

BARINGS PARTICIPATION INVESTORS

Form N-CSR

March 09, 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)

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

Independence Wharf, 470 Atlantic Ave., Boston, MA 02210

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(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 12/31/17

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

2017

Barings
PARTICIPATION INVESTORS
2017 Annual Report

BARINGS PARTICIPATION INVESTORS

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

INVESTMENT OBJECTIVE & POLICY

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

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

In this report, you will find a complete listing of the Trust's holdings. We encourage you to read this section carefully for a better understanding of the Trust. We cordially invite all shareholders to attend the Trust's Annual Meeting of Shareholders, which will be held on April 25, 2018 at 1:00 P.M. in Charlotte, North Carolina.

PROXY VOTING POLICIES & PROCEDURES: PROXY VOTING RECORD

The Trustees of the Trust have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to Barings. A description of Barings' proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 1-866-399-1516; (2) on the Trust's website at <http://www.barings.com/mpv> and (3) on the U.S. Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, 2017 is available (1) on the Trust's website at <http://www.barings.com/mpv> and (2) on the SEC's website at <http://www.sec.gov>.

FORM N-Q

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

LEGAL MATTERS

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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 and 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

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

ADVISER

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
Boston, Massachusetts 02111

COUNSEL TO THE TRUST

Ropes & Gray LLP
Boston, Massachusetts 02110

CUSTODIAN

State Street Bank and Trust Company
Boston, MA 02110

TRANSFER AGENT & REGISTRAR

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

2017 Annual Report

PORTFOLIO COMPOSITION AS OF 12/31/17*

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

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

Barings Participation Investors

TO OUR SHAREHOLDERS

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2017.

PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2017 was 14.3%, as measured by the change in net asset value assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$145,480,065 or \$13.91 per share, as of December 31, 2017. This compares to \$136,606,731 or \$13.15 per share, as of December 31, 2016. The Trust paid a quarterly dividend of \$0.27 per share for each of the four quarters of 2017, for a total annual dividend of \$1.08 per share. In 2016, the Trust also paid four quarterly dividends of \$0.27 per share, for a total annual dividend of \$1.08 per share. Net taxable investment income for 2017 was \$1.04 per share, including approximately \$0.09 per share of non-recurring income, compared to 2016 net taxable investment income of \$1.08 per share, which included approximately \$0.15 per share of non-recurring income.

The Trust's stock price decreased 0.7% during 2017, from \$14.20 as of December 31, 2016 to \$14.10 as of December 31, 2017. The Trust's stock price of \$14.10 as of December 31, 2017 equates to a 1.4% premium over the December 31, 2017 net asset value per share of \$13.91. The Trust's average quarter-end premium for the 3-, 5-, and 10-year periods ended December 31, 2017 was 1.3%, 2.3% and 6.2%, respectively.

The table below lists the average annual net returns of the Trust's portfolio, based on the change in net assets and assuming the reinvestment of all dividends and distributions. Average annual returns of the Bloomberg Barclays U.S. Corporate High Yield Index and the Russell 2000 Index for the 1-, 3-, 5-, 10- and 25-year periods ended December 31, 2017 are provided for comparison purposes only.

	The Trust	Bloomberg Barclays U.S. Corporate High Yield Index	Russell 2000 Index
1 Year	14.29%	7.50%	14.65%
3 Years	9.71%	6.35%	9.96%
5 Years	10.73%	5.78%	14.12%
10 Years	9.86%	8.03%	8.71%
25 Years	12.42%	7.72%	9.54%

Past performance is no guarantee of future results.

PORTFOLIO ACTIVITY

In 2017, the Trust closed 13 new private placement investments, as well as 11 "add-on" investments in existing portfolio companies. The 14 new investments were in 1A Smart Start, Inc.; BCC Software, Inc.; BEI Precision Systems and Space, Inc.; Eagle Family Foods, Inc.; English Color and Supply LLC; GraphPad Software, Inc.; Pegasus Transtech Corporation; ReelCraft Industries, Inc.; SR Smith LLC; Strategic Insight, Inc.; Therma-Stor Holdings LLC; Velocity Technology Solutions, Inc. and Whitebridge Pet Brands Holdings, LLC. In addition, the Trust added to existing private placement investments in AM Conservation Holding Corp; GTI Holding Company; Handi Quilter Holding Company (Premier Needle Arts); Master Cutlery LLC; MC Sign Holdings LLC; Merex Holding Corporation; PANOS Brands LLC; Polytex Holdings LLC; Sunvair Aerospace Group Inc.; Tranzonic Holdings LLC and Veritext Corporation. 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 \$23,786,056, which was only slightly less than the \$27,190,494 of new private placement investments made by the Trust in 2016, and the fourth highest dollar volume over the past ten years. We are pleased to have generated \$20 million or more of new investment volume for the Trust four years in a row and five out of the past six years.

The Trust's level of new investment activity in 2017 benefited from several factors: the expansion of the Trust's target investment criteria; expansion of the Trust's manager's private debt platform; and the overall growth of the private debt market. These favorable items were partially off-set by the continuance of hyper-competitive and aggressive market conditions. While middle market sponsored private debt investment activity increased 48% in 2017, all of the growth occurred at the larger end of the middle market as statistics indicate the lower middle market activity contracted 21%*. Competition for new investment opportunities remains intense as fresh capital continues to flow into the private debt and private equity markets. As a result, companies are being aggressively pursued by both buyers and lenders alike causing high purchase multiples and leverage levels to continue to be prevalent in the market. In 2017, average purchase price multiples for middle market companies increased to 11.3x, the highest level since 2000. Average debt multiples also increased in 2017 to 5.9x total leverage and 4.8x senior leverage, the highest levels for each since 2003.

While we remained very active investors on behalf of the Trust in 2017, we continue to do so cautiously and with discipline, consistent with our longstanding investment philosophy of seeking to take prudent levels of risk and getting paid appropriately for the risk taken.

In addition to working on new investment activity, we continued to maintain our focus on managing and maintaining the quality of the portfolio. As such, the condition of the Trust's existing portfolio remained solid throughout the year. The number of companies on our watch list or in default remained at acceptable levels in 2017.

We had 18 companies exit from the Trust's portfolio during 2017. This level of exit activity remains relatively high for the Trust's portfolio, especially after the unprecedented 32 exits the Trust experienced in 2014, 21 exits in 2015, and 19 exits in 2016, and is another indicator of how active and aggressive the markets continued to be in 2017. In all but one of these exits, the Trust realized a positive return on its investment. Of note, 11 of the 18 exits were the realization of stub equity holdings in companies where the interest bearing debt securities had previously been prepaid.

* Source: Thomson Reuters Middle Market Weekly – January 12, 2018

Barings Participation Investors

During 2017, the Trust had eight portfolio companies fully or partially prepay their debt obligations, with three of these transactions resulting in dividend payments to the Trust as a result of its equity holdings in those companies. The level of refinancing activity in the portfolio in 2017 increased modestly from 2016 five but remained notably lower than in 2013-2015 when prepayments numbered 32, 20, and 15, respectively. These transactions, in which the debt instruments held by the Trust were fully or partially prepaid, are generally driven by performing companies seeking to take advantage of lower interest rates and the abundant availability of debt capital. Unless replaced by new private debt investments, these prepayments reduce net investment income.

OUTLOOK FOR 2018

As we enter 2018, our pipeline of investment opportunities remains relatively stable and healthy, and there are no indications middle market merger & acquisition or lending activity will decline. While there continues to be solid economic fundamentals and optimism within the Trust's target market, the dynamics within that market have, and are expected to continue to remain aggressive. Rest assured that regardless of market conditions, we will continue to employ on behalf of the Trust the same investment philosophy that has served it well since its inception: investing in companies that we believe have a strong business proposition, solid cash flow and experienced, ethical management. We believe this philosophy, along with Barings' seasoned investment-management team, positions the Trust well to meet its long-term investment objectives.

The Trust was able to maintain its \$0.27 per share quarterly dividend in 2017 for a total annual dividend of \$1.08 per share. As has been discussed in prior reports, recurring investment income alone has not been sufficient, and while improving, is not projected to be sufficient in the near term, to fully fund the current dividend rate. Net investment income has been below the dividend rate since 2013 due principally to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exits and prepayment activity that occurred from 2013 through 2015, combined with generally lower investment returns available due to market and competitive dynamics over the past several years. As mentioned above, we made good progress in growing recurring investment income in 2017, but it remains below the dividend rate and will continue to require supplementation from non-recurring income in the near term. That said, the level of recurring investment income expected to be generated by the Trust in 2018, combined with the availability of earnings carry forwards and other non-recurring income, is expected to enable the Trust to maintain the current dividend rate over the next several quarters. But over time, the Trust's dividend paying ability tends to be correlated with its recurring earnings capacity. As such, until recurring investment income reaches a level equal to the current dividend rate, there is the risk that the dividend may need to be reduced in the future.

As always, I would like to thank you for your continued interest in and support of Barings Participation Investors. I look forward to seeing you at the Trust's annual shareholder meeting in Charlotte, NC, on April 25, 2018.

Robert M. Shettle
President

2017 Annual Report

2017 Dividends	Record Date	Total Paid	Ordinary Income	Short-Term Gains	Long-Term Gains
Regular	5/4/2017	0.2700	0.2700	—	—
Regular	8/1/2017	0.2700	0.2700	—	—
Regular	10/30/2017	0.2700	0.2700	—	—
Regular	12/29/2017	0.2700	0.2700	—	—
		1.0800	1.0800	0.0000	0.0000

The following table summarizes the tax effects of the relation of capital gains for 2017: (unaudited)

	Amount per Share	Form 2439
2017 Gains Retained	0.3619	Line 1a
Long-Term Gains Retained	0.3619	
Taxes Paid	0.1266	Line 2*
Basis Adjustment	0.2353	**

* If you are not subject to federal capital gains tax (e.g. charitable organizations, IRAs and Keogh Plans) you may be able to claim a refund by filing Form 990-T.

** For federal income tax purposes, you may increase the adjusted cost basis of your shares by this amount (the excess of Line 1a over Line 2).

Annual Dividend	Qualified for Dividend Received Deduction***	Qualified Dividends****	Interest Earned on U.S. Gov't. Obligations
Amount per Share	Percent	Amount per Share	Percent
\$ 1.08	5.0379%	0.0543	5.0379%
		0.0543	0%
			0.0000

*** Not available to individual shareholders

**** Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2017

BARINGS PARTICIPATION INVESTORS

Financial Report

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Officers of the Trust

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CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

December 31, 2017

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$104,210,707)	\$ 107,418,558
Corporate restricted securities at market value (Cost - \$15,242,021)	15,580,225
Corporate public securities at market value (Cost - \$29,491,207)	30,258,297
Short-term securities at amortized cost	6,043,541
 Total investments (Cost - \$154,987,476)	 159,300,621

Cash	5,773,177
Interest receivable	1,294,951
Other assets	26,014
 Total assets	 166,394,763

Liabilities:

Note payable	15,000,000
Dividend payable	2,823,704
Tax payable	1,813,349
Deferred tax liability	769,713
Investment advisory fee payable	327,330
Interest payable	27,267
Accrued expenses	153,335

Total liabilities	20,914,698
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Commitments and Contingencies (See Note 8)

Total net assets	\$ 145,480,065
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Net Assets:

Common shares, par value \$.01 per share	\$ 104,581
Additional paid-in capital	94,487,805
Retained net realized gain on investments, prior years	44,296,000
Undistributed net investment income	730,313
Accumulated net realized gain on investments	2,317,934
Net unrealized appreciation of investments	3,543,432
 Total net assets	 \$ 145,480,065

Common shares issued and outstanding (14,787,750 authorized)	10,458,162
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Net asset value per share

\$13.91

See Notes to Consolidated Financial Statements

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Barings Participation Investors

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2017

Investment Income:	
Interest	\$ 12,456,742
Dividends	1,396,891
Other	230,464
 Total investment income	 14,084,097
Expenses:	
Investment advisory fees	1,306,752
Interest	613,500
Professional fees	265,452
Trustees' fees and expenses	231,000
Reports to shareholders	96,000
Custodian fees	23,997
Other	207,315
 Total expenses	 2,744,016
 Investment income - net	 11,340,081
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	4,160,167
Income tax expense	(1,880,059)
 Net realized gain on investments after taxes	 2,280,108
Net increase (decrease) in unrealized appreciation (depreciation) of investments before taxes	5,872,028
Net (increase) decrease in deferred income tax expense	(354,699)
 Net increase (decrease) in unrealized appreciation (depreciation) of investments after taxes	 5,517,329
 Net gain on investments	 7,797,437
 Net increase in net assets resulting from operations	 \$ 19,137,518

See Notes to Consolidated Financial Statements

2017 Annual Report

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

Net increase in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$4,027,008
Purchases of portfolio securities	(37,484,672)
Proceeds from disposition of portfolio securities	35,320,991
Interest, dividends and other income received	13,255,894
Interest expense paid	(613,500)
Operating expenses paid	(2,115,805)
Income taxes paid	(571,013)

Net cash provided by operating activities	11,818,903
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Cash flows from financing activities:

Cash dividends paid from net investment income	(11,246,473)
Receipts for shares issued on reinvestment of dividends	1,001,726

Net cash used for financing activities	(10,244,747)
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Net increase in cash	1,574,156
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Cash - beginning of year	4,199,021
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Cash - end of year	\$5,773,177
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Reconciliation of net increase in net assets to net cash provided by operating activities:

Net increase in net assets resulting from operations	\$19,137,518
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Increase in investments	(9,603,591)
Decrease in interest receivable	453,563
Decrease in receivable for investments sold	152,188
Decrease in other assets	769
Increase in tax payable	1,309,046
Increase in deferred tax liability	354,699
Increase in investment advisory fee payable	19,965
Decrease in accrued expenses	(5,254)

Total adjustments to net assets from operations	(7,318,615)
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Net cash provided by operating activities	\$11,818,903
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See Notes to Consolidated Financial Statements

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Barings Participation Investors

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
 For the years ended December 31, 2017 and 2016

	2017	2016
Increase in net assets:		
Operations:		
Investment income - net	\$ 11,340,081	\$ 10,324,242
Net realized gain on investments after taxes	2,280,108	1,279,991
Net change in unrealized appreciation of investments after taxes	5,517,329	38,399
Net increase in net assets resulting from operations	19,137,518	11,642,632
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2017 - 71,989; 2016 - 57,782)	1,001,726	806,973
Dividends to shareholders from:		
Net investment income (2017 - \$1.08 per share; 2016 - \$1.08 per share)	(11,265,910)	(11,192,508)
Total increase in net assets	8,873,334	1,257,097
Net assets, beginning of year	136,606,731	135,349,634
Net assets, end of year (including undistributed net investment income of \$730,313 and \$568,739, respectively)	\$ 145,480,065	\$ 136,606,731

See Notes to Consolidated Financial Statements

2017 Annual Report

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the years ended December 31,				
	2017	2016	2015	2014	2013
Net asset value:					
Beginning of year	\$13.15	\$13.10	\$13.35	\$12.83	\$12.56
Net investment income (a)	1.09	1.00	0.95	1.04	1.00
Net realized and unrealized gain (loss) on investments	0.75	0.13	(0.12)	0.57	0.35
Total from investment operations	1.84	1.13	0.83	1.61	1.35
Dividends from net investment income to common shareholders	(1.08)	(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	(1.08)	(1.08)	(1.08)	(1.09)	(1.08)
Net asset value: End of year	\$13.91	\$13.15	\$13.10	\$13.35	\$12.83
Per share market value: End of year	\$14.10	\$14.20	\$13.75	\$13.23	\$12.88
Total investment return					
Net asset value (c)	14.29%	8.75%	6.23%	13.61%	10.97%
Market value (c)	7.21%	11.45%	12.66%	12.54%	0.47%
Net assets (in millions):					
End of year	\$145.48	\$136.61	\$135.35	\$137.57	\$131.42
Ratio of total expenses to average net assets	3.23%	2.26%	2.17%	2.84%	2.15%
Ratio of operating expenses to average net assets	1.49%	1.35%	1.49%	1.49%	1.51%
Ratio of interest expense to average net assets	0.43%	0.44%	0.44%	0.45%	0.47%
Ratio of income tax expense to average net assets	1.31%	0.47%	0.24%	0.90%	0.17%
Ratio of net investment income to average net assets	7.92%	7.45%	6.95%	7.82%	7.77%
Portfolio turnover	24%	31%	30%	32%	30%

(a) Calculated using average shares.

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

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.

Senior borrowings:

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Total principal amount (in millions)	\$15	\$15	\$15	\$15	\$15
Asset coverage per \$1,000 of indebtedness	\$10,699	\$10,107	\$10,023	\$10,171	\$9,761

See Notes to Consolidated Financial Statements

Barings Participation Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2017

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 84.55%: (A)				
Private Placement Investments - 73.84%: (C)				
1A Smart Start, Inc.				
A designer, distributor and lessor of ignition interlock devices ("IIDs"). IIDs are sophisticated breathalyzers wired to a vehicle's ignition system.				
11.75% Second Lien Term Loan due 12/22/2022	\$ 1,725,000	12/21/17	\$ 1,690,703	\$ 1,690,427
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	105,602	109,027
	125,000			
Preferred Stock Series A (B)	shs.	08/01/12	125,000	284,020
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	22,414 shs.	08/01/12	42,446	48,427
			273,048	441,474
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	22,269
* 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	\$ 1,215,408	03/27/15	1,201,605	1,227,562
Preferred Stock (B)	1,122 shs.	03/27/15	112,154	141,180
Common Stock (B)	346 shs.	03/27/15	346	-
			1,314,105	1,368,742

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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	817,515
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See Notes to Consolidated Financial Statements

2017 Annual Report

 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2017

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

11.5% (1.5% PIK) Senior Subordinated Note
due 04/30/2023

\$1,568,182