

FRANKLIN TEMPLETON LTD DURATION INCOME TRUST  
 Form N-Q  
 February 26, 2010

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: (954) 527-7500  
 -----

Date of fiscal year end: 03/31  
 -----

Date of reporting period: 12/31/09  
 -----

ITEM 1. SCHEDULE OF INVESTMENTS.

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED)

	COUNTRY	SHARES
	-----	-----
PREFERRED STOCKS (COST \$237,850) 0.1%		
DIVERSIFIED FINANCIALS 0.1 %		
(a) GMAC Inc., 7.00%, pfd., 144A	United States	670
		PRINCIPAL
		AMOUNT (b)
		-----
CORPORATE BONDS 57.8%		
AUTOMOBILES & COMPONENTS 1.6%		
(a) American Axle & Manufacturing Holdings Inc., senior secured note, 144A, 9.25%, 1/15/17	United States	400,000
Ford Motor Credit Co. LLC, senior note,		

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

7.50%, 8/01/12	United States	2,000,000
9.875%, 8/10/11	United States	2,000,000
(a) TRW Automotive Inc., senior note, 144A, 7.25%, 3/15/17	United States	1,000,000
CAPITAL GOODS 2.2%		
(a) Allison Transmission Inc., senior note, 144A, 11.00%, 11/01/15	United States	1,000,000
Case New Holland Inc., senior note, 7.125%, 3/01/14	United States	2,000,000
Greenbrier Cos. Inc., senior note, 8.375%, 5/15/15	United States	600,000
RBS Global & Rexnord Corp., senior note, 9.50%, 8/01/14	United States	2,000,000
RSC Equipment Rental Inc., senior note, 9.50%,12/01/14	United States	2,000,000
COMMERCIAL & PROFESSIONAL SERVICES 1.5%		
(c) ARAMARK Corp., senior note, FRN, 8.856%, 2/01/15	United States	2,500,000
(a) Casella Waste Systems Inc., senior secured note, 144A, 11.00%, 7/15/14	United States	900,000
Clean Harbors Inc., senior secured note, 7.625%, 8/15/16	United States	500,000
(a, d) JohnsonDiversey Holdings Inc., senior note, 144A, PIK, 10.50%, 5/15/20	United States	1,300,000
CONSUMER DURABLES & Apparel 1.7%		
Jarden Corp., senior sub. note, 7.50%, 5/01/17	United States	2,500,000
Jostens IH Corp., senior sub. note, 7.625%, 10/01/12	United States	2,500,000
KB Home, senior note, 6.375%, 8/15/11	United States	209,000
(a) Norcraft Cos. LP, senior secured note, 144A, 10.50%, 12/15/15	United States	700,000
CONSUMER SERVICES 4.8%		
(a) Harrah's Operating Co. Inc., senior secured note, 144A, 11.25%, 6/01/17	United States	500,000
(a) Harrah's Operating Escrow, senior secured note, 144A, 11.25%, 6/01/17	United States	2,500,000
Host Hotels & Resorts LP, senior note, K, 7.125%, 11/01/13	United States	1,500,000
MGM MIRAGE, senior note, 6.75%,4/01/13	United States	3,000,000
6.625%,7/15/15	United States	500,000
(a) Norwegian Cruise Line Ltd., senior secured note, 144A, 11.75%, 11/15/16	United States	2,000,000
(a) Pinnacle Entertainment Inc., senior note, 144A, 8.625%, 8/01/17	United States	2,000,000
Royal Caribbean Cruises Ltd., senior note, 7.25%, 6/15/16	United States	1,500,000
Starwood Hotels & Resorts Worldwide Inc., senior note, 6.75%, 5/15/18	United States	2,500,000
(e) Station Casinos Inc., senior note, 7.75%, 8/15/16	United States	200,000
(a) Universal City Development, senior note, 144A, 8.875%, 11/15/15	United States	1,100,000
senior sub. note, 144A, 10.875%, 11/15/16	United States	200,000

## Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

DIVERSIFIED FINANCIALS 1.7%			
(a) GMAC LLC, senior note, 144A,			
7.25%, 3/02/11	United States		1,266,000
6.875%, 8/28/12	United States		1,899,000

Quarterly Statement of Investments See Notes to Statements of Investments

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

JPMorgan Chase & Co., sub. note,			
5.75%, 1/02/13	United States		2,000,000
(e) Lehman Brothers Holdings Inc., senior note, 6.20%,			
9/26/14	United States		3,000,000
ENERGY 9.5%			
(a) Antero Resources Finance, senior note, 144A,			
9.375%, 12/01/17	United States		900,000
(a) Arch Coal Inc., senior note, 144A, 8.75%, 8/01/16	United States		400,000
Berry Petroleum Co., senior note, 10.25%, 6/01/14	United States		1,300,000
Chesapeake Energy Corp., senior note, 7.50%, 6/15/14	United States		4,000,000
Compagnie Generale de Geophysique-Veritas, senior			
note, 7.50%, 5/15/15	France		2,500,000
Concho Resources Inc., senior note, 8.625%, 10/01/17	United States		700,000
EI Paso Corp., senior note, 12.00%, 12/12/13	United States		2,000,000
(a) Expro Finance Luxembourg, senior secured note,			
144A, 8.50%, 12/15/16	United Kingdom		1,500,000
(a) General Maritime Corp., senior note, 144A, 12.00%,			
11/15/17	United States		700,000
(a) Holly Corp., senior note, 144A, 9.875%, 6/15/17	United States		600,000
Mariner Energy Inc., senior note, 7.50%, 4/15/13	United States		2,000,000
MarkWest Energy Partners LP, senior note, B,			
6.875%, 11/01/14	United States		700,000
(a) OPTI Canada Inc., senior secured note, 144A,			
9.00%, 12/15/12	Canada		600,000
Peabody Energy Corp., senior note, B, 6.875%,			
3/15/13	United States		2,000,000
Petrohawk Energy Corp., senior note, 10.50%, 8/01/14	United States		2,000,000
(a) Petroplus Finance Ltd., senior note, 144A, 6.75%,			
5/01/14	Switzerland		2,000,000
Plains Exploration & Production Co., senior note,			
10.00%, 3/01/16	United States		2,000,000
Quicksilver Resources Inc., senior note, 9.125%,			
8/15/19	United States		2,000,000
(a) SandRidge Energy Inc., senior note, 144A, 8.00%,			
6/01/18	United States		2,500,000
Tesoro Corp., senior note, 6.625%, 11/01/15	United States		2,000,000
FOOD & STAPLES RETAILING 1.2%			
Duane Reade Inc., senior secured note, 11.75%,			
8/01/15	United States		800,000

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

Rite Aid Corp., senior secured note, 9.75%, 6/12/16	United States	1,500,000
SUPERVALU Inc., senior note, 8.00%, 5/01/16	United States	1,500,000
FOOD, BEVERAGE & TOBACCO 1.9%		
(a) Alliance One International Inc., senior note, 144A, 10.00%, 7/15/16	United States	300,000
(a) CEDC Finance Corp. International Inc., senior secured note, 144A, 9.125%, 12/01/16	United States	1,000,000
(a) Cott Beverages Inc., senior note, 144A, 8.375%, 11/15/17	United States	900,000
(a) Dole Food Co. Inc., senior note, 144A, 13.875%, 3/15/14	United States	1,029,000
(a) JBS USA LLC, senior note, 144A, 11.625%, 5/01/14	United States	2,000,000
(a) Pinnacle Foods Finance LLC, senior note, 144A, 9.25%, 4/01/15	United States	1,000,000
HEALTH CARE EQUIPMENT & SERVICES 5.5%		
Coventry Health Care Inc., senior note, 5.875%, 1/15/12	United States	2,000,000
DaVita Inc., senior note, 6.625%, 3/15/13	United States	900,000
senior sub. note, 7.25%, 3/15/15	United States	1,000,000
FMC Finance III SA, senior note, 6.875%, 7/15/17	Germany	2,000,000
(a) Fresenius US Finance II, senior note, 144A, 9.00%, 7/15/15	Germany	1,000,000
HCA Inc., senior secured note, 9.125%, 11/15/14	United States	3,000,000
(a) Tenet Healthcare Corp., senior note, 144A, 9.00%, 5/01/15	United States	1,250,000
10.00%, 5/01/18	United States	1,250,000
(d) United Surgical Partners International Inc., senior sub. note, PIK, 9.25%, 5/01/17	United States	2,000,000
(c, d) US Oncology Holdings Inc., senior note, PIK, FRN, 6.428%, 3/15/12	United States	2,323,000
Vanguard Health Holding Co. II LLC, senior sub. note, 9.00%, 10/01/14	United States	2,000,000
MATERIALS 5.6%		
Ball Corp., senior note, 7.125%, 9/01/16	United States	500,000
(a) Clearwater Paper Corp., senior note, 144A, 10.625%, 6/15/16	United States	1,800,000

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

(c) Freeport-McMoRan Copper & Gold Inc., senior note, FRN, 8.564%, 4/01/15	United States	1,000,000
Huntsman International LLC, senior sub. note, 7.875%, 11/15/14	United States	2,000,000
(a) Ineos Group Holdings PLC, senior secured note,		

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

144A, 8.50%, 2/15/16	United Kingdom	1,500,000
(a) MacDermid Inc., senior sub. note, 144A, 9.50%, 4/15/17	United States	2,000,000
Nalco Co., senior sub. note, 8.875%, 11/15/13	United States	2,000,000
(a) NewPage Corp., senior secured note, 144A, 11.375%, 12/31/14	United States	1,400,000
Novelis Inc., senior note, 7.25%, 2/15/15	Canada	400,000
Owens-Brockway Glass Container Inc., senior note, 7.375%, 5/15/16	United States	700,000
Solo Cup Co.,		
(a) senior secured note, 144A, 10.50%, 11/01/13	United States	500,000
senior sub. note, 8.50%, 2/15/14	United States	1,500,000
Solutia Inc., senior note, 8.75%, 11/01/17	United States	500,000
Teck Resources Ltd., senior note, 9.75%, 5/15/14	Canada	2,300,000
Weyerhaeuser Co., senior note, 7.375%,10/01/19	United States	1,200,000
Media 6.8%		
(a) Cablevision Systems Corp., senior note, 144A, 8.625%, 9/15/17	United States	1,000,000
(a) CCH II LLC/CCH II Capital Corp., senior note, 144A, 13.50%, 11/30/16	United States	2,933,512
(a) Clear Channel Worldwide Holdings Inc., senior note, 144A, 9.25%, 12/15/17	United States	1,000,000
(a) CSC Holdings Inc., senior note, 144A, 8.50%, 4/15/14	United States	1,000,000
(e, f) Dex Media West Finance, senior sub. note, 9.875%, 8/15/13	United States	4,000,000
EchoStar DBS Corp., senior note, 6.375%,10/01/11	United States	2,000,000
Lamar Media Corp., senior sub. note, 7.25%, 1/01/13	United States	1,000,000
C, 6.625%, 8/15/15	United States	2,000,000
LIN Television Corp., senior sub. note, 6.50%, 5/15/13	United States	2,000,000
Quebecor Media Inc., senior note, 7.75%, 3/15/16	Canada	2,500,000
(f) Radio One Inc., senior sub. note, B, 8.875%, 7/01/11	United States	2,000,000
(a) Sinclair Television Group Inc., senior secured note, 144A, 9.25%, 11/01/17	United States	1,600,000
(a) UPC Germany GmbH, senior note, 144A, 9.625%, 12/01/19	Germany	400,000
(a) UPC Holding BV, senior note, 144A, 9.875%, 4/15/18	Netherlands	400,000
(a) WMG Acquisition Corp., senior secured note, 144A, 9.50%, 6/15/16	United States	2,000,000
Pharmaceuticals, Biotechnology & Life Sciences 0.3%		
(a) Talecris Biotherapeutics Holdings Corp., senior note, 144A, 7.75%, 11/15/16	United States	1,100,000
Real Estate 2.0%		
Duke Realty LP, senior note, 7.375%, 2/15/15	United States	1,600,000
(a) FelCor Lodging Trust Inc., senior secured note, 144A, 10.00%, 10/01/14	United States	2,000,000
Forest City Enterprises Inc., senior note, 7.625%, 6/01/15	United States	1,200,000
Simon Property Group LP, senior note, 6.75%, 5/15/14	United States	2,000,000

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

Retailing 0.6%			
Michaels Stores Inc., senior note, 10.00%, 11/01/14	United States		2,000,000
Semiconductors & Semiconductor Equipment 0.6%			
(a) Advanced Micro Devices Inc., senior note, 144A, 8.125%, 12/15/17	United States		400,000
Freescale Semiconductor Inc., senior note, 8.875%, 12/15/14	United States		2,000,000
Software & Services 0.9%			
SunGard Data Systems Inc., senior note, 9.125%, 8/15/13	United States		3,000,000

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

TECHNOLOGY HARDWARE & EQUIPMENT 1.0%			
Jabil Circuit Inc., senior note, 7.75%, 7/15/16	United States		1,000,000
Sanmina-SCI Corp.,			
(a, c) senior note, 144A, FRN, 3.004%, 6/15/14	United States		1,000,000
senior sub. note, 6.75%, 3/01/13	United States		1,000,000
(a) ViaSat Inc., senior note, 144A, 8.875%, 9/15/16	United States		400,000
TELECOMMUNICATION SERVICES 4.6%			
(a) CC Holdings GS V LLC, senior secured note, 144A, 7.75%, 5/01/17	United States		400,000
Crown Castle International Corp., senior note, 9.00%, 1/15/15	United States		1,500,000
(a) Digicel Group Ltd., senior note, 144A, 8.875%, 1/15/15	Jamaica		2,000,000
Intelsat Subsidiary Holding Co. Ltd., senior note, 8.50%, 1/15/13	Bermuda		2,500,000
(a) 144A, 8.875%, 1/15/15	Bermuda		500,000
MetroPCS Wireless Inc., senior note, 9.25%, 11/01/14	United States		2,000,000
Millicom International Cellular SA, senior note, 10.00%, 12/01/13	Luxembourg		1,500,000
Qwest Communications International Inc., senior note, B, 7.50%, 2/15/14	United States		2,000,000
Qwest Corp., senior note, 8.375%, 5/01/16	United States		400,000
(a) Wind Acquisition Finance SA, senior note, 144A, 10.75%, 12/01/15	Italy		2,500,000
(a, d) Wind Acquisition Holding, senior note, 144A, PIK, 12.25%, 7/15/17	Italy		400,000
TRANSPORTATION 0.5%			
(a) Ceva Group PLC, senior secured note, 144A, 10.00%, 9/01/14	United Kingdom		800,000
11.625%, 10/01/16	United Kingdom		500,000
(a) Delta Air Lines Inc., senior secured note, 144A,			

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

9.50%, 9/15/14	United States	600,000
UTILITIES 3.3%		
Ameren Corp., senior note, 8.875%, 5/15/14	United States	2,000,000
Dynegy Holdings Inc., senior note, 7.50%, 6/01/15	United States	2,000,000
Mirant North America LLC, senior note, 7.375%, 12/31/13	United States	2,000,000
NRG Energy Inc., senior note, 7.25%, 2/01/14	United States	3,000,000
Texas Competitive Electric Holdings Co. LLC, senior note, A, 10.25%, 11/01/15	United States	3,000,000
TOTAL CORPORATE BONDS (COST \$196,852,802)		
MORTGAGE-BACKED SECURITIES 27.1 %		
(c) FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) ADJUSTABLE RATE 0.3%		
FHLMC, 4.202%, 5/01/34	United States	867,491
FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) FIXED RATE 11.1%		
(g) FHLMC Gold 15 Year, 4.50%, 1/01/25	United States	2,160,000
(g) FHLMC Gold 15 Year, 5.00%, 1/01/25	United States	4,590,000
FHLMC Gold 15 Year, 5.50%, 7/01/19	United States	166,637
(g) FHLMC Gold 15 Year, 6.00%, 1/01/25	United States	870,000
(g) FHLMC Gold 30 Year, 5.00%, 1/01/40	United States	5,025,000
(g) FHLMC Gold 30 Year, 5.50%, 1/01/40	United States	7,500,000
FHLMC Gold 30 Year, 6.00%, 7/01/28 - 11/01/33	United States	2,620,517
(g) FHLMC Gold 30 Year, 6.00%, 1/01/40	United States	9,660,000
(g) FHLMC Gold 30 Year, 6.50%, 1/01/40	United States	2,211,000
FHLMC Gold 30 Year, 7.00%, 9/01/27	United States	632,895
FHLMC Gold 30 Year, 8.00%, 1/01/31	United States	126,040
FHLMC Gold 30 Year, 8.50%, 7/01/31	United States	1,413,926
(c) FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) ADJUSTABLE RATE 0.4%		
FNMA, 2.315%, 7/01/34	United States	1,414,435
FNMA, 5.942%, 6/01/32	United States	49,835

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) FIXED RATE 12.9%		
(g) FNMA 15 Year, 5.00%, 1/01/25	United States	1,170,000
FNMA 15 Year, 5.50%, 7/01/20 - 9/01/22	United States	2,674,934
(g) FNMA 15 Year, 6.00%, 1/01/25	United States	1,650,000
FNMA 15 Year, 6.50%, 7/01/20	United States	125,167
(g) FNMA 30 Year, 4.50%, 1/01/40	United States	1,540,000

## Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

(g) FNMA 30 Year, 5.00%, 1/01/40	United States	17,305,000
(g) FNMA 30 Year, 5.50%, 1/01/40	United States	4,798,000
FNMA 30 Year, 6.00%, 4/01/33	United States	735,801
(g) FNMA 30 Year, 6.00%, 1/01/40	United States	9,860,000
(g) FNMA 30 Year, 6.50%, 8/01/32 - 1/01/40	United States	2,618,875
FNMA 30 Year, 7.00%, 9/01/18	United States	213,224
FNMA 30 Year, 8.00%, 10/01/29	United States	190,782
FNMA 30 Year, 8.50%, 8/01/26	United States	302,209
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) FIXED RATE 2.4%		
(g) GNMA I SF 30 Year, 5.50%,1/01/40	United States	5,910,000
GNMA I SF 30 Year, 6.50%, 6/15/31 - 12/15/33	United States	1,482,104
GNMA II SF 30 Year, 7.00%,1/20/24 -1/20/29	United States	175,255
GNMA II SF 30 Year, 8.00%, 1/20/28 - 2/20/32	United States	341,665
TOTAL MORTGAGE-BACKED SECURITIES (COST \$95,111,602)		
ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED SECURITIES 10.3%		
BANKS 7.2%		
(a, c) Babson CLO Ltd., 2005-2A, A1, 144A, FRN, 0.534%, 7/20/19	Cayman Islands	876,578
Banc of America Commercial Mortgage Inc., 2005-3, A2, 4.501 %, 7/10/43	United States	4,281,428
Citigroup Commercial Mortgage Trust,		
(c) 2007-C6, AM, FRN, 5.70%, 6/10/17	United States	320,000
2008-C7, M, 6.095%, 12/10/49	United States	700,000
(c) Citigroup/Deutsche Bank Commercial Mortgage Trust,		
2005-CD1,		
A3, FRN, 5.400%, 7/15/44	United States	3,000,000
A4, FRN, 5.224%, 7/15/44	United States	400,000
Greenwich Capital Commercial Funding Corp.,		
2004-GG1, A7, 5.317%, 6/10/36	United States	1,605,000
2005-GG5, A5, 5.224%, 4/10/37	United States	500,000
GS Mortgage Securities Corp. II, 2003-C 1, A3, 4.608%, 1/10/40	United States	400,000
LB-UBS Commercial Mortgage Trust,		
(c) 2002-C2, M, FRN, 5.594%, 6/15/31	United States	2,000,000
2005-C1, A2, 4.31 %, 2/15/30	United States	852,154
2005-C5, M, 4.954%, 9/15/30	United States	6,000,000
2006-C1, M, 5.156%, 2/15/31	United States	2,800,000
(c) Merrill Lynch Mortgage Investors Trust, 2003-0PT1, B2, FRN, 3.87%, 7/25/34	United States	127,009
(c) Morgan Stanley ABS Capital I Inc. Trust,		
2003-HE3, B1, FRN, 4.42%,10/25/33	United States	693,999
2003-NC10, B1, FRN, 5.20%, 10/25/33	United States	523,157
(a, c) Schilier Park CLO Ltd., 2007-1A, A2, 144A, FRN, 0.522%, 4/25/21	United States	1,700,000
DIVERSIFIED FINANCIALS 3.1 %		
(c) Advanta Business Card Master Trust, 2007-A4, A4, FRN, 0.263%, 4/22/13	United States	658,811
(c) Argent Securities Inc., 2003-W5, M4, FRN, 4.85%,10/25/33	United States	1,065,052
(c) Chase Funding Mortgage Loan Asset-Backed Certificates,		

## Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

2004-2, 2A2, FRN, 5.60%, 2/25/35	United States	1,259,941
(c) GSAMP Trust, 2003-AHL, B1, FRN, 5.12%,10/25/33	United States	1,243,595
JPMorgan Chase Commercial Mortgage Securities Corp., 2005-LDP2, AM, 4.78%, 7/15/42	United States	200,000
(c) 2005-LDP5, A4, FRN, 5.179%,12/15/44	United States	1,000,000

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

(c) MBNA Credit Card Master Note Trust, 2005-All, All, FRN, 0.313%, 5/15/13	United States	4,000,000
(c) MBNA Master Credit Card Trust II, 1997-B, A, FRN, 0.393%, 8/15/14	United States	3,000,000
(c) Morgan Stanley Dean Witter Capital I, 2003-NC3, B1, FRN, 4.45%, 3/25/33	United States	611,179
(c, h) NewCentury Home Equity Loan Trust, 2003-2, M3, FRN, 5.794%, 1/25/33	United States	658,853
(c) Option One Mortgage Loan Trust, 2003-6, M5, FRN, 5.233%, 11/25/33	United States	835,680
(c) Specialty Underwriting & Residential Finance, 2003-BC4, B2, FRN, 3.80%, 11/25/34	United States	282,157
(c) Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 8.57%, 4/25/33	United States	13,987
2003-BC13, M4, FRN, 3.868%, 11/25/33	United States	136,390

TOTAL ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED SECURITIES (COST \$39,722,535)

(c) SENIOR FLOATING RATE INTERESTS 48.5%		
Automobiles & Components 1.0%		
Federal-Mogul Corp., Term Loan B, 2.168%, 12/27/14	United States	2,095,091
United Components Inc., Term Loan D, 2.25%, 6/29/12	United States	2,000,000

CAPITAL Goods 4.8%		
Ashtead Group PLC, Term Loan, 2.063%, 8/31/11	United Kingdom	912,000
Baldor Electric Co., Term Loan B, 5.25%,1/31/14	United States	547,058
BE Aerospace Inc., Term Loan B, 5.75%, 7/28/14	United States	1,201,559
Goodman Global Holdings Co. Inc., Term Loan B, 6.25%, 2/13/14	United States	2,084,500
Manitowoc Co. Inc., Term Loan B, 7.50%, 11/06/14	United States	1,591,500
(g) Oshkosh Truck Corp., Term Loan B, 6.26% - 6.29%, 12/06/13	United States	1,945,193
RBS Global Inc. (Rexnord), Incremental Tranche B-2, 2.50%, 7/22/13	United States	992,327
Tranche B-1 Term Loan B, 2.75% - 2.813%, 7/22/13	United States	3,000,000
Sensus Metering Systems Inc., Term Loan B-3, 7.00%, 6/17/13	United States	1,061,555
Spirit Aerosystems Inc. (Onex Wind Finance LP), Term B-1 Loan, 2.034%, 12/31/11	United States	1,244,160
TriMas Co. LLC, Term Loan B, 6.00%, 12/15/15	United States	1,535,081
Tranche B-1 L/C, 6.00%, 8/02/11	United States	366,149
URS Corp., Term Loan B, 2.481 % - 2.54%, 5/15/13	United States	892,742

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

COMMERCIAL & PROFESSIONAL SERVICES 2.3%

ARAMARK Corp., Synthetic L/C, 2.113%, 1/26/14	United States	271,357
Term Loan B, 2.126%, 1/26/14	United States	4,126,169
JohnsonDiversey Inc., Tranche B Dollar Term Loan, 5.50%, 11/24/15	United States	416,860
Language Line LLC, Term Loan B, 5.50%, 11/04/15	United States	500,000
Nielsen Finance LLC (VNU Inc.), Class A Term Loan, 2.235%, 8/09/13	United States	2,666,951
West Corp., Term Loan B-2, 2.606% - 2.609%, 10/24/13	United States	179,973
Term Loan B-4, 4.106% - 4.109%, 7/15/16	United States	261,418

CONSUMER DURABLES & APPAREL 1.0%

Jarden Corp., Term Loan B2, 2.001%, 1/24/12	United States	1,075,840
Term Loan B4, 3.501%, 1/26/15	United States	1,224,998

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

Jostens IH Corp. (Visant Holding Corp.), Term Loan C, 2.235%, 10/04/11	United States	1,350,000
---	---------------	-----------

CONSUMER SERVICES 5.0%

Affinion Group Inc., Term Loan B, 2.731%, 10/17/12	United States	2,970,687
Education Management LLC, Term Loan C, 2.063%, 6/01/13	United States	2,414,666
Harrah's Operating Co. Inc., Term Loan B-4, 9.50%, 10/31/16	United States	2,000,000
Laureate Education Inc., Closing Date Term Loan, 3.532%, 8/18/14	United States	1,989,445
Delayed Draw Term Loan, 3.532%, 8/18/14	United States	292,676
Term Loan B, 7.00%, 8/18/14	United States	1,097,250
Penn National Gaming Inc., Term Loan B, 1.98% - 2.03%, 10/03/12	United States	2,574,499
Universal City Development Partners Ltd., Term Loan, 6.50%, 11/06/14	United States	1,000,000
VML U.S. Finance LLC (Venetian Macau), Delayed Draw, 4.76%, 5/25/12	Macau	666,374
New Project Term Loans, 4.76%, 5/25/13	Macau	2,484,442
Term Loan B, 4.76%, 5/25/13	Macau	889,935

ENERGY 0.8%

Dresser Inc., Term Loan B, 2.521%, 5/04/14	United States	1,552,923
(g) Targa Resources Inc., 6.25%, 7/05/16	United States	1,460,000

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

Food & STAPLES RETAILING 0.9%		
Rite Aid Corp., Tranche 3 Term Loan, 6.00%, 6/04/14	United States	1,989,567
Wm. Wrigley Jr. Co.,		
Term Loan B1, 3.063%, 12/17/12	United States	514,460
Term Loan B2, 3.313%, 10/06/14	United States	720,245
FOOD, BEVERAGE & TOBACCO 0.5%		
Dean Foods Co., Term Loan B, 1.615% - 1.635%, 4/02/14	United States	1,734,997
HEALTH CARE EQUIPMENT & SERVICES 6.3%		
Bausch and Lomb Inc.,		
Delayed Draw Term Loan, 3.501%, 4/28/15	United States	323,150
Parent Term Loan, 3.501%, 4/28/15	United States	1,330,702
Community Health Systems Inc.,		
Delayed Draw Term Loan, 2.506%, 7/25/14	United States	122,735
Term Loan, 2.506%, 7/25/14	United States	2,400,503
DaVita Inc., Term Loan B-1, 1.74% -1.79%, 10/05/12	United States	3,717,434
DJO Finance LLC, Term Loan B, 3.231%, 5/20/14	United States	1,352,464
Fresenius Medical Care Holdings Inc., Term Loan B, 1.626% - 1.659%, 3/31/13	Germany	1,481,378
Fresenius SE,		
Term Loan B1, 6.75%, 9/10/14	Germany	479,622
Term Loan B2, 6.75%, 9/10/14	Germany	258,378
HCA Inc., Term Loan B-1, 2.501%, 11/18/13	United States	4,074,731
Iasis Healthcare LLC,		
Delayed Draw Term Loan, 2.231%, 3/14/14	United States	472,974
Initial Term Loan, 2.231%, 3/14/14	United States	1,366,670
Synthetic L/C, 2.293%, 3/14/14	United States	128,047
LifePoint Hospitals Inc., Term Loan B, 1.887%, 4/15/12	United States	1,980,324
Psychiatric Solutions Inc., Term Loan, 2.006% - 2.034%, 7/01/12	United States	915,722
Team Finance LLC, Term Loan B, 2.251% - 2.267%, 11/23/12	United States	987,133
Vanguard Health Holding Co. II LLC, Replacement Term Loan, 2.481%, 9/23/11	United States	1,560,447
INSURANCE 0.5%		
Conseco Inc., Term Loan, 7.50%, 10/10/13	United States	1,646,835

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

MATERIALS 7.2%		
Anchor Glass Container Corp., Term Loan, 6.75%, 6/20/14	United States	1,389,363
Celanese U.S. Holdings LLC, Dollar Term Loan, 2.037%, 4/02/14	United States	2,939,623

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

Domtar Corp., Term Loan, 1.608%, 3/07/14	United States	547,155
Georgia-Pacific LLC, Additional Term Loan, 2.231 % - 2.251%, 12/20/12	United States	766,980
Term Loan B, 2.251% - 2.256%, 12/20/12	United States	734,502
Term Loan C, 3.481% - 3.506%, 12/23/14	United States	930,573
Graham Packaging Co. LP, Term Loan C, 6.75%, 4/05/14	United States	1,992,475
Hexion Specialty Chemicals BV, Term Loan C-2, 2.563%, 5/03/13	Netherlands	690,753
Hexion Specialty Chemicals Inc., Term Loan C-1, 2.563%, 5/03/13	United States	3,188,082
Huntsman International LLC, Term Loan B, 1.981%, 4/21/14	United States	2,283,616
Nalco Co., Term Loan, 6.50%, 5/13/16	United States	995,000
Tranche C Term Loan, 1.985%, 5/13/16	United States	800,000
Oxbow Carbon LLC, Delayed Draw Term Loan, 2.283%, 5/08/14	United States	271,706
Term Loan B, 2.234% - 3.75%, 5/08/14	United States	2,839,443
Reynolds Consumer Products Holdings Inc., Term Loan, 6.25%, 11/05/15	United States	1,000,000
Rockwood Specialties Group Inc., Term Loan H, 6.00%, 5/15/14	United States	1,797,500
Univar Inc., Opco Tranche B Term Loan, 3.231%, 10/10/14	United States	3,206,817
MEDIA 8.4%		
CSC Holdings Inc. (Cablevision), Incremental Term Loan B-2, 2.004% - 2.046%, 3/29/16	United States	770,000
Dex Media West LLC, Term Loan B, 7.00%, 10/24/14	United States	3,891,620
DIRECTV Holdings LLC, Term Loan B, 1.731 %, 4/13/13	United States	994,792
Term Loan C, 5.25%, 4/13/13	United States	997,468
Discovery Communications Inc., Term Loan B, 2.251 %, 5/14/14	United States	497,449
Term Loan C, 5.25%, 5/14/14	United States	893,250
Entravision Communications Corp., Term Loan B, 5.54%, 3/29/13	United States	2,249,383
Gray Television Inc., Term Loan B, 3.74% - 3.79%, 12/31/14	United States	1,546,898
Insight Midwest Holdings, Term Loan B, 2.29%, 4/02/14	United States	2,160,000
MCC Iowa, Term Loan E, 6.50%, 1/03/16	United States	886,500
Tranche D-1 Term Loan, 1.97%, 1/31/15	United States	492,177
Tranche D-2 Term Loan, 1.97%, 1/31/15	United States	57,230
Mission Broadcasting Inc., Term Loan B, 5.00%, 10/01/12	United States	965,536
Newsday LLC, Floating Rate Term Loan, 6.534%, 8/01/13	United States	2,400,000
Nexstar Broadcasting Inc., Term Loan B, 5.00%, 10/01/12	United States	912,800
Regal Cinemas Corp., Term Loan, 4.001 %, 10/27/13	United States	3,076,148
Univision Communications Inc., Initial Term Loan, 2.501 %, 9/29/14	United States	3,000,000
UPC Financing Partnership, Term Loan N, 1.985%, 12/31/14	Netherlands	2,897,847
Term Loan T, 3.735%, 12/31/16	Netherlands	2,272,153

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

PHARMACEUTICALS, BIOTECHNOLOGY & LIFE SCIENCES 0.6%		
Life Technologies Corp., Term Loan B, 5.25%,11/21/15	United States	514,000
Warner Chilcott Co. LLC,		
Term Loan A, 5.50%, 10/30/14	United States	576,271
Term Loan B2, 5.75%, 4/30/15	United States	633,898
Warner Chilcott Corp.,		
(g) Additional Term Loan, 5.75%, 4/30/15	United States	201,695
Term Loan B1, 5.75%, 4/30/15	United States	288,136

REAL ESTATE 0.2%

CB Richard Ellis Services Inc., Term Loan B, 6.00% - 6.25%, 12/20/13	United States	801,674
---	---------------	---------

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

RETAILING 0.9%		
Dollar General Corp., Tranche B-1 Term Loan, 2.981% - 3.031 %, 7/07/14	United States	1,992,494
(g) Pilot Travel Centers LLC, Term Loan B, 5.50%, 12/15/15	United States	1,000,000

SOFTWARE & SERVICES 3.2%

Affiliated Computer Services Inc.,		
Additional Term Loan, 2.231% - 2.234%, 3/20/13	United States	1,739,250
Term Loan B, 2.231%, 3/20/13	United States	480,000
Emdeon Business Services LLC, First Lien Term Loan, 2.26%, 11/16/13	United States	2,019,094
Fidelity National Information Services Inc., Tranche C Term Loan, 4.481%,1/18/12	United States	240,423
First Data Corp., Term Loan B-2, 2.999% - 3.001%, 9/24/14	United States	2,440,057
Metavante Corp., Term Loan B, 3.531%, 11/01/14	United States	877,215
Rovi Corp., Term Loan B, 6.00%, 5/02/13	United States	471,018
SunGard Data Systems Inc.,		
Tranche A U.S. Term Loan, 1.985%, 2/28/14	United States	119,241
Tranche B U.S. Term Loan, 3.869% - 3.90%, 2/28/16	United States	3,353,053

TECHNOLOGY HARDWARE & EQUIPMENT 1.3%

CommScope Inc., Term Loan B, 2.731% - 2.751%, 12/26/14	United States	982,849
Flextronics International USA Inc.,		
Term Loan A, 2.484% - 2.54%, 10/01/14	United States	1,822,339
Term Loan A-1, 2.534%,10/01/14	United States	523,661
Itron Inc., Dollar Term Loan, 3.99%, 4/18/14	United States	1,299,076

TELECOMMUNICATION SERVICES 1.8%

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

Intelsat Corp. (Panamsat), Tranche B-2-A, 2.735%, 1/03/14	United States	1,271,686
Tranche B-2-B, 2.735%, 1/03/14	United States	1,271,298
Tranche B-2-C, 2.735%, 1/03/14	United States	1,271,298
NTELOS Inc., Term Loan B, 5.75%, 8/07/15	United States	830,177
Windstream Corp., Tranche B-2 Term Loan, 3.04%, 12/17/15	United States	1,997,465

UTILITIES 1.8%

Dynegy Holdings Inc., Term LLC Facility, 3.99%, 4/02/13	United States	1,797,879
Term Loan B, 3.99%, 4/02/13	United States	24,056
NRG Energy Inc., Credit Link, 2.001%, 2/01/13	United States	819,782
Term Loan, 1.981% - 2.001%, 2/01/13	United States	1,393,528
Texas Competitive Electric Holdings Co. LLC, Term Loan B-2, 3.735% - 3.751%, 10/10/14	United States	2,937,538

TOTAL SENIOR FLOATING RATE INTERESTS (COST  
\$168,756,906)

FOREIGN GOVERNMENT AND AGENCY SECURITIES 3.1%

(c, i) Government of Argentina, senior bond, FRN, 0.943%, 8/03/12	Argentina	3,950,000
Government of Malaysia, 3.756%, 4/28/11	Malaysia	5,860,000
3.833%, 9/28/11	Malaysia	6,800,000
Government of Mexico, M 20, 10.00%, 12/05/24	Mexico	341,000 (j)
Government of Sweden, 5.25%, 3/15/11	Sweden	19,400,000

TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES (COST  
\$10,934,368)

Total Investments BEFORE SHORT TERM INVESTMENTS (COST  
\$511,616,063)

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

SHORT TERM INVESTMENTS (COST \$5,561,617) 1.6%

	SHARES
	-----
MONEY MARKET FUNDS 1.6%	
(k) Institutional Fiduciary Trust Money Market Portfolio, 0.00%	United States 5,561,617

TOTAL INVESTMENTS (COST \$517,177,680) 148.5%  
PREFERRED SHARES (25.7)%  
OTHER ASSETS, LESS LIABILITIES (22.8)%

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

NET ASSETS APPLICABLE TO COMMON SHARES 100.0%

- (a) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At December 31, 2009, the aggregate value of these securities was \$71,018,921, representing 20.26% of net assets.
- (b) The principal amount is stated in U.S. dollars unless otherwise indicated.
- (c) The coupon rate shown represents the rate at period end.
- (d) Income may be received in additional securities and/or cash.
- (e) Defaulted security or security for which income has been deemed uncollectible.
- (f) See Note 5 regarding other considerations.
- (g) A portion or all of the security purchased on a delayed delivery or to-be-announced basis.
- (h) The bond pays interest and/or principal based upon the issuer's ability to pay, which may be less than the stated interest rate or principal paydown.
- (i) The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
- (j) Principal amount is stated in 100 Mexican Peso Units.
- (k) The 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.

Franklin Templeton Limited Duration Income Trust

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

At December 31, 2009, the Fund had the following forward exchange contracts outstanding. See Note 3.

Currency	COUNTERPARTY	TYPE	QUANTITY	CONTRACT AMOUNT	SETTLEMENT DATE	UNREALIZED APPRECIATION	UNRE DEPRE
Euro	DBAB	Sell	390,608	\$ 583,764	5/20/10	\$ 24,822	\$
Euro	DBAB	Sell	2,080,000	2,982,720	9/01/10	8,327	
Mexican Peso	DBAB	Sell	19,690,812	1,412,439	9/01/10	--	(4
Japanese Yen	JPHQ	Sell	180,180,000	2,000,000	11/02/10	53,650	
Japanese Yen	BZWS	Sell	171,860,000	2,000,000	12/02/10	141,682	
Euro	DBAB	Sell	389,500	567,852	12/15/10	11,214	

Unrealized appreciation

## Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

(depreciation)	239,695	(4
	-----	---
Net unrealized appreciation (depreciation)	\$192,589	
	=====	

FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2009 (UNAUDITED) (CONTINUED)

### ABBREVIATIONS

#### COUNTERPARTY

BZWS Barclays Bank PLC  
DBAB Deutsche Bank AG  
JPHQ JP Morgan Chase & Co.

#### CURRENCY

EUR Euro  
MXN Mexican Peso  
MYR Malaysian Ringgit  
SEK Swedish Krona

#### SELECTED PORTFOLIO

CLO Collateralized Loan Obligation  
FHLMC Federal Home Loan Mortgage Corp.  
FNMA Federal National Mortgage Association  
FRN Floating Rate Note  
GNMA Government National Mortgage Association  
LlC Letter of Credit  
PIK Payment-In-Kind  
SF Single Family

FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST

Notes to Statement of Investments (unaudited)

### 1. ORGANIZATION

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

### 2. SECURITY VALUATION

Equity and other 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. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in open-end mutual funds are valued at the closing net asset value.

Corporate debt securities, government securities, mortgage backed securities,

asset-backed securities, collateralized debt obligations and other debt 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. Debt securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the date that the values of the foreign debt securities are determined.

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.

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 based upon the underlying investment book value, anticipated future cash flows, market changes in comparable or similar securities, 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. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund may invest in derivative financial instruments (derivatives) in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives may contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and the potential for market movements.

Derivatives are marked to market daily based upon quotations from market makers or the Fund's independent pricing services and the Fund's net benefit or

## Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

obligation under the contract, as measured by the fair market value of the contract, is included in net assets.

The Fund generally enters into forward exchange contracts in order to hedge against fluctuations in foreign exchange rates or to gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency for a specific exchange rate on a future date.

### 4. INCOME TAXES

At December 31, 2009, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$518,258,802
	=====
Unrealized appreciation	\$ 20,872,127
Unrealized depreciation	(18,586,917)
	-----
Net unrealized appreciation (depreciation)	\$ 2,285,210
	=====

### 5. OTHER CONSIDERATIONS

From time to time, officers, directors or employees of the Fund's Investment Manager may have discussions or enter into agreements with issuers, underwriters or creditors' committees which, pursuant to the Fund's policies and requirements of applicable securities laws, could prevent the Fund from trading in the securities of such company for limited or extended periods of time.

### 6. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2009, in valuing the Fund's assets and liabilities carried at fair value:

LEVEL 1	LEVEL 2	LEVEL 3	TO
-----	-----	-----	-----

## Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

Assets:

Investments in Securities:					
Equity Investments	\$	--	\$ 441,655	\$	--
Corporate Bonds			202,670,021		--
Mortgage-Backed Securities			94,954,315		--
Asset-Backed Securities and					
Commercial Mortgage-Backed Securities			35,921,092		--
Senior Floating Rate Interests			170,002,799		--
Foreign Government and Agency Securities			10,992,513		--
Short Term Investments		5,561,617	--		--
		-----	-----	-----	-----
Total Investments in Securities(a)		\$5,561,617	\$514,982,395	\$	--
		=====	=====	=====	=====
Forward Exchange Contracts		--	239,695		--
LIABILITIES:					
Forward Exchange Contracts		--	47,106		--

(a) For detailed industry descriptions, see the accompanying Statement of Investments.

### 7. NEW ACCOUNTING PRONOUNCEMENTS

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2010-6, FAIR VALUE MEASUREMENTS AND DISCLOSURES (TOPIC 820): IMPROVING DISCLOSURES ABOUT FAIR VALUE MEASUREMENTS. ASU No. 2010-6 enhances and clarifies existing fair value measurement disclosure requirements and is effective for interim and annual periods beginning after December 15, 2009. The Fund is currently evaluating the impact, if any, of applying the provisions of ASU No. 2010-6.

### 8. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through February 22, 2010, the issuance date of the financial statements and determined that no events have occurred that require disclosure.

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.

### 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

Edgar Filing: FRANKLIN TEMPLETON LTD DURATION INCOME TRUST - Form N-Q

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 Laura F. Ferguson, Chief Executive Officer - Finance and Administration, and Gaston Gardey, Chief Financial Officer and Chief Accounting 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/LAURA F. FERGERSON

-----  
Laura F. Ferguson  
Chief Executive Officer -  
Finance and Administration  
Date February 25, 2010

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/LAURA F. FERGERSON

-----  
Laura F. Ferguson  
Chief Executive Officer -  
Finance and Administration  
Date February 25, 2010

By /s/GASTON GARDEY

-----  
Gaston Gardey  
Chief Financial Officer and  
Chief Accounting Officer  
Date February 25, 2010