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ANNUAL
REPORT

BABSON CAPITAL
GLOBAL SHORT DURATION
HIGH YIELD FUND



Babson Capital Global Short Duration High Yield Fund
c / o Babson Capital Management LLC
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Charlotte, NC 28202
704.805.7200
<http://www.BabsonCapital.com/bgh>

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SUB-ADVISOR
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London, UK
WC2B 4AE

COUNSEL TO THE FUND
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800 Boylston Street
Boston, Massachusetts 02110

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
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Two Financial Center
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Boston, Massachusetts 02111

CUSTODIAN
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MK-WI-S302
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TRANSFER AGENT & REGISTRAR
U.S. Bancorp Fund Services, LLC
615 E. Michigan St.
Milwaukee, WI 53202

FUND ADMINISTRATION/ACCOUNTING
U.S. Bancorp Fund Services, LLC
615 E. Michigan St.
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BGH
LISTED
NYSE

PROXY VOTING POLICIES & PROCEDURES

The Trustees of Babson Capital Global Short Duration High Yield Fund (the "Fund") have delegated proxy voting responsibilities relating to the voting of securities held by the Fund to Babson Capital Management LLC ("Babson Capital"). A description of Babson Capital's proxy voting policies and procedures is available (1) without charge, upon request, by calling, toll-free 1-866-399-1516; (2) on the Fund's website at <http://www.BabsonCapital.com/bgh>; and (3) on the U.S. Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

FORM N-Q

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

OFFICERS OF THE FUND

Russell Morrison
*President and Principal
Executive Officer*

Patrick Hoefling
*Chief Financial Officer and
Principal Financial and
Accounting Officer*

Andrew Lennon
Treasurer

Michael Freno
Vice President

Sean Feeley
Vice President

Scott Roth
Vice President

Melissa LaGrant
Chief Compliance Officer

Janice Bishop
Secretary/Chief Legal Officer

Michele Manha
Assistant Secretary

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

INVESTMENT OBJECTIVE & POLICY

Babson Capital Global Short Duration High Yield Fund (the “Fund”) was organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund is registered under the Investment Company Act of 1940, as amended, as a non-diversified, closed-end management investment company with its own investment objective. The Fund’s common shares are listed on the New York Stock Exchange under the symbol “BGH”.

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

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

Dear Fellow Shareholders,

It is our pleasure to provide you with the 2014 Annual Report for the Babson Capital Global Short Duration High Yield Fund (the “Fund”). We continue to believe our Global High Yield Investments Group is one of the largest teams primarily focused on North American and Western European credits and that the Fund offers investors a compelling portfolio of global high yield assets. We consider the Fund’s strong performance since inception as a testament to our approach in managing credit from a fundamental bottom-up perspective. Using the Group’s deep resources to apply our time-tested process, we believe we can continue to provide investors an attractive level of current income through relative value investing in the global high yield market.

We continue to believe that the global nature of the portfolio, primarily focusing on North American and Western European credits, may provide investors with additional benefits compared to a U.S.-only portfolio, such as additional diversification, higher credit quality, increased yield, and lower duration. We pay special attention to limiting the duration of the Fund while maintaining what we consider a reasonable amount of leverage.

Market Review

During the first half of 2014, investors flocked into the high yield asset class with strong inflows causing yields to approach all-time lows. As the third quarter progressed, the market experienced pockets of volatility, with July and September producing mostly negative returns and August mostly positive returns. Geopolitical concerns remained at the forefront but seemed to ease a little following the FOMC meeting, the first Targeted Long-Term Refinancing Operation (TLTRO) allotment and Scottish independence vote results.

Global high yield new issuance was very strong at the start of the third quarter, then slowed down during the summer and picked up again post Labor Day. The pipeline, especially in the U.S., was very robust post Labor Day, with a larger percentage of new issuance being “new money” transactions, including M&A. Retail mutual funds across the U.S. and Europe experienced outflows during the quarter, including outflows of \$11.4 billion in July from U.S. high yield bond funds – the largest monthly outflow since July 2013. As a result, by the end of the quarter spreads and yields on high yield bonds widened in the U.S. and Europe.

The negative trend in high yield continued into mid-October, when high yield markets began to recover. However, in late-November, following OPEC’s announcement that it was not reducing oil production quotas, the tone turned more negative as oil prices plunged and volatility increased in the high yield market. Absent the energy sector, the U.S. high yield markets were generally positive until late in the fourth quarter when most sectors started to trend into negative territory. Overall, the U.S. high yield bond market has a large exposure to the energy sector (14-18%) while the European high yield bond market has minimal energy exposure.

After \$5.6 billion of inflows into U.S. high yield bond mutual funds in October and November, the quarter ended with \$10.1 billion of outflows in December as investor sentiment for risk assets became unfavorable, resulting in outflows of \$23.8 billion for the full year. European high yield bond mutual funds had outflows of €2.0 billion during the quarter and inflows of €4.0 billion for the full year. As a continuation from the third quarter, spreads and yields widened again across bonds in the U.S. and Europe and ultimately ended wider than the start of the year.

Babson Capital Global Short Duration High Yield Fund Overview and Performance

The Fund ended December with a portfolio of 130 issuers, which is a decrease from the beginning of the year of 139 issuers. A majority of the issuers are domiciled in the U.S. (57.5%) with the U.K. (20.9%) and Canada (4.4%) representing the next largest country exposures – see Country Composition chart on page 4. From a geographic standpoint, exposure to U.S. domiciled companies decreased and exposure to foreign issuers increased since the beginning of the year. While maintaining a significant presence in the U.S. market, we continue to take advantage of opportunistic investments in Western Europe to further diversify the portfolio, reduce duration, potentially increase the yield profile and look to mitigate market volatility.

As of December 31, 2014, the Fund remained well positioned across the credit quality spectrum: 8.8% BB-rated, 73.2% B-rated, and 10.6% CCC-rated and below, with over 60% of the portfolio consisting of senior secured obligations, an increase of 7% from the beginning of the year. The credit quality of the portfolio improved marginally as well throughout the year with an increase in BB-rated credits, a decrease in B-rated credits and a modest increase in CCC-rated and below credits. Within the CCC-rated and below category, the majority of these assets are senior secured 2nd lien loans or short duration, yield-to-call high

yield bond paper. Based on our experience in the current market environment, we believe these senior secured 2nd lien loan assets offer the potential for compelling risk-adjusted returns and may provide the portfolio with added protection against principal loss in the event of an issuer's bankruptcy.

The Fund paid twelve consecutive monthly dividend payments of \$0.1677 per share in 2014 comprised of net investment income. The Fund also declared a special dividend at year-end of \$0.5873 per share comprised of additional net investment income as well as short-term and long-term capital gains. In total for the year, including the special dividend, the Fund paid investors \$2.60 per share, which we believe is an attractive level of yield for a global short duration high yield bond fund. The Fund's share price and net asset value ("NAV") ended the reporting period at \$20.19 and \$22.00, respectively, or at an 8.23% discount to NAV. Based on the Fund's share price and NAV on December 31, 2014, the Fund's market price and NAV distribution rates, excluding any special dividends, on an annualized basis were 9.97% and 9.15%, respectively. Assets acquired through leverage, which represented 25.03% of the Fund's total assets at year-end, were accretive to net investment income and benefited shareholders.

On a full year 2014 basis, the NAV total return was -2.25%, underperforming the global high yield bond market as measured by the Bank of America / Merrill Lynch Global Non-Financial High Yield Index (HNOC), which returned +2.14%. As mentioned above, December proved to be a tough month for the high yield market as many of the energy related companies faced significant selling pressure. Due to the Fund's overweight exposure to the energy sector compared to the Index, the Fund's performance was negatively impacted by the sell-off. At times, this selling pressure was indiscriminate and, in certain instances, higher-rated bonds experienced more selling than lower-rated bonds. The Fund attempted to take advantage of this market discrepancy by swapping some lower-rated energy exposure for higher-rated energy exposure, increasing the credit quality of the portfolio while maintaining the potential for capital appreciation. From a market value perspective, the total return for 2014 was -2.06%.

In Conclusion

As 2015 begins, there are a few themes potentially affecting the global high yield bond market that bear watching. Monetary policy will most likely be one key theme capturing the attention of the global high yield bond markets. In Europe, the market will be monitoring the effects of the ECB's quantitative easing program, and in the U.S. the timing and speed of an eventual increase in rates by the Fed will be debated and monitored. Further, any signs of stability in pricing levels for oil will be closely watched and may affect prices of energy-related corporates. Outside of the energy sector, we believe corporate fundamentals, including balance sheet leverage and earnings growth, will remain stable in the near term, most likely keeping default rates below historical averages for the near term. While performance for the global high yield bond market has become increasing volatile recently, we believe that overall market fundamentals remain favorable, which should continue to provide opportunities for attractive risk-adjusted returns for investors.

At Babson Capital, we take a long-term view of investing through market and economic cycles and adhere to a disciplined, repeatable investment process that is deeply rooted in fundamental bottom-up analysis. In times of market volatility we focus on our disciplined approach and emphasize our fundamental bottom-up research with the goal of preserving investor capital while seeking to capture such attractive capital appreciation opportunities as may exist. We continue to believe the Fund offers investors an attractive level of income.

From all of us at Babson, we value your commitment to the firm and the Fund, and appreciate the opportunity to help you achieve your investment objectives.

Sincerely,

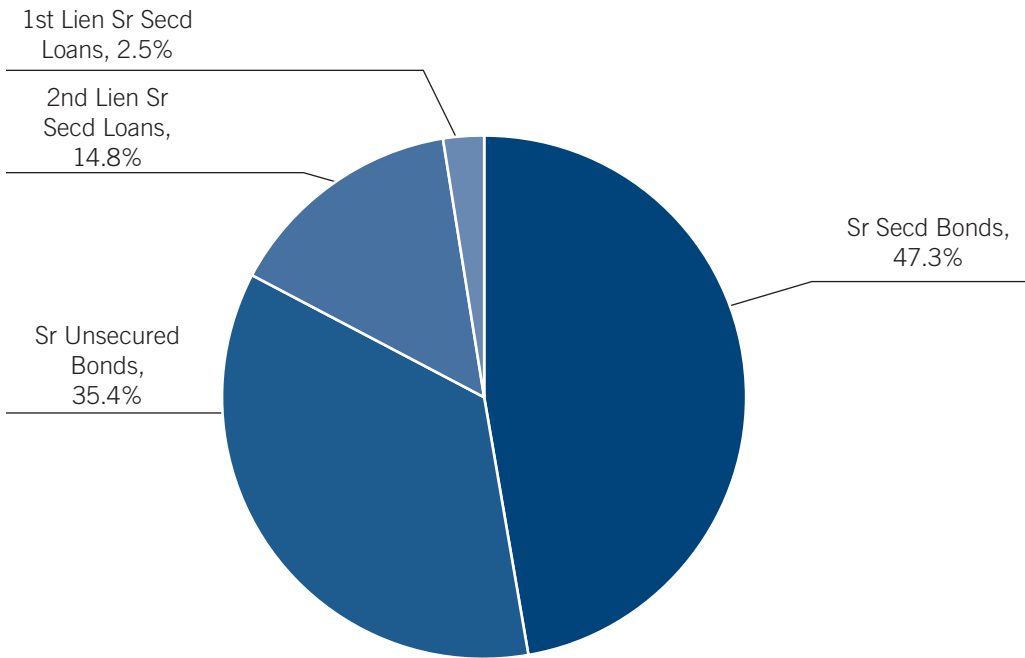


Russell Morrison

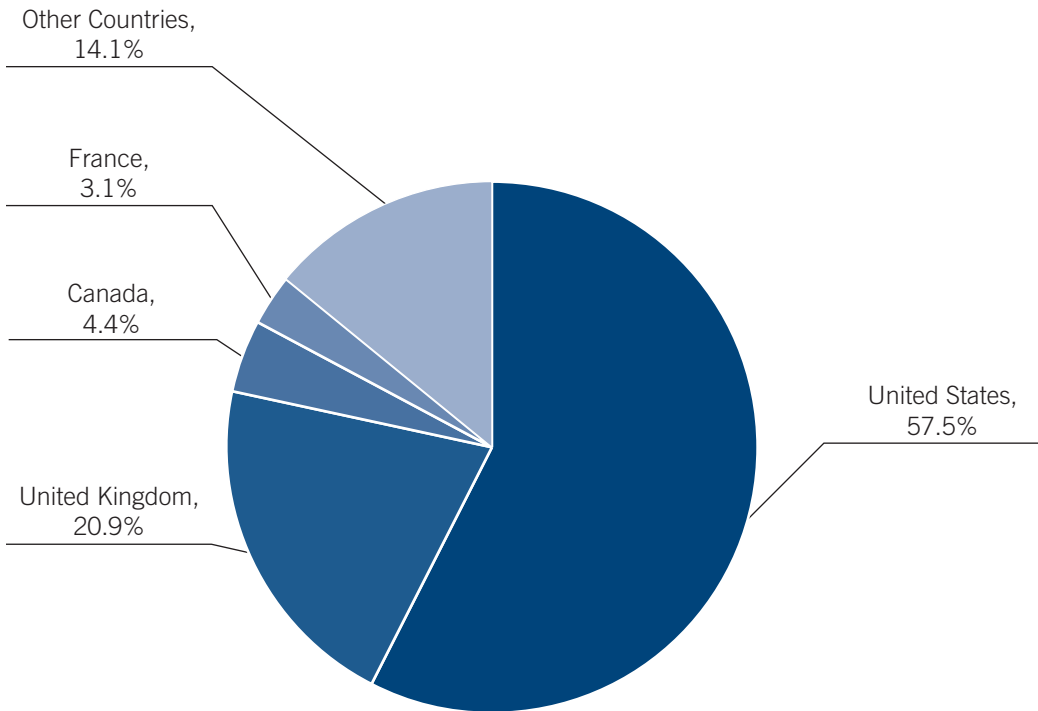
President and Principal Executive Officer

Babson Capital Global Short Duration High Yield Fund

PORTFOLIO COMPOSITION (% OF ASSETS*)



COUNTRY COMPOSITION (% OF ASSETS*)



* Percentage of assets are expressed by market value excluding cash and accrued income, and may vary over time. The percentages shown above represent a percentage of the assets as of December 31, 2014.

FINANCIAL REPORT

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STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2014

Assets	
Investments, at fair value (cost \$604,278,316)	\$570,001,153
Cash	27,787,425
Foreign currency, at fair value (cost \$688,519)	616,986
Receivable for investments sold	3,281,420
Interest receivable	10,199,516
Unrealized appreciation on forward foreign exchange contracts	1,266,290
Prepaid expenses and other assets	28,334
Total assets	613,181,124
Liabilities	
Note payable	153,500,000
Dividend payable	15,143,676
Payable for investments purchased	2,505,000
Payable to adviser	481,887
Unrealized depreciation on forward foreign exchange contracts	20,724
Accrued expenses and other liabilities	295,708
Total liabilities	171,946,995
Total net assets	\$ 441,234,129
Net Assets:	
Common stock, \$0.00001 par value	\$ 201
Additional paid-in capital	477,884,220
Undistributed net investment income	3,828,391
Accumulated net realized loss	(7,280,608)
Net unrealized depreciation	(33,198,075)
Total net assets	\$ 441,234,129
Common shares issued and outstanding (unlimited shares authorized)	20,057,849
Net asset value per share	\$ 22.00

See accompanying Notes to the Financial Statements.

STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2014
Investment Income	
Interest income	\$ 53,411,323
Other income	172,863
Total investment income	53,584,186
Operating Expenses	
Advisory fees	6,694,923
Administrator fees	2,057,176
Interest expense	1,802,881
Directors' fees	205,507
Professional fees	156,164
Printing and mailing expense	50,517
Registration fees	19,281
Other operating expenses	81,991
Total operating expenses	11,068,440
Net investment income	42,515,746
Realized and Unrealized Gains (Losses) on Investments	
Net realized loss on investments	(6,625,184)
Net realized gain on forward foreign exchange contracts	11,449,651
Net realized gain on foreign currency and translation	384,111
Net realized gain on investments	5,208,578
Net unrealized depreciation of investments	(64,710,520)
Net unrealized appreciation of forward foreign exchange contracts	4,420,643
Net unrealized depreciation of foreign currency and translation	(252,915)
Net unrealized depreciation on investments	(60,542,792)
Net realized and unrealized losses on investments	(55,334,214)
Net decrease in net assets resulting from operations	\$ (12,818,468)

See accompanying Notes to the Financial Statements.

STATEMENT OF CASH FLOWS

YEAR ENDED
DECEMBER 31, 2014

Reconciliation of net decrease in net assets resulting from operations to net cash used in operating activities

Net decrease in net assets applicable to common shareholders resulting from operations	\$ (12,818,468)
Adjustments to reconcile net decrease in net assets applicable to common shareholders resulting from operations to net cash provided by operating activities:	
Purchases of long-term investments	(431,411,001)
Proceeds from sales of long-term investments	415,834,139
Proceeds from foreign currency, net	296,895
Change in unrealized appreciation/depreciation on forward currency exchange contracts, net	(4,420,643)
Net unrealized depreciation	64,784,737
Net realized loss	6,625,184
Amortization and accretion	1,281,711
Changes in operating assets and liabilities:	
Decrease in interest receivable	1,359,091
Increase in prepaid expenses and other assets	(5,981)
Decrease in receivable for investments sold	6,813,445
Increase in payable for investments purchased	1,015,749
Decrease in payable to Adviser	(71,566)
Decrease in accrued expenses and other liabilities	(425,681)
Net cash provided by operating activities	48,857,611
Cash Flows From Financing Activities	
Advances from credit facility	37,000,000
Repayments on credit facility	(26,500,000)
Distributions paid to common shareholders	(46,592,377)
Net cash provided by financing activities	(36,092,377)
Net change in cash	12,765,234
Cash beginning of year	15,022,191
Cash end of year	\$ 27,787,425
Supplemental disclosure of cashflow information	
Income taxes paid	\$ -
Interest paid	1,652,361

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2013
Operations		
Net investment income	\$ 42,515,746	\$ 41,064,442
Net realized gain on investments	5,208,578	5,718,602
Net unrealized appreciation (depreciation) on investments	(60,542,792)	18,671,798
Net increase (decrease) in net assets resulting from operations	(12,818,468)	65,454,842
Dividends to Common Stockholders		
Net investment income	(51,354,913)	(40,359,347)
Net realized gain	(789,477)	(6,227,962)
Total dividends to common stockholders	(52,144,390)	(46,587,309)
Capital Stock Transactions		
Issuance from common shares issued on reinvestment of dividends (2014: 0; 2013: 13,099)	—	324,847
Net increase in net assets from capital stock transactions	—	324,847
Total increase (decrease) in net assets	(64,962,858)	19,192,380
Net Assets		
Beginning of year	506,196,987	487,004,607
End of year (including undistributed net investment income of \$3,828,391 and \$178,552)	\$ 441,234,129	\$ 506,196,987

See accompanying Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

	YEAR ENDED DECEMBER 31, 2014	YEAR ENDED DECEMBER 31, 2013	PERIOD FROM OCTOBER 26, 2012 ⁽¹⁾ THROUGH DECEMBER 31, 2012
Per Common Share Data ⁽²⁾			
Net asset value, beginning of period	\$ 25.24	\$ 24.30	23.82 ⁽³⁾
Income from investment operations:			
Net investment income	2.12	2.05	0.18
Net realized and unrealized gains (losses) on investments	(2.76)	1.21	0.47
Total increase (decrease) from investment operations	(0.64)	3.26	0.65
Less dividends to common stockholders:			
Net investment income	(2.56)	(2.01)	(0.17)
Net realized gain	(0.04)	(0.31)	-
Total dividends to common stockholders	(2.60)	(2.32)	(0.17)
Net asset value, end of period	<u>\$ 22.00</u>	<u>\$ 25.24</u>	<u>\$ 24.30</u>
Per common share market value, end of period	<u>\$ 20.19</u>	<u>\$ 23.12</u>	<u>\$ 23.77</u>
Total investment return based on net asset value ⁽²⁾⁽⁴⁾	(2.25)%	14.48%	2.69%
Total investment return based on market value ⁽²⁾⁽⁴⁾	(2.06)%	7.20%	(4.27)%
Supplemental Data and Ratios			
Net assets, end of period (000's)	\$441,234	\$506,197	\$487,005
Ratio of expenses to average net assets	2.20%	2.06%	1.85% ⁽⁵⁾
Ratio of net investment income to average net assets	8.47%	8.20%	4.70% ⁽⁵⁾
Portfolio turnover rate ⁽²⁾	63.66%	60.87%	4.74%

(1) Commencement of operations.

(2) Not annualized.

(3) Net asset value at the beginning of the period reflects the deduction of the sales load and offering costs of \$1.18 per share paid by the shareholder from the \$25.00 offering price.

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

(5) Annualized for periods less than one full year.

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS

December 31, 2014

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income — 129.18%*:					
Bank Loans[§] — 22.35%*:					
Broadcasting and Entertainment — 0.40%*:					
Learfield Communications Inc.	8.75%	10/9/2021	1,800,000	\$1,816,822	\$1,782,000
Total Broadcasting and Entertainment			1,800,000	1,816,822	1,782,000
Buildings and Real Estate — 0.22%*:					
DTZ	9.25	10/28/2022	1,000,000	980,000	982,500
Total Buildings and Real Estate			1,000,000	980,000	982,500
Cargo Transport — 1.01%*:					
Direct ChassisLink Inc. (add on facility)	8.25	11/12/2019	642,711	642,711	624,996
Direct ChassisLink Inc.	8.25	11/12/2019	3,961,905	3,904,363	3,852,286
Total Cargo Transport			4,604,616	4,547,074	4,477,282
Chemicals, Plastics and Rubber — 0.73%*:					
Flint Group Holdings [†]	8.25	9/30/2022	3,451,145	3,437,762	3,244,077
Total Chemicals, Plastics and Rubber			3,451,145	3,437,762	3,244,077
Diversified/Conglomerate Service — 1.72%*:					
Redprarie Corporation	6.00	12/21/2018	2,947,725	2,898,771	2,732,187
Redprarie Corporation	11.25	12/21/2019	5,773,672	5,786,150	4,854,677
Total Diversified/Conglomerate Service			8,721,397	8,684,921	7,586,864
Electronics — 1.85%*:					
Kronos, Inc.	9.75	4/30/2020	7,485,880	7,411,033	7,598,168
TIBCO Software, Inc.	6.50	12/7/2020	576,632	547,989	557,413
Total Electronics			8,062,512	7,959,022	8,155,581
Farming and Agriculture — 1.38%*:					
Allflex Holdings, Inc.	8.00	7/17/2021	6,232,322	6,233,725	6,076,514
Total Farming and Agriculture			6,232,322	6,233,725	6,076,514
Finance — 1.75%*:					
Confie Seguros Holding	10.25	5/8/2019	2,380,257	2,355,228	2,366,880
Cunningham Lindsey Group, Inc.	9.25	6/10/2020	5,504,015	5,519,579	5,338,895
Total Finance			7,884,272	7,874,807	7,705,775
Healthcare, Education and Childcare — 0.75%*:					
Sage Products Holdings III, LLC	9.25	6/13/2020	3,325,292	3,275,431	3,292,039
Total Healthcare, Education and Childcare			3,325,292	3,275,431	3,292,039
Mining, Steel, Iron and Non-Precious Metals — 0.99%*:					
Boomerang Tube, LLC	11.00	10/11/2017	5,089,201	5,054,902	4,376,713
Total Mining, Steel, Iron and Non-Precious Metals			5,089,201	5,054,902	4,376,713

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Bank Loans (Continued)					
Oil and Gas — 9.52%*:					
Bowie Resource Partners LLC	6.75%	8/14/2020	242,390	\$242,390	\$238,754
Caelus Energy Alaska	8.75	4/15/2020	15,863,828	15,664,991	13,880,850
Fieldwood Energy LLC	8.38	9/30/2020	9,420,185	8,709,229	6,841,409
Jonah Energy LLC	7.50	5/12/2021	1,963,216	1,980,878	1,668,734
MD America Energy, LLC	9.50	8/4/2019	6,922,738	6,592,439	6,576,601
NFR Energy LLC	8.75	12/31/2018	7,684,465	7,782,350	5,840,193
Templar Energy	8.50	9/30/2021	9,700,000	9,414,446	6,945,200
Total Oil and Gas			<u>51,796,822</u>	<u>50,386,723</u>	<u>41,991,741</u>
Printing and Publishing — 0.08%*:					
Wausau Paper Corp.	6.50	7/30/2020	363,086	356,066	359,455
Total Printing and Publishing			<u>363,086</u>	<u>356,066</u>	<u>359,455</u>
Retail Store — 0.65%*:					
FleetPride	9.25	5/19/2020	3,000,000	2,945,890	2,880,000
Total Retail Store			<u>3,000,000</u>	<u>2,945,890</u>	<u>2,880,000</u>
Telecommunications — 1.30%*:					
Eircom Finance Ltd+	4.58	9/30/2019	5,000,000	6,646,638	5,717,501
Total Telecommunications			<u>5,000,000</u>	<u>6,646,638</u>	<u>5,717,501</u>
Total Bank Loans			<u>110,330,665</u>	<u>110,199,783</u>	<u>98,628,042</u>
Corporate Bonds — 106.83%*:					
Aerospace and Defense — 0.95%*:					
Intrepid Aviation Group Holdings#^	6.88	2/15/2019	4,325,000	4,325,000	4,195,250
Total Aerospace and Defense			<u>4,325,000</u>	<u>4,325,000</u>	<u>4,195,250</u>
Automobile — 8.96%*:					
Accuride Corp#	9.50	8/1/2018	11,210,000	11,303,665	11,546,300
Affinia#	7.75	5/1/2021	3,240,000	3,330,697	3,337,200
Allied Specialty Vehicles#^	8.50	11/1/2019	6,000,000	5,965,020	6,285,000
J.B. Poindexter & Co. Inc.#^	9.00	4/1/2022	8,235,000	8,609,026	8,893,800
International Automotive Components Group, S.A.#^	9.13	6/1/2018	7,491,000	7,593,197	7,809,367
Tupy SA#+^	6.63	7/17/2024	1,750,000	1,750,000	1,680,000
Total Automobile			<u>37,926,000</u>	<u>38,551,605</u>	<u>39,551,667</u>
Banking — 0.58%*:					
Lock AS+^	7.00	8/15/2021	2,050,000	2,665,385	2,563,709
Total Banking			<u>2,050,000</u>	<u>2,665,385</u>	<u>2,563,709</u>
Beverage, Food and Tobacco — 2.15%*:					
EWOS+^	6.75	11/1/2020	2,300,000	3,137,881	2,508,289
Findus+^	9.13	7/1/2018	1,850,000	2,420,728	2,361,721

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Beverage, Food and Tobacco (Continued)					
Findus ⁺	9.50%	7/1/2018	1,500,000	\$2,620,712	\$2,460,645
Pizza Express ⁺	6.63	8/1/2021	1,350,000	2,293,227	2,144,745
Total Beverage, Food and Tobacco			<u>7,000,000</u>	<u>10,472,548</u>	<u>9,475,400</u>
Broadcasting and Entertainment — 2.81%*:					
Arqiva Finance ⁺	9.50	3/31/2020	5,000,000	7,903,261	8,552,837
RCN Cable [#]	8.50	8/15/2020	3,733,000	3,860,198	3,844,990
Total Broadcasting and Entertainment			<u>8,733,000</u>	<u>11,763,459</u>	<u>12,397,827</u>
Buildings and Real Estate — 5.26%*:					
Forestar Real Estate Group Inc. [#]	8.50	6/1/2022	6,591,000	6,815,626	6,426,225
Keystone Financing ⁺	9.50	10/15/2019	2,650,000	4,262,488	4,047,693
Lyon Williams Homes, Inc. [#]	8.50	11/15/2020	8,000,000	8,047,619	8,620,000
Monier Holdings SCA ⁺	5.20	10/15/2020	100,000	138,845	121,123
Paroc Group ⁺	6.25	5/15/2020	1,050,000	1,444,431	1,187,970
Roofing Supply LLC [#]	10.00	6/1/2020	2,834,000	3,067,077	2,811,045
Total Buildings and Real Estate			<u>21,225,000</u>	<u>23,776,086</u>	<u>23,214,056</u>
Cargo Transport — 3.64%*:					
Kenan Advantage Group, Inc. [#]	8.38	12/15/2018	10,750,000	10,862,397	11,072,500
Moto Hospitality Limited [#]	10.25	3/15/2017	2,000,000	3,142,080	3,280,860
Quality Distribution Inc. [#]	9.88	11/1/2018	1,632,000	1,721,151	1,701,360
Total Cargo Transport			<u>14,382,000</u>	<u>15,725,628</u>	<u>16,054,720</u>
Chemicals, Plastics and Rubber — 6.68%*:					
Associated Asphalt Partners LLC [#]	8.50	2/15/2018	2,069,000	2,069,000	1,965,550
Ciech Group Finance [#]	9.50	11/30/2019	2,100,000	2,804,799	2,801,830
Consolidated Energy Finance S.A. [#]	6.75	10/15/2019	2,612,000	2,585,880	2,553,230
Cornerstone Chemical Co. [#]	9.38	3/15/2018	7,975,000	8,159,270	8,134,500
LSB Industries, Inc. [#]	7.75	8/1/2019	3,000,000	3,000,000	3,120,000
Omnova Solutions, Inc. [#]	7.88	11/1/2018	1,304,000	1,327,401	1,317,040
Pinnacle Operating Corp. [#]	9.00	11/15/2020	2,635,000	2,642,224	2,714,050
TPC Group, Inc. [#]	8.75	12/15/2020	7,065,000	7,137,945	6,870,712
Total Chemicals, Plastics and Rubber			<u>28,760,000</u>	<u>29,726,519</u>	<u>29,476,912</u>
Containers, Packaging and Glass — 2.30%*:					
Innovia Group Finance ⁺	5.08	3/31/2020	750,000	1,021,099	830,399
Multi Packaging Solutions, Inc. [#]	8.50	8/15/2021	6,105,000	6,138,716	5,799,750
Paperworks Industries, Inc. [#]	9.50	8/15/2019	3,500,000	3,577,941	3,500,000
Total Containers, Packaging and Glass			<u>10,355,000</u>	<u>10,737,756</u>	<u>10,130,149</u>
Diversified/Conglomerate Manufacturing — 3.29%*:					
Appvion Inc. [#]	9.00	6/1/2020	13,200,000	13,448,277	9,042,000
Carlisle Transportation Products [#]	8.25	12/15/2019	1,950,000	1,950,000	2,057,250
Heat Exchangers ⁺	5.38	6/15/2021	300,000	408,886	359,277

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Diversified/Conglomerate Manufacturing (Continued)					
StoneMor Partners L.P.#^	7.88%	6/1/2021	3,000,000	\$2,944,274	\$3,060,000
Total Diversified/Conglomerate Manufacturing			<u>18,450,000</u>	<u>18,751,437</u>	<u>14,518,527</u>
Diversified/Conglomerate Service — 1.71%*:					
Bravida+^	5.65	6/15/2019	4,500,000	685,636	577,974
Carlson Travel Holdings Inc.#^	7.50	8/15/2019	2,690,000	2,731,631	2,710,175
Verisure Holdings#+^	6.66	9/1/2018	3,500,000	4,475,420	4,277,538
Total Diversified/Conglomerate Service			<u>10,690,000</u>	<u>7,892,687</u>	<u>7,565,687</u>
Diversified Natural Resources, Precious Metals and Minerals — 0.99%*:					
Lecta S.A.#+^	8.88	5/15/2019	1,090,000	1,423,022	1,380,949
Lecta S.A.#+^	5.58	5/15/2018	2,600,000	3,276,761	2,988,831
Total Diversified Natural Resources, Precious Metals and Minerals			<u>3,690,000</u>	<u>4,699,783</u>	<u>4,369,780</u>
Electronics — 1.92%*:					
International Wire Group, Inc.#^	8.50	10/15/2017	8,086,000	8,201,978	8,470,085
Total Electronics			<u>8,086,000</u>	<u>8,201,978</u>	<u>8,470,085</u>
Farming and Agriculture — 0.85%*:					
Chiquita Brands International Inc.#	7.88	2/1/2021	3,481,000	3,455,728	3,742,075
Total Farming and Agriculture			<u>3,481,000</u>	<u>3,455,728</u>	<u>3,742,075</u>
Finance — 7.86%*:					
Cabot Financial+^	6.50	4/1/2021	300,000	494,821	438,123
Cabot Financial#+^	10.38	10/1/2019	3,750,000	6,271,080	6,355,946
Cerved Holding Spa+^	8.00	1/15/2021	2,700,000	3,610,696	3,523,614
First Data Corp.#	11.25	1/15/2021	3,896,000	3,888,500	4,421,960
Galaxy Bidco Ltd.+^	6.38	11/15/2020	650,000	1,053,229	987,258
Galaxy Finco Ltd.+^	7.88	11/15/2021	3,900,000	6,352,043	5,586,191
Lowell Group Financing PLC#+^	10.75	4/1/2019	3,000,000	5,119,395	5,049,875
Lowell Group Financing PLC+^	5.88	4/1/2019	650,000	1,083,586	934,578
Marlin Financial+^	10.50	8/1/2020	1,850,000	2,949,081	3,178,246
TMF Group Holding#+^	5.46	12/1/2018	1,400,000	1,802,552	1,702,494
TMF Group Holding+^	9.88	12/1/2019	2,000,000	2,681,833	2,486,659
Total Finance			<u>24,096,000</u>	<u>35,306,816</u>	<u>34,664,944</u>
Grocery — 0.24%*:					
Premier Foods Finance+^	6.50	3/15/2021	800,000	1,329,152	1,069,825
Total Grocery			<u>800,000</u>	<u>1,329,152</u>	<u>1,069,825</u>
Healthcare, Education and Childcare — 9.72%*:					
Crown Newco PLC#+^	8.88	2/15/2019	6,600,000	10,904,729	10,595,387
Elli Finance+^	8.75	6/15/2019	5,000,000	8,703,605	7,871,057

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Healthcare, Education and Childcare (Continued)					
HomeVi SAS ⁺	6.88%	8/15/2021	1,450,000	\$1,941,618	\$1,844,499
Kindred Healthcare, Inc. [^]	8.75	1/15/2023	3,199,000	3,199,000	3,442,924
Prospect Medical Holdings Inc. ^{#^}	8.38	5/1/2019	5,000,000	5,072,653	5,337,500
Tenet Healthcare Corporation [#]	8.13	4/1/2022	3,700,000	3,700,000	4,134,750
Unilabs ⁺	7.45	7/15/2018	2,600,000	3,584,090	3,124,115
Unilabs ⁺	8.50	7/15/2018	2,450,000	3,207,478	3,009,100
Valeant ^{#+^}	7.50	7/15/2021	3,260,000	3,260,000	3,520,800
Total Healthcare, Education and Childcare			<u>33,259,000</u>	<u>43,573,173</u>	<u>42,880,132</u>
Hotels, Motels, Inns and Gaming — 0.75%*:					
Gala Group Finance ^{#+}	8.88	9/1/2018	2,025,000	3,262,286	3,298,326
Total Hotels, Motels, Inns and Gaming			<u>2,025,000</u>	<u>3,262,286</u>	<u>3,298,326</u>
Insurance — 2.18%*:					
Hastings Insurance Group ⁺	8.00	10/21/2020	3,550,000	5,722,958	5,704,478
Onex York Acquisition Corp. ^{#^}	8.50	10/1/2022	3,524,000	3,524,000	3,524,000
Towergate Finance PLC ⁺	8.50	2/15/2018	300,000	467,574	414,043
Total Insurance			<u>7,374,000</u>	<u>9,714,532</u>	<u>9,642,521</u>
Leisure, Amusement, Motion Pictures and Entertainment — 3.36%*:					
Palace Entertainment Holdings ^{#^}	8.88	4/15/2017	4,324,000	4,436,922	4,388,860
Travelex ⁺	8.00	8/1/2018	2,800,000	4,351,222	4,569,202
Vue Cinimas ⁺	7.88	7/15/2020	3,650,000	5,862,044	5,888,014
Total Leisure, Amusement, Motion Pictures and Entertainment			<u>10,774,000</u>	<u>14,650,188</u>	<u>14,846,076</u>
Machinery (Non-Agriculture, Non-Construct, Non-Electronic) — 3.01%*:					
KM Germany Holding ⁺	8.75	12/15/2020	1,305,000	1,688,927	1,709,081
Milacron LLC ^{#^}	8.38	5/15/2019	4,640,000	4,734,930	4,918,400
Xerium Technologies [#]	8.88	6/15/2018	6,324,000	6,362,574	6,644,152
Total Machinery (Non-Agriculture, Non-Construct, Non-Electronic)			<u>12,269,000</u>	<u>12,786,431</u>	<u>13,271,633</u>
Mining, Steel, Iron and Non-Precious Metals — 2.52%*:					
Constellium Holdco B.V. ⁺	7.00	1/15/2023	2,250,000	2,764,909	2,610,311
First Quantum Minerals Ltd. ^{#+^}	7.25	5/15/2022	1,300,000	1,300,000	1,170,000
Hecla Mining Company [#]	6.88	5/1/2021	4,388,000	4,357,176	3,861,440
Murray Energy Corp. ^{#^}	8.63	6/15/2021	1,050,000	1,098,189	1,002,750
Murray Energy Corp. ^{#^}	9.50	12/5/2020	2,492,000	2,730,690	2,492,000
Total Mining, Steel, Iron and Non-Precious Metals			<u>11,480,000</u>	<u>12,250,964</u>	<u>11,136,501</u>
Oil and Gas — 18.34%*:					
American Energy — Woodford, LLC ^{#^}	9.00	9/15/2022	1,791,000	1,719,435	1,146,240
Baytex Energy Ltd. ⁺	5.63	6/1/2024	4,000,000	3,253,496	3,400,000

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Oil and Gas (Continued)					
Calumet Specialty Products#	7.63%	1/15/2022	1,135,000	\$1,117,907	\$1,049,875
Calumet Specialty Products#^	6.50	4/15/2021	8,000,000	7,922,308	7,120,000
CHC Helicopter#+	9.25	10/15/2020	1,722,600	1,754,328	1,675,228
CHC Helicopter#	9.38	6/1/2021	3,250,000	3,342,885	3,038,750
Era Group Inc.#	7.75	12/15/2022	6,019,000	5,985,600	6,199,570
Ferrelgas Partners LP#	8.63	6/15/2020	7,135,000	7,019,518	7,152,837
Headwaters, Inc.#	7.63	4/1/2019	3,000,000	3,096,589	3,127,500
Jupiter Resources Inc.#+^	8.50	10/1/2022	14,325,000	13,672,540	10,779,562
Kosmos Energy Ltd.#+^	7.88	8/1/2021	2,722,000	2,531,471	2,300,090
Millennium Offshore#+^	9.50	2/15/2018	6,000,000	6,000,000	5,970,000
Niska Gas Storage#+^	6.50	4/1/2019	7,850,000	7,752,482	5,907,125
Pbf Holding Company LLC#	8.25	2/15/2020	6,000,000	6,228,936	6,030,000
Resolute Energy Corp.#	8.50	5/1/2020	7,285,000	7,414,073	3,669,819
Tesoro Logistics, L.P.^	6.25	10/15/2022	938,000	938,000	935,655
Topaz Marine SA#+^	8.63	11/1/2018	6,877,000	6,917,247	6,318,588
Welltec#+^	8.00	2/1/2019	5,500,000	5,677,314	5,115,000
Total Oil and Gas			<u>93,549,600</u>	<u>92,344,129</u>	<u>80,935,839</u>
Personal, Food and Miscellaneous — 2.51%*:					
Brake Brothers Acquisition PLC+^	7.13	12/15/2018	5,000,000	8,309,588	7,695,605
Teamsystem S.P.A.+^	7.38	5/15/2020	2,680,000	3,548,878	3,384,010
Total Personal, Food and Miscellaneous			<u>7,680,000</u>	<u>11,858,466</u>	<u>11,079,615</u>
Printing and Publishing — 0.97%*:					
R.R. Donnelley & Sons Company	7.88	3/15/2021	2,570,000	2,557,150	2,839,850
Zebra Technologies Corp.#^	7.25	10/15/2022	1,359,000	1,359,000	1,426,950
Total Printing and Publishing			<u>3,929,000</u>	<u>3,916,150</u>	<u>4,266,800</u>
Retail Store — 8.54%*:					
Boing Group Finance+^	6.63	7/15/2019	3,050,000	4,168,485	3,417,627
BrightHouse Group PLC+^	7.88	5/15/2018	2,000,000	3,113,609	2,992,519
GRD Holding Corp.#^	10.75	6/1/2019	3,150,000	3,212,442	3,441,375
HD Supply, Inc.#	11.50	7/15/2020	5,000,000	5,244,281	5,725,000
House Fraser PLC#+^	8.88	8/15/2018	6,500,000	10,646,589	10,637,469
HSS Financing PLC+^	6.75	8/1/2019	450,000	744,885	722,413
New Look Retail Group Limited+^	8.75	5/14/2018	5,000,000	7,717,424	8,172,927
Pantry, Inc#	8.38	8/1/2020	875,000	903,126	958,125
Takko Fashion+^	9.88	4/15/2019	3,800,000	4,985,553	1,609,371
Total Retail Store			<u>29,825,000</u>	<u>40,736,394</u>	<u>37,676,826</u>
Telecommunications — 3.11%*:					
Altice S.A.#+^	7.75	5/15/2022	3,240,000	3,240,000	3,246,075
Eircom Finance Ltd+^	9.25	5/15/2020	1,450,000	2,141,562	1,892,750
Numericable Group+^	5.38	5/15/2022	700,000	967,158	874,142
Numericable Group+	5.63	5/15/2024	950,000	1,312,572	1,189,785

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Telecommunications (Continued)					
Numericable Group ⁺ [^]	6.00%	5/15/2022	1,280,000	\$1,280,000	\$1,287,040
Numericable Group ⁺ [^]	6.25	5/15/2024	690,000	690,000	695,175
Sprint Nextel Corporation [#]	7.25	9/15/2021	2,650,000	2,650,000	2,626,812
UPC Broadband ⁺ [^]	6.75	3/15/2023	430,000	454,018	471,651
Wind Acquisition ⁺ [^]	7.00	4/23/2021	1,200,000	1,655,698	1,419,799
Total Telecommunications			<u>12,590,000</u>	<u>14,391,008</u>	<u>13,703,229</u>
Textiles & Leather — 1.63%*:					
Perry Ellis International Inc [#]	7.88	4/1/2019	7,000,000	7,213,245	7,175,000
Total Textiles & Leather			<u>7,000,000</u>	<u>7,213,245</u>	<u>7,175,000</u>
Total Corporate Bonds			<u>435,803,600</u>	<u>494,078,533</u>	<u>471,373,111</u>
Total Fixed Income			<u>546,134,265</u>	<u>604,278,316</u>	<u>570,001,153</u>
Other assets and liabilities — (29.18)%					(128,767,024)
Net Assets — 100%					<u>\$441,234,129</u>

‡ The effective interest rates are based on settled commitment amount.

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

+ Foreign security.

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

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

§ Bank loans are exempt from registration under the Securities Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rates shown for bank loans are the current interest rates at December 31, 2014. Bank loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown.

Distributions of investments by country of risk. Percentage of assets are expressed by market value excluding cash and accrued income as of December 31, 2014.

United States	57.5%
United Kingdom	20.9%
Canada	4.4%
France	3.1%
Sweden	1.9%
Italy	1.5%
Ireland	1.3%
Netherlands	1.3%
Germany	1.2%
Azerbaijan	1.1%
United Arab Emirates	1.1%
(Individually less than 1%)	4.7%
	<u>100.0%</u>

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

Forward Foreign Exchange Contracts at 12/31/2014

COUNTERPARTY	CURRENCY	CONTRACT TYPE	DELIVERY DATE	VALUE	AGGREGATE FACE VALUE	UNREALIZED APPRECIATION / (DEPRECIATION)
J.P. Morgan						
	Euros	Buy	1/15/2015	\$ 1,345,866	\$ 1,325,142	\$ (20,724)
	Euros	Sell	1/15/2015	(62,611,399)	(61,702,458)	908,941
	U.S. Dollars	Buy	1/15/2015	62,611,399	62,611,399	–
	U.S. Dollars	Sell	1/15/2015	(1,345,866)	(1,345,866)	–
				–	888,217	888,217
Morgan Stanley						
	British pounds	Sell	1/15/2015	\$(116,092,476)	\$(115,831,562)	\$260,914
	Euros	Sell	1/15/2015	(2,794,116)	(2,723,069)	71,047
	Swedish krona	Sell	1/15/2015	(630,363)	(612,668)	17,695
	Swiss francs	Sell	1/15/2015	(498,303)	(490,610)	7,693
	U.S. Dollars	Buy	1/15/2015	120,015,258	120,015,258	–
				–	357,349	357,349
				–	1,245,566	1,245,566

See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

1. Organization

Babson Capital Global Short Duration High Yield Fund (the “Fund”) was organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a non-diversified, closed-end management investment company.

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

Babson Capital Global Advisers Limited (“Sub-Adviser”), an indirect wholly-owned subsidiary of the Adviser will serve as a sub-adviser with respect to the Fund’s European investments.

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

2. Significant Accounting Policies

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

A. Valuation of Investments

The Fund’s investments in fixed income securities are generally valued using the prices provided directly by independent third party services or provided directly from one or more broker dealers or market makers, each in

accordance with the valuation policies and procedures approved by the Fund’s Board of Trustees (the “Board”).

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

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

The Board has determined that it is in the best interests of the Fund and its shareholders to delegate the Board’s responsibility to a Valuation Committee, made up of officers of the Fund and employees of the Adviser, for: (1) determining whether market quotations are readily available for investments held by the Fund; and (2) determining the fair value of investments held by the Fund for which market quotations are not readily available or are deemed not reliable by the Adviser. In certain cases, authorized pricing service vendors may not provide prices for a security held by the Fund, or the price provided by such pricing service vendor is deemed unreliable by the Adviser. In such cases, the Fund may use market maker quotations provided by an established market maker for that security (i.e. broker quotes) to value the security if the Adviser has experience obtaining quotations from the market maker and the Adviser determines that quotations obtained from the market maker in the past have generally been reliable (or, if the Adviser has no such experience with respect to a market maker, it determines based on other information available to it that quotations obtained by it from the market maker are reasonably likely to be reliable). In any such case, the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

Adviser will review any market quotations so obtained in light of other information in its possession for their general reliability.

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy is utilized to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or

liability, including assumptions about risk. For example, market participants would consider the risk inherent in a particular valuation technique used to measure fair value, such as a pricing model, and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical securities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

The following is a summary of the inputs used as of December 31, 2014 in valuing the Fund's investments.

DESCRIPTION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL INVESTMENTS
Assets:				
Fixed Income:				
Bank Loans	\$ -	\$ 94,150,760	\$4,477,282	\$ 98,628,042
Bonds	-	471,373,111	-	471,373,111
Total Fixed Income	\$ -	\$565,523,871	\$4,477,282	\$570,001,153
Derivative Securities:				
Foreign Exchange Contracts:	\$ -	\$ 1,266,290	\$ -	\$ 1,266,290
Total Derivative Securities	-	1,266,290	-	1,266,290
Total Assets	\$ -	\$566,790,161	\$4,477,282	\$571,267,443
Liabilities:				
Foreign Exchange Contracts	\$ -	\$ 20,724	\$ -	\$ 20,724
Total Liabilities:	\$ -	\$ 20,724	\$ -	\$ 20,724

The following table is a summary of quantitative information about significant unobservable valuation inputs for Level 3 fair value measurement for investments held as of December 31, 2014.

TYPE OF ASSETS	FAIR VALUE AS OF DECEMBER 31, 2014	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS
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Second Lien Term Loans

Direct ChassisLink, Inc.	\$4,477,282	Market Comparables	Average of broker quotes for comparable securities: \$97.97; Discount for lack of marketability: 1%.
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The Fund discloses transfers between levels based on valuations at the end of the reporting period. There were no transfers between Levels 1, 2, or 3 for the year ended December 31, 2014. The following is a reconciliation of Level 3 investments based upon the inputs used to determine fair value.

	BALANCE AS OF DECEMBER 31, 2013	PURCHASES	SALES	ACCRETION OF DISCOUNT	NET REALIZED GAIN (LOSS)	CHANGE IN UNREALIZED APPRECIATION/ DEPRECIATION	BALANCE AS OF DECEMBER 31, 2014	CHANGE IN UNREALIZED APPRECIATION/ DEPRECIATION FROM INVESTMENTS HELD AS OF DECEMBER 31, 2014
Fixed Income								
Bank Loan	\$4,000,000	\$645,940	\$(41,325)	\$1,483	\$556	\$(129,372)	\$4,477,282	\$(129,372)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

B. Cash and Cash Equivalents

Cash and cash equivalents consist principally of short term investments that are readily convertible into cash and have original maturities of three months or less. At December 31, 2014, all cash and cash equivalents are held by U.S. Bank, N.A.

C. Investment Transactions, Related Investment Income and Expenses

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

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

Expenses are recorded on the accrual basis as incurred.

D. Use of Estimates

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

E. Federal Income Taxation

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

F. Dividends and Distributions

The Fund declares and pays dividends monthly from net investment income. To the extent that these distributions exceed net investment income, they may be classified as return of capital. The Fund also pays a distribution at least annually from its net realized capital gains, if any. Dividends and distributions are recorded on the ex-dividend date. All common shares have equal dividend and other distribution rights. A notice disclosing the source(s) of a distribution will be provided if payment is made from any source other than net investment income. Any such notice would be provided only for informational purposes in order

to comply with the requirements of Section 19(a) of the 1940 Act and not for tax reporting purposes. The tax composition of the Fund's distributions for each calendar year is reported on Internal Revenue Service Form 1099-DIV.

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

G. Derivative Instruments

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

Forward Foreign Exchange Contracts – The Fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. The Fund transacted in and currently holds forward foreign exchange contracts to hedge against changes in the value of foreign currencies. The Fund entered into forward foreign exchange contracts obligating the Fund to deliver or receive a currency at a specified future date. Forward foreign exchange contracts are valued daily and unrealized appreciation or depreciation is recorded daily as the difference between the contract exchange rate and the closing forward rate applied to the face amount of the contract. A realized gain or loss is recorded at the time the forward contract expires. Credit risk may arise as a result of the failure of the counterparty to comply with the terms of the contract. The Fund considers the creditworthiness of each counterparty to a contract in evaluating potential credit risk quarterly. The Fund is also subject to credit risk with respect to the counterparties to the derivative contracts which are not cleared through a central counterparty but instead are traded over-the-counter between two counterparties. If a counterparty to an over-the-counter derivative becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. The counterparty risk for

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

cleared derivatives is generally lower than for uncleared over-the-counter derivative transactions since generally a clearing organization becomes substituted for each counterparty to a cleared derivative contract and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing house for performance of financial obligations. However, there can be no assurance that the clearing house, or its members, will satisfy its obligations to the Fund. In addition, in the event of a bankruptcy of a clearing house, the Fund could experience a loss of the funds deposited with such clearing house as margin and of any profits on its open positions. The counter party risk to the Fund is limited to the net unrealized gain, in any, on the contract.

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

The Fund recognized an asset on the Statement of Assets and Liabilities as a result of forward foreign exchange contracts with Morgan Stanley and J.P. Morgan. The Fund's policy is to recognize an asset equal to the net value of all forward foreign exchange contracts with an unrealized gain and a liability equal to the net value of all forward foreign exchange contracts with an unrealized loss. The Fund has recognized an asset of \$1,266,290 in net unrealized appreciation and a liability of \$20,724 in net unrealized depreciation on forward foreign exchange contracts. Outstanding forward foreign exchange contracts as of December 31, 2014 are indicative of the volume of activity during the period.

For the year ended December 31, 2014, the Fund's direct investment in derivatives consisted of forward foreign exchange contracts.

The following is a summary of the fair value of derivative instruments held directly by the Fund as of December 31, 2014. These derivatives are presented in the Schedule of Investments.

Fair values of derivative instruments on the Statement of Assets and Liabilities as of December 31, 2014:

STATEMENT OF ASSETS AND LIABILITIES		
DERIVATIVES	LOCATION	FAIR VALUE
Forward Foreign Exchange Contracts	Unrealized Appreciation	<u>\$1,266,290</u>
Total Asset Derivatives		<u>\$1,266,290</u>
Liability Derivatives		
Forward Foreign Exchange Contracts	Unrealized Depreciation	<u>\$ 20,724</u>
Total Liability Derivatives		<u>\$ 20,724</u>

The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2014:

Amount of Realized Gain/(Loss) on Derivatives

DERIVATIVES	FORWARD FOREIGN EXCHANGE CONTRACTS
Forward Foreign Exchange Contracts	<u>\$11,449,651</u>
Total	<u>\$11,449,651</u>

Change in Unrealized Appreciation/(Depreciation) on Derivatives

DERIVATIVES	FORWARD FOREIGN EXCHANGE CONTRACTS
Forward Foreign Exchange Contracts	<u>\$4,420,643</u>
Total	<u>\$4,423,643</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

H. Offsetting of Financial and Derivative Assets and Liabilities

The following is a summary by counterparty of the fair value of derivative investments subject to Master Netting Agreements and collateral pledged (received), if any, as of December 31, 2014.

	J.P. MORGAN	MORGAN STANLEY
Assets:		
Forward foreign exchange contracts	\$908,941	\$357,349
Total Assets	\$908,941	\$357,349
Liabilities:		
Forward foreign exchange contracts	\$ 20,724	\$ —
Total Liabilities	\$ 20,724	—
Net Exposure	\$888,217	\$357,349

I. Foreign Securities

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

J. Foreign Currency Translation

The books and records of the Fund are maintained in U.S. dollars. Foreign currency transactions are translated into U.S. dollars on the following basis: (i) market value of investment securities, assets and liabilities at the daily rates of exchange, and (ii) purchases and sales of investment securities, dividend and interest income and certain expenses at the rates of exchange prevailing on the respective dates of such transactions. For financial reporting purposes, the Fund does not isolate changes in the exchange rate of investment securities from the fluctuations arising from changes in the market prices of securities. However, for Federal income tax purposes, the Fund does isolate and treat as ordinary income the effect of changes in foreign exchange rates on realized gain or loss from the sale of investment securities and payables and receivables arising from trade-date and settlement-date differences.

K. Counterparty Risk

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

3. Advisory Fee

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

Subject to the supervision of the Adviser and the Board, the Sub-Adviser manages the investment and reinvestment of a portion of the assets of the Fund, as allocated from time to time to the Sub-Adviser by a global allocation investment committee composed of representatives of the Adviser and Sub-Adviser. The Adviser (not the Fund) will pay a portion of the fees it receives to the Sub-Adviser in return for its services.

4. Administrator Fee

The Fund has engaged U.S. Bancorp Fund Services, LLC ("US Bank") to serve as the Fund's administrator, fund accountant, and transfer agent. The Fund has engaged U.S. Bank, N.A. to serve as the Fund's custodian. The Fund has agreed to pay US Bank a fee payable at the end of each calendar month, at an annual rate of 0.30% of the Fund's average daily managed assets.

5. Income Taxes

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

The tax character of dividends paid to shareholders during the tax year ended in 2014, as noted below, was as follows:

	NET LONG TERM CAPITAL GAINS	TOTAL DISTRIBUTIONS PAID
ORDINARY INCOME		
\$51,354,913	\$789,477	\$52,144,390

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP. On December 31, 2014, undistributed net investment income was increased \$12,489,006 and accumulated net realized gain was decreased \$12,489,006. This reclassification has no effect on the net assets of the Fund.

The following information is provided on a tax basis as of December 31, 2014:

Cost of investments	<u>\$604,278,316</u>
Unrealized appreciation	11,031,607
Unrealized depreciation	<u>(45,308,770)</u>
Net unrealized appreciation (depreciation)	(34,277,163)
Undistributed ordinary income	5,073,957
Undistributed long term gains	<u>—</u>
Distributable earnings	5,073,957
Other accumulated gain/(loss)	<u>(7,447,086)</u>
Total accumulated gain/(loss)	<u>(36,650,292)</u>

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

FISCAL YEAR ENDED CAPITAL LOSS	AMOUNT	EXPIRATION
December 31, 2014	<u>\$2,702,651</u>	Unlimited
Total	\$2,702,651	

The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Fund’s tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on U.S. tax returns and state tax returns filed since inception of the Fund. No income tax returns are currently under examination. All tax years since commencement of operations remain subject to examination by the tax authorities in the United States. Due to the nature of the Fund’s investments, the Fund may be required to file income tax returns in several states. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

At December 31, 2014, the Fund deferred, on a tax basis, post-October losses of \$4,577,957.

6. Investment Transactions

For the year ended December 31, 2014, the Fund purchased (at cost) and sold securities in the amount of \$431,660,206 and \$415,834,270 (excluding short term debt securities), respectively.

7. Credit Facility

On November 8, 2012, the Fund entered into a \$200,000,000 credit facility with BNP Paribas Prime Brokerage International, Ltd. The credit facility previously had a variable annual interest rate equal to three-month LIBOR plus 0.90 percent. On January 6, 2014 the Fund entered an amended agreement with a variable annual interest rate of three-month LIBOR plus 0.80 percent. Unused portions of the credit facility will accrue a commitment fee equal to an annual rate of 0.65 percent.

Changes to the credit facility’s capacity for the year ended December 31, 2014 were as follows:

DATE OF CHANGE	PREVIOUS CAPACITY	NEW CAPACITY
Capacity at		
January 1, 2014:		\$144,000,000
January 28, 2014	\$144,000,000	\$150,000,000
January 30, 2014	\$150,000,000	\$160,000,000
February 26, 2014	\$160,000,000	\$170,000,000
March 28, 2014	\$170,000,000	\$180,000,000
October 23, 2014	\$180,000,000	\$170,000,000
December 11, 2014	\$170,000,000	\$153,500,000
Capacity at		
December 31, 2014:		\$153,500,000

The average principal balance and interest rate for the period during which the credit facility was utilized for the year ended December 31, 2014 was approximately \$171,300,000 and 1.04 percent, respectively. At December 31, 2014, the principal balance outstanding was \$153,500,000 at an interest rate of 1.06 percent.

8. Securities Lending

Through an agreement with the Fund, BNP may lend out securities the Fund has pledged as collateral on the note payable. In return, the Fund receives additional income that is netted against the interest charged on the outstanding credit facility balance. As of December 31, 2014 the total amount of income included in other income on the Statement of Operations associated to the Fund’s securities lending agreement was \$147,335.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

9. Common Stock

The Fund has unlimited shares authorized and 20,057,849 shares outstanding at December 31, 2013 and 2014.

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

For the year ended December 31, 2014, the Fund paid its Trustees aggregate remuneration of \$202,408. During the year, the Fund did not pay any compensation to any of its Trustees who are “interested persons” (as defined by the 1940 Act) of the Fund. The Fund classifies Mr. Finke as an interested person of the Fund.

All of the Fund’s officers are employees of the Adviser. Pursuant to the Agreement the Fund does not compensate its officers who are employees of the Adviser (except for the Chief Compliance Officer of the Fund unless assumed by the Adviser). For the year ended December 31, 2014, the Adviser paid the compensation of the Chief Compliance Officer of the Fund.

The Fund did not make any payments to the Adviser for the year ended December 31, 2014, other than the amounts payable to the Adviser pursuant to the Agreement.

11. Results of Shareholder Meeting

The Annual Meeting of Shareholders (“Annual Meeting”) was held on Wednesday, October 14, 2014. The Shareholders were asked to elect as Trustees Thomas W. Bunn and Thomas W. Okel for three-year terms. The

Shareholders approved the proposal. The results of Shareholder voting are set forth below:

	SHARES FOR	WITHHELD	TOTAL	% OF SHARES VOTED FOR
Thomas W. Bunn	18,029,031	238,044	18,267,075	89.89%
Thomas W. Okel	18,043,697	223,378	18,267,075	89.96%

The Fund’s other Trustees, Rodney J. Dillman, Thomas M. Finke, Bernard A. Harris, Jr. and Martin A. Sumichrast continued to serve their respective terms following the Annual Meeting.

12. Subsequent Events

The Fund has evaluated the possibility of subsequent events existing in this report through February 25, 2015. On January 2, 2015 the dividend payable of \$15,143,676 was paid to common shareholders. The dividend amount consisted of long-term capital gain and net investment income.

In addition, as of December 31, 2014, the borrowing capacity on the current note payable was \$153,500,000. On January 8, 2015, the note was paid down and borrowing capacity was decreased to \$148,500,000. On January 20, 2015, the note was paid down and borrowing capacity was decreased to \$141,500,000.

The Fund has concluded no additional subsequent events through February 25, 2015 require recognition or disclosure.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders
Babson Capital Global Short Duration High Yield Fund:

We have audited the accompanying statement of assets and liabilities of Babson Capital Global Short Duration High Yield Fund (the "Fund"), including the schedule of investments, as of December 31, 2014, and the related statements of operations and cash flows for the year then ended, the statements of changes in 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 two-year period ended December 31, 2014 and for the period from October 26, 2012 (commencement of operations) to December 31, 2012. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2014, by correspondence with custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Babson Capital Global Short Duration High Yield Fund as of December 31, 2014, the results of its operations and cash flows for the year then ended, the changes in its net assets and the financial highlights for each of the years or periods described above, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 25, 2015

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

INTERESTED TRUSTEE

NAME (AGE), ADDRESS	POSITION HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING PAST 5 YEARS
Thomas M. Finke (50) 550 South Tryon Street Charlotte, NC 28202	Trustee	Term expires 2016; Trustee since 2013	Chairman and Chief Executive Officer (since 2008), Member of the Board of Managers (since 2006), President (2007-2008), Managing Director (2002-2008), Babson Capital; Chief Investment Officer and Executive Vice President (2008-2011), Massachusetts Mutual Life Insurance Company.	3	Trustee (since 2013), Babson Capital Funds Trust (open-end investment company advised by the Adviser); Chairman (since 2012), Director (since 2008), Babson Capital Management (UK) Limited (investment advisory firm); Chairman and Director (since 2012), Babson Capital Global Advisors Limited (investment advisory firm); Director (since 2008), Babson Capital Guernsey Limited (holding company); Vice Chairman and Manager (since 2011), MM Asset Management Holding LLC (holding company); Manager (since 2011), Wood Creek Capital Management, LLC (investment advisory firm); Chairman and Director (since 2007), Cornerstone Real Estate Advisers LLC (real estate advisory firm); Director (since 2004), Jefferies Finance LLC (finance company); Manager (since 2007), Credit Strategies Management LLC (general partner of an investment fund); Manager (since 2005), Loan Strategies Management, LLC (general partner of an investment fund); Manager (since 2005), Jefferies Finance CP Funding LLC (investment company); Manager (2004-2012), Class C Member LLC (equity holding company); Chairman, Chief Executive Officer and Director (2009-2011), MassMutual Capital Partners, LLC (investment company); Director (2007-2011), Scottish Re Group Limited (reinsurance specialist); and Director (2000-2009), Babson Capital Japan KK (investment advisory firm).

INDEPENDENT TRUSTEES

NAME (AGE), ADDRESS	POSITION HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING PAST 5 YEARS
Thomas W. Bunn (61) 550 South Tryon Street Charlotte, NC 28202	Trustee	Term expires 2017; Trustee since 2013	Retired (since 2009); Vice Chairman (2005-2009), Head of National Banking (2006-2009), Head of Corporate and Investment Banking (2002-2006), KeyCorp (commercial and investment banking firm)	3	Trustee (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser); Director (since 2010), SquareTwo Financial (asset recovery and management firm); Director (since 2010), Southern Weaving Co. (webbing and sleeving design and manufacturing company); Trustee (since 2010), Wake Forest University Board of Trustees; Member (since 1998), Babcock School of Business Board of Visitors; Senior Operating Advisor (since 2010), Sound Harbor Partners (investment management firm); Director (2009-2014), Kiawah Island Conservancy; Director (since 2009), Nature Conservancy of North Carolina.
Rodney J. Dillman (62) 550 South Tryon Street Charlotte, NC 28202	Trustee, Chairman	Term expires 2015; Trustee since 2012	Deputy General Counsel (2011-2012), Senior Vice President (2008-2012), Vice President (2000-2008), Massachusetts Mutual Life Insurance Company; Member of the Board of Directors and President (2008-2011), MassMutual International LLC; General Counsel (2006-2008), Babson Capital Management LLC (the "Adviser")	3	Trustee (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser); Director (2008-2011), Compania de Seguros CorpVida S.A. (insurance company); Director (2009-2011), MassMutual Europe S.A. (insurance company); Director (2009-2010), Yingda Taihe Life Insurance Co.; Director (2008-2011), MassMutual Asia Limited (insurance company); Director (2008-2011), MassMutual Life Insurance Company; Director (2008-2010), MassMutual Mercuries Life Insurance Company; Director (2005-2010), The MassMutual Trust Company.
Dr. Bernard A. Harris, Jr. (58) 550 South Tryon Street Charlotte, NC 28202	Trustee, Audit Committee Chair	Term expires 2016; Trustee since 2012	Chief Executive Officer and Managing Partner (since 2002), Vesalius Ventures, Inc.; Director and President (since 1998), The Space Agency; President (since 1999), The Harris Foundation; Clinical Scientist, Flight Surgeon and Astronaut (1986-1996), NASA.	3	Trustee (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser); Trustee (since 2011), Salient Midstream & MLP Fund and Salient MLP & Energy Infrastructure Fund; Trustee (since 2010), Salient Absolute Return Fund; Director (since 2009), Monebo Technologies Inc. (medical technology design company); Director (since 2008), US Physical Therapy (USPH: NYSE); Director (since 2012), E-Cardio, Inc. (provides services for cardiac monitoring).

INDEPENDENT TRUSTEES (CONTINUED)

NAME (AGE), ADDRESS	POSITION HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY TRUSTEE	OTHER DIRECTORSHIPS HELD BY TRUSTEE DURING PAST 5 YEARS
Thomas W. Okel (52) 550 South Tryon Street Charlotte, NC 28202	Trustee	Term expires 2017; Trustee since 2012	Executive Director (since 2011), Catawba Lands Conservancy; Global Head of Syndicated Capital Markets (1989-2010), Bank of America Merrill Lynch.	3	Trustee (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser).
Martin A. Sumichrast (48) 550 South Tryon Street Charlotte, NC 28202	Trustee/ Nominee	Term expires 2015; Trustee since 2012	Vice Chairman and Principal (since 2013), Siskey Capital, LLC (merchant banking); Managing Director (2012-2013), Washington Capital, LLC; Managing Director (2002-2012), Lomond International, Inc.	3	Trustee (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser). Director (since 2014), Kure Corp. (retail); Director (since 2014), Jadeveon Clowney Help-In-Time Foundation; and Director (since 2015). Social Realty, Inc. (digital platform technology and management software company for internet advertising).

OFFICERS

NAME (AGE), ADDRESS	POSITION HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS
Russell D. Morrison (50) 550 South Tryon Street Charlotte, NC 28202	President and Principal Executive Officer	Since 2012	Vice Chairman (since 2014), member of the Board of Managers (since 2014), Head of the Global High Yield Investments Group (since 2009), Co-Head of U.S. Loan Team (2006-2009), Managing Director (since 2002), Babson Capital; Senior Vice President (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser).
Patrick Hoefling (35) 550 South Tryon Street Charlotte, NC 28202	Chief Financial Officer and Principal Financial and Accounting Officer	Since 2012	Director (since 2008), Babson Capital; Chief Financial Officer (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser); Manager (2005-2008), Deloitte and Touche.
Andrew Lennon (40) 550 South Tryon Street Charlotte, NC 28202	Treasurer	Since 2013	Managing Director (since 2010), Director (2005-2009), Babson Capital; Treasurer (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser).
Michael Freno (39) 550 South Tryon Street Charlotte, NC 28202	Vice President	Since 2012	Managing Director (since 2010), Member of the High Yield Investment Committee (since 2010), Director (2007-2009), Associate Director (2005-2006), Babson Capital.
Sean Feeley (47) 550 South Tryon Street Charlotte, NC 28202	Vice President	Since 2012	Member of U.S. High Yield Investment Committee (since 2010), Managing Director (since 2003), Babson Capital; Vice President (since 2011), Babson Capital Corporate Investors and Babson Capital Participation Investors (closed-end investment companies advised by the Adviser).
Scott Roth (45) 550 South Tryon Street Charlotte, NC 28202	Vice President	Since 2012	Member of U.S. High Yield Investment Committee (since 2010), High Yield Team Leader (since 2010), Managing Director (since 2010), Director (2002-2010), Babson Capital.
Melissa LaGrant (41) 550 South Tryon Street Charlotte, NC 28202	Chief Compliance Officer	Since 2012	Managing Director (since 2005), Babson Capital; Chief Compliance Officer (since 2013), Babson Capital Finance LLC; Chief Compliance Officer (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser); Chief Compliance Officer (since 2006), Babson Capital Corporate Investors and Babson Capital Participation Investors (closed-end investment companies advised by the Adviser).
Janice M. Bishop (50) 550 South Tryon Street Charlotte, NC 28202	Secretary and Chief Legal Officer	Since 2012	Senior Counsel and Managing Director (since 2014), Counsel (2007-2014), Babson Capital; Associate Secretary (since 2008), Babson Capital Corporate Investors and Babson Capital Participation Investors (closed-end investment companies advised by Babson Capital); Vice President, Secretary and Chief Legal Officer (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser).
Michele Manha (42) 550 South Tryon Street Charlotte, NC 28202	Assistant Secretary	Since 2012	Associate General Counsel and Managing Director (since 2014), Counsel (2008-2014), Babson Capital; Assistant Secretary (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser).

* Officers will hold their position with the Fund until a successor has been elected and qualified. Officers are generally elected annually by the Board. The officers were last elected on July 18, 2014.

FUND DIVIDEND REINVESTMENT PLAN

INDEPENDENT TRUSTEES

Rodney J. Dillman
Chairman, Trustee

Dr. Bernard A. Harris, Jr.
Trustee

Thomas W. Okel
Trustee

Martin A. Sumichrast
Trustee

Thomas W. Bunn
Trustee

OFFICERS

Russell Morrison
President and Principal Executive Officer

Patrick Hoefling
*Chief Financial Officer and Principal
Financial and Accounting Officer*

Andrew Lennon
Treasurer

Michael Freno
Vice President

Sean Feeley
Vice President

Scott Roth
Vice President

Melissa LaGrant
Chief Compliance Officer

Janice Bishop
Secretary/Chief Legal Officer

Michele Manha
Assistant Secretary

The Fund offers a Dividend Reinvestment Plan (the “Plan”). The Plan provides a simple way for shareholders to add to their holdings in the Fund through the reinvestment of dividends in additional common shares of the Fund. Shareholders will have all dividends, including any capital gain dividends, reinvested automatically in additional shares of the Fund by U.S. Bancorp Fund Services, LLC, as Plan Agent, unless a shareholder elects to receive cash instead. An election to receive cash may be revoked or reinstated at the option of the shareholder. All distributions to investors who elect not to participate in the Plan (or whose broker or nominee elects not to participate on the investor’s behalf) will receive dividends and distributions in cash.

Whenever the Fund declares a dividend payable in cash or shares, the Plan Agent, acting on behalf of each participating shareholder, will take the dividend in shares only if the net asset value per Fund share is equal to or less than the market price per Fund share plus estimated brokerage commissions as of the payment date for the dividend.

When the dividend is to be taken in shares, the number of shares to be received is determined by dividing the dollar amount of the cash dividend by the net asset value per Fund share as of the dividend payment date or, if greater than the net asset value per Fund share, 95% of the closing share price on the payment date. Generally, if the net asset value per Fund share is greater than the market price per Fund share plus estimated brokerage commissions as of the dividend payment date, the Plan Agent will endeavor to buy shares on the open market at current prices promptly after the dividend payment date.

The reinvestment of dividends does not, in any way, relieve participating shareholders of any Federal, state or local tax. For Federal income tax purposes, the amount reportable in respect of a dividend received in shares of the Fund will be the fair market value of the shares received, which will be reportable as ordinary income and/or capital gains. Investors should consult with their own tax advisors for further information about the tax consequences of dividend reinvestment.

There is no brokerage charge for the reinvestment of dividends in additional Fund shares; however, all participants pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. There is no direct service charge to participants in the Plan, though the Fund reserves the right to amend the Plan to include a service charge payable by participants.

Additional information about the Plan may be obtained from, and any questions regarding the Plan should be addressed to, U.S. Bancorp Fund Services, Plan Agent for Babson Capital Global Short Duration High Yield Fund’s Dividend Reinvestment Plan, P.O. Box 701, Milwaukee, WI 52301.

JOINT PRIVACY NOTICE OF BABSON CAPITAL MANAGEMENT LLC AND BABSON CAPITAL GLOBAL SHORT DURATION HIGH YIELD FUND

When you use Babson Capital Management LLC (“Babson Capital”) as your investment adviser or invest in the Babson Capital Global Short Duration High Yield Fund (the “Fund”), you entrust us not only with your hard-earned assets but also with your personal and financial data. We consider your data to be private and confidential, and protecting its confidentiality is important to us. Our policies and procedures regarding your personal information are summarized below.

We may collect non-public personal information about you from:

- Applications or other forms, interviews, or by other means;
- Consumer or other reporting agencies, government agencies, employers or others;
- Your transactions with us, our affiliates, or others; and
- Our Internet website.

We may share the financial information we collect with our financial service affiliates, such as insurance companies, investment companies and securities broker-dealers. Additionally, so that we may continue to offer you products and services that best meet your investment needs and to effect transactions that you request or authorize, we may disclose the information we collect, as described above, to companies that perform administrative or marketing services on our behalf, such as transfer agents, custodian banks, service providers or printers and mailers that assist us in the distribution of investor materials or that provide operational support to Babson Capital entities. These companies are required to protect this information and will use this information only for the services for which we hire them, and are not permitted to use or share this information for any other purpose. Some of these companies may perform such services in jurisdictions other than the United States. We may share some or all of the information we collect with other financial institutions with whom we jointly market products. This may be done only if it is permitted in the state in which you live. Some disclosures may be limited to your name, contact and transaction information with us or our affiliates.

Any disclosures will be only to the extent permitted by federal and state law. Certain disclosures may require us to get an “opt-in” or “opt-out” from you. If this is required, we will do so before information is shared. Otherwise, we do not share any personal information about our customers or former customers unless authorized by the customer or as permitted by law.

We restrict access to personal information about you to those employees who need to know that information to provide products and services to you. We maintain physical, electronic and procedural safeguards that comply with legal standards to guard your personal information. As an added measure, we do not include personal or account information in non-secure e-mails that we send you via the Internet without your prior consent. We advise you not to send such information to us in non-secure e-mails.

This joint notice describes the privacy policies of Babson Capital and the Fund. It applies to all Babson Capital and the Fund accounts you presently have, or may open in the future, using your social security number or federal taxpayer identification number – whether or not you remain a shareholder of our Funds or as an advisory client of Babson Capital. As mandated by rules issued by the Securities and Exchange Commission, we will be sending you this notice annually, as long as you own shares in the Funds or have an account with Babson Capital.

February 2015



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2014 ANNUAL REPORT