

BLACKROCK Ltd DURATION INCOME TRUST
Form N-CSR
November 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-21349

Name of Fund: BlackRock Limited Duration Income Trust (BLW)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Limited Duration Income Trust, 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 08/31/2017

Date of reporting period: 08/31/2017

Item 1 Report to Stockholders

ANNUAL REPORT

BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)

BlackRock Limited Duration Income Trust (BLW)

Not FDIC Insured May Lose Value No Bank Guarantee

The Markets in Review

Dear Shareholder,

In the 12 months ended August 31, 2017, risk assets, such as stocks and high-yield bonds, continued to deliver strong performance. These markets showed great resilience during a period with big surprises, including the aftermath of the U.K.'s vote to leave the European Union and the outcome of the U.S. presidential election, which brought only brief spikes in equity market volatility. These expressions of isolationism and discontent were countered by the closely watched and less surprising elections in France, the Netherlands and Australia.

Interest rates rose, which worked against high-quality assets with more interest rate sensitivity. As a result, longer-term U.S. Treasuries posted negative returns, as rising energy prices, modest wage increases, and steady job growth led to expectations of higher inflation and anticipation of interest rate increases by the U.S. Federal Reserve (the Fed).

Market prices began to reflect reflationary expectations toward the end of 2016, as investors sensed that a global recovery was afoot. And those expectations have been largely realized in 2017, as many countries throughout the world experienced sustained and synchronized growth for the first time since the financial crisis. Growth rates and inflation are still relatively low, but they are finally rising together.

The Fed responded to these positive developments by increasing interest rates three times and setting expectations for additional interest rate increases. The Fed also appears to be approaching the implementation of its plan to reduce the vast balance sheet reserves that provided liquidity to the global economy in the aftermath of the financial crisis in 2008. Also, growing skepticism about the near-term likelihood of significant U.S. tax reform and infrastructure spending has tempered reflationary expectations in the United States.

By contrast, the European Central Bank and the Bank of Japan reiterated their commitments to economic stimulus and balance sheet expansion despite nascent signs of sustained economic growth in both countries. The Eurozone also benefited from the relatively stable political environment, which is creating momentum for economic reform and pro-growth policies.

Financial markets and to an extent the Fed have adopted a wait-and-see approach to the economic data and potential fiscal stimulus. Escalating tensions with North Korea and our nation's divided politics are significant concerns. Nevertheless, benign credit conditions, modest inflation, and the positive outlook for growth in the world's largest economies have kept markets relatively tranquil.

However, the capacity for rapid global growth is restrained by structural factors, including an aging population in developed countries, low productivity growth, and excess savings. Cyclical factors, such as the Fed moving toward the normalization of monetary policy and the length of the current expansion, also limit economic growth. Tempered economic growth and high valuations across most assets have laid the groundwork for muted returns going forward. At current valuation levels, potential equity gains will likely be closely tied to the pace of earnings growth, which has remained solid thus far in 2017.

In this environment, investors need to think globally, extend their scope across a broad array of asset classes, and be nimble as market conditions change. We encourage you to talk with your financial advisor and visit blackrock.com for further insight about investing in today's markets.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

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Total Returns as of August 31, 2017

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	5.65%	16.23%
U.S. small cap equities (Russell 2000® Index)	2.04	14.91
International equities (MSCI Europe, Australasia, Far East Index)	12.14	17.64
Emerging market equities (MSCI Emerging Markets Index)	18.02	24.53
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.40	0.62
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	3.10	(3.26)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	2.74	0.49
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.51	0.92
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	3.03	8.62

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

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Fund Summary as of August 31, 2017

BlackRock Floating Rate Income Strategies Fund, Inc.

Fund Overview

BlackRock Floating Rate Income Strategies Fund, Inc. s (FRA) (the Fund) investment objective is to provide shareholders with high current income and such preservation of capital as is consistent with investment in a diversified, leveraged portfolio consisting primarily of floating rate debt securities and instruments. The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its managed assets in floating rate debt securities, including floating or variable rate debt securities that pay interest at rates that adjust whenever a specified interest rate changes and/or which reset on predetermined dates (such as the last day of a month or calendar quarter). The Fund invests a substantial portion of its investments in floating rate debt securities consisting of secured or unsecured senior floating rate loans that are rated below investment grade at the time of investment or, if unrated, are considered by the investment adviser to be of comparable quality. The Fund may invest directly in floating rate debt securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Fund Information

Symbol on New York Stock Exchange (NYSE)	FRA
Initial Offering Date	October 31, 2003
Current Distribution Rate on Closing Market Price as of August 31, 2017 (\$14.10) ¹	5.19%
Current Monthly Distribution per Common Share ²	\$0.0610
Current Annualized Distribution per Common Share ²	\$0.7320
Economic Leverage as of August 31, 2017 ³	30%

¹ Current Distribution Rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. Past performance does not guarantee future results.

² The distribution rate is not constant and is subject to change.

³ Represents bank borrowings outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 10.

Market Price and Net Asset Value Per Share Summary

	8/31/17	8/31/16	Change	High	Low
Market Price	\$14.10	\$13.70	2.92%	\$14.85	\$13.36
Net Asset Value	\$14.93	\$14.78	1.01%	\$15.11	\$14.76

Market Price and Net Asset Value History For the Past Five Years

Performance and Portfolio Management Commentary

Returns for the period ended August 31, 2017 were as follows:

	Average Annual Total Returns		
	1 Year	3 Years	5 Years
Fund at NAV ^{1,2}	6.93%	4.92%	6.16%
Fund at Market Price ^{1,2}	8.95	5.57	4.65
S&P/LSTA Leveraged Loan Index ³	5.80	3.53	4.24

¹ All returns reflect reinvestment of dividends and/or distributions at actual reinvestment prices. Performance results reflect the Fund's use of leverage.

² The Fund's discount to NAV narrowed during the period, which accounts for the difference between performance based on market price and performance based on NAV.

³ An unmanaged market value-weighted index (the Reference Benchmark) designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads and interest payments.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Past performance is not indicative of future results.

Beginning with this reporting period, FRA is presenting the Reference Benchmark to accompany fund performance. The Reference Benchmark is presented for informational purposes only, as the Fund is actively managed and does not seek to track or replicate the performance of the Reference Benchmark or any other index. The portfolio investments of the Fund may differ substantially from the securities that comprise the indices within the Reference Benchmark, which may cause the Fund's performance to differ materially from that of the Reference Benchmark. The Fund employs leverage as part of its investment strategy, which may change over time at the discretion of BlackRock Advisors, LLC (the Manager) as market and other conditions warrant. In contrast, the Reference Benchmark is not adjusted for leverage. Therefore, leverage generally may result in the Fund outperforming the Reference Benchmark in rising markets and underperforming in declining markets. The Board considers additional factors to evaluate the Fund's performance, such as the performance of the Fund relative to a peer group of funds, a leverage-adjusted benchmark and/or other information provided by the Manager.

More information about the Fund's historical performance can be found in the Closed End Funds section of <http://www.blackrock.com>.

The following discussion relates to the Fund's absolute performance based on NAV:

What factors influenced performance?

Floating rate loan interests (bank loans) benefited from a strong appetite for credit over much of the 12-month period. The largest contributors to performance over the annual period included the electric, consumer cyclical services, and pharmaceuticals sectors, while more modest contributions came from government-related, real estate investment trust, and environmental loans. The Fund's allocation to B-rated names was a significant contributor, along with the BB-rated portion of the portfolio and unrated names. In terms of asset allocation, high yield bonds and equities were substantial contributors to performance.

On the downside, holdings within technology, metals & mining, and oil field services were the largest detractors. Names rated CCC and below detracted over the annual period. Finally, the Fund's risk-management strategies detracted slightly over the period.

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Describe recent portfolio activity.

Early in the period, the Fund maintained an overall focus on the higher quality segments of the loan market. As the period progressed, the Fund moderately added risk as the broad leveraged finance markets displayed strength. The Fund added to its high yield bond position as relative value for the segment became more appealing with the bank loan universe trading at a premium to par value. At the same time, the Fund's net equity long exposure was reduced and the Fund added to positions within the wirelines and cable & satellite sectors. By contrast, the Fund reduced broad energy exposure and shifted its focus to higher quality issuers within the space. While the Fund's broad credit positioning remained consistent over the annual period, the BBB-rated allocation was slightly trimmed in favor of CCC-rated names.

Describe portfolio positioning at period end.

At period end, the Fund held the majority of its portfolio in floating rate bank loans, with a meaningful position in high yield corporate bonds as well. The Fund maintained its highest concentration in higher coupon BB-rated loans of select issuers, while limiting exposure to both higher quality loans with less compelling risk/reward profiles and lower-rated loans with more equity-like profiles and greater downside risk, should credit sentiment weaken. The Fund's largest positions were within the technology, health care, and consumer cyclical services sectors. In addition, the Fund avoided certain retailers and leisure issuers, where fundamentals continued to deteriorate. Within energy, the Fund favored higher quality issuers within the independent energy sector, while avoiding more cyclical names within oil field services. The Fund also remained focused on industries and companies with stable business profiles and consistent cash flow, while avoiding areas of the markets with longer-term concerns and/or deteriorating fundamental trends.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Overview of the Fund's Total Investments

Portfolio Composition	8/31/17	8/31/16
Floating Rate Loan Interests	93%	93%
Corporate Bonds	6	4
Asset-Backed Securities	1	3
Common Stocks ¹		
Short-Term Securities ¹		
Other	2	3

¹ Representing less than 1% of the Fund's total investments.

² Includes a less than 1% holding in each of the following investment types: Options Purchased, Other Interests, Preferred Securities, Rights and Warrants.

³ Includes a less than 1% holding in each of the following investment types: Investment Companies, Non-Agency Mortgage-Backed Securities, Options Purchased, Other Interests, Preferred Securities and Warrants.

Credit Quality Allocation ^{4,5}	8/31/17	8/31/16
A ¹		
BBB/Baa	9%	11%
BB/Ba	42	44
B	40	39
CCC/Caa	5	3
N/R	4	3

⁴ For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody's if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

⁵ Excludes Options Purchased and Short-Term Securities.

Fund Summary as of August 31, 2017

BlackRock Limited Duration Income Trust

Fund Overview

BlackRock Limited Duration Income Trust's (BLW) (the Fund) investment objective is to provide current income and capital appreciation. The Fund seeks to achieve its investment objective by investing primarily in three distinct asset classes:

intermediate duration, investment grade corporate bonds, mortgage-related securities, asset-backed securities and U.S. Government and agency securities;

senior, secured floating rate loans made to corporate and other business entities; and

U.S. dollar-denominated securities of U.S. and non-U.S. issuers rated below investment grade at the time of investment or unrated and deemed by the investment adviser to be of comparable quality and, to a limited extent, non-U.S. dollar denominated securities of non-U.S. issuers rated below investment grade or unrated and deemed by the investment adviser to be of comparable quality.

The Fund's portfolio normally has an average portfolio duration of less than five years (including the effect of anticipated leverage), although it may be longer from time to time depending on market conditions. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund's investment objective will be achieved.

Fund Information

Symbol on NYSE	BLW
Initial Offering Date	July 30, 2003
Current Distribution Rate on Closing Market Price as of August 31, 2017 (\$15.99) ¹	5.97%
Current Monthly Distribution per Common Share ²	\$0.0795
Current Annualized Distribution per Common Share ²	\$0.9540
Economic Leverage as of August 31, 2017 ³	29%

¹ Current Distribution Rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. Past performance does not guarantee future results.

² The distribution rate is not constant and is subject to change.

³ Represents reverse repurchase agreements outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowing) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 10.

Market Price and Net Asset Value Per Share Summary

	8/31/17	8/31/16	Change	High	Low
Market Price	\$ 15.99	\$ 15.74	1.59%	\$ 16.14	\$ 14.75

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Net Asset Value	\$ 17.02	\$ 16.84	1.07%	\$ 17.11	\$ 16.54
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Market Price and Net Asset Value History For the Past Five Years