

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, | | |

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

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

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| 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, | | |

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| | | |
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| 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 |

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| 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, | | | |

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| 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 |

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| (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, | | |

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| 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-A11, A11, 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 |

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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 |

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

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

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| | | |
|--|---------------|---------|
| 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%

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| | | |
|---|---------------|-----------|
| 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 | MY |
| 3.833%, 9/28/11 | Malaysia | 6,800,000 | MY |
| Government of Mexico, M 20, 10.00%, 12/05/24 | Mexico | 341,000 (j) | MX |
| Government of Sweden, 5.25%, 3/15/11 | Sweden | 19,400,000 | SE |

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)%

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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 | | | | | | | |

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| | | |
|---|-----------|-----|
| (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

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

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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

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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