Stone Harbor INVESTMENT PARTNERS

October 15, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Global credit markets focused on inflation data and details around the US Federal Reserve's (Fed) plans for tapering asset purchases. In the US, the Core Consumer Price Index (CPI) rose to 0.2% month-on-month in September from 0.1% in August, in line with consensus expectations and well below the rapid increases during summer. The other important highlight this week was additional color from the US FOMC meeting minutes that 1) reiterated that tapering could start in mid-November, and 2) perhaps more important, noted that the committee saw the future decision on rate hikes as distinct from—and not mechanically linked to—the tapering decision. The 10-year US Treasury yield dropped following the US inflation report and details around the Fed's tapering plans. Oil prices continued their upward climb on expectation of increasing demand from switching from higher-priced coal and natural gas, combined with no indication of additional OPEC+ supplies. Credit spreads generally tightened and total returns were mixed across major sectors. Emerging markets debt (EMD) outperformed US high yield bonds. The US dollar index (DXY) declined, and EM currencies appreciated, on average.

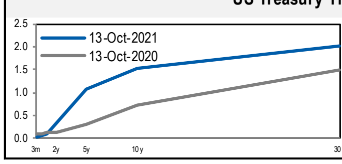
Emerging Markets

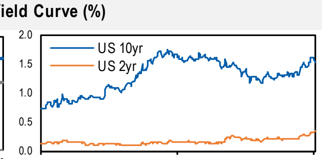
Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	363		-3	1.94%
EMBI GD IG	153		-2	-2.09%
EMBI GD HY	604		-3	6.92%
Africa	584		-3	8.85%
Asia	243		1	-0.86%
Europe	282		-8	3.56%
LATAM	377		-3	0.01%
Middle East	338		0	2.07%
CEMBI BD	271		4	4.43%
CEMBI BD IG	152		0	1.79%
CEMBI BD HY	477		8	8.16%
GBIEM GD (%)	5.45		7	1.29%
EM Blend (%)	5.10		4	2.59%
EMBI ESG	341		-3	0.86%
CEMBI ESG	278		3	4.48%
GBI ESG (%)	5.30		8	0.50%
		-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	343		-3	9.17%
US HY BB	245		-2	7.04%
US HY B	394		-5	7.94%
US HY CCC	673		-8	21.20%
Pan Euro HY	327		10	6.78%
LSTA 100 (%)	3.74		-1	7.94%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.47		4	-4.54%
1M LIBOR (%)	0.09		0	0.12%
US Agg	33		0	-1.05%
US IG Corp	86		0	0.98%
Global Agg	33		0	-0.94%
		-100 0 100 200		Oct-20 Apr-21 Oct-21

US Treasury Yield Curve (%)





Other Asset Classes
(12 mos Total Return)

Currency Return vs USD	Level	12 mos Total Return	Commodities	Level	12 mos Total Return	Equities	Level	12 mos Total Return
EURUSD	1.16	-1.29%	Gold	1,795	-6.61%	S&P500	4,364	24.26%
USDJPY	113.25	-6.87%	VIX	19	-28.50%	MSCI World	9,153	25.08%
EM FX		0.79%	Brent	83	95.95%	MSCI EM	3,040	13.53%

As of: October 13 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

Employment growth disappointed for the second consecutive month as non-farm payrolls rose 194k in September missing estimates for a gain of 500k. August was revised upwards, from 235k to 366k, but the recent pace of job growth has clearly slowed from earlier in the summer. Effects of the Delta variant were clear in the report: leisure and hospitality, which had been one of the primary drivers of post-pandemic job growth, slowed to only 74k jobs added. Other areas of the report were firmer, as aggregate hours increased at a solid pace and the parallel household survey showed faster job growth.

Ahead of 1st December, when new European tariffs will automatically come into effect, the US government issued a new proposal on steel tariffs, which contains a more favorable progressive tariff system. The new proposal would allow a larger quantity of steel to be exported into the US before the higher tariffs become effective. Trade representatives from the US and European Commission are expected to meet next week.

Europe

While still likely years away from full implementation, the global minimum corporate tax initiative moved one step closer to fruition after Ireland said it is prepared to sign on to the proposal. Ireland agreed to join other countries and will be raising its corporate tax rate from 12.5% to the proposed 15% minimum. G-20 finance ministers are scheduled to meet later this week to continue discussions.

In the UK, several members of the Bank of England (BoE) have indicated that an interest rate hike is imminent given the impact of elevated energy prices, and ongoing supply chain disruptions, on inflation. Michael Saunders, one of the more hawkish policy makers, said that financial markets have correctly priced in an earlier-than-expected rate hike. Similarly, Governor Andrew Bailey also warned of the negative consequences of inflation unless the committee takes action. The next BoE rate decision will be released on 4th November.

Japan/Asia

After broadly falling into contraction in August, the Caixin PMIs recovered in September. The Caixin indices are considered a gauge for smaller, export-oriented businesses, and the latest manufacturing PMI rose from 49.2 to 50.0, while services also rebounded, from 46.7 to 53.4. The composite index rose from 47.2 to 51.4.

The latest Japanese core machine orders disappointingly fell 2.4%, versus estimates for a gain of 1.4%, led by a 13.4% drop in manufacturing orders, which is likely a reflection of the ongoing state of emergency restrictions at the time, as well as the slowdown in China. With restrictions now lifted, and Chinese activity resuming, we should see some modest improvement although that will largely be contingent on the pace of recovery in Chinese demand.

Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

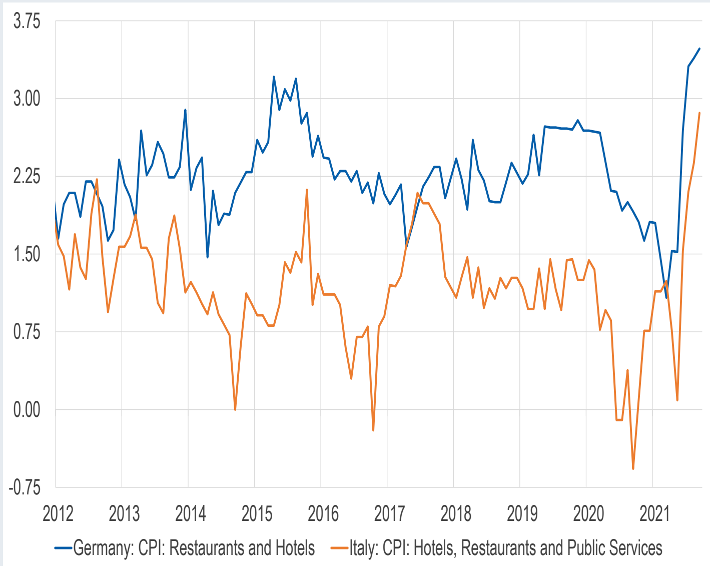
Recent European data hints that some of the same reopening-related price pressures that have shown up in the US, with core inflation jumping to a near 30-year high, might be starting to surface in Europe. In the US, two major factors drove prices higher over the summer: reversion in pandemic-hit services and higher auto-related prices. Since then, there has been a potential broadening of price pressures in the US, though monthly core inflation rates have dropped. Most of the summer jump, however, was attributable to these categories.

Inflation for hotels and restaurants has accelerated notably in several European countries over the last several months. As the accompanying graph shows, both Italy and Germany have seen the inflation rates for those move up by over 100 bps since the spring. (A direct comparison to the US is difficult since the US breaks down inflation into sub-categories differently.) Some of this is due to base effects—a comparison to depressed levels in 2020—but some also comes from an increase in monthly inflation rates for these categories. As of now, this has shown up across Europe; France for instance does not currently show a similar move upward in hotel and restaurant prices.

German used car prices have also seen a notable move up over the last several months. Recall that a surge in used car prices helped drive the move up in US inflation over the summer as used car prices jumped by around 40%. Through the middle of this year, German used car prices were lower than pre-pandemic but have moved up sharply over the last 5 months. To date, however, the size of the move, about 5%, is only a fraction of the US but with persistent issues in the supply of new cars there is the potential for it to extend further.

As in the US, our base case is that the potential start of a reversion back upward in prices does not mark a shift to a higher inflation regime. Still, the hints of a change in the dynamics bear watching over the next several months given the potential for it to put pressure on the ECB.

Some Pandemic-Hit Prices in Italy and Germany Have Started to Rebound
% Change - Year to Year, SA 2015 = 100



As of 30 September 2021
Sources: The Italian National Institute of Statistics (ISTAT), The Federal Statistical Office of Germany (StBA), Haver Analytics, Stone Harbor Investment Partners LP

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 3 bps and the JP Morgan EMBI Global Diversified returned 0.9%. Investment grade securities outperformed non-investment grade bonds, on average. The top performers included Belize (-2.3%), Peru (1.4%), and El Salvador (1.3%). The bottom performers included Lebanon (-3.6%), Argentina (-2.2%), and Sri Lanka (-2.2%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 0.2%. EM currencies returned 0.4%, in aggregate. The Peruvian peso outperformed with a spot FX return of 2.6%, followed by Thai baht (+1.9%) and South African rand (+1.7%). Underperformers included Turkey (-2.0%), Uruguay (-1.3%), and Brazil (-0.9%).

The yield of the JP Morgan GBI EM Global Diversified increased 7 bps to 5.45%. Peru outperformed with yields 32 bps lower, followed by Russia (-14 bps) and South Africa (-12 bps). Chilean bonds underperformed with yields 71 bps higher, followed by Turkish and Romanian bonds, which increased in yield by 49 bps and 42 bps, respectively.

In central bank actions, Chile surprised with a larger-than-expected hike of 125 bps to 2.75%, compared to market expectations of a 100 bps hike (see further details under Sovereign Soundbites on page 3); rates were left unchanged in Sri Lanka (6.00%), India (4.00%), Serbia (1.00%). Peru hiked 50 bps to 1.50%, as expected.

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified generated negative returns for the third consecutive week as weakness in Asia overwhelmed marginal positive returns in Central and Eastern Europe, Middle East and Africa (CEEMEA) and Latin America. The continued turmoil around Chinese homebuilder Evergrande spilled over into other companies in the sector, Chinese corporates more broadly, and even into other Asian markets, including Macau and Indonesia. As a result, Asia underperformed the broader index by 0.60% in total return. For the year, Chinese corporates have declined 6.45% in total return versus a positive 0.87% return for the benchmark. Latin America posted a modest positive return for the week, led by Colombia, which is bolstered by higher oil prices. On average, investment grade bonds outperformed high yield debt, though returns on both sectors were negative.

Flows/Issuance

No EM sovereigns issued external debt this week. In EM corporate debt, given the backdrop of the negative performance in China and investor concerns about US Treasury rates, the new issuance calendar remained light, though three US dollar-denominated issues came to market totaling US$1.7 billion, including Ukrainian iron ore producer Metalloinvest , Chilean retailer Falabella, and a Chinese infrastructure company Beijing Infrastructure. In addition China's Dongfeng Motor issued Euro 725 million in new four-year debt.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of approximately US$2.4 billion primarily from hard currency funds for the week through 12 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

Chile's central bank raised its benchmark interest rate by 125 bps to 2.75% in an effort to control rising inflation, which has been running well above the 3% target, and tame higher inflation expectations driven in part by the potential for the fourth pension fund withdrawal (PFW4). Consensus expectation was for a 100 bps hike. At the August rate-setting meeting, the bank board had raised rates by a larger-than-expected amount of 75 bps. These two rate decisions reinforce the bank's commitment to rein back inflation to 3% as consumer prices surged by the most since 2008 on a month-on-month basis in September, and the GDP is on track to grow as much as 11.5% this year. Looking ahead, the policy path is dependent on the outcome of the PFW4. If PFW4 is passed in Congress, we can reasonably anticipate faster tightening and higher terminal rates by end of 2022.

Colombia

Moody's rating agency announced its decision to maintain Colombia's rating at Baa2 and revised the outlook from negative to stable, citing an improving growth trajectory and Colombia's strong resilience to shocks. The country's prudent macroeconomic management and ability to build consensus while navigating the challenges presented by the pandemic and social tensions were also highlighted as factors contributing to the strong institutional framework. The recently approved fiscal reforms and ongoing improvements in the economic activity are likely to help support debt stabilization and fiscal sustainability, in our view. The main risk is tied to the expected debt-to-GDP ratio increasing to 68% this year, consistent with the deterioration seen among the country's peers. However, given the better-than-expected recovery thus far, a continuation of the recent trend would suggest stronger fiscal results and lower deficit moving forward.

Iraq

Iraq sovereign bonds have been one of the beneficiaries of the increase in the oil price this past week. The country has benefitted from oil price strength this year and more recently from a relaxation in movement constraints as Covid-19 infection and death rates have declined sharply in the past two months. According to the IMF, Iraq's economy will grow at 3.5% this year and at a faster pace in 2022. Inflation has accelerated following the devaluation of the dinar late last year, but is likely to settle to a 6% level in the medium term. While the non-oil fiscal balance deteriorated by as much as 62% of non-oil GDP, the general government fiscal balance is broadly in balance. Legacy arrears are included in public debt calculations, so debt service is transparent and achievable, in our view.

Malaysia

Lawmakers voted to increase the debt ceiling to 65% of GDP, from 60% as the government aims to provide additional pandemic support measures and help further boost its economic recovery. The new debt limit would increase the funding for Covid-19 support measures by RM45 billion to RM110 billion, and also finance projects under the 12th Malaysia Plan, a comprehensive development plan for ensuring sustainable economic growth. According to the Finance Minister Tengku Zafrul, the increase in the debt limit will be in effect until the end of 2022, after which the limit will be reset at the previous 60% level. The bill will next move to the senate before it is signed into law by the king. An acceleration in vaccine rollout in recent months, as well as easing of tight travel and movement restrictions are also providing support for the economy. Malaysia's economy is expected to rebound in 2022, helped by the recovery in the global economy and trade.

Romania

Following the no confidence vote and removal of Romania's Prime Minister Florin Citu last week, Dacian Ciolos has been put forth by President Klaus Iohannis to form a new government. Ciolos served as European Commissioner for Agriculture from 2010 to 2014 before serving as prime minister from 2015 to 2017. Ciolos currently heads the third largest, center-right USR-PLUS party, which left Romania's former ruling coalition in September. In order to be confirmed, Ciolos needs to win parliament support within 10 days, which appears unlikely as he lacks a majority in the legislature. The leaders of the National Liberal Party and Social Democratic Party have stated that they would not support a USR-led government.

Thailand

Market participants are encouraged by the Thai government's announcement that quarantine requirements will be lifted starting in November for vaccinated tourists from ten "low-risk" countries, which accounted for roughly two-thirds of Thailand's 2019 foreign tourism revenue. While this development is positive for Thailand's tourism sector, the immediate implications may be limited, given that much of the impact will depend on the spread of Covid-19 cases and air connectivity resuming more consistently. Strict quarantine rules upon return to China and much of East Asia may also constrain the potential upside to Thailand's tourism recovery. The Thai economy contracted 6.1% in 2020 as tourism essentially came to a halt. The Bank of Thailand expects the economy to grow 0.7% this year and 3.9% in 2022, reflecting a gradual improvement in tourism.

Tunisia

The newly appointed Prime Minister Najila Bouden named a new government on Monday, 11 weeks after President Kais Saied suspended parliament. Bouden's Cabinet includes a record number of women and maintains the interim finance and foreign ministers. Bouden stated in the swearing-in ceremony of the 24 new ministers that their main focus would be combating corruption. But more immediately, securing funding for a large budget deficit this year and drafting a spending plan for 2022 would need to be prioritized. The progress in forming a government led to the largest single-day gains for Tunisian bonds since Saied's intervention.

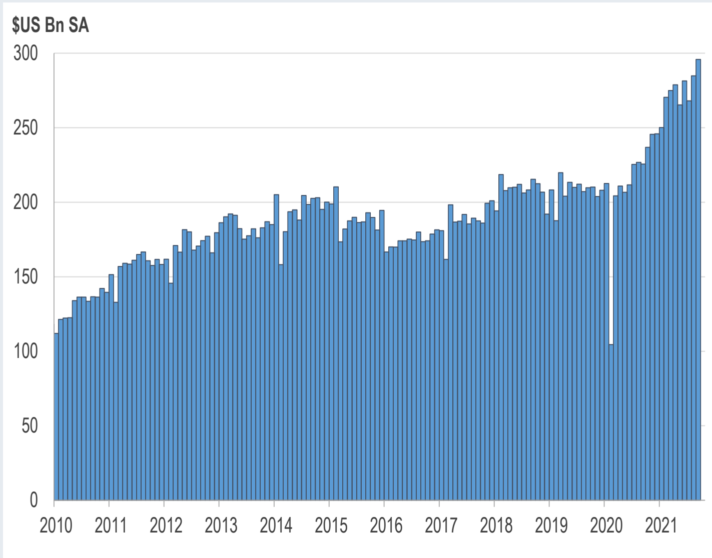
Turkey

Following a meeting on 13 October with the Central Bank of Turkey Governor Kavcıoğlu, President Erdogan dismissed three members of the Monetary Policy Committee (MPC) and appointed two new MPC members by a presidential decree. Among the MPC members who were removed, Uğur Küçük was the only policy-maker who voted against the September rate cut decision, according to a Bloomberg article. Erdogan's action reduced the number of MPC members from six from seven, thereby shifting the power balance in favor of the Governor. The lira depreciated following the announcement.

Chart of the Week

Chinese exports hit another record last month at almost US$300 billion. This month exports benefitted particularly from strong cellphone shipments driven mainly by its specific product cycle. But the underlying trend since the onset of the pandemic has been remarkable, especially considering the fact that the tariffs imposed by the previous US administration have remained in place. China's export sector has clearly emerged as one of the main beneficiaries of the global stimulus-driven economic rebound. As services demand has remained muted by social distancing and Covid restrictions, demand has shifted towards goods thus boosting demand for Chinese exports. Going forward, we expect exports to level off as global demand should rebalance back toward services as the pandemic recedes. Moreover, supply bottlenecks suggest that global trade has already reached capacity constraints.

China Exports



As of 30 September 2021
Source: Haver Analytics, General Administration of Customs, Stone Harbor Investment Partners LP Calculations

Global High Yield

US High Yield

The US high yield market generated negative returns this week due to choppy equity and interest rate markets and various macro headwinds. The index lost 11 bps with BB's again underperforming higher yielding B's and CCC's losing 17 bps versus just 4 bps and 5 bps, respectively. Index spreads, at +343 bps, are at 7-week highs, while yields, at 4.29%, are making 6-month highs. Higher commodity prices led to continued gains in Energy, Drillers, and Midstreams, which posted positive returns. Underperforming sectors, which continue to be sold by ETFs and accounts rotating into higher yielding and more neutral duration credits, are Building Products, Healthcare, Technology, and Consumer Products. Occidental Petroleum Corp. agreed to sell its stakes in two Ghanaian oil fields for US$750 million, with proceeds being used to reduce debt. Occidental has now raised US$2 billion from asset sales in the past year.

Leveraged Loans

Despite some broader market volatility, the loan market stayed its course and posted a positive weekly return. For the week, the S&P/LSTA Leveraged Loan Index returned .09%, the average bid price decreased 2 bps to US$98.63, and the spread-to-maturity was unchanged at L+399. As global investors were concerned over debt ceiling negotiations in Washington DC and global supply chain constraints, loan investors continued to search for yield, which led the lower priced, lower quality CCC portion of the market to outperform the higher quality B and BB portion of the market. From an industry perspective, we saw strength in commodity-related sectors as demand pushed energy prices higher, while underperforming sectors were driven by idiosyncratic credit events. Lastly, there were no defaults in the index last week.

European High Yield

Overall European high yield benchmark declined 0.36% for the week due to ongoing concerns about supply chain constraints, elevated energy prices, and the direction of interest rates. Additionally, fund flows remained negative and investors remained hesitant amid the macro volatility. Index spreads widened 10 bps for the week, with CCC spreads widening 28 bps compared to only 7 bps of spread widening for BBs. Industry underperformers included Consumer Products and Retail Food/Drug as investors focused on companies that might be most impacted by logistics issues and inflationary pressures. While investors shunned more cyclical credits, reopening beneficiaries -- Aerospace, Leisure, and Lodging -- outperformed. Energy bonds also outperformed due to the high commodity prices.

Flows/Issuance

The US high yield market lost US$1.34 billion over the last week, according to EPFR. ETFs saw heavier flows leading to a US$1.5 billion withdrawal, while institutional funds were more stable posting a small inflow. The primary calendar slowed along with tepid global markets because various inflation and growth headwinds. Ten deals priced for US$5.38 billion, led by a US$2.1 billion Iliad Holdings SAS, which was down from US$15 billion last week. Cash balances remain healthy and subscriptions over deal size.

In the loan market, record-setting supply continues to be met with strong demand from structured credit investors, as well as retail loan investors. The loan market, with two and a half months remaining, has already surpassed the previous full year issuance record last set in 2017. Year-to-date loan issuance is at US$505 billion vs. US$503 billion in 2017, and is being led by robust private equity activity which has accounted for nearly 63% of activity during 2021, and is being driven by buyouts as well as dividend recaps. This robust supply has met strong demand from Collateralized Loan Obligation (CLO) investors. Month-to-date, 15 deals have priced for US$7.4 billion, which follows US$17.8 billion in September and a record setting US$47 billion worth of deals being priced during the third quarter. Additionally, the market continues to see steady inflows from retail loan mutual funds and Exchange Traded Funds (ETFs).

For European high yield, EPFR data showed an outflow of US$100 million, bringing flows for October to negative US$383 million. The primary market slowed down due to the market weakness with only one deal for 1.1 billion euros pricing during the week.

Source: Lipper, EPFR

Industry Insights

Airlines: Delta's earnings report showed positive signs of an improving recovery in demand. Delta returned to profitability after five consecutive quarters of losses with revenues coming in at the upper end of guidance. The drop in bookings from the Delta variant bottomed out in September, with Delta experiencing improving demand, including a rebound in domestic business travel. For the fourth quarter, Delta expects revenues to rise to the low 70% range of 2019 levels, up from 66% in the third quarter. Demand is forecast to continue to improve as travel restrictions are lifted. After the US decision to lift travel restrictions for Europe, Delta's European bookings for November and December rose more than six times. While business travel is expected to make a slow recovery, Delta believes that the company will benefit from the rise in consumer demand for higher priced seats. Although Delta provided an encouraging outlook for a demand recovery, the airline was not immune from the impact of rising energy costs, warning that rising fuel costs will shift fourth quarter earnings back to a loss.

Energy: OPEC, IEA and now Moody's have highlighted that E&Ps have widely embraced capital discipline, free cash flow generation and low financial leverage in hopes of becoming more resilient to future price volatility, accelerated energy transition, and to reverse a mass exodus of investors. All agencies have highlighted the risk to oil is now underinvestment with estimates that 2022 capex will be at ~US$380 billion, or 29% below Moody's estimates of US$542 billion required to replace reserves. Meanwhile, European Natural Gas prices are up 5-fold year-over-year, which is also pushing up oil prices due to expectations of gas to oil switching, which the IEA estimates could be as much as 500kbpd of increased oil demand.

Satellites: We continue to see headlines demonstrating the ever changing landscape of the Satellite universe. While news flow has tended to surround non high yield issuers, the potential long-term impacts to the broader sector are uncertain. Eutelsat continues to be at the center of consolidation rumors as they modestly increased their stake in OneWeb and there are also press reports that Patrick Drahi plans to sweeten his offer to take over the company. On Thursday, Elon Musk tweeted that he plans to reach out to commercial airlines about the possibility of them using capacity on his Starlink satellite constellation after long maintaining he planned to use this network for end consumer connectivity.

Investment Grade

Governments

Inflation and growth indicators diverged further this week as 10-year real yields, which excludes the expected impact of inflation, fell another 6 bps, while Breakevens rose 8 bps, reflecting a continued recalibration of expectations. The benchmark 10-year US Treasury ended the week little changed at 1.54%, but the curve flattened as shorter dated bonds sold off, while longer dated bonds saw better demand. US 2s10s fell 5 bps to 18 bps, while 5s30s fell 14 bps to 96 bps. Volatility, as measured by the ICE BofAML MOVE Index, remains elevated at 61.

The European Union kicked off its €250bn NextGenerationEU green bond program and raised €12 billion via a 0.40% coupon 15-year bond. The issuance was well received and, at nearly 11x oversubscribed, indicates an abundant demand for green bonds. Proceeds will be distributed to member states for environmentally beneficial projects, such as renewable/sustainable energy and climate change adaptation.

European government bonds continue to respond to rising energy prices, its impact on inflation and implications for central bank policy. Core rates rose for another week with the yield on 10-year Gilts and Bunds rising 2 bps and 6 bps to end the period at 1.09% and -0.13%, respectively. Peripheral spreads retraced some of the prior week's widening as the spread of 10-year Spanish and Italian bonds tightened 3 bps over comparable Bunds to 0.62% and 1.03%, respectively.

Corporates

It was a mixed week for investment grade credit, with the Bloomberg corporate index OAS unchanged on the week at +86 bps. Spreads were initially wider mostly as a result of the rally in US Treasuries; however, buyers later stepped in at the wider levels, taking advantage of the modestly steeper credit curves with purchases concentrated in the 30 year bucket. Supply was light, which was constructive for market technicals and valuations on corporates continue to be rich. 3Q earnings started this week with banks reporting good numbers accentuated by solid consumer and commercial credit.

Securitized

The mortgage current coupon tightened 1 bp this week, ABS spreads held firm and CMBS and non-QM RMBS spreads softened from heavy new issuance. Mortgage convexity remains high as the Fed is poised to begin tapering. Mortgages rates as measured by FHLMC, broke through the 3% level to 3.05%, 6 bps week-over-week and at the highest level since April. MBA mortgage refinancings dropped 0.5% and have declined in four of the past five weeks. As expected, FNMA has re-entered the CRT market with a new US$1.2 billion transaction, their first deal since pre-Covid.

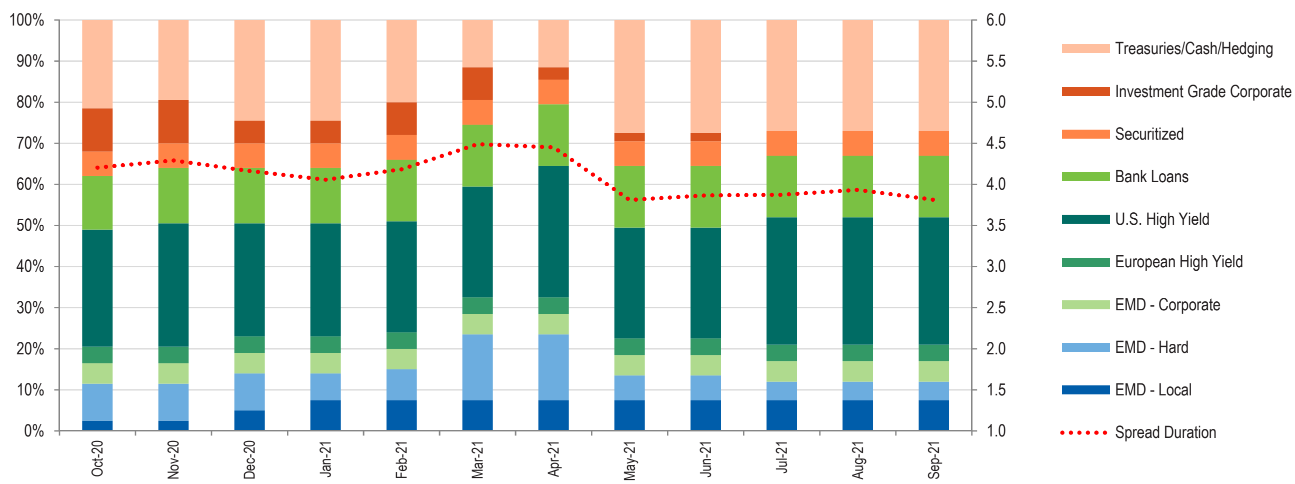
Flows/Issuance

In investment grade corporate debt, supply for the week came in under consensus with only US$15 billion priced. Larger deals from Morgan Stanley, GM, and BPCE accounted for the bulk of the issuance. Year-to-date supply is US$1.215 trillion, which is down 26% year-over-year.

High grade bond flows had only modest inflows of US$804 million, according to EPFR. This follows the recent downward move in corporate total returns, which are solidly back into negative territory. Aggregate funds flows were only positive by US$756 million, while total return funds took in only US$626 million. Corporate only funds had outflows of US$578 million, almost all of which was ETF-related. US Investment grade funds saw an outflow of US$2.54 billion, according to Lipper.

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 13, 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	363	(3)	8	8	12	(44)	0.1	(0.6)	(0.6)	(1.9)	1.9
	CEMBI Broad Diversified	CEMBI B D	271	4	13	13	1	(80)	(0.3)	(0.7)	(0.7)	0.9	4.4
	GBI EM Global Diversified Yield	GBI EM GD	5.45	0.07	0.15	0.15	1.23	1.00	0.2	(0.2)	(0.2)	(6.6)	1.3
EM Sovereign Debt	EMBI Global Diversified	EMBI G D	363	(3)	8	8	12	(44)	0.1	(0.6)	(0.6)	(1.9)	1.9
	EMBI GD Investment Grade	EMBI IG	153	(2)	7	7	5	(21)	0.1	(0.6)	(0.6)	(3.5)	(2.1)
	EMBI GD High Yield	EMBI HY	604	(3)	9	9	(4)	(115)	0.1	(0.6)	(0.6)	(0.1)	6.9
EM Sovereign Debt Regions	Africa	Africa	584	(3)	23	23	29	(111)	0.1	(1.5)	(1.5)	(1.3)	8.8
	Asia	Asia	243	1	17	17	11	(6)	(0.2)	(1.2)	(1.2)	(1.4)	(0.9)
	Europe	Europe	282	(8)	4	4	17	(61)	0.4	(0.3)	(0.3)	(1.4)	3.6
	LATAM	LATAM	377	(3)	1	1	23	(30)	0.2	0.0	0.0	(3.9)	0.0
	Middle East	Middle East	338	(0)	7	7	(30)	(57)	(0.2)	(0.6)	(0.6)	0.1	2.1
EM Corporates	CEMBI Broad Diversified	CEMBI B D	271	4	13	13	1	(80)	(0.3)	(0.7)	(0.7)	0.9	4.4
	CEMBI BD Investment Grade	CEMBI IG	152	0	4	4	(18)	(55)	(0.2)	(0.4)	(0.4)	(0.2)	1.8
	CEMBI BD High Yield	CEMBI HY	477	8	22	22	(9)	(135)	(0.5)	(1.0)	(1.0)	2.3	8.2
US High Yield	US High Yield	US HY	343	(3)	10	10	(49)	(150)	(0.1)	(0.5)	(0.5)	4.2	9.2
	US High Yield BB	US HY BB	245	(2)	10	10	(36)	(111)	(0.2)	(0.6)	(0.6)	3.0	7.0
	US High Yield B	US HY B	394	(5)	10	10	(31)	(124)	(0.0)	(0.4)	(0.4)	3.7	7.9
	US High Yield CCC	US HY CCC	673	(8)	10	10	(129)	(417)	(0.0)	(0.5)	(0.5)	9.9	21.2
European High Yield	Barclays PanEur HY	BAR PanEur HY	327	10	29	29	(30)	(115)	(0.4)	(0.9)	(0.9)	2.8	6.8
	2% Ex Financials Yield	2% ExFin Yield	3.60	0.17	0.39	0.39	0.15	(0.86)	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	4.9	0.1	0.2	0.2	4.6	7.9
	LSTA 100 Yield	LSTA 100 Yield	3.74	(0.01)	0.03	0.03	(0.24)	(1.09)	0.1	0.2	0.2	4.6	7.9
Investment Grade	US Treasury 7-10 Yield	US Tsy 7-10 Yld	1.47	0.04	0.04	0.04	0.69	0.85	(0.2)	(0.2)	(0.2)	(3.6)	(4.5)
	1M LIBOR	1M LIBOR	0.09	0.00	0.01	0.01	(0.05)	(0.06)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	US AGG	33	0	0	0	(9)	(24)	(0.1)	(0.1)	(0.1)	(1.7)	(1.0)
	US Investment Grade Corporates	US IG Corp	86	0	2	2	(10)	(40)	(0.0)	(0.1)	(0.1)	(1.4)	1.0
	Global Aggregate	Global AGG	33	0	0	0	(3)	(14)	(0.1)	(0.2)	(0.2)	(1.6)	(0.9)
	Barclays 1-5 Year Credit	Barclays 1-5 Year Credit	38	0	1	1	(3)	(20)	(0.2)	(0.2)	(0.2)	(0.1)	0.6
FX	DXY (US dollar)	DXY	94.08	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)	(0.2)	4.6	0.6
	GBI EM FX	GBI EM FX	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.3	(4.1)	1.5

1W reflects data from October 6 close through October 13 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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