

BLACKROCK Ltd DURATION INCOME TRUST
Form N-CSRS
May 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: 02/28/2017

Item 1 Report to Stockholders

SEMI-ANNUAL REPORT (UNAUDITED)

BlackRock Defined Opportunity Credit Trust (BHL)

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,

Risk assets, such as stocks and high yield bonds, enjoyed strong performance in the 12 months ended February 28, 2017. It was a different story for higher-quality assets such as U.S. Treasuries, which generated muted returns after struggling in the latter part of 2016 as reflationary expectations in the United States helped drive a pick-up in global growth and investors braced for higher interest rates.

Markets showed great resilience during the period. Big surprises such as the United Kingdom's vote to leave the European Union and the outcome of the U.S. presidential election brought spikes in equity market volatility, but they were ultimately short-lived. Instead, investors used the sell-offs to seize upon buying opportunities, allowing markets to quickly rebound. We believe this reinforces the case for taking the long view rather than reacting to short-term market noise.

The global reflationary theme—rising nominal growth, wages and inflation—was the dominant driver of asset returns during the period, outweighing significant political upheavals and uncertainty. This trend accelerated after the U.S. election and continued into the beginning of 2017, stoked by expectations for an extra boost to U.S. growth via fiscal policy.

Although economic momentum is gaining traction, the capacity for rapid global growth is restrained by structural factors including an aging population, low productivity growth and excess savings. A tempered economic growth trend and high valuations across most assets have set the stage for muted investment returns going forward.

Equity markets still have room to move, although the disparity between winners and losers is widening, making selectivity increasingly important. Fixed income investors are also facing challenges as bond markets recalibrate to accommodate rising rates and higher inflation expectations. And in a world where political risk and policy uncertainty abound, there is no lack of potential catalysts for higher volatility.

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

Total Returns as of February 28, 2017

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	10.01%	24.98%
U.S. small cap equities (Russell 2000® Index)	12.61	36.11
International equities (MSCI Europe, Australasia, Far East Index)	4.90	15.75
Emerging market equities (MSCI Emerging Markets Index)	5.51	29.46
	0.22	0.39

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3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)		
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	(6.17)	(4.09)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	(2.19)	1.42
Tax-exempt municipal bonds (S&P Municipal Bond Index)	(2.51)	0.76
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	5.43	21.83

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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SEMI-ANNUAL REPORT

FEBRUARY 28, 2017

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Fund Summary as of February 28, 2017

BlackRock Defined Opportunity Credit Trust

Fund Overview

BlackRock Defined Opportunity Credit Trust's (BHL) (the Fund) primary investment objective is to provide high current income, with a secondary objective of long-term capital appreciation. The Fund seeks to achieve its investment objectives by investing substantially all of its assets in loan and debt instruments and loan-related and debt-related instruments (collectively credit securities). The Fund invests, under normal market conditions, at least 80% of its managed assets in any combination of the following credit securities: (i) senior secured floating rate and fixed rate loans; (ii) second lien or other subordinated or unsecured floating rate and fixed rate loans or debt; (iii) credit securities that are rated below investment grade by a nationally recognized credit rating organization or unrated credit securities that are deemed to be of comparable quality by the investment adviser; and (iv) investment grade corporate bonds. The Fund may invest directly in such securities or synthetically through the use of derivatives.

BHL is scheduled to terminate no later than December 31, 2017.

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

Performance and Portfolio Management Commentary

Returns for the six months ended February 28, 2017 were as follows:

	Returns Based On	
	Market Price	NAV
BHL ^{1,2}	6.26%	4.02%
Lipper Loan Participation Funds ³	13.07%	6.22%

¹ All returns reflect reinvestment of dividends and/or distributions.

² The Fund moved from a discount to NAV to a premium during the period, which accounts for the difference between performance based on price and performance based on NAV.

³ Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles. 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 the strong appetite for credit during the six-month period. From a sector perspective, the largest absolute contributors to performance included technology, healthcare, and consumer cyclical services. On a credit rating basis, B-rated, BB-rated and CCC-rated positions were the largest contributors over the semi-annual period. Finally, from an asset allocation standpoint, the Fund's tactical positions in high yield bonds and collateralized loan obligations benefited performance.

From a sector perspective, exposure to retailers was the sole absolute detractor from Fund performance for the six-month period. From a credit rating perspective, D-rated names posted slightly negative results while all other credit-rating segments posted positive returns.

Describe recent portfolio activity.

During the period, the Fund maintained its overall focus on the higher quality segments of the loan market in terms of loan structure, liquidity and overall credit quality. The Fund has concentrated its investments in strong companies with stable cash flows and high quality collateral, with the ability to meet interest obligations and ultimately return principal. From a sector standpoint, the Fund reduced exposure to consumer cyclical services overall and in particular to retailers, on the view that the outlook for the space continues to deteriorate on the back of weaker revenues. By contrast, the Fund increased its allocation to the health care and pharmaceutical sectors. With the bank loan universe trading over par, the Fund selectively added to its fixed rate high yield bond allocation in order to add price appreciation potential, as well as to garner higher quality energy exposure relative to that available within bank loans.

Describe portfolio positioning at period end.

The Fund held a majority of its portfolio in floating rate bank loans, with a modest position in relatively conservative high yield corporate bonds. The Fund maintained its highest concentration in higher coupon B-rated loans of select issuers while limiting exposure to low coupon BB-rated loans. Additionally, the Fund held a minimal position in loans rated CCC and below, while also avoiding the more volatile segments of that universe, such as oilfield services and retailers. Leading individual positions included Level 3 Communications, Inc. (wirelines), Altice NV (cable & satellite), and First Data Corp. (technology).

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.

BlackRock Defined Opportunity Credit Trust

Fund Information

Symbol on New York Stock Exchange (NYSE)	BHL
Initial Offering Date	January 31, 2008
Current Distribution Rate on Closing Market Price as of February 28, 2017 (\$13.88) ¹	4.41%
Current Monthly Distribution per Common Share ²	\$0.051
Current Annualized Distribution per Common Share ²	\$0.612
Economic Leverage as of February 28, 2017 ³	18%

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

	2/28/17	8/31/16	Change	High	Low
Market Price	\$ 13.88	\$ 13.42	3.43%	\$ 13.95	\$ 13.24
Net Asset Value	\$ 13.87	\$ 13.70	1.24%	\$ 13.91	\$ 13.68

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

Overview of the Fund's Total Investments

Portfolio Composition	2/28/17	8/31/16
Floating Rate Loan Interests	94%	95%
Corporate Bonds	5	4
Asset-Backed Securities	1	1
Short-Term Securities ⁴		
Other	5	6

⁴ Representing less than 1% of the Fund's total investments.

⁵ Includes less than 1% holding in each of the following investments types: Common Stocks, Rights and Warrants.

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⁶ Includes less than 1% holding in each of the following investments types: Common Stocks, Investment Companies, Non-Agency Mortgage-Backed Securities and Warrants.

Credit Quality Allocation ^{7,8}	2/28/17	8/31/16
A ⁴		
BBB/Baa	6%	11%
BB/Ba	46	45
B	43	39
CCC/Caa	2	2
N/R	3	3

⁷ For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor's (S&P) or Moody's Investors Service (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.

⁸ Excludes Short-Term Securities.

Fund Summary as of February 28, 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.

Performance and Portfolio Management Commentary

Returns for the six months ended February 28, 2017 were as follows:

	Returns Based On	
	Market Price	NAV
FRA ^{1,2}	11.02%	5.13%
Lipper Loan Participation Funds ³	13.07%	6.22%

¹ All returns reflect reinvestment of dividends and/or distributions.

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

³ Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles. 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 the strong appetite for credit during the six-month period. On a sector basis, the largest contributors included holdings within technology, health care and chemicals. From a credit-rating perspective, B-rated, BB-rated and CCC-rated names were the largest contributors, as the lower credit-quality portions of the bank loan market drove the overall rally across the asset class. The Fund's tactical allocation to high yield bonds also contributed to performance, as the asset class benefited to a greater degree than bank loans from the rally in the energy and metals & mining sectors. Finally, an out-of-benchmark allocation to collateralized loan obligations added to returns.

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The sole negative contributor to the Fund's absolute performance over the six months came from exposure to retailers, as the space continued to display fundamental weakness. All other sectors within the bank loan market provided positive returns, as did all credit rating segments within the asset class.

Describe recent portfolio activity.

During the period, the Fund maintained its overall focus on the higher quality segments of the loan market in terms of loan structure, liquidity and overall credit quality. The Fund has concentrated its investments in strong companies with stable cash flows and high quality collateral, with the ability to meet interest obligations and ultimately return principal. From a sector standpoint, the Fund reduced exposure to consumer cyclical services overall and in particular to retailers, on the view that the outlook for the space continues to deteriorate on the back of weaker revenues. By contrast, the Fund increased its allocation to the health care and pharmaceutical sectors. With the bank loan universe trading over par, the Fund selectively added to its fixed rate high yield bond allocation in order to add price appreciation potential, as well as to garner higher quality energy exposure relative to that available within bank loans.

Describe portfolio positioning at period end.

The Fund held a majority of its portfolio in floating rate bank loans, with a moderate position in relatively conservative high yield corporate bonds. The Fund maintained its highest concentration in higher coupon B-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. At period-end, top issuer overweights included Ligado Networks LLC (wireless), Altice NV (cable & satellite), and Level 3 Communications, Inc. (wirelines).

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BlackRock Floating Rate Income Strategies Fund, Inc.

Fund Information

Symbol on NYSE	FRA
Initial Offering Date	October 31, 2003
Current Distribution Rate on Closing Market Price as of February 28, 2017 (\$14.74) ¹	4.97%
Current Monthly Distribution per Common Share ²	\$0.061
Current Annualized Distribution per Common Share ²	\$0.732
Economic Leverage as of February 28, 2017 ³	28%

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

	2/28/17	8/31/16	Change	High	Low
Market Price	\$14.74	\$13.70	7.59%	\$14.82	\$13.36
Net Asset Value	\$15.06	\$14.78	1.89%	\$15.08	\$14.76

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