

Stone Harbor Investment Partners LP
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This Brochure provides information about the qualifications and business practices of Stone Harbor Investment Partners LP. If you have any questions about the contents of this Brochure, please contact us at 212-548-1200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Stone Harbor Investment Partners LP is an investment adviser registered with the SEC. Such registration does not imply any level of skill or training.

Additional information about Stone Harbor Investment Partners LP also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Since the last annual update of this Brochure dated March 30, 2016, Stone Harbor Investment Partners LP (“Stone Harbor”) does not believe it has made any material amendments to the contents of this Brochure. However please note that:

1. Additional information has been included relating to Stone Harbor’s Investment Strategies and Risks. *See Item 8*
2. Additional information about potential conflicts of interest faced by Stone Harbor in connection with its investment advisory business has been included. *See Item 5, 6, 7 and 13.*

Item 3 -Table of Contents

Item 2 – Material Changes.....	2
Item 3 -Table of Contents	2
Item 4 – Advisory Business	3
Item 5 – Fees and Compensation	4
Item 6 – Performance-Based Fees and Side-By-Side Management.....	5
Item 7 – Types of Clients	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 – Disciplinary Information	27
Item 10 – Other Financial Industry Activities and Affiliations.....	27
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	28
Item 12 – Brokerage Practices.....	29
Item 13 – Review of Accounts.....	31
Item 14 – Client Referrals and Other Compensation.....	32
Item 15 – Custody	32
Item 16 – Investment Discretion	33
Item 17 – Voting Client Securities.....	33
Item 18 – Financial Information.....	34

Item 4 – Advisory Business

Stone Harbor Investment Partners LP (“Stone Harbor”) has been providing discretionary and non-discretionary portfolio management services since April 1, 2006.

The principal direct owner of Stone Harbor is SHIP Capital Partners LP.

As a global fixed income investment manager, Stone Harbor focuses on building long-term value for its clients through investment grade, high yield, emerging markets debt and multi-sector credit strategies. Stone Harbor primarily provides investment management advice with respect to debt securities issued by the US or foreign governments (in external (typically USD/EUR/JPY) or local currency), foreign governmental agencies or supranational organizations, corporate debt securities, Brady bonds, Euro bonds, repurchase agreements and reverse repurchase agreements, forward contracts, currency transactions, participation interests in corporate loans, securitized loan participations, convertible securities, Rule 144A securities, senior and subordinated loans and loan participations and assignments including mortgages, mortgage backed securities including mortgage TBAs, collateralized mortgage obligations (CMOs), asset backed securities, fixed and floating rate securities, fixed and floating rate commercial loans, distressed debt, payment in-kind securities (PIKs), zero-coupon bonds, inflation protected securities, step-up securities and derivative instruments (such as options, futures, swaps, credit default swaps, interest rate swaps, credit linked notes, interest only (IOs) and principal only (POs) investments, structured instruments and derivatives thereof). Stone Harbor also provides advice in connection with common stocks, preferred stock, debentures, notes, commercial paper, certificates representing securities (such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts), closed-end funds, exchange traded funds, private issues, equipment trust certificates, municipal securities, and real estate investment trusts. Stone Harbor may purchase securities on a when-issued, delayed delivery or forward basis.

Stone Harbor seeks to tailor the investment guidelines and restrictions of separately managed accounts in order to satisfy each client’s credit strategy requirements. Clients may impose restrictions or limitations on securities, including but not limited to limitations by asset class, credit rating, or country weighting. Stone Harbor also serves as an adviser and sub-adviser to pooled investment vehicles that have investment guidelines that are not subject to specific requirements of underlying fund investors.

Stone Harbor does not participate in wrap fee programs.

As of December 31, 2016, Stone Harbor managed approximately \$35,902,000,000 in discretionary assets (excluding borrowings) and did not provide investment advisory services to any non-discretionary client accounts.

All descriptions in this brochure of Stone Harbor’s practices are qualified in their entirety with respect to each separately managed account or pooled investment vehicle by the applicable investment advisory agreement or offering and organizational documents, respectively, governing such account or vehicle.

Item 5 – Fees and Compensation

In general, all fees are subject to negotiation based on the circumstances of the client and other factors, including but not limited to the type and size of the account and the type of advisory and client-related services to be provided to the account.

Stone Harbor's portfolio management fees generally range from 0.15% to 1.50% per annum of assets under management. In addition, from time to time, consistent with applicable laws and regulations including Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), Stone Harbor may negotiate incentive (performance-based) fee arrangements in addition to (or in lieu of) asset-based management fees.

In many cases, Stone Harbor's fees are based on the value and performance of the assets held in the client account. Stone Harbor generally does not price securities or other assets for purposes of determining fees. However, to the extent permitted by applicable laws, Stone Harbor may be charged with the responsibility to, or have a role in, determining asset values with respect to accounts from time to time. For example, Stone Harbor may be required to price a portfolio holding, in accordance with applicable valuation procedures, when a market price is not readily available or when Stone Harbor has reason to believe that the market price is unreliable. To the extent Stone Harbor's fees are based on the value or performance of client accounts, Stone Harbor would benefit by receiving a fee based on the impact, if any, of an increased value of assets in an account. When pricing a security, Stone Harbor attempts, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets in question. Stone Harbor generally relies on prices provided by a third party pricing source or a broker-dealer for valuation purposes.

Fees are generally payable either monthly or quarterly in arrears. The specific manner in which fees are charged by Stone Harbor is established in a client's written agreement with Stone Harbor. Stone Harbor does not deduct fees from client accounts. Stone Harbor generally sends an invoice on a quarterly or monthly basis to clients or their custodians. In certain cases, a client will send payment directly to Stone Harbor based upon its or its custodian's calculation of the fee amount due.

Stone Harbor's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Please see Item 12 for further discussion of Stone Harbor's brokerage practices. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and other commingled funds also charge internal management and other fees, which are disclosed in a fund's prospectus.

The charges, commissions, fees and expenses described in the preceding paragraph are exclusive of and in addition to Stone Harbor's fees, and Stone Harbor will not receive any portion of these charges, commissions, fees and expenses.

In certain instances, Stone Harbor may allocate all or a portion of a client's account to a commingled fund for which Stone Harbor or an affiliate of Stone Harbor serves as the investment manager and receives a management fee. Stone Harbor may receive a higher management fee for investment management services that it provides to Stone Harbor funds

than it receives for separately managed accounts implementing a similar strategy, which may pose a conflict of interest to Stone Harbor when making such allocation decisions. However, should any assets of a client's separately managed account be invested by Stone Harbor in a Stone Harbor fund at any time, the fee paid by the client's separately managed account shall be reduced to reflect that client account's pro rata share of the investment management fee paid by such fund to Stone Harbor. Stone Harbor also faces a conflict of interest from investing its separately managed account client assets in Stone Harbor funds to the extent that Stone Harbor receives any other benefit from such allocations. Potential benefits include improved marketability of the vehicles that Stone Harbor manages as a result of having greater assets under management, and improved name or brand recognition.

Stone Harbor does not generally permit or require clients to pay fees in advance. However, if a client and Stone Harbor agree to a fee arrangement that entitles Stone Harbor to receive fees in advance, then upon termination of the applicable investment advisory contract (or partial redemption of an investment), fees will be rebated to the client (or underlying fund investor if applicable) on a pro rated basis so that the client only pays fees for the period during which Stone Harbor actually provided advisory services.

Neither Stone Harbor nor any of its supervised persons accepts compensation for the sale of securities or other investment products, such as asset-based sales charges or service fees from the sale of mutual funds.

Item 6 – Performance-Based Fees and Side-By-Side Management

As discussed in Item 5 above, Stone Harbor may negotiate incentive (performance-based) fee arrangements, or may charge a combination of performance-based and asset-based fees.

Performance-based fee arrangements may be viewed as creating an incentive for Stone Harbor to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Performance fee arrangements also create an incentive for an investment manager to favor performance fee accounts over other accounts in the allocation of investment opportunities because strong investment returns increase the performance-based fee paid to the investment manager, whereas the investment manager would receive an asset-based fee regardless of the performance of the account, although performance may affect the level of assets and, consequently, the asset-based fee. Moreover, notwithstanding the type of fee, fee arrangements generally create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

However, Stone Harbor has adopted and implemented procedures designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Even though Stone Harbor's trade allocation policy is to treat all clients fairly and equitably over time, there is no guarantee this will occur because market events may intervene.

Stone Harbor makes investment decisions for each account independently from those of other accounts managed by Stone Harbor, and may give competing or conflicting advice to different clients. Also, because of different investment objectives, a particular security may be purchased for one or more accounts when one or more other accounts are selling the same security. Thus, at any particular time, two or more accounts may seek to purchase or sell the same securities. If such securities are not available in sufficient quantities, or if Stone Harbor is otherwise unable to purchase or sell all of such securities, then Stone Harbor will allocate

transactions in such securities among applicable accounts in a manner that Stone Harbor deems fair and equitable to all. Stone Harbor's allocation decisions may vary from transaction to transaction and will depend upon factors including, but not limited to, investment guidelines and restrictions, the type of investment, the amount of securities purchased or sold, minimum order size, the size of the account, and the size of an existing position in a client account. Stone Harbor may base its allocations on factors including but not limited to: achieving certain positions by percentage, cash position, country weightings, relative value and position maintenance. Such decisions are not based upon fee structure. In addition, Stone Harbor's Legal & Compliance Team regularly monitors all portfolios for compliance with the firm's trade allocation policy.

In addition, as discussed in greater detail in Item 12, Stone Harbor may aggregate client trades in these circumstances.

Item 7 – Types of Clients

Stone Harbor provides portfolio management services to a wide variety of U.S. and non-U.S. institutional accounts, including, but not limited to, retirement plans, including pension and profit sharing plans, state and municipal government entities, supranational organizations, sovereign wealth funds, charitable organizations, multi-employer unions, corporations and other business entities. In addition, Stone Harbor is the investment adviser or sub-adviser to various pooled investment vehicles including U.S. registered investment companies (open-end and closed-end funds), collective investment trusts, private funds and registered offshore funds such as Irish UCITS and Irish qualifying investor funds.

In particular, Stone Harbor serves as investment adviser or sub-adviser to one or more investment companies or other pooled investment vehicles within the following fund complexes (as of the date of this document; not intended to be a complete list):

Stone Harbor Investment Funds
Stone Harbor Emerging Markets Income Fund
Stone Harbor Emerging Markets Total Income Fund
Stone Harbor Investment Funds plc
Stone Harbor Global Funds plc
Stone Harbor Collective Investment Trust
John Hancock Funds II
Principal Funds, Inc.
SEI Institutional International Trust
SEI Institutional Investments Trust
SEI Global Investments Limited

Stone Harbor's clients may use the services of investment consultants who have introduced those clients and other clients to Stone Harbor. Stone Harbor may purchase products or services, such as portfolio analytics or access to databases from such investment consultants, or may pay to attend conferences hosted by such investment consultants. In these circumstances, a consultant may have a conflict of interest in recommending the investment advisory services of Stone Harbor to clients because the consultant has received revenue from Stone Harbor in connection with other aspects of the consultant business.

Stone Harbor generally requires that a client invest at least \$25 million to open and maintain a separately managed account. Stone Harbor may, in its full discretion, waive an account

minimum or increase an account minimum to open and maintain a separately managed account. Each pooled investment vehicle for which Stone Harbor serves as an adviser or sub-adviser maintains separate account opening and maintenance requirements, such as minimum investment amounts and one or more investor sophistication requirements. These requirements are generally set forth in each such pooled investment vehicle's offering documents.

Stone Harbor's portfolio managers and other personnel may invest in the pooled investment vehicles that Stone Harbor manages. In certain cases, portfolio managers or related persons have provided seed capital for pooled investment vehicles that Stone Harbor has established and which are offered to external investors. Such arrangements may be viewed as creating an incentive for portfolio managers to favor the pooled investment vehicles in which their own or other employee or related person assets are invested over other accounts in the allocation of investment opportunities. However, Stone Harbor has adopted and implemented procedures designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Please refer to Item 6 above for additional information about Stone Harbor's allocation decisions.

Privacy Policy

Stone Harbor's goal is to protect non-public personal client information. Stone Harbor does not disclose or share any non-public personal client information with anyone (including affiliates), except as permitted by the client, required by law or otherwise provided in Stone Harbor's Privacy Policies and Procedures. As a registered investment adviser, Stone Harbor is subject to the requirements of Regulation S-P, which seeks to prevent the disclosure of certain non public client information to third parties, and requires that Stone Harbor establish administrative, technical and physical safeguards that are reasonably designed to: (1) ensure the security and confidentiality of client records and information; (2) protect against any anticipated threats or hazards to the security or integrity of client records and information; and (3) protect against unauthorized access to or use of client records or information that could result in substantial harm or inconvenience to any client. Regulation S-P applies to non-public personal information about natural persons who obtain financial products or services primarily for personal, family or household purposes from certain types of institutions, including investment advisers. Regulation S-P does not apply to information about companies or institutions or about natural persons who obtain financial products or services primarily for business, commercial or agricultural purposes.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Stone Harbor offers several principal investment strategies as described below. Any particular client account may utilize one or more of these investment strategies described below. Stone Harbor may, pursuant to client instruction, manage variations of these principal investment strategies, such as a "concentrated", "opportunistic" or "restricted" version of a particular strategy, or variations which have a ratings restriction.

Investing in securities and other financial instruments involves the risk of loss, including principal, which clients should be prepared to bear. While Stone Harbor seeks to achieve each client's stated investment objective, there is no guarantee that it will succeed. This section provides more information about the material risks that may apply to a client account depending on its investment strategy. The results of Stone Harbor's investment activity may differ significantly between clients. Stone Harbor may give competing or conflicting advice to different clients.

Multi-Sector Credit Strategies

Core Fixed Income

The Core Fixed Income strategy seeks to provide consistent relative performance by applying a disciplined investment process supported by proprietary research. Within the scope of each client's investment guidelines, Stone Harbor's Core Fixed Income team explores every sector of investment opportunity permitted, including U.S. Treasuries, Agencies, sovereigns, supranationals, fixed-rate mortgages, adjustable-rate mortgages, investment grade corporate bonds, asset-backed securities and money market instruments. Investment allocations are based on a thorough assessment of relative value expectations among market sectors, issue types, and quality sectors, as well as among individual securities. These expectations are derived from a broad range of qualitative and quantitative factors, including yield curve shape, interest rate volatility, yield-spread relation; option-adjusted spread and total return projections under varying interest rate scenarios. Stone Harbor's Core Fixed Income team seeks to add value through in-depth proprietary research in credit and structured investments, a thorough understanding of sectors, a team of experienced and stable portfolio managers who also serve as asset class or sector specialists, and its sophisticated risk management strategy.

Core Plus Strategies

The Core Plus Strategies seek to enhance the returns of core fixed income portfolios by capitalizing on cross-sector opportunities through tactical allocations to non-core fixed income sectors, including high yield and foreign bonds. The strategies seek greater long-term returns vs. a core fixed income portfolio through the use of credit quality-driven fixed income instruments to enhance the returns of traditional core domestic bond portfolios without significantly increasing risk. Despite the volatility associated with investments in high yield and emerging markets debt, Stone Harbor believes these asset classes offer excellent opportunities for long-term, relatively risk-tolerant investors to pursue higher reward investments with modest additional risk. Allocations to high yield and emerging markets debt are managed as if they were stand-alone portfolios by sector specialists who attempt to maximize potential returns within each sector of the market. Stone Harbor seeks to invest in the more liquid investments within sectors, enabling efficient asset allocation changes.

Stone Harbor offers two primary Core Plus strategies: (i) a *Core Plus* strategy that may invest up to 20% of assets outside of U.S. core fixed income in high yield, non-U.S. denominated debt and emerging markets debt and (ii) a *Multi-Sector Total Return* strategy that generally may invest up to 50% of assets outside of U.S. core fixed income in high yield, emerging markets debt and non-U.S. denominated debt while managing tracking error and credit quality objectives.

LIBOR Plus

The LIBOR Plus strategy seeks to provide a high level of current income, liquidity and preservation of capital, through active management of high quality short-term fixed income securities. The strategy aims to provide higher returns than traditional money market instruments without a substantial increase in interest rate or credit risk. Interest rate risk is managed by generally keeping portfolio duration in a range of 0.5 - 1.0 year, and credit risk is minimized through the use of government, governmental agency or AAA-rated investments. The LIBOR Plus active investment process focuses on risk management, total return and thorough credit analysis. Portfolios are customized based on specific return objectives; risk tolerance and liquidity needs and managed with the goal of providing the highest possible return within those parameters. Investment opportunities are sought in a variety of sectors, including investment-grade corporate bonds, adjustable- and fixed-rate mortgages, money markets, asset-backed securities, U.S. agency securities, U.S. Treasuries, fixed- and floating-rate notes and collateralized mortgage obligations.

Diversified Global Credit

The Diversified Global Credit strategies seek to enhance long-term total returns through tactical asset allocation and security selection along with careful risk management. Stone Harbor actively allocates among credit-related asset classes based on its views of the relative value of each sector, including but not limited to investment grade corporate and securitized credit, emerging markets sovereign and corporate debt, high yield, bank loans, and convertible securities. In evaluating investment opportunities, Stone Harbor uses a “top-down” approach to determine a decision-making framework. Fundamental credit analysis, including bottom-up valuations and cross-market analyses, is performed to determine sector allocation, as well as security selection, position sizing and risk management. In allocating among different sectors, the following are some of the factors Stone Harbor may consider to make tactical investment decisions: the market environment; risk positioning; target return expectations; sources of return; and favored sectors and portfolio characteristics. Risk tools and analytics are also used to make investment decisions. Stone Harbor typically selects those individual investments that it believes are most undervalued and may offer the highest potential returns relative to the amount of credit, interest rate, liquidity and other risks presented.

Multi-Asset Credit

The Multi-Asset Credit strategies seek to achieve total returns on an annual basis through unconstrained asset allocation with broad credit market exposure. The strategy consists of an active allocation across all elements of the portfolio. Dependent on the specific alpha strategy, Stone Harbor allocates among individual asset classes, including but not limited to, high yield, bank loans, emerging markets debt, securitized credit and investment grade corporate debt in an effort to achieve the desired risk-premia. Portfolios are customized based on specific return objectives, risk tolerance and liquidity needs and managed with the goal of providing the highest possible return within those parameters. Sector positioning and tactical asset allocations are driven by economic forecasts and expectations for global growth and inflation, as well as relative market dislocations.

Investment Grade Strategies

Investment Grade

The Investment Grade strategy is designed to bring together Stone Harbor’s experience in the various sub-sectors of the fixed income investment grade universe in order to seek to generate attractive total returns on a risk-adjusted basis. Subject to specific client guidelines, the strategy invests in a broad universe of investment grade securities, primarily including Treasuries (government securities), agency securities, sovereign debt securities, securities issued by supranational organizations, mortgage-backed or asset-backed securities issued or guaranteed by various governmental and non-governmental entities; secured and unsecured senior and subordinated loans and loan participations, including mortgages, investment grade corporate bonds, and money market instruments. Rigorous fundamental credit analysis is a key driver of both downside protection and alpha generation. Stone Harbor’s disciplined investment process emphasizes credit quality, technicals, valuations, and risk management. Risk management for the strategy involves an ongoing review of both portfolio strategy and individual holdings. Stone Harbor offers a flexible range of Investment Grade portfolios that may be customized to focus on specific fixed income sectors, such as investment grade corporate debt or securitized assets.

Investment Grade Corporate Debt

The Investment Grade Corporate Debt strategy seeks to generate an attractive total return on a risk adjusted basis. The strategy invests primarily in securities issued by corporations globally

that are rated investment grade. Portfolios typically contain a geographically diverse selection of issuers, which, depending on client preference, may be constructed with either a USD or multi-currency market focus. The strategy seeks to add value through industry and sector selection and tactical asset allocation. Rigorous fundamental credit analysis is a key driver of both downside protection and alpha generation. Stone Harbor's disciplined investment process emphasizes credit quality, technicals, valuations, and risk management. Risk management for the strategy involves an ongoing review of both portfolio strategy and individual holdings. Stone Harbor offers a flexible range of options within the Investment Grade Corporate Debt strategy. Portfolios can be dedicated Investment Grade Corporate Debt portfolios or a component of broader Investment Grade or Multi-Sector Allocation strategies.

Securitized / Mortgage Backed Securities

The Securitized / Mortgage Backed Securities strategy seeks to capture the best relative value opportunities in the mortgage securities market while simultaneously managing risk. Stone Harbor's mortgage-backed investment process is a quantitative, bottom-up, relative value approach emphasizing risk management. Throughout the process, risk management and the client's investment guidelines are closely monitored. The approach focuses on sector allocation and security selection to add value. The process is designed to find undervalued securities and sectors through rigorous option-adjusted spread, total return projection and historical spread and prepayment trend analysis. Stone Harbor's risk management for mortgage-backed securities is a continuous process emphasizing portfolio risk attributions, tracking error analysis and performance attribution. Risk and return characteristics are monitored through proprietary quantitative tools that analyze mortgage prepayment, total rate of return, option-adjusted spread, effective duration and key rate duration models. Mortgage securities held by the portfolios, as well those in the mortgage index, are analyzed daily, allowing Stone Harbor to measure benchmark deviation across multiple dimensions of risk. Stone Harbor believes that experienced professionals coupled with superior proprietary mortgage analytics and portfolio management systems allow Stone Harbor to add value in the areas of duration management, yield curve positioning, sector allocation and security selection.

Stone Harbor offers a flexible range of options within the Securitized / Mortgage Backed Securities strategy. Portfolios can be dedicated Securitized portfolios or a component of broader Investment Grade or Multi-Sector Allocation strategies.

Global Investment Grade Allocation

Combining top-down and bottom-up analyses, Stone Harbor seeks to uncover opportunities in the investment grade fixed income markets globally in the Global Investment Grade Allocation strategy. Within each portfolio, sector specialists individually manage allocations that may include hard and local currency sovereign debt, corporate securities and mortgage securities. The Global Investment Grade Allocation strategy invests primarily in investment grade fixed income securities across developed and emerging markets. Subject to specific client guidelines, the strategy invests in a broad universe of investment grade securities, primarily including Treasuries (government securities), agency securities, sovereign debt securities, securities issued by supranational organizations, mortgage-backed or asset-backed securities issued or guaranteed by various governmental and non-governmental entities, investment grade corporate bonds, emerging markets sovereign debt and emerging markets corporate debt. Emerging markets debt may be denominated in hard and local currency. Please also refer to the strategy descriptions for Stone Harbor's Investment Grade and Emerging Markets Debt strategies.

500 Plus

The 500 Plus strategy seeks to exceed the total return of the Standard & Poor's 500 Index ("S&P 500 Index") by investing primarily in S&P 500 Index derivatives (generally futures and total return swaps) and various types of fixed income instruments. In general, the strategy will seek to gain long exposure to the S&P 500 Index through the use of S&P 500 Index derivatives in an amount, under normal market circumstances, approximately equal to the net assets of the client portfolio in an attempt to equal or exceed the daily performance of the S&P 500 Index. However, since S&P 500 Index derivatives may be purchased with a fraction of the assets that would be needed to purchase the equity securities directly, the remainder of portfolio assets may be invested in fixed income instruments. The fixed income instruments will normally be actively managed in an effort to enhance the portfolio's total return, subject to overall portfolio duration which is typically not expected to exceed two years. The strategy will normally seek to invest in fixed income instruments that are rated investment grade. The types of fixed income instruments in which the strategy may invest include asset backed securities, residential mortgage backed securities, commercial mortgage back securities, corporate debt securities, 144A securities, money market instruments including commercial paper and agency discount notes, and derivatives related to these types of securities.

High Yield Strategies

High Yield

The High Yield strategy seeks to outperform the benchmark through effective sector analysis and intensive credit research. Stone Harbor's disciplined investment process uses fundamental credit research to identify market inefficiencies and potential opportunities.

Stone Harbor seeks to identify attractive industries and sectors through relative value analysis and potential opportunities through qualitative and quantitative analyses. Specific security selection focuses on stable cash flow generating companies as opposed to rapid growth companies or turnaround situations. Investments are focused in undervalued industries and credits that Stone Harbor believes present sufficient financial flexibility to exist in any market environment.

The High Yield strategy seeks incremental return over the benchmark by making industry and market sector allocations while seeking to manage risk through issuer diversification and a disciplined review/sell process designed to minimize individual company risk to the portfolio. Through relative value and in-depth qualitative and quantitative analyses, Stone Harbor defines a universe of attractive industries and sectors and then selects securities designed to limit downside risk. Stone Harbor believes that superior risk-adjusted returns can be achieved through a focus on long-term fundamentals, in addition to avoiding liquidity and refinancing risk. Stone Harbor offers both a 100% High Yield core style and a high yield strategy that tactically allocates up to 20% into emerging markets debt.

European High Yield

The European High Yield strategy seeks to outperform the benchmark through effective sector analysis and intensive credit research within the universe of European high yield debt. Stone Harbor believes that European high yield debt is a growing asset class that offers attractive returns compared to other asset classes in Europe.

The European High Yield strategy seeks incremental return over the benchmark by making astute industry and market sector allocations while managing risk through issuer diversification and a disciplined review/sell process designed to minimize individual company risk to the portfolio. Through relative value and in-depth qualitative and quantitative analyses, Stone Harbor defines a

universe of attractive industries and sectors and then selects securities designed to limit downside risk. Stone Harbor believes that superior risk-adjusted returns can be achieved through a focus on long-term fundamentals, in addition to avoiding liquidity and refinancing risk.

Stone Harbor offers a flexible range of options within the European High Yield strategy. Portfolios can be dedicated European High Yield portfolios or a component of broader High Yield or Multi-Sector Allocation strategies.

Global High Yield

The Global High Yield strategy seeks to achieve attractive risk-adjusted returns versus the benchmark by investing in a diversified portfolio of U.S. high yield and emerging markets debt securities. Stone Harbor believes the best opportunities in U.S. high yield and emerging markets debt are inefficiencies that can be uncovered through both a fundamental and qualitative research of these markets. Stone Harbor further believes that excellent risk-adjusted returns can be achieved by determining the best portfolio allocation across sectors, industries and countries.

The key portfolio construction step that defines global high yield portfolio management is the asset allocation decision between the two market segments. Global High Yield portfolio asset class allocation weightings are determined through opportunity and risk evaluation and may be customized based on client guidelines.

Leveraged Loans

The Leveraged Loan strategy seeks to outperform the benchmark through effective sector analysis and intensive credit research of the entire investable universe, including but not limited to senior bank loans, bank obligations, bank loans, participations and assignments. Through relative value and in-depth qualitative and quantitative analyses, Stone Harbor defines a suitable universe of attractive industries and sectors. Specific security selection focuses on stable cash flow generating companies as opposed to rapid growth companies or turnaround situations. Stone Harbor focuses its investments in undervalued industries and credits that present sufficient financial flexibility to exist in any market environment. Stone Harbor attempts to limit downside risk through heavy issuer diversification designed to minimize individual company exposure within the portfolio and a disciplined review/sell process. Stone Harbor believes a focus on long-term credit fundamentals, in addition to avoiding liquidity and refinancing risk, provides superior long-term returns in any market.

Stone Harbor offers a flexible range of options within the Leveraged Loans strategy. Portfolios can be dedicated Leveraged Loans portfolios or a component of broader High Yield or Multi-Sector Allocation strategies.

Convertibles

The convertible security investment strategy seeks to outperform the convertible securities market through effective security selection. This strategy relies on Stone Harbor's disciplined investment process utilizing fundamental research and corporate structure analysis to identify securities that provide above-average returns while protecting downside risk. Stone Harbor seeks to identify attractive investment opportunities by utilizing in-depth fundamental industry and company analysis combined with relative value views across global industry sectors. Stone Harbor overlays this detailed analysis with a multi-faceted convertible securities valuation technique that emphasizes accurately valuing the downside risk in a convertible security. Stone Harbor uses internal and external models to value the derivative securities in the convertible market. Stone Harbor seeks to invest in convertible securities that offer investors asymmetrical risk adjusted returns.

Stone Harbor offers a flexible range of options within the Convertibles strategy. Portfolios can be dedicated Convertibles portfolios or a component of a broader High Yield strategy.

Emerging Markets Debt Strategies

Emerging Markets Debt

The Emerging Markets Debt strategy seeks to achieve attractive risk-adjusted returns by investing in a diversified portfolio of emerging market credits with tactical allocations to emerging markets local currency and corporate debt.

Stone Harbor believes the emerging debt markets offer attractive long-term return opportunities due to the secular trend of improving credit quality in many emerging markets countries, coupled with significant inefficiencies in these markets. In addition, emerging markets debt has a relatively low historical correlation with other major asset classes, suggesting that significant benefits may be derived from a diversified portfolio. Stone Harbor regularly monitors the entire emerging markets debt universe for opportunities to capitalize on market inefficiencies, seeking to enhance our portfolios' long-term performance.

Stone Harbor believes attractive risk-adjusted returns can be achieved in the emerging debt markets through superior country selection based on fundamental analysis, quantitative fixed income analysis focusing on market inefficiencies among sectors and securities in each country and a focus on reducing risk through active management. In addition, Stone Harbor believes that superior risk-adjusted returns can be achieved through its disciplined investment process.

This strategy may be implemented either as a broad portfolio that invests in non-investment grade and investment grade debt instruments of emerging markets issuers, or as a portfolio that primarily invests in investment grade debt instruments of emerging markets issuers, based on client guidelines.

Emerging Markets Local Currency Debt

The Emerging Markets Debt Local Currency strategy seeks to achieve attractive risk-adjusted returns by investing in a diversified portfolio of emerging market credits in various local currency denominations. Stone Harbor believes the local currency emerging debt markets, primarily sovereign-debt, offer attractive long-term return opportunities due to the secular trend of improving credit quality in many emerging markets countries, coupled with significant inefficiencies in the local currency markets. In addition, emerging markets local currency debt has a relatively low correlation with other major asset classes, suggesting that benefits may be derived from a diversified portfolio. Stone Harbor believes mandates with the broadest degree of allocation ranges present the greatest opportunity to generate alpha. A typical emerging markets debt local currency portfolio would permit investments in any country meeting the World Bank definition of an emerging or "low income" country or which are included in the J.P. Morgan emerging market bond index.

Stone Harbor's strives to outperform the strategy benchmark's return with a level of volatility similar to the benchmark. Stone Harbor actively monitors the emerging markets universe for improving credit quality opportunities and undervalued currencies with high real return potential.

This strategy may be implemented either as a broad portfolio that invests in non-investment grade and investment grade local currency denominated debt instruments of emerging markets

issuers, or as a portfolio that primarily invests in investment grade debt instruments, based on client guidelines.

Emerging Markets Debt Global Allocation

The Emerging Markets Debt Global Allocation strategies seek to achieve attractive risk-adjusted returns by actively allocating among hard and local currency emerging markets debt, with tactical allocations to emerging markets corporate debt, or by active allocation among all three of the aforementioned emerging markets asset classes. Stone Harbor believes that this combination offers attractive long-term opportunities for the following reasons: long term historical correlations between hard currency and local currency debt are relatively low; investor concentration in domestic bond and external debt markets is limited; and the range and variability of returns provides opportunities for exploiting relative value both within and between sectors.

Stone Harbor believes the investment process enables the portfolio managers to determine optimal weightings of local and external debt by combining Stone Harbor's overall market view with fundamental country analysis and quantitative and technical sector and security analysis. The EMD investment team weighs these factors in the context of Stone Harbor's assessment of risk momentum, growth trends and the long term investment outlook. Periodic meetings of the EMD investment team along with Stone Harbor's asset allocation meetings help enable the portfolio managers to regularly reassess and recalibrate tactical asset allocation decisions based on changing market conditions and relative value. Stone Harbor believes that strong risk-adjusted returns can be achieved through its disciplined investment process and experience in tactical asset allocation.

This strategy may be implemented either as a broad portfolio that invests in non-investment grade and investment grade debt instruments of emerging markets issuers, or as a portfolio that primarily invests in investment grade debt instruments of emerging markets issuers, based on client guidelines.

Emerging Markets Corporate Debt

The Emerging Markets Corporate Debt strategy seeks to achieve attractive risk-adjusted returns by investing in a diversified portfolio of emerging market corporate credits. Stone Harbor believes the emerging debt corporate markets offer attractive long-term return opportunities due to the growth of corporate issuance and improving credit quality in many emerging markets countries, coupled with significant inefficiencies in these markets.

Stone Harbor believes attractive risk-adjusted returns can be achieved in the emerging debt corporate markets through the economic outlook for the country or countries in which the issuer operates, the prospects for the industry or industries in which the issuer operates the strength of the issuer's financial resources and sensitivity to economic conditions and trends; the issuer's operating history; and the experience and track record of the issuer's management.

Individual security selection is driven by Stone Harbor's analysis of the issuer's credit quality paired with an assessment of valuation. Stone Harbor selects those individual investments that it believes to be most undervalued and to offer the highest potential returns relative to the amount of credit, interest rate, liquidity and other risks presented. Stone Harbor generally allocates investments across a broad range of issuers, industries and countries, which may help to reduce risk.

This strategy may be implemented either as a broad portfolio that invests in non-investment grade and investment grade corporate debt instruments of emerging markets issuers, or as a portfolio that primarily invests in investment grade corporate debt instruments of emerging markets issuers, based on client guidelines.

Emerging Markets Debt Total Return

The Emerging Markets Debt Total Return strategy seeks to achieve attractive risk-adjusted returns by investing in a diversified portfolio of emerging market credits using derivatives, local currencies and leverage. The strategy attempts to enhance returns by asset allocation within the account or by allowing the use of leverage through borrowing, including loans from certain financial institutions and the use of reverse repurchase agreements. Stone Harbor's Emerging Markets Debt Total Return strategy utilizes the same emerging markets debt investment philosophy and process as the traditional Emerging Markets Debt Global Allocation strategy, and includes all emerging markets debt sectors in its investable universes (i.e. hard, local and corporate debt).

In addition, subject to client investment guidelines, Stone Harbor may invest a portion of assets under management in emerging markets equity, primarily via either single country or regional exchange-traded funds (ETFs).

Emerging Markets Debt Opportunistic

Based on Stone Harbor's research and long experience in the emerging markets, the Emerging Markets Debt portfolio management team has developed a number of opportunistic / total return strategies. Stone Harbor's Emerging Markets Debt Opportunistic strategies are total return strategies that include all emerging markets debt sectors in their investable universes (i.e. hard, local and corporate debt) and can be managed with or without leverage, subject to client preference.

Stone Harbor believes that credit analysis, specifically seeking to avoid default losses, is increasingly important in a low yield environment, and Stone Harbor's portfolio managers perform rigorous credit analysis to identify suitable investments over a credit cycle. The Emerging Markets Debt Opportunistic strategies generally result in concentrated portfolios of Stone Harbor's high conviction investments in an effort to generate superior risk-adjusted returns. Portfolios implementing Emerging Markets Debt Opportunistic strategies generally are benchmark agnostic.

RISKS

Credit Risk

(Credit Risk is applicable to all strategies.)

Credit risk is the risk that an issuer of, for example, a fixed income security, leveraged loan or preferred stock, or the counterparty to a derivatives contract, will be unable to make interest, principal, dividend, or other payments when due. In general, lower rated (including defaulted) securities and leveraged loans carry a greater degree of credit risk. If rating agencies lower their ratings of securities in a client's portfolio, the value of those obligations could decline. In addition, the underlying revenue source for a fixed income security, a preferred stock or a derivatives contract may be insufficient to pay dividends, interest, principal or other required payments in a timely manner.

Because a significant primary source of income for a client is the dividend, interest, principal and other payments on the fixed-income securities, preferred stocks and derivatives in which it invests, any default by an issuer of such an instrument could have a negative impact on a client's ability to receive dividends. Even if the issuer does not actually default, adverse changes in the issuer's financial condition may negatively affect its credit rating or presumed creditworthiness. These developments would adversely affect the market value of the issuer's obligations or the value of credit derivatives if Stone Harbor has sold credit protection.

Interest Rate Risk

(Interest Rate Risk is applicable to all strategies.)

Interest rate risk is the risk that investments will decline in value because of changes in market interest rates. When interest rates rise the market value of fixed-income securities generally will fall. Stone Harbor's investment in such securities means that the price of certain securities may decline if market interest rates rise. Interest rates are currently low relative to historic levels. During periods of declining interest rates, an issuer of fixed-income securities may exercise its option to redeem or prepay securities prior to maturity, which could result in Stone Harbor having to reinvest in lower yielding fixed-income securities or other types of securities. This is known as call or prepayment risk. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected payments. This may lock in a below market yield, increase the security's duration, and reduce the value of the security. This is known as extension risk. Investments in debt securities with long-term maturities may experience significant price declines if long-term interest rates increase. This is known as maturity risk.

Duration Risk

(Duration Risk is applicable to all strategies.)

Duration is the measure of the expected life of a fixed income instrument that is used to determine the sensitivity of a security's price to changes in interest rates. As duration increases, volatility increases as applicable interest rates change.

Liquidity Risk

(Liquidity Risk is applicable to all strategies.)

Liquidity risk is the risk that the investment will be sold at a price below its fair value, where that fair value is indicated by a recent transaction in the market. The primary measure of liquidity is the spread between the bid and asked price by a broker. Generally, the wider the spread, the greater the liquidity risk. Stone Harbor may invest client assets in investments that may be or may become illiquid. Low trading volume, lack of a market maker, large position size, or legal restrictions may limit or prevent the firm from selling particular securities or closing derivative positions at the desired time or price. Derivatives, bank loans and securities that involve substantial interest rate or credit risk tend to involve greater liquidity risk. In addition, liquidity risk tends to increase to the extent that the sale of the securities is restricted by law or by contract, such as Rule 144A and Regulation S securities. The illiquidity of a client portfolio may increase when liquidity is most needed, such as during periods of market turmoil or high redemptions.

Counterparty Risk

(Counterparty Risk is applicable to all strategies.)

Counterparty risk is the risk that the other party to the contract will not fulfill its contractual obligations, which may cause losses or additional costs to the strategy. As a by-product of investing, counterparty exposure is an unavoidable risk for Stone Harbor's client accounts. Stone Harbor seeks to preserve the ability of clients to take advantage of investment opportunities while prudently mitigating counterparty risk through counterparty selection and monitoring, trading discipline and dedicated operational functions that oversee confirmation of trades, collateral management and pricing. Our traders generally execute transactions only with approved counterparties. Stone Harbor periodically reviews trading counterparties. We believe these reviews reduce the risk that a counterparty default will have a major impact on client accounts; however, such reviews cannot guarantee that investment losses associated with a counterparty default will be averted.

Managed Portfolio Risk

(Managed Portfolio Risk is applicable to all strategies.)

As actively managed portfolios, the value of a portfolio's investments could decline because the financial condition of an issuer may change (due to factors such as management performance, reduced demand or overall market changes), financial markets may fluctuate or overall prices may decline or Stone Harbor's investment techniques could fail to achieve the stated investment objective for a given strategy.

Corporate Debt Risk

(Corporate Debt Risk is primarily applicable to the Investment Grade Corporate Debt, Global Investment Grade Allocation, Emerging Markets Corporate Debt, High Yield, European High Yield, Global High Yield, Leveraged Loan and Convertibles strategies; and is also applicable to the Core Fixed Income, Core Plus, Libor Plus, Diversified Global Credit, Multi Asset Credit, Emerging Markets Debt, Emerging Markets Debt Global Allocation, Emerging Markets Total Return and Emerging Markets Debt Opportunistic strategies.)

Stone Harbor may invest in debt securities of non-governmental issuers. Like all debt securities, corporate debt securities generally represent an issuer's obligation to repay to the investor (or lender) the amount borrowed plus interest over a specified time period. A typical corporate bond specifies a fixed date when the amount borrowed (principal) is due in full, known as the maturity date, and specifies dates when periodic interest (coupon) payments will be made over the life of the security.

Corporate debt securities come in many varieties and may differ in the way that interest is calculated, the amount and frequency of payments, the type of collateral, if any, and the presence of special features (e.g., conversion rights). Stone Harbor's investments in corporate debt securities may include, but are not limited to, senior, junior, secured and unsecured bonds, notes and other debt securities, and may be fixed rate, floating rate, zero coupon and inflation linked, among other things. Stone Harbor may invest in convertible bonds and warrant structures, which are fixed income securities with imbedded warrants that are exercisable into other debt or equity securities. Upon conversion of such securities into equity securities, the equity securities will be sold.

Prices of corporate debt securities fluctuate and, in particular, are subject to several key risks including, but not limited to, interest-rate risk, credit risk, prepayment risk and spread risk. The

market value of a corporate bond may be affected by the credit rating of the corporation, the corporation's performance and perceptions of the corporation in the market place. There is a risk that the issuers of the corporate debt securities in which Stone Harbor may invest may not be able to meet their obligations on interest or principal payments at the time called for by an instrument.

High Yield Securities Risk

(High Yield Securities Risks are primarily applicable to High Yield, European High Yield, Global High Yield, Leveraged Loans and Convertibles strategies; and are also applicable to Emerging Markets Debt, Emerging Markets Debt Local Currency, Emerging Markets Corporate Debt, Emerging Markets Debt Global Allocation, Emerging Markets Debt Total Return, Emerging Markets Debt Opportunistic, Diversified Global Credit, Multi-Asset Credit, Libor Plus and Core Plus strategies.)

Stone Harbor's investments in fixed-income securities and preferred stocks of below investment grade quality (commonly referred to as "high yield" or "junk bonds"), if any, are predominantly speculative because of the credit risk of their issuers. While offering a greater potential opportunity for capital appreciation and higher yields, such below investment grade securities entail greater potential price volatility and may be less liquid than higher-rated securities. Issuers of below investment grade quality securities are more likely to default on their payments of interest and principal owed to a client, and such defaults will reduce the client's account value and income distributions. The prices of these lower quality securities are more sensitive to negative developments than higher rated securities.

Adverse business conditions, such as a decline in the issuer's revenues or an economic downturn, generally lead to a higher non-payment rate. In addition, such a security may lose significant value before a default occurs as the market adjusts to expected higher non-payment rates.

Foreign Securities Risk

(Foreign Securities Risks are primarily applicable to Emerging Markets Debt, Emerging Markets Debt Local Currency, Emerging Markets Corporate Debt, Emerging Markets Debt Global Allocation, Emerging Markets Debt Total Return, Emerging Markets Debt Opportunistic, Global High Yield, European High Yield, Diversified Global Credit, Multi-Asset Credit, Core Plus, Libor Plus and Global Investment Grade Allocation strategies and are also applicable to the Convertibles, Investment Grade and Investment Grade Corporate Debt strategies.)

Investing in foreign securities involves certain special considerations that are not typically associated with investments in the securities of U.S. issuers. Foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards and may have policies that are not comparable to those of domestic issuers. As a result, there may be less information available about foreign issuers than about domestic issuers. Securities of some foreign issuers may be less liquid and more volatile than securities of comparable domestic issuers.

There is generally less government supervision and regulation of securities markets, brokers and issuers than in the United States. In addition, with regard to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, political and social instability, or diplomatic developments, which could affect the value of investments in those countries. The costs of investing in foreign countries frequently are higher than the costs of investing in the United States. Although Stone Harbor endeavors to achieve the most favorable execution costs

in portfolio transactions, trading costs in non-U.S. securities markets are generally higher than trading costs in the United States.

Investments in securities of foreign issuers often will be denominated in foreign currencies. Accordingly, the value of a client's assets, as measured in U.S. dollars, may be affected favorably or unfavorably by changes in currency exchange rates and in exchange control regulations. A client may incur costs in connection with conversions between various currencies.

Certain foreign governments levy withholding or other taxes on dividend and interest income. Although in some countries a portion of these taxes are recoverable, the non-recovered portion of foreign withholding taxes will reduce the income received from investments in such countries.

From time to time, Stone Harbor may have invested in certain sovereign debt obligations that are issued by, or certain companies that operate in or have dealings with, countries that become subject to sanctions or embargoes imposed by the U.S. government and the United Nations and/or countries identified by the U.S. government as state sponsors of terrorism. Investments in such countries may be adversely affected because, for example, the credit rating of the sovereign debt security may be lowered due to the country's instability or unreliability or the company may suffer damage to its reputation if it is identified as a company which operates in, or has dealings with, such countries. As an investor in such companies, a client will be indirectly subject to those risks.

Investments in Emerging Market Countries Risk

(Risks associated with Investments in Emerging Markets are primarily applicable to the Emerging Markets Debt, Emerging Markets Debt Local Currency, Emerging Markets Corporate Debt, Emerging Markets Debt Global Allocation, Emerging Markets Debt Total Return, Emerging Markets Debt Opportunistic, Global High Yield and Global Investment Grade Allocation strategies and also are applicable to the Diversified Global Credit, Multi-Asset Credit, Libor Plus and Core Plus strategies.)

Investing in the securities of issuers located in emerging market countries involves special considerations not typically associated with investing in the securities of other foreign or U.S. issuers. Such considerations may include heightened risks of expropriation and/or nationalization, armed conflict, confiscatory taxation, restrictions on transfers of assets, lack of uniform accounting and auditing standards, less publicly available financial and other information and potential difficulties in enforcing contractual obligations.

The economies of individual emerging market countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector, including ownership or control of companies. Accordingly, government actions could have a significant effect on economic conditions in an emerging market country and on market conditions, prices and yields of securities in a client's portfolio.

Moreover, the economies of developing countries generally are heavily dependent upon international trade and, consequently, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other

protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. With regard to any emerging market country, there is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, overburdened and obsolete or unseasoned financial systems, environmental problems, less developed legal systems, economic or social instability or diplomatic developments (including war), which could affect adversely the economies of such countries or the value of a client's investments in those countries. It also may be difficult to obtain and enforce a judgment in a court outside of the United States.

In addition, the economies of emerging market countries have become more interrelated in recent years, which may vitiate any attempt by Stone Harbor to reduce risk through geographic diversification of its portfolio investments.

Investments in emerging market countries may entail purchasing securities issued by or on behalf of entities that are insolvent, bankrupt, in default or otherwise engaged in an attempt to reorganize or reschedule their obligations or in entities that have little or no proven credit rating or credit history. In any such case, the issuer's poor or deteriorating financial condition may increase the likelihood that a client will experience losses or diminution in available gains due to bankruptcy, insolvency or fraud.

Investments in emerging market countries may also be exposed to an extra degree of custodial and/or market risk, especially where the securities purchased are not traded on an official exchange or where ownership records regarding the securities are maintained by an unregulated entity (or even the issuer itself).

Sovereign Debt Obligations Risk

(Risks associated with investments in Sovereign Debt Obligations are primarily applicable to the Emerging Markets Debt, Emerging Markets Debt Local Currency, Emerging Markets Corporate Debt, Emerging Markets Debt Global Allocation, Emerging Markets Debt Total Return, Emerging Markets Debt Opportunistic, Global High Yield, Global Investment Grade Allocation and Investment Grade strategies and also are applicable to the Diversified Global Credit, Multi-Asset Credit, Libor Plus and Core Plus strategies.)

Investments in emerging market countries' government debt obligations involve special risks. Certain emerging market countries have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. The issuer or governmental authority that controls the repayment of an emerging country's debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt.

A debtor's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation and, in the case of a government debtor, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. Government debtors may default on their debt and may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearages on their debt.

The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a debtor's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations.

Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the government debtor, which may further impair such debtor's ability or willingness to service its debts on a timely basis. Holders of government debt, including a client of Stone Harbor, may be requested to participate in the rescheduling of such debt and to extend further loans to government debtors. Restructuring arrangements may include reducing and rescheduling interest and principal payments by negotiating new or amended credit agreements, and obtaining new credit to finance interest payments.

As a result of the foregoing, a government obligor may default on its obligations. If such an event occurs, Stone Harbor may have limited legal recourse against the issuer and/or guarantor. Remedies must, in some cases, be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign government debt securities to obtain recourse may be subject to the political climate in the relevant country.

In addition, the holders of more senior fixed income securities, such as commercial bank debt, may contest payments to the holders of other foreign government debt securities in the event of default under their commercial bank loan agreements.

Investments in emerging market countries' government debt securities involve currency risk.

Foreign Currency Risk

(Risks associated with Foreign Currency are primarily applicable to the Emerging Markets Debt, Emerging Markets Debt Local Currency, Emerging Markets Corporate Debt, Emerging Markets Debt Global Allocation, Emerging Markets Debt Total Return, Emerging Markets Debt Opportunistic, European High Yield, Global High Yield and Global Investment Grade Allocation strategies and also are applicable to the Diversified Global Credit, Multi-Asset Credit, Libor Plus and Core Plus strategies.)

Stone Harbor may invest client assets in securities that are not denominated in U.S. dollars. As a result, a client is subject to the risk that those currencies will decline in value relative to the value of the U.S. dollar.

The values of the currencies of the emerging market countries in which Stone Harbor may invest may be subject to a high degree of fluctuation due to changes in interest rates, the effects of the monetary policies of the United States, foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. Therefore, a client's exposure to foreign currencies may result in losses to the client.

In addition to changes in the value of clients' portfolio investments resulting from currency fluctuations, a client may incur costs in connection with conversions between various currencies. Foreign exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Stone Harbor will conduct its foreign currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate

prevailing in the foreign currency exchange market or in the derivatives markets, including through entering into forward, futures or options contracts to purchase or sell foreign currencies.

Currency exchange rates may be negatively impacted by rates of inflation, interest rate levels, balance of payments and governmental surpluses or deficits in the emerging market countries in which Stone Harbor invests.

Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Governments that issue obligations may engage in certain techniques to control the value of their local currencies. Such techniques include central bank intervention, imposition of regulatory controls or the imposition of taxes that may impact the exchange rates of the local currencies in which the debt securities are denominated. Emerging market countries may also issue a new currency to replace an existing currency or may devalue their currencies. The liquidity and market values of the investments of Stone Harbor clients in emerging markets may be impacted by such government actions.

Stone Harbor may, from time to time, seek to protect the value of some portion or all of its portfolio holdings against currency risks by engaging in currency hedging transactions. Such transactions may include entering into forward currency exchange contracts, currency futures contracts and options on such futures contracts, the use of other derivatives, as well as purchasing put or call options on currencies, in U.S. or foreign markets. Currency hedging involves special risks, including possible default by the other party to the transaction, illiquidity and, to the extent Stone Harbor view as to certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if they had not been used. In addition, in certain countries in which Stone Harbor may invest, currency hedging opportunities may not be available.

Leveraged Loans Risk

(Risks related to Leveraged Loans are primarily applicable to the Leveraged Loans, High Yield, European High Yield and Global High Yield strategies and also are applicable to the Core Plus, Libor Plus, Diversified Global Credit and Multi Asset Credit strategies.)

Stone Harbor invests in bank loans, which may include senior secured and unsecured floating rate loans made by U.S. banks and other financial institutions to corporate customers. Typically, these loans hold the most senior position in a borrower's capital structure, may be secured by the borrower's assets and have interest rates that reset frequently. These loans generally will not be rated investment grade by the ratings agencies. Economic downturns generally lead to higher non-payment and default rates and a senior loan could lose a substantial part of its value prior to a default. The interest rates of bank loans reset frequently, and thus bank loans are subject to interest rate risk. Bank loans are generally less liquid than many other debt securities and there may also be less public information available about bank loans as compared to other debt securities. Transactions in bank loans may take significantly longer than seven days to settle and, as a result, proceeds related to the sale of bank loans may not be readily available to make additional investments or to satisfy client redemption requests.

Equity and Equity-Related Securities (Convertibles and Preferred Stock)

(Equity and Equity-Related Securities Risks are primarily applicable to the Convertibles, High Yield, European High Yield and Global High Yield strategies and also are applicable to the Core Plus, Libor Plus, Diversified Global Credit and Multi Asset Credit strategies.)

Convertible securities (“Convertibles”) are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible’s value usually reflects both the stream of income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock and generally a subordinated security, the Convertible has the same types of market and issuer risk as the underlying common stock. Convertibles are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed above. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other securities in the capital structure as Convertibles are often lower in the capital structure. However, Convertibles usually have a claim prior to the issuer’s common stock. In addition, for some Convertibles, the issuer can choose when to “call” (redeem) the Convertible, thus forcing the investor to convert their security.

Preferred stock is a class of stock having a preference over common stock as to dividends or upon liquidation. Although preferred stock may be considered a form of fixed income securities, a preferred stockholder is a shareholder in the company and not a creditor of the company, and therefore the obligations to pay dividends and par value to a preferred stockholder are junior to the issuer’s fixed income instruments.

Mortgage-Backed Securities and Asset-Backed Securities Risk

(Mortgage-Backed Securities Risks are primarily applicable to the Securitized/Mortgage Backed Securities, Investment Grade and 500 Plus strategies and also are applicable to the Core Fixed Income, Core Plus, Libor Plus, Diversified Global Credit and Multi Asset Credit strategies.)

The risk of investing in mortgage-backed securities includes interest rate risk, extension risk, prepayment risk, market risk and credit risk. Mortgage-related securities are interests in pools of residential or commercial mortgage loans. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. Stone Harbor may also invest in debt securities which are secured with collateral consisting of mortgage-related securities. Market factors adversely affecting mortgage loan repayments may include a general economic downturn, high unemployment, a general slowdown in the real estate market, a drop in the market prices of real estate or an increase in interest rates resulting in higher mortgage payments by holders of adjustable rate mortgages. Limited liquidity in the secondary market for mortgage-related securities can exist, which also can adversely affect the market value of mortgage-related securities. The value of some mortgage-related securities may be particularly sensitive to changes in prevailing interest rates, and the ability of Stone Harbor to successfully utilize these instruments for its accounts may depend in part upon its ability to forecast interest rates and other economic factors correctly. The risk of non-payment is greater for mortgage-related securities that are backed by mortgage pools that contain “subprime” or “Alt-A” loans (loans made to borrowers with weakened credit histories or with a lower capacity to make timely payments on their loans), but a level of risk exists for all loans. Underlying assets (e.g., loans) are subject to prepayments that shorten the securities’ weighted average maturity and may lower their return.

Asset-backed securities present certain risks which, generally, are related to the risks of the underlying collateral (e.g. credit card receivables, automobile receivables) or the underlying

assets (e.g. letter or credit or other form of credit enhancement), depending on the specific security. Asset-backed securities also have structure risk due to a unique characteristic known as early amortization, or early payout, risk.

Derivatives Risk

(Derivatives Risks are generally applicable to all of the strategies.)

The value of a derivative instrument depends largely on (and is derived from) the value of an underlying security, currency, commodity, interest rate, index or other asset (each referred to as an underlying asset). In addition to risks relating to the underlying assets, the use of derivatives may include other, possibly greater, risks, including counterparty, leverage and liquidity risks. Counterparty risk is the risk that the counterparty to the derivative contract will default on its obligation to pay the amount owed or otherwise perform under the derivative contract. Derivatives create leverage risk because they do not require payment up front equal to the economic exposure created by owning the derivative. As a result, an adverse change in the value of the underlying asset could result in sustaining a loss that is substantially greater than the amount invested in the derivative, which may make the returns more volatile and increase the risk of loss. Derivative instruments may also be less liquid than more traditional investments and the strategy may be unable to sell or close out its derivative positions at a desirable time or price. This risk may be more acute under adverse market conditions, during which the strategy may be most in need of liquidating its derivative positions. Also, derivatives used for hedging or to gain or limit exposure to a particular market segment may not provide the expected benefits, particularly during adverse market conditions.

Futures

(The risks associated with futures primarily applies to the 500 Plus strategy. Other strategies, primarily including the Core Fixed Income, Core Plus, Libor Plus, Diversified Global Credit, Multi Asset Credit, Investment Grade and Investment Grade Corporate Debt strategies may also purchase and sell futures; however, futures will not be a primary component of these strategies and typically are used only on an incidental basis.)

Stone Harbor may enter into contracts for the purchase or sale for future delivery of securities or foreign currencies, or contracts based on financial indices, including any stock index or index of government or other securities. A futures contract purchaser incurs an obligation to take delivery of a specified amount of the security, currency or other asset underlying the contract at a specified time in the future for a specified price. A seller of a futures contract incurs an obligation to deliver the specified amount of the underlying security, currency or other asset at a specified time in return for an agreed upon price. The use of futures contracts involves risks different from, or possibly greater than, the risks associated with investing directly in securities. These risks include leverage risk, counterparty risk, risk of mispricing or improper valuation and the risk that changes in the value of the futures contract may not correlate perfectly with the underlying index. Investments in futures involve leverage which means a small percentage of assets invested in futures can have a disproportionate impact on the portfolio.

Maintaining a futures contract or selling an option on a futures contract will typically require a deposit of initial margin with a financial intermediary. Additional cash or assets ("variation margin") may be required to be deposited thereafter daily as the mark-to-market value of the futures contract fluctuates. In the event of adverse price movements, a daily cash payment to maintain required margin would be required. If a portfolio has insufficient cash, Stone Harbor may have to sell portfolio securities at an inopportune time in order to meet daily margin requirements. While Stone Harbor intends to utilize futures contracts for which an active market

exists, there is no guarantee that a liquid market will exist at the time Stone Harbor seeks to engage in a transaction.

Structured Notes

(The risks associated with Structured Notes are primarily applicable to Emerging Markets Debt, Emerging Markets Debt Local Currency, Emerging Markets Corporate Debt, Emerging Markets Debt Global Allocation, Emerging Markets Debt Total Return, Emerging Markets Debt Opportunistic and Global High Yield strategies and are also applicable to Diversified Global Credit, Multi-Asset Credit, Core Plus, Libor Plus and Global Investment Grade Allocation strategies.)

Structured notes are derivative debt instruments with principal and/or interest payments linked to the value of an underlying reference instrument. Structured notes for which the reference instrument is a bond or other debt instrument are often called “credit linked notes.” Investments in structured notes involve certain risks, including the risk that the issuer may be unable or unwilling to satisfy its obligations to pay principal or interest, which are separate from and in addition to the risk that the note's reference instruments may move in a manner that is disadvantageous to the holder of the note. Structured notes are often illiquid and are subject to market risk, liquidity risk and interest rate risk. Structured notes may be more volatile than the underlying reference instrument.

Leverage Risk

(Risks associated with leverage are primarily applicable to the Emerging Markets Debt Total Return strategy.)

Certain client accounts may utilize leverage, typically, but not exclusively, by entering into reverse repurchase agreements or borrowing money. Leveraging is a speculative technique and there are special risks and costs involved. The use of leverage would result in more risk to a client account than if leverage had not been used and can magnify the effect of any losses. If the income and gains from securities to which a client account has exposure through the use of leverage do not cover the payments due in connection with the leverage used, the return will be less than if such leverage had not been used. As a result, leveraging may cause a client account to set aside or liquidate portfolio assets to satisfy its obligations.

Stone Harbor generally is paid its management fees in such circumstances based on the total assets under management (i.e. inclusive of leverage). Because the fees paid to Stone Harbor are higher when a client account is levered, Stone Harbor may be incentivized to lever an account in order to increase fees, which results in a conflict of interests between Stone Harbor and the client.

Exchange-Traded Fund Risk

(Risks associated with Exchange-Traded Funds are primarily applicable to the Emerging Markets Debt Total Return strategy.)

Stone Harbor may gain exposure to emerging markets equity through investments in equity exchange-traded funds (ETFs). Such ETFs are subject to the risks of the underlying emerging markets equity securities in which the ETF invests. For instance, the market price of common stocks and other equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally, particular industries represented in those markets, or the issuer itself. In addition, investors in an ETF bear their share of the ETF's expenses, in addition to any management or

performance fees charged by Stone Harbor. Investments in ETFs involve the risk that the ETF's performance may not track the performance of the index or markets the ETF is designed to track. In addition, ETFs often use derivatives to track the performance of the relevant index and, therefore, investments in those ETFs are also subject to risks associated with investing in derivatives.

500 Plus Index Risk

(500 Plus Index risks applies to the 500 Plus strategy.)

The 500 Plus strategy's return may not match or may underperform the return of the targeted index for a number of reasons, including, for example: (1) the performance of derivatives related to the S&P 500 Index may not correlate with the performance of the index and will be reduced by transaction costs or other aspects of the transaction's pricing, and (2) Stone Harbor may not be able to find counterparties willing to enter into appropriate derivative instruments. It is possible that the strategy could lose money at the same time on both its exposure to the S&P 500 Index and on its investments in fixed income instruments. Unavailability of the index could affect adversely the ability of Stone Harbor to achieve the strategy's investment objective. It is not possible to invest directly in an index.

Cybersecurity

(The risks associated with cybersecurity apply to all strategies.)

The computer systems, networks and devices used by Stone Harbor and service providers to Stone Harbor and/or a Client to carry out business operations generally employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the protections utilized, systems, networks, or devices potentially can be breached.

Intentional cybersecurity breaches include: unauthorized access to systems, networks, or devices (such as through "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in the violation of applicable privacy laws). A cybersecurity breach could result in the loss or theft of customer data or funds, the inability to access electronic systems ("denial of services"), loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause Stone Harbor or a service provider to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss. In addition, such incidents could affect issuers in which Stone Harbor invests a portfolio, and thereby cause the portfolio's investments to lose value.

* * * *

Clients should refer to their investment management agreement and related investment guidelines and restrictions for a more detailed discussion of applicable risks. Clients and prospective clients in any pooled investment vehicle or investment company managed by Stone Harbor should also review the relevant prospectus or offering memorandum for additional information about the risks associated with such investment.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Stone Harbor or the integrity of Stone Harbor's management. Stone Harbor has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Certain Stone Harbor employees are registered representatives of a special purpose broker dealer, ALPS Distributors, Inc. ("ADI"). Stone Harbor is also a branch office of ADI. In addition, ADI and an affiliate of ADI, ALPS Fund Services, provide distribution and administration services, respectively, to certain of Stone Harbor's U.S. investment company and other pooled investment vehicle clients.

As noted in Item 7 above, Stone Harbor acts as an adviser or sub-adviser to various pooled investment vehicles (not all of which may be listed), including investment companies registered under the Investment Company Act of 1940 ("Investment Company Act"), collective investment trusts, private funds and registered offshore funds such as Irish UCITS and Irish qualifying investor funds.

Stone Harbor manages assets for institutional clients globally and has locations in New York, London, Melbourne and Singapore. A description of the organization of Stone Harbor's global offices follows below.

Stone Harbor Investment Partners (UK) LLP ("Stone Harbor UK") and Stone Harbor Investment Partners (AIFM) LLP (the "AIFM") are affiliated advisers and subsidiaries of Stone Harbor.

Stone Harbor UK is headquartered in London, United Kingdom, with an office in Melbourne, Australia¹, and registered with the Financial Conduct Authority ("FCA"). Stone Harbor UK portfolio managers attend the Stone Harbor's monthly investment policy meeting. Stone Harbor UK also provides Stone Harbor with various marketing, portfolio management and other services.

Stone Harbor's affiliate, the AIFM, also is located in London and registered with the FCA. The AIFM has been designated as the European Union Alternative Investment Fund Manager, as defined by the E.U. Directive on Alternative Investment Fund Managers ("AIFMD"), of certain offshore alternative investment funds managed by Stone Harbor (the "AIFs"). The AIFM is responsible for ensuring compliance with AIFMD by the AIFs and has appointed Stone Harbor to act as the investment manager of the AIFs.

Stone Harbor also has established an affiliated entity in Singapore, Stone Harbor Investment Partners Pte. Ltd. ("Stone Harbor Singapore"), which currently is solely dedicated to servicing Stone Harbor's clients in Asia. Stone Harbor Singapore does not currently conduct investment advisory services or portfolio management services. Stone Harbor Singapore has been granted the Capital Markets Services Licence by the Monetary Authority of Singapore.

¹ Stone Harbor is exempt from the requirement to hold an Australian financial services license under the Australian Corporations Act 2001 (Cth); and is regulated by the SEC under U.S. laws, which differ from Australian laws.

Stone Harbor does not recommend or select other investment advisers for its clients.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

As part of an overall internal compliance program, Stone Harbor has adopted a Code of Ethics that imposes standards of business conduct requiring Stone Harbor employees to comply with the pertinent U.S. federal securities laws, including that employees put client interests first and not to take inappropriate advantage of employment-related information, seek to minimize potential conflicts of interests between employees and investment advisory clients and help to ensure compliance with applicable laws and regulations.

The Code of Ethics also imposes restrictions on employee personal securities transactions and accounts. Such restrictions include (a) prohibitions on trading in securities while in possession of related material, nonpublic information; (b) minimum holding periods; (c) blackout periods and (d) reporting of personal securities accounts, transactions and/or holdings to the Chief Compliance Officer.

The Code of Ethics also generally requires Stone Harbor partners, officers and employees to obtain pre-approval of personal securities transactions involving fixed-income securities and certain equities from the Chief Compliance Officer. In addition, members of the investment team must also obtain pre-approval for transactions involving equity securities. Existing and prospective Stone Harbor clients may obtain copies of the Code of Ethics by mailing a written request for such document to:

STONE HARBOR INVESTMENT PARTNERS LP
31 West 52nd Street
17th Floor
New York, NY 10019
Attention: Chief Compliance Officer

Subject to the provisions of the Code of Ethics, Stone Harbor's officers and employees may from time to time have acquired or sold, or may subsequently acquire or sell, for their personal accounts securities which may also be purchased or sold for the accounts of Stone Harbor's clients.

Stone Harbor, its affiliates and partners, officers and employees may engage in transactions or cause or advise a particular client to engage in transactions which may differ from or be identical to the transactions engaged in by Stone Harbor for other accounts. Stone Harbor does not have any obligation to engage in any transaction for a client's account or to recommend any transaction to a client in which any of Stone Harbor's affiliates may engage either for their own accounts or the account of any other client, except as otherwise required by applicable law.

In connection with its investment activities, Stone Harbor may receive information that is not generally available to the public. Stone Harbor is not obligated to make such information available to its clients or to use such information to effect transactions for its clients. Also, at times, Stone Harbor's partners or employees may come into possession of material, non-public information. Under applicable law, Stone Harbor is prohibited from improperly disclosing or using such information, including for the benefit of a client. Stone Harbor maintains policies and procedures that preclude trading on the basis of, or taking any other action to take advantage

of, material non-public information. These procedures may limit Stone Harbor from being able to purchase or sell securities of the issuer to whom the material, non-public information pertains.

To the extent permitted by applicable law, Stone Harbor's compliance policies and procedures, and a client's investment guidelines, Stone Harbor may exercise its discretion to execute "cross trades" between different clients (including mutual funds). In a "cross trade," Stone Harbor, as investment manager to a client account, causes that client account to purchase a security directly from another client account without the use of a broker-dealer. Cross trades may benefit clients on both sides of the trade by eliminating the need to pay a spread, mark-up or commission to a counterparty.

However, cross trades also present a potential conflict of interest because Stone Harbor represents the interests of both the selling account and the buying account in the same transaction. As a result, clients for whom Stone Harbor executes cross trades bear the risk that one counterparty to the cross trade may be treated more favorably than the other party, particularly in cases where one party pays Stone Harbor higher management fees. Additionally, there is a risk that the price of a security bought or sold through a cross trade may not be as favorable as it might have been had the trade had been executed in the open market.

Stone Harbor has adopted various procedures to seek to address potential conflicts of interest and risks involving cross trades. First, Stone Harbor always seeks to ensure that internal cross trades are fair and in the best interests of all participating accounts, and that only eligible clients participate. Second, Stone Harbor receives no additional fee, and seeks best execution for each participating client. Third, if a mutual fund (U.S. registered investment company) participates, the cross trade must be executed in accordance with the requirements of Rule 17a-7 under the Investment Company Act. Stone Harbor may also execute cross trades on behalf of clients subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Such transactions will be structured in accordance with the applicable requirements of ERISA.

Stone Harbor may face other potential conflicts of interest and will seek to detect and mitigate such conflicts. Stone Harbor's policies and procedures may not be successful at mitigating potential conflicts of interest.

Item 12 – Brokerage Practices

Stone Harbor generally has the authority to make all determinations regarding securities to be purchased or sold, the amount of such securities to be purchased or sold, the use of broker-dealers and commissions paid.

In placing orders, Stone Harbor seeks to obtain best execution taking into account factors such as the overall performance and dealer's spread or mark-up, general execution and operational facilities of the broker or dealer, the stability of the broker or dealer, execution and settlement capabilities, time required to negotiate and execute the trade and research services. While Stone Harbor generally seeks the best price in placing its orders, an account may not necessarily be paying the lowest price available. Stone Harbor allocates transactions according to its trade allocation policy. This policy is discussed above in Item 6.

Stone Harbor does not utilize soft dollars and does not "pay-up" for research. Stone Harbor receives, without cost and unrelated to the execution of securities transactions, a broad range of research services from broker-dealers, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and legal

interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information which may affect the economy and/or security prices. Stone Harbor may also pay broker-dealers and their affiliates for certain specialized data and services, such as benchmark information, that are also unrelated to the execution of securities transactions.

Certain pooled funds that Stone Harbor manages have entered into selling agreements with broker-dealers. To the extent that a broker-dealer places shares for any pooled fund that Stone Harbor manages, Stone Harbor could realize a benefit (i.e. additional fee revenue) if the broker-dealer activity causes the fund's assets under management to increase. In selecting or recommending broker-dealers, Stone Harbor does not consider whether Stone Harbor, an affiliate or any fund managed by Stone Harbor receives client referrals from such broker-dealer. Furthermore, Stone Harbor does not select or recommend broker-dealers based upon financial, personal, blood and/or affinity relationships shared between the personnel of such broker-dealers and Stone Harbor.

Certain Stone Harbor clients may be broker-dealers through which Stone Harbor may also execute transactions. Stone Harbor may be viewed as having an incentive to select these broker-dealers to execute client transactions. However, Stone Harbor has developed procedures that are intended to ensure that Stone Harbor is complying with its obligation to seek best execution. For example, on a periodic basis, Stone Harbor will monitor and evaluate the performance and execution capabilities of the broker-dealers through which Stone Harbor executes trades.

Stone Harbor may accept directed brokerage arrangements, subject to several conditions, including but not limited to an understanding that Stone Harbor retains its obligation to seek best execution and that the client requesting such an arrangement provides Stone Harbor with targets for multiple broker-dealers.

Stone Harbor generally executes foreign exchange transactions through broker-dealers it selects in its discretion. Stone Harbor will use a client's custodian to execute foreign exchange transactions when mandated to by the client, due to local market restrictions or in situations when Stone Harbor believes the custodian offers best execution. For example, certain clients require all foreign currency transactions to be effected through the client's designated custodian. A client may also select a custodian who does not permit third party execution in a particular local market.

As noted in Item 6 above, Stone Harbor does periodically aggregate client trades. Clients participating in aggregated orders will generally receive the same average price. In certain instances, Stone Harbor may need to execute multiple trades in the same fixed-income security through different broker-dealers because a particular broker-dealer may not be able or willing to trade in the quantity or price that Stone Harbor seeks.

In such cases, the aggregation of such orders is not practically possible as most trade orders for fixed-income securities are executed or filled when they are placed and as a result each fixed-income trade order placed with a different broker-dealer is considered a separate order and different accounts will not participate in an average price.

As described in Item 13, Stone Harbor's policy is to reimburse a client for losses resulting from a guideline breach or trade error that exceeds \$30. From time to time, custodians or broker counterparties may also make a claim or claim payment in connection with Stone Harbor's active management of a Client's account. Claim payments are typically transaction expenses assessed by custodian banks as overdraft charges or by broker counterparties for compensation related to the counterparty's use of funds. Stone Harbor maintains policies and procedures addressing such claims. Counterparties frequently establish *de minimis* amounts (typically \$500.00) below which they will not reimburse the client for a claim. Stone Harbor has also established a *de minimis* amount of \$500.00 below which it generally will not reimburse the client for a claim, unless Stone Harbor is responsible for the claim. For claims exceeding \$500.00 that do not represent trade errors, Stone Harbor may elect, in its sole discretion, to reimburse the client for some or all of the claim amount. Further, the client may elect to pursue recovery of any claim amount directly from the counterparty.

Item 13 – Review of Accounts

Stone Harbor convenes a monthly investment policy meeting to discuss broad economic and financial trends, and to set global investment policy. Meeting participants include senior investment professionals across all fixed income asset classes. This monthly discussion addresses investment outlook in efforts to develop an investment framework across asset classes, extending over a 12-month period. Meeting participants seek to identify economic scenarios and alternative risk scenarios across the markets in order to determine possible areas of opportunity. In addition, Stone Harbor's executive officers and portfolio managers meet periodically to review investment selections and opportunities, market developments, adherence to client objectives, and related matters of general relevance to various lines of Stone Harbor's business. Portfolio managers responsible for a particular strategy monitor and review their respective client accounts periodically with a view to all facets of portfolio management, including client objectives, market diversification, yield and current market activity and trends. The appropriate senior portfolio manager reviews client investment profiles, generally on an annual basis.

In addition, Compliance personnel conduct pre- and post-trade screening of accounts for compliance with client investment guidelines and restrictions, as well as with certain regulatory requirements. In connection with the oversight of client investment guidelines and trading, Compliance personnel and portfolio managers interact on a regular basis. Compliance personnel also help identify scenarios related to client investment guidelines monitoring, as determined by the specific client agreement.

Stone Harbor's clients generally receive annual and either monthly or quarterly statements regarding their accounts that include details pertaining to the activity, yield and current market value of such accounts during the applicable reporting period.

Depending on the nature of services to be provided and the client's objective, however, Stone Harbor may provide reports to a client on other than a monthly or quarterly and annual basis and may vary the content of those written reports in consultation with that client. For clients with investment consultants, Stone Harbor may also provide reports to such client's investment consultant in addition to or in lieu of providing reports to the client directly. Stone Harbor also may provide information directly to certain investment consultants about Stone Harbor's strategies or market outlook in addition to any client specific reporting. As a result, clients who

use the services of investment consultants may have access to more information about Stone Harbor and its strategies than clients who do not use the services of investment consultants.

Clients may also receive monthly statements and confirmations of transactions from the custodian for the client's account. Finally, investors in the pooled investment vehicles advised or sub-advised by Stone Harbor will receive various periodic and annual written reports as set forth in each such fund's offering documents.

Error Correction Policy

Although Stone Harbor exercises due care in making and implementing its investment decisions and allocating its trades, nonetheless, guideline breaches and trade errors (including certain operational and settlement errors) may inadvertently occur from time to time. When a breach or error occurs, Stone Harbor will seek to rectify the breach or error with an objective of putting the client in the position that it would have been in had the breach or error not occurred. Subject to the particular circumstances and applicable legal and contractual requirements, Stone Harbor may take various corrective steps, including but not limited to cancelling the trade, revising an allocation and reimbursing the client account. If the correction of the event of a breach or trade error results in a gain, the client retains the gain. If the client suffers a loss as a result of the breach or trade error that was caused by Stone Harbor, Stone Harbor will reimburse the client. Subject to specific contractual obligations, the client may receive compensation by wire, check or a reduction in the management fee. Stone Harbor generally will not reimburse *de minimis* losses (\$30 or less). Stone Harbor employees escalate all guideline breaches and trade errors to senior management and clients as appropriate. The Chief Compliance Officer and senior management generally review all guideline breaches and trade errors on at least a quarterly basis.

Item 14 – Client Referrals and Other Compensation

From time to time, Stone Harbor may have referral or solicitation arrangements with non-affiliated persons or entities to which Stone Harbor pays fees for the referral of business.

Any such arrangements are pursuant to written arrangements consistent with Rule 206(4)-3 of the Advisers Act. Stone Harbor and/or the solicitation agent will make appropriate disclosures of such arrangements to the client. Any referral or solicitation fees are paid by Stone Harbor – the client does not bear the cost of such referral or solicitation fees, nor is the advisory fee higher than the advisory fee to other clients because of such payments.

Item 15 – Custody

Except as described in the paragraph below, Stone Harbor does not maintain custody of client accounts. All clients' accounts are held in custody by unaffiliated broker/dealers, banks or other institutions. It is Stone Harbor's understanding that custodians send statements directly to the account owners. Clients should carefully review these statements, and should compare these statements to any account information provided by Stone Harbor.

Stone Harbor serves as the manager of one or more private funds that are not registered under the Investment Company Act (the "private fund"). The private fund(s) has retained an unaffiliated custodian to be responsible for the custody and safekeeping of the private fund assets. Although Stone Harbor will not have physical custody of such private fund's assets, the Advisers Act defines custody broadly, and Stone Harbor believes that, like any other private fund manager, Stone Harbor is deemed to have custody of the private fund's assets by reason

of serving as its manager. In accordance with applicable custody requirements under the Advisers Act, an accountant registered with and subject to inspection by the Public Company Accounting Oversight Board ("PCAOB") will conduct an annual audit of the private fund and investors in the private fund will receive audited financial statements annually.

Item 16 – Investment Discretion

Stone Harbor usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives, guidelines and restrictions for the particular client account and by applicable law.

For pooled investment vehicles, including, but not limited to, U.S. registered investment companies, non-U.S. registered investment companies and private funds, Stone Harbor's authority to trade securities may also be limited by the applicable offering documents (including, in the case of U.S. registered investment companies, the Prospectus and Statement of Additional Information).

Investment guidelines and restrictions are agreed to by Stone Harbor and the client in writing.

Item 17 – Voting Client Securities

As part of its responsibilities as an investment manager, Stone Harbor may be required by the investment management agreement to vote proxies on behalf of its clients. In certain instances, a client may retain the authority to vote proxies or delegate such authority to an independent third party. In certain other instances, a client may direct how Stone Harbor will vote proxies in a specific matter. In voting proxies, Stone Harbor is responsible for making investment decisions that seek to add value to its client assets and that are in the best interest of its clients. Stone Harbor has adopted proxy voting policies, general guidelines and procedures. As an adviser that primarily invests in fixed-income securities, Stone Harbor does not frequently have to vote proxies on behalf of its clients.

In voting proxies, Stone Harbor is guided by general fiduciary principles. Stone Harbor's goal is to act prudently, solely in the best interest of the beneficial owners of the accounts it manages, and, in the case of ERISA accounts, for the exclusive purpose of providing economic benefits to such persons. Stone Harbor attempts to consider all factors of its vote that could affect the value of the investment, and will vote proxies in the manner that it believes will be consistent with efforts to maximize such value.

It is anticipated that Stone Harbor will generally follow its proxy voting general guidelines. If deemed to be in the best interests of a client, a portfolio manager may override the general guidelines without consultation with the Compliance & Risk Committee, unless the situation involves a conflict of interest. All overrides are subject to review by the Compliance & Risk Committee.

In addition to proxies, Stone Harbor will need to make decisions with regard to certain corporate actions, including for not limited to tender offers, restructurings, and covenants, on behalf of our clients. In such circumstances, the portfolio manager or analyst will generally make the decision.

In voting client proxies or making decisions with regard to corporate actions, Stone Harbor may encounter various potential conflicts of interest, such as when voting proxies pertaining to existing clients, potential clients, existing vendors, or lenders. In any case involving a potential or known conflict of interest, Stone Harbor personnel will consult with the Compliance & Risk Committee in an attempt to resolve an actual or potential conflict. In addition, the Compliance & Risk Committee reviews the proxy voting guidelines and portfolio manager overrides on at least an annual basis.

Clients may obtain a copy of Stone Harbor's proxy voting policies and procedures by contacting their relationship manager or by contacting Stone Harbor at 212-548-1200. In addition, clients may obtain information about how Stone Harbor voted their proxies or discuss any particular solicitation by contacting their relationship manager.

Unless specifically agreed otherwise, Stone Harbor will not take action or render advice involving legal action on behalf of a client with respect to securities or other investments held in the client's account or issuer's thereof, which become the subject of legal notices or proceedings, including securities class actions and bankruptcies.

Item 18 – Financial Information

Stone Harbor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.