

FRANKLIN TEMPLETON LTD DURATION INCOME TRUST

Form N-CSR

December 03, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

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: 9/30/07

Item 1. Reports to Stockholders.

[GRAPHIC OMITTED]

SEPTEMBER 30, 2007

SEMIANNUAL REPORT

INCOME

FRANKLIN TEMPLETON
LIMITED DURATION INCOME TRUST

[LOGO] (R)
FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN o Templeton o Mutual Series

Franklin Templeton Investments

GAIN FROM OUR PERSPECTIVE(R)

Franklin Templeton's distinct multi-manager
structure combines the specialized expertise of

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

three world-class investment management groups-- Franklin, Templeton and Mutual Series.

SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

FRANKLIN. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

TEMPLETON. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

MUTUAL SERIES. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

TRUE DIVERSIFICATION

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we seek to consistently provide investors with exceptional risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATE ACCOUNTS

[GRAPHIC OMITTED]

Not part of the semiannual report

Contents

SEMIANNUAL REPORT

Franklin Templeton Limited Duration Income Trust	1
Performance Summary	7
Annual Shareholders' Meeting	8
Dividend Reinvestment Plan	9

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

Financial Highlights and Statement of Investments	12
Financial Statements	24
Notes to Financial Statements	27
Shareholder Information	36

Semiannual Report

Franklin Templeton
Limited Duration Income Trust

YOUR FUND'S GOALS AND MAIN INVESTMENTS: Franklin Templeton Limited Duration Income Trust seeks to provide high, current income, with a secondary objective of capital appreciation to the extent possible, through a portfolio consisting primarily of high yield corporate bonds, floating rate bank loans and mortgage- and other asset-backed securities.

Dear Shareholder:

This semiannual report for Franklin Templeton Limited Duration Income Trust covers the period ended September 30, 2007.

PERFORMANCE OVERVIEW

For the six months under review, Franklin Templeton Limited Duration Income Trust posted cumulative total returns of +0.41% based on net asset value and -9.62% based on market price. Net asset value decreased from \$14.24 per share on March 31, 2007, to \$13.79 at period-end, and the market price fell from \$14.27 to \$12.40 over the same time. You can find the Fund's performance data in the Performance Summary on page 7.

ECONOMIC AND MARKET OVERVIEW

The U.S. economy grew at a solid pace for the six-month period ended September 30, 2007. A surge in exports fueled second quarter 2007 gross domestic product (GDP) growth to 3.8% annualized. In the third quarter,

THE DOLLAR VALUE, NUMBER OF SHARES OR PRINCIPAL AMOUNT, AND NAMES OF ALL PORTFOLIO HOLDINGS ARE LISTED IN THE FUND'S STATEMENT OF INVESTMENTS (SOI). THE SOI BEGINS ON PAGE 13.

Semiannual Report | 1

PORTFOLIO BREAKDOWN

Based on Total Investments as of 9/30/07*

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

Floating Rate Loans	39.0%
High Yield Corporate Bonds	30.7%
Mortgage-Backed Securities	22.4%
Foreign Government & Agency Securities	3.6%
Other Asset-Backed Securities	3.0%
Short-Term Investments & Other Net Assets	1.3%

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

* Total investments include long-term and short-term investments and other net assets excluding preferred stock issued by the Fund.

GDP growth advanced at an estimated 3.9% annualized rate, the fastest pace in over a year. Over the reporting period, consumer spending and personal income remained positive contributors to economic expansion, while a declining housing market, softening employment environment and tighter credit conditions weighed on overall economic growth.

Oil prices exhibited volatility, reaching a historical high in September. Core inflation, which excludes food and energy costs, remained modest. For September 2007, the core Consumer Price Index (CPI) had a 12-month increase of 2.1%.¹ The Federal Reserve Board's (Fed's) preferred measure of inflation, core personal consumption expenditures, reported a 12-month increase of 1.8%.² These current levels of inflation, generally within the Fed's target range of 1% to 2%, lessened near-term concerns and provided the Fed with more flexibility to respond to ongoing economic pressures resulting from tightening credit conditions.

In August, the Fed cut the discount rate (the Fed's interest rate charged to member banks) from 6.25% to 5.75% and followed up in September with a further cut of 50 basis points, bringing the rate to 5.25%. After remaining on hold since June 2006, the Fed lowered the federal funds target rate 50 basis points to 4.75% at its September meeting, citing increased uncertainty surrounding the economic outlook due to significant dislocations in parts of the credit markets. The committee noted that "some inflation risks remain, and it will continue to monitor inflation developments carefully." The Fed stated it will continue to act as necessary to restore stability as the potential of increased distress from a housing correction threatens to "restrain economic growth more generally."

Over the period, investors sought relative safety in short-term U.S. Treasuries, Treasury yields declined and the yield curve steepened. Short-term, two- and five-year yields declined substantially, with the two-year bill yielding 3.97% at the end of September, down from 4.58% six months earlier. The 10-year U.S. Treasury note ended September yielding 4.59%, compared with 4.65% at the beginning of the period.

INVESTMENT STRATEGY

We invest in a diversified mix of fixed income securities, primarily high yield corporate bonds, senior secured floating rate bank loans, and mortgage- and other asset-backed securities. Our top-down analysis of macroeconomic trends

1. Source: Bureau of Labor Statistics.
2. Source: Bureau of Economic Analysis.

2 | Semiannual Report

combined with a bottom-up fundamental analysis of market sectors, industries and issuers drives our investment process. We seek to maintain a limited duration, or interest rate sensitivity, to moderate the impact that fluctuating interest rates might have on the Fund's fixed income portfolio. Within the corporate bond and bank loan sectors, we seek securities trading at reasonable valuations from issuers with characteristics such as strong market positions, stable cash flows, reasonable capital structures, supportive asset values, strong sponsorship and improving credit fundamentals. In the mortgage- and other asset-backed securities sector, we look to capture an attractive income stream and total

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

return through our analysis of security prepayment assumptions, pricing inefficiencies and underlying collateral characteristics.

MANAGER'S DISCUSSION

The six-month period under review was one of extreme financial market volatility in general, and for the Fund's core asset classes in particular. Treasury yields and credit spreads exhibited more volatility than they have in recent history; first due to inflationary fears that drove Treasury yields to their highest levels in over five years, and then due to concerns that problems in the subprime mortgage markets would spill over into other asset classes and even impact the broader economy. During July and August 2007, disruptions in the commercial paper markets caused some companies to have difficulty refinancing their short-term obligations, prompting the Fed to step in and lower its overnight lending rate in an effort to prevent a broad credit crunch from occurring.

In this environment, all of the Fund's primary asset classes generated below-coupon returns. High yield bonds continued to benefit from positive fundamentals and a low default rate, but suffered from an overhang of leveraged buyout (LBO) financing that was not absorbed by the market this summer. Leveraged corporate bank loans faced a similar situation, with an even larger overhang of impending deals resulting from the near disappearance of the collateralized loan obligation (CLO) market, which had accounted for purchases of roughly two-thirds of all loans issued earlier in the year. The mortgage-backed securities (MBS) market saw divergent returns, as government-backed and government-sponsored securities benefited from investors' flight to quality, while subprime mortgages suffered from increasing default rates. Toward the latter half of the period we increased the Fund's exposure to bank loans, seeking to take advantage of recent market dislocation to purchase at attractive prices loans that are senior in the capital structure. Meanwhile, we lowered portfolio exposure to high yield corporate bonds and MBS, as we found these to be somewhat less attractive versus bank loans.

DIVIDEND DISTRIBUTIONS*

4/1/07-9/30/07

MONTH	DIVIDEND PER COMMON SHARE
April	8.4 cents
May	8.4 cents
June	8.4 cents
July	8.4 cents
August	8.4 cents
September	8.4 cents
TOTAL	50.4 CENTS

* All Fund distributions will vary depending upon current market conditions, and past distributions are not indicative of future trends.

Strong corporate earnings, a low default rate and sound balance sheet liquidity led to a favorable fundamental credit environment for high yield corporate bonds. These bonds' yield spreads over Treasuries, as measured by the Credit Suisse (CS) High Yield Index, trended tighter and reached a record low of 2.7 percentage points in early June 2007. ³ The spread widened dramatically on the heels of turmoil in the subprime mortgage markets and resultant investor concerns about a general credit crunch. At period-end, although we still believed the fundamental outlook remained healthy, high yield spreads remained below historical averages even after widening during the period. This contrasted sharply with the bank loan market. Therefore, we slightly reduced the Fund's high yield bond exposure in favor of bank loans, and maintained exposure to the sector slightly below one-third of the portfolio through period-end.

The bank loan market was strong during the first half of the reporting period, with record new-issue volume driven by large mergers and acquisitions (M&A) and LBO transactions. The large new-issue volume was easily absorbed by investors, primarily driven by demand from CLOs. As a result of this strong demand, transactions were aggressively structured to favor the borrower, with higher total leverage ratios, weaker collateral packages and "covenant-lite" transactions (those without maintenance covenants) dominating the new-issue market. Additionally, yield spreads remained tight and below historical averages.

By July the forward calendar for new supply ballooned to \$220 billion, as arrangers and borrowers became more aggressive in underwriting. At the same time, however, demand declined dramatically, as subprime mortgage market woes impacted risk premiums for structured credit products, including CLOs. As a result, yield spreads widened significantly in the new-issue market, which also put pressure on the secondary market, causing loan prices to fall substantially. In fact, the loan market suffered its worst month ever in July, and

3. Source: Credit Suisse (CS). The CS High Yield Index is designed to mirror the investible universe of the U.S. dollar-denominated high yield debt market.

4 | Semiannual Report

returned -3.3%, as measured by the CS Leveraged Loan Index. ⁴ The sell-off in July was largely viewed as technical in nature, as underlying corporate fundamentals remained strong and companies in the loan universe generally had adequate liquidity on their balance sheets. Finally, default rates remained below historical lows throughout the reporting period. With this recent technical sell-off, we continued to find attractive investment opportunities and further increased the Fund's exposure to loans, which at period-end remained the Fund's largest sector weighting.

During the six-month period, MBS and asset-backed securities (ABS) generally outperformed the high yield corporate and bank loan sectors. While tightening credit conditions caused credit spreads to widen in the high yield and bank loan markets, MBS issues from the country's three largest mortgage lenders -- GNMA, FNMA and FHLMC -- benefited somewhat from the recent flight to quality, owing largely to the perceived safety of their government backing or sponsorship. At the same time, securities from privately issued companies, as well as ABS, generally generated lower returns. In this environment, we found opportunities in higher-coupon MBS as they became less susceptible to early prepayments. We also found an opportunity to invest in those sectors that experienced yield spread widening and were hampered by low liquidity. We found what we believed were attractive opportunities in securitized loan sectors with strong credit fundamentals, specifically those related to commercial real estate. At

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

period-end, these investments were rated AAA and sat at the senior-most portion of the capital structure. The Fund had minimal exposure to subprime mortgage loans at period-end. It is important to note that the sub-prime bonds held by the Fund were all issued before 2005, when lending standards were higher than in 2006 and the first nine months of 2007. At period-end, the Fund had not experienced defaults on any of its subprime investments.

4. Source: CS. The CS Leveraged Loan Index is designed to mirror the investible universe of the U.S. dollar-denominated leveraged loan market.

Semiannual Report | 5

Thank you for your continued participation in Franklin Templeton Limited Duration Income Trust. We look forward to serving your future investment needs.

Sincerely,

[PHOTO OMITTED] /s/ Christopher J. Molumphy, CFA

Christopher J. Molumphy, CFA

[PHOTO OMITTED] /s/ Eric G. Takaha, CFA

Eric G. Takaha, CFA

[PHOTO OMITTED] /s/ Glenn I. Voyles, CFA

Glenn I. Voyles, CFA

[PHOTO OMITTED] /s/ Richard S. Hsu, CFA

Richard S. Hsu, CFA

[PHOTO OMITTED] /s/ Roger A. Bayston, CFA

Roger A. Bayston, CFA

Portfolio Management Team
Franklin Templeton Limited Duration Income Trust

THE FOREGOING INFORMATION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF SEPTEMBER 30, 2007, THE END OF THE REPORTING PERIOD. THE WAY WE IMPLEMENT OUR MAIN INVESTMENT STRATEGIES AND THE RESULTING PORTFOLIO HOLDINGS MAY CHANGE DEPENDING ON FACTORS SUCH AS MARKET AND ECONOMIC CONDITIONS. THESE OPINIONS MAY NOT BE RELIED UPON AS INVESTMENT ADVICE OR AN OFFER FOR A PARTICULAR SECURITY. THE INFORMATION IS NOT A COMPLETE ANALYSIS OF EVERY ASPECT OF ANY MARKET, COUNTRY, INDUSTRY, SECURITY OR THE FUND. STATEMENTS OF FACT ARE FROM SOURCES CONSIDERED RELIABLE, BUT THE INVESTMENT MANAGER MAKES NO REPRESENTATION OR WARRANTY AS TO THEIR COMPLETENESS OR ACCURACY. ALTHOUGH HISTORICAL PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS, THESE INSIGHTS MAY HELP YOU UNDERSTAND OUR INVESTMENT MANAGEMENT PHILOSOPHY.

6 | Semiannual Report

Performance Summary as of 9/30/07

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

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not reflect any sales charges paid at inception or brokerage commissions paid on secondary market purchases. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares.

PRICE AND DISTRIBUTION INFORMATION

SYMBOL:FTF	Change	9/30/07	3/31/07
Net Asset Value (NAV)	-\$0.45	\$13.79	\$14.24
Market Price (AMEX)	-\$1.87	\$12.40	\$14.27
DISTRIBUTIONS (4/1/07-9/30/07)			
Dividend Income	\$0.5040		

PERFORMANCE 1

	6-MONTH	1-YEAR	3-YEAR	COMMENCEMENT OF OPERATIONS (8/27/03)
Cumulative Total Return 2				
Based on change in NAV 3	+0.41%	+5.42%	+18.31%	+30.69%
Based on change in market price 4	-9.62%	+1.16%	+8.19%	+13.79%
Average Annual Total Return 2				
Based on change in NAV 3	+0.41%	+5.42%	+5.76%	+6.76%
Based on change in market price 4	-9.62%	+1.16%	+2.66%	+3.21%
Distribution Rate 5	8.13%			

PERFORMANCE DATA REPRESENT PAST PERFORMANCE, WHICH DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE, AND YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. CURRENT PERFORMANCE MAY DIFFER FROM FIGURES SHOWN.

ENDNOTES

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

INTEREST RATE MOVEMENTS AND MORTGAGE PREPAYMENTS WILL AFFECT THE FUND'S SHARE PRICE AND YIELD. THE RISKS ASSOCIATED WITH HIGHER-YIELDING, LOWER-RATED SECURITIES INCLUDE HIGHER RISK OF DEFAULT AND LOSS OF PRINCIPAL.

1. Figures are for common shares. As of 9/30/07, the Trust had leverage in the amount of 33.98% of the Trust's total assets. The Trust employs leverage through the issuance of Auction Preferred Shares. The use of financial leverage creates an opportunity for increased income but, at the same time, creates special risks (including the likelihood of greater volatility of net asset value and market price of common shares). The cost of leverage rises and falls with changes in short-term interest rates. Such increases/decreases in the cost of the Trust's leverage may be offset by increased/decreased income from the Trust's floating rate investments.

2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Six-month return has not been annualized.

3. Assumes reinvestment of distributions at net asset value.

4. Assumes reinvestment of distributions based on the dividend reinvestment plan.

5. Distribution rate is based on an annualization of the Fund's 8.4 cent per share September dividend and the AMEX closing price of \$12.40 on 9/30/07.

Semiannual Report | 7

Annual Shareholders' Meeting

SEPTEMBER 26, 2007

At an annual Meeting of Shareholders of Franklin Templeton Limited Duration Income Trust (Fund) held on September 26, 2007, shareholders approved the following:

Regarding the proposal to elect Trustees:

TRUSTEES	COMMON SHARES FOR	% OF OUTSTANDING SHARES	% OF VOTED	WITHHELD OR ABSTAIN	% OF OUTSTANDING SHARES	% OF VOTED
Harris J. Ashton	23,912,942.927	89.31%	98.64%	330,774.000	1.24%	1.36%
Sam Ginn	23,920,371.927	89.34%	98.67%	323,345.000	1.21%	1.33%
Edith E. Holiday	23,923,413.927	89.35%	98.68%	320,303.000	1.20%	1.32%
Larry D. Thompson	23,936,935.927	89.40%	98.73%	306,781.000	1.15%	1.27%
John B. Wilson	23,940,198.927	89.42%	98.75%	303,518.000	1.13%	1.25%

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

TRUSTEES	PREFERRED SHARES FOR	% OF OUTSTANDING SHARES	% OF VOTED	WITHHELD OR ABSTAIN	% OF OUTSTANDING SHARES	% OF VOTED
Harris J. Ashton	6,877.000	90.49%	99.77%	16.000	0.21%	0.23%
Sam Ginn	6,878.000	90.50%	99.78%	15.000	0.20%	0.22%
Edith E. Holiday	6,870.000	90.39%	99.67%	23.000	0.30%	0.33%
Larry D. Thompson	6,868.000	90.37%	99.64%	25.000	0.33%	0.36%
John B. Wilson	6,871.000	90.41%	99.68%	22.000	0.29%	0.32%

8 | Semiannual Report

Dividend Reinvestment Plan

The Fund's Dividend Reinvestment Plan (Plan) offers you a prompt and simple way to reinvest dividends and capital gain distributions (Distributions) in shares of the Fund. PFPC, Inc. (Agent), P.O. Box 43027, Providence, RI 02940-3027, will act as your Agent in administering the Plan. The Agent will open an account for you under the Plan in the same name as your outstanding shares are registered. The complete Terms and Conditions of the Dividend Reinvestment Plan are contained in the Fund's Dividend Reinvestment Plan Brochure. A copy of that Brochure may be obtained from the Fund at the address on the back cover of this report.

You are automatically enrolled in the Plan unless you elect to receive Distributions in cash. If you own shares in your own name, you should notify the Agent, in writing, if you wish to receive Distributions in cash.

If the Fund declares a Distribution, you, as a participant in the Plan, will automatically receive an equivalent amount of shares of the Fund purchased on your behalf by the Agent.

If on the payment date for a Distribution, the net asset value per share is equal to or less than the market price per share plus estimated brokerage commissions, the Agent shall receive newly issued shares, including fractions, from the Fund for your account. The number of additional shares to be credited shall be determined by dividing the dollar amount of the Distribution by the greater of the net asset value per share on the payment date, or 95% of the then current market price per share.

If the net asset value per share exceeds the market price plus estimated brokerage commissions on the payment date for a Distribution, the Agent (or a broker-dealer selected by the Agent) shall try, for a purchase period of 30 days, to apply the amount of such Distribution on your shares (less your pro rata share of brokerage commissions incurred) to purchase shares on the open market. The weighted average price (including brokerage commissions) of all shares it purchases shall be your allocated price per share. If, before the Agent has completed its purchases, the market price plus estimated brokerage commissions exceeds the net asset value of the shares as of the payment date, the purchase price the Agent paid may exceed the net asset value of the shares,

resulting in the acquisition of fewer shares than if such Distribution had been paid in shares issued by the Fund. Participants should note that they will not be able to instruct the Agent to purchase shares at a specific time or at a specific price. The Agent may make open-market purchases on any securities exchange where shares are traded, in the over-the-counter market or in negotiated transactions, may be on such terms as to price, delivery and otherwise as the Agent shall determine.

Semiannual Report | 9

The market price of shares on a particular date shall be the last sales price on the American Stock Exchange, or, if there is no sale on the exchange on that date, then the mean between the closing bid and asked quotations on the exchange on such date. The net asset value per share on a particular date shall be the amount most recently calculated by or on behalf of the Fund as required by law.

The Agent shall at all times act in good faith and agree to use its best efforts within reasonable limits to ensure the accuracy of all services performed under this agreement and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Agent's negligence, bad faith, or willful misconduct or that of its employees. Your uninvested funds held by the Agent will not bear interest. The Agent shall have no responsibility for the value of shares acquired. For the purpose of cash investments, the Agent may commingle your funds with those of other participants in the same Fund.

There is no direct charge to participants for reinvesting Distributions, since the Agent's fees are paid by the Fund. However, when shares are purchased in the open market, each participant will pay a pro rata portion of any brokerage commissions incurred. If you elect by notice to the Agent to have it sell part or all of your shares and remit the proceeds, the Agent will deduct brokerage commissions from the proceeds.

The automatic reinvestment of Distributions does not relieve you of any taxes that may be payable on Distributions. In connection with the reinvestment of Distributions, shareholders generally will be treated as having received a Distribution equal to the cash Distribution that would have been paid.

The Agent will forward to you any proxy solicitation material and will vote any shares so held for you first in accordance with the instructions set forth on proxies you return to the Fund, and then with respect to any proxies you do not return to the Fund in the same portion as the Agent votes proxies the participants return to the Fund.

As long as you participate in the Plan, the Agent will hold the shares it has acquired for you in safekeeping, in its name or in the name of its nominee. This convenience provides added protection against loss, theft or inadvertent destruction of certificates. However, you may request that a certificate representing your Plan shares be issued to you. Upon your written request, the Agent will deliver to you, without charge, a certificate or certificates for the full shares. The Agent will send you a confirmation of each acquisition made for your account as soon as practicable, but not later than 60 days after the acquisition

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

date. Although from time to time you may have an undivided fractional interest in a share of the Fund, no certificates for a fractional share will be issued. Distributions on fractional shares will be credited to your account. If you terminate your account under the Plan, the Agent will adjust for any such undivided fractional interest in cash at the market value of shares at the time of termination.

You may withdraw from the Plan at any time, without penalty, by notifying the Agent in writing at the address above or by telephone at 1-800/331-1710. Such termination will be effective with respect to a Distribution if the Agent receives your notice prior to the Distribution record date. The Agent or the Fund may terminate the Plan upon notice to you in writing mailed at least 30 days prior to any record date for the payment of any Distribution. Upon any termination, the Agent will issue, without charge, stock certificates for all full shares you own and will convert any fractional shares you hold at the time of termination to cash at current market price and send you a check for the proceeds.

The Fund or the Agent may amend the Plan. You will receive written notice at least 30 days before the effective date of any amendment.

Semiannual Report | 11

Franklin Templeton
Limited Duration Income Trust

FINANCIAL HIGHLIGHTS

	SIX MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)		2007	YE 2
PER COMMON SHARE OPERATING PERFORMANCE (for a common share outstanding throughout the period)				
Net asset value, beginning of period	\$	14.24	\$ 14.14	\$
Income from investment operations a:				
Net investment income b		0.65	1.32	
Net realized and unrealized gains (losses)		(0.41)	0.16	
Dividends to preferred shareholders from net investment income		(0.19)	(0.35)	
Total from investment operations		0.05	1.13	
Less distributions to common shareholders from net investment income		(0.50)	(1.03)	
Offering costs charged to capital:				
Common shares		--	--	
Preferred shares		--	--	
Total offering costs		--	--	
Net asset value, end of period	\$	13.79	\$ 14.24	\$

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

Market value, end of period c	\$	12.40	\$	14.27	\$
Total return (based on market value per share) d		(9.62)%		19.66%	
RATIOS TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES e					
Expenses		1.27%		1.27%	
Expenses net of expense reduction		1.27% f		1.26%	
Net investment income		9.27%		9.32%	
SUPPLEMENTAL DATA					
Net assets applicable to common shares, end of period (000's)	\$	369,106	\$	380,813	\$ 37
Portfolio turnover rate		28.71%		52.17%	
Asset coverage per preferred share	\$	73,567	\$	75,107	\$ 7
Liquidation preference per preferred share	\$	25,000	\$	25,000	\$ 2

a The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchase of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

b Based on average daily common shares outstanding.

c Based on the last sale on the American Stock Exchange.

d Total return is not annualized for periods less than one year.

e Ratios are annualized for periods less than one year.

f Benefit of expense reduction rounds to less than 0.01%.

g For the period August 27, 2003 (commencement of operations) to March 31, 2004.

12 | The accompanying notes are an integral part of these financial statements.
| Semiannual Report

Franklin Templeton
Limited Duration Income Trust

STATEMENT OF INVESTMENTS, SEPTEMBER 30, 2007 (UNAUDITED)

	COUNTRY	PRI
LONG TERM INVESTMENTS 148.5%		
CORPORATE BONDS 46.4%		
COMMERCIAL SERVICES 2.7%		
b ARAMARK Corp., senior note, FRN, 8.856%, 2/01/15	United States	
Dex Media West LLC, senior sub. note, 9.875%, 8/15/13	United States	
JohnsonDiversey Holdings Inc., senior disc. note, 10.67%, 5/15/13	United States	
Rental Service Corp., 9.50%, 12/01/14	United States	

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

COMMUNICATIONS 4.2%	
c Digicel Group Ltd., senior note, 144A, 8.875%, 1/15/15	Jamaica
Dobson Cellular Systems Inc., senior secured note, 9.875%, 11/01/12	United States
Intelsat Subsidiary Holding Co. Ltd., senior note, 8.25%, 1/15/13	Bermuda
c MetroPCS Wireless Inc., senior note, 144A, 9.25%, 11/01/14	United States
Millicom International Cellular SA, senior note, 10.00%, 12/01/13	Luxembourg
Qwest Communications International Inc., senior note, B, 7.50%, 2/15/14	United States
c Wind Acquisition Finance SA, senior note, 144A, 10.75%, 12/01/15	Italy
CONSUMER DURABLES 3.8%	
Beazer Homes USA Inc., senior note, 8.375%, 4/15/12	United States
Ford Motor Credit Co. LLC, b FRN, 9.81%, 4/15/12	United States
senior note, 5.80%, 1/12/09	United States
senior note, 9.875%, 8/10/11	United States
Jarden Corp., senior sub. note, 7.50%, 5/01/17	United States
Jostens IH Corp., senior sub. note, 7.625%, 10/01/12	United States
KB Home, senior note, 6.375%, 8/15/11	United States
CONSUMER NON-DURABLES 1.4%	
Reynolds American Inc., senior secured note, 7.25%, 6/01/13	United States
Smithfield Foods Inc., senior note, 8.00%, 10/15/09	United States
CONSUMER SERVICES 8.1%	
CanWest Media Inc., senior sub. note, 8.00%, 9/15/12	Canada
CCH II LLC, senior note, 10.25%, 9/15/10	United States
Clear Channel Communications Inc., senior note, 7.65%, 9/15/10	United States
CSC Holdings Inc., senior note, 8.125%, 7/15/09	United States
DIRECTV Holdings LLC, senior note, 8.375%, 3/15/13	United States
Liberty Media Corp., senior note, 7.875%, 7/15/09	United States

Semiannual Report | 13

Franklin Templeton
Limited Duration Income Trust

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

COUNTRY	PRI
---------	-----

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

LONG TERM INVESTMENTS (CONTINUED)	
CORPORATE BONDS (CONTINUED)	
CONSUMER SERVICES (CONTINUED)	
LIN Television Corp., senior sub. note, 6.50%, 5/15/13	United States
MGM MIRAGE, senior note, 6.75%, 4/01/13	United States
c Outback Steakhouse Inc., senior note, 144A, 10.00%, 6/15/15	United States
Pinnacle Entertainment Inc., senior sub. note, 8.75%, 10/01/13	United States
Quebecor Media Inc.,	
c,d 144A, 7.75%, 3/15/16	Canada
senior note, 7.75%, 3/15/16	Canada
Radio One Inc., senior sub. note, B, 8.875%, 7/01/11	United States
c Rainbow National Services LLC, senior sub. deb., 144A, 10.375%,	
9/01/14	United States
Royal Caribbean Cruises Ltd., senior note, 8.00%, 5/15/10	United States
ELECTRONIC TECHNOLOGY 2.3%	
b Freescale Semiconductor Inc., senior note, FRN, 9.569%,	
12/15/14	United States
NXP BV/NXP Funding LLC, senior secured note, 7.875%,	
10/15/14	Netherlands
Sanmina-SCI Corp.,	
b,c senior note, 144A, FRN, 8.444%, 6/15/14	United States
senior sub. note, 6.75%, 3/01/13	United States
TransDigm Inc., senior sub. note, 7.75%, 7/15/14	United States
ENERGY MINERALS 2.3%	
Chesapeake Energy Corp., senior note, 7.50%, 6/15/14	United States
Mariner Energy Inc., senior note, 7.50%, 4/15/13	United States
c Petroplus Finance Ltd., senior note, 144A, 6.75%, 5/01/14	Switzerland
FINANCE 3.6%	
Cit Group Co of Canada, 4.65%, 7/01/10	Canada
E*TRADE Financial Corp., senior note, 8.00%, 6/15/11	United States
GMAC LLC,	
7.25%, 3/02/11	United States
6.875%, 8/28/12	United States
d ICICI Bank Ltd., 6.625%,10/03/12	India
Lehman Brothers Holdings Inc., senior note, 6.20%, 9/26/14	United States
United Rentals North America Inc., senior sub. note, 7.75%,	
11/15/13	United States
HEALTH SERVICES 5.3%	
Coventry Health Care Inc., senior note, 5.875%, 1/15/12	United States
DaVita Inc.,	
senior note, 6.625%, 3/15/13	United States
senior sub. note, 7.25%, 3/15/15	United States

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

Limited Duration Income Trust

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

	COUNTRY	PRI
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
HEALTH SERVICES (CONTINUED)		
c FMC Finance III SA, senior note, 144A, 6.875%, 7/15/17	Germany	
Fresenius Medical Care Capital Trust II, 7.875%, 2/01/08	Germany	
c HCA Inc., senior secured note, 144A, 9.125%, 11/15/14	United States	
Tenet Healthcare Corp., senior note, 6.375%, 12/01/11	United States	
b,c U.S. Oncology Holdings Inc., senior note, 144A, FRN, 10.759%, 3/15/12	United States	
United Surgical Partners International Inc., senior sub. note, PIK, 9.25%, 5/01/17	United States	
Vanguard Health Holding Co. II LLC, senior sub. note, 9.00%, 10/01/14	United States	
INDUSTRIAL SERVICES 1.7%		
Compagnie Generale de Geophysique-Veritas, senior note, 7.50%, 5/15/15	France	
El Paso Corp., senior note, 6.875%, 6/15/14	United States	
Williams Co. Inc., 8.125%, 3/15/12	United States	
NON-ENERGY MINERALS 0.8%		
b Freeport-McMoRan Copper & Gold Inc., senior note, FRN, 8.564%, 4/01/15	United States	
PROCESS INDUSTRIES 5.2%		
Buckeye Technologies Inc., senior sub. note, 8.00%, 10/15/10	United States	
Crown Americas Inc., senior note, 7.625%, 11/15/13	United States	
Huntsman International LLC, senior sub. note, 7.875%, 11/15/14	United States	
c Ineos Group Holdings PLC, 144A, 8.50%, 2/15/16	United Kingdom	
JSG Funding PLC, senior sub. note, 7.75%, 4/01/15	Ireland	
Lyondell Chemical Co., senior note, 8.00%, 9/15/14	United States	
c MacDermid Inc., senior sub. note, 144A, 9.50%, 4/15/17	United States	
Nalco Co., senior sub. note, 8.875%, 11/15/13	United States	
PRODUCER MANUFACTURING 0.6%		
RBS Global & Rexnord Corp., senior note, 9.50%, 8/01/14	United States	
REAL ESTATE INVESTMENT TRUST 0.8%		
Host Marriott LP, senior note, K, 7.125%, 11/01/13	United States	
RETAIL TRADE 0.6%		
c Michaels Stores Inc., senior note, 144A, 10.00%, 11/01/14	United States	
TECHNOLOGY SERVICES 1.1%		
SunGard Data Systems Inc., senior note, 9.125%, 8/15/13	United States	

Franklin Templeton
 Limited Duration Income Trust

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

	COUNTRY	PRI
LONG TERM INVESTMENTS (CONTINUED)		
CORPORATE BONDS (CONTINUED)		
UTILITIES 1.9%		
Aquila Inc., senior note, 9.95%, 2/01/11	United States	
c Dynegy Holdings Inc., senior note, 144A, 7.50%, 6/01/15	United States	
NRG Energy Inc., senior note, 7.25%, 2/01/14	United States	
TOTAL CORPORATE BONDS (COST \$171,512,980)		
MORTGAGE-BACKED SECURITIES 33.9%		
b FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) ADJUSTABLE RATE 0.3%		
FHLMC, 5.235%, 5/01/34	United States	
FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) FIXED RATE 11.7%		
FHLMC Gold 15 Year, 4.50%, 6/01/18 - 9/01/18	United States	
FHLMC Gold 15 Year, 5.00%, 9/01/18	United States	
FHLMC Gold 15 Year, 5.00%, 11/01/18	United States	
FHLMC Gold 15 Year, 5.50%, 7/01/19	United States	
FHLMC Gold 15 Year, 6.00%, 5/01/22	United States	
FHLMC Gold 30 Year, 5.50%, 8/01/33	United States	
FHLMC Gold 30 Year, 5.50%, 12/01/34 - 2/01/37	United States	
FHLMC Gold 30 Year, 6.00%, 7/01/28 - 10/01/36	United States	
FHLMC Gold 30 Year, 6.00%, 7/01/36	United States	
FHLMC Gold 30 Year, 6.50%, 1/01/35	United States	
FHLMC Gold 30 Year, 7.00%, 9/01/27	United States	
FHLMC Gold 30 Year, 8.00%, 1/01/31	United States	
FHLMC Gold 30 Year, 8.50%, 7/01/31	United States	
b FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) ADJUSTABLE RATE 0.6%		
FNMA, 4.598%, 7/01/34	United States	
FNMA, 5.99%, 6/01/32	United States	
FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) FIXED RATE 18.7%		
FNMA 15 Year, 5.00%, 10/01/17	United States	
FNMA 15 Year, 5.50%, 10/01/17 - 1/01/21	United States	
FNMA 15 Year, 6.00%, 8/01/21	United States	
FNMA 15 Year, 6.00%, 9/01/21	United States	

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

FNMA 15 Year, 6.50%, 7/01/20	United States
FNMA 30 Year, 5.00%, 3/01/37	United States
FNMA 30 Year, 5.50%, 8/01/33 - 1/01/36	United States
FNMA 30 Year, 5.50%, 9/01/33	United States
FNMA 30 Year, 6.00%, 4/01/33 - 1/01/36	United States
FNMA 30 Year, 6.50%, 8/01/32 - 6/01/36	United States
FNMA 30 Year, 6.50%, 6/01/36	United States
FNMA 30 Year, 7.00%, 9/01/18	United States
FNMA 30 Year, 8.00%, 10/01/29	United States
FNMA 30 Year, 8.50%, 8/01/26	United States

16 | Semiannual Report

Franklin Templeton
Limited Duration Income Trust

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

	COUNTRY

LONG TERM INVESTMENTS (CONTINUED)	
MORTGAGE-BACKED SECURITIES (CONTINUED)	
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) FIXED RATE 2.6%	
GNMA I SF 30 Year, 5.50%, 4/15/33 - 12/15/34	United States
GNMA I SF 30 Year, 5.50%, 12/15/34	United States
GNMA I SF 30 Year, 6.50%, 6/15/31 - 12/15/33	United States
GNMA II SF 30 Year, 7.00%, 1/20/24 - 1/20/29	United States
GNMA II SF 30 Year, 8.00%, 1/20/28 - 2/20/32	United States
TOTAL MORTGAGE-BACKED SECURITIES (COST \$126,547,809)	
ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED	
SECURITIES 4.6%	
COMMERCIAL SERVICES 1.3%	
Banc of America Commercial Mortgage Inc., 2005-3, A2, 4.501%, 7/10/43	United States
FINANCE 3.3%	
b Argent Securities Inc., 2003-W5, M4, FRN, 6.663%, 10/25/33	United States
b Chase Funding Mortgage Loan Asset-Backed Certificates, 2004-2, 2A2, FRN, 5.381%, 2/25/35	United States
b Citigroup/Deutsche Bank Commercial Mortgage Trust, 2005-CD1, A3, FRN, 5.40%, 7/15/44	United States
b GSAMP Trust, 2003-AHL, B1, FRN, 9.131%, 10/25/33	United States
b Merrill Lynch Mortgage Investors Trust, 2003-OPT1, B2, FRN, 7.881%, 7/25/34	United States
b Morgan Stanley ABS Capital, 2003-HE3, B1, FRN, 8.431%, 10/25/33	United States

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

2003-NC10, B1, FRN, 8.431%, 10/25/33	United States
b Morgan Stanley Dean Witter Capital I, 2003-NC3, B1, FRN, 9.252%, 3/25/33	United States
b New Century Home Equity Loan Trust, 2003-2, M3, FRN, 10.169%, 1/25/33	United States
b Option One Mortgage Loan Trust, 2003-6, M5, FRN, 8.431%, 11/25/33	United States
b Specialty Underwriting & Residential Finance, 2003-BC4, B2, FRN, 7.631%, 11/25/34	United States
b Structured Asset Investment Loan Trust, 2003-BC2, M3, FRN, 8.381%, 4/25/33	United States
2003-BC13, M4, FRN, 7.881%, 11/25/33	United States

TOTAL ASSET-BACKED SECURITIES AND COMMERCIAL MORTGAGE-BACKED
SECURITIES (COST \$18,973,442)

b,e SENIOR FLOATING RATE INTERESTS 59.1%	
COMMERCIAL SERVICES 8.8%	
Acxiom Corp., Term Loan B, 7.503%, 9/14/12	United States
Affiliated Computer Services Inc., Additional Term Loan, 7.565% - 7.819%, 3/20/13	United States
Term Loan B, 7.129%, 3/20/13	United States

Semiannual Report | 17

Franklin Templeton
Limited Duration Income Trust

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

-----		COUNTRY
-----		-----
LONG TERM INVESTMENTS (CONTINUED)		
b,e SENIOR FLOATING RATE INTERESTS (CONTINUED)		
COMMERCIAL SERVICES (CONTINUED)		
ARAMARK Corp.,		
Synthetic L/C, 5.20%, 1/26/14	United States	
Term Loan B, 7.198%, 1/26/14	United States	
Cenveo Corp.,		
Delayed Draw Term Loan, 6.988%, 6/21/13	United States	
Term Loan C, 6.988%, 6/21/13	United States	
Corporate Express NV, Term Loan D-1 Add-On, 7.592% - 7.646%, 12/23/10	United States	
Dealer Computer Services Inc. (Reynolds & Reynolds), First Lien Term Loan, 7.198%, 10/26/12		
Dex Media West LLC, Term Loan B2, 6.63% - 7.22%, 3/09/10	United States	
Emdeon Business Services LLC, First Lien Term Loan, 7.448% - 7.45%, 11/16/13	United States	
d First Data Corp., Term Loan B-2, 9.50%, 10/01/14	United States	
d Idearc Inc., Term Loan B, 7.36%, 11/17/14	United States	
d Nielsen Finance LLC (VNU Inc.), Term Loan B, 7.36%, 8/09/13	United States	

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

R.H. Donnelley Inc., Term Loan D-2, 6.63% - 7.22%, 6/30/11 United States
 Workflow Management Inc., Term Loan B, 9.856%, 11/30/11 United States

COMMUNICATIONS 2.4%

Alaska Communications Systems Holdings Inc.,
 2005 Incremental Loan, 6.948%, 2/01/12 United States
 Term Loan, 6.948%, 2/01/12 United States
 West Corp., Term Loan B-2, 7.504% - 7.88%, 10/24/13 United States
 Windstream Corp., Tranche B-1, 6.86%, 7/17/13 United States

CONSUMER DURABLES 1.4%

Jarden Corp., Term Loan B2, 6.95%, 1/24/12 United States
 Stile Acquisition Corp. (Masonite), Canadian Term Loan, 7.36%,
 4/05/13 Canada
 Stile U.S. Acquisition Corp. (Masonite), U.S. Term Loan, 7.36%,
 4/05/13 United States

CONSUMER NON-DURABLES 2.9%

Acco Brands Corp., Term Loan B, 7.11% - 7.338%, 8/17/12 United States
 Bumble Bee Foods LLC, Term Loan B, 7.106% - 7.11%,
 5/02/12 United States
 CBRL Group (Cracker Barrel),
 Term Loan B1, 6.86%, 4/27/13 United States
 f Term Loan B2 (Delayed Draw), 6.86%, 4/27/13 United States
 Central Garden & Pet Co., Term Loan B, 6.63% - 7.31%,
 9/30/12 United States

18 | Semiannual Report

Franklin Templeton
 Limited Duration Income Trust

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

COUNTRY

LONG TERM INVESTMENTS (CONTINUED)
 b,e SENIOR FLOATING RATE INTERESTS (CONTINUED)

CONSUMER NON-DURABLES (CONTINUED)

Constellation Brands Inc., Term Loan B, 6.688% - 7.188%,
 6/05/13 United States
 Dean Foods Co., Term Loan B, 6.70%, 4/02/14 United States
 Del Monte Foods Co., Term Loan B, 6.649%, 2/08/12 United States
 Michael Foods Inc., Term Loan B1, 7.361%, 11/21/10 United States

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

CONSUMER SERVICES 17.5%	
Arby's Restaurant Holdings LLC, Term Loan B, 7.379% - 7.61%, 7/25/12	United States
Charter Communications Operating LLC, New First Lien Term Loan, 7.13%, 3/06/14	United States
Refinance First Lien Term Loan, 7.36%, 3/06/14	United States
Cinram International, Term Loan B, 7.36%, 5/05/11	Canada
Citadel Broadcasting Corp., Term Loan B, 6.755% - 6.825%, 6/12/14	United States
CSC Holdings Inc. (Cablevision), Incremental Term Loan, 7.569%, 3/29/13	United States
d Education Management LLC, Term Loan C, 7.125%, 6/01/13	United States
Entravision Communications Corp., Term Loan B, 6.86%, 3/29/13	United States
Gatehouse Media Operating Inc., Delayed Draw Term Loan, 7.36% - 7.51%, 8/28/14	United States
Term Loan, 7.51%, 8/28/14	United States
Gray Television Inc., Term Loan B, 6.86%, 12/31/14	United States
Insight Midwest Holdings, Term Loan B, 7.11%, 4/02/14	United States
Intelsat Corp. (Panamsat), Term Loan B2, 7.36%, 1/03/14	United States
Intelsat Subsidiary Holding Co. Ltd., Term Loan B, 7.36%, 6/30/13	United States
d Laureate Education Inc., Delayed Draw Term Loan, 7.773%, 9/25/14	United States
Term Loan B, 7.773%, 9/25/2014	United States
MCC Iowa, Term Loan D-1, 6.88%, 1/31/15	United States
Term Loan D-2 (Delayed Draw), 6.88%, 1/31/15	United States
MediaNews Group Inc., Term Loan B, 6.879%, 12/30/10	United States
Mission Broadcasting Inc., Term Loan B, 6.948%, 10/01/12	United States
Nexstar Broadcasting Inc., Term Loan B, 6.948%, 10/01/12	United States
d OSI Restaurant Partners LLC (Outback), Pre-Funded Revolving Credit, 5.523%, 6/14/13	United States
Term Loan B, 7.438%, 6/14/14	United States
Penn National Gaming Inc., Term Loan B, 6.95% - 7.11%, 10/03/12	United States
Regal Cinemas Corp., Term Loan, 6.70%, 10/27/13	United States
Tribune Co., Term Loan B, 8.36%, 5/16/14	United States

Semiannual Report | 19

Franklin Templeton
Limited Duration Income Trust

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

	COUNTRY
--	---------

LONG TERM INVESTMENTS (CONTINUED)	
b,e SENIOR FLOATING RATE INTERESTS (CONTINUED)	
CONSUMER SERVICES (CONTINUED)	
d Univision Communications Inc., Term Loan B, 7.61%, 9/29/14	United States
UPC Financing Partnership, Term Loan N-1, 7.13%, 12/31/14	Netherlands

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

VML U.S. Finance LLC (Venetian Macau),	
d Delay Draw, 7.45%, 5/25/12	Macau
New Project Term Loans, 7.45%, 5/25/13	Macau
d Term Loan B, 7.45%, 5/24/13	Macau
WMG Acquisition Corp. (Warner Music), Term Loan B,	
7.36% - 7.541%, 2/28/11	United States
ELECTRONIC TECHNOLOGY 1.2%	
Marvell Technology Group Ltd., Term Loan, 7.698%, 11/09/09	Bermuda
Spirit Aerosystems Inc. (Onex Wind Finance LP), Term Loan B,	
7.11%, 12/31/11	United States
ENERGY MINERALS 0.6%	
Citgo Petroleum Corp., Term Loan B, 6.446%, 11/15/12	United States
Western Refining Inc., Term Loan B, 6.879%, 5/30/14	United States
FINANCE 1.3%	
Conseco Inc., Term Loan, 7.129%, 10/10/13	United States
Hertz Corp.,	
Credit Link, 5.238%, 12/21/12	United States
Term Loan B, 7.55% - 7.56%, 12/21/12	United States
TD Ameritrade Holding Corp., Term Loan B, 6.63%, 12/31/12	United States
HEALTH SERVICES 5.0%	
Community Health Systems Inc., Term Loan, 7.755% - 7.76%,	
7/25/14	United States
DaVita Inc., Term Loan B-1, 6.70% - 7.01%, 10/05/12	United States
Fresenius Medical Care Holdings Inc., Term Loan B,	
6.573% - 6.973%, 3/31/13	United States
HCA Inc., Term Loan B-1, 7.448%, 11/18/13	United States
Health Management Associates Inc., Term Loan B,	
6.879% - 6.948%, 2/28/14	United States
d Vanguard Health Holding Co. II LLC, Replacement Term Loan,	
7.763%, 9/23/11	United States
INDUSTRIAL SERVICES 0.7%	
Allied Waste North America Inc.,	
Credit Link, 5.43%, 3/28/14	United States
Term Loan B, 6.65% - 6.89%, 1/15/12	United States

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

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

	COUNTRY
LONG TERM INVESTMENTS (CONTINUED)	
b,e SENIOR FLOATING RATE INTERESTS (CONTINUED)	
PROCESS INDUSTRIES 6.9%	
Borden Chemicals and Plastics LP, Term Loan C-2, 7.50%, 5/03/13	Netherlands
d Domtar Corp., Term Loan, 7.185%, 3/07/14	United States
Georgia-Pacific Corp., Additional Term Loan, 6.948% - 7.474%, 12/20/12	United States
Term Loan B, 6.948% - 7.474%, 12/20/12	United States
Graham Packaging Co. LP, New Term Loan, 7.50% - 8.00%, 10/07/11	United States
Hexion Specialty Chemicals Inc., Term Loan C-1, 7.625%, 5/03/13	United States
Huntsman International, Term Loan B, 6.886%, 4/21/14	United States
Ineos U.S. Finance LLC, Term Loan B2, 7.357% - 7.451%, 12/16/13	United States
Term Loan C2, 7.857% - 7.951%, 12/23/14	United States
Lyondell Chemical Co., Term Loan, 6.63% - 6.856%, 8/16/13	United States
Nalco Co., Term Loan B, 6.95% - 7.57%, 11/04/10	United States
NewPage Corp., Term Loan, 7.625%, 5/02/11	United States
d Oxbow Carbon LLC, Delayed Draw Term Loan, 7.76%, 5/08/14	United States
Term Loan B, 7.76%, 5/08/14	United States
d Verso Paper Holdings LLC, Term Loan B, 7.756%, 8/01/13	United States
PRODUCER MANUFACTURING 5.7%	
Allison Transmission, Term Loan B, 8.48% - 8.57%, 8/07/14	United States
Cooper Standard Automotive Inc., Term Loan D, 7.75%, 12/23/11	United States
Dresser Inc., Term Loan B, 7.629% - 8.01%, 5/04/14	United States
d GPS CCMP Merger Corp. (Generac), Term Loan B, 9.25%, 11/09/13	United States
Nortek Inc., Term Loan, 7.61%, 8/27/11	United States
Oshkosh Truck Corp., Term Loan A, 7.20%, 12/06/11	United States
Term Loan B, 7.45%, 12/06/13	United States
d RBS Global Inc. (Rexnord Corp.), Term Loan, 7.765%, 7/22/13	United States
Sensus Metering Systems Inc., Term Loan B1, 7.36% - 7.495%, 12/17/10	United States
Term Loan B2, 7.36% - 7.383%, 12/17/10	Luxembourg
TriMas Co. LLC, Term Loan B, 7.61%, 8/02/13	United States
Tranche B-1 L/C, 8.048%, 8/02/13	United States
TRW Automotive Inc., Tranche B-1 Term Loan, 6.875%, 2/09/14	United States

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

Franklin Templeton
 Limited Duration Income Trust

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

		COUNTRY

LONG TERM INVESTMENTS (CONTINUED)		
b,e SENIOR FLOATING RATE INTERESTS (CONTINUED)		
REAL ESTATE INVESTMENT TRUSTS 1.2%		
d Capital Automotive REIT, Term Loan B, 7.758%, 12/15/10		United States
CB Richard Ellis Services Inc., Term Loan B, 6.996%, 12/20/13		United States
RETAIL TRADE 0.4%		
Neiman Marcus Group Inc., Term Loan, 7.448%, 4/06/13		United States
The William Carter Co., Term Loan B, 6.629% - 6.858%, 7/14/12		United States
TECHNOLOGY SERVICES 1.0%		
SunGard Data Systems Inc., New U.S. Term Loan, 7.356%, 2/28/14		United States
UTILITIES 2.1%		
d Dynegy Holdings Inc., Term L/C Facility, 6.629%, 4/02/13		United States
Term Loan B, 7.76%, 4/02/13		United States
Knight Inc. (Kinder Morgan), Term Loan B, 6.63% - 7.24%, 5/30/14		United States
NRG Energy Inc., Credit Link, 6.85%, 2/01/13		United States
Term Loan, 6.948%, 2/01/13		United States
TOTAL SENIOR FLOATING RATE INTERESTS (COST \$222,337,333)		
FOREIGN GOVERNMENT AND AGENCY SECURITIES 4.5%		
b Government of Argentina, FRN, 5.475%, 8/03/12		Argentina
Government of Malaysia, 8.60%, 12/01/07		Malaysia
6.45%, 7/01/08		Malaysia
7.00%, 3/15/09		Malaysia
Government of Norway, 5.50%, 5/15/09		Norway
Government of Poland, 6.00%, 5/24/09		Poland
Government of Singapore, 5.625%, 7/01/08		Singapore
Government of Sweden, 6.50%, 5/05/08		Sweden
5.00%, 1/28/09		Sweden
g Strip, 9/17/08		Sweden
Korea Treasury Note, 4.75%, 3/12/08		South Korea

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

TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES
 (COST \$15,791,272)
 TOTAL LONG TERM INVESTMENTS (COST \$555,162,836)

22 | Semiannual Report

Franklin Templeton
 Limited Duration Income Trust

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

		COUNTRY

SHORT TERM INVESTMENTS 5.8%		
FOREIGN GOVERNMENT SECURITIES 1.0%		
g	Egypt Treasury Bill, 11/13/07 - 7/01/08	Egypt
g	Government of Sweden, Strip, 6/18/08	Sweden
g	Malaysia Treasury Bill, 6/06/08	Malaysia
g	Norway Treasury Bill, 12/19/07 - 9/17/08	Norway
TOTAL FOREIGN GOVERNMENT SECURITIES (COST \$3,419,427)		
TOTAL INVESTMENTS BEFORE MONEY MARKET FUND (COST \$558,582,263)		
MONEY MARKET FUND (COST \$17,641,592) 4.8%		
h	Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.95%	United States
TOTAL SHORT TERM INVESTMENTS (COST \$21,061,019)		
TOTAL INVESTMENTS (COST \$576,223,855) 154.3%		
PREFERRED SHARES (51.5)%		
OTHER ASSETS, LESS LIABILITIES (2.8)%		
NET ASSETS APPLICABLE TO COMMON SHARES 100.0%		

CURRENCY ABBREVIATIONS

EGP - Egyptian Pounds
 KRW - South Korean Won

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

MYR - Malaysian Ringgit
NOK - Norwegian Krone
PLN - Polish Zloty
SEK - Swedish Krona
SGD - Singapore Dollar

SELECTED PORTFOLIO ABBREVIATIONS

FHLMC - Federal Home Loan Mortgage Corp.
FNMA - Federal National Mortgage Association
FRN - Floating Rate Note
GNMA - Government National Mortgage Association
L/C - Letter of Credit
PIK - Payment-In-Kind
REIT - Real Estate Investment Trust
SF - Single Family

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

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

c Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At September 30, 2007, the aggregate value of these securities was \$27,764,287, representing 7.52% of net assets.

d See Note 1(c) regarding securities purchased on a when-issued or delayed delivery basis.

e See Note 1(f) regarding senior floating rate interests.

f See Note 10 regarding unfunded loan commitments.

g The security is traded on a discount basis with no stated coupon rate.

h See Note 8 regarding investments in the Franklin Institutional Fiduciary Trust Money Market Portfolio. The rate shown is the annualized seven-day yield at period end.

Semiannual Report |

The accompanying notes are an integral part of these financial statements. | 23

Franklin Templeton
Limited Duration Income Trust

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES September 30, 2007 (unaudited)

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$ 558,582,263
Cost - Sweep Money Fund (Note 8)	17,641,592

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

Total cost of investments	\$ 576,223,855
Value - Unaffiliated issuers	\$ 552,009,058
Value - Sweep Money Fund (Note 8)	17,641,592
Total value of investments	569,650,650
Cash	6,454,264
Receivables:	
Investment securities sold	4,858,446
Interest	6,121,645
Total assets	587,085,005
Liabilities:	
Payables:	
Investment securities purchased	25,224,188
Affiliates	324,210
Distributions to common shareholders	2,248,997
Unrealized loss on unfunded loan commitments (Note 10)	24,146
Accrued expenses and other liabilities	157,565
Total liabilities	27,979,106
Preferred shares at redemption value [\$25,000 liquidation preference per share (7,600 shares outstanding)]	190,000,000
Net assets applicable to common shares	\$ 369,105,899
Net assets applicable to common shares consist of:	
Paid-in capital	\$ 380,504,435
Distributions in excess of net investment income	(4,060,090)
Net unrealized appreciation (depreciation)	(6,584,216)
Accumulated net realized gain (loss)	(754,230)
Net assets applicable to common shares	\$ 369,105,899
Common shares outstanding	26,773,772
Net asset value per common share	\$ 13.79

24 | The accompanying notes are an integral part of these financial statements.
| Semiannual Report

Franklin Templeton
Limited Duration Income Trust

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS

for the six months ended September 30, 2007 (unaudited)

Investment income:	
Dividends - Sweep Money Fund (Note 8)	\$ 234,963
Interest	19,463,097

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

Total investment income	19,698,060
<hr/>	
Expenses:	
Management fees (Note 4)	1,401,480
Administrative fees (Note 4)	563,994
Transfer agent fees	35,744
Custodian fees (Note 5)	11,698
Reports to shareholders	28,828
Professional fees	22,362
Trustees' fees and expenses	28,373
Auction agent fees and expenses	241,021
Other	46,917
<hr/>	
Total expenses	2,380,417
Expense reductions (Note 5)	(7,512)
<hr/>	
Net expenses	2,372,905
<hr/>	
Net investment income	17,325,155
<hr/>	
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	972,573
Foreign currency transactions	248,099
<hr/>	
Net realized gain (loss)	1,220,672
<hr/>	
Net change in unrealized appreciation (depreciation) on:	
Investments	(12,200,505)
Translation of assets and liabilities denominated in foreign currencies ...	8,230
<hr/>	
Net change in unrealized appreciation (depreciation)	(12,192,275)
<hr/>	
Net realized and unrealized gain (loss)	(10,971,603)
<hr/>	
Net increase (decrease) in net assets resulting from operations	6,353,552
Distributions to preferred shareholders from net investment income	(5,058,378)
<hr/>	
Net increase (decrease) in net assets applicable to common shares	
resulting from operations	\$ 1,295,174
<hr/>	
<hr/>	

Semiannual Report |

The accompanying notes are an integral part of these financial statements. | 25

Franklin Templeton
Limited Duration Income Trust

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS

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

Increase (decrease) in net assets:

Operations:

Net investment income
 Net realized gain (loss) from investments and foreign currency transactions
 Net change in unrealized appreciation (depreciation) on investments and translation of
 assets and liabilities denominated in foreign currencies
 Distribution to preferred shareholders from net investment income

Net increase (decrease) in net assets applicable to common shares resulting
 from operations
 Distributions to common shareholders from net investment income
 Capital share transactions (Note 2)

Net increase (decrease) in net assets
 Net assets applicable to common shares:
 Beginning of period
 End of period

Distributions in excess of net investment income included in net assets:
 End of period

26 | The accompanying notes are an integral part of these financial statements.
 | Semiannual Report

Franklin Templeton
 Limited Duration Income Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The following summarizes the Fund's significant accounting policies.

A. SECURITY VALUATION

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

Corporate debt securities, government securities, mortgage pass-through securities, other mortgage-backed securities, and asset-backed securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund may utilize independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. The Fund's pricing services may use valuation models or matrix pricing which considers

information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

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

Foreign securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask

Semiannual Report | 27

Franklin Templeton
Limited Duration Income Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. SECURITY VALUATION (CONTINUED)

prices. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the foreign security is determined.

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

B. FOREIGN CURRENCY TRANSLATION

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. Purchases and sales of

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

securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Fund's Board of Trustees.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

28 | Semiannual Report

Franklin Templeton
Limited Duration Income Trust

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. SECURITIES PURCHASED ON A WHEN-ISSUED, DELAYED DELIVERY, OR TBA BASIS

The Fund may purchase securities on a when-issued, delayed delivery, or to-be-announced (TBA) basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

D. FOREIGN CURRENCY CONTR