

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

Audit Committee Charter

JULY 29, 2013

The Boards of Trustees of Babson Capital Global Short Duration High Yield Fund and Babson Capital Funds Trusts (the “Trusts”), each a registered investment company advised by Babson Capital Management LLC, have adopted this Charter to govern the activities of the Audit Committees of each Trust.

1. COMPOSITION.

(a) The Audit Committee (the “Committee”) shall be composed of not less than the number of Trustees required by Section 3.03A of the Listed Company Manual of the New York Stock Exchange (the “NYSE”), who shall have been elected by a majority of the full Board of Trustees. Each Committee member shall be:

- (i) a member of the Trust’s Board of Trustees;
- (ii) an independent Trustee as defined by the applicable rules of the NYSE and is not a “interested person” of the Trust, as defined in the Investment Company Act of 1940, as amended;
- (iii) financially literate as such qualification is interpreted by the Trust’s Board of Trustees, or become financially literate within a reasonable period of time after his or her appointment to the Committee; and
- (iv) at least one member of the Committee shall possess accounting or related financial management expertise as determined by the business judgment of the Trust’s Board of Trustees.

(b) The Trust’s Board of Trustees shall determine whether at least one member of the Committee is an audit committee financial expert (“the Audit Committee Financial Expert”) under applicable U.S. Securities and Exchange Commission rules. The Trust’s Audit Committee Financial Expert is not an “expert” for any purpose, including without limitation for purposes of Section 11 of the Securities Act. The designation of a member of the Committee as an Audit Committee Financial Expert does not: (i) impose on that member any duties, obligations or liability that are greater than the duties, obligations and liability imposed on that member as a member of the Committee and Board of Trustees; and (ii) affect the duties, obligations or liability of any other member of the Committee or Board of Trustees.

2. PURPOSES.

The Committee’s role is one of oversight. The Trust’s adviser/management is responsible for the preparation, presentation and integrity of the Trust’s financial statements and maintenance of appropriate systems for accounting and internal control. The Trust’s Independent Registered Public Accounting Firm (the “Independent Accountants”) is responsible for planning and conducting proper audits and reviews of the Trust’s financial statements including gaining an understanding of the internal controls to determine their sufficiency for relying on the financial statements. Each member

of the Committee shall be entitled to rely on the accuracy of the financial and other information provided, and the representations made, to the Committee by the Trust's Independent Accountants, its management and its investment adviser (including the adviser's internal auditor) or its affiliates.

The Committee assists the Board of Trustees in its oversight of the:

- (a) integrity, quality and objectivity of the Trust's financial statements and its accounting and financial reporting policies and practices;
- (b) soundness of the Trust's systems of internal controls regarding finance and accounting compliance;
- (c) independence and qualifications of the Trust's Independent Accountants;
- (d) performance of the Adviser's limited internal audit coverage of the Trust; and
- (e) Trust's compliance with audit and accounting related legal and regulatory requirements including, but not limited to, requirements related to any codes of ethics adopted pursuant to Section 406 of the Sarbanes-Oxley Act of 2002 and matters referred to under the heading "Legal and Compliance Matters Related to the Trust's Financial Statements, Internal Controls, Accounting, and Audit Matters" of this Charter.

The Board of Trustees as a whole is responsible for oversight of the Trust's program for compliance with Securities and Exchange Commission Rule 38a-1 and the Trust's implementation and enforcement of its compliance policies and procedures thereunder.

3. AUTHORITY.

To carry out its purposes, the Committee shall have the following powers and, to the extent imposed by applicable law or regulation, duties:

Financial Statement and Disclosure Matters

- (a) to review and discuss the Trust's annual financial statements with its adviser/management and the Independent Accountants, including matters required to be discussed by SAS 61, as amended, or any successor or corollary accounting pronouncements;
- (b) to review and discuss the Trust's quarterly financial statements with the Trust's adviser/management and with the Trust's Independent Accountants (at such time as such quarterly financial statements are required to be audited or reviewed by the Independent Accountants);
- (c) to review and discuss the Trust's press releases (pre-approving forms of standard press releases and approving non-standard forms as needed) as well as financial information and earnings guidance provided to analysts and rating agencies (including, but not limited to, net asset value and distributions) with the Trust's adviser/management;
- (d) to meet with the Trust's adviser/management, Independent Accountants, or the adviser's internal auditors, including private meetings as necessary or appropriate, to review any material issues regarding accounting principles and financial statement presentations, including any significant changes in the Trust's selection or application of accounting

principles, and major issues as to the adequacy of the Trust's internal controls and any special audit procedures adopted in light of material control deficiencies, if any. Such reviews may consider:

- (1) all critical accounting policies and practices to be used by the Trust;
 - (2) significant financial reporting issues and judgments made in connection with the preparation of the Trust's financial statements, including any alternative accounting or disclosure treatments that have been discussed with the Trust's adviser/management; and
 - (3) any other material communications between the Independent Accountants and the Trust's adviser/management.
- (e) to review any reported audit problems or other difficulties (including, but not limited to, any fraud, whether or not material, encountered during the course of the audit process) and the adviser/management's responses thereto with the Trust's Independent Accountants;
 - (f) to resolve any reported disagreements between the Trust's Independent Accountants and its adviser/management regarding financial reporting;
 - (g) to discuss the Independent Accountants' report on the Trust's system of internal control required to be filed with its Form N-SAR;
 - (h) to discuss with the Trust's adviser/management and the Trust's Chief Compliance Officer the risk assessment process and risk management policies and procedures relevant to the Trust and its business, including the Trust's major financial risk exposures and the steps the adviser/management has taken to monitor and control such exposures;

Matters Related to Oversight of the Trust's Relationship with its Independent Accountants

- (i) to appoint or replace the Trust's Independent Accountants (subject to shareholder ratification, if applicable) and, in connection therewith, have the sole authority to approve the relevant engagement letter and audit engagement fees and terms as well as significant non-audit engagements with the Independent Accountants;
- (j) to approve, in advance, all audit and non-audit services that are not specifically prohibited pursuant to applicable law or regulation provided by the Trust's Independent Accountants to the Trust, and all non-audit services provided to the Trust's investment adviser (and its affiliates) where the nature of the services provided have a direct impact on the operations or financial reporting of the Trust, provided that, no such advance approval shall be required for non-audit services provided pursuant to pre-approval policies as may be adopted by the Committee or are otherwise legally permissible without the Committee's approval;
- (k) to meet with the Trust's Independent Accountants, including private meetings, as necessary
 - (i) to review the arrangements for, and scope of, the annual audit and any special audits, agreed upon procedures or limited reviews;
 - (ii) to discuss any matters of concern brought to their attention relating to the Trust's financial statements, including any adjustments to such statements recommended by the Independent Accountants, or other results of said audit(s);
 - (iii) to consider the Independent Accountants' comments with respect to the Trust's financial policies, procedures and internal accounting controls and its adviser/management's

responses thereto; and (iv) to review the form of opinion the Independent Accountants propose to render to the Board of Trustees and shareholders;

(l) to review, at least annually, the qualifications, performance and independence of the Trust's Independent Accountants. In conducting each annual review the Committee may:

(1) obtain and review a report by the Trust's Independent Accountants describing:

- (i) the Independent Accountants' internal quality control procedures;
- (ii) any material issues raised by the most recent internal quality control review or peer review of the Independent Accountants, or by any inquiry or investigation by governmental or professional authorities, within the past five years, respecting one or more independent audits carried out by the Independent Accountants, and any steps taken to deal with any such issues; and
- (iii) all relationships between the Independent Accountants and the Trust and its investment adviser and affiliates thereof.

(2) consider the rotation of the lead audit and review partners, or the Independent Accountants itself;

(3) receive from the Trust's Independent Accountants specific representations regarding their independence consistent with Independent Standards Board Standard No.1, as amended, or any corollary pronouncements, and discuss with the Trust's Independent Accountants any relationships or services that may impact their objectivity or independence; and

(4) present any observations or conclusions with respect to the Independent Accountants to the Trust's Board of Trustees.

Legal and Compliance Matters Related to the Trust's Financial Statements, Internal Controls, Accounting, and Audit Matters

(m) to review periodically with the Trust's legal counsel, including legal counsel retained by the Committee (if any), any legal matter that could have a material impact on, or be materially related to, the Trust's financial statements;

(n) to review and approve the Committee reports required to be included in the Trust's annual Proxy Statement;

(o) to receive the Trust's other filings with the SEC under the Securities and Exchange Act of 1934 including, but not limited to, the Trust's principal executive officer and principal financial officer disclosures concerning (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Trust's ability to record, process, summarize and report financial data; and (ii) any fraud, whether or not material, that involves its adviser/management or other employees who have a significant role in the Trust's internal controls, and to take such actions as are deemed appropriate in connection therewith;

- (p) to receive an update regarding any material inquiries from regulatory entities and the results, if applicable, or current status of, any regulatory examinations of the Trust, its investment adviser or its affiliates that raises material issues regarding the Trust's financial statements, results of operations, accounting policies or internal controls; and
- (q) to establish procedures for: (i) the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal controls or auditing matters and (ii) the confidential, anonymous submission by the Trust's officers and its investment adviser's employees of concerns regarding questionable accounting, internal controls or auditing matters related to the Trust.

4. MEETINGS AND OPERATING MATTERS

The Committee:

- (a) shall report its activities to the full Board of Trustees on a regular basis and make such recommendations with respect to the above and other matters as the Committee may deem necessary or appropriate;
- (b) shall keep written minutes of its meetings, which minutes shall be maintained with the Trust's books and records;
- (c) shall meet as often as required by law and is empowered to hold special meetings as circumstances require;
- (d) shall schedule and meet periodically in executive session with the Trust's adviser/management, Independent Accountants, internal auditors and legal counsel, including legal counsel retained by the Committee (if any);
- (e) may form and delegate authority to subcommittees or individual members when appropriate;
- (f) shall have the resources and authority appropriate to discharge its responsibilities, including the authority to retain the Trust's Independent Accountants, special counsel and other experts or consultants at the expense of the Trust;
- (g) shall perform a review and evaluation, at least annually, of the Committee's performance;
- (h) may review this charter and recommend any changes to the full Board of Trustees; and
- (i) may, notwithstanding the Committee's authority and responsibility as outlined above, perform such additional activities, and consider such other matters, within the scope of its purpose, as stated above, as the Committee of the Board of Trustees deems appropriate.