WEEKLY COMMENTS ON CREDIT

12 APRIL 2024

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GLOBAL MARKET SUMMARY

Global bond yields were pushed higher once again this week, as U.S. inflation data continued to disappoint, raising doubt on the ability of the Federal Reserve to begin lowering interest rates over the coming months. European bond yields also moved higher in response to the U.S. inflation data, albeit at a much slower pace than seen in U.S. Treasuries. Meanwhile, in China, inflation data continued to surprise to the downside, highlighting the problems the Chinese economy faces with potential overcapacity and a lack of a strong demand stimulus. Spreads across major credit sectors generally tightened and total returns were broadly negative. The U.S. dollar advanced against the euro and the average spot currency performance in emerging markets was positive for the week.

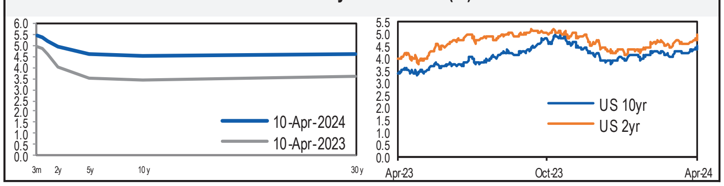
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	322		-17	10.22%
EMBI GD IG	103		-10	1.05%
EMBI GD HY	579		-26	20.47%
Africa	571		-36	25.37%
Asia	170		-10	8.63%
Europe	356		-20	11.08%
LATAM	309		-15	10.02%
Middle East	269		-12	2.88%
CEMBI BD	212		-15	8.04%
CEMBI BD IG	116		-10	4.93%
CEMBI BD HY	394		-24	12.66%
GBI-EM GD (%)	6.40		9	4.85%
EM Blend (%, 1/3rd ea.)	7.22		6	7.72%
EMBI ESG	282		-16	8.51%
CEMBI ESG	218		-17	8.32%
GBI ESG (%)	6.44		9	5.40%

Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	292		-17	10.23%
US HY BB	176		-14	8.07%
US HY B	262		-16	10.67%
US HY CCC	714		-22	15.45%
Pan Euro HY	310		-15	10.70%
CS Loan (%)	9.62		24	12.20%
US Treasury 7-10 (%)	4.57		22	-4.42%
1M LIBOR (%)	5.43		0	5.43%
US Agg	39		1	-0.63%
US IG Corp	87		-1	2.07%
Global Agg	38		-1	2.57%

US Treasury Yield Curve (%)



Other Asset Classes (12 mos Total Return)

	Level	Currency Return vs USD
EURUSD	1.07	-1.07%
USDJPY	153.16	-12.77%
EM FX		-2.03%

	Level	Commodities
Gold	2,348	11.64%
VIX	16	-16.71%
Brent	90	7.48%

	Level	Equities
S&P500	11,219	27.56%
MSCI World	10,585	23.21%
MSCI EM	2,745	10.31%

As of: 10 April 2024. Source: Bloomberg, Stone Harbor Investment Partners. For illustrative purposes only. See disclosures at end of material for additional information.

United States

Global bond yields were pushed higher once again this week, as U.S. inflation data continued to disappoint, throwing doubt on the ability of the Federal Reserve (Fed) to begin lowering interest rates over the coming months. March consumer price data for the U.S. posted its third successive upside surprise, with both the headline and core measures rising by 0.4% on the month. While goods inflation moderated somewhat, service sector inflation – which tends to be stickier – drove the disappointment, with core service price ex-rent rising by annualized 8% in March, having been over 6% in January and February also. The pace of inflation is unlikely to give the Fed room to ease interest rates over the near-term, and market expectations for any easing over the balance of this year were pared back sharply – with only 1-2 cuts in rates now discounted by the end of this year. The inflation news followed the release of March employment data, which was consistent with a still-strong labor market in the U.S. Payroll gains of 303,000 in March were well above expectations, and increases in hours worked pointed to some pick-up in economic momentum moving into the second quarter. Ten-year U.S. treasury yields reached new highs for the year, rising by 20 basis points (bps) to 4.55%.

Europe

European bond yields also moved higher in response to the U.S. inflation data, albeit at a much slower pace than seen in U.S. Treasuries. Inflation data has been better behaved in the eurozone, and economic readings – while recovering marginally from the weakness seen in 2023 – remain somewhat downbeat.

The European Central Bank (ECB) kept key rates unchanged on Thursday and signaled that monetary easing can commence in the summer if incoming data continues to be supportive. Ten-year bund yields rose by 8 bps during the week to 2.44%, and the yield gap between bund yields and U.S. Treasury yields reached its widest levels since October 2023. The euro was somewhat weaker versus the U.S. dollar.

Asia/Japan

In Japan, reports that the Bank of Japan (BoJ) would be upping its inflation projections at its next meeting – potentially paving the way for a further increase in short-term rates – did little to support the currency, with the Japanese yen hitting new lows in the wake of the U.S. inflation report. The Japanese authorities have become increasingly uncomfortable with the weakness of the Japanese yen, although any significant intervention has yet to be forthcoming. Japanese bond yields did edge higher during the week, with 10-year Japanese Government Bonds rising above 0.8% for the first time since last November. Meanwhile, in China, inflation data continued to surprise to the downside, highlighting the problems the Chinese economy faces with potential overcapacity and a lack of a strong demand stimulus. March annual consumer price inflation fell to 0.1% from 0.7% in February, while producer prices declined by 2.8% in the same period – compared with an annual contraction of 2.7% in February. The details of the reports suggested that the specter of deflation continues to loom over the Chinese economy. Chinese government bond yields were little changed over the week, outperforming their developed market counterparts.

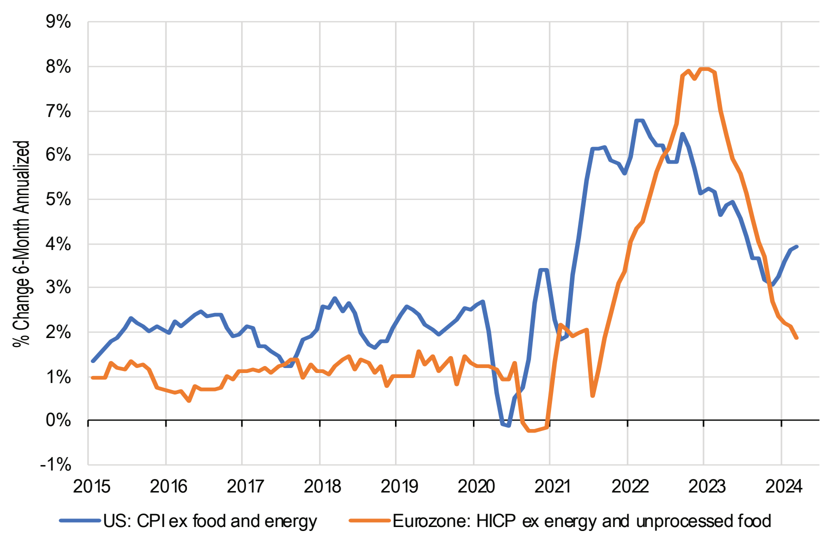
Economist Corner

The Eurozone and U.S. have seen different inflation outturns over the last several months which has driven different central bank communications with respect to the path of policy. As the accompanying graph shows, back in October 2023 the 6-month annualized pace of core inflation was about equal. Since then, the Eurozone has seen their version of core inflation–HICP ex energy and unprocessed food–continue to march downward and now sits at 2%. In contrast the U.S. version of core inflation–CPI ex food and energy–has reversed course and increased back to 4%.

The communication from the banks has followed the inflation rates. Various FOMC speakers have expressed more caution over the past several weeks about the rate cuts the last SEP penciled in. In contrast, at this week's ECB meeting they continued to nod toward the potential to "reduce the current level of monetary policy restriction" if data were to "further increase its confidence" in inflation moderation. The clear implication being that recent data has already been increasing their confidence.

There are some subtleties around this. The difference between CPI vs HICP is helping the Eurozone inflation look somewhat lower, and on a HICP basis U.S. inflation looks somewhat lower. When we look at core PCE, which Fed cares more about, there has still been slippage though not quite as much. Our penciling out of the details puts core PCE as likely up by 0.28% month-on-month for March, considerably better than the 0.36% core CPI hit, though it will still show some of the upturn over the last several months.

EUROZONE CORE INFLATION CONTINUES DOWN WHILE US CORE INFLATION TURNS UP



Analysis as of 11 April 2024, based on latest available data.
Sources: BLS, Haver Analytics, Statistical Office of the European Communities, and Stone Harbor calculations
For illustrative purposes only.

External Sovereign Debt

External sovereign debt spreads tightened 17 basis points (bps) this week and the JP Morgan EMBI Global Diversified returned 0.0%. Non-investment grade bonds outperformed investment grade bonds with total returns of 0.4% and -0.5%, respectively. The top performers included Argentina (+5.8%), Venezuela (+4.5%), and Zambia (+3.4%). The bottom performers were Honduras (-1.5%), Paraguay (-1.0%), and India (-1.0%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -0.3%. EM currencies returned 0.1%, in aggregate. The Chilean peso (+0.8%) outperformed, followed by the Mexican peso (+0.6%) and the Indonesian rupiah (+0.5%). Underperformers included Uruguay (-1.8%), Turkey (-1.1%), and Czech Republic (-0.9%).

The yield of the JP Morgan GBI EM Global Diversified increased by 9 bps to 6.40%. Uruguay (-4 bps) outperformed, followed by Indonesia (-2 bps) and China (-1 bps). Colombia (+53 bps), Mexico (+33 bps), and Turkey (+21 bps) underperformed.

In monetary policy, Thailand left rates unchanged at 2.50% as the market expected, although this was despite tremendous pressure from the Prime Minister to cut rates. Romania and Poland both left rates unchanged at 7.00% and 5.75%, respectively, as expected. In a surprise move, Uruguay cut its benchmark rate by 50 bps to 8.50%. Markets had expected Uruguay's central bank to remain on hold at 9.00%.

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified returned -0.2% this week, while spreads tightened 15 bps. EM corporates slightly underperformed EM sovereign bonds (-0.0%) but delivered on-par returns with U.S. high yield debt (-0.2%). Non-investment grade bonds outperformed the index with +0.2% returns while investment grade bonds underperformed with -0.4% returns. Africa (+0.4%), Europe (+0.1%), and CEEMEA (+0.0%) delivered positive returns, while Latin America (-0.0%) and Middle East (-0.1%), delivered negative returns, yet performed better than the index. Asia delivered the worst returns of -0.4% for the week. The top performers include Moldova (+3.4%), Argentina (+1.1%), Ghana (+0.9%), and Honduras (+0.8%). The bottom performers include Taiwan (-0.9%), Thailand (-0.9%), Madagascar (-0.7%), and Kazakhstan (-0.6%). In terms of sector performance, Consumer (+0.1%) and Oil & Gas (-0.1%) outperformed the index, while Industrial (-0.4%) and Diversified (-0.4%) lagged index returns.

Flows/Issuance

In EM sovereign debt, Colombia issued bonds due in 2035 and 2053 worth roughly US$1.4 billion.

In EM corporate debt, EM corporates saw slightly more issuances from last week. Korea's Shinhan Financial Group issued a US$500 million 10-year social bond at a spread of 140 bps. Hong Kong's Far East Horizon Bank issued a US$ 500 million 3-year paper at a spread of 215 bps. Bank of Georgia issued a US$300 million Perpetual bond at 9.5%. Engie Energia Chile issued a US$500 million 10-year green bond at 6.52%.

Sovereign Soundbites

ARGENTINA

Argentina's industrial production data for February 2024 indicates signs of improvement, with the index reporting an annual decline of -9.9% for the month from -12.4% reported in January. In other data, March inflation is expected to come in around 10% on the month, marking another deceleration from a peak of over 25% in December. If the official figure released this Friday does show slowing inflation to the extent the government anticipates, this increases the likelihood of a further cut to the benchmark interest rate following last month's cut to 80% from 100% the prior month.

Argentina's consumer confidence indicator improved in March to 36.68, up from 36.04 in February. The improvement reflects more positive perception of the macroeconomic situation. This increase is offset by a modest decline in assessments of personal financial situation. Collectively, incoming data appears to show progress in the government's efforts to tame inflation, increase international reserves, and lower the parallel exchange rate. Risks remain around social unrest fueled by the new administration's austerity measures and the lack of a strong political base in Congress for President Javier Milei; however, there appears to be a gradual shift in overall sentiment for the credit, in our view.

CHINA

During her visit to China, the U.S. Treasury Secretary Janet Yellen highlighted concerns over the overcapacity issue to her Chinese counterparts and stated that "The global economy will be adversely impacted by ramped-up factory exports from China, which needs to put more effort into shoring up consumer demand at home." In response to Yelln's comments, China's Vice Finance Minister Liao Min said at a press conference that China's current production capacity "is far from meeting market demand, especially the huge potential demand for new energy products in many developing countries."

Separately, Fitch Ratings revised China's outlook from stable to negative, citing concerns around the country's mounting debt. According to the Bank of International Settlements, China's public debt was roughly 80% of GDP in mid-2023, about double the level seen a decade prior. The current level is still well below many advanced economies. China's government stated in response that the rating agency had failed to capture the role of fiscal policy in supporting growth, which would eventually help to stabilize debt burdens. Market reaction to the change in outlook was relatively muted as investors continue to focus on incoming data following some encouraging numbers in manufacturing and exports earlier this year.

ECUADOR

Last Friday, Ecuadorian authorities raided a foreign embassy in Quito to arrest former Ecuadorian Vice President Jorge Glas, who had been residing in the Mexican embassy while seeking political asylum. The latest step is part of an ongoing fight against crime and drug cartels. Glas had been previously convicted of bribery and corruption charges. President Daniel Noboa's decision to storm the Mexican embassy, thereby breaking international rules, has drawn widespread criticism and has led Mexico to sever diplomatic ties. However, according to pollster Alvaro Merchante, Ecuadorians viewed the raid positively, suggesting that Noboa's anti-crime initiatives will likely garner significant support in the upcoming referendum on 21 April.

EL SALVADOR

El Salvador announced on Monday an invitation for offers to tender for cash its 2025 notes, 2027 notes and 2029 notes. While the planned amount of buyback has not been disclosed, the total amount outstanding across these maturities is roughly US$1.75 billion. At the same time, the country is reportedly planning to issue an amortizing, macro-linked dollar bonds. El Salvador last issued bonds four years ago during the height of the pandemic, when it priced US1 billion in debt. In our view, lack of progress with the IMF on the US$1.3 billion deal is still a key concern. Among the top IMF preconditions for a loan are further transparency and fiscal adjustments (roughly 3% over 3 years), spending cuts, potential for tax hikes, and cancelling of Bitcoin as legal tender.

ETHIOPIA

The Paris Club extended a deadline for Ethiopia to reach a preliminary bailout deal with the IMF to June of this year. The nation had secured a debt suspension agreement with its official creditor committee in November of last year, with a deadline of March. Late last week, IMF staff concluded discussions with Ethiopian authorities on their request for support on a reform program. According to an IMF statement, "Building on earlier discussions, the staff team made substantial progress towards establishing how the IMF could support the authorities' economic program." Discussions will continue at the IMF/World Bank Spring Meetings later this month. The Ethiopian authorities plan to cover the estimated US$11.5 billion financing gap over the next four years with US$3.5 billion from the IMF, another US$3.5 billion from the World Bank, and US$4.5 billion through debt relief. China has already agreed on a separate bilateral payment suspension with Ethiopia.

ROMANIA

The leaders of Romania's right-wing parties – USR, PMP, and Forta Dreptei – submitted their candidacy for the upcoming European elections in June. Romania will also hold local, Parliamentary, and Presidential elections this year. In our view, fiscal slippage, with no corrective action is likely in this 'super election year.' The deficit is estimated to have been around 6.1-6.2% of GDP in 2023 (on an accruals basis), well above the government's 4.4% forecast. The authorities are projecting a deficit of 5.0% of GDP this year but, based on the fiscal figures for January and February, this appears unlikely, in our view.

SOUTH AFRICA

South Africa's electoral court overturned a ban on former President Jacob Zuma's candidacy, allowing him to run as the uMkhonto we Sizwe Party's (MKP) leading candidate in the May general election. This ruling carries important implications for the ruling African National Congress (ANC), which has experienced a significant decline in support since 2019. Based on a recent poll, the ANC currently stands to gain less than 40% support in the next election, compared to 57.5% in 2019. Zuma's MKP is projected to gain around 13% of votes and could prevent the ANC from securing 50% of the vote. This development raises the likelihood of the ANC having to form a coalition with a large party to retain power. In our view, a potential transition to coalition politics from a one-party system could generate near-term volatility; however, the ANC will likely remain the most powerful party, suggesting policy continuity.

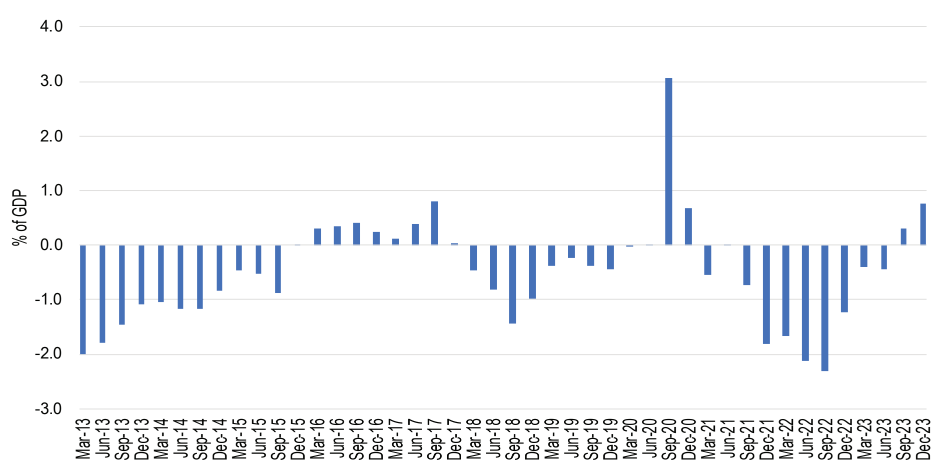
THAILAND

Thailand's government announced new measures to support residential markets. Among the measures announced were increasing the threshold for lower transaction fees; extending a reduction in mortgages fees to properties valued up to 7 million baht; approving tax incentives for people who build their own houses. These measures are intended to support the broader economy through stronger employment and manufacturing activities. The announcement supported the Thai baht.

Chart of the Week

External current account balances across key emerging markets countries have continued to improve over the past two years. Q4 data now shows a significant surplus. The main drivers behind this dramatic turnaround are, in our view, competitive exchange rates and weaker import demand following substantial monetary tightening. The impact on EM financing needs is substantial: about 3% of GDP over just 18 months. This means less need for external borrowing, increased ability to accumulate reserves, and potentially room for exchange rates to appreciate.

EM CURRENT ACCOUNT BALANCE



As of 31 December 2023 | Weighted average based on J.P. Morgan GBI-EM G D Index | Sources: Haver Analytics, Bloomberg, Stone Harbor
For illustrative purposes only.

As of 10 April 2024		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	322	(17)	(19)	(19)	(61)	(164)	(0.0)	(0.7)	(0.7)	1.4	10.2
	CEMBI Broad Diversified	212	(15)	(19)	(19)	(69)	(131)	(0.2)	(0.5)	(0.5)	1.8	8.0
	GBI EM Global Diversified Yield	6.40	0.09	0.13	0.13	0.21	(0.19)	(0.3)	(0.4)	(0.4)	(2.5)	4.8
EM Sovereign Debt	EMBI Global Diversified	322	(17)	(19)	(19)	(61)	(164)	(0.0)	(0.7)	(0.7)	1.4	10.2
	EMBI GD Investment Grade	103	(10)	(13)	(13)	(13)	(45)	(0.5)	(1.3)	(1.3)	(2.1)	1.0
	EMBI GD High Yield	579	(26)	(28)	(28)	(122)	(324)	0.4	(0.0)	(0.0)	4.9	20.5
EM Sovereign Debt Regions	Africa	571	(36)	(34)	(34)	(162)	(368)	0.9	0.2	0.2	6.8	25.4
	Asia	170	(10)	(14)	(14)	(41)	(150)	(0.4)	(0.9)	(0.9)	0.4	8.6
	Europe	356	(20)	(21)	(21)	(90)	(254)	0.1	(0.5)	(0.5)	1.0	11.1
	LATAM	309	(15)	(19)	(19)	(57)	(144)	(0.1)	(0.7)	(0.7)	1.5	10.0
	Middle East	269	(12)	(12)	(12)	(24)	(64)	(0.3)	(1.0)	(1.0)	(1.1)	2.9
EM Corporates	CEMBI Broad Diversified	212	(15)	(19)	(19)	(69)	(131)	(0.2)	(0.5)	(0.5)	1.8	8.0
	CEMBI BD Investment Grade	116	(10)	(14)	(14)	(38)	(85)	(0.4)	(0.8)	(0.8)	0.2	4.9
	CEMBI BD High Yield	394	(24)	(29)	(29)	(116)	(179)	0.2	0.0	0.0	4.2	12.7
US High Yield	US High Yield	292	(17)	(7)	(7)	(31)	(173)	(0.2)	(0.7)	(0.7)	0.7	10.2
	US High Yield BB	176	(14)	(8)	(8)	(25)	(114)	(0.3)	(0.7)	(0.7)	0.4	8.1
	US High Yield B	262	(16)	(4)	(4)	(48)	(215)	(0.2)	(0.7)	(0.7)	0.6	10.7
	US High Yield CCC	714	(22)	(3)	(3)	(62)	(263)	0.1	(0.6)	(0.6)	1.5	15.5
European High Yield	Barclays PanEur HY	310	(15)	(11)	(11)	(51)	(174)	0.3	0.2	0.2	1.2	10.7
	2% Ex Financials Yield	6.53	(0.72)	(0.81)	(0.81)	(0.13)	(1.12)	0.00	0.0	0.0	0.0	0.0
Bank Loans	CS Loan Price	96.0	(0.1)	(0.0)	(0.0)	0.7	3.1	0.1	0.2	0.2	2.8	12.2
	CS Loan Yield	9.62	0.24	0.28	0.28	0.49	0.10	0.1	0.2	0.2	2.8	12.2
Investment Grade	US Treasury 7-10 Yield	4.57	0.22	0.37	0.37	0.71	1.15	(1.5)	(2.5)	(2.5)	(3.9)	(4.4)
	1M LIBOR	5.43	(0.00)	(0.01)	(0.01)	(0.04)	0.53	0.1	0.1	0.1	1.5	5.4
	US Aggregate	39	1	0	0	(3)	(20)	(1.2)	(1.9)	(1.9)	(2.7)	(0.6)
	US Investment Grade Corporates	87	(1)	(3)	(3)	(12)	(53)	(1.0)	(1.9)	(1.9)	(2.3)	2.1
	Global Aggregate	38	0	(1)	(1)	(5)	(17)	(0.5)	(1.1)	(1.1)	(1.1)	2.6
	Barclays 1-5 Year Credit	57	(1)	(1)	(1)	(10)	(39)	(0.6)	(0.8)	(0.8)	(0.2)	3.6
FX	DXY (US dollar)	105.25	-	-	-	-	-	1.0	0.7	0.7	3.9	2.6
	GBI EM FX	-	-	-	-	-	-	0.1	0.1	0.1	(2.7)	(2.0)

1W reflects data from 3 April 2024 close through 0 April 2024 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: Credit Suisse 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 Bloomberg U.S. High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The Credit Suisse Leveraged Loan Index is a market-weighted index that tracks the investable universe of the U.S. dollar denominated leveraged loans. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. 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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