

BARINGS PARTICIPATION INVESTORS  
Form N-CSR  
March 08, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number 811-5531

Barings Participation Investors  
(Exact name of registrant as specified in charter)

1500 Main Street, P.O. Box 15189, Springfield, MA 01115-5189  
(Address of principal executive offices) (Zip code)

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

Independence Wharf, 470 Atlantic Ave., Boston, MA 02210  
(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 12/31/18

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 110 F Street NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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**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.

2018

Barings  
PARTICIPATION INVESTORS  
2018 Annual Report

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website <http://www.barings.com/MPV>, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank).

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account.



## 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 maintain a portfolio of securities providing a current yield and, when available, an opportunity for capital gains. The Trust's principal investments are privately placed, below-investment grade, long-term debt obligations including bank loans and mezzanine debt instruments. Such direct placement securities may, in some cases, be accompanied by equity features such as common stock, preferred stock, warrants, conversion rights, or other equity features. The Trust typically purchases these investments, which are not publicly tradable, directly from their issuers in private placement transactions. These investments are typically made to small or middle market companies. In addition, the Trust may invest, subject to certain limitations, in marketable debt securities (including high yield and/or investment grade securities) and marketable common stock. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay capital.

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 24, 2019 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 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 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, 2018 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

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.

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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  
300 South Tryon St., Suite 2500  
Charlotte, NC 28202

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



2018 Annual Report

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PORTFOLIO COMPOSITION AS OF 12/31/18\*

PORTFOLIO COMPOSITION AS OF 12/31/17\*

\*Based on market value of total investments

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Barings Participation Investors

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

Data for Barings Participation Investors (the "Trust") represents returns based on the change in the Trust's net asset value 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 of its shares outstanding (See page 12 for total investment return based on market value). Past performance is no guarantee of future results.

\*\* The Credit Suisse Leveraged Loan Index was added for 2018 to represent the Trust's portfolio composition which now includes a material amount of floating rate securities.

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## 2018 Annual Report

## TO OUR SHAREHOLDERS

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2018.

## PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2018 was 2.53%, as measured by the change in net asset value assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$138,749,101 or \$13.18 per share, as of December 31, 2018. This compares to \$145,480,065 or \$13.91 per share, as of December 31, 2017. The Trust paid a quarterly dividend of \$0.27 per share for each of the four quarters of 2018, for a total annual dividend of \$1.08 per share. In 2017, 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 2018 was \$1.04 per share, including approximately \$0.04 per share of non-recurring income, compared to 2017 net taxable investment income of \$1.04 per share, which included approximately \$0.09 per share of non-recurring income.

The Trust's stock price increased 6.7% during 2018, from \$14.10 as of December 31, 2017 to \$15.05 as of December 31, 2018. The Trust's stock price of \$15.05 as of December 31, 2018 equates to a 14.2% premium over the December 31, 2018 net asset value per share of \$13.18. The Trust's average quarter-end premium for the 3-, 5-, and 10-year periods ended December 31, 2018 was 6.0%, 2.5% and 7.5%, 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 at net asset value. 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 and the Credit Suisse Leveraged Loan Index for the 1-year period ended December 31, 2018 are provided for comparison purposes only.

	The Trust	Bloomberg Barclays U.S. Corporate High Yield Index	Russell 2000 Index	Credit Suisse Leveraged Loan Index
1 Year	2.53%	-2.08%	-11.01%	1.14%
3 Years	8.42%	7.23%	7.36%	
5 Years	8.99%	3.83%	4.41%	
10 Years	10.82%	11.12%	11.97%	
25 Years	11.91%	6.95%	8.28%	

Past performance is no guarantee of future results.

## PORTFOLIO ACTIVITY

The Trust had a very active fourth quarter, closing on 15 new private placement investments and three add-on investments in existing portfolio companies representing \$23,961,648 of invested capital. For the year, the Trust closed 32 new private placement investments, and 14 add-on investments in existing portfolio companies. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in private placement investments in 2018 was \$52,534,366 which was significantly higher than the \$23,786,056 of new private placement investments made by the Trust in 2017, and the highest annual dollar volume since inception.

Barings Participation Investors

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Throughout 2018, the Trust's level of new investment activity benefited from several factors: the expansion of the Trust's target investment criteria; expansion of Barings' (the Trust's investment advisor) private debt platform; and overall activity within the private debt market. These favorable items were partially offset by the continuance of hyper-competitive and aggressive market conditions. While overall middle market sponsored private debt investment activity increased slightly (3%) in 2018, volume in the second half of the year was 26% lower than that of the first half of the year (source: Thomson Reuters Middle Market Weekly 2018 Sponsored Review, January 11, 2019). Competition for new investment opportunities remained intense due to the amount of fresh capital that continues to flow into the private debt and private equity markets. As a result, companies continued to be pursued aggressively by both buyers and lenders, causing high purchase price multiples and leverage levels to continue to be prevalent in the market. In 2018, average purchase price multiples for middle market companies remained relatively unchanged, but at a level of approximately 10.5 times EBITDA plus-or-minus depending on the amount of a company's EBITDA (S&P Global LCD M&A Stats, December 31, 2018). While average purchase price multiples remained relatively flat, average debt multiples increased modestly in 2018 to 6.2x total leverage and [6.0x] senior leverage, the highest levels for each since 2003 (Thomson Reuters Middle Market Weekly 2018 Sponsored Review, January 11, 2019).

In addition to working on new investment activity, we continue to maintain our focus on managing and maintaining the quality of the portfolio. As such, the credit quality of the Trust's existing portfolio remained stable throughout the year. We believe the number of companies on our watch list or in default continues to remain at an acceptable level.

We had 22 companies exit from the Trust's portfolio during 2018. This level of exit activity remains relatively high for the Trust's portfolio from an overall historical perspective, but is comparable to realization levels since 2014, which have ranged from 18-32 exits annually. In 19 of these exits, the Trust realized a positive return on its investment. In our view, the relatively high realization activity in recent years is yet another indicator of how active and aggressive the middle market M&A and debt markets have been, and continue to be.

During 2018, the Trust had eight portfolio companies fully or partially pre-pay their debt obligations, with two of these transactions resulting in dividend payments to the Trust as a result of its equity holdings in those companies. These prepayment transactions 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. The level of refinancing activity the portfolio has experienced has remained relatively stable since 2016.

#### OUTLOOK FOR 2019

As we enter 2019, we believe debt markets continue to look promising. Default rates remain at relatively low levels, there is plenty of both private equity and private debt capacity, which should continue to drive middle market M&A activity, and our pipeline of investment opportunities remains relatively stable and healthy. However, as mentioned above, the dynamics within that market have been, and are expected to remain aggressive. 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 which 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 2018 for a total annual dividend of \$1.08 per share. As has been mentioned in prior reports, recurring



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investment income alone has generally not been sufficient to fully fund the current dividend rate and has been supplemented by non-recurring income. While recurring investment income continues to improve, it may not be sufficient to fully fund the current dividend rate in the future. Net investment income has generally been below the dividend rate since 2013 due principally to the considerable reduction in the number of higher yielding private debt securities resulting from prepayments and realizations in the portfolio, combined with generally lower investment returns available due to market and competitive dynamics in recent years and currently. As evidenced by the record level of investment activity the Trust experienced in 2018, we continued to make good progress in growing recurring investment income in 2018. Furthermore, the percentage of the portfolio in floating rate debt securities increased considerably in 2018 to 40% compared to 11% a year ago. All of the above said, we expect that the level of recurring investment income generated by the Trust in 2019 combined with the availability of earnings carry forwards and other non-recurring income will allow us to maintain the current dividend rate over the next several quarters. Over time, however, the Trust's dividend paying ability tends to be correlated with its recurring earnings capacity.

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 24, 2019.

Robert M. Shettle  
President

Barings Participation Investors

2018 Dividends	Record Date	Total Paid	Ordinary Income	Short-Term Gains	Long-Term Gains
Regular	5/7/2018	0.2700	0.2700	—	—
Regular	8/6/2018	0.2700	0.2700	—	—
Regular	10/29/2018	0.2700	0.2700	—	—
Regular	12/31/2018	0.2700	0.2700	—	—
		1.0800	1.0800	0.0000	0.0000

The following table summarizes the tax effects of the retention of capital gains for 2018:

	Amount Per Share	Form 2439
2018 Gains Retained	0.1611	Line 1a
Long-Term Gains Retained	0.1611	
Taxes Paid	0.0338	Line 2*
Basis Adjustment	0.1273	**

\* 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	0.4901%	0.0053	0%
			0.0000

\*\*\* Not available to individual shareholders

\*\*\*\* Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2018





BARINGS PARTICIPATION INVESTORS

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Officers of the Trust

## Barings Participation Investors

## CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

December 31, 2018

## Assets:

## Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$124,529,101)	\$ 119,792,375
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Corporate restricted securities at market value (Cost - \$10,693,379)	9,805,696
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Corporate public securities at market value (Cost - \$12,246,890)	11,582,369
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Total investments (Cost - \$147,469,370)	141,180,440
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Cash	16,436,971
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Interest receivable	1,184,648
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Other assets	2,243
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Total assets	158,804,302
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## Liabilities:

Note payable	15,000,000
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Dividend payable	2,842,263
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Payable for investments purchased	938,470
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Tax payable	847,206
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Investment advisory fee payable	312,185
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Interest payable	27,267
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Accrued expenses	87,810
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Total liabilities	20,055,201
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## Commitments and Contingencies (See Note 8)

Total net assets	\$ 138,749,101
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## Net Assets:

Common shares, par value \$.01 per share	\$ 105,269
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Additional paid-in capital	141,458,031
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Total distributable earnings (loss)	(2,814,199 )
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Total net assets	\$ 138,749,101
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Common shares issued and outstanding (14,787,750 authorized) 10,526,899

Net asset value per share \$13.18

See Notes to Consolidated Financial Statements

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## 2018 Annual Report

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**CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31, 2018

Investment Income:	
Interest	\$ 13,200,378
Dividends	365,130
Other	103,482
 Total investment income	 13,668,990
 Expenses:	
Investment advisory fees	1,292,637
Interest	613,500
Professional fees	312,259
Trustees' fees and expenses	240,000
Reports to shareholders	129,000
Custodian fees	14,000
Other	270,355
 Total expenses	 2,871,751
 Investment income - net	 10,797,239
 Net realized and unrealized loss on investments:	
Net realized gain on investments before taxes	3,803,683
Income tax expense	(1,129,002 )
 Net realized gain on investments after taxes	 2,674,681
 Net increase (decrease) in unrealized appreciation (depreciation) of investments before taxes	 (10,602,075)
Net (increase) decrease in deferred income tax expense	769,713
 Net increase (decrease) in unrealized appreciation (depreciation) of investments after taxes	 (9,832,362 )
 Net loss on investments	 (7,157,681 )
 Net increase in net assets resulting from operations	 \$3,639,558

See Notes to Consolidated Financial Statements

## Barings Participation Investors

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2018

Net increase in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$6,101,007
Purchases of portfolio securities	(69,469,670)
Proceeds from disposition of portfolio securities	77,682,385
Interest, dividends and other income received	11,749,601
Interest expense paid	(613,500 )
Operating expenses paid	(2,338,921 )
Income taxes paid	(2,095,145 )

Net cash provided by operating activities	21,015,757
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Cash flows from financing activities:

Cash dividends paid from net investment income	(11,323,475)
Receipts for shares issued on reinvestment of dividends	971,512

Net cash used for financing activities	(10,351,963)
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Net increase in cash	10,663,794
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Cash - beginning of year	5,773,177
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Cash - end of year	\$16,436,971
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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	\$3,639,558
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Decrease in investments	18,120,181
Decrease in interest receivable	110,303
Decrease in other assets	23,771
Increase in payable for investments purchased	938,470
Decrease in tax payable	(966,143 )
Decrease in investment advisory fee payable	(15,145 )
Decrease in accrued expenses	(65,525 )
Decrease in deferred tax liability	(769,713 )

Total adjustments to net assets from operations	17,376,199
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Net cash provided by operating activities	\$21,015,757
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See Notes to Consolidated Financial Statements

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## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2018 and 2017

	2018	2017
Increase in net assets:		
Operations:		
Investment income - net	\$ 10,797,239	\$ 11,340,081
Net realized gain on investments after taxes	2,674,681	2,280,108
Net change in unrealized (depreciation) appreciation of investments after taxes	(9,832,362 )	5,517,329
Net increase in net assets resulting from operations	3,639,558	19,137,518
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2018 - 68,737; 2017 - 71,989)	971,512	1,001,726
Dividends to shareholders from:		
Distributable earnings to Common Stock Shareholders (2018 - \$1.08 per share; 2017 - \$1.08 per share)	(11,342,034 )	(11,265,910 )
Total (decrease) / increase in net assets	(6,730,964 )	8,873,334
Net assets, beginning of year	145,480,065	136,606,731
Net assets, end of year (1)	\$ 138,749,101	\$ 145,480,065

(1) Includes undistributed net investment income of \$730,313 in 2017. The requirement to disclose the corresponding amount as of December 31, 2018 was eliminated.

See Notes to Consolidated Financial Statements

## Barings Participation Investors

## CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the years ended December 31,				
	2018	2017	2016	2015	2014
Net asset value:					
Beginning of year	\$ 13.91	\$ 13.15	\$ 13.10	\$ 13.35	\$ 12.83
Net investment income (a)	1.03	1.09	1.00	0.95	1.04
Net realized and unrealized gain (loss) on investments	(0.68 )	0.75	0.13	(0.12 )	0.57
Total from investment operations	0.35	1.84	1.13	0.83	1.61
Dividends from net investment income to common shareholders	(1.08 )	(1.08 )	(1.08 )	(1.08 )	(0.96 )
Dividends from realized gain on investments to common shareholders	—	—	—	—	(0.12 )
Increase from dividends reinvested	(0.00 )(b)	(0.00 )(b)	(0.00 )(b)	(0.00 )(b)	(0.01 )
Total dividends	(1.08 )	(1.08 )	(1.08 )	(1.08 )	(1.09 )
Net asset value: End of year	\$ 13.18	\$ 13.91	\$ 13.15	\$ 13.10	\$ 13.35
Per share market value: End of year	\$ 15.05	\$ 14.10	\$ 14.20	\$ 13.75	\$ 13.23
Total investment return					
Net asset value (c)	2.53%	14.29%	8.75%	6.23%	13.61%
Market value (c)	15.02%	7.21%	11.45%	12.66%	12.54%
Net assets (in millions): End of year	\$ 138.75	\$ 145.48	\$ 136.61	\$ 135.35	\$ 137.57
Ratio of total expenses to average net assets (d)	2.76%	3.23%	2.26%	2.17%	2.84%
Ratio of operating expenses to average net assets	1.56%	1.49%	1.35%	1.49%	1.49%
Ratio of interest expense to average net assets	0.42%	0.43%	0.44%	0.44%	0.45%
Ratio of income tax expense to average net assets	0.78%	1.31%	0.47%	0.24%	0.90%
Ratio of net investment income to average net assets	7.47%	7.92%	7.45%	6.95%	7.82%
Portfolio turnover	48%	24%	31%	30%	32%

(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.

(d) Total expenses include income tax expense.

Senior borrowings:



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Total principal amount (in millions)	\$15	\$15	\$15	\$15	\$15
Asset coverage per \$1,000 of indebtedness	\$10,250	\$10,699	\$10,107	\$10,023	\$10,171

See Notes to Consolidated Financial Statements

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2018

Corporate Restricted Securities - 93.40%: (A)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Private Placement Investments - 86.33%: (C)				
1A Smart Start, Inc.				
A designer, distributor and lessor of ignition interlock devices ("IIDs"). IIDs are sophisticated breathalyzers wired to a vehicles ignition system.				
10.77% Second Lien Term Loan due 12/22/2022 (LIBOR + 8.250%)	\$1,725,000	12/21/17	\$1,698,097	\$1,671,471
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	107,863	108,981
	125,000			
Preferred Stock Series A (B)	shs.	08/01/12	125,000	239,998
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	22,414 shs.	08/01/12	42,446	40,248
			275,309	389,227
Accelerate Learning				
A provider of standards-based, digital science education content of K-12 schools.				
6.97% Term Loan due 12/31/2024 (LIBOR + 4.500%)	\$1,089,110	12/19/18	1,067,446	1,060,653
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	49,410
* 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 02/28/2022	\$1,543,832	*	1,528,525	1,516,274
Preferred Stock (B)	1,174 shs.	**	117,405	132,375

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Common Stock (B)	363 shs.	**	363	—
* 03/27/15 and 11/16/18.			1,646,293	1,648,649
** 03/27/15 and 11/15/18.				

See Notes to Consolidated Financial Statements

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>AM Conservation Holding Corp.</b>				
A supplier of energy efficiency ("EE") products, including lighting, shower heads and aerators, and weatherization products such as door seals and weather stripping.				
11.5% (1.5% PIK) Senior Subordinated Note due 04/30/2023	\$1,568,182	10/31/16	\$1,548,972	\$1,561,850
11.5% (1.25% PIK) Senior Subordinated Note due 04/30/2023	\$206,039	10/06/17	202,621	204,792
Common Stock (B)	shs.	10/31/16	156,818	193,923
			1,908,411	1,960,565
<b>AMS Holding LLC</b>				
A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.				
Limited Liability Company Unit Class A Preferred (B)(F)	114 uts.	10/04/12	113,636	221,379
<b>API Technologies Corp.</b>				
A designer, developer and manufacturer of electronic systems, subsystems, modules and secure communications for technically demanding defense, aerospace and commercial applications in the U.S. and internationally.				
Limited Liability Company Unit	0.40% int.	04/20/16	240,741	458,850
<b>ASC Holdings, Inc.</b>				
A manufacturer of capital equipment used by corrugated box manufacturers.				
13% (1% PIK) Senior Subordinated Note due 05/18/2021	\$763,789	11/19/15	756,053	700,809
Limited Liability Company Unit (B)	uts.	11/18/15	111,100	9,332
			867,153	710,141
<b>Audio Precision</b>				
A provider of high-end audio test and measurement sensing instrumentation software and accessories.				
7.8% Term Loan due 7/27/2024 (LIBOR + 5.000%)	\$1,800,000	10/30/18	1,765,065	1,741,763

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Aurora Parts &amp; Accessories LLC</b>				
A distributor of aftermarket over-the-road semi-trailer parts and accessories sold to customers across North America.				
14% Junior Subordinated Note due 08/17/2022	\$10,856	08/30/18	\$10,856	\$10,657
11% Senior Subordinated Note due 02/17/2022	\$1,515,400	08/17/15	1,498,848	1,455,745
Preferred Stock (B)	210 shs.	08/17/15	209,390	110,304
Common Stock (B)	210 shs.	08/17/15	210	—
			1,719,304	1,576,706
<b>Avantech Testing Services LLC</b>				
A manufacturer of custom Non-Destructive Testing ("NDT") systems and provider of NDT and inspections services primarily to the oil country tubular goods market.				
15% (3.75% PIK) Senior Subordinated Note due 03/31/2021 (D)	\$6,777	07/31/14	6,650	—
Limited Liability Company Unit (B)(F)	45,504 uts.	*	—	—
Limited Liability Company Unit Class C Preferred (B)(F)	78,358 uts.	09/29/17	484,578	—
* 07/31/14 and 10/14/15.			491,228	—
<b>BBB Industries LLC</b>				
A supplier of re-manufactured parts to the North American automotive aftermarket.				
10.88% Second Lien Term Loan due 06/26/2026 (LIBOR + 8.500%)	\$1,725,000	08/02/18	1,675,874	1,653,036
<b>BCC Software, Inc.</b>				
A provider of software and data solutions which enhance mail processing to help direct mail marketers realize discounts from the U.S. Postal Service, avoid penalties associated with mailing errors, and improve the accuracy and efficiency of marketing campaigns.				
12% (1% PIK) Senior Subordinated Note due 04/11/2023	\$1,510,174	10/11/17	1,485,416	1,460,714
Preferred Stock Series A (B)	23 shs.	10/11/17	232,373	232,400
Common Stock Class A (B)	735 shs.	10/11/17	735	22,846
			1,718,524	1,715,960

BDP International, Inc.

A provider of transportation and related services to the chemical and life sciences industries.

8.11% Term Loan due 12/14/2024

(LIBOR + 5.250%)

\$2,465,000	12/18/18	2,415,993	2,415,916
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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>BEI Precision Systems &amp; Space Company, Inc.</b>				
A provider of advanced design, manufacturing, and testing for custom optical encoder-based positioning systems, precision accelerometers, and micro scanners.				
12% (1% PIK) Senior Subordinated				
Note due 04/28/2024	\$1,473,398	04/28/17	\$1,449,288	\$1,397,590
Limited Liability Company Unit (B)(F)	2,760 uts.	04/28/17	276,000	186,914
			1,725,288	1,584,504
<b>Blue Wave Products, Inc.</b>				
A distributor of pool supplies.				
13% (1% PIK) Senior Subordinated				
Note due 09/30/2019	\$252,892	10/12/12	249,921	252,892
Common Stock (B)	51,064 shs.	10/12/12	51,064	145,303
Warrant, exercisable until 2022, to purchase common stock at \$.01 per share (B)	20,216 shs.	10/12/12	20,216	57,525
			321,201	455,720
<b>BlueSpire Holding, Inc.</b>				
A marketing services firm that integrates strategy, technology, and content to deliver customized marketing solutions for clients in the senior living, financial services and healthcare end markets.				
Common Stock (B)	29,560 shs.	06/30/15	937,438	—
<b>Brown Machine LLC</b>				
A designer and manufacturer of thermoforming equipment used in the production of plastic packaging containers within the food and beverage industry.				
7.77% Term Loan due 10/4/2024 (LIBOR + 5.250%)				
	\$717,276	10/03/18	708,674	699,521
<b>Cadence, Inc.</b>				
A full-service contract manufacturer ("CMO") and supplier of advanced products, technologies, and services to medical device, life science, and industrial companies.				
7.02% Lien Term Loan due 04/30/2025 (LIBOR + 4.500%)				
	\$809,793	05/14/18	795,023	780,997
<b>Cadent, LLC</b>				



A provider of advertising solutions driven by data and technology.

9.75% Term Loan due 09/07/2023

(LIBOR + 5.500%)

\$1,026,038	09/04/18	1,016,377	1,020,908
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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>CHG Alternative Education Holding Company</b>				
A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and "at risk" youth through alternative education programs.				
13.5% (1.5% PIK) Senior Subordinated Note due 06/19/2020	\$803,928	01/19/11	\$800,189	\$794,598
14% (2% PIK) Senior Subordinated Note due 06/19/2020	\$213,473	08/03/12	212,593	209,307
Common Stock (B)	375 shs.	01/19/11	37,500	23,508
Warrant, exercisable until 2021, to purchase common stock at \$.01 per share (B)	295 shs.	01/19/11	29,250	18,478
			1,079,532	1,045,891
<b>Clarion Brands Holding Corp.</b>				
A portfolio of six over-the-counter (OTC) pharmaceutical brands whose products are used to treat tinnitus or ringing of the ear, excessive sweating, urinary tract infections, muscle pain, and skin conditions.				
Limited Liability Company Unit (B)	1,853 uts.	07/18/16	189,267	298,771
<b>Claritas Holdings, Inc.</b>				
A market research company that provides market segmentation insights to customers engaged in direct-to-consumer and business-to-business marketing activities.				
8.48% Term Loan due 12/31/2023 (LIBOR + 6.000%)	\$1,657,645	12/20/18	1,616,454	1,610,950
<b>Clubessential LLC</b>				
A leading SaaS platform for private clubs and resorts.				
11.89% Senior Subordinated Note due 01/12/24 (LIBOR +9.500%)	\$1,787,305	01/16/18	1,756,555	1,781,313
<b>CORA Health Services, Inc.</b>				
A provider of outpatient rehabilitation therapy services.				
11% (1% PIK) Term Loan due 05/05/2025	\$2,090,080	05/01/18	1,466,710	1,434,759
Preferred Stock Series A (B)	758 shs.	06/30/16	38,258	94,031

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Common Stock Class A (B)	3,791 shs.	06/30/16	3,791	65,015
			1,508,759	1,593,805

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Del Real LLC</b>				
A manufacturer and distributor of fully-prepared fresh refrigerated Hispanic entrees as well as side dishes that are typically sold on a heat-and-serve basis at retail grocers.				
11% Senior Subordinated Note due 04/06/2023	\$1,420,588 336,487	10/07/16	\$1,399,719	\$1,317,618
Limited Liability Company Unit (B)(F) * 10/07/16 and 07/25/18.	uts.	*	343,121 1,742,840	201,892 1,519,510
<b>Discovery Education, Inc.</b>				
A provider of standards-based, digital education content for K-12 schools.				
7.55% Term Loan due 04/30/2024 (LIBOR + 4.750%)	\$1,921,590	04/20/18	1,887,471	1,853,011
<b>DPL Holding Corporation</b>				
A distributor and manufacturer of aftermarket undercarriage parts for medium and heavy duty trucks and trailers.				
Preferred Stock (B)	25 shs.	05/04/12	252,434	268,499
Common Stock (B)	25 shs.	05/04/12	28,048 280,482	— 268,499
<b>DuBois Chemicals, Inc.</b>				
A provider of consumable, value-added specialty cleaning chemical solutions to the industrial, transportation paper and water markets.				
10.52% Second Lien Term Loan due 08/31/2025 (LIBOR + 8.000%)	\$1,725,000	09/19/18	1,708,395	1,690,500
<b>Dunn Paper</b>				
A provider of specialty paper for niche product applications.				
11.27% Second Lien Term Loan due 08/26/2023 (LIBOR + 8.750%)	\$1,725,000	09/28/16	1,701,633	1,733,625

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>ECG Consulting Group</b>				
A healthcare management consulting company who provides strategic, financial, operational, and technology related consulting services to healthcare providers.				
11.5% (0.5% PIK) Senior Subordinated Note due 06/20/2025	\$759,667	06/20/18	\$745,369	\$747,433
11.5% (0.5% PIK) Senior Subordinated Note due 06/20/2025	\$1,330,242	11/21/14	1,316,512	1,308,819
Limited Liability Company Unit (F)	230 uts.	11/19/14	36,199	85,002
			2,098,080	2,141,254
<b>Electronic Power Systems</b>				
A provider of electrical testing services for apparatus equipment and protection & controls infrastructure.				
7.48% Term Loan due 12/21/2024 (LIBOR + 5.000%)	\$1,765,951	12/21/18	1,739,510	1,739,279
Common Stock (B)	52 shs.	12/28/18	52,176	52,180
			1,791,686	1,791,459
<b>Elite Sportswear Holding, LLC</b>				
A designer and manufacturer of gymnastics, competitive cheerleading and swimwear apparel in the U.S. and internationally.				
11.5% (1% PIK) Senior Subordinated Note due 01/14/2022 (D)	\$1,588,640	10/14/16	1,568,694	1,509,208
Limited Liability Company Unit (B)(F)	101 uts.	10/14/16	159,722	43,414
			1,728,416	1,552,622
<b>English Color &amp; Supply LLC</b>				
A distributor of aftermarket automotive paint and related products to collision repair shops, auto dealerships and fleet customers through a network of stores in the Southern U.S.				
11.5% (0.5% PIK) Senior Subordinated Note due 12/31/2023	\$1,337,291	06/30/17	1,315,893	1,290,527
	397,695			
Limited Liability Company Unit (B)(F)	uts.	06/30/17	397,695	297,477
			1,713,588	1,588,004
<b>E.S.P. Associates, P.A.</b>				
A professional services firm providing engineering, surveying and planning services to infrastructure projects.				

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12% (1% PIK) Senior Subordinated Note due 10/04/2023	\$691,952	04/04/18	679,573	693,941
Limited Liability Company Unit (B)	229 uts.	04/04/18	228,955	256,294
			908,528	950,235

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>F F C Holding Corporation</b>				
A leading U.S. manufacturer of private label frozen novelty and ice cream products.				
Limited Liability Company Unit Series A				
Preferred (B)	171 uts.	09/27/10	\$58,345	\$46,577
Limited Liability Company Unit Series B				
Preferred (B)	34 uts.	12/27/18	34,050	119,175
Limited Liability Company Unit Common (B)	171 uts.	09/27/10	17,073	—
			109,468	165,752

**F G I Equity LLC**

A manufacturer of a broad range of filters and related products that are used in commercial, light industrial, healthcare, gas turbine, nuclear, laboratory, clean room, hotel, educational system, and food processing settings.

Limited Liability Company Unit Preferred (B)	80,559 uts.	04/15/14	—	80,559
Limited Liability Company Unit Class B-1 (B)	65,789 uts.	12/15/10	65,789	436,644
Limited Liability Company Unit Class B-2 (B)	8,248 uts.	12/15/10	8,248	54,742
Limited Liability Company Unit Class B-3 (B)	6,522 uts.	08/30/12	15,000	44,981
Limited Liability Company Unit Class C (B)	1,575 uts.	12/20/10	16,009	70,213
			105,046	687,139

**GD Dental Services LLC**

A provider of convenient "onestop" general, specialty, and cosmetic dental services with 21 offices located throughout South and Central Florida.

Limited Liability Company Unit Preferred (B)	76 uts.	10/05/12	75,920	—
Limited Liability Company Unit Common (B)	767 uts.	10/05/12	767	—
			76,687	—

**GlobalTranz**

A provider of freight brokerage, utilizing a proprietary technology platform that provides multimodal transportation and logistics solutions by connecting shippers with carriers.

10.52% Second Lien Term Loan due 10/16/2026 (LIBOR + 8.000%)	\$1,725,000	10/15/18	1,699,729	1,678,760
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**gloProfessional Holdings, Inc.**

A marketer and distributor of premium mineral-based cosmetics, cosmeceuticals and professional hair care products to the professional spa and physician's office channels.

14% (2% PIK) Senior Subordinated Note	\$1,232,251	03/27/13	1,230,664	1,109,026
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due 03/27/2019 (D)

Common Stock (B)

1,181 shs.	03/27/13	118,110	6,920
		1,348,774	1,115,946

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Glynlyon Holding Companies, Inc. A technology-enabled curriculum provider of K-12 and support services predominantly to small and medium public school districts.				
Common Stock	147 shs.	01/15/16	\$ 103,205	\$ 243,134
GraphPad Software, Inc. A provider of data analysis, statistics and graphing software solution for scientific research applications, with a focus on the life sciences and academic end-markets. 8.81% Term Loan due 12/21/2022 (LIBOR + 6.000%)				
	\$2,440,350	12/19/17	2,399,942	2,363,892
GTI Holding Company A designer, developer, and marketer of precision specialty hand tools and handheld test instruments. 12% Senior Subordinated Note due 05/22/2023				
	\$ 727,865	02/05/14	707,582	722,486
Common Stock (B)	1,046 shs.	*	104,636	119,038
Warrant, exercisable until 2027, to purchase common stock at \$.01 per share (B)	397 shs	02/05/14	36,816	45,180
* 02/05/14 and 11/22/17.			849,034	886,704
Handi Quilter Holding Company (Premier Needle Arts) A designer and manufacturer of long-arm quilting machines and related components for the consumer quilting market. Limited Liability Company Unit Preferred (B)				
	372 uts.	*	371,644	481,157
Limited Liability Company Unit Common Class A (B)	3,594 uts.	12/19/14	—	30,375
* 12/19/14 and 04/29/16.			371,644	511,532
Happy Floors Acquisition, Inc. A wholesale importer and value-added distributor of premium European flooring tile to residential and commercial end markets. 11.5% (1% PIK) Senior Subordinated				
	\$996,381	07/01/16	983,653	1,004,479

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Note due 01/01/2023

Common Stock (B)	150 shs.	07/01/16	149,500	176,618
			1,133,153	1,181,097

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Hartland Controls Holding Corporation</b>				
A manufacturer and distributor of electronic and electromechanical components.				
14% (2% PIK) Senior Subordinated				
Note due 08/14/2020	\$1,151,416	02/14/14	\$1,145,052	\$1,151,416
12% Senior Subordinated Note due				
08/14/2020	\$431,250	06/22/15	429,781	428,442
Common Stock (B)				
	821 shs.	02/14/14	822	257,990
			1,575,655	1,837,848
<b>Healthline Media, Inc.</b>				
A consumer health platform that offers a variety of health-based articles and information for consumers.				
7.61% Term Loan due 11/20/2023				
(LIBOR + 4.750%)	\$1,653,907	11/20/18	1,621,463	1,601,518
<b>HHI Group, LLC</b>				
A developer, marketer, and distributor of hobby-grade radio control products.				
14% (2% PIK) Senior Subordinated				
Note due 11/26/2020	\$1,684,156	01/17/14	1,675,163	1,684,156
Limited Liability Company Unit (B)(F)				
	102 uts.	01/17/14	101,563	35,657
			1,776,726	1,719,813
<b>Hollandia Produce LLC</b>				
A hydroponic greenhouse producer of branded root vegetables.				
11% (3.25% PIK) Senior Subordinated				
Note due 03/31/2021	\$1,446,427	*	1,433,689	1,388,883
10.35% Term Loan due 12/12/2020				
(LIBOR + 8.000%)	\$109,916	04/06/18	109,916	108,801
10.35% Term Loan due 12/11/2020				
(LIBOR + 8.000%)	\$146,780	04/06/18	146,780	145,292
* 12/30/15 and 12/23/16.				
			1,690,385	1,642,976
<b>Holley Performance Products</b>				
A provider of automotive aftermarket performance products.				
7.51% Term Loan due 10/17/2024				
(LIBOR + 5.000%)	\$2,465,000	10/24/18	2,428,839	2,403,375

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>HOP Entertainment LLC</b>				
A provider of post production equipment and services to producers of television shows and motion pictures.				
Limited Liability Company Unit Class F (B)(F)	47 uts.	10/14/11	\$—	\$—
Limited Liability Company Unit Class G (B)(F)	114 uts.	10/14/11	—	—
Limited Liability Company Unit Class H (B)(F)	47 uts.	10/14/11	—	—
Limited Liability Company Unit Class I (B)(F)	47 uts.	10/14/11	—	—
<b>Impact Confections</b>				
An independent manufacturer and marketer of confectionery products including Warheads® brand sour candies, Melster® brand classic candies, and co-manufactured/private label classic candies.				
15% (15% PIK) Senior Subordinated Note				
due 11/10/2020 (D)	\$1,355,591	11/10/14	1,347,132	—
Common Stock (B)	2,300 shs.	11/10/14	230,000	—
			1,577,132	—
<b>JMH Investors LLC</b>				
A developer and manufacturer of custom formulations for a wide variety of foods.				
Limited Liability Company Unit (B)(F)	1,038,805 uts.	12/05/12	232,207	—
Limited Liability Company Unit Class A-1 (B)(F)	159,048 uts.	10/31/16	159,048	335,449
Limited Liability Company Unit Class A-2 (B)(F)	1,032,609 uts.	10/31/16	—	221,650
			391,255	557,099
<b>K P I Holdings, Inc.</b>				
The largest player in the U.S. non-automotive, non-ferrous die casting segment.				
Limited Liability Company Unit Class C				
Preferred (B)	40 uts.	06/30/15	—	91,197
Common Stock (B)	353 shs.	07/15/08	285,619	287,319
			285,619	378,516
<b>LAC Acquisition LLC</b>				
A provider of center-based applied behavior analysis treatment centers for children diagnosed with autism spectrum disorder.				

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8.05% Term Loan due 10/01/2024 (LIBOR + 5.750%)	\$1,775,556	10/01/18	847,554	825,675
Limited Liability Company Unit Class A (F)	22,222 uts.	10/01/18	22,222	22,222
			869,776	847,897

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Manhattan Beachwear Holding Company</b>				
A designer and distributor of women's swimwear.				
12.5% Senior Subordinated Note due 04/30/2019 (D)	\$419,971	01/15/10	\$404,121	\$377,974
15% (2.5% PIK) Senior Subordinated Note due 04/30/2019 (D)	\$115,253	10/05/10	114,604	103,727
Common Stock (B)	35 shs.	10/05/10	35,400	1,248
Common Stock Class B (B)	118 shs.	01/15/10	117,647	4,146
Warrant, exercisable until 2019, to purchase common stock at \$.01 per share (B)	104 shs.	10/05/10	94,579	3,670
			766,351	490,765
<b>Master Cutlery LLC</b>				
A designer and marketer of a wide assortment of knives and swords.				
13% Senior Subordinated Note due 04/17/2020	\$868,102	04/17/15	865,444	260,431
Limited Liability Company Unit	5 uts.	04/17/15	678,329	—
			1,543,773	260,431
<b>Merex Holding Corporation</b>				
A provider of after-market spare parts and components, as well as maintenance, repair and overhaul services for "out of production" or "legacy" aerospace and defense systems that are no longer effectively supported by the original equipment manufacturers.				
16% Senior Subordinated Note due 03/03/2022 (D)	\$454,295	09/22/11	449,013	408,866
15% PIK Senior Subordinated Note due 04/30/2022 (D)	\$23,839	08/18/15	23,839	19,071
14% PIK Senior Subordinated Note due 06/30/2019	\$71,123	*	71,123	70,783
Common Stock Class A (B)	83,080 shs.	**	170,705	—
* 10/21/16, 01/27/17 and 10/13/17.			714,680	498,720
** 08/18/15, 10/20/16 and 01/27/17.				
<b>MES Partners, Inc.</b>				
An industrial service business offering an array of cleaning and environmental services to the Gulf Coast region of the U.S.				
12% (1% PIK) Senior Subordinated Note due	\$1,128,963	09/30/14	1,118,231	1,126,225



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09/30/2021

12% Senior Subordinated Note due

09/30/2021

\$303,293	02/28/18	298,463	302,558
259,252			

Common Stock Class B (B)

shs.	*	244,163	110,822
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\* 09/30/14 and 02/28/18.

1,660,857	1,539,605
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See Notes to Consolidated Financial Statements

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2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>MeTEOR Education LLC</b>				
A leading provider of classroom and common area design services, furnishings, equipment and instructional support to K-12 schools.				
12% Senior Subordinated Note due 6/20/23	\$915,819	03/09/18	\$899,927	\$878,707
Limited Liability Company Unit (B)(F)	182 uts.	03/09/18	183,164	85,511
			1,083,091	964,218
<b>Midwest Industrial Rubber, Inc.</b>				
A supplier of industrial maintenance, repair, and operations ("MRO") products, specializing in the fabrication and distribution of lightweight conveyor belting and related conveyor components and accessories.				
12% (1% PIK) Senior Subordinated Note due 12/02/2022	\$1,586,265	12/02/16	1,563,480	1,560,536
Preferred Stock (B)	1,711 shs.	12/02/16	171,116	192,523
Common Stock (B)	242 shs.	12/02/16	242	—
			1,734,838	1,753,059
<b>Motion Controls Holdings</b>				
A manufacturer of high performance mechanical motion control and linkage products.				
14.25% (1.75% PIK) Senior Subordinated Note due 08/15/2020	\$289,261	11/30/10	288,169	287,578
Limited Liability Company Unit Class B-1 (B)(F)	75,000 uts.	11/30/10	—	46,048
Limited Liability Company Unit Class B-2 (B)(F)	6,801 uts.	11/30/10	—	4,176
			288,169	337,802
<b>New Mountain Learning, LLC</b>				
A leading provider of blended learning solutions to the K-12 and post-secondary school market.				
8.3% Term Loan due 3/16/2024 (LIBOR + 5.500%)	\$1,792,448	03/15/18	1,667,004	1,579,246
<b>NSi Industries Holdings, Inc.</b>				
A manufacturer and distributor of electrical components and accessories to small to mid-sized electrical wholesalers.				
12.75% (1.75% PIK) Senior Subordinated Note due 05/17/2023	\$1,527,814	06/30/16	1,506,611	1,500,255
Common Stock (B)	207 shs.	05/17/16	207,000	285,704

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>PANOS Brands LLC</b>				
A marketer and distributor of branded consumer foods in the specialty, natural, better-for-you, "free from" healthy and gluten-free categories.				
12% (1% PIK) Senior Subordinated Note due 08/17/2022				
	\$1,775,705 380,545	02/17/17	\$1,753,482	\$1,741,511
Common Stock Class B (B) * 01/29/16 and 02/17/17.				
	shs.	*	380,545	672,170
			2,134,027	2,413,681
<b>Pegasus Transtech Corporation</b>				
A provider of end-to-end document, driver and logistics management solutions, which enable its customers (carriers, brokers, and drivers) to operate more efficiently, reduce manual overhead, enhance compliance, and shorten cash conversion cycles.				
11.25% Term Loan due 11/16/2022				
	\$377,295	11/14/17	369,331	362,551
8.77% Term Loan due 11/17/2024 (LIBOR + 6.250%)				
	\$2,107,746	11/14/17	1,926,005 2,295,336	1,897,306 2,259,857
<b>Petroplex Inv Holdings LLC</b>				
A leading provider of acidizing services to E&P customers in the Permian Basin.				
Limited Liability Company * 11/29/12 and 12/20/16.				
	0.40% int.	*	175,339	19,341
<b>Polytex Holdings LLC</b>				
A manufacturer of water based inks and related products serving primarily the wall covering market.				
13.9% (1% PIK) Senior Subordinated Note due 01/31/2020				
	\$1,069,985 148,096	07/31/14	1,064,183	641,991
Limited Liability Company Unit				
	uts.	07/31/14	148,096	—
Limited Liability Company Unit Class F * 09/28/17 and 02/15/18.				
	36,976 uts.	*	24,802	—
			1,237,081	641,991
<b>PPC Event Services</b>				
A special event equipment rental business.				
14% (2% PIK) Senior Subordinated				
	\$1,214,394	11/20/14	1,207,138	1,203,133

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Note due 05/20/2020

Limited Liability Company Unit (B)	3,450 uts.	11/20/14	172,500	278,537
Limited Liability Company Unit Series A-1 (B)	339 uts.	03/16/16	42,419	27,872
			1,422,057	1,509,542

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Randy's Worldwide Automotive</b>				
A designer and distributor of automotive aftermarket parts.				
Common Stock (B)	118 shs.	05/12/15	\$118,476	\$292,087
<b>ReelCraft Industries, Inc.</b>				
A designer and manufacturer of heavy-duty reels for diversified industrial, mobile equipment OEM, auto aftermarket, government/military and other end markets.				
10.5% (0.5% PIK) Senior Subordinated				
Note due 02/28/2023	\$1,439,631	11/13/17	1,439,631	1,430,541
	293,617			
Limited Liability Company Unit Class B	uts.	11/13/17	184,688	295,497
			1,624,319	1,726,038
<b>REVSpring, Inc.</b>				
A provider of accounts receivable management and revenue cycle management services to customers in the healthcare, financial and utility industries.				
10.77% Second Lien Term Loan due				
10/11/2026 (LIBOR + 8.250%)	\$1,725,000	10/11/18	1,674,702	1,653,195
<b>Rock-it Cargo</b>				
A provider of specialized international logistics solutions to the music touring, performing arts, live events, fine art and specialty industries.				
7.55% Term Loan due 06/22/2024				
(LIBOR + 4.750%)	\$2,458,838	07/30/18	2,401,685	2,414,845
<b>ROI Solutions</b>				
Call center outsourcing and end user engagement services provider.				
7.40% Term Loan due 07/31/2024				
(LIBOR + 5.000%)	\$1,632,970	07/31/18	639,688	617,269
<b>Sandvine Corporation</b>				
A provider of active network intelligence solutions.				
10.52% Second Lien Term Loan due				
11/02/2026 (LIBOR + 8.000%)	\$1,725,000	11/01/18	1,682,761	1,662,066

See Notes to Consolidated Financial Statements

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Sara Lee Frozen Foods</b>				
A provider of frozen bakery products, desserts and sweet baked goods.				
7.02% Lien Term Loan due 07/31/2024 (LIBOR + 4.500%)	\$1,533,288	07/27/18	\$1,501,227	\$1,478,353
<b>Signature Systems Holding Company</b>				
A seller and installer of a variety of modular surfaces, industrial matting and related products used for ground protection.				
Common Stock (B)	76 shs.	03/15/13	75,509	354,424
Warrant, exercisable until 2023, to purchase common stock A at \$.01 per share (B)	31 shs.	03/15/13	28,316 103,825	144,802 499,226
<b>Smart Source Holdings LLC</b>				
A short-term computer rental company.				
Limited Liability Company Unit (B)	328 uts.	*	261,262	553,468
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	83 shs.	*	67,467 328,729	140,194 693,662
* 08/31/07 and 03/06/08.				
<b>SMB Machinery Holdings, Inc.</b>				
A reseller of used, rebuilt and refurbished packaging and processing equipment, primarily serving the bottling and food manufacturing industries.				
14% (2% PIK) Senior Subordinated Note due 10/18/2019 (D)	\$738,694	10/18/13	726,147	—
Common Stock (B)	841 shs.	10/18/13	84,100 810,247	— —
<b>Specified Air Solutions</b>				
A manufacturer and distributor of heating, dehumidification and other air quality solutions.				
10.5% (0.5% PIK) Senior Subordinated Note due 06/19/2024	\$1,224,710	12/19/18	1,210,965	1,205,637



See Notes to Consolidated Financial Statements

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>SR Smith LLC</b>				
A manufacturer of mine and tunneling ventilation products in the United States.				
11% Senior Subordinated Note due				
03/27/2022	1,084,565	*	\$1,076,881	\$1,064,049
Limited Liability Company Unit Series A	229 uts.	*	1,060,968	1,391,567
* 03/27/07 and 08/07/18.			2,137,849	2,455,616

**Strahman Holdings Inc.**

A manufacturer of industrial valves and wash down equipment for a variety of industries, including chemical, petrochemical, polymer, pharmaceutical, food processing, beverage and mining.

	158,967			
Preferred Stock Series A (B)	shs.	12/13/13	158,967	264,530
Preferred Stock Series A-2 (B)	26,543 shs.	09/10/15	29,994	44,169
			188,961	308,699

**Strategic Insight, Inc.**

A provider of largely proprietary data, market research, and business intelligence to the global asset management industry.

12.05% Second Lien Term Loan due				
12/21/2024 (LIBOR + 9.250%)	\$1,725,000	12/28/17	1,691,791	1,614,796

**Sunrise Windows Holding Company**

A manufacturer and marketer of premium vinyl windows exclusively selling to the residential remodeling and replacement market.

16% Senior Subordinated Note due				
05/28/2020 (D)	\$1,812,109	*	1,358,229	1,359,082
Common Stock (B)	38 shs.	12/14/10	38,168	—
Warrant, exercisable until 2020, to purchase common stock at \$.01 per share (B)	37 shs.	12/14/10	37,249	—
* 12/14/10, 08/17/12 and 03/31/16.			1,433,646	1,359,082

**Sunvair Aerospace Group Inc.**

An aerospace maintenance, repair, and overhaul provider servicing landing gears on narrow body aircraft.

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12% (1% PIK) Senior Subordinated

Note due 07/31/2021 (D)	\$1,405,417	07/31/15	1,393,909	1,124,334
Common Stock (B)	68 shs.	*	104,986	—
* 07/31/15 and 11/08/17.			1,498,895	1,124,334

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Team Drive-Away Holdings LLC</b>				
An asset-light provider of over the road driveway services for class 8 trucks and specialized equipment.				
Limited Liability Company Unit	95,800 uts.	10/15/15	\$67,186	\$238,350
<b>Therma-Stor Holdings LLC</b>				
A designer and manufacturer of dehumidifiers and water damage restoration equipment for residential and commercial applications.				
10.5% (0.5% PIK) Senior Subordinated Note due 11/30/2023				
	\$1,373,151	11/30/17	1,373,151	1,326,170
	359,375			
Limited Liability Company Unit (B)	uts.	11/30/17	342,851	352,017
			1,716,002	1,678,187
<b>Torrent Group Holdings, Inc.</b>				
A contractor specializing in the sales and installation of engineered drywells for the retention and filtration of stormwater and nuisance water flow.				
15% (7.5% PIK) Senior Subordinated Note due 12/05/2020				
	\$48,146	12/05/13	96,242	48,146
Warrant, exercisable until 2023, to purchase common stock at \$.01 per share (B)				
	28,079 shs.	12/05/13	—	23,586
			96,242	71,732
<b>Trident Maritime Systems</b>				
A leading provider of turnkey marine vessel systems and solutions for government and commercial new ship construction as well as repair, refurbishment, and retrofit markets worldwide.				
8.3% Term Loan due 04/30/2024 (LIBOR + 5.500%)				
	\$2,452,675	05/14/18	2,402,888	2,359,695
<b>Tristar Global Energy Solutions, Inc.</b>				
A hydrocarbon and decontamination services provider serving refineries worldwide.				
12.5% (1.5% PIK) Senior Subordinated Note due 07/31/2020				
	\$1,178,146	01/23/15	1,170,387	1,119,216

Trystar, Inc.

A niche manufacturer of temporary power distribution products for the power rental, industrial, commercial utility and back-up emergency markets.

7.39% Term Loan due 10/01/2023

(LIBOR + 5.000%)	\$2,299,167	09/28/18	2,261,022	2,230,925
Limited Liability Company Unit (B)(F)	47 uts.	09/28/18	46,562	46,560
			2,307,584	2,277,485

See Notes to Consolidated Financial Statements

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
U.S. Legal Support, Inc. A provider of court reporting, record retrieval and other legal supplemental services.				
8.46% Term Loan due 11/12/2024 (LIBOR + 5.750%)	\$2,146,743	11/29/18	\$1,698,180	\$1,674,217
U.S. Retirement and Benefit Partners, Inc. A leading independent provider of outsourced benefit design and administration and retirement services, primarily to K-12 school districts, employee unions, and governmental agencies.				
11.55% Second Lien Term Loan due 02/14/2023 (LIBOR + 8.500%)	\$1,725,000	03/05/18	1,577,503	1,550,018
UBEO, LLC A dealer and servicer of printers and copiers to medium sized businesses.				
11% Term Loan due 10/03/2024	\$1,725,000	11/05/18	1,338,359	1,318,700
Velocity Technology Solutions, Inc. A provider of outsourced hosting services for enterprise resource planning software applications and information technology infrastructure to mid and large-sized enterprises.				
8.8% Lien Term Loan due 12/07/2023 (LIBOR + 6.000%)	\$2,079,000	12/07/17	2,061,879	2,035,312
VP Holding Company A provider of school transportation services for special-needs and homeless children in Massachusetts and Connecticut.				
8.31% Lien Term Loan due 05/22/2024 (LIBOR + 5.500%)	\$2,457,025	05/17/18	1,718,028	1,675,956
Westminster Acquisition LLC A manufacturer of premium, all-natural oyster cracker products sold under the Westminster and Olde Cape Cod brands.				
12% (1% PIK) Senior Subordinated Note due 02/03/2021	\$383,062	08/03/15	379,999	372,140
Limited Liability Company Unit (B)(F)		08/03/15	370,241	326,974

370,241  
uts.

750,240      699,114

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
<b>Whitebridge Pet Brands Holdings, LLC</b>				
A manufacturer and marketer of branded, all-natural treats and foods for dogs and cats.				
11.5% (0.5% PIK) Senior Subordinated				
Note due 08/18/2021	\$1,493,808	04/18/17	\$1,479,478	\$1,465,334
Limited Liability Company Unit Class A (B)(F)	123 uts.	04/18/17	148,096	144,577
Limited Liability Company Unit Class B (B)(F)	123 uts.	04/18/17	—	1,919
			1,627,574	1,611,830
<b>Wolf-Gordon, Inc.</b>				
A designer and specialty distributor of wallcoverings and related building products, including textiles, paint, and writeable surfaces.				
Common Stock (B)	157 shs.	01/22/16	156,818	210,017
<b>WP Supply Holding Corporation</b>				
A distributor of fresh fruits and vegetables to grocery wholesalers and foodservice distributors in the upper Midwest.				
14.5% (2.5% PIK) Senior Subordinated				
Note due 06/12/2020	\$1,016,084	11/03/11	1,016,047	993,390
Common Stock (B)	1,500 shs.	11/03/11	150,000	99,555
			1,166,047	1,092,945
<b>York Wall Holding Company</b>				
A designer, manufacturer and marketer of wall covering products for both residential and commercial wall coverings.				
14.5% (1.5% PIK) Senior Subordinated				
Note due 03/04/2021 (D)	\$1,946,834	03/04/15	1,549,582	1,810,199
Common Stock (B)	2,046 shs.	*	200,418	152,457
* 03/04/15 and 02/07/18			1,750,000	1,962,656
<b>Total Private Placement Investments (E)</b>			<b>\$124,529,101</b>	<b>\$119,792,375</b>

See Notes to Consolidated Financial Statements



## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Maturity Date	Principal Amount	Cost	Market Value
Rule 144A Securities - 7.07%:					
Bonds - 7.07%					
Acrisure, LLC	7.000	% 11/15/25	\$385,000	\$351,945	\$328,212
Alliance Residential Company	7.500	05/01/25	385,000	399,157	385,962
Altice Financing S.A.	7.500	05/15/26	308,000	308,000	281,050
Amsted Industries	5.375	09/15/24	185,000	185,000	174,362
Avantor Inc.	6.000	10/01/24	313,000	313,000	307,522
Avantor Inc.	9.000	10/01/25	385,000	397,522	385,000
Boyne USA, Inc.	7.250	05/01/25	129,000	129,000	133,192
CITGO Petroleum Corporation	6.250	08/15/22	328,000	328,000	317,340
CVR Partners, L.P.	9.250	06/15/23	385,000	378,178	400,400
Enterprise Merger Sub Inc.	8.750	10/15/26	385,000	385,000	333,025
Financial & Risk US Holdings, Inc.	6.250	05/15/26	116,000	116,000	111,940
Financial & Risk US Holdings, Inc.	8.250	11/15/26	150,000	150,000	137,062
First Quantum Minerals Ltd.	7.500	04/01/25	500,000	483,143	412,500
First Quantum Minerals Ltd.	7.250	04/01/23	385,000	380,884	338,800
Hertz Corporation	7.625	06/01/22	385,000	385,000	362,863
Hilcorp Energy Company	5.000	12/01/24	258,000	258,000	228,330
IAMGOLD Corporation	7.000	04/15/25	385,000	385,000	361,900
Intelsat Connect Finance	9.500	02/15/23	385,000	376,577	331,100
Jonah Energy LLC	7.250	10/15/25	385,000	330,651	246,400
LBC Tank Terminals Holding Netherlands B.V.	6.875	05/15/23	511,000	518,767	454,790
Mattamy Group Corp.	6.500	10/01/25	385,000	377,615	344,575
New Enterprise Stone & Lime Co., Inc.	6.250	03/15/26	385,000	391,293	350,350
New Gold Inc.	6.250	11/15/22	500,000	501,783	420,000
OPE KAG Finance Sub	7.875	07/31/23	385,000	396,952	368,638
Sinclair Broadcast Group, Inc.	5.875	03/15/26	157,000	157,000	146,403
Sinclair Television Group, Inc.	5.125	02/15/27	385,000	385,000	339,763
Suncoke Energy	7.500	06/15/25	385,000	379,932	364,788
Topaz Marine S.A.	9.125	07/26/22	500,000	500,000	500,580
Vine Oil & Gas, LP	8.750	04/15/23	385,000	358,227	304,150
Virgin Media Secured Finance PLC	5.250	01/15/26	385,000	385,753	352,756
VRX Escrow Corp.	6.125	04/15/25	140,000	140,000	122,150
Warrior Met Coal, Inc.	8.000	11/01/24	161,000	161,000	159,793
Total Bonds				10,693,379	9,805,696

See Notes to Consolidated Financial Statements



## Barings Participation Investors

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 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Restricted Securities: (A) (Continued)	Interest Rate	Maturity Date	Principal Amount	Cost	Market Value
Common Stock - 0.00%					
TherOX, Inc. (B)			\$ 2	\$—	\$—
Touchstone Health Partnership (B)			292	—	—
Total Common Stock				—	—
Total Rule 144A Securities				10,693,379	9,805,696

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Public Securities - 8.35%: (A)	LIBOR Spread	Interest Rate	Maturity Date	Principal Amount	Cost	Market Value
<b>Bank Loans - 4.72%</b>						
Argon Medical Devices, Inc.	8.000	% 10.522	% 01/23/26	\$ 500,000	\$ 503,750	\$ 493,750
Bass Pro Group, LLC	5.000	7.522	09/25/24	184,488	183,577	176,093
Big River Steel LLC	5.000	7.803	08/11/23	117,875	116,960	116,401
BMC Software Finance, Inc.	4.250	7.053	10/02/25	500,000	495,172	481,095
CenturyLink Inc.	2.750	5.272	01/03/25	497,487	494,041	463,161
Confie Seguros Holding II Co.	8.500	11.238	11/02/25	446,131	437,394	432,002
Edelman Financial Services	6.750	9.186	07/20/26	128,178	127,572	121,769
Fieldwood Energy LLC	7.250	9.772	04/11/23	977,612	938,470	849,545
Getty Images, Inc.	3.500	6.022	10/18/19	388,558	381,129	376,901
Gulf Finance, LLC	5.250	7.780	08/25/23	250,884	249,239	190,358
ION Trading Technologies Sarl	4.000	6.522	11/21/24	273,603	267,113	257,871
OCI Beaumont LLC	4.000	6.803	02/14/25	121,369	121,235	118,790
PowerSchool	6.750	9.097	08/01/26	500,000	495,254	490,000
Prospect Medical Holdings, Inc.	5.500	7.938	02/13/24	254,161	249,792	250,348
PS Logistics LLC	4.750	7.277	03/01/25	498,750	503,229	483,787
Schenectady International Group Inc.	4.750	7.186	10/15/25	307,325	295,356	295,032
Seadrill Partners Finco, LLC	6.000	8.822	02/21/21	463,459	339,245	361,790
STS Operating, Inc.	8.000	10.522	04/25/26	500,000	505,000	468,750
Summit Midstream Holdings, LLC	6.000	8.522	05/15/22	111,360	110,629	108,855
<b>Total Bank Loans</b>					<b>6,814,157</b>	<b>6,536,298</b>
<b>Bonds - 3.20%</b>						
AMC Entertainment Holdings Inc.		6.125	05/15/27	385,000	375,003	329,175
Anchorage Capital Group, LLC	7.250	9.686	01/15/29	500,000	517,187	499,958
Brunswick Corporation		7.125	08/01/27	500,000	503,441	552,418
Dish DBS Corporation		7.750	07/01/26	385,000	414,429	318,588
Laredo Petroleum, Inc.		5.625	01/15/22	385,000	371,814	345,538
Laredo Petroleum, Inc.		6.250	03/15/23	385,000	385,869	345,538
M/I Homes, Inc.		5.625	08/01/25	385,000	367,052	352,275
Oasis Petroleum Inc.		6.875	03/15/22	424,000	408,751	399,620
PBF Holding Company LLC		7.250	06/15/25	385,000	397,472	361,900
Pitney Bowes Inc.		3.875	10/01/21	385,000	379,276	360,456
William Lyon Homes		7.000	08/15/22	284,000	284,000	281,160
WPX Energy, Inc.		5.250	09/15/24	328,000	328,000	296,840
<b>Total Bonds</b>					<b>4,732,294</b>	<b>4,443,466</b>

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Corporate Public Securities: (A) (Continued)	LIBOR Spread	Interest Rate	Maturity Date	Principal Amount	Cost	Market Value
Common Stock - 0.10%						
Jupiter Resources Inc.				\$ 41,472	\$ 200,439	\$ 141,005
Total Common Stock					200,439	141,005
Preferred Stock - 0.33%						
B. Riley Financial Inc.				20,000	500,000	461,600
Total Preferred Stock					500,000	461,600
Total Corporate Public Securities					\$ 12,246,890	\$ 11,582,369
Total Investments		101.75 %			\$ 147,469,370	\$ 141,180,440
Other Assets		12.70				17,623,862
Liabilities		(14.45 )				(20,055,201 )
Total Net Assets		100.00 %				\$ 138,749,101

(A) In each of the convertible note, warrant, and common stock investments, the issuer has agreed to provide certain registration rights.

(B) Non-income producing security.

(C) Security valued at fair value using methods determined in good faith by or under the direction of the Board of Trustees.

(D) Defaulted security; interest not accrued.

(E) Illiquid security. As of December 31, 2018 the values of these securities amounted to \$119,792,375 or 86.33% of net assets.

(F) Held in PI Subsidiary Trust

PIK - Payment-in-kind

See Notes to Consolidated Financial Statements

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Industry Classification:	Fair Value/ Market Value
<b>AEROSPACE &amp; DEFENSE - 4.34%</b>	
API Technologies Corp.	\$458,850
BEI Precision Systems & Space Company, Inc.	1,584,504
Merex Holding Corporation	498,720
Sunvair Aerospace Group Inc.	1,124,334
Trident Maritime Systems	2,359,695
	6,026,103
<b>AUTOMOTIVE - 5.61%</b>	
Aurora Parts & Accessories LLC	1,576,706
BBB Industries LLC	1,653,036
DPL Holding Corporation	268,499
English Color & Supply LLC	1,588,004
Holley Performance Products	2,403,375
Randy's Worldwide Automotive	292,087
	7,781,707
<b>BUILDING MATERIALS - 3.93%</b>	
Happy Floors Acquisition, Inc.	1,181,097
New Enterprise Stone & Lime Co., Inc.	350,350
NSi Industries Holdings, Inc.	1,785,959
Signature Systems Holding Company	499,226
Sunrise Windows Holding Company	1,359,082
Torrent Group Holdings, Inc.	71,732
Wolf-Gordon, Inc.	210,017
	5,457,463
<b>CABLE &amp; SATELLITE - 0.49%</b>	
Intelsat Connect Finance	331,100
Virgin Media Secured Finance PLC	352,756
	683,856
<b>CHEMICALS - 2.60%</b>	
CVR Partners, L.P.	400,400
DuBois Chemicals, Inc.	1,690,500
LBC Tank Terminals Holding Netherlands B.V.	454,790
OCI Beaumont LLC	118,790



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	Fair Value/ Market Value
Polytex Holdings LLC	\$641,991
Schenectady International Group Inc.	295,032
	3,601,503
<b>CONSUMER CYCLICAL SERVICES - 4.09%</b>	
Accelerate Learning	1,060,653
CHG Alternative Education Holding Company	1,045,891
MeTEOR Education LLC	964,218
PPC Event Services	1,509,542
PS Logistics LLC	483,787
ROI Solutions	617,269
	5,681,360
<b>CONSUMER PRODUCTS - 8.91%</b>	
AMS Holding LLC	221,379
Blue Wave Products, Inc.	455,720
Elite Sportwear Holding, LLC	1,552,622
gloProfessional Holdings, Inc.	1,115,946
GTI Holding Company	886,704
Handi Quilter Holding Company	511,532
HHI Group, LLC	1,719,813
Manhattan Beachwear Holding Company	490,765
Master Cutlery LLC	260,431
New Mountain Learning, LLC	1,579,246
Whitebridge Pet Brands Holdings, LLC	1,611,830
York Wall Holding Company	1,962,656
	12,368,644
<b>DIVERSIFIED MANUFACTURING - 7.54%</b>	
ABC Industries, Inc.	389,227
Advanced Manufacturing Enterprises LLC	49,410
Amsted Industries	174,362
F G I Equity LLC	687,139
K P I Holdings, Inc.	378,516
Motion Controls Holdings	337,802
Reelcraft Industries, Inc.	1,726,038

See Notes to Consolidated Financial Statements

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## Barings Participation Investors

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Industry Classification: (Continued)	Fair Value/ Market Value
SR Smith LLC	\$2,455,616
Strahman Holdings Inc.	308,699
Therma-Stor Holdings LLC	1,678,187
Trystar, Inc.	2,277,485
	10,462,481
ELECTRIC - 2.70%	
AM Conservation Holding Corp.	1,960,565
Electronic Power Systems	1,791,459
	3,752,024
FINANCIAL OTHER - 3.79%	
Acrisure, LLC	328,212
Anchorage Capital Group, LLC	499,958
B. Riley Financial Inc.	461,600
Confie Seguros Holding II Co.	432,002
Edelman Financial Services	121,769
Financial & Risk US Holdings, Inc.	249,002
Strategic Insight, Inc.	1,614,796
U.S. Retirement and Benefit Partners, Inc.	1,550,018
	5,257,357
FOOD & BEVERAGE - 6.90%	
Del Real LLC	1,519,510
F F C Holding Corporation	165,752
Hollandia Produce LLC	1,642,976
Impact Confections	—
JMH Investors LLC	557,099
PANOS Brands LLC	2,413,681
Sara Lee Frozen Foods	1,478,353
Westminster Acquisition LLC	699,114
WP Supply Holding Corporation	1,092,945
	9,569,430
HEALTHCARE - 6.38%	
Argon Medical Devices, Inc.	493,750
Avantor Inc.	692,522
Cadence, Inc.	780,997
CORA Health Services, Inc.	1,593,805
	Fair Value/ Market

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	Value
ECG Consulting Group	\$2,141,254
Enterprise Merger Sub Inc.	333,025
GD Dental Services LLC	—
Healthline Media, Inc.	1,601,518
LAC Acquisition LLC	847,897
Prospect Medical Holdings, Inc.	250,348
TherOX, Inc.	—
Touchstone Health Partnership	—
VRX Escrow Corp.	122,150
	8,857,266
HOME CONSTRUCTION - 0.70%	
Mattamy Group Corp.	344,575
M/I Homes, Inc.	352,275
William Lyon Homes	281,160
	978,010
INDEPENDENT - 1.84%	
Fieldwood Energy LLC	849,545
Hilcorp Energy Company	228,330
Jonah Energy LLC	246,400
Jupiter Resources Inc.	141,005
Laredo Petroleum, Inc.	691,076
Oasis Petroleum Inc.	399,620
	2,555,976
INDUSTRIAL OTHER - 7.52%	
AFC - Dell Holding Corporation	1,648,649
Brunswick Corporation	552,418
E.S.P. Associates, P.A.	950,235
Hartland Controls Holding Corporation	1,837,848
Midwest Industrial Rubber, Inc.	1,753,059
Smart Source Holdings LLC	693,662
SMB Machinery Holdings, Inc.	—
Specified Air Solutions	1,205,637
STS Operating, Inc.	468,750
UBEO, LLC	1,318,700
	10,428,958

See Notes to Consolidated Financial Statements

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## 2018 Annual Report

## CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

	Fair Value/ Market Value
Industry Classification: (Continued)	
MEDIA & ENTERTAINMENT - 3.26%	
AMC Entertainment Holdings Inc.	\$329,175
BlueSpire Holding, Inc.	—
Boyne USA, Inc.	133,192
Cadent, LLC	1,020,908
Discovery Education, Inc.	1,853,011
Dish DBS Corporation	318,588
Getty Images, Inc.	376,901
HOP Entertainment LLC	—
Sinclair Broadcast Group, Inc.	146,403
Sinclair Television Group, Inc.	339,763
	4,517,941
METALS & MINING - 1.84%	
Alliance Residential Company	385,962
Big River Steel LLC	116,401
First Quantum Minerals Ltd.	751,300
IAMGOLD Corporation	361,900
New Gold Inc.	420,000
Suncoke Energy	364,788
Warrior Met Coal, Inc.	159,793
	2,560,144
MIDSTREAM - 0.22%	
Gulf Finance, LLC	190,358
Summit Midstream Holdings, LLC	108,855
	299,213
OIL FIELD SERVICES - 1.07%	
Avantech Testing Services LLC	—
Petroplex Inv Holdings LLC	19,341
Seadrill Partners Finco, LLC	361,790
Topaz Marine S.A.	500,580
WPX Energy, Inc.	296,840
Vine Oil & Gas, LP	304,150
	1,482,701
PACKAGING - 1.02%	
ASC Holdings, Inc.	710,141

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	Fair Value/ Market Value
Brown Machine LLC	\$699,521 1,409,662
PAPER - 1.25%	
Dunn Paper	1,733,625
PHARMACEUTICALS - 0.22%	
Clarion Brands Holding Corp.	298,771
REFINING - 2.41%	
CITGO Petroleum Corporation	317,340
MES Partners, Inc.	1,539,605
PBF Holding Company LLC	361,900
Tristar Global Energy Solutions, Inc.	1,119,216 3,338,061
RETAILERS - 0.13%	
Bass Pro Group, LLC	176,093
TECHNOLOGY - 14.23%	
1A Smart Start, Inc.	1,671,471
Audio Precision	1,741,763
BCC Software, Inc.	1,715,960
BMC Software Finance, Inc.	481,095
Claritas Holdings, Inc.	1,610,950
Clubessential LLC	1,781,313
Glynlyon Holding Companies, Inc.	243,134
GraphPad Software, Inc.	2,363,892
ION Trading Technologies Sarl	257,871
Pitney Bowes Inc.	360,456
PowerSchool	490,000
REVSpring, Inc.	1,653,195
U.S. Legal Support, Inc.	1,674,217
Sandvine Corporation	1,662,066
Velocity Technology Solutions, Inc.	2,035,312 19,742,695
TELECOMMUNICATIONS - 0.20%	
Altice Financing S.A.	281,050

See Notes to Consolidated Financial Statements

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## Barings Participation Investors

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 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2018

Industry Classification: (Continued)	Fair Value/ Market Value
TRANSPORTATION SERVICES - 8.23%	
BDP International, Inc.	\$2,415,916
GlobalTranz	1,678,760
Hertz Corporation	362,863
OPE KAG Finance Sub	368,638
Pegasus Transtech Corporation	2,259,857
Rock-it Cargo	2,414,845
Team Drive-Away Holdings LLC	238,350
VP Holding Company	1,675,956
	11,415,185
WIRELESS - 0.33%	
CenturyLink Inc.	463,161
Total Investments - 101.75%	
(Cost - \$147,469,370)	\$141,180,440

See Notes to Consolidated Financial Statements

## 2018 Annual Report

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. History

Barings Participation Investors (the "Trust") was organized as a Massachusetts business trust under the laws of the Commonwealth of Massachusetts pursuant to a Declaration of Trust dated April 7, 1988.

The Trust is a diversified closed-end management investment company. Barings LLC ("Barings"), a wholly-owned indirect subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"), acts as its investment adviser. The Trust's investment objective is to maintain a portfolio of securities providing a current yield and, when available, an opportunity for capital gains. The Trust's principal investments are privately placed, below-investment grade, long-term debt obligations including bank loans and mezzanine debt instruments. Such direct placement securities may, in some cases, be accompanied by equity features such as common stock, preferred stock, warrants, conversion rights, or other equity features. The Trust typically purchases these investments, which are not publicly tradable, directly from their issuers in private placement transactions. These investments are typically made to small or middle market companies. In addition, the Trust may invest, subject to certain limitations, in marketable debt securities (including high yield and/or investment grade securities) and marketable common stock. Below-investment grade or high yield securities have predominantly speculative characteristics with respect to the capacity of the issuer to pay interest and repay capital.

On January 27, 1998, the Board of Trustees authorized the formation of a wholly-owned subsidiary of the Trust ("PI Subsidiary Trust") for the purpose of holding certain investments. The results of the PI Subsidiary Trust are consolidated in the accompanying financial statements. Footnote 2.D below discusses the Federal tax consequences of the PI Subsidiary Trust.

### 2. Significant Accounting Policies

The following is a summary of significant accounting policies followed consistently by the Trust in the preparation of its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Trustees have determined that the Trust is an investment company in accordance with Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies, for the purpose of financial reporting.

#### A. Fair Value Measurements:

Under U.S. GAAP, fair value represents the price that should be received to sell an asset (exit price) in an orderly transaction between willing market participants at the measurement date.

#### Determination of Fair Value

The determination of the fair value of the Trust's investments is the responsibility of the Trust's Board of Trustees (the "Trustees"). The Trustees have adopted procedures for the valuation of the Trust's securities and have delegated responsibility for applying those procedures to Barings. Barings has established a Pricing Committee which is responsible for setting the guidelines used in following the procedures adopted by the Trustees ensuring that those guidelines are being followed. Barings considers all relevant factors that are reasonably available, through either public information or information available to Barings, when determining the fair value of a security. The Trustees meet at least once each quarter to approve the value of the Trust's portfolio securities as of the close of business on the last business day of the preceding quarter. This valuation requires the approval of a majority of the Trustees of the Trust, including a majority of the Trustees who are not interested persons of the Trust or of Barings. In approving valuations, the Trustees will consider reports by Barings analyzing each portfolio security in accordance with the procedures and guidelines referred to above, which include the relevant factors referred to below. Barings has agreed to provide such reports to the Trust at least quarterly. The consolidated financial statements include private placement restricted securities valued at \$119,792,375 (86.33% of net assets) as of December 31, 2018 the values of which have been estimated by the Trustees based on the process described above in the absence of readily ascertainable market values. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the values



that would have been used had a ready market for the securities existed, and the differences could be material.

Following is a description of valuation methodologies used for assets recorded at fair value.

Corporate Public Securities at Market Value – Bank Loans, Corporate Bonds, Preferred Stocks and Common Stocks  
The Trust uses external independent third-party pricing services to determine the fair values of its Corporate Public Securities. At December 31, 2018, 100% of the carrying value of these investments was from external pricing services. In the event that the primary pricing service does not provide a price, the Trust utilizes the pricing provided by a secondary pricing service.

Barings Participation Investors

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Public debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Trust's pricing services use multiple valuation techniques to determine fair value. In instances where significant market activity exists, the pricing services may utilize a market based approach through which quotes from market makers are used to determine fair value. In instances where significant market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal underlying prepayments, collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

The Trust'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 Trust's valuation policies and procedures approved by the Trustees.

Public equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sales price of that day.

At least annually, Barings conducts reviews of the primary pricing vendors to validate that the inputs used in that vendors' pricing process are deemed to be market observable as defined in the standard. While Barings is not provided access to proprietary models of the vendors, the reviews have included on-site walk-throughs of the pricing process, methodologies and control procedures for each asset class and level for which prices are provided. The reviews also include an examination of the underlying inputs and assumptions for a sample of individual securities across asset classes, credit rating levels and various durations. In addition, the pricing vendors have an established challenge process in place for all security valuations, which facilitates identification and resolution of prices that fall outside expected ranges. Barings believes that the prices received from the pricing vendors are representative of prices that would be received to sell the assets at the measurement date (exit prices) and are classified appropriately in the hierarchy.

Corporate Restricted Securities at Fair Value – Bank Loans, Corporate Bonds

The fair value of certain notes is determined using an internal model that discounts the anticipated cash flows of those notes using a specific discount rate. Changes to that discount rate are driven by changes in general interest rates, probabilities of default and credit adjustments. The discount rate used within the models to discount the future anticipated cash flows is considered a significant unobservable input. Increases/(decreases) in the discount rate would result in a (decrease)/increase to the notes' fair value.

The fair value of certain distressed notes is based on an enterprise waterfall methodology which is discussed in the equity security valuation section below.

Corporate Restricted Securities at Fair Value – Common Stock, Preferred Stock and Partnerships & LLC's

The fair value of equity securities is determined using an enterprise waterfall methodology. Under this methodology, the enterprise value of the company is first estimated and that value is then allocated to the company's outstanding debt and equity securities based on the documented priority of each class of securities in the capital structure. Generally, the waterfall proceeds from senior debt, to senior and junior subordinated debt, to preferred stock, then finally common stock.

To estimate a company's enterprise value, the company's trailing twelve months earnings before interest, taxes, depreciation and amortization ("EBITDA") is multiplied by a valuation multiple.

Both the company's EBITDA and valuation multiple are considered significant unobservable inputs. Increases/(decreases) to the company's EBITDA and/or valuation multiple would result in increases/(decreases) to the equity value.

#### Short-Term Securities

Short-term securities with more than sixty days to maturity are valued at fair value, using external independent third-party services. Short-term securities, of sufficient credit quality, having a maturity of sixty days or less are valued at amortized cost, which approximates fair value.

#### New Accounting Pronouncement

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-13, Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which simplifies the disclosure requirements on fair value measurement. ASU 2018-13 is effective for annual periods beginning after December 15, 2019, and early adoption is permitted. The Trust early adopted, and applied, ASU 2018-13 for the year ended December 31, 2018. The adoption of this accounting guidance did not have a material impact on the Trust's financial statements.

## 2018 Annual Report

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Fair Value Hierarchy

The Trust categorizes its investments measured at fair value in three levels, based on the inputs and assumptions used to determine fair value. These levels are as follows:

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 Trust's own assumptions in determining the fair value of investments)

The following table summarizes the levels in the fair value hierarchy into which the Trust's financial instruments are categorized as of December 31, 2018.

The fair values of the Trust's investments disaggregated into the three levels of the fair value hierarchy based upon the lowest level of significant input used in the valuation as of December 31, 2018 are as follows:

Assets:	Total	Level		
		1	Level 2	Level 3
<b>Restricted Securities</b>				
Corporate Bonds	\$59,419,234	\$ —	\$9,805,696	\$49,613,537
Bank Loans	56,358,155	—	—	56,358,155
Common Stock - U.S.	4,250,108	—	—	4,250,108
Preferred Stock	2,197,761	—	—	2,197,761
Partnerships and LLCs	7,372,814	—	—	7,372,814
<b>Public Securities</b>				
Bank Loans	6,536,299	—	4,887,840	1,648,460
Corporate Bonds	4,443,464	—	4,443,464	—
Common Stock - U.S.	141,005	—	—	141,005
Preferred Stock	461,600	—	461,600	—
Short-term Securities	—	—	—	—
<b>Total</b>	<b>\$141,180,440</b>	<b>\$ —</b>	<b>\$19,598,600</b>	<b>\$121,581,840</b>

See information disaggregated by security type and industry classification in the Consolidated Schedule of Investments.

## Quantitative Information about Level 3 Fair Value Measurements

The following table represents quantitative information about Level 3 fair value measurements as of December 31, 2018.

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted**
Bank Loans	\$8,496,867	Broker Quote	Single Broker	94.3% to 100.5%	98.3%
	\$49,509,747	Discounted Cash Flows	Discount Rate	5.4% to 12.8%	7.7%
Corporate Bonds	\$42,699,828	Discounted Cash Flows	Discount Rate	7.7% to 18.5%	13.1%
	\$6,913,709	Market Approach	Valuation Multiple	3.8x to 9.5x	7.3x
			EBITDA	\$0.5 million to \$15.3 million	\$7.8 million
Equity Securities*	\$13,699,721	Market Approach	Valuation Multiple	3.8x to 14.1x	8.5x
			EBITDA		\$30.2 million

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			\$0.5 million to	
			\$279.6 million	
\$141,005	Broker Quote	Single Broker	\$3.40	\$3.40

Certain of the Trust's Level 3 equity securities investments have been valued using unadjusted inputs that have not been internally developed by the Trust, including recently purchased securities held at cost. As a result, fair value of assets of \$120,962 have been excluded from the preceding table.

\*Including partnerships and LLC's

\*\* The weighted averages disclosed in the table above were weighted by relative fair value

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Barings Participation Investors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

Assets:	Beginning balance at 12/31/2017	Included in earnings	Purchases	Sales	Prepayments	Transfers into Level 3	Transfers out of Level 3	Ending balance at 12/31/2017
Restricted Securities								
Corporate								
Bonds	\$68,182,386	\$(2,650,952)	\$6,440,035	\$(10,595,245)	\$(11,762,687)	\$—	\$—	\$49,613,537
Bank Loans	15,737,992	(675,429)	45,322,329	—	(4,026,737)	—	—	56,358,165
Common Stock - U.S.	6,911,240	1,455,000	1,020,961	(5,137,093)	—	—	—	4,250,108
Preferred Stock	3,142,012	(678,302)	(141,343)	(124,606)	—	—	—	2,197,761
Partnerships and LLCs	13,444,928	459,380	778,527	(7,310,021)	—	—	—	7,372,814
Public Securities								
Bank Loans	523,461	(37,206)	1,608,410	(196,999)	(417,916)	\$1,998,878	(1,830,169)	1,648,469
Common Stock - U.S.	—	(59,434)	200,439	—	—	—	—	141,005
	\$107,942,020	\$(2,186,943)	\$55,229,358	\$(23,363,964)	\$(16,207,340)	\$1,998,878	\$(1,830,169)	\$121,581,885

Income, Gains and Losses on Level 3 assets included in Net Increase in Net Assets resulting from Operations for the year are presented in the following accounts on the Statement of Operations:

	Net Increase in Net Assets Resulting from Operations	Change in Unrealized Gains & (Losses) in Net Assets from assets still held
Interest (Amortization)	\$1,034,142	\$—
Net realized gain on investments before taxes	4,819,307	—
Net change in unrealized appreciation of investments before taxes	(8,040,392)	(4,641,587)

B. Accounting for Investments:

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis, including the amortization of premiums and accretion of discounts on

bonds held. The Trust does not accrue income when payment is delinquent and when management believes payment is questionable.

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

C. 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, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

D. Federal Income Taxes:

The Trust has elected to be taxed as a "regulated investment company" under the Internal Revenue Code, and intends to maintain this qualification and to distribute substantially all of its net taxable income to its shareholders. In any year when net long-term capital gains are realized by the Trust, management, after evaluating the prevailing economic conditions, will recommend that Trustees either designate the net realized long-term gains as undistributed and pay the federal capital gains taxes thereon, or distribute all or a portion of such net gains. In 2018, the Trust incurred \$358,635 of tax as a result of retained capital gains.

The Trust is taxed as a regulated investment company and is therefore limited as to the amount of non-qualified income that it may receive as the result of operating a trade or business, e.g. the Trust's pro rata share of income allocable to the Trust by a partnership operating company. The Trust's violation of this limitation could result in the loss of its status as a regulated investment company, thereby subjecting all of its net income and capital gains to corporate taxes prior to distribution to its shareholders. The Trust, from time-to-time, identifies investment opportunities in the securities of entities that could cause such trade or business income to be allocable to the Trust.  
The PI

## 2018 Annual Report

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Subsidiary Trust (described in Footnote 1, above) was formed in order to allow investment in such securities without adversely affecting the Trust's status as a regulated investment company.

Net investment income and net realized gains or losses of the Trust as presented under U.S. GAAP may differ from distributable taxable earnings due to earnings from the PI Subsidiary Trust as well as certain permanent and temporary differences in the recognition of income and realized gains or losses on certain investments. In accordance with U.S. GAAP, the Trust has made reclassifications among its capital accounts. These reclassifications are intended to adjust the components of the Trust's net assets to reflect the tax character of permanent book/tax differences and have no impact on the net assets or net asset value of the Trust. As of December 31, 2018, the Trust made reclassifications to increase or (decrease) the components of net assets detailed below:

Paid-in Capital	Total Distributable Earnings	Retained Capital Gains
(\$562,059)	(1,703,402)	\$2,265,461

The Trusts' current income tax expense as shown on the Statement of Operations is \$1,129,002 which is comprised of income tax expense on long term capital gains retained related to the regulated investment company of \$358,764 as well as taxes related to the PI Subsidiary Trust as described in the table below of \$770,238.

The PI Subsidiary Trust is not taxed as a regulated investment company. Accordingly, prior to the Trust receiving any distributions from the PI Subsidiary Trust, all of the PI Subsidiary Trust's taxable income and realized gains, including non-qualified income and realized gains, is subject to taxation at prevailing corporate tax rates.

The components of income taxes included in the consolidated statement of operations for the year ended December 31, 2018 were as follows:

## Income tax expense (benefit)

Current:	
Federal	\$517,735
State	252,503
Total current	770,238
Deferred:	
Federal	\$—
State	—
Total deferred	—
Total income tax expense from continuing operations	\$770,238



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Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax basis. As of December 31, 2018, the PI Subsidiary Trust has no deferred tax liability.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2018 were as follows:

Deferred tax assets:

Unrealized loss on investments	\$244,670
Total deferred tax assets	244,670
Less valuation allowance	(244,670)
Net deferred tax asset	—
Unrealized gain on investments	—
Total deferred tax liabilities	—
Net deferred tax liability	\$—

The Trust recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority's widely understood administrative practices and precedents. If this threshold is met, the Trust measures the tax benefit as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions not deemed to meet the "more-likely-than-not" threshold are reserved and recorded as a tax benefit or expense in the current year. All penalties and interest associated with income taxes are included in income tax expense. The Trust has evaluated and determined that the tax positions did not have a material effect on the Trust's financial position and results of operations for the year ended December 31, 2018.

A reconciliation of the differences between the PI Subsidiary Trust's income tax expense and the amount computed by applying the prevailing U.S. federal tax rate to pretax income for the year ended December 31, 2018 is as follows:

	Amount	Percentage	
Provision for income taxes at the U.S. federal rate	\$(155,420)	21.00	%
State tax, net of federal effect	33,859	-4.58	%
Change in valuation allowance	769,713	-104.00	%
Other	122,086	-16.49	%
Income tax expense	\$770,238	-104.07	%



## Barings Participation Investors

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## E. Distributions to Shareholders:

The Trust records distributions to shareholders from net investment income and net realized gains, if any, on the ex-dividend date. The Trust's net investment income dividend is declared four times per year, in April, July, October, and December. The Trust's net realized capital gain distribution, if any, is declared in December.

The tax basis components of distributable earnings at December 31, 2018 are as follows:

Undistributed Ordinary Income	\$227,094
Accumulated Realized Gain	3,797,433
Net Unrealized Appreciation/(Depreciation)	(6,838,726)

The differences between book-basis and tax-basis unrealized appreciation/(depreciation) are primarily due to partnership investments.

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

Tax Cost	\$148,019,166
Tax Unrealized Appreciation	4,947,082
Tax Unrealized Depreciation	(11,785,808 )
Net Unrealized Depreciation	(6,838,726 )

The tax character of distributions declared during the years ended December 31, 2018 and 2017 was as follows:

Distributions paid from:	2018	2017
Ordinary Income	\$11,342,034	\$11,265,910

## 3. Investment Advisory and Administrative Services Contract

## A. Services:

Under an Investment Advisory and Administrative Services Contract (the "Contract") with the Trust, Barings has agreed to use its best efforts to present to the Trust a continuing and suitable investment program consistent with the investment objectives and policies of the Trust. Barings represents the Trust in any negotiations with issuers, investment banking firms, securities brokers or dealers and other institutions or investors relating to the Trust's investments. Under the Contract, Barings also provides administration of the day-to-day operations of the Trust and provides the Trust with office space and office equipment, accounting and bookkeeping services, and necessary executive, clerical and secretarial personnel for the performance of the foregoing services.

## B. Fee:

For its services under the Contract, Barings is paid a quarterly investment advisory fee equal to 0.225% of the value of the Trust's net assets as of the last business day of each fiscal quarter, an amount approximately equivalent to 0.90%

on an annual basis. A majority of the Trustees, including a majority of the Trustees who are not interested persons of the Trust or of Barings, approve the valuation of the Trust's net assets as of such day.

#### 4. Senior Indebtedness

MassMutual holds the Trust's \$15,000,000 Senior Fixed Rate Convertible Note (the "Note") issued by the Trust on December 13, 2011. The Note is due December 13, 2023 and accrues interest at 4.09% per annum. MassMutual, at its option, can convert the principal amount of the Note into common shares. The dollar amount of principal would be converted into an equivalent dollar amount of common shares based upon the average price of the common shares for ten business days prior to the notice of conversion. For the year ended December 31, 2018, the Trust incurred total interest expense on the Note of \$613,500.

The Trust may redeem the Note, in whole or in part, at the principal amount proposed to be redeemed together with the accrued and unpaid interest thereon through the redemption date plus the Make Whole Premium. The Make Whole Premium equals the excess of (i) the present value of the scheduled payments of principal and interest which the Trust would have paid but for the proposed redemption, discounted at the rate of interest of U.S. Treasury obligations whose maturity approximates that of the Note plus 0.50% over (ii) the principal of the Note proposed to be redeemed.

Management estimates that the fair value of the Note was \$15,353,130 as of December 31, 2018. The fair value measurement of the Note would be categorized as a Level 3 under ASC 820.

#### 5. Purchases and Sales of Investments

	For the year ended 12/31/18	
	Cost of Investments Acquired	Proceeds from Sales or Maturities
Corporate restricted securities	\$60,275,541	\$48,023,873
Corporate public securities	10,132,599	29,658,512

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The net unrealized depreciation of investments for financial reporting purposes as of December 31, 2018 is \$(6,288,930) and consists of \$5,553,819 appreciation and \$11,842,749 depreciation.

## 6. Quarterly Results of Investment Operations (Unaudited)

	March 31, 2018	
	Amount	Per Share
Investment income	\$3,392,477	
Net investment income	2,738,514	\$0.26
Net realized and unrealized loss on investments (net of taxes)	(2,552,957)	(0.24)

	June 30, 2018	
	Amount	Per Share
Investment income	\$3,359,783	
Net investment income	2,713,074	\$0.26
Net realized and unrealized loss on investments (net of taxes)	(2,104,355)	(0.20)

	September 30, 2018	
	Amount	Per Share
Investment income	\$3,555,549	
Net investment income	2,887,579	\$0.28
Net realized and unrealized gain on investments (net of taxes)	1,650,014	0.15

	December 31, 2018	
	Amount	Per Share
Investment income	\$3,361,181	
Net investment income	2,458,072	\$0.23
Net realized and unrealized loss on investments (net of taxes)	(4,150,383)	(0.39)

## 7. Investment Risks

In the normal course of its business, the Trust trades various financial instruments and enters into certain investment activities with investment risks. These risks include: (i) market risk, (ii) volatility risk and (iii) credit, counterparty and liquidity risk. It is the Trust's policy to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies. These include monitoring risk guidelines and diversifying exposures across a variety of instruments, markets and counterparties. There can be no assurance that the Trust will be able to implement its credit guidelines or that its risk monitoring strategies will be successful.

#### 8. Commitments and Contingencies

During the normal course of business, the Trust may enter into contracts and agreements that contain a variety of representations and warranties. The exposure, if any, to the Trust under these arrangements is unknown as this would involve future claims that may or may not be made against the Trust and which have not yet occurred. The Trust has no history of prior claims related to such contracts and agreements.

At December 31, 2018, the Trust had the following unfunded commitments:

<u>Investment</u>	Unfunded Amount
ROI Solutions	\$961,561
LAC Acquisition LLC	\$888,889
VP Holding Company	\$693,100
CORA Health Services	\$623,370
Specified Air Solutions	\$500,290
U.S. Legal Support, Inc.	\$406,141
UBEO, LLC	\$352,841
Pegasus Transtech Corporation	\$136,944
U.S. Retirement and Benefit Partners, Inc.	\$117,300
New Mountain Learning, LLC	\$93,362
Polytex Holdings LLC	\$14,274

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

For the year ended December 31, 2018, the Trust paid its Trustees aggregate remuneration of \$256,000. During the year, the Trust did not pay any compensation to any of its Trustees who are "interested persons" (as defined by the 1940 Act) of the Trust. The Trust classifies Messrs. Noreen and Joyal as "interested persons" of the Trust.

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

Mr. Noreen, one of the Trust's Trustees, is an "affiliated person" (as defined by the 1940 Act) of MassMutual and Barings.

Barings Participation Investors

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In addition to the amounts payable pursuant to the Contract, the Trust paid Barings \$3,831 to reimburse expenses paid on behalf of the Trust.

10. Certifications

As required under New York Stock Exchange ("NYSE") Corporate Governance Rules, the Trust's principal executive officer has certified to the NYSE that he was not aware, as of the certification date, of any violation by the Trust of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Trust's principal executive and principal financial officers have made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Trust's disclosure controls and procedures and internal control over financial reporting, as applicable.

11. Subsequent Events

The Trust has evaluated the possibility of subsequent events after the balance sheet date of December 31, 2018, through the date that the financial statements are issued. The Trust has determined that there are no material events that would require recognition or disclosure in this report through this date.





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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees of Barings Participation Investors

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of Barings Participation Investors and subsidiary (collectively, the "Trust"), including the consolidated schedule of investments, as of December 31, 2018, the related consolidated statements of operations and cash flows for the year then ended, the consolidated statements of changes in net assets for each of the years in the two-year period then ended, and the related notes (collectively, the consolidated financial statements) and the consolidated financial highlights for each of the years in the five-year period then ended. In our opinion, the consolidated financial statements and consolidated financial highlights present fairly, in all material respects, the financial position of the Trust as of December 31, 2018, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements and consolidated financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and consolidated financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements and consolidated financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements and consolidated financial highlights. Such procedures also included confirmation of securities owned as of December 31, 2018, by correspondence with custodians and brokers or by other appropriate auditing procedures when replies from brokers were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and consolidated financial highlights. We believe that our audits provide a reasonable basis for our opinion.

We have served as the auditor of the Trust since 2004.