September 3, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

The risk sentiment was positive this week, following US Federal Reserve (Fed) Chairman Jerome Powell's much anticipated speech last Friday, which indicated that a gradual tapering could start in 2021, with no imminent push for a rate hike. Chairman Powell cited signs of progress in employment and what he still views as transitory inflation, offset by concerns around the renewed surge in Covid-19 cases. The prospect of rebounding economies, along with conditions that necessitate a continued accommodative policy mix were taken together as dovish comments and provided a boost to both equity and credit markets. Credit spreads tightened and total returns were positive across major sectors. Emerging Markets (EM) local currency sovereign debt outperformed US high yield bonds and US investment grade bonds, on average. The US dollar index (DXY) declined, and EM currencies appreciated, on average.

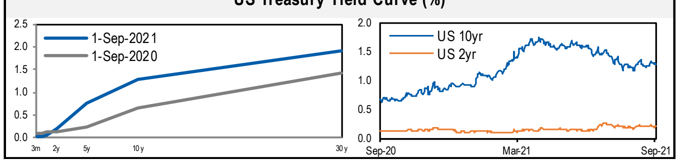
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	341		-2	3.86%
EMBI GD IG	145		3	0.68%
EMBI GD HY	563		-8	7.61%
Africa	520		-12	13.85%
Asia	218		2	0.62%
Europe	274		0	5.57%
LATAM	355		-3	1.39%
Middle East	341		3	3.38%
CEMBI BD	252		-2	6.12%
CEMBI BD IG	148		1	3.36%
CEMBI BD HY	441		-5	9.98%
GBIEM GD (%)	5.01		-1	3.35%
EM Blend (%)	4.70		-4	4.48%
EMBI ESG	322		-1	2.94%
CEMBI ESG	258		-2	6.19%
GBI ESG (%)	4.84		0	2.86%
		-300 -150 0 150		Sep-20 Mar-21 Sep-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	287		-10	10.11%
US HY BB	200		-8	8.46%
US HY B	324		-14	8.88%
US HY CCC	531		-8	18.19%
Pan Euro HY	292		-4	8.25%
LSTA 100 (%)	3.81		-4	8.31%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.21		-5	-2.99%
1M LIBOR (%)	0.08		0	0.13%
US Agg	36		0	-0.27%
US IG Corp	88		0	2.19%
Global Agg	34		0	0.63%
		-100 0 100 200		Sep-20 Mar-21 Sep-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.18	-0.61%	Gold	1,816	-9.50%	S&P500	4,524	28.28%
USDJPY	110.01	-3.71%	VIX	16	-38.32%	MSCI World	9,476	29.57%
EM FX		2.62%	Brent	72	57.06%	MSCI EM	3,154	19.83%
		Sep-20 Mar-21 Sep-21			Sep-20 Mar-21 Sep-21			Sep-20 Mar-21 Sep-21

As of: September 1 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

The last US military flight left Kabul on 31 August and President Biden declared an end to the two-decade long war in Afghanistan. The President has been criticized for the hastened nature of the withdrawal but he defended his decision to withdraw as it meant saving American lives, suggesting any delay of withdrawal may have resulted in an escalation with the Taliban, increasing the risk of further casualties.

Please refer to the Economist Corner below for our thoughts on the latest communication from the Fed Chairman Powell regarding the path and timing of the taper.

Europe

The German employment situation continues to improve as the economy reopened and people returned to work. Unemployment once again fell more-than-expected, -53k versus estimates for -40k, in August bringing the total number of unemployed down to 2.58 million. The unemployment rate also fell more-than-expected, from 5.6% in July to 5.5% in August, but remains above the pre-pandemic lows of 5%.

For the first time in nearly a decade, Euro-area headline CPI reached 3% y/y, while core inflation, which excludes volatile items such as food and energy, rose 1.6% y/y. Several European Central Bank members, such as Austria's Robert Holzmann and Netherlands' Klaas Knot, have expressed their view that the central bank should begin discussing the tapering of its PEPP (Pandemic Emergency Purchase Programme) during next week's governing council meeting.

In efforts to reduce the spread of the Delta variant, and perhaps due in part to the lack of reciprocation, the European Union voted to reinstate restrictions on nonessential and/or unvaccinated travellers from the US. The guidance is only a recommendation and member states have the right to implement its own criteria, such as allowing visitors who can provide proof of vaccinations.

Japan/Asia

Chinese Purchasing Managers' Index (PMIs) posted the third consecutive month of declines. The Chinese composite PMI fell into contraction for the first time since the start of the pandemic as the services industries weakened further amid rising infections and the subsequent restrictions. The official manufacturing PMI decelerated for the fifth consecutive month, however, remains in technical expansion at 50.1, while the Caixin manufacturing PMI fell into contraction. In efforts to support the economy, the PBOC will provide US$46 billion in low cost funding to banks for small and medium sized companies. The central bank has also indicated that it may reduce the RRR (reserve ratio requirement) again but, this time, with an emphasis on rural development. The Chinese central bank surprised markets in July when it cut the RRR across the board.

Japanese industrial production slowed, but to a lesser degree than expected, as IP fell 1.5% m/m in July led by declines in autos and electronic equipment. Inventories and stockpiles fell, which suggests consistent demand and indicates that the weakness is likely driven by supply-chain constraints.

Economist Corner

Seamus Smyth, PhD, Developed Markets

The Fed remains on track to start cutting back the pace of asset purchases—tapering—later this year. November appears to be the most likely FOMC meeting for an announcement, with implementation soon thereafter.

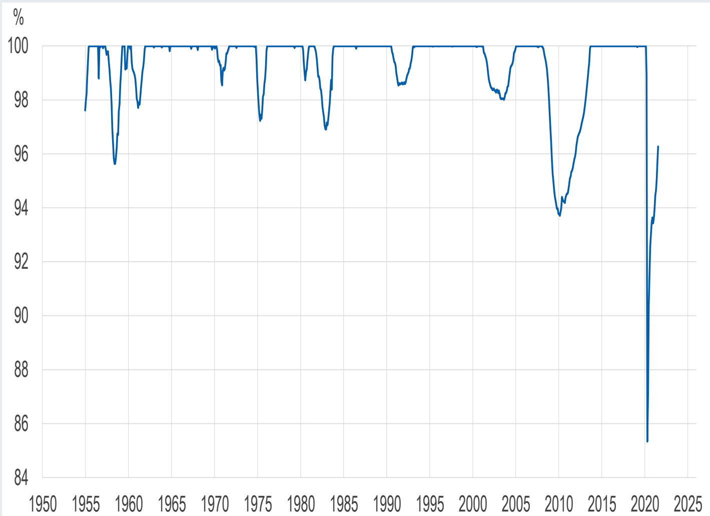
At the recent Jackson Hole symposium, Chairman Powell continued to gradually move the Fed's messaging along. The gradually part of that statement is important. Powell didn't give any signal of an accelerated movement toward tapering, despite a number of regional bank presidents who have expressed a desire to move more quickly. Instead, he spent a large chunk of his speech running through the reasons for the move up in core inflation over the summer being transitory and reiterated that he expects inflation moderation ahead -- a position we largely agree with and have outlined here before. He also closed by talking about the end goal for the Fed: a labor market that looks like the pre-Covid one. Even with recent improvement, that goal remains a long way off. The accompanying graph shows that the current deficit remains the worst since the 1950s, excepting the depths of the 2008 recession.

There is one meeting between now and November. At the next meeing in mid-September, we think the Fed continues to evolve their communication to setup for the taper announcement at the November meeting. That probably occurs with a language evolution in the formal statement and follow up in the press conference. The exact language matters less than the overall message: progress continues and the economy is getting closer to meeting the "substantial further progress test."

Steffen Reichold, PhD, Emerging Markets

The risks around our central expectation of a November announcement are skewed toward a later start to tapering. Incoming data continues to confirm that the pace of rebound has slowed through the latter part of summer. The Fed, as embodied in the latest Summary of Economic Projections, expected growth to remain solid through the second half, so the recent more sluggish pace is important information that pushes them in a more dovish direction.

Employment as a Percent of the Previous Peak



As of: 31 July 2021
Source: Bureau of Labor Statistics, Haver Analytics, Stone Harbor Investment Partners LP Calculations

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 2 bps and the JP Morgan EMBI Global Diversified returned 0.6%. Non-investment grade securities outperformed investment grade bonds, on average. The top country performers included Lebanon (+5.8%), Argentina (+3.4%) and Ecuador (+2.5%). The bottom performers included Belize (-2.4%), El Salvador (-0.6%), and Romania (-0.3%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 1.8%. EM currencies returned 1.6% in aggregate. The top performers included the South African rand (+4.1%), Colombian peso (+3.2%), and Polish zloty (+2.4%). The bottom performers included Philippines (-0.4%), Dominican Republic (0.1%), and China (0.2%).

The yield of the JP Morgan GBI EM Global Diversified decline 1 bp to 5.01%. The biggest outperformer was Dominican Republic, where yields declined by 38 bps, followed by Turkey (-25 bps) and Peru (-21 bps). Chile underperformed, with bond yields rising 21 bps, followed by Brazil (+17 bps) and Hungary (+16 bps).

In central bank actions, key rates were left unchanged in Dominican Republic (3.0%) and Zambia (8.5%), while Chile surprised with a 75 bps hike to 1.5%, compared to a market expectation of a 50 bps hike.

EM Corporate Debt

The CEMBI Broad Diversified posted a positive return for the week, but lagged both EM sovereigns and US high yield. Latin America was the outperformer led by Argentina, but most of the major markets outperformed the index. One contributing factor to the strong returns in the region was the strong rebound of oil prices from recent lows. In Argentina, increased voter optimism around upcoming mid-term elections helped push prices for corporate bonds higher. Returns in Asia were boosted by India, as Vedanta benefitted from the higher commodity prices in addition to an upgrade by Moody's to B3 from Caa1. In China, the bonds of homebuilder Evergrande continued to fall after the company released earnings that exacerbated investor's liquidity concerns.

Flows/Issuance

No EM country issued debt this week. Similarly, the new issue market for EM corporated debt remained largely on summer holiday outside of a few high grade Asian transactions.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$358 million for the week through 31 August. 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's external sovereign bonds continued the recent rally, largely due to the current political backdrop and electoral expectations. Gubernatorial and state-level elections over the weekend in the northeastern Corrientes state showed a significant underperformance by the Fernandez's Frente de Todos party candidate and the re-election of Governor Gustavo Valdes, a Radical Party politician with backing from other non-Peronists. Pre-PASO polls are currently showing Cambiemos party ahead of Fernandez's party and the Peronist coalition that has declined in popularity during the pandemic. A recent poll by local firm, Synopsis, showed that Fernandez's negative image had increased to over 70% in August, up from 63% in July. Investors are monitoring electoral results as they carry important implications for policy direction.

China

The NBS Manufacturing PMI weakened further in August, with a decline of 0.3 point to 50.1. This adds to the drop of 0.5 point in July, and marks the lowest reading since March 2020. Details indicate a modest slowdown in output component and production activity; and forward-looking indicators show declines in new orders (-1.3 points) and export orders (-1.0 point). The non-manufacturing PMI also weakened in August, registering a decline of 5.8 points to 47.5, largely reflecting the impact of virus outbreak across provinces and cities and related individual mobility restriction measures. The slowdown has been evident in a range of service sectors, including road and air transportation, accommodation, restaurant spending, culture, sports and entertainment services – sectors that have been directly impacted by restrained consumer behavior during the summer travel season. The slip in growth readings, combined with recent comments from PBOC officials, make it more likely that we will see further credit easing by the Chinese authorities over the coming months. These could include a relaxation of reserve requirements, and possibly a lowering of interest rates, as the authorities seek to pushback against the recent slowing of economic momentum.

Colombia

President Ivan Duque appointed former Minister of Finance Alberto Carrasquilla as Colombia's Central Bank board member. Carrasquilla served twice as Minister of Finance, first in 2003–2007, under President Álvaro Uribe; and more recently under President Duque between 2018–2021, before he resigned amid violent protests and lawmaker opposition to a tax reform proposal. A revised version of the tax reform bill, which now excludes the sales tax component and forces fundraising on companies, is poised to pass Congress. On the policy front, Mr. Carrasquilla is considered by investors as a hawkish economist, which suggests that he would likely support the gradual hiking cycle, which may start at this month's meeting to control inflationary pressure.

Ecuador

President Guillermo Lasso and President Xi Jingping of China spoke over the weekend about starting free trade negotiations "as soon as possible." Among the topics addressed was a request to improve the conditions of financing on Chinese loans to Ecuador. President Lasso also commented that China is Ecuador's most important comprehensive strategic partner and encouraged more Chinese enterprises to conduct investment and cooperation in Ecuador. This discussion has taken place against the backdrop of expectation of higher oil prices, progress in vaccinations, a pick-up of private investment spurred by the Lasso administration's deregulation push, and the continuation of the IMF program. To ensure that IMF disbursements will continue flowing, continued fiscal consolidation is key, and the latest data on fiscal accounts indicate that this is happening. Ecuador's external sovereign debt spreads tightened this week.

Peru

Peru's Congress granted its confidence to President Pedro Castillo's Cabinet, with 73 votes in favor and 50 votes against, despite the controversy created by the appointment of Prime Minister Guido Bellido, who belongs to the most radical wing of the Peru Libre party, thereby avoiding the first potential political crisis of the Castillo regime. The confirmation in effect allows President Pedro Castillo's administration to move forward an agenda centered on higher social spending and higher taxes for the mining industry; however, Castillo's party – the Marxist-Leninist Peru Libre – only holds a minority of congressional seats, and any tax reform would require congressional approval. Late in the week, Moody's announced that they were downgrading their credit rating for Peru from A3 to Baa1, with a stable outlook. This is largely driven by concerns about the potential direction of policy under the new regime, as well as the high level of polarization in the current political environment.

Sri Lanka

Following the tightening of spreads last week on speculation of an approach to the IMF by the government, Sri Lankan debt prices stabilized this week. Cabinet spokesman Ramesh Pathirana indicated that there was no decision taken yet on whether to engage with the IMF. In the meantime, Finance Minister Rajapaksa indicated that tight fiscal discipline needs to be kept. Also this week, the Sri Lankan Finance Ministry called for proposals from banks and institutional investors for a foreign currency term-loan of one-year or more in order to shore up reserves. This would suggest – if successful – a continued period of muddling-through for the Sri Lankans, rather than a near-term approach to the IMF. The deteriorating reserves position was among the reasons cited by S&P for cutting the outlook on its CCC+ rating for Sri Lanka to negative late last week.

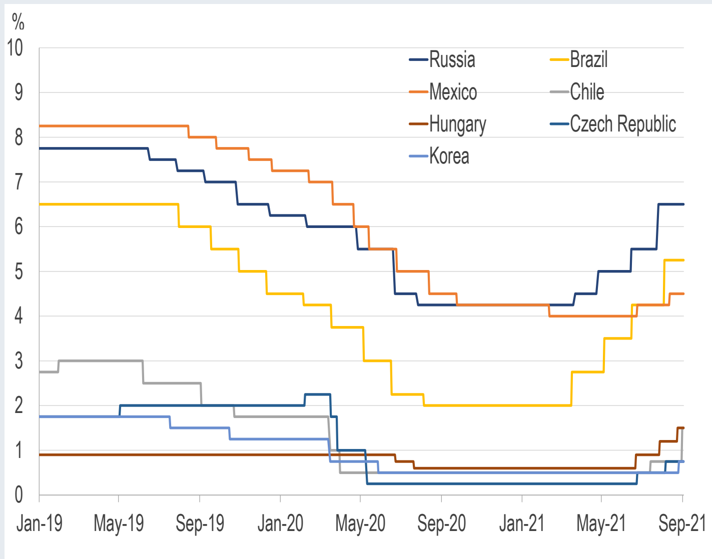
Zambia

The newly-elected President Hakainde Hichilema appointed military chiefs and replaced police commissioners over the weekend as part of his promise to crack down on political repression. At his inauguration speech earlier this week, Hichilema set the tone of his administration by denouncing political violence and vowing to restore freedom of the press. Separately, the country's new Finance Minister Situmbeko Musokotwane stated during an interview the importance of reaching an agreement on an IMF program in securing confidence from creditors and as a path toward better financing conditions. We continue to view an IMF deal as being crucial to Zambia's plans to restructure as much as US$12.7 billion in external debt and boosting foreign-exchange reserves.

Chart of the Week

Many EM central banks have been proactively raising rates in response to higher inflation prints this year. Brazil has been leading with already more than 300 bps cumulative hikes. Russia is a close second; and this week, Chile surprised markets with a larger-than-expected 75 bps hike. These central banks are trying to stay ahead of the curve and ensure that inflation expectations remain anchored in light of recent price spikes. In addition, we suspect that the upcoming Fed taper has also played a role as the wider interest differential with US rates could help cushion against potential taper-related capital outflows.

Emerging Markets Policy Rates



As of 2 September, 2021
Source: Bloomberg, Stone Harbor Investment Partners LP
For illustrative purposes only

Global High Yield

US High Yield

US high yield volumes were seasonally light heading into month end and the upcoming US holiday weekend. We are seeing a continuation of strong technical themes: low new issuance, positive inflows, large organic flows from coupon/calls/tenders, leading to better buyers across the board until new issuance picks up in September. The high yield index added 57 bps in total return. CCCs again outperformed with a positive 73 bps return, while B and BBs had total returns of 53 bps and 55bps. Commodity and reopening sectors continued their outperformance with drillers, refiners, oil & gas, midstream, airlines, and lodging leading the way. Catalent Inc. is acquiring Bettera Holdings LLC, a manufacturer of gummy, soft-chew and lozenge forms of vitamins and supplements, for US$1 billion. Ashland LLC is selling its performance adhesive business to Arkema SA for US$1.65 billion or 20 times LTM EBITDA. Proceeds from the sale will be used to invest in the growth of core businesses, as well as to optimize its balance sheet and reward shareholders. Medical Properties Trust Inc. is selling a 50% stake in a portfolio of eight Massachusetts based hospitals to a fund managed by Macquarie Asset Management for close to US$1.3 billion. The proceeds will be used to paying debt and funding a previously announced US$950 million asset purchase.

Leveraged Loans

During a seasonally slow week, the tone in the Loan market was favorable driven by strong technicals and improving fundamentals. For the week, the S&P/LSTA Leveraged Loan Index returned 0.19%, the average bid price increased 12 bps to $98.12, and the average spread-to-maturity declined 3 bps to L+405. In a continuation of trends from the previous week and earlier in the year, CCC rated loans outperformed the broader index, and investors were primarily focused on the loans trading at a discount to par. From an industry perspective, the Media other, Airline, and Consumer Product were the strongest, while the Satellite, Retail Food & Drug, and Paper/Forest Products lagged. Most of the sector outperformance was driven by specific securities as a result of idiosyncratic credit events related to corporate earnings, rating agency activity, or their discounted dollar price. Lastly, there were no defaults in the index last week.

European High Yield

Overall European high yield gained 0.09% this week, with higher beta credits continuing their recent strength due to better-than-expected earnings and a more positive global risk sentiment. CCC rated issues outperformed for the week with gains of 0.38% compared to gains of only 0.03% for BB credits. For August, European high yield posted returns of 0.30%, with CCC issues gaining 0.78% and tightening 41 bps. Index spreads tightened 10 bps on the month. Weekly outperformers included Retail and Industrials, while E&P, Electric, and Wireless underperformed. Monthly gainers included Aerospace, Industrials, Restaurants, and Transportation, with Airlines, E&P, and Telecom underperforming. The CEO of French auto supplier commented during the week that the difficulty in getting enough supplies of semiconductor chips will last until the end of 1H 2022.

Flows/Issuance

There were no new issues in the US high yield market this week. Flows were strong with over US$1.1 billion flowing mostly from ETFs and retail funds; actively managed accounts saw a small outflow.

In the loan market, technicals were the big driver this week, with robust Collateralized Loan Obligation (CLO) formation and continued inflows from retail loan mutual funds and Exchange Traded Funds (ETFs). From the CLO perspective, the last week of the month produced another US$3 billion worth of issuance, bringing the monthly figure to just over US$19 billion, which is the largest August issuance figure on record, and is the strongest month of 2021, and brings year-to-date issuance to US$110 billion. Additionally, we continued to see consistent inflows from retail loan mutual funds and ETFs, totalling US$722 million for the week.

For European high yield, EPFR data showed a small outflow of US$51 million, lowering the August total to US$257 million and the quarter-to-date amount to US$560 million.

Source: Lipper, EPFR

Industry Insights

Healthcare: Investors were focused on Endo International PLC (Endo) this week. Bonds came under pressure after the company's Par Pharmaceutical unit lost a patent battle with Eagle Pharmaceuticals (Eagle) over its Vasostrict product, which is a blood pressure drug that contributed approximately US$800 million of sales to Endo. A Delaware court judge ruled that Eagle's generic version of the drug doesn't infringe on Par's patents covering the drug itself and its delivery method, which are in place through 2035. Following the ruling, Endo announced that it will appeal the patent infringement ruling. This news follows the announcement a week earlier that Endo has hired an advisor, Alvarez & Marsal, to assess option that include a balance sheet restructuring as it confronts litigation related to opioid liabilities, patent trials, and a heavy debt load.

Media: Sinclair Broadcasting announced this week that they had reached a second short-term carriage extension agreement with DISH that will keep Sinclair's regional broadcast stations on air on DISH through the middle of September. Additionally, S&P further lowered credit ratings on both credit silos (Sinclair Broadcast Group and Diamond Sports) based on the continued overhang and uncertainty of the Diamond Sports Credit box. The agency took Sinclair's rating down one notch to B from B+ and took similar action on Diamond Sports taking its rating to CCC from CCC+.

Refining: Hurricane Ida made landfall in the Gulf of Mexico this weekend, affecting approximately 1.6 mbpd or 9% of total US refining capacity, which was shut down as a precaution. As of Wednesday, most of the refineries remain shut-in as management teams access power availability and flooding, but minimal damage has been reported. Current estimates are that normal operations will resume within two weeks. Colonial Pipeline has already resumed delivery of refined product to the Eastern US after shutting down operations ahead of Ida. Also effecting refiners, the EPA advised lawmakers last week that the White House will be reviewing renewable fuel requirements or "RIN"s for 2021 and 2022. An outline is expected within weeks. If a lower blending requirement is implemented, it would benefit small refiners and consumers at the pump but would be a negative for integrated refiners and gasoline retailers. RINs are down 17% on the news. RIN blending costs add approximately US$4-6 to refining costs currently.

Investment Grade

Governments

US Treasury volatility, as measured by the ICE BofAML MOVE Index, drifted back towards the lower end of its range at 58 and Treasury yields ended the period lower across the board following Powell's speech in Jackson Hole. 10-year Treasuries ended the period 5 bps lower at 1.30%, while 10-year real yields, which excludes the expected impact of inflation, fell 3 bps to -1.05%. 10-year Breakevens, a proxy for inflation expectations were little changed and closed at 2.34%.

In contrast, core European government bonds ended the period weaker, with the yield on 10-year OATs and Bunds rising 5 bps to -0.03% and -0.37%, respectively, after several ECB governing council members hinted at the potential for the slowing of asset purchases under the PEPP (Pandemic Emergency Purchase Programme). Peripherals remain stable as the spread on 10-year Spanish and Italian bonds tightened 2 bps, over Bunds, to 0.71% and 1.06%, respectively. Gilts weakened in sympathy as the 10-year yield rose 10 bps over the week.

In Asia-Pac, 10-year Japanese government bonds remain pinned at 3 bps; however, the yield on 10-year New Zealand government bonds rose 17 bps, from 1.75% to 1.92%, after the Reserve Bank of New Zealand indicated that last month's delay in tightening was temporary and a rate hike is likely imminent.

Corporates

Spreads on investments grade corporate bonds were mostly unchanged week-over-week in light trading, although volumes picked up around month-end where we saw better customer buying. Spreads ended the week at +88 bps according to the Bloomberg/Barclay's corporate OAS, leaving the index -8 bps tighter on the year. Spreads finished the month of August with an OAS of +87bps, which was wider by +1 bps versus the prior month, and posted excess returns and total returns that were negative by -5 bps, and -30bps, respectively. Credits within the utility sector underperformed both the industrial and financial sectors where the best performing sectors were packaging, supermarkets, and other financials. The worst performing sectors were other utility, refining, and oil field services. Performance within the rating categories showed little disparity, however, BBB's modestly outperformed, while bonds with maturities longer than 10 years underperformed those with maturities under 10 years. The Fed announced that it had completed the unwind of the Secondary Market Corporate Credit Facility on 31 August, as was expected and managed to do so with really no ill effects on the market.

Securitized

In a slow summer week, mortgages widened 2 bps and remain near the highs of last spring. The Supreme Court struck down the nationwide eviction moratorium; however, state and local moratoriums may ameliorate evictions. For example, New York is on the verge of extending their eviction moratorium until 15 January. The effects from Hurricane Ida will be relatively muted by the diversity of most residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) deals. The GSE policy is to grant 12 months of forbearance to borrowers impacted by the hurricane.

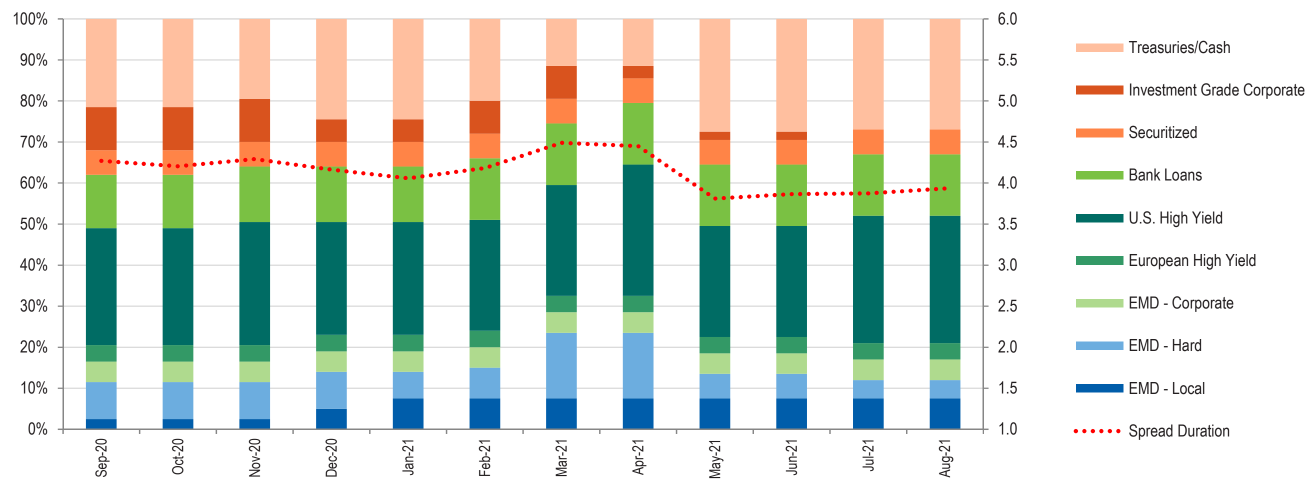
Flows/Issuance

In the investment grade corporates primary markets, only three deals priced this week for US$3.25 billion. Supply for August finished at US$89 billion with the majority of deals coming within the first two weeks. On average, deals were 3.05x oversubscribed and priced 2.3 bps wide of secondaries. Syndicate desks are gearing up for a busy September with early estimates of supply ramping up to a range of US$135-$150 billion. An early look at next week could see as much as US$40-US$50 billion of supply hit the market.

High grade fund flows took in US$5.9 billion for the latest period. As has been the trend, aggregate funds had the highest inflows at US$2.876 billion with both total return and corporate only funds showing inflows of a little over US$1.5 billion a piece. Inflows favor the short and intermediate buckets vs long duration, where there was a small outflow in long duration corporate-only funds.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 August 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 September 1, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	341	(2)	(1)	2	(9)	(73)	0.6	0.1	1.5	0.8	3.9
	CEMBI Broad Diversified	252	(2)	(1)	3	(18)	(98)	0.3	0.0	0.9	2.2	6.1
	GBI EM Global Diversified Yield	5.01	(0.01)	0.02	0.02	0.79	0.60	1.8	0.1	0.5	(2.9)	3.4
EM Sovereign Debt	EMBI Global Diversified	341	(2)	(1)	2	(9)	(73)	0.6	0.1	1.5	0.8	3.9
	EMBI GD Investment Grade	145	3	0	(0)	(3)	(38)	0.2	(0.0)	1.2	(1.2)	0.7
	EMBI GD High Yield	563	(8)	(2)	(20)	(45)	(170)	1.0	0.2	1.7	3.1	7.6
EM Sovereign Debt Regions	Africa	520	(12)	(4)	0	(35)	(160)	1.2	0.3	1.9	3.6	13.9
	Asia	218	2	2	10	(14)	(15)	0.3	(0.1)	1.1	1.4	0.6
	Europe	274	(0)	(0)	1	9	(63)	0.4	0.0	1.6	0.6	5.6
	LATAM	355	(3)	(1)	4	1	(83)	0.8	0.1	1.7	(0.7)	1.4
	Middle East	341	3	(0)	(1)	(27)	(64)	0.4	0.1	1.1	1.2	3.4
EM Corporates	CEMBI Broad Diversified	252	(2)	(1)	3	(18)	(98)	0.3	0.0	0.9	2.2	6.1
	CEMBI BD Investment Grade	148	1	(0)	(1)	(21)	(65)	0.2	0.0	1.0	0.9	3.4
	CEMBI BD High Yield	441	(5)	(1)	(5)	(45)	(164)	0.3	0.0	0.8	4.0	10.0
US High Yield	US High Yield	287	(10)	(1)	19	(73)	(188)	0.5	0.1	1.0	4.6	10.1
	US High Yield BB	200	(8)	(3)	0	(64)	(135)	0.5	0.1	1.4	4.2	8.5
	US High Yield B	324	(14)	(3)	30	(55)	(161)	0.5	0.1	0.6	3.9	8.9
	US High Yield CCC	531	(8)	11	69	(127)	(430)	0.4	(0.2)	0.1	7.3	18.2
European High Yield	Barclays PanEur HY	292	(4)	0	4	(64)	(154)	0.1	0.0	0.7	3.7	8.2
	2% Ex Financials Yield	3.18	(0.07)	0.00	0.15	(0.26)	(1.64)	-	-	-	-	-
Bank Loans	LSTA Price	98.3	0.1	0.0	(0.1)	2.1	5.3	0.2	0.0	0.5	3.8	8.3
	LSTA 100 Yield	3.81	(0.04)	(0.01)	0.11	(0.17)	(1.02)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.21	(0.05)	0.00	(0.16)	0.43	0.64	0.4	0.0	1.6	(1.8)	(3.0)
	1M LIBOR	0.08	(0.00)	0.00	(0.02)	(0.06)	(0.07)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	36	0	1	4	(6)	(20)	0.3	0.0	0.9	(0.7)	(0.3)
	US Investment Grade Corporates	88	0	1	8	(8)	(40)	0.4	0.0	1.1	(0.2)	2.2
	Global Aggregate	34	0	1	2	(2)	(14)	0.1	0.0	1.0	(0.5)	0.6
	Barclays 1-5 Year Credit	39	0	1	4	(2)	(20)	0.2	(0.0)	0.3	0.3	1.1
FX	DXY (US dollar)	92.45						(0.4)	(0.2)	0.0	2.8	0.1
	GBI EM FX							1.6	0.2	(0.3)	(1.9)	1.8

1W reflects data from August 25 close through September 1 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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