FRANKLIN LTD DURATION INCOME TRUST
Form 497
September 21, 2018
PROSPECTUS SUPPLEMENT

(To Prospectus dated September 14, 2018)

Filed Pursuant to Rule 497(c)
Registration Statement No. 333-225639

FRANKLIN LIMITED DURATION INCOME TRUST

7,534,709 Common Shares

Issuable Upon the Exercise of

Transferrable Subscription Rights to Acquire Common Shares

The Franklin Limited Duration Income Trust (the Fund , we , us or our) is issuing transferrable subscription rights (t Rights) to our common shareholders (the Common Shareholders) to purchase additional common shares (each, a Common Share and collectively, the Common Shares).

The Fund is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund seeks to provide high current income, with a secondary objective of capital appreciation to the extent possible and consistent with the Fund s primary objective. The Fund s investment adviser is Franklin Advisers, Inc. (the Investment Manager).

The Common Shares are listed on the NYSE American under the symbol FTF . Common shareholders of record on September 21, 2018 (the Record Date) will receive one Right for each Common Share held. These Rights are transferable and will allow the holders thereof to purchase additional Common Shares. The Rights will be admitted for trading on the NYSE American under the symbol FTF RT during the course of the Rights offering. It is anticipated that the Common Shares issued pursuant to an exercise of Rights will be listed on the NYSE American.

The Rights entitle their holders to purchase one new Common Share for every three Rights held (1-for-3). Any Common Shareholder who owns fewer than three Common Shares as of the close of business on the Record Date may subscribe for one full Common Share. Holders of Common Shares as of the close of business on the Record Date who fully exercise all Rights initially issued to them (other than those Rights that cannot be exercised because they represent the right to acquire less than one Common Share) generally are entitled, subject to the limitations described herein, to buy those Common Shares, referred to as over-subscription shares, that were not purchased by other Rights holders at the same Subscription Price.

(continued on following page)

Investing in Common Shares through Rights involves certain risks that are described in the Special Characteristics and Risks of the Rights Offering section of this Prospectus Supplement.

Shareholders who do not fully exercise their Rights may, at the completion of the offering, own a smaller proportional interest in the Fund than if they exercised their Rights. As a result of the offering you may experience substantial dilution of the aggregate net asset value of your Common Shares depending upon whether the Fund s net asset value per Common Share is above or below the Subscription Price on the expiration date. All costs of the offering will be borne by the Fund, and indirectly by current shareholders whether they exercise their Rights or not. Rights exercised by a shareholder are irrevocable.

The Fund has declared a monthly distribution payable on October 15, 2018 with a record date of September 28, 2018. Any Common Shares issued after September 28, 2018 as a result of the Rights Offering will not be record date shares for the Fund s monthly distribution to be paid on October 15, 2018 and will not be entitled to receive such distribution.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	**Total(1)**
Estimated subscription price of Common Shares(2)	$ 10.49	$ 79,039,097
Estimated sales load(3)	$ 0.39	$ 2,963,966
Estimated proceeds, before expenses, to the Fund(4)	$ 10.10	$ 76,075,131

(notes on following page)

UBS Investment Bank

The date of this Prospectus Supplement is September 21, 2018.

(notes from previous page)

(1) Assumes that all Rights are exercised at the estimated Subscription Price. All of the Rights may not be exercised.
(2) The estimated Subscription Price is based upon 92.5% of the average of the last reported sales price of the Fund s Common Shares of beneficial interest on the NYSE American on September 19, 2018 and each of the four (4) preceding trading days.
(3) UBS Securities LLC will act as dealer manager for the offering (the Dealer Manager). The Company has agreed to pay the Dealer Manager a fee for its financial structuring and soliciting services equal to 3.75% of the Subscription Price per Common Share issued pursuant to the exercise of Rights, including the over-subscription shares. The Dealer Manager will reallow a part of its fees to other broker-dealers that have assisted in soliciting the exercise of the Rights. The Dealer Manager fee will be borne by the Fund and indirectly by all Common Shareholders, including those who do not exercise their Rights.
(4) Before deduction of expenses related to the Rights offering, which are estimated approximately at $951,650, including partial reimbursement of the Dealer Manager for its expenses incurred in connection with the offering in an amount up to $125,000. Any offering expenses are paid indirectly by Common Shareholders. Such fees and expenses will immediately reduce the net asset value per share of each Common Share purchased by an investor in the Rights offering. The indirect expenses of the offering that Common Shareholders will pay are estimated to be $0.13 per share and $951,650 in the aggregate. The amount of proceeds to the Fund net of any fees and expenses of the offering are estimated to be $9.97 per share and $75,123,481 in the aggregate. Shareholders will not directly bear any offering expenses.

(continued from previous page)

On September 19, 2018 (the last trading date prior to the Common Shares trading ex-Rights), the last reported net asset value per share of the Common Shares was $11.56 and the last reported sales price per share of Common Shares on the NYSE American was $11.31.

An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund s investment objectives will be achieved. You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in the Common Shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about the Fund. Material that has been incorporated by reference, including the Fund s audited annual financial statements, and other information about the Fund can be obtained from the Fund by calling (800) DIAL-BEN ((800) 342-5236), writing to the Fund at Franklin Templeton Investor Services, LLC, P.O. Box 997151, Sacramento, CA 95899-9983, accessing the Fund s website at franklintempleton.com or from the Securities and Exchange Commission s (SEC) website (http://www.sec.gov). For additional information all holders of Rights should contact the Information Agent, AST Fund Solutions, LLC, at (866) 304-5477.

The Common Shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about October 24, 2018, unless extended.

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. This Prospectus Supplement will be amended to reflect material changes to the information contained herein and will be delivered to shareholders. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to Franklin Limited Duration Income Trust, a Delaware statutory trust. This Prospectus Supplement also includes trademarks owned by other persons.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information (SAI) contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar terms and the negative of such terms. Such forward-look statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus and in the SAI. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risks and Special Considerations section of the accompanying Prospectus and Special Characteristics and Risks of the Rights Offering in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus, or in the SAI, are made as of the date of this Prospectus Supplement or the accompanying Prospectus or SAI, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, the accompanying Prospectus and the SAI are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risks and Special Considerations section of the accompanying Prospectus as well as in the Special Characteristics and Risks of the Rights Offering section of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the Common Shares.

SUMMARY OF THE TERMS OF THE RIGHTS OFFERING

Terms of the Rights Offering

One transferable subscription right (a Right) will be issued for each common share of the Fund (each, a Common Share, and collectively, the Common Shares) held on the record date. Rights are expected to be admitted for trading on the NYSE American under the symbol FTF RT . The Rights will allow Common Shareholders to subscribe for new Common Shares of the Fund. 22,604,126 Common Shares of the Fund are outstanding as of September 19, 2018. Three Rights will be required to purchase one Common Share (1-for-3); however, any Record Date Shareholder (as defined below) who owns fewer than three Common Shares as of the close of business on the Record Date may subscribe for one full Common Share. Common Shares of the Fund, as a closed-end fund, can trade at a discount to net asset value. Upon exercise of Rights, Common Shares are expected to be issued at a price below net asset value per share. An over-subscription privilege will be offered, subject to the right of the Board of Trustees of the Fund (the Board) to eliminate the over-subscription privilege. Approximately 7,534,709 Common Shares of the Fund will be issued if all Rights are exercised. See Terms of the Rights Offering.

The Fund has declared a monthly distribution payable on October 15, 2018 with a record date of September 28, 2018. Any Common Shares issued after September 28, 2018 as a result of the Rights offering will not be record date shares for the Fund s monthly distribution to be paid on October 15, 2018 and will not be entitled to receive such distribution.

The exercise of Rights by a rights holder is irrevocable.

Title

Subscription Rights to Acquire Common Shares

Subscription Price

The final subscription price per Common Share (the Subscription Price) will be determined based upon a formula equal to 92.5% of the average of the last reported sales price of the Fund s Common Shares on the NYSE American on the Expiration Date (as defined below) and each of the four preceding trading days (the Formula Price). If, however, the Formula Price is less than 80% of the net asset value per Common Share of the Fund s Common Shares at the close of trading on the NYSE American on the Expiration Date, then the Subscription Price will be 80% of the Fund s net asset value per Common Share at the close of trading on the NYSE American on that day. See Terms of the Rights Offering.

Record Date

Rights will be issued to holders of record of the Fund s Common Shares as of the close of business on September 21, 2018 (the Record Date). See Terms of the Rights Offering.

Number of Rights Issued	One Right will be issued in respect of each Common Share of the Fund outstanding as of the close of business on the Record Date. See Terms of the Rights Offering.
Number of Rights Required to Purchase One Common Share	A holder of Rights may purchase one Common Share of the Fund for every three Rights exercised (1-for-3); however, any Record Date Shareholder (as defined below) who owns fewer than three Common Shares as of the close of business on the Record Date may subscribe for one full Common Share. See Terms of the Rights Offering.
Over-Subscription Privilege	Holders of Common Shares as of the close of business on the Record Date (Record Date Shareholders) who fully exercise all Rights initially issued to them (other than those Rights that cannot be exercised because they represent the right to acquire less than one Common Share) generally are entitled, subject to the limitations described herein, to buy those Common Shares, referred to as over-subscription shares, that were not purchased by other Rights holders at the same Subscription Price. If enough over-subscription shares are available, all such requests will be honored in full. If the requests for over-subscription shares exceed the over-subscription shares available, the available over-subscription shares will be allocated pro rata among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. Common Shares acquired pursuant to the over-subscription privilege are subject to allotment. *Holders of Rights acquired in the secondary market may not participate in the over-subscription privilege.*
	Notwithstanding the above, the Board has the right in its absolute discretion to eliminate the over-subscription privilege if it considers it to be in the best interest of the Fund to do so. The Board may make that determination at any time, without prior notice to Rights holders or others, up to and including the fifth day following the Expiration Date (as defined below). See Over-Subscription Privilege.
	Any Common Shares issued pursuant to the over-subscription privilege will be shares registered under the Prospectus.
Transfer of Rights	The Rights will be transferable. See Terms of the Rights Offering, Sale of Rights and Method of Transferring Rights.
Subscription Period	The Rights may be exercised at any time after issuance and prior to expiration of the Rights (the Subscription Period), which will be 5:00 PM Eastern Time on October 18, 2018, unless otherwise extended as described in this Prospectus Supplement (the Expiration Date). See Terms of the Rights Offering and Method of Exercise of Rights. The

Rights offering may be terminated or extended by the Fund at any time for any reason before the Expiration Date. If the Fund terminates the rights offering, the Fund will issue a press release announcing such termination and will direct the Rights Agent

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(defined below) to return, without interest, all subscription proceeds received to such shareholders who had elected to purchase Shares.

Distribution Arrangements	UBS Securities LLC will act as Dealer Manager for the Rights offering. Under the terms and subject to the conditions contained in the Dealer Manager Agreement among the Dealer Manager, the Fund and the Investment Manager (the Dealer Manager Agreement), the Dealer Manager will provide financial structuring services in connection with the offering and will solicit the exercise of Rights and participation in the over-subscription privilege, if any. The Fund has agreed to pay the Dealer Manager a fee for its financial structuring and soliciting services equal to 3.75% of the Subscription Price per Common Share issued pursuant to the exercise of Rights, including any over-subscription shares. The Dealer Manager will reallow a portion of its fees to other broker-dealers who have assisted in soliciting the exercise of Rights. The Fund has also agreed to pay the Dealer Manager up to $125,000 as a partial reimbursement for its reasonable out-of-pocket expenses incurred in connection with the offering. The Fund will also pay expenses relating to the printing or other production, mailing and delivery expenses incurred in connection with materials related to the offering, including all reasonable out-of-pocket fees and expenses, if any and not to exceed $10,000, incurred by the Dealer Manager, Selling Group Members, Soliciting Dealers and other brokers, dealers and financial institutions in connection with their customary mailing and handling of materials related to the offering to their customers. The fees paid to the Dealer Manager and other expenses of the offering will be borne by the Fund and indirectly by all Common Shareholders, including those who do not exercise their Rights. The Fund and the Investment Manager have each agreed to indemnify the Dealer Manager for losses arising out of certain liabilities, including liabilities under the 1933 Act.
Offering Expenses	The expenses of the Rights offering are expected to be approximately $951,650, including partial reimbursement of the Dealer Manager for its expenses incurred in connection with the offering in an amount up to $125,000, and will be borne by holders of the Fund s Common Shares. See Use of Proceeds.
Sale of Rights	The Rights are transferable until the completion of the Subscription Period and will be admitted for trading on the NYSE American under the symbol FTF RT . Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE American is expected to begin two Business Days prior to the Record Date and may be conducted until the close of trading on the last NYSE American trading day prior to the Expiration Date. For purposes of this Prospectus Supplement, a Business Day shall mean any day on which trading is conducted on the NYSE American.

The value of the Rights, if any, will be reflected by their market price on the NYSE American. Rights may be sold by individual holders

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through their broker or financial advisor. Holders of Rights attempting to sell any unexercised Rights in the open market through their broker or financial advisor may be charged a commission or incur other transaction expenses and should consider the commissions and fees charged prior to selling their Rights on the open market.

Rights that are sold will not confer any right to acquire any Common Shares in any over-subscription, and any Record Date Shareholder who sells any Rights (other than those Rights that cannot be exercised because they represent the right to acquire less than one Common Share) will not be eligible to participate in the over-subscription privilege, if any.

Trading of the Rights on the NYSE American will be conducted on a when-issued basis until and including the date on which the Subscription Certificates (as defined below) are mailed to Record Date Shareholders and thereafter will be conducted on a regular-way basis until and including the last NYSE American trading day prior to the completion of the Subscription Period. The shares are expected to begin trading ex-Rights one Business Day prior to the Record Date.

Shareholders are urged to obtain a recent trading price for the Rights on the NYSE American from their broker, bank, financial advisor or the financial press.

Banks, broker-dealers and trust companies that hold shares for the accounts of others are advised to notify those persons that purchase Rights in the secondary market that such Rights will not participate in any over-subscription privilege. See Terms of the Rights Offering and Sale of Rights.

Holders of Rights who are unable or do not wish to exercise any or all of their Rights and are unsure how to sell Rights through their broker or financial adviser may contact the Rights Agent to facilitate the sale of any unexercised Rights. The Rights Agent will contact the Dealer Manager or other brokers in order to assist Rights holders whose Rights are not currently held at a broker-dealer or other applicable financial intermediary to facilitate the sale of the Rights. Shareholders of record whose addresses are outside the United States, or who have an APO or FPO address, are encouraged to contact the Rights Agent to facilitate the sale of their Rights if they are otherwise unable or unwilling to exercise the Rights. The selling Rights holder will pay all applicable brokerage commissions incurred in connection with a sale of Rights. There can be no assurance that the Rights Agent will be able to facilitate the sale of any of Rights and neither the Fund nor the Rights Agent has guaranteed any minimum sales price for the Rights.

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	For a discussion of actions that may be taken by UBS Securities LLC (the Dealer Manager) to seek to facilitate the trading market for Rights and the placement of Common Shares pursuant to the exercise of Rights, including the purchase of Rights and the sale during the Subscription Period by the Dealer Manager of Common Shares acquired through the exercise of Rights and the terms on which such sales will be made, see Plan of Distribution.
Use of Proceeds	The Fund estimates the net proceeds of the Rights offering to be approximately $75,123,481. This figure is based on the estimated Subscription Price per Common Share of $10.49 (92.5% of the average of the last reported sales price of the Fund s Common Shares on the NYSE American on September 19, 2018 and each of the four (4) preceding trading days) and assumes all new Common Shares offered are sold and that the expenses related to the Rights offering, estimated at approximately $951,650, and the Dealer Manager fee are paid.
	The Investment Manager anticipates that investment of the proceeds will be made in accordance with the Fund s investment objective and policies as appropriate investment opportunities are identified, which is expected to be substantially completed in approximately three months; however, the identification of appropriate investment opportunities pursuant to the Fund s investment style or changes in market conditions may cause the investment period to extend as long as six months. Pending such investment, the proceeds will be held in cash and/or high quality short term debt securities and instruments. Depending on market conditions and operations, a portion of the cash held by the Fund, including any proceeds raised from the offering, may be used to pay distributions in accordance with the Fund s distribution policy and may be a return of capital. A return of capital is a return to investors of a portion of their original investment in the Fund. In general terms, a return of capital would involve a situation in which a Fund distribution (or a portion thereof) represents a return of a portion of a shareholder s investment in the Fund, rather than making a distribution that is funded from the Fund s earned income or other profits. Although return of capital distributions may not be currently taxable, such distributions would decrease the basis of a shareholder s shares, and therefore, may increase a shareholder s tax liability for capital gains upon a sale of shares, even if sold at a loss to the shareholder s original investments. See Use of Proceeds.
Taxation/ERISA	See Taxation and Employee Benefit Plan and IRA Considerations.
Rights Agent	American Stock Transfer & Trust Company, LLC. See Rights Agent.
Information Agent	AST Fund Solutions, LLC. See Information Agent.

DESCRIPTION OF THE RIGHTS OFFERING

Terms of the Rights Offering

The Fund is issuing to Record Date Shareholders Rights to subscribe for Common Shares of the Fund. Each Record Date Shareholder is being issued one transferable Right for each Common Share owned on the Record Date. The Rights entitle the holder to acquire one new Common Share for every three Rights held (1-for-3) (provided that any Record Date Shareholder who owns fewer than three Common Shares as of the close of business on the Record Date may subscribe for one full Common Share), at a Subscription Price per Common Share determined based upon a Formula Price equal to 92.5% of the average of the last reported sales price of the Fund s Common Shares on the NYSE American on the Expiration Date and each of the four preceding trading days. If, however, the Formula Price is less than 80% of the net asset value per Common Share of the Fund s Common Shares at the close of trading on the NYSE American on the Expiration Date, then the Subscription Price will be 80% of the Fund s net asset value per Common Share at the close of trading on the NYSE American on that day.

The estimated Subscription Price of $10.49 is based upon 92.5% of the average of the last reported sales price of the Fund s Common Shares on the NYSE American on September 19, 2018 and each of the four (4) preceding trading days. Fractional shares will not be issued upon the exercise of the Rights. Accordingly, Common Shares may be purchased only pursuant to the exercise of Rights in integral multiples of three; however, any Record Date Shareholder who owns fewer than three Common Shares as of the close of business on the Record Date may subscribe for one full Common Share. Rights may be exercised at any time during the period (the Subscription Period) which commences on September 21, 2018, and ends at 5:00 PM Eastern Time on October 18, 2018, unless otherwise extended as described in this Prospectus Supplement (the Expiration Date). Common Shares of the Fund, as a closed-end fund, can trade at a discount to net asset value. Upon exercise of Rights, Common Shares are expected to be issued at a price below net asset value per share. The right to acquire one Common Share for each three Rights held during the Subscription Period (or any extension of the Subscription Period) at the Subscription Price will be referred to in the remainder of this Prospectus Supplement as the Rights offering. *Rights will expire on the Expiration Date and thereafter may not be exercised.*

The Fund has declared a monthly distribution payable on October 15, 2018 with a record date of September 28, 2018. ***Any Common Shares issued after September 28, 2018 as a result of the Rights offering will not be Record Date shares for the Fund s monthly distribution to be paid on October 15, 2018 and will not be entitled to receive such distribution.***

The Fund and the Investment Manager have entered into a Dealer Manager Agreement with the Dealer Manager that allows the Dealer Manager to take actions to seek to facilitate the trading market for Rights and the placement of Common Shares pursuant to the exercise of Rights. Those actions are expected to involve the Dealer Manager purchasing and exercising Rights during the Subscription Period at prices determined at the time of such exercise, which are expected to vary from the Subscription Price. See Plan of Distribution for additional information.

Rights may be evidenced by subscription certificates or may be uncertificated and evidenced by other appropriate documentation (*i.e.*, a rights card distributed to registered shareholders in lieu of a subscription certificate) (Subscription Certificates). The number of Rights issued to each holder will be stated on the Subscription Certificate delivered to the holder. The method by which Rights may be exercised and Common Shares paid for is set forth below in Method of Exercise of Rights, Payment for Shares and Plan of Distribution. A holder of Rights will have no right to rescind a purchase after American Stock Transfer & Trust Company, LLC (the Rights Agent) has received payment. See Payment for Shares below. It is anticipated that the Common Shares issued pursuant to an exercise of Rights will be listed on the NYSE American.

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Holders of Rights who are Record Date Shareholders are entitled to subscribe for additional Common Shares at the same Subscription Price pursuant to the over-subscription privilege, subject to certain limitations, allotment and the right of the Board to eliminate the over-subscription privilege. See Over-Subscription Privilege below.

For purposes of determining the maximum number of Common Shares that may be acquired pursuant to the Rights offering, broker-dealers, trust companies, banks or others whose shares are held of record by Cede or by any other depository or nominee will be deemed to be the holders of the Rights that are held by Cede or such other depository or nominee on their behalf.

The Rights are transferable until the completion of the Subscription Period and will be admitted for trading on the NYSE American under the symbol FTF RT . Assuming a market exists for the Rights, the Rights may be purchased and sold through usual brokerage channels. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE American is expected to begin two Business Days prior to the Record Date and may be conducted until the close of trading on the last NYSE American trading day prior to the Expiration Date. Trading of the Rights on the NYSE American is expected to be conducted on a when-issued basis until and including the date on which the Subscription Certificates are mailed to Record Date Shareholders of record and thereafter is expected to be conducted on a regular way basis until and including the last NYSE American trading day prior to the Expiration Date. The method by which Rights may be transferred is set forth below under Method of Transferring Rights. The Common Shares are expected to begin trading ex-Rights one Business Day prior to the Record Date as determined and announced by the NYSE American. The Rights offering may be terminated or extended by the Fund at any time for any reason before the Expiration Date. If the Fund terminates the Rights offering, the Fund will issue a press release announcing such termination and will direct the Rights Agent to return, without interest, all subscription proceeds received to such shareholders who had elected to purchase Common Shares.

Nominees who hold the Fund s Common Shares for the account of others, such as banks, broker-dealers, trustees or depositories for securities, should notify the respective beneficial owners of such shares as soon as possible to ascertain such beneficial owners intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the nominee should complete the Subscription Certificate and submit it to the Rights Agent with proper payment. In addition, beneficial owners of the Common Shares or Rights held through such a nominee should contact the nominee and request the nominee to effect transactions in accordance with such beneficial owner s instructions.

Participants in the Fund s Dividend Reinvestment Plan (the Plan) will be issued Rights in respect of the Common Shares held in their accounts in the Plan. Participants wishing to exercise these Rights must exercise the Rights in accordance with the procedures set forth in Method of Exercise of Rights and Payment for Shares.

Conditions of the Rights Offering

The rights offering is being made in accordance with the 1940 Act without shareholder approval. The staff of the SEC has interpreted the 1940 Act as not requiring shareholder approval of a transferable rights offering to purchase common shares at a price below the then current net asset value so long as certain conditions are met, including: (i) a good faith determination by a fund s board that such offering would result in a net benefit to existing shareholders; (ii) the offering fully protects shareholders preemptive rights and does not discriminate among shareholders (except for the possible effect of not offering fractional rights); (iii) management uses its best efforts to ensure an adequate trading market in the rights for use by shareholders who do not exercise such rights; and (iv) the ratio of a transferable rights offering does not exceed one new share for each three rights held.

Important Dates to Remember

Please note that the dates in the table below may change if the rights offering is extended.

Event	**Date**
Record Date	September 21, 2018
Subscription Period	September 21, 2018 through October 18, 2018
Final Date Rights Will Trade	October 17, 2018
Expiration Date*	October 18, 2018
Payment for Shares and Subscription Certificate or Notice of Guaranteed Delivery Due*	October 18, 2018
Issuance Date	October 25, 2018
Confirmation Date	November 1, 2018

* A shareholder exercising Rights must deliver to the Rights Agent by 5:00 PM Eastern Time on October 18, 2018 (unless the offer is extended) either (a) a Subscription Certificate and payment for Common Shares or (b) a notice of guaranteed delivery and payment for Common Shares.

Unless the offer is extended.

Over-Subscription Privilege

Rights holders who are Record Date Shareholders and who fully exercise all Rights initially issued to them (other than those Rights that cannot be exercised because they represent the right to acquire less than one Common Share) are entitled to subscribe for additional Common Shares at the same Subscription Price pursuant to the over-subscription privilege, subject to certain limitations and subject to allotment. Holders of Rights acquired in the secondary market may not participate in the over-subscription privilege.

The Board has the right in its absolute discretion to eliminate the over-subscription privilege with respect to over-subscription shares if it considers it to be in the best interest of the Fund to do so. The Board may make that determination at any time, without prior notice to Rights holders or others, up to and including the fifth day following the Expiration Date. If the over-subscription privilege is not eliminated, it will operate as set forth below.

Record Date Shareholders who fully exercise all Rights initially issued to them (other than those Rights that cannot be exercised because they represent the right to acquire less than one Common Share) are entitled to buy those Common Shares, referred to as over-subscription shares, that were not purchased by other holders of Rights at the same

Subscription Price. If enough over-subscription shares are available, all such requests will be honored in full. If the requests for over-subscription shares exceed the over-subscription shares available, the available over-subscription shares will be allocated pro rata among those fully exercising Record Date Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. ***Common Shares acquired pursuant to the over-subscription privilege are subject to allotment.***

Record Date Shareholders who are fully exercising their Rights during the Subscription Period should indicate, on the Subscription Certificate that they submit with respect to the exercise of the Rights issued to them, how many Common Shares they are willing to acquire pursuant to the over-subscription privilege.

To the extent sufficient Common Shares are not available to fulfill all over-subscription requests, unsubscribed Common Shares (the Excess Shares) will be allocated pro rata among those Record Date Shareholders who over-subscribe based on the number of Rights issued to them by the Fund. The allocation process may involve a series of allocations in order to assure that the total number of Common Shares available for over-subscriptions is distributed on a pro rata basis.

The formula to be used in allocating the Excess Shares is as follows:

$$\frac{\text{Shareholder's Record Date Position}}{\text{Total Record Date Position of All Over-Subscribers}} \quad \text{X} \quad \text{Excess Shares Remaining}$$

Banks, broker-dealers, trustees and other nominee holders of Rights will be required to certify to the Rights Agent, before any over-subscription privilege may be exercised with respect to any particular beneficial owner, as to the aggregate number of Rights exercised during the Subscription Period and the number of Common Shares subscribed for pursuant to the over-subscription privilege by such beneficial owner and that such beneficial owner s subscription was exercised in full. Nominee holder over-subscription forms and beneficial owner certification forms will be distributed to banks, broker-dealers, trustees and other nominee holders of Rights with the Subscription Certificates. Nominees should also notify holders purchasing Rights in the secondary market that such Rights may not participate in the over-subscription privilege.

The Fund is not otherwise offering any Common Shares that are not subscribed for pursuant to the primary subscription or the over-subscription privilege pursuant to the Rights offering.

Dealer Manager

UBS Securities LLC a registered broker-dealer, and the Dealer Manager for the offering, may also act on behalf of its clients to purchase or sell Rights in the open market and may receive commissions from its clients for such services. Except as described herein, the Dealer Manager is not expected to purchase Rights as principal for its own account in order to seek to facilitate the trading market for Rights or otherwise. See Plan of Distribution for additional information.

Sale of Rights

The Rights are transferable and will be admitted for trading on the NYSE American under the symbol FTF RT. Although no assurance can be given that a market for the Rights will develop, trading in the Rights on the NYSE American is expected to begin two Business Days prior to the Record Date and may be conducted until the close of trading on the last NYSE American trading day prior to the Expiration Date.

The value of the Rights, if any, will be reflected by the market price. Rights may be sold by individual holders through their broker or other financial intermediary. Holders of Rights attempting to sell any unexercised Rights in the open market through their broker or financial advisor may be charged a commission or incur other transaction expenses and should consider the commissions and fees charged prior to selling their Rights on the open market.

Rights that are sold will not confer any right to acquire any Common Shares in any over-subscription privilege, and any Record Date Shareholder who sells any Rights will not be eligible to participate in the over-subscription privilege.

Trading of the Rights on the NYSE American will be conducted on a when-issued basis until and including the date on which the Subscription Certificates (as defined below) are mailed to Record Date Shareholders of record and thereafter will be conducted on a regular-way basis until and including the last NYSE American trading day prior to the Expiration Date. The Common Shares are expected to begin trading ex-Rights one Business Day prior to the Record Date.

Shareholders are urged to obtain a recent trading price for the Rights on the NYSE American from their broker, bank, financial advisor or the financial press.

Holders of Rights who are unable or do not wish to exercise any or all of their Rights may contact the Rights Agent to facilitate the sale of any unexercised Rights. The Rights Agent will contact the Dealer Manager or other brokers in order to assist Rights holders whose Rights are not currently held at a broker-dealer or other applicable financial intermediary to facilitate the sale of the Rights. Shareholders of record whose addresses are outside the United States, or who have an APO or FPO address, are encouraged to contact the Rights Agent to facilitate the sale of their Rights if they are otherwise unable or unwilling to exercise the Rights. The selling Rights holder will pay all applicable brokerage commissions incurred. There can be no assurance that the Rights Agent will be able to facilitate the sale of any of Rights and neither the Fund nor the Rights Agent has guaranteed any minimum sales price for the Rights.

Method of Transferring Rights

The Rights evidenced by a single Subscription Certificate may be transferred in whole by endorsing the Subscription Certificate for transfer in accordance with the accompanying instructions. A portion of the Rights evidenced by a single Subscription Certificate (but not fractional Rights) may be transferred by delivering to the Rights Agent a Subscription Certificate properly endorsed for transfer, with instructions to register the portion of the Rights evidenced thereby in the name of the transferee (and to issue a new Subscription Certificate to the transferee evidencing the transferred Rights). In this event, a new Subscription Certificate evidencing the balance of the Rights will be issued to the Rights holder or, if the Rights holder so instructs, to an additional transferee.

Holders wishing to transfer all or a portion of their Rights (but not fractional Rights) should promptly transfer such Rights to ensure that: (i) the transfer instructions will be received and processed by the Rights Agent, (ii) a new Subscription Certificate will be issued and transmitted to the transferee or transferees with respect to transferred Rights, and to the holder with respect to retained Rights, if any, and (iii) the Rights evidenced by the new Subscription Certificates may be exercised or sold by the recipients thereof prior to the Expiration Date. Neither the Fund nor the Rights Agent shall have any liability to a transferee or holder of Rights if Subscription Certificates are not received in time for exercise or sale prior to the Expiration Date.

Except for the fees charged by the Rights Agent (which will be paid by the Fund as described below), all commissions, fees and other expenses (including brokerage commissions and transfer taxes) incurred in connection with the purchase, sale, transfer or exercise of Rights will be for the account of the holder of the Rights, and none of these commissions, fees or expenses will be borne by the Fund or the Rights Agent.

The Fund anticipates that the Rights will be eligible for transfer through, and that the exercise of the Rights may be effected through, the facilities of Depository Trust Company (DTC) (Rights exercised through DTC are referred to as DTC Exercised Rights).

Rights Agent

The Rights Agent is American Stock Transfer & Trust Company, LLC. The Rights Agent will receive from the Fund an amount estimated to be $45,125, comprised of the fee for its services and the reimbursement for certain expenses related to the Rights offering. The shareholders of the Fund will indirectly pay such amount.

Information Agent

INQUIRIES BY ALL HOLDERS OF RIGHTS SHOULD BE DIRECTED TO THE INFORMATION AGENT, AST FUND SOLUTIONS, LLC, BY CALLING TOLL-FREE AT (866) 304-5477.

Method of Exercise of Rights

Rights may be exercised by completing and signing the Subscription Certificate and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Rights Agent, together with payment for the Common Shares as described below under Payment for Shares. Rights may also be exercised through the broker of a holder of Rights, who may charge the holder of Rights a servicing

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fee in connection with such exercise. See Plan of Distribution for additional information regarding the purchase and exercise of Rights by the Dealer Manager.

Completed Subscription Certificates and payment must be received by the Rights Agent prior to 5:00 PM Eastern Time, on the Expiration Date (unless payment is effected by means of a notice of guaranteed delivery as described below under Payment for Shares). Your broker, bank, trust company or other intermediary may impose a deadline for exercising Rights earlier than 5:00 PM, Eastern Time, on the Expiration Date. The Subscription Certificate and payment should be delivered to the Rights Agent at the following address:

By First Class Mail, Express Mail or Overnight Courier:

Franklin Limited Duration Income Trust

c/o American Stock Transfer & Trust Company, LLC

Operations Center

Attn: Exchange Department

6201 15th Avenue

Brooklyn, NY 11219

Payment for Shares

Holders of Rights who acquire Common Shares in the Rights offering may choose between the following methods of payment:

(1) A holder of Rights can send the Subscription Certificate, together with payment in the form of a check (which must include the name of the shareholder on the check) for the Common Shares subscribed for in the Rights offering and, if eligible, for any additional Common Shares subscribed for pursuant to the over-subscription privilege, to the Rights Agent based on the Subscription Price. To be accepted, the payment, together with the executed Subscription Certificate, must be received by the Rights Agent at one of the addresses noted above prior to 5:00 PM Eastern Time on the Expiration Date. The Rights Agent will deposit all share purchase checks received by it prior to the final due date into a segregated account pending proration and distribution of Common Shares. The Rights Agent will not accept cash as a means of payment for Common Shares. A holder of Rights may contact the Rights Agent at (718) 921-8317 to confirm receipt of the Subscription Certificate and payment for Common Shares.

(2) Alternatively, a subscription will be accepted by the Rights Agent if, prior to 5:00 PM Eastern Time on the Expiration Date, the Rights Agent has received a written notice of guaranteed delivery by mail or email from a bank, trust company, or a NYSE American member, guaranteeing delivery of a properly completed and executed Subscription Certificate. In order for the notice of guarantee to be valid, full payment for the Common Shares at the Subscription Price must be received with the notice. The Rights Agent will not honor a notice of guaranteed delivery unless a properly completed and executed Subscription Certificate is received by the Rights Agent by the close of business on the second Business Day after the Expiration Date. The notice of guaranteed delivery must be emailed to the Rights Agent at info@astfinancial.com or delivered to

the Rights Agent at one of the addresses noted above.

A PAYMENT PURSUANT TO THIS METHOD MUST BE IN UNITED STATES DOLLARS BY CHECK (WHICH MUST INCLUDE THE NAME OF THE SHAREHOLDER ON THE CHECK) DRAWN ON A BANK LOCATED IN THE CONTINENTAL UNITED STATES, MUST BE PAYABLE TO THE FRANKLIN LIMITED DURATION INCOME TRUST AND MUST ACCOMPANY AN EXECUTED SUBSCRIPTION CERTIFICATE TO BE ACCEPTED.

The method and timing of payment for Common Shares acquired by the Dealer Manager through the exercise of Rights is described under Plan of Distribution.

If a holder of Rights who acquires Common Shares pursuant to the Rights offering does not make payment of all amounts due, the Fund reserves the right to take any or all of the following actions: (i) find other Record Date Shareholders to purchase such subscribed-for and unpaid-for Common Shares; (ii) apply any payment actually received by it toward the purchase of the greatest whole number of Common Shares which could be acquired by such holder upon exercise of the Rights or any over-subscription privilege; (iii) sell all or a portion of the Common Shares purchased by the holder, in the open market, on behalf of the holder and apply the proceeds to the amounts owed; and (iv) exercise any and all other rights or remedies to which it may be entitled, including, without limitation, the right to set off against payments actually received by it with respect to such subscribed Common Shares and to enforce the relevant guarantee of payment.

Any payment required from a holder of Rights must be received by the Rights Agent prior to 5:00 PM Eastern Time on the Expiration Date. Issuance and delivery of the Common Shares purchased are subject to collection of checks.

Within ten Business Days following the Expiration Date (the Confirmation Date), a confirmation will be sent by the Rights Agent to each holder of Rights (or, if the Common Shares are held by Cede or any other depository or nominee, to Cede or such other depository or nominee), showing (i) the number of Common Shares acquired pursuant to the Subscription, (ii) the number of Common Shares, if any, acquired pursuant to the over-subscription privilege, and (iii) the per share and total purchase price for the Common Shares. Any payment required from a holder of Rights must be received by the Rights Agent on or prior to the Expiration Date. Any excess payment to be refunded by the Fund to a holder of Rights will be mailed by the Rights Agent to the holder within ten Business Days after the Expiration Date.

A holder of Rights will have no right to rescind a purchase after the Rights Agent has received payment either by means of a notice of guaranteed delivery or a check, which must include the name of the shareholder on the check.

Upon acceptance of a subscription, all funds received by the Rights Agent shall be held by the Rights Agent as agent for the Fund and deposited in one or more bank accounts. Such funds may be invested by the Rights Agent in: bank accounts, short term certificates of deposit, bank repurchase agreements, and disbursement accounts with commercial banks meeting certain standards. The Rights Agent may receive interest, dividends or other earnings in connection with such deposits or investments.

Holders, such as broker-dealers, trustees or depositories for securities, who hold Common Shares for the account of others, should notify the respective beneficial owners of the Common Shares as soon as possible to ascertain such beneficial owners intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the record holder of the Rights should complete Subscription Certificates and submit them to the Rights Agent with the proper payment. In addition, beneficial owners of Common Shares or Rights held through such a holder should contact the holder and request that the holder effect transactions in accordance with the beneficial owner s instructions. **Banks, broker-dealers, trustees and other nominee holders that hold Common Shares of the Fund for the accounts of others are advised to notify those persons that purchase Rights in the secondary market that such Rights may not participate in any over-subscription privilege offered.**

THE INSTRUCTIONS ACCOMPANYING THE SUBSCRIPTION CERTIFICATES SHOULD BE READ CAREFULLY AND FOLLOWED IN DETAIL. DO NOT SEND SUBSCRIPTION CERTIFICATES TO THE FUND.

THE METHOD OF DELIVERY OF SUBSCRIPTION CERTIFICATES AND PAYMENT OF THE SUBSCRIPTION PRICE TO THE RIGHTS AGENT WILL BE AT THE ELECTION AND RISK OF THE RIGHTS HOLDERS, BUT IF SENT BY MAIL IT IS RECOMMENDED THAT THE CERTIFICATES AND PAYMENTS BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT

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REQUESTED, AND THAT A SUFFICIENT NUMBER OF DAYS BE ALLOWED TO ENSURE DELIVERY TO THE RIGHTS AGENT AND CLEARANCE OF PAYMENT PRIOR TO 5:00 PM EASTERN TIME, ON THE EXPIRATION DATE. BECAUSE UNCERTIFIED PERSONAL CHECKS MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR, YOU ARE STRONGLY URGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF A CERTIFIED OR CASHIER S CHECK, WHICH MUST INCLUDE THE NAME OF THE SHAREHOLDER ON THE CHECK.

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by the Fund, whose determinations will be final and binding. The Fund in its sole discretion may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as the Fund determines in its sole discretion. Neither the Fund nor the Rights Agent will be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

Foreign Restrictions

Subscription Certificates will only be mailed to Record Date Shareholders of record whose addresses are within the United States (other than an APO or FPO address). Because the Rights offering will not be registered in any jurisdiction other than the United States, Common Shareholders in these jurisdictions should contact the Rights Agent for help in facilitating the sale of the Rights issued to Record Date Shareholders outside the United States. If the Rights can be sold, sales of these Rights will be subject to any applicable brokerage commissions, taxes and other expenses.

Notice of Net Asset Value Decline

The Fund has, pursuant to the SEC s regulatory requirements, undertaken to suspend the Rights offering until the Fund amends this Prospectus Supplement if, after the date of this Prospectus Supplement, the Fund s net asset value declines more than 10% from the Fund s net asset value as of that date. In that event, the Expiration Date will be extended and the Fund will notify Record Date Shareholders of record of any such decline and permit Rights holders to cancel their exercise of Rights.

Employee Benefit Plan and IRA Considerations

Holders of Rights that are employee benefit plans subject to limitations imposed by the Internal Revenue Code of 1986, as amended (the Code), such as employee plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), Keogh Plans and Individual Retirement Accounts (IRA) (each a Benefit Plan and collectively, Benefit Plans), should be aware that the use of additional contributions of cash outside of the Benefit Plan to exercise Rights may be treated as additional contributions to the Benefit Plan. When taken together with contributions previously made, such deemed additional contributions may be in excess of tax limitations and subject the Rights holder to excise taxes for excess or nondeductible contributions. In the case of Benefit Plans qualified under Section 401(a) of the Code, additional contributions could cause the maximum contribution limitations of Section 415 of the Code or other qualification rules to be violated. Benefit Plans contemplating making additional contributions to exercise Rights should consult with their legal and tax counsel prior to making such contributions.

Benefit Plans and other tax-exempt entities should also be aware that if they borrow to finance their exercise of Rights, they may become subject to the tax on unrelated business taxable income (UBTI) under Section 511 of the Code. If any portion of an IRA is used as security for a loan, the portion so used may also be treated as distributed to the IRA depositor.

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Benefit Plans subject to ERISA are subject to certain requirements on the Benefit Plan and on those persons who are fiduciaries with respect to the Benefit Plans. Such requirements may include prudence and diversification requirements and require that investments be made in accordance with the documents governing the Benefit Plan. The exercise of Rights by a fiduciary for a Benefit Plan should be considered in light of such fiduciary requirements.

In addition, ERISA and the Code prohibit certain transactions involving the assets of a Benefit Plan and certain persons (referred to as parties in interest for purposes of ERISA and disqualified persons for purposes of the Code) having certain relationships to such Benefit Plans, and also prohibit self-dealing transactions, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a nonexempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code (or with respect to certain Benefit Plans, such as IRAs, a prohibited transaction may cause the Benefit Plan to lose its tax-exempt status). In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions (PTCEs) that may apply to the exercise of the Rights, the holding and disposition of the Common Shares. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, PTCE 84-24 governing purchases of shares in investment companies) and PTCE 75-1 respecting sales of securities. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code each provides a limited exemption, commonly referred to as the service provider exemption, from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between a Benefit Plan and a person that is a party in interest and/or a disqualified person (other than a fiduciary or an affiliate that, directly or indirectly, has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Benefit Plan involved in the transaction) solely by reason of providing services to the Benefit Plan or by relationship to a service provider, provided that the Benefit Plan receives no less, nor pays no more, than adequate consideration. There can be no assurance that all of the conditions of any such exemptions or any other exemption will be satisfied in connection with any Benefit Plan s exercise of Rights, or thereafter with respect to its investment or disposition of the Common Shares.

By its exercise of the Rights, each Benefit Plan will be deemed to have represented and warranted that (i) neither the exercise of the Rights, nor the investment in Common Shares pursuant to such exercise, will result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or any substantially similar law, and (ii) neither Investment Manager, the Dealer Manager, the Fund or any of their affiliates is or will be a fiduciary of the Benefit Plan with respect to the Benefit Plan s exercise of the Rights or its investment in Common Shares, for purposes of ERISA and Section 4975 of the Code, or any applicable substantially similar law.

Due to the complexity of these rules and the penalties for noncompliance, fiduciaries of Benefit Plans, should consult with their legal and tax counsel regarding the consequences of their exercise of Rights under ERISA, the Code and other similar laws.

TABLE OF FEES AND EXPENSES

The following tables are intended to assist you in understanding the various costs and expenses directly or indirectly associated with investing in our Common Shares as a percentage of net assets attributable to Common Shares. Amounts are for the current fiscal year after giving effect to anticipated net proceeds of the Rights offering, assuming that we incur the estimated offering expenses.

Shareholder Transaction Expenses

Sales Load (as a percentage of offering price)(1)	3.75%
Offering Expenses (as a percentage of offering price)(2)	1.20%
Dividend Reinvestment Plan Fees(3)	None

Annual Operating Expenses

	Percentage of Net Assets Attributable to Common Shares
Management Fees(4)	0.98%
Interest Payments on Borrowed Funds(5)	0.84%
Other Expenses(6)	0.15%
Acquired Fund Fees and Expenses(7)	0.02%
Total Annual Fund Operating Expenses(7)	1.99%
Fee Waiver and/or Expense Reimbursement(8)	(0.01)%
Total Annual Fund Operating Expenses After Fee Waiver and/or Expense Reimbursement(8)	1.98%

(1) The Dealer Manager will receive a fee for its financial structuring and soliciting services equal to 3.75% of the Subscription Price per Common Share issued pursuant to the exercise of Rights, including the over-subscription privilege. The Dealer Manager will reallow to broker-dealers in the selling group to be formed and managed by the Dealer Manager selling fees equal to 2.50% of the Subscription Price per share of Common Share issued pursuant to the offering as a result of their selling efforts. In addition, the Dealer Manager will reallow to other broker-dealers that have executed and delivered a soliciting dealer agreement and have solicited the exercise of Rights solicitation fees equal to 0.50% of the Subscription Price per share of Common Share issued pursuant to the exercise of Rights as a result of their soliciting efforts, subject to a maximum fee based on the number of shares of Common Share held by each broker-dealer through DTC on the Record Date.

(2) The Fund will pay all offering expenses involved with this offering and Common Shareholders, including those who do not exercise their Rights, will indirectly bear such expenses. Offering expenses borne by the Fund (including the reimbursements described below) are estimated to be approximately $951,650 in the aggregate. The Fund has agreed to pay the Dealer Manager up to $125,000 as a partial reimbursement for its expenses incurred in connection with the offering. The Fund will also pay expenses relating to the printing or other production, mailing and delivery expenses incurred in connection with materials related to the offering, including all reasonable out-of-pocket fees and expenses, if any and not to exceed $10,000 incurred by the Dealer Manager, Selling Group Members, Soliciting Dealers and other brokers, dealers and financial institutions in connection with their customary mailing and handling of materials related to the offering to their customers.

(3) You will pay brokerage charges if you direct the plan agent to sell your Common Shares held in a dividend reinvestment account.

(4) The Investment Manager is entitled to receive an investment management fee of 0.70% per year of the Fund s average daily Managed Assets. Managed Assets are defined as the total assets of the Fund (including any assets attributable to leverage) minus the sum of accrued liabilities (other than the aggregate liquidation preference of any outstanding preferred shares or the outstanding amount of any borrowing or

short-term debt securities). If the Fund uses leverage, the amount of fees paid to the Investment Manager for investment management services will be higher than if the Fund does not use leverage because the fees paid are calculated on the Fund s managed assets, which include assets purchased with leverage. The management fee for the Fund reflects the amount of leverage used by the Fund as of its December 31, 2017 fiscal year end, which included total outstanding leverage of $90,000,000.

(5) On August 10, 2018, the Fund entered into a committed financing arrangement through which the Fund is authorized to borrow up to $100 million. Interest Payments on Borrowed Funds reflects an annualized interest charge based on the interest rate for the $90 million of borrowings in effect on September 1, 2018.

(6) Other Expenses have been estimated assuming the completion of the proposed issuance.

(7) Total Annual Fund Operating Expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights in the Fund s most recent annual report, which reflect the operating expenses of the Fund and do not include Acquired Fund Fees and Expenses.

(8) The Investment Manager has contractually agreed in advance to reduce its fee as a result of the Fund s investment in a Franklin Templeton money fund (acquired fund) for the next 12-month period. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

The purpose of the table above and the examples below is to help you understand all fees and expenses that you, as a holder of Common Shares, would bear directly or indirectly.

Example

The following example illustrates the expenses you would pay on a $1,000 investment in Common Shares, assuming a 5% annual portfolio total return.*

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred	$ 20	$ 62	$ 107	$ 232

* The example should not be considered a representation of future expenses. The example assumes that the amounts set forth in the Table of Fees and Expenses table are accurate and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

USE OF PROCEEDS

The Fund estimates the net proceeds of the Rights offering to be approximately $75,123,481, based on the estimated Subscription Price per Common Share of $10.49 (92.5% of the average of the last reported sales price of the Fund s Common Shares on the NYSE American on September 19, 2018 and each of the four (4) preceding trading days), assuming all new Common Shares offered are sold and that the expenses related to the Rights offering, estimated at approximately $951,650, and the Dealer Manager fee are paid.

The Investment Manager expects that it will initially invest the proceeds of the offering in high quality short term debt securities and instruments. The Investment Manager anticipates that the investment of the proceeds will be made in accordance with the Fund s investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within three months; however, the identification of appropriate investment opportunities pursuant to the Fund s investment style or changes in market conditions may cause the investment period to extend as long as six months. Depending on market conditions and operations, a portion of the cash held by the Fund, including any proceeds raised from the Rights offering, may be used to pay distributions in accordance with the Fund s distribution policy and may be a return of capital. A return of capital is a return to investors of a portion of their original investment in the Fund. In general terms, a return of capital would involve a situation in which a Fund distribution (or a portion thereof) represents a return of a portion of a shareholder s investment in the Fund, rather than making a distribution that is funded from the Fund s earned income or other profits. Although return of capital distributions may not be currently taxable, such distributions would decrease the basis of a shareholder s shares, and therefore, may increase a shareholder s tax liability for capital gains upon a sale of shares, even if sold at a loss to the shareholder s original investments.

CAPITALIZATION

The following table sets forth the unaudited capitalization of the Fund as of June 30, 2018 and its adjusted capitalization assuming the Common Shares available in the Rights offering discussed in this Prospectus Supplement had been issued.

	As of June 30, 2018 (unaudited)	
	Actual	**As Adjusted**
Shareholders equity applicable to Common Shares:	297,793,546	297,793,546
Common Shares, no par value	22,604,126	30,138,835
Paid-in surplus*		75,123,481
Distributions in excess of net investment income, net realized gain on investments, futures contracts, and foreign currency transactions	(27,538,051)	(27,538,051)
Net unrealized appreciation/depreciation on investments and futures contracts	(7,523,392)	(7,523,392)
Net unrealized appreciation on foreign currency translations	29	29
Net assets applicable to Common Shares	262,732,132	337,855,613

* As adjusted paid-in surplus reflects the issuance of 7,534,709 shares issued in the primary subscription at the estimated Subscription Price of $10.49 and a deduction for the estimated Dealer Manager fee borne by the Fund of $2,963,966 and offering expenses borne by the Fund of $951,650.

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PRICE RANGE OF COMMON SHARES

The following table sets forth for the quarters indicated, the high and low sale prices on the NYSE American per share of our Common Shares and the net asset value and the premium or discount from net asset value per share at which the Common Shares were trading, expressed as a percentage of net asset value, at each of the high and low sale prices provided.

	NAV per Common Share on Date of Market Price(1)		NYSE American Market Price per Common Share(2)		Premium/ (Discount) on Date of Market Price(3)		
During Quarter Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**	**Trading Volume**
March 31, 2016	12.43	12.03	11.36	10.18	-8.61%	-15.38%	4,540,300
June 30, 2016	12.75	12.36	11.85	11.18	-7.06%	-9.55%	2,794,800
September 30, 2016	13.11	12.72	12.16	11.53	-7.25%	-9.36%	3,049,600
December 31, 2016	13.23	12.89	12.42	11.61	-6.12%	-9.93%	3,696,100
March 31, 2017	13.07	12.95	12.27	11.88	-6.12%	-8.26%	9,197,300
June 30, 2017	12.92	12.93	12.07	11.83	-6.58%	-7.50%	9,192,600
September 30, 2017	12.70	12.75	12.07	11.66	-4.96%	-8.55%	8,247,900
December 31, 2017	12.64	12.41	12.13	11.52	-4.04%	-7.17%	6,683,600
March 31, 2018	12.39	11.88	12.02	11.13	-2.99%	-6.31%	6,150,700
June 30, 2018	11.97	11.62	11.25	10.88	-5.64%	-7.40%	5,321,098
July 1, 2018 through September 19, 2018	11.69	11.55	11.55	10.96	-5.72%	-1.03%	4,994,332

(1) Based on the Fund s computations.

(2) Source: NYSE American.

(3) Based on the Fund s computations.

(4) Source: Bloomberg.

On September 19, 2018, the last reported net asset value per Common Share was $11.56 and the last reported sales price per Common Share on the NYSE American was $11.31.

SPECIAL CHARACTERISTICS AND RISKS OF THE RIGHTS OFFERING

Risk is inherent in all investing. Therefore, before investing in the Common Shares you should consider the risks associated with such an investment carefully. See Risks and Special Considerations in the Prospectus. The following summarizes some of the matters that you should consider before investing in the Fund through the Rights offering:

Dilution. Record Date Shareholders who do not fully exercise their Rights will, at the completion of the Rights offering, own a smaller proportional interest in the Fund than owned prior to the Rights offering. The completion of the Rights offering will result in immediate voting dilution for such shareholders. Further, both the sales load and the expenses associated with the Rights offering will immediately reduce the net asset value of each outstanding Common Share. In addition, if the Subscription Price is less than the net asset value per Common Share as of the Expiration Date, the completion of this Rights offering will result in an immediate dilution of the net asset value per Common Share for all existing Common Shareholders (i.e., will cause the net asset value per Common Share to decrease). It is anticipated that existing Common Shareholders will experience immediate dilution even if they fully exercise their

Rights. Such dilution is not currently determinable because it is not known how many Common Shares will be subscribed for, what the net asset value per Common Share or market price of the Common Shares will be on the Expiration Date or what the Subscription Price per Common Share will be. If the Subscription Price is substantially less than the current net asset value per Common Share, this dilution could be substantial. The Fund will pay expenses associated with the Rights offering, estimated at approximately $951,650. In addition, the Fund has agreed to pay a dealer manager fee (sales load) equal to

3.75% of the Subscription Price per Common Share issued pursuant to the exercise of Rights (including pursuant to the over-subscription privilege). The Fund, not investors, pays the sales load, which is ultimately borne by all Common Shareholders, including those who do not exercise their Rights. All of the costs of the Rights offering will be borne by the Fund s Common Shareholders, including those who do not exercise their Rights. See Table of Fees and Expenses in this Prospectus Supplement and Summary of Fund Expenses in the accompanying Prospectus for more information.

You will experience an immediate dilution of the aggregate net asset value per Common Share if you do not participate in the Rights offering and will experience a reduction in the net asset value per Common Share whether or not you exercise your Rights, if the Subscription Price is below the Fund s net asset value per Common Share on the Expiration Date, because:

- the offered Common Shares are being sold at less than their current net asset value;
- you will indirectly bear the expenses of the Rights offering; and
- the number of Common Shares outstanding after the Rights offering will have increased proportionately more than the increase in the amount of the Fund s net assets.

On the other hand, if the Subscription Price is above the Fund s net asset value per Common Share on the Expiration Date, you may experience an immediate accretion of the aggregate net asset value per share of your Common Shares even if you do not exercise your Rights and an immediate increase in the net asset value per Common Share whether or not you participate in the Rights offering, because:

- the offered Common Shares are being sold at more than their current net asset value after deducting the expenses of the Rights offering; and
- the number of Common Shares outstanding after the Rights offering will have increased proportionately less than the increase in the amount of the Fund s net assets.

The Fund cannot state precisely the amount of any dilution because it is not known at this time what the net asset value per Common Share will be on the Expiration Date or what proportion of the Rights will be exercised. The impact of the Rights offering on net asset value (NAV) per Common Share is shown by the following example, assuming the Rights offering is fully subscribed and a $10.49 Subscription Price:

Example: (assumes net asset value per share is above subscription price)(1)

NAV(2)	$11.56
Subscription Price(3)	$10.49
Reduction in NAV ($)(4)	$0.40
Reduction in NAV (%)	3.5%

(1) Example assumes the full Primary Subscription is exercised. Actual amounts may vary due to rounding.

(2) For illustrative purposes only; reflects the Fund s net asset value per Common Share as of September 19, 2018. It is not known at this time what the net asset value per Common Share will be on the Expiration Date.

(3) For illustrative purposes only; reflects an estimated Subscription Price of $10.49 based upon 92.5% of the average of the last reported sales price of the Fund s Common Shares on the NYSE American on September 19, 2018 and each of the four (4) preceding trading days. It is not known at this time what the Subscription Price will be on the Expiration Date.

(4) Assumes $951,650 in estimated offering expenses.

If you do not wish to exercise your Rights, you should consider selling them as set forth in this Prospectus Supplement. Any cash you receive from selling your Rights may serve as partial compensation for any possible dilution of your interest in the Fund. The Fund cannot give assurance, however, that a market for the Rights will develop or that the Rights will have any marketable value.

The Fund s largest shareholders could increase their percentage ownership in the Fund through the exercise of the primary subscription and over-subscription privilege.

Risks of Investing in Rights. Shares of closed-end funds such as the Fund frequently trade at a discount to net asset value. If the Formula Price is less than 80% of net asset value on the Expiration Date, then the Subscription Price will likely be greater than the market price of a Common Share on that date. In addition, the Formula Price, even if above 80% of net asset value, may be still above the market price of a Common Share on the Expiration Date. If either event occurs, the Rights will have no value, and a person who exercises Rights will experience an immediate loss of value.

Leverage. Leverage creates a greater risk of loss, as well as a potential for more gain, for the Common Shares than if leverage were not used. Following the completion of the Rights offering, the Fund s amount of leverage outstanding will decrease. The leverage of the Fund as of September 19, 2018 was approximately 35.19% of the Fund s Managed Assets. After the completion of the Rights offering, the amount of leverage outstanding is expected to decrease to approximately 29.67% of the Fund s Managed Assets. The amount of leverage employed by the Fund may increase in the future. The use of leverage for investment purposes creates opportunities for greater total returns but at the same time increases risk. When leverage is employed, the net asset value and market price of the Common Shares and the yield to holders of Common Shares may be more volatile. Any investment income or gains earned with respect to the amounts borrowed in excess of the interest due on the borrowing will augment the Fund s income. Conversely, if the investment performance with respect to the amounts borrowed fails to cover the interest on such borrowings, the value of the Fund s Common Shares may decrease more quickly than would otherwise be the case, and distributions on the Common Shares could be reduced or eliminated. Interest payments and fees incurred in connection with such borrowings will reduce the amount of net income available for distribution to holders of the Common Shares.

Because the fee paid to the Investment Manager is calculated on the basis of the Fund s Managed Assets, which include the proceeds of leverage, the dollar amount of the management fee paid by the Fund to the Investment Manager will be higher (and the Investment Manager will be benefited to that extent) when leverage is used. The Investment Manager will use leverage only if it believes such action would result in a net benefit to the Fund s shareholders after taking into account the higher fees and expenses associated with leverage (including higher management fees).

The Fund s leveraging strategy may not be successful.

Increase in Share Price Volatility; Decrease in Share Price. The Rights offering may result in an increase in trading of the Common Shares, which may increase volatility in the market price of the Common Shares. The Rights offering may result in an increase in the number of shareholders wishing to sell their Common Shares, which would exert downward price pressure on the price of Common Shares.

Under-Subscription. It is possible that the Rights offering will not be fully subscribed. Under-subscription of the Rights offering would have an impact on the net proceeds of the Rights offering and whether the Fund achieves any benefits.

TAXATION

The following is a general summary of the U.S. federal income tax consequences of the Rights offering to Record Date Shareholders who are U.S. persons for U.S. federal income tax purposes. The following summary supplements the discussion set forth in the accompanying Prospectus and SAI and is subject to the qualifications

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and assumptions set forth therein. The discussion set forth herein does not constitute tax advice and potential investors are urged to consult their own tax advisers to determine the tax consequences of investing in the Fund.

Please refer to the Taxation section in the Fund s Prospectus and SAI for a description of the consequences of investing in the Common Shares of the Fund. Special tax considerations relating to this Rights offering are summarized below:

- The value of a Right will not be includible in the income of a Common Shareholder at the time the Right is issued.

- The basis of a Right issued to a Common Shareholder will be zero, and the basis of the Common Share with respect to which the Right was issued (the Old Common Share) will not change, unless either the fair market value of the Right on the date of distribution is at least 15% of the fair market value of the Old Common Share, or such Common Shareholder affirmatively elects (in the manner set out in Treasury Regulations under the Code) to allocate to the Right a portion of the basis of the Old Common Share. If the basis of a Right or Old Common Share changes, such Common Shareholder must allocate basis between the Old Common Share and the Right in proportion to their fair market values on the date of distribution.

- The basis of a Right purchased will generally be its purchase price.

- A Common Shareholder s holding period in a Right issued includes the holding period of the Old Common Share.

- A Common Shareholder will not recognize a loss if a Right distributed to such Common Shareholder expires unexercised because the basis of the Old Common Share may be allocated to a Right only if the Right is sold or exercised. If a Right that has been purchased in the market expires unexercised, there will be a recognized loss equal to the basis of the Right.

- Any gain or loss on the sale of a Right will be a capital gain or loss if the Right is held as a capital asset (which in the case of a Right issued to Record Date Shareholders will depend on whether the Old Common Share is held as a capital asset), and will be a long term capital gain or loss if the holding period is deemed to exceed one year.

- No gain or loss will be recognized by a Common Shareholder upon the exercise of a Right, and the basis of any Common Share acquired upon exercise (the New Common Share) will equal the sum of the basis, if any, of the Right and the subscription price for the New Common Share. The holding period for the New Common Share will begin on the date when the Right is exercised (or, in the case of a Right purchased in the market, potentially the day after the date of exercise).

The foregoing is a general and brief summary of the provisions of the Code and the Treasury Regulations in effect as they directly govern the taxation of the Fund and its Common Shareholders, with respect to U.S. federal income taxation only. Other tax issues such as state and local taxation may apply. Investors are urged to consult their own tax advisors to determine the tax consequences of investing in the Fund. These provisions are subject to change by legislative or administrative action, and any such change may be retroactive.

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PLAN OF DISTRIBUTION

Distribution Arrangements

UBS Securities LLC will act as Dealer Manager for this Rights offering. Under the terms and subject to the conditions contained in the Dealer Manager Agreement among the Dealer Manager, the Fund and the Investment Manager, the Dealer Manager will provide financial structuring and solicitation services in connection with the Rights offering and will solicit the exercise of Rights and participation in the over-subscription privilege. The Rights offering is not contingent upon any number of Rights being exercised. The Dealer Manager will also be responsible for forming and managing a group of selling broker-dealers (each a Selling Group Member and collectively the Selling Group Members), whereby each Selling Group Member will enter into a Selling Group Agreement with the Dealer Manager to solicit the exercise of Rights and to sell Common Shares purchased by the Selling Group Member from the Dealer Manager. In addition, the Dealer Manager will enter into a Soliciting Dealer Agreement with other soliciting broker-dealers (each a Soliciting Dealer and collectively the Soliciting Dealers) to solicit the exercise of Rights. See Compensation to Dealer Manager for a discussion of fees and other compensation to be paid to the Dealer Manager, Selling Group Members and Soliciting Dealers in connection with the Rights offering.

The Fund and the Investment Manager have each agreed to indemnify the Dealer Manager for losses arising out of certain liabilities, including liabilities under the Securities Act. The Dealer Manager Agreement also provides that the Dealer Manager will not be subject to any liability to the Fund in rendering the services contemplated by the Dealer Manager Agreement except for any act of willful misfeasance, bad faith or gross negligence of the Dealer Manager or reckless disregard by the Dealer Manager of its obligations and duties under the Dealer Manager Agreement.

In order to seek to facilitate the trading market in the Rights for the benefit of non-exercising shareholders, and the placement of the Common Shares to new or existing investors pursuant to the exercise of the Rights, the Dealer Manager Agreement provides for special arrangements with the Dealer Manager. Under these arrangements, the Dealer Manager is expected to purchase Rights on the NYSE American. The number of rights, if any, purchased by the Dealer Manager will be determined by the Dealer Manager in its sole discretion. The Dealer Manager is not obligated to purchase Rights or Common Shares as principal for its own account to facilitate the trading market for Rights or for investment purposes. Rather, its purchases are expected to be closely related to interest in acquiring Common Shares generated by the Dealer Manager through its marketing and soliciting activities. The Dealer Manager intends to exercise Rights purchased by it during the Subscription Period but prior to the Expiration Date. The Dealer Manager may exercise those Rights at its option on one or more dates, which are expected to be prior to the Expiration Date. The subscription price for the Common Shares issued through the exercise of Rights by the Dealer Manager prior to the Expiration Date will be the greater of 92.5% of the last reported sale price of a Common Share on the NYSE American on the date of exercise or 80% of the last reported net asset value of a Common Share on the date prior to the date of exercise. The price and timing of these exercises are expected to differ from those described herein for the Rights offering. The subscription price will be paid to the Fund and the dealer manager fee with respect to such proceeds will be paid by the Fund on the applicable settlement date(s) of such exercise(s).

In connection with the exercise of Rights and receipt of Common Shares, the Dealer Manager intends to offer those Common Shares for sale to the public and/or through a group of selling members it has established. The Dealer Manager may set the price for those Common Shares at any price that it determines, in its sole discretion. The Dealer Manager has advised that the price at which such Common Shares are offered is expected to be at or slightly below the closing price of the Common Shares on the NYSE American on the date the Dealer Manager exercises Rights. No portion of the amount paid to the Dealer Manager or to a selling group member from the sale of Common Shares in this manner will be paid to the Fund. If the sales price of the Common Shares is greater than the subscription price paid by the Dealer Manager for such Common Shares plus the costs to purchase Rights for the purpose of acquiring those Common Shares, the Dealer Manager will receive a gain.

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Alternatively, if the sales price of the Common Shares is less than the subscription price for such Common Shares plus the costs to purchase Rights for the purpose of acquiring those Common Shares, the Dealer Manager will incur a loss. The Dealer Manager will pay a concession to selling group members in an amount equal to approximately 2.50% of the aggregate price of the Common Shares sold by the respective selling group member. Neither the Fund nor the Investment Manager has a role in setting the terms, including the sales price, on which the Dealer Manager offers for sale and sells Common Shares it has acquired through purchasing and exercising Rights or the timing of the exercise of Rights or sales of Common Shares by the Dealer Manager. Persons who purchase Common Shares from the Dealer Manager or the selling group will purchase shares at a price set by the Dealer Manager, which may be more or less than the Subscription Price, and at a time set by the Dealer Manager, which is expected to be prior to the Expiration Date.

The Dealer Manager may purchase Rights as principal or act as agent on behalf of its clients for the resale of such Rights. The Dealer Manager may realize gains (or losses) in connection with the purchase and sale of Rights and the sale of Common Shares, although such transactions are intended by the Dealer Manager to facilitate the trading market in the Rights and the placement of the Common Shares to new or existing investors pursuant to the exercise of the Rights. Any gains (or losses) realized by the Dealer Manager from the purchase and sale of Rights and the sale of Common Shares is independent of and in addition to its fee as Dealer Manager. The Dealer Manager has advised that any such gains (or losses) are expected to be immaterial relative to its fee as Dealer Manager.

Since neither the Dealer Manager nor persons who purchase Common Shares from the Dealer Manager or members of the selling group were Record Date Shareholders, they would not be able to participate in the over-subscription privilege.

Persons who purchase Common Shares from the Dealer Manager or the selling group will not purchase shares at the Subscription Price based on the formula price mechanism through which Common Shares will be sold in the Rights Offering. Instead, those persons will purchase Common Shares at a price set by the Dealer Manager, which may be more or less than the Subscription Price, and will not have the uncertainty of waiting for the determination of the Subscription Price on the Expiration Date.

There is no limit on the number of Rights the Dealer Manager can purchase or exercise. Common Shares acquired by the Dealer Manager pursuant to the exercise of Rights acquired by it will reduce the number of Common Shares available pursuant to the over-subscription privilege, perhaps materially, depending on the number of Rights purchased and exercised by the Dealer Manager.

Although the Dealer Manager can seek to facilitate the trading market for Rights as described above, investors can acquire Common Shares at the Subscription Price by acquiring Rights on the NYSE American and exercising them in the method described above under Description of the Rights Method of Exercise of Rights and Description of the Rights Payment for Shares.

In the ordinary course of their businesses, the Dealer Manager and/or its affiliates may engage in investment banking or financial transactions with the Fund, the Investment Manager and their affiliates. In addition, in the ordinary course of their businesses, the Dealer Manager and/or its affiliates may, from time to time, own securities of the Fund or its affiliates.

The principal business address of the Dealer Manager is 1285 Avenue of the Americas, New York, New York 10019.

Compensation to Dealer Manager

Pursuant to the Dealer Manager Agreement, the Fund has agreed to pay the Dealer Manager a fee for its financial structuring and solicitation services equal to 3.75% of the Subscription Price per Common Share for each Common

Share issued pursuant to the exercise of Rights, including the over-subscription privilege.

The Dealer Manager will reallow to Selling Group Members in the Selling Group to be formed and managed by the Dealer Manager selling fees equal to 2.50% of the Subscription Price for each Common Share issued pursuant to the Rights offering or the over-subscription privilege as a result of their selling efforts. In addition, the Dealer Manager will reallow to Soliciting Dealers that have executed and delivered a Soliciting Dealer Agreement and have solicited the exercise of Rights, solicitation fees equal to 0.50% of the Subscription Price for each Common Share issued pursuant to the exercise of Rights as a result of their soliciting efforts, subject to a maximum fee based on the number of Common Shares held by such Soliciting Dealer through DTC on the Record Date. Fees will be paid to the broker-dealer designated on the applicable portion of the subscription certificates or, in the absence of such designation, to the Dealer Manager.

In addition, the Fund, has agreed to pay the Dealer Manager an amount up to $125,000 as a partial reimbursement of its expenses incurred in connection with the Rights offering, including reasonable out-of-pocket fees and expenses, if any and not to exceed $10,000, incurred by the Dealer Manager, Selling Group Members, Soliciting Dealers and other brokers, dealers and financial institutions in connection with their customary mailing and handling of materials related to the Rights offering to their customers. No other fees will be payable by the Fund or the Investment Manager to the Dealer Manager in connection with the Rights offering.

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, special counsel to the Fund in connection with the Rights offering, Stradley Ronon Stevens & Young, LLP, counsel to the Fund, and Morris, Nichols, Arsht, & Tunnell LLP, special Delaware counsel to the Fund. Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP as special counsel to the Dealer Manager in connection with the Rights offering.

BASE PROSPECTUS

$200,000,000

FRANKLIN LIMITED DURATION INCOME TRUST

Common Shares

Rights to Purchase Common Shares

The Franklin Limited Duration Income Trust, a Delaware statutory trust (Fund, we, us or our), is a diversified, closed-end management investment company. The Fund seeks to provide high current income, with a secondary objective of capital appreciation to the extent possible and consistent with the Fund s primary objective.

We may offer, from time to time, in one or more offerings, our common shares, no par value (Common Shares), or subscription rights to purchase our Common Shares. Common Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each, a Prospectus Supplement). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Common Shares.

Our Common Shares may be offered directly to one or more purchasers, including existing shareholders in a rights offering, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our Common Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any offering of rights will set forth the number of Common Shares issuable upon the exercise of each right (or number of rights) and the other terms of such rights offering. We may not sell any of our Common Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Common Shares.

Our Common Shares are listed on the NYSE American under the symbol FTF . The last reported sale price of our Common Shares, as reported by the NYSE American on September 11, 2018 was $11.30 per Common Share. The net asset value of our Common Shares at the close of business on September 11, 2018 was $11.55 per Common Share. Rights issued by the Fund may also be listed on a securities exchange.

An investment in the Common Shares involves certain risks and special considerations. For a discussion of these and other risks, see Risks and Special Considerations.

Shares of closed-end investment companies frequently trade at a discount to their net asset value. The Fund s Common Shares have traded at a discount to net asset value, including during recent periods. If the Fund s Common Shares trade at a discount to its net asset value, the risk of loss may increase for purchasers in a public offering. See Risks and Special Considerations Net Asset Value Discount Risk.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

This Prospectus, together with any Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus and applicable Prospectus Supplement, which contain important information, before deciding whether to invest in the Common Shares. You should retain the Prospectus and Prospectus Supplement for future reference. A Statement of Additional Information (SAI), dated September 14, 2018, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. The table of contents for the SAI is on page 77 of the Prospectus. You may call (800) DIAL BEN/342-5236, visit the Fund s website at www.franklintempleton.com or forward a written request to Franklin Templeton Investor Services, LLC, P.O. Box 997151, Sacramento, CA 95899-9983 to obtain, free of charge, copies of the SAI and the Fund s annual and semi-annual reports to shareholders, as well as to obtain other information about the Fund and to make shareholder inquiries.

The Fund s SAI, as well as the annual and semi-annual reports to shareholders, are also available on the Fund s website at www.franklintempleton.com. The SEC maintains a website at www.sec.gov that contains the SAI, material incorporated by reference into the Fund s registration statement and other information about the Fund.

Our Common Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Prospectus dated September 14, 2018

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You should rely only on the information contained in, or incorporated by reference into, this Prospectus and any related Prospectus Supplement in making your investment decisions. The Fund has not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer to sell the Common Shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this Prospectus and any Prospectus Supplement is accurate only as of the dates on their covers. The Fund s business, financial condition and prospects may have changed since the date of its description in this Prospectus or the date of its description in any Prospectus Supplement.

PROSPECTUS SUMMARY

The following information is only a summary. You should consider the more detailed information contained in the Prospectus and in any related Prospectus Supplement and in the SAI before purchasing Common Shares, especially the information under Risks and Special Considerations on page 48 of the Prospectus.

The Fund	The Fund is a diversified, closed-end management investment company organized under the laws of the State of Delaware. See The Fund. The Fund s Common Shares are listed for trading on the NYSE American under the symbol FTF . As of September 5, 2018, the net assets of the Fund were $261,270,015, the total assets of the Fund were $410,781,866 and the Fund had outstanding 22,604,126 Common Shares. The last reported sale price of the Fund s Common Shares, as reported by the NYSE American on September 11, 2018 was $11.30 per Common Share. The net asset value of the Fund s Common Shares at the close of business on September 11, 2018 was $11.55 per Common Share. See Description of Shares. Rights issued by the Fund may also be listed on a securities exchange.
The Offering	We may offer, from time to time, in one or more offerings, up to $200,000,000 of our Common Shares on terms to be determined at the time of the offering. We may also offer subscription rights to purchase our Common Shares. The Common Shares may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Common Shares. Our Common Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The offering price per Common Share will not be less than the net asset value per Common Share at the time we make the offering, exclusive of any underwriting commissions or discounts, provided that rights offerings that meet certain conditions may be offered at a price below the then current net asset value. See Rights Offerings. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our Common Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. See Plan of Distribution. The Prospectus Supplement relating to any offering of rights will set forth the number of Common Shares issuable upon the exercise of each right (or number of rights) and the other terms of such rights offering. We may not sell any of our Common Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Common Shares.
Use of Proceeds	We intend to use the net proceeds from the offering primarily to invest in accordance with our investment objectives and policies as appropriate

investment opportunities are identified, which is expected to be substantially completed in approximately three months from the conclusion of the offering; however, the identification of appropriate

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investment opportunities pursuant to the Fund s investment style or changes in market conditions could result in the Fund s anticipated investment period extending to as long as six months. See Use of Proceeds.

Investment Objectives

The Fund seeks to provide high current income, with a secondary objective of capital appreciation to the extent possible and consistent with the Fund s primary objective.

Investment Policies

Under normal market conditions, the Fund will seek to achieve its investment objectives by investing in debt securities and other income-producing instruments, allocated primarily among three distinct investment categories: (1) mortgage-backed securities and other asset-backed securities; (2) bank loans made to corporate and other business entities; and (3) below investment grade debt securities and other income-producing instruments. There is no limitation on the percentage of the Fund s assets that may be allocated to each of these investment categories; provided that, under normal market conditions, the Fund will invest at least 20% of its total assets in each category. Under normal market conditions, the Fund may invest up to 25% of its total assets in loans originated through on-line marketplace lending platforms (a Platform) that provide a marketplace for lending through the purchase of loans (either individually or in aggregations) (Marketplace Loans) and other types of marketplace lending instruments. The Fund will not invest in Marketplace Loans that the Fund determines to be subprime. Under normal circumstances, the Fund s allocation to the investment category of mortgage-backed and other asset-backed securities will be primarily composed of investments in mortgage-backed securities. See Investment Objectives and Strategies.

Limited Duration

Under normal market conditions, the Investment Manager (as defined below) expects the Fund to maintain an estimated average portfolio duration of between two and five years (including the effect of anticipated leverage). This duration policy may only be changed following provision of 60 days prior notice to holders of Common Shares (Common Shareholders). In comparison to maturity (which is the date on which a debt instrument ceases and the issuer is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result of changes in market rates of interest, based on the weighted average timing of the instrument s expected principal and interest payments. Duration differs from maturity in that it considers a security s yield, coupon payments, principal payments and call features in addition to the amount of time until the security finally matures. As the value of a security changes over time, so will its duration. Prices of securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. In general, a portfolio of securities with a longer duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter duration.

Sector Allocation Strategy

The Fund uses an active sector allocation strategy to try to achieve its goals of income and capital appreciation. This means the Fund allocates

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its assets among securities in various market sectors based on the Investment Manager s assessment of changing economic, global market, industry, and issuer conditions. Consequently, the Fund, from time to time, may have significant positions in particular sectors. There can be no assurance that the Investment Manager s assessments will be correct. See Investment Objectives and Strategies Portfolio Management Strategies.

Credit Quality

Under normal market conditions, the Fund will invest at least 20% of its assets in debt securities or other instruments rated below investment grade, sometimes called junk bonds. The Fund may also invest in investment grade debt securities. Investment grade debt securities are rated in one of the top four ratings categories by a nationally-recognized statistical rating organization (a Rating Agency) such as S&P, Moody s or Fitch. A debt security rated below the top four ratings categories by each Rating Agency rating the security will be considered below investment grade. The Fund may also buy unrated debt securities or other income-producing instruments.

The Investment Manager monitors the credit quality and price of the Fund s holdings, as well as other investments that are available to the Fund.

The Fund may invest in securities or other instruments whose issuers are in default or bankruptcy. Under normal conditions, the Fund will not invest more than 5% of its total assets in debt securities or other obligations whose issuers are in default at the time of purchase.

Independent Credit Analysis

The Investment Manager will rely heavily on its own analysis of the credit quality and risks associated with individual debt obligations considered for the Fund, rather than relying exclusively on rating agencies, third-party research or the credit ratings assigned by a Platform with regard to Marketplace Loans. The Investment Manager will use this information in an attempt to minimize credit risk and identify borrowers, issuers, industries or sectors that are undervalued or that offer attractive yields relative to the Investment Manager s assessment of their credit characteristics. The Fund s success in achieving its investment objectives may depend more heavily on the Investment Manager s credit analysis than if the Fund invested solely in higher-quality and rated securities.

Diversification

Subject to the availability of suitable investment opportunities, the Investment Manager will seek to diversify the Fund s investments broadly in an attempt to minimize the portfolio s sensitivity to credit and other risks associated with a particular issuer, industry or sector, or to the impact of a single economic, political or regulatory event.

Portfolio Contents

The Fund s portfolio may include bonds, debentures, notes and other similar types of debt instruments, such as asset-backed securities, as well as bank loans and loan participations, commercial and agency-issued mortgage securities, payment-in-kind securities, zero-coupon securities, bank certificates of deposit, fixed time deposits and bankers acceptances, structured notes and other hybrid instruments, preferred shares, municipal or U.S. government securities, debt securities issued by

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foreign corporations or supra-national government agencies, mortgage-backed securities issued on a public or private basis, other types of asset-backed securities, and Marketplace Loans and other types of marketplace lending instruments including any of the following: (i) direct investments in Marketplace Loans to consumers, small- and mid-sized companies (SMEs) and other borrowers; (ii) investments in notes or other pass-through obligations issued by a Platform representing the right to receive the principal and interest payments on a Marketplace Loan (Pass-Through Notes); (iii) investments in asset-backed securities representing ownership in a pool of Marketplace Loans; and (iv) investments in public or private investment funds that purchase Marketplace Loans (the foregoing listed investments are collectively referred to herein as Marketplace Lending Instruments). The rate of interest on an income-producing security may be fixed, floating or variable. The Fund may use swaps and other derivative instruments. The Fund will not invest in inverse floating rate instruments or interest-only or principal-only mortgage securities.

The Fund may hold equity securities; however, under ordinary circumstances, such investments will be limited to convertible securities, dividend-paying common or preferred stocks, or equity securities acquired in connection with a restructuring, bankruptcy, default, or the exercise of a conversion or purchase right.

Since the Fund is diversified, with respect to 75% of its investment portfolio, the Fund generally may not hold more than 5% of its assets in the securities of a single issuer or hold more than 10% of the outstanding voting securities of an issuer. The Fund generally will not invest more than 25% of its total assets in securities of issuers in any one industry. See How the Fund Manages Risk Investment Limitations.

Investment Restrictions

The Fund has certain investment restrictions that may not be changed without approval by a majority of the Fund s outstanding voting securities. These restrictions concern issuance of senior securities, borrowing, lending and other matters. See Investment Restrictions and Additional Investment Information in the SAI.

Risks

The value of the Fund s assets, as well as the market price of its shares, will fluctuate. You can lose money on your investment. Investing in the Fund involves other risks, including the risks set out below. See Risks and Special Considerations for more information on these and other risks).

General. The Fund is a diversified, closed-end investment company designed primarily as a long-term investment and not as a trading tool. An investment in the Fund s Common Shares may be speculative and involves a high degree of risk. The Fund should not be considered a complete investment program. Due to the uncertainty in all investments, there can be no assurance that the Fund will achieve its investment objective.

Investment and Market Risk. An investment in the Fund s Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Shares

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represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which the Fund invests will affect the value of the Common Shares. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Net Asset Value Discount Risk. As with any stock, the price of the Common Shares will fluctuate with market conditions and other factors. If Common Shares are sold, the price received may be more or less than the original investment. The Common Shares may trade at a price that is less than the offering price or at a discount from their net asset value. This risk may be greater for investors who sell their shares relatively shortly after completion of the offering. The Common Shares are designed for long-term investors.

Credit Risk. An issuer of a debt security, or the borrower of a Marketplace Loan, may be unable to make interest payments and repay principal. Changes in an issuer s financial strength or in a security s credit rating may affect a security s value and, thus, impact Fund performance. See Risks and Special Considerations Credit Risk.

Mortgage-Related Risk. Rising interest rates tend to extend the duration of mortgage-related securities, which in turn could lengthen the average duration of the Fund s portfolio, making the portfolio more sensitive to changes in interest rates, and may reduce the market value of the portfolio s mortgage-related securities. This possibility is often referred to as extension risk. In addition, mortgage-related securities are subject to prepayment risk the risk that borrowers may pay off their mortgages sooner than expected, particularly when interest rates decline. See Risks and Special Considerations Mortgage-Related Risk.

Loan Risk. Bank loans, loan participations and assignments involve credit risk, interest rate risk, liquidity risk, and the risks of being a lender, as well as other risks. If the Fund purchases a loan, it may be able to enforce its rights only through the lender, and may assume the credit risk of both the lender and the borrower.

Corporate loans in which the Fund may invest may be unrated and generally will not be registered with the SEC or listed on a securities exchange. Because the amount of public information available with respect to corporate loans generally is less extensive than that available for more widely rated, registered and exchange-listed securities, corporate loans can be more difficult to value. See Risks and Special Considerations Loan Risk.

Bank loans and certain corporate loans may not be considered securities, and investors, such as the Fund, therefore may not be entitled to rely on the antifraud protections of the federal securities laws and may have limited legal remedies.

Marketplace Loans Risk. Marketplace Loans are subject to the risks associated with debt investments generally, including but not limited to, interest rate, credit, liquidity, high yield debt, market and income risks.

Marketplace Loans generally are not rated by rating agencies; are often unsecured; not guaranteed or insured by a third party; not backed by any governmental authority; and are highly risky and speculative investments similar to an investment in lower rated securities or high yield debt securities (also known as junk bonds). Lenders and investors, such as the Fund, assume all of the credit risk on the loans they fund or purchase and there are no assurances that payments due on the Marketplace Loans will be made. In addition, investments in Marketplace Loans may be adversely affected if the Platform or a third-party service provider becomes unable or unwilling to fulfill its obligations in servicing the loans. The Fund intends to have a backup servicer in case any Platform or third-party servicer ceases or fails to perform the servicing functions, which the Fund expects will mitigate some of the risks associated with a reliance on platforms or third-party servicers for servicing of the Marketplace Loans. Moreover, the Fund may have limited information about the Marketplace Loans and information provided to the Platform regarding the loans and the borrowers credit information may be incomplete, inaccurate, outdated or fraudulent. It also may be difficult for the Fund to sell an investment in a Marketplace Loan before maturity at the price at which the Fund believes the loan should be valued because these loans typically are considered by the Fund to be illiquid securities. See Risks and Special Considerations Marketplace Loans Risk.

High Yield Risk. The Fund may invest in debt securities, Marketplace Loans, and other income-producing instruments that are rated below investment grade or unrated. These securities and instruments generally have more credit risk than higher-rated securities. The issuers of such securities or instruments typically do not have the track record needed to receive an investment grade rating, have borrowed to finance acquisitions or to expand their operations, are seeking to refinance their debt at lower rates, or have been downgraded due to financial difficulties. Due to the risks involved in investing in high yield debt securities and other income-producing instruments, an investment in the Fund should be considered speculative.

Companies issuing high yield, fixed-income securities are not as strong financially as those issuing securities with higher credit ratings. These companies are more likely to encounter financial difficulties and are more vulnerable to changes in the economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments. The high yield market has experienced a large number of defaults in recent years. If a company defaults because it stops making interest and/or principal payments, payments on the securities may never resume because such securities are generally unsecured and are often subordinated to other creditors of the issuer. These securities may be worthless and the Fund could lose its entire investment.

High yield securities generally are less liquid than higher-quality securities. Many of these securities do not trade frequently, and when they do their prices may be significantly higher or lower than expected. See Risks and Special Considerations High Yield Risk.

Interest Rate Risk. Changes in interest rates may present risks to the Fund. When interest rates rise, debt security prices generally fall. The opposite is also true: debt security prices generally rise when interest rates fall. Because market interest rates are currently near their lowest levels in many years, there is a great risk that the Fund s investments will decline in value.

The prices of fixed-rate securities with longer durations tend to be more sensitive to changes in interest rates than securities with shorter durations, usually making them more volatile. Because the Fund will normally have an estimated average portfolio duration of between two and five years (including the effects of anticipated leverage), the Common Shares net asset value and market price will tend to fluctuate more in response to changes in market interest rates than if the Fund invested mainly in short-term debt securities and less than if the Fund invested mainly in longer-term debt securities.

The cost of leverage employed by the Fund is based on certain interest rates. If the cost of leverage exceeds the rate of return on the debt obligations and other investments held by the Fund that were acquired during periods of generally lower interest rates, the returns to Common Shareholders may be reduced. The Fund s use of leverage, as described in the Prospectus, will tend to increase Common Share interest rate risk.

The Fund may employ certain strategies for the purpose of reducing the interest rate sensitivity of the portfolio and decreasing the Fund s exposure to interest rate risk, although there is no assurance that it will do so or that such strategies will be successful. See Risks and Special Considerations Interest Rate Risk.

Inflation Risk. Inflation risk is the risk that the value of assets or income from the Fund s investments will be worth less in the future as inflation decreases the value of money.

Leverage Risk. The Fund s use of leverage creates the opportunity for increased Common Share net income, but also creates special risks for Common Shareholders. The Fund currently uses leverage through the borrowing of funds under a committed financing arrangement and the purchase of mortgage dollar rolls. The Fund may use other forms of leverage, including through the issuance of senior securities such as preferred shares. The Fund may also use leverage through the lending of portfolio securities, and the use of swaps, other derivatives, reverse repurchase agreements, and when-issued, delayed delivery or forward commitment transactions. To mitigate leverage risk from such transactions, the Fund may segregate liquid assets against or otherwise cover its future obligations under such transactions.

So long as the Fund s securities portfolio provides a higher rate of return (net of Fund expenses) than the cost of its leverage (e.g., the interest rate on any borrowings), the leverage will allow Common Shareholders to receive a higher current rate of return than if the Fund were not leveraged. If, however, interest rates rise, which may be likely because interest rates are currently near their lowest levels in many years, the Fund s cost of leverage could exceed the rate of return on the debt obligations and other investments held by the Fund that were acquired during periods of generally lower interest rates, reducing return to Common Shareholders. If the Fund leverages with preferred shares that pay cumulative dividends, the Fund s leverage risk may be increased.

The Fund s use of leverage may, during periods of rising interest rates, adversely affect the Fund s income, distributions and total returns to Common Shareholders. Leverage creates two major types of risks for Common Shareholders:

the likelihood of greater volatility of net asset value and market price of Common Shares, because changes in the value of the Fund s portfolio of income-producing securities (including securities bought with the proceeds of leverage) are borne entirely by the Common Shareholders; and

the possibility either that Common Share income will fall if the Fund s cost of leverage rises, or that Common Share income will fluctuate because the cost of leverage varies. Because the fees received by the Investment Manager are based on the Managed Assets (as defined below) of the Fund (including the aggregate liquidation preference of any preferred shares or the outstanding amount of any borrowing or short-term debt securities), the Investment Manager has a financial incentive for the Fund to use leverage, which may create a conflict of interest between the Investment Manager and the Common Shareholders.

By using leverage, the Fund will seek to obtain a higher return for holders of Common Shares than if the Fund did not use leverage. Leveraging is a speculative technique and there are special risks involved. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed. The Fund s use of leverage strategies could result in larger losses than if the strategies were not used.

Portfolio Security Issuer Risk. The value of the Fund s investments may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and performance and factors affecting the issuer s industry.

Management Risk. The Fund is subject to management risk because it is an actively managed portfolio. The Investment Manager will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that they will produce the desired results.

Foreign (Non-U.S.) Investment Risk. Investing in foreign securities, including securities of foreign governments, typically involves more risks than investing in U.S. securities. These risks can increase the potential for losses in the Fund and may include, among others, currency risks, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. See Risks and Special Considerations Foreign (Non-U.S.) Investment Risk. Investing in securities of issuers based in developing or emerging markets entails all of the risks of investing in securities of foreign issuers to a heightened degree as well as other risks. See Risks and Special Considerations Foreign (Non-U.S.) Investment Risk Developing Countries and Emerging Markets.

Debt issued by foreign governments, their agencies or instrumentalities, or other government-related entities, is subject to several risks, such as the fact that there are generally no bankruptcy proceedings similar to those in the United States by which defaulted sovereign debt may be collected. Other risks include: potential limits on the flow of capital; political and economic risk; the extent and quality of financial regulations; tax risk; and the potential expropriation or nationalization of foreign issuers. See Risks and Special Considerations Foreign (Non-U.S.) Investment Risk Sovereign Issuers.

Derivatives Risk. The performance of derivatives depends largely on the performance of an underlying asset, interest rate or index, and such instruments often have risks similar to their underlying asset. Derivatives (such as futures contracts and options thereon, options, swaps and short sales) are also subject to a number of risks such as liquidity risk, interest rate risk, credit risk, leverage risk, volatility risk and management risk. They also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation, and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. With over-the-counter derivatives, there is a risk that the other party to the transaction will fail to perform (known as counterparty risk). There can be no assurance that the Fund will engage in suitable derivative transactions to reduce exposure to other risks when that would be beneficial. See Risks and Special Considerations Derivatives Risk.

Counterparty Risk. The Fund will be subject to credit risk with respect to the counterparties to any derivative contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract. See Risks and Special Considerations Counterparty Risk.

Volatility Risk. The market values for some or all of the Fund s holdings may be volatile. The Fund s investment grade or long-term debt securities, will generally be more sensitive to changing interest rates and less sensitive to changes in the economic environment. The Fund s investments may also be subject to liquidity constraints and as a result, higher price volatility. The Fund s use of leverage may increase the volatility of the Fund s investment portfolio. See Risks and Special Considerations Volatility Risk.

Reinvestment Risk. The Fund may distribute or reinvest the proceeds from matured, traded or called debt obligations. If the Fund reinvests such proceeds at lower interest rates, the market price or the overall return of the Common Shares may decline. See Risks and Special Considerations Reinvestment Risk.

Call Risk. A debt security may be prepaid (called) before maturity. An issuer is more likely to call its securities when interest rates are falling, because the issuer can issue new securities with lower interest payments. If a debt security is called, the Fund may have to replace it with a lower-yielding security. At any time, the Fund may have a large amount of its assets invested in securities subject to call risk. A call of some or all of these securities may lower the Fund s income and yield and its distributions to shareholders. See Risks and Special Considerations Call Risk.

Liquidity Risk. The Fund may invest up to 25% of its total assets in securities which are illiquid at the time of investment (*i.e.*, securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities). Illiquid securities may trade at a discount from comparable, more liquid investments, and may be subject to wide fluctuations in market value. Also, the Fund may not be able to dispose of illiquid securities when that would be beneficial at a favorable time or price. The Fund s investments in Marketplace Loans will be limited by the Fund s 25% limit on illiquid investments to the extent such Marketplace Loans are determined to be illiquid. See Risks and Special Considerations Liquidity Risk.

Income Risk. Because the Fund can distribute only what it earns, the Fund s distributions to shareholders may decline. See Risks and Special Considerations Income Risk and Marketplace Loans Risk.

Zero-Coupon Securities Risk. Zero-coupon securities are especially sensitive to changes in interest rates, and their prices generally are more volatile than debt securities that pay interest periodically. Lower quality zero-coupon bonds are generally subject to the same risks as high yield debt securities. The Fund typically will not receive any interest payments on these securities until maturity. If the issuer defaults, the Fund may lose its entire investment, which will affect the Fund s share price. See Risks and Special Considerations Zero-Coupon Securities Risk.

Smaller Company Risk. Although the Fund does not presently intend to invest a significant portion of its assets in smaller companies, the Fund may invest some of its assets in such companies. These companies may be subject to greater levels of credit, market and issuer risk than companies with larger market capitalizations. Also, securities of smaller companies may trade less frequently and in lesser volume than more widely held securities and their values may fluctuate more sharply than other securities. See Risks and Special Considerations Smaller Company Risk.

Real Estate Risk. Since the Fund may invest in real estate investment trusts and mortgage securities secured by real estate, the Fund may be subject to risks similar to those associated with the direct ownership of real estate. These risks include declines in the value of real estate, general and local economic risk, management risk, interest rate risk, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increased competition, increases in property taxes and operating expenses, changes in zoning laws, environmental risk, casualty or condemnation losses, and rent controls. See Risks and Special Considerations Real Estate Risk.

Market Disruption and Geopolitical Risk. The occurrence of events similar to those in recent years, such as the aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Libya, Syria and other countries in the Middle East and North Africa, terrorist attacks in the U.S., Europe and elsewhere around the world, social and political discord and uncertainty, debt crises (such as the recent Greek crisis), sovereign debt downgrades, or the exit or potential exit of one or more countries from the EMU or the European Union (such as the United Kingdom), among others, may result in market volatility, may have long term effects on the U.S. and worldwide financial markets, and may cause further economic uncertainties in the U.S. and worldwide. Any such event(s) could have a significant adverse impact on the value and risk profile of the Fund s portfolio. The Fund does not know how long the securities markets may be affected by similar events and cannot predict the effects of similar events in the future on the U.S. economy and securities markets. There can be no assurance that similar events and other market disruptions will not have other material and adverse implications. See Risks and Special Considerations Market Disruption and Geopolitical Risk.

Fraud Risk. The Fund is subject to the risk of fraudulent activity associated with the various parties involved in marketplace lending, including the Platforms, banks, borrowers and third parties handling borrower and investor information. For example, a borrower may have supplied false or inaccurate information. A Platform s resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud.

Platform Risk. To the extent that the Fund invests in Marketplace Loans, it will be dependent on the continued success of the Platforms that originate such loans. The Fund materially depends on such Platforms for loan data and the origination, sourcing and servicing of Marketplace Loans and on the Platform s ability to collect, verify and provide information to the Fund about each Marketplace Loan and borrower.

Servicer Risk. The Fund s investments in Marketplace Loans could be adversely impacted if a platform that services the Fund s investments becomes unable or unwilling to fulfill its obligations to do so. In the event that the servicer is unable to service the loans, there can be no guarantee that a backup servicer will be able to assume responsibility for servicing the loans in a timely or cost-effective manner; any resulting disruption or delay could jeopardize payments due to the Fund in respect of its investments or increase the costs associated with the Fund s investments.

Tax Risk. The treatment of Marketplace Loans and other Marketplace Lending Instruments for tax purposes is uncertain. In addition, changes in tax laws or regulations, or interpretations thereof, in the future could adversely affect the Fund, including its ability to qualify as a regulated investment company, or the participants in the marketplace lending industry. Investors should consult their tax advisors as to the potential tax treatment of Shareholders.

The Fund intends to qualify for treatment as a regulated investment company for federal income tax purposes. In order to qualify for such treatment, the Fund will need to meet certain organization, income, diversification and distribution tests. Some issues related to qualification as a regulated investment company are open to interpretation. For example, the Fund intends to primarily invest in whole loans originated by Platforms. The Fund intends to treat the identified borrowers in the loan documentation as the issuer of such loans. No statutory, judicial or administrative authority directly discusses how the loans in which the Fund will invest should be treated for tax purposes. As a result, the tax treatment of the Fund s investment in such securities is uncertain. If the IRS were to disagree and successfully assert that the Platforms should be viewed as the issuer of the loans, or if the IRS were to issue guidance to this effect, the Fund would not satisfy the regulated investment company diversification tests. Also, the tax treatment of the Fund s investment in loans originated by Platforms could be affected by changes in tax laws or regulations, or interpretations thereof, or by court cases that could adversely affect the Fund and its ability to qualify as a regulated investment company under Subchapter M of the Code. As a result of the foregoing, the Fund s investment strategy will potentially be limited by its intention to qualify for treatment as a regulated investment company.

If, for any taxable year, the Fund did not qualify as a regulated investment company for U.S. federal income tax purposes, it would be treated as a U.S. corporation subject to U.S. federal income tax at the Fund level, and possibly state and local income tax, and distributions to its Shareholders would not be deductible by the Fund in computing its taxable income. As a result of these taxes, NAV per Share and amounts distributed to Shareholders may be substantially reduced. Also, in such event, the Fund s distributions, to the extent derived from the Fund s current or accumulated earnings and profits, would generally constitute ordinary dividends, which would generally be eligible for the dividends received deduction available to corporate Shareholders, and non-corporate Shareholders would generally be able to treat such distributions as qualified dividend income eligible for reduced rates of U.S. federal income taxation, provided in each case that certain holding period and other requirements are satisfied. In addition, in such an event, in order to re-qualify for taxation as a RIC, the Fund might be required to recognize unrealized gains, pay substantial taxes and interest and make certain distributions. This would cause a negative impact on Fund returns. In such event, the Fund s Board of Directors may determine to recognize or close the Fund or materially change the Fund s investment objective and strategies. See U.S. Federal Income Tax Matters.

Regulatory and Judicial Risks. The Platforms through which Marketplace Loans are originated are subject to various statutes, rules and regulations issued by federal, state and local government authorities. Federal and state consumer protection laws in particular impose requirements and place restrictions on creditors and service providers in connection with extensions of credit and collections on personal loans and protection of sensitive customer data obtained in the origination and servicing thereof. Platforms are also subject to laws relating to electronic commerce and transfer of funds in conducting business electronically. A failure to comply with the applicable rules and regulations may, among other things, subject the Platform or its related entities to certain registration requirements with government authorities and the payment of any penalties and fines; result in the revocation of their licenses; cause the loan contracts originated by the Platform to be voided or otherwise impair the enforcement of such loans; and subject them to potential civil and criminal liability, class action lawsuits and/or administrative or regulatory enforcement actions.

Marketplace Loans Pass-Through Notes Risk. As Pass-Through Notes generally are pass-through obligations of the operators of the Platforms, and are not direct obligations of the borrowers under the underlying Marketplace Loans originated by such Platforms, holders of certain Pass-Through Notes are exposed to the credit risk of the operator. An operator that becomes subject to bankruptcy proceedings may be unable to make full and timely payments on its Pass-Through Notes even if the borrowers of the underlying Marketplace Loans timely make all payments due from them. In addition, Pass-Through Notes are non-recourse obligations (except to the extent that the operator actually receives payments from the borrower on the loan). Accordingly, lenders assume all of the borrower credit risk on the loans they fund and are not entitled to recover any deficiency of principal or interest from the operator if the borrower defaults on its payments.

High Portfolio Turnover Risk: The Fund may engage in active trading and there may be a high portfolio turnover rate. Portfolio turnover refers to the frequency of portfolio transactions and the percentage of portfolio assets being bought and sold during the year, which may increase overall costs. A high portfolio turnover rate may result in correspondingly greater brokerage commission expenses and the distribution to shareholders of additional capital gains for tax purposes, some of which may be taxable at ordinary income rates. There is not necessarily a relationship between a high portfolio turnover rate and the Fund s performance.

Anti-Takeover Provisions. The Fund s Amended and Restated Agreement and Declaration of Trust, dated June 19, 2003, as amended (the Declaration), includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. Also, these provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then-current market price of the Common Shares. See Anti-Takeover and Other Provisions in the Declaration of Trust.

Conflicts of Interest Risk. The Investment Manager s advisory fees are based on Managed Assets. Consequently, the Investment Manager will benefit from an increase in the Fund s Managed Assets resulting from an offering. In addition, a Director who is an interested person (as such

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term is defined under the Investment Company Act of 1940 (1940 Act)) of the Fund or a portfolio manager of the Fund could benefit indirectly from an offering because of such affiliations.

Distribution Rate. There can be no assurance that the Fund s Board of Trustees (the Board or the Board of Trustees) will maintain the Fund s distribution rate at a particular level, or that the Board will continue a managed distribution policy. Additionally, distributions may include return of capital as well as net investment income and capital gains. A return of capital is a return to investors of a portion of their original investment in the Fund. In general terms, a return of capital would involve a situation in which a Fund distribution (or a portion thereof) represents a return of a portion of a shareholder s investment in the Fund, rather than making a distribution that is funded from the Fund s earned income or other profits. Although return of capital distributions may not be currently taxable, such distributions would decrease the basis of a shareholder s shares, and therefore, may increase a shareholder s tax liability for capital gains upon a sale of shares, even if sold at a loss to the shareholder s original investments. If the Fund s investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to fund these distributions. See Dividends and Distributions.

Share Repurchases. When the Fund repurchases its shares pursuant to the Fund s share repurchase program, the resulting decrease in shares outstanding may increase the Fund s expense ratio; any borrowing to finance repurchases would reduce net income; and any sales of portfolio securities to finance repurchases may not be at a preferred time from a portfolio management perspective and would increase portfolio turnover and related expenses.

Rights. There is a risk that performance of the Fund may result in the underlying Shares purchasable upon exercise of the rights being less attractive to investors at the conclusion of the subscription period. This may reduce or eliminate the value of rights. Investors who receive rights may find that there is no market to sell rights they do not wish to exercise. If investors exercise only a portion of the rights, the number of Common Shares issued may be reduced, and the Common Shares may trade at less favorable prices than larger offerings for similar securities.

Investment Manager

Franklin Advisers, Inc. (the Investment Manager) serves as the investment manager of the Fund. Subject to the supervision of the Board of Trustees, the Investment Manager is responsible for managing the investment activities of the Fund for which it receives an annual fee, payable monthly, in an amount equal to 0.70% of the average daily value of the Fund s Managed Assets. Managed Assets means the total assets of the Fund (including any assets attributable to leverage) minus the sum of accrued liabilities (other than the aggregate liquidation preference of any outstanding preferred shares or the outstanding amount of any borrowing or short-term debt securities). The Investment Manager and its affiliates (collectively known as Franklin Templeton Investments) provide investment management and advisory services to closed-end and open-end investment company clients, as well as private accounts. As of

	July 31, 2018, Franklin Templeton Investments had approximately \$733.7 billion in assets under management for more than three million U.S. based mutual fund shareholder and other accounts.
Administrator	The administrator of the Fund is Franklin Templeton Services, LLC (FT Services), whose principal address is also One Franklin Parkway, San Mateo, CA 94403. Under an agreement with the Investment Manager, FT Services performs certain administrative services, such as portfolio recordkeeping, for the Fund. FT Services is an indirect wholly owned subsidiary of Franklin Resources, Inc. The administrative fee is paid by the Investment Manager based on the Fund s average daily net assets, and is not an additional expense of the Fund.
Portfolio Management Team	Roger A. Bayston, CFA, Christopher J. Molumphy, CFA, Glenn I. Voyles, CFA, Madeline Lam and Justin Ma, CFA, have responsibility for the day-to-day management of the Fund s portfolio. See Management of the Fund Portfolio Management Team.
Leverage	The Fund borrows funds pursuant to a committed financing arrangement with BNP Paribas Prime Brokerage International, Ltd., which provides the Fund with a six-month rolling margin loan credit facility. The Fund currently expects to use financial leverage on an ongoing basis for investment purposes, including through borrowing funds from financial institutions and/or the purchase of mortgage dollar rolls. As of September 5, 2018, the Fund had leverage from borrowing funds from financial institutions and the purchase of mortgage dollar rolls in the amount of 35.29% of the Fund s Managed Assets. The Fund may also use leverage through the issuance of senior securities such as preferred shares and may enter into transactions that may give rise to a form of leverage, including among others: the lending of portfolio securities, and the use of swap contracts, other derivative instruments, reverse repurchase agreements, and when-issued, delayed delivery or forward commitment transactions. To mitigate leverage risk from such transactions, the Fund may segregate liquid assets against or otherwise cover its future obligations under such transactions. The Fund s entry into leverage transactions will not exceed the limits in the 1940 Act.
Distributions	The Board of Trustees adopted a managed distribution plan (the Plan) whereby the Fund began, in January 2017, making monthly distributions to common shareholders at an annual minimum fixed rate of 10% based on average monthly NAV of the Fund s Common Shares. The primary purpose of the Plan is to provide the Fund s Common 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 the 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 (*i.e.*, return to investors of a portion of their original investment in the Fund) in order to maintain its managed distribution level.

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

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adverse effect on the market price of the Fund s Common Shares. The Plan is subject to periodic review by the Board, including a yearly review of the annual minimum fixed rate to determine if an adjustment should be made.

The Fund calculates the average NAV from the previous month based on the number of business days in that month on which the NAV is calculated. The distribution is calculated as 10% of the previous month s average NAV, divided by 12. The payment date for the distribution will typically be during the middle of the next month.

Unless you elect to receive distributions in cash, all of your distributions under the Plan will be automatically reinvested in additional Common Shares under the Fund s Dividend Reinvestment Plan. See Dividends and Distributions and Dividend Reinvestment Plan.

Dividend Reinvestment Plan

Under the Fund s Dividend Reinvestment Plan, all Common Shareholders whose shares are registered in their own names will have all dividends, including any capital gain distributions, reinvested automatically in additional Common Shares by American Stock Transfer & Trust Company, LLC, unless the Common Shareholder opts out of the plan and elects to receive cash. See Dividend Reinvestment Plan.

Custodian

The Bank of New York Mellon, Corporate Trust Dealing & Trading-Auctions, 101 Barclay Street, 7W, New York, NY 10286, acts as custodian of the Fund s securities and other assets. Millennium Trust Company, LLC, 2001 Spring Road, Oak Brook, IL 60523 acts as custodian of the Fund s Marketplace Loans.

Shareholder Servicing Agent and Transfer Agent

The shareholder servicing agent, transfer agent and dividend disbursement agent for the Common Shares is American Stock Transfer & Trust Company, LLC, 6201 15th Avenue, Brooklyn, NY 11219.

Share Repurchase Program

Under the Fund s open-market share repurchase program which commenced on June 1, 2016, the Fund may purchase, from time to time, up to 10% of the Fund s Common Shares in open-market transactions, at the discretion of management. Since the inception of the program, the Fund has repurchased a total of 242,561 Common Shares. Applicable law may prevent such repurchases during the offering of the Common Shares described herein. See Description of Shares Common Shares Share Repurchase Program.

Market Price of Common Shares

Shares of closed-end investment companies frequently trade at prices lower than net asset value. The Fund cannot assure you that the Common Shares will trade at a price higher than net asset value in the future. Market price may be affected by such factors relating to the Fund or its portfolio holdings as dividend levels (which are in turn affected by expenses, including the costs of leverage), dividend stability, portfolio credit quality and liquidity and call protection and market supply and demand. See Leverage, Risks and Special Considerations, Description of Shares, and Repurchase of Common

Shares; Conversion to Open-End Fund in this Prospectus. The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes.

SUMMARY OF FUND EXPENSES

Shareholder Transaction Expenses

Record Date Sales Load (as a percentage of offering price)(1)	%
Offering Expenses (as a percentage of offering price)(1)	%
Dividend Reinvestment Plan Fees(2)	None

Annual Operating Expenses

	Percentage of Net Assets Attributable to Common Shares
Management Fees(3)	0.91%
Interest Payments on Borrowed Funds(4)	0.62%
Other Expenses	0.11%
Acquired Fund Fees and Expenses(5)	0.01%
Total Annual Fund Operating Expenses(5),(6)	1.65%
Fee Waiver and/or Expense Reimbursement(7)	(0.01)%
Total Annual Fund Operating Expenses After Fee Waiver and/or Expense Reimbursement(7)	1.64%

(1) If the Common Shares are sold to or through underwriters, the Prospectus Supplement will set forth any applicable sales load and the estimated offering expenses. Fund shareholders will pay all offering expenses involved with an offering.

(2) You will pay brokerage charges if you direct the plan agent to sell your Common Shares held in a dividend reinvestment account.

(3) The Investment Manager is entitled to receive an investment management fee of 0.70% per year of the Fund s average daily Managed Assets. Managed Assets are defined as the total assets of the Fund (including any assets attributable to leverage) minus the sum of accrued liabilities (other than the aggregate liquidation preference of any outstanding preferred shares or the outstanding amount of any borrowing or short-term debt securities). If the Fund uses leverage, the amount of fees paid to the Investment Manager for investment management services will be higher than if the Fund does not use leverage because the fees paid are calculated on the Fund s Managed Assets, which include assets purchased with leverage. The management fee for the Fund reflects the leverage used by the Fund as of its December 31, 2017 fiscal year end, which included 3,600 Auction Preferred Shares (collectively, the Preferred Shares), each with a $25,000 liquidation preference totaling $90,000,000. The Preferred Shares were redeemed on August 31, 2018.

(4) On August 10, 2018, the Fund entered into a committed financing arrangement through which the Fund is authorized to borrow up to $100 million. Interest Payments on Borrowed Funds reflects an annualized interest charge based on the interest rate for the $90 million of borrowings in effect on September 1, 2018.

(5) Total Annual Fund Operating Expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights in the Fund s most recent annual report, which reflect the operating expenses of the Fund and do not include Acquired Fund Fees and Expenses.

(6) Expenses have been estimated assuming the issuance of $200 million in Common Shares.

(7) The Investment Manager has contractually agreed in advance to reduce its fee as a result of the Fund s investment in a Franklin Templeton money fund (acquired fund) for the next 12-month period. Contractual fee waiver and/or expense reimbursement agreements may not be changed or terminated during the time period set forth above.

Example

An investor would pay the following expenses on a $1,000 investment in the Fund, assuming a 5% annual return:

One Year	Three Years	Five Years	Ten Years
$17	$ 52	$ 90	$ 195

The above table and example are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in Shares of the Fund. The Example assumes that all dividends and other distributions are reinvested at net asset value and that the percentage amounts listed in the table above under Total Annual Operating Expenses remain the same in the years shown. The above table and example and the assumption in the example of a 5% annual return are required by regulations of the SEC that are applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund s Common Shares. For more complete descriptions of certain of the Fund s costs and expenses, see Management of the Fund.

The example should not be considered a representation of past or future expenses, and the Fund s actual expenses may be greater than or less than those shown. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund s financial performance**.** Information is shown for the Fund s last ten fiscal years and for the fiscal period ended December 31, 2017. Certain information reflects financial results for a single Fund Share. The information for the fiscal years ended December 31, 2017 and March 31, 2017, 2016, 2015, 2014 and 2013, has been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm for the Fund, whose reports thereon were unqualified. The information for the fiscal period ended June 30, 2018 is unaudited. The report of PricewaterhouseCoopers LLP is included in the Fund s December 31, 2017 Annual Report, and is incorporated by reference into the SAI. The Fund s financial statements are included in the Fund s Annual Report and Semi-Annual Report and are incorporated by reference into the SAI.

	Sixth Months Ended June 30, 2018	**Year Ended December 31, 2017**[a]	**Year Ended March 31, 2017**	**2016**	**2015**	**2014**	**2013**
Per Common Share operating performance							
(for a Common Share outstanding throughout the year)							
Net asset value, beginning of year	$ 12.32	$ 12.91	$ 12.38	$ 13.87	$ 14.36	$ 14.30	$ 13.82
Income from investment operations:							
Net investment income[b]	0.32	0.48	0.62	0.72	0.73	0.80	0.90
Net realized and unrealized gains (losses)	(0.36)	(0.03)	0.85	(1.41)	(0.33)	0.20	0.62
Dividends to preferred shareholders from net investment income	(0.06)	(0.08)	(0.07)	(0.06)	(0.06)	(0.06)	(0.05)
Total from investment operations	(0.10)	0.37	1.40	(0.75)	0.34	0.94	1.47
Less distributions to Common Shareholders from:							
Net investment income	(0.60)	(0.43)	(0.57)	(0.74)	(0.83)	(0.88)	(0.99)

Tax return of capital		(0.53)	(0.36)				
Total distributions.	(0.60)	(0.96)	(0.93)	(0.74)	(0.83)	(0.88)	(0.99)
Repurchase of shares			0.06				
Net asset value, end of year	$ 11.62	$ 12.32	$ 12.91	$ 12.38	$ 13.87	$ 14.36	$ 14.30
Market value, end of year[c]	$ 10.92	$ 11.83	$ 11.97	$ 11.34	$ 12.17	$ 13.05	$ 14.82
Total return (based on market value per share)[d]	(2.57)%	7.08%	14.07%	(0.44)%	(0.35)%	(5.85)%	13.41%
Ratios to average net assets applicable to Common Shares[e,f]							
Expenses before waiver and payments by affiliates and expense reduction	1.26%	1.25%	1.35%	1.16%	1.14%	1.12%	1.13%
Expenses net of waiver and payments by affiliates and expense reduction	1.25%[g]	1.23%[g]	1.32%[g]	1.16%[g,h]	1.14%[g,h]	1.12%[g,h]	1.13%
Net investment income	5.35%	5.04%	4.83%	5.52%	5.14%	5.65%	6.44%

	Sixth Months Ended June 30, 2018	Year Ended December 31, 2017[a]	Year Ended March 31, 2017	2016	2015	2014	2013
Supplemental data							
Net assets applicable to Common Shares, end of period (000 s)	$ 262,732	$ 278,489	$ 291,875	$ 332,132	$ 372,080	$ 385,388	$ 383,632
Portfolio turnover rate	124.06%	168.28%	265.00%	270.16%	289.67%	318.57%	295.39%
Portfolio turnover rate excluding mortgage dollar rolls[i]	50.91%	46.49%	93.00%	81.78%	92.15%	137.85%	106.42%
Asset coverage per preferred share[j]	$ 71,162	$ 72,311	$ 74,809	$ 75,991	$ 76,665	$ 78,686	$ 79,157
Liquidation preference per preferred share[j]	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000

a For the period April 1, 2017 to December 31, 2017.
b Based on average daily Common Shares outstanding.
c Based on the last sale on the NYSE American.
d Total return is not annualized for periods less than one year.
e Based on income and expenses applicable to both common and preferred shares.
f Ratios are annualized for periods less than one year, except for non-recurring expenses, if any.
g Benefit of expense reduction rounds to less than 0.01%.
h Benefit of waiver and payments by affiliates rounds to less than 0.01%.
i See Note 1(d) regarding mortgage dollar rolls.
j Preferred Shares were redeemed on August 31, 2018.

	Year Ended March 31, 2012	2011	2010	2009	2008
Per Common Share operating performance					
(for a Common Share outstanding throughout the year)					
Net asset value, beginning of year	$ 14.01	$ 13.48	$ 10.15	$ 12.85	$ 14.24
Income from investment operations:					
Net investment income[a]	0.92	0.98	0.93	0.93	1.28
Net realized and unrealized gains (losses)	(0.04)	0.65	3.40	(2.56)	(1.29)
Dividends to preferred shareholders from net investment income	(0.05)	(0.05)	(0.05)	(0.14)	(0.37)
Total from investment operations	0.83	1.58	4.28	(1.77)	(0.38)

Less distributions to Common Shareholders from net investment income	(1.02)	(1.05)	(0.95)	(0.93)	(1.01)
Net asset value, end of year	$ 13.82	$ 14.01	$ 13.48	$ 10.15	$ 12.85
Market value, end of year[b]	$ 14.01	$ 13.14	$ 13.40	$ 8.92	$ 10.94
Total return (based on market value per share)	15.03%	6.25%	63.14%	(9.97%)	(16.64%)
Ratios to average net assets applicable to Common Shares[c]					
Expenses before expense reduction	1.15%	1.14%	1.15%	1.33%	1.28%
Expenses net of expense reduction	1.15%	1.14%	1.15%[d]	1.33%[d]	1.28%[d]
Net investment income	6.73%	7.15%	7.47%	8.16%	9.38%

	Year Ended March 31,				
	2012	2011	2010	2009	2008
Supplemental data					
Net assets applicable to Common Shares, end of year (000 s)	$ 370,095	$ 375,016	$ 360,798	$ 271,679	$ 344,010
Portfolio turnover rate	302.18%	262.57%	220.09%	203.31%	47.48%
Portfolio turnover rate excluding mortgage dollar rolls[e]	106.49%	115.51%	66.07%	42.58%	47.48%
Asset coverage per preferred share	$ 77,796	$ 76,096	$ 78,092	$ 72,571[f]	$ 70,264
Liquidation preference per preferred share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000

a Based on average daily Common Shares outstanding.

b Based on the last sale on the NYSE Amex.

c Based on income and expenses applicable to both Common Shares and any Preferred Shares outstanding during the relevant year.

d Benefit of expense reduction rounds to less than 0.01%

e See Note 1(e) regarding mortgage dollar rolls.

f Prior amount of $115,173 has been corrected to include the impact of mortgage dollar rolls.

USE OF PROCEEDS

The Fund will invest the net proceeds of the offering in accordance with the Fund s investment objectives and policies as stated below. It is presently anticipated that the Fund will be able to invest substantially all of the net proceeds in debt obligations and other investments that meet its investment objectives and policies within three months after the completion of the offering; however, the identification of appropriate investment opportunities pursuant to the Fund s investment style or changes in market conditions could result in the Fund s anticipated investment period extending to as long as six months. Pending such investment, the Fund anticipates investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

THE FUND

The Fund is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the 1940 Act). The Fund was organized as a Delaware statutory trust on May 8, 2003, pursuant to the Declaration, which is governed by the laws of the State of Delaware. On June 30, 2014, the Fund was renamed from Franklin Templeton Limited Duration Income Trust to Franklin Limited Duration Income Trust. The Fund s principal office is located at One Franklin Parkway, San Mateo, California 94403-1906, and its telephone number is 1-800-DIAL-BEN (1-800-342-5236).

The Fund commenced operations on August 26, 2003, upon the initiation of an initial public offering of 24,600,000 of its Common Shares. The proceeds of such offering were approximately $351.7 million after the payment of organizational and offering expenses. On September 25, 2003, the Fund issued an additional 1,000,000 of its Common Shares, and on October 14, 2003, the Fund issued an additional 960,000 of its Common Shares in connection with the exercise by the underwriters of the over-allotment option. The Fund s Common Shares are traded on the NYSE American under the symbol FTF . On November 5, 2003, the Fund issued Preferred Shares, all of which were redeemed by August 31, 2018.

DESCRIPTION OF SHARES

Common Shares

The Declaration authorizes the issuance of an unlimited number of Common Shares. All Common Shares have equal rights to the payment of dividends and the distribution of assets upon liquidation. Common Shares will, when issued, be fully paid and, subject to matters discussed in Anti-Takeover and Other Provisions in the Declaration of Trust, non-assessable, and will have no pre-emptive or conversion rights or rights to cumulative voting. Whenever preferred shares and/or borrowings are outstanding, the Fund will not have the power to pay distributions on Common Shares unless all accrued dividends on the preferred shares and interest and principal payments on borrowings have been paid, and unless the applicable asset coverage requirements under the 1940 Act would be satisfied after giving effect to the distribution.

The Common Shares are listed on the NYSE American. The Fund intends to hold annual meetings of shareholders so long as the Common Shares are listed on a national securities exchange and such meetings are required as a condition to such listing.

The Fund s net asset value per share generally increases when interest rates decline, and generally decreases when interest rates rise, and these changes are likely to be greater because the Fund has a leveraged capital structure.

Unlike open-end funds, closed-end funds like the Fund do not continuously offer shares and do not provide daily redemptions. Rather, if a shareholder determines to buy additional Common Shares or sell shares already held, the shareholder may do so by trading on the exchange through a broker or otherwise. Shares of closed-end investment companies may frequently trade on an exchange at prices lower than net asset value. Shares of closed-end investment companies, like the Fund, that invest predominantly in debt obligations have during some periods traded at prices higher than net asset value and during other periods have traded at prices lower than net asset value. See Risks and Special Considerations Net Asset Value Discount Risk. The Fund s Declaration limits the ability of the Fund to convert to open-end status. See Anti-Takeover and Other Provisions in the Declaration of Trust.

The Fund s Common Shares have traded in the market below, at and above net asset value since the commencement of the Fund s operations. However, it has recently been the case that the Fund s Common Shares have traded at a discount from net asset value. The Fund cannot determine the reasons why the Fund s Common Shares trade at a premium to or discount from net asset value, nor can the Fund predict whether its Shares will trade in the future at a premium to or discount from net asset value, or the level of any premium or discount. Shares of closed-end investment companies frequently trade at a discount from net asset value. Because the market value of the Common Shares may be influenced by such factors as dividend levels (which are in turn affected by expenses), call protection, dividend stability, portfolio credit quality, net asset value, relative demand for and supply of such shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, the Fund cannot assure you that the Common Shares will trade at a price equal to or higher than net asset value in the future. The Common Shares are designed primarily for long-term investors, and investors in the Common Shares should not view the Fund as a vehicle for trading purposes. See Leverage and Repurchase of Common Shares; Conversion to Open-End Fund.

The Fund s outstanding Common Shares are, and when issued, the Common Shares offered by this Prospectus will be, publicly held and listed and traded on the NYSE American. The Fund determines its net asset value on a daily basis. The following table sets forth, for the quarters indicated, the highest and lowest daily closing prices on the NYSE American per Common Share, and the net asset value per Common Share and the premium to or discount from net asset value, on the date of each of the high and low market prices. The table also sets forth the number of Common Shares traded on the NYSE American during the respective quarters.

During Quarter Ended	NAV per Common Share on Date of Market Price[(1)]		NYSE American Market Price per Common Share[(2)]		Premium/ (Discount) on Date of Market Price[(3)]		Trading Volume
	High	Low	High	Low	High	Low	
March 31, 2016	12.43	12.03	11.36	10.18	-8.61%	-15.38%	4,540,300
June 30, 2016	12.75	12.36	11.85	11.18	-7.06%	-9.55%	2,794,800
September 30, 2016	13.11	12.72	12.16	11.53	-7.25%	-9.36%	3,049,600
December 31, 2016	13.23	12.89	12.42	11.61	-6.12%	-9.93%	3,696,100
March 31, 2017	13.07	12.95	12.27	11.88	-6.12%	-8.26%	9,197,300
June 30, 2017	12.92	12.93	12.07	11.83	-6.58%	-7.50%	9,192,600
September 30, 2017	12.70	12.75	12.07	11.66	-4.96%	-8.55%	8,247,900
December 31, 2017	12.64	12.41	12.13	11.52	-4.04%	-7.17%	6,683,600
March 31, 2018	12.39	11.88	12.02	11.13	-2.99%	-6.31%	6,150,700
June 30, 2018	11.97	11.62	11.25	10.88	-5.64%	-7.40%	5,321,098
July 1, 2018 through September 11, 2018	11.69	11.55	11.55	10.92	-1.03%	-6.10%	3,884,716

(1) Based on the Fund s computations.

(2) Source: NYSE American.

(3) Based on the Fund s computations.

(4) Source: Bloomberg.

The net asset value per Common Share on September 11, 2018 was $11.55 and the market price per Common Share at the close of business on September 11, 2018 was $11.30, representing a 2.16% discount from such net asset value.

The Fund has an unlimited amount of authorized shares. As of September 5, 2018, the Fund has outstanding 22,604,126 Common Shares.

Share Repurchase Program. Under the Board-approved open-market share repurchase program which commenced on June 1, 2016, the Fund may purchase, from time to time, up to 10% of the Fund s Common Shares in open-market transactions, at the discretion of management. Since the inception of the program, the Fund has repurchased a total of 242,561 Common Shares.

Tender Offer. In accordance with its offer to purchase for cash up to 15% of its issued and outstanding Common Shares (3,988,963 shares), each without par value, which offer expired on Friday, March 3, 2017 and was oversubscribed, the Fund accepted the maximum allowed by the offer of 3,988,963 Common Shares for cash payment at a price equal to $12.73 per Common Share. This purchase price was 98% of the Fund s net asset value per Common Share of $12.99 as of the close of regular trading on the NYSE American on March 6, 2017.

Preferred Shares

Under the Declaration, the Fund is authorized to issue preferred shares having such par value and such preferences, voting powers, terms of redemption, if any, and special or relative rights or privileges (including conversion rights, if any) as determined by the Board of Trustees, without the approval of Common Shareholders.

Series of preferred shares may be issued in one or more classes or series, with such par value and rights as determined by the Board of Trustees, by action of the Board of Trustees without the approval of the Common Shareholders. Any decision by the Board to authorize an offering of preferred shares is subject to market conditions and to the Board s belief that leveraging the Fund s capital structure through the issuance of preferred shares is likely to achieve the benefits to the Common Shareholders. The terms of any series of preferred shares will be determined by the Board of Trustees (subject to applicable law and the Fund s Declaration) if and when it authorizes a preferred shares offering.

The Fund offered Preferred Shares in 2003, all of which were redeemed by August 31, 2018.

Authorized Shares

The following tables provides the Fund s authorized shares and Common Shares outstanding as of September 5, 2018.

Title of Class	Amount Authorized	Amount Outstanding Exclusive of Amount held by Fund
Common Shares	Unlimited	22,604,126

INVESTMENT OBJECTIVES AND STRATEGIES

Investment Objectives

The Fund seeks to provide high current income, with a secondary objective of capital appreciation to the extent possible and consistent with the Fund s primary objective. Under normal market conditions, the Fund will seek to achieve its investment objectives by investing in debt securities and other income-producing instruments, allocated primarily among three distinct investment categories: (1) mortgage-backed and other asset-backed securities; (2) bank loans made to corporate and other business entities; and (3) below investment grade debt securities and other income-producing instruments, as described under Portfolio Contents and Other Information. The Investment Manager has broad discretion to allocate the Fund s assets among the three principal investment categories. There is no limitation on the percentage of the Fund s assets that may be allocated to each of these investment categories; provided that, under normal market conditions, the Fund will invest at least 20% of its total assets in each category. Additionally, the Fund may invest up to 25% of its total assets in Marketplace Loans and Marketplace Lending Instruments including: (i) direct investments in Marketplace Loans to consumers, small- and mid-sized companies (SMEs) and other borrowers; (ii) investments in Pass-through Notes issued by a Platform representing the right to receive the principal and interest payments on a Marketplace Loan (or fractional portions thereof) originated through the Platform; (iii) investments in asset-backed securities representing ownership in a pool of Marketplace Loans; and (iv) investments in public or private investment funds that purchase Marketplace Loans. The Marketplace Loans in which the Fund typically invests are newly issued and/or current as to interest and principal payments at the time of investment, and a substantial portion of the Fund s Marketplace Lending Instrument investments are made through purchases of whole loans. The Fund cannot assure you that it will achieve its investment objectives.

Under normal market conditions, the Investment Manager expects the Fund to maintain an estimated average portfolio duration of between two and five years (including the effect of anticipated leverage). This duration policy may only be changed following provision of 60 days prior notice to Common Shareholders. In comparison to maturity (which is the date on which a debt instrument ceases and the issuer is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result of changes in market rates of interest, based on the weighted average timing of the instrument s expected principal and interest payments. Duration differs from maturity in that it considers a security s yield, coupon payments, principal payments and call features in addition to the amount of time until the security finally matures. As the value of a security changes over time, so will its duration. Prices of securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. In general, a portfolio of securities with a longer duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter duration.

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The Fund cannot change its investment objectives without the approval of the holders of a majority of the outstanding Common Shares and any preferred shares voting together as a single class, and, if the Fund has preferred shares are outstanding, of the holders of a majority of the outstanding preferred shares voting as a separate class. A majority of the outstanding shares (whether voting together as a single class or voting as a separate class) means (i) 67% or more of such shares present at a meeting, if the holders of more than 50% of those shares are present or represented by proxy, or (ii) more than 50% of such shares, whichever is less.

The Fund may not necessarily be leveraged at all times and the amount of borrowing or leverage, if any, may vary depending upon a variety of factors, including the Investment Manager s outlook for the market for debt securities and other income-producing instruments and the costs that the Fund would incur as a result of such leverage.

The Fund currently uses leverage through the borrowing of funds under a committed financing arrangement and the purchase of mortgage dollar rolls. The Fund may use other forms of leverage, including through the issuance of senior securities such as preferred shares. The Fund may also use leverage through the lending of portfolio securities, and the use of swaps, other derivatives, reverse repurchase agreements, and when-issued, delayed delivery or forward commitment transactions. To mitigate leverage risk from such transactions, the Fund may segregate liquid assets against or otherwise cover its future obligations under such transactions. See Leverage. The Fund s use of derivative instruments will be limited by the Fund s 25% limit on illiquid investments to the extent they are determined to be illiquid. See Risks and Special Considerations Liquidity Risk.

By using leverage, the Fund will seek to obtain a higher return for holders of Common Shares than if the Fund did not use leverage. Leveraging is a speculative technique and there are special risks involved. There can be no assurance that a leveraging strategy will be used or that it will be successful during any period in which it is employed.

Portfolio Management Strategies

The ability of the Fund to use some of the strategies discussed below and in the SAI, such as derivatives, is limited by the rating agency guidelines. See Leverage.

The Fund uses an active sector allocation strategy to try to achieve its goals of income and capital appreciation. This means the Fund allocates its assets among securities in various market sectors based on the Investment Manager s assessment of changing economic, global market, industry, and issuer conditions. Consequently, the Fund, from time to time, may have significant positions in particular sectors. The Investment Manager uses a top-down analysis of macroeconomic trends combined with a bottom-up fundamental analysis of market sectors, industries, and issuers to try to take advantage of varying sector reactions to economic events. The Investment Manager evaluates business cycles, yield curves, and values between and within markets, as well as country risk and currency risk. The Fund s ability to achieve its investment goals depends in part upon the Investment Manager s skill in determining the Fund s asset allocation mix and sector weightings. There can be no assurance that the Investment Manager s analysis of the outlook for the economy and the business cycle will be correct.

The Investment Manager also uses a research driven, fundamental strategy that relies on a team of analysts to provide in-depth industry expertise and that use both qualitative and quantitative (including but not limited to, consideration of such factors as financial projections, scenario analysis and stress testing) analysis to evaluate companies. Employing a bottom-up investment strategy, the Investment Manager intends to focus on individual securities. In selecting securities for the Fund s investment portfolio, the Investment Manager will not rely principally on the ratings assigned by rating agencies, but will perform its own independent investment analysis to evaluate the creditworthiness of the issuer. The Investment Manager considers a variety of factors, including the issuer s experience and managerial strength, its sensitivity to economic conditions, and its current financial condition.

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At the same time, the Investment Manager uses a variety of techniques, described below and elsewhere in the Prospectus, designed to evaluate risk and manage the Fund s exposure to investments that the Investment Manager believes are more likely to default or otherwise depreciate in value over time and detract from the Fund s overall return to investors. The Fund cannot assure you that such securities will ultimately continue to pay current income or be paid in full at maturity.

When the Investment Manager believes market or economic conditions are unfavorable for investors, the Investment Manager may invest up to 100% of the Fund s assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include U.S. government securities, commercial paper, repurchase agreements and other money market securities. The Investment Manager also may invest in these types of securities or hold cash while looking for suitable investment opportunities or to maintain liquidity. In these circumstances, the Fund may be unable to achieve its investment goals.

PORTFOLIO CONTENTS AND OTHER INFORMATION

This section provides additional information regarding the types of securities and other instruments in which the Fund will ordinarily invest. A more detailed discussion of these and other instruments and investment techniques that may be used by the Fund is provided under Investment Objectives and Policies and Investment Restrictions and Additional Investment Information in the Statement of Additional Information.

The Fund invests in a diversified portfolio of debt securities and other income-producing instruments of varying maturities. These may include bonds, debentures, notes and other similar types of debt instruments, such as asset-backed securities, as well as convertible securities, bank loans and loan participations, commercial and agency-issued mortgage securities, payment-in-kind securities, zero-coupon securities, bank certificates of deposit, fixed time deposits and bankers acceptances, structured notes and other hybrid instruments, real estate investment trusts, preferred shares, U.S. government securities, municipal securities, debt securities issued by foreign corporations or supra-national government agencies, mortgage-backed securities issued on a public or private basis, other types of asset-backed securities, and Marketplace Loans and Marketplace Lending Instruments. The Fund will not invest in inverse floaters or interest-only or principal-only mortgage securities.

Certain debt instruments, such as convertible bonds, also may include the right to participate in equity appreciation, and the Investment Manager will generally evaluate those instruments based primarily on their debt characteristics. The Fund may hold equity securities; however, under ordinary circumstances, such investments will be limited to convertible securities, dividend-paying common or preferred stocks, or equity securities acquired in connection with a restructuring, a bankruptcy, a default, or the exercise of a conversion or purchase right. See Additional Investment Practices Equity Securities.

The rate of interest on an income-producing security may be fixed, floating or variable. The principal and/or interest rate on some debt instruments may be determined by reference to the performance of a benchmark asset or market, such as an index of securities, or the differential performance of two assets or markets, such as the level of exchange rates between the U.S. dollar and a foreign currency or currencies.

The Fund may invest in debt securities and other income-producing instruments that are rated below investment grade. The Fund may invest up to 15% of its total assets in securities or other income-producing instruments issued by companies and governments in any foreign country, including developed or developing countries.

The Fund also may invest up to 5% of its total assets in securities or other income-producing instruments denominated in foreign currencies, including obligations of non-U.S. governments and their respective sub-divisions, agencies and government-sponsored enterprises. The Fund also may use a variety of derivative instruments for hedging, duration management, investment and risk management purposes, such as options, futures contracts, swap agreements and short sales, and may seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sales contracts.

The Fund may invest up to 25% of its total assets in illiquid securities (*i.e.*, securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities). Given the current structure of the markets for Rule 144A securities, the Fund may treat some of these securities as illiquid, except that Rule 144A securities may be deemed liquid by the Investment Manager under guidelines adopted by the Board of Trustees. Although structured notes, bank loans and loan participations are not necessarily illiquid, to the extent such investments are deemed to be illiquid by the Investment Manager, they will be subject to the Fund s restrictions on investments in illiquid securities. The Fund s use of derivative instruments will be limited by the Fund s 25% limit on illiquid investments to the extent such derivatives are determined to be illiquid.

Commercial and Other Mortgage-Related and Asset-Backed Securities

Under normal market conditions, the Fund will invest at least 20% of its assets in mortgage-backed and other asset-backed securities. Mortgage-related securities are debt instruments which provide periodic payments consisting of interest and/or principal that are derived from or related to payments of interest and/or principal on underlying mortgages. Additional payments on mortgage-related securities may be made out of unscheduled prepayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs that may be incurred. Under normal conditions, the Fund s allocation to the investment category of mortgage-backed and other asset-backed securities will be primarily composed of investments in mortgage-backed securities.

The Fund may invest a significant portion of its assets in commercial mortgage-related securities issued by corporations. These are securities that represent an interest in, or are secured by, mortgage loans secured by commercial property, such as industrial and warehouse properties, office buildings, retail space and shopping malls, multifamily properties and cooperative apartments, hotels and motels, nursing homes, hospitals, and senior living centers. They may pay fixed or adjustable rates of interest. The commercial mortgage loans that underlie commercial mortgage-related securities have certain distinct risk characteristics. Commercial mortgage loans generally lack standardized terms, which may complicate their structure. Commercial properties themselves tend to be unique and difficult to value. Commercial mortgage loans tend to have shorter maturities than residential mortgage loans, and may not be fully amortizing, meaning that they may have a significant principal balance, or balloon payment, due on maturity. In addition, commercial properties, particularly industrial and warehouse properties, are subject to environmental risks and the burdens and costs of compliance with environmental laws and regulations.

Other mortgage-related securities in which the Fund may invest include mortgage pass-through securities, mortgage dollar rolls, and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The Fund will not invest in interest-only or principal-only mortgage securities.

The Fund may invest in securities issued by trusts and special purpose corporations with principal and interest payouts backed by, or supported by, any of various types of assets. These assets typically include receivables related to the purchase of manufactured housing, automobiles, credit card loans, and home equity loans. These securities generally take the form of a structured type of security, including pass-through, pay-through and senior subordinated payout structures.

The Fund may invest in other types of asset-backed securities that are offered in the marketplace, including Enhanced Equipment Trust Certificates (EETCs). Although any entity may issue EETCs, to date, U.S. airlines are the primary issuers. An airline EETC is an obligation secured directly by aircraft or aircraft engines as collateral. EETCs tend to be less liquid than bonds. Other asset-backed securities may be collateralized by the

fees earned by service providers. The value of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools and are therefore subject to risks associated with the negligence of, or defalcation by, their servicers. In certain circumstances, the mishandling of related documentation may also affect the rights of the security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that use the assets may result in added costs and delays in addition to losses associated with a decline in the value of the underlying assets.

Please see Investment Restrictions and Additional Investment Information Mortgage-Related and Other Asset-Backed Securities in the SAI and Risks and Special Considerations Mortgage-Related Risk in this Prospectus for a more detailed description of the types of mortgage-related and other asset-backed securities in which the Fund may invest and their related risks.

Bank Loans and Loan Participations

Under normal market conditions, the Fund will invest at least 20% of its total assets in bank loans made to corporate and other business entities. Such bank loans typically pay interest at rates which are re-determined periodically on the basis of a floating base lending rate such as the London Interbank Offered Rate (LIBOR) plus a premium. The Fund may acquire loan participations and other related direct or indirect bank debt obligations (bank loans or loan participations), in which the Fund will buy from a lender a portion of a larger loan that the lender has made to a borrower. The Investment Manager generally considers loan participations to be liquid. To the extent loan participations are deemed to be liquid by the Investment Manager, they will not be subject to the Fund s restrictions on investments in illiquid securities.

Generally, loan participations are sold without guarantee or recourse to the lending institution and are subject to the credit risks of both the borrower and the lending institution. Loan participations, however, may enable the Fund to acquire an interest in a loan from a financially strong borrower which it could not do directly. While loan participations generally trade at par value, the Fund may be permitted to buy loan participations that sell at a discount because of the borrower s credit problems or other issues associated with the credit risk of the loan. To the extent the credit problems are resolved, loan participations may appreciate in value.

Indebtedness of companies whose creditworthiness is poor involves substantially greater risks, and may be highly speculative. Some companies may never pay off their indebtedness, or may pay only a small fraction of the amount owed. Consequently, when investing in indebtedness of companies with poor credit, the Fund bears a substantial risk of losing the entire amount invested. If the Fund purchases a loan, it may only be able to enforce its rights through the lender, and may assume the credit risk of both the lender and the borrower.

Bank loans and other floating-rate debt instruments are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the net asset value of the Fund. Some bank loans may be secured by collateral; however, there can be no assurance that the liquidation of any collateral securing a bank loan would satisfy the borrower s obligation in the event of non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated. I n the event of bankruptcy of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing a bank loan. Collateral securing a bank loan may lose all or substantially all of its value in the event of bankruptcy of a borrower. Some bank loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the bank loans to presently existing or future indebtedness of the borrower or take other action detrimental to the holders of the bank loans including, in certain circumstances, invalidating such bank loans or causing interest previously paid to be refunded to the borrower. If interest were required to be refunded, it could negatively affect the Fund s performance.

Many bank loans in which the Fund will invest may not be rated by a Rating Agency, will not be registered with the SEC or any state securities commission and will not be listed on any national securities exchange. The amount of public information available with respect to bank loans will generally be less extensive than that available for registered or exchange listed securities. In evaluating the creditworthiness of borrowers, the Investment Manager will consider, and may rely in part, on analyses performed by others. Borrowers may have outstanding debt obligations that are rated below investment grade by a Rating Agency. A portion, and potentially all, of the bank loans in the Fund may be assigned ratings below investment grade by a Rating Agency, or unrated but judged by the Investment Manager to be of comparable quality.

No active trading market may exist for some bank loans and some loans may be subject to restrictions on resale. A secondary market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may impair the ability to realize full value and thus cause a material decline in the Fund s net asset value. In addition, the Fund may not be able to readily dispose of its bank loans at prices that approximate those at which the Fund could sell such loans if they were more widely-traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. During periods of limited supply and liquidity of bank loans, the Fund s yield may be lower. See Risks and Special Considerations Liquidity Risk.

If a bank loan purchased by the Fund is not considered to be a security, the Fund will not receive the same investor protections with respect to such investment that are available to purchasers of investments that are considered securities under federal and state securities laws, including any possible recourse against an underwriter.

High Yield Investments

Under normal market conditions, the Fund will invest at least 20% of its total assets in debt securities and other income-producing instruments that are rated below investment grade by Moody s, S&P or Fitch (below Baa by Moody s, below BBB by S&P or Fitch) or that are unrated but judged by the portfolio managers to be of comparable quality. These debt securities are sometimes referred to as high yield securities or junk bonds. Investing in high yield securities and instruments involves greater risks (in particular, greater risk of default) and special risks in addition to the risks associated with investments in investment grade debt obligations. While offering a greater potential opportunity for capital appreciation and higher yields, high yield investments typically entail greater potential price volatility and default risk and may be less liquid than higher-rated securities. Compared to issuers of higher-rated securities, issuers of high yield securities or other income-producing instruments may be perceived to have greater difficulty meeting principal and interest payments. They also may be more susceptible to real or perceived adverse economic and competitive conditions related to the issuer s industry than higher-rated securities. High yield investments may be less liquid than higher rated securities. The Fund may also invest in debt securities or other obligations whose issuers are in bankruptcy. See Risks and Special Considerations Liquidity Risk.

The market values of high yield investments tend to reflect individual developments of the issuer to a greater extent than do higher-quality securities, which tend to react mainly to fluctuations in the general level of interest rates. In addition, lower-quality debt securities tend to be more sensitive to economic conditions. Certain emerging market governments that issue high yield securities are among the largest debtors to commercial banks, foreign governments and supra-national organizations such as the World Bank, and may not be able or willing to make principal and/or interest payments as they come due.

The Fund may purchase unrated securities (which are not rated by a rating agency) if the Investment Manager determines that the securities are of comparable quality to rated securities that the Fund may purchase. Unrated securities may be less liquid than comparable rated securities and involve the risk that the Investment Manager may not accurately evaluate the security s comparative credit rating.

Lower rated securities generally provide higher yields than more highly rated securities to compensate investors for the higher risk. The Fund will seek to invest in securities offering the highest yield and expected total return

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without taking on an excessive amount of risk. These lower rated securities may also include defaulted securities for which payments of interest or principal or both are unpaid and overdue or for which other defaults have occurred. Under normal conditions, the Fund will not invest more than 5% of its total assets in debt securities or other obligations whose issuers are in default at the time of purchase.

Because the securities the Fund holds fluctuate in price, the value of your investment in the Fund will go up and down. This means you could lose money over short or even extended periods.

Credit Ratings and Unrated Securities

Rating Agencies are private services that provide ratings of the credit quality of debt obligations, including convertible securities, based on an assessment of default risk. Appendix A to the SAI describes the various ratings assigned to debt obligations by Moody s, S&P and Fitch. Ratings assigned by a Rating Agency are the individual agency s opinion of credit quality and do not evaluate market risks. Rating Agencies may fail to make timely changes in credit ratings or may make an inaccurate assessment of the factors affecting credit quality, and an issuer s current financial condition may be better or worse than a rating indicates. The Fund will not necessarily sell a security when its rating is reduced below its rating at the time of purchase. As described below under Independent Credit Analysis, the Investment Manager does not rely solely on credit ratings, and develops its own analysis of issuer credit quality. The ratings of a debt security may change over time. The Rating Agencies monitor and evaluate the ratings assigned to securities on an ongoing basis. As a result, debt instruments held by the Fund could receive a higher rating (which would tend to increase their value) or a lower rating (which would tend to decrease their value) during the period in which they are held.

Independent Credit Analysis

The Investment Manager relies heavily on its own analysis of the credit quality and risks associated with individual debt obligations considered for the Fund, rather than relying exclusively on rating agencies or third-party research. The Investment Manager uses this information in an attempt to minimize credit risk and identify issuers, industries or sectors that are undervalued or that offer attractive yields relative to the Investment Manager s assessment of their credit characteristics. The Investment Manager monitors the creditworthiness of the Fund s portfolio. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher-quality debt obligations. The Fund s success in achieving its investment objectives may depend more heavily on the Investment Manager s credit analysis than if the Fund invested solely in higher-quality and rated securities.

Marketplace Loans

Under normal market conditions, the Fund may invest up to 25% of its total assets in marketplace lending investments which are made through a combination of: (i) investing in marketplace loans to consumers, small- and mid-sized companies, and other borrowers, originated through online Platforms (or an affiliate) that provide a marketplace for lending (Marketplace Loans) through the purchase of whole loans either individually or in aggregations; (ii) investing in notes or other pass-through obligations issued by a marketplace lending platform (a Platform) representing the right to receive the principal and interest payments on a Marketplace Loan (or fractional portions thereof) originated through the Platform (Pass-Through Notes); (iii) purchasing asset-backed securities representing ownership in a pool of Marketplace Loans; and (iv) investing in public or private investment funds that purchase Marketplace Loans. The Marketplace Loans in which the Fund typically invests are newly issued and/or current as to interest and principal payments at the time of investment, and a substantial portion of the Fund s Marketplace Lending Instrument investments are made through purchases of whole loans.

Marketplace Loans are originated through online Platforms that provide a marketplace for lending and match consumers, small- and midsized companies (SMEs), and other borrowers seeking loans with investors willing to provide the funding for such loans. These borrowers may seek such loans for a variety of different purposes (e.g., loans for education, loans to fund elective medical procedures or loans for franchise financing). The procedures through which borrowers obtain loans can vary between Platforms, and between the types of loans (e.g., consumer versus SME). Marketplace lending is often referred to as peer to peer lending because of the industry s initial focus on individual investors and consumer loan borrowers. However, since its inception, the industry has grown to include substantial involvement by institutional investors. The yield to the lender on a marketplace loan is the fixed interest rate assigned by the Platform to the loan net of any fees charged by the Platform, including servicing fees, which cover the costs of services such as screening borrowers for their eligibility, managing the supply and demand of the marketplace, and facilitating payments and debt collection, among other things.

In the United States, a Platform may be subject to extensive regulation, oversight and examination at both the federal and state level, and across multiple jurisdictions if it operates its business nationwide. Accordingly, Platforms are generally subject to various securities, lending, licensing and consumer protection laws. Most states limit by statute the maximum rate of interest that lenders may charge on consumer loans. A limited number of states also may have interest rate caps for certain commercial loans. The maximum permitted interest rate can vary substantially between states. Some states impose a fixed maximum rate while others link the maximum rate to a floating rate index. Some Platforms obtain state lending licenses and lend directly to borrowers. Other Platform operators through a contractual relationship with a bank purchase bank originated loans. In this model, an operator of a Platform may be able to (through existing law and legal interpretations) be the beneficiary of the federal preemption available to federally insured banks that preempt the state laws and usury rates applicable under the various state laws where borrowers reside.

Whole Loans. The Fund s Marketplace Loan investments primarily consist of whole loans. When the Fund invests directly or indirectly in whole loans, it typically purchases all rights, title and interest in the loans pursuant to a loan purchase agreement directly from the platform or its affiliate. The Platform or a third-party servicer typically continues to service the loans, collecting payments and distributing them to investors, less any servicing fees assessed against the Fund, and the servicing entity typically will make all decisions regarding acceleration or enforcement of the loans following any default by a borrower. Where a Platform or its affiliate acts as the loan servicer, an arrangement with a backup servicer may be established in case the Platform or affiliate ceases or fails to perform these servicing functions. The Fund, as an investor in a whole loan, would be entitled to receive payment only from the borrower and/or any guarantor, and would not be able to recover any deficiency from the Platform, except under very narrow circumstances, which may include fraud by the borrower in some cases. The whole loans in which the Fund may invest may be secured or unsecured.

The Fund will not invest in Marketplace Loans that the Fund determines to be subprime. The Fund defines subprime for this purpose as (i) loans to individual borrowers where the individual borrower of such loan either does not have a FICO score, or has a FICO score below 600; and (ii) loans to small and medium companies determined by the Investment Manager to be comparable to that of consumer loans that are of subprime quality.

Marketplace Pass-Through Notes. The Fund may invest in Marketplace Pass-Through Notes. The operator of a Platform may purchase a loan from a funding bank at par using the funds of multiple lenders and then issue to each such lender at par a Pass-Through Note of the operator (or an affiliate of the operator) representing the right to receive the lender s proportionate share of all principal and interest payments received by the operator from the borrower on the loan funded by such lender (net of the Platform servicing fees). Alternatively, certain operators (including most SME lenders) do not engage funding banks but instead extend their loans directly to the borrowers. These lenders similarly may sell Pass-Through Notes backed by individual loans or engage in other capital market transactions. The Platform operator typically will service the loans it originates and will maintain a separate segregated deposit account into which it will deposit all payments received from the obligors on the loans. Upon identification of the proceeds received with respect to a loan and deduction of applicable fees, the Platform operator forwards the amounts owed to the lenders or the holders of any related Pass-Through Notes, as applicable. A Platform operator is not obligated to make any payments due on a Pass-Through Note (except to the extent that the operator actually receives payments from the borrower on the

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related loan). Accordingly, lenders and investors assume all of the credit risk on the loans they fund through a Pass-Through Note purchased from a Platform operator and are not entitled to recover any deficiency of principal or interest from the Platform operator if the underlying borrower defaults on its payments due with respect to a loan.

*Marketplace Loan Asset-Backed Securities***.** The Fund also may invest in Marketplace Loans through special purpose vehicles (SPVs) established solely for the purpose of holding assets (e.g., commercial loans) and issuing securities (asset-backed securities) secured only by such underlying assets (which practice is known as securitization). The Fund may invest, for example, in an SPV that holds a pool of loans originated by a particular Platform. The SPV may enter into a service agreement with the operator or a related entity to ensure continued collection of payments, pursuit of delinquent borrowers and general interaction with borrowers in much the same manner as if the securitization had not occurred. The SPV may issue multiple classes of asset-backed securities with different levels of seniority. The more senior classes will be entitled to receive payment before the subordinate classes if the cash flow generated by the underlying assets is not sufficient to allow the SPV to make payments on all of the classes of the asset