WEEKLY COMMENTS ON CREDIT

18 NOVEMBER 2022

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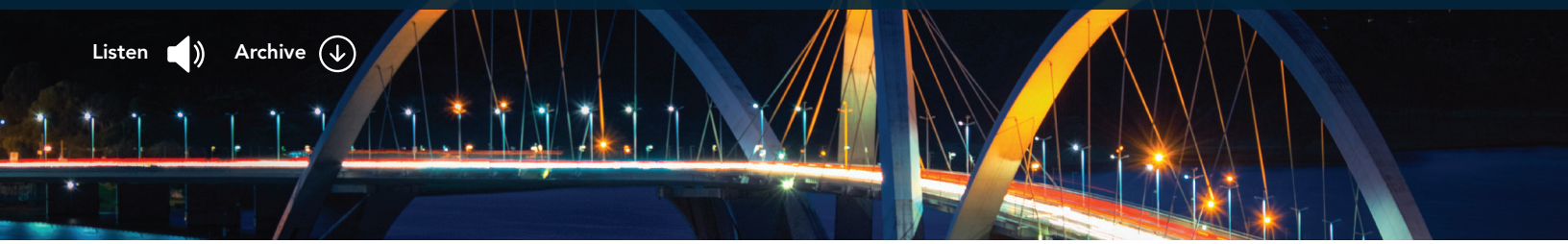

GLOBAL MARKET SUMMARY

Global credit markets extended last week's positive momentum on further signs of better U.S. inflation data. The Producer Price Index data showed a notable improvement, consistent with last week's better-than-expected Consumer Price Index. Together, the latest data set suggests a move in a positive direction – one that points at a potential slowing in the pace of interest rate increases by U.S. Federal Reserve. The benchmark U.S. 10-year Treasury yield declined to a six-week low of 3.69%. Credit spreads tightened and total returns were positive across all major credit sectors. Emerging markets (EM) hard currency sovereign debt outperformed U.S. high yield bonds. The U.S. dollar weakened against the euro, and spot currency performance in EMs was positive.

Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	484		-31	-19.47%
EMBI GD IG	162		-11	-20.56%
EMBI GD HY	851		-50	-18.31%
Africa	810		-65	-15.93%
Asia	359		-31	-17.47%
Europe	638		-53	-38.15%
LATAM	449		-22	-16.13%
Middle East	349		-15	-11.35%
CEMBI BD	390		-25	-15.12%
CEMBI BD IG	213		-12	-15.90%
CEMBI BD HY	640		-42	-14.17%
GBIEM GD (%)	7.04		-22	-15.09%
EM Blend (%)	7.99		-51	-16.53%
EMBI ESG	412		-26	-20.69%
CEMBI ESG	392		-23	-13.71%
GBI ESG (%)	7.08		-27	-15.13%

-200 0 200 400

Nov-21 May-22 Nov-22

Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	483		-23	-10.52%
US HY BB	323		-13	-10.09%
US HY B	504		-25	-9.48%
US HY CCC	1,182		-59	-15.86%
Pan Euro HY	528		-43	-10.24%
LSTA 100 (%)	8.58		-12	-0.73%
US Treasury 7-10 (%)	3.68		-42	-13.36%
1M LIBOR (%)	3.91		3	1.11%
US Agg	55		-7	-12.70%
US IG Corp	138		-14	-15.56%
Global Agg	55		-5	-10.44%

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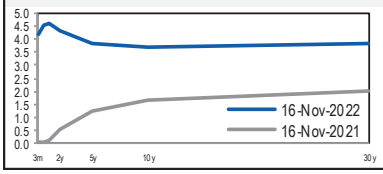
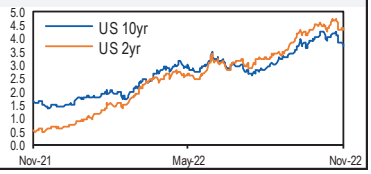
Nov-21 May-22 Nov-22

US Treasury Yield Curve (%)





Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.04	-8.17%	Gold	1,776	-4.79%	S&P500	8,413	-14.43%
USDJPY	139.50	-17.68%	VIX	24	47.28%	MSCI World	8,141	-16.45%
EM FX		-8.14%	Brent	93	12.65%	MSCI EM	2,379	-23.62%

Nov-21 May-22 Nov-22

As of: 16 November 2022. Source: Bloomberg, Stone Harbor Investment Partners. For illustrative purposes only. See disclosures at end of material for additional information.

United States

Although the level of inflation remains elevated, incoming inflation data served as a welcomed relief. Last week's U.S. Consumer Price Index data was better-than-expected with the month-on-month change at 0.4% resulting in a year-over-year reading for CPI at 7.7%. which compares favorably with market expectations of 7.9%. Core inflation also came in 0.2% below expectations at 6.3%. This week's Producer Price Index readings were also positive with headline and core year-over-year increases of 8% and 6.7%, respectively, with both 0.4% better-than-expected. Economic activity data was strong with retail sales rising 1.3% month-on-month and new jobless claims remaining stable at 225k.

Europe

Euro area Q3 GDP came in at 0.2% and September industrial production rose 0.5%, although individual country readings over the week (e.g., Holland, Italy, and Finland) were softer than expectations. ZEW sentiment readings rose but remain firmly in negative territory. Following the better-than-expected CPI numbers in the U.S., several ECB council members sought to reiterate that the ECB will continue to tighten and that markets should not get ahead of themselves.

U.K. GDP fell 0.2% in Q3 and a further 0.6% in October providing further support to the notion that the U.K. is already in recession. CPI came in at 11.1% on the back of energy prices, while core inflation held stable at 6.5%. Governor Bailey reiterated that it would take 18-24 months to bring inflation lower. Jobless data showed firm wages increase (although negative in real terms) but also some hints in the data that the labor market may be weakening. Focus remained on Finance Minister Jeremy Hunt's fiscal statement around spending cuts and tax increases.

Asia/Japan

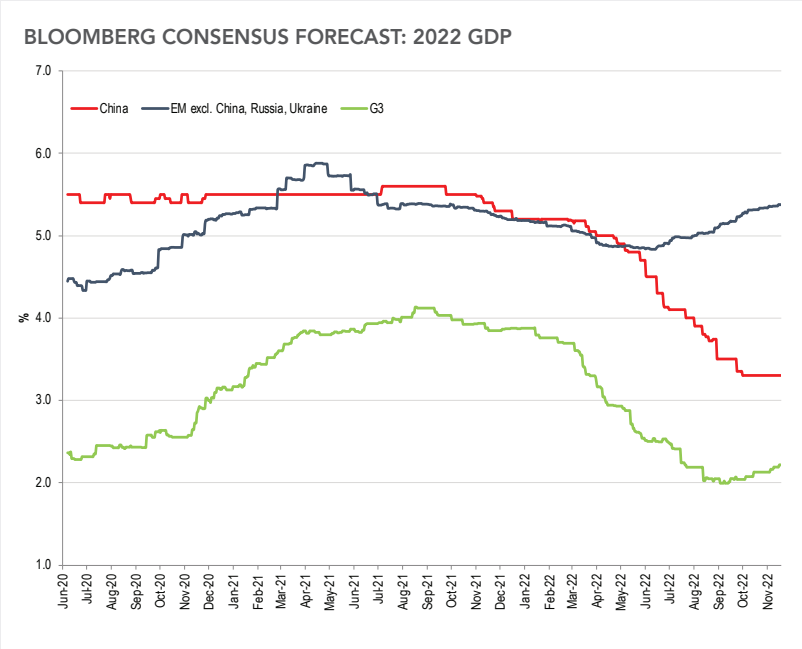
China moved to relax Covid restrictions somewhat and to offer more specific support to the property sector. In Australia, the Reserve Bank of Australia minutes showed that it had made the decision to move away from forward guidance. The norm will now be to offer no forward guidance. When the RBA deems it necessary, the only qualitative guidance will be offered. No forecast of rates will be published.

Economist Corner

Seamus Smyth, PhD, Developed Markets **Steffen Reichold, PhD, Emerging Markets**

This year saw sharp downward revisions of GDP forecasts. The key drivers have been persistent inflation pressures and resulting rate hikes by the Fed and the ECB, the war-related energy crisis in Europe, and COVID lockdowns in China. This has been a global trend in the sense that all major economies have been affected (U.S., Eurozone, Japan, and China). However, once we exclude China, Russia, and Ukraine, the growth outlook for emerging markets (EM) actually looks much better. Over the past 4-5 months, EM growth expectations have improved. And this occurred despite substantial monetary tightening across EMs.

So what is happening here? We see two key developments. The first is the impact of stronger commodity prices. Commodity exporters from Brazil to Colombia to Argentina and Malaysia among others have benefitted as a result. But this is only part of the story. The second key development has been stronger-than-expected economic momentum in many other EMs where growth this year held up well despite inflation pressures and substantial monetary tightening. We believe this highlights the underlying economic resilience in many EMs in the face of a challenging global economic environment. Looking at next year, we do expect to see EM growth slowing down. However, we also expect EM's growth advantage over developed markets to increase, which should be positive for the asset class.



As of 17 November 2022
Sources: Bloomberg, Stone Harbor Investment Partners
For illustrative purposes only.

External Sovereign Debt

External sovereign debt spreads tightened 31 bps and the JP Morgan EMBI Global Diversified returned 4.3%. Non-investment grade credits outperformed investment grade bonds and registered total returns of 4.4% and 4.1%, respectively. The top performers included Ukraine (26.2%), Venezuela (14.6%), and Zambia (11.1%). The bottom performers — and the only three countries with negative total returns — were El Salvador (-1.9%), Lebanon (-1.2%), and Ghana (-0.7%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 3.0%. EM currencies returned 1.7%, in aggregate. The Polish zloty outperformed with spot FX return of 3.8%, followed by the Serbian dinar (3.7%) and Czech koruna (3.5%). Underperformers included Brazil (-3.4%), Colombia (-0.5%), and Egypt (-0.5%).

The yield of the JP Morgan GBI EM Global Diversified declined 22 bps to 7.04%. Hungary bonds outperformed with yields 114 bps lower, followed by Turkey (-109 bps) and Serbia (-77 bps) bonds. Brazil (+112 bps), Peru (+17 bps), and China (+15 bps) underperformed.

In central bank actions, several countries raised their key policy rate, including Uruguay (+50 bps to 11.25%), Indonesia (+50 bps to 5.25%), Peru (+25 bps to 7.25%), and Philippines (+75 bps to 5.00%). Mexico increased the overnight rate by 75 bps to 10.00% and Serbia increased the 1-week repo rate by 50 bps to 4.50%.

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified returned 2.71% this week continuing the positive momentum from the week before. Non-investment grade credits outperformed investment grade bonds with total returns of 2.96% and 2.51%. respectively. Asia gained 3.35%, driven by sizeable returns in Vietnam (10.14%), Kazakhstan (9.19%), Macau (5.81%), and China (4.77%). Chinese government's aid announcement to the property sector helped fuel these results. Within Central and Eastern Europe, Middle East, and Africa (CEMEEA) region, Ukraine outperformed with a 15.14% return. All but three benchmark countries posted positive returns. The exceptions were Barbados (-1.38%), Moldova (-1.66%) and Trinidad (-0.10%). At the industry level, real estate (+6.19%), oil & gas (+3.95%) and consumers (+3.77%) were the primary contributors to returns.

Flows/Issuance

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of US$512 million. We note that EPFR data provides a partial picture of portfolio flows as it accounts for a segment of the total market.

Sources: J.P. Morgan and EPFR

Sovereign Soundbites

ARGENTINA Following a meeting with China's President Xi Jinping at the G-20 Summit in Indonesia, President Alberto Fernandez announced on Tuesday that China agreed to increase the currency swap line with Argentina by US$5 billion from the current US$18.5 billion. According to Fernandez, China would be making an "absolute exception" by increasing the size of the swap line. The deal would allow Argentina to build foreign reserves – a critical step in ensuring future debt payments and meeting a key objective under the IMF program.

BRAZIL President-elect Luiz Inacio Lula da Silva's transition team proposed a constitutional amendment to exclude Brazil's main social welfare program from the spending cap limit for next year and even potentially increase the total value from 175 billion reais to 198 reais. Furthermore, the amendments also propose excluding the welfare expenses from the fiscal rule indefinitely.

Separately, although Lula has not yet revealed any details of his cabinet, reports that former Sao Paulo Mayor Fernando Haddad is emerging as a top choice for role of finance minister is also weighing on markets. Haddad's appointment could suggest that Lula is supporting leftist party members over centrist coalition allies in formulating his economic policy.

CHINA Late last week, China announced 20 new measures designed to make COVID control more tolerable and less disruptive. Summary of the measures include the following: reducing geographic extent of mass PCR testing; some easing of quarantine requirements for contracts and after travel; reducing risk area classification from three categories to two; promoting vaccinations; and avoiding excessive enforcement. Importantly, however, the announcement explicitly stated that the measures do not reflect a relaxation of COVID controls or a reopening.

ETHIOPIA In a move that further seals the ceasefire agreement signed on 2 November, top military leaders of Ethiopia and its embattled Tigray region agreed on implementation details of the ceasefire. The deal allowing immediate humanitarian aid into Tigray marks a step forward in carrying out the peace agreement, which calls for complete disengagement from all military activities and simultaneous withdrawal of foreign and non-Ethiopian military forces from the Tigray. In our view, the ceasefire and peace agreement open the possibility of Ethiopia obtaining exceptional access to IMF funding, which in turn would allow further discussions with creditors on debt relief.

GHANA President Nana Akufo-Addo removed Charles Adu Boahen, the minister of state for finance, from his post based on allegations that Boahen had taken bribes from artisanal mine investors. The termination of Boahen comes as lawmakers consider an opposition motion to dismiss Finance Minister Ken Ofori-Atta on grounds of corruption and economic mismanagement. Despite building pressure of his

resignation, Ofori-Atta is planning to present his 2023 budget statement on 24 November, after which an IMF staff-level agreement is anticipated by end of this year or January 2023. A credible budget that leads to an IMF program by mid-2023 may help restore some of the lost market confidence.

KAZAKHSTAN Kazakhstan's sovereign wealth fund, Samruk-Kazyna, announced plans for an initial public offering (IPO) to sell a stake of up 5% in state oil company KazMunayGaz (KMG) on two domestic stock exchanges – Astana International Stock Exchange and the Astana International Financial Center. Samruk-Kazyna owns 90.42% of the issued and outstanding shares of KMG, with the remaining shares currently owned by the National Bank of Kazakhstan. If the IPO materializes, it would likely result in the removal of KazMunayGas bonds from external sovereign debt benchmarks and their inclusion in benchmarks for corporate bonds.

KENYA Kenya is seeking further aid from the IMF under The Resilience and Sustainability Facility (RSF), which is designed to support policy reforms targeting climate change and pandemic preparedness. If approved, the program support would complement other existing IMF programs. Kenya is awaiting IMF Board approval for US$433 million in financing under the 38-month Extended Fund Facility/Extended Credit Facility arrangements. The IMF has previously commented that Kenya is staying the course on its IMF program targets for the current and subsequent fiscal years.

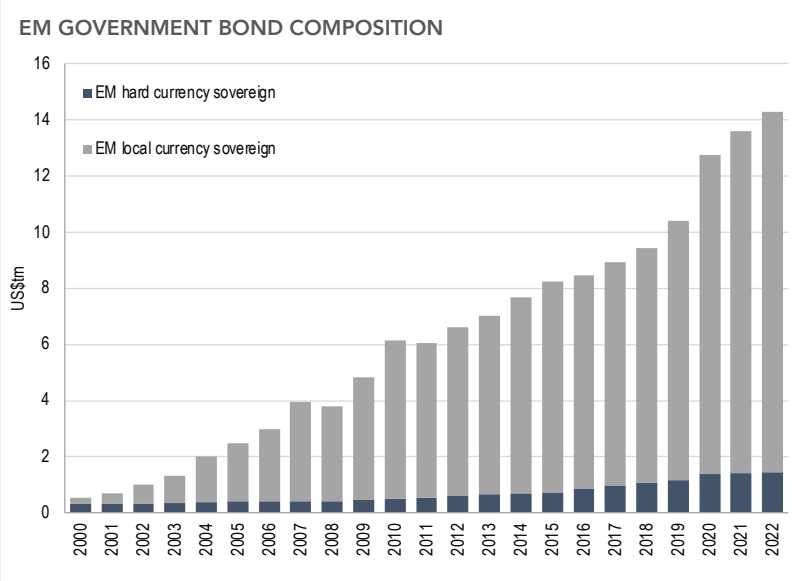
SERBIA National Bank of Serbia is in discussions with Finance Ministry on potential bond issuance as the country considers financing options, including a deal with the IMF. The IMF Board is expected to approve the negotiated stand-by arrangement in the amount of EUR 2.4 billion in December. The new program, if approved, would augment the existing Policy Coordination Instrument (non-financing program). According to the Ministry, the government may elect not to draw the full amount of financing earmarked by the proposed IMF program.

SENEGAL IMF staff returned from a November 4-15 visit to Dakar to conduct the sixth and final review under the Policy Coordination Instrument and the third and final reviews under the Stand-By Credit Facility and Stand-By Arrangement. The staff concluded that Senegal has made significant progress on policies and reforms that could result in completion of the reviews, subject to IMF management approval and consideration by the IMF Executive Board in mid-December. However, the staff also noted that the pace of reform progress has been slower than anticipated. The country has yet to adopt a fiscal framework to manage oil and gas revenues and a new public procurement code. In addition, the IMF staff noted delays in payments of cash transfers to poor households.

ZAMBIA The World Bank and IMF officials are pressing Zambia's creditors to accelerate negotiations on reducing the country's debt burden as the nation seeks to restructure US$12.8 billion of foreign debt. Any memorandum of understanding would have to be completed before April, when the IMF aims to carry out a first review of Zambia's $1.3 billion, three-year loan, a crucial step in the country's push to restructure its debts.

Chart of the Week

The US dollar-equivalent amount of sovereign debt from developing economies has increased from US$530 billion in 2000 to over US$14.1 trillion in 2022, an increase of 2,600%. One important factor that limits the negative implications of rising public debt levels, particularly for many of the largest EM countries is that most of this increase has occurred in local currency debt, which has contributed the vast majority of the growth in the stock of government debt. As of 31 October 2022, local currency debt comprised 90% of the total outstanding public debt from 66 countries. The replacement of external debt with domestic funding sources has reduced external funding strains on many EM economies during periods of market stress when access to international capital markets is constrained. It has also reduced the impact of US dollar strength by lowering the reliance on US dollar financing. In our view, the risk and opportunity for EM debt investors continues to be the identification of countries that benefit from this dynamic and pursue sustainable debt management policies.



As of 31 October 2022
Sources: JP Morgan, Bloomberg Finance LP, Central Banks, Stone Harbor Investment Partners
For illustrative purposes only.

U.S. High Yield

The ICE BofAML U.S. High Yield Constrained Index advanced 2.64%. Last week's lower-than-expected CPI number jump started the market to add risk at a frenetic pace, supported by ETF inflows, a light primary calendar, and US$8 billion in coupon/calls/tenders. As a result, demand to buy bonds increased. Mixed economic data and hawkish comments from Fed speakers later in the week slowed the pace but buyers still outweighed sellers. Total return among ratings differed over the week due to the sharp move in rates but are closing more inline. CCCs outperformed slightly, gaining 2.74%, with Bs and BBs 2.65% and 2.56%, respectively. The index yield to worst closed .63% tighter at 8.77% and index spreads tightened 7 bps to finish at 483 OAS with all rating classes closing similarly. Sectors that outperformed included Building Products, Healthcare, Leisure, Lodging, and Media Cable primarily driven by demand for large liquid capital structures and better-than-expected earnings. Aerospace/Defense, Airlines, Energy, Satellites lagged the index by .5% to .75% in total return. United Rentals Inc. announced an acquisition for Ahern Rentals Inc. for approximately US$2 billion and subsequently priced a US$1.5 billion deal to fund the transaction. This was the third industrial M&A announced in the last week.

Leveraged Loans

Momentum in the leveraged loan market continued this week. The market welcomed the modestly better-than-expected CPI data and a more stable interest rate environment over the past week, while corporate earnings continued. Broadly speaking, earnings have been in line with expectations, and while outlooks have been revised down or withdrawn, investors appear more confident in their views for the economy going forward. The Morningstar LSTA US Leveraged Loan Index ("Index") posted a return of 0.66%, the average bid price of the Index increased 45 bps to US$93.06, and the spread-to-maturity tightened 14 bps to L+536. Activity in the secondary market was more robust this week as we saw more engagement from the investor community with increased demand in the discounted portions of the market, which is evidenced by B rated loans outperforming both the Index as well as the higher quality BB rated portion of the market. From an industry perspective, we saw strength in commodity related sectors as well as the Building Products sector, which was driven by interest rate stability and multiple favorable earnings reports. On the downside, we continued to see weakness in the Healthcare sector as we saw broad-based weakness in the physician service and staffing sub-sector related to persistent labor and volume headwinds. Lastly, there were no defaults in the Index last week.

European High Yield

The European High Yield market gained 1.71% following better-than-expected CPI data in the U.S. Markets reacted strongly with higher beta bonds outperforming. Index spreads tightened 43 bps for the week with BBs 34 bps tighter and CCC issues 105 bps tighter. Canadian private equity firm M2 announced a tender offer for 100% of the shares of Superior Industries. The Superior bonds gained 15 points to trade closer to the 101 change of control. Asda bonds gained 1 point after posting results that showed continued improvement.

Flows/Issuance

According to EPFR, the U.S. high yield market saw its fourth consecutive weekly inflow with US$2.21 billion primarily driven by flows into ETF products. The primary market was quiet with only one deal pricing, TransAlta Corp. priced a US$400 million 7-year note at 7.75% with more than US$5 billion in orders. Banks are prepping to fund the leverages buyout of auto-parts maker Tenneco by Apollo after they failed to lure investors for secured notes and a term loan.

Leveraged loan market technical improved as we saw the emergence of a new issue calendar for the first time in several months. We saw several deals allocate and trade above their issue price with order books that were oversubscribed, pointing to an appetite for new issue. Notably, the majority of deals were for higher quality issuers, but proceeds varied from refinancing to M&A. Demand for the floating rate asset class was resilient as we saw modest Collateralized Loan Obligation (CLO) formation this past week and further outflows from retail mutual fund and Exchange Traded Fund (ETF) investors during the week. Three new CLOs priced, bringing the month-to-date total to ten deals for US$4 billion. Further, outflows for the week approached US$700 million, bringing the year-to-date outflow figure to -US$3.7 billion. Daily outflows have remained mixed over the last several sessions.

For European high yield, flows rebounded with inflows of US$171 million during the week.

Source: Lipper, EPFR

Industry Insights

BUILDING PRODUCTS: This week, the last of our building products portfolio holdings reported their third quarter results. Consistent with peers who had previously reported, results from Prime Source, U.S. Lumber, Specialty Building Products and Griffon surpassed estimates across the board and far exceed many investors' worst fears for the sector. With homebuilders record backlogs and broader construction delays due to supply chain challenges stemming from the pandemic, end consumer demand remains stronger than anticipated given the current macro-economic backdrop. However, recognizing the significant amount of economic uncertainty that we currently face, these issuers all are prioritizing gross debt reduction either via bond buybacks at a discount in the secondary market or revolving line of credit pay downs to improve overall flexibility.

CONSTRUCTION MACHINERY: This week, United Rentals (URI) announced the acquisition of Ahern Rentals for US$2 billion cash, a 6.5x multiple, and priced a US$1.5 billion 7-year Senior Secured offering to back the acquisition. The First Lien Secured offering netted an IG rating of BBB-/Baa3 and pushed URI's existing Second Lien paper back into HY after Moody's downgraded it due to the layering. Despite the rating, the offering came with many HY-like covenants, including a three year call schedule, and a 40% equity claw plus a 10% per annum special redemption at 103% during the non-call period. The paper tightened from the initial call price of mid-6% range to price at 6% and traded slightly above PAR on the break. URI expects US$40 million of synergies within the first 12 to 18 months of closing and will continue to remain acquisitive going forward. The Caa3/CC-rated Ahern paper, which was trading in the low 70's prior to the deal announcement due to its looming 2023 maturity and its failed effort to exchange the notes into a 2026 maturity, moved up to PAR after the announcement.

FINANCIAL SERVICES: Credit card issuers, including investment grade, crossover, and high yield rated companies, reported monthly consumer credit statics for October earlier this week. The data showed small increases in credit weakness among consumers, especially among lower credit rated customers. Both net charge offs and delinquencies are up sequentially from September levels and up from January 2022 levels. However, compared to historic levels, both charge offs and 30-day delinquencies are still lower than the 5-year averages in the years before 2020. Interestingly, the reports show that consumers are building up revolving credit card debt. Of the companies that report balances data, all but one reported revolving credit balances growing greater than 10% from the start of 2022. The one company that has grown balances at only 8% year-to-date has indicated on earning calls and investor conferences that they are tightening credit standards and lowering credit limits to most customers to reduce potential charge-offs in 2023 and 2024. As consumers build up credit card debt, the risk of larger credit losses increases.

Governments

U.S. Treasury yields moved sharply lower following the higher-than-expected CPI reading and subsequent PPI data. The yield on 10-year Treasuries ended the period some 42 bps lower at 3.69%. Two-year yields fell 32 bps to end the week at 4.36%. The forward curve now indicates a mid-year peak in Fed Funds at 4.9% versus 5.03% this time last week.

German bund strengthened over the period as the yield on 10-year bonds fell 19 bps to 1.98% but lagged the U.S. as sentiment was dashed by ECB speakers cautioning that one swallow does not a make summer. Two-year German yields fell to 2.09% from 1.21%, further flattening the yield curve. Spreads on peripheral bonds tightened.

The U.K. Gilt market tracked mid-way between the U.S. Treasury market and the Bund market as expectations for a tight budget offset the cautious rhetoric from Central bankers. U.K. ten-year Gilts ended the week at 3.16%.

Corporates

Investment grade corporates were in full "risk on" mode earlier this week with spreads showing significant compression leaving the Bloomberg corporate OAS at 138 bps or tighter by 14 bps on the week. Liquid higher-beta names with spread outperformed higher quality names which may have hit a wall given they trade at much richer levels. Recently issued bonds also traded up in the secondary on the momentum, while accounts also nibbled on off the run names, which have been trading much cheaper than on the run issues. Flows did show better customer selling, most likely looking to take advantage of any profits, and or using proceeds to pay for any purchase in the primary market. Markets did calm down towards the end of the week as rally fatigue set in, but spreads were only off a few bps.

Securitized

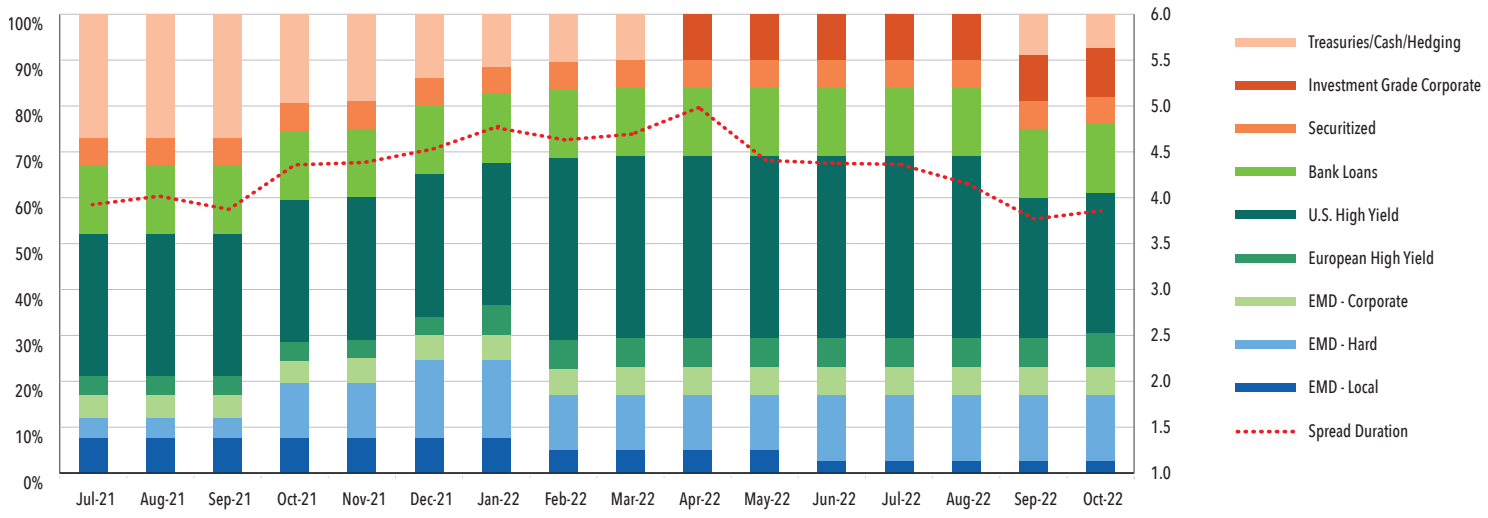
Securitized spreads tightened post-CPI. ABS new issue has been busy with deals upsizing and or tightening into pricing. Biden's loan forgiveness program is no longer accepting applications after a federal judge in Texas blocked it. With the program now halted, FFELP prepayments may not come in as high as previously projected. Last week's office CMBS bidlists brought price discovery and not surprisingly the sector reset wider. Barclays is projecting office prices may fall 30% in the next few years on higher vacancies and cap rates. FNMA released pool-level social disclosures on single-family pools to identify categories such as type of borrower, for example minority or first-time, and type of area, for example low-income, rural, or designated disaster. This new information can help ESG investors identify pools to meet social targets.

Flows/Issuance

In the investment grade corporates primary markets, roughly 24 deals priced for US$26.28 billion during the week. Deals saw surprisingly brisk demand with many issuers seeing oversubscription rates above 5x, leading to little if any concessions in many deals. Philip Morris was the marque deal of the week with a US$6 billion offering with maturities inside of 10 years. Other deals from Intesa Sanpaolo, United Rentals, and Open Text priced on the richer side of initial price talk and performed well in the secondary.

High grade fund flows recorded inflows of US$393 million for the latest period according to EPFR. Corporate only funds saw strong inflows coming primarily from the short to intermediate maturity buckets led by ETF's, although partially offset by outflows from the mutual fund segment. Aggregate funds as well as total return funds continued to register outflows with all of the outflows related to the aggregate funds coming from the short end. JP Morgan's estimate of high grade fund flows into corporates across all high grade credit showed inflows of US$2.037 billion.

STONE HARBOR MULTI-ASSET CREDIT TARGET ALLOCATIONS (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 October 2022. Actual allocations within any account may be significantly different from the target allocations shown here. For illustrative purposes only.

As of November 16, 2022			Spread or Yield Change (bps or %)						Total Return (%)				
			Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	EMBI G D	484	(31)	(58)	(75)	118	135	4.3	5.9	6.1	(19.3)	(19.5)
	CEMBI Broad Diversified	CEMBI B D	390	(25)	(37)	5	118	127	2.7	3.5	1.3	(15.1)	(15.1)
	GBI EM Global Diversified Yield	GBI EM GD	7.04	(0.22)	(0.39)	(0.27)	1.32	1.38	3.0	5.8	4.8	(14.6)	(15.1)
EM Sovereign Debt	EMBI Global Diversified	EMBI G D	484	(31)	(58)	(75)	118	135	4.3	5.9	6.1	(19.3)	(19.5)
	EMBI GD Investment Grade	EMBI IG	162	(11)	(20)	(29)	18	23	4.1	4.5	3.3	(21.2)	(20.6)
	EMBI GD High Yield	EMBI HY	851	(50)	(106)	(141)	212	251	4.4	7.4	9.1	(17.3)	(18.3)
EM Sovereign Debt Regions	Africa	Africa	810	(65)	(176)	(217)	197	233	5.3	11.3	13.4	(15.1)	(15.9)
	Asia	Asia	359	(31)	(42)	(17)	140	143	3.8	4.3	1.8	(17.8)	(17.5)
	Europe	Europe	638	(53)	(80)	(95)	314	362	4.4	5.9	6.9	(36.9)	(38.1)
	LATAM	LATAM	449	(22)	(43)	(76)	68	78	4.7	6.1	7.4	(16.6)	(16.1)
	Middle East	Middle East	349	(15)	(26)	(34)	24	32	3.2	3.8	3.1	(11.7)	(11.4)
EM Corporates	CEMBI Broad Diversified	CEMBI B D	390	(25)	(37)	5	118	127	2.7	3.5	1.3	(15.1)	(15.1)
	CEMBI BD Investment Grade	CEMBI IG	213	(12)	(17)	8	63	69	2.5	2.8	0.6	(16.2)	(15.9)
	CEMBI BD High Yield	CEMBI HY	640	(42)	(66)	(9)	156	170	3.0	4.4	2.2	(13.8)	(14.2)
US High Yield	US High Yield	US HY	483	(23)	5	(69)	151	149	2.6	1.2	4.0	(11.2)	(10.5)
	US High Yield BB	US HY BB	323	(13)	15	(54)	88	88	2.6	1.3	4.0	(10.7)	(10.1)
	US High Yield B	US HY B	504	(25)	1	(78)	128	121	2.6	1.3	4.7	(10.2)	(9.5)
	US High Yield CCC	US HY CCC	1,182	(59)	(8)	(65)	488	505	2.7	0.2	1.8	(15.9)	(15.9)
European High Yield	Barclays PanEur HY	BAR PanEur HY	528	(43)	(57)	(100)	218	216	1.7	2.5	5.0	(10.3)	(10.2)
	2% Ex Financials Yield	2% ExFin Yield	7.76	(0.56)	(0.66)	(1.07)	4.20	4.22	0.00	0.0	0.0	0.0	0.0
Bank Loans	LSTA Price	LSTA Price	93.1	0.5	0.9	1.1	(5.6)	(5.6)	0.7	1.3	2.4	(1.0)	(0.7)
	LSTA 100 Yield	LSTA 100 Yield	8.58	(0.12)	0.01	0.54	4.70	4.74	0.7	1.3	2.4	(1.0)	(0.7)
Investment Grade	US Treasury 7-10 Yield	US Tsy 7-10 Yld	3.68	(0.42)	(0.37)	(0.15)	2.23	2.11	3.4	3.1	1.6	(14.3)	(13.4)
	1M LIBOR	1M LIBOR	3.91	0.03	0.11	0.77	3.81	3.82	0.1	0.2	0.4	1.1	1.1
	US Aggregate	US AGG	55	(7)	(10)	(7)	19	21	3.1	3.0	1.7	(13.2)	(12.7)
	US Investment Grade Corporates	US IG Corp	138	(14)	(20)	(21)	46	48	4.0	4.1	3.1	(16.2)	(15.6)
	Global Aggregate	Global AGG	55	(5)	(7)	(6)	19	20	2.0	2.0	1.7	(10.6)	(10.4)
	Barclays 1-5 Year Credit	Barclays 1-5 Year Credit	84	(12)	(19)	(8)	41	42	1.4	1.6	1.3	(6.0)	(6.0)
FX	DXY (US dollar)	DXY	106.28	-	-	-	-	-	(3.9)	(4.7)	(5.2)	11.1	10.8
	GBI EM FX	GBI EM FX	-	-	-	-	-	-	1.7	3.3	2.7	(7.8)	(8.6)

1W reflects data from 9 November 2022 close through 16 November close. Source: Stone Harbor Investment Partners; Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Representative asset class benchmarks referenced herein are defined as follows: U.S. 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 PanEuropean High Yield; IG Corp: Bloomberg 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 general 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 Treasury Index tracks the obligations of the U.S. Treasury with a remaining maturity of one year or more. The Bloomberg 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 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 asset backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The Bloomberg 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 U.S. and non-US industrial, utility and financial issuers. The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. The Bloomberg 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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