

FRANKLIN LTD DURATION INCOME TRUST  
Form N-CSRS  
December 01, 2016

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: 9/30/16

**Item 1. Reports to Stockholders.**

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# Franklin Templeton Investments

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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.

## Contents

<b>Semiannual Report</b>	
<b>Franklin Limited Duration Income Trust</b>	<b>2</b>
<b>Performance Summary</b>	<b>6</b>
<b>Important Notice to Shareholders</b>	<b>7</b>
<b>Financial Highlights and Statement of Investments</b>	<b>9</b>
<b>Financial Statements</b>	<b>24</b>
<b>Notes to Financial Statements</b>	<b>27</b>
<b>Annual Meeting of Shareholders</b>	<b>35</b>
<b>Dividend Reinvestment and Cash Purchase Plan</b>	<b>36</b>
<b>Shareholder Information</b>	<b>38</b>

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Not part of the semiannual report 1

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FRANKLIN LIMITED DURATION INCOME TRUST

## Performance Summary as of September 30, 2016

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 gains 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 as of 9/30/16<sup>1</sup>

	Cumulative Total Return <sup>2</sup>		Average Annual Total Return <sup>2</sup>	
	Based on NAV <sup>3</sup>	Based on market price <sup>4</sup>	Based on NAV <sup>3</sup>	Based on market price <sup>4</sup>
6-Month	+8.82 %	+10.01 %	+8.82 %	+10.01 %
1-Year	+8.13 %	+18.44 %	+8.13 %	+18.44 %
5-Year	+38.60 %	+30.70 %	+6.75 %	+5.50 %
10-Year	+86.55 %	+95.03 %	+6.43 %	+6.91 %

*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	9/30/16	3/31/16	Change
Net Asset Value (NAV)	\$ 13.09	\$ 12.38	+\$0.71
Market Price (NYSE)	\$ 12.09	\$ 11.34	+\$0.75

### Distributions<sup>5</sup> (4/1/16–9/30/16)

Dividend  
Income

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\$ 0.3720

**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 9/30/16, the Fund had leverage in the amount of 31.93% of the Fund's total portfolio. The Fund employs leverage through the issuance

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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. 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.

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

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

5. The distribution amount is the sum of the dividend payments to shareholders for the period shown and includes only estimated tax-basis net investment income. A portion of the dividend is likely to be deemed a tax return of capital at year-end.

6 Semiannual Report

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FRANKLIN LIMITED DURATION INCOME TRUST

## Important Notice to Shareholders

### Managed Distribution Plan and Tender Offer

#### 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 whereby the Fund will, beginning in January, 2017, make 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 will be 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 will calculate 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 will be calculated as 10% of the previous month’s average NAV, divided by 12. Typically, it is expected that the distribution 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.

The Fund may apply to the U.S. Securities and Exchange Commission (the “SEC”) for an exemptive order allowing it to make multiple capital gains distributions over the course of the year, which, if implemented, could decrease the amount of return of capital included in the Fund’s distribution. There is no guarantee that the SEC will grant the order, or that the Fund will immediately implement the order if granted.

#### Tender Offer

The Board also authorized the Fund to conduct a tender offer, no later than the first quarter of 2017, to purchase for cash up to 15% of the Fund’s issued and outstanding common shares, at 98% of the Fund’s NAV per share. Management and the Board continue to be very focused on the Fund’s discount and are committed to pursuing options that benefit all shareholders in the long-run.

#### Modification of the Discount Narrowing Program, including Continuation of the Share Repurchase Program

The Board will continue the open-market share repurchase program previously announced on April 20, 2016, authorizing the Fund to purchase, from time to time, up to 10% of the Fund’s common shares in open-market transactions, at the discretion of management. In light of the tender offer, the Board is suspending the discount measurement period it announced on April 20, 2016. Consistent with the policy



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IMPORTANT NOTICE TO SHAREHOLDERS

expressed by the Board in its announcement on April 20, 2016, however, the Board will continue to actively monitor the Fund's discount and evaluate strategies in the context of market conditions, and expects to take strong measures as needed, which may include one or more of the following actions: (1) authorizing additional tender offers for a portion of the Fund's outstanding shares; or (2) submitting to shareholders a proposal to reorganize the Fund with either an open-end or closed end investment company; or (3) submitting to shareholders a proposal to convert the Fund to an open-end investment company.

8 Semiannual Report

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**Financial Highlights**

	<b>Six Months Ended</b>		<b>Year Ended</b>				
	<b>September 30, 2016</b>			<b>March 31,</b>			
	<b>(unaudited)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	
<b>Per common share operating performance</b>							
(for a common share outstanding throughout the period)							
Net asset value, beginning of period	\$	12.38	\$ 13.87	\$ 14.36	\$ 14.30	\$ 13.82	\$ 14.01
Income from investment operations:							
Net investment income <sup>a</sup>		0.32	0.72	0.73	0.80	0.90	0.92
Net realized and unrealized gains (losses)		0.79	(1.41 )	(0.33 )	0.20	0.62	(0.04 )
Dividends to preferred shareholders from net investment income		(0.03 )	(0.06 )	(0.06 )	(0.06 )	(0.05 )	(0.05 )
Total from investment operations		1.08	(0.75 )	0.34	0.94	1.47	0.83
Less distributions to common shareholders from net investment income		(0.37 ) <sup>b</sup>	(0.74 )	(0.83 )	(0.88 )	(0.99 )	(1.02 )
Repurchase of shares		— <sup>c</sup>	—	—	—	—	—
Net asset value, end of period	\$	13.09	\$ 12.38	\$ 13.87	\$ 14.36	\$ 14.30	\$ 13.82
Market value, end of period <sup>d</sup>	\$	12.09	\$ 11.34	\$ 12.17	\$ 13.05	\$ 14.82	\$ 14.01
Total return (based on market value per share) <sup>e</sup>							
		10.01 %	(0.44 )%	(0.35 )%	(5.85 )%	13.41 %	15.03 %

**Ratios to average net assets applicable to common shares<sup>f,g</sup>**

Expenses before waiver and payments by affiliates	1.15 %	1.16 %	1.14 %	1.12 %	1.13 %	1.15 %
Expenses net of waiver and payments by affiliates	1.13 % <sup>h</sup>	1.16 % <sup>h,i</sup>	1.14 % <sup>h,i</sup>	1.12 % <sup>h,i</sup>	1.13 %	1.15 %
Net investment income	5.01 %	5.52 %	5.14 %	5.65 %	6.44 %	6.73 %

**Supplemental data**

Net assets applicable to common shares, end of period (000's)	\$ 350,855	\$ 332,132	\$ 372,080	\$ 385,388	\$ 383,632	\$ 370,095
Portfolio turnover rate	141.45 %	270.16 %	289.67 %	318.57 %	295.39 %	302.18 %
Portfolio turnover rate excluding mortgage						

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dollar rolls <sup>j</sup>	59.57 %	81.78 %	92.15 %	137.85 %	106.42 %	106.49 %
Asset coverage per preferred share	\$ 78,630	\$ 75,991	\$ 76,665	\$ 78,686	\$ 79,157	\$ 77,796
Liquidation preference per preferred share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000

aBased on average daily shares outstanding.

bA portion of the distribution is likely to be deemed a tax return of capital at year end.

cAmount rounds to less than \$0.01 per share.

dBased on the last sale on the NYSE MKT.

eTotal return is not annualized for periods less than one year.

fBased on income and expenses applicable to both common and preferred shares.

gRatios are annualized for periods less than one year.

hBenefit of expense reduction rounds to less than 0.01%.

iBenefit of waiver and payments by affiliates rounds to less than 0.01%.

jSee Note 1(e) regarding mortgage dollar rolls.

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FRANKLIN LIMITED DURATION INCOME TRUST

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

	Country	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests 0.2%</b>			
<b>Energy 0.2%</b>			
a,b Halcon Resources Corp	United States	67,554	\$ 556,358
a Halcon Resources Corp., wts., 9/09/20	United States	6,408	14,674
a Penn Virginia Corp	United States	3,729	145,431
			716,463
<b>Materials 0.0%†</b>			
a Verso Corp., A	United States	4,163	26,851
a Verso Corp., wts., 7/25/23	United States	438	—
			26,851
<b>Transportation 0.0%†</b>			
a,c CEVA Holdings LLC	United States	112	39,249
<b>Total Common Stocks and Other Equity Interests (Cost \$2,440,159)</b>			<b>782,563</b>
<b>Convertible Preferred Stocks 0.0%†</b>			
<b>Transportation 0.0%†</b>			
a,c CEVA Holdings LLC, cvt. pfd., A-1.	United States	6	3,000
a,c CEVA Holdings LLC, cvt. pfd., A-2.	United States	243	84,962
<b>Total Convertible Preferred Stocks (Cost \$369,948)</b>			<b>87,962</b>
			<b>Principal Amount*</b>
<b>Corporate Bonds 52.5%</b>			
<b>Automobiles &amp; Components 0.9%</b>			
Fiat Chrysler Automobiles NV, senior note, 4.50%, 4/15/20	United Kingdom	2,000,000	2,070,000
The Goodyear Tire & Rubber Co., senior bond, 5.00%, 5/31/26	United States	700,000	720,125
senior note, 5.125%, 11/15/23	United States	300,000	313,500
			3,103,625
<b>Banks 2.7%</b>			

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<sup>d</sup> Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	2,500,000	2,567,188
CIT Group Inc., 4.25%, 8/15/17	United States	1,500,000	1,530,000
senior note, 5.00%, 5/15/17	United States	500,000	510,000
<sup>e</sup> senior note, 144A, 6.625%, 4/01/18	United States	500,000	531,875
<sup>d</sup> Citigroup Inc., junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	1,300,000	1,334,125
<sup>d</sup> JPMorgan Chase & Co., junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	1,500,000	1,569,375
junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	500,000	494,375
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	1,000,000	1,063,750
			9,600,688
<b>Capital Goods 1.0%</b>			
<sup>e</sup> Cloud Crane LLC, secured note, second lien, 144A, 10.125%, 8/01/24	United States	300,000	312,000
<sup>e,f</sup> Cortes NP Acquisition Corp., senior note, 144A, 9.25%, 10/15/24	United States	1,600,000	1,600,000
<sup>e</sup> HD Supply Inc., senior note, 144A, 5.75%, 4/15/24	United States	400,000	421,000

10 Semiannual Report

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FRANKLIN LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Capital Goods</b> (continued)			
TransDigm Inc., senior sub. bond, 6.50%, 5/15/25.	United States	500,000	\$ 523,750
senior sub. note, 6.00%, 7/15/22	United States	500,000	530,000
			3,386,750
<b>Commercial &amp; Professional Services 0.5%</b>			
<sup>e</sup> Acosta Inc., senior note, 144A, 7.75%, 10/01/22	United States	1,200,000	993,000
United Rentals North America Inc., senior bond, 5.875%, 9/15/26.	United States	600,000	621,000
			1,614,000
<b>Consumer Durables &amp; Apparel 1.9%</b>			
<sup>e</sup> Beazer Homes USA Inc., senior note, 144A, 8.75%, 3/15/22	United States	1,300,000	1,374,750
<sup>e</sup> Hanesbrands Inc., senior note, 144A, 4.625%, 5/15/24	United States	1,100,000	1,134,375
KB Home, senior note, 4.75%, 5/15/19	United States	1,100,000	1,128,875
senior note, 7.00%, 12/15/21.	United States	1,100,000	1,188,000
<sup>e</sup> Taylor Morrison Communities Inc./Monarch Communities Inc., senior note, 144A, 5.25%, 4/15/21	United States	800,000	831,000
senior note, 144A, 5.875%, 4/15/23	United States	1,000,000	1,052,500
			6,709,500
<b>Consumer Services 2.9%</b>			
<sup>e</sup> 1011778 BC ULC/New Red Finance Inc., secured note, second lien, 144A, 6.00%, 4/01/22.	Canada	1,200,000	1,260,000
senior secured note, first lien, 144A, 4.625%, 1/15/22	Canada	600,000	625,500
<sup>e</sup> 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	1,000,000	817,500
<sup>e</sup> International Game Technology PLC, senior note, 144A, 5.625%, 2/15/20	United States	2,000,000	2,132,500
<sup>e</sup> 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	1,466,500
<sup>e</sup> Landry's Inc., senior note, 144A, 9.375%, 5/01/20.	United States	1,000,000	1,050,200
MGM Resorts International, senior note, 8.625%, 2/01/19	United States	1,000,000	1,132,500
<sup>e</sup> Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25	United States	900,000	910,125
<sup>e</sup> Wynn Macau Ltd., senior note, 144A, 5.25%, 10/15/21	Macau	800,000	812,000

10,206,825

**Diversified Financials 2.7%**

AerCap Ireland Capital Ltd./AerCap Global Aviation Trust,

senior note, 4.25%, 7/01/20	Netherlands	1,300,000	1,349,127
senior note, 4.625%, 10/30/20	Netherlands	600,000	629,805
senior note, 5.00%, 10/01/21.	Netherlands	600,000	641,352
Ally Financial Inc., senior note, 6.25%, 12/01/17	United States	1,500,000	1,561,875
E*TRADE Financial Corp.,			
senior note, 5.375%, 11/15/22	United States	400,000	426,522
senior note, 4.625%, 9/15/23.	United States	500,000	520,290
<sup>e</sup> Lincoln Finance Ltd., senior secured note, 144A, 7.375%, 4/15/21	Netherlands	1,000,000	1,082,500
Navient Corp.,			
senior note, 5.00%, 10/26/20.	United States	300,000	296,625
senior note, 5.875%, 3/25/21.	United States	200,000	200,000
senior note, 6.625%, 7/26/21.	United States	700,000	707,000
senior note, 7.25%, 9/25/23	United States	2,100,000	2,098,698
			9,513,794

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Semiannual Report 11

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STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Energy 7.0%</b>			
<sup>g</sup> BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22	United States	1,500,000	\$ 765,000
California Resources Corp., <sup>e</sup> secured note, second lien, 144A, 8.00%, 12/15/22	United States	924,000	619,080
senior note, 5.50%, 9/15/21	United States	37,000	19,795
Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note, 7.75%, 4/15/23	United States	1,000,000	805,000
<sup>e</sup> senior note, 144A, 11.50%, 1/15/21	United States	800,000	920,000
CGG SA, senior note, 6.875%, 1/15/22	France	1,000,000	505,000
<sup>g,h</sup> CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20	Canada	2,001,600	980,784
<sup>e</sup> Cheniere Corpus Christi Holdings LLC, senior secured note, 144A, 7.00%, 6/30/24	United States	700,000	759,500
<sup>e</sup> Chesapeake Energy Corp., secured note, second lien, 144A, 8.00%, 12/15/22.	United States	197,000	199,955
CONSOL Energy Inc., senior note, 5.875%, 4/15/22.	United States	500,000	462,500
senior note, 8.00%, 4/01/23	United States	700,000	682,500
Crestwood Midstream Partners LP/Crestwood Midstream Finance Corp., senior note, 6.25%, 4/01/23	United States	1,500,000	1,526,250
CSI Compressco LP/CSI Compressco Finance Inc., senior note, 7.25%, 8/15/22	United States	400,000	380,000
Energy Transfer Equity LP, senior note, first lien, 7.50%, 10/15/20	United States	2,100,000	2,315,250
<sup>g,h</sup> Energy XXI Gulf Coast Inc., senior note, 7.50%, 12/15/21.	United States	600,000	60,000
<sup>e</sup> senior secured note, second lien, 144A, 11.00%, 3/15/20	United States	500,000	202,500
<sup>e,h</sup> EnQuest PLC, senior note, 144A, 7.00%, 4/15/22	United Kingdom	1,000,000	525,000
<sup>g,h</sup> EPL Oil & Gas Inc., senior note, 8.25%, 2/15/18	United States	1,000,000	142,500
Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.75%, 6/15/23	United States	1,100,000	973,500
<sup>e,g,h</sup> Linn Energy LLC/Finance Corp., senior secured note, second lien, 144A, 12.00%, 12/15/20	United States	1,500,000	735,000
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note, 7.25%, 2/15/21	United States	900,000	850,500

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9 Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21.	United States	800,000	10,000
e Murray Energy Corp., secured note, second lien, 144A, 11.25%, 4/15/21.	United States	800,000	464,000
PBF Holding Co. LLC, first lien, 8.25%, 2/15/20	United States	1,000,000	1,036,500
e.9 Peabody Energy Corp., senior secured note, second lien, 144A, 10.00%, 3/15/22	United States	1,400,000	574,000
QEP Resources Inc., senior bond, 5.25%, 5/01/23	United States	500,000	495,000
Regency Energy Partners LP/Regency Energy Finance Corp., senior note, 5.875%, 3/01/22.	United States	200,000	220,718
senior note, 5.00%, 10/01/22.	United States	500,000	528,425
Sabine Pass Liquefaction LLC, first lien, 5.625%, 2/01/21	United States	2,000,000	2,137,500
Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	900,000	796,500
senior note, 6.125%, 1/15/23.	United States	300,000	242,250
e.9 Triangle USA Petroleum Corp., senior note, 144A, 6.75%, 7/15/22	United States	1,000,000	235,000
Weatherford International Ltd., senior note, 5.125%, 9/15/20.	United States	400,000	370,000
senior note, 7.75%, 6/15/21	United States	1,000,000	993,750
senior note, 4.50%, 4/15/22	United States	400,000	340,000
WPX Energy Inc., senior note, 7.50%, 8/01/20	United States	1,500,000	1,593,750
			24,467,007

12 Semiannual Report

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STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Food, Beverage &amp; Tobacco 1.5%</b>			
Constellation Brands Inc., senior note, 3.875%, 11/15/19	United States	900,000	\$ 949,500
senior note, 4.75%, 12/01/25.	United States	200,000	217,520
Cott Beverages Inc., senior note, 6.75%, 1/01/20	United States	700,000	732,375
<sup>e</sup> Dole Food Co. Inc., senior secured note, 144A, 7.25%, 5/01/19	United States	300,000	305,250
<sup>e</sup> JBS USA LLC/Finance Inc., senior note, 144A, 8.25%, 2/01/20	United States	2,000,000	2,072,500
<sup>e</sup> Post Holdings Inc., senior note, 144A, 6.75%, 12/01/21	United States	600,000	646,506
senior note, 144A, 6.00%, 12/15/22	United States	100,000	106,000
senior note, 144A, 7.75%, 3/15/24	United States	300,000	337,500
			5,367,151
<b>Health Care Equipment &amp; Services 3.5%</b>			
Acadia Healthcare Co. Inc., senior note, 6.50%, 3/01/24	United States	400,000	420,000
Alere Inc., senior sub. note, 6.50%, 6/15/20	United States	300,000	301,500
CHS/Community Health Systems Inc., senior note, 8.00%, 11/15/19.	United States	1,100,000	1,083,500
senior secured note, first lien, 5.125%, 8/15/18	United States	181,000	182,828
DaVita Inc., senior bond, 5.125%, 7/15/24	United States	1,000,000	1,021,875
HCA Inc., senior bond, 5.875%, 5/01/23	United States	1,500,000	1,601,250
senior note, 7.50%, 2/15/22	United States	1,000,000	1,150,000
senior secured bond, first lien, 5.875%, 3/15/22.	United States	1,000,000	1,110,000
senior secured note, first lien, 4.25%, 10/15/19	United States	200,000	209,000
<sup>e</sup> MPH Acquisition Holdings LLC, senior note, 144A, 7.125%, 6/01/24	United States	300,000	323,250
Tenet Healthcare Corp., first lien, 6.00%, 10/01/20	United States	500,000	530,000
senior note, 5.00%, 3/01/19	United States	1,000,000	987,500
senior note, 5.50%, 3/01/19	United States	900,000	888,750
<sup>i</sup> senior note, FRN, 4.35%, 6/15/20	United States	500,000	505,050
<sup>e</sup> Vizient Inc., senior note, 144A, 10.375%, 3/01/24	United States	1,700,000	1,955,000
			12,269,503

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**Materials 7.3%**

<sup>e,j</sup> ARD Finance SA, senior secured note, 144A, PIK, 7.125% (all cash), 9/15/23 .	Luxembourg	600,000	600,000
<sup>e</sup> Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 6.25%, 1/31/19	Luxembourg	300,000	307,875
senior note, 144A, 7.00%, 11/15/20	Luxembourg	88,235	91,654
<sup>i</sup> senior secured note, 144A, FRN, 3.85%, 12/15/19	Luxembourg	700,000	711,410
<sup>e</sup> Barmenco Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18.	Australia	1,000,000	957,500
<sup>e</sup> BlueScope Steel Ltd./BlueScope Steel Finance, senior note, 144A, 6.50%, 5/15/21	Australia	1,700,000	1,821,125
<sup>e</sup> Cemex SAB de CV, senior secured bond, 144A, 7.75%, 4/16/26	Mexico	400,000	443,344
The Chemours Co., senior note, 6.625%, 5/15/23	United States	2,000,000	1,965,000
<sup>e</sup> CVR Partners LP/CVR Nitrogen Finance Corp., 144A, 9.25%, 6/15/23	United States	1,500,000	1,455,000
<sup>e</sup> Eldorado Gold Corp., senior note, 144A, 6.125%, 12/15/20	Canada	800,000	809,600
<sup>e</sup> First Quantum Minerals Ltd., senior note, 144A, 6.75%, 2/15/20	Canada	1,261,000	1,172,730
senior note, 144A, 7.00%, 2/15/21	Canada	1,261,000	1,144,357

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Semiannual Report 13

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FRANKLIN LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Materials</b> (continued)			
<sup>e</sup> FMG Resources (August 2006) Pty. Ltd., senior secured note, 144A, 9.75%, 3/01/22	Australia	1,200,000	\$ 1,392,372
<sup>e</sup> INVISTA Finance LLC, senior secured note, 144A, 4.25%, 10/15/19	United States	2,000,000	2,000,010
<sup>e</sup> Novelis Corp., senior note, 144A, 6.25%, 8/15/24	United States	1,300,000	1,384,500
<sup>e</sup> Owens-Brockway Glass Container Inc., senior note, 144A, 5.00%, 1/15/22	United States	900,000	957,375
senior note, 144A, 5.875%, 8/15/23	United States	400,000	430,250
<sup>e</sup> Platform Specialty Products Corp., senior note, 144A, 10.375%, 5/01/21	United States	300,000	324,750
senior note, 144A, 6.50%, 2/01/22	United States	1,000,000	977,500
<sup>e</sup> Rain CII Carbon LLC/CII Carbon Corp., second lien, 144A, 8.25%, 1/15/21	United States	600,000	588,000
Reynolds Group Issuer Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer Luxembourg SA,			
<sup>e</sup> first lien, 144A, 5.125%, 7/15/23	United States	400,000	413,500
senior note, 8.25%, 2/15/21	United States	1,000,000	1,043,439
<sup>e</sup> senior note, 144A, 7.00%, 7/15/24	United States	100,000	107,438
<sup>e,i</sup> senior secured note, first lien, 144A, FRN, 4.127%, 7/15/21	United States	400,000	407,000
<sup>e</sup> Sealed Air Corp., senior bond, 144A, 5.125%, 12/01/24.	United States	500,000	530,625
senior bond, 144A, 5.50%, 9/15/25	United States	600,000	645,000
Steel Dynamics Inc., senior note, 5.125%, 10/01/21	United States	1,500,000	1,565,625
<sup>e</sup> Summit Materials LLC/Summit Materials Finance Corp., senior note, 144A, 8.50%, 4/15/22	United States	1,200,000	1,314,000
			25,560,979
<b>Media 5.5%</b>			
<sup>e</sup> Altice U.S. Finance I Corp., senior secured bond, 144A, 5.50%, 5/15/26	United States	1,000,000	1,035,000
AMC Networks Inc., senior note, 5.00%, 4/01/24.	United States	1,000,000	1,008,750
Cablevision Systems Corp., senior note, 8.625%, 9/15/17	United States	1,000,000	1,051,875
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22	United States	2,000,000	2,095,000
<sup>e</sup> senior note, 144A, 5.125%, 5/01/23	United States	500,000	523,125

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Clear Channel Worldwide Holdings Inc.,			
senior note, 6.50%, 11/15/22.	United States	700,000	732,375
senior sub. note, 7.625%, 3/15/20	United States	800,000	797,000
CSC Holdings LLC,			
senior note, 6.75%, 11/15/21.	United States	1,500,000	1,590,000
senior note, 5.25%, 6/01/24	United States	500,000	476,250
Gannett Co. Inc.,			
senior note, 5.125%, 10/15/19	United States	1,200,000	1,233,000
senior note, 5.125%, 7/15/20.	United States	500,000	516,875
iHeartCommunications Inc., senior secured bond, first lien, 9.00%, 3/01/21	United States	1,900,000	1,422,625
<sup>e</sup> Nextstar Escrow Corp., senior note, 144A, 5.625%, 8/01/24	United States	500,000	505,000
<sup>e</sup> Radio One Inc., senior sub. note, 144A, 9.25%, 2/15/20.	United States	600,000	562,500
<sup>e</sup> Sirius XM Radio Inc.,			
senior bond, 144A, 6.00%, 7/15/24	United States	1,000,000	1,068,750
senior bond, 144A, 5.375%, 4/15/25	United States	1,000,000	1,035,000
<sup>e</sup> Virgin Media Secured Finance PLC,			
senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	1,100,000	1,128,875
senior secured bond, first lien, 144A, 5.50%, 8/15/26	United Kingdom	400,000	409,000

14 Semiannual Report

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FRANKLIN LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS (UNAUDITED)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Media</b> (continued)			
<sup>e</sup> WMG Acquisition Corp., secured note, 144A, 5.00%, 8/01/23.	United States	100,000	\$ 101,750
senior note, 144A, 5.625%, 4/15/22	United States	2,000,000	2,077,500
			19,370,250
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences 2.1%</b>			
<sup>e</sup> Concordia International Corp., senior note, 144A, 7.00%, 4/15/23	Canada	1,000,000	645,000
<sup>e</sup> Endo Finance LLC/Endo Ltd./Endo Finco Inc., senior bond, 144A, 6.00%, 2/01/25	United States	1,000,000	888,750
senior note, 144A, 6.00%, 7/15/23	United States	500,000	457,500
Grifols Worldwide Operations Ltd., senior note, 5.25%, 4/01/22	United States	600,000	624,000
Horizon Pharma Inc., senior note, 6.625%, 5/01/23	United States	1,200,000	1,128,000
<sup>e</sup> Jaguar Holding Co. II/Pharmaceutical Product Development LLC, senior note, 144A, 6.375%, 8/01/23.	United States	1,200,000	1,251,000
<sup>e</sup> Valeant Pharmaceuticals International Inc., senior note, 144A, 5.375%, 3/15/20	United States	500,000	465,000
senior note, 144A, 5.625%, 12/01/21	United States	500,000	448,750
<sup>e</sup> Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20	United States	1,500,000	1,413,750
			7,321,750
<b>Real Estate 0.9%</b>			
Equinix Inc., senior bond, 5.875%, 1/15/26	United States	300,000	323,250
senior note, 4.875%, 4/01/20.	United States	1,500,000	1,561,875
MPT Operating Partnership LP/MPT Finance Corp., senior bond, 5.25%, 8/01/26	United States	300,000	312,000
senior note, 6.375%, 3/01/24.	United States	700,000	763,000
			2,960,125
<b>Retailing 1.0%</b>			
Dollar Tree Inc., senior note, 5.25%, 3/01/20	United States	400,000	417,000
Netflix Inc., senior note, 5.50%, 2/15/22	United States	2,000,000	2,162,500
<sup>e</sup> PetSmart Inc., senior note, 144A, 7.125%, 3/15/23	United States	1,000,000	1,052,500
			3,632,000

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**Semiconductors & Semiconductor Equipment 0.4%**

<sup>e</sup> Microsemi Corp., senior note, 144A, 9.125%, 4/15/23

United States 600,000 687,000

Qorvo Inc., senior note, 6.75%, 12/01/23

United States