

FRANKLIN TEMPLETON LTD DURATION INCOME TRUST

Form N-Q

August 29, 2006

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21357

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: 6/30/06

Item 1. Schedule of Investments.

Franklin Templeton
Limited Duration Income Trust

QUARTERLY STATEMENT OF INVESTMENTS
JUNE 30, 2006

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FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN o Templeton o Mutual Series

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Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED)

| | COUNTRY | PRINC |
|---|---------------|-------|
| CORPORATE BONDS 50.2% | | |
| COMMERCIAL SERVICES 2.9% | | |
| 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 | |
| United Rentals North America Inc., senior sub. note, 7.75%, 11/15/13 | United States | |
| COMMUNICATIONS 6.5% | | |
| Dobson Cellular Systems Inc., senior secured note, 9.875%, 11/01/12 | United States | |
| a Intelsat Bermuda Ltd., senior note, FRN, 9.614%, 1/15/12 | Bermuda | |
| Millicom International Cellular SA, senior note, 10.00%, 12/01/13 | Luxembourg | |
| b Nordic Telephone Co. Holdings, senior note, 144A, 8.875%, 5/01/16 | Denmark | |
| Qwest Communications International Inc., senior note, B, 7.50%, 2/15/14 | United States | |
| a Rogers Wireless Communications Inc., senior secured note, FRN, 8.454%, 12/15/10 | Canada | |
| Time Warner Telecom Holdings Inc., senior note, 9.25%, 2/15/14 . | United States | |
| b Wind Acquisition Finance SA, senior note, 144A, 10.75%, 12/01/15 | Italy | |
| b,c Windstream Corp., senior note, 144A, 8.625%, 8/01/16 | United States | |
| CONSUMER DURABLES 4.4% | | |
| Beazer Homes USA Inc., senior note, 8.375%, 4/15/12 | United States | |
| Ford Motor Credit Co., 5.625%, 10/01/08 | United States | |
| General Motors Acceptance Corp., 7.25%, 3/02/11 | United States | |
| 6.875%, 8/28/12 | United States | |
| Jostens IH Corp., senior sub. note, 7.625%, 10/01/12 | United States | |
| KB Home, 6.375%, 8/15/11 | United States | |
| Simmons Bedding Co., senior sub. note, 7.875%, 1/15/14 | United States | |
| CONSUMER NON-DURABLES 3.4% | | |
| a,b Nutro Products Inc., senior note, 144A, FRN, 9.23%, 10/15/13 ... | United States | |
| b Reynolds American Inc., 144A, 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 10.7% | | |
| a | AMC Entertainment Inc., senior note, FRN, 9.42%, 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 |
| | 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 |

Quarterly Statement of Investments | 3

Franklin Templeton
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

| | | COUNTRY | PRINC |
|-------------------------------|--|---------------|-------|
| ----- | | | |
| CORPORATE BONDS (CONTINUED) | | | |
| CONSUMER SERVICES (CONTINUED) | | | |
| | LIN Television Corp., senior sub. note, 6.50%, 5/15/13 | United States | |
| b | MGM MIRAGE Inc., senior note, 144A, 6.75%, 4/01/13 | United States | |
| | Pinnacle Entertainment Inc., senior sub. note, 8.75%, 10/01/13 . | United States | |
| b | Quebecor Media Inc., senior note, 144A, 7.75%, 3/15/16 | Canada | |
| | Royal Caribbean Cruises Ltd., senior note, 8.00%, 5/15/10 | United States | |
| | | | |
| ELECTRONIC TECHNOLOGY 1.6% | | | |
| | Sanmina-SCI Corp., senior sub. note, 6.75%, 3/01/13 | United States | |
| b | Solectron Global Finance Ltd., senior sub. note, 144A, 8.00%, 3/15/16 | United States | |
| | | | |
| ENERGY MINERALS 2.4% | | | |
| | Chesapeake Energy Corp., senior note, 7.50%, 6/15/14 | United States | |
| b | Mariner Energy Inc., senior note, 144A, 7.50%, 4/15/13 | United States | |
| b | Massey Energy Co., senior note, 144A, 6.875%, 12/15/13 | United States | |
| b | Pogo Producing Co., senior sub. note, 144A, 7.875%, 5/01/13 | United States | |
| | | | |
| HEALTH SERVICES 4.6% | | | |
| | 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 | |
| | HCA Inc., senior note, 8.75%, 9/01/10 | 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%, | | |

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| | |
|---|---------------|
| 10/01/14 | United States |
| 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 4.7% | |
| Buckeye Technologies Inc., senior sub. note, 8.00%, 10/15/10 ... | United States |
| b Crown Americas Inc., senior note, 144A, 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 |
| 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 |

4 | Quarterly Statement of Investments

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

| | COUNTRY | PRINC |
|---|----------------|-------|
| CORPORATE BONDS (CONTINUED) | | |
| PRODUCER MANUFACTURING 2.2% | | |
| Case New Holland Inc., senior note, 9.25%, 8/01/11 | United States | |
| b Invensys PLC, senior note, 144A, 9.875%, 3/15/11 | United Kingdom | |
| Milacron Escrow Corp., senior secured note, 11.50%, 5/15/11 | United States | |
| REAL ESTATE INVESTMENT TRUST 1.1% | | |
| Host Marriott LP, senior note, 9.25%, 10/01/07 | United States | |
| RETAIL TRADE 0.8% | | |
| a GSC Holdings Corp., senior note, FRN, 8.865%, 10/01/11 | United States | |
| TECHNOLOGY SERVICES 1.1% | | |
| b SunGard Data Systems Inc., senior note, 144A, a FRN, 9.431%, 8/15/13 | United States | |
| 9.125%, 8/15/13 | United States | |
| UTILITIES 2.4% | | |

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| | |
|--|---------------|
| Aquila Inc., senior note, 9.95%, 2/01/11 | United States |
| b,e,f Calpine Corp., senior secured note, 144A, 8.50%, 7/15/10 | 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 \$187,185,076) | |
| | |
| MORTGAGE-BACKED SECURITIES 32.3% | |
| a FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) ADJUSTABLE RATE 0.7% | |
| FHLMC, 3.345%, 5/01/34 | United States |
| | |
| FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) FIXED RATE 13.5% | |
| 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 |
| FHLMC Gold 15 Year, 5.50%, 7/01/19 | United States |
| FHLMC Gold 30 Year, 5.00%, 8/01/33 - 6/01/34 | United States |
| FHLMC Gold 30 Year, 5.00%, 5/01/34 | United States |
| FHLMC Gold 30 Year, 5.50%, 8/01/33 | United States |
| FHLMC Gold 30 Year, 5.50%, 12/01/34 - 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 |
| | |
| a FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) ADJUSTABLE RATE 0.8% | |
| FNMA, 4.637%, 7/01/34 | United States |
| FNMA, 5.988%, 6/01/32 | United States |

Quarterly Statement of Investments | 5

Franklin Templeton
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

| | COUNTRY | PRINC |
|---|---------------|-------|
| ----- | | |
| MORTGAGE-BACKED SECURITIES (CONTINUED) | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) FIXED RATE 12.7% | | |
| 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, 7.00%, 9/01/18 | United States | |
| FNMA 30 Year, 5.00%, 10/01/35 | United States | |
| FNMA 30 Year, 5.50%, 8/01/33 - 1/01/36 | United States | |
| FNMA 30 Year, 5.50%, 9/01/33 | United States | |

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| | |
|--|---------------|
| FNMA 30 Year, 6.00%, 4/01/33 - 1/01/36 | United States |
| FNMA 30 Year, 6.50%, 8/01/32 | 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 4.6% | |
| 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 \$124,117,547)

ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED
SECURITIES 9.2%
FINANCE 9.2%

| | |
|--|---------------|
| a Argent Securities Inc., 2003-W5, M4, FRN, 9.073%, 10/25/33 | United States |
| a GSR Mortgage Trust, 2003-AHL, B1, FRN, 9.323%, 10/25/33 | United States |
| a Merrill Lynch Mortgage Investors Inc., 2003-OPT1, B2, FRN, 8.073%, 7/25/34 | United States |
| a Morgan Stanley ABS Capital, 2003-HE3, B1, FRN, 8.623%, 10/25/33 | United States |
| 2003-NC10, B1, FRN, 8.623%, 10/25/33 | United States |
| a Morgan Stanley Dean Witter Capital I, 2003-NC3, B1, FRN, 8.323%, 3/25/33 | United States |
| a New Century Home Equity Loan Trust, 2003-2, M3, FRN, 9.023%, 1/25/33 | United States |
| a Option One Mortgage Loan Trust, 2003-6, M5, FRN, 8.623%, 11/25/33 | United States |
| a Residential Asset Securities Corp., 2003-KS10, MII3, FRN, 7.873%, 12/25/33 | United States |
| a Specialty Underwriting & Residential Finance, 2003-BC4, B2, FRN, 7.823%, 11/25/34 | United States |

6 | Quarterly Statement of Investments

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

COUNTRY PRINC

ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED SECURITIES (CONTINUED)
FINANCE (CONTINUED)

| | |
|---|---------------|
| a Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 8.573%, 4/25/33 | United States |
| 2003-BC13, M4, FRN, 8.073%, 11/25/33 | United States |

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TOTAL ASSET-BACKED SECURITIES AND COMMERCIAL
MORTGAGE-BACKED SECURITIES (COST \$33,217,244)

a SENIOR FLOATING RATE INTERESTS 52.4%

COMMERCIAL SERVICES 1.2%

| | |
|---|---------------|
| Affiliated Computer Services Inc., Term Loan B, 6.794%, 3/20/13 | United States |
| Dex Media West LLC, Term Loan B2, 6.67 - 7.00%, 3/09/10 | United States |
| Workflow Management Inc., Term Loan B, 9.126%, 11/30/11 | United States |

COMMUNICATIONS 5.7%

| | |
|--|---------------|
| Alaska Communications Systems Holdings Inc., Incremental Term Loan, 7.249%, 2/01/12 | United States |
| Term Loan, 7.249%, 2/01/12 | United States |
| Fairpoint Communications Inc., Term Loan B, 7.25%, 2/08/12 | United States |
| Hawaiian Telecom Communications Inc., Term Loan B, 7.75%, 10/31/12 | United States |
| Intelsat Subsidiary Holding Co., Ltd., Senior Term Loan Facility, 8.75%, 7/28/11 | Bermuda |
| Iowa Telecommunications Services Inc., Term Loan B, 7.15 - 7.25%, 11/23/11 | United States |
| Panamsat Corp., Term Loan B1, 7.184%, 8/01/11 | United States |
| Valor Telecommunications Enterprises LLC, Term Loan, 7.10 - 7.249%, 2/24/12 | United States |
| Windstream Corp., Term Loan B, 9.00%, 7/17/13 | United States |

CONSUMER DURABLES 4.7%

| | |
|---|---------------|
| Eastman Kodak Co., Term Loan B1, 7.33 - 7.699%, 10/18/12 | United States |
| Term Loan B2 (Delayed Draw), 7.449 - 7.52%, 10/18/12 | United States |
| Jarden Corp., Term Loan B2, 7.249%, 1/24/12 | United States |
| Sealy Mattress Co., Term Loan D, 6.981 - 8.50%, 4/14/13 | United States |
| Solo Cup Co., Term Loan B, 7.61 - 7.999%, 2/27/11 | United States |
| Stile Acquisition Corp. (Masonite), Canadian Term Loan, 7.108 - 7.499%, 4/05/13 | Canada |
| Stile U.S. Acquisition Corp. (Masonite), U.S. Term Loan, 7.108 - 7.499%, 4/05/13 | United States |
| Tupperware Corp., Term Loan B, 6.81%, 12/05/12 | United States |

CONSUMER NON-DURABLES 2.6%

| | |
|--|---------------|
| Acco Brands Corp., Term Loan B, 6.827 - 7.164%, 8/17/12 | United States |
| Bumble Bee Foods LLC, Term Loan B, 6.824 - 7.039%, 5/02/12 | United States |

Quarterly Statement of Investments | 7

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

COUNTRY PRINC

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| | | |
|--|--|---------------|
| a SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| CONSUMER NON-DURABLES (CONTINUED) | | |
| CBRL Group (Cracker Barrel), Term Loan B1, 6.63%, 4/27/13 | | United States |
| Central Garden & Pet Co., Term Loan B, 6.52 - 6.53%, 9/30/12 ... | | United States |
| Constellation Brands Inc., Term Loan B, 6.688 - 6.813%, 6/05/13 | | United States |
| c Del Monte Foods Co., Term Loan B, 8.75%, 2/08/12 | | United States |
| Dole Food Co. Inc., Term Loan B, 7.00 - 8.75%, 4/12/13 | | United States |
| Michael Foods Inc., Term Loan B1, 7.032 - 7.553%, 11/21/10 | | United States |
| Reynolds American Inc., Term Loan B, 7.188 - 7.313%, 5/31/12 ... | | United States |
| Solvest Ltd. (Dole), | | |
| Letter of Credit, 4.92%, 4/12/13 | | Bermuda |
| Term Loan C, 7.00 - 9.00%, 4/12/13 | | United States |
| Southern Wine & Spirits of America Inc., Term Loan B, 6.999%, | | |
| 5/31/12 | | United States |
| | | |
| CONSUMER SERVICES 12.1% | | |
| Arby's Restaurant Holdings LLC, Term Loan B, 7.376 - 7.749%, | | |
| 7/25/12 | | United States |
| Century Theaters Inc., Term Loan B, 7.106%, 3/01/13 | | United States |
| Charter Communications Operating LLC, Term Loan B, 7.755%, | | |
| 4/28/13 | | United States |
| Cinram International, Term Loan B, 6.879%, 5/05/11 | | Canada |
| CSC Holdings Inc. (Cablevision), Incremental Term Loan, 6.74 - | | |
| 6.988%, 3/29/13 | | United States |
| DIRECTV Holdings LLC, Term Loan B, 6.794%, 4/13/13 | | United States |
| Education Management LLC, Term Loan B, 7.625%, 6/01/13 | | United States |
| Entravision Communications Corp., Term Loan B, 6.49%, 3/29/12 .. | | United States |
| Hertz Corp., | | |
| Credit Link, 5.424%, 12/21/12 | | United States |
| Term Loan B, 7.26 - 7.41%, 12/21/12 | | United States |
| Insight Midwest Holdings LLC, | | |
| Term Loan A, 6.625%, 6/30/09 | | United States |
| Term Loan C, 7.375%, 12/31/09 | | United States |
| MediaNews Group Inc., Term Loan B, 6.60%, 12/30/10 | | United States |
| Metro-Goldwyn-Mayer Inc., Term Loan B, 7.229%, 4/08/12 | | United States |
| Mission Broadcasting Inc., Term Loan B, 7.249%, 10/01/12 | | United States |
| MCC Iowa, Term Loan D-1, 6.90 - 7.37%, 1/31/15 | | United States |
| Nexstar Broadcasting Inc., Term Loan B, 7.25%, 10/01/12 | | United States |
| Penn National Gaming Inc., Term Loan B, 6.86 - 7.25%, 10/03/12 . | | United States |
| R.H. Donnelley Inc., Term Loan D-2, 6.49 - 7.00%, 6/30/11 | | United States |
| Rainbow National Services LLC, Term Loan B, 10.00%, 3/31/12 | | United States |
| Regal Cinemas Corp., Term Loan B, 6.819 - 7.249%, 11/10/10 | | United States |
| UPC Financing Partnership, | | |
| Term Loan J2, 7.108%, 3/31/13 | | Netherlands |
| Term Loan K2, 7.108%, 12/31/13 | | Netherlands |
| VML US Finance LLC (Venetian Macau), Term Loan B, 8.10%, 5/26/13 | | United States |
| WMG Acquisition Corp. (Warner Music), Term Loan B, 7.09 - 7.32%, | | |
| 3/01/11 | | United States |

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Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

| | COUNTRY | PRINCIPAL |
|---|---------------|-----------|
| a SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| ELECTRONIC TECHNOLOGY 0.2% | | |
| Onex Wind Finance LP (Mid-Western Aircraft), Term Loan B, 7.318%, 12/31/11 | United States | |
| ENERGY MINERALS 0.6% | | |
| Citgo Petroleum Corp., Term Loan B, 6.599%, 11/15/12 | United States | |
| Walter Industries Inc., Term Loan B, 6.87 - 7.249%, 10/03/12 ... | United States | |
| FINANCE 2.8% | | |
| Ameritrade Holding Corp., Term Loan B, 6.85%, 12/31/12 | United States | |
| Avis Budget Car Rental, Term Loan, 6.35%, 4/19/12 | United States | |
| Conseco Inc., Term Loan, 6.958%, 6/22/10 | United States | |
| Fidelity National Information Services Inc., Term Loan B, 6.92%, 3/09/13 | United States | |
| Nasdaq Stock Market Inc., Term Loan B, 6.971 - 7.249%, 4/18/12 | United States | |
| Term Loan C (Delayed Draw), 6.831 - 7.249%, 4/18/12 | United States | |
| HEALTH SERVICES 3.0% | | |
| c DaVita Inc., Term Loan B, 6.99 - 7.69%, 10/05/12 | United States | |
| Fresenius Medical Care Holdings Inc., Term Loan B, 6.403 - 6.874%, 3/31/13 | United States | |
| LifePoint Hospitals Inc., Term Loan B, 6.905%, 4/15/12 | United States | |
| Matria Healthcare Inc., Term Loan B, 7.439 - 7.749%, 1/19/12 | United States | |
| Term Loan C, 7.439%, 1/19/07 | United States | |
| National Renal Institutes Inc., Term Loan B, 7.416 - 7.531% 3/31/13 | United States | |
| Quintiles Transnational Corp., Term Loan B, 7.50%, 3/31/13 | United States | |
| INDUSTRIAL SERVICES 0.9% | | |
| Allied Waste North America Inc., Credit Link, 5.112%, 1/15/12 | United States | |
| Term Loan B, 6.48 - 6.86%, 1/15/12 | United States | |
| Petroleum Geo-Services ASA and PGS Finance Inc., Term Loan, 8.00 - 9.75%, 12/17/12 | Norway | |
| NON-ENERGY MINERALS 1.3% | | |
| Novelis Corp., U.S. Term Loan, 7.38%, 1/09/12 | United States | |
| Novelis Inc., Canadian Term Loan, 7.38%, 1/09/12 | Canada | |
| St. Marys Cement Inc., Term Loan B, 7.499%, 12/04/09 | Canada | |

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| | |
|---|---------------|
| PROCESS INDUSTRIES 6.1% | |
| Berry Plastics Corp., Term Loan, 7.10%, 12/02/11 | United States |
| Boise Cascade LLC, Term Loan D, 7.125 - 7.25%, 10/28/11 | United States |

Quarterly Statement of Investments | 9

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

| | COUNTRY | PRINCIPAL |
|---|---------------|-----------|
| a SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| PROCESS INDUSTRIES (CONTINUED) | | |
| Georgia-Pacific Corp., | | |
| Second Lien Term Loan, 8.30%, 12/23/13 | United States | |
| Term Loan B, 7.30 - 7.499%, 12/20/12 | United States | |
| Graham Packaging Co., | | |
| First Lien Term Loan, 6.938 - 7.75%, 10/07/11 | United States | |
| Incremental Term Loan B, 7.375%, 10/07/11 | United States | |
| Hexion Specialty Chemicals Inc., | | |
| Term Loan C-1, 7.125%, 5/05/13 | United States | |
| Term Loan C-2, 7.50%, 5/05/13 | Netherlands | |
| Huntsman International LLC, Term Loan B, 7.044%, 8/16/12 | United States | |
| Ineos U.S. Finance LLC, | | |
| Term Loan B2, 7.339%, 12/16/13 | United States | |
| Term Loan C2, 7.839%, 12/23/14 | United States | |
| Nalco Co., Term Loan B, 6.48 - 7.23%, 11/04/10 | United States | |
| NewPage Corp., Term Loan, 8.499%, 5/02/11 | United States | |
| PRODUCER MANUFACTURING 3.5% | | |
| Cooper Standard Automotive Inc., Term Loan D, 8.00%, 12/23/11 .. | Canada | |
| Day International Group Inc., Term Loan B, 8.12%, 12/05/12 | United States | |
| Euramax International Inc., Domestic Term Loan, 8.063%, 6/29/12 | United States | |
| Headwaters Inc., Term Loan B, 7.08%, 4/30/11 | United States | |
| Nortek Inc., Term Loan, 7.35%, 8/27/11 | United States | |
| Sensus Metering Systems Inc., | | |
| Term Loan B1, 6.72 - 7.08%, 12/17/10 | United States | |
| Term Loan B2, 6.72 - 6.94%, 12/17/10 | United States | |
| TriMas Corp., Term Loan B, 8.875%, 12/31/09 | United States | |
| TRW Automotive Inc., Term Loan B, 6.25%, 6/30/12 | United States | |
| REAL ESTATE DEVELOPMENT 1.3% | | |
| Kyle Acquisition Group, | | |
| Term Loan B, 7.375%, 7/08/10 | United States | |
| Term Loan C, 7.375%, 7/20/10 | United States | |
| LandSource Communities Development LLC, Term Loan B, 7.688%, 3/31/10 | United States | |
| London Arena and Waterfront Finance LLC, Term Loan A, 8.783%, | | |

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| | |
|---|---------------|
| 3/08/12 | United States |
| Mattamy Group, Term Loan B, 7.477%, 4/11/13 | United States |
| November 2005 Land Investors LLC (North Las Vegas), Term Loan B, 8.249%, 5/31/11 | United States |
| Yellowstone Club, Term Loan, 7.725%, 9/30/10 | United States |

10 | Quarterly Statement of Investments

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

| | COUNTRY | PRINCIPAL |
|--|---------------|-----------|
| a SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| REAL ESTATE INVESTMENT TRUSTS 2.5% | | |
| Capital Automotive REIT, Term Loan B, 6.86%, 12/10/10 | United States | |
| General Growth Properties Inc., Term Loan A-1, 6.56%, 2/24/10 .. | United States | |
| Lion Gables Realty LP, Term Loan B, 6.86 - 6.90%, 9/30/06 | United States | |
| Maguire Properties Inc., Term Loan B, 6.92%, 3/15/10 | United States | |
| Newkirk Master LP, Term Loan B, 6.834%, 8/11/08 | United States | |
| Trizec Properties Inc., Term Loan B, 6.65%, 5/02/07 | United States | |
| RETAIL TRADE 1.4% | | |
| Neiman Marcus Group Inc., Term Loan, 7.77%, 4/06/13 | United States | |
| Pantry Inc., Term Loan, 7.10%, 1/02/12 | United States | |
| Travelcenters of America Inc., Term Loan, 6.86 - 7.25%, 12/01/11 | United States | |
| The William Carter Co., Term Loan B, 6.626 - 6.758%, 7/14/12 ... | United States | |
| TECHNOLOGY SERVICES 0.8% | | |
| SunGard Data Systems Inc., Term Loan, 7.66%, 2/11/13 | United States | |
| TRANSPORTATION 0.2% | | |
| United Air Lines Inc., | | |
| Delay Draw, 9.125%, 2/01/12 | United States | |
| Term Loan B, 8.625%, 2/01/12 | United States | |
| UTILITIES 1.5% | | |
| Astoria Generating Co. Acquisitions LLC, | | |
| L/C Term Loan, 7.45%, 2/23/11 | United States | |
| Term Loan B, 7.45%, 2/23/13 | United States | |
| LSP General Finance Co. LLC, Term Loan, 7.249%, 5/04/13 | United States | |
| NRG Energy Inc., | | |
| Credit Link, 7.499%, 2/01/13 | United States | |
| Term Loan B, 7.231%, 2/01/13 | United States | |

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TOTAL SENIOR FLOATING RATE INTERESTS
 (COST \$194,848,880)

| | | |
|---|---|-----------|
| FOREIGN GOVERNMENT AND AGENCY SECURITIES 3.4% | | |
| a,g | Government of Argentina, FRN, 4.889%, 8/03/12 | Argentina |
| | Government of Canada, 7.25%, 6/1/07 | Canada |
| | Government of Malaysia, 8.60%, 12/01/07 | Malaysia |
| | Government of Norway, 6.75%, 1/15/07 | Norway |
| | Government of Poland, 8.50%, 11/12/06 | Poland |
| | Government of Singapore, 5.625%, 7/01/08 | Singapore |
| | Government of Sweden, 8.00%, 8/15/07 | Sweden |

TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES
 (COST \$12,278,253)

TOTAL LONG TERM INVESTMENTS (COST \$551,647,000)

Quarterly Statement of Investments | 11

Franklin Templeton
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2006 (UNAUDITED) (CONTINUED)

| | | COUNTRY | PRINC |
|--|--|---------------|-------|
| ----- | | | |
| SHORT TERM INVESTMENTS 3.3% | | | |
| GOVERNMENT BONDS 1.9% | | | |
| | Korea Treasury Note, 6.90%, 1/16/07 | South Korea | 3,60 |
| h | Thailand Treasury Bill, | | |
| | 7/27/06 | Thailand | 6 |
| | 9/07/06 | Thailand | 6 |
| ----- | | | |
| MONEY MARKET FUND 1.4% | | | |
| i | Franklin Institutional Fiduciary Trust Money Market Portfolio, | | |
| | 4.83% | United States | |
| TOTAL SHORT TERM INVESTMENTS (COST \$11,477,408) | | | |
| TOTAL INVESTMENTS (COST \$563,124,408) 150.8% | | | |
| PREFERRED SHARES (51.2)% | | | |
| OTHER ASSETS, LESS LIABILITIES 0.4% | | | |
| NET ASSETS APPLICABLE TO COMMON SHARES 100.0% | | | |

CURRENCY ABBREVIATIONS

| | | |
|-----|---|-------------------|
| CAD | - | Canadian Dollar |
| 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

| | | |
|-------|---|--|
| 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 coupon rate shown represents the rate at period end.
- 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 June 30, 2006, the aggregate value of these securities was \$33,856,750, representing 9.12% of net assets.
- c Security purchased on a when-issued or delayed delivery basis.
- d The principal amount is stated in U.S. dollars unless otherwise indicated.
- e Defaulted security.
- f See Note 3 regarding other considerations.
- g The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
- h The security is traded on a discount basis with no stated coupon rate.
- i 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.

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

Franklin Templeton
Limited Duration Income Trust

NOTES TO STATEMENTS OF INVESTMENTS (UNAUDITED)

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

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company.

1. INCOME TAXES

At June 30, 2006, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | |
|--|-------------------------|
| Cost of investments | \$ 565,129,590 ===== |
| Unrealized appreciation | \$ 5,248,116 |
| Unrealized depreciation | (10,165,438) ----- |
| Net unrealized appreciation (depreciation) | \$ (4,917,322) ===== |

2. UNFUNDED LOAN COMMITMENTS

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 June 30, 2006, unfunded commitments were as follows:

| BORROWER | UNFUNDED COMMITMENT |
|---|------------------------|
| CBRL Group (Cracker Barrel), Delay Draw | \$ 134,276 |
| Hertz Corp., Delay Draw | 129,465 |
| LSP General Finance Co. LLC, Delay Draw | 28,283 |
| VML US Finance LLC (Venetian Macau), Delay Draw | 1,166,667 ----- |
| | \$ 1,458,691 ===== |

3. OTHER CONSIDERATIONS

Directors or employees of Franklin Advisers, Inc., as the Fund's Investment Manager, may serve as members of various bondholders' steering committees, on credit committees, or may represent the Funds in certain corporate restructuring negotiations. At June 30, 2006, such individuals serve in one or more of these capacities for Calpine Corp. As a result of this involvement, such individuals may be in possession of certain material non-public information. If the Fund's Investment Manager, while in possession of such information, seeks to buy or sell any of these securities, it will comply with all applicable federal securities laws.

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.

Quarterly Statement of Investments | 13

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,

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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, 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 August 28, 2006

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 August 28, 2006

By /S/GALEN G. VETTER

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Galen G. Vetter
Chief Financial Officer
Date August 28, 2006

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;

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,

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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.

August 28, 2006

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

I, Galen G. Vetter, 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;

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

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(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.

August 28, 2006

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