

BARINGS PARTICIPATION INVESTORS
Form N-CSR
March 10, 2017

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 811-5531

Barings Participation Investors
(Exact name of registrant as specified in charter)

1500 Main Street, P.O. Box 15189, Springfield, MA 01115-5189
(Address of principal executive offices) (Zip code)

Janice M. Bishop, Vice President, Secretary and Chief Legal Officer

Independence Wharf, 470 Atlantic Ave., Boston, MA 02210
(Name and address of agent for service)

Registrant's telephone number, including area code: 413-226-1000

Date of fiscal year end: 12/31

Date of reporting period: 12/31/16

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 110 F Street NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORT TO STOCKHOLDERS.

Attached hereto is the annual shareholder report transmitted to shareholders pursuant to Rule 30e-1 of the Investment Company Act of 1940, as amended.

BARINGS PARTICIPATION INVESTORS

Barings Participation Investors is a closed-end investment company, first offered to the public in 1988, whose shares are traded on the New York Stock Exchange.

INVESTMENT OBJECTIVE & POLICY

Barings Participation Investors (the "Trust") is a closed-end management investment company, first offered to the public in 1988, whose shares are traded on the New York Stock Exchange under the trading symbol "MPV". The Trust's share price can be found in the financial section of newspapers under either the New York Stock Exchange listings or Closed-End Fund listings.

The Trust's investment objective is to maximize total return by providing a high level of current income, the potential for growth of income, and capital appreciation. The Trust's principal investments are privately placed, below-investment grade, long-term debt obligations purchased directly from their issuers, which tend to be smaller companies. The Trust will also invest in publicly traded debt securities (including high yield securities) again with an emphasis on those with equity features, and in convertible preferred stocks and, subject to certain limitations, readily marketable equity securities. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay principal. The Trust is prohibited from purchasing below-investment grade securities if, after giving effect to the purchase, more than 75% of the Trust's total assets would be invested in below-investment grade securities, which are securities that are rated, at the time of purchase, BB or B by S&P or Ba or B by Moody's, or, if unrated, are believed by Barings LLC ("Barings") to be of an equivalent quality. In addition, the Trust will not invest in any debt security that is rated, at the time of acquisition, below B by S&P or Moody's, or if unrated, is believed by Barings to be of an equivalent quality. In addition, the Trust may invest in high quality, readily marketable securities.

Barings manages the Trust on a total return basis. The Trust distributes substantially all of its net income to shareholders each year. Accordingly, the Trust pays dividends to shareholders four times a year in January, May, August, and November. All registered shareholders are automatically enrolled in the Dividend Reinvestment and Cash Purchase Plan unless cash distributions are requested.

In this report, you will find a complete listing of the Trust's holdings. We encourage you to read this section carefully for a better understanding of the Trust. We cordially invite all shareholders to attend the Trust's Annual Meeting of Shareholders, which will be held on April 21, 2017 at 1:00 P.M. in Springfield, Massachusetts.

PROXY VOTING POLICIES & PROCEDURES: PROXY VOTING RECORD

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Barings. A description of Barings' proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 1-866-399-1516; (2) on the Trust's website at <http://www.barings.com/mpv> and (3) on the U.S. Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, 2016 is available (1) on the Trust's website at <http://www.barings.com/mpv> and (2) on the SEC's website at <http://www.sec.gov>.

FORM N-Q

The Trust files 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 (i) on the SEC's website at <http://www.sec.gov>; and (ii) 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 Trust's website at <http://www.barings.com/mpv> or upon request by calling, toll-free, 1-866-399-1516.

BARINGS PARTICIPATION INVESTORS

c / o Barings LLC
1500 Main Street
P.O. Box 15189
Springfield, Massachusetts 01115-5189
(413) 226-1516
<http://www.barings.com/mpv>

ADVISER

Barings LLC
1500 Main Street, P.O. Box 15189
Springfield, Massachusetts 01115-5189

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
Boston, Massachusetts 02111

COUNSEL TO THE TRUST

Ropes & Gray LLP
Boston, Massachusetts 02110

CUSTODIAN

State Street Bank and Trust Company
Boston, MA 02110

TRANSFER AGENT & REGISTRAR

DST Systems, Inc.
P.O. Box 219086
Kansas City, MO 64121-9086
1-800-647-7374

2016 Annual Report

PORTFOLIO COMPOSITION AS OF 12/31/16*

TOTAL ANNUAL PORTFOLIO RETURN (AS OF 12/31 EACH YEAR)*

* Data for Barings Participation Investors (the "Trust") represents portfolio returns based on change in the Trust's net asset value (net of all fees and expenses) assuming the reinvestment of all dividends and distributions. These returns differ from the total investment return based on market value of the Trust's shares due to the difference between the Trust's net asset value and the market value of its shares outstanding (see page 12 for total investment return based on market value). Past performance is no guarantee of future results.

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

TO OUR SHAREHOLDERS

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2016.

PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2016 was 8.8%, as measured by the change in net asset value assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$136,606,731 or \$13.15 per share, as of December 31, 2016. This compares to \$135,349,634 or \$13.10 per share, as of December 31, 2015. The Trust paid a quarterly dividend of \$0.27 per share for each of the four quarters of 2016, for a total annual dividend of \$1.08 per share. In 2015, the Trust also paid four quarterly dividends of \$0.27 per share, for a total annual dividend of \$1.08 per share. Net taxable investment income for 2016 was \$1.08 per share, including approximately \$0.15 per share of non-recurring income, compared to 2015 net taxable investment income of \$1.11 per share, which included approximately \$0.25 per share of non-recurring income.

The Trust's stock price increased 3.3% during 2016, from \$13.75 as of December 31, 2015 to \$14.20 as of December 31, 2016. The Trust's stock price of \$14.20 as of December 31, 2016 equates to an 8.0% premium over the December 31, 2016 net asset value per share of \$13.15. The Trust's average quarter-end premium for the 3-, 5-, and 10-year periods ended December 31, 2016 was 0.7%, 7.0% and 7.1%, respectively.

The table below lists the average annual net returns of the Trust's portfolio, based on the change in net assets and assuming the reinvestment of all dividends and distributions. Average annual returns of the Barclays Capital U.S. Corporate High Yield Index and the Russell 2000 Index for the 1-, 3-, 5-, 10- and 25-year periods ended December 31, 2016 are provided for comparison purposes only.

	The Trust	Barclays Capital U.S. Corporate High Yield Index	Russell 2000 Index
1 Year	8.75%	17.13%	21.32%
3 Years	9.49%	4.66%	6.74%
5 Years	11.04%	7.36%	14.46%
10 Years	9.43%	7.45%	7.07%
25 Years	12.21%	8.04%	9.69%

Past performance is no guarantee of future results.

PORTFOLIO ACTIVITY

In 2016, the Trust closed 15 new private placement investments, as well as 10 "add-on" investments in existing portfolio companies. The 15 new investments were in AM Conservation Holding Corp; API Technologies Corp.; CORA Health Services, Inc.; Del Real LLC; Dunn Paper; Elite Sportswear Holding, LLC; Glynlyon Holding Companies, Inc.; Happy Floors Acquisition, Inc.; Midwest Industrial Rubber, Inc.; Money Mailer Equity LLC; NSi Industries Holdings, Inc.; PANOS Brands LLC; Software Paradigms International Group, LLC; Veritext Corporation and Wolf-Gordon, Inc. In addition, the Trust added to existing private placement investments in Church Services Holding Company; Clarion Brands Holding Corp.; CTM Holding, Inc.; ERG Holding Company LLC; Hollandia Produce LLC; HVAC Holdings, Inc.; JMH Investors LLC; Merex Holding Corporation; Petroplex Inv Holdings LLC and PPC Event Services. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these transactions was \$27,190,494, which was only slightly less than the \$27,511,179 of new private placement investments made by the Trust in 2015, and the fourth highest dollar volume over the past ten years. We are pleased to have generated strong new investment volume for the Trust three years in a row.

The Trust's level of new investment activity in 2016 benefited from larger average transaction sizes as compared to 2015, a steady flow of investment opportunities from an established network of private equity sponsors, and several follow-on investments in companies which the Trust had an existing investment. After spending most of 2016 at levels below prior year, middle market buyout volume ended the year flat compared to 2015, due to strong fourth quarter activity, particularly at the upper end of the middle market. Competition for new investment opportunities remains intense, as there continues to be an ever increasing abundance of private debt and equity capital looking to be invested. As a result, attractive companies are being aggressively pursued by both buyers and lenders alike. As a result, high purchase multiples and leverage levels continue to be prevalent in the market. In 2016, average purchase price multiples for middle market companies decreased modestly (approximately 3%) but remain higher than any year since 2000 (other than 2015). Average leverage multiples also remained elevated in 2016, albeit modestly lower than 2015. However, the average leverage multiple steadily increased each quarter during 2016 resulting in the fourth quarter average being the fourth highest since 2003.

Though we remained very active investors on behalf of the Trust in 2016, we did so, and will continue to do so, cautiously and with discipline, consistent with our longstanding investment philosophy of seeking to take prudent levels of risk and getting paid appropriately for the risk taken. In 2016, in the face of these aggressive market conditions, we continued our history of investing in companies at lower than market leverage levels. The average leverage of the Trust's new private placement investments in 2016 was 4.9 times EBITDA, compared to the average market multiple of 5.3 times EBITDA. This approach has served us well over the long term and through all kinds of market cycles.

In addition to strong new investment activity, the condition of the Trust's existing portfolio remained solid throughout the year. Sales and earnings for the Trust's portfolio companies as a whole continued their upward momentum. In addition, the number of companies on our watch list or in default remained at acceptable levels in 2016.

We had 19 companies exit from the Trust's portfolio during 2016. This level of exit activity remains relatively high for the Trust's portfolio, especially after the unprecedented 32 exits experienced in 2014 and 21 exits in 2015, and is another indicator of how active and aggressive the markets continued to be in 2016. In all but four of these exits, the Trust realized a positive return on its investment. Of note, 14 of

the 19 exits in 2016 were the realization of stub equity holdings in companies where the interest bearing debt securities had previously been prepaid.

During 2016, the Trust had five portfolio companies fully or partially prepay their debt obligations. The level of refinancing activity in the portfolio in 2016 was notably lower than in each of the prior three years when prepayments numbered 15, 20, and 32 in 2015, 2014, and 2013, respectively. These transactions, in which the debt instruments held by the Trust were fully or partially prepaid, are generally driven by performing companies seeking to take advantage of lower interest rates and the abundant availability of debt capital. Unless replaced by new private debt investments, these prepayments reduce net investment income.

As a result of the level of new investment activity, combined with the composition of the realizations (majority being the sale of non-cash pay equity securities) and lower level of prepayments, the Trust's recurring net investment income, increased over 9% to \$0.94 per share as compared to \$0.86 per share in 2015.

OUTLOOK FOR 2017

As we enter 2017, the pipeline of investment opportunities remains relatively healthy. The market appears optimistic that the new Presidential administration will result in a favorable economic environment, particularly for middle market companies, the very type of companies in which we focus our investment activities. Various surveys of middle market investment banks and capital providers would suggest the same. However, as previously mentioned, the market dynamics have, and are expected to continue to remain aggressive. And while there is much economic optimism, there is also a level of uncertainty that always comes with changes in governmental leadership. Rest assured that despite constantly changing market conditions, we will continue to employ on behalf of the Trust the same investment philosophy that has served it well since its inception: investing in companies which we believe have a strong business proposition, solid cash flow, and experienced, ethical management. We believe this philosophy, along with Barings' seasoned investment management team, positions the Trust well to meet its long-term investment objectives.

The Trust was able to maintain its \$0.27 per share quarterly dividend in 2016 for a total annual dividend of \$1.08 per share. However, it was once again necessary to supplement recurring investment income in each quarter of 2016 with non-recurring income and earnings carry forward in order to maintain the \$1.08 per share annual dividend. As has been discussed in prior reports, recurring investment income alone has not been sufficient, and while improving, is not projected to be sufficient in the near term, to fully fund the current dividend rate. Net investment income has been below the dividend rate since 2013 due principally to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exits and prepayment activity that occurred from 2013 through 2015, combined with generally lower investment returns available due to market and competitive dynamics over the past several years. As mentioned above, we made good progress in growing recurring investment income in 2016, but it remains below the dividend rate and will continue to require supplementation from non-recurring income in the near term. The level of expected recurring investment income generated by the Trust in 2017, combined with the availability of earnings carry forwards and other non-recurring income, maintenance of the current dividend rate over the next several quarters is expected. But over time, the Trust's dividend paying ability tends to be correlated with its recurring earnings capacity. As such, until recurring investment income reaches a level equal to the current dividend rate, there is the risk that the dividend may need to be reduced in the future.

As always, I would like to thank you for your continued interest in and support of Barings Participation Investors. I look forward to seeing you at the Trust's annual shareholder meeting in Springfield on April 21, 2017.

Robert M. Shettle

President

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Barings Participation Investors (formerly known as Babson Capital Participation Investors)

2016	Record Date	Total Paid	Ordinary Income	Short-Term Gains	Long-Term Gains
Regular	5/2/2016	0.2700	0.2700	—	—
Regular	8/1/2016	0.2700	0.2700	—	—
Regular	11/7/2016	0.2700	0.2700	—	—
Regular	12/30/2016	0.2700	0.2700	—	—
		1.0800	1.0800	0.0000	0.0000

Annual Dividend	Qualified for Dividend Received	Dividend Deduction***	Qualified Dividends****	Interest Earned on U.S. Gov't. Obligations
Amount per Share	Percent	Amount per Share	Percent	Amount per Share
\$1.08	13.4585%	0.1321	13.4585%	0.0000

***Not available to individual shareholders

****Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2016

BARINGS PARTICIPATION INVESTORS

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Officers of the Trust

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

December 31, 2016

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$97,075,180)	\$94,771,586
Corporate restricted securities at market value (Cost - \$18,139,062)	18,191,653
Corporate public securities at market value (Cost - \$26,042,529)	26,734,649
Short-term securities at amortized cost	9,999,142
 Total investments (Cost - \$151,255,913)	 149,697,030

Cash	4,199,021
Interest receivable	1,748,514
Receivable for investments sold	152,188
Other assets	26,783
 Total assets	 155,823,536

Liabilities:

Note payable	15,000,000
Dividend payable	2,804,267
Tax payable	504,303
Deferred tax liability	415,014
Investment advisory fee payable	307,365
Interest payable	27,267
Accrued expenses	158,589

 Total liabilities	 19,216,805
 Total net assets	 \$136,606,731

Net Assets:

Common shares, par value \$.01 per share	\$103,861
Additional paid-in capital	94,909,097
Retained net realized gain on investments, prior years	40,511,310
Undistributed net investment income	568,739
Accumulated net realized gain on investments	2,487,621
Net unrealized depreciation of investments	(1,973,897)

 Total net assets	 \$136,606,731
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Common shares issued and outstanding (14,787,750 authorized)	10,386,173
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Net asset value per share \$13.15

See Notes to Consolidated Financial Statements

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2016 Annual Report

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2016

Investment Income:	
Interest	\$12,108,459
Dividends	427,016
Other	278,283
 Total investment income	 12,813,758
Expenses:	
Investment advisory fees	1,250,835
Interest	613,500
Trustees' fees and expenses	225,000
Professional fees	165,146
Reports to shareholders	71,000
Custodian fees	16,171
Other	147,864
 Total expenses	 2,489,516
 Investment income - net	 10,324,242
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	1,931,283
Income tax expense	(651,292)
 Net realized gain on investments after taxes	 1,279,991
 Net increase (decrease) in unrealized appreciation (depreciation) of investments before taxes	 (55,675)
Net (increase) decrease in deferred income tax expense	94,074
 Net increase (decrease) in unrealized appreciation (depreciation) of investments after taxes	 38,399
 Net gain on investments	 1,318,390
 Net increase in net assets resulting from operations	 \$11,642,632

See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

Net decrease in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$(5,948,810)
Purchases of portfolio securities	(43,862,303)
Proceeds from disposition of portfolio securities	49,663,363
Interest, dividends and other income received	11,244,327
Interest expense paid	(613,500)
Operating expenses paid	(1,974,948)
Income taxes paid	(621,436)

Net cash provided by operating activities	7,886,693
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Cash flows from financing activities:

Cash dividends paid from net investment income	(11,176,907)
Receipts for shares issued on reinvestment of dividends	806,973
Net cash used for financing activities	(10,369,934)
Net decrease in cash	(2,483,241)
Cash - beginning of year	6,682,262

Cash - end of year	\$4,199,021
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Reconciliation of net increase in net assets to net cash provided by operating activities:

Net increase in net assets resulting from operations	\$11,642,632
------------------------------------------------------	--------------

Increase in investments	(3,305,349)
Increase in interest receivable	(135,252)
Increase in receivable for investments sold	(152,188)
Increase in tax payable	29,856
Decrease in deferred tax liability	(94,074)
Increase in investment advisory fee payable	2,828
Decrease in accrued expenses	(101,760)

Total adjustments to net assets from operations	(3,755,939)
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Net cash provided by operating activities	\$7,886,693
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See Notes to Consolidated Financial Statements

2016 Annual Report

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
 For the years ended December 31, 2016 and 2015

	2016	2015
Increase/(decrease) in net assets:		
Operations:		
Investment income - net	\$ 10,324,242	\$ 9,762,813
Net realized gain on investments after taxes	1,279,991	161,395
Net change in unrealized appreciation/(depreciation) of investments after taxes	38,399	(1,368,494)
Net increase in net assets resulting from operations	11,642,632	8,555,714
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2016 - 57,782; 2015 - 27,306)	806,973	368,734
Dividends to shareholders from:		
Net investment income (2016 - \$1.08 per share; 2015 - \$1.08 per share)	(11,192,508)	(11,143,733)
Total increase/(decrease) in net assets	1,257,097	(2,219,285)
Net assets, beginning of year	135,349,634	137,568,919
Net assets, end of year (including undistributed net investment income of \$568,739 and \$1,404,388, respectively)	\$ 136,606,731	\$ 135,349,634

See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the years ended December 31,				
	2016	2015	2014	2013	2012
Net asset value:					
Beginning of year	\$13.10	\$13.35	\$12.83	\$12.56	\$11.90
Net investment income (a)	1.00	0.95	1.04	1.00	1.08
Net realized and unrealized gain (loss) on investments	0.13	(0.12)	0.57	0.35	0.64
Total from investment operations	1.13	0.83	1.61	1.35	1.72
Dividends from net investment income to common shareholders	(1.08)	(1.08)	(0.96)	(1.08)	(1.04)
Dividends from realized gain on investments to common shareholders	—	—	(0.12)	—	(0.04)
Increase from dividends reinvested	(0.00)(b)	(0.00)(b)	(0.01)	(0.00)(b)	0.02
Total dividends	(1.08)	(1.08)	(1.09)	(1.08)	(1.06)
Net asset value: End of year	\$13.15	\$13.10	\$13.35	\$12.83	\$12.56
Per share market value: End of year	\$14.20	\$13.75	\$13.23	\$12.88	\$13.91
Total investment return					
Net asset value (c)	8.75%	6.23%	13.61%	10.97%	15.89%
Market value (c)	11.45%	12.66%	12.54%	0.47%	(4.54%)
Net assets (in millions):					
End of year	\$136.61	\$135.35	\$137.57	\$131.42	\$127.87
Ratio of total expenses to average net assets	2.26%	2.17%	2.84%	2.15%	2.83%
Ratio of operating expenses to average net assets	1.35%	1.49%	1.49%	1.51%	1.51%
Ratio of interest expense to average net assets	0.44%	0.44%	0.45%	0.47%	0.49%
Ratio of income tax expense to average net assets (d)	0.47%	0.24%	0.90%	0.17%	0.83%
Ratio of net investment income to average net assets	7.45%	6.95%	7.82%	7.77%	8.82%
Portfolio turnover	31%	30%	32%	30%	34%

(a) Calculated using average shares.

(b) Rounds to less than \$0.01 per share.

(c)

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Net asset value return represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions which differs from the total investment return based on the Trust's market value due to the difference between the Trust's net asset value and the market value of its shares outstanding; past performance is no guarantee of future results.

As additional information, this ratio is included to reflect the taxes paid on retained long-term gains. These taxes (d)paid are netted against realized capital gains in the Statement of Operations. The taxes paid are treated as deemed distributions and a credit for the taxes paid is passed on to shareholders.

Senior borrowings:

Total principal amount (in millions)	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Asset coverage per \$1,000 of indebtedness	\$10,107	\$10,023	\$10,171	\$9,761	\$9,525

See Notes to Consolidated Financial Statements

2016 Annual Report

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2016

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 82.69%: (A)				
Private Placement Investments - 69.38%: (C)				
1492 Acquisition LLC				
A leading producer of premium Italian cured meats and deli meats in the U.S.				
Limited Liability Company Unit Class A Preferred (B)				
	102 uts.	10/17/12	\$ 102,270	\$ 139,857
Limited Liability Company Unit Class A Common (B)				
	11,364 uts.	10/17/12	11,364	153,737
			113,634	293,594
ABC Industries, Inc.				
A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 07/31/2019				
	\$ 139,205	08/01/12	131,977	137,087
	125,000			
Preferred Stock Series A (B)				
	shs.	08/01/12	125,000	197,584
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)				
	22,414 shs.	08/01/12	42,446	32,955
			299,423	367,626
Advanced Manufacturing Enterprises LLC				
A designer and manufacturer of large, custom gearing products for a number of critical customer applications.				
Limited Liability Company Unit (B)				
	1,945 uts.	*	207,910	—
* 12/07/12, 07/11/13 and 06/30/15.				
AFC - Dell Holding Corporation				
A distributor and provider of inventory management services for "C-Parts" used by OEMs in their manufacturing and production facilities.				
12.5% (1% PIK) Senior Subordinated Note due 09/27/2020				
	\$ 1,203,330	03/27/15	1,185,568	1,227,396
Preferred Stock (B)				
	1,122 shs.	03/27/15	112,154	112,506

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Common Stock (B)	346 shs.	03/27/15	346	—
			1,298,068	1,339,902

Airxcel Holdings

A leading manufacturer of a broad range of climate control solutions, including air-conditioners, heat pumps, cooking appliances, furnaces, powered vents, and water heaters.

12.5% (1.5% PIK) Senior Subordinated Note due 11/18/2020	\$1,483,333	11/18/14	1,462,362	1,483,333
Limited Liability Company Unit	288 uts.	11/18/14	288,000	509,686
			1,750,362	1,993,019

See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
AM Conservation Holding Corp.				
A supplier of energy efficiency ("EE") products, including lighting, shower heads and aerators, and weatherization products such as door seals and weather stripping.				
11.75% (1.5% PIK) Senior Subordinated Note due 04/30/2023				
	\$1,572,233	10/31/16	\$1,541,418	\$1,555,661
	156,818			
Common Stock (B)	shs.	10/31/16	156,818	156,818
			1,698,236	1,712,479

AMS Holding LLC

A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.

Limited Liability Company Unit Class A Preferred (B)(F)

114 uts.	10/04/12	113,636	254,622
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API Technologies Corp.

A designer, developer and manufacturer of electronic systems, subsystems, modules and secure communications for technically demanding defense, aerospace and commercial applications in the U.S. and internationally.

12% (1% PIK) Senior Subordinated

Note due 04/22/2023	\$1,389,522	04/22/16	1,369,530	1,392,570
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Limited Liability Company Unit (B)	0.40% int.	04/20/16	345,000	265,650
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			1,714,530	1,658,220
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ARI Holding Corporation

A leading national supplier of products used primarily by specialty contractors.

11.5% (0.5% PIK) Senior Subordinated

Note due 02/01/2020	\$1,713,112	*	1,695,985	1,713,112
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Limited Partnership Interest	524 uts.	08/01/14	523,950	649,257
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* 05/21/13 and 08/01/14.

			2,219,935	2,362,369
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ASC Holdings, Inc.

A manufacturer of capital equipment used by corrugated box manufacturers.

13% (1% PIK) Senior Subordinated

Note due 05/18/2021	\$748,684	11/19/15	736,084	738,396
	111,100			
Limited Liability Company Unit (B)	uts.	11/18/15	111,100	34,663
			847,184	773,059

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Aurora Parts & Accessories LLC				
A distributor of aftermarket over-the-road semi-trailer parts and accessories sold to customers across North America.				
11% Senior Subordinated Note due 02/17/2022	\$1,515,400	08/17/15	\$1,490,834	\$1,535,559
Preferred Stock (B)	210 shs.	08/17/15	209,390	174,632
Common Stock (B)	210 shs.	08/17/15	210	—
			1,700,434	1,710,191

Avantech Testing Services LLC

A manufacturer of custom Non-Destructive Testing ("NDT") systems and provider of NDT and inspections services primarily to the oil country tubular goods market.

15% (3.75% PIK) Senior Subordinated

Note due 01/31/2021 (D)	\$500,587	07/31/14	491,228	—
Limited Liability Company Unit (B)(F)	45,504 uts.	*	—	—

* 07/31/14 and 10/14/15.

491,228 —

Blue Wave Products, Inc.

A distributor of pool supplies.

10% Senior Secured Term Note due

09/30/2018	\$139,007	10/12/12	138,017	139,007
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13% (1% PIK) Senior Subordinated Note
due 09/30/2019

	\$331,416	10/12/12	319,314	331,416
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Common Stock (B)

	51,064 shs.	10/12/12	51,064	232,189
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Warrant, exercisable until 2022, to purchase
common stock at \$.01 per share (B)

	20,216 shs.	10/12/12	20,216	91,923
			528,611	794,535

BlueSpire Holding, Inc.

A marketing services firm that integrates strategy, technology, and content to deliver customized marketing solutions for clients in the senior living, financial services and healthcare end markets.

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12.5% (1.5% PIK) Senior Subordinated

Note due 06/30/2021	\$1,603,816	06/30/15	1,578,222	—
Common Stock (B)	1,417 shs.	06/30/15	156,800	—
			1,735,022	—

BP SCI LLC

A leading value-added distributor of branded pipes, valves, and fittings (PVF) to diversified end markets.

Limited Liability Company Unit

Class A (B)(F)	417 uts.	10/17/12	41,667	77,385
Limited Liability Company Unit				
Class B (B)(F)	167 uts.	10/17/12	166,666	267,799
			208,333	345,184

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Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
CG Holdings Manufacturing Company				
A coating provider serving the automotive, agricultural, heavy truck and other end markets.				
13% Senior Subordinated Note due 11/01/2019	\$1,412,605	*	\$1,362,085	\$1,412,605
Preferred Stock (B)	1,350 shs.	*	134,972	169,355
Preferred Stock (B)	489 shs.	*	48,721	61,382
Common Stock (B)	140 shs.	*	14,864	131,712
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	58 shs.	*	5,430	54,709
* 05/09/13 and 11/01/13.			1,566,072	1,829,763

CHG Alternative Education Holding Company

A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and "at risk" youth through alternative education programs.

13.5% (1.5% PIK) Senior Subordinated Note due 01/19/2018	\$779,888	01/19/11	770,565	779,888
14% (2% PIK) Senior Subordinated Note due 08/03/2019	\$205,009	08/03/12	203,185	205,009
Common Stock (B)	375 shs.	01/19/11	37,500	43,372
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250	34,093
			1,040,500	1,062,362

Church Services Holding Company

A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.

14.5% (2% PIK) Senior Subordinated Note due 03/26/2018 (D)	\$191,888	03/26/12	189,978	—
Preferred Stock Series A (B)	65 shs.	09/22/16	6,465	—
Preferred Stock (B)	548 shs.	04/11/16	54,762	—

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Common Stock (B)	1,327 shs.	*	132,700	—
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	57 shs.	03/26/12	5,740	—
* 03/26/12, 05/25/12 and 06/19/12.			389,645	—

Clarion Brands Holding Corp.

A portfolio of six over-the-counter (OTC) pharmaceutical brands whose products are used to treat tinnitus or ringing of the ear, excessive sweating, urinary tract infections, muscle pain, and skin conditions.

12.5% (1.5% PIK) Senior Subordinated Note due 04/01/2021	\$2,023,440	*	1,991,934	1,994,682
Limited Liability Company Unit	1,853 uts.	07/18/16	189,267	155,383
* 10/01/14, 01/07/16 and 07/18/16.			2,181,201	2,150,065

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Clough, Harbour and Associates An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	147 shs.	12/02/08	\$ 146,594	\$ 623,893
Compass Chemical International LLC A manufacturer and supplier of standard and specialty formulated chemicals, primarily phosphoric acid derivatives called phosphonates.				
Limited Liability Company Unit (B)(F)	230 uts.	03/04/15	147,304	117,908
Connecticut Electric, Inc. A supplier and distributor of electrical products sold into the retail and wholesale markets.				
Limited Liability Company Unit Class A (B)	82,613 uts.	01/12/07	82,613	110,660
Limited Liability Company Unit Class C (B)	59,756 uts.	01/12/07	59,756	86,349
	671,525			
Limited Liability Company Unit Class D (B)	uts.	05/03/10	—	915,651
Limited Liability Company Unit Class E (B)	1,102 uts.	05/03/10	—	157,741
			142,369	1,270,401
CORA Health Services, Inc. A provider of outpatient rehabilitation therapy services.				
12.75% (1.75% PIK) Senior Subordinated Note due 06/30/2023				
	\$ 764,929	06/30/16	750,861	771,653
Common Stock Class A (B)	3,791 shs.	06/30/16	3,791	2,692
Preferred Stock Series A (B)	758 shs.	06/30/16	72,033	74,285
			826,685	848,630
CTM Holding, Inc. A leading owner and operator of coin-operated children's rides, penny presses and candy kiosks in the U.S.				
15% (3% PIK) Senior Subordinated Note	\$ 1,296,882	11/22/13	1,282,840	1,290,310

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due 11/22/2019

Common Stock (B)	90 shs.	*	514,284	377,036
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* 11/22/13 and 09/16/16.			1,797,124	1,667,346
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Del Real LLC

A manufacturer and distributor of fully-prepared fresh refrigerated Hispanic entrees as well as side dishes that are typically sold on a heat-and-serve basis at retail grocers.

11% Senior Subordinated Note due

04/06/2023	\$1,420,588	10/07/16	1,392,885	1,397,274
	304,412			

Limited Liability Company Unit (B)(F)	uts.	10/07/16	304,412	304,412
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			1,697,297	1,701,686
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See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
DPL Holding Corporation				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
14% (2% PIK) Senior Subordinated Note due 11/04/2020	\$ 1,403,960	05/04/12	\$ 1,392,283	\$ 1,359,968
Preferred Stock (B)	25 shs.	05/04/12	252,434	195,418
Common Stock (B)	25 shs.	05/04/12	28,048	—
			1,672,765	1,555,386
Dunn Paper				
A provider of specialty paper for niche product applications.				
9.75% Second Lien Term Loan due 08/31/2023	\$ 1,725,000	09/28/16	1,691,587	1,690,500
Eagle Family Foods, Inc.				
A producer of low-cost branded and private label canned milk.				
10.05% Last Out Term Loan due 12/31/2021	\$ 1,725,000	12/22/15	1,703,457	1,717,390
ECG Consulting Group				
A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.				
11.75% (0.75% PIK) Senior Subordinated Note due 11/21/2020	\$ 1,314,351	11/21/14	1,292,935	1,327,495
Limited Liability Company Unit (B)(F)	230 uts.	11/19/14	71,875	88,980
			1,364,810	1,416,475
Elite Sportswear Holding, LLC				
A designer and manufacturer of gymnastics, competitive cheerleading and swimwear apparel in the U.S. and internationally.				
11.5% (1% PIK) Senior Subordinated Note due 10/13/2021	\$ 1,568,713	10/14/16	1,542,205	1,551,115
Limited Liability Company Unit (B)(F)	101 uts.	10/14/16	159,722	159,726
			1,701,927	1,710,841

ERG Holding Company LLC

A provider of inpatient and outpatient clinical trial services to pharmaceutical companies and contract research organizations.

13.5% (1.5% PIK) Senior Subordinated Note due 10/04/2019	\$969,346	04/04/14	958,270	979,039
14% (2% PIK) Senior Subordinated Note due 10/04/2019	\$254,509	07/01/16	250,098	262,144
Common Stock (B)	0.31% int.	04/04/14	77,533	87,124
			1,285,901	1,328,307

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
F F C Holding Corporation				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
Limited Liability Company Unit				
Preferred (B)	171 uts.	09/27/10	\$58,345	\$80,306
Limited Liability Company Unit Common (B)	171 uts.	09/27/10	17,073	232,843
			75,418	313,149
F G I Equity LLC				
A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.				
Limited Liability Company Unit				
Preferred (B)	80,559 uts.	04/15/14	—	80,559
Limited Liability Company Unit Class B-1 (B)	65,789 uts.	12/15/10	65,789	167,831
Limited Liability Company Unit Class B-2 (B)	8,248 uts.	12/15/10	8,248	21,041
Limited Liability Company Unit Class B-3 (B)	6,522 uts.	08/30/12	15,000	18,333
Limited Liability Company Unit Class C (B)	1,575 uts.	12/20/10	16,009	32,637
			105,046	320,401
FMH Holdings Corporation				
A designer and manufacturer of highly engineered components for the aerospace, defense and space industries.				
Common Stock (B)	148 shs.	05/01/15	148,096	209,178
GD Dental Services LLC				
A provider of convenient "onestop" general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.				
Limited Liability Company Unit				
Preferred (B)	76 uts.	10/05/12	75,920	102,792

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Limited Liability Company Unit Common (B)	767 uts.	10/05/12	767	15,704
			76,687	118,496
GenNx Novel Holding, Inc.				
A manufacturer and distributor of nutraceutical ingredients.				
15% (1% PIK) Senior Subordinated Note due 03/27/2020	\$1,609,919	03/27/14	1,589,862	1,028,738
Common Stock (B)	15,500 shs.	03/27/14	155,000	—
			1,744,862	1,028,738

See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
gloProfessional Holdings, Inc.				
A marketer and distributor of premium mineral-based cosmetics, cosmeceuticals and professional hair care products to the professional spa and physician's office channels.				
14% (2% PIK) Senior Subordinated Note due 03/27/2019	\$ 1,220,021	03/27/13	\$ 1,209,282	\$ 1,220,021
Common Stock (B)	1,181 shs.	03/27/13	118,110	122,911
			1,327,392	1,342,932
Glynlyon Holding Companies, Inc.				
A technology-enabled curriculum provider of K-12 and support services predominantly to small and medium public school districts.				
12% (1% PIK) Senior Subordinated Note due 01/05/2022	\$ 1,592,781	01/15/16	1,564,860	1,631,491
Common Stock (B)	147 shs.	01/15/16	147,436	165,693
			1,712,296	1,797,184
GlynnDevins Acquisition Corporation				
A marketing communications agency that services senior living facilities.				
Preferred Stock Series A (B)	342 shs.	06/19/15	70,683	78,062
Common Stock (B)	342 shs.	06/19/15	2,945	28,444
			73,628	106,506
Grakon Parent				
The leading designer and manufacturer of highly-engineered and customized LED and incandescent lighting systems for transportation-based markets.				
Common Stock (B)	175 shs.	10/31/14	174,831	148,841
GTI Holding Company				

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A designer, developer, and marketer of precision specialty hand tools and handheld test instruments.

12% Senior Subordinated Note due 02/05/2020	\$727,865	02/05/14	696,212	712,430
Common Stock (B)	846 shs.	02/05/14	84,636	90,272
Warrant, exercisable until 2024, to purchase common stock at \$.01 per share (B)	397 shs.	02/05/14	36,816	42,362
			817,664	845,064

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Handi Quilter Holding Company (Premier Needle Arts)				
A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market.				
12% (1% PIK) Senior Subordinated Note due 06/19/2021	\$1,437,500	12/19/14	\$1,415,428	\$1,459,840
Limited Liability Company Unit Preferred (B)	359 uts.	*	359,375	324,132
Limited Liability Company Unit Common Class A (B)	3,594 uts.	12/19/14	—	—
			1,774,803	1,783,972
* 12/19/14 and 04/29/16.				
Happy Floors Acquisition, Inc.				
A wholesale importer and value-added distributor of premium European flooring tile to residential and commercial end markets.				
12.5% (1% PIK) Senior Subordinated Note due 07/01/2022	\$1,583,387	07/01/16	1,554,519	1,592,682
Common Stock (B)	150 shs.	07/01/16	149,500	132,063
			1,704,019	1,724,745
Hartland Controls Holding Corporation				
A manufacturer and distributor of electronic and electromechanical components.				
14% (2% PIK) Senior Subordinated Note due 08/14/2019	\$1,106,379	02/14/14	1,093,856	1,117,443
12% Senior Subordinated Note due 08/14/2019	\$431,250	06/22/15	428,306	439,875
Preferred Stock Series A (B)	1,140 shs.	02/14/14	114,011	129,337
Common Stock (B)	821 shs.	02/14/14	822	267,857
			1,636,995	1,954,512

Healthcare Direct Holding Company

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A direct-to-customer marketer of discount dental plans.

Common Stock (B)	517 shs.	03/09/12	21,419	84,602
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HHI Group, LLC

A developer, marketer, and distributor of hobby-grade radio control products.

14% (2% PIK) Senior Subordinated Note

due 01/17/2020	\$ 1,714,377	01/17/14	1,696,404	942,907
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Limited Liability Company Unit (B)(F)	102 uts.	01/17/14	101,563	—
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			1,797,967	942,907
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See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Hollandia Produce LLC				
A hydroponic greenhouse producer of branded root vegetables.				
14.25% (2.75% PIK) Senior Subordinated Note due 12/11/2020	\$1,355,622	*	\$1,333,186	\$1,292,672

* 12/30/15 and 12/23/16

HOP Entertainment LLC

A provider of post production equipment and services to producers of television shows and motion pictures.

Limited Liability Company Unit Class F (B)(F)	47 uts.	10/14/11	—	—
Limited Liability Company Unit Class G (B)(F)	114 uts.	10/14/11	—	—
Limited Liability Company Unit Class H (B)(F)	47 uts.	10/14/11	—	—
Limited Liability Company Unit Class I (B)(F)	47 uts.	10/14/11	—	—
			—	—

Hospitality Mints Holding Company

A manufacturer of individually-wrapped imprinted promotional mints.

12% Senior Subordinated Note due 10/01/2018	\$1,098,837	08/19/08	1,094,933	1,029,240
Common Stock (B)	251 shs.	08/19/08	251,163	20,012
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	65 shs.	08/19/08	60,233	5,173
			1,406,329	1,054,425

HVAC Holdings, Inc.

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A provider of integrated energy efficiency services and maintenance programs for HVAC systems.

12% (1% PIK) Senior Subordinated Note due 07/19/2022	\$1,128,821	*	1,116,749	1,130,185
Limited Liability Company Unit Class A Preferred (B)	1,127 uts.	09/27/12	112,726	169,495
Limited Liability Company Unit Class A Common (B)	910 uts.	09/27/12	910	92,165
* 7/19/16 and 9/6/16			1,230,385	1,391,845

Ideal Tridon Holdings, Inc.

A designer and manufacturer of clamps and couplings used in automotive and industrial end markets.

Common Stock	93 shs.	10/27/11	77,462	173,292
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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Impact Confections				
An independent manufacturer and marketer of confectionery products including Warheads® brand sour candies, Melster® brand classic candies, and co-manufactured/private label classic candies.				
13% (1% PIK) Senior Subordinated Note due 11/10/2020	\$1,086,749	11/10/14	\$1,071,229	\$1,080,905
Common Stock (B)	2,300 shs.	11/10/14	230,000	208,926
			1,301,229	1,289,831
Insurance Claims Management, Inc.				
A third party administrator providing auto and property claim administration services for insurance companies.				
Common Stock (B)	47 shs.	02/27/07	1,424	142,344
Janus Group Holdings LLC				
A manufacturer of roll-up doors and hallway systems that are primarily used in self-storage facilities.				
13.5% (1.5% PIK) Senior Subordinated Note due 06/10/2019	\$577,581	12/11/13	571,372	577,581
Limited Liability Company Unit Class A (B)(F)	283 uts.	12/11/13	379,581	1,556,776
			950,953	2,134,357
JMH Investors LLC				
A developer and manufacturer of custom formulations for a wide variety of foods.				
Limited Liability Company Unit (B)(F)	1,038,805 uts.	12/05/12	232,207	—
Limited Liability Company Unit Class A-1 (B)(F)	163,043 uts.	10/31/16	163,043	163,043
Limited Liability Company Unit Class A-2 (B)(F)	1,032,609 uts.	10/31/16	—	—

395,250 163,043

K N B Holdings Corporation

A designer, manufacturer and marketer of products for the custom framing market.

Common Stock (B)	71,053 shs.	05/24/06	71,053	87,415
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share (B)	43,600 shs.	05/25/06	37,871	53,640
			108,924	141,055

K P I Holdings, Inc.

The largest player in the U.S. non-automotive, non-ferrous die casting segment.

Limited Liability Company Unit Class C

Preferred (B)	40 uts.	06/30/15	—	77,840
Common Stock (B)	353 shs.	07/15/08	285,619	216,200
			285,619	294,040

See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Kyjen Company				
A designer and distributor of branded and private label dog toys and accessories primarily in the US.				
13% (1% PIK) Senior Subordinated Note due 10/14/2021	\$1,309,495	10/14/15	\$1,287,347	\$1,328,589
Mail Communications Group, Inc.				
A provider of mail processing and handling services, lettershop services, and commercial printing services.				
Limited Liability Company Unit	12,764 uts.	*	166,481	191,885
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)(F)	1,787 shs.	05/04/07	22,781	26,866
* 05/04/07 and 01/02/08.			189,262	218,751
Manhattan Beachwear Holding Company				
A designer and distributor of women's swimwear.				
12.5% Senior Subordinated Note due 01/15/2018 (D)	\$419,971	01/15/10	404,121	—
15% (2.5% PIK) Senior Subordinated Note due 01/15/2018 (D)	\$115,253	10/05/10	114,604	—
Common Stock (B)	35 shs.	10/05/10	35,400	—
Common Stock Class B (B)	118 shs.	01/15/10	117,647	—
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	104 shs.	10/05/10	94,579	—
			766,351	—
Master Cutlery LLC				
A designer and marketer of a wide assortment of knives and swords.				
13% Senior Subordinated Note due 04/17/2020	\$872,543	04/17/15	865,307	820,770
Limited Liability Company Unit	5 uts.	04/17/15	678,329	183,327

1,543,636 1,004,097

MC Sign Holdings LLC

A provider of sign and lighting services nationwide.

11.75% (0.75% PIK) Senior Subordinated

Note due 09/15/2021	\$ 768,305	09/22/15	755,493	775,988
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101,500

Limited Liability Company Unit Class B (B) uts.		09/22/15	101,500	175,057
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856,993 951,045

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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Merex Holding Corporation

A provider of after-market spare parts and components, as well as maintenance, repair and overhaul services for "out of production" or "legacy" aerospace and defense systems that are no longer effectively supported by the original equipment manufacturers.

16% Senior Subordinated Note due 10/30/2019 (D)	\$454,295	09/22/11	\$449,013	\$340,721
15% PIK Senior Subordinated Note due 04/30/2022 (D)	\$23,839	08/18/15	23,839	—
14% PIK Senior Subordinated Note due 06/30/2019	\$31,492	10/21/16	31,492	31,245
Common Stock Class A (B)	77,118 shs.	08/18/15	170,705	—
			675,049	371,966

MES Partners, Inc.

An industrial service business offering an array of cleaning and environmental services to the Gulf Coast region of the U.S.

12% (1% PIK) Senior Subordinated Note due 09/30/2021	\$1,106,636	09/30/14	1,090,069	1,078,937
	219,545			
Common Stock Class B (B)	shs.	09/30/14	219,545	90,843
			1,309,614	1,169,780

Midwest Industrial Rubber, Inc.

A supplier of industrial maintenance, repair, and operations ("MRO") products, specializing in the fabrication and distribution of lightweight conveyor belting and related conveyor components and accessories.

12% (1% PIK) Senior Subordinated Note due 12/02/2022	\$1,554,894	12/02/16	1,524,112	1,561,434
Preferred Stock (B)	1,711 shs.	12/02/16	171,116	171,116
Common Stock (B)	242 shs.	12/02/16	242	242

1,695,470 1,732,792

MNX Holding Company

An international third party logistics company providing customized logistics services to customers across the globe.

14% (2% PIK) Senior Subordinated

Note due 11/02/2019	\$1,309,766	11/02/12	1,297,100	1,309,766
Common Stock (B)	45 shs.	11/02/12	44,643	34,163
			1,341,743	1,343,929

See Notes to Consolidated Financial Statements

Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Money Mailer Equity LLC				
A leading provider of hyperlocal shared direct mail advertising as well as interactive and online advertising solutions through its nationwide production and distribution network.				
12% (1% PIK) Senior Subordinated Note due 10/29/2021	\$1,735,179	04/29/16	\$1,704,360	\$1,702,229
Motion Controls Holdings				
A manufacturer of high performance mechanical motion control and linkage products.				
14.25% (1.75% PIK) Senior Subordinated Note due 08/15/2020	\$1,009,479	11/30/10	1,002,523	1,009,479
Limited Liability Company Unit Class B-1 (B)(F)	75,000 uts.	11/30/10	—	47,619
Limited Liability Company Unit Class B-2 (B)(F)	6,801 uts.	11/30/10	—	4,318
			1,002,523	1,061,416
NetShape Technologies, Inc.				
A manufacturer of powder metal and metal injection molded precision components used in industrial, consumer, and other applications.				
12% Senior Subordinated Note due 06/10/2020 (D)	\$810,000	02/02/07	809,408	—
Limited Partnership Interest of Saw Mill PCG Partners LLC (B)	1.46% int.	02/01/07	588,077	—
Limited Liability Company Unit Class D of Saw Mill PCG Partners LLC (B)	9 uts.	*	8,873	—
Limited Liability Company Unit Class D-1 of Saw Mill PCG Partners LLC (B)	121 uts.	09/30/09	121,160	—
Limited Liability Company Unit Class D-2 of Saw Mill PCG Partners LLC (B)	68 uts.	04/29/11	34,547	—
Limited Liability Company Unit Class D-3 of Saw Mill PCG Partners LLC (B)	104 uts.	12/10/14	103,904	—
			1,665,969	—

* 12/18/08 and 09/30/09.

NSi Industries Holdings, Inc.

A manufacturer and distributor of electrical components and accessories to small to mid-sized electrical wholesalers.

12.75% (1.75% PIK) Senior Subordinated

Note due 05/17/2023	\$1,527,814	06/30/16	1,500,242	1,533,103
Common Stock (B)	207 shs.	05/17/16	207,000	250,814
			1,707,242	1,783,917

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
O E C Holding Corporation				
A provider of elevator maintenance, repair and modernization services.				
Preferred Stock Series A (B)	554 shs.	06/04/10	\$55,354	\$71,791
Preferred Stock Series B (B)	311 shs.	06/04/10	31,125	55,532
Common Stock (B)	344 shs.	06/04/10	344	69,811
			86,823	197,134
PANOS Brands LLC				
A marketer and distributor of branded consumer foods in the specialty, natural, better-for-you, "free from" healthy and gluten-free categories.				
12% (1% PIK) Senior Subordinated Note due 07/29/2021	\$1,449,000	01/29/16	1,423,626	1,484,300
	276,000			
Common Stock Class A (B)	shs.	01/29/16	276,000	323,388
			1,699,626	1,807,688
Pearlman Enterprises, Inc.				
A developer and distributor of tools, equipment and supplies to the natural and engineered stone industry.				
Preferred Stock Series A (B)	1,236 shs.	05/22/09	59,034	1,235,800
Preferred Stock Series B (B)	7,059 shs.	05/22/09	290,050	243,168
Common Stock (B)	21,462 shs.	05/22/09	993,816	—
			1,342,900	1,478,968
Petroplex Inv Holdings LLC				
A leading provider of acidizing services to E&P customers in the Permian Basin.				
Limited Liability Company	0.40% int.	*	175,339	19,089

* 11/29/12 and 12/20/16

Polytex Holdings LLC

A manufacturer of water based inks and related products serving primarily the wall covering market.

13% (1% PIK) Senior Subordinated Note due 01/31/2020	\$1,062,000	07/31/14	1,048,573	1,036,310
	148,096			
Limited Liability Company Unit	uts.	07/31/14	148,096	48,102
			1,196,669	1,084,412

Power Stop Holdings LLC

A supplier of performance upgrade aftermarket brake products.

11% Senior Subordinated Note due 05/29/2022	\$1,610,100	05/29/15	1,584,654	1,642,302
Limited Liability Company Unit Preferred (B)(F)	1,149 uts.	05/29/15	114,900	131,223
Limited Liability Company Unit Common (B)(F)	1,149 uts.	05/29/15	—	79,165
			1,699,554	1,852,690

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Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
PPC Event Services				
A special event equipment rental business.				
14% (2% PIK) Senior Subordinated Note due 05/20/2020	\$ 1,166,893	11/20/14	\$ 1,151,233	\$ 1,166,893
Limited Liability Company Unit (B)	3,450 uts.	11/20/14	172,500	471,636
Limited Liability Company Unit Series A-1 (B)	339 uts.	03/16/16	42,419	53,747
			1,366,152	1,692,276
Randy's Worldwide Automotive				
A designer and distributor of automotive aftermarket parts.				
11.5% Senior Subordinated Note due 05/12/2021	\$ 1,135,898	05/12/15	1,119,043	1,158,616
Common Stock (B)	118 shs.	05/12/15	118,476	179,520
			1,237,519	1,338,136
Safety Infrastructure Solutions				
A provider of trench safety equipment to a diverse customer base across multiple end markets in Texas and the Southwestern United States.				
Preferred Stock (B)	2,098 shs.	03/30/12	83,920	126,487
Common Stock (B)	983 shs.	03/30/12	9,830	193,855
			93,750	320,342
Signature Systems Holding Company				
A seller and installer of a variety of modular surfaces, industrial matting and related products used for ground protection.				
Common Stock (B)	76 shs.	03/15/13	75,509	34,749
Warrant, exercisable until 2023, to purchase common stock A at \$.01 per share (B)	31 shs.	03/15/13	28,316	14,197

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103,825 48,946

Smart Source Holdings LLC

A short-term computer rental company.

Limited Liability Company Unit (B)	328 uts.	*	261,262	415,349
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Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	83 shs.	*	67,467	105,208
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* 08/31/07 and 03/06/08.			328,729	520,557
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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
SMB Machinery Holdings, Inc.				
A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and food manufacturing industries.				
14% (2% PIK) Senior Subordinated				
Note due 10/18/2019 (D)	\$738,694	10/18/13	\$726,147	\$—
Common Stock (B)	841 shs.	10/18/13	84,100	—
			810,247	—
Software Paradigms International Group, LLC				
An outsourced IT services provider focused on the retail industry.				
12.5% (1.5% PIK) Senior Subordinated				
Note due 11/23/2021	\$1,725,000	05/23/16	1,693,237	1,728,129
Strahman Holdings Inc				
A manufacturer of industrial valves and wash down equipment for a variety of industries, including chemical, petrochemical, polymer, pharmaceutical, food processing, beverage and mining.				
14% (2% PIK) Senior Subordinated				
Note due 06/13/2019	\$1,059,783	12/13/13	1,045,337	1,042,835
	158,967			
Preferred Stock Series A (B)	shs.	12/13/13	158,967	135,122
Preferred Stock Series A-2 (B)	26,543 shs.	09/10/15	29,994	22,562
			1,234,298	1,200,519
Sunrise Windows Holding Company				
A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.				
16% Senior Subordinated Note due				
12/14/2017 (D)	\$1,372,356	*	1,358,229	960,649
Common Stock (B)	38 shs.	12/14/10	38,168	—
Warrant, exercisable until 2020, to purchase	37 shs.	12/14/10	37,249	—

common stock at \$.01 per share (B)

* 12/14/10, 08/17/12 and 03/31/16. 1,433,646 960,649

Sunvair Aerospace Group Inc.

An aerospace maintenance, repair, and overhaul provider servicing landing gears on narrow body aircraft.

12% (1% PIK) Senior Subordinated

Note due 07/31/2021	\$1,218,639	07/31/15	1,199,559	1,191,831
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Common Stock (B)	68 shs.	07/31/15	78,150	37,434
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			1,277,709	1,229,265
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Barings Participation Investors (formerly known as Babson Capital Participation Investors)

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Team Drive-Away Holdings LLC				
An asset-light provider of over the road driveway services for class 8 trucks and specialized equipment.				
12.5% (1.5% PIK) Senior Subordinated				
Note due 04/15/2021	\$766,700	10/15/15	\$753,889	\$778,127
Limited Liability Company Unit (B)	95,800 uts.	10/15/15	95,800	107,392
			849,689	885,519
Torrent Group Holdings, Inc.				
A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.				
15% (7.5% PIK) Senior Subordinated				
Note due 12/05/2020 (D)	\$67,125	12/05/13	219,203	67,125
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	28,079 shs.	12/05/13	—	11,512
			219,203	78,637
Tranzonic Holdings LLC				
A producer of commercial and industrial supplies, such as safety products, janitorial supplies, work apparel, washroom and restroom supplies and sanitary care products.				
Limited Liability Company Unit	147,727			
Preferred Class A (B)	shs.	07/05/13	147,727	218,582
Tristar Global Energy Solutions, Inc.				
A hydrocarbon and decontamination services provider serving refineries worldwide.				
12.5% (1.5% PIK) Senior Subordinated				
Note due 07/31/2020	\$1,143,391	01/23/15	1,127,539	1,166,258
Veritext Corporation				
A provider of stenographic staffing and other services used during the legal deposition process.				

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10.75% Second Lien Term Loan due 01/29/2023	\$1,725,000	01/21/16	1,695,060	1,725,000
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VP Holding Company

A provider of school transportation services for special-needs and homeless children in
Massachusetts.

Common Stock (B)	3,632 shs.	03/31/14	363,158	401,147
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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2016

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Wellborn Forest Holding Company				
A manufacturer of semi-custom kitchen and bath cabinetry.				
8% Senior Subordinated Note due 09/30/2017 (D)	\$ 1,680,931	11/30/06	\$867,531	\$ 1,512,838
Common Stock (B)	101 shs.	11/30/06	101,250	—
Warrant, exercisable until 2017, to purchase common stock at \$.01 per share (B)	51 shs.	11/30/06	45,790	—
			1,014,571	1,512,838
Westminster Acquisition LLC				
A manufacturer of premium, all-natural oyster cracker products sold under the Westminster and Olde Cape Cod brands.				
12% (1% PIK) Senior Subordinated Note due 02/03/2021	\$ 375,486	08/03/15	369,829	