

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  
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(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  
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(Name and address of agent for service)

Registrant's telephone number, including area code: 650 312-2000  
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Date of fiscal year end: 3/31  
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Date of reporting period: 12/31/06  
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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, 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%, 11/15/13 .....	United States	
COMMUNICATIONS 5.9%		
Dobson Cellular Systems Inc., senior secured note, 9.875%, 11/01/12 .....	United States	
c Intelsat Subsidiary Holding Co. Ltd., senior note, FRN, 10.484%, 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%, 2/15/14 .....	United States	
c Rogers Wireless Communications Inc., senior secured note, FRN, 8.485%, 12/15/10 .....	Canada	
b Wind Acquisition Finance SA, senior note, 144A, 10.75%, 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., 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%, 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%, 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%, 10/01/14 .....	United States

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Franklin Templeton  
Limited Duration Income Trust

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

	COUNTRY	P
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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%, 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., 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%, 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, 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

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Franklin Templeton  
Limited Duration Income Trust

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

-----		COUNTRY	P
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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) .....	

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Franklin Templeton  
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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%, 7/25/34 .....	United States	
Morgan Stanley ABS Capital, 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%, 3/25/33 .....	United States	
New Century Home Equity Loan Trust, 2003-2, M3, FRN, 9.05%, 1/25/33 .....	United States	
Option One Mortgage Loan Trust, 2003-6, M5, FRN, 8.65%, 11/25/33 .....	United States	
Residential Asset Securities Corp., 2003-KS10, MII3, FRN, 7.90%, 12/25/33 .....	United States	
Specialty Underwriting & Residential Finance, 2003-BC4, B2, FRN, 7.85%, 11/25/34 .....	United States	
Structured Asset Investment Loan Trust, 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., 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 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%, 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%, 6/30/13 .....	United States
Iowa Telecommunications Services Inc., Term Loan B, 7.08% - 7.12%, 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, 7.364% - 7.38%, 4/05/13 .....	Canada
Stile U.S. Acquisition Corp. (Masonite), U.S. Term Loan, 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%, 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%, 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%, 7/25/12 .....	United States	
Charter Communications Operating LLC, Term Loan B, 8.005%, 4/28/13 .....	United States	
Cinram International, Term Loan B, 7.118%, 5/05/11 .....	Canada	
CSC Holdings Inc. (Cablevision), Incremental Term Loan, 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., Credit Link, 5.365%, 12/21/12 .....	United States	
Term Loan B, 7.35% - 7.37%, 12/21/12 .....	United States	
Insight Midwest Holdings, 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%, 10/03/12 .....	United States	
Regal Cinemas Inc., Term Loan, 7.114%, 10/27/13 .....	United States	
UPC Financing Partnership, 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%, 5/26/13 .....	United States	
WMG Acquisition Corp. (Warner Music), Term Loan B, 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%, 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

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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%, 3/08/13 .....	United States	
Nasdaq Stock Market Inc., 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%, 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., 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., 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%, 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%, 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 COMMITMENT
CBRL Group (Cracker Barrel), Term Loan B2 (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