

Stone Harbor Emerging Markets Income Fund
Form N-CSR
February 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-22473

Stone Harbor Emerging Markets Income Fund

(Exact name of registrant as specified in charter)

1290 Broadway, Suite 1100

Denver, CO 80203

(Address of principal executive offices) (Zip code)

Adam J. Shapiro, Esq.

c/o Stone Harbor Investment Partners LP

31 West 52nd Street, 16th Floor

New York, NY 10019

(Name and address of agent for service)

With copies To:

Michael G. Doherty, Esq.

Ropes & Gray LLP

1211 Avenue of the Americas

New York, NY 10036

Registrant's telephone number, including area code: (303) 623-2577

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Date of fiscal year end: November 30

Date of reporting period: December 1, 2011 November 30, 2012

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Item 1. **Report to Stockholders.**

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Distribution Policy

November 30, 2012

Stone Harbor Emerging Markets Income Fund (the Fund), acting pursuant to a Securities and Exchange Commission exemptive order and with the approval of the Fund's Board of Trustees (the Board), has adopted a plan, consistent with its investment objectives and policies to support a level distribution of income, capital gains and/or return of capital (the Plan). In accordance with the Plan, the Fund currently distributes \$0.18 per share on a monthly basis.

The fixed amount distributed per share is subject to change at the discretion of the Fund's Board. Under the Plan, the Fund will distribute all available investment income to its shareholders, consistent with its primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the Code). If sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable the Fund to comply with the distribution requirements imposed by the Code.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Plan. The Fund's total return performance on net asset value is presented in its financial highlights table. The Board may amend, suspend or terminate the Fund's Plan without prior notice if it deems such action to be in the best interest of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount. The Fund is subject to risks that could have an adverse impact on its ability to maintain level distributions. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, investments in foreign securities, foreign currency fluctuations and changes in the Code. Please refer to the Fund's prospectus for a more complete description of its risks.

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Stone Harbor Emerging Markets Income Fund

Shareholder Letter

November 30, 2012 (Unaudited)

Dear Investor,

The Stone Harbor Emerging Markets Income Fund (EDF or Fund) seeks to maximize total return, which consists of income on its investments and capital appreciation. The Fund invests in fixed income securities and related instruments that are economically tied to emerging markets (EM) countries, including sovereign external debt, local currency debt (non-U.S. dollar), and corporate debt from EM issuers. In our view, strong returns have resulted in these sectors in 2012 for several reasons. Most importantly, fundamental developments including growth rates and balance sheets-- in emerging markets remained significantly stronger than in many advanced economies. In addition, debt from many EMs had valuation advantages over developed market fixed income investments. Higher yields and strong historical returns drew a record amount of new investments in EM debt.

Assessing the market impact of political events in advanced European economies posed a key challenge for EM early this year. We believe we performed reasonably well in this arena, though EDF and most risk assets suffered as it became apparent to the markets in May that the fate of the Euro and European growth rested in the hands of policy makers and the voting public in Greece, Spain, Italy, Germany and France. EM debt also benefitted from external events, in particular from actions of central banks across the globe, including the U.S. Federal Reserve Bank and the European Central Bank, which maintained easy monetary policies, helping to reduce fears of economic recession.

The extent to which EM countries were able to grow in a low growth environment was a key concern this year. We remained more optimistic for the near term growth prospects for Asia, Latin America, Africa and the Middle East and much less so for Eastern Europe where the effects of an ongoing slowdown in the European Monetary Union were most acute. While China's potential growth rate fell to around 7-8%, down from 10% for the past decade, we saw strong reasons to believe that it will not slow further, at least near term. Taking a long term view, we believe that EM growth potential remains high. We believe EDF is positioned to capitalize on this view.

Performance Review

The total return on net asset value (NAV) of EDF for the twelve months ending November 30, 2012 was 17.71%, net of all fees. On a market value basis¹, the Fund's total return was 21.22%. For the same period, the Fund maintained an average premium to its NAV of 3.44%. The Fund's exposure to hard currency sovereign debt was the most important contributor to Fund performance for the year, followed by local currency debt and corporate bonds. The Fund's NAV performance exceeded market tracking indices throughout the year, ending the reporting period with an excess return over the sovereign, EM corporate, and local currency benchmarks of 17.93%, 14.96%, and 12.61%, respectively. After a weak start in December 2011, in which EDF's NAV dropped, the Fund's cumulative total return on NAV began rising. In May, however, a sharp decline in market sentiment not deterioration in credit quality, in our view came in response to rising concerns about Europe's debt crisis and fears of a slowdown in global growth. EDF's management team shifted allocations to favor external debt in order to seek to take advantage of strong technical conditions in the markets for U.S. dollar denominated sovereign debt from emerging markets and reduced exposure to local currency bonds. This repositioning was the most important contributor to the Fund's outperformance relative to the EM indices.

On balance, these allocations provided downside protection for the portfolio during May when market sentiment soured, but they also performed well throughout the rest of the year as credit spreads tightened relative to U.S. Treasuries, resulting in positive absolute returns. Allocations to sovereign bonds in Venezuela, Mexico and Russia and to corporate bonds in Mexico and Russia were the largest positive contributors to performance. However, not all of the positions in US dollar-denominated debt performed as we had anticipated. Our allocation to Argentina sovereign bonds and to Brazilian corporate debt, for example, detracted from EDF's overall returns.

We also employed leverage to seek higher returns. During the reporting period, leverage consisted primarily of short-term reverse repurchase agreements through which the Fund borrowed funds by lending securities under the obligation to repurchase them at a later date at a fixed price. The implied borrowing costs of the repurchase agreements averaged approximately 0.65% per annum. The level of gross leverage reached a maximum of 30.8% of total assets on August 30th and a minimum of 17.8% in January. By the end of the reporting period, leverage was 26.6%. Net leverage (gross leverage less cash held) remained lower than gross leverage throughout the period. The Fund's management team varied borrowing levels to reflect the team's outlook on EM debt, increasing borrowings when it felt opportunities had improved and reducing borrowings when, in the team's judgment, macroeconomic risks had risen.

Market Review and Outlook

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Total returns for EM indices for the reporting period reflected strong performance of external sovereign bonds, local currency debt and corporate bonds. Market tracking indices³ for each of these EM sectors delivered total returns of 17.93%, 14.96% and 12.61%, respectively. In external sovereign debt, spread compression relative to U.S. Treasuries accounted for most of the total return. Yields of sovereign U.S. dollar denominated debt narrowed relative to U.S. Treasuries, in our view, as global investors increased exposure to higher yielding emerging markets at the expense of bonds from developed countries. An important factor in this reallocation, we believe, was that credit quality in emerging markets remained on a better trajectory than in many advanced economies. During the year, EM countries continued to benefit from upgrades by major credit rating agencies, with four countries improving to investment grade. Corporate debt yield spreads also narrowed relative to U.S. bonds for similar reasons, in our view. In local currency debt, the key factors driving returns were yield and capital appreciation from falling interest rates. Total returns for the index due to currency movements during this period were modestly positive.

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Stone Harbor Emerging Markets Income Fund

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Technical factors remained supportive. According to JP Morgan, new allocations to EM debt from institutional fixed income investors amounted to over \$80 billion over the 12-month period ending November 30, 2012. Of this amount, over 80% was allocated to U.S. dollar-denominated sovereign and corporate bonds; the remainder went to local currency investments. In addition, many EMs took advantage of strong markets to fulfill a majority of 2012 financing needs. The remaining calendar of debt issuance, as a result, remained manageable, in our view, particularly in comparison to the heavy financing needs of advanced economies including Spain, Italy, Japan, the United Kingdom and the United States.

The growth outlook has slowed in most EM countries, driven by past monetary tightening and weaker growth in developed markets. Inflation is starting to decline and we expect that to continue as commodity prices have trended gradually lower and economic activity is slowing. However, EM currency weakness has been reducing disinflation and is preventing some central banks from lowering interest rates. In most EMs, central banks have an easing bias, which we believe will persist. Fiscal positions remain strong and little fiscal adjustment is needed in 2013, in our view. From a regional perspective, we believe Latin America and Asia are best positioned to weather the European sovereign crisis, with Eastern Europe much more exposed to declining growth.

In the past, we have detailed some of the key risks to our relatively benign outlook for emerging market debt. Most of those risks remain in place, including the possibility that the U.S. slips back into recession if the U.S. Congress and the Obama administration are unable to resolve a pending fiscal crisis. In all sectors of the EM bond markets, yields have fallen to unprecedented low levels. This fact raises our level of concern over the riskiness of EM assets in general. However, our base case return scenarios for EM debt and over the coming year remain positive. Our view derives from a disciplined investment process in which we review the ability and willingness of borrowers to repay their debts. We also assess whether current prices of bonds reflect, in our view, an adequate measure of compensation for risk within the current macroeconomic environment. Based on this process, we remain wary of the declining growth prospects in advanced economies, but still see more opportunity for investing in EM debt.

Other general risks of the Fund relate to our use of leverage and also to the longer-term prospects for a rise in global interest rates. Though not our base case, Stone Harbor attempts to mitigate the risk of loss of principal due to the possibility of a general rise in global interest rates through its investment processes that determine sector and country allocations, as well as security selection. We seek to reduce interest rate sensitivity during periods of rising interest rates. Notwithstanding these efforts, rising interest rates would increase the Fund's cost of leverage and could also decrease the value of its portfolio securities, adversely affecting Fund performance.

We continue to believe that investing in EDF offers an attractive means of capitalizing on further improvements in credit quality in EM. We thank you for your trust in our ability to maneuver these difficult markets and look forward to reporting on EDF in six months.

Sincerely,

Thomas K. Flanagan

Chairman of the Board of Trustees

¹ Performance on a market value basis, or at market price, will differ from its results at NAV. Although market price returns typically reflect investment results overtime, during shorter periods, returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund dividends.

² The reporting period is defined as December 1, 2011 to November 30, 2012.

³ JP Morgan emerging markets debt benchmarks are used throughout as being representative of market returns. Emerging markets hard currency sovereign external debt is represented by JP Morgan Emerging Markets Bond Index (EMBI) Global Diversified, which tracks total returns for U.S. dollar-denominated debt instruments issued by emerging markets sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. Emerging markets corporate debt is represented by JPMorgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified. The CEMBI tracks total returns of US dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries. Two variations are available: CEMBI Broad and CEMBI. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an Investable universe of corporate bonds.

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Both indices are also available in Diversified version. The JPMorgan CEMBI Broad Diversified limits the current face amount allocations of the bonds. Both indices are also available in outstanding countries with larger debt stocks. Qualifying corporate bonds have a face amount greater than USD 300 million, maturity greater than 5 years, verifiable prices and cash flows, and from countries within Asia ex-Japan, Latin America, Eastern Europe, Middle East, and Africa. Emerging markets local currency debt is represented by JP Morgan Government Bond Index Emerging Markets (GBI-EM) Global Diversified, which consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which, international investors can gain exposure. The weightings among the countries are more evenly distributed within this index. Although not expected to be a principal investment tool, the Portfolio may make use of derivative securities (including futures and options on securities, securities indices or currencies, options on futures, forward currency contracts, and interest rate, currency or credit default) for the purposes of reducing risk and/or obtaining efficient investment exposure.

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Stone Harbor Emerging Markets

Income Fund

Summary of Portfolio Holdings

November 30, 2012 (Unaudited)

Fund Details

Market Price	\$24.70
Net Asset Value (NAV)	\$23.61
Premium/(Discount)	4.62%
Current Distribution Rate ¹	8.74%
Net Assets (\$ in millions)	\$371

Country Allocation

(as a % of total net assets)

Country Breakdown	% of TNA
Russia	19.52%
Mexico	17.24%
Venezuela	14.53%
Brazil	11.84%
Argentina	9.85%
Ukraine	7.25%
Turkey	7.06%
South Africa	6.85%
Iraq	5.37%
Hungary	5.18%
Indonesia	2.45%
Kazakhstan	2.22%
China	2.14%
Malaysia	2.09%
Nigeria	1.15%
Peru	1.13%
United Arab Emirates	1.00%
Romania	0.82%
Croatia	0.81%
Slovakia	0.81%
Dominican Republic	0.76%
Colombia	0.72%
Lithuania	0.69%
Jamaica	0.57%
Qatar	0.47%
Ghana	0.34%
Mongolia	0.34%
Panama	0.28%
India	0.27%
Azerbaijan	0.15%
Chile	0.14%
El Salvador	0.11%
Total	124.15%
Money Market Mutual Funds	0.11%
Liabilities in Excess of Other Assets	-24.26%
Total Net Assets	100.00%

Sector Allocation²

Sovereign Local	38.3%
Sovereign External	36.7%
Corporate	19.6%
Net Cash	5.4%

Regional

Breakdown²

Latin America	43.50%
Europe	34.05%
Asia	6.28%
Africa	5.54%
Middle East	5.19%
Net Cash	5.44%

Sovereign Local

Currency Breakdown²

Argentinian Peso	0.1%
Brazilian Real	6.9%
Colombian Peso	0.4%
Mexican Peso	9.5%
Malaysian Ringgit	1.5%
Romanian New Leu	0.4%
Russian Ruble	11.4%
South African Rand	4.5%
Turkish New Lira	3.6%
Total	38.3%

¹ Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

² Based on managed assets and investment manager's sector classifications including derivative exposure. For purposes of this example, managed assets include total net assets plus any borrowings attributed to the use of reverse repurchase agreements.

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Stone Harbor Emerging Markets Income Fund

Growth of \$10,000 Investment

November 30, 2012 (Unaudited)

Comparison of Change in Value of \$10,000 Investment in Stone Harbor Emerging Markets Income Fund and the JP Morgan Emerging Market Bond Indices: EMBI Global Diversified, CEMBI Broad Diversified, and GBI-EM Global Diversified.

The JP Morgan Emerging Market Bond Global Diversified Index is a uniquely-weighted version of the EMBI Global, which tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities such as Brady bonds, loans and Eurobonds. Currently, the EMBI Global covers 196 instruments across 48 countries. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible debt outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global.

Average Annual Total Returns as of November 30, 2012

		One Year	Since Inception	Inception Date
Stone Harbor Emerging Markets Income Fund	NAV	17.71%	8.51%	12/22/10
Stone Harbor Emerging Markets Income Fund	Market Price	21.22%	8.47%	
JP Morgan EMBI Global Diversified		17.93%	12.44%	
JP Morgan CEMBI Broad Diversified		14.96%	8.37%	
JP Morgan GBI-EM Global Diversified		12.61%	7.11%	

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance shown. Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends, capital gain and return of capital distributions, if any, have been reinvested and includes all fee waivers and expense reimbursements. Total return does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or broker commissions or sales charges in connection with the purchase or sale of Fund shares. Investment return and principal value will vary, and shares, when sold, may be worth more or less than their original cost. Total returns for a period of less than one year are not annualized. Index returns do not include the effects of sales charges or management fees. It is not possible to invest directly in an index.

Performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund dividends.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a onetime public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

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Stone Harbor Emerging Markets

Report of Independent Registered

Income Fund

Public Accounting Firm

To the Board of Trustees and Shareholders of Stone Harbor Emerging Markets Income Fund:

We have audited the accompanying statement of assets and liabilities of Stone Harbor Emerging Markets Income Fund (the Fund), including the statement of investments, as of November 30, 2012, and the related statements of operations and cash flows for the year then ended, and the statements of changes in net assets and the financial highlights for the year then ended and the period December 21, 2010 (inception) to November 30, 2011. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2012, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Stone Harbor Emerging Markets Income Fund as of November 30, 2012, the results of its operations and its cash flows for the year then ended, and the changes in its net assets and the financial highlights for the year then ended and the period December 21, 2010 (inception) to November 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Denver, Colorado

January 29, 2013

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November 30, 2012

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
SOVEREIGN DEBT OBLIGATIONS - 63.62%					
Argentina - 8.33%					
<i>City of Buenos Aires Argentina</i>					
<i>Republic of Argentina:</i>	USD	9.950%	03/01/2017	1,249,000	\$ 1,061,650 ⁽¹⁾⁽²⁾
	EUR	6.734%	12/31/2033	20,065,716	14,255,111 ⁽¹⁾
	EUR	6.742%	12/31/2033	21,777,839	15,577,651 ⁽¹⁾
					30,894,412
Brazil - 5.24%					
<i>Nota Do Tesouro Nacional:</i>					
	BRL	10.000%	01/01/2014	1,749,000	840,616
	BRL	6.000%	05/15/2015	6,601	3,382
	BRL	6.000%	08/15/2020	33,747,158	18,604,036
					19,448,034
Croatia - 0.81%					
<i>Croatian Government:</i>					
	USD	6.250%	04/27/2017	503,000	554,557 ⁽²⁾
	USD	6.375%	03/24/2021	2,141,000	2,451,445 ⁽¹⁾⁽²⁾
					3,006,002
Dominican Republic - 0.38%					
<i>Dominican Republic International Bond:</i>					
	USD	9.040%	01/23/2018	738,852	842,292 ⁽³⁾
	USD	7.500%	05/06/2021	498,000	582,660 ⁽³⁾
					1,424,952
El Salvador - 0.11%					
<i>Republic of El Salvador</i>					
	USD	7.750%	01/24/2023	334,000	394,120 ⁽³⁾
Ghana - 0.34%					
<i>Republic of Ghana</i>					
	USD	8.500%	10/04/2017	1,077,000	1,241,243 ⁽¹⁾⁽³⁾
Hungary - 5.18%					
<i>Republic of Hungary:</i>					
	EUR	4.500%	01/29/2014	746,000	984,758 ⁽¹⁾
	GBP	5.500%	05/06/2014	65,000	105,832
	GBP	5.000%	03/30/2016	223,000	357,459
	EUR	3.500%	07/18/2016	307,000	384,543
	EUR	4.375%	07/04/2017	908,000	1,155,060 ⁽¹⁾

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EUR	5.750%	06/11/2018	287,000	381,187
EUR	6.000%	01/11/2019	835,000	1,115,817 ⁽¹⁾
USD	6.250%	01/29/2020	8,000,000	8,820,000 ⁽¹⁾
EUR	3.875%	02/24/2020	5,000,000	5,901,211
				19,205,867

See Notes to Financial Statements.
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November 30, 2012

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
Indonesia - 1.22%					
<i>Republic of Indonesia:</i>					
	USD	4.875%	05/05/2021	250,000	\$ 289,063 ⁽³⁾
	USD	8.500%	10/12/2035	2,629,000	4,252,407 ⁽¹⁾⁽³⁾
					4,541,470
Iraq - 0.04%					
<i>Republic of Iraq</i>					
	USD	5.800%	01/15/2028	174,000	164,213 ⁽³⁾
Lithuania - 0.69%					
<i>Republic of Lithuania:</i>					
	USD	7.375%	02/11/2020	180,000	232,875 ⁽³⁾
	USD	6.125%	03/09/2021	1,894,000	2,320,150 ⁽¹⁾⁽³⁾
					2,553,025
Malaysia - 2.09%					
<i>Malaysian Government</i>					
	MYR	3.197%	10/15/2015	23,550,000	7,764,779
Mexico - 12.64%					
<i>Mexican Bonos:</i>					
	MXN	8.000%	12/17/2015	19,880,000	1,672,228
	MXN	6.250%	06/16/2016	41,740,000	3,364,902
	MXN	7.750%	12/14/2017	4,000,000	345,938
	MXN	8.500%	12/13/2018	105,610,000	9,578,221
	MXN	6.500%	06/09/2022	200,000,000	16,696,846
<i>Mexican Udibonos</i>					
	MXN	2.500%	12/10/2020	182,477,312	15,208,572
					46,866,707
Panama - 0.28%					
<i>Republic of Panama:</i>					
	USD	7.125%	01/29/2026	124,000	177,010
	USD	9.375%	04/01/2029	495,000	848,182 ⁽¹⁾
					1,025,192
Qatar - 0.47%					
<i>State of Qatar:</i>					
	USD	5.250%	01/20/2020	711,000	851,423 ⁽¹⁾⁽³⁾
	USD	6.400%	01/20/2040	638,000	893,200 ⁽¹⁾⁽³⁾
					1,744,623

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Romania - 0.82%

Romania:

USD	6.750%	02/07/2022	370,000	438,450 (2)
USD	6.750%	02/07/2022	2,184,000	2,588,040(1)(3)
				3,026,490

See Notes to Financial Statements.

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November 30, 2012

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
Russia - 2.28%					
<i>Russian Federation:</i>					
	USD	11.000%	07/24/2018	2,041,000	\$ 3,025,782 ⁽¹⁾⁽³⁾
	USD	4.500%	04/04/2022	4,800,000	5,443,200 ⁽¹⁾⁽³⁾
					8,468,982
Slovakia - 0.81%					
<i>Republic of Slovakia</i>					
	USD	4.375%	05/21/2022	2,794,000	3,010,479 ⁽¹⁾⁽²⁾
South Africa - 6.28%					
<i>Republic of South Africa:</i>					
	ZAR	13.500%	09/15/2015	48,530,000	6,569,881
	ZAR	8.000%	12/21/2018	20,260,000	2,481,492
	ZAR	7.250%	01/15/2020	105,100,000	12,312,938
	USD	5.500%	03/09/2020	922,000	1,101,790 ⁽¹⁾
	ZAR	6.750%	03/31/2021	7,380,000	835,007
					23,301,108
Turkey - 6.38%					
<i>Republic of Turkey:</i>					
	TRY	7.500%	09/24/2014	31,500,000	18,123,480
	USD	7.500%	11/07/2019	795,000	1,036,481 ⁽¹⁾
	USD	5.625%	03/30/2021	349,000	419,673
	USD	5.125%	03/25/2022	1,668,000	1,951,560 ⁽¹⁾
	USD	6.250%	09/26/2022	1,668,000	2,112,105 ⁽¹⁾
					23,643,299
Ukraine - 0.78%					
<i>Financing of Infrastructure</i>					
	USD	9.000%	12/07/2017	649,000	649,000 ⁽²⁾
<i>Ukraine Government:</i>					
	USD	6.875%	09/23/2015	2,000,000	2,025,000 ⁽¹⁾⁽²⁾
	USD	7.750%	09/23/2020	212,000	222,070 ⁽³⁾
					2,896,070
Venezuela - 8.45%					
<i>Republic of Venezuela:</i>					
	USD	8.500%	10/08/2014	1,457,000	1,502,531 ⁽¹⁾
	USD	13.625%	08/15/2018	518,000	569,800 ⁽³⁾
	USD	7.750%	10/13/2019	8,740,000	7,975,250 ⁽¹⁾⁽³⁾
	USD	12.750%	08/23/2022	18,784,700	21,062,345 ⁽¹⁾⁽³⁾
	USD	9.250%	09/15/2027	228,000	214,605

31,324,531

TOTAL SOVEREIGN DEBT OBLIGATIONS

235,945,598

(Cost \$236,460,482)

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	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
BANK LOANS - 0.90%⁽⁴⁾					
Brazil - 0.37%					
<i>Virgolino de Oliveira - GVO Loan</i>	USD	5.273%	03/11/2015	1,411,765	\$ 1,382,369
Indonesia - 0.53%					
<i>PT Bumi Tranche A</i>	USD	15.000%	01/18/2014	2,324,754	1,092,637
<i>PT Bumi Tranche B</i>	USD	15.000%	01/18/2014	1,855,452	872,064
					1,964,701
TOTAL BANK LOANS					3,347,070
(Cost \$5,591,971)					
CORPORATE BONDS - 32.52%					
Argentina - 0.37%					
<i>Capex SA</i>	USD	10.000%	03/10/2018	1,413,000	911,385 ⁽²⁾
<i>Empresa Distribuidora Y Comercializadora Norte:</i>					
	USD	9.750%	10/25/2022	500,000	227,500 ⁽³⁾
	USD	9.750%	10/25/2022	511,000	232,505 ⁽²⁾
					1,371,390
Azerbaijan - 0.15%					
<i>State Oil Company</i>	USD	5.450%	02/09/2017	513,000	561,735
Brazil - 2.39%					
<i>Banco do Brasil SA</i>	USD	3.875%	10/10/2022	357,000	358,785
<i>BR Malls International Finance Ltd.</i>	USD	8.500%	01/21/2049	1,018,000	1,112,165 ⁽²⁾
<i>General Shopping Finance Ltd.</i>	USD	10.000%	11/09/2015	1,239,000	1,223,512 ⁽²⁾
<i>Globo Comunicacao e Participacoes SA</i>	USD	6.250%	07/20/2049	557,000	602,953 ⁽³⁾⁽⁵⁾
<i>Minerva Luxembourg SA</i>	USD	12.250%	02/10/2022	330,000	387,750 ⁽²⁾
<i>OGX Austria GmbH</i>	USD	8.500%	06/01/2018	4,409,000	3,852,364 ⁽²⁾
<i>QGOG Atlantic / Alaskan Rigs Ltd.</i>	USD	5.250%	07/30/2018	630,418	655,635 ⁽²⁾
<i>Samarco Mineracao SA</i>	USD	4.125%	11/01/2022	683,000	684,707 ⁽²⁾
					8,877,871
Chile - 0.14%					
<i>CFR International SA</i>	USD	5.125%	12/06/2022	500,000	509,747 ⁽²⁾

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	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
China - 2.14%					
<i>Country Garden Holdings Co. Ltd.</i>	USD	11.125%	02/23/2018	750,000	\$ 867,187 ⁽²⁾
<i>Evergrande Real Estate Group Ltd.</i>	USD	13.000%	01/27/2015	1,510,000	1,642,125 ⁽³⁾
<i>Kaisa Group Holdings Ltd.</i>	USD	13.500%	04/28/2015	2,012,000	2,203,140 ⁽³⁾
<i>MIE Holdings Corp.</i>	USD	9.750%	05/12/2016	965,000	1,051,850 ⁽²⁾
<i>Sinochem Overseas Capital Co. Ltd.</i>	USD	4.500%	11/12/2020	366,000	397,982 ⁽³⁾
<i>Sinopec Group Overseas Development 2012 Ltd.</i>	USD	4.875%	05/17/2042	638,000	750,448 ⁽¹⁾⁽²⁾
<i>Texhong Textile Group Ltd.</i>	USD	7.625%	01/19/2016	1,000,000	1,007,500 ⁽³⁾
					7,920,232
Colombia - 0.72%					
<i>Bancolombia SA</i>	USD	5.125%	09/11/2022	507,000	509,535
<i>Emgesa SA ESP</i>	COP	8.750%	01/25/2021	911,000,000	574,343 ⁽²⁾
<i>Empresa de Energia de Bogota SA</i>	USD	6.125%	11/10/2021	300,000	339,000 ⁽²⁾
<i>Empresas Publicas de Medellin ESP</i>	COP	8.375%	02/01/2021	1,030,000,000	643,807 ⁽²⁾
<i>Transportadora de Gas Internacional SA ESP</i>	USD	5.700%	03/20/2022	530,000	589,625 ⁽²⁾
					2,656,310
Dominican Republic - 0.38%					
<i>Cap Cana SA:</i>					
	USD	10.000%	04/30/2016	3,341,111	501,167 ⁽³⁾⁽⁶⁾⁽⁷⁾
	USD	10.000%	04/30/2016	3,621,970	905,492 ⁽³⁾⁽⁶⁾⁽⁷⁾
					1,406,659
India - 0.27%					
<i>ICICI Bank Ltd.</i>	USD	6.375%	04/30/2022	1,000,000	1,005,000 ⁽³⁾⁽⁸⁾
Indonesia - 0.70%					
<i>Bakrie Telecom Pte Ltd.</i>	USD	11.500%	05/07/2015	1,876,000	811,370 ⁽³⁾
<i>Berau Coal Energy Tbk PT</i>	USD	7.250%	03/13/2017	500,000	463,750 ⁽³⁾
<i>BLT Finance BV</i>	USD	7.500%	05/15/2014	1,098,000	197,640 ⁽³⁾⁽⁶⁾
<i>PT Adaro Indonesia</i>	USD	7.625%	10/22/2019	1,000,000	1,111,250 ⁽³⁾
					2,584,010
Jamaica - 0.57%					
<i>Digicel Group Ltd.</i>	USD	8.250%	09/30/2020	2,000,000	2,130,630 ⁽²⁾
Kazakhstan - 2.22%					
<i>BTA Bank JSC</i>	USD	10.750%	07/01/2018	2,127,155	874,792 ⁽³⁾⁽⁶⁾
<i>KazMunayGas National Co. JSC:</i>	USD	9.125%	07/02/2018	309,000	409,039 ⁽²⁾

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	USD	9.125%	07/02/2018	795,000	1,052,381 ⁽¹⁾⁽³⁾
	USD	7.000%	05/05/2020	1,480,000	1,838,900 ⁽¹⁾⁽³⁾
	USD	6.375%	04/09/2021	208,000	254,540 ⁽²⁾
<i>Zhaikmunai LLP</i>	USD	7.125%	11/13/2019	3,700,000	3,820,250 ⁽²⁾
					8,249,902

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	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
Mexico - 4.60%					
<i>Axtel SAB de CV</i>	USD	7.625%	02/01/2017	70,000	\$ 30,100 ⁽²⁾
<i>Cemex Finance LLC</i>	USD	9.375%	10/12/2022	2,000,000	2,168,130 ⁽²⁾
<i>Cemex SAB de CV:</i>					
	USD	9.000%	01/11/2018	679,000	716,345 ⁽³⁾
	USD	9.000%	01/11/2018	1,041,000	1,098,255 ⁽²⁾
	USD	9.500%	06/15/2018	2,000,000	2,157,500 ⁽²⁾
<i>Geo Maquinaria</i>	USD	9.625%	05/02/2021	5,348,880	5,068,064 ⁽²⁾
<i>Urbi Desarrollos Urbanos SAB de CV:</i>					
	USD	10.576%	12/22/2012	2,000,000	2,019,600 ⁽²⁾⁽⁸⁾
	USD	9.500%	01/21/2020	1,300,000	1,160,250 ⁽²⁾
	USD	9.750%	02/03/2022	2,970,000	2,650,725 ⁽²⁾
					17,068,969
Mongolia - 0.34%					
<i>Mongolian Mining Corp.</i>	USD	8.875%	03/29/2017	1,209,000	1,278,518 ⁽²⁾
Nigeria - 1.15%					
<i>Afren PLC</i>	USD	10.250%	04/08/2019	3,641,000	4,259,970 ⁽²⁾
Peru - 1.13%					
<i>Corp. Azucarera del Peru SA</i>	USD	6.375%	08/02/2022	352,000	379,280 ⁽²⁾
<i>Inkia Energy Ltd.</i>	USD	8.375%	04/04/2021	3,000,000	3,345,000 ⁽²⁾
<i>Volcan Cia Minera SAA</i>	USD	5.375%	02/02/2022	431,000	468,713 ⁽²⁾
					4,192,993
Russia - 2.82%					
<i>Alfa Bank OJSC Via Alfa Bond Issuance PLC</i>	USD	7.500%	09/26/2019	2,750,000	2,880,625 ⁽²⁾
<i>Evraz Group SA</i>	USD	6.750%	04/27/2018	600,000	601,500 ⁽²⁾
<i>Gazprom Neft OAO Via GPN Capital SA</i>	USD	4.375%	09/19/2022	750,000	759,375 ⁽²⁾
<i>Russian Agricultural Bank OJSC Via RSHB Capital SA:</i>					
	USD	5.298%	12/27/2017	1,022,000	1,084,628 ⁽¹⁾⁽³⁾
	USD	7.750%			