

BABSON CAPITAL GLOBAL SHORT DURATION HIGH YIELD FUND

Form N-CSRS

September 08, 2016

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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: 811-22562

Babson Capital Global Short Duration High Yield Fund

(Exact name of registrant as specified in charter)

550 South Tryon Street

Charlotte, NC 28202

(Address of principal executive offices) (Zip code)

Janice M. Bishop

Secretary and Chief Legal Officer

c/o Babson Capital Management LLC

Independence Wharf

470 Atlantic Avenue

Boston, MA 02210

(Name and address of agent for service)

(704) 805-7200

Registrant's telephone number, including area code

Date of fiscal year end: December 31, 2016

Date of reporting period: June 30, 2016

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Item 1. Reports to Stockholders.

BABSON CAPITAL GLOBAL SHORT DURATION HIGH YIELD FUND

Semi-Annual Report

June 30, 2016

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Babson Capital Global Short Duration High Yield Fund

c / o Babson Capital Management LLC

550 South Tryon St.

Charlotte, NC 28202

704.805.7200

<http://www.BabsonCapital.com/bgh>

ADVISER

Babson Capital Management LLC

550 South Tryon St.

Suite 3300

Charlotte, NC 28202

SUB-ADVISOR

Babson Capital Global Advisors Limited

61 Aldwych

London, UK

WC2B 4AE

COUNSEL TO THE FUND

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, Massachusetts 02110

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP

Two Financial Center

60 South Street

Boston, Massachusetts 02111

CUSTODIAN

US Bank

MK-WI-S302

1555 N. River Center Drive

Milwaukee, WI 53212

TRANSFER AGENT & REGISTRAR

U.S. Bancorp Fund Services, LLC

615 E. Michigan St.

Milwaukee, WI 53202

FUND ADMINISTRATION/ACCOUNTING

U.S. Bancorp Fund Services, LLC

615 E. Michigan St.

Milwaukee, WI 53202

PROXY VOTING POLICIES & PROCEDURES

The Trustees of Babson Capital Global Short Duration High Yield Fund (the **Fund**) have delegated proxy voting responsibilities relating to the voting of securities held by the Fund to Babson Capital Management LLC (**Babson Capital**). A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 1-866-399-1516; (2) on the Fund's website at <http://www.BabsonCapital.com/bgh>; and (3) on the U.S. Securities and Exchange Commission's (**SEC**) website at <http://www.sec.gov>.

FORM N-Q

The Fund will file its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. This information is available (1) on the SEC's website at <http://www.sec.gov>; and (2) at the SEC's Public Reference Room in Washington, DC (which information on their operation may be obtained by calling 1-800-SEC-0330). A complete schedule of portfolio holdings as of each quarter-end is available on the Fund's website at <http://www.BabsonCapital.com/bgh> or upon request by calling, toll-free, 1-866-399-1516.

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Babson Capital Global Short Duration High Yield Fund 2016 Semi-Annual Report

OFFICERS OF THE FUND

Russell Morrison

President

Carlene Pollock

Chief Financial Officer

Andrew Lennon

Treasurer

Michael Freno

Vice President

Sean Feeley

Vice President

Scott Roth

Vice President

Melissa LaGrant

Chief Compliance Officer

Janice Bishop

Secretary/Chief Legal Officer

Michele Manha

Assistant Secretary

Babson Capital Global Short Duration High Yield Fund is a closed-end investment company, first offered to the public in 2012, whose shares are traded on the New York Stock Exchange.

INVESTMENT OBJECTIVE & POLICY

Babson Capital Global Short Duration High Yield Fund (the Fund) was organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company with its own investment objective. The Fund's common shares are listed on the New York Stock Exchange under the symbol BGH .

The Fund's primary investment objective is to seek as high a level of current income as the Adviser (as defined herein) determines is consistent with capital preservation. The Fund seeks capital appreciation as a secondary investment objective when consistent with its primary investment objective. There can be no assurance that the Fund will achieve its investment objectives.

The Fund will seek to take advantage of inefficiencies between geographies, primarily the North American and Western European high yield bond and loan markets and within capital structures between bonds and loans. For example, the Fund will seek to take advantage of differences in pricing between bonds and loans of an issuer denominated in U.S. dollars and substantially similar bonds and loans of the same issuer denominated in Euros, potentially allowing the Fund to achieve a higher relative return for the same credit risk exposure.

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Babson Capital Global Short Duration High Yield Fund 2016 Semi-Annual Report

Dear Fellow Shareholders,

It is our pleasure to provide you with the 2016 Semi-Annual Report for the Babson Capital Global Short Duration High Yield Fund (the Fund) to recap portfolio performance and positioning during an interesting market environment over the past six months. We would like to remind shareholders that we continue to believe our Global High Yield Investments Group is one of the largest teams primarily focused on North American and Western European credits and that the Fund offers investors a compelling portfolio of global high yield assets. Utilizing the Group's expertise, deep resources, and time-tested process, we continue to believe we can provide investors an attractive level of current income even during periods of uncertainty and market volatility.

The global nature of the portfolio, primarily focusing on North American and Western European credits, may provide investors with additional benefits compared to a U.S.-only portfolio, such as additional diversification, higher credit quality, increased yield, and lower duration. More importantly, the global strategy provides flexibility to dynamically shift the geographical weighting in order to capture our best risk-adjusted investment opportunities. This strategy also pays close attention to limiting the duration of the Fund while maintaining what we consider a reasonable amount of leverage.

Market Review

The first quarter of 2016 was marked with high levels of volatility that troughed in the middle of February and ended with a sharp recovery in lower rated credits and commodity prices, fueling price appreciation across all ratings categories and industry sectors. For the quarter, the Bank of America Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index returned 3.32%. Of the first quarter's tailwinds, the rally in commodity prices was by far the most significant. After an elongated decline throughout 2015, stability in the space brought a much needed catalyst for commodity exposed issuers to retrace some of the heavy losses suffered during the downturn with energy, chemicals, and metals & mining outperforming the broader Index towards the end of the quarter.

Following the strength of the first quarter, the global high yield market finished in positive territory during the second quarter, concluding the strongest quarterly performance for the global high yield market since 2012. The Index returned 5.93% for the second quarter, bringing year-to-date performance to 8.89%. On the economic front, the most significant headline of the second quarter was the United Kingdom's historic decision to leave the European Union, bringing renewed uncertainty and heightened volatility to global markets at the conclusion of an otherwise strong quarter. While the surprise vote on June 23rd caused volatility in risk assets in the trading days immediately following the decision to leave, markets remained orderly and recovered well after dipping slightly through the first half of the week following the vote.

Although fears of an immediate market panic quickly subsided, almost all details remain unknown regarding the terms and process of the United Kingdom's departure from the European Union, which is expected to take years to complete. Assumptions are that global central banks will remain accommodative in the near term with the likelihood of a rate hike in the United States being pushed even further into the future. In the U.S., economic backlash from the Brexit vote is less likely than in the rest of Europe and attention has now turned to the upcoming jobs report, which follows a disappointing report in May. Barring the events in Britain, U.S. economic data released over the quarter points to a fairly healthy, albeit tepid, domestic economy with home sales and consumer spending robust.

Year-to-date, U.S. dollar denominated high yield new issue supply totaled \$155.3 billion, down 19% from the same period last year on the back of lower acquisition activity. Year-to-date volume in non-U.S. dollar denominated bonds totals the dollar equivalent of \$31.6 billion, compared with \$50.3 billion over the same period last year. Default activity decreased towards the end of the first half of the year, but remains elevated relative to historical averages primarily due to continued strain in the Energy and Metals & Mining sectors. The par-weighted U.S. high yield default rate is 3.56% at the end of June, which is up from 1.88% one year ago. Notably, excluding the Energy and Metals & Mining sectors, the default rate is a mere 0.53%.

Babson Capital Global Short Duration High Yield Fund Overview and Performance

The Fund ended June with a portfolio of 137 issuers, which is a minor increase from the beginning of the year of 126 issuers. A majority of the issuers continue to be domiciled in the U.S. (64.7%) with the U.K. (12.9%) and France (4.2%) representing the next largest country exposures – see Country Composition chart on page 5. From a geographic standpoint, exposure to U.S. domiciled companies increased since the beginning of the year. High yield bond spreads in

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Babson Capital Global Short Duration High Yield Fund 2016 Semi-Annual Report

the Western European market remain compressed compared to the U.S. market as the commodity related sectors in the U.S. experienced headwinds causing significant spread widening to occur. The Western European market, with less exposure to commodity sensitive assets, however, did not experience spread widening to the same degree. Therefore, we selectively allocated across the U.S. market to take advantage of attractive opportunities that offered an appropriate amount of yield to the portfolio without significantly altering the risk profile. The Western European market continues to offer global diversification, reduced duration, and potentially attractive yield opportunities while also providing a buffer against market volatility with limited exposure to commodity related sectors.

As of June 30, 2016, the Fund remained well positioned across the credit quality spectrum: 8.4% BB-rated and above, 72.6% B-rated, and 13.6% CCC-rated and below, with over 50% of the portfolio consisting of senior secured obligations. A small portion of the assets are not rated at 1.3% and cash and accrued income standing at 4.1% of the portfolio.¹ Within the CCC-rated and below category, the majority of these assets are senior secured loans or short duration, yield-to-call high yield bond paper. Based on our experience in the current market environment, we believe these senior secured loan assets offer the potential for compelling risk-adjusted returns and may provide the portfolio with added protection against principal loss in the event of an issuer's bankruptcy.

The Fund paid monthly dividend payments totaling \$0.9285 per share over the first half of 2016 comprised of net investment income. The Fund's share price and net asset value (NAV) ended the reporting period at \$17.86 and \$19.39, respectively, or at a 7.89% discount to NAV. Based on the Fund's share price and NAV on June 30, 2016, the Fund's market price and NAV distribution rates, on an annualized basis were 10.31% and 9.49%, respectively. Assets acquired through leverage, which represented 24.82% of the Fund's total assets as of June 30, 2016, were accretive to net investment income and benefited shareholders.

On a year-to-date basis, the NAV total return was +10.95%, outperforming the global high yield bond market as measured by the Bank of America / Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC), which returned +8.89%. From a market value perspective, the total return through the year-to-date period was +14.47%.² As a reminder, following the January 28th, 2016 Board of Trustees meeting, the Fund changed the Index from the Bank of America / Merrill Lynch Global Non-Financial High Yield Constrained Index to the Bank of America / Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index. The previous index returned +9.35% over the same year-to-date time period.

In Conclusion

The global high yield markets held up relatively well following the Brexit referendum. While we expect to see some headline-driven weakness in high yield markets in the near term—particularly in sterling denominated credits—it will take time for the economic implications of the vote to become clear. That said, outside of commodity related sectors, credit fundamentals for high yield borrowers across geographies remain largely intact. Further, we believe the European high yield markets will benefit from the expansion of the European Central Bank's purchasing program to include corporate credit. Negative pressure in the near-term will most likely stem from broader market sentiment rather than the fundamentals of individual credits. Additionally, the macro-driven volatility tied to Brexit may result in some spread widening, which could present opportunities in quality credits that have been trading at tighter levels following the recent strong performance.

At Babson, we take a long-term view of investing through market and economic cycles and adhere to a disciplined, repeatable investment process that is deeply rooted in fundamental bottom-up analysis. In times of market volatility, we

¹ Ratings are based on Moody's and S&P. If securities are rated differently by the rating agencies, the higher rating is applied and all ratings are converted to the equivalent Moody's major rating category for purposes of the category shown. Credit ratings are based largely on the rating agency's investment analysis at the time of rating and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. The rating assigned to a security by a rating agency does not necessarily reflect its assessment of the volatility of a security's market value or of the liquidity of an investment in the security. Ratings of Baa3 or higher by Moody's and BBB- or higher by S&P are considered to be investment grade quality.

² **Past performance is not necessarily indicative of future results. Current performance may be lower or higher.** All performance is net of fees, which is inclusive of advisory fees, administrator fees and interest expenses.

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focus on our disciplined approach and emphasize our fundamental bottom-up research with the goal of preserving investor capital while seeking to capture such attractive capital appreciation opportunities as may exist. We continue to believe in and manage to this philosophy and believe the Fund will continue to offer an attractive dividend yield through the remainder of 2016.

We value your continued partnership and support, and look forward to helping you achieve your investment objectives.

Sincerely,

Russ Morrison

President

Babson Capital Global Short Duration High Yield Fund

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PORTFOLIO COMPOSITION (% OF ASSETS*)

COUNTRY COMPOSITION (% OF ASSETS*)

***Percentage of assets are expressed by market value excluding cash and accrued income, and may vary over time. The percentages shown above represent a percentage of the assets as of June 30, 2016.**

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STATEMENT OF ASSETS AND LIABILITIES

(Unaudited)

	JUNE 30, 2016
Assets	
Investments, at fair value (cost \$560,642,688)	\$ 501,912,997
Cash	8,051,704
Foreign currency, at fair value (cost \$603,093)	601,500
Interest receivable	10,142,202
Unrealized appreciation on forward foreign exchange contracts	8,197,555
Prepaid expenses and other assets	11,244
Total assets	528,917,202
Liabilities	
Note payable	130,800,000
Dividend payable	3,076,874
Payable for investments purchased	5,206,436
Payable to adviser	340,324
Unrealized depreciation on forward foreign exchange contracts	180,500
Accrued expenses and other liabilities	429,948
Total liabilities	140,034,082
Total net assets	\$ 388,883,120
Net Assets:	
Common stock, \$0.00001 par value	\$ 201
Additional paid-in capital	477,884,220
Dividends in excess of net investment income	(1,878,903)
Accumulated net realized loss	(36,295,348)
Net unrealized depreciation	(50,827,050)
Total net assets	\$ 388,883,120
Common shares issued and outstanding (unlimited shares authorized)	20,057,849

Net asset value per share	\$	19.39
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See accompanying Notes to Financial Statements.

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Babson Capital Global Short Duration High Yield Fund 2016 Semi-Annual Report

STATEMENT OF OPERATIONS

(Unaudited)

	PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2016
Investment Income	
Interest income	\$ 23,301,929
Other income	77,560
Total investment income	23,379,489
Operating Expenses	
Advisory fees	2,466,531
Interest expense	897,887
Administrator fees	242,244
Professional fees	82,931
Directors fees	70,790
Printing and mailing expense	45,692
Other operating expenses	39,859
Total operating expenses	3,845,934
Less fees waived by Adviser	(489,118)
Net Expenses	3,356,816
Net investment income	20,022,673
Realized and Unrealized Gains (Losses) on Investments	
Net realized loss on investments	(26,736,258)
Net realized gain on forward foreign exchange contracts	633,846
Net realized loss on foreign currency and translation	(144,242)
Net realized loss on investments	(26,246,654)
Net unrealized appreciation of investments	36,895,694

Net unrealized appreciation of forward foreign exchange contracts	6,452,157
Net unrealized depreciation of foreign currency and translation	(35,338)
Net unrealized appreciation on investments	43,312,513
Net realized and unrealized gains on investments	17,065,859
Net increase in net assets resulting from operations	\$ 37,088,532

See accompanying Notes to Financial Statements.

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Babson Capital Global Short Duration High Yield Fund 2016 Semi-Annual Report

STATEMENT OF CASH FLOWS

(Unaudited)

	PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2016
Reconciliation of net increase in net assets resulting from operations to net cash provided by operating activities	
Net increase in net assets applicable to common shareholders resulting from operations	\$ 37,088,532
Adjustments to reconcile net decrease in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(113,448,411)
Proceeds from sales of long-term investments	97,331,861
Purchases of foreign currency, net	1,287,738
Forward currency exchange contracts, net	(6,452,157)
Net unrealized appreciation	(36,909,298)
Net realized loss	26,736,258
Amortization and accretion	(499,772)
Changes in operating assets and liabilities:	
Increase in interest receivable	(17,779)
Increase in prepaid expenses and other assets	(2,260)
Decrease in payable for investments purchased	(2,002,136)
Decrease in payable to Adviser	(58,096)
Increase in accrued expenses and other liabilities	90,813
Net cash provided by operating activities	3,145,293
Cash Flows From Financing Activities	
Advances from credit facility	12,300,000
Repayments on credit facility	(15,000,000)
Distributions paid to common shareholders	(23,190,885)
Net cash used in financing activities	(25,890,885)
Net change in cash	(22,745,592)
Cash beginning of period	30,797,296

Cash end of period	\$	8,051,704
Supplemental disclosure of cashflow information		
Income taxes paid	\$	
Interest paid		815,825

See accompanying Notes to Financial Statements.

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STATEMENT OF CHANGES IN NET ASSETS

(Unaudited)

	PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2016	YEAR ENDED DECEMBER 31, 2015
Operations		
Net investment income	\$ 20,022,673	\$ 39,220,735
Net realized loss on investments	(26,246,654)	(5,072,108)
Net unrealized appreciation (depreciation) on investments	43,312,513	(60,941,488)
Net increase (decrease) in net assets resulting from operations	37,088,532	(26,792,861)
Dividends to Common Stockholders		
Net investment income	(18,623,713)	(44,022,967)
Total dividends to common stockholders	(18,623,713)	(44,022,967)
Total increase (decrease) in net assets	18,464,819	(70,815,828)
Net Assets		
Beginning of period	370,418,301	441,234,129
End of period (including dividends in excess of net investment income of \$1,878,903 and \$2,125,852, respectively)	\$ 388,883,120	\$ 370,418,301

See accompanying Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

(Unaudited)

	PERIOD FROM JANUARY 1, 2015 THROUGH JUNE 30, 2016			PERIOD FROM OCTOBER 26, 2012 ⁽¹⁾ THROUGH DECEMBER 31, 2012		
	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2013	YEAR ENDED DECEMBER 31, 2012		
Per Common Share Data ⁽²⁾						
Net asset value, beginning of period	\$ 18.47	\$ 22.00	\$ 25.24	\$ 24.30		23.82 ⁽³⁾
Income from investment operations:						
Net investment income	0.94	1.90	2.12	2.05		0.18
Net realized and unrealized gains (losses) on investments	0.91	(3.23)	(2.76)	1.21		0.47
Total increase (decrease) from investment operations	1.85	(1.33)	(0.64)	3.26		0.65
Less dividends to common stockholders:						
Net investment income	(0.93)	(2.20)	(2.56)	(2.01)		(0.17)
Net realized gain			(0.04)	(0.31)		
Total dividends to common stockholders	(0.93)	(2.20)	(2.60)	(2.32)		(0.17)
Net asset value, end of period	\$ 19.39	\$ 18.47	\$ 22.00	\$ 25.24	\$ 24.30	
Per common share market value, end of period	\$ 17.86	\$ 16.49	\$ 20.19	\$ 23.12	\$ 23.77	

Total investment return based on net asset value ⁽²⁾⁽⁴⁾	10.95%	(5.57)%	(2.25)%	14.48%	2.69%
Total investment return based on market value ⁽²⁾⁽⁴⁾	14.47%	(8.13)%	(2.06)%	7.20%	(4.27)%
Supplemental Data and Ratios					
Net assets, end of period (000 s)	\$ 388,883	\$ 370,418	\$ 441,234	\$ 506,197	\$ 487,005
Ratio of expenses (before reductions and reimbursements) to average net assets ⁽⁵⁾	2.10% ⁽⁶⁾	2.27%	2.20%	2.06%	1.85% ⁽⁶⁾
Ratio of expenses to average net assets	2.37% ⁽⁶⁾	%	%	%	% ⁽⁶⁾
Ratio of net investment income (before reductions and reimbursements) to average net assets ⁽⁵⁾	11.19% ⁽⁶⁾	9.18%	8.47%	8.20%	4.70% ⁽⁶⁾
Ratio of net investment income to average net assets	10.93% ⁽⁶⁾	%	%	%	% ⁽⁶⁾
Portfolio turnover rate ⁽²⁾	20.34%	38.13%	63.66%	60.87%	4.74%

(1) Commencement of operations.

(2) Not annualized.

(3) Net asset value at the beginning of the period reflects the deduction of the sales load and offering costs of \$1.18 per share paid by the shareholder from the \$25.00 offering price.

(4) Total investment return calculation assumes reinvestment of dividends at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(5) The Adviser has contractually waived a portion of its management and other fees equal to an annual rate of 0.275% of the Fund's managed assets for a period of one year commencing on January 1, 2016.

(6) Annualized for periods less than one full year.

See accompanying Notes to Financial Statements.

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SCHEDULE OF INVESTMENTS

June 30, 2016 (Unaudited)

	EFFECTIVE	INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR
						VALUE
Fixed Income	129.07%*					
Bank Loans§	17.28%*					
Aerospace and Defense	0.39%*					
Swissport Investments+	6.25%	2/9/2022	1,400,000	\$1,489,222	\$1,530,072	
Total Aerospace and Defense			1,400,000	1,489,222	1,530,072	
Chemicals, Plastics and Rubber	0.82%*					
Flint Group Holdings+	8.25	9/30/2022	3,451,145	3,435,940	3,175,054	
Total Chemicals, Plastics and Rubber			3,451,145	3,435,940	3,175,054	
Diversified/Conglomerate Manufacturing	0.31%*					
TenCate+	5.25	1/27/2023	1,100,000	1,176,692	1,200,893	
Total Diversified/Conglomerate Manufacturing			1,100,000	1,176,692	1,200,893	
Diversified Natural Resources, Precious Metals and Minerals	1.33%*					
Caraustar Industries Inc.	8.00	5/1/2019	5,215,261	5,226,102	5,191,375	
Total Diversified Natural Resources, Precious Metals and Minerals			5,215,261	5,226,102	5,191,375	
Electronics	1.93%*					
Kronos, Inc.	9.75	4/30/2020	7,483,740	7,408,915	7,514,947	
Total Electronics			7,483,740	7,408,915	7,514,947	
Farming and Agriculture	1.58%*					
Allflex Holdings, Inc.	8.00	7/19/2021	6,232,322	6,226,859	6,149,245	

Total Farming and Agriculture			6,232,322	6,226,859	6,149,245
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Finance 0.52%*:

Cunningham Lindsey Group, Inc.	9.25	6/10/2020	5,504,015	5,510,065	2,036,486
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Total Finance			5,504,015	5,510,065	2,036,486
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Healthcare, Education and Childcare 0.38%*:

Tecomet	5.75	12/5/2021	1,574,287	1,441,411	1,479,830
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Total Healthcare, Education and Childcare			1,574,287	1,441,411	1,479,830
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Leisure, Amusement, Motion Pictures and Entertainment 0.96%*:

Endemol+	6.75	8/11/2021	3,607,592	3,458,665	2,947,692
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Exterior Media+	7.00	3/30/2018	700,000	771,348	772,944
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Total Leisure, Amusement, Motion Pictures and Entertainment			4,307,592	4,230,013	3,720,636
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Mining, Steel, Iron and Non-Precious Metals 1.23%*:

Boomerang Tube, LLC	15.00	8/1/2017	670,565	672,116	670,565
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Boomerang Tube, LLC	20.00	2/1/2019	609,111	553,805	548,200
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Boomerang Tube, LLC	17.50	2/1/2021	1,458,654	1,458,654	1,458,654
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See accompanying Notes to Financial Statements.

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Babson Capital Global Short Duration High Yield Fund 2016 Semi-Annual Report

SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2016 (Unaudited)

	EFFECTIVE	DUE DATE	PRINCIPAL	COST	FAIR
	INTEREST RATE				VALUE
Bank Loans (Continued)					
Mining, Steel, Iron and Non-Precious Metals (Continued)					
Boomerang Tube, LLC	15.65%	2/1/2019	1,774,652	\$1,774,652	\$1,774,652
Murray Energy Corp.	7.50	4/16/2020	445,609	434,553	323,066
Total Mining, Steel, Iron and Non-Precious Metals			4,958,591	4,893,780	4,775,137
Oil and Gas 6.31%*:					
Caelus Energy Alaska	8.75	4/15/2020	17,863,828	17,372,841	10,539,659
Fieldwood Energy LLC	8.38	9/30/2020	8,925,706	6,931,820	2,454,569
Fieldwood Energy LLC	8.13	9/30/2020	7,481,592	5,811,501	3,946,540
Fieldwood Energy LLC	7.65	9/30/2020	5,651,171	4,994,845	4,652,778
Jonah Energy LLC	7.50	5/12/2021	1,301,497	1,310,050	1,135,557
MD America Energy, LLC	9.50	7/2/2019	152,319	146,872	141,657
NFR Energy LLC>	10.00	12/31/2018	7,684,465	7,774,974	259,351
Templar Energy>	8.50	11/25/2020	5,580,408	5,447,238	1,395,102
Total Oil and Gas			54,640,986	49,790,141	24,525,213
Printing and Publishing 0.83%*:					
Springer+	9.00	8/14/2021	2,850,000	3,262,480	3,226,057
Total Printing and Publishing			2,850,000	3,262,480	3,226,057
Retail Store 0.69%*:					
FleetPride	5.25	11/19/2019	827,088	717,036	696,136
FleetPride	9.25	5/19/2020	3,000,000	2,957,421	1,980,000
Total Retail Store			3,827,088	3,674,457	2,676,136
Total Bank Loans			102,545,027	97,766,077	67,201,081

Corporate Bonds 111.79%*:**Aerospace and Defense 1.69%*:**

CPI International Inc.#	8.75	2/15/2018	5,550,000	5,634,416	5,508,375
Swissport Investments+^	6.75	12/15/2021	950,000	1,040,150	1,080,624

Total Aerospace and Defense			6,500,000	6,674,566	6,588,999
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Automobile 9.79%*:

Accuride Corp#	9.50	8/1/2018	11,210,000	11,261,989	10,382,702
Allied Specialty Vehicles#^	8.50	11/1/2019	6,000,000	5,965,020	6,075,000
Gates Global LLC^	6.00	7/15/2022	4,740,000	4,182,787	4,147,500
International Automotive Components Group, S.A.#^	9.13	6/1/2018	8,125,000	8,194,681	8,125,000
J.B. Poindexter & Co. Inc.#^	9.00	4/1/2022	8,989,000	9,341,548	9,348,560

Total Automobile			39,064,000	38,946,025	38,078,762
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Banking 0.89%*:

Lock AS+^	7.00	8/15/2021	3,050,000	3,783,602	3,443,985
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Total Banking			3,050,000	3,783,602	3,443,985
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See accompanying Notes to Financial Statements.

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Babson Capital Global Short Duration High Yield Fund 2016 Semi-Annual Report

SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2016 (Unaudited)

	EFFECTIVE			FAIR	
	INTEREST RATE	DUE DATE	PRINCIPAL	COST	VALUE
Corporate Bonds (Continued)					