

BARINGS PARTICIPATION INVESTORS
Form N-CSR
March 08, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

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.

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

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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

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.

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

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	Amount Per Share	Percent
\$1.08	0.4901	0.4901%	0.0053	0.4901%	0.0053	0%

***Not available to individual shareholders

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

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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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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

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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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	\$109,335 125,000	08/01/12	107,863	108,981
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	42,446 275,309	40,248 389,227
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
AM Conservation Holding Corp.				
A supplier of energy efficiency ("EE") products, including lighting, shower heads and aerators, and weatherization products such as door seals and weather stripping.				
11.5% (1.5% PIK) Senior Subordinated Note due 04/30/2023	\$1,568,182	10/31/16	\$1,548,972	\$1,561,850
11.5% (1.25% PIK) Senior Subordinated Note due 04/30/2023	\$206,039 156,818	10/06/17	202,621	204,792
Common Stock (B)	shs.	10/31/16	156,818 1,908,411	193,923 1,960,565
AMS Holding LLC				
A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.				
Limited Liability Company Unit Class A Preferred (B)(F)	114 uts.	10/04/12	113,636	221,379
API Technologies Corp.				
A designer, developer and manufacturer of electronic systems, subsystems, modules and secure communications for technically demanding defense, aerospace and commercial applications in the U.S. and internationally.				
Limited Liability Company Unit	0.40% int.	04/20/16	240,741	458,850
ASC Holdings, Inc.				
A manufacturer of capital equipment used by corrugated box manufacturers.				
13% (1% PIK) Senior Subordinated Note due 05/18/2021	\$763,789 111,100	11/19/15	756,053	700,809
Limited Liability Company Unit (B)	uts.	11/18/15	111,100 867,153	9,332 710,141
Audio Precision				
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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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
Aurora Parts & Accessories LLC				
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
Avantech Testing Services LLC				
A manufacturer of custom Non-Destructive Testing ("NDT") systems and provider of NDT and inspections services primarily to the oil country tubular goods market.				
15% (3.75% PIK) Senior Subordinated Note due 03/31/2021 (D)	\$6,777	07/31/14	6,650	—
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	—
BBB Industries LLC				
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
BCC Software, Inc.				
A provider of software and data solutions which enhance mail processing to help direct mail marketers realize discounts from the U.S. Postal Service, avoid penalties associated with mailing errors, and improve the accuracy and efficiency of marketing campaigns.				
12% (1% PIK) Senior Subordinated Note due 04/11/2023	\$1,510,174	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
BEI Precision Systems & Space Company, Inc.				
A provider of advanced design, manufacturing, and testing for custom optical encoder-based positioning systems, precision accelerometers, and micro scanners.				
12% (1% PIK) Senior Subordinated				
Note due 04/28/2024	\$1,473,398	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
Blue Wave Products, Inc.				
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
BlueSpire Holding, Inc.				
A marketing services firm that integrates strategy, technology, and content to deliver customized marketing solutions for clients in the senior living, financial services and healthcare end markets.				
Common Stock (B)	29,560 shs.	06/30/15	937,438	—
Brown Machine LLC				
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
Cadence, Inc.				
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
Cadent, LLC				

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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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
CHG Alternative Education Holding Company				
A leading provider of publicly-funded, for profit pre-K-12 education services targeting special needs children at therapeutic day schools and "at risk" youth through alternative education programs.				
13.5% (1.5% PIK) Senior Subordinated Note due 06/19/2020	\$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
Clarion Brands Holding Corp.				
A portfolio of six over-the-counter (OTC) pharmaceutical brands whose products are used to treat tinnitus or ringing of the ear, excessive sweating, urinary tract infections, muscle pain, and skin conditions.				
Limited Liability Company Unit (B)	1,853 uts.	07/18/16	189,267	298,771
Claritas Holdings, Inc.				
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
Clubessential LLC				
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
CORA Health Services, Inc.				
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
Del Real LLC				
A manufacturer and distributor of fully-prepared fresh refrigerated Hispanic entrees as well as side dishes that are typically sold on a heat-and-serve basis at retail grocers.				
11% Senior Subordinated Note due 04/06/2023	\$1,420,588 336,487	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
Discovery Education, Inc.				
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
DPL Holding Corporation				
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
DuBois Chemicals, Inc.				
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
Dunn Paper				
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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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
ECG Consulting Group				
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
Electronic Power Systems				
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
Elite Sportswear Holding, LLC				
A designer and manufacturer of gymnastics, competitive cheerleading and swimwear apparel in the U.S. and internationally.				
11.5% (1% PIK) Senior Subordinated Note due 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
English Color & Supply LLC				