WEEKLY COMMENTS ON CREDIT

26 APRIL 2024

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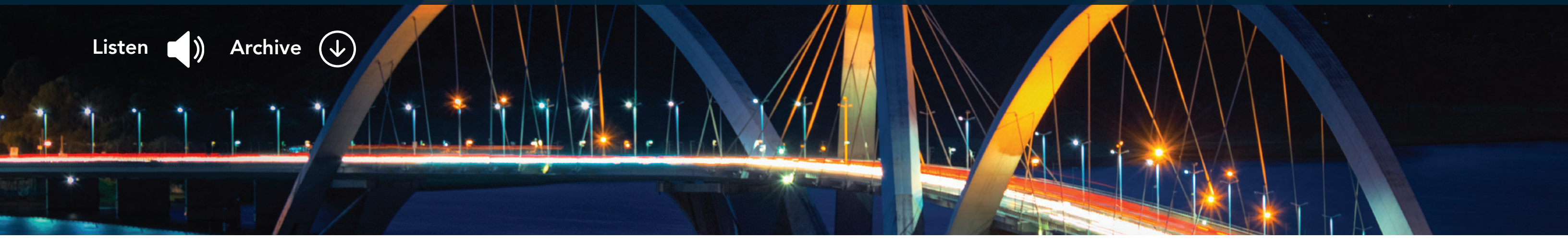


GLOBAL MARKET SUMMARY

Global bond yields remained elevated this week ahead of next week's key U.S. Federal Reserve (Fed) meeting. While recent comments from Fed officials have indicated some confidence in inflation coming lower, the recent disappointments in the underlying readings — particularly for core service prices — will likely introduce a note of caution into the Fed's assessment of the prospect for any easing in interest rates. Ten-year U.S. Treasury yields edged up by five basis points during the week to 4.64%. In Europe, the European Central Bank (ECB) still appears on track to initiate a rate-cutting cycle in the summer. Spreads across major credit sectors tightened and total returns were mixed. The U.S. dollar retreated against the euro and the average spot currency performance in emerging markets was positive for the week.

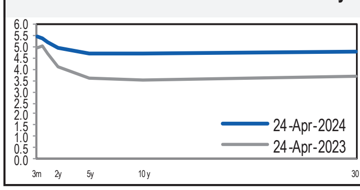
Emerging Markets

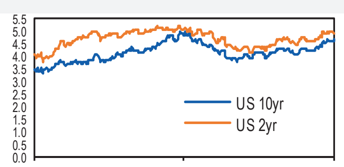
Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	341		-5	9.39%
EMBI GD IG	113		-3	0.03%
EMBI GD HY	607		-8	19.87%
Africa	612		-11	27.07%
Asia	187		-4	7.27%
Europe	387		7	9.78%
LATAM	317		-8	9.04%
Middle East	288		-6	1.85%
CEMBI BD	223		-3	7.40%
CEMBI BD IG	121		-2	4.29%
CEMBI BD HY	415		-4	12.02%
GBI-EM GD (%)	6.52		-2	2.05%
EM Blend (%, 1/3rd ea.)	7.42		0	6.27%
EMBI ESG	298		-4	7.56%
CEMBI ESG	230		-3	7.70%
GBI ESG (%)	6.57		-2	2.41%
		-600 -400 -200 0		Apr-23 Oct-23 Apr-24

Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	307		-22	9.26%
US HY BB	187		-20	7.59%
US HY B	283		-14	9.59%
US HY CCC	749		-35	13.09%
Pan Euro HY	332		-19	10.35%
CS Loan (%)	9.73		2	11.87%
		-300 -150 0 150		
US Treasury 7-10 (%)	4.65		6	-4.42%
1M LIBOR (%)	5.43		0	5.46%
US Agg	40		-1	-0.90%
US IG Corp	90		-3	1.43%
Global Agg	39		-1	2.59%
		-150 0 150		Apr-23 Oct-23 Apr-24

US Treasury Yield Curve (%)





Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.07	-3.14%	Gold	2,338	11.15%	S&P500	11,028	24.51%
USDJPY	155.35	-13.59%	VIX	16	-5.45%	MSCI World	10,416	19.42%
EM FX		-4.26%	Brent	88	6.39%	MSCI EM	2,687	9.15%
		Apr-23 Oct-23 Apr-24			Apr-23 Oct-23 Apr-24			Apr-23 Oct-23 Apr-24

As of: 24 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 remained elevated this week ahead of next week's key Federal Reserve meeting. While no policy action is expected, the message from the meeting is likely to underline the need for policy settings to remain restrictive for longer than previously anticipated in order to achieve the desired reduction in inflation. While recent comments from Fed officials have indicated some confidence in inflation coming lower, the recent disappointments in the underlying readings — particularly for core service prices — will likely introduce a note of caution into the Fed's assessment of the prospect for any easing in interest rates. The economic data this week was on the softer side, with the S&P purchasing manager indices for April showing declines in both manufacturing and service sector confidence. The advance report of first quarter GDP also fell short of expectations, expanding by 1.6% compared with a consensus projection of 2.5%. However, within the GDP report, the core personal consumption expenditure deflator (the Fed's preferred inflation gauge) rose by a stronger-than-expected 3.7% — significantly higher than the 2.0% reported in the fourth quarter of 2023 and highlighting the difficulty for Fed policymakers even in an environment of growth moderation. Ten-year US Treasury yields edged up by five basis points during the week to 4.64%.

Europe

In the Eurozone, evidence of some improvement in the economy continued to emerge. The purchasing managers report for April showed a pick-up in services sector confidence, which dragged the composite reading up to 51.4 — the highest since March of 2023. Manufacturing sentiment remained depressed, principally in the German economy, but the tertiary economy does appear to be stabilizing. As market expectations of any easing move by the Fed have been pushed back to year-end, ECB policymakers still appeared comfortable with hinting at an easing in the summer months — possibly at the June meeting. This tone was echoed in the U.K., where Bank of England Deputy Governor Ramsden hinted that inflation was likely to improve further in the coming months, which could open up a path for an earlier- than-expected rate reduction. Long-dated yields in both U.K. and the Eurozone rose during the week, however, as yield curves generally steepened.

Asia/Japan

In Japan, the main focus has been the Japanese yen, which reached fresh 34-year lows during the week ahead of the Bank of Japan's policy meeting, which is set to finish on Friday. The move in the yen likely reflects the very low probability of any move by the Bank of Japan following the beginning of normalization of monetary policy at its last meeting. Without some shift in interest rate differentials, any foreign exchange intervention by the Ministry of Finance in Japan would likely prove short-lived in its effectiveness. Japanese economic data, meanwhile, remained quite buoyant, with improvements in both manufacturing and services sector confidence levels in April. Elsewhere in Asia, disappointing inflation data in Australia for the first quarter of 2024 led to a sharp re-pricing of expectations around potential easing by the Reserve Bank of Australia. The stubborn inflation reading pushed two-year yields higher by almost 20 basis points following the release, as the market priced out the chance of any reduction in official rates over the balance of this year. Indeed, market pricing now attributes a higher probability to a hike in rates by the end of the year.

Economist Corner

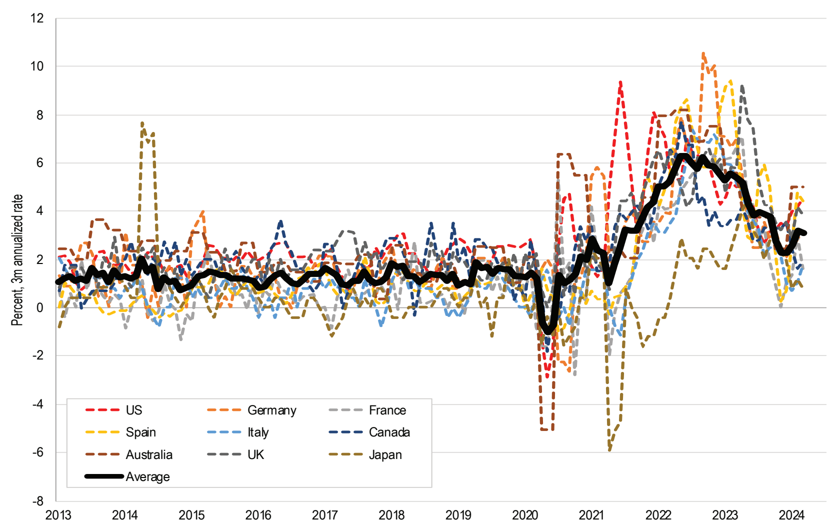
U.S. core inflation was substantially higher in Q1, with the 3.7% core PCE inflation reported for Q1 in Thursday's GDP report the latest upside surprise. That follows CPI data that had also pointed to more robust inflation into 2024, after a series of surprises to the downside through the back half of 2023.

Upside inflation surprises were not limited to just the U.S. Core inflation metrics were on average up across developed markets, as shown in the accompanying graph. Through March, the 3-month average across ten developed markets of core inflation was 3.1%. That's up from a near-term low of 2.3% back in December and a meaningful reacceleration.

There is considerable heterogeneity in that average, with a relatively wide range of outcomes, though to a degree that is normal as on a 3-month basis there is always some spread. Currently, Australia has the highest rate, while the lower readings tend to be in Europe, with France and Italy having particularly low core inflation, though Canada also currently has a low rate.

Our baseline expectation remains that inflation will turn back lower across developed markets. But the upside data continues to build and the fact that the U.S. isn't isolated in the core inflation upturn is notable. Further upside surprises, especially if concentrated in services inflation, would challenge our baseline expectation.

ACROSS DMS THERE WAS A BUMP UP IN Q1 CORE INFLATION



Analysis as of 25 April 2024, using latest available data.
Sources: Haver, Stone Harbor Investment Partners
For illustrative purposes only.

External Sovereign Debt

External sovereign debt spreads tightened 5 basis points (bps) this week and the JP Morgan EMBI Global Diversified returned 0.1%. Non-investment grade bonds outperformed investment grade bonds with total returns of 0.4% and -0.2%, respectively. The top performers included Argentina (+3.3%), Venezuela (+3.2%), and Pakistan (+2.5%). The bottom performers were Ukraine (-8.6%), Lebanon (-3.1%), and Gabon (-1.8%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 0.4%. EM currencies returned 0.1%, in aggregate. The Chilean peso (+2.0%) outperformed, followed by the Uruguayan peso (+1.7%) and the Brazil real (+1.5%). Underperformers included South Africa (-1.0%), Mexico (-0.8%), and Colombia (-0.8%).

The yield of the JP Morgan GBI EM Global Diversified declined by 2 bps to 6.52%. Colombia (-37 bps) outperformed, followed by Peru (-20 bps) and Chile (-11 bps). Dominican Republic (+15 bps), Turkey (+14 bps), and Uruguay (+9 bps) underperformed.

In monetary policy, China left the 1-year and 5-year loan prime rate (LPR) unchanged at 3.45% and 3.95%, respectively, as expected. Indonesia surprised the market with a 25-bps hike to 6.25% to protect the currency once USDIDR breached the 16000 mark. Ukraine cut rates by 100 bps to 13.50%, outside survey expectations. Hungary cut rates by 50 bps to 7.75%, as expected.

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified returned +0.1% this week and spreads tightened 3 bps. EM Corporates underperformed both U.S. High Yield Debt (+0.7%) and delivered on par returns with emerging market Sovereign bonds (+0.1%). Non-investment grade bonds outperformed the index with +0.2% returns while investment grade bonds underperformed with -0.0% returns. Asia was the only region to generate negative returns (-0.0%). Middle East (+0.3%), Africa (+0.2%), CEEMEA (+0.2%), and Latin America (+0.1%) performed better than the index, while Europe (+0.0%) and Asia (0.0%) underperformed the index. The top performers include Zambia (+1.1%), Israel (+1.1%), Argentina (+0.4%) and South Africa (0.4%). The bottom performers include Ukraine (-1.3%), Morocco (-1.0%), Ghana (-0.6%), and Mexico (-0.4%). In terms of sector performance, TMT (+0.3%) and Metals and Mining (+0.2%) outperformed the index, while Diversified (-0.2%) and Infrastructure (-0.1%) lagged index returns.

Issuance

In EM corporate debt, we highlight several deals in the primary market: Morocco's OCP SA raised a dual tranche 10-year (US$1.25 million) and 30-year (US$750 million) bond at T+230 and T+295 bps, respectively; Indonesia's Indika Energy raised US$350 million 5-year senior unsecured bond at 8.75%; Turkey's Sisecam priced a dual tranche 5-year and 8-year bond at 8.25% and 8.625%, respectively; Georgia's TBC bank issued a US$300 million additional Tier 1 bond at 10.25%.

Sovereign Soundbites

Members of our investment team attended the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) in Washington D.C. last week. The meetings covered a wide range of topics related to global economic development and outlook. Among the key themes were macroeconomic resilience — characterized by stable growth and disinflation — as well as divergent rate cycles across developed and emerging markets. Within that context, we highlight below some of the main takeaways that help inform our investment decisions.

EGYPT

Significant progress in securing funding to address Egypt's large gross financing needs have meaningfully improved the economic outlook for the country, according to the IMF. Egypt's continued commitment to fiscal and monetary policy reforms were noted as key factors that are helping to maintain debt sustainability. In addition, the IMF stressed the importance of monitoring FX inflows to ensure better fiscal and external balances. For fiscal year 2023/2024, the primary surplus is expected to be 5.75% of GDP, with overall fiscal deficit projected to be 3.9% of GDP. In our assessment, Egypt no longer represents an immediate solvency issue for investors. The US$24 billion in FX inflows expected from the UAE's agreement to develop the coastal city of Ras el-Hekma, the larger-than-expected moves in the policy rate and FX, a strong commitment to reforms, combined with an augmented IMF loan of US$8 billion, and an EU package worth another US$8 billion, pave the way for increased FX inflows and a substantial increase in reserves, supporting our positive view of the credit.

JORDAN

Jordan benefits from institutional support and represents stability in a region that is otherwise charged with elevated geopolitical risk. The IMF remains fully supportive of the country, which has demonstrated economic resilience despite regional turmoil. Low levels of inflation, stable growth, and improving tax collection processes are some of the factors underlying IMF's positive assessment of the nation and its economic progress. Earlier this year, the IMF Executive Board approved a 4-year Extended Fund Facility in the amount of US$1.2 billion, replacing the previous arrangement that was set to expire in March 2024. In addition to IMF support, Jordan has also secured a support package from the European Commission in the amount of roughly US$963 million. In our view, key risks include potential deterioration in the external environment – namely intensifying regional tensions – however, multilateral support and credit fundamentals currently outweigh external risks, in our view.

NIGERIA

Cautious optimism was the prevailing sentiment around Nigeria, which has benefited from monetary and FX reforms under the new administration that came into power last year. The country has also experienced gains from oil production along with effective security measures implemented over the past year. On the other hand, fuel subsidies, which have been an important part of fiscal adjustments, have begun to increase. However, ultimately, the IMF judged that the current levels were not critically negative and acknowledged that more patience may be required given the gaps in social safety nets. While headline inflation remains high at 33% y/y in March, the Nigerian authorities pointed out that inflation momentum has begun to slow and that they anticipate further moderation as monetary tightening continues to take effect. We maintain the view that ongoing reform efforts and the attempt to establish credibility with orthodox monetary policy are supportive of the credit. Furthermore, projected oil prices at above US$80 per barrel are likely to continue for the foreseeable future, given OPEC+ production cuts and firm global demand — together helping to support the country's FX receipts from exports.

PAKISTAN Ongoing IMF and multilateral funding support remains key to Pakistan for meeting external debt obligations. The country has made notable progress in reaching a coalition agreement on a new government, as well as a staff-level agreement on the second and final review under the Stand-By Arrangement, which upon Board approval would grant Pakistan access to US$1.1 billion as early as next week. Adding to this support, Pakistan's fiscal authorities indicated that they are discussing with the IMF an Extended Fund Facility program to help secure longer-term macroeconomic stability and reforms across several key areas, including taxation, energy, and privatization of state-owned enterprises. Although timely inflows still remain key to supporting recent economic progress, we view the further action by Pakistan's authorities to deepen reform efforts and IMF engagement as positive developments.

SERBIA The IMF's positive assessment of Serbia's economy remains consistent with the favorable statement released in March, following the IMF performance review under Serbia's Stand-By Arrangement. In that review, the IMF emphasized Serbia's strong macroeconomic outturns with solid growth recovery, a strong fiscal position, ongoing disinflation, record-high reserves of more than EUR 25 billion, and a strong labor market. The IMF program continues to provide an anchor for fiscal and external accounts. We also note that the deficit is likely to decline further in 2024, helped by reduced subsidies. This should also enable an ongoing steady decline in Serbia's debt-to-GDP ratio from 56% in 2022 to around 52% by the end of 2024. In aggregate, the opinions of the IMF underscore our view that Serbia remains an improving credit.

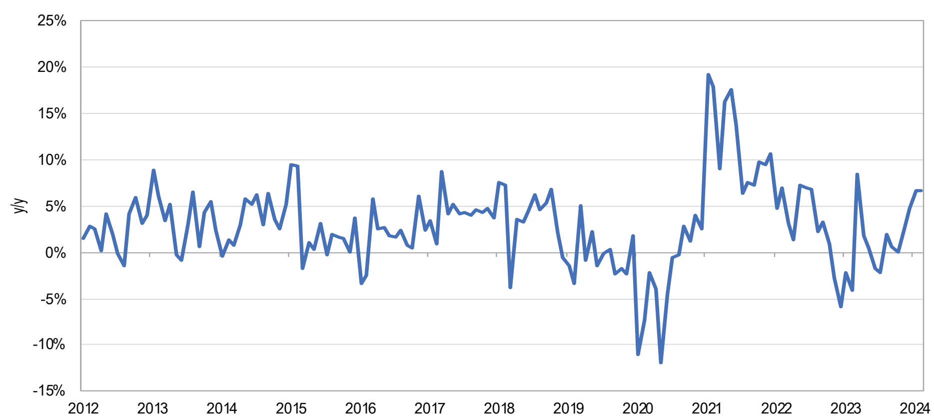
In other countries, we maintain a lower level of conviction as we continue to track progress and monitor developments that could lead us to reassess our credit views. As examples, we continue to hold a neutral view on **Senegal, Turkey, and Zambia**. In Senegal, our key concern is related to policy volatility following the recent presidential election in March. The unexpected margin of victory by the opposition leader Bassirou Diomaye Faye suggests a strong mandate, which includes reinstatement of energy subsidies, debt restructuring, and renegotiations of oil and gas contracts. The new administration's agenda, if fully executed, could put the IMF program at risk, in our view. In Turkey, the key message from fiscal authorities was commitment to adjusting fiscal spending to help tame inflation and allowing for further monetary tightening if necessary. From our perspective, 2023 was an adjustment year that returned much needed orthodox policy, but at the same time saw deterioration in fiscal and current account deficits. Whether recent policy action takes hold and the FinMin and central bank officials maintain firm adherence to those policies on the economy are the main questions this year. Recent growth data remains resilient (especially household consumption) and may further test policymakers, in our view. In Zambia, as the country is close to completing its external debt restructuring, recent drought has introduced a risk that could potentially impact the nation's financing and macroeconomic outlook.

The credit trajectories of **Lebanon, Ukraine, and Tunisia** have turned negative, in our view. Lebanon has made no progress with the IMF on a loan program, has outlined little to no reforms in the 2024 budget, and faces risks associated with geopolitical conflict in the region. In Ukraine, we believe the exceptional level of uncertainty around debt restructuring currently outweighs any potential funding from the international community and relatively resilient economy. Lastly, Tunisia has experienced better fiscal and external conditions in recent months but hope for a much-needed IMF program remains elusive, in our view. Growth is likely to remain suppressed at around 0.6-0.7% y/y.

Chart of the Week

The global trade cycle has started to move up in recent months. Export volumes for emerging markets have moved decisively higher for the first time since the pandemic-related surge in global goods demand faded in 2022. The one exception in early 2023 that was driven by China's reopening proved short-lived. But the recent move higher was both more broad-based and more sustained. In our view, it is becoming increasingly evident that most EM economies managed to remain resilient despite the broad move higher in global interest rates. Going forward, we remain optimistic that EMs will continue to grow at a healthy pace. We believe gradual rate cuts will likely support this trend.

EMERGING MARKETS EXPORT VOLUME



As of 29 February 2024 | Sources: Haver, Netherlands Bureau for Economic Policy Analysis, Stone Harbor Investment Partners
For illustrative purposes only.

As of 24 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	341	(5)	(0)	(0)	(42)	(155)	0.1	(2.0)	(2.0)	(0.0)	9.4
	CEMBI Broad Diversified	223	(3)	(7)	(7)	(57)	(117)	0.1	(0.9)	(0.9)	1.4	7.4
	GBI EM Global Diversified Yield	6.52	(0.02)	0.25	0.25	0.33	(0.11)	0.4	(2.3)	(2.3)	(4.4)	2.0
EM Sovereign Debt	EMBI Global Diversified	341	(5)	(0)	(0)	(42)	(155)	0.1	(2.0)	(2.0)	(0.0)	9.4
	EMBI GD Investment Grade	113	(3)	(3)	(3)	(4)	(35)	(0.1)	(2.7)	(2.7)	(3.4)	0.0
	EMBI GD High Yield	607	(8)	(0)	(0)	(94)	(319)	0.3	(1.4)	(1.4)	3.5	19.9
EM Sovereign Debt Regions	Africa	612	(11)	7	7	(121)	(407)	0.5	(1.9)	(1.9)	4.6	27.1
	Asia	187	(4)	3	3	(25)	(130)	0.1	(2.1)	(2.1)	(0.8)	7.3
	Europe	387	7	10	10	(59)	(239)	(0.6)	(2.3)	(2.3)	(0.8)	9.8
	LATAM	317	(8)	(12)	(12)	(49)	(134)	0.3	(1.7)	(1.7)	0.5	9.0
	Middle East	288	(6)	7	7	(5)	(48)	0.2	(2.3)	(2.3)	(2.4)	1.9
EM Corporates	CEMBI Broad Diversified	223	(3)	(7)	(7)	(57)	(117)	0.1	(0.9)	(0.9)	1.4	7.4
	CEMBI BD Investment Grade	121	(2)	(8)	(8)	(33)	(74)	(0.0)	(1.2)	(1.2)	(0.2)	4.3
	CEMBI BD High Yield	415	(4)	(8)	(8)	(95)	(162)	0.2	(0.5)	(0.5)	3.7	12.0
US High Yield	US High Yield	307	(22)	8	8	(16)	(141)	0.7	(1.0)	(1.0)	0.5	9.3
	US High Yield BB	187	(20)	3	3	(14)	(96)	0.6	(1.0)	(1.0)	0.1	7.6
	US High Yield B	283	(14)	17	17	(27)	(174)	0.7	(0.9)	(0.9)	0.4	9.6
	US High Yield CCC	749	(35)	32	32	(27)	(180)	0.9	(1.2)	(1.2)	0.9	13.1
European High Yield	Barclays PanEur HY	332	(19)	11	11	(29)	(127)	0.5	0.0	0.0	1.1	10.3
	2% Ex Financials Yield	6.65	(0.13)	(0.69)	(0.69)	(0.01)	(1.12)	0.00	0.0	0.0	0.0	0.0
Bank Loans	CS Loan Price	95.9	0.0	(0.1)	(0.1)	0.6	2.9	0.2	0.5	0.5	3.0	11.9
	CS Loan Yield	9.73	0.02	0.39	0.39	0.60	0.15	0.2	0.5	0.5	3.0	11.9
Investment Grade	US Treasury 7-10 Yield	4.65	0.06	0.45	0.45	0.79	1.15	(0.3)	(2.9)	(2.9)	(4.3)	(4.4)
	1M LIBOR	5.43	(0.00)	(0.01)	(0.01)	(0.04)	0.42	0.1	0.4	0.4	1.7	5.5
	US Aggregate	40	(1)	1	1	(2)	(15)	(0.2)	(2.4)	(2.4)	(3.1)	(0.9)
	US Investment Grade Corporates	90	(3)	0	0	(9)	(44)	(0.1)	(2.5)	(2.5)	(2.9)	1.4
	Global Aggregate	39	(1)	0	0	(4)	(14)	(0.2)	(1.6)	(1.6)	(1.6)	2.6
	Barclays 1-5 Year Credit	59	(3)	1	1	(8)	(29)	0.1	(0.6)	(0.6)	(0.1)	3.6
FX	DXY (US dollar)	105.86	-	-	-	-	-	(0.1)	1.3	1.3	4.5	4.4
	GBI EM FX	-	-	-	-	-	-	0.1	(1.5)	(1.5)	(4.2)	(4.3)

1W reflects data from 17 April 2024 close through 24 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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