

BABSON CAPITAL GLOBAL SHORT DURATION HIGH YIELD FUND

Form N-Q

May 30, 2013

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT  
COMPANY

Investment Company Act file number: 811-22562

Babson Capital Global Short Duration High Yield Fund  
(Exact name of registrant as specified in charter)

550 South Tryon Street, Charlotte, NC 28202  
(Address of principal executive offices) (Zip code)

Janice M. Bishop  
Secretary and Chief Legal Officer  
c/o Babson Capital Management LLC  
Independence Wharf  
470 Atlantic Avenue  
Boston, MA 02210  
(Name and address of agent for service)

704-805-7200  
Registrant's telephone number, including area code

Date of fiscal year end: December 31

Date of reporting period: March 31, 2013

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## Item 1. Schedule of Investments.

Babson Capital Global Short Duration High Yield Fund  
SCHEDULE OF INVESTMENTS  
March 31, 2013

	Effective interest rate‡	Due date	Principal	Cost	Fair value
Fixed Income — 122.74%*:					
Bank Loans — 23.73%*:					
Automobile — 1.73%*:					
Schaeffler Finance+	4.75%	1/27/2017	\$ 4,500,000	\$ 5,857,395	\$ 5,785,187
Schaeffler Finance+	3.75	1/27/2017	2,247,447	2,930,774	2,879,113
Total Automobile			6,747,447	8,788,169	8,664,300
Broadcasting and Entertainment — 0.59%*:					
Deluxe Entertainment Services Group, Inc.	6.50	7/3/2017	1,471,580	1,431,112	1,415,175
Deluxe Entertainment Services Group, Inc.	8.00	7/3/2017	1,605,446	1,495,486	1,543,910
Total Broadcasting and Entertainment			3,077,026	2,926,598	2,959,085
Buildings and Real Estate — 0.78%*:					
Tomkins Air Distribution	9.25	5/1/2020	3,773,513	3,716,929	3,872,568
Total Buildings and Real Estate			3,773,513	3,716,929	3,872,568
Chemicals, Plastics and Rubber — 1.74%*:					
Cytec Monarch	7.50	3/31/2020	2,000,000	2,055,000	2,042,500
Houghton International Inc.	5.25	11/30/2019	2,837,229	2,808,864	2,879,788
Pinnacle Operating Corp.	11.50	5/13/2019	4,000,000	3,803,966	3,796,680
Total Chemicals, Plastics and Rubber			8,837,229	8,667,830	8,718,968
Diversified/Conglomerate Manufacturing — 2.49%*:					
Alliance Laundry Systems LLC	9.50	11/30/2019	1,728,930	1,711,655	1,767,831
Navistar International Corp	6.00	7/30/2017	2,565,000	2,566,969	2,590,009
Northern Tool & Equipment Company, Inc.	7.00	12/6/2018	4,285,714	4,200,538	4,328,571
ValleyCrest	8.00	10/5/2016	3,729,855	3,729,855	3,757,829
			12,309,499	12,209,017	12,444,240

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Total  
Diversified/Conglomerate  
Manufacturing

Diversified/Conglomerate Service — 2.38%\*:

Endurance International Group Inc.	6.25	10/18/2017	6,000,000	5,940,019	6,033,780
Redprarie Corporation	6.75	12/14/2018	3,000,000	2,942,225	3,056,250
Redprarie Corporation	11.25	12/14/2019	2,702,244	2,649,862	2,822,710
Total Diversified/Conglomerate Service			11,702,244	11,532,106	11,912,740

Diversified Natural Resources, Precious Metals and Minerals — 0.73%\*:

Osмосе Holdings, Inc.	6.75	5/2/2018	3,616,487	3,580,334	3,652,652
Total Diversified Natural Resources, Precious Metals and Minerals			3,616,487	3,580,334	3,652,652

Electronics — 1.56%\*:

Kronos, Inc.	9.75	4/26/2020	7,500,000	7,425,012	7,818,750
Total Electronics			7,500,000	7,425,012	7,818,750

Finance — 1.61%\*:

Confie Seguros Holding	10.25	5/8/2019	1,500,000	1,470,351	1,531,875
Confie Seguros Holding	10.25	3/15/2019	400,000	410,000	408,500
Cunningham Lindsey Group, Inc.	9.25	4/18/2020	3,000,000	3,059,939	3,071,250
Transfirst Holdings Inc.	11.00	6/30/2018	1,004,072	974,048	1,018,511
Wall Street Systems Inc.	9.25	4/24/2020	1,980,000	1,984,989	1,989,900
Total Finance			7,884,072	7,899,327	8,020,036

Healthcare, Education and Childcare — 3.38%\*:

Air Medical Group Holdings	6.50	6/20/2018	2,256,154	2,233,606	2,304,097
Gentiva Health Services Inc.	6.50	8/17/2016	3,934,426	3,887,735	3,955,751
PRA International	10.50	11/30/2019	1,743,299	1,708,747	1,760,732
PRA International	9.25	12/10/2019	101,129	102,899	102,140
Sage Products Holdings Iii, LLC	4.25	11/30/2019	2,000,000	1,980,008	2,012,500
Sage Products Holdings Iii, LLC	9.25	5/31/2020	3,325,292	3,275,431	3,416,737
TriZetto Group	8.50	3/27/2019	3,325,000	3,309,161	3,358,250
Total Healthcare, Education and Childcare			16,685,300	16,497,587	16,910,207

Leisure, Amusement, Motion Pictures and Entertainment — 0.60%\*:

Jacob's Entertainment	6.25	10/16/2018	2,992,500	2,949,550	3,011,203
Total Leisure, Amusement, Motion Pictures and Entertainment			2,992,500	2,949,550	3,011,203

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Mining, Steel, Iron and Non-Precious Metals — 1.05%*:						
Boomerang Tube, LLC	11.00	10/8/2017	2,962,500	2,927,514	2,992,125	
Boomerang Tube, LLC	11.00	10/11/2017	378,377	384,053	382,161	
Constellium Holdco B.V.+	6.25	3/15/2020	1,819,073	1,809,978	1,850,907	
Total Mining, Steel, Iron and Non-Precious Metals			5,159,950	5,121,545	5,225,193	
Oil and Gas — 2.84%*:						
Chesapeake Energy Corporation	5.75	12/2/2017	2,000,000	1,968,426	2,059,760	
EP Energy	4.50	4/30/2019	3,000,000	2,992,508	3,036,240	
NFR Energy LLC	8.75	12/31/2018	5,008,901	5,045,096	5,124,757	
Vantage Drilling Company	6.25	10/17/2017	2,962,500	2,888,419	2,981,016	
Venoco, Inc.	8.50	6/30/2017	955,565	976,379	981,843	
Total Oil and Gas			13,926,966	13,870,828	14,183,616	
Retail Store — 2.25%*:						
BJ's Wholesale Club, Inc.	9.75	3/13/2020	4,000,000	4,142,503	4,131,680	
FleetPride	9.25	5/8/2020	3,000,000	2,942,052	3,000,000	
Smart & Final Holdings Corp.	10.50	11/8/2020	4,000,000	3,881,925	4,125,000	
Total Retail Store			11,000,000	10,966,480	11,256,680	
Total Bank Loans			115,212,233	116,151,312	118,650,238	
Corporate Bonds — 99.01%*:						
Aerospace and Defense* — 0.49%*:						
Ducommun Inc.	9.75%	7/15/2018	\$ 2,230,000	\$ 2,402,081	\$ 2,453,000	
Total Aerospace and Defense			2,230,000	2,402,081	2,453,000	
Automobile — 6.78%*:						
Accuride Corp	9.50	8/1/2018	6,800,000	6,691,261	6,953,000	
Affinia Group, Inc.	9.00	11/30/2014	12,000,000	12,054,666	12,030,120	
J.B. Poindexter & Co. Inc. ^	9.00	4/1/2022	4,500,000	4,622,967	4,702,500	
Meritor, Inc. ^	10.63	3/15/2018	3,000,000	3,064,250	3,236,250	
Meritor, Inc. ^	7.88	3/1/2026	1,552,000	1,523,085	1,574,310	
UCI International, Inc.	8.63	2/15/2019	5,215,000	5,175,887	5,397,525	
Total Automobile			33,067,000	33,132,116	33,893,705	
Broadcasting and Entertainment — 1.41%*:						
Arqiva Finance+^	9.50	3/31/2020	2,700,000	4,129,025	4,246,122	
CET 21 Spol Sro+^	9.00	11/1/2017	2,000,000	2,786,625	2,781,623	
Total Broadcasting and Entertainment			4,700,000	6,915,650	7,027,745	
Buildings and Real Estate — 4.88%*:						
Ainsworth Lumber Ltd^	7.50	12/15/2017	5,750,000	5,770,043	6,267,500	
Cemex International Capital LLC+^	9.88	4/30/2019	2,890,000	3,816,761	4,223,196	
Lyon Williams Homes, Inc.^	8.50	11/15/2020	8,000,000	8,057,304	8,720,000	
Roofing Supply LLC^	10.00	6/1/2020	4,605,000	5,082,593	5,203,650	
			21,245,000	22,726,701	24,414,346	

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Total Buildings and Real Estate					
Cargo Transport — 3.77%*:					
CEVA Group PLC+^	8.38	12/1/2017	5,000,000	4,878,810	5,150,000
Kenan Advantage Group, Inc.^	8.38	12/15/2018	8,000,000	8,000,000	8,400,000
Moto Hospitality Limited+^	10.25	3/15/2017	2,000,000	3,094,404	3,069,302
Quality Distribution Inc.	9.88	11/1/2018	2,040,000	2,192,012	2,244,000
Total Cargo Transport			17,040,000	18,165,226	18,863,302
Chemicals, Plastics and Rubber — 7.37%*:					
Associated Asphalt, Inc. ^	8.50	2/15/2018	2,300,000	2,300,000	2,346,000
Ciech Group Finance+^	9.50	11/30/2019	1,200,000	1,538,876	1,695,893
Cornerstone Chemical Company^	9.38	3/15/2018	5,375,000	5,520,148	5,482,500
Omnova Solutions, Inc.	7.88	11/1/2018	1,630,000	1,670,131	1,735,950
Perstorp Holding AB+^	9.00	5/15/2017	7,030,000	9,089,363	9,484,534
TPC Group, Inc. ^	8.75	12/15/2020	7,065,000	7,153,446	7,365,262
Tronox Worldwide LLC^	6.38	8/15/2020	9,000,000	8,933,919	8,730,000
Total Chemicals, Plastics and Rubber			33,600,000	36,205,883	36,840,139
Containers, Packaging and Glass — 1.75%*:					
Bormioli Rocco & Figlio S.P.A.+^	10.00	8/1/2018	1,500,000	1,995,257	1,961,237
Pretium Packaging, LLC	11.50	4/1/2016	6,265,000	6,441,014	6,797,525
Total Containers, Packaging and Glass			7,765,000	8,436,271	8,758,762
Diversified/Conglomerate Service — 3.26%*:					
Brickman Group Holdings, Inc.^	9.13	11/1/2018	6,670,000	6,824,682	7,253,625
Verisure Holdings+^	6.71	9/1/2018	3,500,000	4,478,495	4,486,489
Verisure Holdings+^	8.75	9/1/2018	3,240,000	4,446,240	4,537,379
Total Diversified/Conglomerate Service			13,410,000	15,749,417	16,277,493
Diversified Natural Resources, Precious Metals and Minerals — 0.70%*:					
Lecta S.A.+^	8.88	5/15/2019	1,090,000	1,433,188	1,447,870
Lecta S.A.+^	5.73	5/15/2018	1,600,000	2,038,500	2,030,457
Total Diversified Natural Resources, Precious Metals and Minerals			2,690,000	3,471,688	3,478,327
Ecological — 0.17%*:					
ENCE+	7.25	2/15/2020	650,000	874,938	844,037
Total Ecological			650,000	874,938	844,037
Electronics — 1.44%*:					

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International Wire Group, Inc.^	8.50	10/15/2017	7,000,000	7,162,684	7,210,000
Total Electronics			7,000,000	7,162,684	7,210,000
Farming and Agriculture — 0.91%*:					
Chiquita Brands^	7.88	2/1/2021	4,350,000	4,318,419	4,562,062
Total Farming and Agriculture			4,350,000	4,318,419	4,562,062
Finance — 6.94%*:					
Arrow Global Finance+^	7.88	3/1/2020	500,000	791,653	757,981
Cabot Financial+^	10.38	10/1/2019	5,000,000	8,432,021	8,413,991
Evertec, Inc.	11.00	10/1/2018	11,000,000	12,168,966	12,485,000
First Data^	11.25	1/15/2021	5,000,000	5,000,000	5,200,000
Lowell Group Financing PLC+^	10.75	4/1/2019	2,000,000	3,412,822	3,394,466
TMF Group Holding+^	5.59	12/1/2018	1,400,000	1,802,552	1,812,542
TMF Group Holding+^	9.88	12/1/2019	2,000,000	2,687,648	2,640,619
Total Finance			26,900,000	34,295,662	34,704,599
Healthcare, Education and Childcare — 4.51%*:					
Care UK Health+	9.75	8/1/2017	2,300,000	3,869,314	3,582,119
Cerba European Lab+^	7.00	2/1/2020	450,000	599,464	585,487
Crown Newco PLC+^	8.88	2/15/2019	4,500,000	7,387,291	6,940,118
Prospect Medical Holdings Inc^	8.38	5/1/2019	5,000,000	5,095,690	5,325,000
Voyage Care+^	6.50	8/1/2018	500,000	800,077	773,024
Warner Chilcott Company, LLC	7.75	9/15/2018	5,000,000	5,266,738	5,343,750
Total Healthcare, Education and Childcare			17,750,000	23,018,574	22,549,498
Hotels, Motels, Inns and Gaming — 1.78%*:					
Gala Group Finance+	8.88	9/1/2018	5,500,000	8,831,701	8,879,325
Total Hotels, Motels, Inns and Gaming			5,500,000	8,831,701	8,879,325
Leisure, Amusement, Motion Pictures and Entertainment — 1.36%*:					
Odeon & Uci Finco+	9.00	8/1/2018	4,200,000	6,967,062	6,796,530
Total Leisure, Amusement, Motion Pictures and Entertainment			4,200,000	6,967,062	6,796,530
Machinery (Non-Agriculture, Non-Construct, Non-Electronic) — 3.98%*:					
Cleaver-Brooks, Inc.^	8.75	12/15/2019	4,740,000	4,879,853	5,113,275
KM Germany Holding+^	8.75	12/15/2020	1,450,000	1,876,585	2,007,755
Milacron LLC^	8.38	5/15/2019	5,800,000	5,956,734	6,409,000
Milacron LLC^	7.75	2/15/2021	3,400,000	3,400,000	3,514,750
Xerium Technologies	8.88	6/15/2018	3,000,000	2,873,515	2,872,500
Total Machinery (Non-Agriculture,			18,390,000	18,986,687	19,917,280

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Non-Construct,  
Non-Electronic)

Mining, Steel, Iron and Non-Precious Metals — 4.58%\*:

Alpha Natural Resources, Inc.	9.75	4/15/2018	3,000,000	3,113,667	3,217,500
Ausdrill Finance Pty Ltd.+^	6.88	11/1/2019	6,000,000	6,000,000	6,135,000
Fortescue Metals Group Ltd.+^	8.25	11/1/2019	2,000,000	2,067,662	2,157,500
Inmet Mining Corporation+^	7.50	6/1/2021	3,500,000	3,514,591	3,788,750
Kaiser Aluminum Corporation	8.25	6/1/2020	800,000	870,170	896,000
New World Resources N.V.+^	7.88	5/1/2018	3,350,000	4,315,452	4,330,283
Rain CII Carbon LLC^	8.25	1/15/2021	1,390,000	1,390,000	1,501,200
Rain CII Carbon LLC^	8.50	1/15/2021	650,000	855,139	866,533
Total Mining, Steel, Iron and Non-Precious Metals			20,690,000	22,126,681	22,892,766

Oil and Gas — 24.70%\*:

Alta Mesa Holdings, LP	9.63	10/15/2018	4,275,000	4,377,654	4,510,125
Calumet Specialty Products	9.38	5/1/2019	7,365,000	7,919,926	8,248,800
CHC Helicopter+	9.25	10/15/2020	4,620,000	4,740,027	4,911,638
Chesapeake Oilfield Operating LLC^	6.63	11/15/2019	6,000,000	5,770,680	6,180,000
Era Group Inc.^	7.75	12/15/2022	3,000,000	2,949,330	3,090,000
Ferrellgas Partners LP	8.63	6/15/2020	7,135,000	6,992,771	7,242,025
Halcon Resources Corporation^	9.75	7/15/2020	8,000,000	8,461,942	8,840,000
Headwaters, Inc.	7.63	4/1/2019	3,000,000	3,129,226	3,210,000
Hercules Offshore, Inc.^	10.25	4/1/2019	6,865,000	7,221,746	7,637,312
Magnum Hunter Resources, Corp^	9.75	5/15/2020	3,000,000	3,058,682	3,150,000
Midstates Petroleum Company Inc.^	10.75	10/1/2020	5,000,000	5,290,633	5,550,000
Millennium Offshore+^	9.50	2/15/2018	6,000,000	6,000,000	6,060,000
Niska Gas Storage	8.88	3/15/2018	6,500,000	6,735,800	6,776,250
Northern Tier Energy LLC^	7.13	11/15/2020	6,000,000	6,000,000	6,360,000
Pbf Holding Company LLC	8.25	2/15/2020	6,000,000	6,288,897	6,600,000
Quicksilver Resources, Inc.	8.25	8/1/2015	3,000,000	2,813,337	2,951,250
Resolute Energy Corp.^	8.50	5/1/2020	7,285,000	7,445,490	7,539,975
Samson Investment Company^	9.75	2/15/2020	6,000,000	6,376,098	6,375,000
Shelf Drilling Holdings Ltd+^	8.63	11/1/2018	6,000,000	6,080,933	6,360,000
Venoco, Inc.	11.50	10/1/2017	5,500,000	5,565,574	5,885,000
Welltec+^	8.00	2/1/2019	5,500,000	5,739,262	6,008,750
Total Oil and Gas			116,045,000	118,958,008	123,486,125

Personal and Nondurable Consumer Products (Manufacturing Only) — 0.41%\*:

Grohe Holdings+^	8.75	12/15/2017	1,530,000	2,073,404	2,050,473
Total Personal and Nondurable Consumer Products (Manufacturing Only)			1,530,000	2,073,404	2,050,473



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Personal, Food and Miscellaneous — 0.50%*:						
	Cerved Holding Spa+^	8.00	1/15/2021	2,000,000	2,662,411	2,474,491
	Total Personal, Food and Miscellaneous			2,000,000	2,662,411	2,474,491
Printing and Publishing — 2.38%*:						
	Cenveo Corporation	8.88	2/1/2018	5,750,000	5,232,329	5,750,000
	R.R. Donnelley & Sons Company	7.25	5/15/2018	3,309,000	3,242,744	3,478,586
	R.R. Donnelley & Sons Company	7.88	3/15/2021	2,570,000	2,557,150	2,679,225
	Total Printing and Publishing			11,629,000	11,032,223	11,907,811
Retail Store — 6.52%*:						
	DFS Furniture Holdings PLC+^	7.63	8/15/2018	300,000	450,552	460,281
	GRD Holding Corp.^	10.75	6/1/2019	3,150,000	3,230,447	3,311,437
	HD Supply, Inc.	11.50	7/15/2020	5,000,000	5,296,510	5,925,000
	House Fraser PLC+^	8.88	8/15/2018	4,000,000	6,494,389	6,320,940
	Matalan Finance PLC+^	8.88	4/29/2016	4,000,000	6,469,248	6,032,243
	Pantry, Inc^	8.38	8/1/2020	875,000	909,610	938,437
	Spencer Spirit Holdings, Inc.^	11.00	5/1/2017	5,000,000	5,370,250	5,462,500
	Takko Fashion+^	9.88	4/15/2019	3,340,000	4,302,950	4,167,936
	Total Retail Store			25,665,000	32,523,956	32,618,774
Telecommunications — 6.95%*:						
	Bite Finance+^	7.45	2/15/2018	950,000	1,275,877	1,225,677
	Numericable Finance+^	8.07	10/15/2018	5,500,000	7,088,086	7,226,452
	Nara Cable FDG Ltd+^	8.88	12/1/2018	8,000,000	7,554,804	8,260,000
	Nokia Siemens Networks+^	6.75	4/15/2018	2,200,000	2,856,586	2,860,265
	Norcell Sweden+^	9.25	9/29/2018	19,500,000	3,249,571	3,216,810
	UPC Broadband+^	6.75	3/15/2023	1,830,000	1,932,214	1,932,556
	Wind Acquisition+^	7.38	2/15/2018	4,565,000	5,668,372	5,984,720
	Wind Acquisition+^	11.75	7/15/2017	3,000,000	4,173,682	4,057,068
	Total Telecommunications			45,545,000	33,799,192	34,763,548
Textiles & Leather — 1.47%*:						
	Perry Ellis International Inc	7.88	4/1/2019	7,000,000	7,284,679	7,350,000
	Total Utilities			7,000,000	7,284,679	7,350,000
	Total Corporate Bonds			450,591,000	482,121,314	495,014,138
	Total Fixed Income			565,803,233	598,272,626	613,664,376
Other liabilities and assets — (22.74)%						(113,681,676)
Net Assets — 100%						\$ 499,982,700

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

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

+ Foreign security.

Distributions of investments by country of issue (excluding temporary cash investments) as a percentage of total investment in securities, is as follows:

US	United States	67.6%
GB	United Kingdom	9.7%
SE	Sweden	3.5%
DE	Germany	2.4%
IT	Italy	2.4%
NL	Netherlands	2.3%
ES	Spain	2.1%
AE	United Arab Emirates	2.0%
FR	France	1.8%
AU	Australia	1.4%
CZ	Czech Republic	1.2%
DK	Denmark	1.0%
Other	(Individually less than 1%)	2.6%
		100.0%

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

Bank loans are exempt from registration under the Securities Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rates shown for bank loans are the current interest rates at March 31, 2013. 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.

Tax Basis

The cost basis of investments for federal income tax purposes at March 31, 2013 for Babson Capital Global Short Duration High Yield Fund was as follows\*:

Cost of investments	\$598,272,840
Gross unrealized appreciation	18,156,521
Gross unrealized depreciation	(2,764,985 )
Net unrealized appreciation	\$15,391,536

\*The above tables only reflects tax adjustments through December 31, 2012. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Funds' most recent annual reports.

Fair Value

Fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. 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.

The following is a summary of the inputs used as of March 31, 2013 in valuing the Fund’s investments

Description	Level 1	Level 2	Level 3	Total Investments
Assets:				
Fixed Income:				
Bank Loans	\$-	\$118,650,238	\$-	\$118,650,238
Bonds	-	495,014,138	-	495,014,138
Total Fixed Income	-	613,664,376	-	613,664,376
Derivative Securities:				
Foreign Exchange Contracts	-	5,457,727	-	5,457,727
Total Derivative Securities	-	5,457,727	-	5,457,727
Total Investments	\$-	\$619,122,103	\$-	\$619,122,103

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

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

The use of forward currency 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 currency exchange contracts involves the risk that anticipated currency movements will not be accurately predicted. A forward currency 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.

During the period from January 1, 2013 through March 31, 2013, the Fund's direct investment in derivatives consisted of forward foreign currency exchange contracts.

The following is a summary of the fair value of derivative instruments held directly by the Fund as of March 31, 2013. These derivatives are presented in the Schedule of Investments.

Fair values of derivative instruments on the Statement of Assets and Liabilities as of March 31, 2013:

Derivatives	Statement of Assets and Liabilities Location	Fair Value
Foreign exchange contracts:		
Forward Foreign Currency Exchange Contracts	Receivables	\$ 5,457,727
Total		\$ 5,457,727

The effect of derivative instruments on the Statement of Operations for period January 1, 2013 through March 31, 2013:

Amount of Realized Gain/(Loss) on Derivatives

Derivatives	Forward Currency Exchange Contracts
Foreign exchange contracts	\$ (1,585,162 )
Total	\$ (1,585,162 )

Change in Unrealized Appreciation/(Depreciation) on Derivatives

Derivatives	Forward Currency Exchange Contracts
Foreign exchange contracts	\$ 5,457,727

Total \$ 5,457,727

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Item 2. Controls and Procedures.

- (a) The Registrant's President and Chief Financial Officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act")) (17 CFR 270.30a-3(c)) are effective as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(d)).
- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) (17 CFR 270.30a-3(d)) that occurred during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for each principal executive officer and principal financial officer of the Registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)). Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant)

By (Signature and Title) /s/ Russ Morrison  
Russ Morrison, President and Principal Executive Officer

Date May 30, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Russ Morrison  
Russ Morrison, President

Date May 30, 2013

By (Signature and Title) /s/ Patrick Hoefling  
Patrick Hoefling, Chief Financial Officer

Date May 30, 2013

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