Stone Harbor INVESTMENT PARTNERS

June 25, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

As credit market investors digested an array of economic data and comments from central bankers in the US, prices of risk assets moved higher, readjusting to last week's selloff. The S&P traded near its all-time high. US inflation Breakevens, which declined sharply following US Federal Reserve (Fed) comments last week, recovered to levels in line with where they were before the Fed meeting. The US Treasury yield curve flattened.

Commodity prices strengthened as Brent crude reached a new 2-year high of US$75.91/barrel of oil (bbl). Credit spreads widened in most major sectors, with modest underperformance of emerging market (EM) sovereigns relative to US high yield debt. Investment grade assets generally outperformed high yield bonds. The US dollar index (DXY) appreciated while EM currencies declined, on average.

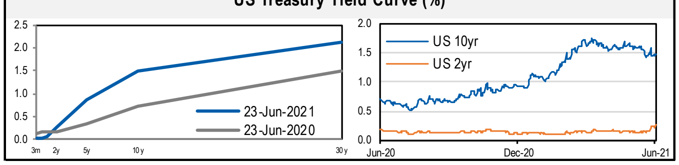
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	335		7	7.28%
EMBI GD IG	144		2	2.88%
EMBI GD HY	574		14	12.66%
Africa	510		16	16.81%
Asia	204		6	4.69%
Europe	270		8	5.77%
LATAM	347		5	7.26%
Middle East	342		3	5.36%
CEMBI BD	245		1	8.44%
CEMBI BD IG	149		1	5.30%
CEMBI BD HY	439		3	12.85%
GBIEM GD (%)	5.03		7	4.89%
EM Blend (%)	4.76		2	6.91%
EMBI ESG	313		6	6.41%
CEMBI ESG	245		0	8.33%
GBI ESG (%)	4.83		7	5.43%
		-300 -150 0 150		Jun-20 Dec-20 Jun-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	280		0	13.08%
US HY BB	210		0	11.07%
US HY B	306		1	12.01%
US HY CCC	476		-2	22.70%
Pan Euro HY	297		11	10.66%
LSTA 100 (%)	3.68		4	10.21%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.39		-8	-4.30%
1M LIBOR (%)	0.09		1	0.14%
US Agg	33		0	-0.32%
US IG Corp	82		1	3.00%
Global Agg	33		1	0.13%
		-100 0 100 200		Jun-20 Dec-20 Jun-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.19	5.47%	Gold	1,783	-1.45%	S&P500	4,242	35.47%
USDJPY	110.96	-3.98%	VIX	16	-47.98%	MSCI World	8,993	36.05%
EM FX		3.86%	Brent	75	76.38%	MSCI EM	3,245	37.18%
		Jun-20 Dec-20 Jun-21			Jun-20 Dec-20 Jun-21			Jun-20 Dec-20 Jun-21

As of: June 23, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

The Citi US Economic Surprise Index held stable over the week at the mid 40's level, suggesting that data continues to surprise over recent weeks, on balance to the upside. Existing home sales and the Richmond Fed Manufacturing Index came in slightly ahead of expectations while initial claims, continuing claims, the Chicago Fed Index, home starts and building permits all came in slightly below expectations.

The week's main focus was, of course, on the Fed and its policy decision. While the Fed held rates stable, apart from a small technical adjustment designed to push the repo rate away from the zero level, the big surprise was in the Fed's signalling, in particular, through its now infamous dots. These showed no change in the terminal rate but indicated an expected two tightenings by end 2023, compared with none signalled at the last meeting. Given that market participants were torn between no change in 2023 and one tightening, this was something of a hawkish surprise. A more detailed look at the dots showed an unusually wide dispersion of expectations for 2023, ranging from no change to 175 basis points (bps) of tightening. Inevitably this dispersion in expectations has increased the emphasis on communication from Federal Open Market Committee (FOMC) members, and indeed that communication has been mixed. Both Chairman Powell and New York Fed Chief Williams indicated that any rate rise is a long way off, whereas St. Louis Fed Chief Bullard expressed expecting rate increases in 2022 in response to a strong recovery and inflation pressures.

Europe

The Citi Euro Area Economic Surprise Index continues to run well ahead of its US counterpart at 90 but did fall from 120 over the week. On the disappointing side construction output suffered a modest set back but June PMIs remained very strong. Comparison of manufacturing PMIs between Europe and the US highlights that as Europe continues the unlocking process with fewer Covid cases, it could likely catch up some of its recent growth underperformance.

The UK continues its path to recovery with June's PMIs, both manufacturing and services, holding above the 60 mark. A strong May inflation recording at 2.1%, somewhat ahead of expectations, has increased speculation of an earlier move to increase tapering than currently indicated. Covid cases have risen somewhat over the past two weeks with the Delta variant now dominant. This has led the government to delay the final stage of unlocking, and indeed recommend tighter restrictions in some locations. Research as indicated that the underlying "r" number (that which would exist with no mitigating actions) is likely around 7. Early evidence, however, also suggests that those who are vaccinated are 75% less likely to be hospitalized. The government has responded by increasing the vaccination pace, but this does highlight for other countries the imperative of delivering vaccines rapidly to control the potential impact of this variant.

Japan/Asia

It was a relatively light week for data in Japan although trade disappointed somewhat as a result, with slightly less export growth than expected and slightly more import growth. May CPI readings came in at -0.1% year-over-year (y/y) and the Bank of Japan, as expected, held rates stable. India remains in the midst of its Covid fight but, encouragingly, cases continue to fall. Conversely, Russia is experiencing a noticeable surge in cases as is Indonesia, and the Philippines continue to record a high level of incidence.

Economist Corner

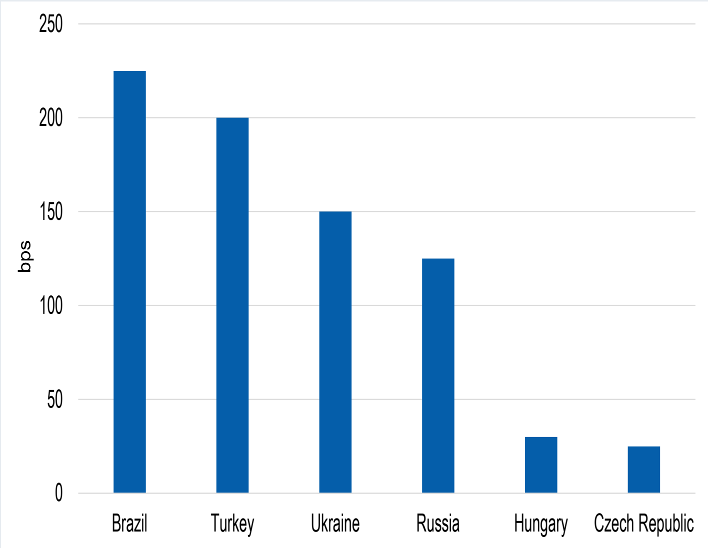
Seamus Smyth, PhD, Developed Markets

While much market attention has been on the Fed's shift to talking about tapering and the upward shift in the dots, several EM central banks have already started the process of normalizing rates. Six major EM central banks have already raised rates this year. Brazil has been leading with cumulative 225 bps hikes, followed by Turkey, which added 200 bps to already substantial hikes in H2 2020. In addition, Russia and Ukraine have both already raised rates three times this year. This week Hungary and Czech Republic joined with the first hike but starting from very low levels. The policy moves have mostly resulted from stronger than expected economic data this year and rising inflation prints, with the latter driven mostly by high commodity prices. Only in the case of Turkey was it triggered by continued FX pressure.

In addition to these moves, markets are already pricing significantly more rate increases over the next year: from 80 bps in Poland to 400 bps in Brazil, with many countries around 100 bps (Czech Republic, Hungary, Russia, South Africa) and a few even higher around 200 bps (Colombia, Chile, Mexico). Thus, the market is already anticipating proactive EM central bank policy reactions. In our view, this allows central banks to react to higher inflation prints and potential pressures as the Fed moves closer to tapering later this year without forcing a repricing of local rates markets.

Steffen Reichold, PhD, Emerging Markets

EM Policy Rate Hikes YTD



As of June 23, 2021
Source: Bloomberg

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 7 bps and the JP Morgan EMBI Global Diversified returned -0.02%. Investment grade securities outperformed non-investment grade bonds, on average. The top country performers included Cameroon (+1.3%), Papua New Guinea (+1.3%), and Chile (+1.2%). The bottom performers included Sri Lanka (-4.4%), Belarus (-3.8%), and Argentina (-3.2%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -1.6%. EM currencies returned -1.3% in aggregate. The Brazil real, Dominican Republic peso, and Uruguay peso were the only currencies with non-negative spot FX returns, returning 1%, 0%, and 0.2%, respectively. The South African rand, Colombian peso, and Thailand baht underperformed with spot FX returns of -3.1%, -2.1%, and -2%, respectively.

The yield of the JP Morgan GBI EM Global Diversified increased 7 bps to 5.03%. Bond markets from Turkey and Dominican Republic outperformed again this week as yields fell by 20 bps and 15 bps, respectively. Underperforming bond markets included Brazil (+23 bps), Peru (+28 bps), and Mexico (+19 bps).

Central banks hiked rates in Hungary (policy rate: 0.9%) and Czech Republic (0.5%), as expected. In a surprise move, Banxico (Mexico's central bank) hiked its policy rate from 4% to 4.25% in a split decision, citing rising inflation expectations in the near term. Egypt left its rate unchanged at 8.25% and eliminated the 15 bps spread between the base rate and the one-week deposit rate. (Please note that we incorrectly highlighted that Hungary left its policy rate unchanged in last week's report.) Philippines and Thailand also left their policy rates unchanged at 1.5% and 0.5%, respectively.

EM Corporate Debt

For the second week in a row, the JP Morgan CEMBI Broad Diversified registered a small positive gain. The primary driver of returns was the fall in US Treasury (UST) yields, which was reflected in the sectors that outperformed and underperformed. High grade, despite widening 3 bps, materially outperformed high yield as longer duration assets rebounded with the fall in UST yields. Pulp & paper was the best performing industry sector, given its relatively long duration. In China, bonds of homebuilder Evergrande remained under pressure on concerns that the company's deleveraging plan was falling behind. Bonds are down between 10 and 15 points over the last two weeks. Huarong Asset Management bonds were mostly unchanged after the company met another maturing debt obligation, but still hasn't filed financials that were due on 30 April.

Flows/Issuance

EM sovereign debt issuance included new offerings from Slovenia (EUR 1 billion, 10-year maturity). Year-to-date, sovereign issuance totals over US$125 billion. In EM corporate debt, new issuance outside of China/Hong Kong was relatively light, but included an investment grade offering from a Turkish corporate.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of approximately US$1 billion for the week through 23 June with roughly equal outflows from hard currency and 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

Argentina

Argentina agreed with the Paris Club to delay a payment of US$2.4 billion that was originally due on 31 May. The new agreement depends on a renegotiation of Argentina's US$45 billion aid program with the International Monetary Fund (IMF). In a press conference this week, the Economy Minister Martin Guzman noted that the country now has until 31 March 2022 to restructure its debts with the Paris Club and will make one payment totaling US$430 million by 31 July. The Paris Club's Secretary General Schwan Badirou-Gafari said that Argentina agreed to comparable treatment for creditors. He expects Argentina to come to an agreement with the IMF as soon as possible. Guzman plans to hold in-person talks with IMF officials in July at the G20 meeting in Italy.

Armenia

Armenia held national elections on 20 June. Market concern had grown prior to the election over a potential opposition win and a pivot towards Russia following the country's recent loss in its conflict with Azerbaijan. Armenia was forced to cede the bulk of the Azerbaijani territory that it occupied during the 1990's, including parts of the ethnic Armenian enclave of Nagorno-Karabakh. Prime Minister Nikol Pashinian, who swept to power in 2018, won a surprise victory in the recent election. His re-election likely reduces geopolitical and policy uncertainties, in our view. Following Mr. Pashinian's win, Armenia will now be able to continue negotiations on last year's ceasefire agreement with Azerbaijan.

Belarus

The EU issued targeted economic sanctions including the prohibition to directly or indirectly sell, supply, transfer or export to anyone in Belarus equipment, technology, or software intended primarily for use in monitoring or intercepting the internet and telephone communications, and technologies for military use. The sanctions further restrict trade in petroleum products, potassium chloride ('potash'), and tobacco products. In addition, the sanctions restrict access to EU capital markets, and from providing insurance and re-insurance to the Belarusian government and Belarusian public bodies and agencies. The European Investment Bank will stop payment under existing agreements to projects in the public sector. Member states will also be required to take action limiting the involvement in Belarus of multilateral development banks. Credit investors have focused on whether the sanctions prevent primary and secondary trading of sovereign debt. As of this writing, the new restrictions prohibit transactions in Belarus securities with maturities longer than 90 days that are issued after 29 June.

Brazil

The Central Bank discussed raising interest rates by more than 75 bps at last week's meeting of the rate setting committee, based on minutes from its last policy meeting. The minutes showed that policymakers believe a full normalization of monetary policy is now appropriate as inflationary pressures have increased. The minutes indicated the possibility of a faster rate hike pace at the next meeting, based on an upbeat outlook for economic activity. The Brazil real (BRL) appreciated past 5 USD/BRL, a level last reached briefly in June 2020.

Separately, Brazil's congress approved a bill that will allow for the privatization of Electrobras, the country's electric utility. President Bolsonaro will now have 15 business days to sign the bill into law.

Dominican Republic

The Minister of the Presidency Lisandro Macarrulla noted over the weekend the administration's readiness to begin negotiating on a fiscal pact to be approved this year and implemented in 2022. In addition, President Abinader signed two executive orders focused on spending authority. For investors in the nation's external sovereign debt, the country's progress on fiscal reform will be critical as public debt levels remain high. While improving growth may help reduce the debt burden, risks of further issuance will persist through the end of 2021. Dominican Republic bond spreads widened this week.

Ethiopia

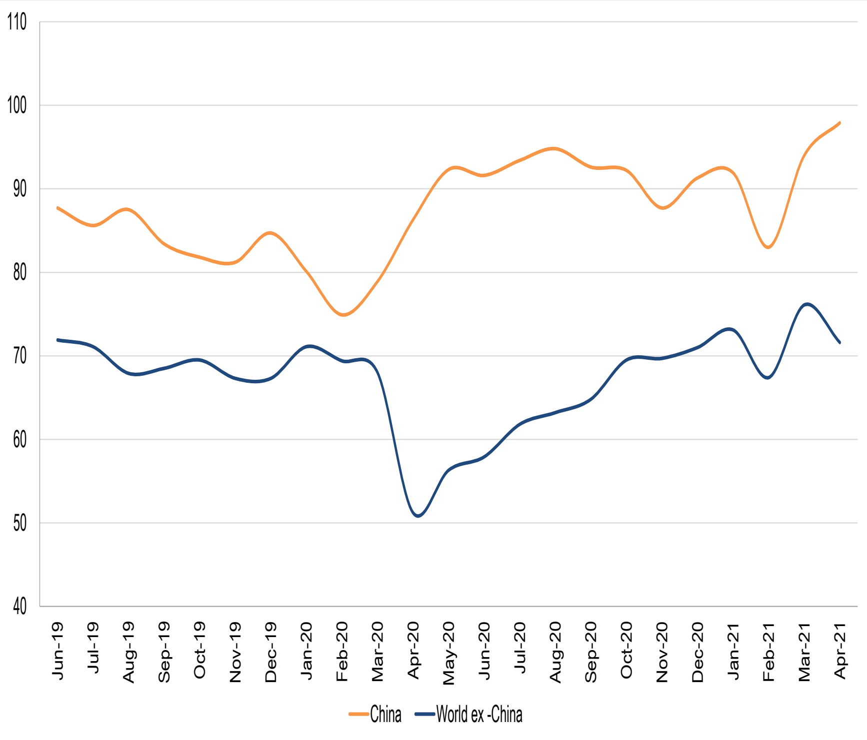
Parliamentary and state elections took place on 21 June following several postponements since August 2020 amid a challenging security backdrop. Ethiopia's election board blamed the most recent delay on low voter registration. An opposition boycott and war also impacted the election's timing. War has displaced two million people in the Tigray region, where Prime Minister Abiy Ahmed sent troops in November 2020 to battle regional authorities that once controlled the national government. As of this writing, authorities continued to count votes in an election that one local election watchdog, the Coalition of Ethiopian Civil Society Organization for Election, declared inclusive and transparent. Nevertheless, reports of an airstrike in a crowded market in Ethiopia's Tirgray region on Wednesday highlighted the tense political environment.

Hungary

By hiking its base rate by 30 bps to 0.90%, the National Bank of Hungary (NBH) became the first European central bank to raise its policy rate. Czech Republic's central bank followed NBH with a rate hike this week. The NBH also eliminated the spread between the base rate and the 1-week deposit rate. According to the NBH, upside risks to the inflation outlook have increased, reflecting rising inflation in the US and Europe, increases in commodity prices and international freight costs, and tightening of the labor market. The NBH revised its forecasts higher for growth for this year to 6.2% (previously 4-6%) and inflation to 4.1% on average (previously 3.8-3.9%). The central bank expects headline inflation to remain above the target range of 1-4% for the rest of 2021, though it expects inflation to fall back to 4% during the summer months and then reaccelerate at year-end. Hungary domestic government bonds rallied on the initial announcement of the rate as markets anticipated the move.

Chart of the Week

World Steel Production



As of April 2021
Source: J.P. Morgan

The impact of the Covid pandemic on steel production was two distinct story lines in 2020. For most of the world, production fell more than 20 mm tons in April 2020, as large swaths of the global economy shut down. However, results in China were very different as China attempted to compensate for the reduced production in most other major markets and Chinese steel production actually increased. Monthly steel production in China has been more than 90 mm tons for 10 of the last 12 months while production ex-China recovered gradually, finally exceeding the pre-Covid level of 70 million tons again by December 2020.

A consequence of the rebound in combined world steel production has been a rebound in the demand for iron ore and a subsequent increase in iron ore prices. The price for certain grades of iron ore are up over 30% for the year, reaching a 10-year high. Prices at these levels are a boon to many Emerging Market countries that export large amounts of iron ore, including Brazil and the Ukraine.

Global High Yield

US High Yield

The US high yield market moved slightly higher in a volatile week as the market digested the Fed's latest comments. Higher rated issues outperformed as rates remained at the lower end of the recent range. Media underperformed as Diamond Sports released updated forecasts and stated they had thus far been unable to reach a debt exchange agreement with bondholders. Electric outperformed as bonds rebounded from PJM auction related weakness earlier in June, and food continued to outperform with gains from potential rising stars.

Leveraged Loans

The Loan market had a softer tone this week with mixed returns across ratings cohorts. The S&P/LSTA Leveraged Loan Index return was flat, the average bid price declined 5 bps to US$98.34, and the spread-to-maturity widened 1 bp to L+401. Notably, higher quality BB rated loans posted negative returns while lower quality B and CCC rated loans outperformed. We saw strength in utilities, drillers/services, and E&P sectors while the satellite, media other, and metals/mining/steel sectors underperformed. Noteworthy movers during the week include Lightstone Generation LLC (LGHTGN) and Diamond Sports (DSPORT). LGHTGN saw a recovery in secondary trading levels after a sell off earlier this month due to the weaker than expected PJM power auction, while DSPORT loans fell after disclosures of cleansing documents showed soft earnings and news that deal negotiations with lenders have stalled. As we approach July 4th, we see secondary trading activity slow as investors focused on the 16 deals that launched for US$16.4 billion ahead of the holiday. Use of proceeds remains mixed, however the week's larger deals were refinancings. We saw several deals aimed at lowering borrowing costs. We also saw building products issuer, US LBM Holdings LLC, attempting to raise financing for an acquisition, and Victoria's Secret raising financing to effectuate their spin-off from Bath & Body Works. There were no defaults in the Index this week.

European High Yield

Overall European high yield returned -0.15% week-over-week (w/w). Performance across rating categories ranged from +0% to -0.17% with lower rated names outperforming. Overall spreads were 10 bps wider as the Fed delivered a more hawkish outlook this week. As a result rate, sensitive BB names continue to underperform. That said, the market remains focused on the primary market, with no less than six new issues hitting the tapes this week.

Flows/Issuance

US high yield technicals were supportive with slightly positive fund flows and a softer than expected new issue calendar. Only US$5 billion of new issues priced for the week, and only US$30 billion for the month. Ford Motor Credit (Ba2/BB+) priced a 10-year bond at 3 5/8% with the Ford debt structure trading ½-1 point higher, and the company continuing to outperform since raising guidance. Callon Petroleum (Caa2/CCC+) issued 8% bonds to refinance debt that rebounded from deeply distressed 2020 levels. Magpul Industries (B1/B), a maker of high capacity magazines and other rifle accessories, pulled its US$300 million of 7-year second lien notes offering. Original price guidance was 6.75-7% and proceeds were to be used to refinance debt and pay a special dividend.

The demand for loan assets remains strong as evidenced by Collateralized Loan Obligations (CLO) formation as well as inflows from retail loan mutual funds and Exchange Traded Funds (ETFs). During the week, we saw an additional US$2.32 billion of CLO issuance, bringing the month-to-date total to US$7.42 billion, and the asset class on track to report our 24th consecutive week of inflows from retail mutual funds and ETFs.

In European high yield, EPFR data showed an inflow for the week of US$246 million for a relative large total monthly inflow of US$1.1 billion.

Source: Lipper, EPFR

Industry Insights

Chemicals: US commodity prices continued to move higher with all key commodities seeing an uptick in prices/margins. Near-term supply/demand fundamentals remain robust, with demand outpacing available supplies and the supply chains yet to restock completely. Despite some recent weakness in housing due to higher interest rates and prices as well as labor and supply-side constraints, trends in construction-related resins and related performance chemistry were solid. Strong automotive markets led to strong demand for resins and chemistry used in other durable goods.

Containers: As we enter the summer, the broader ecosystem for container companies is beginning to normalize with resin prices slowly receding, after a sharp run-up post the February Texas storms, and all of the various Covid-19 related impacts gradually become a thing of the past. With underlying fundamental trends returning to focus, longer term supply and demand imbalances within the aluminum can business and broader sustainability concerns will regain focus for the investment community. These two trends should continue to benefit aluminum can producers and well positioned, value added plastic packaging companies.

Media: This week Netflix made big news announcing it had signed a multi-year distribution agreement with Steven Spielberg's production studio, Amblin, which guarantees them the right to distribute one of the studio's feature length films each year. In other media news this week, new FTC chairwoman Lina Khan announced they would be reviewing Amazon's recently announced acquisition of MGM Studios. The outcome of this review has the potential to reshape future media consolidation to the extent the FTC either blocks or imposes conditions on this transaction.

Investment Grade

Governments

The US government bond curve flattened over the week with 10-year yields falling 4 bps to 1.46%, and 2-year yields rising 8 bps to 0.24%. The forward yield curve had a more dramatic steepening with expectations for rates at the end of 2023 rising 16 bps, and for the end of 2025 falling by 12 bps. Real yields, as measured by 10-year TIPS, were largely unchanged but Breakeven inflation rates fell 6 bps. On balance this suggests the shift in Fed policy messaging was well received by the markets and indeed gave comfort that they may not be as far behind the curve as more hawkish commentators have suggested. It likely also reflects the extent to which what is discounted in the market has been, and remains, above most commentators' expectations. The forward market would appear, at this juncture, to discount 1% rates at the end of 2023, suggesting that a further move in Fed messaging may be priced in. Bund Yields rose to -17 bps from -23 bps a week ago although this was someway off the week's highs of -8 bps. The market continues to suggest that it is holding above the January high in yields this year, highlighting the risks that might be posed by improving growth. Ten-year Gilt yields rose 5 bps over the week to 0.78% as the market responded to events in the US and stronger than expected inflation readings. Japan Government Bonds were broadly unchanged over the week whereas Australian 10-year yields rose 7 bps.

Corporates

Investment grade corporates were mostly unchanged this week with the Bloomberg/Barclay's Corporate Index OAS wider by 1 bp to +82 bps. Cash spreads lagged slightly given the bull flattener in treasury rates but remain firm given the support of investor inflows. 10/30's credit curves steepened out to their 1- and 3-month wides as a result with the long end seeing better customer selling. Overnight flows out of Asia, which tend to set the markets' tone, have been quiet the last few sessions, while dealers, although less bulled up on spreads at these tight valuations don't necessarily want to be short the market. Excess and total returns are positive so far this month at 0.28% and 1.15% respectively and spreads remain tighter by 14 bps on the year.

Securitized

Securitized spreads were generally stable this week. The mortgage index OAS tightened 1 bp on the week. Collateralized mortgage-backed securities (CMBS), card and auto spreads were unchanged. The Supreme Court ruled that the White House can change the head of the Federal Housing Finance Agency (FHFA) without cause, and President Biden replaced Mark Calabria with Sandra Thompson from the Housing Mission and Goals division. The expectation is that the Government-Sponsored Enterprises (GSEs) will become more supportive of Biden's affordable housing goals, will thus remain under government supervision for longer than previously anticipated. We could see a loosening of standards such as a wider credit box and changes to fee and cap structures. We may also see capital rule changes that could stimulate Credit Risk Transfer (CRT) issuance, a sector in which the Federal National Mortgage Association (FNMA) has not issued since 1Q2020. In other news, Blackstone is buying Home Partners of America for US$6 billion. Home Partners is a single-family rental company that owns more than 17,000 houses. The single-family rental sector has benefitted from changes in housing patterns. The Hertz asset-backed securities (ABS) refinancing performed very well with US$20 billion in orders and upsized to US$4 billion from US$2.2 billion. The senior bonds tightened 40 bps into pricing, and the subordinate bonds tightened even more on the demand for bonds.

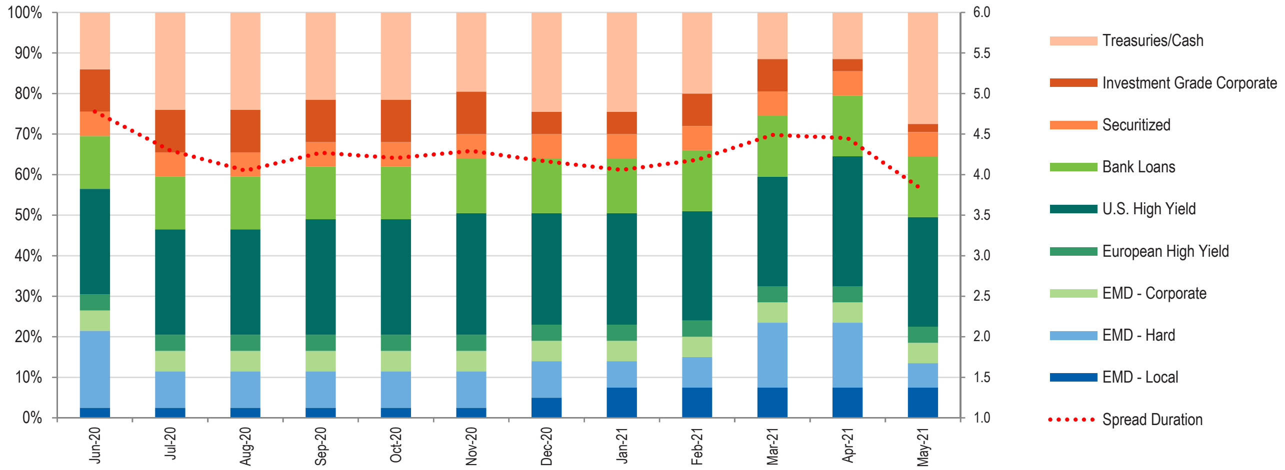
Flows/Issuance

High grade fund saw inflated inflows of US$9.973 billion according to EPFR. The majority of flows went into aggregate funds (US$7.313 billion), but corporate only funds saw inflows of US$2.179 billion, mostly in the long end.

In the primary markets roughly US$20 billion entered the markets this week, which was on top of expectations. June supply is shaping up to come in at upwards of US$105 billion. New issue continues to see good demand and deals are priced with very little meat on the bone, leaving little room for performance.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 May 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 June 23, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	335	7	4	(18)	(16)	(130)	(0.0)	0.7	4.0	(0.7)	7.3
	CEMBI Broad Diversified	245	1	(8)	(13)	(25)	(169)	0.1	0.7	1.9	1.1	8.4
	GBI EM Global Diversified Yield	5.03	0.07	0.08	0.03	0.81	0.47	(1.6)	(1.3)	3.4	(3.5)	4.9
EM Sovereign Debt	EMBI Global Diversified	335	7	4	(18)	(16)	(130)	(0.0)	0.7	4.0	(0.7)	7.3
	EMBI GD Investment Grade	144	2	2	3	(4)	(65)	0.4	1.1	2.7	(2.7)	2.9
	EMBI GD High Yield	574	14	10	(46)	(34)	(241)	(0.5)	0.2	5.5	1.7	12.7
EM Sovereign Debt Regions	Africa	510	16	8	(45)	(45)	(205)	(0.6)	0.4	6.2	1.9	16.8
	Asia	204	6	(1)	(9)	(28)	(91)	(0.0)	0.8	3.1	0.4	4.7
	Europe	270	8	1	(20)	5	(75)	(0.2)	0.6	3.3	(1.2)	5.8
	LATAM	347	5	7	(14)	(7)	(165)	0.2	0.7	4.5	(2.5)	7.3
	Middle East	342	3	(2)	(16)	(26)	(94)	0.3	0.9	3.3	(0.0)	5.4
EM Corporates	CEMBI Broad Diversified	245	1	(8)	(13)	(25)	(169)	0.1	0.7	1.9	1.1	8.4
	CEMBI BD Investment Grade	149	1	(4)	(0)	(20)	(105)	0.2	0.6	1.4	(0.3)	5.3
	CEMBI BD High Yield	439	3	(13)	(31)	(46)	(251)	(0.0)	0.7	2.6	3.0	12.9
US High Yield	US High Yield	280	0	(16)	(30)	(80)	(295)	0.1	0.9	2.3	3.2	13.1
	US High Yield BB	210	0	(16)	(17)	(54)	(207)	0.1	1.0	2.3	2.2	11.1
	US High Yield B	306	1	(15)	(28)	(73)	(272)	0.0	0.7	1.9	3.1	12.0
	US High Yield CCC	476	(2)	(17)	(72)	(182)	(637)	0.0	1.1	3.0	6.7	22.7
European High Yield	Barclays PanEur HY	297	11	2	(15)	(59)	(230)	(0.1)	0.6	1.3	3.0	10.7
	2% Ex Financials Yield	3.04	0.04	(0.07)	(0.25)	(0.41)	(4.29)	-	-	-	-	-
Bank Loans	LSTA Price	98.3	(0.0)	0.3	0.8	2.2	7.4	0.0	0.3	1.4	3.2	10.2
	LSTA 100 Yield	3.68	0.04	0.04	(0.06)	(0.30)	(1.97)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.39	(0.08)	(0.06)	(0.21)	0.61	0.78	0.6	0.5	2.2	(3.7)	(4.3)
	1M LIBOR	0.09	0.01	0.01	(0.02)	(0.05)	(0.09)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	33	0	3	2	(9)	(34)	0.4	0.4	1.6	(1.9)	(0.3)
	US Investment Grade Corporates	82	1	(2)	(9)	(14)	(65)	0.5	1.2	3.1	(1.7)	3.0
	Global Aggregate	33	0	1	0	(4)	(25)	0.1	0.3	0.8	(1.7)	0.1
	Barclays 1-5 Year Credit	36	0	(1)	(11)	(5)	(44)	(0.0)	(0.2)	0.5	(0.0)	1.8
FX	DXY (US dollar)	91.80						0.7	2.2	(1.5)	2.1	(5.0)
	GBI EM FX							(1.3)	(1.2)	2.2	(1.5)	3.0

1W reflects data from June 16 close through June 23 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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