

FRANKLIN LTD DURATION INCOME TRUST
Form N-Q
February 27, 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: 12/31/16

Item 1. Schedule of Investments.

FRANKLIN LIMITED DURATION INCOME TRUST

**Statement of Investments, December 31, 2016
(unaudited)**

| | Country | Shares/ Warrants | Value |
|--|---------------|---------------------|-----------|
| Common Stocks and Other Equity Interests 0.5% | | | |
| Energy 0.4% | | | |
| ^a Energy XXI Gulf Coast Inc | United States | 19,084 \$ | 525,718 |
| ^a Energy XXI Gulf Coast Inc., wts., 12/30/21 | United States | 5,005 | — |
| ^{a,b} Halcon Resources Corp | United States | 67,554 | 566,116 |
| ^a Halcon Resources Corp., wts., 9/09/20 | United States | 6,408 | 13,265 |
| ^a Midstates Petroleum Co. Inc | United States | 364 | 7,549 |
| ^{a,c} Midstates Petroleum Co. Inc., wts., 4/21/20. | United States | 2,579 | — |
| ^a Penn Virginia Corp | United States | 1,658 | 81,242 |
| ^{a,d} Penn Virginia Corp., 144A. | United States | 2,071 | 101,479 |
| | | | 1,295,369 |
| Materials 0.0%† | | | |
| ^a Verso Corp., A. | United States | 4,163 | 29,557 |
| ^a Verso Corp., wts., 7/25/23. | United States | 438 | — |
| | | | 29,557 |
| Transportation 0.0%† | | | |
| ^{a,c} CEVA Holdings LLC | United States | 112 | 11,214 |
| Utilities 0.1% | | | |
| Vistra Energy Corp | United States | 34,251 | 530,891 |
| Total Common Stocks and Other Equity Interests (Cost \$6,678,683) | | | 1,867,031 |
| Convertible Preferred Stocks 0.0%† | | | |
| Transportation 0.0%† | | | |
| ^{a,c} CEVA Holdings LLC, cvt. pfd., A-1 | United States | 6 | 1,950 |
| ^{a,c} CEVA Holdings LLC, cvt. pfd., A-2 | United States | 243 | 54,619 |
| Total Convertible Preferred Stocks (Cost \$369,948) | | | 56,569 |

**Principal
Amount***

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Corporate Bonds 53.9%

Automobiles & Components 0.9%

| | | | |
|--|----------------|-----------|-----------|
| Fiat Chrysler Automobiles NV, senior note, 4.50%, 4/15/20 | United Kingdom | 2,000,000 | 2,050,000 |
| The Goodyear Tire & Rubber Co., senior bond, 5.00%, 5/31/26 | United States | 700,000 | 698,558 |
| senior note, 5.125%, 11/15/23 | United States | 300,000 | 310,500 |
| | | | 3,059,058 |

Banks 2.8%

| | | | |
|--|---------------|-----------|-----------|
| ^e Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual | United States | 2,500,000 | 2,600,000 |
| CIT Group Inc., 4.25%, 8/15/17. | United States | 1,500,000 | 1,520,625 |
| ^d senior note, 144A, 6.625%, 4/01/18 | United States | 500,000 | 528,125 |
| ^d senior note, 144A, 5.00%, 5/15/18 | United States | 500,000 | 507,500 |
| ^e Citigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual | United States | 1,300,000 | 1,290,575 |
| ^e JPMorgan Chase & Co., junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual | United States | 1,500,000 | 1,509,375 |
| junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual | United States | 500,000 | 499,375 |

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 |
|--|----------------|-------------------|-----------|
| Corporate Bonds (continued) | | | |
| Banks (continued) | | | |
| Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22 | United Kingdom | 1,000,000 \$ | 1,063,520 |
| | | | 9,519,095 |
| Capital Goods 1.4% | | | |
| ^d Cloud Crane LLC, secured note, second lien, 144A, 10.125%, 8/01/24. | United States | 300,000 | 321,750 |
| CNH Industrial Capital LLC, senior note, 3.875%, 10/15/21. | United States | 1,200,000 | 1,183,500 |
| ^d Cortes NP Acquisition Corp., senior note, 144A, 9.25%, 10/15/24 | United States | 1,600,000 | 1,704,000 |
| ^d HD Supply Inc., senior note, 144A, 5.75%, 4/15/24 | United States | 400,000 | 423,280 |
| TransDigm Inc., | | | |
| senior sub. bond, 6.50%, 5/15/25 | United States | 500,000 | 525,625 |
| senior sub. note, 6.00%, 7/15/22 | United States | 500,000 | 522,500 |
| | | | 4,680,655 |
| Commercial & Professional Services 0.5% | | | |
| ^d Acosta Inc., senior note, 144A, 7.75%, 10/01/22 | United States | 1,200,000 | 1,014,000 |
| United Rentals North America Inc., senior bond, 5.875%, 9/15/26 | United States | 600,000 | 620,250 |
| | | | 1,634,250 |
| Consumer Durables & Apparel 1.9% | | | |
| ^d Beazer Homes USA Inc., senior note, 144A, 8.75%, 3/15/22. | United States | 1,300,000 | 1,407,250 |
| ^d Hanesbrands Inc., senior note, 144A, 4.625%, 5/15/24 | United States | 1,100,000 | 1,072,500 |
| KB Home, | | | |
| senior note, 4.75%, 5/15/19 | United States | 1,100,000 | 1,127,500 |
| senior note, 7.00%, 12/15/21 | United States | 1,100,000 | 1,168,750 |
| ^d Taylor Morrison Communities Inc./Monarch Communities Inc., | | | |
| senior note, 144A, 5.25%, 4/15/21 | United States | 800,000 | 824,000 |
| senior note, 144A, 5.875%, 4/15/23 | United States | 1,000,000 | 1,020,000 |
| | | | 6,620,000 |
| Consumer Services 3.1% | | | |
| ^d 1011778 BC ULC/New Red Finance Inc., | | | |
| secured note, second lien, 144A, 6.00%, 4/01/22 | Canada | 1,200,000 | 1,257,000 |
| senior secured note, first lien, 144A, 4.625%, 1/15/22 | Canada | 600,000 | 613,500 |
| ^d 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22 | United States | 1,000,000 | 855,000 |
| ^d International Game Technology PLC, senior note, 144A, 5.625%, 2/15/20 | United States | 2,000,000 | 2,120,000 |

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| | | | |
|---|---------------|-----------|------------|
| ^d 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 | 1,433,250 |
| MGM Resorts International, senior note, 8.625%, 2/01/19 | United States | 1,000,000 | 1,128,750 |
| ^d ROC Finance LLC/ROC Finance 1 Corp., senior secured note, first lien, 144A, 6.75%, 11/15/21 | United States | 1,600,000 | 1,624,000 |
| ^d Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25 | United States | 900,000 | 895,050 |
| ^d Wynn Macau Ltd., senior note, 144A, 5.25%, 10/15/21. | Macau | 800,000 | 810,000 |
| | | | 10,736,550 |

Diversified Financials 2.8%

| | | | |
|---|---------------|-----------|-----------|
| AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, senior note, 4.25%, 7/01/20 | Netherlands | 1,300,000 | 1,335,782 |
| senior note, 4.625%, 10/30/20 | Netherlands | 600,000 | 625,815 |
| senior note, 5.00%, 10/01/21 | Netherlands | 600,000 | 631,521 |
| Ally Financial Inc., senior note, 6.25%, 12/01/17 | United States | 1,500,000 | 1,558,125 |
| E*TRADE Financial Corp., senior note, 5.375%, 11/15/22 | United States | 400,000 | 423,299 |
| senior note, 4.625%, 9/15/23 | United States | 500,000 | 510,484 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|--|----------------|-------------------|-----------|
| Corporate Bonds (continued) | | | |
| Diversified Financials (continued) | | | |
| ^d Lincoln Finance Ltd., senior secured note, 144A, 7.375%, 4/15/21. | Netherlands | 1,000,000 \$ | 1,068,750 |
| Navient Corp., senior note, 5.00%, 10/26/20 | United States | 300,000 | 306,750 |
| senior note, 5.875%, 3/25/21 | United States | 200,000 | 208,250 |
| senior note, 6.625%, 7/26/21 | United States | 700,000 | 742,000 |
| senior note, 7.25%, 9/25/23 | United States | 2,100,000 | 2,163,000 |
| | | | 9,573,776 |
| Energy 7.1% | | | |
| ^f BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22 | United States | 1,100,000 | 786,500 |
| California Resources Corp., ^d secured note, second lien, 144A, 8.00%, 12/15/22 | United States | 924,000 | 826,980 |
| senior note, 5.50%, 9/15/21 | United States | 37,000 | 29,230 |
| Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note, 7.75%, 4/15/23 | United States | 1,000,000 | 835,000 |
| ^d senior note, 144A, 11.50%, 1/15/21 | United States | 800,000 | 918,000 |
| CGG SA, senior note, 6.875%, 1/15/22 | France | 800,000 | 372,000 |
| ^{f,g} CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20 | Canada | 2,001,600 | 900,520 |
| ^d Cheniere Corpus Christi Holdings LLC, senior secured note, 144A, 7.00%, 6/30/24 | United States | 700,000 | 761,250 |
| senior secured note, first lien, 144A, 5.875%, 3/31/25 | United States | 600,000 | 614,436 |
| CONSOL Energy Inc., senior note, 5.875%, 4/15/22 | United States | 500,000 | 492,500 |
| senior note, 8.00%, 4/01/23 | United States | 700,000 | 721,875 |
| Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., senior note, 6.25%, 4/01/23. | United States | 1,500,000 | 1,537,500 |
| CSI Compressco LP/CSI Compressco Finance Inc., senior note, 7.25%, 8/15/22 | United States | 400,000 | 380,000 |
| Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20 | United States | 2,100,000 | 2,352,000 |
| ^{d,g,h} EnQuest PLC, 144A, PIK, 7.00%, 4/15/22 | United Kingdom | 1,042,280 | 755,138 |
| Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.75%, 6/15/23 | United States | 1,100,000 | 1,086,250 |

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| | | | |
|---|---------------|-----------|------------|
| d,f Linn Energy LLC/Finance Corp., senior secured note, second lien, 144A, 12.00%, 12/15/20. | United States | 500,000 | 438,750 |
| Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21 | United States | 900,000 | 893,250 |
| d Murray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21 | United States | 800,000 | 620,000 |
| PBF Holding Co. LLC, first lien, 8.25%, 2/15/20 | United States | 1,000,000 | 1,026,250 |
| QEP Resources Inc., senior bond, 5.25%, 5/01/23. | United States | 500,000 | 503,750 |
| Regency Energy Partners LP/Regency Energy Finance Corp., senior note, 5.875%, 3/01/22 | United States | 200,000 | 220,046 |
| senior note, 5.00%, 10/01/22 | United States | 500,000 | 529,941 |
| Sabine Pass Liquefaction LLC, first lien, 5.625%, 2/01/21 | United States | 2,000,000 | 2,150,000 |
| g Sanchez Energy Corp., senior note, 7.75%, 6/15/21 | United States | 900,000 | 920,250 |
| senior note, 6.125%, 1/15/23 | United States | 300,000 | 286,500 |
| d,f Triangle USA Petroleum Corp., senior note, 144A, 6.75%, 7/15/22. | United States | 1,000,000 | 305,000 |
| Weatherford International Ltd., senior note, 5.125%, 9/15/20 | United States | 400,000 | 378,000 |
| senior note, 7.75%, 6/15/21 | United States | 1,000,000 | 1,013,750 |
| senior note, 4.50%, 4/15/22 | United States | 400,000 | 349,000 |
| WPX Energy Inc., senior note, 7.50%, 8/01/20 | United States | 1,500,000 | 1,620,000 |
| | | | 24,623,666 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|----------------------|-----------|
| Corporate Bonds (continued) | | | |
| Food, Beverage & Tobacco 1.9% | | | |
| Constellation Brands Inc., senior note, 3.875%, 11/15/19 | United States | 900,000 \$ | 933,795 |
| senior note, 4.75%, 12/01/25 | United States | 200,000 | 213,000 |
| Cott Beverages Inc., senior note, 6.75%, 1/01/20. | United States | 700,000 | 725,813 |
| ^d Dole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19. | United States | 300,000 | 306,750 |
| ^d JBS USA LLC/Finance Inc., senior note, 144A, 8.25%, 2/01/20 | United States | 2,000,000 | 2,060,000 |
| ^d Lamb Weston Holdings Inc., senior note, 144A, 4.625%, 11/01/24. | United States | 1,100,000 | 1,105,500 |
| ^d Post Holdings Inc., senior note, 144A, 6.75%, 12/01/21 | United States | 600,000 | 642,000 |
| senior note, 144A, 6.00%, 12/15/22 | United States | 100,000 | 104,875 |
| senior note, 144A, 7.75%, 3/15/24 | United States | 300,000 | 334,500 |
| | | | 6,426,233 |
| Health Care Equipment & Services 3.6% | | | |
| Acadia Healthcare Co. Inc., senior note, 6.50%, 3/01/24. | United States | 400,000 | 410,000 |
| Alere Inc., senior sub. note, 6.50%, 6/15/20 | United States | 300,000 | 297,000 |
| CHS/Community Health Systems Inc., senior note, 8.00%, 11/15/19 | United States | 1,100,000 | 918,500 |
| senior secured note, first lien, 5.125%, 8/15/18 | United States | 181,000 | 177,851 |
| HCA Inc., senior bond, 5.875%, 5/01/23 | United States | 1,500,000 | 1,597,500 |
| senior note, 7.50%, 2/15/22 | United States | 1,000,000 | 1,137,500 |
| senior secured bond, first lien, 5.875%, 3/15/22 | United States | 1,000,000 | 1,080,000 |
| senior secured note, first lien, 4.25%, 10/15/19 | United States | 200,000 | 208,500 |
| ^d MPH Acquisition Holdings LLC, senior note, 144A, 7.125%, 6/01/24 | United States | 1,300,000 | 1,371,630 |
| ^d New Amethyst Corp., senior note, 144A, 6.25%, 12/01/24 | United States | 500,000 | 528,750 |
| Tenet Healthcare Corp., first lien, 6.00%, 10/01/20 | United States | 500,000 | 522,500 |
| senior note, 5.00%, 3/01/19 | United States | 1,000,000 | 980,000 |
| senior note, 5.50%, 3/01/19 | United States | 900,000 | 888,750 |
| ⁱ senior note, FRN, 4.463%, 6/15/20 | United States | 500,000 | 505,000 |
| ^d Vizient Inc., senior note, 144A, 10.375%, 3/01/24 | United States | 1,700,000 | 1,929,500 |

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12,552,981

Materials 7.5%

| | | | |
|--|---------------|-----------|-----------|
| d,h ARD Finance SA, senior secured note, 144A, PIK, 7.125% (all cash), 9/15/23 | Luxembourg | 600,000 | 595,500 |
| d Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 6.25%, 1/31/19 | Luxembourg | 300,000 | 306,000 |
| i senior secured note, 144A, FRN, 3.963%, 12/15/19 | Luxembourg | 700,000 | 712,250 |
| d Barmingo Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18 | Australia | 1,000,000 | 1,021,250 |
| d BlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 6.50%, 5/15/21 | Australia | 1,700,000 | 1,802,000 |
| d Cemex SAB de CV, senior secured bond, 144A, 7.75%, 4/16/26 | Mexico | 400,000 | 443,696 |
| The Chemours Co., senior note, 6.625%, 5/15/23 | United States | 2,000,000 | 1,990,000 |
| d CVR Partners LP/CVR Nitrogen Finance Corp., secured note, second lien, 144A, 9.25%, 6/15/23 | United States | 1,500,000 | 1,550,625 |
| d Eldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20. | Canada | 800,000 | 816,000 |
| d First Quantum Minerals Ltd., senior note, 144A, 6.75%, 2/15/20 | Canada | 1,261,000 | 1,264,152 |
| senior note, 144A, 7.00%, 2/15/21 | Canada | 1,261,000 | 1,260,496 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|------------|
| Corporate Bonds (continued) | | | |
| Materials (continued) | | | |
| ^d FMG Resources (August 2006) Pty. Ltd., senior secured note, 144A, 9.75%, 3/01/22 | Australia | 1,200,000 \$ | 1,398,084 |
| ^d Grinding Media Inc./MC Grinding Media Canada Inc., senior secured note, 144A, 7.375%, 12/15/23 | United States | 500,000 | 526,550 |
| ^d HudBay Minerals Inc., senior note, 144A, 7.25%, 1/15/23 | Canada | 400,000 | 415,000 |
| ^d INVISTA Finance LLC, senior secured note, 144A, 4.25%, 10/15/19 | United States | 2,000,000 | 1,989,086 |
| ^d Novelis Corp., senior note, 144A, 6.25%, 8/15/24 | United States | 1,300,000 | 1,381,250 |
| ^d Owens-Brockway Glass Container Inc., senior note, 144A, 5.00%, 1/15/22 | United States | 900,000 | 923,625 |
| senior note, 144A, 5.875%, 8/15/23 | United States | 400,000 | 417,750 |
| ^d Platform Specialty Products Corp., senior note, 144A, 10.375%, 5/01/21 | United States | 300,000 | 333,000 |
| senior note, 144A, 6.50%, 2/01/22 | United States | 1,000,000 | 1,012,500 |
| ^d Rain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21 | United States | 600,000 | 597,000 |
| Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA, | | | |
| ^d first lien, 144A, 5.125%, 7/15/23. | United States | 400,000 | 407,000 |
| ^d senior note, 144A, 7.00%, 7/15/24 | United States | 100,000 | 106,438 |
| senior note, 8.25%, 2/15/21 | United States | 346,793 | 358,166 |
| ^{d,i} senior secured note, first lien, 144A, FRN, 4.38%, 7/15/21 | United States | 400,000 | 410,000 |
| ^d Sealed Air Corp., senior bond, 144A, 5.125%, 12/01/24 | United States | 500,000 | 516,250 |
| senior bond, 144A, 5.50%, 9/15/25 | United States | 600,000 | 621,000 |
| Steel Dynamics Inc., senior note, 5.125%, 10/01/21. | United States | 1,500,000 | 1,571,910 |
| Summit Materials LLC/Summit Materials Finance Corp., senior note, 8.50%, 4/15/22 | United States | 1,200,000 | 1,332,000 |
| | | | 26,078,578 |
| Media 5.5% | | | |
| ^d Altice U.S. Finance I Corp., senior secured bond, 144A, 5.50%, 5/15/26 | United States | 1,000,000 | 1,022,500 |
| AMC Networks Inc., senior note, 5.00%, 4/01/24 | United States | 1,000,000 | 1,006,250 |
| Cablevision Systems Corp., senior note, 8.625%, 9/15/17 | United States | 1,000,000 | 1,041,250 |

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| | | | |
|--|----------------|-----------|-----------|
| CCO Holdings LLC/CCO Holdings Capital Corp., | | | |
| senior bond, 5.25%, 9/30/22 | United States | 2,000,000 | 2,075,000 |
| ^d senior note, 144A, 5.125%, 5/01/23 | United States | 500,000 | 516,250 |
| Clear Channel Worldwide Holdings Inc., | | | |
| senior note, 6.50%, 11/15/22 | United States | 700,000 | 719,250 |
| senior sub. note, 7.625%, 3/15/20 | United States | 800,000 | 802,496 |
| CSC Holdings LLC, | | | |
| senior note, 6.75%, 11/15/21 | United States | 1,500,000 | 1,616,250 |
| senior note, 5.25%, 6/01/24 | United States | 500,000 | 490,000 |
| Gannett Co. Inc., | | | |
| senior note, 5.125%, 10/15/19 | United States | 1,200,000 | 1,233,000 |
| senior note, 5.125%, 7/15/20 | United States | 500,000 | 519,375 |
| iHeartCommunications Inc., senior secured bond, first lien, 9.00%, 3/01/21 | United States | 1,900,000 | 1,413,125 |
| ^d Nextstar Escrow Corp., senior note, 144A, 5.625%, 8/01/24 | United States | 500,000 | 497,500 |
| ^d Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20 | United States | 600,000 | 547,500 |
| ^d Sirius XM Radio Inc., | | | |
| senior bond, 144A, 6.00%, 7/15/24 | United States | 1,000,000 | 1,047,500 |
| senior bond, 144A, 5.375%, 4/15/25 | United States | 1,000,000 | 997,500 |
| ^d Virgin Media Secured Finance PLC, | | | |
| senior secured bond, first lien, 144A, 5.50%, 1/15/25 | United Kingdom | 1,100,000 | 1,120,625 |
| senior secured bond, first lien, 144A, 5.50%, 8/15/26 | United Kingdom | 400,000 | 400,000 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|--|---------------|----------------------|------------|
| Corporate Bonds (continued) | | | |
| Media (continued) | | | |
| ^d WMG Acquisition Corp., secured note, first lien, 144A, 5.00%, 8/01/23 | United States | 100,000 \$ | 100,750 |
| senior note, 144A, 5.625%, 4/15/22 | United States | 1,806,000 | 1,875,982 |
| | | | 19,042,103 |
| Pharmaceuticals, Biotechnology & Life Sciences 2.1% | | | |
| ^d Concordia International Corp., senior note, 144A, 7.00%, 4/15/23 | Canada | 1,000,000 | 310,000 |
| senior secured note, first lien, 144A, 9.00%, 4/01/22. | Canada | 500,000 | 425,625 |
| ^d Endo Finance LLC/Endo Ltd./Endo Finco Inc., senior bond, 144A, 6.00%, 2/01/25 | United States | 1,000,000 | 837,500 |
| senior note, 144A, 6.00%, 7/15/23 | United States | 500,000 | 441,250 |
| Grifols Worldwide Operations Ltd., senior note, 5.25%, 4/01/22. | United States | 600,000 | 624,000 |
| Horizon Pharma Inc., senior note, 6.625%, 5/01/23 | United States | 1,200,000 | 1,146,000 |
| ^d Jaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note, 144A, 6.375%, 8/01/23 | United States | 1,200,000 | 1,287,000 |
| ^d Valeant Pharmaceuticals International Inc., senior note, 144A, 5.375%, 3/15/20 | United States | 500,000 | 425,000 |
| senior note, 144A, 5.625%, 12/01/21 | United States | 500,000 | 390,000 |
| ^d Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20 . | United States | 1,500,000 | 1,296,090 |
| | | | 7,182,465 |
| Real Estate 0.8% | | | |
| Equinix Inc., senior bond, 5.875%, 1/15/26 | United States | 300,000 | 316,500 |
| senior note, 4.875%, 4/01/20 | United States | 1,500,000 | 1,548,750 |
| MPT Operating Partnership LP/MPT Finance Corp., senior bond, 5.25%, 8/01/26 | United States | 300,000 | 294,750 |
| senior note, 6.375%, 3/01/24 | United States | 700,000 | 735,875 |
| | | | 2,895,875 |
| Retailing 1.0% | | | |
| Dollar Tree Inc., senior note, 5.25%, 3/01/20 | United States | 400,000 | 412,500 |
| Netflix Inc., senior note, 5.50%, 2/15/22 | United States | 2,000,000 | 2,165,000 |

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| | | | |
|---|---------------|-----------|-----------|
| ^d PetSmart Inc., senior note, 144A, 7.125%, 3/15/23 | United States | 1,000,000 | 1,022,500 |
| | | | 3,600,000 |
| Semiconductors & Semiconductor Equipment 0.4% | | | |
| ^d Microsemi Corp., senior note, 144A, 9.125%, 4/15/23 | United States | 600,000 | 702,000 |
| Qorvo Inc., senior note, 6.75%, 12/01/23 | United States | 700,000 | 772,625 |
| | | | 1,474,625 |
| Software & Services 1.7% | | | |
| ^d BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21. | United States | 2,000,000 | 1,878,750 |
| ^d First Data Corp., | | | |
| secured note, first lien, 144A, 5.00%, 1/15/24 | United States | 1,700,000 | 1,715,419 |
| senior note, 144A, 7.00%, 12/01/23 | United States | 500,000 | 533,750 |
| Infor (U.S.) Inc., senior note, 6.50%, 5/15/22 | United States | 1,800,000 | 1,881,000 |
| | | | 6,008,919 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|----------------------|-----------|
| Corporate Bonds (continued) | | | |
| Technology Hardware & Equipment 1.4% | | | |
| ^d Blackboard Inc., second lien, 144A, 9.75%, 10/15/21 | United States | 1,038,000 \$ | 1,069,140 |
| ^d CommScope Inc., senior secured note, 144A, 4.375%, 6/15/20. | United States | 1,000,000 | 1,025,000 |
| ^d Diamond 1 Finance Corp./Diamond 2 Finance Corp., senior note, 144A, 5.875%, 6/15/21 | United States | 400,000 | 425,592 |
| senior secured bond, first lien, 144A, 6.02%, 6/15/26 | United States | 200,000 | 216,763 |
| senior secured note, first lien, 144A, 5.45%, 6/15/23. | United States | 300,000 | 318,319 |
| ^d Western Digital Corp., senior note, 144A, 10.50%, 4/01/24 | United States | 1,600,000 | 1,896,000 |
| | | | 4,950,814 |
| Telecommunication Services 4.7% | | | |
| CenturyLink Inc., senior bond, 6.75%, 12/01/23 | United States | 1,000,000 | 1,026,250 |
| senior bond, 5.625%, 4/01/25 | United States | 1,400,000 | 1,335,250 |
| ^d Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20 | Bermuda | 1,200,000 | 1,030,200 |
| ^d Digicel Ltd., senior note, 144A, 6.00%, 4/15/21 | Bermuda | 700,000 | 635,250 |
| Intelsat Jackson Holdings SA, senior note, 7.25%, 4/01/19 | Luxembourg | 1,500,000 | 1,267,500 |
| senior note, 7.25%, 10/15/20 | Luxembourg | 1,000,000 | 780,000 |
| ^d Millicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21. | Luxembourg | 1,500,000 | 1,580,625 |
| ^d Sprint Communications Inc., senior note, 144A, 9.00%, 11/15/18 | United States | 400,000 | 442,000 |
| senior note, 144A, 7.00%, 3/01/20 | United States | 600,000 | 652,500 |
| Sprint Corp., senior bond, 7.125%, 6/15/24 | United States | 300,000 | 309,750 |
| senior note, 7.25%, 9/15/21 | United States | 500,000 | 532,500 |
| ^d Sprint Spectrum Co. LLC/Sprint Spectrum Co. II LLC, 144A, 3.36%, 3/20/23 | United States | 1,600,000 | 1,606,992 |
| T-Mobile USA Inc., senior bond, 6.50%, 1/15/24 | United States | 500,000 | 537,500 |
| senior note, 6.542%, 4/28/20 | United States | 900,000 | 928,125 |
| senior note, 6.125%, 1/15/22 | United States | 1,000,000 | 1,057,500 |
| ^d Wind Acquisition Finance SA, secured note, second lien, 144A, 7.375%, 4/23/21 | Italy | 2,000,000 | 2,081,200 |

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| | | | |
|--|-------|---------|------------|
| senior secured note, first lien, 144A, 4.75%, 7/15/20. | Italy | 500,000 | 506,250 |
| | | | 16,309,392 |

Transportation 0.5%

| | | | |
|---|---------------|-----------|-----------|
| ^d Florida East Coast Holdings Corp., secured note, first lien, 144A, 6.75%, 5/01/19 | United States | 1,000,000 | 1,037,500 |
| ^d Stena International SA, senior secured bond, first lien, 144A, 5.75%, 3/01/24 . | Sweden | 300,000 | 261,885 |
| ^d XPO Logistics Inc., senior note, 144A, 6.125%, 9/01/23 | United States | 300,000 | 314,625 |
| | | | 1,614,010 |

Utilities 2.3%

| | | | |
|---|---------------|-----------|-----------|
| Calpine Corp., senior note, 5.375%, 1/15/23 | United States | 1,500,000 | 1,473,750 |
| ^d senior secured bond, first lien, 144A, 7.875%, 1/15/23 | United States | 218,000 | 228,082 |
| ^d senior secured note, first lien, 144A, 6.00%, 1/15/22. | United States | 100,000 | 104,875 |
| Dynegy Inc., senior note, 6.75%, 11/01/19 | United States | 2,000,000 | 2,045,000 |
| ^d InterGen NV, secured bond, 144A, 7.00%, 6/30/23 | Netherlands | 1,500,000 | 1,342,500 |
| NRG Yield Operating LLC, senior bond, 5.375%, 8/15/24 | United States | 700,000 | 707,000 |
| ^d senior bond, 144A, 5.00%, 9/15/26 | United States | 1,000,000 | 960,000 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|-------------|
| Corporate Bonds (continued) | | | |
| Utilities (continued) | | | |
| Talen Energy Supply LLC, senior note, 6.50%, 6/01/25. | United States | 1,500,000 \$ | 1,166,250 |
| | | | 8,027,457 |
| Total Corporate Bonds (Cost \$186,463,824) | | | 186,610,502 |
| Senior Floating Rate Interests 50.7% | | | |
| Automobiles & Components 0.9% | | | |
| TI Group Automotive Systems LLC, Initial U.S. Term Loan, 4.50%, 6/25/22 | United States | 2,947,688 | 2,991,903 |
| Capital Goods 3.4% | | | |
| Delos Finance S.A.R.L. (ILFC), Loans, 3.748%, 3/06/21. | United States | 2,500,000 | 2,522,188 |
| Doncasters U.S. Finance LLC, Term B Loans, 4.50%, 4/09/20. | United States | 1,971,096 | 1,921,818 |
| Harsco Corp., Initial Term Loan, 6.00%, 11/02/23 | United States | 448,101 | 458,183 |
| Leidos (Abacus Innovations Corp.), B Term Loan, 3.52%, 8/16/23 | United States | 434,013 | 438,462 |
| Navistar Inc., Tranche B Term Loans, 6.50%, 8/07/20 | United States | 3,301,407 | 3,348,865 |
| Onsite Rental Group Operations Pty. Ltd., Term B Loan, 5.50%, 7/30/21 | Australia | 1,955,000 | 1,573,775 |
| Ventia Pty. Ltd., 2016 Refinancing Term B Loans, 5.00%, 5/21/22 | Australia | 1,329,046 | 1,352,304 |
| | | | 11,615,595 |
| Consumer Services 5.0% | | | |
| 24 Hour Fitness Worldwide Inc., Term Loan, 4.75%, 5/28/21. | United States | 1,950,000 | 1,940,250 |
| Aristocrat Technologies Inc., Term B-1 Loans, 3.631%, 10/20/21 | United States | 1,102,362 | 1,115,315 |
| Avis Budget Car Rental LLC, Extended Tranche B Term Loan, 3.50%, 3/15/22 | United States | 1,587,629 | 1,599,695 |
| Fitness International LLC, Term B Loan, 6.00%, 7/01/20 | United States | 1,923,224 | 1,927,792 |
| Hilton Worldwide Finance LLC, Series B-2 Term Loans, 3.084%, 10/25/23 | United States | 2,000,000 | 2,025,536 |
| KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC (Yum Brands), Term B Loans, 3.486%, 6/16/23 | United States | 1,733,985 | 1,759,119 |
| Prime Security Services Borrower LLC, Term B-1 Loans, 4.25%, 5/02/22 | United States | 1,995,000 | 2,020,935 |
| Sabre GBLB Inc., Incremental Term A Loan, 3.27%, 7/18/21. | United States | 1,974,684 | 1,977,152 |
| Scientific Games International Inc., Term B-1 Loan, 6.00%, 10/18/20. | United States | 2,912,431 | 2,955,753 |
| | | | 17,321,547 |
| Energy 1.1% | | | |
| International Seaways Inc., Initial Term Loan, 5.75%, 8/05/19 | United States | 1,552,204 | 1,513,399 |

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| | | | |
|---|---------------|-----------|------------|
| OSG Bulk Ships Inc., Initial Term Loan, 5.25%, 8/05/19 | United States | 2,035,947 | 1,986,321 |
| ^{f,g} Samson Investment Co., Second Lien Tranche I Term Loan, 6.75%, 9/25/18 . | United States | 2,000,000 | 490,000 |
| | | | 3,989,720 |
| Food, Beverage & Tobacco 0.4% | | | |
| B&G Foods Inc., Tranche B Term Loan, 3.75%, 11/02/22 | United States | 562,374 | 568,771 |
| JBS USA LLC, Initial Term Loan, 3.75%, 5/25/18 | United States | 916,904 | 920,342 |
| | | | 1,489,113 |
| Health Care Equipment & Services 3.8% | | | |
| ^j Community Health Systems Inc., 2018 Term F Loans, 6.00%, 12/31/18 | United States | 3,900,000 | 3,844,546 |
| DaVita Healthcare Partners Inc., Tranche B Term Loan, 3.52%, 6/24/21. | United States | 2,846,219 | 2,879,426 |
| Envision Healthcare Corp. (Emergency Medical), Initial Term Loans, 4.00%, 12/01/23 | United States | 1,192,500 | 1,203,680 |
| Mallinckrodt International Finance SA, Initial Term B Loan, 3.498%, 3/19/21 | Luxembourg | 2,882,628 | 2,893,694 |
| Team Health Inc., New Tranche B Term Loan, 3.77%, 11/23/22. | United States | 2,391,247 | 2,396,627 |
| | | | 13,217,973 |
| Household & Personal Products 0.7% | | | |
| Spectrum Brands Inc., Term Loans, 3.313% - 3.368%, 6/23/22 | United States | 2,403,917 | 2,434,610 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|------------|
| Senior Floating Rate Interests (continued) | | | |
| Materials 3.8% | | | |
| Axalta Coating Systems U.S. Holdings Inc., Term B-1 Dollar Loans, 3.498%, 2/01/23 | United States | 1,304,633 \$ | 1,320,941 |
| The Chemours Co. LLC, Tranche B Term Loan, 3.77%, 5/12/22 | United States | 2,715,811 | 2,714,963 |
| Cyanco Intermediate Corp., Initial Term Loan, 5.50%, 5/01/20 | United States | 1,910,936 | 1,921,685 |
| FMG America Finance Inc. (Fortescue Metals Group), Loans, 3.75%, 6/30/19 | Australia | 1,390,000 | 1,394,518 |
| Ineos U.S. Finance LLC, 2018 Dollar Term Loans, 3.75%, 5/04/18 | United States | 1,630,146 | 1,636,666 |
| Novelis Inc., Initial Term Loan, 4.02%, 6/02/22 | Canada | 2,015,794 | 2,028,933 |
| OCI Beaumont LLC, Term B-3 Loan, 8.025%, 8/20/19 | United States | 1,243,784 | 1,268,660 |
| Oxbow Carbon LLC, Tranche B Term Loan, 4.25%, 7/19/19 | United States | 850,602 | 856,982 |
| | | | 13,143,348 |
| Media 7.0% | | | |
| AMC Entertainment Holdings Inc., 2016 Incremental Term Loan, 3.511%, 12/15/23 | United States | 156,480 | 158,191 |
| Charter Communications Operating LLC (CCO Safari), Term A Loan, 2.61%, 5/18/21 | United States | 976,121 | 974,494 |
| CSC Holdings Inc. (Cablevision), 2016 Extended Term Loans, 3.876%, 10/11/24 | United States | 2,612,182 | 2,644,427 |
| Gray Television Inc., Term Loan B, 3.938%, 6/13/21. | United States | 2,646,830 | 2,677,599 |
| † Lions Gate Entertainment Corp., Term A Loan, 3.145%, 12/08/21 | United States | 3,021,429 | 3,020,009 |
| Live Nation Entertainment Inc., Term B-2 Loans, 3.313%, 10/31/23 | United States | 848,993 | 858,545 |
| Media General Inc., Term B Loan, 4.00%, 7/31/20 | United States | 1,645,858 | 1,648,650 |
| † Nexstar Broadcasting Group Inc., Term Loan B, 6.00%, 9/30/23 | United States | 814,233 | 821,939 |
| Regal Cinemas Corp., Term Loan, 3.27%, 4/01/22. | United States | 3,033,793 | 3,052,754 |
| Sinclair Television Group Inc., Incremental Term Loan B-1, 3.52%, 7/31/21 | United States | 2,006,050 | 2,015,454 |
| † UPC Financing Partnership, Facility AN, 4.08%, 8/31/24 | Netherlands | 3,817,661 | 3,861,087 |
| † Virgin Media Bristol LLC, I Facility, 3.75%, 1/31/25 | United States | 2,622,768 | 2,638,066 |
| | | | 24,371,215 |
| Pharmaceuticals, Biotechnology & Life Sciences 3.2% | | | |
| Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, 2015 Incremental Term B Loans, 3.813%, 9/25/22 | United States | 3,021,700 | 3,037,990 |

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| | | | |
|---|---------------|-----------|------------|
| Grifols Worldwide Operations USA Inc., U.S. Tranche B Term Loan, 3.715%, 2/27/21 | United States | 1,954,520 | 1,970,494 |
| Horizon Pharma Inc., Incremental Term B-1 Loan, 5.50%, 10/26/21. | United States | 149,367 | 150,487 |
| RPI Finance Trust, Term A-2 Term Loan A, 3.248%, 10/14/20 | United States | 1,236,762 | 1,239,597 |
| Valeant Pharmaceuticals International Inc., Series A-3 Tranche A Term Loan, 4.52%, 10/20/18. | United States | 1,819,136 | 1,816,483 |
| Series C-2 Tranche B Term Loan, 5.25%, 12/11/19 | United States | 1,154,826 | 1,155,066 |
| Series D-2 Tranche B Term Loan, 5.00%, 2/13/19 | United States | 1,583,283 | 1,583,283 |
| | | | 10,953,400 |
| Retailing 3.5% | | | |
| Ascena Retail Group Inc., Tranche B Term Loan, 5.25%, 8/21/22 | United States | 3,695,680 | 3,609,448 |
| Dollar Tree Inc., Term A-1 Loans, 2.50%, 7/06/20 | United States | 2,146,473 | 2,145,808 |
| Term B-3 Loans, 3.25%, 7/06/22 | United States | 697,568 | 704,834 |
| Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19. | United States | 2,808,114 | 2,604,526 |
| PetSmart Inc., Tranche B-2 Loans, 4.00%, 3/11/22 | United States | 2,952,926 | 2,967,523 |
| | | | 12,032,139 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|------------|
| Senior Floating Rate Interests (continued) | | | |
| Semiconductors & Semiconductor Equipment 2.9% | | | |
| Avago Technologies Cayman Finance Ltd., Term B-3 Loans, 3.704%, 2/01/23 | Singapore | 2,019,084 \$ | 2,050,003 |
| MACOM Technology Solutions Holdings Inc., Initial Term Loan, 4.628%, 5/07/21 | United States | 2,644,231 | 2,673,979 |
| MKS Instruments Inc., Tranche B-2 Term Loans, 3.52%, 5/01/23. | United States | 474,853 | 479,205 |
| NXP BV/NXP Funding LLC, Tranche F Loan, 3.27%, 12/07/20 | United States | 1,831,353 | 1,843,372 |
| ON Semiconductor Corp., 2016 Replacement Term Loans, 4.02%, 3/31/23 | United States | 2,977,597 | 3,016,883 |
| | | | 10,063,442 |
| Software & Services 2.8% | | | |
| BMC Software Finance Inc., Initial U.S. Term Loans, 5.00%, 9/10/20 | United States | 2,826,883 | 2,823,154 |
| Global Payments Inc., Delayed Draw Term Loan (A-2), 2.965%, 10/31/21 | United States | 2,401,043 | 2,407,045 |
| MoneyGram International Inc., Term Loan, 4.25%, 3/27/20 | United States | 2,610,134 | 2,578,596 |
| Rackspace Hosting Inc., Term B Loan, 5.00%, 11/03/23. | United States | 746,835 | 756,544 |
| Sungard Availability Services Capital Inc., Tranche B Term Loan, 6.00%, 3/29/19 | United States | 1,223,767 | 1,187,820 |
| | | | 9,753,159 |
| Technology Hardware & Equipment 2.8% | | | |
| Ciena Corp., Term Loan, 3.75%, 7/15/19 | United States | 2,921,343 | 2,939,602 |
| CommScope Inc., Tranche 5 Term Loans, 3.27%, 12/29/22 | United States | 2,021,674 | 2,042,523 |
| Dell International LLC, Term A-3 Loan, 2.77%, 12/31/18. | United States | 2,538,306 | 2,538,702 |
| Western Digital Corp., Term Loan B-1, 4.52%, 4/29/23 | United States | 1,729,794 | 1,756,051 |
| Zebra Technologies Corp., Second Amendment Refinancing Term Loan, 3.446%, 10/27/21. | United States | 310,494 | 313,841 |
| | | | 9,590,719 |
| Telecommunication Services 0.7% | | | |
| Consolidated Communications Inc., Term Loan B-2, 5.75%, 10/05/23 | United States | 528,246 | 532,373 |
| Zayo Group LLC, 2021 Term Loans, 3.75%, 5/06/21 | United States | 1,993,564 | 2,014,746 |
| | | | 2,547,119 |
| Transportation 5.0% | | | |
| Air Canada, Term Loan, 3.614%, 10/06/23 | Canada | 3,010,394 | 3,034,227 |
| American Airlines Inc., | | | |

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| | | | |
|---|------------------|-----------|--------------------|
| Class B Term Loans, 3.261%, 4/28/23 | United States | 2,001,025 | 2,011,969 |
| Class B Term Loans, 3.25%, 12/14/23 | United States | 2,939,394 | 2,955,470 |
| Flying Fortress Inc. (ILFC), New Loan, 3.248%, 4/30/20 | United States | 1,629,859 | 1,642,083 |
| The Hertz Corp., Tranche B-1 Term Loan, 3.50%, 6/30/23 | United States | 3,031,520 | 3,044,783 |
| Navios Maritime Partners LP, Initial Term Loan, 5.25%, 6/27/18. | Marshall Islands | 2,710,664 | 2,636,120 |
| XPO Logistics Inc., Refinancing Term Loans, 4.25%, 10/30/21 | United States | 1,867,306 | 1,893,448 |
| | | | 17,218,100 |
| Utilities 3.7% | | | |
| Alinta Energy Finance Pty. Ltd., | | | |
| Delayed Draw Term Commitments, 6.375%, 8/13/18 | Australia | 183,965 | 184,655 |
| Term B Loans, 6.375%, 8/13/19 | Australia | 2,767,500 | 2,777,879 |
| Calpine Corp., Term Loan (B5), 3.59%, 5/27/22. | United States | 2,578,560 | 2,583,330 |
| EFS Cogen Holdings I LLC (Linden), Term B Advance, 4.50%, 6/28/23 | United States | 2,593,492 | 2,622,129 |
| J Lightstone Holdco LLC, | | | |
| Term Loan B, 6.50%, 1/30/24. | United States | 913,043 | 926,739 |
| Term Loan C, 6.50%, 1/30/24 | United States | 86,957 | 88,261 |
| NRG Energy Inc., Term Loans, 3.748%, 6/30/23 | United States | 3,466,900 | 3,506,988 |
| | | | 12,689,981 |
| Total Senior Floating Rate Interests (Cost \$175,701,035) | | | 175,423,083 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|------------|
| Foreign Government and Agency Securities | | | |
| (Cost \$1,963,008) 0.5% | | | |
| Government of Mexico, 7.75%, 12/14/17 | Mexico | 320,000k MXN \$ | 1,563,642 |
| Asset-Backed Securities and Commercial Mortgage-Backed Securities 9.8% | | | |
| Banks 3.8% | | | |
| Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46 | United States | 524,589 | 523,727 |
| ⁱ Bear Stearns ARM Trust, 2004-4, A6, FRN, 3.122%, 6/25/34 | United States | 670,897 | 678,484 |
| Bear Stearns Commercial Mortgage Securities Trust, | | | |
| ⁱ 2006-PW11, AJ, FRN, 5.436%, 3/11/39 | United States | 1,550,000 | 1,490,558 |
| 2006-PW13, AJ, 5.611%, 9/11/41. | United States | 140,557 | 140,461 |
| Citigroup Commercial Mortgage Trust, | | | |
| ^l 2006-C5, AJ, 5.482%, 10/15/49 | United States | 670,721 | 629,655 |
| ⁱ 2007-C6, AM, FRN, 5.714%, 12/10/49 | United States | 1,520,000 | 1,541,957 |
| 2015-GC27, A5, 3.137%, 2/10/48. | United States | 1,520,000 | 1,519,175 |
| Commercial Mortgage Trust, | | | |
| ⁱ 2006-GG7, AJ, FRN, 5.774%, 7/10/38 | United States | 1,005,000 | 932,570 |
| 2007-GG9, AM, 5.475%, 3/10/39 | United States | 918,145 | 917,823 |
| CSAIL Commercial Mortgage Trust, 2015-C1, A4, 3.505%, 4/15/50 | United States | 1,410,000 | 1,449,640 |
| JPMBB Commercial Mortgage Securities Trust, 2015 C-28, A4, 3.227%, 10/15/48 | United States | 1,410,000 | 1,419,432 |
| ⁱ Merrill Lynch Mortgage Investors Trust, | | | |
| ^l 2003-OPT1, B2, FRN, 4.881%, 7/25/34 | United States | 33,301 | 4,071 |
| 2005-A6, 2A3, FRN, 1.136%, 8/25/35 | United States | 338,566 | 327,548 |
| ⁱ Morgan Stanley ABS Capital I Inc. Trust, 2003-NC10, B1, FRN, 5.706%, 10/25/33 | United States | 350,442 | 316,384 |
| ⁱ Morgan Stanley Capital I Trust, | | | |
| 2006-HQ8, AJ, FRN, 5.46%, 3/12/44 | United States | 26,235 | 26,361 |
| 2007-IQ16, AMA, FRN, 6.047%, 12/12/49 | United States | 645,000 | 661,744 |
| Wells Fargo Commercial Mortgage Trust, 2014-LC16, A4, 3.548%, 8/15/50 | United States | 550,000 | 567,363 |
| | | | 13,146,953 |
| Diversified Financials 6.0% | | | |
| ^{i,l} Argent Securities Inc., 2003-W5, M4, FRN, 6.217%, 10/25/33. | United States | 383,161 | 385,181 |

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| | | | |
|---|---------------|-----------|-----------|
| d,i Atrium X, 10A, C, 144A, FRN, 3.48%, 7/16/25. | United States | 920,000 | 918,712 |
| d,i Atrium XI, 11A, C, 144A, FRN, 4.082%, 10/23/25 | United States | 910,000 | 910,300 |
| d,i BCAP LLC Trust, 2009-RR1, 2A2, 144A, FRN, 3.059%, 5/26/35 | United States | 1,600,000 | 1,513,072 |
| d,i Carlyle Global Market Strategies CLO Ltd., 2014-4A, A1, 144A, FRN, 2.38%, 10/15/26 | United States | 700,000 | 700,931 |
| d,i Catamaran CLO Ltd., 2013-1A, C, 144A, FRN, 3.486%, 1/27/25 | United States | 750,000 | 744,255 |
| d,i Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 1.293%, 3/11/21 | United States | 457,000 | 445,566 |
| d,i Cent CLO LP, 2013-17A, B, 144A, FRN, 3.887%, 1/30/25 | United States | 392,157 | 393,412 |
| i Chase Funding Trust, 2004-2, 2A2, FRN, 1.256%, 2/26/35 | United States | 456,519 | 418,069 |
| d,i CIFC Funding Ltd., 2007-3A, A1J, 144A, FRN, 1.284%, 7/26/21 | United States | 446,469 | 446,152 |
| d,i Cumberland Park CLO Ltd., 2015-2A, B, 144A, FRN, 2.981%, 7/20/26 | United States | 1,230,000 | 1,235,006 |
| 2015-2A, C, 144A, FRN, 3.731%, 7/20/26 | United States | 190,000 | 189,683 |
| d,i Eaton Vance CDO Ltd., 2014-1A, A, 144A, FRN, 2.33%, 7/15/26 | United States | 1,000,000 | 1,002,180 |
| 2014-1A, B, 144A, FRN, 2.93%, 7/15/26 | United States | 400,000 | 399,064 |
| 2014-1A, C, 144A, FRN, 3.88%, 7/15/26 | United States | 170,000 | 170,841 |
| i FHLMC Structured Agency Credit Risk Debt Notes, 2014-DN1, M2, FRN, 2.956%, 2/25/24 | United States | 2,300,000 | 2,353,759 |
| 2014-DN4, M2, FRN, 3.156%, 10/25/24 | United States | 505,538 | 506,475 |
| 2014-HQ2, M2, FRN, 2.956%, 9/25/24 | United States | 900,000 | 919,332 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|--|---------------|-------------------|-------------------|
| Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued) | | | |
| Diversified Financials (continued) | | | |
| i FHLMC Structured Agency Credit Risk Debt Notes, (continued) | | | |
| 2015-DN1, M2, FRN, 3.156%, 1/25/25 | United States | 1,133,693 \$ | 1,138,457 |
| 2015-HQ1, M2, FRN, 2.956%, 3/25/25 | United States | 768,029 | 775,030 |
| i Impac Secured Assets Trust, 2007-2, FRN, 1.006%, 4/25/37 | United States | 358,450 | 327,086 |
| d,i Invitation Homes Trust, 2015-SFR1, A, 144A, FRN, 2.186%, 3/17/32 | United States | 862,540 | 864,609 |
| JP Morgan Chase Commercial Mortgage Securities Trust, 2006-CB17, AM, 5.464%, 12/12/43. | United States | 68,194 | 68,174 |
| i MortgageIT Trust, 2004-1, A2, FRN, 1.656%, 11/25/34 | United States | 412,504 | 393,476 |
| i Opteum Mortgage Acceptance Corp. Trust, 2005-4, 1APT, FRN, 1.066%, 11/25/35 | United States | 580,111 | 551,395 |
| i,l Option One Mortgage Loan Trust, 2003-6, M5, FRN, 5.706%, 11/25/33 | United States | 193,598 | 128,510 |
| i Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 5.631%, 4/25/33 | United States | 13,987 | 7,444 |
| i Structured Asset Securities Corp., 2005-2XS, 2A2, FRN, 2.256%, 2/25/35 | United States | 420,766 | 403,656 |
| i Thornburg Mortgage Securities Trust, 2005-1, A3, FRN, 2.817%, 4/25/45 | United States | 823,447 | 827,485 |
| d,i Voya CLO Ltd., 2013-1A, B, 144A, FRN, 3.78%, 4/15/24 | United States | 180,000 | 180,407 |
| 2013-2A, B, 144A, FRN, 3.562%, 4/25/25 | United States | 1,000,000 | 1,000,700 |
| Wells Fargo Mortgage Backed Securities Trust, i 2004-W, A9, FRN, 3.004%, 11/25/34 | United States | 288,504 | 292,617 |
| 2007-3, 3A1, 5.50%, 4/25/22 | United States | 100,401 | 102,873 |
| d,i Westchester CLO Ltd., 2007-1A, A1A, 144A, FRN, 1.111%, 8/01/22 | United States | 69,149 | 69,016 |
| | | | 20,782,925 |
| Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost \$34,124,045) | | | 33,929,878 |
| Mortgage-Backed Securities 26.8% | | | |
| i Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.1% | | | |
| FHLMC, 3.202%, 5/01/34 | United States | 167,010 | 175,610 |
| Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 10.9% | | | |

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| | | | |
|---|---------------|------------|------------|
| FHLMC Gold 15 Year, 5.00%, 12/01/23 | United States | 656,325 | 704,424 |
| FHLMC Gold 15 Year, 5.50%, 7/01/19 | United States | 11,998 | 12,477 |
| ^m FHLMC Gold 30 Year, 3.00%, 1/01/46 | United States | 8,000,000 | 7,939,025 |
| FHLMC Gold 30 Year, 3.50%, 3/01/45 | United States | 55,497 | 56,852 |
| ^m FHLMC Gold 30 Year, 3.50%, 1/01/46 | United States | 9,930,000 | 10,162,145 |
| ^m FHLMC Gold 30 Year, 4.00%, 1/01/46 | United States | 12,385,000 | 13,002,741 |
| FHLMC Gold 30 Year, 4.00%, 8/01/46 | United States | 3,664,116 | 3,850,855 |
| FHLMC Gold 30 Year, 6.00%, 7/01/28 - 11/01/36. | United States | 754,653 | 859,273 |
| FHLMC Gold 30 Year, 6.50%, 8/01/27 - 3/01/38 | United States | 408,604 | 457,039 |
| FHLMC Gold 30 Year, 7.00%, 9/01/27 | United States | 120,767 | 133,154 |
| FHLMC Gold 30 Year, 8.00%, 1/01/31 | United States | 20,252 | 21,842 |
| FHLMC Gold 30 Year, 8.50%, 7/01/31 | United States | 380,380 | 469,537 |
| | | | 37,669,364 |
| ⁱ Federal National Mortgage Association (FNMA) Adjustable Rate 0.2% | | | |
| FNMA, 2.665% - 2.85%, 6/01/32 - 7/01/34 | United States | 584,711 | 610,398 |
| Federal National Mortgage Association (FNMA) Fixed Rate 11.8% | | | |
| FNMA 15 Year, 3.00%, 8/01/27 | United States | 16,987 | 17,471 |
| FNMA 15 Year, 3.50%, 1/01/21 - 1/01/26 | United States | 56,946 | 59,349 |
| ^m FNMA 15 Year, 3.50%, 1/01/31 | United States | 410,000 | 427,047 |
| FNMA 15 Year, 5.50%, 7/01/20 | United States | 209,590 | 218,168 |
| FNMA 15 Year, 6.50%, 7/01/20 | United States | 599 | 611 |

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FRANKLIN LIMITED DURATION INCOME TRUST
STATEMENT OF INVESTMENTS

| | Country | Principal Amount* | Value |
|---|---------------|-------------------|------------|
| Mortgage-Backed Securities (continued) | | | |
| Federal National Mortgage Association (FNMA) Fixed Rate (continued) | | | |
| ^m FNMA 30 Year, 3.00%, 1/01/46 | United States | 8,000,000 \$ | 7,942,225 |
| ^m FNMA 30 Year, 3.50%, 1/01/46 | United States | 8,425,000 | 8,630,386 |
| FNMA 30 Year, 3.50%, 1/01/45 - 7/01/46 | United States | 2,190,217 | 2,246,139 |
| FNMA 30 Year, 4.00%, 11/01/44 - 1/01/45 | United States | 1,410,345 | 1,482,949 |
| ^m FNMA 30 Year, 4.00%, 1/01/46 | United States | 10,475,000 | 11,007,948 |
| FNMA 30 Year, 4.50%, 5/01/24 - 8/01/44 | United States | 3,047,200 | 3,279,561 |
| FNMA 30 Year, 4.50%, 12/01/44 | United States | 1,465,598 | 1,577,198 |
| ^m FNMA 30 Year, 4.50%, 1/01/46 | United States | 875,000 | 940,937 |
| FNMA 30 Year, 5.00%, 5/01/38 - 7/01/39 | United States | 567,756 | 619,819 |
| FNMA 30 Year, 5.50%, 6/01/37 | United States | 560,044 | 625,249 |
| FNMA 30 Year, 6.00%, 4/01/33 - 6/01/38 | United States | 1,187,594 | 1,348,665 |
| FNMA 30 Year, 6.50%, 8/01/32 | United States | 149,348 | 169,655 |
| FNMA 30 Year, 7.00%, 9/01/18 | United States | 14,353 | 14,717 |
| FNMA 30 Year, 8.00%, 10/01/29 | United States | 9,097 | 9,093 |
| FNMA 30 Year, 8.50%, 8/01/26 | United States | 163,624 | 175,535 |
| | | | 40,792,722 |
| Government National Mortgage Association (GNMA) Fixed Rate 3.8% | | | |
| GNMA I SF 30 Year, 6.50%, 6/15/31 - 12/15/33 | United States | 427,200 | 488,306 |
| GNMA II SF 30 Year, 3.50%, 3/20/45 - 12/20/45 | United States | 1,007,206 | 1,047,721 |
| ^m GNMA II SF 30 Year, 3.50%, 1/01/46 | United States | 11,115,000 | 11,547,130 |
| GNMA II SF 30 Year, 7.00%, 1/20/24 - 1/20/29 | United States | 48,084 | 54,423 |
| GNMA II SF 30 Year, 8.00%, 1/20/28 - 10/20/31 | United States | 123,862 | 148,872 |
| | | | 13,286,452 |
| Total Mortgage-Backed Securities (Cost \$92,483,025) | | | 92,534,546 |
| | | Shares | |
| Escrows and Litigation Trusts 0.0%† | | | |
| ^{a,c} Midstates Petroleum Co. Inc./Midstates Petroleum Co. LLC, Litigation Trust | United States | 800,000 | — |
| ^{a,c} NewPage Corp., Litigation Trust | United States | 1,500,000 | — |

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| | | | |
|---|---------------|------------|---------------|
| ^a Penn Virginia Corp., Litigation Trust | United States | 300,000 | 7,500 |
| ^{a,c} Vistra Energy Corp., Litigation Trust | United States | 2,000,000 | 23,200 |
| ^a Vistra Energy Corp., Litigation Trust, TRA | United States | 34,252 | 49,665 |
| Total Escrows and Litigation Trusts (Cost \$179,359) | | | 80,365 |
| Total Investments before Short Term Investments (Cost \$497,962,927) | | | 492,065,616 |
| Short Term Investments (Cost \$20,840,052) 6.0% | | | |
| Money Market Funds 6.0% | | | |
| ^{n,o} Institutional Fiduciary Trust Money Market Portfolio, 0.09% | United States | 20,840,052 | 20,840,052 |
| Total Investments (Cost \$518,802,979) 148.2% | | | 512,905,668 |
| Preferred Shares (26.0)% | | | (90,000,000) |
| Other Assets, less Liabilities (22.2)% | | | (76,882,432) |
| Net Assets 100.0% | | \$ | 346,023,236 |

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FRANKLIN LIMITED DURATION INCOME TRUST STATEMENT OF INVESTMENTS

See abbreviations on page 18.

[†]Rounds to less than 0.1% of net assets.

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

^aNon-income producing.

^bSee Note 6 regarding restricted securities.

^cSecurity has been deemed illiquid because it may not be able to be sold within seven days. At December 31, 2016, the aggregate value of these securities was \$1,297,733,

representing 0.4% of net assets.

^dSecurity 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

December 31, 2016, the aggregate value of these securities was \$102,360,190, representing 29.6% of net assets.

^ePerpetual security with no stated maturity date.

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

^gAt December 31, 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.

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

ⁱThe coupon rate shown represents the rate at period end.

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

^kPrincipal amount is stated in 100 Mexican Peso Units.

^lThe 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.

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

ⁿSee Note 7 regarding investments in affiliated management investment companies.

^oThe 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. 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.

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FRANKLIN LIMITED DURATION INCOME TRUST

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

3. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund invested in derivative financial instruments 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.

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 at a specific exchange rate on a future date. The Fund did not hold any forward exchange contracts at period end.

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. 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.

5. INCOME TAXES

At December 31, 2016, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | | |
|--|----|---------------|
| Cost of investments. | \$ | 519,315,991 |
| Unrealized appreciation | \$ | 9,680,982 |
| Unrealized depreciation | | (16,091,305) |
| Net unrealized appreciation (depreciation) | \$ | (6,410,323) |

6. 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.

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

At December 31, 2016, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

| Shares Issuer | Acquisition | | Cost | Value |
|--|-------------------|----|-----------|------------|
| | Date | | | |
| 67,554 ^a Halcon Resources Corp. (Value is 0.2% of Net Assets) | 10/23/12 - 3/3/14 | \$ | 1,963,999 | \$ 566,116 |

^aThe Fund also invests in unrestricted securities or other investments in the issuer valued at \$13,265, as of December 31, 2016.

7. 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 December 31, 2016, the Fund held investments in affiliated management investment companies as follows:

| Non-Controlled Affiliates | Number of Shares Held at Beginning of Period | | Gross | | 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 |
|--|--|------------|--------------|------------|--|---------------|------------------------|-------------------|----------------------|---|
| | of Period | of Period | Additions | Reductions | of Period | of Period | of Period | Income | (Loss) | of Period |
| Institutional Fiduciary Trust Money Market Portfolio, 0.09%. | 18,383,143 | 89,872,733 | (87,415,824) | | 20,840,052 | \$ 20,840,052 | \$ | 548 | \$- | 0.1 % |

8. 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.

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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.

A summary of inputs used as of December 31, 2016, in valuing the Fund's assets carried at fair value, is as follows:

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FRANKLIN LIMITED DURATION INCOME TRUST
NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)**8. FAIR VALUE MEASUREMENTS** (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|----------------|--------------|----------------|
| Assets: | | | | |
| Investments in Securities: | | | | |
| Equity Investments: ^a | | | | |
| Energy. | \$ 203,535 | \$ 525,718 b | \$ 566,116 b | \$ 1,295,369 |
| Materials | 29,557 | — | — | 29,557 |
| Transportation | — | 67,783 b | — | 67,783 |
| Utilities. | 530,891 | — | — | 530,891 |
| Corporate Bonds | — | 186,610,502 | — | 186,610,502 |
| Senior Floating Rate Interests | — | 175,423,083 | — | 175,423,083 |
| Foreign Government and Agency Securities | — | 1,563,642 | — | 1,563,642 |
| Asset-Backed Securities and Commercial | | | | |
| Mortgage-Backed Securities. | — | 33,925,807 | 4,071 | 33,929,878 |
| Mortgage-Backed Securities | — | 92,534,546 | — | 92,534,546 |
| Escrows and Litigation Trusts | — | 49,665 | 30,700 b | 80,365 |
| Short Term Investments | 20,840,052 | — | — | 20,840,052 |
| Total Investments in Securities | \$ 21,604,035 | \$ 490,700,746 | \$ 600,887 | \$ 512,905,668 |

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

^bIncludes securities determined to have no value at December 31, 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.

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 is currently evaluating the impact that the adoption of the amendments to Regulation S-X will have 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.

Abbreviations

Currency

MXN Mexican Peso

Selected Portfolio

| | |
|--------------|----------------------------------|
| ARM | Adjustable Rate Mortgage |
| CDO | Collateralized Debt Obligation |
| CLO | Collateralized Loan Obligation |
| FHLMC | Federal Home Loan Mortgage Corp. |
| FRN | Floating Rate Note |
| PIK | Payment-In-Kind |
| SF | Single Family |
| TRA | Tax Receivable Agreement Right |

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 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. Ferguson

Laura F. Ferguson

Chief Executive Officer -

Finance and Administration

Date: February 24, 2017

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. Ferguson

Laura F. Ferguson

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Chief Executive Officer -

Finance and Administration

Date: February 24, 2017

By /s/ Gaston Gardey

Gaston Gardey

Chief Financial Officer and

Chief Accounting Officer

Date: February 24, 2017