

BABSON CAPITAL GLOBAL SHORT DURATION HIGH YIELD FUND  
Form N-CSR  
March 09, 2016

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As filed with the Securities and Exchange Commission on March 9, 2016

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, 2015

Date of reporting period: December 31, 2015

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Item 1. Reports to Stockholders.

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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

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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 2015 Annual Report

OFFICERS OF THE FUND

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

Patrick Hoefling  
Chief Financial  
Officer

Andrew Lennon  
Treasurer

INVESTMENT OBJECTIVE & POLICY

Michael Freno  
Vice President

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”.

Sean Feeley  
Vice President

Scott Roth  
Vice President

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.

Melissa LaGrant  
Chief  
Compliance  
Officer

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.

Janice Bishop  
Secretary/Chief  
Legal Officer

Michele Manha  
Assistant  
Secretary

Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

Dear Fellow Shareholders,

We provide you with the 2015 Annual Report for the Babson Capital Global Short Duration High Yield Fund (the “Fund”) to recap portfolio performance and positioning during a volatile year for the high yield markets as well as to notify you about a couple of important Fund updates. We would like to remind shareholders that we continue to believe our Global High Yield Investments Group is one of the largest teams in the market primarily focused on North American and Western European credits. 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 market stress.

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 Fund’s flexibility to dynamically shift the geographical weighting in order to capture what we believe are the best risk-adjusted investment opportunities. In managing the Fund, we also pay close attention to limiting the duration of the Fund while maintaining what we consider a reasonable amount of leverage.

#### Market Review

The year started strong in 2015 as the global high yield bond markets rallied as the European Central Bank announced its quantitative easing program and macroeconomic conditions in the U.S. generally improved. The second half of the year, however, delivered mostly negative returns for the high yield asset class as volatility rattled the broader capital markets. China’s unexpected currency devaluation added to mounting concerns over the potential impact of a slowing Chinese economy on global growth.

Due to persistent volatility across the commodity and energy related sector, U.S. high yield bond retail mutual funds experienced outflows of \$9 billion during the third quarter. European high yield bond mutual funds finished the third quarter with outflows as well, though to a lesser extent. A combination of market volatility and slow summer activity in the primary markets muted new issuance for both high yield bond markets. However, primary market calendars began to build across the markets following the Federal Reserve’s September decision to keep U.S. interest rates unchanged.

The global high yield markets experienced heightened volatility in the fourth quarter though, particularly in the U.S. Challenging conditions in the U.S. high yield bond market, coupled with further declines in global commodity prices, negatively impacted overall market performance. Headlines following the abrupt closure of a distressed-focused U.S. mutual fund in December added to the pervasive negative sentiment and accelerated U.S. retail fund outflows early in the month. In the primary markets, overall issuance volumes were lighter in the fourth quarter, due largely to the reduction in refinancing activity.

U.S. high yield bond mutual funds experienced outflows in the fourth quarter of \$4.3 billion while European high yield bond mutual funds, on the other hand, finished the fourth quarter with a net inflow of €3.4 billion. U.S. and European high yield bond spreads and yields widened over the course of the year due to the market volatility and risk aversion in the market. Despite the volatile end to the year, we believe issuer fundamentals outside of the energy and commodity sectors remain largely intact. With the exception of those troubled sectors, we expect market default rates to remain below long term averages in 2016.

#### Babson Capital Global Short Duration High Yield Fund Overview and Performance

The Fund ended December with a portfolio of 126 issuers, which is a decrease from the beginning of the year of 130 issuers. A majority of the issuers are domiciled in the U.S. (63.5%) with the U.K. (17.3%) and Germany (3.4%) representing the next largest country exposures – see Country Composition chart on page 5. From a geographic standpoint, exposure to U.S. domiciled companies increased and exposure to foreign issuers decreased since the beginning of the year. While maintaining a meaningful presence in the Western European market, we increased our exposure to the U.S. to take advantage of opportunistic investments over the course of the year as spreads have widened significantly compared to the Western European region. We believe this has offered the Fund the ability to maintain an attractive level of current income while adding the potential for capital appreciation which is more difficult to uncover in Western Europe.

Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

As of December 31, 2015, the Fund remained well positioned across the credit quality spectrum: 6.3% BB-rated and above, 74.8% B-rated, and 10.9% CCC-rated and below, with over 50% of the portfolio consisting of senior secured obligations. The credit quality of the Fund's underlying holdings remained very similar throughout the year with a slight decrease in BB-rated and above credits, a modest increase in B-rated credits and a very similar allocation to CCC-rated and below credits. Non-publicly rated securities and cash and accrued interest represented 0.7% and 7.3%, respectively.<sup>1</sup>

The Fund paid six consecutive monthly dividend payments of \$0.1677 per share in the first half of 2015 and six consecutive monthly dividend payments of \$0.1615 in the second half of 2015, all comprised of net investment income. The Fund also declared a special dividend at year-end of \$0.2196 per share comprised of additional net investment income. In total for the year, including the special dividend, the Fund paid investors \$2.20 per share, which we believe is an attractive level of yield for a global short duration high yield bond fund. The Fund's share price and net asset value ("NAV") ended the reporting period at \$16.49 and \$18.47, respectively, reflecting a 10.72% discount to NAV. Based on the Fund's share price and NAV on December 31, 2015, the Fund's market price and NAV distribution rates using the most recent monthly dividend, excluding any special dividends, on an annualized basis were 11.75% and 10.49%, respectively. Assets acquired through leverage, which represented 25.70% of the Fund's total assets at year-end, were accretive to net investment income and benefited shareholders.

It should be noted that the monthly dividends announced in February 2016 were reduced by 5.00% to \$0.1534 per share. Based on the current market volatility and expectations that stress on commodity related companies will remain high over the course of the year, the portfolio management team made the decision to recommend a reduction in the Fund's dividend rate which we believe was a better option for Fund shareholders at this time than running an increased risk of returning capital in the future or increasing the risk profile of the Fund.

In recognition of current market conditions and the recent dividend reduction, and consistent with Babson Capital's commitment to delivering shareholder value, Babson Capital has contractually agreed to waive 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. Such waived fees are not subject to recoupment from the Fund.

On a full year 2015 basis, the NAV total return was -5.57%, underperforming the global high yield bond market as measured by the Bank of America / Merrill Lynch Global Non-Financial High Yield Index (HN0C), which returned -3.14%. As mentioned earlier, the second half of 2015 experienced a fair amount of dislocation as outflows continued unabated and managers sold assets at what we believe to be below fair market value. The Fund was not immune to the selling pressure in the markets and we have tried to optimize the portfolio with what we view to be our best risk-adjusted ideas with attractive income streams, especially from the non-commodity related portion of the portfolio. Despite recent pressure, any further pull back in prices will likely provide opportunities to add to positions in "high conviction" names offering attractive relative value. From a market value perspective, the Fund's total return for 2015 was -8.25%.

The Fund's Board of Trustees approved a change in the benchmark for the Fund from the BofA/Merrill Lynch Global Non-Financial High Yield Constrained Index ("HN0C") to the BofA/Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index ("HNDC"). Due to the recent increase of emerging market high yield corporate debt in the HN0C, and because emerging markets are not an area of focus for the Fund, the Fund's investment manager believes the HNDC better reflects the investment opportunity set of the Fund.

<sup>1</sup>. 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.

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Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

In Conclusion

Although the Federal Reserve's December announcement of its first interest rate increase since 2006 provides an answer to one of the biggest questions for the market, uncertainty remains around the potential consequences increased interest rate volatility may have on currencies, treasury yields, and risk assets going forward. While we believe the volatility we have seen in the commodity space will likely persist, we expect general corporate fundamentals to remain intact. This should continue to support high yield valuations in the near-term as well as keep default rates below their historical averages.

As mentioned in previous annual shareholder reports and which we believe is still applicable in the current volatile market environment, 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 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 2016.

We value your continued commitment to the Fund, and look forward to helping you achieve your investment objectives in 2016.

Sincerely,

Russ Morrison

Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

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 December 31, 2015.

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Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

FINANCIAL REPORT

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## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## STATEMENT OF ASSETS AND LIABILITIES

	DECEMBER 31, 2015
Assets	
Investments, at fair value (cost \$570,323,681)	\$474,698,296
Cash	30,797,296
Foreign currency, at fair value (cost \$2,329,775)	2,314,578
Interest receivable	10,124,423
Unrealized appreciation on forward foreign exchange contracts	1,687,753
Prepaid expenses and other assets	8,984
Total assets	519,631,330
Liabilities	
Note payable	133,500,000
Dividend payable	7,644,046
Payable for investments purchased	7,208,572
Payable to adviser	398,420
Unrealized depreciation on forward foreign exchange contracts	122,854
Accrued expenses and other liabilities	339,137
Total liabilities	149,213,029
Total net assets	\$370,418,301
Net Assets:	
Common stock, \$0.00001 par value	\$201
Additional paid-in capital	477,884,220
Dividends in excess of net investment income	(2,125,852 )
Accumulated net realized loss	(11,200,705 )
Net unrealized depreciation	(94,139,563 )
Total net assets	\$370,418,301
Common shares issued and outstanding (unlimited shares authorized)	20,057,849
Net asset value per share	\$18.47

See accompanying Notes to the Financial Statements.

## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

**STATEMENT OF OPERATIONS**

	YEAR ENDED DECEMBER 31, 2015
Investment Income	
Interest income	\$48,854,548
Other income	86,615
Total investment income	48,941,163
Operating Expenses	
Advisory fees	5,687,510
Administrator fees	1,880,690
Interest expense	1,577,643
Professional fees	204,307
Directors' fees	196,562
Printing and mailing expense	94,662
Registration fees	2,980
Other operating expenses	76,074
Total operating expenses	9,720,428
Net investment income	39,220,735
Realized and Unrealized Gains (Losses) on Investments	
Net realized loss on investments	(16,305,722)
Net realized gain on forward foreign exchange contracts	11,386,280
Net realized loss on foreign currency and translation	(152,666 )
Net realized loss on investments	(5,072,108 )
Net unrealized depreciation of investments	(61,348,222)
Net unrealized appreciation of forward foreign exchange contracts	319,333
Net unrealized appreciation of foreign currency and translation	87,401
Net unrealized depreciation on investments	(60,941,488)
Net realized and unrealized losses on investments	(66,013,596)
Net decrease in net assets resulting from operations	\$(26,792,861)

See accompanying Notes to the Financial Statements.

## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2015
Reconciliation of net decrease in net assets resulting from operations to net cash provided by operating activities	
Net decrease in net assets applicable to common shareholders resulting from operations	\$(26,792,861 )
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	(209,050,176)
Proceeds from sales of long-term investments	226,542,793
Purchases of foreign currency, net	(1,841,079 )
Forward currency exchange contracts, net	(319,333 )
Net unrealized depreciation	61,291,886
Net realized loss	16,305,722
Amortization and accretion	356,121
Changes in operating assets and liabilities:	
Decrease in interest receivable	75,093
Decrease in prepaid expenses and other assets	19,350
Decrease in receivable for investments sold	3,281,420
Increase in payable for investments purchased	4,703,572
Decrease in payable to Adviser	(83,467 )
Increase in accrued expenses and other liabilities	43,427
Net cash provided by operating activities	74,532,468
Cash Flows From Financing Activities	
Advances from credit facility	5,000,000
Repayments on credit facility	(25,000,000 )
Distributions paid to common shareholders	(51,522,597 )
Net cash used in financing activities	(71,522,597 )
Net change in cash	3,009,871
Cash beginning of year	27,787,425
Cash end of year	\$30,797,296
Supplemental disclosure of cashflow information	
Income taxes paid	\$—
Interest paid	1,508,059

See accompanying Notes to the Financial Statements.

## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Operations		
Net investment income	\$39,220,735	\$42,515,746
Net realized gain (loss) on investments	(5,072,108 )	5,208,578
Net unrealized depreciation on investments	(60,941,488 )	(60,542,792 )
Net decrease in net assets resulting from operations	(26,792,861 )	(12,818,468 )
Dividends to Common Stockholders		
Net investment income	(44,022,967 )	(51,354,913 )
Net realized gain	—	(789,477 )
Total dividends to common stockholders	(44,022,967 )	(52,144,390 )
Total decrease in net assets	(70,815,828 )	(64,962,858 )
Net Assets		
Beginning of year	441,234,129	506,196,987
End of year (including 2015 dividends in excess of net investment income and 2014 undistributed net investment income of \$2,125,852 and \$3,828,391, respectively)	\$370,418,301	\$441,234,129

See accompanying Notes to the Financial Statements.

## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## FINANCIAL HIGHLIGHTS

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2013	PERIOD FROM OCTOBER 26, 2012 <sup>(1)</sup> THROUGH DECEMBER 31, 2012	
Per Common Share Data <sup>(2)</sup>					
Net asset value, beginning of period	\$ 22.00	\$ 25.24	\$ 24.30	23.82	<sup>(3)</sup>
Income from investment operations:					
Net investment income	1.90	2.12	2.05	0.18	
Net realized and unrealized gains (losses) on investments	(3.23 )	(2.76 )	1.21	0.47	
Total increase (decrease) from investment operations	(1.33 )	(0.64 )	3.26	0.65	
Less dividends to common stockholders:					
Net investment income	(2.20 )	(2.56 )	(2.01 )	(0.17 )	
Net realized gain	—	(0.04 )	(0.31 )	—	
Total dividends to common stockholders	(2.20 )	(2.60 )	(2.32 )	(0.17 )	
Net asset value, end of period	\$ 18.47	\$ 22.00	\$ 25.24	\$ 24.30	
Per common share market value, end of period	\$ 16.49	\$ 20.19	\$ 23.12	\$ 23.77	
Total investment return based on net asset value <sup>(2)(4)</sup>	(5.57 )%	(2.25 )%	14.48 %	2.69 %	
Total investment return based on market value <sup>(2)(4)</sup>	(8.13 )%	(2.06 )%	7.20 %	(4.27 )%	
Supplemental Data and Ratios					
Net assets, end of period (000's)	\$ 370,418	\$ 441,234	\$ 506,197	\$ 487,005	
Ratio of expenses to average net assets	2.27 %	2.20 %	2.06 %	1.85 %	<sup>(5)</sup>
Ratio of net investment income to average net assets	9.18 %	8.47 %	8.20 %	4.70 %	<sup>(5)</sup>
Portfolio turnover rate <sup>(2)</sup>	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) Annualized for periods less than one full year.

See accompanying Notes to the Financial Statements.

## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## SCHEDULE OF INVESTMENTS

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income – 128.15%*:					
Bank Loans§ – 20.55%*:					
Aerospace and Defense – 0.41%*:					
Swissport Investments+	6.25%	12/3/2021	1,400,000	\$1,358,000	\$1,518,605
Total Aerospace and Defense			1,400,000	1,358,000	1,518,605
Broadcasting and Entertainment – 0.60%*:					
Learfield Communications Inc.	8.75	10/8/2021	1,714,286	1,727,291	1,688,571
Tele Columbus+	8.50	7/30/2022	500,000	535,881	539,303
Total Broadcasting and Entertainment			2,214,286	2,263,172	2,227,874
Cargo Transport – 1.19%*:					
Direct ChassisLink Inc. (add on facility)	8.25	11/12/2019	636,251	636,251	615,573
Direct ChassisLink Inc.	8.25	11/12/2019	3,923,810	3,866,821	3,796,286
Total Cargo Transport			4,560,061	4,503,072	4,411,859
Chemicals, Plastics and Rubber – 0.89%*:					
Flint Group Holdings+	8.25	9/30/2022	3,451,145	3,436,408	3,278,588
Total Chemicals, Plastics and Rubber			3,451,145	3,436,408	3,278,588
Diversified/Conglomerate Manufacturing – 0.32%*:					
TenCate+	5.25	11/30/2022	1,100,000	1,174,826	1,178,994
Total Diversified/Conglomerate Manufacturing			1,100,000	1,174,826	1,178,994
Diversified/Conglomerate Service – 1.69%*:					
Redprarie Corporation	6.00	12/21/2018	2,817,312	2,780,918	2,495,322
Redprarie Corporation	11.25	12/14/2019	4,632,646	4,654,455	3,767,870
Total Diversified/Conglomerate Service			7,449,958	7,435,373	6,263,192
Diversified Natural Resources, Precious Metals and Minerals – 1.41%*:					
Caraustar Industries Inc.	8.00	5/1/2019	5,243,064	5,258,486	5,210,295
Total Diversified Natural Resources, Precious Metals and Minerals			5,243,064	5,258,486	5,210,295
Electronics – 2.00%*:					
Kronos, Inc.	9.75	4/30/2020	7,485,880	7,411,033	7,423,522
Total Electronics			7,485,880	7,411,033	7,423,522
Farming and Agriculture – 1.65%*:					
Allflex Holdings, Inc.	8.00	7/19/2021	6,232,322	6,229,141	6,113,908

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Total Farming and Agriculture			6,232,322	6,229,141	6,113,908
Finance – 0.77%*:					
Cunningham Lindsey Group, Inc.	9.25	6/10/2020	5,504,015	5,512,223	2,862,088
Total Finance			5,504,015	5,512,223	2,862,088

See accompanying Notes to the Financial Statements.

## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## SCHEDULE OF INVESTMENTS(CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Bank Loans(Continued)					
Healthcare, Education and Childcare – 0.81%*:					
Sage Products Holdings III, LLC	9.25 %	6/15/2020	3,011,585	\$2,966,428	\$3,006,556
Total Healthcare, Education and Childcare			3,011,585	2,966,428	3,006,556
Leisure, Amusement, Motion Pictures and Entertainment – 1.07%*:					
Endemol+	6.75	8/11/2021	3,635,131	3,474,638	3,214,074
Exterion Media+	7.00	3/30/2018	700,000	772,129	745,514
Total Leisure, Amusement, Motion Pictures and Entertainment			4,335,131	4,246,767	3,959,588
Mining, Steel, Iron and Non-Precious Metals – 1.11%*:					
Boomerang Tube, LLC	11.19	8/11/2017	1,609,355	1,609,355	1,609,355
Boomerang Tube, LLC>	12.00	10/11/2017	5,089,201	5,056,255	2,201,079
Murray Energy Corp.	7.50	4/16/2020	448,036	435,819	284,023
Total Mining, Steel, Iron and Non-Precious Metals			7,146,592	7,101,429	4,094,457
Oil and Gas – 4.95%*:					
Caelus Energy Alaska	8.75	4/15/2020	17,863,828	17,344,862	9,378,510
Fieldwood Energy LLC	8.38	9/30/2020	16,407,298	12,528,467	2,461,095
Jonah Energy LLC	7.50	5/12/2021	1,963,216	1,977,755	1,217,194
MD America Energy, LLC	9.50	8/4/2019	5,604,121	5,379,127	4,576,718
NFR Energy LLC>	10.00	12/31/2018	7,684,465	7,774,974	130,636
Templar Energy	8.50	11/25/2020	5,580,408	5,433,252	585,943
Total Oil and Gas			55,103,336	50,438,437	18,350,096
Printing and Publishing – 0.85%*:					
Springer+	9.00	8/14/2021	2,850,000	3,268,465	3,159,199
Total Printing and Publishing			2,850,000	3,268,465	3,159,199
Retail Store – 0.83%*:					
FleetPride	5.25	11/19/2019	831,374	707,344	669,256
FleetPride	9.25	5/19/2020	3,000,000	2,953,081	2,400,000
Total Retail Store			3,831,374	3,660,425	3,069,256
Total Bank Loans			120,918,749	116,263,685	76,128,077
Corporate Bonds – 107.60%*:					
Aerospace and Defense – 1.77%*:					
CPI International Inc.#	8.75	2/15/2018	5,550,000	5,658,352	5,466,750

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Swissport Investments+	6.75	12/15/2021	950,000	1,040,150	1,069,843
Total Aerospace and Defense			6,500,000	6,698,502	6,536,593

See accompanying Notes to the Financial Statements.

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## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## SCHEDULE OF INVESTMENTS(CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Automobile – 9.24%*:					
Accuride Corp#	9.50 %	8/1/2018	11,210,000	\$11,276,408	\$9,304,300
Affinia#	7.75	5/1/2021	3,240,000	3,318,931	3,297,672
Allied Specialty Vehicles#^	8.50	11/1/2019	6,000,000	5,965,020	6,090,000
International Automotive Components Group, S.A.#^					
J.B. Poindexter & Co. Inc.#^	9.13	6/1/2018	8,125,000	8,211,089	6,946,875
Total Automobile	9.00	4/1/2022	8,235,000	8,569,198	8,605,575
			36,810,000	37,340,646	34,244,422
Banking – 0.63%*:					
Lock AS+	7.00	8/15/2021	2,050,000	2,664,380	2,321,642
Total Banking			2,050,000	2,664,380	2,321,642
Beverage, Food and Tobacco – 0.68%*:					
Boparan Finance PLC+	5.50	7/15/2021	1,350,000	1,934,383	1,761,311
Carrols Corp.#	8.00	5/1/2022	709,000	733,155	747,995
Total Beverage, Food and Tobacco			2,059,000	2,667,538	2,509,306
Broadcasting and Entertainment – 3.50%*:					
Arqiva Finance#+	9.50	3/31/2020	5,000,000	7,868,824	7,960,727
Entertainment One Ltd.+	6.88	12/15/2022	850,000	1,282,422	1,247,439
RCN Cable#^	8.50	8/15/2020	3,733,000	3,841,545	3,770,330
Total Broadcasting and Entertainment			9,583,000	12,992,791	12,978,496
Buildings and Real Estate – 6.29%*:					
Forestar Real Estate Group Inc.#^	8.50	6/1/2022	5,991,000	6,171,536	5,841,225
Keystone Financing+	9.50	10/15/2019	3,900,000	6,215,028	5,979,391
Lyon Williams Homes, Inc.#	8.50	11/15/2020	8,000,000	8,041,008	8,460,000
M/I Homes, Inc.^	6.75	1/15/2021	1,965,000	1,965,000	1,935,525
Paroc Group+	6.25	5/15/2020	1,050,000	1,444,431	1,089,893
Total Buildings and Real Estate			20,906,000	23,837,003	23,306,034
Cargo Transport – 5.30%*:					
Kenan Advantage Group, Inc.#^	7.88	7/31/2023	10,000,000	10,082,047	9,937,500
Moto Hospitality Limited+	6.38	9/1/2020	2,400,000	3,584,497	3,633,630
World Flight Services, Inc.+	9.50	7/15/2022	1,250,000	1,417,941	1,422,482
XPO Logistics, Inc.#^	6.50	6/15/2022	5,000,000	4,840,439	4,625,000
Total Cargo Transport			18,650,000	19,924,924	19,618,612
Chemicals, Plastics and Rubber – 10.60%*:					
Associated Asphalt Partners LLC#^	8.50	2/15/2018	1,839,000	1,839,000	1,839,000
Chemours Co.#^	7.00	5/15/2025	5,962,000	5,496,545	4,069,065

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Consolidated Energy Finance S.A.#+^	6.75	10/15/2019	7,320,000	7,144,803	6,997,554
Cornerstone Chemical Co.#^	9.38	3/15/2018	4,725,000	4,813,046	4,276,125
LSB Industries, Inc.#	7.75	8/1/2019	5,169,000	4,993,037	4,290,270
Omnova Solutions, Inc.#	7.88	11/1/2018	4,244,000	4,306,346	4,159,120

See accompanying Notes to the Financial Statements.

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## Babson Capital Global Short Duration High Yield Fund 2015 Annual Report

## SCHEDULE OF INVESTMENTS(CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Chemicals, Plastics and Rubber (Continued)					
Pinnacle Operating Corp.#^	9.00 %	11/15/2020	2,635,000	\$2,641,230	\$2,476,900
Platform Specialty Products Corporation#^	10.38	5/1/2021	3,739,000	3,834,507	3,729,652
TPC Group, Inc.#^	8.75	12/15/2020	8,398,000	8,413,142	5,458,700
Univar USA Inc.#^	6.75	7/15/2023	2,172,000	2,172,000	1,981,950
Total Chemicals, Plastics and Rubber			46,203,000	45,653,656	39,278,336
Containers, Packaging and Glass – 5.74%*:					
Coveris Holdings S.A.#^	7.88	11/1/2019	7,600,000	7,651,744	6,631,000
Horizon Holdings+	7.25	8/1/2023	3,750,000	4,116,582	4,216,992