Stone Harbor
INVESTMENT PARTNERS

March 26, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

The release of strong flash PMI readings for the Euro Area and the US and better-than-expected US macro data (initial jobless claims, continuing claims and Q4 GDP) supported risk markets, though a selloff in US technology shares led to weakness in the S&P 500. Reopening trades pulled back on news that the US Center for Disease Control (CDC) planned a delayed reopening for the cruise line industry this summer rather than an earlier start. Oil prices jumped as much as 7% on 24 March following the stranding of a Taiwan-owned container ship in the Suez Canal and then slid again on expectations for a resumption in transit. In testimonies before Congress US Treasury Secretary Janet Yellen and Federal Reserve Chairman Jerome Powell reaffirmed the need for accommodative policies despite evidence that the US economy is recovering. US high yield bonds led credit markets in spread tightening as fixed income total returns benefitted from the stabilization in US Treasury security yields. The US dollar appreciated vs the Euro and Yen, while emerging markets (EM) currencies depreciated, on average.

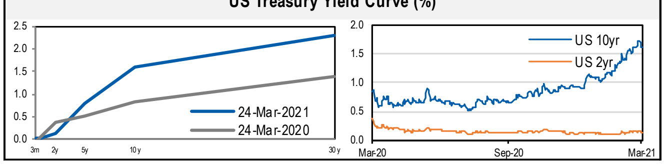
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	355		3	22.61%
EMBI GD IG	146		0	15.18%
EMBI GD HY	615		9	32.46%
Africa	538		10	45.12%
Asia	218		-8	13.56%
Europe	293		23	17.81%
LATAM	366		0	23.55%
Middle East	360		-3	22.29%
CEMBI BD	260		2	21.71%
CEMBI BD IG	153		-1	14.39%
CEMBI BD HY	477		9	32.99%
GBIEM GD (%)	5.03		13	17.52%
EM Blend (%)	4.94		2	20.63%
EMBI ESG	335		2	21.09%
CEMBI ESG	264		3	21.16%
GBI ESG (%)	4.72		11	17.75%
		-150 0 150		Mar-20 Sep-20 Mar-21

Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	326		-6	33.43%
US HY BB	246		-6	32.35%
US HY B	353		-8	31.24%
US HY CCC	550		1	41.96%
Pan Euro HY	320		12	27.58%
LSTA 100 (%)	3.74		1	31.06%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.45		-4	-3.74%
1M LIBOR (%)	0.11		0	0.28%
US Agg	34		1	2.86%
US IG Corp	97		0	15.33%
Global Agg	34		0	2.94%
		-300-200-100 0 100 200		Mar-20 Sep-20 Mar-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD			Level	Commodities			Level	Equities
EURUSD	1.18	9.50%		Gold	1,736	4.09%		S&P500	3,889	58.91%
USDJPY	108.73	2.29%		VIX	21	-65.62%		MSCI World	8,262	61.24%
EM FX		5.10%		Brent	64	137.24%		MSCI EM	3,079	65.99%
		Mar-20 Sep-20 Mar-21				Mar-20 Sep-20 Mar-21				Mar-20 Sep-20 Mar-21

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

Global Backdrop

United States

Following last week's Federal Open Market Committee (FOMC) meeting, attention remained focused on Federal Reserve Chair Powell and Treasury Secretary Yellen who spoke before the House Committee on Financial Services and the Senate Banking Committee. Both acknowledged the faster than expected recovery, however, the Fed reiterated its intentions of remaining accommodative for some time, which is consistent with previous messaging. Treasury Secretary Yellen also re-emphasized her previous assessment that current fiscal support should bring the economy back to full employment by the end of 2022.

Covid-19 cases in the US stabilized further while vaccinations continue to ramp up with 33% of the adult population now inoculated with at least one dose of vaccine. As such, regional states have reopened their economies with some lifting face mask requirements.

Europe

Shortly after announcing a 5-day shutdown, which would have closed food stores for 4 of the 5 days, Chancellor Merkel reversed course amid strong opposition from German officials. Limited vaccine supplies led to a contentious dispute between Europe and the UK over AstraZeneca's output from the Netherlands. The EU tightened its vaccine export controls and will monitor reciprocation of vaccine doses and materials.

Core European PMIs accelerated in March with the most notable pickup being German manufacturing, which rose from 60.7 to 66.6 — its fastest rate of change since July. The combination of stronger orders and optimism around the easing of restrictions led to a pickup in hiring. Services also advanced with Germany now back in expansion while France improved but remains in contraction territory. The overall Euro-area composite PMI reflects the optimism and reached a new 6-month high of 52.5.

Japan/Asia

As generally expected, the Bank of Japan (BoJ) kept its policy rate settings unchanged, however, the central bank widened its 10-year Japanese Government Bonds (JGB) target range to -/+25 basis points (bps) around zero. The BoJ also announced a new scheme aimed at alleviating pressure on the banking industry should the central bank cut rates further into negative territory.

Despite a modest uptick in Covid-19 cases, Prime Minister Suga lifted Tokyo's state of emergency on 21 March as overall infections stabilized. Vaccinations are progressing but remain well behind other developed countries as only 0.55% of the population has been inoculated with at least one dose of vaccine.

Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

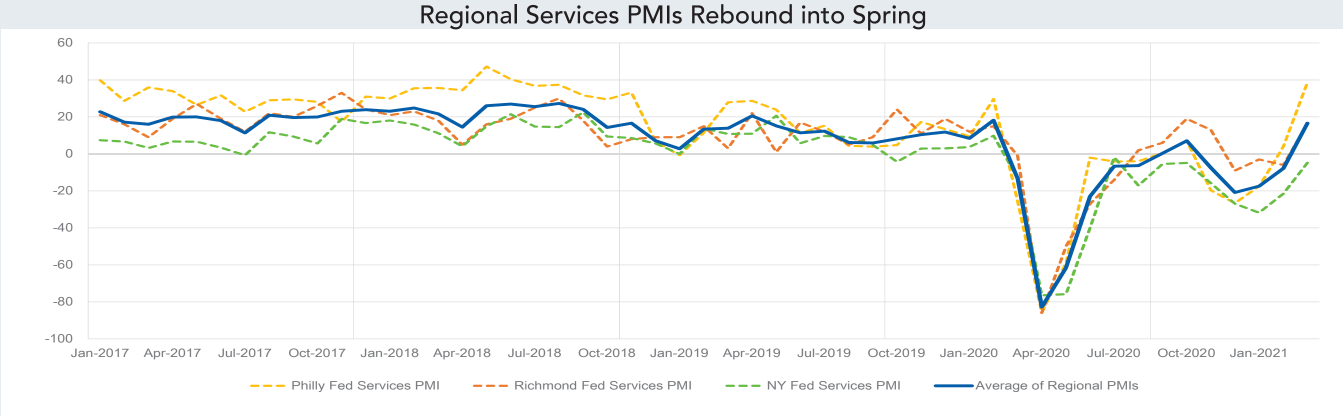
Recent data shows early signs of activity picking up meaningfully into the spring. We have been expecting such a pickup as cases come down, vaccinations increase, and states and localities ease restrictions, though we are not sure of the exact timing. Incoming data over the past week shows clear signs that the back half of March is starting to see the acceleration—an acceleration that we expect to continue.

The early-reporting regional service sector PMIs for March have been very strong. These surveys can fly under the radar a bit compared to their manufacturing counterparts, but the service sector bore the brunt of the impact from Covid and recovery here is necessary to drive a broad economic improvement. As the accompanying graph shows, the average of the service sector surveys from the New York, Philadelphia and Richmond Feds had clearly slowed with the winter wave. They all increased sharply in March, and their average now sits at the highest reading since the pandemic started.

This week, initial claims dropped sharply as well—by nearly 100,000, from 78,000 to 684,000. That improvement reverses an increase the prior week, and puts them on a little bit steeper downward trend.

Importantly, we think this is just the leading edge of data improvement. To put it a bit more concretely, there are likely to be multiple months where payroll growth exceeds 1 mn in the spring and summer, though the exacting timing of that remains hard to predict. Though this data improvement is mainly in the US for now, we expect other developed markets to follow as vaccine distribution broadens.

Regional Services PMIs Rebound into Spring



Source: Haver Analytics, Federal Reserve Bank of Philadelphia, Richmond, New York, and Stone Harbor Investment Partners
Simple Average

Emerging Markets Debt

External Sovereign Debt

The spread on the JP Morgan EMBI Global Diversified widened 3 bps, resulting in a benchmark return of 0.2%. The top country performers included Suriname (4.6%), Jamaica, (1.8%) and Sri Lanka (1.8%). The bottom performers included Turkey (-5.9%), Argentina (-2.5%), and Mozambique (-1.3%). Asia outperformed with strong relative performances from Indonesia, Malaysia, and Sri Lanka. Europe underperformed, due to the drawdown in Turkey.

Local Currency Debt

The JP Morgan GBI EM Global Diversified posted a total return of -1.1%, consisting of returns from spot EM currencies of -0.5% and -0.6% from duration. In FX, the Brazil real, Uruguay peso and Dominican Republic peso outperformed, appreciating vs the US dollar by 1.7%, 0.5%, and 0.4%, respectively. Turkey's lira declined 3.7% while the Russian ruble and Colombia peso depreciated by 3% and 1.7%, respectively.

The yield of the JP Morgan GBI EM Global Diversified increased 13 bps to 5.03%. Turkey's local bond yields increased by 343 bps. Brazil's domestic bond yields rose 75 bps while yields in Mexico and Colombia climbed by 50 and 36 bps, respectively. Yields fell in Thailand (-10 bps), Hungary (-8 bps), and Indonesia (-8 bps).

In central bank actions, key rates remained unchanged as expected in Czech Republic (0.25%), Ghana (14.5%), Hungary (0.75%), Mexico (4%), South Africa (3.50%), and Thailand (0.5%). Colombia's central bank will announce its rate decision on 26 April. A survey of market participants suggests the overnight lending rate will be unchanged at 1.75%.

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified had a small gain this week, with high grade outperforming high yield, as a stabilization in UST rates provided a boost in demand for duration. Both Asia and Latin America had small, but positive returns. However, the biggest mover in the index was Turkey, which lost over 4% over the week after the government shocked the market with the removal of the central bank chief. Banks comprise approximately two-thirds of the Turkey constituency in the benchmark, so any headlines around monetary policy disproportionately impacts the Turkish corporates sector. Although the lira depreciated by approximately 9%, private banks and corporates in Turkey generally have a bias to hold US dollar-denominated assets; state-owned banks generally hold more neutral FX positions. As a consequence, the lira devaluation should not have an immediate impact on bank credit fundamentals. Nonetheless, the change in leadership at the central bank calls into question the policy framework. In the short-term, deposit withdrawals from the banking system will put substantial pressure on Turkey's foreign reserves, which can accelerate capital flight.

Flows/Issuance

Uncertainty over the direction of core bond yields led debt liability managers and corporate treasurers to refrain from new issuance, particularly in long duration bonds. Though no emerging market sovereign issuance occurred again this week, both Ghana (B3/B-/B, Moody's/S&P/Fitch) and Pakistan (B3/B-/B-) scheduled bond offerings for next week. In EM corporates, issuance totaled approximately US$9 billion with all of the issuance in short-maturity bonds from China, India, Hong Kong, and South Korea.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$1.2 billion for the week through 23 March, with funds directed to hard currency, local currency and blended benchmark portfolios. 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

Economy Minister Martin Guzman met with IMF staff and IMF Managing Director Kristalina Georgieva in Washington DC this week. The IMF staff noted in a carefully worded statement that it had made progress with Guzman in defining key principles that "could underpin an economic program," and noted that common understanding of the need for macroeconomic stability was reached. Separately, Argentina reported a primary surplus for the first two months of 2021, which was 31% lower in nominal terms and approximately 50% lower in real terms than for the same period last year, though much better than many analysts had predicted earlier. Revenues, which were up 49%, provided the bulk of the adjustment and remained well above the 40.7% inflation rate. Wages and social security spending were contained. On the financing side, the government continues to rollover obligations in the local market.

Ecuador

Leftist presidential candidate Xavier Hervas, who had a strong performance in the first round presidential election (4th place with 15.7% of the votes), announced his formal endorsement of conservative candidate Guillermo Lasso in the second-round runoff on 11 April. In a reference to the correista candidate and frontrunner Andres Arauz, Mr. Hervas noted that his decision is a rebuke to the authoritarian and divisive model that has governed Ecuador. It represents a shift of stance as Mr. Hervas had initially signaled he would remain neutral in the second round dispute. Mr. Hervas's support provides a much needed tailwind to the Lasso campaign, which has been trailing in the second-round polls by approximately 7.5ppt on average. However, in isolation it is unlikely to meaningfully change the electoral outlook. Mr. Lasso's chances would improve considerably if he were also able to secure the formal endorsement of the indigenous candidate Yaku Perez who lost in the second-round election to Mr. Lasso by a thin margin. However, the indigenous movement has been openly advocating that its supporters cast blank/null votes on the 11 April second round.

Mozambique

Mozambique's government stated that ExxonMobil may delay for two years its final investment decision for a 15 million ton per year liquefied natural gas (LNG) project, according to the state-owned Jornal de Noticias which cited Energy Minister Max Tonela.

The project had been expected to be as large as US$30 billion. The press advisor at the Mineral Resources and Energy Ministry noted that Total will resume construction work on its LNG project after implementation of additional security measures. Total reaffirmed its commitment to deliver the first cargo of LNG in 2024, according to the ministry. Mozambique's external sovereign debt posted an average total return of -1.3% this week.

Pakistan

The IMF Executive Board announced that it had completed the combined second through fifth reviews of the Extended Arrangement under the Extended Fund Facility for Pakistan. The IMF noted that program performance remained satisfactory even through the challenges of the pandemic and that Pakistani authorities remain committed to structural economic reforms. Pakistan's credit spread tightened this week.

South Africa

Core inflation fell sharply from 3.3% in January to 2.6% in February, more than offsetting upward pressure from oil prices and contributing to a decline in headline inflation from 3.2% to 2.9% (below consensus of 3.1%). Lower health insurance inflation (which fell from 9.5% to 4.7% and carries a 7.5% CPI weight) was the main driver of the decline in core inflation. Fuel prices may lead to an increase in headline inflation in the months ahead before price pressures decline later this year, in our view. The benign inflation outlook still argues for accommodative monetary policy, in our view. The South African Reserve Bank (SARB) left its policy interest rate unchanged at 3.5% in a unanimous decision, as expected. While the bank's forecast revisions, including an upgrade to the 2021 inflation projection reflecting higher oil prices, were hawkish on the margin, the overall tone of the bank's communication appeared to us as dovish.

Suriname

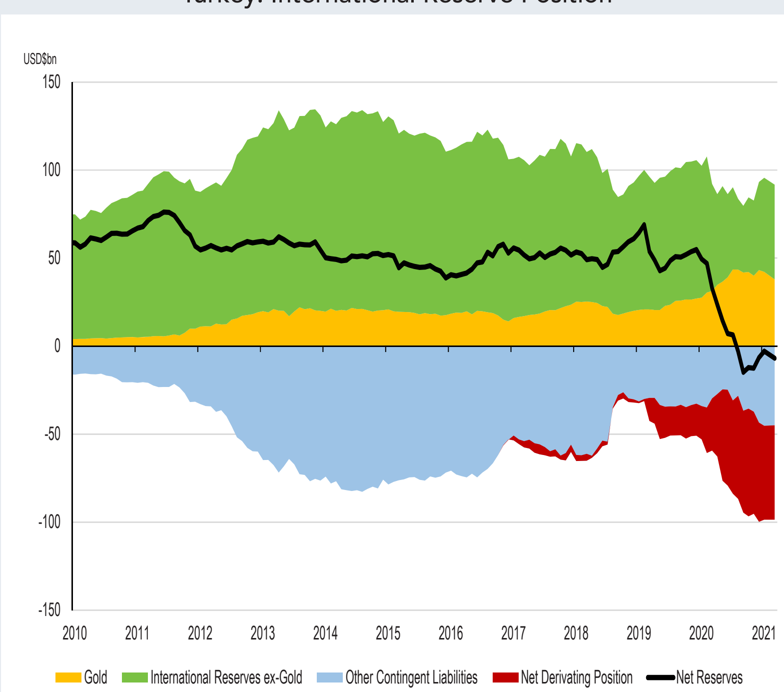
The Republic of Suriname announced that it had begun solicitations of consent to extend until May the temporary period of payment deferral on its two outstanding Eurobonds to allow further time for the government to reach staff-level agreement with the IMF on a funded program. The extended payment deferral, according to the solicitation documents, will provide additional time for the Republic to conduct "orderly negotiations" with holders of the notes. We believe that Suriname's discussions with the IMF have been constructive as authorities state in the consent solicitation that a staff-level agreement by the end of April 2021 is a realistic expectation. Suriname bonds returned 4.6% on average this week.

Turkey

Turkey's President Recep Tayyip Erdogan dismissed Central Bank Governor Naci Agbal, who had assumed his position in November 2020 and had raised interest rates to combat double-digit inflation. The new Governor Sahap Kavcioglu is a former journalist who has written in favor of Erdogan's bias to lower policy interest rates to contain inflation. Market reaction to Kavcioglu's appointment was sharply negative. The lira slid over 16% in value on Monday and recovered to -9% for the week as of this writing. Turkey sovereign bonds returned -5.9% on average and local bond yields increased by over 340 bps, on average.

Chart of the Week

Turkey: International Reserve Position



Sources: JP Morgan, Bank of America, Bloomberg, Stone Harbor Investment Parters LP
Last data point is estimated based on partial data

During 2020, Turkey's international reserve position deteriorated as the central bank intervened in an effort to slow the depreciation of the Turkish lira in the face of large capital outflows. While traditional reserve assets held up better, in part supported by higher gold prices, the deterioration happened mostly on the liability side, especially liabilities from derivative contracts ("FX swaps") and from required reserves on bank deposits. The reserve drain continued until President Erdogan replaced the central bank governor in November 2020, thus paving the way for interest rate hikes that stabilized the currency, allowing for a small accumulation of reserves. However, net international reserves had already turned negative by that time. The drop in net reserves explains the negative market reaction to the surprise replacement of the central bank governor one day after he managed a higher-than-expected 200 bp policy rate hike. The new governor appears to share Erdogan's unorthodox views on interest rates. The market now fears premature rate cuts as policies are expected to be recalibrated with an aim to boost growth. Inter-meeting rate cuts have been ruled out but it could happen at the next regular meeting on 15 April. Given the precarious reserve position, we believe the margin for error is now significantly smaller, keeping markets nervous and requiring a substantial risk premium for Turkish assets.

Global High Yield

US High Yield

Stabilizing bond yields led to positive performance in the high yield market with higher rated issues outperforming lower rated issues. Volatile oil prices caused energy bonds to underperform while aerospace outperformed on a well received tender offer from Bombardier. Negative flows and a heavy new issue calendar remained headwinds. Leisure companies remain focused on reopening their businesses as the vaccination rate improves. Six Flags Entertainment, the world's largest regional theme park company, announced the scheduled opening of additional parks bringing the total to 23 out of 27 parks that are scheduled to be open for the summer season. AMC Theatres announced that more than 98% of its theatres are open as it reopened several of its California locations. Despite calls from the cruise industry lobby to lift the current Framework for Conditional Sailing Order, the CDC announced the framework would stay in place until 1 November and there would continue to be a phased approach to the return to sailing.

Leveraged Loans

The loan market had a softer tone this week, as did several other risk markets. The S&P/LSTA Leveraged Loan Index (the "Index") returned -0.02%, the average Index bid price declined 12 bps to US$97.57, and the spread-to-maturity widened 4 bps to L+413. Lower quality CCC-rated loans outperformed the index, while BB&B returns were similar, marking the first time in several weeks B-rated issues didn't outperform. Sectors tied to the reopening outperformed while commodity related sectors lagged. New issuance continues to garner the most attention, and while volumes are below earlier this month, they are still robust. Approximately US$12 billion worth of deals were launched, bringing the month-to-date figure to US$60 billion, inline with February's monthly issuance number. While the use of proceeds continues to be heavily skewed towards repricings and recapitalizations, we saw some uptick in LBO/M&A activity. The loan market continues to see healthy demand from both the structured credit community as well as retail investors. Collateralized Loan Obligation (CLO) formation totaled US$2.89 billion, bringing month-to-date issuance to US$12 billion, and year-to-date issuance to US$33.7 billion, as compared to US$17.8 billion in the comparable year-to-date period. Lastly, for the tenth consecutive week we see continued inflows from loan mutual funds and Exchange Traded Funds (ETFs), totaling US$997 million for the week.

European High Yield

Overall European high yield returned -0.05% week-over-week. Performance across rating categories ranged from -0.03% to -0.12% with B-rated names underperforming. Overall spreads were 10 bps wider, leaving spreads 5 bps wider month-to-date. Airlines were the clear underperformer, widening 38 bps in spreads following headlines of European travel restrictions stalling the sector's recovery. Newly issued IAG performed poorly as a result, down 2 pts from reoffer, but settled at this lower price point at the end of the period. New issuance volume continues to be elevated. Of note, perfume retailer Douglas launched a dual tranche to refinance its capital structure. The senior secured tranche will be the second largest European high yield B/CCC issuance. US-based global aluminium producer Novelis priced their debut EUR issuance with proceeds along with cash on hand to refinance existing USD term loans. The green Novelis 8NC3 issuance priced at 3.375% from IPTs in the high 3-4% area. Bonds traded higher after issuance to close 101.65/101.95, having priced at 100.

Flows/Issuance

US high yield technicals were weak due to US$1.4 billion of outflows and US$13.5 billion of new issues. The March new issue supply is up to a very strong US$48 billion with a week remaining. US$14 billion has been issued for the week, and US$25 billion already in March. A large new deal from Royal Caribbean Cruises was met with strong demand of over US$6 billion in orders resulting in an upsizing of the US$1.25 billion issue to US$1.5 billion. The unsecured 7-year non-call bonds (B2/B) priced at 5.5%, tighter than the 5.75-6% guidance.

US loan funds netted inflows of about US$997 million for the week ended 17 March, extending the streak of gains for the asset class to ten weeks. Year-to-date, net inflows now total about US$8.5 billion, according to Lipper weekly reporters.

In Europe, EPFR data continue to post modest inflows in the asset class (+US$300 million this week), which seems an underestimate of actual flows given that the strong primary issuance was easily absorbed by the market.

Source: Lipper, JP Morgan

Industry Insights

Finance: On 19 March, the Fed announced they will let the Covid temporary relief of the Supplementary Leverage Ratio (SLR; with which banks calculate the amount of common equity capital that must be held relative to total leverage exposure) expire on 31 March 2021, a year from when they enacted the temporary relief. The market was expecting the March relief deadline to be extended; news that it would not be extended was a surprise to the market. The Fed action only effects the Global Systemically Important Banks (G-SIBs). The high yield index banks and finance companies, if covered by the SLR, are regulated by a 2% or 3% SRL, not the G-SIB's 5% SLR. In more positive news to the large G-SIB's, a second Fed SLR press release offered the G-SIB's some hope for changing the rule. The Fed stated "the Board will soon be inviting public comment on several potential SLR modifications. The proposal and comments will contribute to ongoing discussions with the Department of the Treasury and other regulators on future work to ensure the resiliency of the Treasury market." While this announcement does help G-SIB's, we envision it to be at least 6 months before a new SLR rule is implemented.

Energy: Oil rebounded Wednesday on strong PMI numbers from Europe and a blockage in the Suez Canal limiting oil shipments; however, recent oil price weakness reflects concerns over new Covid-related restrictions announced in parts of Europe and a surge of cases in India (the largest buyer of oil in January). Also, Chinese refineries are entering into a turnaround period, leading to weaker near-term demand. The move down was exacerbated by US dollar strength, the unwind of recently added speculative length and prices falling through option strikes of large open interest. US oil production remains in check, with rig count in the low 400 range estimated to be needed to maintain, not grow, production.

Housing: The housing industry has continued its strong post-Covid rebound in 2021, but slowed somewhat in February as housing starts and sales (new and existing) slowed to high-single-digit year-over-year percent growth in February vs prior double-digit growth. The slowing was due to severe weather disruption from the cold snap in the South/Southeast US as well as an uptick in mortgage rates. The industry is expected to reaccelerate in March, thanks to pent-up demand, still relatively low mortgage rates, and an ongoing secular/generational shift to the suburbs while repair and remodel trends remain strong. Housing activity will likely see more difficult year-over-year comps starting this summer, along with growing headwinds from sequentially increasing mortgage rates. Nonetheless, we believe strength should be sustainable through 2021 and into 2022 with Covid vaccine rollouts, likely multiple significant federal stimulus measures, and a supportive Fed policy.

Investment Grade

Governments

This week's 2-year and 5-year Treasury note auctions saw better demand and closed with bid/cover ratios of 2.54 and 2.36, respectively. The upcoming 7-year auction will be monitored as last month's weak demand for this maturity catalyzed the upward pressure on yields. Over the course of the week 10-year Treasury yields reached another one-year high of 1.75%, amid elevated volatility, before retracing to end the period 4 bps lower at 1.61%. Treasury volatility, as measured by the ICE BofAML MOVE Index, eased off the recent highs but remains heightened at 61. Better demand in longer dated maturities saw the Treasury curve bull flatten with 5s30s 12 bps lower to 150 bps. We see a similar theme in Europe this week as the yield on core government bonds followed Treasuries lower with 10-year Bunds and Gilts falling 7 bps to -0.35% and 0.76%, respectively. In peripherals, the spread on 10-year Spanish and Italian bonds were 4 bps tighter to 63 bps and 94 bps, respectively.

Corporates

Investment grade corporate spreads were mixed this week with most of the focus concentrated on the primary markets and treasury rates. Bloomberg/Barclays corporate OAS remained unchanged at +97 bps for the week and wider by 7 bps on the month. Credits in the energy space widened out with oil prices earlier in the week but managed to recover some while investor demand for high quality paper in the 10-year and 30-year part of the curve remains robust. Secondary market flows have been busy and fairly balanced, but spread moves can be exaggerated when liquidity dries up. There has been some concern in the markets regarding the relationship between negative returns and retail outflows.

Thus far, despite negative high grade fund total returns, flows have remained positive overall. Some of this can be explained by the higher demand for short/intermediate aggregate funds where returns have been less negative compared with outflows in the longer duration funds, where returns are much worse; others have pointed to the fact that there are just fewer alternatives to capture yield.

Securitized

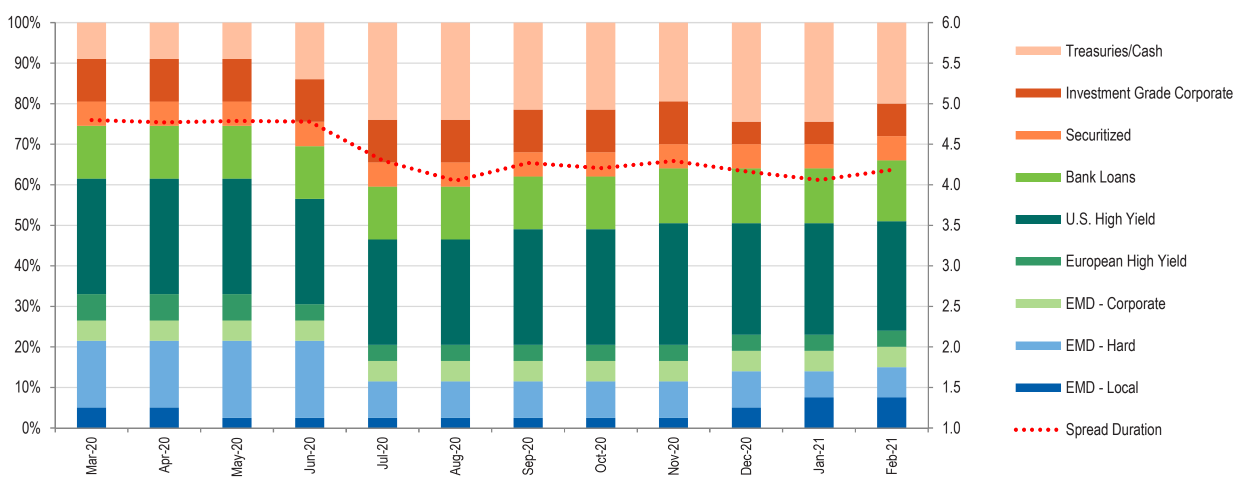
Agency mortgages and commercial mortgage-backed securities (CMBS) spreads were unchanged on the week while asset-backed securities (ABS) spreads widened on supply and month-end pressure. Mortgage production has moved primarily into the 2.0 and 2.5 coupons with some 3.0 coupon supply coming to market. Consumer credit is expected to benefit in the short-term from upcoming tax refunds and the current round of stimulus checks. The Alternative Reference Rates Committtee (ARCC) announced that they will not be able to recommend a Secured Overnight Financing Rate (SOFR) term rate by mid-2021 as planned and possibly not even by year-end due to the illiquidity of the SOFR derivatives market.

Flows/Issuance

Mutual fund flows into high grade corporate funds were positive by US$2.261 billion according to EPFR. (HG Corp + HG Aggregate ex short term). Aggregate funds have continued to see positive flows, while international funds are still showing outflows. In the primary markets, another heavy week of supply was expected. AT&T surprised the markets at the tail end of last week with a smaller than expected deal comprised of short dated maturities, while ORCL sprang US$15 billion across the curve after being downgraded two notches by Moody's and one notch by Fitch. For the week-to-date, supply is approaching US$42 billion and March is shaping up to be a decent month with supply surpassing expectations at roughly US$184 billion currently.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 28 February 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 March 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	355	3	(3)	4	4	(336)	0.2	(0.4)	(4.0)	(4.0)	22.6
	CEMBI Broad Diversified	260	2	10	(10)	(10)	(380)	0.1	(0.5)	(0.7)	(0.7)	21.7
	GBI EM Global Diversified Yield	5.03	0.13	0.32	0.81	0.81	(0.86)	(1.1)	(2.9)	(6.5)	(6.5)	17.5
EM Sovereign Debt	EMBI Global Diversified	355	3	(3)	4	4	(336)	0.2	(0.4)	(4.0)	(4.0)	22.6
	EMBI GD Investment Grade	146	0	(9)	(2)	(2)	(231)	0.6	(0.2)	(4.9)	(4.9)	15.2
	EMBI GD High Yield	615	9	7	7	7	(545)	(0.3)	(0.6)	(3.0)	(3.0)	32.5
EM Sovereign Debt Regions	Africa	538	10	3	(18)	(18)	(536)	(0.3)	(0.5)	(2.3)	(2.3)	45.1
	Asia	218	(8)	(11)	(14)	(14)	(237)	0.9	0.3	(2.4)	(2.4)	13.6
	Europe	293	23	19	28	28	(250)	(1.1)	(1.6)	(4.1)	(4.1)	17.8
	LATAM	366	0	(9)	11	11	(369)	0.5	(0.1)	(6.2)	(6.2)	23.6
	Middle East	360	(3)	(4)	(7)	(7)	(314)	0.5	(0.2)	(2.7)	(2.7)	22.3
EM Corporates	CEMBI Broad Diversified	260	2	10	(10)	(10)	(380)	0.1	(0.5)	(0.7)	(0.7)	21.7
	CEMBI BD Investment Grade	153	(1)	3	(16)	(16)	(233)	0.3	(0.5)	(1.5)	(1.5)	14.4
	CEMBI BD High Yield	477	9	19	(8)	(8)	(593)	(0.2)	(0.5)	0.4	0.4	33.0
US High Yield	US High Yield	326	(6)	0	(34)	(34)	(753)	0.2	(0.2)	0.5	0.5	33.4
	US High Yield BB	246	(6)	4	(18)	(18)	(594)	0.3	(0.6)	(0.5)	(0.5)	32.4
	US High Yield B	353	(8)	0	(26)	(26)	(730)	0.3	0.1	0.8	0.8	31.2
	US High Yield CCC	550	1	2	(108)	(108)	(1,352)	0.1	0.9	3.4	3.4	42.0
European High Yield	Barclays PanEur HY	319	12	4	(36)	(36)	(613)	(0.0)	0.3	1.4	1.4	27.6
	2% Ex Financials Yield	3.26	(0.02)	(0.16)	(0.19)	(0.19)	(6.92)	-	-	-	-	-
Bank Loans	LSTA Price	97.6	(0.1)	(0.2)	1.4	1.4	21.2	(0.0)	(0.0)	1.8	1.8	31.1
	LSTA 100 Yield	3.76	0.01	0.08	(0.24)	(0.24)	(8.84)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.45	(0.04)	0.18	0.67	0.67	0.64	0.2	(1.4)	(4.8)	(4.8)	(3.7)
	1M LIBOR	0.11	0.00	(0.01)	(0.03)	(0.03)	(0.81)	0.0	0.0	0.0	0.0	0.3
	US Aggregate	34	1	0	(8)	(8)	(74)	0.4	(0.9)	(3.0)	(3.0)	2.9
	US Investment Grade Corporates	97	0	7	1	1	(256)	0.6	(1.6)	(4.5)	(4.5)	15.3
	Global Aggregate	34	0	1	(3)	(3)	(55)	0.4	(0.0)	(2.1)	(2.1)	2.9
	Barclays 1-5 Year Credit	54	1	9	9	9	(255)	0.0	(0.2)	(0.5)	(0.5)	8.8
FX	DXY (US dollar)	92.76						1.2	1.8	2.9	2.9	(9.3)
	GBI EM FX							(0.5)	(1.5)	(3.3)	(3.3)	8.2

1W reflects data from March 17 close through March 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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