

BARINGS PARTICIPATION INVESTORS  
Form N-CSRS  
September 07, 2018

---

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)

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

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: 06/30/18

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

Barings  
Participation Investors

Report for the  
Six Months Ended June 30, 2018

Adviser

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

Independent Registered Public Accounting Firm

KPMG LLP  
Boston, Massachusetts 02110

Counsel to the Trust

Ropes & Gray LLP  
Boston, Massachusetts 02111

Custodian

State Street Bank and Trust Company  
Boston, Massachusetts 02110  
Transfer Agent & Registrar

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

Internet Website

[www.barings.com/mpv](http://www.barings.com/mpv)

Barings Participation Investors  
c/o Barings LLC  
1500 Main Street, Suite 2200  
Springfield, Massachusetts 01115  
(413) 226-1516

---

Investment Objective and 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 most newspapers under either the New York Stock Exchange listings or Closed-End Fund Listings.

## Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

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. 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 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.

### Form N-Q

The Trust files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission ("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 upon request by calling, toll-free, 866-399-1516.

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 866-399-1516; (2) on the Trust's website at [www.barings.com/mpv](http://www.barings.com/mpv); and (3) on the SEC's 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 is available (1) on the Trust's website at [www.barings.com/mpv](http://www.barings.com/mpv); and (2) on the SEC's website at <http://www.sec.gov>.

### Legal Matters

The Trust has entered into contractual arrangements with an investment adviser, transfer agent and custodian (collectively "service providers") who each provide services to the Trust. Shareholders are not parties to, or intended beneficiaries of, these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the Trust.

Under the Trust's Bylaws, any claims asserted against or on behalf of the Trust, including claims against Trustees and officers must be brought in courts located within the Commonwealth of Massachusetts.

The Trust's registration statement and this shareholder report are not contracts between the Trust and its shareholders and do not give rise to any contractual rights or obligations or any shareholder rights other than any rights conferred explicitly by federal or state securities laws that may not be waived.



Barings Participation Investors

TO OUR SHAREHOLDERS

July 31, 2018

We are pleased to present the June 30, 2018 Quarterly Report of Barings Participation Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of \$0.27 per share, payable on August 17, 2018 to shareholders of record on August 6, 2018. The Trust paid a \$0.27 per share dividend for the preceding quarter. The Trust earned \$0.26 per share of net investment income for the first quarter of 2018, compared to \$0.26 per share, including \$0.01 per share of non-recurring income, in the previous quarter.

During the second quarter, the net assets of the Trust decreased to \$143,947,536 or \$13.72 per share compared to \$145,920,470 or \$13.93 per share on March 31, 2018. This translates into a 0.4% total return for the quarter, based on the change in the Trust's net assets assuming the reinvestment of all dividends. Longer term, the Trust returned 6.2%, 7.8%, 9.8%, 9.9% and 11.6% for the 1, 3, 5, 10, and 25-year periods, respectively, based on the change in the Trust's net assets assuming the reinvestment of all dividends.

The Trust's share price was unchanged during the quarter, from \$14.70 per share as of March 31, 2018 to \$14.70 per share as of June 30, 2018, which resulted in a total return of 1.9%. The Trust's market price of \$14.70 per share equates to a 7.1% premium over the June 30, 2018 net asset value per share of \$13.72. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 4.3%, 1.8% and 6.3%, respectively U.S. equity markets, as approximated by the Russell 2000 Index, increased 7.8% for the quarter. U.S. fixed income markets, as approximated by the Bloomberg Barclays U.S. Corporate High Yield Index, increased 1.0% for the quarter.

The Trust closed five new private placement investments and four add-on investments to existing portfolio companies during the second quarter. The five new investments were in Cadence, Inc., Discovery Education, E.S.P. Associates, Trident Maritime Systems and VP Holding Company. The four add-on investments were in CORA Health Services, CTM Holding, Inc., ECG Consulting Group and Hollandia Produce LLC. 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 \$10,385,166.

It was a strong quarter for the Trust in terms of new investments. As noted above, the Trust closed five new investments and four add-on investments. The expansion of the Trust's target investment criteria in late 2017 into a broader set of the middle market private debt market along with the expansion of Barings', the Trust's investment adviser, private debt platform, have been key contributors to new investment volume. Overall, market conditions remain extremely competitive with purchase price and leverage multiples remaining at or near historical highs, and there continues to be a large supply of debt capital seeking middle-market investment opportunities. As always, we've continued to be selective in our investment choices and maintain our underwriting discipline.

The Trust's remaining portfolio remains in good condition. There were four private debt investment exits during the quarter, all of which resulted in realized gains. In addition, one company fully prepaid and two companies partially prepaid debt held by the Trust. There are several companies in which the Trust has outstanding investments that are in the process of being sold and we are cautiously optimistic about realization activity over the next few quarters.

The Trust was able to maintain its \$0.27 per share quarterly dividend in the first quarter. However, the Trust's recurring investment income was not sufficient to cover this quarter's dividend. As discussed in prior reports, generally since 2013, recurring investment income alone has not been sufficient to fully fund the current dividend rate principally due 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 referenced above, the Trust's expansion of its target investment criteria in 2017 has allowed for increased private debt investment opportunities, and as a result, higher recurring investment income than the Trust has experienced over the past several years. Also, with the elimination of the Trust's fundamental investment restrictions relating to credit ratings (See Note 9) the Trust is now permitted to invest in opportunities that such restrictions would have precluded, which could result in higher recurring investment income. However, recurring investment income still fell slightly lower than this quarter's dividend. The level of expected recurring investment income generated by the Trust in 2018, combined with the availability of earnings carry forwards and other non-recurring income, is expected to be sufficient to maintain the current dividend rate over the next several quarters. However, until recurring investment income consistently reaches a level equal to the current dividend rate, there is the risk that the dividend may need to be reduced in the future.

(Continued)

Thank you for your continued interest in and support of Barings Participation Investors.

Sincerely,

Robert M. Shettle

President

Portfolio Composition as of 6/30/18\*

\* Based on market value of total investments (including cash)

Cautionary Notice: Certain statements contained in this report may be "forward looking" statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made and which reflect management's current estimates, projections, expectations or beliefs, and which are subject to risks and uncertainties that may cause actual results to differ materially. These statements are subject to change at any time based upon economic, market or other conditions and may not be relied upon as investment advice or an indication of the Trust's trading intent. References to specific securities are not recommendations of such securities, and may not be representative of the Trust's current or future investments. We undertake no obligation to publicly update forward looking statements, whether as a result of new information, future events, or otherwise.

Barings Participation Investors  
CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES  
June 30, 2018  
(Unaudited)

## Assets:

## Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$109,561,085)	\$105,436,956
Corporate restricted securities at market value (Cost - \$15,329,617)	15,090,480
Corporate public securities at market value (Cost - \$26,639,962)	26,435,516
Total investments (Cost - \$151,530,664)	146,962,952
Cash	12,494,002
Interest receivable	1,135,605
Other assets	120,137
Total assets	160,712,696

## Liabilities:

Note payable	15,000,000
Payable for investments purchased	809,537
Deferred tax liability	448,095
Investment advisory fee payable	323,882
Interest payable	27,267
Accrued expenses	156,379
Total liabilities	16,765,160

## Commitments and Contingencies (See Note 8)

Total net assets	\$143,947,536
------------------	---------------

## Net Assets:

Common shares, par value \$.01 per share	\$104,935
Additional paid-in capital	94,989,278
Retained net realized gain on investments, prior years	44,296,000
Undistributed net investment income	3,353,269
Accumulated net realized gain on investments	6,219,861
Net unrealized depreciation of investments	(5,015,807 )
Total net assets	\$143,947,536

Common shares issued and outstanding (14,787,750 authorized)	10,493,532
--	------------

Net asset value per share

\$13.72

See Notes to Consolidated Financial Statements

---

3

## CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended June 30, 2018

(Unaudited)

Investment Income:			
Interest	\$	6,508,364	
Dividends		180,183	
Other		63,713	
Total investment income		6,752,260	
Expenses:			
Investment advisory fees		652,203	
Interest		306,750	
Trustees' fees and expenses		120,000	
Professional fees		111,130	
Reports to shareholders		48,000	
Custodian fees		12,000	
Other		50,589	
Total expenses		1,300,672	
Investment income - net		5,451,588	
Net realized and unrealized loss on investments:			
Net realized gain on investments before taxes		4,190,415	
Income tax expense		(288,488	)
Net realized gain on investments after taxes		3,901,927	
Net increase (decrease) in unrealized appreciation (depreciation) of investments before taxes		(8,880,857	)
Net (increase) decrease in deferred income tax expense		321,618	
Net increase (decrease) in unrealized appreciation (depreciation) of investments after taxes		(8,559,239	)
Net loss on investments		(4,657,312	)

Net increase in net assets resulting from operations	\$	794,276
---	----	---------

See Notes to Consolidated Financial Statements

---

4

Barings Participation Investors  
 CONSOLIDATED STATEMENT OF CASH FLOWS  
 For the six months ended June 30, 2018  
 (Unaudited)

Net increase in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$6,084,599
Purchases of portfolio securities	(22,735,203)
Proceeds from disposition of portfolio securities	26,240,390
Interest, dividends and other income received	5,684,461
Interest expense paid	(306,750)
Operating expenses paid	(994,326)
Income taxes paid	(2,101,837)
Net cash provided by operating activities	11,871,334

Cash flows from financing activities:

Cash dividends paid from net investment income	(5,652,336)
Receipts for shares issued on reinvestment of dividends	501,827
Net cash used for financing activities	(5,150,509)
Net increase in cash	6,720,825
Cash - beginning of period	5,773,177
Cash - end of period	\$12,494,002

Reconciliation of net increase in net assets to  
 net cash provided by operating activities:

Net increase in net assets resulting from operations	\$794,276
Decrease in investments	12,337,669
Decrease in interest receivable	159,346
Increase in other assets	(94,123)
Increase in payable for investments purchased	809,537
Decrease in deferred tax liability	(321,618)
Decrease in investment advisory fee payable	(3,448)
Increase in accrued expenses	3,044
Decrease in tax payable	(1,813,349)
Total adjustments to net assets from operations	11,077,058
Net cash provided by operating activities	\$11,871,334

See Notes to Consolidated Financial Statements





## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the six months ended 6/30/2018 (Unaudited)	For the year ended 12/31/2017
Increase in net assets:		
Operations:		
Investment income - net	\$5,451,588	\$11,340,081
Net realized gain on investments after taxes	3,901,927	2,280,108
Net change in unrealized (depreciation) appreciation of investments after taxes	(8,559,239 )	5,517,329
Net increase in net assets resulting from operations	794,276	19,137,518
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2018 - 35,370; 2017 - 71,989)	501,827	1,001,726
Dividends to shareholders from:		
Net investment income (2018 - \$0.27 per share; 2017 - \$1.08 per share)	(2,828,632 )	(11,265,910 )
Total (decrease) / increase in net assets	(1,532,529 )	8,873,334
Net assets, beginning of period/year	145,480,065	136,606,731
Net assets, end of period/year (including undistributed net investment income of \$3,353,269 and \$730,313, respectively)	\$143,947,536	\$145,480,065

See Notes to Consolidated Financial Statements

---

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

Barings Participation Investors

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the six months ended 6/30/2018 (Unaudited)	For the years ended December 31,			
		2017	2016	2015	2014
Net asset value:					
Beginning of period/year	\$ 13.91	\$ 13.15	\$ 13.10	\$ 13.35	\$ 12.83
Net investment income (a)	0.52	1.09	1.00	0.95	1.04
Net realized and unrealized gain (loss) on investments	(0.44 )	0.75	0.13	(0.12 )	0.57
Total from investment operations	0.08	1.84	1.13	0.83	1.61
Dividends from net investment income to common shareholders	(0.27 )	(1.08 )	(1.08 )	(1.08 )	(0.96 )
Dividends from realized gain on investments to common shareholders	—	—	—	—	(0.12 )
Increase from dividends reinvested	(0.00 )(b)	(0.00 )(b)	(0.00 )(b)	(0.00 )(b)	(0.01 )
Total dividends	(0.27 )	(1.08 )	(1.08 )	(1.08 )	(1.09 )
Net asset value:					
End of period/year	\$ 13.72	\$ 13.91	\$ 13.15	\$ 13.10	\$ 13.35
Per share market value:					
End of period/year	\$ 14.70	\$ 14.10	\$ 14.20	\$ 13.75	\$ 13.23
Total investment return					
Net asset value (c)	0.57%	14.29%	8.75%	6.23%	13.61%
Market value (c)	6.21%	7.21%	11.45%	12.66%	12.54%
Net assets (in millions):					
End of period/year	\$ 143.95	\$ 145.48	\$ 136.61	\$ 135.35	\$ 137.57
Ratio of total expenses to average net assets	2.20% (d)	3.23%	2.26%	2.17%	2.84%
Ratio of operating expenses to average net assets	1.38% (d)	1.49%	1.35%	1.49%	1.49%
Ratio of interest expense to average net assets	0.42% (d)	0.43%	0.44%	0.44%	0.45%
Ratio of income tax expense to average net assets	0.40% (d)	1.31%	0.47%	0.24%	0.90%
Ratio of net investment income to average net assets	7.54% (d)	7.92%	7.45%	6.95%	7.82%
Portfolio turnover	16%	24%	31%	30%	32%

(a) Calculated using average shares.

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

## Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

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.

(c)

(d) Annualized.

### Senior borrowings:

Total principal amount (in millions)	\$15	\$15	\$15	\$15	\$15
Asset coverage per \$1,000 of indebtedness	\$10,597	\$10,699	\$10,107	\$10,023	\$10,171

See Notes to Consolidated Financial Statements

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2018

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 83.73%: (A)				
Private Placement Investments - 73.25%: (C)				
1A Smart Start, Inc.				
A designer, distributor and lessor of ignition interlock devices ("IIDs"). IIDs are sophisticated breathalyzers wired to a vehicles ignition system.				
10.34% Second Lien Term Loan due 12/22/2022 (LIBOR + 8.250%)				
	\$ 1,725,000	12/21/17	\$ 1,694,369	\$ 1,695,762
ABC Industries, Inc.				
A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 07/31/2019				
	\$ 109,335	08/01/12	106,689	109,129
	125,000			
Preferred Stock Series A (B)	shs.	08/01/12	125,000	228,498
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)				
	22,414 shs.	08/01/12	42,446	39,528
			274,135	377,155
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.	*	207,911	5,612
* 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				
	\$ 1,221,493	03/27/15	1,209,853	1,203,685
Preferred Stock (B)	1,122 shs.	03/27/15	112,154	120,155
Common Stock (B)	346 shs.	03/27/15	346	—
			1,322,353	1,323,840
AM Conservation Holding Corp.				

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

A supplier of energy efficiency ("EE") products, including lighting, shower heads and aerators, and weatherization products such as door seals and weather stripping.

11.5% (1.5% PIK) Senior Subordinated Note due 04/30/2023	\$ 1,568,182	10/31/16	1,544,039	1,584,384
11.5% (1.25% PIK) Senior Subordinated Note due 04/30/2023	\$ 206,039	10/06/17	202,325	207,709
	156,818			
Common Stock (B)	shs.	10/31/16	156,818	164,613
			1,903,182	1,956,706

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	206,006
--	----------	----------	---------	---------

See Notes to Consolidated Financial Statements

---

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

Barings Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2018

(Unaudited)

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

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.

Limited Liability Company Unit (B)	0.40% int.	04/20/16	\$240,741	\$358,800
------------------------------------	------------	----------	-----------	-----------

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	\$1,726,001	*	1,716,436	1,726,000
------------	-------------	---	-----------	-----------

Limited Partnership Interest	524 uts.	08/01/14	523,950	1,070,422
------------------------------	----------	----------	---------	-----------

* 05/21/13 and 08/01/14.			2,240,386	2,796,422
--------------------------	--	--	-----------	-----------

ASC Holdings, Inc.

A manufacturer of capital equipment used by corrugated box manufacturers.

13% (1% PIK) Senior Subordinated Note due

05/18/2021	\$759,984	11/19/15	750,909	726,571
	111,100			

Limited Liability Company Unit (B)	uts.	11/18/15	111,100	11,332
			862,009	737,903

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	1,495,995	1,465,175
---	-------------	----------	-----------	-----------

Preferred Stock (B)	210 shs.	08/17/15	209,390	122,927
---------------------	----------	----------	---------	---------

Common Stock (B)	210 shs.	08/17/15	210	—
			1,705,595	1,588,102

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

03/31/2021 (D)	\$6,777	07/31/14	6,650	—
----------------	---------	----------	-------	---

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

Limited Liability Company Unit (B)(F)	45,504 uts.	*	—	—
Limited Liability Company Unit Class C				
Preferred (B)(F)	78,358 uts.	09/29/17	484,578	—
* 07/31/14 and 10/14/15.			491,228	—

See Notes to Consolidated Financial Statements

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2018

(Unaudited)

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

## BCC Software, Inc.

A provider of software and data solutions which enhance mail processing to help direct mail marketers realize discounts from the U.S. Postal Service, avoid penalties associated with mailing errors, and improve the accuracy and efficiency of marketing campaigns.

12% (1% PIK) Senior Subordinated Note due 04/11/2023	\$1,502,651	10/11/17	\$1,475,709	\$1,470,116
Preferred Stock Series A (B)	23 shs.	10/11/17	232,373	228,800
Common Stock Class A (B)	735 shs.	10/11/17	735	—
			1,708,817	1,698,916

## BEI Precision Systems &amp; Space Company, Inc.

A provider of advanced design, manufacturing, and testing for custom optical encoder-based positioning systems, precision accelerometers, and micro scanners.

12% (1% PIK) Senior Subordinated Note due 04/28/2024	\$1,466,059	04/28/17	1,440,388	1,445,553
Limited Liability Company Unit (B)(F)	2,760 uts.	04/28/17	276,000	139,513
			1,716,388	1,585,066

## Blue Wave Products, Inc.

A distributor of pool supplies.

10% Senior Secured Term Note due 09/30/2018	\$19,858	10/12/12	19,838	19,858
13% (1% PIK) Senior Subordinated Note due 09/30/2019	\$336,418	10/12/12	330,361	336,418
Common Stock (B)	51,064 shs.	10/12/12	51,064	264,514
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	20,216 shs.	10/12/12	20,216	104,720
			421,479	725,510

## 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.

Common Stock (B)	29,560 shs.	06/30/15	937,438	—
------------------	-------------	----------	---------	---

## Cadence, Inc.



Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

A full-service contract manufacturer ("CMO") and supplier of advanced products, technologies, and services to medical device, life science, and industrial companies.

6.59% Lien Term Loan due 04/30/2025

(LIBOR + 4.500%)

\$811,823

05/14/18

795,847

795,024

See Notes to Consolidated Financial Statements

---

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

Barings Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2018

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>CHG Alternative Education Holding Company</b>				
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 06/19/2020	\$797,800	01/19/11	\$792,807	\$791,169
14% (2% PIK) Senior Subordinated Note due 06/19/2020	\$211,307	08/03/12	210,173	207,374
Common Stock (B)	375 shs.	01/19/11	37,500	32,777
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250	25,764
			1,069,730	1,057,084
<b>Clarion Brands Holding Corp.</b>				
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	\$2,069,396	*	2,046,190	2,061,334
Limited Liability Company Unit (B)	1,853 uts.	07/18/16	189,267	168,942
* 10/01/14 and 07/18/16.			2,235,457	2,230,276
<b>Clubessential LLC</b>				
A leading SaaS platform for private clubs and resorts.				
7% (5% PIK) Senior Subordinated Note due 01/12/24	\$1,764,755	01/16/18	1,731,896	1,728,752
<b>Compass Chemical International LLC</b>				
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	147,305	193,699
<b>CORA Health Services, Inc.</b>				
A provider of outpatient rehabilitation therapy services.				
11% (1% PIK) Term Loan due 05/05/2025	\$2,082,773	05/01/18	1,459,403	1,416,913
Preferred Stock Series A (B)	758 shs.	06/30/16	38,258	88,419

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

Common Stock Class A (B)	3,791 shs.	06/30/16	3,791	20,960
			1,501,452	1,526,292

See Notes to Consolidated Financial Statements

---

11

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2018

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>CTM Holding, Inc.</b>				
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 due 12/31/2020	\$1,356,347	11/22/13	\$1,348,286	\$1,356,347
14% (2% PIK) Senior Subordinated Note due 06/04/2020	\$336,116	05/08/18	325,735	330,563
Common Stock (B)	90 shs.	*	514,284	649,068
Warrant, exercisable until 2028, to purchase common stock at \$.01 per share (B)	2 shs.	05/08/18	—	14,424
* 11/22/13 and 09/16/16.			2,188,305	2,350,402
<b>Del Real LLC</b>				
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	1,397,863	1,389,696
	304,412			
Limited Liability Company Unit (B)(F)	uts.	10/07/16	304,412	231,353
			1,702,275	1,621,049
<b>Discovery Education, Inc.</b>				
A provider of standards-based, digital education content for K-12 schools.				
6.41% Term Loan due 04/30/2024 (LIBOR + 4.750%)	\$1,941,000	04/20/18	1,903,278	1,900,466
<b>DPL Holding Corporation</b>				
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	\$1,446,609	05/04/12	1,438,674	1,437,345
Preferred Stock (B)	25 shs.	05/04/12	252,434	224,520
Common Stock (B)	25 shs.	05/04/12	28,048	—
			1,719,156	1,661,865
<b>Dunn Paper</b>				
A provider of specialty paper for niche product applications.				

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

10.84% Second Lien Term Loan due 08/26/2023  
(LIBOR + 8.750%)

\$1,725,000 09/28/16 1,699,101 1,725,000

See Notes to Consolidated Financial Statements

---

12

Barings Participation Investors  
CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)  
June 30, 2018  
(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>ECG Consulting Group</b>				
A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.				
11.5% (0.5% PIK) Senior Subordinated Note due 06/20/2025	\$757,771	06/20/18	\$742,682	\$757,411
11.5% (0.75% PIK) Senior Subordinated Note due 06/20/2025	\$1,326,922	11/21/14	1,312,492	1,326,292
Limited Liability Company Unit (B)(F)	230 uts.	11/19/14	36,199	98,315
			2,091,373	2,182,018
<b>Elite Sportwear Holding, LLC</b>				
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 01/14/2022	\$1,588,640	10/14/16	1,568,694	1,429,776
Limited Liability Company Unit (B)(F)	101 uts.	10/14/16	159,722	43,642
			1,728,416	1,473,418
<b>English Color &amp; Supply LLC</b>				
A distributor of aftermarket automotive paint and related products to collision repair shops, auto dealerships and fleet customers through a network of stores in the Southern U.S.				
11.5% (0.5% PIK) Senior Subordinated Note due 12/31/2023	\$1,333,954	06/30/17	1,310,337	1,304,759
	397,695			
Limited Liability Company Unit (B)(F)	uts.	06/30/17	397,695	385,764
			1,708,032	1,690,523
<b>E.S.P. Associates, P.A.</b>				
A professional services firm providing engineering, surveying and planning services to infrastructure projects.				
12% (1% PIK) Senior Subordinated Note due 10/4/2023	\$688,505	04/04/18	675,196	681,902
Limited Liability Company Unit (B)	229 uts.	04/04/18	228,955	196,611
			904,151	878,513

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	76,193
Limited Liability Company Unit Common (B)	171 uts.	09/27/10	17,073	—
			75,418	76,193

See Notes to Consolidated Financial Statements

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2018

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>F G I Equity LLC</b>				
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	377,015
Limited Liability Company Unit Class B-2 (B)	8,248 uts.	12/15/10	8,248	47,267
Limited Liability Company Unit Class B-3 (B)	6,522 uts.	08/30/12	15,000	39,070
Limited Liability Company Unit Class C (B)	1,575 uts.	12/20/10	16,009	61,878
			105,046	605,789
<b>GD Dental Services LLC</b>				
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	—
Limited Liability Company Unit Common (B)	767 uts.	10/05/12	767	—
			76,687	—
<b>gloProfessional Holdings, Inc.</b>				
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	\$1,393,046	03/27/13	1,389,119	1,253,741
Common Stock (B)	1,181 shs.	03/27/13	118,110	7,723
			1,507,229	1,261,464
<b>Glynlyon Holding Companies, Inc.</b>				
A technology-enabled curriculum provider of K-12 and support services predominantly to small and medium public school districts.				
Common Stock (B)	147 shs.	01/15/16	103,205	209,414
<b>GlynnDevins Acquisition Corporation</b>				
A marketing communications agency that services senior living facilities.				
Preferred Stock Series A (B)	342 shs.	06/19/15	70,683	87,596



Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

Common Stock (B)	342 shs.	06/19/15	2,945	110,789
			73,628	198,385

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	275,711
------------------	----------	----------	---------	---------

GraphPad Software, Inc.

A provider of data analysis, statistics and graphing software solution for scientific research applications, with a focus on the life sciences and academic end-markets.

8.09% Term Loan due 12/21/2022 (LIBOR + 6.000%)	\$2,452,675	12/19/17	2,407,932	2,411,607
---	-------------	----------	-----------	-----------

See Notes to Consolidated Financial Statements

---

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

Barings Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2018

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>GTI Holding Company</b>				
A designer, developer, and marketer of precision specialty hand tools and handheld test instruments.				
12% Senior Subordinated Note due 05/22/2023	\$727,865	02/05/14	\$705,906	\$727,865
Common Stock (B)	1,046 shs.	*	104,636	120,090
Warrant, exercisable until 2027, to purchase common stock at \$.01 per share (B)	397 shs.	02/05/14	36,816	45,579
* 02/05/14 and 11/22/17.			847,358	893,534
<b>Handi Quilter Holding Company (Premier Needle Arts)</b>				
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	\$1,725,000	*	1,704,768	1,712,708
Limited Liability Company Unit Preferred (B)	372 uts.	**	371,644	462,423
Limited Liability Company Unit Common Class A (B)	3,594 uts.	12/19/14	—	52,716
* 12/19/14 and 02/21/17.			2,076,412	2,227,847
* *12/19/14 and 04/29/16.				
<b>Happy Floors Acquisition, Inc.</b>				
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	\$991,417	07/01/16	976,696	1,001,331
Common Stock (B)	150 shs.	07/01/16	149,500	215,621
			1,126,196	1,216,952
<b>Hartland Controls Holding Corporation</b>				
A manufacturer and distributor of electronic and electromechanical components.				
14% (2% PIK) Senior Subordinated Note due 08/14/2020	\$1,139,988	02/14/14	1,131,968	1,139,988
12% Senior Subordinated Note due 08/14/2020	\$431,250	06/22/15	429,392	430,852
Common Stock (B)	821 shs.	02/14/14	822	240,499
			1,562,182	1,811,339

Edgar Filing: BARINGS PARTICIPATION INVESTORS - Form N-CSRS

HHI Group, LLC

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

14% (2% PIK) Senior Subordinated Note due

11/26/2020

\$1,667,440 01/17/14

1,655,290 1,667,440

Limited Liability Company Unit (B)(F)

102 uts. 01/17/14

101,563 47,017

1,756,853 1,714,457

See Notes to Consolidated Financial Statements

---

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2018

(Unaudited)

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	\$1,423,140	*	\$1,407,684	\$1,209,669
10% Term Loan due 12/12/2020 (LIBOR + 8.000%)	\$109,916	04/06/18	109,916	109,867
10% Term Loan due 12/11/2020 (LIBOR + 8.000%)	\$146,780	04/06/18	146,780	146,715
* 12/30/15 and 12/23/16.			1,664,380	1,466,251

HOP Entertainment LLC