

**2015
ANNUAL
REPORT**

**BABSON CAPITAL
GLOBAL SHORT DURATION
HIGH YIELD FUND**



Babson Capital Global Short Duration High Yield Fund
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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

Patrick Hoefling
Chief Financial 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,

We provide you with the 2015 Annual Report for the Babson Capital Global Short Duration High Yield Fund (the "Fund") to recap portfolio performance and positioning during a volatile year for the high yield markets as well as to notify you about a couple of important Fund updates. We would like to remind shareholders that we continue to believe our Global High Yield Investments Group is one of the largest teams in the market primarily focused on North American and Western European credits. Utilizing the Group's expertise, deep resources, and time-tested process, we continue to believe we can provide investors an attractive level of current income even during periods of market stress.

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. More importantly, the Fund's flexibility to dynamically shift the geographical weighting in order to capture what we believe are the best risk-adjusted investment opportunities. In managing the Fund, we also pay close attention to limiting the duration of the Fund while maintaining what we consider a reasonable amount of leverage.

Market Review

The year started strong in 2015 as the global high yield bond markets rallied as the European Central Bank announced its quantitative easing program and macroeconomic conditions in the U.S. generally improved. The second half of the year, however, delivered mostly negative returns for the high yield asset class as volatility rattled the broader capital markets. China's unexpected currency devaluation added to mounting concerns over the potential impact of a slowing Chinese economy on global growth.

Due to persistent volatility across the commodity and energy related sector, U.S. high yield bond retail mutual funds experienced outflows of \$9 billion during the third quarter. European high yield bond mutual funds finished the third quarter with outflows as well, though to a lesser extent. A combination of market volatility and slow summer activity in the primary markets muted new issuance for both high yield bond markets. However, primary market calendars began to build across the markets following the Federal Reserve's September decision to keep U.S. interest rates unchanged.

The global high yield markets experienced heightened volatility in the fourth quarter though, particularly in the U.S. Challenging conditions in the U.S. high yield bond market, coupled with further declines in global commodity prices, negatively impacted overall market performance. Headlines following the abrupt closure of a distressed-focused U.S. mutual fund in December added to the pervasive negative sentiment and accelerated U.S. retail fund outflows early in the month. In the primary markets, overall issuance volumes were lighter in the fourth quarter, due largely to the reduction in refinancing activity.

U.S. high yield bond mutual funds experienced outflows in the fourth quarter of \$4.3 billion while European high yield bond mutual funds, on the other hand, finished the fourth quarter with a net inflow of €3.4 billion. U.S. and European high yield bond spreads and yields widened over the course of the year due to the market volatility and risk aversion in the market. Despite the volatile end to the year, we believe issuer fundamentals outside of the energy and commodity sectors remain largely intact. With the exception of those troubled sectors, we expect market default rates to remain below long term averages in 2016.

Babson Capital Global Short Duration High Yield Fund Overview and Performance

The Fund ended December with a portfolio of 126 issuers, which is a decrease from the beginning of the year of 130 issuers. A majority of the issuers are domiciled in the U.S. (63.5%) with the U.K. (17.3%) and Germany (3.4%) representing the next largest country exposures – see Country Composition chart on page 5. From a geographic standpoint, exposure to U.S. domiciled companies increased and exposure to foreign issuers decreased since the beginning of the year. While maintaining a meaningful presence in the Western European market, we increased our exposure to the U.S. to take advantage of opportunistic investments over the course of the year as spreads have widened significantly compared to the Western European region. We believe this has offered the Fund the ability to maintain an attractive level of current income while adding the potential for capital appreciation which is more difficult to uncover in Western Europe.

As of December 31, 2015, the Fund remained well positioned across the credit quality spectrum: 6.3% BB-rated and above, 74.8% B-rated, and 10.9% CCC-rated and below, with over 50% of the portfolio consisting of senior secured obligations. The credit quality of the Fund's underlying holdings remained very similar throughout the year with a slight decrease in BB-rated and above credits, a modest increase in B-rated credits and a very similar allocation to CCC-rated and below credits. Non-publicly rated securities and cash and accrued interest represented 0.7% and 7.3%, respectively.¹

The Fund paid six consecutive monthly dividend payments of \$0.1677 per share in the first half of 2015 and six consecutive monthly dividend payments of \$0.1615 in the second half of 2015, all comprised of net investment income. The Fund also declared a special dividend at year-end of \$0.2196 per share comprised of additional net investment income. In total for the year, including the special dividend, the Fund paid investors \$2.20 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 \$16.49 and \$18.47, respectively, reflecting a 10.72% discount to NAV. Based on the Fund's share price and NAV on December 31, 2015, the Fund's market price and NAV distribution rates using the most recent monthly dividend, excluding any special dividends, on an annualized basis were 11.75% and 10.49%, respectively. Assets acquired through leverage, which represented 25.70% of the Fund's total assets at year-end, were accretive to net investment income and benefited shareholders.

It should be noted that the monthly dividends announced in February 2016 were reduced by 5.00% to \$0.1534 per share. Based on the current market volatility and expectations that stress on commodity related companies will remain high over the course of the year, the portfolio management team made the decision to recommend a reduction in the Fund's dividend rate which we believe was a better option for Fund shareholders at this time than running an increased risk of returning capital in the future or increasing the risk profile of the Fund.

In recognition of current market conditions and the recent dividend reduction, and consistent with Babson Capital's commitment to delivering shareholder value, Babson Capital has contractually agreed to waive a portion of its management and other fees equal to an annual rate of 0.275% of the Fund's managed assets for a period of one year commencing on January 1, 2016. Such waived fees are not subject to recoupment from the Fund.

On a full year 2015 basis, the NAV total return was -5.57%, 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 -3.14%. As mentioned earlier, the second half of 2015 experienced a fair amount of dislocation as outflows continued unabated and managers sold assets at what we believe to be below fair market value. The Fund was not immune to the selling pressure in the markets and we have tried to optimize the portfolio with what we view to be our best risk-adjusted ideas with attractive income streams, especially from the non-commodity related portion of the portfolio. Despite recent pressure, any further pull back in prices will likely provide opportunities to add to positions in "high conviction" names offering attractive relative value. From a market value perspective, the Fund's total return for 2015 was -8.25%.

The Fund's Board of Trustees approved a change in the benchmark for the Fund from the BofA/Merrill Lynch Global Non-Financial High Yield Constrained Index ("HNOC") to the BofA/Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index ("HNDC"). Due to the recent increase of emerging market high yield corporate debt in the HNOC, and because emerging markets are not an area of focus for the Fund, the Fund's investment manager believes the HNDC better reflects the investment opportunity set of the Fund.

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

In Conclusion

Although the Federal Reserve's December announcement of its first interest rate increase since 2006 provides an answer to one of the biggest questions for the market, uncertainty remains around the potential consequences increased interest rate volatility may have on currencies, treasury yields, and risk assets going forward. While we believe the volatility we have seen in the commodity space will likely persist, we expect general corporate fundamentals to remain intact. This should continue to support high yield valuations in the near-term as well as keep default rates below their historical averages.

As mentioned in previous annual shareholder reports and which we believe is still applicable in the current volatile market environment, 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 in and manage to this philosophy and believe the Fund will continue to offer an attractive dividend yield through 2016.

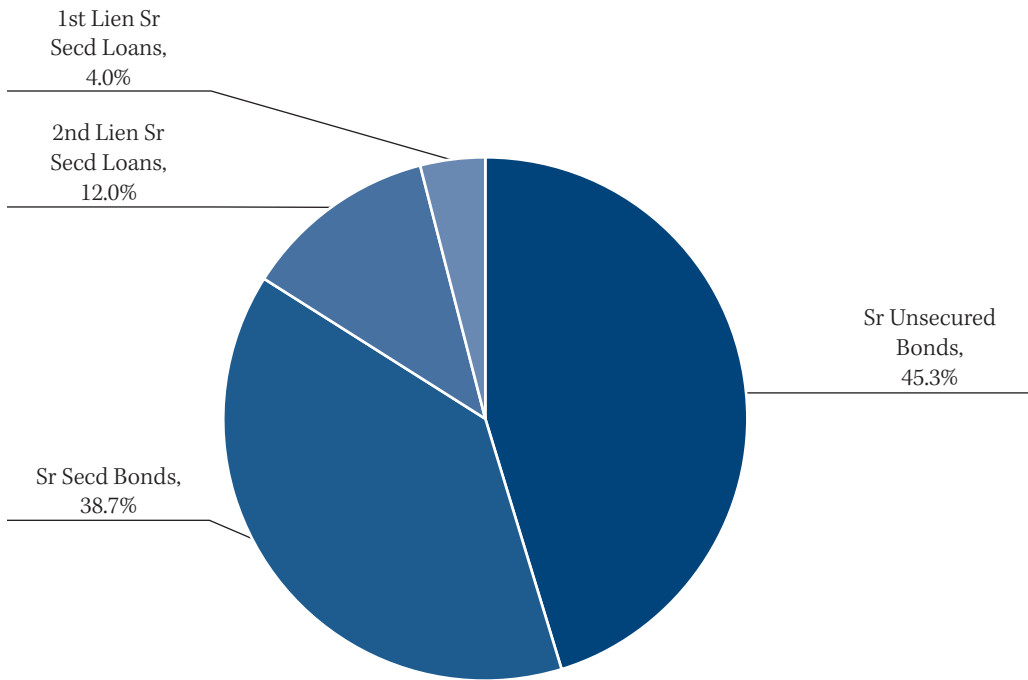
We value your continued commitment to the Fund, and look forward to helping you achieve your investment objectives in 2016.

Sincerely,

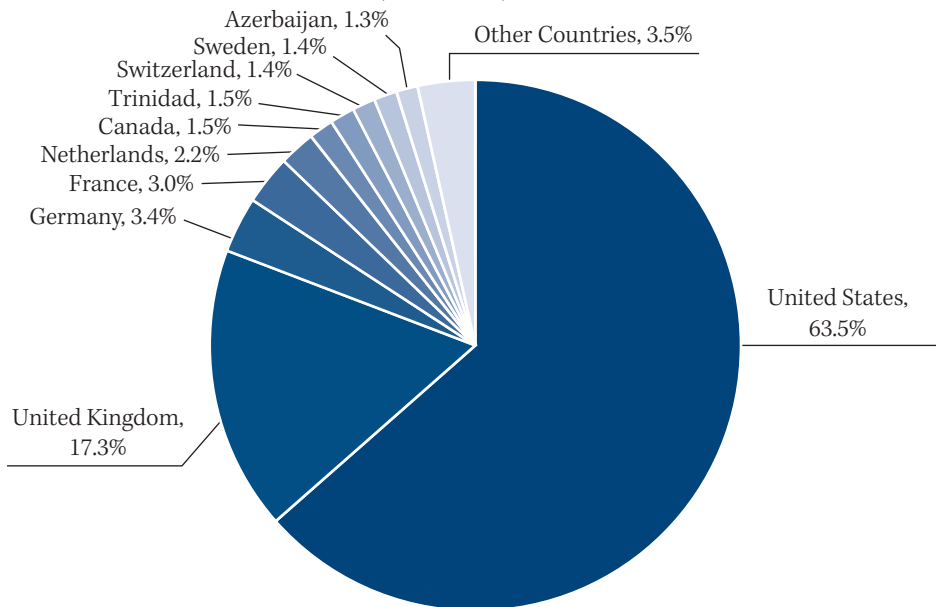
A handwritten signature in blue ink that reads "Russel Morrison". The signature is written in a cursive, flowing style.

Russ Morrison

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, 2015.

FINANCIAL REPORT

Statement of Assets and Liabilities	7
Statement of Operations	8
Statement of Cash Flows	9
Statements of Changes in Net Assets	10
Financial Highlights	11
Schedule of Investments	12-19
Notes to the Financial Statements	20-27
Report of Independent Registered Public Accounting Firm	28
Interested Trustee	29
Independent Trustees	30-31
Officers of the Fund	32-33
Approval of Investment Management Agreement and Sub-Advisory Agreement	34-35
Fund Dividend Reinvestment Plan	36
Joint Privacy Notice	37

STATEMENT OF ASSETS AND LIABILITIES

	DECEMBER 31, 2015
Assets	
Investments, at fair value (cost \$570,323,681)	\$474,698,296
Cash	30,797,296
Foreign currency, at fair value (cost \$2,329,775)	2,314,578
Interest receivable	10,124,423
Unrealized appreciation on forward foreign exchange contracts	1,687,753
Prepaid expenses and other assets	8,984
Total assets	<u>519,631,330</u>
Liabilities	
Note payable	133,500,000
Dividend payable	7,644,046
Payable for investments purchased	7,208,572
Payable to adviser	398,420
Unrealized depreciation on forward foreign exchange contracts	122,854
Accrued expenses and other liabilities	339,137
Total liabilities	<u>149,213,029</u>
Total net assets	<u>\$370,418,301</u>
Net Assets:	
Common stock, \$0.00001 par value	\$ 201
Additional paid-in capital	477,884,220
Dividends in excess of net investment income	(2,125,852)
Accumulated net realized loss	(11,200,705)
Net unrealized depreciation	(94,139,563)
Total net assets	<u>\$370,418,301</u>
Common shares issued and outstanding (unlimited shares authorized)	<u>20,057,849</u>
Net asset value per share	<u>\$ 18.47</u>

See accompanying Notes to the Financial Statements.

STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2015
Investment Income	
Interest income	\$ 48,854,548
Other income	86,615
Total investment income	<u>48,941,163</u>
Operating Expenses	
Advisory fees	5,687,510
Administrator fees	1,880,690
Interest expense	1,577,643
Professional fees	204,307
Directors' fees	196,562
Printing and mailing expense	94,662
Registration fees	2,980
Other operating expenses	76,074
Total operating expenses	<u>9,720,428</u>
Net investment income	<u>39,220,735</u>
Realized and Unrealized Gains (Losses) on Investments	
Net realized loss on investments	(16,305,722)
Net realized gain on forward foreign exchange contracts	11,386,280
Net realized loss on foreign currency and translation	(152,666)
Net realized loss on investments	<u>(5,072,108)</u>
Net unrealized depreciation of investments	(61,348,222)
Net unrealized appreciation of forward foreign exchange contracts	319,333
Net unrealized appreciation of foreign currency and translation	87,401
Net unrealized depreciation on investments	<u>(60,941,488)</u>
Net realized and unrealized losses on investments	<u>(66,013,596)</u>
Net decrease in net assets resulting from operations	<u><u>\$(26,792,861)</u></u>

See accompanying Notes to the Financial Statements.

STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2015
Reconciliation of net decrease in net assets resulting from operations to net cash provided by operating activities	
Net decrease in net assets applicable to common shareholders resulting from operations	\$ (26,792,861)
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	(209,050,176)
Proceeds from sales of long-term investments	226,542,793
Purchases of foreign currency, net	(1,841,079)
Forward currency exchange contracts, net	(319,333)
Net unrealized depreciation	61,291,886
Net realized loss	16,305,722
Amortization and accretion	356,121
Changes in operating assets and liabilities:	
Decrease in interest receivable	75,093
Decrease in prepaid expenses and other assets	19,350
Decrease in receivable for investments sold	3,281,420
Increase in payable for investments purchased	4,703,572
Decrease in payable to Adviser	(83,467)
Increase in accrued expenses and other liabilities	43,427
Net cash provided by operating activities	<u>74,532,468</u>
Cash Flows From Financing Activities	
Advances from credit facility	5,000,000
Repayments on credit facility	(25,000,000)
Distributions paid to common shareholders	(51,522,597)
Net cash used in financing activities	<u>(71,522,597)</u>
Net change in cash	3,009,871
Cash beginning of year	27,787,425
Cash end of year	<u>\$ 30,797,296</u>
Supplemental disclosure of cashflow information	
Income taxes paid	\$ -
Interest paid	1,508,059

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Operations		
Net investment income	\$ 39,220,735	\$ 42,515,746
Net realized gain (loss) on investments	(5,072,108)	5,208,578
Net unrealized depreciation on investments	(60,941,488)	(60,542,792)
Net decrease in net assets resulting from operations	(26,792,861)	(12,818,468)
Dividends to Common Stockholders		
Net investment income	(44,022,967)	(51,354,913)
Net realized gain	—	(789,477)
Total dividends to common stockholders	(44,022,967)	(52,144,390)
Total decrease in net assets	(70,815,828)	(64,962,858)
Net Assets		
Beginning of year	441,234,129	506,196,987
End of year (including 2015 dividends in excess of net investment income and 2014 undistributed net investment income of \$2,125,852 and \$3,828,391, respectively)	\$370,418,301	\$441,234,129

See accompanying Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

	YEAR ENDED DECEMBER 31, 2015	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	\$ 22.00	\$ 25.24	\$ 24.30	23.82 ⁽³⁾
Income from investment operations:				
Net investment income	1.90	2.12	2.05	0.18
Net realized and unrealized gains (losses) on investments	<u>(3.23)</u>	<u>(2.76)</u>	<u>1.21</u>	<u>0.47</u>
Total increase (decrease) from investment operations	<u>(1.33)</u>	<u>(0.64)</u>	<u>3.26</u>	<u>0.65</u>
Less dividends to common stockholders:				
Net investment income	(2.20)	(2.56)	(2.01)	(0.17)
Net realized gain	<u>—</u>	<u>(0.04)</u>	<u>(0.31)</u>	<u>—</u>
Total dividends to common stockholders	<u>(2.20)</u>	<u>(2.60)</u>	<u>(2.32)</u>	<u>(0.17)</u>
Net asset value, end of period	<u>\$ 18.47</u>	<u>\$ 22.00</u>	<u>\$ 25.24</u>	<u>\$ 24.30</u>
Per common share market value, end of period	<u>\$ 16.49</u>	<u>\$ 20.19</u>	<u>\$ 23.12</u>	<u>\$ 23.77</u>
Total investment return based on net asset value ⁽²⁾⁽⁴⁾	<u>(5.57)%</u>	<u>(2.25)%</u>	<u>14.48%</u>	<u>2.69%</u>
Total investment return based on market value ⁽²⁾⁽⁴⁾	<u>(8.13)%</u>	<u>(2.06)%</u>	<u>7.20%</u>	<u>(4.27)%</u>
Supplemental Data and Ratios				
Net assets, end of period (000's)	\$370,418	\$441,234	\$506,197	\$487,005
Ratio of expenses to average net assets	2.27%	2.20%	2.06%	1.85% ⁽⁵⁾
Ratio of net investment income to average net assets	9.18%	8.47%	8.20%	4.70% ⁽⁵⁾
Portfolio turnover rate ⁽²⁾	38.13%	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, 2015

	EFFECTIVE INTEREST RATE †	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Fixed Income — 128.15%*					
Bank Loans§ — 20.55%*					
Aerospace and Defense — 0.41%*					
Swissport Investments+	6.25%	12/3/2021	1,400,000	\$1,358,000	\$1,518,605
Total Aerospace and Defense			<u>1,400,000</u>	<u>1,358,000</u>	<u>1,518,605</u>
Broadcasting and Entertainment — 0.60%*					
Learfield Communications Inc.	8.75	10/8/2021	1,714,286	1,727,291	1,688,571
Tele Columbus+	8.50	7/30/2022	500,000	535,881	539,303
Total Broadcasting and Entertainment			<u>2,214,286</u>	<u>2,263,172</u>	<u>2,227,874</u>
Cargo Transport — 1.19%*					
Direct ChassisLink Inc. (add on facility)	8.25	11/12/2019	636,251	636,251	615,573
Direct ChassisLink Inc.	8.25	11/12/2019	3,923,810	3,866,821	3,796,286
Total Cargo Transport			<u>4,560,061</u>	<u>4,503,072</u>	<u>4,411,859</u>
Chemicals, Plastics and Rubber — 0.89%*					
Flint Group Holdings+	8.25	9/30/2022	3,451,145	3,436,408	3,278,588
Total Chemicals, Plastics and Rubber			<u>3,451,145</u>	<u>3,436,408</u>	<u>3,278,588</u>
Diversified/Conglomerate Manufacturing — 0.32%*					
TenCate+	5.25	11/30/2022	1,100,000	1,174,826	1,178,994
Total Diversified/Conglomerate Manufacturing			<u>1,100,000</u>	<u>1,174,826</u>	<u>1,178,994</u>
Diversified/Conglomerate Service — 1.69%*					
Redprarie Corporation	6.00	12/21/2018	2,817,312	2,780,918	2,495,322
Redprarie Corporation	11.25	12/14/2019	4,632,646	4,654,455	3,767,870
Total Diversified/Conglomerate Service			<u>7,449,958</u>	<u>7,435,373</u>	<u>6,263,192</u>
Diversified Natural Resources, Precious Metals and Minerals — 1.41%*					
Caraustar Industries Inc.	8.00	5/1/2019	5,243,064	5,258,486	5,210,295
Total Diversified Natural Resources, Precious Metals and Minerals			<u>5,243,064</u>	<u>5,258,486</u>	<u>5,210,295</u>
Electronics — 2.00%*					
Kronos, Inc.	9.75	4/30/2020	7,485,880	7,411,033	7,423,522
Total Electronics			<u>7,485,880</u>	<u>7,411,033</u>	<u>7,423,522</u>
Farming and Agriculture — 1.65%*					
Allflex Holdings, Inc.	8.00	7/19/2021	6,232,322	6,229,141	6,113,908
Total Farming and Agriculture			<u>6,232,322</u>	<u>6,229,141</u>	<u>6,113,908</u>
Finance — 0.77%*					
Cunningham Lindsey Group, Inc.	9.25	6/10/2020	5,504,015	5,512,223	2,862,088
Total Finance			<u>5,504,015</u>	<u>5,512,223</u>	<u>2,862,088</u>

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE †	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Bank Loans (Continued)					
Healthcare, Education and Childcare — 0.81%*:					
Sage Products Holdings III, LLC	9.25%	6/15/2020	3,011,585	\$2,966,428	\$3,006,556
Total Healthcare, Education and Childcare			3,011,585	2,966,428	3,006,556
Leisure, Amusement, Motion Pictures and Entertainment — 1.07%*:					
Endemol+	6.75	8/11/2021	3,635,131	3,474,638	3,214,074
Exterion Media+	7.00	3/30/2018	700,000	772,129	745,514
Total Leisure, Amusement, Motion Pictures and Entertainment			4,335,131	4,246,767	3,959,588
Mining, Steel, Iron and Non-Precious Metals — 1.11%*:					
Boomerang Tube, LLC	11.19	8/11/2017	1,609,355	1,609,355	1,609,355
Boomerang Tube, LLC>	12.00	10/11/2017	5,089,201	5,056,255	2,201,079
Murray Energy Corp.	7.50	4/16/2020	448,036	435,819	284,023
Total Mining, Steel, Iron and Non-Precious Metals			7,146,592	7,101,429	4,094,457
Oil and Gas — 4.95%*:					
Caelus Energy Alaska	8.75	4/15/2020	17,863,828	17,344,862	9,378,510
Fieldwood Energy LLC	8.38	9/30/2020	16,407,298	12,528,467	2,461,095
Jonah Energy LLC	7.50	5/12/2021	1,963,216	1,977,755	1,217,194
MD America Energy, LLC	9.50	8/4/2019	5,604,121	5,379,127	4,576,718
NFR Energy LLC>	10.00	12/31/2018	7,684,465	7,774,974	130,636
Templar Energy	8.50	11/25/2020	5,580,408	5,433,252	585,943
Total Oil and Gas			55,103,336	50,438,437	18,350,096
Printing and Publishing — 0.85%*:					
Springer+	9.00	8/14/2021	2,850,000	3,268,465	3,159,199
Total Printing and Publishing			2,850,000	3,268,465	3,159,199
Retail Store — 0.83%*:					
FleetPride	5.25	11/19/2019	831,374	707,344	669,256
FleetPride	9.25	5/19/2020	3,000,000	2,953,081	2,400,000
Total Retail Store			3,831,374	3,660,425	3,069,256
Total Bank Loans			120,918,749	116,263,685	76,128,077
Corporate Bonds — 107.60%*:					
Aerospace and Defense — 1.77%*:					
CPI International Inc.#	8.75	2/15/2018	5,550,000	5,658,352	5,466,750
Swissport Investments+	6.75	12/15/2021	950,000	1,040,150	1,069,843
Total Aerospace and Defense			6,500,000	6,698,502	6,536,593

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Automobile — 9.24%*:					
Accuride Corp#	9.50%	8/1/2018	11,210,000	\$11,276,408	\$9,304,300
Affinia#	7.75	5/1/2021	3,240,000	3,318,931	3,297,672
Allied Specialty Vehicles#^	8.50	11/1/2019	6,000,000	5,965,020	6,090,000
International Automotive Components Group, S.A.#^	9.13	6/1/2018	8,125,000	8,211,089	6,946,875
J.B. Poindexter & Co. Inc.#^	9.00	4/1/2022	8,235,000	8,569,198	8,605,575
Total Automobile			<u>36,810,000</u>	<u>37,340,646</u>	<u>34,244,422</u>
Banking — 0.63%*:					
Lock AS+	7.00	8/15/2021	2,050,000	2,664,380	2,321,642
Total Banking			<u>2,050,000</u>	<u>2,664,380</u>	<u>2,321,642</u>
Beverage, Food and Tobacco — 0.68%*:					
Boparan Finance PLC+	5.50	7/15/2021	1,350,000	1,934,383	1,761,311
Carrols Corp.#	8.00	5/1/2022	709,000	733,155	747,995
Total Beverage, Food and Tobacco			<u>2,059,000</u>	<u>2,667,538</u>	<u>2,509,306</u>
Broadcasting and Entertainment — 3.50%*:					
Arqiva Finance#+	9.50	3/31/2020	5,000,000	7,868,824	7,960,727
Entertainment One Ltd.+	6.88	12/15/2022	850,000	1,282,422	1,247,439
RCN Cable#^	8.50	8/15/2020	3,733,000	3,841,545	3,770,330
Total Broadcasting and Entertainment			<u>9,583,000</u>	<u>12,992,791</u>	<u>12,978,496</u>
Buildings and Real Estate — 6.29%*:					
Forestar Real Estate Group Inc.#^	8.50	6/1/2022	5,991,000	6,171,536	5,841,225
Keystone Financing+	9.50	10/15/2019	3,900,000	6,215,028	5,979,391
Lyon Williams Homes, Inc.#	8.50	11/15/2020	8,000,000	8,041,008	8,460,000
M/I Homes, Inc.^	6.75	1/15/2021	1,965,000	1,965,000	1,935,525
Paroc Group+	6.25	5/15/2020	1,050,000	1,444,431	1,089,893
Total Buildings and Real Estate			<u>20,906,000</u>	<u>23,837,003</u>	<u>23,306,034</u>
Cargo Transport — 5.30%*:					
Kenan Advantage Group, Inc.#^	7.88	7/31/2023	10,000,000	10,082,047	9,937,500
Moto Hospitality Limited+	6.38	9/1/2020	2,400,000	3,584,497	3,633,630
World Flight Services, Inc.+	9.50	7/15/2022	1,250,000	1,417,941	1,422,482
XPO Logistics, Inc.#^	6.50	6/15/2022	5,000,000	4,840,439	4,625,000
Total Cargo Transport			<u>18,650,000</u>	<u>19,924,924</u>	<u>19,618,612</u>
Chemicals, Plastics and Rubber — 10.60%*:					
Associated Asphalt Partners LLC#^	8.50	2/15/2018	1,839,000	1,839,000	1,839,000
Chemours Co.#^	7.00	5/15/2025	5,962,000	5,496,545	4,069,065
Consolidated Energy Finance S.A.#+^	6.75	10/15/2019	7,320,000	7,144,803	6,997,554
Cornerstone Chemical Co.#^	9.38	3/15/2018	4,725,000	4,813,046	4,276,125
LSB Industries, Inc.#	7.75	8/1/2019	5,169,000	4,993,037	4,290,270
Omnova Solutions, Inc.#	7.88	11/1/2018	4,244,000	4,306,346	4,159,120

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Chemicals, Plastics and Rubber (Continued)					
Pinnacle Operating Corp.#^	9.00%	11/15/2020	2,635,000	\$2,641,230	\$2,476,900
Platform Specialty Products Corporation#^	10.38	5/1/2021	3,739,000	3,834,507	3,729,652
TPC Group, Inc.#^	8.75	12/15/2020	8,398,000	8,413,142	5,458,700
Univar USA Inc.#^	6.75	7/15/2023	2,172,000	2,172,000	1,981,950
Total Chemicals, Plastics and Rubber			<u>46,203,000</u>	<u>45,653,656</u>	<u>39,278,336</u>
Containers, Packaging and Glass — 5.74%*:					
Coveris Holdings S.A.#^	7.88	11/1/2019	7,600,000	7,651,744	6,631,000
Horizon Holdings+	7.25	8/1/2023	3,750,000	4,116,582	4,216,992
Multi Packaging Solutions, Inc.#^	8.50	8/15/2021	6,105,000	6,130,442	6,333,937
Onex Wizard Acquisition Co+	7.75	2/15/2023	3,600,000	4,134,082	4,078,594
Total Containers, Packaging and Glass			<u>21,055,000</u>	<u>22,032,850</u>	<u>21,260,523</u>
Diversified/Conglomerate Manufacturing — 3.37%*:					
Appvion Inc.#^	9.00	6/1/2020	13,200,000	13,405,717	5,280,000
Carlisle Transportation Products#^	8.25	12/15/2019	3,950,000	4,037,311	4,117,875
StoneMor Partners L.P.#	7.88	6/1/2021	3,000,000	2,944,275	3,090,000
Total Diversified/Conglomerate Manufacturing			<u>20,150,000</u>	<u>20,387,303</u>	<u>12,487,875</u>
Diversified/Conglomerate Service — 0.96%*:					
Carlson Travel Holdings Inc.#^	7.50	8/15/2019	2,690,000	2,723,749	2,649,650
Verisure Holdings+	6.00	11/1/2022	800,000	889,202	904,181
Total Diversified/Conglomerate Service			<u>3,490,000</u>	<u>3,612,951</u>	<u>3,553,831</u>
Diversified Natural Resources, Precious Metals and Minerals — 0.20%*:					
Lecta S.A.#+	8.88	5/15/2019	630,000	822,931	722,367
Total Diversified Natural Resources, Precious Metals and Minerals			<u>630,000</u>	<u>822,931</u>	<u>722,367</u>
Electronics — 2.23%*:					
International Wire Group, Inc.#^	8.50	10/15/2017	8,086,000	8,163,200	8,267,935
Total Electronics			<u>8,086,000</u>	<u>8,163,200</u>	<u>8,267,935</u>
Finance — 7.78%*:					
Cabot Financial#+	10.38	10/1/2019	4,364,000	7,254,947	6,878,641
Galaxy Finco Ltd.+	7.88	11/15/2021	3,900,000	6,351,838	5,749,414
GFKL Financial Services+	8.50	11/1/2022	3,900,000	6,036,505	5,778,161
Marlin Financial+	10.50	8/1/2020	1,850,000	2,935,735	3,023,197
National Financial Partners Corp.#^	9.00	7/15/2021	1,720,000	1,711,400	1,573,800
TMF Group Holding+	9.88	12/1/2019	5,000,000	6,245,161	5,815,230
Total Finance			<u>20,734,000</u>	<u>30,535,586</u>	<u>28,818,443</u>

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Grocery — 1.15%*:					
Post Holdings#^	7.75%	3/15/2024	1,882,000	\$1,882,000	\$1,971,395
Post Holdings#^	8.00	7/15/2025	1,232,000	1,232,000	1,305,920
Premier Foods Finance+	6.50	3/15/2021	700,000	1,163,644	980,349
Total Grocery			<u>3,814,000</u>	<u>4,277,644</u>	<u>4,257,664</u>
Healthcare, Education and Childcare — 12.88%*:					
Capsugel Holdings^	7.00	5/15/2019	1,500,000	1,511,068	1,462,500
Cerba+	8.25	2/1/2020	3,450,000	3,887,870	3,847,239
Cognita Financing+	7.75	8/15/2021	2,200,000	3,435,707	3,347,303
ConvaTec Healthcare^	10.50	12/15/2018	850,000	862,576	857,786
Crown Newco PLC#+	8.88	2/15/2019	6,600,000	10,854,863	10,020,698
HomeVi SAS+	6.88	8/15/2021	1,200,000	1,606,856	1,373,746
Kindred Healthcare, Inc.#	8.75	1/15/2023	5,699,000	5,761,004	5,243,080
Labco+	6.25	7/1/2022	250,000	290,694	281,823
Prospect Medical Holdings Inc.#^	8.38	5/1/2019	5,000,000	5,057,999	5,200,000
Tenet Healthcare Corporation#	8.13	4/1/2022	3,700,000	3,700,000	3,690,750
Unilabs+	7.25	7/15/2018	2,600,000	3,578,335	2,798,722
Unilabs+	8.50	7/15/2018	2,450,000	3,205,037	2,759,010
Valeant#^	6.13	4/15/2025	4,006,000	3,665,416	3,575,355
Valeant+ #^	7.50	7/15/2021	3,260,000	3,260,000	3,251,850
Total Healthcare, Education and Childcare			<u>42,765,000</u>	<u>50,677,425</u>	<u>47,709,862</u>
Hotels, Motels, Inns and Gaming — 0.24%*:					
Gala Group Finance#+	8.88	9/1/2018	565,714	909,664	870,935
Total Hotels, Motels, Inns and Gaming			<u>565,714</u>	<u>909,664</u>	<u>870,935</u>
Insurance — 0.81%*:					
Onex York Acquisition Corp.#^	8.50	10/1/2022	3,524,000	3,524,000	2,889,680
Towergate Finance PLC+	8.50	3/2/2020	66,825	100,323	101,026
Total Insurance			<u>3,590,825</u>	<u>3,624,323</u>	<u>2,990,706</u>
Leisure, Amusement, Motion Pictures and Entertainment — 4.29%*:					
CPUK Finance Ltd+	7.00	8/28/2020	2,100,000	3,277,154	3,165,495
Odeon & UCI Finco+	9.00	8/1/2018	1,050,000	1,670,608	1,607,514
Palace Entertainment Holdings#^	8.88	4/15/2017	4,324,000	4,389,886	4,237,520
Perform Group+	8.50	11/15/2020	900,000	1,342,738	1,234,045
Vue Cinemas+	7.88	7/15/2020	3,650,000	5,856,988	5,662,281
Total Leisure, Amusement, Motion Pictures and Entertainment			<u>12,024,000</u>	<u>16,537,374</u>	<u>15,906,855</u>
Machinery (Non-Agriculture, Non-Construct, Non-Electronic) — 2.04%*:					
KM Germany Holding#+	8.75	12/15/2020	1,160,000	1,501,268	1,352,033
Xerium Technologies#	8.88	6/15/2018	6,324,000	6,351,716	6,198,310
Total Machinery (Non-Agriculture, Non-Construct, Non-Electronic)			<u>7,484,000</u>	<u>7,852,984</u>	<u>7,550,343</u>

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Mining, Steel, Iron and Non-Precious Metals — 2.35%*:					
Constellium Holdco B.V.#	7.00%	1/15/2023	3,350,000	\$3,921,129	\$2,937,990
Hecla Mining Company#	6.88	5/1/2021	5,888,000	5,642,062	4,298,240
Murray Energy Corp.#^	11.25	4/15/2021	8,000,000	7,769,989	1,460,000
Total Mining, Steel, Iron and Non-Precious Metals			<u>17,238,000</u>	<u>17,333,180</u>	<u>8,696,230</u>
Oil and Gas — 14.15%*:					
Calumet Specialty Products#	7.63	1/15/2022	1,135,000	1,117,907	964,750
Calumet Specialty Products#	6.50	4/15/2021	6,000,000	5,932,533	5,220,000
CHC Helicopter#	9.38	6/1/2021	1,950,000	2,029,401	390,000
CITGO Holding Inc.#^	10.75	2/15/2020	7,584,000	7,412,047	7,356,480
EP Energy	9.38	5/1/2020	3,500,000	2,189,072	2,231,250
Ferrellgas Partners LP#	8.63	6/15/2020	7,635,000	7,537,366	7,176,900
Jupiter Resources Inc.#+^	8.50	10/1/2022	10,025,000	9,593,247	4,010,000
Kosmos Energy Ltd.#+^	7.88	8/1/2021	5,070,000	4,634,052	4,081,350
Kosmos Energy Ltd.#^	7.88	8/1/2021	1,085,000	1,006,199	873,425
Pbf Holding Company LLC#	8.25	2/15/2020	6,000,000	6,190,610	6,210,000
Pbf Logistics LP#	6.88	5/15/2023	1,117,000	1,117,000	1,016,470
Seventy Seven Energy Inc.#	6.50	7/15/2022	6,650,000	4,443,639	1,047,375
SM Energy Company	5.63	6/1/2025	4,000,000	2,672,016	2,640,000
Topaz Marine SA#+^	8.63	11/1/2018	6,877,000	6,907,917	6,256,007
Welltec#+^	8.00	2/1/2019	3,151,000	3,150,727	2,954,063
Total Oil and Gas			<u>71,779,000</u>	<u>65,933,733</u>	<u>52,428,070</u>
Personal, Food and Miscellaneous — 2.85%*:					
Brake Brothers Acquisition PLC+	7.13	12/15/2018	5,000,000	8,298,224	7,555,320
Teamsystem S.P.A.+	7.38	5/15/2020	2,680,000	3,549,481	3,015,025
Total Personal, Food and Miscellaneous			<u>7,680,000</u>	<u>11,847,705</u>	<u>10,570,345</u>
Printing and Publishing — 1.95%*:					
Cimpress N.V.#^	7.00	4/1/2022	1,560,000	1,560,000	1,497,600
McGraw-Hill Education#^	8.50	8/1/2019	5,794,000	5,831,744	5,736,060
Total Printing and Publishing			<u>7,354,000</u>	<u>7,391,744</u>	<u>7,233,660</u>
Retail Store — 3.47%*:					
Boing Group Finance+	6.63	7/15/2019	3,050,000	4,165,386	3,099,156
BrightHouse Group PLC#+	7.88	5/15/2018	2,000,000	3,111,929	2,826,571
HSS Financing PLC+	6.75	8/1/2019	306,000	506,522	446,597
Takko Fashion+	9.88	4/15/2019	3,800,000	4,983,341	2,197,150
Travelex+	8.00	8/1/2018	2,800,000	4,345,873	4,286,704
Total Retail Store			<u>11,956,000</u>	<u>17,113,051</u>	<u>12,856,178</u>
Telecommunications — 2.50%*:					
Altice Financing#+^	6.63	2/15/2023	661,000	661,000	652,737
Altice S.A.#+^	7.75	5/15/2022	3,240,000	3,240,000	2,924,100

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2015

	EFFECTIVE INTEREST RATE ‡	DUE DATE	PRINCIPAL	COST	FAIR VALUE
Corporate Bonds (Continued)					
Telecommunications (Continued)					
Eircom Finance Ltd#+	9.25%	5/15/2020	1,450,000	\$2,120,674	\$1,693,193
Frontier Communications#^	10.50	9/15/2022	1,406,000	1,406,000	1,400,727
Sprint Nextel Corporation#	7.25	9/15/2021	2,650,000	2,650,000	1,999,955
Wind Acquisition+	7.00	4/23/2021	550,000	758,861	590,244
Total Telecommunications			<u>9,957,000</u>	<u>10,836,535</u>	<u>9,260,956</u>
Textiles & Leather — 0.63%*:					
Perry Ellis International Inc#	7.88	4/1/2019	2,334,000	2,390,373	2,334,000
Total Textiles & Leather			<u>2,334,000</u>	<u>2,390,373</u>	<u>2,334,000</u>
Total Corporate Bonds			<u>415,447,539</u>	<u>454,059,996</u>	<u>398,570,219</u>
Total Fixed Income			<u>536,366,288</u>	<u>570,323,681</u>	<u>474,698,296</u>
Other assets and liabilities — (28.15)%					(104,279,995)
Net Assets — 100%					<u><u>\$370,418,301</u></u>

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

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

§ 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, 2015. Bank loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining maturity may be substantially less than the stated maturity shown.

+ Foreign security.

> Defaulted 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.

Distributions of investments by country of risk. Percentage of assets are expressed by market value excluding cash and accrued income as of December 31, 2015.

United States	63.5%
United Kingdom	17.3%
Germany	3.4%
France	3.0%
Netherlands	2.2%
Canada	1.5%
Trinidad and Tobago	1.5%
Switzerland	1.4%
Sweden	1.4%
Azerbaijan	1.3%
(Individually less than 1%)	3.5%
	<u>100.0%</u>

See accompanying Notes to the Financial Statements.

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2015

Forward Foreign Exchange Contracts at December 31, 2015

COUNTERPARTY	CURRENCY	CONTRACT TYPE	DELIVERY DATE	VALUE	UNREALIZED	
					AGGREGATE FACE VALUE	APPRECIATION/ (DEPRECIATION)
J.P. Morgan						
	Euros	Buy	1/15/2016	\$ 532,658	\$ 532,711	\$ 53
	Euros	Sell	1/15/2016	(55,497,472)	(55,432,645)	64,827
	U.S. Dollars	Buy	1/15/2016	55,497,472	55,497,472	–
	U.S. Dollars	Sell	1/15/2016	(532,658)	(532,658)	–
				<u>–</u>	<u>64,880</u>	<u>64,880</u>
Morgan Stanley						
	British pounds	Buy	1/15/2016	\$ 4,189,519	\$ 4,098,445	\$ (91,074)
	British pounds	Sell	1/15/2016	(94,854,880)	(93,244,769)	1,610,111
	Euros	Buy	1/15/2016	2,074,917	2,051,480	(23,437)
	Euros	Sell	1/15/2016	(1,019,377)	(1,011,063)	8,314
	Swiss francs	Buy	1/15/2016	485,559	477,216	(8,343)
	Swiss francs	Sell	1/15/2016	(481,664)	(477,216)	4,448
	U.S. Dollars	Buy	1/15/2016	96,355,920	96,355,920	–
	U.S. Dollars	Sell	1/15/2016	(6,749,994)	(6,749,994)	–
				<u>–</u>	<u>1,500,019</u>	<u>1,500,019</u>
				<u>–</u>	<u>1,564,899</u>	<u>1,564,899</u>

See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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 on May 20, 2011, and commenced operations on October 26, 2012. The Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a 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 Advisors 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 seeks to take advantage of inefficiencies between geographies, primarily the North American and Western European high yield bond and loan markets and within capital structures between bonds and loans. Under normal market conditions, the Fund will invest at least 80% of its managed assets in bonds, loans and other income-producing instruments that are, at the time of purchase, rated below investment grade (below Baa3 by Moody's Investors Service, Inc. ("Moody's") or below BBB- by either Standard & Poor's Rating Services, a division of the McGraw-Hill Company, Inc. ("S&P") or Fitch, Inc. ("Fitch")) or unrated but judged by the Adviser or Sub-Adviser to be of comparable quality.

2. Significant Accounting Policies

The 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

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 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, 2015

The following is a summary of the inputs used as of December 31, 2015 in valuing the Fund's investments:

DESCRIPTION	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL INVESTMENTS
Assets:				
Fixed Income:				
Bank Loans	\$ —	\$ 66,499,261	\$9,628,816	\$ 76,128,077
Bonds	—	398,570,219	—	398,570,219
Total Fixed Income	\$ —	\$465,069,480	\$9,628,816	\$474,698,296
Derivative Securities:				
Foreign Exchange Contracts:	\$ —	\$ 1,687,753	\$ —	\$ 1,687,753
Total Derivative Securities	—	1,687,753	—	1,687,753
Total Assets	\$ —	\$466,757,233	\$9,628,816	\$476,386,049
Liabilities:				
Foreign Exchange Contracts	\$ —	\$ 122,854	\$ —	\$ 122,854
Total Liabilities:	\$ —	\$ 122,854	\$ —	\$ 122,854

As of the year ended December 31, 2015, certain securities were transferred from one Level (as of December 31, 2014) to another. Based on beginning of period market values as of December 31, 2014, approximately \$5,338,895 was transferred to Level 3 from Level 2 as a result of infrequent trading and limited reliable market prices. Valuation has been based on management and market assumptions or expectations.

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, 2015.

TYPE OF ASSETS	FAIR VALUE AS OF DECEMBER 31, 2015	VALUATION TECHNIQUES	UNOBSERVABLE INPUT
Boomerang Tube, LLC	\$1,609,355	Model Price	Average Enterprise Valuation Multiple: 5.5x; EBITDA: \$33 million.
Cunningham Lindsey Group, Inc.	\$2,862,088	Broker Quote	\$52.00; pricing source depth of 1.
Direct ChassisLink, Inc.	\$4,411,859	Market Comparables	Average of broker quotes for comparable securities: \$96.56; Discount for lack of marketability: 1%.
Exterion Media	\$ 745,514	Broker Quote	\$98.00; pricing source depth of 1.

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

	BALANCE AT 12.31.14	TRANSFERS INTO LEVEL 3	TRANSFERS OUT OF LEVEL 3	PURCHASES	SALES	ACCRETION OF DISCOUNT	REALIZED GAIN LOSS	CHANGE IN UNREALIZED	BALANCE AT 12.31.15	CHANGE IN UNREALIZED APPRECIATION/ DEPRECIATION FROM INVESTMENTS HELD AS OF DECEMBER 31, 2015
Fixed Income										
Bank Loan	\$4,477,282	\$5,338,895	—	\$2,349,787	\$(44,555)	\$24,341	\$553	\$(2,517,487)	\$9,628,816	\$(2,517,487)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

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, 2015, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. The counterparty risk for cleared derivatives is generally lower than for uncleared over-the-counter derivative transactions since generally a clearing organization becomes substituted for each counterparty to a cleared derivative contract and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing house for performance of financial obligations. However, there can be no assurance that the clearing house, or its members, will satisfy its obligations to the Fund. In addition, in the event of a bankruptcy of a clearing house, the Fund could experience a loss of the funds deposited with such clearing house as margin and of any profits on its open positions. The counterparty 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 \$1,687,753 in net unrealized appreciation and a liability of \$122,854 in net unrealized depreciation on forward foreign exchange contracts. Outstanding forward foreign exchange contracts as of December 31, 2015 are indicative of the volume of activity during the period.

For the year ended December 31, 2015, 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, 2015. 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, 2015:

	STATEMENT OF ASSETS AND LIABILITIES LOCATION	FAIR VALUE
Derivatives		
Forward Foreign Exchange Contracts	Unrealized Appreciation	<u>\$1,687,753</u>
Total Asset Derivatives		<u>\$1,687,753</u>
Liability Derivatives		
Forward Foreign Exchange Contracts	Unrealized Depreciation	<u>\$ 122,854</u>
Total Liability Derivatives		<u>\$ 122,854</u>

The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2015:

Amount of Realized Gain/(Loss) on Derivatives

DERIVATIVES	FORWARD FOREIGN EXCHANGE CONTRACTS
Forward Foreign Exchange Contracts	<u>\$11,386,280</u>
Total	<u>\$11,386,280</u>

Change in Unrealized Appreciation/(Depreciation) on Derivatives

DERIVATIVES	FORWARD FOREIGN EXCHANGE CONTRACTS
Forward Foreign Exchange Contracts	<u>\$319,333</u>
Total	<u>\$319,333</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

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, 2015.

	J.P. MORGAN	MORGAN STANLEY
Assets:		
Forward foreign exchange contracts	\$64,880	\$1,622,873
Total Assets	<u>\$64,880</u>	<u>\$1,622,873</u>
Liabilities:		
Forward foreign exchange contracts	\$ -	\$ 122,854
Total Liabilities	<u>\$ -</u>	<u>\$ 122,854</u>
Net Exposure	<u>\$64,880</u>	<u>\$1,500,019</u>

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. From January 1, 2015 through October 24, 2015, the Fund 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. Beginning October 25, 2015, the Fund has agreed to pay US Bank a fee payable at the end of each calendar month, at an annual rate of 0.075% of the Fund's average daily managed assets.

5. Income Taxes

It is the Fund's intention to qualify as a RIC under subchapter M of the Internal Revenue Code and distribute all

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

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 2015, as noted below, was as follows:

ORDINARY INCOME	NET LONG TERM CAPITAL GAINS	TOTAL DISTRIBUTIONS PAID
\$44,022,967	\$ –	\$44,022,967

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, 2015, undistributed net investment income was decreased \$1,152,011 and accumulated net realized gain was increased \$1,152,011. 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, 2015:

Cost of investments	\$ 570,323,681
Unrealized appreciation	2,703,752
Unrealized depreciation	(98,329,137)
Net unrealized appreciation (depreciation)	(95,625,385)
Undistributed ordinary income	–
Undistributed long term gains	–
Distributable earnings	–
Other accumulated gain/(loss)	(11,840,735)
Total accumulated gain/(loss)	(107,466,120)

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

FISCAL YEAR ENDED	AMOUNT	EXPIRATION
CAPITAL LOSS		
December 31, 2014	\$ 2,702,651	Unlimited
December 31, 2015	9,635,805	Unlimited
Total	\$12,338,456	

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 U.S. 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, 2015, the Fund deferred, on a tax basis, late-year December losses of \$2,125,852.

6. Investment Transactions

For the year ended December 31, 2015, the Fund purchased (at cost) and sold securities in the amount of \$209,204,410 and \$226,505,923 (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 .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, 2015 were as follows:

DATE OF CHANGE	PREVIOUS CAPACITY	NEW CAPACITY
Capacity at January 1, 2015:		\$153,500,000
January 8, 2015	\$153,500,000	\$148,500,000
January 20, 2015	\$148,500,000	\$141,500,000
May 14, 2015	\$141,500,000	\$146,500,000
August 19, 2015	\$146,500,000	\$141,500,000
September 25, 2015	\$141,500,000	\$138,500,000
October 2, 2015	\$138,500,000	\$136,500,000
October 7, 2015	\$136,500,000	\$133,500,000
Capacity at December 31, 2015:		\$133,500,000

The average principal balance and interest rate for the period during which the credit facility was utilized for the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2015

year ended December 31, 2015 was approximately \$141,300,000 and 1.12 percent, respectively. At December 31, 2015, the principal balance outstanding was \$133,500,000 at an interest rate of 1.41 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, 2015, the total amount of income netted against the interest expense is \$86,616.

9. Common Stock

The Fund has unlimited shares authorized and 20,057,849 shares outstanding at December 31, 2014 and December 31, 2015.

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

For the year ended December 31, 2015, the Fund paid its Trustees aggregate remuneration of \$192,159. 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, 2015, 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, 2015, 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 Thursday, July 16, 2015. The shareholders were asked to elect as Trustees Rodney J. Dillman and Martin A. Sumichrast 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
Rodney J. Dillman 17,956,565	559,100	18,515,665	96.98%
Martin A. Sumichrast 17,931,414	584,251	18,515,665	89.40%

The Fund's other Trustees Thomas W. Bunn, Thomas M. Finke, Bernard A. Harris, Jr., and Thomas W. Okel 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 the date that the financial statements were issued. On January 4, 2016, the dividend payable of \$7,644,046 was paid to common shareholders. The dividend amount consisted of net investment income.

Babson Capital has contractually waived a portion of its management and other fees equal to an annual rate of 0.275% of the Fund's managed assets for a period of one year commencing on January 1, 2016. Such waived fees are not subject to recoupment from the Fund. Babson Capital may not discontinue this waiver prior to December 31, 2016 without the approval of the Fund's Board of Trustees.

In addition, on February 5, 2016, the Fund announced a reduction in its monthly dividend from \$0.1615 per share to \$0.1534 per share, effective March 1, 2016.

In addition, as of December 31, 2015, the borrowing capacity on the current note payable was \$133,500,000. On January 6, 2016, the note was paid down and borrowing capacity was decreased to \$123,500,000. On January 20, 2016, the note was paid down and borrowing capacity was decreased to \$118,500,000. The Fund has concluded that there are no additional subsequent events that require recognition or disclosure.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



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

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, 2015, 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 three-year period ended December 31, 2015 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, 2015, 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, 2015, 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 29, 2016

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(S) 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 (51) 550 South Tryon Street Charlotte, NC 28202	Trustee/ Nominee	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 (2012-2015), Director (since 2008), Babson Capital Management (UK) Limited (investment advisory firm); Chairman and Director (2012-2015), 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 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).

INDEPENDENT TRUSTEES

NAME (AGE), ADDRESS	POSITION(S) 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
Rodney J. Dillman (63) 550 South Tryon Street Charlotte, NC 28202	Trustee/ Chairman	Term expires 2018; Trustee since 2012	Retired (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.	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.
Thomas W. Bunn (62) 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 (since 2009), Nature Conservancy of North Carolina; Director (2009-2014), Kiawah Island Conservancy.
Dr. Bernard A. Harris, Jr. (59) 550 South Tryon Street Charlotte, NC 28202	Trustee/ Nominee	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(S) 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 (53) 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 (49) 550 South Tryon Street Charlotte, NC 28202	Trustee	Term expires 2018; Trustee since 2012	Vice Chairman and Principal (since 2013), Siskey Capital, LLC (merchant banking); Managing Director (2012- 2013), Washington Capital, LLC (family office); Managing Director (2009- 2012), Lomond International (business advisory firm).	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; Director (since 2015), Social Realty, Inc. (digital platform technology and management software company for internet advertising); Chairman and Director (since 2015), Level Beauty Group Inc. (retail/e-commerce beauty investment/management company).

OFFICERS

NAME (AGE), ADDRESS	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS
Russell D. Morrison (51) 550 South Tryon Street Charlotte, NC 28202	President	Since 2012	Vice Chairman (since 2014), Member of the Board of Managers (since 2014), Head of Global Fixed Income Group (since 2012), Head of Global High Yield Investments Group (since 2010), Co-Head of U.S. Loan Team (2006-2009), Managing Director (since 2002), Babson Capital; Chairman and Director (since 2015), Babson Capital Management (UK) Limited (investment advisory firm); Chairman and Director (since 2015), Babson Capital Global Advisors Limited (investment advisory firm); Senior Vice President (since 2013), Babson Capital Funds Trust (an open-end investment company advised by the Adviser).
Patrick Hoefling (36) 550 South Tryon Street Charlotte, NC 28202	Chief Financial Officer	Since 2012	Treasurer (since 2015), Managing Director (since 2015), Director (2008-2015), 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 (41) 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 (40) 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 (48) 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); Vice President (since 2011), CI Subsidiary Trust and PI Subsidiary Trust.
Scott Roth (46) 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 (42) 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).

OFFICERS (CONTINUED)

NAME (AGE), ADDRESS	POSITION(S) HELD WITH FUND	TERM OF OFFICE AND LENGTH OF TIME SERVED*	PRINCIPAL OCCUPATION(S) DURING THE PAST 5 YEARS
Janice M. Bishop (51) 550 South Tryon Street Charlotte, NC 28202	Vice President, Secretary and Chief Legal Officer	Since 2012	Senior Counsel and Managing Director (since 2014), Counsel (2007-2014), Babson Capital; Vice President, Secretary and Chief Legal Officer (since 2015), Associate Secretary (2008-2015), 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); Vice President and Secretary (since 2015), Assistant Secretary (2008-2015), CI Subsidiary Trust and PI Subsidiary Trust.
Michele Manha (43) 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 16, 2015.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUB-ADVISORY AGREEMENT

The Investment Company Act of 1940 (the "1940 Act") requires that both the full Board of Trustees and a majority of the Trustees who are not interested persons of the Fund, as defined the 1940 Act ("independent Trustees"), voting separately, annually approve the continuation of the Investment Management Agreement (the "Management Agreement") between the Fund and Babson Capital Management LLC ("Babson Capital") and the Sub-Advisory Agreement (the "Sub-Advisory Agreement" and together with the Management Agreement, the "Agreements") between Babson Capital and Babson Capital Global Advisors Limited ("BCGA"). The Trustees considered matters bearing on the Fund and the Agreements at their meetings throughout the year, including a review of the Fund's performance at each regular meeting. In addition, the Trustees met on October 14, 2015 (the "contract review meeting") for the specific purpose of considering whether to approve the continuation of the Agreements for the Fund. The Trustees' review process and considerations in approving the Agreements are set forth below.

Prior to the contract review meeting, the Trustees requested and received from Ropes & Gray LLP, counsel to the Fund, a memorandum describing the Trustees' legal responsibilities in connection with their review and approval of the Agreements. The Trustees also requested and received from Babson Capital extensive written and oral information regarding other matters including: the principal terms of the Agreements; the reasons why Babson Capital was proposing the continuance of the Agreements; Babson Capital and its personnel; the Fund's investment performance, including comparative performance information; the nature and quality of the services provided by Babson Capital to the Fund; financial strength of Babson Capital; the fee arrangements between Babson Capital and the Fund's fee and expense information, including comparative fee and expense information; profitability of the advisory arrangement to Babson Capital; and "fallout" benefits to Babson Capital resulting from the Agreements.

The Trustees' conclusion as to the continuation of the Agreements was based on a comprehensive consideration of all information provided to the Board and not the result of any single issue. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the Board's review of the Agreements is the result of ongoing review and discussion, rather than a single discussion. The Trustees' conclusions may be based, in part, on their consideration of these arrangements during the course of the year and in prior years.

The Trustees considered the terms of the Agreements, including the scope of the advisory services provided under the Agreements. In evaluating the nature, scope and quality of the services provided by Babson Capital and BCGA to the Fund, the Trustees considered Babson Capital's specific responsibilities in the day-to-day management of the Fund, the qualifications, experience and responsibilities of the portfolio managers and other key personnel that are involved in the day-to-day management of the Fund, the ability of Babson Capital and BCGA to attract and retain high-quality personnel, and the organizational depth and stability of Babson and BCGA. The Trustees also considered the trading capabilities of Babson Capital.

Based on information provided by Lipper Inc. ("Lipper") and Babson Capital, the Trustees reviewed the Fund's total return investment performance, as well as the performance of peer groups of funds, over various time periods. The total return performance of the Fund's shares ranked in the 4th quintile of the Lipper performance universe for the one-year period ended June 30, 2015 (the 1st quintile being the best performers and the 5th quintile being the worst performers) and ranked in the 3rd quintile of the Lipper performance universe for the since-inception period ended June 30, 2015. Given the size of the Lipper performance universe and information provided by Babson Capital regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to a custom peer group developed by Babson Capital comprised of high-yield closed-end funds that employ generally similar investment strategies and invest in the same asset classes as the Fund. Relative to the custom peer group, the total return performance of the Fund ranked 3rd out of 8 peer funds for the since inception period ended June 30, 2015. In the course of their deliberations, the Trustees also took into account information provided by Babson Capital during investment review meetings conducted with portfolio management personnel during the course of the year. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the Agreements, that they were satisfied with Babson Capital's and BCGA's responses and efforts relating to investment performance.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUB-ADVISORY AGREEMENT (CONTINUED)

The Trustees considered the investment management fee paid by the Fund to Babson Capital pursuant to the Management Agreement. The Trustees noted that Babson Capital (and not the Fund) pays BCGA its sub-advisory fee under the Sub-Advisory Agreement. In assessing the reasonableness of the fee paid by the Fund under the Management Agreement, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio for the Fund's shares as a percentage of net asset value and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data, the Fund's actual management fee (which includes Babson Capital's advisory fee and Fund administration fees) and total expense ratio were each higher than the Lipper expense group median. The Trustees also reviewed the Fund's advisory fee and total expense ratio in comparison to a custom peer group developed by Babson Capital comprised of high-yield closed-end funds that employ generally similar investment strategies and invest in the same asset classes as the Fund. The Trustees considered that, according to the custom peer group data, the Fund's gross management fee and total expense ratio were each approximately at the median of the Fund's custom peer group. The Trustees also reviewed materials provided by Babson Capital describing fees paid by other similar accounts managed by Babson Capital, noting that Babson Capital typically charges higher fees on its global accounts than on accounts that are invested primarily in domestic securities.

The Board noted that, because your Fund is closed-end and does not make a continuous offering of securities, its size was relatively stable and it was unlikely that Babson Capital would realize economies of scale from your Fund's growth other than through capital gains. The Board noted its option to reconsider the management fees in the future should the Fund's assets grow substantially.

The Trustees reviewed information prepared by Babson Capital regarding Babson Capital's costs of managing the Fund, and the profitability of the Management Agreement to Babson Capital. In considering the profitability of the Babson Capital, the Board noted that the BCGA is an affiliate of Babson Capital and is paid by Babson Capital, and, therefore, did not consider its profitability separately.

The Trustees also considered the character and amount of other incidental benefits received by Babson Capital and BCGA. Additionally, the Trustees considered so-called "fall-out benefits" to Babson Capital and BCGA such as reputational value derived from serving as investment manager to the Fund. The Trustees also considered costs incurred by Babson Capital in connection with the organization and initial offering of the Fund.

On the basis of the information provided, the Trustees concluded, within the context of their overall conclusions regarding the Agreements, that the management fees charged to the Fund and the sub-advisory fee paid by Babson Capital to BCGA represent reasonable compensation in light of the services being provided by Babson Capital and BCGA to the Fund.

Based on their evaluation of factors that they deemed material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's Management Agreement with Babson Capital and Sub-Advisory Agreement with BCGA should be continued for an additional one-year period, commencing October 24, 2015.

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

Patrick Hoefling
Chief Financial 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 53301.



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 2016

BABSON CAPITAL GLOBAL SHORT DURATION HIGH YIELD FUND
2015 ANNUAL REPORT