

FRANKLIN LTD DURATION INCOME TRUST
Form N-Q
February 27, 2015

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

(formerly, Franklin Templeton 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

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

Date of fiscal year end: 03/31

Date of reporting period: 12/31/14

Item 1. Schedule of Investments.

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited)

| | Country | Shares | Value |
|-----------------------------------------------------------------------------------|----------------|-----------|--------------------------|
| Common Stocks 0.1% | | | |
| Materials 0.1% | | | |
| NewPage Holdings Inc. | United States | 3,000 | \$ 272,250 |
| Transportation 0.0%† | | | |
| aCEVA Holdings LLC | United Kingdom | 112 | 86,908 |
| Total Common Stocks (Cost \$728,298) | | | 359,158 |
| Convertible Preferred Stocks 0.1% | | | |
| Transportation 0.1% | | | |
| aCEVA Holdings LLC, cvt. pfd., A-1 | United Kingdom | 6 | 6,000 |
| aCEVA Holdings LLC, cvt. pfd., A-2 | United Kingdom | 243 | 188,131 |
| Total Convertible Preferred Stocks (Cost \$369,948) | | | 194,131 |
| | | | Principal Amount* |
| Corporate Bonds 50.3% | | | |
| Automobiles & Components 0.4% | | | |
| The Goodyear Tire & Rubber Co., senior note, 6.50%, 3/01/21 | United States | 1,500,000 | 1,597,500 |
| Banks 3.4% | | | |
| bBank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, | | | |
| Perpetual | United States | 3,000,000 | 3,251,250 |
| CIT Group Inc., | | | |
| 4.25%, 8/15/17 | United States | 1,500,000 | 1,533,750 |
| senior note, 5.00%, 5/15/17 | United States | 1,200,000 | 1,248,000 |
| ^c senior note, 144A, 6.625%, 4/01/18 | United States | 500,000 | 544,375 |
| bCitigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual | United States | 1,300,000 | 1,283,750 |
| bJPMorgan Chase & Co., junior sub. bond, | | | |
| R, 6.00% to 8/01/23, FRN thereafter, Perpetual | United States | 1,500,000 | 1,488,750 |
| V, 5.00% to 7/30/19, FRN thereafter, Perpetual | United States | 500,000 | 491,719 |
| Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22 | United Kingdom | 1,000,000 | 1,088,125 |
| The Royal Bank of Scotland PLC, sub. note, 6.934%, 4/09/18 | United Kingdom | 1,100,000 | EUR 1,536,473 |
| | | | 12,466,192 |

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Capital Goods 0.3%

| | | | |
|-------------------------------------------------------------|---------------|---------|---------|
| cAECOM Technology Corp., senior note, 144A, 5.75%, 10/15/22 | United States | 400,000 | 410,000 |
| TransDigm Inc., senior sub. note, 6.00%, 7/15/22 | United States | 500,000 | 501,250 |
| | | | 911,250 |

Commercial & Professional Services 0.3%

| | | | |
|-----------------------------------------------------------|---------------|---------|-----------|
| cAnna Merger Sub Inc., senior note, 144A, 7.75%, 10/01/22 | United States | 700,000 | 710,500 |
| cIHS Inc., senior note, 144A, 5.00%, 11/01/22 | United States | 300,000 | 298,500 |
| | | | 1,009,000 |

Consumer Durables & Apparel 1.4%

| | | | |
|-----------------------------------------------------------------------------------------------------|---------------|-----------|-----------|
| KB Home, senior note, 4.75%, 5/15/19 | United States | 1,100,000 | 1,086,250 |
| 7.00%, 12/15/21 | United States | 1,100,000 | 1,159,813 |
| cTaylor Morrison Communities Inc./Monarch Communities Inc., senior note, 144A, 7.75%, 4/15/20 | United States | 722,000 | 768,930 |
| 5.25%, 4/15/21 | United States | 800,000 | 792,000 |
| Visant Corp., senior note, 10.00%, 10/01/17 | United States | 1,400,000 | 1,232,000 |
| | | | 5,038,993 |

Consumer Services 2.2%

| | | | |
|--------------------------------------------------------------------------------------------------|---------------|-----------|-----------|
| c1011778 BC ULC/New Red Finance Inc., secured note, second lien, 144A, 6.00%, 4/01/22 | Canada | 1,200,000 | 1,236,000 |
| c24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22 | United States | 1,000,000 | 805,000 |
| Caesars Entertainment Operating Co. Inc., senior secured note, first lien, 11.25%, 6/01/17 | United States | 1,600,000 | 1,180,800 |
| cLandry's Inc., senior note, 144A, 9.375%, 5/01/20 | United States | 1,000,000 | 1,065,000 |
| MGM Resorts International, senior note, 8.625%, 2/01/19 | United States | 2,500,000 | 2,846,875 |

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

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited) (continued)

| | | | |
|-----------------------------------------------------------------------------------------------|----------------|-----------|-----------|
| cScientific Games International Inc., senior secured note, first lien, 144A, 7.00%, 1/01/22 | United States | 800,000 | 814,000 |
| | | | 7,947,675 |
| Diversified Financials 2.5% | | | |
| cAerCap Ireland Capital Ltd./AerCap Global Aviation Trust, senior note, 144A, 5.00%, 10/01/21 | Netherlands | 600,000 | 625,125 |
| Ally Financial Inc., senior note, 6.25%, 12/01/17 | United States | 2,000,000 | 2,165,000 |
| 4.75%, 9/10/18 | United States | 1,000,000 | 1,037,500 |
| E*TRADE Financial Corp., senior note, 6.375%, 11/15/19 | United States | 800,000 | 852,000 |
| 5.375%, 11/15/22 | United States | 400,000 | 410,000 |
| Navient Corp., senior note, 8.45%, 6/15/18 | United States | 1,400,000 | 1,564,500 |
| 5.50%, 1/15/19 | United States | 1,100,000 | 1,127,500 |
| 5.00%, 10/26/20 | United States | 300,000 | 295,125 |
| cOneMain Financial Holdings Inc., senior note, 144A, 7.25%, 12/15/21 | United States | 1,100,000 | 1,133,000 |
| | | | 9,209,750 |
| Energy 9.7% | | | |
| BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22 | United States | 1,500,000 | 1,166,250 |
| cCalifornia Resources Corp., senior note, 144A, 5.50%, 9/15/21 | United States | 1,500,000 | 1,290,000 |
| CGG SA, senior note, 6.875%, 1/15/22 | France | 1,200,000 | 914,250 |
| CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20 | Canada | 1,800,000 | 1,755,000 |
| Chesapeake Energy Corp., senior note, 6.625%, 8/15/20 | United States | 2,500,000 | 2,668,750 |
| 6.125%, 2/15/21 | United States | 1,000,000 | 1,055,000 |
| Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19 | United States | 1,500,000 | 1,282,500 |
| cCompressco Partners LP/Finance Corp., senior note, 144A, 7.25%, 8/15/22 | United States | 400,000 | 348,000 |
| cCONSOL Energy Inc., senior note, 144A, 5.875%, 4/15/22 | United States | 1,100,000 | 1,028,500 |
| cDrill Rigs Holdings Inc., secured note, 144A, 6.50%, 10/01/17 | United States | 1,500,000 | 1,252,500 |
| Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20 | United States | 2,500,000 | 2,787,500 |
| Energy XXI Gulf Coast Inc., senior note, 7.50%, 12/15/21 | United States | 600,000 | 327,000 |
| © 144A, 6.875%, 3/15/24 | United States | 300,000 | 162,750 |
| cEnQuest PLC, senior note, 144A, 7.00%, 4/15/22 | United Kingdom | 1,000,000 | 614,375 |
| EPL Oil & Gas Inc., senior note, 8.25%, 2/15/18 | United States | 1,000,000 | 765,000 |
| Halcon Resources Corp., senior note, | | | |

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| | | | |
|----------------------------------------------------------------------------------------------------------------|---------------|-----------|-----------|
| 9.75%, 7/15/20 | United States | 100,000 | 75,500 |
| 8.875%, 5/15/21 | United States | 1,500,000 | 1,136,250 |
| 9.25%, 2/15/22 | United States | 500,000 | 371,250 |
| Kodiak Oil & Gas Corp., senior note, 8.125%, 12/01/19 | United States | 900,000 | 920,250 |
| 5.50%, 1/15/21 | United States | 300,000 | 302,250 |
| Linn Energy LLC/Finance Corp., senior note, 8.625%, 4/15/20 | United States | 1,500,000 | 1,312,500 |
| 7.75%, 2/01/21 | United States | 1,000,000 | 847,500 |
| Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21 | United States | 1,400,000 | 1,323,000 |
| cMemorial Resource Development Corp., senior note, 144A, 5.875%, 7/01/22 | United States | 800,000 | 726,000 |
| Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21 | United States | 1,000,000 | 510,000 |
| cOcean Rig UDW Inc., senior note, 144A, 7.25%, 4/01/19 | United States | 600,000 | 424,125 |
| Offshore Group Investment Ltd., senior bond, first lien, 7.125%, 4/01/23 | United States | 600,000 | 432,000 |
| senior secured note, first lien, 7.50%, 11/01/19 | United States | 1,000,000 | 751,250 |
| Peabody Energy Corp., senior note, 6.00%, 11/15/18 | United States | 2,500,000 | 2,281,250 |
| Penn Virginia Resource Partners LP/Penn Virginia Resource Finance Corp., senior note, 8.375%, 6/01/20 | United States | 502,000 | 538,395 |
| 6.50%, 5/15/21 | United States | 300,000 | 304,500 |
| Quicksilver Resources Inc., senior note, 9.125%, 8/15/19 | United States | 1,000,000 | 255,000 |
| Regency Energy Partners LP/Regency Energy Finance Corp., senior note, 5.875%, 3/01/22 | United States | 200,000 | 200,500 |
| 5.00%, 10/01/22 | United States | 300,000 | 285,000 |
| Sabine Pass Liquefaction LLC, first lien, 5.625%, 2/01/21 | United States | 2,000,000 | 1,975,000 |
| Samson Investment Co., senior note, 9.75%, 2/15/20 | United States | 1,500,000 | 629,062 |

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited) *(continued)*

| | | | |
|-------------------------------------------------------------------------------------------------|---------------|-----------|------------|
| Sanchez Energy Corp., senior note, 7.75%, 6/15/21 | United States | 1,000,000 | 935,000 |
| © 144A, 6.125%, 1/15/23 | United States | 500,000 | 421,250 |
| cTriangle USA Petroleum Corp., senior note, 144A, 6.75%, 7/15/22 | United States | 500,000 | 332,500 |
| cUltra Petroleum Corp., senior bond, 144A, 6.125%, 10/01/24 | United States | 1,200,000 | 1,038,000 |
| | | | 35,744,707 |
| Food, Beverage & Tobacco 2.2% | | | |
| Constellation Brands Inc., senior note, 3.875%, 11/15/19 | United States | 900,000 | 909,000 |
| cCott Beverages Inc., senior note, 144A, 6.75%, 1/01/20 | United States | 700,000 | 701,750 |
| Del Monte Corp., senior note, 7.625%, 2/15/19 | United States | 2,000,000 | 1,970,000 |
| cDole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19 | United States | 1,000,000 | 998,750 |
| cJBS USA LLC/Finance Inc., senior note, 144A, 8.25%, 2/01/20 | United States | 1,900,000 | 2,009,250 |
| Post Holdings Inc., senior note, 7.375%, 2/15/22 | United States | 1,000,000 | 1,002,500 |
| © 144A, 6.75%, 12/01/21 | United States | 600,000 | 583,500 |
| © 144A, 6.00%, 12/15/22 | United States | 100,000 | 94,125 |
| | | | 8,268,875 |
| Health Care Equipment & Services 3.2% | | | |
| Alere Inc., senior note, 7.25%, 7/01/18 | United States | 1,300,000 | 1,358,500 |
| senior sub. note, 6.50%, 6/15/20 | United States | 500,000 | 506,250 |
| Aviv Healthcare Properties LP/Aviv Healthcare Capital Corp., senior note, 6.00%, 10/15/21 | United States | 400,000 | 417,500 |
| CHS/Community Health Systems Inc., senior note, 8.00%, 11/15/19 | United States | 1,100,000 | 1,177,000 |
| senior note, 7.125%, 7/15/20 | United States | 400,000 | 427,000 |
| senior note, 6.875%, 2/01/22 | United States | 100,000 | 106,438 |
| senior secured note, first lien, 5.125%, 8/15/18 | United States | 900,000 | 933,750 |
| DaVita HealthCare Partners Inc., senior bond, 5.125%, 7/15/24 | United States | 1,000,000 | 1,021,875 |
| HCA Inc., senior note, 7.50%, 2/15/22 | United States | 1,000,000 | 1,145,000 |
| senior note, 5.875%, 5/01/23 | United States | 1,500,000 | 1,584,375 |

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|--------------------------------------------------|---------------|-----------|------------|
| first lien, senior secured note, 5.875%, 3/15/22 | United States | 1,000,000 | 1,097,500 |
| senior secured note, first lien, 4.25%, 10/15/19 | United States | 200,000 | 203,250 |
| Tenet Healthcare Corp., | | | |
| first lien, 6.00%, 10/01/20 | United States | 500,000 | 538,165 |
| ^c senior note, 144A, 5.00%, 3/01/19 | United States | 500,000 | 501,875 |
| ^c senior note, 144A, 5.50%, 3/01/19 | United States | 900,000 | 924,750 |
| | | | 11,943,228 |

Materials 7.0%

| | | | |
|--------------------------------------------------------------------|---------------|-------------|-----------|
| ArcelorMittal, senior note, 5.00%, 2/25/17 | Luxembourg | 3,000,000 | 3,125,625 |
| cArdagh Packaging Finance PLC, senior note, 144A, 9.125%, 10/15/20 | Luxembourg | 700,000 | 747,250 |
| cArdagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., | | | |
| senior note, 144A, 6.25%, 1/31/19 | Luxembourg | 300,000 | 294,000 |
| senior note, 144A, 7.00%, 11/15/20 | Luxembourg | 88,235 | 89,559 |
| ^d senior secured note, 144A, FRN, 3.241%, 12/15/19 | Luxembourg | 700,000 | 678,125 |
| cBarminto Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18 | Australia | 1,000,000 | 900,625 |
| cCemex SAB de CV, | | | |
| secured note, 144A, 5.875%, 3/25/19 | Mexico | 500,000 | 507,188 |
| senior secured note, 144A, 9.00%, 1/11/18 | Mexico | 2,000,000 | 2,092,500 |
| cConstellium NV, senior note, 144A, 5.75%, 5/15/24 | Netherlands | 500,000 | 437,500 |
| cEldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20 | Canada | 1,500,000 | 1,462,500 |
| cFirst Quantum Minerals Ltd., senior note, 144A, | | | |
| 6.75%, 2/15/20 | Canada | 1,261,000 | 1,147,510 |
| 7.00%, 2/15/21 | Canada | 1,261,000 | 1,141,205 |
| cFMG Resources (August 2006) Pty. Ltd., senior note, 144A, | | | |
| 6.875%, 2/01/18 | Australia | 666,667 | 608,750 |
| 8.25%, 11/01/19 | Australia | 2,000,000 | 1,827,500 |
| cIneos Group Holdings SA, senior note, 144A, | | | |
| 6.50%, 8/15/18 | Switzerland | 600,000 EUR | 718,286 |
| 5.875%, 2/15/19 | Switzerland | 1,000,000 | 950,000 |
| cINVISTA Finance LLC, senior secured note, 144A, 4.25%, 10/15/19 | United States | 1,400,000 | 1,407,000 |
| cNOVA Chemicals Corp., senior bond, 144A, 5.00%, 5/01/25 | Canada | 1,300,000 | 1,293,500 |
| Novelis Inc., senior note, 8.375%, 12/15/17 | Canada | 500,000 | 519,375 |

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited) (continued)

| | | | |
|------------------------------------------------------------------------------------------------|----------------|-----------|------------|
| cOwens-Brockway Glass Container Inc., senior note, 144A, 5.00%, 1/15/22 | United States | 800,000 | 817,000 |
| cPolymer Group Inc., senior note, 144A, 6.875%, 6/01/19 | United States | 1,000,000 | 963,750 |
| cRain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21 | United States | 600,000 | 616,500 |
| Reynolds Group Issuer Inc./LLC/SA, senior note, 8.50%, 5/15/18 | United States | 1,000,000 | 1,025,000 |
| senior note, 9.00%, 4/15/19 | United States | 100,000 | 104,000 |
| senior note, 8.25%, 2/15/21 | United States | 1,000,000 | 1,030,000 |
| senior secured note, first lien, 7.125%, 4/15/19 | United States | 500,000 | 518,125 |
| cSteel Dynamics Inc., senior note, 144A, 5.125%, 10/01/21 | United States | 1,000,000 | 1,018,750 |
| | | | 26,041,123 |
| Media 5.0% | | | |
| Cablevision Systems Corp., senior note, 8.625%, 9/15/17 | United States | 1,000,000 | 1,115,000 |
| CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22 | United States | 1,500,000 | 1,501,875 |
| CCOH Safari LLC, senior bond, 5.75%, 12/01/24 | United States | 700,000 | 709,625 |
| 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 | 846,000 |
| CSC Holdings LLC, senior note, 6.75%, 11/15/21 | United States | 1,500,000 | 1,663,125 |
| DISH DBS Corp., senior note, 7.125%, 2/01/16 | United States | 2,000,000 | 2,107,500 |
| Gannett Co. Inc., senior note, 5.125%, 10/15/19 | United States | 1,200,000 | 1,233,000 |
| 7/15/20 | United States | 800,000 | 820,000 |
| iHeartCommunications Inc., senior secured bond, first lien, 9.00%, 3/01/21 | United States | 1,900,000 | 1,869,125 |
| ^{c,e} Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20 | United States | 600,000 | 525,000 |
| cSirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24 | United States | 1,000,000 | 1,027,500 |
| cUnivision Communications Inc., senior secured bond, first lien, 144A, 6.75%, 9/15/22 | United States | 472,000 | 507,400 |
| senior secured note, 144A, 6.875%, 5/15/19 | United States | 500,000 | 521,875 |
| senior secured note, first lien, 144A, 5.125%, 5/15/23 | United States | 1,000,000 | 1,015,000 |
| cVirgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25 | United Kingdom | 1,100,000 | 1,139,187 |
| cWMG Acquisition Corp., senior note, 144A, 5.625%, 4/15/22 | United States | 1,200,000 | 1,167,000 |
| | | | 18,492,712 |
| Pharmaceuticals, Biotechnology & Life Sciences 2.0% | | | |
| cGrifols Worldwide Operations Ltd., senior note, 144A, 5.25%, 4/01/22 | United States | 600,000 | 615,120 |
| cJaguar Holding Co. I, senior note, 144A, PIK, 9.375%, 10/15/17 | United States | 1,300,000 | 1,331,850 |
| cJaguar Holding Co. II/Merger Sub Inc., senior note, 144A, 9.50%, 12/01/19 | United States | 500,000 | 538,125 |
| Par Pharmaceutical Cos. Inc., senior note, 7.375%, 10/15/20 | United States | 1,900,000 | 1,995,000 |
| cValeant Pharmaceuticals International Inc., senior note, 144A, | | | |

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|---------------------------------------------------------------------------|---------------|-----------|-----------|
| 6.75%, 8/15/18 | United States | 700,000 | 746,389 |
| 5.625%, 12/01/21 | United States | 500,000 | 505,000 |
| cVPI Escrow Corp., senior note, 144A, 6.375%, 10/15/20 | United States | 1,500,000 | 1,573,125 |
| | | | 7,304,609 |
| Software & Services 2.0% | | | |
| cBMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21 | United States | 2,000,000 | 1,890,000 |
| Equinix Inc., senior note, 4.875%, 4/01/20 | United States | 1,500,000 | 1,500,000 |
| cFirst Data Corp., senior secured bond, second lien, 144A, 8.25%, 1/15/21 | United States | 3,000,000 | 3,225,000 |
| Sterling International Inc., senior note, 11.00%, 10/01/19 | United States | 700,000 | 747,250 |
| | | | 7,362,250 |
| Technology Hardware & Equipment 0.8% | | | |
| cAlcatel-Lucent USA Inc., senior note, 144A, 4.625%, 7/01/17 | France | 700,000 | 710,500 |
| 6.75%, 11/15/20 | France | 1,300,000 | 1,378,650 |
| cBlackboard Inc., senior note, 144A, 7.75%, 11/15/19 | United States | 1,000,000 | 1,007,500 |
| | | | 3,096,650 |
| Telecommunication Services 4.6% | | | |
| CenturyLink Inc., senior bond, 6.75%, 12/01/23 | United States | 300,000 | 329,625 |
| cDigicel Group Ltd., senior note, 144A, 8.25%, 9/30/20 | Bermuda | 1,200,000 | 1,174,500 |
| cDigicel Ltd., senior note, 144A, 6.00%, 4/15/21 | Bermuda | 700,000 | 665,437 |
| ceAccess Ltd., senior note, 144A, 8.25%, 4/01/18 | Japan | 1,200,000 | 1,262,250 |
| Frontier Communications Corp., senior note, 8.125%, 10/01/18 | United States | 2,000,000 | 2,255,000 |
| Intelsat Jackson Holdings SA, senior note, 7.25%, 4/01/19 | Luxembourg | 2,000,000 | 2,095,000 |

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited) (continued)

| | | | |
|-------------------------------------------------------------------------------------------------|---------------|-----------|------------|
| 10/15/20 | Luxembourg | 1,000,000 | 1,058,750 |
| cMillicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21 | Luxembourg | 1,000,000 | 1,028,125 |
| Sprint Corp., senior bond, 7.125%, 6/15/24 | United States | 300,000 | 280,500 |
| senior note, 7.25%, 9/15/21 | United States | 500,000 | 498,125 |
| Sprint Nextel Corp., senior note, 8.375%, 8/15/17 | United States | 500,000 | 541,250 |
| ^C 144A, 9.00%, 11/15/18 | United States | 1,500,000 | 1,709,850 |
| ^C 144A, 7.00%, 3/01/20 | United States | 600,000 | 651,000 |
| T-Mobile USA Inc., senior note, 6.542%, 4/28/20 | United States | 900,000 | 932,625 |
| 6.125%, 1/15/22 | United States | 300,000 | 305,625 |
| cWind Acquisition Finance SA, senior note, 144A, 7.375%, 4/23/21 | Italy | 2,000,000 | 1,890,000 |
| senior secured note, first lien, 144A, 4.75%, 7/15/20 | Italy | 500,000 | 475,000 |
| | | | 17,152,662 |
| Transportation 1.2% | | | |
| cFlorida East Coast Holdings Corp., secured note, first lien, 144A, 6.75%, 5/01/19 | United States | 1,000,000 | 992,500 |
| Hertz Corp., senior note, 6.75%, 4/15/19 | United States | 1,000,000 | 1,035,000 |
| 5.875%, 10/15/20 | United States | 1,000,000 | 1,012,500 |
| cStena AB, senior bond, 144A, 7.00%, 2/01/24 | Sweden | 600,000 | 550,500 |
| cStena International SA, secured bond, 144A, 5.75%, 3/01/24 | Sweden | 700,000 | 661,500 |
| | | | 4,252,000 |
| Utilities 2.1% | | | |
| Calpine Corp., senior note, 5.375%, 1/15/23 | United States | 1,500,000 | 1,516,875 |
| ^C senior secured bond, first lien, 144A, 7.875%, 1/15/23 | United States | 346,000 | 383,195 |
| ^C senior secured note, first lien, 144A, 6.00%, 1/15/22 | United States | 100,000 | 107,000 |
| cDynegy Finance I Inc./Dynegy Finance II Inc., senior note, 144A, 6.75%, 11/01/19 | United States | 2,000,000 | 2,037,500 |
| cInterGen NV, secured bond, 144A, 7.00%, 6/30/23 | Netherlands | 1,500,000 | 1,432,500 |
| cNGL Energy Partners LP/NGL Energy Finance Corp., senior note, 144A, 5.125%, 7/15/19 | United States | 300,000 | 288,375 |
| cNRG Yield Operating LLC, senior bond, 144A, 5.375%, 8/15/24 | United States | 700,000 | 714,000 |
| ^C Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings | | | |

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| | | | |
|------------------------------------------------------------------------------------------------|---------------|-----------|--------------------|
| Finance Inc., senior secured note, first lien, 144A, 11.50%, 10/01/20 | United States | 2,000,000 | 1,425,000 |
| | | | 7,904,445 |
| Total Corporate Bonds (Cost \$189,625,600) | | | 185,743,621 |
| dSenior Floating Rate Interests 49.7% | | | |
| Automobiles & Components 1.3% | | | |
| Gates Global LLC, Initial Dollar Term Loans, 4.25%, 7/03/21 | United States | 1,995,000 | 1,945,482 |
| TI Group Automotive Systems LLC, Term Loan, 4.25%, 7/02/21 | United States | 1,990,000 | 1,965,125 |
| UCI International Inc., Term Loan, 5.50%, 7/26/17 | United States | 1,044,931 | 1,041,448 |
| | | | 4,952,055 |
| Capital Goods 4.6% | | | |
| Alfred Fueling Systems Inc. (Wayne Fueling), First Lien Initial Term Loan, 4.75%, 6/20/21 | United States | 995,000 | 977,588 |
| B/E Aerospace Inc., Term Loan, 4.00%, 12/16/21 | United States | 2,618,216 | 2,618,216 |
| Doosan Infracore International and Doosan Holdings Europe, Tranche B Term Loan, 4.50%, 5/28/21 | United States | 1,781,069 | 1,772,164 |
| Fly Funding II S.A.R.L., Loans, 4.50%, 8/09/19 | Luxembourg | 2,636,551 | 2,629,959 |
| Onsite Rental Group Operations Pty. Ltd., Term B Loan, 5.50%, 7/30/21 | United States | 1,995,000 | 1,975,050 |
| RBS Global Inc. (Rexnord), Term B Loan, 4.00%, 8/21/20 | United States | 2,063,875 | 2,024,145 |
| TransDigm Inc., Tranche C Term Loan, 3.75%, 2/28/20 | United States | 3,952,191 | 3,891,260 |
| Tranche D Term Loan, 3.75%, 6/04/21 | United States | 995,000 | 978,583 |
| | | | 16,866,965 |
| Commercial & Professional Services 0.8% | | | |
| Interactive Data Corp., Term Loan, 4.75%, 5/02/21 | United States | 2,985,000 | 2,970,821 |
| Consumer Services 4.2% | | | |
| 24 Hour Fitness Worldwide Inc., Term Loan, 4.75%, 5/30/21 | United States | 1,990,000 | 1,921,594 |
| Caesars Entertainment Resort Properties LLC, Term B Loans, 7.00%, 10/11/20 | United States | 2,977,444 | 2,826,091 |

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited)

(continued)

| | | | |
|----------------------------------------------------------------------------|---------------|-----------|------------|
| ClubCorp Club Operations Inc., Term B Loans, 4.50%, 7/24/20 | United States | 2,770,000 | 2,733,644 |
| Fitness International LLC, Term B Loan, 5.50%, 7/01/20 | United States | 1,990,000 | 1,920,350 |
| Four Seasons Holdings Inc., Second Lien Term Loan, 6.25%, 12/27/20 | Canada | 670,000 | 670,000 |
| Scientific Games International Inc., Term Loan B, 6.00%, 10/18/20 | United States | 2,972,481 | 2,937,183 |
| TGI Friday's Inc., First Lien Initial Term Loan, 5.25% - 6.50%, 7/15/20 | United States | 535,954 | 534,614 |
| Tropicana Entertainment Inc., Term Loans, 4.00%, 11/27/20 | United States | 1,945,375 | 1,914,978 |
| | | | 15,458,454 |
| Diversified Financials 2.1% | | | |
| Asurion LLC, | | | |
| Incremental Tranche B-1 Term Loan, 5.00%, 5/24/19 | United States | 1,356,364 | 1,339,975 |
| Incremental Tranche B-2 Term Loans, 4.25%, 7/08/20 | United States | 423,550 | 411,902 |
| Guggenheim Partners Investment Management Holdings LLC, Initial Term Loan, | | | |
| 5.50%, 7/22/20 | United States | 1,994,962 | 1,981,247 |
| Trans Union LLC, 2014 Replacement Term Loan, 4.00%, 4/09/21 | United States | 4,025,708 | 3,977,903 |
| | | | 7,711,027 |
| Energy 1.8% | | | |
| Obsidian Natural Gas Trust, Term Loan, 7.00%, 11/02/15 | United States | 316,437 | 314,063 |
| OSG Bulk Ships Inc., Initial Term Loan, 5.25%, 8/05/19 | United States | 2,069,600 | 2,023,034 |
| Peabody Energy Corp., Term Loan, 4.25%, 9/24/20 | United States | 3,087,147 | 2,804,157 |
| Samson Investment Co., Second Lien Tranche I Term Loan, 5.00%, 9/25/18 | United States | 2,000,000 | 1,581,666 |
| | | | 6,722,920 |
| Food & Staples Retailing 0.2% | | | |
| AdvancePierre Foods Inc., Second Lien Term Loan, 9.50%, 10/10/17 | United States | 840,000 | 831,600 |
| Food, Beverage & Tobacco 1.3% | | | |
| Big Heart Pet Brands (Del Monte Pet), Initial Term Loans, 3.50%, 3/09/20 | United States | 2,144,040 | 2,063,638 |
| Post Holdings Inc., Series A Incremental Term Loan, 3.75%, 6/02/21 | United States | 2,835,750 | 2,829,673 |
| | | | 4,893,311 |
| Health Care Equipment & Services 5.2% | | | |
| Alere Inc., B Term Loan, 4.25%, 6/30/17 | United States | 2,124,313 | 2,111,922 |
| Amsurg Corp., Initial Term Loan, 3.75%, 7/16/21 | United States | 2,985,000 | 2,973,806 |
| Community Health Systems Inc., 2021 Term D Loan, 4.25%, 1/27/21 | United States | 3,900,257 | 3,897,550 |
| Connolly LLC, Initial Term Loan, 5.00%, 5/14/21 | United States | 1,990,000 | 1,982,538 |
| DaVita HealthCare Partners Inc., Tranche B Term Loan, 3.50%, 6/24/21 | United States | 1,902,084 | 1,886,799 |
| Iasis Healthcare LLC, Term B-2 Loan, 4.50%, 5/03/18 | United States | 1,733,739 | 1,720,736 |
| National Mentor Holdings Inc., Initial Tranche B Term Loan, 4.25%, 1/31/21 | United States | 357,300 | 349,484 |
| Surgery Centers Holdings Inc., Term Loan, 5.25%, 11/03/20 | United States | 270,000 | 263,588 |
| Truven Health Analytics Inc., New Tranche B Term Loan, 4.50%, 6/06/19 | United States | 595,455 | 579,824 |
| U.S. Renal Care Inc., Tranche B-2 Term Loan, 4.25%, 7/03/19 | United States | 3,451,110 | 3,403,657 |
| | | | 19,169,904 |

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Household & Personal Products 0.6%

| | | | |
|---------------------------------------------------------|---------------|-----------|-----------|
| Sun Products Corp., Tranche B Term Loan, 5.50%, 3/23/20 | United States | 2,460,196 | 2,300,283 |
|---------------------------------------------------------|---------------|-----------|-----------|

Materials 7.8%

| | | | |
|--------------------------------------------------------------------------------------------------|---------------|-----------|-----------|
| Arysta Lifescience SPC LLC, Initial Term Loan, 4.50%, 5/29/20 | United States | 2,858,922 | 2,847,009 |
| Second Lien Initial Term Loan, 8.25%, 11/30/20 | United States | 1,000,000 | 999,375 |
| Axalta Coating Systems U.S. Holdings Inc., 2014 Specified Refinancing Term, 3.75%, 2/01/20 | United States | 1,826,552 | 1,784,313 |
| AZ Chem US Inc., First Lien Initial Term Loan, 4.50%, 6/12/21 | United States | 1,868,493 | 1,846,305 |
| CeramTec Acquisition Corp., Initial Dollar Term B-2 Loan, 4.25%, 8/30/20 | United States | 41,699 | 41,283 |
| CeramTec GmbH, Dollar Term B-3 Loan, 4.25%, 8/30/20 | Germany | 125,652 | 124,395 |
| Exopack Holdings SA, USD Term Loan, 5.25%, 5/08/19 | Luxembourg | 1,967,257 | 1,963,159 |
| Faenza Acquisition GmbH, Initial Dollar Term B-1 Loan, 4.25%, 8/30/20 | Germany | 420,349 | 416,145 |
| FMG America Finance Inc. (Fortescue Metals Group), Loans, 3.75%, 6/30/19 | United States | 3,456,077 | 3,157,272 |
| MacDermid Holdings LLC, First Lien Tranche B Term Loan, 4.00%, 6/07/20 | United States | 1,374,013 | 1,350,398 |
| OCI Beaumont LLC, Term B-3 Loan, 5.00%, 8/20/19 | United States | 1,824,935 | 1,810,107 |
| Oxbow Carbon LLC, First Lien Tranche B Term Loan, 4.25%, 7/19/19 | United States | 3,228,787 | 2,978,556 |
| Prescrix Inc., First Lien Term Loan B, 4.25%, 5/02/21 | United States | 248,750 | 246,573 |
| Second Lien Term Loan, 8.00%, 5/02/22 | United States | 180,000 | 178,650 |
| Reynolds Group Holdings Inc., U.S. Term Loan, 4.00%, 12/01/18 | United States | 2,495,511 | 2,456,072 |
| Solenis International LP and Solenis Holdings, First Lien Term Loan, 4.25%, 7/31/21 | United States | 817,950 | 802,102 |
| Tronox Pigments (Netherlands) BV, Term Loan, 4.00%, 3/19/20 | Netherlands | 3,939,696 | 3,885,525 |

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Statement of Investments, December 31, 2014 (unaudited) *(continued)*

| | | | |
|------------------------------------------------------------------------------------------------|----------------|-----------|------------|
| Univar Inc., Term B Loan, 5.00%, 6/30/17 | United States | 1,954,269 | 1,895,991 |
| | | | 28,783,230 |
| Media 4.7% | | | |
| Charter Communications Operating LLC, Term G Loans, 4.25%, 9/12/21 | United States | 2,000,000 | 2,012,638 |
| Cumulus Media Holdings Inc., Term Loans, 4.25%, 12/23/20 | United States | 3,318,480 | 3,216,852 |
| Gray Television Inc., Term Loan B, 3.75%, 6/13/21 | United States | 2,646,830 | 2,611,759 |
| Media General Inc., Term B Loan, 4.25%, 7/31/20 | United States | 1,860,369 | 1,842,152 |
| Univision Communications Inc., First-Lien Term Loan, Add-on, 4.00%, 3/01/20 | United States | 992,230 | 971,766 |
| Replacement First-Lien Term Loan, 4.00%, 3/01/20 | United States | 618,964 | 606,584 |
| Virgin Media Bristol LLC, B Facility, 3.50%, 6/07/20 | United States | 3,100,000 | 3,053,500 |
| William Morris Endeavor Entertainment LLC, Term Loans First Lien, 5.25%, 5/06/21 | United States | 2,985,000 | 2,887,988 |
| | | | 17,203,239 |
| Pharmaceuticals, Biotechnology & Life Sciences 2.2% | | | |
| Akorn Inc., Loans, 4.50%, 4/16/21 | United States | 768,075 | 763,274 |
| hCatalent Pharma Solutions Inc., Dollar Term Loan, 5.50%, 5/20/21 | United States | 2,846,869 | 2,838,564 |
| Pharmaceutical Product Development LLC, Term Loan, 4.00%, 12/05/18 | United States | 2,047,122 | 2,038,934 |
| Valeant Pharmaceuticals International Inc., Series C-2 Tranche B Term Loan, 3.50%, 12/11/19 | Canada | 863,588 | 856,572 |
| Series D-2 Tranche B Term Loan, 3.50%, 2/13/19 | Canada | 1,624,763 | 1,611,731 |
| | | | 8,109,075 |
| Retailing 3.0% | | | |
| Academy Ltd., Initial Term Loans, 4.50%, 8/03/18 | United States | 999,274 | 987,720 |
| BJ's Wholesale Club Inc., 2013 (Nov) Replacement Loans, 4.50%, 9/26/19 | United States | 2,174,341 | 2,140,819 |
| Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19 | United States | 2,940,000 | 2,899,575 |
| Harbor Freight Tools USA Inc., Loans, 4.75%, 7/26/19 | United States | 1,981,892 | 1,979,910 |
| The Men's Wearhouse Inc., Tranche B Term Loan, 4.50%, 6/18/21 | United States | 2,992,500 | 2,981,278 |
| | | | 10,989,302 |
| Semiconductors & Semiconductor Equipment 1.5% | | | |
| Avago Technologies Cayman Ltd., Term Loans, 3.75%, 5/06/21 | Cayman Islands | 2,985,000 | 2,977,538 |
| Freescale Semiconductor Inc., Tranche B-4 Term Loan, 4.25%, 2/28/20 | United States | 982,575 | 960,467 |
| M/A-COM Technology Solutions Holdings Inc., Initial Term Loan, 4.50%, 5/07/21 | United States | 1,661,650 | 1,661,650 |
| | | | 5,599,655 |
| Software & Services 2.7% | | | |
| BMC Software Finance Inc., Initial U.S. Term Loans, 5.00%, 9/10/20 | United States | 2,887,333 | 2,807,031 |
| MoneyGram International Inc., Term Loan, 4.25%, 3/28/20 | United States | 4,133,510 | 3,833,830 |

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|---------------------------------------------------------------------------------|------------------|-----------|-----------|
| Safenet Inc., First Lien Initial Term Loan, 6.75%, 3/05/20 | United States | 843,625 | 839,407 |
| Sungard Availability Services Capital Inc., Tranche B Term Loan, 6.00%, 3/31/19 | United States | 1,389,500 | 1,211,181 |
| hWorldpay U.S. Inc., Facility B2A-II Loan, 6.25%, 11/30/19 | United States | 1,192,365 | 1,194,601 |
| | | | 9,886,050 |
| Technology Hardware & Equipment 1.9% | | | |
| CIENA Corp., Term Loan, 3.75%, 7/15/19 | United States | 2,981,115 | 2,936,398 |
| Dell International LLC, Term B Loan, 4.50%, 4/29/20 | United States | 2,974,975 | 2,970,991 |
| Oberthur Technologies of America Corp., Tranche B-2 Term Loan, 4.50%, 10/18/19 | United States | 990,000 | 976,388 |
| | | | 6,883,777 |
| Telecommunication Services 2.2% | | | |
| Genesys Telecom Holdings U.S. Inc., Dollar Term Loan, 4.00%, 2/08/20 | United States | 1,084,961 | 1,060,549 |
| Intelsat Jackson Holdings SA, Tranche B-2 Term Loan, 3.75%, 6/30/19 | Luxembourg | 3,410,931 | 3,369,716 |
| Telesat Canada/Telesat LLC, U.S. Term B-2 Loan, 3.50%, 3/28/19 | Canada | 1,476,157 | 1,454,015 |
| Zayo Group LLC, Term Loan, 4.00%, 7/02/19 | United States | 2,244,810 | 2,228,558 |
| | | | 8,112,838 |
| Transportation 0.8% | | | |
| Hertz Corp., Credit Linked Deposit, 3.75%, 3/11/18 | United States | 1,000,000 | 995,000 |
| Navios Maritime Partners LP, Initial Term Loan, 5.25%, 6/27/18 | Marshall Islands | 1,987,425 | 1,957,613 |
| | | | 2,952,613 |
| Utilities 0.8% | | | |
| Calpine Corp., Term Loan, 4.00%, 4/01/18 | United States | 2,618,000 | 2,598,365 |

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited) (continued)

| | | | |
|--------------------------------------------------------------------------------------------|---------------|-------------------|--------------------|
| Term Loans, 4.00%, 10/09/19 | United States | 332,350 | 328,819 |
| | | | 2,927,184 |
| Total Senior Floating Rate Interests (Cost \$186,502,241) | | | 183,324,303 |
| Foreign Government and Agency Securities 1.1% | | | |
| Government of Malaysia, | | | |
| 3.741%, 2/27/15 | Malaysia | 2,860,000 MYR | 818,484 |
| 3.835%, 8/12/15 | Malaysia | 755,000 MYR | 216,556 |
| 4.72%, 9/30/15 | Malaysia | 1,263,000 MYR | 364,737 |
| 3.197%, 10/15/15 | Malaysia | 280,000 MYR | 79,959 |
| Government of Poland, | | | |
| 5.50%, 4/25/15 | Poland | 645,000 PLN | 184,448 |
| 5.00%, 4/25/16 | Poland | 125,000 PLN | 36,762 |
| 4.75%, 10/25/16 | Poland | 2,100,000 PLN | 624,344 |
| Strip, 1/25/16 | Poland | 310,000 PLN | 85,954 |
| Korea Monetary Stabilization Bond, senior bond, 2.47%, 4/02/15 | South Korea | 43,700,000 KRW | 39,995 |
| Korea Treasury Bond, senior note, | | | |
| 3.25%, 6/10/15 | South Korea | 42,100,000 KRW | 38,686 |
| 2.75%, 12/10/15 | South Korea | 899,200,000 KRW | 827,312 |
| 3.00%, 12/10/16 | South Korea | 1,000,000,000 KRW | 929,986 |
| Total Foreign Government and Agency Securities (Cost \$4,520,821) | | | 4,247,223 |
| Asset-Backed Securities and Commercial Mortgage-Backed Securities 10.7% | | | |
| Banks 5.9% | | | |
| Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46 | United States | 1,610,000 | 1,672,766 |
| dBear Stearns Adjustable Rate Mortgage Trust, 2004-4, A6, FRN, 3.517%, 6/25/34 | United States | 1,041,238 | 1,073,755 |
| Bear Stearns Commercial Mortgage Securities Inc., | | | |
| ^d 2006-PW11, AJ, FRN, 5.605%, 3/11/39 | United States | 1,750,000 | 1,807,671 |
| ^d 2006-PW12, AJ, FRN, 5.751%, 9/11/38 | United States | 1,500,000 | 1,545,246 |
| 2006-PW13, AJ, 5.611%, 9/11/41 | United States | 1,820,000 | 1,870,065 |
| Citigroup Commercial Mortgage Trust, | | | |
| ⁱ 2006-C5, AJ, 5.482%, 10/15/49 | United States | 1,200,000 | 1,177,524 |
| ^d 2007-C6, AM, FRN, 5.706%, 6/10/17 | United States | 1,520,000 | 1,625,486 |
| ^d Citigroup/Deutsche Bank Commercial Mortgage Trust, 2006-CD3, AJ, FRN, 5.688%, | | | |

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|------------------------------------------------------------------------------------------|----------------|-----------|------------|
| 10/15/48 | United States | 1,300,000 | 1,268,027 |
| Greenwich Capital Commercial Funding Corp., | | | |
| ^d 2006-GG7, AJ, FRN, 5.82%, 7/10/38 | United States | 1,590,000 | 1,633,756 |
| 2007-GG9, AM, 5.475%, 3/10/39 | United States | 1,430,000 | 1,501,015 |
| JP Morgan Chase Commercial Mortgage Securities Trust, | | | |
| 2006-CB17, AM, 5.464%, 12/12/43 | United States | 380,000 | 394,170 |
| ^d 2006-LDP7, AJ, FRN, 5.873%, 4/15/45 | United States | 2,000,000 | 2,012,160 |
| dMerrill Lynch Mortgage Investors Trust, | | | |
| 2003-OPT1, B2, FRN, 4.295%, 7/25/34 | United States | 33,301 | 3,453 |
| 2005-A6, 2A3, FRN, 0.55%, 8/25/35 | United States | 540,000 | 501,343 |
| dMerrill Lynch Mortgage Trust, 2005-CK11, AJ, FRN, 5.282%, 11/12/37 | United States | 1,825,000 | 1,875,407 |
| dMorgan Stanley ABS Capital I Inc. Trust, 2003-NC10, B1, FRN, 5.12%, 10/25/33 | United States | 350,442 | 260,346 |
| dMorgan Stanley Capital I Trust, | | | |
| 2006-HQ8, AJ, FRN, 5.497%, 3/12/44 | United States | 110,000 | 113,027 |
| 2007-IQ16, AMA, FRN, 6.094%, 12/12/49 | United States | 645,000 | 703,952 |
| Wells Fargo Mortgage Backed Securities Trust, | | | |
| ^d 2004-W, A9, FRN, 2.616%, 11/25/34 | United States | 473,811 | 487,405 |
| 2007-3, 3A1, 5.50%, 4/25/37 | United States | 244,279 | 252,608 |
| | | | 21,779,182 |
| Diversified Financials 4.8% | | | |
| ^{c,d} ARES CLO Funds, 2007-12A, B, 144A, FRN, 1.233%, 11/25/20 | United States | 530,000 | 522,400 |
| d,iArgent Securities Inc., 2003-W5, M4, FRN, 5.795%, 10/25/33 | United States | 509,991 | 517,610 |
| ^{c,d} Atrium CDO Corp., 10A, C, 144A, FRN, 2.829%, 7/16/25 | United States | 920,000 | 880,532 |
| ^{c,d} Atrium XI, 11A, C, 144A, FRN, 3.435%, 10/23/25 | Cayman Islands | 910,000 | 897,760 |
| ^{c,d} BCAP LLC Trust, 2009-RR1, 2A2, 144A, FRN, 2.615%, 5/26/35 | United States | 1,600,000 | 1,588,560 |
| ^{c,d} Catamaran CLO Ltd., 2013-1A, C, 144A, FRN, 2.834%, 1/27/25 | Cayman Islands | 750,000 | 709,545 |
| ^{c,d} Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.579%, 3/11/21 | United States | 457,000 | 428,771 |
| ^{c,d} Cent CLO LP, 2013-17A, D, 144A, FRN, 3.233%, 1/30/25 | Cayman Islands | 392,157 | 380,381 |
| dChase Funding Mortgage Loan Asset-Backed Certificates, 2004-2, 2A2, FRN, 0.67%, 2/25/35 | United States | 493,412 | 440,205 |

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited) (continued)

| | | | |
|--------------------------------------------------------------------------------------------------------|----------------|-------------|-------------------|
| c,d CIFC Funding Ltd., 2007-3A, A1J, 144A, FRN, 0.634%, 7/26/21 | United States | 640,000 | 615,642 |
| c,d ColumbusNova CLO Ltd., 2007-2A, A2, 144A, FRN, 1.231%, 10/15/21 | United States | 310,000 | 303,205 |
| c,d CT CDO IV Ltd., 2006-4A, A1, 144A, FRN, 0.476%, 10/20/43 | United States | 974,643 | 966,319 |
| c,d Eaton Vance CDO Ltd., 2014-1A, A, 144A, FRN, 1.685%, 7/15/26 | Cayman Islands | 1,000,000 | 992,800 |
| B, 144A, FRN, 2.285%, 7/15/26 | United States | 400,000 | 389,372 |
| C, 144A, FRN, 3.235%, 7/15/26 | United States | 170,000 | 165,424 |
| c,d Gleneagles CLO Ltd., 2005-1A, A2, 144A, FRN, 0.632%, 11/01/17 | United States | 1,000,000 | 993,930 |
| dImpac Secured Assets Trust, 2007-2, FRN, 0.42%, 4/25/37 | United States | 517,139 | 478,723 |
| c,d ING Investment Management CLO Ltd., 2013-1A, B, 144A, FRN, 3.131%, 4/15/24 | Cayman Islands | 180,000 | 173,855 |
| 2013-1A, C, 144A, FRN, 3.731%, 4/15/24 | Cayman Islands | 450,000 | 427,747 |
| 2013-2A, B, 144A, FRN, 2.914%, 4/25/25 | United States | 1,000,000 | 961,600 |
| MortgageIT Trust, 2004-1, A2, FRN, 1.07%, 11/25/34 | United States | 638,937 | 620,828 |
| dOpteum Mortgage Acceptance Corp. Trust, 2005-4, 1APT, FRN, 0.48%, 11/25/35 | United States | 939,358 | 891,508 |
| d,iOption One Mortgage Loan Trust, 2003-6, M5, FRN, 5.12%, 11/25/33 | United States | 193,598 | 118,565 |
| dStructured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 5.045%, 4/25/33 | United States | 13,987 | 7,091 |
| Structured Asset Securities Corp., 2005-2XS, 2A2, FRN 1.656%, 2/25/35 | United States | 561,141 | 543,835 |
| d,jTalisman 6 Finance, Reg S, FRN, 0.262%, 10/22/16 | Germany | 572,984 EUR | 684,963 |
| dThornburg Mortgage Securities Trust, 2005-1, A3, FRN, 2.234%, 4/25/45 | United States | 1,400,114 | 1,409,762 |
| c,d Westchester CLO Ltd., 2007-1A, A1A, 144A, FRN, 0.457%, 8/01/22 | United States | 495,497 | 490,621 |
| | | | 17,601,554 |
| Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost \$38,402,998) | | | 39,380,736 |
| Mortgage-Backed Securities 31.1% | | | |
| dFederal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.1% | | | |
| FHLMC, 2.452%, 5/01/34 | United States | 513,946 | 547,048 |
| Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 4.3% | | | |
| FHLMC Gold 15 Year, 5.00%, 12/01/23 | United States | 1,194,416 | 1,299,765 |
| FHLMC Gold 15 Year, 5.50%, 7/01/19 | United States | 31,654 | 33,776 |
| FHLMC Gold 30 Year, 3.50%, 5/01/42 - 10/01/43 | United States | 1,560,326 | 1,627,768 |
| hFHLMC Gold 30 Year, 4.00%, 1/01/41 | United States | 8,000,000 | 8,528,125 |
| FHLMC Gold 30 Year, 4.50%, 9/01/39 - 4/01/40 | United States | 503,738 | 546,381 |

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| FHLMC Gold 30 Year, 5.00%, 11/01/38 | United States | 705,248 | 777,510 |
| FHLMC Gold 30 Year, 6.00%, 7/01/28 - 11/01/36 | United States | 1,289,973 | 1,466,265 |
| FHLMC Gold 30 Year, 6.50%, 8/01/27 - 3/01/38 | United States | 655,073 | 749,295 |
| FHLMC Gold 30 Year, 7.00%, 9/01/27 | United States | 218,960 | 250,911 |
| FHLMC Gold 30 Year, 8.00%, 1/01/31 | United States | 30,644 | 35,822 |
| FHLMC Gold 30 Year, 8.50%, 7/01/31 | United States | 554,991 | 658,787 |
| | | | 15,974,405 |
| dFederal National Mortgage Association (FNMA) Adjustable Rate 0.3% | | | |
| FNMA, 1.79% - 1.975%, 6/01/32 - 7/01/34 | United States | 1,023,184 | 1,079,794 |
| Federal National Mortgage Association (FNMA) Fixed Rate 24.8% | | | |
| FNMA 15 Year, 3.00%, 8/01/27 | United States | 22,270 | 23,182 |
| hFNMA 15 Year, 3.00%, 1/01/30 | United States | 36,475,000 | 37,915,479 |
| hFNMA 15 Year, 3.50%, 1/01/26 - 1/01/27 | United States | 506,209 | 534,935 |
| FNMA 15 Year, 5.50%, 7/01/20 | United States | 515,873 | 555,906 |
| FNMA 15 Year, 6.00%, 6/01/17 | United States | 24 | 24 |
| FNMA 15 Year, 6.50%, 7/01/20 | United States | 4,505 | 4,708 |
| FNMA 30 Year, 3.00%, 9/01/32 - 4/01/43 | United States | 2,745,939 | 2,794,867 |
| hFNMA 30 Year, 4.00%, 1/01/41 | United States | 30,850,000 | 32,927,193 |
| FNMA 30 Year, 4.00%, 12/01/40 - 2/01/41 | United States | 3,320,089 | 3,548,793 |
| FNMA 30 Year, 5.00%, 5/01/38 - 7/01/39 | United States | 1,553,585 | 1,720,123 |
| hFNMA 30 Year, 5.00%, 1/01/40 | United States | 6,653,000 | 7,351,435 |
| FNMA 30 Year, 5.50%, 6/01/37 | United States | 1,042,405 | 1,164,977 |
| FNMA 30 Year, 6.00%, 4/01/33 - 6/01/38 | United States | 1,946,675 | 2,213,285 |
| FNMA 30 Year, 6.50%, 8/01/32 | United States | 244,678 | 283,771 |
| FNMA 30 Year, 7.00%, 9/01/18 | United States | 45,742 | 48,606 |
| FNMA 30 Year, 8.00%, 10/01/29 | United States | 99,420 | 110,971 |
| FNMA 30 Year, 8.50%, 8/01/26 | United States | 191,377 | 208,875 |
| | | | 91,407,130 |
| Government National Mortgage Association (GNMA) Fixed Rate 1.6% | | | |
| GNMA I SF 30 Year, 6.50%, 6/15/31 - 12/15/33 | United States | 522,044 | 601,875 |
| hGNMA II SF 30 Year, 3.50%, 6/20/42 - 5/20/44 | United States | 4,848,928 | 5,092,651 |

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited) *(continued)*

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------|-----------------|---------------|
| GNMA II SF 30 Year, 7.00%, 1/20/24 - 1/20/29 | United States | 69,020 | 78,807 |
| GNMA II SF 30 Year, 8.00%, 1/20/28 - 10/20/31 | United States | 167,494 | 205,482 |
| | | | 5,978,815 |
| Total Mortgage-Backed Securities (Cost \$113,631,512) | | | 114,987,192 |
| Municipal Bonds 1.2% | | | |
| Metropolitan St. Louis Sewer District Wastewater System Revenue, Series B, 4.00%, 5/01/19 | United States | 1,000,000 | 1,115,270 |
| New York Thruway Authority General Junior Indebtedness Obligations Revenue, Series A, 5.00%, 5/01/19 | United States | 1,000,000 | 1,144,930 |
| Tobacco Settlement Financing Corp. Revenue, Asset-Backed, State Contingency Contract Secured, Refunding, Series B, 5.00%, 6/01/20 | United States | 1,000,000 | 1,018,040 |
| Triborough Bridge and Tunnel Authority Revenues, Refunding, Sub Series D-1, 2.885%, 11/15/19 | United States | 1,000,000 | 1,030,920 |
| Total Municipal Bonds (Cost \$4,192,256) | | | 4,309,160 |
| | | | |
| | | | |
| Litigation Trusts (Cost \$—) 0.0% | | | |
| Materials 0.0% | | | |
| a,kNewPage Corp., Litigation Trust | United States | 1,500,000 | — |
| Total Investments before Short Term Investments (Cost \$537,973,674) | | | 532,545,524 |
| | | | |
| | | | |
| Short Term Investments 4.5% | | | |
| Foreign Government and Agency Securities (Cost \$98,121) 0.0%† | | | |
| Korea Monetary Stabilization Bond, senior note, 2.74%, 2/02/15 | South Korea | 100,000,000 KRW | 91,474 |
| Total Investments before Money Market Funds (Cost \$538,071,795) | | | 532,636,998 |
| | | | |
| | | | |
| Money Market Funds (Cost \$16,606,542) 4.5% | | | |
| lInstitutional Fiduciary Trust Money Market Portfolio | United States | 16,606,542 | 16,606,542 |
| Total Investments (Cost \$554,678,337) 148.8% | | | 549,243,540 |
| Preferred Shares (24.4)% | | | (90,000,000) |
| Other Assets, less Liabilities (24.4)% | | | (90,114,010) |

Net Assets 100.0%

\$ 369,129,530

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

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

^a Non-income producing.

^b Perpetual security with no stated maturity date.

^c Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At

December 31, 2014, the aggregate value of these securities was \$91,134,345, representing 24.69% of net assets.

^d The coupon rate shown represents the rate at period end.

^e At December 31, 2014, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund may be restricted from trading this security for a limited or extended period of time.

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

^g Defaulted security or security for which income has been deemed uncollectible.

^h A portion or all of the security purchased on a delayed delivery and to-be-announced (TBA) basis.

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

^j Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States.

Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2014, the value of this security was

\$684,963, representing 0.19% of net assets.

^k Security has been deemed illiquid because it may not be able to be sold within seven days.

^l Institutional Fiduciary Trust Money Market Portfolio is an affiliated open-end management investment company.

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited)

(continued)

At December 31, 2014, the Fund had the following forward exchange contracts outstanding. See Note 3.

Forward Exchange Contracts

| Currency | Counterparty ^a | | Contract | Settlement | Unrealized | Unrealized |
|--------------------------------------------|---------------------------|-------------|-----------|------------|--------------|--------------|
| | Type | Quantity | Amount | Date | Appreciation | Depreciation |
| Euro | DBAB Buy | 364,000 \$ | 498,582 | 1/09/15 | \$ - | \$ (58,098) |
| Euro | DBAB Sell | 366,621 | 499,759 | 1/09/15 | 56,103 | - |
| Japanese Yen | DBAB Buy | 217,100,000 | 2,004,987 | 1/09/15 | - | (193,036) |
| Japanese Yen | DBAB Sell | 397,510,000 | 3,871,086 | 1/09/15 | 553,405 | - |
| Euro | DBAB Buy | 1,184,253 | 1,466,934 | 2/09/15 | - | (33,408) |
| Euro | DBAB Sell | 2,633,948 | 3,625,326 | 2/09/15 | 436,960 | - |
| Japanese Yen | DBAB Sell | 171,860,000 | 1,677,501 | 2/09/15 | 242,755 | - |
| Japanese Yen | HSBC Sell | 28,600,000 | 279,016 | 2/09/15 | 40,254 | - |
| Japanese Yen | JPHQ Sell | 60,500,000 | 590,564 | 2/09/15 | 85,489 | - |
| British Pound | DBAB Buy | 900,000 | 1,424,250 | 3/09/15 | - | (22,183) |
| British Pound | DBAB Sell | 900,000 | 1,509,480 | 3/09/15 | 107,413 | - |
| Euro | DBAB Sell | 1,096,360 | 1,510,471 | 3/09/15 | 183,051 | - |
| Japanese Yen | DBAB Sell | 465,943,750 | 4,575,752 | 3/09/15 | 684,921 | - |
| Japanese Yen | HSBC Sell | 32,110,000 | 314,126 | 3/09/15 | 45,994 | - |
| Japanese Yen | JPHQ Sell | 94,170,000 | 921,049 | 3/09/15 | 134,689 | - |
| Euro | DBAB Sell | 210,898 | 282,825 | 5/07/15 | 27,327 | - |
| Euro | JPHQ Sell | 105,568 | 141,459 | 5/07/15 | 13,566 | - |
| Euro | DBAB Sell | 427,447 | 535,079 | 6/18/15 | 17,004 | - |
| Euro | JPHQ Sell | 78,316 | 98,488 | 6/18/15 | 3,567 | - |
| Japanese Yen | DBAB Sell | 718,475,000 | 6,137,952 | 6/18/15 | 135,278 | (4,178) |
| Japanese Yen | JPHQ Sell | 180,180,000 | 1,653,412 | 6/18/15 | 147,007 | - |
| Unrealized appreciation (depreciation) | | | | | 2,914,783 | (310,903) |
| Net unrealized appreciation (depreciation) | | | | | \$ 2,603,880 | |

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

ABBREVIATIONS

Counterparty

DBAB Deutsche Bank AG
HSBC HSBC Bank USA, N.A.
JPHQ JP Morgan Chase & Co.

Currency

EUR Euro
KRW South Korean Won
MYR Malaysian Ringgit
PLN Polish Zloty

Selected Portfolio

CDO Collateralized Debt Obligation
CLO Collateralized Loan Obligation
FRN Floating Rate Note

Franklin Limited Duration Income Trust

Statement of Investments, December 31, 2014 (unaudited)

(continued)

PIK SF

Payment-In-Kind Single Family

Franklin Limited Duration Income Trust

Notes to Statements of Investments (unaudited)

1. ORGANIZATION

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

Effective June 30, 2014, the Franklin Templeton Limited Duration Income Trust was renamed the Franklin Limited Duration Income Trust.

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 at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the 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 and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

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

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 the NYSE close on the date that the values of the foreign debt securities are determined.

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC 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 VLOC 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 VLOC 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.

3. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

At December 31, 2014, the Fund received \$301,492 in U.S. Treasury Notes as collateral for derivatives.

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

The Fund entered into credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, or a tranche of a credit index. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. For centrally cleared credit default swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Payments received or paid to initiate a credit default swap contract represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors). These upfront payments are amortized over the term of the contract as a realized gain or loss. The Fund did not hold any credit default swap 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 to simultaneously sell and repurchase mortgage-backed securities at a future date. Gains or losses are realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the Fund upon entering into the mortgage dollar roll. In addition, the Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

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

5. INCOME TAXES

At December 31, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | | |
|--------------------------------------------|----|---------------|
| Cost of investments | \$ | 555,230,682 |
| Unrealized appreciation | \$ | 8,602,744 |
| Unrealized depreciation | | (14,589,886) |
| Net unrealized appreciation (depreciation) | \$ | (5,987,142) |

6. FAIR VALUE MEASUREMENTS

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

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

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------------------------------------|---------------|----------------|----------------|----------------|
| Assets: | | | | |
| Investments in Securities: | | | | |
| Equity Investments: ^a | | | | |
| Materials | \$ - | \$ 272,250 | \$ - | \$ 272,250 |
| Transportation | - | - | 281,039 | 281,039 |
| Corporate Bonds | - | 185,743,621 | - | 185,743,621 |
| Senior Floating Rate Interests | - | 183,324,303 | - | 183,324,303 |
| Foreign Government and Agency Securities | - | 4,247,223 | - | 4,247,223 |
| Asset-Backed Securities and Commercial Mortgage-Backed Securities | - | 39,380,736 | - | 39,380,736 |
| Mortgage-Backed Securities | - | 114,987,192 | - | 114,987,192 |
| Municipal Bonds | - | 4,309,160 | - | 4,309,160 |
| Litigation Trusts | - | - | - ^b | - |
| Short Term Investments | 16,606,542 | 91,474 | - | 16,698,016 |
| Total Investments in Securities | \$ 16,606,542 | \$ 532,355,959 | \$ 281,039 | \$ 549,243,540 |
| Other Financial Instruments | | | | |
| Forward Exchange Contracts | \$ - | \$ 2,914,783 | \$ - | \$ 2,914,783 |
| Liabilities: | | | | |
| Other Financial Instruments | | | | |
| Forward Exchange Contracts | \$ - | \$ 310,903 | \$ - | \$ 310,903 |

^aIncludes common and convertible preferred stocks.

^bIncludes securities determined to have no value at December 31, 2014.

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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.

7. NEW ACCOUNTING PRONOUNCEMENTS

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-11, Transfers and Servicing (Topic 860), Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The ASU changes the accounting for certain repurchase agreements and expands disclosure requirements related to repurchase agreements, securities lending, repurchase-to-maturity and similar transactions. The ASU is effective for interim and annual reporting periods beginning after December 15, 2014. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

8. SUBSEQUENT EVENTS

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

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

Item 2. Controls and Procedures.

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

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

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

Item 3. Exhibits.

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

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Administration, and Gaston Gardey, Chief Financial Officer and Chief Accounting Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Franklin Limited Duration Income Trust

By /s/LAURA F. FERGERSON

Laura F. Ferguson

Chief Executive Officer - Finance and Administration

Date February 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/LAURA F. FERGERSON

Laura F. Ferguson

Chief Executive Officer - Finance and Administration

Date February 26, 2015

By /s/GASTON GARDEY

Gaston Gardey

Chief Financial Officer and Chief Accounting Officer

Date February 26, 2015