

BLACKROCK CORE BOND TRUST  
Form N-CSR  
January 16, 2007

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: 811-10543

BlackRock Core Bond Trust  
(Exact name of Registrant as specified in charter)

100 Bellevue Parkway, Wilmington, DE  
(Address of principal executive offices)

19809  
(Zip code)

Robert S. Kapito, President  
**BlackRock Core Bond Trust**  
40 East 52nd Street, New York, NY 10022

(Name and address of agent for service)

Registrant's telephone number, including area code: 888-825-2257

Date of fiscal year end: October 31, 2006

Date of reporting period: October 31, 2006

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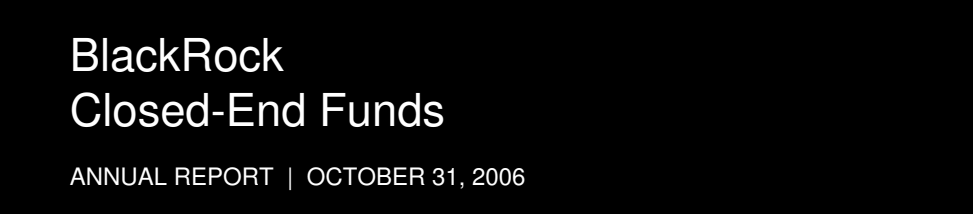
**Item 1. Reports to Stockholders.**

The Registrant's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

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ALTERNATIVES BLACKROCK SOLUTIONS EQUITIES FIXED INCOME LIQUIDITY REAL ESTATE



**BlackRock**  
**Closed-End Funds**

ANNUAL REPORT | OCTOBER 31, 2006

BlackRock Broad Investment Grade 2009 Term Trust Inc. (BCT)

BlackRock Core Bond Trust (BHK)

BlackRock High Yield Trust (BHY)

BlackRock Income Opportunity Trust (BNA)

BlackRock Income Trust Inc. (BKT)

BlackRock Limited Duration Income Trust (BLW)

BlackRock Strategic Bond Trust (BHD)

NOT FDIC INSURED  
MAY LOSE VALUE  
NO BANK GUARANTEE

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**BlackRock Privacy Principles**

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, Clients ) and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

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BlackRock obtains or verifies personal nonpublic information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our Web sites.

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**LETTER TO SHAREHOLDERS**

October 31, 2006

Dear Shareholder:

We are pleased to report that during the annual period, the Trusts provided the opportunity to invest in various portfolios of fixed income securities. This report contains the Trusts' audited financial statements and a listing of the Trusts' holdings.

The portfolio management team continuously monitors the fixed income markets and adjusts the Trust investments in order to gain exposure to various issuers and security types. This strategy enables the Trusts to move among different sectors, credits and coupons to capitalize on changing market conditions.

The following table shows the Trusts' yields, closing market prices per share and net asset values ( NAV ) per share as of October 31, 2006.

| <b>Trust</b>  | <b>Yield<sup>1</sup></b> | <b>Market Price</b> | <b>NAV</b> |
|---|--------------------------|---------------------|------------|
| BlackRock Broad Investment Grade 2009 Term Trust Inc. (BCT) | 5.97%                    | \$15.08             | \$13.79    |
| BlackRock Core Bond Trust (BHK)                             | 6.25                     | 12.86               | 13.82      |
| BlackRock High Yield Trust (BHY)                            | 7.88                     | 7.77                | 7.85       |
| BlackRock Income Opportunity Trust (BNA)                    | 6.24                     | 10.58               | 11.17      |
| BlackRock Income Trust Inc. (BKT)                           | 6.13                     | 6.07                | 6.48       |
| BlackRock Limited Duration Income Trust (BLW)               | 7.96                     | 18.85               | 19.01      |
| BlackRock Strategic Bond Trust (BHD)                        | 7.19                     | 12.85               | 13.83      |

<sup>1</sup> Yield is based on closing market price. Past performance does not guarantee future results. These yields may increase/decrease due to an increase/decrease in the monthly distribution per share.

On September 29, 2006, BlackRock, Inc. ( BlackRock ) and Merrill Lynch Investment Managers united to form one of the largest asset management firms in the world. Now with more than \$1 trillion in assets under management, over 4,500 employees in 18 countries and representation in key markets worldwide, BlackRock's global presence means greater depth and scale to serve you.

BlackRock, a world leader in asset management, has a proven commitment to managing fixed income securities. As of September 30, 2006, BlackRock managed \$448 billion in fixed income securities, including 37 open-end and 94 closed-end bond funds. BlackRock is recognized for its emphasis on risk management and proprietary analytics and for its reputation managing money for the world's largest institutional investors. BlackRock Advisors, LLC, and its affiliate, BlackRock Financial Management, Inc., which manage the Trusts, are wholly owned subsidiaries of BlackRock, Inc.

At a Meeting that occurred on November 21, 2006, the Board of Trustees of BNA approved an amendment to BNA's Dividend Reinvestment Plan (the Plan). The amendment to the Plan is described under Dividend Reinvestment Plans.

On behalf of BlackRock, we thank you for your continued confidence and assure you that we remain committed to excellence in managing your assets.

Sincerely,

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Laurence D. Fink  
Chief Executive Officer  
BlackRock Advisors, LLC

Ralph L. Schlosstein  
President  
BlackRock Advisors, LLC

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**TRUST SUMMARIES**  
**OCTOBER 31, 2006**

**BlackRock Broad Investment Grade 2009 Term Trust Inc. (BCT)**

**Trust Information**

|  |               |
|--|---------------|
| Symbol on American Stock Exchange:                                   | BCT           |
| Initial Offering Date:   | June 17, 1993 |
| Closing Market Price as of 10/31/06:                                 | \$15.08       |
| Net Asset Value as of 10/31/06:                                      | \$13.79       |
| Yield on Closing Market Price as of 10/31/06 (\$15.08): <sup>1</sup> | 5.97%         |
| Current Monthly Distribution per Share: <sup>2</sup>                 | \$0.075       |
| Current Annualized Distribution per Share: <sup>2</sup>              | \$0.900       |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|                     | <b>10/31/06</b> | <b>10/31/05</b> | <b>Change</b> | <b>High</b> | <b>Low</b> |
|---------------------|-----------------|-----------------|---------------|-------------|------------|
| <b>Market Price</b> | \$15.08         | \$15.86         | (4.92)%       | \$15.86     | \$14.75    |
| <b>NAV</b>          | \$13.79         | \$14.63         | (5.74)%       | \$14.65     | \$13.77    |

The following unaudited chart shows the portfolio composition of the Trust's long-term investments:

**Portfolio Composition**

| <b>Composition</b>                                     | <b>October 31, 2006</b> | <b>October 31, 2005</b> |
|--|-------------------------|-------------------------|
| U.S. Government and Agency Securities                  | 30%                     | 46%                     |
| Agency Multiple Class Mortgage Pass-Through Securities | 28                      | 16                      |
| Corporate Bonds  | 14                      | 18                      |
| Taxable Municipal Bonds                                | 11                      | 9                       |
| Inverse Floating Rate Mortgage Securities              | 8                       | 4                       |

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|  |   |   |
|--|---|---|
| Interest Only Mortgage-Backed Securities | 7 | 6 |
| Mortgage Pass-Through Securities         | 2 | 1 |

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2

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**TRUST SUMMARIES****OCTOBER 31, 2006****BlackRock Core Bond Trust (BHK)****Trust Information**

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:                                   | BHK               |
| Initial Offering Date:   | November 27, 2001 |
| Closing Market Price as of 10/31/06:                                 | \$ 12.86          |
| Net Asset Value as of 10/31/06:                                      | \$ 13.82          |
| Yield on Closing Market Price as of 10/31/06 (\$12.86): <sup>1</sup> | 6.25%             |
| Current Monthly Distribution per Share: <sup>2</sup>                 | \$ 0.067          |
| Current Annualized Distribution per Share: <sup>2</sup>              | \$ 0.804          |

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

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

The table below summarizes the changes in the Trust's market price and NAV:

|                     | 10/31/06 | 10/31/05 | Change  | High    | Low     |
|---------------------|----------|----------|---------|---------|---------|
| <b>Market Price</b> | \$12.86  | \$13.69  | (6.06)% | \$13.85 | \$11.94 |
| <b>NAV</b>          | \$13.82  | \$14.27  | (3.15)% | \$14.36 | \$13.12 |

The following unaudited charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond investments:

**Portfolio Composition**

| Composition  | October 31, 2006 | October 31, 2005 |
|--|------------------|------------------|
| Corporate Bonds  | 58%              | 42%              |
| Mortgage Pass-Through Securities                       | 10               | 15               |
| Agency Multiple Class Mortgage Pass-Through Securities | 8                |                  |
| Asset-Backed Securities                                | 8                | 1                |

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|  |   |    |
|--|---|----|
| Commercial Mortgage-Backed Securities                      | 6 | 6  |
| U.S. Government and Agency Securities                      | 5 | 31 |
| Non-Agency Multiple Class Mortgage Pass-Through Securities | 2 |    |
| Interest Only Asset-Backed Securities                      | 1 |    |
| Interest Only Mortgage-Backed Securities                   | 1 | 1  |
| Foreign Government Bonds                                   | 1 | 2  |
| Collateralized Mortgage Obligation Securities              |   | 2  |

**Corporate Credit Breakdown<sup>3</sup>**

| Credit Rating | October 31, 2006 | October 31, 2005 |
|---------------|------------------|------------------|
| AAA/Aaa       | 7%               | 5%               |
| AA/Aa         | 26               | 25               |
| A             | 10               | 13               |
| BBB/Baa       | 17               | 13               |
| BB/Ba         | 12               | 12               |
| B             | 23               | 23               |
| CCC/Caa       | 5                | 6                |
| Not Rated     |                  | 3                |

<sup>3</sup> Using the highest of Standard & Poor's (S&P's), Moody's Investors Service (Moody's) or Fitch Rating (Fitch's) ratings. Corporate bonds represented approximately 58.3% and 53.3% of net assets on October 31, 2006 and 2005, respectively.

**TRUST SUMMARIES****OCTOBER 31, 2006****BlackRock High Yield Trust (BHY)****Trust Information**

|   |                   |
|---|-------------------|
| Symbol on New York Stock Exchange:                                  | BHY               |
| Initial Offering Date:  | December 23, 1998 |
| Closing Market Price as of 10/31/06:                                | \$ 7.77           |
| Net Asset Value as of 10/31/06:                                     | \$ 7.85           |
| Yield on Closing Market Price as of 10/31/06 (\$7.77): <sup>1</sup> | 7.88%             |
| Current Monthly Distribution per Share: <sup>2</sup>                | \$ 0.051          |
| Current Annualized Distribution per Share: <sup>2</sup>             | \$ 0.612          |

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

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

The table below summarizes the changes in the Trust's market price and NAV:

|                     | 10/31/06 | 10/31/05 | Change | High   | Low    |
|---------------------|----------|----------|--------|--------|--------|
| <b>Market Price</b> | \$7.77   | \$7.36   | 5.57%  | \$8.89 | \$7.08 |
| <b>NAV</b>          | \$7.85   | \$7.48   | 4.95%  | \$7.85 | \$7.33 |

The following unaudited charts show the portfolio composition and credit quality allocations of the Trust's corporate bond investments:

**Corporate Portfolio Composition**

| Composition            | October 31, 2006 | October 31, 2005 |
|------------------------|------------------|------------------|
| Energy                 | 16%              | 19%              |
| Financial Institutions | 14               | 14               |
| Telecommunications     | 13               | 8                |
| Basic Materials        | 11               | 12               |
| Media                  | 11               | 7                |
| Consumer Products      | 6                | 7                |

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|                                 |   |   |
|---------------------------------|---|---|
| Technology                      | 5 | 5 |
| Entertainment & Leisure         | 4 | 3 |
| Aerospace & Defense             | 3 | 3 |
| Automotive                      | 3 | 2 |
| Building & Development          | 3 | 3 |
| Containers & Packaging          | 3 | 2 |
| Health Care                     | 3 | 4 |
| Industrials                     | 3 | 6 |
| Transportation                  | 2 | 3 |
| Ecological Services & Equipment |   | 1 |
| Real Estate                     |   | 1 |

**Corporate Credit Breakdown<sup>3</sup>**

| <b>Credit Rating</b> | <b>October 31, 2006</b> | <b>October 31, 2005</b> |
|----------------------|-------------------------|-------------------------|
| BBB/Baa              | 3%                      | 3%                      |
| BB/Ba                | 26                      | 32                      |
| B                    | 55                      | 51                      |
| CCC/Caa              | 12                      | 14                      |
| C                    | 2                       |                         |
| Not Rated            | 2                       |                         |

<sup>3</sup> Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 128.9% and 133.8% of net assets on October 31, 2006 and 2005, respectively.

**TRUST SUMMARIES**  
**OCTOBER 31, 2006**
**BlackRock Income Opportunity Trust (BNA)**
**Trust Information**

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:                                   | BNA               |
| Initial Offering Date:   | December 20, 1991 |
| Closing Market Price as of 10/31/06:                                 | \$ 10.58          |
| Net Asset Value as of 10/31/06:                                      | \$ 11.17          |
| Yield on Closing Market Price as of 10/31/06 (\$10.58): <sup>1</sup> | 6.24%             |
| Current Monthly Distribution per Share: <sup>2</sup>                 | \$ 0.055          |
| Current Annualized Distribution per Share: <sup>2</sup>              | \$ 0.660          |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|                     | 10/31/06 | 10/31/05 | Change  | High     | Low      |
|---------------------|----------|----------|---------|----------|----------|
| <b>Market Price</b> | \$ 10.58 | \$ 10.90 | (2.94)% | \$ 11.06 | \$ 9.63  |
| <b>NAV</b>          | \$ 11.17 | \$ 11.56 | (3.37)% | \$ 11.63 | \$ 10.58 |

The following unaudited charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond investments:

**Portfolio Composition**

| Composition  | October 31, 2006 | October 31, 2005 |
|--|------------------|------------------|
| Corporate Bonds  | 48%              | 35%              |
| Asset-Backed Securities                                | 13               |                  |
| Mortgage Pass-Through Securities                       | 12               | 13               |
| Agency Multiple Class Mortgage Pass-Through Securities | 7                | 5                |

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|  |   |    |
|--|---|----|
| U.S. Government and Agency Securities                      | 7 | 37 |
| Non-Agency Multiple Class Mortgage Pass-Through Securities | 6 | 1  |
| Commercial Mortgage-Backed Securities                      | 4 | 4  |
| Federal Housing Administration Securities                  | 1 | 1  |
| Interest Only Mortgage-Backed Securities                   | 1 | 1  |
| Inverse Floating Rate Mortgage Securities                  | 1 | 1  |
| Interest Only Asset-Backed Securities                      |   | 1  |
| Collateralized Mortgage Obligation Securities              |   | 1  |

**Corporate Credit Breakdown<sup>3</sup>**

| Credit Rating | October 31, 2006 | October 31, 2005 |
|---------------|------------------|------------------|
| AAA/Aaa       | 9%               | 8%               |
| AA/Aa         | 17               | 17               |
| A             | 10               | 9                |
| BBB/Baa       | 19               | 19               |
| BB/Ba         | 13               | 15               |
| B             | 25               | 24               |
| CCC/Caa       | 6                | 6                |
| Not Rated     | 1                | 2                |

<sup>3</sup> Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 52.1% and 46.6% of net assets on October 31, 2006 and 2005, respectively.

**TRUST SUMMARIES**  
**OCTOBER 31, 2006**
**BlackRock Income Trust Inc. (BKT)**
**Trust Information**

|   |               |
|---|---------------|
| Symbol on New York Stock Exchange:                                  | BKT           |
| Initial Offering Date:  | July 22, 1988 |
| Closing Market Price as of 10/31/06:                                | \$ 6.07       |
| Net Asset Value as of 10/31/06:                                     | \$ 6.48       |
| Yield on Closing Market Price as of 10/31/06 (\$6.07): <sup>1</sup> | 6.13%         |
| Current Monthly Distribution per Share: <sup>2</sup>                | \$ 0.031      |
| Current Annualized Distribution per Share: <sup>2</sup>             | \$ 0.372      |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|                     | 10/31/06 | 10/31/05 | Change  | High    | Low     |
|---------------------|----------|----------|---------|---------|---------|
| <b>Market Price</b> | \$ 6.07  | \$ 5.90  | 2.88%   | \$ 6.52 | \$ 5.86 |
| <b>NAV</b>          | \$ 6.48  | \$ 6.54  | (0.92)% | \$ 6.57 | \$ 6.36 |

The following unaudited chart shows the portfolio composition of the Trust's long-term investments:

**Portfolio Composition**

| Composition  | October 31, 2006 | October 31, 2005 |
|--|------------------|------------------|
| Agency Multiple Class Mortgage Pass-Through Securities | 28%              | 14%              |
| Mortgage Pass-Through Securities                       | 22               | 23               |
| U.S. Government and Agency Securities                  | 20               | 30               |
| Interest Only Mortgage-Backed Securities               | 10               | 7                |

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|  |   |    |
|--|---|----|
| Non-Agency Multiple Class Mortgage Pass-Through Securities | 9 | 2  |
| Principal Only Mortgage-Backed Securities                  | 5 | 5  |
| Inverse Floating Rate Mortgage Securities                  | 3 | 1  |
| Federal Housing Administration Securities                  | 2 | 2  |
| Corporate Bonds  | 1 |    |
| Collateralized Mortgage Obligation Residual Securities     |   | 2  |
| Interest Only Asset-Backed Securities                      |   | 1  |
| Collateralized Mortgage Obligation Securities              |   | 13 |



**TRUST SUMMARIES**  
**OCTOBER 31, 2006**
**BlackRock Limited Duration Income Trust (BLW)**
**Trust Information**

|  |               |
|--|---------------|
| Symbol on New York Stock Exchange:                                   | BLW           |
| Initial Offering Date:   | July 30, 2003 |
| Closing Market Price as of 10/31/06:                                 | \$ 18.85      |
| Net Asset Value as of 10/31/06:                                      | \$ 19.01      |
| Yield on Closing Market Price as of 10/31/06 (\$18.85): <sup>1</sup> | 7.96%         |
| Current Monthly Distribution per Share: <sup>2</sup>                 | \$ 0.125      |
| Current Annualized Distribution per Share: <sup>2</sup>              | \$ 1.500      |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

The table below summarizes the Trust's market price and NAV:

|                     | 10/31/06 | 10/31/05 | Change  | High     | Low      |
|---------------------|----------|----------|---------|----------|----------|
| <b>Market Price</b> | \$ 18.85 | \$ 17.48 | 7.84%   | \$ 18.90 | \$ 16.54 |
| <b>NAV</b>          | \$ 19.01 | \$ 19.17 | (0.83)% | \$ 19.22 | \$ 18.67 |

The following unaudited charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bond investments:

**Portfolio Composition**

| Composition                           | October 31, 2006 | October 31, 2005 |
|---------------------------------------|------------------|------------------|
| Corporate Bonds                       | 43%              | 43%              |
| Bank Loans                            | 36               | 32               |
| Mortgage Pass-Through Securities      | 14               | 15               |
| U.S. Government and Agency Securities | 4                | 4                |

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|   |   |   |
|---|---|---|
| Foreign Government Bonds                                      | 2 | 2 |
| Non-Agency Multiple Class Mortgage<br>Pass-Through Securities | 1 | 1 |
| Asset-Backed Securities                                       |   | 2 |
| Interest Only Asset-Backed Securities                         |   | 1 |

Corporate Credit Breakdown<sup>3</sup>

| Credit Rating | October 31, 2006 | October 31, 2005 |
|---------------|------------------|------------------|
| AA/Aa         | 2%               | %                |
| A             | 1                | 3                |
| BBB/Baa       | 9                | 9                |
| BB/Ba         | 24               | 33               |
| B             | 51               | 43               |
| CCC/Caa       | 11               | 8                |
| Not Rated     | 2                | 4                |

<sup>3</sup> Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 64.3% and 59.8% of net assets on October 31, 2006 and 2005, respectively.

**TRUST SUMMARIES**  
**OCTOBER 31, 2006**
**BlackRock Strategic Bond Trust (BHD)**
**Trust Information**

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:                                   | BHD               |
| Initial Offering Date:   | February 26, 2002 |
| Closing Market Price as of 10/31/06:                                 | \$ 12.85          |
| Net Asset Value as of 10/31/06:                                      | \$ 13.83          |
| Yield on Closing Market Price as of 10/31/06 (\$12.85): <sup>1</sup> | 7.19%             |
| Current Monthly Distribution per Share: <sup>2</sup>                 | \$ 0.077          |
| Current Annualized Distribution per Share: <sup>2</sup>              | \$ 0.924          |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution is not constant and is subject to change.

The table below summarizes the changes in the Trust's market price and NAV:

|                     | 10/31/06 | 10/31/05 | Change | High     | Low      |
|---------------------|----------|----------|--------|----------|----------|
| <b>Market Price</b> | \$ 12.85 | \$ 12.45 | 3.21%  | \$ 13.23 | \$ 11.56 |
| <b>NAV</b>          | \$ 13.83 | \$ 13.68 | 1.10%  | \$ 13.85 | \$ 13.23 |

The following unaudited charts show the portfolio composition and credit quality allocations of the Trust's corporate bond investments:

**Corporate Portfolio Composition**

| Composition            | October 31, 2006 | October 31, 2005 |
|------------------------|------------------|------------------|
| Financial Institutions | 18%              | 21%              |
| Media                  | 14               | 10               |
| Energy                 | 13               | 12               |
| Telecommunications     | 12               | 8                |

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|                                 |   |   |
|---------------------------------|---|---|
| Consumer Products               | 7 | 9 |
| Aerospace & Defense             | 6 | 5 |
| Basic Materials                 | 6 | 5 |
| Technology                      | 5 | 3 |
| Health Care                     | 4 | 7 |
| Entertainment & Leisure         | 3 | 3 |
| Industrials                     | 3 | 4 |
| Automotive                      | 2 | 3 |
| Building & Development          | 2 | 2 |
| Ecological Services & Equipment | 2 | 2 |
| Containers & Packaging          | 1 | 1 |
| Real Estate                     | 1 | 2 |
| Transportation                  | 1 | 2 |
| Conglomerates                   |   | 1 |

**Corporate Credit Breakdown<sup>3</sup>**

| <b>Credit Rating</b> | <b>October 31, 2006</b> | <b>October 31, 2005</b> |
|----------------------|-------------------------|-------------------------|
| AAA/Aaa              | 3%                      | 3%                      |
| AA/Aa                | 6                       | 8                       |
| A                    | 12                      | 11                      |
| BBB/Baa              | 13                      | 19                      |
| BB/Ba                | 16                      | 11                      |
| B                    | 40                      | 36                      |
| CCC/Caa              | 9                       | 9                       |
| Not Rated            | 1                       | 3                       |

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Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 107.6% and 122.7% of net assets on October 31, 2006 and 2005, respectively.

**CONSOLIDATED PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 2006**
**BlackRock Broad Investment Grade 2009 Term Trust Inc. (BCT)**

| Rating <sup>1</sup><br>(unaudited)                                  | Principal<br>Amount<br>(000) | Description  | Value      |
|---|------------------------------|--|------------|
| <b>LONG-TERM INVESTMENTS 46.3%</b>                                  |                              |  |            |
| <b>Mortgage Pass-Through Securities 1.0%</b>                        |                              |  |            |
|   |                              | Federal National Mortgage Assoc.,  |            |
|   | \$ 375                       | 5.50%, 1/01/17-2/01/17   | \$ 376,888 |
|   | 15                           | 6.50%, 7/01/29   | 15,499     |
|   |                              | Total Mortgage Pass-Through Securities   | 392,387    |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 13.1%</b> |                              |  |            |
|   |                              | Federal Home Loan Mortgage Corp.,  |            |
|   | 2,168                        | Ser. 1510, Class G, 7.05%, 5/15/13   | 2,188,610  |
|   | 2,000                        | Ser. 1598, Class J, 6.50%, 10/15/08  | 2,002,862  |
|   | 81                           | Ser. 2564, Class NC, 5.00%, 2/15/33  | 76,072     |
|   |                              | Federal National Mortgage Assoc.,  |            |
|   | 23                           | Ser. 17, Class JA, 4.00%, 4/25/34  | 23,165     |
|   | 966                          | Ser. 49, Class H, 7.00%, 4/25/13   | 991,795    |
|   | <sup>2</sup> 57              | Government National Mortgage Assoc., REMIC Trust 2000, Ser. 16, Class FD, 5.97%,<br>12/16/27 | 57,524     |
|   |                              | Total Agency Multiple Class Mortgage Pass-Through Securities                                 | 5,340,028  |
| <b>Inverse Floating Rate Mortgage Securities 3.5%</b>               |                              |  |            |
| AAA   | 166 <sup>2</sup>             | Citicorp Mortgage Securities, Inc., Ser. 14, Class A-4, 4.192%, 11/25/23                     | 165,379    |
|   |                              | Federal Home Loan Mortgage Corp.,  |            |
|   | 97 <sup>2</sup>              | Ser. 1425, Class SB, 7.966%, 12/15/07  | 97,272     |
|   | 20 <sup>2</sup>              | Ser. 1506, Class S, 9.71%, 5/15/08   | 19,650     |
|   | 102 <sup>2</sup>             | Ser. 1515, Class S, 8.756%, 5/15/08  | 103,024    |
|   | 181 <sup>2</sup>             | Ser. 1618, Class SA, 8.25%, 11/15/08   | 187,548    |
|   | 22 <sup>2</sup>              | Ser. 1661, Class SB, 8.834%, 1/15/09   | 22,752     |
|   | 84 <sup>2</sup>              | Ser. 1688, Class S, 9.206%, 12/15/13   | 85,598     |
|   | 172 <sup>2</sup>             | Ser. 2517, Class SE, 2.95%, 10/15/09   | 162,563    |
|   |                              | Federal National Mortgage Assoc.,  |            |
|   | 26 <sup>2</sup>              | Ser. 13, Class SJ, 8.75%, 2/25/09  | 26,883     |
|   | 252 <sup>2</sup>             | Ser. 179, Class SB, 7.437%, 10/25/07   | 254,487    |
|   | 53 <sup>2</sup>              | Ser. 187, Class SB, 11.795%, 10/25/07  | 54,461     |
|   | 37 <sup>2</sup>              | Ser. 191, Class SD, 6.83%, 10/25/08  | 36,968     |
|   | 87 <sup>2</sup>              | Ser. 214, Class SH, 4.359%, 12/25/08   | 87,256     |
|   | 121 <sup>2</sup>             | Ser. 214, Class SK, 10.00%, 12/25/08   | 126,866    |
|   |                              | Total Inverse Floating Rate Mortgage Securities  | 1,430,707  |
| <b>Interest Only Mortgage-Backed Securities 3.1%</b>                |                              |  |            |
|   |                              | Federal Home Loan Mortgage Corp.,  |            |
|   | 1                            | Ser. 65, Class I, 918.03%, 8/15/20   | 1,242      |
|   |                              | Ser. 141, Class H, 1,060.00%, 5/15/21  | 249        |
|   | 104                          | Ser. 1645, Class IB, 5.50%, 9/15/08  | 1,151      |
|   | 1,970                        | Ser. 2523, Class EH, 5.50%, 4/15/20  | 167,571    |
|   | 673                          | Ser. 2633, Class PI, 4.50%, 3/15/12  | 15,876     |
|   | 5,605                        | Ser. 2739, Class PI, 5.00%, 3/15/22  | 314,814    |

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|    |                     |   |           |
|----|---------------------|---|-----------|
|    | 1,243               | Ser. 2775, Class UB, 5.00%, 12/15/17            | 26,360    |
|    | 2,255               | Ser. 2976, Class KI, 5.50%, 11/15/34            | 179,326   |
|    |                     | Federal National Mortgage Assoc.,               |           |
|    | 1                   | Ser. 8, Class HA, 1,199.999%, 1/25/08           | 4,830     |
|    | 1,607               | Ser. 13, Class IG, 5.00%, 10/25/22              | 77,528    |
|    | 103 <sup>2</sup>    | Ser. 20, Class SL, 10.123%, 9/25/08             | 7,963     |
|    | 3                   | Ser. 49, Class L, 444.917%, 4/25/13             | 29,462    |
|    | 1                   | Ser. 51, Class K, 1,006.50%, 4/25/07            | 1,755     |
|    | 10,408              | Ser. 70, Class ID, 5.00%, 4/25/22               | 394,743   |
|    | 3 <sup>2</sup>      | Ser. 174, Class S, 97.242%, 9/25/22             | 12,318    |
|    |                     | Ser. G-21, Class L, 949.50%, 7/25/21            | 9,447     |
| NR | 14,857 <sup>2</sup> | Vendee Mortgage Trust, Ser. 1, 0.043%, 10/15/31 | 28,532    |
|    |                     |   | 1,273,167 |
|    |                     | Total Interest Only Mortgage-Backed Securities  | 1,273,167 |

See Notes to Financial Statements.

## BlackRock Broad Investment Grade 2009 Term Trust Inc. (BCT) (continued)

| Rating <sup>1</sup><br>(unaudited)                     | Principal<br>Amount<br>(000) | Description  | Value         |
|--|------------------------------|--|---------------|
| <b>Principal Only Mortgage-Backed Security 0.0%</b>    |                              |  |               |
| Aaa  | \$ 21 <sup>3</sup>           | Salomon Brothers Mortgage Securities, Inc. VI, Ser. 3, Class A, 12.50%, 10/23/17 | \$ 18,787     |
| <b>Asset-Backed Securities 0.0%</b>                    |                              |  |               |
| NR   | 235 <sup>2,4,5,6</sup>       | Global Rated Eligible Asset Trust, Ser. A, Class 1, 7.33%, 9/15/07               | 23            |
|  |                              | Structured Mortgage Asset Residential Trust,                                     |               |
| NR   | 568 <sup>2,5,6</sup>         | Ser. 2, 8.24%, 12/15/06  | 57            |
| NR   | 629 <sup>2,5,6</sup>         | Ser. 3, 8.724%, 4/15/07  | 63            |
|  |                              | Total Asset-Backed Securities  | 143           |
| <b>Corporate Bonds 6.6%</b>                            |                              |  |               |
| Caa2   | 100                          | American Airlines, Inc., 10.44%, 3/04/07   | 101,250       |
| BBB+   | 500 <sup>4</sup>             | Israel Electric Corp. Ltd., 7.25%, 12/15/06 (Israel)                             | 500,665       |
| AA-  | 1,000                        | Morgan Stanley Group, Inc., 10.00%, 6/15/08                                      | 1,073,919     |
| Aa1  | 500                          | U.S. Bank NA, 2.85%, 11/15/06  | 499,570       |
| AA-  | 500                          | Wachovia Corp., 4.95%, 11/01/06  | 500,000       |
|  |                              | Total Corporate Bonds  | 2,675,404     |
| <b>U.S. Government and Agency Securities 13.9%</b>     |                              |  |               |
|  |                              | U.S. Treasury Notes,   |               |
|  | 3,200                        | 3.50%, 11/15/06  | 3,197,751     |
|  | 2,000                        | 6.00%, 8/15/09   | 2,070,860     |
|  | 385                          | 6.625%, 5/15/07  | 388,128       |
|  |                              | Total U.S. Government and Agency Securities                                      | 5,656,739     |
| <b>Taxable Municipal Bonds 5.1%</b>                    |                              |  |               |
| AAA  | 500                          | Fresno California Pension Oblig., 7.80%, 6/01/14                                 | 551,920       |
| AAA  | 500                          | Kern County California Pension Oblig., 6.98%, 8/15/09                            | 524,580       |
| AAA  | 500                          | Los Angeles County California Pension Oblig., Ser. D, 6.97%, 6/30/08             | 514,320       |
| AAA  | 500                          | Orleans Parish Louisiana School Board, Ser. A, 6.60%, 2/01/08                    | 508,340       |
|  |                              | Total Taxable Municipal Bonds  | 2,099,160     |
|  |                              | <b>Total Long-Term Investments</b> (cost \$19,176,252)                           | 18,886,522    |
| <b>SHORT-TERM INVESTMENTS 53.1%</b>                    |                              |  |               |
| <b>U.S. Government and Agency Discount Notes 53.1%</b> |                              |  |               |
|  |                              | Federal Home Loan Bank Discount Notes,   |               |
|  | 1,400 <sup>7</sup>           | 4.981%, 11/01/06   | 1,400,000     |
|  | 20,300 <sup>7</sup>          | 5.105%, 11/15/06   | 20,259,857    |
|  |                              | <b>Total Short-Term Investments</b> (cost \$21,659,857)                          | 21,659,857    |
|  |                              | <b>Total Investments 99.4%</b> (cost \$40,836,109)                               | \$ 40,546,379 |
|  |                              | Other assets in excess of liabilities 0.6%                                       | 234,939       |
|  |                              | <b>Net Assets 100%</b>   | \$ 40,781,318 |



- 
- 1 Using the highest of S&P's, Moody's or Fitch's ratings.
  - 2 Variable rate security. Rate shown is interest rate as of October 31, 2006.
  - 3 Rate shown is effective yield as of October 31, 2006 of the underlying collateral.
  - 4 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2006, the Trust held 1.2% of its net assets, with a current market value of \$500,688, in securities restricted as to resale.
  - 5 Security is fair valued.
  - 6 Illiquid security. As of October 31, 2006, the Trust held less than 0.1% of its net assets, with a current market value of \$143, in these securities.
  - 7 Rate shown is the yield to maturity as of the date of purchase.
  - 8 Cost for federal income tax purposes is \$40,836,108. The net unrealized depreciation on a tax basis is \$289,729, consisting of \$402,723 gross unrealized appreciation and \$692,452 gross unrealized depreciation.

**KEY TO ABBREVIATION**

REMIC Real Estate Mortgage Investment Conduit

See Notes to Financial Statements.

## PORTFOLIO OF INVESTMENTS

OCTOBER 31, 2006

BlackRock Core Bond Trust (BHK)

| Rating <sup>1</sup><br>(unaudited)                                     | Principal<br>Amount<br>(000) | Description  | Value        |
|--|------------------------------|--|--------------|
| <b>LONG-TERM INVESTMENTS 101.0%</b>                                    |                              |  |              |
| <b>Mortgage Pass-Through Securities 10.0%</b>                          |                              |  |              |
| Federal Home Loan Mortgage Corp.,                                      |                              |  |              |
|  | \$ 1,875 <sup>2</sup>        | 3.01%, 4/19/07   | \$ 1,855,324 |
|  | 83                           | 5.00%, 8/01/33   | 79,991       |
|  | 5,884                        | 5.50%, 11/01/18-5/01/36  | 5,827,530    |
|  | 1,747 <sup>2</sup>           | 5.50%, 11/01/18  | 1,751,440    |
|  | 3,008                        | 6.00%, 2/01/13-12/01/18  | 3,053,783    |
|  | 115 <sup>3</sup>             | 6.276%, 5/01/32  | 118,233      |
|  | 28                           | 7.00%, 9/01/31   | 28,550       |
| Federal National Mortgage Assoc.,                                      |                              |  |              |
|  | 3,675 <sup>2</sup>           | 2.35%, 4/05/07   | 3,628,886    |
|  | 47                           | 4.50%, 2/01/20   | 45,515       |
|  | 12,612                       | 5.00%, 11/01/17-6/01/36  | 12,417,281   |
|  | 4,138                        | 5.50%, 1/01/18-4/01/36   | 4,128,134    |
|  | 977                          | 6.00%, 8/01/29-3/01/36   | 983,099      |
|  | 332                          | 7.00%, 1/01/31-7/01/32   | 348,043      |
|  | 271                          | Government National Mortgage Assoc., 5.50%, 8/15/33  | 270,157      |
| Small Business Administration,   |                              |  |              |
|  | 877                          | Ser. P10B, Class 1, 4.754%, 8/01/14  | 855,457      |
|  | 1,831                        | Ser. P10B, Class 1, 5.136%, 8/10/13  | 1,831,785    |
| Total Mortgage Pass-Through Securities                                 |                              |  | 37,223,208   |
| <b>Federal Housing Administration Security 0.3%</b>                    |                              |  |              |
|  | 1,051                        | FHA Hebre Home Hospital, 6.25%, 9/01/28  | 1,077,172    |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 7.7%</b>     |                              |  |              |
| Federal Home Loan Mortgage Corp.,                                      |                              |  |              |
|  | 2,416                        | Ser. 82, Class HJ, 5.50%, 9/25/32  | 2,419,852    |
|  | 1,200                        | Ser. 2562, Class PG, 5.00%, 1/15/18  | 1,181,088    |
|  | 3,120                        | Ser. 2806, Class VC, 6.00%, 12/15/19   | 3,195,004    |
|  | 1,440                        | Ser. 2825, Class VP, 5.50%, 6/15/15  | 1,454,425    |
|  | 1,300                        | Ser. 2883, Class DR, 5.00%, 11/15/19   | 1,269,858    |
|  | 3,392                        | Ser. 2922, Class GA, 5.50%, 5/15/34  | 3,416,276    |
|  | 1,821                        | Ser. 2927, Class BA, 5.50%, 10/15/33   | 1,835,232    |
|  | 1,754                        | Ser. 2933 Class HD, 5.50%, 2/15/35   | 1,769,474    |
|  | 1,600                        | Ser. 2968, Class EG, 6.00%, 10/15/34   | 1,636,881    |
| Federal National Mortgage Assoc.,                                      |                              |  |              |
|  | 1,552                        | Ser. 3 Class AP, 5.50%, 2/25/35  | 1,565,014    |
|  | 3,234                        | Ser. 5, Class PK, 5.00%, 12/25/34  | 3,207,705    |
|  | 2,040                        | Ser. 27, Class PC, 5.50%, 5/25/34  | 2,050,707    |
|  | 2,011                        | Ser. 70, Class NA, 5.50%, 8/25/35  | 2,023,175    |
|  | 1,828 <sup>3</sup>           | Ser. 118, Class FD, 5.72%, 12/25/33  | 1,833,587    |
| Total Agency Multiple Class Mortgage Pass-Through Securities           |                              |  | 28,858,278   |
| <b>Non-Agency Multiple Class Mortgage Pass-Through Securities 2.8%</b> |                              |  |              |
| First Union National Bank Commercial Mortgage,                         |                              |  |              |
| AAA  | 3,150                        | Ser. C3, Class A3, 6.423%, 8/15/33   | 3,302,827    |
| AAA  | 2,265                        | Ser. C4, Class A2, 6.223%, 12/12/33  | 2,363,523    |
| AAA  | 2,350                        | General Motor Acceptance Corp. Commercial Mortgage Securities, Inc., Ser. C4, Class A2, 4.93%, 7/10/39 | 2,321,153    |

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|  |                    |  |            |
|--|--------------------|--|------------|
| AAA  | 2,584              | Structured Asset Securities Corp., Ser. AL1, Class A2, 3.45%, 2/25/32  | 2,317,368  |
| Total Non Agency Multiple Class Mortgage Pass-Through Securities |                    |  | 10,304,871 |
| <b>Asset-Backed Securities 8.2%</b>                              |                    |  |            |
| AAA  | 2,800              | Chase Manhattan Auto Owner Trust, Ser. B, Class A4, 4.88%, 6/15/12     | 2,792,323  |
| AAA  | 2,825              | Citibank Credit Card Issuance Trust, Ser. A2, Class A2, 4.85%, 2/10/11 | 2,815,182  |
| Countrywide Asset-Backed Certificates,                           |                    |  |            |
| AAA  | 1,242 <sup>3</sup> | Ser. 15, Class 2AV1, 5.42%, 4/25/36                                    | 1,242,234  |
| AAA  | 1,870 <sup>3</sup> | Ser. 16, Class 4AV1, 5.42%, 5/25/36                                    | 1,870,245  |
| AAA  | 2,825              | DaimlerChrysler Auto Trust, Ser. A, Class A3, 5.00%, 5/08/10           | 2,820,494  |
| AAA  | 2,850              | Ford Credit Auto Owner Trust, Ser. A, Class A4, 5.07%, 12/15/10        | 2,850,545  |
| AAA  | 2,300              | Harley-Davidson Motorcycle Trust, Ser. 2, Class A2, 4.07%, 2/15/12     | 2,260,300  |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited)                   | Principal<br>Amount<br>(000) | Description   | Value        |
|--|------------------------------|---|--------------|
| <b>Asset-Backed Securities (cont d)</b>              |                              |   |              |
| A1   | \$ 2,500                     | Maryland Trust, Ser. 1, Class A, 5.55%, 12/10/65  | \$ 2,485,937 |
| AAA  | 2,825                        | MBNA Credit Card Master Note Trust, Ser. A1, Class A, 4.90%, 7/15/11                                    | 2,821,472    |
| AAA  | 1,510 <sub>3,4</sub>         | Merrill Lynch Mortgage Investors, Inc., Ser. HE2, Class A2A, 5.43%, 9/25/36                             | 1,509,838    |
| AAA  | 1,541 <sub>3</sub>           | New Century Home Equity Loan Trust, Ser. C, Class A2A, 5.40%, 1/25/36                                   | 1,541,455    |
| AAA  | 1,160 <sub>3</sub>           | SLM Student Loan Trust, Ser. 5, Class A1, 5.377%, 1/25/18   | 1,160,762    |
| AAA  | 1,741 <sub>3</sub>           | Structured Asset Investment Loan Trust, Ser. 1, Class A1, 5.40%, 1/25/36                                | 1,740,806    |
| AAA  | 2,725                        | USAA Auto Owner Trust, Ser. 1 Class A4, 5.04%, 12/15/11   | 2,730,162    |
| Total Asset-Backed Securities                        |                              |   | 30,641,755   |
| <b>Interest Only Asset-Backed Securities 0.5%</b>    |                              |   |              |
| Sterling Coofs Trust,                                |                              |   |              |
| NR   | 21,411                       | Ser. 1, 2.362%, 4/15/29   | 963,503      |
| AAA  | 17,972 <sub>3</sub>          | Ser. 2, 2.418%, 3/30/30   | 786,260      |
| Total Interest Only Asset-Backed Securities          |                              |   | 1,749,763    |
| <b>Interest Only Mortgage-Backed Securities 0.8%</b> |                              |   |              |
| Federal Home Loan Mortgage Corp.,                    |                              |   |              |
|  | 2,611                        | Ser. 2579, Class HI, 5.00%, 8/15/17   | 337,982      |
|  | 6,656                        | Ser. 2611, Class QI, 5.50%, 9/15/32   | 1,239,324    |
|  | 29,152 <sub>3</sub>          | Federal National Mortgage Assoc., Ser. 90, Class JH, 1.38%, 11/25/34                                    | 1,453,055    |
| Total Interest Only Mortgage-Backed Securities       |                              |   | 3,030,361    |
| <b>Commercial Mortgage-Backed Securities 6.5%</b>    |                              |   |              |
| AAA  | 2,180 <sub>3</sub>           | Banc of America Commerical Mortgage, Inc., Ser. 1, Class A4, 4.885%, 11/10/42                           | 2,170,441    |
| AAA  | 1,366                        | Commercial Mortgage Acceptance Corp., Ser. C2, Class A2, 6.03%, 9/15/30                                 | 1,373,856    |
| AAA  | 2,720                        | Credit Suisse First Boston Mortgage Securities Corp., Ser. CP5, Class A2, 4.94%, 12/15/35               | 2,679,590    |
| AAA  | 1,573                        | General Motor Acceptance Corp. Commercial Mortgage Securities, Inc., Ser. C3, Class A2, 7.179%, 8/15/36 | 1,638,821    |
| AAA  | 2,584                        | Goldman Sachs Mortgage Securities Corp. II, Ser. C1, Class A3, 6.135%, 10/18/30                         | 2,612,055    |
| AAA  | 1,615                        | Heller Financial Commercial Mortgage Asset Co., Ser. PH1, Class A2, 6.847%, 5/15/31                     | 1,659,716    |
|  |                              | JP Morgan Chase Commercial Mortgage Securities Corp.,   |              |
|  | 2,140                        | Ser. C1, Class A3, 5.857%, 10/12/35   | 2,199,539    |
| AAA  | 2,180                        | Ser. CBX, Class A4, 4.529%, 1/12/37   | 2,122,052    |
| AAA  | 1,691                        | JP Morgan Commercial Mortgage Finance Corp., Ser. C10, Class A2, 7.371%, 8/15/32                        | 1,788,462    |
| AAA  | 2,387                        | Morgan Stanley Capital Trust I, Ser. HF2, Class A2, 6.48%, 11/15/30                                     | 2,423,872    |
| AAA  | 3,500                        | Salomon Brothers Mortgage Securities VII, Ser. C1, Class A2, 7.52%, 12/18/09                            | 3,709,492    |
| Total Commercial Mortgage-Backed Securities          |                              |   | 24,377,896   |
| <b>Corporate Bonds 58.3%</b>                         |                              |   |              |
| <b>Aerospace &amp; Defense 1.2%</b>                  |                              |   |              |
| B  | 100                          | Argo-Tech Corp., 9.25%, 6/01/11   | 103,750      |
| B  | 1,305                        | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13  | 1,357,200    |
|  |                              | DRS Technologies, Inc.,   |              |
|  | 70                           | 6.875%, 11/01/13  | 70,000       |
|  | 80                           | 7.625%, 2/01/18   | 81,800       |
|  |                              | Northrop Grumman Corp.,   |              |
| BBB+   | 615                          | 4.079%, 11/16/06  | 614,683      |

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|                             |                   |   |           |
|-----------------------------|-------------------|---|-----------|
| BBB+                        | 960               | 7.875%, 3/01/26   | 1,192,609 |
| BB                          | 15                | Sequa Corp., 9.00%, 8/01/09   | 15,825    |
| A+                          | 1,125             | United Technologies Corp., 4.875%, 5/01/15                              | 1,094,504 |
| Total Aerospace & Defense   |                   |   | 4,530,371 |
| <b>Automotive 0.6%</b>      |                   |   |           |
| Autonation, Inc.,           |                   |   |           |
| BB+                         | 150               | 7.00%, 4/15/14  | 149,250   |
| BB+                         | 150 <sub>3</sub>  | 7.374%, 4/15/13   | 151,125   |
| BB-                         | 30 <sub>3,5</sub> | Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 7.905%, 5/15/14   | 29,325    |
| BBB+                        | 660               | DaimlerChrysler NA Holding Corp., 7.45%, 3/01/27                        | 709,073   |
| B                           | 300               | Lear Corp., Ser. B, 8.11%, 5/15/09                                      | 304,125   |
| CCC+                        | 250               | Metaldyne Corp., 10.00%, 11/01/13                                       | 256,250   |
| BB-                         | 517               | TRW Automotive, Inc., 9.375%, 2/15/13                                   | 553,836   |
| Total Automotive            |                   |   | 2,152,984 |
| <b>Basic Materials 3.5%</b> |                   |   |           |
| B+                          | 750               | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada)                     | 596,250   |
| B+                          | 995               | AK Steel Corp., 7.75%, 6/15/12  | 995,000   |
| B-                          | 80 <sub>3,5</sub> | BCI US Finance Corp./Borden 2 Nova Scotia Finance ULC, 11.874%, 7/15/10 | 81,600    |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited)            | Principal<br>Amount<br>(000) | Description   | Value      |
|---|------------------------------|---|------------|
| <b>Basic Materials (cont d)</b>               |                              |   |            |
| BB-   | \$ 80 <sub>3</sub>           | Bowater, Inc., 8.39%, 3/15/10                                       | \$ 80,800  |
| BB+   | 30                           | Chemtura Corp., 6.875%, 6/01/16                                     | 29,325     |
| B-  | 200                          | CPG Intl. I, Inc., 10.50%, 7/01/13                                  | 204,000    |
|   |                              | Domtar, Inc.,   |            |
| B2  | 60                           | 7.125%, 8/15/15   | 57,300     |
| B2  | 180                          | 7.875%, 10/15/11  | 183,825    |
| B+  | 150                          | Donohue Forest Products, 7.625%, 5/15/07 (Canada)                   | 150,000    |
| B2  | 66                           | Huntsman LLC, 11.50%, 7/15/12                                       | 74,745     |
| BB  | 70                           | IMC Global, Inc., Ser. B, 10.875%, 6/01/08                          | 75,513     |
|   |                              | Ineos Group Holdings PLC, (United Kingdom)                          |            |
| B2  | 285                          | 7.875%, 2/07/16 (EUR)   | 348,741    |
| B2  | 730 <sub>5</sub>             | 8.50%, 2/15/16  | 702,625    |
| B3  | 1,045                        | Innophos, Inc., 8.875%, 8/15/14                                     | 1,042,387  |
| BBB   | 130                          | Ispat Inland ULC, 9.75%, 4/01/14 (Canada)                           | 145,600    |
|   |                              | Lyondell Chemical Co.,  |            |
| BB-   | 240                          | 8.00%, 9/15/14  | 245,400    |
| BB-   | 385                          | 8.25%, 9/15/16  | 396,550    |
| BB+   | 2,120                        | 9.50%, 12/15/08   | 2,175,650  |
| BB  | 190                          | Millennium America, Inc., 9.25%, 6/15/08                            | 195,700    |
| B3  | 510                          | NewPage Corp., 10.00%, 5/01/12                                      | 534,225    |
|   |                              | Noranda, Inc.,  |            |
| BBB+  | 825                          | 6.00%, 10/15/15   | 829,616    |
| BBB+  | 1,250                        | 6.20%, 6/15/35  | 1,218,867  |
|   |                              | Nova Chemicals Corp.,   |            |
| BB  | 50                           | 6.50%, 1/15/12  | 47,000     |
| BB  | 610 <sub>3</sub>             | 8.405%, 11/15/13  | 620,675    |
| CCC+  | 545 <sub>5</sub>             | Pregis Corp., 12.375%, 10/15/13                                     | 577,700    |
| B+  | 16                           | Rhodia SA, 10.25%, 6/01/10 (France)                                 | 18,120     |
| BBB   | 1,430                        | Teck Cominco Ltd., 6.125%, 10/01/35 (Canada)                        | 1,394,932  |
| B-  | 80 <sub>5</sub>              | Verso Paper Holdings LLC/Verson Paper, Inc., 11.375%, 8/01/16       | 81,200     |
| Total Basic Materials                         |                              |   | 13,103,346 |
| <b>Building &amp; Development 1.2%</b>        |                              |   |            |
| B   | 635                          | ERICO Intl. Corp., 8.875%, 3/01/12                                  | 661,987    |
| B-  | 440                          | Goodman Global Holding Co., Inc., 7.875%, 12/15/12                  | 422,400    |
| BB+   | 3,000                        | Hovnanian Enterprises, Inc., 10.50%, 10/01/07                       | 3,112,500  |
| B3  | 190                          | Nortek, Inc., 8.50%, 9/01/14  | 181,450    |
|   |                              | North American Energy Partners, Inc.,                               |            |
| Caa1  | 85                           | 8.75%, 12/01/11   | 84,150     |
| B1  | 175                          | 9.00%, 6/01/10  | 190,750    |
| Total Building & Development                  |                              |   | 4,653,237  |
| <b>Business Equipment &amp; Services 0.0%</b> |                              |   |            |
| Ba2   | 100 <sub>5</sub>             | FTI Consulting, Inc., 7.75%, 10/01/16                               | 102,250    |
| <b>Consumer Products 2.4%</b>                 |                              |   |            |
| B3  | 90                           | ALH Finance LLC, 8.50%, 1/15/13                                     | 89,325     |
| CCC+  | 650 <sub>3</sub>             | Ames True Temper, Inc., 9.374%, 1/15/12                             | 656,500    |
| B2  | 165 <sub>5</sub>             | Education Management LLC/Education Management Corp., 8.75%, 6/01/14 | 169,125    |
| BBB+  | 530                          | Federated Department Stores, Inc., 6.79%, 7/15/27                   | 534,044    |
| B-  | 205                          | Finlay Fine Jewelry Corp., 8.375%, 6/01/12                          | 184,500    |
| B   | 80                           | Gold Kist, Inc., 10.25%, 3/15/14                                    | 91,800     |
| B2  | 605 <sub>5</sub>             | Knowledge Learning Corp., Inc., 7.75%, 2/01/15                      | 573,237    |
| B-  | 320                          | Lazydays RV Center, Inc., 11.75%, 5/15/12                           | 310,400    |

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|      |                   |                                       |           |
|------|-------------------|---------------------------------------|-----------|
| B    | 385 <sub>3</sub>  | Levi Strauss & Co., 10.122%, 4/01/12  | 397,031   |
|      |                   | May Department Stores Co.,            |           |
| BBB+ | 30                | 6.65%, 7/15/24                        | 29,934    |
| BBB+ | 230               | 7.875%, 3/01/30                       | 260,152   |
|      |                   | Michaels Stores, Inc.,                |           |
| B2   | 470 <sub>5</sub>  | 10.00%, 11/01/14                      | 470,588   |
| Caa1 | 600 <sub>5</sub>  | 11.375%, 11/01/16                     | 606,750   |
| B3   | 50 <sub>3,5</sub> | Nutro Products, Inc., 9.40%, 10/15/13 | 51,375    |
| B    | 1,000             | Pantry, Inc., 7.75%, 2/15/14          | 1,012,500 |
| BB-  | 200               | Quiksilver, Inc., 6.875%, 4/15/15     | 192,500   |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited)              | Principal<br>Amount<br>(000) | Description  | Value      |
|---|------------------------------|--|------------|
| <b>Consumer Products (cont d)</b>               |                              |  |            |
| BB+   | \$ 250 <sub>5</sub>          | Reynolds American, Inc., 7.625%, 6/01/16                         | \$ 265,444 |
| B1  | 2,100                        | Sonic Automotive, Inc., Ser. B, 8.625%, 8/15/13                  | 2,136,750  |
| CCC   | 370                          | Spectrum Brands, Inc., 7.375%, 2/01/15                           | 299,700    |
|   |                              | United Rentals NA, Inc.,   |            |
| B   | 780                          | 7.00%, 2/15/14   | 746,850    |
| B   | 25                           | 7.75%, 11/15/13  | 24,938     |
| Total Consumer Products                         |                              |  | 9,103,443  |
| <b>Containers &amp; Packaging 0.8%</b>          |                              |  |            |
|   |                              | Berry Plastics Holding Corp.,                                    |            |
| B2  | 270 <sub>5</sub>             | 8.875%, 9/15/14  | 272,700    |
| B2  | 180 <sub>3,5</sub>           | 9.265%, 9/15/14  | 182,025    |
| B+  | 250                          | Crown Americas LLC/Crown Americas Capital Corp., 7.75%, 11/15/15 | 256,563    |
| CCC+  | 75                           | Graham Packaging Co., Inc., 8.50%, 10/15/12                      | 74,625     |
| B1  | 190 <sub>3,5</sub>           | Impress Holdings BV, 8.512%, 9/15/13                             | 191,499    |
| B   | 1,500                        | Owens Brockway, 8.25%, 5/15/13                                   | 1,545,000  |
| B+  | 421                          | Smurfit-Stone Container Enterprises, Inc., 9.75%, 2/01/11        | 434,156    |
| Total Containers & Packaging                    |                              |  | 2,956,568  |
| <b>Ecological Services &amp; Equipment 0.2%</b> |                              |  |            |
| Caa1  | 590                          | Waste Services, Inc., 9.50%, 4/15/14                             | 604,750    |
| <b>Energy 6.5%</b>                              |                              |  |            |
| BBB-  | 425                          | Amerada Hess Corp., 7.125%, 3/15/33                              | 473,304    |
| BBB   | 2,350                        | Anadarko Petroleum Corp., 6.45%, 9/15/36                         | 2,435,810  |
|   |                              | ANR Pipeline Co.,  |            |
| Ba1   | 260                          | 7.375%, 2/15/24  | 271,780    |
| Ba1   | 810                          | 9.625%, 11/01/21   | 1,008,088  |
| B   | 140                          | Berry Petroleum Co., 8.25%, 11/01/16                             | 139,650    |
| CCC+  | 320                          | Chaparral Energy, Inc., 8.50%, 12/01/15                          | 319,200    |
|   |                              | Chesapeake Energy Corp.,   |            |
| BB  | 150                          | 6.375%, 6/15/15  | 144,750    |
| BB  | 20                           | 6.875%, 11/15/20   | 19,000     |
| BB-   | 30                           | CMS Energy Corp., 7.50%, 1/15/09                                 | 30,825     |
| BB-   | 160                          | Compagnie Generale de Geophysique SA, 7.50%, 5/15/15 (France)    | 158,000    |
| B   | 415                          | Compton Petroleum Finance Corp., 7.625%, 12/01/13 (Canada)       | 393,212    |
| A1  | 375                          | ConocoPhillips Holding Co., 6.95%, 4/15/29                       | 432,888    |
| BBB   | 725                          | DTE Energy Co., 6.35%, 6/01/16                                   | 754,054    |
| BB-   | 165 <sub>5</sub>             | Edison Mission Energy, 7.50%, 6/15/13                            | 169,538    |
|   |                              | El Paso Corp.,   |            |
| B   | 100                          | 7.80%, 8/01/31   | 104,250    |
| B   | 65                           | 9.625%, 5/15/12  | 72,150     |
| B   | 150                          | 10.75%, 10/01/10   | 167,250    |
|   |                              | El Paso Natural Gas Co.,   |            |
| Ba1   | 850                          | 7.625%, 8/01/10  | 877,625    |
| Ba1   | 225                          | 8.375%, 6/15/32  | 260,388    |
| Ba1   | 265                          | 8.625%, 1/15/22  | 305,667    |
| Ba1   | 131                          | Elwood Energy LLC, 8.159%, 7/05/26                               | 139,115    |
| A-  | 1,000                        | EnCana Corp., 6.50%, 8/15/34 (Canada)                            | 1,047,586  |
|   |                              | Encore Acquisition Co.,  |            |
| B1  | 40                           | 6.00%, 7/15/15   | 36,500     |
| B1  | 60                           | 7.25%, 12/01/17  | 57,750     |
| BBB   | 1,500                        | Energy East Corp., 6.75%, 7/15/36                                | 1,602,643  |
| B-  | 130                          | Exco Resources, Inc., 7.25%, 1/15/11                             | 125,125    |



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|      |                 |  |         |
|------|-----------------|--|---------|
| AA-  | 950             | Florida Power & Light Co., 4.95%, 6/01/35                  | 857,447 |
| BB+  | 80              | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15               | 76,500  |
| BBB+ | 175             | Halliburton Co., 7.60%, 8/15/96                            | 203,870 |
| B    | 49 <sub>5</sub> | Hilcorp Energy I LP/Hilcorp Finance Corp., 10.50%, 9/01/10 | 52,553  |
| B-   | 170             | KCS Energy, Inc., 7.125%, 4/01/12                          | 163,200 |
| Ba2  | 75              | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16             | 81,143  |
|      |                 | Mirant Americas Generation LLC,                            |         |
| Caa1 | 155             | 8.30%, 5/01/11   | 156,938 |
| Caa1 | 50              | 8.50%, 10/01/21  | 49,250  |
| Caa1 | 75              | 9.125%, 5/01/31  | 77,625  |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited)  | Principal<br>Amount<br>(000) | Description   | Value      |
|---|------------------------------|---|------------|
| <b>Energy (cont d)</b>  |                              |   |            |
| BB-   | \$ 590                       | Mission Energy Holdings Co., 13.50%, 7/15/08                      | \$ 657,850 |
|   |                              | NRG Energy, Inc.,<br>7.25%, 2/01/14                               | 50,563     |
| B+  | 50                           |   |            |
| B+  | 285                          | 7.375%, 2/01/16   | 288,206    |
| A-  | 360                          | Occidental Petroleum Corp., 7.20%, 4/01/28                        | 420,832    |
| BBB   | 1,000                        | Ohio Edison Co., 6.875%, 7/15/36                                  | 1,111,528  |
| BBB   | 425                          | ONEOK Partners LP, 6.65%, 10/01/36                                | 437,319    |
| B2  | 130                          | Orion Power Holdings, Inc., 12.00%, 5/01/10                       | 147,550    |
| BBB+  | 790                          | Peco Energy Capital Trust IV, 5.75%, 6/15/33                      | 706,258    |
| BBB   | 1,650                        | Pemex Project Funding Master Trust, 9.375%, 12/02/08              | 1,773,750  |
|   |                              | Reliant Energy, Inc.,<br>6.75%, 12/15/14                          | 200,288    |
| BB-   | 210                          |   |            |
| BB-   | 50                           | 9.25%, 7/15/10  | 51,750     |
| A-  | 700                          | Scottish Power PLC, 5.375%, 3/15/15 (United Kingdom)              | 687,345    |
| B+  | 315 <sup>5</sup>             | SemGroup LP, 8.75%, 11/15/15                                      | 317,363    |
| B   | 360 <sup>3,5</sup>           | Stone Energy Corp., 8.124%, 7/15/10                               | 357,750    |
| A-  | 295                          | Suncor Energy, Inc., 5.95%, 12/01/34 (Canada)                     | 302,323    |
| B3  | 320 <sup>5</sup>             | Targa Resources, Inc., 8.50%, 11/01/13                            | 319,200    |
| AA  | 1,050                        | Texaco Capital, Inc., 8.875%, 9/01/21                             | 1,401,672  |
| A2  | 550                          | Transcanada Pipelines Ltd., 5.85%, 3/15/36 (Canada)               | 548,423    |
| BBB-  | 20                           | Transcontinental Gas Pipe Line Corp., 7.25%, 12/01/26             | 20,700     |
| B+  | 270                          | Utilicorp Finance Corp., 7.75%, 6/15/11 (Canada)                  | 285,125    |
| B1  | 375                          | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13                   | 370,412    |
| BB+   | 415                          | Williams Cos., Inc., 8.75%, 3/15/32                               | 460,650    |
| Total Energy  |                              |   | 24,181,531 |
| <b>Entertainment &amp; Leisure 1.0%</b>   |                              |   |            |
| AMC Entertainment, Inc.,<br>9.50%, 2/01/11  |                              |   |            |
| B3  | 170                          |   | 170,638    |
| B3  | 185                          | 11.00%, 2/01/16   | 204,656    |
| B3  | 80                           | Cinemark, Inc., Zero Coupon, 3/15/14                              | 65,100     |
| B   | 1,000                        | Circus & Eldorado Joint Venture, 10.125%, 3/01/12                 | 1,050,000  |
| B-  | 150                          | Gaylord Entertainment Co., 6.75%, 11/15/14                        | 143,625    |
| B3  | 335 <sup>5</sup>             | Greektown Holdings LLC, 10.75%, 12/01/13                          | 354,263    |
| B   | 140 <sup>5</sup>             | Pokagon Gaming Authority, 10.375%, 6/15/14                        | 150,150    |
| B3  | 110                          | Poster Financial Group, Inc., 8.75%, 12/01/11                     | 114,675    |
| BB  | 260                          | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12                       | 261,625    |
|   |                              | Travelport, Inc.,<br>9.875%, 9/01/14                              | 502,987    |
| B-  | 510 <sup>5</sup>             |   |            |
| B-  | 510 <sup>5</sup>             | 11.875%, 9/01/16  | 502,350    |
| BB-   | 40                           | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14 | 39,200     |
| Total Entertainment & Leisure   |                              |   | 3,559,269  |
| <b>Financial Institutions 22.0%</b>   |                              |   |            |
| American Real Estate Partners LP/American Real Estate Finance Corp.,<br>7.125%, 2/15/13 |                              |   |            |
| BB+   | 320                          |   | 319,200    |
| BB+   | 3,165                        | 8.125%, 6/01/12   | 3,236,213  |
| Aa3   | 545                          | BAC Capital Trust XI, 6.625%, 5/23/36                             | 587,083    |
| Aa2   | 325                          | Bank One Corp., 3.70%, 1/15/08                                    | 318,680    |
| Aa2   | 1,400                        | BankBoston NA, 6.375%, 3/25/08-4/15/08                            | 1,422,020  |

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|     |                    |   |           |
|-----|--------------------|---|-----------|
| AA+ | 4,970 <sup>3</sup> | Barclays Bank PLC NY, 5.40%, 3/13/09                        | 4,970,875 |
| B   | 40                 | BCP Crystal US Holdings Corp., 9.625%, 6/15/14 (Luxembourg) | 43,900    |
| AA  | 350 <sup>5</sup>   | Belvoir Land LLC, Ser. A1, 5.27%, 12/15/47                  | 330,652   |
|     |                    | Berkshire Hathaway Finance Corp.,                           |           |
| AAA | 1,200              | 3.40%, 7/02/07  | 1,185,715 |
| AAA | 1,075              | 4.75%, 5/15/12  | 1,055,321 |
| AA+ | 600                | CitiFinancial, 6.25%, 1/01/08                               | 605,668   |
|     |                    | Citigroup, Inc.,  |           |
| AA+ | 3,950 <sup>6</sup> | 3.625%, 2/09/09   | 3,828,087 |
| AA+ | 5,470              | 4.125%, 2/22/10   | 5,317,907 |
| AA+ | 1,020              | 4.25%, 7/29/09  | 999,198   |
| AA+ | 525                | 6.875%, 2/15/98   | 588,480   |
| BB  | 980                | Crum & Forster Holdings Corp., 10.375%, 6/15/13             | 1,016,750 |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited)     | Principal<br>Amount<br>(000) | Description  | Value        |
|--|------------------------------|--|--------------|
| <b>Financial Institutions (cont d)</b> |                              |  |              |
| AAA                                    | \$ 1,100 <sup>5</sup>        | Depfa ACS Bank, 4.25%, 8/16/10 (Ireland)                     | \$ 1,072,678 |
| AA-                                    | 900 <sup>3</sup>             | Deutsche Bank AG, 5.37%, 3/15/07                             | 900,000      |
| AAA                                    | 1,700                        | Eksportfinans A/S, 5.50%, 5/25/16 (Norway)                   | 1,756,348    |
| Aaa                                    | 525 <sup>5</sup>             | Fort Irwin Land LLC, Ser. A-1, 5.03%, 12/15/25               | 492,135      |
| AAA                                    | 3,625 <sup>3</sup>           | General Electric Capital Corp., 5.424%, 1/15/08              | 3,628,368    |
| BB                                     | 460                          | General Motors Acceptance Corp., 6.875%, 8/28/12             | 461,235      |
| AA-                                    | 1,415                        | Goldman Sachs Group, Inc., 5.35%, 1/15/16                    | 1,397,839    |
|  |                              | HBOS Treasury Services PLC,                                  |              |
| AA+                                    | 855 <sup>5</sup>             | 3.60%, 8/15/07   | 843,542      |
| AA+                                    | 825 <sup>5</sup>             | 3.75%, 9/30/08   | 803,342      |
| AA-                                    | 775                          | HSBC Bank NA, 5.875%, 11/01/34                               | 780,850      |
|  |                              | HSBC Finance Corp.,  |              |
| AA-                                    | 1,820                        | 4.75%, 5/15/09   | 1,806,783    |
| AA-                                    | 635                          | 6.375%, 8/01/10  | 660,357      |
|  |                              | iPayment, Inc.,  |              |
| CCC+                                   | 240 <sup>5</sup>             | 9.75%, 5/15/14   | 246,600      |
| NR                                     | 960 <sup>3,5,7</sup>         | 12.75%, 7/15/14  | 958,800      |
| AA                                     | 1,500 <sup>5</sup>           | Irwin Land LLC, 5.40%, 12/15/47                              | 1,394,865    |
| Aa3                                    | 600                          | JP Morgan Chase & Co., 5.35%, 3/01/07                        | 599,768      |
| B-                                     | 255                          | K&F Acquisition, Inc., 7.75%, 11/15/14                       | 258,188      |
| BBB                                    | 630 <sup>5</sup>             | Liberty Mutual Group, Inc., 7.50%, 8/15/36                   | 700,726      |
| A                                      | 1,525                        | MetLife, Inc., 5.70%, 6/15/35                                | 1,504,852    |
| AA                                     | 1,150 <sup>5</sup>           | Metropolitan Global Funding I, 4.25%, 7/30/09                | 1,121,712    |
|  |                              | Morgan Stanley,  |              |
| AA-                                    | 3,300 <sup>3</sup>           | 5.44%, 3/07/08   | 3,302,881    |
| AA-                                    | 1,900                        | 6.25%, 8/09/26   | 1,990,218    |
| AA                                     | 2,125 <sup>5</sup>           | Nationwide Building Society, 3.50%, 7/31/07 (United Kingdom) | 2,096,478    |
| B+                                     | 645 <sup>5</sup>             | Nell AF SARL, 8.375%, 8/15/15 (Luxembourg)                   | 654,675      |
| AAA                                    | 850 <sup>5</sup>             | New York Life Global Funding, 3.875%, 1/15/09                | 827,107      |
| AA                                     | 350                          | Ohana Military Communities LLC, Ser. 041, 6.193%, 4/01/49    | 375,743      |
| A                                      | 500                          | Prudential Financial, Inc., 5.90%, 3/17/36                   | 506,264      |
| AA-                                    | 1,000 <sup>5</sup>           | Prudential Funding LLC, 6.60%, 5/15/08                       | 1,019,865    |
| AAA                                    | 5,550 <sup>3,5</sup>         | Rabobank Nederland Global, 5.37%, 4/06/09 (Netherlands)      | 5,550,755    |
|  |                              | Rainbow National Services LLC,                               |              |
| B+                                     | 200 <sup>5</sup>             | 8.75%, 9/01/12   | 210,250      |
| B+                                     | 1,455 <sup>5</sup>           | 10.375%, 9/01/14   | 1,618,688    |
| B-                                     | 630                          | Standard Aero Holdings, Inc., 8.25%, 9/01/14                 | 625,275      |
| AA+                                    | 2,888 <sup>8</sup>           | Structured Asset Receivable Trust, 1.649%, 1/21/10           | 2,887,082    |
|  |                              | SunTrust Bank,   |              |
| Aa3                                    | 1,635                        | 3.625%, 10/15/07   | 1,608,014    |
| Aa3                                    | 995                          | 4.00%, 10/15/08  | 973,235      |
| Aa2                                    | 1,265                        | 4.415%, 6/15/09  | 1,243,353    |
| AAA                                    | 235 <sup>5</sup>             | TIAA Global Markets, Inc., 3.875%, 1/22/08                   | 230,970      |
| Aa2                                    | 375                          | U.S. Bancorp, Ser. N, 3.95%, 8/23/07                         | 370,854      |
| B-                                     | 50 <sup>3</sup>              | Universal City Florida Holding Co. I/II, 10.121%, 5/01/10    | 51,438       |
|  |                              | US Bank NA,  |              |
| Aa1                                    | 1,380                        | 2.87%, 2/01/07   | 1,370,844    |
| Aa2                                    | 2,790                        | 6.50%, 2/01/08   | 2,824,459    |
| AAA                                    | 495 <sup>5</sup>             | USAA Capital Corp., 4.00%, 12/10/07                          | 487,197      |
|  |                              | Wells Fargo & Co.,   |              |
| Aa1                                    | 1,031                        | 3.12%, 8/15/08   | 994,625      |
| Aa1                                    | 355                          | 4.20%, 1/15/10   | 345,263      |
| Aa1                                    | 1,665                        | 4.625%, 8/09/10  | 1,640,221    |
| Aa1                                    | 435                          | 4.875%, 1/12/11  | 431,835      |
| Aa1                                    | 475                          | Wells Fargo Bank NA, 5.95%, 8/26/36                          | 489,367      |
| Aa3                                    | 50                           | Western Financial Bank, 9.625%, 5/15/12                      | 55,097       |

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Total Financial Institutions

81,996,790

**Health Care 1.6%**

|      |                    |  |         |
|------|--------------------|--|---------|
| B    | 730 <sup>5</sup>   | Angiotech Pharmaceuticals, Inc., 7.75%, 4/01/14 (Canada) | 693,500 |
|      |                    | Healtsouth Corp.,  |         |
| CCC+ | 695 <sup>5</sup>   | 10.75%, 6/15/16  | 712,375 |
| CCC+ | 360 <sup>3,5</sup> | 11.418%, 6/15/14   | 368,100 |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited) | Principal<br>Amount<br>(000) | Description  | Value      |
|------------------------------------|------------------------------|--|------------|
| <b>Health Care (cont d)</b>        |                              |  |            |
| B-                                 | \$ 460                       | Tenet Healthcare Corp., 6.875%, 11/15/31   | \$ 356,500 |
| BBB                                | 995                          | Teva Pharmaceutical Finance LLC, 6.15%, 2/01/36  | 973,753    |
| A                                  | 870                          | UnitedHealth Group, Inc., 5.80%, 3/15/36   | 867,494    |
| B-                                 | 410                          | Universal Hospital Services, Inc., 10.125%, 11/01/11                                     | 433,575    |
|                                    |                              | WellPoint, Inc.,   |            |
| A-                                 | 955                          | 5.85%, 1/15/36   | 939,151    |
| A-                                 | 85                           | 5.95%, 12/15/34  | 84,534     |
| A                                  | 675                          | Wyeth, 6.00%, 2/15/36  | 693,842    |
| Total Health Care                  |                              |  | 6,122,824  |
| <b>Industrials 1.4%</b>            |                              |  |            |
| B2                                 | 360 <sub>5</sub>             | AGY Holding Corp., 11.00%, 11/15/14  | 359,550    |
| B                                  | 140                          | Hexcel Corp., 6.75%, 2/01/15   | 135,800    |
| B3                                 | 320                          | Park-Ohio Industries, Inc., 8.375%, 11/15/14   | 297,600    |
| CCC+                               | 300                          | Polypore, Inc., 8.75%, 5/15/12   | 293,250    |
|                                    |                              | RBS Global, Inc./Rexnord Corp.,  |            |
| B3                                 | 480 <sub>5</sub>             | 9.50%, 8/01/14   | 496,800    |
| CCC+                               | 325 <sub>5</sub>             | 11.75%, 8/01/16  | 338,000    |
| B3                                 | 950 <sub>5</sub>             | Sunstate Equipment Co. LLC, 10.50%, 4/01/13  | 992,750    |
| B+                                 | 2,000                        | Terex Corp., 9.25%, 7/15/11  | 2,100,000  |
| B3                                 | 210                          | Trimas Corp., 9.875%, 6/15/12  | 197,925    |
| Total Industrials                  |                              |  | 5,211,675  |
| <b>Media 5.9%</b>                  |                              |  |            |
|                                    |                              | Affinion Group, Inc.,  |            |
| B-                                 | 515                          | 10.125%, 10/15/13  | 545,900    |
| B-                                 | 100                          | 11.50%, 10/15/15   | 104,250    |
| Caa2                               | 450                          | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09                                 | 427,500    |
|                                    |                              | AOL Time Warner, Inc.,   |            |
| BBB+                               | 90                           | 6.625%, 5/15/29  | 91,532     |
| BBB+                               | 3,040                        | 7.57%, 2/01/24   | 3,340,507  |
| BBB+                               | 205 <sub>6</sub>             | 7.625%, 4/15/31  | 231,131    |
| BBB+                               | 85                           | 7.70%, 5/01/32   | 96,806     |
| BBB                                | 55 <sub>5</sub>              | BSKYB Finance UK PLC, 6.50%, 10/15/35 (United Kingdom)                                   | 54,926     |
| B+                                 | 180 <sub>3</sub>             | Cablevision Systems Corp., Ser. B, 9.87%, 4/01/09  | 188,550    |
|                                    |                              | Charter Communications Holdings II LLC/Charter Communications Holdings II Capital Corp., |            |
| CCC                                | 710                          | 10.25%, 9/15/10  | 733,075    |
| CCC                                | 130                          | Ser. B, 10.25%, 9/15/10  | 133,900    |
| B3                                 | 645 <sub>5</sub>             | CMP Susquehanna Corp., 9.875%, 5/15/14   | 623,231    |
|                                    |                              | Comcast Corp.,   |            |
| BBB+                               | 790                          | 6.45%, 3/15/37   | 800,499    |
| BBB+                               | 2,375                        | 6.50%, 1/15/17-11/15/35  | 2,473,341  |
| B+                                 | 270                          | CSC Holdings, Inc., 7.875%, 12/15/07   | 273,713    |
| B                                  | 75                           | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13                        | 81,469     |
| BB                                 | 125                          | DirecTV Holdings LLC/DirecTV Financing Co., 8.375%, 3/15/13                              | 129,688    |
|                                    |                              | Echostar DBS Corp.,  |            |
| BB-                                | 175                          | 5.75%, 10/01/08  | 173,906    |
| BB-                                | 290 <sub>5</sub>             | 7.00%, 10/01/13  | 287,462    |
| BB-                                | 75 <sub>5</sub>              | 7.125%, 2/01/16  | 73,313     |
| B                                  | 250                          | General Cable Corp., 9.50%, 11/15/10   | 266,250    |
| CCC+                               | 100 <sub>5</sub>             | Iesy Repository GMBH, 10.375%, 2/15/15 (Germany)   | 94,500     |

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|      |                    |  |           |
|------|--------------------|--|-----------|
| Ba3  | 450                | LIN Television Corp., 6.50%, 5/15/13                     | 426,937   |
| B    | 180                | Medianews Group, Inc., 6.875%, 10/01/13                  | 167,175   |
| B2   | 485                | Network Communications, Inc., 10.75%, 12/01/13           | 488,031   |
|      |                    | News America Holdings, Inc.,                             |           |
| BBB  | 985                | 7.625%, 11/30/28   | 1,105,441 |
| BBB  | 825                | 7.70%, 10/30/25  | 927,237   |
| BBB  | 625                | 8.45%, 8/01/34   | 759,851   |
| B3   | 560                | Nexstar Finance, Inc., 7.00%, 1/15/14                    | 515,900   |
| CCC+ | 965                | Nielsen Finance LLC/Nielsen Finance Co., 10.00%, 8/01/14 | 1,006,012 |
| B1   | 600 <sup>3,5</sup> | Paxson Communications Corp., 8.624%, 1/15/12             | 606,750   |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited) | Principal<br>Amount<br>(000) | Description   | Value      |
|------------------------------------|------------------------------|---|------------|
| <b>Media (cont d)</b>              |                              |   |            |
|                                    |                              | Primedia, Inc.,   |            |
| B2                                 | \$ 260                       | 8.00%, 5/15/13  | \$ 242,450 |
| B2                                 | 190                          | 8.875%, 5/15/11   | 189,525    |
| B2                                 | 250 <sub>3</sub>             | 10.78%, 5/15/10   | 258,750    |
| B                                  | 865                          | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16                       | 892,031    |
| Caa1                               | 165                          | Sirius Satellite Radio, Inc., 9.625%, 8/01/13                       | 160,875    |
|                                    |                              | TCI Communications, Inc.,   |            |
| BBB+                               | 200                          | 7.125%, 2/15/28   | 213,723    |
| BBB+                               | 620                          | 7.875%, 8/01/13-2/15/26   | 708,878    |
| BBB+                               | 70                           | Time Warner Cos., Inc., 6.95%, 1/15/28                              | 73,423     |
|                                    |                              | Vertis, Inc.,   |            |
| B1                                 | 645                          | 9.75%, 4/01/09  | 658,706    |
| Caa3                               | 65 <sub>5</sub>              | 13.50%, 12/07/09  | 58,825     |
| Caa1                               | 225                          | Ser. B, 10.875%, 6/15/09  | 223,875    |
| Caa1                               | 1,155                        | Young Broadcasting, Inc., 10.00%, 3/01/11                           | 1,091,475  |
|                                    |                              | Total Media   | 22,001,319 |
| <b>Real Estate 1.0%</b>            |                              |   |            |
|                                    |                              | AvalonBay Communities, Inc.,  |            |
| BBB+                               | 350                          | 6.625%, 9/15/11   | 369,260    |
| BBB+                               | 775                          | 8.25%, 7/15/08  | 810,976    |
|                                    |                              | Rouse Co.,  |            |
| BB+                                | 895                          | 3.625%, 3/15/09   | 845,839    |
| BB+                                | 1,650                        | 5.375%, 11/26/13  | 1,540,077  |
|                                    |                              | Total Real Estate   | 3,566,152  |
| <b>Technology 1.2%</b>             |                              |   |            |
| BB-                                | 50                           | Advanced Micro Devices, Inc., 7.75%, 11/01/12                       | 50,875     |
| CCC+                               | 825                          | Amkor Technology, Inc., 9.25%, 6/01/16                              | 767,250    |
| B+                                 | 250                          | Celestica, Inc., 7.625%, 7/01/13 (Canada)                           | 250,625    |
| B+                                 | 455 <sub>5</sub>             | NXP BV/NXP Funding LLC, 9.50%, 10/15/15                             | 458,981    |
| B-                                 | 175 <sub>5</sub>             | Sensata Technologies BV, 8.00%, 5/01/14 (Netherlands)               | 168,875    |
| CCC+                               | 280                          | SS&C Technologies, Inc., 11.75%, 12/01/13                           | 301,000    |
|                                    |                              | Sungard Data Systems, Inc.,   |            |
| B-                                 | 120                          | 9.125%, 8/15/13   | 124,500    |
| B-                                 | 340 <sub>3</sub>             | 9.973%, 8/15/13   | 353,600    |
| B-                                 | 560                          | 10.25%, 8/15/15   | 586,600    |
| B                                  | 945                          | Superior Essex Communications LLC/Essex Group, Inc., 9.00%, 4/15/12 | 966,263    |
| B-                                 | 180 <sub>3,5</sub>           | UGS Capital Corp. II, 10.38%, 6/01/11                               | 185,850    |
| B-                                 | 410                          | UGS Corp., 10.00%, 6/01/12  | 442,800    |
|                                    |                              | Total Technology  | 4,657,219  |
| <b>Telecommunications 7.6%</b>     |                              |   |            |
| A                                  | 1,700                        | Bellsouth Telecommunications, Zero Coupon, 12/15/95                 | 899,528    |
| BB-                                | 210                          | Cincinnati Bell, Inc., 7.25%, 7/15/13                               | 216,300    |
| CCC                                | 415 <sub>5</sub>             | Cricket Communications, Inc., 9.375%, 11/01/14                      | 424,337    |
|                                    |                              | Deutsche Telekom Intl. Finance BV,                                  |            |
| A-                                 | 3,000                        | 5.75%, 3/23/16  | 2,963,874  |
| A-                                 | 25                           | 8.25%, 6/15/30  | 31,055     |
| B3                                 | 190 <sub>3</sub>             | Hawaiian Telcom Communications, Inc., Ser. B, 10.889%, 5/01/13      | 194,750    |
|                                    |                              | Intelsat Ltd., (Bermuda)  |            |
| BB-                                | 295                          | 8.625%, 1/15/15   | 306,062    |
| BB-                                | 500 <sub>5</sub>             | 9.25%, 6/15/16  | 533,750    |



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|     |                    |  |         |
|-----|--------------------|--|---------|
| BB- | 105 <sub>3</sub>   | 10.484%, 1/15/12   | 106,444 |
| B   | 200 <sub>5</sub>   | 11.25%, 6/15/16  | 217,750 |
| B   | 800 <sub>3,5</sub> | 11.64%, 6/15/13  | 848,000 |
|     |                    | Lucent Technologies, Inc.,                                   |         |
| B1  | 155                | 6.45%, 3/15/29   | 138,725 |
| B1  | 805                | 6.50%, 1/15/28   | 720,475 |
| B+  | 770 <sub>5</sub>   | Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (Denmark) | 806,575 |
| B-  | 70                 | Nortel Networks Corp., 6.875%, 9/01/23 (Canada).             | 57,750  |
|     |                    | Nortel Networks Ltd.,  |         |
| B-  | 530 <sub>3,5</sub> | 9.624%, 7/15/11  | 547,225 |
| B-  | 185 <sub>5</sub>   | 10.125%, 7/15/13   | 196,100 |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Rating <sup>1</sup><br>(unaudited)                | Principal<br>Amount<br>(000) | Description  | Value       |
|---|------------------------------|--|-------------|
| <b>Telecommunications (cont d)</b>                |                              |  |             |
|   |                              | PanAmSat Corp.,  |             |
| B   | \$ 155                       | 9.00%, 8/15/14   | \$ 161,975  |
| B   | 475 <sub>5</sub>             | 9.00%, 6/15/16   | 496,375     |
|   |                              | Qwest Corp.,   |             |
| BB+   | 200                          | 7.875%, 9/01/11  | 211,750     |
| BB+   | 470 <sub>3</sub>             | 8.64%, 6/15/13   | 506,425     |
| BB+   | 155                          | Rogers Wireless, Inc., 7.25%, 12/15/12 (Canada)            | 162,750     |
| A   | 780                          | SBC Communications, Inc., 6.45%, 6/15/34                   | 806,610     |
| BBB+  | 1,715                        | Sprint Capital Corp., 6.875%, 11/15/28                     | 1,757,232   |
|   |                              | Telecom Italia Capital SA,                                 |             |
| BBB+  | 1,075                        | 4.95%, 9/30/14   | 997,138     |
| BBB+  | 1,550                        | 6.00%, 9/30/34   | 1,419,136   |
| BBB+  | 1,975                        | Telefonica Emisiones SAU, 7.045%, 6/20/36 (Spain)          | 2,126,451   |
| BBB+  | 725                          | Telefonica Europe BV, 7.75%, 9/15/10 (Netherlands)         | 784,512     |
| A+  | 70                           | Verizon Global Funding Corp., 7.75%, 12/01/30              | 81,809      |
| A+  | 125                          | Verizon Maryland, Inc., 5.125%, 6/15/33                    | 103,777     |
|   |                              | Verizon New Jersey, Inc.,                                  |             |
| A+  | 230                          | 7.85%, 11/15/29  | 258,765     |
| A+  | 335                          | Ser. A, 5.875%, 1/17/12                                    | 340,618     |
| A+  | 3,150                        | Verizon Virginia, Inc., 4.625%, 3/15/13                    | 2,953,812   |
|   |                              | Vodafone Group PLC,  |             |
| A-  | 1,465 <sub>3</sub>           | 5.457%, 12/28/07   | 1,465,435   |
| A-  | 2,504                        | 7.75%, 2/15/10   | 2,687,290   |
|   |                              | West Corp.,  |             |
| B-  | 65 <sub>5</sub>              | 9.50%, 10/15/14  | 64,675      |
| B-  | 460 <sub>5</sub>             | 11.00%, 10/15/16   | 462,300     |
| B+  | 350 <sub>5</sub>             | Wind Acquisition Finance SA, 10.75%, 12/01/15 (Luxembourg) | 388,937     |
|   |                              | Windstream Corp.,  |             |
| BB+   | 500 <sub>5</sub>             | 8.125%, 8/01/13  | 533,750     |
| BB+   | 280 <sub>5</sub>             | 8.625%, 8/01/16  | 302,050     |
| Total Telecommunications                          |                              |  | 28,282,272  |
| <b>Transportation 0.2%</b>                        |                              |  |             |
| BB-   | 115                          | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11        | 114,713     |
| A-  | 350                          | Canadian National Railway Co., 6.25%, 8/01/34 (Canada)     | 380,246     |
| B1  | 405                          | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)             | 386,775     |
| B3  | 47                           | Horizon Lines LLC, 9.00%, 11/01/12                         | 49,115      |
| Total Transportation                              |                              |  | 930,849     |
| Total Corporate Bonds                             |                              |  | 217,716,849 |
| <b>U.S. Government and Agency Securities 4.5%</b> |                              |  |             |
|   | 1,670                        | Aid to Israel, 5.50%, 4/26/24-9/18/33                      | 1,754,110   |
|   | 1,050                        | Resolution Funding Corp., Zero Coupon, 7/15/18-10/15/18    | 591,295     |
|   |                              | Tennessee Valley Authority,                                |             |
|   | 1,655                        | Ser. C, 5.88%, 4/01/36                                     | 1,843,900   |
|   | 2,650 <sub>2</sub>           | Ser. D, 4.875%, 12/15/16                                   | 2,647,207   |
|   |                              | U.S. Treasury Bonds,                                       |             |
|   | 6,718                        | 2.00%, 1/15/26   | 6,420,943   |
|   | 865                          | 4.50%, 2/15/36   | 834,860     |
|   | 2,900                        | U.S. Treasury Notes, 4.875%, 8/15/16                       | 2,960,719   |
| Total U.S. Government and Agency Securities       |                              |  | 17,053,034  |

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| <b>Foreign Government Bonds 1.4%</b> |       |                        |           |
|--------------------------------------|-------|------------------------|-----------|
|                                      |       | United Mexican States, |           |
| Baa1                                 | 2,000 | 5.625%, 1/15/17        | 1,999,000 |
| Baa1                                 | 400   | 6.75%, 9/27/34         | 431,000   |
| Baa1                                 | 2,255 | 8.00%, 9/24/22         | 2,734,188 |
| Total Foreign Government Bonds       |       |                        | 5,164,188 |

**Shares**

| <b>Common Stocks 0.0%</b>                               |          |   |             |
|---|----------|---|-------------|
|   | 1,8957.8 | Critical Care Systems Intl., Inc.           | 15,160      |
| <b>Preferred Security 0.0%</b>                          |          |   |             |
|   | 45,000   | Superior Essex Holding Corp., Ser. A, 9.50% | 36,000      |
| <b>Total Long-Term Investments</b> (cost \$380,313,478) |          |   | 377,248,535 |

See Notes to Financial Statements.

## BlackRock Core Bond Trust (BHK) (continued)

| Principal<br>Amount<br>(000)  | Description   | Value          |
|---|---|----------------|
| <b>SHORT-TERM INVESTMENT 0.2%</b>   |   |                |
| <b>U.S. Government and Agency Discount Note 0.2%</b>  |   |                |
| \$ 800 <sup>10</sup>  | Federal Home Loan Bank Discount Note, 4.981%, 11/01/06 (cost \$800,000) | \$ 800,000     |
| <hr/>   |   |                |
| <b>Contracts/<br/>Notional<br/>Amount<br/>(000)</b>   |   |                |
| <b>OUTSTANDING OPTIONS PURCHASED 0.2%</b>   |   |                |
| Interest Rate Swaps,  |   |                |
| 4,900   | Trust pays 3-month LIBOR, Trust receives 5.52%, expires 9/21/36         | 334,056        |
| 4,900   | Trust pays 5.52%, Trust receives 3-month LIBOR, expires 9/21/36         | 288,565        |
| 43,600  | Trust pays 5.40%, Trust receives 3-month LIBOR, expires 3/14/08         | 18,870         |
| 43,600  | Trust pays 5.90%, Trust receives 3-month LIBOR, expires 3/14/08         | 1,024          |
| 74  | U.S. Treasury Notes Future, expiring 2/23/07                            | 17,344         |
| <b>Total Outstanding Options Purchased</b> (cost \$690,998)                                     |   | 659,859        |
| <b>Total Investments before outstanding options written</b> (cost \$381,804,476 <sup>11</sup> ) |   | 378,708,394    |
| <b>OUTSTANDING OPTIONS WRITTEN (0.6)%</b>   |   |                |
| Interest Rate Swaps,  |   |                |
| (4,500)   | Trust pays 3-month LIBOR, Trust receives 5.485%, expires 10/28/19       | (138,531)      |
| (4,500)   | Trust pays 5.485%, Trust receives 3-month LIBOR, expires 10/28/19       | (208,665)      |
| (5,300)   | Trust pays 3-month LIBOR, Trust receives 5.135%, expires 4/21/08        | (140,057)      |
| (5,300)   | Trust pays 5.135%, Trust receives 3-month LIBOR, expires 4/21/08        | (140,057)      |
| (11,500)  | Trust pays 3-month LIBOR, Trust receives 5.67%, expires 1/04/10         | (315,813)      |
| (11,500)  | Trust pays 5.67%, Trust receives 3-month LIBOR, expires 1/04/10         | (617,520)      |
| (13,300)  | Trust pays 3-month LIBOR, Trust receives 4.725%, expires 6/13/07        | (476,406)      |
| (13,300)  | Trust pays 4.725%, Trust receives 3-month LIBOR, expires 6/13/07        | (77,805)       |
| (87,200)  | Trust pays 3-month LIBOR, Trust receives 5.65%, expires 3/14/08         | (10,028)       |
| (37)  | U.S. Treasury Notes Future, expiring 11/21/06                           | (2,890)        |
| <b>Total Outstanding Options Written</b> (premium received \$3,059,631)                         |   | (2,127,772)    |
| <b>Total Investments net of outstanding options written 100.8%</b>                              |   | \$ 376,580,622 |
| Liabilities in excess of other assets (0.8)%  |   | (3,062,498)    |
| <b>Net Assets 100%</b>  |   | \$ 373,518,124 |

<sup>1</sup> Using the highest of S&P ratings, Moody ratings or Fitch ratings.

<sup>2</sup> Entire or partial principal amount pledged as collateral for reverse repurchase agreements. See Note 4 in the Notes to Financial Statements for details of open reverse repurchase agreements.

<sup>3</sup> Variable rate security. Rate shown is interest rate as of October 31, 2006.

<sup>4</sup> Represents an investment in an affiliate.

<sup>5</sup> Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2006, the Trust held 11.0% of its net assets, with a current market value of \$41,146,258, in securities restricted as to resale.

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- 6 Security, or a portion thereof, pledged as collateral with a value of \$3,154,652 on 26 long U.S. Treasury Note futures contracts expiring March 2007, 1,495 long U.S. Treasury Bond futures contracts expiring December 2006, 163 short Eurodollar futures contracts expiring December 2007 and 1,558 short U.S. Treasury Note futures contracts expiring December 2006. The notional value of such contracts on October 31, 2006 was \$32,137,119, with an unrealized gain of \$2,423,434.
- 7 Security is fair valued.
- 8 Illiquid security. As of October 31, 2006, the Trust held 0.8% of its net assets, with a current market value of \$2,887,082, in these securities.
- 9 Non-income producing security.
- 10 Rate shown is the yield to maturity as of the date of purchase.
- 11 Cost for federal income tax purposes is \$382,268,326. The net unrealized depreciation on a tax basis is \$3,559,932, consisting of \$5,026,453 gross unrealized appreciation and \$8,586,385 gross unrealized depreciation.

A category in the Corporate Bonds section may contain multiple industries as defined by the SEC's Standard Industry Codes.

### KEY TO ABBREVIATIONS

EUR Euro  
LIBOR London Interbank Offered Rate

See Notes to Financial Statements.

**PORTFOLIO OF INVESTMENTS**  
**OCTOBER 31, 2006**

**BlackRock High Yield Trust (BHY)**

| Rating <sup>1</sup><br>(unaudited)  | Principal<br>Amount<br>(000) | Description  | Value      |
|-------------------------------------|------------------------------|--|------------|
| <b>LONG-TERM INVESTMENTS 132.7%</b> |                              |  |            |
| <b>Corporate Bonds 128.9%</b>       |                              |  |            |
| <b>Aerospace &amp; Defense 3.7%</b> |                              |  |            |
|                                     |                              | AAR Corp.,   |            |
| BB                                  | \$ 370                       | 6.875%, 12/15/07   | \$ 370,000 |
| NR                                  | 350 <sup>2</sup>             | Ser. A2, 8.39%, 5/15/11  | 353,500    |
| B                                   | 325                          | Argo-Tech Corp., 9.25%, 6/01/11  | 337,188    |
| NR                                  | 1,500 <sup>3</sup>           | Condor Systems, Inc., Ser. B, 11.875%, 5/01/09                                     |            |
| B                                   | 565                          | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13                                   | 587,600    |
|                                     |                              | DRS Technologies, Inc.,  |            |
| B                                   | 40                           | 6.875%, 11/01/13   | 40,000     |
| B                                   | 100                          | 7.625%, 2/01/18  | 102,250    |
| BB+                                 | 20                           | L-3 Communications Corp., 5.875%, 1/15/15  | 19,350     |
| BB                                  | 40                           | Sequa Corp., 9.00%, 8/01/09  | 42,200     |
| Total Aerospace & Defense           |                              |  | 1,852,088  |
| <b>Automotive 3.3%</b>              |                              |  |            |
|                                     |                              | Autonation, Inc.,  |            |
| BB+                                 | 90                           | 7.00%, 4/15/14   | 89,550     |
| BB+                                 | 80 <sup>4</sup>              | 7.374%, 4/15/13  | 80,600     |
| BB-                                 | 20 <sup>4,5</sup>            | Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 7.905%, 5/15/14              | 19,550     |
| B3                                  | 150 <sup>4</sup>             | Delco Remy Intl., Inc., 9.374%, 4/15/09  | 145,500    |
| B-                                  | 150                          | Keystone Automotive Operations, Inc., 9.75%, 11/01/13                              | 144,750    |
| B                                   | 305                          | Lear Corp., Ser. B, 8.11%, 5/15/09   | 309,194    |
| CCC+                                | 255                          | Metaldyne Corp., 10.00%, 11/01/13  | 261,375    |
| B+                                  | 250                          | Rent-A-Center, Inc., 7.50%, 5/01/10  | 249,375    |
| CCC+                                | 350                          | Stanadyne Corp., 10.00%, 8/15/14   | 357,000    |
| Total Automotive                    |                              |  | 1,656,894  |
| <b>Basic Materials 13.8%</b>        |                              |  |            |
| B+                                  | 265                          | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada)                                | 210,675    |
| B+                                  | 185                          | AK Steel Corp., 7.75%, 6/15/12   | 185,000    |
| B-                                  | 205                          | Alpha Natural Resources LLC/Alpha Natural Resources Capital Corp., 10.00%, 6/01/12 | 220,375    |
| B-                                  | 70 <sup>4,5</sup>            | BCI US Finance Corp./Borden 2 Nova Scotia Finance ULC, 11.874%, 7/15/10            | 71,400     |
| BB-                                 | 130 <sup>4</sup>             | Bowater, Inc., 8.39%, 3/15/10  | 131,300    |
| BB-                                 | 175                          | Cascades, Inc., 7.25%, 2/15/13 (Canada)  | 171,500    |
| B+                                  | 170                          | Catalyst Paper Corp., 7.375%, 3/01/14 (Canada)                                     | 157,675    |
| BB+                                 | 50                           | Chemtura Corp., 6.875%, 6/01/16  | 48,875     |
| B-                                  | 150                          | CPG Intl. I, Inc., 10.50%, 7/01/13   | 153,000    |
|                                     |                              | Domtar, Inc.,  |            |
| B2                                  | 40                           | 7.125%, 8/15/15  | 38,200     |
| B2                                  | 180                          | 7.875%, 10/15/11   | 183,825    |
| B+                                  | 90                           | Donohue Forest Products, 7.625%, 5/15/07 (Canada)                                  | 90,000     |
|                                     |                              | Equistar Chemicals LP/Equistar Funding Corp.,                                      |            |
| BB-                                 | 50                           | 8.75%, 2/15/09   | 52,000     |
| BB-                                 | 115                          | 10.125%, 9/01/08   | 121,900    |
| BB-                                 | 100                          | 10.625%, 5/01/11   | 107,000    |
| Baa3                                | 50                           | Hercules, Inc., 6.60%, 8/01/27   | 50,000     |
|                                     |                              | Huntsman LLC,  |            |

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|      |                  |   |         |
|------|------------------|---|---------|
| B2   | 95               | 11.50%, 7/15/12   | 107,588 |
| Ba3  | 365              | 11.625%, 10/15/10   | 402,412 |
| BB   | 35               | IMC Global, Inc., Ser. B, 10.875%, 6/01/08                      | 37,756  |
| B2   | 190 <sup>5</sup> | Ineos Group Holdings PLC, 8.50%, 2/15/16 (United Kingdom)       | 182,875 |
| B3   | 645              | Innophos, Inc., 8.875%, 8/15/14                                 | 643,387 |
| Baa3 | 325              | Ipsco, Inc., 8.75%, 6/01/13 (Canada)                            | 346,125 |
| BBB  | 366              | Ispat Inland ULC, 9.75%, 4/01/14 (Canada)                       | 409,920 |
| B    | 75               | Jacuzzi Brands, Inc., 9.625%, 7/01/10<br>Lyondell Chemical Co., | 80,344  |
| BB-  | 130              | 8.00%, 9/15/14  | 132,925 |
| BB-  | 225              | 8.25%, 9/15/16  | 231,750 |
| BB+  | 260              | 10.50%, 6/01/13   | 286,000 |

See Notes to Financial Statements.

**BlackRock High Yield Trust (BHY) (continued)**

| Rating <sup>1</sup><br>(unaudited)            | Principal<br>Amount<br>(000) | Description   | Value      |
|---|------------------------------|---|------------|
| <b>Basic Materials (cont d)</b>               |                              |   |            |
| BB  | \$ 100                       | Millennium America, Inc., 9.25%, 6/15/08                            | \$ 103,000 |
| B-  | 340                          | Nalco Co., 8.875%, 11/15/13   | 357,850    |
|   |                              | NewPage Corp.,  |            |
| B3  | 450                          | 10.00%, 5/01/12   | 471,375    |
| Caa1  | 80                           | 12.00%, 5/01/13   | 83,600     |
|   |                              | Nova Chemicals Corp.,   |            |
| BB  | 75                           | 6.50%, 1/15/12  | 70,500     |
| BB  | 390 <sup>4</sup>             | 8.405%, 11/15/13  | 396,825    |
| CCC+  | 310 <sup>5</sup>             | Pregis Corp., 12.375%, 10/15/13                                     | 328,600    |
| B+  | 153                          | Rhodia SA, 10.25%, 6/01/10 (France)                                 | 173,272    |
| BB  | 125                          | Russel Metals, Inc., 6.375%, 3/01/14 (Canada)                       | 117,813    |
| B-  | 10 <sup>5</sup>              | Verso Paper Holdings LLC/Verson Paper, Inc., 11.375%, 8/01/16       | 10,150     |
| Total Basic Materials                         |                              |   | 6,966,792  |
| <b>Building &amp; Development 3.8%</b>        |                              |   |            |
| B+  | 40 <sup>4</sup>              | Ainsworth Lumber Co. Ltd., 9.122%, 10/01/10 (Canada)                | 31,800     |
| B   | 575                          | ERICO Intl. Corp., 8.875%, 3/01/12                                  | 599,437    |
|   |                              | Goodman Global Holding Co., Inc.,                                   |            |
| B-  | 160                          | 7.875%, 12/15/12  | 153,600    |
| B1  | 32 <sup>4</sup>              | 8.329%, 6/15/12   | 32,480     |
| BB+   | 250                          | K Hovnanian Enterprises, Inc., 6.25%, 1/15/15                       | 230,000    |
| B3  | 110                          | Nortek, Inc., 8.50%, 9/01/14  | 105,050    |
|   |                              | North American Energy Partners, Inc.,                               |            |
| Caa1  | 335                          | 8.75%, 12/01/11   | 331,650    |
| B1  | 375                          | 9.00%, 6/01/10  | 408,750    |
| Total Building & Development                  |                              |   | 1,892,767  |
| <b>Business Equipment &amp; Services 0.2%</b> |                              |   |            |
| Ba2   | 100 <sup>5</sup>             | FTI Consulting, Inc., 7.75%, 10/01/16                               | 102,250    |
| <b>Consumer Products 8.2%</b>                 |                              |   |            |
| B3  | 50                           | ALH Finance LLC, 8.50%, 1/15/13                                     | 49,625     |
| CCC+  | 265 <sup>4</sup>             | Ames True Temper, Inc., 9.374%, 1/15/12                             | 267,650    |
| B3  | 160 <sup>5</sup>             | Burlington Coat Factory Warehouse Corp., 11.125%, 4/15/14           | 157,400    |
| B2  | 90 <sup>5</sup>              | Education Management LLC/Education Management Corp., 8.75%, 6/01/14 | 92,250     |
| B-  | 190                          | Finlay Fine Jewelry Corp., 8.375%, 6/01/12                          | 171,000    |
| B   | 294                          | Gold Kist, Inc., 10.25%, 3/15/14                                    | 337,365    |
| B2  | 175 <sup>5</sup>             | Knowledge Learning Corp., Inc., 7.75%, 2/01/15                      | 165,813    |
| B-  | 485                          | Lazydays RV Center, Inc., 11.75%, 5/15/12                           | 470,450    |
| B   | 50 <sup>4</sup>              | Levi Strauss & Co., 10.122%, 4/01/12                                | 51,563     |
| CC  | 380                          | Merisant Co., 9.50%, 7/15/13  | 235,600    |
|   |                              | Michaels Stores, Inc.,  |            |
| B2  | 260 <sup>5</sup>             | 10.00%, 11/01/14  | 260,325    |
| Caa1  | 330 <sup>5</sup>             | 11.375%, 11/01/16   | 333,712    |
| C   | 1,200 <sup>2,3</sup>         | Nebco Evans Holding Co., 12.375%, 7/15/07                           |            |
| B2  | 95                           | Neiman-Marcus Group, Inc., 9.00%, 10/15/15                          | 101,888    |
| B3  | 60 <sup>4,5</sup>            | Nutro Products, Inc., 9.40%, 10/15/13                               | 61,650     |
| B   | 265                          | Pantry, Inc., 7.75%, 2/15/14  | 268,312    |
| BB-   | 100                          | Quiksilver, Inc., 6.875%, 4/15/15                                   | 96,250     |
| BB+   | 120 <sup>5</sup>             | Reynolds American, Inc., 7.625%, 6/01/16                            | 127,413    |
| CCC   | 150                          | Spectrum Brands, Inc., 7.375%, 2/01/15                              | 121,500    |



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|                         |     |                          |           |
|-------------------------|-----|--------------------------|-----------|
|                         |     | United Rentals NA, Inc., |           |
| B                       | 640 | 7.00%, 2/15/14           | 612,800   |
| B                       | 130 | 7.75%, 11/15/13          | 129,675   |
|                         |     |                          | <hr/>     |
| Total Consumer Products |     |                          | 4,112,241 |
|                         |     |                          | <hr/>     |

**Containers & Packaging 4.1%**

|      |                    |  |         |
|------|--------------------|--|---------|
|      |                    | Berry Plastics Holding Corp.,                                    |         |
| B2   | 340 <sup>5</sup>   | 8.875%, 9/15/14  | 343,400 |
| B2   | 100 <sup>4,5</sup> | 9.265%, 9/15/14  | 101,125 |
| B+   | 160                | Crown Americas LLC/Crown Americas Capital Corp., 7.75%, 11/15/15 | 164,200 |
| B    | 540                | Crown Cork & Seal, Inc., 8.00%, 4/15/23                          | 518,400 |
| B    | 115                | Crown European Holdings SA, 7.375%, 12/15/26                     | 106,087 |
| CCC+ | 110                | Graham Packaging Co., Inc., 8.50%, 10/15/12                      | 109,450 |

See Notes to Financial Statements.

## BlackRock High Yield Trust (BHY) (continued)

| Rating <sup>1</sup><br>(unaudited)              | Principal<br>Amount<br>(000) | Description   | Value     |
|---|------------------------------|---|-----------|
| <b>Containers &amp; Packaging (cont d)</b>      |                              |   |           |
| B-  | \$ 65                        | Graphic Packaging Intl., Inc., 9.50%, 8/15/13                 | \$ 66,788 |
| B1  | 210 <sup>4,5</sup>           | Impress Holdings BV, 8.512%, 9/15/13                          | 211,657   |
| B+  | 412                          | Smurfit-Stone Container Enterprises, Inc., 9.75%, 2/01/11     | 424,875   |
| Total Containers & Packaging                    |                              |   | 2,045,982 |
| <b>Ecological Services &amp; Equipment 0.5%</b> |                              |   |           |
| BB-   | 80                           | Allied Waste NA, Inc., Ser. B, 8.50%, 12/01/08                | 84,200    |
| Caa1  | 185                          | Waste Services, Inc., 9.50%, 4/15/14                          | 189,625   |
| Total Ecological Services & Equipment           |                              |   | 273,825   |
| <b>Energy 20.9%</b>                             |                              |   |           |
| B+  | 135                          | AES Red Oak LLC, Ser. A, 8.54%, 11/30/19                      | 144,677   |
| Ba1   | 195                          | ANR Pipeline Co., 9.625%, 11/01/21                            | 242,688   |
| B   | 80                           | Berry Petroleum Co., 8.25%, 11/01/16                          | 79,800    |
| Ba1   | 146                          | CE Generation LLC, 7.416%, 12/15/18                           | 150,293   |
| CCC+  | 100                          | Chaparral Energy, Inc., 8.50%, 12/01/15                       | 99,750    |
|   |                              | Chesapeake Energy Corp.,                                      |           |
|   |                              | 6.375%, 6/15/15   | 86,850    |
| BB  | 90                           |   |           |
| BB  | 250                          | 6.625%, 1/15/16   | 244,687   |
| BB  | 20                           | 6.875%, 11/15/20  | 19,000    |
| BB-   | 10                           | CMS Energy Corp., 7.50%, 1/15/09                              | 10,275    |
| Ba1   | 40                           | Colorado Interstate Gas Co., 6.80%, 11/15/15                  | 40,651    |
| BB-   | 140                          | Compagnie Generale de Geophysique SA, 7.50%, 5/15/15 (France) | 138,250   |
| B   | 290                          | Compton Petroleum Finance Corp., 7.625%, 12/01/13 (Canada)    | 274,775   |
| B   | 70                           | Copano Energy LLC, 8.125%, 3/01/16                            | 71,225    |
| B+  | 30                           | Denbury Resources, Inc., 7.50%, 12/15/15                      | 30,000    |
| CCC+  | 260 <sup>2</sup>             | East Cameron Gas Co., 11.25%, 7/09/19 (Cayman Islands)        | 249,600   |
|   |                              | El Paso Corp.,  |           |
|   |                              | 7.75%, 6/15/10  | 62,250    |
| B   | 60                           |   |           |
| B   | 250                          | 9.625%, 5/15/12   | 277,500   |
| B   | 215                          | 10.75%, 10/01/10  | 239,725   |
| Ba1   | 65                           | El Paso Natural Gas Co., 7.625%, 8/01/10                      | 67,113    |
| Ba1   | 509                          | Elwood Energy LLC, 8.159%, 7/05/26                            | 539,069   |
|   |                              | Encore Acquisition Co.,                                       |           |
|   |                              | 6.00%, 7/15/15  | 36,500    |
| B1  | 40                           |   |           |
| B1  | 30                           | 7.25%, 12/01/17   | 28,875    |
| B-  | 370                          | Exco Resources, Inc., 7.25%, 1/15/11                          | 356,125   |
| BB-   | 65                           | Frontier Oil Corp., 6.625%, 10/01/11                          | 64,188    |
| BB+   | 50                           | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15                  | 47,813    |
| B   | 195                          | Hanover Compressor Co., 8.625%, 12/15/10                      | 202,800   |
| B   | 170 <sup>5</sup>             | Hilcorp Energy I LP/Hilcorp Finance Corp., 10.50%, 9/01/10    | 182,325   |
| BBB-  | 98                           | Homer City Funding LLC, 8.734%, 10/01/26                      | 110,458   |
| BB-   | 5                            | Hornbeck Offshore Services, Inc., 6.125%, 12/01/14            | 4,656     |
| B-  | 420                          | KCS Energy, Inc., 7.125%, 4/01/12                             | 403,200   |
|   |                              | Midwest Generation LLC,                                       |           |
|   |                              | 8.75%, 5/01/34  | 102,719   |
| BB+   | 95                           |   |           |
| Ba2   | 96                           | Ser. B, 8.56%, 1/02/16  | 103,683   |
|   |                              | Mirant Americas Generation LLC,                               |           |
|   |                              | 8.30%, 5/01/11  | 354,375   |
| Caa1  | 350                          |   |           |
| Caa1  | 135                          | 8.50%, 10/01/21   | 132,975   |
| Caa1  | 90                           | 9.125%, 5/01/31   | 93,150    |
| BB-   | 610                          | Mission Energy Holdings Co., 13.50%, 7/15/08                  | 680,150   |

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|     |     |  |         |
|-----|-----|--|---------|
| BB- | 30  | Newfield Exploration Co., 6.625%, 9/01/14            | 29,513  |
|     |     | NRG Energy, Inc.,                                    |         |
| B+  | 130 | 7.25%, 2/01/14                                       | 131,463 |
| B+  | 385 | 7.375%, 2/01/16                                      | 389,331 |
| B2  | 345 | Orion Power Holdings, Inc., 12.00%, 5/01/10          | 391,575 |
| BB- | 70  | Plains Exploration & Production Co., 7.125%, 6/15/14 | 75,075  |
| BB  | 210 | Pride Intl., Inc., 7.375%, 7/15/14                   | 216,825 |
| B   | 185 | Range Resources Corp., 7.375%, 7/15/13               | 186,850 |

See Notes to Financial Statements.

## BlackRock High Yield Trust (BHY) (continued)

| Rating <sup>1</sup><br>(unaudited)      | Principal<br>Amount<br>(000) | Description  | Value      |
|---|------------------------------|--|------------|
| <b>Energy (cont d)</b>                  |                              |  |            |
|   |                              | Reliant Energy, Inc.,  |            |
| BB-                                     | \$ 390                       | 6.75%, 12/15/14  | \$ 371,962 |
| BB-                                     | 180                          | 9.25%, 7/15/10   | 186,300    |
| B+                                      | 210 <sup>5</sup>             | SemGroup LP, 8.75%, 11/15/15   | 211,575    |
| Ba2                                     | 40                           | Sithe Independence Funding, Ser. A, 9.00%, 12/30/13                  | 44,160     |
| B                                       | 250 <sup>4,5</sup>           | Stone Energy Corp., 8.124%, 7/15/10                                  | 248,437    |
| B3                                      | 200 <sup>5</sup>             | Targa Resources, Inc., 8.50%, 11/01/13                               | 199,500    |
| Ba1                                     | 160                          | Tennessee Gas Pipeline Co., 8.375%, 6/15/32                          | 186,014    |
|   |                              | Transcontinental Gas Pipe Line Corp.,                                |            |
| BBB-                                    | 65                           | 7.25%, 12/01/26  | 67,275     |
| BBB-                                    | 400                          | Ser. B, 8.875%, 7/15/12  | 449,000    |
| BBB-                                    | 130                          | TXU Corp., 6.55%, 11/15/34   | 124,077    |
| B+                                      | 115                          | Utilicorp Finance Corp., 7.75%, 6/15/11 (Canada)                     | 121,442    |
| B1                                      | 495                          | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13                      | 489,125    |
|   |                              | Williams Cos., Inc.,   |            |
| BB+                                     | 355                          | 7.625%, 7/15/19  | 373,637    |
| BB+                                     | 75                           | 8.75%, 3/15/32   | 83,250     |
| Total Energy                            |                              |  | 10,548,556 |
| <b>Entertainment &amp; Leisure 5.5%</b> |                              |  |            |
|   |                              | AMC Entertainment, Inc.,   |            |
| B3                                      | 150                          | 9.50%, 2/01/11   | 150,563    |
| B3                                      | 150                          | 11.00%, 2/01/16  | 165,938    |
| B3                                      | 40                           | Cinemark, Inc., Zero Coupon, 3/15/14                                 | 32,550     |
|   |                              | Gaylord Entertainment Co.,   |            |
| B-                                      | 280                          | 6.75%, 11/15/14  | 268,100    |
| B-                                      | 40                           | 8.00%, 11/15/13  | 40,700     |
| B3                                      | 185 <sup>5</sup>             | Greektown Holdings LLC, 10.75%, 12/01/13                             | 195,637    |
| BB                                      | 60                           | MGM Mirage, 6.75%, 9/01/12   | 58,200     |
| B                                       | 80 <sup>5</sup>              | Pokagon Gaming Authority, 10.375%, 6/15/14                           | 85,800     |
| B3                                      | 305                          | Poster Financial Group, Inc., 8.75%, 12/01/11                        | 317,962    |
| B-                                      | 185                          | Riddell Bell Holdings, Inc., 8.375%, 10/01/12                        | 183,150    |
| BB                                      | 140                          | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12                          | 140,875    |
| Ba3                                     | 100                          | Station Casinos, Inc., 6.625%, 3/15/18                               | 88,750     |
|   |                              | Travelport, Inc.,  |            |
| B-                                      | 240 <sup>5</sup>             | 9.875%, 9/01/14  | 236,700    |
| B-                                      | 250 <sup>5</sup>             | 11.875%, 9/01/16   | 246,250    |
| B                                       | 435                          | Virgin River Casino, 9.00%, 1/15/12                                  | 441,525    |
| B+                                      | 50                           | Warner Music Group, Inc., 7.375%, 4/15/14                            | 48,875     |
| BB-                                     | 70                           | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14    | 68,600     |
| Total Entertainment & Leisure           |                              |  | 2,770,175  |
| <b>Financial Institutions 18.6%</b>     |                              |  |            |
| B+                                      | 459                          | AES Ironwood LLC, 8.857%, 11/30/25                                   | 502,275    |
| B+                                      | 500                          | AES Red Oak LLC, Ser. B, 9.20%, 11/30/29                             | 555,625    |
|   |                              | American Real Estate Partners LP/American Real Estate Finance Corp., |            |
| BB+                                     | 185                          | 7.125%, 2/15/13  | 184,538    |
| BB+                                     | 300                          | 8.125%, 6/01/11  | 306,750    |
| B                                       | 238                          | BCP Crystal US Holdings Corp., 9.625%, 6/15/14 (Luxembourg)          | 261,205    |
| BB                                      | 285                          | Crum & Forster Holdings Corp., 10.375%, 6/15/13                      | 295,687    |
| B+                                      | 500 <sup>5</sup>             | Dow Jones CDX HY, Ser. 6-T1, 8.625%, 6/29/11                         | 511,875    |
| BB                                      | 25                           | Fairfax Financial Holdings Ltd., 6.875%, 4/15/08 (Canada)            | 24,563     |

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|      |                      |   |           |
|------|----------------------|---|-----------|
| Ba3  | 2,500 <sup>5</sup>   | First Dominion Funding II, Ser. 1A, 11.614%, 4/25/14 (Cayman Islands) | 2,550,000 |
| BB-  | 35                   | Ford Motor Credit Co., 5.70%, 1/15/10                                 | 32,413    |
| BB   | 370                  | General Motors Acceptance Corp., 6.875%, 9/15/11-8/28/12              | 371,244   |
|      |                      | iPayment, Inc.,   |           |
| CCC+ | 325 <sup>5</sup>     | 9.75%, 5/15/14  | 333,937   |
| NR   | 530 <sup>2,4,5</sup> | 12.75%, 7/15/14   | 529,337   |
| B-   | 200                  | K&F Acquisition, Inc., 7.75%, 11/15/14                                | 202,500   |
| B+   | 290 <sup>5</sup>     | Nell AF SARL, 8.375%, 8/15/15 (Luxembourg)                            | 294,350   |
|      |                      | Rainbow National Services LLC,  |           |
| B+   | 310 <sup>5</sup>     | 8.75%, 9/01/12  | 325,887   |
| B+   | 490 <sup>5</sup>     | 10.375%, 9/01/14  | 545,125   |

See Notes to Financial Statements.

## BlackRock High Yield Trust (BHY) (continued)

| Rating <sup>1</sup><br>(unaudited)     | Principal<br>Amount<br>(000) | Description  | Value      |
|--|------------------------------|--|------------|
| <b>Financial Institutions (cont d)</b> |                              |  |            |
| B-                                     | \$ 540                       | Standard Aero Holdings, Inc., 8.25%, 9/01/14   | \$ 535,950 |
| B-                                     | 30 <sup>4</sup>              | Universal City Florida Holding Co. I/II, 10.121%, 5/01/10                                | 30,863     |
| Aa3                                    | 70                           | Western Financial Bank, 9.625%, 5/15/12  | 77,136     |
| C                                      | 2,000 <sup>5</sup>           | Zais Investment Grade Ltd., Class C, 9.95%, 9/23/14 (Cayman Islands)                     | 877,600    |
| Total Financial Institutions           |                              |  | 9,348,860  |
| <b>Health Care 3.4%</b>                |                              |  |            |
| B                                      | 320 <sup>5</sup>             | Angiotech Pharmaceuticals, Inc., 7.75%, 4/01/14 (Canada)                                 | 304,000    |
|  |                              | Coventry Health Care, Inc.,  |            |
| BBB-                                   | 80                           | 5.875%, 1/15/12  | 79,438     |
| BBB-                                   | 80                           | 6.125%, 1/15/15  | 79,721     |
|  |                              | Healthsouth Corp.,   |            |
| CCC+                                   | 425 <sup>5</sup>             | 10.75%, 6/15/16  | 435,625    |
| CCC+                                   | 170 <sup>4,5</sup>           | 11.418%, 6/15/14   | 173,825    |
| B2                                     | 135                          | Norcross Safety Products LLC/Norcross Capital Corp., 9.875%, 8/15/11                     | 143,100    |
| B-                                     | 110                          | Tenet Healthcare Corp., 6.875%, 11/15/31   | 85,250     |
| B-                                     | 405                          | Universal Hospital Services, Inc., 10.125%, 11/01/11                                     | 428,288    |
| Total Health Care                      |                              |  | 1,729,247  |
| <b>Industrials 4.0%</b>                |                              |  |            |
| B2                                     | 200 <sup>5</sup>             | AGY Holding Corp., 11.00%, 11/15/14  | 199,750    |
| B-                                     | 195                          | Concentra Operating Corp., 9.125%, 6/01/12   | 203,775    |
| B                                      | 80                           | Hexcel Corp., 6.75%, 2/01/15   | 77,600     |
| B3                                     | 185                          | Park-Ohio Industries, Inc., 8.375%, 11/15/14   | 172,050    |
| CCC+                                   | 50                           | Polypore, Inc., 8.75%, 5/15/12   | 48,875     |
|  |                              | RBS Global, Inc./Rexnord Corp.,  |            |
| B3                                     | 270 <sup>5</sup>             | 9.50%, 8/01/14   | 279,450    |
| CCC+                                   | 255 <sup>5</sup>             | 11.75%, 8/01/16  | 265,200    |
| B3                                     | 510 <sup>5</sup>             | Sunstate Equipment Co. LLC, 10.50%, 4/01/13  | 532,950    |
| B+                                     | 55                           | Terex Corp., 7.375%, 1/15/14   | 55,825     |
| B3                                     | 210                          | Trimas Corp., 9.875%, 6/15/12  | 197,925    |
| Total Industrials                      |                              |  | 2,033,400  |
| <b>Media 14.7%</b>                     |                              |  |            |
|  |                              | Affinion Group, Inc.,  |            |
| B-                                     | 215                          | 10.125%, 10/15/13  | 227,900    |
| B-                                     | 80                           | 11.50%, 10/15/15   | 83,400     |
| Caa2                                   | 210                          | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09                                 | 199,500    |
| B+                                     | 175 <sup>4</sup>             | Cablevision Systems Corp., Ser. B, 9.87%, 4/01/09  | 183,313    |
| CCC+                                   | 60                           | CBD Media Holdings LLC/CBD Holdings Finance, Inc., 9.25%, 7/15/12                        | 59,775     |
|  |                              | Charter Communications Holdings II LLC/Charter Communications Holdings II Capital Corp., |            |
| CCC                                    | 605                          | 10.25%, 9/15/10  | 624,662    |
| CCC                                    | 75                           | Ser. B, 10.25%, 9/15/10  | 77,250     |
| B3                                     | 290 <sup>5</sup>             | CMP Susquehanna Corp., 9.875%, 5/15/14   | 280,212    |
| B+                                     | 45                           | CSC Holdings, Inc., Ser. B, 7.625%, 4/01/11  | 45,394     |
| B                                      | 50                           | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13                        | 54,313     |
| BB                                     | 125                          | DirectTV Holdings LLC/DirectTV Financing Co., 8.375%, 3/15/13                            | 129,688    |
|  |                              | Echostar DBS Corp.,  |            |
| BB-                                    | 15                           | 6.375%, 10/01/11   | 14,850     |

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|      |                    |  |         |
|------|--------------------|--|---------|
| BB-  | 200 <sup>5</sup>   | 7.00%, 10/01/13  | 198,250 |
| BB-  | 260 <sup>5</sup>   | 7.125%, 2/01/16  | 254,150 |
| B    | 325                | General Cable Corp., 9.50%, 11/15/10                     | 346,125 |
| CCC+ | 75 <sup>5</sup>    | Iesy Repository GMBH, 10.375%, 2/15/15 (Germany)         | 70,875  |
| Ba3  | 325                | LIN Television Corp., 6.50%, 5/15/13                     | 308,344 |
| B    | 165                | Medianews Group, Inc., 6.875%, 10/01/13                  | 153,244 |
| B2   | 290                | Network Communications, Inc., 10.75%, 12/01/13           | 291,812 |
| B3   | 325                | Nexstar Finance, Inc., 7.00%, 1/15/14                    | 299,406 |
| CCC+ | 445 <sup>5</sup>   | Nielsen Finance LLC/Nielsen Finance Co., 10.00%, 8/01/14 | 463,912 |
| B1   | 125 <sup>4,5</sup> | Paxson Communications Corp., 8.624%, 1/15/12             | 126,406 |
|      |                    | Primedia, Inc.,  |         |
| B2   | 430                | 8.00%, 5/15/13   | 400,975 |
| B2   | 120                | 8.875%, 5/15/11  | 119,700 |
| B2   | 155 <sup>4</sup>   | 10.78%, 5/15/10  | 160,425 |

See Notes to Financial Statements.

## BlackRock High Yield Trust (BHY) (continued)

| Rating <sup>1</sup><br>(unaudited) | Principal<br>Amount<br>(000) | Description   | Value        |
|------------------------------------|------------------------------|---|--------------|
| <b>Media (cont d)</b>              |                              |   |              |
| B                                  | \$ 1,035                     | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16                       | \$ 1,067,344 |
| BB                                 | 165                          | Scholastic Corp., 5.00%, 4/15/13                                    | 147,403      |
|                                    |                              | Vertis, Inc.,   |              |
| B1                                 | 280                          | 9.75%, 4/01/09  | 285,950      |
| Caa3                               | 35 <sup>5</sup>              | 13.50%, 12/07/09  | 31,675       |
| Caa1                               | 145                          | Ser. B, 10.875%, 6/15/09  | 144,275      |
| Caa1                               | 595                          | Young Broadcasting, Inc., 10.00%, 3/01/11                           | 562,275      |
| Total Media                        |                              |   | 7,412,803    |
| <b>Technology 6.1%</b>             |                              |   |              |
| BB-                                | 30                           | Advanced Micro Devices, Inc., 7.75%, 11/01/12                       | 30,525       |
| CCC+                               | 445                          | Amkor Technology, Inc., 9.25%, 6/01/16                              | 413,850      |
| B+                                 | 350                          | Celestica, Inc., 7.625%, 7/01/13 (Canada)                           | 350,875      |
| B+                                 | 60 <sup>5</sup>              | Hynix Semiconductor, Inc., 9.875%, 7/01/12 (South Korea)            | 66,450       |
| B+                                 | 195 <sup>5</sup>             | NXP BV/NXP Funding LLC, 9.50%, 10/15/15                             | 196,706      |
| B-                                 | 100 <sup>5</sup>             | Sensata Technologies BV, 8.00%, 5/01/14 (Netherlands)               | 96,500       |
| CCC+                               | 210                          | SS&C Technologies, Inc., 11.75%, 12/01/13                           | 225,750      |
| BB                                 | 105                          | STATS ChipPAC Ltd., 6.75%, 11/15/11 (Singapore)                     | 101,850      |
|                                    |                              | Sungard Data Systems, Inc.,   |              |
| B-                                 | 95                           | 9.125%, 8/15/13   | 98,563       |
| B-                                 | 230 <sup>4</sup>             | 9.973%, 8/15/13   | 239,200      |
| B-                                 | 445                          | 10.25%, 8/15/15   | 466,137      |
| B                                  | 305                          | Superior Essex Communications LLC/Essex Group, Inc., 9.00%, 4/15/12 | 311,863      |
| B-                                 | 100 <sup>4,5</sup>           | UGS Capital Corp. II, 10.38%, 6/01/11                               | 103,250      |
| B-                                 | 305                          | UGS Corp., 10.00%, 6/01/12  | 329,400      |
| BBB-                               | 60                           | Xerox Corp., 6.40%, 3/15/16   | 60,150       |
| Total Technology                   |                              |   | 3,091,069    |
| <b>Telecommunications 16.0%</b>    |                              |   |              |
| NR                                 | 2,000 <sup>3</sup>           | Asia Global Crossing Ltd., 13.375%, 10/15/10 (Bermuda)              | 170,000      |
| A                                  | 182                          | AT&T Corp., 8.05%, 11/15/11   | 198,077      |
| B+                                 | 455                          | Centennial Communications Corp., 8.125%, 2/01/14                    | 455,569      |
| BB-                                | 405                          | Cincinnati Bell, Inc., 7.25%, 7/15/13                               | 417,150      |
| CCC                                | 215 <sup>5</sup>             | Cricquet Communications, Inc., 9.375%, 11/01/14                     | 219,838      |
| BB-                                | 260                          | Dobson Cellular Systems, Inc., 8.375%, 11/01/11                     | 270,075      |
| B3                                 | 100 <sup>4</sup>             | Hawaiian Telcom Communications, Inc., Ser. B, 10.789%, 5/01/13      | 102,500      |
|                                    |                              | Intelsat Ltd., (Bermuda)  |              |
| BB-                                | 245                          | 8.625%, 1/15/15   | 254,187      |
| B                                  | 40                           | 9.25%, 2/01/15  | 30,300       |
| BB-                                | 150 <sup>5</sup>             | 9.25%, 6/15/16  | 160,125      |
| BB-                                | 100 <sup>4</sup>             | 10.484%, 1/15/12  | 101,375      |
| B                                  | 70 <sup>5</sup>              | 11.25%, 6/15/16   | 76,213       |
| B                                  | 290 <sup>4,5</sup>           | 11.64%, 6/15/13   | 307,400      |
|                                    |                              | Lucent Technologies, Inc.,  |              |
| B1                                 | 185                          | 6.45%, 3/15/29  | 165,575      |
| B1                                 | 387                          | 6.50%, 1/15/28  | 346,365      |
| B+                                 | 445 <sup>5</sup>             | Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (Denmark)        | 466,137      |
| B-                                 | 205                          | Nortel Networks Corp., 6.875%, 9/01/23 (Canada)                     | 169,125      |
|                                    |                              | Nortel Networks Ltd.,   |              |
| B-                                 | 245 <sup>4,5</sup>           | 9.624%, 7/15/11   | 252,962      |
| B-                                 | 95 <sup>5</sup>              | 10.125%, 7/15/13  | 100,700      |
|                                    |                              | PanAmSat Corp.,   |              |



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|     |                    |   |         |
|-----|--------------------|---|---------|
| BB  | 210                | 6.875%, 1/15/28   | 185,850 |
| B   | 270                | 9.00%, 8/15/14  | 282,150 |
| B   | 320 <sup>5</sup>   | 9.00%, 6/15/16  | 334,400 |
| NR  | 600 <sup>3</sup>   | PF Net Communications, Inc., 13.75%, 5/15/10                      | 60      |
| NR  | 360 <sup>4,5</sup> | ProtoStar I Ltd., Zero Coupon, 10/15/12 (Bermuda)<br>Qwest Corp., | 361,800 |
| BB+ | 600                | 7.875%, 9/01/11   | 635,250 |
| BB+ | 230 <sup>4</sup>   | 8.64%, 6/15/13  | 247,825 |
| BB+ | 125                | 8.875%, 3/15/12   | 137,500 |

See Notes to Financial Statements.

**BlackRock High Yield Trust (BHY) (continued)**

| Rating <sup>1</sup><br>(unaudited) | Principal<br>Amount<br>(000) | Description  | Value      |
|------------------------------------|------------------------------|--|------------|
| <b>Telecommunications (cont d)</b> |                              |  |            |
|                                    |                              | Rogers Wireless, Inc.,                                     |            |
| BB+                                | \$ 35                        | 7.25%, 12/15/12  | \$ 36,750  |
| BB                                 | 395                          | 8.00%, 12/15/12  | 417,712    |
|                                    |                              | West Corp.,  |            |
| B-                                 | 40 <sup>5</sup>              | 9.50%, 10/15/14  | 39,800     |
| B-                                 | 320 <sup>5</sup>             | 11.00%, 10/15/16   | 321,600    |
| B+                                 | 375 <sup>5</sup>             | Wind Acquisition Finance SA, 10.75%, 12/01/15 (Luxembourg) | 416,719    |
|                                    |                              | Windstream Corp.,  |            |
| BB+                                | 200 <sup>5</sup>             | 8.125%, 8/01/13  | 213,500    |
| BB+                                | 145 <sup>5</sup>             | 8.625%, 8/01/16  | 156,419    |
|                                    |                              | Total Telecommunications                                   | 8,051,008  |
| <b>Transportation 2.1%</b>         |                              |  |            |
| BB-                                | 95                           | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11        | 94,762     |
| B1                                 | 170                          | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)             | 162,350    |
| B3                                 | 430                          | Horizon Lines LLC, 9.00%, 11/01/12                         | 449,350    |
| BB+                                | 350                          | Overseas Shipholding Group, Inc., 7.50%, 2/15/24           | 345,625    |
|                                    |                              | Total Transportation                                       | 1,052,087  |
|                                    |                              | Total Corporate Bonds                                      | 64,940,044 |
| <b>Bank Loans 3.0%</b>             |                              |  |            |
|                                    | 530 <sup>2</sup>             | Intelsat Ltd., 11.25%, 9/21/07                             | 531,325    |
|                                    | 1,000                        | Navistar Financial Corp., LIBOR + 5.00%, 2/28/09           | 1,010,000  |
|                                    |                              | Total Bank Loans   | 1,541,325  |
| <b>Shares</b>                      |                              |  |            |
| <b>Common Stocks 0.7%</b>          |                              |  |            |
|                                    | 4,737 <sup>2,6</sup>         | Critical Care Systems Intl., Inc.                          | 37,896     |
|                                    | 68,358                       | Globix Corp.   | 304,193    |
|                                    | 14,992 <sup>2</sup>          | Mattress Discounters Corp.                                 |            |
|                                    |                              | Total Common Stocks  | 342,089    |
| <b>Preferred Securities 0.1%</b>   |                              |  |            |
|                                    | 1,098 <sup>3</sup>           | Adelphia Business Solutions, Ser. B, 12.875%               |            |
|                                    | 40,000                       | Superior Essex Holding Corp., Ser. A, 9.50%                | 32,000     |
|                                    |                              | Total Preferred Securities                                 | 32,000     |
| <b>Units (000)</b>                 |                              |  |            |

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**Warrants 0.0%**

|  |   |
|--|---|
| 1 <sup>2,5,6,7</sup> Mattress Discounters Corp., expires 7/15/07, strike price \$0.01, 4.85 shares for 1 warrant |   |
| 54 <sup>6,7</sup> Neon Communications, Inc., expires 12/02/12  | 1 |

|  |  |
|--|--|
| 1 <sup>5,6,7</sup> PF. Net Communications, Inc., expires 5/15/10, strike price \$0.01, 36.87243 shares for 1 warrant |  |
|--|--|

---

|                |   |
|----------------|---|
| Total Warrants | 1 |
|----------------|---|

---

|  |            |
|--|------------|
| <b>Total Long-Term Investments</b> (cost \$72,838,609) | 66,855,459 |
|--|------------|

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See Notes to Financial Statements.

**BlackRock High Yield Trust (BHY) (continued)**

| Principal<br>Amount<br>(000)                         | Description   | Value         |
|--|---|---------------|
| <b>SHORT-TERM INVESTMENT 4.2%</b>                    |   |               |
| <b>U.S. Government and Agency Discount Note 4.2%</b> |   |               |
| \$ 2,100 <sup>8</sup>                                | Federal Home Loan Bank Discount Note, 4.981%, 11/01/06 (cost \$2,100,000) | \$ 2,100,000  |
| <b>Total Investments 136.9%</b> (cost \$74,938,609)  |   | \$ 68,955,459 |
| Liabilities in excess of other assets (36.9)%        |   | (18,570,222)  |
| <b>Net Assets 100%</b>                               |   | \$ 50,385,237 |

<sup>1</sup> Using the highest of S&P's, Moody's or Fitch's ratings.

<sup>2</sup> Security is fair valued.

<sup>3</sup> Issuer is in default and/or bankruptcy.

<sup>4</sup> Variable rate security. Rate shown is interest rate as of October 31, 2006.

<sup>5</sup> Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2006, the Trust held 35.0% of its net assets, with a current market value of \$17,650,704, in securities restricted as to resale.

<sup>6</sup> Non-income producing security.

<sup>7</sup> Illiquid security. As of October 31, 2006, the Trust held less than 0.1% of its net assets, with a current market value of \$1, in these securities.

<sup>8</sup> Rate shown is the yield to maturity as of the date of purchase.

<sup>9</sup> Cost for federal income tax purposes is \$74,968,332. The net unrealized depreciation on a tax basis is \$6,012,873, consisting of \$1,423,161 gross unrealized appreciation and \$7,436,034 gross unrealized depreciation.

A category in the Corporate Bonds section may contain multiple industries as defined by the SEC's Standard Industry Codes.

**KEY TO ABBREVIATION**

LIBOR London Interbank Offered Rate

See Notes to Financial Statements.

**PORTFOLIO OF INVESTMENTS**  
**OCTOBER 31, 2006**
**BlackRock Income Opportunity Trust (BNA)**

| Rating <sup>1</sup><br>(unaudited)                                     | Principal<br>Amount<br>(000) | Description  | Value        |
|--|------------------------------|--|--------------|
| <b>LONG-TERM INVESTMENTS 109.4%</b>                                    |                              |  |              |
| <b>Mortgage Pass-Through Securities 12.7%</b>                          |                              |  |              |
|  |                              | Federal Home Loan Mortgage Corp.,  |              |
|  | \$ 1,082 <sub>2,3</sub>      | 4.363%, 1/01/35  | \$ 1,088,796 |
|  | 1,871 <sub>2,3</sub>         | 5.149%, 1/01/35  | 1,843,811    |
|  |                              | Federal National Mortgage Assoc.,  |              |
|  | 15,843                       | 5.50%, 12/01/13-5/18/35  | 15,814,190   |
|  | 17,470 <sub>3</sub>          | 5.50%, 7/01/16-6/01/36   | 17,374,336   |
|  | 3974                         | 5.50%, 12/01/32  | 393,246      |
|  | 7,801 <sub>3,4</sub>         | 5.50%, 1/01/33   | 7,732,403    |
|  | 1,056                        | 6.00%, 3/01/16-5/01/36   | 1,071,793    |
|  | 166                          | 7.00%, 2/01/24-10/01/28  | 171,308      |
|  | 2,915 <sub>3</sub>           | 7.25%, 1/15/10   | 3,118,313    |
|  | 104                          | Government National Mortgage Assoc., 8.00%, 4/15/24-11/15/25             | 108,895      |
| Total Mortgage Pass-Through Securities                                 |                              |  | 48,717,091   |
| <b>Federal Housing Administration Securities 1.1%</b>                  |                              |  |              |
|  |                              | General Motors Acceptance Corp. Projects,                                |              |
|  | 221                          | Ser. 37, 7.43%, 5/01/22  | 223,653      |
|  | 80                           | Ser. 44, 7.43%, 8/01/22  | 81,129       |
|  |                              | Merrill Projects,  |              |
|  | 152 <sub>5</sub>             | Ser. 29, 7.43%, 10/01/20   | 153,837      |
|  | 51 <sub>5</sub>              | Ser. 42, 7.43%, 9/01/22  | 51,939       |
|  | 1,785                        | Reilly Project, Ser. B-11, 7.40%, 4/01/21                                | 1,801,471    |
|  | 1,796                        | Westmore Project, 7.25%, 4/01/21   | 1,803,047    |
| Total Federal Housing Administration Securities                        |                              |  | 4,115,076    |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 8.4%</b>     |                              |  |              |
|  |                              | Federal Home Loan Mortgage Corp.,  |              |
|  | 3,380                        | Ser. 82, Class HJ, 5.50%, 9/25/32  | 3,385,987    |
|  | 2                            | Ser. 192, Class U, 1,009.033%, 2/15/22                                   | 4            |
|  |                              | Ser. 1057, Class J, 1,008.001%, 3/15/21                                  | 1,543        |
|  | 3,327                        | Ser. 2806, Class VC, 6.00%, 12/15/19                                     | 3,407,389    |
|  | 6,000                        | Ser. 2874, Class BC, 5.00%, 10/15/19                                     | 5,856,630    |
|  | 1,390                        | Ser. 2883, Class DR, 5.00%, 11/15/19                                     | 1,357,772    |
|  | 3,571                        | Ser. 2922, Class GA, 5.50%, 5/15/34                                      | 3,596,080    |
|  | 1,961                        | Ser. 2927, Class BA, 5.50%, 10/15/33                                     | 1,976,404    |
|  | 1,915                        | Ser. 2933 Class HD, 5.50%, 2/15/35                                       | 1,932,810    |
|  | 1,725                        | Ser. 2968, Class EG, 6.00%, 10/15/34                                     | 1,764,762    |
|  |                              | Federal National Mortgage Assoc.,  |              |
|  | 3,434                        | Ser. 5, Class PK, 5.00%, 12/25/34  | 3,406,120    |
|  | 2,175                        | Ser. 27, Class PC, 5.50%, 5/25/34  | 2,186,216    |
|  | 1,718 <sub>2</sub>           | Ser. 118, Class FD, 5.72%, 12/25/33                                      | 1,722,939    |
|  | 1,678                        | Government National Mortgage Assoc., Ser. 65, Class VA, 6.00%, 6/20/15   | 1,718,272    |
| Total Agency Multiple Class Mortgage Pass-Through Securities           |                              |  | 32,312,928   |
| <b>Non-Agency Multiple Class Mortgage Pass-Through Securities 6.2%</b> |                              |  |              |
| AAA  | 4,946                        | Countrywide Alternative Loan Trust, Ser. 19CB, Class A15, 6.00%, 8/25/36 | 4,957,120    |
| AAA  | 2,483                        | DLJ Commercial Mortgage Corp., Class A 1B, 7.18%, 11/10/33               | 2,634,726    |

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|     |       |  |           |
|-----|-------|--|-----------|
| AAA | 2,630 | First Union-Lehman Brothers-Bank of America, Ser. C2, Class D, 6.778%, 11/18/35                        | 2,839,549 |
| AAA | 2,310 | GE Capital Commercial Mortgage Corp., Ser. 1A, Class A3, 6.269%, 12/10/35                              | 2,424,154 |
| AAA | 2,580 | General Motor Acceptance Corp. Commercial Mortgage Securities, Inc., Ser. C4, Class A2, 4.93%, 7/10/39 | 2,548,329 |
| AAA | 7,895 | Residential Funding Securities Corp., Ser. RM2, Class AI5, 8.50%, 5/25/33                              | 8,441,253 |
| AAA | 92,68 | Summit Mortgage Trust, Ser. 1, Class B1, 6.573%, 12/28/12  | 8,838     |

|  |            |
|--|------------|
|  | 23,853,969 |
|--|------------|

### Inverse Floating Rate Mortgage Securities 0.6%

|        |  |           |
|--------|--|-----------|
| 6182   | Federal Home Loan Mortgage Corp., Ser. 1611, Class JC, 10.00%, 8/15/23 | 658,699   |
|        | Federal National Mortgage Assoc.,                                      |           |
| 2      | Ser. 7, Class S, 541.833%, 3/25/21                                     | 3,592     |
| 2      | Ser. 17, Class S, 531.967%, 6/25/21                                    | 5,575     |
| 1,5562 | Ser. 23, Class PS, 9.206%, 4/25/23                                     | 1,626,996 |
| 2      | Ser. 46, Class S, 1,295.281%, 5/25/21                                  | 3,680     |
| 2      | Ser. 49, Class S, 479.05%, 12/25/21                                    | 2,066     |
| 682    | Ser. 87, Class S, 12.522%, 8/25/21                                     | 79,534    |

|  |           |
|--|-----------|
|  | 2,380,142 |
|--|-----------|

See Notes to Financial Statements.

## BlackRock Income Opportunity Trust (BNA) (continued)

| Rating <sup>1</sup><br>(unaudited)                   | Principal<br>Amount<br>(000) | Description   | Value        |
|--|------------------------------|---|--------------|
| <b>Asset-Backed Securities 14.7%</b>                 |                              |   |              |
| AAA  | \$ 2,690 <sub>2</sub>        | Ameriquest Mortgage Securities, Inc., Ser. R11, Class A1, 5.633%, 11/25/34  | \$ 2,697,195 |
| AAA  | 3,025                        | Capital Auto Receivables Asset Trust, Ser. 1, Class A3, 5.03%, 10/15/09     | 3,017,492    |
| AAA  | 2,650 <sub>2</sub>           | Chase Issuance Trust, Ser. A3, 5.31%, 7/15/11                               | 2,650,618    |
| AAA  | 3,100                        | Chase Manhattan Auto Owner Trust, Ser. B, Class A4, 4.88%, 6/15/12          | 3,091,500    |
| AAA  | 3,125                        | Citibank Credit Card Issuance Trust, Ser. A2, Class A2, 4.85%, 2/10/11      | 3,114,140    |
| Countrywide Asset-Backed Certificates,               |                              |   |              |
| AAA  | 1,361 <sub>2</sub>           | Ser. 15, Class 2AV1, 5.42%, 4/25/36   | 1,361,056    |
| AAA  | 2,046 <sub>2</sub>           | Ser. 16, Class 4AV1, 5.42%, 1/25/35   | 2,046,080    |
| AAA  | 3,150                        | DaimlerChrysler Auto Trust, Ser. A, Class A3, 5.00%, 5/08/10                | 3,144,975    |
| AAA  | 2,575 <sub>2</sub>           | Discover Card Master Trust I, Ser. 1, Class A, 5.33%, 9/16/10               | 2,575,724    |
| AAA  | 3,400                        | Ford Credit Auto Owner Trust, Ser. A, Class A3, 5.07%, 11/15/09             | 3,392,950    |
| AAA  | 2,550                        | Harley-Davidson Motorcycle Trust, Ser. 2, Class A2, 4.07%, 2/15/12          | 2,505,985    |
| A1   | 2,500                        | Maryland Trust, Ser. 1, Class A, 5.55%, 12/10/65                            | 2,485,938    |
| MBNA Credit Card Master Note Trust,                  |                              |   |              |
| AAA  | 3,075                        | Ser. A1, Class A, 4.90%, 7/15/11  | 3,071,159    |
| AAA  | 4,050 <sub>2</sub>           | Ser. A4, 5.31%, 9/15/11   | 4,050,916    |
| AAA  | 1,651 <sub>2,5</sub>         | Merrill Lynch Mortgage Investors, Inc., Ser. HE2, Class A2A, 5.43%, 9/25/36 | 1,651,789    |
| Morgan Stanley ABS Capital I,                        |                              |   |              |
| AAA  | 3,280 <sub>2</sub>           | Ser. HE5, Class A2A, 5.39%, 8/25/36   | 3,280,219    |
| AAA  | 2,994 <sub>2</sub>           | Ser. NC4, Class A2A, 5.35%, 6/25/36   | 2,993,681    |
| AAA  | 1,690 <sub>2</sub>           | New Century Home Equity Loan Trust, Ser. C, Class A2A, 5.40%, 1/25/36       | 1,690,628    |
| AAA  | 1,922 <sub>2</sub>           | Structured Asset Investment Loan Trust, Ser. 1, Class A1, 5.40%, 1/25/36    | 1,922,455    |
| AAA  | 3,075                        | USAA Auto Owner Trust, Ser. 1, Class A3, 5.01%, 9/15/10                     | 3,071,063    |
| AAA  | 2,925                        | Wachovia Auto Owner Trust, Ser. A, Class A4, 5.38%, 3/20/13                 | 2,957,787    |
| Total Asset-Backed Securities                        |                              |   | 56,773,350   |
| <b>Interest Only Asset-Backed Securities 0.5%</b>    |                              |   |              |
| AAA  | 656 <sub>2,6</sub>           | Morgan Stanley Capital Trust I, Ser. HF1, Class X, 1.89%, 6/15/17           | 2,948        |
| Sterling Coofs Trust,                                |                              |   |              |
| NR   | 21,411                       | Ser. 1, 2.362%, 4/15/29   | 963,503      |
| AAA  | 19,508 <sub>2</sub>          | Ser. 2, 2.418%, 3/30/30   | 853,487      |
| Total Interest Only Asset-Backed Securities          |                              |   | 1,819,938    |
| <b>Interest Only Mortgage-Backed Securities 0.8%</b> |                              |   |              |
| Federal Home Loan Mortgage Corp.,                    |                              |   |              |
|  |                              | Ser. 176, Class M, 1,010.00%, 7/15/21                                       | 38           |
|  |                              | Ser. 200, Class R, 93,504.444%, 12/15/22                                    | 206          |
|  | 8 <sub>2</sub>               | Ser. 1043, Class H, 20.813%, 2/15/21  | 8,027        |
|  | 2                            | Ser. 1054, Class I, 413.56%, 3/15/21  | 154          |
|  |                              | Ser. 1056, Class KD, 1,084.50%, 3/15/21                                     | 1,425        |
|  | 2                            | Ser. 1148, Class E, 563.074%, 10/15/21                                      | 436          |
|  |                              | Ser. 1179, Class O, 1,009.389%, 11/15/21                                    | 106          |
|  |                              | Ser. 1221, Class H, 1,006.50%, 3/15/07                                      | 5            |
|  | 185                          | Ser. 1254, Class Z, 8.50%, 4/15/22  | 1,266        |
|  | 345                          | Ser. 1831, Class PG, 6.50%, 3/15/11   | 31,851       |
|  | 6,656                        | Ser. 2611, Class QI, 5.50%, 9/15/32   | 1,239,324    |
| Federal National Mortgage Assoc.,                    |                              |   |              |
|  | 96                           | Ser. 5, Class H, 9.00%, 1/25/22   | 23,393       |
|  | 7                            | Ser. 7, Class 2, 8.50%, 4/01/17   | 1,376        |
|  | 12                           | Ser. 10, Class S, 524.318%, 5/25/21   | 10,029       |
|  | 2                            | Ser. 12, Class S, 553.577%, 5/25/21   | 8,976        |
|  |                              | Ser. 33, Class PV, 1,078.42%, 10/25/21                                      | 11,731       |
|  |                              | Ser. 38, Class N, 1,008.50%, 4/25/21  | 425          |
|  | 3                            | Ser. 46, Class H, 1,042.50%, 12/25/09                                       | 43,364       |
|  | 419 <sub>2</sub>             | Ser. 50, Class SI, 1.20%, 4/25/23   | 12,109       |

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|  |                      |   |           |
|--|----------------------|---|-----------|
|  | 12                   | Ser. 89, Class 2, 8.00%, 6/01/18                                  | 2,186     |
|  | 29,152 <sub>2</sub>  | Ser. 90, Class JH, 1.38%, 11/25/34                                | 1,453,055 |
|  | 4                    | Ser. 94, Class 2, 9.50%, 8/01/21                                  | 935       |
|  |                      | Ser. 99, Class L, 930.00%, 8/25/21                                | 3,925     |
|  |                      | Ser. 123, Class M, 1,009.50%, 10/25/20                            | 634       |
|  | 17 <sub>2</sub>      | Ser. 136, Class S, 14.746%, 11/25/20                              | 21,639    |
|  |                      | Ser. 139, Class PT, 648.35%, 10/25/21                             | 4,716     |
|  | 2 <sub>2</sub>       | Ser. 141, Class SA, 13.625%, 8/25/07                              | 88        |
| AAA  | 5,102 <sub>2,6</sub> | Goldman Sachs Mortgage Securities Corp., Ser. 5, 1.006%, 2/19/25  | 105,767   |
| AAA  | 2,321 <sub>2</sub>   | Salomon Brothers Mortgage Securities VII, Ser. 1, 0.542%, 3/25/22 | 977       |
| Total Interest Only Mortgage-Backed Securities |                      |   | 2,988,163 |

See Notes to Financial Statements.



## BlackRock Income Opportunity Trust (BNA) (continued)

| Rating <sup>1</sup><br>(unaudited)                                 | Principal<br>Amount<br>(000) | Description   | Value      |
|--|------------------------------|---|------------|
| <b>Principal Only Mortgage-Backed Securities 0.1%</b>              |                              |   |            |
|  | \$ 1054.7                    | Federal Home Loan Mortgage Corp., Ser. 1739, Class B, 7.50%, 2/15/24                                      | \$ 94,356  |
|  |                              | Federal National Mortgage Assoc.,   |            |
|  | 727                          | Ser. 51, Class E, 8.00%, 2/25/23  | 58,755     |
|  | 147                          | Ser. 70, Class A, 7.00%, 5/25/23  | 11,185     |
|  | 327                          | Ser. 167, Class D, 8.50%, 10/25/17  | 27,873     |
|  | 257                          | Ser. 203, Class 1, 8.00%, 2/01/23   | 20,452     |
|  | 177                          | Ser. 228, Class 1, 7.00%, 5/01/23   | 13,640     |
| Total Principal Only Mortgage-Backed Securities                    |                              |   | 226,261    |
| <b>Commercial Mortgage-Backed Securities 4.3%</b>                  |                              |   |            |
| AAA  | 2,320                        | Bear Stearns Commercial Mortgage Services, Ser. PWR7, Class A2, 4.945%, 2/11/41                           | 2,296,391  |
| AAA  | 2,970                        | Credit Suisse First Boston Mortgage Securities Corp., Ser. CP5, Class A2, 4.94%, 12/15/35                 | 2,925,876  |
| AAA  | 2,090                        | First Union National Bank Commercial Mortgage Trust, Ser. C2, Class A2, 7.202%, 10/15/32                  | 2,228,784  |
| AAA  | 2,475                        | General Motors Acceptance Corp. Commercial Mortgage Securities, Inc., Ser. C3, Class A4, 4.547%, 12/10/41 | 2,406,559  |
| JP Morgan Chase Commercial Mortgage Securities Corp.,              |                              |   |            |
| AAA  | 1,990                        | Ser. C1, Class A3, 5.857%, 10/12/35   | 2,045,365  |
| AAA  | 2,380                        | Ser. CBX, Class A4, 4.529%, 1/12/37   | 2,316,736  |
| AAA  | 2,5302                       | LB-UBS Commercial Mortgage Trust, Ser. C4, Class A3, 4.984%, 6/15/29                                      | 2,539,117  |
| Total Commercial Mortgage-Backed Securities                        |                              |   | 16,758,828 |
| <b>Collateralized Mortgage Obligation Residual Securities 0.0%</b> |                              |   |            |
| Collateralized Mortgage Obligation Trust,                          |                              |   |            |
| AAA  |                              | Ser. 40, Class R, 580.50%, 4/01/18  | 175        |
| AAA  |                              | Ser. 42, Class R, 6,000.00%, 10/01/14   | 2,464      |
| Federal Home Loan Mortgage Corp.,                                  |                              |   |            |
|  |                              | Ser. 19, Class R, 9,427.316%, 3/15/20   | 906        |
|  |                              | Ser. 75, Class R, 9.50%, 1/15/21  | 2          |
|  |                              | Ser. 75, Class RS, 16.721%, 1/15/21   | 3          |
|  |                              | Ser. 173, Class R, 9.00%, 11/15/21  | 12         |
|  |                              | Ser. 173, Class RS, 9.029%, 11/15/21  | 12         |
| NR   | 6                            | Painewebber CMO Trust, Ser. 88 M, Class 6, 13.80%, 9/01/18  |            |
| Total Collateralized Mortgage Obligation Residual Securities       |                              |   | 3,574      |
| <b>Corporate Bonds 52.1%</b>                                       |                              |   |            |
| <b>Aerospace &amp; Defense 1.0%</b>                                |                              |   |            |
| B  | 120                          | Argo-Tech Corp., 9.25%, 6/01/11   | 124,500    |
| B  | 1,488                        | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13  | 1,547,520  |
| DRS Technologies, Inc.,  |                              |   |            |
| B  | 80                           | 6.875%, 11/01/13  | 80,000     |
| B  | 80                           | 7.625%, 2/01/18   | 81,800     |
| BBB  | 712                          | Raytheon Co., 6.15%, 11/01/08   | 723,990    |
| BB   | 15                           | Sequa Corp., 9.00%, 8/01/09   | 15,825     |
| A+   | 1,250                        | United Technologies Corp., 4.875%, 5/01/15  | 1,216,115  |
| Total Aerospace & Defense  |                              |   | 3,789,750  |
| <b>Automotive 0.3%</b>   |                              |   |            |
| Autonation, Inc.,  |                              |   |            |
| BB+  | 170                          | 7.00%, 4/15/14  | 169,150    |
| BB+  | 1602                         | 7.374%, 4/15/13   | 161,200    |

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|                  |       |   |           |
|------------------|-------|---|-----------|
| BB-              | 302.6 | Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 7.905%, 5/15/14 | 29,325    |
| B                | 345   | Lear Corp., Ser. B, 8.11%, 5/15/09                                    | 349,744   |
| CCC+             | 295   | Metaldyne Corp., 10.00%, 11/01/13                                     | 302,375   |
| Total Automotive |       |   | 1,011,794 |

|                             |       |   |           |
|-----------------------------|-------|---|-----------|
| <b>Basic Materials 3.6%</b> |       |   |           |
| B+                          | 685   | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada)                     | 544,575   |
| B+                          | 1,115 | AK Steel Corp., 7.75%, 6/15/12  | 1,115,000 |
| B-                          | 802.6 | BCI US Finance Corp./Borden 2 Nova Scotia Finance ULC, 11.874%, 7/15/10 | 81,600    |
| BB-                         | 902   | Bowater, Inc., 8.39%, 3/15/10   | 90,900    |
| BB+                         | 30    | Chemtura Corp., 6.875%, 6/01/16   | 29,325    |
| B-                          | 230   | CPG Intl. I, Inc., 10.50%, 7/01/13                                      | 234,600   |
| B2                          | 80    | Domtar, Inc., 7.125%, 8/15/15 (Canada)                                  | 76,400    |
| B+                          | 170   | Donohue Forest Products, 7.625%, 5/15/07 (Canada)                       | 170,000   |
| BB-                         | 300   | Equistar Chemicals LP/Equistar Funding Corp., 10.625%, 5/01/11          | 321,000   |
|                             |       | Huntsman LLC,   |           |
| Ba3                         | 230   | 11.625%, 10/15/10   | 253,575   |
| B2                          | 72    | 12.00%, 7/15/12   | 81,540    |

See Notes to Financial Statements.

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**BlackRock Income Opportunity Trust (BNA) (continued)**

| Rating <sup>1</sup><br>(unaudited)            | Principal<br>Amount<br>(000) | Description   | Value      |
|---|------------------------------|---|------------|
| <b>Basic Materials (cont d)</b>               |                              |   |            |
| BB  | \$ 70                        | IMC Global, Inc., Ser. B, 10.875%, 6/01/08                          | \$ 75,513  |
| B2  | 7506                         | Ineos Group Holdings PLC, 8.50%, 2/15/16 (United Kingdom)           | 721,875    |
| B3  | 1,150                        | Innophos, Inc., 8.875%, 8/15/14                                     | 1,147,125  |
| BBB   | 135                          | Ispat Inland ULC, 9.75%, 4/01/14 (Canada)                           | 151,200    |
|   |                              | Lyondell Chemical Co.,  |            |
| BB-   | 260                          | 8.00%, 9/15/14  | 265,850    |
| BB-   | 515                          | 8.25%, 9/15/16  | 530,450    |
| BB+   | 130                          | 10.50%, 6/01/13   | 143,000    |
| BB+   | 1,785                        | 11.125%, 7/15/12  | 1,932,262  |
| BB  | 215                          | Millennium America, Inc., 9.25%, 6/15/08                            | 221,450    |
| B-  | 60                           | Nalco Co., 8.875%, 11/15/13   | 63,150     |
| B3  | 575                          | NewPage Corp., 10.00%, 5/01/12                                      | 602,312    |
|   |                              | Noranda, Inc.,  |            |
| BBB+  | 600                          | 6.00%, 10/15/15   | 603,357    |
| BBB+  | 1,550                        | 6.20%, 6/15/35  | 1,511,396  |
|   |                              | Nova Chemicals Corp.,   |            |
| BB  | 50                           | 6.50%, 1/15/12  | 47,000     |
| BB  | 6302                         | 8.405%, 11/15/13  | 641,025    |
| CCC+  | 5356                         | Pregis Corp., 12.375%, 10/15/13                                     | 567,100    |
| B+  | 26                           | Rhodia SA, 10.25%, 6/01/10 (France)                                 | 29,445     |
| BBB   | 1,570                        | Teck Cominco Ltd., 6.125%, 10/01/35 (Canada)                        | 1,531,499  |
| B-  | 756                          | Verso Paper Holdings LLC/Verson Paper, Inc., 11.375%, 8/01/16       | 76,125     |
| Total Basic Materials                         |                              |   | 13,859,649 |
| <b>Building &amp; Development 0.5%</b>        |                              |   |            |
| B   | 780                          | ERICO Intl. Corp., 8.875%, 3/01/12                                  | 813,150    |
| B-  | 495                          | Goodman Global Holding Co., Inc., 7.875%, 12/15/12                  | 475,200    |
| B3  | 210                          | Nortek, Inc., 8.50%, 9/01/14  | 200,550    |
|   |                              | North American Energy Partners, Inc.,                               |            |
| Caa1  | 85                           | 8.75%, 12/01/11   | 84,150     |
| B1  | 300                          | 9.00%, 6/01/10  | 327,000    |
| Total Building & Development                  |                              |   | 1,900,050  |
| <b>Business Equipment &amp; Services 0.0%</b> |                              |   |            |
| Ba2   | 1256                         | FTI Consulting, Inc., 7.75%, 10/01/16                               | 127,812    |
| <b>Consumer Products 1.7%</b>                 |                              |   |            |
| B3  | 95                           | ALH Finance LLC, 8.50%, 1/15/13                                     | 94,288     |
| CCC+  | 7202                         | Ames True Temper, Inc., 9.374%, 1/15/12                             | 727,200    |
| B2  | 2506                         | Education Management LLC/Education Management Corp., 8.75%, 6/01/14 | 256,250    |
| BBB+  | 560                          | Federated Department Stores, Inc., 6.79%, 7/15/27                   | 564,273    |
| B-  | 285                          | Finlay Fine Jewelry Corp., 8.375%, 6/01/12                          | 256,500    |
| B   | 90                           | Gold Kist, Inc., 10.25%, 3/15/14                                    | 103,275    |
| B2  | 7106                         | Knowledge Learning Corp., Inc., 7.75%, 2/01/15                      | 672,725    |
| B-  | 369                          | Lazydays RV Center, Inc., 11.75%, 5/15/12                           | 357,930    |
| B   | 4702                         | Levi Strauss & Co., 10.122%, 4/01/12                                | 484,688    |
|   |                              | Michaels Stores, Inc.,  |            |
| B2  | 5306                         | 10.00%, 11/01/14  | 530,662    |
| Caa1  | 6706                         | 11.375%, 11/01/16   | 677,537    |
| B3  | 502.6                        | Nutro Products, Inc., 9.40%, 10/15/13                               | 51,375     |
| BB-   | 300                          | Quiksilver, Inc., 6.875%, 4/15/15                                   | 288,750    |
| BB+   | 2506                         | Reynolds American, Inc., 7.625%, 6/01/16                            | 265,444    |
| CCC   | 375                          | Spectrum Brands, Inc., 7.375%, 2/01/15                              | 303,750    |
|   |                              | United Rentals NA, Inc.,  |            |

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|                         |     |                 |           |
|-------------------------|-----|-----------------|-----------|
| B                       | 920 | 7.00%, 2/15/14  | 880,900   |
| B                       | 25  | 7.75%, 11/15/13 | 24,938    |
|                         |     |                 | 24,938    |
| Total Consumer Products |     |                 | 6,540,485 |

**Containers & Packaging 0.8%**

|                               |                    |  |           |
|-------------------------------|--------------------|--|-----------|
| Berry Plastics Holding Corp., |                    |  |           |
| B2                            | 290 <sub>6</sub>   | 8.875%, 9/15/14  | 292,900   |
| B2                            | 190 <sub>2,6</sub> | 9.265%, 9/15/14  | 192,137   |
| B+                            | 150                | Crown Americas LLC/Crown Americas Capital Corp., 7.75%, 11/15/15 | 153,938   |
| B1                            | 210 <sub>2,6</sub> | Impress Holdings BV, 8.512%, 9/15/13                             | 211,657   |
| Ba2                           | 1,626              | Owens-Brockway Glass Container, Inc., 8.875%, 2/15/09            | 1,666,650 |
| B+                            | 464                | Smurfit-Stone Container Enterprises, Inc., 9.75%, 2/01/11        | 478,500   |
|                               |                    |  | 478,500   |
| Total Containers & Packaging  |                    |  | 2,995,782 |

See Notes to Financial Statements.

## BlackRock Income Opportunity Trust (BNA) (continued)

| Rating <sup>1</sup><br>(unaudited)              | Principal<br>Amount<br>(000) | Description   | Value        |
|---|------------------------------|---|--------------|
| <b>Ecological Services &amp; Equipment 0.8%</b> |                              |   |              |
| B   | \$ 2,250                     | Casella Waste Systems, Inc., 9.75%, 2/01/13                   | \$ 2,362,500 |
| Caa1  | 600                          | Waste Services, Inc., 9.50%, 4/15/14                          | 615,000      |
| Total Ecological Services & Equipment           |                              |   | 2,977,500    |
| <b>Energy 5.7%</b>                              |                              |   |              |
| BBB   | 2,625                        | Anadarko Petroleum Corp., 6.45%, 9/15/36                      | 2,720,852    |
|   |                              | ANR Pipeline Co.,   |              |
| Ba1   | 145                          | 7.375%, 2/15/24   | 151,570      |
| Ba1   | 565                          | 9.625%, 11/01/21  | 703,172      |
| B   | 160                          | Berry Petroleum Co., 8.25%, 11/01/16                          | 159,600      |
| CCC+  | 380                          | Chaparral Energy, Inc., 8.50%, 12/01/15                       | 379,050      |
|   |                              | Chesapeake Energy Corp.,                                      |              |
| BB  | 175                          | 6.375%, 6/15/15   | 168,875      |
| BB  | 20                           | 6.875%, 11/15/20  | 19,000       |
| BB-   | 35                           | CMS Energy Corp., 7.50%, 1/15/09                              | 35,963       |
| BB-   | 180                          | Compagnie Generale de Geophysique SA, 7.50%, 5/15/15 (France) | 177,750      |
| B   | 395                          | Compton Petroleum Finance Corp., 7.625%, 12/01/13 (Canada)    | 374,262      |
| A1  | 1,970                        | ConocoPhillips Australia Funding Co., 5.468%, 4/09/09         | 1,971,962    |
| BBB   | 450                          | DTE Energy Co., 6.35%, 6/01/16                                | 468,034      |
| BB-   | 180                          | Edison Mission Energy, 7.50%, 6/15/13                         | 184,950      |
|   |                              | El Paso Corp.,  |              |
| B   | 120                          | 7.80%, 8/01/31  | 125,100      |
| B   | 100                          | 9.625%, 5/15/12   | 111,000      |
| B   | 125                          | 10.75%, 10/01/10  | 139,375      |
|   |                              | El Paso Natural Gas Co.,                                      |              |
| Ba1   | 1,000                        | 7.625%, 8/01/10   | 1,032,500    |
| Ba1   | 150                          | 8.375%, 6/15/32   | 173,592      |
| Ba1   | 193                          | Elwood Energy LLC, 8.159%, 7/05/26                            | 204,325      |
| A-  | 425                          | EnCana Corp., 6.50%, 8/15/34 (Canada)                         | 445,224      |
|   |                              | Encore Acquisition Co.,                                       |              |
| B1  | 50                           | 6.00%, 7/15/15  | 45,625       |
| B1  | 60                           | 7.25%, 12/01/17   | 57,750       |
| BBB   | 1,675                        | Energy East Corp., 6.75%, 7/15/36                             | 1,789,619    |
| B-  | 435                          | Exco Resources, Inc., 7.25%, 1/15/11                          | 418,687      |
| BBB-  | 480                          | FirstEnergy Corp., Ser. B, 6.45%, 11/15/11                    | 502,201      |
| AA-   | 575                          | Florida Power & Light Co., 4.95%, 6/01/35                     | 518,981      |
| BB+   | 90                           | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15                  | 86,063       |
| BBB+  | 190                          | Halliburton Co., 7.60%, 8/15/96                               | 221,345      |
| B   | 136                          | Hilcorp Energy I LP/Hilcorp Finance Corp., 10.50%, 9/01/10    | 145,860      |
| B-  | 215                          | KCS Energy, Inc., 7.125%, 4/01/12                             | 206,400      |
| BBB+  | 1,250                        | Kinder Morgan Energy Partners LP, 7.30%, 8/15/33              | 1,365,795    |
| Ba2   | 83                           | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16                | 90,159       |
|   |                              | Mirant Americas Generation LLC,                               |              |
| Caa1  | 175                          | 8.30%, 5/01/11  | 177,187      |
| Caa1  | 110                          | 8.50%, 10/01/21   | 108,350      |
| Caa1  | 85                           | 9.125%, 5/01/31   | 87,975       |
| BB-   | 1,020                        | Mission Energy Holdings Co., 13.50%, 7/15/08                  | 1,137,300    |
|   |                              | NRG Energy, Inc.,   |              |
| B+  | 50                           | 7.25%, 2/01/14  | 50,563       |
| B+  | 285                          | 7.375%, 2/01/16   | 288,206      |
| BBB   | 350                          | Ohio Edison Co., 6.875%, 7/15/36                              | 389,035      |
| BBB   | 500                          | ONEOK Partners LP, 6.65%, 10/01/36                            | 514,492      |
| B2  | 140                          | Orion Power Holdings, Inc., 12.00%, 5/01/10                   | 158,900      |
|   |                              | Reliant Energy, Inc.,   |              |
| BB-   | 325                          | 6.75%, 12/15/14   | 309,969      |
| BB-   | 40                           | 9.25%, 7/15/10  | 41,400       |
| A-  | 175                          | Scottish Power PLC, 5.375%, 3/15/15 (United Kingdom)          | 171,836      |

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|              |        |   |            |
|--------------|--------|---|------------|
| B+           | 3506   | SemGroup LP, 8.75%, 11/15/15                          | 352,625    |
| B            | 3902.6 | Stone Energy Corp., 8.124%, 7/15/10                   | 387,562    |
| B3           | 3606   | Targa Resources, Inc., 8.50%, 11/01/13                | 359,100    |
| AA           | 325    | Texaco Capital, Inc., 8.875%, 9/01/21                 | 433,851    |
| A2           | 600    | Transcanada Pipelines Ltd., 5.85%, 3/15/36 (Canada)   | 598,280    |
| BBB-         | 30     | Transcontinental Gas Pipe Line Corp., 7.25%, 12/01/26 | 31,050     |
| B+           | 315    | Utilicorp Finance Corp., 7.75%, 6/15/11 (Canada)      | 332,646    |
| B1           | 415    | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13       | 409,912    |
| BB+          | 510    | Williams Cos., Inc., 8.75%, 3/15/32                   | 566,100    |
| Total Energy |        |   | 22,100,980 |

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**BlackRock Income Opportunity Trust (BNA) (continued)**

| Rating <sup>1</sup><br>(unaudited)      | Principal<br>Amount<br>(000) | Description  | Value      |
|---|------------------------------|--|------------|
| <b>Entertainment &amp; Leisure 2.1%</b> |                              |  |            |
|   |                              | AMC Entertainment, Inc.,   |            |
| B3                                      | \$ 190                       | 9.50%, 2/01/11   | \$ 190,713 |
| B3                                      | 185                          | 11.00%, 2/01/16  | 204,656    |
| B3                                      | 90                           | Cinemark, Inc., Zero Coupon, 3/15/14   | 73,238     |
| B-                                      | 250                          | Gaylord Entertainment Co., 6.75%, 11/15/14   | 239,375    |
| B3                                      | 3256                         | Greektown Holdings LLC, 10.75%, 12/01/13   | 343,687    |
| B+                                      | 1,000                        | MGM Mirage, 9.75%, 6/01/07   | 1,020,000  |
| Ba1                                     | 2,000                        | Park Place Entertainment Corp., 8.875%, 9/15/08                                      | 2,082,500  |
| B                                       | 1606                         | Pokagon Gaming Authority, 10.375%, 6/15/14   | 171,600    |
| B3                                      | 205                          | Poster Financial Group, Inc., 8.75%, 12/01/11  | 213,713    |
| BB                                      | 290                          | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12  | 291,813    |
| BBB-                                    | 1,930                        | Starwood Hotels & Resorts Worldwide, Inc., 7.875%, 5/01/12                           | 2,024,087  |
|   |                              | Travelport, Inc.,  |            |
| B-                                      | 5706                         | 9.875%, 9/01/14  | 562,162    |
| B-                                      | 5756                         | 11.875%, 9/01/16   | 566,375    |
| BB-                                     | 25                           | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14                    | 24,500     |
| Total Entertainment & Leisure           |                              |  | 8,008,419  |
| <b>Financial Institutions 16.2%</b>     |                              |  |            |
| BB+                                     | 350                          | American Real Estate Partners LP/American Real Estate Finance Corp., 7.125%, 2/15/13 | 349,125    |
| Aa3                                     | 2,450                        | Bank of America Corp., 7.80%, 2/15/10  | 2,642,239  |
| AA+                                     | 5,465 <sup>2</sup>           | Barclays Bank PLC NY, 5.40%, 3/13/09   | 5,465,962  |
| B                                       | 200                          | BCP Crystal US Holdings Corp., 9.625%, 6/15/14 (Luxembourg)                          | 219,500    |
| AAA                                     | 2,525                        | Berkshire Hathaway Finance Corp., 3.375%, 10/15/08                                   | 2,442,640  |
|   |                              | Citigroup, Inc.,   |            |
| AA+                                     | 5,975                        | 4.125%, 2/22/10  | 5,808,865  |
| AA                                      | 1,350                        | 6.125%, 8/25/36  | 1,401,943  |
| AA+                                     | 550                          | 6.875%, 2/15/98  | 616,503    |
|   |                              | Credit Suisse First Boston, Inc.,  |            |
| AA-                                     | 700 <sup>4</sup>             | 6.125%, 11/15/11   | 727,658    |
| AA-                                     | 1,000                        | 7.125%, 7/15/32  | 1,183,748  |
| BB                                      | 990                          | Crum & Forster Holdings Corp., 10.375%, 6/15/13                                      | 1,027,125  |
| AA-                                     | 950 <sup>2</sup>             | Deutsche Bank AG, 5.37%, 3/15/07   | 950,000    |
| AAA                                     | 1,900                        | Eksportfinans A/S, 5.50%, 5/25/16 (Norway)   | 1,962,977  |
|   |                              | Fort Irwin Land LLC,   |            |
| AA                                      | 780 <sup>6</sup>             | Ser. A, Class II, 5.30%, 12/15/35  | 733,481    |
| Aaa                                     | 575 <sup>6</sup>             | Ser. A-1, 5.03%, 12/15/25  | 539,005    |
|   |                              | General Electric Capital Corp.,  |            |
| AAA                                     | 3,670 <sup>2</sup>           | 5.424%, 1/15/08  | 3,673,409  |
| AAA                                     | 3,000                        | 6.75%, 3/15/32   | 3,464,031  |
| BB                                      | 510                          | General Motors Acceptance Corp., 6.875%, 8/28/12                                     | 511,369    |
| AA-                                     | 1,000                        | Goldman Sachs Group, Inc., 6.60%, 1/15/12  | 1,058,215  |
| AA-                                     | 1,035                        | Household Finance Corp., 6.375%, 10/15/11  | 1,086,032  |
|   |                              | iPayment, Inc.,  |            |
| CCC+                                    | 270 <sup>6</sup>             | 9.75%, 5/15/14   | 277,425    |
| NR                                      | 1,060 <sup>2,6,8</sup>       | 12.75%, 7/15/14  | 1,058,675  |
| B-                                      | 360                          | K&F Acquisition, Inc., 7.75%, 11/15/14   | 364,500    |
| A+                                      | 1,500                        | Lehman Brothers Holdings, Inc., 6.625%, 1/18/12                                      | 1,593,793  |
| BBB                                     | 700 <sup>6</sup>             | Liberty Mutual Group, Inc., 7.50%, 8/15/36   | 778,585    |
| A                                       | 1,200                        | MetLife, Inc., 5.70%, 6/15/35  | 1,184,146  |
|   |                              | Morgan Stanley,  |            |
| AA-                                     | 3,620 <sup>2</sup>           | 5.44%, 3/07/08   | 3,623,160  |
| AA-                                     | 2,100                        | 6.25%, 8/09/26   | 2,199,714  |
| B+                                      | 685 <sup>6</sup>             | Nell AF SARL, 8.375%, 8/15/15 (Luxembourg)   | 695,275    |
| AAA                                     | 6,100 <sup>2,6</sup>         | Rabobank Nederland Global, 5.37%, 4/06/09 (Netherlands)                              | 6,100,830  |
|   |                              | Rainbow National Services LLC,   |            |
| B+                                      | 225 <sup>6</sup>             | 8.75%, 9/01/12   | 236,531    |

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|                              |                    |   |            |
|------------------------------|--------------------|---|------------|
| B+                           | 1,650 <sup>6</sup> | 10.375%, 9/01/14  | 1,835,625  |
| B-                           | 685                | Standard Aero Holdings, Inc., 8.25%, 9/01/14              | 679,862    |
| AA                           | 2,000 <sup>2</sup> | UBS Preferred Funding Trust I, 8.622%, 10/29/49           | 2,223,724  |
| B-                           | 50 <sup>2</sup>    | Universal City Florida Holding Co. I/II, 10.121%, 5/01/10 | 51,438     |
| Aa1                          | 1,000              | Wells Fargo & Co., 4.625%, 8/09/10                        | 985,118    |
|                              |                    | Wells Fargo Bank NA,                                      |            |
| Aa1                          | 550                | 5.95%, 8/26/36  | 566,636    |
| Aa1                          | 2,000              | 7.55%, 6/21/10  | 2,159,052  |
| Aa3                          | 50                 | Western Financial Bank, 9.625%, 5/15/12                   | 55,097     |
| Total Financial Institutions |                    |   | 62,533,013 |

See Notes to Financial Statements.



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**BlackRock Income Opportunity Trust (BNA) (continued)**

| Rating <sup>1</sup><br>(unaudited) | Principal<br>Amount<br>(000) | Description   | Value      |
|------------------------------------|------------------------------|---|------------|
| <b>Health Care 1.2%</b>            |                              |   |            |
| B                                  | \$ 8006                      | Angiotech Pharmaceuticals, Inc., 7.75%, 4/01/14 (Canada)                          | \$ 760,000 |
|                                    |                              | Healthsouth Corp.,  |            |
| CCC+                               | 7456                         | 10.75%, 6/15/16   | 763,625    |
| CCC+                               | 4352,6                       | 11.418%, 6/15/14  | 444,788    |
| B-                                 | 425                          | Tenet Healthcare Corp., 6.875%, 11/15/31  | 329,375    |
| BBB                                | 1,175                        | Teva Pharmaceutical Finance LLC, 6.15%, 2/01/36                                   | 1,149,909  |
| B-                                 | 450                          | Universal Hospital Services, Inc., 10.125%, 11/01/11                              | 475,875    |
| A-                                 | 595                          | WellPoint, Inc., 5.85%, 1/15/36   | 585,125    |
|                                    |                              | Total Health Care   | 4,508,697  |
| <b>Industrials 1.8%</b>            |                              |   |            |
| B2                                 | 4006                         | AGY Holding Corp., 11.00%, 11/15/14   | 399,500    |
| Ba1                                | 2,000                        | Briggs & Stratton Corp., 8.875%, 3/15/11  | 2,175,000  |
| B                                  | 150                          | Hexcel Corp., 6.75%, 2/01/15  | 145,500    |
| B+                                 | 1,306                        | Manitowoc, Inc., 10.50%, 8/01/12  | 1,410,480  |
| B3                                 | 365                          | Park-Ohio Industries, Inc., 8.375%, 11/15/14                                      | 339,450    |
| CCC+                               | 300                          | Polypore, Inc., 8.75%, 5/15/12  | 293,250    |
|                                    |                              | RBS Global, Inc./Rexnord Corp.,   |            |
| B3                                 | 5406                         | 9.50%, 8/01/14  | 558,900    |
| CCC+                               | 3606                         | 11.75%, 8/01/16   | 374,400    |
| B3                                 | 1,0506                       | Sunstate Equipment Co. LLC, 10.50%, 4/01/13                                       | 1,097,250  |
| B3                                 | 150                          | Trimas Corp., 9.875%, 6/15/12   | 141,375    |
|                                    |                              | Total Industrials   | 6,935,105  |
| <b>Media 6.4%</b>                  |                              |   |            |
|                                    |                              | Affinion Group, Inc.,   |            |
| B-                                 | 540                          | 10.125%, 10/15/13   | 572,400    |
| B-                                 | 110                          | 11.50%, 10/15/15  | 114,675    |
| Caa2                               | 525                          | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09                          | 498,750    |
|                                    |                              | AOL Time Warner, Inc.,  |            |
| BBB+                               | 1,635                        | 7.57%, 2/01/24  | 1,796,621  |
| BBB+                               | 3,000                        | 9.125%, 1/15/13   | 3,502,980  |
| BBB+                               | 1,415                        | AT&T Broadband Corp., 8.375%, 3/15/13   | 1,616,371  |
| BBB                                | 556                          | BSKYB Finance UK PLC, 6.50%, 10/15/35 (United Kingdom)                            | 54,926     |
| B+                                 | 1612                         | Cablevision Systems Corp., Ser. B, 9.87%, 4/01/09                                 | 168,648    |
|                                    |                              | Charter Communications Holdings II LLC/Charter Communications Holdings II Capital |            |
|                                    |                              | Corp.,  |            |
| CCC                                | 645                          | 10.25%, 9/15/10   | 665,963    |
| CCC                                | 180                          | Ser. B, 10.25%, 9/15/10   | 185,400    |
| B3                                 | 6906                         | CMP Susquehanna Corp., 9.875%, 5/15/14  | 666,712    |
| BBB+                               | 1,000                        | Comcast Cable Communications, Inc., 6.75%, 1/30/11                                | 1,051,697  |
| B+                                 | 300                          | CSC Holdings, Inc., 7.875%, 12/15/07  | 304,125    |
| B                                  | 85                           | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13                 | 92,331     |
| BB                                 | 140                          | DirectTV Holdings LLC/DirecTV Financing Co., 8.375%, 3/15/13                      | 145,250    |
|                                    |                              | Echostar DBS Corp.,   |            |
| BB-                                | 180                          | 5.75%, 10/01/08   | 178,875    |
| BB-                                | 3206                         | 7.00%, 10/01/13   | 317,200    |
| BB-                                | 756                          | 7.125%, 2/01/16   | 73,313     |
| B                                  | 250                          | General Cable Corp., 9.50%, 11/15/10  | 266,250    |
| CCC+                               | 906                          | Iesy Repository GMBH, 10.375%, 2/15/15 (Germany)                                  | 85,050     |
| Ba3                                | 460                          | LIN Television Corp., 6.50%, 5/15/13  | 436,425    |
| B                                  | 200                          | Medianews Group, Inc., 6.875%, 10/01/13   | 185,750    |
| B2                                 | 535                          | Network Communications, Inc., 10.75%, 12/01/13                                    | 538,344    |
|                                    |                              | News America Holdings, Inc.,  |            |
| BBB                                | 145                          | 8.15%, 10/17/36   | 171,579    |

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|      |                    |  |           |
|------|--------------------|--|-----------|
| BBB  | 2,475              | 8.45%, 8/01/34   | 3,009,008 |
| B3   | 660                | Nexstar Finance, Inc., 7.00%, 1/15/14                    | 608,025   |
| CCC+ | 1,100 <sup>6</sup> | Nielsen Finance LLC/Nielsen Finance Co., 10.00%, 8/01/14 | 1,146,750 |
| B1   | 500 <sup>2,6</sup> | Paxson Communications Corp., 8.624%, 1/15/12             | 505,625   |
|      |                    | Primedia, Inc.,  |           |
| B2   | 290                | 8.00%, 5/15/13   | 270,425   |
| B2   | 200                | 8.875%, 5/15/11  | 199,500   |
| B2   | 260 <sup>2</sup>   | 10.78%, 5/15/10  | 269,100   |
| B    | 950                | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16            | 979,687   |
| Caa1 | 115                | Sirius Satellite Radio, Inc., 9.625%, 8/01/13            | 112,125   |
| BBB+ | 1,495              | TCI Communications, Inc., 8.75%, 8/01/15                 | 1,770,792 |

See Notes to Financial Statements.

## BlackRock Income Opportunity Trust (BNA) (continued)

| Rating <sup>1</sup><br>(unaudited) | Principal<br>Amount<br>(000) | Description   | Value      |
|------------------------------------|------------------------------|---|------------|
| <b>Media (cont d)</b>              |                              |   |            |
|                                    |                              | Vertis, Inc.,   |            |
| B1                                 | \$ 570                       | 9.75%, 4/01/09  | \$ 582,113 |
| Caa3                               | 756                          | 13.50%, 12/07/09  | 67,875     |
| Caa1                               | 255                          | Ser. B, 10.875%, 6/15/09  | 253,725    |
| Caa1                               | 1,245                        | Young Broadcasting, Inc., 10.00%, 3/01/11   | 1,176,525  |
| Total Media                        |                              |   | 24,640,910 |
| <b>Real Estate 0.9%</b>            |                              |   |            |
| BBB+                               | 1,000                        | AvalonBay Communities, Inc., 6.625%, 9/15/11<br>Rouse Co.,                                  | 1,055,029  |
| BB+                                | 725                          | 3.625%, 3/15/09   | 685,176    |
| BB+                                | 1,715                        | 5.375%, 11/26/13  | 1,600,747  |
| Total Real Estate                  |                              |   | 3,340,952  |
| <b>Technology 1.4%</b>             |                              |   |            |
| BB-                                | 50                           | Advanced Micro Devices, Inc., 7.75%, 11/01/12   | 50,875     |
| CCC+                               | 825                          | Amkor Technology, Inc., 9.25%, 6/01/16  | 767,250    |
| B+                                 | 555                          | Celestica, Inc., 7.625%, 7/01/13 (Canada)   | 556,387    |
| B+                                 | 1006                         | Hynix Semiconductor, Inc., 9.875%, 7/01/12 (South Korea)                                    | 110,750    |
| B+                                 | 4856                         | NXP BV/NXP Funding LLC, 9.50%, 10/15/15   | 489,244    |
| B-                                 | 1906                         | Sensata Technologies BV, 8.00%, 5/01/14 (Netherlands)                                       | 183,350    |
| CCC+                               | 295                          | SS&C Technologies, Inc., 11.75%, 12/01/13   | 317,125    |
| BB                                 | 350                          | STATS ChipPAC Ltd., 6.75%, 11/15/11 (Singapore)   | 339,500    |
|                                    |                              | Sungard Data Systems, Inc.,   |            |
| B-                                 | 105                          | 9.125%, 8/15/13   | 108,938    |
| B-                                 | 3152                         | 9.973%, 8/15/13   | 327,600    |
| B-                                 | 625                          | 10.25%, 8/15/15   | 654,687    |
| B                                  | 950                          | Superior Essex Communications LLC/Essex Group, Inc., 9.00%, 4/15/12                         | 971,375    |
| B-                                 | 2002.6                       | UGS Capital Corp. II, 10.38%, 6/01/11   | 206,500    |
| B-                                 | 480                          | UGS Corp., 10.00%, 6/01/12  | 518,400    |
| Total Technology                   |                              |   | 5,601,981  |
| <b>Telecommunications 7.3%</b>     |                              |   |            |
| A                                  | 1,700                        | Bellsouth Telecommunications, Zero Coupon, 12/15/95   | 899,528    |
| BB-                                | 470                          | Cincinnati Bell, Inc., 7.25%, 7/15/13   | 484,100    |
| CCC                                | 4606                         | Cricket Communications, Inc., 9.375%, 11/01/14  | 470,350    |
| A-                                 | 325                          | Deutsche Telekom Intl. Finance BV, 5.75%, 3/23/16 (Netherlands)                             | 321,086    |
| B3                                 | 1702                         | Hawaiian Telecom Communications, Inc., Ser. B, 10.889%, 5/01/13<br>Intelsat Ltd., (Bermuda) | 174,250    |
| BB-                                | 300                          | 8.625%, 1/15/15   | 311,250    |
| BB-                                | 4506                         | 9.25%, 6/15/16  | 480,375    |
| BB-                                | 1002                         | 10.484%, 1/15/12  | 101,375    |
| B                                  | 2106                         | 11.25%, 6/15/16   | 228,638    |
| B                                  | 8402.6                       | 11.64%, 6/15/13   | 890,400    |
|                                    |                              | Lucent Technologies, Inc.,  |            |
| B1                                 | 170                          | 6.45%, 3/15/29  | 152,150    |
| B1                                 | 895                          | 6.50%, 1/15/28  | 801,025    |
| B+                                 | 9356                         | Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (Denmark)                                | 979,412    |
| B-                                 | 80                           | Nortel Networks Corp., 6.875%, 9/01/23 (Canada)   | 66,000     |
|                                    |                              | Nortel Networks Ltd.,   |            |
| B-                                 | 5852.6                       | 9.624%, 7/15/11   | 604,012    |
| B-                                 | 2006                         | 10.125%, 7/15/13  | 212,000    |
|                                    |                              | PanAmSat Corp.,   |            |

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|      |                    |  |           |
|------|--------------------|--|-----------|
| B    | 160                | 9.00%, 8/15/14   | 167,200   |
| B    | 515 <sub>6</sub>   | 9.00%, 6/15/16   | 538,175   |
|      |                    | Qwest Corp.,   |           |
| BB+  | 55                 | 7.875%, 9/01/11  | 58,231    |
| BB+  | 375 <sub>2</sub>   | 8.64%, 6/15/13   | 404,063   |
| A    | 2,500 <sub>6</sub> | SBC Communications, Inc., 4.214%, 6/05/07              | 2,481,175 |
|      |                    | Sprint Capital Corp.,                                  |           |
| BBB+ | 1,205              | 6.875%, 11/15/28                                       | 1,234,673 |
| BBB+ | 1,250              | 8.75%, 3/15/32   | 1,544,320 |
| BBB+ | 4,375              | Telecom Italia Capital SA, 4.95%, 9/30/14 (Luxembourg) | 4,058,119 |
| BBB+ | 1,000              | Telefonica Emisiones SAU, 7.045%, 6/20/36 (Spain)      | 1,076,684 |
| A+   | 575                | Verizon Global Funding Corp., 7.75%, 6/15/32           | 672,886   |

See Notes to Financial Statements.

## BlackRock Income Opportunity Trust (BNA) (continued)

| Rating <sup>1</sup><br>(unaudited)                | Principal<br>Amount<br>(000) | Description  | Value       |
|---|------------------------------|--|-------------|
| <b>Telecommunications (cont d)</b>                |                              |  |             |
|   |                              | Verizon Maryland, Inc.,                                    |             |
| A+  | \$ 540                       | 5.125%, 6/15/33  | \$ 448,318  |
| A+  | 1,355                        | Ser. A, 6.125%, 3/01/12                                    | 1,392,395   |
| A+  | 750                          | Verizon Virginia, Inc., 4.625%, 3/15/13                    | 703,288     |
|   |                              | Vodafone Group PLC,  |             |
| A-  | 1,700 <sub>2</sub>           | 5.427%, 6/29/07  | 1,699,934   |
| A-  | 1,615 <sub>2</sub>           | 5.457%, 12/28/07   | 1,615,480   |
| A-  | 1,000                        | 7.75%, 2/15/10   | 1,073,199   |
|   |                              | West Corp.,  |             |
| B-  | 85 <sub>6</sub>              | 9.50%, 10/15/14  | 84,575      |
| B-  | 530 <sub>6</sub>             | 11.00%, 10/15/16   | 532,650     |
| B+  | 360 <sub>6</sub>             | Wind Acquisition Finance SA, 10.75%, 12/01/15 (Luxembourg) | 400,050     |
|   |                              | Windstream Corp.,  |             |
| BB+   | 410 <sub>6</sub>             | 8.125%, 8/01/13  | 437,675     |
| BB+   | 325 <sub>6</sub>             | 8.625%, 8/01/16  | 350,594     |
| Total Telecommunications                          |                              |  | 28,149,635  |
| <b>Transportation 0.4%</b>                        |                              |  |             |
| BB-   | 120                          | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11        | 119,700     |
| A-  | 1,000                        | Canadian National Railway Co., 6.375%, 10/15/11 (Canada)   | 1,050,757   |
| B1  | 450                          | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)             | 429,750     |
| B3  | 47                           | Horizon Lines LLC, 9.00%, 11/01/12                         | 49,115      |
| Total Transportation                              |                              |  | 1,649,322   |
| Total Corporate Bonds                             |                              |  | 200,671,836 |
| <b>U.S. Government and Agency Securities 7.9%</b> |                              |  |             |
|   |                              | Overseas Private Investment Corp.,                         |             |
|   | 343                          | 4.09%, 5/29/12   | 314,652     |
|   | 959 <sub>2</sub>             | 4.30%, 5/29/12   | 903,181     |
|   | 718                          | 4.64%, 5/29/12   | 685,586     |
|   | 406                          | 4.68%, 5/29/12   | 376,049     |
|   | 3,069                        | 4.87%, 5/29/12   | 2,959,123   |
|   | 3,806 <sub>2</sub>           | 5.40%, 5/29/12   | 3,862,851   |
|   | 6,055 <sub>3</sub>           | Resolution Funding Corp., Ser. B, Zero Coupon, 4/15/30     | 1,943,831   |
|   | 1,024                        | Small Business Administration, Ser. 20K-1, 6.95%, 11/01/16 | 1,059,732   |
|   |                              | Tennessee Valley Authority,                                |             |
|   | 1,800                        | Ser. C, 5.88%, 4/01/36                                     | 2,005,450   |
|   | 2,900 <sub>3</sub>           | Ser. D, 4.875%, 12/15/16                                   | 2,896,943   |
|   |                              | U.S. Treasury Bonds,                                       |             |
|   | 10,242                       | 2.00%, 1/15/26   | 9,788,501   |
|   | 650                          | 4.50%, 2/15/36   | 627,351     |
|   | 1,947                        | U.S. Treasury Notes, 2.00%, 7/15/14                        | 1,896,470   |
|   | 2,000                        | U.S. Treasury Strip Principal, Zero Coupon, 11/15/21       | 967,144     |
| Total U.S. Government and Agency Securities       |                              |  | 30,286,864  |
| <b>Shares</b>                                     |                              |  |             |
| <b>Common Stocks 0.0%</b>                         |                              |  |             |
|   | 1,895 <sub>8,9</sub>         | Critical Care Systems Intl., Inc.                          | 15,160      |

**Total Long-Term Investments** (cost \$423,239,446)

420,923,180

**Principal  
Amount  
(000)**

**SHORT-TERM INVESTMENT 1.3%**

**U.S. Government and Agency Discount Note 1.3%**

\$ 5,100<sub>10</sub>

Federal Home Loan Bank Discount Note, 4.981%, 11/01/06 (cost \$5,100,000)

5,100,000

See Notes to Financial Statements.

## BlackRock Income Opportunity Trust (BNA) (continued)

| Contracts/<br>Notional<br>Amount<br>(000)  | Description  | Value                 |
|--|--|-----------------------|
| <b>OUTSTANDING OPTIONS PURCHASED 0.2%</b>  |  |                       |
| Interest Rate Swaps,   |  |                       |
| 5,500  | Trust pays 5.52%, Trust receives 3-month LIBOR, expires 9/21/36                | \$ 323,899            |
| 5,500  | Trust pays 3-month LIBOR, Trust receives 5.52%, expires 9/21/36                | 374,961               |
| 48,200   | Trust pays 5.40%, Trust receives 3-month LIBOR, expires 3/14/08                | 20,861                |
| 48,200   | Trust pays 5.90%, Trust receives 3-month LIBOR, expires 3/14/08                | 1,133                 |
| 82   | U.S. Treasury Notes Future, expiring 2/23/07                                   | 19,220                |
| <b>Total Outstanding Options Purchased</b> (cost \$774,125)  |  | <b>740,074</b>        |
| <b>Total Investments before TBA sale commitment and outstanding options written</b><br>(cost \$429,113,571 <sup>11</sup> ) |  | <b>426,763,254</b>    |
| <hr/>  |  |                       |
| <b>Principal<br/>Amount<br/>(000)</b>  |  |                       |
| <b>TBA SALE COMMITMENT (6.8)%</b>  |  |                       |
| \$ (26,300)  | Federal National Mortgage Assoc., TBA, 5.50%, 11/13/36 (proceeds \$25,774,000) | (25,987,687)          |
| <hr/>  |  |                       |
| <b>Contracts/<br/>Notional<br/>Amount<br/>(000)</b>  |  |                       |
| <b>OUTSTANDING OPTIONS WRITTEN (0.6)%</b>  |  |                       |
| Interest Rate Swaps,   |  |                       |
| (5,300)  | Trust pays 5.485%, Trust receives 3-month LIBOR, expires 10/28/19              | (245,761)             |
| (5,300)  | Trust pays 3-month LIBOR, Trust receives 5.485%, expires 10/28/19              | (163,158)             |
| (5,700)  | Trust pays 5.135%, Trust receives 3-month LIBOR, expires 4/21/08               | (150,627)             |
| (5,700)  | Trust pays 3-month LIBOR, Trust receives 5.135%, expires 4/21/08               | (150,628)             |
| (12,400)   | Trust pays 3-month LIBOR, Trust receives 5.67%, expires 1/04/10                | (340,529)             |
| (12,400)   | Trust pays 5.67%, Trust receives 3-month LIBOR, expires 1/04/10                | (665,848)             |
| (14,200)   | Trust pays 4.725%, Trust receives 3-month LIBOR, expires 6/13/07               | (83,070)              |
| (14,200)   | Trust pays 3-month LIBOR, Trust receives 4.725%, expires 6/13/07               | (508,644)             |
| (96,400)   | Trust pays 3-month LIBOR, Trust receives 5.65%, expires 3/14/08                | (11,086)              |
| (41)   | U.S. Treasury Notes Future, expiring 11/21/06                                  | (3,203)               |
| <b>Total Outstanding Options Written</b> (premium received \$3,321,623)  |  | <b>(2,322,554)</b>    |
| <b>Total Investments net of TBA sale commitment and outstanding options written 103.5%</b>                                 |  | <b>\$ 398,453,013</b> |
| Liabilities in excess of other assets (3.5)%   |  | (13,602,714)          |
| <b>Net Assets 100%</b>   |  | <b>\$ 384,850,299</b> |

<sup>1</sup> Using the highest of Standard & Poor's, Moody's Investor Services or Fitch Ratings.

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- 2 Variable rate security. Rate shown is interest rate as of October 31, 2006.
- 3 Entire or partial principal amount pledged as collateral for reverse repurchase agreements. See Note 4 in the Notes to Financial Statements for details of open reverse repurchase agreements.
- 4 Security, or a portion thereof, pledged as collateral with a value of \$1,709,424 on 242 long U.S. Treasury Note futures contracts expiring December 2006 to March 2007, 1,671 long U.S. Treasury Bond futures contracts expiring December 2006, 180 short Eurodollar futures contracts expiring December 2007 and 1,758 short U.S. Treasury Note futures contracts expiring December 2006. The notional value of such contracts on October 31, 2006 was \$13,998,969, with an unrealized gain of \$3,271,217.
- 5 Represents an investment in an affiliate.
- 6 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2006, the Trust held 9.7% of its net assets, with a current market value of \$37,197,269, in securities restricted as to resale.
- 7 Rate shown is effective yield as of October 31, 2006 of the underlying collateral.
- 8 Security is fair valued.
- 9 Non-income producing security.
- 10 Rate shown is the yield to maturity as of the date of purchase.
- 11 Cost for federal income tax purposes is \$429,481,169. The net unrealized depreciation on a tax basis is \$2,717,915, consisting of \$6,258,254 gross unrealized appreciation and \$8,976,169 gross unrealized depreciation.
- A category in the Corporate Bonds section may contain multiple industries as defined by the SEC's Standard Industry Codes.

### KEY TO ABBREVIATIONS

LIBOR London Interbank Offered Rate  
TBA To Be Announced

See Notes to Financial Statements.



**PORTFOLIO OF INVESTMENTS**  
**OCTOBER 31, 2006**

**BlackRock Income Trust Inc. (BKT)**

| Rating <sup>1</sup><br>(unaudited)                                  | Principal<br>Amount<br>(000) | Description                               | Value       |
|---|------------------------------|---|-------------|
| <b>LONG-TERM INVESTMENTS 121.1%</b>                                 |                              |   |             |
| <b>Mortgage Pass-Through Securities 26.5%</b>                       |                              |   |             |
|   |                              | Federal Home Loan Mortgage Corp.,         |             |
|   | \$ 9962                      | 4.149%, 1/01/35                           | \$ 991,175  |
|   | 1,0382                       | 4.96%, 10/01/34                           | 1,018,892   |
|   | 9,525                        | 5.50%, 10/01/16-5/01/17                   | 9,557,286   |
|   | 292                          | 6.01%, 11/01/17                           | 29,554      |
|   | 71                           | 6.50%, 5/01/29-5/01/30                    | 73,443      |
|   | 2                            | 7.50%, 2/01/23                            | 2,564       |
|   | 31                           | 8.00%, 11/01/15                           | 30,874      |
|   |                              | 8.50%, 4/01/07-3/01/08                    | 520         |
|   | 157                          | 9.00%, 9/01/20                            | 167,370     |
|   |                              | Federal National Mortgage Assoc.,         |             |
|   | 24,283                       | 5.00%, 6/01/33-7/01/35                    | 23,492,443  |
|   | 35,807                       | 5.50%, 12/01/13-8/01/34                   | 35,701,757  |
|   | 7,2233                       | 5.50%, 9/01/17                            | 7,246,948   |
|   | 7,347                        | 6.00%, 11/01/31-10/01/36                  | 7,404,048   |
|   | 2,738                        | 6.50%, 2/01/26-5/01/31                    | 2,805,392   |
|   | 4,546                        | 7.00%, 6/01/26-1/01/32                    | 4,698,416   |
|   |                              | 7.50%, 2/01/22                            | 282         |
|   | 133                          | 8.00%, 5/01/08-5/01/22                    | 134,400     |
|   | 4                            | 9.50%, 1/01/19-9/01/19                    | 4,444       |
|   | 15,200                       | TBA, 6.50%, 11/13/36                      | 15,489,742  |
|   |                              | Government National Mortgage Assoc.,      |             |
|   | 51                           | 7.00%, 10/15/17                           | 52,897      |
|   | 457                          | 7.50%, 8/15/21-12/15/23                   | 474,581     |
|   | 244                          | 8.00%, 10/15/22-2/15/29                   | 259,071     |
|   | 29                           | 9.00%, 6/15/18-9/15/21                    | 30,791      |
| Total Mortgage Pass-Through Securities                              |                              |   | 109,666,890 |
| <b>Federal Housing Administration Securities 2.0%</b>               |                              |   |             |
|   | 404                          | GMAC Colonial, 7.40%, 12/01/22            | 408,207     |
|   |                              | GMAC Projects,                            |             |
|   | 298                          | Ser. 51, 7.43%, 2/01/23                   | 300,986     |
|   | 674                          | Ser. 56, 7.43%, 11/01/22                  | 681,495     |
|   | 514                          | Merrill Projects, Ser. 54, 7.43%, 5/15/23 | 51,795      |
|   | 799                          | Reilly Project, Ser. 41, 8.28%, 3/01/20   | 807,776     |
|   |                              | USGI Projects,                            |             |
|   | 110                          | Ser. 87, 7.43%, 12/01/22                  | 110,777     |
|   | 340                          | Ser. 99, 7.43%, 10/01/23                  | 344,142     |
|   | 5,652                        | Ser. 6094, 7.43%, 6/01/21                 | 5,709,474   |
| Total Federal Housing Administration Securities                     |                              |   | 8,414,652   |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 33.3%</b> |                              |   |             |
|   |                              | Federal Home Loan Mortgage Corp.,         |             |
|   | 4,8422                       | Ser. 11, Class A9, 2.354%, 1/25/28        | 4,370,318   |
|   | 268                          | Ser. 19, Class F, 8.50%, 3/15/20          | 267,482     |
|   | 886                          | Ser. 40, Class K, 6.50%, 8/17/24          | 909,395     |
|   | 2                            | Ser. 192, Class U, 1,009.033%, 2/15/22    | 10          |

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|        |   |            |
|--------|---|------------|
|        | Ser. 1057, Class J, 1.008.001%, 3/15/21 | 3,312      |
| 3,000  | Ser. 1598, Class J, 6.50%, 10/15/08     | 3,004,292  |
| 536    | Ser. 1961, Class H, 6.50%, 5/15/12      | 542,066    |
| 8,732  | Ser. 2218, Class Z, 8.50%, 3/15/30      | 9,689,044  |
| 15,806 | Ser. 2461, Class Z, 6.50%, 6/15/32      | 16,305,653 |
| 10,200 | Ser. 2542, Class UC, 6.00%, 12/15/22    | 10,602,373 |
| 2,475  | Ser. 2562, Class PG, 5.00%, 1/15/18     | 2,435,994  |
| 928    | Ser. 2564, Class NC, 5.00%, 2/15/33     | 874,986    |
| 2,050  | Ser. 2750, Class TC, 5.25%, 2/15/34     | 2,018,405  |
| 11,913 | Ser. 2758, Class KV, 5.50%, 5/15/23     | 11,921,219 |
| 1,573  | Ser. 2765, Class UA, 4.00%, 3/15/11     | 1,514,902  |
| 3,387  | Ser. 2806, Class VC, 6.00%, 12/15/19    | 3,468,334  |
| 2,274  | Ser. 2927, Class BZ, 5.50%, 2/15/35     | 2,215,089  |
| 3,428  | Ser. 3179, Class Z, 5.75%, 12/15/18     | 3,409,017  |

See Notes to Financial Statements.

## BlackRock Income Trust Inc. (BKT) (continued)

| Rating <sup>1</sup><br>(unaudited)                                      | Principal<br>Amount<br>(000) | Description  | Value        |
|---|------------------------------|--|--------------|
| <b>Agency Multiple Class Mortgage Pass-Through Securities (cont d)</b>  |                              |  |              |
|   | \$ 3,202                     | Ser. 3193, Class ZA, 6.00%, 7/15/36  | \$ 3,193,073 |
|   | 5,800                        | Ser. 3227, Class CZ, 6.00%, 8/15/36  | 5,778,250    |
|   |                              | Federal National Mortgage Assoc.,  |              |
|   | 1,288 <sup>2</sup>           | Ser. 2, Class KP, 1.133%, 2/25/35  | 1,199,991    |
|   | 266                          | Ser. 17, Class JA, 4.00%, 4/25/34  | 264,472      |
|   | 6,100                        | Ser. 28, Class PB, 6.00%, 8/25/28  | 6,136,445    |
|   | 2,448                        | Ser. 29, Class HC, 7.50%, 7/25/30  | 2,593,509    |
|   | 2,210                        | Ser. 31, Class ZG, 7.50%, 5/25/34  | 2,757,610    |
|   | 7,849                        | Ser. 32, Class VT, 6.00%, 9/25/15  | 7,989,883    |
|   | 74 <sup>2</sup>              | Ser. 38, Class F, 8.325%, 4/25/21  | 76,312       |
|   | 7,434                        | Ser. 38, Class Z, 5.00%, 5/25/36   | 7,392,356    |
|   | 3,105                        | Ser. 68, Class PC, 5.50%, 7/25/35  | 3,123,924    |
|   | 12,264                       | Ser. 135, Class PB, 6.00%, 1/25/34   | 12,502,139   |
|   | 2,825                        | Freddie Mac Structured Pass, Ser. 2996, Class MK, 5.50%, 6/15/35                   | 2,849,819    |
|   |                              | Government National Mortgage Assoc.,   |              |
|   | 1,256                        | Ser. 5, Class Z, 7.00%, 5/16/26  | 1,308,961    |
|   | 2,255                        | Ser. 33, Class PB, 6.50%, 7/20/31  | 2,303,503    |
|   | 4,708                        | Ser. 89, Class PE, 6.00%, 10/20/34   | 4,834,498    |
| Total Agency Multiple Class Mortgage Pass-Through Securities            |                              |  | 137,856,636  |
| <b>Non-Agency Multiple Class Mortgage Pass-Through Securities 11.1%</b> |                              |  |              |
| AAA   | 7,208                        | CWALT, Inc., Ser. 28CB, Class 1A5, 5.50%, 8/25/35                                  | 7,205,842    |
|   |                              | GSR Mortgage Loan Trust,   |              |
| AAA   | 4,724 <sup>2</sup>           | Ser. 10, Class 2A1, 4.474%, 10/25/33   | 4,520,060    |
| AAA   | 4,625 <sup>2</sup>           | Ser. 13, Class 1A1, 4.502%, 10/25/33   | 4,446,512    |
| AAA   | 1,901                        | MASTR Alternative Loan Trust, Ser. 7, Class 4A3, 8.00%, 11/25/18                   | 1,971,353    |
| AAA   | 8,357                        | MASTR Asset Securitization Trust, Ser. 12, Class 3A5, 5.25%, 10/25/14              | 8,225,026    |
| AAA   | 6,737 <sup>2</sup>           | Residential Asset Securitization Trust, Ser. A8, Class A2, 5.67%, 10/25/18         | 6,714,725    |
| AAA   | 11,053                       | Residential Funding Securities Corp., Ser. RM2, Class A15, 8.50%, 5/25/33          | 11,817,755   |
| AAA   | 6,196 <sup>2</sup>           | Structured Adjustable Rate Mortgage Loan Trust, Ser. 18, Class 7AX, 5.50%, 9/25/35 | 900,525      |
| AAA   | 612,5 <sup>8</sup>           | Summit Mortgage Trust, Ser. 1, Class B1, 6.573%, 12/28/12                          | 60,805       |
| Total Non Agency Multiple Class Mortgage Pass-Through Securities        |                              |  | 45,862,603   |
| <b>Inverse Floating Rate Mortgage Securities 4.0%</b>                   |                              |  |              |
|   |                              | Federal Home Loan Mortgage Corp.,  |              |
|   | 37 <sup>2</sup>              | Ser. 1160, Class F, 17.319%, 10/15/21  | 37,578       |
|   | 242 <sup>2,3</sup>           | Ser. 1616, Class SB, 8.50%, 11/15/08   | 246,616      |
|   | 752 <sup>2</sup>             | Ser. 1688, Class S, 9.206%, 12/15/13   | 770,382      |
|   |                              | Federal National Mortgage Assoc.,  |              |
|   | 2                            | Ser. 7, Class S, 541.833%, 3/25/21   | 7,713        |
|   | 1 <sup>2</sup>               | Ser. 17, Class S, 531.967%, 6/25/21  | 11,969       |
|   | 75 <sup>2</sup>              | Ser. 38, Class SA, 10.186%, 4/25/21  | 79,669       |
|   | 2                            | Ser. 46, Class S, 1,295.281%, 5/25/21  | 7,892        |
|   | 2                            | Ser. 49, Class S, 479.05%, 12/25/21  | 4,435        |
|   | 6,047 <sup>2</sup>           | Ser. 65, Class KS, 3.257%, 7/25/36   | 5,968,510    |
|   | 318 <sup>2</sup>             | Ser. 72, Class S, 8.75%, 5/25/08   | 326,217      |
|   | 6,921 <sup>2</sup>           | Ser. 73, Class DS, 3.718%, 8/25/35   | 6,671,270    |
|   | 149 <sup>2</sup>             | Ser. 87, Class S, 12.522%, 8/25/21   | 173,782      |
|   | 126 <sup>2</sup>             | Ser. 93, Class S, 8.50%, 5/25/08   | 127,509      |
|   | 47 <sup>2</sup>              | Ser. 170, Class SC, 9.00%, 9/25/08   | 48,270       |
|   | 634 <sup>2</sup>             | Ser. 196, Class SC, 7.826%, 10/25/08   | 644,652      |
|   | 262 <sup>2</sup>             | Ser. 214, Class SH, 4.359%, 12/25/08   | 261,768      |

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|   |                      |   |            |
|---|----------------------|---|------------|
|   | 1,088 <sup>2</sup>   | Ser. 247, Class SN, 10.00%, 12/25/23  | 1,173,630  |
| AAA   | 124 <sup>2</sup>     | Kidder Peabody Acceptance Corp., Ser. 1, Class A6, 6.742%, 8/25/23                          | 123,714    |
| Total Inverse Floating Rate Mortgage Securities       |                      |   | 16,685,576 |
| <b>Interest Only Asset-Backed Securities 0.5%</b>     |                      |   |            |
| AAA   | 1,998 <sup>2,5</sup> | Morgan Stanley Capital Trust I, Ser. HF1, Class X, 1.864%, 6/15/17<br>Sterling Coofs Trust, | 8,982      |
| NR  | 26,645               | Ser. 1, 2.362%, 4/15/29   | 1,199,026  |
| AAA   | 19,958 <sup>2</sup>  | Ser. 2, 2.418%, 3/30/30   | 873,176    |
| Total Interest Only Asset-Backed Securities           |                      |   | 2,081,184  |
| <b>Interest Only Mortgage-Backed Securities 12.7%</b> |                      |   |            |
| AAA   | 2,310                | ABN Amro Mortgage Corp., Ser. 4, Class A2, 5.50%, 3/25/33                                   | 34,868     |
| Aaa   | 80,938 <sup>2</sup>  | Commercial Mortgage Acceptance Corp., Ser. ML1, 0.916%, 12/15/30                            | 995,778    |
| See Notes to Financial Statements.                    |                      |   |            |

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**BlackRock Income Trust Inc. (BKT) (continued)**

| Rating <sup>1</sup><br>(unaudited)                       | Principal<br>Amount<br>(000) | Description  | Value      |
|--|------------------------------|--|------------|
| <b>Interest Only Mortgage-Backed Securities (cont d)</b> |                              |  |            |
| AAA  | \$ 16,503 <sup>2,5</sup>     | Credit Suisse First Boston Mortgage Securities Corp., Ser. C1, Class AX, 1.781%, 6/20/29 | \$ 504,351 |
| AAA  | 169,061 <sub>2</sub>         | CWALT, Inc., Ser. 79CB, Class A2, Zero Coupon, 1/25/36                                   | 856,581    |
|  |                              | Federal Home Loan Mortgage Corp.,  |            |
|  | 4,592 <sub>2</sub>           | Ser. 60, Class HS, 0.625%, 4/25/24   | 36,675     |
|  |                              | Ser. 176, Class M, 1,010.00%, 7/15/21  | 81         |
|  |                              | Ser. 200, Class R, 93,504.444%, 12/15/22   | 442        |
|  | 2,057                        | Ser. 204, 6.00%, 5/01/29   | 445,994    |
|  | 17 <sub>2</sub>              | Ser. 1043, Class H, 20.813%, 2/15/21   | 17,233     |
|  | 2                            | Ser. 1054, Class I, 413.56%, 3/15/21   | 330        |
|  |                              | Ser. 1056, Class KD, 1,084.50%, 3/15/21  | 3,057      |
|  | 1 <sub>2</sub>               | Ser. 1148, Class E, 563.074%, 10/15/21   | 937        |
|  |                              | Ser. 1179, Class O, 1,009.389%, 11/15/21   | 228        |
|  |                              | Ser. 1221, Class H, 1,006.50%, 3/15/07   | 11         |
|  | 305                          | Ser. 1706, Class IA, 7.00%, 10/15/23   | 22,324     |
|  | 99                           | Ser. 1720, Class PK, 7.50%, 1/15/24  | 9,413      |
|  | 4,018                        | Ser. 1914, Class PC, 0.75%, 12/15/11   | 50,503     |
|  | 921 <sub>2</sub>             | Ser. 2296, Class SA, 2.43%, 3/15/16  | 49,241     |
|  | 534 <sub>2</sub>             | Ser. 2444, Class ST, 2.65%, 9/15/29  | 23,035     |
|  | 290                          | Ser. 2513, Class BI, 5.50%, 12/15/15   | 7,384      |
|  | 1,682                        | Ser. 2542, Class MX, 5.50%, 5/15/22  | 278,545    |
|  | 3,235                        | Ser. 2545, Class NI, 5.50%, 3/15/22  | 441,974    |
|  | 2,754 <sub>2</sub>           | Ser. 2559, 0.892%, 8/15/30   | 11,467     |
|  | 5,288                        | Ser. 2561, Class EW, 5.00%, 9/15/16  | 517,783    |
|  | 12,148                       | Ser. 2611, Class QI, 5.50%, 9/15/32  | 2,261,936  |
|  | 4,902                        | Ser. 2633, Class PI, 4.50%, 3/15/12  | 115,665    |
|  | 3,939                        | Ser. 2653, Class MI, 5.00%, 4/15/26  | 399,448    |
|  | 6,422                        | Ser. 2658, Class PI, 4.50%, 6/15/13  | 305,829    |
|  | 5,165                        | Ser. 2672, Class TQ, 5.00%, 3/15/23  | 229,933    |
|  | 2,784                        | Ser. 2676, Class JI, 5.50%, 8/15/13  | 35,497     |
|  | 3,633                        | Ser. 2687, Class IL, 5.00%, 9/15/18  | 496,985    |
|  | 8,478                        | Ser. 2687, Class IQ, 5.50%, 9/15/22  | 244,882    |
|  | 6,353                        | Ser. 2693, Class IB, 4.50%, 6/15/13  | 269,222    |
|  | 3,107                        | Ser. 2694, Class LI, 4.50%, 7/15/19  | 262,738    |
|  | 5,744                        | Ser. 2773, Class OX, 5.00%, 2/15/18  | 717,024    |
|  | 18,106 <sub>2</sub>          | Ser. 2780, Class SM, 0.68%, 4/15/34  | 189,097    |
|  | 5,343                        | Ser. 2786, Class PI, 4.50%, 10/15/10   | 49,260     |
|  | 6,727                        | Ser. 2825, Class NI, 5.50%, 3/15/30  | 1,672,550  |
|  | 2,183                        | Ser. 2949, 5.50%, 3/15/35  | 246,577    |
|  | 37,960 <sub>2</sub>          | Ser. 2990, Class WR, 1.306%, 6/15/35   | 2,126,694  |
|  | 107,764 <sub>2</sub>         | Ser. 3122, Class IS, 1.38%, 3/15/36  | 5,846,680  |
|  | 100,000 <sub>2</sub>         | Ser. 3225, Class EY, 0.96%, 10/15/36   | 4,312,500  |
|  |                              | Federal National Mortgage Assoc.,  |            |
|  | 248                          | Ser. 5, Class H, 9.00%, 1/25/22  | 60,153     |
|  | 15                           | Ser. 7, Class 2, 8.50%, 4/01/17  | 2,955      |
|  | 4,887                        | Ser. 9, Class BI, 5.50%, 10/25/22  | 746,587    |
|  | 1 <sub>2</sub>               | Ser. 10, Class S, 524.318%, 5/25/21  | 21,531     |
|  | 1                            | Ser. 12, Class C, 1,016.898%, 2/25/22  | 20,257     |
|  | 1 <sub>2</sub>               | Ser. 12, Class S, 553.577%, 5/25/21  | 19,271     |
|  | 6,448                        | Ser. 13, Class IG, 5.00%, 10/25/22   | 311,067    |
|  | 5,705                        | Ser. 16, Class PI, 5.00%, 11/25/12   | 116,985    |
|  | 1                            | Ser. 33, Class PV, 1,078.42%, 10/25/21   | 25,184     |
|  | 1,669 <sub>2</sub>           | Ser. 33, Class SG, 2.756%, 3/25/09   | 48,652     |
|  | 55,453 <sub>2</sub>          | Ser. 36, Class SP, 1.38%, 5/25/36  | 3,411,079  |
|  |                              | Ser. 38, Class N, 1,008.50%, 4/25/21   | 912        |
|  | 1,674                        | Ser. 43, Class LC, 6.00%, 3/25/34  | 425,725    |
|  | 1                            | Ser. 50, Class G, 1,158.628%, 12/25/21   | 16,194     |

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|                    |                                    |         |
|--------------------|------------------------------------|---------|
| 837 <sub>2</sub>   | Ser. 50, Class SI, 1.20%, 4/25/23  | 24,218  |
| 6,723              | Ser. 51, Class IE, 5.50%, 4/25/26  | 343,103 |
| 6,044              | Ser. 55, Class GI, 5.00%, 7/25/19  | 706,455 |
| 4,590 <sup>2</sup> | Ser. 59, Class S, 4.918%, 10/25/22 | 603,149 |
| 714 <sub>2</sub>   | Ser. 60, Class SB, 1.60%, 10/25/22 | 29,798  |
| 490                | Ser. 62, Class IC, 5.50%, 7/25/15  | 19,564  |

See Notes to Financial Statements.

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**BlackRock Income Trust Inc. (BKT) (continued)**

| Rating <sup>1</sup><br>(unaudited)                       | Principal<br>Amount<br>(000) | Description  | Value        |
|--|------------------------------|--|--------------|
| <b>Interest Only Mortgage-Backed Securities (cont d)</b> |                              |  |              |
|  | \$ 6,255                     | Ser. 66, Class CI, 5.00%, 7/25/33  | \$ 1,410,245 |
|  | 2,630 <sub>2</sub>           | Ser. 68, Class SC, 2.756%, 1/25/24   | 164,032      |
|  | 16,392 <sub>2</sub>          | Ser. 73, Class ST, 0.81%, 8/25/35  | 530,775      |
|  | 9,118                        | Ser. 88, Class TI, 4.50%, 11/25/13   | 364,766      |
|  | 26                           | Ser. 89, Class 2, 8.00%, 6/01/18   | 4,693        |
|  | 36,243 <sub>2</sub>          | Ser. 90, Class JH, 1.38%, 11/25/34   | 1,806,500    |
|  | 15,322                       | Ser. 90, Class M, 6.00%, 1/25/28   | 3,035,315    |
|  | 8                            | Ser. 94, Class 2, 9.50%, 8/01/21   | 2,007        |
|  |                              | Ser. 99, Class L, 930.00%, 8/25/21   | 8,429        |
|  | 3,741                        | Ser. 122, Class IC, 5.00%, 9/25/18   | 516,226      |
|  |                              | Ser. 123, Class M, 1,009.50%, 10/25/20   | 1,359        |
|  | 36 <sub>2</sub>              | Ser. 136, Class S, 14.746%, 11/25/20   | 46,458       |
|  | 1                            | Ser. 139, Class PT, 648.35%, 10/25/21  | 10,125       |
|  | 4 <sub>2</sub>               | Ser. 141, Class SA, 13.625%, 8/25/07   | 188          |
|  | 2,628 <sub>2</sub>           | Ser. 199, Class SB, 2.156%, 10/25/23   | 150,623      |
|  | 743                          | Ser. W4, 6.50%, 12/25/28   | 158,475      |
| AAA  | 104                          | First Boston Mortgage Securities Corp., Ser. C, Class I, 10.965%, 4/25/17                                | 29,541       |
|  |                              | First Horizon Alternative Mortgage Securities,   |              |
| AAA  | 71,994 <sub>2</sub>          | Ser. FA2, Class 1A4, 0.18%, 5/25/36  | 241,669      |
| AAA  | 85,776 <sub>2</sub>          | Ser. FA7, Class 1A7, Zero Coupon, 10/25/35   | 265,844      |
| AAA  | 219,260 <sub>2</sub>         | Ser. FA9, Class A2, Zero Coupon, 12/25/35  | 335,007      |
| AAA  | 19,691 <sup>2</sup>          | General Motors Acceptance Corp., Commercial Mortgage Securities, Inc., Ser. C1, Class X, 1.537%, 7/15/29 | 507,530      |
| AAA  | 9,993 <sub>2,5</sub>         | Goldman Sachs Mortgage Securities Corp., Ser. 5, 1.012%, 6/19/27   | 207,176      |
|  |                              | Government National Mortgage Assoc.,   |              |
|  | 2,137                        | Ser. 39, Class ID, 5.00%, 5/20/33  | 508,945      |
|  | 2,516                        | Ser. 58, Class IT, 5.50%, 7/20/33  | 387,518      |
|  | 7,798                        | Ser. 75, Class II, 5.50%, 7/20/25  | 248,479      |
|  | 20,883 <sub>2</sub>          | Ser. 89, Class SA, 0.58%, 10/16/33   | 636,417      |
| Aaa  | 89                           | Kidder Peabody Acceptance Corp., Ser. B, Class A2, 9.50%, 4/22/18  | 23,987       |
| AAA  | 31,183                       | MASTR Adjustable Rate Mortgages Trust, Ser. 3, Class 3AX, 0.977%, 4/25/34                                | 621,924      |
| AAA  | 1,711                        | MASTR Alternative Loan Trust, Ser. 9, Class 15X2, 6.00%, 1/25/19   | 417,527      |
| AAA  | 2,092                        | Morgan Stanley Capital Trust I, Ser. 3, Class 1AX, 5.00%, 5/25/19  | 389,225      |
| AAA  | 183,248 <sup>2</sup>         | Residential Accredited Loans, Inc., Ser. QS16, Class A2, Zero Coupon, 11/25/35                           | 283,705      |
| AAA  | 108,723 <sup>2</sup>         | Sequoia Mortgage Trust, Ser. 2, Class XA, 1.01%, 3/20/35   | 1,535,485    |
| NR   | 10,504 <sup>6</sup>          | Small Business Administration, Ser. 1, 1.381%, 4/01/15   | 1            |
|  |                              | Structured Adjustable Rate Mortgage Loan Trust,  |              |
| AAA  | 19,794 <sub>2</sub>          | Ser. 2, Class 4AX, 5.50%, 3/25/36  | 2,280,386    |
| AAA  | 53,823 <sub>2</sub>          | Ser. 7, Class 3AS, 2.503%, 8/25/36   | 3,565,757    |
| AAA  | 5,661                        | Ser. 20, Class 3AX, 5.50%, 10/25/35  | 747,700      |
| NR   | 102,405 <sub>2</sub>         | Vendee Mortgage Trust, Ser. 2, Class 1, 0.052%, 5/15/29  | 236,084      |
| Total Interest Only Mortgage-Backed Securities           |                              |  | 52,723,714   |
| <b>Principal Only Mortgage-Backed Securities 5.8%</b>    |                              |  |              |
|  |                              | Countrywide Home Loans, Inc.,  |              |
| AAA  | 6,083 <sub>7</sub>           | Ser. 26, 4.944%, 8/25/33   | 4,864,782    |
| AAA  | 1,158 <sub>7</sub>           | Ser. J4, 5.142%, 6/25/33   | 912,821      |
| AAA  | 1,654 <sub>7</sub>           | Ser. J5, 4.911%, 7/25/33   | 1,378,421    |
| AAA  | 1,265 <sub>7</sub>           | Ser. J8, 4.787%, 9/25/23   | 975,587      |
|  |                              | Drexel Burnham Lambert, Inc.,  |              |
| AAA  | 32 <sub>7</sub>              | Ser. K, Class 1, 11.50%, 9/23/17   | 31,299       |
| AAA  | 400 <sub>7</sub>             | Ser. V, Class 1, 11.50%, 9/01/18   | 343,629      |
|  |                              | Federal Home Loan Mortgage Corp.,  |              |
|  | 274 <sub>7</sub>             | Ser. 8, Class A10, 6.737%, 11/15/28  | 217,430      |

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|        |                                     |           |
|--------|-------------------------------------|-----------|
| 1847   | Ser. 1418, Class M, 7.50%, 11/15/22 | 165,941   |
| 5777   | Ser. 1571, Class G, 7.50%, 8/15/23  | 496,417   |
| 2,4297 | Ser. 1691, Class B, 7.50%, 3/15/24  | 2,076,967 |
| 2367   | Ser. 1739, Class B, 7.50%, 2/15/24  | 211,450   |
|        | Federal National Mortgage Assoc.,   |           |
| 3517   | Ser. 2, Class KB, 8.00%, 1/25/23    | 288,397   |
| 487    | Ser. 7, Class J, 10.00%, 2/25/21    | 38,919    |
| 1,0627 | Ser. 13, Class PR, 6.50%, 3/25/32   | 849,608   |
| 1547   | Ser. 51, Class E, 8.00%, 2/25/23    | 126,145   |
| 297    | Ser. 70, Class A, 7.00%, 5/25/23    | 24,015    |

See Notes to Financial Statements.



**BlackRock Income Trust Inc. (BKT) (continued)**

| Rating <sup>1</sup><br>(unaudited)                                 | Principal<br>Amount<br>(000) | Description   | Value       |
|--|------------------------------|---|-------------|
| <b>Principal Only Mortgage-Backed Securities (cont d)</b>          |                              |   |             |
|  | \$ 707                       | Ser. 167, Class D, 8.50%, 10/25/17  | \$ 59,842   |
|  | 537                          | Ser. 203, Class 1, 8.00%, 2/01/23   | 43,911      |
|  | 367                          | Ser. 228, Class 1, 7.00%, 5/01/23   | 29,284      |
|  | 2,125 <sup>7</sup>           | Ser. 249, Class B, 7.50%, 11/25/23  | 1,718,668   |
|  | 287 <sup>7</sup>             | Ser. 273, Class 1, 7.00%, 7/01/26   | 234,463     |
|  | 5,216 <sup>7</sup>           | Ser. 328, Class 1, 6.00%, 11/01/32  | 4,092,989   |
|  | 4,096 <sup>7</sup>           | Ser. 338, Class 1, 5.50%, 6/01/33   | 3,099,711   |
|  | 380 <sup>7</sup>             | Ser. W4, 5.985%, 2/25/29  | 295,167     |
| AAA  | 314 <sup>7</sup>             | MASTR Asset Securitization Trust, Ser. 3, Class 4A15, 5.634%, 3/25/34           | 184,019     |
| AAA  | 983 <sup>7</sup>             | Residential Asset Securitization Trust, Ser. A15, Class 1A8, 5.713%, 2/25/36    | 459,510     |
| AAA  | 18 <sup>6,7</sup>            | Structured Mortgage Asset Residential Trust, Ser. 3C, Class CX, 7.031%, 4/25/24 | 17,107      |
| AAA  | 1,044 <sup>7</sup>           | Washington Mutual, Ser. 9, Class CP, 5.112%, 11/25/35                           | 782,615     |
| Total Principal Only Mortgage-Backed Securities                    |                              |   | 24,019,114  |
| <b>Collateralized Mortgage Obligation Residual Securities 0.0%</b> |                              |   |             |
| Collateralized Mortgage Obligation Trust,                          |                              |   |             |
| AAA  |                              | Ser. 40, Class R, 580.50%, 4/01/18  | 372         |
| AAA  |                              | Ser. 42, Class R, 6,000.00%, 10/01/14   | 5,135       |
| Federal Home Loan Mortgage Corp.,                                  |                              |   |             |
|  |                              | Ser. 19, Class R, 9,427.316%, 3/15/20   | 1,944       |
|  |                              | Ser. 75, Class R, 9.50%, 1/15/21  | 6           |
|  |                              | Ser. 75, Class RS, 16.721%, 1/15/21   | 6           |
|  |                              | Ser. 173, Class R, 9.00%, 11/15/21  | 26          |
|  |                              | Ser. 173, Class RS, 9.029%, 11/15/21  | 26          |
| NR   | 13                           | Painwebber CMO Trust, Ser. 88 M, Class 6, 13.80%, 9/01/18                       |             |
| Total Collateralized Mortgage Obligation Residual Securities       |                              |   | 7,515       |
| <b>U.S. Government and Agency Securities 24.4%</b>                 |                              |   |             |
| Overseas Private Investment Corp.,                                 |                              |   |             |
|  | 312                          | 4.09%, 5/29/12  | 286,047     |
|  | 872 <sup>2</sup>             | 4.30%, 5/29/12  | 821,074     |
|  | 653                          | 4.64%, 5/29/12  | 623,260     |
|  | 369                          | 4.68%, 5/29/12  | 341,863     |
|  | 2,790                        | 4.87%, 5/29/12  | 2,690,112   |
|  | 3,460 <sup>2</sup>           | 5.40%, 5/29/12  | 3,511,682   |
|  | 13,000                       | Resolution Funding Corp., Ser. B, Zero Coupon, 4/15/30                          | 4,173,377   |
| Small Business Administration,                                     |                              |   |             |
|  | 765                          | Ser. 20C-1, 7.15%, 3/01/17  | 795,397     |
|  | 899                          | Ser. 20E-1, 7.60%, 5/01/16  | 937,753     |
|  | 1,128                        | Ser. 20F-1, 7.55%, 6/01/16  | 1,177,400   |
|  | 758                          | Ser. 20G-1, 7.70%, 7/01/16  | 793,405     |
|  | 1,111                        | Ser. 20H-1, 7.25%, 8/01/16  | 1,155,328   |
|  | 1,940                        | Ser. 20K-1, 6.95%, 11/01/16   | 2,006,526   |
| U.S. Treasury Notes,   |                              |   |             |
|  | 21,000 <sup>9</sup>          | 3.75%, 3/31/07  | 20,885,151  |
|  | 19,400 <sup>9</sup>          | 4.00%, 8/31/07  | 19,246,158  |
|  | 100,000 <sup>3,9</sup>       | U.S. Treasury Strip, Zero Coupon, 11/15/24                                      | 41,832,800  |
| Total U.S. Government and Agency Securities                        |                              |   | 101,277,333 |
| <b>Corporate Bond 0.8%</b>   |                              |   |             |

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|   |        |  |             |
|---|--------|--|-------------|
| AA+   | 3,2586 | Structured Asset Receivable Trust, 5.114%, 1/21/10                       | 3,257,041   |
| <b>Total Long-Term Investments</b> (cost \$517,692,022) |        |  | 501,852,258 |
| <b>SHORT-TERM INVESTMENT 0.2%</b>                       |        |  |             |
| <b>U.S. Government and Agency Discount Note 0.2%</b>    |        |  |             |
|   | 80010  | Federal Home Loan Bank Discount Notes, 5.084%, 11/08/06 (cost \$799,212) | 799,212     |

See Notes to Financial Statements.

**BlackRock Income Trust Inc. (BKT) (continued)**

| Notional<br>Amount<br>(000)  | Description   | Value               |
|--|---|---------------------|
| <b>OUTSTANDING OPTIONS PURCHASED 0.2%</b>  |   |                     |
|  | Interest Rate Swaps,  |                     |
| \$ 5,500   | Trust pays 3-month LIBOR, Trust receives 5.52%, expires 9/21/36   | \$ 374,961          |
| 5,500  | Trust pays 5.52%, Trust receives 3-month LIBOR, expires 9/21/36   | 323,899             |
| 49,200   | Trust pays 5.40%, Trust receives 3-month LIBOR, expires 3/14/08   | 21,294              |
| 49,200   | Trust pays 5.90%, Trust receives 3-month LIBOR, expires 3/14/08   | 1,157               |
| <b>Total Outstanding Options Purchased</b> (cost \$729,050)  |   | <b>721,311</b>      |
| <b>Total Investments before borrowed bonds, investments sold short, TBA sale commitments and outstanding options written</b> (cost \$519,220,284 <sup>11</sup> ) |   | <b>503,372,781</b>  |
| <hr/>  |   |                     |
| <b>Principal<br/>Amount<br/>(000)</b>  |   |                     |
| <hr/>  |   |                     |
| <b>BORROWED BONDS 14.6%</b>  |   |                     |
| 31,811 <sub>12</sub>   | U.S. Treasury Bonds, 5.15%, 11/01/06                              | 31,811,250          |
|  | U.S. Treasury Notes,  |                     |
| 2,613 <sub>12</sub>  | 5.03%, 11/01/06   | 2,612,500           |
| 11,805 <sub>12</sub>   | 5.08%, 11/01/06   | 11,805,000          |
| 14,174 <sub>12</sub>   | 5.125%, 11/01/06  | 14,173,625          |
| <b>Total Borrowed Bonds</b> (cost \$60,402,375)  |   | <b>60,402,375</b>   |
| <hr/>  |   |                     |
| <b>INVESTMENTS SOLD SHORT (14.7)%</b>  |   |                     |
|  | U.S. Treasury Bonds,  |                     |
| (12,930)   | 5.375%, 2/15/31   | (14,038,140)        |
| (15,750)   | 6.25%, 8/15/23  | (18,329,062)        |
|  | U.S. Treasury Notes,  |                     |
| (14,900)   | 4.00%, 2/15/15  | (14,289,443)        |
| (12,000)   | 4.125%, 8/15/10   | (11,812,968)        |
| (2,500)  | 5.125%, 5/15/16   | (2,598,827)         |
| <b>Total Investments Sold Short</b> (proceeds \$61,745,381)  |   | <b>(61,068,440)</b> |
| <hr/>  |   |                     |
| <b>TBA SALE COMMITMENTS (4.0)%</b>   |   |                     |
|  | Federal National Mortgage Assoc. TBA,                             |                     |
| (9,500)  | 5.00%, 11/13/36   | (9,170,465)         |
| (7,500)  | 5.50%, 11/13/36   | (7,410,937)         |
| <b>Total TBA Sale Commitments</b> (proceeds \$16,431,406)  |   | <b>(16,581,402)</b> |
| <hr/>  |   |                     |
| <b>OUTSTANDING OPTIONS WRITTEN (0.6)%</b>  |   |                     |
|  | Interest Rate Swaps,  |                     |
| (5,400)  | Trust pays 3-month LIBOR, Trust receives 5.485%, expires 10/28/19 | (166,237)           |
| (5,400)  | Trust pays 5.485%, Trust receives 3-month LIBOR, expires 10/28/19 | (250,398)           |
| (5,700)  | Trust pays 3-month LIBOR, Trust receives 5.135%, expires 4/21/08  | (150,627)           |
| (5,700)  | Trust pays 5.135%, Trust receives 3-month LIBOR, expires 4/21/08  | (150,627)           |

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|   |  |                       |
|---|--|-----------------------|
| (12,400)  | Trust pays 3-month LIBOR, Trust receives 5.67%, expires 1/04/10  | (340,529)             |
| (12,400)  | Trust pays 5.67%, Trust receives 3-month LIBOR, expires 1/04/10  | (665,848)             |
| (14,100)  | Trust pays 3-month LIBOR, Trust receives 4.725%, expires 6/13/07 | (505,062)             |
| (14,100)  | Trust pays 4.725%, Trust receives 3-month LIBOR, expires 6/13/07 | (82,485)              |
| (98,400)  | Trust pays 3-month LIBOR, Trust receives 5.65%, expires 3/14/08  | (11,316)              |
|   |  | (2,323,129)           |
| <b>Total Outstanding Options Written</b> (premium received \$3,312,560)   |  | <b>(2,323,129)</b>    |
|   |  | \$ 483,802,185        |
| <b>Total Investments net of borrowed bonds, investments sold short, TBA sale commitments and outstanding options written 116.7%</b> |  | <b>\$ 483,802,185</b> |
| Liabilities in excess of other assets (16.7)%   |  | (69,342,013)          |
|   |  | \$ 414,460,172        |
| <b>Net Assets 100%</b>  |  | <b>\$ 414,460,172</b> |

See Notes to Financial Statements.

**BlackRock Income Trust Inc. (BKT) (continued)**

- 
- 1 Using the highest of S&P's, Moody's or Fitch's ratings.
- 2 Variable rate security. Rate shown is interest rate as of October 31, 2006.
- 3 Security, or a portion thereof, pledged as collateral with a value of \$9,908,132 on 1,806 short Eurodollar futures contracts expiring December 2006 to September 2009, 749 short U.S. Treasury Note futures contracts expiring December 2006 and 696 short U.S. Treasury Bond futures contracts expiring December 2006. The notional value of such contracts on October 31, 2006 was \$587,181,063, with an unrealized loss of \$1,269,150.
- 4 Represents an investment in an affiliate.
- 5 Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2006, the Trust held 0.2% of its net assets, with a current market value of \$781,314, in securities restricted as to resale.
- 6 Illiquid security. As of October 31, 2006, the Trust held 0.8% of its net assets, with a current market value of \$3,274,149, in these securities.
- 7 Rate shown is effective yield as of October 31, 2006 of the underlying collateral.
- 8 Security is fair valued.
- 9 Entire or partial principal amount pledged as collateral for reverse repurchase agreements. See Note 4 in the Notes to Financial Statements for details of open reverse repurchase agreements.
- 10 Rate shown is the yield to maturity as of the date of purchase.
- 11 Cost for federal income tax purposes is \$519,896,814. The net unrealized depreciation on a tax basis is \$16,524,033, consisting of \$16,041,855 gross unrealized appreciation and \$32,565,888 gross unrealized depreciation.
- 12 The interest rate and maturity date shown represent the terms of the borrowed transaction, not the security borrowed.

**KEY TO ABBREVIATIONS**

LIBOR London Interbank Offered Rate  
TBA To Be Announced

See Notes to Financial Statements.

**PORTFOLIO OF INVESTMENTS**  
**OCTOBER 31, 2006**
**BlackRock Limited Duration Income Trust (BLW)**

| Rating <sup>1</sup><br>(unaudited)  | Principal<br>Amount<br>(000) | Description   | Value        |
|-------------------------------------|------------------------------|---|--------------|
| <b>LONG-TERM INVESTMENTS 148.9%</b> |                              |   |              |
| <b>Corporate Bonds 64.3%</b>        |                              |   |              |
| <b>Aerospace &amp; Defense 1.3%</b> |                              |   |              |
| NR                                  | \$ 1,560 <sup>2</sup>        | AAR Corp., Ser. A2, 8.39%, 5/15/11                                      | \$ 1,575,600 |
| B                                   | 490                          | Argo-Tech Corp., 9.25%, 6/01/11   | 508,375      |
| B                                   | 5,676                        | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13                        | 5,903,040    |
|                                     |                              | DRS Technologies, Inc.,   |              |
| B                                   | 330                          | 6.875%, 11/01/13  | 330,000      |
| B                                   | 310                          | 7.625%, 2/01/18   | 316,975      |
| BB                                  | 755                          | Sequa Corp., 9.00%, 8/01/09   | 796,525      |
| Total Aerospace & Defense           |                              |   | 9,430,515    |
| <b>Automotive 2.0%</b>              |                              |   |              |
|                                     |                              | Autonation, Inc.,   |              |
| BB+                                 | 690                          | 7.00%, 4/15/14  | 686,550      |
| BB+                                 | 690 <sup>3</sup>             | 7.374%, 4/15/13   | 695,175      |
| BB-                                 | 130 <sup>3,4</sup>           | Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 7.905%, 5/15/14   | 127,075      |
| BBB+                                | 7,500 <sup>5</sup>           | DaimlerChrysler NA Holding Corp., 4.05%, 6/04/08                        | 7,333,395    |
| B                                   | 1,170                        | Lear Corp., Ser. B, 8.11%, 5/15/09                                      | 1,186,088    |
| CCC+                                | 1,000 <sup>5</sup>           | Metaldyne Corp., 11.00%, 11/01/13                                       | 1,025,000    |
| BB-                                 | 2,629                        | TRW Automotive, Inc., 9.375%, 2/15/13                                   | 2,816,316    |
| Total Automotive                    |                              |   | 13,869,599   |
| <b>Basic Materials 6.4%</b>         |                              |   |              |
| B+                                  | 1,905                        | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada)                     | 1,514,475    |
| B+                                  | 2,200                        | AK Steel Corp., 7.75%, 6/15/12  | 2,200,000    |
| B-                                  | 350 <sup>3,4</sup>           | BCI US Finance Corp./Borden 2 Nova Scotia Finance ULC, 11.874%, 7/15/10 | 357,000      |
| BB-                                 | 670 <sup>3</sup>             | Bowater, Inc., 8.39%, 3/15/10   | 676,700      |
| BB+                                 | 120                          | Chemtura Corp., 6.875%, 6/01/16   | 117,300      |
| B-                                  | 750                          | CPG Intl. I, Inc., 10.50%, 7/01/13                                      | 765,000      |
|                                     |                              | Domtar, Inc.,   |              |
| B2                                  | 300                          | 7.125%, 8/15/15   | 286,500      |
| B2                                  | 880                          | 7.875%, 10/15/11  | 898,700      |
| B+                                  | 740                          | Donohue Forest Products, 7.625%, 5/15/07 (Canada)                       | 740,000      |
|                                     |                              | Huntsman LLC,   |              |
| Ba3                                 | 1,950                        | 11.625%, 10/15/10   | 2,149,875    |
| B2                                  | 310                          | 12.00%, 7/15/12   | 351,075      |
| BB                                  | 300                          | IMC Global, Inc., Ser. B, 10.875%, 6/01/08                              | 323,625      |
|                                     |                              | Ineos Group Holdings PLC, (United Kingdom)                              |              |
| B2                                  | 1,490                        | 7.875%, 2/07/16 (EUR)   | 1,823,242    |
| B2                                  | 2,885 <sup>4</sup>           | 8.50%, 2/15/16  | 2,776,812    |
| B3                                  | 2,625                        | Innophos, Inc., 8.875%, 8/15/14   | 2,618,437    |
| Baa3                                | 5,000 <sup>5</sup>           | Ipsco, Inc., 8.75%, 6/01/13 (Canada)                                    | 5,325,000    |
|                                     |                              | Lyondell Chemical Co.,  |              |
| BB-                                 | 1,100                        | 8.00%, 9/15/14  | 1,124,750    |
| BB-                                 | 1,835                        | 8.25%, 9/15/16  | 1,890,050    |
| BB+                                 | 560                          | 10.50%, 6/01/13   | 616,000      |
| BB+                                 | 3,020 <sup>5</sup>           | 11.125%, 7/15/12  | 3,269,150    |
| BB                                  | 615                          | Millennium America, Inc., 9.25%, 6/15/08                                | 633,450      |

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|      |                      |  |           |
|------|----------------------|--|-----------|
| B-   | 215                  | Nalco Co., 8.875%, 11/15/13                        | 226,288   |
|      |                      | NewPage Corp.,                                     |           |
| B3   | 810                  | 10.00%, 5/01/12                                    | 848,475   |
| B3   | 1,500 <sup>3,5</sup> | 11.621%, 5/01/12                                   | 1,620,000 |
| Caa1 | 300                  | 12.00%, 5/01/13                                    | 313,500   |
|      |                      | Nova Chemicals Corp.,                              |           |
| BB   | 200                  | 6.50%, 1/15/12                                     | 188,000   |
| BB   | 2,690 <sup>3</sup>   | 8.405%, 11/15/13                                   | 2,737,075 |
| CCC+ | 2,020 <sup>4</sup>   | Pregis Corp., 12.375%, 10/15/13                    | 2,141,200 |
| B+   | 81                   | Rhodia SA, 10.25%, 6/01/10 (France)                | 91,733    |
| B    | 2,412                | Rockwood Specialties Group, Inc., 10.625%, 5/15/11 | 2,586,870 |
| BB   | 3,250 <sup>5</sup>   | US Steel LLC, 10.75%, 8/01/08                      | 3,501,875 |

See Notes to Financial Statements.

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**BlackRock Limited Duration Income Trust (BLW) (continued)**

| Rating <sup>1</sup><br>(unaudited)            | Principal<br>Amount<br>(000) | Description   | Value      |
|---|------------------------------|---|------------|
| <b>Basic Materials (cont d)</b>               |                              |   |            |
| B-  | \$ 2104                      | Verso Paper Holdings LLC/Verson Paper, Inc., 11.375%, 8/01/16       | \$ 213,150 |
| Total Basic Materials                         |                              |   | 44,925,307 |
| <b>Building &amp; Development 1.4%</b>        |                              |   |            |
| BBB-  | 3,000 <sub>5</sub>           | DR Horton, Inc., 5.875%, 7/01/13                                    | 2,939,418  |
| B   | 2,665                        | ERICO Intl. Corp., 8.875%, 3/01/12                                  | 2,778,263  |
| Goodman Global Holding Co., Inc.,             |                              |   |            |
| B-  | 2,000                        | 7.875%, 12/15/12  | 1,920,000  |
| B1  | 269 <sub>3</sub>             | 8.329%, 6/15/12   | 273,035    |
| B3  | 890                          | Nortek, Inc., 8.50%, 9/01/14  | 849,950    |
| North American Energy Partners, Inc.,         |                              |   |            |
| Caa1  | 270                          | 8.75%, 12/01/11   | 267,300    |
| B1  | 550                          | 9.00%, 6/01/10  | 599,500    |
| Total Building & Development                  |                              |   | 9,627,466  |
| <b>Business Equipment &amp; Services 0.1%</b> |                              |   |            |
| Ba2   | 3504                         | FTI Consulting, Inc., 7.75%, 10/01/16                               | 357,875    |
| <b>Conglomerates 1.1%</b>                     |                              |   |            |
| Baa3  | 7,500 <sub>5</sub>           | Tyco Intl. Group SA, 6.125%, 11/01/08 (Luxembourg)                  | 7,607,220  |
| <b>Consumer Products 6.1%</b>                 |                              |   |            |
| B3  | 300                          | ALH Finance LLC, 8.50%, 1/15/13                                     | 297,750    |
| CCC+  | 2,085 <sub>3</sub>           | Ames True Temper, Inc., 9.374%, 1/15/12                             | 2,105,850  |
| B2  | 1,050 <sub>4</sub>           | Education Management LLC/Education Management Corp., 8.75%, 6/01/14 | 1,076,250  |
| B-  | 1,108                        | Finlay Fine Jewelry Corp., 8.375%, 6/01/12                          | 997,200    |
| B   | 2,140                        | Gold Kist, Inc., 10.25%, 3/15/14                                    | 2,455,650  |
| Ba3   | 5,000 <sub>5</sub>           | Group 1 Automotive, Inc., 8.25%, 8/15/13                            | 5,143,750  |
| BBB   | 4,400 <sub>5</sub>           | JC Penney Co., Inc., 8.00%, 3/01/10                                 | 4,725,692  |
| B2  | 2,770 <sub>4</sub>           | Knowledge Learning Corp., Inc., 7.75%, 2/01/15                      | 2,624,575  |
| B-  | 1,505                        | Lazydays RV Center, Inc., 11.75%, 5/15/12                           | 1,459,850  |
| B   | 2,075 <sub>3</sub>           | Levi Strauss & Co., 10.122%, 4/01/12                                | 2,139,844  |
| Michaels Stores, Inc.,                        |                              |   |            |
| B2  | 2,210 <sub>4</sub>           | 10.00%, 11/01/14  | 2,212,762  |
| Caa1  | 2,800 <sub>4</sub>           | 11.375%, 11/01/16   | 2,831,500  |
| B2  | 223                          | Neiman-Marcus Group, Inc., 9.00%, 10/15/15                          | 239,168    |
| B3  | 210 <sub>3,4</sub>           | Nutro Products, Inc., 9.40%, 10/15/13                               | 215,775    |
| BB-   | 600                          | Quiksilver, Inc., 6.875%, 4/15/15                                   | 577,500    |
| BB+   | 1,000 <sub>4</sub>           | Reynolds American, Inc., 7.625%, 6/01/16                            | 1,061,777  |
| B+  | 5,000 <sub>5</sub>           | Rite Aid Corp., 8.125%, 5/01/10                                     | 5,050,000  |
| B1  | 3,500                        | Sonic Automotive, Inc., Ser. B, 8.625%, 8/15/13                     | 3,561,250  |
| CCC   | 1,345                        | Spectrum Brands, Inc., 7.375%, 2/01/15                              | 1,089,450  |
| United Rentals NA, Inc.,                      |                              |   |            |
| B   | 2,575                        | 7.00%, 2/15/14  | 2,465,562  |
| B   | 125                          | 7.75%, 11/15/13   | 124,688    |
| Total Consumer Products                       |                              |   | 42,455,843 |
| <b>Containers &amp; Packaging 1.0%</b>        |                              |   |            |
| Berry Plastics Holding Corp.,                 |                              |   |            |
| B2  | 1,210 <sub>4</sub>           | 8.875%, 9/15/14   | 1,222,100  |
| B2  | 835 <sub>3,4</sub>           | 9.265%, 9/15/14   | 844,394    |



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|   |                      |  |           |
|---|----------------------|--|-----------|
| B+  | 1,385                | Crown Americas LLC/Crown Americas Capital Corp., 7.75%, 11/15/15 | 1,421,356 |
| CCC+  | 585                  | Graham Packaging Co., Inc., 8.50%, 10/15/12                      | 582,075   |
| B1  | 870 <sup>3,4</sup>   | Impress Holdings BV, 8.512%, 9/15/13                             | 876,863   |
| B+  | 2,114                | Smurfit-Stone Container Enterprises, Inc., 9.75%, 2/01/11        | 2,180,063 |
| Total Containers & Packaging                    |                      |  | 7,126,851 |
| <b>Ecological Services &amp; Equipment 0.6%</b> |                      |  |           |
| B   | 2,000                | Casella Waste Systems, Inc., 9.75%, 2/01/13                      | 2,100,000 |
| Caa1  | 2,065                | Waste Services, Inc., 9.50%, 4/15/14                             | 2,116,625 |
| Total Ecological Services & Equipment           |                      |  | 4,216,625 |
| <b>Energy 7.2%</b>                              |                      |  |           |
| BB+   | 5,500 <sup>4,5</sup> | AES Corp., 8.75%, 5/15/13  | 5,905,625 |
|   |                      | ANR Pipeline Co.,  |           |
| Ba1   | 460                  | 7.375%, 2/15/24  | 480,842   |
| Ba1   | 1,780                | 9.625%, 11/01/21   | 2,215,304 |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Rating <sup>1</sup><br>(unaudited)      | Principal<br>Amount<br>(000) | Description   | Value      |
|---|------------------------------|---|------------|
| <b>Energy (cont d)</b>                  |                              |   |            |
| B                                       | \$ 550                       | Berry Petroleum Co., 8.25%, 11/01/16                          | \$ 548,625 |
| CCC+                                    | 1,210                        | Chaparral Energy, Inc., 8.50%, 12/01/15                       | 1,206,975  |
|   |                              | Chesapeake Energy Corp.,                                      |            |
| BB                                      | 650                          | 6.375%, 6/15/15   | 627,250    |
| BB                                      | 100                          | 6.875%, 11/15/20  | 95,000     |
| BB                                      | 4,000 <sup>5</sup>           | 7.50%, 9/15/13  | 4,095,000  |
| BB-                                     | 200                          | ChipPAC, Inc., 2.50%, 6/01/08                                 | 197,000    |
| BB-                                     | 150                          | CMS Energy Corp., 7.50%, 1/15/09                              | 154,125    |
| BB-                                     | 750                          | Compagnie Generale de Geophysique SA, 7.50%, 5/15/15 (France) | 740,625    |
| B                                       | 1,615                        | Compton Petroleum Finance Corp., 7.625%, 12/01/13 (Canada)    | 1,530,212  |
| CCC+                                    | 1,640 <sup>2</sup>           | East Cameron Gas Co., 11.25%, 7/09/19 (Cayman Islands)        | 1,574,400  |
| BB-                                     | 815 <sup>4</sup>             | Edison Mission Energy, 7.50%, 6/15/13                         | 837,412    |
|   |                              | El Paso Corp.,  |            |
| B                                       | 400                          | 7.80%, 8/01/31  | 417,000    |
| B                                       | 525                          | 9.625%, 5/15/12   | 582,750    |
| B                                       | 225                          | 10.75%, 10/01/10  | 250,875    |
| Ba1                                     | 400                          | El Paso Natural Gas Co., 8.375%, 6/15/32                      | 462,911    |
| Ba1                                     | 168                          | Elwood Energy LLC, 8.159%, 7/05/26                            | 178,241    |
|   |                              | Encore Acquisition Co.,                                       |            |
| B1                                      | 250                          | 6.00%, 7/15/15  | 228,125    |
| B1                                      | 200                          | 7.25%, 12/01/17   | 192,500    |
| B-                                      | 495                          | Exco Resources, Inc., 7.25%, 1/15/11                          | 476,438    |
| BB+                                     | 380                          | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15                  | 363,375    |
| B                                       | 2,434 <sup>4</sup>           | Hilcorp Energy I LP/Hilcorp Finance Corp., 10.50%, 9/01/10    | 2,610,465  |
| B-                                      | 725                          | KCS Energy, Inc., 7.125%, 4/01/12                             | 696,000    |
| Ba2                                     | 4,324 <sup>5</sup>           | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16                | 4,670,206  |
|   |                              | Mirant Americas Generation LLC,                               |            |
| Caa1                                    | 625                          | 8.30%, 5/01/11  | 632,813    |
| Caa1                                    | 480                          | 8.50%, 10/01/21   | 472,800    |
| Caa1                                    | 295                          | 9.125%, 5/01/31   | 305,325    |
| BB-                                     | 500                          | Mission Energy Holdings Co., 13.50%, 7/15/08                  | 557,500    |
|   |                              | NRG Energy, Inc.,   |            |
| B+                                      | 210                          | 7.25%, 2/01/14  | 212,363    |
| B+                                      | 1,185                        | 7.375%, 2/01/16   | 1,198,331  |
| B2                                      | 580                          | Orion Power Holdings, Inc., 12.00%, 5/01/10                   | 658,300    |
|   |                              | Reliant Energy, Inc.,   |            |
| BB-                                     | 1,035                        | 6.75%, 12/15/14   | 987,131    |
| BB-                                     | 170                          | 9.25%, 7/15/10  | 175,950    |
| B+                                      | 1,240 <sup>4</sup>           | SemGroup LP, 8.75%, 11/15/15                                  | 1,249,300  |
| B                                       | 1,440 <sup>3,4</sup>         | Stone Energy Corp., 8.124%, 7/15/10                           | 1,431,000  |
| B                                       | 5,000                        | Swift Energy Co., 9.375%, 5/01/12                             | 5,262,500  |
| B3                                      | 725 <sup>4</sup>             | Targa Resources, Inc., 8.50%, 11/01/13                        | 723,188    |
| BBB-                                    | 100                          | Transcontinental Gas Pipe Line Corp., 7.25%, 12/01/26         | 103,500    |
| B+                                      | 1,040                        | Utilicorp Finance Corp., 7.75%, 6/15/11 (Canada)              | 1,098,260  |
| B1                                      | 1,550                        | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13               | 1,531,025  |
|   |                              | Williams Cos., Inc.,  |            |
| BB+                                     | 1,000                        | 7.125%, 9/01/11   | 1,032,500  |
| BB+                                     | 1,085                        | 8.75%, 3/15/32  | 1,204,350  |
| Total Energy                            |                              |   | 50,173,417 |
| <b>Entertainment &amp; Leisure 2.0%</b> |                              |   |            |
|   |                              | AMC Entertainment, Inc.,                                      |            |
| B3                                      | 500                          | 9.50%, 2/01/11  | 501,875    |
| B3                                      | 505                          | 11.00%, 2/01/16   | 558,656    |

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|    |                    |   |           |
|----|--------------------|---|-----------|
| B3 | 370                | Cinemark, Inc., Zero Coupon, 3/15/14          | 301,088   |
| B3 | 1,430 <sup>4</sup> | Greektown Holdings LLC, 10.75%, 12/01/13      | 1,512,225 |
| B+ | 5,425 <sup>5</sup> | MGM Mirage, 9.75%, 6/01/07                    | 5,533,500 |
| B  | 660 <sup>4</sup>   | Pokagon Gaming Authority, 10.375%, 6/15/14    | 707,850   |
| B3 | 250                | Poster Financial Group, Inc., 8.75%, 12/01/11 | 260,625   |
|    |                    | Travelport, Inc.,                             |           |
| B- | 2,380 <sup>4</sup> | 9.875%, 9/01/14                               | 2,347,275 |
| B- | 2,180 <sup>4</sup> | 11.875%, 9/01/16                              | 2,147,300 |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Rating <sup>1</sup><br>(unaudited)                                   | Principal<br>Amount<br>(000) | Description  | Value      |
|--|------------------------------|--|------------|
| <b>Entertainment &amp; Leisure (cont d)</b>                          |                              |  |            |
| BB-  | \$ 100                       | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14    | \$ 98,000  |
| Total Entertainment & Leisure  |                              |  | 13,968,394 |
| <b>Financial Institutions 8.2%</b>                                   |                              |  |            |
| American Real Estate Partners LP/American Real Estate Finance Corp., |                              |  |            |
| BB+  | 1,480 <sub>5</sub>           | 7.125%, 2/15/13  | 1,476,300  |
| BB+  | 5,860 <sub>5</sub>           | 8.125%, 6/01/11  | 5,991,850  |
| B  | 1,733                        | BCP Crystal US Holdings Corp., 9.625%, 6/15/14 (Luxembourg)          | 1,901,967  |
| BB   | 3,010 <sub>5</sub>           | Crum & Forster Holdings Corp., 10.375%, 6/15/13                      | 3,122,875  |
| Ford Motor Credit Co.,   |                              |  |            |
| BB-  | 2,800                        | 7.375%, 2/01/11  | 2,675,347  |
| BB-  | 60 <sub>3</sub>              | 9.824%, 4/15/12  | 62,579     |
| General Motors Acceptance Corp.,                                     |                              |  |            |
| BB   | 3,000 <sub>3,5</sub>         | 6.274%, 1/16/07  | 2,999,577  |
| BB   | 5,620 <sub>5</sub>           | 6.875%, 8/28/12  | 5,635,084  |
| iPayment, Inc.,  |                              |  |            |
| CCC+   | 950 <sub>4</sub>             | 9.75%, 5/15/14   | 976,125    |
| NR   | 4,470 <sub>2,3,4</sub>       | 12.75%, 7/15/14  | 4,464,412  |
| B-   | 900                          | K&F Acquisition, Inc., 7.75%, 11/15/14                               | 911,250    |
| Baa1   | 5,000 <sub>4,5</sub>         | Kazkommerts Intl. BV, 10.125%, 5/08/07 (Netherlands)                 | 5,097,500  |
| BBB  | 200 <sub>3,5</sub>           | Marsh & McLennan Cos., Inc., 5.513%, 7/13/07                         | 199,963    |
| B+   | 2,460 <sub>4</sub>           | Nell AF SARL, 8.375%, 8/15/15 (Luxembourg)                           | 2,496,900  |
| Rainbow National Services LLC,                                       |                              |  |            |
| B+   | 925 <sub>4</sub>             | 8.75%, 9/01/12   | 972,406    |
| B+   | 4,835 <sub>4</sub>           | 10.375%, 9/01/14   | 5,378,937  |
| B-   | 1,915                        | Standard Aero Holdings, Inc., 8.25%, 9/01/14                         | 1,900,638  |
| AA+  | 5,869 <sub>6</sub>           | Structured Asset Receivable Trust, 1.649%, 1/21/10                   | 5,866,699  |
| B-   | 220 <sub>3</sub>             | Universal City Florida Holding Co. I/II, 10.121%, 5/01/10            | 226,325    |
| Aa3  | 4,425 <sub>5</sub>           | Western Financial Bank, 9.625%, 5/15/12                              | 4,876,080  |
| Total Financial Institutions   |                              |  | 57,232,814 |
| <b>Health Care 2.7%</b>  |                              |  |            |
| B  | 2,535 <sub>4</sub>           | Angiotech Pharmaceuticals, Inc., 7.75%, 4/01/14 (Canada)             | 2,408,250  |
| B-   | 5,000 <sub>5</sub>           | Concentra Operating Corp., 9.50%, 8/15/10                            | 5,225,000  |
| Healthsouth Corp.,   |                              |  |            |
| CCC+   | 3,335 <sub>4</sub>           | 10.75%, 6/15/16  | 3,418,375  |
| CCC+   | 1,740 <sub>3,4</sub>         | 11.418%, 6/15/14   | 1,779,150  |
| B2   | 3,000                        | Norcross Safety Products LLC/Norcross Capital Corp., 9.875%, 8/15/11 | 3,180,000  |
| B-   | 1,145                        | Tenet Healthcare Corp., 6.875%, 11/15/31                             | 887,375    |
| B-   | 1,830                        | Universal Hospital Services, Inc., 10.125%, 11/01/11                 | 1,935,225  |
| Total Health Care  |                              |  | 18,833,375 |
| <b>Industrials 2.4%</b>  |                              |  |            |
| B2   | 1,700 <sub>4</sub>           | AGY Holding Corp., 11.00%, 11/15/14                                  | 1,697,875  |
| B-   | 4,000 <sub>5</sub>           | Fasten Tech, Inc., 11.50%, 5/01/11                                   | 4,140,000  |
| B  | 650                          | Hexcel Corp., 6.75%, 2/01/15   | 630,500    |
| B3   | 1,805                        | Park-Ohio Industries, Inc., 8.375%, 11/15/14                         | 1,678,650  |
| CCC+   | 950                          | Polypore, Inc., 8.75%, 5/15/12                                       | 928,625    |
| RBS Global, Inc./Rexnord Corp.,                                      |                              |  |            |
| B3   | 2,000 <sub>4</sub>           | 9.50%, 8/01/14   | 2,070,000  |

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|                   |                    |   |            |
|-------------------|--------------------|---|------------|
| CCC+              | 1,090 <sup>4</sup> | 11.75%, 8/01/16                             | 1,133,600  |
| B3                | 3,125 <sup>4</sup> | Sunstate Equipment Co. LLC, 10.50%, 4/01/13 | 3,265,625  |
| B3                | 1,415              | Trimas Corp., 9.875%, 6/15/12               | 1,333,637  |
| Total Industrials |                    |   | 16,878,512 |

**Media 9.7%**

Affinion Group, Inc.,

|      |                  |  |           |
|------|------------------|--|-----------|
| B-   | 1,975            | 10.125%, 10/15/13  | 2,093,500 |
| B-   | 470              | 11.50%, 10/15/15   | 489,975   |
| Caa2 | 1,870            | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09 | 1,776,500 |
| B+   | 800 <sup>3</sup> | Cablevision Systems Corp., Ser. B, 9.87%, 4/01/09        | 838,000   |
| B2   | 3,500            | CBD Media Inc., 8.625%, 6/01/11                          | 3,504,375 |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Rating <sup>1</sup><br>(unaudited)   | Principal<br>Amount<br>(000) | Description   | Value      |
|--|------------------------------|---|------------|
| <b>Media (cont d)</b>  |                              |   |            |
| Charter Communications Holdings II LLC/Charter Communications Holdings II Capital Corp., |                              |   |            |
| CCC  | \$ 755                       | 10.25%, 9/15/10   | \$ 779,538 |
| CCC  | 865                          | Ser. B, 10.25%, 9/15/10   | 890,950    |
| B3   | 2,425 <sup>4</sup>           | CMP Susquehanna Corp., 9.875%, 5/15/14                            | 2,343,156  |
| BBB+   | 6,685 <sup>5</sup>           | Comcast Cable Communications, Inc., 6.875%, 6/15/09               | 6,949,840  |
| B+   | 5,795 <sup>5</sup>           | CSC Holdings, Inc., 7.875%, 12/15/07                              | 5,874,681  |
| B  | 1,650                        | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13 | 1,792,312  |
| BB   | 500                          | DirecTV Holdings LLC/DirecTV Financing Co., 8.375%, 3/15/13       | 518,750    |
| Echostar DBS Corp.,  |                              |   |            |
| BB-  | 2,800                        | 5.75%, 10/01/08   | 2,782,500  |
| BB-  | 1,330 <sup>4</sup>           | 7.00%, 10/01/13   | 1,318,363  |
| BB-  | 200 <sup>4</sup>             | 7.125%, 2/01/16   | 195,500    |
| B3   | 5,000 <sup>5</sup>           | Houghton Mifflin Co., 9.875%, 2/01/13                             | 5,356,250  |
| CCC+   | 300 <sup>4</sup>             | Iesy Repository GMBH, 10.375%, 2/15/15 (Germany)                  | 283,500    |
| Ba3  | 740                          | LIN Television Corp., 6.50%, 5/15/13                              | 702,075    |
| B  | 820                          | Medianews Group, Inc., 6.875%, 10/01/13                           | 761,575    |
| B2   | 2,105                        | Network Communications, Inc., 10.75%, 12/01/13                    | 2,118,156  |
| B3   | 2,790                        | Nexstar Finance, Inc., 7.00%, 1/15/14                             | 2,570,287  |
| CCC+   | 4,340 <sup>4,5</sup>         | Nielsen Finance LLC/Nielsen Finance Co., 10.00%, 8/01/14          | 4,524,450  |
| B1   | 2,000 <sup>3,4</sup>         | Paxson Communications Corp., 8.624%, 1/15/12                      | 2,022,500  |
| Primedia, Inc.,  |                              |   |            |
| B2   | 1,205                        | 8.00%, 5/15/13  | 1,123,663  |
| B2   | 520                          | 8.875%, 5/15/11   | 518,700    |
| B2   | 680 <sup>3</sup>             | 10.78%, 5/15/10   | 703,800    |
| B  | 4,260                        | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16                     | 4,393,125  |
| B2   | 2,000                        | Salem Communications Corp., 7.75%, 12/15/10                       | 2,020,000  |
| B  | 460                          | Sinclair Broadcast Group, Inc., 4.875%, 7/15/18                   | 415,150    |
| Caa1   | 465                          | Sirius Satellite Radio, Inc., 9.625%, 8/01/13                     | 453,375    |
| Vertis, Inc.,  |                              |   |            |
| B1   | 2,390 <sup>5</sup>           | 9.75%, 4/01/09  | 2,440,787  |
| Caa3   | 210 <sup>4</sup>             | 13.50%, 12/07/09  | 190,050    |
| Caa1   | 865                          | Ser. B, 10.875%, 6/15/09  | 860,675    |
| Caa1   | 4,442                        | Young Broadcasting, Inc., 10.00%, 3/01/11                         | 4,197,690  |
| Total Media  |                              |   | 67,803,748 |
| <b>Real Estate 0.2%</b>  |                              |   |            |
| BB+  | 2,000 <sup>5</sup>           | Rouse Co., 5.375%, 11/26/13                                       | 1,866,760  |
| <b>Technology 3.1%</b>   |                              |   |            |
| BB-  | 200                          | Advanced Micro Devices, Inc., 7.75%, 11/01/12                     | 203,500    |
| Amkor Technology, Inc.,  |                              |   |            |
| CCC+   | 1,693                        | 7.75%, 5/15/13  | 1,494,073  |
| CCC+   | 3,345                        | 9.25%, 6/01/16  | 3,110,850  |
| B+   | 1,965                        | Celestica, Inc., 7.625%, 7/01/13 (Canada)                         | 1,969,912  |
| B+   | 430 <sup>4</sup>             | Hynix Semiconductor, Inc., 9.875%, 7/01/12 (South Korea)          | 476,225    |
| B+   | 1,415 <sup>4</sup>           | NXP BV/NXP Funding LLC, 9.50%, 10/15/15                           | 1,427,381  |
| B-   | 815 <sup>4</sup>             | Sensata Technologies BV, 8.00%, 5/01/14 (Netherlands)             | 786,475    |
| CCC+   | 910                          | SS&C Technologies, Inc., 11.75%, 12/01/13                         | 978,250    |
| Sungard Data Systems, Inc.,  |                              |   |            |
| B-   | 665                          | 9.125%, 8/15/13   | 689,938    |
| B-   | 1,735 <sup>3</sup>           | 9.973%, 8/15/13   | 1,804,400  |
| B-   | 2,430                        | 10.25%, 8/15/15   | 2,545,425  |

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|                                    |                    |   |            |
|------------------------------------|--------------------|---|------------|
| B                                  | 3,765              | Superior Essex Communications LLC/Essex Group, Inc., 9.00%, 4/15/12 | 3,849,712  |
| B-                                 | 830 <sub>3,4</sub> | UGS Capital Corp. II, 10.38%, 6/01/11                               | 856,975    |
| B-                                 | 1,780              | UGS Corp., 10.00%, 6/01/12  | 1,922,400  |
| Total Technology                   |                    |   | 22,115,516 |
| <b>Telecommunications 8.2%</b>     |                    |   |            |
| BB-                                | 1,420              | Cincinnati Bell, Inc., 7.25%, 7/15/13                               | 1,462,600  |
| CCC                                | 1,830 <sub>4</sub> | Cricket Communications, Inc., 9.375%, 11/01/14                      | 1,871,175  |
| A-                                 | 5,000 <sub>5</sub> | Deutsche Telekom Intl. Finance BV, 8.00%, 6/15/10 (Netherlands)     | 5,457,805  |
| B3                                 | 860 <sub>3</sub>   | Hawaiian Telcom Communications, Inc., Ser. B, 10.889%, 5/01/13      | 881,500    |
| See Notes to Financial Statements. |                    |   |            |

**BlackRock Limited Duration Income Trust (BLW) (continued)**

| Rating <sup>1</sup><br>(unaudited)  | Principal<br>Amount<br>(000) | Description  | Value        |
|-------------------------------------|------------------------------|--|--------------|
| <b>Telecommunications (cont d)</b>  |                              |  |              |
|                                     |                              | Intelsat Ltd., (Bermuda)                                     |              |
| BB-                                 | \$ 1,470                     | 8.625%, 1/15/15  | \$ 1,525,125 |
| BB-                                 | 1,800 <sup>4</sup>           | 9.25%, 6/15/16   | 1,921,500    |
| BB-                                 | 815 <sup>3</sup>             | 10.484%, 1/15/12   | 826,206      |
| B                                   | 630 <sup>4</sup>             | 11.25%, 6/15/16  | 685,913      |
| B                                   | 2,520 <sup>3,4</sup>         | 11.64%, 6/15/13  | 2,671,200    |
|                                     |                              | Lucent Technologies, Inc.,                                   |              |
| B1                                  | 105                          | 6.45%, 3/15/29   | 93,975       |
| B1                                  | 3,830                        | 6.50%, 1/15/28   | 3,427,850    |
| B+                                  | 3,850 <sup>4</sup>           | Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (Denmark) | 4,032,875    |
| B-                                  | 200                          | Nortel Networks Corp., 6.875%, 9/01/23 (Canada)              | 165,000      |
|                                     |                              | Nortel Networks Ltd.,  |              |
| B-                                  | 2,220 <sup>3,4</sup>         | 9.624%, 7/15/11  | 2,292,150    |
| B-                                  | 465 <sup>4</sup>             | 10.125%, 7/15/13   | 492,900      |
|                                     |                              | PanAmSat Corp.,  |              |
| B                                   | 3,517                        | 9.00%, 8/15/14   | 3,675,265    |
| B                                   | 2,495 <sup>4</sup>           | 9.00%, 6/15/16   | 2,607,275    |
| NR                                  | 3,000 <sup>3,4</sup>         | ProtoStar I Ltd., Zero Coupon, 10/15/12 (Bermuda)            | 3,015,000    |
| BB                                  | 4,000 <sup>3</sup>           | Qwest Communications Intl., Inc., 8.905%, 2/15/09            | 4,065,000    |
|                                     |                              | Qwest Corp.,   |              |
| BB+                                 | 1,000                        | 7.875%, 9/01/11  | 1,058,750    |
| BB+                                 | 2,500 <sup>3,5</sup>         | 8.64%, 6/15/13   | 2,693,750    |
| BB+                                 | 3,675 <sup>5</sup>           | 8.875%, 3/15/12  | 4,042,500    |
| BB+                                 | 460                          | Rogers Wireless, Inc., 7.25%, 12/15/12 (Canada)              | 483,000      |
|                                     |                              | West Corp.,  |              |
| B-                                  | 340 <sup>4</sup>             | 9.50%, 10/15/14  | 338,300      |
| B-                                  | 1,910 <sup>4</sup>           | 11.00%, 10/15/16   | 1,919,550    |
| B+                                  | 1,500 <sup>4</sup>           | Wind Acquisition Finance SA, 10.75%, 12/01/15 (Luxembourg)   | 1,666,875    |
|                                     |                              | Windstream Corp.,  |              |
| BB+                                 | 2,340 <sup>4</sup>           | 8.125%, 8/01/13  | 2,497,950    |
| BB+                                 | 1,310 <sup>4</sup>           | 8.625%, 8/01/16  | 1,413,162    |
| Total Telecommunications            |                              |  | 57,284,151   |
| <b>Transportation 0.6%</b>          |                              |  |              |
| BB-                                 | 520                          | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11          | 518,700      |
| B1                                  | 1,715                        | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)               | 1,637,825    |
| B3                                  | 111                          | Horizon Lines LLC, 9.00%, 11/01/12                           | 115,995      |
| BB+                                 | 1,650 <sup>5</sup>           | Overseas Shipholding Group, Inc., 8.75%, 12/01/13            | 1,767,563    |
| Total Transportation                |                              |  | 4,040,083    |
| Total Corporate Bonds               |                              |  | 449,814,071  |
| <b>Bank Loans 53.5%</b>             |                              |  |              |
| <b>Aerospace &amp; Defense 0.7%</b> |                              |  |              |
|                                     | 975                          | Arinc, Inc., Loan B, LIBOR + 2.00%, 2/15/11                  | 976,219      |
|                                     | 860                          | Camp Acquisition Co., Loan A, LIBOR + 3.00%, 8/30/11         | 859,996      |
|                                     | 1,970                        | DI Finance/DynCorp Intl., Loan B, LIBOR + 2.25%, 1/31/11     | 1,977,387    |
|                                     |                              | Primus Intl., Inc.,  |              |
|                                     | 30                           | Loan B, 0.50%, 6/16/12                                       | 29,762       |
|                                     | 471                          | Loan B, LIBOR + 2.50%, 6/16/12                               | 471,488      |
|                                     | 500                          | Wesco Aircraft Hardware Corp., LIBOR, 9/29/13                | 502,969      |



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Total Aerospace & Defense

4,817,821

**Automotive 1.9%**

|       |  |           |
|-------|--|-----------|
| 998   | Dayco Products LLC, LIBOR + 2.50%, 6/30/11             | 1,004,565 |
|       | Goodyear Tire & Rubber Co.,                            |           |
| 500   | LIBOR + 2.75%, 4/01/10                                 | 503,393   |
| 2,000 | LIBOR + 3.50%, 4/01/11                                 | 2,024,166 |
| 744   | IAP Worldwide Services, Inc., LIBOR + 3.00%, 12/31/12  | 742,514   |
| 1,000 | Lear Corp., LIBOR + 2.50%, 3/23/12                     | 996,042   |
| 925   | Metaldyne Corp., Loan D, LIBOR + 4.50%, 12/31/09       | 927,420   |
| 1     | Precision Parts Intl., Loan B, LIBOR + 3.75%, 10/01/11 | 616       |
| 1,000 | Rent-A-Center, Inc., LIBOR + 1.75%, 6/30/12            | 1,002,500 |

See Notes to Financial Statements.

**BlackRock Limited Duration Income Trust (BLW) (continued)**

| Principal<br>Amount<br>(000)           | Description   | Value        |
|--|---|--------------|
| <b>Automotive (cont d)</b>             |   |              |
|  | Reynolds & Reynolds Co.,  |              |
| \$ 2,000                               | LIBOR + 2.50%, 10/31/12   | \$ 2,012,500 |
| 1,250                                  | LIBOR + 5.50%, 10/31/13   | 1,269,271    |
| 517                                    | Tenneco Automotive, Inc., Loan B1, LIBOR + 2.00%, 12/12/10        | 518,604      |
| 2,456                                  | TRW Automotive Acquisitions Corp., Loan B, LIBOR + 1.50%, 6/30/12 | 2,447,808    |
|  | Total Automotive  | 13,449,399   |
| <b>Basic Materials 4.3%</b>            |   |              |
|  | Basell NV,  |              |
| 417                                    | Loan B2, LIBOR + 2.25%, 9/30/13                                   | 421,354      |
| 83                                     | Loan B4, LIBOR + 2.25%, 8/01/14                                   | 84,271       |
| 83                                     | Loan C4, LIBOR + 3.00%, 8/01/13                                   | 84,271       |
| 417                                    | Loan C2, LIBOR + 3.00%, 9/30/14                                   | 421,354      |
| 810                                    | Boise Cascade Corp., Loan D, LIBOR + 1.75%, 10/31/11              | 813,516      |
| 500                                    | Brenntag Group, Loan B6, LIBOR + 2.50%, 9/15/14 (EUR)             | 644,930      |
| 2,046                                  | Celanese AG, LIBOR + 2.00%, 6/03/11                               | 2,052,069    |
| 3,000                                  | Cognis Deutschland, Loan B, LIBOR + 4.75%, 11/15/13               | 3,054,999    |
| 907                                    | Compass Minerals Group, Inc., LIBOR + 1.50%, 12/31/12             | 907,214      |
| 4,141                                  | Huntsman Intl. LLC, Loan B, LIBOR + 1.75%, 8/15/12                | 4,135,661    |
|  | Ineos Group Holdings PLC,   |              |
| 1,500                                  | Loan A4, LIBOR + 2.25%, 12/16/12                                  | 1,509,845    |
| 1,750                                  | Loan B2, LIBOR + 2.25%, 12/16/14                                  | 1,770,052    |
| 1,750                                  | Loan C2, LIBOR + 2.75%, 12/16/13                                  | 1,770,052    |
|  | Invista BV,   |              |
| 1,296                                  | Loan B1, LIBOR + 1.50%, 4/30/11                                   | 1,294,849    |
| 687                                    | Loan B2, LIBOR + 1.50%, 4/30/11                                   | 687,225      |
| 696                                    | ISP Chemco, Inc., LIBOR + 2.00%, 2/28/13                          | 697,491      |
| 483                                    | John Maneely Co., Loan B, LIBOR + 3.00%, 3/31/13                  | 486,745      |
| 2,211                                  | Nalco Co., Loan B, LIBOR + 1.75%, 11/01/10                        | 2,214,890    |
| 493                                    | PQ Corp., LIBOR + 2.00%, 2/28/12                                  | 493,731      |
| 985                                    | Rockwood Specialties Group, Inc., Loan E, LIBOR + 2.00%, 8/15/12  | 989,186      |
|  | SP Newsprint,   |              |
| 1,611                                  | LIBOR + 2.25%, 1/09/10  | 1,617,153    |
| 188                                    | PRIME + 1.75%, 1/08/10  | 188,900      |
|  | UPC Technology Corp.,   |              |
| 1,000                                  | Loan J2, LIBOR + 2.00%, 3/31/13                                   | 999,375      |
| 1,000                                  | Loan K2, LIBOR + 2.00%, 12/31/13                                  | 999,286      |
| 750                                    | Loan K, LIBOR, 3/31/13 (EUR)                                      | 956,491      |
| 663                                    | Loan J, LIBOR, 12/31/13 (EUR)                                     | 845,027      |
|  | Total Basic Materials   | 30,139,937   |
| <b>Building &amp; Development 1.7%</b> |   |              |
| 500                                    | Armstrong World Industries, Inc., LIBOR, 10/02/13                 | 500,469      |
| 1,250                                  | Beacon Roofing Supply, Inc., LIBOR + 2.00%, 10/31/13              | 1,250,000    |
| 1,500                                  | Custom Building Products, Inc., LIBOR + 5.00%, 4/30/12            | 1,501,249    |
| 250                                    | Euramax Intl., Inc., LIBOR + 7.00%, 7/15/13                       | 250,937      |
| 1,250                                  | Harmon Koval, 3.25%, 12/31/06                                     | 1,250,000    |
| 424                                    | Maxim Crane Works LP, LIBOR + 2.00%, 1/28/10                      | 423,792      |
| 499                                    | Nacco Industries, Inc., LIBOR + 2.00%, 3/31/13                    | 496,880      |
| 490                                    | Nortek, Inc., Loan B, LIBOR, 8/24/11                              | 488,119      |
| 1,492                                  | Ply Gem Industries, Inc., LIBOR + 2.25%, 8/15/11                  | 1,488,769    |
| 1,496                                  | Pro Build Holdings, Loan B, LIBOR + 1.75%, 6/30/13                | 1,491,263    |

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|       |  |            |
|-------|--|------------|
| 900   | Rhodes Ranch, LIBOR + 3.25%, 11/15/10                | 864,000    |
| 1,985 | United Subcontractors, Inc., LIBOR + 2.75%, 12/31/12 | 1,925,450  |
|       |  | 11,930,928 |
|       | Total Building & Development                         | 11,930,928 |

**Conglomerates 2.4%**

|       |   |           |
|-------|---|-----------|
|       | Atlantis Plastics, Inc.,  |           |
| 985   | LIBOR + 2.75%, 9/22/11  | 950,525   |
| 500   | LIBOR + 7.25%, 3/22/12  | 492,500   |
| 900   | Blount Intl., Loan B, LIBOR + 1.75%, 8/15/10                                  | 900,299   |
| 1,966 | Colfax Corp., Loan B, LIBOR + 2.00%, 5/30/09                                  | 1,972,918 |
| 3,063 | Fidelity National Information Solutions, Inc., Loan B, LIBOR + 1.75%, 3/30/13 | 3,068,736 |
| 419   | Gentek, Inc., LIBOR + 4.25%, 3/15/12  | 421,343   |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Principal<br>Amount<br>(000)  | Description   | Value        |
|-------------------------------|---|--------------|
| <b>Conglomerates (cont d)</b> |   |              |
|                               | Invensys PLC,   |              |
| \$ 1,000                      | Loan A, LIBOR + 2.00%, 12/15/11   | \$ 1,002,500 |
| 1,000                         | Loan B, LIBOR + 2.25%, 12/15/11 (GBP)                                   | 1,912,915    |
|                               | Jarden Corp.,   |              |
| 1,189                         | LIBOR + 2.00%, 1/24/12  | 1,187,074    |
| 485                           | Loan B2, LIBOR + 1.75%, 1/15/12   | 485,015      |
| 756                           | Mueller Group, Inc., Loan B, LIBOR + 2.00%, 9/30/12                     | 759,173      |
| 1,470                         | Securityco, Inc., Loan B, LIBOR + 3.25%, 6/30/10                        | 1,477,382    |
| 1,345                         | Sensus Metering Systems, Inc., Loan B1, LIBOR + 2.00%, 12/30/09         | 1,341,258    |
| 762                           | St. John Knits Intl., Inc., Loan B, LIBOR + 4.25%, 3/30/12              | 756,669      |
|                               | Total Conglomerates   | 16,728,307   |
| <b>Consumer Products 8.2%</b> |   |              |
| 1,000                         | Aearo Technologies, Inc., LIBOR + 6.50%, 9/30/13                        | 1,011,250    |
| 995                           | 24 Hour Fitness Worldwide, Inc., Loan B, LIBOR + 3.00%, 6/30/12         | 1,000,390    |
| 750                           | American Safety Razor Co., LIBOR + 6.25%, 2/15/14                       | 761,250      |
| 453                           | Arby's Restaurant Group, Inc., Loan B, LIBOR + 2.25%, 7/31/12           | 453,658      |
| 478                           | Bare Escentuals Beauty, Inc., LIBOR + 2.75%, 2/15/12                    | 480,108      |
|                               | Berkline Bench Craft,   |              |
| 108                           | Loan B, LIBOR + 3.75%, 10/31/11   | 84,444       |
| 1,005                         | PRIME + 7.00%, 5/03/12  | 226,136      |
| 500                           | Buffets, Inc., LIBOR + 0.10%, 6/28/09                                   | 500,000      |
| 1,349                         | Burger King Corp., Loan B-1, LIBOR + 1.50%, 2/28/13                     | 1,347,546    |
| 1,493                         | Burlington Coat Factory Warehouse Corp., Loan B, LIBOR + 2.25%, 4/15/13 | 1,469,880    |
| 493                           | Centerplate, Inc., LIBOR + 3.25%, 10/15/10                              | 495,895      |
| 1,193                         | Central Garden & Pet Co., Loan B, LIBOR + 1.50%, 9/30/12                | 1,191,760    |
| 998                           | Cenveo Corp., LIBOR + 2.00%, 6/30/13                                    | 999,994      |
| 494                           | Chiquita Brands Intl., Inc., Loan C, LIBOR + 2.25%, 7/15/13             | 492,979      |
| 996                           | Coinmach Corp., Loan B1, LIBOR + 2.50%, 12/15/12                        | 1,003,952    |
| 1,634                         | Commonwealth Brands, Inc., LIBOR + 2.25%, 12/15/12                      | 1,643,752    |
| 2,486                         | Cracker Barrel, Loan B, LIBOR + 1.50%, 5/15/13                          | 2,477,505    |
| 500                           | Denny's Corp., LIBOR + 5.13%, 9/25/10                                   | 505,000      |
| 431                           | Douglas Dynamics LLC, LIBOR + 1.75%, 12/16/10                           | 428,651      |
| 1,166                         | Eastman Kodak Co., Loan B1, LIBOR + 2.25%, 10/15/12                     | 1,166,900    |
| 750                           | FTD, Inc., LIBOR, 8/15/13   | 751,875      |
| 350                           | Gold Toe, LIBOR + 6.00%, 4/30/14  | 355,250      |
| 645                           | Hertz Corp., LIBOR + 2.25%, 12/31/12                                    | 649,600      |
| 792                           | Keystone Foods Holdings LLC, LIBOR + 1.75%, 6/30/11                     | 791,564      |
| 842                           | Language Line, Inc., Loan B, LIBOR + 4.25%, 6/14/11                     | 846,213      |
| 1,250                         | Le-Natures, Inc., Loan B, LIBOR + 4.00%, 9/30/11                        | 1,187,500    |
| 1,179                         | Maidenform, Inc., LIBOR + 1.75%, 5/14/10                                | 1,177,097    |
| 2,731                         | Michael Foods, Inc., Loan B1, LIBOR + 2.00%, 11/30/10                   | 2,733,684    |
| 643                           | Movie Gallery, Inc., Loan B, LIBOR + 5.25%, 4/30/11                     | 600,145      |
| 1,661                         | Neiman-Marcus Group, Inc., LIBOR + 2.50%, 4/15/13                       | 1,673,715    |
| 1,544                         | New Page, Loan B, LIBOR + 3.00%, 4/30/12                                | 1,559,764    |
| 782                           | Nice Pak Products, LIBOR + 3.75%, 6/15/10                               | 783,032      |
|                               | Olympus Cable Holdings LLC,   |              |
| 2,000                         | Loan A, PRIME + 1.25%, 6/30/10  | 1,942,500    |
| 3,500                         | Loan B, PRIME + 2.00%, 9/30/10  | 3,411,954    |
| 1,500                         | Orchard Supply Hardware Stores Corp., Loan B2, LIBOR + 2.45%, 12/09/07  | 1,500,000    |
| 998                           | Oriental Trading Co., LIBOR + 2.75%, 1/30/14                            | 998,331      |
|                               | OSI Group LLC,  |              |
| 1,470                         | LIBOR + 1.75%, 9/15/11  | 1,467,243    |
| 1,470                         | Loan B, LIBOR + 1.75%, 9/15/11  | 1,467,244    |

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|       |  |           |
|-------|--|-----------|
| 602   | Pierre Foods, Inc., Loan B, LIBOR + 2.00%, 7/15/10             | 602,419   |
| 750   | Pivotal Promontory LLC, LIBOR + 6.50%, 9/15/11                 | 725,000   |
| 1,463 | Prestige Brands Holdings, Inc., Loan B, LIBOR + 2.25%, 4/07/11 | 1,467,984 |
| 250   | Quality Home Brands Holdings LLC, LIBOR + 6.25%, 6/15/13       | 251,875   |
| 1,995 | Quiznos Corp., LIBOR + 2.25%, 5/01/12                          | 1,987,876 |
| 3,335 | RH Donnelley, Inc., Loan D2, LIBOR + 1.50%, 12/31/11           | 3,320,530 |
| 1,950 | Sturm Foods, Inc., LIBOR + 2.25%, 5/31/11                      | 1,952,550 |
| 1,493 | Supervalu, Inc., Loan B, LIBOR + 1.75%, 6/15/12                | 1,495,766 |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Principal<br>Amount<br>(000)                    | Description  | Value             |
|---|--|-------------------|
| <b>Consumer Products (cont d)</b>               |  |                   |
| \$ 615  | Synventive Acquisition, Inc., LIBOR + 14.0%, 1/31/14               | \$ 499,444        |
|   | Travelcenters of America, Inc.,                                    |                   |
| 248   | Loan B, LIBOR + 1.75%, 6/30/11                                     | 247,268           |
| 249   | Loan B, LIBOR + 1.75%, 11/30/11                                    | 248,517           |
| 905   | Tupperware Corp., LIBOR + 1.50%, 11/07/12                          | 898,993           |
| 498   | Warnaco, Inc., Loan B, LIBOR + 1.50%, 1/31/12                      | 494,391           |
|   | Waterpik Technologies, Inc.,                                       |                   |
| 451   | LIBOR + 2.25%, 4/15/13   | 450,875           |
| 750   | LIBOR + 6.50%, 10/15/13  | 757,500           |
|   | <b>Total Consumer Products</b>                                     | <b>57,038,749</b> |
| <b>Containers &amp; Packaging 2.0%</b>          |  |                   |
|   | Altivity Packaging LLC,  |                   |
| 345   | LIBOR + 2.25%, 6/30/13   | 347,498           |
| 1,500   | LIBOR + 5.00%, 12/30/13  | 1,515,937         |
| 1,152   | Loan B, LIBOR + 2.25%, 6/30/13                                     | 1,161,377         |
| 200   | Covalence Specialty Materials Corp., LIBOR + 3.25%, 8/15/13        | 202,167           |
|   | Georgia-Pacific Corp.,   |                   |
| 2,488   | LIBOR + 2.00%, 2/28/13   | 2,500,022         |
| 994   | LIBOR + 3.00%, 2/28/14   | 1,005,939         |
|   | Graham Packaging Co. LP,   |                   |
| 1,965   | Loan B, LIBOR + 2.25%, 10/01/11                                    | 1,973,772         |
| 1,429   | Loan C, LIBOR + 4.25%, 4/01/12                                     | 1,438,393         |
| 1,324   | Graphic Packaging Intl., Inc., Loan C, LIBOR + 2.50%, 8/08/10      | 1,337,894         |
| 568   | Smurfit-Stone Container Corp., LIBOR + 2.35%, 11/01/10             | 570,806           |
| 1,950   | Solo Cup, Inc., LIBOR + 3.25%, 2/27/11                             | 1,958,227         |
|   | <b>Total Containers &amp; Packaging</b>                            | <b>14,012,032</b> |
| <b>Ecological Services &amp; Equipment 0.1%</b> |  |                   |
| 500   | Envirosolutions, Inc., LIBOR + 3.50%, 7/15/12                      | 502,812           |
| <b>Energy 3.6%</b>                              |  |                   |
| 429   | AES Corp., LIBOR + 1.75%, 4/30/08                                  | 428,839           |
| 952   | Cellnet Technology, Inc., Loan B, LIBOR + 3.00%, 4/30/12           | 958,039           |
|   | Coffeyville Resources LLC,   |                   |
| 600   | LIBOR + 2.50%, 6/22/11   | 602,924           |
| 889   | Loan C, LIBOR + 2.25%, 7/15/12                                     | 893,138           |
|   | Coletto Creek Power,   |                   |
| 127   | LIBOR + 2.75%, 7/31/13   | 126,433           |
| 1,868   | Loan B, LIBOR, 7/31/13   | 1,853,921         |
| 248   | Complete Production Services, Inc., Loan B, LIBOR + 2.50%, 8/31/12 | 247,887           |
| 1,000   | Exco Resources, Inc., LIBOR + 6.00%, 10/31/11                      | 1,010,000         |
| 1,489   | Key Energy Services, Inc., Loan B, LIBOR + 3.25%, 8/15/12          | 1,495,729         |
| 500   | Longyear Global Holdings, Inc., LIBOR + 7.00%, 10/06/13            | 495,000           |
| 976   | LSP General Finance Co. LLC, LIBOR + 1.75%, 4/15/13                | 972,869           |
| 498   | Meg Energy Corp., Loan B, LIBOR + 2.25%, 4/15/13                   | 498,211           |
|   | Northeast Energy,  |                   |
| 1,500   | PRIME + 1.50%, 10/31/13  | 1,512,750         |
| 250   | PRIME + 3.50%, 10/31/14  | 252,125           |
| 5,976   | NRG Energy, Inc., LIBOR + 2.00%, 1/31/13                           | 6,004,309         |
| 346   | Petro Geological Services, Loan B, LIBOR + 2.50%, 12/31/12         | 347,428           |

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|       |   |            |
|-------|---|------------|
|       | Plum Point Energy Associates,                                 |            |
| 194   | LIBOR + 3.75%, 3/14/14  | 196,229    |
| 716   | Loan B, LIBOR + 3.25%, 3/14/14                                | 722,834    |
| 1,000 | Regency Gas, LIBOR, 8/15/13                                   | 1,010,625  |
| 1,980 | Reliant Energy, Inc., LIBOR + 2.38%, 4/30/10                  | 1,978,521  |
| 979   | Semcrude LP, LIBOR + 2.25%, 2/28/11                           | 982,158    |
| 1,492 | Trinidad Energy Services Income Trust, LIBOR + 2.50%, 4/15/11 | 1,496,231  |
|       | Wolf Hollow I LP,   |            |
| 400   | LIBOR + 2.25%, 6/15/12  | 392,000    |
| 100   | LIBOR + 2.25%, 6/22/12  | 98,000     |
| 477   | Loan B, LIBOR + 2.25%, 6/15/12                                | 467,682    |
|       |   | <hr/>      |
|       | Total Energy  | 25,043,882 |
|       |   | <hr/>      |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Principal<br>Amount<br>(000)            | Description  | Value        |
|---|--|--------------|
| <b>Entertainment &amp; Leisure 2.7%</b> |  |              |
| \$ 3,221                                | CCM Merger, Inc., Loan B, LIBOR + 2.00%, 7/31/12                           | \$ 3,214,107 |
| 1,125                                   | Cinemark, Inc., Loan B, LIBOR, 10/05/13                                    | 1,131,856    |
| 500                                     | Edge Las Vegas, LIBOR + 3.50%, 6/01/09                                     | 490,000      |
| 1,442                                   | Fairmont Hotels & Resorts, Inc., Loan B, LIBOR + 3.25%, 7/15/11            | 1,449,039    |
| 2,000                                   | Greektown Holdings LLC, Loan B, LIBOR + 2.50%, 12/15/12                    | 2,012,500    |
| 488                                     | Green Valley Ranch Gaming LLC, Loan B, LIBOR + 1.75%, 12/01/10             | 487,566      |
| 495                                     | Hit Entertainment Ltd., LIBOR + 2.25%, 3/20/12                             | 495,309      |
| 4,975                                   | Metro-Goldwyn-Mayer Studios, Inc., Loan B, LIBOR + 3.25%, 4/15/12          | 4,909,260    |
| 1,481                                   | Penn National Gaming, Inc., Loan B, LIBOR + 1.75%, 5/31/12                 | 1,488,110    |
| 750                                     | Time Warner, Inc., LIBOR + 2.25%, 10/31/13                                 | 755,062      |
| 325                                     | Travelport, Inc., LIBOR + 3.00%, 8/31/13                                   | 325,871      |
| 500                                     | Wembley, Inc., LIBOR + 2.50%, 8/31/11                                      | 504,375      |
| 1,099                                   | Wyndham Intl., Inc., Loan E, LIBOR + 4.50%, 9/11/07                        | 1,104,847    |
| 473                                     | Yellowstone Mountain Club, LIBOR + 2.38%, 10/15/10                         | 464,458      |
| Total Entertainment & Leisure           |  | 18,832,360   |
| <b>Financial Institutions 5.6%</b>      |  |              |
| 995                                     | Advantage Sales & Marketing, Inc., LIBOR + 2.00%, 4/15/13                  | 990,440      |
| 1,500                                   | Alix Partners, LIBOR, 10/30/13   | 1,507,500    |
| 440                                     | Ameritrade, Loan B, LIBOR + 1.50%, 1/31/13                                 | 439,148      |
| 982                                     | Arias Acquisitions, Inc., LIBOR + 3.75%, 7/30/11                           | 947,524      |
| 1,155                                   | Asurion Corp.,<br>LIBOR + 3.00%, 8/30/12                                   | 1,159,107    |
| 500                                     | LIBOR + 6.25%, 2/28/13   | 505,625      |
| 1,000                                   | Bankruptcy Management, LIBOR + 2.75%, 6/30/11                              | 1,008,125    |
| 975                                     | Billing Services Group, LIBOR + 2.50%, 5/03/12 (EUR)                       | 1,244,392    |
| 1,000                                   | BNY Convergenx Group LLC, LIBOR, 8/31/13                                   | 1,000,313    |
| 500                                     | Brock Holdings, LIBOR + 2.50%, 8/30/13                                     | 501,875      |
| 500                                     | CCC Information Services Group, Inc., Loan B, LIBOR + 2.50%, 2/15/13       | 501,666      |
| 4,000                                   | Century Corp., PRIME + 2.00%, 12/31/09                                     | 3,901,428    |
| 1,250                                   | Charter Mac, Loan B, LIBOR + 2.50%, 8/15/12                                | 1,253,125    |
| 750                                     | Conseco, Inc., LIBOR, 9/30/13  | 751,875      |
| 1,244                                   | Global Cash Access LLC, PRIME + 0.75%, 3/15/10                             | 1,242,525    |
| 872                                     | Jostens, Inc., Loan C, LIBOR + 2.00%, 10/15/11                             | 875,302      |
| 877                                     | Lucite Intl. Finance PLC, LIBOR + 9.00%, 7/15/14 (EUR)                     | 1,101,359    |
| 748                                     | N.E.W. Holdings I LLC, LIBOR, 8/31/13                                      | 751,398      |
| 1,243                                   | Nasdaq Stock Market, Inc.,<br>Loan B, LIBOR + 1.75%, 4/18/12               | 1,243,002    |
| 721                                     | Loan C, LIBOR + 1.75%, 4/18/12   | 720,608      |
| 6,000                                   | Navistar Financial Corp., LIBOR + 5.00%, 2/28/09                           | 6,060,000    |
| 1,178                                   | Professional Service, Inc., Loan B, LIBOR + 2.75%, 10/31/12                | 1,179,598    |
| 438                                     | Renfro Corp., LIBOR + 3.25%, 10/05/13                                      | 436,289      |
| 91                                      | Riverstone C/R GS Holdings,<br>LIBOR, 5/13/11                              | 90,852       |
| 593                                     | LIBOR + 1.75%, 5/12/13   | 591,110      |
| 64                                      | TBD, 5/12/13   | 63,597       |
| 1,122                                   | Sedgewick Claims Management Services, Inc., Loan B, LIBOR + 2.00%, 2/28/13 | 1,121,691    |
| 1,000                                   | Targa Resources, Inc., LIBOR + 2.25%, 10/31/07                             | 999,688      |
| 997                                     | TPG Springs, (GBP)<br>Loan B, LIBOR, 3/22/13                               | 1,899,697    |
| 997                                     | Loan C, LIBOR, 7/22/14   | 1,908,413    |
| 998                                     | Transfirst Holdings, Inc., Loan B, LIBOR + 2.50%, 8/09/12                  | 1,004,981    |
| 438                                     | Universal American Financial Corp., LIBOR + 2.25%, 5/25/09                 | 438,594      |
| 905                                     | USI Holdings Corp., Loan B, LIBOR + 2.25%, 7/30/08                         | 908,515      |
| 748                                     | Vertellus, LIBOR + 3.25%, 7/08/13  | 751,866      |



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Total Financial Institutions

39,101,228

**Health Care 3.5%**

|       |   |           |
|-------|---|-----------|
| 1,137 | CCS Medical, Loan B, LIBOR + 3.25%, 10/31/12              | 1,092,671 |
| 2,940 | Community Health Systems, Inc., LIBOR + 1.75%, 8/15/11    | 2,940,000 |
| 2,331 | Concentra Operating Corp., Loan B, LIBOR + 2.00%, 9/30/11 | 2,339,782 |
| 1,710 | Davita, Inc., Loan B, LIBOR + 2.00%, 6/30/12              | 1,717,363 |
| 523   | Duloxetine Royalty, LIBOR + 4.50%, 10/15/13               | 523,161   |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Principal<br>Amount<br>(000) | Description   | Value             |
|------------------------------|---|-------------------|
| <b>Health Care (cont d)</b>  |   |                   |
| \$ 985                       | Eye Care Centers of America, Inc., LIBOR + 3.00%, 2/28/12                         | \$ 985,616        |
| 498                          | Global Healthcare Exchange LLC, Loan B, LIBOR + 1.25%, 3/15/13                    | 497,500           |
| 1,995                        | Healthsouth Corp., Loan B, LIBOR + 3.25%, 3/15/13                                 | 2,002,204         |
| 978                          | IASIS Healthcare Corp., Loan B, LIBOR + 2.25%, 6/30/11                            | 980,921           |
| 2,200                        | Jean Coutu Group, Inc., Loan B, LIBOR + 2.50%, 6/30/11                            | 2,204,748         |
| 459                          | Multiplan, Inc., LIBOR + 2.50%, 4/15/13   | 459,851           |
| 748                          | National Renal Institutes, Inc., Loan B, LIBOR + 2.25%, 4/15/13                   | 747,657           |
|                              | Quintiles Transnational Corp.,  |                   |
| 995                          | LIBOR + 2.00%, 3/31/13  | 994,502           |
| 250                          | LIBOR + 4.00%, 3/31/14  | 253,985           |
| 496                          | Radnet Management, Inc., Loan B, LIBOR + 4.00%, 3/15/11                           | 497,491           |
| 985                          | Select Medical Corp., Loan B, LIBOR + 1.75%, 2/28/12                              | 965,054           |
| 990                          | Vanguard Health Holding Co. II LLC, LIBOR + 2.25%, 9/30/11                        | 989,729           |
|                              | Warner Chilcott Corp.,  |                   |
| 88                           | LIBOR + 2.50%, 1/18/11  | 88,294            |
| 439                          | LIBOR + 2.50%, 1/18/12  | 440,311           |
| 1,896                        | Loan B, LIBOR + 2.50%, 1/18/11  | 1,904,918         |
| 521                          | Loan C, LIBOR + 2.50%, 1/18/11  | 522,995           |
| 978                          | Wellcare Holdings LLC, LIBOR + 2.50%, 5/13/09                                     | 977,500           |
|                              | <b>Total Health Care</b>  | <b>24,126,253</b> |
| <b>Industrials 1.6%</b>      |   |                   |
| 1,000                        | Acosta, Inc., LIBOR + 2.75%, 8/15/13  | 1,008,750         |
| 500                          | Applied Systems, Inc., Loan B, LIBOR, 9/30/13                                     | 501,563           |
| 993                          | Bolthouse Farms, Inc., LIBOR + 2.25%, 12/01/12                                    | 993,741           |
|                              | Buhrmann U.S., Inc.,  |                   |
| 500                          | Loan D, LIBOR, 12/23/10   | 500,000           |
| 2,269                        | Loan D1, LIBOR + 1.75%, 12/30/10  | 2,269,443         |
| 1,900                        | Drummond Co., Inc., LIBOR + 1.75%, 2/15/12  | 1,852,500         |
|                              | Novelis, Inc.,  |                   |
| 182                          | Loan B, LIBOR + 2.25%, 1/13/10  | 182,210           |
| 365                          | Loan B, LIBOR + 2.25%, 12/30/11   | 365,849           |
| 625                          | QTC Acquisition, Inc., LIBOR + 6.50%, 5/04/13                                     | 625,000           |
|                              | Standard Steel LLC,   |                   |
| 83                           | 1.00%, 6/30/12  | 83,958            |
| 416                          | Loan B, LIBOR + 2.50%, 7/15/12  | 418,742           |
| 1,337                        | Thermo Fluids, Inc., Loan B, LIBOR + 3.00%, 8/15/11                               | 1,336,752         |
|                              | Trimas Corp.,   |                   |
| 94                           | LIBOR + 2.75%, 7/31/11  | 94,219            |
| 406                          | Loan B, LIBOR, 7/31/13  | 408,281           |
| 473                          | United Rentals NA, Inc., LIBOR + 2.00%, 2/12/11                                   | 473,754           |
| 268                          | Worldspan LP, LIBOR + 2.75%, 6/30/07  | 267,337           |
|                              | <b>Total Industrials</b>  | <b>11,382,099</b> |
| <b>Media 7.4%</b>            |   |                   |
|                              | American Lawyers Media, Inc.,   |                   |
| 1,711                        | LIBOR + 2.50%, 3/15/10  | 1,706,921         |
| 2,000                        | LIBOR + 5.75%, 3/07/11  | 2,009,584         |
| 450                          | Bresnan Communications Group LLC, LIBOR + 2.00%, 10/15/13                         | 449,156           |
| 3,980                        | Cablevision Systems Corp., LIBOR + 1.75%, 3/31/13                                 | 3,976,271         |
| 5,500                        | Cequel Communications LLC, LIBOR + 2.25%, 11/01/13                                | 5,488,877         |
| 3,500                        | Charter Communications Holdings LLC/Charter Communication Holdings Capital Corp., |                   |
|                              | LIBOR + 2.63%, 4/28/13  | 3,528,329         |
| 732                          | CMP Susquehanna Corp., Loan B, LIBOR + 2.00%, 5/05/12                             | 732,969           |
|                              | Dex Media West LLC/Dex Media Finance Co.,   |                   |

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|       |   |           |
|-------|---|-----------|
| 817   | Loan B1, LIBOR + 1.50%, 9/09/10                                 | 813,405   |
| 3,249 | Loan B2, LIBOR + 1.50%, 9/01/09                                 | 3,233,909 |
| 1,324 | DirecTV Holdings LLC, Loan B, LIBOR + 1.50%, 3/06/10            | 1,324,255 |
| 1,250 | Gatehouse Media Operating, Inc., LIBOR + 2.25%, 12/15/13        | 1,250,521 |
| 4,000 | German Media Partners LP, LIBOR, 6/06/13 (EUR)                  | 5,117,962 |
| 498   | Liberty Cablevision of Puerto Rico Ltd., LIBOR + 2.25%, 2/15/13 | 499,055   |
| 2,000 | Mediacom Broadband LLC, Loan D1, LIBOR + 1.75%, 1/31/15         | 1,989,688 |
| 1,975 | Mediacom Illinois LLC, Loan C, LIBOR + 1.75%, 1/15/15           | 1,968,123 |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Principal<br>Amount<br>(000)   | Description  | Value        |
|--------------------------------|--|--------------|
| <b>Media (cont d)</b>          |  |              |
| \$ 1,926                       | Mission Broadcasting, Inc., Loan B, LIBOR + 1.75%, 8/14/12                 | \$ 1,919,232 |
| 500                            | NEP Supershooters LP, LIBOR + 8.00%, 8/01/11                               | 505,000      |
| 300                            | New Wave Communications/Telecommunications Management LLC,<br>TBD, 6/20/13 | 300,000      |
| 948                            | LIBOR + 3.25%, 6/20/13   | 947,625      |
| 1,826                          | Nexstar Finance, Inc., Loan B, LIBOR + 1.75%, 8/14/12                      | 1,818,979    |
| 500                            | Nielsen Finance LLC/Nielsen Finance Co.,<br>LIBOR + 2.75%, 8/15/13         | 501,719      |
| 3,000                          | Loan B, LIBOR + 2.75%, 8/15/13   | 3,010,314    |
| 500                            | NTL Investment Holding Ltd., Loan B4, PRIME, 9/03/12                       | 502,344      |
| 748                            | PAETEC Communications, Inc., Loan B, LIBOR + 3.50%, 6/30/12                | 751,866      |
| 1,000                          | Persona Communications, Inc., LIBOR, 4/30/14                               | 1,003,750    |
| 497                            | Prism Business Media, Inc., Loan B, LIBOR + 2.25%, 10/15/12                | 497,074      |
| 750                            | Puerto Rico Cable Acquisition Co., LIBOR + 6.25%, 7/31/11                  | 753,750      |
| 500                            | Wide Open West Finance LLC, Loan B, LIBOR + 2.25%, 4/30/13                 | 499,732      |
| 1,945                          | WMG Acquisition Corp., LIBOR + 2.00%, 4/08/11                              | 1,951,336    |
| 1,000                          | Yell Group PLC,<br>Loan B, LIBOR + 2.00%, 2/10/13                          | 1,004,229    |
| 1,500                          | Loan B, LIBOR + 2.00%, 2/21/13 (EUR)                                       | 1,929,658    |
| Total Media                    |  | 51,985,633   |
| <b>Real Estate 0.8%</b>        |  |              |
| 2,250                          | Foster Wheeler Ltd., LIBOR - 0.10%, 10/13/11                               | 2,255,625    |
| 270                            | Kyle Acquisition Group LLC,<br>Loan B, PRIME, 7/31/08                      | 268,828      |
| 50                             | PRIME, 7/31/10   | 49,937       |
| 1,000                          | Landsource Communities Development LLC, Loan B, LIBOR + 2.50%, 3/31/10     | 978,333      |
| 492                            | Masonite Intl. Corp., LIBOR + 2.00%, 3/31/13                               | 480,919      |
| 602                            | Stewart Enterprises, Inc., Loan B, LIBOR + 1.75%, 11/30/11                 | 601,478      |
| 1,000                          | Williams Scotsman, Inc., Loan B, LIBOR + 1.50%, 6/30/10                    | 993,750      |
| Total Real Estate              |  | 5,628,870    |
| <b>Technology 1.8%</b>         |  |              |
| 744                            | Affiliated Computer Services, Inc., Loan B, LIBOR + 2.00%, 3/31/13         | 745,364      |
| 375                            | Coinstar, Inc., LIBOR + 2.25%, 7/15/11                                     | 376,183      |
| 748                            | Crown Castle Intl. Corp., Loan B, LIBOR + 2.25%, 6/15/13                   | 750,663      |
| 500                            | Electrical Components Intl. Holdings Co., LIBOR + 6.50%, 5/19/14           | 501,250      |
| 493                            | Federal IT Systems, Inc., LIBOR + 2.50%, 4/30/11                           | 491,889      |
| 995                            | Nuance Communications, Inc., LIBOR + 2.00%, 12/29/13                       | 988,159      |
| 2,494                          | Sensata Technologies BV, Loan B, LIBOR + 1.75%, 4/30/13                    | 2,477,775    |
| 2,469                          | Sungard Data Systems, Inc., Loan B, LIBOR + 2.50%, 1/05/13                 | 2,490,147    |
| 2,000                          | Verifone, Inc.,<br>LIBOR + 1.75%, 2/28/13                                  | 2,000,000    |
| 1,427                          | Loan B, LIBOR + 1.75%, 6/30/11   | 1,424,831    |
| 204                            | Westcom Corp., Loan B, LIBOR + 2.75%, 12/31/10                             | 204,092      |
| Total Technology               |  | 12,450,353   |
| <b>Telecommunications 4.4%</b> |  |              |
| 375                            | American Cellular Corp.,<br>1.00%, 8/15/07                                 | 375,703      |
| 125                            | LIBOR + 2.25%, 8/15/07   | 125,547      |
| 995                            | Atlantic Broadband Finance LLC, Loan B1, LIBOR + 2.75%, 1/30/11            | 1,007,438    |
| BCM Luxembourg Ltd., (EUR)     |  |              |

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|       |  |           |
|-------|--|-----------|
| 2,000 | Loan B, LIBOR + 2.38%, 9/15/15   | 2,564,201 |
| 2,000 | Loan C, LIBOR + 3.08%, 9/15/14   | 2,546,999 |
| 448   | Cavalier Telecom, Loan B, LIBOR + 4.50%, 3/31/12   | 452,787   |
| 527   | Centennial Cellular Operating Co., LIBOR + 2.25%, 2/09/11<br>Communication Supply Corp., | 530,818   |
| 96    | Loan B, PRIME + 1.75%, 2/28/12   | 96,154    |
| 403   | PRIME + 1.75%, 2/28/12   | 402,837   |
| 1,481 | Consolidated Communications, Inc., Loan D, LIBOR + 2.00%, 4/07/12                        | 1,483,102 |
| 500   | Country Road Communications LLC, LIBOR + 7.75%, 7/15/13                                  | 505,000   |
| 750   | Fairpoint Communications, Inc., LIBOR + 1.75%, 2/15/12                                   | 748,594   |

See Notes to Financial Statements.

## BlackRock Limited Duration Income Trust (BLW) (continued)

| Rating <sup>1</sup><br>(unaudited)                                     | Principal<br>Amount<br>(000) | Description   | Value        |
|--|------------------------------|---|--------------|
| <b>Telecommunications (cont d)</b>                                     |                              |   |              |
|  |                              | Insight Midwest Holdings LLC,   |              |
|  | \$ 3,000                     | Loan B, LIBOR + 2.25%, 4/03/14  | \$ 3,018,984 |
|  | 1,000                        | Loan B, LIBOR + 2.25%, 4/06/14  | 1,006,328    |
|  | 2,000                        | Iowa Telecommunications Services, Inc., Loan B, LIBOR + 1.75%, 11/30/11 | 2,000,416    |
|  | 750                          | IPC Acquisition Corp., LIBOR, 9/30/13                                   | 754,063      |
|  | 990                          | Madison River Capital LLC, Loan B1, LIBOR + 2.25%, 7/31/12              | 994,190      |
|  | 1,734                        | NTELOS, Inc., LIBOR + 2.25%, 2/24/10                                    | 1,739,786    |
|  |                              | NTL, Inc., (GBP)  |              |
|  | 968                          | Loan B2, LIBOR + 2.13%, 9/03/12   | 1,840,887    |
|  | 2,000                        | Loan C, LIBOR + 2.75%, 3/03/13  | 3,855,633    |
|  | 748                          | Nuvox Communications, LIBOR + 5.00%, 5/15/12                            | 749,060      |
|  | 3,000                        | West Corp., LIBOR + 2.75%, 10/31/13                                     | 2,999,463    |
|  |                              | Wind Acquisition Finance SA (EUR),                                      |              |
|  | 861                          | Loan A1, LIBOR + 2.25%, 5/25/12   | 1,095,569    |
|  | 139                          | Loan A2, LIBOR + 2.25%, 12/31/10  | 177,380      |
|  |                              | Total Telecommunications  | 31,070,939   |
| <b>Transportation 0.8%</b>   |                              |   |              |
|  | 875                          | Delta Air Lines, Inc., Loan A, LIBOR + 2.75%, 3/16/08                   | 882,193      |
|  | 655                          | Sirva Worldwide, Inc., LIBOR + 6.00%, 11/30/10                          | 600,079      |
|  | 603                          | Transport Industries LP, Loan B, LIBOR + 2.50%, 9/30/11                 | 604,650      |
|  | 995                          | UAL Corp., LIBOR + 3.75%, 1/31/12                                       | 1,009,935    |
|  | 2,338                        | Vanguard Car Rental Holdings, Inc., Loan B, LIBOR + 3.00%, 6/30/13      | 2,352,694    |
|  |                              | Total Transportation  | 5,449,551    |
|  |                              | Total Bank Loans  | 373,691,153  |
| <b>Mortgage Pass-Through Securities 21.0%</b>                          |                              |   |              |
|  |                              | Federal National Mortgage Assoc.,                                       |              |
|  | 1,338                        | 5.50%, 12/01/28-11/01/33  | 1,327,329    |
|  | 8,270 <sup>5</sup>           | 5.50%, 2/01/32-10/01/33   | 8,197,006    |
|  | 17,000 <sup>5</sup>          | 7.25%, 1/15/10  | 18,185,699   |
|  | 121,000                      | TBA, 5.00%, 11/16/21  | 119,147,248  |
|  |                              | Total Mortgage Pass-Through Securities                                  | 146,857,282  |
| <b>Non-Agency Multiple Class Mortgage Pass-Through Securities 1.9%</b> |                              |   |              |
|  |                              | GSR Mortgage Loan Trust,  |              |
| AAA  | 6,748 <sup>3,5</sup>         | Ser. 10, Class 2A1, 4.474%, 10/25/33                                    | 6,457,229    |
| AAA  | 6,752 <sup>3,5</sup>         | Ser. 13, Class 1A1, 4.502%, 10/25/33                                    | 6,491,258    |
|  |                              | Total Non Agency Multiple Class Mortgage Pass-Through Securities        | 12,948,487   |
| <b>Interest Only Asset-Backed Securities 0.4%</b>                      |                              |   |              |
|  |                              | Sterling Coofs Trust,   |              |
| NR   | 37,113                       | Ser. 1, 2.362%, 4/15/29   | 1,670,072    |
| AAA  | 32,152 <sup>3</sup>          | Ser. 2, 2.418%, 3/30/30   | 1,406,660    |
|  |                              | Total Interest Only Asset-Backed Securities                             | 3,076,732    |
| <b>U.S. Government and Agency Securities 5.4%</b>                      |                              |   |              |

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|     |                     |  |            |
|-----|---------------------|--|------------|
|     |                     | U.S. Treasury Notes,                               |            |
|     | 20,425 <sup>5</sup> | 3.375%, 12/15/08-9/15/09                           | 19,878,320 |
|     | 10,000 <sup>5</sup> | 3.75%, 3/31/07                                     | 9,945,310  |
|     | 6,000 <sup>5</sup>  | 3.875%, 5/15/09                                    | 5,892,654  |
|     | 1,815 <sup>5</sup>  | 4.25%, 8/15/15                                     | 1,769,342  |
|     |                     |  | <hr/>      |
|     |                     | Total U.S. Government and Agency Securities        | 37,485,626 |
|     |                     |  | <hr/>      |
|     |                     | <b>Foreign Government Bonds 2.4%</b>               |            |
| BB- | 714                 | Bolivarian Republic of Venezuela, 6.438%, 12/18/07 | 711,724    |
| BB  | 5,000 <sup>5</sup>  | Republic of Colombia, 9.75%, 4/23/09               | 5,470,000  |
| BB+ | 5,000 <sup>5</sup>  | Republic of Peru, 9.125%, 2/21/12                  | 5,775,000  |
| BB- | 5,093 <sup>5</sup>  | Turkey, 7.00%, 9/26/16                             | 5,118,465  |
|     |                     |  | <hr/>      |
|     |                     | Total Foreign Government Bonds                     | 17,075,189 |
|     |                     |  | <hr/>      |

See Notes to Financial Statements.

**BlackRock Limited Duration Income Trust (BLW) (continued)**

| Units<br>(000)   | Description   | Value            |
|--|---|------------------|
| <b>Warrants 0.0%</b>                                   |   |                  |
| 102,7  | Reliant Resources, Inc., expires 8/25/08, strike price \$0.001, 1 share for 1 warrant | \$ 76,105        |
| <hr/>  |   |                  |
| <b>Shares</b>  |   |                  |
| <hr/>  |   |                  |
| <b>Common Stock 0.0%</b>                               |   |                  |
| 7,579 <sup>2,7</sup>                                   | Critical Care Systems Intl., Inc.   | 60,632           |
| <hr/>  |   |                  |
| <b>Preferred Security 0.0%</b>                         |   |                  |
| 125,000  | Superior Essex Holding Corp., Ser. A, 9.50%   | 100,000          |
| <hr/>  |   |                  |
| <b>Total Investments 148.9%</b> (cost \$1,038,785,288) |   | \$ 1,041,185,277 |
| Liabilities in excess of other assets (48.9%)          |   | (341,979,177)    |
| <hr/>  |   |                  |
| <b>Net Assets 100%</b>                                 |   | \$ 699,206,100   |
| <hr/>  |   |                  |

<sup>1</sup> Using the highest of S&P's, Moody's or Fitch's ratings.

<sup>2</sup> Security is fair valued.

<sup>3</sup> Variable rate security. Rate shown is interest rate as of October 31, 2006.

<sup>4</sup> Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2006, the Trust held 16.5% of its net assets, with a current market value of \$115,420,303, in securities restricted as to resale.

<sup>5</sup> Entire or partial principal amount pledged as collateral for reverse repurchase agreements. See Note 4 in the Notes to Financial Statements for details of open reverse repurchase agreements.

<sup>6</sup> Illiquid security. As of October 31, 2006, the Trust held 0.8% of its net assets, with a current market value of \$5,866,699, in these securities.

<sup>7</sup> Non-income producing security.

<sup>8</sup> Cost for federal income tax purposes is \$1,038,986,573. The net unrealized appreciation on a tax basis is \$2,198,704, consisting of \$14,069,191 gross unrealized appreciation and \$11,870,487 gross unrealized depreciation.

A category in the Corporate Bonds and Bank Loans sections may contain multiple industries as defined by the SEC's Standard Industry Codes.

**KEY TO ABBREVIATIONS**

|       |                               |
|-------|-------------------------------|
| EUR   | Euro                          |
| GBP   | British Pound                 |
| LIBOR | London Interbank Offered Rate |
| PRIME | Prime Rate                    |
| TBA   | To Be Announced               |
| TBD   | To Be Determined              |

See Notes to Financial Statements.



**PORTFOLIO OF INVESTMENTS**  
**OCTOBER 31, 2006**
**BlackRock Strategic Bond Trust (BHD)**

| Rating <sup>1</sup><br>(unaudited)  | Principal<br>Amount<br>(000) | Description   | Value      |
|-------------------------------------|------------------------------|---|------------|
| <b>LONG-TERM INVESTMENTS 112.5%</b> |                              |   |            |
| <b>Corporate Bonds 107.6%</b>       |                              |   |            |
| <b>Aerospace &amp; Defense 6.8%</b> |                              |   |            |
| NR                                  | \$ 250 <sub>2</sub>          | AAR Corp., Ser. A2, 8.39%, 5/15/11                                      | \$ 252,500 |
| B                                   | 80                           | Argo-Tech Corp., 9.25%, 6/01/11   | 83,000     |
| B                                   | 1,164                        | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13                        | 1,210,560  |
|                                     |                              | DRS Technologies, Inc.,   |            |
| B                                   | 50                           | 6.875%, 11/01/13  | 50,000     |
| B                                   | 80                           | 7.625%, 2/01/18   | 81,800     |
| A-                                  | 2,000 <sub>3</sub>           | Lockheed Martin Corp., 6.15%, 9/01/36                                   | 2,125,172  |
| BBB+                                | 1,000                        | Northrop Grumman Corp., 7.125%, 2/15/11                                 | 1,070,837  |
| BBB                                 | 650                          | Raytheon Co., 4.85%, 1/15/11  | 639,824    |
| BB                                  | 50                           | Sequa Corp., 9.00%, 8/01/09   | 52,750     |
| A+                                  | 1,000                        | United Technologies Corp., 6.35%, 3/01/11                               | 1,045,147  |
| Total Aerospace & Defense           |                              |   | 6,611,590  |
| <b>Automotive 2.3%</b>              |                              |   |            |
| B                                   | 45 <sub>3</sub>              | Ashtead Capital, Inc., 9.00%, 8/15/16                                   | 47,362     |
|                                     |                              | Autonation, Inc.,   |            |
| BB+                                 | 110                          | 7.00%, 4/15/14  | 109,450    |
| BB+                                 | 110 <sub>4</sub>             | 7.374%, 4/15/13   | 110,825    |
| BB-                                 | 20 <sub>3,4</sub>            | Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 7.905%, 5/15/14   | 19,550     |
| BBB+                                | 1,000 <sub>5</sub>           | DaimlerChrysler NA Holding Corp., 7.30%, 1/15/12                        | 1,067,041  |
| B                                   | 145                          | Lear Corp., Ser. B, 8.11%, 5/15/09                                      | 146,994    |
| CCC+                                | 200                          | Metaldyne Corp., 10.00%, 11/01/13                                       | 205,000    |
| BB-                                 | 492                          | TRW Automotive, Inc., 9.375%, 2/15/13                                   | 527,055    |
| Total Automotive                    |                              |   | 2,233,277  |
| <b>Basic Materials 5.9%</b>         |                              |   |            |
| B+                                  | 320                          | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada)                     | 254,400    |
| B+                                  | 320                          | AK Steel Corp., 7.75%, 6/15/12  | 320,000    |
| B-                                  | 80 <sub>3,4</sub>            | BCI US Finance Corp./Borden 2 Nova Scotia Finance ULC, 11.874%, 7/15/10 | 81,600     |
| BB-                                 | 60 <sub>4</sub>              | Bowater, Inc., 8.39%, 3/15/10   | 60,600     |
| BB+                                 | 20                           | Chemtura Corp., 6.875%, 6/01/16   | 19,550     |
| B-                                  | 150                          | CPG Intl. I, Inc., 10.50%, 7/01/13                                      | 153,000    |
|                                     |                              | Domtar, Inc.,   |            |
| B2                                  | 40                           | 7.125%, 8/15/15   | 38,200     |
| B2                                  | 140                          | 7.875%, 10/15/11  | 142,975    |
| B+                                  | 120                          | Donohue Forest Products, 7.625%, 5/15/07 (Canada)                       | 120,000    |
|                                     |                              | Huntsman LLC,   |            |
| Ba3                                 | 50                           | 11.625%, 10/15/10   | 55,125     |
| B2                                  | 99                           | 12.00%, 7/15/12   | 112,118    |
| BB                                  | 70                           | IMC Global, Inc., Ser. B, 10.875%, 6/01/08                              | 75,513     |
| B2                                  | 595 <sub>3</sub>             | Ineos Group Holdings PLC, 8.50%, 2/15/16 (United Kingdom)               | 572,687    |
| B3                                  | 1,155                        | Innophos, Inc., 8.875%, 8/15/14   | 1,152,112  |
|                                     |                              | Lyondell Chemical Co.,  |            |
| BB-                                 | 170                          | 8.00%, 9/15/14  | 173,825    |
| BB-                                 | 290                          | 8.25%, 9/15/16  | 298,700    |
| BB+                                 | 177                          | 9.50%, 12/15/08   | 181,646    |
| BB+                                 | 130                          | 10.50%, 6/01/13   | 143,000    |
| BB                                  | 150                          | Millennium America, Inc., 9.25%, 6/15/08                                | 154,500    |

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|                       |      |   |           |
|-----------------------|------|---|-----------|
| B-                    | 55   | Nalco Co., 8.875%, 11/15/13                                   | 57,888    |
| B3                    | 280  | NewPage Corp., 10.00%, 5/01/12                                | 293,300   |
|                       |      | Nova Chemicals Corp.,   |           |
| BB                    | 40   | 6.50%, 1/15/12  | 37,600    |
| BB                    | 4754 | 8.405%, 11/15/13  | 483,312   |
| CCC+                  | 5653 | Pregis Corp., 12.375%, 10/15/13                               | 598,900   |
| B+                    | 20   | Rhodia SA, 10.25%, 6/01/10 (France)                           | 22,650    |
| B-                    | 303  | Verso Paper Holdings LLC/Verson Paper, Inc., 11.375%, 8/01/16 | 30,450    |
| BBB                   | 169  | Weyerhaeuser Co., 6.125%, 3/15/07                             | 169,080   |
| Total Basic Materials |      |   | 5,802,731 |

See Notes to Financial Statements.

## BlackRock Strategic Bond Trust (BHD) (continued)

| Rating <sup>1</sup><br>(unaudited)              | Principal<br>Amount<br>(000) | Description   | Value        |
|---|------------------------------|---|--------------|
| <b>Building &amp; Development 2.6%</b>          |                              |   |              |
| BB+   | \$ 1,000                     | Beazer Homes USA, Inc., 8.625%, 5/15/11                             | \$ 1,020,000 |
| B   | 595                          | ERICO Intl. Corp., 8.875%, 3/01/12                                  | 620,288      |
| B-  | 465                          | Goodman Global Holding Co., Inc., 7.875%, 12/15/12                  | 446,400      |
| B3  | 140                          | Nortek, Inc., 8.50%, 9/01/14  | 133,700      |
|   |                              | North American Energy Partners, Inc.,                               |              |
| Caa1  | 125                          | 8.75%, 12/01/11   | 123,750      |
| B1  | 200                          | 9.00%, 6/01/10  | 218,000      |
| Total Building & Development                    |                              |   | 2,562,138    |
| <b>Conglomerates 0.4%</b>                       |                              |   |              |
| A+  | 325                          | Honeywell Intl., Inc., 7.50%, 3/01/10                               | 348,223      |
| <b>Consumer Products 7.5%</b>                   |                              |   |              |
| B3  | 90                           | ALH Finance LLC, 8.50%, 1/15/13                                     | 89,325       |
| CCC+  | 350 <sub>4</sub>             | Ames True Temper, Inc., 9.374%, 1/15/12                             | 353,500      |
| B2  | 120 <sub>3</sub>             | Education Management LLC/Education Management Corp., 8.75%, 6/01/14 | 123,000      |
| B-  | 215                          | Finlay Fine Jewelry Corp., 8.375%, 6/01/12                          | 193,500      |
| BBB+  | 1,000                        | General Mills, Inc., 5.125%, 2/15/07                                | 998,966      |
| B   | 320                          | Gold Kist, Inc., 10.25%, 3/15/14                                    | 367,200      |
| B2  | 480 <sub>3</sub>             | Knowledge Learning Corp., Inc., 7.75%, 2/01/15                      | 454,800      |
| B-  | 369                          | Lazydays RV Center, Inc., 11.75%, 5/15/12                           | 357,930      |
| B   | 270 <sub>4</sub>             | Levi Strauss & Co., 10.122%, 4/01/12                                | 278,438      |
|   |                              | Michaels Stores, Inc.,  |              |
| B2  | 340 <sub>3</sub>             | 10.00%, 11/01/14  | 340,425      |
| Caa1  | 430 <sub>3</sub>             | 11.375%, 11/01/16   | 434,837      |
| B3  | 30 <sub>3,4</sub>            | Nutro Products, Inc., 9.40%, 10/15/13                               | 30,825       |
| B   | 500                          | Pantry, Inc., 7.75%, 2/15/14  | 506,250      |
| BB-   | 100                          | Quiksilver, Inc., 6.875%, 4/15/15                                   | 96,250       |
| BB+   | 200 <sub>3</sub>             | Reynolds American, Inc., 7.625%, 6/01/16                            | 212,355      |
| B1  | 1,400                        | Sonic Automotive, Inc., Ser. B, 8.625%, 8/15/13                     | 1,424,500    |
| CCC   | 200                          | Spectrum Brands, Inc., 7.375%, 2/01/15                              | 162,000      |
|   |                              | United Rentals NA, Inc.,  |              |
| B   | 875                          | 7.00%, 2/15/14  | 837,812      |
| B   | 25                           | 7.75%, 11/15/13   | 24,938       |
| Total Consumer Products                         |                              |   | 7,286,851    |
| <b>Containers &amp; Packaging 1.3%</b>          |                              |   |              |
|   |                              | Berry Plastics Holding Corp.,                                       |              |
| B2  | 190 <sub>3</sub>             | 8.875%, 9/15/14   | 191,900      |
| B2  | 130 <sub>3,4</sub>           | 9.265%, 9/15/14   | 131,462      |
| B+  | 400                          | Crown Americas LLC/Crown Americas Capital Corp., 7.75%, 11/15/15    | 410,500      |
| CCC+  | 55                           | Graham Packaging Co., Inc., 8.50%, 10/15/12                         | 54,725       |
| B1  | 130 <sub>3,4</sub>           | Impress Holdings BV, 8.512%, 9/15/13                                | 131,026      |
| B+  | 301                          | Smurfit-Stone Container Enterprises, Inc., 9.75%, 2/01/11           | 310,406      |
| Total Containers & Packaging                    |                              |   | 1,230,019    |
| <b>Ecological Services &amp; Equipment 2.2%</b> |                              |   |              |
| B   | 1,500                        | Casella Waste Systems, Inc., 9.75%, 2/01/13                         | 1,575,000    |
| Caa1  | 550                          | Waste Services, Inc., 9.50%, 4/15/14                                | 563,750      |
| Total Ecological Services & Equipment           |                              |   | 2,138,750    |

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**Energy 13.5%**

|      |       |   |           |
|------|-------|---|-----------|
|      |       | ANR Pipeline Co.,   |           |
| Ba1  | 185   | 7.375%, 2/15/24   | 193,382   |
| Ba1  | 655   | 9.625%, 11/01/21  | 815,182   |
| B    | 100   | Berry Petroleum Co., 8.25%, 11/01/16                          | 99,750    |
| CCC+ | 250   | Chaparral Energy, Inc., 8.50%, 12/01/15                       | 249,375   |
|      |       | Chesapeake Energy Corp.,                                      |           |
| BB   | 130   | 6.375%, 6/15/15   | 125,450   |
| BB   | 20    | 6.875%, 11/15/20  | 19,000    |
| BB-  | 35    | ChipPAC, Inc., 2.50%, 6/01/08                                 | 34,475    |
| BB-  | 95    | CMS Energy Corp., 7.50%, 1/15/09                              | 97,613    |
| BB-  | 190   | Compagnie Generale de Geophysique SA, 7.50%, 5/15/15 (France) | 187,625   |
| B    | 450   | Compton Petroleum Finance Corp., 7.625%, 12/01/13 (Canada)    | 426,375   |
| A1   | 1,000 | ConocoPhillips Holding Co., 6.95%, 4/15/29                    | 1,154,368 |

See Notes to Financial Statements.

## BlackRock Strategic Bond Trust (BHD) (continued)

| Rating <sup>1</sup><br>(unaudited)      | Principal<br>Amount<br>(000) | Description  | Value        |
|---|------------------------------|--|--------------|
| <b>Energy (cont d)</b>                  |                              |  |              |
| BBB+                                    | \$ 1,000                     | Dominion Resources, Inc., 5.70%, 9/17/12                   | \$ 1,012,948 |
| BBB                                     | 250                          | DTE Energy Co., 7.05%, 6/01/11                             | 265,397      |
| BB-                                     | 150 <sub>3</sub>             | Edison Mission Energy, 7.50%, 6/15/13                      | 154,125      |
|   |                              | El Paso Corp.,   |              |
| B                                       | 165                          | 7.75%, 1/15/32   | 172,012      |
| B                                       | 205                          | 7.80%, 8/01/31   | 213,712      |
| B                                       | 165                          | 9.625%, 5/15/12  | 183,150      |
| B                                       | 100                          | 10.75%, 10/01/10   | 111,500      |
| Ba1                                     | 175                          | El Paso Natural Gas Co., 8.375%, 6/15/32                   | 202,524      |
| Ba1                                     | 33                           | Elwood Energy LLC, 8.159%, 7/05/26                         | 34,779       |
|   |                              | Encore Acquisition Co.,                                    |              |
| B1                                      | 30                           | 6.00%, 7/15/15   | 27,375       |
| B1                                      | 40                           | 7.25%, 12/01/17  | 38,500       |
| B-                                      | 275                          | Exco Resources, Inc., 7.25%, 1/15/11                       | 264,687      |
| BBB-                                    | 1,075                        | FirstEnergy Corp., Ser. C, 7.375%, 11/15/31                | 1,257,446    |
| BB+                                     | 60                           | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15               | 57,375       |
| B                                       | 97 <sup>3</sup>              | Hilcorp Energy I LP/Hilcorp Finance Corp., 10.50%, 9/01/10 | 104,033      |
| B-                                      | 195                          | KCS Energy, Inc., 7.125%, 4/01/12                          | 187,200      |
|   |                              | Midwest Generation LLC,                                    |              |
| BB+                                     | 370                          | 8.75%, 5/01/34   | 400,062      |
| Ba2                                     | 426                          | Ser. B, 8.56%, 1/02/16                                     | 459,809      |
|   |                              | Mirant Americas Generation LLC,                            |              |
| Caa1                                    | 185                          | 8.30%, 5/01/11   | 187,312      |
| Caa1                                    | 110                          | 8.50%, 10/01/21  | 108,350      |
| Caa1                                    | 90                           | 9.125%, 5/01/31  | 93,150       |
| BB-                                     | 120                          | Mission Energy Holdings Co., 13.50%, 7/15/08               | 133,800      |
|   |                              | NRG Energy, Inc.,  |              |
| B+                                      | 50                           | 7.25%, 2/01/14   | 50,563       |
| B+                                      | 285                          | 7.375%, 2/01/16  | 288,206      |
| A-                                      | 250                          | Occidental Petroleum Corp., 6.75%, 1/15/12                 | 267,218      |
| B2                                      | 140                          | Orion Power Holdings, Inc., 12.00%, 5/01/10                | 158,900      |
| Baa2                                    | 1,000                        | Progress Energy, Inc., 7.75%, 3/01/31                      | 1,217,886    |
|   |                              | Reliant Energy, Inc.,                                      |              |
| BB-                                     | 285                          | 6.75%, 12/15/14  | 271,819      |
| BB-                                     | 130                          | 9.25%, 7/15/10   | 134,550      |
| B+                                      | 275 <sub>3</sub>             | SemGroup LP, 8.75%, 11/15/15                               | 277,062      |
| B                                       | 190 <sub>3,4</sub>           | Stone Energy Corp., 8.124%, 7/15/10                        | 188,812      |
| B3                                      | 400 <sub>3</sub>             | Targa Resources, Inc., 8.50%, 11/01/13                     | 399,000      |
| BBB-                                    | 30                           | Transcontinental Gas Pipe Line Corp., 7.25%, 12/01/26      | 31,050       |
| B+                                      | 245                          | Utilicorp Finance Corp., 7.75%, 6/15/11 (Canada)           | 258,725      |
| B1                                      | 330                          | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13            | 325,950      |
|   |                              | Williams Cos., Inc.,                                       |              |
| BB+                                     | 100                          | 7.125%, 9/01/11  | 103,250      |
| BB+                                     | 135                          | 8.75%, 3/15/32   | 149,850      |
| Total Energy                            |                              |  | 13,194,682   |
| <b>Entertainment &amp; Leisure 3.6%</b> |                              |  |              |
|   |                              | AMC Entertainment, Inc.,                                   |              |
| B3                                      | 120                          | 9.50%, 2/01/11   | 120,450      |
| B3                                      | 200                          | 11.00%, 2/01/16  | 221,250      |
| B3                                      | 60                           | Cinemark, Inc., Zero Coupon, 3/15/14                       | 48,825       |
| B3                                      | 225 <sub>3</sub>             | Greektown Holdings LLC, 10.75%, 12/01/13                   | 237,937      |
| B                                       | 100 <sub>3</sub>             | Pokagon Gaming Authority, 10.375%, 6/15/14                 | 107,250      |
| B3                                      | 55                           | Poster Financial Group, Inc., 8.75%, 12/01/11              | 57,338       |
| Ba1                                     | 1,500                        | Royal Caribbean Cruises Ltd., 8.75%, 2/02/11 (Liberia)     | 1,637,583    |
| BB                                      | 190                          | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12                | 191,188      |
|   |                              | Travelport, Inc.,  |              |

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|                               |      |   |                  |
|-------------------------------|------|---|------------------|
| B-                            | 370s | 9.875%, 9/01/14   | 364,912          |
| B-                            | 365s | 11.875%, 9/01/16  | 359,525          |
| BB-                           | 140  | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14 | 137,200          |
| Total Entertainment & Leisure |      |   | <u>3,483,458</u> |

See Notes to Financial Statements.

## BlackRock Strategic Bond Trust (BHD) (continued)

| Rating <sup>1</sup><br>(unaudited)  | Principal<br>Amount<br>(000) | Description  | Value      |
|-------------------------------------|------------------------------|--|------------|
| <b>Financial Institutions 19.9%</b> |                              |  |            |
| B+                                  | \$ 106                       | AES Ironwood LLC, 8.857%, 11/30/25                                   | \$ 115,523 |
| AA                                  | 185 <sub>3</sub>             | Allstate Financial Global Funding LLC, 5.25%, 2/01/07                | 184,941    |
|                                     |                              | American Real Estate Partners LP/American Real Estate Finance Corp., |            |
| BB+                                 | 230                          | 7.125%, 2/15/13  | 229,425    |
| BB+                                 | 860                          | 8.125%, 6/01/11  | 879,350    |
| Aa3                                 | 650 <sub>3,4,5</sub>         | Barclays Bank PLC, 8.55%, 9/29/49 (United Kingdom)                   | 732,463    |
| B                                   | 190                          | BCP Crystal US Holdings Corp., 9.625%, 6/15/14 (Luxembourg)          | 208,525    |
| B2                                  | 2,000                        | Bluewater Finance Ltd., 10.25%, 2/15/12 (Cayman Islands)             | 2,040,000  |
| BB                                  | 495                          | Crum & Forster Holdings Corp., 10.375%, 6/15/13                      | 513,562    |
| BB                                  | 95                           | Fairfax Financial Holdings Ltd., 6.875%, 4/15/08 (Canada)            | 93,338     |
| BB-                                 | 1,600 <sub>4</sub>           | Ford Motor Credit Co., 6.944%, 1/15/10                               | 1,522,018  |
| AAA                                 | 2,000 <sub>5</sub>           | General Electric Capital Corp., 3.45%, 7/16/07                       | 1,974,496  |
| BB                                  | 330                          | General Motors Acceptance Corp., 6.875%, 8/28/12                     | 330,886    |
| AA                                  | 1,500 <sub>5</sub>           | HSBC Bank, Inc., 3.875%, 9/15/09                                     | 1,453,827  |
|                                     |                              | iPayment, Inc.,  |            |
| CCC+                                | 175 <sub>3</sub>             | 9.75%, 5/15/14   | 179,813    |
| NR                                  | 690 <sub>2,3,4</sub>         | 12.75%, 7/15/14  | 689,137    |
| B-                                  | 225                          | K&F Acquisition, Inc., 7.75%, 11/15/14                               | 227,812    |
| A                                   | 325                          | MetLife, Inc., 6.125%, 12/01/11                                      | 337,793    |
| B+                                  | 565 <sub>3</sub>             | Nell AF SARL, 8.375%, 8/15/15 (Luxembourg)                           | 573,475    |
|                                     |                              | Rainbow National Services LLC,                                       |            |
| B+                                  | 210 <sub>3</sub>             | 8.75%, 9/01/12   | 220,763    |
| B+                                  | 2,245 <sub>3</sub>           | 10.375%, 9/01/14   | 2,497,562  |
| B-                                  | 605                          | Standard Aero Holdings, Inc., 8.25%, 9/01/14                         | 600,462    |
| AA+                                 | 759 <sub>6</sub>             | Structured Asset Receivable Trust, 1.649%, 1/21/10                   | 758,784    |
| AAA                                 | 1,000 <sub>3,5</sub>         | TIAA Global Markets, Inc., 3.875%, 1/22/08                           | 982,852    |
| B-                                  | 50 <sub>4</sub>              | Universal City Florida Holding Co. I/II, 10.121%, 5/01/10            | 51,438     |
| Aa1                                 | 2,000 <sub>5</sub>           | Wells Fargo & Co., 3.50%, 4/04/08                                    | 1,955,186  |
| Aa3                                 | 50                           | Western Financial Bank, 9.625%, 5/15/12                              | 55,097     |
| Total Financial Institutions        |                              |  | 19,408,528 |
| <b>Health Care 4.6%</b>             |                              |  |            |
| B                                   | 355 <sub>3</sub>             | Angiotech Pharmaceuticals, Inc., 7.75%, 4/01/14 (Canada)             | 337,250    |
|                                     |                              | Healthsouth Corp.,   |            |
| CCC+                                | 485 <sub>3</sub>             | 10.75%, 6/15/16  | 497,125    |
| CCC+                                | 225 <sub>3,4</sub>           | 11.418%, 6/15/14   | 230,063    |
| AA                                  | 1,000 <sub>5</sub>           | Merck & Co., Inc., 4.375%, 2/15/13                                   | 952,488    |
| B-                                  | 150                          | Tenet Healthcare Corp., 6.875%, 11/15/31                             | 116,250    |
| B-                                  | 290                          | Universal Hospital Services, Inc., 10.125%, 11/01/11                 | 306,675    |
| A-                                  | 1,000                        | WellPoint, Inc., 5.95%, 12/15/34                                     | 994,514    |
| A                                   | 1,000                        | Wyeth, 6.50%, 2/01/34  | 1,095,154  |
| Total Health Care                   |                              |  | 4,529,519  |
| <b>Industrials 2.7%</b>             |                              |  |            |
| B2                                  | 260 <sub>3</sub>             | AGY Holding Corp., 11.00%, 11/15/14                                  | 259,675    |
| B                                   | 100                          | Hexcel Corp., 6.75%, 2/01/15   | 97,000     |
| B3                                  | 650                          | Park-Ohio Industries, Inc., 8.375%, 11/15/14                         | 604,500    |
| CCC+                                | 200                          | Polypore, Inc., 8.75%, 5/15/12                                       | 195,500    |
|                                     |                              | RBS Global, Inc./Rexnord Corp.,                                      |            |
| B3                                  | 350 <sub>3</sub>             | 9.50%, 8/01/14   | 362,250    |
| CCC+                                | 175 <sub>3</sub>             | 11.75%, 8/01/16  | 182,000    |
| B3                                  | 470 <sub>3</sub>             | Sunstate Equipment Co. LLC, 10.50%, 4/01/13                          | 491,150    |
| B3                                  | 440                          | Trimas Corp., 9.875%, 6/15/12  | 414,700    |

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|                                    |       |  |           |
|------------------------------------|-------|--|-----------|
| Total Industrials                  |       |  | 2,606,775 |
| <b>Media 14.9%</b>                 |       |  |           |
| NR                                 | 4007  | Adelphia Communications Corp., Ser. B, 10.50%, 7/15/04   | 312,000   |
|                                    |       | Affinion Group, Inc.,                                    |           |
| B-                                 | 435   | 10.125%, 10/15/13  | 461,100   |
| B-                                 | 70    | 11.50%, 10/15/15   | 72,975    |
| Caa2                               | 475   | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09 | 451,250   |
| BBB+                               | 1,000 | AOL Time Warner, Inc., 7.70%, 5/01/32                    | 1,138,892 |
| B+                                 | 1204  | Cablevision Systems Corp., Ser. B, 9.87%, 4/01/09        | 125,700   |
| See Notes to Financial Statements. |       |  |           |



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**BlackRock Strategic Bond Trust (BHD) (continued)**

| Rating <sup>1</sup><br>(unaudited)   | Principal<br>Amount<br>(000) | Description   | Value      |
|--|------------------------------|---|------------|
| <b>Media (cont d)</b>  |                              |   |            |
| Charter Communications Holdings II LLC/Charter Communications Holdings II Capital Corp., |                              |   |            |
| CCC  | \$ 315                       | 10.25%, 9/15/10   | \$ 325,237 |
| CCC  | 105                          | Ser. B, 10.25%, 9/15/10   | 108,150    |
| B3   | 500 <sub>3</sub>             | CMP Susquehanna Corp., 9.875%, 5/15/14                              | 483,125    |
| BBB+   | 1,000                        | Comcast Cable Communications, Inc., 6.875%, 6/15/09                 | 1,039,617  |
| B+   | 200                          | CSC Holdings, Inc., 7.875%, 12/15/07                                | 202,750    |
| B  | 50                           | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13   | 54,313     |
| BB   | 100                          | DirecTV Holdings LLC/DirecTV Financing Co., 8.375%, 3/15/13         | 103,750    |
| Echostar DBS Corp.,  |                              |   |            |
| BB-  | 550                          | 5.75%, 10/01/08   | 546,562    |
| BB-  | 210 <sub>3</sub>             | 7.00%, 10/01/13   | 208,163    |
| BB-  | 45 <sub>3</sub>              | 7.125%, 2/01/16   | 43,988     |
| CCC+   | 75 <sub>3</sub>              | Iesy Repository GMBH, 10.375%, 2/15/15 (Germany)                    | 70,875     |
| Ba3  | 165                          | LIN Television Corp., 6.50%, 5/15/13                                | 156,544    |
| B  | 130                          | Medianews Group, Inc., 6.875%, 10/01/13                             | 120,738    |
| B2   | 405                          | Network Communications, Inc., 10.75%, 12/01/13                      | 407,531    |
| BBB  | 1,500 <sub>5</sub>           | News America, Inc., 6.20%, 12/15/34                                 | 1,464,787  |
| B3   | 560                          | Nexstar Finance, Inc., 7.00%, 1/15/14                               | 515,900    |
| CCC+   | 710 <sub>3</sub>             | Nielsen Finance LLC/Nielsen Finance Co., 10.00%, 8/01/14            | 740,175    |
| B1   | 500 <sub>3,4</sub>           | Paxson Communications Corp., 8.624%, 1/15/12                        | 505,625    |
| Primedia, Inc.,  |                              |   |            |
| B2   | 210                          | 8.00%, 5/15/13  | 195,825    |
| B2   | 120                          | 8.875%, 5/15/11   | 119,700    |
| B2   | 150 <sub>4</sub>             | 10.78%, 5/15/10   | 155,250    |
| B  | 945                          | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16                       | 974,531    |
| B  | 70                           | Sinclair Broadcast Group, Inc., 4.875%, 7/15/18                     | 63,175     |
| Caa1   | 175                          | Sirius Satellite Radio, Inc., 9.625%, 8/01/13                       | 170,625    |
| BBB+   | 1,000                        | TCI Communications, Inc., 7.875%, 2/15/26                           | 1,143,759  |
| Vertis, Inc.,  |                              |   |            |
| B1   | 445                          | 9.75%, 4/01/09  | 454,456    |
| Caa3   | 40 <sub>3</sub>              | 13.50%, 12/07/09  | 36,200     |
| Caa1   | 370                          | Ser. B, 10.875%, 6/15/09  | 368,150    |
| BBB  | 85                           | Viacom, Inc., 6.625%, 5/15/11                                       | 88,512     |
| Caa1   | 1,160                        | Young Broadcasting, Inc., 10.00%, 3/01/11                           | 1,096,200  |
| Total Media  |                              |   | 14,526,130 |
| <b>Real Estate 0.5%</b>  |                              |   |            |
| A  | 500                          | ERP Operating LP, 6.95%, 3/02/11                                    | 531,965    |
| <b>Technology 4.8%</b>   |                              |   |            |
| BB-  | 30                           | Advanced Micro Devices, Inc., 7.75%, 11/01/12                       | 30,525     |
| CCC+   | 570                          | Amkor Technology, Inc., 9.25%, 6/01/16                              | 530,100    |
| B+   | 565                          | Celestica, Inc., 7.625%, 7/01/13 (Canada)                           | 566,413    |
| B+   | 100 <sub>3</sub>             | Hynix Semiconductor, Inc., 9.875%, 7/01/12 (South Korea)            | 110,750    |
| B+   | 235 <sub>3</sub>             | NXP BV/NXP Funding LLC, 9.50%, 10/15/15                             | 237,056    |
| B-   | 130 <sub>3</sub>             | Sensata Technologies BV, 8.00%, 5/01/14 (Netherlands)               | 125,450    |
| CCC+   | 295                          | SS&C Technologies, Inc., 11.75%, 12/01/13                           | 317,125    |
| Sungard Data Systems, Inc.,  |                              |   |            |
| B-   | 160                          | 9.125%, 8/15/13   | 166,000    |
| B-   | 410 <sub>4</sub>             | 9.973%, 8/15/13   | 426,400    |
| B-   | 580                          | 10.25%, 8/15/15   | 607,550    |
| B  | 1,010                        | Superior Essex Communications LLC/Essex Group, Inc., 9.00%, 4/15/12 | 1,032,725  |
| B-   | 130 <sub>3,4</sub>           | UGS Capital Corp. II, 10.38%, 6/01/11                               | 134,225    |
| B-   | 410                          | UGS Corp., 10.00%, 6/01/12  | 442,800    |

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Total Technology

4,727,119

**Telecommunications 12.6%**

|     |                  |  |         |
|-----|------------------|--|---------|
| BB- | 190              | Cincinnati Bell, Inc., 7.25%, 7/15/13                          | 195,700 |
| CCC | 280 <sub>3</sub> | Cricket Communications, Inc., 9.375%, 11/01/14                 | 286,300 |
| B3  | 130 <sub>4</sub> | Hawaiian Telcom Communications, Inc., Ser. B, 10.889%, 5/01/13 | 133,250 |

See Notes to Financial Statements.

## BlackRock Strategic Bond Trust (BHD) (continued)

| Rating <sup>1</sup><br>(unaudited)                | Principal<br>Amount<br>(000) | Description  | Value       |
|---|------------------------------|--|-------------|
| <b>Telecommunications (cont d)</b>                |                              |  |             |
|   |                              | Intelsat Ltd., (Bermuda)                                     |             |
| BB-   | \$ 240                       | 8.625%, 1/15/15  | \$ 249,000  |
| BB-   | 300 <sub>3</sub>             | 9.25%, 6/15/16   | 320,250     |
| BB-   | 95 <sub>4</sub>              | 10.484%, 1/15/12   | 96,306      |
| B   | 170 <sub>3</sub>             | 11.25%, 6/15/16  | 185,088     |
| B   | 680 <sub>3,4</sub>           | 11.64%, 6/15/13  | 720,800     |
|   |                              | Lucent Technologies, Inc.,                                   |             |
| B1  | 25                           | 6.45%, 3/15/29   | 22,375      |
| B1  | 905                          | 6.50%, 1/15/28   | 809,975     |
| B+  | 500 <sub>3</sub>             | Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (Denmark) | 523,750     |
| B-  | 160                          | Nortel Networks Corp., 6.875%, 9/01/23 (Canada)              | 132,000     |
|   |                              | Nortel Networks Ltd.,  |             |
| B-  | 390 <sub>3,4</sub>           | 9.624%, 7/15/11  | 402,675     |
| B-  | 135 <sub>3</sub>             | 10.125%, 7/15/13   | 143,100     |
|   |                              | PanAmSat Corp.,  |             |
| B   | 125                          | 9.00%, 8/15/14   | 130,625     |
| B   | 355 <sub>3</sub>             | 9.00%, 6/15/16   | 370,975     |
|   |                              | Qwest Corp.,   |             |
| BB+   | 200                          | 7.875%, 9/01/11  | 211,750     |
| BB+   | 340 <sub>4</sub>             | 8.64%, 6/15/13   | 366,350     |
| BB+   | 85                           | Rogers Wireless, Inc., 7.25%, 12/15/12 (Canada)              | 89,250      |
| A   | 1,500 <sub>5</sub>           | SBC Communications, Inc., 6.45%, 6/15/34                     | 1,551,172   |
| BBB+  | 1,000                        | Telecom Italia Capital SA, 4.95%, 9/30/14 (Luxembourg)       | 927,570     |
| A+  | 2,000 <sub>5</sub>           | Verizon New England, Inc., 6.50%, 9/15/11                    | 2,061,178   |
| A-  | 1,000                        | Vodafone Group PLC, 7.75%, 2/15/10 (United Kingdom)          | 1,073,199   |
|   |                              | West Corp.,  |             |
| B-  | 45 <sub>3</sub>              | 9.50%, 10/15/14  | 44,775      |
| B-  | 320 <sub>3</sub>             | 11.00%, 10/15/16   | 321,600     |
| B+  | 250 <sub>3</sub>             | Wind Acquisition Finance SA, 10.75%, 12/01/15 (Luxembourg)   | 277,813     |
|   |                              | Windstream Corp.,  |             |
| BB+   | 360 <sub>3</sub>             | 8.125%, 8/01/13  | 384,300     |
| BB+   | 220 <sub>3</sub>             | 8.625%, 8/01/16  | 237,325     |
| Total Telecommunications                          |                              |  | 12,268,451  |
| <b>Transportation 1.5%</b>                        |                              |  |             |
| BB-   | 125                          | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11          | 124,688     |
| A-  | 500                          | Canadian National Railway Co., 6.90%, 7/15/28 (Canada)       | 576,856     |
| B1  | 475                          | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)               | 453,625     |
| B3  | 39                           | Horizon Lines LLC, 9.00%, 11/01/12                           | 40,755      |
| BB+   | 300                          | Overseas Shipholding Group, Inc., 8.25%, 3/15/13             | 315,000     |
| Total Transportation                              |                              |  | 1,510,924   |
| Total Corporate Bonds                             |                              |  | 105,001,130 |
| <b>U.S. Government and Agency Securities 4.6%</b> |                              |  |             |
|   | 410 <sub>5</sub>             | U.S. Treasury Bonds, 5.375%, 2/15/31                         | 445,138     |
|   |                              | U.S. Treasury Notes,   |             |
|   | 933 <sub>5</sub>             | 2.625%, 11/15/06   | 932,052     |
|   | 810 <sub>5</sub>             | 4.125%, 8/15/10  | 797,375     |
|   | 1,075 <sub>5</sub>           | 4.25%, 8/15/13-8/15/15                                       | 1,053,738   |
|   | 710 <sub>5</sub>             | 4.75%, 5/15/14   | 717,100     |
| AAA   | 550 <sub>5</sub>             | 4.875%, 8/15/16  | 561,430     |
| Total U.S. Government and Agency Securities       |                              |  | 4,506,833   |

---

**Foreign Government Bond 0.3%**

|      |     |                                       |         |
|------|-----|---------------------------------------|---------|
| Baa1 | 230 | United Mexican States, 8.30%, 8/15/31 | 292,445 |
|------|-----|---------------------------------------|---------|

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See Notes to Financial Statements.

**BlackRock Strategic Bond Trust (BHD) (continued)**

| Shares   | Description                                 | Value          |
|--|---|----------------|
| <b>Common Stocks 0.0%</b>                            |   |                |
| 947 <sub>2,8</sub>                                   | Critical Care Systems Intl., Inc.           | \$ 7,576       |
| <b>Preferred Security 0.0%</b>                       |   |                |
| 50,000   | Superior Essex Holding Corp., Ser. A, 9.50% | 40,000         |
| <b>Total Investments 112.5%</b> (cost \$109,152,148) |   | \$ 109,847,984 |
| Liabilities in excess of other assets (12.5%)        |   | (12,234,372)   |
| <b>Net Assets 100%</b>                               |   | \$ 97,613,612  |

<sup>1</sup> Using the highest of S&P's, Moody's or Fitch's ratings.

<sup>2</sup> Security is fair valued.

<sup>3</sup> Security is not registered under the Securities Act of 1933. These securities may be resold in transactions in accordance with Rule 144A under that Act, to qualified institutional buyers. As of October 31, 2006, the Trust held 23.6% of its net assets, with a current market value of \$23,053,909, in securities restricted as to resale.

<sup>4</sup> Variable rate security. Rate shown is interest rate as of October 31, 2006.

<sup>5</sup> Entire or partial principal amount pledged as collateral for reverse repurchase agreements. See Note 4 in the Notes to Financial Statements for details of open reverse repurchase agreements.

<sup>6</sup> Illiquid security. As of October 31, 2006, the Trust held 0.8% of its net assets, with a current market value of \$758,784, in these securities.

<sup>7</sup> Issuer is in default and/or bankruptcy.

<sup>8</sup> Non-income producing security.

<sup>9</sup> Cost for federal income tax purposes is \$109,227,844. The net unrealized appreciation on a tax basis is \$620,140, consisting of \$2,146,296 gross unrealized appreciation and \$1,526,156 gross unrealized depreciation.

A category in the Corporate Bonds section may contain multiple industries as defined by the SEC's Standard Industry Codes.

See Notes to Financial Statements.

**STATEMENTS OF ASSETS AND LIABILITIES**  
**October 31, 2006**

|  | <b>Broad Investment<br/>Grade 2009<br/>Term Trust Inc.<sup>1</sup><br/>(BCT)</b> | <b>Core<br/>Bond Trust<br/>(BHK)</b> |
|--|--|--------------------------------------|
| <b>Assets</b>  |  |                                      |
| Investments at value <sup>2</sup>                                | \$ 40,546,379  | \$ 377,198,556                       |
| Investments in affiliates <sup>3</sup>                           |  | 1,509,838                            |
| Affiliated investments   | 21,282   | 79,736                               |
| Cash   | 111,325  | 819,918                              |
| Foreign currency at value <sup>4</sup>                           |  | 3,742,495                            |
| Receivable from investments sold                                 |  | 395,818                              |
| Variation margin receivable                                      |  | 633,338                              |
| Deposits with brokers as collateral for borrowed bonds           |  |                                      |
| Unrealized gain on foreign currency exchange contracts           |  | 83,487                               |
| Interest receivable  | 347,920  | 5,352,688                            |
| Unrealized appreciation on interest rate swaps                   |  | 2,436,084                            |
| Other assets   | 2,450  | 22,336                               |
|  | <u>41,029,356</u>  | <u>392,274,294</u>                   |
| <b>Liabilities</b>   |  |                                      |
| Reverse repurchase agreement                                     |  | 3,911,088                            |
| Foreign currency payable to custodian                            |  |                                      |
| Payable for investments purchased                                |  | 10,965,788                           |
| Payable for dollar rolls   |  |                                      |
| Variation margin payable   |  |                                      |
| Unrealized loss on foreign currency exchange contracts           |  |                                      |
| Loan payable   |  |                                      |
| Investments sold short at value <sup>5</sup>                     |  |                                      |
| Outstanding options written at value <sup>6</sup>                |  | 2,127,772                            |
| TBA sale commitments <sup>7</sup>                                |  |                                      |
| Unrealized depreciation on credit default swaps                  |  | 44,927                               |
| Interest payable   |  | 682,737                              |
| Interest rate floors at value                                    |  |                                      |
| Cash with brokers as collateral                                  |  | 600,000                              |
| Investment advisory fee payable                                  | 19,341   | 147,136                              |
| Administration fee payable                                       | 5,275  |                                      |
| Deferred Trustees fees   | 21,282   | 79,736                               |
| Payable to affiliates  | 7,954  | 17,839                               |
| Other accrued expenses   | 194,186  | 179,147                              |
|  | <u>248,038</u>   | <u>18,756,170</u>                    |
| <b>Net Assets</b>  | <b>\$ 40,781,318</b>   | <b>\$ 373,518,124</b>                |
| <b>Composition of Net Assets</b>                                 |  |                                      |
| Par value  | \$ 29,571  | \$ 27,019                            |
| Paid-in capital in excess of par                                 | 38,447,104   | 386,089,643                          |
| Cost of shares held in treasury <sup>8</sup>                     |  |                                      |
| Undistributed (distributions in excess of) net investment income | 5,833,604  | (5,693,238)                          |
| Accumulated net realized loss                                    | (3,239,231)  | (9,537,812)                          |
| Net unrealized appreciation (depreciation)                       | (289,730)  | 2,632,512                            |
| Net assets, October 31, 2006                                     | <u>\$ 40,781,318</u>   | <u>\$ 373,518,124</u>                |

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|                              |    |       |    |       |
|------------------------------|----|-------|----|-------|
| Net asset value <sup>9</sup> | \$ | 13.79 | \$ | 13.82 |
|------------------------------|----|-------|----|-------|

|       |  |    |            |                |
|-------|--|----|------------|----------------|
| <hr/> |  |    |            |                |
| 1     | Consolidated Statement of Assets and Liabilities |    |            |                |
| 2     | Investments at cost                              | \$ | 40,836,109 | \$ 380,294,928 |
| 3     | Cost of affiliates                               |    |            | 1,509,548      |
| 4     | Foreign currency at cost                         |    |            | 3,878,971      |
| 5     | Proceeds received                                |    |            |                |
| 6     | Premium received                                 |    |            | 3,059,631      |
| 7     | Proceeds for TBA sale commitments                |    |            |                |
| 8     | Shares held in treasury                          |    |            |                |
| 9     | Common shares outstanding                        |    | 2,957,093  | 27,018,774     |

See Notes to Financial Statements.

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|  | High<br>Yield Trust<br>(BHY) | Income<br>Opportunity<br>Trust<br>(BNA) | Income<br>Trust Inc.<br>(BKT) | Limited<br>Duration<br>Income Trust<br>(BLW) | Strategic<br>Bond Trust<br>(BHD) |
|--|------------------------------|---|-------------------------------|--|----------------------------------|
| <b>Assets</b>  |                              |   |                               |  |                                  |
| Investments at value <sup>2</sup>                                | \$ 68,955,459                | \$ 424,905,689                          | \$ 503,320,986                | \$ 1,041,185,277                             | \$ 109,847,984                   |
| Investments in affiliates <sup>3</sup>                           |                              | 1,857,565                               | 51,795                        |  |                                  |
| Affiliated investments   | 30,559                       | 149,968                                 | 179,222                       | 73,680                                       | 16,366                           |
| Cash   | 162,231                      | 540,788                                 | 108,401                       | 160,756                                      | 522,891                          |
| Foreign currency at value <sup>4</sup>                           |                              |   |                               |  |                                  |
| Receivable from investments sold                                 | 221,719                      | 26,538,398                              | 16,463,994                    | 3,275,224                                    | 276,351                          |
| Variation margin receivable                                      |                              | 810,094                                 |                               |  |                                  |
| Deposits with brokers as collateral for borrowed bonds           |                              |   | 60,402,375                    |  |                                  |
| Unrealized gain on foreign currency exchange contracts           |                              |   |                               |  |                                  |
| Interest receivable  | 1,564,454                    | 5,550,226                               | 4,294,472                     | 15,471,361                                   | 2,163,819                        |
| Unrealized appreciation on interest rate swaps                   |                              | 2,807,676                               | 1,083,508                     |  |                                  |
| Other assets   | 4,007                        | 29,575                                  | 27,936                        | 58,533                                       | 6,383                            |
|  | <u>70,938,429</u>            | <u>463,189,979</u>                      | <u>585,932,689</u>            | <u>1,060,224,831</u>                         | <u>112,833,794</u>               |
| <b>Liabilities</b>   |                              |   |                               |  |                                  |
| Reverse repurchase agreement                                     |                              | 34,326,158                              | 70,690,625                    | 219,999,531                                  | 14,951,135                       |
| Foreign currency payable to custodian                            |                              |   |                               | 1,100  |                                  |
| Payable for investments purchased                                | 60,632                       | 13,590,349                              |                               | 139,565,749                                  | 80,843                           |
| Payable for dollar rolls   |                              |   | 15,527,433                    |  |                                  |
| Variation margin payable   |                              |   | 1,068,671                     |  |                                  |
| Unrealized loss on foreign currency exchange contracts           |                              |   |                               | 36,980                                       |                                  |
| Loan payable   | 20,250,000                   |   |                               |  |                                  |
| Investments sold short at value <sup>5</sup>                     |                              |   | 61,068,440                    |  |                                  |
| Outstanding options written at value <sup>6</sup>                |                              | 2,322,554                               | 2,323,129                     |  |                                  |
| TBA sale commitments <sup>7</sup>                                |                              | 25,987,687                              | 16,581,402                    |  |                                  |
| Unrealized depreciation on credit default swaps                  |                              | 49,972                                  |                               |  |                                  |
| Interest payable   | 86,900                       | 877,171                                 | 1,603,236                     | 675,238                                      | 25,249                           |
| Interest rate floors at value                                    |                              |   | 1,894,856                     |  |                                  |
| Cash with brokers as collateral                                  |                              | 600,000                                 |                               |  |                                  |
| Investment advisory fee payable                                  | 44,607                       | 193,988                                 | 227,740                       | 422,874                                      | 51,716                           |
| Administration fee payable                                       | 2,157                        | 65,820                                  | 96,249                        |  |                                  |
| Deferred Trustees fees   | 30,559                       | 149,968                                 | 179,222                       | 73,680                                       | 16,366                           |
| Payable to affiliates  | 980                          | 5,805                                   | 47,752                        | 18,508                                       | 5,770                            |
| Other accrued expenses   | 77,357                       | 170,208                                 | 163,762                       | 225,071                                      | 89,103                           |
|  | <u>20,553,192</u>            | <u>78,339,680</u>                       | <u>171,472,517</u>            | <u>361,018,731</u>                           | <u>15,220,182</u>                |
| <b>Net Assets</b>  | <u>\$ 50,385,237</u>         | <u>\$ 384,850,299</u>                   | <u>\$ 414,460,172</u>         | <u>\$ 699,206,100</u>                        | <u>\$ 97,613,612</u>             |
| <b>Composition of Net Assets</b>                                 |                              |   |                               |  |                                  |
| Par value  | \$ 6,417                     | \$ 344,497                              | \$ 639,425                    | \$ 36,782                                    | \$ 7,058                         |
| Paid-in capital in excess of par                                 | 92,987,168                   | 404,369,870                             | 518,124,907                   | 700,322,623                                  | 98,443,594                       |
| Cost of shares held in treasury <sup>8</sup>                     |                              | (17,377,850)                            |                               |  |                                  |
| Undistributed (distributions in excess of) net investment income | 10,204                       | (900,730)                               | (519,359)                     | (36,700)                                     | (16,366)                         |
| Accumulated net realized loss                                    | (36,635,402)                 | (6,096,797)                             | (91,060,940)                  | (3,477,620)                                  | (1,516,512)                      |
| Net unrealized appreciation (depreciation)                       | (5,983,150)                  | 4,511,309                               | (12,723,861)                  | 2,361,015                                    | 695,838                          |
| Net assets, October 31, 2006                                     | <u>\$ 50,385,237</u>         | <u>\$ 384,850,299</u>                   | <u>\$ 414,460,172</u>         | <u>\$ 699,206,100</u>                        | <u>\$ 97,613,612</u>             |
| Net asset value <sup>9</sup>                                     | <u>\$ 7.85</u>               | <u>\$ 11.17</u>                         | <u>\$ 6.48</u>                | <u>\$ 19.01</u>                              | <u>\$ 13.83</u>                  |



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|   |  |               |                |                |                  |                |
|---|--|---------------|----------------|----------------|------------------|----------------|
| 1 | Consolidated Statement of Assets and Liabilities |               |                |                |                  |                |
| 2 | Investments at cost                              | \$ 74,938,609 | \$ 427,244,788 | \$ 519,165,867 | \$ 1,038,785,288 | \$ 109,152,146 |
| 3 | Cost of affiliates                               |               | 1,868,783      | 54,417         |                  |                |
| 4 | Foreign currency at cost                         |               |                |                | (1,091)          |                |
| 5 | Proceeds received                                |               |                | 61,745,381     |                  |                |
| 6 | Premium received                                 |               | 3,321,623      | 3,312,560      |                  |                |
| 7 | Proceeds for TBA sale commitments                |               | 25,774,000     | 16,431,406     |                  |                |
| 8 | Shares held in treasury                          |               | 1,757,400      |                |                  |                |
| 9 | Common shares outstanding                        | 6,417,363     | 34,449,693     | 63,942,536     | 36,782,283       | 7,058,402      |

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**STATEMENTS OF OPERATIONS**  
**For the year ended October 31, 2006**

|  | <b>Broad Investment<br/>Grade 2009<br/>Term Trust Inc.<sup>1</sup><br/>(BCT)</b> | <b>Core<br/>Bond Trust<br/>(BHK)</b> |
|--|--|--------------------------------------|
| <b>Investment Income</b>                               |  |                                      |
| Interest income  | \$ 2,405,515   | \$ 21,587,538                        |
| Income from affiliates                                 | 941  | 104,365                              |
| Total investment income                                | 2,406,456  | 21,691,903                           |
| <b>Expenses</b>  |  |                                      |
| Investment advisory                                    | 234,437  | 2,199,983                            |
| Administration   | 63,937   |                                      |
| Transfer agent   | 10,579   | 14,788                               |
| Custodian  | 71,905   | 238,500                              |
| Reports to shareholders                                | 33,083   | 104,269                              |
| Directors/Trustees                                     | 14,402   | 43,256                               |
| Registration   | 1,825  | 21,243                               |
| Independent accountants                                | 30,479   | 69,992                               |
| Legal  | 11,866   | 84,304                               |
| Insurance  | 2,548  | 25,137                               |
| Deferred Trustees fees                                 | 941  | 4,848                                |
| Miscellaneous  | 11,656   | 49,371                               |
| Total expenses excluding interest expense              | 487,658  | 2,855,691                            |
| Interest expense                                       |  | 1,149,965                            |
| Total expenses   | 487,658  | 4,005,656                            |
| Less fees waived by Advisor                            |  |                                      |
| Less fees paid indirectly                              |  | (14,200)                             |
| Net expenses   | 487,658  | 3,991,456                            |
| Net investment income                                  | 1,918,798  | 17,700,447                           |
| <b>Realized and Unrealized Gain (Loss)</b>             |  |                                      |
| Net realized gain (loss) on:                           |  |                                      |
| Investments  | (493,395)  | (7,280,220)                          |
| Investments in affiliates                              |  |                                      |
| Foreign currency                                       |  | (248,242)                            |
| Futures and Swaps                                      |  | (713,181)                            |
| Options written  |  | (43,430)                             |
| Short sales  |  |                                      |
|  | (493,395)  | (8,285,073)                          |
| Net change in unrealized appreciation/depreciation on: |  |                                      |
| Investments  | 341,182  | 7,820,242                            |
| Foreign currency                                       |  | 16,542                               |
| Futures and Swaps                                      | (177)  | 2,958,582                            |
| Interest rate floors                                   |  |                                      |
| Options written  |  | 756,176                              |
| Short sales  |  |                                      |

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|   |                     |                      |
|---|---------------------|----------------------|
|   | 341,005             | 11,551,542           |
| Net gain (loss)   | (152,390)           | 3,266,469            |
| <b>Net Increase in Net Assets Resulting from Operations</b> | <b>\$ 1,766,408</b> | <b>\$ 20,966,619</b> |

<sup>1</sup> Consolidated Statement of Operations

See Notes to Financial Statements.

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|  | High<br>Yield Trust<br>(BHY) | Income<br>Opportunity<br>Trust<br>(BNA) | Income<br>Trust Inc.<br>(BKT) | Limited<br>Duration<br>Income Trust<br>(BLW) | Strategic<br>Bond Trust<br>(BHD) |
|--|------------------------------|---|-------------------------------|--|----------------------------------|
| <b>Investment Income</b>                               |                              |   |                               |  |                                  |
| Interest income  | \$ 6,372,658                 | \$ 25,515,608                           | \$ 29,079,814                 | \$ 64,850,597                                | \$ 8,885,695                     |
| Income from affiliates                                 | 1,940                        | 130,830                                 | 15,712                        | 4,998  | 825                              |
| Total investment income                                | 6,374,598                    | 25,646,438                              | 29,095,526                    | 64,855,595                                   | 8,886,520                        |
| <b>Expenses</b>  |                              |   |                               |  |                                  |
| Investment advisory                                    | 724,170                      | 2,290,356                               | 2,688,382                     | 5,293,699                                    | 880,402                          |
| Administration   | 68,969                       | 381,726                                 | 620,396                       |  |                                  |
| Transfer agent   | 15,715                       | 27,901                                  | 73,310                        | 17,254                                       | 14,723                           |
| Custodian  | 110,636                      | 272,501                                 | 276,129                       | 493,509                                      | 97,481                           |
| Reports to shareholders                                | 37,763                       | 115,410                                 | 159,102                       | 185,730                                      | 31,726                           |
| Directors/Trustees                                     | 14,343                       | 48,065                                  | 43,668                        | 68,550                                       | 15,214                           |
| Registration   | 21,243                       | 25,612                                  | 44,530                        | 27,459                                       | 21,243                           |
| Independent accountants                                | 40,717                       | 76,567                                  | 72,942                        | 52,750                                       | 39,075                           |
| Legal  | 10,530                       | 75,822                                  | 76,292                        | 114,858                                      | 21,090                           |
| Insurance  | 4,131                        | 29,027                                  | 30,941                        | 59,109                                       | 6,977                            |
| Deferred Trustees fees                                 | 1,940                        | 5,372                                   | 11,858                        | 4,998  | 825                              |
| Miscellaneous  | 11,772                       | 51,883                                  | 68,969                        | 124,334                                      | 15,688                           |
| Total expenses excluding interest expense              | 1,061,929                    | 3,400,242                               | 4,166,519                     | 6,442,250                                    | 1,144,444                        |
| Interest expense                                       | 1,106,179                    | 2,741,131                               | 4,603,103                     | 8,900,833                                    | 1,020,195                        |
| Total expenses   | 2,168,108                    | 6,141,373                               | 8,769,622                     | 15,343,083                                   | 2,164,639                        |
| Less fees waived by Advisor                            |                              |   |                               |  | (234,774)                        |
| Less fees paid indirectly                              | (5,181)                      | (9,729)                                 | (26,140)                      | (83,543)                                     | (8,883)                          |
| Net expenses   | 2,162,927                    | 6,131,644                               | 8,743,482                     | 15,259,540                                   | 1,920,982                        |
| Net investment income                                  | 4,211,671                    | 19,514,794                              | 20,352,044                    | 49,596,055                                   | 6,965,538                        |
| <b>Realized and Unrealized Gain (Loss)</b>             |                              |   |                               |  |                                  |
| Net realized gain (loss) on:                           |                              |   |                               |  |                                  |
| Investments  | (2,067,969)                  | (4,856,599)                             | (4,883,743)                   | (1,590,127)                                  | (759,640)                        |
| Investments in affiliates                              |                              |   | (59,731)                      |  |                                  |
| Foreign currency                                       |                              |   |                               | (331,171)                                    |                                  |
| Futures and Swaps                                      |                              | (2,764,912)                             | 6,522,072                     | 4,040  |                                  |
| Options written  |                              |   |                               | 327,353                                      |                                  |
| Short sales  |                              | 291,133                                 | 359,076                       |  |                                  |
|  | (2,067,969)                  | (7,330,378)                             | 1,937,674                     | (1,589,905)                                  | (759,640)                        |
| Net change in unrealized appreciation/depreciation on: |                              |   |                               |  |                                  |
| Investments  | 4,444,627                    | 3,042,311                               | 6,074,193                     | 2,593,098                                    | 2,082,388                        |
| Foreign currency                                       |                              |   |                               | (115,958)                                    |                                  |
| Futures and Swaps                                      |                              | 5,199,875                               | (6,629,728)                   | (4,008)                                      |                                  |
| Interest rate floors                                   |                              |   | 1,789,308                     |  |                                  |
| Options written  |                              | 810,300                                 | 801,246                       |  |                                  |
| Short sales  |                              | (1,087,240)                             | (767,708)                     |  |                                  |
|  | 4,444,627                    | 7,965,246                               | 1,267,311                     | 2,473,132                                    | 2,082,388                        |

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|   |                             |                             |                             |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net gain (loss)   | 2,376,658                   | 634,868                     | 3,204,985                   | 883,227                     | 1,322,748                   |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| <b>Net Increase in Net Assets Resulting from Operations</b> | <b>\$ 6,588,329</b>         | <b>\$ 20,149,662</b>        | <b>\$ 23,557,029</b>        | <b>\$ 50,479,282</b>        | <b>\$ 8,288,286</b>         |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |

**STATEMENTS OF CASH FLOWS**  
**For the year ended October 31, 2006**

|  | <b>Broad Investment<br/>Grade 2009<br/>Term Trust Inc.<sup>1</sup><br/>(BCT)</b> | <b>Core<br/>Bond Trust<br/>(BHK)</b> |
|--|--|--------------------------------------|
| <b>Net Increase in Net Assets Resulting from Operations to Net Cash Flows Provided<br/>by Operating Activities</b> |  |                                      |
| Cash flows from operating activities:  |  |                                      |
| Net increase in net assets resulting from operations   | \$ 1,766,408   | \$ 20,966,916                        |
| Purchases of long-term investments   | (3,161,603)  | (1,208,218,010)                      |
| Proceeds from sales of long-term investments   | 20,467,520   | 1,317,417,917                        |
| Net proceeds (purchases) of short-term investments   | (15,452,608)   | (544,199)                            |
| Decrease in deposits with brokers as collateral for borrowed bonds   |  |                                      |
| Amortization of premium and discount on investments  | 537,223  | 4,457,162                            |
| Net realized loss on investments   | 493,395  | 7,280,220                            |
| Increase in unrealized appreciation/depreciation on investments  | (341,182)  | (7,820,242)                          |
| Net effect of exchange rates on foreign currency   |  | 248,242                              |
| Decrease in investments sold short   |  |                                      |
| Decrease in outstanding options written  |  | (413,298)                            |
| Decrease in TBA sale commitments   |  |                                      |
| Increase in interest rate floor  |  |                                      |
| Decrease (Increase) in unrealized appreciation on interest rate swaps  | 176  | (590,466)                            |
| Decrease in credit default swaps   |  | 47,167                               |
| Increase in investments in affiliates  | (2,441)  | (19,452)                             |
| Decrease (Increase) in receivable for investments sold   |  | 31,361,149                           |
| Decrease (Increase) in unrealized gain on foreign currency exchange contracts                                      |  | (34,210)                             |
| Decrease (Increase) in variation margin receivable   |  | (561,182)                            |
| Decrease (Increase) in interest receivable   | 161,690  | 2,669,650                            |
| Decrease (Increase) in other assets  | 1,352  | 1,667                                |
| Increase in foreign currency payable to custodian  |  |                                      |
| Increase (Decrease) in payable for investments purchased   |  | (42,583,640)                         |
| Increase (Decrease) in payable for dollar rolls  |  | (7,284,443)                          |
| Increase in unrealized loss on foreign currency exchange contracts   |  |                                      |
| Increase in variation margin payable   |  |                                      |
| Increase (Decrease) in interest payable  | (4,386)  | (463,614)                            |
| Increase (Decrease) in investment advisory fee payable   | (1,148)  | (54,827)                             |
| Increase in cash with brokers as collateral  |  | 599,273                              |
| Increase (Decrease) in administration fee payable  | (313)  |                                      |
| Increase in deferred Directors/Trustees fees   | 2,441  | 19,452                               |
| Increase (Decrease) in payable to affiliates   | (109)  | (3,557)                              |
| Increase (Decrease) in accrued expenses  | (175,744)  | 20,833                               |
| Total adjustments  | 2,524,263  | 95,531,592                           |
| Net cash provided by operating activities  | \$ 4,290,671   | \$ 116,498,508                       |
| Cash from financing activities:  |  |                                      |
| Capital contributions  |  |                                      |
| Increase (Decrease) in reverse repurchase agreements   |  | (82,964,968)                         |
| Decrease in loan payable   |  |                                      |
| Cash dividends paid  | (4,261,094)  | (32,962,581)                         |
| Net cash used for financing activities:  | (4,261,094)  | (115,927,549)                        |

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|  |            |              |
|--|------------|--------------|
| Net increase (decrease) in cash                | 29,577     | 570,959      |
| Cash and foreign currency at beginning of year | 81,748     | 3,991,454    |
| Cash and foreign currency at end of year       | \$ 111,325 | \$ 4,562,413 |

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<sup>1</sup> Consolidated Statement of Cash Flows.

See Notes to Financial Statements.

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|  | High Yield<br>Trust<br>(BHY) | Income<br>Opportunity<br>Trust<br>(BNA) | Income<br>Trust Inc.<br>(BKT) | Limited<br>Duration<br>Income Trust<br>(BLW) | Strategic<br>Bond Trust<br>(BHD) |
|--|------------------------------|---|-------------------------------|--|----------------------------------|
| <b>Net Increase in Net Assets Resulting from Operations to Net Cash Flows Provided by Operating Activities</b> |                              |   |                               |  |                                  |
| Cash flows from operating activities:  |                              |   |                               |  |                                  |
| Net increase in net assets resulting from operations   | \$ 6,588,329                 | \$ 20,149,662                           | \$ 23,557,029                 | \$ 50,479,282                                | \$ 8,288,286                     |
| Purchases of long-term investments   | (55,870,951)                 | (1,886,550,246)                         | (703,940,487)                 | (2,116,360,671)                              | (64,776,313)                     |
| Proceeds from sales of long-term investments   | 56,576,912                   | 2,064,778,891                           | 777,064,810                   | 2,048,916,653                                | 81,537,775                       |
| Net proceeds (purchases) of short-term investments   | (279,574)                    | (2,482,005)                             | 25,134                        | 4,078,363                                    | 726,362                          |
| Decrease in deposits with brokers as collateral for borrowed bonds   |                              |   | 12,694,650                    | 8,670,825                                    |                                  |
| Amortization of premium and discount on investments  | (35,414)                     | 4,124,503                               | 14,322,806                    | 4,852,069                                    | 165,829                          |
| Net realized loss on investments   | 2,067,969                    | 4,856,599                               | 4,943,474                     | 1,590,127                                    | 759,640                          |
| Increase in unrealized appreciation/depreciation on investments  | (4,444,627)                  | (3,042,311)                             | (6,074,193)                   | (2,593,098)                                  | (2,082,388)                      |
| Net effect of exchange rates on foreign currency   |                              |   |                               | 331,171                                      |                                  |
| Decrease in investments sold short   |                              |   | (11,033,743)                  |  |                                  |
| Decrease in outstanding options written  |                              | (406,075)                               | (357,154)                     |  |                                  |
| Decrease in TBA sale commitments   |                              | (96,108,174)                            | (4,923,602)                   |  |                                  |
| Increase in interest rate floor  |                              |   | 1,894,856                     |  |                                  |
| Decrease (Increase) in unrealized appreciation on interest rate swaps  |                              | (740,498)                               | 215,922                       | 4,008  |                                  |
| Decrease in credit default swaps   |                              | 52,329                                  |                               |  |                                  |
| Increase in investments in affiliates  | (4,324)                      | (21,542)                                | (30,420)                      | (27,779)                                     | (3,566)                          |
| Decrease (Increase) in receivable for investments sold   | 156,449                      | 168,714,804                             | 29,800,157                    | (1,426,149)                                  | (211,616)                        |
| Decrease (Increase) in unrealized gain on foreign currency exchange contracts                                  |                              |   |                               | 77,712                                       |                                  |
| Decrease (Increase) in variation margin receivable   |                              | (693,241)                               |                               |  |                                  |
| Decrease (Increase) in interest receivable   | 131,949                      | 2,553,972                               | 1,101,610                     | (907,002)                                    | 403,618                          |
| Decrease (Increase) in other assets  | 2,734                        | (4,271)                                 | (3,493)                       | (10,786)                                     | 3,318                            |
| Increase in foreign currency payable to custodian  |                              |   |                               | 1,100  |                                  |
| Increase (Decrease) in payable for investments purchased   | (222,394)                    | (155,650,910)                           | (48,947,681)                  | 132,211,888                                  | (172,676)                        |
| Increase (Decrease) in payable for dollar rolls  |                              |   | 15,527,433                    | (119,709,882)                                |                                  |
| Increase in unrealized loss on foreign currency exchange contracts   |                              |   |                               | 36,980                                       |                                  |
| Increase in variation margin payable   |                              |   | 935,970                       |  |                                  |
| Increase (Decrease) in interest payable  | 9,725                        | (412,918)                               | (413,315)                     | 324,956                                      | (20,216)                         |
| Increase (Decrease) in investment advisory fee payable   | 827                          | (11,025)                                | (3,739)                       | (47,703)                                     | (8,837)                          |
| Increase in cash with brokers as collateral  |                              | 600,000                                 |                               |  |                                  |
| Increase (Decrease) in administration fee payable  | 79                           | (1,838)                                 | (863)                         |  |                                  |
| Increase in deferred Directors/Trustees fees   | 4,324                        | 21,542                                  | 30,420                        | 27,779                                       | 3,566                            |
| Increase (Decrease) in payable to affiliates   | (33)                         | (8,372)                                 | (9,474)                       | 18,508                                       | (932)                            |
| Increase (Decrease) in accrued expenses  | 9,219                        | (25,735)                                | (1,134)                       | 90,132                                       | (4,326)                          |
| Total adjustments  | (1,897,130)                  | 99,543,479                              | 82,817,944                    | (39,850,799)                                 | 16,319,238                       |
| Net cash provided by operating activities  | \$ 4,691,199                 | \$ 119,693,141                          | \$ 106,374,973                | \$ 10,628,483                                | \$ 24,607,524                    |
| Cash from financing activities:  |                              |   |                               |  |                                  |
| Capital contributions  | 48,307                       |   |                               | 251,427                                      |                                  |
| Increase (Decrease) in reverse repurchase agreements   |                              | (85,853,042)                            | (78,867,625)                  | 43,989,269                                   | (16,931,413)                     |
| Decrease in loan payable   | (500,000)                    |   |                               |  |                                  |
| Cash dividends paid  | (4,175,232)                  | (33,377,416)                            | (27,486,981)                  | (56,486,026)                                 | (7,220,745)                      |



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|  |             |               |               |              |              |
|--|-------------|---------------|---------------|--------------|--------------|
| Net cash used for financing activities:        | (4,626,925) | (119,230,458) | (106,354,606) | (12,245,330) | (24,152,158) |
| Net increase (decrease) in cash                | 64,274      | 462,683       | 20,367        | (1,616,847)  | 455,366      |
| Cash and foreign currency at beginning of year | 97,957      | 78,105        | 88,034        | 1,777,603    | 67,525       |
| Cash and foreign currency at end of year       | \$ 162,231  | \$ 540,788    | \$ 108,401    | \$ 160,756   | \$ 522,891   |

**STATEMENTS OF CHANGES IN NET ASSETS**  
**For the years ended October 31, 2006 and 2005**

|   | Broad Investment Grade<br>2009 Term Trust Inc. <sup>1</sup><br>(BCT) |               | Core Bond Trust<br>(BHK) |                |
|---|--|---------------|--------------------------|----------------|
|   | 2006   | 2005          | 2006                     | 2005           |
| <b>Increase (Decrease) in Net Assets</b>                                    |  |               |                          |                |
| <b>Operations:</b>  |  |               |                          |                |
| Net investment income   | \$ 1,918,798   | \$ 2,365,140  | \$ 17,700,447            | \$ 20,946,361  |
| Net realized gain (loss)  | (493,395)  | 785,483       | (8,285,073)              | 17,026,631     |
| Net change in unrealized appreciation/depreciation                          | 341,005  | (3,333,736)   | 11,551,542               | (26,925,832)   |
| Net increase (decrease) in net assets resulting from operations             | 1,766,408  | (183,113)     | 20,966,916               | 11,047,160     |
| <b>Dividends and Distributions:</b>   |  |               |                          |                |
| Net investment income   | (4,191,834)  | (3,053,790)   | (25,048,230)             | (27,245,732)   |
| Net realized gains  | (69,260)   | (742,526)     | (7,914,351)              | (9,450,897)    |
| Tax return of capital   |  |               |                          |                |
| Total dividends and distributions   | (4,261,094)  | (3,796,316)   | (32,962,581)             | (36,696,629)   |
| <b>Capital Share Transactions:</b>  |  |               |                          |                |
| Reinvestment of common dividends  |  |               |                          |                |
| Total increase (decrease)   | (2,494,686)  | (3,979,429)   | (11,995,665)             | (25,649,469)   |
| <b>Net Assets</b>   |  |               |                          |                |
| Beginning of year   | 43,276,004   | 47,255,433    | 385,513,789              | 411,163,258    |
| End of year   | \$ 40,781,318  | \$ 43,276,004 | \$ 373,518,124           | \$ 385,513,789 |
| End of year undistributed (distribution in excess of) net investment income | \$ 5,833,604   | \$ 4,778,322  | \$ (5,693,238)           | \$ 515,459     |

<sup>1</sup> Consolidated Statement of Changes in Net Assets.

See Notes to Financial Statements.

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|   | High Yield Trust<br>(BHY) |               | Income Opportunity Trust<br>(BNA) |                | Income Trust Inc.<br>(BKT) |                |
|---|---------------------------|---------------|-----------------------------------|----------------|----------------------------|----------------|
|   | 2006                      | 2005          | 2006                              | 2005           | 2006                       | 2005           |
| <b>Increase (Decrease) in Net Assets</b>                                    |                           |               |                                   |                |                            |                |
| <b>Operations:</b>  |                           |               |                                   |                |                            |                |
| Net investment income   | \$ 4,211,671              | \$ 4,365,000  | \$ 19,514,794                     | \$ 24,695,470  | \$ 20,352,044              | \$ 28,144,451  |
| Net realized gain (loss)  | (2,067,969)               | 863,475       | (7,330,378)                       | 14,315,363     | 1,937,674                  | (15,436,336)   |
| Net change in unrealized appreciation/depreciation                          | 4,444,627                 | (3,198,856)   | 7,965,246                         | (30,139,747)   | 1,267,311                  | (3,057,050)    |
| Net increase (decrease) in net assets resulting from operations             | 6,588,329                 | 2,029,619     | 20,149,662                        | 8,871,086      | 23,557,029                 | 9,651,065      |
| <b>Dividends and Distributions:</b>   |                           |               |                                   |                |                            |                |
| Net investment income   | (4,175,232)               | (5,087,371)   | (22,238,524)                      | (27,821,573)   | (21,910,288)               | (30,667,298)   |
| Net realized gains  |                           |               | (8,976,694)                       | (9,614,909)    |                            |                |
| Tax return of capital   |                           |               | (2,162,198)                       |                | (5,576,693)                | (4,798,184)    |
| Total dividends and distributions   | (4,175,232)               | (5,087,371)   | (33,377,416)                      | (37,436,482)   | (27,486,981)               | (35,465,482)   |
| <b>Capital Share Transactions:</b>  |                           |               |                                   |                |                            |                |
| Reinvestment of common dividends  | 48,307                    | 67,545        |                                   |                |                            | 1,569,925      |
| Total increase (decrease)   | 2,461,404                 | (2,990,207)   | (13,227,754)                      | (28,565,396)   | (3,929,952)                | (24,244,492)   |
| <b>Net Assets</b>   |                           |               |                                   |                |                            |                |
| Beginning of year   | 47,923,833                | 50,914,040    | 398,078,053                       | 426,643,449    | 418,390,124                | 442,634,616    |
| End of year   | \$ 50,385,237             | \$ 47,923,833 | \$ 384,850,299                    | \$ 398,078,053 | \$ 414,460,172             | \$ 418,390,124 |
| End of year undistributed (distribution in excess of) net investment income | \$ 10,204                 | \$ (26,235)   | \$ (900,730)                      | \$ 2,180,817   | \$ (519,359)               | \$ (595,003)   |

**STATEMENTS OF CHANGES IN NET ASSETS (continued)**  
**For the year ended October 31, 2006 and 2005**

|   | Limited Duration Income Trust<br>(BLW) |                | Strategic Bond Trust<br>(BHD) |               |
|---|--|----------------|-------------------------------|---------------|
|   | 2006                                   | 2005           | 2006                          | 2005          |
| <b>Increase (Decrease) in Net Assets</b>                                    |  |                |                               |               |
| <b>Operations:</b>  |  |                |                               |               |
| Net investment income   | \$ 49,596,055                          | \$ 53,638,295  | \$ 6,965,538                  | \$ 7,734,392  |
| Net realized loss   | (1,589,905)                            | (2,199,531)    | (759,640)                     | (324,159)     |
| Net change in unrealized appreciation/depreciation                          | 2,473,132                              | (32,007,565)   | 2,082,388                     | (7,608,367)   |
| Net increase (decrease) in net assets resulting from operations             | 50,479,282                             | 19,431,199     | 8,288,286                     | (198,134)     |
| <b>Dividends and Distributions:</b>   |  |                |                               |               |
| Dividends from net investment income  | (55,725,066)                           | (49,020,501)   | (6,969,104)                   | (7,935,935)   |
| Net realized gains  |  | (5,497,247)    |                               |               |
| Tax return of capital   | (760,960)                              |                | (251,641)                     | (1,898,203)   |
| Total dividends and distributions   | (56,486,026)                           | (54,517,748)   | (7,220,745)                   | (9,834,138)   |
| <b>Capital Share Transactions:</b>  |  |                |                               |               |
| Reinvestment of common dividends  | 251,427                                | 822,572        |                               | 145,218       |
| Total increase (decrease)   | (5,755,317)                            | (34,263,977)   | 1,067,541                     | (9,887,054)   |
| <b>Net Assets</b>   |  |                |                               |               |
| Beginning of year   | 704,961,417                            | 739,225,394    | 96,546,071                    | 106,433,125   |
| End of year   | \$ 699,206,100                         | \$ 704,961,417 | \$ 97,613,612                 | \$ 96,546,071 |
| End of year undistributed (distribution in excess of) net investment income | \$ (36,700)                            | \$ 6,419,573   | \$ (16,366)                   | \$ (12,800)   |

See Notes to Financial Statements.

**FINANCIAL HIGHLIGHTS****BlackRock Broad Investment Grade 2009 Term Trust Inc. (BCT)**

|  | Year Ended October 31, |              |              |              |               |
|--|------------------------|--------------|--------------|--------------|---------------|
|  | 2006                   | 2005         | 2004         | 2003         | 2002          |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                      |                        |              |              |              |               |
| Net asset value, beginning of year                           | \$ 14.63               | \$ 15.98     | \$ 16.02     | \$ 17.33     | \$ 16.05      |
| Investment operations:                                       |                        |              |              |              |               |
| Net investment income  | 0.65                   | 0.80         | 0.61         | 1.28         | 2.01          |
| Net realized and unrealized gain (loss)                      | (0.05)                 | (0.87)       | 0.25         | (1.40)       | 0.04          |
| Net increase (decrease) from investment operations           | 0.60                   | (0.07)       | 0.86         | (0.12)       | 2.05          |
| Dividends and distributions from:                            |                        |              |              |              |               |
| Net investment income  | (1.42)                 | (1.03)       | (0.90)       | (1.19)       | (0.77)        |
| Net realized gains   | (0.02)                 | (0.25)       |              |              |               |
| Total dividends and distributions                            | (1.44)                 | (1.28)       | (0.90)       | (1.19)       | (0.77)        |
| Net asset value, end of year                                 | \$ 13.79               | \$ 14.63     | \$ 15.98     | \$ 16.02     | \$ 17.33      |
| Market price, end of year                                    | \$ 15.08               | \$ 15.86     | \$ 15.80     | \$ 15.85     | \$ 16.18      |
| <b>TOTAL INVESTMENT RETURN<sup>1</sup></b>                   | <b>4.44%</b>           | <b>8.74%</b> | <b>5.45%</b> | <b>5.32%</b> | <b>18.34%</b> |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                         |                        |              |              |              |               |
| Total expenses   | 1.14%                  | 2.37%        | 2.48%        | 2.43%        | 2.50%         |
| Net expenses   | 1.14%                  | 2.37%        | 2.48%        | 2.43%        | 2.50%         |
| Net expenses excluding interest expense                      | 1.14%                  | 1.19%        | 1.11%        | 1.18%        | 1.16%         |
| Net investment income  | 4.50%                  | 5.23%        | 3.83%        | 7.54%        | 12.22%        |
| <b>SUPPLEMENTAL DATA:</b>                                    |                        |              |              |              |               |
| Average net assets (000)                                     | \$ 42,625              | \$ 45,264    | \$ 47,191    | \$ 49,882    | \$ 48,731     |
| Portfolio turnover   | 8%                     | 116%         | 20%          | 39%          | 35%           |
| Net assets, end of year (000)                                | \$ 40,781              | \$ 43,276    | \$ 47,255    | \$ 47,381    | \$ 51,244     |
| Reverse repurchase agreements outstanding, end of year (000) | \$                     | \$           | \$ 19,263    | \$ 19,953    | \$ 23,669     |
| Asset coverage, end of year <sup>2</sup>                     | \$                     | \$           | \$ 3,453     | \$ 3,375     | \$ 3,165      |
| Reverse repurchase agreements average daily balance (000)    | \$                     | \$ 7,865     | \$ 22,055    | \$ 19,409    | \$ 18,388     |
| Reverse repurchase agreements weighted average interest rate |                        | %            | 2.32%        | 1.20%        | 1.21%         |

<sup>1</sup> Total investment return is calculated assuming a purchase of a share at the current market price on the first day and a sale at the current market price on the last day of each year reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

<sup>2</sup> Per \$1,000 of reverse repurchase agreements outstanding.

The information in the above Financial Highlights represents the audited operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each year indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust's shares.

See Notes to Financial Statements.



**FINANCIAL HIGHLIGHTS****BlackRock Core Bond Trust (BHK)**

|  | Year Ended October 31, |              |               |              | For the period<br>November 30,<br>2001 <sup>1</sup><br>through<br>October 31, 2002 |
|--|------------------------|--------------|---------------|--------------|--|
|  | 2006                   | 2005         | 2004          | 2003         |  |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                      |                        |              |               |              |  |
| Net asset value, beginning of year                           | \$ 14.27               | \$ 15.22     | \$ 14.75      | \$ 14.33     | \$ 14.33 <sub>2</sub>  |
| Investment operations:                                       |                        |              |               |              |  |
| Net investment income  | 0.66                   | 0.78         | 0.92          | 0.83         | 0.99   |
| Net realized and unrealized gain (loss)                      | 0.11                   | (0.37)       | 0.66          | 0.77         | 0.04   |
| Net increase from investment operations                      | 0.77                   | 0.41         | 1.58          | 1.60         | 1.03   |
| Dividends and distributions from:                            |                        |              |               |              |  |
| Net investment income  | (0.93)                 | (1.01)       | (0.86)        | (1.00)       | (1.00)   |
| Net realized gains   | (0.29)                 | (0.35)       | (0.25)        | (0.18)       |  |
| Total dividends and distributions                            | (1.22)                 | (1.36)       | (1.11)        | (1.18)       | (1.00)   |
| Capital charges with respect to issuance of shares           |                        |              |               |              | (0.03)   |
| Net asset value, end of year                                 | \$ 13.82               | \$ 14.27     | \$ 15.22      | \$ 14.75     | \$ 14.33   |
| Market price, end of year                                    | \$ 12.86               | \$ 13.69     | \$ 14.02      | \$ 13.57     | \$ 13.82   |
| <b>TOTAL INVESTMENT RETURN<sup>3</sup></b>                   | <b>3.07%</b>           | <b>7.46%</b> | <b>11.93%</b> | <b>6.62%</b> | <b>(1.02)%</b>   |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                         |                        |              |               |              |  |
| Total expenses   | 1.08%                  | 1.50%        | 1.32%         | 1.05%        | 1.04% <sup>4</sup>   |
| Net expenses   | 1.08%                  | 1.50%        | 1.32%         | 1.05%        | 1.04% <sup>4</sup>   |
| Net expenses excluding interest expense                      | 0.77%                  | 0.85%        | 0.92%         | 0.87%        | 0.93% <sup>4</sup>   |
| Net investment income  | 4.78%                  | 5.20%        | 6.20%         | 5.58%        | 7.67% <sup>4</sup>   |
| <b>SUPPLEMENTAL DATA:</b>                                    |                        |              |               |              |  |
| Average net assets (000)                                     | \$ 370,219             | \$ 402,783   | \$ 401,212    | \$ 401,049   | \$ 380,277   |
| Portfolio turnover   | 88%                    | 220%         | 398%          | 161%         | 73%  |
| Net assets, end of year (000)                                | \$ 373,518             | \$ 385,514   | \$ 411,163    | \$ 398,540   | \$ 387,238   |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 3,911               | \$ 86,876    | \$ 102,474    | \$ 91,668    | \$ 165,215   |
| Asset coverage, end of year <sup>5</sup>                     | \$ 96,502              | \$ 5,438     | \$ 5,012      | \$ 5,348     | \$ 3,342   |
| Reverse repurchase agreements average daily balance (000)    | \$ 25,340              | \$ 91,130    | \$ 145,094    | \$ 67,591    | \$ 35,207  |
| Reverse repurchase agreements weighted average interest rate | 4.54%                  | 2.86%        | 1.11%         | 1.05%        | 1.04%  |

<sup>1</sup> Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

<sup>2</sup> Net asset value, beginning of period, reflects a deduction of \$0.675 per share sales charge from the initial offering price of \$15.00 per share.

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<sup>3</sup> Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

<sup>4</sup> Annualized.

<sup>5</sup> Per \$1,000 of reverse repurchase agreements outstanding.

The information in the above Financial Highlights represents the audited operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust's shares.

See Notes to Financial Statements.



**FINANCIAL HIGHLIGHTS****BlackRock High Yield Trust (BHY)**

|  | Year Ended October 31, |                 |              |               |              |
|--|------------------------|-----------------|--------------|---------------|--------------|
|  | 2006                   | 2005            | 2004         | 2003          | 2002         |
| <b>PER SHARE OPERATING PERFORMANCE:</b>    |                        |                 |              |               |              |
| Net asset value, beginning of year         | \$ 7.48                | \$ 7.95         | \$ 6.96      | \$ 6.13       | \$ 7.20      |
| Investment operations:                     |                        |                 |              |               |              |
| Net investment income                      | 0.66                   | 0.68            | 0.92         | 1.06          | 1.20         |
| Net realized and unrealized gain (loss)    | 0.36                   | (0.36)          | 1.02         | 0.89          | (0.98)       |
| Net increase from investment operations    | 1.02                   | 0.32            | 1.94         | 1.95          | 0.22         |
| Dividends and distributions from:          |                        |                 |              |               |              |
| Net investment income                      | (0.65)                 | (0.79)          | (0.92)       | (1.07)        | (1.20)       |
| Tax return of capital                      |                        |                 | (0.03)       | (0.05)        | (0.09)       |
| Total dividends and distributions          | (0.65)                 | (0.79)          | (0.95)       | (1.12)        | (1.29)       |
| Net asset value, end of year               | \$ 7.85                | \$ 7.48         | \$ 7.95      | \$ 6.96       | \$ 6.13      |
| Market price, end of year                  | \$ 7.77                | \$ 7.36         | \$ 9.30      | \$ 10.25      | \$ 8.68      |
| <b>TOTAL INVESTMENT RETURN<sup>1</sup></b> | <b>14.93%</b>          | <b>(13.49)%</b> | <b>0.28%</b> | <b>32.87%</b> | <b>7.97%</b> |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>       |                        |                 |              |               |              |
| Total expenses                             | 4.50%                  | 3.52%           | 2.69%        | 3.07%         | 3.45%        |
| Net expenses                               | 4.49%                  | 3.51%           | 2.68%        | 3.07%         | 3.45%        |
| Net expenses excluding interest expense    | 2.19%                  | 2.10%           | 1.96%        | 2.22%         | 2.20%        |
| Net investment income                      | 8.74%                  | 8.71%           | 12.16%       | 16.37%        | 16.29%       |
| <b>SUPPLEMENTAL DATA:</b>                  |                        |                 |              |               |              |
| Average net assets (000)                   | \$ 48,176              | \$ 50,104       | \$ 48,186    | \$ 41,326     | \$ 46,751    |
| Portfolio turnover                         | 85%                    | 102%            | 156%         | 30%           | 147%         |
| Net assets, end of year (000)              | \$ 50,385              | \$ 47,924       | \$ 50,914    | \$ 44,438     | \$ 38,953    |
| Loan outstanding, end of year (000)        | \$ 20,250              | \$ 20,750       | \$ 19,250    | \$ 19,250     | \$ 19,250    |
| Asset coverage, end of year <sup>2</sup>   | \$ 3,488               | \$ 3,310        | \$ 3,645     | \$ 3,308      | \$ 3,024     |
| Loan average daily balance (000)           | \$ 20,621              | \$ 20,425       | \$ 19,250    | \$ 19,250     | \$ 22,664    |
| Loan weighted average interest rate        | 4.75%                  | 2.87%           | 1.80%        | 1.96%         | 2.65%        |

<sup>1</sup> Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each year reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

<sup>2</sup> Per \$1,000 of loan outstanding.

The information in the above Financial Highlights represents the audited operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each year indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust's common shares.

See Notes to Financial Statements.



**FINANCIAL HIGHLIGHTS****BlackRock Income Opportunity Trust (BNA)**

|  | Year Ended October 31, |              |               |               |              |
|--|------------------------|--------------|---------------|---------------|--------------|
|  | 2006                   | 2005         | 2004          | 2003          | 2002         |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                      |                        |              |               |               |              |
| Net asset value, beginning of year                           | \$ 11.56               | \$ 12.38     | \$ 11.93      | \$ 11.83      | \$ 11.47     |
| Investment operations:                                       |                        |              |               |               |              |
| Net investment income  | 0.57                   | 0.72         | 0.76          | 0.84          | 1.15         |
| Net realized and unrealized gain (loss)                      | 0.01                   | (0.45)       | 0.53          | 0.31          | (0.05)       |
| Net increase from investment operations                      | 0.58                   | 0.27         | 1.29          | 1.15          | 1.10         |
| Dividends and distributions from:                            |                        |              |               |               |              |
| Net investment income  | (0.65)                 | (0.81)       | (0.84)        | (0.81)        | (0.75)       |
| Net realized gains   | (0.26)                 | (0.28)       |               | (0.24)        |              |
| Tax return of capital  | (0.06)                 |              |               |               |              |
| Total dividends and distributions                            | (0.97)                 | (1.09)       | (0.84)        | (1.05)        | (0.75)       |
| Increase resulting from Trust shares repurchased             |                        |              |               |               | 0.01         |
| Net asset value, end of year                                 | \$ 11.17               | \$ 11.56     | \$ 12.38      | \$ 11.93      | \$ 11.83     |
| Market price, end of year                                    | \$ 10.58               | \$ 10.90     | \$ 11.38      | \$ 10.95      | \$ 10.50     |
| <b>TOTAL INVESTMENT RETURN<sup>1</sup></b>                   | <b>6.27%</b>           | <b>5.53%</b> | <b>12.04%</b> | <b>14.71%</b> | <b>8.44%</b> |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                         |                        |              |               |               |              |
| Total expenses   | 1.61%                  | 1.72%        | 1.11%         | 1.29%         | 1.40%        |
| Net expenses   | 1.61%                  | 1.72%        | 1.11%         | 1.29%         | 1.40%        |
| Net expenses excluding interest expense                      | 0.89%                  | 0.87%        | 0.84%         | 0.89%         | 0.93%        |
| Net investment income  | 5.11%                  | 5.97%        | 6.29%         | 6.99%         | 10.04%       |
| <b>SUPPLEMENTAL DATA:</b>                                    |                        |              |               |               |              |
| Average net assets (000)                                     | \$ 381,726             | \$ 413,777   | \$ 415,131    | \$ 413,543    | \$ 394,495   |
| Portfolio turnover   | 131%                   | 396%         | 300%          | 46%           | 153%         |
| Net assets, end of year (000)                                | \$ 384,850             | \$ 398,078   | \$ 426,643    | \$ 410,981    | \$ 407,480   |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 34,326              | \$ 120,179   | \$ 94,644     | \$ 103,378    | \$ 85,704    |
| Asset coverage, end of year <sup>2</sup>                     | \$ 12,212              | \$ 4,312     | \$ 5,508      | \$ 4,976      | \$ 5,755     |
| Reverse repurchase agreements average daily balance (000)    | \$ 59,691              | \$ 122,457   | \$ 97,264     | \$ 136,172    | \$ 36,153    |
| Reverse repurchase agreements weighted average interest rate | 4.59%                  | 2.87%        | 1.14%         | 1.22%         | 1.93%        |

<sup>1</sup> Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each year reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

<sup>2</sup> Per \$1,000 of reverse repurchase agreements outstanding.

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See Notes to Financial Statements.

**FINANCIAL HIGHLIGHTS****BlackRock Income Trust Inc. (BKT)**

|  | Year Ended October 31, |                 |              |               |               |
|--|------------------------|-----------------|--------------|---------------|---------------|
|  | 2006                   | 2005            | 2004         | 2003          | 2002          |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                      |                        |                 |              |               |               |
| Net asset value, beginning of year                           | \$ 6.54                | \$ 6.95         | \$ 7.21      | \$ 8.13       | \$ 8.06       |
| Investment operations:                                       |                        |                 |              |               |               |
| Net investment income  | 0.32                   | 0.44            | 0.51         | 0.61          | 0.99          |
| Net realized and unrealized gain (loss)                      | 0.05                   | (0.30)          | (0.16)       | (0.52)        | (0.35)        |
| Net increase from investment operations                      | 0.37                   | 0.14            | 0.35         | 0.09          | 0.64          |
| Dividends and distributions from:                            |                        |                 |              |               |               |
| Net investment income  | (0.34)                 | (0.48)          | (0.61)       | (1.01)        | (0.57)        |
| Tax return of capital  | (0.09)                 | (0.07)          |              |               |               |
| Total dividends and distributions                            | (0.43)                 | (0.55)          | (0.61)       | (1.01)        | (0.57)        |
| Net asset value, end of year                                 | \$ 6.48                | \$ 6.54         | \$ 6.95      | \$ 7.21       | \$ 8.13       |
| Market price, end of year                                    | \$ 6.07                | \$ 5.90         | \$ 7.50      | \$ 7.71       | \$ 8.07       |
| <b>TOTAL INVESTMENT RETURN<sup>1</sup></b>                   | <b>10.18%</b>          | <b>(14.63)%</b> | <b>5.97%</b> | <b>15.41%</b> | <b>15.35%</b> |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                         |                        |                 |              |               |               |
| Total expenses   | 2.12%                  | 2.80%           | 1.37%        | 1.36%         | 2.05%         |
| Net expenses   | 2.11%                  | 2.79%           | 1.37%        | 1.36%         | 2.05%         |
| Net expenses excluding interest expense                      | 1.00%                  | 0.99%           | 0.97%        | 1.02%         | 1.03%         |
| Net investment income  | 4.92%                  | 6.54%           | 7.13%        | 8.18%         | 12.28%        |
| <b>SUPPLEMENTAL DATA:</b>                                    |                        |                 |              |               |               |
| Average net assets (000)                                     | \$ 413,597             | \$ 430,035      | \$ 447,984   | \$ 472,676    | \$ 506,533    |
| Portfolio turnover   | 80%                    | 60%             | 120%         | 64%           | 125%          |
| Net assets, end of year (000)                                | \$ 414,460             | \$ 418,390      | \$ 442,635   | \$ 457,301    | \$ 511,385    |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 70,691              | \$ 149,558      | \$ 223,736   | \$ 121,767    | \$ 205,792    |
| Asset coverage, end of year <sup>2</sup>                     | \$ 6,863               | \$ 3,798        | \$ 2,978     | \$ 4,756      | \$ 3,485      |
| Reverse repurchase agreements average daily balance (000)    | \$ 104,393             | \$ 180,553      | \$ 158,278   | \$ 135,804    | \$ 173,501    |
| Reverse repurchase agreements weighted average interest rate | 4.54%                  | 2.81%           | 1.12%        | 1.17%         | 1.81%         |

<sup>1</sup> Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each year reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Past performance is not a guarantee of future results.

<sup>2</sup> Per \$1,000 of reverse repurchase agreements outstanding.

The information in the above Financial Highlights represents the audited operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each year indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust's common shares.

See Notes to Financial Statements.



**FINANCIAL HIGHLIGHTS****BlackRock Limited Duration Income Trust (BLW)**

|  | Year Ended October 31, |                |               | For the period<br>July 30, 2003 <sup>1</sup><br>through<br>October 31, 2003 |
|--|------------------------|----------------|---------------|---|
|  | 2006                   | 2005           | 2004          |   |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                      |                        |                |               |   |
| Net asset value, beginning of year                           | \$ 19.17               | \$ 20.13       | \$ 19.74      | \$ 19.10 <sub>2</sub>   |
| Investment operations:                                       |                        |                |               |   |
| Net investment income  | 1.35                   | 1.46           | 1.46          | 0.33  |
| Net realized and unrealized gain (loss)                      | 0.03                   | (0.94)         | 0.43          | 0.60  |
| Net increase from investment operations                      | 1.38                   | 0.52           | 1.89          | 0.93  |
| Dividends and distributions from:                            |                        |                |               |   |
| Net investment income  | (1.52)                 | (1.33)         | (1.49)        | (0.25)  |
| Net realized gains   |                        | (0.15)         | (0.01)        |   |
| Tax return of capital  | (0.02)                 |                |               |   |
| Total dividends and distributions                            | (1.54)                 | (1.48)         | (1.50)        | (0.25)  |
| Capital charges with respect to issuance of shares           |                        |                |               | (0.04)  |
| Net asset value, end of year                                 | \$ 19.01               | \$ 19.17       | \$ 20.13      | \$ 19.74  |
| Market price, end of year                                    | \$ 18.85               | \$ 17.48       | \$ 19.95      | \$ 18.80  |
| <b>TOTAL INVESTMENT RETURN<sup>3</sup></b>                   | <b>17.31%</b>          | <b>(5.30)%</b> | <b>14.64%</b> | <b>(4.77)%</b>  |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                         |                        |                |               |   |
| Total expenses   | 2.20%                  | 1.71%          | 1.26%         | 0.82% <sup>4</sup>  |
| Net expenses   | 2.19%                  | 1.71%          | 1.25%         | 0.82% <sup>4</sup>  |
| Net expenses excluding interest expense                      | 0.91%                  | 0.92%          | 0.90%         | 0.79% <sup>4</sup>  |
| Net investment income  | 7.10%                  | 7.42%          | 7.34%         | 6.87% <sup>4</sup>  |
| <b>SUPPLEMENTAL DATA:</b>                                    |                        |                |               |   |
| Average net assets (000)                                     | \$ 698,382             | \$ 722,668     | \$ 730,369    | \$ 686,655  |
| Portfolio turnover   | 132%                   | 70%            | 215%          | 127%  |
| Net assets, end of year (000)                                | \$ 699,206             | \$ 704,961     | \$ 739,225    | \$ 724,747  |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 220,000             | \$ 176,010     | \$ 159,416    | \$ 118,993  |
| Asset coverage, end of year <sup>5</sup>                     | \$ 4,178               | \$ 5,005       | \$ 5,637      | \$ 7,091  |
| Reverse repurchase agreements average daily balance (000)    | \$ 179,366             | \$ 186,660     | \$ 195,845    | \$ 26,591   |
| Reverse repurchase agreements weighted average interest rate | 4.96%                  | 3.08%          | 1.32%         | 0.76%   |

<sup>1</sup> Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

<sup>2</sup> Net asset value, beginning of period, reflects a deduction of \$0.90 per share sales charge from the initial offering price of \$20.00 per share.

<sup>3</sup> Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

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<sup>4</sup> Annualized.

<sup>5</sup> Per \$1,000 reverse repurchase agreements outstanding.

The information in the above Financial Highlights represents the audited operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust's common shares.

See Notes to Financial Statements.



**FINANCIAL HIGHLIGHTS****BlackRock Strategic Bond Trust (BHD)**

|  | Year Ended October 31, |                 |               |               | For the period  |
|--|------------------------|-----------------|---------------|---------------|---|
|  | 2006                   | 2005            | 2004          | 2003          | February 28, 2002 <sup>1</sup><br>through<br>October 31, 2002 |
| <b>PER SHARE OPERATING PERFORMANCE:</b>                      |                        |                 |               |               |   |
| Net asset value, beginning of year                           | \$ 13.68               | \$ 15.10        | \$ 15.07      | \$ 12.63      | \$ 14.33 <sub>2</sub>   |
| Investment operations:                                       |                        |                 |               |               |   |
| Net investment income  | 0.99                   | 1.10            | 1.39          | 1.59          | 0.98  |
| Net realized and unrealized gain (loss)                      | 0.18                   | (1.13)          | 0.25          | 2.34          | (1.77)  |
| Net increase (decrease) from investment operations           | 1.17                   | (0.03)          | 1.64          | 3.93          | (0.79)  |
| Dividends and distributions from:                            |                        |                 |               |               |   |
| Net investment income  | (0.98)                 | (1.12)          | (1.61)        | (1.49)        | (0.84)  |
| Tax return of capital  | (0.04)                 | (0.27)          |               |               |   |
| Total dividends and distributions                            | (1.02)                 | (1.39)          | (1.61)        | (1.49)        | (0.84)  |
| Capital charges with respect to issuance of shares           |                        |                 |               |               | (0.07)  |
| Net asset value, end of year                                 | \$ 13.83               | \$ 13.68        | \$ 15.10      | \$ 15.07      | \$ 12.63  |
| Market price, end of year                                    | \$ 12.85               | \$ 12.45        | \$ 16.70      | \$ 15.27      | \$ 12.35  |
| <b>TOTAL INVESTMENT RETURN<sup>3</sup></b>                   | <b>11.87%</b>          | <b>(18.11)%</b> | <b>21.54%</b> | <b>37.36%</b> | <b>(12.34)%</b>   |
| <b>RATIOS TO AVERAGE NET ASSETS:</b>                         |                        |                 |               |               |   |
| Total expenses   | 2.25%                  | 2.14%           | 1.49%         | 2.01%         | 2.57% <sup>4</sup>  |
| Net expenses   | 2.00%                  | 1.87%           | 1.23%         | 1.71%         | 2.26% <sup>4</sup>  |
| Net expenses excluding interest expense                      | 0.94%                  | 0.92%           | 0.89%         | 1.01%         | 1.25% <sup>4</sup>  |
| Net investment income  | 7.26%                  | 7.58%           | 9.23%         | 11.32%        | 10.68% <sup>4</sup>   |
| <b>SUPPLEMENTAL DATA:</b>                                    |                        |                 |               |               |   |
| Average net assets (000)                                     | \$ 96,003              | \$ 101,990      | \$ 106,330    | \$ 98,498     | \$ 95,675   |
| Portfolio turnover   | 56%                    | 51%             | 31%           | 32%           | 22%   |
| Net assets, end of year (000)                                | \$ 97,614              | \$ 96,546       | \$ 106,433    | \$ 106,045    | \$ 88,594   |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 14,951              | \$ 31,883       | \$ 13,188     | \$ 45,872     | \$ 44,223   |
| Asset coverage, end of year <sup>5</sup>                     | \$ 7,529               | \$ 4,028        | \$ 9,071      | \$ 3,312      | \$ 3,003  |
| Reverse repurchase agreements average daily balance (000)    | \$ 21,104              | \$ 30,406       | \$ 27,562     | \$ 46,036     | \$ 44,889   |
| Reverse repurchase agreements weighted average interest rate | 4.81%                  | 3.20%           | 1.33%         | 1.51%         | 1.45%   |

<sup>1</sup> Commencement of investment operations. This information includes the initial investment by BlackRock Funding, Inc.

<sup>2</sup> Net asset value, beginning of period, reflects a deduction of \$0.675 per share sales charge from the initial offering price of \$15.00 per share.

<sup>3</sup>

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Total investment return is calculated assuming a purchase of a common share at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

<sup>4</sup> Annualized

<sup>5</sup> Per \$1,000 of reverse repurchase agreements outstanding.

The information in the above Financial Highlights represents the audited operating performance for a common share outstanding, total investment returns, ratios to average net assets and other supplemental data for each period indicated. This information has been determined based upon financial information provided in the financial statements and market price data for the Trust's common shares.

See Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Organization & Accounting Policies

BlackRock Broad Investment Grade 2009 Term Trust Inc. ( Broad Investment Grade ), BlackRock Core Bond Trust ( Core Bond ), BlackRock High Yield Trust ( High Yield ), BlackRock Income Opportunity Trust ( Income Opportunity ), BlackRock Income Trust Inc. ( Income Trust ), BlackRock Limited Duration Income Trust ( Limited Duration ) and BlackRock Strategic Bond Trust ( Strategic Bond ) (collectively, the Trusts ) are registered as diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended (the 1940 Act ). Broad Investment Grade, Income Opportunity and Income Trust are organized as Maryland corporations. Core Bond, High Yield, Limited Duration and Strategic Bond are organized as Delaware statutory trusts.

On December 3, 1999, Broad Investment Grade transferred a substantial portion of its total assets to a 100% owned registered investment company subsidiary called BCT Subsidiary, Inc. The financial statements and these notes to the financial statements for Broad Investment Grade are consolidated and include the operations of both Broad Investment Grade and its wholly owned subsidiary after elimination of all intercompany transactions and balances.

On September 29, 2006, BlackRock, Inc., the parent of BlackRock Advisors, LLC (formerly BlackRock Advisors, Inc.), and Merrill Lynch & Co., Inc. ( Merrill Lynch ) combined Merrill Lynch's investment management business, Merrill Lynch Investment Managers ( MLIM ), with BlackRock, Inc. to create a new independent company. Merrill Lynch has a 49.8% economic interest and a 45% voting interest in the combined company and The PNC Financial Services Group, Inc. ( PNC ), has approximately a 34% economic and voting interest. The new company operates under the BlackRock name and is governed by a board of directors with a majority of independent members.

Under the Trusts' organizational documents, their officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trusts. In addition, in the normal course of business, the Trusts enter into contracts with their vendors and others that provide for general indemnifications. The Trusts' maximum exposure under these arrangements are unknown as this would involve future claims that may be made against the Trusts. However, based on experience, the Trusts consider the risk of loss from such claims to be remote.

The following is a summary of significant accounting policies followed by the Trusts.

**Investment Valuation:** The Trusts value most of their investments on the basis of current market quotations provided by dealers or pricing services selected under the supervision of each Trust's Board (the Board ) of Directors/Trustees (the Trustees ). In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, market transactions in comparable investments, various relationships observed in the market between investments, and calculated yield measures based on valuation technology commonly employed in the market for such investments. Exchange-traded options are valued at their last sales price as of the close of options trading on applicable exchanges. In the absence of a last sale, options are valued at the average of the quoted bid and asked prices as of the close of business. Swap quotations are provided by dealers selected under supervision of the Board. A futures contract is valued at the last sale price as of the close of the commodities exchange on which it trades. Short-term securities may be valued at amortized cost. Investments or other assets for which such current market quotations are not readily available are valued at fair value ( Fair Value Assets ) as determined in good faith under procedures established by, and under the general supervision and responsibility of, each Trust's Board. The investment advisor and/or sub-advisor will submit its recommendations regarding the valuation and/or valuation methodologies for Fair Value Assets to a valuation committee. The valuation committee may accept, modify or reject any recommendations. The pricing of all Fair Value Assets shall be subsequently reported to the Board.

When determining the price for a Fair Value Asset, the investment advisor and/or sub-advisor shall seek to determine the price that the Trust might reasonably expect to receive from the current sale of that asset in an arm's-length transaction. Fair value determinations shall be based upon all available factors that BlackRock Advisors deems relevant.

In September 2006, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ) which is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the implications of FAS 157. At this time, its impact on the Trusts' financial statements has not been determined.

**Investment Transactions and Investment Income:** Investment transactions are recorded on trade date. The cost of investments sold and the related gain or loss is determined by use of the specific identification method, generally first-in, first-out, for both financial reporting and federal income tax purposes. Each Trust records interest income on an accrual basis and amortizes premium and/or accretes discount on securities purchased using the interest method.

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Each Trust may from time to time purchase in the secondary market certain mortgage pass-through securities packaged or master serviced by affiliates or mortgage-related securities containing loans or mortgages originated by Merrill Lynch, PNC Bank or their affiliates, each of which may be presumed to be an affiliate of BlackRock Advisors, LLC. It is possible, under certain circumstances, that Merrill Lynch's Global Markets and Investment Banking Group, PNC Mortgage Securities Corp. or their affiliates, could have interests that are in conflict with the holders of these mortgage-backed securities, and such holders could have rights against Merrill Lynch's Global Markets and Investment Banking Group, PNC Mortgage Securities Corp. or their affiliates.

**Reverse Repurchase Agreements:** The Trusts may enter into reverse repurchase agreements with qualified third-party broker-dealers as determined by and under the direction of the Trusts' Board. Interest expense paid by the Trusts on the value of reverse repurchase agreements issued and outstanding is based upon competitive market rates at the time of issuance. At the time a Trust enters into a reverse repurchase agreement,

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it will establish and maintain a segregated account with the lender, containing liquid investment grade securities having a value not less than the repurchase price, including accrued interest of the reverse repurchase agreement.

**Dollar Rolls:** The Trusts may enter into dollar rolls in which a Trust sells securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities on a specified future date. During the roll period the Trusts forgo principal and interest paid on the securities. The Trusts will be compensated by the interest earned on the cash proceeds of the initial sale and/or by the lower repurchase price at the future date.

**Loan Payable:** High Yield has a \$32 million committed credit facility (the facility). Under the terms of the facility, the Trust borrows at the London Interbank Offered Rate (LIBOR) plus facility and administrative fees. In addition, the Trust pays a liquidity fee on the unused portion of the facility. The Trust may borrow up to 331/3% of its total assets up to the committed amount. In accordance with the terms of the facility, the Trust has pledged its portfolio assets as collateral for the borrowing.

**Bank Loans:** In the process of buying, selling and holding bank loans, a Trust may receive and/or pay certain fees. These fees are included in the purchase price and may include facility fees, commitment fees, amendment fees, commissions and prepayment penalty fees. These fees are amortized as premium and/or accretes discount over the term of the loan. When a Trust buys a bank loan it may receive a facility fee and when it sells a bank loan it may pay a facility fee. On an ongoing basis, a Trust may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a bank loan. In certain circumstances, a Trust may receive a prepayment penalty fee upon the prepayment of a bank loan by a borrower. Other fees received by a Trust may include covenant waiver fees and covenant modification fees.

A Trust may invest in multiple series or tranches of an issuer. A different series or tranche may have varying terms and carry different associated risks.

**Option Writing/Purchasing:** When a Trust writes or purchases an option, an amount equal to the premium received or paid by the Trust is recorded as a liability or an asset and is subsequently adjusted to the current market value of the option written or purchased. Premiums received or paid from writing or purchasing options which expire unexercised are treated by the Trust on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on effecting a closing purchase or sale transaction, including brokerage commissions, is also treated as a realized gain or loss. If an option is exercised, the premium paid or received is added to the cost of the purchase or the proceeds from the sale in determining whether a Trust has realized a gain or a loss on investment transactions. A Trust, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.

Option writing and purchasing may be used by the Trusts as an attempt to manage the duration of positions, or collections of positions, so that changes in interest rates do not adversely affect the targeted duration of the portfolio unexpectedly. Duration is a measure of the price sensitivity of a security or a portfolio to relative changes in interest rates. For instance, a duration of one means that a portfolio's or a security's price would be expected to change by approximately one percent with a one percent change in interest rates, while a duration of five would imply that the price would move approximately five percent in relation to a one percent change in interest rates.

A call option gives the purchaser of the option the right (but not obligation) to buy, and obligates the seller to sell (when the option is exercised), the underlying position at the exercise price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying position at the exercise price at any time or at a specified time during the option period. The main risk that is associated with purchasing options is that the option expires without being exercised. In this case, the option expires worthless and the premium paid for the option is considered the loss. The risk associated with writing call options is that a Trust may forgo the opportunity for a profit if the market value of the underlying position increases and the option is exercised. The risk in writing put options is that a Trust may incur a loss if the market value of the underlying position decreases and the option is exercised. In addition, the Trust risks not being able to enter into a closing transaction for the written option as the result of an illiquid market.

**Stripped Mortgage-Backed Securities:** Stripped mortgage-backed securities are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. In certain cases, one class will receive all of the interest (the interest-only or IO class), while the other class will receive all of the principal (the principal-only or PO class). The yield to maturity on IOs is sensitive to the rate of principal repayments (including prepayments) on the related underlying mortgage assets, and principal payments may have a material effect on yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, a Trust may not fully recoup its initial investment in IOs. Such securities will be considered liquid only if so determined in accordance with guidelines established by the Trustees.

**Inverse Floating Rate Securities:** The Trusts may invest in inverse floating rate securities that pay interest at a rate that varies inversely with interest rates. As interest rates rise, inverse floating rates decline. The market value of such securities is more volatile than comparable fixed rate securities.

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**Credit Default Swaps:** Credit default swaps are agreements in which one party pays fixed periodic payments to a counterparty in consideration for a guarantee from the counterparty to make a specific payment should a negative credit event take place. Risks arise from the possible inability of the counterparties to meet the terms of their contracts.

During the term of the swap, changes in the value of the swap are recognized as unrealized gains or losses by marking-to-market to reflect the market value of the swap. When the swap is terminated, a Trust will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust's basis in the contract, if any.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the swap. However, the Trusts closely monitor swaps and do not anticipate non-performance by any counterparty.

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**Total Return Swaps:** Total return swaps are agreements in which one party commits to pay interest in exchange for a market-linked return. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Trust will receive a payment from or make a payment to the counterparty.

During the term of the swap, changes in the value of the swap are recognized as unrealized gains or losses by marking-to-market to reflect the market value of the swap. When the swap is terminated, a Trust will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust's basis in the contract, if any.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the swap. However, the Trusts closely monitor swaps and do not anticipate non-performance by any counterparty.

**Interest Rate Swaps:** In an interest rate swap, one investor pays a floating rate of interest on a notional principal amount and receives a fixed rate of interest on the same notional principal amount for a specified period of time. Alternatively, an investor may pay a fixed rate and receive a floating rate. Interest rate swaps are efficient as asset/liability management tools. In more complex swaps, the notional principal amount may decline (or amortize) over time.

During the term of the swap, changes in the value of the swap are recognized as unrealized gains or losses by marking-to-market to reflect the market value of the swap. When the swap is terminated, a Trust will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust's basis in the contract, if any.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the swap. However, the Trusts closely monitor swaps and do not anticipate non-performance by any counterparty.

**Swap Options:** Swap options are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate swap agreement at any time before the expiration of the option. Premiums received or paid from writing or purchasing options are recorded as liabilities or assets and are subsequently adjusted to the current market value of the option written or purchased. Premiums received or paid from writing or purchasing options which expire unexercised are treated by a Trust on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on effecting a closing purchase or sale transaction, including brokerage commission, is also treated as a realized gain or loss. If an option is exercised, the premium paid or received is added to the cost of the purchase or the proceeds from the sale in determining whether a Trust has realized a gain or loss on investment transactions.

The main risk that is associated with purchasing swap options is that the swap option expires without being exercised. In this case, the option expires worthless and the premium paid for the swap option is considered the loss. The main risk that is associated with the writing of a swap option is the market risk of an unfavorable change in the value of the interest rate swap underlying the written swap option.

Swap options may be used by the Trusts to manage the duration of the Trusts' portfolios in a manner similar to more generic options described above.

**Interest Rate Caps:** Interest rate caps are similar to interest rate swaps, except that one party agrees to pay a fee, while the other party pays the excess, if any, of a floating rate over a specified fixed or floating rate.

Interest rate caps are intended to both manage the duration of the Trusts' portfolios and their exposure to changes in short-term interest rates. Owning interest rate caps reduces a portfolio's duration, making it less sensitive to changes in interest rates from a market value perspective. The effect on income involves protection from rising short-term interest rates, which the Trusts experience primarily in the form of leverage.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the interest rate cap. However, the Trusts do not anticipate non-performance by any counterparty.

Transaction fees paid or received by the Trusts are recognized as assets or liabilities and amortized or accreted into interest expense or income over the life of the interest rate cap. The asset or liability is subsequently adjusted to the current market value of the interest rate cap purchased or sold. Changes in the value of the interest rate cap are recognized as unrealized gains and losses.

**Interest Rate Floors:** Interest rate floors are similar to interest rate swaps, except that one party agrees to pay a fee, while the other party pays the deficiency, if any, of a floating rate under a specified fixed or floating rate.

Interest rate floors are used by the Trusts to both manage the duration of the portfolios and their exposure to changes in short-term interest rates. Selling interest rate floors reduces a portfolio's duration, making it less sensitive to changes in interest rates from a market value

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perspective. The Trusts' leverage provides extra income in a period of falling rates. Selling floors reduces some of that extra income by partially monetizing it as an up front payment which the Trusts receive.

The Trusts are exposed to credit loss in the event of non-performance by the other party to the interest rate floor. However, the Trusts do not anticipate non-performance by any counterparty.

Transaction fees paid or received by the Trusts are recognized as assets or liabilities and amortized or accreted into interest expense or income over the life of the interest rate floor. The asset or liability is subsequently adjusted to the current market value of the interest rate floor purchased or sold. Changes in the value of the interest rate floor are recognized as unrealized gains and losses.

**Financial Futures Contracts:** A futures contract is an agreement between two parties to buy and sell a financial instrument for a set price on a future date. Initial margin deposits are made upon entering into futures contracts and can be either cash or securities. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by marking-to-market on a daily



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basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received, depending upon whether unrealized gains or losses are incurred. When the contract is closed, a Trust records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trust's basis in the contract.

Financial futures contracts, when used by the Trusts, help in maintaining a targeted duration. Futures contracts can be sold to effectively shorten an otherwise longer duration portfolio. In the same sense, futures contracts can be purchased to lengthen a portfolio that is shorter than its duration target. Thus, by buying or selling futures contracts, the Trusts attempt to manage the duration of positions so that changes in interest rates do not change the duration of the portfolio unexpectedly.

**Forward Currency Contracts:** The Trusts enter into forward currency contracts primarily to facilitate settlement of purchases and sales of foreign securities and to help manage the overall exposure to foreign currency. A forward contract is a commitment to purchase or sell a foreign currency at a future date (usually the security transaction settlement date) at a negotiated forward rate. In the event that a security fails to settle within the normal settlement period, the forward currency contract is renegotiated at a new rate. The gain or loss arising from the difference between the settlement value of the original and renegotiated forward contracts is isolated and is included in net realized gains (losses) from foreign currency transactions. Risks may arise as a result of the potential inability of the counterparties to meet the terms of their contract.

Forward currency contracts, when used by the Trusts, help to manage the overall exposure to the foreign currency backing some of the investments held by the Trusts. Forward currency contracts are not meant to be used to eliminate all of the exposure to the foreign currency, rather they allow the Trusts to limit their exposure to foreign currency within a narrow band to the objectives of the Trusts.

**Foreign Currency Translation:** Foreign currency amounts are translated into United States dollars on the following basis:

- (i) market value of investment securities, assets and liabilities at the current rate of exchange.
- (ii) purchases and sales of investment securities, income and expenses at the rates of exchange prevailing on the respective dates of such transactions.

The Trusts isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Trusts isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of portfolio securities sold during the period.

Net realized and unrealized foreign exchange gains and losses includes realized foreign exchange gains and losses from sales and maturities of foreign portfolio securities, sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of interest and discount recorded on the Trusts' books and the U.S. dollar equivalent amounts actually received or paid, and changes in unrealized foreign exchange gains and losses in the value of portfolio securities and other assets and liabilities arising as a result of changes in the exchange rate.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of domestic origin, including unanticipated movements in the value of the foreign currency relative to the U.S. dollar.

**Short Sales:** The Trusts may make short sales of securities as a method of managing potential price declines in similar securities owned. When a Trust makes a short sale, it may borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Trusts may have to pay a fee to borrow the particular securities and may be obligated to pay over any payments received on such borrowed securities, which would be included in interest expense in the Statement of Operations. A gain, limited to the price at which a Trust sold the security short, or a loss, unlimited as to dollar amount, will be recognized upon the termination of a short sale if the market price is greater or less than the proceeds originally received.

**Bonds Borrowed Agreements:** In a bonds borrowed agreement, the Trust borrows securities from a third party, with the commitment that they will be returned to the lender on an agreed-upon date. Bonds borrowed agreements are primarily entered into to settle short positions. In a bonds borrowed agreement, the Trust's prime broker or third party broker takes possession of the underlying collateral securities or cash to settle such short positions. The value of the underlying collateral securities or cash approximates the principal amount of the bonds borrowed transaction, including accrued interest. To the extent that bonds borrowed transactions exceed one business day, the value of the collateral with any counterparty is marked-to-market on a daily basis to ensure the adequacy of the collateral. If the lender defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the lender of the security, realization of the collateral by the Trust may be delayed or limited.

**Segregation:** In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission (the Commission) require that each Trust segregate assets in connection with certain investments (e.g., when issued securities, reverse repurchase agreements, swaps or futures contracts), each Trust will, consistent with certain interpretive letters issued by the Commission, designate on its books and records cash or other liquid debt securities having a market value at least equal to the amount that would otherwise be required to be physically

segregated.

**Federal Income Taxes:** It is each Trust's intention to continue to be treated as a regulated investment company under the Internal Revenue Code and to distribute sufficient amounts of their taxable income to shareholders. Therefore, no federal income tax provisions have been recorded. As part of a tax planning strategy, Broad Investment Grade has retained a portion of its taxable income and will pay excise tax on the undistributed amounts.

On July 13, 2006, the Financial Accounting Standards Board ( FASB ) released FASB Interpretation No. 48 ( FIN 48 ) Accounting for Uncertainty in Income Taxes. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. FIN 48 requires the evaluation of tax positions taken in the course of preparing the Trusts' tax returns to deter-

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mine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be booked as a tax expense in the current year and recognized as: a liability for unrecognized tax benefits; a reduction of an income tax refund receivable; a reduction of deferred tax asset; an increase in deferred tax liability; or a combination thereof. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006. At this time, management is evaluating the implications of FIN 48 and its impact on the financial statements has not yet been determined.

**Dividends and Distributions:** Each Trust declares and pays dividends and distributions to common shareholders monthly from net investment income, net realized short-term capital gains and, if necessary, other sources. Net long-term capital gains, if any, in excess of loss carryforwards may be distributed in accordance with the 1940 Act. Dividends and distributions are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities including investment and swap valuations at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and such differences may be material.

**Deferred Compensation and BlackRock Closed-End Share Equivalent Investment Plan:** Under the deferred compensation plan approved by each Trust's Board, non-interested Trustees ( Independent Trustees ) are required to defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of the other BlackRock Closed-End Funds selected by the Independent Trustees. These amounts are shown on the Statement of Assets and Liabilities as Affiliated Investments . This has the same economic effect for the Independent Trustees as if the Independent Trustees had invested the deferred amounts in such Trusts.

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Trust. Each Trust may, however, elect to invest in common shares of those Trusts selected by the Independent Trustees in order to match its deferred compensation obligations.

**Other:** Expenses that are directly related to one of the Trusts are charged directly to that Trust. Other operating expenses are generally prorated to the Trusts on the basis of relative net assets of all the BlackRock Closed-End Funds.

### Note 2. Agreements and Other Transactions with Affiliates and Related Parties

Each Trust has an Investment Management Agreement with BlackRock Advisors, LLC (the Advisor ), which is a wholly owned subsidiary of BlackRock, Inc. BlackRock Financial Management, Inc. ( BFM ), a wholly owned subsidiary of BlackRock, Inc., serves as sub-advisor to Core Bond, Limited Duration and Strategic Bond. BlackRock, Inc. may be presumed to be an affiliate of Merrill Lynch & Co., Inc. and The PNC Financial Services Group, Inc.

Broad Investment Grade, High Yield, Income Opportunity and Income Trust each have an Administration Agreement with the Advisor. The Investment Management Agreement for Core Bond, Limited Duration and Strategic Bond covers both investment advisory and administration services.

Each Trust's investment advisory fee paid to the Advisor is computed weekly and payable monthly based on an annual rate, 0.55% for Broad Investment Grade, 0.60% for Income Opportunity and 0.65% for Income Trust, of each Trust's average net assets and 0.55% for Core Bond and Limited Duration, 1.05% for High Yield and 0.75% for Strategic Bond, of each Trust's average weekly managed assets. Net assets means the total assets of the Trust minus the sum of accrued liabilities. Managed assets means the total assets of a Trust (including any assets attributable to any borrowing that may be outstanding) minus the sum of accrued liabilities (other than debt representing financial leverage). The Advisor has voluntarily agreed to waive a portion of the investment advisory fees or other expenses on Strategic Bond as a percentage of its average weekly managed assets as follows: 0.20% for the first five years of the Trust's operations from 2002 through 2007, 0.15% in 2008, 0.10% in 2009 and 0.05% in 2010.

The Advisor pays BFM fees for its sub-advisory services.

The administration fee paid to the Advisor by Broad Investment Grade, High Yield, Income Opportunity and Income Trust is computed weekly and payable monthly based on an annual rate of 0.15%, 0.10%, 0.10%, and 0.15%, respectively of the Trusts' average weekly managed assets.

Pursuant to the Investment Management and Administration Agreements, the Advisor provides continuous supervision of the investment portfolio and pays the compensation of officers of each Trust who are affiliated persons of the Advisor, as well as occupancy and certain clerical

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and accounting costs of each Trust. Each Trust bears all other costs and expenses, which include reimbursements to the Advisor for cost of employees that provide pricing, secondary market support and compliance services provided to each Trust. For the year ended October 31, 2006, the Trusts reimbursed the Advisor the following amounts, which are included in miscellaneous expenses in the Statement of Operations:

| <b>Trust</b>           | <b>Amount</b> |
|------------------------|---------------|
| Broad Investment Grade | \$ 3,650      |
| Core Bond              | 24,820        |
| High Yield             | 2,500         |
| Income Opportunity     | 25,652        |

| <b>Trust</b>     | <b>Amount</b> |
|------------------|---------------|
| Income Trust     | \$ 31,087     |
| Limited Duration | 91,820        |
| Strategic Bond   | 6,198         |

Pursuant to the terms of their custody agreements, each Trust may receive earnings credits from its custodian for positive cash balances maintained, which are used to offset custody fees. These credits are shown on the Statements of Operations as fees paid indirectly.

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During the year ended October 31, 2006, Merrill Lynch & Co., Inc., through its affiliated broker dealer Merrill Lynch, Pierce, Fenner & Smith, Inc., earned commissions on transactions of securities as follows:

| Trust              | Commission Amount |
|--------------------|-------------------|
| Core Bond          | \$ 51,942         |
| Income Opportunity | 60,362            |
| Income Trust       | 30,922            |

Investments in companies considered to be an affiliate of the Trusts, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

| Trust              | Portfolio Company   | Beginning Principal Amount | Purchases   | Sales       | Ending Principal Amount | Net Realized Loss | Dividend/ Interest Income | Market Value of Affiliates at October 31, 2006 |
|--------------------|---|----------------------------|-------------|-------------|-------------------------|-------------------|---------------------------|--|
| Core Bond          | Merrill Lynch Mortgage Investors, Inc., Ser. HE2, Class A2A | \$                         | \$2,925,000 | \$1,415,452 | \$1,509,548             | \$                | \$ 99,517                 | \$1,509,838                                    |
| Income Opportunity | Merrill Lynch Mortgage Investors, Inc., Ser. HE2, Class A2A |                            | 3,200,000   | 1,548,529   | 1,651,471               |                   | 109,155                   | 1,651,789                                      |
|                    | Merrill Projects, Ser. 29                                   | 157,733                    |             | 5,408       | 152,325                 |                   | 11,480                    | 153,837  |
|                    | Merrill Projects, Ser. 42                                   | 230,458                    |             | 179,060     | 51,398                  |                   | 4,823                     | 51,939   |
| Income Trust       | Merrill Lynch Mortgage Investors, Inc., Ser. C2             | 2,055,258                  |             | 2,055,258   |                         | (59,731)          |                           |  |
|                    | Merrill Projects, Ser. 54                                   | 52,851                     |             | 1,601       | 51,250                  |                   | 3,855                     | 51,795   |

### Note 3. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments, dollar rolls and U.S. government securities, for the year ended October 31, 2006 were as follows:

| Trust                  | Purchases    | Sales        | Trust            | Purchases      | Sales          |
|------------------------|--------------|--------------|------------------|----------------|----------------|
| Broad Investment Grade | \$ 3,161,603 | \$ 8,767,520 | Income Trust     | \$ 171,866,685 | \$ 433,349,706 |
| Core Bond              | 233,060,016  | 208,830,241  | Limited Duration | 1,405,244,885  | 1,337,948,590  |
| High Yield             | 55,870,951   | 56,576,912   | Strategic Bond   | 57,922,011     | 74,222,016     |
| Income Opportunity     | 476,873,405  | 427,093,810  |                  |                |                |

Purchases and sales of U.S. government securities for the year ended October 31, 2006, aggregated as follows:

| Trust                  | Purchases   | Sales         | Trust          | Purchases      | Sales         |
|------------------------|-------------|---------------|----------------|----------------|---------------|
| Broad Investment Grade | \$          | \$ 11,700,000 | Income Trust   | \$ 258,366,922 | \$ 69,184,243 |
| Core Bond              | 135,017,135 | 268,311,645   | Strategic Bond | 6,854,302      | 7,315,759     |
| Income Opportunity     | 148,497,169 | 299,648,887   |                |                |               |

Details of open foreign currency exchange contracts at October 31, 2006 were as follows:

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| <b>Trust</b>     | <b>Foreign<br/>Currency</b> | <b>Settlement<br/>Date</b> | <b>Contract to<br/>Purchase /<br/>Receive</b> | <b>Value at<br/>Settlement<br/>Date</b> | <b>Value at<br/>October 31,<br/>2006</b> | <b>Unrealized<br/>Appreciation<br/>(Depreciation)</b> |
|------------------|-----------------------------|----------------------------|---|---|--|---|
| Core Bond        | <b>Bought:</b>              |                            |   |   |  |   |
|                  | Euro                        | 1/10/07                    | \$ 3,983,300                                  | \$ 5,042,698                            | \$ 5,102,113                             | \$ 59,415   |
|                  | <b>Sold:</b>                |                            |   |   |  |   |
|                  | Euro                        | 1/10/07                    | 4,190,867                                     | 5,392,053                               | 5,367,981                                | 24,072  |
|                  |                             |                            |   |   |  | \$ 83,487   |
| Limited Duration | <b>Sold:</b>                |                            |   |   |  |   |
|                  | Euro                        | 1/10/07                    | 16,753,550                                    | 21,523,286                              | 21,474,717                               | \$ 48,569   |
|                  | Euro                        | 1/10/07                    | 500,000                                       | 633,187                                 | 640,900                                  | (7,713)   |
|                  | British Pounds              | 1/10/07                    | 5,963,875                                     | 11,309,271                              | 11,387,107                               | (77,836)  |
|                  |                             |                            |   |   |  | \$ (36,980)   |

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Income Trust held interest rate floors at October 31, 2006. Under the agreement, Income Trust pays the excess, if any, of a fixed rate over a floating rate. Income Trust received transaction fees for the floors. Transaction fees are amortized through the termination of the agreement. Details of the interest rate floors held at October 31, 2006 were as follows:

| Notional Amount (000) | Variable Rate | Counter Party | Floating Rate | Termination Date | Amortized Cost | Value at October 31, 2006 | Unrealized Appreciation |
|-----------------------|---------------|---------------|---------------|------------------|----------------|---------------------------|-------------------------|
| \$ 185,000            | 4.80%         | Goldman Sachs | 3-month LIBOR | 3/25/11          | \$ (2,075,000) | \$ (1,196,567)            | \$ 878,433              |
| 146,000               | 4.95          | JP Morgan     | 3-month LIBOR | 3/25/11          | (1,609,164)    | (698,289)                 | 910,875                 |
|                       |               |               |               |                  | \$ (3,684,164) | \$ (1,894,856)            | \$ 1,789,308            |

Details of open interest rate swaps at October 31, 2006 were as follows:

| Trust                    | Notional Amount (000) | Fixed Rate                | Counter Party             | Floating Rate | Termination Date | Unrealized Appreciation (Depreciation) |
|--------------------------|-----------------------|---------------------------|---------------------------|---------------|------------------|--|
| Core Bond                | 5,600                 | 4.415%(a)                 | Union Bank of Switzerland | 3-month LIBOR | 09/27/08         | \$ (75,880)                            |
|                          | 41,200                | 4.510(b)                  | CitiBank                  | 3-month LIBOR | 10/29/14         | 1,571,998                              |
|                          | 50,000                | 3.000(b)                  | Union Bank of Switzerland | 3-month LIBOR | 04/16/07         | 596,890                                |
|                          | 14,100                | 4.305(a)                  | Morgan Stanley            | 3-month LIBOR | 06/17/10         | (200,178)                              |
|                          | 20,000                | 4.458(b)                  | Morgan Stanley            | 3-month LIBOR | 04/18/10         | (361,070)                              |
|                          | 2,800                 | 4.500(b)                  | JP Morgan                 | 3-month LIBOR | 05/26/15         | 88,722                                 |
|                          | 4,800                 | 4.372(a)                  | Union Bank of Switzerland | 3-month LIBOR | 06/30/15         | (202,080)                              |
|                          | 6,200                 | 4.725(a)                  | Morgan Stanley            | 3-month LIBOR | 08/02/15         | (180,335)                              |
|                          | 7,200                 | 5.160(a)                  | Deutsche Bank             | 3-month LIBOR | 09/12/09         | 19,896                                 |
|                          | 4,600                 | 5.000(a)                  | Deutsche Bank             | 3-month LIBOR | 11/07/10         | 44,909                                 |
|                          | 5,000                 | 4.870(a)                  | Goldman Sachs             | 3-month LIBOR | 01/25/16         | (30,767)                               |
|                          | 4,800                 | 5.723(a)                  | JP Morgan                 | 3-month LIBOR | 07/14/16         | 285,761                                |
|                          | 25,100                | 5.496(a)                  | Bank of America           | 3-month LIBOR | 07/28/11         | 837,085                                |
|                          | 8,900                 | 5.410(a)                  | Deutsche Bank             | 3-month LIBOR | 08/15/08         | 41,133                                 |
|                          |                       |                           |                           |               |                  | \$ 2,436,084                           |
| Income Opportunity Trust | 7,800                 | 4.415%(a)                 | Union Bank of Switzerland | 3-month LIBOR | 09/27/08         | \$ (105,690)                           |
|                          | 50,000                | 3.000(b)                  | Union Bank of Switzerland | 3-month LIBOR | 04/16/07         | 596,890                                |
|                          | 27,500                | 4.399(b)                  | Deutsche Bank             | 3-month LIBOR | 10/25/14         | 1,267,076                              |
|                          | 13,800                | 4.510(b)                  | CitiBank                  | 3-month LIBOR | 10/29/14         | 526,543                                |
|                          | 13,300                | 4.305(a)                  | Morgan Stanley            | 3-month LIBOR | 06/17/10         | (188,820)                              |
|                          | 10,000                | 4.458(b)                  | Morgan Stanley            | 3-month LIBOR | 04/18/10         | (180,535)                              |
|                          | 3,000                 | 4.500(b)                  | JP Morgan                 | 3-month LIBOR | 05/26/15         | 95,060                                 |
|                          | 5,200                 | 4.372(a)                  | Union Bank of Switzerland | 3-month LIBOR | 06/30/15         | (218,920)                              |
|                          | 9,600                 | 5.410(a)                  | Deutsche Bank             | 3-month LIBOR | 08/15/08         | 44,368                                 |
|                          | 8,000                 | 4.670(a)                  | Goldman Sachs             | 3-month LIBOR | 09/20/15         | (257,895)                              |
|                          | 5,000                 | 5.000(a)                  | Deutsche Bank             | 3-month LIBOR | 11/07/10         | 48,815                                 |
|                          | 5,200                 | 5.723(a)                  | JP Morgan                 | 3-month LIBOR | 07/14/16         | 309,574                                |
|                          | 27,900                | 5.496(a)                  | Bank of America           | 3-month LIBOR | 07/28/11         | 930,465                                |
|                          | 6,600                 | 5.160(a)                  | Deutsche Bank             | 3-month LIBOR | 09/12/09         | 18,238                                 |
|                          | 25,000                | 5.011(a)                  | Lehman Brothers           | 3-month LIBOR | 10/10/10         | (77,493)                               |
|                          |                       |                           |                           |               | \$ 2,807,676     |  |
| Income Trust             | 11,000                | 4.415%(a)                 | Union Bank of Switzerland | 3-month LIBOR | 09/27/08         | \$ (149,050)                           |
|                          | 2,800                 | 5.940(a)                  | Union Bank of Switzerland | 3-month LIBOR | 12/07/15         | 207,312                                |
|                          | 50,000                | 3.000(b)                  | Union Bank of Switzerland | 3-month LIBOR | 04/16/07         | 596,890                                |
|                          | 19,000                | 4.889(b)                  | Goldman Sachs             | 3-month LIBOR | 04/22/14         | 231,918                                |
|                          | 12,500                | 4.399(b)                  | Deutsche Bank             | 3-month LIBOR | 10/25/14         | 575,944                                |
| 25,000                   | 4.883(a)              | Union Bank of Switzerland | 3-month LIBOR             | 03/21/15      | (411,500)        |  |

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|        |                      |                           |               |          |                     |
|--------|----------------------|---------------------------|---------------|----------|---------------------|
| 16,000 | 4.925 <sup>(b)</sup> | Deutsche Bank             | 3-month LIBOR | 03/22/15 | 210,693             |
| 3,000  | 4.500 <sup>(b)</sup> | JP Morgan                 | 3-month LIBOR | 05/26/15 | 95,059              |
| 4,500  | 4.442 <sup>(a)</sup> | Morgan Stanley            | 3-month LIBOR | 07/11/15 | (161,389)           |
| 12,000 | 4.320 <sup>(a)</sup> | Union Bank of Switzerland | 3-month LIBOR | 09/08/10 | (319,000)           |
| 5,500  | 4.870 <sup>(a)</sup> | Goldman Sachs             | 3-month LIBOR | 01/25/16 | (33,844)            |
| 5,400  | 5.723 <sup>(a)</sup> | JP Morgan                 | 3-month LIBOR | 07/14/16 | 321,481             |
| 9,300  | 5.410 <sup>(a)</sup> | Deutsche Bank             | 3-month LIBOR | 08/15/08 | 42,982              |
| 40,000 | 5.011 <sup>(a)</sup> | Lehman Brothers           | 3-month LIBOR | 10/10/10 | (123,988)           |
|        |                      |                           |               |          | <u>\$ 1,083,508</u> |

(a) Trust pays floating interest rate and receives fixed rate.

(b) Trust pays fixed interest rate and receives floating rate.



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The terms of the open credit default swap agreements at October 31, 2006 were to receive the quarterly notional amount multiplied by the fixed rate and pay the counterparty, upon default event of Dow Jones CDX, the par value of the notional amount of Dow Jones CDX. Details of open credit default swaps at October 31, 2006 were as follows:

| Trust                    | Notional<br>Amount<br>(000) | Fixed<br>Rate | Counter<br>Party | Termination<br>Date | Unrealized<br>Depreciation |
|--------------------------|-----------------------------|---------------|------------------|---------------------|----------------------------|
| Core Bond                | 6,000                       | 0.650%        | Barclays Bank    | 6/20/16             | \$ 17,794                  |
|                          | 13,130                      | 0.075         | Deutsche Bank    | 6/20/11             | 27,133                     |
|                          |                             |               |                  |                     | <u>\$ 44,927</u>           |
| Income Opportunity Trust | 6,750                       | 0.650%        | Barclays Bank    | 6/20/16             | \$ 20,018                  |
|                          | 14,495                      | 0.075         | Deutsche Bank    | 6/20/11             | 29,954                     |
|                          |                             |               |                  |                     | <u>\$ 49,972</u>           |

Transaction in options written during the year ended October 31, 2006 were as follows:

| Trust                                   | Calls                            |                     | Puts                             |                     |
|---|----------------------------------|---------------------|----------------------------------|---------------------|
|   | Contracts/<br>Notional<br>Amount | Premium<br>Received | Contracts/<br>Notional<br>Amount | Premium<br>Received |
| <b>Core Bond</b>                        |                                  |                     |                                  |                     |
| Options outstanding at October 31, 2005 | \$ 16,800,035                    | \$ 841,809          | \$ 43,400,035                    | \$ 1,874,944        |
| Options written                         | 4,500,069                        | 202,007             | 91,700,106                       | 248,033             |
| Options expired                         | (69)                             | (33,369)            | (37)                             | (15,553)            |
| Options closed                          | (35)                             | (19,100)            | (67)                             | (39,140)            |
| Options outstanding at October 31, 2006 | <u>\$ 21,300,000</u>             | <u>\$ 991,347</u>   | <u>\$ 135,100,037</u>            | <u>\$ 2,068,284</u> |
| <b>Income Opportunity Trust</b>         |                                  |                     |                                  |                     |
| Options outstanding at October 31, 2005 | \$ 18,100,038                    | \$ 907,168          | \$ 46,500,038                    | \$ 2,010,230        |
| Options written                         | 5,300,074                        | 234,520             | 101,700,115                      | 285,355             |
| Options expired                         | (74)                             | (35,902)            | (39)                             | (16,298)            |
| Options closed                          | (38)                             | (20,717)            | (73)                             | (42,733)            |
| Options outstanding at October 31, 2006 | <u>\$ 23,400,000</u>             | <u>\$ 1,085,069</u> | <u>\$ 148,200,041</u>            | <u>\$ 2,236,554</u> |
| <b>Income Trust</b>                     |                                  |                     |                                  |                     |
| Options outstanding at October 31, 2005 | \$ 18,100,000                    | \$ 886,450          | \$ 46,300,000                    | \$ 1,982,018        |
| Options written                         | 5,400,074                        | 238,267             | 103,800,074                      | 280,317             |
| Options expired                         | (74)                             | (35,902)            | (39)                             | (16,297)            |
| Options closed                          |                                  |                     | (35)                             | (22,293)            |
| Options outstanding at October 31, 2006 | <u>\$ 23,500,000</u>             | <u>\$ 1,088,815</u> | <u>\$ 150,100,000</u>            | <u>\$ 2,223,745</u> |

### Note 4. Borrowings

Details of open reverse repurchase agreements at October 31, 2006 were as follows (please see Corresponding Underlying Collateral Chart):

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| <u>Trust/Counter Party</u>     | <u>Rate</u> | <u>Trade Date</u> | <u>Maturity Date</u> | <u>Net Closing Amount</u> | <u>Par</u>    |
|--------------------------------|-------------|-------------------|----------------------|---------------------------|---------------|
| <b>Core Bond</b>               |             |                   |                      |                           |               |
| Credit Suisse First Boston LLC | 5.320%      | 10/24/06          | 11/13/06             | \$ 203,821                | \$ 203,250    |
| Lehman Brothers                | 5.300       | 10/04/06          | 11/03/06             | 2,247,392                 | 2,237,838     |
|                                | 5.280       | 10/11/06          | 11/03/06             | 1,474,743                 | 1,470,000     |
|                                |             |                   |                      |                           | \$ 3,707,838  |
| <b>Income Opportunity</b>      |             |                   |                      |                           |               |
| Credit Suisse First Boston LLC | 5.300       | 10/02/06          | 11/02/06             | 1,400,910                 | 1,394,750     |
|                                | 5.320       | 10/24/06          | 11/13/06             | 1,528,655                 | 2,497,500     |
|                                |             |                   |                      |                           | \$ 3,892,250  |
| Lehman Brothers                | 5.300       | 10/04/06          | 11/03/06             | 2,486,226                 | 2,475,656     |
|                                | 5.270       | 10/12/06          | 11/13/06             | 3,166,608                 | 3,151,844     |
|                                | 5.290       | 10/12/06          | 11/14/06             | 24,926,699                | 24,806,408    |
|                                |             |                   |                      |                           | \$ 30,433,908 |
| <b>Income Trust</b>            |             |                   |                      |                           |               |
| Credit Suisse First Boston LLC | 5.260       | 10/30/06          | 11/20/06             | 3,568,648                 | 3,558,250     |
|                                | 5.270       | 10/31/06          | 11/20/06             | 1,825,830                 | 1,820,500     |
|                                |             |                   |                      |                           | \$ 5,378,750  |
| Lehman Brothers                | 5.240       | 10/19/06          | 11/10/06             | 39,754,635                | 39,650,750    |
|                                | 5.270       | 10/19/06          | 11/10/06             | 17,107,460                | 17,062,500    |
|                                | 5.270       | 10/27/06          | 11/20/06             | 8,044,028                 | 8,019,375     |
|                                | 5.260       | 10/30/06          | 11/20/06             | 581,027                   | 579,250       |
|                                |             |                   |                      |                           | \$ 65,311,875 |

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| <u>Trust/Counter Party</u>     | <u>Rate</u> | <u>Trade Date</u> | <u>Maturity Date</u> | <u>Net Closing Amount</u> | <u>Par</u>            |
|--------------------------------|-------------|-------------------|----------------------|---------------------------|-----------------------|
| <b>Limited Duration</b>        |             |                   |                      |                           |                       |
| Credit Suisse First Boston LLC | 5.500%      | 10/03/06          | 11/03/06             | \$ 68,580,435             | \$ 68,257,162         |
|                                | 5.400       | 10/10/06          | 11/06/06             | 34,696,178                | 34,556,226            |
|                                | 5.500       | 10/10/06          | 11/06/06             | 15,879,897                | 15,814,662            |
|                                | 5.280       | 10/10/06          | 11/07/06             | 18,518,042                | 18,445,000            |
|                                | 5.500       | 10/12/06          | 11/06/06             | 3,305,577                 | 3,293,000             |
|                                | 5.500       | 10/16/06          | 11/13/06             | 2,832,456                 | 2,821,000             |
|                                | 5.200       | 10/19/06          | 11/13/06             | 37,821,604                | 37,707,225            |
|                                | 5.400       | 10/19/06          | 11/13/06             | 3,882,491                 | 3,870,300             |
|                                | 5.400       | 10/24/06          | 11/13/06             | 885,649                   | 883,000               |
|                                | 5.450       | 10/24/06          | 11/06/06             | 3,639,600                 | 3,633,000             |
|                                | 5.450       | 10/26/06          | 11/16/06             | 850,568                   | 848,000               |
|                                | 5.500       | 10/27/06          | 11/16/06             | 596,818                   | 595,000               |
|                                | 5.450       | 10/30/06          | 12/04/06             | 2,438,487                 | 2,426,000             |
|                                | 5.500       | 10/31/06          | 12/01/06             | 4,336,730                 | 4,316,287             |
|                                |             |                   |                      |                           | <u>\$ 197,465,862</u> |
| Lehman Brothers                | 3.250       | 01/09/06          | TBD                  | 1,384,000                 | 1,384,000             |
|                                | 1.500       | 09/06/06          | TBD                  | 888,000                   | 888,000               |
|                                | 5.290       | 10/12/06          | 11/14/06             | 7,930,942                 | 7,892,669             |
|                                | 5.280       | 10/26/06          | 11/16/06             | 12,405,282                | 12,369,000            |
|                                |             |                   |                      |                           | <u>\$ 22,533,669</u>  |
| <b>Strategic Bond</b>          |             |                   |                      |                           |                       |
| Credit Suisse First Boston LLC | 5.400       | 10/12/06          | 11/10/06             | 6,208,308                 | 6,182,342             |
|                                | 5.400       | 10/17/06          | 11/10/06             | 902,143                   | 899,000               |
|                                | 5.400       | 10/25/06          | 12/04/06             | 2,239,022                 | 2,226,000             |
|                                | 5.400       | 10/30/06          | 12/04/06             | 1,137,773                 | 1,132,000             |
|                                | 4.830       | 10/31/06          | 11/15/06             | 566,262                   | 565,125               |
|                                |             |                   |                      |                           | <u>\$ 11,004,467</u>  |
| Lehman Brothers                | 5.250       | 10/25/06          | 11/15/06             | 3,958,179                 | \$ 3,946,668          |

Details of underlying collateral for open reverse repurchase agreements at October 31, 2006 were as follows:

| <u>Trust/Counter Party</u>     | <u>Description</u>               | <u>Rate</u> | <u>Maturity Date</u> | <u>Original Face</u> | <u>Current Face</u> | <u>Market Value</u> |
|--------------------------------|----------------------------------|-------------|----------------------|----------------------|---------------------|---------------------|
| <b>Core Bond</b>               |                                  |             |                      |                      |                     |                     |
| Credit Suisse First Boston LLC | Tennessee Valley Authority       | 4.875%      | 12/15/16             | \$ 200,000           | \$ 200,000          | \$ 199,789          |
| Lehman Brothers                | Federal Home Loan Mortgage Corp. | 5.500       | 11/01/18             | 2,200,000            | 1,129,662           | 1,132,744           |
|                                | Federal Home Loan Mortgage Corp. | 3.010       | 04/19/07             | 1,135,000            | 1,135,000           | 1,123,089           |
|                                | Federal National Mortgage Assoc. | 2.350       | 04/05/07             | 1,500,000            | 1,500,000           | 1,481,178           |
|                                |                                  |             |                      |                      |                     | <u>\$ 3,737,011</u> |
| <b>Income Opportunity</b>      |                                  |             |                      |                      |                     |                     |
| Credit Suisse First Boston LLC | Tennessee Valley Authority       | 4.875       | 12/15/16             | 2,900,000            | 2,900,000           | 2,896,949           |
|                                | Tennessee Valley Authority       | 5.880       | 04/01/36             | 1,800,000            | 1,800,000           | 2,005,450           |

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\$ 4,902,399

|                 |                                  |       |          |            |           |           |
|-----------------|----------------------------------|-------|----------|------------|-----------|-----------|
| Lehman Brothers | Federal Home Loan Mortgage Corp. | 5.149 | 01/01/35 | 2,042,400  | 1,871,302 | 1,843,811 |
|                 | Federal Home Loan Mortgage Corp. | 4.363 | 01/01/35 | 1,360,100  | 1,077,640 | 1,084,331 |
|                 | Federal National Mortgage Assoc. | 5.500 | 01/01/33 | 3,429,659  | 689,059   | 682,986   |
|                 | Federal National Mortgage Assoc. | 7.250 | 01/15/10 | 2,915,000  | 2,915,000 | 3,118,313 |
|                 | Federal National Mortgage Assoc. | 5.500 | 02/01/33 | 17,464,674 | 6,999,589 | 6,937,896 |
|                 | Federal National Mortgage Assoc. | 5.500 | 01/01/33 | 11,231,919 | 5,668,494 | 5,618,533 |
|                 | Federal National Mortgage Assoc. | 5.500 | 02/01/35 | 5,014,015  | 3,520,154 | 3,488,073 |
|                 | Federal National Mortgage Assoc. | 5.500 | 06/01/36 | 1,001,094  | 977,871   | 966,507   |
|                 | Federal National Mortgage Assoc. | 5.500 | 10/01/20 | 810,190    | 774,726   | 775,830   |
|                 | Federal National Mortgage Assoc. | 5.500 | 10/01/20 | 833,871    | 755,664   | 756,740   |
|                 | Federal National Mortgage Assoc. | 5.500 | 10/01/20 | 807,941    | 754,353   | 755,427   |
|                 | Federal National Mortgage Assoc. | 5.500 | 03/01/21 | 677,502    | 643,156   | 643,866   |

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| Trust/Counter Party            | Description                        | Rate   | Maturity Date | Original Face | Current Face | Market Value  |
|--------------------------------|------------------------------------|--------|---------------|---------------|--------------|---------------|
| Income Opportunity (cont d)    |                                    |        |               |               |              |               |
| Lehman Brothers (cont d)       | Federal National Mortgage Assoc.   | 5.500% | 03/01/21      | \$ 654,254    | \$ 621,683   | \$ 622,370    |
|                                | Federal National Mortgage Assoc.   | 5.500  | 03/01/18      | 1,483,364     | 580,987      | 582,714       |
|                                | Federal National Mortgage Assoc.   | 5.500  | 03/01/18      | 1,539,074     | 577,555      | 579,271       |
|                                | Federal National Mortgage Assoc.   | 5.500  | 07/01/16      | 5,601,876     | 563,376      | 565,518       |
|                                | Federal National Mortgage Assoc.   | 5.500  | 08/01/17      | 3,217,577     | 543,934      | 545,738       |
|                                | Resolution Funding Corp.           | 0.000  | 04/15/30      | 5,555,000     | 5,555,000    | 1,783,316     |
|                                |                                    |        |               |               |              | \$ 31,351,240 |
| Income Trust                   |                                    |        |               |               |              |               |
| Credit Suisse First Boston LLC | U.S. Treasury Strip                | 0.000  | 11/15/24      | 13,000,000    | 13,000,000   | \$ 5,438,264  |
| Lehman Brothers                | U.S. Treasury Notes                | 3.750  | 03/31/07      | 20,400,000    | 20,400,000   | 20,288,432    |
|                                | U.S. Treasury Notes                | 4.000  | 08/31/07      | 19,400,000    | 19,400,000   | 19,246,158    |
|                                | U.S. Treasury Strip                | 0.000  | 11/15/24      | 62,900,000    | 62,900,000   | 26,312,957    |
|                                |                                    |        |               |               |              | \$ 65,847,547 |
| Limited Duration               |                                    |        |               |               |              |               |
| Credit Suisse First Boston LLC | AES Corp.                          | 8.750  | 05/15/13      | 5,000,000     | 5,000,000    | 5,368,750     |
|                                | American Real Estate Partners LP   | 8.125  | 06/01/11      | 5,860,000     | 5,860,000    | 5,991,850     |
|                                | CSC Holdings, Inc.                 | 7.875  | 12/15/07      | 5,795,000     | 5,795,000    | 5,874,681     |
|                                | Republic of Colombia               | 9.750  | 04/23/09      | 5,000,000     | 5,000,000    | 5,470,000     |
|                                | MGM Mirage                         | 9.750  | 06/01/07      | 5,425,000     | 5,425,000    | 5,533,500     |
|                                | Midwest Generation LLC             | 8.560  | 01/02/16      | 4,800,000     | 4,007,041    | 4,327,604     |
|                                | Ipsco, Inc.                        | 8.750  | 06/01/13      | 5,000,000     | 5,000,000    | 5,325,000     |
|                                | Fasten Tech, Inc.                  | 11.50  | 05/01/11      | 2,500,000     | 2,500,000    | 2,587,500     |
|                                | Houghton Mifflin Co.               | 9.875  | 02/01/13      | 5,000,000     | 5,000,000    | 5,356,250     |
|                                | Group 1 Automotive, Inc.           | 8.250  | 08/15/13      | 5,000,000     | 5,000,000    | 5,143,750     |
|                                | Concentra Operating Corp.          | 9.500  | 08/15/10      | 5,000,000     | 5,000,000    | 5,225,000     |
|                                | Vertis, Inc.                       | 9.750  | 04/01/09      | 500,000       | 500,000      | 510,625       |
|                                | General Motors Acceptance Corp.    | 6.274  | 01/16/07      | 2,700,000     | 2,700,000    | 2,699,619     |
|                                | General Motors Acceptance Corp.    | 6.875  | 08/28/12      | 5,620,000     | 5,620,000    | 5,635,084     |
|                                | Nielsen Finance LLC                | 10.00  | 08/01/14      | 4,340,000     | 4,340,000    | 4,524,450     |
|                                | US Steel LLC                       | 10.75  | 08/01/18      | 500,000       | 500,000      | 538,750       |
|                                | Turkey                             | 7.000  | 09/26/16      | 4,431,000     | 4,431,000    | 4,453,155     |
|                                | Rite Aid Corp.                     | 8.125  | 05/01/10      | 3,800,000     | 3,800,000    | 3,838,000     |
|                                | Lyondell Chemical Co.              | 11.125 | 07/15/12      | 3,020,000     | 3,020,000    | 3,269,150     |
|                                | Deutsche Telekom Intl. Finance BV  | 8.000  | 06/15/10      | 5,000,000     | 5,000,000    | 5,457,805     |
|                                | DaimlerChrysler NA Holding Corp.   | 4.050  | 06/04/08      | 7,500,000     | 7,500,000    | 7,333,395     |
|                                | Marsh & McLennan Cos., Inc.        | 5.513  | 07/13/07      | 200,000       | 200,000      | 199,963       |
|                                | Tyco Intl. Group SA                | 6.125  | 11/01/08      | 7,500,000     | 7,500,000    | 7,607,220     |
|                                | Comcast Cable Communications, Inc. | 6.875  | 06/15/09      | 6,685,000     | 6,685,000    | 6,949,840     |
|                                | JC Penney Co., Inc.                | 8.000  | 03/01/10      | 4,400,000     | 4,400,000    | 4,725,692     |
|                                | DR Horton, Inc.                    | 5.875  | 07/01/13      | 3,000,000     | 3,000,000    | 2,939,418     |
|                                | Republic of Peru                   | 9.125  | 02/21/12      | 5,000,000     | 5,000,000    | 5,775,000     |
|                                | Chesapeake Energy Corp.            | 7.500  | 09/15/13      | 4,000,000     | 4,000,000    | 4,095,000     |
|                                | Qwest Corp.                        | 7.741  | 06/15/13      | 1,900,000     | 1,900,000    | 2,047,250     |
|                                | Qwest Corp.                        | 9.125  | 03/15/12      | 3,675,000     | 3,675,000    | 4,042,500     |
|                                | Crum & Forster Holdings Corp.      | 10.375 | 06/15/13      | 3,010,000     | 3,010,000    | 3,122,875     |
|                                | Federal National Mortgage Assoc.   | 7.250  | 01/15/10      | 17,000,000    | 17,000,000   | 18,185,699    |
|                                | American Real Estate Partners LP   | 7.125  | 02/15/13      | 1,480,000     | 1,480,000    | 1,476,300     |

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|                                  |        |          |            |            |                |
|----------------------------------|--------|----------|------------|------------|----------------|
| Overseas Shipholding Group, Inc. | 8.750  | 12/01/13 | 1,650,000  | 1,650,000  | 1,767,563      |
| Rouse Co.                        | 5.375  | 11/26/13 | 2,300,000  | 2,300,000  | 2,146,774      |
| US Steel LLC                     | 10.750 | 08/01/08 | 2,750,000  | 2,750,000  | 2,963,125      |
| U.S. Treasury Notes              | 3.375  | 12/15/08 | 17,000,000 | 17,000,000 | 16,565,701     |
| U.S. Treasury Notes              | 3.750  | 03/31/07 | 10,000,000 | 10,000,000 | 9,945,310      |
| U.S. Treasury Notes              | 3.875  | 05/15/09 | 6,000,000  | 6,000,000  | 5,892,654      |
| U.S. Treasury Notes              | 3.375  | 09/15/09 | 3,425,000  | 3,425,000  | 3,312,619      |
| U.S. Treasury Notes              | 4.250  | 08/15/15 | 1,815,000  | 1,815,000  | 1,769,342      |
| Western Financial Bank           | 9.625  | 05/15/12 | 4,300,000  | 4,300,000  | 4,738,337      |
| Kazkommerts Intl. BV             | 10.125 | 05/08/07 | 4,000,000  | 4,000,000  | 4,078,000      |
|                                  |        |          |            |            | \$ 208,810,100 |

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| Trust/Counter Party            | Description                      | Rate    | Maturity Date | Original Face | Current Face | Market Value |               |
|--------------------------------|----------------------------------|---------|---------------|---------------|--------------|--------------|---------------|
| Limited Duration (cont d.)     |                                  |         |               |               |              |              |               |
| Lehman Brothers                | NewPage Corp.                    | 11.739% | 05/01/12      | \$ 1,500,000  | \$ 1,500,000 | \$ 1,620,000 |               |
|                                | Metaldyne Corp.                  | 11.000  | 11/01/13      | 1,000,000     | 1,000,000    | 1,025,000    |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 02/01/32      | 397,360       | 129,080      | 127,942      |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 03/01/32      | 1,100,000     | 397,232      | 394,779      |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 03/01/33      | 1,006,453     | 295,594      | 292,900      |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 06/01/33      | 800,952       | 412,890      | 409,128      |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 07/01/33      | 2,207,045     | 1,206,934    | 1,195,934    |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 08/01/33      | 2,113,543     | 955,902      | 947,190      |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 09/01/33      | 5,852,429     | 3,304,045    | 3,273,934    |               |
|                                | Federal National Mortgage Assoc. | 5.500   | 10/01/33      | 3,182,952     | 1,569,503    | 1,555,199    |               |
|                                | GSR Mortgage Loan Trust          | 4.506   | 10/25/33      | 10,000,000    | 6,748,247    | 6,457,229    |               |
|                                | GSR Mortgage Loan Trust          | 4.531   | 10/25/33      | 10,000,000    | 6,752,162    | 6,491,258    |               |
|                                |                                  |         |               |               |              |              | \$ 23,790,493 |
|                                | Strategic Bond                   |         |               |               |              |              |               |
| Credit Suisse First Boston LLC | DaimlerChrysler NA Holding Corp. | 7.300   | 01/15/12      | 600,000       | 600,000      | 640,225      |               |
|                                | Wells Fargo & Co.                | 3.500   | 04/04/08      | 2,000,000     | 2,000,000    | 1,955,186    |               |
|                                | HSBC Bank, Inc.                  | 3.875   | 09/15/09      | 1,500,000     | 1,500,000    | 1,453,827    |               |
|                                | TIAA Global Markets, Inc.        | 3.875   | 01/22/08      | 1,000,000     | 1,000,000    | 982,852      |               |
|                                | Barclays Bank PLC                | 8.550   | 09/29/49      | 650,000       | 650,000      | 732,463      |               |
|                                | News America, Inc.               | 6.200   | 12/15/34      | 1,300,000     | 1,300,000    | 1,269,483    |               |
|                                | Merck & Co., Inc.                | 4.375   | 02/15/13      | 300,000       | 300,000      | 285,746      |               |
|                                | General Electric Capital Corp.   | 3.450   | 07/16/07      | 2,000,000     | 2,000,000    | 1,974,496    |               |
|                                | SBC Communications, Inc.         | 6.450   | 06/15/34      | 300,000       | 300,000      | 310,235      |               |
|                                | Verizon New England, Inc.        | 6.500   | 09/15/11      | 1,130,000     | 1,130,000    | 1,164,565    |               |
|                                | U.S. Treasury Notes              | 4.875   | 08/15/16      | 550,000       | 550,000      | 561,430      |               |
|                                |                                  |         |               |               |              |              | \$ 11,330,508 |
| Lehman Brothers                | U.S. Treasury Bonds              | 5.375   | 02/15/31      | 410,000       | 410,000      | 445,138      |               |
|                                | U.S. Treasury Notes              | 4.250   | 08/15/13      | 1,000,000     | 1,000,000    | 980,625      |               |
|                                | U.S. Treasury Notes              | 2.625   | 11/15/06      | 933,000       | 933,000      | 932,052      |               |
|                                | U.S. Treasury Notes              | 4.750   | 05/15/14      | 710,000       | 710,000      | 717,100      |               |
|                                | U.S. Treasury Notes              | 4.125   | 08/15/10      | 810,000       | 810,000      | 797,375      |               |
|                                | U.S. Treasury Notes              | 4.250   | 08/15/15      | 75,000        | 75,000       | 73,114       |               |
|                                |                                  |         |               |               |              | \$ 3,945,404 |               |

**Note 5. Commitments**

**Bridge Debt Commitments:** At October 31, 2006, High Yield and Limited Duration had \$90,000 and \$740,000, respectively, in commitments outstanding to fund high yield bridge debt. The Trusts are entitled to a fee upon the expiration of the commitment period, generally within six months of the initial commitment date. The bridge debt terms approximate market rates at the time the commitment is entered into.

**Note 6. Income Tax Information**

The tax character of distributions paid during the year ended October 31, 2006 and 2005 were as follows:

| Distributions Paid from: | Year ended October 31, 2006 |                               |                         |                     |
|--------------------------|-----------------------------|-------------------------------|-------------------------|---------------------|
|                          | Ordinary Income             | Non-taxable Return of Capital | Long-term Capital Gains | Total Distributions |
|                          |                             |                               |                         |                     |

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|                        |              |           |           |              |
|------------------------|--------------|-----------|-----------|--------------|
| Broad Investment Grade | \$ 4,241,016 | \$        | \$ 20,078 | \$ 4,261,094 |
| Core Bond              | 25,048,230   |           | 7,914,351 | 32,962,581   |
| High Yield             | 4,175,232    |           |           | 4,175,232    |
| Income Opportunity     | 22,238,533   | 2,162,198 | 8,976,685 | 33,377,416   |
| Income Trust           | 21,910,288   | 5,576,693 |           | 27,486,981   |
| Limited Duration       | 55,725,066   | 760,960   |           | 56,486,026   |
| Strategic Bond         | 6,969,104    | 251,641   |           | 7,220,745    |

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Year ended October 31, 2005

| Distributions Paid from: | Ordinary<br>Income | Non-taxable<br>Return of<br>Capital | Long-term<br>Capital<br>Gains | Total<br>Distributions |
|--------------------------|--------------------|-------------------------------------|-------------------------------|------------------------|
| Broad Investment Grade   | \$ 3,271,251       | \$                                  | \$ 525,065                    | \$ 3,796,316           |
| Core Bond                | 27,245,722         |                                     | 9,450,907                     | 36,696,629             |
| High Yield               | 5,087,371          |                                     |                               | 5,087,371              |
| Income Opportunity       | 28,509,597         |                                     | 8,926,885                     | 37,436,482             |
| Income Trust             | 30,667,298         | 4,798,184                           |                               | 35,465,482             |
| Limited Duration         | 52,882,982         |                                     | 1,634,766                     | 54,517,748             |
| Strategic Bond           | 7,935,935          | 1,898,203                           |                               | 9,834,138              |

As of October 31, 2006 the components of distributable earnings on a tax basis were as follows:

| Trust                  | Undistributed<br>Ordinary<br>Income | Undistributed<br>Long-term<br>Capital Gains | Unrealized<br>Net<br>Appreciation |
|------------------------|-------------------------------------|---|-----------------------------------|
| Broad Investment Grade | \$ 5,852,444                        | \$  | \$                                |
| Core Bond              |                                     |   |                                   |
| High Yield             | 40,763                              |   | 1,392,602                         |
| Income Opportunity     |                                     |   |                                   |
| Income Trust           |                                     |   |                                   |
| Limited Duration       |                                     |   |                                   |
| Strategic Bond         |                                     |   |                                   |

For federal income tax purposes, the following Trusts had capital loss carryforwards as of their last respective tax year-end. These amounts may be used to offset future realized capital gains, if any:

| Trust                  | Capital Loss<br>Carryforward<br>Amount | Expires | Trust            | Capital Loss<br>Carryforward<br>Amount | Expires |
|------------------------|--|---------|------------------|--|---------|
| Broad Investment Grade | \$ 2,061,303                           | 2011    | Income Trust     | \$ 33,107,952                          | 2007    |
|                        | 684,360                                | 2012    |                  | 1,352,206                              | 2008    |
|                        | 493,567                                | 2014    |                  | 13,940,898                             | 2009    |
|                        |  |         |                  | 21,960,613                             | 2011    |
|                        | \$ 3,239,230                           |         |                  | 10,100,201                             | 2012    |
|                        |  |         |                  | 3,861,222                              | 2013    |
|                        |  |         |                  | 6,952,429                              | 2014    |
| High Yield             | \$ 2,558,868                           | 2007    |                  |  |         |
|                        | 3,270,311                              | 2008    |                  | \$ 91,275,521                          |         |
|                        | 15,159,280                             | 2009    |                  |  |         |
|                        | 8,468,860                              | 2010    |                  |  |         |
|                        | 4,771,417                              | 2011    |                  |  |         |
|                        | 316,410                                | 2012    | Limited Duration | \$ 2,008,113                           | 2013    |
|                        | 2,060,533                              | 2014    |                  | 1,268,222                              | 2014    |
|                        | \$ 36,605,679                          |         |                  | \$ 3,276,335                           |         |
| Income Opportunity     | \$ 2,451,628                           | 2014    | Strategic Bond   | \$ 432,713                             | 2011    |
|                        |  |         |                  | 318,492                                | 2013    |
|                        |  |         |                  | 689,609                                | 2014    |

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\$ 1,440,814

Accordingly, no capital gain distributions are expected to be paid to shareholders of a Trust until that Trust has net realized capital gains in excess of its capital loss carryforward amounts.

**Reclassification of Capital Accounts:** In order to present undistributed (distribution in excess of) net investment income ( UNII ), accumulated net realized gain ( Accumulated Gain ) and paid-in-capital ( PIC ) more closely to its tax character, the following accounts for each Trust were increased (decreased):

| Trust              | UNII         | Accumulated Gain | PIC            |
|--------------------|--------------|------------------|----------------|
| Broad Investment   |              |                  |                |
| Grade              | \$ 3,328,318 | \$ (172)         | \$ (3,328,146) |
| Core Bond          | 1,629,245    | (1,523,247)      | (105,998)      |
| Income Opportunity | 1,804,381    | 357,817          | (2,162,198)    |
| Income Trust       | 7,210,581    | 188,004          | (7,398,585)    |
| Limited Duration   | 433,698      | 327,262          | (760,960)      |
| Strategic Bond     | 251,641      |                  | (251,641)      |

**Note 7. Capital**

There are 200 million of \$0.01 par value common shares authorized for each of the Broad Investment Grade, Income Opportunity and Income Trusts. There are an unlimited number of \$0.001 par value common shares authorized for Core Bond, High Yield, Limited Duration and Strategic Bond. At April 30, 2006, the shares owned by affiliates of the Advisor of Limited Duration were 6,021.

During the years ended October 31, 2006 and 2005, the following Trusts issued additional shares under their respective dividend reinvestment plan:

| Trust            | October 31, 2006 | October 31, 2005 |
|------------------|------------------|------------------|
| High Yield       | 6,259            | 7,498            |
| Income Trust     |                  | 227,068          |
| Limited Duration | 13,785           | 41,211           |
| Strategic Bond   |                  | 9,684            |

**Note 8. Dividends**

Subsequent to October 31, 2006, the Board of each of the Trusts declared and paid dividends per common share payable November 30, 2006, to shareholders of record on November 15, 2006. The per share common dividends declared were as follows:

| Trust                  | Common<br>Dividend<br>Per Share |
|------------------------|---------------------------------|
| Broad Investment Grade | \$0.075                         |
| Core Bond              | 0.067                           |
| High Yield             | 0.051                           |
| Income Opportunity     | 0.055                           |
| Income Trust           | 0.031                           |
| Limited Duration       | 0.125                           |
| Strategic Bond         | 0.077                           |

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Trustees/Directors and Shareholders of:

BlackRock Broad Investment Grade 2009 Term Trust Inc.  
BlackRock Core Bond Trust  
BlackRock High Yield Trust  
BlackRock Income Opportunity Trust  
BlackRock Income Trust Inc.  
BlackRock Limited Duration Income Trust  
BlackRock Strategic Bond Trust  
(Collectively the Trusts )

We have audited the accompanying statements of assets and liabilities of the Trusts, including the portfolios of investments, as of October 31, 2006, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Trusts' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Trusts are not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trusts' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2006, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Trusts as of October 31, 2006, the results of their operations and their cash flows for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Boston, Massachusetts  
December 29, 2006

**DIRECTORS/TRUSTEES INFORMATION (Unaudited)**

| Name, address, age   | Current positions held with the Trusts | Term of office and length of time served    | Principal occupations during the past five years  | Number of portfolios overseen within the fund complex <sup>1</sup> | Other Directorships held outside the fund complex <sup>1</sup>   | Events or transactions by reason of which the Trustee is an interested person as defined in Section 2(a) (19) of the 1940 Act |
|--|--|---|---|--|--|---|
| <b>Interested Directors/Trustees<sup>2</sup></b>   |  |   |   |  |  |   |
| Ralph L. Schlosstein<br>BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY<br>10022<br>Age: 55 | Chairman of the Board <sup>3</sup>     | 3 years <sup>4</sup> /since inception       | Director since 1999 and President of BlackRock, Inc. since its formation in 1998 and of BlackRock, Inc.'s predecessor entities since 1988. Member of the Management Committee and Investment Strategy Group of BlackRock, Inc. Formerly, Managing Director of Lehman Brothers, Inc. and Co-head of its Mortgage and Savings Institutions Group. Chairman and President of the BlackRock Liquidity Funds and Director of several of BlackRock's alternative investment vehicles. | 68   | Member of the Visiting Board of Overseers of the John F. Kennedy School of Government at Harvard University, a member of the board of the Financial Institutions Center of The Wharton School of the University of Pennsylvania, a Trustee of the American Museum of Natural History, a Trustee of Trinity School in New York City, a member of the Board of Advisors of Marujupu LLC, and a Trustee of New Visions for Public Education of The Public Theater in New York City and the James Baird Foundation. Formerly, a director of Pulte Corporation, the nation's largest home-builder, a Trustee of Denison University and a member of Fannie Mae's Advisory Council. | Director and President of the Advisor.  |
| Robert S. Kapito<br>BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY<br>10022<br>Age: 49     | President and Trustee                  | 3 years <sup>4</sup> /since August 22, 2002 | Director, since 2006, and Vice Chairman of BlackRock, Inc. Head of the Portfolio Management Group. Also a member of the Management Committee, the Investment Strategy Group, the Fixed  | 58   | Chairman of the Hope and Heroes Children's Cancer Fund. President of the Board of Directors of the Periwinkle  | Director and Vice Chairman of the Advisor.  |

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Income and Global Operating  
Committees and the Equity  
Investment Strategy Group.  
Responsible for the portfolio  
man- agement of the Fixed  
Income, Domestic Equity and  
International Equity,  
Liquidity, and Alternative  
Investment Groups of  
BlackRock.

National Theatre  
for Young  
Audiences.

**DIRECTORS/TRUSTEES INFORMATION (Unaudited) (Continued)**

| Name, address, age  | Current positions held with the Trusts                   | Term of office and length of time served              | Principal occupations during the past five years  | Number of portfolios overseen within the fund complex <sup>1</sup> | Other Directorships held outside the fund complex  |
|---|--|---|---|--|--|
| <b>Independent Directors/Trustees</b>   |  |   |   |  |  |
| Andrew F. Brimmer<br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>Age: 80   | Lead Trustee<br>Audit Committee<br>Chairman <sup>5</sup> | 3 years <sup>4</sup> /since<br>inception              | President of Brimmer & Company, Inc., a Washington, D.C.-based economic and financial consulting firm, also Wilmer D. Barrett Professor of Economics, University of Massachusetts Amherst. Formerly member of the Board of Governors of the Federal Reserve System. Former Chairman, District of Columbia Financial Control Board.  | 58   | Former Director of CarrAmerica Realty Corporation and Borg-Warner Automotive, Airborne Express, BankAmerica Corporation (Bank of America), BellSouth Corporation, College Retirement Equities Fund (Trustee), Commodity Exchange, Inc. (Public Governor), Connecticut Mutual Life Insurance Company, E.I. du Pont de Nemours & Company, Equitable Life Assurance Society of the United States, Gannett Company, Mercedes-Benz of North America, MNC Financial Corporation (American Security Bank), NCM Capital Management, Navistar International Corporation, PHH Corp. and UAL Corporation (United Airlines). |
| Richard E. Cavanagh<br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>Age: 60 | Trustee<br>Audit Committee<br>Member                     | 3 years <sup>4</sup> /since<br>inception <sup>6</sup> | President and Chief Executive Officer of The Conference Board, Inc., a leading global business research organization, from 1995-present. Former Executive Dean of the John F. Kennedy School of Government at Harvard University from 1988-1995. Acting Director, Harvard Center for Business and Government (1991-1993). Formerly Partner (principal) of McKinsey & Company, Inc. (1980-1988). Former Executive Director of Federal Cash Management, White House Office of Management and Budget (1977-1979). Co-author, THE WINNING PERFORMANCE (best selling management book published in 13 national editions). | 58   | Trustee: Aircraft Finance Trust (AFT) and Chairman of the Board of Trustees, Educational Testing Service (ETS). Director, Arch Chemicals, Fremont Group and The Guardian Life Insurance Company of America.  |
| Kent Dixon<br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>Age: 69          | Trustee<br>Audit Committee<br>Member <sup>5</sup>        | 3 years <sup>4</sup> /since<br>inception              | Consultant/Investor. Former President and Chief Executive Officer of Empire Federal Savings Bank of America and Banc PLUS   | 58   | Former Director of ISFA (the owner of INVEST, a national securities brokerage service designed for banks and thrift institutions).   |

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Savings Association, former  
Chairman of the Board,  
President and Chief  
Executive Officer of  
Northeast Savings.

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|  |   |  |   |    |   |
|--|---|--|---|----|---|
| Frank J. Fabozzi<br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>Age: 58 | Trustee<br>Audit Committee<br>Member <sup>5</sup> | 3 years <sup>4</sup> /since<br>inception | Consultant. Editor of THE<br>JOURNAL OF<br>PORTFOLIO<br>MANAGEMENT and<br>Adjunct Professor of Finance<br>at the School of<br>Management at Yale<br>University. Author and<br>editor of several books on<br>fixed income portfolio<br>management. | 58 | Director, Guardian Mutual Funds<br>Group (18 portfolios). |
|--|---|--|---|----|---|

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**DIRECTORS/TRUSTEES INFORMATION (Unaudited) (Continued)**

| Name, address, age  | Current positions held with the Trusts | Term of office and length of time served         | Principal occupations during the past five years   | Number of portfolios overseen within the fund complex <sup>1</sup> | Other Directorships held outside the fund complex <sup>1</sup>  |
|---|--|--|--|--|---|
| <b>Independent Directors/Trustees (continued)</b>                               |  |  |  |  |   |
| Kathleen F. Feldstein<br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>Age: 65 | Trustee                                | 3 years <sup>4</sup> /since<br>January 19, 2005  | President of Economics Studies, Inc., a Belmont, MA-based private economic consulting firm, since 1987; Chair, Board of Trustees, McLean Hospital in Belmont, MA.  | 58   | Director of BellSouth Inc. and McClatchy Company; Trustee of the Museum of Fine Arts, Boston, and of the Committee for Economic Development; Corporation Member, Partners HealthCare and Sherrill House; Member of the Visiting Committee of the Harvard University Art Museums and of the Advisory Board to the International School of Business at Brandeis University. |
| R. Glenn Hubbard<br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>Age: 48      | Trustee                                | 3 years <sup>4</sup> /since<br>November 16, 2004 | Dean of Columbia Business School since July 1, 2004. Columbia faculty member since 1988. Co-director of Columbia Business School's Entrepreneurship Program 1994-1997. Visiting professor at the John F. Kennedy School of Government at Harvard and the Harvard Business School, as well as the University of Chicago. Visiting scholar at the American Enterprise Institute in Washington and member of International Advisory Board of the MBA Program of Ben-Gurion University. Deputy assistant secretary of the U.S. Treasury Department for Tax Policy 1991-1993. Chairman of the U.S. Council of Economic Advisers under the President of the United States 2001-2003. | 58   | Director of ADP, R.H. Donnelly, Duke Realty, KKR Financial Corporation, and Ripplewood Holdings, the Council on Competitiveness, the American Council on Capital Formation, the Tax Foundation and the Center for Addiction and Substance Abuse. Trustee of Fifth Avenue Presbyterian Church of New York.   |

<sup>1</sup> The Fund Complex means two or more registered investment companies that: (1) hold themselves out to investors as related companies for purposes of investment and investor services; or (2) have a common investment advisor or have an investment advisor that is an affiliated person of the investment advisor of any of the other registered investment companies.

<sup>2</sup> Interested Director/Trustee as defined by Section 2(a)(19) of the Investment Company Act of 1940.

<sup>3</sup> Director/Trustee since inception; appointed Chairman of the Board on August 22, 2002.

<sup>4</sup> The Board is classified into three classes of which one class is elected annually. Each Director/Trustee serves a three-year term concurrent with the class from which they are elected.

<sup>5</sup> The Board of each Trust has determined that each Trust has three Audit Committee financial experts serving on its Audit Committee, Dr. Brimmer, Mr. Dixon and Mr. Fabozzi, each of whom are independent for the purpose of the definition of Audit Committee financial expert as applicable to the Trusts.

<sup>6</sup> For Broad Investment Grade, Income Opportunity and Income Trust appointed Director on 8/11/94.



## DIVIDEND REINVESTMENT PLANS

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Pursuant to each Trust's respective Dividend Reinvestment Plan (the "Plan"), shareholders of Broad Investment Grade, Income Opportunity and Income Trust may elect, while shareholders of Core Bond, High Yield, Limited Duration and Strategic Bond are automatically enrolled, to have all distributions of dividends and capital gains reinvested by Computershare Trust Company, N.A. (the "Plan Agent") in the respective Trust's shares pursuant to the Plan. Shareholders who do not participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholders of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, which serves as agent for the shareholders in administering the Plan.

After Broad Investment Grade declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants' account, by the purchase of outstanding shares on the open market, on the Trust's primary exchange or elsewhere ("open market purchases"). The Trust will not issue any new shares under the Plan.

After Core Bond, High Yield, Income Trust, Limited Duration and/or Strategic Bond declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants' account, depending upon the circumstances described below, either (i) through receipt of unissued but authorized shares from the Trust ("newly issued shares") or (ii) by open market purchases. If, on the dividend payment date, the NAV is equal to or less than the market price per share plus estimated brokerage commissions (such condition being referred to herein as "market premium"), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participants. The number of newly issued shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the NAV on the date the shares are issued. However, if the NAV is less than 95% of the market price on the payment date, the dollar amount of the dividend will be divided by 95% of the market price on the payment date. If, on the dividend payment date, the NAV is greater than the market value per share plus estimated brokerage commissions (such condition being referred to herein as "market discount"), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open-market purchases.

At a meeting of the Board of Trustees of the Income Opportunity Trust on November 21, 2006, the Board approved an amendment to the Dividend Reinvestment Plan of the Income Opportunity Trust. The Plan previously operated in a manner similar to Broad Investment Grade's Plan, and permitted shares to be purchased only on the open market. As a result of the amendment, the Plan will permit purchases of newly issued shares on terms similar to the Plans described in the next paragraph. This amendment will take effect on April 1, 2007.

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by each Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any Federal income tax that may be payable on such dividends or distributions.

Each Trust reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, each Trust reserves the right to amend the Plan to include a service charge payable by the participants. Participants who request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and a \$0.15 per share sold brokerage commission. All correspondence concerning the Plan should be directed to the Plan Agent at 250 Royall Street, Canton, MA 02021 or (800) 699-1BFM.

### ADDITIONAL INFORMATION

We are required by the Internal Revenue Code to advise you within 60 days of a Trust's tax year-end as to the federal tax status of dividends paid by the Trusts<sup>1</sup> during such tax year. Shareholders, however, must report distributions on a calendar year basis for income tax purposes. Accordingly, the information needed by shareholders for income tax purposes will be sent to them in January 2007. Please consult your tax advisor for proper treatment of this information.

#### 60 Day Notice

The following information is provided with respect to the distributions paid by the BlackRock Closed-End Funds for the fiscal year ended October 31, 2006:

|  | Payable Date      | Federal<br>Obligation<br>Interest <sup>1</sup> | Interest Related<br>Dividends for Non-<br>U.S. Residents <sup>2</sup> | Long-Term<br>Capital Gains<br>Per Share (\$) |
|--|-------------------|--|---|--|
| Broad Investment Grade 2009 Term Trust (BCT) | 6/30/06           |  |   | 0.006790                                     |
| High Yield Trust (BHY)                       | 11/30/05 10/31/06 | 2.02%  | 84.90%  |  |
| Income Opportunity Trust (BNA)               | 11/30/05          | 10.91%   | 28.68%  |  |
|  | 12/30/05          | 10.91%   | 84.39%  |  |
|  | 12/30/05          |  |   | 0.274779                                     |
|  | 1/31/06 10/31/06  | 10.91%   | 74.25%  |  |
| Income Trust (BKT)                           | 11/30/05 12/31/05 | 5.96%  | 82.10%  |  |
|  | 1/31/06 10/31/06  | 5.96%  | 59.69%  |  |
| Limited Duration Income Trust (BLW)          | 11/30/05          | 2.49%  |   |  |
|  | 12/30/05          | 2.49%  | 83.23%  |  |
|  | 1/31/06 10/31/06  | 2.49%  | 83.10%  |  |
| Strategic Bond Trust (BHD)                   | 11/30/05 12/31/05 | 2.16%  | 85.36%  |  |
|  | 1/31/06 10/31/06  | 2.16%  | 81.77%  |  |

1 The law varies in each state as to whether and what percentage of dividend income attributable to Federal Obligations is exempt from state income tax. We recommend that you consult your tax advisor to determine if any portion of the dividends you received is exempt from state income taxes.

2 Represents the portion of the distributions paid that are exempt from U.S. withholding tax for nonresident aliens and foreign corporations.

In January 2007, a form 1099-DIV will be sent to shareholders which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment.

#### Shareholder Meetings

The Joint Annual Meeting of Shareholders was held on August 23, 2006 for shareholders of record as of June 5, 2006, to approve a New Investment Management Agreement and Sub-Advisory Agreement for each of the following Trusts:

Approved the Investment Management Agreement as follows:

|                         | Votes For  | Votes Against | Votes Abstain |
|-------------------------|------------|---------------|---------------|
| Broad Investment Grade  | 1,559,461  | 78,270        | 79,709        |
| Core Bond               | 13,817,341 | 697,113       | 842,421       |
| High Yield              | 3,191,192  | 219,850       | 237,255       |
| Income Opportunity      | 18,405,320 | 1,007,469     | 988,120       |
| Income Trust            | 31,116,585 | 1,710,010     | 1,955,880     |
| Limited Duration Income | 17,973,594 | 666,163       | 1,056,610     |
| Strategic Bond          | 3,742,105  | 159,104       | 229,833       |

Approved the Sub-Advisory Agreement as follows:

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|                         | <u>Votes For</u> | <u>Votes Against</u> | <u>Votes Abstain</u> |
|-------------------------|------------------|----------------------|----------------------|
| Broad Investment Grade  | 1,556,229        | 76,465               | 84,746               |
| Core Bond               | 13,810,209       | 706,768              | 839,898              |
| High Yield              | 3,204,388        | 212,481              | 231,428              |
| Income Opportunity      | 18,431,772       | 1,002,369            | 966,768              |
| Income Trust            | 31,018,460       | 1,764,993            | 1,999,022            |
| Limited Duration Income | 17,928,908       | 695,024              | 1,072,435            |
| Strategic Bond          | 3,760,701        | 157,713              | 212,628              |
|                         | 101              |                      |                      |

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The Joint Annual Meeting of Shareholders was held on May 23, 2006 for shareholders of record as of February 28, 2006, to elect a certain number of Trustees for each of the following Trusts to three-year terms expiring in 2009:

Elected the Class I Trustees as follows:

|            | <b>Richard E. Cavanagh</b> |                | <b>R. Glenn Hubbard</b> |                |
|------------|----------------------------|----------------|-------------------------|----------------|
|            | Votes For                  | Votes Withheld | Votes For               | Votes Withheld |
| High Yield | 5,952,601                  | 240,631        | 5,953,361               | 239,871        |

Elected the Class II Directors/Trustees as follows:

|                    | <b>Frank J. Fabozzi</b> |                | <b>Kathleen F. Feldstein</b> |                | <b>Ralph L. Schlosstein</b> |                |
|--------------------|-------------------------|----------------|------------------------------|----------------|-----------------------------|----------------|
|                    | Votes For               | Votes Withheld | Votes For                    | Votes Withheld | Votes For                   | Votes Withheld |
| Core Bond          | 24,846,702              | 295,420        | 24,858,451                   | 283,671        | 24,861,522                  | 280,600        |
| Income Opportunity | 30,998,611              | 1,320,709      | 30,946,385                   | 1,372,935      | 30,973,958                  | 1,345,362      |
| Income Trust       | 57,527,905              | 1,354,832      | 57,445,814                   | 1,436,923      | 57,504,994                  | 1,377,743      |
| Strategic Bond     | 6,563,416               | 120,207        | 6,565,086                    | 118,537        | 6,565,891                   | 117,732        |

Elected the Class III Directors/Trustees as follows:

|                        | <b>Andrew F. Brimmer</b> |                | <b>Kent Dixon</b> |                | <b>Robert S. Kapito</b> |                |
|------------------------|--------------------------|----------------|-------------------|----------------|-------------------------|----------------|
|                        | Votes For                | Votes Withheld | Votes For         | Votes Withheld | Votes For               | Votes Withheld |
| Broad Investment Grade | 2,762,104                | 53,009         | 2,764,286         | 50,827         | 2,764,186               | 50,927         |
| Limited Duration       | 34,352,553               | 565,108        | 34,377,362        | 540,299        | 34,400,110              | 517,551        |

The following Trust had an additional proposal (Proposal #2) to amend its Declaration of Trust to expand the authority of the executive committee of the Board of Trustees:

|            | Votes For | Votes Against | Votes Withheld |
|------------|-----------|---------------|----------------|
| High Yield | 5,851,448 | 204,367       | 137,417        |

Each Trust listed for trading on the New York Stock Exchange ( NYSE ) has filed with the NYSE its annual chief executive officer certification regarding compliance with the NYSE s listing standards and each Trust listed for trading on the American Stock Exchange ( AMEX ) has filed with the AMEX its corporate governance certification regarding compliance with the AMEX s listing standards. All of the Trusts have filed with the Securities and Exchange Commission the certification of its chief executive officer and chief financial officer required by section 302 of the Sarbanes-Oxley Act.

The Trusts do not make available copies of their respective Statements of Additional Information because the Trusts s shares are not continuously offered, which means that the Statement of Additional Information of each Trust has not been updated after completion of such Trust s offering and the information contained in each Trust s Statement of Additional Information may have become outdated.

During the period, there were no material changes in any Trust s investment objective or policies or to any Trust s charters or by-laws that were not approved by the shareholders or in the principle risk factors associated with investment in the Trusts. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Trusts s portfolios.

Quarterly performance, semi-annual and annual reports and other information regarding the Trusts may be found on BlackRock s website, which can be accessed at <http://www1.blackrock.com>. This reference to BlackRock s website is intended to allow investors public access to information regarding the Trusts and does not, and is not intended, to incorporate BlackRock s website into this report.

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Certain of the officers of the Trusts listed on the inside back cover of this Report to Shareholders are also officers of the Advisor or Sub-Advisor. They serve in the following capacities for the Advisor or Sub-Advisor: Robert S. Kapito Director and Vice Chairman of the Advisor and the Sub-Advisor, Donald Burke, Anne Ackerley, Bartholomew Battista, Vincent Tritto and Brian Kindelan Managing Directors of the Advisor and the Sub-Advisor, James Kong Managing Director of the Sub-Advisor.

### **Important Information Regarding the BlackRock Closed-End Funds Annual Investor Update**

The *Annual Investor Update* ( Update ) is available on the Internet and may be accessed through BlackRock's website at <http://www1.black-rock.com>. The Update provides information on the fixed income markets and summaries of certain BlackRock Closed-End Funds' investment objectives and strategies. It also contains recent news regarding certain BlackRock Closed-End Funds.

Historically, BlackRock provided this information in materials mailed with the Trusts' Annual report. However, we believe that making this information available through BlackRock's website allows us to communicate more fully and efficiently with the Trusts' shareholders.

If you would like to receive a hard copy of the BlackRock Closed-End Funds *Annual Investor Update*, please call (800) 699-1BFM.

## INVESTMENT MANAGEMENT AGREEMENTS

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Under the 1940 Act, the continuation of each Trust's investment management agreement generally is required to be approved annually by the Boards, including the Independent Trustees. At a meeting held on May 23, 2006, the Board of each Trust, including the Independent Trustees, met to consider the annual continuation of each management agreement in effect prior to such date (the "Old Management Agreements"). The Boards first considered the annual continuation of each Old Management Agreement without considering the impending acquisition by BlackRock, Inc. of the investment management business of Merrill Lynch & Co., Inc. (the "Transaction") because the Old Management Agreements needed to be reapproved whether or not the Transaction closes. Accordingly, it was appropriate to review each Old Management Agreement without considering the impending Transaction, and then to separately consider the impact of the Transaction on the Old Management Agreements.

At the meeting on May 23, 2006, the Board of each Trust, including these trustees/directors of each trust who are not interested persons of the Trusts for purposes of the Investment Company Act of 1940, as amended (the "Independent Trustee"), unanimously approved the continuance of each Old Management Agreement for each Trust with a contract considered for renewal and then approved a new management agreement for each Trust to take effect following the completion of the Transaction (the "New Management Agreements").

### Information Received by the Boards

To assist each Board in its evaluation of the Old Management Agreements, the Independent Trustees received information from BlackRock on or about April 22, 2006, which detailed, among other things: the organization, business lines and capabilities of BlackRock Advisors, LLC (formerly BlackRock Advisors, Inc., "BlackRock") the sub-advisors, if any, for each trust (collectively, the "Advisors"), including the responsibilities of various departments and key personnel and biographical information relating to key personnel; financial statements for BlackRock, PNC and each Trust; the advisory and/or administrative fees paid by each Trust to the Advisors, including comparisons, compiled by an independent third party, with the management fees of funds with similar investment objectives ("Peers"); the profitability of BlackRock and certain industry profitability analyses for advisors to registered investment companies; the expenses of BlackRock in providing the various services; non-investment advisory reimbursements and "fallout" benefits to BlackRock; the expenses of each Trust, including comparisons of the respective Trust's expense ratios (both before and after any fee waivers) with the expense ratios of its Peers; and each Trust's performance for the past one-, three-, five- and ten-year periods, when applicable, and each Trust's performance compared to its Peers. This information supplemented the information received by each Board throughout the year regarding each Trust's performance, expense ratios, portfolio composition, trade execution and compliance.

In addition to the foregoing materials, independent legal counsel to the Independent Trustees provided a legal memorandum outlining, among other things, the duties of each Board under the 1940 Act, as well as the general principles of relevant law in reviewing and approving advisory contracts, the requirements of the 1940 Act in such matters, an advisor's fiduciary duty with respect to advisory agreements and compensation, and the standards used by courts in determining whether investment company boards of trustees have fulfilled their duties as well as factors to be considered by the boards in voting on advisory agreements.

The Independent Trustees reviewed this information and discussed it with independent counsel in executive session prior to the Board meeting. At the Board meeting on May 23, 2006, BlackRock made a presentation to and responded to additional questions from the Boards. After the presentations and after additional discussion, each Board considered each Old Management Agreement and, in consultation with independent counsel, reviewed the factors set out in judicial decisions and SEC statements relating to the renewal of the Old Management Agreements.

### Matters Considered by the Boards

#### *The Old Management Agreements*

In connection with their deliberations with respect to the Old Management Agreements, the Boards considered all factors they believed relevant with respect to each Trust, including the following: the nature, extent and quality of the services to be provided by the Advisors; the investment performance of each Trust; the costs of the services to be provided and profits to be realized by the Advisors and their affiliates from their relationship with the Trusts; the extent to which economies of scale would be realized as the BlackRock closed-end fund complex grows; and whether BlackRock realizes other benefits from its relationship with the Trusts.

*Nature and Quality of Investment Advisory and Sub-Advisory Services.* In evaluating the nature, extent and quality of the Advisors services, each Board reviewed information concerning the types of services that the Advisors provide and are expected to provide to each Trust, including narrative and statistical information concerning each Trust's performance record and how such performance compares to each Trust's Peers, information describing BlackRock's organization and its various departments, the experience and responsibilities of key personnel and available resources. The Boards noted the willingness of the personnel of BlackRock to engage in open, candid discussions with the Boards.



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Each Board further considered the quality of the Advisors' investment process in making portfolio management decisions. Given the Boards' experience with BlackRock, the Boards noted that they were familiar with and continue to have a good understanding of the organization, operations and personnel of BlackRock. The Boards also noted that the formation of Portfolio Review Committees and a Compliance Committee had helped each Board to continue to improve their understanding of BlackRock's organization, operations and personnel.

In addition to advisory services, the Independent Trustees considered the quality of the administrative or non-investment advisory services provided to the Trusts. In this regard, the Advisors provide each Trust with such administrative and other services (exclusive of, and in addition to, any such services provided by others for the Trusts) and officers and other personnel as are necessary for the operation of the respective Trust. In addition to investment management services, the Advisors and their affiliates provide each Trust with services such as: preparing shareholder reports and communications, including annual and semi-annual financial statements and Trust websites; communications with analysts to support secondary market trading; assisting with daily accounting and pricing; preparing periodic filings with regulators and stock

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exchanges; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; providing legal and compliance support (such as helping to prepare proxy statements and responding to regulatory inquiries); and performing other Trust administrative tasks necessary for the operation of the respective Trust (such as tax reporting and fulfilling regulatory filing requirements). The Boards considered the Advisors' policies and procedures for assuring compliance with applicable laws and regulations.

*Investment Performance of the Trusts.* As previously noted, the Boards received performance information regarding each Trust and its Peers. Among other things, the Boards received materials reflecting each Trust's historic performance and each Trust's performance compared to its Peers. More specifically, each Trust's one-, three-, five- and ten-year total returns (when applicable) were evaluated relative to its respective Peers (including the performance of individual Peers as well as the Peers' median performance).

The Boards reviewed a narrative analysis of the third-party Peer rankings, prepared by BlackRock at the Boards' request. The summary placed the Peer rankings into context by analyzing various factors that affect these comparisons. In evaluating the performance information, in certain limited instances, the Boards noted that the Peers most similar to a given Trust still would not adequately reflect such Trust's investment objectives and strategies, thereby limiting the usefulness of the comparisons of such Trust's performance with that of its Peers.

With respect to BHK, BNA and BKT, the Boards noted that each of these Trusts had under-performed its benchmark by no more than one of the one-, three- and five-year periods. The Boards further noted the Advisor believes that each of these Trusts may have under-performed their Peers in one of the three periods because they may have a shorter duration than their respective Lipper Peers. In a rising interest rate environment experienced in the one-year period, the Advisor would anticipate that the shorter duration funds would under-perform longer duration funds because the one-year period yield-curve is flattening.

With respect to each of BHY, BLW and BHD, the Boards noted that each of these Trusts had under-performed its benchmark by no more than one of the one-, three- and five-year periods. The Boards noted that the Advisor believes that each of these entities may have been investing in higher quality debt than their Lipper Peers or their benchmark and that higher quality debt under-performed lower-quality debt during 2005. The Boards noted that BHY had out-performed its benchmark for the one- and three-year periods.

With respect to BCT, the Board noted that BCT is a Trust with a finite term and that its performance is not comparable to its Peers because its performance is affected by the duration of its portfolio. The duration of BCT's portfolio is very different from the portfolio duration of funds without a finite life such as the Peers selected by Lipper.

After considering this information, the Boards concluded that the performance of each Trust, in light of and after considering the other facts and circumstances applicable to each Trust, supports a conclusion that each Trust's Old Management Agreement should be renewed.

*Fees and Expenses.* In evaluating the management fees and expenses that a Trust is expected to bear, the Boards considered each Trust's management fee structure and the Trust's expected expense ratios in absolute terms as well as relative to the fees and expense ratios of applicable Peers. In reviewing fees, each Board, among other things, reviewed comparisons of each Trust's gross management fees before and after any applicable reimbursements and fee waivers and total expense ratios before and after any applicable waivers with those of the applicable Peers. The Boards also reviewed a narrative analysis of the Peer rankings that was prepared by an independent third party and summarized by BlackRock at the request of the Boards. This summary placed the rankings into context by analyzing various factors that affect these comparisons.

The Boards, noted that, of the seven Trusts with Old Management Agreements subject to annual continuation, BHK, BKT and BLW pay fees lower than or equal to the median fees paid by their Peers in each of (i) contractual management fees payable by a Trust prior to any expense reimbursements or fee waivers (contractual management fees), (ii) actual management fees paid by a Trust after taking into consideration expense reimbursements and fee waivers (actual management fees) and (iii) total expenses. The remaining four Trusts are worse than the median of their Peers in at least one of (a) contractual management fees, (b) actual management fees or (c) total expenses. The Board noted the following reasons why these four Trusts have contractual or actual management fees or total expenses higher than the median of their Peers:

*Small Trust.* The Board of BCT noted that Trust incurs total expenses that are worse than median of its Peers. The Boards noted that because BCT is small relative to its Peers, the fixed costs associated with operating BCT adversely affects its relative expense ratios. BCT pays contractual and actual management fees that are better than or equal to the median of its Peers.

*Advisor Incurred Additional Risk.* The Board noted that BHY pays actual management fees, incurs total expenses and has contractual management fees worse than the median of its Peers. In this connection, the Board noted that the Advisor incurred substantially greater business risk in connection with the initial offering of BHY's common shares, as BlackRock reimbursed about \$4.3 million in underwriting commissions at the time of BHY's initial offering.

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*Other Explanation.* The Board of BNA noted that it pays actual management fees and incurs total expenses that are better than or equal to the median of its Peers, but that its contractual management fees are worse than the median of its Peers.

*Fee Waivers.* The Board of BHD noted that this Trust has contractual fees that are higher than the median of their respective Peers. Nevertheless, this Trust pays actual management fees and incurs total expenses that are lower than the median, as it has a fee waiver structure in place until 2010.

The Boards also compared the management fees charged to the Trusts by the Advisors to the management fees the Advisors charge other types of clients (such as open-end investment companies and separately managed institutional accounts). With respect to open-end investment companies, the management fees charged to the Trusts generally were higher than those charged to the open-end investment companies. The Boards also noted that the Advisors provide the Trusts with certain services not provided to open-end funds, such as leverage management in connection with the issuance of preferred shares, stock exchange listing compliance requirements, rating agency compliance with respect to

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the leverage employed by the Trusts and secondary market support and other services not provided to the Trusts, such as monitoring of subscriptions and redemptions. With respect to separately managed institutional accounts, the management fees for such accounts were generally lower than those charged to the comparable Trusts. The Boards noted, however, the various services that are provided and the costs incurred by the Advisors in managing and operating the Trusts. For instance, the Advisors and their affiliates provide numerous services to the Trusts that are not provided to institutional accounts including, but not limited to: preparing shareholder reports and communications, including annual and semi-annual financial statements; preparing periodic filings with regulators and stock exchanges; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; income monitoring; expense budgeting; preparing proxy statements; and performing other Trust administrative tasks necessary for the operation of the respective Trust (such as tax reporting and fulfilling regulatory filing requirements). Further, the Boards noted the increased compliance requirements for the Trusts in light of new SEC regulations and other legislation. These services are generally not required to the same extent, if at all, for separate accounts.

In connection with the Boards' consideration of this information, the Boards reviewed the considerable investment management experience of the Advisors and considered the high level of investment management, administrative and other services provided by the Advisors. In light of these factors and the other facts and circumstances applicable to each Trust, the Boards concluded that the fees paid and expenses incurred by each Trust under its Old Management Agreements supports a conclusion that each Trust's Old Management Agreements should be renewed.

*Profitability.* The Trustees also considered BlackRock's profitability in conjunction with their review of fees. The Trustees reviewed BlackRock's revenues, expenses and profitability margins on an after-tax basis. In reviewing profitability, the Trustees recognized that one of the most difficult issues in determining profitability is establishing a method of allocating expenses. The Trustees also reviewed BlackRock's assumptions and methodology of allocating expenses, noting the inherent limitations in allocating costs among various advisory products. The Boards also recognized that individual fund or product line profitability of other advisors is generally not publicly available.

The Boards recognized that profitability may be affected by numerous factors including, among other things, the types of funds managed, expense allocations and business mix, and therefore comparability of profitability is somewhat limited. Nevertheless, to the extent available, the Boards considered BlackRock's pre-tax profit margin compared to the pre-tax profitability of various publicly traded investment management companies and/or investment management companies that publicly disclose some or all of their financial results. The comparison indicated that BlackRock's pre-tax profitability was in the second quartile of the fifteen companies compared (including BlackRock), with the most profitable quartile being ranked first and the least profitable quartile being ranked fourth.

In evaluating the reasonableness of the Advisors' compensation, the Boards also considered any other revenues paid to the Advisors, including partial reimbursements paid to the Advisors for certain non-investment advisory services. The Boards noted that these payments were less than the Advisors' costs for providing these services. The Boards also considered indirect benefits (such as soft dollar arrangements) that the Advisors and their affiliates are expected to receive that are attributable to their management of the Trusts.

In reviewing each Trust's fees and expenses, the Boards examined the potential benefits of economies of scale, and whether any economies of scale should be reflected in the Trusts' fee structures, for example through the use of breakpoints. In this connection, the Boards reviewed information provided by BlackRock, noting that most closed-end fund complexes do not have fund-level breakpoints, as closed-end funds generally do not experience substantial growth after their initial public offering and each fund is managed independently, consistent with its own investment objectives. The Boards also noted that the one registered closed-end investment company managed by BlackRock has a breakpoint in its fee structure, but that fund that was inherited by BlackRock when it took over managing the fund from another manager and that BlackRock simply retained the structure it inherited. The information also revealed that only one closed-end fund complex used a complex-level breakpoint structure, and that this complex generally is homogeneous with regard to the types of funds managed and is about four times as large as the Trusts' complex.

The Boards concluded that BlackRock's profitability, in light of all the other facts and circumstances applicable to each Trust, supports a conclusion that each Trust's Old Management Agreements should be renewed.

*Other Benefits.* In evaluating fees, the Boards also considered indirect benefits or profits the Advisors or their affiliates may receive as a result of their relationships with the Trusts. The Trustees, including the Independent Trustees, considered the intangible benefits that accrue to the Advisors and their affiliates by virtue of their relationships with the Trusts, including potential benefits accruing to the Advisors and their affiliates as a result of participating in offerings of the Trusts' shares, potentially stronger relationships with members of the broker-dealer community, increased name recognition of the Advisors and their affiliates, enhanced sales of other investment funds and products sponsored by the Advisors and their affiliates and increased assets under management which may increase the benefits realized by the Advisors from soft dollar arrangements with broker-dealers. The Boards also considered the unquantifiable nature of these potential benefits.

*Miscellaneous.* During the Boards' deliberations in connection with the Old Management Agreements, the Boards were aware that the Advisor pays compensation, out of its own assets, to the lead underwriter and to certain qualifying underwriters of many of its closed-end funds, and to employees of the Advisors' affiliates that participated in the offering of such funds. The Boards considered whether the management fee met applicable standards in light of the services provided by the Advisors, without regard to whether the Advisors ultimately pay any portion of

the anticipated compensation to the underwriters.

*Conclusion with respect to the Old Management Agreements.* In reviewing the Old Management Agreements without considering the impending Transaction, the Trustees did not identify any single factor discussed above as all-important or controlling. The Trustees, including the Independent Trustees, unanimously determined that each of the factors described above, in light of all the other factors and all of the facts and circumstances applicable to each respective Trust, was acceptable for each Trust and supported the Trustees' conclusion that the terms of each Old Management Agreement were fair and reasonable, that the respective Trust's fees are reasonable in light of the services provided to the respective Trust, and that each Old Management Agreement should be approved.

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### *The Transaction*

On September 29, 2006, Merrill Lynch contributed its investment management business, MLIM, to BlackRock, one of the largest publicly traded investment management firms in the United States and the parent company of the Advisor, to form a new asset management company that is one of the world's preeminent, diversified global money management organizations with approximately \$1 trillion in assets under management. Based in New York, BlackRock manages assets for institutional and individual investors worldwide through a variety of equity, fixed income, cash management and alternative investment products. The new company operates under the BlackRock name and is governed by a board of directors with a majority of independent members. The new company offers a full range of equity, fixed income, cash management and alternative investment products with strong representation in both retail and institutional channels, in the United States and in non-U.S. markets. It has over 4,500 employees in 18 countries and a major presence in most key markets, including the United States, the United Kingdom, Asia, Australia, the Middle East and Europe. Merrill Lynch owns no more than 49.8% of the total capital stock of the new company on a fully diluted basis and it owns no more than 45% of the new company's voting power, and The PNC Financial Services Group, LLC. (PNC), which previously held a majority interest in BlackRock, retains approximately 34% of the new company's common stock. Each of Merrill Lynch and PNC has agreed that it will vote all of its shares on all matters in accordance with the recommendation of BlackRock's board of directors.

### *The New Management Agreements*

Consequences of the Transaction. On February 23, 2006, April 21, 2006 and May 23, 2006 members of BlackRock management made presentations on the Transaction to the Trustees and the Trustees discussed with management and amongst themselves management's general plans and intentions regarding the Trusts, including the preservation, strengthening and growth of BlackRock's business and its combination with MLIM's business. The Boards also inquired about the plans for and anticipated roles and responsibilities of certain BlackRock employees and officers after the Transaction. The Independent Trustees also met in executive session to discuss the Transaction. After these meetings, BlackRock continued to update the Boards with respect to its plans to integrate the operations of BlackRock and MLIM and the potential impact of those plans on the Trusts as those plans were further developed.

At the Board meeting on May 23, 2006, after considering and approving the Old Management Agreements, the Boards (including the Independent Trustees) then considered the information received at or prior to the meeting and the consequences of the Transaction to each Trust, including, among other things:

(i) that BlackRock, MLIM and their investment advisory subsidiaries are experienced and respected asset management firms, and that BlackRock advised the Boards that in connection with the completion of the Transaction, it intends to take steps to combine the investment management operations of BlackRock and MLIM, which, among other things, may involve sharing common systems and procedures, employees (including portfolio managers), investment and trading platforms, and other resources. Furthermore, these combination processes will result in changes to the portfolio management teams for each of the Trusts;

(ii) that BlackRock advised the Boards that following the Transaction, there is not expected to be any diminution in the nature, quality and extent of services provided to the Trusts and their shareholders by the Advisors, including compliance services;

(iii) that BlackRock advised the Boards that it has no present intention to alter the expense waivers and reimbursements currently in effect for certain of the Trusts;

(iv) the experience, expertise, resources and performance of MLIM that will be contributed to BlackRock after the closing of the Transaction and their anticipated impact on BlackRock's ability to manage the Trusts;

(v) that BlackRock and MLIM would derive benefits from the Transaction and that as a result, they have a financial interest in the matters that were being considered;

(vi) the potential effects of regulatory restrictions on the Trusts as a result of Merrill Lynch's equity stake in BlackRock after the Transaction;

(vii) the fact that each Trust's aggregate investment advisory and sub-advisory fees payable under the New Management Agreements and the Old Management Agreements are identical;

(viii) the terms of the New Management Agreements, including the differences from the Old Management Agreements (see Comparison of Old Management Agreements to the New Management Agreements above);

(ix) that the Trusts would not bear the costs of obtaining shareholder approval of the New Management Agreements; and

(x) that BlackRock and Merrill Lynch have agreed to conduct their respective businesses (and use reasonable best efforts to cause their respective affiliates to conduct their respective businesses) to enable the conditions of Section 15(f) to be true in relation to any registered investment companies advised by MLIM and registered under the 1940 Act and have agreed to the same conduct in relation to

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the BlackRock registered investment companies to the extent it is determined the Transaction is an assignment under the 1940 Act.

*Nature and Quality of Investment Advisory and Sub-Advisory Services.* The Boards considered the expected impact of the Transaction on the operations, facilities, organization and personnel of the Advisors, the potential implications of regulatory restrictions on the Trusts following the Transaction and the ability of the Advisors to perform their duties after the Transaction. The Boards considered that the services to be provided and the standard of care under the New Management Agreements are the same as under the Old Management Agreements. The Boards also considered statements by management of BlackRock that, in connection with integrating the operations of the Advisors and MLIM, the objective was to preserve the best of both organizations in order to enhance BlackRock's ability to provide investment advisory services following completion of the Transaction.

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The Boards noted that it is impossible to predict with certainty the impact of the Transaction on the nature, quality and extent of the services provided by the Advisors to the Trusts, but concluded based on the information currently available and in light of all of the current facts and circumstances, that the Transaction is likely to provide the Advisors with additional resources with which to serve the Trusts and was not expected to adversely affect the nature, quality and extent of the services to be provided to the Trusts and their shareholders by the Advisors and was not expected to materially adversely affect the ability of the Advisors to provide those services.

The Board considered that BlackRock portfolio managers for the Trusts would remain the same following completion of the Transaction.

*Investment Performance of the Trusts.* The Boards examined MLIM's investment performance with respect to its closed-end funds. The Boards noted the Advisors' and MLIM's considerable investment management experience and capabilities. The Boards considered this information together with the level of services expected to be provided to the Trusts. Although the Boards noted that it is impossible to predict the effect, if any, that consummation of the Transaction would have on the future performance of the Trusts, the Boards concluded that the information currently available, in light of all of the current facts and circumstances, supported approving the New Management Agreements.

*Fees.* The Boards noted that the fees payable by the Trusts under the New Management Agreements are identical to the fees payable under the Old Management Agreements. The Boards also considered the fees paid by the MLIM closed-end funds. In light of (i) the Boards' approval of the fees paid by each Trust pursuant to the Old Management Agreements at the May 23, 2006 meeting, (ii) the fact that no change to the fees paid by any Trust was proposed solely as a result of the Transaction, and (iii) the Boards' earlier conclusion with respect to the services expected to be provided to the Trusts under the New Management Agreements, the Boards concluded that the fee structure under the New Management Agreements was reasonable.

*Profitability.* Management of the Advisors stated to the Boards that, following the Transaction, the current intention is to continue to determine profitability and report profitability to the Boards in the same way as they did prior to the Transaction, subject to management's desire to preserve the best practices of MLIM. Management of the Advisors stated that any changes in the methods used to determine profitability and report profitability to the Boards would be discussed with the Boards. The Boards considered the potential for increased economies of scale as a result of the Transaction and whether any economies of scale should be reflected in the Trusts' fee structures. The Boards also considered that the process of integrating the operations of the Advisors and MLIM was in the early stages and that considerable expense would be incurred in connection with integrating such operations, all of which made it difficult to conclude that economies of scale would be realized as a result of the Transaction. In light of the foregoing, the Boards concluded that, at this time, no changes were necessary to the fee structure of the Trusts as a result of the Transaction.

*Other Benefits.* In evaluating ancillary benefits to be received by the Advisors and their affiliates under the New Management Agreements, the Boards considered whether the Transaction would have an impact on the ancillary benefits received by the Advisor by virtue of the Old Management Agreements. Based on its review of the materials provided, including materials received in connection with its approval of the continuance of each Old Management Agreement earlier at the May 23, 2006 meetings of the Boards and its discussions with the Advisors, the Boards noted that such benefits were difficult to quantify with certainty at this time and indicated that it would continue to evaluate them going forward.

*Conclusion with respect to the New Management Agreements.* The Trustees did not identify any single consequence of the Transaction discussed above as all-important or controlling. The Boards determined that all of the factors referred to in their evaluation of the Old Management Agreements described above under *Matters Considered by the Boards* The Old Management Agreements are applicable to the evaluation of the New Management Agreements and concluded that these factors, in light of all the other factors and all of the facts and circumstances applicable to each Trust, were acceptable for each Trust and supported the Trustees' conclusion that the terms of each New Management Agreement were fair and reasonable, that the fees in each New Management Agreement are fair and reasonable in light of the services provided to the respective Trust and that each New Management Agreement should be approved.

### Shareholder Meeting

At the shareholder meeting for each Trust held on August 23, 2006, the shareholders of each Trust approved the New Management Agreement for each Trust.



## SECTION 19 NOTICES

Set forth below is a summary of distributions which required each Trust, if any, to notify shareholders of the type of distributions paid pursuant to Section 19 of the Investment Company Act of 1940. Section 19 requires each Trust to accompany dividend payments with a notice if any part of that payment is from a source other than accumulated net investment income, not including profits or losses from the sale of securities or other properties. These notices are not for tax reporting purposes and were provided only for informational purposes in order to comply with the requirements of Section 19. In January 2007, after the completion of each Trust's tax year, shareholders will receive a Form 1099-DIV which will reflect the amount of income, capital gain and return of capital paid by the Trust taxable in calendar year 2006 and reportable on your 2006 federal and other income tax returns.

| <u>Date of Distribution</u> | <u>Total Distributions</u> | <u>Net Investment Income</u> | <u>Distributions from proceeds from the sale of securities</u> | <u>Distributions from return of capital</u> |
|-----------------------------|----------------------------|------------------------------|--|---|
| <b>Core Bond</b>            |                            |                              |  |   |
| February 2006               | \$ 0.07710                 | \$ 0.06140                   | \$   | \$ 0.01570                                  |
| March 2006                  | \$ 0.07710                 | \$ 0.06370                   | \$   | \$ 0.01340                                  |
| April 2006                  | \$ 0.07710                 | \$ 0.05880                   | \$   | \$ 0.01830                                  |
| May 2006                    | \$ 0.07710                 | \$ 0.06000                   | \$   | \$ 0.01710                                  |
| June 2006                   | \$ 0.06700                 | \$ 0.05762                   | \$   | \$ 0.00938                                  |
| July 2006                   | \$ 0.06700                 | \$ 0.05956                   | \$   | \$ 0.00744                                  |
| August 2006                 | \$ 0.06700                 | \$ 0.00593                   | \$ 0.01814   | \$  |
| September 2006              | \$ 0.06700                 | \$ 0.06700                   | \$   | \$ 0.02607                                  |
| October 2006                | \$ 0.06700                 | \$ 0.06700                   | \$   | \$ 0.02040                                  |
| <b>High Yield</b>           |                            |                              |  |   |
| February 2006               | \$ 0.05533                 | \$ 0.05533                   | \$   | \$  |
| May 2006                    | \$ 0.05533                 | \$ 0.05533                   | \$   | \$  |
| <b>Income Opportunity</b>   |                            |                              |  |   |
| May 2006                    | \$ 0.06190                 | \$ 0.05870                   | \$   | \$ 0.00320                                  |
| June 2006                   | \$ 0.06190                 | \$ 0.05765                   | \$   | \$ 0.00425                                  |
| July 2006                   | \$ 0.06190                 | \$ 0.04811                   | \$   | \$ 0.01379                                  |
| August 2006                 | \$ 0.06190                 | \$ 0.05342                   | \$   | \$ 0.00848                                  |
| September 2006              | \$ 0.06190                 | \$ 0.02780                   | \$   | \$ 0.03410                                  |
| October 2006                | \$ 0.06190                 | \$ 0.04744                   | \$   | \$ 0.01446                                  |
| <b>Income Trust</b>         |                            |                              |  |   |
| April 2006                  | \$ 0.03679                 | \$ 0.03109                   | \$   | \$ 0.00570                                  |
| May 2006                    | \$ 0.03679                 | \$ 0.03149                   | \$   | \$ 0.00530                                  |
| June 2006                   | \$ 0.03679                 | \$ 0.02999                   | \$   | \$ 0.00680                                  |
| July 2006                   | \$ 0.03679                 | \$ 0.00079                   | \$   | \$ 0.03600                                  |
| August 2006                 | \$ 0.03679                 | \$ 0.03339                   | \$   | \$ 0.00340                                  |
| September 2006              | \$ 0.03100                 | \$ 0.00140                   | \$   | \$ 0.02960                                  |
| October 2006                | \$ 0.03100                 | \$ 0.02790                   | \$   | \$ 0.00310                                  |
| <b>Strategic Bond</b>       |                            |                              |  |   |
| February 2006               | \$ 0.08800                 | \$ 0.06370                   | \$   | \$ 0.02430                                  |
| March 2006                  | \$ 0.08800                 | \$ 0.08100                   | \$   | \$ 0.00700                                  |
| May 2006                    | \$ 0.08800                 | \$ 0.08570                   | \$   | \$ 0.00230                                  |
| June 2006                   | \$ 0.08800                 | \$ 0.08610                   | \$   | \$ 0.00190                                  |
| July 2006                   | \$ 0.08800                 | \$ 0.08690                   | \$   | \$ 0.00110                                  |

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## BlackRock Closed-End Funds

### Directors/Trustees

Ralph L. Schlosstein, *Chairman*  
Andrew F. Brimmer, *Lead Trustee*  
Richard E. Cavanagh  
Kent Dixon  
Frank J. Fabozzi  
Kathleen Feldstein  
R. Glenn Hubbard  
Robert S. Kapito

### Officers

Robert S. Kapito, *President*  
Donald C. Burke, *Treasurer*  
Bartholomew Battista, *Chief Compliance Officer*  
Anne Ackerley, *Vice President*  
Neal Andrews, *Assistant Treasurer*  
Jay Fife, *Assistant Treasurer*  
Spencer Fleming, *Assistant Treasurer*  
James Kong, *Assistant Treasurer*  
Robert Mahar, *Assistant Treasurer*  
Vincent B. Tritto, *Secretary*  
Brian P. Kindelan, *Assistant Secretary*

### Investment Advisor

BlackRock Advisors, LLC  
100 Bellevue Parkway  
Wilmington, DE 19809  
(800) 227-7BFM

### Sub-Advisor<sup>1</sup>

BlackRock Financial Management, Inc.  
40 East 52nd Street  
New York, NY 10022

### Accounting Agent and Custodian

State Street Bank and Trust Company  
2 Avenue de Lafayette  
Boston, MA 02111

### Transfer Agent

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021  
(800) 699-1BFM

### Independent Registered Public Accounting Firm

Deloitte & Touche LLP  
200 Berkeley Street  
Boston, MA 02116

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP  
4 Times Square  
New York, NY 10036

Legal Counsel    Independent Directors/Trustees

## Edgar Filing: BLACKROCK CORE BOND TRUST - Form N-CSR

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022

This report is for shareholder information. This is not a prospectus intended for use in the purchase or sale of Trust shares. Statements and other information contained in this report are as dated and are subject to change.

BlackRock Closed-End Funds  
c/o BlackRock Advisors, LLC  
100 Bellevue Parkway  
Wilmington, DE 19809  
(800) 227-7BFM

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<sup>1</sup> For Core Bond, Limited Duration and Strategic Bond.

The Trusts will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Trusts at (800) 699-1BFM.

The Trusts have delegated to the Advisor the voting of proxies relating to their voting securities pursuant to the Advisor's proxy voting policies and procedures. You may obtain a copy of these proxy voting policies and procedures, without charge, by calling (800) 699-1BFM. These policies and procedures are also available on the website of the Securities and Exchange Commission (the "Commission") at <http://www.sec.gov>.

Information on how proxies relating to the Trusts' voting securities were voted (if any) by the Advisor during the most recent 12-month period ended June 30th is available without charge, upon request, by calling (800) 699-1BFM or on the website of the Commission at <http://www.sec.gov>.

The Trusts file their complete schedule of portfolio holdings for the first and third quarters of their respective fiscal years with the Commission on Form N-Q. Each Trust's Form N-Q will be available on the Commission's website at <http://www.sec.gov>. Each Trust's Form N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information regarding the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Each Trust's Form N-Q may also be obtained, upon request, by calling (800) 699-1BFM.

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CEF-ANN-3-1006

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**Item 2. Code of Ethics.**

(a) The Registrant has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

(b) Not applicable.

(c) The Registrant has not amended its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(d) The Registrant has not granted a waiver or an implicit waiver from a provision of its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(e) Not applicable.

(f) The Registrant's Code of Ethics is available without charge at [www.blackrock.com](http://www.blackrock.com).

**Item 3. Audit Committee Financial Expert.**

The Registrant's Board of Trustees has determined that it has three audit committee financial experts serving on its audit committee, each of whom is an "independent" Trustee: Dr. Andrew F. Brimmer, Kent Dixon and Frank Fabozzi. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification. Dr. Brimmer retired from the Board of Trustees as of December 31, 2006.

**Item 4. Principal Accountant Fees and Services.**

(a) Audit Fees. The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were \$64,000 for the fiscal year ended October 31, 2006 and \$43,500 for the fiscal year ended October 31, 2005.

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(b) Audit-Related Fees. The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported above in Item 4(a) were \$0 for the fiscal year ended October 31, 2006 and \$0 for the fiscal year ended October 31, 2005. The nature of the service includes assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.

(c) Tax Fees. The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning were \$8,000 for the fiscal year ended October 31, 2006 and \$7,500 for the fiscal year ended October 31, 2005. The nature of these services was federal, state and local income and excise tax return preparation and related advice and planning and miscellaneous tax advice.

(d) All Other Fees. The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported above in Items 4(a) through (c) were \$2,600 for the fiscal year ended October 31, 2006 and \$2,600 for the fiscal year ended October 31, 2005. The nature of the service includes a review of compliance procedures and provided an attestation regarding such review.

(e) Audit Committee Pre-Approval Policies and Procedures.

(1) The Registrant has policies and procedures (the "Policy") for the pre-approval by the Registrant's Audit Committee of Audit, Audit-Related, Tax and Other Services (as each is defined in the Policy) provided by the Trust's independent auditor (the "Independent Auditor") to the Registrant and other "Covered Entities" (as defined below). The term of any such pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The amount of any such pre-approval is set forth in the appendices to the Policy (the "Service Pre-Approval Documents"). At its first meeting of each calendar year, the Audit Committee will review and re-approve the Policy and approve or re-approve the Service Pre-Approval Documents for that year, together with any changes deemed necessary or desirable by the Audit Committee. The Audit Committee may, from time to time, modify the nature of the services pre-approved, the aggregate level of fees pre-approved or both.

For the purposes of the Policy, "Covered Services" means (A) all engagements for audit and non-audit services to be provided by the Independent Auditor to the Trust and (B) all engagements for non-audit services related directly to the operations and financial reporting of the Trust to be provided by the Independent Auditor to any Covered Entity, "Covered Entities" means (1) the Advisor or (2) any entity controlling, controlled by or under common control with the Advisor that provides ongoing services to the Trust.

In the intervals between the scheduled meetings of the Audit Committee, the Audit Committee delegates pre-approval authority under this Policy to the Chairman of the Audit Committee (the "Chairman"). The Chairman shall report any pre-approval decisions under this Policy to the Audit Committee at its next scheduled meeting. At each

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scheduled meeting, the Audit Committee will review with the Independent Auditor the Covered Services pre-approved by the Chairman pursuant to delegated authority, if any, and the fees related thereto. Based on these reviews, the Audit Committee can modify, at its discretion, the pre-approval originally granted by the Chairman pursuant to delegated authority. This modification can be to the nature of services pre-approved, the aggregate level of fees approved, or both. Pre-approval of Covered Services by the Chairman pursuant to delegated authority is expected to be the exception rather than the rule and the Audit Committee may modify or withdraw this delegated authority at any time the Audit Committee determines that it is appropriate to do so.

Fee levels for all Covered Services to be provided by the Independent Auditor and pre-approved under this Policy will be established annually by the Audit Committee and set forth in the Service Pre-Approval Documents. Any increase in pre-approved fee levels will require specific pre-approval by the Audit Committee (or the Chairman pursuant to delegated authority).

The terms and fees of the annual Audit services engagement for the Trust are subject to the specific pre-approval of the Audit Committee. The Audit Committee (or the Chairman pursuant to delegated authority) will approve, if necessary, any changes in terms, conditions or fees resulting from changes in audit scope, Trust structure or other matters.

In addition to the annual Audit services engagement specifically approved by the Audit Committee, any other Audit services for the Trust not listed in the Service Pre-Approval Document for the respective period must be specifically pre-approved by the Audit Committee (or the Chairman pursuant to delegated authority).

Audit-Related services are assurance and related services that are not required for the audit, but are reasonably related to the performance of the audit or review of the financial statements of the Registrant and, to the extent they are Covered Services, the other Covered Entities (as defined in the Joint Audit Committee Charter) or that are traditionally performed by the Independent Auditor. Audit-Related services that are Covered Services and are not listed in the Service Pre-Approval Document for the respective period must be specifically pre-approved by the Audit Committee (or the Chairman pursuant to delegated authority).

The Audit Committee believes that the Independent Auditor can provide Tax services to the Covered Entities such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Audit Committee will not permit the retention of the Independent Auditor in connection with a transaction initially recommended by the Independent Auditor, the sole business purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. Tax services that are Covered Services and are not listed in the Service Pre-Approval Document for the respective period must be specifically pre-approved by the Audit Committee (or the Chairman pursuant to delegated authority).

All Other services that are covered and are not listed in the Service Pre-Approval Document for the respective period must be specifically pre-approved by the Audit Committee (or the Chairman pursuant to delegated authority).

Requests or applications to provide Covered Services that require approval by the Audit Committee (or the Chairman pursuant to delegated authority) must be submitted to the Audit Committee or the Chairman, as the case may be, by both the Independent



Auditor and the Chief Financial Officer of the respective Covered Entity, and must include a joint statement as to whether, in their view, (a) the request or application is consistent with the rules of the Securities and Exchange Commission ("SEC") on auditor independence and (b) the requested service is or is not a non-audit service prohibited by the SEC. A request or application submitted to the Chairman between scheduled meetings of the Audit Committee should include a discussion as to why approval is being sought prior to the next regularly scheduled meeting of the Audit Committee.

(2) None of the services described in each of Items 4(b) through (d) were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not applicable.

(g) The aggregate non-audit fees billed by the Registrant's accountant for services rendered to the Registrant, the Registrant's investment adviser (except for any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) or any entity controlling, controlled by, or under common control with the Registrant's investment adviser that provides ongoing services to the Registrant for each of the last two fiscal years were \$286,200 for the fiscal year ended October 31, 2006 and \$286,200 for the fiscal year ended October 31, 2005.

(h) The Registrant's Audit Committee of the Board of Trustees has considered whether the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee of the Registrant is comprised of: Dr. Andrew F. Brimmer; Richard E. Cavanagh; Kent Dixon and Frank J. Fabozzi. Dr. Brimmer retired from the Board of Trustees as of December 31, 2006.

**Item 6. Schedule of Investments.**

The Registrant's Schedule of Investments is included as part of the Report to Shareholders filed under Item 1 of this Form.

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**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

The Registrant has delegated the voting of proxies relating to its voting securities to its investment advisor, BlackRock Advisors, LLC (the "Advisor"), and its sub-advisor, BlackRock Financial Management, Inc. (the "Sub-Advisor"). The Proxy Voting Policies and Procedures of the Advisor and Sub-Advisor (the "Proxy Voting Policies") are attached as an Exhibit 99.PROXYPOL hereto.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies**

(a)(1) BlackRock's fund management team involved with the Registrant is led by a team of investment professionals, including the following individuals who have day-to-day responsibility: Keith Anderson, Robert S. Kapito, Michael P. Lustig and Jeff Gary.

Keith Anderson, Vice Chairman, is BlackRock's Global Chief Investment Officer for Fixed Income and a member of the Executive and Management Committees. Mr. Anderson is Chairman of the Investment Strategy Group and is responsible for global fixed income strategy, asset allocation and the overall management of client portfolios. In this capacity, he coordinates BlackRock's team of portfolio managers and credit analysts who specialize in government, agency, corporate, mortgage, asset-backed and structured securities worldwide. Mr. Anderson has been a portfolio manager with BlackRock since 1988.

Robert S. Kapito, Vice Chairman and a Director of BlackRock, is head of Portfolio Management and a member of the Executive and Management Committees and Investment Strategy Groups. Mr. Kapito oversees all portfolio management within BlackRock, including the Fixed Income, Equity, Liquidity, and Alternative Investment Groups. Mr. Kapito also serves as President and a Director for BlackRock's family of closed-end mutual funds. Mr. Kapito has been a portfolio manager with BlackRock since 1988.

Michael P. Lustig, Managing Director and portfolio manager, is a member of the Fixed Income Portfolio Management Group. Mr. Lustig is responsible for managing the firm's taxable closed-end funds, the structured mortgage and derivative products sector, and the markets-based risk advisory effort as well as the internal training program. Mr. Lustig has been with BlackRock since 1989.

Jeff Gary, CPA, Managing Director and portfolio manager, is head of BlackRock's high yield team within the Fixed Income Portfolio Management Group. Prior to joining BlackRock in 2003, Mr. Gary was a Managing Director and portfolio manager with AIG (American General) Investment Group.

(a)(2) As of October 31, 2006, Keith Anderson managed or was a member of the management team for the following client accounts:

| Type of Account                       | Number of Accounts | Assets of Accounts | Number of Accounts Subject to a Performance Fee | Assets Subject to a Performance Fee |
|---------------------------------------|--------------------|--------------------|---|-------------------------------------|
| Registered Investment Companies       | 21                 | \$8,121,404,620    | 0   | 0                                   |
| Pooled Investment Vehicles Other Than | 17                 | \$5,242,114,801    | 5   | \$1,143,779,036                     |

Registered Investment  
Companies

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|                |     |                  |    |                 |
|----------------|-----|------------------|----|-----------------|
| Other Accounts | 260 | \$99,122,142,171 | 20 | \$6,682,312,847 |
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As of October 31, 2006, Robert S. Kapito managed or was a member of the management team for the following client accounts:

| Type of Account   | Number of Accounts | Assets of Accounts | Number of Accounts Subject to a Performance Fee | Assets Subject to a Performance Fee |
|---|--------------------|--------------------|---|-------------------------------------|
| Registered Investment Companies                                       | 2                  | \$418,515,006      | 0   | 0                                   |
| Pooled Investment Vehicles Other Than Registered Investment Companies | 3                  | \$1,024,435,179    | 1   | \$1,024,435,179                     |
| Other Accounts  | 4                  | \$800,000          | 0   | 0                                   |

As of October 31, 2006, Michael P. Lustig managed or was a member of the management team for the following client accounts:

| Type of Account   | Number of Accounts | Assets of Accounts | Number of Accounts Subject to a Performance Fee | Assets Subject to a Performance Fee |
|---|--------------------|--------------------|---|-------------------------------------|
| Registered Investment Companies                                       | 8                  | \$1,413,695,940    | 0   | 0                                   |
| Pooled Investment Vehicles Other Than Registered Investment Companies | 2                  | \$1,024,435,179    | 1   | \$1,024,435,179                     |
| Other Accounts  | 9                  | \$3,811,757,791    | 0   | 0                                   |

As of October 31, 2006, Jeff Gary managed or was a member of the management team for the following client accounts:

| Type of Account   | Number of Accounts | Assets of Accounts | Number of Accounts Subject to a Performance Fee | Assets Subject to a Performance Fee |
|---|--------------------|--------------------|---|-------------------------------------|
| Registered Investment Companies                                       | 18                 | \$6,404,343,366    | 0   | 0                                   |
| Pooled Investment Vehicles Other Than Registered Investment Companies | 6                  | \$5,551,926,709    | 5   | \$1,320,262,421                     |
| Other Accounts  | 28                 | \$4,283,255,801    | 9   | \$1,672,666,508                     |

BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Registrant, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Registrant. In addition, BlackRock, its affiliates and any officer, director, stockholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Registrant. BlackRock, or any of its affiliates, or any officer, director, stockholder, employee or any member of their families may take different actions than those recommended to the Registrant by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock's (or its affiliates') officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for the Registrant. In this connection, it should be noted that portfolio management team may manage certain accounts that are subject to performance fees. In addition, the portfolio management team may assist in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned such funds and a portion of such incentive fees may be voluntarily or involuntarily deferred. Additional portfolio managers may in the future manage other such accounts or funds and may be entitled to receive incentive fees.



As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock has adopted a policy that is intended to ensure that investment opportunities are allocated fairly and equitably among client accounts over time. This policy also seeks to achieve reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base.

(a)(3) BlackRock's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock such as its Long-Term Retention and Incentive Plan and Restricted Stock Program.

**Base compensation.** Generally, portfolio managers receive base compensation based on their seniority and/or their position with the firm.

**Discretionary compensation.** In addition to base compensation, portfolio managers may receive discretionary compensation, which can be a substantial portion of total compensation. Discretionary compensation can include a discretionary cash bonus as well as one or more of the following:

**Long-Term Retention and Incentive Plan (LTIP)** □The LTIP is a long-term incentive plan that seeks to reward certain key employees. The plan provides for the grant of awards that are expressed as an amount of cash that, if properly vested and subject to the attainment of certain performance goals, will be settled in cash and/or in BlackRock, Inc. common stock.

**Deferred Compensation Program** □A portion of the compensation paid to each portfolio manager may be voluntarily deferred by the portfolio manager into an account that tracks the performance of certain of the firm's investment products. Each portfolio manager is permitted to allocate his deferred amounts among various options, including to certain of the firm's hedge funds and other unregistered products. In addition, prior to 2005, a portion of the annual compensation of certain senior managers was mandatorily deferred in a similar manner for a number of years. Beginning in 2005, a portion of the annual compensation of certain senior managers was paid in the form of BlackRock, Inc. restricted stock units which vest ratably over a number of years.

**Options and Restricted Stock Awards** □While incentive stock options are not currently being awarded to BlackRock employees, BlackRock, Inc. previously granted

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stock options to key employees, including certain portfolio managers who may still hold unexercised or unvested options. BlackRock, Inc. also has a restricted stock award program designed to reward certain key employees as an incentive to contribute to the long-term success of BlackRock. These awards vest over a period of years.

Incentive Savings Plans □BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including an Employee Stock Purchase Plan (ESPP) and a 401(k) plan. The 401(k) plan may involve a company match of the 50% employee□s pre-tax contribution of up to 6% of the employee□s salary, limited to \$4,000 per year. BlackRock also offers a Company Retirement Contribution equal to 3% to 5% of eligible compensation, depending on BlackRock, Inc.□s overall net operating income. The company match is made in cash. The firm□s 401(k) plan offers a range of investment options, including registered investment companies managed by the firm. Each portfolio manager is eligible to participate in these plans.

Annual incentive compensation for each portfolio manager is a function of several components: the performance of BlackRock, Inc., the performance of the portfolio manager□s group within BlackRock, the investment performance, including risk-adjusted returns and income generation, of the firm□s assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual□s teamwork and contribution to the overall performance of these portfolios and BlackRock. Unlike many other firms, portfolio managers at BlackRock compete against benchmarks rather than each other. In most cases, including for the portfolio managers of the Registrant, these benchmarks are the same as the benchmark or benchmarks against which the investment performance, including risk-adjusted returns and income generation, of the Registrant or other accounts are measured. These benchmarks include customized benchmarks, Lipper peer groups and a subset of other closed-end taxable debt funds. A group of BlackRock, Inc.□s officers determines which benchmarks against which to compare the performance of funds and other accounts managed by each portfolio manager. With respect to the Registrant, such benchmarks include Customized Index and standard list.

The group of BlackRock, Inc.□s officers then makes a subjective determination with respect to the portfolio manager□s compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks. This determination may take into consideration the fact that a benchmark may not perfectly correlate to the way the Registrant or other accounts are managed, even if it is the benchmark that is most appropriate for the Registrant or other account. For example, a benchmark□s return may be based on the total return of the securities comprising the benchmark, but the Registrant or other account may be managed to maximize income and not total return. Senior portfolio managers who perform additional management functions within BlackRock may receive additional compensation for serving in these other capacities.

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(a)(4) As of October 31, 2006, the end of the Registrant's most recently completed fiscal year, the dollar range of securities beneficially owned by each portfolio manager in the Registrant is shown below:

Keith Anderson: None  
Robert S. Kapito: \$1-\$10,000  
Michael P. Lustig: None  
Jeff Gary: None

(b) Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Companies and Affiliated Purchasers.**

Not applicable.

**Item 10. Submission of Matters to a Vote of Security Holders.**

The Registrant's Governance Committee will consider nominees to the Board of Trustees recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and sets forth the qualifications of the proposed nominee to the Registrant's Secretary. There have been no material changes to these procedures.

**Item 11. Controls and Procedures.**

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded, as of that date, that the Registrant's disclosure controls and procedures were reasonably designed to ensure that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported within the required time periods and that information required to be disclosed by the Registrant in this Form N-CSR was accumulated and communicated to the Registrant's management, including its principle executive and principle financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a -3(d)) that occurred during the Registrant's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 12. Exhibits.**

(a) (2) Certifications of Principal Executive and Financial Officers pursuant to Rule 30a-2(a) under the 1940 Act attached as EX-99.CERT.

(b) Certification of Principal Executive and Financial Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 furnished as EX-99.906CERT.

Proxy Voting Policies attached as EX-99.PROXYPOL.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) BlackRock Core Bond Trust

By: /s/ Donald C. Burke

Name: Donald C. Burke

Title: Treasurer and Principal Financial Officer

Date: January 12, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Robert S. Kapito

Name: Robert S. Kapito

Title: President and Principal Executive Officer

Date: January 12, 2007

By: /s/ Donald C. Burke

Name: Donald C. Burke

Title: Treasurer and Principal Financial Officer

Date: January 12, 2007