BLACKROCK CORE BOND TRUST
Form N-CSR
November 04, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-10543

Name of Fund: BlackRock Core Bond Trust (BHK)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

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

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

Date of fiscal year end: 08/31/2013

Date of reporting period: 08/31/2013

Item 1 – Report to Stockholders

AUGUST 31, 2013

ANNUAL REPORT

**BlackRock Core Bond Trust (BHK)**

**BlackRock Corporate High Yield Fund V, Inc. (HYV)**

**BlackRock Corporate High Yield Fund VI, Inc. (HYT)**

**BlackRock High Income Shares (HIS)**

**BlackRock High Yield Trust (BHY)**

**BlackRock Income Opportunity Trust, Inc. (BNA)**

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

**BlackRock Strategic Bond Trust (BHD)**

**Not FDIC Insured May Lose Value No Bank Guarantee**

Table of Contents

## Dear Shareholder

Though we ve seen spates of volatility over the past year, riskier asset classes generally outperformed lower-risk investments. Financial markets rallied last fall after the European Central Bank and the US Federal Reserve announced aggressive monetary stimulus programs, substantially increasing global liquidity. But markets weakened later in the year amid slowing global trade as many European countries fell into recession and growth continued to decelerate in China. In the United States, investors became increasingly concerned about the fiscal cliff of tax increases and spending cuts that had been scheduled to take effect at the beginning of 2013. High levels of global market volatility persisted through year-end due to fears that bipartisan gridlock would preclude a timely resolution, putting the US economy at risk for recession.

The worst of the fiscal cliff was averted with a last-minute tax deal, allowing markets to get off to a good start in 2013. Money that had been pulled to the sidelines amid year-end tax-rate uncertainty poured back into the markets in January. Key indicators signaling modest but broad-based improvements in the world s major economies coupled with the absence of negative headlines from Europe created an aura of comfort for investors. Global equities surged, while rising US Treasury yields pressured high quality fixed income assets. (Bond prices move in the opposite direction of yields.)

February brought a slowdown in global economic momentum and the pace of the rally moderated. In the months that followed, US equities outperformed international markets, as the US economic recovery showed greater stability compared to most other regions. Slow, but positive, growth in the United States was sufficient to support corporate earnings, while uncomfortably high unemployment reinforced investors expectations that the US Federal Reserve would keep interest rates low. International markets experienced higher levels of volatility given a resurgence of political instability in Italy and a severe banking crisis in Cyprus, while a poor outlook for European economies also dampened sentiment for overseas investment. Emerging markets significantly lagged the rest of the world as growth in these economies (particularly China and Brazil) fell short of expectations.

After peaking in late May, equity markets broadly sold off due to concerns about the US Federal Reserve reducing monetary stimulus. Volatility picked up considerably as investors abruptly retreated from risk assets and a sharp and dramatic rise in US Treasury yields resulted in tumbling prices for higher-quality fixed income investments. The downswing bottomed out in late June as a more dovish tone from the US central bank served to quell the extreme level of volatility in interest rates. Improving economic data and a positive outlook for corporate earnings helped financial markets regain strength in July, with major US equity indices hitting new record highs. However, markets slumped again in August as investors became more wary amid a number of unknowns. Mixed economic data spurred heightened uncertainty about the future of global growth and investors grew anxious about the timing and extent to which the US Federal Reserve would scale back on its asset-purchase program. Meanwhile, escalating political turmoil in Egypt and Syria renewed concerns about the impact of the broader issue of growing unrest in many countries across the Middle East-North Africa region.

On the whole, developed market equities generated strong returns for the 6- and 12-month periods ended August 31, 2013. Emerging markets, in contrast, suffered the impact of slowing growth and concerns about a shrinking global money supply. Extraordinary levels of interest rate volatility in the latter part of the period resulted in poor performance for most fixed income assets, especially US Treasury bonds and other higher quality sectors such as tax-exempt municipals and investment grade corporate bonds. Conversely, high yield bonds posted gains as the sector continued to benefit from investors ongoing search for income in the low-rate environment. Short-term interest rates remained near zero, keeping yields on money market securities near historical lows.

Markets remain volatile, and investors continue to face a number of uncertainties in the current environment. At BlackRock, we believe investors need to think globally and extend their scope across a broader array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit **www.blackrock.com** for further insight about investing in today s world.

Sincerely,

**Rob Kapito**
President, BlackRock Advisors, LLC

*Though we ve seen spates of volatility over the past year, riskier asset classes generally outperformed lower-risk investments.*

**Rob Kapito**
President, BlackRock Advisors, LLC

**Total Returns as of August 31, 2013**

| | 6-month | 12-month |
|---|---|---|
| US large cap equities (S&P 500® Index) | 8.95 % | 18.70% |
| US small cap equities (Russell 2000® Index) | 11.73 | 26.27 |
| International equities (MSCI Europe, Australasia, Far East Index) | 3.71 | 18.66 |
| Emerging market equities (MSCI Emerging Markets Index) | (10.29) | 0.54 |
| 3-month Treasury bill (BofA Merrill Lynch 3-Month US Treasury Bill Index) | 0.05 | 0.11 |
| US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index) | (6.10 ) | (7.51 ) |
| US investment grade bonds (Barclays US Aggregate Bond Index) | (2.61 ) | (2.47 ) |
| Tax-exempt municipal bonds (S&P Municipal Bond Index) | (5.99 ) | (3.74 ) |
| US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index) | 0.84 | 7.56 |

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

## Trust Overview

**BlackRock Core Bond Trust s (BHK) (the Trust )** investment objective is to provide current income and capital appreciation. The Trust seeks to achieve its investment objective by investing at least 75% of its assets in bonds that are investment grade quality at the time of investment. The Trust s investments will include a broad range of bonds, including corporate bonds, US government and agency securities and mortgage-related securities. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

## Portfolio Management Commentary

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (13.43)% based on market price and (1.42)% based on net asset value ( NAV ). For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of (6.88)% based on market price and 3.69% based on NAV. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Fixed income markets experienced two trends over the 12-month period. In the first half of the period, riskier assets rallied as investors sought higher-yielding investments amid historically low yields. Prices moved higher and spreads tightened across most fixed income sectors. However, a new trend took hold in May when US Federal Reserve Chairman Bernanke alluded to a potential tapering of the central bank s bond-buying stimulus program toward the end of 2013, triggering a sharp decline in fixed income markets. Spreads widened rapidly across fixed income sectors as yields rose and volatility increased.

The Trust s long duration bias (greater sensitivity to interest rate movements) and yield curve positioning detracted from performance as interest rates began to rise in the latter part of the period. (Bond prices fall as rates rise.) The Trust s holdings of US Treasury securities particularly suffered in the rising rate environment. Exposure to 30-year agency pass-through mortgage-backed securities ( MBS ) and US agency debentures hurt results as both sectors were impacted by uncertainty around the US Federal Reserve s stance on monetary policy.

The Trust s holdings in the euro and British pound sterling positions had a positive impact on returns, as did exposure to commercial mortgage-backed securities ( CMBS ), non-agency residential MBS and agency collateralized mortgage obligations ( CMOs ). Also contributing positively were the Trust s holdings in asset-backed securities ( ABS ) and agency interest-only issues.

The Trust uses interest rate derivatives including futures, options, swaps and swaptions, mainly for the purpose of managing duration, convexity and yield curve positioning. During the period, the Trust held short positions on US Treasuries in order to manage the duration profile of the portfolio. These positions were beneficial to the Trust s performance during certain periods of rising interest rates. For the period as a whole, the Trust s derivatives holdings had a negative impact on returns.

**Describe recent portfolio activity.**

During the 12-month period, the Trust only made slight changes to its overall asset allocation. The Trust slightly increased exposure to high yield credit, particularly in financials and industrials, and reduced exposure to agency MBS, mostly within 30-year pass-through issues.

**Describe portfolio positioning at period end.**

At period end, the Trust maintained diversified exposure to non-government sectors including investment grade credit, high yield credit, CMBS, ABS and non-agency MBS. The Trust also held exposure to government-related sectors including US Treasury securities, agency debt and agency MBS.

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

BlackRock Core Bond Trust

## Trust Information

| | |
|---|---|
| Symbol on New York Stock Exchange ( NYSE ) | BHK |
| Initial Offering Date | November 27, 2001 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($12.50)[1] | 7.25% |
| Current Monthly Distribution per Common Share[2] | $0.0755 |
| Current Annualized Distribution per Common Share[2] | $0.9060 |
| Economic Leverage as of August 31, 2013[3] | 31% |

[1] Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. See the financial highlights for the actual sources and character of distributions. Past performance does not guarantee future results.

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

[3] Represents reverse repurchase agreements outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $12.50 | $15.41 | (18.88)% | $16.24 | $12.27 |
| Net Asset Value | $14.05 | $15.21 | (7.63)% | $15.69 | $13.81 |

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

## Overview of the Trust s Long-Term Investments

| Portfolio Composition | 8/31/13 | 8/31/12 |
|---|---|---|
| Corporate Bonds | 58% | 52% |
| Non-Agency Mortgage-Backed Securities | 11 | 11 |
| US Government Sponsored Agency Securities | 10 | 13 |
| US Treasury Obligations | 8 | 14 |
| Preferred Securities | 5 | 2 |
| Asset-Backed Securities | 5 | 5 |
| Taxable Municipal Bonds | 2 | 2 |
| Foreign Agency Obligations | 1 | 1 |

| Credit Quality Allocation[4] | 8/31/13 | 8/31/12 |
|---|---|---|
| AAA/Aaa[5] | 14% | 36% |
| AA/Aa | 15 | 3 |
| A | 21 | 20 |
| BBB/Baa | 23 | 23 |

| | | |
|---|---|---|
| BB/Ba | 12 | 7 |
| B | 13 | 9 |
| CCC/Caa | 1 | 2 |
| Not Rated | 1 | |

[4] Using the higher of Standard & Poor s ( S&P s ) or Moody s Investors Service ( Moody s ) ratings.

[5] Includes US Government Sponsored Agency Securities, which were deemed AAA/Aaa by the investment advisor.

Trust Summary as of August 31, 2013 **BlackRock Corporate High Yield Fund V, Inc.**

## Trust Overview

**BlackRock Corporate High Yield Fund V, Inc. s (HYV) (the Trust )** investment objective is to provide shareholders with current income by investing primarily in a diversified portfolio of fixed income securities that are rated in the lower rating categories of the established rating services (BB or lower by S&P or Ba or lower by Moody s) or in unrated securities considered by the Trust s investment adviser to be of comparable quality. The Trust also seeks to provide shareholders with capital appreciation. The Trust seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in domestic and foreign high yield debt instruments, including high yield bonds (commonly referred to as junk bonds) and high yield corporate loans which are below investment grade quality. The Trust may invest directly in such securities or synthetically through the use of derivatives.

On June 5, 2013, the Board of the Trust approved the reorganization of the Trust with BlackRock Corporate High Yield Fund VI, Inc., with BlackRock Corporate High Yield Fund VI, Inc. continuing as the surviving fund after the reorganization. On October 11, 2013, the shareholders of the Trust and BlackRock Corporate High Yield Fund VI, Inc. approved the reorganization, which is expected to be completed in late 2013.

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

## Portfolio Management Commentary

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (4.96)% based on market price and 12.51% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (2.68)% based on market price and 10.20% based on NAV. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

The Trust benefited from a tactical allocation to equities, which rallied during the period. In fixed income, security selection within the automotive, gaming and non-captive diversified (consumer credit-related businesses) industries boosted results.

Detracting from performance was the Trust s exposure to names in the metals, media non cable and wireless industries. An allocation to senior secured floating rate loan interests (bank loans) generated positive results on an absolute basis, however, the allocation represented an opportunity cost to the Trust as the sector underperformed high yield during the period.

**Describe recent portfolio activity.**

The Trust actively managed risk throughout the period. The Trust began the period with a riskier stance, but gradually reduced risk in the middle of the period by taking advantage of market strength to sell its higher-beta holdings (securities with greater sensitivity to market movements). The Trust scaled back its risk exposure more aggressively when financial markets began to correct in mid-May.

The Trust s focus on income-oriented credits with strong asset bases and good earnings visibility remained paramount to the investment selection process. While continuing to find value within credit sectors, during the period, the Trust tactically added to select positions in equity and equity-like assets with compelling total return opportunities. Given upward pressure on interest rates in the latter part of the period, the Trust reduced duration (sensitivity to interest rate movements) in its credit allocation. The Trust added to positions in floating rate loan interests as a means of lowering the Trust s duration profile and hedging against the risk of further interest rate volatility. Over the 12-month period, the Trust increased exposure to the technology and building materials industries, while decreasing risk within independent energy.

**Describe portfolio positioning at period end.**

At period end, the Trust held 76% of its total portfolio in corporate bonds, 14% in floating rate loan interests and 7% in common stocks, with the remainder invested in preferred stocks and ABS. The Trust s highest-conviction holdings included HD Supply, Inc. (building materials), Caesars Entertainment Corp. (gaming) and Dana Holding Corp. (automotive). The Trust held limited exposure to segments with minimal cash flow visibility and/or challenged industry dynamics.

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

## Trust Information

| | |
|---|---|
| Symbol on NYSE | HYV |
| Initial Offering Date | November 30, 2001 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($11.72)[1] | 8.75% |
| Current Monthly Distribution per Common Share[2] | $ 0.0855 |
| Current Annualized Distribution per Common Share[2] | $ 1.0260 |
| Economic Leverage as of August 31, 2013[3] | 30% |

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

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

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $11.72 | $13.51 | (13.25)% | $13.59 | $ 11.40 |
| Net Asset Value | $12.97 | $12.63 | 2.69% | $13.72 | $ 12.60 |

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

## Overview of the Trust s Long-Term Investments

| Portfolio Composition | 8/31/13 | 8/31/12 |
|---|---|---|
| Corporate Bonds | 76% | 75% |
| Floating Rate Loan Interests | 14 | 17 |
| Common Stocks | 7 | 6 |
| Preferred Stocks | 2 | 2 |
| Asset-Backed Securities | 1 | |

| Credit Quality Allocation[4] | 8/31/13 | 8/31/12 |
|---|---|---|
| A | 1% | 1% |
| BBB/Baa | 5 | 6 |
| BB/Ba | 31 | 35 |
| B | 50 | 43 |
| CCC/Caa | 11 | 13 |
| Not Rated | 2 | 2 |

4 Using the higher of S&P s or Moody s ratings.

Trust Summary as of August 31, 2013 **BlackRock Corporate High Yield Fund VI, Inc.**

## Trust Overview

**BlackRock Corporate High Yield Fund VI, Inc. s (HYT) (the Trust )** primary investment objective is to provide shareholders with current income. The Trust s secondary investment objective is to provide shareholders with capital appreciation. The Trust seeks to achieve its objectives by investing, under normal market conditions, at least 80% of its assets in domestic and foreign high yield securities, including high yield bonds (commonly referred to as junk bonds), corporate loans, convertible debt securities and preferred securities which are below investment grade quality. The Trust may invest directly in such securities or synthetically through the use of derivatives.

On June 5, 2013, the Board of the Trust approved the reorganization of the Trust with each of BlackRock High Yield Trust, BlackRock Corporate High Yield Fund, Inc., BlackRock Corporate High Yield Fund III, Inc., BlackRock High Income Shares and BlackRock Corporate High Yield Fund V, Inc. (each a Target Fund ), with the Trust continuing as the surviving fund after the reorganizations. On October 11, 2013, the shareholders of the Trust and each Target Fund approved their respective reorganization, which is expected to be completed in late 2013.

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

## Portfolio Management Commentary

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (4.16)% based on market price and 11.90% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (2.68)% based on market price and 10.20% based on NAV. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

The Trust benefited from a tactical allocation to equities, which rallied during the period. In fixed income, security selection within the automotive, gaming and non-captive diversified (consumer credit-related businesses) industries boosted results.

Detracting from performance was the Trust s exposure to names in the metals, media non cable and wireless industries. An allocation to senior secured floating rate loan interests (bank loans) generated positive results on an absolute basis, however, the allocation represented an opportunity cost to the Trust as the sector underperformed high yield during the period.

**Describe recent portfolio activity.**

The Trust actively managed risk throughout the period. The Trust began the period with a riskier stance, but gradually reduced risk in the middle of the period by taking advantage of market strength to sell its higher-beta holdings (securities with greater sensitivity to market movements). The Trust scaled back its risk exposure more aggressively when financial markets began to correct in mid-May.

The Trust s focus on income-oriented credits with strong asset bases and good earnings visibility remained paramount to the investment selection process. While continuing to find value within credit sectors, during the period, the Trust tactically added to select positions in equity and equity-like assets with compelling total return opportunities. Given upward pressure on interest rates in the latter part of the period, the Trust reduced duration (sensitivity to interest rate movements) in its credit allocation. The Trust added to positions in floating rate loan interests as a means of lowering the Trust s duration profile and hedging against the risk of further interest rate volatility. Over the 12-month period, the Trust increased exposure to the technology and building materials industries, while decreasing risk within independent energy.

**Describe portfolio positioning at period end.**

At period end, the Trust held 76% of its total portfolio in corporate bonds, 14% in floating rate loan interests and 7% in common stocks, with the remainder invested in preferred stocks and ABS. The Trust s highest-conviction holdings included HD Supply, Inc. (building materials), Caesars Entertainment Corp. (gaming) and Level 3 Financing, Inc. (wirelines). The Trust held limited exposure to segments with minimal cash flow visibility and/or challenged industry dynamics.

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

## Trust Information

| | |
|---|---|
| Symbol on NYSE | HYT |
| Initial Offering Date | May 30, 2003 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($11.37)[1] | 8.50% |
| Current Monthly Distribution per Common Share[2] | $0.0805 |
| Current Annualized Distribution per Common Share[2] | $0.9660 |
| Economic Leverage as of August 31, 2013[3] | 30% |

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

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

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $11.37 | $12.96 | (12.27)% | $13.37 | $11.15 |
| Net Asset Value | $12.62 | $12.32 | 2.44% | $13.37 | $12.28 |

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

## Overview of the Trust s Long-Term Investments

| Portfolio Composition | 8/31/13 | 8/31/12 |
|---|---|---|
| Corporate Bonds | 76% | 75% |
| Floating Rate Loan Interests | 14 | 17 |
| Common Stocks | 7 | 6 |
| Preferred Stocks | 2 | 2 |
| Asset-Backed Securities | 1 | |

| Credit Quality Allocation[4] | 8/31/13 | 8/31/12 |
|---|---|---|
| A | | 1% |
| BBB/Baa | 5% | 6 |
| BB/Ba | 30 | 35 |
| B | 51 | 43 |
| CCC/Caa | 12 | 14 |
| Not Rated | 2 | 1 |

4 Using the higher of S&P s or Moody s ratings.

Trust Summary as of August 31, 2013 **BlackRock High Income Shares**

## Trust Overview

**BlackRock High Income Shares (HIS) (the Trust )** primary investment objective is to provide the highest current income attainable consistent with reasonable risk as determined by the Trust s investment adviser, through investment in a professionally managed, diversified portfolio of high yield, high risk fixed income securities (commonly referred to as junk bonds ). The Trust s secondary objective is to provide capital appreciation, but only when consistent with its primary objective. The Trust seeks to achieve its objectives by investing primarily in high yield, high risk debt instruments rated in the medium to lower categories by nationally recognized rating services (BBB or lower by S&P or Baa or lower by Moody s) or non-rated securities, which, in the investment adviser s opinion, are of comparable quality. Under normal market conditions, the average maturity of the Trust s portfolio is between eight and twelve years. The Trust may invest directly in such securities or synthetically through the use of derivatives.

On June 5, 2013, the Board of the Trust approved the reorganization of the Trust with BlackRock Corporate High Yield Fund VI, Inc., with BlackRock Corporate High Yield Fund VI, Inc. continuing as the surviving fund after the reorganization. On October 11, 2013, the shareholders of the Trust and BlackRock Corporate High Yield Fund VI, Inc. approved the reorganization, which is expected to be completed in late 2013.

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

## Portfolio Management Commentary

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (9.23)% based on market price and 8.45% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (2.68)% based on market price and 10.20% based on NAV. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

The Trust benefited from a tactical allocation to equities, which rallied during the period. In fixed income, security selection within the automotive, building materials and technology industries boosted results.

Detracting from performance was the Trust s exposure to names in the metals, media non cable and wireless industries. An allocation to senior secured floating rate loan interests (bank loans) generated positive results on an absolute basis, however, the allocation represented an opportunity cost to the Trust as the sector underperformed high yield during the period.

**Describe recent portfolio activity.**

The Trust actively managed risk throughout the period. The Trust began the period with a riskier stance, but gradually reduced risk in the middle of the period by taking advantage of market strength to sell its higher-beta holdings (securities with greater sensitivity to market movements). The Trust scaled back its risk exposure more aggressively when financial markets began to correct in mid-May.

The Trust s focus on income-oriented credits with strong asset bases and good earnings visibility remained paramount to the investment selection process. While continuing to find value within credit sectors, during the period, the Trust tactically added to select positions in equity and equity-like assets with compelling total return opportunities. Given upward pressure on interest rates in the latter part of the period, the Trust reduced duration (sensitivity to interest rate movements) in its credit allocation. The Trust added to positions in floating rate loan interests as a means of lowering the Trust s duration profile and hedging against the risk of further interest rate volatility. Over the 12-month period, the Trust increased exposure to the technology and building materials industries, while decreasing risk within independent energy.

**Describe portfolio positioning at period end.**

At period end, the Trust held 81% of its total portfolio in corporate bonds and 16% in floating rate loan interests, with the remainder invested in preferred securities and common stocks. The Trust s highest-conviction holdings included HD Supply, Inc. (building materials), GMAC Capital Trust I (non-captive diversified) and Biomet, Inc. (healthcare). The Trust held limited exposure to segments with minimal cash flow visibility and/or challenged industry dynamics.

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

BlackRock High Income Shares

## Trust Information

| | |
|---|---|
| Symbol on NYSE | HIS |
| Initial Offering Date | August 10, 1988 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($2.00)[1] | 8.52% |
| Current Monthly Distribution per Common Share[2] | $0.0142 |
| Current Annualized Distribution per Common Share[2] | $0.1704 |
| Economic Leverage as of August 31, 2013[3] | 23% |

[1] Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. See the financial highlights for the actual sources and character of distributions. Past performance does not guarantee future results.

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

[3] Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $2.00 | $2.40 | (16.67)% | $2.49 | $1.96 |
| Net Asset Value | $2.25 | $2.26 | (0.44)% | $2.40 | $2.21 |

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

## Overview of the Trust s Long-Term Investments

| **Portfolio Composition** | **8/31/13** | **8/31/12** |
|---|---|---|
| Corporate Bonds | 81% | 79% |
| Floating Rate Loan Interests | 16 | 18 |
| Preferred Securities | 2 | 2 |
| Common Stocks | 1 | 1 |

| **Credit Quality Allocation[4]** | **8/31/13** | **8/31/12** |
|---|---|---|
| A | | 1% |
| BBB/Baa | 6% | 7 |
| BB/Ba | 31 | 34 |
| B | 51 | 43 |
| CCC/Caa | 11 | 14 |
| Not Rated | 1 | 1 |

[4] Using the higher of S&P s or Moody s ratings.

Trust Summary as of August 31, 2013 **BlackRock High Yield Trust**

## Trust Overview

**BlackRock High Yield Trust s (BHY) (the Trust )** primary investment objective is to provide high current income. The Trust s secondary investment objective is to provide capital appreciation. The Trust seeks to achieve its objectives by investing, under normal market conditions, at least 80% of its assets in high-risk, high yield bonds and other such securities, such as preferred stocks, which are rated below investment grade. The Trust may invest directly in such securities or synthetically through the use of derivatives.

On June 5, 2013, the Board of the Trust approved the reorganization of the Trust with BlackRock Corporate High Yield Fund VI, Inc., with BlackRock Corporate High Yield Fund VI, Inc. continuing as the surviving fund after the reorganization. On October 11, 2013, the shareholders of the Trust and BlackRock Corporate High Yield Fund VI, Inc. approved the reorganization, which is expected to be completed in late 2013.

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

## Portfolio Management Commentary

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (9.60)% based on market price and 9.72% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (2.68)% based on market price and 10.20% based on NAV. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

The Trust benefited from a tactical allocation to equities, which rallied during the period. In fixed income, security selection within the automotive, building materials and non-captive diversified (consumer credit-related businesses) industries boosted results.

Detracting from performance was the Trust s exposure to names in the paper, media non cable and wireless industries. An allocation to senior secured floating rate loan interests (bank loans) generated positive results on an absolute basis, however, the allocation represented an opportunity cost to the Trust as the sector underperformed high yield during the period.

**Describe recent portfolio activity.**

The Trust actively managed risk throughout the period. The Trust began the period with a riskier stance, but gradually reduced risk in the middle of the period by taking advantage of market strength to sell its higher-beta holdings (securities with greater sensitivity to market movements). The Trust scaled back its risk exposure more aggressively when financial markets began to correct in mid-May.

The Trust s focus on income-oriented credits with strong asset bases and good earnings visibility remained paramount to the investment selection process. While continuing to find value within credit sectors, during the period, the Trust tactically added to select positions in equity and equity-like assets with compelling total return opportunities. Given upward pressure on interest rates in the latter part of the period, the Trust reduced duration (sensitivity to interest rate movements) in its credit allocation. The Trust added to positions in floating rate loan interests as a means of lowering the Trust s duration profile and hedging against the risk of further interest rate volatility. Over the 12-month period, the Trust increased exposure to the technology and building materials industries, while decreasing risk within independent energy.

**Describe portfolio positioning at period end.**

At period end, the Trust held 79% of its total portfolio in corporate bonds, 13% in floating rate loan interests and 6% in common stocks, with the remainder invested in preferred securities. The Trust s highest-conviction holdings included HD Supply, Inc. (building materials), Caesars Entertainment Corp. (gaming) and Level 3 Financing, Inc. (wirelines). The Trust held limited exposure to segments with minimal cash flow visibility and/or challenged industry dynamics.

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

BlackRock High Yield Trust

## Trust Information

| | |
|---|---|
| Symbol on NYSE | BHY |
| Initial Offering Date | December 23, 1998 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($6.77)[1] | 7.59% |
| Current Monthly Distribution per Common Share[2] | $0.0428 |
| Current Annualized Distribution per Common Share[2] | $0.5136 |
| Economic Leverage as of August 31, 2013[3] | 28% |

[1] Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. See the financial highlights for the actual sources and character of distributions. Past performance does not guarantee future results.

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

[3] Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $6.77 | $8.04 | (15.80)% | $8.54 | $6.63 |
| Net Asset Value | $7.45 | $7.29 | 2.19% | $7.90 | $7.26 |

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

## Overview of the Trust s Long-Term Investments

| Portfolio Composition | 8/31/13 | 8/31/12 |
|---|---|---|
| Corporate Bonds | 79% | 78% |
| Floating Rate Loan Interests | 13 | 17 |
| Common Stocks | 6 | 3 |
| Preferred Securities | 2 | 2 |

| Credit Quality Allocation[4] | 8/31/13 | 8/31/12 |
|---|---|---|
| A | 1% | 1% |
| BBB/Baa | 5 | 7 |
| BB/Ba | 30 | 35 |
| B | 51 | 44 |
| CCC/Caa | 11 | 12 |
| Not Rated | 2 | 1 |

[4] Using the higher of S&P s or Moody s ratings.

Trust Summary as of August 31, 2013 **BlackRock Income Opportunity Trust, Inc.**

**Trust Overview**

**BlackRock Income Opportunity Trust, Inc. s (BNA) (the Trust )** investment objective is to provide current income and capital appreciation. The Trust seeks to achieve its investment objective by investing at least 75% of its assets in bonds that are investment grade quality at the time of investment. The Trust s investments will include a broad range of bonds, including corporate bonds, US government and agency securities and mortgage-related securities. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

**Portfolio Management Commentary**

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (11.39)% based on market price and (1.47)% based on NAV. For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of (6.88)% based on market price and 3.69% based on NAV. All returns reflect reinvestment of dividends. The Trust s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Fixed income markets experienced two trends over the 12-month period. In the first half of the period, riskier assets rallied as investors sought higher-yielding investments amid historically low yields. Prices moved higher and spreads tightened across most fixed income sectors. However, a new trend took hold in May when US Federal Reserve Chairman Bernanke alluded to a potential tapering of the central bank s bond-buying stimulus program toward the end of 2013, triggering a sharp decline in fixed income markets. Spreads widened rapidly across fixed income sectors as yields rose and volatility increased.

The Trust s long duration bias (greater sensitivity to interest rate movements) and yield curve positioning detracted from performance as interest rates began to rise in the latter part of the period. (Bond prices fall as rates rise.) The Trust s holdings of US Treasury securities particularly suffered in the rising rate environment. Exposure to 30-year agency pass-through MBS and US agency debentures hurt results as both sectors were impacted by uncertainty around the US Federal Reserve s stance on monetary policy. Additionally, positions in corporate and municipal bonds had a slight negative impact on returns.

The Trust s holdings denominated in the euro and British pound sterling had a positive impact on returns, as did exposure to CMBS, non-agency residential MBS and CMOs. Also contributing positively were the Trust s holdings in foreign sovereign debt and agency interest-only issues.

The Trust uses interest rate derivatives including futures, options, swaps and swaptions, mainly for the purpose of managing duration, convexity and yield curve positioning. During the period, the Trust held short positions on US Treasuries in order to manage the duration profile of the portfolio. These positions were beneficial to the Trust s performance during certain periods of rising interest rates. For the period as a whole, the Trust s derivatives holdings had a negative impact on returns.

**Describe recent portfolio activity.**

During the 12-month period, the Trust only made slight changes to its overall asset allocation. The Trust slightly increased exposure to high yield credit, particularly in financials and industrials, and reduced exposure to agency MBS, mostly within 30-year pass-through issues.

**Describe portfolio positioning at period end.**

At period end, the Trust maintained diversified exposure to non-government sectors including investment grade credit, high yield credit, CMBS, ABS and non-agency MBS. The Trust also held exposure to government-related sectors including US Treasury securities, agency debt and agency MBS.

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

BlackRock Income Opportunity Trust, Inc.

## Trust Information

| | |
|---|---|
| Symbol on NYSE | BNA |
| Initial Offering Date | December 20, 1991 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($9.64)[1] | 7.41% |
| Current Monthly Distribution per Common Share[2] | $0.0595 |
| Current Annualized Distribution per Common Share[2] | $0.7140 |
| Economic Leverage as of August 31, 2013[3] | 31% |

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

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

3 Represents reverse repurchase agreements outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $ 9.64 | $11.58 | (16.75)% | $12.07 | $ 9.48 |
| Net Asset Value | $10.96 | $11.84 | (7.43)% | $12.26 | $10.78 |

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

## Overview of the Trust s Long-Term Investments

| Portfolio Composition | 8/31/13 | 8/31/12 |
|---|---|---|
| Corporate Bonds | 58% | 51% |
| Non-Agency Mortgage-Backed Securities | 11 | 11 |
| US Government Sponsored Agency Securities | 10 | 14 |
| US Treasury Obligations | 7 | 15 |
| Preferred Securities | 6 | 2 |
| Asset-Backed Securities | 5 | 4 |
| Taxable Municipal Bonds | 2 | 2 |
| Foreign Agency Obligations | 1 | 1 |

| Credit Quality Allocation[4] | 8/31/13 | 8/31/12 |
|---|---|---|
| AAA/Aaa[5] | 24% | 37% |
| AA/Aa | 4 | 3 |
| A | 21 | 19 |

| | | |
|---|---|---|
| BBB/Baa | 24 | 23 |
| BB/Ba | 13 | 6 |
| B | 12 | 9 |
| CCC/Caa | 1 | 2 |
| Not Rated | 1 | 1 |

[4] Using the higher of S&P s or Moody s ratings.

[5] Includes US Government Sponsored Agency Securities, which were deemed AAA/Aaa by the investment advisor.

## Trust Overview

**BlackRock Income Trust, Inc.  s (BKT) (the  Trust  )** investment objective is to manage a portfolio of high-quality securities to achieve both preservation of capital and high monthly income. The Trust seeks to achieve its investment objective by investing at least 65% of its assets in mortgage-backed securities. The Trust invests at least 80% of its assets in securities that are (i) issued or guaranteed by the US government or one of its agencies or instrumentalities or (ii) rated at the time of investment either AAA by S&P or Aaa by Moody  s. Securities issued or guaranteed by the US government or its agencies or instrumentalities are generally considered to be of the same or higher credit or quality as privately issued securities rated AAA or Aaa. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

## Portfolio Management Commentary

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (10.34)% based on market price and (1.45)% based on NAV. For the same period, the closed-end Lipper US Mortgage Funds category posted an average return of (4.73)% based on market price and 5.49% based on NAV. All returns reflect reinvestment of dividends. The Trust  s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Fixed income markets experienced two trends over the 12-month period. In the first half of the period, riskier assets rallied as investors sought higher-yielding investments amid historically low yields. Prices moved higher and spreads tightened across most fixed income sectors. However, a new trend took hold in May when US Federal Reserve Chairman Bernanke alluded to a potential tapering of the central bank  s bond-buying stimulus program toward the end of 2013, triggering a sharp decline in fixed income markets. Spreads widened rapidly across fixed income sectors as yields rose and volatility increased.

The increase in interest rates in the latter part of the period had a negative impact on the Trust  s performance. (Bond prices fall as rates rise.) In particular, the Trust  s holdings of 15- and 30-year agency pass-through MBS and US Treasury securities detracted from performance.

Contributing positively to performance was the Trust  s exposure to securitized assets. Specifically, agency CMOs and agency mortgage derivatives (including interest-only and principal-only securities) added to performance. Given improvements in the US housing market, the Trust also benefited from exposure to Alt-A (riskier than prime, but less risky than subprime) and prime non-agency residential MBS and CMBS. The Trust  s allocation to the ABS sector also contributed positively to performance.

The Trust uses interest rate derivatives including futures, options, swaps and swaptions, mainly for the purpose of managing duration, convexity and yield curve positioning. During the period, the Trust held short positions on US Treasuries in order to manage the duration profile of the portfolio. These positions were beneficial to the Trust  s performance during certain periods of rising interest rates. For the period as a whole, the Trust  s derivatives holdings had a positive impact on returns.

**Describe recent portfolio activity.**

During the 12-month period, the Trust increased exposure to agency MBS, especially within agency CMO as these securities offered strong income. The Trust maintained a reduced exposure to 30- and 15-year agency pass-through MBS securities and mortgage derivatives. The Trust also retained its small allocations to ABS, CMBS and non-agency MBS as they continued to benefit from improving underlying fundamentals.

**Describe portfolio positioning at period end.**

As of period end, the Trust maintained exposure to high quality agency MBS with varying maturities and coupon rates. The Trust continued to hold small allocations to non-agency MBS and CMBS.

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

BlackRock Income Trust, Inc.

## Trust Information

| | |
|---|---|
| Symbol on NYSE | BKT |
| Initial Offering Date | July 22, 1988 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($6.40)[1] | 6.94% |
| Current Monthly Distribution per Common Share[2] | $0.037 |
| Current Annualized Distribution per Common Share[2] | $0.444 |
| Economic Leverage as of August 31, 2013[3] | 24% |

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

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

3 Represents reverse repurchase agreements outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see the Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $6.40 | $7.63 | (16.12)% | $7.74 | $6.33 |
| Net Asset Value | $7.32 | $7.94 | (7.81)% | $7.96 | $7.27 |

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

## Overview of the Trust s Long-Term Investments

| Portfolio Composition | 8/31/13 | 8/31/12 |
|---|---|---|
| US Government Sponsored Agency Securities | 96% | 86% |
| Non-Agency Mortgage-Backed Securities | 2 | 2 |
| US Treasury Obligations | 1 | 11 |
| Asset-Backed Securities | 1 | 1 |

| Credit Quality Allocation[4] | 8/31/13 | 8/31/12 |
|---|---|---|
| AAA/Aaa[5] | 100% | 100% |

4 Using the higher of S&P s or Moody s ratings.

5 Includes US Government Sponsored Agency Securities, which were deemed AAA/Aaa by the investment advisor.

Trust Summary as of August 31, 2013 **BlackRock Strategic Bond Trust**

## Trust Overview

**BlackRock Strategic Bond Trust s (BHD) (the Trust )** investment objective is to provide total return through high current income and capital appreciation. The Trust seeks to achieve its investment objective by investing primarily in a diversified portfolio of fixed income securities including corporate bonds, US government and agency securities, mortgage-related and asset-backed securities and other types of fixed income securities. The Trust invests, under normal market conditions, a significant portion of its assets in corporate fixed income securities that are below investment grade quality, including high-risk, high yield bonds (commonly referred to as junk bonds) and other such securities, such as preferred stocks. The Trust may invest directly in such securities or synthetically through the use of derivatives.

On July 19, 2013, the Board of the Trust approved the reorganization of the Trust with BlackRock Debt Strategies Fund, Inc., with BlackRock Debt Strategies Fund, Inc. continuing as the surviving fund after the reorganization. On October 25, 2013, the shareholders of the Trust and BlackRock Debt Strategies Fund, Inc. approved the reorganization, which is expected to be completed in late 2013.

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

## Portfolio Management Commentary

**How did the Trust perform?**

For the 12-month period ended August 31, 2013, the Trust returned (6.29)% based on market price and 5.45% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (2.68)% based on market price and 10.20% based on NAV. All returns reflect reinvestment of dividends. The Trust moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Detracting from performance was the Trust s exposure to names in the paper, media cable and wireless industries. An allocation to senior secured floating rate loan interests (bank loans) generated positive results on an absolute basis, however, the allocation represented an opportunity cost to the Trust as the sector underperformed high yield during the period.

The Trust benefited from a tactical allocation to equities, which rallied during the period. In fixed income, exposure to select sovereign issuers and investment grade credits had a positive impact on performance. From an industry perspective, security selection within gaming, wirelines and non-captive diversified (consumer credit-related businesses) boosted results.

**Describe recent portfolio activity.**

The Trust actively managed risk throughout the period. The Trust began the period with a riskier stance, but gradually reduced risk in the middle of the period by taking advantage of market strength to sell its higher-beta holdings (securities with greater sensitivity to market movements). The Trust scaled back its risk exposure more aggressively when financial markets began to correct in mid-May.

The Trust s focus on income-oriented credits with strong asset bases and good earnings visibility remained paramount to the investment selection process. While continuing to find value within credit sectors, during the period, the Trust tactically added to select positions in equity and equity-like assets with compelling total return opportunities. Given upward pressure on interest rates in the latter part of the period, the Trust reduced duration (sensitivity to interest rate movements) in its credit allocation. The Trust added to positions in floating rate loan interests as a means of lowering the Trust s duration profile and hedging against the risk of further interest rate volatility. Over the 12-month period, the Trust increased exposure to the healthcare and building materials industries, while decreasing risk within chemicals and independent energy.

**Describe portfolio positioning at period end.**

At period end, the Trust held 83% of its total portfolio in corporate bonds and 14% in floating rate loan interests, with the remainder invested in US Treasury obligations and preferred securities. The Trust s highest-conviction holdings included HD Supply, Inc. (building materials), Caesars Entertainment Corp. (gaming) and Biomet, Inc. (healthcare). The Trust held limited exposure to segments with minimal cash flow visibility and/or challenged industry dynamics.

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

BlackRock Strategic Bond Trust

## Trust Information

| | |
|---|---|
| Symbol on NYSE | BHD |
| Initial Offering Date | February 26, 2002 |
| Current Distribution Rate on Closing Market Price as of August 31, 2013 ($12.68)[1] | 7.38% |
| Current Monthly Distribution per Common Share[2] | $0.078 |
| Current Annualized Distribution per Common Share[2] | $0.936 |
| Economic Leverage as of August 31, 2013[3] | 22% |

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

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

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 20.

## Market Price and Net Asset Value Per Share Summary

| | 8/31/13 | 8/31/12 | Change | High | Low |
|---|---|---|---|---|---|
| Market Price | $12.68 | $14.52 | (12.67)% | $16.01 | $12.41 |
| Net Asset Value | $14.15 | $14.40 | (1.74)% | $15.08 | $13.93 |

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

## Overview of the Trust s Long-Term Investments

| Portfolio Composition | 8/31/13 | 8/31/12 |
|---|---|---|
| Corporate Bonds | 83% | 79% |
| Floating Rate Loan Interests | 14 | 17 |
| US Treasury Obligations | 2 | 1 |
| Preferred Securities | 1 | 2 |
| Common Stocks | | 1 |

| Credit Quality Allocation[4] | 8/31/13 | 8/31/12 |
|---|---|---|
| AAA/Aaa | | |
| AA/Aa | 1% | 1% |
| A | 12 | 12 |
| BBB/Baa | 16 | 21 |
| BB/Ba | 30 | 26 |
| B | 36 | 32 |

| | | |
|---|---|---|
| CCC/Caa | 4 | 7 |
| Not Rated | 1 | 1 |

[4] Using the higher of S&P s or Moody s ratings.

## The Benefits and Risks of Leveraging

The Trusts may utilize leverage to seek to enhance the yield and NAV of their common shares ( Common Shares ). However, these objectives cannot be achieved in all interest rate environments.

The Trusts may utilize leverage through a credit facility, by entering into reverse repurchase agreements and/or treasury roll transactions. In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Trust on its longer-term portfolio investments. To the extent that the total assets of each Trust (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Trust s shareholders will benefit from the incremental net income.

The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV. However, in order to benefit shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. If the yield curve becomes negatively sloped, meaning short-term interest rates exceed long-term interest rates, income to shareholders will be lower than if the Trusts had not used leverage.

To illustrate these concepts, assume a Trust s capitalization is $100 million and it borrows for an additional $30 million, creating a total value of $130 million available for investment in long-term securities. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Trust pays borrowing costs and interest expense on the $30 million of borrowings based on the lower short-term interest rates. At the same time, the securities purchased by the Trust with assets received from the borrowings earn income based on long-term interest rates. In this case, the borrowing costs and interest expense of the borrowings is significantly lower than the income earned on the Trust s long-term investments, and therefore the Trust s shareholders are the beneficiaries of the incremental net income.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates, the yield curve has a negative slope. In this case, the Trust pays higher short-term interest rates whereas the Trust s total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of the Trusts portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Trusts debt securities does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Trusts NAVs positively or negatively in addition to the impact on Trust performance from leverage from borrowings discussed above.

The use of leverage may enhance opportunities for increased income to the Trusts, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Trusts NAVs, market prices and dividend rates than comparable portfolios without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Trusts net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Trust s net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced. Each Trust may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause a Trust to incur losses. The use of leverage may limit each Trust s ability to invest in certain types of securities or use certain types of hedging strategies. Each Trust will incur expenses in connection with the use of leverage, all of which are borne by shareholders and may reduce income.

Under the Investment Company Act of 1940, as amended (the 1940 Act ), the Trusts are permitted to issue senior securities representing indebtedness up to 33⅓% of their total managed assets (each Trust s net assets plus the proceeds of any outstanding borrowings). If the Trusts segregate liquid assets having a value not less than the repurchase price (including accrued interest), a reverse repurchase agreement will not be considered a senior security and therefore will not be subject to this limitation. In addition, each Trust voluntarily limits its aggregate economic leverage to 50% of its managed assets. As of August 31, 2013, the Trusts had aggregate economic leverage from reverse repurchase agreements, treasury roll transactions and/or borrowings through a credit facility as a percentage of their total managed assets as follows:

| | **Percent of Economic Leverage** |
|---|---|
| BHK | 31 % |

| | |
|---|---|
| HYV | 30 % |
| HYT | 30 % |
| HIS | 23 % |
| BHY | 28 % |
| BNA | 31 % |
| BKT | 24 % |
| BHD | 22 % |

## Derivative Financial Instruments

The Trusts may invest in various derivative financial instruments, including financial futures contracts, foreign currency exchange contracts, options and swaps, as specified in Note 4 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to hedge market, equity, credit, interest rate, foreign currency exchange rate and/or other risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Trusts ability to use a derivative financial instrument successfully depends on the investment advisor s ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require a Trust to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Trust can realize on an investment, may result in lower dividends paid to shareholders or may cause a Trust to hold an investment that it might otherwise sell. The Trusts investments in these instruments are discussed in detail in the Notes to Financial Statements.

Schedule of Investments August 31, 2013

**BlackRock Core Bond Trust (BHK)**
**(Percentages shown are based on Net Assets)**

| Asset-Backed Securities | | Par (000) | Value |
|---|---|---|---|
| **Asset-Backed Securities — 7.5%** | | | |
| 321 Henderson Receivables I LLC, Series 2010-3A, Class A, 3.82%, 12/15/48 (a) | USD | 673 | $ 687,269 |
| ACAS CLO Ltd., Series 2013-1A, Class C, 3.24%, 4/20/25 (a)(b) | | 500 | 480,000 |
| AmeriCredit Automobile Receivables Trust, Series 2011-5, Class C, 3.44%, 10/08/17 | | 400 | 415,284 |
| Apidos CDO XI, Series 2012-11A, Class D, 4.52%, 1/17/23 (a)(b) | | 600 | 596,100 |
| Atrium CDO Corp., Series 9A, Class D, 3.76%, 2/28/24 (a)(b) | | 750 | 712,875 |
| Babson CLO Ltd., Series 2012-1X, Class B, 2.77%, 4/15/22 (b) | | 500 | 492,500 |
| Brookside Mill CLO Ltd., Series 2013-1A, Class C1, 2.92%, 4/17/25 (a)(b) | | 500 | 474,400 |
| CarMax Auto Owner Trust: | | | |
| Series 2012-1, Class B, 1.76%, 8/15/17 | | 210 | 212,091 |
| Series 2012-1, Class C, 2.20%, 10/16/17 | | 125 | 126,935 |
| Series 2012-1, Class D, 3.09%, 8/15/18 | | 155 | 158,933 |
| Cavalry CLO Ltd. (a)(b): | | | |
| Series 2A, Class C, 3.12%, 1/17/24 | | 1,035 | 991,012 |
| Series 2A, Class D, 4.27%, 1/17/24 | | 770 | 748,825 |
| CenterPoint Energy Transition Bond Co. LLC, Series 2012-1, Class A3, 3.03%, 10/15/25 | | 1,105 | 1,061,320 |
| CIFC Funding Ltd. (a)(b): | | | |
| Series 2012-1A, Class B1L, 5.51%, 8/14/24 | | 750 | 752,812 |
| Series 2013-1A, Class B, 3.09%, 4/16/25 | | 500 | 495,450 |
| Series 2013-1A, Class C, 3.88%, 4/16/25 | | 500 | 502,400 |
| Countrywide Asset-Backed Certificates, Series 2006-13, Class 3AV2, 0.33%, 1/25/37 (b) | | 984 | 852,236 |
| Credit Acceptance Auto Loan Trust, Series 2010-1, Class B, 3.63%, 10/15/18 (a) | | 1,028 | 1,028,961 |
| DT Auto Owner Trust, Series 2011-3A, Class C, 4.03%, 2/15/17 (a) | | 255 | 256,222 |
| Duane Street CLO IV Ltd., Series 2007-4A, Class D, 2.51%, 11/14/21 (a)(b) | | 500 | 479,750 |
| Figueroa CLO Ltd., Series 2013-1A, Class C, 3.91%, 3/21/24 (a)(b) | | 500 | 481,550 |
| Ford Credit Floorplan Master Owner Trust: | | | |
| Series 2012-1, Class B, 1.08%, 1/15/16 (b) | | 180 | 180,255 |
| Series 2012-1, Class C, 1.68%, 1/15/16 (b) | | 475 | 476,545 |
| Series 2012-1, Class D, 2.28%, 1/15/16 (b) | | 445 | 447,383 |
| Series 2012-2, Class B, 2.32%, 1/15/19 | | 245 | 248,906 |
| Series 2012-2, Class C, 2.86%, 1/15/19 | | 105 | 107,272 |
| Series 2012-2, Class D, 3.50%, 1/15/19 | | 200 | 205,550 |

| | | | |
|---|---|---|---|
| Galaxy CLO Ltd., Series 2013-15A, Class C, 2.88%, 4/15/25 (a)(b) | | 500 | 476,250 |
| Home Equity Asset Trust, Series 2007-2, Class 2A1, 0.29%, 7/25/37 (b) | | 4 | 3,973 |
| ING IM CLO Ltd., Series 2012-2A, Class C, 3.72%, 10/15/22 (a)(b) | | 750 | 754,500 |
| Nelnet Student Loan Trust (b): | | | |
| Series 2006-1, Class A5, 0.37%, 8/23/27 | | 525 | 510,692 |
| Series 2008-3, Class A4, 1.91%, 11/25/24 | | 615 | 646,712 |

| **Asset-Backed Securities** | | **Par (000)** | **Value** |
|---|---|---|---|
| **Asset-Backed Securities (concluded)** | | | |
| OZLM Funding III Ltd., Series 2013-3A, Class C, 4.17%, 1/22/25 (a)(b) | USD | 500 | $ 488,750 |
| OZLM Funding Ltd., Series 2013-3A, Class B, 3.37%, 1/22/25 (a)(b) | | 750 | 731,400 |
| PFS Financing Corp., Series 2012-AA, Class A, 1.38%, 2/15/16 (a)(b) | | 480 | 480,969 |
| Santander Consumer Acquired Receivables Trust (a): | | | |
| Series 2011-S1A, Class B, 1.66%, 8/15/16 | | 407 | 408,876 |
| Series 2011-S1A, Class C, 2.01%, 8/15/16 | | 263 | 263,591 |
| Series 2011-S1A, Class D, 3.15%, 8/15/16 | | 276 | 277,412 |
| Series 2011-WO, Class C, 3.19%, 10/15/15 | | 580 | 587,024 |
| Santander Drive Auto Receivables Trust: | | | |
| Series 2010-2, Class B, 2.24%, 12/15/14 | | 250 | 250,807 |
| Series 2010-2, Class C, 3.89%, 7/17/17 | | 1,010 | 1,031,759 |
| Series 2010-B, Class C, 3.02%, 10/17/16 (a) | | 609 | 614,684 |
| Series 2011-1, Class D, 4.01%, 2/15/17 | | 940 | 965,559 |
| Series 2011-S1A, Class B, 1.48%, 5/15/17 (a) | | 137 | 137,726 |
| Series 2011-S1A, Class D, 3.10%, 5/15/17 (a) | | 26 | 25,903 |
| Series 2011-S2A, Class C, 2.86%, 6/15/17 (a) | | 362 | 364,260 |
| Series 2012-1, Class B, 2.72%, 5/16/16 | | 240 | 243,836 |
| Series 2012-1, Class C, 3.78%, 11/15/17 | | 325 | 332,170 |
| SLM Student Loan Trust: | | | |
| Series 2004-B, Class A2, 0.47%, 6/15/21 (b) | | 149 | 146,910 |
| Series 2008-5, Class A3, 1.57%, 1/25/18 (b) | | 515 | 520,582 |
| Series 2008-5, Class A4, 1.97%, 7/25/23 (b) | | 615 | 646,387 |
| Series 2012-A, Class A1, 1.58%, 8/15/25 (a)(b) | | 260 | 261,875 |
| Series 2012-A, Class A2, 3.83%, 1/17/45 (a) | | 345 | 361,920 |
| Small Business Administration, Class 1, Series 2004-P10B, 4.75%, 8/10/14 | | 74 | 75,748 |
| Structured Asset Securities Corp., Series 2002-AL1, Class A2, 3.45%, 2/25/32 | | 1,136 | 1,130,106 |
| Symphony CLO VII Ltd., Series 2011-7A, Class E, 3.86%, 7/28/21 (a)(b) | | 750 | 717,660 |
| World Financial Network Credit Card Master Trust, Series 2012-C, Class C, 4.55%, 8/15/22 | | 1,180 | 1,227,888 |

| | | |
|---|---|---|
| | | 28,358,765 |
| **Interest Only Asset-Backed Securities — 0.1%** | | |
| Sterling Bank Trust, Series 2004-2, Class Note, 2.08%, 3/30/30 (a) | 3,140 | 221,786 |
| Sterling Coofs Trust, Series 2004-1, Class A, 2.36%, 4/15/29 (a) | 5,330 | 353,124 |
| | | 574,910 |
| **Total Asset-Backed Securities — 7.6%** | | 28,933,675 |

| **Common Stocks** | **Shares** | |
|---|---|---|
| **Paper & Forest Products — 0.0%** | | |
| NewPage Corp. (c) | 1,720 | 137,600 |

**Portfolio Abbreviations**

To simplify the listings of portfolio holdings in the Schedules of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

| | | | |
|---|---|---|---|
| **AUD** | Australian Dollar | **LIBOR** | London Interbank Offered Rate |
| **CAD** | Canadian Dollar | **MSCI** | Morgan Stanley Capital International |
| **EAFE** | Europe Australasia and Far East | **PIK** | Payment-in-Kind |
| **ETF** | Exchange-Traded Fund | **RB** | Revenue Bonds |
| **EUR** | Euro | **S&P** | Standard and Poor's |
| **EURIBOR** | Euro Interbank Offered Rate | **SPDR** | Standard and Poor's Depositary Receipts |
| **FKA** | Formerly Known As | **TBA** | To Be Announced |
| **GBP** | British Pound | **USD** | US Dollar |
| **GO** | General Obligation Bonds | | |

See Notes to Financial Statements.

Schedule of Investments (continued)

**BlackRock Core Bond Trust (BHK)**
**(Percentages shown are based on Net Assets)**

| Corporate Bonds | | Par (000) | Value |
|---|---|---|---|
| **Aerospace & Defense — 0.6%** | | | |
| Huntington Ingalls Industries, Inc., 7.13%, 3/15/21 | USD | 230 | $ 248,400 |
| United Technologies Corp. (d): | | | |
| 4.88%, 5/01/15 | | 1,125 | 1,203,841 |
| 6.13%, 7/15/38 | | 700 | 852,952 |
| | | | 2,305,193 |
| **Airlines — 1.7%** | | | |
| American Airlines Pass-Through Trust, Series 2013-2, Class A, 4.95%, 1/15/23 (a) | | 2,000 | 1,980,000 |
| Continental Airlines Pass-Through Trust: | | | |
| Series 2010-1, Class B, 6.00%, 7/12/20 | | 521 | 534,172 |
| Series 2012-3, Class C, 6.13%, 4/29/18 | | 500 | 507,250 |
| United Airlines 2013-1 Class A Pass Through Trust, 4.30%, 2/15/27 | | 2,000 | 1,965,000 |
| US Airways Pass-Through Trust, Series 2012-1, Class C, 9.13%, 10/01/15 | | 1,552 | 1,613,895 |
| | | | 6,600,317 |
| **Auto Components — 0.4%** | | | |
| Icahn Enterprises LP/Icahn Enterprises Finance Corp., 8.00%, 1/15/18 | | 1,450 | 1,526,125 |
| **Automobiles — 0.5%** | | | |
| Ford Motor Co., 4.75%, 1/15/43 | | 1,995 | 1,763,630 |
| **Building Products — 0.2%** | | | |
| Cemex SAB de CV, 5.88%, 3/25/19 (a) | | 200 | 189,500 |
| Momentive Performance Materials, Inc., 8.88%, 10/15/20 | | 255 | 264,563 |
| Texas Industries, Inc., 9.25%, 8/15/20 | | 324 | 353,970 |
| | | | 808,033 |
| **Capital Markets — 3.7%** | | | |
| CDP Financial, Inc., 5.60%, 11/25/39 (a)(d) | | 2,935 | 3,352,333 |
| The Goldman Sachs Group, Inc. (d): | | | |
| 5.38%, 3/15/20 | | 1,220 | 1,327,273 |
| 5.25%, 7/27/21 | | 3,165 | 3,382,002 |
| 5.75%, 1/24/22 | | 1,800 | 1,976,843 |
| KCG Holdings, Inc., 8.25%, 6/15/18 (a) | | 185 | 181,762 |
| Morgan Stanley: | | | |
| 4.20%, 11/20/14 | | 490 | 508,518 |
| 4.00%, 7/24/15 | | 410 | 428,256 |
| 6.25%, 8/28/17 (d) | | 1,930 | 2,179,665 |
| Murray Street Investment Trust I, 4.65%, 3/09/17 | | 825 | 875,403 |
| | | | 14,212,055 |
| **Chemicals — 1.3%** | | | |
| Axiall Corp., 4.88%, 5/15/23 (a) | | 152 | 140,980 |
| The Dow Chemical Co., 4.13%, 11/15/21 | | 350 | 355,832 |
| Huntsman International LLC, 4.88%, 11/15/20 | | 298 | 283,845 |
| Methanex Corp., 3.25%, 12/15/19 | | 2,074 | 2,018,944 |

| | | | |
|---|---|---|---|
| Nufarm Australia Ltd., 6.38%, 10/15/19 (a) | | 245 | 245,000 |
| PetroLogistics LP/PetroLogistics Finance Corp., 6.25%, 4/01/20 (a) | | 161 | 155,767 |
| Rockwood Specialties Group, Inc., 4.63%, 10/15/20 | | 1,486 | 1,459,995 |
| Tronox Finance LLC, 6.38%, 8/15/20 (a) | | 182 | 173,810 |
| US Coatings Acquisition, Inc./Axalta Coating Systems Dutch Holding B BV, 7.38%, 5/01/21 (a) | | 151 | 154,397 |
| | | | 4,988,570 |
| **Commercial Banks — 3.1%** | | | |
| CIT Group, Inc.: | | | |
| 5.50%, 2/15/19 (a) | | 398 | 407,950 |
| 5.38%, 5/15/20 | | 1,650 | 1,658,250 |
| Depfa ACS Bank, 5.13%, 3/16/37 (a) | | 3,775 | 3,137,969 |
| HSBC Bank Brasil SA — Banco Multiplo, 4.00%, 5/11/16 (a) | | 1,400 | 1,433,600 |
| HSBC Bank PLC, 3.10%, 5/24/16 (a)(d) | | 700 | 733,458 |
| HSBC Holdings PLC, 6.10%, 1/14/42 | | 305 | 360,482 |

| **Corporate Bonds** | | **Par (000)** | **Value** |
|---|---|---|---|
| **Commercial Banks (concluded)** | | | |
| Rabobank Nederland (d): | | | |
| 3.88%, 2/08/22 | USD | 1,390 | $ 1,379,692 |
| 3.95%, 11/09/22 | | 1,500 | 1,429,470 |
| Wells Fargo & Co., 3.50%, 3/08/22 (d) | | 1,390 | 1,380,983 |
| | | | 11,921,854 |
| **Commercial Services & Supplies — 1.4%** | | | |
| ADS Waste Holdings, Inc., 8.25%, 10/01/20 (a) | | 246 | 259,530 |
| The ADT Corp., 4.88%, 7/15/42 | | 539 | 394,091 |
| Aviation Capital Group Corp. (a): | | | |
| 4.63%, 1/31/18 | | 650 | 648,706 |
| 7.13%, 10/15/20 | | 900 | 979,228 |
| The Hertz Corp., 4.25%, 4/01/18 (a) | | 236 | 231,280 |
| Interactive Data Corp., 10.25%, 8/01/18 | | 1,330 | 1,481,354 |
| Mobile Mini, Inc., 7.88%, 12/01/20 | | 320 | 348,800 |
| UR Merger Sub Corp.: | | | |
| 5.75%, 7/15/18 | | 194 | 207,095 |
| 7.38%, 5/15/20 | | 385 | 414,838 |
| 7.63%, 4/15/22 | | 452 | 485,900 |
| | | | 5,450,822 |
| **Communications Equipment — 1.3%** | | | |
| ADC Telecommunications, Inc., 3.50%, 7/15/15 (e) | | 4,330 | 4,384,125 |
| Zayo Group LLC/Zayo Capital, Inc., 8.13%, 1/01/20 | | 530 | 575,050 |
| | | | 4,959,175 |
| **Construction & Engineering — 0.1%** | | | |
| ABB Finance USA, Inc., 4.38%, 5/08/42 | | 192 | 180,633 |
| Safway Group Holding LLC/Safway Finance Corp., 7.00%, 5/15/18 (a) | | 200 | 201,000 |
| | | | 381,633 |
| **Construction Materials — 1.0%** | | | |
| HD Supply, Inc.: | | | |

| | | | | |
|---|---|---|---|---|
| 8.13%, 4/15/19 | | 1,815 | | 2,019,187 |
| 7.50%, 7/15/20 (a) | | 1,544 | | 1,613,480 |
| Lafarge SA, 7.13%, 7/15/36 | | 135 | | 140,400 |
| | | | | 3,773,067 |
| **Consumer Finance — 0.9%** | | | | |
| Discover Financial Services, 3.85%, 11/21/22 | | 250 | | 235,873 |
| Ford Motor Credit Co. LLC: | | | | |
| 8.13%, 1/15/20 | | 1,265 | | 1,538,045 |
| 4.25%, 9/20/22 | | 800 | | 779,514 |
| SLM Corp., 6.25%, 1/25/16 | | 661 | | 703,965 |
| | | | | 3,257,397 |
| **Containers & Packaging — 0.8%** | | | | |
| Crown Americas LLC/Crown Americas Capital Corp. | | | | |
| III, 6.25%, 2/01/21 | | 91 | | 95,550 |
| Sealed Air Corp. (a): | | | | |
| 6.50%, 12/01/20 | | 550 | | 583,000 |
| 8.38%, 9/15/21 | | 225 | | 254,531 |
| Smurfit Kappa Acquisitions (a): | | | | |
| 7.25%, 11/15/17 | EUR | 725 | & | |