

FRANKLIN LTD DURATION INCOME TRUST  
Form N-Q  
August 26, 2016

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: 6/30/16

**Item 1. Schedule of Investments.**

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FRANKLIN LIMITED DURATION INCOME TRUST

**Statement of Investments, June 30, 2016 (unaudited)**

|  | Country        | Shares           | Value            |
|--|----------------|------------------|------------------|
| <b>Common Stocks (Cost \$167,184) 0.0%†</b>  |                |                  |                  |
| <b>Transportation 0.0%†</b>  |                |                  |                  |
| a,b CEVA Holdings LLC  | United Kingdom | 112 \$           | 39,249           |
| <b>Convertible Preferred Stocks 0.0%†</b>  |                |                  |                  |
| <b>Transportation 0.0%†</b>  |                |                  |                  |
| a,b CEVA Holdings LLC, cvt. pfd., A-1  | United Kingdom | 6                | 3,150            |
| a,b CEVA Holdings LLC, cvt. pfd., A-2  | United Kingdom | 243              | 84,962           |
| <b>Total Convertible Preferred Stocks (Cost \$369,948)</b>   |                |                  | <b>88,112</b>    |
|  |                | <b>Principal</b> |                  |
|  |                | <b>Amount*</b>   |                  |
| <b>Corporate Bonds 51.2%</b>   |                |                  |                  |
| <b>Automobiles &amp; Components 0.9%</b>   |                |                  |                  |
| Fiat Chrysler Automobiles NV, senior note, 4.50%, 4/15/20  | United Kingdom | 2,000,000        | 2,025,000        |
| The Goodyear Tire & Rubber Co.,<br>senior bond, 5.00%, 5/31/26   | United States  | 700,000          | 714,875          |
| senior note, 5.125%, 11/15/23  | United States  | 300,000          | 311,250          |
|  |                |                  | <b>3,051,125</b> |
| <b>Banks 2.8%</b>  |                |                  |                  |
| <sup>c</sup> Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter,<br>Perpetual | United States  | 2,500,000        | 2,509,375        |
| CIT Group Inc.,<br>4.25%, 8/15/17  | United States  | 1,500,000        | 1,531,500        |
| senior note, 5.00%, 5/15/17  | United States  | 500,000          | 508,750          |
| <sup>d</sup> senior note, 144A, 6.625%, 4/01/18  | United States  | 500,000          | 530,000          |
| <sup>c</sup> Citigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual .          | United States  | 1,300,000        | 1,294,995        |
| <sup>c</sup> JPMorgan Chase & Co.,<br>junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual.  | United States  | 1,500,000        | 1,535,625        |
| junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual   | United States  | 500,000          | 478,750          |
| Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22.   | United Kingdom | 1,000,000        | 1,049,455        |
|  |                |                  | <b>9,438,450</b> |

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**Capital Goods 0.5%**

|  |               |         |           |
|--|---------------|---------|-----------|
| <sup>d</sup> Bombardier Inc., senior bond, 144A, 7.50%, 3/15/25. | Canada        | 300,000 | 261,000   |
| <sup>d</sup> HD Supply Inc., senior note, 144A, 5.75%, 4/15/24   | United States | 400,000 | 417,000   |
| TransDigm Inc.,<br>senior sub. bond, 6.50%, 5/15/25              | United States | 500,000 | 503,125   |
| senior sub. note, 6.00%, 7/15/22                                 | United States | 500,000 | 505,090   |
|  |               |         | 1,686,215 |

**Commercial & Professional Services 0.5%**

|   |               |           |           |
|---|---------------|-----------|-----------|
| <sup>d</sup> Acosta Inc., senior note, 144A, 7.75%, 10/01/22.   | United States | 1,200,000 | 1,059,000 |
| United Rentals North America Inc., senior bond, 5.875%, 9/15/26 | United States | 600,000   | 598,500   |
|   |               |           | 1,657,500 |

**Consumer Durables & Apparel 1.5%**

|   |               |           |           |
|---|---------------|-----------|-----------|
| <sup>d</sup> Hanesbrands Inc., senior note, 144A, 4.625%, 5/15/24 | United States | 1,100,000 | 1,108,250 |
| KB Home,<br>senior note, 4.75%, 5/15/19                           | United States | 1,100,000 | 1,108,250 |
| senior note, 7.00%, 12/15/21                                      | United States | 1,100,000 | 1,111,000 |

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

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|  | Country       | Principal Amount* | Value      |
|--|---------------|-------------------|------------|
| <b>Corporate Bonds</b> (continued)   |               |                   |            |
| <b>Consumer Durables &amp; Apparel</b> (continued)   |               |                   |            |
| <sup>d</sup> Taylor Morrison Communities Inc./Monarch Communities Inc.,<br>senior note, 144A, 5.25%, 4/15/21   | United States | 800,000 \$        | 802,000    |
| senior note, 144A, 5.875%, 4/15/23   | United States | 1,000,000         | 1,010,000  |
|  |               |                   | 5,139,500  |
| <b>Consumer Services 2.9%</b>  |               |                   |            |
| <sup>d</sup> 1011778 BC ULC/New Red Finance Inc.,<br>secured note, second lien, 144A, 6.00%, 4/01/22           | Canada        | 1,200,000         | 1,247,628  |
| senior secured note, first lien, 144A, 4.625%, 1/15/22   | Canada        | 600,000           | 610,500    |
| <sup>d</sup> 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22                                       | United States | 1,000,000         | 762,500    |
| <sup>d</sup> International Game Technology PLC, senior note, 144A, 5.625%, 2/15/20                             | United States | 2,000,000         | 2,117,500  |
| <sup>d</sup> KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America, senior note,<br>144A, 5.00%, 6/01/24 | United States | 1,400,000         | 1,438,500  |
| <sup>d</sup> Landry's Inc., senior note, 144A, 9.375%, 5/01/20   | United States | 1,000,000         | 1,051,250  |
| MGM Resorts International, senior note, 8.625%, 2/01/19  | United States | 1,000,000         | 1,128,000  |
| <sup>d</sup> Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A,<br>5.50%, 3/01/25             | United States | 900,000           | 874,125    |
| <sup>d</sup> Wynn Macau Ltd., senior note, 144A, 5.25%, 10/15/21   | Macau         | 800,000           | 774,000    |
|  |               |                   | 10,004,003 |
| <b>Diversified Financials 3.1%</b>   |               |                   |            |
| AerCap Ireland Capital Ltd./AerCap Global Aviation Trust,<br>senior note, 4.25%, 7/01/20                       | Netherlands   | 1,300,000         | 1,331,720  |
| senior note, 4.625%, 10/30/20  | Netherlands   | 600,000           | 621,303    |
| senior note, 5.00%, 10/01/21   | Netherlands   | 600,000           | 627,735    |
| Ally Financial Inc., senior note, 6.25%, 12/01/17  | United States | 1,500,000         | 1,575,000  |
| Deutsche Bank AG, sub. bond, 4.296% to 5/24/23, FRN thereafter, 5/24/28  | Germany       | 1,000,000         | 881,150    |
| E*TRADE Financial Corp.,<br>senior note, 5.375%, 11/15/22  | United States | 400,000           | 424,000    |
| senior note, 4.625%, 9/15/23   | United States | 500,000           | 508,750    |
| <sup>d</sup> Lincoln Finance Ltd., senior secured note, 144A, 7.375%, 4/15/21                                  | Netherlands   | 1,000,000         | 1,038,750  |
| Navient Corp.,<br>senior note, 8.45%, 6/15/18  | United States | 1,000,000         | 1,085,000  |

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|  |               |           |            |
|--|---------------|-----------|------------|
| senior note, 5.50%, 1/15/19  | United States | 1,100,000 | 1,109,075  |
| senior note, 5.00%, 10/26/20   | United States | 300,000   | 282,000    |
| senior note, 5.875%, 3/25/21   | United States | 200,000   | 189,624    |
| <sup>d</sup> OneMain Financial Holdings Inc., senior note, 144A, 7.25%, 12/15/21                   | United States | 800,000   | 770,000    |
|  |               |           | 10,444,107 |
| <b>Energy 7.1%</b>   |               |           |            |
| <sup>e</sup> BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%,<br>4/15/22 | United States | 1,500,000 | 322,500    |
| California Resources Corp.,<br><sup>d</sup> secured note, second lien, 144A, 8.00%, 12/15/22       | United States | 824,000   | 586,070    |
| senior note, 5.50%, 9/15/21  | United States | 345,000   | 175,950    |
| Calumet Specialty Products Partners LP/Calumet Finance Corp.,<br>senior note, 7.75%, 4/15/23       | United States | 1,000,000 | 712,500    |
| <sup>d</sup> senior note, 144A, 11.50%, 1/15/21  | United States | 300,000   | 338,250    |
| CGG SA, senior note, 6.875%, 1/15/22   | France        | 1,200,000 | 528,000    |
| <sup>e,f</sup> CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20                 | Canada        | 2,001,600 | 900,720    |
| <sup>d</sup> Cheniere Corpus Christi Holdings LLC, senior secured note, 144A, 7.00%,<br>6/30/24    | United States | 700,000   | 719,691    |
| <sup>d</sup> Chesapeake Energy Corp., secured note, second lien, 144A, 8.00%, 12/15/22 .           | United States | 1,497,000 | 1,276,192  |
| Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19  | United States | 800,000   | 608,000    |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|  | Country        | Principal<br>Amount* | Value     |
|--|----------------|----------------------|-----------|
| <b>Corporate Bonds</b> (continued)   |                |                      |           |
| <b>Energy</b> (continued)  |                |                      |           |
| CONSOL Energy Inc.,<br>senior note, 5.875%, 4/15/22  | United States  | 500,000 \$           | 439,375   |
| senior note, 8.00%, 4/01/23  | United States  | 700,000              | 623,000   |
| <sup>d</sup> Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., senior<br>note, 144A, 6.25%, 4/01/23 | United States  | 1,500,000            | 1,387,500 |
| CSI Compressco LP/CSI Compressco Finance Inc., senior note, 7.25%,<br>8/15/22  | United States  | 400,000              | 330,000   |
| Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20.   | United States  | 2,100,000            | 2,236,500 |
| <sup>e</sup> Energy XXI Gulf Coast Inc.,<br>senior note, 7.50%, 12/15/21   | United States  | 600,000              | 69,000    |
| <sup>d</sup> senior secured note, second lien, 144A, 11.00%, 3/15/20   | United States  | 500,000              | 202,500   |
| <sup>d</sup> EnQuest PLC, senior note, 144A, 7.00%, 4/15/22  | United Kingdom | 1,000,000            | 611,250   |
| <sup>e</sup> EPL Oil & Gas Inc., senior note, 8.25%, 2/15/18   | United States  | 1,000,000            | 110,000   |
| <sup>d</sup> Ferrellgas LP/Ferrellgas Finance Corp., senior note, 144A, 6.75%, 6/15/23                               | United States  | 1,100,000            | 970,750   |
| <sup>e</sup> Halcon Resources Corp.,<br>senior note, 9.75%, 7/15/20  | United States  | 100,000              | 23,000    |
| senior note, 8.875%, 5/15/21   | United States  | 1,000,000            | 205,000   |
| <sup>d</sup> senior secured note, third lien, 144A, 13.00%, 2/15/22  | United States  | 650,000              | 347,750   |
| <sup>d,e</sup> Linn Energy LLC/Finance Corp., senior secured note, second lien, 144A,<br>12.00%, 12/15/20            | United States  | 1,500,000            | 521,250   |
| Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note,<br>7.25%, 2/15/21                          | United States  | 900,000              | 837,000   |
| Memorial Resource Development Corp., senior note, 5.875%, 7/01/22  | United States  | 700,000              | 700,000   |
| <sup>e</sup> Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21   | United States  | 800,000              | 12,000    |
| <sup>d</sup> Murray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21                                   | United States  | 800,000              | 228,000   |
| <sup>d,e</sup> Peabody Energy Corp., secured note, second lien, 144A, 10.00%, 3/15/22                                | United States  | 2,500,000            | 337,500   |
| <sup>e</sup> Penn Virginia Corp., senior note, 8.50%, 5/01/20  | United States  | 300,000              | 117,000   |
| QEP Resources Inc., senior bond, 5.25%, 5/01/23  | United States  | 500,000              | 462,500   |
| Regency Energy Partners LP/Regency Energy Finance Corp.,<br>senior note, 5.875%, 3/01/22                             | United States  | 200,000              | 212,639   |
| senior note, 5.00%, 10/01/22   | United States  | 500,000              | 513,774   |

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|  |               |           |            |
|--|---------------|-----------|------------|
| Sabine Pass Liquefaction LLC, first lien, 5.625%, 2/01/21                      | United States | 2,000,000 | 2,030,000  |
| Sanchez Energy Corp.,<br>senior note, 7.75%, 6/15/21                           | United States | 900,000   | 767,250    |
| senior note, 6.125%, 1/15/23   | United States | 300,000   | 233,250    |
| <sup>d,e</sup> Triangle USA Petroleum Corp., senior note, 144A, 6.75%, 7/15/22 | United States | 1,000,000 | 235,000    |
| Weatherford International Ltd.,<br>senior note, 5.125%, 9/15/20                | United States | 400,000   | 378,600    |
| senior note, 7.75%, 6/15/21  | United States | 1,000,000 | 977,500    |
| senior note, 4.50%, 4/15/22  | United States | 400,000   | 345,000    |
| WPX Energy Inc., senior note, 7.50%, 8/01/20                                   | United States | 1,500,000 | 1,504,680  |
|  |               |           | 24,136,441 |

**Food, Beverage & Tobacco 1.9%**

|  |               |           |           |
|--|---------------|-----------|-----------|
| Constellation Brands Inc.,<br>senior note, 3.875%, 11/15/19                | United States | 900,000   | 950,625   |
| senior note, 4.75%, 12/01/25   | United States | 200,000   | 211,750   |
| Cott Beverages Inc., senior note, 6.75%, 1/01/20                           | United States | 700,000   | 732,375   |
| <sup>d</sup> Dole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19 | United States | 300,000   | 300,000   |
| <sup>d</sup> JBS USA LLC/Finance Inc., senior note, 144A, 8.25%, 2/01/20   | United States | 2,000,000 | 2,080,000 |
| Post Holdings Inc.,<br>senior note, 7.375%, 2/15/22                        | United States | 1,000,000 | 1,055,000 |
| <sup>d</sup> senior note, 144A, 6.75%, 12/01/21                            | United States | 600,000   | 636,000   |
| <sup>d</sup> senior note, 144A, 6.00%, 12/15/22                            | United States | 100,000   | 102,875   |



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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|   | Country       | Principal<br>Amount* | Value      |
|---|---------------|----------------------|------------|
| <b>Corporate Bonds</b> (continued)  |               |                      |            |
| <b>Food, Beverage &amp; Tobacco</b> (continued)   |               |                      |            |
| Post Holdings Inc., (continued)   |               |                      |            |
| <sup>d</sup> senior note, 144A, 7.75%, 3/15/24  | United States | 300,000 \$           | 330,375    |
|   |               |                      | 6,399,000  |
| <b>Health Care Equipment &amp; Services 3.2%</b>  |               |                      |            |
| <sup>d</sup> Acadia Healthcare Co. Inc., senior note, 144A, 6.50%, 3/01/24                                  | United States | 400,000              | 407,000    |
| Alere Inc., senior sub. note, 6.50%, 6/15/20  | United States | 300,000              | 300,000    |
| CHS/Community Health Systems Inc.,<br>senior note, 8.00%, 11/15/19  | United States | 1,100,000            | 1,079,375  |
| senior secured note, first lien, 5.125%, 8/15/18  | United States | 181,000              | 184,394    |
| DaVita HealthCare Partners Inc., senior bond, 5.125%, 7/15/24   | United States | 1,000,000            | 1,012,975  |
| HCA Inc.,<br>senior bond, 5.875%, 5/01/23   | United States | 1,500,000            | 1,603,125  |
| senior note, 7.50%, 2/15/22   | United States | 1,000,000            | 1,139,500  |
| senior secured bond, first lien, 5.875%, 3/15/22  | United States | 1,000,000            | 1,090,000  |
| senior secured note, first lien, 4.25%, 10/15/19  | United States | 200,000              | 209,000    |
| <sup>d</sup> MPH Acquisition Holdings LLC, senior note, 144A, 7.125%, 6/01/24                               | United States | 300,000              | 315,750    |
| Tenet Healthcare Corp.,<br>first lien, 6.00%, 10/01/20  | United States | 500,000              | 530,000    |
| senior note, 5.00%, 3/01/19   | United States | 1,000,000            | 972,500    |
| senior note, 5.50%, 3/01/19   | United States | 900,000              | 891,000    |
| <sup>g</sup> senior note, FRN, 4.153%, 6/15/20  | United States | 500,000              | 496,250    |
| <sup>d</sup> Vizient Inc., senior note, 144A, 10.375%, 3/01/24  | United States | 700,000              | 752,500    |
|   |               |                      | 10,983,369 |
| <b>Materials 7.1%</b>   |               |                      |            |
| <sup>d</sup> Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc.,<br>senior note, 144A, 6.25%, 1/31/19 | Luxembourg    | 300,000              | 306,375    |
| senior note, 144A, 7.00%, 11/15/20  | Luxembourg    | 88,235               | 86,912     |
| <sup>g</sup> senior secured note, 144A, FRN, 3.653%, 12/15/19.  | Luxembourg    | 700,000              | 704,375    |
| <sup>d</sup> Barmarco Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18                                  | Australia     | 1,000,000            | 830,940    |
| <sup>d</sup> Blue Cube Spinco Inc., senior bond, 144A, 10.00%, 10/15/25                                     | United States | 1,000,000            | 1,160,000  |
| <sup>d</sup> BlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 6.50%,                        |               |                      |            |

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|  |               |           |           |
|--|---------------|-----------|-----------|
| 5/15/21  | Australia     | 1,700,000 | 1,772,139 |
| <sup>d</sup> Cemex SAB de CV,<br>secured note, 144A, 5.875%, 3/25/19                             | Mexico        | 500,000   | 512,600   |
| senior secured bond, 144A, 7.75%, 4/16/26  | Mexico        | 400,000   | 420,960   |
| The Chemours Co., senior note, 6.625%, 5/15/23   | United States | 2,000,000 | 1,710,000 |
| <sup>d</sup> CVR Partners LP/CVR Nitrogen Finance Corp., 144A, 9.25%, 6/15/23                    | United States | 1,000,000 | 1,021,250 |
| <sup>d</sup> Eldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20                            | Canada        | 800,000   | 804,000   |
| <sup>d</sup> First Quantum Minerals Ltd.,<br>senior note, 144A, 6.75%, 2/15/20                   | Canada        | 1,261,000 | 1,059,240 |
| senior note, 144A, 7.00%, 2/15/21  | Canada        | 1,261,000 | 1,019,834 |
| <sup>d</sup> FMG Resources (August 2006) Pty. Ltd., senior secured note, 144A, 9.75%,<br>3/01/22 | Australia     | 1,200,000 | 1,332,000 |
| <sup>d</sup> INVISTA Finance LLC, senior secured note, 144A, 4.25%, 10/15/19                     | United States | 2,000,000 | 1,960,000 |
| Novelis Inc., senior note, 8.375%, 12/15/17  | Canada        | 500,000   | 511,562   |
| <sup>d</sup> Owens-Brockway Glass Container Inc.,<br>senior note, 144A, 5.00%, 1/15/22           | United States | 900,000   | 904,500   |
| senior note, 144A, 5.875%, 8/15/23   | United States | 400,000   | 420,918   |
| <sup>d</sup> Platform Specialty Products Corp.,<br>senior note, 144A, 10.375%, 5/01/21           | United States | 300,000   | 303,000   |
| senior note, 144A, 6.50%, 2/01/22  | United States | 1,000,000 | 885,000   |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|   | Country       | Principal Amount* | Value      |
|---|---------------|-------------------|------------|
| <b>Corporate Bonds</b> (continued)  |               |                   |            |
| <b>Materials</b> (continued)  |               |                   |            |
| <sup>d</sup> Rain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21  | United States | 600,000 \$        | 489,000    |
| <sup>d</sup> Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA,<br>first lien, 144A, 5.125%, 7/15/23 | United States | 400,000           | 405,500    |
| senior note, 144A, 8.25%, 2/15/21   | United States | 1,000,000         | 1,046,300  |
| senior note, 144A, 7.00%, 7/15/24   | United States | 100,000           | 103,138    |
| <sup>g</sup> senior secured note, first lien, 144A, FRN, 4.127%, 7/15/21  | United States | 400,000           | 402,000    |
| <sup>d</sup> Sealed Air Corp.,<br>senior bond, 144A, 5.125%, 12/01/24   | United States | 500,000           | 515,625    |
| senior bond, 144A, 5.50%, 9/15/25   | United States | 600,000           | 626,250    |
| Steel Dynamics Inc., senior note, 5.125%, 10/01/21  | United States | 1,500,000         | 1,539,375  |
| <sup>d</sup> Summit Materials LLC/Summit Materials Finance Corp., senior note, 144A,<br>8.50%, 4/15/22                                      | United States | 1,200,000         | 1,276,500  |
| <sup>e</sup> Verso Paper Holdings LLC/Inc., senior secured note, first lien, 11.75%, 1/15/19  | United States | 270,000           | 46,575     |
|   |               |                   | 24,175,868 |
| <b>Media 5.4%</b>   |               |                   |            |
| <sup>d</sup> Altice U.S. Finance I Corp., senior secured bond, 144A, 5.50%, 5/15/26   | United States | 1,000,000         | 1,002,500  |
| AMC Networks Inc., senior note, 5.00%, 4/01/24  | United States | 1,000,000         | 993,625    |
| Cablevision Systems Corp., senior note, 8.625%, 9/15/17   | United States | 1,000,000         | 1,057,500  |
| CCO Holdings LLC/CCO Holdings Capital Corp.,<br>senior bond, 5.25%, 9/30/22   | United States | 2,000,000         | 2,057,500  |
| <sup>d</sup> senior note, 144A, 5.125%, 5/01/23   | United States | 500,000           | 506,250    |
| Clear Channel Worldwide Holdings Inc.,<br>senior note, 6.50%, 11/15/22  | United States | 700,000           | 703,500    |
| senior sub. note, 7.625%, 3/15/20   | United States | 800,000           | 765,200    |
| CSC Holdings LLC,<br>senior note, 6.75%, 11/15/21   | United States | 1,500,000         | 1,533,750  |
| senior note, 5.25%, 6/01/24   | United States | 500,000           | 455,000    |
| Gannett Co. Inc.,<br>senior note, 5.125%, 10/15/19  | United States | 1,200,000         | 1,237,500  |
| senior note, 5.125%, 7/15/20  | United States | 500,000           | 516,875    |

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|  |                |           |            |
|--|----------------|-----------|------------|
| iHeartCommunications Inc., senior secured bond, first lien, 9.00%, 3/01/21                                       | United States  | 1,900,000 | 1,346,625  |
| <sup>d</sup> Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20  | United States  | 600,000   | 534,000    |
| <sup>d</sup> Sirius XM Radio Inc.,<br>senior bond, 144A, 6.00%, 7/15/24  | United States  | 1,000,000 | 1,036,250  |
| senior bond, 144A, 5.375%, 4/15/25   | United States  | 1,000,000 | 998,125    |
| <sup>d</sup> Virgin Media Secured Finance PLC,<br>senior secured bond, first lien, 144A, 5.50%, 1/15/25.         | United Kingdom | 1,100,000 | 1,084,875  |
| senior secured bond, first lien, 144A, 5.50%, 8/15/26.   | United Kingdom | 400,000   | 390,000    |
| <sup>d</sup> WMG Acquisition Corp., senior note, 144A, 5.625%, 4/15/22   | United States  | 2,000,000 | 2,052,500  |
|  |                |           | 18,271,575 |
| <b>Pharmaceuticals, Biotechnology &amp; Life Sciences 2.1%</b>   |                |           |            |
| <sup>d</sup> Concordia International Corp., senior note, 144A, 7.00%, 4/15/23                                    | Canada         | 1,000,000 | 857,500    |
| <sup>d</sup> Endo Finance LLC/Endo Ltd./Endo Finco Inc.,<br>senior bond, 144A, 6.00%, 2/01/25                    | United States  | 1,000,000 | 872,500    |
| senior note, 144A, 6.00%, 7/15/23  | United States  | 500,000   | 442,500    |
| Grifols Worldwide Operations Ltd., senior note, 5.25%, 4/01/22   | United States  | 600,000   | 613,500    |
| Horizon Pharma Inc., senior note, 6.625%, 5/01/23  | United States  | 1,200,000 | 1,116,000  |
| <sup>d</sup> Jaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note,<br>144A, 6.375%, 8/01/23 | United States  | 1,200,000 | 1,230,000  |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|  | Country       | Principal Amount* | Value     |
|--|---------------|-------------------|-----------|
| <b>Corporate Bonds (continued)</b>   |               |                   |           |
| <b>Pharmaceuticals, Biotechnology &amp; Life Sciences (continued)</b>                          |               |                   |           |
| <sup>d</sup> Valeant Pharmaceuticals International Inc.,<br>senior note, 144A, 5.375%, 3/15/20 | United States | 500,000 \$        | 429,688   |
| senior note, 144A, 5.625%, 12/01/21  | United States | 500,000           | 415,000   |
| <sup>d</sup> Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20        | United States | 1,500,000         | 1,297,500 |
|  |               |                   | 7,274,188 |
| <b>Real Estate 0.8%</b>  |               |                   |           |
| Equinix Inc.,<br>senior bond, 5.875%, 1/15/26  | United States | 300,000           | 313,500   |
| senior note, 4.875%, 4/01/20   | United States | 1,500,000         | 1,563,750 |
| MPT Operating Partnership LP/MPT Finance Corp., senior note, 6.375%,<br>3/01/24                | United States | 700,000           | 749,000   |
|  |               |                   | 2,626,250 |
| <b>Retailing 1.1%</b>  |               |                   |           |
| <sup>d</sup> Argos Merger Sub Inc., senior note, 144A, 7.125%, 3/15/23                         | United States | 1,000,000         | 1,031,250 |
| <sup>d</sup> Dollar Tree Inc., senior note, 144A, 5.25%, 3/01/20.                              | United States | 400,000           | 414,000   |
| Netflix Inc., senior note, 5.50%, 2/15/22.   | United States | 2,000,000         | 2,095,000 |
|  |               |                   | 3,540,250 |
| <b>Semiconductors &amp; Semiconductor Equipment 0.4%</b>                                       |               |                   |           |
| <sup>d</sup> Microsemi Corp., senior note, 144A, 9.125%, 4/15/23                               | United States | 600,000           | 663,000   |
| <sup>d</sup> Qorvo Inc., senior note, 144A, 6.75%, 12/01/23                                    | United States | 700,000           | 729,750   |
|  |               |                   | 1,392,750 |
| <b>Software &amp; Services 1.5%</b>  |               |                   |           |
| <sup>d</sup> BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21                     | United States | 2,000,000         | 1,510,000 |
| <sup>d</sup> First Data Corp.,<br>secured note, first lien, 144A, 5.00%, 1/15/24               | United States | 1,700,000         | 1,710,625 |
| senior note, 144A, 7.00%, 12/01/23   | United States | 500,000           | 509,375   |
| Infor (U.S.) Inc., senior note, 6.50%, 5/15/22   | United States | 1,500,000         | 1,424,070 |
|  |               |                   | 5,154,070 |
| <b>Technology Hardware &amp; Equipment 1.3%</b>  |               |                   |           |
| <sup>d</sup> Blackboard Inc., senior note, 144A, 7.75%, 11/15/19                               | United States | 1,000,000         | 845,000   |
| <sup>d</sup> CommScope Inc., senior secured note, 144A, 4.375%, 6/15/20                        | United States | 1,000,000         | 1,032,500 |

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|   |               |           |           |
|---|---------------|-----------|-----------|
| <sup>d</sup> Diamond 1 Finance Corp./Diamond 2 Finance Corp.,<br>senior note, 144A, 5.875%, 6/15/21 | United States | 400,000   | 410,312   |
| senior secured bond, first lien, 144A, 5.45%, 6/15/23.  | United States | 300,000   | 311,517   |
| senior secured bond, first lien, 144A, 6.02%, 6/15/26.  | United States | 200,000   | 207,881   |
| <sup>d</sup> Western Digital Corp., senior note, 144A, 10.50%, 4/01/24                              | United States | 1,600,000 | 1,716,000 |
|   |               |           | 4,523,210 |

**Telecommunication Services 4.6%**

|   |               |           |           |
|---|---------------|-----------|-----------|
| CenturyLink Inc.,<br>senior bond, 6.75%, 12/01/23                   | United States | 1,000,000 | 986,250   |
| senior bond, 5.625%, 4/01/25  | United States | 1,400,000 | 1,251,250 |
| <sup>d</sup> Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20. | Bermuda       | 1,200,000 | 1,005,696 |
| <sup>d</sup> Digicel Ltd., senior note, 144A, 6.00%, 4/15/21        | Bermuda       | 700,000   | 602,875   |
| Intelsat Jackson Holdings SA,<br>senior note, 7.25%, 4/01/19        | Luxembourg    | 1,500,000 | 1,102,500 |
| senior note, 7.25%, 10/15/20  | Luxembourg    | 1,000,000 | 717,500   |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|   | Country       | Principal Amount* | Value      |
|---|---------------|-------------------|------------|
| <b>Corporate Bonds (continued)</b>  |               |                   |            |
| <b>Telecommunication Services (continued)</b>   |               |                   |            |
| <sup>d</sup> Millicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21              | Luxembourg    | 1,500,000 \$      | 1,545,675  |
| Sprint Communications Inc.,<br>senior note, 8.375%, 8/15/17                                       | United States | 500,000           | 515,000    |
| <sup>d</sup> senior note, 144A, 9.00%, 11/15/18   | United States | 1,500,000         | 1,603,125  |
| <sup>d</sup> senior note, 144A, 7.00%, 3/01/20  | United States | 600,000           | 631,194    |
| Sprint Corp.,<br>senior bond, 7.125%, 6/15/24   | United States | 300,000           | 238,875    |
| senior note, 7.25%, 9/15/21   | United States | 500,000           | 428,750    |
| T-Mobile USA Inc.,<br>senior bond, 6.50%, 1/15/24   | United States | 500,000           | 528,125    |
| senior note, 6.542%, 4/28/20  | United States | 900,000           | 928,134    |
| senior note, 6.125%, 1/15/22  | United States | 1,000,000         | 1,052,500  |
| <sup>d</sup> Wind Acquisition Finance SA,<br>secured note, second lien, 144A, 7.375%, 4/23/21     | Italy         | 2,000,000         | 1,906,010  |
| senior secured note, first lien, 144A, 4.75%, 7/15/20   | Italy         | 500,000           | 492,500    |
|   |               |                   | 15,535,959 |
| <b>Transportation 0.4%</b>  |               |                   |            |
| <sup>d</sup> Florida East Coast Holdings Corp., secured note, first lien, 144A, 6.75%,<br>5/01/19 | United States | 1,000,000         | 1,000,000  |
| <sup>d</sup> Stena International SA, senior secured bond, first lien, 144A, 5.75%, 3/01/24        | Sweden        | 500,000           | 412,500    |
|   |               |                   | 1,412,500  |
| <b>Utilities 2.1%</b>   |               |                   |            |
| Calpine Corp.,<br>senior note, 5.375%, 1/15/23  | United States | 1,500,000         | 1,470,000  |
| <sup>d</sup> senior secured bond, first lien, 144A, 7.875%, 1/15/23                               | United States | 296,000           | 313,760    |
| <sup>d</sup> senior secured note, first lien, 144A, 6.00%, 1/15/22                                | United States | 100,000           | 105,250    |
| Dynegy Inc., senior note, 6.75%, 11/01/19   | United States | 2,000,000         | 2,015,000  |
| <sup>d</sup> InterGen NV, secured bond, 144A, 7.00%, 6/30/23                                      | Netherlands   | 1,500,000         | 1,068,750  |
| NRG Yield Operating LLC, senior bond, 5.375%, 8/15/24   | United States | 700,000           | 700,000    |
| Talen Energy Supply LLC, senior bond, 6.50%, 6/01/25.   | United States | 1,000,000         | 835,000    |
| <sup>d,e</sup> Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric             |               |                   |            |

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|  |               |           |             |
|--|---------------|-----------|-------------|
| Holdings Finance Inc., senior secured note, first lien, 144A, 11.50%, 10/01/20 . | United States | 2,000,000 | 685,000     |
|  |               |           | 7,192,760   |
| <b>Total Corporate Bonds (Cost \$189,163,822)</b>                                |               |           | 174,039,090 |

**Senior Floating Rate Interests 47.4%**

**Automobiles & Components 0.9%**

|   |               |           |           |
|---|---------------|-----------|-----------|
| TI Group Automotive Systems LLC, Initial U.S. Term Loan, 4.50%, 6/25/22 | United States | 2,962,612 | 2,910,767 |
|---|---------------|-----------|-----------|

**Capital Goods 2.9%**

|  |               |         |         |
|--|---------------|---------|---------|
| <sup>h</sup> Abacus Innovations Corp., B Term Loan, 5.25%, 8/31/23 | United States | 434,013 | 434,284 |
|--|---------------|---------|---------|

|   |               |         |         |
|---|---------------|---------|---------|
| Alfred Fueling Systems Inc. (Wayne Fueling), First Lien Initial Term Loan, 4.75%, 6/18/21 | United States | 972,752 | 975,184 |
|---|---------------|---------|---------|

|  |               |           |           |
|--|---------------|-----------|-----------|
| Delos Finance S.A.R.L. (ILFC), Loans, 3.50%, 3/06/21 | United States | 2,500,000 | 2,500,000 |
|--|---------------|-----------|-----------|

|   |               |           |           |
|---|---------------|-----------|-----------|
| Navistar Inc., Tranche B Term Loans, 6.50%, 8/07/20 | United States | 3,318,081 | 3,146,646 |
|---|---------------|-----------|-----------|

|   |           |           |           |
|---|-----------|-----------|-----------|
| Onsite Rental Group Operations Pty. Ltd., Term B Loan, 5.50%, 7/30/21 | Australia | 1,965,000 | 1,434,450 |
|---|-----------|-----------|-----------|

|  |           |           |           |
|--|-----------|-----------|-----------|
| Ventia Pty. Ltd., Term B Loans, 5.50%, 5/21/22 | Australia | 1,274,716 | 1,285,870 |
|--|-----------|-----------|-----------|

9,776,434

**Consumer Services 4.5%**

|   |               |           |           |
|---|---------------|-----------|-----------|
| 24 Hour Fitness Worldwide Inc., Term Loan, 4.75%, 5/28/21 | United States | 1,960,000 | 1,898,139 |
|---|---------------|-----------|-----------|

|  |               |           |           |
|--|---------------|-----------|-----------|
| Aristocrat Technologies Inc., First Lien Initial Term Loan, 4.75%, 10/20/21. | United States | 1,344,882 | 1,349,399 |
|--|---------------|-----------|-----------|

|  |               |           |           |
|--|---------------|-----------|-----------|
| Avis Budget Car Rental LLC, Extended Tranche B Term Loan, 3.25%, 3/15/22 | United States | 1,595,876 | 1,599,866 |
|--|---------------|-----------|-----------|



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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|  | Country       | Principal Amount* | Value      |
|--|---------------|-------------------|------------|
| <b>Senior Floating Rate Interests</b> (continued)  |               |                   |            |
| <b>Consumer Services</b> (continued)   |               |                   |            |
| Caesars Entertainment Resort Properties LLC, Term B Loans, 7.00%, 10/11/20   | United States | 1,934,888 \$      | 1,857,493  |
| <sup>b</sup> Fitness International LLC, Term B Loan, 5.50%, 7/01/20  | United States | 1,928,045         | 1,913,584  |
| <sup>h</sup> KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC (Yum Brands), Term B Loans, 5.25%, 6/16/23. | United States | 1,742,698         | 1,748,690  |
| Scientific Games International Inc., Term B-1 Loan, 6.00%, 10/18/20  | United States | 2,927,444         | 2,896,035  |
| Tropicana Entertainment Inc., Term Loans, 4.00%, 11/27/20  | United States | 1,915,825         | 1,911,035  |
|  |               |                   | 15,174,241 |
| <b>Diversified Financials 0.2%</b>   |               |                   |            |
| Guggenheim Partners Investment Management Holdings LLC, Initial Term Loan, 4.25%, 7/22/20                                | United States | 856,862           | 856,995    |
| <b>Energy 1.1%</b>   |               |                   |            |
| <sup>h</sup> OSG Bulk Ships Inc., Initial Term Loan, 5.25%, 8/05/19.   | United States | 2,210,347         | 2,141,273  |
| Peabody Energy Corp., Term Loan, 4.25%, 9/24/20  | United States | 3,040,253         | 1,299,708  |
| <sup>e</sup> Samson Investment Co., Second Lien Tranche I Term Loan, 6.50%, 9/25/18                                      | United States | 2,000,000         | 160,000    |
|  |               |                   | 3,600,981  |
| <b>Food, Beverage &amp; Tobacco 1.0%</b>   |               |                   |            |
| B&G Foods Inc., Tranche B Term Loan, 3.75%, 11/02/22.  | United States | 562,374           | 564,483    |
| Post Holdings Inc., Series A Incremental Term Loan, 3.75%, 6/02/21   | United States | 2,668,041         | 2,676,141  |
|  |               |                   | 3,240,624  |
| <b>Health Care Equipment &amp; Services 3.7%</b>   |               |                   |            |
| Amsurg Corp., Initial Term Loan, 3.50%, 7/16/21  | United States | 2,940,000         | 2,940,000  |
| Community Health Systems Inc., 2019 Term G Loan, 3.75%, 12/31/19   | United States | 3,851,504         | 3,753,710  |
| Cotiviti Corp., Initial Term Loan, 4.50%, 5/14/21  | United States | 1,960,000         | 1,958,163  |
| DaVita HealthCare Partners Inc., Tranche B Term Loan, 3.50%, 6/24/21   | United States | 2,860,815         | 2,870,053  |
| <sup>h</sup> Mallinckrodt International Finance SA, Initial Term Loan B, 3.25%, 3/19/21                                  | Luxembourg    | 998,214           | 988,232    |
| Team Health Inc., Tranche B Term Loan, 3.75%, 11/23/22   | United States | 230,895           | 231,020    |
|  |               |                   | 12,741,178 |
| <b>Household &amp; Personal Products 1.5%</b>  |               |                   |            |
| Spectrum Brands Inc., Initial Term Loans, 3.50%, 6/23/22   | United States | 2,637,121         | 2,641,860  |
| Sun Products Corp., Tranche B Term Loan, 5.50%, 3/23/20  | United States | 2,434,585         | 2,439,150  |

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5,081,010

**Materials 4.6%**

|  |               |           |            |
|--|---------------|-----------|------------|
| Axalta Coating Systems U.S. Holdings Inc., 2014 Specified Refinancing Term, 3.75%, 2/01/20 | United States | 1,630,580 | 1,631,090  |
| The Chemours Co. LLC, Tranche B Term Loan, 3.75%, 5/12/22                                  | United States | 3,842,171 | 3,720,501  |
| Coveris Holdings SA, Term B-1 Loans, 4.50%, 5/08/19  | Luxembourg    | 1,564,527 | 1,554,749  |
| FMG America Finance Inc. (Fortescue Metals Group), Loans, 4.25%, 6/30/19                   | Australia     | 2,585,700 | 2,480,656  |
| Ineos U.S. Finance LLC, 2018 Dollar Term Loans, 3.75%, 5/04/18                             | United States | 1,638,574 | 1,626,899  |
| Novelis Inc., Initial Term Loan, 4.00%, 6/02/22  | Canada        | 2,026,026 | 2,011,591  |
| OCI Beaumont LLC, Term B-3 Loan, 7.75%, 8/20/19  | United States | 1,797,380 | 1,797,379  |
| Oxbow Carbon LLC, Tranche B Term Loan, 4.25%, 7/19/19                                      | United States | 876,378   | 870,901    |
|  |               |           | 15,693,766 |

**Media 4.7%**

|   |               |           |           |
|---|---------------|-----------|-----------|
| CSC Holdings Inc. (Cablevision), Initial Term Loans, 5.00%, 10/09/22.     | United States | 3,970,517 | 3,986,399 |
| Gray Television Inc., Initial Term Loan, 3.938%, 6/13/21                  | United States | 2,646,830 | 2,650,138 |
| Media General Inc., Term B Loan, 4.00%, 7/31/20                           | United States | 1,849,940 | 1,851,481 |
| Regal Cinemas Corp., Term Loan, 3.50%, 4/01/22                            | United States | 3,041,396 | 3,044,438 |
| Sinclair Television Group Inc., Incremental Term Loan B-1, 3.50%, 7/31/21 | United States | 2,016,233 | 2,013,712 |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|   | Country       | Principal<br>Amount* | Value      |
|---|---------------|----------------------|------------|
| <b>Senior Floating Rate Interests</b> (continued)   |               |                      |            |
| <b>Media</b> (continued)  |               |                      |            |
| Virgin Media Bristol LLC, F Facility, 3.649%, 6/30/23   | United States | 2,622,815 \$         | 2,560,993  |
|   |               |                      | 16,107,161 |
| <b>Pharmaceuticals, Biotechnology &amp; Life Sciences 3.2%</b>  |               |                      |            |
| Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, 2015 Incremental<br>Term B Loans, 3.75%, 9/25/22 | United States | 3,036,961            | 2,995,473  |
| Grifols Worldwide Operations USA Inc., US Tranche B Term Loan, 3.46%,<br>2/27/21                      | United States | 2,967,133            | 2,970,169  |
| Valeant Pharmaceuticals International Inc.,<br>Series C-2 Tranche B Term Loan, 4.75%, 12/11/19        | United States | 1,076,264            | 1,048,012  |
| Series D-2 Tranche B Term Loan, 4.50%, 2/13/19  | United States | 1,592,666            | 1,550,859  |
| Series F-1 Tranche B Term Loan, 5.00%, 4/01/22  | United States | 2,273,344            | 2,213,984  |
|   |               |                      | 10,778,497 |
| <b>Retailing 3.8%</b>   |               |                      |            |
| Ascena Retail Group Inc., Tranche B Term Loan, 5.25%, 8/21/22   | United States | 3,979,250            | 3,802,671  |
| Dollar Tree Inc., Term B-1 Loans, 3.50%, 3/09/22  | United States | 2,116,187            | 2,118,454  |
| Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19   | United States | 2,830,110            | 2,486,959  |
| The Men's Wearhouse Inc., Tranche B Term Loan, 4.50%, 6/18/21   | United States | 1,773,543            | 1,705,558  |
| PetSmart Inc., Term Loans, 4.25%, 3/10/22   | United States | 2,967,916            | 2,960,665  |
|   |               |                      | 13,074,307 |
| <b>Semiconductors &amp; Semiconductor Equipment 2.7%</b>  |               |                      |            |
| Avago Technologies Cayman Finance Ltd., Term B-1 Dollar Loans, 4.25%,<br>2/01/23                      | United States | 2,992,500            | 2,996,034  |
| MACOM Technology Solutions Holdings Inc., Initial Term Loan, 4.50%, 5/07/21                           | United States | 1,636,600            | 1,644,783  |
| <sup>h</sup> MKS Instruments Inc., Tranche B-1 Term Loans, 4.25%, 4/29/23                             | United States | 553,208              | 554,476    |
| NXP BV/NXP Funding LLC, Tranche B Loan, 3.75%, 12/07/20   | United States | 1,598,455            | 1,603,700  |
| ON Semiconductor Corp., Closing Date Term Loans, 5.25%, 3/31/23                                       | United States | 2,500,000            | 2,517,410  |
|   |               |                      | 9,316,403  |
| <b>Software &amp; Services 2.2%</b>   |               |                      |            |
| BMC Software Finance Inc., Initial U.S. Term Loans, 5.00%, 9/10/20.                                   | United States | 2,841,995            | 2,539,147  |
| MoneyGram International Inc., Term Loan, 4.25%, 3/27/20   | United States | 4,070,403            | 3,874,514  |
| Sungard Availability Services Capital Inc., Tranche B Term Loan, 6.00%,                               |               |                      |            |

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|   |                  |           |           |
|---|------------------|-----------|-----------|
| 3/29/19   | United States    | 1,223,768 | 1,101,391 |
|   |                  |           | 7,515,052 |
| <b>Technology Hardware &amp; Equipment 2.1%</b>                     |                  |           |           |
| Ciena Corp., Term Loan, 3.75%, 7/15/19                              | United States    | 2,936,286 | 2,923,440 |
| CommScope Inc., Tranche 5 Term Loan, 3.75%, 12/29/22                | United States    | 2,031,911 | 2,036,037 |
| Western Digital Corp., U.S. Term B Loan, 6.25%, 4/29/23             | United States    | 2,173,108 | 2,185,332 |
|   |                  |           | 7,144,809 |
| <b>Telecommunication Services 2.0%</b>                              |                  |           |           |
| Intelsat Jackson Holdings SA, Tranche B-2 Term Loan, 3.75%, 6/30/19 | Luxembourg       | 4,010,931 | 3,644,933 |
| Telesat Canada/Telesat LLC, U.S. Term B-2 Loan, 3.50%, 3/28/19      | Canada           | 1,453,620 | 1,448,169 |
| Zayo Group LLC, 2021 Term Loans, 3.75%, 5/06/21                     | United States    | 1,793,564 | 1,788,521 |
|   |                  |           | 6,881,623 |
| <b>Transportation 3.5%</b>  |                  |           |           |
| Air Canada, Term Loan, 4.00%, 9/26/19                               | Canada           | 1,451,214 | 1,452,575 |
| American Airlines Inc., Class B Term Loans, 3.50%, 4/28/23          | United States    | 2,001,025 | 1,983,766 |
| Flying Fortress Inc. (ILFC), New Loan, 3.50%, 4/30/20               | United States    | 1,629,859 | 1,629,859 |
| <sup>h</sup> The Hertz Corp., Tranche B-1 Term Loan, 5.25%, 6/17/23 | United States    | 1,577,933 | 1,580,646 |
| Navios Maritime Partners LP, Initial Term Loan, 5.25%, 6/27/18      | Marshall Islands | 2,710,663 | 2,365,054 |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|  | Country       | Principal Amount* |     | Value       |
|--|---------------|-------------------|-----|-------------|
| <b>Senior Floating Rate Interests</b> (continued)  |               |                   |     |             |
| <b>Transportation</b> (continued)  |               |                   |     |             |
| U.S. Airways Inc., Tranche B1 Term Loan, 3.50%, 5/23/19  | United States | 2,939,394         | \$  | 2,935,720   |
|  |               |                   |     | 11,947,620  |
| <b>Utilities 2.8%</b>  |               |                   |     |             |
| Alinta Energy Finance Pty. Ltd.,<br>Delayed Draw Term Commitments, 6.375%, 8/13/18                     | Australia     | 184,901           |     | 183,052     |
| Term B Loans, 6.375%, 8/13/19  | Australia     | 2,781,803         |     | 2,753,985   |
| Calpine Corp., Term Loan (B5), 3.50%, 5/27/22  | United States | 2,585,088         |     | 2,560,853   |
| <sup>h</sup> EFS Cogen Holdings I LLC (Linden), Term Loan B Advance, 6.75%, 6/28/23                    | United States | 434,450           |     | 435,536     |
| <sup>h</sup> NRG Energy Inc., Term Loans, 5.25%, 6/20/23   | United States | 3,484,322         |     | 3,458,189   |
|  |               |                   |     | 9,391,615   |
| <b>Total Senior Floating Rate Interests (Cost \$167,005,725)</b>                                       |               |                   |     | 161,233,083 |
| <b>Foreign Government and Agency Securities 1.0%</b>   |               |                   |     |             |
| Government of Malaysia,<br>senior note, 3.172%, 7/15/16  | Malaysia      | 1,100,000         | MYR | 273,185     |
| senior note, 3.394%, 3/15/17   | Malaysia      | 1,600,000         | MYR | 399,203     |
| senior note, 4.012%, 9/15/17   | Malaysia      | 4,000,000         | MYR | 1,007,027   |
| Government of Mexico, 7.75%, 12/14/17  | Mexico        | 320,000           | MXN | 1,833,148   |
| <b>Total Foreign Government and Agency Securities (Cost \$3,627,195)</b>                               |               |                   |     | 3,512,563   |
| <b>Asset-Backed Securities and Commercial Mortgage-Backed Securities 12.1%</b>                         |               |                   |     |             |
| <b>Banks 5.5%</b>  |               |                   |     |             |
| <sup>Ĵ</sup> Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46                    | United States | 1,610,000         |     | 1,570,934   |
| <sup>9</sup> Bear Stearns Adjustable Rate Mortgage Trust, 2004-4, A6, FRN, 2.977%,<br>6/25/34          | United States | 760,382           |     | 755,074     |
| Bear Stearns Commercial Mortgage Securities Trust,<br><sup>9</sup> 2006-PW11, AJ, FRN, 5.429%, 3/11/39 | United States | 1,550,000         |     | 1,491,513   |
| 2006-PW13, AJ, 5.611%, 9/11/41   | United States | 1,330,000         |     | 1,330,887   |
| <sup>9</sup> CD Mortgage Trust, 2006-CD3, AJ, FRN, 5.688%, 10/15/48                                    | United States | 1,300,000         |     | 781,105     |

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|  |               |           |           |
|--|---------------|-----------|-----------|
| Citigroup Commercial Mortgage Trust,<br>2006-C5, AJ, 5.482%, 10/15/49.                                   | United States | 794,000   | 710,682   |
| <sup>9</sup> 2007-C6, AM, FRN, 5.712%, 12/10/49  | United States | 1,520,000 | 1,526,989 |
| 2015-GC27, A5, 3.137%, 2/10/48   | United States | 1,520,000 | 1,600,025 |
| Commercial Mortgage Trust, 2007-GG9, AM, 5.475%, 3/10/39   | United States | 1,430,000 | 1,454,168 |
| CSAIL Commercial Mortgage Trust, 2015-C1, A4, 3.505%, 4/15/50  | United States | 1,410,000 | 1,528,294 |
| <sup>9</sup> Greenwich Capital Commercial Funding Corp., 2006-GG7, AJ, FRN, 5.773%,<br>7/10/38           | United States | 1,290,000 | 1,192,289 |
| JP Morgan Chase Commercial Mortgage Securities Trust,<br>2006-CB17, AM, 5.464%, 12/12/43                 | United States | 380,000   | 370,914   |
| <sup>9,j</sup> 2006-LDP7, AJ, FRN, 6.184%, 4/17/45   | United States | 757,000   | 570,244   |
| JPMBB Commercial Mortgage Securities Trust, 2015 C-28, A4, 3.227%,<br>10/15/48                           | United States | 1,410,000 | 1,493,639 |
| <sup>9</sup> Merrill Lynch Mortgage Investors Trust,<br><sup>j</sup> 2003-OPT1, B2, FRN, 4.578%, 7/25/34 | United States | 33,301    | 3,817     |
| 2005-A6, 2A3, FRN, 0.833%, 8/25/35   | United States | 388,083   | 374,209   |
| <sup>9</sup> Morgan Stanley ABS Capital I Inc. Trust, 2003-NC10, B1, FRN, 5.403%,<br>10/25/33            | United States | 350,442   | 261,133   |
| <sup>9</sup> Morgan Stanley Capital I Trust,<br>2006-HQ8, AJ, FRN, 5.421%, 3/12/44                       | United States | 43,556    | 43,501    |
| 2007-IQ16, AMA, FRN, 6.049%, 12/12/49  | United States | 645,000   | 673,747   |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|   | Country        | Principal Amount* | Value      |
|---|----------------|-------------------|------------|
| <b>Asset-Backed Securities and Commercial Mortgage-Backed Securities</b> (continued)    |                |                   |            |
| <b>Banks</b> (continued)  |                |                   |            |
| Wells Fargo Commercial Mortgage Trust, 2014-LC16, A4, 3.548%, 8/15/50                   | United States  | 550,000 \$        | 595,978    |
| Wells Fargo Mortgage Backed Securities Trust,<br>9 2004-W, A9, FRN, 2.757%, 11/25/34    | United States  | 345,682           | 350,206    |
| 2007-3, 3A1, 5.50%, 4/25/22   | United States  | 119,040           | 122,033    |
|   |                |                   | 18,801,381 |
| <b>Diversified Financials 6.6%</b>  |                |                   |            |
| 9 Argent Securities Inc., 2003-W5, M4, FRN, 6.078%, 10/25/33                            | United States  | 414,240           | 413,739    |
| d.9 Atrium X, 10A, C, 144A, FRN, 3.233%, 7/16/25  | United States  | 920,000           | 884,341    |
| d.9 Atrium XI, 11A, C, 144A, FRN, 3.838%, 10/23/25                                      | Cayman Islands | 910,000           | 904,231    |
| d.9 BCAP LLC Trust, 2009-RR1, 2A2, 144A, FRN, 2.896%, 5/26/35.                          | United States  | 1,600,000         | 1,501,816  |
| d.9 Catamaran CLO Ltd., 2013-1A, C, 144A, FRN, 3.234%, 1/27/25                          | United States  | 750,000           | 715,642    |
| d.9 Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.996%, 3/11/21                            | United States  | 457,000           | 430,256    |
| d.9 Cent CLO LP, 2013-17A, D, 144A, FRN, 3.637%, 1/30/25                                | United States  | 392,157           | 382,459    |
| 9 Chase Funding Trust, 2004-2, 2A2, FRN, 0.953%, 2/26/35                                | United States  | 456,519           | 401,734    |
| d.9 CIFC Funding Ltd., 2007-3A, A1J, 144A, FRN, 1.036%, 7/26/21                         | United States  | 640,000           | 632,237    |
| d.9 CT CDO IV Ltd., 2006-4A, A1, 144A, FRN, 0.758%, 10/20/43                            | United States  | 14,190            | 14,159     |
| d.9 Cumberland Park CLO Ltd.,<br>2015-2A, B, 144A, FRN, 2.734%, 7/20/26.                | United States  | 1,230,000         | 1,227,712  |
| 2015-2A, C, 144A, FRN, 3.484%, 7/20/26  | United States  | 190,000           | 185,814    |
| d.9 Eaton Vance CDO Ltd.,<br>2014-1A, A, 144A, FRN, 2.078%, 7/15/26                     | United States  | 1,000,000         | 993,570    |
| 2014-1A, B, 144A, FRN, 2.678%, 7/15/26.   | United States  | 400,000           | 393,900    |
| 2014-1A, C, 144A, FRN, 3.628%, 7/15/26  | United States  | 170,000           | 164,531    |
| 9 FHLMC Structured Agency Credit Risk Debt Notes,<br>2014-DN1, M2, FRN, 2.653%, 2/25/24 | United States  | 2,300,000         | 2,332,306  |
| 2014-DN4, M2, FRN, 2.853%, 10/25/24   | United States  | 1,585,013         | 1,596,460  |
| 2014-HQ2, M2, FRN, 2.653%, 9/25/24.   | United States  | 900,000           | 901,113    |
| 2015-DN1, M2, FRN, 2.853%, 1/25/25  | United States  | 2,300,000         | 2,319,433  |
| 2015-HQ1, M2, FRN, 2.653%, 3/25/25.   | United States  | 900,000           | 904,248    |
| 9 Impac Secured Assets Trust, 2007-2, FRN, 0.703%, 4/25/37                              | United States  | 393,242           | 366,590    |

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|  |               |           |            |
|--|---------------|-----------|------------|
| d.g Invitation Homes Trust, 2015-SFR1, A, 144A, FRN, 1.896%, 3/17/32             | United States | 866,386   | 867,860    |
| g MortgageIT Trust, 2004-1, A2, FRN, 1.353%, 11/25/34                            | United States | 470,756   | 446,762    |
| g Opteum Mortgage Acceptance Corp. Trust, 2005-4, 1APT, FRN, 0.763%,<br>11/25/35 | United States | 668,790   | 628,093    |
| g.j Option One Mortgage Loan Trust, 2003-6, M5, FRN, 5.403%, 11/25/33            | United States | 193,598   | 118,577    |
| g Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 5.328%,<br>4/25/33  | United States | 13,987    | 7,510      |
| g Structured Asset Securities Corp., 2005-2XS, 2A2, FRN, 1.946%, 2/25/35         | United States | 450,480   | 431,423    |
| g Thornburg Mortgage Securities Trust, 2005-1, A3, FRN, 2.537%, 4/25/45          | United States | 887,754   | 889,974    |
| d.g Voya CLO Ltd.,<br>2013-1A, B, 144A, FRN, 3.528%, 4/15/24.                    | United States | 180,000   | 176,526    |
| 2013-2A, B, 144A, FRN, 3.318%, 4/25/25.  | United States | 1,000,000 | 964,280    |
| d.g Westchester CLO Ltd., 2007-1A, A1A, 144A, FRN, 0.862%, 8/01/22.              | United States | 230,039   | 227,978    |
|  |               |           | 22,425,274 |

**Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost \$41,835,856)**

41,226,655

**Mortgage-Backed Securities 28.7%**

g Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%†

|                        |               |         |         |
|------------------------|---------------|---------|---------|
| FHLMC, 3.202%, 5/01/34 | United States | 170,400 | 179,860 |
|------------------------|---------------|---------|---------|



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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|   | Country       | Principal Amount* | Value      |
|---|---------------|-------------------|------------|
| <b>Mortgage-Backed Securities</b> (continued)   |               |                   |            |
| <b>Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 10.8%</b>                      |               |                   |            |
| FHLMC Gold 15 Year, 5.00%, 12/01/23   | United States | 771,277 \$        | 830,811    |
| FHLMC Gold 15 Year, 5.50%, 7/01/19  | United States | 15,883            | 16,704     |
| <sup>k</sup> FHLMC Gold 30 Year, 3.00%, 7/01/46                                       | United States | 8,000,000         | 8,292,084  |
| FHLMC Gold 30 Year, 3.50%, 3/01/45  | United States | 64,488            | 68,063     |
| <sup>k</sup> FHLMC Gold 30 Year, 3.50%, 7/01/46                                       | United States | 9,930,000         | 10,469,788 |
| FHLMC Gold 30 Year, 4.00%, 9/01/45 - 12/01/45   | United States | 1,469,428         | 1,574,927  |
| <sup>k</sup> FHLMC Gold 30 Year, 4.00%, 7/01/46                                       | United States | 12,385,000        | 13,255,923 |
| FHLMC Gold 30 Year, 6.00%, 7/01/28 - 11/01/36   | United States | 854,472           | 980,495    |
| FHLMC Gold 30 Year, 6.50%, 8/01/27 - 3/01/38  | United States | 473,330           | 555,122    |
| FHLMC Gold 30 Year, 7.00%, 9/01/27  | United States | 132,814           | 150,472    |
| FHLMC Gold 30 Year, 8.00%, 1/01/31  | United States | 20,786            | 22,636     |
| FHLMC Gold 30 Year, 8.50%, 7/01/31  | United States | 404,900           | 516,775    |
|   |               |                   | 36,733,800 |
| <b><sup>9</sup> Federal National Mortgage Association (FNMA) Adjustable Rate 0.2%</b> |               |                   |            |
| FNMA, 2.29% - 2.475%, 6/01/32 - 7/01/34.  | United States | 659,824           | 687,142    |
| <b>Federal National Mortgage Association (FNMA) Fixed Rate 13.6%</b>                  |               |                   |            |
| FNMA 15 Year, 3.00%, 8/01/27.   | United States | 17,775            | 18,676     |
| FNMA 15 Year, 3.50%, 1/01/21 - 1/01/26  | United States | 67,668            | 71,769     |
| <sup>k</sup> FNMA 15 Year, 3.50%, 7/01/31.  | United States | 410,000           | 434,432    |
| FNMA 15 Year, 5.50%, 7/01/20.   | United States | 274,356           | 289,165    |
| FNMA 15 Year, 6.00%, 6/01/17.   | United States | 1                 | 1          |
| FNMA 15 Year, 6.50%, 7/01/20.   | United States | 1,131             | 1,156      |
| <sup>k</sup> FNMA 30 Year, 3.00%, 7/01/46.  | United States | 8,000,000         | 8,302,500  |
| FNMA 30 Year, 3.50%, 1/01/45 - 12/01/45   | United States | 2,379,467         | 2,512,510  |
| <sup>k</sup> FNMA 30 Year, 3.50%, 7/01/46.  | United States | 8,425,000         | 8,888,704  |
| FNMA 30 Year, 4.00%, 12/01/45   | United States | 1,572,372         | 1,687,144  |
| FNMA 30 Year, 4.00%, 11/01/44 - 12/01/45  | United States | 2,668,412         | 2,861,787  |
| <sup>k</sup> FNMA 30 Year, 4.00%, 7/01/46.  | United States | 10,475,000        | 11,229,732 |
| FNMA 30 Year, 4.50%, 5/01/24 - 8/01/44  | United States | 567,064           | 620,181    |
| FNMA 30 Year, 4.50%, 8/01/44.   | United States | 2,795,072         | 3,050,767  |
| FNMA 30 Year, 4.50%, 12/01/44   | United States | 1,620,129         | 1,768,547  |

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|  |               |            |            |
|--|---------------|------------|------------|
| <sup>k</sup> FNMA 30 Year, 4.50%, 7/01/46.                             | United States | 875,000    | 955,203    |
| FNMA 30 Year, 5.00%, 5/01/38 - 7/01/39                                 | United States | 652,682    | 726,066    |
| FNMA 30 Year, 5.50%, 6/01/37.  | United States | 679,947    | 765,469    |
| FNMA 30 Year, 6.00%, 4/01/33 - 6/01/38                                 | United States | 1,346,020  | 1,544,154  |
| FNMA 30 Year, 6.50%, 8/01/32.  | United States | 168,218    | 198,808    |
| FNMA 30 Year, 7.00%, 9/01/18.  | United States | 22,300     | 23,092     |
| FNMA 30 Year, 8.00%, 10/01/29  | United States | 34,691     | 35,939     |
| FNMA 30 Year, 8.50%, 8/01/26.  | United States | 171,055    | 185,196    |
|  |               |            | 46,170,998 |
| <b>Government National Mortgage Association (GNMA) Fixed Rate 4.1%</b> |               |            |            |
| GNMA I SF 30 Year, 6.50%, 6/15/31 - 12/15/33                           | United States | 472,474    | 542,208    |
| GNMA II SF 30 Year, 3.50%, 3/20/45 - 12/20/45                          | United States | 1,198,794  | 1,273,834  |
| <sup>k</sup> GNMA II SF 30 Year, 3.50%, 7/01/46                        | United States | 11,115,000 | 11,795,794 |
| GNMA II SF 30 Year, 7.00%, 1/20/24 - 1/20/29                           | United States | 52,012     | 60,520     |
| GNMA II SF 30 Year, 8.00%, 1/20/28 - 10/20/31                          | United States | 132,964    | 165,464    |
|  |               |            | 13,837,820 |
| <b>Total Mortgage-Backed Securities</b>                                |               |            |            |
| <b>(Cost \$96,561,071)</b>   |               |            | 97,609,620 |

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FRANKLIN LIMITED DURATION INCOME TRUST  
STATEMENT OF INVESTMENTS

|  | Country       | Shares       | Value          |
|--|---------------|--------------|----------------|
| <b>Litigation Trusts (Cost \$—) 0.0%</b>                 |               |              |                |
| a,b NewPage Corp., Litigation Trust                      | United States | 1,500,000 \$ | —              |
| <b>Total Investments before Short Term Investments</b>   |               |              |                |
| <b>(Cost \$498,730,801)</b>                              |               |              | 477,748,372    |
| <b>Short Term Investments (Cost \$24,126,248) 7.1%</b>   |               |              |                |
| <b>Money Market Funds 7.1%</b>                           |               |              |                |
| a,l Institutional Fiduciary Trust Money Market Portfolio | United States | 24,126,248   | 24,126,248     |
| <b>Total Investments (Cost \$522,857,049) 147.5%</b>     |               |              | 501,874,620    |
| <b>Preferred Shares (26.4)%</b>                          |               |              | (90,000,000 )  |
| <b>Other Assets, less Liabilities (21.1)%.</b>           |               |              | (71,580,944 )  |
| <b>Net Assets 100.0%</b>                                 |               |              | \$ 340,293,676 |

†Rounds to less than 0.1% of net assets.

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

<sup>a</sup>Non-income producing.

<sup>b</sup>Security has been deemed illiquid because it may not be able to be sold within seven days. At June 30, 2016, the aggregate value of these securities was \$2,040,945, representing 0.6% of net assets.

<sup>c</sup>Perpetual security with no stated maturity date.

<sup>d</sup>Security 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, 2016, the aggregate value of these securities was \$95,206,607, representing 28.0% of net assets.

<sup>e</sup>Defaulted security or security for which income has been deemed uncollectible.

<sup>f</sup>At June 30, 2016, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund is restricted from trading these securities at period end.

<sup>g</sup>The coupon rate shown represents the rate at period end.

<sup>h</sup>A portion or all of the security purchased on a delayed delivery basis.

<sup>i</sup>Principal amount is stated in 100 Mexican Peso Units.

<sup>j</sup>The 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.

<sup>k</sup>A portion or all of the security purchased on a to-be-announced (TBA) basis.

<sup>l</sup>See Note 6 regarding investments in affiliated management investment companies.

At June 30, 2016, the Fund had the following forward exchange contracts outstanding. See Note 3.

**Forward Exchange Contracts**

| Currency | Counterparty | Type | Quantity | Contract Amount | Settlement Date | Unrealized Appreciation | Unrealized Depreciation |
|----------|--------------|------|----------|-----------------|-----------------|-------------------------|-------------------------|
|----------|--------------|------|----------|-----------------|-----------------|-------------------------|-------------------------|

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**OTC Forward Exchange  
Contracts**

|  |      |      |               |              |         |    |                  |
|--|------|------|---------------|--------------|---------|----|------------------|
| Japanese Yen                               | DBAB | Sell | 1,118,403,750 | \$ 9,922,079 | 8/18/16 | \$ | —\$ (924,239 )   |
| Japanese Yen                               | HSBK | Sell | 60,710,000    | 544,484      | 8/18/16 | —  | (44,283 )        |
| Japanese Yen                               | JPHQ | Sell | 154,670,000   | 1,386,939    | 8/18/16 | —  | (113,056 )       |
| Total Forward Exchange<br>Contracts        |      |      |               |              |         | \$ | —\$ (1,081,578 ) |
| Net unrealized appreciation (depreciation) |      |      |               |              |         |    | \$ (1,081,578 )  |

aMay be comprised of multiple contracts with the same counterparty, currency and settlement date.

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, whichever is earlier. 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.

Certain derivative financial instruments (derivatives) trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

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.

FRANKLIN LIMITED DURATION INCOME TRUST

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

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.

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 NYSE business day. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE 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 the close of the NYSE. 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 NYSE is closed, 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. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral terms are contract specific for OTC derivatives. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty within a few business days. Collateral pledged and/or received by the Fund, if any, is

FRANKLIN LIMITED DURATION INCOME TRUST

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

**3. DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

The Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency for a specific exchange rate on a future date.

**4. 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. 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.

**5. INCOME TAXES**

At June 30, 2016, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

|  |    |               |
|--|----|---------------|
| Cost of investments.                       | \$ | 523,588,902   |
| Unrealized appreciation                    | \$ | 6,603,651     |
| Unrealized depreciation                    |    | (28,317,933 ) |
| Net unrealized appreciation (depreciation) | \$ | (21,714,282 ) |

FRANKLIN LIMITED DURATION INCOME TRUST

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

**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. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. Prior to April 1, 2013, the waiver was accounted for as a reduction to management fees.

|  | Number of Shares Held at Beginning of Period |            | Gross Additions |            | Gross Reductions |     | 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 |  |
|--|--|------------|-----------------|------------|------------------|-----|--|-------|------------------------|--|-------------------|--|----------------------|--|---|--|
| <b>Non-Controlled Affiliates</b>                     |  |            |                 |            |                  |     |  |       |                        |  |                   |  |                      |  |   |  |
| Institutional Fiduciary Trust Money Market Portfolio | 18,383,143                                   | 31,516,150 | (25,773,045 )   | 24,126,248 | \$ 24,126,248    | \$- | \$-                                    | 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:

- 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.



## 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, 2016, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

|  | Level 1       | Level 2        | Level 3    | Total          |
|--|---------------|----------------|------------|----------------|
| <b>Assets:</b>                           |               |                |            |                |
| Investments in Securities:               |               |                |            |                |
| Equity Investments: <sup>a</sup>         |               |                |            |                |
| Transportation                           | \$            | \$             | \$ 127,361 | \$ 127,361     |
| Corporate Bonds                          |               | 174,027,090    | 12,000     | 174,039,090    |
| Senior Floating Rate Interests           |               | 161,233,083    |            | 161,233,083    |
| Foreign Government and Agency Securities |               | 3,512,563      |            | 3,512,563      |
| Asset-Backed Securities and Commercial   |               |                |            |                |
| Mortgage-Backed Securities.              |               | 41,222,838     | 3,817      | 41,226,655     |
| Mortgage-Backed Securities               |               | 97,609,620     |            | 97,609,620     |
| Litigation Trusts                        |               |                | b          |                |
| Short Term Investments                   | 24,126,248    |                |            | 24,126,248     |
| Total Investments in Securities          | \$ 24,126,248 | \$ 477,605,194 | \$ 143,178 | \$ 501,874,620 |
| <b>Liabilities:</b>                      |               |                |            |                |
| Other Financial Instruments              |               |                |            |                |
| Forward Exchange Contracts               | \$            | \$ 1,081,578   | \$         | \$ 1,081,578   |

<sup>a</sup>Includes common and convertible preferred stocks.

<sup>b</sup>Includes securities determined to have no value at June 30, 2016.

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. 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.

**Abbreviations**

| Counterparty                    | Currency                     | Selected Portfolio                        |
|---------------------------------|------------------------------|---|
| <b>DBAB</b> Deutsche Bank AG    | <b>MXN</b> Mexican Peso      | <b>CD</b> Certificate of Deposit          |
| <b>HSBK</b> HSBC Bank PLC       | <b>MYR</b> Malaysian Ringgit | <b>CDO</b> Collateralized Debt Obligation |
| <b>JPHQ</b> JPMorgan Chase N.A. |                              | <b>CLO</b> Collateralized Loan Obligation |

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|              |                                  |
|--------------|----------------------------------|
| <b>FHLMC</b> | Federal Home Loan Mortgage Corp. |
| <b>FRN</b>   | Floating Rate Note               |
| <b>SF</b>    | 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.

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**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.**

(a) Certification pursuant to Section 30a-2 under the Investment Company Act of 1940 of Laura F. Ferguson, Chief Executive Officer - Finance and

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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/LAURA F. FERGERSON

Laura F. Ferguson

Chief Executive Officer -

Finance and Administration

Date: August 25, 2016

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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/LAURA F. FERGERSON

Laura F. Ferguson

Chief Executive Officer -

Finance and Administration

Date: August 25, 2016

By /s/GASTON GARDEY

Gaston Gardey

Chief Financial Officer and

Chief Accounting Officer

Date: August 25, 2016