

FRANKLIN TEMPLETON LTD DURATION INCOME TRUST

Form N-Q

February 28, 2006

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21357

Franklin Templeton Limited Duration Income Trust

(Exact name of registrant as specified in charter)

One Franklin Parkway, San Mateo, CA 94403-1906
(Address of principal executive offices) (Zip code)

Craig S. Tyle, One Franklin Parkway, San Mateo, CA 94403-1906

(Name and address of agent for service)

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

Date of fiscal year end: 3/31

Date of reporting period: 12/31/05

Item 1. Schedule of Investments.

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

QUARTERLY STATEMENT OF INVESTMENTS
DECEMBER 31, 2005

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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, DECEMBER 31, 2005 (UNAUDITED)

| | COUNTRY |
|---|----------------|
| ----- | |
| BONDS 52.1% | |
| COMMERCIAL SERVICES 0.9% | |
| JohnsonDiversey Holdings Inc., senior disc. note, zero cpn. to 5/17/07, 10.67% thereafter, 5/15/13 | United States |
| COMMUNICATIONS 7.5% | |
| Dobson Cellular Systems Inc., senior secured note, 9.875%, 11/01/12 | United States |
| Inmarsat Finance PLC, senior note, 7.625%, 6/30/12 | United Kingdom |
| (a), (b) Intelsat Bermuda Ltd., senior note, 144A, FRN, 8.695%, 1/15/12 | Bermuda |
| MCI Inc., senior note, 7.688%, 5/01/09 | United States |
| Millicom International Cellular SA, senior note, 10.00%, 12/01/13 ... | Luxembourg |
| (b) Qwest Communications International Inc., senior note, 144A, 7.50%, 2/15/14 | United States |
| (a) Rogers Wireless Communications Inc., senior secured note, FRN, 7.616%, 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 |
| CONSUMER DURABLES 2.6% | |
| D.R. Horton Inc., senior note, 8.00%, 2/01/09 | United States |
| General Motors Acceptance Corp., 6.875%, 8/28/12 | United States |
| 7.25%, 3/02/11 | United States |
| Simmons Co., senior sub. note, 7.875%, 1/15/14 | United States |
| CONSUMER NON-DURABLES 1.8% | |
| 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 |
| CONSUMER SERVICES 13.5% | |
| Advanstar Communications Inc., senior secured note, 10.75%, 8/15/10 | United States |
| (a) AMC Entertainment Inc., senior note, FRN, 8.59%, 8/15/10 | United States |
| Boyd Gaming Corp., senior sub. note, 8.75%, 4/15/12 | United States |
| 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 |
| Dex Media West LLC, senior sub. note, 9.875%, 8/15/13 | United States |
| DIRECTV Holdings LLC, senior note, 8.375%, 3/15/13 | United States |
| (b) Hertz Corp., senior note, 144A, 8.875%, 1/01/14 | United States |
| Liberty Media Corp., senior note, 7.875%, 7/15/09 | United States |

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LIN Television Corp., senior sub. note, 6.50%, 5/15/13 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, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

| | COUNTRY |
|---|---------------|
| BONDS (CONT.) | |
| CONSUMER SERVICES (CONT.) | |
| Quebecor Media Inc., senior disc. note, zero cpn. to 7/15/06, 13.75% thereafter, 7/15/11 | Canada |
| Royal Caribbean Cruises Ltd., senior note, 8.00%, 5/15/10 | United States |
| ELECTRONIC TECHNOLOGY 1.9% | |
| Flextronics International Ltd., senior sub. note, 6.25%, 11/15/14 | Singapore |
| 6.50%, 5/15/13 | Singapore |
| Sanmina-SCI Corp., senior sub. note, 6.75%, 3/01/13 | United States |
| Xerox Corp., senior note, 9.75%, 1/15/09 | United States |
| ENERGY MINERALS 1.5% | |
| Chesapeake Energy Corp., senior note, 7.50%, 6/15/14 | United States |
| (b)Massey Energy Co., senior note, 144A, 6.875%, 12/15/13 | 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%, 10/01/14 | United States |
| INDUSTRIAL SERVICES 1.6% | |
| Allied Waste North America Inc., senior note, B, 8.50%, 12/01/08 | United States |
| Hanover Equipment Trust 01, senior secured note, A, 8.50%, 9/01/08 | United States |
| NON-ENERGY MINERALS 1.1% | |

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| | |
|--|---------------|
| (a) Ispat Inland ULC, senior secured note, FRN, 10.804%, 4/01/10 | United States |
| PROCESS INDUSTRIES 4.5% | |
| (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 |
| Jefferson Smurfit Corp., senior note, 7.50%, 6/01/13 | United States |
| JSG Funding PLC, senior sub. note, 7.75%, 4/01/15 | Ireland |
| Nalco Co., | |
| senior note, 7.75%, 11/15/11 | United States |
| senior sub. note, 8.875%, 11/15/13 | United States |
| Rhodia SA, senior note, 10.25%, 6/01/10 | France |

4 | Quarterly Statement of Investments

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

| | COUNTRY |
|--|----------------|
| BONDS (CONT.) | |
| PRODUCER MANUFACTURING 3.1% | |
| 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 |
| TRW Automotive Inc., senior note, 9.375%, 2/15/13 | United States |
| REAL ESTATE INVESTMENT TRUSTS 1.1% | |
| Host Marriott LP, senior note, 9.25%, 10/01/07 | United States |
| RETAIL TRADE 0.5% | |
| (a), (b) GSC Holdings Corp., 144A, FRN, 7.845%, 10/01/11 | United States |
| TECHNOLOGY SERVICES 0.8% | |
| (a), (b) Sungard Data Systems Inc., senior note, 144A, FRN, 8.525%, 8/15/13 | United States |
| UTILITIES 5.1% | |
| Aquila Inc., senior note, 9.95%, 2/01/11 | United States |
| (b), (d), (e) Calpine Corp., senior secured note, 144A, 8.50%, 7/15/10 | United States |
| (b) Dynegy Holdings Inc., secured note, 144A, 9.875%, 7/15/10 | United States |
| Edison Mission Energy, senior note, 9.875%, 4/15/11 | United States |
| El Paso Natural Gas Co., senior note, A, 7.625%, 8/01/10 | United States |
| TXU Corp., 4.80%, 11/15/09 | United States |
| TOTAL BONDS (COST \$195,347,676) | |

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| | | |
|---|--|---------------|
| MORTGAGE-BACKED SECURITIES 32.8% | | |
| FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) FIXED RATE 14.8% | | |
| FHLMC Gold 15 Year, 4.50%, 6/01/18 - 9/01/18 | | United States |
| FHLMC Gold 15 Year, 5.00%, 9/01/18 - 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, 5.50%, 8/01/33 - 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 |

| | | |
|---|--|---------------|
| FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) ADJUSTABLE RATE 1.0% | | |
| (a) FNMA, 4.613%, 7/01/34 | | United States |
| (a) FNMA, 5.942%, 6/01/32 | | United States |

| | | |
|---|--|---------------|
| FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) FIXED RATE 11.6% | | |
| FNMA 15 Year, 5.00%, 10/01/17 | | United States |
| FNMA 15 Year, 5.50%, 10/01/17 - 4/01/18 | | United States |
| FNMA 15 Year, 7.00%, 9/01/18 | | United States |

QUARTERLY STATEMENT OF INVESTMENTS | 5

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

COUNTRY

| | | |
|---|--|---------------|
| MORTGAGE-BACKED SECURITIES (CONT.) | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) FIXED RATE (CONT.) | | |
| FNMA 30 Year, 5.00%, 10/01/35 | | United States |
| (f) FNMA 30 Year, 5.50%, 8/01/33 - 1/15/36 | | United States |
| (f) FNMA 30 Year, 6.00%, 1/01/29 - 11/01/35 | | 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 5.4% | | |
| GNMA I SF 30 Year, 5.50%, 4/15/33 - 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 |

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TOTAL MORTGAGE-BACKED SECURITIES (COST \$125,392,008)

ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED

SECURITIES 10.1%

FINANCE 10.1%

| | |
|--|---------------|
| (a) Argent Securities Inc., 2003-W5, M4, FRN, 8.129%, 10/25/33 | United States |
| (a) GSR Mortgage Trust, 2003-AHL, B1, FRN, 8.379%, 10/25/33 | United States |
| (a) Merrill Lynch Mortgage Investors Inc., 2003-OPT1, B2, FRN, 7.129%, 7/25/34 | United States |
| (a) Morgan Stanley ABS Capital, 2003-HE3, B1, FRN, 7.679%, 10/25/33 | United States |
| 2003-NC10, B1, FRN, 7.679%, 10/25/33 | United States |
| (b) Morgan Stanley Auto Loan Trust, 2003-HB1, D, 144A, 5.50%, 4/15/11 | United States |
| (a) Morgan Stanley Dean Witter Capital I, 2003-NC3, B1, FRN, 7.379%, 3/25/33 | United States |
| (a) New Century Home Equity Loan Trust, 2003-2, M3, FRN, 8.079%, 1/25/33 | United States |
| (a) Option One Mortgage Loan Trust, 2003-6, M5, FRN, 7.679%, 11/25/33 | United States |
| (a) Residential Asset Securities Corp., 2003-KS10, MII3, FRN, 6.929%, 12/25/33 | United States |
| (a) Specialty Underwriting & Residential Finance, 2003-BC4, B2, FRN, 6.879%, 11/25/34 | United States |
| (a) Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 7.629%, 4/25/33 | United States |
| 2003-BC13, M4, FRN, 7.129%, 11/25/33 | United States |

TOTAL ASSET-BACKED SECURITIES AND COMMERCIAL
MORTGAGE-BACKED SECURITIES (COST \$37,504,319)

6 | Quarterly Statement of Investments

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

| ----- | | COUNTRY |
|--|---------------|---------|
| ----- | | ----- |
| (a) SENIOR FLOATING RATE INTERESTS 48.8% | | |
| COMMERCIAL SERVICES 0.1% | | |
| JohnsonDiversey Inc., Term Loan B, 6.87%, 12/09/11 | United States | |
| COMMUNICATIONS 5.9% | | |
| AAT Communications Corp., First Lien Term Loan, 6.16%, 7/27/12 | United States | |
| Alaska Communications Systems Holdings Inc., Incremental Term Loan, 6.527%, 2/01/12 | United States | |
| Term Loan, 6.527%, 2/01/12 | United States | |
| Fairpoint Communications Inc., Term Loan B, 6.313%, 2/08/12 | United States | |
| Hawaiian Telecom Communications Inc., Term Loan B, 6.78%, 10/31/12 | United States | |
| Iowa Telecommunications Services Inc., Term Loan B, 6.28 - 6.40%, 11/23/11 | United States | |

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| | |
|---|---------------|
| New Skies Satellites BV, Term Loan, 6.188%, 5/02/11 | Netherlands |
| Panamsat Corp., Term Loan B1, 6.438 - 6.489%, 8/01/11 | United States |
| Valor Telecommunications Enterprises LLC, Term Loan, 5.811 - 6.277%, 2/24/12 | United States |

CONSUMER DURABLES 4.0%

| | |
|---|---------------|
| Eastman Kodak Co., Term Loan B, 6.424 - 6.75%, 10/18/12 | United States |
| Jarden Corp., Term Loan B2, 6.277%, 1/24/12 | United States |
| Sealy Mattress Co., Term Loan D, 6.118 - 6.16%, 4/12/13 | United States |
| Solo Cup Co., Term Loan B, 6.98 - 7.027%, 2/27/11 | United States |
| Stile Acquisition Corp. (Masonite), Canadian Term Loan, 6.206 - 6.527%, 4/05/13 | Canada |
| Stile U.S. Acquisition Corp. (Masonite), U.S. Term Loan, 6.206 - 6.527%, 4/05/13 | United States |

CONSUMER NON-DURABLES 1.8%

| | |
|--|---------------|
| Acco Brands Corp., Term Loan B, 5.918 - 6.247%, 8/05/12 | United States |
| Constellation Brands Inc., Term Loan B, 5.438 - 5.75%, 12/22/11 | United States |
| Dole Food Co. Inc., Term Loan B, 5.438 - 7.75%, 4/18/12 | Bermuda |
| Meow Mix Co., Term Loan B, 7.09%, 7/13/11 | United States |
| Michael Foods Inc., Term Loan B1, 6.501 - 6.671%, 11/21/10 | United States |
| Southern Wine & Spirits of America Inc., Term Loan B, 6.027%, 5/31/12 | United States |

CONSUMER SERVICES 13.6%

| | |
|---|---------------|
| Alderwoods Group Inc., Term Loan B2, 5.84 - 6.37%, 9/17/09 | United States |
| Arby's Restaurant Holdings LLC, Term Loan B, 6.493 - 6.777%, 7/25/12 | United States |
| Charter Communications Operating LLC, Term Loan B, 7.50%, 4/27/11 | United States |
| Cinram International Inc., Term Loan D, 6.66%, 9/30/09 | Canada |

QUARTERLY STATEMENT OF INVESTMENTS | 7

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

COUNTRY

(a) SENIOR FLOATING RATE INTERESTS (CONT.)

CONSUMER SERVICES (CONT.)

| | |
|---|---------------|
| Dex Media West LLC, Term Loan B, 5.87 - 6.28%, 3/09/10 | United States |
| DIRECTV Holdings LLC, Term Loan B, 5.87%, 4/13/13 | United States |
| Emmis Operating Co., Term Loan B, 6.120%, 11/10/11 | United States |
| Entravision Communications Corp., Term Loan B, 5.55%, 3/29/12 | United States |
| Hertz Corp., | |

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| | |
|---|---------------|
| Credit Link, 4.50%, 12/21/12 | United States |
| Term Loan B, 8.50%, 12/21/12 | United States |
| Insight Midwest Holdings LLC, Term Loan A, 5.813%, 6/30/09 | United States |
| Term Loan C, 6.563%, 12/31/09 | United States |
| Intelsat (Bermuda) Ltd., senior Term Loan Facility, 5.813%, 7/28/11 | Bermuda |
| Mediacom Broadband (MCC Iowa), Term Loan C, 6.23 - 6.527%, 1/31/14 | United States |
| MediaNews Group Inc., Term Loan C, 5.64%, 12/30/10 | United States |
| Metro-Goldwyn-Mayer Inc., Term Loan B, 6.78%, 4/08/12 | United States |
| Mission Broadcasting Inc., Term Loan B, 6.28%, 10/01/12 | United States |
| Nexstar Broadcasting Inc., Term Loan B, 6.28%, 10/01/12 | United States |
| Penn National Gaming Inc., Term Loan B, 5.97 - 6.28%, 10/03/12 | United States |
| R.H. Donnelley Inc., Term Loan D, 5.81 - 6.28%, 6/30/11 | United States |
| Rainbow National Services LLC, Term Loan B, 7.188%, 3/31/12 | United States |
| Regal Cinemas Inc., Term Loan B, 6.527%, 11/10/10 | United States |
| UPC Financing Partnership, Term Loan H2, 6.804%, 9/30/12 | Netherlands |
| WMG Acquisition Corp., Term Loan B, (Warner Music), 6.194 - 6.59%, 2/23/11 | United States |
| | |
| ELECTRONIC TECHNOLOGY 0.2% | |
| Onex Wind Finance LP (Mid-Western Aircraft), Term Loan B, 6.409%, 12/31/11 | United States |
| | |
| ENERGY MINERALS 0.7% | |
| Citgo Petroleum Corp., Term Loan B, 5.676%, 11/15/12 | United States |
| Walter Industries Inc., Term Loan B, 6.054 - 6.527%, 10/03/12 | United States |
| | |
| FINANCE 5.7% | |
| (f)Capital Automotive., Term Loan B, 8.00%, 12/05/10 | United States |
| Conseco Inc., Term Loan, 6.37%, 6/22/10 | United States |
| Fidelity National Information Services Inc., Term Loan B, 6.11%, 3/09/13 | United States |
| General Growth Properties Inc., Term Loan B, 6.22%, 11/15/08 | United States |
| Kyle Acquisition Group, Term Loan B, 6.50%, 7/20/08 | United States |
| Term Loan C, 6.50%, 7/20/10 | United States |

8 | QUARTERLY STATEMENT OF INVESTMENTS

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

COUNTRY

(a) SENIOR FLOATING RATE INTERESTS (CONT.)
FINANCE (CONT.)

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| | |
|---|---------------|
| LandSource Communities Development LLC, Term Loan B, 6.875%, 3/31/10 | United States |
| Lion Gables Realty LP, Term Loan B, 6.09 - 6.15%, 9/30/06 | United States |
| Macerich Co., Interim Loan Facility, 6.038%, 3/31/06 | United States |
| Maguire Properties Inc., Term Loan B, 6.081%, 2/23/10 | United States |
| Nasdaq Stock Market Inc., Term Loan B, 6.00 - 6.188%, 12/08/11 | United States |
| Newkirk Master LP, Term Loan B, 5.804 - 6.00%, 8/11/08 | United States |
| Yellowstone Club, Term Loan, 6.764%, 9/30/10 | United States |
| | |
| HEALTH SERVICES 1.5% | |
| DaVita Inc., Term Loan B, 6.40 - 6.94%, 10/05/12 | United States |
| LifePoint Hospitals Inc., Term Loan B, 6.185%, 4/15/12 | United States |
| | |
| INDUSTRIAL SERVICES 1.4% | |
| Allied Waste North America Inc., Credit Link, 4.168%, 1/15/12 | United States |
| Term Loan B, 6.09 - 6.39%, 1/15/12 | United States |
| EpcO Holdings Inc., Term Loan B, 6.418 - 6.639%, 8/18/10 | United States |
| (f)Petroleum Geo-Services ASA and PGS Finance Inc., Term Loan, 7.00%, 12/17/12 | Norway |
| Washington Group International Inc., Synthetic Term Loan, 3.92%, 6/14/10 | United States |
| | |
| NON-ENERGY MINERALS 1.4% | |
| Novelis Corp., U.S. Term Loan, 6.011%, 1/09/12 | United States |
| Novelis Inc., Canadian Term Loan, 6.011%, 1/09/12 | Canada |
| St. Marys Cement Inc., Term Loan B, 6.527%, 12/04/09 | Canada |
| | |
| PROCESS INDUSTRIES 5.0% | |
| Berry Plastics Corp., Term Loan, 6.447%, 12/02/11 | United States |
| Boise Cascade LLC, Term Loan D, 6.156 - 6.281%, 10/28/11 | United States |
| Brenntag, (f)Term Loan B2, 8.75%, 12/22/13 | United States |
| (f)Term Loan B3, 8.75%, 12/22/12 | Germany |
| Graham Packaging Co., First Lien Term Loan, 6.375 - 6.813%, 10/07/11 | United States |
| Hexion Specialty Chemicals Inc., Tranche B-1, 6.875%, 5/31/12 | United States |
| Tranche B-3 Credit Linked, 4.069%, 5/31/12 | United States |
| Huntsman International LLC, Term Loan B, 6.12%, 8/16/12 | United States |
| Nalco Co., Term Loan B, 5.87 - 8.25%, 11/04/10 | United States |
| NewPage Corp., Term Loan, 7.563%, 5/02/11 | United States |
| Polymer Group Inc., Term Loan, 6.769%, 11/22/10 | United States |

QUARTERLY STATEMENT OF INVESTMENTS | 9

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

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| | COUNTRY |
|---|---------------|
| (a) SENIOR FLOATING RATE INTERESTS (CONT.) | |
| PROCESS INDUSTRIES (CONT.) | |
| Resolution Europe BV (Hexion), Tranche B-2, 7.063%, 5/31/12 | Netherlands |
| Rockwood Specialties Group Inc., Term Loan E, 6.216%, 7/30/12 | United States |
| PRODUCER MANUFACTURING 3.4% | |
| Day International Group Inc., Term Loan B, 7.03%, 12/05/12 | United States |
| Euramax International Inc., Term Loan B, 7.241%, 6/29/12 | United States |
| Headwaters Inc., Term Loan B, 6.43 - 8.50%, 4/30/11 | United States |
| Itron Inc., Term Loan C, 6.125 - 8.00%, 7/01/11 | United States |
| Nortek Inc., Term Loan, 6.94 - 8.50%, 8/27/11 | United States |
| Sensus Metering Systems Inc., Term Loan, 6.35 - 6.54%, 12/17/10 | United States |
| TriMas Corp., Term Loan B, 8.02%, 12/06/09 | United States |
| TRW Automotive Inc., Term Loan B, 6.125%, 6/30/12 | United States |
| RETAIL TRADE 2.2% | |
| The Jean Coutu Group (PJC) Inc., Term Loan B, 6.50%, 7/30/11 | Canada |
| Neiman Marcus Group Inc., Term Loan, 6.947%, 4/06/13 | United States |
| Travelcenters of America Inc., Term Loan, 6.16 - 6.44%, 12/01/11 | United States |
| The William Carter Co., Term Loan B, 5.65 - 5.811%, 7/14/12 | United States |
| TECHNOLOGY SERVICES 0.8% | |
| Sungard Data Systems Inc., Term Loan, 6.81%, 2/11/13 | United States |
| UTILITIES 1.1% | |
| AES Corp., Term Loan B, 5.07 - 5.69%, 4/30/08 | United States |
| Texas Genco LLC, Delay Draw, 6.369 - 8.25%, 12/14/11 | United States |
| First Lien Term Loan, 6.369 - 6.389%, 12/14/11 | United States |
| TOTAL SENIOR FLOATING RATE INTERESTS (COST \$183,819,633) | |
| FOREIGN GOVERNMENT AND AGENCY SECURITIES 3.7% | |
| (a), (g) Government of Argentina, FRN, 4.005%, 8/03/12 | Argentina |
| Government of Korea, 6.90%, 1/16/07 | South Korea |
| 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 |
| New South Wales Treasury Corp., 6.50%, 5/01/06 | Australia |
| TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES (COST \$13,324,184) | |

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TOTAL LONG TERM INVESTMENTS (COST \$555,387,820)

10 | Quarterly Statement of Investments

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

STATEMENT OF INVESTMENTS, DECEMBER 31, 2005 (UNAUDITED) (CONTINUED)

| | COUNTRY |
|--|---------------|
| SHORT TERM INVESTMENTS 3.3% | |
| FOREIGN GOVERNMENT SECURITIES 0.8% | |
| Thailand Treasury Bill, 7/27/06 | Thailand |
| Thailand Treasury Bill, 9/07/06 | Thailand |
| TOTAL FOREIGN GOVERNMENT SECURITIES (COST \$3,075,155) | |
| TOTAL INVESTMENTS BEFORE MONEY FUND (COST \$558,462,975) | |
| MONEY FUND (COST \$9,468,546) 2.5% | |
| (h)Franklin Institutional Fiduciary Trust Money Market Portfolio | United States |
| TOTAL INVESTMENTS (COST \$567,931,521) 150.8% | |
| PREFERRED SHARES (50.1)% | |
| OTHER ASSETS, LESS LIABILITIES (0.7)% | |
| NET ASSETS APPLICABLE TO COMMON SHARES 100.0% | |

CURRENCY ABBREVIATIONS

AUD - Australian Dollar
 KRW - South Korean Won
 NOK - Norwegian Krone
 PLN - Polish Zloty
 SEK - Swedish Krona
 SGD - Singapore Dollar
 THB - Thai Baht

SELECTED PORTFOLIO ABBREVIATIONS

FHLMC - Federal Home Loan Mortgage Corporation
 FNMA - Federal National Mortgage Association
 FRN - Floating Rate Note
 GNMA - Government National Mortgage Association
 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

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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, 2005, the value of these securities was \$32,714,201, representing 8.63% of net assets applicable to common shares.

- (c) The principal amount is stated in U.S. dollars unless otherwise indicated.
- (d) Defaulted security.
- (e) See Note 3 regarding other considerations.
- (f) Security purchased on a when-issued or to-be-announced basis.
- (g) The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
- (h) The Franklin Institutional Fiduciary Trust Money Market Portfolio is managed by the Fund's investment manager.

Quarterly Statement of Investments | See Notes to Statement of Investments. | 11

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

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

1. INCOME TAXES

At December 31, 2005, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | |
|--|---------------|
| Cost of investments | \$569,978,908 |
| | ===== |
| Unrealized appreciation | \$ 7,136,921 |
| Unrealized depreciation | (5,609,990) |
| | ----- |
| Net unrealized appreciation (depreciation) | \$ 1,526,931 |
| | ===== |

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.

At December 31, 2005, unfunded commitments were as follows:

| BORROWER | UNFUNDED COMMITMENT |
|--|------------------------|
| Eastman Kodak Co., Term Loan B2 | \$ 970,588 |
| Hertz Corp., Delay Draw | 182,311 |
| JohnsonDiversey Inc., Delay Draw | 178,033 |
| | ----- |

\$1,330,932

=====

3. OTHER CONSIDERATIONS

Directors or employees of Franklin Advisors, Inc., as the Fund's Investment Manager, may serve as members of various bondholders' steering committees, on credit committees, or may represent the Fund in certain corporate restructuring negotiations. At January 6, 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 sell any of its holdings in 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.

12 | QUARTERLY STATEMENT OF INVESTMENTS

Item 2. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Quarterly Schedule of Portfolio Holdings on Form N-Q, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(b) Changes in Internal Controls. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

Item 3. Exhibits.

(A) Certification pursuant to Section 30a-2 under the Investment Company Act of 1940 of Jimmy D. Gambill, Chief Executive Officer - Finance and Administration, and Galen G. Vetter, Chief Financial Officer.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST

By /S/ JIMMY D. GAMBILL
Jimmy D. Gambill
Chief Executive Officer - Finance and Administration
Date February 21, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /S/ JIMMY D. GAMBILL
Jimmy D. Gambill
Chief Executive Officer - Finance and Administration
Date February 21, 2006

By /S/ GALEN G. VETTER
Galen G. Vetter
Chief Financial Officer
Date February 21, 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

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disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 21, 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;

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4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 21, 2006

/S/GALEN G. VETTER

Galen G. Vetter
Chief Financial Officer