Stone Harbor
INVESTMENT PARTNERS

February 19, 2021

WEEKLY COMMENTS ON CREDIT

Global Market Summary

Risk assets were broadly supported by the continuing theme of reflation encompassing progress with the latest US stimulus package and easy monetary policy, while the yield of the 10-year US Treasury Note reached as high as 1.33%. Better-than-expected US retail sales data for January reversed the softer readings from November into December. Two main factors contributing to the strong results appear to be: 1) easing virus case numbers and 2) a US$600 million stimulus payment. The UK also reported strong activity figures, showing the economy grew 1% in 4Q 2020, twice the market estimate. Credit spreads generally tightened, but total returns for major credit market indices were mixed. The US dollar advanced vs the Euro, and emerging markets (EM) currencies declined, on average.

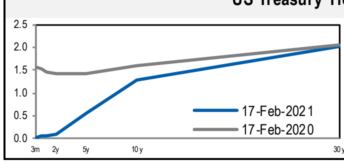
Emerging Markets

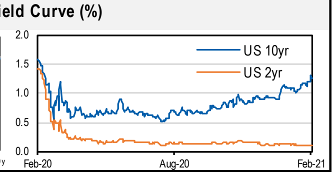
Index	Current Level (bps or %)	Spread or Yield Change Last Twelve Months (bps)	Weekly Change (bps)	Last Twelve Months Returns
EMBI GD	346		3	1.07%
EMBI GD IG	143		-1	3.23%
EMBI GD HY	602		7	-1.74%
Africa	526		7	4.35%
Asia	221		0	0.13%
Europe	262		2	5.05%
LATAM	359		1	-2.39%
Middle East	362		6	1.93%
CEMBI BD	248		-8	5.21%
CEMBI BD IG	152		-5	4.92%
CEMBI BD HY	451		-13	5.49%
GBIEM GD (%)	4.44		13	2.30%
EM Blend (%)	4.54		12	2.90%
EMBI ESG	328		2	1.07%
CEMBI ESG	250		-8	5.25%
GBI ESG (%)	4.17		13	3.52%
		-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	319		-8	7.35%
US HY BB	230		-9	10.04%
US HY B	351		-6	4.63%
US HY CCC	546		-6	4.05%
Pan Euro HY	314		-11	3.05%
LSTA 100 (%)	3.63		-8	4.11%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.13		16	4.54%
1M LIBOR (%)	0.11		0	0.45%
US Agg	34		1	3.97%
US IG Corp	89		-3	5.04%
Global Agg	33		0	2.36%
		-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	1.20	11.09%	Gold	1,773	9.71%	S&P500	3,931	16.31%
USDJPY	105.87	3.79%	VIX	22	57.16%	MSCI World	8,393	17.70%
EM FX		-2.82%	Brent	64	11.57%	MSCI EM	3,420	33.73%
Feb-20 Aug-20 Feb-21			Feb-20 Aug-20 Feb-21			Feb-20 Aug-20 Feb-21		

As of: February 17, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

President Biden announced the US government reached an agreement to buy 300 million doses of vaccines from Pfizer and Moderna with delivery expected by the end of July. The expeditious timeline is a direct result of the President's implementation of the Defense Production Act and yields enough vaccines to inoculate all American adults. In the interim, overall virus infections continue to rise at a decelerating rate, while the number of vaccinations outpaces new cases for the third consecutive week. Offsetting the positive vaccine news is the difficult situation across the central US. Extreme weather conditions caused natural gas pipelines, oil wells and wind turbines to seize up, leaving nearly five million people without energy amid freezing temperatures. US energy production was severely impaired with production falling over two million barrels per day, sending US crude oil prices to US$62/barrel for the first time in over a year.

Europe

Regional German officials reached an agreement on a re-opening plan. While most social distancing and lockdown measures will remain in place until at least 7 March, schools and day care centers will be allowed to reopen within the coming weeks. While vaccinations outpaced infections for the third consecutive week, new variants remain a concern. The UK continues to lead the G4 countries in vaccinations and met its "15 million vaccinations by the 15th February" target over the weekend. Vaccinations outpaced new cases for the sixth consecutive week with 25% of the adult population inoculated. Prime Minister Johnson is scheduled to reveal a re-opening roadmap on Monday with an emphasis on data as opposed to dates. Residual social distancing rules will remain and, similar to Germany's outline, schools are expected to re-open first while hospitality will likely remain closed during the first phase. After receiving a majority support, including the backing of the Five Star Movement, Mario Draghi formally accepted the mandate to take over as Italy's Prime Minister and announced ministers of his cabinet. Draghi and his team will focus on navigating the current pandemic, healing a fragile economy, and working towards deepening integration with the European Union.

Japan/Asia

Similar to last week, Covid-19 cases in Japan plateaued further as the state of emergency restrictions rein in the spread of the virus. After a few setbacks, Japan initiated its vaccination program on Wednesday with the first doses provided to medical professionals, followed by the elderly and vulnerable. The global rally in equities lifted the Japanese Nikkei to a multi-decade high of 30,292. The Reserve Bank of Australia's (RBA) February meeting minutes cast a dovish tone as the central bank expects significant monetary support will be required for some time as its inflation and unemployment goals are projected to take years to achieve.

Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

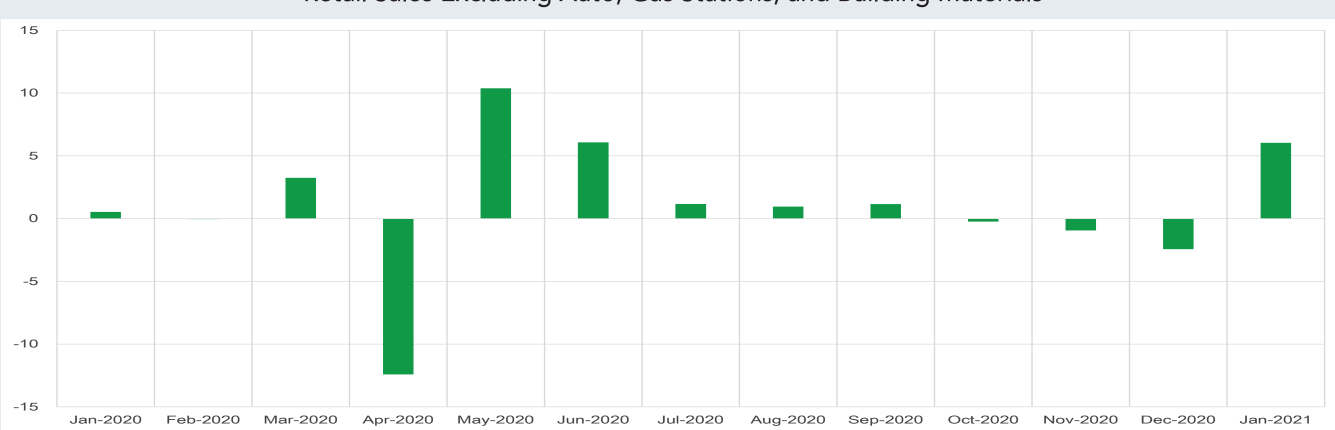
Recent US economic data shows the first signs that improvement in coronavirus cases is translating into increased economic activity, though the improvement has not yet reached all corners of the economy.

Retail sales increased sharply in January, rebounding from a slump in late 2020. There are likely two factors that helped support sales into 2021: 1) the decline in coronavirus cases over January and 2) payment of the US$600 stimulus payments that were approved in the December coronavirus relief package. The housing boom, unleashed by changes in demand and extremely low mortgage rates, has continued. While housing starts have dropped (with poor weather being the most probable cause), housing permits (which do not fluctuate with inclement weather) have increased further. These trends combined suggest that housing starts will likely accelerate over the coming months.

Unfortunately, not all the news was as good. Jobless claims are the notable laggard over the last several weeks as they increased despite the move down in cases. The increase may reflect lingering effects of the case spike over the winter.

We continue to expect economic activity to pick up as vaccinations increase through winter and into spring. Moreover, the likely impact of stimulus on the boost to retail sales supports our view that further government stimulus will likely translate into additional economic activity.

Retail Sales Excluding Auto, Gas Stations, and Building Materials



Source: Census Bureau/Haver Analytics
% Change - Period to Period

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads widened 3 basis points (bps) and the JP Morgan EMBI Global Diversified returned -1.1%. The non-investment grade and investment grade subsectors of the benchmark performed in line, while longer duration assets generally underperformed as US Treasury yields increased. The top country performers included Lebanon (3.68%), Zambia (3.44%), and Ethiopia (1.82%). The bottom performers included El Salvador (-4.05), Sri Lanka (-2.35%), and Costa Rica (-2.34%). All regions posted negative total returns, but Latin America declined the most, consistent with the year-to-date returns relative to other regions.

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -1.0%. EM currencies returned -0.3% in aggregate. Central European currencies underperformed along with the weaker Euro. The Hungarian forint depreciated 1.3%, while the Czech koruna and Polish zloty both declined by 1%. The Chilean peso led the market with a 1.3% return. The Turkish lira also appreciated +1%, bolstered by expectations of a continued shift among policy-makers to more orthodoxy.Local bond yields tracked core bond yields higher. The index yield increased by 13 bps to 4.44%. Russia underperformed as local bond yields rose by +29 bps. We believe that hawkish comments from Russia's central bank were behind the move. Domestic bond yields in Brazil and Indonesia also edged higher, both by 22 bps, while Romania and Malaysia yields fell by roughly a similar amount. Dominican Republic and Uruguay led local bond markets with yields declining by 12 bps and 9 bps, respectively. In central bank actions, key rates remained unchanged in China (2.95%), Russia (4.25%), and Turkey (17.50%); while Indonesia cut rates by 25 bps to 3.50%.

EM Corporate Debt

The two major macro themes of the week impacted EM Corporates, but in opposite ways, resulting in a small negative return (-0.09%) for the JP Morgan CEMBI Broad Diversified. Oil prices continued to increase, providing support for bonds of independent oil and gas companies, including Ghana's Tullow and Colombia's Gran Tierra. Higher oil prices also generally supported larger national oil companies, including Ecopetrol (Colombia) and Petrobras (Brazil). Conversely, the increase in US Treasury yields negatively affected the price of longer maturity bonds, a material portion of which are issued by national oil companies. The increase in US Treasury yields had a disproportionately negative impact on the high grade segment of the index, which returned -0.32%, compared to 0.22% for the high yield sector. YPF was able to garner sufficient participation for its bond exchange such that it will be able to meet its 2021 maturity, which drove the company's curve higher. Tullow management stated that it expects talks with creditors aimed at refinancing the bulk of its debt to be finalized in the second quarter, which further supported bond prices.

Flows/Issuance

Primary activity in external debt from EM issuers slowed this week, with no sovereign issuance. In EM corporates, the new issuance calendar paused as many companies prepared to release results for the fourth quarter.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$1.0 billion for the week through 16 February, and closely 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.

Source: EPFR

Sovereign Soundbites

Argentina

Vice President Cristina Fernandez de Kirchner is reportedly pushing to delay Argentina's US$44 billion debt agreement with the International Monetary Fund (IMF) until potentially after mid-term elections in October, instead of the current schedule for a deal by May. According to an IMF communications director, the IMF continues to have "constructive discussions with the Argentine authorities." Argentina's restructured external sovereign bonds continued to trade at prices in the US$32-$40 range.

Dominican Republic

The country's budget office published revenue data for January that showed total revenues were 14% above the budgeted projection and nearly all revenue lines increased over the budgeted amount. Year-over-year, January revenue declined 1.7% compared to 2020, suggesting some consolidation in activity after a strong Q4 -- a trend that is consistent with other countries in the region. Tourism arrivals also declined after a strong December; the general consensus in the region is that tourism may not fully recovery until 2023.

Ecuador

Presidential candidate Andres Arauz arrived in the NY area this week, canvassing for support from Ecuadorians living abroad. Arauz's visit also included planned meetings with IMF officials, as well as investors from financial institutions and large corporations. Arauz reaffirmed his intentions to dispense up to US$1 billion to the populace in his first week in office, if elected, and to pay for the spending with FX reserves from the central bank. The IMF, which has lent Ecuador US$6.5 billion, of which US$4 billion has been disbursed, would not look favorably on this course of action, in our view. Nevertheless, we cannot discount the potential for further IMF funding, or support from either China or the United States, which may have their own competitive reasons for securing allegiance from Ecuador. As a result, the outcome of the upcoming 11 April election remains binary even if Arauz is the most likely candidate to win. Arauz will face Guillermo Lasso in the runoff election. Lasso, a former banker, seems to us an unlikely winner in Ecuador's current populist zeitgeist.

Kenya

The IMF and the Kenyan authorities have reached a staff-level agreement on a three-year, US$2.4 billion financing package under the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements. The program aims at reducing debt vulnerabilities through a multi-year fiscal consolidation effort, focused on raising tax revenues and controlling spending.

The program is also intended to advance the structural reform and governance agenda, including addressing weaknesses in some state-owned enterprises and ongoing efforts to strengthen transparency and accountability through the anticorruption framework. Finally, the program is designed to strengthen the monetary policy framework and support financial stability. The staff-level agreement is subject to IMF management approval and Executive Board consideration, which is expected in the coming weeks.

Mexico

According to Finance Minister Arturo Herrera, Mexico plans to provide significant tax relief to its state-owned oil company, Pemex, to help alleviate the financial strain from its current debt load of US$110.3 billion, lower production levels, and high tax burden. The local press reports that the government will inject up to US$1.6 billion into the company in 2021 and offer a tax break of 75 billion Mexican pesos (US$3.68 billion). The tax aid would supplement cuts that have already been approved for this year and were made possible through a change to Mexico's hydrocarbons revenue law to reduce its profit-sharing duty for 2020 and 2021. Last year, Pemex received 46.3 billion pesos (US$2.3 billion) in tax benefits. Herrera reiterated the need to plan for a stable, long-term recovery that would help accelerate the recovery process beyond the near-term struggles against Covid-19. Pemex's euro bond prices increased on the news.

Pakistan

The IMF and Pakistani authorities have reached a staff-level agreement under the EFF that would unlock approximately US$500 million upon approval by the Executive Board. The package addresses measures for economic support, ensuring debt sustainability, and furthering structural reform. According to an IMF staff member, the Covid-19 shock necessitated "a careful recalibration of the macroeconomic policy mix, the reforms calendar, and the EFF review schedule." The fiscal strategy remains anchored by the sustainable primary deficit of the 2021 budget and fiscal targets are supported by careful spending and revenue measures, including a corporate tax.

The IMF team has further noted that the State Bank of Pakistan's (SBP) monetary and exchange rate policies have been effective in responding to the Covid-19 shock and stressed the importance of SBP's role in maintaining financial stability as the temporary Covid-related support is phased out. Importantly, international reserves are set to improve further, reflecting current account developments, the EFF resumption, and support from international partners, including Saudi Arabia and the UAE. Pakistan external sovereign debt spreads tightened and benchmark bond total returns were positive this week.

Romania

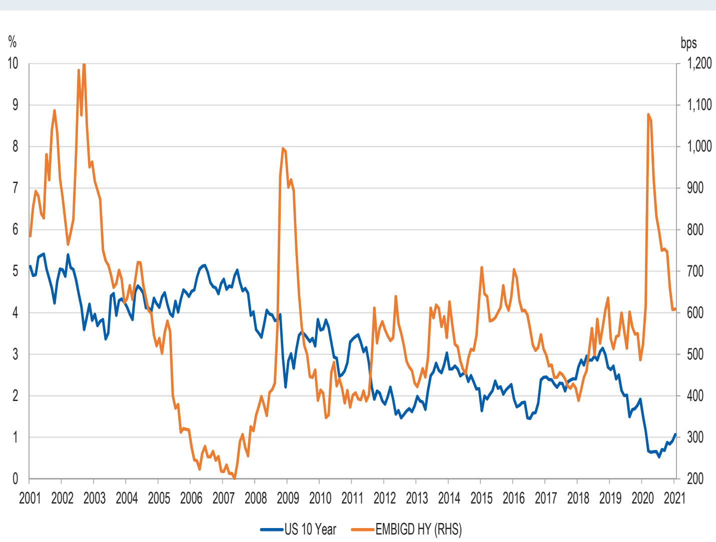
Romania produced the strongest quarter-over-quarter GDP growth in the European Union last quarter and posted an expansion of 5.3%. The country's output grew from the third quarter and surged more than 10 times market expectations. Romania has avoided a recession during the pandemic, and despite challenges of budget shortfalls, it has managed to increase public investments to the highest level in a decade.

South Africa

South Africa's Finance Minister Tito Mboweni will present the 2021 budget on 24 February in a critical test of the government's resolve to tackle the fiscal deficit and long-building debt burden. A key part of the budget will be the government's stance on state-owned companies (SOC), which present large fiscal challenges. Eskom, the state-owned utility is the largest contributor to the aggregated financial position of major SOCs. In fiscal year 2018/19, Eskom's negative free cash flow was nearly 74 billion rand (US$5 billion), compared to the free cash flow of 93 billion rand (US$6.4 billion) for all of the major SOCs. In a positive signal this week, South Africa's High Court ruled that Eskom can recover 10 billion rand (US$685 million) from consumers, enabling the utility to raise electricity tariffs by 16%. According to the National Energy Regulator of South Africa (NERSA), the ruling came after Eskom and the regulator reached an agreement and allows the tariff increase to be implemented from 1 April. Eskom external bond spreads tightened relative to South Africa external sovereign debt this week.

Chart of the Week

US 10 Year Yield and EMBIGD HY Spread



Source: Bloomberg, Stone Harbor

The recent move higher in US Treasury (UST) yields naturally raises the question on how emerging market external sovereign debt will perform if the increase in yields is sustained, and which segment of the market can be expected to outperform. Over the past 20 years, rising UST yields have been associated with falling EMD spreads and this relation is stronger for the high yield sector (HY) than for investment grade (IG). A regression of 1-month changes in the JP Morgan EMBI Global Diversified HY spreads on 1-month changes in 10 year UST yields results in a regression coefficient of -0.97, meaning an almost 1:1 relation. On average, rising UST yields were almost fully offset by spread compression. For the IG segment this coefficient is smaller at -0.41, indicating that about 41% of UST yield increases have been offset by spread compression. Of course there were exceptions such as the "taper tantrum" episode in 2013 when spreads widened as UST yields rose. But spread widening in 2013 was unusual. In our view, current conditions are more favorable for EMD; EM HY spreads are wider now relative to EM IG spreads, the output gap in the US remains larger, and the Fed is adamant that it will not raise rates preemptively.

Global High Yield

US High Yield

Two themes dominated the high yield market this week: energy and rates. Oil and natural gas continued to rally with West Texas Intermediate crude at 1-year highs, rising above US$60 a barrel and gas at three-month highs, as wintry conditions across much of the US caused producers to cut output by almost 20%. The weather crisis enabled both sectors to outperform as the market assessed the impact on the supply and demand balance, driving bonds prices up multiple points in some cases. The recent breakout in interest rate yields led to buying of higher yielding names at the expense of low spread, long duration issues. Most long duration issues were tradeable at slightly lower levels, as outsized positive flows stemmed from coupons/calls/tenders over recent weeks, and a diminished primary calendar. Bombardier Inc. announced initial repayment of the total outstanding balance of US$750 million, drawn on its senior secured term loan facility. Cable One Inc. agreed to acquire the remaining 85% stake in Hargray Acquisition Holdings, which implies a US$2.2 billion total enterprise value. Intelsat SA reached an agreement with some of its creditors to hand ownership to unsecured bondholders, halving its debt load under the restructuring plan. Canadian natural gas producers Seven Generations Energy Ltd. and ARC Resources Ltd. agreed to merge, for a combined equity value of US$2.3 billion.

Leveraged Loans

The loan market posted positive returns last week across all ratings cohorts, led once again by lower quality CCC and B-rated credits while higher quality BB credits had positive returns, but underperformed the index. Returns continue to be on an upward trend albeit at a slower pace following January's steepening interest rate curve in response to additional stimulus and its impact on growth. The average bid-price of the leveraged loan index increased US$0.15 to US$97.71, while the discounted spread to maturity tightened 4 bps to L+410. The majority of sector returns were positive this week, led by commodity sectors on the back of the energy price moves following the uncommon winter weather seen in Texas and the Midwest.

European High Yield

Market returns were positive for the European high yield market although activity is increasingly balanced at these tighter levels. Developments on the vaccine rollout and generally strong earnings (vs expectations) has supplemented what is an already robust technical backdrop, meaning the market remains well supported. Lower-rated issuers are still the outperformers, which is driving ratings compression and has seen the European high yield index spread return to pre-Covid levels. There is incremental attention being paid to potential rate risk; however, any weakness in longer-dated bonds has been well contained so far with continued interest from investment grade accounts. Top performing sectors included metals and mining (a distressed restructuring case), leisure, and food & beverage (results driven). Underperformers included sectors such as restaurants (Covid re-opening concerns), media entertainment (profit taking in Netflix) and aerospace/defense. In aggregate, the Barclays Pan-European HY Index saw option-adjusted-spreads tightened 11 bps to 314 bps.

Flows/Issuance

US high yield retail flows were negative, driven by Exchange Traded Funds (ETFs) with most of the cash raising easily absorbed by the market. The primary calendar has slowed to a crawl as companies enter blackout periods with only five deals pricing at US$3.06 billion, compared to last week's US$17.1 billion.

The leveraged loans technical backdrop remains supportive of secondary trading levels. Inflows from retail loan mutual funds and ETFs were US$1.05 billion, up from the prior week bringing the 2021 total above US$5 billion. Solid ongoing Collateralized Loan Obligation (CLO) formation, at roughly US$2.7 billion for the week, and raising the year's total issuance to over double this point last year. Primary market activity remains robust, with roughly 40 new transactions announced at about US$19 billion. Repricings and refinancings were the dominant use of proceeds as issuers look to lower interest expenses in an issuer friendly market.

In Europe, fund flows were essentially flat as ETF and retail outflows were offset by institutional inflows. Post last week's jumbo ASDA deal pricing, the primary market has slowed somewhat with only a handful of refinancing transactions.

Source: Lipper, JP Morgan

Industry Insights

Cable / Satellite: With the bulk of the high yield cable and satellite universe reporting fourth quarter results this week, we've seen confirmation of resiliency of these business models and their integral role in our "connected" economy. We see the power of the cash flow these businesses can generate post investment, with Charter Communications and Altice USA harvesting years of infrastructure investment, and Viasat and Iridium Communications poised to reap the rewards of investment in next generation satellite fleets. We anticipate the long awaited results of the Federal Communications Commission's (FCC) C-Band auction in coming weeks, which will further disclose insight into cable's broader wireless ambitions as a driver of future growth.

Leisure: Cruise companies continue to delay a return to sailing, with Norwegian Cruise Lines suspending all voyages through 31 May. Companies continue to work through return-to-service plans that meet the Center for Disease Control's (CDC's) Framework for Conditional Sailing Order requirements. There are signs that companies are moving closer to re-opening, with Carnival Corporation setting sail in Italy on 27 March. The voyage will require limited capacity, physical distancing, and face masks, among other safety features. While the return to sailing is delayed, demand appears to be very strong. Norwegian's 180-day world cruise scheduled for 2023 sold out a day after opening sales to the public on 27 January. Norwegian is also seeing strong demand for long voyages in Europe and North America in 2022.

Technology: Demand is returning in semiconductors for industrial and automotive end markets. Due to the auto supply chain's 2020 inventory reduction, the auto end market saw a strong snap back as components supply at Tier 1 Suppliers and auto original equipment manufacturers (OEMs) slowed considerably entering 2021. Semiconductor companies are rapidly filling the supply chain, with order fulfillment lead times extended in industrial and auto end markets. ON Semi, notably, is working directly with auto OEMs to direct their products to individual factories of Tier 1 parts suppliers or OEMs. In the enterprise computer and storage end markets, demand is recovering less quickly, and still down year-over-year. The hyperscale end market demand remains solid, with large service vendors (i.e., Amazon Web Services) seeing strong demand through the pandemic, and increasing capex on technology products to support demand. We expect hyperscale providers to remain strong in 2021.

Investment Grade

Governments

This week was marked by a continuation in the themes observed since the start of the year. Duration weakened further with the yield on 10-year and 30-year Treasuries closing the week over 10 bps higher to 1.27% and 2.04%, respectively. The reflation narrative gained more momentum as 10-year Breakevens rose 3 bps to 2.22% while the US Treasury curve bear steepened further with 5s30s widening another 3 bps to 149 bps. Volatility, as measured by the ICE BofAML MOVE Index, reached a 3-month high of 56.

In Europe, core government bonds also weakened with the yield on 10-year Gilts and Bunds rising 8 bps to 0.57% and -0.37%, respectively. In peripherals, after a period of compression, the spread on 10-year Italian Treasury Bonds (BTPs) over Bunds ended the week unchanged at 0.95% as a Draghi-led government is seemingly priced in. The spread on 10-year Spanish government bonds widened 7 bps to 0.66% as separatist parties won 74 out of 135 seats, increasing the probability of another independence referendum.

Corporates

Rising rates were the main focus this week but the shock wasn't enough to deter investors away from corporates. In fact, the rise in rates only added to the already strong demand for yield with buyers showing strong interest in the longer end of the curve while higher beta sectors continue to see the greatest demand. Clearly, a spike in rate volatility would not be positive for corporates; however, a more gradual rise in rates, coupled with a dovish Fed, additional stimulus, and positive vaccine headlines have enabled corporate spreads to compress to very full valuations. The option-adjusted spread on the Bloomberg/Barclay's Corporate Index ended the week at +89 bps, not far from record low spreads of +85 bps over the last decade; this, despite differing index characteristics such as lower average ratings, longer durations, and higher dollar prices. On the other hand, yields on the corporate index have risen to 1.93%, up from the lows at the beginning of 2021 of 1.74%; for the first time corporate yields are below break-even inflation rates.

Securitized

Asset-Backed Securities (ABS) and Commercial Mortgage-Backed Securities (CMBS) spreads were unchanged for the week. In a positive sign for the retail sector, a new issue CMBS backed by a mall is the first in the sector since pre-Covid.

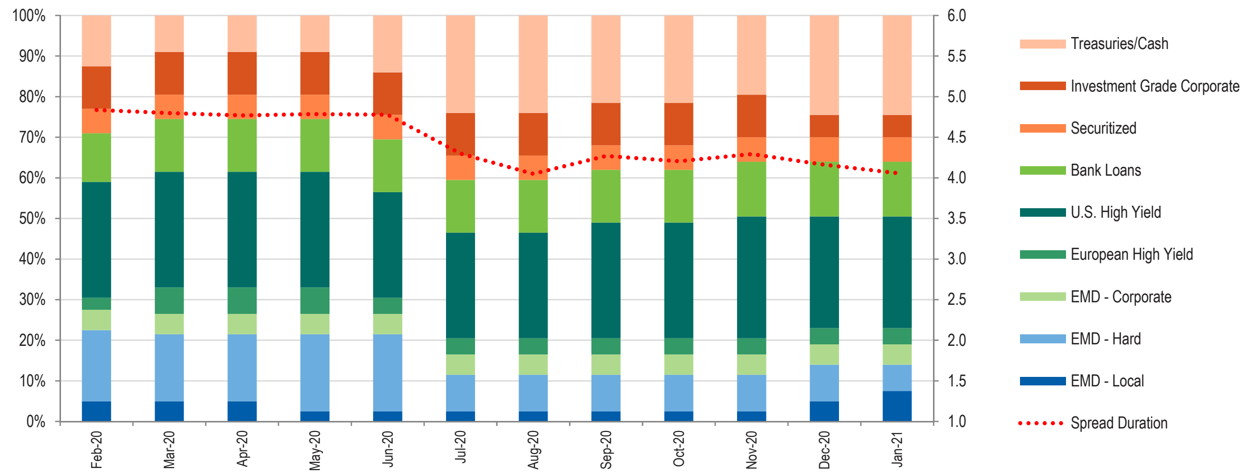
Flows/Issuance

Flows into high grade corporate bond funds fell this week but were still positive at US$1.737 billion, according to EPFR. Flows have tended to follow returns, so it is not completely surprising flows dropped this period given year-to-date total returns on corporates are negative by 2.01%. In the primary market, supply was underwhelming with roughly US$12 billion pricing, when the market was expecting roughly US$25-30 billion. One area of considerable growth in the primary markets is the supply of Green, Social, and Sustainability (GSS) linked deals. According to JP Morgan, 2021 has started strong in this area, and given the US Administration's focus on climate change, it would not be a stretch to expect a record year for GSS supply.

ABS issuance was heavy but is still running below last year's pace.

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 17, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	346	3	(4)	(4)	(4)	46	(1.1)	(0.8)	(1.9)	(1.9)	1.1
	CEMBI Broad Diversified	248	(8)	(22)	(22)	(22)	(7)	(0.1)	0.4	0.3	0.3	5.2
	GBI EM Global Diversified Yield	4.44	0.13	0.17	0.22	0.22	(0.50)	(1.0)	(0.2)	(1.3)	(1.3)	2.3
EM Sovereign Debt	EMBI Global Diversified	346	3	(4)	(4)	(4)	46	(1.1)	(0.8)	(1.9)	(1.9)	1.1
	EMBI GD Investment Grade	143	(1)	(4)	(6)	(6)	(3)	(1.1)	(1.3)	(2.5)	(2.5)	3.2
	EMBI GD High Yield	602	7	(7)	(6)	(6)	93	(1.1)	(0.2)	(1.1)	(1.1)	(1.7)
EM Sovereign Debt Regions	Africa	526	7	(10)	(29)	(29)	67	(1.3)	(0.2)	(0.4)	(0.4)	4.4
	Asia	221	(0)	1	(11)	(11)	58	(0.8)	(1.1)	(1.1)	(1.1)	0.1
	Europe	262	2	(3)	(3)	(3)	47	(0.8)	(0.6)	(1.2)	(1.2)	5.1
	LATAM	359	1	(5)	5	5	34	(1.3)	(1.1)	(3.7)	(3.7)	(2.4)
	Middle East	362	6	(4)	(5)	(5)	48	(1.1)	(0.6)	(1.1)	(1.1)	1.9
EM Corporates	CEMBI Broad Diversified	248	(8)	(22)	(22)	(22)	(7)	(0.1)	0.4	0.3	0.3	5.2
	CEMBI BD Investment Grade	152	(5)	(10)	(17)	(17)	(3)	(0.3)	(0.2)	(0.3)	(0.3)	4.9
	CEMBI BD High Yield	451	(13)	(38)	(35)	(35)	(10)	0.2	1.2	1.2	1.2	5.5
US High Yield	US High Yield	319	(8)	(43)	(41)	(41)	(25)	0.0	1.0	1.3	1.3	7.3
	US High Yield BB	230	(9)	(35)	(34)	(34)	40	0.0	1.0	1.1	1.1	10.0
	US High Yield B	351	(6)	(40)	(28)	(28)	24	0.1	0.9	1.1	1.1	4.6
	US High Yield CCC	546	(6)	(75)	(112)	(112)	(286)	(0.0)	1.2	2.7	2.7	4.1
European High Yield	Barclays PanEur HY	314	(11)	(37)	(43)	(43)	(2)	0.2	0.9	1.4	1.4	3.1
	2% Ex Financials Yield	3.21	(0.12)	(0.14)	(0.15)	(0.15)	(0.13)	-	-	-	-	-
Bank Loans	LSTA Price	97.7	0.2	0.3	1.5	1.5	1.0	0.1	0.4	1.6	1.6	4.1
	LSTA 100 Yield	3.63	(0.08)	(0.15)	(0.35)	(0.35)	(1.94)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.13	0.16	0.20	0.35	0.35	(0.42)	(1.1)	(1.3)	(2.4)	(2.4)	4.5
	1M LIBOR	0.11	0.00	(0.01)	(0.03)	(0.03)	(1.54)	0.0	0.0	0.0	0.0	0.4
	US Aggregate	34	1	(2)	(8)	(8)	(7)	(0.6)	(0.8)	(1.5)	(1.5)	4.0
	US Investment Grade Corporates	89	(3)	(8)	(7)	(7)	(7)	(0.8)	(0.7)	(2.0)	(2.0)	5.0
	Global Aggregate	33	0	(2)	(4)	(4)	(5)	(0.5)	(0.8)	(1.3)	(1.3)	2.4
	Barclays 1-5 Year Credit	39	(1)	(4)	(2)	(2)	(5)	(0.1)	0.0	0.0	0.0	4.3
FX	DXY (US dollar)	90.59						0.6	0.4	1.1	1.1	(8.1)
	GBI EM FX							(0.4)	0.4	(0.6)	(0.6)	(3.0)

1W reflects data from February 10 close through February 17 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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