December 17, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Market attention was focused on central bank communications – including those from the US Federal Reserve (Fed), the Bank of England (BoE), and the European Central Bank (ECB) – as well as negative news flow on rising Covid-19 cases and their potential impact on select consumer-facing sectors of the economy. The Fed announced on Wednesday that it would accelerate the taper and end bond purchases in March, with three interest rate hikes currently anticipated by the end of 2022. In regard to the Fed's dual mandate, Chairman Jerome Powell indicated that 1) the inflation criteria has essentially been met and 2) rapid progress is being made on reaching the employment goal. The equity markets moved higher following the announcement. The BoE raised the key interest rate by 15 bps to 0.25% in response to surging inflation. Credit spreads widened and total returns were mixed across major sectors. Excess returns were led by investment grade emerging markets (EM) sovereign debt, on average. Investment grade bonds generally outperformed non-investment grade debt within each sector. The US dollar index (DXY) advanced, and EM currencies declined, on average.

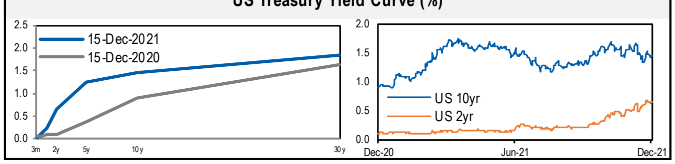
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	369		7	-1.20%
EMBI GD IG	143		1	-1.28%
EMBI GD HY	644		17	-0.88%
Africa	626		18	-2.12%
Asia	224		1	0.58%
Europe	313		14	-2.01%
LATAM	384		7	-2.81%
Middle East	324		2	1.41%
CEMBI BD	279		2	1.25%
CEMBI BD IG	151		1	0.37%
CEMBI BD HY	495		4	2.48%
GBIEM GD (%)	5.69		5	-9.40%
EM Blend (%)	5.22		3	-3.19%
EMBI ESG	346		7	-1.68%
CEMBI ESG	289		1	1.08%
GBI ESG (%)	5.60		7	-10.18%
		-100 0 100 200		Dec-20 Jun-21 Dec-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	354		12	5.25%
US HY BB	254		9	4.03%
US HY B	400		14	4.70%
US HY CCC	701		12	10.86%
Pan Euro HY	319		-1	3.57%
LSTA 100 (%)	3.97		2	5.36%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.42		-6	-2.80%
1M LIBOR (%)	0.11		1	0.11%
US Agg	39		3	-1.31%
US IG Corp	98		3	-0.60%
Global Agg	37		1	-0.79%
		-100 0 100 200		Dec-20 Jun-21 Dec-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.13	-7.09%	Gold	1,765	-5.69%	S&P500	4,710	27.48%
USDJPY	114.04	-9.11%	VIX	19	-15.73%	MSCI World	9,581	21.79%
EM FX		-10.28%	Brent	74	45.55%	MSCI EM	2,935	-0.46%

As of: December 15 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

The Federal Open Market Committee announced a more hawkish pivot as inflationary pressures are no longer seen as transitory and the employment situation improves. The Fed will double the pace of its tapering to US$30 billion, which brings the end of tapering forward by a few months. Looking ahead, the latest dot plots suggest the committee now sees three 25 bps rate hikes in 2022. The central bank also raised its 2022 GDP forecast, from 3.8% to 4.0%, and its PCE inflation projection from 2.2% to 2.6%.

While the Omicron variant has spread across South Africa, Europe and parts of Asia, the US is still struggling with the Delta variant. Currently, 60% of the population has been fully vaccinated.

Europe

Infection rates rose for another week across Europe. According to Ursula von der Leyen, President of the European Commission, the Omicron variant is expected to become the dominant covid-19 strain in Europe by mid-January.

UK inflation accelerated to a new decade high in November. Headline CPI rose from 4.2% to 5.1% y/y, versus estimates for a gain to 4.8%, driven primarily by rising energy, clothing and used auto prices. According to the Office of National Statistics, on a y/y basis, motor fuels jumped 28.5%, used autos prices rose 27.1%, while clothing prices grew 3.8%. The unemployment rate fell 0.10% to 4.20% marking the 6th consecutive month of declines.

Japan/Asia

Chinese economic data reported mixed results: industrial production rose from 3.5% to 3.8% y/y, but fixed asset and property investment both slowed more than expected, and retail sales fell from 4.9% in October to 3.9% in November.

In response to the resurgence of infections, and the subsequent restrictions, the Asian Development Bank trimmed its GDP forecast for developing Asia by 0.1% to 7%.

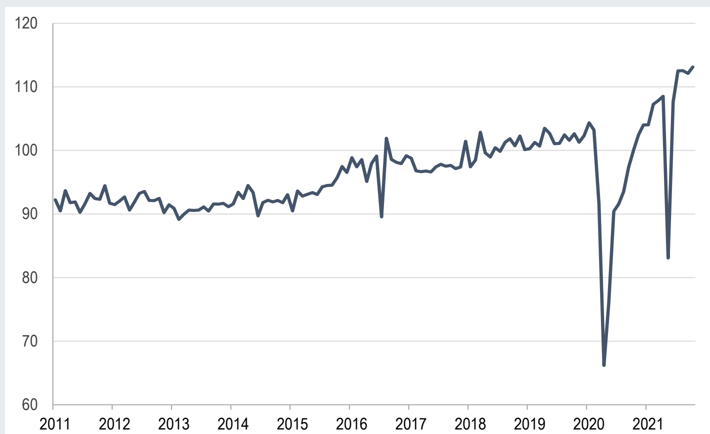
Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

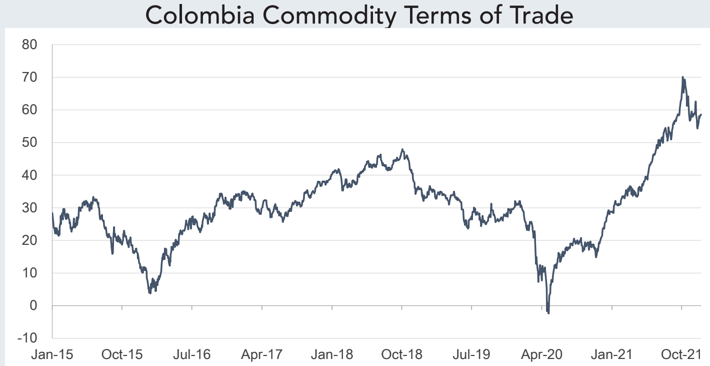
Colombia growth performance has substantially outperformed expectations this year and recent data continues to be strong. Monthly manufacturing production numbers show a clear upward trend that was only interrupted briefly due to a severe Covid wave in May/June. Importantly, production levels already significantly exceed pre-pandemic levels. In response to strong data, the consensus forecast for 2021 GDP growth moved from 4.9% at the beginning of the year to an impressive 8.7% and we expect an even higher growth rate. We see two key drivers at work here. Commodity prices have greatly improved Colombia's terms-of-trade leading to higher export receipts and ultimately incomes. At the same time fiscal policy has been supportive with a substantial increase in spending levels during 2020, in turn supporting incomes. As a result, consumption in Colombia has recovered fully from the pandemic and now significantly exceeds pre-pandemic levels. Going forward we see significant scope for investment to catch up which has lagged in this recovery despite the strong terms-of-trade. The current investment rates are still well below pre-pandemic levels. Political uncertainty is likely playing a role here with the upcoming Presidential elections. But this will get resolved over the next six months and greater predictability should be supportive for investment. This would in turn allow growth to remain healthy as fiscal and monetary policy becomes more contractionary next year. In summary, we see good reasons to remain constructive on Colombia's growth outlook.

Colombia Manufacturing Production
2018 = 100



As of 31 October, 2021
Sources: Haver Analytics, Bloomberg, Stone Harbor Investment Partners LP

Colombia Commodity Terms of Trade



As of 15 December 2021
Sources: Bloomberg, Citi, Stone Harbor Investment Partners LP

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads widened 7 bps and the JP Morgan EMBI Global Diversified returned -0.22%. Investment grade bonds outperformed non-investment grade securities, on average. The top performers included Zambia (+1.1%), Georgia (+0.8%), and Honduras (+0.8%). The bottom performers included Venezuela (-14.3%), El Salvador (-5.6%), and Sri Lanka (-4.2%).

In central bank actions, key rates were left unchanged in Indonesia (3.50%), Philippines (2.00%), Taiwan (1.125%), and Serbia (1.00%), as expected; while Chile hiked by 125 bps to 4.00%, Peru hiked 50 bps as expected to 2.50%, and Ukraine hiked 50 bps to 9.00%. Hungary hiked less than consensus expectations, taking the policy rate to 2.40%, instead of the 2.50%. Turkey cut 100 bps to 14.00%, as expected.

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -1.2%. EM currencies returned -1.0%, in aggregate. The Peruvian peso outperformed with spot FX return of 0.6%, followed by the Czech koruna (0.2%) and the Philippines peso (0.2%). Underperformers included Turkey (-7.2%), Brazil (-3.1%), and South Africa (-2.9%).

The yield of the JP Morgan GBI EM Global Diversified rose 5 bps to 5.69%. Turkey bonds underperformed with yields 77 bps higher, followed by Czech Republic and Colombia bonds, which increased in yield by 38 bps and 18 bps, respectively. Romania outperformed with yields 23 bps lower, followed by Uruguay (-5 bps) and Brazil (-4 bps).

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified returned 0.1%, with all major geographic regions posting modest returns. Investment grade credits outperformed high yield bonds. Country returns ranged from -0.63% to 1.06%. Ukraine corporates led the market, rising in total return following a marked underperformance so far this quarter. The decline in yields of US Treasury bonds supported bonds from Mexico, where corporate debt posted an average total return of 0.44%. On the other hand, bonds from Turkey returned -0.53% as the lira depreciated over 8% after the country's central bank cut its policy interest rate. Ghana and Colombia registered moderately negative returns on weaker oil prices.

Flows/Issuance

Chile issued a peso-denominated sovereign debt due in 2024, totaling US$1.3 billion. In EM corporate debt, the new issue market has largely closed for the year, with only a handful of Asian deals pricing this week.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of approximately US$449 million, primarily from local currency funds, which offset positive inflows into hard currency funds. We note that EPFR data provides a partial picture of portfolio flows as it accounts for a segment of the total market.

Source: EPFR

Sovereign Soundbites

Argentina

Upon completing a 5-day meeting in Washington DC with the Argentine delegation, the IMF released a statement highlighting areas of focus moving forward as part of the technical discussions. The teams reviewed recent economic developments and the growth outlook, and importantly, acknowledged the stronger-than-expected rebound in economic activity and investment this year. According to the press release, progress was also made towards developing the domestic capital markets, controlling public spending, and improving monetary policy operations. While further discussions are necessary, the IMF and Argentine authorities remain committed to forming a framework and policies that meet the requirements of an IMF program.

Brazil

The Monetary Policy Committee (COPOM) of Brazil's central bank maintained a hawkish tone based on inflation outlook and fiscal policy uncertainty, according to the latest meeting minutes. The key concern is de-anchoring of long-term inflation expectations and fiscal policy uncertainty that drives inflation higher, thereby increasing the need for tighter monetary policy. The baseline scenario in the last meeting considered 150 bps of hikes in December and February, followed by a 75 bps increase in March, and a final 25 bps hike in May to a SELIC rate of 11.75%, with interest rate cuts starting in October next year. Although the committee debated alternative scenarios, including a larger-than-150 bps hike, it maintained the current pace given the recent fall in commodity prices.

Chile

A private, unpublished survey from pollster Cadem showed Jose Antonio Kast with 36% of the voting intention for the upcoming presidential election, just three points behind Gabriel Boric. (A two-week blackout period where pollsters cannot publicly publish surveys on the vote started on 4 December.) The survey represents a 52% to 48% win for Boric, compared to a 54% to 46% win in the same poll on 26 November. The narrowing gap continues to suggest a very close run-off vote on Sunday, 19 December, with roughly a quarter of voters still undecided. Program changes heading into Sunday's poll suggest a turn to moderation for both candidates, with technical teams emphasizing fiscal stability in their policy frameworks.

China

China's top policymakers held the annual Central Economic Work Conference (CEWC) on December 8-10 and outlined key tasks and economic policies for 2022. The CEWC emphasized stability and policies that promote quality improvement and reasonable growth. The shift to supporting growth was the key change, in our view, and implies monetary, credit and fiscal stimulus ahead. In addition, the CEWC highlighted the importance of policy coordination. The CEWC stated that reform and economic restructuring should follow a steady and systematic approach, and policies should first foster new sectors before cracking down on old ones.

Separately, China's November macro-economic data showed an upside surprise in external trade that rose 1.3% m/m, and steady growth in industrial production that expanded 3.8% y/y, in-line with expectations. Offsetting some of the positive result was retail sales, which slowed to 3.9% y/y, compared to 4.9% in October. Nevertheless, retail data over the three months through November indicate a gradual recovery from the Covid-related decline in August.

In other news, according to media reports, China's financial regulators are facilitating negotiations between the property developer Shimao Group Holding Ltd. and trust firms for loan extensions, following a dramatic decline of Shimao's shares and bonds this week. Shimao has attributed the selloff to unspecified "rumors."

El Salvador

Over the last week, Salvadorian government officials faced actions from the US Department of Treasury, increasing already elevated bilateral tension. However, these tensions are unlikely to obstruct an eventual deal with the IMF, in our view, as we continue to think both sides' policy objectives are best achieved through an IMF program. For El Salvador, avoiding economic strains remains critical for the prospects of achieving a constitutional reform. At the same time, US policy aims to minimize externalities to non-targeted populations, and the US (the IMF's largest shareholder) impeding a deal could be interpreted as increasing influence in a region that has been a source of politically sensitive migration flows.

South Africa

Eskom Holdings SOC Limited released its interim results for the six months ended September 2021. Financial performance improved y/y as revenue, EBITDA and cash from operations grew by 24%, 58% and 87.5%, respectively. Offsetting these improvements were rising energy costs, which rose 14% y/y to R61.8 billion as a result of the utility absorbing substantial expenditure on emergency generators given operational challenges. Eskom received R31.7 billion from the government in September 2021. The company reported that it met roughly 63% of its FY22 funding requirements by October after concluding a R10 billion rand syndicated loan facility, and is planning a R7 billion equivalent Eurobond issuance before end-March 2022. In terms of progress on unbundling, which refers to the process of legally separating businesses involved in generation, transmission and distribution of energy, the CEO Andre de Ruyter said that Eskom has also made progress and is awaiting consent and approval from creditors and the National Treasury to complete the transfer of assets to the transmission entity (now incorporated as a wholly owned subsidiary of Eskom). Separation of the generation and distribution entities is expected by end of 2022.

Tunisia

President Kais Said announced the extension of his months-long suspension of parliament until new elections in December 2022, in effect outlining a one-year transition timeline, starting with three months popular consultations at the start of 2022 to gather suggestions, leading to a referendum on constitutional reforms, and culminating in an early parliamentary elections by December 17. In his unveiling of the long-awaited political roadmap, Said underscored the critical nature of reaching an IMF deal before April of next year and stated that "there are no contingency plans, there is only one plan, a deal with the IMF, and soon." It was noted that the government has already completed the revised economic program reflecting key principles defined by the IMF, with the goal of sharing the plan with the IMF this week, then begin negotiations in late January. If the process unfolds as planned, a staff level agreement on an Extended Fund Facility (EFF) could be reached by April 2022, as confirmed by central bank Governor Marouane El Abbassi. Of particular importance to the IMF are reversing the trend of elevated wage bills in agreement with the Tunisian General Labor Union, and implementing a comprehensive strategy for State Owned Enterprise (SOE) reforms. The upcoming release of the 2022 budget should provide further insight on the government's level of commitment to structural reforms and fiscal consolidation, as well as general parameters of a potential IMF program.

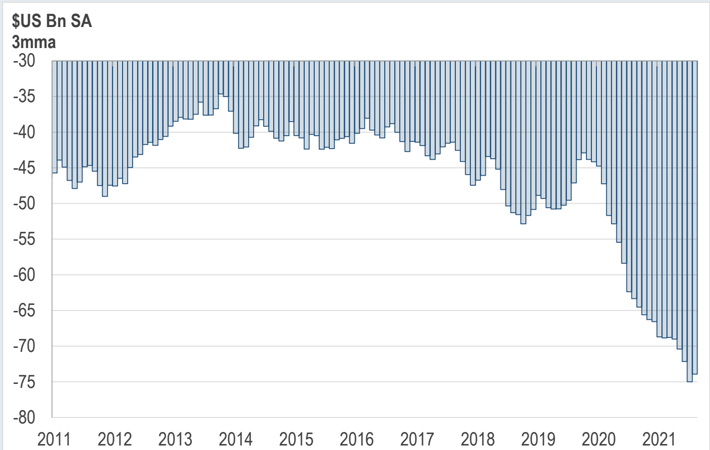
Chart of the Week

The US continues to record very high trade deficits, boosted by buoyant domestic demand and especially strong demand for goods. For the rest of the world this is good news as other countries have been able to expand their external balances in response. Key beneficiaries have been EM countries. While China also benefitted, US imports from China still fall short of the pre-trade war levels. In contrast, many other Asian economies are recording record exports to the US, including India, Indonesia, Korea, Malaysia, Taiwan, Thailand, Vietnam, and others. But the trend extends beyond Asia to countries such as Chile, Turkey, South Africa, and to a lesser extent Mexico. We believe competitive currency valuations in many EMs are clearly playing a supportive role and also help explain why China has not participated proportionately. The Yuan is one of the few currencies that has appreciated vs. the Dollar. The other reason for China's less-than proportionate participation is of course the tariffs that remain in place.

Going forward we expect the current dynamic to persist for some time. The near-term US growth outlook remains strong with strong wage growth and still accommodating policies. Meanwhile the expected shift back towards demand for services in the US has been slow and the renewed Covid variant concerns suggest that this will not change quickly.

Finally, we expect to continue to see lagged effects on EM exports from the more competitive currencies over the next quarters and even years.

US Trade Balance in Goods and Services



As of 31 October 2021
Sources: Haver Analytics, Bureau of the Census, Stone Harbor Investment Partners LP

Global High Yield

US High Yield

The US high yield market lost momentum ahead of the Fed meeting and on heightened concerns over the spread of the Omicron variant. The Index lost 0.19% and spreads widened by 12 bps to close with a +354 OAS. Index yields widened by 0.12% closing at 4.57%. Volumes have been muted because of limited new issuance and active managers were quiet with no urgency to exit positions nor reaching for down bids. Supply has been driven by passive money and ETFs. Sectors most aligned to global growth underperformed, including Airlines, Leisure, Refining, lower quality Retail, and other Energy-related sectors on lower commodity prices. Entegris Inc. is acquiring CMC Materials Inc. in a deal with an enterprise value of about US$6.5 billion combining two companies that produce materials used in semiconductor manufacturing.

Leveraged Loans

With the year winding down the loan market is taking virus variant and central bank-related headlines in stride and moving towards finishing the year on a strong note. While the pace of returns moderated a bit from the previous week, the S&P/LSTA Leveraged Loan Index returned 0.05%, the average bid price decreased 1bps to US$98.38, and the spread-to-maturity was unchanged at L+406 bps. From an industry perspective, smaller higher quality portions of the index including Paper/Forest Products, Wirelines, and Automotive outperformed, while Leisure, Satellites, and Retail Food/Drug underperformed. At the mid-point of the month, the Index has returned 0.40%, the average bid price is +24 bps, and the spread-to-maturity is 5 bps tighter. Lastly, there were no defaults in the index last week.

European High Yield

The overall European high yield benchmark posted a slight gain of 0.07% for the week as investors remained cautious on the ultimate impact of the Omicron variant and recent central bank meetings. Investors remain cautious into the end of the year and more defensively positioned. Index spreads widened 1 bp for the week, with CCC spreads tightening 2 bps and BBs flat. After outperforming in the prior week, Airlines were the main underperformer as investors digested announced and potential travel restrictions. Altice bonds underperformed after a report that the company increased its ownership in BT Group, with the money potentially funded from the Altice bond group.

Flows/Issuance

According to EPFR, the US high yield market gained US$214 million led by institutional inflows but retail and ETFs had US$629 million of outflows. Eight new issuance priced this week for roughly US$3.8 billion, likely marking the last of this year's deals. The December total of US$9.35 billion fell short of estimates due to negative macro headwinds and winding down of trading activity.

In the loan market, arrangers have slowed down new issuance following the typical seasonal pattern, and there were approximately US$6 billion of deals launched this week, as the forward deal calendar continues to shrink. From a demand perspective, we continued to see Collateralized Loan Obligation (CLO) formation, albeit at a seasonably slower rate, and month-to-date we've priced 18 deals for US$8.2 billion. Further, we've seen demand from retail loan mutual funds and Exchange Traded Funds (ETFs) turn positive, and we're expecting to post a positive weekly inflow number.

For European high yield, EPFR data showed continued negative sentiment with reported outflows of US$191 million during the week, bringing December outflows to US$852 million and fourth quarter outflows to US$1.6 billion.

Source: Lipper, EPFR

Industry Insights

Industrials: Industrial companies expect inflation and supply chain headwinds to last at least through 1H22. Most are still succeeding at keeping price/cost neutral. Additionally, companies again mentioned this quarter that lead times have been stretched because of the supply chain disruptions and raw material and component shortages. Supply chain disruptions have reduced sales and contributed to lower near-term growth expectations. However, there are still no definitive signs of demand destruction despite ongoing price increases. Additionally, companies point to the possibility that the challenging macro environment could serve to elongate/smooth the current recovery. Exiting 2Q21 earnings season, most companies had been operating under the assumption that supply chain issues had mostly peaked and should stabilize or improve in 3Q21 and exiting 2021. However, as 3Q21 progressed, it became clear that supply chain issues did not stabilize and broadly deteriorated further. The key culprits remain mostly unchanged including electronics/semiconductors and raw materials. Most companies are planning for the 4Q21 supply chain environment to be about as challenging as what was seen in 3Q21, and for some easing of the constraints as we progress through 1H22.

Refining: The EPA released its long-awaited proposal for biofuel volume mandates for '21 and '22 under the Renewable Fuel Standards ("RFS") program. Renewable Volume Obligations ("RVOs") contemplated are calling for a 15% reduction in '20 fuel requirements to 17.1 billion gallons and a 14% drop in '21 requirements to 18.2 billion gallons followed by a more modest increase for '22 at 20.8 billion gallons. With this, the RVO's has been reset to reflect actual demand, removing the shortage of RVO's brought on by decreased driving during the pandemic. The decrease will allow for lower RVO compliance costs, which will help refiners with no retail blending operations. An offset to this change is the Small Refinery Exceptions, which are now facing a risk of being revoked.

Technology: PC market growth forecast for 2022 remain divergent, Bloomberg expects 2% y/y growth, while IDC expects a 2% y/y decline. We expect 1-3% y/y growth. Dell has left the High Yield index as expected following the VMW transactions, Western Digital has also left the High Yield index after Fitch raised the WDC rating to BBB- for two investment grade ratings. Semi-conductor shortages continue to hurt the supply of a number of tech products as well as whitegoods and autos. As we monitor the spread of the virus and the government response to it, we are also tracking work stoppages in South East Asia, where the back-end factories are more reliant on local workers than semi-conductor FAB's that are fully automated. Auto Chips are still in tight supply. We expect Auto, PC and cell phone supply to improve materiality by March 2022.

Investment Grade

Governments

Treasury volatility moderated this week, as the BofAML MOVE index ended the week 6pts lower to 74, and duration strengthened ahead of the FOMC. Prior the Fed announcement, Chair Powell signalled a more hawkish tilt and the committee followed through. Tapering was accelerated and the median dot plots now suggests three 25 bps rate hikes in 2022. Despite this, the yield on 10-year Treasuries ended the week 6 bps lower at 1.46% amid fears of another wave of infections. Once again, movement was flattening was isolated to the front end of the Treasury curve, with 2s10s falling 5 bps to 79 bps, while 5s30s were unchanged at 61. 10-year real yields were rose 3 bps while breakevens, a proxy for inflation expectations, fell 9 bps to 2.48%.

Similarly, rising infections across continental Europe and the UK dampened risk sentiment and the yield on 10-year Gilts and Bunds fell 5 bps to 0.74% and -0.36%, respectively.

Corporates

Investment grade corporates started the week off with a softer tone, a combination of general market weakness and lack of liquidity as we wind down the year. Spreads firmed up post the Fed meeting and saw some follow thru buying as the markets got what they wanted from the Fed and investors needed to put cash to work. Technicals were supportive for the rally as new issue seems to be done for the year, and dealer inventories are back in line after having been at uncomfortably higher levels a few weeks prior. Although it's possible spreads could see some further tightening going into the new year, the primary calendar for January is building and should keep spreads at bay. The Bloomberg corporate index OAS finished at +98bps which is 2 bps wider for the week and 2 bps wider on the year.

Securitized

The mortgage current coupon widened 4 bps this week as the Fed quickens their taper pace. Deal flow is wrapping up ahead of the holidays and year-end. A small CMBS SASB deal came to market, backed by a mall, a sector that has seen turmoil and little issuance. The House of Representatives approved a LIBOR bill which provides for fallback language in financial contracts on a nationwide level. The bill goes to the Senate next.

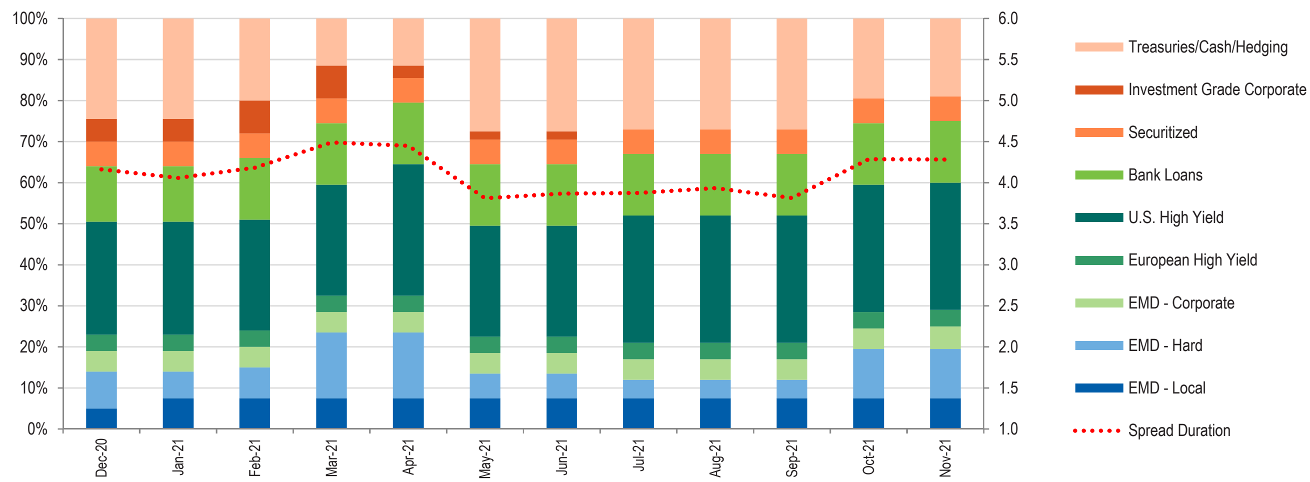
Flows/Issuance

In the investment grade corporate debt primary markets, there were no new issues this week as syndicate desks closed up shop for the year. This leaves supply for December at a healthy US$57.8 billion and year-to-date supply at US$1.457 trillion, which is down 20% from last year's record level but still the second largest year on record. Preliminary supply estimates for January look to be in the US$125-135 billion range.

High grade fund flows showed modest outflows of US$885 million for the latest period according to EPFR. This compares to outflows of US$2.7 billion last week. Outflows were experienced in corporate- only, aggregate, and total return funds primarily in the short end of the curve. However, corporate-only and aggregate funds saw inflows in the long end that offset some of the outflows.

Source: EPFR, JP Morgan

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 30 November 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 December 15, 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	369	7	(22)	14	18	10	(0.2)	1.3	(0.5)	(1.9)	(1.2)
	CEMBI Broad Diversified	CEMBI B D	279	2	(13)	21	9	3	0.1	0.3	(0.7)	0.8	1.2
	GBI EM Global Diversified Yield	GBI EM GD	5.69	0.05	0.01	0.40	1.48	1.41	(1.2)	0.1	(3.9)	(10.1)	(9.4)
EM Sovereign Debt	EMBI Global Diversified	EMBI G D	369	7	(22)	14	18	10	(0.2)	1.3	(0.5)	(1.9)	(1.2)
	EMBI GD Investment Grade	EMBI IG	143	1	(17)	(3)	(5)	(9)	0.3	1.1	1.2	(1.8)	(1.3)
	EMBI GD High Yield	EMBI HY	644	17	(28)	50	36	21	(0.7)	1.5	(2.3)	(1.8)	(0.9)
EM Sovereign Debt Regions	Africa	Africa	626	18	(44)	65	70	64	(0.8)	2.7	(3.1)	(2.9)	(2.1)
	Asia	Asia	224	1	(6)	(2)	(8)	(15)	0.2	0.0	0.2	0.1	0.6
	Europe	Europe	313	14	(12)	35	48	40	(0.6)	0.5	(1.6)	(2.7)	(2.0)
	LATAM	LATAM	384	7	(27)	8	30	15	(0.2)	2.0	0.2	(3.8)	(2.8)
	Middle East	Middle East	324	2	(21)	(7)	(43)	(41)	0.2	1.2	0.4	1.1	1.4
EM Corporates	CEMBI Broad Diversified	CEMBI B D	279	2	(13)	21	9	3	0.1	0.3	(0.7)	0.8	1.2
	CEMBI BD Investment Grade	CEMBI IG	151	1	(8)	4	(18)	(20)	0.1	0.1	(0.2)	0.1	0.4
	CEMBI BD High Yield	CEMBI HY	495	4	(18)	40	10	(2)	0.0	0.5	(1.4)	1.9	2.5
US High Yield	US High Yield	US HY	354	12	(34)	21	(38)	(60)	(0.2)	1.0	(0.2)	4.4	5.2
	US High Yield BB	US HY BB	254	9	(31)	19	(27)	(43)	(0.2)	0.9	(0.2)	3.3	4.0
	US High Yield B	US HY B	400	14	(38)	16	(25)	(45)	(0.2)	1.1	(0.1)	4.0	4.7
	US High Yield CCC	US HY CCC	701	12	(39)	38	(101)	(147)	(0.2)	1.0	(0.9)	9.5	10.9
European High Yield	Barclays PanEur HY	BAR PanEur HY	319	(1)	(30)	21	(38)	(41)	0.1	0.7	(0.2)	3.4	3.6
	2% Ex Financials Yield	2% ExFin Yield	3.57	0.01	(0.24)	0.36	0.12	0.04	0.00	0.0	0.0	0.0	0.0
Bank Loans	LSTA Price	LSTA Price	98.4	(0.0)	0.2	(0.2)	2.2	2.4	0.1	0.4	0.5	4.9	5.4
	LSTA 100 Yield	LSTA 100 Yield	3.97	0.02	(0.09)	0.26	(0.01)	(0.03)	0.1	0.4	0.5	4.9	5.4
Investment Grade	US Treasury 7-10 Yield	US Tsy 7-10 Yld	1.42	(0.06)	0.03	(0.01)	0.64	0.62	0.5	(0.2)	0.5	(2.9)	(2.8)
	1M LIBOR	1M LIBOR	0.11	0.01	0.01	0.03	(0.04)	(0.04)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	US AGG	39	3	0	6	(3)	(7)	0.1	(0.4)	(0.1)	(1.7)	(1.3)
	US Investment Grade Corporates	US IG Corp	98	3	(1)	14	2	(5)	0.0	(0.4)	(0.1)	(1.4)	(0.6)
	Global Aggregate	Global AGG	37	1	(1)	4	0	(2)	0.2	0.0	0.5	(1.0)	(0.8)
	Barclays 1-5 Year Credit	Barclays 1-5 Year Credit	47	1	(2)	10	6	0	0.1	(0.2)	(0.9)	(0.7)	(0.5)
FX	DXY (US dollar)	DXY	96.51	0.0	0.0	0.0	0.0	0.0	0.6	0.5	2.4	7.3	6.7
	GBI EM FX	GBI EM FX	0.0	0.0	0.0	0.0	0.0	0.0	(1.0)	(0.1)	(2.9)	(7.2)	(7.0)

1W reflects data from December 8 close through December 15 close. Source: Stone Harbor Investment Partners LP; 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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