February 26, 2021

WEEKLY COMMENTS ON CREDIT

Global Market Summary

Rising core bond yields dominated the pricing and performance of credit markets this week. US Federal Reserve (Fed) Chairman Powell stated during his congressional testimony that the recent rise in bond yields is "a statement of confidence by markets" and interpreted the bond selloff as a positive sign for the fundamental outlook for inflation and economic growth. He reiterated that the recovery is far from complete and the Fed's commitment to accommodative policy, especially given the elevated unemployment rate. Market volatility kept risk assets under pressure as credit spreads diverged and total returns for major credit market indices were generally negative. The US dollar declined vs the Euro, and emerging markets (EM) currencies retreated, on average.

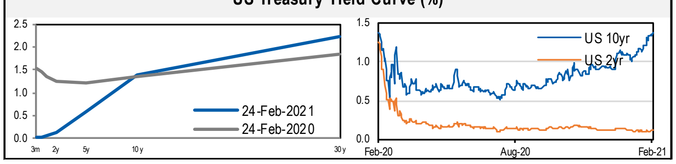
Emerging Markets

Index	Current Level (bps or %)	Spread or Yield Change 12 mos (bps)	Weekly Change (bps)	12 mos Total Returns	
EMBI GD	348		2		-0.11%
EMBI GD IG	144		2		0.62%
EMBI GD HY	600		-2		-1.28%
Africa	525		-1		4.52%
Asia	221		1		-1.45%
Europe	263		1		4.23%
LATAM	363		4		-4.11%
Middle East	363		1		0.87%
CEMBI BD	246		-2		4.64%
CEMBI BD IG	150		-2		3.85%
CEMBI BD HY	450		-1		5.62%
GBIEM GD (%)	4.56		13		2.90%
EM Blend (%)	4.65		11		2.51%
EMBI ESG	330		2		-0.44%
CEMBI ESG	248		-2		4.65%
GBI ESG (%)	4.30		13		4.07%
		-150 0 150		Feb-20 Aug-20 Feb-21	

Developed Markets

Index	Current Level (bps or %)	Spread or Yield Change 12 mos (bps)	Weekly Change (bps)	12 mos Total Returns	
US HY	317		-2		7.79%
US HY BB	232		2		10.23%
US HY B	348		-3		5.27%
US HY CCC	539		-7		5.02%
Pan Euro HY	310		-4		3.67%
LSTA 100 (%)	3.64		1		4.34%
		-200 -100 0 100 200			
US Treasury 7-10 (%)	1.20		7		2.20%
1M LIBOR (%)	0.11		0		0.41%
US Agg	34		0		2.25%
US IG Corp	91		2		2.86%
Global Agg	33		0		0.96%
		-200 -100 0 100 200		Feb-20 Aug-20 Feb-21	

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Returns)

	Level	Currency Return vs USD	
EURUSD	1.22		12.09%
USDJPY	105.87		4.61%
EM FX			-1.56%
		Feb-20 Aug-20 Feb-21	

	Level	Commodities	
Gold	1,798		5.41%
VIX	21		-14.74%
Brent	67		19.08%
		Feb-20 Aug-20 Feb-21	

	Level	Equities	
S&P500	3,925		21.69%
MSCI World	8,355		22.14%
MSCI EM	3,259		33.75%
		Feb-20 Aug-20 Feb-21	

As of: February 24, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States
The US enters the final stretch of fiscal policy negotiations, however, residual hurdles such as the US$15 per hour minimum wage provision remain. Senate Majority Leader Schumer believes the Senate is on track to send the US$1.9 trillion stimulus package to President Biden's desk before current unemployment insurance benefits are set to expire on 14 March. The House is set to vote as early as this Friday, which should pave the way for a Senate vote the following week. Overall infections continue to moderate while vaccinations outpace new cases for the fourth consecutive week. The US has now administered 66 million doses covering approximately 20% of the population. Johnson & Johnson's single dose vaccine was deemed safe and effective by the Food & Drug Administration (FDA), bringing the vaccine one step closer to approval.

Europe
Similar to the asynchronous spread of the virus, vaccinations and re-opening strategies also vary across Europe. After agreeing to a re-opening plan last week, Chancellor Merkel warned that Germany is currently facing a third wave of infections and re-opening of schools must be executed with caution. Infections in the country have stabilized over the last few days, however, vaccinations remain slow.

A more positive tone in the UK as vaccinations ramp up with over 27% of the population now inoculated. Prime Minister Johnson announced a four-stage roadmap to re-opening. During the first phase, schools will re-open on 8 March followed by a relaxation of outdoor social gatherings starting on 12 April. The government will monitor the impact of easing and aims to re-open indoor hospitality and leisure on 17 May with the end of lockdown targeted for 21 June. The UK also plans to deliberately infect adult volunteers with Covid-19, in what is referred to as a "human challenge study," to better understand the virus and gauge the efficacy of experimental vaccines.

Japan/Asia
After several weeks of declining infection rates, the Japanese government is considering lifting the state of emergency restrictions in six prefectures, including Osaka and Kyoto, at the end of the month. Tokyo will remain in the state of emergency until at least 7 March. On the vaccine front, while AstraZeneca awaits approval from the Japanese health ministry, the Japanese government entered into a contract to purchase 60 million vaccines from the pharmaceutical company with two-thirds of the doses produced within Japan.

Economist Corner

Seamus Smyth, PhD, Developed Markets

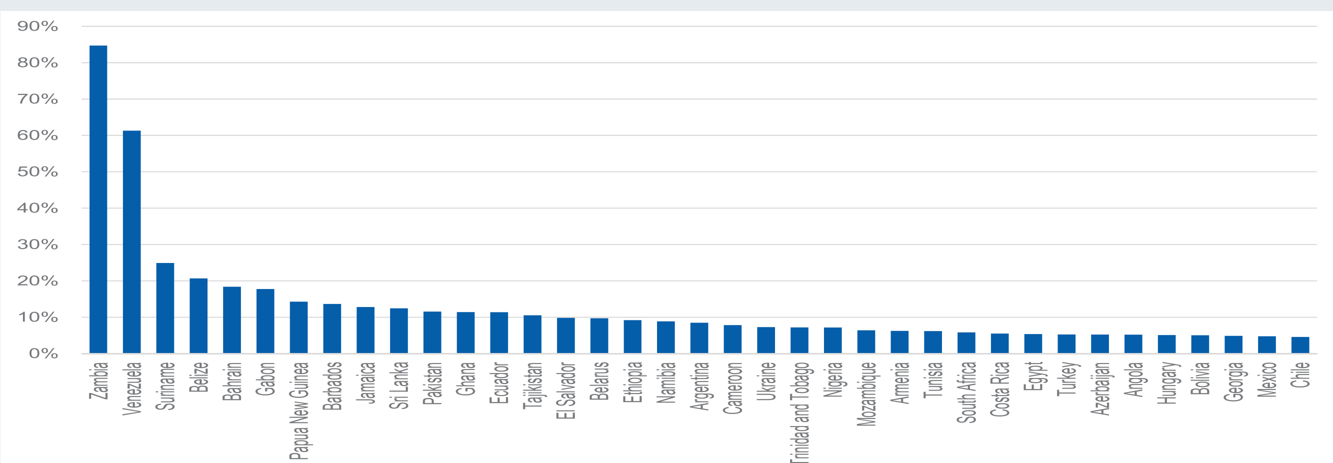
Steffen Reichold, PhD, Emerging Markets

International institutions continue to look for ways to support middle and low-income countries during the COVID crisis. One proposal that will likely gain traction at the G-20 meeting on 26 February is a new Special Drawing Rights (SDR) allocation through the IMF. SDRs are effectively a basket of global reserve currencies and each country can exchange their SDR holdings into actual reserve currencies. A new allocation would boost global FX reserves. Janet Yellen expressed support reversing the previous administration's position but without mentioning a specific size. However, amounts in the order of US$500 billion have been mentioned.

New SDRs would be allocated in proportion to countries' IMF quota. Thus, a large share would benefit advanced economies and China with little need for more FX reserves. But for many EMs the potential increase in reserves could still be substantial. The table below shows the percent increase in FX reserves from a potential US$500 billion SDR allocation for EMs with the largest relative impact. 15 EMs would see increases of 10% or more. Especially smaller countries would tend to benefit the most. This list includes several countries that face significant external payment pressures including Ecuador, Sri Lanka, Suriname, Venezuela and Zambia.

In addition to the direct impact on countries' FX reserves, the G-20 is likely to explore ways for wealthy countries to use their new SDRs to further support recovery in low-income countries. What form this could take remains unclear but we expect to see initial proposals by the time of the IMF/World Bank Spring Meetings. In any case, signs that the SDR allocation is moving forward is clearly positive for EMs.

FX Reserve Boost from Potential US$500 billion SDR Allocation



Source: IMF, Haver Analytics, Bloomberg, Stone Harbor

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads widened 2 basis points (bps) and the JP Morgan EMBI Global Diversified returned -0.84%. The non-investment grade subsector outperformed the investment grade subsector of the benchmark. The top country performers included El Salvador (4.15%), Zambia (3.35%), and Sri Lanka (2.62%). The bottom performers included Peru (-2.44), Argentina (-2.38%), and Tunisia (-2.27%). All regions posted negative total returns, and Latin America continued to lag other regions.

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -0.7%. EM currencies returned -0.1% in aggregate. The Turkish lira was the biggest underperformer, depreciating 3.2%, followed by the Mexican peso and Colombian peso, both declining 1.1%. The Chilean peso appreciated 1.65%, outperforming in line with the increase in copper prices through Wednesday, and the South African rand advanced 0.8%, gaining support from the positive budgetary news. Strength in the Euro lead currencies from central and eastern Europe higher: Czech koruna (+0.12%), Hungarian forint (+0.54%), Polish zloty (+0.52%), and the Romanian leu (+0.76%).

Local currency bond yields increased by 13 bps to 4.56%, reflecting a similar move as last week. The selloff in core duration was the dominant market driver on the week.

Brazil underperformed as local bond yields rose by +37 bps. Domestic bond yields in other Latin American countries also moved higher, including Chile (+21 bps), Colombia (+26 bps), Mexico (+20 bps), and Peru (+21 bps). Philippines and Uruguay were the only two local bond markets with declining yields, by 1 bp and 2 bps, respectively. In central bank actions, key rates remained unchanged in China, where the 1-year and 5-year LPR rates were kept at 3.85% and 4.65%, and in Hungary (0.6%).

EM Corporate Debt

The CEMBI Broad Diversified returned -0.2% for the week, primarily as a result of Latin America underperforming both Asia; and Central and Eastern Europe, Middle East and Africa (CEEMEA). Higher oil prices and weaker US Treasuries continue to be the main macro drivers of returns. High yield finished the week flat, while high grade returned -0.3%. However, in Brazil, the announcement regarding a change in the CEO position at Petrobras (see Sovereign Soundbites below) precipitated a selloff in the company's curve and impacted most Brazilian corporates. Prices recovered some of the losses later in the week, but are still down from the recent levels. Asian markets were effectively flat for the week, with weakness in the higher-rated countries, such as Hong Kong and Singapore, but positive returns in India and Indonesia. Bullish oil markets boosted bond prices of independent oil and gas companies such as Tullow in Ghana and Gran Tierra in Colombia.

Flows/Issuance

Primary activity in external debt from EM sovereign issuers included Serbia and the Kingdom of Saudi Arabia (KSA), both of which issued in Euros. Serbia issued EUR1 billion of a new ten-year maturity. KSA issued EUR1.5 billion in two tranches including new three-year and nine-year notes.

In EM corporates, there was some new issuance activity in Asia and CEEMEA, but Latin America had very limited activity.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$240 million for the week through 23 February. Outflows from hard currency debt funds were entirely offset by inflows into local currency debt 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

Argentina reported a primary fiscal surplus in January of ARS24.1 billion (US$269 million) up from a deficit of ARS 3.8 billion (US$42 million) a year ago. The overall fiscal deficit was negative in January, but only modestly (ARS 3.03 billion/ US$33 million). With these figures, the estimated latest 12-month primary deficit fell to 6.4% from 6.5% a month ago. The cumulative nominal deficit contracted to 8.2% of GDP in January from 8.5% of GDP in December. One of the main highlights of the report was a 53% increase in government revenues, a figure well above the 36% year-over-year inflation rate. Strong export taxes due to higher commodity prices and recovery from a port strike in December were the main drivers of the increase.

Brazil

President Jair Bolsonaro's decision to replace the CEO of Petrobras (see Chart of the Week on page 4), sparked concerns over the government's commitment to market-friendly fiscal policies, which remain a key part of the investment thesis for Brazilian assets. The Brazil real depreciated and Brazil external debt spreads widened following the announcement. The market reaction to the move reflected the risk that Bolsonaro may distance the government from the austerity agenda promoted by Economy Minister Paulo Guedes. The move comes after a ~25% year-to-date increase in diesel fuel prices and likely reflects Bolsonaro's interest to consolidate support from truckers who have protested over the rising cost of fuel.

Colombia

National accounts data for Q4 showed that Gross Domestic Product (GDP) declined 6.8% for the full year 2020, but increased 6% in Q4 relative to the prior quarter. The Q4 increase leaves the economy only 3.5% below its pre-pandemic level. We have revised up our 2021 growth forecast for Colombia to 7.4% from our earlier forecast of 4.9% to reflect the Q4 results. With the benefit of base effects, we anticipate strong tailwinds for Colombia's GDP reports in the coming 12 months.

Czech Republic

The Czech economic sentiment indicator grew by 2.4 points to 89.7 points in February, following a drop in January. Business confidence grew in all sectors except trade. The growth was characterized as a correction of the previous low figure, and not a turning point, according to the Czech Statistical Office. Consumer confidence, however, declined, reflecting concerns about further deterioration in the overall economy and personal finances. Consumer expectations of an increase in unemployment and prices in the next 12-months jumped. These results are consistent with recent outperformance of manufacturing and industrial production relative to retail sales, seen as a part of a broader trend in EMs, where consumer demand remains restrained.

Gabon

Economy Minister Nicole Mbou confirmed plans to continue servicing the country's external debt while discussions on liability management continue. The minister had indicated in January that the government was considering re-profiling its external debt, which markets interpreted to mean that Gabon would restructure its external obligations. Instead, Minister Mbou clarified that a debt operation would include the search for longer maturities and better credit conditions.

Peru

The government announced this week its decision to relax the mobility restrictions that affect a large portion of the country starting on 1 March. The modification allows most activities to operate at reduced capacity, and most notably relaxes restrictions falling under the highest alert level, which directly impact two-thirds of the economy. The current restrictions affected only 5% of the production of goods and services, and implies that the loosening of restrictions will help reduce the impact even further.

Russia

The Biden administration is expected to coordinate sanctions with European allies over the coming weeks in response to Russia's poisoning and detainment of opposition leader Alexei Navalny. The proposed package includes three types of sanctions: 1) Magnitsky Act sanctions on the individuals who detained Navalny; 2) sanctions under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act); and 3) sanctions under Executive Order 13382 — which is "aimed at freezing the assets of proliferators of weapons of mass destruction and their supporters," according to the State Department. The Trump sanctions package also proposed revoking certain Russian officials' visas and restricting the export of certain dual-use items to Russia that could be used to manufacture weapons of mass destruction. So far, it appears that no efforts are being made to restrict US investment in Russian assets.

South Africa

South Africa's Finance Minister Tito Mboweni delivered the annual budget statement this week, highlighting the government's commitment to contain spending, while supporting households through tax relief. The announcement regarding tax relief marked a reversal of earlier plans to raise an additional 40 billion rand (US$2.8 billion) in taxes over the next four years. According to the report, the debt trajectory will improve relative to consensus expectations due to increased tax collections. The country's total debt increased, but not as much as expected; and while the economy contracted, it did not contract as much as anticipated. Cash balances and a lower deficit now reduces the gross borrowing requirement for FY2021-2022. Debt-to-GDP is now projected to top out at 88.9% in FY 2025/2026, down from 95.3% in earlier budget projections.

Zambia

The potential for an increased allocation to the IMF's currency, or Special Drawing Rights (SDR), supported Zambia bonds this week. (Please see the Economist Corner on page 2 for a discussion of SDRs.) The increase would benefit all member countries by boosting FX reserves, regardless of debt sustainability or existence of a funded program. Zambia would be a clear beneficiary. In addition, Zambia and the IMF recently concluded a virtual mission to discuss a lending program. An IMF agreement would be a positive catalyst, in our view.

Chart of the Week

Petrobras Gross and Net Debt ($BN)

Source: Petrobras Financial Statements, Stone Harbor
Data as of 12/31 for years 2015-2019, as of 9/30 for 2020.

Petrobras shares declined sharply and spreads for the company's bonds widened on news of Brazil President Jair Bolsonaro's intention to replace Petrobras CEO Roberto Castello Branco with Brazilian military official Joaquim Silva e Luna. The announcement was made as pressure builds for a strike from domestic truckers, who have been impacted by the recent rise in fuel prices. Castello Branco's term ends on 24 March, but markets had expected his reappointment. The chart highlights Petrobras' efforts to pay down outstanding debt. Until 2015, the company often sold fuel in the domestic market at unprofitable terms given the prevailing oil price and FX rate. Petrobras issued bonds to finance its growing deficits, leading to an expansion of the company's debt burden to over US$120 billion by the end of 2015. Under Branco's leadership, the company implemented an asset rationalization program that further augmented cash flows to pay down debt. We will be monitoring the stability of top level management to ensure the continuation of the company's exploration and development programs. While a return to policies that allow selling fuel at lower-than-import parity seems unlikely, we may see efforts to assuage the domestic trucking industry in the months ahead.

Global High Yield

US High Yield

The high yield market declined for the week as a steep back up in interest rates offset higher oil prices and favorable profit outlooks. Lower-rated issues outperformed again with positive results, while BB issues suffered the largest declines. Energy continued to perform well with rising commodity prices. Additionally, greater vaccine rollouts benefited airlines and leisure, with investors looking ahead to improving demand. The Federal Communications Commission (FCC) released results of its C-band spectrum auction. Dish Network positively surprised the market by spending only US$2.5 million as opposed to several billion dollars. Occidental Petroleum reported strong results and reiterated expectations for US$2-3 billion of asset sales by mid-2021 and a commitment to current capex guidance despite higher oil prices.

Leveraged Loans

Leveraged loan returns were positive for the week as lower quality CCC and B loans outperformed higher quality BB credits, as in much of February. Asset class returns continue their upward trend, with the average index bid price increasing US$0.06 to US$97.78, while the discounted spread to maturity tightened 2 bps to L+407. Most industry sector returns were positive with leisure notably finishing on strong footing as news of cinema re-openings drove secondary trading of theater operators higher. Market technicals remain supportive for leverage loans. The correlation between rising treasury yields and retail inflows from mutual funds and Exchange Traded Funds (ETFs) remains high.

European High Yield

European high yield continues to show resilience despite a market selloff driven by rates volatility and equity rotation out of momentum and into value. Overall European high yield returned 4 bps week-over-week. CCC-rated names outperformed BB and single B names with a return of +41 bps vs +12 bps for B, and -7 bps for BB. Sectors in discretionary spending outperformed with leisure, airlines, restaurants and gaming tightening 25-45 bps vs an index spread movement of -4 bps. UK-based credits (such as British Airways, Stonegate Pub) did well as the UK announced a plan to re-open its economy. Softbank also outperformed after their announcement of a $US2.25 billion tender across its US$12.5 billion outstanding stock of EUR and USD bonds.

Flows/Issuance

US high yield technicals deteriorated as rising rates led to US$2.5 billion of outflows. The primary supply remained well below January's pace with only US$8 billion priced during the week. Energy companies continue to come to market while commodity prices are elevated. Natural gas producer Comstock Resources (Caa1/B) issued upsized US$1 billion eight-year senior notes below initial price guidance at 6.75. Additionally, companies continue to issue new debt to lock in low rates. Post Holdings (B2/B+) issued US$1.8 billion of ten-year senior notes at 4.5%, the low end of guidance.

Leveraged loans saw inflows of US$575 million, bringing the year-to-date (YTD) total to US$5.67 billion. Collateralized Loan Obligation (CLO) formation continued with roughly US$3.5 billion of deals being priced, bringing YTD total to US$19.67 billion, more than double last year's figure. Private equity-owned aerospace and defense company Peraton Corp. priced a US$5.92 billion deal to fund multiple acquisitions and refinance existing debt. Initially, their fundraising aimed solely at acquiring Northrop Grumman's federal IT and mission support services business; given robust demand, they were able to raise funds for a second acquisition in the IT services sector. Several other deals are in the market, along with significant repricing activity, totaling over US$90 billion year-to-date.

In European high yield, we saw relatively muted flow movements although ETFs did see some outflows. The primary market only saw one partial refinancing deal in the period, however there is growing anticipation around an imminent larger deal connected to the Ardagh spin off.

Source: Lipper, JP Morgan

Industry Insights

Chemical: The near-term outlook for commodity chemical producers has improved significantly in recent weeks due to unplanned outages in the Gulf Coast, low inventory levels, recovering demand, and steeper cost curves. Almost all Texas plants and a significant portion of capacity in Louisiana suffered outages due to widespread power outages caused by Winter Storm Uri. With plant outages occurring right before the heavy spring maintenance period, combined with existing low inventories and improving demand, tight commodity chemical markets are likely to last through Q2 2021. Additionally, higher oil prices have steepened the cost curve, benefitting the low-cost US producers.

Healthcare: Healthcare earnings are in full swing across subsectors. Healthcare providers delivered broadly inline results and forward guidance. Inpatient admissions are challenged as individuals avoid acute care settings amidst the pandemic; however, outpatient admissions strength, improved payor rates, higher acuity procedures, and operational improvements have moderated the impact of fewer patients. We anticipate a 2021 decline in overall volumes, however, assuming ongoing vaccine distribution, we expect a rebound later in the year. Outside the provider sector, high yield pharma and pharma-related services delivered strong results characterized by stable pricing, robust backlogs, and strong free cash flow generation. As for healthcare policy, President Biden signed several Executive Orders that support the Affordable Care Act, which illustrate the administration's support, and which we believe should bode well for the sector in the medium term.

Utilities: The Electric Reliability Council of Texas, the organization that operates the Texas electrical grid, was forced to institute rolling blackouts last week as sustained cold weather resulted in 46 gigawatts (GW) of generation offline, including 28 GW of thermal and 12 GW of wind (in total, this comprises almost half the normal generation). The cold weather boosted demand above the summer peak, which is typically the period experiencing the strongest demand. The spike in demand combined with the supply outages caused power prices to jump to the $9,000/Megawatt-hour (MWh) cap for more than 80 consecutive hours. This forced certain power retailers into default as they were unable to meet the rising collateral requirements.

Investment Grade

Governments

Despite Fed officials downplaying the risks of prolonged inflation, the reflation narrative garnered more momentum with the US Treasury curve bear steepening further as 5s30s widened 14 bps to a 5-year high of 163 bps. 10-year US Breakevens stabilized but remain elevated at 2.17%. Duration weakness persisted for another week with the yield on 10-year Treasuries ending the period 11 bps higher to 1.38% while 30-year Treasuries closed 20 bps higher to 2.23%. Even Japanese Government Bonds, which have been confined to a tight range, rose 3 bps to a two-year high of 0.13%.

Core European government bonds also weakened further with the yield on 10-year Bunds and Gilts rising 6 bps and 16 bps to -0.30% and 0.73%, respectively. In peripherals, the spread on 10-year Spanish and Italian bonds widened 4 bps over Bunds to 0.70% and 0.99%, respectively, amid concerns around another independence referendum and profit taking.

Corporates

Investment grade corporates had a more cautious tone this week with the continuation of rising treasury rates having a more negative effect on the already stretched valuations on corporate spreads. For many investors, the thought of higher rates seems to be good for the markets in the longer term, but the effects clearly have not benefited returns, which are negative by 3.23% year-to-date.

The OAS on the Bloomberg/Barclays index widened a few bps on the week to 91 bps, with more rate-sensitive higher quality issues underperforming. Buyers of duration have been taking advantage of the rate back up and putting new monies to work at higher yield bogies.

The FCC posted notice of the closing of the C-band spectrum auction #107 with license winners and payment amounts. In total, there were 21 bidders winning all of the available 5684 licenses. Verizon and AT&T were the top winners with 90% of the auction licenses. Verizon's take was US$45.5 billion in total licenses won, while AT&T had US$23.4 billion. T-Mobile won US$9.3 billion, while cable companies, Comcast, Charter, and Cox Entertainment did not win any licenses. Final license cost also include relocation payments and clearing costs payable the incumbent satellite operators.

Securitized

In support of the housing market, the Federal Housing Finance Agency (FHFA) has extended mortgage forbearances an additional three months while also extending the moratorium on foreclosures through the end of June. Rising interest rates impacted the Mortgage Bankers Association (MBA) mortgage application index, which fell 11.4%, the third straight week of declines, and ahead of the spring home selling season. The mortgage index duration has been rising with some associated convexity hedging.

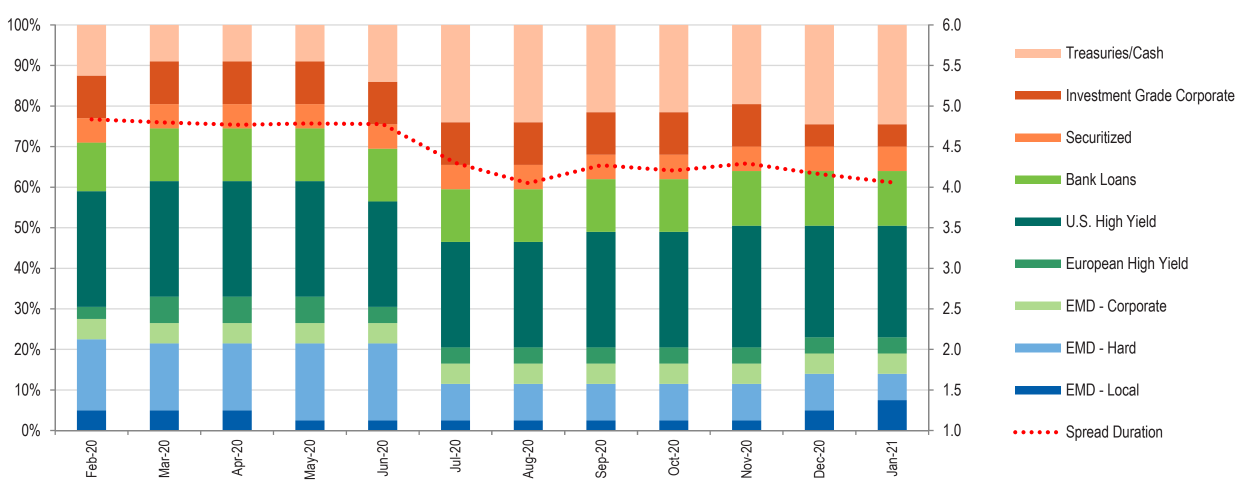
Flows/Issuance

Among investment grade corporates, while we expected heavier primary market supply for the week, it is coming in at about US$35 billion following last week's light showing. This takes supply for February to roughly US$116 billion, which is right on top of the February 2015 record high of US$116.5 billion. Flows into high grade funds were positive by US$5.5 billion (US$3.175 billion excluding short term). This is the 15th consecutive week of inflows totaling over US$79 billion, with average inflows of US$5.3 billion per week.

In securitized debt, Ford's new issue prime auto and SeaCube's container lease deals set new post-financial crisis tights. In the first credit risk transfer (CRT) upgrades since pre-COVID, Moody's upgraded five Federal National Mortgage Association (FNMA) Connecticut Avenue Securities (CAS) deals on deleveraging driven by high prepayment rates.

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 24, 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	2	(3)	(2)	(2)	30	(0.8)	(1.6)	(2.7)	(2.7)	(0.1)
	CEMBI Broad Diversified	240	(2)	(23)	(24)	(24)	(21)	(0.2)	0.2	0.1	0.1	4.6
	GBI EM Global Diversified Yield	4.66	0.13	0.29	0.35	0.35	(0.35)	(0.7)	(0.9)	(2.0)	(2.0)	2.9
EM Sovereign Debt	EMBI Global Diversified	346	2	(3)	(2)	(2)	30	(0.8)	(1.6)	(2.7)	(2.7)	(0.1)
	EMBI GD Investment Grade	143	2	(2)	(4)	(4)	(8)	(1.3)	(2.5)	(3.7)	(3.7)	0.6
	EMBI GD High Yield	596	(2)	(9)	(8)	(8)	55	(0.3)	(0.6)	(1.5)	(1.5)	(1.3)
EM Sovereign Debt Regions	Africa	518	(1)	(12)	(31)	(31)	35	(0.4)	(0.6)	(0.9)	(0.9)	4.5
	Asia	219	1	1	(11)	(11)	51	(0.7)	(1.7)	(1.8)	(1.8)	(1.5)
	Europe	258	1	(2)	(2)	(2)	31	(0.6)	(1.2)	(1.7)	(1.7)	4.2
	LATAM	366	4	(1)	9	9	21	(1.3)	(2.4)	(4.9)	(4.9)	(4.1)
	Middle East	357	1	(3)	(5)	(5)	31	(0.7)	(1.3)	(1.9)	(1.9)	0.9
EM Corporates	CEMBI Broad Diversified	240	(2)	(23)	(24)	(24)	(21)	(0.2)	0.2	0.1	0.1	4.6
	CEMBI BD Investment Grade	144	(2)	(12)	(19)	(19)	(13)	(0.3)	(0.5)	(0.6)	(0.6)	3.8
	CEMBI BD High Yield	442	(1)	(39)	(35)	(35)	(37)	(0.0)	1.2	1.2	1.2	5.6
US High Yield	US High Yield	319	(2)	(45)	(43)	(43)	(77)	(0.2)	0.8	1.2	1.2	7.8
	US High Yield BB	234	2	(33)	(32)	(32)	(8)	(0.3)	0.7	0.7	0.7	10.2
	US High Yield B	349	(3)	(43)	(31)	(31)	(33)	(0.1)	0.8	1.0	1.0	5.3
	US High Yield CCC	544	(7)	(82)	(119)	(119)	(361)	0.1	1.3	2.8	2.8	5.0
European High Yield	Barclays PanEur HY	310	(4)	(41)	(47)	(47)	(30)	0.0	0.9	1.5	1.5	3.7
	2% Ex Financials Yield	3.23	(0.06)	(0.20)	(0.21)	(0.21)	(0.25)	-	-	-	-	-
Bank Loans	LSTA Price	97.8	0.1	0.4	1.6	1.6	1.2	0.1	0.6	1.8	1.8	4.3
	LSTA 100 Yield	3.65	0.01	(0.14)	(0.34)	(0.34)	(2.03)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.38	0.07	0.27	0.42	0.42	(0.14)	(0.6)	(1.9)	(3.0)	(3.0)	2.2
	1M LIBOR	0.11	0.00	(0.01)	(0.03)	(0.03)	(1.50)	0.0	0.0	0.0	0.0	0.4
	US Aggregate	36	0	(2)	(8)	(8)	(10)	(0.7)	(1.5)	(2.2)	(2.2)	2.3
	US Investment Grade Corporates	91	2	(6)	(5)	(5)	(14)	(1.2)	(2.0)	(3.2)	(3.2)	2.9
	Global Aggregate	34	0	(1)	(3)	(3)	(6)	(0.7)	(1.4)	(2.0)	(2.0)	1.0
	Barclays 1-5 Year Credit	42	1	(3)	(1)	(1)	(9)	(0.1)	(0.1)	(0.1)	(0.1)	3.8
FX	DXY (US dollar)	90.13						(0.9)	(0.5)	0.3	0.3	(9.2)
	GBI EM FX							(0.1)	0.3	(0.7)	(0.7)	(1.6)

1W reflects data from February 17 close through February 24 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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