

BABSON CAPITAL CORPORATE INVESTORS
Form N-CSR
March 06, 2015

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-2183

Babson Capital Corporate Investors

(Exact name of registrant as specified in charter)

1500 Main Street, P.O. Box 15189, Springfield, MA 01115-5189

(Address of principal executive offices) (Zip code)

Christopher A. DeFrancis, Vice President, Secretary and Chief Legal Officer
1500 Main Street, Suite 2800, P.O. Box 15189, Springfield, MA 01115-5189

(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 12/31/14

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the

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burden to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORT TO STOCKHOLDERS.

Attached hereto is the annual shareholder report transmitted to shareholders pursuant to Rule 30e-1 of the Investment Company Act of 1940, as amended.

2014

Babson Capital
CORPORATE INVESTORS
2014 Annual Report

BABSON CAPITAL CORPORATE INVESTORS

Babson Capital Corporate Investors is a closed-end investment company, first offered to the public in 1971, whose shares are traded on the New York Stock Exchange.

INVESTMENT OBJECTIVE & POLICY

Babson Capital Corporate Investors (the “Trust”) is a closed-end management investment company, first offered to the public in 1971, whose shares are traded on the New York Stock Exchange under the trading symbol “MCI”. The Trust’s share price can be found in the financial section of newspapers under either the New York Stock Exchange listings or Closed-End Fund Listings.

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

Babson Capital Management LLC (“Babson Capital”) manages the Trust on a total return basis. The Trust distributes substantially all of its net income to shareholders each year.

Accordingly, the Trust pays dividends to shareholders four times a year in January, May, August, and November. The Trust pays dividends to its shareholders in cash, unless the shareholder elects to participate in the Dividend Reinvestment and Share Purchase Plan.

In this report, you will find a complete listing of the Trust’s holdings. We encourage you to read this section carefully for a better understanding of the Trust. We cordially invite all shareholders to attend the Trust’s Annual Meeting of Shareholders, which will be held on April 17, 2015 at 1:00 P.M. in Springfield, Massachusetts.

PROXY VOTING POLICIES & PROCEDURES; PROXY VOTING RECORD

The Trustees of Babson Capital Corporate Investors (the “Trust”) have delegated proxy voting responsibilities relating to the voting of securities held by the Trust to 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 Trust’s website at <http://www.BabsonCapital.com/mci>; and (3) on the U.S. Securities and Exchange Commission’s (“SEC”) website at <http://www.sec.gov>. Information regarding how the Trust voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, 2014 is available (1) on the Trust’s website at <http://www.BabsonCapital.com/mci>; and (2) on the SEC’s website at <http://www.sec.gov>.

FORM N-Q

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

BABSON CAPITAL CORPORATE INVESTORS

c/o Babson Capital Management LLC

1500 Main Street

P.O. Box 15189

Springfield, Massachusetts 01115-5189

(413) 226-1516

<http://www.BabsonCapital.com/mci>

ADVISER

Babson Capital Management LLC

1500 Main Street, P.O. Box 15189

Springfield, Massachusetts 01115-5189

INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM

KPMG LLP

Boston, Massachusetts 02111

COUNSEL TO THE TRUST

Ropes & Gray LLP

Boston, Massachusetts 02111

CUSTODIAN

State Street Bank and Trust Company

Boston, MA 02110

TRANSFER AGENT & REGISTRAR

DST Systems, Inc.

P.O. Box 219086

Kansas City, MO 64121-9086

1-800-647-7374

PORTFOLIO COMPOSITION AS OF 12/31/14*

* Based on value of total investments (including cash)

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

* Data for Babson Capital Corporate Investors (the “Trust”) represents portfolio returns based on change in the Trust’s net asset value assuming the reinvestment of all dividends and distributions. These returns differ from the total investment return based on market value of the Trust’s shares due to the difference between the Trust’s net asset value and the market value of its shares outstanding (see page 13 for total investment return based on market value). Past performance is no guarantee of future results.

Babson Capital Corporate Investors

TO OUR SHAREHOLDERS

I am pleased to share with you the Trust's Annual Report for the year ended December 31, 2014.

PORTFOLIO PERFORMANCE

The Trust's net total portfolio rate of return for 2014 was 13.8%, as measured by the change in net asset value and assuming the reinvestment of all dividends and distributions. The Trust's total net assets were \$280,130,264 or \$14.34 per share, as of December 31, 2014. This compares to \$268,687,514 or \$13.85 per share, as of December 31, 2013. The Trust paid a quarterly dividend of \$0.30 per share for each of the four quarters of 2014, for a total annual dividend of \$1.20 per share. In 2013, the Trust also paid four quarterly dividends of \$0.30 per share, for a total annual dividend of \$1.20 per share. Net investment income for 2014 was \$1.23 per share, including approximately \$0.21 per share of non-recurring income, compared to 2013 net investment income of \$1.19 per share, which included approximately \$0.04 per share of non-recurring income.

The Trust's stock price increased 6.4% during 2014, from \$14.93 as of December 31, 2013 to \$15.89 as of December 31, 2014. The Trust's stock price of \$15.89 as of December 31, 2014 equates to a 10.8% premium over the December 31, 2014 net asset value per share of \$14.34. The Trust's average quarter-end premium for the 3-, 5-, 10- and 25-year periods ended December 31, 2014 was 16.2%, 16.5%, 12.7%, and 4.0%, respectively.

The table below lists the average annual net returns of the Trust's portfolio, based on the change in net assets and assuming the reinvestment of all dividends and distributions. Average annual returns of the Barclays Capital U.S. Corporate High Yield Index and the Russell 2000 Index for the 1-, 3-, 5-, 10- and 25-year periods ended December 31, 2014 are provided for comparison purposes only.

	The Trust	barclays Capital U.S. Corporate High Yield Index	Russell 2000 Index
1 Year	13.78%	2.45%	4.89%
3 Years	14.52%	8.43%	19.21%
5 Years	15.05%	9.03%	15.55%
10 Years	12.11%	7.74%	7.77%
25 Years	13.64%	8.76%	9.75%

Past performance is no guarantee of future results.

PORTFOLIO ACTIVITY

The Trust closed 18 new private placement investments, as well as five "add-on" investments in existing portfolio companies in 2014. The 18 new investments were in Airxcel Holdings; Avantech Testing Services LLC; Clarion Brands Holding Corp.; Dunn Paper; ECG Consulting Group; ERG Holding Company LLC; GenNx Novel Holding, Inc.; Grakon Parent; GTI Holding Company; Hartland Controls Holding Corporation; HHI Group, LLC; Handi Quilter Holding Company; Impact Confections; MES Partners, Inc.; Money Mailer; Polytex Holdings LLC; PPC

Event Services and VP Holding Company. The five “add-on” investments were in ARI Holding Corporation; Church Services Holding Company; Merex Holding Corporation; MVI Holding, Inc. and Netshape Technologies, Inc. A brief description of these investments can be found in the Consolidated Schedule of Investments. The total amount invested by the Trust in these transactions was \$51,852,942, which was up 41.5% from the \$36,653,347 of new private placement investments made by the Trust in 2013.

2014 Annual Report

The Trust's new investment activity in 2014 benefited from a strong rebound in middle market merger and acquisition activity during the year. In fact, middle market buyout volume in 2014 was at its highest level since 2007. The dark cloud on the horizon, though, continues to be the high purchase prices and leverage levels that are common in buyout transactions today. Competition for new investment opportunities remains intense, as there continues to be an overabundance of private debt and equity capital looking to be invested. Attractive companies are being aggressively pursued by both buyers and lenders alike. As a result, average purchase price multiples in 2014 were at their highest level in the past 15 years. Leverage multiples also increased during the year, to their second highest level in the past 15 years.

Though we were active investors on behalf of the Trust in 2014, we did so, and will continue to do so, cautiously and with discipline, consistent with our longstanding investment philosophy of seeking to take prudent levels of risk and getting paid appropriately for the risk taken. We are not willing to provide financial leverage at levels that we believe are imprudent. In 2014, in the face of these aggressive market conditions, we continued our history of investing in companies at lower than market leverage levels. The average leverage of the Trust's new private placement investments in 2014 was 4.0x times EBITDA, compared to the 5.3 times EBITDA for the market as a whole. This approach has served us well over the long term and through all kinds of market cycles.

In addition to strong new investment activity, the condition of the Trust's existing portfolio remained solid throughout the year. Sales and earnings for the Trust's portfolio companies as a whole continued their upward momentum. We had significantly more credit upgrades in the portfolio this year than downgrades, while the number of companies on our watch list or in default remained at or near the lowest level we have seen over the last seven years.

We had 32 companies exit from the Trust's portfolio during 2014. This is an unprecedented high level of exit activity for the Trust's portfolio and is another indicator of how active and aggressive the market was in 2014. In 28 of these exits, the Trust realized a positive return on its investment. These investments were: AHC Holding Company, Inc.; Apex Analytix Holding Corporation; Baby Jogger Holdings LLC; CDNT, Inc.; Connor Sport Court International, Inc.; Duncan Systems, Inc.; ELT Holding Company; Handi Quilter Holding Company; Home Décor Holding Company; Jason Partners Holdings LLC; KPHI Holdings, Inc.; LPC Holding Company; MBWS Ultimate Holdco, Inc.; MEGTEC Holdings, Inc.; NT Holding Company; Ontario Drive & Gear Ltd.; PKC Holding Corporation; PPT Holdings LLC; Postle Aluminum Company LLC; Precision Wire Holding Company; Snacks Parent Corporation; SouthernCare Holdings, Inc.; Specialty Commodities, Inc.; Stag Parkway Holding Company; Terra Renewal LLC; TruStile Doors, Inc.; U-Line Corporation; and UMA Enterprises, Inc. Four long-standing troubled investments, HM Holding Company; Pacific Consolidated Holdings LLC; Sencore Holdings Company; and Strata/WLA Holding were realized in 2014 at a loss. The Trust also benefited from dividends associated with the recapitalizations of six companies during the year. The Trust realized significant net gains from these exits and recapitalizations.

The level of refinancing activity in the portfolio in 2014, though still robust, was down from the unprecedented level of refinancings we saw in 2013. These transactions, in which the debt instruments held by the Trust were fully or partially prepaid, are being driven by companies seeking to take advantage of low interest rates and the abundant availability of capital. During 2014, we had 20 portfolio companies fully or partially prepay their debt obligations to the Trust, compared to 32 such prepayments in 2013.

The unprecedented level of exit activity in the portfolio this year, along with another year of above-average prepayment activity, was the principal reason that the Trust's net investment income, excluding non-recurring items, declined from \$1.15 per share in 2013 to \$1.02 per share in 2014.

Babson Capital Corporate Investors

OUTLOOK FOR 2015

We have started the year off with a healthy backlog of deal flow. Surveys of middle market financiers indicate that most expect 2015 to be another active year in terms of deal flow. We did see the pressure on leverage levels and investment returns stabilize as we progressed through 2014, and that is expected to continue into 2015. As a result, we are optimistic about the outlook for new investment activity for the Trust in 2015. We also have a number of portfolio companies that are in the process of being sold and we are hopeful that those exits will once again generate significant gains for the Trust. Rest assured that despite constantly changing market conditions, we will continue to employ on behalf of the Trust the same investment philosophy that has served it well since its inception: investing in companies which we believe have a strong business proposition, solid cash flow and experienced, ethical management. We believe this philosophy, along with Babson Capital's seasoned investment-management team, positions the Trust well to meet its long-term investment objectives.

While the Trust was able to maintain its \$0.30 per share quarterly dividend in 2014 for a total annual dividend of \$1.20 per share, we must make note again, as we did in last year's Annual Report, that this dividend level may not be sustainable throughout 2015. The Trust's net investment income per share, excluding non-recurring income, of \$1.02 per share in 2014 was once again below the dividend rate. Net investment income per share from recurring sources has been below the dividend rate for every quarter since the third quarter of 2013. As we have discussed in prior reports, net investment income is down due principally to the considerable reduction in the number of private debt securities in the portfolio resulting from the high level of exits and prepayment activity that has occurred over the last two years. We have been able to maintain the \$0.30 per share quarterly dividend with current income, non-recurring income and earnings carried forward from prior quarters. Over time, however, the Trust's dividend-paying ability tends to be correlated with its recurring earnings capacity. In 2014, the Trust earned an unusually high \$0.21 per share of non-recurring income, mostly due to dividend distributions from the recapitalization of a few portfolio companies. This income has replenished the Trust's earnings carry-forwards somewhat and should be available to supplement recurring income for the next few quarters. Unless market conditions change dramatically though, it is still unlikely that we will be able to rebuild the portfolio back to its former size in the near term and grow net investment income. As a result, it is likely that in 2015 we will have to reduce the dividend from the current \$0.30 per share quarterly rate. As we move through 2015, we and the Board of Trustees will continue to evaluate the current and future earnings capacity of the Trust and formulate a dividend strategy that is consistent with that earnings level.

As always, I would like to thank you for your continued interest in and support of Babson Capital Corporate Investors. I look forward to seeing you at the Trust's annual shareholder meeting in Springfield on April 17, 2015.

Sincerely,

Michael L. Klofas
President

Cautionary Notice: Certain statements contained in this report may be "forward looking" statements. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date in which they are made and which reflect management's current estimates, projections, expectations or beliefs, and which are subject to risks and uncertainties that may cause actual results to differ materially. These statements are subject to change at any time based upon economic, market or other conditions and may not be relied upon as investment advice or an indication of the Trust's trading intent. References to specific securities are not recommendations of such securities, and may not be representative of the Trust's current or future investments. We undertake no obligation to publicly update forward looking statements, whether as a result of new information, future events, or otherwise.

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2014 Annual Report

2014 Dividends Date	Record Income	Net Investment Income	Short-Term Gains	Long-Term Gains
Regular	4/28/2014	0.3000	-	-
	8/1/2014	0.3000	-	-
	11/3/2014	0.3000	-	-
	12/31/2014	0.3000	-	-
		\$ 1.2000	\$ -	\$ -

The following table summarizes the tax effects of the relation of capital gains for 2014:

	Amount Per Share	Form 2439
2014 Gains Retained	0.5054	Line 1a
Long - Term Gains Retained	0.5054	-
Taxes Paid	0.1769	Line 2*
Basis Adjustment	0.3285	**

* If you are not subject to federal capital gains tax (e.g. charitable organizations, IRAs and Keogh Plans) you may be able to claim a refund by filing Form 990-T.

** For federal income tax purposes, you may increase the adjusted cost basis of your shares by this amount (the excess of Line 1a over Line 2).

Annual Dividend Amount Per Share	Qualified for Dividend Received Deduction***		Qualified Dividend****		Interest Earned on U.S. Gov't. Obligations	
	Percent	Amount Per Share	Percent	Amount Per Share	Percent	Amount Per Share
\$ 1.20	9.7617%	0.1168	9.7617%	0.1168	0%	0.0000

*** Not available to individual shareholders

**** Qualified dividends are reported in Box 1b on IRS Form 1099-Div for 2014

BABSON CAPITAL CORPORATE INVESTORS

Financial Report

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2014 Annual Report

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
 December 31, 2014

Assets:

Investments

(See Consolidated Schedule of Investments)

Corporate restricted securities at fair value (Cost - \$183,122,440)	\$ 186,055,909
Corporate restricted securities at market value (Cost - \$54,264,843)	52,767,419
Corporate public securities at market value (Cost - \$52,180,609)	51,922,909
Short-term securities at amortized cost	16,597,198
Total investments (Cost - \$306,165,090)	307,343,435
Cash	12,459,008
Interest receivable	2,840,782
Receivable for investments	179,712
Other assets	37,627
 Total assets	 322,860,564

Liabilities:

Note payable	30,000,000
Dividend payable	5,860,025
Tax payable	4,343,118
Deferred tax liability	1,154,830
Investment advisory fee payable	875,407
Interest payable	202,400
Accrued expenses	294,520
Total liabilities	42,730,300

Total net assets	\$ 280,130,264
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Net Assets:

Common shares, par value \$1.00 per share	\$ 19,533,416
Additional paid-in capital	114,582,701
Retained net realized gain on investments	142,769,539
Undistributed net investment income	2,783,533
Accumulated net realized gain on investments	437,560
Net unrealized appreciation of investments	23,515
Total net assets	\$ 280,130,264
Common shares issued and outstanding (28,054,782 authorized)	19,533,416

Net asset value per share	\$ 14.34
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See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2014

Investment Income:	
Interest	\$26,661,923
Dividends	3,095,126
Other	438,462
 Total investment income	 30,195,511
Expenses:	
Investment advisory fees	3,519,159
Interest	1,584,000
Trustees' fees and expenses	358,000
Professional fees	307,071
Reports to shareholders	140,000
Custodian fees	33,600
Other	268,735
 Total expenses	 6,210,565
 Investment income - net	 23,984,946
Net realized and unrealized gain on investments:	
Net realized gain on investments before taxes	12,879,730
Income tax expense	(4,025,292)
Net realized gain on investments after taxes	8,854,438
Net change in unrealized depreciation of investments before taxes	(257,620)
Net change in deferred income tax expense	173,398
Net change in unrealized depreciation of investments after taxes	(84,222)
 Net gain on investments	 8,770,216
 Net increase in net assets resulting from operations	 \$32,755,162

See Notes to Consolidated Financial Statements

2014 Annual Report

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

Net increase in cash:

Cash flows from operating activities:

Purchases/Proceeds/Maturities from short-term portfolio securities, net	\$(12,327,089)
Purchases of portfolio securities	(112,373,208)
Proceeds from disposition of portfolio securities	114,688,205
Interest, dividends and other income received	26,497,918
Interest expense paid	(1,584,000)
Operating expenses paid	(4,554,112)
Income taxes paid	(407,655)

Net cash provided by operating activities	9,940,059
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Cash flows from financing activities:

Cash dividends paid from net investment income	(23,336,352)
Receipts for shares issued on reinvestment of dividends	2,065,868

Net cash used for financing activities	(21,270,484)
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Net decrease in cash	(11,330,425)
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Cash - beginning of year	23,789,433
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Cash - end of year	\$12,459,008
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Reconciliation of net increase in net assets to net cash provided by operating activities:

Net increase in net assets resulting from operations	\$32,755,162
Increase in investments	(25,227,956)
Increase in interest receivable	(405,513)
Increase in receivable for investments sold	(179,712)
Decrease in other assets	1,494
Increase in tax payable	3,617,637
Decrease in deferred tax liability	(173,398)
Increase in investment advisory fee payable	35,759
Increase in accrued expenses	36,694
Decrease in payable for investments purchased	(520,108)
Total adjustments to net assets from operations	(22,815,103)
Net cash provided by operating activities	\$9,940,059

See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
 For the years ended December 31, 2014 and 2013

	2014	2013
Increase in net assets:		
Operations:		
Investment income - net	\$23,984,946	\$22,870,299
Net realized gain on investments after taxes	8,854,438	(942,568)
Net change in unrealized depreciation of investments after taxes	(84,222)	10,248,182
Net increase in net assets resulting from operations	32,755,162	32,175,913
Increase from common shares issued on reinvestment of dividends		
Common shares issued (2014 - 139,761; 2013 - 153,982)	2,065,868	2,339,460
Dividends to shareholders from:		
Net investment income (2014 - \$1.20 per share; 2013 - \$1.20 per share)	(23,378,280)	(23,206,251)
Total increase in net assets	11,442,750	11,309,122
Net assets, beginning of year	268,687,514	257,378,392
Net assets, end of year (including undistributed net investment income of \$2,783,533 and \$2,361,260, respectively)	\$280,130,264	\$268,687,514

See Notes to Consolidated Financial Statements

2014 Annual Report

CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

Selected data for each share of beneficial interest outstanding:

	For the years ended December 31,				
	2014	2013	2012	2011 (a)	2010 (a)
Net asset value:					
Beginning of year	\$ 13.85	\$ 13.38	\$ 12.69	\$ 12.56	\$ 11.45
Net investment income (b)	1.23	1.18	1.28	1.29	1.13
Net realized and unrealized gain on investments	0.45	0.48	0.69	0.17	1.06
Total from investment operations	1.68	1.66	1.97	1.46	2.19
Dividends from net investment income to common shareholders	(1.20)	(1.20)	(1.25)	(1.34)	(1.08)
Dividends from net realized gain on investments to common shareholders	-	-	(0.05)	(0.01)	-
Increase from dividends reinvested	0.01	0.01	0.02	0.02	0.00 (c)
Total dividends	(1.19)	(1.19)	(1.28)	(1.33)	(1.08)
Net asset value: End of year	\$ 14.34	\$ 13.85	\$ 13.38	\$ 12.69	\$ 12.56
Per share market value: End of year	\$ 15.89	\$ 14.93	\$ 15.28	\$ 17.99	\$ 15.28
Total investment return					
Net asset value (d)	13.78 %	12.76 %	17.07 %	12.00 %	19.81 %
Market value (d)	16.53 %	5.93 %	(7.11 %)	27.92 %	31.73 %
Net assets (in millions):					
End of year	\$ 280.13	\$ 268.69	\$ 257.38	\$ 241.94	\$ 237.58
Ratio of total expenses to average net assets	3.66 %	2.42 %	3.17 %	2.42 %	2.57 %
Ratio of operating expenses to average net assets	1.65 %	1.64 %	1.66 %	1.62 %	1.60 %
Ratio of interest expense to average net assets	0.57 %	0.59 %	0.63 %	0.64 %	0.70 %
Ratio of income tax expense to average net assets (e)	1.44 %	0.19 %	0.88 %	0.16 %	0.27 %
Ratio of net investment income to average net assets	8.57 %	8.50 %	9.78 %	9.91 %	9.46 %
Portfolio turnover	38 %	34 %	34 %	21 %	39 %

(a) Per share amounts were adjusted to reflect a 2:1 stock split effective February 18, 2011.

(b) Calculated using average shares.

(c) Rounds to less than \$0.01 per share.

- (d) Net asset value return represents portfolio returns based on change in the Trust's net asset value assuming the reinvestment of all dividends and distributions which differs from the total investment return based on the Trust's market value due to the difference between the Trust's net asset value and the market value of its shares outstanding; past performance is no guarantee of future results.
- (e) As additional information, this ratio is included to reflect the taxes paid on retained long-term gains. These taxes paid are netted against realized capital gains in the Statement of Operations. The taxes paid are treated as deemed distributions and a credit for the taxes paid is passed on to the shareholders.

Senior borrowings:

Total principal amount (in millions)	\$30	\$30	\$30	\$30	\$30
Asset coverage per \$1,000 of indebtedness	\$10,338	\$9,956	\$9,579	\$9,065	\$8,919

See Notes to Consolidated Financial Statements

Babson Capital Corporate Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2014

	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Corporate Restricted Securities - 85.25%: (A)				
Private Placement Investments - 66.42%: (C)				
1492 Acquisition LLC A leading producer of premium Italian cured meats and deli meats in the U.S. 14% Senior Subordinated Note due 10/17/2019	\$ 1,625,974	10/17/12	\$ 1,600,878	\$ 1,591,646
Limited Liability Company Unit Class A Common (B)	27,273 uts.	10/17/12	27,273	-
Limited Liability Company Unit Class A Preferred (B)	245 uts.	10/17/12	245,450 1,873,601	247,420 1,839,066
A S C Group, Inc. A designer and manufacturer of high reliability encryption equipment, communications products, computing systems and electronic components primarily for the military and aerospace sectors. 14% Senior Subordinated Note due 12/21/2020	\$ 1,972,076	12/20/13	1,937,030	1,991,796
Limited Liability Company Unit Class A (B)	5,843 uts.	*	290,317	507,357
Limited Liability Company Unit Class B (B) * 10/09/09 and 12/20/13.	2,793 uts.	10/09/09	100,114 2,327,461	242,521 2,741,674
A W X Holdings Corporation A provider of aerial equipment rental, sales and repair services to non-residential construction and maintenance contractors operating in the State of Indiana. 10.5% Senior Secured Term Note due 05/15/2015 (D)	\$ 735,000	05/15/08	724,402	367,500
13% Senior Subordinated Note due 05/15/2015 (D)	\$ 735,000	05/15/08	673,096	-
Common Stock (B)	105,000 shs.	05/15/08	105,000	-
Warrant, exercisable until 2015, to purchase common stock at \$.01 per share (B)	36,923 shs.	05/15/08	62,395 1,564,893	- 367,500
ABC Industries, Inc.				

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A manufacturer of mine and tunneling ventilation products in the U.S.

13% Senior Subordinated Note due 07/31/2019	\$ 436,364	08/01/12	401,321	440,727
Preferred Stock Series A (B)	300,000 shs.	08/01/12	300,000	533,353
Warrant, exercisable until 2022, to purchase common stock at \$.02 per share (B)	53,794 shs.	08/01/12	101,870	90,453
			803,191	1,064,533

ACP Cascade Holdings LLC

A manufacturer and distributor of vinyl windows and patio doors throughout the northwestern United States.

Limited Liability Company Unit Class B (B)	64 uts.	11/09/12	-	-
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Advanced Manufacturing Enterprises LLC

A designer and manufacturer of large, custom gearing products for a number of critical customer applications.

14% Senior Subordinated Note due 12/17/2018	\$ 2,723,077	12/07/12	\$ 2,692,615	\$ 2,719,826
Limited Liability Company Unit (B)	3,434 uts.	*	343,385	432,754
* 12/07/12 and 07/11/13.			3,036,000	3,152,580

See Notes to Consolidated Financial Statements

2014 Annual Report

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
Advanced Technologies Holdings				
A provider of factory maintenance services to industrial companies.				
Preferred Stock Series A (B)	626 shs.	12/27/07	\$ 309,806	\$ 947,061
Convertible Preferred Stock Series B (B)	52 shs.	01/04/11	40,800	79,404
			350,606	1,026,465
Airxcel Holdings				
A leading manufacturer of a broad range of climate control solutions, including air-conditioners, heat pumps, cooking appliances, furnaces, powered vents, and water heaters.				
12.5% Senior Subordinated				
Note due 11/18/2020	\$ 2,922,226	11/18/14	2,864,679	2,941,580
Limited Liability Company				
Unit	583 uts.	11/18/14	583,000	553,850
			3,447,679	3,495,430
All Current Holding Company				
A specialty re-seller of essential electrical parts and components primarily serving wholesale distributors.				
Common Stock (B)	1,347 shs.	09/26/08	134,683	298,714
Warrant, exercisable until 2018, to purchase common stock at \$.01 per share				
(B)	958 shs.	09/26/08	87,993	212,448
			222,676	511,162
American Hospice Management Holding LLC				
A for-profit hospice care provider in the United States.				
12% Senior Subordinated Note				
due 03/31/2020 (D)	\$ 2,337,496	*	2,337,242	2,337,496
Preferred Class A Unit (B)	3,223 uts.	**	322,300	-
Preferred Class B Unit (B)	1,526 uts.	06/09/08	152,626	173,688
Common Class B Unit (B)	30,420 uts.	01/22/04	1	-
Common Class D Unit (B)	6,980 uts.	09/12/06	1	-
			2,812,170	2,511,184
* 01/22/04 and 06/09/08.				
** 01/22/04 and 09/16/06.				

AMS Holding LLC

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A leading multi-channel direct marketer of high-value collectible coins and proprietary-branded jewelry and watches.

Limited Liability Company

Unit Class A Preferred (B)	273 uts.	10/04/12	272,727	695,242
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Arch Global Precision LLC

A leading manufacturer of high tolerance precision components and consumable tools.

Limited Liability Company

Unit Class B (B)	60 uts.	12/21/11	85,250	301,132
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Limited Liability Company

Unit Class C (B)	690 uts.	12/21/11	664,750	2,981,096
			750,000	3,282,228

See Notes to Consolidated Financial Statements

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Babson Capital Corporate Investors

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2014

Corporate Restricted Securities: (A) (Continued)	Principal Amount, Shares, Units or Ownership Percentage	Acquisition Date	Cost	Fair Value
ARI Holding Corporation				
A leading national supplier of products used primarily by specialty contractors.				
11.5% Senior Subordinated Note due 02/01/2020	\$ 3,392,154	*	\$ 3,341,466	\$ 3,402,513
Limited Partnership Interest	1,048 uts.	08/01/14	1,047,900	832,004
* 05/21/13 and 08/01/14.			4,389,366	4,234,517
Arrow Tru-Line Holdings, Inc.				
A manufacturer of hardware for residential and commercial overhead garage doors in North America.				
Preferred Stock (B)	63 shs.	10/16/09	62,756	234,645
Common Stock (B)	497 shs.	05/18/05	497,340	61,929
Warrant, exercisable until 2016, to purchase common stock at \$.01 per share (B)	130 shs.	05/18/05	112,128 672,224	16,235 312,809