

FRANKLIN TEMPLETON LTD DURATION INCOME TRUST
Form N-Q
August 28, 2007

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: 6/30/07

Item 1. Schedule of Investments.

Franklin Templeton
Limited Duration Income Trust

QUARTERLY STATEMENT OF INVESTMENTS
JUNE 30, 2007

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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, JUNE 30, 2007 (UNAUDITED)

| | COUNTRY | P |
|--|---------------|---|
| LONG TERM INVESTMENTS 149.1% | | |
| CORPORATE BONDS 47.5% | | |
| COMMERCIAL SERVICES 2.9% | | |
| b,c ARAMARK Corp., senior note, 144A, FRN, 8.856%, 2/01/15 | United States | |
| Dex Media West LLC, senior sub. note, 9.875%, 8/15/13 | United States | |
| JohnsonDiversey Holdings Inc., senior disc. note, 10.67%, 5/15/13 | United States | |
| c Rental Service Corp., senior note, 144A, 9.50%, 12/01/14 | United States | |
| COMMUNICATIONS 4.8% | | |
| c Digicel Group Ltd., senior note, 144A, 8.875%, 1/15/15 | Jamaica | |
| Dobson Cellular Systems Inc., senior secured note, 9.875%, 11/01/12 | United States | |
| Intelsat Subsidiary Holding Co. Ltd., senior note, 8.25%, 1/15/13 | Bermuda | |
| c MetroPCS Wireless Inc., senior note, 144A, 9.25%, 11/01/14 | United States | |
| 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 Wind Acquisition Finance SA, senior note, 144A, 10.75%, 12/01/15 | Italy | |
| CONSUMER DURABLES 3.8% | | |
| Beazer Homes USA Inc., senior note, 8.375%, 4/15/12 | United States | |
| Ford Motor Credit Co. LLC, 5.625%, 10/01/08 | United States | |
| b FRN, 9.806%, 4/15/12 | United States | |
| senior note, 9.875%, 8/10/11 | United States | |
| Jarden Corp., senior sub. note, 7.50%, 5/01/17 | United States | |
| Jostens IH Corp., senior sub. note, 7.625%, 10/01/12 | United States | |
| KB Home, senior note, 6.375%, 8/15/11 | United States | |
| CONSUMER NON-DURABLES 1.4% | | |
| 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 | |
| CONSUMER SERVICES 8.5% | | |
| 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 | |

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| | |
|--|---------------|
| 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, senior note, 6.75%, 4/01/13 | United States |
| c Outback Steakhouse Inc., senior note, 144A, 10.00%, 6/15/15 | United States |
| Pinnacle Entertainment Inc., senior sub. note, 8.75%, 10/01/13 | United States |

Quarterly Statement of Investments | 3

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

| | COUNTRY | P |
|---|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED) | | |
| CORPORATE BONDS (CONTINUED) | | |
| CONSUMER SERVICES (CONTINUED) | | |
| Quebecor Media Inc., senior note, 7.75%, 3/15/16 | Canada | |
| c 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 2.6% | | |
| b,c Freescale Semiconductor Inc., senior note, 144A, FRN, 9.235%, 12/15/14 | United States | |
| NXP BV/NXP Funding LLC, senior secured note, 7.875%, 10/15/14 | Netherlands | |
| Sanmina-SCI Corp., b,c senior note, 144A, FRN, 8.11%, 6/15/14 | United States | |
| senior sub. note, 6.75%, 3/01/13 | United States | |
| c TransDigm Inc., senior sub. note, 144A, 7.75%, 7/15/14 | United States | |
| ENERGY MINERALS 2.5% | | |
| Chesapeake Energy Corp., senior note, 7.50%, 6/15/14 | United States | |
| Mariner Energy Inc., senior note, 7.50%, 4/15/13 | United States | |
| c Petroplus Finance Ltd., senior note, 144A, 6.75%, 5/01/14 | Switzerland | |
| Pogo Producing Co., senior sub. note, 7.875%, 5/01/13 | United States | |
| FINANCE 1.9% | | |
| GMAC LLC, | | |
| 7.25%, 3/02/11 | United States | |
| 6.875%, 8/28/12 | United States | |
| United Rentals North America Inc., senior sub. note, 7.75%, 11/15/13 | United States | |

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| | |
|--|---------------|
| HEALTH SERVICES 5.9% | |
| Coventry Health Care Inc., senior note, 5.875%, 1/15/12 | United States |
| 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 |
| c,d FMC Finance III SA, senior note, 144A, 6.875%, 7/15/17 | Germany |
| c 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 |
| b,c U.S. Oncology Holdings Inc., senior note, 144A, FRN, 9.797%, | |
| 3/15/12 | United States |
| c United Surgical Partners International Inc., senior sub. note, 144A, | |
| PIK, 9.25%, 5/01/17 | United States |
| Vanguard Health Holding Co. II LLC, senior sub. note, 9.00%, | |
| 10/01/14 | United States |

4 | Quarterly Statement of Investments

Franklin Templeton
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

| | COUNTRY | P |
|--|----------------|---|
| LONG TERM INVESTMENTS (CONTINUED) | | |
| CORPORATE BONDS (CONTINUED) | | |
| INDUSTRIAL SERVICES 1.3% | | |
| Compagnie Generale de Geophysique-Veritas, senior note, 7.50%, | | |
| 5/15/15 | France | |
| El Paso Corp., senior note, 6.875%, 6/15/14 | United States | |
| Williams Co. Inc., 8.125%, 3/15/12 | United States | |
| NON-ENERGY MINERALS 0.8% | | |
| b Freeport-McMoRan Copper & Gold Inc., senior note, FRN, 8.564%, | | |
| 4/01/15 | 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 | |
| Huntsman International LLC, senior sub. note, 7.875%, 11/15/14 | United States | |
| c Ineos Group Holdings PLC, 144A, 8.50%, 2/15/16 | United Kingdom | |
| JSG Funding PLC, senior sub. note, 7.75%, 4/01/15 | Ireland | |
| Lyondell Chemical Co., senior note, | | |
| 8.00%, 9/15/14 | United States | |
| 6.875%, 6/15/17 | United States | |
| c MacDermid Inc., senior sub. note, 144A, 9.50%, 4/15/17 | United States | |
| Nalco Co., | | |
| senior note, 7.75%, 11/15/11 | United States | |

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| | |
|---|---------------|
| senior sub. note, 8.875%, 11/15/13 | United States |
| PRODUCER MANUFACTURING 1.4% | |
| Case New Holland Inc., senior note, 9.25%, 8/01/11 | United States |
| RBS Global & Rexnord Corp., senior note, 9.50%, 8/01/14 | United States |
| REAL ESTATE INVESTMENT TRUST 0.8% | |
| Host Marriott LP, senior note, K, 7.125%, 11/01/13 | United States |
| RETAIL TRADE 0.5% | |
| c 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 |
| UTILITIES 1.8% | |
| Aquila Inc., senior note, 9.95%, 2/01/11 | United States |
| c Dynegy Holdings Inc., senior note, 144A, 7.50%, 6/01/15 | United States |
| NRG Energy Inc., senior note, 7.25%, 2/01/14 | United States |
| TOTAL CORPORATE BONDS (COST \$176,721,680) | |
| MORTGAGE-BACKED SECURITIES 41.1% | |
| b FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) ADJUSTABLE RATE 0.4% | |
| FHLMC, 5.223%, 5/01/34 | United States |

Quarterly Statement OF Investments | 5

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

| | COUNTRY | P |
|---|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED) | | |
| MORTGAGE-BACKED SECURITIES (CONTINUED) | | |
| FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) FIXED RATE 16.1% | | |
| 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 15 Year, 6.00%, 7/01/18 | United States | |
| FHLMC Gold 30 Year, 5.50%, 8/01/33 | United States | |
| FHLMC Gold 30 Year, 5.50%, 12/01/34 - 4/01/37 | United States | |
| FHLMC Gold 30 Year, 5.50%, 2/01/37 | United States | |
| FHLMC Gold 30 Year, 5.50%, 5/01/37 | United States | |

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| | |
|--|---------------|
| FHLMC Gold 30 Year, 6.00%, 7/01/28 - 4/01/35 | United States |
| FHLMC Gold 30 Year, 6.00%, 7/01/36 | United States |
| FHLMC Gold 30 Year, 6.00%, 10/01/36 | 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 |

b FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) ADJUSTABLE RATE 0.7%

| | |
|-----------------------------|---------------|
| FNMA, 4.599%, 7/01/34 | United States |
| FNMA, 5.99%, 6/01/32 | United States |

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) FIXED RATE 21.3%

| | |
|---|---------------|
| 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%, 7/01/17 | 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, 5.00%, 3/01/37 | 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 |
| FNMA 30 Year, 6.00%, 4/01/33 - 7/15/37 | United States |
| FNMA 30 Year, 6.50%, 8/01/32 - 4/01/37 | 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 2.6%

| | |
|--|---------------|
| 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 |

6 | Quarterly Statement of Investments

Franklin Templeton
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

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

LONG TERM INVESTMENTS (CONTINUED)

MORTGAGE-BACKED SECURITIES (CONTINUED)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) FIXED RATE (CONTINUED)

| | |
|--|---------------|
| GNMA II SF 30 Year, 7.00%, 1/20/24 - 1/20/29 | United States |
| GNMA II SF 30 Year, 8.00%, 1/20/28 - 2/20/32 | United States |

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| | |
|---|---------------|
| TOTAL MORTGAGE-BACKED SECURITIES (COST \$157,293,526) | |
| ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED SECURITIES 4.1% | |
| FINANCE 4.1% | |
| b Argent Securities Inc., 2003-W5, M4, FRN, 6.658%, 10/25/33 | United States |
| b Chase Funding Mortgage Loan Asset-Backed Certificates, 2004-2, 2A2, FRN, 5.57%, 2/25/35 | United States |
| b Citigroup/Deutsche Bank Commercial Mortgage Trust, 2005-CD1, A3, FRN, 5.40%, 7/15/44 | United States |
| b GSAMP Trust, 2003-AHL, B1, FRN, 9.32%, 10/25/33 | United States |
| b Merrill Lynch Mortgage Investors Trust, 2003-OPT1, B2, FRN, 8.07%, 7/25/34 | United States |
| b Morgan Stanley ABS Capital, 2003-HE3, B1, FRN, 8.62%, 10/25/33 | United States |
| 2003-NC10, B1, FRN, 8.62%, 10/25/33 | United States |
| b Morgan Stanley Dean Witter Capital I, 2003-NC3, B1, FRN, 8.32%, 3/25/33 | United States |
| b New Century Home Equity Loan Trust, 2003-2, M3, FRN, 9.02%, 1/25/33 | United States |
| b Option One Mortgage Loan Trust, 2003-6, M5, FRN, 8.62%, 11/25/33 | United States |
| b Residential Asset Securities Corp., 2003-KS10, MII3, FRN, 7.87%, 12/25/33 | United States |
| b Specialty Underwriting & Residential Finance, 2003-BC4, B2, FRN, 7.82%, 11/25/34 | United States |
| b Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 10.195%, 4/25/33 | United States |
| 2003-BC13, M4, FRN, 8.07%, 11/25/33 | United States |
| TOTAL ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED SECURITIES (COST \$15,523,464) | |
| b SENIOR FLOATING RATE INTERESTS 51.9% | |
| COMMERCIAL SERVICES 6.9% | |
| Acxiom Corp., Term Loan B, 7.07%, 9/14/12 | United States |
| Affiliated Computer Services Inc., Additional Term Loan, 7.32%, 3/20/13 | United States |
| Term Loan B, 7.32%, 3/20/13 | United States |
| ARAMARK Corp., Synthetic L/C, 5.36%, 1/26/14 | United States |
| Term Loan B, 7.36%, 1/26/14 | United States |

Quarterly Statement Of Investments | 7

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

COUNTRY P

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| | | |
|-----------------------------------|---|---------------|
| LONG TERM INVESTMENTS (CONTINUED) | | |
| b | SENIOR FLOATING RATE INTERESTS (CONTINUED) | |
| | COMMERCIAL SERVICES (CONTINUED) | |
| | Cenveo Corp., | |
| | Delayed Draw Term Loan, 7.11%, 6/21/13 | United States |
| | Term Loan C, 7.11%, 6/21/13 | United States |
| | Corporate Express NV, Term Loan D-1 Add-On, 7.11%, 12/23/10 | United States |
| | Dealer Computer Services Inc. (Reynolds & Reynolds), First Lien | |
| | Term Loan, 7.36%, 10/26/12 | United States |
| | Dex Media West LLC, Term Loan B2, 6.84% - 6.86%, 3/09/10 | United States |
| | Emdeon Business Services LLC, First Lien Term Loan, 7.61%, 11/16/13 | United States |
| | IDEARC Inc., Term Loan B, 7.36%, 11/17/14 | United States |
| | Nielsen Finance LLC (VNU Inc.), Term Loan B, 7.607%, 8/09/13 | United States |
| | R.H. Donnelley Inc., Term Loan D-2, 9.855%, 6/30/11 | United States |
| | Workflow Management Inc., Term Loan B, 9.855%, 11/30/11 | United States |
| | Worldspan LP, Term Loan B, 8.606% - 8.61%, 12/07/13 | United States |
| | | |
| | COMMUNICATIONS 3.7% | |
| | Alaska Communications Systems Holdings Inc., | |
| | 2005 Incremental Loan, 7.11%, 2/01/12 | United States |
| | Term Loan, 7.11%, 2/01/12 | United States |
| | Intelsat Corp. (Panamsat), Term Loan B2, 7.349%, 1/03/14 | United States |
| | Intelsat Subsidiary Holding Co. Ltd., Term Loan B, 7.349%, 6/30/13 | United States |
| | West Corp., Term Loan B-2, 7.695% - 7.763%, 10/24/13 | United States |
| | Windstream Corp., Tranche B-1, 6.86%, 7/17/13 | United States |
| | | |
| | CONSUMER DURABLES 2.0% | |
| | Jarden Corp., Term Loan B2, 7.11%, 1/24/12 | United States |
| | Stile Acquisition Corp. (Masonite), Canadian Term Loan, | |
| | 7.35% - 7.355%, 4/05/13 | Canada |
| | Stile U.S. Acquisition Corp. (Masonite), U.S. Term Loan, | |
| | 7.35% - 7.355%, 4/05/13 | United States |
| | Tupperware Corp., Term Loan B, 6.86%, 12/05/12 | United States |
| | | |
| | CONSUMER NON-DURABLES 3.3% | |
| | Acco Brands Corp., Term Loan B, 7.11%, 8/17/12 | United States |
| | Bumble Bee Foods LLC, Term Loan B, 7.106%, 5/02/12 | United States |
| | CBRL Group (Cracker Barrel), | |
| | Term Loan B1, 6.86%, 4/27/13 | United States |
| | Term Loan B2 (Delayed Draw), 6.84%, 4/27/13 | United States |
| | Central Garden & Pet Co., Term Loan B, 6.82%, 9/30/12 | United States |
| | Constellation Brands Inc., Term Loan B, 6.875%, 6/05/13 | United States |
| | Dean Foods Co., Term Loan B, 6.86%, 4/02/14 | United States |
| d | Del Monte Foods Co., Term Loan B, 6.82% - 6.855%, 2/08/12 | United States |

8 | Quarterly Statement of Investments

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

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| | COUNTRY | P |
|--|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED) | | |
| b SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| CONSUMER NON-DURABLES (CONTINUED) | | |
| Herbalife International Inc., Term Loan B, 6.82%, 7/21/13 | United States | |
| Michael Foods Inc., Term Loan B1, 7.361%, 11/21/10 | United States | |
| d OSI Restaurant Partners LLC (Outback), | | |
| Prefunded Revolving Credit, 9.50%, 6/14/13 | United States | |
| Term Loan B, 9.50%, 6/14/14 | United States | |
| Southern Wine & Spirits of America Inc., Term Loan B, 6.86%, 5/31/12 | United States | |
| CONSUMER SERVICES 13.1% | | |
| Arby's Restaurant Holdings LLC, Term Loan B, 7.605% - 7.61%, 7/25/12 | United States | |
| Charter Communications Operating LLC, | | |
| New First Lien Term Loan, 7.36%, 3/06/14 | United States | |
| Refinance First Lien Term Loan, 7.36%, 3/06/14 | United States | |
| Cinram International, Term Loan B, 7.355%, 5/05/11 | Canada | |
| Citadel Broadcasting Corp., Term Loan B, 6.945%, 6/12/14 | United States | |
| CSC Holdings Inc. (Cablevision), Incremental Term Loan, 7.07%, 3/29/13 .. | United States | |
| DIRECTV Holdings LLC, Term Loan B, 6.82%, 4/13/13 | United States | |
| Education Management LLC, Term Loan C, 7.125%, 6/01/13 | United States | |
| Entravision Communications Corp., Term Loan B, 6.85%, 3/29/13 | United States | |
| Gatehouse Media Operating Inc., | | |
| Delayed Draw Term Loan, 7.35% - 7.36%, 8/28/14 | United States | |
| Term Loan, 7.36%, 8/28/14 | United States | |
| Gray Television Inc., Term Loan B, 6.82% - 6.86%, 12/31/14 | United States | |
| Insight Midwest Holdings, Term Loan B, 7.35%, 4/02/14 | United States | |
| MCC Iowa, | | |
| Term Loan D-1, 7.07% - 7.11%, 1/31/15 | United States | |
| Term Loan D-2 (Delayed Draw), 7.07%, 1/31/15 | United States | |
| MediaNews Group Inc., Term Loan B, 6.57%, 12/30/10 | United States | |
| Mission Broadcasting Inc., Term Loan B, 7.11%, 10/01/12 | United States | |
| Nexstar Broadcasting Inc., Term Loan B, 7.11%, 10/01/12 | United States | |
| Penn National Gaming Inc., Term Loan B, 7.11%, 10/03/12 | United States | |
| Regal Cinemas Corp., Term Loan, 6.86%, 10/27/13 | United States | |
| Tribune Co., Term Loan B, 8.32%, 5/16/14 | United States | |
| Univision Communications Inc., Term Loan B, 7.605%, 9/29/14 | United States | |
| UPC Financing Partnership, Term Loan N, 7.08%, 12/31/14 | Netherlands | |
| VML U.S. Finance LLC (Venetian Macau), | | |
| Delay Draw, 7.61%, 5/25/12 | Macau | |
| New Project Term Loans, 7.61%, 5/25/13 | Macau | |
| Term Loan B, 7.61%, 5/24/13 | Macau | |
| WMG Acquisition Corp. (Warner Music), Term Loan B, 7.35% - 7.36%, 2/28/11 | United States | |

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Franklin Templeton
 Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

| | COUNTRY | P |
|--|---------------|---|
| ----- | | |
| LONG TERM INVESTMENTS (CONTINUED) | | |
| b SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| ELECTRONIC TECHNOLOGY 1.5% | | |
| Advanced Micro Devices Inc., Term Loan B, 7.36%, 12/31/13 | United States | |
| Marvell Technology Group Ltd., Term Loan, 7.34%, 11/09/09 | Bermuda | |
| Spirit Aerosystems Inc. (Onex Wind Finance LP), Term Loan B, 7.105%, 12/31/11 | United States | |
| ENERGY MINERALS 0.5% | | |
| Citgo Petroleum Corp., Term Loan B, 6.73%, 11/15/12 | United States | |
| Western Refining Inc., Initial Advance Commitment, 7.07%, 5/31/12 | United States | |
| FINANCE 1.9% | | |
| Avis Budget Car Rental LLC, Term Loan, 6.61%, 4/19/12 | United States | |
| Conseco Inc., Incremental Term Loan, 7.32%, 10/10/13 | United States | |
| Term Loan, 7.32%, 10/10/13 | United States | |
| Hertz Corp., Credit Link, 5.36%, 12/21/12 | United States | |
| Term Loan B, 7.09% - 7.11%, 12/21/12 | United States | |
| Nasdaq Stock Market Inc., Incremental Term Loan B, 7.07%, 4/18/12 | United States | |
| Term Loan B, 7.07%, 4/18/12 | United States | |
| Term Loan C (Delayed Draw), 7.07%, 4/18/12 | United States | |
| TD Ameritrade Holding Corp., Term Loan B, 6.82%, 12/31/12 | United States | |
| HEALTH SERVICES 4.3% | | |
| d Community Health Systems Inc., Delay Draw, 9.50%, 4/30/14 | United States | |
| Term Loan, 9.50%, 4/30/14 | United States | |
| DaVita Inc., Term Loan B-1, 6.85% - 6.88%, 10/05/12 | United States | |
| Fresenius Medical Care Holdings Inc., Term Loan B, 6.73% - 6.735%, 3/31/13 | United States | |
| HCA Inc., Term Loan B-1, 7.61%, 11/18/13 | United States | |
| Health Management Associates Inc., Term Loan B, 7.11%, 2/28/14 | United States | |
| LifePoint Hospitals Inc., Term Loan B, 6.985%, 4/15/12 | United States | |
| HEALTH TECHNOLOGY 0.2% | | |
| ONEX Carestream Finance LP, Term Loan, 7.34%, 4/30/13 | United States | |

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| | |
|---|---------------|
| INDUSTRIAL SERVICES 0.6% | |
| Allied Waste North America Inc., | |
| Credit Link, 5.32%, 3/28/14 | United States |
| Term Loan B, 7.06% - 7.15%, 1/15/12 | United States |

10 | Quarterly Statement of Investments

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

| | COUNTRY | P |
|---|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED) | | |
| b SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| NON-ENERGY MINERALS 0.3% | | |
| Freeport-McMoRan Copper & Gold Inc., Term Loan B, 9.00%, 3/19/14 | United States | |
| PROCESS INDUSTRIES 5.5% | | |
| Berry Plastics Holding Corp., Term Loan C, 7.355%, 4/03/15 | United States | |
| Domtar Corp., Term Loan, 6.735%, 3/07/14 | United States | |
| Georgia-Pacific Corp., | | |
| Additional Term Loan, 7.11%, 12/20/12 | United States | |
| Term Loan B, 7.11%, 12/20/12 | United States | |
| Graham Packaging Co., New Term Loan, 7.625%, 10/07/11 | United States | |
| Hexion Specialty Chemicals BV, Term Loan C-2, 7.625%, 5/03/13 | Netherlands | |
| Hexion Specialty Chemicals Inc., Term Loan C-1, 7.625%, 5/03/13 | United States | |
| Huntsman International, Term Loan B, 7.07%, 4/19/14 | United States | |
| Ineos U.S. Finance LLC, | | |
| Term Loan B2, 7.58%, 12/16/13 | United States | |
| Term Loan C2, 8.08%, 12/23/14 | United States | |
| Lyondell Chemical Co., Term Loan, 6.856%, 8/16/13 | United States | |
| Nalco Co., Term Loan B, 7.07% - 9.00%, 11/04/10 | United States | |
| NewPage Corp., Term Loan, 7.625%, 5/02/11 | United States | |
| PRODUCER MANUFACTURING 4.0% | | |
| Cooper Standard Automotive Inc., Term Loan D, 7.875%, 12/23/11 | United States | |
| Dresser Inc., Term Loan B, 7.86%, 5/04/14 | United States | |
| GPS CCMP Merger Corp. (Generac), Term Loan B, 7.86%, 11/09/13 | United States | |
| Headwaters Inc., Term Loan B, 7.36%, 4/30/11 | United States | |
| Nortek Inc., Term Loan, 7.61%, 8/27/11 | United States | |
| Oshkosh Truck Corp., | | |
| Term Loan A, 6.61%, 12/06/11 | United States | |
| Term Loan B, 7.11%, 12/06/13 | United States | |

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| | | |
|---|---------------|--|
| Sensus Metering Systems Inc., | | |
| Term Loan B1, 7.358% - 7.387%, 12/17/10 | United States | |
| Term Loan B2, 7.358% - 7.387%, 12/17/10 | Luxembourg | |
| TriMas Co. LLC, | | |
| Term Loan B, 8.125%, 8/02/13 | United States | |
| Tranche B-1 L/C, 8.07%, 8/02/13 | United States | |
| TRW Automotive Inc., Tranche B-1 Term Loan, 6.875%, 2/09/14 | United States | |

| | | |
|--|---------------|--|
| REAL ESTATE INVESTMENT TRUST 0.8% | | |
| CB Richard Ellis Services Inc., Term Loan B, 6.82%, 12/20/13 | United States | |

Quarterly Statement of Investments | 11

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

| | COUNTRY | P |
|---|---------------|---|
| LONG TERM INVESTMENTS (CONTINUED) | | |
| b SENIOR FLOATING RATE INTERESTS (CONTINUED) | | |
| RETAIL TRADE 0.5% | | |
| Neiman Marcus Group Inc., Term Loan, 7.07% - 7.11%, 4/06/13 | United States | |
| The William Carter Co., Term Loan B, 6.82% - 6.855%, 7/14/12 | United States | |
| TECHNOLOGY SERVICES 0.9% | | |
| SunGard Data Systems Inc., New U.S. Term Loan, 7.356%, 2/28/14 | United States | |
| UTILITIES 1.9% | | |
| Dynegy Holdings Inc., Term L/C Facility, 6.82%, 4/02/13 | United States | |
| Kinder Morgan Inc., Term Loan B, 6.82%, 5/30/14 | United States | |
| NRG Energy Inc., | | |
| Credit Link, 7.07%, 2/01/13 | United States | |
| Term Loan, 7.11%, 2/01/13 | United States | |
| TOTAL SENIOR FLOATING RATE INTERESTS (COST \$194,637,266) | | |
| FOREIGN GOVERNMENT AND AGENCY SECURITIES 4.5% | | |
| b,e Government of Argentina, FRN, 5.475%, 8/03/12 | Argentina | |
| Government of Malaysia, | | |
| 8.60%, 12/01/07 | Malaysia | |
| 6.45%, 7/01/08 | Malaysia | |
| 7.00%, 3/15/09 | Malaysia | |
| Government of Poland, 6.00%, 5/24/09 | Poland | |
| Government of Singapore, 5.625%, 7/01/08 | Singapore | |

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| | | |
|--|--|-------------|
| Government of Sweden, | | |
| 8.00%, 8/15/07 | | Sweden |
| 6.50%, 5/05/08 | | Sweden |
| Korea Treasury Note, 4.75%, 3/12/08 | | South Korea |
| TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES | | |
| (COST \$16,358,655) | | |
| TOTAL LONG TERM INVESTMENTS (COST \$560,534,591) | | |
| SHORT TERM INVESTMENTS 3.4% | | |
| GOVERNMENT BONDS 0.9% | | |
| d, f Egypt Treasury Bills, 7/31/07 - 7/01/08 | | Egypt |
| f Malaysia Treasury Bill, 6/06/08 | | Malaysia |
| f Norway Treasury Bills, 9/19/07 - 12/19/07 | | Norway |
| TOTAL INVESTMENTS BEFORE MONEY MARKET FUND | | |
| (COST \$563,842,252) | | |

12 | Quarterly Statement of Investments

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, JUNE 30, 2007 (UNAUDITED) (CONTINUED)

| | | |
|--|--|---------------|
| ----- | | COUNTRY |
| ----- | | |
| SHORT TERM INVESTMENTS (CONTINUED) | | |
| MONEY MARKET FUND 2.5% | | |
| g Franklin Institutional Fiduciary Trust Money Market Portfolio, | | |
| 4.99% | | United States |
| TOTAL SHORT TERM INVESTMENTS (COST \$12,580,057) | | |
| TOTAL INVESTMENTS (COST \$573,114,648) 152.5% | | |
| PREFERRED SHARES (50.7)% | | |
| OTHER ASSETS, LESS LIABILITIES (1.8)% | | |
| NET ASSETS APPLICABLE TO COMMON SHARES 100.0% | | |

CURRENCY ABBREVIATIONS

EGP - Egyptian Pounds
KRW - South Korean Won
MYR - Malaysian Ringgit
NOK - Norwegian Krone
PLN - Polish Zloty
SEK - Swedish Krona

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SGD - Singapore Dollar

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
PIK - Payment-In-Kind
REIT - Real Estate Investment Trust
SF - Single Family

a The principal amount is stated in U.S. dollars unless otherwise indicated.

b The coupon rate shown represents the rate at period end.

c 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, 2007, the aggregate value of these securities was \$35,414,250, representing 9.45% of net assets.

d Security purchased on a when-issued or delayed delivery 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)

1. ORGANIZATION

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.

2. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Investments in open-end mutual funds are valued at the closing net asset value. Short term investments are valued at cost.

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Corporate debt securities, government securities, mortgage pass-through securities, other mortgage-backed securities, and asset-backed securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund may utilize independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. The Fund's pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

Senior secured corporate loans with floating or variable interest rates generally trade in the over-the-counter market rather than on a securities exchange. The Fund may utilize independent pricing services, quotations from loan dealers and other financial institutions, and information with respect to bond and note transactions, to assist in determining a current market value for each security. The Fund's pricing services use independent market quotations from loan dealers or financial institutions and may incorporate valuation methodologies that consider multiple bond characteristics such as dealer quotes, issuer type, coupon, maturity, weighted average maturity, interest rate spreads and yield curves, cash flow and credit risk/quality analysis to determine current value.

14 | Quarterly Statement of Investments

Franklin Templeton
Limited Duration Income Trust

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED) (CONTINUED)

2. SECURITY VALUATION (CONTINUED)

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

3. INCOME TAXES

At June 30, 2007, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | |
|---------------------------|----------------|
| Cost of investments | \$ 574,580,884 |
| | ===== |

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| | |
|--|----------------|
| Unrealized appreciation | \$ 4,569,486 |
| Unrealized depreciation | (7,476,836) |
| | ----- |
| Net unrealized appreciation (depreciation) | \$ (2,907,350) |
| | ===== |

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

Quarterly Statement of Investments | 15

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, 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

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Jimmy D. Gambill
Chief Executive Officer - Finance and Administration
Date August 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 August 27, 2007

By /S/GALEN G. VETTER

Galen G. Vetter
Chief Financial Officer
Date August 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;

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

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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.

August 27, 2007

/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:

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(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.

August 27, 2007

/s/GALEN G. VETTER

Galen G. Vetter
Chief Financial Officer