit Facility (ECF). According to an IMF press release, there was considerable progress made in detailing the key policy measures to address the macroeconomic imbalances and to foster sustained growth with fiscal space for social and development spending. IMF financing could encourage advance debt restructuring with Zambia's external creditors. Zambia's participation in the G20's Common framework could also expedite negotiations with creditors. As the government's financing position improves, the government will likely rely less on the Bank of Zambia to provide financing. While we anticipate an extended debt restructuring process with both IMF and Chinese creditors, with further possible risks around the August 2021 presidential elections, the IMF development is positive.

Chart of the Week

Remittances



Sources: Haver Analytics, Stone Harbor Investment Partners LP

Worker remittances play a key role in supporting household incomes in many EM countries. They are also an important source of FX inflows and often make EM countries more resilient during times of economic crisis. This chart shows the recent evolution of remittance flows in four countries with heavy reliance on remittance flows, ranging from 21% of GDP in El Salvador to 16% in Jamaica, 9% in Egypt, and 8% in Pakistan. While we initially saw a decline following the onset of the pandemic, remittance flows recovered quickly and have recently reached record highs. This resembles a broader pattern that we often notice as remittances increase during difficult times as workers abroad are trying to step up their support of families back home. Moreover, the outlook for remittance flows remains positive. Employment conditions in the US are improving rapidly, thus supporting workers' income, a key source of remittance flows to Latin America and the Caribbean. Meanwhile, high oil prices support incomes of workers in Gulf Cooperation Council (GCC) countries, the main source of remittance flows for countries like Egypt or Pakistan.

Global High Yield

US High Yield

Equity market volatility spurred by inflation concerns caused a negative 23 bps return for the week in US High Yield. A 10 bp move in the 10-year rate to 1.68% drove an underperformance in longer duration, higher quality credits. Index spreads widened 12 bps and yields widened 20 bps from recent lows to 4.15%. The slide has been orderly with better buyers at lower levels with most of the sell pressure coming from ETFs and profit taking on recent new issues. In terms of industry performance, drillers led the gains, returning 1.31%. Other commodity sectors, including metal/mining and midstream, were also positive. Airlines, food, utilities, healthcare, and retail were among the largest underperformers.

L Brands Inc. will spin off its Victoria Secret chain to shareholders instead of selling. In April, they restarted talks with potential buyers, but after a rebound in profits they will now split the chain into two independent retailers: Bath & Body Works and Victoria's Secret. Laredo Petroleum Inc. will acquire the assets of Sabalo Energy LLC for about US$715 million. The largest US oil-products pipeline, Colonial Pipeline, was closed over the last week after the hack causing supply shortages on the East Coast. Oil and gas prices spiked this week.

Leveraged Loans

The S&P/LSTA Leveraged Loan Index returned .09%, the average bid price increased 3 bps to $97.77, and the spread-to-maturity tightened 2 bps to L+407. In-line with previous 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. With corporate earnings in full swing, industry returns were mostly driven by idiosyncratic credit events; though we did see some profit taking in select re-opening themed sectors including Airlines. New issuance slowed this past week, but we continue to see elevated mergers and acquisitions and leveraged buyout-related activity including Conair Corp.'s term loan backing its buyout by private equity firm American Securities, as well as Hilton Grand Vacations Inc.'s term loan backing its acquisition of Diamond Resorts Holdings LLC, among others. There were no defaults last week.

European High Yield

European high yield returned -0.20% week on week. Performance across rating categories ranged from -0.19% to -0.06%, with CCC rated names outperforming. Overall spreads widened by 2 bps. Performance was driven by the sell-off in equities and rates moving wider, which explains the weaker performance of rate-sensitive BB credits. Japanese Softbank Group (ba3/bb+) reported solid FY20/21 results and progress on its asset monetization and a lower loan-to-value ratio, but the announcement failed to provide support for the EUR bonds, given the generally weak sentiment. Most sectors rallied with the usual outperformance of cyclicals and lower-rated names continuing.

Flows/Issuance

In US high yield, flows were negative US$528 million led by ETFs. The primary calendar has continued its strong pace; 20 deals totaling US$13.75 billion priced, of which 11 deals (US$8.2 billion) priced in the first two days this week. Issuance was led by Dish Networks, which priced an upsized US$1.5 billion deal to refinance debt; EQT Corp., which priced a US$1 billion deal to fund an acquisition of Alta Resources Development; and T-Mobile USA Inc., which priced US$3 billion to refinance existing debt.

The tone in the loan market was strong this past week, as we saw a slowdown in new issuance, continued Collateralized Loan Obligation (CLO) formation, and retail inflows from loan mutual funds and Exchange Traded Funds (ETFs). Additionally, the market saw its seventeenth consecutive week of inflows from retail mutual funds and ETFs.

In European high yield, EPFR data continue to show small flows into the asset class this week at US$260 million equivalent.

Source: Lipper, EPFR, JP Morgan

Industry Insights

Industrials: Company commentary and ISM figures suggest the fundamental industrial demand outlook continues to improve, with Short Cycle Industrial (SCI) demand leading the recovery alongside Consumer and Residential. North America demand trends strengthened in March, consistent with the very strong March ISM reading. The ISM historically tends to lead SCI top-line trends by several months. The strongest growth has been in Asia Pacific, with North America growth ahead of Europe due to rapid Covid vaccinations and high business and consumer confidence in the US. Despite tight supply chains and the spike in input costs, most companies are optimistic about their ability to increase margins. This confidence comes from their success in passing through pricing as well as the positive impact of higher volumes. repurchases.

Midstream: Colonial pipeline has resumed service late Wednesday after a cyberattack brought the Eastern US refined products pipeline to a halt. Retail gasoline stations began to run dry on Tuesday after drivers, who were nervous about shortages, began to stockpile. Pump prices soared above US$3 for the first time in six years, just ahead of peak summer driving season. The US government also issued a waiver on the Jones Act, allowing foreign shippers to move between US ports in hopes of providing supply relief. The restart will allow markets to receive supply immediately. The pipeline was not operating at full capacity prior to the shutdown, so inventories should be restored quickly once the pipe is fully operational.

Food & Beverage: The sector will likely face hard comps and inflation in 2021 as companies lap heavy pantry loading at the beginning of lockdowns and escalating input costs. Both corn and soy, a major raw material for processed foods, are both up 40%+ y/y. Inflation pressure and capacity constraints can also be seen in packaging including cardboard and aluminum cans. Supermarkets have resumed charging food suppliers for missed shipments again, as much as 3% of the missing order, after providing them with a reprieve during the heights of the pandemic. Freight and logistics are also putting pressure on margins, as shippers deal with strong demand, rising fuel costs and labor shortages.

Investment Grade

Governments

After consolidating over the last few weeks, US Treasury yields oscillated with the incoming economic data but resumed their ascent with the yield on 10-year and 30-year Treasuries rising to 1.68% and 2.41%, respectively. Following the stronger-than-expected inflation data, US 10-year Breakevens—a proxy of inflation expectations—continued its uptrend and rose 9 bps to 2.56%. The US Treasury curve bear steepened, as longer-dated bonds saw more selling pressure, with 5s30s 10 bps higher to 155 bps. Treasury volatility, measured by the ICE BofAML MOVE Index, ended the period little changed at 58.

Core European government bond yields also followed the trend higher with the yield on 10-year Gilts rising 7 bps to 0.89%, while Bund yields advanced 11 bps to a new one-year high of -0.12%. Spreads on peripheral bonds were little changed with the spread on 10-year Spanish and Italian bonds 1 bp wider to 0.69% and 1.15%, respectively.

The yield on 10-year Australian government bonds rose as much as 7 bps, before ending the week 3 bps higher, after the government announced a larger-than-expected budget. To fund the increased spending, the debt office confirmed it now expects bond issuance to be nearly 18% higher to around A$130 billion for the fiscal year ending June 2022.

Corporates

Investment grade corporates is off to a good start this month with spreads back at the post pandemic tights of 87 bps, according to the Bloomberg/Barclays corporate index. Spreads remain range-bound but have been resilient in the face of higher inflation readings and a weaker-than-expected employment number, although yields have moved up slightly. There was no discernable widening in energy spreads in relation to the cyber-attack and closure of the Colonial pipeline and spreads mostly held ground despite some equity weakness during the week as there seems to be too much cash and not enough bonds especially in the front end of the curve. Recent focus remains on earnings and supply, where earnings have continued to show positive results, while supply picked up this week and is estimated to be almost double what it was last week. Credit curves continue to be flat but recently the spread has steepened in the 5's/10's credit curve, while spreads between A and BBB rated bonds continue to be at historically narrow levels.

Securitized

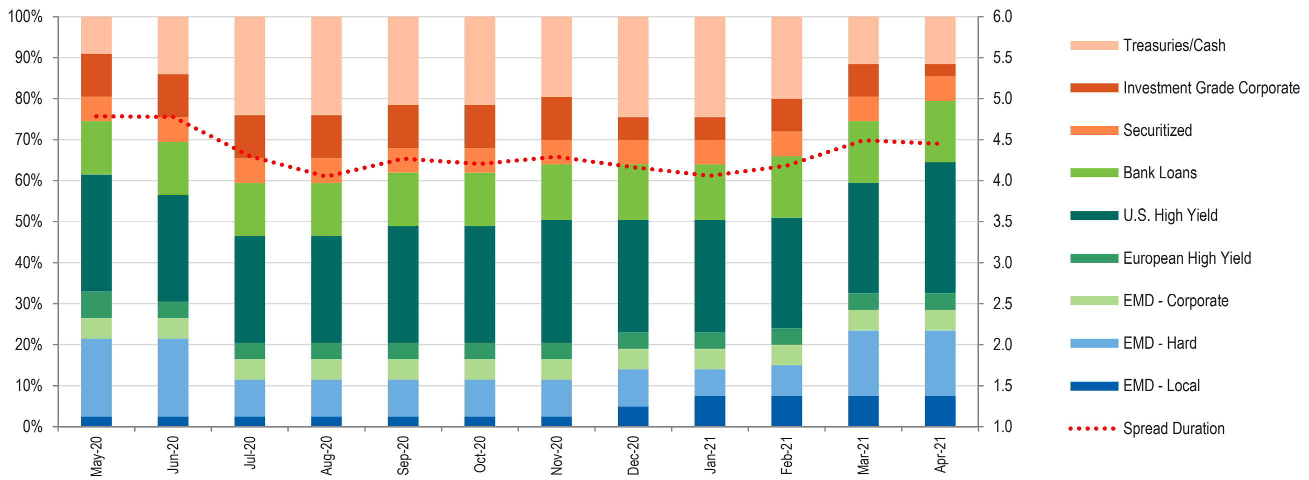
Securitized spreads were flat to slightly tighter on the week. The mortgage coupon currently stands at a spread of 63 bps to the 5/10 year Treasury blend, and the mortgage index OAS is +11 bps. This month's prepayment release showed the first drops reflecting the recent rate rise. FNMA 30-year prepayments dropped 21%, more than the 15% expected decline. The Fed has passed the US$2 trillion mark in mortgage purchases, surpassing the US$1.35 trillion in QE1 mortgages purchases and US$1.4 trillion in QE2. The Manheim used vehicle value index continues to climb on chip shortages, reporting +8.3% month-over-month and +54.2% year-over-year. Hertz selected the Knighthead offer, which provides for full repayment to debt holders and partial recovery for equity holders. We expect the ABS to be paid off shortly after the deal closes. In the commercial real estate sector, Las Vegas casinos continue their move to 100% capacity on casino floors with the MGM and Caesar's properties meeting regulatory approval and joining the Cosmopolitan Hotel and Wynn Resorts in full capacity.

Flows/Issuance

Corporates continue to see inflows into high grade funds where data from EPFR showed inflows of US$7.231 billion for the latest period mostly reflective of the more stable returns with the majority of the monies coming in from Aggregate accounts. In the primary markets, new issue will reach roughly US$40 billion this week. Amazon surprised the markets with an upsized US$18.5 billion deal, which garnered US$48 billion in interest. Other deals saw good demand and offered little concession to secondaries.

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 12, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	331	(11)	(7)	(22)	(19)	(239)	0.0	0.1	2.4	(2.3)	13.1
	CEMBI Broad Diversified	247	(9)	(6)	(11)	(23)	(274)	0.1	0.2	0.8	0.0	13.4
	GBI EM Global Diversified Yield	4.96	0.04	0.03	(0.03)	0.74	0.27	1.0	1.1	3.4	(3.5)	11.9
EM Sovereign Debt	EMBI Global Diversified	331	(11)	(7)	(22)	(19)	(239)	0.0	0.1	2.4	(2.3)	13.1
	EMBI GD Investment Grade	137	(12)	(7)	(4)	(11)	(155)	(0.0)	0.0	0.9	(4.4)	6.0
	EMBI GD High Yield	569	(10)	(7)	(51)	(39)	(416)	0.1	0.3	4.1	0.3	22.2
EM Sovereign Debt Regions	Africa	512	(16)	(11)	(44)	(44)	(372)	0.4	0.5	4.2	(0.0)	28.4
	Asia	201	(8)	(9)	(11)	(31)	(204)	(0.1)	0.3	1.7	(1.0)	9.7
	Europe	270	(13)	(11)	(19)	5	(152)	0.3	0.5	1.9	(2.5)	9.7
	LATAM	338	(9)	(1)	(22)	(16)	(268)	(0.3)	(0.4)	2.7	(4.2)	13.1
	Middle East	341	(13)	(10)	(17)	(27)	(199)	0.2	0.4	1.8	(1.5)	10.8
EM Corporates	CEMBI Broad Diversified	247	(9)	(6)	(11)	(23)	(274)	0.1	0.2	0.8	0.0	13.4
	CEMBI BD Investment Grade	149	(7)	(4)	(1)	(20)	(164)	(0.1)	0.1	0.4	(1.3)	8.3
	CEMBI BD High Yield	449	(12)	(10)	(21)	(36)	(414)	0.3	0.5	1.4	1.8	20.8
US High Yield	US High Yield	302	12	11	(8)	(58)	(414)	(0.2)	(0.0)	1.1	1.9	18.4
	US High Yield BB	225	11	11	(2)	(39)	(279)	(0.2)	(0.1)	1.0	0.9	15.1
	US High Yield B	332	13	12	(2)	(47)	(374)	(0.2)	(0.1)	0.8	2.0	17.3
	US High Yield CCC	506	17	5	(42)	(152)	(860)	(0.1)	0.3	1.6	5.2	33.3
European High Yield	Barclays PanEur HY	299	2	4	(14)	(57)	(368)	(0.2)	(0.1)	0.4	2.0	15.5
	2% Ex Financials Yield	3.21	0.05	0.08	(0.08)	(0.24)	(4.53)	-	-	-	-	-
Bank Loans	LSTA Price	97.8	0.0	(0.0)	0.2	1.6	11.0	0.1	0.1	0.6	2.4	15.2
	LSTA 100 Yield	3.73	0.01	0.03	(0.01)	(0.25)	(3.70)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.54	0.10	0.05	(0.06)	0.76	0.94	(0.7)	(0.3)	0.7	(5.1)	(5.7)
	1M LIBOR	0.09	(0.01)	(0.01)	(0.02)	(0.05)	(0.09)	0.0	0.0	0.0	0.0	0.2
	US Aggregate	30	(1)	1	(1)	(12)	(49)	(0.7)	(0.4)	0.4	(3.0)	(0.2)
	US Investment Grade Corporates	87	(2)	(1)	(4)	(9)	(124)	(1.0)	(0.6)	0.5	(4.1)	5.3
	Global Aggregate	32	0	0	(1)	(5)	(39)	(0.5)	(0.3)	(0.1)	(2.5)	0.2
	Barclays 1-5 Year Credit	40	(1)	(1)	(7)	(1)	(98)	(0.1)	0.0	0.4	(0.1)	3.6
FX	DXY (US dollar)	90.71						(0.7)	(0.6)	(2.7)	0.9	(9.2)
	GBI EM FX							1.1	1.0	2.6	(1.1)	8.9

1W reflects data from May 5 close through May 12 close. Sources: Bloomberg, Stone Harbor Investment Partners LP. 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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