

FRANKLIN TEMPLETON LTD DURATION INCOME TRUST

Form N-Q

February 28, 2007

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21357  
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FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST  
-----

(Exact name of registrant as specified in charter)

ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906  
-----

(Address of principal executive offices) (Zip code)

CRAIG S. TYLE, ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: 650 312-2000  
-----

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

Date of reporting period: 12/31/06  
-----

Item 1. Schedule of Investments.

Franklin Templeton  
Limited Duration Income Trust

QUARTERLY STATEMENT OF INVESTMENTS

DECEMBER 31, 2006  
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[LOGO] (R)  
FRANKLIN TEMPLETON  
INVESTMENTS

FRANKLIN o Templeton o Mutual Series

Quarterly Statement of Investments | 1

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Franklin Templeton  
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED)

|   | COUNTRY       | P |
|---|---------------|---|
| LONG TERM INVESTMENTS 143.8%  |               |   |
| CORPORATE BONDS 48.6%   |               |   |
| COMMERCIAL SERVICES 2.8%  |               |   |
| Dex Media West LLC, senior sub. note, 9.875%, 8/15/13 .....   | United States |   |
| JohnsonDiversey Holdings Inc., senior disc. note, zero cpn. to 5/17/07,<br>10.67% thereafter, 5/15/13 ..... | United States |   |
| b Rental Service Corp., senior note, 144A, 9.50%, 12/01/14 .....  | United States |   |
| United Rentals North America Inc., senior sub. note, 7.75%,<br>11/15/13 .....                               | United States |   |
| COMMUNICATIONS 5.9%   |               |   |
| Dobson Cellular Systems Inc., senior secured note, 9.875%,<br>11/01/12 .....                                | United States |   |
| c Intelsat Subsidiary Holding Co. Ltd., senior note, FRN, 10.484%,<br>1/15/12 .....                         | Bermuda       |   |
| Millicom International Cellular SA, senior note, 10.00%, 12/01/13 .....                                     | Luxembourg    |   |
| Qwest Communications International Inc., senior note, B, 7.50%,<br>2/15/14 .....                            | United States |   |
| c Rogers Wireless Communications Inc., senior secured note, FRN,<br>8.485%, 12/15/10 .....                  | Canada        |   |
| b Wind Acquisition Finance SA, senior note, 144A, 10.75%,<br>12/01/15 .....                                 | Italy         |   |
| b Windstream Corp., senior note, 144A, 8.625%, 8/01/16 .....  | United States |   |
| CONSUMER DURABLES 3.3%  |               |   |
| Beazer Homes USA Inc., senior note, 8.375%, 4/15/12 .....   | United States |   |
| Ford Motor Credit Co.,<br>5.625%, 10/01/08 .....  | United States |   |
| c FRN, 9.824%, 4/15/12 .....  | United States |   |
| senior note, 9.875%, 8/10/11 .....  | United States |   |
| Jostens IH Corp., senior sub. note, 7.625%, 10/01/12 .....  | United States |   |
| KB Home, 6.375%, 8/15/11 .....  | United States |   |
| CONSUMER NON-DURABLES 3.4%  |               |   |
| Dole Food Co. Inc., senior note, 8.625%, 5/01/09 .....  | United States |   |
| Reynolds American Inc., senior secured note, 7.25%, 6/01/13 .....   | United States |   |
| Smithfield Foods Inc., senior note, 8.00%, 10/15/09 .....   | United States |   |
| Spectrum Brands Inc., senior sub. note, 8.50%, 10/01/13 .....   | United States |   |
| Tyson Foods Inc., senior note, 8.25%, 10/01/11 .....  | United States |   |

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|   |               |
|---|---------------|
| CONSUMER SERVICES 10.3%   |               |
| c AMC Entertainment Inc., senior note, FRN, 9.624%, 8/15/10 ..... | United States |
| Boyd Gaming Corp., senior sub. note, 8.75%, 4/15/12 .....         | United States |
| CanWest Media Inc., senior sub. note, 8.00%, 9/15/12 .....        | Canada        |
| CCH II LLC, senior note, 10.25%, 9/15/10 .....                    | United States |

Quarterly Statement of Investments | 3

Franklin Templeton  
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

|   | COUNTRY       | P |
|---|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED)   |               |   |
| CORPORATE BONDS (CONTINUED)   |               |   |
| CONSUMER SERVICES (CONTINUED)   |               |   |
| Clear Channel Communications Inc., senior note, 7.65%, 9/15/10 .....                | United States |   |
| CSC Holdings Inc., senior note, 8.125%, 7/15/09 .....                               | United States |   |
| DIRECTV Holdings LLC, senior note, 8.375%, 3/15/13 .....                            | United States |   |
| Liberty Media Corp., senior note, 7.875%, 7/15/09 .....                             | United States |   |
| LIN Television Corp., senior sub. note, 6.50%, 5/15/13 .....                        | United States |   |
| MGM MIRAGE Inc., senior note, 6.75%, 4/01/13 .....                                  | United States |   |
| Pinnacle Entertainment Inc., senior sub. note, 8.75%, 10/01/13 .....                | United States |   |
| Quebecor Media Inc., senior note, 7.75%, 3/15/16 .....                              | Canada        |   |
| b Rainbow National Services LLC, senior sub. deb., 144A, 10.375%,<br>9/01/14 .....  | United States |   |
| Royal Caribbean Cruises Ltd., senior note, 8.00%, 5/15/10 .....                     | United States |   |
| ELECTRONIC TECHNOLOGY 2.3%  |               |   |
| b,c Freescale Semiconductor Inc., senior note, 144A, FRN, 9.244%,<br>12/15/14 ..... | United States |   |
| b NXP BV, 144A, 7.875%, 10/15/14 .....  | Netherlands   |   |
| Sanmina-SCI Corp., senior sub. note, 6.75%, 3/01/13 .....                           | United States |   |
| Solectron Global Finance Ltd., senior sub. note, 8.00%, 3/15/16 .....               | United States |   |
| ENERGY MINERALS 2.4%  |               |   |
| Chesapeake Energy Corp., senior note, 7.50%, 6/15/14 .....                          | United States |   |
| Mariner Energy Inc., senior note, 7.50%, 4/15/13 .....                              | United States |   |
| Massey Energy Co., senior note, 6.875%, 12/15/13 .....                              | United States |   |
| Pogo Producing Co., senior sub. note, 7.875%, 5/01/13 .....                         | United States |   |

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FINANCE 1.1%

General Motors Acceptance Corp.,

|                       |               |
|-----------------------|---------------|
| 6.875%, 8/28/12 ..... | United States |
| 7.25%, 3/02/11 .....  | United States |

HEALTH SERVICES 4.3%

DaVita Inc.,

|  |               |
|--|---------------|
| senior note, 6.625%, 3/15/13 .....   | United States |
| senior sub. note, 7.25%, 3/15/15 .....   | United States |
| Fresenius Medical Care Capital Trust II, 7.875%, 2/01/08 .....                 | Germany       |
| b HCA Inc., senior secured note, 144A, 9.125%, 11/15/14 .....                  | United States |
| Tenet Healthcare Corp., senior note, 6.375%, 12/01/11 .....                    | United States |
| Vanguard Health Holding Co. II LLC, senior sub. note, 9.00%,<br>10/01/14 ..... | United States |

4 | Quarterly Statement of Investments

Franklin Templeton  
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

|  | COUNTRY | P |
|--|---------|---|
|--|---------|---|

LONG TERM INVESTMENTS (CONTINUED)

CORPORATE BONDS (CONTINUED)

INDUSTRIAL SERVICES 1.4%

|  |               |
|--|---------------|
| Allied Waste North America Inc., senior note, B, 8.50%, 12/01/08 ..... | United States |
| El Paso Natural Gas Co., senior note, A, 7.625%, 8/01/10 .....         | United States |

PROCESS INDUSTRIES 5.5%

|  |               |
|--|---------------|
| Buckeye Technologies Inc., senior sub. note, 8.00%, 10/15/10 .....             | United States |
| Crown Americas Inc., senior note, 7.625%, 11/15/13 .....                       | United States |
| Graphic Packaging International Corp., senior note, 8.50%,<br>8/15/11 .....    | United States |
| JSG Funding PLC, senior sub. note, 7.75%, 4/01/15 .....                        | Ireland       |
| Lyondell Chemical Co., senior note, 8.00%, 9/15/14 .....                       | United States |
| Nalco Co.,<br>senior note, 7.75%, 11/15/11 .....                               | United States |
| senior sub. note, 8.875%, 11/15/13 .....                                       | United States |
| Rhodia SA, senior note, 10.25%, 6/01/10 .....                                  | France        |
| b,c Verso Paper Holdings LLC, senior note, 144A, FRN, 9.121%,<br>8/01/14 ..... | United States |

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|   |               |
|---|---------------|
| PRODUCER MANUFACTURING 0.8%                                       |               |
| Case New Holland Inc., senior note, 9.25%, 8/01/11 .....          | United States |
| REAL ESTATE INVESTMENT TRUST 0.8%                                 |               |
| Host Marriott LP, senior note, K, 7.125%, 11/01/13 .....          | United States |
| RETAIL TRADE 1.1%   |               |
| c GSC Holdings Corp., senior note, FRN, 9.247%, 10/01/11 .....    | United States |
| b Michaels Stores Inc., senior note, 144A, 10.00%, 11/01/14 ..... | United States |
| TECHNOLOGY SERVICES 1.1%  |               |
| SunGard Data Systems Inc., senior note,<br>9.125%, 8/15/13 .....  | United States |
| c FRN, 9.973%, 8/15/13 .....                                      | United States |
| UTILITIES 2.1%  |               |
| Aquila Inc., senior note, 9.95%, 2/01/11 .....                    | United States |
| NRG Energy Inc., senior note, 7.25%, 2/01/14 .....                | United States |
| TXU Corp., 4.80%, 11/15/09 .....                                  | United States |
| TOTAL CORPORATE BONDS (COST \$180,118,977) .....                  |               |
| MORTGAGE-BACKED SECURITIES 33.2%                                  |               |
| c FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) ADJUSTABLE RATE 0.6%   |               |
| FHLMC, 3.338%, 5/01/34 .....                                      | United States |

Quarterly Statement of Investments | 5

Franklin Templeton  
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

|  | COUNTRY       | P |
|--|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED)                        |               |   |
| MORTGAGE-BACKED SECURITIES (CONTINUED)                   |               |   |
| FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) FIXED RATE 9.3% |               |   |
| FHLMC Gold 15 Year, 4.50%, 6/01/18 - 9/01/18 .....       | United States |   |
| FHLMC Gold 15 Year, 5.00%, 9/01/18 .....                 | United States |   |
| FHLMC Gold 15 Year, 5.00%, 11/01/18 .....                | United States |   |

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|   |               |
|---|---------------|
| FHLMC Gold 15 Year, 5.50%, 7/01/19 .....                            | United States |
| FHLMC Gold 30 Year, 5.50%, 8/01/33 .....                            | United States |
| FHLMC Gold 30 Year, 5.50%, 12/01/34 .....                           | United States |
| FHLMC Gold 30 Year, 5.50%, 2/01/35 - 2/01/35 .....                  | United States |
| FHLMC Gold 30 Year, 6.00%, 7/01/28 - 4/01/35 .....                  | United States |
| FHLMC Gold 30 Year, 6.50%, 1/01/35 .....                            | United States |
| FHLMC Gold 30 Year, 7.00%, 9/01/27 .....                            | United States |
| FHLMC Gold 30 Year, 8.00%, 1/01/31 .....                            | United States |
| FHLMC Gold 30 Year, 8.50%, 7/01/31 .....                            | United States |
|   |               |
| c FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) ADJUSTABLE RATE 0.7% |               |
| FNMA, 4.611%, 7/01/34 .....   | United States |
| FNMA, 5.989%, 6/01/32 .....   | United States |
|   |               |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) FIXED RATE 18.4%       |               |
| FNMA 15 Year, 5.00%, 10/01/17 .....                                 | United States |
| FNMA 15 Year, 5.50%, 10/01/17 - 1/01/21 .....                       | United States |
| FNMA 15 Year, 5.50%, 1/01/21 .....                                  | United States |
| FNMA 15 Year, 6.00%, 9/01/21 .....                                  | United States |
| FNMA 15 Year, 6.50%, 7/01/20 .....                                  | United States |
| FNMA 15 Year, 7.00%, 9/01/18 .....                                  | United States |
| FNMA 30 Year, 5.50%, 8/01/33 - 7/01/35 .....                        | United States |
| FNMA 30 Year, 5.50%, 9/01/33 .....                                  | United States |
| FNMA 30 Year, 5.50%, 7/01/35 - 1/01/36 .....                        | United States |
| FNMA 30 Year, 6.00%, 4/01/33 - 11/01/35 .....                       | United States |
| FNMA 30 Year, 6.00%, 12/01/34 - 1/01/36 .....                       | United States |
| FNMA 30 Year, 6.50%, 8/01/32 - 6/01/36 .....                        | United States |
| FNMA 30 Year, 6.50%, 6/01/36 .....                                  | United States |
| FNMA 30 Year, 8.00%, 10/01/29 .....                                 | United States |
| FNMA 30 Year, 8.50%, 8/01/26 .....                                  | United States |
|   |               |
| GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) FIXED RATE 4.2%     |               |
| GNMA I SF 30 Year, 5.50%, 4/15/33 - 12/15/34 .....                  | United States |
| GNMA I SF 30 Year, 5.50%, 12/15/34 .....                            | United States |
| GNMA I SF 30 Year, 6.50%, 6/15/31 - 12/15/33 .....                  | United States |
| GNMA II SF 30 Year, 5.00%, 10/20/33 .....                           | United States |
| GNMA II SF 30 Year, 7.00%, 1/20/24 - 12/20/30 .....                 | United States |
| GNMA II SF 30 Year, 8.00%, 1/20/28 - 2/20/32 .....                  | United States |
|   |               |
| TOTAL MORTGAGE-BACKED SECURITIES (COST \$127,364,355) .....         |               |

6 | Quarterly Statement of Investments

Franklin Templeton  
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

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|   | COUNTRY       | P |
|---|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED)   |               |   |
| c ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED  |               |   |
| SECURITIES 6.5%   |               |   |
| FINANCE 6.5%  |               |   |
| Argent Securities Inc., 2003-W5, M4, FRN, 9.135%, 10/25/33 .....                                    | United States |   |
| GSR Mortgage Trust, 2003-AHL, B1, FRN, 9.35%, 10/25/33 .....  | United States |   |
| Merrill Lynch Mortgage Investors Inc., 2003-OPT1, B2, FRN, 8.10%,<br>7/25/34 .....                  | United States |   |
| Morgan Stanley ABS Capital,<br>2003-NC10, B1, FRN, 8.65%, 10/25/33 .....                            | United States |   |
| 2003-HE3, B1, FRN, 8.65%, 10/25/33 .....  | United States |   |
| Morgan Stanley Dean Witter Capital I, 2003-NC3, B1, FRN, 8.35%,<br>3/25/33 .....                    | United States |   |
| New Century Home Equity Loan Trust, 2003-2, M3, FRN, 9.05%,<br>1/25/33 .....                        | United States |   |
| Option One Mortgage Loan Trust, 2003-6, M5, FRN, 8.65%,<br>11/25/33 .....                           | United States |   |
| Residential Asset Securities Corp., 2003-KS10, MII3, FRN, 7.90%,<br>12/25/33 .....                  | United States |   |
| Specialty Underwriting & Residential Finance, 2003-BC4, B2, FRN,<br>7.85%, 11/25/34 .....           | United States |   |
| Structured Asset Investment Loan Trust,<br>2003-BC13, M4, FRN, 8.10%, 11/25/33 .....                | United States |   |
| 2003-BC2, M3, FRN, 8.60%, 4/25/33 .....   | United States |   |
| TOTAL ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED  |               |   |
| SECURITIES (COST \$24,143,645) .....  |               |   |
| c SENIOR FLOATING RATE INTERESTS 51.6%  |               |   |
| COMMERCIAL SERVICES 5.9%  |               |   |
| Acxiom Corp., Term Loan B, 7.10% - 7.11%, 9/14/12 .....   | United States |   |
| Affiliated Computer Services Inc.,<br>Additional Term Loan, 7.35% - 7.369%, 3/20/13 .....           | United States |   |
| Term Loan B, 7.35%, 3/20/13 .....   | United States |   |
| Buhrmann U.S. Inc., Term Loan D-1 Anton, 7.11%, 12/23/10 .....                                      | United States |   |
| Dealer Computer Services Inc. (Reynolds & Reynolds), First Lien Term<br>Loan, 7.85%, 10/26/12 ..... | United States |   |
| Dex Media West LLC, Term Loan B2, 6.86% - 6.88%, 3/09/10.....                                       | United States |   |
| Emdeon Business Services LLC, First Lien Term Loan, 7.87%,<br>11/16/13 .....                        | United States |   |
| Nielsen Finance LLC (VNU Inc.), Term Loan B, 8.19%, 8/09/13 .....                                   | United States |   |
| IDEARC Inc. (Verizon Corp.), Term Loan B, 7.35%, 11/17/14 .....                                     | United States |   |
| R.H. Donnelley Inc., Term Loan D-2, 6.85% - 6.87%, 6/30/11 .....                                    | United States |   |
| Workflow Management Inc., Term Loan B, 9.376%, 11/30/11 .....                                       | United States |   |
| Worldspan LP, Term Loan B, 8.60%, 12/07/13 .....  | United States |   |

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Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

|   | COUNTRY       |
|---|---------------|
| -----   |               |
| LONG TERM INVESTMENTS (CONTINUED)   |               |
| c SENIOR FLOATING RATE INTERESTS (CONTINUED)  |               |
| COMMUNICATIONS 4.9%   |               |
| Alaska Communications Systems Holdings Inc.,  |               |
| Incremental Term Loan, 7.114%, 2/01/12 .....  | United States |
| Term Loan, 7.114%, 2/01/12 .....  | United States |
| Fairpoint Communications Inc., Term Loan B, 7.125%, 2/08/12 .....                         | United States |
| Intelsat Corp. (Panamsat), Term Loan B2, 7.872%, 1/03/14 .....                            | United States |
| Intelsat Subsidiary Holding Co. Ltd., Term Loan B, 7.622%,<br>6/30/13 .....               | United States |
| Iowa Telecommunications Services Inc., Term Loan B, 7.08% - 7.12%,<br>11/23/11 .....      | United States |
| West Corp., Term Loan B, 8.10%, 10/24/13 .....  | United States |
| Windstream Corp., Term Loan B, 7.12%, 7/17/13 .....                                       | United States |
|   |               |
| CONSUMER DURABLES 2.9%  |               |
| Eastman Kodak Co.,  |               |
| Term Loan B1, 7.60%, 10/18/12 .....   | United States |
| Term Loan B2 (Delayed Draw), 7.60%, 10/18/12 .....  | United States |
| Jarden Corp., Term Loan B2, 7.114%, 1/24/12 .....   | United States |
| Stile Acquisition Corp. (Masonite), Canadian Term Loan,<br>7.364% - 7.38%, 4/05/13 .....  | Canada        |
| Stile U.S. Acquisition Corp. (Masonite), U.S. Term Loan,<br>7.364% - 7.38%, 4/05/13 ..... | United States |
| Tupperware Corp., Term Loan B, 6.86%, 12/05/12 .....                                      | United States |
|   |               |
| CONSUMER NON-DURABLES 2.6%  |               |
| Acco Brands Corp., Term Loan B, 7.058% - 7.124%, 8/17/12 .....                            | United States |
| Bumble Bee Foods LLC, Term Loan B, 7.121% - 7.125%, 5/02/12 .....                         | United States |
| CBRL Group (Cracker Barrel), Term Loan B1, 6.85% - 6.87%,<br>4/27/13 .....                | United States |
| Central Garden & Pet Co., Term Loan B, 6.85%, 9/30/12 .....                               | United States |
| Constellation Brands Inc., Term Loan B, 6.875%, 6/05/13 .....                             | United States |
| Del Monte Foods Co., Term Loan B, 6.85% - 7.072%, 2/08/12 .....                           | United States |
| Dole Food Co. Inc., Term Loan B, 7.438% - 9.00%, 4/12/13 .....                            | United States |
| Herbalife International Inc., Term Loan B, 6.85%, 7/21/13 .....                           | United States |
| Michael Foods Inc., Term Loan B1, 7.35%, 11/21/10 .....                                   | United States |
| Reynolds American Inc., Term Loan B, 7.104% - 7.188%, 5/31/12 .....                       | United States |
| Solvast Ltd. (Dole),  |               |
| L/C, 5.244%, 4/12/13 .....  | Bermuda       |
| Term Loan C, 7.438% - 9.25%, 4/12/13 .....  | Bermuda       |
| Southern Wine & Spirits of America Inc., Term Loan B, 6.864%,<br>5/31/12 .....            | United States |



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8 | Quarterly Statement of Investments

Franklin Templeton  
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

|  | COUNTRY       | P |
|--|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED)  |               |   |
| c SENIOR FLOATING RATE INTERESTS (CONTINUED)   |               |   |
| CONSUMER SERVICES 10.0%  |               |   |
| Arby's Restaurant Holdings LLC, Term Loan B, 7.60% - 7.626%,<br>7/25/12 .....            | United States |   |
| Charter Communications Operating LLC, Term Loan B, 8.005%,<br>4/28/13 .....              | United States |   |
| Cinram International, Term Loan B, 7.118%, 5/05/11 .....                                 | Canada        |   |
| CSC Holdings Inc. (Cablevision), Incremental Term Loan,<br>7.11% - 7.126%, 3/29/13 ..... | United States |   |
| DIRECTV Holdings LLC, Term Loan B, 6.85%, 4/13/13 .....                                  | United States |   |
| Education Management LLC, Term Loan B, 7.875%, 5/31/13 .....                             | United States |   |
| Entravision Communications Corp., Term Loan B, 6.87%, 3/29/13 .....                      | United States |   |
| Hertz Corp.,<br>Credit Link, 5.365%, 12/21/12 .....                                      | United States |   |
| Term Loan B, 7.35% - 7.37%, 12/21/12 .....   | United States |   |
| Insight Midwest Holdings,<br>Delayed Draw Term Loan, 7.61%, 4/02/14 .....                | United States |   |
| Term Loan B, 7.61%, 4/02/14 .....  | United States |   |
| MCC Iowa, Term Loan D-1, 6.87% - 7.12%, 1/31/15 .....                                    | United States |   |
| MediaNews Group Inc., Term Loan B, 6.60%, 12/30/10 .....                                 | United States |   |
| Mission Broadcasting Inc., Term Loan B, 7.114%, 10/01/12 .....                           | United States |   |
| Nexstar Broadcasting Inc., Term Loan B, 7.114%, 10/01/12 .....                           | United States |   |
| Penn National Gaming Inc., Term Loan B, 7.10% - 7.15%,<br>10/03/12 .....                 | United States |   |
| Regal Cinemas Inc., Term Loan, 7.114%, 10/27/13 .....                                    | United States |   |
| UPC Financing Partnership,<br>Term Loan J2, 7.64%, 3/31/13 .....                         | Netherlands   |   |
| Term Loan K2, 7.64%, 12/31/13 .....  | Netherlands   |   |
| VML US Finance LLC (Venetian Macau), Term Loan B, 8.12%,<br>5/26/13 .....                | United States |   |
| WMG Acquisition Corp. (Warner Music), Term Loan B,<br>7.37% - 7.409%, 3/01/11 .....      | United States |   |
| ELECTRONIC TECHNOLOGY 1.8%   |               |   |
| Advanced Micro Devices Inc., Term Loan B, 7.62%, 12/31/13 .....                          | United States |   |
| Marvell Technology Group Ltd., Term Loan, 7.35%, 11/09/09 .....                          | Bermuda       |   |
| Onex Wind Finance LP (Mid-Western Aircraft), Term Loan B, 7.11%,<br>12/31/11 .....       | United States |   |
| Sanmina-SCI Corp., Term Loan, 7.88%, 1/31/08 .....                                       | United States |   |

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ENERGY MINERALS 0.4%  
 Citgo Petroleum Corp., Term Loan B, 6.742%, 11/15/12 ..... United States

Quarterly Statement of Investments | 9

Franklin Templeton  
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

|  | COUNTRY       | P |
|--|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED)  |               |   |
| c SENIOR FLOATING RATE INTERESTS (CONTINUED)   |               |   |
| FINANCE 2.5%   |               |   |
| Ameritrade Holding Corp., Term Loan B, 6.85%, 12/31/12 .....                         | United States |   |
| Avis Budget Car Rental LLC, Term Loan, 6.63%, 4/19/12 .....                          | United States |   |
| Conseco Inc., Term Loan, 7.35%, 10/10/13.....  | United States |   |
| Fidelity National Information Services Inc., Term Loan B, 7.10%,<br>3/08/13 .....    | United States |   |
| Nasdaq Stock Market Inc.,<br>Incremental Term Loan B, 7.10% - 7.114%, 4/18/12 .....  | United States |   |
| Term Loan B, 7.10% - 7.114%, 4/18/12 .....   | United States |   |
| Term Loan C (Delayed Draw), 7.10% - 7.114%, 4/18/12 .....                            | United States |   |
| HEALTH SERVICES 3.1%   |               |   |
| DaVita Inc., Term Loan B, 7.35% - 7.69%, 10/05/12 .....                              | United States |   |
| Fresenius Medical Care Holdings Inc., Term Loan B, 6.739% - 6.745%,<br>3/31/13 ..... | United States |   |
| HCA Inc., Term Loan B, 8.114%, 11/18/13 .....  | United States |   |
| LifePoint Hospitals Inc., Term Loan B, 6.975%, 4/15/12 .....                         | United States |   |
| INDUSTRIAL SERVICES 0.7%   |               |   |
| Allied Waste North America Inc.,<br>Credit Link, 5.323%, 1/15/12 .....               | United States |   |
| Term Loan B, 7.12% - 7.21%, 1/15/12 .....  | United States |   |
| PROCESS INDUSTRIES 5.7%  |               |   |
| Berry Plastics Holding Corp., Term Loan B, 7.124%, 9/20/13 .....                     | United States |   |
| Georgia-Pacific Corp.,<br>d Additional Term Loan, 8.25%, 12/20/12 .....              | United States |   |
| Term Loan B, 7.353% - 7.376%, 12/20/12 .....   | United States |   |
| Graham Packaging Co.,  |               |   |

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|   |               |
|---|---------------|
| First Lien Term Loan, 7.625% - 7.875%, 10/07/11 .....                 | United States |
| Incremental Term Loan B, 7.688%, 10/07/11 .....                       | United States |
| Hexion Specialty Chemicals BV, Term Loan C-2, 7.875%, 5/03/13 .....   | Netherlands   |
| Hexion Specialty Chemicals Inc., Term Loan C-1, 7.875%, 5/03/13 ..... | United States |
| Huntsman International LLC, Term Loan B, 7.10%, 8/16/12.....          | United States |
| Ineos U.S. Finance LLC,   |               |
| Term Loan B2, 7.611%, 12/16/13 .....                                  | United States |
| Term Loan C2, 8.111%, 12/23/14 .....                                  | United States |
| Lyondell Chemical Co., Term Loan, 7.121%, 8/16/13 .....               | United States |
| Nalco Co., Term Loan B, 7.10% - 9.00%, 11/04/10 .....                 | United States |
| NewPage Corp., Term Loan, 8.364% - 10.25%, 5/02/11 .....              | United States |

10 | Quarterly Statement of Investments

Franklin Templeton  
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

|   | COUNTRY       | P |
|---|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED)                                       |               |   |
| c SENIOR FLOATING RATE INTERESTS (CONTINUED)                            |               |   |
| PRODUCER MANUFACTURING 5.2%   |               |   |
| Cooper Standard Automotive Inc., Term Loan D, 7.875%,<br>12/23/11 ..... | United States |   |
| Day International Group Inc., Term Loan B, 7.86%, 12/05/12 .....        | United States |   |
| Dresser Inc., Term Loan B, 8.125%, 10/31/13 .....                       | United States |   |
| Euramax International Inc., Domestic Term Loan, 8.125%, 6/29/12 .....   | United States |   |
| GPS CCMP Merger Corp. (Generac), Term Loan B, 7.82%,<br>11/09/13 .....  | United States |   |
| Headwaters Inc., Term Loan B, 7.38%, 4/30/11 .....                      | United States |   |
| Nortek Inc., Term Loan, 7.36%, 8/27/11 .....                            | United States |   |
| Oshkosh Truck Co., Term Loan B, 7.35%, 12/06/13 .....                   | United States |   |
| Sensus Metering Systems Inc.,   |               |   |
| Term Loan B1, 7.371% - 7.583%, 12/17/10 .....                           | United States |   |
| Term Loan B2, 7.371% - 7.583%, 12/17/10 .....                           | Luxembourg    |   |
| TriMas Co. LLC,   |               |   |
| Term Loan B, 8.125%, 2/28/12 .....                                      | United States |   |
| Tranche B-1 L/C, 8.118%, 8/02/13 .....                                  | United States |   |
| TRW Automotive Inc., Term Loan B, 7.188%, 6/30/12 .....                 | United States |   |
| REAL ESTATE INVESTMENT TRUSTS 2.6%                                      |               |   |
| Capital Automotive REIT, Term Loan B, 7.10%, 12/10/10 .....             | United States |   |
| CB Richard Ellis Services Inc., Term Loan B, 6.85%, 12/20/13 .....      | United States |   |
| General Growth Properties Inc., Term Loan A-1, 6.60%, 2/24/10 .....     | United States |   |
| Lion Gables Realty LP, Term Loan B, 7.10%, 3/30/07 .....                | United States |   |
| Newkirk Master LP, Term Loan B, 7.099%, 8/11/08 .....                   | United States |   |

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|  |               |
|--|---------------|
| RETAIL TRADE 1.3%  |               |
| Neiman Marcus Group Inc., Term Loan, 7.60% - 7.603%, 4/06/13 ..... | United States |
| Pantry Inc., Term Loan, 7.10%, 1/02/12 .....                       | United States |
| TravelCenters of America Inc., Term Loan, 7.10%, 12/01/11 .....    | United States |
| The William Carter Co., Term Loan B, 6.85% - 6.876%, 7/14/12 ..... | United States |
| TECHNOLOGY SERVICES 0.8%   |               |
| SunGard Data Systems Inc., Term Loan, 7.875%, 2/11/13 .....        | United States |
| TRANSPORTATION 0.1%  |               |
| United Air Lines Inc.,   |               |
| Delay Draw, 9.125%, 2/01/12 .....                                  | United States |
| Term Loan B, 9.12%, 2/01/12 .....                                  | United States |
| UTILITIES 1.1%   |               |
| LSP General Finance Co. LLC,                                       |               |
| Delay Draw, 7.114%, 5/04/13 .....                                  | United States |
| Term Loan, 7.114%, 5/04/13 .....                                   | United States |

Quarterly Statement of Investments | 11

Franklin Templeton  
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

| -----   |  | COUNTRY       |
|---|--|---------------|
| -----   |  | -----         |
| LONG TERM INVESTMENTS (CONTINUED)                               |  |               |
| c SENIOR FLOATING RATE INTERESTS (CONTINUED)                    |  |               |
| UTILITIES (CONTINUED)   |  |               |
| NRG Energy Inc.,  |  |               |
| Credit Link, 7.364%, 2/01/13 .....                              |  | United States |
| Term Loan B, 7.364%, 2/01/13 .....                              |  | United States |
| TOTAL SENIOR FLOATING RATE INTERESTS (COST \$195,985,224) ..... |  |               |
| FOREIGN GOVERNMENT AND AGENCY SECURITIES 3.9%                   |  |               |
| c,e Government of Argentina, FRN, 5.59%, 8/03/12 .....          |  | Argentina     |
| Government of Canada, 7.25%, 6/01/07 .....                      |  | Canada        |
| Government of Malaysia, 8.60%, 12/01/07 .....                   |  | Malaysia      |
| Government of Norway, 6.75%, 1/15/07 .....                      |  | Norway        |
| Government of Poland, 6.00%, 5/24/09 .....                      |  | Poland        |

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|  |             |
|--|-------------|
| Government of Singapore, 5.625%, 7/01/08 .....         | Singapore   |
| Government of Sweden, 8.00%, 8/15/07 .....             | Sweden      |
| Korea Treasury Note, 4.75%, 3/12/08 .....              | South Korea |
| TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES         |             |
| (COST \$14,211,342) .....                              |             |
| TOTAL LONG TERM INVESTMENTS (COST \$541,823,543) ..... |             |
| SHORT TERM INVESTMENTS 2.6%                            |             |
| GOVERNMENT BONDS 1.4%                                  |             |
| f Egypt Treasury Bill, 6/19/07 - 11/20/07              | Egypt       |
| f Thailand Treasury Bill, 7/19/07 - 9/06/07            | Thailand    |

12 | Quarterly Statement of Investments

Franklin Templeton  
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2006 (UNAUDITED) (CONTINUED)

| -----  |  | COUNTRY       |
|--|--|---------------|
| -----  |  | -----         |
| SHORT TERM INVESTMENTS (CONTINUED)                               |  |               |
| MONEY MARKET FUND 1.2%   |  |               |
| g Franklin Institutional Fiduciary Trust Money Market Portfolio, |  |               |
| 4.97% .....  |  | United States |
| TOTAL SHORT TERM INVESTMENTS (COST \$9,575,917) .....            |  |               |
| TOTAL INVESTMENTS (COST \$551,399,460) 146.4% .....              |  |               |
| PREFERRED SHARES (50.0)% .....                                   |  |               |
| OTHER ASSETS, LESS LIABILITIES 3.6% .....                        |  |               |
| NET ASSETS APPLICABLE TO COMMON SHARES 100.0% .....              |  |               |

CURRENCY ABBREVIATIONS

|     |   |                   |
|-----|---|-------------------|
| CAD | - | Canadian Dollar   |
| EGP | - | Egyptian Pounds   |
| KRW | - | South Korean Won  |
| MYR | - | Malaysian Ringgit |
| NOK | - | Norwegian Krone   |
| PLN | - | Polish Zloty      |
| SEK | - | Swedish Krona     |
| SGD | - | Singapore Dollar  |
| THB | - | Thai Baht         |

SELECTED PORTFOLIO ABBREVIATIONS

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FHLMC - Federal Home Loan Mortgage Corp.  
 FNMA - Federal National Mortgage Association  
 FRN - Floating Rate Note  
 GNMA - Government National Mortgage Association  
 L/C - Letter of Credit  
 REIT - Real Estate Investment Trust  
 SF - Single Family

- a The principal amount is stated in U.S. dollars unless otherwise indicated.
- b Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At December 31, 2006, the aggregate value of these securities was \$20,074,875, representing 5.29% of net assets.
- c The coupon rate shown represents the rate at period end.
- d Security purchased on a when-issued basis.
- e The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
- f The security is traded on a discount basis with no stated coupon rate.
- g The Franklin Institutional Fiduciary Trust Money Market Portfolio is managed by the Fund's investment manager. The rate shown is the annualized seven-day yield at period end.

Quarterly Statement of Investments |  
 See Notes to Statement of Investments. | 13

Franklin Templeton  
 Limited Duration Income Trust

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin Templeton Limited Duration Income Trust (the Fund) is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end investment company.

1. INCOME TAXES

At December 31, 2006, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

|   |                |
|---|----------------|
| Cost of investments.....                        | \$ 553,027,405 |
|   | =====          |
| Unrealized appreciation.....                    | \$ 7,204,011   |
| Unrealized depreciation.....                    | (4,349,764)    |
|   | -----          |
| Net unrealized appreciation (depreciation)..... | \$ 2,854,247   |
|   | =====          |

2. UNFUNDED LOAN COMMITMENTS

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The Fund may enter into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. Funded portions of credit agreements are presented on the Statement of Investments.

At December 31, 2006, unfunded commitments were as follows:

| BORROWER   | UNFUNDED<br>COMMITMENT |
|--|------------------------|
| CBRL Group (Cracker Barrel), Term Loan B2<br>(Delayed Draw)..... | \$ 134,276             |
| VML US Finance LLC (Venetian Macau US), Delay Draw.....          | 1,166,667              |
|  | -----                  |
|  | \$ 1,300,943           |
|  | =====                  |

For information on the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to the Fund's most recent semiannual or annual shareholder report.

### 14 | Quarterly Statement of Investments

#### Item 2. Controls and Procedures.

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

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

(b) CHANGES IN INTERNAL CONTROLS. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

#### Item 3. Exhibits.

(A) Certification pursuant to Section 30a-2 under the Investment Company Act of 1940 of Jimmy D. Gambill, Chief Executive Officer - Finance and Administration,

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and Galen G. Vetter, Chief Financial Officer.

SIGNATURES

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

FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST

By /S/JIMMY D. GAMBILL

-----

Jimmy D. Gambill

Chief Executive Officer - Finance and Administration

Date February 27, 2007

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

By /S/JIMMY D. GAMBILL

-----

Jimmy D. Gambill

Chief Executive Officer - Finance and Administration

Date February 27, 2007

By /S/GALEN G. VETTER

-----

Galen G. Vetter

Chief Financial Officer

Date February 27, 2007

Exhibit A

I, Jimmy D. Gambill, certify that:

1. I have reviewed this report on Form N-Q of FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the schedules of investments included in this report fairly present in all material respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;



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4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 27, 2007

/S/JIMMY D. GAMBILL  
Jimmy D. Gambill  
Chief Executive Officer - Finance and Administration

I, Galen G. Vetter, certify that:

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1. I have reviewed this report on Form N-Q of FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the schedules of investments included in this report fairly present in all material respects the investments of the registrant as of the end of the fiscal quarter for which the report is filed;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 27, 2007

/S/GALEN G. VETTER  
Galen G. Vetter  
Chief Financial Officer