

BARINGS GLOBAL SHORT DURATION HIGH YIELD FUND
Form N-CSR
March 08, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

811-22562

Investment Company Act file number

Barings Global Short Duration High Yield Fund

(Exact name of registrant as specified in charter)

300 South Tryon Street, Suite 2500, Charlotte, NC 28202

(Address of principal executive offices) (Zip code)

Janice M. Bishop

Secretary and Chief Legal Officer

c/o Barings LLC

Independence Wharf

470 Atlantic Avenue

Boston, MA 02210

(Name and address of agent for service)

704-805-7200

Registrant's telephone number, including area code

Date of fiscal year end: December 31, 2018

Date of reporting period: December 31, 2018

Item 1. Reports to Stockholders.

Barings Global Short Duration High Yield Fund

c/o Barings LLC

300 S Tryon St.

Suite 2500

Charlotte, NC 28202

704.805.7200

<http://www.Barrings.com/bgh>

ADVISER

Barings LLC

300 S Tryon St.

Suite 2500

Charlotte, NC 28202

SUB-ADVISOR

Baring International Investment Limited

20 Old Bailey

London EC4M 78F UK

COUNSEL TO THE FUND

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, Massachusetts 02110

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP

30 Rockefeller Plaza

New York, NY 10112

CUSTODIAN

US Bank

MK-WI-S302

1555 N. River Center Drive

Milwaukee, WI 53212

TRANSFER AGENT & REGISTRAR

U.S. Bancorp Fund Services, LLC

615 E. Michigan St.

Milwaukee, WI 53202

FUND ADMINISTRATION/ACCOUNTING

U.S. Bancorp Fund Services, LLC

615 E. Michigan St.

Milwaukee, WI 53202

PROXY VOTING POLICIES & PROCEDURES

The Trustees of Barings Global Short Duration High Yield Fund (the **Fund**) have delegated proxy voting responsibilities relating to the voting of securities held by the Fund to Barings LLC (**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 Fund's website at <http://www.barings.com/bgh>; and (3) on the U.S. Securities and Exchange Commission's (**SEC**) website at <http://www.sec.gov>.

FORM N-Q

The Fund will file its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q or Part F of Form N-PORT (beginning with filings after March 31, 2019). This information is available (1) on the SEC's website at <http://www.sec.gov>; and (2) at the SEC's Public Reference Room in Washington, DC (which information on their operation may be obtained by calling 1-800-SEC-0330). A complete schedule of portfolio holdings as of each quarter-end is available on the Fund's website at <http://www.barings.com/bgh> or upon request by calling, toll-free, 1-866-399-1516.

CERTIFICATIONS

The Fund's President has submitted to the NYSE the annual CEO Certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

LEGAL MATTERS

The Fund has entered into contractual arrangements with an investment adviser, transfer agent and custodian (collectively service providers) who each provide services to the Fund. 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 Fund.

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

The Fund s registration statement and this shareholder report are not contracts between the Fund 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.

OFFICERS OF THE FUND

Sean Feeley

President

Carlene Pollock

Chief Financial Officer

Lesley Mastandrea

Treasurer

Michael Freno

Vice President

Scott Roth

Vice President

Melissa LaGrant

Chief Compliance Officer

Janice Bishop

Secretary/Chief Legal Officer

Michele Manha

Assistant Secretary

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

INVESTMENT OBJECTIVE & POLICY

Barings Global Short Duration High Yield Fund (the Fund) was organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company with its own investment objective. The Fund's common

shares are listed on the New York Stock Exchange under the symbol `BGH` .

The Fund's primary investment objective is to seek as high a level of current income as the Adviser (as defined herein) determines is consistent with capital preservation. The Fund seeks capital appreciation as a secondary investment objective when consistent with its primary investment objective. There can be no assurance that the Fund will achieve its investment objectives.

The Fund seeks to take advantage of inefficiencies between geographies, primarily the North American and Western European high yield bond and loan markets and within capital structures between bonds and loans. For example, the Fund seeks to take advantage of differences in pricing between bonds and loans of an issuer denominated in U.S. dollars and substantially similar bonds and loans of the same issuer denominated in Euros, potentially allowing the Fund to achieve a higher relative return for the same credit risk exposure.

Barings Global Short Duration High Yield Fund 2018 Annual Report

Dear Fellow Shareholders,

We are pleased to provide you with the 2018 Annual Report for the Barings Global Short Duration High Yield Fund (the Fund) to recap portfolio performance and positioning. We would like to remind shareholders that we continue to believe our Global High Yield Investments Group (the Group) is one of the largest teams in the market primarily focused on North American and Western European credits. Utilizing the Group's expertise, deep resources and time-tested process, we continue to believe we can provide investors an attractive level of current income by uncovering compelling opportunities across the global high yield market.

The Fund's strategy, primarily focusing on North American and Western European high yield credits, may provide investors with additional benefits compared to a U.S.-only portfolio such as additional diversification, higher credit quality, increased yield and lower duration. More importantly, the global strategy provides flexibility to dynamically shift the geographical weighting in order to capture, in our opinion, the best risk-adjusted investment opportunities. This strategy also focuses closely on limiting the duration of the Fund while maintaining what we consider a reasonable amount of leverage.

Market Review

For much of the year, the global high yield bond market generated a positive return on the back of stable economic growth, low inflation, and solid corporate fundamentals. During the fourth quarter, a bout of volatility across asset classes drove markets lower, with the high yield market ending the year negative. While declines in crude oil prices contributed to negative performance in the energy sector, the late period sell-off was more technical in nature as negative investor sentiment was exacerbated by global trade tensions, Federal Reserve policy and ongoing Brexit negotiations. Notwithstanding this negative sentiment, corporate balance sheets remained stable and the underlying fundamental picture remained sound.

In the U.S. high yield bond market, the automotive sector was the most significant underperformer during the year, followed by the energy sector, which was driven by the above-mentioned crude oil price volatility. Sectors with positive returns at year-end were led by health care, followed by telecommunications and utilities. As volatility spiked later in the year, the market became notably more risk averse, which led the CCC-rated portion of the market to underperform relative to B-rated and BB-rated. The option-adjusted spread and the yield-to-worst widened to end at 540 basis points (bps) and 8.01%, respectively, the highest since mid-2016. Yearly gross high yield new issuance was down 43% year-over-year with \$168.3 billion pricing, while new issuance net of refinancing totaled \$64.1 billion. U.S. high yield mutual funds saw outflows of \$45.1 billion in 2018, and fund flows continue to be a significant driver of market moves. The par-weighted U.S. high yield default rate was up slightly to end the year; however, it was still below historical averages at 1.81%.

The European high yield bond market generated a negative return during the year, driven by a particularly volatile fourth quarter which declined in tandem with equity markets. Similarly to the U.S. high yield market, CCC-rated were a key driver of the underperformance, as a general risk-averse sentiment resulted in the category materially underperforming the higher rated portions of the market. Across sectors, basic industry was the worst performing sector, followed by the retail sector. The technology, health care and media sectors each generated modest positive returns during the year. European high yield bond new issuance was down from the 2017 record high, but still managed to finish with the fifth highest annual total on record. Gross new issuance finished the period with 63.5 billion pricing, while issuance net of refinancing finished at 29.8 billion. The option-adjusted spread widened year-over-year to end at 524 bps while the yield-to-worst widened to 5.07%. The European high yield default rate

remains at historic lows and corporate fundamentals displayed stability during the year.

Barings Global Short Duration High Yield Fund Overview and Performance

The Fund ended December with a portfolio of 157 issuers, which is an increase from 144 issuers at the beginning of the year. A majority of the issuers continue to be domiciled in the U.S. (74.2%), with the U.K. (9.9%) and the Netherlands (2.6%) representing the next largest country exposures – see Country Composition chart on page 4. From a geographic standpoint, exposure to U.S.-domiciled companies increased marginally over the course of the year, and exposure to foreign issuers decreased. While the Fund maintained a meaningful presence in the Western European market, finding attractive relative value opportunities in the U.S. market has generally been more favorable, mainly due to the larger opportunity set for idea sourcing. While Western Europe has a smaller market size, this region continues to be a core part of the portfolio and offers global diversification, reduced duration and higher quality relative to the U.S., and potentially attractive yield opportunities.

Barings Global Short Duration High Yield Fund 2018 Annual Report

As of December 31, 2018, the Fund remained, in our view, well positioned across the credit quality spectrum: 17.0% BB-rated and above, 60.4% B-rated, and 15.9% CCC-rated and below, with over 48% of the portfolio consisting of senior secured corporate obligations. The credit quality of the Fund's underlying holdings changed since the beginning of the year, with a decrease in BB-rated and above credits, an over 10% increase in B-rated credits, and a minor decrease in CCC-rated and below credits. Non-publicly rated securities represented 6.8% of the Fund's market value.

The Fund paid 12 consecutive monthly dividend payments of \$0.1482 per share during the year. In total for 2018, the Fund paid investors \$1.78 per share, which we believe is an attractive level of yield for a global short duration high yield bond fund, given today's low interest rate environment. The Fund's share price and net asset value (NAV) ended the reporting period at \$15.95 and \$18.28, respectively, representing a 12.75% discount to NAV. Based on the Fund's share price and NAV on December 31, 2018, the Fund's market price and NAV distribution rates using the most recent monthly dividend were 11.15% and 9.73%, respectively, on an annualized basis. Assets acquired through leverage, which represented 29.75% of the Fund's total assets at the end of December, were accretive to net investment income and benefited shareholders.

On a full year 2018 basis, the NAV total return was -3.42%, underperforming the global high yield bond market, as measured by the Bank of America/Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC), which returned -1.98%. From a market value perspective, the total return for 2018 was -9.38%.²

In Conclusion

We believe that the volatility and sentiment in the high yield market was driven by several factors, including trade wars, Brexit and monetary policy. However, on a fundamental basis, we believe corporate high yield issuers continue to generate modest top and bottom-line growth, with leverage remaining at healthy and sustainable levels. Default rates are below historical averages and we expect this to continue into 2019. While crude oil prices and geopolitical events may continue to cause further market price volatility, we believe this represents an attractive opportunity for investors in high yield.

At Barings, we seek to remain steadfast in our approach to fundamental bottom-up research. By focusing on corporate fundamentals, we primarily seek to preserve investor capital with a value-oriented mindset to opportunistically invest in companies that may be experiencing unnecessary technical pressures through market or economic cycles. We take a long-term view on investing and adhere to a disciplined, repeatable investment process that is deeply rooted across a large research team to help identify unique investment opportunities across the global high yield market.

On behalf of the Barings team, we appreciate your continued trust in our ability to help you achieve your long-term investment goals.

Sincerely,

Sean Feeley

President

1. Ratings are based on Moody's, S&P and Fitch. If securities are rated differently by the rating agencies, the higher rating is applied and all ratings are converted to the equivalent Moody's major rating category for purposes of the category shown. Credit ratings are based largely on the rating agency's investment analysis at the time of rating, and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. The rating assigned to a security by a rating agency does not necessarily reflect its assessment of the volatility of a security's market value or the liquidity of an investment in the security. Ratings of Baa3 or higher by Moody's, and BBB- or higher by S&P and Fitch are considered to be investment grade quality.

2. Past performance is not necessarily indicative of future results. Current performance may be lower or higher. All performance is net of fees, which is inclusive of advisory fees, administrator fees and interest expense. The statements and opinions expressed are those of the author as of the date of this report. All information is historical and not indicative of future results and subject to change. This information is not a recommendation to buy or sell any security.

Barings Global Short Duration High Yield Fund 2018 Annual Report

PORTFOLIO COMPOSITION (% OF ASSETS*)

*The percentages shown above represent a percentage of the assets as of December 31, 2018.

COUNTRY COMPOSITION (% OF ASSETS*)

*The percentages shown above represent a percentage of the assets as of December 31, 2018.

FINANCIAL REPORT

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Barings Global Short Duration High Yield Fund 2018 Annual Report

STATEMENT OF ASSETS AND LIABILITIES

	DECEMBER 31, 2018
Assets	
Investments, at fair value (cost \$553,033,464)	\$ 511,828,483
Cash	7,064,903
Foreign currency, at fair value (cost \$60,473)	60,941
Interest receivable	9,383,825
Prepaid expenses and other assets	50,470
Total assets	528,388,622
Liabilities	
Note payable	157,200,000
Dividend payable	2,972,573
Payable to Adviser	461,200
Unrealized depreciation on forward foreign exchange contracts	730,196
Accrued expenses and other liabilities	333,276
Total liabilities	161,697,245
Total net assets	\$ 366,691,377
Net Assets:	
Common shares, \$0.00001 par value	\$ 201
Additional paid-in capital	468,758,610
Accumulated losses	(102,067,434)
Total net assets	\$ 366,691,377
Common shares issued and outstanding (unlimited shares authorized)	20,057,849
Net asset value per share	\$ 18.28

See accompanying Notes to the Financial Statements.

STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2018
Investment Income	
Interest income	\$ 49,976,523
Other income	200,186
Total investment income	50,176,709
Operating Expenses	
Advisory fees	5,745,725
Interest expense	5,238,936
Administrator fees	507,349
Professional fees	163,536
Directors fees	112,116
Printing and mailing expense	60,794
Pricing expense	12,000
Other operating expenses	141,494
Total operating expenses	11,981,950
Net investment income	38,194,759
Realized and Unrealized Gains (Losses) on Investments	
Net realized loss on investments	(33,473,389)
Net realized gain on forward foreign exchange contracts	4,842,399
Net realized gain on foreign currency and translation	3,625
Net realized loss on investments	(28,627,365)
Net change in unrealized depreciation of investments	(25,278,301)
Net change in unrealized appreciation of forward foreign exchange contracts	180,218
Net change in unrealized depreciation of foreign currency and translation	(30,643)
Net change in unrealized depreciation on investments	(25,128,726)
Net realized and unrealized losses on investments	(53,756,091)
Net decrease in net assets resulting from operations	\$ (15,561,332)

See accompanying Notes to the Financial Statements.

Barings Global Short Duration High Yield Fund 2018 Annual Report

STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2018
Reconciliation of net decrease in net assets resulting from operations to net cash provided by operating activities	
Net decrease in net assets applicable to common shareholders resulting from operations	\$ (15,561,332)
Adjustments to reconcile net decrease in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(282,717,083)
Proceeds from sales of long-term investments	273,277,378
Proceeds from sales of foreign currency, net	378,319
Forward currency exchange contracts, net	(180,218)
Net unrealized depreciation	25,285,280
Net realized loss	33,473,389
Amortization and accretion	(1,208,359)
Changes in operating assets and liabilities:	
Decrease in interest receivable	52,452
Increase in prepaid expenses and other assets	(23,623)
Decrease in payable for investments purchased	(4,598,314)
Decrease in payable to Adviser	(23,335)
Decrease in accrued expenses and other liabilities	(17,427)
Net cash provided by operating activities	28,137,127
Cash flows from financing activities	
Advances from credit facility	45,000,000
Repayments on credit facility	(38,000,000)
Distributions paid to common shareholders	(35,775,179)
Net cash used in financing activities	(28,775,179)
Net change in cash	(638,052)
Cash beginning of year	7,702,955
Cash end of year	\$ 7,064,903
Supplemental disclosure of cash flow information	
Income taxes paid	\$

Interest paid

5,017,187

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
Operations		
Net investment income	\$ 38,194,759	\$ 39,297,257
Net realized loss on investments	(28,627,365)	(5,180,818)
Net unrealized appreciation (depreciation) on investments	(25,128,726)	2,116,320
Net increase (decrease) in net assets resulting from operations	(15,561,332)	36,232,759
Dividends to Common Shareholders		
From distributable earnings	(35,670,878)	(32,762,778) ⁽¹⁾
Return of capital		(4,159,710)
Total dividends to common shareholders	(35,670,878)	(36,922,488)
Total decrease in net assets	(51,232,210)	(689,729)
Net Assets		
Beginning of year	417,923,587	418,613,316
End of year	\$ 366,691,377	\$ 417,923,587⁽²⁾

(1) For the year ended December 31, 2017, the source of distributions was from net investment income. The current year presentation of distributions conforms with the Disclosure Update and Simplification issued by the Securities and Exchange Commission. See Note 2M.

(2) Includes dividends in excess of net investment income of \$(19,983). The requirement to disclose the corresponding amount as of December 31, 2018 was eliminated.

See accompanying Notes to the Financial Statements.

Barings Global Short Duration High Yield Fund 2018 Annual Report

FINANCIAL HIGHLIGHTS

	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Per Common Share Data					
Net asset value, beginning of year	\$ 20.84	\$ 20.87	\$ 18.47	\$ 22.00	\$ 25.24
Income from investment operations:					
Net investment income	1.89	1.77	1.57	1.90	2.12
Net realized and unrealized gains (losses) on investments	(2.67)	0.04	2.68	(3.23)	(2.76)
Total increase (decrease) from investment operations	(0.78)	1.81	4.25	(1.33)	(0.64)
Less dividends to common shareholders:					
Net investment income	(1.78)	(1.63)	(1.60)	(2.20)	(2.56)
Net realized gain					(0.04)
Return of capital		(0.21)	(0.25)		
Total dividends to common shareholders	(1.78)	(1.84)	(1.85)	(2.20)	(2.60)
Net asset value, end of year	\$ 18.28	\$ 20.84	\$ 20.87	\$ 18.47	\$ 22.00
Per common share market value, end of year	\$ 15.95	\$ 19.38	\$ 19.23	\$ 16.49	\$ 20.19
Total investment return based on net asset value					
(1)	(3.42)%	9.40%	25.42%	(5.57)%	(2.25)%
	(9.38)%	10.41%	29.44%	(8.13)%	(2.06)%

**Total investment return
based on market value
(1)**

**Supplemental Data and
Ratios**

Net assets, end of year (000 s)	\$ 366,691	\$ 417,924	\$ 418,613	\$ 370,418	\$ 441,234
Ratio of expenses (before reductions and reimbursements) to average net assets	2.93%	2.33%	2.05% ⁽²⁾	2.27%	2.20%
Ratio of expenses (after reductions and reimbursements) to average net assets	2.93%	2.33%	1.78%	2.27%	2.20%
Ratio of net investment income (before reductions and reimbursements) to average net assets	9.34%	9.20%	10.68% ⁽²⁾	9.18%	8.47%
Ratio of net investment income (after reductions and reimbursements) to average net assets	9.34%	9.20%	10.41%	9.18%	8.47%
Portfolio turnover rate	48.92%	36.59%	44.81%	38.13%	63.66%

(1) Total investment return calculation assumes reinvestment of dividends at actual prices pursuant to the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(2) The Adviser contractually waived a portion of its management and other fees equal to an annual rate of 0.275% of the Fund's managed assets for a period of one year ended December 31, 2016.

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS

December 31, 2018

	SHARES	COST	FAIR VALUE		
Equities 4.18%*:					
Common Stocks 4.09%*:					
Boomerang Tube Holdings, Inc.⌘	36,149,532	\$3,510,832	\$3,514,819		
Fieldwood Energy LLC	167,574	4,057,567	6,032,664		
Jupiter Resources Inc.	1,171,624	5,662,541	4,979,674		
Sabine Oil & Gas LLC⌘	4,262	248,858	187,528		
Templar Energy LLC⌘	86,570	865,704	216,426		
Templar Energy LLC⌘	135,392	734,072	81,235		
Total Common Stocks	37,714,954	15,079,574	15,012,346		
Preferred Stocks 0.04%*:					
Pinnacle Operating Corp.⌘	1,368,352	643,125	136,835		
Total Preferred Stocks	1,368,352	643,125	136,835		
Warrants 0.05%*:					
Appvion Holdings Corp.⌘	12,892	137,281	137,279		
Appvion Inc.⌘	12,892				
Sabine Oil & Gas LLC⌘	13,512	60,669	20,268		
Sabine Oil & Gas LLC	2,407	6,547	12,035		
Total Warrants	41,703	204,497	169,582		
Total Equities	39,125,009	15,927,196	15,318,763		
	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income 135.40%*:					
Asset-Backed Securities 7.30%*:					
CDO/CLO 7.30%*:					
Anchorage Capital CLO LTD 2015-6A, 3M LIBOR + 6.350%^~	8.79%	7/15/2030	600,000	\$613,617	\$559,681

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Anchorage Capital CLO LTD 2016-9A, 3M LIBOR + 7.250% ^{^~}	9.69	1/15/2029	1,500,000	1,543,538	1,499,874
BlueMountain CLO LTD 2018-23A, 3M LIBOR + 5.650% ^{^~}	8.11	10/20/2031	1,000,000	1,000,000	897,469
Carbone CLO, LTD 2017-1A, 3M LIBOR + 5.900% ^{^~}	8.37	1/20/2031	750,000	750,000	679,088
Carlyle Global Market Strategies 2013-3A, 3M LIBOR + 7.750% ^{^~}	10.19	10/15/2030	1,000,000	1,000,000	908,214
Carlyle Global Market Strategies 2017-5A, 3M LIBOR + 5.300% ^{^~}	7.77	1/20/2030	700,000	700,000	615,777
Cedar Funding LTD 2016-6A, 3M LIBOR + 5.900% ^{^~}	8.37	10/20/2028	2,500,000	2,500,000	2,487,500
Galaxy CLO Ltd 2017-24A, 3M LIBOR + 5.500% ^{^~}	7.94	1/15/2031	1,000,000	1,000,000	880,977
GoldenTree Loan Management 2018-3A, 3M LIBOR + 6.500% ^{^~}	8.97	4/22/2030	1,500,000	1,413,479	1,262,769

See accompanying Notes to the Financial Statements.

Barings Global Short Duration High Yield Fund 2018 Annual Report

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Asset-Backed Securities (Continued)					
CDO/CLO (Continued)					
GoldenTree Loan Opportunities XI Ltd 2015-11A, 3M LIBOR + 5.400% ^{^~}	7.84%	1/18/2031	500,000	\$500,000	\$442,453
KKR Financial CLO Ltd 2017-20, 3M LIBOR + 5.500% ^{^~}	7.94	10/16/2030	1,500,000	1,500,000	1,304,296
Madison Park Funding Ltd 2015-19A, 3M LIBOR + 4.350% ^{^~}	6.82	1/22/2028	1,000,000	1,000,000	887,336
Madison Park Funding Ltd 2016-22, 3M LIBOR + 6.650% ^{^~}	9.14	10/25/2029	1,000,000	1,026,743	966,358
Madison Park Funding Ltd 2016-24, 3M LIBOR + 7.150% ^{^~}	9.62	1/20/2028	1,000,000	1,036,558	999,828
Madison Park Funding Ltd 2018-29A, 3M LIBOR + 7.570% ^{^~#}	9.82	10/18/2030	2,000,000	1,960,000	1,759,958
Magnetite CLO LTD 2016-18A, 3M LIBOR + 7.600% ^{^~}	10.22	11/15/2028	1,400,000	1,386,000	1,280,005
OHA Credit Partners LTD 2015-11A, 3M LIBOR + 7.900% ^{^~}	10.40	1/20/2032	2,000,000	1,970,323	1,751,090
OHA Loan Funding LTD 2013-1A, 3M LIBOR + 7.900% ^{^~}	10.38	7/23/2031	1,500,000	1,477,500	1,349,275
Sound Point CLO LTD 2017-4A, 3M LIBOR + 5.500% ^{^~}	7.97	1/21/2031	2,000,000	2,000,000	1,760,828
Steele Creek CLO Ltd 2017-1A, 3M LIBOR + 6.200% ^{^~}	8.64	10/15/2030	800,000	800,000	715,041
Voya CLO Ltd 2015-1A, 3M LIBOR + 5.650% ^{^~}	8.09	1/18/2029	1,700,000	1,688,778	1,550,130
Wellfleet CLO Ltd 2017-3A, 3M LIBOR + 5.550% ^{^~}	8.00	1/17/2031	1,500,000	1,500,000	1,310,071
Wind River CLO Ltd 2017-4A, 3M LIBOR + 5.800% ^{^~}	8.44	11/20/2030	1,000,000	1,000,000	900,713
Total CDO/CLO			29,450,000	29,366,536	26,768,731

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Total Asset-Backed Securities			29,450,000	29,366,536	26,768,731
Bank Loans^{\$} 26.03%*:					
Broadcasting and Entertainment 1.18%*:					
Endemol, 3M LIBOR + 5.750%~+	8.55	8/13/2021	4,502,848	4,351,939	4,306,975
Total Broadcasting and Entertainment			4,502,848	4,351,939	4,306,975
Cargo Transport 0.79%*:					
PS Logistics, 3M LIBOR + 4.750%~	7.28	3/13/2025	2,992,500	3,018,829	2,902,725
Total Cargo Transport			2,992,500	3,018,829	2,902,725

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Bank Loans (Continued)					
Chemicals, Plastics and Rubber 0.54%*:					
Colouroz Investment 2 LLC, 3M LIBOR + 7.250%~+	9.74%	9/7/2022	2,033,201	\$2,025,452	\$1,683,755
SI Group, 3M LIBOR + 4.750%~	7.19	10/15/2025	311,704	299,423	299,235
Total Chemicals, Plastics and Rubber			2,344,905	2,324,875	1,982,990
Diversified/Conglomerate Manufacturing 0.96%*:					
Averys, 3M LIBOR + 8.250%~+	8.25	9/25/2026	500,000	571,943	574,669
Commercial Vehicle Group Inc., 1M LIBOR + 6.000%~	8.52	4/12/2023	614,448	604,361	608,304
SunSource, Inc., 1M LIBOR + 8.000%~	10.52	4/30/2026	2,500,000	2,522,667	2,343,750
Total Diversified/Conglomerate Manufacturing			3,614,448	3,698,971	3,526,723
Diversified/Conglomerate Service 3.17%*:					
Cologix, 1M LIBOR + 7.000%~	9.52	3/21/2025	1,000,000	990,000	963,330
Misys (Finastra), 3M LIBOR + 7.250%~+	10.05	6/16/2025	11,630,136	11,683,208	10,674,837
Total Diversified/Conglomerate Service			12,630,136	12,673,208	11,638,167
Electronics 2.42%*:					
Allflex Holdings, Inc., 3M LIBOR + 7.000%~	9.48	7/19/2021	5,526,776	5,512,033	5,436,966
PowerSchool, 1M LIBOR + 6.750%~	9.13	7/31/2026	3,500,000	3,465,000	3,430,000
Total Electronics			9,026,776	8,977,033	8,866,966
Healthcare, Education and Childcare 4.10%*:					
	10.52	1/23/2026	8,179,057	8,261,632	8,076,819

Argon Medical Devices, 1M LIBOR + 8.000%~					
ADVANZ PHARMA Corp., 1M LIBOR + 5.500%~+	7.89	9/6/2024	3,980,000	3,902,067	3,786,532
Prospect Medical Holdings, 1M LIBOR + 5.500%~	7.94	2/22/2024	3,225,697	3,191,031	3,177,311
Total Healthcare, Education and Childcare			15,384,754	15,354,730	15,040,662
Home and Office Furnishings, Housewares, and Durable Consumer Products 0.95%*:					
Serta Simmons Beddings LLC, 1M LIBOR + 8.000%~	10.43	11/8/2024	4,933,333	4,906,721	3,486,239
Total Home and Office Furnishings, Housewares, and Durable Consumer Products			4,933,333	4,906,721	3,486,239
Information Technology 0.19%*:					
BMC Software Finance, 3M LIBOR + 4.250%~	7.05	10/2/2025	713,124	705,993	686,161
Total Information Technology			713,124	705,993	686,161

See accompanying Notes to the Financial Statements.

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Bank Loans (Continued)					
Insurance 0.81%*:					
Asurion, 1M LIBOR + 6.500%~	9.02%	8/4/2025	3,000,000	\$3,074,460	\$2,960,640
Total Insurance			3,000,000	3,074,460	2,960,640
Mining, Steel, Iron and Non-Precious Metals 0.69%*:					
Boomerang Tube, LLC, 3M LIBOR + 6.500%~	7.52	10/31/2021	2,540,684	2,540,684	2,540,684
Total Mining, Steel, Iron and Non-Precious Metals			2,540,684	2,540,684	2,540,684
Oil and Gas 8.65%*:					
Caelus Energy Alaska, 3M LIBOR + 7.500%~	10.30	4/15/2020	18,166,240	17,707,940	16,107,460
Fieldwood Energy LLC, 1M LIBOR + 5.250%~	7.77	4/11/2022	6,751,171	6,198,715	6,291,281
Fieldwood Energy LLC, 1M LIBOR + 7.250%~	9.77	4/11/2023	7,481,592	2,216,005	6,501,503
Gulf Finance, LLC, 1M LIBOR + 5.250%~	7.89	8/25/2023	3,726,094	3,610,394	2,827,174
Total Oil and Gas			36,125,097	29,733,054	31,727,418
Printing and Publishing 1.58%*:					
Getty Images, Inc., 1M LIBOR + 3.500%~	6.02	10/18/2019	5,954,837	5,827,390	5,776,192
Total Printing and Publishing			5,954,837	5,827,390	5,776,192
Total Bank Loans			103,763,442	97,187,887	95,442,542

Corporate Bonds 102.07%*:**Aerospace and Defense 1.53%*:**

Swissport Investments ^{^+}	6.75	12/15/2021	950,000	1,040,150	1,112,956
Triumph Group, Inc. [#]	7.75	8/15/2025	1,289,000	1,289,000	1,137,542
VistaJet Malta Finance PLC ^{^#}	7.75	6/1/2020	3,510,000	3,344,228	3,360,825
Total Aerospace and Defense			5,749,000	5,673,378	5,611,323

Beverage, Food and Tobacco 3.31%*:

Boparan Finance plc ^{^+}	5.50	7/15/2021	800,000	1,018,715	732,130
Carrols Corp. [#]	8.00	5/1/2022	709,000	723,063	710,773
JBS S.A. ^{#^}	6.75	2/15/2028	2,886,000	2,886,000	2,813,850
JBS USA LLC ^{#^}	7.25	6/1/2021	3,000,000	3,033,476	3,015,000
Manitowoc Foodservice [#]	9.50	2/15/2024	1,074,000	1,074,000	1,149,180
Refresco Group N.V. ^{^+}	6.50	5/15/2026	1,600,000	1,931,994	1,686,545
Simmons Foods, Inc. [^]	5.75	11/1/2024	2,885,000	2,047,647	2,048,350
Total Beverage, Food and Tobacco			12,954,000	12,714,895	12,155,828

Broadcasting and Entertainment 6.43%*:

Arqiva Broadcast ^{^+}	6.75	9/30/2023	4,950,000	6,340,734	6,309,269
Clear Channel Worldwide Holdings Inc. [#]	7.63	3/15/2020	5,165,000	5,096,096	5,048,788
Dish DBS Corp. [#]	7.75	7/1/2026	7,094,000	6,856,459	5,870,285
Intelsat Jackson Holdings Ltd. ^{#^}	9.75	7/15/2025	4,609,000	4,843,541	4,621,905

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Corporate Bonds (Continued)					
Broadcasting and Entertainment (Continued)					
Intelsat Jackson Holdings Ltd.#^	8.50%	10/15/2024	1,801,000	\$1,801,000	\$1,746,970
Total Broadcasting and Entertainment			23,619,000	24,937,830	23,597,217
Buildings and Real Estate 0.50%*:					
New Enterprise Stone & Lime Co., Inc.#^	6.25	3/15/2026	2,000,000	2,032,939	1,820,000
Total Buildings and Real Estate			2,000,000	2,032,939	1,820,000
Cargo Transport 4.91%*:					
CMA CGM^+	7.75	1/15/2021	280,000	352,816	315,879
Direct ChassisLink, Inc.#^	10.00	6/15/2023	8,444,000	8,607,333	8,106,240
Kenan Advantage#^	7.88	7/31/2023	10,000,000	10,054,995	9,575,000
Total Cargo Transport			18,724,000	19,015,144	17,997,119
Chemicals, Plastics and Rubber 8.75%*:					
Carlyle Group#^	8.75	6/1/2023	3,000,000	2,970,300	2,872,500
Chemours Co.#	7.00	5/15/2025	5,962,000	5,606,414	6,006,715
Consolidated Energy Finance S.A.#^	6.88	6/15/2025	1,779,000	1,770,105	1,694,498
CVR Partners LP#^	9.25	6/15/2023	6,213,000	6,144,761	6,461,520
Nouryon#^+	8.00	10/1/2026	4,214,000	4,228,788	3,897,950
Nouryon^+	6.50	10/1/2026	1,765,000	1,973,913	1,866,032
Pinnacle Operating Corp.#^	9.00	5/15/2023	1,993,613	1,993,613	1,295,848
TPC Group, Inc.#^	8.75	12/15/2020	8,398,000	8,404,339	7,978,100
Total Chemicals, Plastics and Rubber			33,324,613	33,092,233	32,073,163
Diversified/Conglomerate Manufacturing 0.98%*:					
FXI Holdings Inc.#^	7.88	11/1/2024	1,000,000	990,000	857,500

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StoneMor Partners L.P.#	7.88	6/1/2021	3,000,000	2,944,274	2,737,500
Total Diversified/Conglomerate Manufacturing			4,000,000	3,934,274	3,595,000
Diversified/Conglomerate Service 6.52%*:					
Algeco Scotsman^+	6.50	2/15/2023	1,750,000	2,126,414	1,958,045
ATALIAN S.A.^+	6.63	12/31/2025	550,000	765,516	574,242
Carlson Travel Holdings Inc.#^	9.50	12/15/2024	1,305,000	1,305,000	1,184,287
ADT Corp/Protection One#^	9.25	5/15/2023	13,983,000	14,748,634	14,419,969
Zachry Holdings Inc.#^	7.50	2/1/2020	5,875,000	5,863,099	5,757,500
Total Diversified/Conglomerate Service			23,463,000	24,808,663	23,894,043
Diversified Natural Resources, Precious Metals and Minerals 0.51%*:					
IAMGOLD Corporation#^+	7.00	4/15/2025	2,000,000	2,000,000	1,880,000
Total Diversified Natural Resources, Precious Metals and Minerals			2,000,000	2,000,000	1,880,000

See accompanying Notes to the Financial Statements.

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Corporate Bonds (Continued)					
Electronics 3.10%*:					
International Wire Group Inc.#^	10.75%	8/1/2021	4,000,000	\$3,797,821	\$3,560,000
TIBCO Software, Inc.#^	11.38	12/1/2021	2,915,000	3,095,140	3,053,462
Veritas Bermuda Ltd.#^	10.50	2/1/2024	7,284,000	6,007,117	4,771,020
Total Electronics			14,199,000	12,900,078	11,384,482
Finance 3.73%*:					
Galaxy Finco Ltd.#^+	7.88	11/15/2021	3,900,000	6,351,213	4,853,635
GFKL Financial Services#^+	8.50	11/1/2022	3,975,000	5,714,172	4,252,545
GFKL Financial Services#^+	11.00	11/1/2023	1,600,000	2,206,558	1,529,193
Virtu Financial LLC#^	6.75	6/15/2022	3,132,000	3,132,000	3,044,210
Total Finance			12,607,000	17,403,943	13,679,583
Healthcare, Education and Childcare 14.15%*:					
Auris Luxembourg^	8.00	1/15/2023	1,750,000	2,037,029	2,041,356
Avantor Performance Materials Holdings, Inc.#^	9.00	10/1/2025	5,180,000	5,279,990	5,180,000
Bausch Health Companies Inc.#^	9.00	12/15/2025	12,922,000	13,192,773	12,857,390
Bausch Health Companies Inc.#^	9.25	4/1/2026	3,397,000	3,397,000	3,397,000
Bausch Health Companies Inc.#^	8.50	1/31/2027	317,000	317,000	307,490
Endo International^	6.00	2/1/2025	1,500,000	1,374,142	1,076,250
Envision Healthcare Corp.#^	8.75	10/15/2026	7,559,000	7,439,567	6,538,535
Horizon Pharma plc#^	8.75	11/1/2024	1,595,000	1,597,072	1,618,925
IDH Finance PLC^+	6.25	8/15/2022	1,150,000	1,506,794	1,202,680
Regionalcare Hospital Partners, Inc.#^	8.25	5/1/2023	9,996,000	10,079,091	10,095,960
Surgery Center Holdings, Inc.#^	8.88	4/15/2021	2,950,000	2,997,561	2,942,625
Synlab^+	8.25	7/1/2023	2,000,000	2,540,400	2,351,768
Tenet Healthcare Corporation#	8.13	4/1/2022	1,700,000	1,682,209	1,704,250
Teva Pharmaceutical#+	6.75	3/1/2028	578,000	578,000	560,048

Total Healthcare, Education and Childcare			52,594,000	54,018,628	51,874,277
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Home and Office Furnishings, Housewares, and Durable Consumer Products 1.49%*:

Balta#^+	7.75	9/15/2022	4,171,500	4,851,526	4,417,711
Mattel, Inc.#^	6.75	12/31/2025	1,169,000	1,169,000	1,042,970

Total Home and Office Furnishings, Housewares, and Durable Consumer Products			5,340,500	6,020,526	5,460,681
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Hotels, Motels, Inns and Gaming 1.18%*:

Boyne USA, Inc.#^	7.25	5/1/2025	950,000	950,000	980,875
TVL Finance Plc^+	8.50	5/15/2023	2,560,000	3,629,384	3,343,440

Total Hotels, Motels, Inns and Gaming			3,510,000	4,579,384	4,324,315
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See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Corporate Bonds (Continued)					
Insurance 0.97%*:					
Onex York Acquisition Corp.#^	8.50%	10/1/2022	5,102,000	\$5,028,852	\$3,545,890
Total Insurance			5,102,000	5,028,852	3,545,890
Leisure, Amusement, Motion Pictures and Entertainment 0.90%*:					
Perform Group^+	8.50	11/15/2020	2,600,000	3,435,112	3,315,285
Total Leisure, Amusement, Motion Pictures and Entertainment			2,600,000	3,435,112	3,315,285
Machinery (Non-Agriculture, Non-Construct, Non-Electronic) 2.29%*:					
Apex Tool Group LLC#^	9.00	2/15/2023	9,913,000	9,707,704	8,376,485
Total Machinery (Non-Agriculture, Non-Construct, Non-Electronic)			9,913,000	9,707,704	8,376,485
Mining, Steel, Iron and Non-Precious Metals 10.47%*:					
Alliance Resources Partners, L.P.#^	7.50	5/1/2025	823,000	823,000	825,057
Big River Steel LLC#^	7.25	9/1/2025	1,547,000	1,547,000	1,535,397
Consol Energy Inc.#^	11.00	11/15/2025	9,316,000	9,698,332	10,201,020
First Quantum Minerals#^+	7.25	4/1/2023	2,000,000	1,904,627	1,760,000
First Quantum Minerals#^+	7.50	4/1/2025	4,775,000	4,745,156	3,939,375
Hecla Mining Company#	6.88	5/1/2021	5,888,000	5,764,254	5,770,240
Kissner Milling Company Limited#^	8.38	12/1/2022	6,475,000	6,467,593	6,442,625
Northwest Acquisitions ULC#^+	7.13	11/1/2022	411,000	406,738	405,986
SunCoke Energy Inc.#^	7.50	6/15/2025	2,743,000	2,702,212	2,598,993
TMS International Corp.#^	7.25	8/15/2025	2,250,000	2,250,000	2,103,750
United States Steel Corp.#	6.88	8/15/2025	2,093,000	2,093,000	1,915,095
Warrior Met Coal Inc.#^	8.00	11/1/2024	914,000	914,000	907,145
			39,235,000	39,315,912	38,404,683

Total Mining, Steel, Iron and
Non-Precious Metals

Oil and Gas 19.79%*:

CGG Holdings ^{^+}	7.88	5/1/2023	200,000	246,740	230,296
Chaparral Energy Inc. ^{#^}	8.75	7/15/2023	2,589,000	2,589,000	1,851,135
CITGO Holding Inc. ^{#^}	10.75	2/15/2020	11,331,000	11,389,556	11,557,620
Covey Park Energy LLC ^{#^}	7.50	5/15/2025	1,597,000	1,602,575	1,373,420
Ensco PLC [#]	7.75	2/1/2026	603,000	603,000	446,220
Enven Energy Ventures ^{#^}	11.00	2/15/2023	3,572,000	3,572,000	3,822,040
EP Energy ^{#^}	9.38	5/1/2024	5,215,000	3,544,831	2,320,675
EP Energy ^{#^}	8.00	2/15/2025	10,183,000	8,666,036	4,200,488
Ferrellgas Partners LP [#]	8.63	6/15/2020	7,560,000	7,529,575	5,405,400
Ferrellgas Partners LP [#]	8.63	6/15/2020	1,254,000	1,230,949	896,610
Globe Luxembourg SA ^{#^+}	9.88	4/1/2022	3,121,000	3,201,265	2,559,220
Globe Luxembourg SA ^{#^+}	9.63	4/1/2023	4,238,000	4,297,137	3,411,590
Jonah Energy LLC ^{#^}	7.25	10/15/2025	3,714,000	3,431,551	2,376,960

See accompanying Notes to the Financial Statements.

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Corporate Bonds (Continued)					
Oil and Gas (Continued)					
Kosmos Energy Ltd.#^+	7.88%	8/1/2021	6,414,000	\$6,236,315	\$6,381,930
Kosmos Energy Ltd.#^+	7.88	8/1/2021	3,984,000	3,903,061	4,053,720
Neptune Energy#^	6.63	5/15/2025	1,600,000	1,600,000	1,484,000
Pbf Holding Company LLC#	7.00	11/15/2023	1,000,000	997,500	955,000
Pbf Logistics LP#	6.88	5/15/2023	1,117,000	1,117,000	1,097,453
Topaz Marine SA#^+	9.13	7/26/2022	8,500,000	8,500,000	8,509,860
Vine Oil & Gas#^	9.75	4/15/2023	5,000,000	5,000,000	4,000,000
Welltec#^+	9.50	12/1/2022	5,713,000	5,692,986	5,641,588
Total Oil and Gas			88,505,000	84,951,077	72,575,225
Personal and Non Durable Consumer Products 0.52%*:					
Herbalife Ltd.#^	7.25	8/15/2026	585,000	585,000	576,225
High Ridge Brands Co.^	8.88	3/15/2025	2,982,000	2,982,000	1,312,080
Total Personal and Non Durable Consumer Products			3,567,000	3,567,000	1,888,305
Personal Transportation 1.10%*:					
Hertz Corporation#^	7.63	6/1/2022	3,678,000	3,673,356	3,466,515
Naviera Armas, 3M EURIBOR + 6.500%#^+	6.50	7/31/2023	525,000	609,931	582,059
Total Personal Transportation			4,203,000	4,283,287	4,048,574
Printing and Publishing 0.54%*:					
Cimpress N.V.#^	7.00	6/15/2026	2,069,000	2,069,000	1,986,240
Total Printing and Publishing			2,069,000	2,069,000	1,986,240
Retail Store 1.94%*:					

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Aurum ^{^+}	8.50	4/15/2023	600,000	854,701	708,550
Douglas GMBH ^{^+}	6.25	7/15/2022	775,000	750,924	649,097
Ken Garff Automotive ^{#^}	7.50	8/15/2023	1,092,000	1,092,000	1,075,620
Maxeda DIY ^{^+}	6.13	7/15/2022	750,000	855,530	788,542
Travelex ^{#^+}	8.00	5/15/2022	4,000,000	4,421,260	3,895,370
Total Retail Store			7,217,000	7,974,415	7,117,179
Telecommunications 4.47%*:					
Altice S.A. ^{#^+}	7.50	5/15/2026	1,322,000	1,366,041	1,206,325
Altice S.A. ^{#^+}	7.63	2/15/2025	4,476,000	4,412,371	3,345,810
Altice S.A. ^{#^+}	9.00	6/15/2023	3,150,000	4,100,518	3,717,606
Digicel Limited ^{d#^+}	8.25	9/30/2020	3,000,000	2,965,809	2,025,000
Hughes Satellite Systems Corp [#]	6.63	8/1/2026	3,000,000	2,931,544	2,748,750
Sprint Corp. [#]	7.63	3/1/2026	3,108,000	3,105,500	3,069,150
Wind Tre, 3M EURIBOR + 2.750% ^{^~+}	2.75	1/20/2024	270,000	278,165	276,097
Total Telecommunications			18,326,000	19,159,948	16,388,738

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	EFFECTIVE INTEREST RATE	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income (Continued)					
Corporate Bonds (Continued)					
Textiles & Leather 0.15%*:					
The Lycra Company ^{^+}	5.38%	5/1/2023	200,000	\$245,649	\$210,199
The Lycra Company ^{#^+}	7.50	5/1/2025	372,000	372,000	348,006
Total Textiles & Leather			572,000	617,649	558,205
Utilities 1.84%*:					
Nordex ^{^+}	6.50	2/1/2023	1,950,000	2,421,789	2,016,155
NRG Energy [#]	7.25	5/15/2026	1,385,000	1,390,389	1,436,938
Techem ^{^+}	6.00	7/30/2026	3,050,000	3,497,796	3,293,514
Total Utilities			6,385,000	7,309,974	6,746,607
Total Corporate Bonds			401,778,113	410,551,845	374,298,447
Total Fixed Income			534,991,555	537,104,268	496,509,720
Total Investments			574,116,564	553,033,464	511,828,483
Other assets and liabilities	(39.58)%				(145,137,106)
Net Assets	100%				\$366,691,377

The effective interest rates are based on settled commitment amount.

* Calculated as a percentage of net assets applicable to common shareholders.

⌘ Value determined using significant unobservable inputs, security is categorized as Level 3.

[^] Security exempt from registration under Rule 144a of the Securities Act of 1933. These securities may only be resold in transactions exempt from registration, normally to qualified institutional buyers.

~ Variable rate security. The interest rate shown is the rate in effect at December 31, 2018.

#

All or a portion of the security is segregated as collateral for the credit facility. See Note 8 to the Financial Statements for further disclosure.

§ Bank loans are exempt from registration under the Securities Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rates shown for bank loans are the current interest rates at December 31, 2018. Bank loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown.

+Foreign security.

See accompanying Notes to the Financial Statements.

Barings Global Short Duration High Yield Fund 2018 Annual Report

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Distributions of investments by country of risk. Percentage of assets are expressed by market value excluding cash and accrued income as of December 31, 2018.

United States	74.2%
United Kingdom	9.9%
Netherlands	2.6%
Ghana	2.0%
Germany	2.0%
Azerbaijan	1.7%
Canada	1.4%
France	1.4%
Zambia	1.1%
Denmark	1.1%
Portugal	1.0%
(Individually less than 1%)	1.6%
	100.0%

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

A summary of outstanding derivatives at December 31, 2018 is as follows:

Schedule of Open Forward Currency Contracts**December 31, 2018**

CURRENCY TO BE RECEIVED		CURRENCY TO BE DELIVERED⁽¹⁾		COUNTERPARTY OF CONTRACT	FORWARD UNREALIZED SETTLEMENT DATE	APPRECIATION/ (DEPRECIATION)
280,672	USD	(282,474)	EUR	BANK OF NEW YORK MELLON	1/15/2019	\$ (1,802)
29,620,699	USD	(29,910,396)	EUR	JP MORGAN CHASE SECURITIES INC.	1/15/2019	(289,697)
2,771,130	USD	(2,790,187)	EUR	MORGAN STANLEY & CO. INCORPORATED	1/15/2019	(19,057)
25,365,049	USD	(25,780,650)	GBP	JP MORGAN CHASE SECURITIES INC.	1/15/2019	(415,601)
1,780,801	USD	(1,784,840)	GBP	MORGAN STANLEY & CO. INCORPORATED	1/15/2019	(4,039)
						\$ (730,196)

⁽¹⁾ Values are listed in U.S. dollars.**See accompanying Notes to the Financial Statements.**

Barings Global Short Duration High Yield Fund 2018 Annual Report

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

1. Organization

Barings Global Short Duration High Yield Fund (the Fund) was organized as a business trust under the laws of the Commonwealth of Massachusetts on May 20, 2011, and commenced operations on October 26, 2012. The Fund is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company.

Barings LLC (the Adviser), a wholly-owned indirect subsidiary of Massachusetts Mutual Life Insurance Company, is a registered investment adviser under the Investment Advisers Act of 1940, as amended, and serves as investment adviser to the Fund.

Baring International Investment Limited (the Sub-Adviser), an indirect wholly-owned subsidiary of the Adviser, serves as sub-adviser with respect to the Fund's European investments.

The Fund's primary investment objective is to seek as high a level of current income as the Adviser determines is consistent with capital preservation. The Fund seeks capital appreciation as a secondary investment objective when consistent with its primary investment objective. There can be no assurance that the Fund will achieve its investment objectives. The Fund seeks to take advantage of inefficiencies between geographies, primarily the North American and Western European high yield bond and loan markets and within capital structures between bonds and loans. Under normal market conditions, the Fund will invest at least 80% of its Managed Assets in bonds, loans and other income-producing instruments that are, at the time of purchase, rated below investment grade (below Baa3 by Moody's Investors Service, Inc. (Moody's) or below BBB- by either Standard & Poor's Rating Services, a division of the McGraw-Hill Company, Inc. (S&P) or Fitch, Inc. (Fitch), or unrated but judged by the Adviser or Sub-Adviser to be of comparable quality).

2. Significant Accounting Policies

The Fund is an investment company and follows accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946. The following is a summary of significant accounting policies followed consistently by the Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

A. Valuation of Investments

The Fund's investments in fixed income securities are generally valued using the prices provided directly by independent third party services or provided directly from one or more broker dealers or market makers, each in accordance with the valuation policies and procedures approved by the Fund's Board of Trustees (the Board).

The pricing services may use valuation models or matrix pricing, which consider yield or prices with respect to comparable bond quotations from bond dealers or by reference to other securities that are considered comparable in such characteristics as credit rating, interest rates and maturity date, to determine the current value. The closing prices of domestic or foreign securities may not reflect their market values at the time the Fund calculates its NAV if an event that materially affects the value of those securities has occurred since the closing prices were established on the domestic or foreign exchange market, but before the Fund's NAV calculation. Under certain conditions, the Board has approved an independent pricing service to fair value foreign securities. This is generally accomplished by adjusting the closing price for movements in correlated indices, securities or derivatives. Fair value pricing may cause the value of the security on the books of the Fund to be different from the closing value on the non-U.S. exchange and may affect the calculation of the Fund's NAV. The Fund may fair value securities in other situations, for example, when a particular foreign market is closed but the Fund is pricing their shares.

The Fund's investments in bank loans are normally valued at the bid quotation obtained from dealers in loans by an independent pricing service in accordance with the Fund's valuation policies and procedures approved by the Board.

Forward foreign exchange contracts are normally valued on the basis of independent pricing service providers.

A Valuation Committee, made up of officers of the Fund and employees of the Adviser, is responsible for determining, in accordance with the Fund's valuation policies and procedures approved by the Board: (1) whether market quotations are readily available for investments held by the Fund; and (2) the fair value of investments held by the Fund for which market quotations are not readily available or are deemed not reliable by the Adviser. In certain cases, authorized pricing service vendors may not provide prices for a security held by the Fund, or the price provided by such pricing service vendor is deemed unreliable by the Adviser. In such cases, the Fund may use market maker quotations provided by an established market maker for that security (i.e. broker quotes) to value the security if the Adviser has experience obtaining quotations from the market maker and the Adviser determines that quotations

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

obtained from the market maker in the past have generally been reliable (or, if the Adviser has no such experience with respect to a market maker, it determines based on other information available to it that quotations obtained by it from the market maker are reasonably likely to be reliable). In any such case, the Adviser will review any market quotations so obtained in light of other information in its possession for their general reliability.

Bank loans in which the Fund may invest have similar risks to lower-rated fixed income securities. Changes in the financial condition of the borrower or economic conditions or other circumstances may reduce the capacity of the borrower to make principal and interest payments on such instruments and may lead to defaults. Senior secured bank loans are supported by collateral; however, the value of the collateral may be insufficient to cover the amount owed to the Fund. By relying on a third party to administer a loan, the Fund is subject to the risk that the third party will fail to perform its obligations. The loans in which the Fund will invest are largely floating rate instruments; therefore, the interest rate risk generally is lower than for fixed-rate debt obligations. However, from the perspective of the borrower, an increase in interest rates may adversely affect the borrower's financial condition. Due to the unique and customized nature of loan agreements evidencing loans and the private syndication thereof, loans are not as easily purchased or sold as publicly traded securities. Although the range of investors in loans has broadened in recent years, there can be no assurance that future levels of supply and demand in loan trading will provide the degree of liquidity which currently exists in the market. In addition, the terms of the loans may restrict their transferability without borrower consent. These factors may have an adverse effect on the market price and the Fund's ability to dispose of particular portfolio investments. A less liquid secondary market also may make it more difficult for the Fund to obtain precise valuations of the high yield loans in its portfolio.

The Fund may invest in collateralized debt obligations (CDOs), which include collateralized bond obligations (CBOs) and collateralized loan obligations (CLOs). CBOs and CLOs are types of asset-backed securities. A CDO is an entity that is backed by a diversified pool of debt securities (CBOs) or syndicated bank loans (CLOs). The cash flows of the CDO can be split into multiple segments, called tranches, which will vary in risk profile and yield. The riskiest segment is the subordinated or equity tranche. This tranche bears the greatest risk of defaults from the underlying assets in the CDO and serves to protect the other, more senior, tranches from default in all but the most severe circumstances. Since it is shielded from defaults by the more junior tranches, a senior tranche will typically have higher credit ratings and lower yields than their underlying securities, and often receive investment grade ratings from one or more of the nationally recognized rating agencies. Despite the protection from the more junior tranches, senior tranches can experience substantial losses due to actual defaults, increased sensitivity to future defaults and the disappearance of one or more protecting tranches as a result of changes in the credit profile of the underlying pool of assets.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy is utilized to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. For example, market participants would consider the risk inherent in a particular valuation technique used to measure fair value, such as a pricing model, and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The availability of observable inputs can vary from security to security and is affected by a wide variety of

Barings Global Short Duration High Yield Fund 2018 Annual Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following is a summary of the inputs used as of December 31, 2018 in valuing the Fund's investments:

DESCRIPTION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL INVESTMENTS
Assets:				
Equities:				
Common Stocks	\$	\$ 11,012,338	\$ 4,000,008	\$ 15,012,346
Preferred Stocks			136,835	136,835
Warrants		12,035	157,547	169,582
Total Equities:		11,024,373	4,294,390	15,318,763
Fixed Income:				
Asset-Backed Securities	\$	\$ 26,768,731	\$	\$ 26,768,731
Bank Loans		92,901,858	2,540,684	95,442,542
Corporate Bonds		374,298,447		374,298,447
Total Fixed Income	\$	\$ 493,969,036	\$ 2,540,684	\$ 496,509,720
Total Assets	\$	\$ 504,993,409	\$ 6,835,074	\$ 511,828,483
Liabilities:				
Foreign Exchange Contracts	\$	\$ 730,196	\$	\$ 730,196

Total Liabilities:	\$	\$	730,196	\$	\$	730,196
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The following table is a summary of quantitative information about significant unobservable valuation inputs for Level 3 fair value measurement for investments held as of December 31, 2018:

	FAIR VALUE AS OF		VALUATION	UNOBSERVABLE INPUT
TYPE OF ASSETS	DECEMBER 31, 2018	TECHNIQUE(S)		
Equities				
Appvion Holdings Corp.	\$	137,279	Broker Quote	\$10.65: pricing source depth of 1.
Appvion, Inc.	\$	0	Broker Quote	\$0.00: pricing source depth of 1.
Boomerang Tube Holdings, Inc.	\$	3,514,819	Model Price	Average Enterprise Valuation Multiple: 5 year projection, 5.5x; EBITDA: \$19.8 million, 15% discount rate.
Pinnacle Operating Corp.	\$	136,835	Broker Quote	\$0.10: pricing source depth of 1.
Sabine Oil & Gas, LLC	\$	187,528	Broker Quote	\$44.00: pricing source depth of 1.
Sabine Oil & Gas, LLC	\$	20,268	Broker Quote	\$1.50: pricing source depth of 1.
Templar Energy LLC	\$	216,426	Broker Quote	\$2.50: pricing source depth of 1.
Templar Energy LLC	\$	81,235	Broker Quote	\$0.60: pricing source depth of 1.
Second Lien Term Loans				
Boomerang Tube, LLC	\$	2,540,684	Model Price	Average Enterprise Valuation Multiple: 5 year projection, 5.5x; EBITDA: \$19.8 million, 15% discount rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

Appvion Holdings Corp. restructured its debt securities on August 29, 2018. The Fund subsequently received new equity securities, all of which are considered Level 3.

Boomerang Tube, LLC restructured its debt securities on November 1, 2018. The Fund subsequently received new debt and equity securities, all of which are considered Level 3.

Although the Fund believes the valuation methods described above are appropriate, the use of different methodologies or assumptions to determine fair value could result in different estimates of fair value at the reporting date.

The Fund discloses transfers between levels based on valuations at the end of the reporting period. The following is a reconciliation of Level 3 investments based upon the inputs used to determine fair value:

	BALANCE AT DECEMBER 2017	TRANSFERS INTO LEVEL 3	TRANSFERS OUT OF LEVEL 3	PURCHASES	SALES	ACCRETION OF DISCOUNT	REALIZED GAIN/ (LOSS)	CHANGE IN UNREALIZED	BALANCE AT DECEMBER 2018	CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) FROM INVESTMENT AT DECEMBER 2017
es	\$ 1,344,586	\$ 0	\$ 0	\$ 3,510,832	\$ 0	\$ 0	\$ 0	(\$ 855,410)	\$ 4,000,008	(\$ 855,410)
on	1,245,200	0	0	0	0	0	0	(1,108,365)	136,835	(1,108,365)
s	101,067	0	(12,035)	0	0	0	0	(68,766)	157,547	(68,766)
red										
s										
nts										
	\$ 2,690,853	\$ 0	(\$ 12,035)	\$ 3,510,832	\$ 0	\$ 0	\$ 0	(\$ 2,032,541)	\$ 4,294,390	(\$ 2,032,541)

es

Income

Backed

ties	\$ 7,888,778	\$ 0	(\$ 6,983,555)	\$ 0	\$ 0	\$ 0	\$ 0	(\$ 905,223)	\$ 0	(\$ 905,223)
Loans	5,790,347	0	0	4,434,405	(7,071,534)	5,892	(2,395,379)	1,776,953	2,540,684	1,776,953

Fixed

e	\$ 13,679,125	\$ 0	(\$ 6,983,555)	\$ 4,434,405	(\$ 7,071,534)	\$ 5,892	(\$ 2,395,379)	\$ 871,730	\$ 2,540,684	\$ 871,730
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	\$ 16,369,978	\$ 0	(\$ 6,995,590)	\$ 7,945,237	(\$ 7,071,534)	\$ 5,892	(\$ 2,395,379)	(\$ 1,160,811)	\$ 6,835,074	(\$ 1,160,811)
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B. Cash and Cash Equivalents

Cash and cash equivalents consist principally of short term investments that are readily convertible into cash and have original maturities of three months or less. At December 31, 2018, all cash and cash equivalents are held by U.S. Bank, N.A.

C. Investment Transactions, Related Investment Income and Expenses

Investment transactions are accounted for on a trade-date basis. Interest income is recorded on the accrual basis, including the amortization of premiums and accretion of discounts on bonds held using the yield-to-maturity method.

Interest income from securitized investments in which the Fund has a beneficial interest, such as the equity security class of a CLO vehicle (typically in the form of income or subordinated notes), is recorded upon receipt. The accrual of interest income related to these types of securities is periodically reviewed and adjustments are made as necessary.

Realized gains and losses on investment transactions and unrealized appreciation and depreciation of investments are reported for financial statement and Federal income tax purposes on the identified cost method.

Expenses are recorded on the accrual basis as incurred.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the

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reporting period. Actual results could differ from those estimates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

E. Federal Income Taxation

The Fund has elected to be taxed as a Regulated Investment Company (RIC) under sub-chapter M of the U.S. Internal Revenue Code of 1986, as amended, and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders.

F. Dividends and Distributions

The Fund declares and pays dividends monthly from net investment income. To the extent that these distributions exceed net investment income, they may be classified as return of capital. The Fund also pays a distribution at least annually from its net realized capital gains, if any. Dividends and distributions are recorded on the ex-dividend date. All common shares have equal dividend and other distribution rights. A notice disclosing the source(s) of a distribution will be provided if payment is made from any source other than net investment income. Any such notice would be provided only for informational purposes in order to comply with the requirements of Section 19(a) of the 1940 Act and not for tax reporting purposes. The tax composition of the Fund's distributions for each calendar year is reported on Internal Revenue Service Form 1099-DIV.

Dividends from net investment income and distributions from realized gains from investment transactions have been determined in accordance with Federal income tax regulations and may differ from net investment income and realized gains recorded by the Fund for financial reporting purposes. These differences, which could be temporary or permanent in nature may result in reclassification of distributions; however, net investment income, net realized gains and losses, and net assets are not affected.

G. Derivative Instruments

The following is a description of the derivative instruments that the Fund utilizes as part of its investment strategy, including the primary underlying risk exposures related to the instrument.

Forward Foreign Exchange Contracts The Fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund transacted in and currently holds forward foreign exchange contracts to hedge against changes in the value of foreign currencies. The Fund entered into forward foreign exchange contracts obligating the Fund to deliver or receive a currency at a specified future date. Forward foreign exchange contracts are valued daily and unrealized appreciation or depreciation is recorded daily as the difference between the contract exchange rate and the closing forward rate applied to the face amount of the contract. A realized gain or loss is recorded at the time the forward contract expires. Credit risk may arise as a result of the failure of the counterparty to comply with the terms of the contract. The Fund considers the creditworthiness of each counterparty to a contract in evaluating potential credit risk quarterly. The Fund is also subject to credit risk with respect to the counterparties to the derivative contracts which are not cleared through a central counterparty but instead are traded over-the-counter between two counterparties. If a counterparty to an over-the-counter derivative becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. The counterparty risk for cleared derivatives is generally lower than for uncleared over-the-counter derivative transactions since generally a clearing organization becomes substituted for each counterparty to a cleared derivative contract and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing house for performance of financial obligations. However, there can be no assurance that the clearing house, or its members, will satisfy its obligations to the Fund. In addition, in the event of a bankruptcy of a clearing house, the Fund could experience a loss of the funds deposited with such clearing house as margin and any profits on its open positions. The counterparty risk to the Fund is limited to the net unrealized gain, if any, on the contract.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's investment securities; however, it does establish a rate of exchange that can be achieved in the future. The use of forward foreign exchange contracts involves the risk that anticipated currency movements will not be accurately predicted. A forward foreign exchange contract would limit the risk of loss due to a decline in the value of a particular currency; however, it would also limit any potential gain that might result should the value of the currency increase instead of decrease. These contracts may involve market risk in excess of the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

amount of receivable or payable reflected on the Statement of Assets and Liabilities.

The Fund recognized a liability on the Statement of Assets and Liabilities as a result of forward foreign exchange contracts with J.P. Morgan, The Bank of New York Mellon, and Morgan Stanley. The Fund's policy is to recognize an asset equal to the net value of all forward foreign exchange contracts with an unrealized gain and a liability equal to the net value of all forward foreign exchange contracts with an unrealized loss. The Fund has recognized a liability of \$730,196 in net unrealized depreciation on forward foreign exchange contracts. Outstanding forward foreign exchange contracts as of December 31, 2018 are indicative of the volume of activity during the period.

For the year ended December 31, 2018, the Fund's direct investment in derivatives consisted of forward foreign exchange contracts.

The following is a summary of the fair value of derivative instruments held directly by the Fund as of December 31, 2018. These derivatives are presented in the Schedule of Investments.

Fair values of derivative instruments on the Statement of Assets and Liabilities as of December 31, 2018:

	STATEMENT OF ASSETS AND LIABILITIES LOCATION	FAIR VALUE
Derivatives		
Liability Derivatives		
Forward Foreign Exchange Contracts	Unrealized Depreciation	\$ 730,196
Total Liability Derivatives		\$ 730,196

The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2018:

Amount of Realized Gain/(Loss) on Derivatives

DERIVATIVES	FORWARD FOREIGN EXCHANGE CONTRACTS	
Forward Foreign Exchange Contracts	\$	4,842,399
Total	\$	4,842,399

Change in Unrealized Appreciation/(Depreciation) on Derivatives

DERIVATIVES	FORWARD FOREIGN EXCHANGE CONTRACTS	
Forward Foreign Exchange Contracts	\$	180,218
Total	\$	180,218

H. Offsetting of Financial and Derivative Assets and Liabilities

The following is a summary by counterparty of the fair value of derivative investments subject to Master Netting Agreements and collateral pledged (received), if any, as of December 31, 2018.

	J.P. MORGAN	BANK OF NEW YORK MELLON	MORGAN STANLEY
Liabilities:			
Forward foreign exchange contracts	\$ 705,298	\$ 1,802	\$ 23,096
Total Liabilities	\$ 705,298	\$ 1,802	\$ 23,096
Net Exposure	\$ (705,298)	\$ (1,802)	\$ (23,096)

I. Foreign Securities

Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in U.S. companies and the U.S. government. These risks include valuation of currencies and adverse political and economic developments. Moreover, securities of many foreign companies, foreign governments, and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and the U.S. government.

J. Foreign Currency Translation

The books and records of the Fund are maintained in U.S. dollars. Foreign currency transactions are translated into U.S. dollars on the following basis: (i) market value of investment securities, assets and liabilities at the daily rates of exchange, and (ii) purchases and sales of investment securities, dividend and interest income and certain expenses at the rates of exchange prevailing on the respective dates of such transactions. For financial reporting purposes, the Fund does not isolate changes in the exchange rate of investment securities from the

Barings Global Short Duration High Yield Fund 2018 Annual Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

fluctuations arising from changes in the market prices of securities. However, for Federal income tax purposes, the Fund does isolate and treat as ordinary income the effect of changes in foreign exchange rates on realized gain or loss from the sale of investment securities and payables and receivables arising from trade-date and settlement-date differences.

K. Counterparty Risk

The Fund seeks to manage counterparty credit risk by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations. The Adviser monitors the financial stability of the Fund's counterparties.

L. Disclosures about Offsetting Assets and Liabilities

The FASB issued Accounting Standards Update (ASU) No. 2011-11 Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). These disclosure requirements are intended to help better assess the effect or potential effect of offsetting arrangements on a Fund's financial position. In addition, FASB issued Accounting Standards Update No. 2013-01 Clarifying the Scope of Offsetting Assets and Liabilities (ASU 2013-01), specifying which transactions are subject to disclosures about offsetting. In order to better define its contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement with its counterparties. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs certain OTC derivatives and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default including the bankruptcy or insolvency of the counterparty. Bankruptcy or insolvency laws of a particular jurisdiction may restrict or prohibit the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage or the Fund fails to meet the terms of its ISDA Master Agreements. The result would cause the Fund to accelerate payment of any net liability owed to the counterparty.

For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Fund and the counterparty.

Cash collateral that has been pledged to cover obligations of the Fund and cash collateral received from the counterparty, if any, is reported separately on the Statement of Assets and Liabilities as cash collateral held at broker or cash collateral due to broker, respectively. Non-cash collateral pledged by or received by the Fund, if any, is noted in the Schedule of Investments. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold before a transfer is required, which is determined each day at the close of business of the Fund, typically based on changes in market values for each transaction under an ISDA Master Agreement and netted into one amount for such agreement and any additional required collateral is delivered to/pledged by the Fund on the next business day. Typically, the Fund and counterparties are not permitted to sell, re-pledge or use the collateral they receive. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance. The Fund attempts to mitigate counterparty risk by entering into agreements only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

M. New Accounting Pronouncements

As of November 5, 2018, pursuant to the Securities and Exchange Commission (SEC) Release #33-10532 Disclosure Update and Simplification , the Fund has adopted the amendments pertinent to Regulation S-X in this report. The amendments impacted certain disclosure presentation on the Statement of Assets and Liabilities, Statements of Changes in Net Assets and Notes to the Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820: Disclosure Framework Changes to the Disclosure Requirements for Fair Value*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

Measurement . ASU 2018-13 eliminates the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the timing of transfers between levels of the fair value hierarchy and the valuation processes for Level 3 fair value measurements. ASU 2018-13 will require the need to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements and the changes in unrealized gains and losses for recurring Level 3 fair value measurements. ASU 2018-13 will also require that information is provided about the measurement uncertainty of Level 3 fair value measurements as of the reporting date. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and allows for early adoption of either the entire standard or only the provisions that eliminate or modify the requirements. The Fund has elected to early adopt the provisions that eliminate disclosure requirements. Management is still currently evaluating the impact of applying the rest of the guidance to the Fund.

In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*, which amends the amortization period for certain purchased callable debt securities. Under ASU 2017-08, the premium amortization of purchased callable debt securities that have explicit, non-contingent call features and are callable at fixed prices will be amortized to the earliest call date. ASU 2017-08 will be applied on a modified retrospective basis and is effective for fiscal years, and their interim periods, beginning after December 15, 2018. Management is currently evaluating the impact of this guidance to the Fund.

3. Advisory Fee

The Fund has entered into an Investment Management Agreement (the *Agreement*) with the Adviser, a related party. Pursuant to the Agreement, the Fund has agreed to pay the Adviser a fee payable at the end of each calendar month, at an annual rate of 1.00% of the Fund's average daily managed assets during such month. Managed assets are the total assets of the Fund, which include any assets attributable to leverage such as assets attributable to reverse repurchase agreements, or bank loans, minus the sum of the Fund's accrued liabilities (other than liabilities incurred for the purpose of leverage).

Subject to the supervision of the Adviser and the Board, the Sub-Adviser manages the investment and reinvestment of a portion of the assets of the Fund, as allocated from time to time. As compensation for its services, the Adviser (not the Fund) pays the Sub-Adviser a portion of the investment management fees it receives from the Fund, in an amount in U.S. dollars equal to 35% of such investment management fees (*Sub-Advisory Fees*).

4. Administrator Fee

The Fund has engaged U.S. Bancorp Fund Services, LLC, d/b/a U.S. Bank Global Fund Services (Fund Services) to serve as the Fund s administrator, fund accountant, and transfer agent. The Fund has engaged U.S. Bank, N.A. to serve as the Fund s custodian. The Fund has agreed to pay Fund Services a fee payable at the end of each calendar month, at an annual rate of 0.075% of the Fund s average daily managed assets.

5. Income Taxes

It is the Fund s intention to qualify as a RIC under sub-chapter M of the Internal Revenue Code and distribute all of its taxable income. Accordingly, no provision for federal income taxes is required in the financial statements.

The tax character of dividends paid to shareholders during the tax years ended in 2018 and 2017, as noted below, was as follows:

	2018	2017
Ordinary Income	\$ 35,670,878	\$ 32,762,778
Net Long Term Capital Gains		
Return of Capital		4,159,710
Total Distributions Paid	\$ 35,670,878	\$ 36,922,488

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP.

Barings Global Short Duration High Yield Fund 2018 Annual Report

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

The following information is provided on a tax basis as of December 31, 2018:

Cost of investments	\$ 552,363,741
Unrealized appreciation	9,151,103
Unrealized depreciation	(50,355,616)
Net unrealized appreciation/(depreciation)	(41,204,513)
Undistributed ordinary income	2,101,443
Undistributed long term gains	
Distributable earnings	2,101,443
Other accumulated gain/(loss)	(62,964,364)
Total accumulated gain/(loss)	(102,067,434)

The capital loss carryforward is available to offset future taxable income. The Fund has the following capital loss amounts:

EXPIRING DECEMBER 31,			UNLIMITED	UNLIMITED
2018	2019	2020	SHORT TERM	LONG TERM
\$	\$	\$	\$ 12,613,356	\$ 50,350,829

The Fund recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. Management has analyzed the Fund's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on U.S. tax returns and state tax returns filed since inception of the Fund. No income tax returns are currently under examination. All tax years since commencement of operations remain subject to examination by the tax authorities in the United States. Due to the nature of the Fund's investments, the Fund may be required to file income tax returns in several states. The Fund is not aware of any tax positions for which it is reasonably possible that the total

amounts of unrecognized tax benefits will change materially in the next 12 months.

6. Investment Transactions

For the year ended December 31, 2018, the Fund purchased (at cost) and sold securities in the amount of \$282,717,083 and \$273,277,378 (excluding short-term debt securities), respectively.

7. Credit Facility

On November 8, 2012, the Fund entered into a \$200,000,000 credit facility with BNP Paribas Prime Brokerage International, Ltd (BNP). On January 6, 2014, the Fund entered into an amended agreement with a variable annual interest rate of three-month LIBOR plus 0.80 percent. Unused portions of the credit facility will accrue a commitment fee equal to an annual rate of 0.65 percent.

The average principal balance and interest rate for the period during which the credit facility was utilized for the year ended December 31, 2018 was approximately \$165,800,000 and 3.11 percent, respectively. At December 31, 2018, the principal balance outstanding was \$157,200,000 at an interest rate of 3.61 percent.

If measured at fair value, borrowings under the credit facility would have been considered as Level 2 in the fair value hierarchy (see Note 2A) at December 31, 2018.

8. Securities Lending

Through an agreement with the Fund, BNP may lend out securities the Fund has pledged as collateral on the note payable. In return, the Fund receives additional income that is netted against the interest charged on the outstanding credit facility balance. As of December 31, 2018, the total amount of income netted against the interest expense is \$200,186.

9. Common Stock

The Fund has unlimited shares authorized and 20,057,849 shares outstanding at December 31, 2017 and December 31, 2018.

10. Aggregate Remuneration Paid to Officers, Trustees and Their Affiliated Persons

For the year ended December 31, 2018, the Fund paid its Trustees aggregate remuneration of \$117,312. During the year, the Fund did not pay any compensation to any of its Trustees who are interested persons (as defined by the 1940 Act) of the Fund. The Fund classifies Mr. Finke as an interested person of the Fund.

All of the Fund's officers are employees of the Adviser. Pursuant to the Agreement, the Fund does not compensate its officers who are employees of the Adviser (except for the Chief Compliance Officer of the Fund unless assumed by the Adviser). For the year ended December 31, 2018, the Adviser paid the compensation of the Chief Compliance Officer of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

The Fund did not make any payments to the Adviser for the year ended December 31, 2018, other than the amounts payable to the Adviser pursuant to the Agreement.

11. Subsequent Events

The Fund has evaluated the possibility of subsequent events existing in this report through the date that the financial statements were issued. The Fund has determined that there were no material events that would require recognition or disclosure in this report through this date.

Barings Global Short Duration High Yield Fund 2018 Annual Report

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Trustees of Barings Global Short Duration High Yield Fund:

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statement of assets and liabilities of Barings Global Short Duration High Yield Fund (the Fund), including the schedule of investments, as of December 31, 2018, the related statements of operations and cash flows for the year the