Stone Harbor INVESTMENT PARTNERS

October 8, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Global credit markets responded to uncertainties in China, Europe, and the US that carry broad implications for an ongoing global growth recovery. In particular, further news regarding the state of China's property sector, the energy shortages across Europe and China, and the reconciliation bill in the US weakened market sentiment early in the week. The 10-year US Treasury yield remained at elevated levels ahead of Friday's US job report. Oil prices increased as OPEC+ decided to add less supply than markets anticipated, prompting the US to consider the sale of oil reserves. In terms of US economic data, labor market data was generally positive: the ISM non-manufacturing data was better than expected at 61.9 vs 61.7 last reported; ADP's estimate of employment growth improved in September to +568k from +340k; and initial claims dropped by roughly 40k to 326k. Credit spreads widened and total returns were generally negative across major sectors. US investment grade credits outperformed with positive total returns. The US dollar index (DXY) declined, and EM currencies were unchanged, on average.

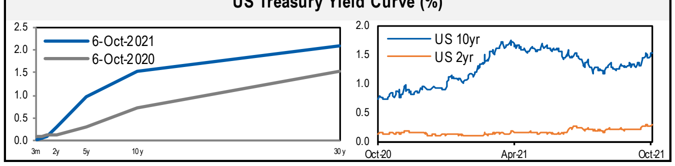
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	365		12	3.13%
EMBI GD IG	155		10	-1.02%
EMBI GD HY	607		17	8.26%
Africa	588		33	10.93%
Asia	242		18	0.35%
Europe	290		4	4.07%
LATAM	380		8	1.08%
Middle East	338		7	3.58%
CEMBI BD	267		10	5.39%
CEMBI BD IG	152		7	2.59%
CEMBI BD HY	469		15	9.34%
GBIEM GD (%)	5.38		12	1.09%
EM Blend (%)	5.06		10	3.23%
EMBI ESG	344		9	2.02%
CEMBI ESG	275		12	5.47%
GBI ESG (%)	5.22		12	0.30%
		-300 -150 0 150		Oct-20 Apr-21 Oct-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	346		20	10.03%
US HY BB	247		18	7.92%
US HY B	399		22	8.72%
US HY CCC	681		36	22.21%
Pan Euro HY	317		19	7.64%
LSTA 100 (%)	3.75		4	8.28%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.43		-1	-4.23%
1M LIBOR (%)	0.09		0	0.12%
US Agg	33		0	-0.79%
US IG Corp	86		3	1.50%
Global Agg	33		0	-0.56%
		-100 0 100 200		Oct-20 Apr-21 Oct-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.16	-1.52%	Gold	1,762	-8.88%	S&P500	4,364	29.83%
USDJPY	111.41	-5.20%	VIX	21	-28.77%	MSCI World	9,082	28.39%
EM FX		1.35%	Brent	81	90.11%	MSCI EM	2,959	13.93%

As of: October 6 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

The US government looks set to avoid the risk of default after Democrats signalled that they would agree with the Republican's proposal to raise the debt ceiling into December. Senate Majority Leader Chuck Schumer said they were making progress and expects to announce a deal before the end of the week. The two-month extension provides time for policymakers to review President Joe Biden's US$4 trillion economic plan but, given the temporary nature of the agreement, the debt ceiling issue will resurface again towards the end of the year.

Europe

In efforts to alleviate the fuel supply constraints, the UK government instructed military personnel to begin delivering fuel tankers earlier this week; however, the recent supply is unable to keep up with demand. Officials have warned the disruptions could last through the holiday season. Chancellor of the Exchequer Sunak announced plans to spend £500 million in aid to help unemployed workers find jobs.

In anticipation of the eventual end to the €1.85 trillion Pandemic Emergency Purchase Program (PEPP), the European Central Bank is said to be reviewing a potential program intended to alleviate any volatility caused by the phase out of PEPP purchases. The study is aimed at dampening the impact by running a potential replacement scheme alongside the existing Quantitative Easing program.

Japan/Asia

Under Phase One of the 2020 trade deal, China agreed to target US$386 billion in cumulative purchases of manufactured, agricultural and energy goods by the end of 2021; however, recent customs data shows China remains behind on its commitments. The Biden Administration is not looking to re-escalate tensions with China and, in efforts to assist US businesses, is considering excluding certain products from tariffs. US Trade Representative Tai will begin dialogue with Chinese Vice Premier He regarding the shortfall. President Biden is scheduled to meet virtually with President Xi Jinping before the end of the year.

After nearly three months, restrictions across New South Wales will begin easing effective 11th October as cases moderate and vaccinations ramped up—with over 70% of adults now vaccinated.

Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

Copper prices are booming, driven up by strong global demand for goods and efforts to transition to clean energy. This is clearly very positive for key exporters such as Chile. About 50% of Chile's exports are copper and copper products. And while Chile imports other commodities that also got more expensive (e.g., oil), the net effect was still clearly positive. This can be seen in the sharp improvement in Chile's terms-of-trade (Fig 1). Normally, this should lead to a substantial improvement in the external current account balance. However, following the expected initial improvement in 2020, Chile's current account deteriorated sharply this year, bringing the deficit back to about 4% of GDP—and despite booming copper prices.

So what is really going here? The answer can be found in highly stimulative policies that have pushed up demand, especially import demand (Fig 2). Policy rates were cut to 0.5%, several fiscal support measures implemented, and, importantly, Chile enacted several rounds of pension fund withdrawals, allowing individuals to withdraw funds from their retirement accounts. The latter measure had a large impact on individual's purchasing power and consumption, thus triggering a strong economic rebound and high imports. At this time, however, Covid spread is rapidly receding and the recovery is well-advanced, yet policies have remained expansionary. In fact, another round of pension fund withdrawals is being planned.

The risk of this policy mix is clearly economic overheating resulting in current account deficits and higher inflation, and both developments have already started. The central bank is now quickly raising rates. At the last meeting, they raised the key rate by 75 bps and much more is expected in the future. This hurts the local bond market, which already had to manage the pension fund divestments. Initially, the impact on the currency has been more mixed as the negative long-term impact of more populist expansionary policies has initially been muted by the FX inflows from copper exports and pension fund asset repatriation. However, the recent FX performance more clearly reflects fears over the deterioration of Chile's traditionally rather orthodox policy framework.

Figure 1: Chile Terms of Trade vs Current Account

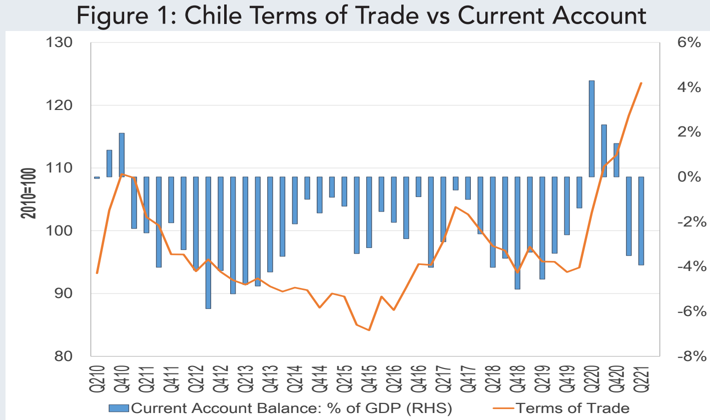
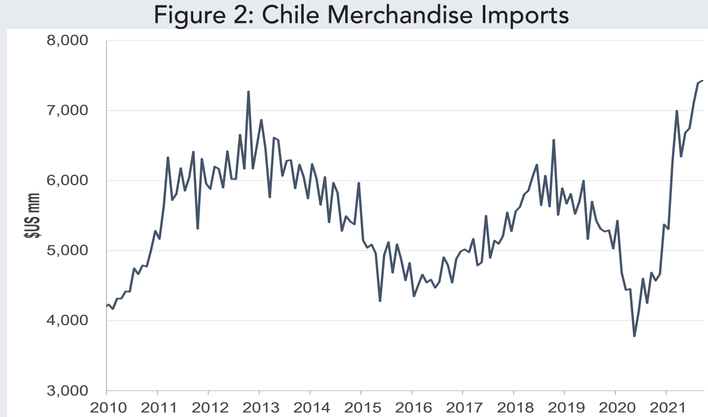


Figure 2: Chile Merchandise Imports



As of 30 September 2021
Sources: Banco Central de Chile, Haver Analytics, Stone Harbor Investment Partners

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads widened 12 bps and the JP Morgan EMBI Global Diversified returned -0.8%. Investment grade securities and non-investment grade bonds declined 0.8% and 0.7%, respectively, on average. The bottom performers included Ghana (-4.5%), Ethiopia (-3.3%), and Sri Lanka (-2.8%). The top country performers included Lebanon (+4.1%), El Salvador (+3.2%), and Ecuador (+1.2%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -0.4%. EM currencies were unchanged on the week. Colombian peso outperformed with 1.3%, followed by Polish zloty (1.1%) and South African rand (0.7%). Underperformers included Brazil and Chile, both declining 1.4%, followed by Mexico (-1.1%).

The yield of the JP Morgan GBI EM Global Diversified increased 12 bps to 5.38%. Peru outperformed with yields 24 bps lower, followed by Brazil (-6 bps), both going against the general sell-off in EM local bonds. Chilean bonds underperformed with yields 37 bps higher, while Polish bonds sold off 36 bps on the surprise rate hike. Underperformers included Romania (+31 bps), Russia (+30 bps), and Hungary (+29 bps).

In central bank actions, Romania and Poland both surprised with larger-than-expected hikes. Romania hiked by 75 bps to 1.50% compared to market expectation of a 50 bps hike. Poland surprised even more, hiking 40 bps to 0.50% when the market had expected the rate to remain unchanged. Serbia left rates unchanged at 1.00%, as expected. In Latin America, Dominican Republic left its policy rate unchanged at 3.00%, while Uruguay surprised with a smaller-than-expected rate hike of 25 bps, taking its policy rate to 5.25%.

EM Corporate Debt

The CEMBI Broad Diversified generated negative returns for the second consecutive week as global credit and equity markets fell. High yield bonds underperformed the investment grade sector, as US Treasury rates stabilized. While nearly all of the major emerging markets had negative returns, price action in China and Macau was notable. The property sector in China continued to be negatively impacted by the liquidity crisis at Evergrande and, in addition, another homebuilder defaulted. In Macau, local regulators closed all entertainment venues (with the exception of casinos) due to several identified Covid-19 cases. Outside of Asia, one of the biggest outperformers was Turkey, where the short duration of the index constituents and a marginal appreciation of the Turkish lira drove positive returns.

Flows/Issuance

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of approximately US$1.4 billion primarily from hard currency funds for the week through 5 October. 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

Chile

Headline economic activity gained +1.1% month-on-month, reaching above pre-pandemic levels. These results have been primarily supported by a combination of policy mix and pension fund withdrawals. Importantly, a breakdown of economic activity shows that the gains were most evident in commerce, which represents 15% of GDP, or nearly 70% of the expansion. Moving forward, the growth in the commerce sector could potentially moderate, depending on the fourth pension fund withdrawal and the potential for restrictive monetary policy stance, leading to a deceleration in economic growth.

Ecuador

The Executive Board of the International Monetary Fund (IMF) concluded the combined second and third reviews of the extended fund facility, allowing for an immediate disbursement of roughly US$800 million, and the Board also concluded the 2021 Article IV consultation. The Ecuadorian authorities plan to use the disbursement for budget support, according to the IMF press release. The IMF highlighted that while Ecuador's recovery following the depth of the pandemic and oil price shocks has been slow, funding from the IMF and other international financial institutions, along with an accelerated pace of vaccinations and improving global economy, are providing crucial support. The Executive Directors expressed support for fiscal consolidation over the medium term, and underscored the need for strong revenue efforts, including a tax reform. The "Opportunities Bill" announced late last month by President Guillermo Lasso combines a tax and labor reform, in addition to productivity enhancing reforms. The bill could become law if a majority of lawmakers do not vote against the bill in 30 days from date of submission.

Ethiopia

Ethiopia's new parliament reappointed Abiy Ahmed as prime minister for a five-year term following the ruling party's landslide election victory. Among the top priorities for the new administration is to restart a national dialogue across political parties to de-escalate the state of the civil war. In this effort, Abiy proposed three opposition politicians to join his cabinet, while retaining Ahmed Shide as finance chief and Demeke Mekonnen as foreign minister. On the economic front, Abiy will need to tackle high inflation, and finalize a restructuring program for the nation's US$30 billion foreign debt under the G20's Common Framework. In addition, the country will seek to renegotiate a new program with the IMF to replace an extended credit facility, which had been agreed but had lapsed before the funds were disbursed. Abiy's attempts to secure external funding is complicated by the ongoing civil war and possible US sanctions.

Indonesia

The government and parliament is expected to pass a long-awaited reform bill this week that includes several possible changes in tax laws, most of which have not been fully factored into the 2022 budget. Proposed changes that could potentially translate to higher tax collection for 2022 vs. the baseline include: 1) a delay or cancelation of the second phase of the planned cut in the corporate income tax rate (the first phase cut from 25% to 22% was implemented in 2020); and 2) an increase in the Value Added

Tax (VAT) rate. A one percentage point increase in the VAT rate will be scheduled for April 2022, while the next move to 12% will be implemented by 2025. This gradual approach to VAT hike would be put in place to reduce the risk of derailing the consumption recovery. The tax reform package will also include an initiative resembling the 2016 tax amnesty, with a higher penalty rate of possibly 6 -11%. Separately, a new tax bracket of 35% for high income individuals with annual income of Rp5 billion, or roughly US$340k, will also be introduced, while no significant change will be made in the lower income brackets, which should support the recovery in consumption.

Mexico

Mexico announced a constitutional reform to increase state control of the electricity market. The reform would grant the Comision Federal de Electricidad (CFE) over half of the power market and allow it to determine terms for private generators. The bill would also reserve future lithium extraction for the state and aim to eliminate energy regulators. President Lopez Obrador has said that giving the CFE 54% of the power market would keep prices low for consumers and end preferential treatment for private firms, which currently are the primary dispatchers. This latest move by Obrador further extends his efforts to overhaul the energy sector in favor of the CFE and state oil and gas company Petroleos Mexicanos (Pemex).

Philippines

President Rodrigo Duterte announced over the weekend that he will retire from politics when his term ends next year. Shortly after the announcement, Duterte's daughter, Sara Duterte-Carpio, who is currently mayor of the country's third-largest city, filed for re-election, despite having previously said she will not run for national office next year. The move has raised speculation that she may be taking steps to run for the presidency, while at the same time Duterte's close ally Senator Christopher "Bong" Go of the ruling PDP-Laban party registered his candidacy for vice president in next year's election. Opinion surveys indicate Duterte-Carpio as a strong prospective candidate. Candidates have until Friday to register; however, withdrawals and substitutions are permitted until 15 November. As with Duterte's last minute bid in the 2016 election, next year's election could also be marked with changes and substitutions for candidacy.

Romania

Romania's Prime Minister Florin Citu was ousted following a vote of no confidence, and President Klaus Iohannis, who now has 45 days to appoint a replacement, is under pressure to appoint a member from the rival Social Democratic Party. The president can go through the process of submitting a candidate twice for review, but if the parliament rejects both times, Romania will head to snap elections for the first time in modern history. At the same time, new lockdown restrictions imposed over the weekend have led to street protests.

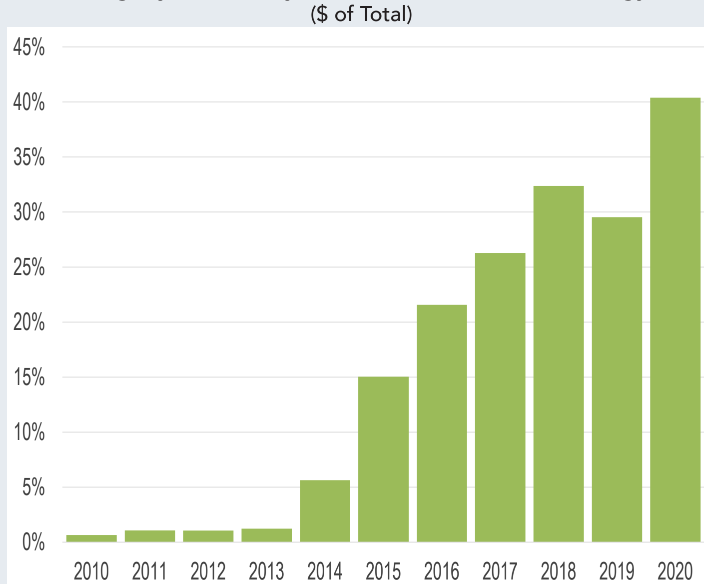
Ukraine

Ukraine's Cabinet has adopted a resolution that would allow Naftogaz, state-owned energy company, to receive UAH47 billion (~US$1.8 billion) from the Gas Transit System Operator by the end of the year, according to local sources. The cash injection will help to offset a portion of the company's liquidity that has been used to fund expensive gas imports. Also according to local reports, Naftogaz will use the funds to buy an additional 4 billion cubic meters (bcm) of gas needed for the heating season. According to the Storage System Operator of Ukraine, as of 1 September there was 18 bcm in underground storage facilities, which is higher than the 2013-18 levels of 14.5-17.1 bcm as of the same date. As such, it isn't clear why additional topping up is needed. Moreover, at current EU hub prices, 4 bcm of gas would cost in excess of US$4 billion.

Chart of the Week

Emerging Markets (EMs) continue to play a major role in the global energy transition. Discussions tend to focus on the larger economies, in particular China and India which are currently number one and four in the world, respectively, by installed wind generation capacity. Total wind capacity in those two countries last year surpassed the combined wind capacity of the EU and the US. Some of the smaller EM countries have progressed even further. A good example is Uruguay. Wind accounted for 40% of total electricity production last year following significant investments in the sector in recent years. For the first time it also exceeded hydroelectricity generation. And together with solar, these three renewable energy sources accounted for about 80% of the country's electricity production in Uruguay. While much remains to be done in many other countries, Uruguay is a good example of serious policy commitment to renewable energy development and the leading role that EMs can play in the global energy transition.

Uruguay: Electricity Generation from Wind Energy
($ of Total)



As of 7 October 2021
Source: National Energy Balance, Ministry of Industry, Energy and Mining, Uruguay

Global High Yield

US High Yield

Volatility in global markets over surging commodity prices, rising rates, China's debt crisis, elevated inflation worries, and fading economic recoveries caused US high yield to finish lower on the week by 41 bps. Higher quality and lower yielding short duration issues underperformed as accounts tried to rotate in higher yielding names that came off with the market. BB's were down 47 bps, while B's and CCC's were down 33 bps and 41 bps. Spreads widened 20 bps for the week and YTW finished at 4.26%. Retail non-food/drug lost over 100 bps led by an earning miss. In addition, wirelines, food/beverage, media, consumer products, and building products also underperformed. Energy and drillers outperformed on higher oil prices, while airlines, publishers, and satellites saw small positive gains. Bed Bath & Beyond Inc. missed its third quarter EPS and sales forecasts and slashed full year forecasts for net sales, EBITDA, and EPS. The miss and reduction in guidance is being attributed to supply chain issues, slowed store foot traffic and inflation challenges. Their lowered outlook put pressure on other names in the sector, which led to the largest index underperformance for the week.

European High Yield

Overall European high yield benchmark declined 0.53% for the week due to negative fund flows, a strong primary market, and concerns about the impact of inflation and supply chain constraints on corporate profits. CCC rated issues underperformed as investors reduced risk with a decline of 0.72% compared to returns of -0.49% for BB credits. Index spreads widened 19 bps for the week, with CCC spreads widening 57 bps compared to only 19 bps of spread widening for BBs. Industry outperformers included Aerospace and Home Builders, while underperformers included Building Products, E&P, and Financials. Adler Group bonds dropped as much as 10 points during the week after a report by a short seller criticized the real estate company's financial disclosures and governance.

Flows/Issuance

US high yield new issuance was robust with 18 deals pricing for US$15.2 billion. Investors continued to fight for allocations in a constant search for yield even with volatile equity and commodity markets. Medline Industries priced a US$4.5 billion secured tranche at 3.875% and US$2.5 billion unsecured notes at 5.25% to fund the biggest leveraged buyout since the financial crisis. The deal had more than US$25 billion in orders and priced inside of original price talk with strong secondary demand. US high yield flows were flat on the week.

For European high yield, EPFR data showed an outflow of US$342 million, bringing flows for October to negative US$283 million and reducing the third quarter inflow to US$406 million. Primary activity was extremely busy with 6.8 billion euros pricing during the week after only 10 billion euros priced in September.

Source: Lipper, EPFR

Industry Insights

Financial Services: Consumer credit remains very strong even as the pandemic-induced consumer support programs, debt deferral programs and supplemental unemployment payments shrink or expire. The largest US banks all mentioned large saving account balances and historically strong consumer saving positions when they spoke at September investor conferences. The monthly credit card data for August reinforced the strong credit position of US consumers, especially for sub-prime consumers. Consumer secured lending is also benefiting from strong collateral prices as used cars and home prices remain close to all-time highs. Auto lending remains very strong. The continued supply chain issues are limiting the volume of new cars sold, this is leading to high net prices on new cars and very strong used car prices. The September month end Manheim Used Vehicle index report will be a key data point to watch, and the auto damages caused by storms this hurricane season could tighten up the used car market even more. The high net prices on new cars is helping drive additional volume in consumer Auto finance; however, dealer and other wholesale finance is declining and offsetting consumer growth.

Industrials: The September ISM figures reflect the strong environment for industrial demand, with Short Cycle Industrial (SCI) revenues leading the recovery, and also highlight the ongoing surge in prices/inflation. Most macro data and company commentary suggest inventories are fairly low relative to demand, which is helping to drive supply constraints. Non-Japan Asia is likely to see a deceleration in Q3 after as China slows. US demand growth is particularly strong, and logistics constraints (ports/trucking) is causing heightened supply chain issues domestically vs other regions. 3Q21 could be the toughest quarter in terms of margin pressure for many companies, given pressures in raw materials, freight, and labor.

Wirelines: High yield wireline issuers, Frontier and Northwest Fiber, tap the new issue market and raised a total of US$1.25 billion to help fund aggressive fiber to the home rollout plans. The topic of pushing fiber deeper into networks continues to be a critical theme for the sector as these legacy regional telecommunication companies look to replace declining high margin legacy revenues. While we generally agree with this strategy, we believe there is significant execution risk for those companies in the earlier stages of their fiber rollout plans and prefer those companies, like CNSL, that are further along in their rollout plans and have begun to demonstrate some stabilization in their core business.

Investment Grade

Governments

After last week's fairly sizeable moves, US Treasuries stabilized and oscillated within a tighter range to end the period little changed despite elevated volatility. The ICE BofAML MOVE Index ended the period unchanged at 61. Markets repriced inflation expectations against the current backdrop of higher energy prices. There was a divergence across some indicators this week as 10-year real yields, which excludes the expected impact of inflation, fell 7 bps, while Breakevens rose 7 bps, reflecting a recalibration of growth and inflation expectations. The yield on 30-year Treasuries climbed to their highest level since Q2 and end the week at 2.08%. In terms of the US Treasury curve, the front end remained unchanged, however, 5s30s rose another 3 bps to 109 bps as the curve bear steepened.

European government bonds responded more meaningfully to the current rising energy prices and their potential implications on inflation. Core European rates rose for another week with the yield on 10-year Bunds and Gilts rising 3 bps and 8 bps to end the period at -0.18% and 1.07%, respectively. Given the weak risk sentiment, peripheral spreads widened and the spread of 10-year Spanish and Italian bonds rose 4 bps over comparable Bunds to 0.65% and 1.07%, respectively.

Corporates

Spreads on investment grade corporates widened as Washington duelled over raising the debt ceiling, while investors contemplated future Fed policy and interest rate risks. Spreads were wider by 3 bps, leaving the Bloomberg corporate bond index option-adjusted spreads at +84 bps. Final numbers for September performance saw corporate spreads that were better by 3 bps and provided positive excess returns of +26 bps in the face of total returns that were -1.05%. The best performing sectors were Oil Field Services, Refining, and Airlines, while the worst performing sectors were Gaming, Metals & Mining, and Transportation Services. Bonds rated BBB outperformed higher quality as investors continue to reach for yield, while longer duration corporates saw better excess returns versus shorter duration buckets, albeit absolute returns were better in the shorter duration buckets.

Securitized

In agency mortgages, FNMA prepayments dropped 2% and FHLMC dropped 3%, on top of projections. Prepayments in higher coupons are still faster than expected with burnout still lagging. October prepayments are projected to drop 5-10%, reflecting higher rates. President Biden is overhauling a federal student loan forgiveness program benefitting 550K borrowers who qualify under the Heroes Act. Although this act was issued in 2003, various policy and administrative snags have prevented many borrowers, teachers, front line workers and other public servants, from qualifying. While an ABS industry conference has muted new ABS issuance, the CMBS SASB market has continued strongly with several US$1+ billion deals which has softened spreads. JP Morgan introduced new indices to track on-the-run non-qualified mortgage and single-family rental sectors.

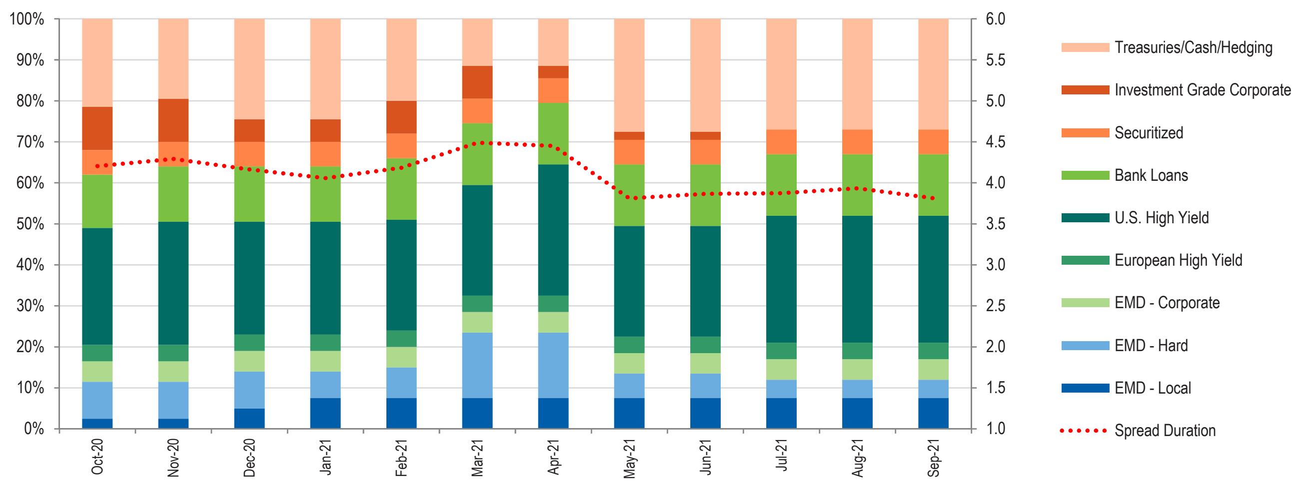
Flows/Issuance

In investment grade corporate debt, supply for the week finished at the higher end of expectations at around US$26 billion. Supply for September ended with US$157.87 billion, which is the third largest September on record following record years of US$165 billion in 2019 and 2020. Year-to-date supply is US$1.197 trillion and estimates for supply in October are around US$90 billion.

High grade fund flows were positive by US$4.8 billion according to EPFR. Lipper showed positive inflows into investment grade funds of US$3.06 billion. Year-to-date, high grade fund flows have surpassed US$300 billion, according to JP Morgan. Flows for the latest period were positive across all constituents with aggregate funds taking in +US$2.582 billion, corporate only funds at +US$1.649 billion, and total return funds at US+$543million. Intermediate aggregate fund flows were the largest positive contributor with +US$1.842 billion, followed by long corporate only funds at +US$831 billion.

Source: EPFR, JP Morgan

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 30 September 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 October 6, 2021			Spread or Yield Change (bps or %)						Total Return (%)				
			Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	EMBI G D	365	12	10	10	15	(55)	(0.8)	(0.7)	(0.7)	(2.0)	3.1
	CEMBI Broad Diversified	CEMBI B D	267	10	9	9	(3)	(94)	(0.3)	(0.3)	(0.3)	1.2	5.4
	GBI EM Global Diversified Yield	GBI EM GD	5.38	0.12	0.08	0.08	1.16	0.90	(0.4)	(0.5)	(0.5)	(6.8)	1.1
EM Sovereign Debt	EMBI Global Diversified	EMBI G D	365	12	10	10	15	(55)	(0.8)	(0.7)	(0.7)	(2.0)	3.1
	EMBI GD Investment Grade	EMBI IG	155	10	8	8	7	(29)	(0.8)	(0.7)	(0.7)	(3.6)	(1.0)
	EMBI GD High Yield	EMBI HY	607	17	12	12	(1)	(130)	(0.7)	(0.7)	(0.7)	(0.1)	8.3
EM Sovereign Debt Regions	Africa	Africa	588	33	26	26	32	(135)	(1.8)	(1.6)	(1.6)	(1.4)	10.9
	Asia	Asia	242	18	16	16	10	(19)	(1.0)	(1.0)	(1.0)	(1.2)	0.4
	Europe	Europe	290	4	12	12	25	(64)	(0.8)	(0.7)	(0.7)	(1.8)	4.1
	LATAM	LATAM	380	8	4	4	26	(39)	(0.4)	(0.2)	(0.2)	(4.1)	1.1
	Middle East	Middle East	338	7	7	7	(29)	(74)	(0.4)	(0.4)	(0.4)	0.3	3.6
EM Corporates	CEMBI Broad Diversified	CEMBI B D	267	10	9	9	(3)	(94)	(0.3)	(0.3)	(0.3)	1.2	5.4
	CEMBI BD Investment Grade	CEMBI IG	152	7	4	4	(18)	(63)	(0.2)	(0.2)	(0.2)	0.0	2.6
	CEMBI BD High Yield	CEMBI HY	469	15	14	14	(16)	(152)	(0.5)	(0.5)	(0.5)	2.8	9.3
US High Yield	US High Yield	US HY	346	20	13	13	(46)	(166)	(0.4)	(0.4)	(0.4)	4.3	10.0
	US High Yield BB	US HY BB	247	18	12	12	(34)	(125)	(0.5)	(0.4)	(0.4)	3.1	7.9
	US High Yield B	US HY B	399	22	15	15	(26)	(141)	(0.3)	(0.3)	(0.3)	3.8	8.7
	US High Yield CCC	US HY CCC	681	36	18	18	(121)	(432)	(0.4)	(0.4)	(0.4)	10.0	22.2
European High Yield	Barclays PanEur HY	BAR PanEur HY	317	19	19	19	(40)	(133)	(0.5)	(0.5)	(0.5)	3.2	7.6
	2% Ex Financials Yield	2% ExFin Yield	3.43	0.17	0.22	0.22	(0.01)	(1.12)	0.00	0.0	0.0	0.0	0.0
Bank Loans	LSTA Price	LSTA Price	98.6	0.0	0.0	0.0	2.4	5.2	0.1	0.1	0.1	4.5	8.3
	LSTA 100 Yield	LSTA 100 Yield	3.75	0.04	0.04	0.04	(0.23)	(1.18)	0.1	0.1	0.1	4.5	8.3
Investment Grade	US Treasury 7-10 Yield	US Tsy 7-10 Yld	1.43	(0.01)	0.00	0.00	0.65	0.81	0.1	(0.0)	(0.0)	(3.4)	(4.2)
	1M LIBOR	1M LIBOR	0.09	0.00	0.01	0.01	(0.06)	(0.05)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	US AGG	33	0	0	0	(9)	(24)	(0.0)	(0.0)	(0.0)	(1.6)	(0.8)
	US Investment Grade Corporates	US IG Corp	86	3	2	2	(10)	(43)	(0.2)	(0.1)	(0.1)	(1.3)	1.5
	Global Aggregate	Global AGG	33	1	0	0	(3)	(14)	(0.2)	(0.1)	(0.1)	(1.5)	(0.6)
	Barclays 1-5 Year Credit	Barclays 1-5 Year Credit	38	2	1	1	(3)	(23)	(0.0)	(0.0)	(0.0)	0.1	1.0
FX	DXY (US dollar)	DXY	94.27	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	4.8	0.6
	GBI EM FX	GBI EM FX	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(4.5)	0.8

1W reflects data from September 29 close through October 6 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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