

FRANKLIN LTD DURATION INCOME TRUST  
Form N-CSRS  
December 05, 2017

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**FORM N-CSRS**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**  
**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**

**Date of fiscal year end: 3/31**

**Date of reporting period: 9/30/17**

**Item 1. Reports to Stockholders.**

**Semiannual Report**

September 30, 2017

Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

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## Semiannual Report

### Franklin Limited Duration Income Trust

Dear Shareholder:

This semiannual report for Franklin Limited Duration Income Trust covers the period ended September 30, 2017.

#### **Your Fund's Goal and Main Investments**

The Fund seeks to provide high, current income, with a secondary objective of capital appreciation to the extent possible and consistent with the Fund's primary objective, through a portfolio consisting primarily of high yield corporate bonds, floating rate corporate loans and mortgage- and other asset-backed securities.

#### **Performance Overview**

For the six months under review, the Fund posted cumulative total returns of +2.62% based on net asset value and +5.85% based on market price. Net asset value decreased from \$12.91 per share on March 31, 2017, to \$12.60 at period-end, and the market price increased from \$11.97 to \$12.01 over the same period. You can find the Fund's long-term performance data in the Performance Summary on page 6.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.*

#### **Economic and Market Overview**

The US economy strengthened during the six months under review. Key growth drivers in 2017's second and third quarters included consumer spending, business investment, exports and federal government spending. The manufacturing and services sectors expanded during the period. The unemployment rate decreased from 4.5% in March 2017 to 4.2% at period-end.<sup>1</sup> Monthly retail sales were volatile during the period. Annual inflation, as measured by the Consumer Price Index, decreased from 2.4% in March 2017 to 2.2% at period-end.<sup>1</sup>

At its June meeting, the US Federal Reserve (Fed) raised its target range for the federal funds rate by 0.25% to 1.00% - 1.25%, amid signs of a growing US economy,

#### **Portfolio Composition\***

Based on Total Investments as of 9/30/17

\*Total investments include long-term and short-term investments and exclude preferred stock issued by the Fund and other financial leverage.

\*\*Includes collateralized loan obligations.

\*\*\*Rounds to less than 0.1% of total investments.

strengthening labor market and improving business spending. At its July and September 2017 meetings, the Fed kept its target range unchanged. Furthermore in September, the Fed mentioned that it would begin implementing its balance sheet reduction in October.

The 10-year Treasury yield, which moves inversely to its price, shifted throughout the period. In June, the yield rose due to renewed optimism for improvement in economic growth, while in July, the yield rose further amid hawkish comments from key central bankers around the world. Easing concerns about Hurricane Irma's impact, the Fed's proposed balance sheet

1. Source: Bureau of Labor Statistics.

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 9.**



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**Dividend Distributions\***

4/1/17 9/30/17

	<b>Dividend per</b>
<b>Month</b>	<b>Common Share (cents)</b>
April	10.79
May	10.79
June	10.77
July	10.73
August	10.67
September	10.62
<b>Total</b>	<b>64.37</b>

\*The distribution amount is the sum of all estimated tax-basis net investment income distributions for the period shown. A portion or all of the distribution may be reclassified as return of capital or short-term or long-term capital gains once final tax designations are known. All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

normalization in October and the Republican tax reform plan pushed up yields further toward period-end. However, geopolitical tensions in the Middle East and the Korean Peninsula, US political concerns, and uncertainty on whether the Fed would raise rates again in 2017 resulted in a decline in the yield. Overall, the 10-year Treasury yield fell from 2.40% at the beginning of the period to 2.33% at period-end.

**Investment Strategy**

We invest in a diversified mix of fixed income securities, primarily high yield corporate bonds, senior secured floating rate corporate loans, and mortgage- and other asset-backed securities. Our top-down analysis of macroeconomic trends combined with a bottom-up analysis of market sectors, industries and issuers drives our investment process. We seek to maintain a limited duration, or interest-rate sensitivity, to moderate the impact that fluctuating interest rates might have on the Fund's fixed income portfolio. Within the corporate bond and corporate loan sectors, we seek securities trading at reasonable valuations from issuers with characteristics such as strong market positions, stable cash flows, reasonable capital structures, supportive asset values, strong sponsorship and improving credit fundamentals. In the mortgage- and other asset-backed securities sector, we look to capture an attractive income stream and total return through our analysis of security prepayment assumptions, potential pricing inefficiencies and underlying collateral characteristics.

**Manager's Discussion**

The six-month period under review experienced less volatility in both financial markets and interest rates, as investors became more confident with the prospects for continued global economic expansion. The 10-year US Treasury yield declined seven basis points during the period to +2.33%. However, US Treasury yields moved higher in the front end of the curve and contracted over longer dated maturities, which led to a flattening of the yield curve over the period.

Bond yields and inflation expectations have largely remained within anticipated ranges and global growth expectations continued to be revised higher. Consumer confidence has improved since the US presidential election given largely absent inflationary pressures and improving global growth. Personal consumption continues to be a large driver of the US economy and improving consumer confidence has benefited riskier assets.

### **What is the yield curve?**

The yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates. The most frequently reported yield curve compares three-month, two-year and 30-year U.S. Treasury debt.

The broader stock market, as measured by the Standard & Poor's 500 Index, rose 7.71% over the six-month period after factoring in reinvested dividends.<sup>2</sup> Fixed income markets also generated positive returns with lower quality asset classes generally outperforming higher quality asset classes. High yield corporate bonds returned +4.01%, as measured by the Credit Suisse (CS) High Yield Index, followed by mortgage-backed securities at +1.84%, as measured by the Bloomberg Barclays U.S. Mortgage-Backed Securities (MBS) Fixed Rate Index, and leveraged loans at +1.82%, as measured by the CS Leveraged Loan Index (LLI Index).<sup>2,3</sup> Over the past six months, we increased our exposure to leveraged loans, while reducing our exposure to asset-backed securities.

### **High Yield Corporate Bonds**

Investor appetite for risk coupled with favorable credit fundamentals led to an above-coupon return of +4.01% for high yield corporate bonds during the period. Nearly all subsectors generated positive returns and these returns demonstrated

2. Source: Morningstar.

3. Source: Credit Suisse Group.

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

See [www.franklintempletondataresources.com](http://www.franklintempletondataresources.com) for additional data provider information.

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limited differences from the overall sector. Gaming and leisure outperformed all other subsectors whereas food and drug was the laggard and the only subsector that had negative returns. During the period, high yield bond prices were mixed in June due to renewed interest-rate and oil-price volatility. Oil prices declined to a year-to-date low by mid-June following some inventory building. Returns were positive for each subsequent month but were lower in August, relative to July and September, given the heightened potential for conflict with North Korea and the start of the hurricane season. Although Hurricanes Harvey, Irma and Maria caused significant damage, returns rebounded strongly in September given the upward trend in oil prices and the US president's call for comprehensive tax reform.

Returns by rating were not directly correlated to higher or lower rated credits. During the period, split-B rated bonds generated the best returns, followed by BB-rated and split-BBB rated bonds, while split-BB rated bonds performed in line with the index and B-rated and CCC-rated bonds underperformed the market.

The yield differential above comparable US Treasury yields declined from 4.5% to 4.0%, as investor appetite for the asset class pushed prices higher. Although pressures on commodity producers remained, the broader economic and fundamental corporate credit outlook remained fundamentally supportive of high yield credits. However, with the increase in valuations, we slightly decreased our exposure to high yield corporate bonds.

### **Floating Rate Corporate Loans**

During the six-month period, the leveraged loan asset class returned +1.82%, as measured by the CS LLI. Following robust inflows into loan retail vehicles at the beginning of 2017, flows decelerated significantly and tempered loan demand. However, increased collateralized loan obligation (CLO) volume and continued low new issuance volume provided some balance among loan technical conditions and allowed income generation to offset price declines.

As the yield curve flattened during the period, investor enthusiasm declined for loans as a potential hedge against rising interest rates. Furthermore, despite a Fed rate hike in June, expectations of further rate hikes during 2017 were uncertain. Successive waves of repricing transactions from earlier in the year had also tightened spreads in the loan market,

leading to muted coupon increases despite a steadily rising London InterBank Offered Rate (LIBOR), which helped to reduce investor interest in the asset class.

Although demand from retail investors was relatively weaker, CLO volume surged higher. Despite the increase in issuance, technical conditions for the CLO market remained strong as many investors found highly rated tranches attractive compared to other structured vehicles. In addition to new issuance, refinancing transactions remained active in the CLO market. Managers looked to tighten liability spreads through refinancing to offset the impacts of repriced loans.

The one-year default rate remained stable during the period and included a handful of defaults in the energy and retail sectors, while other issuers fell out of the calculation. Fundamental conditions also showed some signs of being later

in the credit cycle, as public issuers of loans reported relatively softer quarterly earnings growth. Earnings reports reflected divergent results among loans in different industries, with issuers in energy, retail and media reporting weaker results.

### **Mortgage-Backed and Asset-Backed Securities**

High-quality securitized sectors performed well during the period. Agency MBS, asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) all produced positive total returns, but underperformed high yield corporate bonds and had mixed results relative to corporate loans.

Despite tight yield differentials and being fairly valued, agency MBS delivered relatively solid performance. Lower yields and the Fed's confirmation of its balance sheet normalization plan brought in investors searching for incremental yield. The Fed's plan incorporates a \$4 billion initial cap for reinvestments, which will be stepped up by an additional \$4 billion each quarter until it reaches \$20 billion. We expect prepayment speeds would remain within an expected range as a small percentage of US agency mortgage borrowers had the ability to refinance, and lending standards, while easing modestly, remained tight.

In agency MBS, the Fund's mortgage exposure had the heaviest allocation to 3.5% and 4.0% coupon securities. We remained allocated to the CMBS sector, in securities we viewed as fundamentally sound bonds at attractive valuations.

Thank you for your continued participation in Franklin Limited Duration Income Trust. We look forward to serving your future investment needs.

Sincerely,

Christopher J. Molumphy, CFA

Roger A. Bayston, CFA

Glenn I. Voyles, CFA

Madeline Lam

Justin Ma, CFA

Portfolio Management Team

*The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2017, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

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## FRANKLIN LIMITED DURATION INCOME TRUST

Performance Summary as of September 30, 2017

Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not reflect any sales charges paid at inception or brokerage commissions paid on secondary market purchases. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

**Performance<sup>1,2</sup>**

	Cumulative Total Return <sup>3</sup>		Average Annual Total Return <sup>3</sup>	
	Based on	Based on	Based on	Based on
	NAV <sup>4</sup>	market price <sup>5</sup>	NAV <sup>4</sup>	market price <sup>5</sup>
6-Month	+2.62%	+5.85%	+2.62%	+5.85%
1-Year	+5.63%	+9.75%	+5.63%	+9.75%
5-Year	+25.16%	+17.17%	+4.59%	+3.22%
10-Year	+86.93%	+111.59%	+6.46%	+7.78%

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.*

**Share Prices**

Symbol: FTF	9/30/17	3/31/17	Change
Net Asset Value (NAV)	\$12.60	\$12.91	-\$0.31
Market Price (NYSE)	\$12.01	\$11.97	+\$0.04
<b>Distributions (4/1/17 - 9/30/17)</b>			

**Net Investment****Income**

\$0.6437

**All investments involve risks, including possible loss of principal. Interest rate movements and mortgage prepayments will affect the Fund's share price and yield. Bond prices generally move in the opposite direction of interest rates. As prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Investments in lower rated bonds include higher risk of default and loss of principal. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.**

1. Figures are for common shares. As of 9/30/17, the Fund had leverage in the amount of 34.16% of the Fund's total portfolio. The Fund employs leverage through the issuance of Auction Preferred Shares and purchase of Mortgage Dollar Rolls. The use of financial leverage creates an opportunity for increased income but, at the same time, creates special risks (including the likelihood of greater volatility of net asset value and market price of common shares). The cost of leverage rises and falls with changes in short-term interest rates. Such increases/decreases in the cost of the Fund's leverage may be offset by increased/decreased income from the Fund's floating rate investments.

2. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 5/31/18. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

3. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.

4. Assumes reinvestment of distributions based on net asset value.

5. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

Important Notice to Shareholders

**Managed Distribution Plan**

The Board of Trustees (the Board) of the Fund announced the adoption of a managed distribution plan (the Plan) on October 17, 2016 under which the Fund began, in January 2017, making monthly distributions to common shareholders at an annual minimum fixed rate of 10% based on average monthly net asset value (NAV) of the Fund's common shares. The primary purpose of the Plan is to provide the Fund's shareholders with a constant, but not guaranteed, fixed minimum rate of distribution each month. The plan is intended to narrow the discount between the market price and the NAV of the Fund's common shares, but there is no assurance that the plan will be successful in doing so.

Under Plan, to the extent that sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital in order to maintain its managed distribution level. No conclusions should be drawn about the Fund's investment performance from the amount of the Fund's distributions or from the terms of the Plan. The Board may amend the terms of the Plan or terminate the Plan at any time without prior notice to the Fund's shareholders. The amendment or termination of the Plan could have an adverse effect on the market price of the Fund's common shares. The Plan is subject to periodic review by the Board, including a yearly review of the annual minimum fixed rate to determine if an adjustment should be made.

The Fund calculates the average NAV from the previous month based on the number of business days in that month on which the NAV is calculated. The distribution is calculated as 10% of the previous month's average NAV, divided by 12. Typically, distributions will be declared by press release 10 days before the last business day of each month, with the record date on the last business day of the month. The payment date for the distribution will typically be during the middle of the next month.

With each distribution that does not consist solely of net investment income, the Fund will issue a notice to shareholders and an accompanying press release that will provide detailed information regarding the amount and composition of the distribution and other related information. The amounts and sources of distributions reported in the notice to shareholders are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment

experience during its full fiscal year and may be subject to changes based on tax regulations. The Fund will send shareholders a Form 1099-DIV for the calendar year that will tell them how to report these distributions for federal income tax purposes.

The Fund may at times distribute more than its net investment income and net realized capital gains; therefore, a portion of the distribution may result in a return of capital. A return of capital occurs when some or all of the money that shareholders invested in the Fund is paid back to them. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with yield or income. Any such returns of capital will decrease the Fund's total assets and, therefore, could have the effect of increasing the Fund's expense ratio. In addition, in order to make the level of distributions called for under its plan, the Fund may have to sell portfolio securities at a less than opportune time.





## FRANKLIN LIMITED DURATION INCOME TRUST

**Financial Highlights**

	<b>Six Months Ended September 30, 2017 (unaudited)</b>	<b>2017</b>	<b>Year Ended March 31,</b>			<b>2013</b>
			<b>2016</b>	<b>2015</b>	<b>2014</b>	
<b>Per common share operating performance</b>						
(for a common share outstanding throughout the period)						
Net asset value, beginning of period	\$12.91	\$12.38	\$13.87	\$14.36	\$14.30	\$13.82
Income from investment operations:						
Net investment income <sup>a</sup>	0.33	0.62	0.72	0.73	0.80	0.90
Net realized and unrealized gains (losses)	0.05	0.85	(1.41)	(0.33)	0.20	0.62
Dividends to preferred shareholders from net investment income	(0.05)	(0.07)	(0.06)	(0.06)	(0.06)	(0.05)
Total from investment operations	0.33	1.40	(0.75)	0.34	0.94	1.47
Less distributions to common shareholders from:						
Net investment income	(0.64)	(0.57)	(0.74)	(0.83)	(0.88)	(0.99)
Tax return of capital		(0.36)				
Total distributions		(0.93)	(0.74)	(0.83)	(0.88)	(0.99)

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(0.64)

Repurchase of shares		0.06				
Net asset value, end of period	\$12.60	\$12.91	\$12.38	\$13.87	\$14.36	\$14.30
Market value, end of period <sup>b</sup>	\$12.01	\$11.97	\$11.34	\$12.17	\$13.05	\$14.82
Total return (based on market value per share) <sup>c</sup>	5.85%	14.07%	(0.44)%	(0.35)%	(5.85)%	13.41%

**Ratios to average net assets applicable to**

**common shares<sup>d,e</sup>**

Expenses before waiver and payments by affiliates and expense reduction	1.18%	1.35%	1.16%	1.14%	1.12%	1.13%
Expenses net of waiver and payments by affiliates and expense reduction	1.16% <sup>f</sup>	1.32% <sup>f</sup>	1.16% <sup>f,g</sup>	1.14% <sup>f,g</sup>	1.12% <sup>f,g</sup>	1.13%
Net investment income	5.06%	4.83%	5.52%	5.14%	5.65%	6.44%

**Supplemental data**

Net assets applicable to common shares, end of period (000 s)	\$284,814	\$291,875	\$332,132	\$372,080	\$385,388	\$383,632
Portfolio turnover rate	98.66%	265.00%	270.16%	289.67%	318.57%	295.39%
Portfolio turnover rate excluding mortgage dollar rolls <sup>h</sup>	17.60%	93.00%	81.78%	92.15%	137.85%	106.42%
Asset coverage per preferred share	\$73,177	\$74,809	\$75,991	\$76,665	\$78,686	\$79,157
Liquidation preference per preferred share	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

<sup>a</sup>Based on average daily common shares outstanding.

<sup>b</sup>Based on the last sale on the NYSE MKT.

<sup>c</sup>Total return is not annualized for periods less than one year.

<sup>d</sup>Based on income and expenses applicable to both common and preferred shares.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>See Note 1(d) regarding mortgage dollar rolls.

8      Semiannual Report | The accompanying notes are an integral part of these  
financial statements.

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## FRANKLIN LIMITED DURATION INCOME TRUST

## Statement of Investments, September 30, 2017 (unaudited)

	Country	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests 0.9%</b>			
<b>Energy 0.9%</b>			
<sup>a</sup> CHC Group LLC	Cayman Islands	15,520	\$ 124,160
<sup>a</sup> Energy XXI Gulf Coast Inc.	United States	19,083	197,318
<sup>a</sup> Energy XXI Gulf Coast Inc., wts., 12/30/21	United States	5,004	1,501
<sup>a</sup> Halcon Resources Corp.	United States	67,554	459,367
<sup>a</sup> Halcon Resources Corp., wts., 9/09/20	United States	6,408	4,486
<sup>a</sup> Linn Energy Inc.	United States	17,897	646,976
<sup>a</sup> Midstates Petroleum Co. Inc.	United States	364	5,657
<sup>a,b</sup> Midstates Petroleum Co. Inc., wts., 4/21/20	United States	2,579	289
<sup>a,b,c</sup> Nine Point Energy LLC	United States	18,477	221,719
<sup>a</sup> Penn Virginia Corp.	United States	3,117	124,618
<sup>a</sup> Samson Resources II LLC	United States	31,225	772,819
			2,558,910
<b>Materials 0.0%</b>			
<sup>a</sup> Verso Corp., A	United States	4,163	21,190
<sup>a</sup> Verso Corp., wts., 7/25/23	United States	438	4
			21,194
<b>Transportation 0.0%</b>			
<sup>a</sup> CEVA Holdings LLC	United States	112	50,463
<b>Total Common Stocks and Other Equity Interests (Cost \$6,698,897)</b>			2,630,567
<b>Convertible Preferred Stocks 0.2%</b>			
<b>Energy 0.2%</b>			
<sup>a,b,c</sup> Nine Point Energy Holdings Inc., cvt. pfd	United States	404	478,838
<b>Transportation 0.0%</b>			
<sup>a</sup> CEVA Holdings LLC, cvt. pfd., A-1	United States	6	3,720
<sup>a</sup> CEVA Holdings LLC, cvt. pfd., A-2	United States	243	109,238
			112,958

**Total Convertible Preferred Stocks (Cost \$747,552)** 591,796

		<b>Principal Amount*</b>	
<b>Convertible Bonds (Cost \$1,476,542) 0.5%</b>			
<b>Energy 0.5%</b>			
CHC Group LLC/CHC Finance Ltd., cvt., zero cpn., 10/01/20	Cayman Islands	798,131	1,225,131
<b>Corporate Bonds 51.1%</b>			
<b>Automobiles &amp; Components 0.9%</b>			
Fiat Chrysler Automobiles NV, senior note, 4.50%, 4/15/20	United Kingdom	1,500,000	1,571,250
The Goodyear Tire & Rubber Co., senior bond, 5.00%, 5/31/26	United States	700,000	732,375
senior note, 5.125%, 11/15/23	United States	300,000	314,625
			2,618,250

## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds (continued)</b>			
<b>Banks 2.0%</b>			
<sup>d</sup> Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	1,500,000	\$ 1,548,750
<sup>d</sup> Citigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	1,300,000	1,412,125
<sup>d</sup> JPMorgan Chase & Co., junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	1,500,000	1,629,375
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	1,000,000	1,105,260
			5,695,510
<b>Capital Goods 2.1%</b>			
CNH Industrial Capital LLC, senior note, 3.875%, 10/15/21	United States	1,200,000	1,236,150
<sup>e</sup> H&E Equipment Services Inc., senior note, 144A, 5.625%, 9/01/25	United States	500,000	528,750
<sup>e</sup> HD Supply Inc., senior note, 144A, 5.75%, 4/15/24	United States	400,000	429,000
<sup>e</sup> Tennant Co., senior note, 144A, 5.625%, 5/01/25	United States	800,000	834,000
<sup>e</sup> Terex Corp., senior note, 144A, 5.625%, 2/01/25	United States	500,000	527,500
TransDigm Inc., senior sub. bond, 6.50%, 5/15/25	United States	500,000	516,250
<sup>e</sup> Vertiv Group Corp., senior note, 144A, 9.25%, 10/15/24	United States	1,600,000	1,808,000
			5,879,650
<b>Commercial &amp; Professional Services 0.6%</b>			
<sup>e,f</sup> Multi-Color Corp., senior note, 144A, 4.875%, 11/01/25	United States	900,000	913,500
United Rentals North America Inc., senior bond, 5.875%, 9/15/26	United States	600,000	654,000
			1,567,500
<b>Consumer Durables &amp; Apparel 1.7%</b>			
Beazer Homes USA Inc., senior note, 8.75%, 3/15/22	United States	1,300,000	1,443,000
<sup>e</sup> Hanesbrands Inc., senior note, 144A, 4.625%, 5/15/24	United States	1,100,000	1,150,875
KB Home, senior note, 7.00%, 12/15/21	United States	1,100,000	1,238,875

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° Taylor Morrison Communities Inc./Taylor Morrison Holdings II Inc., senior note, 144A, 5.875%, 4/15/23	United States	1,000,000	1,065,000
			4,897,750
<b>Consumer Services 3.8%</b>			
° 1011778 BC ULC/New Red Finance Inc., senior secured note, first lien, 144A, 4.25%, 5/15/24	Canada	800,000	805,000
° 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	1,000,000	932,500
° Ascend Learning LLC, senior note, 144A, 6.875%, 8/01/25	United States	500,000	528,750
° International Game Technology PLC, senior note, 144A, 5.625%, 2/15/20	United States	1,500,000	1,591,875
° Jack Ohio Finance LLC/Jack Ohio Finance 1 Corp., senior secured note, first lien, 144A, 6.75%, 11/15/21	United States	1,400,000	1,471,750
° 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	1,478,750
MGM Resorts International, senior note, 8.625%, 2/01/19	United States	1,000,000	1,082,500
° Silversea Cruise Finance Ltd., senior secured note, first lien, 144A, 7.25%, 2/01/25	United States	600,000	645,000
° Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25	United States	900,000	939,375
° Wynn Macau Ltd., senior note, 144A, 4.875%, 10/01/24	Macau	1,200,000	1,219,242
			10,694,742
<b>Diversified Financials 1.8%</b>			
Aircastle Ltd., senior note, 4.125%, 5/01/24	United States	700,000	726,250
° FirstCash Inc., senior note, 144A, 5.375%, 6/01/24	United States	900,000	942,750
° Lincoln Finance Ltd., senior secured note, 144A, 7.375%, 4/15/21	Netherlands	1,000,000	1,056,250



## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Diversified Financials</b> (continued)			
Navient Corp.,			
senior note, 5.00%, 10/26/20	United States	300,000	\$ 309,375
senior note, 5.875%, 3/25/21	United States	200,000	211,250
senior note, 6.625%, 7/26/21	United States	700,000	750,750
senior note, 7.25%, 9/25/23	United States	1,100,000	1,200,375
			5,197,000
<b>Energy 6.2%</b>			
§ BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22	United States	500,000	23,750
California Resources Corp.,			
° secured note, second lien, 144A, 8.00%, 12/15/22	United States	924,000	604,065
senior note, 5.50%, 9/15/21	United States	37,000	20,905
Calumet Specialty Products Partners LP/Calumet Finance Corp.,			
senior note, 7.75%, 4/15/23	United States	1,000,000	980,000
° senior note, 144A, 11.50%, 1/15/21	United States	500,000	581,875
Cheniere Corpus Christi Holdings LLC,			
senior note, first lien, 7.00%, 6/30/24	United States	700,000	798,875
senior secured note, first lien, 5.875%, 3/31/25	United States	600,000	648,000
° Cheniere Energy Partners LP, senior note, 144A, 5.25%, 10/01/25	United States	1,000,000	1,025,000
CONSOL Energy Inc.,			
senior note, 5.875%, 4/15/22	United States	500,000	507,500
senior note, 8.00%, 4/01/23	United States	700,000	747,292
Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., senior note, 6.25%, 4/01/23	United States	1,500,000	1,554,375
CSI Compressco LP/CSI Compressco Finance Inc., senior note, 7.25%, 8/15/22	United States	400,000	372,000
Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20	United States	1,500,000	1,696,875
° <sup>h</sup> EnQuest PLC, senior note, 144A, PIK, 8.00%, 10/15/23	United Kingdom	1,071,463	730,112
Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.75%, 6/15/23	United States	800,000	774,000
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21	United States	900,000	924,750

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<sup>c</sup> Murray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21	United States	800,000	481,000
QEP Resources Inc., senior bond, 5.25%, 5/01/23	United States	500,000	488,600
Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	900,000	857,250
senior note, 6.125%, 1/15/23	United States	300,000	259,500
Weatherford International Ltd., senior note, 5.125%, 9/15/20	United States	400,000	396,276
senior note, 7.75%, 6/15/21	United States	1,000,000	1,043,750
senior note, 4.50%, 4/15/22	United States	400,000	374,000
WPX Energy Inc., senior note, 7.50%, 8/01/20	United States	1,500,000	1,638,750
			17,528,500

**Food, Beverage & Tobacco 1.5%**

Constellation Brands Inc., senior note, 3.875%, 11/15/19	United States	900,000	934,342
senior note, 4.75%, 12/01/25	United States	200,000	218,652

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## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Food, Beverage &amp; Tobacco</b> (continued)			
<sup>e</sup> Cott Holdings Inc., senior note, 144A, 5.50%, 4/01/25	Canada	1,500,000	\$ 1,564,500
<sup>e</sup> Lamb Weston Holdings Inc., senior note, 144A, 4.625%, 11/01/24	United States	1,100,000	1,152,250
<sup>e</sup> Post Holdings Inc., senior note, 144A, 6.00%, 12/15/22	United States	100,000	105,125
senior note, 144A, 5.50%, 3/01/25	United States	400,000	416,000
			4,390,869
<b>Health Care Equipment &amp; Services 2.9%</b>			
<sup>e,f</sup> Avantor Inc., senior secured note, first lien, 144A, 6.00%, 10/01/24	United States	600,000	615,000
CHS/Community Health Systems Inc., senior note, 7.125%, 7/15/20	United States	900,000	815,625
senior secured note, first lien, 6.25%, 3/31/23	United States	700,000	693,875
<sup>e</sup> Envision Healthcare Corp., senior note, 144A, 6.25%, 12/01/24	United States	500,000	538,125
HCA Inc., senior bond, 5.875%, 5/01/23	United States	900,000	981,000
senior note, 7.50%, 2/15/22	United States	500,000	574,845
senior secured bond, first lien, 5.875%, 3/15/22	United States	1,000,000	1,110,000
<sup>e</sup> MPH Acquisition Holdings LLC, senior note, 144A, 7.125%, 6/01/24	United States	1,300,000	1,400,750
Tenet Healthcare Corp., senior note, 5.50%, 3/01/19	United States	900,000	921,375
senior secured note, first lien, 6.00%, 10/01/20	United States	500,000	534,105
			8,184,700
<b>Materials 8.1%</b>			
<sup>h</sup> ARD Finance SA, secured note, PIK, 7.125%, 9/15/23	Luxembourg	600,000	642,750
<sup>e</sup> Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 4.25%, 9/15/22	Luxembourg	300,000	308,250
senior note, 144A, 6.00%, 2/15/25	Luxembourg	500,000	530,625
<sup>e</sup> BlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 6.50%, 5/15/21	Australia	1,500,000	1,572,502
<sup>e</sup> BWAY Holding Co., secured note, 144A, 5.50%, 4/15/24	United States	1,500,000	1,569,375
<sup>e</sup> Cemex SAB de CV, senior secured bond, 144A, 7.75%, 4/16/26	Mexico	400,000	460,218

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The Chemours Co., senior note, 6.625%, 5/15/23	United States	1,500,000	1,603,125
° CVR Partners LP/CVR Nitrogen Finance Corp., secured note, second lien, 144A, 9.25%, 6/15/23	United States	500,000	534,375
° Eldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20	Canada	800,000	817,000
° First Quantum Minerals Ltd., senior note, 144A, 7.00%, 2/15/21	Zambia	961,000	993,434
senior note, 144A, 7.25%, 4/01/23	Zambia	500,000	516,250
° FMG Resources (August 2006) Pty. Ltd., senior note, 144A, 4.75%, 5/15/22	Australia	700,000	710,325
° Grinding Media Inc./MC Grinding Media Canada Inc., senior secured note, 144A, 7.375%, 12/15/23	United States	800,000	870,000
° HudBay Minerals Inc., senior note, 144A, 7.25%, 1/15/23	Canada	400,000	428,000
° New Gold Inc., senior note, 144A, 6.375%, 5/15/25	Canada	600,000	636,000
° Novelis Corp., senior note, 144A, 6.25%, 8/15/24	United States	1,300,000	1,358,760
° Owens-Brockway Glass Container Inc., senior note, 144A, 5.00%, 1/15/22	United States	900,000	956,250
senior note, 144A, 5.875%, 8/15/23	United States	400,000	442,750
° Petra Diamonds U.S. Treasury PLC, secured note, second lien, 144A, 7.25%, 5/01/22	South Africa	700,000	715,750
° Platform Specialty Products Corp., senior note, 144A, 10.375%, 5/01/21	United States	100,000	109,250
senior note, 144A, 6.50%, 2/01/22	United States	600,000	623,250

## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Materials</b> (continued)			
° Rain CII Carbon LLC/CII Carbon Corp., secured note, second lien, 144A, 8.25%, 1/15/21	United States	600,000	\$ 623,250
° Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA, senior note, 144A, 7.00%, 7/15/24	United States	100,000	106,688
senior secured note, first lien, 144A, 5.125%, 7/15/23	United States	400,000	417,940
<sup>i</sup> senior secured note, first lien, 144A, FRN, 4.804%, (3-month USD LIBOR + 3.50%), 7/15/21	United States	400,000	409,000
° Sealed Air Corp., senior bond, 144A, 5.125%, 12/01/24	United States	500,000	540,625
senior bond, 144A, 5.50%, 9/15/25	United States	600,000	661,500
Steel Dynamics Inc., senior note, 5.125%, 10/01/21	United States	1,500,000	1,546,875
Summit Materials LLC/Summit Materials Finance Corp., senior note, 8.50%, 4/15/22	United States	1,200,000	1,356,000
° SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., senior note, 144A, 7.50%, 6/15/25	United States	1,100,000	1,141,250
			23,201,367
<b>Media 4.6%</b>			
° Altice U.S. Finance I Corp., senior secured bond, 144A, 5.50%, 5/15/26	United States	1,000,000	1,057,500
AMC Networks Inc., senior note, 5.00%, 4/01/24	United States	1,000,000	1,035,000
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22	United States	1,500,000	1,548,750
° senior note, 144A, 5.125%, 5/01/23	United States	500,000	521,875
Clear Channel Worldwide Holdings Inc., senior note, 6.50%, 11/15/22	United States	700,000	724,500
senior sub. note, 7.625%, 3/15/20	United States	800,000	793,000
CSC Holdings LLC, senior note, 6.75%, 11/15/21	United States	1,000,000	1,107,500
senior note, 5.25%, 6/01/24	United States	500,000	506,875
iHeartCommunications Inc., senior secured bond, first lien, 9.00%, 3/01/21	United States	1,500,000	1,073,438

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° Nexstar Broadcasting Inc., senior note, 144A, 5.625%, 8/01/24	United States	500,000	518,750
° Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20	United States	600,000	571,500
° Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	1,100,000	1,153,625
senior secured bond, first lien, 144A, 5.50%, 8/15/26	United Kingdom	400,000	422,500
° WMG Acquisition Corp., secured note, first lien, 144A, 5.00%, 8/01/23	United States	100,000	103,625
senior note, 144A, 5.625%, 4/15/22	United States	1,806,000	1,885,012
			13,023,450

**Pharmaceuticals, Biotechnology & Life Sciences 2.2%**

° Concordia International Corp., senior note, 144A, 7.00%, 4/15/23	Canada	900,000	157,500
senior secured note, first lien, 144A, 9.00%, 4/01/22	Canada	500,000	392,500
° Endo DAC/Endo Finance LLC/Endo Finco Inc., senior bond, 144A, 6.00%, 2/01/25	United States	1,000,000	815,000
senior note, 144A, 6.00%, 7/15/23	United States	500,000	415,000
Horizon Pharma Inc., senior note, 6.625%, 5/01/23	United States	1,200,000	1,176,000
° Jaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note, 144A, 6.375%, 8/01/23	United States	1,200,000	1,258,500

## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds (continued)</b>			
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences (continued)</b>			
eValeant Pharmaceuticals International Inc.,			
first lien, 144A, 6.50%, 3/15/22	United States	200,000	\$ 211,500
senior note, 144A, 5.375%, 3/15/20	United States	500,000	501,250
senior note, 144A, 5.625%, 12/01/21	United States	500,000	470,000
e Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20	United States	1,000,000	1,003,440
			6,400,690
<b>Real Estate 0.5%</b>			
Equinix Inc., senior bond, 5.875%, 1/15/26	United States	300,000	330,375
MPT Operating Partnership LP/MPT Finance Corp., senior bond, 5.25%, 8/01/26	United States	300,000	311,250
senior note, 6.375%, 3/01/24	United States	700,000	758,625
			1,400,250
<b>Retailing 1.4%</b>			
Dollar Tree Inc., senior note, 5.25%, 3/01/20	United States	400,000	411,600
Netflix Inc., senior note, 5.50%, 2/15/22	United States	1,500,000	1,642,500
Penske Automotive Group Inc., senior sub. note, 3.75%, 8/15/20	United States	1,400,000	1,431,500
e PetSmart Inc., senior note, 144A, 7.125%, 3/15/23	United States	700,000	547,960
			4,033,560
<b>Semiconductors &amp; Semiconductor Equipment 0.4%</b>			
e Microsemi Corp., senior note, 144A, 9.125%, 4/15/23	United States	313,000	358,776
Qorvo Inc., senior note, 6.75%, 12/01/23	United States	700,000	764,855
			1,123,631

**Software & Services 1.8%**

° CyrusOne LP/CyrusOne Finance Corp., senior note, 144A, 5.00%, 3/15/24	United States	300,000	316,500
° First Data Corp., secured note, first lien, 144A, 5.00%, 1/15/24	United States	1,700,000	1,771,485
senior note, 144A, 7.00%, 12/01/23	United States	500,000	535,150
Infor (U.S.) Inc., senior note, 6.50%, 5/15/22	United States	1,800,000	1,875,366
° Symantec Corp., senior note, 144A, 5.00%, 4/15/25	United States	600,000	628,878
			5,127,379

**Technology Hardware & Equipment 1.1%**

° Blackboard Inc., secured note, second lien, 144A, 9.75%, 10/15/21	United States	1,538,000	1,380,355
° Dell International LLC/EMC Corp., senior note, 144A, 5.875%, 6/15/21	United States	400,000	419,168
° Tempo Acquisition LLC/Tempo Acquisition Finance Corp., senior note, 144A, 6.75%, 6/01/25	United States	800,000	810,000
° TTM Technologies Inc., senior note, 144A, 5.625%, 10/01/25	United States	500,000	507,188
			3,116,711

**Telecommunication Services 4.1%**

° Block Communications Inc., senior note, 144A, 6.875%, 2/15/25	United States	300,000	327,090
CenturyLink Inc., senior bond, 5.625%, 4/01/25	United States	400,000	384,500
° Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	1,200,000	1,173,522
° Digicel Ltd., senior note, 144A, 6.00%, 4/15/21	Bermuda	700,000	685,384
° Millicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21	Colombia	1,500,000	1,552,500
e,f SBA Communications Corp., senior note, 144A, 4.00%, 10/01/22	United States	1,400,000	1,407,000
° Sprint Communications Inc., senior note, 144A, 9.00%, 11/15/18	United States	148,000	159,100
senior note, 144A, 7.00%, 3/01/20	United States	600,000	657,000



## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds (continued)</b>			
<b>Telecommunication Services (continued)</b>			
Sprint Corp., senior bond, 7.125%, 6/15/24	United States	300,000	\$ 338,250
senior note, 7.25%, 9/15/21	United States	500,000	556,875
T-Mobile USA Inc., senior bond, 6.50%, 1/15/24	United States	500,000	534,000
senior note, 6.125%, 1/15/22	United States	1,000,000	1,042,500
senior note, 4.00%, 4/15/22	United States	700,000	726,614
<sup>e</sup> Wind Acquisition Finance SA, secured note, second lien, 144A, 7.375%, 4/23/21	Italy	1,500,000	1,562,640
senior secured note, first lien, 144A, 4.75%, 7/15/20	Italy	500,000	508,750
			11,615,725
<b>Transportation 0.8%</b>			
<sup>e</sup> DAE Funding LLC, senior note, 144A, 4.00%, 8/01/20	United Arab Emirates	800,000	817,000
senior note, 144A, 4.50%, 8/01/22	United Arab Emirates	400,000	410,152
<sup>e</sup> Park Aerospace Holdings Ltd., senior note, 144A, 5.25%, 8/15/22	Ireland	1,100,000	1,144,550
			2,371,702
<b>Utilities 2.6%</b>			
Calpine Corp., senior note, 5.375%, 1/15/23	United States	1,500,000	1,466,475
Dynegy Inc., senior note, 6.75%, 11/01/19	United States	1,128,000	1,170,300
Ferrellgas Partners LP/Ferrellgas Partners Finance Corp., senior note, 8.625%, 6/15/20	United States	500,000	477,500
<sup>e</sup> InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	1,500,000	1,462,808
NRG Yield Operating LLC, senior bond, 5.375%, 8/15/24	United States	500,000	527,500
senior bond, 5.00%, 9/15/26	United States	1,000,000	1,045,000
Talen Energy Supply LLC, senior note, 6.50%, 6/01/25	United States	1,500,000	1,147,500

			7,297,083
<b>Total Corporate Bonds (Cost \$142,096,428)</b>			<b>145,366,019</b>

**ij Senior Floating Rate Interests 50.0%****Capital Goods 3.4%**

Doncasters U.S. Finance LLC, Term B Loans, 4.833%, (LIBOR + 3.50%), 4/09/20	United States	1,955,354	1,897,509
Flying Fortress Inc. (ILFC), New Loan, 3.333%, (LIBOR + 2.00%), 10/30/22	Luxembourg	1,629,859	1,641,065
Harsco Corp., Initial Term Loan, 6.25%, (LIBOR + 5.00%), 11/02/23	United States	444,740	453,265
Leidos Innovations Corp., Term Loan B, 3.25%, (LIBOR + 2.00%), 8/16/23	United States	430,758	432,804
Mueller Water Products Inc., Loans, 3.735% - 3.833%, (LIBOR + 2.50%), 11/25/21	United States	345,643	348,343
Navistar Inc., Tranche B Term Loans, 5.24%, (LIBOR + 4.00%), 8/07/20	United States	3,276,397	3,305,746
Onsite Rental Group Operations Pty. Ltd., Term B Loan, 5.737%, (LIBOR + 4.50%), 7/31/21	Australia	1,940,000	1,581,100
			<b>9,659,832</b>

**Commercial & Professional Services 0.8%**

Conduent Business Services LLC, Delayed Draw Term A Loan, 3.485%, (LIBOR + 2.25%), 12/07/21	United States	1,000,000	1,001,250
Ventia Pty. Ltd., Term B Loans (USD), 4.833%, (LIBOR + 3.50%), 5/21/22	Australia	1,326,810	1,336,761
			<b>2,338,011</b>

## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*		Value
<b>ij Senior Floating Rate Interests (continued)</b>				
<b>Consumer Services 3.7%</b>				
24 Hour Fitness Worldwide Inc., Term Loan, 5.046%, (LIBOR + 3.75%), 5/28/21	United States	1,935,000	\$	1,937,999
Avis Budget Car Rental LLC, Tranche B Term Loan, 3.34%, (LIBOR + 2.00%), 3/15/22	United States	2,073,215		2,066,737
Fitness International LLC, Term A Loan, 4.485%, (LIBOR + 3.25%), 4/01/20	United States	1,818,881		1,823,050
Hilton Worldwide Finance LLC, Series B-2 Term Loans, 3.237%, (LIBOR + 2.00%), 10/25/23	United States	1,985,013		1,995,144
KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC, Term B Loans, 3.234%, (LIBOR + 2.00%), 6/16/23	United States	1,725,315		1,735,173
Las Vegas Sands LLC, Term B Loans, 3.235%, (LIBOR + 2.00%), 3/29/24	United States	130,970		131,625
Sabre GBLB Inc., 2017 Other Term A Loans, 3.485%, (LIBOR + 2.25%), 7/01/22	United States	977,096		981,166
				10,670,894
<b>Diversified Financials 1.5%</b>				
Avolon TLB Borrower 1 US LLC, Initial Term B-1 Loans, 3.486%, (LIBOR + 2.25%), 9/16/20	United States	2,310,977		2,321,293
Finco I LLC, Initial Term Loans, 2.75%, (LIBOR + 2.75%), 6/14/22	United States	2,000,000		2,021,750
				4,343,043
<b>Energy 0.9%</b>				
Energy Transfer Equity LP, Loans, 3.981%, (LIBOR + 2.75%), 2/02/24	United States	501,857		504,635
OSG Bulk Ships Inc., Initial Term Loan, 5.57%, (LIBOR + 4.25%), 8/05/19	United States	2,035,947		1,943,057
				2,447,692
<b>Food, Beverage &amp; Tobacco 1.7%</b>				

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JBS USA LUX SA, New Initial Term Loans, 3.804%, (LIBOR + 2.50%), 10/30/22	Brazil	3,006,936	2,973,483
Pinnacle Foods Finance LLC, Initial Term Loans, 3.232%, (LIBOR + 2.00%), 2/03/24	United States	132,825	133,323
Post Holdings Inc., Series A Incremental Term Loan, 3.49%, (LIBOR + 2.25%), 5/24/24	United States	1,693,281	1,698,680
			4,805,486
<b>Health Care Equipment &amp; Services 2.1%</b>			
Envision Healthcare Corp. (Emergency Medical), Initial Term Loans, 4.24%, (LIBOR + 3.00%), 12/01/23	United States	1,639,439	1,651,906
Mallinckrodt International Finance SA/CB LLC, Extended Term Loan B, 4.083%, (LIBOR + 2.75%), 9/24/24	United States	1,990,000	1,990,000
U.S. Renal Care Inc., Initial Term Loan, 5.583%, (LIBOR + 4.25%), 12/31/22	United States	2,487,342	2,417,385
			6,059,291
<b>Household &amp; Personal Products 1.4%</b>			
FGI Operating Co. LLC, Term B Loans, 5.50%, (LIBOR + 4.25%), 4/19/19	United States	1,981,235	1,544,125
Spectrum Brands Inc., USD Term Loans, 3.312% - 3.314%, (LIBOR + 2.00%), 6/23/22	United States	2,413,998	2,429,689
			3,973,814

## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>ij Senior Floating Rate Interests (continued)</b>			
<b>Materials 3.6%</b>			
Ashland LLC, Term B Loan, 3.237% - 3.319%, (LIBOR + 2.00%), 5/17/24	United States	541,850	\$ 544,559
Axalta Coating Systems U.S. Holdings Inc., Term B-2 Dollar Loans, 3.333%, (LIBOR + 2.00%), 6/01/24	United States	1,865,272	1,876,833
Chemours Co., Tranche B-1 US Term Loans, 3.74%, (LIBOR + 2.50%), 5/12/22	United States	2,141,057	2,155,777
Cyanco Intermediate Corp., Initial Term Loan, 5.735%, (LIBOR + 4.50%), 5/01/20	United States	1,816,120	1,830,309
Ineos U.S. Finance LLC, 2024 Dollar Term Loan, 3.985%, (LIBOR + 2.75%), 3/31/24	United States	1,542,260	1,552,863
KMG Chemicals Inc., Initial Term Loan, 5.485%, (LIBOR + 4.25%), 6/15/24	United States	448,183	456,027
OCI Beaumont LLC, Term B-3 Loan, 8.064%, (LIBOR + 6.75%), 8/20/19	United States	1,220,315	1,232,518
Oxbow Carbon LLC, Tranche B Term Loan, 4.735%, (LIBOR + 3.50%), 1/19/20	United States	628,554	634,054
			10,282,940
<b>Media 7.5%</b>			
AMC Entertainment Holdings Inc., Incremental Term Loans, 3.484%, (LIBOR + 2.25%), 12/15/23	United States	598,472	597,051
CSC Holdings LLC, March 2017 Incremental Term Loans, 3.484%, (LIBOR + 2.25%), 7/17/25	United States	2,599,138	2,585,892
Gray Television Inc., Term B-2 Loan, 3.737%, (LIBOR + 2.50%), 2/07/24	United States	2,749,297	2,769,059
Lions Gate Entertainment Corp., Term A Loan, 3.235%, (LIBOR + 2.00%), 12/08/21	United States	2,908,125	2,912,671
Live Nation Entertainment Inc., Term B-3 Loans, 3.50%, (LIBOR + 2.25%), 10/21/23	United States	842,632	846,739
Mediacom Illinois LLC, Tranche K Term Loan, 3.45%, (LIBOR + 2.25%), 2/15/24	United States	1,134,300	1,139,404
Mission Broadcasting Inc., Term Loan B-2, 3.737%, (LIBOR + 2.50%), 7/19/24	United States	68,501	68,752
	United States	547,187	549,186

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Nexstar Broadcasting Inc., Term Loan B-2, 3.737%, (LIBOR + 2.50%), 7/19/24			
Regal Cinemas Corp., Term Loan, 3.235%, (LIBOR + 2.00%), 4/01/22	United States	3,018,643	3,007,532
Sinclair Television Group Inc., Tranche B Term Loans, 3.49%, (LIBOR + 2.25%), 1/03/24	United States	1,991,004	1,997,019
UPC Financing Partnership, Facility AP, 3.984%, (LIBOR + 2.75%), 4/15/25	United States	2,180,000	2,190,316
Virgin Media Bristol LLC, I Facility, 3.984%, (LIBOR + 2.75%), 1/31/25	United States	2,622,768	2,635,677
			21,299,298

**Pharmaceuticals, Biotechnology & Life Sciences 4.0%**

Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 5.50%, (LIBOR + 4.25%), 4/29/24	United States	1,995,000	2,017,444
Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 3.447%, (LIBOR + 2.25%), 1/31/25	United States	1,740,638	1,745,879
Horizon Pharma Inc., Second Amendment Refinancing Term Loans, 5.00%, (LIBOR + 3.75%), 3/29/24	United States	2,138,620	2,158,670
INC Research Holdings Inc., Initial Term B Loans, 3.485%, (LIBOR + 2.25%), 8/01/24	United States	1,878,538	1,886,756
RPI Finance Trust, Term A-3 Loan, 3.083%, (LIBOR + 1.75%), 10/14/21	United States	1,200,564	1,203,566

## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>i,j Senior Floating Rate Interests (continued)</b>			
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences (continued)</b>			
Valeant Pharmaceuticals International Inc., Series F Tranche B Term Loan, 5.99%, (LIBOR + 4.75%), 4/01/22	United States	2,319,012	\$ 2,362,783
			11,375,098
<b>Retailing 3.4%</b>			
Ascena Retail Group Inc., Tranche B Term Loan, 5.75%, (LIBOR + 4.50%), 8/21/22	United States	3,643,596	2,994,580
Dollar Tree Inc., Term A-1 Loans, 2.75%, (LIBOR + 1.50%), 7/06/20	United States	1,567,486	1,564,038
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.064%, (LIBOR + 3.75%), 7/09/19	United States	2,786,119	2,610,824
PetSmart Inc., Tranche B-2 Loans, 4.24%, (LIBOR + 3.00%), 3/11/22	United States	2,930,442	2,495,064
			9,664,506
<b>Semiconductors &amp; Semiconductor Equipment 1.7%</b>			
MACOM Technology Solutions Holdings Inc., Initial Term Loans, 3.487%, (LIBOR + 2.25%), 5/07/24	United States	2,630,671	2,627,382
MKS Instruments Inc., Tranche B-3 Term Loans, 3.485%, (LIBOR + 2.25%), 4/29/23	United States	339,855	343,200
ON Semiconductor Corp., 2017 Replacement Term Loans, 3.485%, (LIBOR + 2.25%), 3/31/23	United States	1,953,072	1,962,330
			4,932,912
<b>Software &amp; Services 1.8%</b>			
Global Payments Inc., Term A-2 Loan, 2.947%, (LIBOR + 1.75%), 5/02/22	United States	1,349,834	1,350,115
Rackspace Hosting Inc., 2017 Refinancing Term B Loans, 4.311%, (LIBOR + 3.00%), 11/03/23	United States	2,036,613	2,036,978
Sungard Availability Services Capital Inc., 2019 Tranche B Term Loan, 6.235%, (LIBOR + 5.00%), 3/29/19	United States	1,740,703	1,644,964

5,032,057

**Technology Hardware & Equipment 3.1%**

Ciena Corp., Refinancing Term Loan, 3.736%, (LIBOR + 2.50%), 1/28/22	United States	2,357,809	2,369,598
Commscope Inc., Tranche 5 Term Loans, 3.235%, (LIBOR + 2.00%), 12/29/22	United States	2,093,107	2,106,149
Dell International LLC, Term A-3 Loan, 3.20%, (LIBOR + 2.00%), 12/31/18	United States	2,538,306	2,543,065
Western Digital Corp., US Term B-2 Loan, 3.985%, (LIBOR + 2.75%), 4/29/23	United States	1,716,821	1,731,843
			8,750,655

**Telecommunication Services 0.2%**

Consolidated Communications Inc., Initial Term Loan, 4.24%, (LIBOR + 3.00%), 10/05/23	United States	527,596	515,989
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**Transportation 5.2%**

Air Canada, Term Loan, 3.568%, (LIBOR + 2.25%), 10/06/23	Canada	3,010,393	3,032,345
American Airlines Inc., Class B Term Loans, 3.735%, (LIBOR + 2.50%), 4/28/23	United States	1,981,015	1,989,682
Delos Finance SARL (ILFC), New Loan, 3.333%, (LIBOR + 2.00%), 10/06/23	Luxembourg	2,500,000	2,518,528
The Hertz Corp., Tranche B-1 Term Loan, 3.985%, (LIBOR + 2.75%), 6/30/23	United States	3,008,670	2,994,568
Pilot Travel Centers LLC, Initial Tranche B Term Loans, 3.235%, (LIBOR + 2.00%), 5/25/23	United States	1,488,750	1,500,536



## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*		Value
<b><sup>i,j</sup> Senior Floating Rate Interests (continued)</b>				
<b>Transportation (continued)</b>				
United Air Lines Inc., Class B Term Loans, 3.561%, (LIBOR + 2.25%), 4/01/24	United States	995,000	\$	999,851
XPO Logistics Inc., Loans, 3.554%, (LIBOR + 2.25%), 11/01/21	United States	1,867,306		1,874,168
				14,909,678
<b>Utilities 4.0%</b>				
Calpine Corp., Term Loan (B5), 4.09%, (LIBOR + 2.75%), 1/15/24	United States	2,552,448		2,550,689
EFS Cogen Holdings I LLC (Linden), Term B Advance, 4.84%, (LIBOR + 3.50%), 6/28/23	United States	2,408,700		2,442,824
Lightstone Holdco LLC, Initial Term B Loan, 5.735%, (LIBOR + 4.50%), 1/30/24	United States	2,795,479		2,790,892
Initial Term C Loan, 5.735%, (LIBOR + 4.50%), 1/30/24	United States	174,187		173,901
NRG Energy Inc., Term Loans, 3.583%, (LIBOR + 2.25%), 6/30/23	United States	3,440,767		3,447,477
				11,405,783
<b>Total Senior Floating Rate Interests (Cost \$143,780,401)</b>				142,466,979
<b>Foreign Government and Agency Securities (Cost \$1,923,108) 0.6%</b>				
Government of Mexico, 7.75%, 12/14/17	Mexico	320,000 <sup>k</sup>	MXN	1,759,938
<b>Commercial Mortgage-Backed Securities 6.1%</b>				
<b>Banks 2.9%</b>				
Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46	United States	147,910		149,764
<sup>i,l</sup> Bear Stearns ARM Trust, 2004-4, A6, FRN, 3.499%, 6/25/34	United States	555,524		566,563
Citigroup Commercial Mortgage Trust, 2006-C5, AJ, 5.482%, 10/15/49	United States	588,738		556,519

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2015-GC27, A5, 3.137%, 2/10/48	United States	1,520,000	1,533,922
<sup>i,l</sup> Commercial Mortgage Trust, 2006-GG7, AJ, FRN, 5.766%, 7/10/38	United States	1,005,000	943,468
CSAIL Commercial Mortgage Trust, 2015-C1, A4, 3.505%, 4/15/50	United States	1,410,000	1,459,147
JPMBB Commercial Mortgage Securities Trust, 2015-C28, A4, 3.227%, 10/15/48	United States	1,410,000	1,433,782
<sup>m</sup> Merrill Lynch Mortgage Investors Trust, <sup>n</sup> 2003-OPT1, B2, FRN, 5.362%, (1-month USD LIBOR + 4.125%), 7/25/34	United States	33,301	8,231
2005-A6, 2A3, FRN, 1.617%, (1-month USD LIBOR + 0.38%), 8/25/35	United States	257,677	255,196
<sup>m</sup> Morgan Stanley ABS Capital I Inc. Trust, 2003-NC10, B1, FRN, 6.187%, (1-month USD LIBOR + 4.95%), 10/25/33	United States	350,442	361,620
<sup>i,l</sup> Morgan Stanley Capital I Trust, 2007-IQ16, AMA, FRN, 6.091%, 12/12/49	United States	309,137	311,498
Wells Fargo Commercial Mortgage Trust, 2014-LC16, A4, 3.548%, 8/15/50	United States	550,000	572,280
			8,151,990

**Diversified Financials 3.2%**

<sup>m</sup> Argent Securities Inc., 2003-W5, M4, FRN, 6.862%, (1-month USD LIBOR + 5.625%), 10/25/33	United States	220,871	223,275
<sup>e,i,l</sup> BCAP LLC Trust, 2009-RR1, 2A2, 144A, FRN, 3.35%, 5/26/35	United States	1,591,366	1,520,921
<sup>m</sup> Chase Funding Trust, 2004-2, 2A2, FRN, 1.737%, (1-month USD LIBOR + 0.50%), 2/26/35	United States	456,519	444,263

## FRANKLIN LIMITED DURATION INCOME TRUST

## STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Commercial Mortgage-Backed Securities (continued)</b>			
<b>Diversified Financials (continued)</b>			
<sup>m</sup> FHLMC Structured Agency Credit Risk Debt Notes, 2014-DN1, M2, FRN, 3.437%, (1-month USD LIBOR + 2.20%), 2/25/24	United States	2,093,904	\$ 2,161,599
2014-HQ2, M2, FRN, 3.437%, (1-month USD LIBOR + 2.20%), 9/25/24	United States	900,000	929,680
2015-DN1, M2, FRN, 3.637%, (1-month USD LIBOR + 2.40%), 1/25/25	United States	230,769	231,135
2015-HQ1, M2, FRN, 3.437%, (1-month USD LIBOR + 2.20%), 3/25/25	United States	415,476	419,041
<sup>m</sup> Impac Secured Assets Trust, 2007-2, FRN, 1.487%, (1-month USD LIBOR + 0.25%), 4/25/37	United States	241,121	240,809
<sup>e,m</sup> Invitation Homes Trust, 2015-SFR1, A, 144A, FRN, 2.684%, (1-month USD LIBOR + 1.45%), 3/17/32	United States	854,915	861,925
<sup>m</sup> MortgageIT Trust, 2004-1, A2, FRN, 2.137%, (1-month USD LIBOR + 0.90%), 11/25/34	United States	325,146	320,166
<sup>m</sup> Opteum Mortgage Acceptance Corp. Trust, 2005-4, 1APT, FRN, 1.547%, (1-month USD LIBOR + 0.31%), 11/25/35	United States	443,638	433,564
<sup>m,n</sup> Option One Mortgage Loan Trust, 2003-6, M5, FRN, 6.187%, (1-month USD LIBOR + 4.95%), 11/25/33	United States	147,107	116,145
<sup>m,n</sup> Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 6.112%, (1-month USD LIBOR + 4.875%), 4/25/33	United States	13,987	11,721
<sup>m</sup> Structured Asset Securities Corp., 2005-2XS, 2A2, FRN, 2.737%, (1-month USD LIBOR + 1.50%), 2/25/35	United States	345,175	340,837
<sup>i,l</sup> Thornburg Mortgage Securities Trust, 2005-1, A3, FRN, 3.028%, 4/25/45	United States	725,014	728,458
Wells Fargo Mortgage Backed Securities Trust, <sup>i,l</sup> 2004-W, A9, FRN, 3.616%, 11/25/34	United States	226,625	231,990
2007-3, 3A1, 5.50%, 4/25/22	United States	68,169	69,748
			9,285,277
<b>Total Commercial Mortgage-Backed Securities (Cost \$17,487,957)</b>			<b>17,437,267</b>

Mortgage-Backed Securities 38.0%

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

FHLMC, 3.827%, (12-month USD LIBOR +/- MBS Margin), 5/01/34	United States	88,861	93,518
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**Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 18.4%**

FHLMC Gold 15 Year, 5.00%, 12/01/23	United States	513,670	549,171
FHLMC Gold 15 Year, 5.50%, 7/01/19	United States	6,943	7,114
FHLMC Gold 30 Year, 3.00%, 4/01/47	United States	5,957,681	5,982,084
P FHLMC Gold 30 Year, 3.00%, 10/01/47	United States	6,450,000	6,470,156
FHLMC Gold 30 Year, 3.50%, 3/01/45	United States	49,285	50,875
FHLMC Gold 30 Year, 3.50%, 3/01/47	United States	6,050,676	6,245,918
P FHLMC Gold 30 Year, 3.50%, 10/01/47	United States	7,980,000	8,229,063
FHLMC Gold 30 Year, 4.00%, 8/01/47	United States	12,235,530	12,888,969
P FHLMC Gold 30 Year, 4.00%, 10/01/47	United States	9,935,000	10,458,139
FHLMC Gold 30 Year, 6.00%, 7/01/28 - 11/01/36	United States	613,688	695,271
FHLMC Gold 30 Year, 6.50%, 8/01/27 - 3/01/38	United States	352,099	391,152
FHLMC Gold 30 Year, 7.00%, 9/01/27	United States	106,002	115,525
FHLMC Gold 30 Year, 8.00%, 1/01/31	United States	8,100	8,260
FHLMC Gold 30 Year, 8.50%, 7/01/31	United States	309,928	