

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

Stone Harbor Emerging Markets Total Income Fund  
Form N-Q  
October 28, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-22716

Stone Harbor Emerging Markets Total Income Fund  
(Exact name of registrant as specified in charter)

c/o Stone Harbor Investment Partners LP  
31 West 52nd Street, 16th Floor  
New York, NY 10019  
(Address of principal executive offices) (Zip code)

Adam J. Shapiro, Esq.  
c/o Stone Harbor Investment Partners LP  
31 West 52nd Street, 16th Floor  
New York, NY 10019  
(Name and address of agent for service)

With copies to:

Michael G. Doherty, Esq.  
Ropes & Gray LLP  
1211 Avenue of the Americas  
New York, NY 10036

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

Date of fiscal year end: May 31

Date of reporting period: August 31, 2016

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Item 1. Schedule of Investments.

Stone  
Harbor  
Emerging  
Markets  
Total  
Income  
Fund

Statement of Investments  
August 31, 2016 (Unaudited)

	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
<b>SOVEREIGN DEBT OBLIGATIONS - 104.14%</b>							
Angola - 1.08%							
Republic of Angola:							
		USD	7.00 %	08/16/19	347,250	\$348,118	(1)
		USD	9.50 %	11/12/25	570,000	568,931	(1)
		USD	9.50 %	11/12/25	667,000	665,750	(2)(3)
						1,582,799	
Argentina - 11.05%							
Republic of Argentina:							
		EUR	7.82 %	12/31/33	2,858,123	3,411,261	
		USD	8.28 %	12/31/33	98,143	112,864	
		USD	8.28 %	12/31/33	7,787,463	8,721,959	(3)
		EUR	0.00 %	12/15/35	7,053,879	810,430	(4)
		EUR	2.26 %	12/31/38	313,339	222,378	(5)
		USD	2.50 %	12/31/38	4,127,000	2,863,106	(3)(5)
		USD	7.63 %	04/22/46	81,000	91,834	(2)
						16,233,832	
Brazil - 14.29%							
Brazil Minas SPE via State of Minas Gerais							
		USD	5.33 %	02/15/28	4,273,000	4,166,175	(1)(3)
Nota Do Tesouro Nacional:							
		BRL	10.00 %	01/01/21	40,000,000	11,610,180	
		BRL	10.00 %	01/01/25	6,000,000	1,675,567	
Republic of Brazil:							
		USD	7.13 %	01/20/37	171,000	203,917	
		USD	5.63 %	02/21/47	3,296,000	3,341,320	(3)
						20,997,159	
Colombia - 4.55%							
Bogota Distrito Capital							
		COP	9.75 %	07/26/28	6,130,000,000	2,131,981	(1)
Republic of Colombia:							
		COP	10.00 %	07/24/24	7,100,000,000	2,769,533	
		COP	7.75 %	09/18/30	5,200,000,000	1,777,426	

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6,678,940

Costa Rica - 3.17%

Republic of Costa Rica:

USD	4.25	%	01/26/23	1,482,000	1,470,885	(1)(3)
USD	7.00	%	04/04/44	915,000	1,001,925	(1)(3)
USD	7.00	%	04/04/44	1,993,000	2,182,335	(2)(3)
					4,655,145	

Dominican Republic - 2.61%

Dominican Republic

USD	6.88	%	01/29/26	3,309,000	3,838,440	(1)(3)
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Ecuador - 0.23%

Republic of Ecuador

USD	7.95	%	06/20/24	378,000	333,113	(1)
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El Salvador - 4.24%

Republic of El Salvador:

USD	7.75	%	01/24/23	2,532,000	2,848,500	(1)(3)
USD	5.88	%	01/30/25	395,000	402,900	(1)
USD	6.38	%	01/18/27	469,000	479,552	(2)

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	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)
El Salvador (continued)						
Republic of El Salvador: (continued)						
		USD	8.25	%04/10/32	628,000	\$708,070 (1)
		USD	7.65	%06/15/35	445,000	471,700 (1)
		USD	7.63	%02/01/41	1,250,000	1,318,750(1)
						6,229,472
Ethiopia - 0.38%						
Federal Democratic Republic of Ethiopia						
		USD	6.63	%12/11/24	570,000	558,600 (2)
Gabon - 1.43%						
Republic of Gabon:						
		USD	6.38	%12/12/24	571,000	532,101 (2)
		USD	6.95	%06/16/25	1,669,000	1,562,601(2)(3)
						2,094,702
Ghana - 1.98%						
Republic of Ghana:						
		USD	7.88	%08/07/23	650,000	604,500 (2)(3)
		USD	10.75	%10/14/30	2,035,000	2,307,385(2)(3)
						2,911,885
Indonesia - 4.80%						
Republic of Indonesia:						
		IDR	8.25	%07/15/21	44,900,000,000	3,589,546
		IDR	8.38	%09/15/26	42,100,000,000	3,458,246
						7,047,792
Iraq - 4.05%						
Republic of Iraq						
		USD	5.80	%01/15/28	7,331,000	5,947,274(1)(3)
Ivory Coast - 4.91%						
Ivory Coast Government:						
		USD	5.38	%07/23/24	291,000	291,182 (2)
		USD	6.38	%03/03/28	780,000	817,538 (2)
		USD	5.75	%12/31/32	6,121,170	6,102,041(1)(3)(5)
						7,210,761
Jamaica - 1.49%						
Jamaican Government:						
		USD	7.63	%07/09/25	501,000	586,170
		USD	6.75	%04/28/28	1,329,000	1,516,721(3)
		USD	8.00	%03/15/39	79,000	93,615
						2,196,506
Kenya - 1.57%						
Republic of Kenya:						

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USD	5.88	%06/24/19	892,000	912,070	(2)(3)
USD	6.88	%06/24/24	1,415,000	1,391,122	(2)(3)
				2,303,192	

Lebanon - 3.05%

Lebanese Republic:

USD	6.25	%11/04/24	441,000	432,180	
USD	6.60	%11/27/26	606,000	601,455	
USD	6.75	%11/29/27	1,500,000	1,498,125	
USD	6.65	%02/26/30	1,972,000	1,942,420	
				4,474,180	

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	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)
Mexico - 6.12%						
Mexican Bonos:						
		MXN	4.75	%06/14/18	57,890,000	\$3,056,368
		MXN	10.00	%12/05/24	87,290,000	5,934,936
						8,991,304
Nigeria - 1.32%						
Republic of Nigeria:						
		USD	6.75	%01/28/21	501,000	512,272 (1)
		USD	6.38	%07/12/23	1,428,000	1,420,860 (2)(3)
						1,933,132
Panama - 0.67%						
Republic of Panama						
		USD	8.13	%04/28/34	680,000	991,950 (3)
Russia - 6.60%						
Russian Federation:						
		RUB	7.00	%08/16/23	145,950,000	2,099,430
		RUB	7.05	%01/19/28	535,078,000	7,598,668
						9,698,098
South Africa - 10.79%						
Republic of South Africa:						
		ZAR	7.25	%01/15/20	147,160,000	9,703,120
		USD	5.88	%09/16/25	195,000	219,131
		ZAR	10.50	%12/21/26	79,500,000	5,923,387
						15,845,638
Sri Lanka - 0.38%						
Republic of Sri Lanka						
		USD	6.13	%06/03/25	539,000	554,399 (2)
Turkey - 7.96%						
Republic of Turkey:						
		TRY	8.30	%06/20/18	5,730,000	1,924,886
		TRY	10.50	%01/15/20	9,700,000	3,415,967
		TRY	7.10	%03/08/23	12,230,000	3,653,555
		USD	6.63	%02/17/45	2,257,000	2,699,936 (3)
						11,694,344
Ukraine - 3.81%						
Ukraine Government:						
		USD	7.75	%09/01/19	615,000	615,769 (2)
		USD	7.75	%09/01/20	2,343,000	2,322,498 (2)(3)
		USD	7.75	%09/01/21	1,675,000	1,649,875 (2)(3)
		USD	7.75	%09/01/25	411,000	398,259 (2)
		USD	7.75	%09/01/27	642,000	616,962 (2)
						5,603,363

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Venezuela - 0.62%

Republic of Venezuela:

USD	13.63%	08/15/18	400,000	279,000	(1)
USD	7.75%	10/13/19	223,800	110,781	(1)
USD	8.25%	10/13/24	244,200	108,669	(1)
USD	7.65%	04/21/25	98,000	42,875	
USD	11.95%	08/05/31	734,100	376,226	
				917,551	

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	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
Zambia - 0.99%							
Republic of Zambia		USD	8.97 %	07/30/27	1,476,000	\$ 1,450,170	(1)(3)
<b>TOTAL SOVEREIGN DEBT OBLIGATIONS</b>						<b>152,973,741</b>	
(Cost \$158,277,602)							
<b>BANK LOANS - 1.38%</b>							
Brazil - 1.38%							
Banco de Investimentos Credit Suisse Brasil SA - Brazil Loan Tranche A		USD	6.25 %	01/10/18	600,000	624,120	
Banco de Investimentos Credit Suisse Brasil SA - Brazil Loan Tranche B		USD	6.25 %	01/10/18	1,350,000	1,404,270	
						2,028,390	
<b>TOTAL BANK LOANS</b>						<b>2,028,390</b>	
(Cost \$1,950,000)							
<b>CORPORATE BONDS - 31.54%</b>							
Algeria - 0.11%							
GTH Finance BV		USD	6.25 %	04/26/20	159,000	167,745	(2)
Angola - 0.68%							
Puma International Financing SA		USD	6.75 %	02/01/21	961,000	999,440	(2)
Argentina - 1.36%							
Petrobras Argentina SA		USD	7.38 %	07/21/23	1,000,000	1,026,250	(2)
YPF SA		USD	8.75 %	04/04/24	908,000	976,100	(2)(3)
						2,002,350	
Azerbaijan - 2.47%							
State Oil Co. of the Azerbaijan Republic		USD	4.75 %	03/13/23	3,705,000	3,635,531	(3)
Brazil - 3.62%							
ESAL GmbH		USD	6.25 %	02/05/23	1,304,000	1,326,820	(2)(3)
GTL Trade Finance Inc.		USD	7.25 %	04/16/44	1,000,000	1,017,500	(2)(3)
Marfrig Holdings Europe BV		USD	8.00 %	06/08/23	1,000,000	1,046,250	(2)(3)
Minerva Luxembourg SA		USD	7.75 %	01/31/23	219,000	231,593	(2)
Petrobras Global Finance BV		USD	8.75 %	05/23/26	1,543,000	1,697,454	(3)
						5,319,617	
Chile - 1.32%							
GeoPark Latin America Ltd. Agencia en Chile		USD	7.50 %	02/11/20	416,000	355,160	(2)
VTR Finance BV		USD	6.88 %	01/15/24	1,500,000	1,582,050	(2)(3)
						1,937,210	



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Colombia - 2.17%						
Ecopetrol SA	USD	4.13 %	01/16/25	2,379,000	2,310,604	(3)
Empresas Publicas de Medellin ESP	COP	8.38 %	02/01/21	500,000,000	162,887	(1)
Millicom International Cellular SA	USD	6.63 %	10/15/21	669,000	708,304	(2)
					3,181,795	
Ecuador - 4.04%						
EP PetroEcuador via Noble Sovereign Funding I Ltd.	Libor+5.63%	USD	6.27 %	09/24/19	6,072,368	5,928,149 (1)(3)(4)
Guatemala - 0.71%						
Comcel Trust via Comunicaciones Celulares SA	USD	6.88 %	02/06/24	1,000,000	1,038,750	(2)(3)

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	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
<b>India - 0.46%</b>							
Greenko Dutch BV		USD	8.00 %	08/01/19	182,000	\$ 195,989	(1)
<b>Vedanta Resources PLC:</b>							
		USD	6.00 %	01/31/19	182,000	170,983	(2)
		USD	8.25 %	06/07/21	247,000	236,896	(2)
		USD	7.13 %	05/31/23	84,000	75,507	(2)
						679,375	
<b>Kazakhstan - 1.35%</b>							
Zhaikmunai LLP		USD	7.13 %	11/13/19	2,136,000	1,986,480	(2)(3)
<b>Mexico - 9.63%</b>							
America Movil SAB de CV		MXN	6.00 %	06/09/19	50,000,000	2,621,953	
Metalsa SA de CV		USD	4.90 %	04/24/23	481,000	487,012	(2)
Mexichem SAB de CV		USD	5.88 %	09/17/44	725,000	729,350	(2)
<b>Petroleos Mexicanos:</b>							
		USD	6.88 %	08/04/26	572,000	666,437	(2)
		USD	6.88 %	08/04/26	1,885,000	2,196,214	(1)(3)
		MXN	7.47 %	11/12/26	60,000,000	2,883,450	
		USD	5.63 %	01/23/46	472,000	457,510	
Sixsigma Networks Mexico SA de CV		USD	8.25 %	11/07/21	1,250,000	1,251,250	(2)(3)
Southern Copper Corp.		USD	5.25 %	11/08/42	3,000,000	2,849,700	(3)
						14,142,876	
<b>Peru - 0.63%</b>							
Cia Minera Ares SAC		USD	7.75 %	01/23/21	850,000	924,375	(2)
<b>South Africa - 2.79%</b>							
<b>Eskom Holdings SOC Ltd.:</b>							
		USD	5.75 %	01/26/21	337,000	331,187	(1)
		USD	7.13 %	02/11/25	3,785,000	3,766,075	(2)(3)
						4,097,262	
<b>Venezuela - 0.20%</b>							
Petroleos de Venezuela		USD	6.00 %	05/16/24	775,000	290,625	(1)
<b>TOTAL CORPORATE BONDS</b>						<b>46,331,580</b>	
<b>(Cost \$46,151,344)</b>							
<b>EXCHANGE TRADED FUNDS - 8.73%</b>							
iShares® MSCI Brazil Capped ETF		USD	N/A	N/A	89,000	2,983,280	
iShares® MSCI Turkey ETF		USD	N/A	N/A	160,673	6,100,754	
Vanguard® FTSE Emerging Markets ETF		USD	N/A	N/A	100,000	3,735,000	
<b>TOTAL EXCHANGE TRADED FUNDS</b>						<b>12,819,034</b>	

(Cost \$17,100,946)

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	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)
SHORT TERM INVESTMENTS - 0.51%						
Money Market Mutual Funds - 0.51%						
Dreyfus Treasury Prime Cash Advantage Fund - Institutional Advantage Shares (7-Day Yield)		USD	0.18 %	N/A	752,584	\$752,584
TOTAL SHORT TERM INVESTMENTS (Cost \$752,584)						752,584
Total Investments - 146.30% (Cost \$224,232,476)						214,905,329
Liabilities in Excess of Other Assets - (46.30)%						(68,013,846 ) <sup>(6)</sup>
Net Assets - 100.00%						\$146,891,483

\*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  
EUR -Euro Currency  
IDR -Indonesian Rupiah  
MXN-Mexican Peso  
RUB -Russian Ruble  
TRY -New Turkish Lira  
USD -United States Dollar  
ZAR -South African Rand

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 (1)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 August 31, 2016, the aggregate market value of those securities was \$43,224,746, which represents approximately 29.43% of net assets.

Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may normally be (2)sold to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to \$40,745,518, which represents approximately 27.74% of net assets as of August 31, 2016.

(3)On August 31, 2016, securities valued at \$91,381,461 were pledged as collateral for reverse repurchase agreements.

(4)Floating or variable rate security. Interest rate disclosed is that which is in effect as of August 31, 2016.

(5)Step bond. Coupon changes periodically based upon a predetermined schedule. Interest rate disclosed is that which is in effect as of August 31, 2016.

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

OUTSTANDING FORWARD FOREIGN CURRENCY CONTRACTS

Counterparty	Foreign Currency	Contracted Amount**	Purchase/Sale Contract	Settlement Date	Current Value	Unrealized Appreciation/ (Depreciation)
J.P. Morgan Chase & Co.	EUR	3,849,889	Purchase	09/09/16	\$4,288,293	\$ 7,473

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\$ 7,473

Citigroup Global Markets EUR	100,111	Purchase	09/09/16	\$111,714	\$ (195	)
Citigroup Global Markets EUR	3,943,000	Sale	09/09/16	4,400,008	(12,159	)
J.P. Morgan Chase & Co. EUR	3,996,700	Sale	10/11/16	4,466,048	(7,441	)
					\$ (19,795	)

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

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## REVERSE REPURCHASE AGREEMENTS

Counterparty	Interest Rate	Acquisition Date	Amount
Credit Suisse First Boston	1.500%	12/16/2015	\$2,921,729
Credit Suisse First Boston	0.900%	12/17/2015	784,346
Credit Suisse First Boston	1.000%	12/18/2015	2,691,440
Credit Suisse First Boston	1.500%	01/27/2016	1,015,391
Credit Suisse First Boston	1.250%	02/18/2016	986,379
Credit Suisse First Boston	1.000%	03/02/2016	396,500
Credit Suisse First Boston	1.250%	05/18/2016	2,885,448
Credit Suisse First Boston	1.250%	06/02/2016	1,689,090
Credit Suisse First Boston	1.500%	06/02/2016	2,568,630
Credit Suisse First Boston	1.500%	06/03/2016	2,190,000
Credit Suisse First Boston	1.500%	06/06/2016	724,130
Credit Suisse First Boston	0.000%	06/08/2016	2,634,255
Credit Suisse First Boston	1.250%	06/08/2016	2,533,822
Credit Suisse First Boston	1.500%	06/08/2016	4,367,364
Credit Suisse First Boston	1.250%	06/13/2016	3,634,520
Credit Suisse First Boston	1.500%	06/16/2016	8,508,325
Credit Suisse First Boston	1.250%	07/18/2016	6,940,929
Credit Suisse First Boston	1.150%	07/22/2016	2,142,000
Credit Suisse First Boston	1.250%	07/22/2016	4,076,884
Credit Suisse First Boston	1.500%	07/22/2016	3,081,636
Credit Suisse First Boston	1.500%	07/26/2016	1,441,800
Credit Suisse First Boston	1.250%	07/29/2016	2,188,329
Credit Suisse First Boston	1.500%	08/10/2016	936,000
Credit Suisse First Boston	1.250%	08/11/2016	2,553,863
Credit Suisse First Boston	1.500%	08/11/2016	4,485,602
			\$68,378,412

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

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CREDIT DEFAULT SWAP CONTRACTS ON SOVEREIGN DEBT OBLIGATIONS ISSUE - SELL PROTECTION<sup>(1)</sup>

Reference Obligations	Counterparty	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at August 31, 2016 <sup>(2)</sup>	Notional Amount <sup>(3)</sup>	Value	Upfront Premiums Received	Unrealized Appreciation
Petroleos de Venezuela	Credit Suisse First Boston	5.000%	12/20/2016	86.510 %	\$2,990,000	\$(635,748 )	\$741,281	\$ 105,532
Petroleos de Venezuela	Credit Suisse First Boston	5.000%	12/20/2016	86.510 %	2,490,000	(529,436 )	753,534	224,098
						\$(1,165,184)	\$1,494,815	\$ 329,630

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

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

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

INTEREST RATE SWAP CONTRACTS

Pay/Receive	Clearing House	Floating Rate	Expiration Date	Notional Amount	Fixed Rate	Value	Unrealized Depreciation
Receive	Chicago Mercantile Exchange	3 month LIBOR	02/06/2025	\$16,700,000	1.975 %	\$(786,466)	\$(786,466 )
Receive	Chicago Mercantile Exchange	3 month LIBOR	12/23/2024	150,000	2.309 %	(11,048 )	(11,048 )
						\$(797,514)	\$(797,514 )

Stone  
Harbor  
Emerging  
Markets  
Total  
Income  
Fund

Notes to Statement of Investments  
February 29, 2016 (Unaudited)

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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Stone Harbor Emerging Markets Total Income Fund (the “Fund”) is a closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund was organized as a Massachusetts business trust on May 25, 2012 pursuant to an Agreement and Declaration of Trust governed by the laws of The Commonwealth of Massachusetts (the “Declaration of Trust”). The Fund’s inception date is October 25, 2012. 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 LP (the “Adviser” or “Stone Harbor”) 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 “EDI.”

The Fund’s primary investment objective is to maximize total return, which consists of income and capital appreciation from investments in emerging markets securities. The Fund will normally invest at least 80% of its net assets (plus any borrowings made for investment purposes) in emerging markets debt. Emerging markets debt 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 or otherwise related 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 Statement of Investments. The Fund is considered an investment company for financial reporting purposes under generally accepted accounting principles in the United States of America (“GAAP”). The policies are in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of the date of the Statement of Investments. Actual results could differ from those estimates.

**Investment Valuation:** Sovereign debt obligations, corporate bonds, and convertible corporate bonds, are generally valued at the mean between the closing bid and asked prices provided by an independent pricing service. The pricing services generally uses market models that consider trade data, yields, spreads, quotations from dealers and active market makers, credit worthiness, market information on comparable securities, and other relevant security specific information. Bank Loans are primarily valued by a loan pricing provider using a composite loan price at the mean of the bid and ask prices from one or more brokers of dealers. Credit Linked securities are generally valued using quotations from broker through which the Fund executed the transaction. The broker’s quotation considers cash flows, default and recovery rates, and other security specific information. 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. If on a given day, a closing price is not available on the exchange, the equity security is valued at the mean between the closing bid and ask prices, as such prices are provided by a pricing service. 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 (the "Board"). Short term obligations with maturities of 60 days or less are valued at amortized cost, which approximates market value. Exchange Traded Funds ("ETFs") are valued at the close price on the exchange it is listed. Money market mutual funds are valued at their net asset value. Over the counter traded derivatives (primarily swaps and foreign currency options) are generally priced by an independent pricing service. OTC traded credit default swaps are valued by the independent pricing source using a mid price that is calculated based on data an independent pricing source receives from dealers. OTC traded foreign currency options are valued by an independent pricing source using mid foreign exchange rates against USD for all currencies at 4:00 p.m. EST. Derivatives which are cleared by an exchange are priced by using the last price on such exchange. Foreign currency positions including forward currency contracts are priced at the mean between the closing bid and asked prices at 4:00 p.m. Eastern time.

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.

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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 August 31, 2016:

Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Sovereign Debt Obligations	\$-	\$152,973,741	\$-	\$152,973,741
Bank Loans	-	-	2,028,390	2,028,390
Corporate Bonds	-	46,331,580	-	46,331,580
Exchange Traded Funds	12,819,034	-	-	12,819,034
Short Term Investments	752,584	-	-	752,584
Total	\$13,571,618	\$199,305,321	\$2,028,390	\$214,905,329

Other Financial Instruments\*\*

Assets

Forward Foreign Currency Contracts	\$-	\$7,473	\$-	\$7,473
Credit Default Swap Contracts	-	329,630	-	329,630

Liabilities

Forward Foreign Currency Contracts	-	(19,795 )	-	(19,795 )
Interest Rate Swap Contracts	-	(797,514 )	-	(797,514 )
Total	\$-	\$(480,206 )	\$-	\$(480,206 )

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

Other financial instruments are derivative instruments not reflected in the Statement of Investments. The derivatives \*\* shown in this table are reported at their unrealized appreciation/(depreciation) at measurement date, which represents the change in the contract's value from trade date.

There were no transfers in or out of Levels 1 and 2 during the period. It is the Fund's policy to recognize transfers into and out of all levels at the end of the reporting period.

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

All level 3 investments have values determined utilizing third party pricing information without adjustment.

Investments in Securities	Balance as of May 31, 2016	Accretion/Discount/premium	Realized Gain/(Loss) Capital	Change in Unrealized Appreciation/(Depreciation)	Purchases	Sales Proceeds	Transfers into Level 3	Transfers out of Level 3	Balance as of August 31, 2016	Net change in unrealized
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appreciation/(depreciation) included in the Statements of Operations attributable to Level 3 investments held at August 31, 2016

Stone Harbor Emerging Markets

Total Income

Bank Loans	\$1,219,920	\$-	\$-	\$-	\$58,470	\$750,000	\$-	\$-	\$-	\$2,028,390	\$58,470
Credit Linked Notes	3,675,903		(1,201,892)	1,320,396		(3,856,340)					
Total	\$4,895,823	\$-	\$-	\$(1,201,892)	\$1,378,866	\$750,000	\$(3,856,340)	\$-	\$-	\$2,028,390	\$58,470

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

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In the event a Board approved independent pricing service is unable to provide an evaluated price for a security or the Adviser believes the price provided is not reliable, securities of the Fund may be valued at fair value as described above. In these instances the Adviser may seek to find an alternative independent source, such as a broker/dealer to provide a price quote, or by using evaluated pricing models similar to the techniques and models used by the independent pricing service. These fair value measurement techniques may utilize unobservable inputs (Level 3).

On at least a quarterly basis, the Adviser presents the factors considered in determining the fair value measurements and presents that information to the Board which meets at least quarterly.

**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. If applicable, any foreign capital gains taxes are accrued, net of unrealized gains, and are payable upon the sale of such investments. 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.

**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.

**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.

**ETFs and Other Investment Companies Risk:** The Fund may invest in an ETF or other investment company. The Fund will be subject to the risks of the underlying securities in which the other investment company invests. In addition, as a shareholder in an ETF or other investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's investment management fees with respect to the assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, these other investment companies may use leverage, in which case an investment would subject the Fund to additional risks associated with leverage. The Fund may invest in other investment companies for which the Adviser or an affiliate serves as investment manager or with which the Adviser is otherwise affiliated. The relationship between the Adviser and any such other investment company could create a conflict of interest between the Adviser and the Fund.

In addition to the risks related to investing in investment companies generally, investments in ETFs involve the risk that the ETF's performance may not track the performance of the index or markets the ETF is designed to track. In addition, ETFs often use derivatives to track the performance of the relevant index and, therefore, investments in those ETFs are subject to the same derivatives risks discussed below.

**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 liquidity risk, market risk, interest rate risk and the risk that the counterparty will be unwilling or unable to meet its obligations under the note.

**Segregation and Collateralization:** In cases in which the 1940 Act and the interpretive positions of the U.S. Securities and Exchange Commission (“SEC”) require that the Fund either delivers collateral or segregate assets in connection with certain investments (e.g., foreign currency exchange contracts, securities with extended settlement periods, and swaps) or certain borrowings (e.g., reverse repurchase agreements), the Fund will segregate collateral or designate on its books and records cash or other liquid securities having a value at least equal to the amount that is required to be physically segregated for the benefit of the counterparty. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party has requirements to deliver/deposit cash or securities as collateral for certain investments. Cash collateral that has been pledged to cover obligations of the Fund is noted on the Statement of Investments.

**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 (including any assets attributable to any leverage used) minus the Fund’s accrued liabilities (other than Fund liabilities incurred for any leverage) (“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.

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In a reverse repurchase agreement, the Fund delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. The Fund is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. In periods of increased demand for a security, the Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. The Fund will segregate assets determined to be liquid to cover its obligations under reverse repurchase agreements. As all agreements can be terminated by either party on demand, face value approximates fair value at August 31, 2016. This fair value is based on Level 2 inputs under the three-tier fair valuation hierarchy described above. For the period ended August 31, 2016, the average amount of reverse repurchase agreements outstanding was \$57,933,223 at a weighted average interest rate of 1.25%.

**Leverage Risk:** Leverage creates risks for Common Shareholders, including the likelihood of greater volatility of net asset value (“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.

**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.

## 2. DERIVATIVE INSTRUMENTS

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**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 that 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-grade 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.

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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 Fund is 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.

Derivatives are also subject to the risk of possible regulatory changes, which could adversely affect the availability and performance of derivative securities, make them more costly and limit or restrict their use by the Fund, which could prevent the Fund from implementing its investment strategies and adversely affect returns.

**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 closed, 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 closed. 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.

**Foreign Currency Options:** The Fund may write or purchase foreign currency options. Purchasing foreign currency options gives the Fund the right, but not the obligation to buy or sell the currency with specified amounts of currency and a rate of exchange that may be exercised by a certain date. Writing foreign currency options gives the counterparty the right, but not the obligation to buy or sell the currency and will specify the amount of currency and a rate of exchange that may be exercised by a specified date. These options may be used as a short or long hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies.

Currency hedging involves special risks, including possible default by the other party to the transaction, illiquidity and, to the extent the Adviser's view as to certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if they had not been used. In addition, in certain countries in which the Fund may invest, currency hedging opportunities may not be available.

**Swap Agreements:** The Fund may invest in swap agreements. Swap agreements are bilaterally negotiated agreements between the Fund and a counterparty to exchange or swap investment cash flows, assets, or market-linked returns at specified, future intervals. Swap agreements are privately negotiated in the over the counter market ("OTC swaps") or may be executed in a multilateral or other trade facility platform, such as a registered exchange ("centrally cleared



swaps”). In a centrally cleared swap, immediately following execution of the swap agreement, the swap agreement is novated to a central counterparty (the “CCP”) and the Fund’s counterparty on the swap agreement becomes the CCP. The Fund may enter into credit default swaps, interest rate swaps, total return swaps on individual securities or groups or indices of securities for hedging, investment or leverage purposes. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

Swaps are marked to market daily and changes in value, including the accrual of periodic amounts of interest, are recorded daily. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a receivable or payable for the change in value as appropriate (“variation margin”). Each day the Fund may pay or receive cash, equal to the variation margin of the centrally cleared swap. OTC swap payments received or paid at the beginning of the measurement period represent premiums paid or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, interest rates, and other relevant factors). Generally, the basis of the OTC swaps is the unamortized premium received or paid. The periodic swap payments received or made by the Fund are recorded as realized gains or losses, respectively. Any upfront fees paid are recorded as assets and any upfront fees received are recorded as liabilities. When the swap is terminated, the Fund will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund’s basis in the contract, if any.

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**Credit Default Swap Contracts:** The Fund may enter into credit default swap contracts for hedging purposes to gain market exposure or to add leverage to its portfolio. When used for hedging purposes, the Fund would be the buyer of a credit default swap contract. In that case, the Fund is 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 pays to the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no event of default occurs, the Fund has spent the stream of payments and received no benefit from the contract. When the Fund is the seller of a credit default swap contract, the Fund receives the stream of payments but is obligated to pay upon default of the referenced debt obligation. As the seller, the Fund effectively adds leverage to its portfolio because, in addition to its total assets, the Fund is 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 may be difficult to value, are highly susceptible to liquidity and credit risk and generally pay a return to the counterparty 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.

**Interest Rate Swap Contracts:** Interest rate swap agreements involve the exchange by the Fund with another party for their respective commitment to pay or receive interest on the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or “cap”, (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or “floor”, (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the buyer pays an upfront fee in consideration for the right to early terminate the swap transaction in whole, at zero costs and at a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different segments of money markets.

### 3. UNREALIZED APPRECIATION AND DEPRECIATION ON INVESTMENTS (TAX BASIS)

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At August 31, 2016 the aggregate gross unrealized appreciation and depreciation of investments for federal income purposes were as follows:

Stone Harbor Emerging Markets Total Income Fund	
Gross appreciation on investments (excess of value over tax cost)	\$(4,689,927 )
Gross depreciation on investments (excess of tax cost over value)	(18,038,606 )
Net unrealized depreciation	\$(22,728,533 )
Cost of investments for income tax purposes	\$237,633,862

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Item 2. Controls and Procedures.

The registrant's principal executive officer and principal financial officer have concluded that the registrant's (a) disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) are effective as of a date within 90 days of the filing date of this Report.

There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under (b) the Investment Company Act of 1940, as amended) during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for the registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached as Exhibit 99.CERT.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Stone Harbor Emerging Markets Total  
Income Fund

By: /s/ Peter J. Wilby  
Peter J. Wilby  
President and Chief Executive Officer/  
Principal Executive Officer

Date: October 28, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Peter J. Wilby  
Peter J. Wilby  
President and Chief Executive Officer/  
Principal Executive Officer

Date: October 28, 2016

By: /s/ Thomas M. Reynolds  
Thomas M. Reynolds  
Principal Financial Officer/  
Principal Accounting Officer

October 28, 2016