

Stone Harbor 

Investment Partners



November 30, 2011

Annual Report

Emerging Markets Income Fund

Distribution Policy
November 30, 2011

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

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

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Plan. The Fund's total return performance on net asset value is presented in its financial highlights table.

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

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Dear Investor,

The Stone Harbor Emerging Markets Income Fund (EDF) began operations on December 22, 2010. The 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 market countries, including investments in sovereign external debt, sovereign local market debt, and corporate debt from emerging market issuers.

On balance, 2011 has been a challenging year for credit-focused investors. Hopes for a continuation of 2010's economic recovery waned as convincing signs of a slowdown in global growth surfaced by mid-year. Markets became overwhelmed by the risks of fiscal deficits in developed nations and the inability of politicians to offer acceptable solutions. Fears of European sovereign debt defaults and the capital insufficiency of the Continent's banks caused markets to become extremely volatile. Investors fled from "risky" credit-focused assets, seeking the safety of Treasuries and the US dollar.

While growth in emerging markets has slowed in line with weakness in developed countries, we continue to stand by our investment thesis that the growth advantage of most emerging market countries, as well as the fiscal and monetary policy flexibility they enjoy favors emerging markets debt investments over those in advanced economies. The weakness in emerging markets debt this year, particularly in local currency and corporate debt, has, in our view, created compelling income-generating investment opportunities. Integral to our investment process is our focus on identifying improving credits within the sovereign, corporate and local currency emerging bond markets.

We have learned over the years that, at times, it is beneficial to invest when others are selling, and to do so on the basis of intensive fundamental research. Our positions in EDF today have been taken with this view in mind. While markets have not proven all our convictions correct in this period, we believe that the fundamental value in our holdings will be realized over time. We appreciate your trust in our ability to navigate these difficult markets and hope you will continue to find our Fund to be an attractive vehicle to capitalize on growth economies in a low interest rate environment.

Performance Review

The total return on net asset value (NAV) of EDF from inception on December 22, 2010 to November 30, 2011 was -0.47%. On a market value basis¹, the Fund's total return was -3.41% for the same period. We believe this result was the product of a challenging external environment in which returns on the three major sectors of the emerging markets (EM) debt asset class reflected investors' fears about a global downturn in growth, as well as the potential for policy errors in Europe, the US and China, concerns that grew more acute in the final months of the year. EDF continued to invest in the external sovereign, corporate and local currency emerging markets debt sectors, shifting allocations between these sectors based on the portfolio management team's views on risks and opportunities. From the inception of EDF until fiscal year-end November 30, 2011, the returns on these sectors were 6.45%, 1.66%, and 1.46%, respectively.²

For the reporting period³, the decisions that most impacted EDF's performance were our allocations to corporate and local currency debt in several key countries. Due to the market downturns in September and November, these allocations reduced the overall return of the Fund. We also employed leverage to enhance returns. During the performance period, leverage consisted primarily of borrowings using short-term reverse repurchase agreements through which the Fund loans securities with the obligation to repurchase them at a later date at a fixed price. The implied borrowing costs of the repurchase agreements averaged approximately 0.62% per annum. The level of gross leverage reached a maximum of 23.4% of total assets in February and a minimum of 14.7% in July. By the end of the reporting period, leverage was 21.3%. The Fund management team varied borrowing levels to reflect the team's outlook on EM debt markets, increasing borrowings when it felt opportunities had increased and reducing borrowings when, in the team's judgment, macroeconomic risks had risen.

Market Review

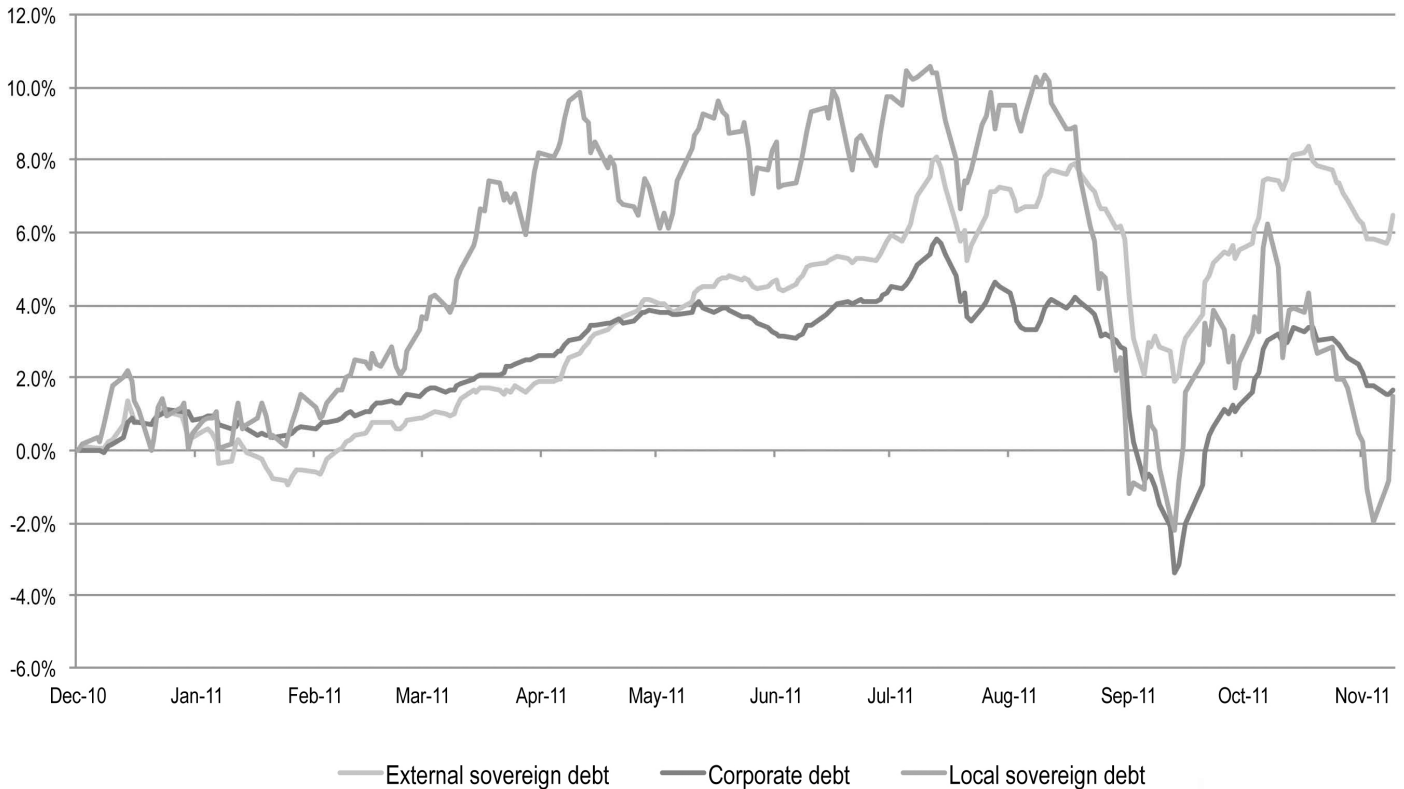
Total returns for emerging markets debt reflected how global investors reconciled strong emerging market fundamentals with the weakening outlook for many advanced countries, particularly those in Europe's southern periphery. Until August, total returns in all three market segments were strong and positive. While growth slowed in line with the global trend, EM countries in aggregate continued to exhibit strength in frequently reported industrial production figures; growth rates through the end of the second quarter of 2011 suggested that most EM economies remained significantly more robust than those in the developed world. Importantly, China registered a growth rate of 9.6% in the second quarter.⁴ Lower fiscal deficits in most EM countries and greater policy flexibility than in advanced economies, also supported EM debt markets throughout this period.

Among the three sectors of emerging markets debt, local currency debt was the clear outperformer until the end of August, albeit with bouts of volatility in April, June and July. See Figure 1, which maps the progression of total returns for the three market sectors since inception of the Fund. By mid-August, markets began to worry more intensely about a return to recession in the US and Europe's debt crisis reached new depths. EM

November 30, 2011 (Unaudited)

foreign exchange markets also reacted violently to Standard & Poor's downgrade of US Treasury debt ratings on August 5, but EM currencies and local bond prices remained relatively firm. External sovereign bond prices also remained relatively stable. It was only in the corporate bond segment that a downward move in bond prices that began at the end of July continued through August and extended losses in September. The sub-sector of the market with the worst returns was non-investment grade corporate debt.⁵

Figure 1. Total returns for sectors of emerging markets debt: external sovereign, corporate and local currency, December 22, 2010 to November 30, 2011.⁶



Source: JP Morgan Chase, Bloomberg.

The trigger for the sharp downturn in all sectors of EM debt in September was the rise in concerns relating to the solvency of large European banks, notably those in France, but also in Italy, Spain and Austria. Despite official intervention such as the Fed's 'Operation Twist,'⁷ and the reestablishment of FX swap lines between G-10 central banks, market participants scaled back their risk exposure, including EM currencies and fixed income markets. Our benchmark for EM local currency bonds declined -9.83% in September, the largest drawdown since October 2008 and the second biggest loss since the index began in 2003.⁸ The brunt of the decline was due to weaker EM currencies relative to the US dollar, as local interest rates remained relatively stable.

Corporate debt from emerging markets also fared poorly in this environment. Idiosyncratic developments in certain credits in China and Kazakhstan were the initial drivers of weakness in corporate debt, but the sell-off in September was broad-based, characterized by selling of both high yield and investment grade corporate credits, but particularly of non-investment grade bonds (those rated below Baa3/BBB). While we believe that many EM companies had demonstrated their ability to diversify funding sources and maintain liquidity during market downturns in the 2007-2008 financial crisis, this fact seemed to provide little support. The broad market for corporate bonds from emerging markets fell nearly 9% in total return from early August to early October, while the non-investment grade segment declined by over 17% in the same period.⁹

During the market's downturn in August and September, rising US Treasury bond prices supported external debt markets. The fact that most emerging countries had little need to access capital markets for funding provided technical support, but credit spreads, which reflect the market's assessment of default risk (higher spread = more default risk), increased in all countries that comprise the JP Morgan EMBI Global Diversified. The reason for the widening, in our view, was not deterioration in fundamental credit quality, but rather the speed of change of US Treasury yields and risk sentiment. We believe that the credit spread widening created attractive investment opportunities.

November 30, 2011 (Unaudited)

EDF is positioned well, in our opinion, for an eventual market recovery. Our current view is that the sovereign debt crisis in Europe will eventually be solved by European policymakers, who slowly are coming to the conclusion that the concept of a common currency is untenable without consolidation of fiscal authority across the euro zone's member states. Clearly, the risks of policy error remain significant. We also believe that the United States' economy is on its way toward a slow recovery; US interest rates are likely to remain low for an extended period of time. China's ability to engineer a soft landing for its economy, we think, will be significantly aided by policies that favor continued, unprecedented levels of government investment to support growth, particularly in the upcoming year which features a transition in political leadership. While we expect growth in EM countries to slow from last year's pace, our forecasts suggest that growth, as well as the policy flexibility in many EM countries will continue to strongly support the case for investing in the EDF portfolio.

The risks to our relatively benign outlook on emerging market debt, outlined in our semi-annual letter six months ago, remain in place today:

1. Europe fails to provide a comprehensive solution to the sovereign debt and financial crises in Italy, Spain, Greece, Ireland and Portugal.
2. The US economy slips back into recession.
3. China's economy weakens, producing a "hard landing" of sub 7% annual growth rate. Commodity prices drop sharply in response.
4. EM policy makers engage in trade wars in an effort to counteract the economic effects of a falling US dollar.
5. EM central banks fall behind in their efforts to curb inflation.
6. US interest rates move sharply higher reflecting rising fiscal deficits.
7. Conflict in the Middle East leads to oil supply shocks.

Other general risks of the Fund relate to our use of leverage and also to the longer-term prospects for a rise in global interest rates. Though not our base case, Stone Harbor attempts to mitigate the risk of loss of principal due to the possibility of a general rise in global interest rates through its allocation and security selection processes. 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.

The reduction in our allocation to local currency debt reflects the potential for rising macroeconomic tail risks, particularly in Europe. However, we believe that the most likely scenarios going forward favor a recovery in emerging markets debt given the current growth and credit dynamics, particularly when compared to advanced economies. We continue to believe that investing in EDF offers a very attractive means of capitalizing on further improvements in credit quality in emerging markets.

We thank you for your trust in our ability to maneuver these difficult markets and look forward to reporting on EDF in the next six months.

Sincerely,



Thomas W. Brock
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 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.

² JP Morgan emerging markets debt benchmarks are used throughout as being representative of market returns. Emerging markets hard currency sovereign external debt is represented by JP Morgan Emerging Markets Bond Index (EMBI) Global Diversified, which tracks total returns for U.S. dollar-denominated debt instruments issued by emerging markets sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. Emerging markets corporate debt is represented by JP Morgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified. The CEMBI tracks total returns of US dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries. Two variations are available: CEMBI Broad and CEMBI. The CEMBI Broad is the most comprehensive corporate benchmark followed by the CEMBI, which consists of an Investable universe of corporate bonds. Both indices are also available in Diversified version. The JPMorgan CEMBI Broad Diversified limits the current face amount allocations of the bonds. Both indices are also available in outstanding countries with larger debt stocks. Qualifying corporate bonds have a face amount greater than USD 300 million, maturity greater than 5 years, verifiable prices and cash flows, and from countries within Asia ex-Japan, Latin America, Eastern Europe, Middle East, and Africa. Emerging markets local currency debt is represented by JP Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified, which consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. The weightings among the countries are more evenly distributed within this index. Although not expected to be a principal investment tool, the Portfolio may make use of derivative securities (including futures and options on securities, securities indices or currencies, options on futures, forward currency contracts, and interest rate, currency or credit default) for the purposes of reducing risk and/or obtaining efficient investment exposure.

³ The reporting period is defined as inception of EDF on December 22, 2010 through November 30, 2011.

⁴ Source: JP Morgan Chase, Bloomberg.

⁵ As defined above, emerging markets corporate debt is represented by JP Morgan CEMBI Broad Diversified.

⁶ As defined above, emerging markets external sovereign debt is represented by JP Morgan EMBI Global Diversified, emerging markets corporate debt by JP Morgan CEMBI Broad Diversified and emerging markets local currency debt by JP Morgan GBI-EM Global Diversified. Source: JP Morgan Chase, Bloomberg.

⁷ Operation Twist is a policy, originally from the 1960's but revived in September 2011, implemented by the Federal Reserve, which involves the selling of short-term Treasuries by the central bank in exchange for the same amount in longer-term bonds, thereby lowering longer-term interest rates.

⁸ As defined above, emerging markets local currency debt is represented by JP Morgan GBI-EM Global Diversified.

⁹ As defined above, emerging markets corporate debt is represented by JP Morgan CEMBI Broad Diversified. Source: JP Morgan Chase, Bloomberg.

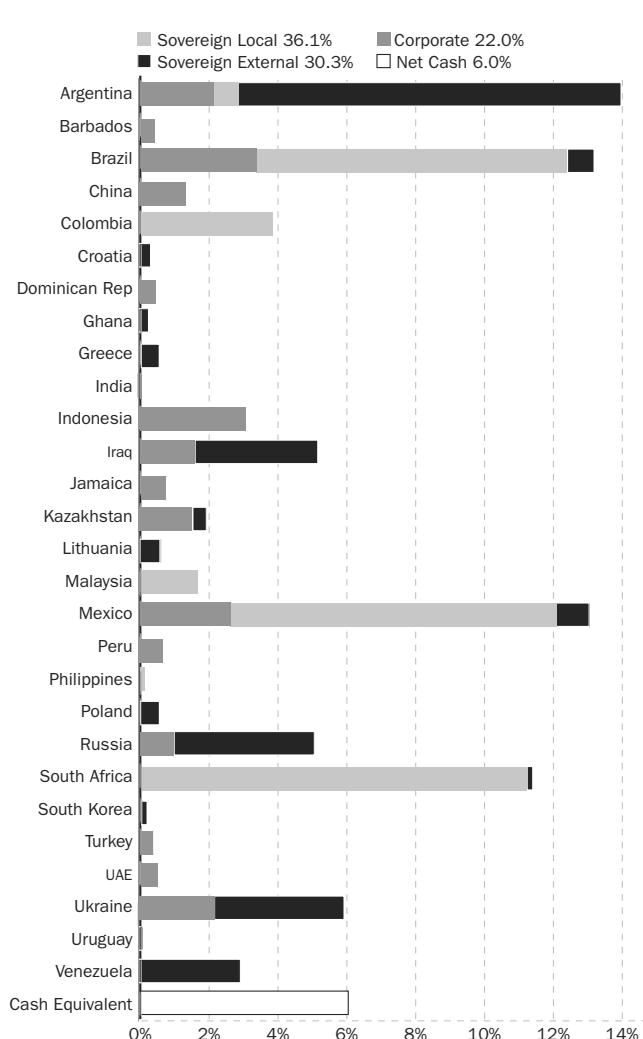
Fund Details

| | |
|--|---------|
| Market Price | \$22.38 |
| Net Asset Value (NAV) | \$22.03 |
| Premium/(Discount) | 1.59% |
| Current Distribution Rate ¹ | 9.65% |
| Net Assets (\$ in millions) | \$343 |

Country Allocation (as a % of total net assets)

| Country Breakdown | % of TNA |
|--|----------------|
| Mexico | 16.27% |
| Brazil | 16.23% |
| Argentina | 16.14% |
| South Africa | 14.18% |
| Venezuela | 10.51% |
| Ukraine | 7.54% |
| Iraq | 6.50% |
| Russia | 6.29% |
| Colombia | 4.73% |
| Indonesia | 3.81% |
| Kazakhstan | 2.39% |
| Malaysia | 2.09% |
| China | 1.61% |
| Jamaica | 0.89% |
| Peru | 0.89% |
| Lithuania | 0.72% |
| Poland | 0.71% |
| Greece | 0.62% |
| United Arab Emirates | 0.57% |
| Dominican Republic | 0.56% |
| Barbados | 0.50% |
| Turkey | 0.46% |
| Croatia | 0.43% |
| Ghana | 0.35% |
| South Korea | 0.21% |
| Philippines | 0.17% |
| Uruguay | 0.15% |
| India | 0.05% |
| Total | 115.57% |
| Money Market Mutual Funds | 5.57% |
| Liabilities in Excess of Other Assets | -21.14% |
| Total Net Assets | 100.00% |

Security Type Allocation²



Sector Allocation²

| | |
|--------------------|-------|
| Sovereign Local | 36.1% |
| Sovereign External | 30.3% |
| Corporate | 22.0% |
| Net Cash | 6.0% |

Regional Breakdown²

| | |
|---------------|-------|
| Latin America | 55.1% |
| Europe | 15.3% |
| Asia | 11.6% |
| Africa | 6.4% |
| Middle East | 5.6% |
| Net Cash | 6.0% |

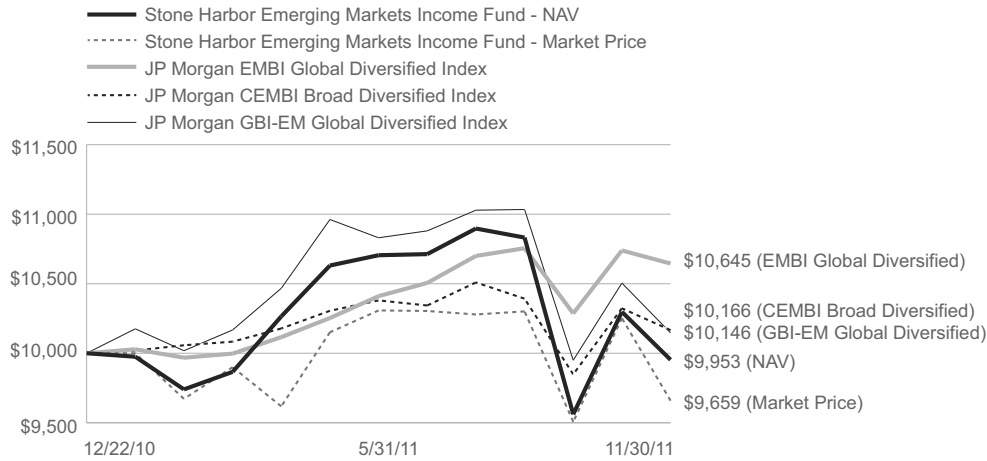
Sovereign Local Currency Breakdown²

| | |
|--------------------|--------------|
| Argentine Peso | 0.8% |
| Brazilian Real | 9.0% |
| Colombian Peso | 3.8% |
| Mexican Peso | 9.5% |
| Malaysian Ringgit | 1.7% |
| Philippine Peso | 0.1% |
| South African Rand | 11.2% |
| Total | 36.1% |

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

² Based on managed assets 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. The amounts do not include the \$25,000,000 notional value of a credit default swap with unrealized depreciation of \$465,173.

Comparison of Change in Value of \$10,000 Investment in Stone Harbor Emerging Markets Income Fund and the JP Morgan Emerging Market Bond Global Diversified Index.



The JP Morgan Emerging Market Bond Global Diversified Index is a uniquely-weighted version of the EMBI Global Index, which tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities such as Brady bonds, loans and Eurobonds. Currently, the EMBI Global Index covers 196 instruments across 28 countries. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries’ eligible debt outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global Index.

Average Annual Total Returns as of November 30, 2011

| | 1 Month | 3 Months | 6 Months | Year-to Date | Since Inception | Inception Date |
|--|---------|----------|----------|--------------|-----------------|----------------|
| Stone Harbor Emerging Markets Income Fund - NAV | -3.35% | -8.12% | -7.02% | -0.22% | -0.47% | 12/22/10 |
| Stone Harbor Emerging Markets Income Fund – Market Price | -5.79% | -6.23% | -6.30% | -3.41% | -3.41% | |
| JP Morgan EMBI Global Diversified Index | -0.88% | -1.02% | 2.25% | 6.15% | 6.45% | |
| JP Morgan CEMBI Broad Diversified Index | -1.52% | -2.18% | -2.06% | 1.46% | 1.66% | |
| JP Morgan GBI-EM Global Diversified Index | -3.41% | -8.04% | -6.32% | -0.29% | 1.46% | |

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.

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, 2011, and the related statements of operations, cash flows, and changes in net assets and the financial highlights for the period December 22, 2010 (inception) to November 30, 2011. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit 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 audit 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, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audit provides 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, 2011, and the results of its operations, its cash flows, the changes in its net assets and the financial highlights for the period December 22, 2010 (inception) to November 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Denver, Colorado
January 27, 2012

November 30, 2011

| | <u>Currency</u> | <u>Rate</u> | <u>Maturity Date</u> | <u>Principal Amount *</u> | <u>Market Value (Expressed in U.S. \$)</u> |
|--|-----------------|-------------|----------------------|---------------------------|--|
| SOVEREIGN DEBT OBLIGATIONS - 54.50% | | | | | |
| Argentina - 13.46% | | | | | |
| <i>Republic of Argentina:</i> | | | | | |
| | ARS | 2.000% | 09/30/2014 | 14,130,375 | \$ 2,578,784 ⁽¹⁾ |
| | USD | 7.000% | 10/03/2015 | 2,818,135 | 2,451,621 ⁽²⁾ |
| | ARS | 5.830% | 12/31/2033 | 2,254,203 | 472,537 ⁽¹⁾ |
| | EUR | 7.820% | 12/31/2033 | 15,450,733 | 12,352,946 ⁽¹⁾ |
| | EUR | 7.820% | 12/31/2033 | 31,597,713 | 25,634,054 |
| | USD | 8.280% | 12/31/2033 | 882,576 | 638,765 ⁽³⁾ |
| | USD | 8.280% | 12/31/2033 | 1,317,278 | 922,095 ⁽²⁾ |
| | EUR | 0.000% | 12/15/2035 | 8,299,166 | 1,091,746 ⁽¹⁾ |
| | | | | | <u>46,142,548</u> |
| Brazil - 0.97% | | | | | |
| <i>Republic of Brazil:</i> | | | | | |
| | USD | 4.875% | 01/22/2021 | 1,800,000 | 1,995,750 ⁽²⁾ |
| | USD | 5.625% | 01/07/2041 | 1,181,000 | 1,339,549 ⁽²⁾ |
| | | | | | <u>3,335,299</u> |
| Croatia - 0.43% | | | | | |
| <i>Croatian Government</i> | | | | | |
| | USD | 6.375% | 03/24/2021 | 1,637,000 | 1,461,022 ⁽²⁾⁽⁴⁾ |
| Ghana - 0.35% | | | | | |
| <i>Republic of Ghana</i> | | | | | |
| | USD | 8.500% | 10/04/2017 | 1,077,000 | 1,192,778 ⁽²⁾⁽⁵⁾ |
| Greece - 0.62% | | | | | |
| <i>Hellenic Republic Government Bond:</i> | | | | | |
| | EUR | 5.900% | 10/22/2022 | 2,000,000 | 691,313 |
| | EUR | 4.700% | 03/20/2024 | 2,000,000 | 700,985 |
| | EUR | 4.600% | 09/20/2040 | 2,250,000 | 751,686 |
| | | | | | <u>2,143,984</u> |
| Lithuania - 0.72% | | | | | |
| <i>Republic of Lithuania:</i> | | | | | |
| | USD | 7.375% | 02/11/2020 | 180,000 | 192,600 ⁽⁵⁾ |
| | USD | 6.125% | 03/09/2021 | 2,362,000 | 2,291,140 ⁽²⁾⁽⁵⁾ |
| | | | | | <u>2,483,740</u> |
| Malaysia - 2.09% | | | | | |
| <i>Malaysian Government:</i> | | | | | |
| | MYR | 4.262% | 09/15/2016 | 16,400,000 | 5,381,274 |
| | MYR | 4.012% | 09/15/2017 | 5,500,000 | 1,780,557 |
| | | | | | <u>7,161,831</u> |
| Mexico - 12.96% | | | | | |
| <i>Mexican Bonos:</i> | | | | | |
| | MXN | 8.500% | 12/13/2018 | 121,000,000 | 10,302,031 |
| | MXN | 7.750% | 05/29/2031 | 216,230,000 | 16,504,459 |
| | MXN | 10.000% | 11/20/2036 | 144,160,000 | 13,437,140 |
| <i>United Mexican States</i> | USD | 5.750% | 10/12/2110 | 4,040,000 | 4,161,200 ⁽²⁾ |
| | | | | | <u>44,404,830</u> |

November 30, 2011

| | <u>Currency</u> | <u>Rate</u> | <u>Maturity Date</u> | <u>Principal Amount *</u> | <u>Market Value (Expressed in U.S. \$)</u> |
|--|-----------------|-------------|----------------------|---------------------------|--|
| Philippines - 0.17% <i>Republic of Philippines</i> | PHP | 4.950% | 01/15/2021 | 26,000,000 | \$ 590,096 |
| Poland - 0.71% <i>Republic of Poland</i> | USD | 5.000% | 03/23/2022 | 2,465,000 | 2,418,781 ⁽²⁾ |
| Russia - 4.13% <i>Russian Federation:</i> | USD | 11.000% | 07/24/2018 | 3,041,000 | 4,204,183 ⁽²⁾⁽⁵⁾ |
| | USD | 12.750% | 06/24/2028 | 5,704,000 | 9,939,220 ⁽²⁾⁽⁵⁾ |
| | | | | | 14,143,403 |
| South Africa - 14.18% <i>Republic of South Africa:</i> | USD | 6.875% | 05/27/2019 | 570,000 | 684,712 |
| | ZAR | 7.250% | 01/15/2020 | 135,600,000 | 16,093,798 |
| | ZAR | 7.000% | 02/28/2031 | 311,000,000 | 31,800,404 |
| | | | | | 48,578,914 |
| Ukraine - 1.05% <i>Ukraine Government:</i> | USD | 6.875% | 09/23/2015 | 2,000,000 | 1,835,000 ⁽²⁾⁽⁴⁾ |
| | USD | 7.750% | 09/23/2020 | 2,000,000 | 1,750,000 ⁽²⁾⁽⁵⁾ |
| | | | | | 3,585,000 |
| Uruguay - 0.15% <i>Republic of Uruguay</i> | USD | 9.250% | 05/17/2017 | 385,000 | 504,350 |
| Venezuela - 2.51% <i>Republic of Venezuela</i> | USD | 12.750% | 08/23/2022 | 9,791,600 | 8,616,608 ⁽²⁾⁽⁵⁾ |
| TOTAL SOVEREIGN DEBT OBLIGATIONS (Cost \$192,205,583) | | | | | 186,763,184 |
| BANK LOANS - 3.72%⁽⁶⁾ | | | | | |
| Brazil - 0.53% <i>Virgolino de Oliveira - GVO Loan</i> | USD | 5.273% | 03/11/2015 | 1,882,353 | 1,811,765 ⁽¹⁾ |
| Indonesia - 3.19% <i>PT Bumi Tranche A</i> | USD | 12.000% | 03/02/2012 | 7,157,442 | 6,083,826 ⁽¹⁵⁾ |
| <i>PT Bumi Tranche B</i> | USD | 12.000% | 03/02/2012 | 5,712,558 | 4,855,674 ⁽¹⁵⁾ |
| | | | | | 10,939,500 |
| TOTAL BANK LOANS (Cost \$14,752,353) | | | | | 12,751,265 |
| CORPORATE BONDS - 31.00% | | | | | |
| Argentina - 0.65% <i>Capex SA</i> | USD | 10.000% | 03/10/2018 | 1,413,000 | 1,151,595 ⁽⁴⁾ |

November 30, 2011

| | <u>Currency</u> | <u>Rate</u> | <u>Maturity Date</u> | <u>Principal Amount *</u> | <u>Market Value (Expressed in U.S. \$)</u> |
|--|-----------------|-------------|----------------------|---------------------------|--|
| <i>Empresa Distribuidora Y Comercializadora Norte:</i> | | | | | |
| | USD | 9.750% | 10/25/2022 | 500,000 | \$ 410,000 ⁽⁵⁾ |
| | USD | 9.750% | 10/25/2022 | 511,000 | 419,020 ⁽⁴⁾ |
| <i>Tarjeta Naranja SA</i> | USD | 9.000% | 01/28/2017 | 250,000 | 241,241 ⁽⁴⁾ |
| | | | | | <hr/> 2,221,856 <hr/> |
| Barbados - 0.50% | | | | | |
| <i>Columbus International, Inc.</i> | USD | 11.500% | 11/20/2014 | 1,639,000 | 1,704,560 ⁽⁵⁾ |
| Brazil - 3.67% | | | | | |
| <i>Banco Cruzeiro do Sul SA</i> | USD | 8.875% | 09/22/2020 | 2,372,000 | 1,612,960 ⁽⁵⁾ |
| <i>BR Malls International Finance Ltd.</i> | USD | 8.500% | 01/21/2049 | 512,000 | 531,200 ⁽⁴⁾ |
| <i>General Shopping Finance Ltd.</i> | USD | 10.000% | 11/09/2015 | 1,239,000 | 1,251,390 ⁽⁴⁾ |
| <i>Hypermarcas SA</i> | USD | 6.500% | 04/20/2021 | 2,000,000 | 1,760,000 ⁽⁴⁾ |
| <i>Mirabela Nickel Ltd.</i> | USD | 8.750% | 04/15/2018 | 297,000 | 265,815 ⁽⁴⁾ |
| <i>NET Servicos de Comunicacao SA</i> | USD | 7.500% | 01/27/2020 | 508,000 | 581,660 |
| <i>Odebrecht Drilling Norbe VIII/IX Ltd.</i> | USD | 6.350% | 06/30/2021 | 1,695,000 | 1,737,375 ⁽⁵⁾ |
| <i>OGX Petroleo e Gas Participacoes SA:</i> | | | | | |
| | USD | 8.500% | 06/01/2018 | 1,000,000 | 960,000 ⁽⁵⁾ |
| | USD | 8.500% | 06/01/2018 | 2,332,000 | 2,238,720 ⁽⁴⁾ |
| <i>Virgolino de Oliveira Finance Ltd.</i> | USD | 10.500% | 01/28/2018 | 1,700,000 | 1,640,500 ⁽⁵⁾ |
| | | | | | <hr/> 12,579,620 <hr/> |
| China - 1.61% | | | | | |
| <i>Country Garden Holdings Co. Ltd.</i> | USD | 11.125% | 02/23/2018 | 750,000 | 611,250 ⁽⁴⁾ |
| <i>Evergrande Real Estate Group Ltd.</i> | USD | 13.000% | 01/27/2015 | 260,000 | 201,500 ⁽⁵⁾ |
| <i>Kaisa Group Holdings Ltd.</i> | USD | 13.500% | 04/28/2015 | 1,192,000 | 959,560 ⁽⁵⁾ |
| <i>MIE Holdings Corp.</i> | USD | 9.750% | 05/12/2016 | 1,532,000 | 1,363,480 ⁽⁴⁾ |
| <i>Texhong Textile Group Ltd.</i> | USD | 7.625% | 01/19/2016 | 1,000,000 | 730,000 ⁽⁵⁾ |
| <i>West China Cement Ltd.</i> | USD | 7.500% | 01/25/2016 | 2,000,000 | 1,640,000 ⁽⁴⁾ |
| | | | | | <hr/> 5,505,790 <hr/> |
| Colombia - 0.30% | | | | | |
| <i>Emgesa SA ESP</i> | COP | 8.750% | 01/25/2021 | 911,000,000 | 497,391 ⁽⁴⁾ |
| <i>Empresas Publicas de Medellin ESP</i> | COP | 8.375% | 02/01/2021 | 1,030,000,000 | 549,752 ⁽⁴⁾ |
| | | | | | <hr/> 1,047,143 <hr/> |
| Dominican Republic - 0.56% | | | | | |
| <i>Cap Cana SA:</i> | | | | | |
| | USD | 10.000% | 04/30/2016 | 3,341,111 | 668,222 ⁽⁵⁾⁽⁷⁾ |
| | USD | 10.000% | 04/30/2016 | 3,621,970 | 1,267,690 ⁽⁵⁾⁽⁷⁾ |
| | | | | | <hr/> 1,935,912 <hr/> |
| India - 0.05% | | | | | |
| <i>Vedanta Resources PLC</i> | USD | 9.500% | 07/18/2018 | 200,000 | 180,000 ⁽⁵⁾ |
| Indonesia - 0.62% | | | | | |
| <i>Bakrie Telecom Pte Ltd.</i> | USD | 11.500% | 05/07/2015 | 1,876,000 | 1,181,880 ⁽⁵⁾ |
| <i>Berau Capital Resources Pte Ltd.</i> | USD | 12.500% | 07/08/2015 | 100,000 | 107,000 ⁽⁵⁾ |
| <i>BLT Finance BV</i> | USD | 7.500% | 05/15/2014 | 1,098,000 | 433,710 ⁽⁵⁾ |
| <i>Bumi Investment Pte Ltd.</i> | USD | 10.750% | 10/06/2017 | 200,000 | 196,000 ⁽⁵⁾ |
| <i>PT Adaro Indonesia</i> | USD | 7.625% | 10/22/2019 | 200,000 | 212,000 ⁽⁵⁾ |
| | | | | | <hr/> 2,130,590 <hr/> |

November 30, 2011

| | <u>Currency</u> | <u>Rate</u> | <u>Maturity Date</u> | <u>Principal Amount *</u> | <u>Market Value (Expressed in U.S. \$)</u> |
|--|-----------------|-------------|----------------------|---------------------------|--|
| Jamaica - 0.89% | | | | | |
| <i>Digicel Group Ltd.</i> | USD | 9.125% | 01/15/2015 | 3,070,000 | \$ 3,039,300 ⁽⁴⁾ |
| Kazakhstan - 2.39% | | | | | |
| <i>BTA Bank JSC</i> | USD | 10.750% | 07/01/2018 | 9,526,945 | 3,143,892 ⁽⁵⁾⁽⁸⁾ |
| <i>KazMunayGas National Co.:</i> | USD | 8.375% | 07/02/2013 | 991,000 | 1,050,460 ⁽⁵⁾ |
| | USD | 9.125% | 07/02/2018 | 309,000 | 372,345 ⁽⁴⁾ |
| | USD | 6.375% | 04/09/2021 | 208,000 | 219,960 ⁽⁴⁾ |
| <i>Zhaikmunai LLP</i> | USD | 10.500% | 10/19/2015 | 3,441,000 | 3,389,385 ⁽⁵⁾ |
| | | | | | <u>8,176,042</u> |
| Mexico - 3.31% | | | | | |
| <i>BBVA Bancomer SA</i> | USD | 4.500% | 03/10/2016 | 404,000 | 399,960 ⁽⁵⁾ |
| <i>Cemex Espana Luxembourg</i> | USD | 9.250% | 05/12/2020 | 1,110,000 | 765,900 ⁽⁵⁾ |
| <i>Cemex SAB de CV:</i> | USD | 5.369% | 09/30/2015 | 3,784,000 | 2,535,280 ⁽¹⁾⁽⁴⁾ |
| | USD | 9.000% | 01/11/2018 | 1,260,000 | 919,800 ⁽⁵⁾ |
| | USD | 9.000% | 01/11/2018 | 2,983,000 | 2,177,590 ⁽⁴⁾ |
| <i>Geo Maquinaria</i> | USD | 9.625% | 05/02/2021 | 5,033,960 | 4,530,564 ⁽⁴⁾ |
| | | | | | <u>11,329,094</u> |
| Peru - 0.89% | | | | | |
| <i>Inkia Energy Ltd.</i> | USD | 8.375% | 04/04/2021 | 3,000,000 | 3,045,000 ⁽⁴⁾ |
| Russia - 2.16% | | | | | |
| <i>Metalloinvest Finance Ltd.</i> | USD | 6.500% | 07/21/2016 | 2,384,000 | 2,223,080 ⁽⁴⁾ |
| <i>Russian Agricultural Bank OJSC Via RSHB Capital SA</i> | USD | 7.750% | 05/29/2018 | 3,000,000 | 3,255,000 ⁽⁴⁾ |
| <i>Vimpel Communications Holdings BV</i> | USD | 7.504% | 03/01/2022 | 490,000 | 427,525 ⁽⁴⁾ |
| <i>Vimpel Communications Via VIP Finance Ireland Ltd. OJSC</i> | USD | 6.493% | 02/02/2016 | 1,600,000 | 1,504,000 ⁽⁵⁾ |
| | | | | | <u>7,409,605</u> |
| South Korea - 0.21% | | | | | |
| <i>Export-Import Bank of Korea</i> | USD | 4.375% | 09/15/2021 | 715,000 | 705,991 |
| Turkey - 0.46% | | | | | |
| <i>Yuksel Insaat AS</i> | USD | 9.500% | 11/10/2015 | 2,152,000 | 1,581,720 ⁽⁵⁾ |
| Ukraine - 4.16% | | | | | |
| <i>Ferrexpo Finance PLC</i> | USD | 7.875% | 04/07/2016 | 2,416,000 | 2,186,480 ⁽⁴⁾ |
| <i>Metinvest BV</i> | USD | 8.750% | 02/14/2018 | 2,268,000 | 1,978,830 ⁽⁴⁾ |
| <i>MHP SA</i> | USD | 10.250% | 04/29/2015 | 1,410,000 | 1,304,250 ⁽⁵⁾ |
| <i>Mriya Agro Holding PLC</i> | USD | 10.950% | 03/30/2016 | 4,491,000 | 4,086,810 ⁽⁴⁾ |
| <i>National JSC Naftogaz of Ukraine</i> | USD | 9.500% | 09/30/2014 | 5,000,000 | 4,693,750 ⁽²⁾ |
| | | | | | <u>14,250,120</u> |
| United Arab Emirates - 0.57% | | | | | |
| <i>Dubai Holding Commercial Operations MTN Ltd.:</i> | EUR | 4.750% | 01/30/2014 | 150,000 | 168,299 |
| | GBP | 6.000% | 02/01/2017 | 1,550,000 | 1,787,367 |
| | | | | | <u>1,955,666</u> |

November 30, 2011

| | <u>Currency</u> | <u>Rate</u> | <u>Maturity Date</u> | <u>Principal Amount/Shares*</u> | <u>Market Value (Expressed in U.S. \$)</u> |
|---|-----------------|-------------|----------------------|---------------------------------|--|
| Venezuela - 8.00% | | | | | |
| <i>Petroleos de Venezuela SA:</i> | | | | | |
| | USD | 4.900% | 10/28/2014 | 32,635,492 | \$ 25,374,095 ⁽²⁾ |
| | USD | 5.250% | 04/12/2017 | 3,240,000 | 2,041,200 ⁽²⁾ |
| | | | | | <hr/> 27,415,295 <hr/> |
| TOTAL CORPORATE BONDS | | | | | <hr/> 106,213,304 <hr/> |
| (Cost \$122,040,208) | | | | | |
| PARTICIPATION NOTES - 3.68% | | | | | |
| Argentina - 1.35% | | | | | |
| | USD | 11.304% | 03/30/2012 | 2,115,430 | 2,115,430 ⁽¹⁾ |
| | USD | 8.061% | 03/01/2015 | 2,500,000 | 2,500,000 |
| | | | | | <hr/> 4,615,430 <hr/> |
| Ukraine - 2.33% | | | | | |
| | USD | 8.375% | 04/27/2015 | 8,909,000 | 7,995,827 ⁽²⁾⁽⁵⁾ |
| TOTAL PARTICIPATION NOTES | | | | | <hr/> 12,611,257 <hr/> |
| (Cost \$13,833,028) | | | | | |
| CREDIT LINKED NOTES - 20.65% | | | | | |
| Argentina - 0.68% | | | | | |
| | USD | 9.375% | 02/12/2018 | 2,515,000 | 2,313,800 ⁽⁹⁾ |
| Brazil - 11.06% | | | | | |
| <i>Nota Do Tesouro Nacional:</i> | | | | | |
| | BRL | 10.000% | 01/01/2017 | 19,300,000 | 10,344,658 ⁽¹⁰⁾ |
| | BRL | 10.000% | 01/01/2017 | 38,300,000 | 20,528,519 ⁽¹¹⁾ |
| | BRL | 10.000% | 01/01/2021 | 3,200,000 | 1,592,612 ⁽¹⁰⁾ |
| | BRL | 10.000% | 01/01/2021 | 4,000,000 | 2,076,368 ⁽¹²⁾ |
| | BRL | 10.000% | 01/01/2021 | 6,500,000 | 3,374,098 ⁽¹²⁾ |
| | | | | | <hr/> 37,916,255 <hr/> |
| Colombia - 4.43% | | | | | |
| <i>Titulos de Tesoreria - Series B:</i> | | | | | |
| | COP | 10.000% | 07/24/2024 | 1,375,000,000 | 836,238 ⁽¹²⁾ |
| | COP | 10.000% | 07/24/2024 | 23,400,000,000 | 14,334,347 ⁽¹²⁾ |
| | | | | | <hr/> 15,170,585 <hr/> |
| Iraq - 4.48% | | | | | |
| | JPY | 2.447% | 01/01/2028 | 1,846,816,199 | 15,358,386 ⁽¹⁾⁽¹³⁾ |
| TOTAL CREDIT LINKED NOTES | | | | | <hr/> 70,759,026 <hr/> |
| (Cost \$72,494,746) | | | | | |
| COMMON STOCK - 2.02% | | | | | |
| Iraq - 2.02% | | | | | |
| | GBP | | | 500,000 | 6,903,152 ⁽¹⁴⁾ |

November 30, 2011

| | <u>Currency</u> | <u>Shares *</u> | <u>Market Value (Expressed in U.S. \$)</u> |
|--|-----------------|-----------------|--|
| TOTAL COMMON STOCK (Cost \$8,089,306) | | | \$ 6,903,152 |
| SHORT TERM INVESTMENTS - 5.57% | | | |
| Money Market Mutual Funds - 5.57% | | | |
| Dreyfus Treasury Cash Management (0.00004% 7-Day Yield) | USD | 19,093,736 | 19,093,736 |
| TOTAL SHORT TERM INVESTMENTS (Cost \$19,093,736) | | | 19,093,736 |
| Total Investments - 121.14% (Cost \$442,508,960) | | | 415,094,924 |
| Liabilities in Excess of Other Assets - (21.14)% | | | (72,426,750) |
| Net Assets - 100.00% | | | \$ 342,668,174 |

* The contract/principal/share amounts of each security is stated in the currency in which the security is denominated. See below.

| | | |
|-----|---|----------------------|
| ARS | - | Argentine Peso |
| BRL | - | Brazilian Real |
| COP | - | Colombian Peso |
| EUR | - | Euro Currency |
| GBP | - | Great Britain Pound |
| JPY | - | Japanese Yen |
| MXN | - | Mexican Peso |
| MYR | - | Malaysian Ringgit |
| PHP | - | Philippine Peso |
| USD | - | United States Dollar |
| ZAR | - | South African Rand |

⁽¹⁾ Floating or variable rate security. Interest rate disclosed is that which is in effect at November 30, 2011.

⁽²⁾ On November 30, 2011, securities valued at \$100,478,455 were pledged as collateral for reverse repurchase agreements.

⁽³⁾ Pay-in-kind securities.

⁽⁴⁾ Security exempt from registration under Rule 144A of the Securities Act of 1933. Total market value of Rule 144A securities amounts to \$45,894,640, which represents approximately 13.39% of net assets of the Fund as of November 30, 2011.

⁽⁵⁾ Securities were purchased 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, 2011, the aggregate market value of those securities was \$64,444,680, which represents approximately 18.81% of the Fund's net assets.

⁽⁶⁾ 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. Rate shown represents the weighted average rate at November 30, 2011. Bank Loans, while exempt from registration, under the Securities Act of 1933 (the "1933 Act"), 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. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.

⁽⁷⁾ Security is currently in default/non-income producing.

⁽⁸⁾ Step bond. Coupon increases periodically based upon a predetermined schedule. Interest rate disclosed is that which is in effect at November 30, 2011.

⁽⁹⁾ The underlying security is issued by Deutsche Bank AG London.

⁽¹⁰⁾ The underlying security is issued by JP Morgan Chase.

⁽¹¹⁾ The underlying security is issued by Barclays Bank PLC.

⁽¹²⁾ The underlying security is issued by Citigroup Global Markets.

⁽¹³⁾ The underlying security is issued by Merrill Lynch.

⁽¹⁴⁾ Non-income producing security.

⁽¹⁵⁾ This security has been valued by management at its fair value determined in good faith pursuant to procedures approved by the Board of Trustees. Total market value of fair valued securities amounts to \$10,939,500 which represents approximately 3.19% of net assets as of November 30, 2011.

Common Abbreviations:

| | | |
|-----------|---|---|
| AS | - | Anonim Sirket is the Turkish term for Incorporation. |
| BV | - | Besloten Vennootschap, a Dutch private limited liability company. |
| ESP | - | Empresa de Servicios Publicos is the Colombian term for Public Service Company. |
| JSC | - | Joint Stock Company. |
| LLP | - | Limited Liability Partnership. |
| Ltd. | - | Limited. |
| MTN | - | Medium Term Note. |
| OJSC | - | Open Joint Stock Company. |
| PLC | - | Public Limited Co. |
| Pte. | - | Private. |
| SA | - | Generally designates corporations in various countries, mostly those employing the civil law. |
| SAB de CV | - | A variable capital company. |

OUTSTANDING FORWARD FOREIGN CURRENCY CONTRACTS

| <u>Contract Description</u> | <u>Contracted Amount</u> | <u>Purchase/Sale Contract</u> | <u>Settlement Date</u> | <u>Current Value</u> | <u>Unrealized Appreciation/ (Depreciation)</u> |
|-----------------------------|--------------------------|-------------------------------|------------------------|----------------------|--|
| EUR | 22,556,816 | Sale | 12/28/2011 | \$ 30,318,492 | \$ 142,812 |
| GBP | 6,217,000 | Sale | 12/28/2011 | 9,751,270 | 101,121 |
| JPY | 1,235,841,000 | Sale | 12/28/2011 | 15,947,385 | 126,714 |
| | | | | | <u>\$ 370,647</u> |
| EUR | 10,599,468 | Sale | 12/28/2011 | \$ 14,246,686 | \$ (2,485) |
| | | | | | <u>\$ (2,485)</u> |

The counterparty on all forward foreign currency contracts is JPMorgan Chase & Co.

CREDIT DEFAULT SWAP CONTRACTS ON FOREIGN GOVERNMENT ISSUES - Buy Protection⁽¹⁾

| <u>Counterparty</u> | <u>Reference Obligation</u> | <u>Notional Amount</u> | <u>Market Value</u> | <u>Upfront Premiums Paid</u> | <u>Fixed Deal Rate</u> | <u>Maturity Date</u> | <u>Unrealized Depreciation</u> |
|---------------------|----------------------------------|------------------------|---------------------|------------------------------|------------------------|----------------------|--------------------------------|
| Goldman Sachs | Bolivarian Republic of Venezuela | \$ (25,000,000) | \$ 159,825 | \$ 625,000 | 5.00% | 09/20/2012 | <u>\$ (465,175)</u> |

⁽¹⁾ If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or (ii) receive 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.

REVERSE REPURCHASE AGREEMENTS

| Counterparty | Interest Rate | Trade Date | Value |
|---------------------------------------|---------------|------------|----------------------|
| Merrill Lynch, Pierce, Fenner & Smith | 0.750% | 02/28/2011 | \$ 7,936,875 |
| Merrill Lynch, Pierce, Fenner & Smith | 0.900% | 04/1/2011 | 4,972,500 |
| Merrill Lynch, Pierce, Fenner & Smith | 0.050% | 04/1/2011 | 1,863,000 |
| Merrill Lynch, Pierce, Fenner & Smith | 0.700% | 04/4/2011 | 21,888,000 |
| Credit Suisse First Boston | 0.500% | 04/4/2011 | 5,144,147 |
| Goldman Sachs & Co. | 0.300% | 08/24/2011 | 9,722,745 |
| Goldman Sachs & Co. | 0.300% | 08/24/2011 | 4,113,104 |
| Barclays Capital | 0.700% | 10/6/2011 | 3,617,820 |
| UBS | 0.300% | 10/18/2011 | 15,750,000 |
| Goldman Sachs & Co. | 0.250% | 11/29/2011 | 2,313,520 |
| Credit Suisse First Boston | 0.500% | 11/29/2011 | 2,138,141 |
| Credit Suisse First Boston | 0.500% | 11/29/2011 | 2,075,489 |
| Credit Suisse First Boston | 0.250% | 11/29/2011 | 1,816,560 |
| Credit Suisse First Boston | 0.950% | 11/29/2011 | 1,799,172 |
| Credit Suisse First Boston | 0.950% | 11/29/2011 | 1,787,549 |
| Credit Suisse First Boston | 0.750% | 11/29/2011 | 1,638,600 |
| Goldman Sachs & Co. | 0.400% | 11/29/2011 | 1,302,718 |
| Goldman Sachs & Co. | 0.350% | 11/29/2011 | 1,290,067 |
| Credit Suisse First Boston | 0.750% | 11/29/2011 | 1,082,708 |
| Credit Suisse First Boston | 0.850% | 11/29/2011 | 835,800 |
| | | | <u>\$ 93,088,515</u> |

All agreements can be repurchased on demand at value plus accrued interest.

November 30, 2011

ASSETS:

| | |
|---|--------------------|
| Investments at value ⁽¹⁾ | \$ 415,094,924 |
| Cash | 244,140 |
| Foreign currency, at value (Cost \$589,118) | 578,395 |
| Unrealized appreciation on forward foreign currency contracts | 370,647 |
| Swap premiums paid | 625,000 |
| Receivable from broker | 1,180,000 |
| Receivable for investments sold | 23,973,154 |
| Interest receivable | 11,296,995 |
| Prepaid and other assets | 1,907 |
| Total Assets | 453,365,162 |

LIABILITIES:

| | |
|---|-----------------------|
| Payable for reverse repurchase agreements | 93,088,515 |
| Interest due on reverse repurchase agreements | 207,550 |
| Payable for investments purchased | 16,099,434 |
| Unrealized depreciation on forward foreign currency contracts | 2,485 |
| Unrealized depreciation on credit default swap contract | 465,175 |
| Payable for swap contract payments | 250,000 |
| Payable to advisor | 354,241 |
| Payable to administrator | 53,621 |
| Payable for trustee fees | 15,591 |
| Other payables | 160,376 |
| Total Liabilities | 110,696,988 |
| Net Assets | \$ 342,668,174 |

NET ASSETS CONSIST OF:

| | |
|---|-----------------------|
| Paid-in capital | \$ 370,573,247 |
| Distribution in excess of net investment income | (182,366) |
| Accumulated net realized loss on investments, securities sold short, credit default swap contracts and foreign currency transactions | (88,928) |
| Net unrealized depreciation on investments, credit default swap contracts and translation of assets and liabilities denominated in foreign currencies | (27,633,779) |
| Net Assets | \$ 342,668,174 |

PRICING OF SHARES:

| | |
|---|-----------------|
| Net Assets | \$ 342,668,174 |
| Shares of beneficial interest outstanding (unlimited number of shares, par value of \$0.001 per share authorized) | 15,557,578 |
| Net assets value, offering and redemption price per share | \$ 22.03 |
| ⁽¹⁾ Cost of Investments | \$ 442,508,960 |

See Notes to Financial Statements.

For the Period December 22, 2010 (Inception) to November 30, 2011

INVESTMENT INCOME:

| | |
|--------------------------------|-------------------|
| Interest | \$ 36,575,464 |
| Total Investment Income | 36,575,464 |

EXPENSES:

| | |
|---|-------------------|
| Investment advisory fees | 4,173,374 |
| Administration fees | 627,653 |
| Interest on reverse repurchase agreements | 800,373 |
| Custodian fees | 82,158 |
| Audit fees | 67,616 |
| Printing fees | 50,139 |
| Legal fees | 80,000 |
| Trustee fees | 61,842 |
| Transfer agent fees | 18,501 |
| Insurance fees | 31,088 |
| Other | 40,260 |
| Total Expenses | 6,033,004 |
| Net Investment Income | 30,542,460 |

REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:

| | |
|---|---------------------|
| Net realized gain/(loss) on: | |
| Investments | (5,394,907) |
| Securities sold short | 17,416 |
| Credit default swap contracts | (361,111) |
| Foreign currency transactions | 2,684,392 |
| Net realized loss | (3,054,210) |
| Change in unrealized appreciation/(depreciation) on: | |
| Investments | (27,414,036) |
| Credit default swap contracts | (465,175) |
| Translation of assets and liabilities denominated in foreign currencies | 245,432 |
| Net change | (27,633,779) |
| Net Realized and Unrealized Loss on Investments | (30,687,989) |
| Net Decrease in Net Assets Resulting from Operations | \$ (145,529) |

See Notes to Financial Statements.

| | For the Period December 22, 2010 (Inception) to November 30, 2011 |
|---|--|
| OPERATIONS: | |
| Net investment income | \$ 30,542,460 |
| Net realized gain/(loss) on investments: | |
| Investments | (5,394,907) |
| Securities sold short | 17,416 |
| Credit default swap contracts | (361,111) |
| Foreign currency transactions | 2,684,392 |
| Net change in unrealized appreciation/(depreciation) on investments, credit default swaps and translation of assets and liabilities denominated in foreign currencies | (27,633,779) |
| Net decrease in net assets resulting from operations | (145,529) |
| DISTRIBUTIONS TO SHAREHOLDERS: | |
| From net investment income | (27,759,544) |
| Net decrease in net assets from distributions to shareholders | (27,759,544) |
| CAPITAL SHARE TRANSACTIONS: | |
| Proceeds from sales of shares, net of offering costs of \$765,000 | 364,522,500 |
| Net asset value of common shares issued to stockholders from reinvestment of dividends | 5,950,747 |
| Net increase in net assets from capital share transactions | 370,473,247 |
| Net Increase in Net Assets | 342,568,174 |
| NET ASSETS: | |
| Beginning of period | 100,000 |
| End of period (including undistributed net investment loss of (\$182,366)) | \$ 342,668,174 |
| OTHER INFORMATION: | |
| Share Transactions: | |
| Beginning shares | 4,188 |
| Shares issued in connection with initial public offering | 15,300,000 |
| Shares issued as reinvestment of dividends | 253,390 |
| Shares outstanding - end of period | 15,557,578 |

See Notes to Financial Statements.

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|---|----|----------------------|
| Net decrease in net assets from operations | \$ | (145,529) |
| Adjustments to reconcile net decrease in net assets from operations to net cash used by operating activities: | | |
| Purchase of investment securities | | (1,059,746,251) |
| Proceeds from disposition of investment securities | | 627,712,990 |
| Net purchases of short term investment securities | | (19,093,736) |
| Net payments on credit default swap contracts | | (736,111) |
| Proceeds from securities sold short transactions | | (5,500,000) |
| Cover securities sold short transactions | | 5,517,416 |
| Premium amortization | | 1,672,075 |
| Discount accretion | | (6,322,665) |
| Net realized (gain)/loss on: | | |
| Investments | | 5,394,907 |
| Securities sold short | | (17,416) |
| Credit default swap contracts | | 361,111 |
| Net change in unrealized appreciation/(depreciation) on: | | |
| Investments | | 27,414,036 |
| Credit default swap contracts | | 465,175 |
| Translation of assets and liabilities denominated in foreign currencies | | (357,439) |
| Increase in receivable from broker | | (1,180,000) |
| Increase in interest receivable | | (11,296,995) |
| Increase in prepaid and other assets | | (1,907) |
| Increase in payable to advisor | | 354,241 |
| Increase in payable to administrator | | 53,621 |
| Increase in payable for trustee fees | | 15,591 |
| Increase in other payables | | 160,376 |
| Increase in interest due on reverse repurchase agreements | | 207,550 |
| Net Cash Used in Operating Activities | | (435,068,960) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---|--------------------|
| Cash received from reverse repurchase agreements | 370,882,209 |
| Cash payments made on reverse repurchase agreements | (277,793,694) |
| Proceeds from sale of shares | 365,287,500 |
| Offering costs paid for sale of shares | (765,000) |
| Cash distributions paid | (21,808,797) |
| Net Cash Provided by Financing Activities | 435,802,218 |

Effect of exchange rates on cash (10,723)

Net increase in cash 722,535
Cash and foreign currency, beginning of period \$ 100,000
Cash and foreign currency, end of period \$ 822,535

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest on reverse repurchase agreements: \$ 592,823
Noncash financing activities not included herein consist of reinvestment of dividends and distributions of : \$ 5,950,747

See Notes to Financial Statements.

For a share outstanding throughout the period presented.

| | For the Period December 22, 2010 (Inception) to November 30, 2011 |
|--|--|
| Net asset value - beginning of period | \$ 23.88 |
| Income/(loss) from investment operations: | |
| Net investment income | 1.99 ⁽¹⁾ |
| Net realized and unrealized loss on investments | (1.99) |
| Total income/(loss) from investment operations | - |
| Less distributions to common shareholders: | |
| From net investment income | (1.80) |
| Total distributions | (1.80) |
| Capital share transactions: | |
| Common share offering costs charged to paid-in capital | (0.05) |
| Total capital share transactions | (0.05) |
| Net Decrease in Net Asset Value | (1.85) |
| Net asset value - end of period | \$ 22.03 |
| Market price - end of period | \$ 22.38 |
| Total Return - Net Asset Value⁽²⁾ | (0.47%) |
| Total Return - Market Price⁽²⁾ | (3.41%) |
| Ratios/Supplemental Data: | |
| Net assets, end of period (in thousands) | \$ 342,668 |
| Ratio of expenses to average net assets | 1.76% ⁽³⁾ |
| Ratio of net investment income to average net assets | 8.90% ⁽³⁾ |
| Ratio of expenses to average managed assets ⁽⁴⁾ | 1.45% ⁽³⁾ |
| Portfolio turnover rate | 157% |

⁽¹⁾ Calculated using average shares.⁽²⁾ Total investment return is calculated assuming a purchase of common share at the opening on the first day and a sale at closing on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions, if any, and are not annualized.⁽³⁾ Annualized.⁽⁴⁾ Average managed assets represent net assets applicable to common shares plus average amount of borrowings during the period.

See Notes to Financial Statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Stone Harbor Emerging Markets Income Fund (the "Fund") is a newly organized, non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Massachusetts business trust on September 10, 2010, pursuant to an Agreement and Declaration of Trust governed by the laws of The Commonwealth of Massachusetts (the "Declaration of Trust"). The Fund commenced operations on December 22, 2010. Prior to that, the Fund had no operations other than matters relating to its organization and the sale and issuance of 4,188 shares of beneficial interest ("Common Shares") in the Fund to the Stone Harbor Investment Partners (the "Adviser") at a price of \$23.88 per share. The Fund's common shares are listed on the New York Stock Exchange (the "Exchange") and trade under the ticker symbol "EDF."

The Fund's primary investment objective is to maximize total return, which consists of income on its investments and capital appreciation. The Fund will normally invest at least 80% of its net assets (plus any borrowings made for investment purposes) in emerging markets securities. Emerging markets securities include fixed income securities and other instruments (including derivatives) that are economically tied to emerging market countries that are denominated in the predominant currency of the local market of an emerging market country or whose performance is linked to those countries' markets, currencies, economies or ability to repay loans. A security or instrument is economically tied to an emerging market country if it is principally traded on the country's securities markets or if the issuer is organized or principally operates in the country, derives a majority of its income from its operations within the country or has a majority of its assets within the country.

The Fund is classified as "non-diversified" under the 1940 Act. As a result, it can invest a greater portion of its assets in obligations of a single issuer than a "diversified" fund. The Fund may therefore be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political, or regulatory occurrence.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

(a) Investment Valuation: Debt securities, including bank loans and linked notes, are generally valued at the mean between the bid and asked prices provided by independent pricing services or brokers that are based on transactions in debt obligations, quotations from dealers, market transactions in comparable securities and various other relationships between securities. Equity securities for which market quotations are available are generally valued at the last sale price or official closing price on the primary market or exchange on which they trade. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the bid and asked prices as of the close of business of that market. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund may value these investments at fair value as determined in accordance with the procedures approved by the Fund's Board of Trustees. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates market value. Money market mutual funds are valued at their net asset value.

A three-tier hierarchy has been established to measure fair value based on the extent of use of "observable inputs" as compared to "unobservable inputs" for disclosure purposes and requires additional disclosures about these valuations measurements. Inputs refer broadly to the assumptions that market participants would use in pricing a security. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the security developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the security developed based on the best information available in the circumstances.

The three-tier hierarchy is summarized as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The following is a summary of the Fund's investment and financial instruments based on the three tier hierarchy as of November 30, 2011:

| Investments in Securities at Value* | Level 1 - Quoted and Unadjusted Prices | Level 2 - Other Significant Observable Inputs | Level 3 - Significant Unobservable Inputs | Total |
|--|--|---|---|-----------------------|
| Stone Harbor Emerging Markets Income Fund | | | | |
| Sovereign Debt Obligations | \$ - | \$ 186,763,184 | \$ - | \$ 186,763,184 |
| Bank Loans | - | 1,811,765 | 10,939,500 | 12,751,265 |
| Corporate Bonds | - | 106,213,304 | - | 106,213,304 |
| Participation Notes | - | 12,611,257 | - | 12,611,257 |
| Credit Linked Notes | - | 70,759,026 | - | 70,759,026 |
| Common Stocks | 6,903,152 | - | - | 6,903,152 |
| Short Term Investments | 19,093,736 | - | - | 19,093,736 |
| Total | \$ 25,996,888 | \$ 378,158,536 | \$ 10,939,500 | \$ 415,094,924 |
| Other Financial Instruments** | | | | |
| Assets | | | | |
| Forward Foreign Currency Contracts | \$ - | \$ 370,647 | \$ - | \$ 370,647 |
| Liabilities | | | | |
| Forward Foreign Currency Contracts | - | (2,485) | - | (2,485) |
| Credit Default Swap Contracts | - | (465,175) | - | (465,175) |
| Total | \$ - | \$ (97,013) | \$ - | \$ (97,013) |

* For detailed Country descriptions, see accompanying Statement of Investments.

** Other financial instruments are derivative instruments not reflected in the Statement of Investments.

There were no significant transfers in or out of Levels 1 and 2 during the period.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

| Investments in Securities at Value | Balance as of November 30, 2010 | Accrued Discount/ Premium | Realized Gain/(Loss)* | Change in Unrealized Depreciation* | Net Purchases | Transfer in and/or (out) of Level 3 | Balance as of November 30, 2011 | Net Change in Unrealized Depreciation Included in the Statement of Operations Attributable to Level 3 Investments Still Held at November 30, 2011 |
|--|---------------------------------------|---------------------------------|--------------------------|--|----------------------|---|---------------------------------------|--|
| Bank Loans | \$ - | \$ 883,171 | \$ - | \$ (1,930,500) | \$ 11,986,829 | \$ - | \$ 10,939,500 | \$ (1,930,500) |
| Total | \$ - | \$ 883,171 | \$ - | \$ (1,930,500) | \$ 11,986,829 | \$ - | \$ 10,939,500 | \$ (1,930,500) |

* Realized gain/(loss) and change in unrealized depreciation are included in the related amounts on the investment in the Statement of Operations.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

(b) Security Transactions and Investment Income: Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults on an expected interest payment, the Fund's policy is to generally halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default.

(c) Foreign Currency Translation: The books and records of the Fund are maintained in U.S. dollars. Investment valuations and other assets and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates. Prevailing foreign exchange rates may generally be obtained at the close of the NYSE (normally, 4:00 p. m. Eastern time).

The portion of realized and unrealized gains or losses on investments due to fluctuations in foreign currency exchange rates is not separately disclosed and is included in realized and unrealized gains or losses on investments, when applicable.

(d) Foreign Securities: The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the ability to repatriate funds, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers.

(e) Leverage: The Fund may borrow from banks and other financial institutions and may also borrow additional funds by entering into reverse repurchase agreements or the issuance of debt securities (collectively, "Borrowings") in an amount that does not exceed 33 1/3% of the Fund's Total Assets immediately after such transactions. It is possible that following such Borrowings, the assets of the Fund will decline due to market conditions such that this 33 1/3% limit will be exceeded. In that case, the leverage risk to Common Shareholders will increase.

In a reverse repurchase agreement, the Fund sells to a financial institution a security that it holds with an agreement to repurchase the same security at an agreed-upon price and date. A reverse repurchase agreement involves the risk that the market value of the security sold by the Fund may decline below the repurchase price of the security. The Fund will segregate assets determined to be liquid by the investment adviser or otherwise cover its obligations under reverse repurchase agreements. For the period ended November 30, 2011, the average amount of reverse repurchase agreements outstanding was \$78,658,207 at a weighted average interest rate of 0.62%.

(f) Risk Exposure and the Use of Derivative Instruments: The Fund's investment objectives not only permit the Fund to purchase investment securities, they also allow the Fund to enter in various types of derivatives contracts. In doing so, the Fund will employ strategies in differing combinations to permit it to increase, decrease, or change the level or types of exposure to market factors. Central to those strategies are features inherent to derivatives that may make them more attractive for this purpose than equity or debt securities; they require little or no initial cash investment, they can focus exposure on only certain selected risk factors, and they may not require the ultimate receipt or delivery of the underlying security (or securities) to the contract. This may allow the Fund to pursue its objectives more quickly and efficiently than if the Fund were to make direct purchases or sales of securities capable of effecting a similar response to market factors.

Market Risk Factors: In pursuit of its investment objectives, the Fund may seek to use derivatives to increase or decrease its exposure to the following market risk factors, among others:

Interest Rate Risk. Interest rate risk refers to the fluctuations in value of fixed-income securities resulting from the inverse relationship between price and yield. For example, an increase in general interest rates will tend to reduce the value of already issued fixed-income investments, and a decline in general interest rates will tend to increase their value. In addition, debt securities with longer maturities, which tend to have higher yields, are subject to potentially greater fluctuations in value from changes in interest rates than obligations with shorter maturities.

Credit Risk. Credit risk relates to the ability of the issuer to meet interest and principal payments, or both, as they come due. In general, lower-grade, higher-yield bonds are subject to credit risk to a greater extent than lower-yield, higher-quality bonds.

Foreign Exchange Rate Risk. Foreign exchange rate risk relates to the change in the U.S. dollar value of a security held that is denominated in a foreign currency. The U.S. dollar value of a foreign currency denominated security will decrease as the dollar appreciates against the currency, while the U.S. dollar value will increase as the dollar depreciates against the currency.

Equity Risk. Equity risk relates to the change in value of equity securities as they relate to increases or decreases in the general market.

The Fund's use of derivatives can result in losses due to unanticipated changes in these risk factors and the overall market. In instances where the Funds are using derivatives to decrease, or hedge, exposures to market risk factors for securities held by the Fund, there are also risks that those derivatives may not perform as expected resulting in losses for the combined or hedged positions.

Derivatives may have little or no initial cash investment relative to their market value exposure and therefore can produce significant gains or losses in excess of their cost. This use of embedded leverage allows the Fund to increase its market value exposure relative to its net assets and can substantially increase the volatility of the Fund's performance.

Additional associated risks from investing in derivatives also exist and potentially could have significant effects on the valuation of the derivative and the Fund. Typically, the associated risks are not the risks that the Fund is attempting to increase or decrease exposure to, per its investment objectives, but are the additional risks from investing in derivatives.

Examples of these associated risks are liquidity risk, which is the risk that the Fund will not be able to sell or close out the derivative in a timely manner, and counterparty credit risk, which is the risk that the counterparty will not fulfill its obligation to the Fund. Associated risks can be different for each type of derivative and are discussed by each derivative type below and in the notes that follow.

Forward Foreign Currency Contracts: The Fund may engage in currency transactions with counterparties to hedge the value of portfolio securities denominated in particular currencies against fluctuations in relative value, to gain or reduce exposure to certain currencies, or to generate income or gains. A forward foreign currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The contract is marked-to-market daily and the change in value is recorded by the Fund as an unrealized gain or loss. When a forward foreign currency contract is extinguished, through either delivery or offset by entering into another forward foreign currency contract, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was extinguished.

Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected in the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

Credit Default Swaps: The Fund may enter into credit default swap contracts for hedging purposes, to gain market exposure or to add leverage to their portfolios. When used for hedging purposes, a Fund would be the buyer of a credit default swap contract. In that case, the Fund would be entitled to receive the par (or other agreed upon) value of a referenced debt obligation, index or other investment from the counterparty to the contract in the event of a default by a third party, such as a U.S. or foreign issuer, on the referenced debt obligation. In return, the Fund would pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would have spent the stream of payments and received no benefit from the contract. When the Fund is the seller of a credit default swap contract, it receives the stream of payments but is obligated to pay upon default of the referenced debt obligation. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total assets, the Fund would be subject to investment exposure on the notional amount of the swap.

In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation, as opposed to a credit downgrade or other indication of financial difficulty.

The Following is a summary of the fair valuations of derivative instruments categorized by risk exposure:

Fair Values of derivative instruments on the Statement of Assets and Liabilities as of November 30, 2011:

| Derivative Risk Exposure | Asset Derivatives | | Liability Derivatives | |
|----------------------------|---|-------------------|--|---------------------|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Foreign Exchange Contracts | Unrealized appreciation on forward currency contracts | \$ 370,647 | Unrealized depreciation on forward currency contracts | \$ (2,485) |
| Credit Contracts | N/A | – | Unrealized depreciation on credit default swap contracts | (465,175) |
| Total | | \$ 370,647 | | \$ (467,660) |

The effect of derivative instruments on the Statement of Operations for the period ended November 30, 2011:

| Derivative Risk Exposure | Location of Gain/(Loss) On Derivatives Recognized in Income | Realized Gain/(Loss) On Derivatives Recognized in Income | Change in Unrealized Gain/(Loss) On Derivatives Recognized in Income |
|----------------------------|---|--|--|
| | Net realized gain/(loss) on: Foreign currency transactions/Change in unrealized appreciation/(depreciation) on: Translation of assets and liabilities denominated in foreign currencies | | |
| Foreign Exchange Contracts | | \$ 2,817,725 | \$ 368,162 |
| | Net realized gain/(loss) on: Credit default swap contracts/Net change in unrealized appreciation/(depreciation) of: Credit default swap contracts | | |
| Credit Contracts | | (361,111) | (465,175) |
| Total | | \$ 2,456,614 | \$ (97,013) |

Credit Linked Notes: The Fund may invest in credit linked notes to obtain economic exposure to high yield, emerging markets or other securities. Investments in a credit linked note typically provide the holder with a return based on the return of an underlying reference instrument, such as an emerging market bond. Like an investment in a bond, investments in credit-linked securities represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the security. In addition to the risks associated with the underlying reference instrument, an investment in a credit linked note is also subject to the risk that the counterparty will be unwilling or unable to meet its obligations under the note. Because credit linked notes are derivatives, an investment in these instruments is generally subject to the risks associated with derivatives.

(g) Loan Participations and Assignments: The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

(h) Leverage Risk: Leverage creates risks for Common Shareholders, including the likelihood of greater volatility of NAV per share and market price of, and dividends paid on, the Common Shares. There is a risk that fluctuations in the interest rates on any Borrowings held by the Fund may adversely affect the return to the Common Shareholders. If the income from the securities purchased with the proceeds of leverage is not sufficient to cover the cost of leverage, the return on the Fund will be less than if leverage had not been used, and therefore the amount available for distribution to the Common Shareholders as dividends and other distributions will be reduced.

The Fund may choose not to use leverage at all times. The amount and composition of leverage used may vary depending upon a number of factors, including economic and market conditions in the relevant emerging market countries, the availability of relatively attractive investment opportunities not requiring leverage and the costs and risks that the Fund would incur as a result of leverage.

(i) Credit and Market Risk: The Fund invests in high yield and emerging market instruments that are subject to certain credit and market risks. The yields of high yield and emerging market debt obligations reflect, among other things, perceived credit and market risks. The Fund's investment in securities rated below investment grade typically involves risks not associated with higher rated securities including, among others, greater risk related to timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund. The Fund's investment in non-dollar denominated securities may also result in foreign currency losses caused by devaluations and exchange rate fluctuations. Investments in derivatives are also subject to credit and market risks.

(j) Distributions to Shareholders: The Fund intends to make a level dividend distribution each month to common shareholders. The level dividend rate may be modified by the Board of Trustees from time to time. Any net capital gains earned by the Fund are distributed at least annually. Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. Distributions to shareholders are recorded by the Fund on the ex-dividend date.

November 30, 2011

(k) Classifications of Distributions: Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of distributions made during the year from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or realized gain was recorded by a Fund.

The tax character of the distributions paid by the Fund during the period ended November 30, 2011 was as follows:

| | |
|-----------------|----------------------|
| Ordinary Income | \$ 27,759,544 |
| Total | \$ 27,759,544 |

As of November 30, 2011, the components of distributable earnings on a tax basis were as follows:

| | |
|---|------------------------|
| Undistributed Ordinary Income | \$ 263,067 |
| Unrealized Appreciation/(Depreciation) | (27,908,628) |
| Cumulative Effect of Other Timing Difference* | (259,512) |
| Total | \$ (27,905,073) |

* *Other temporary differences due to timing, consist primarily of mark-to-market on forward foreign currency contracts and credit default swap adjustments.*

The tax components of distributable earnings are determined in accordance with income tax regulations which may differ from the composition of net assets reported under accounting principles generally accepted in the United States. Accordingly, for the period ended November 30, 2011, certain differences were reclassified. These differences were primarily due to the differing tax treatment of certain investments and the amounts reclassified did not affect net assets.

The reclassifications were as follows:

| | |
|-------------------------------------|----------------|
| Paid-in Capital | \$ — |
| Undistributed Net Investment Income | \$ (2,965,282) |
| Accumulated Net Realized Loss | \$ 2,965,282 |

(l) Federal and Other Taxes: No provision for income taxes is included in the accompanying financial statements, as the Funds intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with Subchapter M of the Internal Revenue Code applicable to regulated investment companies.

The Fund evaluates tax positions taken (or expected to be taken) in the course of preparing the Fund's tax returns to determine whether these positions meet a "more-likely-than-not" standard that, based on the technical merits, have more than a fifty percent likelihood of being sustained by a taxing authority upon examination. A tax position that meets the "more-likely-than-not" recognition threshold is measured to determine the amount of benefit to recognize in the financial statements.

Management of the Fund analyzes all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal tax authorities and certain state tax authorities. As of the period ended November 30, 2011, the Fund did not have a liability for any unrecognized tax benefits. The Fund's federal and state income and federal excise tax returns for all tax years since inception are subject to examination by the Internal Revenue Service and state departments of revenue.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Modernization Act") was signed into law. The provisions of the Modernization Act are generally effective for tax years beginning after the date it was signed into law, therefore the enacted provisions will apply to the Fund for the fiscal year ending November 30, 2012. The Modernization Act is the first major piece of legislation affecting regulated investment companies ("RICs") since 1986 and it modernizes several of the federal income and excise tax provisions related to RICs. Some highlights of the enacted provisions are as follows:

New capital losses may now be carried forward indefinitely, and retain the character of the original loss. Under pre-enactment law, capital losses could be carried forward for eight years, and carried forward as short-term capital losses, irrespective of the character of the original loss.

The Modernization Act contains simplification provisions, which are aimed at preventing disqualification of a RIC for "inadvertent" failures of the asset diversification and/or qualifying income tests. Additionally, the Modernization Act exempts RICs from the preferential dividend rule, and repealed the 60-day designation requirement for certain types of paythrough income and gains.

Finally, the Modernization Act contains several provisions aimed at preserving the character of distributions made by a RIC during the portion of its taxable year ending after October 31 or December 31, reducing the circumstances under which a RIC might be required to file amended Forms 1099 to restate previously reported distributions.

2. MANAGEMENT FEES, TRUSTEE FEES, ADMINISTRATION FEES, CUSTODY FEES AND TRANSFER AGENT FEE

The Adviser receives a monthly fee at the annual rate of 1.00% of the average daily value of the Fund's total assets (including any assets attributable to any leverage used) minus the Fund's accrued liabilities (other than Fund liabilities incurred for any leverage) ("Total Assets").

ALPS Fund Services, Inc. ("ALPS") serves as administrator to the Fund. Under the administration agreement, ALPS is responsible for calculating the net asset value of the common shares and generally managing the administrative affairs of the Fund. ALPS receives a monthly fee at an annual rate of 0.15% of the average daily value of the Fund's Total Assets.

The Bank of New York Mellon serves as the Fund's custodian. Mellon Investor Services LLC, an affiliate of The Bank of New York Mellon, serves as the Fund's transfer agent.

During the reporting period, the Fund paid each Trustee who is not a director, officer, employee, or affiliate of Stone Harbor or ALPS, a fee of \$5,000 per quarterly meeting of the Board of Trustees and \$250 for each additional meeting in which that Trustee participated. The Fund will also reimburse independent Trustees for travel and out-of-pocket expenses incurred in connection with such meetings.

3. SECURITIES TRANSACTIONS

During the period ended November 30, 2011, there were purchase and sale transactions (excluding short term securities) of \$1,075,845,685 and \$651,686,144, respectively.

On November 30, 2011, based on cost of \$442,783,809 for federal income tax purposes, aggregate gross unrealized gains for all securities in which there is an excess of value over tax cost was \$2,350,809 and aggregate gross unrealized losses for all securities in which there is an excess of tax cost over value was \$(30,039,694), resulting in a net unrealized loss of \$(27,688,885).

4. APPLICATION OF RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the FASB issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements" in GAAP and the International Financial Reporting Standards ("IFRSs"). ASU No.2011-04 amends FASB ASC Topic 820, "Fair Value Measurements and Disclosures", to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and IFRSs. ASU No.2011-04 is effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years. Management is currently evaluating the impact these amendments may have on the Fund's financial statements.

5. INDEMNIFICATIONS

In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

Unless the registered owner of Common Shares elects to receive cash by contacting Mellon Investor Services LLC (the "Plan Administrator"), all dividends declared on Common Shares will be automatically reinvested by the Plan Administrator for shareholders in the Fund's Automatic Dividend Reinvestment Plan (the "Plan"), in additional Common Shares. Common Shareholders who elect not to participate in the Plan will receive all dividends and other distributions in cash paid by check mailed directly to the shareholder of record (or, if the Common Shares are held in street or other nominee name, then to such nominee) by the Plan Administrator as dividend disbursing agent. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution. Such notice will be effective with respect to a particular dividend or other distribution (together, a "Dividend"). Some brokers may automatically elect to receive cash on behalf of Common Shareholders and may re-invest that cash in additional Common Shares.

The Plan Administrator will open an account for each Common Shareholder under the Plan in the same name in which such Common Shareholder's Common Shares are registered. Whenever the Fund declares a Dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Administrator for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized Common Shares from the Fund ("Newly Issued Common Shares") or (ii) by purchase of outstanding Common Shares on the open market ("Open-Market Purchases") on the NYSE or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commissions per Common Share is equal to or greater than the NAV per Common Share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the Dividend by the NAV per Common Share on the payment date; provided that, if the NAV is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per Common Share on the payment date. If, on the payment date for any Dividend, the NAV per Common Share is greater than the closing market value plus estimated brokerage commissions, the Plan Administrator will invest the Dividend amount in Common Shares acquired on behalf of the participants in Open-Market Purchases.

In the event of a market discount on the payment date for any Dividend, the Plan Administrator will have until the last business day before the next date on which the Common Shares trade on an "ex-dividend" basis or 30 days after the payment date for such Dividend, whichever is sooner (the "Last Purchase Date"), to invest the Dividend amount in Common Shares acquired in Open-Market Purchases. It is contemplated that the Fund will pay monthly income Dividends. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per Common Share exceeds the NAV per Common Share, the average per Common Share purchase price paid by the Plan Administrator may exceed the NAV of the Common Shares, resulting in the acquisition of fewer Common Shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at the NAV per Common Share at the close of business on the Last Purchase Date provided that, if the NAV is less than or equal to 95% of the then current market price per Common Share, the dollar amount of the Dividend will be divided by 95% of the market price on the payment date for purposes of determining the number of shares issuable under the Plan.

The Plan Administrator maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants.

In the case of Common Shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Administrator will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan.

There will be no brokerage charges with respect to Common Shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. Participants that request a sale of Common Shares through the Plan Administrator are subject to brokerage commissions.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator at 1-866-390-3910.

FUND PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (the "SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q will be available (1) on the Fund's website located at <http://www.shiplpcef.com>, (2) on the SEC's website at <http://www.sec.gov>, or (3) they may be reviewed and copied at the SEC's Public Reference Room in Washington DC (call 1-800-732-0330 for information on the operation of the Public Reference Room).

PROXY VOTING

The policies and procedures used to determine how to vote proxies relating to securities held by the Fund is available (1) without charge, upon request, by calling 1-877-206-0791, (2) on the Fund's website located at <http://www.shiplpcef.com>, or (3) on the SEC's website at <http://www.sec.gov>. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available by August 31 of each year (1) without charge, upon request, by calling 1-877-206-0791, (2) on the Fund's website located at <http://www.shiplpcef.com>, or (3) on the SEC's website at <http://www.sec.gov>.

SENIOR OFFICER CODE OF ETHICS

The Fund files a copy of its code of ethics that applies to the Fund's principal executive officer, principal financial officer or controller, or persons performing similar functions, with the SEC as an exhibit to its annual report on Form N-CSR. This will be available on the SEC's website at <http://www.sec.gov>.

This report, including the financial information herein, is transmitted to the shareholders of Stone Harbor Emerging Markets Income Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in this report.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase its common shares in the open market.

Information on the Fund is available at www.shiplpcef.com or by calling the Fund's shareholder servicing agent at 1-866-390-3910.

November 30, 2011 (Unaudited)

The business and affairs of the Fund are managed under the direction of its Board of Trustees. The Board of Trustees approves all significant agreements between a Fund and the persons or companies that furnish services to the Fund, including agreements with its distributor, investment adviser, administrator, custodian and transfer agent. The day-to-day operations of the Fund are delegated to the Fund's Adviser and administrator.

The name, age and principal occupations for the past five years of the Trustees and officers of the Funds are listed below, along with the number of portfolios in the Fund complex overseen by and the other directorships held by each Trustee. Except as otherwise noted, the address of each Trustee and officer is c/o Stone Harbor Investment Partners LP, 31 W. 52nd Street, 16th Floor, New York, New York 10019. The Fund's Statement of Additional Information includes additional information about the Trustees and is available without a charge, upon request, by calling 1-866-699-8158.

INDEPENDENT TRUSTEES

| Name, Age and Address | Position(s) Held with the Fund | Term of Office And Length of Time Served ⁽¹⁾ | Principal Occupation(s) During Past 5 Years | Number of Portfolios in Fund Complex Overseen by Trustee ⁽²⁾ | Other Directorships Held by Trustee | Experience, Qualifications, Attributes, Skills for Board Membership |
|------------------------------|---|---|---|---|---|--|
| Alan Brott Age: 69 | Chairman of Audit Committee; Trustee/Nominee | Trustee: Since 2010 Term Expires: 2012 | Columbia University Graduate School of Business— Associate Professor, 2000-Present; Consultant, 1991-Present. | 5 | Stone Harbor Investment Funds, Grosvenor Registered Multi-Strategy Fund, Excelsior Multi-Strategy Hedge Fund of Funds and Excelsior Private Markets Fund II | Significant experience on Board of Trustees of the Fund and/or other business organizations; academic experience; significant public accounting experience, including significant experience as a partner at a public accounting firm. |
| Heath B. McLendon Age: 78 | Trustee | Trustee: Since 2010 Term Expires: 2013 | Citigroup— Chairman of Equity Research Oversight Committee (retired December 31, 2006). | 5 | Stone Harbor Investment Funds | Significant experience on Board of Trustees of the Fund and/or other business organizations; executive experience in the mutual fund industry. |
| Patrick Sheehan Age: 64 | Trustee | Trustee: Since 2010 Term Expires: 2014 | Retired; formerly, Citigroup Asset Management— Managing Director and Fixed Income Portfolio Manager, 1991-2002. | 5 | Stone Harbor Investment Funds | Significant experience on Board of Trustees of the Fund and/or other business organizations; experience in the financial industry, including executive and portfolio management experience. |

INTERESTED TRUSTEE

| Name, Age and Address | Position(s) Held with the Fund | Term of Office And Length of Time Served ⁽¹⁾ | Principal Occupation(s) During Past 5 Years | Number of Portfolios in Fund Complex Overseen by Trustee ⁽²⁾ | Other Directorships Held by Trustee | Experience, Qualifications, Attributes, Skills for Board Membership |
|-----------------------------|--------------------------------|---|--|---|--|--|
| Thomas W. Brock* Age: 64 | Chairman; Trustee/Nominee | Trustee: Since 2010 Term Expires: 2012 | Stone Harbor Investment Partners LP— Chief Executive Officer, 2006-Present; Columbia University Graduate School of Business— Adjunct Professor, 1998-2006. | 5 | Stone Harbor Investment Funds; Liberty All Star Funds— two closed-end funds. | Significant experience on Board of Trustees of the Fund and/or other business organizations; continuing experience as Chief Executive Officer of Stone Harbor Investment Partners LP; other financial and academic experience. |

⁽¹⁾ Each Trustee serves until retirement, resignation or removal from the Board. The current retirement age is 80.

⁽²⁾ For purposes of this table, the Stone Harbor Fund Complex includes the Stone Harbor Emerging Markets Income Fund (the "Fund") and all of the Stone Harbor Investment Funds, which share an investment adviser with the Fund.

* Mr. Brock is an interested Trustee because of his position with Stone Harbor.

November 30, 2011 (Unaudited)

OFFICERS

| Name & Age | Position with the Fund | Term of Office and Length of Time Served ⁽¹⁾ | Principal Occupation(s) During Past Five Years | Other Directorships by Trustee |
|-------------------------------|--------------------------|---|--|--------------------------------|
| Peter J. Wilby Age: 53 | President | Since November 2010 | Co-portfolio manager of the Funds; since April 3, 2006, Chief Investment Officer of Stone Harbor Investment Partners LP; prior to April 3, 2006, Chief Investment Officer – North American Fixed Income; joined Citigroup or its predecessor firms in 1989. | N/A |
| Pablo Cisilino Age: 44 | Executive Vice President | Since November 2010 | Co-portfolio manager of Emerging Markets Debt Fund; since July 1, 2006, Senior Portfolio Manager of Stone Harbor Investment Partners LP; from June 1, 2004 to July 1, 2006, Executive Director for Sales and Trading in Emerging Markets at Morgan Stanley Inc; prior to June 1, 2004, Vice President for local markets and FX sales and trading, Goldman Sachs; joined Goldman Sachs in 1994. | N/A |
| James E. Craig Age: 44 | Executive Vice President | Since November 2010 | Co-portfolio manager of Emerging Markets Debt Fund; since April 3, 2006, Senior Portfolio Manager of Stone Harbor Investment Partners LP; prior to April 3, 2006, Managing Director and Senior Portfolio Manager at Salomon Brothers Asset Management Inc.; joined Salomon Brothers Asset Management Inc. in 1992. | N/A |
| Thomas K. Flanagan Age: 58 | Executive Vice President | Since November 2010 | Co-portfolio manager of Emerging Markets Debt Fund; since April 3, 2006, Senior Portfolio Manager of Stone Harbor Investment Partners LP; prior to April 3, 2006, Managing Director and Senior Portfolio Manager at Salomon Brothers Asset Management Inc.; joined Salomon Brothers Asset Management Inc. in 1991. | N/A |
| David Oliver Age: 52 | Executive Vice President | Since November 2010 | Co-portfolio manager of Emerging Markets Debt Fund; since June 1, 2008 Senior Portfolio Manager of Stone Harbor, from 1986 to June 1, 2008 Managing Director in Emerging Market sales and trading Citigroup. | N/A |
| Jeffrey S. Scott Age: 52 | Chief Compliance Officer | Since November 2010 | Since April 3, 2006, Chief Compliance Officer of Stone Harbor Investment Partners LP; from October 2006 to March 2007, Director of Compliance, New York Life Investment Management LLC; from July 1998 to September 2006, Chief Compliance Officer, Salomon Brothers Asset Management Inc. | N/A |

⁽¹⁾ Officers are typically elected every year, unless an officer early retires, resigns or is removed from office.

November 30, 2011 (Unaudited)

OFFICERS (continued)

| Name & Age | Position with the Fund | Term of Office and Length of Time Served ⁽¹⁾ | Principal Occupation(s) During Past Five Years | Other Directorships by Trustee |
|--------------------------------|--|---|---|--------------------------------|
| James J. Dooley Age: 56 | Treasurer | Since November 2010 | Since April 3, 2006, Head of Operations, Technology and Finance of Stone Harbor Investment Partners LP; from August 2004 to March 2006, Senior Operations Manager of Institutional Asset Management, Citigroup Asset Management; from October 2002 to August 2004, Managing Director, Global Operations & Application Development, AIG Global Investment Group; from May 2001 to September 2002, President and Chief Operating Officer, Financial Technologies International. | N/A |
| Adam J. Shapiro Age: 48 | Secretary; Anti-Money Laundering Officer | Since November 2010 | Since April 3, 2006, General Counsel of Stone Harbor Investment Partners LP; from April 2004 to March 2006, General Counsel, North American Fixed Income, Salomon Brothers Asset Management Inc.; from August 1999 to March 2004, Director of Product and Business Development, Citigroup Asset Management. | N/A |
| Patrick D. Buchanan Age: 39 | Assistant Treasurer | Since November 2010 | Since October 15, 2007, Senior Fund Controller for ALPS Fund Services, Inc.; from February 2005 to October 2007, Director of Accounting for Madison Capital Management LLC; from August 2003 to February, 2005, Manager of Fund Accounting for Janus Capital Group | N/A |

⁽¹⁾ Officers are typically elected every year, unless an officer early retires, resigns or is removed from office.

Stone Harbor

Investment Partners

INVESTMENT ADVISER

Stone Harbor Investment Partners LP
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