

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  
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FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST  
-----  
(Exact name of registrant as specified in charter)

ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906  
-----  
(Address of principal executive offices) (Zip code)

CRAIG S. TYLE, ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906  
-----  
(Name and address of agent for service)

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

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

Date of reporting period: 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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[LOGO] (R)  
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

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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

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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

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Franklin Templeton  
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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

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Franklin Templeton  
Limited Duration Income Trust

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

-----  
COUNTRY PRINC  
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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

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Franklin Templeton  
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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

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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

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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

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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

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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