

Stone Harbor Emerging Markets Income Fund
Form N-CSR
February 06, 2015
Table of Contents

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

Edgar Filing: Stone Harbor Emerging Markets Income Fund - Form N-CSR

Date of fiscal year end: November 30

Date of reporting period: December 1, 2013 - November 30, 2014

Table of Contents

Item 1. **Report to Stockholders.**

Table of Contents

Table of Contents

Distribution Policy

November 30, 2014

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 typically distribute most or all of its 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). The Fund may also distribute long term capital gains and short term capital gains and return 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.

Table of Contents

Table of Contents

<u>Shareholder Letter</u>	2
<u>Summary of Portfolio Holdings</u>	4
<u>Growth of \$10,000 Investment</u>	5
<u>Report of Independent Registered Public Accounting Firm</u>	6
<u>Statement of Investments</u>	7
<u>Statement of Assets & Liabilities</u>	16
<u>Statement of Operations</u>	17
<u>Statements of Changes in Net Assets</u>	18
<u>Statement of Cash Flows</u>	19
<u>Financial Highlights</u>	20
<u>Notes to Financial Statements</u>	21

<u>Summary of Dividend Reinvestment Plan</u>	31
<u>Additional Information</u>	32
<u>Trustees & Officers</u>	34
<u>Benchmark Descriptions</u>	38

Table of Contents

Stone Harbor Emerging Markets Income Fund

Shareholder Letter
November 30, 2014 (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.

Our investment thesis is straightforward - despite significant recent market volatility, we believe EM debt markets continue to offer attractive investment opportunities for total return investors. In contrast with many advanced economies, most EM countries maintain prudent debt levels and substantially lower fiscal deficits, in our opinion. Furthermore, inflation in EM countries has fallen substantially and remains subdued, particularly in comparison to the hyperinflationary periods of the 1990s. In addition, EM debt still offers higher yields than advanced economy debt, even though EMs have better relative fundamentals in most cases, based on our analysis.

We believe that a key advantage we have in managing EDF is the latitude to adjust the risk in the portfolio based on our fundamental economic and credit views, as well as our assessment of the macroeconomic environment. Our investment process focuses on allocating to three distinct sectors of EM debt - hard currency sovereigns, local currency sovereigns and corporates - each of which tend to behave differently in various macroeconomic environments.

In addition, we can vary the amount of leverage used by the Fund depending on our confidence in our return expectations. In general, we employ leverage to seek higher returns. However, when uncertainty rises, and with it greater perceived risks, we can also reduce leverage so that the Fund has less exposure to EM debt.

Performance Review

The total return on net asset value (NAV) of EDF for the 12 months ending November 30, 2014 was 6.03% (net of expenses). For the same period, the Fund maintained an average discount to its NAV of 3.52%⁽¹⁾. Market tracking indices for the three sectors of EM debt - external sovereign debt, local currency debt and corporate debt - delivered total returns of 10.53%, -0.33% and 7.20%, respectively, during the reporting period. The first two months of the period generated mixed results as investor concerns about the macroeconomic environment lingered into the new calendar year. By the end of January, investors developed greater clarity on macroeconomic factors and returned their focus to the very compelling valuations in emerging markets debt that followed the relatively poor performance during the previous annual period. The focus on EM fundamentals continued until September, when investors were again influenced by concerns about the level of global growth.

In the Fund's exposure to sovereign debt, our holdings in U.S. dollar-denominated debt of Venezuela had a negative impact on returns. We invested in Venezuela based on our assessment of the country's ability and willingness to repay debt from U.S. dollar cash flows generated from oil exports. We also believe that Venezuela's government has strong incentives to prioritize oil export cash flows for debt service. Venezuela's political situation has been quite chaotic during the administration of President Maduro. This political volatility combined with falling oil prices put downward pressure on Venezuelan debt prices. We continue to believe that our investment in Venezuela should contribute to strong total returns for the portfolio. Offsetting weakness in Venezuela, our security selection decisions in the U.S. dollar-denominated sector of the portfolio were an important source of total return throughout the period.

As we mentioned, asset allocation is an important decision in the management of the Fund. Our allocation to local currency denominated sovereign debt ranged between 22% and 40% during the period with our average monthly allocation approximately 30%. This allocation is substantially below our long term allocation to local currency debt. We continue to believe that local currency sovereign debt should provide the highest risk-adjusted total returns in the EM universe. Those returns will, however, likely be accompanied by the highest level of volatility. Local currency returns are particularly sensitive to assumptions about economic growth, in our opinion. When we have greater visibility of accelerating growth in EM countries, we currently expect that we will increase our allocation to local currency sovereign debt.

Throughout the reporting period, leverage consisted primarily of short-term reverse repurchase agreements through which the Fund borrowed funds by selling 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 0.52% per annum. The level of gross leverage reached a maximum of 33.3% of total assets on January 23, 2014 and a minimum of 22.6% on January 16, 2014. By the end of the reporting period, leverage was 31.9%. 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.

Table of Contents

Stone Harbor Emerging Markets Income Fund

Shareholder Letter
November 30, 2014 (Unaudited)

Market Review and Outlook

In our view, the total returns for EM indices for the reporting period were driven by a combination of events in developed markets, country-specific news in some emerging markets and valuations.

Macroeconomic developments in advanced economies are important inputs into our assessment of the outlook for EM debt returns. The impact of developments outside the emerging markets on emerging market valuations has been a critical variable in the performance of emerging market assets since the end of the 2008 financial crisis. These factors, including weaker-than-expected economic growth, a strong US dollar and falling oil prices weighed on the Fund's performance in recent months. The Fund's investments in local currency denominated sovereign debt were the segment most negatively impacted by these factors.

Despite these influences from advanced economies, our fundamental views on emerging markets are unchanged. We continue to forecast that many EM country growth rates should improve in the next 12 to 18 months. In our view, expectations for improved U.S. growth, together with recent depreciation of emerging market currencies and prior monetary easing by EM central banks, will support EM growth in the months ahead. But we believe this process will take time. Government deficits in most EM countries remain at healthy levels, particularly compared to the U.S., Japan and many developed European countries. We believe investors will again focus on the relative strengths of EM fundamentals.

In the past, we have detailed some of the key risks to our constructive outlook for emerging market debt. Today, those risks seem to emanate from both developed and emerging market countries. The possibility of rising U.S. interest rates, the ongoing political and religious strife in the Middle East, weak growth in Europe and the potential for China's growth rate to fall short of expectations are all potential risks. However, our base case return scenarios for EM debt 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 adequate compensation for risk within the current macroeconomic environment. Based on this process, we continue to believe that EM debt will generate the highest returns in the fixed income universe.

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. Stone Harbor attempts to mitigate the risk of loss of principal due to the possibility of a general rise in global interest rates through our 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 may offer an attractive means of capitalizing on further improvements in credit quality in EM. We thank you for your confidence in our ability to invest in these volatile 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.

Annual Report | November 30, 2014

3

Table of Contents

Stone Harbor Emerging Markets Income Fund

Summary of Portfolio Holdings
November 30, 2014 (Unaudited)**Fund Details**

Market Price	\$17.80
Net Asset Value (NAV)	\$18.56
Premium/(Discount)	(4.09%)
Current Distribution Rate ⁽¹⁾	12.13%
Net Assets (in millions)	\$293

Country Allocation

(as a % of total net assets)

Country Breakdown	% of TNA
Venezuela	19.17%
Brazil	18.44%
Argentina	17.49%
Mexico	12.92%
South Africa	9.53%
Indonesia	8.10%
Turkey	7.52%
Dominican Republic	5.61%
Ivory Coast	5.00%
El Salvador	4.39%
Russia	3.59%
Iraq	2.87%
Peru	2.78%
China	2.28%
Kenya	2.26%
India	1.76%
Ukraine	1.73%
Colombia	1.60%
Nigeria	1.46%
Kazakhstan	1.40%
Chile	1.26%
Angola	1.16%
Ghana	1.14%
Jamaica	1.09%
Israel	0.93%
Guatemala	0.73%
Ecuador	0.60%
Honduras	0.54%
Costa Rica	0.53%
Trinidad	0.24%
Panama	0.20%
Macau	0.17%
Total	138.49%

Short Term Security	1.67%
Other Liabilities in Excess of Assets	-40.16%
Total Net Assets	100.00%

Security Type Allocation⁽²⁾	Sector Allocation⁽²⁾	
	Sovereign Local	32.2%
	Sovereign External	44.4%
	Corporate	19.1%
	Cash & Equivalents/U.S. Treasuries	4.3%
	Regional Breakdown⁽²⁾	
	Latin America	60.4%
	Africa	14.4%
	Europe	9.8%
	Asia	8.5%
	Middle East	2.6%
	Cash & Equivalents/U.S. Treasuries	4.3%
	Sovereign Local	
	Currency	
	Breakdown⁽²⁾	
	Brazilian Real	10.5%
	Colombian Peso	0.3%
	Indonesian Rupiah	3.5%
	Mexican Peso	6.3%
	Turkish New Lira	4.9%
	South African Rand	6.7%
	Total	32.2%

⁽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 return of capital in order to maintain a level distribution.

⁽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 and the notional values of credit default swaps as described on pages 14 and 15.

Table of Contents

Stone Harbor Emerging Markets Income Fund

Growth of \$10,000 Investment
November 30, 2014 (Unaudited)

Comparison of Change in Value of \$10,000 Investment in Stone Harbor Emerging Markets Income Fund and the J.P. Morgan Emerging Markets Bond Indices: EMBI Global Diversified, CEMBI Broad Diversified, and GBI-EM Global Diversified (Please refer to page 37 for detailed benchmark descriptions).

Total Returns as of November 30, 2014 (Commencement of Operations December 22, 2010)

		One Year	Three Year	Since Inception (Annualized)
Stone Harbor Emerging Markets Income Fund	NAV	6.03%	4.59%	3.34%
Stone Harbor Emerging Markets Income Fund	Market Price	7.45%	2.59%	1.07%
J.P. Morgan CEMBI Broad Diversified		7.20%	7.25%	5.92%
J.P. Morgan EMBI Global Diversified		10.53%	7.36%	7.25%
J.P. Morgan GBI-EM Global Diversified		-0.33%	1.62%	1.61%

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.

Table of Contents

Report of Independent Registered

Stone Harbor Emerging Markets 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, 2014, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended and the period December 22, 2010 (commencement of operations) 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, 2014, 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, 2014, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended and the period December 22, 2010 (commencement of operations) to November 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Denver, Colorado

January 29, 2015

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
SOVEREIGN DEBT OBLIGATIONS - 83.78%					
Argentina - 16.85%					
<i>Republic of Argentina:</i>					
	USD	7.000%	10/03/2015	36,547,209	\$ 35,419,322 ⁽¹⁾
	USD	7.000%	04/17/2017	11,954,459	11,068,168 ⁽¹⁾
	USD	6.000%	03/31/2023	2,500,000	2,887,500 ⁽²⁾
					49,374,990
Brazil - 14.84%					
<i>Nota Do Tesouro Nacional:</i>					
	BRL	10.000%	01/01/2017	29,120,000	10,885,510
	BRL	10.000%	01/01/2021	44,260,000	15,913,971
	BRL	10.000%	01/01/2023	47,030,000	16,696,154
					43,495,635
Costa Rica - 0.53%					
<i>Republic of Costa Rica:</i>					
	USD	4.250%	01/26/2023	690,000	655,069 ⁽³⁾
	USD	4.375%	04/30/2025	500,000	464,063 ⁽⁴⁾
	USD	7.000%	04/04/2044	431,000	442,044 ⁽⁴⁾
					1,561,176
Dominican Republic - 5.61%					
<i>Dominican Republic:</i>					
	USD	7.500%	05/06/2021	7,379,000	8,356,717 ⁽¹⁾⁽³⁾
	USD	5.875%	04/18/2024	7,695,000	8,079,750 ⁽¹⁾⁽⁴⁾
					16,436,467
El Salvador - 4.39%					
<i>Republic of El Salvador:</i>					
	USD	7.750%	01/24/2023	829,000	945,578 ⁽³⁾
	USD	8.250%	04/10/2032	5,000,000	5,900,000 ⁽¹⁾⁽³⁾

Edgar Filing: Stone Harbor Emerging Markets Income Fund - Form N-CSR

	USD	7.650%	06/15/2035	3,000,000	3,320,625 ⁽¹⁾⁽³⁾
	USD	7.625%	02/01/2041	2,450,000	2,681,219 ⁽¹⁾⁽³⁾
					12,847,422

Ghana - 0.44%

Republic of Ghana:

	USD	7.875%	08/07/2023	1,000,000	995,000 ⁽³⁾
	USD	8.125%	01/18/2026	302,000	301,245 ⁽⁴⁾
					1,296,245

Honduras - 0.54%

Republic of Honduras

	USD	8.750%	12/16/2020	1,379,000	1,572,060 ⁽³⁾
--	-----	--------	------------	-----------	--------------------------

Indonesia - 3.38%

Inter-American Development Bank

Republic of Indonesia:

	IDR	0.000%	08/20/2015	62,090,000,000	4,866,362 ⁽⁵⁾
	USD	6.625%	02/17/2037	2,000,000	2,385,000 ⁽¹⁾⁽³⁾
	USD	7.750%	01/17/2038	2,000,000	2,665,000 ⁽¹⁾⁽³⁾

9,916,362

Iraq - 0.19%

Republic of Iraq

	USD	5.800%	01/15/2028	648,000	568,620 ⁽³⁾
--	-----	--------	------------	---------	------------------------

See Notes to Financial Statements.

Annual Report | November 30, 2014

7

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
Ivory Coast - 5.00%					
<i>Ivory Coast Government:</i>					
	USD	5.375%	07/23/2024	467,000	\$ 452,990 ⁽⁴⁾
	USD	7.774%	12/31/2032	14,604,000	14,202,390 ⁽¹⁾⁽³⁾⁽⁶⁾
					14,655,380
Jamaica - 0.98%					
<i>Jamaican Government</i>	USD	7.625%	07/09/2025	2,676,000	2,876,700 ⁽¹⁾
Kenya - 2.26%					
<i>Republic of Kenya</i>	USD	6.875%	06/24/2024	6,174,000	6,629,332 ⁽¹⁾⁽⁴⁾
Mexico - 6.93%					
<i>Mexican Bonos:</i>					
	MXN	9.500%	12/18/2014	9,731,000	701,357
	MXN	6.250%	06/16/2016	3,209,000	240,510
	MXN	8.000%	06/11/2020	81,030,000	6,647,127
	MXN	6.500%	06/10/2021	140,040,000	10,688,142
	MXN	10.000%	12/05/2024	21,200,000	2,013,710
					20,290,846
Nigeria - 0.66%					
<i>Republic of Nigeria</i>	USD	6.375%	07/12/2023	1,859,000	1,938,008 ⁽¹⁾⁽⁴⁾
Panama - 0.20%					
<i>Republic of Panama</i>	USD	8.125%	04/28/2034	424,000	585,120
South Africa - 9.53%					
<i>Republic of South Africa:</i>					
	ZAR	13.500%	09/15/2015	8,690,000	828,652
	ZAR	13.500%	09/15/2016	8,690,000	879,401
	ZAR	8.000%	12/21/2018	83,340,000	7,867,371
	ZAR	7.250%	01/15/2020	192,550,000	17,624,243
	ZAR	6.750%	03/31/2021	7,380,000	654,263
	ZAR	7.000%	02/28/2031	920,000	74,896

27,928,826

Turkey - 7.52%*Republic of Turkey:*

TRY	6.500%	01/07/2015	2,560,000	1,152,007
TRY	8.300%	06/20/2018	6,410,000	2,952,467
TRY	10.500%	01/15/2020	15,700,000	7,953,649
TRY	7.100%	03/08/2023	19,770,000	8,575,709
USD	5.750%	03/22/2024	209,000	236,170
USD	7.375%	02/05/2025	574,000	723,240
USD	6.875%	03/17/2036	129,000	162,701
USD	6.625%	02/17/2045	227,000	283,466
				22,039,409

Ukraine - 1.73%*Ukraine Government:*

USD	6.875%	09/23/2015	2,000,000	1,690,000 ⁽¹⁾⁽⁴⁾
USD	6.250%	06/17/2016	1,298,000	1,025,420 ⁽³⁾
USD	6.580%	11/21/2016	3,020,000	2,340,500 ⁽¹⁾⁽³⁾
				5,055,920

See Notes to Financial Statements.

8

www.shiplpcef.com

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
Venezuela - 2.20%					
<i>Republic of Venezuela:</i>					
	EUR	7.000%	03/16/2015	1,606,000	\$ 1,897,141
	USD	13.625%	08/15/2018	518,000	392,359 ⁽³⁾
	USD	7.750%	10/13/2019	975,100	546,056 ⁽³⁾
	USD	9.000%	05/07/2023	3,689,100	2,010,560 ⁽¹⁾⁽³⁾
	USD	9.250%	05/07/2028	3,000,000	1,605,000 ⁽³⁾
					6,451,116
TOTAL SOVEREIGN DEBT OBLIGATIONS					
(Cost \$269,599,124)					245,519,634
BANK LOANS - 0.26%⁽⁷⁾					
Indonesia - 0.26%					
<i>PT Bakrie & Brothers TBK</i>	USD	6.151%	11/25/2014	2,515,676	754,703 ⁽²⁾
TOTAL BANK LOANS					
(Cost \$1,006,270)					754,703
CORPORATE BONDS - 46.56%					
Angola - 1.16%					
<i>Puma International Financing SA</i>	USD	6.750%	02/01/2021	3,393,000	3,409,965 ⁽⁴⁾
Argentina - 0.64%					
<i>YPF SA</i>	USD	8.750%	04/04/2024	1,803,000	1,884,135 ⁽⁴⁾
Brazil - 3.60%					
<i>Centrais Eletricas Brasileiras SA</i>	USD	5.750%	10/27/2021	1,700,000	1,674,500 ⁽³⁾
<i>CIMPOR Financial Operations BV</i>	USD	5.750%	07/17/2024	1,500,000	1,406,250 ⁽⁴⁾
<i>ESAL GmbH</i>	USD	6.250%	02/05/2023	3,001,000	3,057,269 ⁽¹⁾⁽⁴⁾
<i>GTL Trade Finance Inc.</i>	USD	7.250%	04/16/2044	1,000,000	1,021,300 ⁽⁴⁾
<i>Minerva Luxembourg SA</i>	USD	7.750%	01/31/2023	505,000	522,675 ⁽⁴⁾
<i>Odebrecht Offshore Drilling Finance Ltd.</i>	USD	6.750%	10/01/2022	1,853,993	1,835,453 ⁽⁴⁾
<i>Votorantim Cimentos SA</i>	USD	7.250%	04/05/2041	1,000,000	1,032,500 ⁽⁴⁾

10,549,947

Chile - 1.26%*GeoPark Latin America Ltd.*

<i>Agencia en Chile</i>	USD	7.500%	02/11/2020	950,000	969,000 ⁽⁴⁾
<i>VTR Finance BV</i>	USD	6.875%	01/15/2024	2,600,000	2,714,530 ⁽⁴⁾

3,683,530

China - 2.28%*CITIC Ltd.:*

	USD	7.875%	Perpetual	1,850,000	1,951,750 ⁽⁸⁾
	USD	8.625%	Perpetual	450,000	517,500 ⁽³⁾⁽⁸⁾

Country Garden Holdings Co. Ltd.:

	USD	11.125%	02/23/2018	750,000	801,000 ⁽⁴⁾
	USD	11.125%	02/23/2018	1,177,000	1,257,036 ⁽³⁾

Kaisa Group Holdings Ltd.:

	USD	8.875%	03/19/2018	1,000,000	1,017,500 ⁽⁴⁾
	USD	10.250%	01/08/2020	1,095,000	1,148,381 ⁽³⁾

6,693,167

Colombia - 1.60%

<i>Emgesa SA ESP</i>	COP	8.750%	01/25/2021	911,000,000	445,608 ⁽⁴⁾
----------------------	-----	--------	------------	-------------	------------------------

*Empresas Publicas de Medellin
ESP:*

	COP	8.375%	02/01/2021	500,000,000	239,891 ⁽³⁾
--	-----	--------	------------	-------------	------------------------

See Notes to Financial Statements.

Annual Report | November 30, 2014

9

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
Colombia (continued)					
<i>Empresas Publicas de Medellin</i>					
<i>ESP: (continued)</i>					
	COP	8.375%	02/01/2021	1,030,000,000	\$ 494,177 ⁽⁴⁾
<i>Millicom International Cellular</i>					
<i>SA</i>	USD	6.625%	10/15/2021	1,458,000	1,534,545 ⁽⁴⁾
<i>Pacific Rubiales Energy Corp.</i>	USD	5.125%	03/28/2023	2,127,000	1,988,745 ⁽⁴⁾
					4,702,966
Ecuador - 0.60%					
<i>EP PetroEcuador via Noble</i>					
<i>Sovereign Funding I Ltd.</i>	USD	5.866%	09/24/2019	1,773,000	1,744,189 ⁽³⁾
Ghana - 0.70%					
<i>Tullow Oil PLC</i>					
	USD	6.000%	11/01/2020	2,388,000	2,053,680 ⁽⁴⁾
Guatemala - 0.73%					
<i>Comcel Trust</i>					
	USD	6.875%	02/06/2024	2,000,000	2,140,000 ⁽⁴⁾
India - 1.76%					
<i>Bharti Airtel International</i>					
<i>Netherlands BV</i>	USD	5.125%	03/11/2023	1,300,000	1,397,176 ⁽⁴⁾
<i>ICICI Bank Ltd.</i>	USD	6.375%	04/30/2022	1,500,000	1,560,000 ⁽³⁾⁽⁸⁾
<i>Vedanta Resources PLC:</i>					
	USD	6.000%	01/31/2019	1,000,000	967,500 ⁽⁴⁾
	USD	8.250%	06/07/2021	738,000	745,380 ⁽⁴⁾
	USD	7.125%	05/31/2023	500,000	482,500 ⁽⁴⁾
					5,152,556
Indonesia - 0.99%					
<i>Listrindo Capital BV</i>					
	USD	6.950%	02/21/2019	1,000,000	1,067,800 ⁽⁴⁾
<i>Pertamina Persero PT</i>	USD	4.300%	05/20/2023	1,857,000	1,833,323 ⁽¹⁾⁽⁴⁾
					2,901,123
Israel - 0.93%					
<i>B Communications Ltd.</i>					
	USD	7.375%	02/15/2021	2,539,000	2,735,772 ⁽⁴⁾

Jamaica - 0.11 %					
<i>Digicel Group Ltd.</i>	USD	8.250%	09/30/2020	312,000	321,360 ⁽⁴⁾
Kazakhstan - 1.40 %					
<i>KazMunayGas National Co. JSC</i>	USD	5.750%	04/30/2043	584,000	548,399 ⁽⁴⁾
<i>Zhaikmunai LP</i>	USD	7.125%	11/13/2019	3,700,000	3,542,750 ⁽¹⁾⁽⁴⁾
					4,091,149
Macau - 0.17 %					
<i>MCE Finance Ltd.</i>	USD	5.000%	02/15/2021	500,000	486,250 ⁽⁴⁾
Mexico - 5.99 %					
<i>America Movil SAB de CV</i>	MXN	6.000%	06/09/2019	85,000,000	6,227,173
<i>Cemex Finance LLC</i>	USD	9.375%	10/12/2022	2,000,000	2,300,000 ⁽⁴⁾
<i>Cemex SAB de CV</i>	USD	9.500%	06/15/2018	2,000,000	2,227,500 ⁽⁴⁾
<i>Metalsa SAB de CV</i>	USD	4.900%	04/24/2023	2,268,000	2,109,240 ⁽⁴⁾
<i>Mexichem SAB de CV:</i>					
	USD	6.750%	09/19/2042	2,250,000	2,413,125 ⁽⁴⁾
	USD	5.875%	09/17/2044	1,000,000	977,500 ⁽⁴⁾
<i>Sixsigma Networks Mexico SA de CV</i>	USD	8.250%	11/07/2021	1,250,000	1,300,000 ⁽⁴⁾
					17,554,538
Nigeria - 0.80 %					
<i>Afren PLC</i>	USD	10.250%	04/08/2019	2,559,000	2,342,253 ⁽⁴⁾

See Notes to Financial Statements.

10

www.shiplpcef.com

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014

	Counterparty	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. Dollars)
Peru - 2.78%						
	Minera Ares SAC	USD	7.750%	01/23/2021	2,000,000	\$ 2,105,000
	Energy Ltd.	USD	8.375%	04/04/2021	3,000,000	3,187,500
	ern Copper Corp.	USD	6.750%	04/16/2040	2,500,000	2,704,250
	n Cia Minera SAA	USD	5.375%	02/02/2022	157,000	155,430
						8,152,180
Russia - 3.59%						
	Bank OJSC Via Alfa Bond Issuance PLC	USD	7.500%	09/26/2019	2,750,000	2,578,469
	Group SA	USD	6.750%	04/27/2018	2,000,000	1,780,000
	stal OAO Via Steel Capital SA	USD	5.900%	10/17/2022	1,955,000	1,818,150
	el Communications Holdings BV:					
		USD	5.200%	02/13/2019	900,000	830,250
		USD	7.504%	03/01/2022	1,701,000	1,584,056
	el Communications Via VIP Finance Ireland Ltd. OJSC	USD	7.748%	02/02/2021	2,000,000	1,915,000
						10,505,925
Uruguay - 0.24%						
	mbus International Inc.	USD	7.375%	03/30/2021	656,000	708,480
Venezuela - 15.23%						
	leos de Venezuela SA:					
		USD	5.250%	04/12/2017	18,974,000	11,858,750
		USD	8.500%	11/02/2017	15,180,300	11,062,644
		USD	9.000%	11/17/2021	790,000	434,500
		USD	6.000%	05/16/2024	45,396,062	20,825,443
		USD	6.000%	11/15/2026	1,054,759	442,999
						44,624,336
GLOBAL CORPORATE BONDS						
						(\$151,923,059)
						136,437,501
CREDIT LINKED NOTES - 7.89%						
Indonesia - 3.47%						
	ublic of Indonesia:					
		IDR	7.000%	05/15/2022	86,600,000,000	6,831,423

Edgar Filing: Stone Harbor Emerging Markets Income Fund - Form N-CSR

	Deutsche Bank AG London					
	Deutsche Bank AG London	IDR	5.625%	05/17/2023	46,600,000,000	3,340,201
						10,171,624
- 2.68%						
<i>Republic of Iraq</i>	Bank of America - Merrill Lynch	JPY	2.765%	01/01/2028	1,332,720,773	7,858,355
Venezuela - 1.74%						
<i>Corporacion Petrolera de Venezuela</i>	Credit Suisse First Boston	USD	5.233%	12/20/2016	8,700,000	5,081,448
ALL CREDIT LINKED NOTES						
						23,111,427
						(\$31,083,629)

See Notes to Financial Statements.
Annual Report | November 30, 2014

11

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014

	Currency	Rate	Maturity Date	Shares*	Market Value (Expressed in U.S. \$)
SHORT TERM INVESTMENTS - 1.67%					
Money Market Mutual Funds - 1.67%					
<i>Dreyfus Treasury Prime Cash Advantage Fund - Institutional Advantage Shares (7-Day Yield)</i>					
	USD	0.00004%	N/A	4,894,885	\$ 4,894,885
TOTAL SHORT TERM INVESTMENTS					
(Cost \$4,894,885)					4,894,885
Total Investments - 140.16%					
(Cost \$458,506,967)					410,718,150
Liabilities in Excess of Other Assets - (40.16)%					
					(117,688,988)
Net Assets - 100.00%					\$ 293,029,162

* The principal amount/shares of each security is stated in the currency in which the security is denominated.

Currency Abbreviations:

BRL	-	Brazilian Real
COP	-	Colombian Peso
EUR	-	Euro
IDR	-	Indonesian Rupiah
JPY	-	Japanese Yen
MXN	-	Mexican Peso
TRY	-	New Turkish Lira
USD	-	United States Dollar
ZAR	-	South African Rand

(1) On November 30, 2014, securities valued at \$164,404,324 were pledged as collateral for reverse repurchase agreements.

(2) Security is in default and therefore is non-income producing.

- (3) *Securities were originally issued pursuant to Regulation S under the Securities Act of 1933, which exempts securities offered and sold outside of the United States from registration. Such securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. As of November 30, 2014, the aggregate market value of those securities was \$108,432,062, which represents approximately 37.00% of net assets.*
- (4) *Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may normally be sold to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to \$89,286,871, which represents approximately 30.47% of net assets as of November 30, 2014.*
- (5) *Issued with a zero coupon. Income is recognized through the accretion of discount.*
- (6) *Step bond. Coupon changes periodically based upon a predetermined schedule. Interest rate disclosed is that which is in effect as of November 30, 2014.*
- (7) *Bank loans generally pay interest at rates which are periodically determined by reference to a base lending rate plus a premium. All loans carry a variable rate of interest. These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (LIBOR) or (iii) the Certificate of Deposit rate. Bank loans, while exempt from registration, under the Securities Act of 1933, contain certain restrictions on resale and cannot be sold publicly. Floating rate bank loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. The loan matured on November 25, 2014, but due to a default, final payments were not received. The security is shown to represent future expected payments.*
- (8) *Floating or variable rate security. Interest rate disclosed is that which is in effect as of November 30, 2014.*

See Notes to Financial Statements.

12

www.shiplpcef.com

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014

Common Abbreviations:

- BV - Besloten Vennootschap is the Dutch term for private limited liability company.
- ESP - Empresa de Servicios Publicos is the Colombian term for Public Service Company.
- GmbH - Gesellschaft mit beschränkter Haftung is the German term for a company with limited liability.
- JSC - Joint Stock Company.
- LLC - Limited Liability Company.
- LP - Limited Partnership.
- Ltd. - Limited.
- OAO - Otkrytoe Aktsionernoe Obschestvo is the Russian term for Open Joint Stock Company.
- OJSC - Open Joint Stock Company.
- PLC - Public Limited Company.
- PT - Perseroan terbuka is an Indonesian term for limited liability company.
- SA - Generally designates corporations in various countries, mostly those employing the civil law.
- SA de CV - A variable capital company.
- SAA - Sociedad Anonima Abierta is the Peruvian term used for companies with 20 or more shareholders.
- SAB de CV - A variable capital company.
- SAC - Sociedad Anonima Abierta is the Peruvian term used for a publicly traded corporation.
- TBK - Terbuka is the Indonesian term for limited liability company.

See Notes to Financial Statements.
Annual Report | November 30, 2014

13

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014**OUTSTANDING FORWARD FOREIGN CURRENCY CONTRACTS**

Counterparty	Foreign Currency	Contracted Amount**	Purchase/Sale Contract	Settlement Date	Current Value	Unrealized Appreciation/ (Depreciation)
Citigroup Global Markets	BRL	88,520,140	Sale	12/02/2014	\$ 34,353,121	\$ 2,107,930
Citigroup Global Markets	BRL	17,063,866	Purchase	12/02/2014	6,622,188	7,518
Citigroup Global Markets	BRL	54,906,542	Sale	01/05/2015	21,093,076	626,714
J.P. Morgan Chase & Co.	EUR	1,553,600	Sale	01/08/2015	1,932,392	11,519
J.P. Morgan Chase & Co.	JPY	943,259,000	Sale	01/08/2015	7,950,195	141,469
						\$ 2,895,150
Citigroup Global Markets	BRL	71,456,274	Purchase	12/02/2014	\$ 27,730,932	\$ (668,174)
						\$ (668,174)

**The contracted amount is stated in the currency in which the contract is denominated.

REVERSE REPURCHASE AGREEMENTS

Counterparty	Interest Rate	Acquisition Date	Value
Credit Suisse First Boston	0.750%	05/16/2013	\$ 5,167,854
Credit Suisse First Boston	0.750%	06/06/2013	3,644,843
Credit Suisse First Boston	0.750%	07/18/2013	3,985,500
Credit Suisse First Boston	0.250%	01/08/2014	1,734,800
Credit Suisse First Boston	0.750%	01/22/2014	6,853,052
Credit Suisse First Boston	0.500%	02/10/2014	1,912,600
Credit Suisse First Boston	0.350%	02/10/2014	1,776,800
Credit Suisse First Boston	0.750%	02/19/2014	1,680,725

Edgar Filing: Stone Harbor Emerging Markets Income Fund - Form N-CSR

Credit Suisse First Boston	0.500%	09/17/2014	8,580,000
Credit Suisse First Boston	0.850%	09/22/2014	8,390,000
Credit Suisse First Boston	0.850%	10/09/2014	4,730,000
Credit Suisse First Boston	0.750%	10/17/2014	2,495,370
Credit Suisse First Boston	0.850%	10/17/2014	1,462,175
Credit Suisse First Boston	(0.250)%	11/05/2014	2,202,000
Credit Suisse First Boston	0.750%	11/06/2014	1,772,485
J.P. Morgan Chase & Co.	0.350%	06/25/2014	2,714,794
J.P. Morgan Chase & Co.	0.650%	06/25/2014	3,867,184
J.P. Morgan Chase & Co.	0.750%	06/25/2014	17,687,038
J.P. Morgan Chase & Co.	0.500%	06/25/2014	2,117,780
J.P. Morgan Chase & Co.	0.000%	08/07/2014	4,878,150
J.P. Morgan Chase & Co.	0.250%	08/08/2014	6,487,200
J.P. Morgan Chase & Co.	0.250%	09/08/2014	5,674,812
J.P. Morgan Chase & Co.	0.950%	09/10/2014	4,488,891
J.P. Morgan Chase & Co.	0.850%	09/25/2014	9,156,000
J.P. Morgan Chase & Co.	0.750%	09/25/2014	6,720,000
Nomura Securities	0.250%	07/28/2014	443,625
Nomura Securities	0.150%	08/21/2014	1,417,500
Nomura Securities	0.150%	08/22/2014	1,466,400
Nomura Securities	0.250%	08/26/2014	2,047,500
Nomura Securities	0.650%	09/10/2014	10,631,250
Nomura Securities	0.250%	11/05/2014	1,020,708

\$ 137,207,036

All agreements can be terminated by either party on demand at value plus accrued interest.

See Notes to Financial Statements.

14

www.shiplpcef.com

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Investments
November 30, 2014**CREDIT DEFAULT SWAP CONTRACTS ON SOVEREIGN DEBT OBLIGATIONS ISSUE - SELL PROTECTION⁽⁹⁾**

Reference Entity	Counterpart	Fixed Deal Receive Rate	Maturity Date	Implied Credit		Market Value	Upfront Premiums Received	Unrealized Depreciation
				Spread at November 30, 2014 ⁽¹⁰⁾	Notional Amount ⁽¹¹⁾			
Petroleos de Venezuela	Credit Suisse							
	First Boston	5.000%	06/20/2016	33.960%	\$ 3,847,000	\$ 1,262,405	\$ 1,163,717	\$ (98,688)
						\$ 1,262,405	\$ 1,163,717	\$ (98,688)

⁽⁹⁾ If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

⁽¹⁰⁾ Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

⁽¹¹⁾ The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

See Notes to Financial Statements.
Annual Report | November 30, 2014

15

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Assets & Liabilities
November 30, 2014**ASSETS:**

Investments, at value ⁽¹⁾	\$ 410,718,150
Cash	1,421,512
Unrealized appreciation on forward foreign currency contracts	2,895,150
Receivable for investments sold	4,189,100
Deposits with brokers for credit default swap contracts	1,310,000
Deposits with brokers for reverse repurchase agreements	4,906,000
Receivable on swap contracts	37,401
Dividends and interest receivable	10,159,368
Prepaid and other assets	23,418
Total Assets	435,660,099

LIABILITIES:

Payable for reverse repurchase agreements	137,207,036
Interest payable on reverse repurchase agreements	378,300
Payable due to brokers for forward foreign currency contracts	2,450,000
Swap premium received	1,163,717
Unrealized depreciation on forward foreign currency contracts	668,174
Unrealized depreciation on credit default swap contracts	98,688
Payable to adviser	355,050
Payable to administrator	112,465
Other payables	197,507
Total Liabilities	142,630,937
Net Assets	\$ 293,029,162

NET ASSETS CONSIST OF:

Paid-in capital	\$ 371,789,473
Distribution in excess of net investment income	(2,270,673)
Accumulated net realized loss on investments, credit default swap contracts, forward foreign currency contracts and foreign currency transactions	(30,507,126)
Net unrealized depreciation on investments, credit default swap contracts, forward foreign currency contracts and translation of assets and liabilities denominated in foreign currencies	(45,982,512)
Net Assets	\$ 293,029,162

PRICING OF SHARES:

Net Assets	\$ 293,029,162
Shares of beneficial interest outstanding (unlimited number of shares, par value of \$0.001 per share authorized)	15,791,688
Net assets value, offering and redemption price per share	\$ 18.56

⁽¹⁾ Cost of Investments	\$ 458,506,967
------------------------------------	----------------

See Notes to Financial Statements.

16

www.shiplpcef.com

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Operations
For the Year Ended November 30, 2014

INVESTMENT INCOME:	
Interest	\$ 38,696,006
Dividends	67,395
Total Investment Income	38,763,401
EXPENSES:	
Investment advisory fees	4,465,158
Administration fees	681,080
Interest on reverse repurchase agreements	716,515
Custodian fees	253,007
Professional fees	104,110
Printing fees	90,749
Trustee fees	30,000
Transfer agent fees	19,763
Insurance fees	20,453
Other	39,820
Total Expenses	6,420,655
Net Investment Income	32,342,746
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:	
Net realized gain/(loss) on:	
Investments	(8,156,982)
Credit default swap contracts	(860,356)
Forward foreign currency contracts	(4,153,980)
Foreign currency transactions	(2,082,262)
Net realized loss	(15,253,580)
Net change in unrealized appreciation/(depreciation) on:	
Investments	(3,395,739)
Credit default swap contracts	2,120,142
Forward foreign currency contracts	2,035,614
Translation of assets and liabilities denominated in foreign currencies	(206,319)
Net change in unrealized appreciation	553,698
Net Realized and Unrealized Loss on Investments	(14,699,882)
Net Increase in Net Assets Resulting from Operations	\$ 17,642,864

See Notes to Financial Statements.

Annual Report | November 30, 2014

17

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statements of Changes in Net Assets

	For the Year Ended November 30, 2014	For the Year Ended November 30, 2013
OPERATIONS:		
Net investment income	\$ 32,342,746	\$ 26,266,623
Net realized loss on investments, credit default swap contracts, forward foreign currency contracts, and foreign currency transactions	(15,253,580)	(17,105,639)
Net change in unrealized appreciation/(depreciation) on investments, credit default swap contracts and translation of assets and liabilities denominated in foreign currencies	553,698	(38,503,627)
Net increase/(decrease) in net assets resulting from operations	17,642,864	(29,342,643)
DISTRIBUTIONS TO SHAREHOLDERS:		
From net investment income	(29,928,098)	(29,960,507)
From net realized gains		(4,061,325)
From tax return of capital	(4,169,364)	
Net decrease in net assets from distributions to shareholders	(34,097,462)	(34,021,832)
CAPITAL SHARE TRANSACTIONS:		
Net asset value of common shares issued to stockholders from reinvestment of dividends	209,227	1,778,364
Net increase in net assets from capital share transactions	209,227	1,778,364
Net Decrease in Net Assets	(16,245,371)	(61,586,111)
NET ASSETS:		
Beginning of period	309,274,533	370,860,644
End of period (including undistributed/(overdistributed) net investment income of \$(2,270,673) and \$864,307)	\$ 293,029,162	\$ 309,274,533
OTHER INFORMATION:		
Share Transactions:		
Beginning shares	15,781,701	15,704,477
Shares issued as reinvestment of dividends	9,987	77,224
Shares outstanding - end of period	15,791,688	15,781,701

See Notes to Financial Statements.

18

www.shiplpcef.com

Table of Contents

Stone Harbor Emerging Markets Income Fund

Statement of Cash Flows
For the Year Ended November 30, 2014**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net increase in net assets from operations	\$ 17,642,864
Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities	(420,101,816)
Proceeds from disposition of investment securities	424,357,373
Net purchase of short-term investment securities	(4,894,885)
Net payments on credit default swap contracts	(1,096,800)
Net amortization of discounts and accretion of premiums	(3,116,448)
Net realized loss on:	
Investments	8,156,982
Credit default swaps contracts	860,356
Net change in unrealized (appreciation)/depreciation on:	
Investments	3,395,739
Credit default swap contracts	(2,120,142)
Forward foreign currency contracts	(2,035,614)
Translation of assets and liabilities denominated in foreign currencies	206,319
Decrease in deposits with brokers for credit default swap contracts, reverse repurchase agreements, and forward foreign currency contracts	2,820,000
Increase in dividends and interest receivable	(309,101)
Decrease in receivable on swap contracts	152,599