

FRANKLIN LTD DURATION INCOME TRUST
Form N-Q
August 28, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21357

Franklin Limited Duration Income Trust

(Exact name of registrant as specified in charter)

One Franklin Parkway, San Mateo, CA 94403-1906

(Address of principal executive offices) (Zip code)

**Craig S. Tyle, One Franklin Parkway, San
Mateo, CA 94403-1906**

(Name and address of agent for service)

Registrant's telephone number, including area code: (650) 312-2000

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Date of fiscal year end: 03/31

Date of reporting period: 6/30/17

Item 1. Schedule of Investments.

FRANKLIN LIMITED DURATION INCOME TRUST

Statement of Investments, June 30, 2017 (unaudited)

| | Country | Shares/ Warrants | Value |
|--|----------------|---------------------|-----------|
| Common Stocks and Other Equity Interests 0.9% | | | |
| Energy 0.8% | | | |
| ^a CHC Group LLC | Cayman Islands | 15,520 \$ | 178,480 |
| ^a Energy XXI Gulf Coast Inc | United States | 19,083 | 354,371 |
| ^a Energy XXI Gulf Coast Inc., wts., 12/30/21 | United States | 5,004 | 5,004 |
| ^a Halcon Resources Corp | United States | 67,554 | 306,695 |
| ^a Halcon Resources Corp., wts., 9/09/20 | United States | 6,408 | 5,511 |
| ^a Linn Energy Inc | United States | 17,897 | 546,575 |
| ^a Midstates Petroleum Co. Inc | United States | 364 | 4,612 |
| ^{a,b} Midstates Petroleum Co. Inc., wts., 4/21/20 | United States | 2,579 | 1,895 |
| ^{a,c} Nine Point Energy LLC | United States | 18,477 | 221,719 |
| ^a Penn Virginia Corp | United States | 3,759 | 138,143 |
| ^a Samson Resources II LLC | United States | 31,225 | 632,306 |
| | | | 2,395,311 |
| Materials 0.0%† | | | |
| ^a Verso Corp., A | United States | 4,163 | 19,524 |
| ^a Verso Corp., wts., 7/25/23 | United States | 438 | 66 |
| | | | 19,590 |
| Transportation 0.0%† | | | |
| ^{a,b} CEVA Holdings LLC | United States | 112 | 28,035 |
| Utilities 0.1% | | | |
| Vistra Energy Corp | United States | 17,126 | 287,546 |
| Total Common Stocks and Other Equity Interests | | | |
| (Cost \$7,456,104) | | | 2,730,482 |
| Convertible Preferred Stocks 0.2% | | | |
| Energy 0.2% | | | |
| ^{a,c} Nine Point Energy Holdings Inc., cvt. pfd | United States | 404 | 390,574 |
| Transportation 0.0%† | | | |
| ^{a,b} CEVA Holdings LLC, cvt. pfd., A-1 | United States | 6 | 2,250 |
| ^{a,b} CEVA Holdings LLC, cvt. pfd., A-2 | United States | 243 | 67,970 |
| | | | 70,220 |
| Total Convertible Preferred Stocks (Cost \$747,552) | | | 460,794 |

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| | | Principal Amount* | |
|---|----------------|------------------------------|-----------|
| Convertible Bonds (Cost \$1,476,542) 0.4% | | | |
| Energy 0.4% | | | |
| CHC Group LLC/CHC Finance Ltd., cvt., zero cpn., 10/01/20 | Cayman Islands | 798,131 | 1,249,075 |
| Corporate Bonds 50.1% | | | |
| Automobiles & Components 0.9% | | | |
| Fiat Chrysler Automobiles NV, senior note, 4.50%, 4/15/20 | United Kingdom | 1,500,000 | 1,545,000 |
| The Goodyear Tire & Rubber Co., | | | |
| senior bond, 5.00%, 5/31/26 | United States | 700,000 | 726,250 |
| senior note, 5.125%, 11/15/23 | United States | 300,000 | 315,000 |
| | | | 2,586,250 |

Quarterly Statement of Investments | See Notes to Statements of Investments. | 1

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|--|----------------|-------------------|-----------|
| Corporate Bonds (continued) | | | |
| Banks 2.0% | | | |
| ^d Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual | United States | 1,500,000 \$ | 1,561,650 |
| ^d Citigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual | United States | 1,300,000 | 1,386,125 |
| ^d JPMorgan Chase & Co., junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual | United States | 1,500,000 | 1,618,125 |
| Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22. | United Kingdom | 1,000,000 | 1,095,580 |
| | | | 5,661,480 |
| Capital Goods 2.1% | | | |
| CNH Industrial Capital LLC, senior note, 3.875%, 10/15/21 | United States | 1,200,000 | 1,234,500 |
| ^e Vertiv Group Corp., senior note, 144A, 9.25%, 10/15/24 | United States | 1,600,000 | 1,736,000 |
| ^e HD Supply Inc., senior note, 144A, 5.75%, 4/15/24 | United States | 400,000 | 426,000 |
| ^e Tennant Co., senior note, 144A, 5.625%, 5/01/25 | United States | 800,000 | 844,000 |
| ^e Terex Corp., senior note, 144A, 5.625%, 2/01/25 | United States | 500,000 | 515,000 |
| TransDigm Inc., senior sub. bond, 6.50%, 5/15/25 | United States | 800,000 | 816,000 |
| senior sub. note, 6.00%, 7/15/22 | United States | 500,000 | 516,250 |
| | | | 6,087,750 |
| Commercial & Professional Services 0.2% | | | |
| United Rentals North America Inc., senior bond, 5.875%, 9/15/26 | United States | 600,000 | 641,250 |
| Consumer Durables & Apparel 1.7% | | | |
| Beazer Homes USA Inc., senior note, 8.75%, 3/15/22 | United States | 1,300,000 | 1,452,750 |
| ^e Hanesbrands Inc., senior note, 144A, 4.625%, 5/15/24 | United States | 1,100,000 | 1,122,000 |
| KB Home, senior note, 7.00%, 12/15/21 | United States | 1,100,000 | 1,243,000 |
| ^e Taylor Morrison Communities Inc./Taylor Morrison Holdings II Inc., senior note, 144A, 5.875%, 4/15/23 | United States | 1,000,000 | 1,072,500 |
| | | | 4,890,250 |
| Consumer Services 3.4% | | | |
| ^e 1011778 BC ULC/New Red Finance Inc., senior secured note, first lien, 144A, 4.25%, 5/15/24 | Canada | 800,000 | 796,952 |
| ^e 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22 | United States | 1,000,000 | 935,000 |
| ^e International Game Technology PLC, senior note, 144A, 5.625%, 2/15/20 | United States | 1,500,000 | 1,595,565 |

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| | | | |
|--|---------------|-----------|-----------|
| ^e KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC, senior note, 144A, 5.00%, 6/01/24 | United States | 1,400,000 | 1,463,000 |
| MGM Resorts International, senior note, 8.625%, 2/01/19 | United States | 1,000,000 | 1,105,000 |
| ^e Jack Ohio Finance LLC/Jack Ohio Finance 1 Corp., senior secured note, first lien, 144A, 6.75%, 11/15/21 | United States | 1,400,000 | 1,466,500 |
| ^e Silversea Cruise Finance Ltd., senior secured note, first lien, 144A, 7.25%, 2/01/25 | United States | 600,000 | 642,750 |
| ^e Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25 | United States | 900,000 | 948,938 |
| ^e Wynn Macau Ltd., senior note, 144A, 5.25%, 10/15/21 | Macau | 800,000 | 824,000 |
| | | | 9,777,705 |
| Diversified Financials 2.8% | | | |
| Aircastle Ltd., senior note, 4.125%, 5/01/24 | United States | 700,000 | 713,125 |
| ^{e,f} Alpine Finance Merger Sub LLC, senior note, 144A, 6.875%, 8/01/25 | United States | 500,000 | 510,000 |
| ^e FirstCash Inc., senior note, 144A, 5.375%, 6/01/24. | United States | 900,000 | 942,750 |
| ^e Lincoln Finance Ltd., senior secured note, 144A, 7.375%, 4/15/21 | Netherlands | 1,000,000 | 1,063,750 |
| Navient Corp., senior note, 5.00%, 10/26/20 | United States | 300,000 | 312,000 |
| senior note, 5.875%, 3/25/21 | United States | 200,000 | 212,000 |
| senior note, 6.625%, 7/26/21 | United States | 700,000 | 755,125 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|---|----------------|-------------------|-----------|
| Corporate Bonds (continued) | | | |
| Diversified Financials (continued) | | | |
| Navient Corp., (continued) | | | |
| senior note, 7.25%, 9/25/23 | United States | 1,100,000 \$ | 1,185,250 |
| ^e Park Aerospace Holdings Ltd., senior note, 144A, 5.25%, 8/15/22 | Ireland | 1,500,000 | 1,572,735 |
| ^e Tempo Acquisition LLC/Tempo Acquisition Finance Corp., senior note, 144A, 6.75%, 6/01/25 | United States | 800,000 | 820,000 |
| | | | 8,086,735 |
| Energy 5.9% | | | |
| ^g BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22 | United States | 500,000 | 135,000 |
| California Resources Corp., | | | |
| ^e secured note, second lien, 144A, 8.00%, 12/15/22 | United States | 924,000 | 587,895 |
| senior note, 5.50%, 9/15/21 | United States | 37,000 | 21,830 |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., | | | |
| senior note, 7.75%, 4/15/23 | United States | 1,000,000 | 875,000 |
| ^e senior note, 144A, 11.50%, 1/15/21 | United States | 500,000 | 580,000 |
| Cheniere Corpus Christi Holdings LLC, | | | |
| senior note, first lien, 7.00%, 6/30/24 | United States | 700,000 | 784,000 |
| senior secured note, first lien, 5.875%, 3/31/25 | United States | 600,000 | 642,000 |
| CONSOL Energy Inc., | | | |
| senior note, 5.875%, 4/15/22 | United States | 500,000 | 493,750 |
| senior note, 8.00%, 4/01/23 | United States | 700,000 | 738,500 |
| Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., senior note, 6.25%, 4/01/23 | United States | 1,500,000 | 1,541,250 |
| CSI Compressco LP/CSI Compressco Finance Inc., senior note, 7.25%, 8/15/22 . | United States | 400,000 | 370,000 |
| Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20. | United States | 1,500,000 | 1,683,750 |
| ^{e,h} EnQuest PLC, 144A, PIK, 8.00%, 10/15/23 | United Kingdom | 1,071,463 | 799,461 |
| Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.75%, 6/15/23. | United States | 800,000 | 748,000 |
| ^e Ferrellgas Partners LP/Ferrellgas Partners Finance Corp., senior note, 144A, 8.625%, 6/15/20 | United States | 500,000 | 475,000 |
| Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21 | United States | 900,000 | 913,500 |

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| | | | |
|--|---------------|-----------|------------|
| ^e Murray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21 | United States | 800,000 | 606,000 |
| QEP Resources Inc., senior bond, 5.25%, 5/01/23 | United States | 500,000 | 475,000 |
| Sanchez Energy Corp., senior note, 7.75%, 6/15/21 | United States | 900,000 | 819,000 |
| senior note, 6.125%, 1/15/23 | United States | 300,000 | 241,500 |
| Weatherford International Ltd., senior note, 5.125%, 9/15/20 | United States | 400,000 | 386,000 |
| senior note, 7.75%, 6/15/21 | United States | 1,000,000 | 1,008,750 |
| senior note, 4.50%, 4/15/22 | United States | 400,000 | 355,000 |
| WPX Energy Inc., senior note, 7.50%, 8/01/20 | United States | 1,500,000 | 1,582,500 |
| | | | 16,862,686 |
| Food, Beverage & Tobacco 1.5% | | | |
| Constellation Brands Inc., senior note, 3.875%, 11/15/19 | United States | 900,000 | 935,468 |
| senior note, 4.75%, 12/01/25 | United States | 200,000 | 219,471 |
| ^e Cott Holdings Inc., senior note, 144A, 5.50%, 4/01/25 | Canada | 1,500,000 | 1,533,750 |
| ^e Lamb Weston Holdings Inc., senior note, 144A, 4.625%, 11/01/24 | United States | 1,100,000 | 1,138,500 |
| ^e Post Holdings Inc., senior note, 144A, 6.00%, 12/15/22 | United States | 100,000 | 106,375 |
| senior note, 144A, 5.50%, 3/01/25 | United States | 400,000 | 413,500 |
| | | | 4,347,064 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|---|---------------|----------------------|-----------|
| Corporate Bonds (continued) | | | |
| Health Care Equipment & Services 3.0% | | | |
| CHS/Community Health Systems Inc., senior note, 8.00%, 11/15/19 | United States | 900,000 \$ | 907,875 |
| senior secured note, first lien, 6.25%, 3/31/23 | United States | 700,000 | 725,270 |
| ^{e,i} Envision Healthcare Corp., senior note, 144A, 6.25%, 12/01/24 | United States | 500,000 | 535,000 |
| HCA Inc., senior bond, 5.875%, 5/01/23 | United States | 900,000 | 982,125 |
| senior note, 7.50%, 2/15/22 | United States | 500,000 | 576,875 |
| senior secured bond, first lien, 5.875%, 3/15/22 | United States | 1,000,000 | 1,111,250 |
| ^e MPH Acquisition Holdings LLC, senior note, 144A, 7.125%, 6/01/24 | United States | 1,300,000 | 1,389,375 |
| Tenet Healthcare Corp., first lien, 6.00%, 10/01/20 | United States | 500,000 | 536,875 |
| senior note, 5.00%, 3/01/19 | United States | 1,000,000 | 1,050,360 |
| senior note, 5.50%, 3/01/19 | United States | 900,000 | 936,000 |
| | | | 8,751,005 |
| Materials 8.1% | | | |
| ^h ARD Finance SA, secured note, PIK, 7.125%, 9/15/23 | Luxembourg | 600,000 | 642,750 |
| ^e Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 4.25%, 9/15/22 | Luxembourg | 300,000 | 308,250 |
| senior note, 144A, 6.00%, 2/15/25 | Luxembourg | 500,000 | 526,250 |
| ^e BlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 6.50%, 5/15/21 | Australia | 1,500,000 | 1,583,145 |
| ^e BWAY Holding Co., secured note, 144A, 5.50%, 4/15/24 | United States | 1,500,000 | 1,535,625 |
| ^e Cemex SAB de CV, senior secured bond, 144A, 7.75%, 4/16/26 | Mexico | 400,000 | 457,000 |
| The Chemours Co., senior note, 6.625%, 5/15/23 | United States | 1,500,000 | 1,593,750 |
| ^e CVR Partners LP/CVR Nitrogen Finance Corp., secured note, second lien, 144A, 9.25%, 6/15/23 | United States | 1,200,000 | 1,260,000 |
| ^e Eldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20 | Canada | 800,000 | 823,000 |
| ^e First Quantum Minerals Ltd., senior note, 144A, 7.00%, 2/15/21 | Zambia | 961,000 | 989,830 |
| senior note, 144A, 7.25%, 4/01/23 | Zambia | 500,000 | 492,500 |
| ^e FMG Resources (August 2006) Pty. Ltd., senior note, 144A, 4.75%, 5/15/22 | Australia | 700,000 | 703,500 |

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| | | | |
|--|---------------|-----------|-----------|
| ^e Grinding Media Inc./MC Grinding Media Canada Inc., senior secured note, 144A, 7.375%, 12/15/23 | United States | 500,000 | 545,000 |
| ^e HudBay Minerals Inc., senior note, 144A, 7.25%, 1/15/23 | Canada | 400,000 | 414,500 |
| ^e New Gold Inc., senior note, 144A, 6.375%, 5/15/25 | Canada | 600,000 | 619,500 |
| ^e Novelis Corp., senior note, 144A, 6.25%, 8/15/24 | United States | 1,300,000 | 1,368,250 |
| ^e Owens-Brockway Glass Container Inc., senior note, 144A, 5.00%, 1/15/22 | United States | 900,000 | 955,125 |
| ^e senior note, 144A, 5.875%, 8/15/23 | United States | 400,000 | 441,750 |
| ^e Petra Diamonds U.S. Treasury PLC, secured note, second lien, 144A, 7.25%, 5/01/22 | South Africa | 700,000 | 718,676 |
| ^e Platform Specialty Products Corp., senior note, 144A, 10.375%, 5/01/21 | United States | 100,000 | 110,875 |
| ^e senior note, 144A, 6.50%, 2/01/22 | United States | 600,000 | 622,500 |
| ^e Rain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21 | United States | 600,000 | 626,250 |
| ^e Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA, first lien, 144A, 5.125%, 7/15/23 | United States | 400,000 | 416,000 |
| ^e senior note, 144A, 7.00%, 7/15/24 | United States | 100,000 | 107,459 |
| ^j senior secured note, first lien, 144A, FRN, 4.658%, 7/15/21 | United States | 400,000 | 407,500 |
| ^e Sealed Air Corp., senior bond, 144A, 5.125%, 12/01/24 | United States | 500,000 | 538,750 |
| ^e senior bond, 144A, 5.50%, 9/15/25. | United States | 600,000 | 657,000 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|--|----------------|-------------------|------------|
| Corporate Bonds (continued) | | | |
| Materials (continued) | | | |
| Steel Dynamics Inc., senior note, 5.125%, 10/01/21 | United States | 1,500,000 \$ | 1,544,220 |
| Summit Materials LLC/Summit Materials Finance Corp., senior note, 8.50%, 4/15/22 | United States | 1,200,000 | 1,362,000 |
| ^e SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., senior note, 144A, 7.50%, 6/15/25 | United States | 1,100,000 | 1,091,750 |
| | | | 23,462,705 |
| Media 4.7% | | | |
| ^e Altice U.S. Finance I Corp., senior secured bond, 144A, 5.50%, 5/15/26 | United States | 1,000,000 | 1,052,500 |
| AMC Networks Inc., senior note, 5.00%, 4/01/24 | United States | 1,000,000 | 1,026,250 |
| Cablevision Systems Corp., senior note, 8.625%, 9/15/17 | United States | 428,000 | 433,885 |
| CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22 | United States | 1,500,000 | 1,547,850 |
| ^e senior note, 144A, 5.125%, 5/01/23 | United States | 500,000 | 526,250 |
| Clear Channel Worldwide Holdings Inc., senior note, 6.50%, 11/15/22 | United States | 700,000 | 722,890 |
| senior sub. note, 7.625%, 3/15/20 | United States | 800,000 | 799,000 |
| CSC Holdings LLC, senior note, 6.75%, 11/15/21 | United States | 1,000,000 | 1,110,000 |
| senior note, 5.25%, 6/01/24 | United States | 500,000 | 511,300 |
| iHeartCommunications Inc., senior secured bond, first lien, 9.00%, 3/01/21 | United States | 1,500,000 | 1,130,625 |
| ^e Nexstar Broadcasting Inc., senior note, 144A, 5.625%, 8/01/24 | United States | 500,000 | 507,500 |
| ^e Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20 | United States | 600,000 | 579,000 |
| ^e Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25 | United Kingdom | 1,100,000 | 1,146,750 |
| senior secured bond, first lien, 144A, 5.50%, 8/15/26 | United Kingdom | 400,000 | 420,000 |
| ^e WMG Acquisition Corp., secured note, first lien, 144A, 5.00%, 8/01/23 | United States | 100,000 | 102,875 |
| senior note, 144A, 5.625%, 4/15/22 | United States | 1,806,000 | 1,875,982 |
| | | | 13,492,657 |
| Pharmaceuticals, Biotechnology & Life Sciences 2.2% | | | |
| ^e Concordia International Corp., | | | |

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|--|---------------|-----------|-----------|
| senior note, 144A, 7.00%, 4/15/23 | Canada | 900,000 | 135,000 |
| senior secured note, first lien, 144A, 9.00%, 4/01/22 | Canada | 500,000 | 381,250 |
| ^e Endo Dac/Endo Finance LLC/Endo Finco Inc., | | | |
| senior bond, 144A, 6.00%, 2/01/25. | United States | 1,000,000 | 820,000 |
| senior note, 144A, 6.00%, 7/15/23 | United States | 500,000 | 422,750 |
| Horizon Pharma Inc., senior note, 6.625%, 5/01/23 | United States | 1,200,000 | 1,134,000 |
| ^e Jaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note, | | | |
| 144A, 6.375%, 8/01/23 | United States | 1,200,000 | 1,267,500 |
| ^e Valeant Pharmaceuticals International Inc., | | | |
| first lien, 144A, 6.50%, 3/15/22 | United States | 200,000 | 210,250 |
| senior note, 144A, 5.375%, 3/15/20 | United States | 500,000 | 483,750 |
| senior note, 144A, 5.625%, 12/01/21 | United States | 500,000 | 453,750 |
| ^e Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20. | United States | 1,000,000 | 973,750 |
| | | | 6,282,000 |
| Real Estate 0.5% | | | |
| Equinix Inc., senior bond, 5.875%, 1/15/26 | United States | 300,000 | 327,843 |
| MPT Operating Partnership LP/MPT Finance Corp., | | | |
| senior bond, 5.25%, 8/01/26 | United States | 300,000 | 312,495 |
| senior note, 6.375%, 3/01/24 | United States | 700,000 | 764,841 |
| | | | 1,405,179 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|-----------|
| Corporate Bonds (continued) | | | |
| Retailing 0.9% | | | |
| Dollar Tree Inc., senior note, 5.25%, 3/01/20 | United States | 400,000 \$ | 411,250 |
| Netflix Inc., senior note, 5.50%, 2/15/22. | United States | 1,500,000 | 1,636,395 |
| ^e PetSmart Inc., senior note, 144A, 7.125%, 3/15/23 | United States | 700,000 | 624,750 |
| | | | 2,672,395 |
| Semiconductors & Semiconductor Equipment 0.4% | | | |
| ^e Microsemi Corp., senior note, 144A, 9.125%, 4/15/23 | United States | 313,000 | 359,168 |
| Qorvo Inc., senior note, 6.75%, 12/01/23 | United States | 700,000 | 770,875 |
| | | | 1,130,043 |
| Software & Services 2.3% | | | |
| ^e BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21 | United States | 1,400,000 | 1,456,448 |
| ^e CyrusOne LP/CyrusOne Finance Corp., senior note, 144A, 5.00%, 3/15/24. | United States | 300,000 | 309,750 |
| ^e First Data Corp., secured note, first lien, 144A, 5.00%, 1/15/24 | United States | 1,700,000 | 1,754,706 |
| senior note, 144A, 7.00%, 12/01/23 | United States | 500,000 | 535,000 |
| Infor (U.S.) Inc., senior note, 6.50%, 5/15/22 | United States | 1,800,000 | 1,872,000 |
| ^e Symantec Corp., senior note, 144A, 5.00%, 4/15/25 | United States | 600,000 | 629,436 |
| | | | 6,557,340 |
| Technology Hardware & Equipment 0.6% | | | |
| ^e Blackboard Inc., second lien, 144A, 9.75%, 10/15/21 | United States | 1,538,000 | 1,453,410 |
| ^e Diamond 1 Finance Corp./Diamond 2 Finance Corp., senior note, 144A, 5.875%, 6/15/21 | United States | 400,000 | 420,000 |
| | | | 1,873,410 |
| Telecommunication Services 3.9% | | | |
| ^e Block Communications Inc., senior note, 144A, 6.875%, 2/15/25 | United States | 300,000 | 322,500 |
| CenturyLink Inc., senior bond, 5.625%, 4/01/25 | United States | 400,000 | 400,832 |
| ^e Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20. | Bermuda | 1,200,000 | 1,125,978 |
| ^e Digicel Ltd., senior note, 144A, 6.00%, 4/15/21 | Bermuda | 700,000 | 672,903 |
| Intelsat Jackson Holdings SA, senior note, 7.25%, 4/01/19 | Luxembourg | 1,100,000 | 1,101,650 |
| ^e Millicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21 | Colombia | 1,500,000 | 1,562,970 |
| ^e Sprint Communications Inc., senior note, 144A, 9.00%, 11/15/18 | United States | 148,000 | 160,811 |

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| | | | |
|---|---------------|-----------|------------|
| senior note, 144A, 7.00%, 3/01/20 | United States | 600,000 | 660,000 |
| Sprint Corp., | | | |
| senior bond, 7.125%, 6/15/24 | United States | 300,000 | 334,500 |
| senior note, 7.25%, 9/15/21 | United States | 500,000 | 556,875 |
| T-Mobile USA Inc., | | | |
| senior bond, 6.50%, 1/15/24 | United States | 500,000 | 538,750 |
| senior note, 6.125%, 1/15/22 | United States | 1,000,000 | 1,053,438 |
| senior note, 4.00%, 4/15/22 | United States | 700,000 | 730,240 |
| ^e Wind Acquisition Finance SA, | | | |
| secured note, second lien, 144A, 7.375%, 4/23/21 | Italy | 1,500,000 | 1,562,257 |
| senior secured note, first lien, 144A, 4.75%, 7/15/20 | Italy | 500,000 | 508,750 |
| | | | 11,292,454 |
| Transportation 0.5% | | | |
| ^e Florida East Coast Holdings Corp., secured note, first lien, 144A, 6.75%, 5/01/19. | United States | 1,000,000 | 1,026,025 |
| ^e XPO Logistics Inc., senior note, 144A, 6.125%, 9/01/23 | United States | 300,000 | 313,500 |
| | | | 1,339,525 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|---|---------------|----------------------|--------------------|
| Corporate Bonds (continued) | | | |
| Utilities 2.5% | | | |
| Calpine Corp., senior note, 5.375%, 1/15/23 | United States | 1,500,000 \$ | 1,468,125 |
| Dynegy Inc., senior note, 6.75%, 11/01/19 | United States | 1,500,000 | 1,554,375 |
| ^e InterGen NV, secured bond, 144A, 7.00%, 6/30/23 | Netherlands | 1,500,000 | 1,451,250 |
| NRG Yield Operating LLC, senior bond, 5.375%, 8/15/24 | United States | 500,000 | 526,875 |
| senior bond, 5.00%, 9/15/26 | United States | 1,000,000 | 1,022,500 |
| Talen Energy Supply LLC, senior note, 6.50%, 6/01/25 | United States | 1,500,000 | 1,061,250 |
| | | | 7,084,375 |
| Total Corporate Bonds (Cost \$141,283,897) | | | 144,284,258 |
| § Senior Floating Rate Interests 50.9% | | | |
| Capital Goods 2.7% | | | |
| Doncasters U.S. Finance LLC, Term B Loans, 4.796%, 4/09/20 | United States | 1,960,601 | 1,895,656 |
| Harsco Corp., Initial Term Loan, 6.25%, 11/02/23 | United States | 445,860 | 454,220 |
| Leidos (Abacus Innovations Corp.), B Term Loan, 3.50%, 8/16/23 | United States | 431,843 | 435,568 |
| Mueller Water Products Inc., Loans, 3.726% - 3.796%, 11/25/21 | United States | 346,514 | 349,257 |
| Navistar Inc., Tranche B Term Loans, 5.09%, 8/07/20 | United States | 3,284,733 | 3,323,739 |
| ⁱ Onsite Rental Group Operations Pty. Ltd., Term B Loan, 5.716%, 7/30/21 | Australia | 1,945,000 | 1,458,750 |
| | | | 7,917,190 |
| Commercial & Professional Services 0.8% | | | |
| Conduent Business Services LLC, Delayed Draw Term A Loan, 3.476%, 12/07/21 | United States | 1,000,000 | 999,219 |
| Ventia Pty. Ltd., Term B Loans (USD), 4.796%, 5/21/22 | Australia | 1,327,928 | 1,342,867 |
| | | | 2,342,086 |
| Consumer Services 4.0% | | | |
| 24 Hour Fitness Worldwide Inc., Term Loan, 5.046%, 5/28/21 | United States | 1,940,000 | 1,933,938 |
| Avis Budget Car Rental LLC, Tranche B Term Loan, 3.30%, 3/15/22 | United States | 2,078,437 | 2,073,761 |
| Fitness International LLC, Term A Loan, 4.476%, 4/01/20 | United States | 1,818,881 | 1,820,587 |
| Hilton Worldwide Finance LLC, Series B-2 Term Loans, 3.216%, 10/25/23 | United States | 1,990,000 | 1,998,153 |
| KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC, Term B Loans, 3.209%, 6/16/23 | United States | 1,729,650 | 1,738,658 |

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| | | | |
|--|---------------|-----------|------------|
| Las Vegas Sands LLC, Term B Loans, 3.23%, 3/29/24 | United States | 131,298 | 131,603 |
| Sabre GBLB Inc., Incremental Term A Loan, 3.726%, 7/18/21 | United States | 1,924,051 | 1,928,058 |
| | | | 11,624,758 |
| Diversified Financials 1.5% | | | |
| Avolon TLB Borrower I, Initial Term B-1 Loans, 3.462%, 7/20/20. | United States | 2,316,769 | 2,337,868 |
| ^k Finco I LLC, Term Loan B, 5.88%, 6/09/22 | United States | 2,000,000 | 2,014,166 |
| | | | 4,352,034 |
| Energy 0.8% | | | |
| Energy Transfer Equity LP, Loans, 3.826%, 2/02/24 | United States | 501,857 | 500,019 |
| OSG Bulk Ships Inc., Initial Term Loan, 5.43%, 8/05/19. | United States | 2,035,947 | 1,934,150 |
| | | | 2,434,169 |
| Food, Beverage & Tobacco 1.7% | | | |
| JBS USA LUX SA, New Initial Term Loans, 5.75%, 10/30/22 | Brazil | 3,014,491 | 2,942,426 |
| Pinnacle Foods Finance LLC, Initial Term Loans, 3.076%, 2/03/24 | United States | 133,159 | 133,742 |
| Post Holdings Inc., Series A Incremental Term Loan, 3.47%, 5/24/24 | United States | 1,697,526 | 1,701,769 |
| | | | 4,777,937 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|--|---------------|----------------------|------------|
| Senior Floating Rate Interests (continued) | | | |
| Health Care Equipment & Services 2.1% | | | |
| ^k Envision Healthcare Corp. (Emergency Medical), Initial Term Loans, 4.30%, 12/01/23 | United States | 1,643,569 \$ | 1,652,609 |
| Mallinckrodt International Finance SA/CB LLC, Extended Term Loan B, 4.046%, 9/24/24 | United States | 1,995,000 | 1,992,007 |
| U.S. Renal Care Inc., Initial Term Loan, 5.546%, 12/31/22 | United States | 2,493,671 | 2,428,212 |
| | | | 6,072,828 |
| Household & Personal Products 1.5% | | | |
| FGI Operating Co. LLC (Freedom Group), Term B Loans, 5.50%, 4/19/19 | United States | 1,986,440 | 1,888,773 |
| Spectrum Brands Inc., USD Term Loans, 3.172% - 3.179%, 6/23/22. | United States | 2,420,064 | 2,431,559 |
| | | | 4,320,332 |
| Materials 3.6% | | | |
| Ashland LLC, Term B Loan, 3.139% - 3.242%, 5/17/24 | United States | 543,208 | 546,264 |
| Axalta Coating Systems U.S. Holdings Inc., Term B-2 Dollar Loans, 3.039%, 6/01/24 | United States | 1,869,947 | 1,878,245 |
| Chemours Co., Tranche B-1 US Term Loans, 3.57%, 5/12/22 | United States | 2,146,437 | 2,157,169 |
| Cyanco Intermediate Corp., Initial Term Loan, 5.726%, 5/01/20 | United States | 1,873,578 | 1,884,507 |
| Ineos U.S. Finance LLC, 2024 Dollar Term Loan, 3.976%, 3/31/24 | United States | 1,546,145 | 1,554,842 |
| ^k KMG Chemicals Inc., Initial Term Loan, 7.38%, 6/15/24. | United States | 458,180 | 463,627 |
| OCI Beaumont LLC, Term B-3 Loan, 7.929%, 8/20/19. | United States | 1,226,182 | 1,241,510 |
| Oxbow Carbon LLC, Tranche B Term Loan, 4.726%, 1/19/20 | United States | 636,612 | 642,182 |
| | | | 10,368,346 |
| Media 7.5% | | | |
| AMC Entertainment Holdings Inc., 2016 Incremental Term Loans, 3.466%, 12/15/23 | United States | 599,976 | 601,851 |
| CSC Holdings LLC (Cablevision), March 2017 Incremental Term Loans, 3.459%, 7/17/25 | United States | 2,605,651 | 2,601,582 |
| Gray Television Inc., Term B-2 Loan, 3.551%, 2/07/24. | United States | 2,756,222 | 2,777,583 |
| Lions Gate Entertainment Corp., Term A Loan, 3.226%, 12/08/21 | United States | 2,945,893 | 2,956,021 |
| Live Nation Entertainment Inc., Term B-2 Loans, 3.313%, 10/31/23 | United States | 846,866 | 848,708 |
| Mediacom LLC, Tranche K Term Loan, 3.44%, 2/15/24 | United States | 1,137,150 | 1,145,324 |
| Mission Broadcasting Inc., Term B Loans, 4.238% - 7.25%, 1/17/24 | United States | 68,692 | 68,971 |

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| | | | |
|---|---------------|-----------|------------|
| Nexstar Broadcasting Group Inc., Term B Loans, 4.238%, 1/17/24 | United States | 695,207 | 698,031 |
| Regal Cinemas Corp., Term Loan, 3.226%, 4/01/22 | United States | 3,026,209 | 3,037,287 |
| Sinclair Television Group Inc., Tranche B Term Loans, 3.48%, 1/31/24 | United States | 1,996,019 | 2,000,794 |
| UPC Financing Partnership (UPC Broadband Holdings BV), Facility AP, 3.909%, 4/15/25 | United States | 2,180,000 | 2,185,177 |
| Virgin Media Bristol LLC, I Facility, 3.909%, 1/31/25 | United States | 2,622,768 | 2,627,413 |
| | | | 21,548,742 |
| Pharmaceuticals, Biotechnology & Life Sciences 4.1% | | | |
| Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 5.50%, 4/27/24 | United States | 2,000,000 | 2,019,218 |
| Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 3.436%, 1/31/25 . | United States | 1,745,011 | 1,749,813 |
| Horizon Pharma Inc., Second Amendment Refinancing Term Loans, 4.875%, 3/29/24 | United States | 2,143,994 | 2,156,054 |
| ^k INC Research Holdings Inc., Term Loan B, 5.38%, 6/28/24 | United States | 1,878,538 | 1,884,408 |
| RPI Finance Trust, Term A-3 Loan, 3.046%, 10/14/21 | United States | 1,218,663 | 1,220,187 |
| Valeant Pharmaceuticals International Inc., Series F Tranche B Term Loan, 5.83%, 4/01/22 | United States | 2,643,096 | 2,681,825 |
| | | | 11,711,505 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|--|---------------|-------------------|--------------|
| Senior Floating Rate Interests (continued) | | | |
| Retailing 3.7% | | | |
| Ascena Retail Group Inc., Tranche B Term Loan, 5.625%, 8/21/22 | United States | 3,695,680 | \$ 3,147,489 |
| Dollar Tree Inc., Term A-1 Loans, 2.938%, 7/06/20 | United States | 2,092,812 | 2,088,207 |
| Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19 | United States | 2,793,450 | 2,660,761 |
| PetSmart Inc., Tranche B-2 Loans, 4.22%, 3/11/22 | United States | 2,937,937 | 2,735,725 |
| | | | 10,632,182 |
| Semiconductors & Semiconductor Equipment 1.8% | | | |
| MACOM Technology Solutions Holdings Inc., Initial Term Loans, 3.459%, 5/07/24 | United States | 2,637,451 | 2,631,683 |
| MKS Instruments Inc., Tranche B-2 Term Loans, 3.976%, 5/01/23 | United States | 434,582 | 437,298 |
| ON Semiconductor Corp., 2017 Replacement Term Loans, 3.476%, 3/31/23 | United States | 2,196,514 | 2,202,693 |
| | | | 5,271,674 |
| Software & Services 2.0% | | | |
| Global Payments Inc., Term A-2 Loan, 2.939%, 5/02/22 | United States | 1,351,622 | 1,351,622 |
| Rackspace Hosting Inc., 2017 Term Loans, 4.172%, 11/03/23 | United States | 2,041,717 | 2,049,162 |
| Sungard Availability Services Capital Inc., Tranche B Term Loan, 6.226%, 3/29/19 | United States | 2,223,768 | 2,222,976 |
| | | | 5,623,760 |
| Technology Hardware & Equipment 3.2% | | | |
| Ciena Corp., Refinancing Term Loan, 3.712%, 1/28/22 | United States | 2,363,733 | 2,375,552 |
| CommScope Inc., Tranche 5 Term Loans, 3.296%, 12/29/22 | United States | 2,141,954 | 2,154,003 |
| Dell International LLC, Term A-3 Loan, 3.23%, 12/31/18 | United States | 2,538,306 | 2,544,916 |
| Western Digital Corp., US Term B-2 Loan, 3.976%, 4/29/23 | United States | 1,721,145 | 1,734,188 |
| Zebra Technologies Corp., Second Amendment Refinancing Term Loan, 3.723%, 10/27/21 | United States | 265,413 | 266,907 |
| | | | 9,075,566 |
| Telecommunication Services 0.2% | | | |
| ^k Consolidated Communications Inc., Term Loan B-2, 6.13%, 10/05/23 | United States | 528,246 | 531,812 |
| Transportation 5.7% | | | |
| Air Canada, Term Loan, 3.46%, 10/06/23 | Canada | 3,010,393 | 3,026,701 |
| American Airlines Inc., Replacement Class B Term Loans, 3.724%, 4/28/23 | United States | 1,981,015 | 1,986,930 |
| Delos Finance S.A.R.L. (ILFC), New Loan, 3.546%, 10/06/23 | Luxembourg | 2,500,000 | 2,515,847 |

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| | | | |
|---|---------------|-----------|-------------|
| Flying Fortress Inc. (ILFC), New Loan, 3.546%, 10/30/22 | Luxembourg | 1,629,859 | 1,639,366 |
| The Hertz Corp., Tranche B-1 Term Loan, 3.976%, 6/30/23 | United States | 3,016,287 | 3,012,281 |
| Pilot Travel Centers LLC, Initial Tranche B Term Loans, 3.226%, 5/25/23 | United States | 1,492,500 | 1,502,948 |
| United Airlines Inc., Class B Term Loans, 3.422%, 4/01/24 | United States | 997,500 | 1,002,363 |
| XPO Logistics Inc., Loans, 3.405%, 11/01/21 | United States | 1,867,306 | 1,874,308 |
| | | | 16,560,744 |
| Utilities 4.0% | | | |
| Calpine Corp., Term Loan (B5), 4.05%, 1/15/24 | United States | 2,558,976 | 2,558,976 |
| EFS Cogen Holdings I LLC (Linden), Term B Advance, 4.80%, 6/28/23 | United States | 2,451,430 | 2,471,348 |
| Lightstone Holdco LLC, | | | |
| Initial Term B Loan, 5.726%, 1/30/24 | United States | 2,816,382 | 2,756,925 |
| Initial Term C Loan, 5.726%, 1/30/24 | United States | 174,187 | 170,510 |
| NRG Energy Inc., Term Loans, 3.546%, 6/30/23. | United States | 3,449,478 | 3,447,015 |
| | | | 11,404,774 |
| Total Senior Floating Rate Interests (Cost \$147,303,613) | | | 146,570,439 |

**Foreign Government and Agency Securities (Cost
\$1,937,104) 0.6%**

| | | | |
|---------------------------------------|--------|---------------|-----------|
| Government of Mexico, 7.75%, 12/14/17 | Mexico | 320,000 MXN | 1,770,747 |
|---------------------------------------|--------|---------------|-----------|

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|--|---------------|-------------------|------------|
| Commercial Mortgage-Backed Securities 7.0% | | | |
| Banks 3.5% | | | |
| Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46 | United States | 150,728 \$ | 150,489 |
| Ĵ Bear Stearns ARM Trust, 2004-4, A6, FRN, 3.363%, 6/25/34. | United States | 581,493 | 591,144 |
| Bear Stearns Commercial Mortgage Securities Trust, 2006-PW13, AJ, 5.611%, 9/11/41 | United States | 13,754 | 13,838 |
| Citigroup Commercial Mortgage Trust, 2006-C5, AJ, 5.482%, 10/15/49 | United States | 601,607 | 570,865 |
| Ĵ 2007-C6, AM, FRN, 5.691%, 12/10/49 | United States | 1,520,000 | 1,522,915 |
| 2015-GC27, A5, 3.137%, 2/10/48. | United States | 1,520,000 | 1,530,108 |
| Ĵ Commercial Mortgage Trust, 2006-GG7, AJ, FRN, 5.759%, 7/10/38 | United States | 1,005,000 | 950,694 |
| CSAIL Commercial Mortgage Trust, 2015-C1, A4, 3.505%, 4/15/50 | United States | 1,410,000 | 1,459,556 |
| JPMBB Commercial Mortgage Securities Trust, 2015-C28, A4, 3.227%, 10/15/48 | United States | 1,410,000 | 1,428,356 |
| Ĵ Merrill Lynch Mortgage Investors Trust, m2003-OPT1, B2, FRN, 5.341%, 7/25/34 | United States | 33,301 | 7,422 |
| 2005-A6, 2A3, FRN, 1.596%, 8/25/35 | United States | 283,020 | 276,308 |
| Ĵ Morgan Stanley ABS Capital I Inc. Trust, 2003-NC10, B1, FRN, 6.166%, 10/25/33 | United States | 350,442 | 360,900 |
| Ĵ Morgan Stanley Capital I Trust, 2006-HQ8, AJ, FRN, 5.461%, 3/12/44 | United States | 17,663 | 17,653 |
| 2007-IQ16, AMA, FRN, 6.141%, 12/12/49 | United States | 645,000 | 653,724 |
| Wells Fargo Commercial Mortgage Trust, 2014-LC16, A4, 3.548%, 8/15/50 | United States | 550,000 | 571,070 |
| | | | 10,105,042 |
| Diversified Financials 3.5% | | | |
| Ĵ Argent Securities Inc., 2003-W5, M4, FRN, 6.841%, 10/25/33 | United States | 244,161 | 245,543 |
| e,Ĵ BCAP LLC Trust, 2009-RR1, 2A2, 144A, FRN, 3.208%, 5/26/35. | United States | 1,600,000 | 1,514,884 |
| Ĵ Chase Funding Trust, 2004-2, 2A2, FRN, 1.716%, 2/26/35 | United States | 456,519 | 425,768 |
| Ĵ FHLMC Structured Agency Credit Risk Debt Notes, 2014-DN1, M2, FRN, 3.416%, 2/25/24 | United States | 2,275,328 | 2,339,655 |
| 2014-HQ2, M2, FRN, 3.416%, 9/25/24 | United States | 900,000 | 924,861 |
| 2015-DN1, M2, FRN, 3.616%, 1/25/25 | United States | 519,735 | 522,071 |
| 2015-HQ1, M2, FRN, 3.416%, 3/25/25 | United States | 536,915 | 543,248 |

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| | | | |
|---|---------------|---------|------------|
| Ĵ Impac Secured Assets Trust, 2007-2, FRN, 1.466%, 4/25/37 | United States | 244,943 | 242,266 |
| e,Ĵ,m Invitation Homes Trust, 2015-SFR1, A, 144A, FRN, 2.659%, 3/17/32 | United States | 855,128 | 863,557 |
| JP Morgan Chase Commercial Mortgage Securities Trust, 2006-CB17, AM, 5.464%, 12/12/43 | United States | 20,634 | 20,624 |
| Ĵ MortgageIT Trust, 2004-1, A2, FRN, 2.116%, 11/25/34 | United States | 347,556 | 334,521 |
| Ĵ Opteum Mortgage Acceptance Corp. Trust, 2005-4, 1APT, FRN, 1.526%, 11/25/35 | United States | 479,807 | 462,028 |
| Ĵ,m Option One Mortgage Loan Trust, 2003-6, M5, FRN, 6.166%, 11/25/33 | United States | 177,135 | 128,777 |
| Ĵ Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 6.091%, 4/25/33 | United States | 13,987 | 10,231 |
| Ĵ Structured Asset Securities Corp., 2005-2XS, 2A2, FRN, 2.551%, 2/25/35 | United States | 360,899 | 348,956 |
| Ĵ Thornburg Mortgage Securities Trust, 2005-1, A3, FRN, 3.098%, 4/25/45 | United States | 762,754 | 766,631 |
| Wells Fargo Mortgage Backed Securities Trust, 2004-W, A9, FRN, 3.03%, 11/25/34 | United States | 248,528 | 253,394 |
| 2007-3, 3A1, 5.50%, 4/25/22 | United States | 79,272 | 81,206 |
| | | | 10,028,221 |
| Total Commercial Mortgage-Backed Securities | | | |
| (Cost \$20,245,335) | | | 20,133,263 |

Mortgage-Backed Securities 38.1%

Ĵ **Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%**

| | | | |
|------------------------|---------------|--------|--------|
| FHLMC, 3.827%, 5/01/34 | United States | 89,756 | 94,537 |
|------------------------|---------------|--------|--------|

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|------------|
| Mortgage-Backed Securities (continued) | | | |
| Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 18.5% | | | |
| FHLMC Gold 15 Year, 5.00%, 12/01/23 | United States | 559,056 \$ | 597,609 |
| FHLMC Gold 15 Year, 5.50%, 7/01/19 | United States | 8,488 | 8,728 |
| FHLMC Gold 30 Year, 3.00%, 4/01/47 | United States | 6,039,113 | 6,030,910 |
| ⁿ FHLMC Gold 30 Year, 3.00%, 7/01/47 | United States | 6,450,000 | 6,435,386 |
| FHLMC Gold 30 Year, 3.50%, 3/01/45 | United States | 51,553 | 53,005 |
| FHLMC Gold 30 Year, 3.50%, 3/01/47 | United States | 6,200,698 | 6,375,295 |
| ⁿ FHLMC Gold 30 Year, 3.50%, 7/01/47 | United States | 7,980,000 | 8,196,332 |
| ⁿ FHLMC Gold 30 Year, 4.00%, 7/01/46 | United States | 9,935,000 | 10,447,661 |
| FHLMC Gold 30 Year, 4.00%, 3/01/47 | United States | 12,708,720 | 13,379,845 |
| FHLMC Gold 30 Year, 6.00%, 7/01/28 - 11/01/36 | United States | 660,611 | 748,472 |
| FHLMC Gold 30 Year, 6.50%, 8/01/27 - 3/01/38 | United States | 364,464 | 410,994 |
| FHLMC Gold 30 Year, 7.00%, 9/01/27 | United States | 109,929 | 120,367 |
| FHLMC Gold 30 Year, 8.00%, 1/01/31 | United States | 8,182 | 8,331 |
| FHLMC Gold 30 Year, 8.50%, 7/01/31 | United States | 328,760 | 393,515 |
| | | | 53,206,450 |
| ^j Federal National Mortgage Association (FNMA) Adjustable Rate 0.2% | | | |
| FNMA, 2.79% - 2.975%, 6/01/32 - 7/01/34. | United States | 571,717 | 594,537 |
| Federal National Mortgage Association (FNMA) Fixed Rate 13.7% | | | |
| FNMA 15 Year, 3.00%, 8/01/27. | United States | 16,181 | 16,656 |
| FNMA 15 Year, 3.50%, 1/01/21 - 1/01/26 | United States | 46,430 | 48,349 |
| FNMA 15 Year, 5.50%, 7/01/20. | United States | 153,746 | 158,666 |
| FNMA 15 Year, 6.50%, 7/01/20. | United States | 269 | 271 |
| ⁿ FNMA 30 Year, 3.00%, 7/01/46. | United States | 6,450,000 | 6,440,426 |
| FNMA 30 Year, 3.00%, 4/01/47. | United States | 1,477,232 | 1,476,427 |
| ⁿ FNMA 30 Year, 3.50%, 7/01/46. | United States | 6,825,000 | 7,008,211 |
| FNMA 30 Year, 3.50%, 4/01/47. | United States | 1,978,095 | 2,032,908 |
| FNMA 30 Year, 3.50%, 1/01/45 - 5/01/47 | United States | 2,113,776 | 2,172,347 |
| ^k FNMA 30 Year, 3.50%, 7/01/56. | United States | 976,693 | 1,001,677 |
| FNMA 30 Year, 4.00%, 11/01/44 - 1/01/45 | United States | 1,244,888 | 1,309,611 |
| ⁿ FNMA 30 Year, 4.00%, 7/01/46. | United States | 8,375,000 | 8,802,910 |
| FNMA 30 Year, 4.00%, 3/01/47. | United States | 2,371,143 | 2,494,422 |

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| | | | |
|--|---------------|-----------|-------------|
| FNMA 30 Year, 4.50%, 12/01/44 | United States | 785,127 | 842,432 |
| FNMA 30 Year, 4.50%, 5/01/24 - 12/01/44 | United States | 2,451,373 | 2,632,131 |
| [¶] FNMA 30 Year, 4.50%, 7/01/46. | United States | 675,000 | 723,990 |
| FNMA 30 Year, 5.00%, 5/01/38 - 7/01/39 | United States | 498,577 | 546,936 |
| FNMA 30 Year, 5.50%, 6/01/37. | United States | 434,412 | 482,400 |
| FNMA 30 Year, 6.00%, 4/01/33 - 6/01/38 | United States | 1,031,582 | 1,173,267 |
| FNMA 30 Year, 6.50%, 8/01/32. | United States | 134,993 | 153,879 |
| FNMA 30 Year, 7.00%, 9/01/18. | United States | 8,025 | 8,145 |
| FNMA 30 Year, 8.00%, 10/01/29 | United States | 8,310 | 8,332 |
| | | | 39,534,393 |
| Government National Mortgage Association (GNMA) Fixed Rate 5.7% | | | |
| GNMA I SF 30 Year, 6.50%, 6/15/31 - 12/15/33 | United States | 416,167 | 459,596 |
| GNMA II SF 30 Year, 3.50%, 3/20/45 - 12/20/45 | United States | 917,758 | 951,669 |
| [¶] GNMA II SF 30 Year, 3.50%, 7/01/46 | United States | 8,915,000 | 9,232,597 |
| GNMA II SF 30 Year, 3.50%, 3/20/47 | United States | 5,452,379 | 5,653,849 |
| GNMA II SF 30 Year, 7.00%, 1/20/24 - 1/20/29 | United States | 43,499 | 48,909 |
| GNMA II SF 30 Year, 8.00%, 1/20/28 - 10/20/31 | United States | 110,499 | 133,137 |
| | | | 16,479,757 |
| Total Mortgage-Backed Securities (Cost \$109,795,243) | | | 109,909,674 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS (UNAUDITED)

| | Country | Shares | Value |
|---|---------------|------------|---------------|
| Escrows and Litigation Trusts 0.0%† | | | |
| a,b Midstates Petroleum Co. Inc./Midstates Petroleum Co. LLC, Litigation Trust | United States | 800,000 \$ | — |
| a,b NewPage Corp., Litigation Trust | United States | 1,500,000 | — |
| a Penn Virginia Corp., Litigation Trust | United States | 300,000 | 4,500 |
| a,b Vistra Energy Corp., Litigation Trust | United States | 2,000,000 | 23,200 |
| Total Escrows and Litigation Trusts (Cost \$58,482) | | | 27,700 |
| Total Investments before Short Term Investments (Cost \$430,303,872) | | | 427,136,432 |
| Short Term Investments (Cost \$14,104,082) 4.9% | | | |
| Money Market Funds 4.9% | | | |
| o,p Institutional Fiduciary Trust Money Market Portfolio, 0.58% | United States | 14,104,082 | 14,104,082 |
| Total Investments (Cost \$444,407,954) 153.1% | | | 441,240,514 |
| Preferred Shares (31.2)% | | | (90,000,000) |
| Other Assets, less Liabilities (21.9)%. | | | (63,052,870) |
| Net Assets 100.0% | | \$ | 288,187,644 |

See Abbreviations on page 17.

†Rounds to less than 0.1% of net assets.

*The principal amount is stated in U.S. dollars unless otherwise indicated.

^aNon-income producing.

^bSecurity has been deemed illiquid because it may not be able to be sold within seven days. At June 30, 2017, the aggregate value of these securities was \$123,350,

representing less than 0.1% of net assets.

^cSee Note 5 regarding restricted securities.

^dPerpetual security with no stated maturity date.

^eSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers

or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At

June 30, 2017, the aggregate value of these securities was \$76,429,191, representing 26.5% of net assets.

^fSecurity purchased on a when-issued basis.

^gDefaulted security or security for which income has been deemed uncollectible.

^hIncome may be received in additional securities and/or cash.

ⁱAt June 30, 2017, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund is restricted from trading these securities at period end.

^jThe coupon rate shown represents the rate at period end.

^kA portion or all of the security purchased on a delayed delivery basis.

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^lPrincipal amount is stated in 100 Mexican Peso Units.

^mThe bond pays interest and/or principal based upon the issuer's ability to pay, which may be less than the stated interest rate or principal paydown.

ⁿSecurity purchased on a to-be-announced (TBA) basis.

^oSee Note 6 regarding investments in affiliated management investment companies.

^pThe rate shown is the annualized seven-day yield at period end.

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FRANKLIN LIMITED DURATION INCOME TRUST

Notes to Statement of Investments (unaudited)

1. ORGANIZATION

Franklin Limited Duration Income Trust (Fund) is registered under the Investment Company Act of 1940 (1940 Act) as a closed-end management investment company and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles.

2. FINANCIAL INSTRUMENT VALUATION

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. Under compliance policies and procedures approved by the Fund's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

Investments in open-end mutual funds are valued at the closing NAV.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

FRANKLIN LIMITED DURATION INCOME TRUST
NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)**2. FINANCIAL INSTRUMENT VALUATION** (continued)

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

3. MORTGAGE DOLLAR ROLLS

The Fund enters into mortgage dollar rolls, typically on a TBA basis. Mortgage dollar rolls are agreements between the Fund and a financial institution where the Fund sells (or buys) mortgage-backed securities for delivery on a specified date and simultaneously contracts to repurchase (or sell) substantially similar (same type, coupon, and maturity) securities at a future date and at a predetermined price. Gains or losses are realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the Fund upon entering into the mortgage dollar roll. In addition, the Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. Transactions in mortgage dollar rolls are accounted for as purchases and sales and may result in an increase to the Fund's portfolio turnover rate. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

The Fund is investing in mortgage dollar rolls as an alternate form of leverage. As a result, the mortgage dollar rolls are considered indebtedness or a senior security for purposes of the asset coverage requirements under the 1940 Act.

4. INCOME TAXES

At June 30, 2017, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | | |
|--|----|---------------|
| Cost of investments. | \$ | 444,751,710 |
| Unrealized appreciation | \$ | 8,452,802 |
| Unrealized depreciation | | (11,963,998) |
| Net unrealized appreciation (depreciation) | \$ | (3,511,196) |

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FRANKLIN LIMITED DURATION INCOME TRUST
NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

5. RESTRICTED SECURITIES

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At June 30, 2017, investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, were as follows:

| Shares Issuer | Acquisition | | |
|--|------------------|--------------|------------|
| | Date | Cost | Value |
| 404 Nine Point Energy Holdings Inc., cvt. pfd., | 3/24/17 | \$ 377,604 | \$ 390,574 |
| 18,477 Nine Point Energy LLC. | 7/15/14 - 1/5/15 | 830,630 | 221,719 |
| Total Restricted Securities (Value is 0.2% of Net Assets) | | \$ 1,208,234 | \$ 612,293 |

6. INVESTMENTS IN AFFILIATED MANAGEMENT INVESTMENT COMPANIES

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. During the period ended June 30, 2017, the Fund held investments in affiliated management investment companies as follows:

| | Number of Shares Held at Beginning of Period | | | Number of Shares Held at End of Period | Value at End of Period | Investment Income | Realized Gain (Loss) | % of Affiliated Fund Shares Outstanding Held at End of Period |
|--|--|------------------|--------------|--|------------------------|-------------------|----------------------|---|
| | Gross Additions | Gross Reductions | | | | | | |
| Non-Controlled Affiliates | | | | | | | | |
| Institutional Fiduciary Trust Money Market Portfolio, 0.58%. | 21,388,024 | 21,796,392 | (29,080,334) | 14,104,082 | \$ 14,104,082 | \$ 18,871 | \$- | 0.1 % |

7. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

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- Level 1 quoted prices in active markets for identical financial instruments
- Level 2 other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

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FRANKLIN LIMITED DURATION INCOME TRUST
NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)**7. FAIR VALUE MEASUREMENTS** (continued)

A summary of inputs used as of June 30, 2017, in valuing the Fund's assets carried at fair value, is as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|----------------|---------------------|----------------|
| Assets: | | | | |
| Investments in Securities: | | | | |
| Equity Investments: ^a | | | | |
| Energy. | \$ 1,360,911 | \$ 810,786 | \$ 614,188 | \$ 2,785,885 |
| Materials | 19,524 | 66 | — | 19,590 |
| Transportation | — | 98,255 | — | 98,255 |
| Utilities. | 287,546 | — | — | 287,546 |
| Convertible Bonds | — | 1,249,075 | — | 1,249,075 |
| Corporate Bonds | — | 144,284,258 | — | 144,284,258 |
| Senior Floating Rate Interests | — | 146,570,439 | — | 146,570,439 |
| Foreign Government and Agency Securities | — | 1,770,747 | — | 1,770,747 |
| Commercial Mortgage-Backed Securities | — | 20,133,263 | — | 20,133,263 |
| Mortgage-Backed Securities | — | 109,909,674 | — | 109,909,674 |
| Escrows and Litigation Trusts | — | 4,500 | 23,200 ^b | 27,700 |
| Short Term Investments | 14,104,082 | — | — | 14,104,082 |
| Total Investments in Securities | \$ 15,772,063 | \$ 424,831,063 | \$ 637,388 | \$ 441,240,514 |

^aIncludes common and convertible preferred stocks as well as other equity investments.

^bIncludes securities determined to have no value at June 30, 2017.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the end of the period.

8. NEW ACCOUNTING PRONOUNCEMENTS

In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in the ASU shorten the amortization period for certain callable debt securities, held at a premium, to be amortized to the earliest call date. The ASU does not require an accounting change for securities held at a discount; which continues to be amortized to maturity. The ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Management is currently evaluating the impact, if any, of applying this provision.

9. INVESTMENT COMPANY REPORTING MODERNIZATION

In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended existing rules (together, final rules) intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosures about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X is August 1, 2017. Management has reviewed the requirements and believes the adoption of the amendments to Regulation S-X will not have a material impact on the Fund's financial statements and related disclosures.

10. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the Statement of Investments and determined that no events have occurred that require disclosure.

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FRANKLIN LIMITED DURATION INCOME TRUST
NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

Abbreviations

Currency

MXN Mexican Peso

Selected Portfolio

| | |
|--------------|--|
| ARM | Adjustable Rate Mortgage |
| FHLMC | Federal Home Loan Mortgage Corp. |
| FNMA | Federal National Mortgage Association |
| FRN | Floating Rate Note |
| GNMA | Government National Mortgage Association |
| PIK | Payment-In-Kind |
| SF | Single Family |

For additional information on the Fund's significant accounting policies, please refer to the Fund's most recent semiannual or annual shareholder report.

Item 2. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Quarterly Schedule of Portfolio Holdings on Form N-Q, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(b) Changes in Internal Controls. There have been no changes in the Registrant's internal controls or in other factors that could materially affect the internal controls over financial reporting subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

Item 3. Exhibits.

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(a) Certification pursuant to Section 30a-2 under the Investment Company Act of 1940 of Matthew T. Hinkle, Chief Executive Officer - Finance and Administration, and Gaston Gardey, Chief Financial Officer and Chief Accounting Officer.

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.

Franklin Limited Duration Income Trust

By /s/ Matthew T. Hinkle

Matthew T. Hinkle

Chief Executive Officer -

Finance and Administration

Date: August 25, 2017

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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 /s/ Matthew T. Hinkle

Matthew T. Hinkle

Chief Executive Officer -

Finance and Administration

Date: August 25, 2017

By /s/ Gaston Gardey

Gaston Gardey

Chief Financial Officer and

Chief Accounting Officer

Date: August 25, 2017