

Stone Harbor Emerging Markets Total Income Fund
Form N-CSR
August 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-22716

Stone Harbor Emerging Markets Total Income Fund

(Exact name of registrant as specified in charter)

1290 Broadway, Suite 1100

Denver, CO 80203

(Address of principal executive offices) (Zip code)

Adam J. Shapiro, Esq.

c/o Stone Harbor Investment Partners LP

31 West 52nd Street, 16th Floor

New York, NY 10019

(Name and address of agent for service)

With copies To:

Michael G. Doherty, Esq.

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New York, NY 10036

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

Date of fiscal year end: May 31

Date of reporting period: June 1, 2013 May 31, 2014

Item 1. Reports to Stockholders.

Distribution Policy

May 31, 2014

Stone Harbor Emerging Markets Total 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 began distributing \$0.1511 per share on a monthly basis in December 2012.

The fixed amount distributed per share is subject to change at the discretion of the Fund's Board. Under the Plan, the Fund will typically distribute most or all of its available investment income to its shareholders, consistent with its primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the Code). The Fund may also distribute long term capital gains and short term capital gains and return capital to shareholders in order to maintain a level distribution. Please refer to Note 3 on page 25 for a description of this period's distribution. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable the Fund to comply with the distribution requirements imposed by the Code.

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

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Stone Harbor Emerging Markets Total Income Fund

Shareholder Letter

May 31, 2014
(Unaudited)

Dear Investor,

The Stone Harbor Emerging Markets Total Income Fund (EDI or Fund) seeks to maximize total return, which consists of income on its investments and capital appreciation. The Fund invests in fixed income securities and related instruments that are economically tied to emerging markets (EM) countries, including sovereign external debt, local currency debt (non-U.S. dollar), and corporate debt from EM issuers. Additionally, the Fund may invest up to 20% of its assets in emerging equity markets.

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

Macroeconomic developments in advanced economies are important inputs into our assessment of the outlook for EM debt returns. The impact of developments outside the emerging markets on emerging market valuations has been a critical variable in the performance of emerging market assets since the end of the 2008 financial crisis. These factors, including weaker than expected economic growth and uncertainty about the future direction of developed market central bank policies weighed heavily on the Fund's performance during the first eight months of this fiscal year, in our view. During the next four months of the fiscal year (February-May 2014) these same factors drove strong performance as investor confidence in continued economic expansion has combined with greater clarity on future central bank steps, particularly at the US Federal Reserve.

We believe that a key advantage we have in managing EDI is the latitude to seek to adjust the risk in the portfolio based on fundamental economic and credit views, as well as our assessment of the macroeconomic environment. We can seek to adjust risk and potential return opportunities by allocating to three distinct sectors of EM debt as well as the EM equity markets, each of which tend to behave differently in various macroeconomic environments.

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

Performance Review

The total return on net asset value (NAV) of EDI for the 12 months ending May 31, 2014 was 0.28%, (net of expenses). For the same period, the Fund maintained an average discount to its NAV of 4.51%¹. Market tracking indices for the three sectors of EM debt² external sovereign debt, local currency debt and corporate debt delivered total returns of 5.77%, -1.37% and 4.78%, respectively, during the reporting period. The relatively poor performance of local currency debt was driven by negative returns from foreign exchange. As we discussed, asset allocation is an important factor in our management of the Fund. Our allocation to local currency sovereign debt ranged from approximately 20% to 38% of the total portfolio during the fiscal year. Given the disparity in returns between local

currency sovereigns and other segments of EM, our local currency allocation detracted from our overall fund returns.

In the Fund's exposure to sovereign debt, our holdings in U.S. dollar-denominated debt of Venezuela had a large impact on returns, negatively for the first eight months of the fiscal year, then positively for the last four months. The positive performance outweighed the earlier sell-off. We invested in Venezuela based on our assessment of the country's ability and willingness to repay debt from U.S. dollar cash flows generated from oil exports. We also believed that Venezuela's government had strong incentives to prioritize oil export cash flows for servicing external debt in order to maintain relationships with integrated global oil companies that invest in Venezuela's Orinoco oil belt, which contains some of the world's largest proven oil reserves. Venezuela's political situation has been quite chaotic in the aftermath of President Chavez's death. In addition, economic growth has slowed and inflation is rising. This political volatility overwhelmed the country's solid debt fundamentals as the market sold off during the second half of 2013. As political volatility faded in early 2014, investors reassessed Venezuela's prospects and valuation. As of the date of this report, Venezuela offered the highest yields in the sovereign hard currency universe. This attractive valuation combined with its structural incentives to continue servicing its debt helped Venezuela generate the best returns for the Fund during the February to May period.

Throughout the reporting period, leverage consisted primarily of short-term reverse repurchase agreements through which the Fund borrowed funds by selling securities under the obligation to repurchase them at a later date at a fixed price. The implied borrowing costs of the repurchase agreements averaged approximately 0.55% per annum. The level of gross leverage reached a maximum of approximately 33.3% of total assets on January 31, 2014 and a minimum of approximately 23.8% on June 6, 2013. By the end of the reporting period, leverage was approximately 28.7%. Net leverage (gross leverage less cash held) remained lower than gross leverage throughout the period. The Fund's management team varied borrowing levels to reflect the team's outlook on EM debt, increasing borrowings when it felt opportunities had improved and reducing borrowings when, in the team's judgment, macroeconomic risks had risen.

May 31, 2014

Market Review and Outlook

In our view, the total returns for EM indices² for the reporting period reflected a combination of events in developed markets and emerging markets overlaid by valuations in emerging markets. Market tracking indices for the three sectors of EM debt² external sovereign debt, local currency debt and corporate debt delivered total returns of 5.77%, -1.37% and 4.78%, respectively, during the reporting period. As mentioned previously, the pattern of returns during the Fund's fiscal year changed in February 2014. During the eight month period ending in January each emerging markets debt sector generated negative returns. Beginning in February 2014, volatility decreased and valuations attracted significant investor interest. Returns in the four month period of February through May 2014 turned strongly positive in each sector leading to the overall returns listed above. The factors that impacted returns during these two segments of the reporting period are discussed below.

Several factors, both fundamental and technical, contributed to the market volatility of EM assets in the second half of 2013. From a macroeconomic perspective, rising concerns over the timing of the U.S. Federal Reserve's reduction in the pace of its bond purchase program led to a rapid increase in U.S. Treasury yields and a broad-based sell off of fixed income assets. Fears of less accommodative monetary policy in the U.S. contributed to growing concerns about the attractiveness of EM assets that had benefited from large investor inflows since the end of the global financial crisis. Fundamental factors also played a role in the EM debt decline, in our opinion, as growth in many large emerging markets, including China, remained lower than expected and growth expectations fell. At the same time, popular uprisings in Argentina, Brazil, Thailand, Turkey and Ukraine produced headlines about political risks in EMs. These factors imposed a significant influence over investor sentiment across all EM sectors, in our view.

By the end of January 2014 investors developed greater clarity on the likely course of policy moves by the U.S. Fed. This increased clarity combined with evidence of continued economic recovery in the developed world and reduced political volatility in the emerging world created a better environment for risk-taking on the part of investors, in our opinion. The weak performance of EM during 2013 provided compelling valuations and started the rally that continued throughout the remainder of the review period.

Despite these influences from advanced economies, our fundamental views on emerging markets have not changed. We continue to forecast that China should maintain a growth rate above 7% over the next year and that many EM country growth rates should improve in the next 12-18 months. In our view, expectations for improved U.S. growth, together with recent depreciation of emerging market currencies and prior monetary easing by EM central banks, will support EM growth in the months ahead. But we believe this process will take time. Government deficits in most EM countries remain at healthy levels, particularly compared to the U.S., Japan and many developed European countries. We believe markets are again focusing on the relative strengths of EM fundamentals.

In the past, we have detailed some of the key risks to our constructive outlook for emerging markets debt. Today, those risks seem to emanate from both developed and emerging countries. The possibility of rising U.S. interest rates, the ongoing political and religious strife in the Middle East, weak growth in Europe and the potential for China's growth rate to fall short of expectations are all potential risks. However, our base case return scenarios for EM debt over the coming year remain positive. Our view derives from a disciplined investment process in which we review the ability and willingness of borrowers to repay their debts. We also assess whether current prices of bonds reflect adequate compensation for risk within the current macroeconomic environment. Based on this process, we continue to believe that EM debt will generate the highest returns in the fixed income markets.

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Other general risks of the Fund relate to our use of leverage and also to the longer-term prospects for a rise in global interest rates. Stone Harbor attempts to mitigate the risk of loss of principal due to the possibility of a general rise in global interest rates through our investment processes that determine sector and country allocations, as well as security selection. We seek to reduce interest rate sensitivity during periods of rising interest rates. Notwithstanding these efforts, rising interest rates would increase the Fund's cost of leverage and could also decrease the value of its portfolio securities, adversely affecting Fund performance.

We continue to believe that investing in EDI may offer an attractive means of capitalizing on further improvements in credit quality in EM. We thank you for your confidence in our ability to invest in these challenging markets and look forward to reporting on EDI in six months.

Sincerely,

Thomas K. Flanagan

Chairman of the Board of Trustees

May 31, 2014
(Unaudited)

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

² *J.P. Morgan emerging markets debt benchmarks are used throughout as being representative of market returns. The J.P. Morgan EMBI Global Index (EMBIG) tracks total returns for U.S. dollar-denominated debt instruments issued by emerging markets sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. The changes in the benchmark more accurately reflect the investment strategy. The J.P. Morgan EMBI Global Diversified (EMBI Global Diversified) limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global. The J.P. Morgan GBI-EM Global Diversified 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. Return from FX is the difference between the JP Morgan GBI EM Global Diversified index total return (Bloomberg ticker JGENVUUG) and the GBI EM Global Diversified index in local currency terms (Bloomberg ticker JGENVLLG). Return from Rates equals the total return of the GBI EM Global Diversified index in local currency terms (Bloomberg ticker JGENVLLG). The J.P. Morgan CEMBI Broad Diversified tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in emerging market countries and consists of an investable universe of corporate bonds. The minimum amount outstanding required is \$350 mm for the CEMBI Broad Diversified. Broad-based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in a broad-based securities index. The CEMBI Broad Diversified limits the weights of those index countries with larger corporate debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding.*

Stone Harbor Emerging Markets Total Income Fund

Summary of
Portfolio HoldingsMay 31, 2014
(Unaudited)**Security Type Allocation⁽²⁾****Fund Details**

Market Price	\$19.95
Net Asset Value (NAV)	\$21.18
Premium/(Discount)	(5.81)%
Current Distribution Rate ⁽¹⁾	9.09%
Net Assets (\$ in millions)	\$204

Country Allocation

(as a % of total net assets)

Country Breakdown	% of TNA
Venezuela	22.03%
Brazil (Includes 2.03% ETF)	18.87%
Argentina	11.38%
Mexico	10.06%
South Africa	8.96%
Turkey (Includes 1.38% ETF)	7.71%
Indonesia	6.66%
Iraq	5.80%
Colombia	5.38%
Dominican Republic	4.02%
Ivory Coast	3.50%
Russia	3.40%
Kazakhstan	3.19%
Nigeria	2.89%
Mozambique	2.63%
Ukraine	2.60%
Peru	2.53%
China	1.48%
Croatia	1.41%
India	1.20%
Chile	1.10%
El Salvador	0.98%
United Arab Emirates	0.87%
Luxembourg	0.82%
Trinidad	0.63%
Guatemala	0.52%

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Panama	0.45%
Ghana	0.44%
Israel	0.41%
Honduras	0.21%
Hungary	0.21%
Costa Rica	0.14%
Vanguard® FTSE Emerging Markets ETF	2.07%
Total	134.55%
Short Term Security	1.92%
Other Liabilities in Excess	-36.47%
Total Net Assets	100.00%

Sector Allocation⁽²⁾

Sovereign Local	37.2%
Sovereign External	42.5%
Corporate	14.0%
Equity	3.9%
Cash & Equivalents/ U.S. Treasuries	2.4%

Regional Breakdowns⁽²⁾

Latin America	56.8%
Africa	14.1%
Europe	13.4%
Asia	6.7%
Middle East	5.1%
Multi	1.5%
Cash & Equivalents/ U.S. Treasuries	2.4%

Sovereign Local

Currency Breakdown⁽²⁾

Brazilian Real	11.5%
Colombian Peso	3.7%
Indonesian Rupiah	3.4%
Mexican Peso	6.5%
Nigerian Naira	0.9%
Turkish New Lira	4.6%
South African Rand	6.6%
Total	37.2%

⁽¹⁾ Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income,

net realized capital gains and return of capital in order to maintain a level distribution.

- (2) *Based on managed assets and investment manager's sector classifications including derivative exposure. For purposes of this example, managed assets include total net assets plus any borrowings attributed to the use of reverse repurchase agreements as described on page 13.*

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

May 31, 2014 (Unaudited)

Comparison of Change in Value of \$10,000 Investment in Stone Harbor Emerging Markets Total Income Fund and the J.P. Morgan Emerging Markets Bond Indices: EMBI Global Diversified, CEMBI Broad Diversified, and GBI-EM Global Diversified (please refer to page 36 for detailed benchmark descriptions).

Total Returns as of May 31, 2014 (Inception, October 25, 2012)

	3 Months	6 Months	1 Year	Since Inception (Annualized)
Stone Harbor Emerging Markets Total Income Fund NAV	12.24%	10.86%	0.28%	0.88%
Stone Harbor Emerging Markets Total Income Fund Market Price	12.29%	12.86%	-8.58%	-5.58%
J.P. Morgan CEMBI Broad Diversified	3.49%	5.84%	4.78%	4.11%
J.P. Morgan EMBI Global Diversified	5.81%	8.83%	5.77%	2.53%
J.P. Morgan GBI-EM Global Diversified	5.88%	4.37%	-1.37%	-0.70%

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.

Report of Independent

Registered Public

Stone Harbor Emerging Markets Total Income Fund

Accounting Firm

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

We have audited the accompanying statement of assets and liabilities of Stone Harbor Emerging Markets Total Income Fund (the Fund), including the statement of investments, as of May 31, 2014, and the related statements of operations and cash flows for the year then ended, and the statements of changes in net assets and the financial highlights for the year then ended and for the period from October 25, 2012 (commencement of operations) to May 31, 2013. These financial statements and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of May 31, 2014, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Stone Harbor Emerging Markets Total Income Fund as of May 31, 2014, the results of its operations and its cash flows for the year then ended, and the changes in its net assets and the financial highlights for the year then ended and for the period from October 25, 2012 (commencement of operations) to May 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Denver, Colorado

July 28, 2014

Stone Harbor Emerging Markets Total Income Fund

Statement of Investments

May 31, 2014

	<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 - 84.85%					
Argentina - 10.87%					
<i>Republic of Argentina:</i>					
	USD	7.000%	10/03/2015	10,900,000	\$ 10,443,714 ⁽¹⁾
	USD	7.000%	04/17/2017	11,157,323	10,201,822 ⁽¹⁾
	USD	8.750%	06/02/2017	1,600,000	1,482,440
					22,127,976
Brazil - 15.42%					
<i>Nota Do Tesouro Nacional:</i>					
	BRL	10.000%	01/01/2017	20,260,000	8,722,557
	BRL	10.000%	01/01/2021	30,000,000	12,292,825
	BRL	10.000%	01/01/2023	25,830,000	10,381,103
					31,396,485
Colombia - 0.37%					
<i>Bogota Distrio Capital</i>	COP	9.750%	07/26/2028	1,130,000,000	761,646 ⁽²⁾
Costa Rica - 0.14%					
<i>Republic of Costa Rica</i>	USD	7.000%	04/04/2044	269,000	282,450 ⁽³⁾
Croatia - 1.41%					
<i>Croatian Government</i>	USD	6.625%	07/14/2020	2,565,000	2,876,006 ⁽¹⁾⁽²⁾
Dominican Republic - 4.02%					
<i>Dominican Republic:</i>					
	USD	7.500%	05/06/2021	2,993,000	3,456,915 ⁽¹⁾⁽²⁾
	USD	5.875%	04/18/2024	4,130,000	4,315,850 ⁽¹⁾⁽³⁾
	USD	7.450%	04/30/2044	387,000	418,927 ⁽³⁾
					8,191,692

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El Salvador - 0.98%

Republic of El Salvador:

	USD	7.750%	01/24/2023	310,000	353,400 ⁽²⁾
	USD	7.625%	02/01/2041	1,550,000	1,643,000 ⁽¹⁾⁽²⁾
					1,996,400

Ghana - 0.44%

Republic of Ghana

USD	7.875%	08/07/2023	923,000	901,771 ⁽²⁾
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Honduras - 0.21%

Honduras Government

USD	7.500%	03/15/2024	413,000	423,325 ⁽²⁾
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Hungary - 0.21%

Republic of Hungary

USD	7.625%	03/29/2041	334,000	419,922
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Indonesia - 2.31%

Inter-American Development

Bank

IDR	0.000%	08/20/2015	37,910,000,000	3,005,525 ⁽⁴⁾
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Republic of Indonesia

USD	4.875%	05/05/2021	1,597,000	1,694,816 ⁽¹⁾⁽²⁾
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4,700,341

Iraq - 5.80%

Republic of Iraq

USD	5.800%	01/15/2028	12,396,000	11,807,190 ⁽¹⁾⁽²⁾
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Ivory Coast - 3.50%

Ivory Coast Government

USD	5.75%	12/31/2032	7,256,000	7,121,764 ⁽¹⁾⁽²⁾⁽⁵⁾
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See Notes to Financial Statements.

Stone Harbor Emerging Markets Total Income Fund

Statement of Investments

May 31, 2014

	<u>Currency</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Market Value (Expressed in U.S. \$)</u>
Mexico - 8.97%					
<i>Mexican Bonos:</i>					
	MXN	9.500%	12/18/2014	5,511,000	\$ 442,410
	MXN	6.250%	06/16/2016	1,818,000	148,006
	MXN	4.750%	06/14/2018	95,690,000	7,449,878
	MXN	8.000%	06/11/2020	36,540,000	3,250,074
	MXN	6.500%	06/10/2021	80,660,000	6,675,286
	MXN	7.500%	06/03/2027	1,736,000	152,034
	MXN	8.500%	05/31/2029	1,652,000	155,919
					18,273,607
Mozambique - 2.63%					
<i>Republic of Mozambique</i>	USD	6.305%	09/11/2020	5,306,000	5,359,060 ⁽¹⁾⁽²⁾
Nigeria - 2.10%					
<i>Nigerian Government Bond</i>	NGN	15.100%	04/27/2017	387,000,000	2,544,250
<i>Republic of Nigeria:</i>					
	USD	6.375%	07/12/2023	432,000	469,800 ⁽³⁾
	USD	6.375%	07/12/2023	1,165,000	1,266,938 ⁽²⁾
					4,280,988
Panama - 0.45%					
<i>Republic of Panama</i>	USD	8.125%	04/28/2034	680,000	918,000
South Africa - 8.96%					
<i>Republic of South Africa:</i>					
	ZAR	13.500%	09/15/2015	9,500,000	971,420
	ZAR	8.000%	12/21/2018	38,510,000	3,702,231
	ZAR	7.250%	01/15/2020	147,160,000	13,569,896
					18,243,547

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Turkey - 6.33%

Republic of Turkey:

	TRY	6.500%	01/07/2015	1,750,000	824,354
	TRY	8.300%	06/20/2018	3,980,000	1,882,595
	TRY	10.500%	01/15/2020	9,700,000	4,999,380
	TRY	7.100%	03/08/2023	12,230,000	5,189,616
					12,895,945

Ukraine - 1.68%

Ukraine Government

	USD	9.250%	07/24/2017	3,459,000	3,420,086 ⁽¹⁾⁽²⁾
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Venezuela - 8.05%

Republic of Venezuela:

	USD	5.750%	02/26/2016	1,732,000	1,628,080 ⁽²⁾
	USD	13.625%	08/15/2018	400,000	416,000 ⁽²⁾
	USD	7.750%	10/13/2019	5,000,000	4,137,500 ⁽¹⁾⁽²⁾
	USD	6.000%	12/09/2020	5,600,000	4,088,000 ⁽¹⁾⁽²⁾
	USD	12.750%	08/23/2022	994,000	984,060 ⁽²⁾
	USD	9.000%	05/07/2023	3,434,000	2,807,295 ⁽²⁾
	USD	7.650%	04/21/2025	576,000	423,360
	USD	11.750%	10/21/2026	1,590,300	1,475,003 ⁽¹⁾⁽²⁾
	USD	11.950%	08/05/2031	471,200	435,860 ⁽²⁾
					16,395,158

**TOTAL SOVEREIGN DEBT
OBLIGATIONS**

(Cost \$182,603,212)

172,793,359

See Notes to Financial Statements.

Stone Harbor Emerging Markets Total Income Fund

Statement of Investments

May 31, 2014

	<u>Currency</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Market Value (Expressed in U.S. \$)</u>
CORPORATE BONDS - 36.29%					
Argentina - 0.51%					
<i>YPF SA</i>	USD	8.750%	04/04/2024	1,000,000	\$ 1,040,000 ⁽³⁾
Brazil - 1.42%					
<i>ESAL GmbH</i>	USD	6.250%	02/05/2023	1,304,000	1,294,220 ⁽³⁾
<i>GTL Trade Finance Inc.</i>	USD	7.250%	04/16/2044	1,000,000	1,058,500 ⁽³⁾
<i>Minerva Luxembourg SA</i>	USD	7.750%	01/31/2023	219,000	232,688 ⁽³⁾
<i>Odebrecht Offshore Drilling Finance Ltd.</i>	USD	6.750%	10/01/2022	276,304	297,026 ⁽³⁾
					2,882,434
Chile - 1.10%					
<i>GeoPark Latin America Ltd.</i>					
<i>Agencia en Chile</i>	USD	7.500%	02/11/2020	625,000	664,062 ⁽³⁾
<i>VTR Finance BV</i>	USD	6.875%	01/15/2024	1,500,000	1,585,808 ⁽³⁾
					2,249,870
China - 1.48%					
<i>Country Garden Holdings Co. Ltd.</i>					
<i>Kaisa Group Holdings Ltd.:</i>	USD	11.125%	02/23/2018	1,200,000	1,311,000 ⁽¹⁾⁽²⁾
	USD	8.875%	03/19/2018	700,000	712,250 ⁽³⁾
	USD	10.250%	01/08/2020	955,000	990,813 ⁽²⁾
					3,014,063
Colombia - 0.38%					
<i>Empresas Publicas de Medellin ESP</i>					
<i>Pacific Rubiales Energy Corp.</i>	COP	8.375%	02/01/2021	500,000,000	279,142 ⁽²⁾
	USD	5.125%	03/28/2023	497,000	491,409 ⁽³⁾
					770,551
Guatemala - 0.52%					
<i>Comcel Trust</i>	USD	6.875%	02/06/2024	1,000,000	1,068,150 ⁽³⁾

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India - 1.20%

<i>ICICI Bank Ltd.</i>	USD	6.375%	04/30/2022	600,000	619,500 ⁽²⁾⁽⁶⁾
<i>Vedanta Resources PLC:</i>					
	USD	6.000%	01/31/2019	1,000,000	1,048,750 ⁽³⁾
	USD	8.250%	06/07/2021	500,000	563,000 ⁽³⁾
	USD	7.125%	05/31/2023	200,000	211,000 ⁽³⁾
					2,442,250

Indonesia - 1.05%

<i>Indo Energy Finance II BV</i>	USD	6.375%	01/24/2023	1,142,000	936,440 ⁽³⁾
<i>Pertamina Persero PT</i>	USD	4.300%	05/20/2023	1,145,000	1,097,769 ⁽¹⁾⁽³⁾
<i>PTAdaro Indonesia</i>	USD	7.625%	10/22/2019	100,000	105,875 ⁽²⁾
					2,140,084

Israel - 0.41%

<i>B Communications Ltd.</i>	USD	7.375%	02/15/2021	775,000	829,250 ⁽³⁾
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Kazakhstan - 3.19%

<i>KazMunayGas National Co. JSC:</i>					
	USD	4.400%	04/30/2023	2,438,000	2,419,715 ⁽³⁾
	USD	5.750%	04/30/2043	400,000	394,000 ⁽³⁾
<i>Zhaikmunai LP</i>	USD	7.125%	11/13/2019	3,500,000	3,679,375 ⁽¹⁾⁽³⁾
					6,493,090

Luxembourg - 0.82%

<i>Puma International Financing SA</i>	USD	6.750%	02/01/2021	1,607,000	1,676,647 ⁽³⁾
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See Notes to Financial Statements.

Stone Harbor Emerging Markets Total Income Fund

Statement of Investments

May 31, 2014

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
Mexico - 1.09%					
<i>Cemex Finance LLC</i>	USD	9.375%	10/12/2022	1,500,000	\$ 1,764,720 ⁽¹⁾⁽³⁾
<i>Metalsa SAB de CV</i>	USD	4.900%	04/24/2023	481,000	464,165 ⁽³⁾
					2,228,885
Nigeria - 0.79%					
<i>Afren PLC</i>	USD	10.250%	04/08/2019	1,406,000	1,609,870 ⁽³⁾
Peru - 2.53%					
<i>Ajecorp BV</i>	USD	6.500%	05/14/2022	1,555,000	1,461,700 ⁽¹⁾⁽³⁾
<i>Cia Minera Ares SAC</i>	USD	7.750%	01/23/2021	850,000	902,062 ⁽³⁾
<i>Southern Copper Corp.</i>	USD	5.250%	11/08/2042	3,000,000	2,796,000 ⁽¹⁾
					5,159,762
Russia - 3.40%					
<i>Alfa Bank OJSC Via Alfa Bond Issuance PLC</i>	USD	7.500%	09/26/2019	1,500,000	1,556,250 ⁽¹⁾⁽³⁾
<i>Evraz Group SA</i>	USD	6.750%	04/27/2018	1,500,000	1,471,875 ⁽¹⁾⁽³⁾
<i>Far East Capital Ltd. SA</i>	USD	8.000%	05/02/2018	1,034,000	865,975 ⁽³⁾
<i>Severstal OAO Via Steel Capital SA</i>	USD	5.900%	10/17/2022	2,000,000	1,965,000 ⁽¹⁾⁽³⁾
<i>Vimpel Communications Via VIP Finance Ireland Ltd. OJSC</i>	USD	7.748%	02/02/2021	1,000,000	1,073,750 ⁽²⁾
					6,932,850
Trinidad - 0.63%					

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<i>Columbus International Inc.</i>		USD	7.375%	03/30/2021	1,200,000	1,275,000 ⁽³⁾
Ukraine - 0.92%						
<i>National JSC Naftogaz of Ukraine</i>		USD	9.500%	09/30/2014	1,950,000	1,868,100
United Arab Emirates - 0.87%						
<i>Dubai Holding Commercial Operations MTN Ltd.</i>		GBP	6.000%	02/01/2017	1,000,000	1,762,098
Venezuela - 13.98%						
<i>Petroleos de Venezuela SA:</i>		USD	5.000%	10/28/2015	3,136,889	2,932,991 ⁽¹⁾
		USD	5.250%	04/12/2017	3,506,200	2,927,852 ⁽¹⁾⁽²⁾
		USD	8.500%	11/02/2017	16,135,500	14,844,660 ⁽¹⁾⁽²⁾
		USD	6.000%	11/15/2026	6,492,025	3,908,199 ⁽¹⁾⁽²⁾
		USD	5.375%	04/12/2027	398,700	231,745
		USD	9.750%	05/17/2035	4,734,987	3,619,329 ⁽²⁾
						28,464,776
TOTAL CORPORATE BONDS						
(Cost \$72,905,071)						73,907,730
CREDIT LINKED NOTES - 7.93%						
Colombia - 4.63%						
<i>Titulos de Tesoreria - Series B</i>	JPMorgan Chase & Co.	COP	7.000%	05/06/2022	17,100,000,000	9,431,780
Indonesia - 3.30%						
<i>Republic of Indonesia:</i>	Deutsche Bank AG London	IDR	7.000%	05/17/2022	57,300,000,000	4,629,840
	Deutsche Bank AG London	IDR	5.625%	05/17/2023	28,600,000,000	2,084,921
						6,714,761
						16,146,541

TOTAL CREDIT LINKED NOTES

(Cost \$17,392,117)

See Notes to Financial Statements.

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Annual Report | May 31, 2014

Stone Harbor Emerging Markets Total Income Fund

Statement of Investments

May 31, 2014

	Currency	Rate	Maturity Date	Principal Amount*	Market Value (Expressed in U.S. \$)
EXCHANGE TRADED FUNDS -					
5.48%					
<i>iShares® MSCI Brazil Capped Fund</i>	USD	N/A	N/A	89,000	\$ 4,137,610
<i>iShares® MSCI Turkey ETF</i>	USD	N/A	N/A	49,000	2,808,190
<i>Vanguard® FTSE Emerging Markets ETF</i>	USD	N/A	N/A	100,000	4,220,000
TOTAL EXCHANGE TRADED FUNDS					11,165,800
(Cost \$12,126,575)					
SHORT TERM INVESTMENTS -					
1.92%					
Money Market Mutual Funds -					
1.92%					
<i>Dreyfus Treasury Prime Cash Advantage Fund - Institutional Advantage Shares (7-Day Yield)</i>	USD	0.00003%	N/A	3,896,562	3,896,562
TOTAL SHORT TERM INVESTMENTS					3,896,562
(Cost \$3,896,562)					
Total Investments - 136.47%					277,909,992
(Cost \$288,923,537)					
Liabilities in Excess of Other Assets - (36.47)%					(74,268,549)
Net Assets - 100.00%					\$ 203,641,443

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

Currency Abbreviations:

BRL - Brazilian Real

COP	-	Columbian Peso
GBP	-	Great Britain Pound
IDR	-	Indonesian Rupiah
MXN	-	Mexican Peso
NGN	-	Nigerian Naira
TRY	-	New Turkish Lira
USD	-	United States Dollar
ZAR	-	South African Rand

- (1) On May 31, 2014, securities valued at \$103,172,462 were pledged as collateral for reverse repurchase agreements.*
- (2) Securities were originally issued pursuant to Regulation S under the Securities Act of 1933, which exempts securities offered and sold outside of the United States from registration. Such securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. As of May 31, 2014, the aggregate market value of those securities was \$86,737,835, which represents approximately 42.59% of net assets.*
- (3) Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may normally be sold to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to \$40,123,703, which represents approximately 19.70% of net assets as of May 31, 2014.*
- (4) Issued with a zero coupon. Income is recognized through the accretion of discount.*
- (5) Step bond. Coupon increases periodically based upon a predetermined schedule. Interest rate disclosed is that which is in effect as of May 31, 2014.*
- (6) Floating or variable rate security. Interest rate disclosed is that which is in effect as of May 31, 2014.*

Common Abbreviations:

BV	-	Besloten Vennootschap is the Dutch term for private limited liability company.
ESP	-	Empresa de Servicios Publicos is the Colombian term for Public Service Company.
ETF	-	Exchange Traded Fund.
FTSE	-	Financial Times and the London Stock Exchange.
GmbH	-	Gesellschaft mit beschränkter Haftung is the German term for a company with limited liability.
JSC	-	Joint Stock Company.
LLC	-	Limited Liability Company.
LP	-	Limited Partnership.
Ltd.	-	Limited.
MSCI	-	Morgan Stanley Capital International.

See Notes to Financial Statements.

Stone Harbor Emerging Markets Total Income Fund

Statement of Investments

May 31, 2014

Common Abbreviations: (continued)

MTN	-	Medium Term Note.
OAO	-	Otkrytoe Aktsionernoe Obschestvo is the Russian term for Open Joint Stock Company.
OJSC	-	Open Joint Stock Company.
PLC	-	Public Limited Company.
PT	-	Perseroan Terbuka is the Indonesian term for limited liability company.
SA	-	Generally designates corporations in various countries, mostly those employing the civil law.
SAB de CV	-	A variable capital company.
SAC	-	Sociedad Anonima Abierta is the Peruvian term used for a publicly traded corporation.

OUTSTANDING FORWARD FOREIGN CURRENCY CONTRACTS

Counterparty	Foreign Currency	Contracted Amount**	Purchase/Sale Contract	Settlement Date	Current Value	Unrealized Appreciation/ (Depreciation)
Citigroup Global Markets	BRL	73,000,000	Sale	07/02/2014	\$ 32,278,640	\$ 102,482
J.P. Morgan Chase & Co.	GBP	1,063,200	Sale	06/30/2014	1,781,696	7,324
						\$ 109,806
Citigroup Global Markets	BRL	71,000,000	Sale	06/03/2014	\$ 31,655,043	\$ (135,210)
Citigroup Global Markets	BRL	71,000,000	Purchase	06/03/2014	31,655,043	(90,989)
						\$ (226,199)

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

REVERSE REPURCHASE AGREEMENTS

Counterparty	Interest Rate	Acquisition Date	Value
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Credit Suisse First Boston	0.450%	05/16/2013	\$	1,868,989
Credit Suisse First Boston	0.750%	05/16/2013		2,722,825
Credit Suisse First Boston	0.700%	07/18/2013		2,144,880
Credit Suisse First Boston	0.000%	11/19/2013		1,288,200
Credit Suisse First Boston	0.500%	02/10/2014		3,282,400
Credit Suisse First Boston	0.750%	03/25/2014		823,400
Credit Suisse First Boston	0.750%	04/04/2014		1,460,250
Credit Suisse First Boston	0.650%	04/04/2014		2,409,305
Credit Suisse First Boston	0.500%	05/09/2014		1,035,005
Credit Suisse First Boston	(3.500)%	05/29/2014		5,283,974
Credit Suisse First Boston	(0.250)%	05/30/2014		6,867,600
Credit Suisse First Boston	0.750%	05/30/2014		3,720,581
Credit Suisse First Boston	(3.500)%	05/30/2014		3,243,680
J.P. Morgan Chase & Co.	0.650%	10/24/2013		890,896
J.P. Morgan Chase & Co.	0.750%	10/24/2013		1,150,886
J.P. Morgan Chase & Co.	0.750%	10/30/2013		3,769,056
J.P. Morgan Chase & Co.	0.000%	11/01/2013		972,188
J.P. Morgan Chase & Co.	0.550%	11/18/2013		2,069,963
J.P. Morgan Chase & Co.	0.650%	12/23/2013		1,362,241
J.P. Morgan Chase & Co.	0.750%	12/23/2013		8,301,000
J.P. Morgan Chase & Co.	0.700%	12/23/2013		2,670,000
J.P. Morgan Chase & Co.	0.450%	12/23/2013		1,809,425
J.P. Morgan Chase & Co.	0.550%	12/23/2013		6,470,240
J.P. Morgan Chase & Co.	0.250%	04/29/2014		2,725,500
J.P. Morgan Chase & Co.	0.850%	05/22/2014		2,848,800
J.P. Morgan Chase & Co.	0.750%	05/27/2014		1,601,429
Nomura Securities	0.650%	01/02/2014		4,750,312
Nomura Securities	0.650%	02/28/2014		1,890,000
Nomura Securities	0.600%	03/19/2014		1,179,375
Nomura Securities	0.650%	03/19/2014		1,313,547
			\$	81,925,947

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

See Notes to Financial Statements.

Statement of

Stone Harbor Emerging Markets Total Income Fund Assets & Liabilities

May 31, 2014

ASSETS:

Investments, at value ⁽¹⁾	\$ 277,909,992
Cash	125,380
Unrealized appreciation on forward foreign currency contracts	109,806
Receivable for investments sold	46,293,434
Deposits with brokers for forward foreign currency contracts collateral	280,000
Dividends and interest receivable	5,329,919
Prepaid and other assets	13,599
Total Assets	330,062,130

LIABILITIES:

Payable for reverse repurchase agreements	81,925,947
Interest due on reverse repurchase agreements	195,006
Payable due to brokers for reverse repurchase agreements collateral	3,309,000
Payable for investments purchased	40,307,631
Unrealized depreciation on forward foreign currency contracts	226,199
Payable to adviser	242,510
Payable to administrator	37,812
Other payables	176,582
Total Liabilities	126,420,687

Net Assets \$ 203,641,443

NET ASSETS CONSIST OF:

Paid-in capital	\$ 227,365,256
Undistributed net investment income	51,147
Accumulated net realized loss on investments, credit default swap contracts, forward foreign currency contracts and foreign currency transactions	(12,705,031)
Net unrealized depreciation on investments, forward foreign currency contracts and translation of assets and liabilities denominated in foreign currencies	(11,069,929)

Net Assets \$ 203,641,443

PRICING OF SHARES:

Net Assets \$ 203,641,443

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Shares of beneficial interest outstanding (unlimited number of shares, par value of \$0.001 per share authorized)	9,613,154
Net assets value, offering and redemption price per share	\$ 21.18
⁽¹⁾ Cost of Investments	\$ 288,923,537

See Notes to Financial Statements.

Stone Harbor Emerging Markets Total Income Fund

Statement of Operations

For the Year Ended May 31,
2014**INVESTMENT INCOME:**

Interest	\$ 19,997,148
Dividends	462,695

Total Investment Income	20,459,843
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EXPENSES:

Investment advisory fees	2,852,786
Administration fees	436,495
Interest on reverse repurchase agreements	496,649
Custodian fees	137,961
Audit fees	58,244
Printing fees	43,007
Legal fees	38,217
Trustee fees	60,001
Transfer agent fees	22,908
Insurance fees	3,117
Other	72,337

Total Expenses	4,221,722
-----------------------	------------------

Net Investment Income	16,238,121
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REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:

Net realized loss on:

Investments	(12,276,849)
Credit default swap contracts	(700,443)
Forward foreign currency contracts	(3,062,516)
Foreign currency transactions	(450,179)

Net realized loss	(16,489,987)
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Net change in unrealized appreciation/(depreciation) on:

Investments	(1,822,790)
Credit default swap contracts	463,516
Forward foreign currency contracts	(321,535)
Translation of assets and liabilities denominated in foreign currencies	169,787

Net change in unrealized depreciation	(1,511,022)
Net Realized and Unrealized Loss on Investments	(18,001,009)
Net Decrease in Net Assets Resulting from Operations	\$ (1,762,888)

See Notes to Financial Statements.

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Annual Report | May 31, 2014

Stone Harbor Emerging Markets Total Income Fund	Statements of Changes in Net Assets	
	For the Year Ended May 31, 2014	For the Period October 25, 2012 (Commencement of Operations) to May 31, 2013
OPERATIONS:		
Net investment income	\$ 16,238,121	\$ 9,089,872
Net realized gain/(loss) on investments, credit default swap contracts, forward foreign currency contracts, and foreign currency transactions	(16,489,987)	3,878,951
Net change in unrealized depreciation on investments, credit default swap contracts, forward foreign currency contracts and translation of assets and liabilities denominated in foreign currencies	(1,511,022)	(9,558,907)
Net increase/(decrease) in net assets resulting from operations	(1,762,888)	3,409,916
DISTRIBUTIONS TO SHAREHOLDERS:		
From net investment income	(15,007,367)	(8,150,406)
From net realized gains	(762,665)	(1,451,627)
From tax return of capital	(1,660,026)	
Net decrease in net assets from distributions to shareholders	(17,430,058)	(9,602,033)
CAPITAL SHARE TRANSACTIONS:		
Proceeds from sales of shares, net of offering costs (\$ and \$480,000)		228,720,000
Net asset value of common shares issued to stockholders from reinvestment of dividends	71,876	134,630
Net increase in net assets from capital share transactions	71,876	228,854,630
Net Increase/(Decrease) in Net Assets	(19,121,070)	222,662,513
NET ASSETS:		
Beginning of period	222,762,513	100,000
	\$ 203,641,443	\$ 222,762,513

End of period (including undistributed net investment income of \$51,147 and \$2,639,802)

OTHER INFORMATION:

Share Transactions:

Beginning shares	9,609,770	4,188
Shares issued in connection with initial public offering		9,600,000
Shares issued as reinvestment of dividends	3,384	5,582
Shares outstanding - end of period	9,613,154	9,609,770

See Notes to Financial Statements.

Stone Harbor Emerging Markets Total Income Fund

Statement of Cash Flows

For the Year Ended May 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Net decrease in net assets from operations	\$ (1,762,888)
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities	(210,824,057)
Proceeds from disposition of investment securities	195,459,363
Net purchase of short-term investment securities	4,612,601
Net payments on credit default swap contracts	(309,053)
Net amortization of discounts and accretion of premiums	175,538
Inflation Income	(429)
Net realized loss on:	
Investments	12,276,849
Credit default swaps contracts	700,443
Net change in unrealized (appreciation)/depreciation on:	
Investments	1,822,790
Credit default swap contracts	(463,516)
Forward foreign currency contracts	321,535
Translation of assets and liabilities denominated in foreign currencies	(169,787)
Decrease in deposits with brokers credit default swap contracts, reverse repurchase agreements, and forward foreign currency contracts	3,595,000
Decrease in dividends and interest receivable	426,392
Decrease in interest receivable on swap contracts	121,667
Increase in prepaid and other assets	(13,599)
Increase in payable due to brokers for credit default swap contracts, reverse repurchase agreements, and forward foreign currency contracts	2,099,000
Increase in payable to adviser	5,763
Increase in payable to administrator	852
Increase in other payables	60,636
Increase in interest due on reverse repurchase agreements	161,320
Decrease in interest payable for credit default swap contracts	(16,822)
Net cash provided by operating activities	8,279,598

CASH FLOWS FROM FINANCING ACTIVITIES:

Cash provided by reverse repurchase agreements	9,034,177
Cash distributions paid	(17,358,182)
Net cash used in financing activities	(8,324,005)

Effect of exchange rates on Cash	169,787
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Net increase in cash and foreign rates on cash and foreign currency		125,380
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Cash and foreign currency, beginning balance		
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Cash and foreign currency, ending balance	\$	125,380
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest on reverse repurchase agreements:	\$	335,329
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Noncash financing activities not included herein consist of reinvestment of dividends and distributions of:	\$	71,876
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See Notes to Financial Statements.

Stone Harbor Emerging Markets Total Income Fund

Financial Highlights

For a share outstanding throughout the periods presented.

For the Year Ended May 31	2014	2013 ⁽¹⁾
Net asset value - beginning of period	\$ 23.18	\$ 23.88
Income/(loss) from investment operations:		
Net investment income ⁽²⁾	1.69	0.95
Net realized and unrealized loss on investments	(1.88)	(0.60)
Total income/(loss) from investment operations	(0.19)	0.35
Less distributions to common shareholders:		
From net investment income	(1.56)	(0.85)
From net realized gains	(0.08)	(0.15)
From tax return of capital	(0.17)	
Total distributions	(1.81)	(1.00)
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	(2.00)	(0.70)
Net asset value - end of period	\$ 21.18	\$ 23.18
Market price - end of period	\$ 19.95	\$ 23.95
Total Return⁽³⁾⁽⁴⁾	0.28%	1.12%
Total Return - Market Price⁽³⁾⁽⁴⁾	(8.58%)	(0.20%)
Ratios/Supplemental Data:		
Net assets, end of period (in thousands)	\$ 203,641	\$ 222,763
Ratio of expenses to average net assets	2.14%	1.87% ⁽⁵⁾
Ratio of net investment income to average net assets	8.25%	6.48% ⁽⁵⁾
Ratio of expenses to average managed assets ⁽⁶⁾	1.49%	1.44% ⁽⁵⁾
Portfolio turnover rate	91%	112%
Borrowings at End of Period		

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Aggregate Amount Outstanding (in thousands)	\$ 81,926	\$ 72,892
Asset Coverage Per \$1,000 (in thousands)	\$ 3,486	\$ 4,056

- (1) *The Fund commenced operations on October 25, 2012.*
- (2) *Calculated using average shares throughout the period.*
- (3) *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.*
- (4) *Total returns for periods of less than one year are not annualized.*
- (5) *Annualized.*
- (6)