Stone Harbor INVESTMENT PARTNERS

July 16, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Consistent remarks from both the European Central Bank (ECB) President Christine Lagarde and the US Federal Reserve (Fed) Chairman Jerome Powell on the importance of a patient monetary policy approach provided a generally supportive market backdrop this week. The ECB set a new inflation target of 2%, noting that temporary deviation in either direction of this target would be acceptable, and affirmed the ECB's commitment to "favorable financing conditions." Echoing the sentiment, Chairman Powell testified at the semi-annual congressional hearing that maintaining monetary policy will offer "powerful support" to the economy, that he still views the pickup in inflation as transitory, and that it will be a while before the Fed begins to reduce its monthly bond purchases. The S&P 500 ended higher and the US 10-year Treasury yields moved lower in response to Chirman Powell's testimony on Wednesday. Credit spread moves and total returns were mixed across major sectors. Emerging markets (EM) high yield debt outperformed US high yield debt. The US dollar index (DXY) declined, and EM currencies advanced, on average.

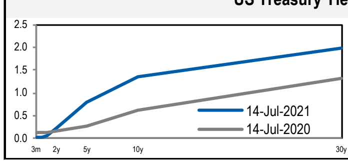
Emerging Markets

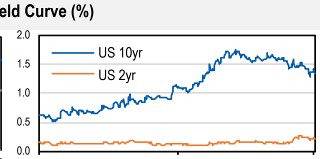
Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	347		-1	6.73%
EMBI GD IG	153		-1	2.11%
EMBI GD HY	594		-3	12.44%
Africa	532		-4	17.39%
Asia	216		-2	3.82%
Europe	279		-4	6.52%
LATAM	357		0	5.75%
Middle East	356		0	4.80%
CEMBI BD	255		-1	8.17%
CEMBI BD IG	155		0	4.83%
CEMBI BD HY	452		-3	12.88%
GBIEM GD (%)	4.97		-1	4.57%
EM Blend (%)	4.75		1	6.52%
EMBI ESG	328		-3	5.63%
CEMBI ESG	259		-2	8.11%
GBI ESG (%)	4.80		-1	4.73%
		-300 -150 0 150		Jul-20 Jan-21 Jul-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	275		12	14.27%
US HY BB	203		8	12.00%
US HY B	307		16	13.09%
US HY CCC	466		19	24.72%
Pan Euro HY	296		1	10.68%
LSTA 100 (%)	3.78		4	10.95%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.26		3	-3.74%
1M LIBOR (%)	0.09		-1	0.14%
US Agg	34		-1	-0.51%
US IG Corp	84		1	2.24%
Global Agg	33		-1	0.37%
		-100 0 100 200		Jul-20 Jan-21 Jul-21

US Treasury Yield Curve (%)





Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.18	3.83%	Gold	1,825	-2.02%	S&P500	4,374	36.80%
USDJPY	109.97	-2.47%	VIX	16	-44.68%	MSCI World	9,181	36.64%
EM FX		3.01%	Brent	75	74.27%	MSCI EM	3,204	29.06%
		Jul-20 Jan-21 Jul-21			Jul-20 Jan-21 Jul-21			Jul-20 Jan-21 Jul-21

As of: July 14, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

One of the most pressing questions for the US economic outlook is "are used cars like lumber?" Of course, framed that way it seems a bit odd. There are obvious differences: one is made of wood, one of metal; one is a commodity, and one a heavily engineered and manufactured good; and so on. But the question of whether, over coming months, the prices of used cars will behave as lumber prices have is of first order importance for the economy.

Used cars have been a major driver of the spike in core Consumer Price Index (CPI) over the last several months. They are certainly not the only prices rising rapidly as reopening-tied categories—e.g., airfares, hotels/motels and rental car prices—have also reverted back toward their pre-Covid levels. But the spike in used cars has been exceptionally large. Of the 2.6% the core CPI index increased over just the last three months, used cars by themselves account for 1.3 percentage points of the increase.

Before used cars, lumber prices were the poster child for prices spiking due to pandemic-induced supply shortages, as is clear in the accompanying graph. Since May though, the price of lumber futures has crashed, and actual prices have started to follow. A similar unwind in used car prices would likewise pull down core CPI. Will it actually happen? There are some early signs that it might. The Manheim Index of used car prices at auction flattened in June after rising steeply in the prior months; the Manheim Index tends to lead used car prices in the CPI, so in June the increases in the Manehim Index over prior months were still filtering through. We don't think the move down in used car prices will be quite as steep as in lumber, but we do expect much less upward pressure from used car prices over the second half of 2021.

Are Used Cars Like Lumber?

As of 15 July 2021
Source: Bloomberg, Haver Analytics

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 1 basis point (bp) and the JP Morgan EMBI Global Diversified returned -0.1%. Investment grade securities modestly underperformed non-investment grade bonds, on average. The top country performers included Sri Lanka (+5.2%), Venezuela (+1.6%), and Argentina (+1.4%). The bottom performers included El Salvador (-3.0%), Tunisia (-1.5%), and Costa Rica (-1.3%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 0.3%. EM currencies returned 0.2% in aggregate. Reversing last week's underperformance, the Brazil real was the top performer, returning 3.5%, followed by the Turkish lira (1.1%) and the Russian ruble (0.9%). The bottom performers included South Africa (-1.3%), Thailand (-1.0%), and Uruguay (-0.2%).

The yield of the JP Morgan GBI EM Global Diversified declined 1 bp and ended at 4.97%. Bond markets from Chile, Turkey, and China outperformed this week as yields fell by 25 bps, 15 bps, and 12 bps, respectively. Underperforming bond markets included Romania (+23 bps), South Africa (+19 bps), and Serbia (+11 bps).

In central bank actions, key rates were unchanged in Peru (0.25%) and Turkey (one-week repo rate 19%), while Chile's central bank raised its benchmark interest rate by 25 bps to 0.75%.

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified returned 0.0% this week, with Africa and Europe outperforming vs Asia and Latin America. While US Treasuries sold off modestly and the investment grade component of the Index fell by -0.10%, the high yield sector was up 0.12%. Countries of note this past week included stronger performance out of Argentina, China, and Indonesia. The tone from China was stronger at 0.33%, led by a rebound in higher yielding assets as the troubled credit Huarong Asset Management announced it intended on calling US$500 million in perpetual securities in September. This positive news was also the driver behind the 0.61% strengthening in the real estate sector, which is comprised principally of Chinese issuers. Importantly this week, Standard & Poor's also re-affirmed its BBB - stable outlook on the Indian sovereign, a country that has recently been under scrutiny given concerns about losing its investment grade status.

Flows/Issuance

EM sovereign debt issuance slowed this week, with only Uzbekistan coming to market with 3-year and 10-year bonds, totaling approximately US$860 million. In EM corporate debt, the largest offering to be placed was a US$1.8 billion Ba3/BB- acquisition financing by Mubadala of the UAE of certain Petrobras refining assets in Brazil, via a newly formed entity MC Brazil Downstream.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$1 billion for the week through 13 July, with local currency fund inflows exceeding those of hard 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 continues to advance technical discussions with the International Monetary Fund (IMF) at the Group of 20 finance ministers meeting in Venice. Argentina's Economy Minister Martin Guzman met with IMF Managing Director Kristalina Georgieva, who expressed support and continued IMF co-operation. According to the IMF mission team, progress was made in understanding policy options for the development of the domestic capital market, tax administration, and the development of foreign exchange generating sectors. The Argentine authorities and the IMF are now aiming to reach an agreement after mid-term elections in Argentina in late 2021, but before the end of March 2022. Guzman also met with US Treasury Secretary Janet Yellen with whom he discussed the importance of multilateral support in addressing the problem of tax avoidance and addressing the issue of unsustainable debt. Argentina's external sovereign debt spreads tightened.

In a separate development this week, the central bank announced it would tighten restrictions on companies accessing dollars through alternative foreign exchange channels, such as the Blue Chip Swap. The move augments the government's effort to suppress Argentina's implicit exchange rates, derived from buying assets in local markets and selling them abroad. Increased parallel trades in recent years have resulted from tough capital controls intended to slow the outflow of dollars from the country and to rebuild its foreign currency reserves.

China

China's trade activity beat expectations in June, after a moderate easing in May. Details show greatest improvement in shipments to Europe (+3.6% month-over-month) (m/m), followed by Asia (+1% m/m). Exports to the rest of the world (excluding US, EU, Japan, and EM Asia) increased 4.7% m/m, reflecting a broadening of the global demand recovery. Exports to the US, however, were down 0.7% m/m. Imports surged 36.7% in June. The trade surplus widened to US$51.5 billion in June compared to the surplus of US$45.5 billion in May.

As we flagged last week following statements from the State Council, the People's Republic of China announced a broad-based 50 bps cut in the reserve requirement ratio for banks after last Friday's market close. The cut will inject CNY 1 trillion of liquidity into the banking system.

El Salvador

Fitch Ratings announced a negative outlook on El Salvador's B- sovereign rating, citing deterioration in debt sustainability metrics, over-reliance on domestic market borrowing for government funding needs, and vulnerability to weaker external market financing conditions. The underlying concern is the degradation of government checks and balances since February's elections, in which the supermajority was won by President Nayib Bukele's New Ideas party and its allies. While the election results helped to end the legislative gridlock, allowing the ability to access external funding, recent actions by El Salvador's government -- including the dismissal of five Constitutional Court justices and the attorney general, as well as unpredictable economic policy choices -- highlight the uncertainties around the governance of the Bukele's administration. As we have noted in past comments, these actions may impede negotiations for an IMF program and increase the risk that El Salvador is unable to meet its large financing gaps in the coming years. Fitch currently estimates 2021 funding needs at US$4.37 billion (17.8% of GDP). Given the latest outlook, a ratings action is likely by the end of this year. El Salvador's external sovereign debt spreads widened.

Indonesia

The Ministry of Finance presented a revised outlook for the 2021 budget this week that indicated a reduction of budget deficit for this year from 5.7% to 5.3%, with the bulk of the revision stemming from spending cuts and better non-tax revenues. On the other hand, the tax outlook is said to be deteriorating. The revised budget outlines key changes to the country's funding status for the remainder of 2021, including: 1) an increase in foreign loans; 2) higher accumulated budget surplus (SAL), which at Rp+171 trillion is significantly larger than expected; and 3) a reduction in bond issuance resulting from a combination of lower budget gap and better funding from external loans and budget surplus. We interpret these measures as signs of fiscal prudence. Indonesia's currency appreciated and local bond yields declined.

Philippines

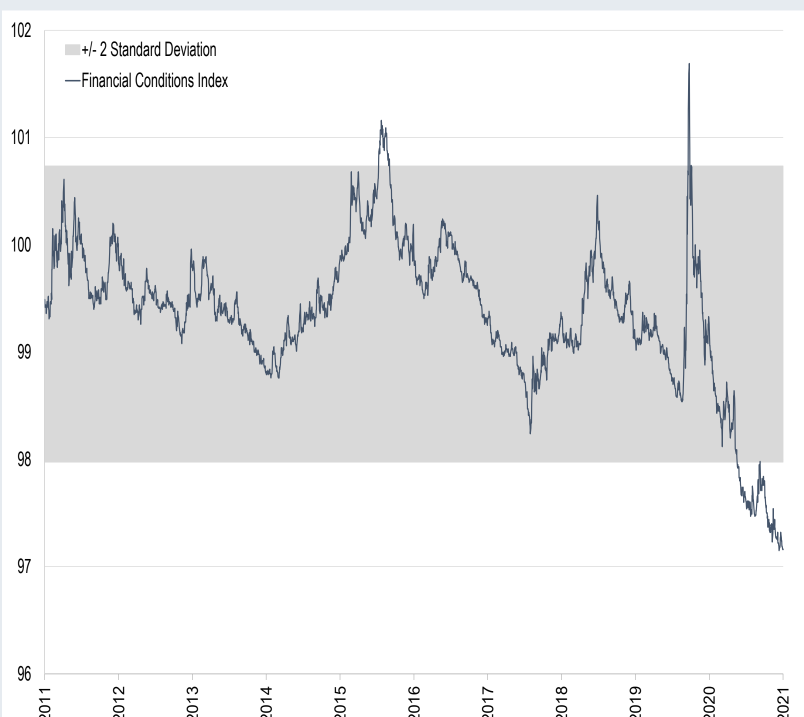
Fitch Ratings revised its outlook on Philippines from stable to negative while keeping the sovereign's credit rating at BBB. The negative outlook reflects downside risks to medium-term prospects associated with potential scarring effects and with unwinding of the exceptional policy response to the pandemic. The central bank stated last month that it does not anticipate GDP reaching pre-crisis levels until 3Q 2022. The World Bank, in its similar assessment, cut its GDP outlook for this year to 4.7% from 5.5%. In our view, as the Philippines government increases pandemic spending, the fiscal balance will continue to deteriorate. The Philippine peso declined and sovereign debt spreads widened.

Ukraine

Ukraine's parliament passed legislation on reform of the nation's highest judiciary body -- the High Council of Justice (HCJ) -- in an effort to unlock a US$5 billion loan from the IMF. This move follows the approval of President Volodymyr Zelensky's proposed changes to a law on judge selection and evaluation process. The approved law includes amendments that now meet recommendations by the Venice Commission on veto powers given to international experts. It is not yet clear whether the legislation will be accepted by the IMF, which advocates an extensive role of foreign experts in the process of appointing members of the HCJ. We continue to see these developments as progress that may be acceptable to international and multilateral partners. Ukraine's external sovereign debt spreads tightened.

Chart of the Week

GS US Financial Conditions Index



As of 30 June 2021
Source: Goldman Sachs, Bloomberg

Financial conditions remain exceptionally easy in the US, providing support for a continued strong recovery. Notably, the recent spike in inflation rates and the resulting more hawkish shift of the Fed has not led to tighter financial conditions. Even though the Fed dots have moved up and the start of the taper is now broadly expected before the end of the year, at this time, it appears that the market is agreeing with the Fed that the inflation spike is mostly transitory and thus will not require significant tightening to control. This could change if we see signs that inflation pressures are broadening to wages and categories unaffected by supply chain disruptions later this year. We will keep watching this closely, but for now, financial conditions remain highly supportive of growth.

Global High Yield

US High Yield

The high yield market produced a marginally negative return of 7 bps due to interest rate volatility, recent higher inflation numbers, negative retail flows, and falling commodity prices. BB's outperformed with a 1 bp positive return, and spreads widened 8 bps. CCC's lost 25 bps and widened 19 bps. Cyclical and Covid-sensitive names lagged, leading leisure, drillers, and refining sectors to underperform. Volumes have been light in anticipation of an increased primary calendar and continued rate and equity volatility. Investors focused on adding to high quality long duration paper, while taking profits in lower quality issues, thus unwinding the compression theme of the last few weeks. EQT Infrastructure has agreed to acquire Covanta Holding Corp., an owner and operator providing sustainable disposal solutions of North American Waste-to-Energy facilities, in a transaction valued at US$5.3 billion. Madison IAQ announced the acquisition of Big Ass Fans for US$1.1 billion, which will be funded with term loans, new equity, and cash, and is expected to be slightly deleveraging.

Leveraged Loans

Despite broader market volatility, loans delivered positive returns this week with the S&P/LSTA Leveraged Loan Index posting a +0.04% gain despite the average bid price declining 4 bps to US$98.36, and the spread-to-maturity widening 1 bp to L+402. In a reversal from previous weeks, lower quality CCC loans underperformed, while B and BB returns were positive, and similar to the broader index. Most of the week's weakness in CCC's was driven by specific credits, which also drove industry sector underperformance. The Diamond Sports Group term loan received a ratings downgrade, contributing to lower secondary trading levels and underperformance for the media other sector. Theatre operator Cineworld Group PLC came under pressure from ongoing concerns over the Delta variant, driving the term loan lower, and generating pressure in the broader leisure sector. Industry sectors with favorable performance were linked to commodity prices including midstream and E&P. There were no defaults in the index this week.

European High Yield

Overall, European high yield returned 0.04% w/w. Higher quality credits outperformed, gaining 0.05%, while lower quality credits declined 0.05%. Index spreads widened slightly by 1 bp, with BB spreads flat and CCC spreads 21 bps wider. Delta variant concerns brought continued decompression with reopening and higher beta bonds lagging higher quality issues. Airlines, retail, drillers, and refining underperformed, while media outperformed due to strength from Netflix as investors focused on potential rising stars. Technicals were mixed with continued inflows offset by an active primary calendar. Softbank bonds gained as the Softbank Vision Fund invested US$1.7 billion in Yanolja, South Korean provider of cloud-based booking and other systems for hotels and travel companies.

Flows/Issuance

US high yield flows were negative US$1.26 billion for the week, driven primarily by a US$1,562 million Exchange-Traded Fund (ETF) withdrawal. ETFs have been the main source of secondary market supply with most actively managed accounts maintaining a healthy cash buildup in anticipation of increased new issuance and US$12.4 billion added through coupons/calls/tenders. New issuance ramped up with 10 deals pricing for US$5.88 billion. The two largest deals were used to fund acquisitions and the balance for refinancing.

In loans, following two slower issuance weeks, arrangers returned to market, launching 13 deals for approximately US$8 billion. Notably, financing launched to fund the joint venture between AT&T Inc. and TPG Capital for DirecTV. Restaurant operator Whataburger Restaurants LLC launched a multi-billion dollar term loan to refinance its existing debt and repurchase a portion of preferred equity from private equity sponsor BDT Capital Partners. Demand for floating rate assets remains solid. We saw continued inflows from retail loan mutual funds and ETFs despite fluctuations in US Treasury rates, and further Collateralized Loan Obligation (CLO) formation. Furthermore, loans funds posted US$394 million in inflows, bringing the year-to-date total to roughly US$21 billion.

In Europe, EPFR data showed an inflow of over US$188 million, bringing July's inflow to slightly upwards of US$400 million.

Source: Lipper, EPFR

Industry Insights

Food & Beverage: The food & beverage sector is lapping tough, pantry-loading comps from 2020 and facing ongoing inflation concerns including labor, agri-products and packaging. Protein names remain strong due to high export demand, which is 40% above the 10-year average, and cold storage at 10-year lows. Cutout margins are narrowing due to little supply growth of live animals offset by higher utilization across plants due to vaccination rollouts. Rising stars over the next 18 months should be a record for the sector, including Kraft Heinz and JBS/Pilgrim's Pride, two of the largest issuers in the food & beverage benchmark, and equal to about US$40 billion of high yield debt. Their upgrade would halve the high yield food & beverage index, and change the composition from mid to low BB to mid to high B.

Building Products/Homebuilders: The broader domestic housing market continues to focus on supply and demand imbalance for both US housing stock and building product inputs. US housing inventories are at an all-time low due to increased demand stemming from the Covid-19 pandemic coupled with a low housing stock associated with supply chain/labor shortages and a longer term underinvestment in housing post the Great Recession. This dynamic has provided a tailwind for the industry, enabling building product companies to pass through raw material inflation and, in turn homebuilders to pass inflationary pressures onto end buyers.

Technology: We expect good earnings for the June quarter-end from high yield semiconductor companies, especially those with auto and industrial end markets exposure. We expect a more mixed guide from credits exposed to the PC end market. As for the auto original equipment manufacturer (OEM) and tier one suppliers, we anticipate semiconductor shortages to improve in the second half of 2021, with automotive supply chains functioning normally by year-end. Taiwan Semiconductor, an investment grade credit and a key manufacturer of semiconductors, said on their June earnings call "we expect to increase output for microcontroller units (MCUs) by close to 60% over the 2020 level, which also represent above the 30% increase over the 2018 pre-pandemic level. By taking such actions, we expect the automotive component shortage from semiconductor to be greatly reduced for TSMC customers starting this quarter." Information on the new iPhone launches will also be important to high yield companies. In other news for the week was the second action by the Biden administration that should make large tech company M&A much less likely. The 9 July executive order followed the 15 June swearing in of Federal Trade Commission (FTC) head Lina Khan. Chair Khan's view of common carrier rules will scare most large tech companies away from buying any M&A that requires FTC approval.

Investment Grade

Corporates

Corporate spreads were mixed this week but slightly weaker with 10-year Treasuries breaking through 1.3%. The option-adjusted spread (OAS) on the Bloomberg/Barclay's Corporate Index was unchanged on the week at +84 bps and remains 4 bps wider on the month. This week's focus was on bank earnings where underlying earnings were fine and consumer credit is extremely strong, however trading revenue is coming up against stronger comps and net interest margins were guided lower given the fall in rates. Overall, spreads continue to remain at very compressed levels but remain well supported by strong inflows and modest supply. Barclay's recently put out their year-end forecast for corporates with their base case looking at wider spreads. They see the OAS on the corporate index moving out to +90-95 bps with excess returns ranging from -25 bps to +25bps for the second half of 2021. Barclay's views spreads as less compelling given the significant spread compression year-to-date.

Securitized

Securitized spreads were unchanged to slightly wider this week. After the holiday slowdown, the new issue market is now heavy with an assortment of deals across sectors. With mortgage rates slipping to 2.88% as measured by the Federal Home Loan Mortgage Corporation (FHLMC) 30-year average, the Mortgage Bankers Association (MBA) Refinance Index jumped 20%. CoreLogic reported mortgage delinquencies fell to 4.7%, a m/m decline of 1.4%. The Manheim Used Vehicle Value Index fell 1.3% m/m, and the expectation is that the index may be leveling off.

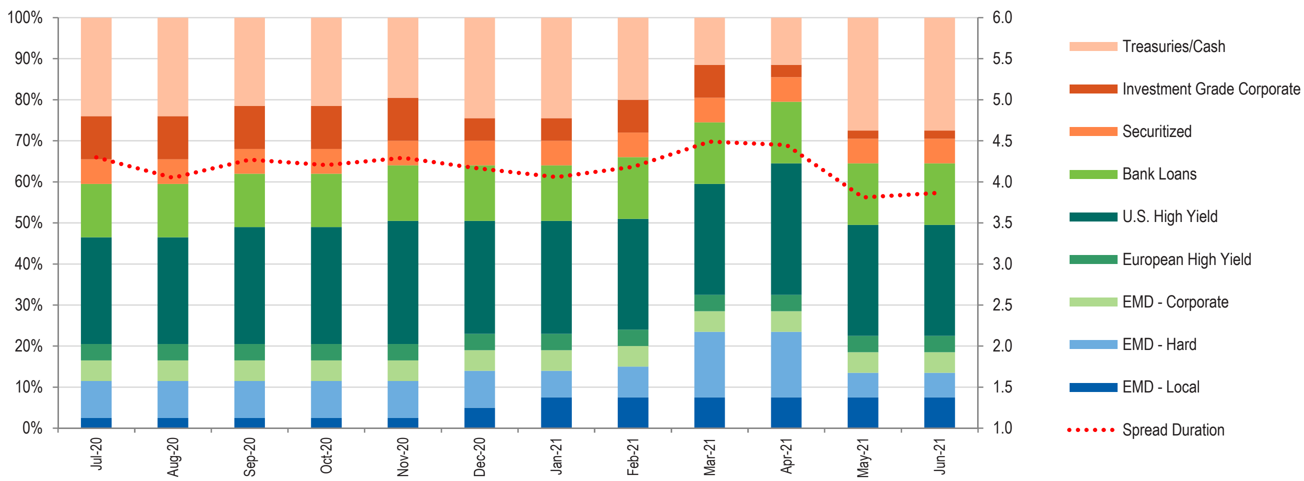
Flows/Issuance

It was a quieter week in the primary markets with the exception of bank paper. Roughly US$31 billion came to market with large deals from Morgan Stanley, Bank of America, and Goldman Sachs accounting for the majority of the calendar. New issue concessions were slightly more attractive but deals still saw robust demand and priced well through initial price indications.

Investment grade corporate funds showed elevated inflows of +US$7.969 billion for the latest period. Aggregate funds and total return funds were the bulk of the inflow at +US$7.131 billion and $US1.301 billion, respectively. Aggregate funds saw most of the inflows from mutual funds in the short and intermediate buckets. Corporate only funds saw outflows of -US$462 million.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 30 June 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 July 14, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	347	(1)	9	9	(3)	(121)	(0.1)	0.2	0.2	(0.5)	6.7
	CEMBI Broad Diversified	255	(1)	6	6	(15)	(153)	(0.0)	0.2	0.2	1.5	8.2
	GBI EM Global Diversified Yield	4.97	(0.01)	(0.01)	(0.01)	0.76	0.48	0.3	(0.9)	(0.9)	(4.2)	4.6
EM Sovereign Debt	EMBI Global Diversified	347	(1)	9	9	(3)	(121)	(0.1)	0.2	0.2	(0.5)	6.7
	EMBI GD Investment Grade	153	(1)	7	7	5	(57)	(0.2)	0.2	0.2	(2.2)	2.1
	EMBI GD High Yield	594	(3)	11	11	(14)	(236)	0.1	0.1	0.1	1.5	12.4
EM Sovereign Debt Regions	Africa	532	(4)	12	12	(23)	(216)	0.1	(0.1)	(0.1)	1.6	17.4
	Asia	216	(2)	8	8	(16)	(76)	(0.0)	0.2	0.2	0.5	3.8
	Europe	279	(4)	6	6	14	(85)	0.1	0.3	0.3	(0.7)	6.5
	LATAM	357	0	7	7	3	(143)	(0.3)	0.3	0.3	(2.0)	5.7
	Middle East	356	0	14	14	(12)	(87)	(0.1)	(0.2)	(0.2)	(0.0)	4.8
EM Corporates	CEMBI Broad Diversified	255	(1)	6	6	(15)	(153)	(0.0)	0.2	0.2	1.5	8.2
	CEMBI BD Investment Grade	155	(0)	6	6	(14)	(97)	(0.1)	0.2	0.2	0.1	4.8
	CEMBI BD High Yield	452	(3)	7	7	(33)	(232)	0.1	0.2	0.2	3.4	12.9
US High Yield	US High Yield	275	12	7	7	(85)	(310)	(0.1)	0.4	0.4	4.0	14.3
	US High Yield BB	203	8	3	3	(61)	(221)	(0.0)	0.6	0.6	3.3	12.0
	US High Yield B	307	16	13	13	(72)	(297)	(0.1)	0.2	0.2	3.6	13.1
	US High Yield CCC	466	19	4	4	(192)	(679)	(0.3)	0.0	0.0	7.2	24.7
European High Yield	Barclays PanEur HY	296	1	7	7	(61)	(232)	0.0	0.2	0.2	3.1	10.7
	2% Ex Financials Yield	3.10	0.05	0.07	0.07	(0.34)	(1.99)	-	-	-	-	-
Bank Loans	LSTA Price	98.4	(0.0)	(0.0)	(0.0)	2.2	7.8	0.0	0.1	0.1	3.4	11.0
	LSTA 100 Yield	3.78	0.04	0.08	0.08	(0.20)	(1.95)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.26	0.03	(0.11)	(0.11)	0.48	0.72	(0.2)	0.9	0.9	(2.5)	(3.7)
	1M LIBOR	0.09	(0.01)	(0.01)	(0.01)	(0.05)	(0.09)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	34	(1)	2	2	(8)	(30)	(0.2)	0.5	0.5	(1.1)	(0.5)
	US Investment Grade Corporates	84	1	4	4	(12)	(57)	(0.3)	0.6	0.6	(0.7)	2.2
	Global Aggregate	33	0	1	1	(3)	(22)	0.0	0.6	0.6	(0.9)	0.4
	Barclays 1-5 Year Credit	37	1	2	2	(4)	(37)	(0.1)	0.1	0.1	0.2	1.7
FX	DXY (US dollar)	92.41						(0.3)	(0.0)	(0.0)	2.7	(4.0)
	GBI EM FX							0.1	(1.1)	(1.1)	(2.7)	2.8

1W reflects data from July 7 close through July 14 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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