

Stone Harbor Emerging Markets Income Fund
Form N-CSR
February 07, 2019
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)

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With copies To:

Michael G. Doherty, Esq.

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1211 Avenue of the Americas

New York, NY 10036

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2018

Item 1. **Report to Stockholders.**

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website www.shiplpcef.com, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by enrolling at www.shiplpcef.com.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Fund, you can call 1-866-390-3910 to let the Fund know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with the fund complex if you invest directly with the Fund.

Distribution Policy

November 30, 2018

Stone Harbor Emerging Markets Income Fund (the "Fund"), acting pursuant to a U.S. 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. In addition, the Fund may distribute more than its income and net realized capital gains, and therefore, a portion of the distribution may be a return of capital. A return of capital may occur, for example, when some or all of the money that a shareholder invested in the Fund is paid back to that shareholder. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with 'yield' or 'income'. The amounts and sources of

distributions reported to shareholders during the fiscal year are only estimates and are not provided for tax or financial reporting purposes. The actual amounts and sources of the amounts for tax or financial reporting purposes will depend upon the Fund's investment experience during the year and are subject to change.

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, 2018 (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 periods of high market volatility, we believe EM debt markets continue to offer attractive investment opportunities for total return investors. That investment thesis was tested during the Fund’s fiscal year ended November 30, 2018 as the market generated negative returns in all three major segments -- hard currency sovereign debt, local currency sovereign debt and corporate debt. In this report, we will review the major factors that drove those negative returns. Despite this challenging period, we continue to believe most EM countries maintain prudent debt levels and substantially lower fiscal deficits relative to the developed world. Furthermore, GDP growth of EM countries taken as a group continues to expand at a faster rate than in the developed world. In addition, EM debt still offers higher yields than advanced economy debt, even though EMs have better fundamentals in most cases, based on our analysis. So, while we believe our investment thesis remains intact, we believe that this has been one of those high volatility periods that tests investors’ commitment to the asset class.

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 risk. Unfortunately, in a period of negative returns for all sectors in EM, any leverage increases the impact of those negative returns.

Performance Review

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The total return on net asset value (NAV) of EDF for the twelve months ended November 30, 2018 was -15.35% (net of expenses). For the same period, the Fund maintained an average premium to its NAV of 11.42%⁽¹⁾. Market tracking indices for the three sectors of EM debt⁽²⁾ — external sovereign debt, local currency debt, and corporate debt — delivered total returns of -4.84%, -5.55% and -2.04%, respectively, during the reporting period.

Unlike recent historical periods when market returns and our performance were driven primarily by macro developments, including oil price volatility, this period of negative returns was characterized by events in key countries as well as one important global factor. Our positions in Argentina, Brazil, and Turkey drove our performance for reasons that we will outline below. The one macro factor driving returns in EM debt during the period was US Dollar (USD) strength and the accompanying weakness in EM currencies. Every EM currency declined against the USD during the period with the declines ranging from -1.11% (Thailand) to -54% (Argentina). Other key macroeconomic themes that drove market volatility during the reporting period included escalating U.S.-China trade tensions, expectations for further U.S. monetary normalization, and widening of Italian bond spreads. While a recovery in EM debt markets in September occurred with easing of some of these macroeconomic factors, along with more positive domestic developments, the period proved to be a challenging one.

As we cited above, negative returns in Argentina, Brazil, and Turkey, combined with our overweight positions in each country were the primary drivers of our performance during the period. Argentina was the Fund's best performer in fiscal 2017. Unfortunately, the market lost patience with the government's gradual approach to fiscal and economic reform early in 2018. The subsequent sell-off in the peso caused the Argentines to raise domestic interest rates dramatically and reach an agreement with the International Monetary Fund (IMF) on a Stand-by Aid package totaling over \$57 billion. The peso stabilized after these announcements but the damage to the currency's value had already occurred. Investments in Brazil were negatively impacted by the effects of a prolonged recession, compounded by the fallout from the massive corruption scandal. Both of these factors weighed heavily in the chaotic presidential campaign. When former President Lula was ruled ineligible to stand for election, the market began to stabilize but Brazil's real was down over 15% for the fiscal year. In Turkey, higher-than-expected inflation caused domestic interest rates to rise while the lira declined. A diplomatic row with the US over the detention of a pastor led the US to impose sanctions on Turkey and contributed to a 25% decline in the lira over the Fund's fiscal year.

As we mentioned, asset allocation is an important decision in the management of the Fund. Our allocation to local currency denominated assets ranged between 32% and 51% during the period with our average monthly allocation approximately 45%. 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, in our view.

Stone Harbor Emerging Markets Income Fund Shareholder Letter

November 30, 2018 (Unaudited)

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 2.53% per annum for the fiscal year. The level of gross leverage reached a maximum of 33.3% of total assets on May 17, 2018 and a minimum of 21.5% on December 5, 2017. By the end of the reporting period, leverage was 33.1%. 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 risk, increasing borrowings when it felt opportunities had improved and reducing borrowings when, in the team's judgment, macroeconomic risks had risen.

The Fund uses various derivative instruments to implement its strategies. These derivatives are utilized to manage the Fund's credit risk, interest rate risk, foreign exchange risk and efficiently gain certain investment exposure. These derivative positions may increase or decrease the Fund's exposure to these risks. At the end of the reporting period the Fund had net exposure to these derivatives of approximately \$1.9 million. Over the course of the reporting period these derivative positions generated net realized loss of approximately \$2.6 million and \$2.3 million in unrealized appreciation for a net decrease in operations of approximately \$308 thousand.

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 and company-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 slow growth across most of the developed world and abnormally low interest rates in select countries helped underscore the higher yields and stronger fundamentals available in emerging markets.

Despite these headwinds from advanced economies, our fundamental positive views on emerging markets remain intact. We continue to believe that many EM country growth rates will improve in the next 12 to 18 months. In addition to good growth and solid fundamentals, emerging markets debt assets continue to offer attractive valuations, in our opinion.

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In the past, we have detailed some of the key risks to our constructive outlook for EM debt. Today, those risks seem to emanate from both developed and EM countries. The uncertainties surrounding the timing and extent of increases in U.S. interest rates and the Trump administration policies on trade are potential risks for EM debt investors. The application of those trade policies, particularly with China will continue to be an important investor focus in the coming year. In assessing all these factors, 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 EM bonds, currencies and local interest rates reflect adequate compensation for the risks the Fund is incurring. Based on this analysis, we continue to believe that EM debt will generate among the highest returns in the fixed income markets.

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 Investment Partners LP (“Adviser”) attempts to mitigate the risk of loss of principal due to the possibility of a general rise in global interest rates through our investment process that determines 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

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 over time, during shorter periods, returns at market price can also be
⁽¹⁾*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⁾*JPMorgan EMBI Global Diversified Index, JPMorgan GBI EM Global Diversified Index, and JPMorgan CEMBI Broad Diversified Index.*

Stone Harbor Emerging Markets Income Fund Summary of Portfolio Holdings

November 30, 2018 (Unaudited)

Fund Details

Market Price	\$12.05
Net Asset Value (NAV)	\$10.58
Premium/(Discount)	13.89%
Current Distribution Rate ⁽¹⁾	17.93%
Net Assets (in millions)	\$171

Country Allocation

(as a % of Total Net Assets)⁽³⁾ %

Country Breakdown

Argentina	18.39%
Ukraine	9.73%
Mexico	8.95%
Turkey	8.21%
Indonesia	8.03%
South Africa	8.03%
Ecuador	6.88%
Lebanon	6.49%
Uruguay	6.23%
Egypt	6.19%
Angola	5.48%
Russia	5.26%
Ghana	4.70%
Brazil	4.36%
Ivory Coast	4.20%
Nigeria	4.12%
Iraq	4.05%
Jordan	3.43%
Venezuela	2.88%
Kenya	2.79%

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Gabon	2.04%
Zambia	1.91%
Cameroon	1.63%
Jamaica	1.40%
El Salvador	1.04%
Pakistan	0.99%
Tunisia	0.93%
Kazakhstan	0.85%
Spain	0.72%
New Guinea	0.53%
Colombia	0.47%
India	0.16%
Short Term Security	2.37%
Other Assets in Excess of Liabilities	-43.44%
Total Net Assets	100.00%

Security Type Allocation⁽²⁾

Sector Allocation⁽²⁾		Regional Breakdown⁽²⁾		Sovereign Local Currency Breakdown⁽²⁾	
Sovereign Local	30.10%	Latin America	35.12%	Argentine Peso	2.21%
Sovereign External	57.22%	Africa	23.86%	Colombian Peso	0.32%
Corporate	8.87%	Europe	16.39%	Egyptian Pound	2.13%
Cash & Equivalents/		Middle East	14.28%	Indonesian Rupiah	3.89%
US Treasuries	3.81%	Asia	6.54%	Mexican Peso	4.05%
		Cash & Equivalents/		Russian Ruble	3.56%
		U.S. Treasuries	3.81%	South African Rand	5.54%
				Turkish New Lira	4.11%
				Uruguayan Peso	4.29%
				Total	30.10%

Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's (1)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.

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Based on managed assets and investment manager's sector classifications including derivative exposure. For
(2) 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 interest rate swaps as described on page 12 and page 13.

(3) Country refers to country of primary risk exposure, as determined by Stone Harbor. In certain instances, a
security's country of incorporation may be different from its country of risk.

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Stone Harbor Emerging Markets Income Fund Growth of \$10,000 Investment

November 30, 2018 (Unaudited)

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

Total Returns as of November 30, 2018 (Inception Date December 22, 2010)

	Average Annual Return				Since Inception
	6 Month	One Year	Three Year	Five Year	
Stone Harbor Emerging Markets Income Fund – NAV	-10.24%	-15.35%	4.80%	2.09%	2.21%
Stone Harbor Emerging Markets Income Fund – Market Price	-6.02%	-6.89%	14.07%	5.93%	3.30%
JPMorgan CEMBI Broad Diversified Index	0.12%	-2.04%	4.52%	4.25%	4.70%
JPMorgan EMBI Global Diversified Index	-1.51%	-4.84%	4.20%	4.62%	5.18%
JPMorgan GBI-EM Global Diversified Index	-3.87%	-5.55%	4.66%	-1.32%	-0.01%

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, management fees and fund expenses or transaction costs. 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.

Stone Harbor Emerging Markets Income Fund

Report of Independent
Registered
Public Accounting Firm

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

Opinion on the Financial Statements and Financial Highlights

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, 2018, 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, the financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of November 30, 2018, and 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 five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. 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, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

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Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. Our procedures included confirmation of securities owned as of November 30, 2018, by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Denver, Colorado
January 28, 2019

We have served as the auditor of one or more Stone Harbor Investment Partners investment companies since 2008.

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Stone Harbor Emerging Markets Income Fund Statement of Investments

November 30, 2018

	Currency	Rate	Maturity Date	Principal Amount/Shares*	Value (Expressed in USD)
SOVEREIGN DEBT OBLIGATIONS - 111.87%					
Angola - 5.48%					
Republic of Angola:					
	USD	6M US L + 7.50	% 07/01/23	7,366,154	\$8,130,392 (1)
	USD	8.25	% 05/09/28	759,000	734,332 (2)
	USD	9.38	% 05/08/48	517,000	502,783 (2)
					9,367,507
Argentina - 18.39%					
Argentina Treasury Bill:					
	ARS	0.00	% 12/28/18	96,000,000	2,822,851 (3)
	ARS	0.00	% 02/28/19	97,400,000	2,848,530 (3)
Provincia del Chaco Republic of Argentina:					
	USD	9.38	% 08/18/24	2,360,000	1,752,300 (4)(5)
	USD	6.88	% 04/22/21	1,000,000	948,750
	USD	7.50	% 04/22/26	337,000	286,450
	USD	5.88	% 01/11/28	2,250,000	1,687,500 (5)
	USD	8.28	% 12/31/33	5,608,152	4,801,980 (5)
	EUR	7.82	% 12/31/33	1,444,909	1,446,304
	USD	8.28	% 12/31/33	17,120,114	14,380,895(5)
	EUR	2.26	% 12/31/38	509,052	316,056 (6)
	USD	6.88	% 01/11/48	232,000	167,330
					31,458,946
Cameroon - 1.63%					
Republic of Cameroon					
	USD	9.50	% 11/19/25	2,743,000	2,787,574 (2)(5)
Ecuador - 5.55%					
Republic of Ecuador:					
	USD	10.75	% 03/28/22	890,000	921,150 (4)(5)
	USD	10.75	% 03/28/22	520,000	538,200 (2)
	USD	7.95	% 06/20/24	1,100,000	984,500 (4)
	USD	9.65	% 12/13/26	5,549,000	5,182,766 (4)(5)
	USD	9.65	% 12/13/26	1,998,000	1,866,132 (2)(5)
					9,492,748

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Egypt - 3.00%

Republic of Egypt:

EUR	5.63	% 04/16/30	591,000	593,800	(2)
USD	8.50	% 01/31/47	395,000	361,919	(4)
USD	8.50	% 01/31/47	4,548,000	4,167,105	(2)(5)
				5,122,824	

El Salvador - 1.04%

Republic of El Salvador

USD	7.65	% 06/15/35	1,910,000	1,775,622	(4)(5)
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Gabon - 2.04%

Republic of Gabon:

USD	6.38	% 12/12/24	602,000	529,760	(2)
USD	6.95	% 06/16/25	3,332,000	2,950,902	(2)(5)
				3,480,662	

Ghana - 3.89%

Republic of Ghana

USD	10.75	% 10/14/30	5,807,000	6,656,274	(2)(5)
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See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Statement of Investments

November 30, 2018

	Currency	Rate	Maturity Date	Principal Amount/Shares*	Value (Expressed in USD)
Indonesia - 5.81%					
<i>Republic of Indonesia:</i>					
	IDR	8.25 %	05/15/29	131,000,000,000	\$9,418,353
	IDR	8.25 %	05/15/36	7,440,000,000	518,888
					9,937,241
Iraq - 0.53%					
Republic of Iraq	USD	5.80 %	01/15/28	1,006,000	915,460 ⁽⁴⁾
Ivory Coast - 4.20%					
<i>Ivory Coast Government:</i>					
	USD	6.13 %	06/15/33	602,000	503,423 ⁽⁴⁾
	USD	6.13 %	06/15/33	7,977,000	6,670,766 ⁽²⁾⁽⁵⁾
					7,174,189
Jordan - 3.43%					
Kingdom of Jordan	USD	7.38 %	10/10/47	6,609,000	5,857,226 ⁽²⁾⁽⁵⁾
Kenya - 2.79%					
<i>Republic of Kenya:</i>					
	USD	6.88 %	06/24/24	2,596,000	2,446,730 ⁽²⁾⁽⁵⁾
	USD	6.88 %	06/24/24	2,350,000	2,214,875 ⁽⁴⁾⁽⁵⁾
	USD	7.25 %	02/28/28	116,000	104,110 ⁽²⁾
					4,765,715
Lebanon - 6.49%					
<i>Lebanese Republic:</i>					
	USD	8.25 %	04/12/21	1,447,000	1,356,562 ⁽⁴⁾
	USD	6.40 %	05/26/23	2,196,000	1,825,425 ⁽⁵⁾
	USD	6.20 %	02/26/25	8,461,000	6,578,428 ⁽⁵⁾
	USD	6.85 %	05/25/29	1,820,000	1,334,970
					11,095,385
Mexico - 2.18%					
Mexican Bonos	MXN	7.50 %	06/03/27	83,980,000	3,729,173
New Guinea - 0.53%					
	USD	8.38 %	10/04/28	902,000	899,312 ⁽²⁾

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Independent State of Papua New
Guinea

Nigeria - 4.12%

Republic of Nigeria:

USD	7.63 %	11/28/47	4,477,000	3,799,854	(2)(5)
USD	7.63 %	11/28/47	3,823,000	3,244,771	(4)(5)
				7,044,625	

Pakistan - 0.99%

Republic of Pakistan

USD	6.88 %	12/05/27	1,889,000	1,693,016	(4)(5)
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Russia - 5.26%

Russian Federation:

RUB	7.05 %	01/19/28	79,480,000	1,077,725	
RUB	7.70 %	03/23/33	572,000,000	7,922,627	
				9,000,352	

South Africa - 8.03%

Republic of South Africa

ZAR	8.75 %	01/31/44	212,350,000	13,736,362	
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See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Statement of Investments

November 30, 2018

	Currency	Rate	Maturity Date	Principal Amount/Shares*	Value (Expressed in USD)	
Tunisia - 0.93%						
Banque Centrale de Tunisie	USD	5.75 %	01/30/25	1,900,000	\$1,588,875	(4)
Turkey - 8.21%						
European Bank for Reconstruction & Development:						
	TRY	28.50 %	07/10/19	9,350,000	1,851,608	
	TRY	27.50 %	10/02/19	42,000,000	8,303,756	
Republic of Turkey	USD	4.88 %	10/09/26	4,583,000	3,886,957	(5)
					14,042,321	
Ukraine - 7.51%						
Ukraine Government:						
	USD	7.75 %	09/01/22	2,898,000	2,687,895	(2)(5)
	USD	7.75 %	09/01/26	3,225,000	2,781,562	(2)(5)
	USD	7.75 %	09/01/26	225,000	194,063	(4)
	USD	7.75 %	09/01/27	1,347,000	1,146,634	(2)
	USD	7.38 %	09/25/32	1,749,000	1,418,876	(2)
	USD	7.38 %	09/25/32	697,000	565,441	(4)
	USD	0.00 %	05/31/40	5,299,000	2,967,175	(3)
Ukreximbank Via Biz Finance PLC	USD	9.75 %	01/22/25	1,150,000	1,084,968	(4)
					12,846,614	
Uruguay - 6.23%						
Republic of Uruguay	UYU	4.38 %	12/15/28	61,000,000	3,480,004	
Uruguay Monetary Regulation Bill	UYU	0.00 %	01/11/19	25,700,000	790,613	(3)
Uruguay Notas del Tesoro	UYU	13.90 %	07/29/20	192,000,000	6,375,516	
					10,646,133	
Venezuela - 1.70%						
Republic of Venezuela:						
	USD	7.75 %	10/13/19	2,400,000	565,380	(7)
	USD	9.00 %	05/07/23	10,200,000	2,346,000	(7)
					2,911,380	
Zambia - 1.91%						
Republic of Zambia	USD	5.38 %	09/20/22	4,500,000	3,268,125	(4)(5)
					191,293,661	

TOTAL SOVEREIGN DEBT
OBLIGATIONS

(Cost \$205,576,364)

CORPORATE BONDS - 22.49%

Brazil - 4.36%

Cosan Luxembourg SA	USD	7.00	%	01/20/27	1,000,000	996,250	(2)
Gol Finance, Inc.	USD	7.00	%	01/31/25	1,500,000	1,331,250	(2)
GTL Trade Finance, Inc.	USD	7.25	%	04/16/44	1,000,000	1,040,000	(2)
JSL Europe SA	USD	7.75	%	07/26/24	750,000	699,442	(2)
Marfrig Holdings Europe BV	USD	8.00	%	06/08/23	397,000	400,474	(2)
Minerva Luxembourg SA	USD	6.50	%	09/20/26	3,250,000	2,990,000	(2)(5)
						7,457,416	

Colombia - 0.47%

Empresas Publicas de Medellin ESP	COP	7.63	%	09/10/24	2,700,000,000	799,474	(4)
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Ecuador - 1.33%

Petroamazonas EP	USD	4.63	%	02/16/20	2,338,000	2,281,444	(2)(5)
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Ghana - 0.81%

Tullow Oil PLC	USD	6.25	%	04/15/22	1,431,000	1,376,443	(4)
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See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Statement of Investments

November 30, 2018

	Currency	Rate	Maturity Date	Principal Amount/Shares*	Value (Expressed in USD)
India - 0.16%					
Vedanta Resources PLC	USD	6.38	% 07/30/22	300,000	\$276,375 (2)
Indonesia - 2.22%					
Indo Energy Finance II BV	USD	6.38	% 01/24/23	458,000	435,100 (4)
PT Bakrie & Brothers TBK	IDR	0.00	% 12/22/22	27,175,847,000	195 (3)(8)
PT Bumi Resources TBK (Eterna Capital Pte, Ltd.):					
	USD	8.00% PIK	12/11/22	1,491,770	1,379,451 (9)
	USD	6.50% Cash + 1.00% PIK	12/11/22	1,998,207	1,988,216 (9)
					3,802,962
Jamaica - 1.40%					
Digicel Group, Ltd.	USD	8.25	% 09/30/20	3,550,000	2,387,375 (2)
Kazakhstan - 0.85%					
Nostrum Oil & Gas Finance BV	USD	7.00	% 02/16/25	2,138,000	1,457,902 (2)(5)
Mexico - 6.77%					
Cometa Energia SA de CV	USD	6.38	% 04/24/35	1,117,284	1,040,471 (2)
Petroleos Mexicanos:					
	MXN	7.65	% 11/24/21	67,000,000	3,066,359 (4)
	MXN	7.47	% 11/12/26	89,000,000	3,424,508
	USD	6.75	% 09/21/47	3,133,000	2,600,390 (5)
Sixsigma Networks Mexico SA de CV	USD	7.50	% 05/02/25	1,541,000	1,444,688 (2)
					11,576,416
Spain - 0.72%					
AI Candelaria Spain SLU	USD	7.50	% 12/15/28	1,250,000	1,222,125 (2)
Ukraine - 2.22%					
Metinvest BV	USD	7.75	% 04/23/23	2,059,000	1,871,116 (2)
State Savings Bank of Ukraine Via SSB #1 PLC	USD	9.63	% 03/20/25	2,023,000	1,920,839 (4)(6)
					3,791,955
Venezuela - 1.18%					

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Petroleos de Venezuela SA:

USD	6.00	% 05/16/24	4,622,575	753,480	(4)(7)
USD	6.00	% 11/15/26	2,550,000	420,750	(4)(7)
USD	9.75	% 05/17/35	4,200,000	850,500	(4)(7)
				2,024,730	

TOTAL CORPORATE BONDS 38,454,617
(Cost \$43,400,109)

CREDIT LINKED NOTES -
6.71%

Egypt - 3.19%

Republic of Egypt (Counterparty:
Goldman Sachs) EGP 0.00 % 04/16/19 106,000,000 5,460,036 (3)

Iraq - 3.52%

Republic of Iraq (Counterparty:
Bank of America - Merrill Lynch) JPY 2.86 % 01/01/28 936,519,363 6,010,257 (1)(8)

TOTAL CREDIT LINKED NOTES 11,470,293
(Cost \$14,549,330)

See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Statement of Investments

November 30, 2018

	Currency	Rate	Maturity Date	Principal Amount/Shares*	Value (Expressed in USD)
SHORT TERM INVESTMENTS - 2.37%					
Money Market Mutual Funds - 2.37%					
<i>State Street Institutional Liquid Reserves Fund - Institutional Class (7-Day Yield)</i>	USD	2.34 %	N/A	4,051,399	\$4,051,399
TOTAL SHORT TERM INVESTMENTS (Cost \$4,051,097)					4,051,399
Total Investments - 143.44% (Cost \$267,576,900)					245,269,970
Liabilities in Excess of Other Assets - (43.44)%					(74,277,471) ⁽¹⁰⁾
Net Assets - 100.00%					\$170,992,499

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

Currency Abbreviations:

ARS - Argentine Peso
COP - Colombian Peso
EGP - Egyptian Pound
EUR - Euro Currency
IDR - Indonesian Rupiah
JPY - Japanese Yen
MXN - Mexican Peso
RUB - Russian Ruble
TRY - New Turkish Lira
USD - United States Dollar
UYU - Uruguayan Peso
ZAR - South African Rand

Investment Abbreviations:

LIBOR - London Interbank Offered Rate

Libor Rates:

6M US L - 6 Month LIBOR as of November 30, 2018 was 2.89%

Floating or variable rate security. The reference rate is described above. The rate in effect as of November 30, 2018 is based on the reference rate plus the displayed spread as of the security's last reset date. Certain variable rate
(1)*securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description.*

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
(2)*value of Rule 144A securities amounts to \$68,578,739, which represents approximately 40.11% of net assets as of November 30, 2018.*

(3)*Issued with a zero coupon. Income is recognized through the accretion of discount.*

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
(4)*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, 2018, the aggregate market value of those securities was \$37,230,781, which represents approximately 21.77% of net assets.*

(5)*On November 30, 2018, securities valued at \$103,079,377 were pledged as collateral for reverse repurchase agreements.*

(6)*Step bond. Coupon changes periodically based upon a predetermined schedule. Interest rate disclosed is that which is in effect as of November 30, 2018.*

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

See Notes to Financial Statements.

Stone Harbor Emerging Markets Income Fund Statement of Investments

November 30, 2018

⁽⁸⁾ *The level 3 assets were valued using significant unobservable inputs as a result of unavailable quoted prices from an active market or the unavailability of other significant observable inputs.*

⁽⁹⁾ *Payment-in-kind securities.*

⁽¹⁰⁾ *Includes cash which is being held as collateral for derivatives.*

OUTSTANDING FORWARD FOREIGN CURRENCY CONTRACTS

Counterparty	Settlement Date	Fund Receiving	U.S. \$ Value at November 30, 2018	Fund Delivering	U.S. \$ Value at November 30, 2018	Unrealized Appreciation/ (Depreciation)
J.P. Morgan Chase & Co.	12/12/18	ARS	377,312	USD	352,497	\$ 24,815
Citigroup Global Markets	01/11/19	USD	6,381,960	JPY	6,326,667	55,293
						\$ 80,108
J.P. Morgan Chase & Co.	12/12/18	USD	362,199	ARS	377,312	(15,113)
						\$ (15,113)

REVERSE REPURCHASE AGREEMENTS

Counterparty	Interest Rate	Acquisition Date	Maturity Date	Amount
Credit Suisse First Boston	3.000%	09/27/2018	09/28/2019	\$23,245,253
Credit Suisse First Boston	3.000%	10/16/2018	10/17/2019	4,054,694
Credit Suisse First Boston	3.000%	10/17/2018	10/18/2019	15,556,112
Credit Suisse First Boston	3.000%	10/18/2018	10/19/2019	7,514,057
Credit Suisse First Boston	2.750%	10/19/2018	10/22/2019	1,406,250
Credit Suisse First Boston	3.000%	10/19/2018	10/22/2019	2,868,808
Credit Suisse First Boston	3.000%	11/01/2018	11/02/2019	1,524,836
Credit Suisse First Boston	3.000%	11/08/2018	11/09/2019	2,762,458
Goldman Sachs & Co.	1.800%	03/28/2018	03/29/2019	1,982,540
J.P. Morgan Chase & Co.	3.100%	06/14/2018	06/15/2019	2,396,621
J.P. Morgan Chase & Co.	2.850%	06/15/2018	06/18/2019	2,340,371
J.P. Morgan Chase & Co.	2.900%	06/15/2018	06/18/2019	3,946,532
J.P. Morgan Chase & Co.	2.200%	11/22/2018	08/24/2019	775,190
J.P. Morgan Chase & Co.	3.100%	09/27/2018	09/28/2019	5,725,978

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J.P. Morgan Chase & Co.	3.150%	09/27/2018	09/28/2019	3,541,158
J.P. Morgan Chase & Co.	2.900%	10/09/2018	10/04/2019	1,979,969
J.P. Morgan Chase & Co.	2.750%	10/16/2018	10/17/2019	3,066,157
				\$84,686,984

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

INTEREST RATE SWAP CONTRACTS (CENTRALLY CLEARED)

Pay/Receive	Clearing House	Floating Rate	Expiration Date	Notional Amount	Currency	Fixed Rate	Value	Unrealized Appreciation/ (Depreciation)
Receive*	Chicago Mercantile Exchange	3 Month LIBOR	02/21/2027	13,500,000	USD	2.427%	\$602,926	\$602,926
Receive*	Chicago Mercantile Exchange	3 Month LIBOR	02/01/2027	20,400,000	USD	2.427%	902,320	902,320
Receive*	Chicago Mercantile Exchange	3 Month LIBOR	03/28/2028	45,000,000	USD	2.892%	622,632	622,632
							\$2,127,878	\$2,127,878

*Interest rate swaps pay quarterly.

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Stone Harbor Emerging Markets Income Fund Statement of Investments

November 30, 2018

CREDIT DEFAULT SWAP CONTRACTS ON SOVEREIGN DEBT OBLIGATIONS ISSUE - SELL PROTECTION (OVER THE COUNTER)⁽¹⁾

Reference Obligations	Counterparty	Fixed Deal Receive Rate	Currency	Maturity Date	Implied Credit Spread at November 30, 2018 ⁽²⁾	Notional Amount ^{**(3)}	Value	Upfront Premiums Received/(Paid)	Unrealized Appreciation
Republic Of Ecuador CDS SR 1Y ⁽⁴⁾	Credit Suisse First Boston	5.000%	USD	12/20/2019	5.456%	2,100,000	\$(9,708)	\$ 39,456	\$ 29,748
							\$(9,708)	\$ 39,456	\$ 29,748

Credit default swaps pay quarterly.

******The notional amount of each security is stated in the currency in which the security is denominated.

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 (1) 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.

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 (2) 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.

The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a (3) buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

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⁽⁴⁾ *Based on Republic of Ecuador REGS Sovereign Debt Obligation, USD denominated 7.875% fixed coupon, 01/23/2028 maturity.*

See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Statement of Assets & Liabilities

November 30, 2018

ASSETS:

Investments, at value ⁽¹⁾	\$245,269,970
Unrealized appreciation on credit default swap contracts	29,748
Unrealized appreciation on forward foreign currency contracts	80,108
Receivable for investments sold	2,555,438
Deposits with brokers for interest rate swap contracts	1,943,575
Deposits with brokers for reverse repurchase agreements	3,877,000
Receivable on credit default swap contracts	21,000
Interest receivable	5,664,350
Prepaid and other assets	2,174
Total Assets	259,443,363

LIABILITIES:

Bank overdraft	1,586,293
Payable for reverse repurchase agreements	84,686,984
Interest payable on reverse repurchase agreements	456,970
Payable due to brokers for forward foreign currency contracts	20,000
Swap premium received	39,456
Payable for investments purchased	1,141,475
Unrealized depreciation on forward foreign currency contracts	15,113
Variation margin payable on interest rate swap contracts	109,791
Payable to adviser	213,052
Payable to administrator	36,162
Other payables	145,568
Total Liabilities	88,450,864
Net Assets	\$170,992,499

NET ASSETS CONSIST OF:

Paid-in capital	\$274,617,766
Total distributable earnings	(103,625,267)
Net Assets	\$170,992,499

PRICING OF SHARES:

Net Assets	\$170,992,499
Shares of beneficial interest outstanding (unlimited number of shares, par value of \$0.001 per share authorized)	16,168,916
Net assets value, offering and redemption price per share	\$10.58

⁽¹⁾ Cost of Investments \$267,576,900

See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Statement of Operations

For the Year Ended November 30, 2018

INVESTMENT INCOME:

Interest (net of foreign withholding tax of \$5,491)	\$24,319,718
Total Investment Income	24,319,718

EXPENSES:

Investment advisory fees	2,947,105
Interest on reverse repurchase agreements	2,242,985
Administration fees	448,563
Custodian fees	104,597
Professional fees	146,357
Printing fees	100,492
Trustee fees	33,114
Transfer agent fees	19,894
Insurance fees	29,677
Other	73,862
Total Expenses	6,146,646
Net Investment Income	18,173,072

REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:

Net realized gain/(loss) on:	
Investments	(21,439,127)
Credit default swap contracts	8,750
Interest rate swap contracts	(306,770)
Forward foreign currency contracts	(2,346,213)
Foreign currency transactions	(768,303)
Net realized loss	(24,851,663)
Net change in unrealized appreciation/(depreciation) on:	
Investments	(26,917,426)
Credit default swap contracts	29,748
Interest rate swap contracts	2,191,140
Forward foreign currency contracts	114,986
Translation of assets and liabilities denominated in foreign currencies	43,939
Net change in unrealized depreciation	(24,537,613)
Net Realized and Unrealized Loss on Investments	(49,389,276)
Net Decrease in Net Assets Resulting from Operations	\$(31,216,204)

See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund	Statements of Changes in Net Assets	
	For the	For the
	Year Ended	Year Ended
	November	November
	30, 2018	30, 2017
OPERATIONS:		
Net investment income	\$ 18,173,072	\$ 22,217,858
Net realized gain/(loss)	(24,851,663)	3,387,816
Net change in unrealized appreciation/(depreciation)	(24,537,613)	23,098,485
Net increase/(decrease) in net assets resulting from operations	(31,216,204)	48,704,159
DISTRIBUTIONS TO SHAREHOLDERS:		
From distributable earnings	(6,798,725)	(17,202,568) ⁽¹⁾
From tax return of capital	(27,881,362)	(17,146,179)
Net decrease in net assets from distributions to shareholders	(34,680,087)	(34,348,747)
Net asset value of common shares issued to stockholders from reinvestment of dividends	2,608,149	1,977,164
Net increase in net assets from capital share transactions	2,608,149	1,977,164
Net Increase/(Decrease) in Net Assets	(63,288,142)	16,332,576
NET ASSETS:		
Beginning of period	234,280,641	217,948,065
End of period	\$ 170,992,499	\$ 234,280,641 ⁽²⁾
OTHER INFORMATION:		
Share Transactions:		
Beginning shares	15,973,492	15,843,749
Shares issued as reinvestment of dividends	195,424	129,743
Shares outstanding - end of period	16,168,916	15,973,492

⁽¹⁾ For the year ended November 30, 2017, total distributions from distributable earnings consisted of Net Investment Income of \$17,202,568, and Net Realized Gains of \$-.

⁽²⁾ For the year ended November 30, 2017, Net Assets included distributions in excess of net investment income of \$617,828.

See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Statement of Cash Flows

November 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Net decrease in net assets from operations	\$(31,216,204)
Purchase of investment securities	(369,438,291)
Proceeds from disposition of investment securities	370,681,803
Net purchase of short-term investment securities	(2,541,433)
Net amortization of discounts, accretion of premiums and inflation income	(2,763,140)
Net realized (gain)/loss on:	
Investments	21,439,127
Net change in unrealized (appreciation)/depreciation on:	
Investments	26,917,426
Credit default swap contracts	(29,748)
Forward foreign currency contracts	(114,986)
Increase in deposits with brokers for interest rate swap contracts, reverse repurchase agreements	(3,933,001)
Decrease in interest receivable	837,913
Increase in receivable on credit default swap contracts	(21,000)
Increase in prepaid and other assets	(20)
Decrease in payable due to brokers for reverse repurchase agreements	(109,000)
Increase in payable due to brokers for forward foreign currency contracts	20,000
Increase in variation margin payable on interest rate swap contracts	216,416
Decrease in payable to adviser	(37,638)
Decrease in payable to administrator	(48,612)
Decrease in other payables	(52,031)
Increase in interest payable on reverse repurchase agreements	95,062
Increase in premiums received for credit default swap contracts	39,456
Net cash provided by operating activities	9,942,099

CASH FLOWS FROM FINANCING ACTIVITIES:

Cash payments for reverse repurchase agreements	(456,230,437)
Cash payments from reverse repurchase agreements	476,412,410
Cash distributions paid	(32,071,938)
Borrowings from bank overdraft	1,577,397
Net cash used in financing activities	(10,312,568)

Effect of exchange rates on cash	4,936
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Net decrease in cash	(365,533)
Cash, beginning balance	365,533
Cash, ending balance	\$-

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest expense on reverse repurchase agreements:	\$2,147,923
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Non-cash financing activities not included herein consist of reinvestment of dividends and distributions of:	\$2,608,149
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See Notes to Financial Statements.

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Stone Harbor Emerging Markets Income Fund Financial Highlights

For a share outstanding throughout the periods presented.

	For the Year Ended November 30,	For the Year Ended November 30,	For the Year Ended November 30,	For the Year Ended November 30,	For the Year Ended November 30,
	2018	2017	2016	2015	2014
Net asset value - beginning of period	\$ 14.67	\$ 13.76	\$ 14.55	\$ 18.56	\$ 19.60
Income/(loss) from investment operations:					
Net investment income ⁽¹⁾	1.13	1.40	1.42	2.24	2.05
Net realized and unrealized gain/(loss) on investments	(3.06)	1.67	(0.05)	(4.09)	(0.93)
Total income/(loss) from investment operations	(1.93)	3.07	1.37	(1.85)	1.12