EATON VANCE LTD DURATION INCOME FUND
Form N-CSR
May 24, 2013

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: 811-21323

Eaton Vance Limited Duration Income Fund

(Exact Name of Registrant as Specified in Charter)

Two International Place, Boston, Massachusetts 02110

(Address of Principal Executive Offices)

Maureen A. Gemma

Two International Place, Boston, Massachusetts 02110

(Name and Address of Agent for Services)

(617) 482-8260

(Registrant s Telephone Number)

March 31

Date of Fiscal Year End

March 31, 2013

Date of Reporting Period

Item 1. Reports to Stockholders

Eaton Vance

Limited Duration Income Fund (EVV)

Annual Report

March 31, 2013

Commodity Futures Trading Commission Registration. Effective December 31, 2012, the Commodity Futures Trading Commission (CFTC) adopted certain regulatory changes that subject registered investment companies and advisers to regulation by the CFTC if a fund invests more than a prescribed level of its assets in certain CFTC-regulated instruments (including futures, certain options and swap agreements) or markets itself as providing investment exposure to such instruments. The Fund has claimed an exclusion from the definition of the term commodity pool operator under the Commodity Exchange Act and is not subject to the CFTC regulation. Because of its management of other strategies, the Fund s adviser is registered with the CFTC as a commodity pool operator.

Fund shares are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Shares are subject to investment risks, including possible loss of principal invested.

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Management s Discussion of Fund Performance[1]

Economic and Market Conditions

The 12-month period ended March 31, 2013 was a year dominated by central bank easing. The most aggressive action took place in developed-market countries that are burdened with debt. With their key policy rates already near zero, the U.S. Federal Reserve (the Fed), Bank of Japan and Bank of England relied on quantitative easing (QE) to try to reduce longer-term borrowing costs and spur economic growth. In particular, the Fed s policies aimed at keeping interest rates low bolstered demand for U.S. government-backed investments during the period. In September 2012, the Fed announced its plan to keep policy rates at or near zero until at least mid-2015 and also announced further monetary stimulus with its third round of QE. This new QE3 program came in the form of open-ended U.S. government agency mortgage-backed security (MBS) purchases. Against this already favorable backdrop for high-quality fixed-income securities, investor demand for agency MBS further increased after the September 2012 announcement, with yield spreads compared to Treasuries tightening to their lows of the year.

Higher-risk securities delivered some of the strongest gains during the period, as investors chased yield in the low-rate environment. In particular, the U.S. corporate high-yield bond market generated a positive gain during the period, as measured by the BofA Merrill Lynch U.S. High Yield Index (High Yield Index)[2]. Favorable supply and demand conditions helped drive the advance. Investors who were frustrated by the ultralow yields offered by U.S. government bonds, wary of equity volatility and encouraged by improving macroeconomic developments poured money into high-yield bonds. Credit metrics on U.S. high-yield issuers remained solid, as default rates at the end of the period appeared to have stabilized at about half their longer-term average. Furthermore, overall leverage continued to be relatively low, and balance sheets generally were sound and liquid. Moderate economic growth appeared to be generating enough cash flow to comfortably meet debt service obligations for the most part, but subpar business activity continued to keep company managements cautious and not pursuing overly ambitious plans.

Throughout the period, the floating-rate market exhibited resilience amid low U.S. economic growth and uncertainty regarding U.S. fiscal policy. This resilience was due to favorable market technical and fundamental conditions. The net supply of floating-rate loans was moderate, as loan repayments by issuers helped offset new issue supply coming to market. Improved economic data and the Fed s pledge

to keep interest rates low appeared to have fueled investor demand for higher-yielding alternatives to government bonds. Other investors turned to floating-rate loans for protection against potentially rising interest rates. For the period, the modest growth in the overall supply of loans was easily absorbed due to widespread investor demand. In terms of market fundamentals, improving corporate balance sheets and better-than-expected earnings growth also helped bolster loans.

Fund Performance

For the 12-month period ended March 31, 2013, Eaton Vance Limited Duration Income Fund (the Fund) had total returns of 9.80% at net asset value (NAV) and 14.83% at market price. The leading driver of the Fund s return during the period was its investment in high-yield bonds. Overall, the Fund received a benefit from its use of leverage[3] during the 12-month period. Use of leverage creates an opportunity for increased income but, at the same time, creates special risks (including the likelihood of greater volatility of NAV and market price).

Among the Fund s asset mix, high-yield bond investments outperformed the broader market during the period, as measured by the High Yield Index. Credit selection was key, particularly within the building materials, food/beverage/ tobacco and containers sectors of the market. Holdings within the three- to five-year duration[7] range were the top contributors to performance for the period. Detracting from performance was the Fund s BB-rated[8] holdings as well as underweight positions in banks & thrifts, which was one of the top performing sectors in the High Yield Index.

The Fund s investments in seasoned MBS outperformed the Treasury market, as measured by the BofA Merrill Lynch 1-10 Year U.S. Treasury Index (Treasury Index). The income from seasoned MBS more than offset the longer duration benefit of the Treasury Index during a period of falling Treasury yields.

The Fund s floating-rate loan investments underperformed the loan market, as measured by the S&P/LSTA Leveraged Loan Index. The Fund s bank loan holdings were slightly overweight BB-rated loans and underweight B-rated and CCC-rated loans in an environment that favored the lower-quality loans. Defaulted loans remained below 1% of Fund bank loan assets, lower than the market overall. Also, Fund bank loan performance was enhanced by market underweights in retailers and aerospace and defense, which were slightly offset by a market underweight in utilities.

See Endnotes and Additional Disclosures in this report.

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value (NAV) or market price (as applicable) with all distributions reinvested. Fund performance at market price will differ from its results at NAV due to factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for Fund shares, or changes in Fund distributions. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance less than one year is cumulative. Performance is for the stated time period only; due to market volatility, current Fund performance may be lower or higher than the quoted return. For performance as of the most recent month end, please refer to www.eatonvance.com.

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Performance[3]

Portfolio Managers Scott H. Page, CFA, Payson F. Swaffield, CFA, Michael W. Weilheimer, CFA, Catherine McDermott, Andrew Szczurowski, CFA, and Eric A. Stein, CFA

% Average Annual Total Returns	Inception Date	One Year	Five Years	Since Inception
Fund at NAV	5/30/2003	9.80%	10.62%	7.82%
Fund at Market Price		14.83	13.77	7.97

% Premium/Discount to NAV	
	1.42%

Distributions[4]	
Total Distributions per share for the period	$ 1.243
Distribution Rate at NAV	7.24%
Distribution Rate at Market Price	7.14%

% Total Leverage[5]	
Auction Preferred Shares (APS)	9.35%
Borrowings	21.16

Fund Profile

See Endnotes and Additional Disclosures in this report.

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Endnotes and Additional Disclosures

[1] The views expressed in this report are those of the portfolio manager(s) and are current only through the date stated at the top of this page. These views are subject to change at any time based upon market or other conditions, and Eaton Vance and the Fund(s) disclaim any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. This commentary may contain statements that are not historical facts, referred to as forward looking statements . The Fund s actual future results may differ significantly from those stated in any forward looking statement, depending on factors such as changes in securities or financial markets or general economic conditions, the volume of sales and purchases of Fund shares, the continuation of investment advisory, administrative and service contracts, and other risks discussed from time to time in the Fund s filings with the Securities and Exchange Commission.

[2] BofA Merrill Lynch U.S. High Yield Index is an unmanaged index of below-investment grade U.S. corporate bonds. BofA Merrill Lynch 1-10 Year U.S. Treasury Index is an unmanaged index of Treasury securities with maturities ranging from 1 to 10 years. BofA Merrill Lynch® indices not for redistribution or other uses; provided **as is , without warranties, and with no liability.** Eaton Vance has prepared this report, BofAML does not endorse it, or guarantee, review, or endorse Eaton Vance s products. S&P/ LSTA Leveraged Loan Index is an unmanaged index of the institutional leveraged loan market. Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index.

[3] Performance results reflect the effects of leverage.

[4] The Distribution Rate is based on the Fund s last regular distribution per share in the period (annualized) divided by the Fund s NAV or market price at the end of the period. The Fund s distributions may be composed of ordinary income, tax- exempt income, net realized capital gains and return of capital.

[5] Leverage represents the liquidation value of the Fund s APS and borrowings outstanding as a percentage of Fund net assets applicable to common shares plus APS and borrowings outstanding. Use of leverage creates an opportunity for income, but creates risks including greater price volatility. The cost of leverage rises and falls with changes in short-term interest rates. The Fund is required to maintain prescribed asset coverage for its APS and borrowings, which could be reduced if Fund asset values decline.

[6] Asset allocation as a percentage of the Fund s net assets amounted to 145.0%.

[7] Duration is a measure of the expected change in price of a bond in percentage terms given a one percent change in interest rates, all else being constant. Securities with lower durations tend to be less sensitive to interest-rate changes.

[8] Ratings are based on Moody s, S&P or Fitch, as applicable. Ratings, which are subject to change, apply to the creditworthiness of the issuers of the underlying securities and not to the Fund or its shares. Credit ratings measure the quality of a bond based on the issuer s creditworthiness, with ratings ranging from AAA, being the highest, to D, being the lowest based on S&P s measures. Ratings of BBB or higher by Standard and Poor s or Fitch (Baa or higher by Moody s) are considered to be investment grade quality. Credit ratings are based largely on the rating agency s analysis at the time of rating. The rating assigned to any particular security is not necessarily a reflection of the issuer s current financial condition and does not necessarily reflect its assessment of the volatility of a security s market value or of the liquidity of an investment in the security. If securities are rated differently by the rating agencies, the higher rating is applied. Holdings designated as Not Rated are not rated by the national rating agencies stated above.

Fund profile subject to change due to active management.

Important Notice to Shareholders

Effective December 6, 2012, Eric A. Stein became a portfolio manager of the Fund to replace Mark S. Venezia, who has retired from Eaton Vance. He joined Scott H. Page, Payson F. Swaffield, Michael W. Weilheimer, Catherine C. McDermott, and Andrew Szczurowski. Mr. Stein is a Vice President of Eaton Vance Management, the investment adviser to the Fund, and also co- manages other Eaton Vance portfolios.

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Portfolio of Investments

Senior Floating-Rate Interests — 53.0%[1]

Borrower/Tranche Description		Principal Amount* (000's omitted)	Value
Aerospace and Defense — 1.0%			
AVIO S.p.A.			
Term Loan, 3.08%, Maturing June 14, 2017		650	$ 650,068
Term Loan, 3.87%, Maturing December 14, 2017	EUR	575	738,078
Term Loan, 3.95%, Maturing December 14, 2017		700	700,073
Booz Allen Hamilton Inc.			
Term Loan, 4.50%, Maturing July 31, 2019		896	909,380
DAE Aviation Holdings, Inc.			
Term Loan, 6.25%, Maturing October 29, 2018		736	743,800
Term Loan, 6.25%, Maturing November 2, 2018		334	337,189
Ducommun Incorporated			
Term Loan, 5.50%, Maturing June 28, 2017		469	474,152
Hawker Beechcraft Acquisition Company LLC			
Term Loan, 5.75%, Maturing February 14, 2020		975	981,094
IAP Worldwide Services, Inc.			
Term Loan, 10.00%, Maturing December 31, 2015		919	689,412
Sequa Corporation			
Term Loan, 5.25%, Maturing June 19, 2017		3,840	3,905,980
Silver II US Holdings, LLC			
Term Loan, 4.00%, Maturing December 5, 2019		5,287	5,328,758
TASC, Inc.			
Term Loan, 4.50%, Maturing December 18, 2015		1,520	1,526,354
Transdigm, Inc.			
Term Loan, 3.75%, Maturing February 28, 2020		1,397	1,417,593
Wyle Services Corporation			
Term Loan, 5.00%, Maturing March 27, 2017		605	609,695
			$ 19,011,626
Air Transport — 0.0%[2]			
Evergreen International Aviation, Inc.			
Term Loan, 0.00%, Maturing June 30, 2015[3]		897	$ 889,043
			$ 889,043
Automotive — 2.5%			
Allison Transmission, Inc.			
Term Loan, 3.21%, Maturing August 7, 2017		2,341	$ 2,352,243

Borrower/Tranche Description	Principal Amount* (000 s omitted)	Value
Term Loan, 4.25%, Maturing August 23, 2019	4,419	4,480,673
Autoparts Holdings Limited		
Term Loan, 6.50%, Maturing July 28, 2017	967	981,001
Chrysler Group LLC		
Term Loan, 6.00%, Maturing May 24, 2017	9,704	9,907,827
Federal-Mogul Corporation		
Term Loan, 2.14%, Maturing December 29, 2014	3,978	3,729,101
Term Loan, 2.14%, Maturing December 28, 2015	3,535	3,313,322
Automotive (continued)		
Goodyear Tire & Rubber Company (The)		
Term Loan - Second Lien, 4.75%, Maturing April 30, 2019	6,775	$ 6,859,633
HHI Holdings LLC		
Term Loan, 5.00%, Maturing October 5, 2018	4,071	4,116,858
Metaldyne Company LLC		
Term Loan, 5.00%, Maturing December 18, 2018	1,521	1,547,808
SRAM, LLC		
Term Loan, 4.75%, Maturing June 7, 2018	3,013	3,020,203
Tomkins LLC		
Term Loan, 3.75%, Maturing September 29, 2016	3,870	3,918,600
TriMas Corporation		
Term Loan, 3.75%, Maturing October 10, 2019	920	928,428
Veyance Technologies, Inc.		
Term Loan, 5.25%, Maturing September 15, 2017	3,575	3,594,366
		$ 48,750,063
Building and Development 0.2%		
Preferred Proppants, LLC		
Term Loan, 9.00%, Maturing December 15, 2016	716	$ 669,402
RE/MAX International, Inc.		
Term Loan, 5.50%, Maturing April 15, 2016	2,007	2,029,230
Realogy Corporation		
Term Loan, 3.23%, Maturing October 10, 2013	81	81,097
Term Loan, 4.50%, Maturing March 5, 2020	625	634,571
Summit Materials Companies I, LLC		
Term Loan, 5.00%, Maturing January 30, 2019	495	499,251
		$ 3,913,551
Business Equipment and Services 4.9%		
ACCO Brands Corporation		
Term Loan, 4.25%, Maturing April 30, 2019	1,034	$ 1,048,695
Acosta, Inc.		
Term Loan, 5.00%, Maturing March 2, 2018	3,884	3,937,221
Advantage Sales & Marketing, Inc.		
Term Loan, 4.25%, Maturing December 18, 2017	3,092	3,139,289
Affinion Group, Inc.		
Term Loan, 6.50%, Maturing October 9, 2016	3,468	3,396,840
Allied Security Holdings, LLC		