Stone Harbor INVESTMENT PARTNERS

February 12, 2021

WEEKLY COMMENTS ON CREDIT

Global Market Summary

Last week's risk-on sentiment in global credit markets generally continued this week. Key macro events included the US$41 billion US 10-year treasury auction and the US Core CPI inflation data release, which remains low into 2021. These events were punctuated with a statement from US Treasury Secretary Janet Yellen, who reiterated that with rapid, robust stimulus, the US can get back to full employment in 2022.

Spreads tightened across all major credit market indices, and total returns were positive. Lower-rated credits in the US high yield market outperformed other credit sectors. The US dollar retreated vs the Euro, and emerging markets (EM) currencies appreciated, on average.

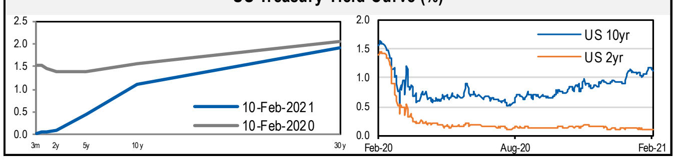
Emerging Markets

Index	Current Level (bps or %)	Spread or Yield Change Last Twelve Months (bps)	Weekly Change (bps)	Last Twelve Months Returns
EMBI GD	344		-1	2.73%
EMBI GD IG	144		-1	4.81%
EMBI GD HY	595		-2	-0.01%
Africa	519		-8	7.22%
Asia	221		5	1.20%
Europe	260		0	6.65%
LATAM	358		-1	-0.64%
Middle East	356		-4	3.20%
CEMBI BD	256		-6	5.56%
CEMBI BD IG	157		-2	5.51%
CEMBI BD HY	464		-12	5.54%
GBIEM GD (%)	4.30		5	3.83%
EM Blend (%)	4.43		0	4.09%
EMBI ESG	326		0	2.77%
CEMBI ESG	258		-6	5.58%
GBI ESG (%)	4.04		5	5.03%
		-150 0 150		Feb-20 Aug-20 Feb-21

Developed Markets

Index	Current Level (bps or %)	Spread or Yield Change Last Twelve Months (bps)	Weekly Change (bps)	Last Twelve Months Returns
US HY	327		-15	7.80%
US HY BB	239		-10	10.26%
US HY B	357		-17	5.40%
US HY CCC	552		-30	4.46%
Pan Euro HY	325		-5	3.31%
LSTA 100 (%)	3.71		-7	4.10%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	0.97		-1	5.32%
1M LIBOR (%)	0.11		0	0.48%
US Agg	33		-2	4.52%
US IG Corp	92		-3	5.75%
Global Agg	33		-1	2.82%
		-200 -100 0 100 200		Feb-20 Aug-20 Feb-21

US Treasury Yield Curve (%)



Other Asset Classes
(Last Twelve Months Returns)

Currency Return vs USD			Commodities			Equities		
EURUSD	1.21	11.06%	Gold	1,843	14.46%	S&P500	3,910	16.64%
USDJPY	104.59	4.95%	VIX	22	46.21%	MSCI World	8,345	17.92%
EM FX		-2.97%	Brent	61	15.39%	MSCI EM	3,367	34.25%
Feb-20 Aug-20 Feb-21			Feb-20 Aug-20 Feb-21			Feb-20 Aug-20 Feb-21		

As of: February 10, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

Fiscal stimulus negotiations are progressing as President Biden supported a proposal to more quickly phase out individual US$1,400 checks. The House of Representatives and Senate agreed to a 2021 budget resolution, which starts the reconciliation process wherein Democrats will attempt to pass the US$1.9 trillion Covid-19 relief package. The House is expected to vote on the full bill during the last week of February. Overall virus infections continue to rise at a decelerating rate, while the number of vaccinations is outpacing new cases for the second consecutive week. Merck is currently in discussions with companies and local governments to produce approved Covid-19 vaccines, which would help increase supply. Volatility was better contained this week as the VIX, a gauge of systematic risk, drifted within a tight range and ended the week unchanged at 23. Progress on both fiscal stimulus and vaccinations continued to provide a tailwind for risk sentiment with major US equity indices ending the week at or near all-time highs.

Europe

The Bank of England (BoE) kept its current settings unchanged, however, requested banks to prepare for negative rates within the next six months. While the central bank reaffirmed that negative rates are not imminent, it is preparing to expand its toolbox should conditions deteriorate. Elsewhere, Sweden's Riksbank is expected to maintain its current zero rate environment for years to come with Governor Ingves saying the risk is withdrawing support too early, not too late.

Italian Prime Minister-elect Mario Draghi held talks with trade unions and members of political parties throughout the week to garner support for his leadership. Perhaps most notable is support from Matteo Salvini of the Lega party, which has historically been Eurosceptic.

Japan/Asia

The Japanese government extended the state of emergency for Tokyo, Osaka, and eight surrounding prefectures until at least 7 March. Infections in Japan continue to rise but the rate of increase has been on a steady decline since restrictions were imposed at the start of the year. After some uncertainties around the timing of vaccine deliveries, Prime Minister Suga announced that vaccinations will begin next week.

Although the Bank of Japan (BoJ) is not set to complete their policy review until March, there are expectations that the central bank may consider tweaking its communication to reaffirm its ability to cut interest rates further to support the economy.

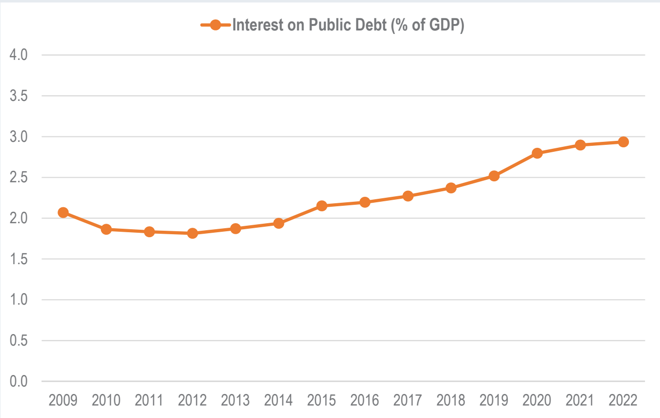
Economist Corner

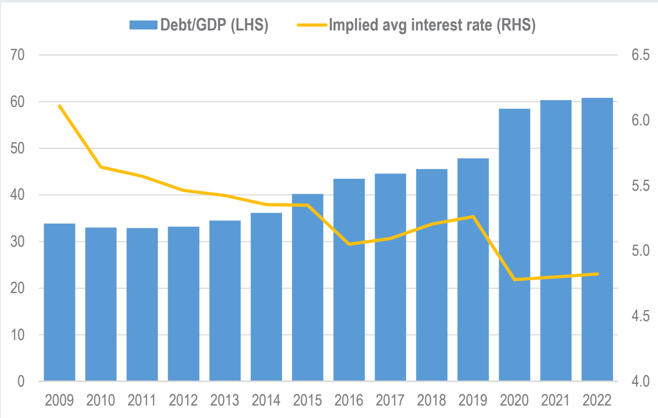
Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

While policy makers and markets in advanced economies have shown little concern for fiscal deficits and debt stocks as very low interest rates have prevented rising debt costs, the situation is more complex in emerging markets due to higher funding costs. Despite much smaller stimulus programs in EMs, debt ratios have increased sharply as GDP and tax revenues dropped, thus turning fiscal sustainability into a key market focus.

The average public debt ratio for the JPM EMBI-GD index is forecast to increase from 48% of GDP in 2019 to 60% in 2021—a 26% increase. However, despite sharply wider credit spreads for EM sovereigns during much of 2020 the average interest cost has actually declined. Several factors are driving this development: 1) sharply lower core yields have enabled many EMs to issue at lower yields in 2020 despite higher spreads; 2) many issuers have benefitted from generous multilateral funding, especially emergency International Monetary Fund (IMF) loans at very low cost; and 3) more importantly for many EMs, local funding costs also declined sharply as low inflation rates have allowed accommodative monetary policy. The resulting decline in average interest cost on public debt helped offset the impact of higher debt ratios. Overall, interest on public debt is forecast to increase from 2.5% of GDP in 2019 to 2.9% of GDP in 2021 while 75% of countries in the EMBI-GD are expected to see an increase of less than 0.5% of their GDP. This is important as it gives EMs more time to implement the needed fiscal adjustment over the coming years.





Source: JP Morgan, Moody's, and Stone Harbor Calculations
Figures utilize JPM EMBI-GD weighted averages

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 1 basis point and the JP Morgan EMBI Global Diversified returned 0.13%. The non-investment grade sub sector of the benchmark again outperformed the investment grade segment. The top performers at the index level included Lebanon (5.02%), Zambia (3.33%), and Venezuela (2.12%). The bottom performers included Sri Lanka (-5.79%), Ecuador (-4.18%) and Ethiopia (-2.99%). Cancellation of a port deal with India and Japan and a repayment of a swap line with India raised market fears of a balance of payment crisis in Sri Lanka. In Ecuador, markets reacted to a strong showing for leftist presidential candidates in the recent weekend's election. Ethiopia's decline further reflected the country's decision to consider all debt operations, including the G-20's Common Framework and Fitch's downgrade of the credit to CCC. In terms of regional performance, Africa outperformed, while Asia lagged with negative total returns.

Local Currency Debt

Local currency debt outperformed external sovereign debt, and the JPM GBI EM Global Diversified returned 0.51%. In the foreign exchange (FX) markets, higher beta currencies in Europe, Middle East, and Africa outperformed, with the Russian ruble leading (+2.9%), followed by the South African rand (+1.9%) and the Turkish lira (+1.6%). Currencies in Latin America underperformed on a relative basis with pesos from Colombia and Uruguay returning -1.1% and -0.8%, respectively. Dominican Republic and Turkey led local bond markets with yields declining by 26 basis points and 13 basis points, respectively. The main underperformer was Brazil (+20 bps) on continued fiscal concerns. Domestic bond yields also widened in Mexico (+10 bps), Indonesia (+9 bps), and Czech Republic (+9 bps). In central bank actions, key rates remained unchanged in India (4.00%), Peru (0.25%), Philippines (2.00%), and Uruguay (4.50%); while Mexico initiated an easing cycle and cut rates by 25 basis points to 4.00%.

EM Corporate Debt

The CEMBI Broad Diversified continued to rebound from a slow start to 2021, posting positive gains again this week. While there had been some relative over and underperformance during the first few weeks of the year, all regions had very similar performance for the latest week. High yield outperformed high grade as investors were seeking beta. Oil & gas had the highest return among the major industry sectors as oil prices reached new highs for the year. Oman continued to outperform its Middle East peers. Turkey was once again one of the leaders and has now returned almost 200 basis points more than the index for the year. Argentina also had returns higher than the index as YPF neared closing an exchange offer for its bond maturing in 2021.

Flows/Issuance

EM external sovereign debt issuance included two African issuers: Ivory Coast retapped existing bonds due in 2032 and 2048 with a total issuance of EUR 850 million; and Egypt issued US$ 3.75 billion across bonds due in 2026, 2031, and 2061.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$2.8 billion for the week through 9 February, and evenly split between flows into hard currency and local currency funds.

We note that EPFR data provides a partial picture of portfolio flows as it accounts for a segment of the total market.

In EM corporates, there continued to be a healthy supply of new issues ahead of pending holidays in Asia and Latin America, highlighted by a deal for a floating production storage and offloading (FPSO) operating offshore in Brazil.

Source: EPFR

Sovereign Soundbites

Brazil

Brazil's congress approved legislation granting formal autonomy to the central bank of Brazil (BCB). The new legislation regulates nominations of board members, sets four-year terms for all central bank board members, and places strict rules for their removal. The members of the interest rate policy-setting committee, COPOM, will continue to be appointed by the president and approved by the Senate. The COPOM's core mandate is to fight inflation, but the proposal now includes a secondary mandate to smooth the economic cycle and foster full employment. BCB already had defacto authority to set interest rates, but the new legislation provides more protection against political interference, a credit and market positive, in our view, particularly as this relates to reducing the uncertainty over monetary policy management during electoral cycles.

Chile

According to the central bank's policy meeting minutes, the recent uptick in inflation is temporary and the central bank intends to hold its interest rate at record lows for most of the next two years. While inflation ended 2020 slightly higher than expectations, the central bank expects prices to trend lower in the medium term. The inflation projections incorporate further impacts from the rise in volatile prices of food and energy, which may be offset by the peso appreciation and the weaker performance of the services sector.

Emerging Markets Debt continued

China

China reported a large increase in total social financing for January, reversing a decline in credit availability over the past two months, and providing a seasonal boost for the economy. For January, China's All-System Financing Aggregate increased by 5.17 trillion yuan (US$802 billion), compared to the increase of 1.72 trillion yuan in December 2020 and 5.05 trillion yuan in January 2020. Financial institutions offered a record 3.58 trillion yuan in new loans, the highest level of new monthly lending in data going back to 1982.

Ecuador

Early results from the 7 February presidential election produced an unexpected outcome with the prospect of two left-leaning candidates -- Andres Arauz and Yaku Perez -- competing in a runoff on 11 April. But as vote counting continued this week, the market-friendly candidate Guillermo Lasso gained, suggesting that an Arauz/Lasso runoff is possible, as of this writing. As we have highlighted in past comments, Ecuador is heavily reliant on multilateral lending, including an agreement with the IMF, and Lasso has expressed commitment to uphold the IMF deal and a recent restructuring of the country's bonds. In our view, the main news of the election has been the strength of the left, which has added uncertainty to market outcomes. External sovereign debt prices declined early in the week following the election, but recovered mid-week as vote counts for Lasso improved.

El Salvador

El Salvador's high fiscal deficit (estimated 13.3% of GDP in 2020) raises the stakes for upcoming legislative elections slated for 28 February, in which President Nayib Bukele's Nuevas Ideas party looks poised to win at least a simple majority. The key question is whether Bukele and his allies will achieve a 2/3rds majority, the required threshold for authorization of government financing proposals. As evidenced last week by the death of two supporters of the opposition party, Farabundo Martí National Liberation Front (FMLN), purportedly at the hands of supporters of Nuevas Ideas, the political environment is polarized. The ideal outcome for El Salvador from the market's point of view would be for approval of an IMF program that would enable access to external capital markets and provide a better alternative to heterodox options of de-dollarization, or worse, debt restructuring. El Salvador external sovereign debt spreads tightened this week, continuing the credit's outperformance so far this year.

Nigeria

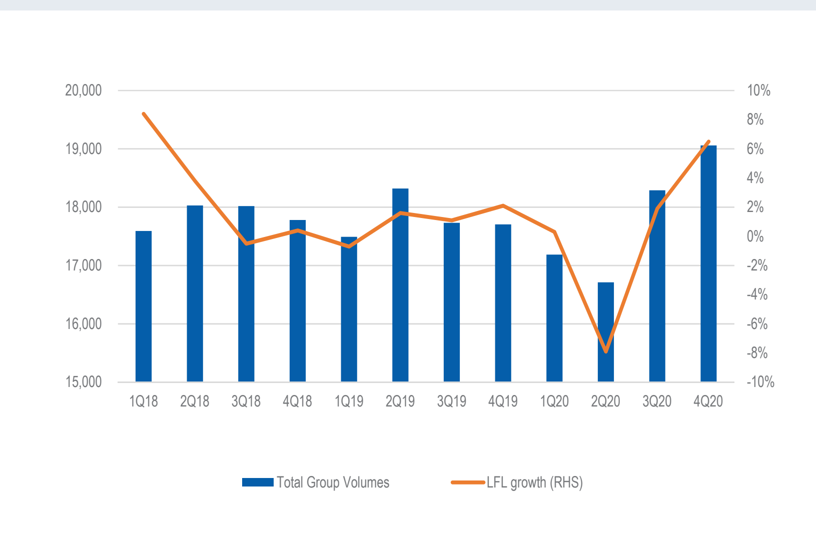
The Nigerian government increased the amount it is allowed to borrow as a proportion of GDP from 25% to 40% as part of a new debt management strategy. Nigeria expanded its borrowing last year to nearly 36% of GDP, above its prior limit, so the change does not significantly shift the reality of Nigeria's liability management, in our view. Nevertheless, markets reacted negatively to the announcement; Nigeria external sovereign debt spreads widened.

Turkey

The Turkish government has indicated that it would consider a compromise with the US on plans to deploy Russian S-400 antiaircraft missiles. Turkey's Defense Minister Hulusi Akar suggested the possibility of limited use of the missile systems under threat situations akin to the compromise Greece reached following its purchase of Russia's older S-300 defense system. In exchange, Turkey is calling for the US to end its support for YPG forces in Syria, which are linked to another Kurdish separatist movement that Turkey deems as a significant national threat. At the same time, securing the supply of spare parts of US-made weapons systems and protecting against further economic damage from US sanctions remain Turkey's key objectives in its negotiations with the US.

Chart of the Week

Total Gross Container Volumes '000 TEU



Source: DP World, TEU = twenty-foot equivalent unit

Strong Q4 container throughput results by port operator DP World highlight the strength of the recovery in global trade. The company operates terminals in over 40 countries and accounts for about 10% of global container traffic thus providing good indications of broader trends. Like-for-like (LFL) gross container volume (adjusted for acquisitions) grew 6.5% year-over-year in Q4 leaving absolute volumes significantly above pre-Covid levels. Importantly, DP World management reported growth across all regions and has guided that it expects volume growth to exceed the +8.9% increase forecasted for the total shipping industry per industry expert Drewry in 2021. These results are consistent with other available trade data (e.g. global trade volume data through November) and confirm our view that the economic impact of the winter Covid wave has been rather limited. DP World expects continued growth momentum in 2021.

Global High Yield

US High Yield

Strong earnings results, optimism for more stimulus and improving vaccine rollouts, coupled with positive technicals from inflows and a somewhat eased new issue calendar due to a record January, all boosted market returns and drove high yield to a record low yield below 4%. Lower-rated issues continued to outperform, as did airlines, automotive, and energy. Ford's strong results boosted automotive performance, while energy continued to rally with higher oil prices. Record low yields continue to attract issuers aiming to refinance near-term maturities with lower rates, and to bolster liquidity. In February, more distressed companies managed to access the market Carnival Corporation made its fifth visit to the market since Covid-19 began, issuing US$3.5 billion (up from US$2.5 billion) of six-year bullet unsecured notes at 5.75%. Proceeds will be used for scheduled principal payments on debt in 2021, and for general corporate purposes. Carnival's unsecured issuance in November was a $1.25 billion of 7.625% senior unsecured notes due 2026. Moody's assigned B2 ratings and placed all company ratings on review for downgrade, citing concerns over its return to service timeline, potential to meaningfully ramp up operations in 2021, and resulting impact on liquidity. The new issue was assigned a B+ rating at S&P Global Ratings —a one-notch upgrade for their unsecured debt. Party City priced US$750 million (up from US$725 million) of five-year secured first lien notes at 8.75% vs 9½-10% guidance. The bonds rated Caa1/CCC+ traded up 2 points.

Leveraged Loans

The leveraged loan market regained its footing this week as equity market volatility subsided and repricing activity slowed. The asset class posted positive returns across all ratings cohorts with lower-quality CCC names outperforming B and BB issuers. While still early in earnings season, broadly speaking, results have been supportive of fundamentals and outlooks have been constructive. Additionally, we continued to see Collateralized Loan Obligation (CLO) formation this week, and year-to-date CLO issuance is nearly double what we saw in the comparable last year period. Lastly, while we continue to see significant deal announcements, the majority continue to be repricings and refinancings as issuers look to trim interest expense on existing deals. We will continue to monitor fundamentals as earnings season progresses, and we expect the supportive technical backdrop to continue.

European High Yield

The European high yield market remains well supported. The past week saw another period of positive returns and outperformance from lower quality issuers. Early stages of reporting season resulted in some idiosyncratic movers (mostly positive), while the general preference for risk positions still offering upside remains. Strength in the stressed part of the market was also aided by the performance of Vallourec, the most recent European high yield restructuring example, which saw bonds jump 10 points into the low 90s on finalization of their recapitalization. The other end of the rating spectrum showed some focus on rates and the implications should there be a material move higher; however, the follow through has been limited to some profit taking in long-end BBs. Top performing sectors included metals & mining (a distressed restructuring case), refining, and consumer products. Underperforming sectors included utility other, media entertainment (profit taking in Netflix), and airlines. In aggregate, the Barclays Pan-European HY Index saw option-adjusted-spreads tighten 5 basis points to 325 basis points.

Flows/Issuance

US high yield technicals remained positive with US$600 million of inflows and over US$10 billion of coupons/tenders/calls helping to absorb US$13 billion of new supply; $US 8 billion of this new supply was the tenth most in one day.

European high yield fund flows trended more positively over the week as Exchange-Traded Funds (ETFs) and retail outflows moderated and institutional inflows increased. The primary market remains in good shape. The jumbo ASDA deal, priced at the tight end of IPT, was multiple times oversubscribed and traded firm on the break. In addition, we saw a number of opportunistic better quality issuers come to the market, all of which was comfortably absorbed.

Leveraged loan technicals remained supportive of secondary trading levels. We saw a week-over-week improvement in inflows from retail loan mutual funds and ETFs last week. Lipper reported weekly inflows of US$834 million, which improved from US$740 million the previous week, bringing the year-to-date total to US$4.05 billion.

Source: Lipper, JP Morgan

Industry Insights

Aerospace & Defense: After Covid-19 drove a significant decline in air traffic and commercial aircraft orders and deliveries in spring and summer 2020, the commercial aerospace market has stabilized and has begun a gradual recovery in the fall. However, air traffic is not expected to reach 2019 levels until 2023 or 2024, and the resurgence of the COVID virus, emergence of Covid variants, and winter travel lockdowns has called into question the recovery's pace and consistency. The business jet industry has felt a smaller impact with a more resilient recovery expected due to its greater perceived safety. Defense suppliers, on the other hand, have seen resilient results on strong backlogs from previous gains in defense budgets, and equipment outlays and programs, while order rates should start to flatten somewhat, but with still-positive growth in the near-to-mid-term.

Airlines: The global airline market has gradually recovered from the April 2020 Covid trough in air traffic at 6% of the comparable 2019 level, to roughly 30% into year-end as economic lockdowns eased and leisure demand returned. While short-haul and leisure demand have rebounded quicker, long-haul, international, and business demand remain depressed on continued travel restrictions and fears. With the resurgence of Covid-19 in 4Q 2020 and into the winter, coupled with the emergence of new strains calling the effectiveness of new vaccines into question, demand has stalled at 30% of 2019 levels in 1Q 2021, but with an uptick expected for the summer of 2021.

Food & Beverage: The industry benefited from strong macro trends in 2020, including strong Chinese demand for protein (related to an African Swine Flu outbreak that decimating their herds), along with pandemic driven in-home dining. While protein margins have decelerated from their lofty 2020 levels, processing margins remain strong and plant utilization has recovered as safety measures have been implemented. Packaged food companies have managed to push pricing in the low single digit range after years of low pricing power. Fallen angel risk from approximately US$20 billion of low rated BBB- has been ameliorated due to strong 2020 performance, and Kraft Heinz (US$28 billion of debt, or 41% of the food & beverage index) may be on its way back to investment grade if its rumored sale of Planter's Peanuts to Hormel is executed. We do expect asset purchases in the 10-12x multiple range to continue to comprise a strong part of food companies' growth strategies.

Investment Grade

Governments

Duration weakness persisted during the first half of the week with the yield on 10-year and 30-year Treasuries reaching 1.20% and 2.00%, respectively, before buyers stepped in to end the week unchanged at 1.14% and 1.93%, respectively. The move in 10-year Breakevens was less pronounced and ended the week 3 basis points higher to a new five-year high of 2.20%. The US Treasury curve steepened slightly with 5s30s widening 1 basis point to 147 basis points.

Across the pond, Gilts repriced aggressively this week after the Bank of England (BoE) asked banks to prepare for negative rates within the next 6 months. The yield on 10-year Gilts ended the week 12 basis points higher to 49 basis points while Bunds drifted 3 basis points higher to -0.44%. After Lega's Salvini announced his support of Draghi, thus removing some Eurosceptic risks, the spread on 10-year Italian Treasury Bonds (BTPs) tightened 11 basis points and ended the week at a new five-year low of 0.94% over Bunds.

Corporates

Investment grade corporates continued to grind tighter this week with spreads on the Bloomberg/Barclay's Corporate OAS reaching post-Covid tights of +91 basis points before giving back some and finishing the week at +92 basis points. Higher beta spreads continued to lead the way with higher quality underperforming. Spreads mostly stabilized towards the week's end with many names at or near their 12-month tights, leaving very little room for further spread compression. As China begins celebrating the Chinese New Year, overseas markets should remain quiet, which could hamper things in the near term. Meanwhile, market participants lack some conviction at the moment, given the level of spreads.

JP Morgan has decided that as of 1 March, it will unilaterally trade all corporate positions between the years of 2037-2044 off the 20-year Treasury instead of the old long bond, as was the prior convention. Other dealers think that the unilateral decision by one dealer to change the convention on how the markets trade 20-year paper lacks consensus, and further believe it should be an industry decision given its wider implications for the rates markets, costs assigned to roll the positions, and transformation on electronic trading platforms. The market has been moving in this direction, mostly through the new issue market where many deals have priced 20-year risk off the 20-year treasury, but it appears this may happen sooner rather than later, once everyone is on the same page.

Securitized

In support of the housing market, the Federal Housing Finance Agency (FHFA) has extended a moratorium on foreclosures and evictions until 31 March, and has granted an additional three months of forbearance to address upcoming expirations. The Biden administration continues to debate the issue of student loan forgiveness in the range of US$10,000-$50,000 per borrower.

Flows/Issuance

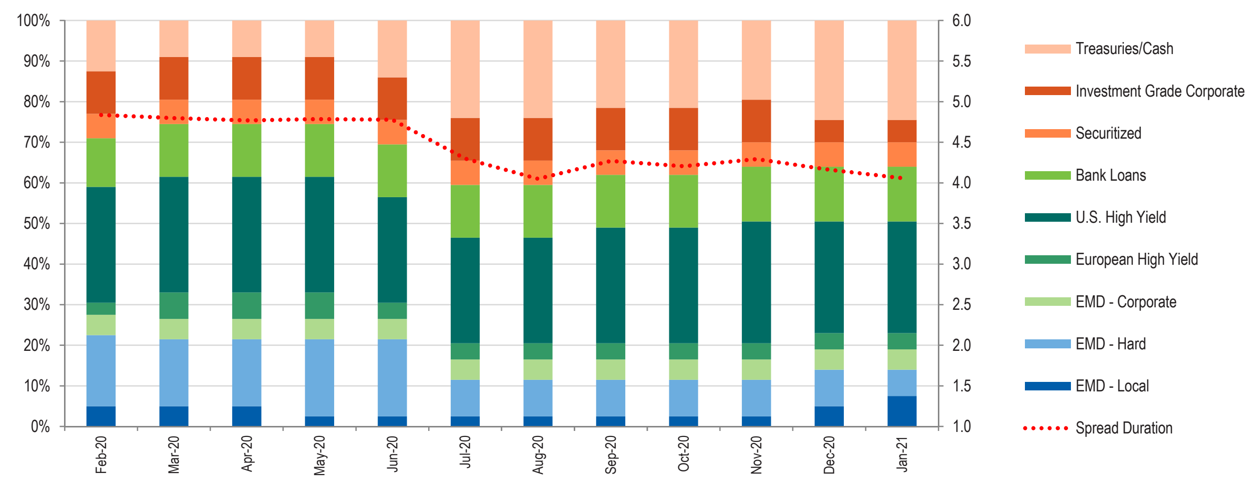
In the primary markets, things got off to a slower start for investment grade corporates compared to last week yet still managed to price just under US$20 billion for the week -- slightly under expectations. New deals continue to price with negative new issue concessions and receive ample demand. Flows into high grade bond funds again saw inflows of US$4.488 billion (HG Corp +HG Agg funds, ex short- term funds) according to EPFR.

Aggregate funds continue to see positive inflows while corporate only and internationally domiciled funds had negative flows. Year-to-date flows into high grade funds are US$26.2 billon.

Issuance in Asset-Backed Securities (ABS) and Commercial Mortgage-Backed Securities (CMBS) has slowed relative to last year's pace, providing good technical support for spreads.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 January 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 February 10, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	344	(1)	(7)	(6)	(6)	34	0.1	0.3	(0.8)	(0.8)	2.7
	CEMBI Broad Diversified	256	(6)	(13)	(14)	(14)	(7)	0.3	0.5	0.4	0.4	5.6
	GBI EM Global Diversified Yield	4.30	0.05	0.03	0.09	0.09	(0.65)	0.5	0.7	(0.3)	(0.3)	3.8
EM Sovereign Debt	EMBI Global Diversified	344	(1)	(7)	(6)	(6)	34	0.1	0.3	(0.8)	(0.8)	2.7
	EMBI GD Investment Grade	144	(1)	(3)	(4)	(4)	(9)	0.0	(0.2)	(1.4)	(1.4)	4.8
	EMBI GD High Yield	595	(2)	(14)	(13)	(13)	73	0.2	0.8	(0.1)	(0.1)	(0.0)
EM Sovereign Debt Regions	Africa	519	(8)	(17)	(36)	(36)	37	0.7	1.1	0.8	0.8	7.2
	Asia	221	5	1	(11)	(11)	52	(0.3)	(0.2)	(0.3)	(0.3)	1.2
	Europe	260	0	(5)	(5)	(5)	33	0.0	0.2	(0.3)	(0.3)	6.6
	LATAM	358	(1)	(6)	4	4	26	0.1	0.2	(2.4)	(2.4)	(0.6)
	Middle East	356	(4)	(10)	(11)	(11)	39	0.3	0.5	(0.0)	(0.0)	3.2
EM Corporates	CEMBI Broad Diversified	256	(6)	(13)	(14)	(14)	(7)	0.3	0.5	0.4	0.4	5.6
	CEMBI BD Investment Grade	157	(2)	(5)	(12)	(12)	(4)	0.1	0.2	0.0	0.0	5.5
	CEMBI BD High Yield	464	(12)	(25)	(22)	(22)	(5)	0.5	0.9	1.0	1.0	5.5
US High Yield	US High Yield	327	(15)	(35)	(33)	(33)	(31)	0.5	1.0	1.3	1.3	7.8
	US High Yield BB	239	(10)	(26)	(25)	(25)	37	0.5	1.0	1.0	1.0	10.3
	US High Yield B	357	(17)	(34)	(22)	(22)	4	0.5	0.8	1.0	1.0	5.4
	US High Yield CCC	552	(30)	(69)	(106)	(106)	(278)	0.7	1.2	2.7	2.7	4.5
European High Yield	Barclays PanEur HY	325	(5)	(26)	(32)	(32)	(8)	0.2	0.7	1.2	1.2	3.3
	2% Ex Financials Yield	3.29	0.11	(0.02)	(0.02)	(0.02)	(0.10)	-	-	-	-	-
Bank Loans	LSTA Price	97.6	0.2	0.2	1.4	1.4	0.9	0.2	0.3	1.5	1.5	4.1
	LSTA 100 Yield	3.71	(0.07)	(0.07)	(0.27)	(0.27)	(1.88)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	0.97	(0.01)	0.04	0.19	0.19	(0.54)	0.1	(0.3)	(1.3)	(1.3)	5.3
	1M LIBOR	0.11	(0.00)	(0.01)	(0.03)	(0.03)	(1.55)	0.0	0.0	0.0	0.0	0.5
	US Aggregate	33	(2)	(3)	(9)	(9)	(8)	0.1	(0.1)	(0.8)	(0.8)	4.5
	US Investment Grade Corporates	92	(3)	(5)	(4)	(4)	(5)	0.4	0.0	(1.3)	(1.3)	5.8
	Global Aggregate	33	(1)	(2)	(4)	(4)	(6)	(0.1)	(0.3)	(0.8)	(0.8)	2.8
	Barclays 1-5 Year Credit	40	(2)	(3)	(1)	(1)	(4)	0.1	0.1	0.1	0.1	4.3
FX	DXY (US dollar)	90.43						(0.9)	(0.2)	0.5	0.5	(8.6)
	GBI EM FX							0.7	0.7	(0.2)	(0.2)	(2.4)

1W reflects data from February 3 close through February 10 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.

Stone Harbor
INVESTMENT PARTNERS

CONTACT

Main Office - New York

31 W. 52 Street
16th Floor
New York, NY 10019
+ 1 212 548 1200

Chicago Office

10 S. Riverside Plaza
Suite 875
Chicago, IL
+ 1 312 492 4251

London Office

48 Dover Street
5th Floor London,
W1S 4FF
+ 44 20 3205 4100

Singapore Office

3 Killiney Road
Winsland House 1
Singapore 239579
+ 65 6671 9711

ClientService@shiplp.com **www.shiplp.com**