

BARINGS PARTICIPATION INVESTORS
Form N-CSRS
September 08, 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: 06/30/17

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.



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 02110

Custodian

State Street Bank and Trust Company
Boston, Massachusetts 02116
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

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.

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 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 (i) without charge, upon request, by calling, toll-free 866-399-1516; (ii) on the Trust's website: www.barings.com/mpv; and (iii) 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 (i) on the Trust's website: www.barings.com/mpv; and (ii) 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, 2017

We are pleased to present the June 30, 2017 Quarterly Report of Barings Participation Investors (the "Trust").

The Board of Trustees declared a quarterly dividend of \$0.27 per share, payable on August 11, 2017 to shareholders of record on August 1, 2017. The Trust paid a \$0.27 per share dividend for the preceding quarter. The Trust earned \$0.29 per share of net investment income, including \$0.02 per share of non-recurring income for the second quarter of 2017, compared to \$0.29 per share, including \$0.04 per share of non-recurring income, in the previous quarter.

During the second quarter, the net assets of the Trust increased to \$145,538,123 or \$13.96 per share compared to \$141,119,693 or \$13.56 per share on March 31, 2017. This translates into a 5.0% 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 12.3%, 9.5%, 11.7%, 9.8% and 12.4% 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 decreased 1.1% during the quarter, from \$14.10 per share as of March 31, 2017 to \$13.95 per share as of June 30, 2017. The Trust's market price of \$13.95 per share equates to a 0.1% discount to the June 30, 2017 net asset value per share of \$13.96. The Trust's average quarter-end premium for the 3, 5 and 10-year periods was 0.86%, 6.59% and 6.90%, respectively. U.S. equity markets, as approximated by the Russell 2000 Index, increased 2.5% for the quarter. U.S. fixed income markets, as approximated by the Barclays Capital U.S. Corporate High Yield Index, increased 2.2% for the quarter.

The Trust closed three new private placement investments during the second quarter. The three new investments were in BEI Precision Systems & Space Company, Inc., English Color & Supply LLC and Whitebridge Pet Brands Holdings, 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 \$5,079,000.

Middle market transaction activity continued to be below expectations in the second quarter. While overall middle market loan volume increased 2% compared to the first quarter of 2017 and 7% compared to the comparable quarter in 2016, the increase was primarily driven by refinancing activity as new money volume (an indicator of M&A activity) was down 5% from the first quarter. More importantly, it was the larger end of the middle market that posted the quarter-over-quarter and year-over-year growth. Lending activity in the "traditional middle market", the primary market segment in which the Trust invests, was down 13% compared to the first quarter of 2017 and 20% lower than the comparable quarter of 2016 (source: Thomson Reuters LPC Middle Market Weekly – July 14, 2017). Exacerbating the low M&A activity is the continuation of hyper-competitive market conditions driven by the increasing abundance of debt capital available to borrowers. While deal flow remains stable and we continue to actively pursue new investment opportunities on behalf of the Trust, we do so cautiously in order to generate attractive investment returns without taking inappropriate levels of risk, a strategy that has served us well over the years.

The Trust's remaining portfolio remains in good condition with the number of companies on our watch list and/or in default remaining stable and at acceptable levels. Furthermore, the majority of the underlying companies in the portfolio generally demonstrated stable to improving financial performance during the quarter. Five private companies in which the Trust had outstanding investments were sold during the quarter resulting in favorable outcomes. In addition, three companies prepaid a portion or all of their subordinated debt held by the Trust. At quarter-end there were eleven companies in which the Trust had outstanding investments which were in an active sale process. We

would expect these companies to be sold over the next few quarters.

The Trust was able to maintain its \$0.27 per share quarterly dividend in the first quarter. While the portion of the Trust's portfolio made up of interest bearing securities continues to increase, it remained necessary to supplement recurring investment income with \$0.01 per share of earnings carry forward in order to maintain the \$0.27 per share dividend. While it has steadily improved over the past few quarters, recurring investment income alone has not been sufficient, and may not be sufficient in the near term, to fully fund the current dividend rate. Net investment income has been below the dividend rate since 2013 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,

(Continued)

combined with generally lower investment returns available due to market and competitive dynamics over the past several years. Over the past several quarters we have made good progress in growing recurring investment income over the past several quarters, as many of the investments exited by the Trust in privately held companies were in non-interest bearing securities, while the majority of the Trust's new investments in privately held companies have been in interest bearing debt securities. However, the Trust's recurring investment income remained below the dividend rate and may 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, 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.

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

Sincerely,

Robert M. Shettle

President

Portfolio Composition as of 6/30/2017*

* 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, 2017

(Unaudited)

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value

(Cost - \$99,124,728)

\$ 100,802,259

Corporate restricted securities at market value

(Cost - \$18,371,866)

18,495,908

Corporate public securities at market value

(Cost - \$29,480,828)

30,343,308

Short-term securities at amortized cost

3,827,690

Total investments (Cost - \$150,805,112)

153,469,165

Cash

6,480,972

Interest receivable

1,638,021

Other assets

6,773

Tax receivable

5,809

Total assets

161,600,740

Liabilities:

Note payable

15,000,000

Deferred tax liability

527,673

Investment advisory fee payable

327,461

Interest payable

27,267

Accrued expenses

180,216

Total liabilities

16,062,617

Total net assets

\$ 145,538,123

Net Assets:

Common shares, par value \$.01 per share

\$ 104,224

Additional paid-in capital

95,408,919

Retained net realized gain on investments, prior years

40,511,310

Undistributed net investment income

3,730,563

Accumulated net realized gain on investments

3,646,727

Net unrealized appreciation of investments

2,136,380

Total net assets

\$ 145,538,123

Common shares issued and outstanding (14,787,750 authorized)

10,422,475

Net asset value per share

\$13.96

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended June 30, 2017

(Unaudited)

Investment Income:	
Interest	\$6,039,165
Dividends	1,069,525
Other	164,513
Total investment income	7,273,203
Expenses:	
Investment advisory fees	644,980
Interest	306,750
Trustees' fees and expenses	121,000
Professional fees	115,822
Reports to shareholders	48,000
Custodian fees	11,997
Other	53,616
Total expenses	1,302,165
Investment income - net	5,971,038
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	1,287,961
Income tax expense	(128,855)
Net realized gain on investments after taxes	1,159,106
Net increase (decrease) in unrealized appreciation (depreciation) of investments before taxes	4,222,936
Net (increase) decrease in deferred income tax expense	(112,659)
Net increase (decrease) in unrealized appreciation (depreciation) of investments after taxes	4,110,277
Net gain on investments	5,269,383
Net increase in net assets resulting from operations	\$11,240,421

See Notes to Consolidated Financial Statements

Barings Participation Investors
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2017
(Unaudited)

Net increase in cash:	
Cash flows from operating activities:	
Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$6,203,522
Purchases of portfolio securities	(15,366,904)
Proceeds from disposition of portfolio securities	11,479,820
Interest, dividends and other income received	6,978,218
Interest expense paid	(306,750)
Operating expenses paid	(953,692)
Income taxes paid	(638,967)
Net cash provided by operating activities	7,395,247
Cash flows from financing activities:	
Cash dividends paid from net investment income	(5,613,481)
Receipts for shares issued on reinvestment of dividends	500,185
Net cash used for financing activities	(5,113,296)
Net increase in cash	2,281,951
Cash - beginning of period	4,199,021
Cash - end of period	\$6,480,972
Reconciliation of net increase in net assets to net cash provided by operating activities:	
Net increase in net assets resulting from operations	\$11,240,421
Increase in investments	(3,772,135)
Decrease in interest receivable	110,493
Decrease in receivable for investments sold	152,188
Decrease in other assets	20,010
Decrease in tax payable	(510,112)
Increase in deferred tax liability	112,659
Increase in investment advisory fee payable	20,096
Increase in accrued expenses	21,627
Total adjustments to net assets from operations	(3,845,174)
Net cash provided by operating activities	\$7,395,247

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	For the six months ended 06/30/2017 (Unaudited)	For the year ended 12/31/2016
Increase in net assets:		
Operations:		
Investment income - net	\$5,971,038	\$10,324,242
Net realized gain on investments after taxes	1,159,106	1,279,991
Net change in unrealized appreciation of investments after taxes	4,110,277	38,399
Net increase in net assets resulting from operations	11,240,421	11,642,632
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2017 - 36,302; 2016 - 57,782)	500,185	806,973
Dividends to shareholders from:		
Net investment income (2017 - \$0.27 per share; 2016 - \$1.08 per share)	(2,809,214)	(11,192,508)
Total increase in net assets	8,931,392	1,257,097
Net assets, beginning of period/year	136,606,731	135,349,634
Net assets, end of period/year (including undistributed net investment income of \$3,730,563 and \$568,739, respectively)	\$145,538,123	\$136,606,731

See Notes to Consolidated Financial Statements

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Barings Participation Investors

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the six months ended 06/30/2017 (Unaudited)	For the years ended December 31,			
		2016	2015	2014	2013
Net asset value:					
Beginning of period/year	\$ 13.15	\$ 13.10	\$ 13.35	\$ 12.83	\$ 12.56
Net investment income (a)	0.57	1.00	0.95	1.04	1.00
Net realized and unrealized gain (loss) on investments	0.51	0.13	(0.12)	0.57	0.35
Total from investment operations	1.08	1.13	0.83	1.61	1.35
Dividends from net investment income to common shareholders	(0.27)	(1.08)	(1.08)	(0.96)	(1.08)
Dividends from realized gain on investments to common shareholders	—	—	—	(0.12)	—
Increase from dividends reinvested	(0.00)(b)	(0.00)(b)	(0.00)(b)	(0.01)	(0.00)(b)
Total dividends	(0.27)	(1.08)	(1.08)	(1.09)	(1.08)
Net asset value: End of period/year	\$ 13.96	\$ 13.15	\$ 13.10	\$ 13.35	\$ 12.83
Per share market value:					
End of period/year	\$ 13.95	\$ 14.20	\$ 13.75	\$ 13.23	\$ 12.88
Total investment return					
Net asset value (c)	8.29%	8.75%	6.23%	13.61%	10.97%
Market value (c)	0.15%	11.45%	12.66%	12.54%	0.47%
Net assets (in millions):					
End of period/year	\$ 145.54	\$ 136.61	\$ 135.35	\$ 137.57	\$ 131.42
Ratio of total expenses to average net assets	2.05%	2.26%	2.17%	2.84%	2.15%
Ratio of operating expenses to average net assets	1.43%	1.35%	1.49%	1.49%	1.51%
Ratio of interest expense to average net assets	0.44%	0.44%	0.44%	0.45%	0.47%
Ratio of income tax expense to average net assets (d)	0.18%	0.47%	0.24%	0.90%	0.17%
Ratio of net investment income to average net assets	8.56%	7.45%	6.95%	7.82%	7.77%
Portfolio turnover	8%	31%	30%	32%	30%

(a) Calculated using average shares.

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

(c) 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

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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	\$10,703	\$10,107	\$10,023	\$10,171	\$9,761

See Notes to Consolidated Financial Statements

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CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2017

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 81.97%: (A)				
Private Placement Investments - 69.26%: (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	\$145,370
Limited Liability Company Unit Class A Common (B)	11,364 uts.	10/17/12	11,364	206,835
			113,634	352,205
ABC Industries, Inc.				
A manufacturer of mine and tunneling ventilation products in the U.S.				
13% Senior Subordinated Note due 07/31/2019	\$109,335 125,000	08/01/12	104,592	108,572
Preferred Stock Series A (B)	shs.	08/01/12	125,000	236,594
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	22,414 shs.	08/01/12	42,446	39,924
			272,038	385,090
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	\$1,209,354	03/27/15	1,193,496	1,221,447
Preferred Stock (B)	1,122 shs.	03/27/15	112,154	100,320
Common Stock (B)	346 shs.	03/27/15	346	—
			1,305,996	1,321,767
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.				
Limited Liability Company Unit	288 uts.	11/18/14	288,000	493,307

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	\$1,568,182	10/31/16	1,539,044	1,573,435
	156,818			
Common Stock (B)	shs.	10/31/16	156,818	239,648
			1,695,862	1,813,083

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Barings Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2017

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$250,366
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	\$ 1,396,478	04/22/16	1,382,152	1,418,083
Limited Liability Company Unit (B)	0.40% int.	04/20/16	345,000	345,000
			1,727,152	1,763,083
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	\$ 1,717,398	*	1,702,645	1,717,398
Limited Partnership Interest	524 uts.	08/01/14	523,950	589,609
* 05/21/13 and 08/01/14.			2,226,595	2,307,007
ASC Holdings, Inc.				
A manufacturer of capital equipment used by corrugated box manufacturers.				
13% (1% PIK) Senior Subordinated Note due 05/18/2021	\$ 752,432	11/19/15	740,930	722,549
	111,100			
Limited Liability Company Unit (B)	uts.	11/18/15	111,100	33,441
			852,030	755,990
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	1,492,024	1,551,895
Preferred Stock (B)	210 shs.	08/17/15	209,390	197,412
Common Stock (B)	210 shs.	08/17/15	210	—

1,701,624 1,749,307

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 —

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2017

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
BEI Precision Systems & 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	\$ 1,449,000	04/28/17	\$ 1,420,486	\$ 1,463,138
Limited Liability Company Unit (B)(F)	2,760 uts.	04/28/17	276,000	276,000
			1,696,486	1,739,138
Blue Wave Products, Inc. A distributor of pool supplies.				
10% Senior Secured Term Note due 09/30/2018	\$99,291	10/12/12	98,775	99,291
13% (1% PIK) Senior Subordinated Note due 09/30/2019	\$333,075	10/12/12	322,844	333,075
Common Stock (B)	51,064 shs.	10/12/12	51,064	311,839
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	20,216 shs.	10/12/12	20,216	123,456
			492,899	867,661
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.				
12.5% (1.5% PIK) Senior Subordinated Note due 06/30/2021 (D)	\$ 1,585,908	06/30/15	1,561,276	—
Common Stock (B)	1,417 shs.	06/30/15	156,800	—
			1,718,076	—
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	71,251
Limited Liability Company Unit Class B (B)(F)	167 uts.	10/17/12	166,666	284,292
			208,333	355,543
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	*	1,367,762	1,412,606
Preferred Stock (B)	1,350 shs.	*	134,972	175,945

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Preferred Stock (B)	489 shs.	*	48,721	63,770
Common Stock (B)	140 shs.	*	14,864	275,704
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)	58 shs.	*	5,430	114,518
* 05/09/13 and 11/01/13.			1,571,749	2,042,543

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Barings Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2017

(Unaudited)

	Principal Amount, Shares, Units or Ownership	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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 06/19/2020	\$785,781	01/19/11	\$778,662	\$785,781
14% (2% PIK) Senior Subordinated Note due 06/19/2020	\$207,076	08/03/12	205,486	207,076
Common Stock (B)	375 shs.	01/19/11	37,500	46,145
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250	36,273
			1,050,898	1,075,275
Church Services Holding Company				
A provider of diversified residential services to homeowners in the Houston, Dallas, and Austin markets.				
Limited Liability Company Unit (B)(F)	1 ut.	03/26/12	189,978	—
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	\$2,038,644	*	2,009,730	2,031,424
Limited Liability Company Unit (B)	1,853 uts.	07/18/16	189,267	150,108
			2,198,997	2,181,532
* 10/01/14 and 07/18/16.				
Clough, Harbour and Associates				
An engineering service firm that is located in Albany, NY.				
Preferred Stock (B)	147 shs.	12/02/08	146,594	647,901
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	144,984

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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	129,292
Limited Liability Company Unit Class C (B)	59,756 uts.	01/12/07	59,756	104,062
	671,525			
Limited Liability Company Unit Class D (B)	uts.	05/03/10	—	1,123,988
Limited Liability Company Unit Class E (B)	1,102 uts.	05/03/10	—	262,533
			142,369	1,619,875

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2017

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
CORA Health Services, Inc.				
A provider of outpatient rehabilitation therapy services.				
12.75% (1.75% PIK) Senior Subordinated Note due 06/30/2023	\$771,637	06/30/16	\$757,920	\$788,521
Preferred Stock Series A (B)	758 shs.	06/30/16	72,033	81,662
Common Stock Class A (B)	3,791 shs.	06/30/16	3,791	9,671
			833,744	879,854
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 due 11/22/2019	\$1,316,408	11/22/13	1,304,378	1,316,408
Common Stock (B)	90 shs.	*	514,284	406,487
* 11/22/13 and 09/16/16.			1,818,662	1,722,895
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	1,394,451	1,417,587
Limited Liability Company Unit (B)(F)	304,412 uts.	10/07/16	304,412	316,588
			1,698,863	1,734,175
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	\$1,418,035	05/04/12	1,407,521	1,389,256
Preferred Stock (B)	25 shs.	05/04/12	252,434	241,040
Common Stock (B)	25 shs.	05/04/12	28,048	—
			1,688,003	1,630,296
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	1,694,078	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	1,705,594	1,725,000
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Barings Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2017

(Unaudited)

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities: (A) (Continued)				
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				
	\$ 1,319,285	11/21/14	\$ 1,300,093	\$ 1,332,477
Limited Liability Company Unit (B)(F)	230 uts.	11/19/14	71,875	95,572
			1,371,968	1,428,049
Elite Sportwear 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				
	\$ 1,576,610	10/14/16	1,552,229	1,577,138
Limited Liability Company Unit (B)(F)	101 uts.	10/14/16	159,722	155,843
			1,711,951	1,732,981
English Color & Supply LLC				
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				
	\$ 1,327,305	06/30/17	1,300,770	1,327,305
Limited Liability Company Unit (B)(F)	397,695 uts.	06/30/17	397,695	397,695
			1,698,465	1,725,000
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				
	\$ 976,630	04/04/14	967,262	976,630
14% (2% PIK) Senior Subordinated Note due 10/04/2019				
	\$ 257,061	07/01/16	253,325	262,202
Common Stock (B)	0.31% int.	04/04/14	77,533	86,301
			1,298,120	1,325,133
F F C Holding Corporation				

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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	84,024
Limited Liability Company Unit Common (B)	171 uts.	09/27/10	17,073	469,957
			75,418	553,981

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	296,887
Limited Liability Company Unit Class B-2 (B)	8,248 uts.	12/15/10	8,248	37,221
Limited Liability Company Unit Class B-3 (B)	6,522 uts.	08/30/12	15,000	31,126
Limited Liability Company Unit Class C (B)	1,575 uts.	12/20/10	16,009	50,677
			105,046	496,470

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

June 30, 2017

(Unaudited)

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
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	\$ 274,041
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	106,457
Limited Liability Company Unit Common (B)	767 uts.	10/05/12	767	—
			76,687	106,457
GenNx Novel Holding, Inc.				
A manufacturer and distributor of nutraceutical ingredients.				
15% (1% PIK) Senior Subordinated Note due 03/27/2020	\$ 1,617,979	03/27/14	1,599,754	1,537,080
Common Stock (B)	15,500 shs.	03/27/14	155,000	103,830
			1,754,754	1,640,910
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	\$ 1,232,251	03/27/13	1,223,615	1,232,251
Common Stock (B)	1,181 shs.	03/27/13	118,110	125,639
			1,341,725	1,357,890
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	\$ 1,600,755	01/15/16	1,574,896	1,632,770
Common Stock (B)	147 shs.	01/15/16	147,436	238,967
			1,722,332	1,871,737
GlynnDevins Acquisition Corporation				

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A marketing communications agency that services senior living facilities.

Preferred Stock Series A (B)	342 shs.	06/19/15	70,683	81,107
Common Stock (B)	342 shs.	06/19/15		