

EATON VANCE LTD DURATION INCOME FUND
Form N-CSR
July 06, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form N-CSR

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

Investment Company Act File Number: 811-21323

Eaton Vance Limited Duration Income Fund

(Exact Name of registrant as Specified in Charter)

The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109

(Address of Principal Executive Offices)

Alan R. Dynner

The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109

(Name and Address of Agent for Services)

(617) 482-8260

(registrant's Telephone Number)

April 30

Date of Fiscal Year End

April 30, 2006

Date of Reporting Period

Item 1. Reports to Stockholders

Annual Report April 30, 2006

EATON VANCE
LIMITED
DURATION
INCOME
FUND

**IMPORTANT NOTICES REGARDING PRIVACY,
DELIVERY OF SHAREHOLDER DOCUMENTS,
PORTFOLIO HOLDINGS AND PROXY VOTING**

Privacy. The Eaton Vance organization is committed to ensuring your financial privacy. Each of the financial institutions identified below has in effect the following policy ("Privacy Policy") with respect to nonpublic personal information about its customers:

Only such information received from you, through application forms or otherwise, and information about your Eaton Vance fund transactions will be collected. This may include information such as name, address, social security number, tax status, account balances and transactions.

None of such information about you (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account). In the normal course of servicing a customer's account, Eaton Vance may share information with unaffiliated third parties that perform various required services such as transfer agents, custodians and broker/dealers.

Policies and procedures (including physical, electronic and procedural safeguards) are in place that are designed to protect the confidentiality of such information.

We reserve the right to change our Privacy Policy at any time upon proper notification to you. Customers may want to review our Policy periodically for changes by accessing the link on our homepage: www.eatonvance.com.

Our pledge of privacy applies to the following entities within the Eaton Vance organization: the Eaton Vance Family of Funds, Eaton Vance Management, Eaton Vance Investment Counsel, Boston Management and Research, and Eaton Vance Distributors, Inc.

In addition, our Privacy Policy only applies to those Eaton Vance customers who are individuals and who have a direct relationship with us. If a customer's account (i.e. fund shares) is held in the name of a third-party financial adviser/ broker dealer, it is likely that only such adviser's privacy policies apply to the customer. This notice supersedes all previously issued privacy disclosures.

For more information about Eaton Vance's Privacy Policy, please call 1-800-262-1122.

Delivery of Shareholder Documents. The Securities and Exchange Commission (the "SEC") permits funds to deliver only one copy of shareholder documents, including prospectuses, proxy statements and shareholder reports, to fund investors with multiple accounts at the same residential or post office box address. This practice is often called "householding" and it helps eliminate duplicate mailings to shareholders.

Eaton Vance, or your financial adviser, may household the mailing of your documents indefinitely unless you instruct Eaton Vance, or your financial adviser, otherwise.

If you would prefer that your Eaton Vance documents not be househanded, please contact Eaton Vance at 1-800-262-1122, or contact your financial adviser.

Your instructions that householding not apply to delivery of your Eaton Vance documents will be effective within 30 days of receipt by Eaton Vance or your financial adviser.

Portfolio Holdings. Each Eaton Vance Fund and its underlying Portfolio (if applicable) will file a schedule of its portfolio holdings on Form N-Q with the SEC for the first and third quarters of each fiscal year. The Form N-Q will be available on the Eaton Vance website www.eatonvance.com, by calling Eaton Vance at 1-800-262-1122 or in the EDGAR database on the SEC's website at www.sec.gov. Form N-Q may also be reviewed and copied at the SEC's public reference room in Washington, D.C. (call 1-800-732-0330 for information on the operation of the public reference room).

Proxy Voting. From time to time, funds are required to vote proxies related to the securities held by the funds. The Eaton Vance Funds or their underlying Portfolios (if applicable) vote proxies according to a set of policies and procedures approved by the Funds' and Portfolios' Boards. You may obtain a description of these policies and procedures and information on how the Funds or Portfolios voted proxies relating to portfolio securities during the most recent 12 month period ended June 30, without charge, upon request, by calling 1-800-262-1122. This description is also available on the SEC's website at www.sec.gov.

Eaton Vance Limited Duration Income Fund as of April 30, 2006

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE

The Fund

Performance

- Based on share price, Eaton Vance Limited Duration Income Fund (the Fund) a closed-end fund traded on the American Stock Exchange (AMEX) had a total return of 5.32% for the year ended April 30, 2006.(1) That return was the result of a decrease in share price to \$17.09 on April 30, 2006, from \$17.69 on April 30, 2005, and the reinvestment of \$1.513 in monthly dividends.
- Based on net asset value (NAV), the Fund had a total return of 7.72% for the year ended April 30, 2006.(1) That return was the result of a decrease in NAV per share to \$18.21 on April 30, 2006, from \$18.43 on April 30, 2005, and the reinvestment of \$1.513 in dividends.
- Based on its April 30, 2006, monthly dividend of \$0.1261 and a closing share price of \$17.09 on that date, the Fund had a market yield of 8.85%.(2)

Recent Fund Developments

- The Fund's managers continued to diversify the Fund's bond and senior loan investments across a wide range of industry sectors. The Fund had exposure to companies that typically respond to economic growth, as well as non-cyclical companies whose earnings are less dependent on economic expansion.
- The portion of the Fund that invests in floating-rate loans generally benefited from an environment of rising short-term interest rates; however, credit spreads continued to narrow and new issuance surged. Management kept the loan Portfolio well diversified across a wide range of industry sectors and holdings. Building and development (including manufacturers of building products and companies that manage and/or own apartments, shopping malls and commercial office buildings, among others), health care, leisure goods/activities/movies and chemicals/plastics and publishing were the largest industry weightings.
- During the year, the high-yield portion of the Fund saw an increased focus on shorter-duration bonds, which performed relatively well amid a flattening yield curve. The performance of the Fund's highyield holdings was also bolstered by exposure to the air transportation and building materials sectors. Investments in wireless telecommunication service providers also fared well, as many of these companies enjoyed continuing strong cash flow, subscriber growth and, in some cases, the benefits of refinancing older, higher-coupon debt. In the relatively strong market, no particular high-yield bond sector dramatically hurt performance. However, railroads, metals and homebuilders areas in which the Fund held small positions were among the market's laggards.
- Within the mortgage-backed securities (MBS) portion of the Fund, management continued to emphasize seasoned MBS with shorter average maturities and more predictable prepayment rates than unseasoned MBS. Seasoned MBS prepayment rates declined over the 12-month period. Accordingly, yield spreads on the Fund's seasoned MBS tightened by approximately 70 basis points (0.70%) during the same annual period. This tightening resulted in outperformance versus U.S. Treasuries.

- At April 30, 2006, the Fund had leverage in the amount of approximately 35.2% of the Fund's total assets. The Fund is leveraged through the issuance of Auction Preferred Shares and its securities lending program. Use of financial leverage creates an opportunity for increased income, but, at the same time, creates special risks (including the likelihood of greater volatility of net asset value and market price of common shares).

The views expressed throughout this report are those of the portfolio managers and are current only through the end of the period of the report as stated on the cover. These views are subject to change at any time based upon market or other conditions, and the investment adviser disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a fund are based on many factors, may not be relied on as an indication of trading intent on behalf of any Eaton Vance fund.

(1) *Performance results reflect the effect of leverage resulting from the Fund's issuance of Auction Preferred Shares and its securities lending program. In the event of a rise in long-term interest rates, the value of the Fund's investment portfolio could decline, which would reduce the asset coverage for its Auction Preferred Shares.*

(2) *The Fund's market yield is calculated by dividing the most recent dividend per share by the share market price at the end of the period and annualizing the result.*

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or share price (as applicable) with all distributions reinvested. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return. For performance as of the most recent month end, please refer to www.eatonvance.com.

Shares of the Fund are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Shares are subject to investment risks, including possible loss of principal invested. Yield will vary.

Eaton Vance Limited Duration Income Fund as of April 30, 2006

FUND PERFORMANCE

Performance(1)

Average Annual Total Return (by share price, AMEX)	
One Year	5.32 %
Life of Fund (5/30/03)	4.63

Average Annual Total Return (at net asset value)

One Year	7.72 %
Life of Fund (5/30/03)	6.93

(1) Performance results reflect the effect of leverage resulting from the Fund's issuance of Auction Preferred Shares and its securities lending program. In the event of a rise in long-term interest rates, the value of the Fund's investment portfolio could decline, which would reduce the asset coverage for its Auction Preferred Shares and securities lending.

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or share price (as applicable) with all distributions reinvested. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return. For performance as of the most recent month end, please refer to www.eatonvance.com.

Fund Allocations(2)

By Total Investments

(2) Fund allocations are shown as a percentage of the Fund's total investments as of 4/30/06. Fund allocations may not be representative of the Fund's current or future investments and are subject to change due to active

management.

3

Eaton Vance Limited Duration Income Fund as of April 30, 2006

PORTFOLIO OF INVESTMENTS

Senior, Floating Rate Interests 55.5%			
Principal			
Amount		Borrower/Tranche Description	Value
Aerospace and Defense 1.4%			
Alliant Techsystems, Inc.			
\$	702,000	Term Loan, 5.81%, Maturing March 31, 2009	\$ 704,486
Awas Capital Inc.			
	3,375,000	Term Loan, 11.00%, Maturing March 22, 2013	3,434,062
CACI International, Inc.			
	1,347,500	Term Loan, 6.25%, Maturing May 3, 2011	1,361,255
Delta Air Lines, Inc.			
	1,725,000	Term Loan, 7.26%, Maturing March 27, 2008	1,757,653
	2,000,000	Term Loan, 12.01%, Maturing March 27, 2008	2,062,916
DRS Technologies, Inc.			
	1,225,000	Term Loan, 6.45%, Maturing January 31, 2013	1,237,441
Hexcel Corp.			
	3,299,111	Term Loan, 6.73%, Maturing March 1, 2012	3,334,850
IAP Worldwide Services, Inc.			
	2,244,375	Term Loan, 8.00%, Maturing December 30, 2012	2,275,235
K&F Industries, Inc.			
	2,829,663	Term Loan, 7.17%, Maturing November 18, 2012	2,869,897
Mid-Western Aircraft Systems, Inc.			
	1,574,356	Term Loan, 7.32%, Maturing December 31, 2011	1,601,662
Standard Aero Holdings, Inc.			
	1,780,983	Term Loan, 7.08%, Maturing August 24, 2012	1,780,983
Transdigm, Inc.			
	5,194,000	Term Loan, 7.15%, Maturing July 22, 2010	5,269,474
Vought Aircraft Industries, Inc.			
	1,314,353	Term Loan, 7.50%, Maturing December 22, 2011	1,328,113
Wyle Laboratories, Inc.			
	311,850	Term Loan, 7.44%, Maturing January 28, 2011	316,918
			\$ 29,334,945
Air Transport 0.1%			
United Airlines, Inc.			
\$	1,684,375	Term Loan, 8.63%, Maturing February 1, 2012	\$ 1,711,325
	240,625	Term Loan, 8.75%, Maturing February 1, 2012	244,475
			\$ 1,955,800
Automotive 2.6%			

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Accuride Corp.			
\$	3,289,973	Term Loan, 6.94%, Maturing January 31, 2012	\$ 3,335,210
Affina Group, Inc.			
	1,076,874	Term Loan, 8.13%, Maturing November 30, 2011	1,069,134
Principal			
Amount		Borrower/Tranche Description	Value
Automotive (continued)			
Axletech International Holding, Inc.			
\$	1,950,000	Term Loan, 11.52%, Maturing April 21, 2013	\$ 1,967,876
Collins & Aikman Products Co.			
	881,938	Term Loan, 11.25%, Maturing August 31, 2011	865,087
CSA Acquisition Corp.			
	1,012,599	Term Loan, 7.50%, Maturing December 23, 2011	1,018,295
	641,461	Term Loan, 7.50%, Maturing December 23, 2011	645,069
	498,750	Term Loan, 7.50%, Maturing December 23, 2011	502,179
Dana Corp.			
	1,400,000	DIP Loan, 7.22%, Maturing April 13, 2008	1,412,688
Dayco Products, LLC			
	2,936,982	Term Loan, 7.97%, Maturing June 23, 2011	2,977,366
Delphi Corp.			
	1,000,000	Term Loan, 7.38%, Maturing October 8, 2007	1,019,583
Dura Operating Corp.			
	1,450,000	Term Loan, 8.61%, Maturing May 3, 2011	1,466,917
Exide Technologies, Inc.			
	617,005	Term Loan, 11.25%, Maturing May 5, 2010	625,746
	624,566	Term Loan, 11.25%, Maturing May 5, 2010	633,414
Federal-Mogul Corp.			
	1,950,000	DIP Loan, 6.81%, Maturing December 9, 2006	1,956,398
	5,626,706	Term Loan, 8.75%, Maturing December 9, 2006	5,654,840
Goodyear Tire & Rubber Co.			
	950,000	Term Loan, 4.73%, Maturing April 30, 2010	959,670
	3,185,000	Term Loan, 7.95%, Maturing April 30, 2010	3,233,772
	1,000,000	Term Loan, 8.70%, Maturing March 1, 2011	1,016,042
HLI Operating Co., Inc.			
	2,134,400	Term Loan, 8.36%, Maturing June 3, 2009	2,149,264
Key Automotive Group			
	1,082,877	Term Loan, 7.82%, Maturing June 29, 2010	1,093,706
Keystone Automotive Operations, Inc.			
	2,094,750	Term Loan, 7.46%, Maturing October 30, 2010	2,102,605

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R.J. Tower Corp.		DIP Revolving Loan, 8.25%, Maturing February 2, 2007	
	1,880,000		1,916,929
Tenneco Automotive, Inc.		Term Loan, 6.77%, Maturing December 12, 2009	
	1,861,375		1,890,226
	817,670	Term Loan, 6.83%, Maturing December 12, 2010	830,344
TI Automotive, Ltd.		Term Loan, 7.94%, Maturing June 30, 2011	
	1,371,884		1,351,305
Trimas Corp.		Term Loan, 8.87%, Maturing December 31, 2009	
	4,175,446		4,248,516
TRW Automotive, Inc.		Term Loan, 6.00%, Maturing October 31, 2010	
	1,975,000		1,985,863
	2,296,666	Term Loan, 6.25%, Maturing June 30, 2012	2,305,597

See notes to financial statements

Eaton Vance Limited Duration Income Fund as of April 30, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount	Borrower/Tranche Description	Value
Automotive (continued)		
United Components, Inc.		
\$ 1,446,667	Term Loan, 7.22%, Maturing June 30, 2010	\$ 1,458,421
Visteon Corp.		
1,650,000	Term Loan, 9.18%, Maturing June 20, 2007	1,672,894
		\$ 53,364,956
Beverage and Tobacco 0.9%		
Alliance One International, Inc.		
\$ 955,350	Term Loan, 8.48%, Maturing May 13, 2010	\$ 966,098
Constellation Brands, Inc.		
6,091,371	Term Loan, 6.36%, Maturing November 30, 2011	6,143,531
Culligan International Co.		
1,188,000	Term Loan, 7.40%, Maturing September 30, 2011	1,206,563
MafCo Worldwide Corp.		
1,356,818	Term Loan, 6.93%, Maturing December 8, 2011	1,371,234
National Dairy Holdings, L.P.		
2,301,725	Term Loan, 7.00%, Maturing March 15, 2012	2,314,672
National Distribution Co.		
950,000	Term Loan, 11.50%, Maturing June 22, 2010	952,375
Southern Wine & Spirits of America, Inc.		
4,297,586	Term Loan, 6.48%, Maturing June 1, 2012	4,342,577
Sunny Delight Beverages Co.		
444,706	Term Loan, 9.22%, Maturing August 20, 2010	443,038
		\$ 17,740,088
Building and Development 3.7%		
AP-Newkirk Holdings, LLC		
\$ 2,413,055	Term Loan, 7.43%, Maturing December 21, 2007	\$ 2,432,285
Biomed Realty, L.P.		
3,690,000	Term Loan, 7.08%, Maturing May 31, 2010	3,699,225
Capital Automotive (REIT)		
3,924,806	Term Loan, 6.58%, Maturing December 16, 2010	3,961,601
DMB / CH II, LLC		
400,000	Term Loan, 7.33%, Maturing September 9, 2009	401,000
EpcO / Fantome, LLC		
1,975,000	Term Loan, 8.00%, Maturing November 23, 2010	1,979,938
Formica Corp.		

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	1,350,000	Term Loan, 7.96%, Maturing March 15, 2013	1,362,235
FT-FIN Acquisition, LLC			
	1,413,217	Term Loan, 9.19%, Maturing November 17, 2007	1,416,750
Gables GP, Inc.			
	964,895	Term Loan, 6.59%, Maturing September 30, 2006	969,546
Principal			
Amount		Borrower/Tranche Description	Value
Building and Development (continued)			
General Growth Properties, Inc.			
\$	2,000,000	Term Loan, 6.20%, Maturing February 24, 2011	\$ 1,997,500
Hovstone Holdings, LLC			
	1,485,000	Term Loan, 7.23%, Maturing February 28, 2009	1,488,713
Kyle Acquisition Group, LLC			
	802,819	Term Loan, 7.00%, Maturing July 20, 2010	810,847
Landsource Communities, LLC			
	1,002,000		