

BLACKROCK PREFERRED & EQUITY ADVANTAGE TRUST  
Form N-CSR  
January 07, 2008

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 811-21972

Name of Fund: BlackRock Preferred and Equity Advantage Trust (BTZ)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Donald C. Burke, Chief Executive Officer, BlackRock Preferred and Equity Advantage Trust,  
800 Scudders Mill Road, Plainsboro, NJ, 08536. Mailing address: P.O. Box 9011, Princeton, NJ,  
08543-9011

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

Date of fiscal year end: 10/31/2007

Date of reporting period: 11/01/2006 - 10/31/2007

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Item 1  Report to Stockholders

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EQUITIES FIXED REAL LIQUIDITY ALTERNATIVES BLACKROCK  
INCOME ESTATE SOLUTIONS



Closed-End Funds

ANNUAL REPORT | OCTOBER 31, 2007

[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 Preferred and Equity Advantage Trust \(BTZ\)](#)

[BlackRock Strategic Bond Trust \(BHD\)](#)

NOT FDIC INSURED  
MAY LOSE VALUE  
NO BANK GUARANTEE

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## A Letter to Shareholders

### Dear Shareholder

The October reporting period was fairly tumultuous for financial markets, but culminated in positive performance for most major benchmarks:

#### Total returns as of October 31, 2007

|   | 6-month | 12-month |
|---|---------|----------|
| U.S. equities (S&P 500 Index)   | +5.49 % | +14.56%  |
| Small cap U.S. equities (Russell 2000 Index)  | +2.25 % | +9.27%   |
| International equities (MSCI Europe, Australasia, Far East Index)                   | +8.19 % | +24.91%  |
| Fixed income (Lehman Brothers U.S. Aggregate Bond Index)                            | +2.68 % | +5.38%   |
| Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)                      | +1.30 % | +2.91%   |
| High yield bonds<br>(Lehman Brothers U.S. Corporate High Yield 2% Issuer Cap Index) | -0.07 % | +6.89%   |

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

Subprime mortgage woes dominated headlines for much of 2007, but intensified in the summer and fall, spawning a widespread liquidity and credit crisis with ramifications across global markets. The Federal Reserve Board (Fed) and other countries' central banks stepped in to inject liquidity into the markets and bolster investor confidence. The Fed cut the federal funds rate by 0.50% in September and another 0.25% on the final day of the reporting period, bringing its target rate to 4.50%. In taking action, the central bankers, who had long deemed themselves inflation fighters, were seeking to stem the fallout from the credit crunch and forestall a wider economic unraveling. By period-end, the Fed had cited the risks between slower economic growth and faster inflation as equally balanced.

Amid the volatility throughout the past year, equity markets have displayed surprising resilience. Most recently, the credit turmoil dampened corporate merger-and-acquisition (M&A) activity, a key source of strength for equity markets. Still, market fundamentals have held firm, dividend payouts and share buybacks have continued to grow, and valuations remain attractive. These tailwinds generally have prevailed over the headwinds created by the slowing U.S. economy, troubled housing market and, recently, a more difficult corporate earnings backdrop. International markets fared even better than U.S. equities, benefiting from robust M&A activity and generally stronger economies.

In fixed income markets, mixed economic signals and the credit woes resulted in a flight to quality. At the height of the uncertainty, investors shunned bonds associated with the housing and credit markets in favor of higher-quality Treasury issues. The yield on 10-year Treasury issues, which touched 5.30% in June (its highest level in five years), fell to 4.48% by period-end, while prices correspondingly rose. The tax-exempt bond market has been challenged by a combination of record-setting supply year-to-date, economic uncertainty and concerns around the credit worthiness of bond insurers. This has brought municipal bond prices to relatively attractive levels and, as such, demand generally has remained firm.

As you navigate market volatility, we encourage you to review your investment goals with your financial professional and to make portfolio changes, as needed. For more market insight and commentary from BlackRock investment professionals, we invite you to visit [www.blackrock.com/funds](http://www.blackrock.com/funds). As always, we thank you for entrusting BlackRock with your investment assets, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

Robert C. Doll, Jr.

Vice Chairman, BlackRock, Inc.

THIS PAGE NOT PART OF YOUR TRUSTS REPORT

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## Trust Summary as of October 31, 2007

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

## Investment Objective

The Trust's investment objective is to manage a portfolio of fixed income securities that will return \$15 per share (the initial public offering price per share) to investors on or about December 31, 2009 while providing high monthly income.

## Trust Information

|  |               |
|--|---------------|
| Symbol on American Stock Exchange:   | BCT           |
| Initial Offering Date:   | June 17, 1993 |
| Yield on Closing Market Price as of October 31, 2007 (\$15.15): <sup>1</sup> | 5.94%         |
| 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> A change in the distribution rate was declared on November 1, 2007. The Monthly Distribution per Common Share was decreased to \$0.049. The Yield on Closing Market Price, Current Monthly Distribution and Current Annualized Distribution do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.

The table below summarizes the changes in the Trust's market price and net asset value per share:

|                 | 10/31/07 | 10/31/06 | Change  | High     | Low      |
|-----------------|----------|----------|---------|----------|----------|
| Market Price    | \$ 15.15 | \$ 15.08 | 0.46%   | \$ 15.65 | \$ 14.82 |
| Net Asset Value | \$ 13.38 | \$ 13.79 | (2.97)% | \$ 13.81 | \$ 13.36 |

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

## Portfolio Composition

| Composition  | 10/31/07 | 10/31/06 |
|--|----------|----------|
| Agency Multiple Class Mortgage Pass-Through Securities     | 31%      | 28%      |
| Taxable Municipal Bonds                                    | 18       | 11       |
| Non-Agency Multiple Class Mortgage Pass-Through Securities | 16       |          |
| Inverse Floating Rate Mortgage Securities                  | 15       | 8        |

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|  |   |    |
|--|---|----|
| Corporate Bonds                          | 9 | 14 |
| Interest Only Mortgage-Backed Securities | 8 | 7  |
| Mortgage Pass-Through Securities         | 3 | 2  |
| U.S. Government and Agency Securities    |   | 30 |

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## Trust Summary as of October 31, 2007

BlackRock Core Bond Trust (BHK)

## Investment Objective

The Trust's investment objective is to provide current income and capital appreciation.

## Trust Information

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:   | BHK               |
| Initial Offering Date:   | November 27, 2001 |
| Yield on Closing Market Price as of October 31, 2007 (\$12.23): <sup>1</sup> | 6.57%             |
| Current Monthly Distribution per Share: <sup>2</sup>                         | \$0.067           |
| Current Annualized Distribution per Share: <sup>2</sup>                      | \$0.804           |
| Leverage as of October 31, 2007: <sup>3</sup>                                | 22%               |

- 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.
- A change in the distribution rate was declared on December 5, 2007. The Monthly Distribution per Common Share was decreased to \$0.062. The Yield on Closing Market Price, Current Monthly Distribution and Current Annualized Distribution do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.
- As a percentage of managed assets (as defined in Note 2 of the Notes to Financial Statements).

The table below summarizes the changes in the Trust's market price and net asset value per share:

|                 | 10/31/07 | 10/31/06 | Change      | High    | Low     |
|-----------------|----------|----------|-------------|---------|---------|
| Market Price    | \$12.23  | \$12.86  | (4.90)<br>% | \$13.25 | \$11.32 |
| Net Asset Value | \$13.63  | \$13.82  | (1.37)<br>% | \$14.01 | \$13.11 |

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                      | 10/31/07 | 10/31/06 |
|----------------------------------|----------|----------|
| Corporate Bonds                  | 42%      | 58%      |
| Mortgage Pass-Through Securities | 36       | 10       |



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|  |   |   |
|--|---|---|
| Asset-Backed Securities                                    | 4 | 8 |
| Commercial Mortgage-Backed Securities                      | 4 | 6 |
| U.S. Government and Agency Securities                      | 4 | 5 |
| Non-Agency Multiple Class Mortgage Pass-Through Securities | 4 | 2 |
| Agency Multiple Class Mortgage Pass-Through Securities     | 3 | 8 |
| Trust Preferred Stocks                                     | 2 |   |
| Interest Only Mortgage-Backed Securities                   | 1 | 1 |
| Interest Only Asset-Backed Securities                      |   | 1 |
| Foreign Government Bonds                                   |   | 1 |

### Corporate Bond Breakdown<sup>4</sup>

| Credit Rating | 10/31/07 | 10/31/06 |
|---------------|----------|----------|
| AAA/Aaa       | 6%       | 7%       |
| AA/Aa         | 24       | 26       |
| A             | 21       | 10       |
| BBB/Baa       | 20       | 17       |
| BB/Ba         | 7        | 12       |
| B             | 16       | 23       |
| CCC/Caa       | 6        | 5        |

- 4 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 66.2% and 58.3% of net assets on October 31, 2007 and 2006, respectively.

## Trust Summary as of October 31, 2007

BlackRock High Yield Trust (BHY)

## Investment Objective

The Trust's investment objective is to generate high current income and, to a lesser extent, to seek capital appreciation.

## Trust Information

|   |                   |
|---|-------------------|
| Symbol on New York Stock Exchange:  | BHY               |
| Initial Offering Date:  | December 23, 1998 |
| Yield on Closing Market Price as of October 31, 2007 (\$6.92): <sup>1</sup> | 8.84%             |
| Current Monthly Distribution per Share: <sup>2</sup>                        | \$0.051           |
| Current Annualized Distribution per Share: <sup>2</sup>                     | \$0.612           |
| Leverage as of October 31, 2007: <sup>3</sup>                               | 15%               |

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.

3 As a percentage of managed assets (as defined in Note 2 of the Notes to Financial Statements).

The table below summarizes the changes in the Trust's market price and net asset value per share:

|                 | 10/31/07 | 10/31/06 | Change   | High   | Low    |
|-----------------|----------|----------|----------|--------|--------|
| Market Price    | \$6.92   | \$7.77   | (10.94)% | \$8.70 | \$5.83 |
| Net Asset Value | \$7.91   | \$7.85   | 0.76%    | \$8.32 | \$7.63 |

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

Portfolio Composition<sup>4</sup>

| Corporate Portfolio Composition | 10/31/07 | 10/31/06 |
|---------------------------------|----------|----------|
| Telecommunications              | 15%      | 13%      |
| Energy                          | 14       | 16       |
| Media                           | 11       | 11       |
| Basic Materials                 | 10       | 11       |
| Financial Institutions          | 10       | 14       |
| Consumer Products               | 6        | 6        |
| Technology                      | 6        | 5        |

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

- 4 For Trust compliance purposes, the Trust's sector and industry classification refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classification for reporting ease.

### Corporate Bond Breakdown<sup>5</sup>

| Credit Rating | 10/31/07 | 10/31/06 |
|---------------|----------|----------|
| BBB/Baa       | 4%       | 3%       |
| BB/Ba         | 21       | 26       |
| B             | 51       | 55       |
| CCC/Caa       | 21       | 12       |
| C             |          | 2        |
| Not Rated     | 3        | 2        |

- 5 Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 110.4% and 128.9% of net assets on October 31, 2007 and 2006, respectively.

## Trust Summary as of October 31, 2007

## BlackRock Income Opportunity Trust (BNA)

## Investment Objective

The Trust's investment objective is to provide current income and capital appreciation.

## Trust Information

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:   | BNA               |
| Initial Offering Date:   | December 20, 1991 |
| Yield on Closing Market Price as of October 31, 2007 (\$10.19): <sup>1</sup> | 6.48%             |
| Current Monthly Distribution per Share: <sup>2</sup>                         | \$0.055           |
| Current Annualized Distribution per Share: <sup>2</sup>                      | \$0.660           |
| Leverage as of October 31, 2007: <sup>3</sup>                                | 22%               |

- 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.
- A change in the distribution rate was declared on December 5, 2007. The Monthly Distribution per Common Share was decreased to \$0.051. The Yield on Closing Market Price, Current Monthly Distribution and Current Annualized Distribution do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.
- As a percentage of managed assets (as defined in Note 2 of the Notes to Financial Statements).

The table below summarizes the changes in the Trust's market price and net asset value per share:

|                 | 10/31/07 | 10/31/06 | Change  | High    | Low      |
|-----------------|----------|----------|---------|---------|----------|
| Market Price    | \$10.19  | \$10.58  | (3.69)% | \$10.88 | \$ 9.13  |
| Net Asset Value | \$11.02  | \$11.17  | (1.34)% | \$11.33 | \$ 10.53 |

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  | 10/31/07 | 10/31/06 |
|--|----------|----------|
| Corporate Bonds  | 38%      | 48%      |
| Mortgage Pass-Through Securities                           | 36       | 12       |
| Asset-Backed Securities                                    | 7        | 13       |
| Non-Agency Multiple Class Mortgage Pass-Through Securities | 5        | 6        |
| Agency Multiple Class Mortgage Pass-Through Securities     | 4        | 7        |

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|   |   |   |
|---|---|---|
| U.S. Government and Agency Securities     | 3 | 7 |
| Commercial Mortgage-Backed Securities     | 3 | 4 |
| Trust Preferred Stocks                    | 2 |   |
| Federal Housing Administration Securities | 1 | 1 |
| Interest Only Mortgage-Backed Securities  | 1 | 1 |
| Inverse Floating Rate Mortgage Securities |   | 1 |

**Corporate Bond Breakdown<sup>4</sup>**

| <b>Credit Rating</b> | <b>10/31/07</b> | <b>10/31/06</b> |
|----------------------|-----------------|-----------------|
| AAA/Aaa              | 8%              | 9%              |
| AA/Aa                | 21              | 17              |
| A                    | 20              | 10              |
| BBB/Baa              | 22              | 19              |
| BB/Ba                | 6               | 13              |
| B                    | 17              | 25              |
| CCC/Caa              | 6               | 6               |
| Not Rated            |                 | 1               |

4 Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 64.0% and 52.1% of net assets on October 31, 2007 and 2006, respectively.

## Trust Summary as of October 31, 2007

BlackRock Income Trust Inc. (BKT)

## Investment Objective

The Trust's investment objective is to manage a portfolio of high quality securities to achieve high monthly income consistent with the preservation of capital.

## Trust Information

|   |               |
|---|---------------|
| Symbol on New York Stock Exchange:  | BKT           |
| Initial Offering Date:  | July 22, 1988 |
| Yield on Closing Market Price as of October 31, 2007 (\$5.81): <sup>1</sup> | 6.40%         |
| Current Monthly Distribution per Share: <sup>2</sup>                        | \$0.031       |
| Current Annualized Distribution per Share: <sup>2</sup>                     | \$0.372       |
| Leverage as of October 31, 2007: <sup>3</sup>                               | 8%            |

- 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.
- A change in the distribution rate was declared on December 5, 2007. The Monthly Distribution per Common Share was decreased to \$0.024. The Yield on Closing Market Price, Current Monthly Distribution and Current Annualized Distribution do not reflect the new distribution rate. The new distribution rate is not constant and is subject to further change in the future.
- As a percentage of managed assets (as defined in Note 2 of the Notes to Financial Statements).

The table below summarizes the changes in the Trust's market price and net asset value per share:

|                 | 10/31/07 | 10/31/06 | Change  | High   | Low    |
|-----------------|----------|----------|---------|--------|--------|
| Market Price    | \$5.81   | \$6.07   | (4.28)% | \$6.33 | \$5.49 |
| Net Asset Value | \$6.53   | \$6.48   | 0.77%   | \$6.61 | \$6.25 |

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

## Portfolio Composition

| Composition  | 10/31/07 | 10/31/06 |
|--|----------|----------|
| Mortgage Pass-Through Securities                           | 27%      | 22%      |
| Agency Multiple Class Mortgage Pass-Through Securities     | 26       | 28       |
| Interest Only Mortgage-Backed Securities                   | 13       | 10       |
| U.S. Government and Agency Securities                      | 10       | 20       |
| Non-Agency Multiple Class Mortgage Pass-Through Securities | 9        | 9        |

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|   |   |   |
|---|---|---|
| Principal Only Mortgage-Backed Securities | 5 | 5 |
| Inverse Floating Rate Mortgage Securities | 4 | 3 |
| Federal Housing Administration Securities | 2 | 2 |
| Asset-Backed Securities                   | 2 |   |
| Commercial Mortgage-Backed Securities     | 1 |   |
| Corporate Bonds                           | 1 | 1 |

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## Trust Summary as of October 31, 2007

## BlackRock Limited Duration Income Trust (BLW)

## Investment Objective

The Trust's investment objective is to provide current income and capital appreciation.

## Trust Information

|  |               |
|--|---------------|
| Symbol on New York Stock Exchange:   | BLW           |
| Initial Offering Date:   | July 30, 2003 |
| Yield on Closing Market Price as of October 31, 2007 (\$16.68): <sup>1</sup> | 8.99%         |
| Current Monthly Distribution per Share: <sup>2</sup>                         | \$0.125       |
| Current Annualized Distribution per Share: <sup>2</sup>                      | \$1.500       |
| Leverage as of October 31, 2007: <sup>3</sup>                                | 14%           |

- 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.
- 3 As a percentage of managed assets (as defined in Note 2 of the Notes to Financial Statements).

The table below summarizes the Trust's market price and net asset value per share:

|                 | 10/31/07 | 10/31/06 | Change    | High    | Low     |
|-----------------|----------|----------|-----------|---------|---------|
| Market Price    | \$16.68  | \$18.85  | (11.51) % | \$19.89 | \$14.20 |
| Net Asset Value | \$18.52  | \$19.01  | (2.58) %  | \$19.38 | \$18.08 |

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  | 10/31/07 | 10/31/06 |
|--|----------|----------|
| Bank Loans   | 42%      | 36%      |
| Corporate Bonds  | 37       | 43       |
| Mortgage Pass-Through Securities                           | 16       | 14       |
| U.S. Government and Agency Securities                      | 3        | 4        |
| Foreign Government Bonds                                   | 2        | 2        |
| Non-Agency Multiple Class Mortgage Pass-Through Securities |          | 1        |



**Corporate Bond Breakdown<sup>4</sup>**

| <b>Credit Rating</b> | <b>10/31/07</b> | <b>10/31/06</b> |
|----------------------|-----------------|-----------------|
| AA/Aa                | 1%              | 2%              |
| A                    | 4               | 1               |
| BBB/Baa              | 8               | 9               |
| BB/Ba                | 23              | 24              |
| B                    | 43              | 51              |
| CCC/Caa              | 18              | 11              |
| Not Rated            | 3               | 2               |

4 Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 49.1% and 64.3% of net assets on October 31, 2007 and 2006, respectively.

## Trust Summary as of October 31, 2007

## BlackRock Preferred and Equity Advantage Trust (BTZ)

## Investment Objective

The Trust's investment objective is to seek current income, current gains and capital appreciation.

## Trust Information

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:   | BTZ               |
| Initial Offering Date:   | December 27, 2006 |
| Yield on Closing Market Price as of October 31, 2007 (\$18.65): <sup>1</sup> | 10.05%            |
| Current Monthly Distribution per Share: <sup>2</sup>                         | \$0.15625         |
| Current Annualized Distribution per Share: <sup>2</sup>                      | \$1.87500         |
| Leverage as of October 31, 2007: <sup>3</sup>                                | 33%               |

- <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.
- <sup>3</sup> As a percentage of managed assets (as defined in Note 2 of the Notes to Financial Statements).

The table below summarizes the changes in the Trust's market price and net asset value per share:

|                 | 10/31/2007 | High    | Low     |
|-----------------|------------|---------|---------|
| Market Price    | \$18.65    | \$25.25 | \$15.63 |
| Net Asset Value | \$21.37    | \$24.35 | \$20.87 |

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

Portfolio Composition<sup>4</sup>

| Composition             | 10/31/07 |
|-------------------------|----------|
| Financial Institutions  | 65%      |
| Energy                  | 8        |
| Technology              | 5        |
| Consumer Products       | 4        |
| Health Care             | 4        |
| Telecommunications      | 3        |
| Real Estate             | 3        |
| Media                   | 2        |
| Industrials             | 2        |
| Basic Materials         | 1        |
| Entertainment & Leisure | 1        |

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|                |   |
|----------------|---|
| Automotive     | 1 |
| Transportation | 1 |

4 For Trust compliance purposes, the Trust's sector and industry classification refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classification for reporting ease.

**Preferred, Trust Preferred and Corporate Bond Breakdown<sup>5</sup>**

| <b>Credit Rating</b> | <b>10/31/07</b> |
|----------------------|-----------------|
| AA/Aa                | 20%             |
| A                    | 42              |
| BBB/Baa              | 29              |
| BB/Ba                | 1               |
| B                    | 6               |
| CCC/Caa              | 1               |
| Not Rated            | 1               |

5 Using the higher of S&P, Moody's or Fitch ratings.

## Trust Summary as of October 31, 2007

## BlackRock Strategic Bond Trust (BHD)

## Investment Objective

The Trust's investment objective is to seek total return through high current income and capital appreciation.

## Trust Information

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange:   | BHD               |
| Initial Offering Date:   | February 26, 2002 |
| Yield on Closing Market Price as of October 31, 2007 (\$11.88): <sup>1</sup> | 7.78%             |
| 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 net asset value per share:

|                 | 10/31/07 | 10/31/06 | Change  | High    | Low     |
|-----------------|----------|----------|---------|---------|---------|
| Market Price    | \$11.88  | \$12.85  | (7.55)% | \$13.29 | \$10.40 |
| Net Asset Value | \$13.80  | \$13.83  | (0.22)% | \$14.19 | \$13.47 |

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

Corporate Portfolio Composition<sup>3</sup>

| Composition                     | 10/31/07 | 10/31/06 |
|---------------------------------|----------|----------|
| Media                           | 17%      | 14%      |
| Telecommunications              | 14       | 12       |
| Energy                          | 13       | 13       |
| Financial Institutions          | 12       | 18       |
| Aerospace & Defense             | 8        | 6        |
| Basic Materials                 | 6        | 6        |
| Consumer Products               | 5        | 7        |
| Technology                      | 4        | 5        |
| Automotive                      | 4        | 2        |
| Health Care                     | 4        | 4        |
| Transportation                  | 3        | 1        |
| Ecological Services & Equipment | 3        | 2        |
| Industrials                     | 2        | 3        |
| Containers & Packaging          | 2        | 1        |

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|                         |   |   |
|-------------------------|---|---|
| Entertainment & Leisure | 1 | 3 |
| Building & Development  | 1 | 2 |
| Real Estate             | 1 | 1 |

<sup>3</sup> For Trust compliance purposes, the Trust's sector and industry classification refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classification for reporting ease.

**Corporate Bond Breakdown<sup>4</sup>**

| Credit Rating | 10/31/07 | 10/31/06 |
|---------------|----------|----------|
| AAA/Aaa       | 1%       | 3%       |
| AA/Aa         | 4        | 6        |
| A             | 17       | 12       |
| BBB/Baa       | 15       | 13       |
| BB/Ba         | 12       | 16       |
| B             | 37       | 40       |
| CCC/Caa       | 12       | 9        |
| Not Rated     | 2        | 1        |

<sup>4</sup> Using the highest of S&P's, Moody's or Fitch's rating. Corporate bonds represented approximately 84.5% and 107.6% of net assets on October 31, 2007 and 2006, respectively.

## Portfolio of Investments as of October 31, 2007

**BlackRock Broad Investment Grade 2009 Term Trust Inc.  
(BCT)**  
(Percentages shown are based on Net Assets)

| Principal Amount (000)   | Description  | Value      |
|--|--|------------|
| <b>LONG-TERM INVESTMENTS 29.2%</b>                                 |  |            |
| <b>Mortgage Pass-Through Securities 0.9%</b>                       |  |            |
|  | Federal National Mortgage Assoc.,  |            |
| \$ 314   | 5.50%, 1/01/17-2/01/17   | \$ 316,169 |
| 14   | 6.50%, 7/01/29   | 14,777     |
|  | Total Mortgage Pass-Through Securities                                       | 330,946    |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 9.1%</b> |  |            |
|  | Federal Home Loan Mortgage Corp.,  |            |
| 1,745  | Ser. 1510, Class G, 7.05%, 5/15/13   | 1,753,683  |
| 1,098  | Ser. 1598, Class J, 6.50%, 10/15/08  | 1,095,825  |
| 81   | Ser. 2564, Class NC, 5.00%, 2/15/33  | 69,195     |
| 668  | Federal National Mortgage Assoc.,<br>Ser. 49, Class H, 7.00%, 4/25/13        | 689,837    |
|  | Total Agency Multiple Class Mortgage<br>Pass-Through Securities              | 3,608,540  |
| <b>Inverse Floating Rate Mortgage Securities 4.3%</b>              |  |            |
| 132 <sup>1</sup>   | Citicorp Mortgage Securities, Inc.,<br>Ser. 14, Class A-4, 6.352%, 11/25/23  | 131,701    |
|  | Federal Home Loan Mortgage Corp.,  |            |
| 5 <sup>1</sup>   | Ser. 1425, Class SB, 11.886%, 12/15/07                                       | 4,876      |
| 4 <sup>1</sup>   | Ser. 1506, Class S, 9.708%, 5/15/08  | 4,468      |
| 152 <sup>1</sup>   | Ser. 1515, Class S, 8.753%, 5/15/08  | 152,069    |
| 10 <sup>1</sup>  | Ser. 1600, Class SC, 8.60%, 10/15/08   | 9,853      |
| 144 <sup>1</sup>   | Ser. 1618, Class SA, 8.25%, 11/15/08   | 144,815    |
| 7 <sup>1</sup>   | Ser. 1661, Class SB, 8.83%, 1/15/09  | 7,035      |
| 21 <sup>1</sup>  | Ser. 1688, Class S, 9.566%, 12/15/13   | 21,408     |
| 105 <sup>1</sup>   | Ser. 2412, Class SE, 5.519%, 2/15/09   | 106,281    |
| 275 <sup>1</sup>   | Ser. 2517, Class SE, 3.522%, 10/15/09  | 264,534    |
|  | Federal National Mortgage Assoc.,  |            |
| 7 <sup>1</sup>   | Ser. 13, Class SJ, 8.75%, 2/25/09  | 7,505      |
| 3 <sup>1</sup>   | Ser. 174, Class S, 97.223%, 9/25/22  | 9,514      |
| 118 <sup>1</sup>   | Ser. 192, Class SC, 6.84%, 10/25/08  | 117,971    |
| 37 <sup>1</sup>  | Ser. 214, Class SH, 5.592%, 12/25/08   | 36,653     |
| 51 <sup>1</sup>  | Ser. 214, Class SK, 10.00%, 12/25/08   | 52,172     |
| 618 <sup>1</sup>   | Residential Accredited Loans, Inc.,<br>Ser. QS16, Class A3, 6.435%, 10/25/17 | 620,297    |
|  | Total Inverse Floating Rate Mortgage Securities                              | 1,691,152  |
| <b>Interest Only Mortgage-Backed Securities 2.3%</b>               |  |            |
|  | Federal Home Loan Mortgage Corp.,  |            |
| 1  | Ser. 65, Class I, 918.03%, 8/15/20   | 1,058      |
|  | Ser. 141, Class H, 1,060.00%, 5/15/21  | 220        |
| 1,444  | Ser. 2523, Class EH, 5.50%, 4/15/20  | 73,865     |
| 149  | Ser. 2633, Class PI, 4.50%, 3/15/12  | 781        |
| 3,531  | Ser. 2739, Class PI, 5.00%, 3/15/22  | 94,580     |
| 1,467  | Ser. 2976, Class KI, 5.50%, 11/15/34   | 191,597    |
| 1,664  | Ser. 3189, Class KI, 6.00%, 1/15/35  | 174,439    |
| 2,615  | Ser. 3207, Class QI, 6.00%, 2/15/35  | 234,558    |

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|                     |  |                |
|---------------------|--|----------------|
|                     | Federal National Mortgage Assoc.,<br>Ser. 8, Class HA, 1,199.999%, 1/25/08 | 105            |
| 899                 | Ser. 13, Class IG, 5.00%, 10/25/22   | 21,655         |
| 35 <sup>1</sup>     | Ser. 20, Class SL, 10.12%, 9/25/08   | 1,260          |
| 2                   | Ser. 49, Class L, 444.917%, 4/25/13  | 16,790         |
| 4,343               | Ser. 70, Class ID, 5.00%, 4/25/22  | 61,437         |
|                     | Ser. G-21, Class L, 949.50%, 7/25/21                                       | 7,410          |
| 12,042 <sup>1</sup> | Vendee Mortgage Trust, Ser. 1, 0.043%, 10/15/31                            | 26,627         |
|                     | <b>Total Interest Only Mortgage-Backed Securities</b>                      | <b>906,382</b> |

| <b>Principal Amount (000)</b>  | <b>Description</b>  | <b>Value</b>         |
|--|---|----------------------|
| <b>Principal Only Mortgage-Backed Security 0.0%</b>                    |   |                      |
| \$ 14 <sup>2</sup>   | Salomon Brothers Mortgage Securities, Inc. VI,<br>Ser. 3, Class A, 12.50%, 10/23/17 | \$ 13,246            |
| <b>Asset-Backed Securities 0.0%</b>                                    |   |                      |
| 234 <sup>1,3,4,5</sup>   | Global Rated Eligible Asset Trust,<br>Ser. A, Class 1, 7.33%, 9/15/07               | 23                   |
| 568 <sup>1,3,5</sup>   | Structured Mortgage Asset Residential Trust,<br>Ser. 2, 8.24%, 12/15/07             | 57                   |
|  | <b>Total Asset-Backed Securities</b>  | <b>80</b>            |
| <b>Corporate Bond 2.6%</b>   |   |                      |
| 1,000  | Morgan Stanley Group, Inc., 10.00%, 6/15/08   | 1,029,161            |
| <b>Taxable Municipal Bonds 5.2%</b>                                    |   |                      |
| 500  | Fresno California Pension Oblig., 7.80%, 6/01/14                                    | 544,725              |
| 500  | Kern County California Pension Oblig., 6.98%, 8/15/09                               | 518,005              |
| 500  | Los Angeles County California Pension Oblig.,<br>Ser. D, 6.97%, 6/30/08             | 506,585              |
| 500  | Orleans Parish Louisiana School Board,<br>Ser. A, 6.60%, 2/01/08                    | 501,925              |
|  | <b>Total Taxable Municipal Bonds</b>  | <b>2,071,240</b>     |
| <b>Non-Agency Multiple Class Mortgage Pass-Through Securities 4.8%</b> |   |                      |
| 1,914 <sup>1</sup>   | JPMorgan Mortgage Trust,<br>Ser. A7, Class 2A2, 5.83%, 1/25/37                      | 1,910,904            |
|  | <b>Total Long-Term Investments<br/>(cost \$11,827,713)</b>                          | <b>11,561,651</b>    |
| <b>SHORT-TERM INVESTMENT 70.3%</b>                                     |   |                      |
| <b>U.S. Government and Agency Discount Notes 70.3%</b>                 |   |                      |
| 27,800 <sup>6</sup>  | Federal Home Loan Bank Disc. Notes,<br>4.351%, 11/01/07 (cost \$27,800,000)         | 27,800,000           |
|  | <b>Total Investments 99.5% (cost \$39,627,713)</b>                                  | <b>\$ 39,361,651</b> |
|  | <b>Other assets in excess of liabilities 0.5%</b>                                   | <b>207,328</b>       |
|  | <b>Net Assets 100%</b>  | <b>\$ 39,568,979</b> |

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Variable rate security. Rate shown is interest rate as of October 31, 2007.

- 2 Rate shown is effective yield of the underlying collateral as of October 31, 2007.
- 3 Illiquid security. As of October 31, 2007, the Trust held less than 0.1% of its net assets, with a current market value of \$80, in these securities.
- 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, 2007, the Trust held less than 0.1% of its net assets, with a current market value of \$23, in securities restricted as to resale.
- 5 Security is fair valued.
- 6 Rate shown is the yield to maturity as of the date of purchase.
- 7 Cost for federal income tax purposes is \$39,627,713. The net unrealized depreciation on a tax basis is \$266,062, consisting of \$321,614 gross unrealized appreciation and \$587,676 gross unrealized depreciation.

### Portfolio Abbreviations

|              |                               |
|--------------|-------------------------------|
| <b>ADR</b>   | American Depositary Receipt   |
| <b>EUR</b>   | Euro                          |
| <b>GBP</b>   | British Pound                 |
| <b>LIBOR</b> | London Interbank Offered Rate |
| <b>PRIME</b> | Prime Rate                    |
| <b>REIT</b>  | Real Estate Investment Trust  |
| <b>TBA</b>   | To Be Announced               |
| <b>TBD</b>   | To Be Determined              |

See Notes to Financial Statements.

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## Portfolio of Investments as of October 31, 2007

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

| Principal Amount (000)   | Description  | Value       |
|--|--|-------------|
| <b>LONG-TERM INVESTMENTS 158.7%</b>                                |  |             |
| <b>Mortgage Pass-Through Securities 58.2%</b>                      |  |             |
| \$ 757 <sup>1</sup>  | Citigroup Mortgage Loan Trust, Inc.,<br>Ser. 4, Class A, 5.345%, 8/25/35 | \$ 738,529  |
|  | Federal Home Loan Mortgage Corp.,  |             |
| 75   | 5.00%, 8/01/33   | 71,842      |
| 1,428 <sup>2</sup>   | 5.50%, 11/01/18  | 1,434,281   |
| 5,183  | 5.50%, 11/01/18-5/01/36  | 5,112,866   |
| 2,498  | 6.00%, 2/01/13-12/01/18  | 2,545,922   |
| 23   | 7.00%, 9/01/31   | 23,749      |
| 59 <sup>1</sup>  | 7.379%, 5/01/32  | 60,118      |
| 4,000  | TBA, 5.50%, 12/12/37   | 3,935,000   |
|  | Federal National Mortgage Assoc.,  |             |
| 44   | 4.50%, 2/01/20   | 42,798      |
| 10,051   | 5.00%, 11/01/17-6/01/37  | 9,870,125   |
| 12,498 <sup>2</sup>  | 5.00%, 1/01/18-5/01/37   | 12,026,793  |
| 2,747  | 5.50%, 1/01/18-7/01/34   | 2,719,784   |
| 43,246 <sup>2</sup>  | 5.50%, 12/01/35-4/01/36  | 42,661,096  |
| 6,658 <sup>2</sup>   | 6.00%, 2/01/36-10/01/36  | 6,708,610   |
| 3,159  | 6.00%, 8/01/29-11/01/36  | 3,182,236   |
| 289  | 7.00%, 1/01/31-7/01/32   | 302,834     |
| 400  | TBA, 5.00%, 11/19/22   | 393,750     |
| 85,500   | TBA, 5.50%, 11/19/22-11/13/37  | 84,249,051  |
| 18,900   | TBA, 6.00%, 11/13/37-12/12/37  | 19,019,812  |
| 15,600   | TBA, 6.50%, 12/12/37   | 15,946,133  |
|  | Government National Mortgage Assoc.,                                     |             |
| 205  | 5.50%, 8/15/33   | 204,241     |
| 200  | TBA, 6.50%, 11/20/37   | 205,312     |
| 760 <sup>1</sup>   | GSR Mortgage Loan Trust,<br>Ser. AR4, Class 6A1, 5.25%, 7/25/35          | 739,031     |
|  | Small Business Administration,   |             |
| 767  | Ser. P10B, Class 1, 4.754%, 8/01/14                                      | 751,230     |
| 1,351  | Ser. P10B, Class 1, 5.136%, 8/01/13                                      | 1,352,827   |
|  | Total Mortgage Pass-Through Securities                                   | 214,297,970 |
| <b>Federal Housing Administration Security 0.3%</b>                |  |             |
| 1,028  | FHA Hebre Home Hospital, 6.25%, 9/01/28                                  | 1,038,331   |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 4.0%</b> |  |             |
|  | Federal Home Loan Mortgage Corp.,  |             |
| 1,200  | Ser. 2562, Class PG, 5.00%, 1/15/18                                      | 1,185,166   |
| 2,170  | Ser. 2775, Class OE, 4.50%, 4/15/19                                      | 2,056,897   |
| 2,959  | Ser. 2806, Class VC, 6.00%, 12/15/19                                     | 3,008,150   |
| 1,306  | Ser. 2825, Class VP, 5.50%, 6/15/15                                      | 1,322,326   |
| 1,300  | Ser. 2883, Class DR, 5.00%, 11/15/19                                     | 1,257,396   |
| 1,600  | Ser. 2968, Class EG, 6.00%, 10/15/34                                     | 1,622,310   |
|  | Federal National Mortgage Assoc.,  |             |
| 2,691  | Ser. 5, Class PK, 5.00%, 12/25/34  | 2,684,529   |
| 1,663 <sup>1</sup>   | Ser. 118, Class FD, 5.273%, 12/25/33                                     | 1,651,013   |
|  | Total Agency Multiple Class Mortgage<br>Pass-Through Securities          | 14,787,787  |

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**Asset-Backed Securities 6.7%**

|                  |  |           |
|------------------|--|-----------|
| 2,300            | Chase Issuance Trust,<br>Ser. A17, Class A, 5.12%, 10/15/14                    | 2,315,364 |
| 2,800            | Chase Manhattan Auto Owner Trust,<br>Ser. B, Class A4, 4.88%, 6/15/12          | 2,801,647 |
| 2,825            | Citibank Credit Card Issuance Trust,<br>Ser. A2, Class A2, 4.85%, 2/10/11      | 2,826,461 |
| 229 <sup>1</sup> | Countrywide Asset-Backed Certificates,<br>Ser. 16, Class 4AV1, 4.973%, 1/25/35 | 228,876   |
| 2,406            | DaimlerChrysler Auto Trust,<br>Ser. A, Class A3, 5.00%, 5/08/10                | 2,406,171 |
| 2,850            | Ford Credit Auto Owner Trust,<br>Ser. A, Class A4, 5.08%, 12/15/10             | 2,860,611 |
| 2,300            | Harley-Davidson Motorcycle Trust,<br>Ser. 2, Class A2, 4.07%, 2/15/12          | 2,283,930 |
| 2,500            | Maryland Trust, Ser. 1, Class A, 5.55%, 12/10/65                               | 2,371,875 |

**Principal  
Amount  
(000)**

**Description**

**Value**

**Asset Backed Securities (cont d)**

|                  |  |                   |
|------------------|--|-------------------|
| \$ 2,825         | MBNA Credit Card Master Note Trust,<br>Ser. A1, Class A, 4.90%, 7/15/11      | \$ 2,830,207      |
| 59 <sup>1</sup>  | New Century Home Equity Loan Trust,<br>Ser. C, Class A2A, 4.953%, 1/25/36    | 59,262            |
| 564 <sup>1</sup> | SLM Student Loan Trust,<br>Ser. 5, Class A1, 5.084%, 1/25/18                 | 564,436           |
| 471 <sup>1</sup> | Structured Asset Investment Loan Trust,<br>Ser. 1, Class A1, 4.953%, 1/25/36 | 469,358           |
| 2,725            | USAA Auto Owner Trust, Ser. 1 Class A4,<br>5.04%, 12/15/11                   | 2,738,565         |
|                  | <b>Total Asset-Backed Securities</b>   | <b>24,756,763</b> |

**Interest Only Asset-Backed Securities 0.2%**

|                     |  |                |
|---------------------|--|----------------|
| 12,656              | Sterling Coofs Trust,<br>Ser. 1, 2.365%, 4/15/29   | 561,620        |
| 10,125 <sup>3</sup> | Ser. 2, 2.081%, 3/30/30                            | 272,114        |
|                     | <b>Total Interest Only Asset-Backed Securities</b> | <b>833,734</b> |

**Interest Only Mortgage-Backed Securities 1.0%**

|                     |  |                  |
|---------------------|--|------------------|
| 2,104               | Federal Home Loan Mortgage Corp.,<br>Ser. 2579, Class HI, 5.00%, 8/15/17 | 242,617          |
| 5,772               | Ser. 2611, Class QI, 5.50%, 9/15/32                                      | 1,047,320        |
| 23,975 <sup>1</sup> | Federal National Mortgage Assoc.,<br>Ser. 90, Class JH, 1.828%, 11/25/34 | 1,341,116        |
| 4,030               | Ser. 378, Class 5, 5.00%, 7/01/36  | 980,948          |
|                     | <b>Total Interest Only Mortgage-Backed Securities</b>                    | <b>3,612,001</b> |

**Commercial Mortgage-Backed Securities 6.4%**

|                    |  |           |
|--------------------|--|-----------|
| 2,180 <sup>1</sup> | Banc of America Commercial Mortgage, Inc.,<br>Ser. 1, Class A4, 4.871%, 11/10/42                           | 2,163,105 |
| 2,720              | Credit Suisse First Boston Mortgage Securities Corp.,<br>Ser. CP5, Class A2, 4.94%, 12/15/35               | 2,667,298 |
| 2,170 <sup>1</sup> | Credit Suisse Mortgage Capital Certificates,<br>Ser. C2, Class A3, 5.542%, 1/15/49                         | 2,147,296 |
| 1,463 <sup>1</sup> | General Motor Acceptance Corp. Commercial Mortgage<br>Securities, Inc., Ser. C3, Class A2, 7.179%, 8/15/36 | 1,504,810 |
| 1,973              | Goldman Sachs Mortgage Securities Corp. II,<br>Ser. C1, Class A3, 6.135%, 10/18/30                         | 1,977,721 |
| 1,435 <sup>1</sup> | Heller Financial Commercial Mortgage Asset Co.,<br>Ser. PH1, Class A2, 6.847%, 5/15/31                     | 1,453,914 |

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|                    |  |                   |
|--------------------|--|-------------------|
|                    | JPMorgan Chase Commercial Mortgage Securities Corp., |                   |
| 2,140              | Ser. C1, Class A3, 5.857%, 10/12/35                  | 2,185,265         |
| 2,180              | Ser. CBX, Class A4, 4.529%, 1/12/37                  | 2,131,593         |
| 1,652 <sup>1</sup> | JPMorgan Commercial Mortgage Finance Corp.,          |                   |
|                    | Ser. C10, Class A2, 7.371%, 8/15/32                  | 1,717,907         |
| 2,082 <sup>1</sup> | Morgan Stanley Capital Trust I,                      |                   |
|                    | Ser. HF2, Class A2, 6.48%, 11/15/30                  | 2,089,181         |
| 3,489 <sup>1</sup> | Salomon Brothers Mortgage Securities VII,            |                   |
|                    | Ser. C1, Class A2, 7.52%, 12/18/09                   | 3,619,954         |
|                    | <b>Total Commercial Mortgage-Backed Securities</b>   | <b>23,658,044</b> |

### Corporate Bonds 66.2%

#### Aerospace & Defense 1.1%

|                  |  |                  |
|------------------|--|------------------|
| 150 <sup>3</sup> | Bombardier, Inc., 8.00%, 11/15/14 (Canada)       | 156,000          |
| 1,195            | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13 | 1,269,688        |
|                  | DRS Technologies, Inc.,                          |                  |
| 70               | 6.875%, 11/01/13                                 | 70,000           |
| 80               | 7.625%, 2/01/18                                  | 81,800           |
| 960              | Northrop Grumman Corp., 7.875%, 3/01/26          | 1,147,117        |
| 15               | Sequa Corp., 9.00%, 8/01/09                      | 16,088           |
| 120              | TransDigm, Inc., 7.75%, 7/15/14                  | 122,100          |
| 1,125            | United Technologies Corp., 4.875%, 5/01/15       | 1,088,382        |
|                  | <b>Total Aerospace &amp; Defense</b>             | <b>3,951,175</b> |

#### Automotive 1.0%

|                  |   |         |
|------------------|---|---------|
| 265              | Accuride Corp., 8.50%, 2/01/15                | 249,100 |
|                  | AutoNation, Inc.,                             |         |
| 150              | 7.00%, 4/15/14                                | 145,125 |
| 150 <sup>1</sup> | 7.243%, 4/15/13                               | 146,625 |
| 600              | Ford Capital BV, 9.50%, 6/01/10 (Netherlands) | 604,500 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

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

| Principal Amount (000)                 | Description   | Value             |
|--|---|-------------------|
| <b>Automotive (cont d)</b>             |   |                   |
| \$ 360                                 | Lear Corp., Ser. B, 8.75%, 12/01/16                                   | \$ 345,600        |
| 250                                    | Metaldyne Corp., 10.00%, 11/01/13                                     | 232,500           |
| 2,100                                  | Sonic Automotive, Inc., Ser. B, 8.625%, 8/15/13                       | 2,121,000         |
|  | <b>Total Automotive</b>   | <b>3,844,450</b>  |
| <b>Basic Materials 3.3%</b>            |   |                   |
| 500                                    | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada)                   | 367,500           |
| 995                                    | AK Steel Corp., 7.75%, 6/15/12  | 1,014,900         |
| 250                                    | American Pacific Corp., 9.00%, 2/01/15                                | 256,250           |
| 80 <sup>1</sup>                        | Bowater, Inc., 8.694%, 3/15/10  | 73,200            |
| 30                                     | Chemtura Corp., 6.875%, 6/01/16                                       | 28,650            |
| 200                                    | CPG Intl. I, Inc., 10.50%, 7/01/13                                    | 200,000           |
| 60                                     | Domtar, Inc., 7.125%, 8/15/15 (Canada)                                | 59,400            |
|  | Freeport-McMoRan Copper & Gold, Inc., 8.375%, 4/01/17                 | 1,116,900         |
| 1,020                                  |   |                   |
| 330 <sup>1</sup>                       | 8.394%, 4/01/15   | 340,725           |
| 66                                     | Huntsman LLC, 12.00%, 7/15/12   | 71,775            |
|  | Ineos Group Holdings Plc (United Kingdom)                             |                   |
| 285                                    | 7.875%, 2/07/16 (EUR)   | 379,810           |
| 1,330 <sup>3</sup>                     | 8.50%, 2/15/16  | 1,263,500         |
| 885                                    | Innophos, Inc., 8.875%, 8/15/14                                       | 891,638           |
| 515 <sup>3</sup>                       | Key Plastics LLC/Key Plastics Finance Corp., 11.75%, 3/15/13          | 437,750           |
| 1,705                                  | NewPage Corp., 10.00%, 5/01/12  | 1,803,037         |
|  | Noranda, Inc. (Canada)  |                   |
| 825                                    | 6.00%, 10/15/15   | 830,709           |
| 1,250                                  | 6.20%, 6/15/35  | 1,200,827         |
| 1,430                                  | Teck Cominco Ltd., 6.125%, 10/01/35 (Canada)                          | 1,354,563         |
| 430                                    | Terra Capital, Inc., Ser. B, 7.00%, 2/01/17                           | 430,000           |
|  | <b>Total Basic Materials</b>  | <b>12,121,134</b> |
| <b>Building &amp; Development 0.2%</b> |   |                   |
| 440                                    | Goodman Global Holding Co., Inc., 7.875%, 12/15/12                    | 459,800           |
| 140                                    | Nortek, Inc., 8.50%, 9/01/14  | 123,900           |
| 85                                     | North American Energy Partners, Inc., 8.75%, 12/01/11 (Canada)        | 85,850            |
|  | <b>Total Building &amp; Development</b>                               | <b>669,550</b>    |
| <b>Commercial Services 0.1%</b>        |   |                   |
| 100                                    | FTI Consulting, Inc., 7.75%, 10/01/16                                 | 104,500           |
| 200 <sup>3</sup>                       | Quebecor World, Inc., 9.75%, 1/15/15 (Canada)                         | 195,000           |
|  | <b>Total Commercial Services</b>                                      | <b>299,500</b>    |
| <b>Consumer Products 2.5%</b>          |   |                   |
| 650 <sup>1</sup>                       | Ames True Temper, Inc., 9.243%, 1/15/12                               | 624,000           |
| 30 <sup>1</sup>                        | Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 8.058%, 5/15/14 | 29,625            |

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|                  |  |           |
|------------------|--|-----------|
| 775              | CVS Caremark Corp., 6.25%, 6/01/27               | 770,626   |
| 695              | Federated Retail Holdings, Inc., 5.90%, 12/01/16 | 663,511   |
|                  | General Nutrition Centers, Inc.,                 |           |
| 500 <sup>1</sup> | 10.009%, 3/15/14                                 | 481,250   |
| 400              | 10.75%, 3/15/15                                  | 389,000   |
| 850              | Kimberly-Clark Corp., 6.625%, 8/01/37            | 935,813   |
| 1,515            | Kraft Foods, Inc., 7.00%, 8/11/37                | 1,644,963 |
| 314              | Lazy Days RV Center, Inc., 11.75%, 5/15/12       | 282,600   |
|                  | Michaels Stores, Inc.,                           |           |
| 470              | 10.00%, 11/01/14                                 | 473,525   |
| 600 <sup>2</sup> | 11.375%, 11/01/16                                | 598,500   |
| 1,000            | Pantry, Inc. (The), 7.75%, 2/15/14               | 975,000   |
| 175              | Quiksilver, Inc., 6.875%, 4/15/15                | 163,188   |
| 250              | Reynolds American, Inc., 7.625%, 6/01/16         | 270,479   |
| 775              | Rite Aid Corp., 7.50%, 3/01/17                   | 720,750   |
| 390              | Sally Holdings LLC, 10.50%, 11/15/16             | 388,050   |
|                  | Total Consumer Products                          | 9,410,880 |

| Principal Amount (000)                 | Description  | Value      |
|--|--|------------|
| <b>Containers &amp; Packaging 0.8%</b> |  |            |
| \$ 270                                 | Berry Plastics Holding Corp., 8.875%, 9/15/14                    | \$ 276,750 |
| 180 <sup>1</sup>                       | 9.569%, 9/15/14  | 180,450    |
| 150                                    | Crown Americas LLC/Crown Americas Capital Corp., 7.75%, 11/15/15 | 154,500    |
| 75                                     | Graham Packaging Co., Inc., 8.50%, 10/15/12                      | 74,438     |
| 300 <sup>1,3</sup>                     | Impress Holdings BV, 8.368%, 9/15/13 (Netherlands)               | 298,426    |
| 1,500                                  | Owens Brockway, 8.25%, 5/15/13                                   | 1,560,000  |
| 545                                    | Pregis Corp., 12.375%, 10/15/13                                  | 594,050    |
|  | Total Containers & Packaging                                     | 3,138,614  |

|   |                                      |         |
|---|--------------------------------------|---------|
| <b>Ecological Services &amp; Equipment 0.2%</b> |                                      |         |
| 590   | Waste Services, Inc., 9.50%, 4/15/14 | 590,000 |

|                    |  |           |
|--------------------|--|-----------|
| <b>Energy 9.7%</b> |  |           |
| 425                | Amerada Hess Corp., 7.125%, 3/15/33                        | 469,065   |
| 2,350              | Anadarko Petroleum Corp., 6.45%, 9/15/36                   | 2,377,558 |
| 140                | Berry Petroleum Co., 8.25%, 11/01/16                       | 142,800   |
| 875                | Burlington Resources Finance Co., 7.40%, 12/01/31 (Canada) | 1,031,161 |
| 375                | Canadian Natural Resources Ltd., 6.25%, 3/15/38 (Canada)   | 370,540   |
| 320                | Chaparral Energy, Inc., 8.50%, 12/01/15                    | 298,400   |
|                    | Chesapeake Energy Corp.,                                   |           |
| 150                | 6.375%, 6/15/15  | 145,500   |
| 20                 | 6.875%, 11/15/20   | 19,550    |
| 500                | Cleveland Electric Illuminating Co., 5.95%, 12/15/36       | 463,733   |
|                    | Compagnie Generale de Geophysique-Veritas (France)         |           |
| 55                 | 7.50%, 5/15/15   | 56,100    |
| 90                 | 7.75%, 5/15/17   | 92,700    |
| 235                | Compton Petroleum Finance Corp., 7.625%, 12/01/13 (Canada) | 225,013   |
| 125                | Conoco Funding Co., 7.25%, 10/15/31 (Canada)               | 145,774   |
| 535                | ConocoPhillips Funding Co., 5.95%, 10/15/36 (Canada)       | 548,451   |
| 650                | ConocoPhillips Holding Co., 6.95%, 4/15/29                 | 740,160   |
| 100                | Devon Energy Corp., 7.95%, 4/15/32                         | 122,312   |
| 725                | DTE Energy Co., 6.35%, 6/01/16                             | 750,656   |
| 115                | Edison Mission Energy, 7.50%, 6/15/13                      | 116,581   |
| 1,125 <sup>3</sup> | EDP Finance BV, 6.00%, 2/02/18 (Netherlands)               | 1,122,493 |
|                    | El Paso Natural Gas Co.,                                   |           |

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|                    |  |           |
|--------------------|--|-----------|
| 265                | 8.625%, 1/15/22                                | 308,335   |
| 225                | 8.875%, 6/15/32                                | 262,282   |
| 124                | Elwood Energy LLC, 8.159%, 7/05/26             | 127,055   |
|                    | EnCana Corp., (Canada)                         |           |
| 1,000              | 6.50%, 8/15/34                                 | 1,045,819 |
| 700                | 6.625%, 8/15/37                                | 739,318   |
|                    | Encore Acquisition Co.,                        |           |
| 40                 | 6.00%, 7/15/15                                 | 36,200    |
| 60                 | 7.25%, 12/01/17                                | 57,450    |
| 1,500              | Energy East Corp., 6.75%, 7/15/36              | 1,546,705 |
| 130                | Exco Resources, Inc., 7.25%, 1/15/11           | 128,375   |
| 950                | Florida Power & Light Co., 4.95%, 6/01/35      | 824,533   |
| 675                | Florida Power Corp., 6.35%, 9/15/37            | 708,736   |
| 80                 | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15   | 80,400    |
| 210                | KCS Energy, Inc., 7.125%, 4/01/12              | 206,850   |
| 700                | Midamerican Energy Co., 5.80%, 10/15/36        | 680,105   |
|                    | Midamerican Energy Holdings Co.,               |           |
| 800                | 5.95%, 5/15/37                                 | 766,990   |
| 1,525 <sup>3</sup> | 6.50%, 9/15/37                                 | 1,563,997 |
| 75                 | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16 | 80,767    |
| 155                | Mirant Americas Generation LLC, 8.30%, 5/01/11 | 156,744   |
| 1,050 <sup>3</sup> | Nakilat, Inc., 6.067%, 12/31/33 (Qatar)        | 995,715   |
| 550                | Nexen, Inc., 6.40%, 5/15/37 (Canada)           | 547,239   |
|                    | NRG Energy, Inc.,                              |           |
| 50                 | 7.25%, 2/01/14                                 | 50,000    |
| 285                | 7.375%, 2/01/16                                | 284,288   |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2007

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## Portfolio of Investments as of October 31, 2007

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

| Principal Amount (000)                  | Description  | Value             |
|---|--|-------------------|
| <b>Energy (cont d)</b>                  |  |                   |
| \$ 1,000                                | Ohio Edison Co., 6.875%, 7/15/36   | \$ 1,047,284      |
| 425                                     | ONEOK Partners LP, 6.65%, 10/01/36   | 432,782           |
| 450 <sup>3</sup>                        | OPTI, Inc., 8.25%, 12/15/14 (Canada)   | 451,125           |
| 130                                     | Orion Power Holdings, Inc., 12.00%, 5/01/10  | 143,650           |
| 575                                     | Pacificorp, 6.25%, 10/15/37  | 590,146           |
| 1,650                                   | Pemex Project Funding Master Trust, 9.625%, 12/02/08                                 | 1,725,900         |
| 1,200                                   | Public Service Co. of Colorado, 6.25%, 9/01/37                                       | 1,245,049         |
| 330                                     | Sabine Pass LNG LP, 7.50%, 11/30/16  | 323,400           |
| 700                                     | Scottish Power Plc, 5.375%, 3/15/15 (United Kingdom)                                 | 689,766           |
| 315 <sup>3</sup>                        | SemGroup LP, 8.75%, 11/15/15   | 302,400           |
| 625                                     | Southern California Edison Co., 5.625%, 2/01/36                                      | 596,659           |
| 125                                     | Ser. 05-E, 5.35%, 7/15/35  | 113,955           |
| 645                                     | Suncor Energy, Inc., 6.50%, 6/15/38 (Canada)   | 675,171           |
| 320 <sup>3</sup>                        | Targa Resources, Inc., 8.50%, 11/01/13   | 323,200           |
| 550                                     | Trans-Canada Pipelines Ltd., 5.85%, 3/15/36 (Canada)                                 | 527,368           |
| 950                                     | Valero Energy Corp., 6.625%, 6/15/37   | 978,133           |
| 2,000                                   | Virginia Electric & Power Co., Ser. A, 6.00%, 5/15/37                                | 1,965,206         |
| 625 <sup>3</sup>                        | Weatherford Int l., Inc., 6.80%, 6/15/37   | 655,387           |
| 375                                     | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13                                      | 368,638           |
| 1,925                                   | XTO Energy, Inc., 6.75%, 8/01/37   | 2,064,924         |
|   | <b>Total Energy</b>  | <b>35,656,593</b> |
| <b>Entertainment &amp; Leisure 0.6%</b> |  |                   |
| 185                                     | AMC Entertainment, Inc., 11.00%, 2/01/16   | 200,263           |
| 1,000                                   | Circus & Eldorado Joint Venture, 10.125%, 3/01/12                                    | 1,040,000         |
| 150                                     | Gaylord Entertainment Co., 6.75%, 11/15/14   | 145,500           |
| 335 <sup>3</sup>                        | Greektown Holdings LLC, 10.75%, 12/01/13   | 333,325           |
| 375                                     | Harrah s Operating Co., Inc., 5.75%, 10/01/17  | 276,562           |
| 260                                     | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12  | 261,950           |
| 40                                      | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14                    | 39,300            |
|   | <b>Total Entertainment &amp; Leisure</b>   | <b>2,296,900</b>  |
| <b>Financial Institutions 23.6%</b>     |  |                   |
| 320                                     | American Real Estate Partners LP/American Real Estate Finance Corp., 7.125%, 2/15/13 | 312,000           |
| 3,165                                   | 8.125%, 6/01/11  | 3,188,737         |
| 2,575                                   | Bank of America Corp., 6.00%, 9/01/17  | 2,625,030         |
| 1,975                                   | Bank of America NA, Ser. BKNT, 6.10%, 6/15/17  | 2,021,363         |
| 325                                     | Bank One Corp., 3.70%, 1/15/08   | 324,161           |
| 1,400                                   | BankBoston NA, 6.375%, 3/25/08-4/15/08   | 1,406,364         |
| 1,270                                   | Bear Stearns Cos., Inc. (The), Ser. MTN, 6.95%, 8/10/12                              | 1,321,679         |
| 350 <sup>3</sup>                        | Belvoir Land LLC, Ser. A1, 5.27%, 12/15/47   | 310,765           |
| 1,075                                   | Berkshire Hathaway Finance Corp., 4.75%, 5/15/12                                     | 1,059,247         |
| 181 <sup>1,3</sup>                      | BMS Holdings, Inc., 12.40%, 2/15/12  | 173,374           |
| 1,100                                   | Chubb Corp., 6.00%, 5/11/37  | 1,070,352         |
| 600                                     | CitiFinancial, 6.25%, 1/01/08  | 600,878           |

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|                    |  |           |
|--------------------|--|-----------|
|                    | Citigroup, Inc.,   |           |
| 3,950 <sup>4</sup> | 3.625%, 2/09/09  | 3,891,149 |
| 4,790 <sup>4</sup> | 4.125%, 2/22/10  | 4,709,978 |
| 1,020              | 4.25%, 7/29/09   | 1,007,887 |
| 1,005              | 5.875%, 2/22/33-5/29/37                                      | 955,122   |
| 525                | 6.875%, 2/15/98  | 534,624   |
| 3,775 <sup>3</sup> | Depfa ACS Bank, 5.125%, 3/16/37 (Ireland)                    | 3,570,723 |
|                    | Ford Motor Credit Co. LLC,                                   |           |
| 340                | 7.80%, 6/01/12   | 319,456   |
| 200 <sup>1</sup>   | 7.993%, 1/13/12  | 185,155   |
| 525 <sup>3</sup>   | Fort Irwin Land LLC, Ser. A-1, 5.03%, 12/15/25               | 495,254   |
| 6,855 <sup>2</sup> | General Electric Capital Corp., Ser. GMTN,<br>6.15%, 8/07/37 | 7,103,041 |

**Principal  
Amount  
(000)**

**Description**

**Value**

**Financial Institutions (cont d)**

|                      |  |              |
|----------------------|--|--------------|
|                      | Goldman Sachs Group, Inc. (The),   |              |
| \$ 1,415             | 5.35%, 1/15/16   | \$ 1,377,548 |
| 4,885                | 5.45%, 11/01/12  | 4,914,139    |
| 135                  | 6.25%, 9/01/17   | 140,028      |
| 925 <sup>1</sup>     | Hartford Life Global Funding Trusts,<br>Ser. MTN, 5.864%, 9/15/09            | 924,002      |
| 825 <sup>3</sup>     | HBOS Treasury Services Plc,<br>3.75%, 9/30/08 (United Kingdom)               | 812,767      |
| 775                  | HSBC Bank NA, 5.875%, 11/01/34   | 716,502      |
| 300                  | HSBC Holdings Plc, 6.50%, 5/02/36 (United Kingdom)                           | 296,167      |
| 799 <sup>3</sup>     | iPayment Investors LP, 11.625%, 7/15/14                                      | 822,779      |
| 240                  | iPayment, Inc., 9.75%, 5/15/14   | 230,400      |
| 1,500 <sup>3</sup>   | Irwin Land LLC, 5.40%, 12/15/47  | 1,378,395    |
| 3,950                | JPMorgan Chase Capital XXV, Ser. Y, 6.80%, 10/01/37                          | 3,945,643    |
|                      | Lehman Brothers Holdings, Inc.,  |              |
| 1,875                | 6.50%, 7/19/17   | 1,888,348    |
| 525 <sup>1</sup>     | Ser. MTN, 7.394%, 9/15/22  | 536,446      |
| 1,525                | MetLife, Inc., 5.70%, 6/15/35  | 1,413,587    |
| 1,150 <sup>3</sup>   | Metropolitan Global Funding I, 4.25%, 7/30/09                                | 1,136,666    |
|                      | Momentive Performance Materials, Inc.,                                       |              |
| 40 <sup>3</sup>      | 9.75%, 12/01/14  | 39,000       |
| 405 <sup>3</sup>     | 11.50%, 12/01/16   | 390,825      |
| 1,810 <sup>1,3</sup> | Monumental Global Funding Ltd.,<br>Ser. MTN, 5.24%, 6/16/10 (Cayman Islands) | 1,793,710    |
|                      | Morgan Stanley,  |              |
| 3,300 <sup>1</sup>   | 5.493%, 1/09/12  | 3,246,860    |
| 525                  | 6.25%, 8/09/26   | 517,443      |
| 1,700                | Ser. MTN, 6.25%, 8/28/17   | 1,740,576    |
| 1,375                | Ser. MTN, 5.55%, 4/27/17   | 1,338,083    |
| 850 <sup>3</sup>     | New York Life Global Funding, 3.875%, 1/15/09                                | 843,505      |
| 350                  | Ohana Military Communities LLC, Ser. 04I, 6.193%, 4/01/49                    | 357,088      |
|                      | Prudential Financial, Inc.,  |              |
| 500                  | 5.90%, 3/17/36   | 471,162      |
| 675                  | Ser. MTN, 5.70%, 12/14/36  | 626,303      |
| 1,000 <sup>3</sup>   | Prudential Funding LLC, 6.60%, 5/15/08                                       | 1,006,033    |
|                      | Rainbow National Services LLC,   |              |
| 200 <sup>3</sup>     | 8.75%, 9/01/12   | 208,000      |
| 943 <sup>3</sup>     | 10.375%, 9/01/14   | 1,037,300    |
| 550 <sup>1</sup>     | SLM Corp., 5.384%, 1/27/14   | 486,399      |
| 2,170 <sup>5</sup>   | Structured Asset Receivable Trust, 5.68%, 1/21/10                            | 2,148,367    |
|                      | SunTrust Bank,   |              |
| 995                  | 4.00%, 10/15/08  | 985,997      |
| 1,265                | 4.415%, 6/15/09  | 1,249,858    |
| 235 <sup>3</sup>     | TIAA Global Markets, Inc., 3.875%, 1/22/08                                   | 234,326      |
| 975                  | Travelers Cos., Inc., Ser. MTN, 6.25%, 6/15/37                               | 961,956      |
| 50 <sup>1</sup>      | Universal City Florida Holding Co. I/II, 9.661%, 5/01/10                     | 51,125       |
| 2,790 <sup>2</sup>   | US Bank NA, 6.50%, 2/01/08   | 2,794,765    |
| 495 <sup>3</sup>     | USAA Capital Corp., 4.00%, 12/10/07  | 494,478      |



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|                    |  |            |
|--------------------|--|------------|
|                    | Wells Fargo & Co.,   |            |
| 1,031              | 3.12%, 8/15/08   | 1,013,318  |
| 355                | 4.20%, 1/15/10   | 349,594    |
| 1,665              | 4.625%, 8/09/10  | 1,648,918  |
| 435                | 4.875%, 1/12/11  | 432,628    |
| 540                | Wells Fargo Bank NA, 5.95%, 8/26/36                          | 532,155    |
| 605 <sup>3</sup>   | Wimar Opco LLC/Wimar Opco Finance Corp.,<br>9.625%, 12/15/14 | 453,750    |
| 1,775 <sup>3</sup> | Xstrata Finance Ltd., 5.80%, 11/15/16 (Canada)               | 1,760,351  |
|                    | Total Financial Institutions                                 | 86,933,629 |

**Health Care 3.5%**

|                      |  |           |
|----------------------|--|-----------|
| 1,205 <sup>1,3</sup> | Amgen, Inc., 5.585%, 11/28/08                    | 1,202,827 |
| 1,625                | AstraZeneca Plc, 6.45%, 9/15/37 (United Kingdom) | 1,712,300 |
| 340                  | Bristol-Myers Squibb Co., 5.875%, 11/15/36       | 333,724   |
| 2,275 <sup>2</sup>   | Eli Lilly & Co., 5.55%, 3/15/37                  | 2,172,348 |
| 1,125                | Johnson & Johnson, 5.95%, 8/15/37                | 1,176,591 |
| 1,125                | Schering-Plough Corp., 6.55%, 9/15/37            | 1,165,932 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

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

| Principal Amount (000)      | Description  | Value      |
|-----------------------------|--|------------|
| <b>Health Care (cont d)</b> |  |            |
| \$ 1,020                    | Tenet Healthcare Corp., 6.50%, 6/01/12   | \$ 864,450 |
| 995                         | Teva Pharmaceutical Finance LLC, 6.15%, 2/01/36  | 979,429    |
| 870                         | UnitedHealth Group, Inc., 5.80%, 3/15/36   | 837,188    |
|                             | WellPoint, Inc.,   |            |
| 955                         | 5.85%, 1/15/36   | 897,356    |
| 85                          | 5.95%, 12/15/34  | 82,113     |
|                             | Wyeth,   |            |
| 925                         | 5.95%, 4/01/37   | 914,805    |
| 675                         | 6.00%, 2/15/36   | 668,576    |
|                             | Total Health Care  | 13,007,639 |
| <b>Industrials 1.4%</b>     |  |            |
| 1,575                       | 3M Co., Ser. MTN, 5.70%, 3/15/37   | 1,579,348  |
| 360 <sup>3</sup>            | AGY Holding Corp., 11.00%, 11/15/14  | 354,600    |
| 140                         | Hexcel Corp., 6.75%, 2/01/15   | 137,550    |
| 975                         | Honeywell Intl., Inc., 5.70%, 3/15/37  | 947,863    |
| 120                         | Park-Ohio Industries, Inc., 8.375%, 11/15/14   | 111,900    |
|                             | RBS Global, Inc./Rexnord Corp.,  |            |
| 480                         | 9.50%, 8/01/14   | 495,600    |
| 505                         | 11.75%, 8/01/16  | 535,300    |
| 950 <sup>3</sup>            | Sunstate Equipment Co. LLC, 10.50%, 4/01/13  | 912,000    |
|                             | Total Industrials  | 5,074,161  |
| <b>Media 6.2%</b>           |  |            |
|                             | Affinion Group, Inc.,  |            |
| 515                         | 10.125%, 10/15/13  | 536,887    |
| 180                         | 11.50%, 10/15/15   | 187,650    |
| 100                         | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09                                 | 95,750     |
|                             | AOL Time Warner, Inc.,   |            |
| 90                          | 6.625%, 5/15/29  | 90,172     |
| 3,040                       | 7.57%, 2/01/24   | 3,331,311  |
| 205                         | 7.625%, 4/15/31  | 228,088    |
| 85                          | 7.70%, 5/01/32   | 95,515     |
| 180 <sup>1</sup>            | Cablevision Systems Corp., Ser. B, 9.644%, 4/01/09                                       | 184,950    |
| 110                         | CanWest MediaWorks, Inc., 8.00%, 9/15/12 (Canada)  | 107,250    |
| 430                         | Charter Communications Holdings I LLC/Charter Communications Holdings I Capital Corp.,   |            |
|                             | 11.00%, 10/01/15   | 417,100    |
|                             | Charter Communications Holdings II LLC/Charter Communications Holdings II Capital Corp., |            |
| 1,545                       | 10.25%, 9/15/10  | 1,575,900  |
| 130                         | Ser. B, 10.25%, 9/15/10  | 132,275    |
| 645                         | CMP Susquehanna Corp., 9.875%, 5/15/14   | 592,594    |
|                             | Comcast Corp.,   |            |
| 790                         | 6.45%, 3/15/37   | 796,377    |
| 2,375                       | 6.50%, 1/15/17-11/15/35  | 2,464,004  |
| 25                          | 6.95%, 8/15/37   | 26,753     |
| 75                          | Dex Media West LLC/Dex Media Finance Co.,  |            |
|                             | Ser. B, 9.875%, 8/15/13  | 79,969     |
| 125                         | DirecTV Holdings LLC/DirecTV Financing Co.,  |            |
|                             | 8.375%, 3/15/13  | 130,625    |

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|                    |  |           |
|--------------------|--|-----------|
|                    | EchoStar DBS Corp.,                            |           |
| 175                | 5.75%, 10/01/08                                | 174,563   |
| 290                | 7.00%, 10/01/13                                | 301,962   |
| 75                 | 7.125%, 2/01/16                                | 78,375    |
| 620                | Idearc, Inc., 8.00%, 11/15/16                  | 621,550   |
| 600 <sup>1,3</sup> | ION Media Networks, Inc., 8.493%, 1/15/12      | 601,500   |
| 485                | Network Communications, Inc., 10.75%, 12/01/13 | 488,031   |
|                    | News America Holdings, Inc.,                   |           |
| 985                | 7.625%, 11/30/28                               | 1,092,925 |
| 825                | 7.70%, 10/30/25                                | 917,857   |
| 625                | 8.45%, 8/01/34                                 | 755,622   |
| 560                | Nexstar Finance, Inc., 7.00%, 1/15/14          | 537,600   |
|                    | Nielsen Finance LLC/Nielsen Finance Co.,       |           |
| 300 <sup>6</sup>   | 9.115%, 8/01/16                                | 216,750   |
| 965                | 10.00%, 8/01/14                                | 1,015,662 |
| 865                | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16  | 865,000   |

| Principal Amount (000)         | Description   | Value             |
|--------------------------------|---|-------------------|
| <b>Media (cont d)</b>          |   |                   |
| \$ 70                          | Sirius Satellite Radio, Inc., 9.625%, 8/01/13         | \$ 69,563         |
|                                | TCI Communications, Inc.,                             |                   |
| 200                            | 7.125%, 2/15/28                                       | 212,777           |
| 620                            | 7.875%, 8/01/13-2/15/26                               | 705,603           |
| 70                             | Time Warner Cos., Inc., 6.95%, 1/15/28                | 72,559            |
| 1,000 <sup>3</sup>             | TL Acquisitions, Inc., 10.50%, 1/15/15                | 995,000           |
| 350 <sup>3</sup>               | Univision Communications, Inc., 9.75%, 3/15/15        | 343,000           |
| 645                            | Vertis, Inc., 9.75%, 4/01/09                          | 645,000           |
| 1,205                          | Young Broadcasting, Inc., 10.00%, 3/01/11             | 1,132,700         |
|                                | <b>Total Media</b>                                    | <b>22,916,769</b> |
| <b>Real Estate 0.9%</b>        |   |                   |
|                                | AvalonBay Communities, Inc.,                          |                   |
| 350                            | 6.625%, 9/15/11                                       | 364,056           |
| 775                            | 8.25%, 7/15/08  | 792,236           |
|                                | Rouse Co.,  |                   |
| 895                            | 3.625%, 3/15/09                                       | 853,281           |
| 1,650                          | 5.375%, 11/26/13                                      | 1,495,190         |
|                                | <b>Total Real Estate</b>                              | <b>3,504,763</b>  |
| <b>Technology 1.9%</b>         |   |                   |
|                                | Amkor Technology, Inc.,                               |                   |
| 80                             | 7.75%, 5/15/13  | 77,400            |
| 145                            | 9.25%, 6/01/16  | 148,263           |
| 250                            | Celestica, Inc., 7.625%, 7/01/13 (Canada)             | 240,000           |
|                                | Freescale Semiconductor, Inc.,                        |                   |
| 655                            | 9.125%, 12/15/14                                      | 592,775           |
| 140 <sup>1</sup>               | 9.569%, 12/15/14                                      | 128,625           |
| 3,125 <sup>2</sup>             | Intl. Business Machines Corp., 5.70%, 9/14/17         | 3,171,831         |
| 440                            | NXP BV/NXP Funding LLC, 9.50%, 10/15/15 (Netherlands) | 415,800           |
| 630                            | Sanmina-SCI Corp., 8.125%, 3/01/16                    | 552,825           |
|                                | SunGard Data Systems, Inc.,                           |                   |
| 105                            | 9.125%, 8/15/13                                       | 107,100           |
| 610                            | 10.25%, 8/15/15                                       | 635,925           |
| 945                            | Superior Essex Communications LLC/Essex Group, Inc.,  |                   |
|                                | 9.00%, 4/15/12  | 933,187           |
|                                | <b>Total Technology</b>                               | <b>7,003,731</b>  |
| <b>Telecommunications 8.7%</b> |   |                   |
| 2,875 <sup>2</sup>             | AT&T, Inc., 6.50%, 9/01/37                            | 3,032,607         |

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|                      |  |           |
|----------------------|--|-----------|
| 1,700 <sup>6</sup>   | BellSouth Telecommunications, 6.402%, 12/15/95                     | 902,807   |
| 210                  | Cincinnati Bell, Inc., 7.25%, 7/15/13                              | 210,525   |
| 225                  | Cricket Communications, Inc., 9.375%, 11/01/14                     | 223,313   |
| 3,000 <sup>2</sup>   | Deutsche Telekom Intl. Finance BV,<br>5.75%, 3/23/16 (Netherlands) | 3,007,887 |
|                      | Digicel Group Ltd., (Bermuda)                                      |           |
| 240 <sup>3</sup>     | 8.875%, 1/15/15  | 224,112   |
| 560 <sup>3</sup>     | 9.125%, 1/15/15  | 523,340   |
| 190 <sup>1</sup>     | Hawaiian Telcom Communications, Inc.,<br>Ser. B, 10.318%, 5/01/13  | 192,375   |
| 475                  | Intelsat Corp., 9.00%, 6/15/16                                     | 485,687   |
|                      | Intelsat Ltd. (Bermuda)  |           |
| 95 <sup>1</sup>      | 8.886%, 1/15/15  | 96,425    |
| 500                  | 9.25%, 6/15/16   | 518,750   |
| 200                  | 11.25%, 6/15/16  | 215,000   |
| 870 <sup>1</sup>     | 11.409%, 6/15/13   | 906,975   |
| 295                  | Intelsat Subsidiary Holding Co. Ltd.,<br>8.625%, 1/15/15 (Bermuda) | 299,425   |
| 120 <sup>3</sup>     | MetroPCS Wireless, Inc., 9.25%, 11/01/14                           | 119,100   |
| 770 <sup>3</sup>     | Nordic Telephone Co. Holdings A.p.S.,<br>8.875%, 5/01/16 (Denmark) | 814,275   |
| 1,120 <sup>1,3</sup> | Nortel Networks Ltd., 9.493%, 7/15/11 (Canada)                     | 1,106,000 |
| 155                  | PanAmSat Corp., 9.00%, 8/15/14                                     | 158,100   |
|                      | Qwest Corp.,   |           |
| 200                  | 7.875%, 9/01/11  | 211,000   |
| 470 <sup>1</sup>     | 8.944%, 6/15/13  | 501,137   |
| 780                  | SBC Communications, Inc., 6.45%, 6/15/34                           | 810,601   |
| 1,715                | Sprint Capital Corp., 6.875%, 11/15/28                             | 1,642,877 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

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

| Principal Amount (000)   | Description   | Value              |
|--|---|--------------------|
| <b>Telecommunications (cont d)</b>                                     |   |                    |
| \$ 1,075   | Telecom Italia Capital S.A. (Luxembourg)                | \$ 1,028,927       |
| 1,550  | 4.95%, 9/30/14  | 1,484,579          |
| 1,975  | 6.00%, 9/30/34  | 2,169,348          |
| 725  | Telefonica Emisiones SAU, 7.045%, 6/20/36 (Spain)       | 776,297            |
| 70   | Telefonica Europe BV, 7.75%, 9/15/10 (Netherlands)      | 82,465             |
| 125  | Verizon Global Funding Corp., 7.75%, 12/01/30           | 104,256            |
|  | Verizon Maryland, Inc., 5.125%, 6/15/33                 |                    |
|  | Verizon New Jersey, Inc.,                               |                    |
| 230  | 7.85%, 11/15/29   | 261,440            |
| 335  | Ser. A, 5.875%, 1/17/12                                 | 342,618            |
| 3,150 <sup>2</sup>   | Verizon Virginia, Inc., 4.625%, 3/15/13                 | 3,024,873          |
|  | Vodafone Group Plc, (United Kingdom)                    |                    |
| 1,465 <sup>1</sup>   | 5.288%, 12/28/07  | 1,465,296          |
| 2,504  | 7.75%, 2/15/10  | 2,648,073          |
| 1,100  | West Corp., 11.00%, 10/15/16                            | 1,152,250          |
| 350 <sup>3</sup>   | Wind Acquisition Finance S.A.,                          |                    |
|  | 10.75%, 12/01/15 (Luxembourg)                           | 389,375            |
|  | Windstream Corp.,                                       |                    |
| 500  | 8.125%, 8/01/13   | 528,750            |
| 230  | 8.625%, 8/01/16   | 246,100            |
|  | <b>Total Telecommunications</b>                         | <b>31,906,965</b>  |
| <b>Transportation 0.5%</b>   |   |                    |
| 115  | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11     | 113,563            |
| 110  | Britannia Bulk Plc, 11.00%, 12/01/11 (United Kingdom)   | 115,500            |
| 350  | Canadian National Railway Co., 6.25%, 8/01/34 (Canada)  | 352,778            |
| 405  | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)          | 391,837            |
| 500  | Navios Maritime Holdings, Inc.,                         |                    |
|  | 9.50%, 12/15/14 (Marshall Islands)                      | 528,750            |
| 360 <sup>3</sup>   | St. Acquisition Corp., 12.50%, 5/15/17                  | 229,500            |
|  | <b>Total Transportation</b>                             | <b>1,731,928</b>   |
|  | <b>Total Corporate Bonds</b>                            | <b>244,058,381</b> |
| <b>U.S. Government and Agency Securities 5.8%</b>                      |   |                    |
| 1,670  | Aid to Israel, 5.50%, 4/26/24-9/18/33                   | 1,753,313          |
| 1,050  | Resolution Funding Corp., Zero Coupon,                  |                    |
|  | 7/15/18-10/15/18  | 623,776            |
| 1,655  | Tennessee Valley Authority, Ser. C, 5.88%, 4/01/36      | 1,829,397          |
| 330  | U.S. Treasury Bonds, 4.75%, 2/15/37                     | 329,820            |
| 5,832 <sup>2</sup>   | U.S. Treasury Inflation Protected Bond, 2.375%, 1/15/27 | 5,982,762          |
| 10,450 <sup>2</sup>  | U.S. Treasury Notes, 4.75%, 8/15/17                     | 10,680,242         |
|  | <b>Total U.S. Government and Agency Securities</b>      | <b>21,199,310</b>  |
| <b>Foreign Government Bond 0.4%</b>                                    |   |                    |
| 1,100  | France, 3.75%, 4/25/17                                  | 1,522,816          |
| <b>Non-Agency Multiple Class Mortgage Pass-Through Securities 5.5%</b> |   |                    |
| 1,600  |   | 1,504,462          |

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|                    |   |            |
|--------------------|---|------------|
|                    | Countrywide Alternative Loan Trust,<br>Ser. 64CB, Class 1A15, 5.50%, 12/25/35                             |            |
| 2,755 <sup>1</sup> | CW Capital Cobalt Ltd., Ser. C3, Class A4, 5.82%, 5/15/46   | 2,830,870  |
|                    | First Union National Bank Commercial Mortgage,<br>Ser. C3, Class A3, 6.423%, 8/15/33                      | 3,151,030  |
| 2,265              | Ser. C4, Class A2, 6.223%, 12/12/33   | 2,340,547  |
| 2,350              | General Motor Acceptance Corp. Commercial Mortgage<br>Securities, Inc., Ser. C4, Class A2, 4.93%, 7/10/39 | 2,308,750  |
| 960                | JPMorgan Chase Commercial Mortgage Securities Corp.,<br>Ser. LDP9, Class A3, 5.336%, 5/15/47              | 936,591    |
| 2,275 <sup>1</sup> | LB-UBS Commercial Mortgage Trust, Ser. C6, Class A4,<br>5.858%, 7/15/40                                   | 2,304,488  |
| 925 <sup>1,7</sup> | Merrill Lynch Mortgage Trust, Ser. C1, Class AM,<br>5.83%, 6/12/50  | 933,463    |
| 995 <sup>1</sup>   | Morgan Stanley Capital I, Ser. T27, Class A4,<br>5.651%, 6/11/42  | 999,692    |
| 2,305              | Structured Asset Securities Corp., Ser. AL1, Class A2,<br>3.45%, 2/25/32                                  | 1,977,073  |
| 995 <sup>1</sup>   | Wachovia Bank Commercial Mortgage Trust, Ser. C33,<br>Class A4, 5.903%, 2/15/51                           | 1,017,710  |
|                    | Total Non-Agency Multiple Class Mortgage<br>Pass-Through Securities                                       | 20,304,676 |

| Principal<br>Amount<br>(000)       | Description   | Value      |
|------------------------------------|---|------------|
| <b>Taxable Municipal Bond 0.3%</b> |   |            |
| \$ 1,000                           | Illinois St. Pension, 5.10%, 6/01/33                                  | \$ 948,570 |
| <b>Trust Preferred Stocks 3.3%</b> |   |            |
| 1,950 <sup>1</sup>                 | Allstate Corp., 6.50%, 5/15/57  | 1,890,800  |
| 545                                | BAC Capital Trust XI, 6.625%, 5/23/36                                 | 553,198    |
| 850 <sup>1,3,8</sup>               | Barclays Bank Plc, 7.434% (United Kingdom)                            | 901,035    |
| 915 <sup>1,3,8</sup>               | Credit Agricole S.A., 6.637% (France)                                 | 869,590    |
| 1,550 <sup>1,8</sup>               | Credit Suisse Ltd., 5.86% (Guernsey)                                  | 1,443,920  |
| 675 <sup>1</sup>                   | Lincoln National Corp., 6.05%, 4/20/67                                | 646,921    |
| 790                                | Peco Energy Capital Trust IV, 5.75%, 6/15/33                          | 672,418    |
| 605 <sup>1</sup>                   | Progressive Corp., 6.70%, 6/15/37                                     | 593,676    |
| 2,200 <sup>1,8</sup>               | Royal Bank of Scotland Group Plc, Ser. MTN,<br>7.64% (United Kingdom) | 2,280,326  |
| 1,000 <sup>1,3,8</sup>             | Societe Generale, 5.922% (France)                                     | 951,690    |
| 675 <sup>1</sup>                   | Travelers Cos., Inc., 6.25%, 3/15/67                                  | 655,470    |
| 675 <sup>1,3</sup>                 | ZFS Finance Trust I, 6.50%, 5/09/37                                   | 649,622    |
|                                    | Total Trust Preferred Stocks  | 12,108,666 |

Shares

|                              |  |           |
|------------------------------|--|-----------|
| <b>Common Stocks 0.0%</b>    |  |           |
| 1,895 <sup>9,10</sup>        | Critical Care Systems Intl., Inc.                | 11,826    |
| <b>Preferred Stocks 0.4%</b> |  |           |
| 55,000                       | Deutsche Bank Contingent Capital Trust II, 6.55% | 1,317,250 |
| 45,000 <sup>10</sup>         | Superior Essex Holding Corp., Ser. A, 9.50%      | 27,900    |

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Total Preferred Stocks 1,345,150

**Total Long-Term Investments**  
(cost \$586,479,015) 584,484,025

| Principal Amount (000)                                       | Description                           | Value         |
|--|---------------------------------------|---------------|
| <b>BORROWED BOND AGREEMENTS 21.8%</b>                        |                                       |               |
| \$ 50,927 <sup>12</sup>                                      | Lehman Brothers Inc., 4.47%, 11/08/07 | \$ 50,927,000 |
| 29,563 <sup>12</sup>   | 4.45%, 11/08/07                       | 29,563,000    |
| <b>Total Borrowed Bond Agreements</b><br>(cost \$80,490,000) |                                       | 80,490,000    |

| Notional Amount (000)                     | Description  | Value   |
|---|--|---------|
| <b>OUTSTANDING OPTIONS PURCHASED 1.0%</b> |  |         |
| 3,880                                     | EUR Put Option, strike price \$1.40, expires 1/10/08             | 16,186  |
| Interest Rate Swaps,                      |  |         |
| 6,600                                     | Trust pays 3-month LIBOR, Trust receives 5.39%, expires 3/19/12  | 267,762 |
| 4,900                                     | Trust pays 3-month LIBOR, Trust receives 5.52%, expires 9/21/36  | 289,016 |
| 7,600                                     | Trust pays 3-month LIBOR, Trust receives 5.79%, expires 8/16/10  | 392,551 |
| 7,675                                     | Trust pays 3-month LIBOR, Trust receives 6.025%, expires 6/08/12 | 471,859 |
| 7,675                                     | Trust pays 3-month LIBOR, Trust receives 6.025%, expires 6/08/12 | 242,300 |
| 6,600                                     | Trust pays 5.39%, Trust receives 3-month LIBOR, expires 3/19/12  | 322,872 |
| 11,200                                    | Trust pays 5.47%, Trust receives 3-month LIBOR, expires 5/08/12  | 480,480 |
| 11,200                                    | Trust pays 5.47%, Trust receives 3-month LIBOR, expires 5/08/12  | 523,600 |

See Notes to Financial Statements.

Portfolio of Investments as of October 31, 2007

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

| Notional Amount<br>(000)                      | Description   | Value       |
|---|---|-------------|
| <b>OUTSTANDING OPTIONS PURCHASED (cont d)</b> |   |             |
| 4,900   | Trust pays 5.52%, Trust receives 3-month LIBOR, expires 9/21/36   | \$ 332,459  |
| 7,600   | Trust pays 5.79%, Trust receives 3-month LIBOR, expires 8/16/10   | 204,273     |
|   | <b>Total Outstanding Options Purchased<br/>(cost \$3,247,804)</b>   | 3,543,358   |
|   | <b>Total Investments before borrowed bonds,<br/>TBA sale commitments, and outstanding<br/>options written (cost \$670,216,819<sup>11</sup>)</b> | 668,517,383 |

| Principal Amount<br>(000)          |  |              |
|------------------------------------|--|--------------|
| <b>BORROWED BONDS (21.8)%</b>      |  |              |
| \$ (50,800)                        | U.S. Treasury Notes,<br>4.00%, 8/31/09                       | (50,835,712) |
| (29,600)                           | 4.125%, 8/31/12  | (29,569,927) |
|                                    | <b>Total Borrowed Bonds<br/>(proceeds \$80,372,938)</b>      | (80,405,639) |
| <b>TBA SALE COMMITMENTS (1.3)%</b> |  |              |
| (4,400)                            | Federal National Mortgage Assoc., 6.00%, 11/13/37            | (4,431,627)  |
| (200)                              | Government National Mortgage Assoc.,<br>5.50%, 11/20/37      | (198,750)    |
|                                    | <b>Total TBA Sale Commitments<br/>(proceeds \$4,627,832)</b> | (4,630,377)  |

| Notional Amount<br>(000)                  |   |          |
|---|---|----------|
| <b>OUTSTANDING OPTIONS WRITTEN (0.4)%</b> |   |          |
| (5,300)                                   | Interest Rate Swaps,<br>Trust pays 3-month LIBOR, Trust receives 5.135%,<br>expires 4/21/08 | (90,551) |



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|   |   |                    |
|---|---|--------------------|
| (6,600)   | Trust pays 3-month LIBOR, Trust receives 5.148%, expires 3/19/08  | (107,646)          |
| (4,500)   | Trust pays 3-month LIBOR, Trust receives 5.485%, expires 10/28/19 | (132,205)          |
| (11,500)  | Trust pays 3-month LIBOR, Trust receives 5.67%, expires 1/04/10   | (292,905)          |
| (6,600)   | Trust pays 5.115%, Trust receives 3-month LIBOR, expires 3/19/08  | (107,316)          |
| (5,300)   | Trust pays 5.135%, Trust receives 3-month LIBOR, expires 4/21/08  | (90,551)           |
| (4,500)   | Trust pays 5.485%, Trust receives 3-month LIBOR, expires 10/28/19 | (176,797)          |
| (11,500)  | Trust pays 5.67%, Trust receives 3-month LIBOR, expires 1/04/10   | (556,370)          |
| <b>Total Outstanding Options Written (premium received \$2,261,545)</b> |   | <b>(1,554,341)</b> |

|  |                |               |
|--|----------------|---------------|
| <b>Total Investments net of borrowed bonds, TBA sale commitments and outstanding options written</b> | <b>158.0%</b>  | 581,927,026   |
| <b>Liabilities in excess of other assets</b>   | <b>(58.0)%</b> | (213,591,799) |

**Net Assets 100%** **\$ 368,335,227**

- 1 Variable rate security. Rate shown is interest rate as of October 31, 2007.
- 2 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.
- 3 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, 2007, the Trust held 9.9% of its net assets, with a current market value of \$36,518,999, in securities restricted as to resale.
- 4 Security, or a portion thereof, pledged as collateral with a value of \$4,615,550 on 134 long Eurodollar futures contracts expiring December 2007 to March 2008, 198 long U.S. Treasury Note futures contracts expiring December 2007, 1,153 long U.S. Treasury Bond futures contracts expiring December 2007, 163 short Eurodollar futures contracts expiring December 2007, 3,130 short U.S. Treasury Note futures contracts expiring December 2007 and 224 short U.S. Treasury Note futures contracts expiring December 2007. The notional value of such contracts on October 31, 2007 was \$243,902,499, with an unrealized loss of \$519,568.
- 5 Illiquid security. As of October 31, 2007, the Trust held 0.6% of its net assets, with a current market value of \$2,148,367, in these securities.
- 6 Represents a step up bond; the interest rate shown reflects the effective yield at the time of purchase.
- 7 Represents an investment in an affiliate.
- 8 The security is a perpetual bond and has no stated maturity date.
- 9 Non-income producing security.
- 10 Security is fair valued.
- 11 Cost for federal income tax purposes is \$671,388,702. The net unrealized depreciation on a tax basis is \$2,871,319, consisting of \$6,742,797 gross unrealized appreciation and \$9,614,116 gross unrealized depreciation.
- 12 See Note 1 in the Notes to Financial Statements for details of borrowed bond agreements.

For Trust compliance purposes, the Trust's sector and industry classifications refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classifications for reporting ease. See Notes to Financial Statements.



## Portfolio of Investments as of October 31, 2007

BlackRock High Yield Trust (BHY)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)              | Description  | Value            |
|-------------------------------------|--|------------------|
| <b>LONG-TERM INVESTMENTS 116.2%</b> |  |                  |
| <b>Corporate Bonds 110.2%</b>       |  |                  |
| <b>Aerospace &amp; Defense 3.0%</b> |  |                  |
| \$ 330                              | AAR Corp., 6.875%, 12/15/07  | \$ 330,000       |
| 3501                                | Ser. A2, 8.39%, 5/15/11  | 353,500          |
| 1002                                | Bombardier, Inc., 8.00%, 11/15/14 (Canada)   | 104,000          |
| 410                                 | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13                                   | 435,625          |
| 40                                  | DRS Technologies, Inc., 6.875%, 11/01/13   | 40,000           |
| 100                                 | 7.625%, 2/01/18  | 102,250          |
| 20                                  | L-3 Communications Corp., 5.875%, 1/15/15  | 19,500           |
| 40                                  | Sequa Corp., 9.00%, 8/01/09  | 42,900           |
| 100                                 | TransDigm, Inc., 7.75%, 7/15/14  | 101,750          |
|                                     | <b>Total Aerospace &amp; Defense</b>   | <b>1,529,525</b> |
| <b>Automotive 5.0%</b>              |  |                  |
| 85                                  | Accuride Corp., 8.50%, 2/01/15   | 79,900           |
| 1852                                | Allison Transmission, 11.25%, 11/01/15   | 182,456          |
| 60                                  | Asbury Automotive Group, Inc., 7.625%, 3/15/17                                     | 56,100           |
| 90                                  | AutoNation, Inc., 7.00%, 4/15/14   | 87,075           |
| 803                                 | 7.243%, 4/15/13  | 78,200           |
| 520                                 | Ford Capital BV, 9.50%, 6/01/10 (Netherlands)                                      | 523,900          |
| 125                                 | Ford Motor Co., 8.90%, 1/15/32   | 110,313          |
| 40                                  | Goodyear Tire & Rubber Co. (The), 7.857%, 8/15/11                                  | 41,400           |
| 156                                 | 8.625%, 12/01/11   | 166,140          |
| 195                                 | Lear Corp., Ser. B, 8.75%, 12/01/16  | 187,200          |
| 255                                 | Metaldyne Corp., 10.00%, 11/01/13  | 237,150          |
| 180                                 | Penske Auto Group, Inc., 7.75%, 12/15/16   | 175,050          |
| 250                                 | Rent-A-Center, Inc., 7.50%, 5/01/10  | 238,750          |
| 350                                 | Stanadyne Corp., 10.00%, 8/15/14   | 355,250          |
|                                     | <b>Total Automotive</b>  | <b>2,518,884</b> |
| <b>Basic Materials 11.1%</b>        |  |                  |
| 185                                 | AK Steel Corp., 7.75%, 6/15/12   | 188,700          |
| 165                                 | Abitibi-Consolidated, Inc., (Canada) 6.00%, 6/20/13                                | 121,275          |
| 35                                  | 8.85%, 8/01/30   | 25,900           |
| 205                                 | Alpha Natural Resources LLC/Alpha Natural Resources Capital Corp., 10.00%, 6/01/12 | 218,325          |
| 140                                 | American Pacific Corp., 9.00%, 2/01/15   | 143,500          |
| 115                                 | Bowater Finance Corp., 7.95%, 11/15/11 (Canada)                                    | 98,613           |
| 1303                                | Bowater, Inc., 8.694%, 3/15/10   | 118,950          |
| 150                                 | CPG Intl. I, Inc., 10.50%, 7/01/13   | 150,000          |
| 175                                 | Cascades, Inc., 7.25%, 2/15/13 (Canada)  | 169,750          |
| 120                                 | Catalyst Paper Corp., 7.375%, 3/01/14 (Canada)                                     | 87,900           |
| 50                                  | Chemtura Corp., 6.875%, 6/01/16  | 47,750           |
| 40                                  | Domtar, Inc., 7.125%, 8/15/15 (Canada)   | 39,600           |
| 66                                  | Equistar Chemicals LP/Equistar Funding Corp., 10.125%, 9/01/08                     | 68,145           |

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|      |  |         |
|------|--|---------|
| 57   | 10.625%, 5/01/11   | 59,565  |
|      | FMG Finance Ltd. (Australia)                                 |         |
| 852  | 10.00%, 9/01/13  | 93,925  |
| 1202 | 10.625%, 9/01/16   | 142,200 |
|      | Freeport-McMoRan Copper & Gold, Inc.,                        |         |
| 550  | 8.375%, 4/01/17  | 602,250 |
| 1803 | 8.394%, 4/01/15  | 185,850 |
|      | Huntsman LLC,  |         |
| 95   | 11.50%, 7/15/12  | 103,312 |
| 365  | 11.625%, 10/15/10  | 386,900 |
| 2052 | Ineos Group Holdings Plc, 8.50%, 2/15/16<br>(United Kingdom) | 194,750 |
| 545  | Innophos, Inc., 8.875%, 8/15/14                              | 549,087 |

| Principal Amount (000)                 | Description  | Value            |
|--|--|------------------|
| <b>Basic Materials (cont d)</b>        |  |                  |
| \$ 702                                 | Key Plastics LLC/Key Plastics Finance Corp.,<br>11.75%, 3/15/13          | \$ 59,500        |
| 260                                    | Lyondell Chemical Co., 10.50%, 6/01/13                                   | 280,150          |
| 2652                                   | MacDermid, Inc., 9.50%, 4/15/17  | 253,075          |
|  | NewPage Corp.,   |                  |
| 450                                    | 10.00%, 5/01/12  | 475,875          |
| 210                                    | 12.00%, 5/01/13  | 226,800          |
| 1053                                   | NOVA Chemicals Corp., 8.484%, 11/15/13 (Canada)                          | 103,163          |
| 125                                    | Russel Metals, Inc., 6.375%, 3/01/14 (Canada)                            | 118,750          |
|  | Ryerson, Inc.,   |                  |
| 1002                                   | 12.00%, 11/01/15   | 102,750          |
| 602,3                                  | 12.574%, 11/01/14  | 61,200           |
| 802                                    | Steel Dynamics, Inc., 7.375%, 11/01/12                                   | 80,000           |
| 85                                     | Terra Capital, Inc., Ser. B, 7.00%, 2/01/17                              | 85,000           |
|  | <b>Total Basic Materials</b>   | <b>5,642,510</b> |
| <b>Building &amp; Development 1.9%</b> |  |                  |
| 403                                    | Ainsworth Lumber Co. Ltd., 8.981%, 10/01/10 (Canada)                     | 30,250           |
|  | Goodman Global Holding Co., Inc.,  |                  |
| 160                                    | 7.875%, 12/15/12   | 167,200          |
| 323                                    | 8.36%, 6/15/12   | 32,160           |
| 250                                    | K. Hovnanian Enterprises, Inc., 6.25%, 1/15/15                           | 192,500          |
| 100                                    | Masonite Intl. Corp., 11.00%, 4/06/15 (Canada)                           | 84,500           |
| 110                                    | Nortek, Inc., 8.50%, 9/01/14   | 97,350           |
| 335                                    | North American Energy Partners, Inc.,<br>8.75%, 12/01/11 (Canada)        | 338,350          |
|  | <b>Total Building &amp; Development</b>                                  | <b>942,310</b>   |
| <b>Commercial Services 0.7%</b>        |  |                  |
| 100                                    | FTI Consulting, Inc., 7.75%, 10/01/16                                    | 104,500          |
| 1452                                   | Quebecor World, Inc., 9.75%, 1/15/15 (Canada)                            | 141,375          |
| 1002                                   | U.S. Investigations Services, Inc., 10.50%, 11/01/15                     | 95,250           |
|  | <b>Total Commercial Services</b>   | <b>341,125</b>   |
| <b>Consumer Products 6.9%</b>          |  |                  |
| 2653                                   | Ames True Temper, Inc., 9.243%, 1/15/12                                  | 254,400          |
| 203                                    | Avis Budget Car Rental LLC/Avis Budget Finance, Inc.,<br>8.058%, 5/15/14 | 19,750           |
| 702                                    | Bausch & Lomb, Inc., 9.875%, 11/01/15                                    | 72,100           |
| 502                                    | Beverages & More, Inc., 9.25%, 3/01/12                                   | 51,500           |
| 130                                    | Buffets, Inc., 12.50%, 11/01/14  | 84,175           |
|  | General Nutrition Centers, Inc.,   |                  |

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|      |  |               |
|------|--|---------------|
| 2803 | 10.009%, 3/15/14                                 | 269,500       |
| 250  | 10.75%, 3/15/15                                  | 243,125       |
| 150  | Jarden Corp., 7.50%, 5/01/17                     | 142,500       |
| 475  | Lazy Days RV Center, Inc., 11.75%, 5/15/12       | 427,500       |
|      | Michaels Stores, Inc.,                           |               |
| 260  | 10.00%, 11/01/14                                 | 261,950       |
| 330  | 11.375%, 11/01/16                                | 329,175       |
| 20   | Neiman-Marcus Group, Inc., 9.00%, 10/15/15       | 21,100        |
| 265  | Pantry, Inc. (The), 7.75%, 2/15/14               | 258,375       |
| 100  | Quiksilver, Inc., 6.875%, 4/15/15                | 93,250        |
| 120  | Reynolds American, Inc., 7.625%, 6/01/16         | 129,830       |
|      | Rite Aid Corp.,                                  |               |
| 400  | 7.50%, 3/01/17                                   | 372,000       |
| 802  | 9.375%, 12/15/15                                 | 73,800        |
|      | Sally Holdings LLC,                              |               |
| 35   | 9.25%, 11/15/14                                  | 35,175        |
| 270  | 10.50%, 11/15/16                                 | 268,650       |
| 110  | Yankee Acquisition Corp., Ser. B, 9.75%, 2/15/17 | 101,750       |
|      | <br>Total Consumer Products                      | <br>3,509,605 |

### Containers & Packaging 3.3%

|      |   |         |
|------|---|---------|
|      | Berry Plastics Holding Corp.,                                       |         |
| 340  | 8.875%, 9/15/14   | 348,500 |
| 1003 | 9.569%, 9/15/14   | 100,250 |
| 85   | Crown Americas LLC/Crown Americas Capital Corp.,<br>7.75%, 11/15/15 | 87,550  |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock High Yield Trust (BHY) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                          | Description   | Value            |
|---|---|------------------|
| <b>Containers &amp; Packaging (cont d)</b>      |   |                  |
| \$ 110  | Graham Packaging Co., Inc., 8.50%, 10/15/12                       | \$ 109,175       |
| 30  | Graphic Packaging Intl. Corp., 9.50%, 8/15/13                     | 31,500           |
| 2702,3  | Impress Holdings BV, 8.368%, 9/15/13 (Netherlands)                | 268,584          |
| 310   | Pregis Corp., 12.375%, 10/15/13                                   | 337,900          |
| 375   | Smurfit-Stone Container Enterprises, Inc., 8.00%, 3/15/17         | 372,656          |
|   | <b>Total Containers &amp; Packaging</b>                           | <b>1,656,115</b> |
| <b>Ecological Services &amp; Equipment 0.8%</b> |   |                  |
| 270   | Aleris Intl., Inc., 9.00%, 12/15/14                               | 243,675          |
| 185   | Waste Services, Inc., 9.50%, 4/15/14                              | 185,000          |
|   | <b>Total Ecological Services &amp; Equipment</b>                  | <b>428,675</b>   |
| <b>Energy 15.9%</b>                             |   |                  |
| 130   | AES Red Oak LLC, Ser. A, 8.54%, 11/30/19                          | 139,162          |
| 80  | Berry Petroleum Co., 8.25%, 11/01/16                              | 81,600           |
| 100   | Chaparral Energy, Inc., 8.50%, 12/01/15                           | 93,250           |
| 90  | Chesapeake Energy Corp., 6.375%, 6/15/15                          | 87,300           |
| 250   | 6.625%, 1/15/16   | 245,000          |
| 20  | 6.875%, 11/15/20  | 19,550           |
| 50  | Compagnie Generale de Geophysique-Veritas (France) 7.50%, 5/15/15 | 51,000           |
| 80  | 7.75%, 5/15/17  | 82,400           |
| 115   | Compton Petroleum Finance Corp., 7.625%, 12/01/13 (Canada)        | 110,113          |
| 70  | Copano Energy LLC, 8.125%, 3/01/16                                | 71,925           |
| 4072,3  | Corral Finans AB, 6.855%, 4/15/10 (Sweden)                        | 384,865          |
| 30  | Denbury Resources, Inc., 7.50%, 12/15/15                          | 30,450           |
| 260 <sup>1</sup>                                | East Cameron Gas Co., 11.25%, 7/09/19 (Cayman Islands)            | 249,600          |
| 480   | Elwood Energy LLC, 8.159%, 7/05/26                                | 492,337          |
| 40  | Encore Acquisition Co., 6.00%, 7/15/15                            | 36,200           |
| 30  | 7.25%, 12/01/17   | 28,725           |
| 475 <sup>2</sup>                                | Energy Future Holdings, 11.25%, 11/01/17                          | 480,937          |
| 370   | Exco Resources, Inc., 7.25%, 1/15/11                              | 365,375          |
| 190 <sup>2</sup>                                | Forest Oil Corp., 7.25%, 6/15/19                                  | 190,000          |
| 65  | Frontier Oil Corp., 6.625%, 10/01/11                              | 64,675           |
| 50  | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15                      | 50,250           |
| 97  | Homer City Funding LLC, 8.734%, 10/01/26                          | 107,670          |
| 5   | Hornbeck Offshore Services, Inc., 6.125%, 12/01/14                | 4,763            |
| 440   | KCS Energy, Inc., 7.125%, 4/01/12                                 | 433,400          |
| 96  | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16                    | 103,203          |
| 350   | Mirant Americas Generation LLC, 8.30%, 5/01/11                    | 353,937          |
| 30  | Newfield Exploration Co., 6.625%, 9/01/14                         | 29,475           |
| 130   | NRG Energy, Inc., 7.25%, 2/01/14                                  | 130,000          |
| 385   | 7.375%, 2/01/16   | 384,037          |
| 440 <sup>2</sup>                                | OPTI, Inc., 8.25%, 12/15/14 (Canada)                              | 441,100          |
| 345   | Orion Power Holdings, Inc., 12.00%, 5/01/10                       | 381,225          |

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|                  |  |                  |
|------------------|--|------------------|
| 185              | Range Resources Corp., 7.375%, 7/15/13                           | 188,237          |
| 130              | Sabine Pass LNG LP, 7.50%, 11/30/16                              | 127,400          |
| 210 <sub>2</sub> | SemGroup LP, 8.75%, 11/15/15                                     | 201,600          |
| 40               | Sithe Independence Funding, Ser. A, 9.00%, 12/30/13              | 42,349           |
| 200 <sub>2</sub> | Targa Resources, Inc., 8.50%, 11/01/13                           | 202,000          |
| 160              | Tennessee Gas Pipeline Co., 8.375%, 6/15/32                      | 186,512          |
| 450 <sub>2</sub> | Texas Competitive Electric Holdings Co. LLC,<br>10.25%, 11/01/15 | 452,250          |
| 400              | Transcontinental Gas Pipe Line Corp., Ser. B,<br>8.875%, 7/15/12 | 449,000          |
| 495              | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13                  | 486,963          |
|                  | <b>Total Energy</b>  | <b>8,059,835</b> |

| Principal Amount (000)                  | Description   | Value            |
|---|---|------------------|
| <b>Entertainment &amp; Leisure 4.8%</b> |   |                  |
| \$ 150                                  | AMC Entertainment, Inc., 11.00%, 2/01/16  | \$ 162,375       |
| 125 <sub>2</sub>                        | French Lick Resorts & Casino LLC/French Lick<br>Resorts & Casino Corp., 10.75%, 4/15/14 | 99,375           |
|   | Gaylord Entertainment Co.,<br>6.75%, 11/15/14   | 271,600          |
| 280                                     | 8.00%, 11/15/13   | 40,700           |
| 320 <sub>2</sub>                        | Great Canadian Gaming Corp., 7.25%, 2/15/15 (Canada)                                    | 318,400          |
| 185 <sub>2</sub>                        | Greektown Holdings LLC, 10.75%, 12/01/13  | 184,075          |
| 210                                     | Harrah's Operating Co., Inc., 5.75%, 10/01/17   | 154,875          |
| 60                                      | MGM Mirage, 6.75%, 9/01/12  | 59,100           |
| 200 <sub>2</sub>                        | Pinnacle Entertainment, Inc., 7.50%, 6/15/15  | 193,000          |
| 115                                     | Riddell Bell Holdings, Inc., 8.375%, 10/01/12   | 110,400          |
| 140                                     | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12   | 141,050          |
| 140 <sub>2</sub>                        | Shingle Springs Tribal Gaming Authority, 9.375%, 6/15/15                                | 140,700          |
| 50                                      | Station Casinos, Inc., 6.625%, 3/15/18  | 39,625           |
| 60 <sub>3</sub>                         | Travelport LLC, 10.246%, 9/01/14  | 60,300           |
| 435                                     | Virgin River Casino, 9.00%, 1/15/12   | 411,075          |
| 70                                      | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.,<br>6.625%, 12/01/14                    | 68,775           |
|   | <b>Total Entertainment &amp; Leisure</b>  | <b>2,455,425</b> |

|                                     |  |         |
|-------------------------------------|--|---------|
| <b>Financial Institutions 10.6%</b> |  |         |
| 500                                 | AES Red Oak LLC, Ser. B, 9.20%, 11/30/29   | 568,750 |
| 300 <sub>2</sub>                    | Alliant Holdings I, Inc., 11.00%, 5/01/15  | 288,750 |
|                                     | American Real Estate Partners LP/American Real Estate<br>Finance Corp.,<br>7.125%, 2/15/13 | 180,375 |
| 300                                 | 8.125%, 6/01/12  | 302,250 |
| 1122,3                              | BMS Holdings, Inc., 12.40%, 2/15/12  | 107,084 |
| 500 <sub>2</sub>                    | Dow Jones CDX HY, Ser. 6-T1, 8.625%, 6/29/11   | 528,050 |
|                                     | Ford Motor Credit Co. LLC,<br>7.80%, 6/01/12   | 469,787 |
| 110 <sub>3</sub>                    | 7.993%, 1/13/12  | 101,835 |
| 40                                  | General Motors Acceptance Corp. LLC, 8.00%, 11/01/31                                       | 36,973  |
|                                     | Hexion U.S. Finance Corp./Hexion Nova Scotia Finance ULC,<br>9.75%, 11/15/14               | 82,312  |
| 100 <sub>3</sub>                    | 10.058%, 11/15/14  | 103,500 |
| 442 <sub>2</sub>                    | iPayment Investors LP, 11.625%, 7/15/14  | 455,155 |
| 120                                 | iPayment, Inc., 9.75%, 5/15/14   | 115,200 |
|                                     | LVB Acquisition Merger Sub, Inc.,<br>10.00%, 10/15/17                                      | 77,063  |
| 75 <sub>2</sub>                     | 10.375%, 10/15/17  | 75,938  |
| 100 <sub>2</sub>                    | 11.625%, 10/15/17  | 101,875 |
|                                     | Momentive Performance Materials, Inc.,<br>9.75%, 12/01/14                                  | 170,625 |

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|        |  |                  |
|--------|--|------------------|
| 402    | 10.125%, 12/01/14  | 38,600           |
| 2852   | 11.50%, 12/01/16   | 275,025          |
| 702    | NSG Holdings LLC/NSG Holdings, Inc., 7.75%, 12/15/25         | 69,300           |
| 2202,3 | PNA Intermediate Holding Corp., 12.36%, 2/15/13              | 216,150          |
|        | Rainbow National Services LLC,                               |                  |
| 3102   | 8.75%, 9/01/12   | 322,400          |
| 3182   | 10.375%, 9/01/14   | 349,800          |
| 1002,3 | USI Holdings Corp., 9.433%, 11/15/14                         | 93,000           |
| 303    | Universal City Florida Holding Co. I/II, 9.661%, 5/01/10     | 30,675           |
| 3002   | Wimar Opco LLC/Wimar Opco Finance Corp.,<br>9.625%, 12/15/14 | 225,000          |
|        | <b>Total Financial Institutions</b>                          | <b>5,385,472</b> |

**Health Care 3.7%**

|      |   |         |
|------|---|---------|
| 165  | Accellent, Inc., 10.50%, 12/01/13                                       | 155,512 |
| 1803 | Angiotech Pharmaceuticals, Inc.,<br>9.371%, 12/01/13 (Canada)           | 178,200 |
| 1402 | Community Health Systems, Inc., 8.875%, 7/15/15                         | 141,750 |
| 100  | Cooper Cos., Inc. (The), 7.125%, 2/15/15                                | 99,000  |
| 135  | Norcross Safety Products LLC/Norcross Capital Corp.,<br>9.875%, 8/15/11 | 140,063 |
| 1502 | PTS Acquisition Corp., 9.50%, 4/15/15                                   | 144,750 |

See Notes to Financial Statements.



## Portfolio of Investments as of October 31, 2007

BlackRock High Yield Trust (BHY) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)      | Description  | Value      |
|-----------------------------|--|------------|
| <b>Health Care (cont d)</b> |  |            |
| \$ 615                      | Tenet Healthcare Corp., 6.50%, 6/01/12   | \$ 521,212 |
| 50                          | 9.875%, 7/01/14  | 45,500     |
| 230                         | United Surgical Partners Intl., Inc., 8.875%, 5/01/17  | 234,600    |
| 502                         | Universal Hospital Services, Inc., 8.50%, 6/01/15  | 50,875     |
| 502,3                       | 8.759%, 6/01/15  | 50,125     |
| 1152                        | Viant Holdings, Inc., 10.125%, 7/15/17   | 108,100    |
|                             | Total Health Care  | 1,869,687  |
| <b>Industrials 3.9%</b>     |  |            |
| 2002                        | AGY Holding Corp., 11.00%, 11/15/14  | 197,000    |
| 302                         | Blaze Recycling & Metals LLC/Blaze Finance Corp., 10.875%, 7/15/12                                       | 30,000     |
| 60                          | Harland Clarke Holdings Corp., 9.50%, 5/15/15  | 54,600     |
| 503                         | 10.308%, 5/15/15   | 45,000     |
| 80                          | Hexcel Corp., 6.75%, 2/01/15   | 78,600     |
| 200                         | Leucadia National Corp., 8.125%, 9/15/15   | 201,750    |
| 85                          | Park-Ohio Industries, Inc., 8.375%, 11/15/14   | 79,263     |
| 85                          | RBS Global, Inc./Rexnord Corp., 8.875%, 9/01/16  | 86,062     |
| 340                         | 9.50%, 8/01/14   | 351,050    |
| 280                         | 11.75%, 8/01/16  | 296,800    |
| 5102                        | Sunstate Equipment Co. LLC, 10.50%, 4/01/13  | 489,600    |
| 55                          | Terex Corp., 7.375%, 1/15/14   | 55,275     |
|                             | Total Industrials  | 1,965,000  |
| <b>Media 12.1%</b>          |  |            |
| 215                         | Affinion Group, Inc., 10.125%, 10/15/13  | 224,137    |
| 175                         | 11.50%, 10/15/15   | 182,437    |
| 35                          | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09   | 33,513     |
| 802                         | Bonten Media Acquisition Co., 9.00%, 6/01/15   | 73,500     |
| 290                         | CMP Susquehanna Corp., 9.875%, 5/15/14   | 266,437    |
| 45                          | CSC Holdings, Inc., Ser. B, 7.625%, 4/01/11  | 44,888     |
| 1753                        | Cablevision Systems Corp., Ser. B, 9.644%, 4/01/09   | 179,812    |
| 60                          | CanWest MediaWorks, Inc., 8.00%, 9/15/12 (Canada)  | 58,500     |
| 270                         | Charter Communications Holdings I LLC/Charter Communications Holdings I Capital Corp., 11.00%, 10/01/15  | 261,575    |
| 810                         | Charter Communications Holdings II LLC/Charter Communications Holdings II Capital Corp., 10.25%, 9/15/10 | 826,200    |
| 75                          | Ser. B, 10.25%, 9/15/10  | 76,313     |
| 50                          | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13  | 53,313     |
| 125                         | DirecTV Holdings LLC/DirecTV Financing Co., 8.375%, 3/15/13  | 130,625    |
| 200                         | EchoStar DBS Corp., 7.00%, 10/01/13  | 208,250    |

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|        |  |                  |
|--------|--|------------------|
| 260    | 7.125%, 2/01/16                                | 271,700          |
| 1252,3 | ION Media Networks, Inc., 8.493%, 1/15/12      | 125,313          |
| 320    | Idearc, Inc., 8.00%, 11/15/16                  | 320,800          |
| 290    | Network Communications, Inc., 10.75%, 12/01/13 | 291,812          |
| 325    | Nexstar Finance, Inc., 7.00%, 1/15/14          | 312,000          |
|        | Nielsen Finance LLC/Nielsen Finance Co.,       |                  |
| 1704   | 9.115%, 8/01/16                                | 122,825          |
| 445    | 10.00%, 8/01/14                                | 468,362          |
| 352    | Quebecor Media, Inc., 7.75%, 3/15/16 (Canada)  | 33,775           |
|        | RH Donnelley Corp.,                            |                  |
| 1002   | 8.875%, 10/15/17                               | 100,000          |
| 275    | Ser. A-3, 8.875%, 1/15/16                      | 275,000          |
| 5902   | TL Acquisitions, Inc., 10.50%, 1/15/15         | 587,050          |
| 1802   | Univision Communications, Inc., 9.75%, 3/15/15 | 176,400          |
| 280    | Vertis, Inc., 9.75%, 4/01/09                   | 280,000          |
| 175    | Young Broadcasting, Inc., 10.00%, 3/01/11      | 164,500          |
|        | <b>Total Media</b>                             | <b>6,149,037</b> |

| Principal Amount (000)  | Description                    | Value          |
|-------------------------|--------------------------------|----------------|
| <b>Real Estate 1.4%</b> |                                |                |
| \$ 2402                 | Realogy Corp., 10.50%, 4/15/14 | \$ 199,500     |
| 3802                    | 11.00%, 4/15/14                | 309,700        |
| 2652                    | 12.375%, 4/15/15               | 193,450        |
|                         | <b>Total Real Estate</b>       | <b>702,650</b> |

|                        |   |                  |
|------------------------|---|------------------|
| <b>Technology 6.3%</b> |   |                  |
| 40                     | Amkor Technology, Inc., 7.75%, 5/15/13                              | 38,700           |
| 235                    | 9.25%, 6/01/16  | 240,288          |
| 60                     | Belden, Inc., 7.00%, 3/15/17  | 60,900           |
| 350                    | Celestica, Inc., 7.625%, 7/01/13 (Canada)                           | 336,000          |
| 180                    | Coleman Cable, Inc., 9.875%, 10/01/12                               | 177,300          |
| 4302                   | First Data Corp., 9.875%, 9/24/15                                   | 411,725          |
| 530                    | Freescall Semiconductor, Inc., 9.125%, 12/15/14                     | 479,650          |
|                        | NXP BV/NXP Funding LLC (Netherlands)                                |                  |
| 1253                   | 7.993%, 10/15/13  | 118,438          |
| 150                    | 9.50%, 10/15/15   | 141,750          |
| 190                    | Sanmina-SCI Corp., 8.125%, 3/01/16                                  | 166,725          |
| 1902,3                 | Spansion, Inc., 8.746%, 6/01/13                                     | 180,025          |
|                        | SunGard Data Systems, Inc.,   |                  |
| 85                     | 9.125%, 8/15/13   | 86,700           |
| 465                    | 10.25%, 8/15/15   | 484,762          |
| 305                    | Superior Essex Communications LLC/Essex Group, Inc., 9.00%, 4/15/12 | 301,187          |
|                        | <b>Total Technology</b>   | <b>3,224,150</b> |

|                                 |  |         |
|---------------------------------|--|---------|
| <b>Telecommunications 16.6%</b> |  |         |
| 2,0005                          | Asia Global Crossing Ltd., 13.375%, 10/15/10 (Bermuda) | 180,000 |
|                                 | Centennial Communications Corp.,                       |         |
| 455                             | 8.125%, 2/01/14  | 464,100 |
| 2203                            | 10.981%, 1/01/13                                       | 226,600 |
| 405                             | Cincinnati Bell, Inc., 7.25%, 7/15/13                  | 406,012 |
|                                 | Cricket Communications, Inc.,                          |         |
| 115                             | 9.375%, 11/01/14                                       | 114,138 |
| 2302                            | 9.375%, 11/01/14                                       | 228,275 |
|                                 | Digicel Group Ltd. (Bermuda)                           |         |
| 1302                            | 8.875%, 1/15/15  | 121,394 |

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|        |  |         |
|--------|--|---------|
| 3942   | 9.125%, 1/15/15  | 368,276 |
| 260    | Dobson Cellular Systems, Inc., 8.375%, 11/01/11  | 275,600 |
| 1003   | Hawaiian Telcom Communications, Inc., Ser. B,<br>10.318%, 5/01/13                              | 101,250 |
| 903    | iPCS, Inc., 7.036%, 5/01/13  | 87,750  |
| 320    | Intelsat Corp., 9.00%, 6/15/16   | 327,200 |
| 40     | Intelsat Intermediate Holding Co. Ltd.,<br>9.25%, 2/01/15 (Bermuda)<br>Intelsat Ltd. (Bermuda) | 32,900  |
| 2953   | 8.886%, 1/15/15  | 299,425 |
| 150    | 9.25%, 6/15/16   | 155,625 |
| 70     | 11.25%, 6/15/16  | 75,250  |
| 3203   | 11.409%, 6/15/13   | 333,600 |
| 245    | Intelsat Subsidiary Holding Co. Ltd.,<br>8.625%, 1/15/15 (Bermuda)                             | 248,675 |
| 5652   | MetroPCS Wireless, Inc., 9.25%, 11/01/14   | 560,763 |
| 4452   | Nordic Telephone Co. Holdings A.p.S.,<br>8.875%, 5/01/16 (Denmark)                             | 470,587 |
| 2452,3 | Nortel Networks Ltd., 9.493%, 7/15/11 (Canada)<br>PanAmSat Corp.,                              | 241,938 |
| 210    | 6.875%, 1/15/28  | 177,450 |
| 270    | 9.00%, 8/15/14   | 275,400 |
| 3942,3 | ProtoStar I Ltd., 12.50%, 10/15/12 (Bermuda)<br>Qwest Corp.,                                   | 413,758 |
| 600    | 7.875%, 9/01/11  | 633,000 |
| 2303   | 8.944%, 6/15/13<br>West Corp.,   | 245,237 |
| 125    | 9.50%, 10/15/14  | 128,438 |
| 475    | 11.00%, 10/15/16   | 497,562 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock High Yield Trust (BHY) (concluded)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)             | Description  | Value      |
|------------------------------------|--|------------|
| <b>Telecommunications (cont d)</b> |  |            |
| \$ 375 <sup>2</sup>                | Wind Acquisition Finance S.A., 10.75%, 12/01/15 (Luxembourg)         | \$ 417,187 |
| 200                                | Windstream Corp., 8.125%, 8/01/13                                    | 211,500    |
| 120                                | 8.625%, 8/01/16  | 128,400    |
|                                    | Total Telecommunications   | 8,447,290  |
| <b>Transportation 2.2%</b>         |  |            |
| 95                                 | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11                  | 93,813     |
| 60                                 | Britannia Bulk Plc, 11.00%, 12/01/11 (United Kingdom)                | 63,000     |
| 170                                | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)                       | 164,475    |
| 320                                | Navios Maritime Holdings, Inc., 9.50%, 12/15/14 (Marshall Islands)   | 338,400    |
| 350                                | Overseas Shipholding Group, Inc., 7.50%, 2/15/24                     | 342,125    |
| 200 <sup>2</sup>                   | St. Acquisition Corp., 12.50%, 5/15/17                               | 127,500    |
|                                    | Total Transportation   | 1,129,313  |
|                                    | Total Corporate Bonds  | 55,956,608 |
| <b>Bank Loans 5.2%</b>             |  |            |
| 325                                | Affinion Group, Inc., LIBOR + 6.25%, 3/01/12                         | 315,792    |
| 50                                 | Rexnord Holdings, Inc., LIBOR + 6.25%, 3/02/13                       | 46,814     |
| 50                                 | Riverdeep Interactive Learning USA, Inc., LIBOR + 7.20%, 12/19/14    | 49,337     |
| 252                                | Rotech Healthcare, LIBOR + 6.00%, 9/26/11                            | 244,105    |
| 430                                | ServiceMaster Co. (The), LIBOR + 4.50%, 6/19/08                      | 397,212    |
| 85                                 | Spectrum Brands, Inc., LIBOR + 4.00% , 4/15/13                       | 83,741     |
| 750                                | Texas Competitive Electric Holdings Co. LLC, LIBOR + 3.50%, 10/10/14 | 749,785    |
| 394                                | Travelport Holdco, LIBOR + 7.00%, 3/22/12                            | 379,314    |
| 400                                | Verso Paper Finance Holdings LLC, LIBOR + 6.25%, 2/01/13             | 389,000    |
|                                    | Total Bank Loans   | 2,655,100  |
| <b>Shares</b>                      |  |            |
| <b>Common Stocks 0.8%</b>          |  |            |
| 4,737 <sup>1,6</sup>               | Critical Care Systems Intl., Inc.                                    | 29,606     |
| 14,992 <sup>1,6</sup>              | Mattress Discounters Corp.   |            |
| 68,358 <sup>6</sup>                | Neon Communications Group, Inc.                                      | 352,044    |
|                                    | Total Common Stocks  | 381,650    |

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**Preferred Stock 0.0%**

|                     |   |        |
|---------------------|---|--------|
| 40,000 <sup>1</sup> | Superior Essex Holding Corp., Ser. A, 9.50% | 24,800 |
|---------------------|---|--------|

**Units  
(000)**

**Warrants 0.0%**

|                     |  |   |
|---------------------|--|---|
| 54 <sup>1,2,7</sup> | Neon Communications, Inc., expires 12/02/12  | 1 |
| 1,2,6,7             | PF. Net Communications, Inc., expires 5/15/10,<br>strike price \$0.01, 36.87243 shares for 1 warrant |   |

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

|  |                   |
|--|-------------------|
| <b>Total Long-Term Investments<br/>(cost \$62,270,501)</b> | <b>59,018,159</b> |
|--|-------------------|

**Principal  
Amount  
(000)**

**Description**

**Value**

**SHORT-TERM INVESTMENT 1.2%**

**U.S. Government and Agency Discount Notes 1.2%**

|                     |  |            |
|---------------------|--|------------|
| \$ 600 <sup>8</sup> | Federal Home Loan Bank Disc. Notes,<br>4.401%, 11/01/07 (cost \$600,000) | \$ 600,000 |
|---------------------|--|------------|

|  |                    |
|--|--------------------|
| <b>Total Investments 117.4% (cost \$62,870,509)</b>  | <b>59,618,159</b>  |
| <b>Liabilities in excess of other assets (17.4)%</b> | <b>(8,835,903)</b> |

|                        |                      |
|------------------------|----------------------|
| <b>Net Assets 100%</b> | <b>\$ 50,782,256</b> |
|------------------------|----------------------|

1 Security is fair valued.

2 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, 2007, the Trust held 30.1% of its net assets, with a current market value of \$15,307,398, in securities restricted as to resale.

3 Variable rate security. Rate shown is interest rate as of October 31, 2007.

4 Represents a step up bond; the interest rate shown reflects the effective yield at the time of purchase.

5 Issuer is in default and/or bankruptcy.

6 Non-income producing security.

7 Illiquid security. As of October 31, 2007, the Trust held less than 0.1% of its net assets, with a current market value of \$1, in these securities.

8 Rate shown is the yield to maturity as of the date of purchase.

9 Cost for federal income tax purposes is \$62,884,976. The net unrealized depreciation on a tax basis is \$3,266,817, consisting of \$1,051,387 gross unrealized appreciation and \$4,318,204 gross unrealized depreciation.

For Trust compliance purposes, the Trust's sector and industry classifications refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classifications for reporting ease.

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

## BlackRock Income Opportunity Trust (BNA)

(Percentages shown are based on Net Assets)

| Principal Amount (000)   | Description  | Value              |
|--|--|--------------------|
| <b>LONG-TERM INVESTMENTS 167.7%</b>                                |  |                    |
| <b>Mortgage Pass-Through Securities 60.2%</b>                      |  |                    |
| \$ 5,047 <sup>1</sup>  | Citigroup Mortgage Loan Trust, Inc., Ser. 4, Class A, 5.345%, 8/25/35    | \$ 4,923,530       |
| 651 <sup>1</sup>   | Federal Home Loan Mortgage Corp., 4.207%, 1/01/35                        | 661,712            |
| 1,455 <sup>1,2</sup>   | 5.067%, 1/01/35  | 1,436,926          |
| 4,000  | TBA, 5.50%, 12/12/37   | 3,935,000          |
| 498  | Federal National Mortgage Assoc., 5.00%, 1/01/37-4/01/37                 | 477,395            |
| 13,179 <sup>2</sup>  | 5.00%, 7/01/35   | 12,661,887         |
| 13,497   | 5.50%, 12/01/13-5/18/35  | 13,465,940         |
| 335 <sup>3</sup>   | 5.50%, 12/01/32  | 331,440            |
| 6,848 <sup>2,3</sup>   | 5.50%, 1/01/33   | 6,769,130          |
| 14,910 <sup>2</sup>  | 5.50%, 7/01/16-6/01/36   | 14,806,796         |
| 747  | 6.00%, 3/01/16-1/01/37   | 760,348            |
| 897 <sup>2</sup>   | 6.00%, 6/01/37   | 903,619            |
| 89   | 7.00%, 2/01/24-8/01/36   | 92,148             |
| 115,700  | TBA, 5.50%, 12/01/99   | 114,000,598        |
| 30,300   | TBA, 6.00%, 11/13/37-12/12/37  | 30,491,251         |
| 17,400   | TBA, 6.50%, 12/12/37   | 17,786,071         |
| 97   | Government National Mortgage Assoc., 8.00%, 4/15/24-6/15/25              | 103,077            |
| 5,168 <sup>1</sup>   | GSR Mortgage Loan Trust, Ser. AR4, Class 6A1, 5.25%, 7/25/35             | 5,025,408          |
|  | <b>Total Mortgage Pass-Through Securities</b>                            | <b>228,632,276</b> |
| <b>Federal Housing Administration Securities 1.0%</b>              |  |                    |
| 190  | General Motors Acceptance Corp. Projects, Ser. 37, 7.43%, 5/01/22        | 191,819            |
| 77   | Ser. 44, 7.43%, 8/01/22  | 77,296             |
| 50 <sup>4</sup>  | Merrill Projects, Ser. 29, 7.43%, 10/01/20                               | 50,662             |
| 49 <sup>4</sup>  | Ser. 42, 7.43%, 9/01/22  | 49,745             |
| 1,715  | Reilly Project, Ser. B-11, 7.40%, 4/01/21                                | 1,732,569          |
| 1,710  | Westmore Project, 7.25%, 4/01/21   | 1,726,757          |
|  | <b>Total Federal Housing Administration Securities</b>                   | <b>3,828,848</b>   |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 6.5%</b> |  |                    |
| 1  | Federal Home Loan Mortgage Corp., Ser. 192, Class U, 1,009.033%, 2/15/22 | 4                  |
|  | Ser. 1057, Class J, 1,008.001%, 3/15/21                                  | 740                |
| 3,156  | Ser. 2806, Class VC, 6.00%, 12/15/19                                     | 3,208,113          |
| 6,000  | Ser. 2874, Class BC, 5.00%, 10/15/19                                     | 5,832,895          |
| 1,390  | Ser. 2883, Class DR, 5.00%, 11/15/19                                     | 1,344,446          |
| 1,725  | Ser. 2968, Class EG, 6.00%, 10/15/34                                     | 1,749,053          |
| 7,182  | Ser. 3174, Class PZ, 5.00%, 1/15/36                                      | 6,420,018          |
| 2,858  | Federal National Mortgage Assoc., Ser. 5, Class PK, 5.00%, 12/25/34      | 2,850,583          |
|  | Ser. 33, Class PV, 1,078.42%, 10/25/21                                   | 9,533              |
| 1,571 <sup>1</sup>   | Ser. 118, Class FD, 5.273%, 12/25/33                                     | 1,559,544          |
| 1,525  |  | 1,554,302          |

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Government National Mortgage Assoc., Ser. 65,  
Class VA, 6.00%, 6/20/15

Total Agency Multiple Class Mortgage  
Pass-Through Securities 24,529,231

**Non-Agency Multiple Class Mortgage Pass-Through Securities 7.5%**

|                    |  |           |
|--------------------|--|-----------|
| 1,700              | Countrywide Alternative Loan Trust, Ser. 64CB,<br>Class 1A15, 5.50%, 12/25/35          | 1,598,490 |
| 3,025 <sup>1</sup> | CW Capital Cobalt Ltd., Ser. C3, Class A4,<br>5.82%, 5/15/46                           | 3,108,306 |
| 2,369              | Donaldson, Lufkin & Jenrette Commercial Mortgage Corp.,<br>Class A 1B, 7.18%, 11/10/33 | 2,478,743 |
| 2,630              | First Union-Lehman Brothers-Bank of America,<br>Ser. C2, Class D, 6.778%, 11/18/35     | 2,786,483 |

| Principal<br>Amount<br>(000) | Description | Value |
|------------------------------|-------------|-------|
|------------------------------|-------------|-------|

**Non-Agency Multiple Class Mortgage Pass-Through Securities (cont d)**

|                    |   |              |
|--------------------|---|--------------|
| \$ 2,310           | GE Capital Commercial Mortgage Corp., Ser. 1A,<br>Class A3, 6.269%, 12/10/35                              | \$ 2,394,614 |
| 2,580              | General Motor Acceptance Corp. Commercial Mortgage<br>Securities, Inc., Ser. C4, Class A2, 4.93%, 7/10/39 | 2,534,713    |
| 1,065              | JPMorgan Chase Commercial Mortgage Securities Corp.,<br>Ser. LDP9, Class A3, 5.336%, 5/15/47              | 1,039,030    |
| 2,500 <sup>1</sup> | LB-UBS Commercial Mortgage Trust, Ser. C6, Class A4,<br>5.858%, 7/20/40                                   | 2,532,404    |
| 1,105 <sup>1</sup> | Morgan Stanley Capital I, Ser. T27, Class A4, 5.651%,<br>6/11/42  | 1,110,211    |
| 7,077              | Residential Funding Securities Corp., Ser. RM2,<br>Class A15, 8.50%, 5/25/33                              | 7,557,206    |
| 2 <sup>1,5,6</sup> | Summit Mortgage Trust, Ser. 1, Class B1,<br>6.611%, 12/28/12  | 2,055        |
| 1,105 <sup>1</sup> | Wachovia Bank Commercial Mortgage Trust, Ser. C33,<br>Class A4, 5.903%, 2/15/51                           | 1,130,221    |
| 300 <sup>1</sup>   | Wells Fargo Mortgage Backed Securities Trust,<br>Ser. AR4, Class 2A4, 5.774%, 4/25/36                     | 292,254      |
|                    | Total Non-Agency Multiple Class Mortgage<br>Pass-Through Securities                                       | 28,564,730   |

**Inverse Floating Rate Mortgage Securities 0.4%**

|                  |   |         |
|------------------|---|---------|
| 7 <sup>1</sup>   | Federal Home Loan Mortgage Corp.,<br>Ser. 1043, Class H, 21.938%, 2/15/21 | 6,728   |
| 1                | Ser. 1148, Class E, 592.552%, 10/15/21                                    | 254     |
| 401 <sup>1</sup> | Ser. 1611, Class JC, 10.00%, 8/15/23                                      | 415,923 |
| 1                | Federal National Mortgage Assoc.,<br>Ser. 7, Class S, 594.704%, 3/25/21   | 3,020   |
| 1                | Ser. 10, Class S, 575.455%, 5/25/21                                       | 9,122   |
| 1                | Ser. 12, Class S, 608.135%, 5/25/21                                       | 7,929   |
| 1                | Ser. 17, Class S, 580.114%, 6/25/21                                       | 4,623   |
| 970 <sup>1</sup> | Ser. 23, Class PS, 9.565%, 4/25/23  | 997,875 |
| 1                | Ser. 46, Class S, 1,402.625%, 5/25/21                                     | 3,397   |
| 1                | Ser. 49, Class S, 527.80%, 12/25/21                                       | 1,620   |
| 54 <sup>1</sup>  | Ser. 87, Class S, 13.764%, 8/25/21  | 66,182  |

Total Inverse Floating Rate Mortgage Securities 1,516,673

**Asset-Backed Securities 11.6%**

|                    |   |           |
|--------------------|---|-----------|
| 1,171 <sup>1</sup> | Ameriquist Mortgage Securities, Inc., Ser. R11,<br>Class A1, 5.175%, 11/25/34 | 1,130,435 |
| 3,025              |   | 3,023,858 |



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|                    |  |           |
|--------------------|--|-----------|
|                    | Capital Auto Receivables Asset Trust, Ser. 1, Class A3,<br>5.03%, 10/15/09     |           |
|                    | Chase Issuance Trust,<br>Ser. A17, Class A, 5.12%, 10/15/14                    | 2,617,368 |
| 2,600              |  |           |
| 2,650 <sup>1</sup> | Ser. A3, 5.081%, 7/15/11   | 2,642,849 |
| 3,100              | Chase Manhattan Auto Owner Trust, Ser. B, Class A4,<br>4.88%, 6/15/12          | 3,101,824 |
| 3,125              | Citibank Credit Card Issuance Trust, Ser. A2, Class A2,<br>4.85%, 2/10/11      | 3,126,616 |
| 251 <sup>1</sup>   | Countrywide Asset-Backed Certificates, Ser. 16, Class<br>4AV1, 4.973%, 1/25/35 | 250,395   |
| 2,683              | DaimlerChrysler Auto Trust, Ser. A, Class A3,<br>5.00%, 5/08/10                | 2,682,987 |
| 2,575 <sup>1</sup> | Discover Card Master Trust I, Ser. 1, Class A,<br>5.101%, 9/16/10              | 2,573,534 |
| 2,829              | Ford Credit Auto Owner Trust, Ser. A, Class A3,<br>5.07%, 11/15/09             | 2,828,664 |
| 2,550              | Harley-Davidson Motorcycle Trust, Ser. 2, Class A2,<br>4.07%, 2/15/12          | 2,532,184 |
| 2,500              | Maryland Trust, Ser. 1, Class A, 5.55%, 12/10/65                               | 2,371,875 |
|                    | MBNA Credit Card Master Note Trust,<br>Ser. A1, Class A, 4.90%, 7/15/11        | 3,080,667 |
| 3,075              |  |           |
| 4,050 <sup>1</sup> | Ser. A4, 5.081%, 9/15/11   | 4,039,664 |
|                    | Morgan Stanley ABS Capital I,<br>Ser. HE5, Class A2A, 4.943%, 8/25/36          | 1,470,690 |
| 1,483 <sup>1</sup> |  |           |
| 1,094 <sup>1</sup> | Ser. NC4, Class A2A, 4.903%, 6/25/36   | 1,088,057 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Income Opportunity Trust (BNA)  
(continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                                | Description   | Value      |
|---|---|------------|
| <b>Asset-Backed Securities (cont d)</b>               |   |            |
| \$ 65 <sup>1</sup>                                    | New Century Home Equity Loan Trust, Ser. C, Class A2A, 4.953%, 1/25/36    | \$ 64,997  |
| 520 <sup>1</sup>                                      | Structured Asset Investment Loan Trust, Ser. 1, Class A1, 4.953%, 1/25/36 | 518,334    |
| 2,517   | USAA Auto Owner Trust, Ser. 1, Class A3, 5.01%, 9/15/10                   | 2,517,258  |
| 2,275   | Wachovia Auto Owner Trust, Ser. A, Class A4, 5.38%, 3/20/13               | 2,300,691  |
|   | Total Asset-Backed Securities   | 43,962,947 |
| <b>Interest Only Asset-Backed Securities 0.2%</b>     |   |            |
| 241.5 <sup>5</sup>                                    | Morgan Stanley Capital Trust I, Ser. HF1, Class X, 2.25%, 6/15/17         | 1          |
| 12,656  | Sterling Coofs Trust, Ser. 1, 2.365%, 4/15/29                             | 561,620    |
| 10,991 <sup>5</sup>                                   | Ser. 2, 2.081%, 3/30/30   | 295,381    |
|   | Total Interest Only Asset-Backed Securities                               | 857,002    |
| <b>Interest Only Mortgage-Backed Securities 1.0%</b>  |   |            |
|   | Federal Home Loan Mortgage Corp., Ser. 176, Class M, 1,010.00%, 7/15/21   | 32         |
| 6   | Ser. 200, Class R, 93,522.906%, 12/15/22                                  | 139        |
| 1   | Ser. 1054, Class I, 435.32%, 3/15/21                                      | 84         |
|   | Ser. 1056, Class KD, 1,084.50%, 3/15/21                                   | 557        |
|   | Ser. 1179, Class O, 1,009.389%, 11/15/21                                  | 38         |
| 150   | Ser. 1254, Class Z, 8.50%, 4/15/22  | 7          |
| 214   | Ser. 1831, Class PG, 6.50%, 3/15/11                                       | 14,123     |
| 5,772   | Ser. 2611, Class QI, 5.50%, 9/15/32                                       | 1,047,320  |
|   | Federal National Mortgage Assoc., Ser. 5, Class H, 9.00%, 1/25/22         | 17,839     |
| 78  | Ser. 7, Class 2, 8.50%, 4/01/17   | 994        |
| 5   | Ser. 38, Class N, 1,008.50%, 4/25/21                                      | 204        |
| 2   | Ser. 46, Class H, 1,042.50%, 12/25/09                                     | 15,158     |
| 337 <sup>1</sup>                                      | Ser. 50, Class SI, 1.20%, 4/25/23   | 10,500     |
| 10  | Ser. 89, Class 2, 8.00%, 6/01/18  | 1,821      |
| 23,975 <sup>1</sup>                                   | Ser. 90, Class JH, 1.828%, 11/25/34                                       | 1,341,116  |
| 3   | Ser. 94, Class 2, 9.50%, 8/01/21  | 768        |
|   | Ser. 99, Class L, 930.00%, 8/25/21  | 2,800      |
|   | Ser. 123, Class M, 1,009.50%, 10/25/20                                    | 530        |
| 12 <sup>1</sup>                                       | Ser. 136, Class S, 15.214%, 11/25/20                                      | 15,118     |
|   | Ser. 139, Class PT, 648.35%, 10/25/21                                     | 3,532      |
| 4,383   | Ser. 378, Class 19, 5.00%, 6/01/35  | 1,146,190  |
| 3,941 <sup>1,5</sup>                                  | Goldman Sachs Mortgage Securities Corp., Ser. 5, 0.97%, 2/19/25           | 77,590     |
| 1,176 <sup>1</sup>                                    | Salomon Brothers Mortgage Securities VII, Ser. 1, 0.492%, 3/25/22         | 116        |
|   | Total Interest Only Mortgage-Backed Securities                            | 3,696,576  |
| <b>Principal Only Mortgage-Backed Securities 0.1%</b> |   |            |

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|     |  |                |
|-----|--|----------------|
| 827 | Federal Home Loan Mortgage Corp., Ser. 1739, Class B, 7.50%, 2/15/24 | 76,238         |
|     | Federal National Mortgage Assoc., Ser. 51, Class E, 8.00%, 2/25/23   | 57,780         |
| 117 | Ser. 70, Class A, 7.00%, 5/25/23                                     | 9,646          |
| 227 | Ser. 167, Class D, 8.50%, 10/25/17                                   | 20,996         |
| 207 | Ser. 203, Class 1, 8.00%, 2/01/23                                    | 16,792         |
| 147 | Ser. 228, Class 1, 7.00%, 5/01/23                                    | 11,294         |
|     | <b>Total Principal Only Mortgage-Backed Securities</b>               | <b>192,746</b> |

**Commercial Mortgage-Backed Securities 5.0%**

|                    |   |           |
|--------------------|---|-----------|
| 2,320              | Bear Stearns Commercial Mortgage Services, Ser. PWR7, Class A2, 4.945%, 2/11/41           | 2,287,635 |
| 2,970              | Credit Suisse First Boston Mortgage Securities Corp., Ser. CP5, Class A2, 4.94%, 12/15/35 | 2,912,454 |
| 2,400 <sup>1</sup> | Credit Suisse Mortgage Capital Certificates, Ser. C2, Class A3, 5.542%, 1/15/49           | 2,374,889 |

**Principal Amount (000)**

**Description**

**Value**

**Commercial Mortgage-Backed Securities (cont d)**

|                    |   |                   |
|--------------------|---|-------------------|
| \$ 2,067           | First Union National Bank Commercial Mortgage Trust, Ser. C2, Class A2, 7.202%, 10/15/32                  | \$ 2,165,673      |
| 2,475              | General Motors Acceptance Corp. Commercial Mortgage Securities, Inc., Ser. C3, Class A4, 4.547%, 12/10/41 | 2,412,505         |
|                    | JPMorgan Chase Commercial Mortgage Securities Corp., Ser. C1, Class A3, 5.857%, 10/12/35                  | 2,032,092         |
| 1,990              | Ser. CBX, Class A4, 4.529%, 1/12/37   | 2,327,152         |
| 2,380              | Lehman Brothers-UBS Commercial Mortgage Trust, Ser. C4, Class A3, 4.972%, 6/15/29                         | 2,538,263         |
| 2,530 <sup>1</sup> |   |                   |
|                    | <b>Total Commercial Mortgage-Backed Securities</b>  | <b>19,050,663</b> |

**Collateralized Mortgage Obligation Residual Securities 0.0%**

|                  |  |              |
|------------------|--|--------------|
|                  | Collateralized Mortgage Obligation Trust, Ser. 40, Class R, 580.50%, 4/01/18 | 156          |
| 6                | Ser. 42, Class R, 6,000.00%, 10/01/14  | 1,602        |
|                  | Federal Home Loan Mortgage Corp., Ser. 19, Class R, 9,427.22%, 3/15/20       | 1,373        |
| 6                | Ser. 75, Class R, 9.50%, 1/15/21   | 2            |
| 6                | Ser. 75, Class RS, 12.479%, 1/15/21  | 2            |
| 6                | Ser. 173, Class R, 9.00%, 11/15/21   | 10           |
| 6                | Ser. 173, Class RS, 9.029%, 11/15/21   | 11           |
| 6 <sup>6,8</sup> | Painewebber CMO Trust, Ser. 88 M, Class 6, 13.80%, 9/01/18                   |              |
|                  | <b>Total Collateralized Mortgage Obligation Residual Securities</b>          | <b>3,156</b> |

**Corporate Bonds 64.0%**

**Aerospace & Defense 0.8%**

|                    |  |                  |
|--------------------|--|------------------|
| 170 <sup>5</sup>   | Bombardier, Inc., 8.00%, 11/15/14 (Canada)       | 176,800          |
| 1,363              | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13 | 1,448,187        |
|                    | DRS Technologies, Inc., 6.875%, 11/01/13         | 80,000           |
| 80                 | 7.625%, 2/01/18                                  | 81,800           |
| 15                 | Sequa Corp., 9.00%, 8/01/09                      | 16,088           |
| 140                | TransDigm, Inc., 7.75%, 7/15/14                  | 142,450          |
| 1,250 <sup>2</sup> | United Technologies Corp., 4.875%, 5/01/15       | 1,209,314        |
|                    | <b>Total Aerospace &amp; Defense</b>             | <b>3,154,639</b> |

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**Automotive 0.3%**

|                  |                                     |                  |
|------------------|-------------------------------------|------------------|
| 305              | Accuride Corp., 8.50%, 2/01/15      | 286,700          |
|                  | AutoNation, Inc.,                   |                  |
| 170              | 7.00%, 4/15/14                      | 164,475          |
| 160 <sup>1</sup> | 7.243%, 4/15/13                     | 156,400          |
| 410              | Lear Corp., Ser. B, 8.75%, 12/01/16 | 393,600          |
| 295              | Metaldyne Corp., 10.00%, 11/01/13   | 274,350          |
|                  | <b>Total Automotive</b>             | <b>1,275,525</b> |

**Basic Materials 3.2%**

|                    |   |           |
|--------------------|---|-----------|
| 485                | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada) | 356,475   |
| 1,115              | AK Steel Corp., 7.75%, 6/15/12                      | 1,137,300 |
| 280                | American Pacific Corp., 9.00%, 2/01/15              | 287,000   |
| 90 <sup>1</sup>    | Bowater, Inc., 8.694%, 3/15/10                      | 82,350    |
| 30                 | Chemtura Corp., 6.875%, 6/01/16                     | 28,650    |
| 230                | CPG Intl. I, Inc., 10.50%, 7/01/13                  | 230,000   |
| 80                 | Domtar, Inc., 7.125%, 8/15/15 (Canada)              | 79,200    |
| 171                | Equistar Chemicals LP/Equistar Funding Corp.,       |           |
|                    | 10.625%, 5/01/11                                    | 178,695   |
|                    | Freeport-McMoRan Copper & Gold, Inc.,               |           |
| 1,275              | 8.375%, 4/01/17                                     | 1,396,125 |
| 360 <sup>1</sup>   | 8.394%, 4/01/15                                     | 371,700   |
|                    | Huntsman LLC,                                       |           |
| 72                 | 12.00%, 7/15/12                                     | 78,300    |
| 230                | 11.625%, 10/15/10                                   | 243,800   |
| 1,500 <sup>5</sup> | Ineos Group Holdings Plc, 8.50%, 2/15/16            |           |
|                    | (United Kingdom)                                    | 1,425,000 |
| 975                | Innophos, Inc., 8.875%, 8/15/14                     | 982,312   |
| 565 <sup>5</sup>   | Key Plastics LLC/Key Plastics Finance Corp.,        |           |
|                    | 11.75%, 3/15/13                                     | 480,250   |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Income Opportunity Trust (BNA) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                 | Description   | Value             |
|--|---|-------------------|
| <b>Basic Materials (cont d)</b>        |   |                   |
| \$ 130                                 | Lyondell Chemical Co., 10.50%, 6/01/13                                | \$ 140,075        |
| 575                                    | NewPage Corp., 10.00%, 5/01/12  | 608,063           |
|  | Noranda, Inc., (Canada)   |                   |
| 600                                    | 6.00%, 10/15/15   | 604,152           |
| 1,550                                  | 6.20%, 6/15/35  | 1,489,026         |
| 1,570                                  | Teck Cominco Ltd., 6.125%, 10/01/35 (Canada)                          | 1,487,178         |
| 360                                    | Terra Capital, Inc., Ser. B, 7.00%, 2/01/17                           | 360,000           |
|  | <b>Total Basic Materials</b>  | <b>12,045,651</b> |
| <b>Building &amp; Development 0.2%</b> |   |                   |
| 495                                    | Goodman Global Holding Co., Inc., 7.875%, 12/15/12                    | 517,275           |
| 160                                    | Nortek, Inc., 8.50%, 9/01/14  | 141,600           |
| 85                                     | North American Energy Partners, Inc., 8.75%, 12/01/11 (Canada)        | 85,850            |
|  | <b>Total Building &amp; Development</b>                               | <b>744,725</b>    |
| <b>Commercial Services 0.1%</b>        |   |                   |
| 125                                    | FTI Consulting, Inc., 7.75%, 10/01/16                                 | 130,625           |
| 225 <sup>5</sup>                       | Quebecor World, Inc., 9.75%, 1/15/15 (Canada)                         | 219,375           |
|  | <b>Total Commercial Services</b>                                      | <b>350,000</b>    |
| <b>Consumer Products 2.4%</b>          |   |                   |
| 720 <sup>1</sup>                       | Ames True Temper, Inc., 9.243%, 1/15/12                               | 691,200           |
| 30 <sup>1</sup>                        | Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 8.058%, 5/15/14 | 29,625            |
| 850                                    | CVS Caremark Corp., 6.25%, 6/01/27                                    | 845,203           |
| 840                                    | Federated Retail Holdings, Inc., 5.90%, 12/01/16                      | 801,941           |
|  | General Nutrition Centers, Inc.,                                      |                   |
| 500 <sup>1</sup>                       | 10.009%, 3/15/14  | 481,250           |
| 450                                    | 10.75%, 3/15/15   | 437,625           |
| 975                                    | Kimberly-Clark Corp., 6.625%, 8/01/37                                 | 1,073,433         |
| 1,670 <sup>2</sup>                     | Kraft Foods, Inc., 7.00%, 8/11/37                                     | 1,813,260         |
| 362                                    | Lazy Days RV Center, Inc., 11.75%, 5/15/12                            | 325,800           |
|  | Michaels Stores, Inc.,  |                   |
| 530                                    | 10.00%, 11/01/14  | 533,975           |
| 670 <sup>2</sup>                       | 11.375%, 11/01/16   | 668,325           |
| 250                                    | Quiksilver, Inc., 6.875%, 4/15/15                                     | 233,125           |
| 250                                    | Reynolds American, Inc., 7.625%, 6/01/16                              | 270,479           |
| 860                                    | Rite Aid Corp., 7.50%, 3/01/17  | 799,800           |
| 190                                    | Sally Holdings LLC, 10.50%, 11/15/16                                  | 189,050           |
|  | <b>Total Consumer Products</b>  | <b>9,194,091</b>  |
| <b>Containers &amp; Packaging 0.8%</b> |   |                   |
|  | Berry Plastics Holding Corp.,   |                   |
| 290                                    | 8.875%, 9/15/14   | 297,250           |
| 190 <sup>1</sup>                       | 9.569%, 9/15/14   | 190,475           |
| 150                                    | Crown Americas LLC/Crown Americas Capital Corp., 7.75%, 11/15/15      | 154,500           |

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|                              |   |           |
|------------------------------|---|-----------|
| 330 <sup>1,5</sup>           | Impress Holdings BV, 8.368%, 9/15/13 (Netherlands)    | 328,269   |
| 1,626                        | Owens-Brockway Glass Container, Inc., 8.875%, 2/15/09 | 1,638,195 |
| 535                          | Pregis Corp., 12.375%, 10/15/13                       | 583,150   |
| Total Containers & Packaging |   | 3,191,839 |

**Ecological Services & Equipment 0.8%**

|                                       |   |           |
|---------------------------------------|---|-----------|
| 2,250                                 | Casella Waste Systems, Inc., 9.75%, 2/01/13 | 2,295,000 |
| 600                                   | Waste Services, Inc., 9.50%, 4/15/14        | 600,000   |
| Total Ecological Services & Equipment |   | 2,895,000 |

**Energy 9.7%**

|       |   |           |
|-------|---|-----------|
| 2,625 | Anadarko Petroleum Corp., 6.45%, 9/15/36                      | 2,655,783 |
| 160   | Berry Petroleum Co., 8.25%, 11/01/16                          | 163,200   |
| 950   | Burlington Resources Finance Co., 7.40%,<br>12/01/31 (Canada) | 1,119,546 |
| 500   | Canadian Natural Resources Ltd., 6.25%,<br>3/15/38 (Canada)   | 494,053   |
| 380   | Chaparral Energy, Inc., 8.50%, 12/01/15                       | 354,350   |

**Principal  
Amount  
(000)**

**Description**

**Value**

**Energy (cont d)**

|                      |  |            |
|----------------------|--|------------|
| \$ 175               | Chesapeake Energy Corp.,<br>6.375%, 6/15/15                          | \$ 169,750 |
| 20                   | 6.875%, 11/15/20   | 19,550     |
| 1,300                | Cleveland Electric Illuminating Co., 5.95%, 12/15/36                 | 1,205,706  |
| 550                  | CMS Energy Corp., 6.55%, 7/17/17                                     | 533,873    |
| 60                   | Compagnie Generale de Geophysique-Veritas (France)<br>7.50%, 5/15/15 | 61,200     |
| 100                  | 7.75%, 5/15/17   | 103,000    |
| 225                  | Compton Petroleum Finance Corp., 7.625%,<br>12/01/13 (Canada)        | 215,438    |
| 150                  | Conoco Funding Co., 7.25%, 10/15/31 (Canada)                         | 174,928    |
| 1,970 <sup>1,2</sup> | ConocoPhillips Australia Funding Co., 5.343%, 4/09/09                | 1,964,845  |
| 150                  | ConocoPhillips Funding Co., 5.95%, 10/15/36 (Canada)                 | 153,771    |
| 700                  | ConocoPhillips Holding Co., 6.95%, 4/15/29                           | 797,096    |
| 125                  | Devon Energy Corp., 7.95%, 4/15/32                                   | 152,890    |
| 450                  | DTE Energy Co., 6.35%, 6/01/16                                       | 465,924    |
| 130                  | Edison Mission Energy, 7.50%, 6/15/13                                | 131,788    |
| 1,250 <sup>5</sup>   | EDP Finance BV, 6.00%, 2/02/18 (Netherlands)                         | 1,247,215  |
| 150                  | El Paso Natural Gas Co., 8.875%, 6/15/32                             | 174,855    |
| 182                  | Elwood Energy LLC, 8.159%, 7/05/26                                   | 186,611    |
| 425                  | EnCana Corp. (Canada)<br>6.50%, 8/15/34                              | 444,473    |
| 775                  | 6.625%, 8/15/37  | 818,530    |
| 50                   | Encore Acquisition Co.,<br>6.00%, 7/15/15                            | 45,250     |
| 60                   | 7.25%, 12/01/17  | 57,450     |
| 1,675                | Energy East Corp., 6.75%, 7/15/36                                    | 1,727,154  |
| 435                  | Exco Resources, Inc., 7.25%, 1/15/11                                 | 429,562    |
| 480                  | FirstEnergy Corp., Ser. B, 6.45%, 11/15/11                           | 495,357    |
| 575                  | Florida Power & Light Co., 4.95%, 6/01/35                            | 499,059    |
| 675                  | Florida Power Corp., 6.35%, 9/15/37                                  | 708,736    |
| 90                   | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15                         | 90,450     |
| 255                  | KCS Energy, Inc., 7.125%, 4/01/12                                    | 251,175    |
| 800                  | Midamerican Energy Co., 5.80%, 10/15/36                              | 777,262    |
| 950                  | Midamerican Energy Holdings Co.,<br>5.95%, 5/15/37                   | 910,800    |
| 1,725 <sup>5</sup>   | 6.50%, 9/15/37   | 1,769,112  |
| 83                   | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16                       | 89,741     |
| 175                  | Mirant Americas Generation LLC, 8.30%, 5/01/11                       | 176,969    |
| 1,100 <sup>5</sup>   | Nakilat, Inc., 6.067%, 12/31/33 (Qatar)                              | 1,043,130  |

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|                  |   |            |
|------------------|---|------------|
| 600              | Nexen, Inc., 6.40%, 5/15/37 (Canada)                  | 596,988    |
|                  | NRG Energy, Inc.,                                     |            |
| 50               | 7.25%, 2/01/14  | 50,000     |
| 285              | 7.375%, 2/01/16                                       | 284,288    |
| 350              | Ohio Edison Co., 6.875%, 7/15/36                      | 366,549    |
| 500              | ONEOK Partners LP, 6.65%, 10/01/36                    | 509,155    |
| 490 <sup>5</sup> | OPTI, Inc., 8.25%, 12/15/14 (Canada)                  | 491,225    |
| 140              | Orion Power Holdings, Inc., 12.00%, 5/01/10           | 154,700    |
| 650              | Pacificorp, 6.25%, 10/15/37                           | 667,122    |
| 1,350            | Public Service Co. of Colorado, 6.25%, 9/01/37        | 1,400,680  |
| 350              | Sabine Pass LNG LP, 7.50%, 11/30/16                   | 343,000    |
| 175              | Scottish Power Plc, 5.375%, 3/15/15 (United Kingdom)  | 172,442    |
| 350 <sup>5</sup> | SemGroup LP, 8.75%, 11/15/15                          | 336,000    |
|                  | Southern California Edison Co.,                       |            |
| 675              | 5.625%, 2/01/36                                       | 644,392    |
| 150              | Ser. 05-E, 5.35%, 7/15/35                             | 136,746    |
| 400              | Suncor Energy, Inc., 6.50%, 6/15/38 (Canada)          | 418,711    |
| 360 <sup>5</sup> | Targa Resources, Inc., 8.50%, 11/01/13                | 363,600    |
| 600              | Trans-Canada Pipelines Ltd., 5.85%, 3/15/36 (Canada)  | 575,310    |
| 1,050            | Valero Energy Corp., 6.625%, 6/15/37                  | 1,081,095  |
| 2,200            | Virginia Electric & Power Co., Ser. A, 6.00%, 5/15/37 | 2,161,727  |
| 625 <sup>5</sup> | Weatherford Int l., Inc., 6.80%, 6/15/37              | 655,387    |
| 415              | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13       | 407,938    |
| 2,125            | XTO Energy, Inc., 6.75%, 8/01/37                      | 2,279,462  |
|                  | Total Energy  | 36,976,099 |

See Notes to Financial Statements.

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Portfolio of Investments as of October 31, 2007

**BlackRock Income Opportunity Trust (BNA) (continued)**  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                  | Description  | Value            |
|---|--|------------------|
| <b>Entertainment &amp; Leisure 0.9%</b> |  |                  |
| \$ 185                                  | AMC Entertainment, Inc., 11.00%, 2/01/16   | \$ 200,262       |
| 250                                     | Gaylord Entertainment Co., 6.75%, 11/15/14   | 242,500          |
| 325 <sup>5</sup>                        | Greektown Holdings LLC, 10.75%, 12/01/13   | 323,375          |
| 185                                     | Harrah s Operating Co., Inc., 5.75%, 10/01/17  | 136,437          |
| 2,000                                   | Park Place Entertainment Corp., 8.875%, 9/15/08                                      | 2,027,500        |
| 290                                     | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12  | 292,175          |
| 25                                      | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14                    | 24,563           |
|   | <b>Total Entertainment &amp; Leisure</b>   | <b>3,246,812</b> |
| <b>Financial Institutions 20.9%</b>     |  |                  |
| 350                                     | American Real Estate Partners LP/American Real Estate Finance Corp., 7.125%, 2/15/13 | 341,250          |
| 2,850 <sup>2</sup>                      | Bank of America Corp., 6.00%, 9/01/17  | 2,905,373        |
| 2,450 <sup>2</sup>                      | Bank of America Corp., 7.80%, 2/15/10  | 2,597,750        |
| 1,975 <sup>2</sup>                      | Bank of America NA, Ser. BKNT, 6.10%, 6/15/17  | 2,021,363        |
| 1,400                                   | Bear Stearns Cos., Inc. (The), Ser. MTN, 6.95%, 8/10/12                              | 1,456,969        |
| 2,525 <sup>2</sup>                      | Berkshire Hathaway Finance Corp., 3.375%, 10/15/08                                   | 2,491,311        |
| 2021,5                                  | BMS Holdings, Inc., 12.40%, 2/15/12  | 193,771          |
| 1,415                                   | Chubb Corp., 6.00%, 5/11/37  | 1,376,861        |
| 5,230 <sup>2,3</sup>                    | Citigroup, Inc., 4.125%, 2/22/10   | 5,142,628        |
| 1,155                                   | Citigroup, Inc., 5.875%, 2/22/33-5/29/37   | 1,097,862        |
| 1,200 <sup>2</sup>                      | Citigroup, Inc., 6.125%, 8/25/36   | 1,170,559        |
| 550                                     | Citigroup, Inc., 6.875%, 2/15/98   | 560,083          |
| 700 <sup>3</sup>                        | Credit Suisse First Boston, Inc., 6.125%, 11/15/11                                   | 723,814          |
| 1,000                                   | Credit Suisse First Boston, Inc., 7.125%, 7/15/32                                    | 1,127,028        |
| 4,150 <sup>5</sup>                      | Depfa ACS Bank, 5.125%, 3/16/37 (Ireland)  | 3,925,431        |
| 380                                     | Ford Motor Credit Co. LLC, 7.80%, 6/01/12  | 357,038          |
| 220 <sup>1</sup>                        | Fort Irwin Land LLC, 7.993%, 1/13/12   | 203,671          |
| 780 <sup>5</sup>                        | Fort Irwin Land LLC, Ser. A, Class II, 5.30%, 12/15/35                               | 736,086          |
| 575 <sup>5</sup>                        | Fort Irwin Land LLC, Ser. A-1, 5.03%, 12/15/25                                       | 542,420          |
| 3,000 <sup>2</sup>                      | General Electric Capital Corp., 6.75%, 3/15/32                                       | 3,347,964        |
| 7,610 <sup>2</sup>                      | General Electric Capital Corp., Ser. GMTN, 6.15%, 8/01/37                            | 7,885,360        |
| 5,390                                   | Goldman Sachs Group, Inc. (The), 5.45%, 11/01/12                                     | 5,422,151        |
| 1,020                                   | Goldman Sachs Group, Inc. (The), 6.25%, 9/01/17                                      | 1,057,991        |
| 1,000                                   | Goldman Sachs Group, Inc. (The), 6.60%, 1/15/12                                      | 1,047,663        |
| 1,020 <sup>1</sup>                      | Hartford Life Global Funding Trusts, Ser. MTN, 5.864%, 9/15/09                       | 1,018,899        |
| 1,275                                   | HSBC Holdings Plc, 6.50%, 5/02/36 (United Kingdom)                                   | 1,258,708        |
| 878 <sup>5</sup>                        | iPayment Investors LP, 11.625%, 7/15/14  | 904,475          |
| 270                                     | iPayment, Inc., 9.75%, 5/15/14   | 259,200          |
| 4,375 <sup>2</sup>                      | JPMorgan Chase Capital XXV, Ser. Y, 6.80%, 10/01/37                                  | 4,370,174        |
| 1,050                                   | Lehman Brothers Holdings, Inc., 6.50%, 7/19/17                                       | 1,057,475        |
| 1,500                                   | Lehman Brothers Holdings, Inc., Ser. MTN, 6.00%, 7/19/12                             | 1,520,782        |
| 575 <sup>1</sup>                        | Lehman Brothers Holdings, Inc., Ser. MTN, 7.394%, 9/15/22                            | 587,536          |



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|          |  |           |
|----------|--|-----------|
| 100      | Ser. MTNG, 4.80%, 3/13/14  | 94,845    |
| 1,200    | MetLife, Inc., 5.70%, 6/15/35  | 1,112,330 |
|          | Momentive Performance Materials, Inc.,                                       |           |
| 505      | 9.75%, 12/01/14  | 48,750    |
| 4405     | 11.50%, 12/01/16   | 424,600   |
| 1,9901,5 | Monumental Global Funding Ltd., Ser. MTN,<br>5.24%, 6/16/10 (Cayman Islands) | 1,972,090 |

| Principal Amount (000) | Description | Value |
|------------------------|-------------|-------|
|------------------------|-------------|-------|

**Financial Institutions (cont d)**

|    |          |  |    |            |
|----|----------|--|----|------------|
| \$ | 3,6201,2 | Morgan Stanley,<br>5.493%, 1/09/12                           | \$ | 3,561,707  |
|    | 2,1002   | 6.25%, 8/09/26   |    | 2,069,773  |
|    | 1,2002   | Ser. MTN, 6.25%, 8/28/17                                     |    | 1,228,642  |
|    | 950      | Prudential Financial, Inc., Ser. MTN, 5.70%, 12/14/36        |    | 881,463    |
|    |          | Rainbow National Services LLC,                               |    |            |
|    | 2255     | 8.75%, 9/01/12   |    | 234,000    |
|    | 1,0705   | 10.375%, 9/01/14   |    | 1,177,000  |
|    | 6001     | SLM Corp., 5.384%, 1/27/14                                   |    | 530,617    |
|    | 1,050    | Travelers Cos., Inc., Ser. MTN, 6.25%, 6/15/37               |    | 1,035,953  |
|    | 501      | Universal City Florida Holding Co. I/II, 9.661%, 5/01/10     |    | 51,125     |
|    | 1,000    | Wells Fargo & Co., 4.625%, 8/09/10                           |    | 990,341    |
|    |          | Wells Fargo Bank NA,   |    |            |
|    | 610      | 5.95%, 8/26/36   |    | 601,139    |
|    | 2,0002   | 7.55%, 6/21/10   |    | 2,124,152  |
|    | 6505     | Wimar Opco LLC/Wimar Opco Finance Corp.,<br>9.625%, 12/15/14 |    | 487,500    |
|    | 1,8755   | Xstrata Finance Ltd., 5.80%, 11/15/16 (Canada)               |    | 1,859,526  |
|    |          | Total Financial Institutions                                 |    | 79,195,199 |

**Health Care 3.9%**

|  |            |  |  |            |
|--|------------|--|--|------------|
|  | 1,3251,2,5 | Amgen, Inc., 5.585%, 11/28/08                    |  | 1,322,611  |
|  | 1,8252     | AstraZeneca Plc, 6.45%, 9/15/37 (United Kingdom) |  | 1,923,044  |
|  | 1,135      | Bristol-Myers Squibb Co., 5.875%, 11/15/36       |  | 1,114,049  |
|  | 2,4952     | Eli Lilly & Co., 5.55%, 3/15/37                  |  | 2,382,421  |
|  | 1,2002     | Johnson & Johnson, 5.95%, 8/15/37                |  | 1,255,031  |
|  | 1,250      | Schering-Plough Corp., 6.55%, 9/15/37            |  | 1,295,480  |
|  | 1,640      | Tenet Healthcare Corp., 6.50%, 6/01/12           |  | 1,389,900  |
|  | 1,175      | Teva Pharmaceutical Finance LLC, 6.15%, 2/01/36  |  | 1,156,612  |
|  |            | WellPoint, Inc.,                                 |  |            |
|  | 595        | 5.85%, 1/15/36                                   |  | 559,086    |
|  | 475        | 6.375%, 6/15/37                                  |  | 482,920    |
|  | 1,7752     | Wyeth, 5.95%, 4/01/37                            |  | 1,755,436  |
|  |            | Total Health Care                                |  | 14,636,590 |

**Industrials 1.4%**

|  |        |  |  |           |
|--|--------|--|--|-----------|
|  | 1,700  | 3M Co., Ser. MTN, 5.70%, 3/15/37             |  | 1,704,694 |
|  | 4005   | AGY Holding Corp., 11.00%, 11/15/14          |  | 394,000   |
|  | 150    | Hexcel Corp., 6.75%, 2/01/15                 |  | 147,375   |
|  | 915    | Honeywell Intl., Inc., 5.70%, 3/15/37        |  | 889,533   |
|  | 165    | Park-Ohio Industries, Inc., 8.375%, 11/15/14 |  | 153,862   |
|  |        | RBS Global, Inc./Rexnord Corp.,              |  |           |
|  | 540    | 9.50%, 8/01/14                               |  | 557,550   |
|  | 555    | 11.75%, 8/01/16                              |  | 588,300   |
|  | 1,0505 | Sunstate Equipment Co. LLC, 10.50%, 4/01/13  |  | 1,008,000 |
|  |        | Total Industrials                            |  | 5,443,314 |

**Media 7.4%**

Affinion Group, Inc.,

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|       |   |           |
|-------|---|-----------|
| 540   | 10.125%, 10/15/13   | 562,950   |
| 200   | 11.50%, 10/15/15  | 208,500   |
| 125   | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09  | 119,688   |
|       | AOL Time Warner, Inc.,  |           |
| 1,635 | 7.57%, 2/01/24  | 1,791,676 |
| 3,000 | 9.125%, 1/15/13   | 3,448,833 |
| 1,415 | AT&T Broadband Corp., 8.375%, 3/15/13   | 1,596,700 |
| 1611  | Cablevision Systems Corp., Ser. B, 9.644%, 4/01/09  | 165,427   |
| 120   | CanWest MediaWorks, Inc., 8.00%, 9/15/12 (Canada)   | 117,000   |
| 485   | Charter Communications Holdings I LLC/Charter<br>Communications Holdings I Capital Corp.,<br>11.00%, 10/01/15 | 470,450   |
|       | Charter Communications Holdings II LLC/Charter<br>Communications Holdings II Capital Corp.,                   |           |
| 1,320 | 10.25%, 9/15/10   | 1,346,400 |
| 180   | Ser. B, 10.25%, 9/15/10   | 183,150   |

See Notes to Financial Statements.

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## Portfolio of Investments as of October 31, 2007

BlackRock Income Opportunity Trust (BNA) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)  | Description   | Value             |
|-------------------------|---|-------------------|
| <b>Media (cont d)</b>   |   |                   |
| \$ 690                  | CMP Susquehanna Corp., 9.875%, 5/15/14                            | \$ 633,937        |
| 1,000                   | Comcast Cable Communications, Inc., 6.75%, 1/30/11                | 1,042,435         |
| 1,805                   | Comcast Corp., 6.95%, 8/15/37                                     | 1,931,570         |
| 85                      | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13 | 90,631            |
| 140                     | DirecTV Holdings LLC/DirecTV Financing Co., 8.375%, 3/15/13       | 146,300           |
|                         | EchoStar DBS Corp.,   |                   |
| 180                     | 5.75%, 10/01/08   | 179,550           |
| 320                     | 7.00%, 10/01/13   | 333,200           |
| 75                      | 7.125%, 2/01/16   | 78,375            |
| 665                     | Idearc, Inc., 8.00%, 11/15/16                                     | 666,662           |
| 5001.5                  | ION Media Networks, Inc., 8.493%, 1/15/12                         | 501,250           |
| 535                     | Network Communications, Inc., 10.75%, 12/01/13                    | 538,344           |
|                         | News America Holdings, Inc.,                                      |                   |
| 145                     | 8.15%, 10/17/36   | 172,776           |
| 2,475                   | 8.45%, 8/01/34  | 2,992,265         |
| 660                     | Nexstar Finance, Inc., 7.00%, 1/15/14                             | 633,600           |
|                         | Nielsen Finance LLC/Nielsen Finance Co.,                          |                   |
| 3307                    | 9.115%, 8/01/16   | 238,425           |
| 1,100                   | 10.00%, 8/01/14   | 1,157,750         |
| 950                     | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16                     | 950,000           |
| 70                      | Sirius Satellite Radio, Inc., 9.625%, 8/01/13                     | 69,563            |
| 1,495                   | TCI Communications, Inc., 8.75%, 8/01/15                          | 1,753,387         |
| 8005                    | Time Warner Cable, Inc., 6.55%, 5/01/37                           | 806,473           |
| 1,1005                  | TL Acquisitions, Inc., 10.50%, 1/15/15                            | 1,094,500         |
| 3255                    | Univision Communications, Inc., 9.75%, 3/15/15                    | 318,500           |
| 570                     | Vertis, Inc., 9.75%, 4/01/09                                      | 570,000           |
| 1,294                   | Young Broadcasting, Inc., 10.00%, 3/01/11                         | 1,216,360         |
|                         | <b>Total Media</b>  | <b>28,126,627</b> |
| <b>Real Estate 0.9%</b> |   |                   |
| 1,000                   | AvalonBay Communities, Inc., 6.625%, 9/15/11                      | 1,040,161         |
|                         | Rouse Co.,  |                   |
| 725                     | 3.625%, 3/15/09   | 691,205           |
| 1,715                   | 5.375%, 11/26/13  | 1,554,092         |
|                         | <b>Total Real Estate</b>  | <b>3,285,458</b>  |
| <b>Technology 2.1%</b>  |   |                   |
|                         | Amkor Technology, Inc.,   |                   |
| 90                      | 7.75%, 5/15/13  | 87,075            |
| 135                     | 9.25%, 6/01/16  | 138,038           |
| 555                     | Celestica, Inc., 7.625%, 7/01/13 (Canada)                         | 532,800           |
|                         | Freescale Semiconductor, Inc.,                                    |                   |
| 715                     | 9.125%, 12/15/14  | 647,075           |
| 1601                    | 9.569%, 12/15/14  | 147,000           |
| 3,4502                  | Intl. Business Machines Corp., 5.70%, 9/14/17                     | 3,501,702         |
| 480                     | NXP BV/NXP Funding LLC, 9.50%, 10/15/15 (Netherlands)             | 453,600           |
| 660                     | Sanmina-SCI Corp., 8.125%, 3/01/16                                | 579,150           |
|                         | SunGard Data Systems, Inc.,                                       |                   |
| 95                      | 9.125%, 8/15/13   | 96,900            |
| 675                     | 10.25%, 8/15/15   | 703,687           |

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|     |  |         |
|-----|--|---------|
| 950 | Superior Essex Communications LLC/Essex Group, Inc.,<br>9.00%, 4/15/12 | 938,125 |
|-----|--|---------|

|                  |           |
|------------------|-----------|
| Total Technology | 7,825,152 |
|------------------|-----------|

**Telecommunications 7.5%**

|        |  |           |
|--------|--|-----------|
| 4,0752 | AT&T, Inc., 6.50%, 9/01/37   | 4,298,391 |
| 1,7009 | BellSouth Telecommunications, 6.402%, 12/15/95                     | 902,807   |
| 470    | Cincinnati Bell, Inc., 7.25%, 7/15/13                              | 471,175   |
| 255    | Cricket Communications, Inc., 9.375%, 11/01/14                     | 253,088   |
| 325    | Deutsche Telekom Intl. Finance BV, 5.75%,<br>3/23/16 (Netherlands) | 325,854   |
| 2705   | Digicel Group Ltd., 8.875%, 1/15/15 (Bermuda)                      | 252,126   |

| Principal<br>Amount<br>(000) | Description | Value |
|------------------------------|-------------|-------|
|------------------------------|-------------|-------|

**Telecommunications (cont d)**

|    |                          |  |    |            |
|----|--------------------------|--|----|------------|
| \$ | 1701                     | Hawaiian Telcom Communications, Inc., Ser. B,<br>10.318%, 5/01/13              | \$ | 172,125    |
|    | 515                      | Intelsat Corp., 9.00%, 6/15/16<br>Intelsat Ltd. (Bermuda)                      |    | 526,588    |
|    | 1201                     | 8.886%, 1/15/15  |    | 121,800    |
|    | 450                      | 9.25%, 6/15/16   |    | 466,875    |
|    | 210                      | 11.25%, 6/15/16  |    | 225,750    |
|    | 9201                     | 11.409%, 6/15/13   |    | 959,100    |
|    | 300                      | Intelsat Subsidiary Holding Co. Ltd.,<br>8.625%, 1/15/15 (Bermuda)             |    | 304,500    |
|    | 1205                     | MetroPCS Wireless, Inc., 9.25%, 11/01/14                                       |    | 119,100    |
|    | 9355                     | Nordic Telephone Co. Holdings A.p.S.,<br>8.875%, 5/01/16 (Denmark)             |    | 988,763    |
|    | 1,4351,5                 | Nortel Networks Ltd., 9.493%, 7/15/11 (Canada)                                 |    | 1,417,062  |
|    | 160                      | PanAmSat Corp., 9.00%, 8/15/14<br>Qwest Corp.,                                 |    | 163,200    |
|    | 55                       | 7.875%, 9/01/11  |    | 58,025     |
|    | 3751                     | 8.944%, 6/15/13<br>Sprint Capital Corp.,                                       |    | 399,844    |
|    | 1,205                    | 6.875%, 11/15/28   |    | 1,154,325  |
|    | 1,250                    | 8.75%, 3/15/32   |    | 1,425,325  |
|    | 4,375                    | Telecom Italia Capital S.A., 4.95%, 9/30/14 (Luxembourg)                       |    | 4,187,492  |
|    | 1,000                    | Telefonica Emisiones SAU, 7.045%, 6/20/36 (Spain)                              |    | 1,098,404  |
|    | 575                      | Verizon Global Funding Corp., 7.75%, 6/15/32<br>Verizon Maryland, Inc.,        |    | 677,879    |
|    | 540                      | 5.125%, 6/15/33  |    | 450,386    |
|    | 1,355                    | Ser. A, 6.125%, 3/01/12  |    | 1,396,925  |
|    | 750                      | Verizon Virginia, Inc., 4.625%, 3/15/13<br>Vodafone Group Plc (United Kingdom) |    | 720,208    |
|    | 1,6151,2                 | 5.288%, 12/28/07   |    | 1,615,326  |
|    | 1,000                    | 7.75%, 2/15/10   |    | 1,057,537  |
|    | 1,210                    | West Corp., 11.00%, 10/15/16   |    | 1,267,475  |
|    | 3605                     | Wind Acquisition Finance S.A., 10.75%,<br>12/01/15 (Luxembourg)                |    | 400,500    |
|    | 410                      | Windstream Corp.,<br>8.125%, 8/01/13   |    | 433,575    |
|    | 250                      | 8.625%, 8/01/16  |    | 267,500    |
|    | Total Telecommunications |  |    | 28,579,030 |

**Transportation 0.7%**

|       |   |           |
|-------|---|-----------|
| 120   | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11         | 118,500   |
| 120   | Britannia Bulk Plc, 11.00%, 12/01/11 (United Kingdom)       | 126,000   |
| 1,000 | Canadian National Railway Co., 6.375%,<br>10/15/11 (Canada) | 1,044,565 |
| 450   | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)              | 435,375   |
| 600   |   | 634,500   |

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|   |   |             |
|---|---|-------------|
|   | Navios Maritime Holdings, Inc., 9.50%,<br>12/15/14 (Marshall Islands) |             |
| 4555  | St. Acquisition Corp., 12.50%, 5/15/17                                | 290,062     |
| Total Transportation                              |   | 2,649,002   |
| Total Corporate Bonds                             |   | 242,814,753 |
| <b>U.S. Government and Agency Securities 5.7%</b> |   |             |
|   | Overseas Private Investment Corp.,                                    |             |
| 357   | 4.09%, 5/29/12  | 338,675     |
| 1,0001  | 4.30%, 5/29/12  | 1,000,255   |
| 752   | 4.64%, 5/29/12  | 761,852     |
| 425   | 4.68%, 5/29/12  | 404,472     |
| 3,221   | 4.87%, 5/29/12  | 3,295,838   |
| 3841  | 5.40%, 5/29/12  | 413,963     |
| 6,055   | Resolution Funding Corp., Ser. B, Zero Coupon, 4/15/30                | 2,018,561   |
| 788   | Small Business Administration, Ser. 20K-1,<br>6.95%, 11/01/16         | 812,396     |
| 1,800   | Tennessee Valley Authority, Ser. C, 5.88%, 4/01/36                    | 1,989,677   |
| 510   | U.S. Treasury Bonds, 4.75%, 2/15/37                                   | 509,721     |
| 846   | U.S. Treasury Inflation Protected Bond, 2.375%, 1/15/27               | 867,527     |
| 9,1152  | U.S. Treasury Notes, 4.75%, 8/15/17                                   | 9,315,813   |
| Total U.S. Government and Agency Securities       |   | 21,728,750  |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Income Opportunity Trust (BNA) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)             | Description  | Value             |
|------------------------------------|--|-------------------|
| <b>Trust Preferred Stocks 3.5%</b> |  |                   |
| \$ 2,150 <sup>1,2</sup>            | Allstate Corp., 6.50%, 5/15/57                                     | \$ 2,084,728      |
| 600                                | Bank of America, 5.30%, 3/15/17                                    | 579,691           |
| 950 <sup>1,5,10</sup>              | Barclays Bank Plc, 7.434% (United Kingdom)                         | 1,007,039         |
| 1,000 <sup>1,5,10</sup>            | Credit Agricole S.A., 6.637% (France)                              | 950,372           |
| 750 <sup>1</sup>                   | Lincoln National Corp., 6.05%, 4/20/67                             | 718,801           |
| 665 <sup>1</sup>                   | Progressive Corp., 6.70%, 6/15/37                                  | 652,553           |
| 2,600 <sup>1,10</sup>              | Royal Bank of Scotland Group Plc, Ser. MTN, 7.64% (United Kingdom) | 2,694,931         |
| 1,125 <sup>1,2,5,10</sup>          | Societe Generale, 5.922% (France)                                  | 1,070,652         |
| 750 <sup>1</sup>                   | Travelers Cos., Inc., 6.25%, 3/15/67                               | 728,300           |
| 2,000 <sup>1,2,10</sup>            | UBS Preferred Funding Trust I, 8.622%                              | 2,170,314         |
| 575 <sup>1,5</sup>                 | ZFS Finance Trust I, 6.50%, 5/09/37                                | 553,382           |
|                                    | <b>Total Trust Preferred Stocks</b>                                | <b>13,210,763</b> |
| <b>Taxable Municipal Bond 0.6%</b> |  |                   |
| 2,525                              | Illinois St. Pension, 5.10%, 6/01/33                               | 2,395,139         |

## Shares

|                             |   |                    |
|-----------------------------|---|--------------------|
| <b>Common Stocks 0.0%</b>   |   |                    |
| 1,895 <sup>6,11</sup>       | Critical Care Systems Intl., Inc.                       | 11,844             |
| <b>Preferred Stock 0.4%</b> |   |                    |
| 60,000                      | Deutsche Bank Contingent Capital Trust II, 6.55%        | 1,437,000          |
|                             | <b>Total Long-Term Investments (cost \$639,074,109)</b> | <b>636,433,097</b> |

## Principal Amount (000)

|   |   |            |
|---|---|------------|
| <b>SHORT-TERM INVESTMENT 0.1%</b>                     |   |            |
| <b>U.S. Government and Agency Discount Notes 0.1%</b> |   |            |
| \$ 300 <sup>12</sup>                                  | Federal Home Loan Bank Disc. Notes, 4.401%, 11/01/07 (cost \$300,000) | 300,000    |
| <b>BORROWED BOND AGREEMENTS 22.5%</b>                 |   |            |
|   | Lehman Brothers Inc.,   |            |
| 50,927 <sup>14</sup>                                  | 4.47%, 11/08/07   | 50,927,000 |
| 34,457 <sup>14</sup>                                  | 4.45%, 11/08/07   | 34,456,875 |

**Total Borrowed Bond Agreements**  
(cost \$85,383,875)

85,383,875

**Notional  
Amount  
(000)**

**OUTSTANDING OPTIONS PURCHASED 1.0%**

|        |  |         |
|--------|--|---------|
| 4,285  | EUR Put Option, strike price \$1.40, expires 1/10/08             | 17,876  |
|        | Interest Rate Swaps,   |         |
| 8,400  | Trust pays 5.79%, Trust receives 3-month LIBOR, expires 8/16/10  | 225,776 |
| 8,400  | Trust pays 3-month LIBOR, Trust receives 5.79%, expires 8/16/10  | 433,872 |
| 5,500  | Trust pays 5.52%, Trust receives 3-month LIBOR, expires 9/21/36  | 373,168 |
| 5,500  | Trust pays 3-month LIBOR, Trust receives 5.52%, expires 9/21/36  | 324,406 |
| 12,300 | Trust pays 5.47%, Trust receives 3-month LIBOR, expires 5/08/12  | 575,025 |
| 12,300 | Trust pays 5.47%, Trust receives 3-month LIBOR, expires 5/08/12  | 527,670 |
| 8,425  | Trust pays 3-month LIBOR, Trust receives 6.025%, expires 6/08/12 | 517,969 |

**Notional  
Amount  
(000)**

**Description**

**Value**

**OUTSTANDING OPTIONS PURCHASED (cont d)**

|       |  |            |
|-------|--|------------|
| 8,425 | Trust pays 3-month LIBOR, Trust receives 6.025%, expires 6/08/12 | \$ 265,977 |
| 7,300 | Trust pays 5.39%, Trust receives 3-month LIBOR, expires 3/19/12  | 357,114    |
| 7,300 | Trust pays 3-month LIBOR, Trust receives 5.39%, expires 3/19/12  | 296,161    |

**Total Outstanding Options Purchased**  
(cost \$3,589,612)

3,915,014

**Total Investments before borrowed bonds,  
TBA sale commitments, and outstanding  
options written (cost \$728,347,596<sup>13</sup>)**

726,031,986

**Principal  
Amount  
(000)**

**BORROWED BONDS (22.5)%**

|    |          |  |              |
|----|----------|--|--------------|
| \$ | (50,800) | U.S. Treasury Notes,<br>4.00%, 8/31/09 | (50,835,712) |
|    | (34,500) | 4.125%, 8/31/12                        | (34,464,948) |
|    |          |  | (85,300,660) |

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|                                       |                                   |              |
|---------------------------------------|-----------------------------------|--------------|
| <b>Total Borrowed Bonds</b>           |                                   |              |
| <b>(proceeds \$85,264,516)</b>        |                                   |              |
| <b>TBA SALE COMMITMENTS (3.5)%</b>    |                                   |              |
|                                       | Federal National Mortgage Assoc., |              |
| (400)                                 | 5.00%, 12/12/37                   | (383,625)    |
| (8,600)                               | 5.50%, 11/19/22                   | (8,613,433)  |
| (4,200)                               | 6.00%, 11/13/37-12/12/37          | (4,228,314)  |
| <b>Total TBA Sale Commitments</b>     |                                   |              |
| <b>(proceeds \$13,086,862)</b>        |                                   | (13,225,372) |
| <b>INVESTMENTS SOLD SHORT (22.5)%</b> |                                   |              |
|                                       | U.S. Treasury Notes,              |              |
| (50,800)                              | 4.00%, 8/31/09                    | (50,835,712) |
| (34,500)                              | 4.125%, 8/31/12                   | (34,464,948) |
| <b>Total Investments Sold Short</b>   |                                   |              |
| <b>(proceeds \$85,264,516)</b>        |                                   | (85,300,660) |

**Notional  
Amount  
(000)**

|   |  |             |
|---|--|-------------|
| <b>OUTSTANDING OPTIONS WRITTEN (0.5)%</b> |  |             |
|   | Interest Rate Swaps,   |             |
| (5,700)                                   | Trust pays 5.135%, Trust receives 3-month LIBOR,<br>expires 4/21/08  | (97,385)    |
| (5,700)                                   | Trust pays 3-month LIBOR, Trust receives 5.135%,<br>expires 4/21/08  | (97,385)    |
| (12,400)                                  | Trust pays 3-month LIBOR, Trust receives 5.67%,<br>expires 1/04/10   | (315,828)   |
| (12,400)                                  | Trust pays 5.67%, Trust receives 3-month LIBOR,<br>expires 1/04/10   | (599,912)   |
| (5,300)                                   | Trust pays 5.485%, Trust receives 3-month LIBOR,<br>expires 10/28/19 | (208,227)   |
| (5,300)                                   | Trust pays 3-month LIBOR, Trust receives 5.485%,<br>expires 10/28/19 | (155,709)   |
| (7,300)                                   | Trust pays 3-month LIBOR, Trust receives 5.148%,<br>expires 3/19/08  | (119,063)   |
| (7,300)                                   | Trust pays 5.115%, Trust receives 3-month LIBOR,<br>expires 3/19/08  | (118,698)   |
| <b>Total Outstanding Options Written</b>  |  |             |
| <b>(premium received \$2,478,560)</b>     |  | (1,712,207) |

|   |                       |
|---|-----------------------|
| <b>Total Investments net of borrowed bonds, TBA sale commitments<br/>and outstanding options written 164.8%</b> | <b>\$ 625,793,747</b> |
| <b>Liabilities in excess of other assets (64.8)%</b>  | <b>(246,188,870)</b>  |
| <b>Net Assets 100%</b>  | <b>\$ 379,604,877</b> |

See Notes to Financial Statements.





Portfolio of Investments as of October 31, 2007

**BlackRock Income Opportunity Trust (BNA) (concluded)**  
(Percentages shown are based on Net Assets)

- 1 Variable rate security. Rate shown is interest rate as of October 31, 2007.
- 2 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.
- 3 Security, or a portion thereof, pledged as collateral with a value of \$2,950,914 on 147 long Eurodollar futures contracts expiring December 2007 to March 2008, 337 long U.S. Treasury Note futures contracts expiring December 2007, 1,339 long U.S. Treasury Bond futures contracts expiring December 2007, 180 short Eurodollar futures contracts expiring December 2007 and 3,750 short U.S. Treasury Note futures contracts expiring December 2007. The notional value of such contracts on October 31, 2007 was \$246,676,023, with an unrealized loss of \$650,550.
- 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, 2007, the Trust held 9.0% of its net assets, with a current market value of \$34,233,806, in securities restricted as to resale.
- 6 Security is fair valued.
- 7 Rate shown is effective yield of the underlying collateral as of October 31, 2007.
- 8 Illiquid security. As of October 31, 2007, the Trust held less than 0.1% of its net assets, with a current market value of \$0, in this security.
- 9 Represents a step up bond; the interest rate shown reflects the effective yield at the time of purchase.
- 10 The security is a perpetual bond and has no stated maturity date.
- 11 Non-income producing security.
- 12 Rate shown is the yield to maturity as of the date of purchase.
- 13 Cost for federal income tax purposes is \$729,365,583. The net unrealized depreciation on a tax basis is \$3,333,597, consisting of \$7,722,546 gross unrealized appreciation and \$11,056,143 gross unrealized depreciation.
- 14 See Note 1 in the Notes to Financial Statements for details of borrowed bond agreements. For Trust compliance purposes, the Trust's sector and industry classifications refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classifications for reporting ease.

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

**BlackRock Income Trust Inc. (BKT)**  
(Percentages shown are based on Net Assets)

| Principal Amount (000)  | Description                                     | Value       |
|---|---|-------------|
| <b>LONG-TERM INVESTMENTS 104.8%</b>                                 |   |             |
| <b>Mortgage Pass-Through Securities 31.2%</b>                       |   |             |
|   | Federal Home Loan Mortgage Corp.,               |             |
| \$ 7751   | 4.019%, 1/01/35                                 | \$ 773,674  |
| 8021  | 4.934%, 10/01/34                                | 806,789     |
| 92  | 5.50%, 12/01/21                                 | 92,516      |
| 6092  | 5.50%, 1/01/22                                  | 609,749     |
| 8,423,3   | 5.50%, 3/01/22                                  | 8,436,410   |
| 271   | 6.01%, 11/01/17                                 | 27,570      |
| 14  | 8.00%, 11/01/15                                 | 13,954      |
|   | 8.50%, 3/01/08                                  | 15          |
| 1242  | 9.00%, 9/01/20                                  | 132,699     |
| 100   | TBA, 6.50%, 12/12/37                            | 102,406     |
|   | Federal National Mortgage Assoc.,               |             |
| 31,248  | 5.00%, 6/01/33-3/01/37                          | 30,045,633  |
| 7322  | 5.00%, 1/01/37                                  | 702,248     |
| 44,873  | 5.50%, 6/01/21-6/01/37                          | 44,632,581  |
| 3,125   | 5.97%, 8/01/16                                  | 3,184,788   |
| 22,939  | 6.00%, 10/01/36-7/01/37                         | 23,108,362  |
| 12,645  | 6.50%, 7/01/36-9/01/37                          | 12,943,071  |
|   | 7.50%, 2/01/22                                  | 241         |
| 32  | 8.00%, 5/01/08-5/01/22                          | 32,874      |
| 3   | 9.50%, 1/01/19-9/01/19                          | 4,163       |
| 100   | TBA, 5.50%, 11/13/37                            | 98,531      |
| 1,700   | TBA, 6.00%, 11/13/37                            | 1,712,220   |
| 2,200   | TBA, 6.50%, 11/13/37                            | 2,251,564   |
|   | Government National Mortgage Assoc.,            |             |
| 37  | 7.00%, 10/15/17                                 | 38,792      |
| 412   | 7.50%, 8/15/21-12/15/23                         | 434,645     |
| 210   | 8.00%, 10/15/22-2/15/29                         | 223,884     |
| 15  | 9.00%, 6/15/18-9/15/21                          | 17,385      |
|   | Total Mortgage Pass-Through Securities          | 130,426,764 |
| <b>Federal Housing Administration Securities 1.8%</b>               |   |             |
|   | General Motors Acceptance Corp. Projects,       |             |
| 2884  | Ser. 51, 7.43%, 2/01/23                         | 290,577     |
| 358   | Ser. 56, 7.43%, 11/01/22                        | 361,639     |
| 505   | Merrill Projects, Ser. 54, 7.43%, 5/15/23       | 50,019      |
| 758   | Reilly Project, Ser. 41, 8.28%, 3/01/20         | 765,282     |
|   | USGI Projects,                                  |             |
| 88  | Ser. 87, 7.43%, 12/01/22                        | 88,790      |
| 329   | Ser. 99, 7.43%, 10/01/23                        | 332,589     |
| 5,431   | Ser. 6094, 7.43%, 6/01/21                       | 5,485,577   |
|   | Total Federal Housing Administration Securities | 7,374,473   |
| <b>Agency Multiple Class Mortgage Pass-Through Securities 26.3%</b> |   |             |
|   | Federal Home Loan Mortgage Corp.,               |             |
| 4,0761  | Ser. 11, Class A9, 2.282%, 1/25/28              | 3,595,985   |
| 187   | Ser. 19, Class F, 8.50%, 3/15/20                | 194,531     |
| 746   | Ser. 40, Class K, 6.50%, 8/17/24                | 768,950     |
| 1   | Ser. 192, Class U, 1,009.033%, 2/15/22          | 7           |

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|        |   |            |
|--------|---|------------|
|        | Ser. 1057, Class J, 1,008.001%, 3/15/21 | 1,589      |
| 1,647  | Ser. 1598, Class J, 6.50%, 10/15/08     | 1,643,738  |
| 341    | Ser. 1961, Class H, 6.50%, 5/15/12      | 345,289    |
| 9,504  | Ser. 2218, Class Z, 8.50%, 3/15/30      | 10,279,474 |
| 13,018 | Ser. 2461, Class Z, 6.50%, 6/15/32      | 13,445,486 |
| 10,200 | Ser. 2542, Class UC, 6.00%, 12/15/22    | 10,599,985 |
| 2,475  | Ser. 2562, Class PG, 5.00%, 1/15/18     | 2,444,405  |
| 928    | Ser. 2564, Class NC, 5.00%, 2/15/33     | 795,889    |
| 2,050  | Ser. 2750, Class TC, 5.25%, 2/15/34     | 2,015,608  |
| 11,458 | Ser. 2758, Class KV, 5.50%, 5/15/23     | 11,448,878 |
| 1,573  | Ser. 2765, Class UA, 4.00%, 3/15/11     | 1,529,913  |
| 3,212  | Ser. 2806, Class VC, 6.00%, 12/15/19    | 3,265,494  |
| 2,402  | Ser. 2927, Class BZ, 5.50%, 2/15/35     | 2,245,710  |
| 3,946  | Ser. 3061, Class BD, 7.50%, 11/15/35    | 4,063,969  |

| Principal Amount (000)   | Description   | Value              |
|--|---|--------------------|
| <b>Agency Multiple Class Mortgage Pass-Through Securities (cont d)</b> |   |                    |
|  | Federal National Mortgage Assoc.,                                   |                    |
| \$ 1,2211  | Ser. 2, Class KP, Zero Coupon, 2/25/35                              | \$ 1,153,297       |
| 4,006  | Ser. 28, Class PB, 6.00%, 8/25/28                                   | 4,028,409          |
| 2,150  | Ser. 29, Class HC, 7.50%, 7/25/30                                   | 2,288,156          |
| 2,381  | Ser. 31, Class ZG, 7.50%, 5/25/34                                   | 2,841,336          |
| 7,147  | Ser. 32, Class VT, 6.00%, 9/25/15                                   | 7,258,242          |
| 1  | Ser. 33, Class PV, 1,078.42%, 10/25/21                              | 20,464             |
| 501  | Ser. 38, Class F, 8.325%, 4/25/21                                   | 51,981             |
| 1,663  | Ser. 38, Class Z, 5.00%, 5/25/36                                    | 1,655,826          |
| 2,630  | Ser. 68, Class PC, 5.50%, 7/25/35                                   | 2,657,932          |
| 12,264   | Ser. 135, Class PB, 6.00%, 1/25/34                                  | 12,319,211         |
|  | Government National Mortgage Assoc.,                                |                    |
| 1,041  | Ser. 5, Class Z, 7.00%, 5/16/26                                     | 1,089,576          |
| 1,749  | Ser. 33, Class PB, 6.50%, 7/20/31                                   | 1,793,424          |
| 4,030  | Ser. 89, Class PE, 6.00%, 10/20/34                                  | 4,118,536          |
|  | <b>Total Agency Multiple Class Mortgage Pass-Through Securities</b> | <b>109,961,290</b> |

|  |   |                   |
|--|---|-------------------|
| <b>Non-Agency Multiple Class Mortgage Pass-Through Securities 9.5%</b> |   |                   |
| 5,932  | CWALT, Inc., Ser. 28CB, Class 1A5, 5.50%, 8/25/35                           | 5,926,543         |
|  | JPMorgan Mortgage Trust,  |                   |
| 1,8681   | Ser. A7, Class 2A2, 5.83%, 1/25/37  | 1,865,043         |
| 6,457  | Ser. S1, Class 2A1, 8.00%, 1/25/35  | 6,827,600         |
| 1,561  | MASTR Alternative Loan Trust, Ser. 7, Class 4A3, 8.00%, 11/25/18            | 1,634,533         |
| 7,488  | MASTR Asset Securitization Trust, Ser. 12, Class 3A5, 5.25%, 10/25/14       | 7,358,441         |
| 5,6971   | Residential Asset Securitization Trust, Ser. A8, Class A2, 5.223%, 10/25/18 | 5,630,061         |
| 9,908  | Residential Funding Securities Corp., Ser. RM2, Class AI5, 8.50%, 5/25/33   | 10,580,089        |
| 141,676.611%   | Summit Mortgage Trust, Ser. 1, Class B1, 12/28/12                           | 14,138            |
|  | <b>Total Non-Agency Multiple Class Mortgage Pass-Through Securities</b>     | <b>39,836,448</b> |

|   |   |           |
|---|---|-----------|
| <b>Inverse Floating Rate Mortgage Securities 4.3%</b> |   |           |
|   | Federal Home Loan Mortgage Corp.,         |           |
| 141   | Ser. 1043, Class H, 21.938%, 2/15/21      | 14,443    |
| 1   | Ser. 1148, Class E, 592.552%, 10/15/21    | 545       |
| 321   | Ser. 1160, Class F, 18.381%, 10/15/21     | 31,693    |
| 961.2   | Ser. 1616, Class SB, 8.50%, 11/15/08      | 96,046    |
| 1921  | Ser. 1688, Class S, 9.566%, 12/15/13      | 192,669   |
| 4,3591  | Ser. 2769, Class SQ, Zero Coupon, 2/15/34 | 2,718,727 |

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|          |  |           |
|----------|--|-----------|
| 2,1011   | Ser. 2840, Class SK, 1.499%, 8/15/34           | 1,600,748 |
| 2,3731   | Ser. 3167, Class SX, 6.953%, 6/15/36           | 2,277,238 |
|          | Federal National Mortgage Assoc.,              |           |
| 1        | Ser. 7, Class S, 594.704%, 3/25/21             | 6,484     |
| 11       | Ser. 10, Class S, 575.455%, 5/25/21            | 19,584    |
| 11       | Ser. 12, Class S, 608.135%, 5/25/21            | 17,025    |
| 11       | Ser. 17, Class S, 580.114%, 6/25/21            | 9,925     |
| 511      | Ser. 38, Class SA, 10.186%, 4/25/21            | 53,332    |
| 1        | Ser. 46, Class S, 1,402.625%, 5/25/21          | 7,283     |
| 1        | Ser. 49, Class S, 527.80%, 12/25/21            | 3,478     |
| 1141     | Ser. 72, Class S, 8.75%, 5/25/08               | 114,584   |
| 5,8281   | Ser. 73, Class DS, 4.882%, 8/25/35             | 5,625,111 |
| 1191     | Ser. 87, Class S, 13.764%, 8/25/21             | 144,608   |
| 261      | Ser. 93, Class S, 8.50%, 5/25/08               | 26,334    |
| 121      | Ser. 170, Class SC, 9.00%, 9/25/08             | 11,829    |
| 2221     | Ser. 196, Class SC, 8.423%, 10/25/08           | 222,978   |
| 1101     | Ser. 214, Class SH, 5.592%, 12/25/08           | 109,958   |
| 8991     | Ser. 247, Class SN, 10.00%, 12/25/23           | 1,002,361 |
|          | First Horizon Alternative Mortgage Securities, |           |
| 72,5271  | Ser. FA7, Class 1A7, Zero Coupon, 10/25/35     | 736,052   |
| 179,3281 | Ser. FA9, Class A2, Zero Coupon, 12/25/35      | 1,905,915 |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2007

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## Portfolio of Investments as of October 31, 2007

BlackRock Income Trust Inc. (BKT) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                                    | Description  | Value      |
|---|--|------------|
| <b>Inverse Floating Rate Mortgage Securities (cont d)</b> |  |            |
| \$ 1121   | Kidder Peabody Acceptance Corp., Ser. 1, Class A6, 7.573%, 8/25/23                       | \$ 112,216 |
| 145,6571  | Residential Accredited Loans, Inc., Ser. QS16, Class A2, Zero Coupon, 11/25/35           | 818,081    |
|   | Total Inverse Floating Rate Mortgage Securities  | 17,879,247 |
| <b>Interest Only Asset-Backed Securities 0.4%</b>         |  |            |
| 110,5121  | Banc of America Funding Corp., Ser. 2, Class 1A19, 0.528%, 3/25/37                       | 691,670    |
| 811,6   | Morgan Stanley Capital Trust I, Ser. HF1, Class X, 2.25%, 6/15/17                        | 4          |
| 15,750  | Sterling Coofs Trust, Ser. 1, 2.365%, 4/15/29  | 698,905    |
| 11,2446   | Ser. 2, 2.081%, 3/30/30  | 302,195    |
|   | Total Interest Only Asset-Backed Securities  | 1,692,774  |
| <b>Interest Only Mortgage-Backed Securities 12.7%</b>     |  |            |
| 1,135   | ABN Amro Mortgage Corp., Ser. 4, Class A2, 5.50%, 3/25/33                                | 28,901     |
| 229,2951  | Banc of America Mortgage Securities, Inc., Ser. 3, Class 1A, 0.285%, 5/25/18             | 1,896,595  |
| 25,8021   | Commercial Mortgage Acceptance Corp., Ser. ML1, 0.705%, 11/15/17                         | 458,311    |
| 5,7701,6  | Credit Suisse First Boston Mortgage Securities Corp., Ser. C1, Class AX, 1.486%, 6/20/29 | 304,690    |
| 142,8571  | CWALT, Inc., Ser. 79CB, Class A2, 0.078%, 1/25/36  | 1,827,318  |
| 1,9721  | Federal Home Loan Mortgage Corp., Ser. 60, Class HS, 1.125%, 4/25/24                     | 7,746      |
|   | Ser. 176, Class M, 1,010.00%, 7/15/21  | 70         |
| 7   | Ser. 200, Class R, 98,513.94%, 12/15/22  | 300        |
| 1,735   | Ser. 204, Class IO, 6.00%, 5/01/29   | 407,040    |
| 1   | Ser. 1054, Class I, 435.32%, 3/15/21   | 180        |
|   | Ser. 1056, Class KD, 1,084.50%, 3/15/21  | 1,195      |
|   | Ser. 1179, Class O, 1,009.389%, 11/15/21   | 82         |
| 168   | Ser. 1706, Class IA, 7.00%, 10/15/23   | 6,174      |
| 59  | Ser. 1720, Class PK, 7.50%, 1/15/24  | 3,125      |
| 2,773   | Ser. 1914, Class PC, 0.75%, 12/15/11   | 27,104     |
| 7191  | Ser. 2296, Class SA, 2.659%, 3/15/16   | 40,402     |
| 3581  | Ser. 2444, Class ST, 2.879%, 9/15/29   | 10,985     |
| 1,417   | Ser. 2542, Class MX, 5.50%, 5/15/22  | 211,221    |
| 2,564   | Ser. 2545, Class NI, 5.50%, 3/15/22  | 310,315    |
| 4901  | Ser. 2559, Class IO, 0.50%, 8/15/30  | 4,929      |
| 4,079   | Ser. 2561, Class EW, 5.00%, 9/15/16  | 330,514    |
| 10,535  | Ser. 2611, Class QI, 5.50%, 9/15/32  | 1,911,501  |
| 1,084   | Ser. 2633, Class PI, 4.50%, 3/15/12  | 5,691      |
| 16,3071   | Ser. 2647, Class IV, 1.959%, 7/15/33   | 1,159,405  |
| 3,156   | Ser. 2653, Class MI, 5.00%, 4/15/26  | 270,379    |
| 3,750   | Ser. 2658, Class PI, 4.50%, 6/15/13  | 87,123     |
| 2,985   | Ser. 2672, Class TQ, 5.00%, 3/15/23  | 61,706     |
| 3,633   | Ser. 2687, Class IL, 5.00%, 9/15/18  | 346,465    |
| 1,352   | Ser. 2687, Class IQ, 5.50%, 9/15/22  | 4,898      |

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|         |                                       |           |
|---------|---------------------------------------|-----------|
| 3,237   | Ser. 2693, Class IB, 4.50%, 6/15/13   | 72,307    |
| 2,454   | Ser. 2694, Class LI, 4.50%, 7/15/19   | 201,286   |
| 4,516   | Ser. 2773, Class OX, 5.00%, 2/15/18   | 490,886   |
| 16,4281 | Ser. 2780, Class SM, 0.909%, 4/15/34  | 417,281   |
| 6,727   | Ser. 2825, Class NI, 5.50%, 3/15/30   | 1,461,900 |
| 10,5871 | Ser. 2827, Class SR, 0.909%, 1/15/22  | 305,563   |
| 17,5701 | Ser. 2865, Class SR, 0.92%, 10/15/33  | 952,603   |
| 11,8991 | Ser. 2865, Class SV, 1.327%, 10/15/33 | 1,073,798 |
| 1,733   | Ser. 2949, Class IO, 5.50%, 3/15/35   | 206,125   |
| 33,0271 | Ser. 2990, Class WR, 1.519%, 6/15/35  | 1,984,065 |
| 93,7881 | Ser. 3122, Class IS, 1.609%, 3/15/36  | 5,412,475 |
| 90,4191 | Ser. 3225, Class EY, 1.199%, 10/15/36 | 4,422,749 |
| 3,534   | Ser. 3299, Class TI, 5.00%, 4/15/37   | 668,994   |

| Principal Amount (000)                                   | Description  | Value     |
|--|--|-----------|
| <b>Interest Only Mortgage-Backed Securities (cont d)</b> |  |           |
|  | Federal National Mortgage Assoc.,  |           |
| \$ 200   | Ser. 5, Class H, 9.00%, 1/25/22  | \$ 45,871 |
| 11   | Ser. 7, Class 2, 8.50%, 4/01/17  | 2,133     |
| 3,969  | Ser. 9, Class BI, 5.50%, 10/25/22  | 562,098   |
| 1  | Ser. 12, Class C, 1,016.897%, 2/25/22  | 15,735    |
| 3,608  | Ser. 13, Class IG, 5.00%, 10/25/22   | 86,885    |
| 7381   | Ser. 33, Class SG, 3.225%, 3/25/09   | 13,452    |
| 50,1061  | Ser. 36, Class SP, 1.828%, 5/25/36   | 3,367,058 |
|  | Ser. 38, Class N, 1,008.50%, 4/25/21   | 438       |
| 837  | Ser. 43, Class LC, 6.00%, 3/25/34  | 198,642   |
|  | Ser. 50, Class G, 1,158.628%, 12/25/21   | 7,002     |
| 6741   | Ser. 50, Class SI, 1.20%, 4/25/23  | 21,001    |
| 3,006  | Ser. 51, Class IE, 5.50%, 4/25/26  | 58,423    |
| 5,340  | Ser. 55, Class GI, 5.00%, 7/25/19  | 458,903   |
| 12,2241  | Ser. 55, Class SB, 1.278%, 7/25/35   | 511,975   |
| 3,7071   | Ser. 59, Class S, 4.917%, 10/25/22   | 569,668   |
| 5761   | Ser. 60, Class SB, 1.60%, 10/25/22   | 25,680    |
| 146  | Ser. 62, Class IC, 5.50%, 7/25/15  | 1,538     |
| 5,630  | Ser. 66, Class CI, 5.00%, 7/25/33  | 1,376,325 |
| 1,9451   | Ser. 68, Class SC, 3.225%, 1/25/24   | 103,751   |
| 13,6931  | Ser. 73, Class ST, 1.258%, 8/25/35   | 546,888   |
| 4,094  | Ser. 88, Class TI, 4.50%, 11/25/13   | 109,742   |
| 21   | Ser. 89, Class 2, 8.00%, 6/01/18   | 3,910     |
| 29,8071  | Ser. 90, Class JH, 1.828%, 11/25/34  | 1,667,334 |
| 13,213   | Ser. 90, Class M, 6.00%, 1/25/28   | 2,423,410 |
| 7  | Ser. 94, Class 2, 9.50%, 8/01/21   | 1,649     |
|  | Ser. 99, Class L, 930.00%, 8/25/21   | 6,013     |
| 3,741  | Ser. 122, Class IC, 5.00%, 9/25/18   | 368,323   |
|  | Ser. 123, Class M, 1,009.50%, 10/25/20   | 1,135     |
| 251  | Ser. 136, Class S, 15.214%, 11/25/20   | 32,457    |
|  | Ser. 139, Class PT, 648.35%, 10/25/21  | 7,582     |
| 2,1861   | Ser. 199, Class SB, 2.625%, 10/25/23   | 113,348   |
| 633  | Ser. W4, Class IO, 6.50%, 12/25/28   | 135,539   |
| 89   | First Boston Mortgage Securities Corp., Ser. C, Class I, 10.965%, 4/25/17                                | 21,021    |
| 42,0281  | First Horizon Alternative Mortgage Securities, Ser. FA2, Class 1A4, 0.628%, 5/25/36                      | 380,454   |
| 6,3231   | General Motors Acceptance Corp., Commercial Mortgage Securities, Inc., Ser. C1, Class X, 1.315%, 7/15/27 | 320,421   |
| 7,8351,6   | Goldman Sachs Mortgage Securities Corp., Ser. 5, 0.97%, 2/19/25  | 154,243   |
|  | Government National Mortgage Assoc.,   |           |
| 16,7221  | Ser. 18, Class SL, 1.203%, 2/20/35   | 773,287   |
| 1,650  | Ser. 39, Class ID, 5.00%, 5/20/33  | 459,300   |
| 1,945  | Ser. 58, Class IT, 5.50%, 7/20/33  | 255,838   |
| 1,717  | Ser. 75, Class IJ, 5.50%, 7/20/25  | 10,022    |
| 16,6291  | Ser. 89, Class SA, 0.84%, 10/16/33   | 592,706   |
| 153,908  | Indymac Index Mortgage Loan Trust, Ser. AR33, Class 4AX, 0.165%, 1/25/37                                 | 700,218   |

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|         |  |         |
|---------|--|---------|
| 57      | Kidder Peabody Acceptance Corp., Ser. B,<br>Class A2, 9.50%, 4/22/18         | 13,028  |
| 24,598  | MASTR Adjustable Rate Mortgages Trust, Ser. 3,<br>Class 3AX, 0.977%, 4/25/34 | 352,827 |
| 1,311   | MASTR Alternative Loan Trust, Ser. 9, Class 15X2,<br>6.00%, 1/25/19          | 245,404 |
| 1,609   | Morgan Stanley Capital Trust I, Ser. 3, Class 1AX,<br>5.00%, 5/25/19         | 237,158 |
| 66,1541 | Sequoia Mortgage Trust, Ser. 2, Class XA,<br>0.775%, 3/20/35                 | 686,683 |
| 6,3794  | Small Business Administration, Ser. 1, 1.381%, 4/01/15                       | 63,790  |

See Notes to Financial Statements.



## Portfolio of Investments as of October 31, 2007

BlackRock Income Trust Inc. (BKT) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)   | Description   | Value        |
|--|---|--------------|
| <b>Interest Only Mortgage-Backed Securities (cont d)</b>           |   |              |
|  | Structured Adjustable Rate Mortgage Loan Trust,                                 |              |
| \$ 14,1851   | Ser. 2, Class 4AX, 5.50%, 3/25/36   | \$ 1,346,970 |
| 44,6551  | Ser. 7, Class 3AS, 2.548%, 8/25/36  | 4,353,522    |
| 5,2401   | Ser. 18, Class 7AX, 5.50%, 9/25/35  | 751,739      |
| 4,082  | Ser. 20, Class 3AX, 5.50%, 10/25/35   | 755,438      |
| 85,9071  | Vendee Mortgage Trust, Ser. 2, Class 1, 0.052%, 5/15/29                         | 215,679      |
|  | Total Interest Only Mortgage-Backed Securities                                  | 52,928,053   |
| <b>Principal Only Mortgage-Backed Securities 4.9%</b>              |   |              |
|  | Countrywide Home Loans, Inc.,   |              |
| 5,3298   | Ser. 26, 4.944%, 8/25/33  | 4,217,491    |
| 1,0438   | Ser. J4, 5.142%, 6/25/33  | 745,815      |
| 1,4278   | Ser. J5, 4.911%, 7/25/33  | 847,321      |
| 1,1528   | Ser. J8, 4.787%, 9/25/23  | 882,292      |
|  | Drexel Burnham Lambert, Inc.,   |              |
| 228  | Ser. K, Class 1, 11.50%, 9/23/17  | 22,301       |
| 2698   | Ser. V, Class 1, 11.50%, 9/01/18  | 240,360      |
|  | Federal Home Loan Mortgage Corp.,   |              |
| 2338   | Ser. 8, Class A10, 6.737%, 11/15/28   | 208,620      |
| 1538   | Ser. 1418, Class M, 7.50%, 11/15/22   | 144,736      |
| 5778   | Ser. 1571, Class G, 7.50%, 8/15/23  | 538,553      |
| 2,0448   | Ser. 1691, Class B, 7.50%, 3/15/24  | 1,825,583    |
| 1848   | Ser. 1739, Class B, 7.50%, 2/15/24  | 170,847      |
|  | Federal National Mortgage Assoc.,   |              |
| 2988   | Ser. 2, Class KB, 8.00%, 1/25/23  | 251,437      |
| 438  | Ser. 7, Class J, 10.00%, 2/25/21  | 36,451       |
| 8968   | Ser. 13, Class PR, 6.50%, 3/25/32   | 721,798      |
| 1438   | Ser. 51, Class E, 8.00%, 2/25/23  | 124,053      |
| 248  | Ser. 70, Class A, 7.00%, 5/25/23  | 20,709       |
| 478  | Ser. 167, Class D, 8.50%, 10/25/17  | 45,077       |
| 438  | Ser. 203, Class 1, 8.00%, 2/01/23   | 36,053       |
| 308  | Ser. 228, Class 1, 7.00%, 5/01/23   | 24,248       |
| 1,9478   | Ser. 249, Class B, 7.50%, 11/25/23  | 1,662,352    |
| 2328   | Ser. 273, Class 1, 7.00%, 7/01/26   | 186,899      |
| 4,4228   | Ser. 328, Class 1, 6.00%, 11/01/32  | 3,411,524    |
| 3,5908   | Ser. 338, Class 1, 5.50%, 6/01/33   | 2,672,048    |
| 3368   | Ser. W4, Class PO, 5.985%, 2/25/29  | 263,208      |
| 3148   | MASTR Asset Securitization Trust, Ser. 3, Class 4A15, 5.634%, 3/25/34           | 173,253      |
| 9838   | Residential Asset Securitization Trust, Ser. A15, Class 1A8, 5.713%, 2/25/36    | 502,836      |
| 124,8  | Structured Mortgage Asset Residential Trust, Ser. 3C, Class CX, 7.031%, 4/25/24 | 11,439       |
| 9568   | Washington Mutual, Ser. 9, Class CP, 5.112%, 11/25/35                           | 721,550      |
|  | Total Principal Only Mortgage-Backed Securities                                 | 20,708,854   |
| <b>Collateralized Mortgage Obligation Residual Securities 0.0%</b> |   |              |
|  | Collateralized Mortgage Obligation Trust,                                       |              |
| 7  | Ser. 40, Class R, 580.50%, 4/01/18  | 338          |
| 7  | Ser. 42, Class R, 6,000.00%, 10/01/14   | 3,440        |
|  | Federal Home Loan Mortgage Corp.,   |              |

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|     |   |       |
|-----|---|-------|
| 7   | Ser. 19, Class R, 9,757.652%, 3/15/20                     | 2,952 |
| 7   | Ser. 75, Class R, 9.50%, 1/15/21                          | 5     |
| 7   | Ser. 75, Class RS, 17.757%, 1/15/21                       | 5     |
| 7   | Ser. 173, Class R, 9.00%, 11/15/21                        | 23    |
| 7   | Ser. 173, Class RS, 9.103%, 11/15/21                      | 23    |
| 134 | Painwebber CMO Trust, Ser. 88 M, Class 6, 13.80%, 9/01/18 |       |

Total Collateralized Mortgage Obligation Residual Securities 6,786

### U.S. Government and Agency Securities 9.9%

|       |                                    |           |
|-------|------------------------------------|-----------|
|       | Overseas Private Investment Corp., |           |
| 325   | 4.09%, 5/29/12                     | 307,885   |
| 9101  | 4.30%, 5/29/12                     | 909,323   |
| 683   | 4.64%, 5/29/12                     | 692,592   |
| 386   | 4.68%, 5/29/12                     | 367,702   |
| 2,928 | 4.87%, 5/29/12                     | 2,996,217 |
| 3501  | 5.40%, 5/29/12                     | 376,330   |

**Principal  
Amount  
(000)**

**Description**

**Value**

### U.S. Government and Agency Securities (cont d)

|    |         |  |    |                   |
|----|---------|--|----|-------------------|
| \$ | 13,0003 | Resolution Funding Corp., Ser. B, Zero Coupon, 4/15/30 | \$ | 4,333,823         |
|    |         | Small Business Administration,                         |    |                   |
|    | 612     | Ser. 20C-1, 7.15%, 3/01/17                             |    | 634,079           |
|    | 616     | Ser. 20E-1, 7.60%, 5/01/16                             |    | 638,742           |
|    | 816     | Ser. 20F-1, 7.55%, 6/01/16                             |    | 846,061           |
|    | 560     | Ser. 20G-1, 7.70%, 7/01/16                             |    | 582,014           |
|    | 833     | Ser. 20H-1, 7.25%, 8/01/16                             |    | 862,324           |
|    | 1,492   | Ser. 20K-1, 6.95%, 11/01/16                            |    | 1,538,213         |
|    | 60,0003 | U.S. Treasury Strip, Zero Coupon, 11/15/24             |    | 26,123,880        |
|    |         | <b>Total U.S. Government and Agency Securities</b>     |    | <b>41,209,185</b> |

### Corporate Bond 0.6%

|        |   |           |
|--------|---|-----------|
| 2,4484 | Structured Asset Receivable Trust, 5.68%, 1/21/10 | 2,423,798 |
|--------|---|-----------|

### Commercial Mortgage-Backed Securities 1.5%

|        |   |                  |
|--------|---|------------------|
| 2,4201 | Credit Suisse Mortgage Capital Certificates, Ser. C2, Class A3, 5.542%, 1/15/49     | 2,394,680        |
| 3,500  | First Union Commercial Mortgage Securities, Inc., Ser. C2, Class D, 7.12%, 11/18/29 | 3,757,506        |
|        | <b>Total Commercial Mortgage-Backed Securities</b>                                  | <b>6,152,186</b> |

### Asset-Backed Securities 1.7%

|        |   |                  |
|--------|---|------------------|
| 5,8901 | First Franklin Mortgage Loan Asset Backed Certificates, Ser. FF2, Class M2, 5.313%, 3/25/35 | 5,414,503        |
| 1,8751 | Securitized Asset Backed Receivables LLC Trust, Ser. OP2, Class M1, 5.303%, 10/25/35        | 1,730,120        |
|        | <b>Total Asset-Backed Securities</b>  | <b>7,144,623</b> |

**Total Long-Term Investments  
(cost \$444,968,496)**

437,744,481

### SHORT-TERM INVESTMENT 0.4%

#### U.S. Government and Agency Discount Notes 0.4%

|        |   |           |
|--------|---|-----------|
| 1,6009 | Federal Home Loan Bank Disc. Notes, 4.401%, 11/01/07 (cost \$1,600,000) | 1,600,000 |
|--------|---|-----------|

### BORROWED BOND AGREEMENT 8.3%

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34,72111 Lehman Brothers, Inc., 4.64%, 11/08/07  
(cost \$34,720,656)

34,720,656

**Notional  
Amount  
(000)**

**OUTSTANDING OPTIONS PURCHASED 2.2%**

| Notional Amount (000) | Description  | Value     |
|-----------------------|--|-----------|
|                       | Interest Rate Swaps,   |           |
| 7,300                 | Trust pays 3-month LIBOR, Trust receives 5.39%, expires 3/19/12  | 296,161   |
| 31,965                | Trust pays 3-month LIBOR, Trust receives 5.495%, expires 5/08/12 | 1,394,313 |
| 5,500                 | Trust pays 3-month LIBOR, Trust receives 5.52%, expires 9/21/36  | 324,406   |
| 31,965                | Trust pays 3-month LIBOR, Trust receives 5.725%, expires 5/24/12 | 1,253,348 |
| 2,800                 | Trust pays 3-month LIBOR, Trust receives 5.78%, expires 8/09/10  | 148,512   |
| 8,640                 | Trust pays 3-month LIBOR, Trust receives 6.025%, expires 6/08/12 | 531,187   |
| 8,640                 | Trust pays 3-month LIBOR, Trust receives 6.025%, expires 6/08/12 | 272,765   |
| 7,300                 | Trust pays 5.39%, Trust receives 3-month LIBOR, expires 3/19/12  | 357,116   |
| 12,400                | Trust pays 5.47%, Trust receives 3-month LIBOR, expires 5/08/12  | 531,960   |
| 12,400                | Trust pays 5.47%, Trust receives 3-month LIBOR, expires 5/08/12  | 579,700   |
| 31,965                | Trust pays 5.495%, Trust receives 3-month LIBOR, expires 5/08/12 | 1,467,833 |
| 5,500                 | Trust pays 5.52%, Trust receives 3-month LIBOR, expires 9/21/36  | 373,168   |

See Notes to Financial Statements.

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## Portfolio of Investments as of October 31, 2007

BlackRock Income Trust Inc. (BKT) (concluded)  
(Percentages shown are based on Net Assets)

| Notional Amount<br>(000)                      | Description   | Value        |
|---|---|--------------|
| <b>OUTSTANDING OPTIONS PURCHASED (cont d)</b> |   |              |
| 31,965  | Trust pays 5.725%, Trust receives 3-month LIBOR, expires 5/24/12  | \$ 1,625,420 |
| 2,800   | Trust pays 5.78%, Trust receives 3-month LIBOR, expires 8/09/10   | 77,446       |
|   | <b>Total Outstanding Options Purchased<br/>(cost \$8,039,528)</b>   | 9,233,335    |
|   | <b>Total Investments before borrowed bonds,<br/>TBA sale commitments, and outstanding options written (cost \$489,328,680<sup>10</sup>)</b> | 483,298,472  |

| Principal Amount<br>(000)           | Description  | Value        |
|-------------------------------------|--|--------------|
| <b>BORROWED BOND (8.5)%</b>         |  |              |
| \$ (34,505)                         | U.S. Treasury Notes, 4.75%, 5/31/12<br>(proceeds \$34,289,344) | (35,402,682) |
| <b>TBA SALE COMMITMENTS (12.1)%</b> |  |              |
| (19,800)                            | Federal National Mortgage Assoc.,<br>5.00%, 11/13/37           | (18,989,428) |
| (15,900)                            | 5.50%, 11/13/37  | (15,666,460) |
| (16,000)                            | 6.00%, 11/13/37  | (16,115,008) |
|                                     | <b>Total TBA Sale Commitments<br/>(proceeds \$49,863,740)</b>  | (50,770,896) |

| Contracts/<br>Notional Amount<br>(000)    | Description   | Value       |
|---|---|-------------|
| <b>OUTSTANDING OPTIONS WRITTEN (2.7)%</b> |   |             |
| (23)                                      | Eurodollar Future, expiring 12/17/07                                | (28,125)    |
| (38)                                      | Eurodollar Future, expiring 3/17/08                                 | (56,437)    |
| (5,700)                                   | Trust pays 3-month LIBOR, Trust receives 5.135%,<br>expires 4/21/08 | (97,385)    |
| (7,300)                                   | Trust pays 3-month LIBOR, Trust receives 5.148%,<br>expires 3/19/08 | (119,063)   |
| (19,500)                                  |   | (1,299,480) |

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|          |   |             |
|----------|---|-------------|
|          | Trust pays 3-month LIBOR, Trust receives 5.448%, expires 5/07/10  |             |
| (3,800)  | Trust pays 3-month LIBOR, Trust receives 5.46%, expires 8/22/08   | (52,272)    |
| (5,400)  | Trust pays 3-month LIBOR, Trust receives 5.485%, expires 10/28/19 | (158,647)   |
| (12,400) | Trust pays 3-month LIBOR, Trust receives 5.67%, expires 1/04/10   | (315,828)   |
| (19,495) | Trust pays 3-month LIBOR, Trust receives 5.685%, expires 5/24/10  | (1,024,462) |
| (63,930) | Trust pays 3-month LIBOR, Trust receives 5.88%, expires 6/23/08   | (3,831,325) |
| (7,300)  | Trust pays 5.115%, Trust receives 3-month LIBOR, expires 3/19/08  | (118,698)   |
| (5,700)  | Trust pays 5.135%, Trust receives 3-month LIBOR, expires 4/21/08  | (97,385)    |
| (19,500) | Trust pays 5.448%, Trust receives 3-month LIBOR, expires 5/07/10  | (1,241,955) |
| (3,800)  | Trust pays 5.46%, Trust receives 3-month LIBOR, expires 8/22/08   | (131,135)   |
| (5,400)  | Trust pays 5.485%, Trust receives 3-month LIBOR, expires 10/28/19 | (212,156)   |
| (12,400) | Trust pays 5.67%, Trust receives 3-month LIBOR, expires 1/04/10   | (599,912)   |

| Notional Amount (000)  | Description   | Value                 |
|--|---|-----------------------|
| <b>OUTSTANDING OPTIONS WRITTEN (cont d)</b>  |   |                       |
| (19,495)   | Trust pays 5.685%, Trust receives 3-month LIBOR, expires 5/24/10        | \$ (1,567,203)        |
| (63,930)   | Trust pays 5.88%, Trust receives 3-month LIBOR, expires 6/23/08         | (265,310)             |
|  | <b>Total Outstanding Options Written (premium received \$9,904,416)</b> | <b>(11,216,778)</b>   |
| <b>Total investments net of borrowed bonds, TBA sale commitments and outstanding options written 92.4%</b> |   | <b>\$ 385,908,116</b> |
| <b>Other assets in excess of liabilities 7.6%</b>  |   | <b>31,742,835</b>     |
| <b>Net Assets 100%</b>   |   | <b>\$ 417,650,951</b> |

- 1 Variable rate security. Rate shown is interest rate as of October 31, 2007.
- 2 Security, or a portion thereof, pledged as collateral with a value of \$6,412,510 on 123 long U.S. Treasury Note futures contracts expiring December 2007, 686 short Eurodollar futures contracts expiring December 2007 to September 2009, 3,506 short U.S. Treasury Note futures contracts expiring December 2007 and 463 short U.S. Treasury Bond futures contracts expiring December 2007. The notional value of such contracts on October 31, 2007 was \$756,077,952, with an unrealized loss of \$4,500,487.
- 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 Illiquid security. As of October 31, 2007, the Trust held 0.7% of its net assets, with a current market value of \$2,789,604, in these securities.
- 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, 2007, the Trust held 0.2% of its net assets, with a current market value of \$775,270, in securities restricted as to resale.

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- 7 Security is fair valued.
- 8 Rate shown is effective yield of the underlying collateral as of October 31, 2007.
- 9 Rate shown is the yield to maturity as of the date of purchase.
- 10 Cost for federal income tax purposes is \$489,476,259. The net unrealized depreciation on a tax basis is \$6,177,787, consisting of \$21,888,429 gross unrealized appreciation and \$28,066,216 gross unrealized depreciation.
- 11 See Note 1 in the Notes to Financial Statements for details of borrowed bond agreements.

See Notes to Financial Statements.

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## Portfolio of Investments as of October 31, 2007

BlackRock Limited Duration Income Trust (BLW)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)              | Description   | Value        |
|-------------------------------------|---|--------------|
| <b>LONG-TERM INVESTMENTS 133.7%</b> |   |              |
| <b>Corporate Bonds 49.1%</b>        |   |              |
| <b>Aerospace &amp; Defense 1.5%</b> |   |              |
| \$ 1,560 <sup>1</sup>               | AAR Corp., Ser. A2, 8.39%, 5/15/11                  | \$ 1,575,600 |
| 745 <sup>2</sup>                    | Bombardier, Inc., 8.00%, 11/15/14 (Canada)          | 774,800      |
| 5,236                               | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13    | 5,563,250    |
|                                     | DRS Technologies, Inc.,                             |              |
| 330                                 | 6.875%, 11/01/13                                    | 330,000      |
| 310                                 | 7.625%, 2/01/18                                     | 316,975      |
| 755                                 | Sequa Corp., 9.00%, 8/01/09                         | 809,737      |
| 570                                 | TransDigm, Inc., 7.75%, 7/15/14                     | 579,975      |
|                                     | Total Aerospace & Defense                           | 9,950,337    |
| <b>Automotive 2.4%</b>              |   |              |
| 850                                 | Accuride Corp., 8.50%, 2/01/15                      | 799,000      |
|                                     | AutoNation, Inc.,                                   |              |
| 690                                 | 7.00%, 4/15/14                                      | 667,575      |
| 690 <sup>3</sup>                    | 7.243%, 4/15/13                                     | 674,475      |
| 7,500 <sup>4</sup>                  | DaimlerChrysler NA Holding Corp., 4.05%, 6/04/08    | 7,439,415    |
| 500                                 | Ford Capital BV, 9.50%, 6/01/10 (Netherlands)       | 503,750      |
| 1,575                               | Lear Corp., Ser. B, 8.75%, 12/01/16                 | 1,512,000    |
| 1,000 <sup>4</sup>                  | Metaldyne Corp., 11.00%, 11/01/13                   | 930,000      |
| 3,500                               | Sonic Automotive, Inc., Ser. B, 8.625%, 8/15/13     | 3,535,000    |
|                                     | Total Automotive                                    | 16,061,215   |
| <b>Basic Materials 3.9%</b>         |   |              |
| 1,405                               | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada) | 1,032,675    |
| 2,200                               | AK Steel Corp., 7.75%, 6/15/12                      | 2,244,000    |
| 1,100                               | American Pacific Corp., 9.00%, 2/01/15              | 1,127,500    |
| 670 <sup>3</sup>                    | Bowater, Inc., 8.694%, 3/15/10                      | 613,050      |
| 120                                 | Chemtura Corp., 6.875%, 6/01/16                     | 114,600      |
| 750                                 | CPG Intl. I, Inc., 10.50%, 7/01/13                  | 750,000      |
|                                     | Domtar, Inc., (Canada)                              |              |
| 300                                 | 7.125%, 8/15/15                                     | 297,000      |
| 140                                 | 7.875%, 10/15/11                                    | 143,850      |
|                                     | Freeport-McMoRan Copper & Gold, Inc.,               |              |
| 4,585 <sup>4</sup>                  | 8.375%, 4/01/17                                     | 5,020,575    |
| 750 <sup>3</sup>                    | 8.394%, 4/01/15                                     | 774,375      |
|                                     | Huntsman LLC,                                       |              |
| 1,950 <sup>4</sup>                  | 11.625%, 10/15/10                                   | 2,067,000    |
| 310                                 | 12.00%, 7/15/12                                     | 337,125      |
|                                     | Ineos Group Holdings Plc (United Kingdom)           |              |
| 1,490                               | 7.875%, 2/07/16 (EUR)                               | 1,985,671    |
| 2,885 <sup>2</sup>                  | 8.50%, 2/15/16                                      | 2,740,750    |
| 2,225                               | Innophos, Inc., 8.875%, 8/15/14                     | 2,241,687    |
| 980 <sup>2</sup>                    | Key Plastics LLC/Key Plastics Finance Corp.,        |              |
|                                     | 11.75%, 3/15/13                                     | 833,000      |
| 560                                 | Lyondell Chemical Co., 10.50%, 6/01/13              | 603,400      |
|                                     | NewPage Corp.,                                      |              |
| 810                                 | 10.00%, 5/01/12                                     | 856,575      |
| 1,500 <sup>3,4</sup>                | 11.161%, 5/01/12                                    | 1,616,250    |
| 300                                 | 12.00%, 5/01/13                                     | 324,000      |

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|                       |   |            |
|-----------------------|---|------------|
| 500 <sup>3</sup>      | NOVA Chemicals Corp., 8.484%, 11/15/13 (Canada) | 491,250    |
| 730                   | Terra Capital, Inc., Ser. B, 7.00%, 2/01/17     | 730,000    |
| Total Basic Materials |   | 26,944,333 |

### Building & Development 0.9%

|                              |   |           |
|------------------------------|---|-----------|
| 3,000 <sup>4</sup>           | DR Horton, Inc., 5.875%, 7/01/13                                  | 2,688,714 |
|                              | Goodman Global Holding Co., Inc.,                                 |           |
| 2,000                        | 7.875%, 12/15/12  | 2,090,000 |
| 269 <sup>3</sup>             | 8.36%, 6/15/12  | 270,345   |
| 665                          | Nortek, Inc., 8.50%, 9/01/14                                      | 588,525   |
| 270                          | North American Energy Partners, Inc., 8.75%,<br>12/01/11 (Canada) | 272,700   |
| Total Building & Development |   | 5,910,284 |

**Principal  
Amount  
(000)**

**Description**

**Value**

### Commercial Services 0.2%

|                           |   |            |
|---------------------------|---|------------|
| \$ 350                    | FTI Consulting, Inc., 7.75%, 10/01/16         | \$ 365,750 |
| 875 <sup>2</sup>          | Quebecor World, Inc., 9.75%, 1/15/15 (Canada) | 853,125    |
| Total Commercial Services |   | 1,218,875  |

### Consumer Products 5.0%

|                         |  |            |
|-------------------------|--|------------|
| 2,085 <sup>3</sup>      | Ames True Temper, Inc., 9.243%, 1/15/12                                  | 2,001,600  |
| 130 <sup>3</sup>        | Avis Budget Car Rental LLC/Avis Budget Finance, Inc.,<br>8.058%, 5/15/14 | 128,375    |
|                         | General Nutrition Centers, Inc.,   |            |
| 2,250                   | 9.85%, 3/15/14   | 2,165,625  |
| 1,880                   | 10.75%, 3/15/15  | 1,828,300  |
| 5,000 <sup>4</sup>      | Group 1 Automotive, Inc., 8.25%, 8/15/13                                 | 5,000,000  |
| 4,400 <sup>4</sup>      | JCPenney Co., Inc., 8.00%, 3/01/10                                       | 4,687,540  |
| 1,475                   | Lazy Days RV Center, Inc., 11.75%, 5/15/12                               | 1,327,500  |
|                         | Michaels Stores, Inc.,   |            |
| 2,210                   | 10.00%, 11/01/14   | 2,226,575  |
| 2,800 <sup>4</sup>      | 11.375%, 11/01/16  | 2,793,000  |
| 73                      | Neiman-Marcus Group, Inc., 9.00%, 10/15/15                               | 77,015     |
| 575                     | Quiksilver, Inc., 6.875%, 4/15/15  | 536,187    |
| 1,000 <sup>4</sup>      | Reynolds American, Inc., 7.625%, 6/01/16                                 | 1,081,917  |
|                         | Rite Aid Corp.,  |            |
| 3,440 <sup>4</sup>      | 7.50%, 3/01/17   | 3,199,200  |
| 5,000 <sup>4</sup>      | 8.125%, 5/01/10  | 5,031,250  |
| 1,790 <sup>4</sup>      | Sally Holdings LLC, 10.50%, 11/15/16                                     | 1,781,050  |
| Total Consumer Products |  | 33,865,134 |

### Containers & Packaging 1.0%

|                              |   |           |
|------------------------------|---|-----------|
| 1,210                        | Berry Plastics Holding Corp.,<br>8.875%, 9/15/14                    | 1,240,250 |
| 835 <sup>3</sup>             | 9.569%, 9/15/14   | 837,087   |
| 885                          | Crown Americas LLC/Crown Americas Capital Corp.,<br>7.75%, 11/15/15 | 911,550   |
| 585                          | Graham Packaging Co., Inc., 8.50%, 10/15/12                         | 580,613   |
| 1,370 <sup>2,3</sup>         | Impress Holdings BV, 8.368%, 9/15/13 (Netherlands)                  | 1,362,813 |
| 2,020                        | Pregis Corp., 12.375%, 10/15/13                                     | 2,201,800 |
| Total Containers & Packaging |   | 7,134,113 |

### Ecological Services & Equipment 0.6%

|       |   |           |
|-------|---|-----------|
| 2,000 | Casella Waste Systems, Inc., 9.75%, 2/01/13 | 2,040,000 |
|-------|---|-----------|



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2,065 Waste Services, Inc., 9.50%, 4/15/14 2,065,000

Total Ecological Services & Equipment 4,105,000

**Energy 4.9%**

|                    |   |           |
|--------------------|---|-----------|
| 5,500 <sup>2</sup> | AES Corp., 8.75%, 5/15/13                                     | 5,816,250 |
| 550                | Berry Petroleum Co., 8.25%, 11/01/16                          | 561,000   |
| 1,210              | Chaparral Energy, Inc., 8.50%, 12/01/15                       | 1,128,325 |
|                    | Chesapeake Energy Corp.,                                      |           |
| 650                | 6.375%, 6/15/15   | 630,500   |
| 100                | 6.875%, 11/15/20  | 97,750    |
| 4,000 <sup>4</sup> | 7.50%, 9/15/13  | 4,110,000 |
|                    | Compagnie Generale de Geophysique-Veritas (France)            |           |
| 255                | 7.50%, 5/15/15  | 260,100   |
| 420                | 7.75%, 5/15/17  | 432,600   |
| 925                | Compton Petroleum Finance Corp., 7.625%,<br>12/01/13 (Canada) | 885,687   |
| 1,640 <sup>1</sup> | East Cameron Gas Co., 11.25%, 7/09/19<br>(Cayman Islands)     | 1,574,400 |
| 590                | Edison Mission Energy, 7.50%, 6/15/13                         | 598,113   |
| 400                | El Paso Natural Gas Co., 8.875%, 6/15/32                      | 466,279   |
| 159                | Elwood Energy LLC, 8.159%, 7/05/26                            | 162,789   |
|                    | Encore Acquisition Co.,                                       |           |
| 250                | 6.00%, 7/15/15  | 226,250   |
| 200                | 7.25%, 12/01/17   | 191,500   |
| 495                | Exco Resources, Inc., 7.25%, 1/15/11                          | 488,813   |
| 380 <sup>4</sup>   | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15                  | 381,900   |
| 895                | KCS Energy, Inc., 7.125%, 4/01/12                             | 881,575   |
| 4,324 <sup>4</sup> | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16                | 4,648,585 |
| 625                | Mirant Americas Generation LLC, 8.30%, 5/01/11                | 632,031   |

See Notes to Financial Statements.

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## Portfolio of Investments as of October 31, 2007

**BlackRock Limited Duration Income Trust (BLW)**  
 (continued)  
 (Percentages shown are based on Net Assets)

| Principal Amount (000)                  | Description  | Value             |
|---|--|-------------------|
| <b>Energy (cont d)</b>                  |  |                   |
| \$ 210                                  | NRG Energy, Inc., 7.25%, 2/01/14                                     | \$ 210,000        |
| 1,185                                   | 7.375%, 2/01/16  | 1,182,037         |
| 1,990 <sup>2</sup>                      | OPTI, Inc., 8.25%, 12/15/14 (Canada)                                 | 1,994,975         |
| 580                                     | Orion Power Holdings, Inc., 12.00%, 5/01/10                          | 640,900           |
| 1,515                                   | Sabine Pass LNG LP, 7.50%, 11/30/16                                  | 1,484,700         |
| 1,240 <sup>2</sup>                      | SemGroup LP, 8.75%, 11/15/15   | 1,190,400         |
| 725 <sup>2</sup>                        | Targa Resources, Inc., 8.50%, 11/01/13                               | 732,250           |
| 1,550                                   | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13                      | 1,523,675         |
|   | <b>Total Energy</b>  | <b>33,133,384</b> |
| <b>Entertainment &amp; Leisure 0.4%</b> |  |                   |
| 505                                     | AMC Entertainment, Inc., 11.00%, 2/01/16                             | 546,663           |
| 1,430 <sup>2</sup>                      | Greektown Holdings LLC, 10.75%, 12/01/13                             | 1,422,850         |
| 1,020                                   | Harrah s Operating Co., Inc., 5.75%, 10/01/17                        | 752,250           |
| 100                                     | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14    | 98,250            |
|   | <b>Total Entertainment &amp; Leisure</b>                             | <b>2,820,013</b>  |
| <b>Financial Institutions 5.2%</b>      |  |                   |
|   | American Real Estate Partners LP/American Real Estate Finance Corp., |                   |
| 1,480                                   | 7.125%, 2/15/13  | 1,443,000         |
| 5,860 <sup>4</sup>                      | 8.125%, 6/01/11  | 5,903,950         |
| 839 <sup>2,3</sup>                      | BMS Holdings, Inc., 12.40%, 2/15/12                                  | 805,682           |
|   | Ford Motor Credit Co. LLC,   |                   |
| 2,800                                   | 7.375%, 2/01/11  | 2,640,938         |
| 1,665                                   | 7.80%, 6/01/12   | 1,564,392         |
| 940 <sup>3</sup>                        | 7.993%, 1/13/12  | 870,229           |
| 60 <sup>3</sup>                         | 9.693%, 4/15/12  | 60,570            |
| 2,735 <sup>4</sup>                      | General Motors Acceptance Corp., 6.875%, 8/28/12                     | 2,465,586         |
| 3,716 <sup>2</sup>                      | iPayment Investors LP, 11.625%, 7/15/14                              | 3,827,972         |
| 950                                     | iPayment, Inc., 9.75%, 5/15/14                                       | 912,000           |
|   | LVB Acquisition Merger Sub, Inc.,                                    |                   |
| 500 <sup>2</sup>                        | 10.00%, 10/15/17   | 513,750           |
| 500 <sup>2</sup>                        | 10.375%, 10/15/17  | 506,250           |
| 670 <sup>2</sup>                        | 11.625%, 10/15/17  | 682,563           |
| 2,590 <sup>2</sup>                      | Momentive Performance Materials, Inc., 11.50%, 12/01/16              | 2,499,350         |
|   | Rainbow National Services LLC,                                       |                   |
| 925 <sup>2</sup>                        | 8.75%, 9/01/12   | 962,000           |
| 3,134 <sup>2</sup>                      | 10.375%, 9/01/14   | 3,447,400         |
| 4,410 <sup>5</sup>                      | Structured Asset Receivable Trust, 5.68%, 1/21/10                    | 4,365,591         |
| 220 <sup>3</sup>                        | Universal City Florida Holding Co. I/II, 9.661%, 5/01/10             | 224,950           |
| 2,780 <sup>2</sup>                      | Wimar Opco LLC/Wimar Opco Finance Corp., 9.625%, 12/15/14            | 2,085,000         |
|   | <b>Total Financial Institutions</b>                                  | <b>35,781,173</b> |
| <b>Health Care 1.1%</b>                 |  |                   |
| 3,000                                   |  | 3,112,500         |

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|                    |   |           |
|--------------------|---|-----------|
|                    | Norcross Safety Products LLC/Norcross Capital Corp.,<br>9.875%, 8/15/11 |           |
| 1,985              | Tenet Healthcare Corp., 6.50%, 6/01/12                                  | 1,682,288 |
| 2,948 <sup>2</sup> | Viant Holdings, Inc., 10.125%, 7/15/17                                  | 2,771,120 |
|                    | Total Health Care   | 7,565,908 |

**Industrials 1.4%**

|                    |   |           |
|--------------------|---|-----------|
| 1,700 <sup>2</sup> | AGY Holding Corp., 11.00%, 11/15/14               | 1,674,500 |
| 650                | Hexcel Corp., 6.75%, 2/01/15                      | 638,625   |
| 905                | Park-Ohio Industries, Inc., 8.375%, 11/15/14      | 843,913   |
|                    | RBS Global, Inc./Rexnord Corp.,<br>9.50%, 8/01/14 | 2,065,000 |
| 1,430              | 11.75%, 8/01/16                                   | 1,515,800 |
| 3,125 <sup>2</sup> | Sunstate Equipment Co. LLC, 10.50%, 4/01/13       | 3,000,000 |
|                    | Total Industrials                                 | 9,737,838 |

**Media 8.6%**

|       |  |           |
|-------|--|-----------|
|       | Affinion Group, Inc.,<br>10.125%, 10/15/13               | 2,058,937 |
| 1,975 | 11.50%, 10/15/15   | 886,125   |
| 850   | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09 | 402,150   |
| 420   |  |           |

**Principal  
Amount  
(000)**

**Description**

**Value**

**Media (cont d)**

|                      |  |            |
|----------------------|--|------------|
| \$ 800 <sup>3</sup>  | Cablevision Systems Corp., Ser. B, 9.644%, 4/01/09   | \$ 822,000 |
| 520                  | CanWest MediaWorks, Inc., 8.00%, 9/15/12 (Canada)  | 507,000    |
|                      | Charter Communications Holdings I LLC/Charter<br>Communications Holdings I Capital Corp.,<br>11.00%, 10/01/15  | 1,353,150  |
| 1,395                | Charter Communications Holdings II LLC/Charter<br>Communications Holdings II Capital Corp.,<br>10.25%, 9/15/10 | 2,937,600  |
| 2,880                | Ser. B, 10.25%, 9/15/10  | 880,138    |
| 865                  | CMP Susquehanna Corp., 9.875%, 5/15/14   | 2,227,969  |
| 2,425                | Comcast Cable Communications, Inc., 6.875%, 6/15/09  | 6,854,899  |
| 6,685 <sup>4</sup>   | Dex Media West LLC/Dex Media Finance Co.,<br>Ser. B, 9.875%, 8/15/13   | 1,759,313  |
| 1,650                | DirecTV Holdings LLC/DirecTV Financing Co.,<br>8.375%, 3/15/13   | 522,500    |
| 500                  | EchoStar DBS Corp.,<br>5.75%, 10/01/08   | 2,793,000  |
| 2,800                | 7.00%, 10/01/13  | 1,384,863  |
| 1,330                | 7.125%, 2/01/16  | 209,000    |
| 200                  | Idearc, Inc., 8.00%, 11/15/16  | 2,531,312  |
| 2,525                | ION Media Networks, Inc., 8.493%, 1/15/12  | 2,005,000  |
| 2,000 <sup>2,3</sup> | Network Communications, Inc., 10.75%, 12/01/13   | 2,118,156  |
| 2,105                | Nexstar Finance, Inc., 7.00%, 1/15/14  | 2,678,400  |
| 2,790                | Nielsen Finance LLC/Nielsen Finance Co.,<br>9.115%, 8/01/16  | 1,011,500  |
| 1,400 <sup>6</sup>   | 10.00%, 8/01/14  | 4,567,850  |
| 4,340                | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16  | 3,465,000  |
| 3,465                | Salem Communications Corp., 7.75%, 12/15/10  | 2,007,500  |
| 2,000                | Sinclair Broadcast Group, Inc., 4.875%, 7/15/18  | 417,019    |
| 460                  | Sirius Satellite Radio, Inc., 9.625%, 8/01/13  | 183,844    |
| 185                  | TL Acquisitions, Inc., 10.50%, 1/15/15   | 4,477,500  |
| 4,500 <sup>2</sup>   | Univision Communications, Inc., 9.75%, 3/15/15   | 1,435,700  |
| 1,465 <sup>2</sup>   | Vertis, Inc., 9.75%, 4/01/09   | 2,390,000  |
| 2,390                | Young Broadcasting, Inc., 10.00%, 3/01/11  | 4,081,480  |
| 4,342                |  |            |

Total Media

58,968,905

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| <b>Real Estate 0.3%</b>        |  |                   |
|--------------------------------|--|-------------------|
| 2,000 <sup>3</sup>             | Rouse Co., 5.375%, 11/26/13  | 1,812,352         |
| <b>Technology 2.6%</b>         |  |                   |
| 2,063                          | Amkor Technology, Inc.,<br>7.75%, 5/15/13                              | 1,995,952         |
| 600                            | 9.25%, 6/01/16   | 613,500           |
| 1,965 <sup>4</sup>             | Celestica, Inc., 7.625%, 7/01/13 (Canada)                              | 1,886,400         |
| 3,015                          | Freescale Semiconductor, Inc.,<br>9.125%, 12/15/14                     | 2,728,575         |
| 600 <sup>3</sup>               | 9.569%, 12/15/14   | 551,250           |
| 1,625                          | NXP BV/NXP Funding LLC, 9.50%, 10/15/15 (Netherlands)                  | 1,535,625         |
| 1,835 <sup>4</sup>             | Sanmina-SCI Corp., 8.125%, 3/01/16                                     | 1,610,213         |
| 590                            | SunGard Data Systems, Inc.,<br>9.125%, 8/15/13                         | 601,800           |
| 2,600                          | 10.25%, 8/15/15  | 2,710,500         |
| 3,765                          | Superior Essex Communications LLC/Essex Group, Inc.,<br>9.00%, 4/15/12 | 3,717,937         |
|                                | <b>Total Technology</b>  | <b>17,951,752</b> |
| <b>Telecommunications 7.9%</b> |  |                   |
| 1,420                          | Cincinnati Bell, Inc., 7.25%, 7/15/13                                  | 1,423,550         |
| 990                            | Cricket Communications, Inc., 9.375%, 11/01/14                         | 982,575           |
| 5,000 <sup>4</sup>             | Deutsche Telekom Intl. Finance BV, 8.00%, 6/15/10<br>(Netherlands)     | 5,361,380         |
| 1,120 <sup>2</sup>             | Digicel Group Ltd. (Bermuda)<br>8.875%, 1/15/15                        | 1,045,856         |
| 2,797 <sup>2</sup>             | 9.125%, 1/15/15  | 2,611,856         |
| 860 <sup>3</sup>               | Hawaiian Telcom Communications, Inc., Ser. B,<br>10.318%, 5/01/13      | 870,750           |
| 2,495                          | Intelsat Corp., 9.00%, 6/15/16   | 2,551,138         |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Limited Duration Income Trust (BLW) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)              | Description   | Value              |
|-------------------------------------|---|--------------------|
| <b>Telecommunications (cont d)</b>  |   |                    |
| \$ 415 <sup>3</sup>                 | Intelsat Ltd. (Bermuda)   | \$ 421,225         |
| 1,800                               | 8.886%, 1/15/15   | 1,867,500          |
| 630                                 | 9.25%, 6/15/16  | 677,250            |
| 2,815 <sup>3</sup>                  | 11.25%, 6/15/16   | 2,934,637          |
| 1,470                               | 11.409%, 6/15/13  |                    |
|                                     | Intelsat Subsidiary Holding Co. Ltd., 8.625%,<br>1/15/15 (Bermuda)        | 1,492,050          |
| 500 <sup>2</sup>                    | MetroPCS Wireless, Inc., 9.25%, 11/01/14                                  | 496,250            |
| 3,850 <sup>2</sup>                  | Nordic Telephone Co. Holdings A.p.S.,<br>8.875%, 5/01/16 (Denmark)        | 4,071,375          |
| 3,300 <sup>2,3</sup>                | Nortel Networks Ltd., 9.493%, 7/15/11 (Canada)                            | 3,258,750          |
| 3,517                               | PanAmSat Corp., 9.00%, 8/15/14  | 3,587,340          |
| 3,287 <sup>2,3</sup>                | ProtoStar I Ltd., 12.50%, 10/15/12 (Bermuda)                              | 3,451,615          |
| 1,364 <sup>3</sup>                  | Qwest Communications Intl., Inc., 9.058%, 2/15/09<br>Qwest Corp.,         | 1,370,820          |
| 1,000                               | 7.875%, 9/01/11   | 1,055,000          |
| 2,500 <sup>3</sup>                  | 8.944%, 6/15/13   | 2,665,625          |
| 2,675 <sup>4</sup>                  | 9.125%, 3/15/12   | 2,929,125          |
| 3,595                               | West Corp., 11.00%, 10/15/16  | 3,765,762          |
| 1,500 <sup>2</sup>                  | Wind Acquisition Finance S.A., 10.75%,<br>12/01/15 (Luxembourg)           | 1,668,750          |
|                                     | Windstream Corp.,   |                    |
| 2,340 <sup>4</sup>                  | 8.125%, 8/01/13   | 2,474,550          |
| 1,060                               | 8.625%, 8/01/16   | 1,134,200          |
|                                     | <b>Total Telecommunications</b>   | <b>54,168,929</b>  |
| <b>Transportation 1.2%</b>          |   |                    |
| 520                                 | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11                       | 513,500            |
| 490                                 | Britannia Bulk Plc, 11.00%, 12/01/11 (United Kingdom)                     | 514,500            |
| 1,715                               | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)                            | 1,659,263          |
| 2,150                               | Navios Maritime Holdings, Inc., 9.50%,<br>12/15/14 (Marshall Islands)     | 2,273,625          |
| 1,650                               | Overseas Shipholding Group, Inc., 8.75%, 12/01/13                         | 1,769,625          |
| 1,900 <sup>2</sup>                  | St. Acquisition Corp., 12.50%, 5/15/17                                    | 1,211,250          |
|                                     | <b>Total Transportation</b>   | <b>7,941,763</b>   |
|                                     | <b>Total Corporate Bonds</b>  | <b>335,071,308</b> |
| <b>Bank Loans 56.5%</b>             |   |                    |
| <b>Aerospace &amp; Defense 0.3%</b> |   |                    |
| 1,750                               | DI Finance/DynCorp Intl., Loan B,<br>LIBOR + 2.00%, 2/11/11               | 1,675,789          |
| 486                                 | Wesco Aircraft Hardware Corp., First Lien Loan,<br>LIBOR + 2.25%, 9/29/13 | 480,375            |
|                                     | <b>Total Aerospace &amp; Defense</b>                                      | <b>2,156,164</b>   |
| <b>Automotive 1.7%</b>              |   |                    |
| 637                                 | IAP Worldwide Services, Inc., First Lien Loan,<br>LIBOR + 6.25%, 12/30/12 | 571,731            |

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|       |   |            |
|-------|---|------------|
| 1,489 | Keystone Automotive Industries, Inc., Loan B,<br>LIBOR + 3.50%, 1/12/12 | 1,385,778  |
| 964   | Mark IV Industries, Inc., First Lien Loan,<br>LIBOR + 2.50%, 6/21/11    | 927,972    |
| 765   | Metaldyne Corp., LIBOR , 1/11/14  | 745,875    |
| 496   | Motorsport Aftermarket Group, Inc.,<br>LIBOR + 2.50%, 11/30/13          | 477,641    |
| 1,000 | Navistar Intl. Corp.,<br>Revolver Loan, Unfunded, 0.50%, 1/19/12        | 980,750    |
| 2,750 | LIBOR + 3.25%, 1/19/12  | 2,697,062  |
| 921   | Rent-A-Center, Inc., Loan B, LIBOR + 1.75%, 6/30/12                     | 899,519    |
| 1,870 | Reynolds & Reynolds Co.,<br>LIBOR + 2.00%, 10/26/12                     | 1,821,930  |
| 1,250 | Second Lien Loan, LIBOR + 5.50%, 10/26/13                               | 1,246,875  |
|       | Total Automotive  | 11,755,133 |

| Principal Amount (000)      | Description  | Value      |
|-----------------------------|--|------------|
| <b>Basic Materials 2.6%</b> |  |            |
| \$ 998                      | Appleton Papers, Inc., Loan B, LIBOR + 1.75%, 6/05/14                | \$ 956,977 |
| 499                         | BOC Edwards, LIBOR + 2.00%, 5/31/14                                  | 466,331    |
|                             | Brenntag Holdings (EUR)  |            |
| 282                         | Loan B6, LIBOR + 2.00%, 9/15/14                                      | 390,878    |
| 218                         | Loan B6b, LIBOR + 2.00%, 9/15/14                                     | 302,615    |
| 1,000                       | Cognis Group, LIBOR, 11/17/13 (EUR)                                  | 1,391,641  |
| 786                         | Compass Minerals Group, Inc.,<br>LIBOR + 1.50%, 12/22/12             | 773,060    |
| 550                         | Huntsman Intl. LLC, Loan B, LIBOR + 1.75%, 4/19/14                   | 545,102    |
|                             | Ineos Group Holdings Plc,  |            |
| 1,241                       | Loan A4, LIBOR + 2.25%, 12/16/12                                     | 1,210,496  |
| 1,682                       | Loan B2, LIBOR + 2.25%, 12/16/13                                     | 1,664,679  |
| 1,682                       | Loan C2, LIBOR + 2.75%, 12/23/14                                     | 1,664,223  |
|                             | Invista BV,  |            |
| 1,283                       | Loan B1, LIBOR + 1.50%, 4/29/11                                      | 1,259,879  |
| 680                         | Loan B2, LIBOR + 1.50%, 4/29/11                                      | 667,829    |
| 1,496                       | ISP Chemco LLC, Loan B, LIBOR + 1.75%, 6/04/14                       | 1,459,218  |
| 1,151                       | John Maneely Co., Loan B, LIBOR + 3.25%, 12/08/13                    | 1,065,305  |
| 1,562                       | Nalco Co., Loan B, LIBOR + 1.75%, 11/04/10                           | 1,551,152  |
| 975                         | Rockwood Specialties Group, Inc., Loan E,<br>LIBOR + 1.50%, 12/13/13 | 957,694    |
| 1,611                       | SP Newsprint, Loan B, LIBOR + 3.75%, 1/09/10                         | 1,562,778  |
|                             | Total Basic Materials  | 17,889,857 |

|  |   |           |
|--|---|-----------|
| <b>Building &amp; Development-2.0%</b> |   |           |
| 196                                    | Armstrong World Industries, Inc., LIBOR + 1.75%, 10/02/13                   | 194,045   |
| 1,238                                  | Beacon Roofing Supply, Inc., Loan B,<br>LIBOR + 2.00%, 9/30/13              | 1,175,625 |
|  | Brand Energy & Infrastructure Services, Inc.,                               |           |
| 498                                    | First Lien Loan B, LIBOR + 2.25%, 2/07/14                                   | 474,698   |
| 500                                    | Second Lien Loan, LIBOR + 6.00%, 2/07/15                                    | 477,917   |
| 2,481                                  | Building Materials Holding Corp.,<br>PRIME + 1.75%, 3/15/14                 | 2,238,485 |
| 1,500                                  | Custom Building Products, Inc., Second Lien Loan,<br>LIBOR + 5.00%, 4/29/12 | 1,380,000 |
| 250                                    | Euramax Intl., Inc., Second Lien Loan,<br>LIBOR + 8.00% , 6/29/13           | 212,908   |
| 1,500                                  | Hanley Wood LLC, LIBOR + 2.25%, 3/08/14                                     | 1,233,750 |
|  | Lafarge Roofing Holdings, Inc.,   |           |
| 725                                    | Loan B1, LIBOR + 2.13%, 2/28/14 (EUR)                                       | 955,310   |
| 296                                    | Loan B2, LIBOR + 2.13%, 2/28/14 (EUR)                                       | 390,196   |
| 278                                    | Loan B4, LIBOR + 0.00%, 2/28/14   | 251,415   |

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|       |   |            |
|-------|---|------------|
| 673   | Loan C1, LIBOR, 2/28/15 (EUR)   | 890,852    |
| 346   | Loan C2, LIBOR, 2/28/15 (EUR)   | 458,268    |
| 285   | Loan C4, LIBOR, 2/28/15   | 258,886    |
| 494   | Nacco Industries, Inc., Unfunded, 0.25%, 3/21/13                      | 475,234    |
| 485   | Nortek, Inc., Loan B, PRIME + 1.25%, 8/27/11                          | 472,875    |
| 800   | Rhodes Ranch, First Lien Loan, LIBOR + 3.50%, 11/21/10                | 724,000    |
| 1,870 | United Subcontractors, Inc., First Lien Loan, LIBOR + 3.00%, 12/27/12 | 1,533,469  |
|       | Total Building & Development  | 13,797,933 |

**Conglomerates 1.3%**

|       |   |           |
|-------|---|-----------|
|       | Atlantis Plastics, Inc.,  |           |
| 975   | First Lien Loan, LIBOR + 4.00%, 9/22/11                         | 809,250   |
| 250   | Second Lien Loan, LIBOR + 9.00%, 3/22/12                        | 207,500   |
| 891   | Blount Intl., Loan B, PRIME, 8/09/10                            | 870,631   |
| 1,946 | Colfax Corp., Loan B, LIBOR + 2.25%, 5/30/09                    | 1,923,989 |
|       | Invensys Plc,   |           |
| 1,000 | Loan A, LIBOR + 2.00%, 12/15/11                                 | 975,000   |
| 1,000 | Loan B, LIBOR + 2.13%, 12/15/11 (GBP)                           | 2,042,913 |
| 1,122 | Sensus Metering Systems, Inc., Loan B1, LIBOR + 2.00%, 12/17/10 | 1,099,304 |
| 722   | St. John Knits Intl., Inc., Loan B, LIBOR + 3.00%, 3/21/12      | 707,649   |
|       | Total Conglomerates   | 8,636,236 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Limited Duration Income Trust (BLW) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)        | Description   | Value      |
|-------------------------------|---|------------|
| <b>Consumer Products 8.1%</b> |   |            |
| \$ 1,000                      | Aearo Technologies, Inc., Second Lien Loan, LIBOR + 5.50%, 12/01/14     | \$ 965,000 |
| 985                           | 24 Hour Fitness Worldwide, Inc., Loan B, LIBOR + 2.50%, 6/08/12         | 965,300    |
| 774                           | Advance Food Co., Loan B, PRIME + 0.75%, 3/16/14                        | 739,064    |
| 222                           | TBD, Unfunded, 3/16/14  | 212,222    |
| 750                           | American Safety Razor Co., Second Lien Loan, LIBOR + 6.25%, 1/30/14     | 746,250    |
| 178                           | ARAMARK Corp., Letter of Credit, LIBOR + 2.00%, 1/26/14                 | 173,305    |
| 2,487                         | Loan B, LIBOR + 2.00%, 1/26/14  | 2,424,837  |
| 448                           | Arby's Restaurant Group, Inc., Loan B, LIBOR + 2.25%, 7/25/12           | 438,529    |
| 390                           | Bare Escentuals Beauty, Inc., First Lien Loan, LIBOR + 2.25%, 2/18/12   | 384,738    |
| 947                           | Berkline Bench Craft, Loan B, PRIME + 2.75%, 11/03/11                   | 54,230     |
| 1,005 <sup>7</sup>            | Second Lien Loan, TBD, 5/11/12  | 50,252     |
| 1,244                         | Brickman Group Ltd., LIBOR + 2.00%, 1/23/14                             | 1,206,438  |
| 1,011                         | Burlington Coat Factory Warehouse Corp., Loan B, LIBOR + 2.25%, 5/28/13 | 945,381    |
| 1,090                         | Central Garden & Pet Co., Loan B, PRIME + 0.75%, 9/30/12                | 991,792    |
| 31                            | Cenveo Corp., Delayed Draw Loan, LIBOR + 1.75%, 6/21/13                 | 29,806     |
| 923                           | Loan C, LIBOR + 1.75%, 6/21/13  | 896,921    |
| 435                           | Chiquita Brands Intl., Inc., Loan C, LIBOR + 3.00%, 6/28/12             | 427,253    |
| 1,245                         | Claire's Stores, Inc., Loan B, LIBOR + 2.75%, 5/29/14                   | 1,169,912  |
| 993                           | Coinmach Corp., Loan B1, Unfunded, 1.25%, 12/19/12                      | 985,492    |
| 2,209                         | Cracker Barrel, Loan B, LIBOR + 1.50%, 4/27/13                          | 2,144,617  |
| 1,500                         | Culligan International Co., Second Lien Loan, LIBOR, 4/24/13 (EUR)      | 1,912,085  |
| 995                           | David's Bridal, Inc., LIBOR + 2.00%, 1/31/14                            | 937,788    |
| 468                           | Dole Food Co., Inc., Letter of Credit, LIBOR, 4/12/13                   | 453,863    |
| 1,038                         | LIBOR + 2.00%, 4/12/13  | 1,005,873  |
| 3,460                         | Loan C, LIBOR + 2.00%, 4/12/13  | 3,352,910  |
| 500                           | DS Waters Holdings, Inc., Loan B, LIBOR, 3/07/12                        | 486,250    |
| 1,936                         | Eight O'Clock Coffee, First Lien Loan, LIBOR + 2.75%, 11/14/11          | 1,935,747  |
| 672                           | FTD, Inc., LIBOR + 2.00%, 7/28/13                                       | 664,045    |
| 350                           | Gold Toe, Second Lien Loan, LIBOR + 6.00%, 4/30/14                      | 343,000    |
| 1,938                         | JRD Holdings, Inc., LIBOR + 2.50%, 5/11/14                              | 1,889,063  |
| 780                           | Language Line, Inc., Loan B1, LIBOR + 3.25%, 6/11/11                    | 757,381    |
| 1,000 <sup>7</sup>            | Le-Natures, Inc., Loan B, LIBOR + 4.00%, 3/01/11                        | 577,500    |
| 2,420                         | Michael Foods, Inc., Loan B1, LIBOR + 2.00%, 11/21/10                   | 2,382,496  |
| 1,440                         | Neiman-Marcus Group, Inc., LIBOR + 1.75%, 4/06/13                       | 1,413,836  |
| 1,330                         | New Page, Loan B, LIBOR + 2.25%, 5/02/11                                | 1,313,308  |
| 1,500                         | Orchard Supply Hardware Stores Corp., Loan B2, LIBOR + 2.45%, 12/09/07  | 1,477,500  |
| 963                           | Oriental Trading Co., LIBOR + 2.25%, 7/31/13                            | 924,585    |
| 75                            | OSI Food Co., Pre Funded Revolver, Unfunded, 0.50%, 6/14/13             | 72,256     |
| 922                           | Loan B, LIBOR + 2.25%, 6/14/14  | 886,522    |



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|       |   |           |
|-------|---|-----------|
| 2,910 | OSI Group LLC, LIBOR + 2.00% , 9/02/11                              | 2,829,975 |
| 1,164 | Pantry, Inc. (The), Loan B, LIBOR + 1.75%, 5/15/14                  | 1,122,291 |
| 397   | PETCO Animal Supplies, Inc., LIBOR + 2.25%, 10/26/13                | 387,241   |
| 591   | Pierre Foods, Inc., Loan B, LIBOR + 4.00%, 6/30/10                  | 580,901   |
| 750   | Pivotal Promontory LLC, Second Lien Loan,<br>PRIME + 5.50%, 8/31/11 | 656,250   |
| 1,315 | Prestige Brands Holdings, Inc., Loan B,<br>LIBOR + 2.25%, 4/06/11   | 1,304,701 |
| 1,975 | Quiznos Corp., First Lien Loan, LIBOR + 2.25%, 5/05/13              | 1,910,263 |

| Principal Amount (000)            | Description   | Value      |
|-----------------------------------|---|------------|
| <b>Consumer Products (cont d)</b> |   |            |
| \$ 402                            | Riverdeep Interactive Learning, Inc.,<br>Bridge Loan, LIBOR + 7.20%, 12/21/07 | \$ 400,179 |
| 995                               | Loan B, LIBOR + 2.75%, 12/20/13   | 987,318    |
| 3,650                             | ServiceMaster Co. (The), Bridge Loan,<br>LIBOR + 4.50%, 6/19/08               | 3,371,687  |
| 1,368                             | Sturm Foods, Inc.,<br>LIBOR + 2.50%, 1/31/14                                  | 1,272,356  |
| 500                               | Second Lien Loan, LIBOR + 7.00%, 7/21/14                                      | 458,750    |
| 6217                              | Synventive Acquisition, Inc., Mezzanine Loan, LIBOR, 1/31/14                  | 279,656    |
| 354                               | Warnaco, Inc., Loan B, LIBOR + 1.50%, 1/31/13                                 | 349,191    |
|                                   | Wastequip, Inc.,  |            |
| 311                               | Delayed Draw Loan, LIBOR + 2.25%, 2/05/13                                     | 293,286    |
| 689                               | Loan B, LIBOR + 2.25%, 2/05/13  | 649,215    |
|                                   | Total Consumer Products   | 55,590,607 |

| <b>Containers &amp; Packaging 2.0%</b> |   |            |
|--|---|------------|
| 364                                    | Bluegrass Container Co. LLC,<br>Delayed Draw Second Lien Loan,<br>LIBOR + 5.00%, 12/30/13 | 364,318    |
| 341                                    | First Lien Loan, LIBOR + 2.25%, 6/30/13   | 337,969    |
| 1,140                                  | Loan B, LIBOR + 2.25%, 6/30/13  | 1,129,527  |
| 1,136                                  | Second Lien Loan, LIBOR + 5.00%, 12/30/13   | 1,138,494  |
|  | Consolidated Container Co. LLC,   |            |
| 995                                    | First Lien Loan, LIBOR + 2.25%, 3/28/14   | 927,837    |
| 750                                    | Second Lien Loan, LIBOR, 9/28/14  | 648,750    |
| 2,456                                  | Georgia-Pacific Corp., First Lien Loan,<br>LIBOR + 1.75%, 12/20/12                        | 2,396,598  |
| 4,975                                  | Graham Packaging Co. LP, Loan B,<br>LIBOR + 2.25%, 10/07/11                               | 4,869,281  |
| 568                                    | Smurfit-Stone Container Enterprises, Inc.,<br>Unfunded, 0.50%, 11/01/10                   | 561,259    |
| 1,352                                  | Solo Cup, Inc., LIBOR + 3.50%, 2/27/11  | 1,346,182  |
|  | Total Containers & Packaging  | 13,720,215 |

| <b>Ecological Services &amp; Equipment 0.1%</b> |  |         |
|---|--|---------|
| 500   | Envirosolutions, Inc., LIBOR + 3.50%, 7/07/12                      | 470,000 |
| 73  | Sensus Metering Systems, Inc., Loan B2,<br>LIBOR + 2.00%, 12/17/10 | 71,423  |
|   | Total Ecological Services & Equipment                              | 541,423 |

| <b>Energy 6.0%</b> |   |         |
|--------------------|---|---------|
| 429                | AES Corp., LIBOR + 1.75%, 4/30/08           | 425,223 |
|                    | Big West Oil LLC,                           |         |
| 550                | Delayed Draw Loan, LIBOR + 1.50%, 5/15/14   | 528,000 |
| 448                | LIBOR + 2.25%, 5/15/14                      | 429,600 |
|                    | Coffeyville Resources LLC,                  |         |
| 243                | Letter Of Credit, Unfunded, 0.50%, 12/29/10 | 240,659 |

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|       |   |           |
|-------|---|-----------|
| 793   | Loan D, PRIME + 3.25%, 12/28/13<br>Coletto Creek Power,                           | 784,872   |
| 127   | Letter of Credit, LIBOR + 2.85%, 6/28/13  | 125,000   |
| 1,849 | Loan B, LIBOR + 2.75%, 6/28/13  | 1,814,531 |
| 1,485 | Dresser, Inc., Loan B, LIBOR + 2.50%, 5/04/14<br>ElectricInvest Holding Co. Ltd., | 1,452,233 |
| 894   | LIBOR + 4.00% , 12/21/12 (EUR)  | 1,250,814 |
| 900   | LIBOR + 4.00% , 12/21/12 (GBP)  | 1,808,212 |
| 2,000 | Flint, Loan B9, LIBOR, 11/09/14<br>Generac Power Systems, Inc.,                   | 1,922,500 |
| 990   | First Lien Loan, PRIME + 1.50%, 11/09/13  | 868,372   |
| 500   | Second Lien Loan, PRIME + 5.00%, 5/10/14  | 358,959   |
| 1,474 | Key Energy Services, Inc., Loan C,<br>LIBOR + 2.50%, 6/30/12<br>MACH Gen LLC,     | 1,467,302 |
| 70    | Letter Of Credit, Unfunded, 0.50%, 2/22/13  | 67,887    |
| 675   | LIBOR + 2.00%, 2/22/14  | 651,316   |
| 496   | McJunkin Corp., Loan B, LIBOR + 3.25%, 1/31/13                                    | 493,459   |
| 493   | MEG Energy Corp., Loan B, LIBOR + 2.00%, 4/03/13                                  | 481,788   |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

**BlackRock Limited Duration Income Trust (BLW)**  
**(continued)**  
**(Percentages shown are based on Net Assets)**

| Principal Amount (000)                  | Description  | Value             |
|---|--|-------------------|
| <b>Energy (cont d)</b>                  |  |                   |
| \$ 159                                  | Northeast Energy, Letter of Credit, LIBOR + 2.50%, 11/01/13            | \$ 152,988        |
| 1,297                                   | Loan B, LIBOR + 2.50%, 11/01/13  | 1,251,802         |
| 250                                     | Second Lien Loan, LIBOR + 4.50%, 5/01/14                               | 236,875           |
| 1,995                                   | Safenet, Inc., Loan B, LIBOR, 4/12/14                                  | 1,895,250         |
| 1,500                                   | SandRidge Energy, Inc., LIBOR, 4/01/14                                 | 1,485,000         |
| 1,500                                   | TBD, 4/01/15   | 1,485,000         |
| 15,000                                  | Texas Competitive Electric Holdings Co. LLC, TBD, 10/10/14             | 14,997,424        |
| 151                                     | TPF Generation Holdings LLC, Letter of Credit, LIBOR + 2.10%, 12/15/13 | 147,381           |
| 770                                     | Loan B, LIBOR + 2.00%, 12/15/13  | 753,776           |
| 47                                      | Revolver Loan, Unfunded, 0.50%, 12/15/13                               | 46,201            |
| 1,477                                   | Trinidad Energy Services Income Trust, LIBOR + 2.50%, 5/13/11          | 1,462,725         |
| 926                                     | Western Refining, LIBOR + 1.75%, 5/30/14                               | 906,567           |
| 470                                     | Wolf Hollow I LP, Loan B, LIBOR + 2.25%, 6/22/12                       | 437,481           |
| 400                                     | Synthetic Letter of Credit, LIBOR + 2.25%, 6/22/12                     | 372,000           |
| 100                                     | Synthetic Revolver Loan, LIBOR + 2.25%, 6/22/12                        | 93,000            |
|   | <b>Total Energy</b>  | <b>40,894,197</b> |
| <b>Entertainment &amp; Leisure 3.4%</b> |  |                   |
| 857                                     | Alpha III, Loan B1, LIBOR + 2.38%, 12/31/13                            | 837,857           |
| 643                                     | Loan B2, LIBOR + 2.38%, 12/31/13                                       | 628,393           |
| 1,000                                   | Loan D, LIBOR, 6/30/14   | 975,833           |
| 1,692                                   | CCM Merger, Inc., Loan B, LIBOR + 2.00%, 7/13/12                       | 1,649,478         |
| 1,107                                   | Cinemark, Inc., Loan B, LIBOR + 1.75%, 10/05/13                        | 1,080,323         |
| 998                                     | Discovery Channel, Loan B, LIBOR + 2.00%, 5/14/14                      | 983,161           |
| 1,980                                   | Greektown Holdings LLC, Loan B, LIBOR + 2.75%, 12/03/12                | 1,900,800         |
| 479                                     | Green Valley Ranch Gaming LLC, First Lien Loan, LIBOR + 2.00%, 2/16/14 | 467,335           |
| 1,000                                   | Second Lien Loan, LIBOR + 3.25%, 8/16/14                               | 947,500           |
| 490                                     | Hit Entertainment Ltd., LIBOR + 2.00%, 3/20/12                         | 479,593           |
| 700                                     | Las Vegas Sands LLC, Delayed Draw Loan, LIBOR + 0.75%, 5/23/14         | 678,731           |
| 2,294                                   | Loan B, LIBOR + 1.75%, 5/23/14   | 2,224,539         |
| 4,925                                   | Metro-Goldwyn-Mayer Studios, Inc., Loan B, LIBOR + 3.25%, 4/08/12      | 4,713,634         |
| 978                                     | Penn National Gaming, Inc., Loan B, LIBOR + 1.75%, 10/03/12            | 969,818           |
| 3,728                                   | Travelport LLC, LIBOR + 7.00%, 3/27/12                                 | 3,584,752         |
| 29                                      | Travelport, Inc., Letter of Credit, LIBOR + 2.25%, 8/23/13             | 28,354            |
| 145                                     | LIBOR + 2.25%, 8/23/13   | 141,309           |
| 495                                     | Wembley, Inc., First Lien Loan, LIBOR + 2.50%, 8/23/11                 | 478,872           |
| 413                                     | Yellowstone Mountain Club, LIBOR + 2.38%, 9/30/10                      | 387,781           |
|   | <b>Total Entertainment &amp; Leisure</b>                               | <b>23,158,063</b> |

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**Financial Institutions 2.9%**

|        |  |           |
|--------|--|-----------|
| 984    | Advantage Sales & Marketing, Inc., LIBOR + 2.00%, 3/29/13            | 946,694   |
| 1,489  | Alix Partners, LIBOR + 2.00%, 10/12/13                               | 1,460,836 |
| 990    | Bankruptcy Management, LIBOR + 2.75%, 7/28/12                        | 962,775   |
| 925    | Billing Services Group, LIBOR + 2.50%, 5/11/12 (EUR)                 | 1,339,908 |
| 929    | BNY Convergenx Group LLC, First Lien Loan, LIBOR + 3.00%, 10/02/13   | 913,482   |
| 432    | CCC Information Services Group, Inc., Loan B, LIBOR + 2.50%, 2/10/13 | 426,637   |
| 1,238  | Charter Mac, Loan B, LIBOR + 2.50%, 8/15/12                          | 1,138,500 |
| 743    | Conseco, Inc., LIBOR + 2.00%, 10/10/13                               | 707,544   |
| 3,0001 | Enclave, Loan B, LIBOR, 3/01/12                                      | 2,842,680 |

**Principal Amount (000)**

**Description**

**Value**

**Financial Institutions (cont d)**

|       |  |                   |
|-------|--|-------------------|
|       | GS Holdings Corp.,   |                   |
| \$ 52 | Delayed Draw Loan, LIBOR + 1.75%, 5/12/13                                  | \$ 50,662         |
| 80    | LIBOR + 1.75%, 5/13/11   | 77,718            |
| 541   | LIBOR + 1.75%, 5/12/13   | 526,878           |
| 4,000 | J.G. Wentworth LLC, First Lien Loan, LIBOR + 2.25%, 4/04/14                | 3,805,000         |
| 385   | Jostens, Inc., Loan C, LIBOR + 2.00%, 12/21/11                             | 381,351           |
| 998   | Lucite Intl. Finance Plc, LIBOR + 9.00%, 7/07/13 (EUR)                     | 1,394,644         |
| 801   | Professional Service, Inc., Loan B, LIBOR + 2.75%, 10/31/12                | 785,380           |
| 496   | Renfro Corp., Delayed Draw Loan, LIBOR + 3.25%, 10/05/13                   | 485,994           |
| 1,111 | Sedgewick Claims Management Services, Inc., Loan B, LIBOR + 2.25%, 1/31/13 | 1,091,258         |
| 741   | Vertellus, First Lien Loan, LIBOR + 3.25%, 3/31/13                         | 720,258           |
|       | <b>Total Financial Institutions</b>  | <b>20,058,199</b> |

**Health Care 2.9%**

|       |   |                   |
|-------|---|-------------------|
|       | Cardinal Health, Inc.,  |                   |
| 1,995 | Loan B, LIBOR + 2.25%, 4/15/14 (EUR)                            | 2,600,870         |
| 1,496 | Unfunded, 2.25%, 4/10/14  | 1,346,625         |
| 859   | CCS Medical, Loan B, LIBOR + 3.25%, 9/30/12                     | 834,993           |
|       | Community Health Systems, Inc.,                                 |                   |
| 340   | Delayed Draw Loan, Unfunded, 0.50%, 7/25/14                     | 332,047           |
| 5,160 | Loan B, LIBOR + 2.25%, 7/25/14                                  | 5,033,938         |
| 250   | Emdeon Business Services, LLC, Second Lien Loan, LIBOR, 5/16/14 | 247,500           |
| 663   | Eye Care Centers of America, Inc., LIBOR + 2.50%, 2/16/12       | 653,545           |
| 1,990 | Health Management Associates, Inc., PRIME + 0.75%, 2/28/14      | 1,897,133         |
| 859   | HealthSouth Corp., Loan B, LIBOR + 2.50%, 3/10/13               | 838,432           |
| 491   | National Renal Institutes, Inc., Loan B, LIBOR + 2.25%, 3/31/13 | 477,163           |
|       | Quintiles Transnational Corp.,                                  |                   |
| 985   | First Lien Loan, LIBOR + 2.00%, 3/31/13                         | 964,993           |
| 250   | Second Lien Loan, LIBOR + 4.00%, 3/31/14                        | 247,500           |
| 975   | Select Medical Corp., Loan B, LIBOR + 2.00%, 2/24/12            | 931,531           |
| 980   | Vanguard Health Holding Co. II LLC, LIBOR + 2.25%, 9/23/11      | 957,508           |
|       | Warner Chilcott Corp.,  |                   |
| 1,722 | Loan B, LIBOR + 2.00%, 1/18/12                                  | 1,692,909         |
| 515   | Loan C, LIBOR + 2.00%, 1/18/12                                  | 506,661           |
|       | <b>Total Health Care</b>  | <b>19,563,348</b> |

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**Industrials 2.7%**

|       |  |           |
|-------|--|-----------|
| 987   | Acosta, Inc., LIBOR + 2.25%, 7/28/13   | 964,047   |
| 983   | Bolthouse Farms, Inc., First Lien Loan,<br>LIBOR + 2.25%, 12/16/12                                   | 966,534   |
| 998   | Bucyrus International, Inc., LIBOR + 1.50%, 5/04/14<br>Buhrmann U.S., Inc.,                          | 985,031   |
| 496   | Loan D, LIBOR + 2.00%, 12/31/10  | 490,047   |
| 2,246 | Loan D1, LIBOR + 2.00%, 12/23/10   | 2,218,149 |
| 1,725 | Drummond Co., Inc., LIBOR + 1.25%, 2/14/11   | 1,690,500 |
| 1,496 | Harland Clarke Holdings Corp., Loan B,<br>LIBOR + 2.50%, 6/30/14                                     | 1,406,475 |
| 1,496 | Jason, Inc., LIBOR + 2.50%, 4/30/10<br>Kion Group,   | 1,451,363 |
| 250   | Loan B, LIBOR + 2.25%, 3/15/15   | 245,764   |
| 250   | Loan C, LIBOR + 2.50%, 3/15/16   | 247,014   |
| 1,500 | Lincoln Industrial Corp., Second Lien Loan,<br>LIBOR + 5.75%, 1/12/15<br>Mivisa Envases S.A.U. (EUR) | 1,477,500 |
| 826   | Loan B1, LIBOR, 5/03/15  | 1,158,797 |
| 174   | Loan B2, LIBOR, 5/03/15  | 243,708   |
| 2,469 | Oshkosh Truck Corp., Loan B, LIBOR + 1.75%, 12/06/13   | 2,425,804 |

See Notes to Financial Statements.

ANNUAL REPORT

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## Portfolio of Investments as of October 31, 2007

BlackRock Limited Duration Income Trust (BLW) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)      | Description  | Value      |
|-----------------------------|--|------------|
| <b>Industrials (cont d)</b> |  |            |
| \$ 411                      | Standard Steel LLC,<br>Loan B, LIBOR + 2.50%, 6/30/12  | \$ 403,229 |
| 83                          | Delayed Draw Loan, Unfunded, 2.50%, 6/30/12  | 81,258     |
| 1,210                       | Thermo Fluids, Inc., Loan B, LIBOR + 3.50%, 6/27/13<br>Trimas Corp.,   | 1,053,089  |
| 94                          | Letter of Credit, LIBOR + 2.25%, 8/02/13   | 91,875     |
| 402                         | Loan B, LIBOR + 2.75%, 8/02/13   | 394,144    |
| 468                         | United Rentals NA, Inc., LIBOR + 2.00%, 2/14/11  | 464,919    |
|                             | Total Industrials  | 18,459,247 |
| <b>Media 11.1%</b>          |  |            |
| 500                         | Affinion Group, Inc., LIBOR + 6.25%, 3/01/12   | 485,834    |
| 988                         | Atlantic Broadband Finance LLC, Loan B2,<br>LIBOR + 2.25%, 8/10/12   | 971,697    |
| 1,000                       | Audio Visual Services Corp., Second Lien Loan,<br>LIBOR + 5.50%, 2/28/14                                       | 950,000    |
| 3,940                       | Cablevision Systems Corp., LIBOR + 1.75%, 3/29/13  | 3,842,485  |
| 6,468                       | Cequel Communications II LLC, First Lien Loan,<br>LIBOR + 2.00%, 4/04/13                                       | 6,258,115  |
| 6,000                       | Charter Communications Holdings LLC,<br>LIBOR + 2.00%, 3/06/13   | 5,760,000  |
| 714                         | CMP Susquehanna Corp., Loan B,<br>LIBOR + 2.00%, 5/05/13   | 689,569    |
| 625                         | Dex Media West LLC/Dex Media Finance Co.,<br>Loan B1, LIBOR + 1.50%, 3/09/10                                   | 617,292    |
| 2,486                       | Loan B2, LIBOR + 1.50%, 3/09/10  | 2,454,977  |
| 1,311                       | DirecTV Holdings LLC, Loan B, LIBOR + 1.50%, 4/13/13<br>Gatehouse Media Operating, Inc.,                       | 1,301,047  |
| 592                         | Delayed Draw Loan, LIBOR + 2.00%, 8/28/14  | 548,031    |
| 1,000                       | Loan B, LIBOR + 2.00%, 8/28/14   | 926,250    |
| 2,000                       | Gray Television, Inc., Delayed Draw Loan,<br>LIBOR + 1.50%, 12/31/14   | 1,924,166  |
| 2,978                       | Idearc, Inc., Loan B, LIBOR + 2.00%, 11/17/14  | 2,932,528  |
| 499                         | Knology, First Lien Loan, LIBOR + 2.25%, 6/30/12   | 481,294    |
| 1,985                       | Mediacom Broadband LLC, Loan D1,<br>LIBOR + 1.75%, 1/31/15   | 1,919,070  |
| 1,960                       | Mediacom Illinois LLC, Loan C, LIBOR + 1.75%, 1/31/15  | 1,896,481  |
| 1,907                       | Mission Broadcasting, Inc., Loan B,<br>LIBOR + 1.75%, 10/01/12   | 1,835,485  |
| 357                         | Multicultural Radio Broadcasting, Inc.,<br>LIBOR + 2.75%, 12/18/12   | 349,860    |
| 1,000                       | National CineMedia, Inc., Loan B, LIBOR + 1.75%, 2/13/15<br>New Wave Communications,<br>LIBOR + 2.75%, 6/20/13 | 964,219    |
| 2                           | Loan A, LIBOR + 3.50%, 6/30/13   | 68,950     |
| 938                         | Loan Z, LIBOR + 3.50%, 6/20/13   | 924,053    |
| 235                         | TBD, 6/20/13   | 164,495    |
| 63                          | Nexstar Finance, Inc., Loan B, LIBOR + 1.75%, 10/01/12   | 62,055     |
| 1,806                       | Nielsen Finance LLC/Nielsen Finance Co., Loan B,<br>LIBOR + 2.00%, 8/09/13                                     | 1,738,291  |
| 3,465                       | NTL Investment Holding Ltd.,<br>Loan B1, LIBOR + 2.13%, 9/03/12 (GBP)  | 3,368,754  |
| 446                         | Loan B2, TBD, 9/03/12 (GBP)  | 897,657    |
| 522                         |  | 1,049,219  |

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|       |  |           |
|-------|--|-----------|
| 484   | Loan B4, LIBOR + 2.00%, 9/03/12  | 468,552   |
| 2,000 | Loan C, TBD, 3/03/13 (GBP)<br>Penton Media, Inc.,                              | 4,038,001 |
| 1,119 | First Lien Loan, LIBOR + 2.25%, 2/01/13  | 1,059,209 |
| 1,000 | Second Lien Loan, LIBOR + 5.00%, 2/01/14<br>ProSieben (EUR)                    | 932,500   |
| 500   | Loan B1, LIBOR + 2.375%, 3/04/16   | 676,291   |
| 500   | Loan C1, LIBOR + 2.625%, 6/30/15   | 679,913   |
| 1,000 | Loan D1, LIBOR + 3.75%, 9/02/16  | 1,329,044 |
| 750   | Puerto Rico Cable Acquisition Co., Second Lien Loan,<br>LIBOR + 6.25%, 1/26/12 | 708,750   |
| 998   | RCN Corp., Loan B, LIBOR + 2.25%, 5/25/14                                      | 965,705   |
| 2,838 | RH Donnelley, Inc., Loan D2, LIBOR + 1.50%, 6/30/11                            | 2,792,642 |

| Principal Amount (000)  | Description   | Value             |
|-------------------------|---|-------------------|
| <b>Media (cont d)</b>   |   |                   |
| \$ 201                  | Univision Communications, Inc.,<br>Delayed Draw Loan, Unfunded, 1.00%, 9/29/14        | \$ 190,541        |
| 5,799                   | Loan B, LIBOR + 2.25%, 9/29/14  | 5,487,583         |
| 1,000                   | Second Lien Loan, LIBOR, 3/29/09<br>UPC Broadband Holding BV,                         | 989,375           |
| 1,413                   | Loan M1, LIBOR, 12/31/14 (EUR)  | 1,977,718         |
| 3,500                   | Loan N1, LIBOR + 1.75%, 12/31/14  | 3,380,783         |
| 1,922                   | WMG Acquisition Corp., LIBOR + 2.00%, 2/28/11<br>Yell Group Plc,                      | 1,872,243         |
| 1,000                   | Loan B, LIBOR + 2.00%, 2/10/13  | 984,063           |
| 1,500                   | Loan B, LIBOR + 2.00%, 2/27/13 (EUR)  | 2,137,176         |
|                         | <b>Total Media</b>  | <b>76,051,963</b> |
| <b>Real Estate 0.7%</b> |   |                   |
| 3,000                   | Georgian Towers, Loan B5, LIBOR, 3/01/12  | 2,853,269         |
| 488                     | Masonite Intl. Corp., LIBOR + 2.00% , 4/06/13   | 456,891           |
| 1,496                   | Realogy Corp., LIBOR + 3.00%, 10/10/13  | 1,388,333         |
|                         | <b>Total Real Estate</b>  | <b>4,698,493</b>  |
| <b>Technology 2.9%</b>  |   |                   |
| 737                     | Affiliated Computer Services, Inc., Loan B,<br>LIBOR + 2.00%, 3/20/13                 | 726,397           |
| 973                     | ClientLogic Corp., LIBOR + 2.50%, 1/30/14   | 919,920           |
| 995                     | CoCreate Software, Inc., LIBOR + 3.00%, 5/17/13                                       | 965,150           |
| 371                     | Coinstar, Inc., LIBOR + 2.25%, 7/07/11  | 369,173           |
| 500                     | Electrical Components Intl. Holdings Co., Second Lien Loan,<br>LIBOR + 6.50%, 5/01/14 | 440,000           |
| 1,750                   | First Data Corp., Loan B1, LIBOR + 2.75% 9/24/14                                      | 1,683,579         |
| 4,000                   | Flextronics Intl. Ltd., Loan A, LIBOR, 10/12/14<br>Intergraph Corp.,                  | 3,970,000         |
| 419                     | First Lien Loan, LIBOR + 2.00%, 5/29/14   | 408,747           |
| 750                     | Second Lien Loan, LIBOR + 6.00%, 11/15/14   | 744,375           |
| 989                     | Marvell Technology Group Ltd., Loan B,<br>LIBOR + 2.50%, 11/09/09                     | 967,114           |
| 694                     | RedPrairie Corp., Loan B, PRIME + 2.00%, 7/20/12                                      | 676,628           |
| 1,500                   | San Juan Cable, LIBOR + 6.50%, 10/31/13   | 1,434,845         |
| 1,945                   | Sensata Technologies BV, Loan B,<br>LIBOR + 1.75%, 4/27/13                            | 1,889,922         |
| 2,444                   | SunGard Data Systems, Inc., Loan B,<br>LIBOR + 2.00%, 2/28/14                         | 2,408,204         |
| 945                     | Verifone, Inc., LIBOR + 1.75%, 10/31/13   | 937,913           |
| 996                     | Wire Rope Corp., LIBOR + 2.25%, 2/08/14   | 970,961           |
|                         | <b>Total Technology</b>   | <b>19,512,928</b> |

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**Telecommunications 3.7%**

|       |   |           |
|-------|---|-----------|
| 1,990 | American Cellular Corp., Loan B, LIBOR + 2.00%, 3/15/14                     | 1,981,294 |
| 1,250 | American Cellular Wireless LLC, Delayed Draw Loan, Unfunded, 0.75%, 3/15/14 | 1,242,187 |
| 500   | Cellular South, Inc., Delayed Draw Loan, Unfunded, 1.00%, 5/29/14           | 490,000   |
| 1,496 | Loan B, PRIME + 0.75%, 5/29/14  | 1,466,325 |
| 1,481 | Consolidated Communications, Inc., Loan D, LIBOR + 1.75%, 10/14/11          | 1,471,066 |
| 500   | Country Road Communications LLC, Second Lien Loan, LIBOR + 7.75%, 7/15/13   | 492,500   |
| 2,000 | Eircom Group Plc (EUR) Loan B, LIBOR + 1.88%, 9/30/14                       | 2,835,813 |
| 2,000 | Loan C, LIBOR + 2.13%, 9/30/15  | 2,851,831 |
| 4,000 | Insight Midwest Holdings LLC, Loan B, Unfunded, 1.75%, 4/06/14              | 3,912,224 |
| 2,000 | Iowa Telecommunications Services, Inc., Loan B, LIBOR + 1.75%, 11/23/11     | 1,970,000 |
| 140   | NG Wireless, Delayed Draw Loan, Unfunded, 0.50%, 7/31/14                    | 138,269   |
| 610   | First Lien Loan, PRIME + 2.75%, 7/31/14                                     | 600,481   |
| 1,700 | NTELOS, Inc., First Lien Loan, LIBOR + 2.25%, 8/24/11                       | 1,679,861 |
| 2,970 | West Corp., Loan B2, LIBOR + 2.38%, 10/24/13                                | 2,909,004 |

See Notes to Financial Statements.



## Portfolio of Investments as of October 31, 2007

BlackRock Limited Duration Income Trust (BLW)  
(concluded)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                            | Description  | Value       |
|---|--|-------------|
| <b>Telecommunications (cont d)</b>                |  |             |
| \$ 693  | Wind Acquisition Finance S.A. (EUR)<br>Loan A1, LIBOR + 2.00%, 5/25/12           | \$ 990,929  |
| 139   | Loan A2, LIBOR + 2.00%, 12/31/10   | 199,284     |
|   | Total Telecommunications   | 25,231,068  |
| <b>Transportation 2.2%</b>                        |  |             |
| 1,489   | Dockwise Transport N.V.,<br>Loan B1, LIBOR + 2.38%, 11/01/15                     | 1,447,470   |
| 489   | Loan C, LIBOR + 2.88%, 11/01/16  | 474,401     |
| 1,000   | Loan C2, LIBOR + 2.88%, 11/01/16   | 975,625     |
| 78  | Hawker Beechcraft Acquisition Co.,<br>Letter of Credit, Unfunded, 0.50%, 3/26/14 | 76,076      |
| 917   | LIBOR + 2.00%, 3/26/14   | 894,585     |
| 1,750   | RailAmerica, Inc., Loan B, LIBOR + 2.25%, 8/14/08                                | 1,719,375   |
| 644   | Sirva Worldwide, Inc., LIBOR + 7.25%, 12/01/10                                   | 450,378     |
| 3,977   | Swift Transportation Co., Inc., LIBOR + 3.00%, 5/10/14                           | 3,488,881   |
| 3,000   | U.S. Airways, Loan B, LIBOR + 2.50%, 3/24/14                                     | 2,863,392   |
| 2,239   | United Air Lines, Inc., Loan B, LIBOR + 2.00%, 2/01/14                           | 2,142,358   |
|   | Total Transportation   | 14,532,541  |
|   | Total Bank Loans   | 386,247,615 |
| <b>Mortgage Pass-Through Securities 21.3%</b>     |  |             |
| 228   | Federal National Mortgage Assoc.,<br>5.50%, 12/01/28                             | 21,448      |
| 8,564   | 5.50%, 4/01/29-11/01/33  | 8,467,048   |
| 17,000  | 7.25%, 1/15/10   | 18,027,939  |
| 121,000   | TBA, 5.00%, 11/19/22   | 119,109,375 |
|   | Total Mortgage Pass-Through Securities   | 145,625,810 |
| <b>Interest Only Asset-Backed Securities 0.2%</b> |  |             |
| 21,937  | Sterling Coofs Trust,<br>Ser. 1, 2.365%, 4/15/29                                 | 973,475     |
| 18,1142   | Ser. 2, 2.081%, 3/30/30  | 486,826     |
|   | Total Interest Only Asset-Backed Securities                                      | 1,460,301   |
| <b>U.S. Government and Agency Securities 4.1%</b> |  |             |
| 20,4254   | U.S. Treasury Notes,<br>3.375%, 12/15/08-9/15/09                                 | 20,273,083  |
| 6,0004,8  | 3.875%, 5/15/09  | 5,992,032   |
| 1,8154  | 4.25%, 8/15/15   | 1,801,388   |
|   | Total U.S. Government and Agency Securities                                      | 28,066,503  |
| <b>Foreign Government Bonds 2.5%</b>              |  |             |
| 238   | Bolivarian Republic of Venezuela, %, 12/18/07                                    | 238,029     |

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|                                |   |            |
|--------------------------------|---|------------|
| 4,871                          | Peru Government International Bond, 8.375%, 5/03/16 | 5,735,602  |
| 5,0004                         | Republic of Colombia, 9.75%, 4/23/09                | 5,325,000  |
| 5,0934                         | Turkey, 7.00%, 9/26/16                              | 5,328,806  |
| Total Foreign Government Bonds |   | 16,627,437 |

| Units (000)          | Description   | Value     |
|----------------------|---|-----------|
| <b>Warrants 0.0%</b> |   |           |
| 29                   | Reliant Resources, Inc., expires 8/25/08, strike price \$0.001, 1 share for 1 warrant | \$ 41,249 |

**Shares**

|                           |                                   |        |
|---------------------------|-----------------------------------|--------|
| <b>Common Stocks 0.0%</b> |                                   |        |
| 7,5791,9                  | Critical Care Systems Intl., Inc. | 47,371 |

|                             |  |        |
|-----------------------------|--|--------|
| <b>Preferred Stock 0.0%</b> |  |        |
| 125,0001                    | Superior Essex Holding Corp., Ser. A, 9.50%, | 77,500 |

|   |  |             |
|---|--|-------------|
| <b>Total Long-Term Investments (cost \$930,394,349)</b> |  | 913,265,094 |
|---|--|-------------|

**Principal Amount (000)**

|   |   |           |
|---|---|-----------|
| <b>SHORT-TERM INVESTMENT 0.5%</b>                     |   |           |
| <b>U.S. Government and Agency Discount Notes 0.5%</b> |   |           |
| \$ 3,20010  | Federal Home Loan Bank Disc. Notes, 4.351%, 11/01/07 (cost \$3,200,000) | 3,200,000 |

|  |    |               |
|--|----|---------------|
| <b>Total investments 134.2% (cost \$933,594,349)</b> | \$ | 916,465,094   |
| <b>Liabilities in excess of other assets (34.2)%</b> |    | (233,355,673) |

|                           |    |                    |
|---------------------------|----|--------------------|
| <b>Net Assets 100% \$</b> | \$ | <b>683,109,421</b> |
|---------------------------|----|--------------------|

- 1 Security is fair valued.
- 2 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, 2007, the Trust held 9.8% of its net assets, with a current market value of \$66,717,528, in securities restricted as to resale.
- 3 Variable rate security. Rate shown is interest rate as of October 31, 2007.

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- 4 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.
  - 5 Illiquid security. As of October 31, 2007, the Trust held 0.6% of its net assets, with a current market value of \$4,365,591, in these securities.
  - 6 Represents a step up bond; the interest rate shown reflects the effective yield at the time of purchase.
  - 7 Issuer is in default and/or bankruptcy.
  - 8 Security, or a portion thereof, pledged as collateral with a value of \$77,630 on 81 long U.S. Treasury Note futures contracts expiring December 2007. The notional value of such contracts on October 31, 2007 was \$8,694,844, with an unrealized gain of \$45,523.
  - 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 \$933,721,317. The net unrealized depreciation on a tax basis is \$17,256,223, consisting of \$9,391,420 gross unrealized appreciation and \$26,647,643 gross unrealized depreciation.
- For Trust compliance purposes, the Trust's sector and industry classifications refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classifications for reporting ease.

See Notes to Financial Statements.

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## Portfolio of Investments as of October 31, 2007

BlackRock Preferred and Equity Advantage Trust (BTZ)  
(Percentages shown are based on Net Assets)

| Shares                                 | Description                             | Value             |
|--|---|-------------------|
| <b>LONG-TERM INVESTMENTS 144.4%</b>    |   |                   |
| <b>Common Stocks 40.4%</b>             |   |                   |
| <b>Aerospace &amp; Defense 0.6%</b>    |   |                   |
| 1,900                                  | L-3 Communications Holdings, Inc.       | \$ 208,316        |
| 28,300                                 | Lockheed Martin Corp.                   | 3,114,132         |
| 40,300                                 | Northrop Grumman Corp.                  | 3,369,886         |
|  | <b>Total Aerospace &amp; Defense</b>    | <b>6,692,334</b>  |
| <b>Automotive 0.3%</b>                 |   |                   |
| 264,500                                | Ford Motor Co.                          | 2,346,115         |
| 1,900                                  | General Motors Corp.                    | 74,461            |
| 11,200                                 | Genuine Parts Co.                       | 549,584           |
| 3,800                                  | PACCAR, Inc.                            | 211,128           |
|  | <b>Total Automotive</b>                 | <b>3,181,288</b>  |
| <b>Basic Materials 1.7%</b>            |   |                   |
| 23,300                                 | Allegheny Technologies, Inc.            | 2,380,561         |
| 2,400                                  | BASF AG (ADR)                           | 333,408           |
| 72,200                                 | Dow Chemical Co. (The)                  | 3,251,888         |
| 71,500                                 | E.I. du Pont de Nemours & Co.           | 3,539,965         |
| 74,200                                 | Intl. Paper Co.                         | 2,742,432         |
| 33,900                                 | MeadWestvaco Corp.                      | 1,140,396         |
| 21,000                                 | Monsanto Co.                            | 2,050,230         |
| 30,000                                 | Nucor Corp.                             | 1,860,600         |
| 13,700                                 | PPG Industries, Inc.                    | 1,023,938         |
| 14,100                                 | Weyerhaeuser Co.                        | 1,070,331         |
|  | <b>Total Basic Materials</b>            | <b>19,393,749</b> |
| <b>Building &amp; Development 0.1%</b> |   |                   |
| 9,300                                  | D.R. Horton, Inc.                       | 118,017           |
| 2,600                                  | KB Home                                 | 71,864            |
| 16,000                                 | Masco Corp.                             | 385,280           |
|  | <b>Total Building &amp; Development</b> | <b>575,161</b>    |
| <b>Consumer Products 5.7%</b>          |   |                   |
| 93,100                                 | Altria Group, Inc.                      | 6,789,783         |
| 4,800                                  | Amazon.com, Inc.                        | 427,920           |
| 76,200                                 | Amgen, Inc.                             | 4,427,982         |
| 45,000                                 | Anheuser-Busch Cos., Inc.               | 2,307,600         |
| 10,300                                 | Black & Decker Corp.                    | 926,073           |
| 8,300                                  | Clorox Co.                              | 519,331           |
| 14,300                                 | Coach, Inc.                             | 522,808           |
| 68,100                                 | Coca-Cola Co. (The)                     | 4,205,856         |
| 49,506                                 | CVS Caremark Corp.                      | 2,067,866         |
| 26,400                                 | Eastman Kodak Co.                       | 756,624           |
| 21,800                                 | Fortune Brands, Inc.                    | 1,826,186         |
| 6,700                                  | Gap, Inc.                               | 126,630           |
| 112,500                                | Home Depot, Inc.                        | 3,544,875         |
| 6,900                                  | JCPenney Co., Inc.                      | 388,056           |
| 10,600                                 | Kohl's Corp.                            | 582,682           |
| 54,446                                 | Kraft Foods, Inc.                       | 1,819,041         |

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|         |                            |            |
|---------|----------------------------|------------|
| 17,200  | Loews Corp.                | 844,348    |
| 12,600  | Ltd. Brands, Inc., Class A | 277,326    |
| 1,600   | Macy's, Inc.               | 51,248     |
| 17,400  | Newell Rubbermaid, Inc.    | 507,384    |
| 1,400   | Nordstrom, Inc.            | 55,216     |
| 1,500   | OfficeMax, Inc.            | 47,475     |
| 60,300  | PepsiCo, Inc.              | 4,445,316  |
| 128,000 | Procter & Gamble Co.       | 8,898,560  |
| 19,700  | Reynolds American, Inc.    | 1,269,271  |
| 140,100 | Sara Lee Corp.             | 2,317,254  |
| 10,100  | Sears Holdings Corp.       | 1,361,379  |
| 75,900  | Starbucks Corp.            | 2,025,012  |
| 1,000   | Universal Corp.            | 48,740     |
| 53,100  | UST, Inc.                  | 2,831,292  |
| 4,700   | VF Corp.                   | 409,511    |
| 115,100 | Wal-Mart Stores, Inc.      | 5,203,671  |
| 37,900  | Walgreen Co.               | 1,502,735  |
|         | Total Consumer Products    | 63,335,051 |

| Shares             | Description                   | Value      |
|--------------------|-------------------------------|------------|
| <b>Energy 5.3%</b> |                               |            |
| 13,500             | American Electric Power, Inc. | \$ 650,835 |
| 15,500             | Anadarko Petroleum Corp.      | 914,810    |
| 11,100             | Apache Corp.                  | 1,152,291  |
| 2,900              | BP Plc (ADR)                  | 226,171    |
| 10,700             | Baker Hughes, Inc.            | 927,904    |
| 15,800             | Chesapeake Energy Corp.       | 623,784    |
| 100,400            | Chevron Corp.                 | 9,187,604  |
| 55,900             | ConocoPhillips                | 4,749,264  |
| 35,700             | Consolidated Edison, Inc.     | 1,681,113  |
| 27,600             | DTE Energy Co.                | 1,368,960  |
| 14,900             | Devon Energy Corp.            | 1,391,660  |
| 78,400             | Duke Energy Corp.             | 1,502,928  |
| 22,800             | Exelon Corp.                  | 1,887,384  |
| 155,900            | Exxon Mobil Corp.             | 14,341,241 |
| 24,500             | Great Plains Energy, Inc.     | 731,080    |
| 14,000             | Hess Corp.                    | 1,002,540  |
| 13,800             | National Oilwell Varco, Inc.  | 1,010,712  |
| 1,500              | Nicor, Inc.                   | 64,905     |
| 24,000             | NiSource, Inc.                | 490,800    |
| 21,000             | Sasol Ltd. (ADR)              | 1,068,060  |
| 25,400             | Schlumberger Ltd.             | 2,452,878  |
| 49,918             | Smith Intl., Inc.             | 3,297,084  |
| 44,700             | Southern Co.                  | 1,638,702  |
| 24,400             | Spectra Energy Corp.          | 633,912    |
| 15,100             | Transocean, Inc.              | 1,802,487  |
| 21,200             | Valero Energy Corp.           | 1,493,116  |
| 13,000             | Weatherford Intl. Ltd.        | 843,830    |
| 2,300              | Williams Cos., Inc.           | 83,927     |
| 14,800             | XTO Energy, Inc.              | 982,424    |
|                    | Total Energy                  | 58,202,406 |

|   |                               |           |
|---|-------------------------------|-----------|
| <b>Entertainment &amp; Leisure 0.3%</b> |                               |           |
| 12,500                                  | Brunswick Corp.               | 278,875   |
| 31,900                                  | Carnival Corp.                | 1,530,562 |
| 50,000                                  | Regal Entertainment Group     | 1,128,500 |
|   | Total Entertainment & Leisure | 2,937,937 |

|                                    |                                  |         |
|------------------------------------|----------------------------------|---------|
| <b>Financial Institutions 7.5%</b> |                                  |         |
| 11,700                             | American Capital Strategies Ltd. | 507,897 |

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|         |   |            |
|---------|---|------------|
| 47,7002 | American Intl. Group, Inc.              | 3,010,824  |
| 18,300  | Arthur J. Gallagher & Co.               | 486,963    |
| 71,400  | BB&T Corp.                              | 2,639,658  |
| 205,400 | Bank of America Corp.                   | 9,916,712  |
| 37,452  | Bank of New York Mellon Corp.           | 1,829,530  |
| 1,800   | CME Group, Inc.                         | 1,199,250  |
| 31,600  | Charles Schwab Corp. (The)              | 734,384    |
| 16,800  | Cigna Corp.                             | 881,832    |
| 246,300 | Citigroup, Inc.                         | 10,319,970 |
| 33,800  | Comerica, Inc.                          | 1,577,784  |
| 37,750  | Discover Financial Services             | 728,575    |
| 84,9001 | E*Trade Financial Corp.                 | 945,786    |
| 37,400  | Fannie Mae                              | 2,133,296  |
| 5,400   | Franklin Resources, Inc.                | 700,272    |
| 22,900  | Freddie Mac                             | 1,196,067  |
| 23,800  | Goldman Sachs Group, Inc. (The)         | 5,900,496  |
| 20,700  | HSBC Holdings Plc (ADR)                 | 2,060,064  |
| 21,400  | Hartford Financial Services Group, Inc. | 2,076,442  |
| 85,300  | JPMorgan Chase & Co.                    | 4,009,100  |
| 13,300  | KeyCorp                                 | 378,385    |
| 24,200  | Legg Mason, Inc.                        | 2,007,148  |
| 26,600  | Lehman Brothers Holdings, Inc.          | 1,684,844  |
| 40,800  | Lincoln National Corp.                  | 2,544,696  |
| 259,600 | MCG Capital Corp.                       | 3,636,996  |
| 54,900  | Marsh & McLennan Cos., Inc.             | 1,421,361  |
| 28,600  | MetLife, Inc.                           | 1,969,110  |
| 19,500  | National City Corp.                     | 472,875    |
| 54,700  | Progressive Corp.                       | 1,011,950  |
| 15,300  | Prudential Financial, Inc.              | 1,479,816  |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Preferred and Equity Advantage Trust (BTZ)  
(continued)

(Percentages shown are based on Net Assets)

| Shares                                 | Description                            | Value             |
|--|--|-------------------|
| <b>Financial Institutions (cont d)</b> |  |                   |
| 23,900                                 | Regions Financial Corp.                | \$ 648,168        |
| 19,100                                 | Safeco Corp.                           | 1,105,890         |
| 25,900                                 | Travelers Cos., Inc.                   | 1,352,239         |
| 75,100                                 | U.S. Bancorp                           | 2,490,316         |
| 64,900                                 | Wachovia Corp.                         | 2,967,877         |
| 48,600                                 | Washington Mutual, Inc.                | 1,354,968         |
| 81,300                                 | Wells Fargo & Co.                      | 2,765,013         |
| 25,700                                 | Western Union Co. (The)                | 566,428           |
| 8,900                                  | XL Capital Ltd., Class A Bermuda       | 640,355           |
|  | <b>Total Financial Institutions</b>    | <b>83,353,337</b> |
| <b>Health Care 4.7%</b>                |  |                   |
| 52,200                                 | Abbott Laboratories                    | 2,851,164         |
| 11,900                                 | Allergan, Inc.                         | 804,202           |
| 9,600 <sub>1</sub>                     | Biogen Idec, Inc.                      | 714,624           |
| 32,600 <sub>1</sub>                    | Boston Scientific Corp.                | 452,162           |
| 153,200                                | Bristol-Myers Squibb Co.               | 4,594,468         |
| 13,200 <sub>1</sub>                    | Celgene Corp.                          | 871,200           |
| 50,100 <sub>1</sub>                    | Charles River Laboratories Intl., Inc. | 2,905,800         |
| 32,500                                 | Covidien Ltd. Bermuda                  | 1,352,000         |
| 64,900                                 | Eli Lilly & Co.                        | 3,514,335         |
| 10,100 <sub>1</sub>                    | Genzyme Corp.                          | 767,297           |
| 31,200 <sub>1</sub>                    | Gilead Sciences, Inc.                  | 1,441,128         |
| 106,600                                | Johnson & Johnson                      | 6,947,122         |
| 11,400                                 | McKesson Corp.                         | 753,540           |
| 10,800 <sub>1</sub>                    | Medco Health Solutions, Inc.           | 1,019,304         |
| 107,500                                | Merck & Co., Inc.                      | 6,262,950         |
| 367,900 <sub>2</sub>                   | Pfizer, Inc.                           | 9,054,019         |
| 11,100                                 | Quest Diagnostics, Inc.                | 590,298           |
| 11,500                                 | Stryker Corp.                          | 816,500           |
| 16,300 <sub>1</sub>                    | Thermo Fisher Scientific, Inc.         | 958,603           |
| 47,400                                 | UnitedHealth Group, Inc.               | 2,329,710         |
| 23,700 <sub>1</sub>                    | WellPoint, Inc.                        | 1,877,751         |
| 19,500 <sub>1</sub>                    | Zimmer Holdings, Inc.                  | 1,355,055         |
|  | <b>Total Health Care</b>               | <b>52,233,232</b> |
| <b>Industrials 3.1%</b>                |  |                   |
| 43,500                                 | 3M Co.                                 | 3,756,660         |
| 44,800                                 | Caterpillar, Inc.                      | 3,342,528         |
| 3,500                                  | Cummins, Inc.                          | 419,860           |
| 9,200                                  | Danaher Corp.                          | 788,164           |
| 45,400                                 | Emerson Electric Co.                   | 2,373,058         |
| 14,500                                 | Fluor Corp.                            | 2,291,000         |
| 383,400                                | General Electric Co.                   | 15,780,744        |
| 38,000                                 | Illinois Tool Works, Inc.              | 2,175,880         |
| 22,800                                 | Johnson Controls, Inc.                 | 996,816           |
| 20,300                                 | Leggett & Platt, Inc.                  | 394,429           |
| 5,300                                  | Precision Castparts Corp.              | 793,993           |
| 15,900                                 | Rockwell Automation, Inc.              | 1,095,192         |
| 3,300                                  | Tyco Intl. Ltd.                        | 135,861           |

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Total Industrials 34,344,185

**Media 1.1%**

|                      |                            |           |
|----------------------|----------------------------|-----------|
| 75,100               | CBS Corp., Class B         | 2,155,370 |
| 2,987                | Citadel Broadcasting Corp. | 13,144    |
| 129,450 <sub>1</sub> | Comcast Corp., Class A     | 2,724,923 |
| 55,700 <sub>1</sub>  | DIRECTV Group, Inc.        | 1,474,936 |
| 34,300               | New York Times Co. (The)   | 670,908   |
| 77,300               | News Corp., Class A        | 1,675,091 |
| 28,200 <sub>1</sub>  | Viacom, Inc.               | 1,164,378 |
| 64,900               | Walt Disney Co. (The)      | 2,247,487 |

Total Media 12,126,237

**Real Estate 0.5%**

|        |  |           |
|--------|--|-----------|
| 4,000  | Boston Properties, Inc. (REIT)             | 433,360   |
| 9,900  | Equity Residential (REIT)                  | 413,622   |
| 15,600 | First Industrial Realty Trust, Inc. (REIT) | 635,700   |
| 51,500 | Hospitality Properties Trust (REIT)        | 2,039,400 |

| Shares | Description | Value |
|--------|-------------|-------|
|--------|-------------|-------|

**Real Estate (cont d)**

|        |   |            |
|--------|---|------------|
| 6,000  | Plum Creek Timber Co., Inc. (REIT)        | \$ 268,020 |
| 39,600 | Starwood Hotels & Resorts Worldwide, Inc. | 2,251,656  |

Total Real Estate 6,041,758

**Technology 6.2%**

|                      |                                      |            |
|----------------------|--------------------------------------|------------|
| 19,700 <sub>1</sub>  | Adobe Systems, Inc.                  | 943,630    |
| 12,900 <sub>1</sub>  | Agilent Technologies, Inc.           | 475,365    |
| 59,500               | Analog Devices, Inc.                 | 1,990,870  |
| 31,300 <sub>1</sub>  | Apple, Inc.                          | 5,945,435  |
| 52,300 <sub>1</sub>  | AutoDesk, Inc.                       | 2,557,470  |
| 18,000 <sub>1</sub>  | Broadcom Corp.                       | 585,900    |
| 27,200 <sub>1</sub>  | Cognizant Technology Solutions Corp. | 1,127,712  |
| 82,700 <sub>1</sub>  | Dell, Inc.                           | 2,530,620  |
| 70,000 <sub>1</sub>  | EMC Corp.                            | 1,777,300  |
| 92,800 <sub>1</sub>  | eBay, Inc.                           | 3,350,080  |
| 16,500 <sub>1</sub>  | Electronic Arts, Inc.                | 1,008,480  |
| 7,300 <sub>1</sub>   | Google, Inc.                         | 5,161,100  |
| 37,800               | Hewlett-Packard Co.                  | 1,953,504  |
| 182,900              | Intel Corp.                          | 4,920,010  |
| 22,000               | Intl. Business Machines Corp.        | 2,554,640  |
| 39,100 <sub>1</sub>  | Lam Research Corp.                   | 1,962,820  |
| 69,800               | Linear Technology Corp.              | 2,304,796  |
| 7,500 <sub>1</sub>   | MEMC Electronic Materials, Inc.      | 549,150    |
| 287,000              | Microsoft Corp.                      | 10,564,470 |
| 94,050 <sub>1</sub>  | Nvidia Corp.                         | 3,327,489  |
| 131,500 <sub>1</sub> | Oracle Corp.                         | 2,915,355  |
| 51,900               | Paychex, Inc.                        | 2,168,382  |
| 17,200               | Pitney Bowes, Inc.                   | 688,688    |
| 44,900 <sub>1</sub>  | SanDisk Corp.                        | 1,993,560  |
| 115,800 <sub>1</sub> | Sanmina-SCI Corp.                    | 255,918    |
| 252,400 <sub>1</sub> | Sun Microsystems, Inc.               | 1,441,204  |
| 34,900 <sub>1</sub>  | Symantec Corp.                       | 655,422    |
| 32,500               | Tyco Electronics Ltd.                | 1,159,275  |
| 36,300 <sub>1</sub>  | Xerox Corp.                          | 633,072    |
| 4,300                | Xilinx, Inc.                         | 104,920    |
| 42,000 <sub>1</sub>  | Yahoo!, Inc.                         | 1,306,200  |

Total Technology 68,912,837

**Telecommunications 2.6%**

|         |            |           |
|---------|------------|-----------|
| 175,987 | AT&T, Inc. | 7,354,497 |
|---------|------------|-----------|



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|                               |  |             |
|-------------------------------|--|-------------|
| 40,610                        | Chunghwa Telecom Co. Ltd. (ADR)              | 779,712     |
| 209,600 <sub>1</sub>          | Cisco Systems, Inc.                          | 6,929,376   |
| 64,000                        | Citizens Communications Co.                  | 842,240     |
| 52,500                        | Corning, Inc.                                | 1,274,175   |
| 17,200 <sub>1</sub>           | Juniper Networks, Inc.                       | 619,200     |
| 123,900                       | Qualcomm, Inc.                               | 5,294,247   |
| 98,400                        | Verizon Communications, Inc.                 | 4,533,288   |
| 93,412                        | Windstream Corp.                             | 1,256,391   |
|                               | Total Telecommunications                     | 28,883,126  |
| <b>Transportation 0.7%</b>    |  |             |
| 16,000                        | General Maritime Corp.                       | 450,880     |
| 51,645                        | Nordic American Tanker Shipping              | 1,998,145   |
| 87,700                        | Ship Finance Intl. Ltd.                      | 2,401,226   |
| 37,900                        | United Parcel Service, Inc., Class B         | 2,846,290   |
|                               | Total Transportation                         | 7,696,541   |
|                               | Total Common Stocks                          | 447,909,179 |
| <b>Preferred Stocks 18.9%</b> |  |             |
| <b>Energy 2.7%</b>            |  |             |
| 100,000                       | Alabama Power Co., 6.50%                     | 2,525,000   |
| 40,000                        | Entergy Louisiana LLC, 6.95%                 | 4,156,478   |
| 785,000                       | Interstate Power & Light Co., Ser. B, 8.375% | 23,672,695  |
|                               | Total Energy                                 | 30,354,173  |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Preferred and Equity Advantage Trust (BTZ)  
(continued)

(Percentages shown are based on Net Assets)

| Shares                              | Description   | Value         |
|-------------------------------------|---|---------------|
| <b>Financial Institutions 14.7%</b> |   |               |
| 400,000                             | ACE Ltd., Ser. C, 7.80%                                 | \$ 10,237,520 |
| 400,000                             | Aegon N.V., 6.50%                                       | 9,137,520     |
|                                     | Arch Capital Group Ltd.,                                |               |
| 100,000                             | 8.00%   | 2,500,000     |
| 160,000                             | Ser. B, 7.875%  | 3,947,200     |
| 655,000 <sub>3</sub>                | Aspen Insurance Holdings Ltd., 7.401%                   | 15,621,750    |
| 180,000 <sub>3</sub>                | Axis Capital Holdings Ltd., Ser. B, 7.50%               | 18,331,884    |
| 320,000                             | Bank of America Corp., 6.625%                           | 8,210,016     |
| 10,000 <sub>4</sub>                 | Centaur Funding Corp., Ser. B, 9.08%                    | 11,312,500    |
| 150,000 <sub>4</sub>                | CoBank ACB, 7.00%                                       | 7,478,700     |
| 389,000                             | Endurance Specialty Holdings Ltd., 7.75%                | 9,907,363     |
| 316,000                             | Federal Home Loan Mortgage Corp., Ser. Y, 6.55%         | 8,137,000     |
| 200,000                             | ING Groep N.V., 6.125%                                  | 4,387,500     |
| 265,600                             | PartnerRE Ltd., Ser. C, 6.75%                           | 6,241,600     |
| 285,000                             | RenaissanceRe Holdings Ltd., Ser. D, 6.60%              | 6,093,300     |
| 50 <sub>3</sub>                     | Roslyn Real Estate Asset Corp., Ser. D, 8.881%          | 5,026,562     |
| 67,200                              | Royal Bank of Scotland Group Plc, Ser. L, 5.75%         | 1,414,560     |
|                                     | Santander Finance Preferred S.A. Unipersonal,           |               |
| 522,000 <sub>4</sub>                | 6.50%   | 12,267,000    |
| 670,000 <sub>4</sub>                | 7.05%   | 15,703,125    |
| 277,900                             | XL Capital Ltd., Ser. B, 7.625%                         | 6,964,869     |
|                                     | Total Financial Institutions                            | 162,919,969   |
| <b>Real Estate 1.5%</b>             |   |               |
| 300,000                             | CBL & Associates Properties, Inc., Ser. C, 7.75% (REIT) | 7,206,000     |
| 55,000                              | iStar Financial, Inc., Ser. I, 7.50% (REIT)             | 1,182,500     |
| 372,500                             | Public Storage, Inc., Ser. M, 6.625% (REIT)             | 8,229,941     |
|                                     | Total Real Estate                                       | 16,618,441    |
|                                     | Total Preferred Stocks                                  | 209,892,583   |

Principal  
Amount  
(000)**Trust Preferred Stocks 71.6%****Building & Development 0.3%**

|                           |   |           |
|---------------------------|---|-----------|
| \$ 3,160 <sub>3,4,5</sub> | C8 Capital SPV Ltd., 6.64% (British Virgin Islands) | 3,080,905 |
|---------------------------|---|-----------|

**Energy 2.6%**

|                    |   |           |
|--------------------|---|-----------|
| 4,500 <sub>3</sub> | Enterprise Products Operating LP, 8.375%, 8/01/66 | 4,684,248 |
| 120,000            | Nexen, Inc., 7.35%, 11/01/43                      | 2,970,000 |
| 5,900 <sub>3</sub> | PPL Capital Funding, Inc., Ser. A, 6.70%, 3/30/67 | 5,693,022 |
| 288,000            | PPL Energy Supply LLC, 7.00%, 7/15/46             | 7,209,014 |
| 1,575 <sub>3</sub> | Puget Sound Energy, Inc., Ser. A, 6.974%, 6/01/67 | 1,482,497 |

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7,325<sub>3</sub> Trans-Canada Pipelines Ltd., 6.35%, 5/15/67 (Canada) 7,086,945

Total Energy 29,125,726

**Financial Institutions 64.8%**

|                           |   |            |
|---------------------------|---|------------|
| 2,375 <sub>3,5</sub>      | Abbey National Capital Trust I, 8.963%              | 2,897,982  |
| 17,000                    | Ace Capital Trust II, 9.70%, 4/01/30                | 21,717,840 |
| 8,725 <sub>3</sub>        | Allstate Corp.,<br>6.125%, 5/15/37                  | 8,531,916  |
| 10,675 <sub>3</sub>       | 6.50%, 5/15/57                                      | 10,350,918 |
| 11,150                    | American Intl. Group, Inc., Ser. A1, 6.25%, 3/15/37 | 10,376,268 |
| 18,273                    | AON Corp., 8.205%, 1/01/27                          | 19,846,561 |
| 5,000                     | Astoria Capital Trust I, Ser. B, 9.75%, 11/01/29    | 5,612,955  |
| 17,000 <sub>3,4,5</sub>   | AXA S.A. (France)<br>6.463%                         | 15,807,178 |
| 3,225 <sub>3,4,5</sub>    | 6.379%  | 2,937,188  |
| 15,000 <sub>3,4,5</sub>   | Barclays Bank Plc (United Kingdom)<br>6.86%         | 14,704,647 |
| 4,275 <sub>3,4,5</sub>    | 7.434%  | 4,531,675  |
| 15,300 <sub>3</sub>       | BB&T Capital Trust IV, 6.82%, 6/12/57               | 14,904,311 |
| 170,731                   | Berkley W.R. Capital Trust II, 6.75%, 7/26/45       | 3,996,181  |
| 23,200 <sub>2,3,4,5</sub> | BNP Paribas, 7.195% (France)                        | 23,075,834 |
| 6,685 <sub>3,4,5</sub>    | BOI Capital Funding No. 2 LP, 5.571% (Ireland)      | 6,145,521  |

**Principal  
Amount  
(000)**

**Description**

**Value**

**Financial Institutions (cont d)**

|                              |  |               |
|------------------------------|--|---------------|
| \$ 30,000 <sub>3,4,5,6</sub> | BOI Capital Funding No. 3, 6.107% (Ireland)                          | \$ 27,601,950 |
| 7,700 <sub>5</sub>           | BTA Finance Luxembourg SA, 8.25% (Kazakhstan)                        | 5,736,500     |
| 5,000 <sub>3,4,5</sub>       | C10 Capital SPV Ltd., 6.722% (British Virgin Islands)                | 4,818,500     |
| 5,000                        | Capital One Capital III, 7.686%, 8/15/36                             | 4,846,285     |
| 15,300 <sub>3</sub>          | Chubb Corp., 6.375%, 3/29/37   | 15,061,029    |
| 210,000                      | Citizens Funding Trust I, 7.50%, 9/15/66                             | 4,882,500     |
| 20,000 <sub>3,4,5</sub>      | Commonwealth Bank of Australia, 6.024% (Australia)                   | 19,269,300    |
| 27,970 <sub>3,4,5</sub>      | Credit Agricole S.A., 6.637% (France)                                | 26,581,905    |
| 7,000 <sub>3,5</sub>         | Credit Suisse Ltd., 5.86% (Guernsey)                                 | 6,520,927     |
| 7,200 <sub>4</sub>           | Dresdner Funding Trust I, 8.151%, 6/30/31                            | 7,877,347     |
| 12,025 <sub>3</sub>          | Everest Reinsurance Holdings, Inc., 6.60%, 5/15/37                   | 11,244,133    |
| 2,025 <sub>3,5</sub>         | Goldman Sachs Capital II, 5.793%                                     | 1,888,537     |
| 25,000 <sub>3,4,5</sub>      | HBOS Plc, 6.657% (United Kingdom)                                    | 22,216,250    |
| 7,000 <sub>3,4,5</sub>       | HSBC Capital Funding LP, Ser. 2, 10.176%<br>(Jersey Channel Islands) | 9,205,357     |
| 3,250 <sub>3</sub>           | Huntington Capital III, 6.65%, 5/15/37                               | 3,049,846     |
| 3,867 <sub>4</sub>           | HVB Funding Trust I, 8.741%, 6/30/31                                 | 4,485,782     |
| 25,100 <sub>3,4,5,6</sub>    | ICICI Bank Ltd., 7.25% (India)                                       | 23,306,103    |
| 10,000 <sub>3,5</sub>        | ING Groep N.V., 5.775% (Netherlands)                                 | 9,658,830     |
| 12,875 <sub>3</sub>          | JPMorgan Chase Capital XXI, Ser. U, 5.844%, 2/02/37                  | 11,422,430    |
| 13,945 <sub>3</sub>          | JPMorgan Chase Capital XXIII, 6.558%, 5/15/47                        | 12,289,296    |
| 5,000 <sub>5</sub>           | Kazkommerts Finance 2 BV, 9.25% (Netherlands)                        | 4,548,875     |
| 785,000                      | KeyCorp Capital IX, 6.75%, 12/15/66                                  | 18,494,600    |
| 5,000 <sub>3,5</sub>         | Lehman Brothers Holdings Capital Trust V,<br>Ser. MTN, 5.857%        | 4,666,875     |
| 11,600 <sub>3,4</sub>        | Liberty Mutual Group, Inc., Ser. B, 7.00%, 3/15/37                   | 10,903,907    |
| 4,225 <sub>3</sub>           | Lincoln National Corp., 6.05%, 4/20/67                               | 4,049,244     |
| 13,000 <sub>3,4,5</sub>      | Lloyds TSB Group Plc, 6.267% (United Kingdom)                        | 12,026,547    |
| 10,000 <sub>3,4</sub>        | Mangrove Bay Pass-Through Trust, 6.102%, 7/15/33                     | 9,334,000     |
| 21,000 <sub>3,4,5</sub>      | Mizuho Capital Investment 1 Ltd., 6.686%<br>(Cayman Islands)         | 19,899,180    |
| 298,100                      | National City Capital Trust II, 6.625%, 11/15/36                     | 6,390,519     |
| 8,025                        | Nationwide Financial Services, 6.75%, 5/15/37                        | 7,719,721     |
| 19,675 <sub>3</sub>          | Progressive Corp., 6.70%, 6/15/37, 6/15/37                           | 19,306,743    |
| 7,105 <sub>3,4,5</sub>       | QBE Capital Funding II LP, 6.797%<br>(Jersey Channel Islands)        | 6,948,676     |
| 7,780 <sub>5</sub>           | RBS Capital Trust, Ser. B, 6.80% (United Kingdom)                    | 7,604,950     |
| 16,825 <sub>3,4,5</sub>      |  | 16,895,800    |

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|                                |   |             |
|--------------------------------|---|-------------|
|                                | Resona Preferred Global Securities Ltd., 7.191%<br>(Cayman Islands) |             |
|                                | Royal Bank of Scotland Group Plc, (United Kingdom)                  |             |
| 4,675 <sub>3,4,5</sub>         | 6.99%   | 4,756,813   |
| 3,130 <sub>3,5</sub>           | 7.648%  | 3,341,369   |
| 6,100 <sub>3,5</sub>           | Ser. MTN, 7.64%   | 6,322,723   |
| 7,000 <sub>3,4,5</sub>         | Shinsei Finance II, 7.16% (Cayman Islands)                          | 6,345,941   |
| 10,000 <sub>3,4,5</sub>        | SMFG Preferred Capital 1 Ltd., 6.078% (Cayman Islands)              | 9,354,100   |
| 17,850 <sub>3,4,5</sub>        | Societe Generale, 5.922% (France)                                   | 16,987,666  |
| 85,000                         | Sovereign Capital Trust V, 7.75%, 5/22/36                           | 2,127,661   |
| 28,305 <sub>3,6</sub>          | State Street Capital Trust IV, 6.694%, 6/15/37                      | 25,559,273  |
| 11,300 <sub>3,4,5</sub>        | Standard Chartered Plc, 7.014% (United Kingdom)                     | 11,307,119  |
| 27,475 <sub>3,4,5,6</sub>      | Swiss Re Capital I LP, 6.854%                                       | 27,711,477  |
| 19,100 <sub>3</sub>            | Travelers Cos., Inc., 6.25%, 3/15/37                                | 18,547,380  |
| 95,700                         | Wachovia Capital Trust IX, 6.375%, 6/01/67                          | 2,177,175   |
| 3,225 <sub>3</sub>             | Webster Capital Trust IV, 7.65%, 6/15/37                            | 3,198,942   |
| 4,400 <sub>3,4,5</sub>         | White Mountains RE Group Ltd., 7.506% (Bermuda)                     | 4,151,206   |
| 7,150 <sub>3,4</sub>           | Woori Bank, 6.208%, 5/02/37 (South Korea)                           | 6,665,087   |
| 10,000 <sub>3,5</sub>          | XL Capital Ltd., Ser. E, 6.50% (Cayman Islands)                     | 9,287,300   |
| 15,220 <sub>3,4</sub>          | ZFS Finance Trust I, 6.50%, 5/09/37                                 | 14,647,774  |
|                                | Total Financial Institutions  | 718,678,425 |
| <b>Media 1.6%</b>              |   |             |
| 780,000                        | Comcast Corp., 6.625%, 5/15/56                                      | 18,119,400  |
| <b>Real Estate 1.6%</b>        |   |             |
| 13,000 <sub>4,5</sub>          | Sovereign Real Estate Investment Corp. (REIT), 12.00%               | 18,122,000  |
| <b>Telecommunications 0.6%</b> |   |             |
| 270,000                        | AT&T, Inc., 6.375%, 2/15/56   | 6,504,300   |
|                                | Total Trust Preferred Stocks  | 793,630,756 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Preferred and Equity Advantage Trust (BTZ)  
(continued)

(Percentages shown are based on Net Assets)

| Principal Amount (000)                          | Description  | Value        |
|---|--|--------------|
| <b>Corporate Bonds 12.6%</b>                    |  |              |
| <b>Automotive 0.4%</b>                          |  |              |
| \$ 5,000  | Lear Corp., Ser. B, 8.75%, 12/01/16                          | \$ 4,800,000 |
| <b>Basic Materials 0.2%</b>                     |  |              |
| 2,350 <sup>4</sup>                              | Ineos Group Holdings Plc, 8.50%, 2/15/16<br>(United Kingdom) | 2,232,500    |
| <b>Commercial Services 0.4%</b>                 |  |              |
| 5,000 <sup>4</sup>                              | Quebecor World, Inc., 9.75%, 1/15/15 (Canada)                | 4,875,000    |
| <b>Consumer Products 0.4%</b>                   |  |              |
| 5,000 <sup>6</sup>                              | Michaels Stores, Inc., 11.375%, 11/01/16                     | 4,987,500    |
| <b>Ecological Services &amp; Equipment 0.4%</b> |  |              |
| 5,000   | Aleris Intl., Inc., 10.00%, 12/15/16                         | 4,400,000    |
| <b>Energy 1.0%</b>                              |  |              |
| 6,250   | CMS Energy Corp., 6.55%, 7/17/17                             | 6,066,737    |
| 5,000 <sup>3</sup>                              | Southern Union Co., 7.20%, 11/01/66                          | 4,991,065    |
|   | Total Energy   | 11,057,802   |
| <b>Entertainment &amp; Leisure 0.6%</b>         |  |              |
| 2,500   | AMC Entertainment, Inc., 11.00%, 2/01/16                     | 2,706,250    |
| 1,760   | Harrah's Operating Co., Inc., 5.75%, 10/01/17                | 1,298,000    |
| 3,000   | Station Casinos, Inc., 6.875%, 3/01/16                       | 2,482,500    |
|   | Total Entertainment & Leisure                                | 6,486,750    |
| <b>Financial Institutions 6.2%</b>              |  |              |
| 3,050   | Bear Stearns Cos., Inc. (The),<br>6.40%, 10/02/17            | 3,040,106    |
| 3,000   | Ser. MTN, 6.95%, 8/10/12                                     | 3,122,076    |
| 3,095 <sup>3</sup>                              | CIT Group, Inc., 5.734%, 11/23/07                            | 3,089,899    |
| 6,500 <sup>3,4</sup>                            | ICICI Bank Ltd., 6.375%, 4/30/22 (India)                     | 6,018,539    |
| 18,400  | JPMorgan Chase Capital XXV, Ser. Y, 6.80%, 10/01/37          | 18,379,705   |
| 6,375   | Lehman Brothers Holdings, Inc.,<br>6.875%, 7/17/37           | 6,316,669    |
| 1,075 <sup>3</sup>                              | Ser. MTN, 7.394%, 9/15/22                                    | 1,098,436    |
| 3,750 <sup>3</sup>                              | Lincoln National Corp., 7.00%, 5/17/66                       | 3,851,715    |
| 4,550   | MetLife, Inc., 6.40%, 12/15/36                               | 4,310,242    |
| 5,000 <sup>4</sup>                              | Momentive Performance Materials, Inc., 9.75%, 12/01/14       | 4,875,000    |
| 15,000 <sup>3</sup>                             | Reinsurance Group of America, Inc., 6.75%, 12/15/65          | 14,263,755   |
|   | Total Financial Institutions                                 | 68,366,142   |
| <b>Health Care 0.4%</b>                         |  |              |
| 4,500   | Tenet Healthcare Corp., 9.875%, 7/01/14                      | 4,095,000    |

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|   |   |                      |
|---|---|----------------------|
| <b>Industrials 0.0%</b>                           |   |                      |
| 283   | Stan IV Ltd., 7.137%, 7/17/11                                 | 274,510              |
| <b>Media 0.5%</b>                                 |   |                      |
| 5,000   | Cablevision Systems Corp., Ser. B, 8.00%, 4/15/12             | 4,887,500            |
| 1,000   | Nexstar Finance, Inc., 7.00%, 1/15/14                         | 960,000              |
|   | Total Media   | 5,847,500            |
| <b>Technology 1.3%</b>                            |   |                      |
| 4,410   | Freescale Semiconductor, Inc., 9.125%, 12/15/14               | 3,991,050            |
| 5,000   | NXP BV/NXP Funding LLC, 9.50%, 10/15/15 (Netherlands)         | 4,725,000            |
| 5,000   | SunGard Data Systems, Inc., 10.25%, 8/15/15                   | 5,212,500            |
|   | Total Technology  | 13,928,550           |
| <b>Telecommunications 0.8%</b>                    |   |                      |
|   | Intelsat Ltd. (Bermuda)                                       |                      |
| 3,325 <sub>3</sub>                                | 8.886%, 1/15/15   | 3,374,875            |
| 5,000   | 11.25%, 6/15/16   | 5,375,000            |
|   | Total Telecommunications                                      | 8,749,875            |
|   | Total Corporate Bonds   | 140,101,129          |
| <b>U.S. Government and Agency Securities 0.9%</b> |   |                      |
| 5,595   | U.S. Treasury Bonds, 4.75%, 2/15/37                           | 5,589,753            |
| 4,340   | U.S. Treasury Notes, 4.75%, 8/15/17                           | 4,435,614            |
|   | Total U.S. Government and Agency Securities                   | 10,025,367           |
|   | <b>Total Long-Term Investments<br/>(cost \$1,649,080,855)</b> | <b>1,601,559,014</b> |

| Shares | Description | Value |
|--------|-------------|-------|
|--------|-------------|-------|

|                                    |   |               |
|------------------------------------|---|---------------|
| <b>SHORT-TERM INVESTMENTS 2.8%</b> |   |               |
| <b>Money Market Fund 2.6%</b>      |   |               |
| 28,300 <sup>7</sup>                | SSgA Tax Free Money Mkt. Fund - Class A, 4.757% | \$ 28,300,000 |

**Principal  
Amount  
(000)**

|   |   |                   |
|---|---|-------------------|
| <b>U.S. Government and Agency Discount Notes 0.2%</b> |   |                   |
| \$ 2,100 <sup>8</sup>                                 | Federal Home Loan Bank Disc. Notes,<br>4.401%, 11/01/07     | 2,099,743         |
|   | <b>Total Short-Term Investments<br/>(cost \$30,399,743)</b> | <b>30,399,743</b> |

|                                      |                        |           |
|--------------------------------------|------------------------|-----------|
| <b>BORROWED BOND AGREEMENTS 1.2%</b> |                        |           |
|                                      | Lehman Brothers, Inc., |           |
| 3,947 <sup>10</sup>                  | 4.53%, 11/08/07        | 3,946,555 |
| 4,530 <sup>10</sup>                  | 4.11%, 11/08/07        | 4,530,094 |
| 5,356 <sup>10</sup>                  | 4.25%, 11/02/07        | 5,355,637 |

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|  |  |                         |
|--|--|-------------------------|
| <b>Total Borrowed Bond Agreements (\$13,832,286)</b>   |  | 13,832,286              |
| <b>Total Investments before borrowed bonds, investments sold short and outstanding call options written (cost \$1,693,312,884<sup>9</sup>)</b> |  | 1,645,791,043           |
| <b>BORROWED BONDS (1.2)%</b>   |  |                         |
| (3,855)  | U.S. Treasury Bonds, 4.75%, 2/15/37                                | (3,851,383)             |
| (9,695)  | U.S. Treasury Notes, 4.75, 8/15/17                                 | (9,908,592)             |
| <b>Total Borrowed Bonds (proceeds \$13,843,782)</b>  |  | (13,759,975)            |
| <b>INVESTMENTS SOLD SHORT (0.0)%</b>   |  |                         |
| (465) <sup>3,4,5</sup>   | Barclays Bank Plc, 5.926% (United Kingdom)<br>(proceeds \$441,536) | (440,135)               |
| <hr/>  |  |                         |
| <b>Contracts (000)</b>   |  |                         |
| <b>OUTSTANDING CALL OPTIONS WRITTEN (0.4)%</b>   |  |                         |
| (48)   | S&P 500 Index, strike price \$1,550, expires 11/17/07              | (983,250)               |
| (30)   | S&P 500 Index, strike price \$1,550, expires 12/22/07              | (1,200,650)             |
| (108)  | S&P 500 Index, strike price \$1,575, expires 11/17/07              | (772,200)               |
| (31)   | S&P 500 Index, strike price \$1,575, expires 12/22/07              | (706,000)               |
| (30)   | S&P 500 Index, strike price \$1,600, expires 12/22/07              | (468,000)               |
| <b>Total Outstanding Options Written (premium received \$5,426,127)</b>  |  | (4,130,100)             |
| <b>Total Investments net of borrowed bonds, investments sold short and outstanding call options written 146.8%</b>                             |  | \$ 1,627,460,833        |
| <b>Liabilities in excess of other assets (5.1)%</b>  |  | (56,649,879)            |
| <b>Preferred shares at redemption value, including dividends payable (41.7)%</b>   |  | (462,276,473)           |
| <b>Net Assets Applicable to Common Shareholders 100%</b>   |  | <b>\$ 1,108,534,481</b> |

See Notes to Financial Statements.

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Portfolio of Investments as of October 31, 2007

**BlackRock Preferred and Equity Advantage Trust (BTZ)**  
**(concluded)**

(Percentages shown are based on Net Assets)

- 1 Non-income producing security.
- 2 Security, or a portion thereof, pledged as collateral with a value of \$24,670,394 on 70 long S&P 500 Index futures contracts expiring December 2007 and 5,470 short U.S. Treasury Note futures contracts expiring December 2007. The notional value of such contracts on October 31, 2007 was \$574,574,719, with an unrealized loss of \$5,812,349.
- 3 Variable rate security. Rate shown is interest rate as of October 31, 2007.
- 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, 2007, the Trust held 43.0% of its net assets, with a current market value of \$476,024,964, in securities restricted as to resale.
- 5 The security is a perpetual bond and has no stated maturity date.
- 6 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.
- 7 Represents current yield as of October 31, 2007.
- 8 Rate shown is the yield to maturity as of the date of purchase.
- 9 Cost for federal income tax purposes is \$1,671,302,709. The net unrealized depreciation on a tax basis is \$47,639,949, consisting of \$35,071,886 gross unrealized appreciation and \$82,702,835 gross unrealized depreciation.
- 10 See Note 1 in the Notes to Financial Statements for details of borrowed bond agreements.

For Trust compliance purposes, the Trust's sector and industry classifications refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classifications for reporting ease.

See Notes to Financial Statements.



## Portfolio of Investments as of October 31, 2007

BlackRock Strategic Bond Trust (BHD)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)              | Description   | Value      |
|-------------------------------------|---|------------|
| <b>LONG-TERM INVESTMENTS 89.3%</b>  |   |            |
| <b>Corporate Bonds 84.5%</b>        |   |            |
| <b>Aerospace &amp; Defense 6.8%</b> |   |            |
| \$ 250 <sup>1</sup>                 | AAR Corp., Ser. A2, 8.39%, 5/15/11                        | \$ 252,500 |
| 120 <sup>2</sup>                    | Bombardier, Inc., 8.00%, 11/15/14 (Canada)                | 124,800    |
| 1,064                               | DI Finance/DynCorp Intl., Ser. B, 9.50%, 2/15/13          | 1,130,500  |
|                                     | DRS Technologies, Inc.,                                   |            |
| 50                                  | 6.875%, 11/01/13  | 50,000     |
| 80                                  | 7.625%, 2/01/18   | 81,800     |
| 2,000                               | Lockheed Martin Corp., Ser. B, 6.15%, 9/01/36             | 2,057,416  |
| 1,000                               | Northrop Grumman Corp., 7.125%, 2/15/11                   | 1,061,478  |
| 650                                 | Raytheon Co., 4.85%, 1/15/11                              | 643,928    |
| 50                                  | Sequa Corp., 9.00%, 8/01/09                               | 53,625     |
| 90                                  | TransDigm, Inc., 7.75%, 7/15/14                           | 91,575     |
| 1,000                               | United Technologies Corp., 6.35%, 3/01/11                 | 1,042,565  |
|                                     | Total Aerospace & Defense                                 | 6,590,187  |
| <b>Automotive 3.7%</b>              |   |            |
| 110                                 | Accuride Corp., 8.50%, 2/01/15                            | 103,400    |
| 45 <sup>2</sup>                     | Ashtead Capital, Inc., 9.00%, 8/15/16                     | 43,650     |
|                                     | AutoNation, Inc.,   |            |
| 110                                 | 7.00%, 4/15/14  | 106,425    |
| 110 <sup>3</sup>                    | 7.243%, 4/15/13   | 107,525    |
| 1,000                               | DaimlerChrysler NA Holding Corp., 7.30%, 1/15/12          | 1,074,229  |
| 350                                 | Ford Capital BV, 9.50%, 6/01/10 (Netherlands)             | 352,625    |
| 275                                 | Lear Corp., Ser. B, 8.75%, 12/01/16                       | 264,000    |
| 200                                 | Metaldyne Corp., 10.00%, 11/01/13                         | 186,000    |
| 1,400                               | Sonic Automotive, Inc., Ser. B, 8.625%, 8/15/13           | 1,414,000  |
|                                     | Total Automotive  | 3,651,854  |
| <b>Basic Materials 5.1%</b>         |   |            |
| 320                                 | AK Steel Corp., 7.75%, 6/15/12                            | 326,400    |
| 220                                 | Abitibi-Consolidated, Inc., 6.00%, 6/20/13 (Canada)       | 161,700    |
| 180                                 | American Pacific Corp., 9.00%, 2/01/15                    | 184,500    |
| 60 <sup>3</sup>                     | Bowater, Inc., 8.694%, 3/15/10                            | 54,900     |
| 150                                 | CPG Intl. I, Inc., 10.50%, 7/01/13                        | 150,000    |
| 20                                  | Chemtura Corp., 6.875%, 6/01/16                           | 19,100     |
| 40                                  | Domtar, Inc., 7.125%, 8/15/15 (Canada)                    | 39,600     |
| 130 <sup>2</sup>                    | FMG Finance Ltd., 10.625%, 9/01/16 (Australia)            | 154,050    |
|                                     | Freeport-McMoRan Copper & Gold, Inc.,                     |            |
| 690                                 | 8.375%, 4/01/17   | 755,550    |
| 240 <sup>3</sup>                    | 8.394%, 4/01/15   | 247,800    |
|                                     | Huntsman LLC,   |            |
| 99                                  | 11.50%, 7/15/12   | 107,663    |
| 50                                  | 11.625%, 10/15/10   | 53,000     |
| 595 <sup>2</sup>                    | Ineos Group Holdings Plc, 8.50%, 2/15/16 (United Kingdom) | 565,250    |
| 980                                 | Innophos, Inc., 8.875%, 8/15/14                           | 987,350    |
| 135 <sup>2</sup>                    | Key Plastics LLC/Key Plastics Finance Corp.,              |            |
|                                     | 11.75%, 3/15/13   | 114,750    |
| 130                                 | Lyondell Chemical Co., 10.50%, 6/01/13                    | 140,075    |
| 530                                 | NewPage Corp., 10.00%, 5/01/12                            | 560,475    |

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|  |                  |   |           |
|--|------------------|---|-----------|
|  | 155 <sup>3</sup> | NOVA Chemicals Corp., 8.484%, 11/15/13 (Canada) | 152,287   |
|  | 170              | Terra Capital, Inc., Ser. B, 7.00%, 2/01/17     | 170,000   |
|  |                  | Total Basic Materials                           | 4,944,450 |

### Building & Development 0.7%

|  |     |   |         |
|--|-----|---|---------|
|  | 465 | Goodman Global Holding Co., Inc., 7.875%, 12/15/12                | 485,925 |
|  | 115 | Nortek, Inc., 8.50%, 9/01/14                                      | 101,775 |
|  | 125 | North American Energy Partners, Inc.,<br>8.75%, 12/01/11 (Canada) | 126,250 |
|  |     | Total Building & Development                                      | 713,950 |

### Commercial Services 0.1%

|  |                  |   |         |
|--|------------------|---|---------|
|  | 120 <sup>2</sup> | Quebecor World, Inc., 9.75%, 1/15/15 (Canada) | 117,000 |
|--|------------------|---|---------|

### Conglomerates 0.4%

|  |     |                                       |         |
|--|-----|---------------------------------------|---------|
|  | 325 | Honeywell Intl., Inc., 7.50%, 3/01/10 | 344,254 |
|--|-----|---------------------------------------|---------|

**Principal  
Amount  
(000)**

**Description**

**Value**

### Consumer Products 3.8%

|  |                     |  |            |
|--|---------------------|--|------------|
|  | \$ 350 <sup>3</sup> | Ames True Temper, Inc., 9.243%, 1/15/12  | \$ 336,000 |
|  | 20 <sup>3</sup>     | Avis Budget Car Rental LLC/Avis Budget Finance, Inc.,<br>8.058%, 5/15/14                       | 19,750     |
|  | 60 <sup>2</sup>     | Beverages & More, Inc., 9.25%, 3/01/12<br>General Nutrition Centers, Inc.,<br>10.194%, 3/15/14 | 61,800     |
|  | 360 <sup>3</sup>    | 10.194%, 3/15/14   | 346,500    |
|  | 290                 | 10.75%, 3/15/15  | 282,025    |
|  | 362                 | Lazy Days RV Center, Inc., 11.75%, 5/15/12<br>Michaels Stores, Inc.,<br>10.00%, 11/01/14       | 325,800    |
|  | 340                 | 10.00%, 11/01/14   | 342,550    |
|  | 430 <sup>4</sup>    | 11.375%, 11/01/16  | 428,925    |
|  | 500                 | Pantry, Inc. (The), 7.75%, 2/15/14   | 487,500    |
|  | 100                 | Quiksilver, Inc., 6.875%, 4/15/15  | 93,250     |
|  | 200                 | Reynolds American, Inc., 7.625%, 6/01/16   | 216,383    |
|  | 525                 | Rite Aid Corp., 7.50%, 3/01/17   | 488,250    |
|  | 270                 | Sally Holdings LLC, 10.50%, 11/15/16   | 268,650    |
|  |                     | Total Consumer Products  | 3,697,383  |

### Containers & Packaging 1.6%

|  |                    |   |           |
|--|--------------------|---|-----------|
|  |                    | Berry Plastics Holding Corp.,<br>8.875%, 9/15/14                    | 194,750   |
|  | 130 <sup>3</sup>   | 9.569%, 9/15/14   | 130,325   |
|  | 250                | Crown Americas LLC/Crown Americas Capital Corp.,<br>7.75%, 11/15/15 | 257,500   |
|  | 55                 | Graham Packaging Co., Inc., 8.50%, 10/15/12                         | 54,588    |
|  | 260 <sup>2,3</sup> | Impress Holdings BV, 8.368%, 9/15/13 (Netherlands)                  | 258,636   |
|  | 565                | Pregis Corp., 12.375%, 10/15/13                                     | 615,850   |
|  |                    | Total Containers & Packaging  | 1,511,649 |

### Ecological Services & Equipment 2.1%

|  |       |   |           |
|--|-------|---|-----------|
|  | 1,500 | Casella Waste Systems, Inc., 9.75%, 2/01/13 | 1,530,000 |
|  | 550   | Waste Services, Inc., 9.50%, 4/15/14        | 550,000   |
|  |       | Total Ecological Services & Equipment       | 2,080,000 |

### Energy 11.0%

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|                    |  |           |
|--------------------|--|-----------|
| 100                | Berry Petroleum Co., 8.25%, 11/01/16               | 102,000   |
| 250                | Chaparral Energy, Inc., 8.50%, 12/01/15            | 233,125   |
|                    | Chesapeake Energy Corp.,                           |           |
| 130                | 6.375%, 6/15/15                                    | 126,100   |
| 20                 | 6.875%, 11/15/20                                   | 19,550    |
|                    | Compagnie Generale de Geophysique-Veritas (France) |           |
| 65                 | 7.50%, 5/15/15                                     | 66,300    |
| 70                 | 7.75%, 5/15/17                                     | 72,100    |
| 255                | Compton Petroleum Finance Corp.,                   |           |
|                    | 7.625%, 12/01/13 (Canada)                          | 244,163   |
| 1,000              | ConocoPhillips Holding Co., 6.95%, 4/15/29         | 1,138,708 |
| 738 <sup>2,3</sup> | Corral Finans AB, 6.855%, 4/15/10 (Sweden)         | 697,569   |
| 250                | DTE Energy Co., 7.05%, 6/01/11                     | 263,126   |
| 1,000              | Dominion Resources, Inc., 5.70%, 9/17/12           | 1,012,104 |
| 125                | Edison Mission Energy, 7.50%, 6/15/13              | 126,719   |
| 175                | El Paso Natural Gas Co., 8.375%, 6/15/32           | 203,997   |
| 31                 | Elwood Energy LLC, 8.159%, 7/05/26                 | 31,764    |
|                    | Encore Acquisition Co.,                            |           |
| 30                 | 6.00%, 7/15/15                                     | 27,150    |
| 40                 | 7.25%, 12/01/17                                    | 38,300    |
| 275                | Exco Resources, Inc., 7.25%, 1/15/11               | 271,562   |
| 1,075              | FirstEnergy Corp., Ser. C, 7.375%, 11/15/31        | 1,173,577 |
| 360 <sup>2</sup>   | Forest Oil Corp., 7.25%, 6/15/19                   | 360,000   |
| 60                 | Grant Prideco, Inc., Ser. B, 6.125%, 8/15/15       | 60,300    |
| 225                | KCS Energy, Inc., 7.125%, 4/01/12                  | 221,625   |
| 426                | Midwest Generation LLC, Ser. B, 8.56%, 1/02/16     | 457,680   |
| 185                | Mirant Americas Generation LLC, 8.30%, 5/01/11     | 187,081   |
|                    | NRG Energy, Inc.,                                  |           |
| 50                 | 7.25%, 2/01/14                                     | 50,000    |
| 285                | 7.375%, 2/01/16                                    | 284,287   |
| 250                | Occidental Petroleum Corp., 6.75%, 1/15/12         | 264,973   |
| 320 <sup>2</sup>   | OPTI, Inc., 8.25%, 12/15/14 (Canada)               | 320,800   |
| 140                | Orion Power Holdings, Inc., 12.00%, 5/01/10        | 154,700   |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Strategic Bond Trust (BHD) (continued)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                  | Description  | Value        |
|---|--|--------------|
| <b>Energy (cont d)</b>                  |  |              |
| \$ 1,000                                | Progress Energy, Inc., 7.75%, 3/01/31                                | \$ 1,174,755 |
| 305                                     | Sabine Pass LNG LP, 7.50%, 11/30/16                                  | 298,900      |
| 275 <sup>2</sup>                        | SemGroup LP, 8.75%, 11/15/15   | 264,000      |
| 400 <sup>2</sup>                        | Targa Resources, Inc., 8.50%, 11/01/13                               | 404,000      |
| 330                                     | Whiting Petroleum Corp., 7.25%, 5/01/12-5/01/13                      | 324,375      |
| 25                                      | Williams Cos., Inc., 7.125%, 9/01/11                                 | 25,938       |
|   | Total Energy   | 10,701,328   |
| <b>Entertainment &amp; Leisure 0.8%</b> |  |              |
| 200                                     | AMC Entertainment, Inc., 11.00%, 2/01/16                             | 216,500      |
| 225 <sup>2</sup>                        | Greektown Holdings LLC, 10.75%, 12/01/13                             | 223,875      |
| 85                                      | Harrah s Operating Co., Inc., 5.75%, 10/01/17                        | 62,688       |
| 190                                     | Seneca Gaming Corp., Ser. B, 7.25%, 5/01/12                          | 191,425      |
| 115                                     | Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., 6.625%, 12/01/14    | 112,987      |
|   | Total Entertainment & Leisure  | 807,475      |
| <b>Financial Institutions 10.2%</b>     |  |              |
| 102                                     | AES Ironwood LLC, 8.857%, 11/30/25                                   | 110,975      |
|   | American Real Estate Partners LP/American Real Estate Finance Corp., |              |
| 230                                     | 7.125%, 2/15/13  | 224,250      |
| 860                                     | 8.125%, 6/01/12  | 866,450      |
| 106 <sup>2,3</sup>                      | BMS Holdings, Inc., 12.40%, 2/15/12                                  | 101,985      |
|   | Ford Motor Credit Co. LLC,   |              |
| 1,600 <sup>3</sup>                      | 6.813%, 1/15/10  | 1,524,146    |
| 150 <sup>3</sup>                        | 7.993%, 1/13/12  | 138,866      |
| 250                                     | 7.80%, 6/01/12   | 234,894      |
| 1,500                                   | HSBC Bank, Inc., 3.875%, 9/15/09                                     | 1,469,899    |
| 572 <sup>2</sup>                        | iPayment Investors LP, 11.625%, 7/15/14                              | 589,367      |
| 175                                     | iPayment, Inc., 9.75%, 5/15/14                                       | 168,000      |
| 325                                     | MetLife, Inc., 6.125%, 12/01/11                                      | 336,267      |
|   | Momentive Performance Materials, Inc.,                               |              |
| 30 <sup>2</sup>                         | 9.75%, 12/01/14  | 29,250       |
| 445 <sup>2</sup>                        | 11.50%, 12/01/16   | 429,425      |
|   | Rainbow National Services LLC,                                       |              |
| 210 <sup>2</sup>                        | 8.75%, 9/01/12   | 218,400      |
| 1,455 <sup>2</sup>                      | 10.375%, 9/01/14   | 1,600,500    |
| 570 <sup>5</sup>                        | Structured Asset Receivable Trust, 1.649%, 1/21/10                   | 564,635      |
| 1,000 <sup>2</sup>                      | TIAA Global Markets, Inc., 3.875%, 1/22/08                           | 997,133      |
| 50 <sup>3</sup>                         | Universal City Florida Holding Co. I/II, 9.661%, 5/01/10             | 51,125       |
| 425 <sup>2</sup>                        | Wimar Opco LLC/Wimar Opco Finance Corp., 9.625%, 12/15/14            | 318,750      |
|   | Total Financial Institutions   | 9,974,317    |
| <b>Health Care 3.4%</b>                 |  |              |
| 1,000                                   | Merck & Co., Inc., 4.375%, 2/15/13                                   | 969,871      |
| 320                                     | Tenet Healthcare Corp., 6.50%, 6/01/12                               | 271,200      |
| 1,000                                   | WellPoint, Inc., 5.95%, 12/15/34                                     | 966,030      |
| 1,000                                   | Wyeth, 6.50%, 2/01/34  | 1,055,966    |

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|                               |  |              |
|-------------------------------|--|--------------|
| Total Health Care             |  | 3,263,067    |
| <b>Industrials 1.7%</b>       |  |              |
| 260 <sup>2</sup>              | AGY Holding Corp., 11.00%, 11/15/14  | 256,100      |
| 100                           | Hexcel Corp., 6.75%, 2/01/15   | 98,250       |
| 300                           | Park-Ohio Industries, Inc., 8.375%, 11/15/14   | 279,750      |
| 350                           | RBS Global, Inc./Rexnord Corp., 9.50%, 8/01/14   | 361,375      |
| 225                           | 11.75%, 8/01/16  | 238,500      |
| 470 <sup>1</sup>              | Sunstate Equipment Co. LLC, 10.50%, 4/01/13  | 451,200      |
| Total Industrials             |  | 1,685,175    |
| <b>Media 14.4%</b>            |  |              |
| 400                           | Adelphia Communications Corp., 10.50%, 12/31/49  | 66,000       |
| 435                           | Affinion Group, Inc., 10.125%, 10/15/13  | 453,487      |
| 220                           | 11.50%, 10/15/15   | 229,350      |
| 125                           | American Media Operations, Inc., Ser. B, 10.25%, 5/01/09   | 119,688      |
| <b>Principal Amount (000)</b> | <b>Description</b>   | <b>Value</b> |
| <b>Media (cont d)</b>         |  |              |
| \$ 1,000                      | AOL Time Warner, Inc., 7.70%, 5/01/32  | \$ 1,123,704 |
| 120 <sup>3</sup>              | Cablevision Systems Corp., Ser. B, 9.644%, 4/01/09   | 123,300      |
| 80                            | CanWest MediaWorks, Inc., 8.00%, 9/15/12 (Canada)  | 78,000       |
| 215                           | Charter Communications Holdings I LLC/Charter Communications Holdings I Capital Corp., 11.00%, 10/01/15  | 208,550      |
| 605                           | Charter Communications Holdings II LLC/Charter Communications Holdings II Capital Corp., 10.25%, 9/15/10 | 617,100      |
| 105                           | Ser. B, 10.25%, 9/15/10  | 106,838      |
| 500                           | CMP Susquehanna Corp., 9.875%, 5/15/14   | 459,375      |
| 1,000                         | Comcast Cable Communications, Inc., 6.875%, 6/15/09  | 1,025,415    |
| 50                            | Dex Media West LLC/Dex Media Finance Co., Ser. B, 9.875%, 8/15/13  | 53,313       |
| 100                           | DirecTV Holdings LLC/DirecTV Financing Co., 8.375%, 3/15/13  | 104,500      |
| 550                           | EchoStar DBS Corp., 5.75%, 10/01/08  | 548,625      |
| 210                           | 7.00%, 10/01/13  | 218,662      |
| 45                            | 7.125%, 2/01/16  | 47,025       |
| 500 <sup>2,3</sup>            | ION Media Networks, Inc., 8.493%, 1/15/12  | 501,250      |
| 485                           | Idearc, Inc., 8.00%, 11/15/16  | 486,212      |
| 405                           | Network Communications, Inc., 10.75%, 12/01/13   | 407,531      |
| 1,500                         | News America, Inc., 6.20%, 12/15/34  | 1,454,229    |
| 560                           | Nexstar Finance, Inc., 7.00%, 1/15/14  | 537,600      |
| 220 <sup>6</sup>              | Nielsen Finance LLC/Nielsen Finance Co., 9.115%, 8/01/16   | 158,950      |
| 710                           | 10.00%, 8/01/14  | 747,275      |
| 945                           | RH Donnelley Corp., Ser. A-3, 8.875%, 1/15/16  | 945,000      |
| 70                            | Sinclair Broadcast Group, Inc., 4.875%, 7/15/18  | 63,459       |
| 80                            | Sirius Satellite Radio, Inc., 9.625%, 8/01/13  | 79,500       |
| 1,000                         | TCI Communications, Inc., 7.875%, 2/15/26  | 1,138,691    |
| 750 <sup>2</sup>              | TL Acquisitions, Inc., 10.50%, 1/15/15   | 746,250      |
| 275 <sup>2</sup>              | Univision Communications, Inc., 9.75%, 3/15/15   | 269,500      |
| 445                           | Vertis, Inc., 9.75%, 4/01/09   | 445,000      |
| 85                            | Viacom, Inc., 6.625%, 5/15/11  | 88,370       |
| 370                           | Young Broadcasting, Inc., 10.00%, 3/01/11  | 347,800      |
| Total Media                   |  | 13,999,549   |
| <b>Real Estate 0.5%</b>       |  |              |

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|     |                                  |         |
|-----|----------------------------------|---------|
| 500 | ERP Operating LP, 6.95%, 3/02/11 | 521,745 |
|-----|----------------------------------|---------|

**Technology 3.8%**

|                  |  |           |
|------------------|--|-----------|
|                  | Amkor Technology, Inc.,  |           |
| 50               | 7.75%, 5/15/13   | 48,375    |
| 90               | 9.25%, 6/01/16   | 92,025    |
| 565              | Celestica, Inc., 7.625%, 7/01/13 (Canada)                              | 542,400   |
|                  | Freescale Semiconductor, Inc.,   |           |
| 540              | 9.125%, 12/15/14   | 488,700   |
| 100 <sup>3</sup> | 9.569%, 12/15/14   | 91,875    |
| 340              | NXP BV/NXP Funding LLC, 9.50%, 10/15/15 (Netherlands)                  | 321,300   |
| 345              | Sanmina-SCI Corp., 8.125%, 3/01/16                                     | 302,738   |
|                  | SunGard Data Systems, Inc.,  |           |
| 140              | 9.125%, 8/15/13  | 142,800   |
| 610              | 10.25%, 8/15/15  | 635,925   |
| 1,010            | Superior Essex Communications LLC/Essex Group, Inc.,<br>9.00%, 4/15/12 | 997,375   |
|                  | Total Technology   | 3,663,513 |

**Telecommunications 12.2%**

|                  |   |         |
|------------------|---|---------|
| 190              | Cincinnati Bell, Inc., 7.25%, 7/15/13                             | 190,475 |
| 140              | Cricket Communications, Inc., 9.375%, 11/01/14                    | 138,950 |
|                  | Digicel Group Ltd. (Bermuda)                                      |         |
| 170 <sup>2</sup> | 8.875%, 1/15/15   | 158,746 |
| 540 <sup>2</sup> | 9.125%, 1/15/15   | 503,957 |
| 130 <sup>3</sup> | Hawaiian Telcom Communications, Inc., Ser. B,<br>10.318%, 5/01/13 | 131,625 |
| 355              | Intelsat Corp., 9.00%, 6/15/16                                    | 362,987 |

See Notes to Financial Statements.

## Portfolio of Investments as of October 31, 2007

BlackRock Strategic Bond Trust (BHD) (concluded)  
(Percentages shown are based on Net Assets)

| Principal Amount (000)                            | Description  | Value             |
|---|--|-------------------|
| <b>Telecommunications (cont d)</b>                |  |                   |
| \$ 85 <sup>3</sup>                                | Intelsat Ltd. (Bermuda)                                  | \$ 86,275         |
| 300   | 8.886%, 1/15/15  | 311,250           |
| 170   | 9.25%, 6/15/16   | 182,750           |
| 730 <sup>3</sup>                                  | 11.25%, 6/15/16  | 761,025           |
| 240   | 11.409%, 6/15/13   |                   |
|   | Intelsat Subsidiary Holding Co. Ltd.,                    |                   |
|   | 8.625%, 1/15/15 (Bermuda)                                | 243,600           |
| 90 <sup>2</sup>                                   | MetroPCS Wireless, Inc., 9.25%, 11/01/14                 | 89,325            |
| 500 <sup>2</sup>                                  | Nordic Telephone Co. Holdings A.p.S.,                    |                   |
|   | 8.875%, 5/01/16 (Denmark)                                | 528,750           |
| 410 <sup>2,3</sup>                                | Nortel Networks Ltd., 9.493%, 7/15/11 (Canada)           | 404,875           |
| 125   | PanAmSat Corp., 9.00%, 8/15/14                           | 127,500           |
|   | Qwest Corp.,   |                   |
| 200   | 7.875%, 9/01/11  | 211,000           |
| 340 <sup>3</sup>                                  | 8.944%, 6/15/13  | 362,525           |
| 1,500   | SBC Communications, Inc., 6.45%, 6/15/34                 | 1,558,848         |
| 1,000   | Telecom Italia Capital S.A., 4.95%, 9/30/14 (Luxembourg) | 957,141           |
| 2,000   | Verizon New England, Inc., 6.50%, 9/15/11                | 2,078,264         |
| 1,000   | Vodafone Group Plc, 7.75%, 2/15/10 (United Kingdom)      | 1,057,537         |
| 590   | West Corp., 11.00%, 10/15/16                             | 618,025           |
| 250 <sup>2</sup>                                  | Wind Acquisition Finance S.A., 10.75%,                   |                   |
|   | 12/01/15 (Luxembourg)                                    | 278,125           |
|   | Windstream Corp.,  |                   |
| 360   | 8.125%, 8/01/13  | 380,700           |
| 170   | 8.625%, 8/01/16  | 181,900           |
|   | <b>Total Telecommunications</b>                          | <b>11,906,155</b> |
| <b>Transportation 2.2%</b>                        |  |                   |
| 125   | American Airlines, Inc., Ser. 99-1, 7.324%, 4/15/11      | 123,438           |
| 80  | Britannia Bulk Plc, 11.00%, 12/01/11 (United Kingdom)    | 84,000            |
| 500   | Canadian National Railway Co., 6.90%, 7/15/28 (Canada)   | 542,396           |
| 475   | CHC Helicopter Corp., 7.375%, 5/01/14 (Canada)           | 459,562           |
| 425   | Navios Maritime Holdings, Inc., 9.50%, 12/15/14          |                   |
|   | (Marshall Islands)                                       | 449,438           |
| 300   | Overseas Shipholding Group, Inc., 8.25%, 3/15/13         | 309,750           |
| 240 <sup>2</sup>                                  | St. Acquisition Corp., 12.50%, 5/15/17                   | 153,000           |
|   | <b>Total Transportation</b>                              | <b>2,121,584</b>  |
|   | <b>Total Corporate Bonds</b>                             | <b>82,294,635</b> |
| <b>U.S. Government and Agency Securities 3.9%</b> |  |                   |
|   | U.S. Treasury Bonds,                                     |                   |
| 130   | 4.75%, 2/15/37   | 129,929           |
| 410   | 5.375%, 2/15/31  | 444,210           |
|   | U.S. Treasury Notes,                                     |                   |
| 810   | 4.125%, 8/15/10  | 813,924           |
| 1,075   | 4.25%, 8/15/13-8/15/15                                   | 1,077,249         |
| 550   | 4.875%, 8/15/16  | 567,359           |
| 710   | 4.75%, 5/15/14   | 729,691           |
|   | <b>Total U.S. Government and Agency Securities</b>       | <b>3,762,362</b>  |

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|                                   |  |         |
|-----------------------------------|--|---------|
| <b>Trust Preferred Stock 0.7%</b> |  |         |
| 650 <sup>2,3,7</sup>              | Barclays Bank Plc, 8.55%<br>(United Kingdom) | 699,144 |

| Shares                    | Description                       | Value          |
|---------------------------|-----------------------------------|----------------|
| <b>Common Stocks 0.2%</b> |                                   |                |
| 396,568 <sup>1,8</sup>    | Adelphia Recovery Trust           | \$ 29,742      |
| 947 <sup>1,8</sup>        | Critical Care Systems Intl., Inc. | 5,919          |
| 6,388 <sup>8</sup>        | Time Warner Cable, Inc.           | 182,633        |
|                           | <b>Total Common Stocks</b>        | <b>218,294</b> |

|                             |   |        |
|-----------------------------|---|--------|
| <b>Preferred Stock 0.0%</b> |   |        |
| 50,000 <sup>1</sup>         | Superior Essex Holding Corp., Ser. A, 9.50% | 31,000 |

**Total Long-Term Investments  
(cost \$87,726,069)** 87,005,435

**Principal  
Amount  
(000)**

|   |  |           |
|---|--|-----------|
| <b>SHORT-TERM INVESTMENT 9.3%</b>                     |  |           |
| <b>U.S. Government and Agency Discount Notes 9.3%</b> |  |           |
| \$ 9,000 <sup>9</sup>                                 | Federal Home Loan Bank Disc. Notes,<br>4.401%, 11/01/07 (cost \$9,000,000) | 9,000,000 |

**Total investments 98.6% (cost \$96,726,069)** \$ 96,005,435  
Other assets in excess of liabilities 1.4% 1,404,288

**Net Assets 100%** \$ **97,409,723**

- Security is fair valued.
- 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, 2007, the Trust held 13.4% of its net assets, with a current market value of \$13,035,212, in securities restricted as to resale.
- Variable rate security. Rate shown is interest rate as of October 31, 2007.
- 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.
- Illiquid security. As of October 31, 2007, the Trust held 0.6% of its net assets, with a current market value of \$564,635, in these securities.
- Represents a step up bond; the interest rate shown reflects the effective yield at the time of purchase.
- The security is a perpetual bond and has no stated maturity date.



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8 Non-income producing security.

9 Rate shown is the yield to maturity as of the date of purchase.

10 Cost for federal income tax purposes is \$96,796,459. The net unrealized depreciation on a tax basis is \$791,024, consisting of \$1,347,299 gross unrealized appreciation and \$2,138,323 gross unrealized depreciation.

For Trust compliance purposes, the Trust's sector and industry classifications refer to any one or more of the Standard Industry Codes as defined by the SEC. This definition may not apply for purposes of this report, which may combine sector and industry sub-classifications for reporting ease.

See Notes to Financial Statements.

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## Statements of Assets and Liabilities

| October 31, 2007                                       | BlackRock<br>Broad<br>Investment<br>Grade 2009<br>Term Trust Inc. <sup>1</sup><br>(BCT) | BlackRock<br>Core<br>Bond Trust<br>(BHK) | BlackRock<br>High Yield<br>Trust<br>(BHY) | BlackRock<br>Income<br>Opportunity<br>Trust<br>(BNA) | BlackRock<br>Income<br>Trust Inc.<br>(BKT) |
|--|---|--|---|--|--|
| <b>Assets</b>  |   |  |   |  |  |
| Investments at value, unaffiliated <sup>2</sup>        | \$ 39,361,651   | \$ 667,583,920                           | \$ 59,618,159                             | \$ 725,931,579                                       | \$ 483,248,453                             |
| Investments at value, affiliated <sup>3</sup>          |   | 933,463                                  |   | 100,407  | 50,019                                     |
| Investments in affiliates                              | 21,616  | 83,837                                   | 31,411                                    | 156,215  | 187,780                                    |
| Cash   | 179,354   | 184,465                                  | 63,169                                    | 23,022   | 210,894                                    |
| Foreign currency at value <sup>4</sup>                 |   | 17,962                                   |   |  |  |
| Receivable from investments sold                       |   | 79,414,032                               | 298,143                                   | 118,755,429  | 298,981,807                                |
| Variation margin receivable                            |   | 285,126                                  |   | 196,616  | 2,503,972                                  |
| Unrealized gain on foreign currency exchange contracts |   | 21,131                                   |   |  |  |
| Interest receivable                                    | 191,706   | 5,893,932                                | 1,376,913                                 | 6,113,470  | 3,266,783                                  |
| Unrealized appreciation on interest rate swaps         |   | 5,366,013                                |   | 6,167,813  | 19,676,308                                 |
| Other assets   |   | 1,126                                    | 1,105                                     | 1,684  | 2,960                                      |
|  | 39,754,327  | 759,785,007                              | 61,388,900                                | 857,446,235  | 808,128,976                                |

**Liabilities**

|  |         |             |            |             |             |
|--|---------|-------------|------------|-------------|-------------|
| Reverse repurchase agreements                          |         | 103,353,692 |            | 105,261,512 | 33,895,363  |
| Payable for investments purchased                      |         | 194,609,753 | 1,124,884  | 264,757,861 | 252,599,751 |
| Variation margin payable                               |         |             |            |             |             |
| Unrealized loss on foreign currency exchange contracts |         |             |            |             |             |
| Loans payable  |         |             | 9,250,000  |             |             |
| Borrowed bonds at value <sup>5</sup>                   |         | 80,405,639  |            | 85,300,660  | 35,402,682  |
| Investments sold short at value                        |         |             |            |             |             |
| Outstanding options written at value <sup>6</sup>      |         | 1,554,341   |            | 1,712,207   | 11,216,778  |
| TBA sale commitments <sup>7</sup>                      |         | 4,630,377   |            | 13,225,372  | 50,770,896  |
| Unrealized depreciation on interest rate swaps         |         | 4,709,585   |            | 5,365,027   | 960,832     |
| Unrealized depreciation on credit default swaps        |         | 462         |            | 98          |             |
| Interest payable                                       |         | 982,884     | 46,037     | 1,321,187   | 1,030,721   |
| Deferred income liability                              |         |             |            |             |             |
| Interest rate floors at value                          |         |             |            |             | 3,683,965   |
| Cash received as collateral                            |         | 600,000     |            | 200,000     |             |
| Dividends payable                                      | 6,990   | 58,217      | 3,833      | 51,466      | 86,657      |
| Investment advisory fees payable                       | 18,502  | 217,707     | 54,216     | 192,939     | 230,091     |
| Administration fees payable                            | 5,046   |             | 5,163      | 32,156      | 53,098      |
| Deferred Trustees fees                                 | 21,616  | 83,837      | 31,411     | 156,215     | 187,780     |
| Payable to affiliates                                  |         | 11,894      | 316        | 9,053       | 14,467      |
| Trustees fees  | 8,518   | 7,882       | 1,667      | 7,560       | 6,507       |
| Other accrued expenses                                 | 124,676 | 223,510     | 89,117     | 248,045     | 338,437     |
|  | 185,348 | 391,449,780 | 10,606,644 | 477,841,358 | 390,478,025 |

**Preferred Shares at Redemption Value**

\$0.001 par value per share and \$25,000 liquidation value per share, including dividends payable<sup>8</sup>

|  |               |                |               |                |                |
|--|---------------|----------------|---------------|----------------|----------------|
| Net Assets Applicable to Common Shareholders | \$ 39,568,979 | \$ 368,335,227 | \$ 50,782,256 | \$ 379,604,877 | \$ 417,650,951 |
|--|---------------|----------------|---------------|----------------|----------------|

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### Composition of Net Assets Applicable to Common

#### Shareholders

|  |             |             |              |              |              |
|--|-------------|-------------|--------------|--------------|--------------|
| Par value <sup>9</sup>   | \$ 29,571   | \$ 27,019   | \$ 6,419     | \$ 344,497   | \$ 639,425   |
| Paid-in capital in excess of par                                 | 38,164,047  | 380,862,247 | 90,440,587   | 402,495,300  | 480,038,780  |
| Cost of shares held in treasury <sup>10</sup>                    |             |             |              | (17,377,850) |              |
| Undistributed (distributions in excess of) net investment income | 4,863,653   | (1,696,051) | 116,650      | 768,824      | (6,313,294)  |
| Accumulated net realized gain (loss)                             | (3,222,230) | (9,982,656) | (36,529,058) | (5,053,727)  | (62,361,817) |
| Net unrealized appreciation (depreciation)                       | (266,062)   | (875,332)   | (3,252,342)  | (1,572,167)  | 5,647,857    |

#### Net assets applicable to common shareholders, October 31, 2007

|  |               |                |               |                |                |
|--|---------------|----------------|---------------|----------------|----------------|
|  | \$ 39,568,979 | \$ 368,335,227 | \$ 50,782,256 | \$ 379,604,877 | \$ 417,650,951 |
|--|---------------|----------------|---------------|----------------|----------------|

|                               |          |          |         |          |         |
|-------------------------------|----------|----------|---------|----------|---------|
| Net asset value <sup>11</sup> | \$ 13.38 | \$ 13.63 | \$ 7.91 | \$ 11.02 | \$ 6.53 |
|-------------------------------|----------|----------|---------|----------|---------|

#### <sup>1</sup> Consolidated Statement of Assets and Liabilities

|  |               |                |               |                |                |
|--|---------------|----------------|---------------|----------------|----------------|
| <sup>2</sup> Investments at cost, unaffiliated | \$ 39,627,713 | \$ 669,290,048 | \$ 62,870,501 | \$ 728,241,712 | \$ 489,276,096 |
| <sup>3</sup> Investments at cost, affiliated   | \$            | \$ 926,771     | \$            | \$ 105,884     | \$ 52,584      |
| <sup>4</sup> Foreign currency at cost          | \$            | \$ 17,603      | \$            | \$             | \$             |
| <sup>5</sup> Proceeds received                 | \$            | \$ 80,372,938  | \$            | \$ 85,264,516  | \$ 34,289,344  |
| <sup>6</sup> Premiums received                 | \$            | \$ 2,261,545   | \$            | \$ 2,478,560   | \$ 9,904,416   |
| <sup>7</sup> Proceeds for TBA sale commitments | \$            | \$ 4,627,832   | \$            | \$ 13,086,862  | \$ 49,863,740  |
| <sup>8</sup> Preferred shares outstanding      |               |                |               |                |                |
| <sup>9</sup> Par value per share               | \$ 0.010      | \$ 0.001       | \$ 0.001      | \$ 0.010       | \$ 0.010       |
| <sup>10</sup> Shares held in treasury          |               |                |               | 1,757,400      |                |
| <sup>11</sup> Common shares outstanding        | 2,957,093     | 27,018,774     | 6,418,859     | 34,449,693     | 63,942,536     |

See Notes to Financial Statements.

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| October 31, 2007                                       | BlackRock<br>Limited<br>Duration<br>Income Trust<br>(BLW) | BlackRock<br>Preferred<br>and Equity<br>Advantage<br>Trust<br>(BTZ) | BlackRock<br>Strategic<br>Bond Trust<br>(BHD) |
|--|---|---|---|
| <b>Assets</b>  |   |   |   |
| Investments at value, unaffiliated <sup>2</sup>        | \$ 916,465,094  | \$ 1,645,791,043  | \$ 96,005,435                                 |
| Investments at value, affiliated <sup>3</sup>          |   |   |   |
| Investments in affiliates                              | 77,688  |   | 16,994  |
| Cash   | 459,217   | 2,433,274   | 25,014  |
| Foreign currency at value <sup>4</sup>                 | 131,351   |   |   |
| Receivable from investments sold                       | 7,605,343   | 17,269,931  | 381,617                                       |
| Variation margin receivable                            |   | 3,860,541   |   |
| Unrealized gain on foreign currency exchange contracts |   |   |   |
| Interest receivable                                    | 14,216,297  | 18,988,818  | 1,752,232                                     |
| Unrealized appreciation on interest rate swaps         |   |   |   |
| Other assets   | 1,796   | 1,756   | 1,101   |
|  | 938,956,786   | 1,688,345,363   | 98,182,393                                    |

|  |             |             |         |
|--|-------------|-------------|---------|
| <b>Liabilities</b>                                     |             |             |         |
| Reverse repurchase agreements                          | 109,286,907 | 88,290,625  | 413,123 |
| Payable for investments purchased                      | 140,394,085 | 7,757,330   | 152,692 |
| Variation margin payable                               | 39,234      |             |         |
| Unrealized loss on foreign currency exchange contracts | 922,551     |             |         |
| Loans payable  |             |             |         |
| Borrowed bonds at value <sup>5</sup>                   |             | 13,759,975  |         |
| Investments sold short at value                        |             | 440,135     |         |
| Outstanding options written at value <sup>6</sup>      |             | 4,130,100   |         |
| TBA sale commitments <sup>7</sup>                      |             |             |         |
| Unrealized depreciation on interest rate swaps         |             |             |         |
| Unrealized depreciation on credit default swaps        | 313,338     |             |         |
| Interest payable                                       | 3,774,842   | 245,379     |         |
| Deferred income liability                              | 65,081      |             |         |
| Interest rate floors at value                          |             |             |         |
| Cash received as collateral                            |             |             |         |
| Dividends payable                                      | 260,642     | 1,522,131   | 20,589  |
| Investment advisory fees payable                       | 371,728     | 929,772     | 49,601  |
| Administration fees payable                            |             |             |         |
| Deferred Trustees fees                                 | 77,688      |             | 16,994  |
| Payable to affiliates                                  | 22,039      | 25,990      | 6,950   |
| Trustees fees  | 10,448      | 11,625      | 4,714   |
| Other accrued expenses                                 | 308,782     | 421,347     | 108,007 |
|  | 255,847,365 | 117,534,409 | 772,670 |

**Preferred Shares at Redemption Value**

|  |                |                  |               |
|--|----------------|------------------|---------------|
| \$0.001 par value per share and \$25,000 liquidation value per share, including dividends payable <sup>8</sup> |                |                  |               |
| Net Assets Applicable to Common Shareholders   | \$ 683,109,421 | \$ 1,108,534,481 | \$ 97,409,723 |

**Composition of Net Assets Applicable to Common Shareholders**

|  |             |               |            |
|--|-------------|---------------|------------|
| Par value <sup>9</sup>   | \$ 36,890   | \$ 51,828     | \$ 7,058   |
| Paid-in capital in excess of par                                 | 701,305,214 | 1,206,156,456 | 98,443,594 |
| Cost of shares held in treasury <sup>10</sup>                    |             |               |            |
| Undistributed (distributions in excess of) net investment income | 800,386     | (276,473)     | 197,208    |
| Accumulated net realized gain (loss)                             | (172,492)   | (45,444,375)  | (517,503)  |

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|  |                |                  |               |
|--|----------------|------------------|---------------|
| Net unrealized appreciation (depreciation)                     | (18,860,577)   | (51,952,955)     | (720,634)     |
| Net assets applicable to common shareholders, October 31, 2007 | \$ 683,109,421 | \$ 1,108,534,481 | \$ 97,409,723 |
| Net asset value <sup>11</sup>                                  | \$ 18.52       | \$ 21.39         | \$ 13.80      |
| <b>1 Consolidated Statement of Assets and Liabilities</b>      |                |                  |               |
| <sup>2</sup> Investments at cost, unaffiliated                 | \$ 933,594,349 | \$ 1,693,312,884 | \$ 96,726,069 |
| <sup>3</sup> Investments at cost, affiliated                   | \$             | \$               | \$            |
| <sup>4</sup> Foreign currency at cost                          | \$ 130,848     | \$               | \$            |
| <sup>5</sup> Proceeds received                                 | \$             | \$ 14,285,318    | \$            |
| <sup>6</sup> Premiums received                                 | \$             | \$ 5,426,127     | \$            |
| <sup>7</sup> Proceeds for TBA sale commitments                 | \$             | \$               | \$            |
| <sup>8</sup> Preferred shares outstanding                      |                | 18,480           |               |
| <sup>9</sup> Par value per share                               | \$ 0.001       | \$ 0.001         | \$ 0.001      |
| <sup>10</sup> Shares held in treasury                          |                |                  |               |
| <sup>11</sup> Common shares outstanding                        | 36,889,650     | 51,828,157       | 7,058,402     |

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## Statements of Operations

| For the year ended October 31, 2007                                 | BlackRock<br>Broad<br>Investment<br>Grade 2009<br>Term Trust Inc. <sup>1</sup><br>(BCT) | BlackRock<br>Core<br>Bond Trust<br>(BHK) | BlackRock<br>High Yield<br>Trust<br>(BHY) | BlackRock<br>Income<br>Opportunity<br>Trust<br>(BNA) | BlackRock<br>Income<br>Trust Inc.<br>(BKT) |
|---|---|--|---|--|--|
| <b>Investment Income</b>  |   |  |   |  |  |
| Interest income   | \$ 2,158,502  | \$ 25,484,417                            | \$ 6,149,702                              | \$ 28,944,530  | \$ 30,455,219                              |
| Dividend income   |   | 32,154                                   | 12,606                                    | 29,926   |  |
| Foreign taxes withheld  |   |  |   | (2,097)  |  |
| Income from affiliates  | 334   | 4,101                                    | 853                                       | 6,247  | 8,557                                      |
| Affiliated income   |   | 52,860                                   |   | 63,456   | 3,731                                      |
| <b>Total investment income</b>                                      | <b>2,158,836</b>  | <b>25,573,532</b>                        | <b>6,163,161</b>                          | <b>29,042,062</b>                                    | <b>30,467,507</b>                          |
| <b>Expenses</b>   |   |  |   |  |  |
| Investment advisory   | 221,437   | 2,263,497                                | 727,265                                   | 2,268,956  | 2,680,534                                  |
| Administration  | 60,392  |  | 69,263                                    | 378,159  | 618,585                                    |
| Transfer agent  | 9,182   | 14,489                                   | 14,192                                    | 21,836   | 66,456                                     |
| Custodian   | 63,355  | 249,091                                  | 113,949                                   | 231,868  | 268,396                                    |
| Reports to shareholders   | 30,278  | 102,521                                  | 33,297                                    | 118,718  | 155,712                                    |
| Directors/Trustees  | 10,093  | 35,499                                   | 5,698                                     | 35,718   | 36,317                                     |
| Registration  | 932   | 11,073                                   | 10,987                                    | 15,345   | 25,782                                     |
| Independent accountants   | 43,608  | 75,556                                   | 44,407                                    | 75,692   | 75,973                                     |
| Legal   | 8,402   | 63,123                                   | 47,523                                    | 56,054   | 53,381                                     |
| Officers fees   | 973   | 8,848                                    | 1,217                                     | 9,108  | 10,206                                     |
| Insurance   | 2,087   | 20,151                                   | 3,620                                     | 22,254   | 25,791                                     |
| Organization  |   |  |   |  |  |
| Auction agent   |   |  |   |  |  |
| Deferred Trustees fees  | 334   | 4,101                                    | 853                                       | 6,247  | 8,557                                      |
| Miscellaneous   | 16,158  | 42,697                                   | 16,125                                    | 44,253   | 48,243                                     |
| <b>Total expenses excluding interest expense<br/>and excise tax</b> | <b>467,231</b>  | <b>2,890,646</b>                         | <b>1,088,396</b>                          | <b>3,284,208</b>                                     | <b>4,073,933</b>                           |
| Interest expense  |   | 2,986,285                                | 1,050,907                                 | 4,308,893  | 7,442,611                                  |
| Excise tax  | 283,057   |  |   |  |  |
| <b>Total expenses</b>   | <b>750,288</b>  | <b>5,876,931</b>                         | <b>2,139,303</b>                          | <b>7,593,101</b>                                     | <b>11,516,544</b>                          |
| Less advisory fees waived   |   |  |   |  |  |
| Less fees paid indirectly   |   | (9,486)                                  | (8,027)                                   | (12,757)   | (22,750)                                   |
| <b>Net expenses</b>   | <b>750,288</b>  | <b>5,867,445</b>                         | <b>2,131,276</b>                          | <b>7,580,344</b>                                     | <b>11,493,794</b>                          |
| <b>Net investment income</b>  | <b>1,408,548</b>  | <b>19,706,087</b>                        | <b>4,031,885</b>                          | <b>21,461,718</b>                                    | <b>18,973,713</b>                          |
| <b>Realized and Unrealized Gain (Loss)</b>                          |   |  |   |  |  |
| Net realized gain on:   |   |  |   |  |  |
| Investments   | 16,829  | 2,932,807                                | (2,479,994)                               | 2,379,781  | 5,100,250                                  |

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|                      |             |         |             |              |
|----------------------|-------------|---------|-------------|--------------|
| Foreign currency     | (243,679)   |         | 1,864       |              |
| Futures and swaps    | (2,641,007) | 5,700   | (561,310)   | (14,906,137) |
| Interest rate floors | 3,316       |         | 3,654       | 3,623        |
| Options written      | 472,353     | 23,138  | 505,900     | 66,100       |
| Short sales          | (181,836)   | 1,000   | (216,750)   | (631,861)    |
|                      | 16,829      | 341,954 | (2,450,156) | 2,113,139    |
|                      |             |         |             | (10,368,025) |

Net change in unrealized appreciation on:

|                                |             |             |           |             |             |
|--------------------------------|-------------|-------------|-----------|-------------|-------------|
| Investments                    | 23,668      | 1,396,645   | 2,730,808 | 34,707      | 9,813,510   |
| Foreign currency               |             | 84,610      |           |             |             |
| Futures and swaps              | (4,729,198) |             |           | (5,924,500) | 14,400,816  |
| Interest rate floors           |             |             |           |             | (993,376)   |
| Options written                | (224,655)   |             |           | (232,716)   | (2,301,793) |
| Short sales and borrowed bonds | (35,246)    |             |           | 39,033      | (2,547,439) |
|                                | 23,668      | (3,507,844) | 2,730,808 | (6,083,476) | 18,371,718  |

|                 |        |             |         |             |           |
|-----------------|--------|-------------|---------|-------------|-----------|
| Net gain (loss) | 40,497 | (3,165,890) | 280,652 | (3,970,337) | 8,003,693 |
|-----------------|--------|-------------|---------|-------------|-----------|

Dividends from Net Investment Income to Preferred Shareholders

**Net Increase (Decrease) in Net Assets  
Applicable to Common Shareholders  
Resulting from Operations**

|    |           |    |            |    |           |    |            |    |            |
|----|-----------|----|------------|----|-----------|----|------------|----|------------|
| \$ | 1,449,045 | \$ | 16,540,197 | \$ | 4,312,537 | \$ | 17,491,381 | \$ | 26,977,406 |
|----|-----------|----|------------|----|-----------|----|------------|----|------------|

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

<sup>2</sup> Commencement of investment of operations for Preferred and Equity Advantage Trust was December 27, 2006. This information includes the initial investment by BlackRock Funding, Inc.

See Notes to Financial Statements.

| For the year ended October 31, 2007                             | BlackRock<br>Limited<br>Duration<br>Income Trust<br>(BLW) | BlackRock<br>Preferred<br>and Equity<br>Advantage<br>Trust <sup>2</sup><br>(BTZ) | BlackRock<br>Strategic<br>Bond Trust<br>(BHD) |
|---|---|--|---|
| <b>Investment Income</b>  |   |  |   |
| Interest income   | \$ 70,129,223   | \$ 59,961,405  | \$ 7,972,023                                  |
| Dividend income   | 25,138  | 23,665,646   | 6,407   |
| Foreign taxes withheld  |   | (72,205)   |   |
| Income from affiliates  | 4,008   |  | 629   |
| Affiliated income   |   |  |   |
| <b>Total investment income</b>                                  | <b>70,158,369</b>   | <b>83,554,846</b>  | <b>7,979,059</b>                              |
| <b>Expenses</b>   |   |  |   |
| Investment advisory   | 4,890,429   | 9,017,835  | 791,363                                       |
| Administration  |   |  |   |
| Transfer agent  | 13,687  | 12,720   | 13,605  |
| Custodian   | 458,823   | 194,874  | 99,288  |
| Reports to shareholders   | 192,757   | 140,899  | 31,092  |
| Directors/Trustees  | 42,093  | 42,388   | 10,395  |
| Registration  | 16,509  | 14,642   | 10,969  |
| Independent accountants   | 52,443  | 53,616   | 40,196  |
| Legal   | 82,107  | 56,724   | 16,601  |
| Officers fees   | 16,420  | 27,170   | 2,349   |
| Insurance   | 47,141  | 55,998   | 5,517   |
| Organization  |   | 15,000   |   |
| Auction agent   |   | 766,268  |   |
| Deferred Trustees fees  | 4,008   |  | 629   |
| Miscellaneous   | 67,545  | 73,222   | 14,377  |
| <b>Total expenses excluding interest expense and excise tax</b> | <b>5,883,962</b>  | <b>10,471,356</b>  | <b>1,036,381</b>                              |
| Interest expense  | 9,171,719   | 8,445,410  | 389,572                                       |
| Excise tax  |   | 14,538   |   |
| <b>Total expenses</b>   | <b>15,055,681</b>   | <b>18,931,304</b>  | <b>1,425,953</b>                              |
| Less advisory fees waived                                       |   |  | (176,670)                                     |
| Less fees paid indirectly                                       | (116,925)   | (150,583)  | (5,761)                                       |
| <b>Net expenses</b>   | <b>14,938,756</b>   | <b>18,780,721</b>  | <b>1,243,522</b>                              |
| <b>Net investment income</b>                                    | <b>55,219,613</b>   | <b>64,774,125</b>  | <b>6,735,537</b>                              |
| <b>Realized and Unrealized Gain (Loss)</b>                      |   |  |   |
| Net realized gain on:   |   |  |   |
| Investments   | 5,056,888   | (1,920,106)  | 999,009                                       |
| Foreign currency  | (2,379,054)   |  |   |
| Futures and swaps   | 442,248   | (29,263,030)   |   |
| Interest rate floors  |   |  |   |
| Options written   |   | (18,088,249)   |   |



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|  |               |                 |              |
|--|---------------|-----------------|--------------|
| Short sales  |               | 3,748,880       |              |
|  | 3,120,082     | (45,522,505)    | 999,009      |
| Net change in unrealized appreciation on:  |               |                 |              |
| Investments  | (19,529,245)  | (47,521,841)    | (1,416,472)  |
| Foreign currency   | (918,619)     |                 |              |
| Futures and swaps  | (773,728)     | (5,812,349)     |              |
| Interest rate floors   |               |                 |              |
| Options written  |               | 1,296,027       |              |
| Short sales and borrowed bonds   |               | 85,208          |              |
|  | (21,221,592)  | (51,952,955)    | (1,416,472)  |
| Net gain (loss)  | (18,101,510)  | (97,475,460)    | (417,463)    |
| Dividends from Net Investment Income to Preferred Shareholders   |               | (16,313,570)    |              |
| <b>Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b> | \$ 37,118,103 | \$ (49,014,905) | \$ 6,318,074 |

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## Statements of Cash Flows

|   | BlackRock<br>Core<br>Bond Trust<br>(BHK) | BlackRock<br>High<br>Yield Trust<br>(BHY) | BlackRock<br>Income<br>Opportunity<br>Trust<br>(BNA) |
|---|--|---|--|
| <b>For the Year Ended October 31, 2007</b>  |  |   |  |
| <b>Cash Flows Provided by (Used for) Operating Activities</b>   |  |   |  |
| Net increase (decrease) in net assets resulting from operations, excluding dividends to preferred shareholders                        | \$ 16,540,197                            | \$ 4,312,537                              | \$ 17,491,381  |
| <b>Adjustments to Reconcile Net Increase (Decrease) in Net Assets Resulting from Operations to Net Cash from Operating Activities</b> |  |   |  |
| Purchases of long-term investments  | (1,941,701,638)                          | (45,730,396)                              | (2,429,447,517)                                      |
| Proceeds from sales of long-term investments  | 1,733,431,910                            | 53,761,581                                | 2,211,685,787  |
| Net proceeds (purchases) of short-term investments  | 889,872                                  | 1,609,785                                 | 4,896,196  |
| Decrease (Increase) in borrowed bond agreements   | (80,490,000)                             |   | (85,383,875)   |
| Amortization of premium and discount on investments   | 2,145,093                                | (52,354)                                  | 1,397,029  |
| Net realized loss (gain) on investments   | (2,931,258)                              | 2,479,994                                 | (2,379,781)  |
| Decrease (Increase) in unrealized appreciation/depreciation on investments  | (1,396,645)                              | (2,730,808)                               | (34,707)   |
| Net effect of exchange rates on foreign currency  | 243,678                                  |   | (1,864)  |
| Increase in investments sold short and borrowed bonds   | 80,405,639                               |   | 85,300,660   |
| Increase (Decrease) in outstanding options written  | (573,431)                                |   | (610,347)  |
| Increase (Decrease) in TBA sale commitments   | 4,630,377                                |   | (12,762,315)   |
| Decrease in interest rate floor   |  |   |  |
| Decrease (Increase) in unrealized appreciation (depreciation) on swaps  | 1,779,656                                |   | 2,004,890  |
| Decrease (Increase) in credit default swaps   | (44,465)                                 |   | (49,874)   |
| Increase in investments in affiliates   | (4,101)                                  | (852)                                     | (6,247)  |
| Decrease (Increase) in receivable for investments sold  | (79,018,214)                             | (76,424)                                  | (92,217,031)   |
| Decrease in unrealized gain on foreign currency exchange contracts  | 62,356                                   |   |  |
| Decrease (Increase) in variation margin receivable  | 348,212                                  |   | 613,478  |
| Decrease (Increase) in interest receivable  | (541,245)                                | 187,539                                   | (563,244)  |
| Decrease (Increase) in other assets   | 21,210                                   | 2,902                                     | 27,891   |
| Increase (Decrease) in payable for investments purchased  | 183,643,965                              | 1,064,252                                 | 251,167,512  |
| Decrease in payable for dollar rolls  |  |   |  |
| Increase in unrealized loss on foreign currency exchange contracts  |  |   |  |
| Increase in variation margin payable  |  |   |  |
| Increase (Decrease) in interest payable   | 300,147                                  | (40,863)                                  | 444,016  |
| Increase in deferred income   |  |   |  |
| Increase (Decrease) in investment advisory fee payable  | 70,571                                   | 9,609                                     | (1,049)  |
| Increase (Decrease) in cash with brokers as collateral  |  |   | (400,000)  |
| Increase (Decrease) in administration fee payable   |  | 3,006                                     | (33,664)   |
| Increase in Deferred Directors/Trustees fees  | 4,101                                    | 852                                       | 6,247  |
| Increase (Decrease) in payable to affiliates  | (5,945)                                  | (664)                                     | 3,248  |
| Increase (Decrease) in Officers & Trustees fees   | 7,882                                    | 1,667                                     | 7,560  |
| Increase in accrued expenses  | 44,363                                   | 11,260                                    | 77,837   |
| Total adjustments   | (98,677,910)                             | 10,500,086                                | (66,259,164)   |
| Net cash provided by (used for) operating activities  | \$ (82,137,713)                          | \$ 14,812,623                             | \$ (48,767,783)                                      |
| <b>Cash flows provided by (used for) financing activities:</b>  |  |   |  |
| Capital contributions   |  |   |  |
| Increase (Decrease) in reverse repurchase agreements  | 99,442,604                               |   | 70,935,354   |
| Draws on loan   |  | 3,000,000                                 |  |
| Payments on loan  |  | (14,000,000)                              |  |
| Increase in preferred shares at redemption value including dividends payable  |  |   |  |
| Cash dividends paid   | (21,664,877)                             | (3,911,685)                               | (22,685,337)   |

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### Distributions to Preferred Shareholders

|   |    |             |    |              |    |            |
|---|----|-------------|----|--------------|----|------------|
| Net cash provided by (used for) financing activities:                                     | \$ | 77,777,727  | \$ | (14,911,685) | \$ | 48,250,017 |
| Net increase (decrease) in cash   |    | (4,359,986) |    | (99,062)     |    | (517,766)  |
| Cash and foreign currency at beginning of year  |    | 4,562,413   |    | 162,231      |    | 540,788    |
| Cash and foreign currency at end of year  | \$ | 202,427     | \$ | 63,169       | \$ | 23,022     |
| Cash paid during the period for interest  | \$ | 2,686,138   | \$ | 1,091,770    | \$ | 3,864,877  |
| Non cash financing activities not included herein consist of reinvestment of dividends of | \$ |             | \$ | 12,289       | \$ |            |

<sup>1</sup> Commencement of investment of operations for Preferred and Equity Advantage Trust was December 27, 2006. This information includes the initial investment by BlackRock Funding, Inc. See Notes to Financial Statements.

| For the Year Ended October 31, 2007   | BlackRock<br>Income Trust<br>Inc.<br>(BKT) | BlackRock<br>Limited<br>Duration<br>Income Trust<br>(BLW) | BlackRock<br>Preferred<br>and Equity<br>Advantage<br>Trust<br>(BTZ) <sup>1</sup> |
|---|--|---|--|
| <b>Cash Flows Provided by (Used for) Operating Activities</b>   |  |   |  |
| Net increase (decrease) in net assets resulting from operations, excluding dividends to preferred shareholders                        | \$ 26,977,406                              | \$ 37,118,103   | \$ (32,701,335)  |
| <b>Adjustments to Reconcile Net Increase (Decrease) in Net Assets Resulting from Operations to Net Cash from Operating Activities</b> |  |   |  |
| Purchases of long-term investments  | (2,648,040,603)                            | (2,075,694,027)   | (3,036,455,711)  |
| Proceeds from sales of long-term investments  | 2,705,505,681                              | 2,184,331,730   | 1,384,949,447  |
| Net proceeds (purchases) of short-term investments  | (453,891)                                  | (3,048,518)   | (29,250,052)   |
| Decrease (Increase) in borrowed bond agreements   | 25,681,719                                 |   | (13,832,286)   |
| Amortization of premium and discount on investments   | 12,697,538                                 | 2,200,638   | (644,388)  |
| Net realized loss (gain) on investments   | (5,100,250)                                | (5,056,888)   | 1,920,106  |
| Decrease (Increase) in unrealized appreciation/depreciation on investments  | (9,813,510)                                | 19,529,245  | 47,521,841   |
| Net effect of exchange rates on foreign currency  |  | 2,379,053   |  |
| Increase in investments sold short and borrowed bonds   | (25,665,758)                               |   | 14,200,110   |
| Increase (Decrease) in outstanding options written  | 8,893,649                                  |   | 4,130,100  |
| Increase (Decrease) in TBA sale commitments   | 34,189,494                                 |   |  |
| Decrease in interest rate floor   | 1,789,109                                  |   |  |
| Decrease (Increase) in unrealized appreciation (depreciation) on swaps  |  |   |  |
| Decrease (Increase) in credit default swaps   | (17,631,968)                               | 313,338   |  |
| Increase in investments in affiliates   | (8,558)                                    | (4,008)   |  |
| Decrease (Increase) in receivable for investments sold  | (282,517,813)                              | (4,213,569)   | (17,269,931)   |
| Decrease in unrealized gain on foreign currency exchange contracts  |  |   |  |
| Decrease (Increase) in variation margin receivable  | (2,503,972)                                |   | (3,860,541)  |
| Decrease (Increase) in interest receivable  | 1,027,688                                  | 1,254,444   | (18,988,818)   |
| Decrease (Increase) in other assets   | 24,976                                     | 56,737  | (1,756)  |
| Increase (Decrease) in payable for investments purchased  | 252,599,751                                | 828,336   | 7,757,330  |
| Decrease in payable for dollar rolls  | (15,527,433)                               |   |  |
| Increase in unrealized loss on foreign currency exchange contracts  |  | 885,571   |  |
| Increase in variation margin payable  | (1,068,671)                                | 2,254   |  |
| Increase (Decrease) in interest payable   | (572,515)                                  | 3,099,604   | 245,379  |
| Increase in deferred income   |  | 65,081  |  |
| Increase (Decrease) in investment advisory fee payable  | 2,351                                      | (51,146)  | 929,772  |
| Increase (Decrease) in cash with brokers as collateral  |  |   |  |
| Increase (Decrease) in administration fee payable   | (43,151)                                   |   |  |
| Increase in Deferred Directors/Trustees fees  | 8,558                                      | 4,008   |  |
| Increase (Decrease) in payable to affiliates  | (33,285)                                   | 3,531   | 25,990   |
| Increase (Decrease) in Officers & Trustees fees   | 6,507                                      | 10,448  | 11,625   |
| Increase in accrued expenses  | 174,675                                    | 83,711  | 421,347  |
| <b>Total adjustments</b>  | <b>33,620,318</b>                          | <b>126,979,573</b>  | <b>(1,658,190,436)</b>   |
| Net cash provided by (used for) operating activities  | 60,597,724                                 | \$ 164,097,676  | \$ (1,690,891,771)   |
| <b>Cash flows provided by (used for) financing activities:</b>  |  |   |  |
| Capital contributions   |  |   | 1,228,660,977  |
| Increase (Decrease) in reverse repurchase agreements  | (36,795,262)                               | (110,712,624)   | 88,290,625   |
| Draws on loan   |  |   |  |
| Payments on loan  |  |   |  |
| Increase in preferred shares at redemption value including dividends payable  |  |   | 462,276,473  |
| Cash dividends paid   | (23,699,970)                               | (52,954,140)  | (69,589,460)   |
| Distributions to Preferred Shareholders   |  |   | (16,313,570)   |

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|   |                 |                  |               |
|---|-----------------|------------------|---------------|
| Net cash provided by (used for) financing activities:                                     | (60,495,232) \$ | (163,666,764) \$ | 1,693,325,045 |
| Net increase (decrease) in cash   | 102,492         | 430,912          | 2,433,274     |
| Cash and foreign currency at beginning of year  | 108,402         | 159,656          |               |
| Cash and foreign currency at end of year  | 210,894 \$      | 590,568 \$       | 2,433,274     |
| Cash paid during the period for interest  | 7,917,798 \$    | 6,072,115 \$     | 8,163,917     |
| Non cash financing activities not included herein consist of reinvestment of dividends of | \$              | \$               | 2,057,525 \$  |
|   |                 |                  | 1,748,836     |

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## Statements of Changes in Net Assets

For the years ended October 31, 2007 and 2006

| Net Increase (Decrease) in Net Assets                                       | BlackRock<br>Broad Investment Grade 2009<br>Term Trust Inc. <sup>1</sup> (BCT) |               | BlackRock<br>Core Bond Trust<br>(BHK) |                |
|---|--|---------------|---------------------------------------|----------------|
|   | 2007   | 2006          | 2007                                  | 2006           |
| <b>Operations</b>   |  |               |                                       |                |
| Net investment income   | \$ 1,408,548   | \$ 1,918,798  | \$ 19,706,087                         | \$ 17,700,447  |
| Net realized gain (loss)  | 16,829   | (493,395)     | 341,954                               | (8,285,073)    |
| Net change in unrealized appreciation/depreciation                          | 23,668   | 341,005       | (3,507,844)                           | 11,551,542     |
| Net increase in net assets resulting from operations                        | 1,449,045  | 1,766,408     | 16,540,197                            | 20,966,916     |
| <b>Dividends and Distributions to Common Shareholders from:</b>             |  |               |                                       |                |
| Net investment income   | (2,661,384)  | (4,191,834)   | (16,495,698)                          | (25,048,230)   |
| Net realized gains  |  | (69,260)      |                                       | (7,914,351)    |
| Tax return of capital   |  |               | (5,227,396)                           |                |
| Total dividends and distributions   | (2,661,384)  | (4,261,094)   | (21,723,094)                          | (32,962,581)   |
| <b>Capital Share Transactions:</b>  |  |               |                                       |                |
| Reinvestment of common dividends  |  |               |                                       |                |
| Total increase (decrease)   | (1,212,339)  | (2,494,686)   | (5,182,897)                           | (11,995,665)   |
| <b>Net Assets</b>   |  |               |                                       |                |
| Beginning of year   | 40,781,318   | 43,276,004    | 373,518,124                           | 385,513,789    |
| End of year   | \$ 39,568,979  | \$ 40,781,318 | \$ 368,335,227                        | \$ 373,518,124 |
| End of year undistributed (distribution in excess of) net investment income | \$ 4,863,653   | \$ 5,833,604  | \$ (1,696,051)                        | \$ (5,693,238) |

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

| Net Increase (Decrease) in Net Assets Applicable to Common Shareholders | BlackRock<br>Limited Duration Income Trust<br>(BLW) |               | BlackRock<br>Preferred and Equity<br>Advantage Trust <sup>1</sup> (BTZ) |            |
|---|---|---------------|---|------------|
|   | 2007  | 2006          | 2007  |            |
| <b>Operations:</b>  |   |               |   |            |
| Net investment income   | \$ 55,219,613                                       | \$ 49,596,055 | \$  | 64,774,125 |

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|   |              |             |              |
|---|--------------|-------------|--------------|
| Net realized gain (loss)  | 3,120,082    | (1,589,905) | (45,522,505) |
| Net change in unrealized appreciation/depreciation              | (21,221,592) | 2,473,132   | (51,952,955) |
| Dividends from net investment income to Preferred Shareholders: |              |             | (16,313,570) |

|   |            |            |              |
|---|------------|------------|--------------|
| Net increase (decrease) in net assets applicable to common shareholders resulting from operations | 37,118,103 | 50,479,282 | (49,014,905) |
|---|------------|------------|--------------|

### Dividends and Distributions to Common Shareholders from:

|  |                     |                     |                     |
|--|---------------------|---------------------|---------------------|
| Net investment income                    | (51,967,739)        | (55,725,066)        | (48,688,436)        |
| Net realized gains                       | (2,229,742)         |                     |                     |
| Tax return of capital distributions      | (1,074,826)         | (760,960)           | (24,171,991)        |
| <b>Total dividends and distributions</b> | <b>(55,272,307)</b> | <b>(56,486,026)</b> | <b>(72,860,427)</b> |

### Capital Share Transactions:

|  |                     |                    |                      |
|--|---------------------|--------------------|----------------------|
| Net from the issuance of common shares                       |                     |                    | 1,115,290,352        |
| Net proceeds from the underwriters' over-allotment exercised |                     |                    | 113,370,625          |
| Reinvestment of common dividends                             | 2,057,525           | 251,427            | 1,748,836            |
|  | 2,057,525           | 251,427            | 1,230,409,813        |
| <b>Total increase (decrease)</b>                             | <b>(16,096,679)</b> | <b>(5,755,317)</b> | <b>1,108,534,481</b> |

### Net Assets Applicable to Common Shareholders

|   |                |                |    |               |
|---|----------------|----------------|----|---------------|
| Beginning of period   | 699,206,100    | 704,961,417    |    |               |
| End of period   | \$ 683,109,421 | \$ 699,206,100 | \$ | 1,108,534,481 |
| End of period undistributed (distribution in excess of) net investment income | \$ 800,386     | \$ (36,700)    | \$ | (276,473)     |

<sup>1</sup> Commencement of investment operations for Preferred and Equity Advantage Trust was December 27, 2006. This information includes the initial investment by BlackRock Funding, Inc.

See Notes to Financial Statements.

| Net Increase (Decrease) in Net Assets                                       | BlackRock High Yield Trust (BHY) |               | BlackRock Income Opportunity Trust (BNA) |                | BlackRock Income Trust Inc. (BKT) |                |
|---|----------------------------------|---------------|--|----------------|-----------------------------------|----------------|
|   | 2007                             | 2006          | 2007                                     | 2006           | 2007                              | 2006           |
| <b>Operations</b>   |                                  |               |  |                |                                   |                |
| Net investment income   | \$ 4,031,885                     | \$ 4,211,671  | \$ 21,461,718                            | \$ 19,514,794  | \$ 18,973,713                     | \$ 20,352,044  |
| Net realized gain (loss)  | (2,450,156)                      | (2,067,969)   | 2,113,139                                | (7,330,378)    | (10,368,025)                      | 1,937,674      |
| Net change in unrealized appreciation/depreciation                          | 2,730,808                        | 4,444,627     | (6,083,476)                              | 7,965,246      | 18,371,718                        | 1,267,311      |
| Net increase in net assets resulting from operations                        | 4,312,537                        | 6,588,329     | 17,491,381                               | 20,149,662     | 26,977,406                        | 23,557,029     |
| <b>Dividends and Distributions to Common Shareholders from:</b>             |                                  |               |  |                |                                   |                |
| Net investment income   | (3,927,807)                      | (4,175,232)   | (20,862,233)                             | (22,238,524)   | (18,808,452)                      | (21,910,288)   |
| Net realized gains  |                                  |               |  | (8,976,694)    |                                   |                |
| Tax return of capital   |                                  |               | (1,874,570)                              | (2,162,198)    | (4,978,175)                       | (5,576,693)    |
| Total dividends and distributions   | (3,927,807)                      | (4,175,232)   | (22,736,803)                             | (33,377,416)   | (23,786,627)                      | (27,486,981)   |
| <b>Capital Share Transactions:</b>  |                                  |               |  |                |                                   |                |
| Reinvestment of common dividends  | 12,289                           | 48,307        |  |                |                                   |                |
| Total increase (decrease)   | 397,019                          | 2,461,404     | (5,245,422)                              | (13,227,754)   | 3,190,779                         | (3,929,952)    |
| <b>Net Assets</b>   |                                  |               |  |                |                                   |                |
| Beginning of year   | 50,385,237                       | 47,923,833    | 384,850,299                              | 398,078,053    | 414,460,172                       | 418,390,124    |
| End of year   | \$ 50,782,256                    | \$ 50,385,237 | \$ 379,604,877                           | \$ 384,850,299 | \$ 417,650,951                    | \$ 414,460,172 |
| End of year undistributed (distribution in excess of) net investment income | \$ 116,650                       | \$ 10,204     | \$ 768,824                               | \$ (900,730)   | \$ (6,313,294)                    | \$ (519,359)   |

| Net Increase (Decrease) in Net Assets Applicable to Common Shareholders | BlackRock Strategic Bond Trust (BHD) |              |
|---|--------------------------------------|--------------|
|   | 2007                                 | 2006         |
| <b>Operations:</b>  |                                      |              |
| Net investment income   | \$ 6,735,537                         | \$ 6,965,538 |
| Net realized gain (loss)  | 999,009                              | (759,640)    |



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|   |             |           |
|---|-------------|-----------|
| Net change in unrealized appreciation/depreciation              | (1,416,472) | 2,082,388 |
| Dividends from net investment income to Preferred Shareholders: |             |           |

|   |           |           |
|---|-----------|-----------|
| Net increase (decrease) in net assets applicable to common shareholders resulting from operations | 6,318,074 | 8,288,286 |
|---|-----------|-----------|

### Dividends and Distributions to Common Shareholders from:

|  |                    |                    |
|--|--------------------|--------------------|
| Net investment income                    | (6,521,963)        | (6,969,104)        |
| Net realized gains                       |                    |                    |
| Tax return of capital distributions      |                    | (251,641)          |
| <b>Total dividends and distributions</b> | <b>(6,521,963)</b> | <b>(7,220,745)</b> |

### Capital Share Transactions:

|   |  |  |
|---|--|--|
| Net from the issuance of common shares                      |  |  |
| Net proceeds from the underwriters over-allotment exercised |  |  |
| Reinvestment of common dividends                            |  |  |

|                           |           |           |
|---------------------------|-----------|-----------|
| Total increase (decrease) | (203,889) | 1,067,541 |
|---------------------------|-----------|-----------|

### Net Assets Applicable to Common Shareholders

|   |               |               |
|---|---------------|---------------|
| Beginning of period   | 97,613,612    | 96,546,071    |
| End of period   | \$ 97,409,723 | \$ 97,613,612 |
| End of period undistributed (distribution in excess of) net investment income | \$ 197,208    | \$ (16,366)   |

See Notes to Financial Statements.

## Financial Highlights

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

|  | Year Ended October 31, |           |           |           |           |       |
|--|------------------------|-----------|-----------|-----------|-----------|-------|
|  | 2007                   | 2006      | 2005      | 2004      | 2003      |       |
| <b>Per Share Operating Performance</b>                       |                        |           |           |           |           |       |
| Net asset value, beginning of year                           | \$ 13.79               | \$ 14.63  | \$ 15.98  | \$ 16.02  | \$ 17.33  |       |
| Investment operations:                                       |                        |           |           |           |           |       |
| Net investment income  | 0.48                   | 0.65      | 0.80      | 0.61      | 1.28      |       |
| Net realized and unrealized gain (loss)                      | 0.01                   | (0.05)    | (0.87)    | 0.25      | (1.40)    |       |
| Net increase (decrease) from investment operations           | 0.49                   | 0.60      | (0.07)    | 0.86      | (0.12)    |       |
| Dividends and distributions from:                            |                        |           |           |           |           |       |
| Net investment income  | (0.90)                 | (1.42)    | (1.03)    | (0.90)    | (1.19)    |       |
| Net realized gains   |                        | (0.02)    | (0.25)    |           |           |       |
| Total dividends and distributions                            | (0.90)                 | (1.44)    | (1.28)    | (0.90)    | (1.19)    |       |
| Net asset value, end of year                                 | \$ 13.38               | \$ 13.79  | \$ 14.63  | \$ 15.98  | \$ 16.02  |       |
| Market price, end of year                                    | \$ 15.15               | \$ 15.08  | \$ 15.86  | \$ 15.80  | \$ 15.85  |       |
| <b>Total Investment Returns<sup>1</sup></b>                  |                        |           |           |           |           |       |
| At net asset value   | 2.95%                  | 3.53%     | (0.82)%   | 5.52%     | (0.61)%   |       |
| At market value  | 6.60%                  | 4.44%     | 8.74%     | 5.45%     | 5.32%     |       |
| <b>Ratios to Average Net Assets</b>                          |                        |           |           |           |           |       |
| Total expenses   | 1.86%                  | 1.14%     | 2.37%     | 2.48%     | 2.43%     |       |
| Net expenses   | 1.86%                  | 1.14%     | 2.37%     | 2.48%     | 2.43%     |       |
| Net expenses excluding excise tax                            | 1.16%                  | 1.14%     | 1.19%     | 1.11%     | 1.18%     |       |
| Net investment income  | 3.50%                  | 4.50%     | 5.23%     | 3.83%     | 7.54%     |       |
| <b>Supplemental Data</b>                                     |                        |           |           |           |           |       |
| Average net assets (000)                                     | \$ 40,261              | \$ 42,625 | \$ 45,264 | \$ 47,191 | \$ 49,882 |       |
| Portfolio turnover   | 10%                    | 8%        | 116%      | 20%       | 39%       |       |
| Net assets, end of year (000)                                | \$ 39,569              | \$ 40,781 | \$ 43,276 | \$ 47,255 | \$ 47,381 |       |
| Reverse repurchase agreements outstanding, end of year (000) | \$                     | \$        | \$        | \$ 19,263 | \$ 19,953 |       |
| Asset coverage, end of year <sup>2</sup>                     | \$                     | \$        | \$        | \$ 3,453  | \$ 3,375  |       |
| Reverse repurchase agreements average daily balance (000)    | \$                     | \$        | \$ 7,865  | \$ 22,055 | \$ 19,409 |       |
| Reverse repurchase agreements weighted average interest rate |                        | %         | %         | 2.32%     | 1.20%     | 1.21% |

- 1 Total investment return at market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns excludes the effects of brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
- 2 Per \$1,000 of reverse repurchase agreements outstanding.

The information in the above Financial Highlights represents the 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 Core Bond Trust (BHK)

|   | Year Ended October 31, |          |          |          |          |
|---|------------------------|----------|----------|----------|----------|
|   | 2007                   | 2006     | 2005     | 2004     | 2003     |
| <b>Per Share Operating Performance</b>  |                        |          |          |          |          |
| Net asset value, beginning of year      | \$ 13.82               | \$ 14.27 | \$ 15.22 | \$ 14.75 | \$ 14.33 |
| Investment operations:                  |                        |          |          |          |          |
| Net investment income                   | 0.74                   | 0.66     | 0.78     | 0.92     | 0.83     |
| Net realized and unrealized gain (loss) | (0.13)                 | 0.11     | (0.37)   | 0.66     | 0.77     |
| Net increase from investment operations | 0.61                   | 0.77     | 0.41     | 1.58     | 1.60     |
| Dividends and distributions from:       |                        |          |          |          |          |
| Net investment income                   | (0.61)                 | (0.93)   | (1.01)   | (0.86)   | (1.00)   |
| Net realized gains                      |                        | (0.29)   | (0.35)   | (0.25)   | (0.18)   |
| Tax return of capital                   | (0.19)                 |          |          |          |          |
| Total dividends and distributions       | (0.80)                 | (1.22)   | (1.36)   | (1.11)   | (1.18)   |
| Net asset value, end of year            | \$ 13.63               | \$ 13.82 | \$ 14.27 | \$ 15.22 | \$ 14.75 |
| Market price, end of year               | \$ 12.23               | \$ 12.86 | \$ 13.69 | \$ 14.02 | \$ 13.57 |

**Total Investment Returns<sup>1</sup>**

|                    |       |       |       |        |        |
|--------------------|-------|-------|-------|--------|--------|
| At net asset value | 5.04% | 6.20% | 3.18% | 11.79% | 11.76% |
| At market value    | 1.29% | 3.07% | 7.46% | 11.93% | 6.62%  |

**Ratios to Average Net Assets**

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Total expenses                          | 1.60% | 1.08% | 1.50% | 1.32% | 1.05% |
| Net expenses                            | 1.60% | 1.08% | 1.50% | 1.32% | 1.05% |
| Net expenses excluding interest expense | 0.78% | 0.77% | 0.85% | 0.92% | 0.87% |
| Net investment income                   | 5.36% | 4.78% | 5.20% | 6.20% | 5.58% |

**Supplemental Data**

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Average net assets (000)                                     | \$ 367,577 | \$ 370,219 | \$ 402,783 | \$ 401,212 | \$ 401,049 |
| Portfolio turnover   | 122%       | 88%        | 220%       | 398%       | 161%       |
| Net assets, end of year (000)                                | \$ 368,335 | \$ 373,518 | \$ 385,514 | \$ 411,163 | \$ 398,540 |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 103,354 | \$ 3,911   | \$ 86,876  | \$ 102,474 | \$ 91,668  |
| Asset coverage, end of year <sup>2</sup>                     | \$ 4,564   | \$ 96,502  | \$ 5,438   | \$ 5,012   | \$ 5,348   |
| Reverse repurchase agreements average daily balance (000)    | \$ 44,786  | \$ 25,340  | \$ 91,130  | \$ 145,094 | \$ 67,591  |
| Reverse repurchase agreements weighted average interest rate | 5.24%      | 4.54%      | 2.86%      | 1.11%      | 1.05%      |

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- 1 Total investment return at market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns excludes the effects of brokerage commissions. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
- 2 Per \$1,000 of reverse repurchase agreements outstanding.

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See Notes to Financial Statements.

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## Financial Highlights

## BlackRock High Yield Trust (BHY)

|   | Year Ended October 31, |           |           |           |           |
|---|------------------------|-----------|-----------|-----------|-----------|
|   | 2007                   | 2006      | 2005      | 2004      | 2003      |
| <b>Per Share Operating Performance</b>      |                        |           |           |           |           |
| Net asset value, beginning of year          | \$ 7.85                | \$ 7.48   | \$ 7.95   | \$ 6.96   | \$ 6.13   |
| Investment operations:                      |                        |           |           |           |           |
| Net investment income                       | 0.63                   | 0.66      | 0.68      | 0.92      | 1.06      |
| Net realized and unrealized gain (loss)     | 0.04                   | 0.36      | (0.36)    | 1.02      | 0.89      |
| Net increase from investment operations     | 0.67                   | 1.02      | 0.32      | 1.94      | 1.95      |
| Dividends and distributions from:           |                        |           |           |           |           |
| Net investment income                       | (0.61)                 | (0.65)    | (0.79)    | (0.92)    | (1.07)    |
| Tax return of capital                       |                        |           |           | (0.03)    | (0.05)    |
| Total dividends and distributions           | (0.61)                 | (0.65)    | (0.79)    | (0.95)    | (1.12)    |
| Net asset value, end of year                | \$ 7.91                | \$ 7.85   | \$ 7.48   | \$ 7.95   | \$ 6.96   |
| Market price, end of year                   | \$ 6.92                | \$ 7.77   | \$ 7.36   | \$ 9.30   | \$ 10.25  |
| <b>Total Investment Returns<sup>1</sup></b> |                        |           |           |           |           |
| At net asset value                          | 9.03%                  | 14.25%    | 2.85%     | 26.24%    | 27.75%    |
| At market value                             | (3.63) %               | 14.93%    | (13.49) % | 0.28%     | 32.87%    |
| <b>Ratios to Average Net Assets</b>         |                        |           |           |           |           |
| Total expenses                              | 4.16%                  | 4.50%     | 3.52%     | 2.69%     | 3.07%     |
| Net expenses                                | 4.14%                  | 4.49%     | 3.51%     | 2.68%     | 3.07%     |
| Net expenses excluding interest expense     | 2.10%                  | 2.19%     | 2.10%     | 1.96%     | 2.22%     |
| Net investment income                       | 7.84%                  | 8.74%     | 8.71%     | 12.16%    | 16.37%    |
| <b>Supplemental Data</b>                    |                        |           |           |           |           |
| Average net assets (000)                    | \$ 51,435              | \$ 48,176 | \$ 50,104 | \$ 48,186 | \$ 41,326 |
| Portfolio turnover                          | 69%                    | 85%       | 102%      | 156%      | 30%       |
| Net assets, end of year (000)               | \$ 50,782              | \$ 50,385 | \$ 47,924 | \$ 50,914 | \$ 44,438 |
| Loan outstanding, end of year (000)         | \$ 9,250               | \$ 20,250 | \$ 20,750 | \$ 19,250 | \$ 19,250 |
| Asset coverage, end of year <sup>2</sup>    | \$ 6,490               | \$ 3,488  | \$ 3,310  | \$ 3,645  | \$ 3,308  |
| Loan average daily balance (000)            | \$ 17,710              | \$ 20,621 | \$ 20,425 | \$ 19,250 | \$ 19,250 |
| Loan weighted average interest rate         | 5.28%                  | 4.75%     | 2.87%     | 1.80%     | 1.96%     |

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- <sup>1</sup> Total investment return at market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns excludes the effects of brokerage commissions. Total investment returns for less than a full year are not annualized. 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.

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## Financial Highlights

## BlackRock Income Opportunity Trust (BNA)

Year Ended October 31,

|   | 2007     | 2006     | 2005     | 2004     | 2003     |
|---|----------|----------|----------|----------|----------|
| <b>Per Share Operating Performance</b>  |          |          |          |          |          |
| Net asset value, beginning of year      | \$ 11.17 | \$ 11.56 | \$ 12.38 | \$ 11.93 | \$ 11.83 |
| Investment operations:                  |          |          |          |          |          |
| Net investment income                   | 0.62     | 0.57     | 0.72     | 0.76     | 0.84     |
| Net realized and unrealized gain (loss) | (0.11)   | 0.01     | (0.45)   | 0.53     | 0.31     |
| Net increase from investment operations | 0.51     | 0.58     | 0.27     | 1.29     | 1.15     |
| Dividends and distributions from:       |          |          |          |          |          |
| Net investment income                   | (0.61)   | (0.65)   | (0.81)   | (0.84)   | (0.81)   |
| Net realized gains                      |          | (0.26)   | (0.28)   |          | (0.24)   |
| Tax return of capital                   | (0.05)   | (0.06)   |          |          |          |
| Total dividends and distributions       | (0.66)   | (0.97)   | (1.09)   | (0.84)   | (1.05)   |
| Net asset value, end of year            | \$ 11.02 | \$ 11.17 | \$ 11.56 | \$ 12.38 | \$ 11.93 |
| Market price, end of year               | \$ 10.19 | \$ 10.58 | \$ 10.90 | \$ 11.38 | \$ 10.95 |

**Total Investment Returns<sup>1</sup>**

|                    |       |       |       |        |        |
|--------------------|-------|-------|-------|--------|--------|
| At net asset value | 5.11% | 5.76% | 2.95% | 11.90% | 10.92% |
| At market value    | 2.62% | 6.27% | 5.53% | 12.04% | 14.71% |

**Ratios to Average Net Assets**

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Total expenses                          | 2.01% | 1.61% | 1.72% | 1.11% | 1.29% |
| Net expenses                            | 2.00% | 1.61% | 1.72% | 1.11% | 1.29% |
| Net expenses excluding interest expense | 0.87% | 0.89% | 0.87% | 0.84% | 0.89% |
| Net investment income                   | 5.68% | 5.11% | 5.97% | 6.29% | 6.99% |

**Supplemental Data**

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Average net assets (000)                                     | \$ 378,159 | \$ 381,726 | \$ 413,777 | \$ 415,131 | \$ 413,543 |
| Portfolio turnover   | 196%       | 131%       | 396%       | 300%       | 46%        |
| Net assets, end of year (000)                                | \$ 379,605 | \$ 384,850 | \$ 398,078 | \$ 426,643 | \$ 410,981 |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 105,262 | \$ 34,326  | \$ 120,179 | \$ 94,644  | \$ 103,378 |
| Asset coverage, end of year <sup>2</sup>                     | \$ 4,606   | \$ 12,212  | \$ 4,312   | \$ 5,508   | \$ 4,976   |
| Reverse repurchase agreements average daily balance (000)    | \$ 68,241  | \$ 59,691  | \$ 122,457 | \$ 97,264  | \$ 136,172 |
| Reverse repurchase agreements weighted average interest rate | 5.27%      | 4.59%      | 2.87%      | 1.14%      | 1.22%      |



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- 2 Per \$1,000 of reverse repurchase agreements outstanding.

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See Notes to Financial Statements.

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## Financial Highlights

BlackRock Income Trust Inc. (BKT)

## Year Ended October 31,

|  | 2007       | 2006       | 2005       | 2004       | 2003       |
|--|------------|------------|------------|------------|------------|
| <b>Per Share Operating Performance</b>                       |            |            |            |            |            |
| Net asset value, beginning of year                           | \$ 6.48    | \$ 6.54    | \$ 6.95    | \$ 7.21    | \$ 8.13    |
| Investment operations:                                       |            |            |            |            |            |
| Net investment income  | 0.30       | 0.32       | 0.44       | 0.51       | 0.61       |
| Net realized and unrealized gain (loss)                      | 0.12       | 0.05       | (0.30)     | (0.16)     | (0.52)     |
| Net increase from investment operations                      | 0.42       | 0.37       | 0.14       | 0.35       | 0.09       |
| Dividends and distributions from:                            |            |            |            |            |            |
| Net investment income  | (0.29)     | (0.34)     | (0.48)     | (0.61)     | (1.01)     |
| Tax return of capital  | (0.08)     | (0.09)     | (0.07)     |            |            |
| Total dividends and distributions                            | (0.37)     | (0.43)     | (0.55)     | (0.61)     | (1.01)     |
| Net asset value, end of year                                 | \$ 6.53    | \$ 6.48    | \$ 6.54    | \$ 6.95    | \$ 7.21    |
| Market price, end of year                                    | \$ 5.81    | \$ 6.07    | \$ 5.90    | \$ 7.50    | \$ 7.71    |
| <b>Total Investment Returns<sup>1</sup></b>                  |            |            |            |            |            |
| At net asset value   | 7.06%      | 6.06%      | 2.12%      | 5.01%      | 1.20%      |
| At market value  | 1.69%      | 10.18%     | (14.63)%   | 5.97%      | 15.41%     |
| <b>Ratios to Average Net Assets</b>                          |            |            |            |            |            |
| Total expenses   | 2.77%      | 2.85%      | 2.80%      | 1.37%      | 1.36%      |
| Net expenses   | 2.76%      | 2.84%      | 2.79%      | 1.37%      | 1.36%      |
| Net expenses excluding interest expense                      | 0.98%      | 1.00%      | 0.99%      | 0.97%      | 1.02%      |
| Net investment income  | 4.60%      | 4.92%      | 6.54%      | 7.13%      | 8.18%      |
| <b>Supplemental Data</b>                                     |            |            |            |            |            |
| Average net assets (000)                                     | \$ 412,390 | \$ 413,597 | \$ 430,035 | \$ 447,984 | \$ 472,676 |
| Portfolio turnover   | 250%       | 80%        | 60%        | 120%       | 64%        |
| Net assets, end of year (000)                                | \$ 417,651 | \$ 414,460 | \$ 418,390 | \$ 442,635 | \$ 457,301 |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 33,895  | \$ 70,691  | \$ 149,558 | \$ 223,736 | \$ 121,767 |
| Asset coverage, end of year <sup>2</sup>                     | \$ 13,322  | \$ 6,863   | \$ 3,798   | \$ 2,978   | \$ 4,756   |
| Reverse repurchase agreements average daily balance (000)    | \$ 93,325  | \$ 104,393 | \$ 180,553 | \$ 158,278 | \$ 135,804 |
| Reverse repurchase agreements weighted average interest rate | 5.21%      | 4.54%      | 2.81%      | 1.12%      | 1.17%      |

<sup>1</sup> Total investment return at market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns excludes the effects of brokerage commissions. Total investment returns for less than a full year are not annualized. 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 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 Limited Duration Income Trust (BLW)

|   | Year Ended October 31, |            |            |            | For the Period  |
|---|------------------------|------------|------------|------------|---|
|   | 2007                   | 2006       | 2005       | 2004       | July 30, 2003 <sup>1</sup><br>through October 31,<br>2003 |
| <b>Per Share Operating Performance</b>                          |                        |            |            |            |   |
| Net asset value, beginning of year                              | \$ 19.01               | \$ 19.17   | \$ 20.13   | \$ 19.74   | \$ 19.10 <sup>2</sup>                                     |
| Investment operations:  |                        |            |            |            |   |
| Net investment income   | 1.50                   | 1.35       | 1.46       | 1.46       | 0.33  |
| Net realized and unrealized gain (loss)                         | (0.49)                 | 0.03       | (0.94)     | 0.43       | 0.60  |
| Net increase from investment operations                         | 1.01                   | 1.38       | 0.52       | 1.89       | 0.93  |
| Dividends and distributions from:                               |                        |            |            |            |   |
| Net investment income   | (1.41)                 | (1.52)     | (1.33)     | (1.49)     | (0.25)  |
| Net realized gains  | (0.06)                 |            | (0.15)     | (0.01)     |   |
| Tax return of capital   | (0.03)                 | (0.02)     |            |            |   |
| Total dividends and distributions                               | (1.50)                 | (1.54)     | (1.48)     | (1.50)     | (0.25)  |
| Capital charges with respect to issuance of<br>Common shares    |                        |            |            |            | (0.04)  |
| Net asset value, end of year                                    | \$ 18.52               | \$ 19.01   | \$ 19.17   | \$ 20.13   | \$ 19.74  |
| Market price, end of year                                       | \$ 16.68               | \$ 18.85   | \$ 17.48   | \$ 19.95   | \$ 18.80  |
| <b>Total Investment Returns<sup>3</sup></b>                     |                        |            |            |            |   |
| At net asset value  | 5.66%                  | 7.85%      | 2.93%      | 10.17%     | 4.71%   |
| At market value   | (4.03)%                | 17.31%     | (5.30)%    | 14.64%     | (4.77)%   |
| <b>Ratios to Average Net Assets</b>                             |                        |            |            |            |   |
| Total expenses  | 2.16%                  | 2.20%      | 1.71%      | 1.26%      | 0.82% <sup>4</sup>  |
| Net expenses  | 2.14%                  | 2.19%      | 1.71%      | 1.25%      | 0.82% <sup>4</sup>  |
| Net expenses excluding interest expense                         | 0.83%                  | 0.91%      | 0.92%      | 0.90%      | 0.79% <sup>4</sup>  |
| Net investment income   | 7.92%                  | 7.10%      | 7.42%      | 7.34%      | 6.87% <sup>4</sup>  |
| <b>Supplemental Data</b>  |                        |            |            |            |   |
| Average net assets (000)  | \$ 696,946             | \$ 698,382 | \$ 722,668 | \$ 730,369 | \$ 686,655  |
| Portfolio turnover  | 65%                    | 132%       | 70%        | 215%       | 127%  |
| Net assets, end of year (000)                                   | \$ 683,109             | \$ 699,206 | \$ 704,961 | \$ 739,225 | \$ 724,747  |
| Reverse repurchase agreements outstanding,<br>end of year (000) | \$ 109,287             | \$ 220,000 | \$ 176,010 | \$ 159,416 | \$ 118,993  |

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|  |            |            |            |            |           |
|--|------------|------------|------------|------------|-----------|
| Asset coverage, end of year <sup>5</sup>                     | \$ 7,251   | \$ 4,178   | \$ 5,005   | \$ 5,637   | \$ 7,091  |
| Reverse repurchase agreements average daily balance (000)    | \$ 172,040 | \$ 179,366 | \$ 186,660 | \$ 195,845 | \$ 26,591 |
| Reverse repurchase agreements weighted average interest rate | 5.28%      | 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 at market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns excludes the effects of 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 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.

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## Financial Highlights

## BlackRock Preferred and Equity Advantage Trust (BTZ)

For the Period  
December 27, 2006<sup>1</sup>  
through October 31,  
2007

## Per Common Share Operating Performance

|  |    |                    |
|--|----|--------------------|
| Net asset value, beginning of period                           | \$ | 23.88 <sub>2</sub> |
| Investment operations:   |    |                    |
| Net investment income  |    | 1.25               |
| Net realized and unrealized gain (loss)                        |    | (1.86)             |
| Dividends to preferred shareholders from net investment income |    | (0.31)             |
| Net increase (decrease) from investment operations             |    | (0.92)             |
| Dividends and distributions to common shareholders from:       |    |                    |
| Net investment income  |    | (0.93)             |
| Tax return of capital  |    | (0.47)             |
| Total dividends and distributions                              |    | (1.40)             |
| Capital charges with respect to issuance of:                   |    |                    |
| Common shares  |    | (0.04)             |
| Preferred shares   |    | (0.13)             |
| Total capital charges  |    | (0.17)             |
| Net asset value, end of period                                 | \$ | 21.39              |
| Market price, end of period                                    | \$ | 18.65              |

Total Investment Returns<sup>3</sup>

|                    |          |
|--------------------|----------|
| At net asset value | (4.42)%  |
| At market value    | (20.34)% |

Ratios to Average Net Assets of Common Shareholders<sup>4,5</sup>

|  |       |
|--|-------|
| Total expenses   | 1.90% |
| Net expenses   | 1.88% |
| Net expenses excluding interest expense and excise tax | 1.04% |
| Net investment income available to common shareholders | 4.86% |
| Preferred share dividends                              | 1.64% |

## Supplemental Data

|   |    |           |
|---|----|-----------|
| Average net assets of common shareholders (000) | \$ | 1,177,716 |
|---|----|-----------|

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|   |    |           |
|---|----|-----------|
| Portfolio turnover  |    | 35%       |
| Net assets applicable to common shareholders, end of period (000) | \$ | 1,108,534 |
| Reverse repurchase agreements outstanding, end of period (000)    | \$ | 88,291    |
| Asset coverage per preferred share, end of period <sup>3</sup>    | \$ | 89,737    |
| Reverse repurchase agreements average daily balance (000)         | \$ | 96,468    |
| Reverse repurchase agreements weighted average interest rate      |    | 5.32%     |

- <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 \$1.125 per share sales charge from the initial offering price of \$25.00 per share.
- <sup>3</sup> Total investment return at market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns excludes the effects of 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> Ratios are calculated on the basis of income and expenses applicable to both the common and preferred shares relative to the average net assets of the common shareholders.

The information in the above Financial Highlights represents the 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, |           |            |            |            |
|--|------------------------|-----------|------------|------------|------------|
|  | 2007                   | 2006      | 2005       | 2004       | 2003       |
| <b>Per Share Operating Performance</b>                       |                        |           |            |            |            |
| Net asset value, beginning of year                           | \$ 13.83               | \$ 13.68  | \$ 15.10   | \$ 15.07   | \$ 12.63   |
| Investment operations:                                       |                        |           |            |            |            |
| Net investment income  | 0.95                   | 0.99      | 1.10       | 1.39       | 1.59       |
| Net realized and unrealized gain (loss)                      | (0.06)                 | 0.18      | (1.13)     | 0.25       | 2.34       |
| Net increase (decrease) from investment operations           | 0.89                   | 1.17      | (0.03)     | 1.64       | 3.93       |
| Dividends and distributions from:                            |                        |           |            |            |            |
| Net investment income  | (0.92)                 | (0.98)    | (1.12)     | (1.61)     | (1.49)     |
| Tax return of capital  |                        | (0.04)    | (0.27)     |            |            |
| Total dividends and distributions                            | (0.92)                 | (1.02)    | (1.39)     | (1.61)     | (1.49)     |
| Net asset value, end of year                                 | \$ 13.80               | \$ 13.83  | \$ 13.68   | \$ 15.10   | \$ 15.07   |
| Market price, end of year                                    | \$ 11.88               | \$ 12.85  | \$ 12.45   | \$ 16.70   | \$ 15.27   |
| <b>Total Investment Returns<sup>1</sup></b>                  |                        |           |            |            |            |
| At net asset value   | 7.26%                  | 9.58%     | (0.49)%    | 11.35%     | 32.55%     |
| At market value  | (0.62)%                | 11.87%    | (18.11)%   | 21.54%     | 37.36%     |
| <b>Ratios to Average Net Assets</b>                          |                        |           |            |            |            |
| Total expenses   | 1.45%                  | 2.25%     | 2.14%      | 1.49%      | 2.01%      |
| Net expenses   | 1.27%                  | 2.00%     | 1.87%      | 1.23%      | 1.71%      |
| Net expenses excluding interest expense                      | 0.87%                  | 0.94%     | 0.92%      | 0.89%      | 1.01%      |
| Net investment income  | 6.86%                  | 7.26%     | 7.58%      | 9.23%      | 11.32%     |
| <b>Supplemental Data</b>                                     |                        |           |            |            |            |
| Average net assets (000)                                     | \$ 98,130              | \$ 96,003 | \$ 101,990 | \$ 106,330 | \$ 98,498  |
| Portfolio turnover   | 34%                    | 56%       | 51%        | 31%        | 32%        |
| Net assets, end of year (000)                                | \$ 97,410              | \$ 97,614 | \$ 96,546  | \$ 106,433 | \$ 106,045 |
| Reverse repurchase agreements outstanding, end of year (000) | \$ 413                 | \$ 14,951 | \$ 31,883  | \$ 13,188  | \$ 45,872  |
| Asset coverage, end of year <sup>2</sup>                     | \$ 236,789             | \$ 7,529  | \$ 4,028   | \$ 9,071   | \$ 3,312   |
| Reverse repurchase agreements average daily balance (000)    | \$ 7,240               | \$ 21,104 | \$ 30,406  | \$ 27,562  | \$ 46,036  |
| Reverse repurchase agreements weighted average interest rate | 5.34%                  | 4.81%     | 3.20%      | 1.33%      | 1.51%      |



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<sup>1</sup> Total investment return at market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Total investment returns excludes the effects of brokerage commissions. Total investment returns for less than a full year are not annualized. 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 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.

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## Notes to Financial Statements

### 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 ) are registered as diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended (the 1940 Act ). BlackRock Preferred and Equity Advantage Trust ( Preferred and Equity ) is registered as a non-diversified, closed-end management investment company under 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. Broad Investment Grade, Core Bond, High Yield, Income Opportunity, Income Trust, Limited Duration, Preferred and Equity and Strategic Bond are individually referred to as a Trust and collectively as the Trusts .

Preferred and Equity was organized on October 26, 2006 and had no transactions until November 21, 2006 when the Trust sold 4,817 common shares for \$115,006 to BlackRock Funding, Inc. Investment operations for Preferred and Equity commenced on December 27, 2006. The Trust incurred organization costs which were deferred from the organization date until the commencement of operations.

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.

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

**Investments 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 or Trustees, as appropriate (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. Effective September 4, 2007, exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade and previously were valued at the last sales price as of the close of options trading on applicable exchanges. 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.

Bank loans ( loan interests ) are valued in accordance with guidelines established by the Board. Loan interests are valued at the average between the last available bid prices from one or more brokers or dealers as obtained from Loan Pricing Corporation ( LPC ). If no reliable price quotes are available, LPC values such interests through the use of pricing matrixes. If the pricing service does not provide a value for the loan interests, BlackRock Advisors, LLC (the Manager ), an indirect, wholly owned subsidiary of BlackRock, Inc., will value the loan interests at fair value under methods approved by the Funds' Board.

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 the Manager deems relevant.

In September 2006, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( FAS 157 ), was issued and 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. At this time, management is evaluating the implication of FAS 157 and its impact on the Trusts' financial statements, if any, has not been determined.

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In addition, in February 2007, Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( FAS 159 ), was issued and is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. At this time, management is evaluating the implications of FAS 159 and its impact on the Trusts' financial statements, if any, 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. Dividend income is recorded on the ex-dividend date.

## Notes to Financial Statements (continued)

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 & Co., Inc. (Merrill Lynch) and The PNC Financial Services Group, Inc. (PNC), both principal owners of BlackRock, Inc., or their affiliates, including Midland Loan Services, Inc. It is possible under certain circumstances, that Merrill Lynch Mortgage Investors, Inc. and PNC Mortgage Securities Corp. or their affiliates, including Midland Loan Services, Inc., could have interest that are conflict with the holders of these mortgage-backed securities, and such holders could have rights against Merrill Lynch Mortgage Investors, Inc. and PNC Mortgage Securities Corp. or their affiliates, including Midland Loan Services, Inc.

**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 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, 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 33 $\frac{1}{3}$ % 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 accreted as 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, has 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 writer 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

## Notes to Financial Statements (continued)

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.

**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.

**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 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 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 basis to reflect the market value of the contract at the end of each day's trading. Variation margin pay-

## Notes to Financial Statements (continued)

ments 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.

For fixed income securities, 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/Borrowed Bonds:** The Trusts engage in short selling of securities as a method of managing potential price declines in similar securities owned by the Trust. When a Trust engages in short selling, it may enter into a borrowed bond agreement to borrow the security sold short and deliver it to the broker-dealer with which it engaged in the short sale. A gain, limited to the price at which a Trust sold the security short or pursuant to the borrowed bond agreement, or a loss, unlimited as to dollar amount, will be recognized upon the termination of a short sale or borrowed bond agreement if the market price is greater or less than the proceeds originally received.

**Borrowed Bond Agreements:** In a borrowed bond agreement, each Trust borrows securities from a third party, with the commitment that they will be returned to the lender on an agreed-upon date. Borrowed bond agreements are primarily entered into to settle short positions. In a borrowed bond agreement, the Trust's prime broker or third party broker takes possession of cash as collateral. The Trusts receive interest income on the cash collateral relating to the borrowed bond agreement and are obligated to pay the prime broker or third party broker payments received on such borrowed securities. The cash collateral approximates the principal amount of the bonds borrowed transaction. To the extent that the bonds borrowed transactions exceed one business day,



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the value of the collateral with any counter-party 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.

**Trust Preferred Stock:** These securities are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured as either fixed or adjustable coupon securities that can have either a perpetual or stated maturity date. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for Federal income tax purposes. These securities can have a rating that is slightly below that of the issuing company's senior debt securities.

**TBA Purchase Commitments:** The Trusts may enter into to be announced ( TBA ) commitments to purchase or sell securities for a fixed price at a future date. TBA commitments are considered securities in themselves, and involve a risk of loss if the value of the security to be purchased or sold

## Notes to Financial Statements (continued)

declines or increases prior to settlement date, which is in addition to the risk of decline in the value of the Trusts' other assets. Unsettled TBA commitments are valued at the current market value of the underlying securities, according to the procedures described under "Investments Valuation".

**Mortgage Dollar Rolls:** The Trusts may enter into mortgage dollar rolls (principally using TBA commitments) in which the Trusts sell mortgage securities for delivery in the current month and simultaneously contract to repurchase similar, but not identical, securities at an agreed upon price on a fixed date. The Trusts receive compensation, in either fee or drop, as consideration for entering into the commitment to repurchase. A Trust must maintain liquid securities having a value not less than the repurchase price (including accrued interest) for such dollar rolls. The market value of the securities that a Trust is required to purchase may decline below the agreed upon repurchase price of those securities. In a fee roll, the compensation received is recorded as deferred income and amortized to income over the roll period. In a drop roll, the compensation is paid via a lower price for the security upon its repurchase. The counterparty receives all principal and interest payments, including prepayments, made in respect of a security subject to such a contract while it is the holder. Mortgage dollar rolls may be renewed with a new purchase and repurchase price and a cash settlement made on settlement date without physical delivery of the securities subject to the contract. A Trust engages in dollar rolls for the purpose of enhancing its yield, principally by earning a negotiated fee.

**Financing Transactions:** The Trusts may enter into financing transactions consisting of sales by a Trust of securities together with a commitment to repurchase similar securities at a future date. The difference between the selling price and the future purchase price is an adjustment to interest income. If the counterparty to whom the Trust sells the security becomes insolvent, a Trust's right to repurchase the security may be restricted. The value of the security may change over the term of the financing transaction.

**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 SEC, 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.

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes" (an interpretation of FAS Statement No. 109). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including mutual funds, before being measured and recognized in the financial statements. Adoption of FIN 48 is required for the last net asset value calculation in the first required financial statement reporting period for fiscal years beginning after December 15, 2006. The impact on the Trusts, excluding Preferred and Equity, financial statements, if any, from FIN 48 is currently being assessed.

Effective October 31, 2007, Preferred and Equity implemented Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (an interpretation of FASB Statement No. 109 (FIN 48)). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including investment companies, before being measured and recognized in the financial statements. Management has evaluated the application of FIN 48 to Preferred and Equity and has determined that the adoption of FIN 48 does not have a material impact on the financial statements. Preferred and Equity will file its first Federal and state tax returns in 2008 for the period ended October 31, 2007.

**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 other sources, if necessary. Net long-term capital gains, if any, in excess of loss carryforwards may be distributed in accordance with the 1940 Act. If the total dividends and distributions made in any tax year exceeds net investment income and accumulated realized capital gains, a portion of the total distribution may be treated as a tax-free return of capital. 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. Dividends and distributions to preferred shareholders are accrued and determined as described in Note 7.

**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 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 ) 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 Investments in Affiliates . This has approximately the same economic effect for the Independent Trustees as if the Independent Trustees had invested the deferred amounts directly in such Trusts.

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Trust.

## Notes to Financial Statements (continued)

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 the Manager. BlackRock Financial Management, Inc. ( BFM ), a wholly owned subsidiary of BlackRock, Inc., serves as sub-advisor to Core Bond, Limited Duration, Preferred and Equity and Strategic Bond. BlackRock Investment Management, LLC ( BIM ), a wholly owned subsidiary of BlackRock, Inc., also serves as sub-advisor to Preferred and Equity. Merrill Lynch and PNC are principal owners of BlackRock, 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, Preferred and Equity 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, 0.65% for Preferred and Equity, 1.05% for High Yield and 0.75% for Strategic Bond, of each Trust's average 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 February 28, 2007, 0.15% through February 28, 2008, 0.10% through February 28, 2009 and 0.05% through February 28, 2010.

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

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

Pursuant to the advisory 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 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 and secondary market support to each Trust. These expenses are generally pro-rated to the Trusts on the basis of relative net assets of all the BlackRock Closed-End Funds. For the year ended October 31, 2007, the Trusts reimbursed the Advisor the following amounts, which are included in miscellaneous expenses in the Statements of Operations:

| Trust                  | Amount   |
|------------------------|----------|
| Broad Investment Grade | \$ 2,929 |
| Core Bond              | 22,028   |
| High Yield             | 2,530    |
| Income Opportunity     | 22,733   |
| Income Trust           | 26,282   |
| Limited Duration       | 40,812   |
| Preferred and Equity   | 25,990   |
| Strategic Bond         | 5,617    |

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, 2007, Merrill Lynch, through its affiliated broker dealer Merrill Lynch, Pierce, Fenner & Smith, Inc., earned commissions on transactions of securities as follows:

| <b>Trust</b>         | <b>Commission<br/>Amount</b> |
|----------------------|------------------------------|
| Core Bond            | \$ 104,454                   |
| High Yield           | 8                            |
| Income Opportunity   | 110,446                      |
| Income Trust         | 66,166                       |
| Limited Duration     | 1,603                        |
| Preferred and Equity | 757,239                      |
| Strategic Bond       | 28                           |

## Notes to Financial Statements (continued)

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 | Interest Income | Market Value of Affiliates at October 31, 2007 |
|--------------------|---|----------------------------|-----------|--------------|-------------------------|-----------------|--|
| Core Bond          | Merrill Lynch Mortgage Investors, Inc., Ser. HE2, Class A2A | \$ 1,509,548               | \$        | \$ 1,509,548 | \$                      | \$ 45,271       | \$   |
|                    | Merrill Lynch Mortgage Trust, Ser. C1, Class AM             |                            | 925,000   |              | 925,000                 | 7,589           | 933,463  |
| Income Opportunity | Merrill Lynch Mortgage Investors, Inc., Ser. HE2, Class A2A | 1,651,471                  |           | 1,651,471    |                         | 49,245          |  |
|                    | Merrill Projects, Ser. 29                                   | 152,326                    |           | 102,166      | 50,160                  | 10,465          | 50,662   |
|                    | Merrill Projects, Ser. 42                                   | 51,398                     |           | 2,145        | 49,253                  | 3,746           | 49,745   |
| Income Trust       | Merrill Projects, Ser. 54                                   | 51,249                     |           | 1,726        | 49,523                  | 3,731           | 50,019   |

Certain officers and/or directors of the Trusts are officers and/or directors of BlackRock, Inc. or its affiliates.

**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, 2007 were as follows:

| Trust                  | Purchases     | Sales         |
|------------------------|---------------|---------------|
| Broad Investment Grade | \$ 3,771,896  | \$ 4,504,593  |
| Core Bond              | 722,652,874   | 440,021,114   |
| High Yield             | 45,730,396    | 53,761,581    |
| Income Opportunity     | 1,000,463,875 | 694,999,046   |
| Income Trust           | 1,181,095,299 | 1,209,086,090 |
| Limited Duration       | 654,114,184   | 991,030,609   |
| Preferred and Equity   | 2,424,297,184 | 773,130,150   |
| Strategic Bond         | 34,511,252    | 56,088,950    |

Purchases and sales of U.S. government securities for the year ended October 31, 2007, aggregated as follows:

| Trust | Purchases | Sales |
|-------|-----------|-------|
|-------|-----------|-------|

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|                        |    |             |             |
|------------------------|----|-------------|-------------|
| Broad Investment Grade | \$ | \$          | 5,655,469   |
| Core Bond              |    | 188,022,696 | 260,028,377 |
| Income Opportunity     |    | 213,262,623 | 298,489,442 |
| Income Trust           |    | 132,824,013 | 163,361,268 |
| Limited Duration       |    |             | 10,000,000  |
| Preferred and Equity   |    | 479,869,532 | 487,606,224 |
| Strategic Bond         |    | 172,822     | 933,000     |

## Notes to Financial Statements (continued)

Details of open forward currency contracts at October 31, 2007 were as follows:

| Trust            | Foreign Currency | Settlement Date | Contract to Receive | Value at Settlement Date | Value at Unrealized October 31, 2007 | Appreciation (Depreciation) |
|------------------|------------------|-----------------|---------------------|--------------------------|--------------------------------------|-----------------------------|
| Core Bond        | <b>Bought:</b>   |                 |                     |                          |                                      |                             |
|                  | Japanese Yen     | 1/15/08         | \$ 793,358,661      | \$ 6,876,169             | \$ 6,937,915                         | \$ 61,746                   |
|                  | <b>Sold:</b>     |                 |                     |                          |                                      |                             |
|                  | Euro             | 1/23/08         | 1,233,067           | 1,747,256                | 1,787,871                            | (40,615)                    |
|                  |                  |                 |                     |                          |                                      | \$ 21,131                   |
| Limited Duration | <b>Sold:</b>     |                 |                     |                          |                                      |                             |
|                  | Euro             | 1/23/08         | \$ 20,975,550       | \$ 29,722,354            | \$ 30,413,254                        | \$ (690,900)                |
|                  | British Pounds   | 1/23/08         | 5,195,000           | 10,540,239               | 10,771,890                           | (231,651)                   |
|                  |                  |                 |                     |                          |                                      | \$ (922,551)                |

Income Trust held interest rate floors at October 31, 2007. Under the agreement, Income Trust pays the excess, if any, of a fixed rate over a floating rate. Income Trust received a transaction fee for the floor. Transaction fees are amortized through the termination of the agreement. Details of the interest rate floor held at October 31, 2007 were as follows:

| Notional Amount (000) | Variable Rate | Counter Party             | Floating Rate | Effective Date | Termination Date | Amortized Cost | Value at October 31, 2007 | Unrealized Appreciation (Depreciation) |
|-----------------------|---------------|---------------------------|---------------|----------------|------------------|----------------|---------------------------|--|
| \$ 145,000            | 4.80%         | Goldman Sachs             | 3-month LIBOR | 12/25/05       | 03/25/11         | \$ (1,603,115) | \$ (953,577)              | \$ 649,538                             |
| 96,000                | 4.95          | JPMorgan                  | 3-month LIBOR | 03/27/06       | 03/25/11         | (1,243,216)    | (443,318)                 | 799,898                                |
| 70,000                | 5.50          | Union Bank of Switzerland | 3-month LIBOR | 12/15/06       | 03/15/10         | (916,771)      | (1,244,600)               | (327,829)                              |
| 39,000                | 5.50          | Citibank                  | 3-month LIBOR | 06/15/07       | 09/15/11         | (716,795)      | (1,042,470)               | (325,675)                              |
|                       |               |                           |               |                |                  | \$ (4,479,897) | \$ (3,683,965)            | \$ 795,932                             |

Details of open interest rate swaps at October 31, 2007 were as follows:

| Trust     | Notional Amount (000) | Fixed Rate | Counter Party             | Floating Rate | Effective Date | Termination Date | Unrealized Appreciation (Depreciation) |
|-----------|-----------------------|------------|---------------------------|---------------|----------------|------------------|--|
| Core Bond | \$ 41,200             | 4.510%(a)  | Citibank                  | 3-month LIBOR | 10/29/04       | 10/29/14         | \$ 1,063,372                           |
|           | 2,800                 | 4.500(a)   | JPMorgan                  | 3-month LIBOR | 05/26/05       | 05/26/15         | 62,565                                 |
|           | 4,800                 | 4.372(b)   | Union Bank of Switzerland | 3-month LIBOR | 06/30/05       | 06/30/15         | (139,248)                              |
|           | 6,200                 | 4.725(b)   | Morgan Stanley            | 3-month LIBOR | 08/02/05       | 08/02/15         | (121,184)                              |
|           | 4,600                 | 5.000(b)   | Deutsche Bank             | LIBOR         | 11/07/05       | 11/07/10         | 98,394                                 |



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|        |                      |                           |               |          |          |             |
|--------|----------------------|---------------------------|---------------|----------|----------|-------------|
|        |                      |                           | 3-month LIBOR |          |          |             |
| 5,000  | 4.870 <sup>(b)</sup> | Goldman Sachs             | 3-month LIBOR | 01/25/06 | 01/25/16 | 5,336       |
| 4,800  | 5.723 <sup>(b)</sup> | JPMorgan                  | 3-month LIBOR | 07/14/06 | 07/14/16 | 296,976     |
| 25,100 | 5.496 <sup>(b)</sup> | Bank of America           | 3-month LIBOR | 07/28/06 | 07/28/11 | 1,016,550   |
| 3,000  | 5.025 <sup>(b)</sup> | Deutsche Bank             | 3-month LIBOR | 11/21/06 | 11/21/11 | 66,000      |
| 2,200  | 4.950 <sup>(b)</sup> | Union Bank of Switzerland | 3-month LIBOR | 11/29/06 | 11/29/11 | 41,734      |
| 8,300  | 5.002 <sup>(a)</sup> | Union Bank of Switzerland | 3-month LIBOR | 01/08/07 | 01/08/12 | (178,865)   |
| 8,545  | 5.411 <sup>(b)</sup> | JPMorgan                  | 3-month LIBOR | 02/05/07 | 08/15/22 | 147,914     |
| 11,300 | 5.295 <sup>(b)</sup> | Union Bank of Switzerland | 3-month LIBOR | 02/08/07 | 02/08/17 | 187,806     |
| 13,500 | 4.922 <sup>(a)</sup> | Lehman Brothers           | 3-month LIBOR | 03/22/07 | 03/22/11 | (98,145)    |
| 700    | 5.250 <sup>(b)</sup> | Goldman Sachs             | 3-month LIBOR | 04/12/07 | 04/12/17 | 8,291       |
| 1,400  | 5.411 <sup>(b)</sup> | Goldman Sachs             | 3-month LIBOR | 04/30/07 | 04/30/27 | 18,746      |
| 1,600  | 5.545 <sup>(a)</sup> | Deutsche Bank             | 3-month LIBOR | 06/07/07 | 06/07/17 | (77,360)    |
| 1,200  | 5.740 <sup>(a)</sup> | Deutsche Bank             | 3-month LIBOR | 06/13/07 | 06/13/17 | (76,656)    |
| 900    | 5.850 <sup>(a)</sup> | Deutsche Bank             | 3-month LIBOR | 06/14/07 | 06/14/17 | (65,367)    |
| 4,600  | 5.683 <sup>(a)</sup> | Lehman Brothers           | 3-month LIBOR | 06/29/07 | 06/29/17 | (278,070)   |
| 6,500  | 5.643 <sup>(a)</sup> | Citibank                  | 3-month LIBOR | 07/05/07 | 07/05/17 | (369,720)   |
| 12,300 | 5.775 <sup>(a)</sup> | Deutsche Bank             | 3-month LIBOR | 07/09/07 | 07/09/17 | (828,528)   |
| 42,000 | 5.589 <sup>(a)</sup> | Goldman Sachs             | 3-month LIBOR | 07/16/07 | 07/16/12 | (1,940,683) |
| 19,500 | 5.105 <sup>(b)</sup> | Goldman Sachs             | 3-month LIBOR | 08/20/07 | 08/20/12 | 226,522     |
| 82,500 | 5.076 <sup>(b)</sup> | Citibank                  | 3-month LIBOR | 08/21/07 | 08/21/12 | 884,400     |
| 49,300 | 5.057 <sup>(b)</sup> | Bank of America           | 3-month LIBOR | 08/22/07 | 08/22/12 | 485,112     |
| 27,800 | 4.771 <sup>(b)</sup> | Lehman Brothers           | 3-month LIBOR | 08/23/07 | 08/23/09 | 42,812      |
| 40,200 | 4.880 <sup>(b)</sup> | Lehman Brothers           | 3-month LIBOR | 08/24/07 | 08/24/09 | 143,514     |
| 40,000 | 5.076 <sup>(b)</sup> | Morgan Stanley            | 3-month LIBOR | 08/28/07 | 08/28/12 | 416,828     |
| 30,000 | 4.903 <sup>(b)</sup> | Barclays                  | 3-month LIBOR | 09/07/07 | 09/07/12 | 54,879      |

## Notes to Financial Statements (continued)

| Trust       | Notional Amount (000) | Fixed Rate | Counter Party               | Floating Rate | Effective Date | Termination Date | Unrealized Appreciation (Depreciation) |
|-------------|-----------------------|------------|-----------------------------|---------------|----------------|------------------|--|
| Core Bond   | \$ 12,500             | 5.040%(a)  | Deutsche Bank               | 3-month LIBOR | 09/12/07       | 09/12/17         | \$ 67,500                              |
| (cont d)    | 50,000                | 4.624(b)   | Credit Suisse International | 3-month LIBOR | 09/20/07       | 09/20/09         | (52,500)                               |
|             | 8,000                 | 5.365%(a)  | Bank of America             | 3-month LIBOR | 09/21/07       | 09/21/27         | (55,120)                               |
|             | 10,900                | 5.155(a)   | Citibank                    | 3-month LIBOR | 09/21/07       | 09/21/17         | (51,666)                               |
|             | 5,100                 | 5.261(a)   | Morgan Stanley              | 3-month LIBOR | 09/28/07       | 09/28/17         | (61,132)                               |
|             | 13,800                | 5.308(a)   | Barclays                    | 3-month LIBOR | 10/15/07       | 10/15/17         | (226,458)                              |
|             | 5,400                 | 5.307(a)   | Deutsche Bank               | 3-month LIBOR | 10/18/07       | 10/18/17         | (88,884)                               |
|             | 9,400                 | 4.856(b)   | Deutsche Bank               | 3-month LIBOR | 10/19/07       | 10/19/12         | 14,194                                 |
|             | 9,500                 | 5.005(b)   | JPMorgan                    | 3-month LIBOR | 10/22/07       | 10/22/14         | 16,569                                 |
|             |                       |            |                             |               |                |                  | \$ 656,428                             |
| Income      | 27,500                | 4.399%(a)  | Deutsche Bank               | 3-month LIBOR | 10/25/04       | 10/25/14         | 896,225                                |
| Opportunity | 13,800                | 4.510(a)   | Citibank                    | 3-month LIBOR | 10/29/04       | 10/29/14         | 356,178                                |
| Trust       | 3,000                 | 4.500(a)   | JPMorgan                    | 3-month LIBOR | 05/26/05       | 05/26/15         | 67,034                                 |
|             | 5,200                 | 4.372(b)   | Union Bank of Switzerland   | 3-month LIBOR | 06/30/05       | 06/30/15         | (150,852)                              |
|             | 8,000                 | 4.670(b)   | Goldman Sachs               | 3-month LIBOR | 09/20/05       | 09/20/15         | (191,440)                              |
|             | 5,000                 | 5.000(b)   | Deutsche Bank               | 3-month LIBOR | 11/07/05       | 11/07/10         | 106,950                                |
|             | 5,200                 | 5.723(b)   | JPMorgan                    | 3-month LIBOR | 07/14/06       | 07/14/16         | 321,724                                |
|             | 27,900                | 5.496(b)   | Bank of America             | 3-month LIBOR | 07/28/06       | 07/28/11         | 1,129,608                              |
|             | 3,200                 | 5.025(b)   | Deutsche Bank               | 3-month LIBOR | 11/21/06       | 11/21/11         | 70,400                                 |
|             | 3,100                 | 4.950(b)   | Union Bank of Switzerland   | 3-month LIBOR | 11/29/06       | 11/29/11         | 58,807                                 |
|             | 10,000                | 4.897(b)   | JPMorgan                    | 3-month LIBOR | 12/12/06       | 12/12/11         | 163,300                                |
|             | 12,000                | 5.002(a)   | Union Bank of Switzerland   | 3-month LIBOR | 01/08/07       | 01/08/12         | (258,600)                              |
|             | 12,000                | 5.295(b)   | Union Bank of Switzerland   | 3-month LIBOR | 02/08/07       | 02/08/17         | 199,440                                |
|             | 14,800                | 4.922(a)   | Lehman Brothers             | 3-month LIBOR | 03/22/07       | 03/22/11         | (107,596)                              |
|             | 5,000                 | 5.071(a)   | Union Bank of Switzerland   | 3-month LIBOR | 03/26/07       | 03/26/17         | 950                                    |
|             | 800                   | 5.250(b)   | Goldman Sachs               | 3-month LIBOR | 04/12/07       | 04/12/17         | 9,475                                  |
|             | 1,550                 | 5.411(b)   | Goldman Sachs               | 3-month LIBOR | 04/30/07       | 04/30/27         | 20,755                                 |
|             | 1,800                 | 5.545(a)   | Deutsche Bank               | 3-month LIBOR | 06/07/07       | 06/07/17         | (87,030)                               |

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|        |                      |                             |               |               |          |             |  |
|--------|----------------------|-----------------------------|---------------|---------------|----------|-------------|--|
|        |                      |                             |               | 3-month LIBOR |          |             |  |
| 1,400  | 5.740 <sup>(a)</sup> | Deutsche Bank               | 3-month LIBOR | 06/13/07      | 06/13/17 | (89,432)    |  |
| 1,000  | 5.850 <sup>(a)</sup> | Deutsche Bank               | 3-month LIBOR | 06/14/07      | 06/14/17 | (72,630)    |  |
| 5,100  | 5.683 <sup>(a)</sup> | Lehman Brothers             | 3-month LIBOR | 06/29/07      | 06/29/17 | (308,295)   |  |
| 7,200  | 5.643 <sup>(a)</sup> | Citibank                    | 3-month LIBOR | 07/05/07      | 07/05/17 | (409,536)   |  |
| 13,600 | 5.775 <sup>(a)</sup> | Deutsche Bank               | 3-month LIBOR | 07/09/07      | 07/09/17 | (916,096)   |  |
| 46,800 | 5.589 <sup>(a)</sup> | Goldman Sachs               | 3-month LIBOR | 07/16/07      | 07/16/12 | (2,184,663) |  |
| 9,405  | 5.411 <sup>(b)</sup> | JPMorgan                    | 3-month LIBOR | 08/15/07      | 08/15/22 | 162,801     |  |
| 21,600 | 5.105 <sup>(b)</sup> | Goldman Sachs               | 3-month LIBOR | 08/20/07      | 08/20/12 | 250,916     |  |
| 91,000 | 5.076 <sup>(b)</sup> | Citibank                    | 3-month LIBOR | 08/21/07      | 08/21/12 | 975,520     |  |
| 54,600 | 5.057 <sup>(b)</sup> | Bank of America             | 3-month LIBOR | 08/22/07      | 08/22/12 | 537,264     |  |
| 30,700 | 4.771 <sup>(b)</sup> | Lehman Brothers             | 3-month LIBOR | 08/23/07      | 08/23/09 | 47,278      |  |
| 44,500 | 4.880 <sup>(b)</sup> | Lehman Brothers             | 3-month LIBOR | 08/24/07      | 08/24/09 | 158,865     |  |
| 45,000 | 5.076 <sup>(b)</sup> | Morgan Stanley              | 3-month LIBOR | 08/28/07      | 08/28/12 | 468,932     |  |
| 35,000 | 4.903 <sup>(b)</sup> | Barclays                    | 3-month LIBOR | 09/07/07      | 09/07/12 | 64,026      |  |
| 12,500 | 5.040 <sup>(a)</sup> | Deutsche Bank               | 3-month LIBOR | 09/12/07      | 09/12/17 | 67,500      |  |
| 50,000 | 4.624 <sup>(b)</sup> | Credit Suisse International | 3-month LIBOR | 09/20/07      | 09/20/09 | (52,500)    |  |
| 8,900  | 5.365 <sup>(a)</sup> | Bank of America             | 3-month LIBOR | 09/21/07      | 09/21/27 | (61,321)    |  |
| 12,000 | 5.155 <sup>(a)</sup> | Citibank                    | 3-month LIBOR | 09/21/07      | 09/21/17 | (56,880)    |  |
| 5,700  | 5.261 <sup>(a)</sup> | Morgan Stanley              | 3-month LIBOR | 09/28/07      | 09/28/17 | (68,324)    |  |
| 15,300 | 5.308 <sup>(a)</sup> | Barclays                    | 3-month LIBOR | 10/15/07      | 10/15/17 | (251,073)   |  |
| 6,000  | 5.307 <sup>(a)</sup> | Deutsche Bank               | 3-month LIBOR | 10/18/07      | 10/18/17 | (98,760)    |  |
| 10,300 | 4.856 <sup>(b)</sup> | Deutsche Bank               | 3-month LIBOR | 10/19/07      | 10/19/12 | 15,553      |  |
| 10,500 | 5.005 <sup>(b)</sup> | JPMorgan                    | 3-month LIBOR | 10/22/07      | 10/22/14 | 18,313      |  |

\$ 802,786

|              |        |                       |                           |               |          |          |           |
|--------------|--------|-----------------------|---------------------------|---------------|----------|----------|-----------|
| Income Trust | 19,000 | 4.889% <sup>(a)</sup> | Goldman Sachs             | 3-month LIBOR | 04/22/04 | 04/22/14 | 51,374    |
|              | 12,500 | 4.399% <sup>(a)</sup> | Deutsche Bank             | 3-month LIBOR | 10/25/04 | 10/25/14 | 407,375   |
|              | 25,000 | 4.883 <sup>(b)</sup>  | Union Bank of Switzerland | 3-month LIBOR | 03/21/05 | 03/21/15 | (151,000) |
|              | 16,000 | 4.925 <sup>(a)</sup>  | Deutsche Bank             | 3-month LIBOR | 03/22/05 | 03/22/15 | 53,760    |
|              | 3,000  | 4.500 <sup>(a)</sup>  | JPMorgan                  | 3-month LIBOR | 05/26/05 | 05/26/15 | 67,034    |
|              | 4,500  | 4.442 <sup>(b)</sup>  | Morgan Stanley            | 3-month LIBOR | 07/11/05 | 07/11/15 | (114,160) |
|              | 12,000 | 4.320 <sup>(b)</sup>  | Union Bank of Switzerland | 3-month LIBOR | 09/08/05 | 09/08/10 | (132,240) |
|              | 2,800  | 5.940 <sup>(b)</sup>  | Union Bank of Switzerland | 3-month LIBOR | 12/07/05 | 12/07/15 | 213,220   |
|              | 5,500  | 4.870 <sup>(b)</sup>  | Goldman Sachs             | 3-month LIBOR | 01/25/06 | 01/25/16 | 5,869     |

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|       |          |               |               |          |          |         |
|-------|----------|---------------|---------------|----------|----------|---------|
|       |          |               | 3-month LIBOR |          |          |         |
| 5,400 | 5.723(b) | JPMorgan      | 3-month LIBOR | 07/14/06 | 07/14/16 | 334,098 |
| 3,000 | 5.025(b) | Deutsche Bank | 3-month LIBOR | 11/21/06 | 11/21/11 | 66,000  |

## Notes to Financial Statements

| Trust        | Notional Amount (000) | Fixed Rate | Counter Party               | Floating Rate | Effective Date | Termination Date | Unrealized Appreciation (Depreciation) |
|--------------|-----------------------|------------|-----------------------------|---------------|----------------|------------------|--|
| Income Trust | \$ 4,400              | 4.950%(b)  | Union Bank of Switzerland   | 3-month LIBOR | 11/29/06       | 11/29/11         | \$ 83,468                              |
| (cont d)     | 11,900                | 5.295(b)   | Union Bank of Switzerland   | 3-month LIBOR | 02/08/07       | 02/08/17         | 197,778                                |
|              | 800                   | 5.250(b)   | Goldman Sachs               | 3-month LIBOR | 04/12/07       | 04/12/17         | 9,475                                  |
|              | 64,000                | 5.393(b)   | Credit Suisse International | 3-month LIBOR | 06/05/07       | 06/05/12         | 2,403,840                              |
|              | 1,800                 | 5.545(a)   | Deutsche Bank               | 3-month LIBOR | 06/07/07       | 06/07/17         | (87,030)                               |
|              | 1,400                 | 5.740(a)   | Deutsche Bank               | 3-month LIBOR | 06/13/07       | 06/13/17         | (89,432)                               |
|              | 1,000                 | 5.850(a)   | Deutsche Bank               | 3-month LIBOR | 06/14/07       | 06/14/17         | (72,630)                               |
|              | 5,200                 | 5.683(a)   | Lehman Brothers             | 3-month LIBOR | 06/29/07       | 06/29/17         | (314,340)                              |
|              | 200,000               | 5.383(b)   | Credit Suisse International | 3-month LIBOR | 07/16/07       | 07/16/09         | 5,234,000                              |
|              | 187,370               | 5.376(b)   | Bank of America             | 3-month LIBOR | 07/20/07       | 07/20/09         | 4,950,315                              |
|              | 165,647               | 5.505(b)   | Bank of America             | 3-month LIBOR | 08/03/07       | 08/03/17         | 5,401,736                              |
|              | 9,565                 | 5.411(b)   | JPMorgan                    | 3-month LIBOR | 02/05/07       | 08/15/22         | 165,570                                |
|              | 18,800                | 4.778(b)   | Citibank                    | 3-month LIBOR | 08/23/07       | 08/23/09         | 31,396                                 |
|              |                       |            |                             |               |                |                  | \$ 18,715,476                          |

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

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

Details of open credit default swaps at October 31, 2007 were as follows:

| Trust                    | Notional (000) | Fixed Rate | Counter Party  | Effective Date | Termination Date | Unrealized (Depreciation) |
|--------------------------|----------------|------------|----------------|----------------|------------------|---------------------------|
| Core Bond                | \$ 340(a)      | 0.950%     | Deutsche Bank  | 08/02/07       | 09/20/12         | \$ (462)                  |
| Income Opportunity Trust | 375(a)         | 0.950      | Deutsche Bank  | 08/02/07       | 09/20/12         | \$ (98)                   |
| Limited Duration         | 4,500(b)       | 1.200      | Morgan Stanley | 05/23/07       | 06/20/12         | \$ (156,669)              |
|                          | 4,500(b)       | 1.200      | JP Morgan      | 05/23/07       | 06/20/12         | (156,669)                 |
|                          |                |            |                |                |                  | \$ (313,338)              |

(a) The terms were to receive the quarterly notional amount multiplied by the fixed rate and pay the counterparty, upon default of Lehman Brothers Holdings, Inc., the par value of the notional amount of Lehman Brothers Holdings, Inc.

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(b) The terms were to receive the quarterly notional amount multiplied by the fixed rate and pay the counterparty, upon default of LCDX, the par value of the notional amount of LCDX.

Transaction in options written during the year ended October 31, 2007 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, 2006 | \$ 21,300,000                    | \$ 991,347          | \$ 135,100,037                   | \$ 2,068,284        |
| Options written                         | 18,200,000                       | 455,276             | 18,200,000                       | 455,276             |
| Options closed                          | (11,600,000)                     | (315,851)           | (125,400,037)                    | (1,392,787)         |
| Options outstanding at October 31, 2007 | \$ 27,900,000                    | \$ 1,130,772        | \$ 27,900,000                    | \$ 1,130,773        |
| <b>Income Opportunity Trust</b>         |                                  |                     |                                  |                     |
| Options outstanding at October 31, 2006 | \$ 23,400,000                    | \$ 1,085,069        | \$ 148,200,041                   | \$ 2,236,554        |
| Options written                         | 19,700,000                       | 491,847             | 19,700,000                       | 491,847             |
| Options closed                          | (12,400,000)                     | (337,634)           | (137,200,041)                    | (1,489,123)         |
| Options outstanding at October 31, 2007 | \$ 30,700,000                    | \$ 1,239,282        | \$ 30,700,000                    | \$ 1,239,278        |
| <b>Income Trust</b>                     |                                  |                     |                                  |                     |
| Options outstanding at October 31, 2006 | \$ 23,500,000                    | \$ 1,088,815        | \$ 150,100,000                   | \$ 2,223,745        |
| Options written                         | 160,860,047                      | 4,960,873           | 160,860,000                      | 4,875,117           |
| Options closed                          | (46,835,007)                     | (1,047,343)         |                                  |                     |
| Options expired                         | (16)                             | (27,150)            | (173,435,000)                    | (2,169,641)         |
| Options outstanding at October 31, 2007 | \$ 137,525,024                   | \$ 4,975,195        | \$ 137,525,000                   | \$ 4,929,221        |

| Trust                                      | Calls                            |                     |
|--|----------------------------------|---------------------|
|  | Contracts/<br>Notional<br>Amount | Premium<br>Received |
| <b>Preferred and Equity</b>                |                                  |                     |
| Options outstanding at beginning of period | \$                               | \$                  |
| Options written                            | 3,335,500                        | 57,773,808          |
| Options closed                             | (3,079,500)                      | (52,286,976)        |
| Options expired                            | (10,500)                         | (60,705)            |
| Options outstanding at October 31, 2007    | \$ 245,500                       | \$ 5,426,127        |



## Notes to Financial Statements

## Note 4. Borrowings

Details of open reverse repurchase agreements at October 31, 2007 were as follows (please see Corresponding Underlying Collateral Chart):

| Trust/Counter Party                   | Rate   | Trade Date | Maturity Date <sup>1</sup> | Net Closing Amount | Par           |
|---------------------------------------|--------|------------|----------------------------|--------------------|---------------|
| <b>Core Bond</b>                      |        |            |                            |                    |               |
| Barclay s Bank                        | 5.250% | 09/06/07   | TBD                        | \$ 6,920,063       | \$ 6,865,000  |
|                                       | 5.270  | 09/06/07   | TBD                        | 3,189,475          | 3,164,000     |
|                                       | 5.270  | 09/06/07   | TBD                        | 2,980,808          | 2,957,000     |
|                                       | 5.290  | 09/06/07   | TBD                        | 3,003,076          | 2,979,000     |
|                                       | 5.290  | 09/06/07   | TBD                        | 2,589,763          | 2,569,000     |
|                                       | 5.290  | 09/24/07   | TBD                        | 1,707,280          | 1,698,048     |
|                                       |        |            |                            |                    | \$ 20,232,048 |
| <b>Credit Suisse First Boston LLC</b> |        |            |                            |                    |               |
|                                       | 5.100  | 09/17/07   | TBD                        | 2,014,479          | \$ 2,002,000  |
|                                       | 5.100  | 09/17/07   | TBD                        | 1,771,977          | 1,761,000     |
|                                       | 4.900  | 10/11/07   | 11/13/07                   | 60,535,343         | 60,371,000    |
|                                       | 5.100  | 10/11/07   | TBD                        | 2,016,020          | 2,010,325     |
|                                       |        |            |                            |                    | \$ 66,144,325 |
| <b>Lehman Brothers</b>                |        |            |                            |                    |               |
|                                       | 4.200  | 10/02/07   | TBD                        | 9,963,295          | \$ 9,929,700  |
|                                       | 4.600  | 10/23/07   | TBD                        | 3,000,939          | 2,997,875     |
|                                       | 4.600  | 10/26/07   | TBD                        | 2,423,047          | 2,421,500     |
|                                       | 4.150  | 10/31/07   | 11/07/07                   | 1,051,794          | 1,051,794     |
|                                       |        |            |                            |                    | \$ 16,400,869 |
| <b>Morgan Stanley</b>                 |        |            |                            |                    |               |
|                                       | 0.000  | 10/19/07   | TBD                        | 576,450            | \$ 576,450    |
| <b>Income Opportunity</b>             |        |            |                            |                    |               |
| Barclay s Bank                        | 5.120  | 08/06/07   | TBD                        | 7,317,925          | \$ 7,229,500  |
|                                       | 5.120  | 08/06/07   | TBD                        | 1,973,243          | 1,949,400     |
|                                       | 5.120  | 08/07/07   | TBD                        | 643,038            | 635,357       |
|                                       | 5.140  | 08/13/07   | TBD                        | 1,407,495          | 1,391,796     |
|                                       | 5.140  | 08/15/07   | TBD                        | 2,362,693          | 2,337,000     |
|                                       | 5.120  | 08/17/07   | TBD                        | 1,335,584          | 1,321,488     |
|                                       | 5.140  | 08/17/07   | TBD                        | 2,054,810          | 2,033,040     |
|                                       | 5.140  | 08/17/07   | TBD                        | 2,528,732          | 2,501,940     |
|                                       | 5.140  | 08/17/07   | TBD                        | 1,628,615          | 1,611,360     |
|                                       | 5.120  | 08/21/07   | TBD                        | 1,082,805          | 1,071,980     |
|                                       | 5.140  | 08/22/07   | TBD                        | 2,766,799          | 2,739,420     |
|                                       | 5.140  | 08/22/07   | TBD                        | 1,716,619          | 1,699,632     |
|                                       | 5.140  | 09/13/07   | TBD                        | 1,171,977          | 1,164,000     |
|                                       | 5.160  | 09/13/07   | TBD                        | 1,681,490          | 1,670,000     |
|                                       | 5.160  | 09/13/07   | TBD                        | 1,490,686          | 1,480,500     |
|                                       | 5.140  | 09/13/07   | TBD                        | 1,800,757          | 1,788,500     |
|                                       | 5.140  | 09/13/07   | TBD                        | 845,757            | 840,000       |
|                                       | 5.160  | 09/13/07   | TBD                        | 1,929,182          | 1,916,000     |
|                                       | 5.290  | 09/14/07   | TBD                        | 2,083,390          | 2,069,100     |
|                                       |        |            |                            |                    | \$ 37,450,013 |



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|                  |       |          |          |            |    |            |
|------------------|-------|----------|----------|------------|----|------------|
| Credit Suisse    |       |          |          |            |    |            |
| First Boston LLC | 5.100 | 08/20/07 | TBD      | 2,207,211  | \$ | 2,184,925  |
|                  | 5.100 | 08/20/07 | TBD      | 1,977,972  |    | 1,958,000  |
|                  | 5.100 | 08/20/07 | TBD      | 2,099,423  |    | 2,078,225  |
|                  | 5.100 | 08/20/07 | TBD      | 1,914,329  |    | 1,895,000  |
|                  | 5.100 | 08/20/07 | TBD      | 614,394    |    | 608,190    |
|                  | 5.100 | 08/30/07 | TBD      | 1,593,878  |    | 1,580,000  |
|                  | 5.100 | 08/30/07 | TBD      | 1,187,338  |    | 1,177,000  |
|                  | 5.100 | 08/30/07 | TBD      | 1,174,224  |    | 1,164,000  |
|                  | 5.600 | 08/31/07 | 11/01/07 | 1,933,171  |    | 1,915,000  |
|                  | 5.100 | 08/31/07 | TBD      | 1,603,740  |    | 1,590,000  |
|                  | 4.900 | 10/10/07 | 11/13/07 | 26,408,268 |    | 26,333,000 |
|                  | 4.900 | 10/11/07 | 11/13/07 | 4,518,266  |    | 4,506,000  |
|                  | 5.100 | 10/18/07 | TBD      | 4,278,469  |    | 4,270,000  |
|                  |       |          |          |            | \$ | 51,259,340 |

| Trust/Counter Party         | Rate   | Trade Date | Maturity Date <sup>1</sup> | Net Closing Amount |    | Par        |
|-----------------------------|--------|------------|----------------------------|--------------------|----|------------|
| Income Opportunity (cont d) |        |            |                            |                    |    |            |
| Lehman Brothers             | 4.200% | 10/01/07   | TBD                        | \$ 8,485,395       | \$ | 8,455,800  |
|                             | 4.900  | 10/11/07   | 11/01/07                   | 1,973,232          |    | 1,967,875  |
|                             | 4.800  | 10/25/07   | 11/13/07                   | 4,322,455          |    | 4,319,000  |
|                             | 4.150  | 10/31/07   | 11/07/07                   | 1,165,916          |    | 1,165,781  |
|                             |        |            |                            |                    | \$ | 15,908,456 |
| Morgan Stanley              | 0.000  | 10/19/07   | TBD                        | 643,703            | \$ | 643,703    |
| Income Trust                |        |            |                            |                    |    |            |
| Lehman Brothers             | 4.600  | 11/01/07   | TBD                        | 24,280,081         | \$ | 24,280,113 |
|                             | 4.800  | 11/01/07   | 11/02/07                   | 3,035,595          |    | 3,036,000  |
|                             | 4.800  | 11/01/07   | 11/02/07                   | 1,073,107          |    | 1,073,250  |
|                             | 4.900  | 11/01/07   | 11/02/07                   | 5,505,251          |    | 5,506,000  |
|                             |        |            |                            |                    | \$ | 33,895,363 |
| Limited Duration            |        |            |                            |                    |    |            |
| Barclay s Bank              | 5.220  | 04/24/07   | TBD                        | 967,952            | \$ | 942,000    |
|                             | 5.220  | 05/01/07   | TBD                        | 4,508,542          |    | 4,392,000  |
|                             | 5.200  | 05/01/07   | TBD                        | 4,834,245          |    | 4,709,751  |
|                             | 5.170  | 05/01/07   | TBD                        | 5,005,043          |    | 4,876,875  |
|                             | 5.220  | 05/01/07   | TBD                        | 4,890,798          |    | 4,764,375  |
|                             | 5.220  | 05/01/07   | TBD                        | 4,775,313          |    | 4,651,875  |
|                             | 5.220  | 05/01/07   | TBD                        | 3,093,874          |    | 3,013,900  |
|                             | 5.220  | 05/01/07   | TBD                        | 571,375            |    | 556,605    |
|                             | 5.200  | 05/17/07   | TBD                        | 3,091,825          |    | 3,019,000  |
|                             | 5.220  | 07/09/07   | TBD                        | 771,546            |    | 759,000    |
|                             |        |            |                            |                    | \$ | 31,685,381 |
| Credit Suisse               |        |            |                            |                    |    |            |
| First Boston LLC            | 5.375  | 11/26/13   | TBD                        | 1,809,853          | \$ | 1,722,000  |
|                             | 5.100  | 12/05/06   | TBD                        | 5,565,373          |    | 5,316,812  |
|                             | 5.100  | 12/05/06   | TBD                        | 7,491,361          |    | 7,156,781  |
|                             | 5.100  | 12/07/06   | TBD                        | 2,997,342          |    | 2,864,250  |
|                             | 5.100  | 12/07/06   | TBD                        | 4,817,122          |    | 4,603,225  |
|                             | 5.100  | 01/18/07   | TBD                        | 2,295,602          |    | 2,206,213  |
|                             | 5.300  | 01/18/07   | TBD                        | 2,491,177          |    | 2,390,523  |
|                             | 5.300  | 04/17/07   | TBD                        | 1,604,750          |    | 1,559,520  |
|                             | 0.000  | 10/04/07   | TBD                        | 2,784,000          |    | 2,784,000  |

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|                                |       |          |     |            |    |            |
|--------------------------------|-------|----------|-----|------------|----|------------|
|                                | 5.300 | 05/16/07 | TBD | 1,796,358  |    | 1,753,000  |
|                                | 5.300 | 06/11/07 | TBD | 3,966,218  |    | 3,885,000  |
|                                | 5.300 | 06/11/07 | TBD | 5,165,782  |    | 5,060,000  |
|                                | 5.300 | 06/29/07 | TBD | 2,878,082  |    | 2,826,483  |
|                                | 5.300 | 07/09/07 | TBD | 1,511,957  |    | 1,487,000  |
|                                |       |          |     |            | \$ | 45,614,807 |
| Lehman Brothers                | 5.100 | 7/26/06  | TBD | 1,474,583  | \$ | 1,384,000  |
|                                | 4.750 | 09/06/06 | TBD | 937,210    |    | 888,000    |
|                                | 5.000 | 11/27/06 | TBD | 349,679    |    | 334,000    |
|                                | 4.550 | 01/09/07 | TBD | 3,472,764  |    | 3,347,938  |
|                                | 4.510 | 01/12/07 | TBD | 17,203,359 |    | 16,596,250 |
|                                | 4.470 | 02/12/07 | TBD | 1,841,028  |    | 1,783,238  |
|                                | 4.520 | 02/28/07 | TBD | 709,164    |    | 688,000    |
|                                | 4.520 | 03/01/07 | TBD | 5,395,680  |    | 5,235,293  |
|                                | 1.250 | 09/07/07 | TBD | 1,733,244  |    | 1,730,000  |
|                                |       |          |     |            | \$ | 31,986,719 |
| Preferred and Equity Advantage |       |          |     |            |    |            |
| Credit Suisse                  |       |          |     |            |    |            |
| First Boston LLC               | 0.000 | 10/04/07 | TBD | 4,988,000  | \$ | 4,988,000  |
|                                | 4.000 | 10/22/07 | TBD | 5,290,535  |    | 5,285,250  |
|                                |       |          |     |            | \$ | 10,273,250 |
| Lehman Brothers                | 5.000 | 10/23/07 | TBD | 27,566,470 | \$ | 27,535,875 |
|                                | 5.000 | 10/23/07 | TBD | 25,046,799 |    | 25,019,000 |
|                                | 5.000 | 10/23/07 | TBD | 25,490,792 |    | 25,462,500 |
|                                |       |          |     |            | \$ | 78,017,375 |
| Strategic Bond                 |       |          |     |            |    |            |
| Morgan Stanley                 | 0.000 | 10/19/07 | TBD | 413,123    | \$ | 413,123    |

<sup>1</sup> TBD To be determined

## Notes to Financial Statements (continued)

Details of underlying collateral for open reverse repurchase agreements at October 31, 2007 were as follows:

| Trust/Counter Party              | Description                           | Rate             | Maturity Date    | Original Face | Current Face | Market Value  |
|----------------------------------|---------------------------------------|------------------|------------------|---------------|--------------|---------------|
| <b>Core Bond</b>                 |                                       |                  |                  |               |              |               |
| Barclay s Bank                   | General Electric Capital Corp.        | 6.150%           | 8/7/2037         | \$ 6,855,000  | \$ 6,855,000 | \$ 7,103,041  |
|                                  | Deutsche Telekom Intl. Finance BV     | 5.750            | 3/23/2016        | 3,000,000     | 3,000,000    | 3,007,887     |
|                                  | Verizon Virginia, Inc.                | 4.625            | 3/15/2013        | 3,150,000     | 3,150,000    | 3,024,873     |
|                                  | AT&T, Inc.                            | 6.500            | 9/1/2037         | 2,600,000     | 2,600,000    | 2,742,532     |
|                                  | Intl. Business Machines Corp.         | 5.700            | 9/14/2017        | 1,760,000     | 1,760,000    | 1,786,375     |
|                                  | Morgan Stanley                        | 5.493            | 1/19/2012        | 3,300,000     | 3,300,000    | 3,246,860     |
|                                  |                                       |                  |                  |               |              | \$ 20,911,568 |
| Credit Suisse                    | Eli Lilly & Co.                       | 5.550            | 3/15/2037        | 2,275,000     | 2,275,000    | \$ 2,172,347  |
|                                  | U.S. Bank                             | 6.500            | 2/1/2008         | 1,800,000     | 1,800,000    | 1,803,074     |
|                                  | Federal Home Loan Mortgage Corp.      | 5.500            | 11/1/2018        | 2,832,896     | 1,169,936    | 1,175,041     |
|                                  | Federal National Mortgage Assoc.      | 5.000            | 1/1/2018         | 3,536,110     | 1,041,164    | 1,029,288     |
|                                  | Federal National Mortgage Assoc.      | 5.000            | 7/1/2036         | 6,784,029     | 6,254,571    | 6,004,420     |
|                                  | Federal National Mortgage Assoc.      | 6.000            | 2/1/2036         | 1,116,625     | 894,711      | 901,470       |
|                                  | Federal National Mortgage Assoc.      | 6.000            | 4/1/2036         | 1,091,509     | 908,081      | 914,940       |
|                                  | Federal National Mortgage Assoc.      | 5.500            | 4/1/2036         | 1,018,042     | 895,122      | 882,170       |
|                                  | Federal National Mortgage Assoc.      | 6.000            | 2/1/2036         | 1,134,707     | 891,461      | 898,195       |
|                                  | Federal National Mortgage Assoc.      | 6.000            | 9/1/2036         | 1,039,072     | 863,698      | 870,222       |
|                                  | Federal National Mortgage Assoc.      | 5.500            | 12/1/2035        | 44,000,000    | 42,351,254   | 41,778,926    |
|                                  | Federal National Mortgage Assoc.      | 6.000            | 10/1/2036        | 3,304,703     | 3,100,363    | 3,123,783     |
|                                  | Federal National Mortgage Assoc.      | 5.000            | 3/1/2037         | 1,009,339     | 997,326      | 957,244       |
|                                  | Federal National Mortgage Assoc.      | 5.000            | 5/1/2037         | 4,257,973     | 4,204,831    | 4,035,841     |
| Royal Bank of Scotland Group PLC | 7.640                                 | N/A <sup>1</sup> | 2,000,000        | 2,000,000     | 2,073,024    |               |
|                                  |                                       |                  |                  |               |              | \$ 68,619,985 |
| Lehman                           | U.S. Treasury Inflation Indexed Bonds | 2.375            | 1/15/2027        | 5,220,000     | 5,220,000    | \$ 5,523,085  |
|                                  | U.S. Treasury Notes                   | 4.750            | 8/15/2017        | 10,750,000    | 10,750,000   | 10,986,833    |
|                                  |                                       |                  |                  |               |              | \$ 16,509,918 |
| Morgan Stanley                   | Michaels Stores, Inc.                 | 11.375           | 11/1/2016        | 600,000       | 600,000      | \$ 598,500    |
| <b>Income Opportunity</b>        |                                       |                  |                  |               |              |               |
| Barclay s Bank                   | General Electric Capital Corp.        | 6.150            | 8/7/2037         | 7,610,000     | 7,610,000    | \$ 7,885,360  |
|                                  | General Electric Capital Corp.        | 6.750            | 3/15/2032        | 1,900,000     | 1,900,000    | 2,120,377     |
|                                  | Berkshire Hathaway Finance Corp.      | 3.375            | 10/15/2008       | 2,025,000     | 2,025,000    | 1,997,982     |
|                                  | Morgan Stanley                        | 5.493            | 1/9/2012         | 3,620,000     | 3,620,000    | 3,561,707     |
|                                  | Citigroup, Inc.                       | 4.125            | 2/22/2010        | 2,425,000     | 2,425,000    | 2,384,488     |
|                                  | Bank of America Corp.                 | 7.800            | 2/15/2010        | 2,450,000     | 2,450,000    | 2,597,750     |
|                                  | Eli Lilly & Co.                       | 5.550            | 3/15/2037        | 1,800,000     | 1,800,000    | 1,718,780     |
|                                  | Johnson & Johnson                     | 5.950            | 8/15/2037        | 1,120,000     | 1,120,000    | 1,171,362     |
|                                  | Bank of America Corp.                 | 6.000            | 9/1/2017         | 2,850,000     | 2,850,000    | 2,905,373     |
|                                  | Bank of America NA                    | 6.100            | 6/15/17          | 1,740,000     | 1,740,000    | 1,780,847     |
|                                  | Morgan Stanley                        | 6.250            | 8/28/2017        | 1,200,000     | 1,200,000    | 1,228,642     |
|                                  | Kraft Foods, Inc.                     | 7.000            | 8/11/2037        | 1,670,000     | 1,670,000    | 1,813,260     |
|                                  | Societe Generale                      | 5.922            | N/A <sup>1</sup> | 1,575,000     | 1,575,000    | 1,498,912     |
|                                  | AstraZeneca Plc                       | 6.450            | 9/15/2037        | 1,825,000     | 1,825,000    | 1,923,044     |
|                                  | Citigroup, Inc.                       | 6.125            | 8/25/2036        | 900,000       | 900,000      | 877,919       |
|                                  | AT&T, Inc.                            | 6.500            | 9/1/2037         | 1,980,000     | 1,980,000    | 2,088,544     |
|                                  | Intl. Business Machines Corp.         | 5.700            | 9/14/2017        | 2,200,000     | 2,200,000    | 2,232,968     |

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|               |                                      |       |                  |            |            | \$ 39,787,315 |
|---------------|--------------------------------------|-------|------------------|------------|------------|---------------|
| Credit Suisse | UBS Preferred Funding Trust I        | 8.622 | N/A <sup>1</sup> | 2,000,000  | 2,000,000  | \$ 2,170,314  |
|               | Morgan Stanley                       | 6.250 | 8/9/2026         | 2,100,000  | 2,100,000  | 2,069,773     |
|               | Wells Fargo Bank NA                  | 7.550 | 6/21/10          | 2,000,000  | 2,000,000  | 2,124,152     |
|               | Allstate Corp.                       | 6.500 | 5/15/2057        | 2,150,000  | 2,150,000  | 2,084,728     |
|               | General Electric Capital Corp.       | 6.750 | 3/15/2032        | 570,000    | 570,000    | 636,113       |
|               | Vodafone Group Plc                   | 5.288 | 12/28/2007       | 1,615,000  | 1,615,000  | 1,615,326     |
|               | United Technologies Corp.            | 4.875 | 5/1/2015         | 1,250,000  | 1,250,000  | 1,209,314     |
|               | Amgen, Inc.                          | 5.585 | 11/28/2008       | 1,200,000  | 1,200,000  | 1,197,836     |
|               | ConocoPhillips Australia Funding Co. | 5.343 | 4/9/2009         | 1,970,000  | 1,970,000  | 1,964,845     |
|               | Wyeth                                | 5.950 | 4/1/2037         | 1,690,000  | 1,690,000  | 1,671,373     |
|               | Federal National Mortgage Assoc.     | 5.500 | 1/1/2033         | 16,270,578 | 6,219,377  | 6,147,618     |
|               | Federal National Mortgage Assoc.     | 5.500 | 2/1/2033         | 17,464,674 | 6,144,495  | 6,073,600     |
|               | Federal National Mortgage Assoc.     | 5.500 | 2/1/2035         | 5,014,015  | 3,066,745  | 3,030,676     |
|               | Federal National Mortgage Assoc.     | 5.000 | 7/1/2035         | 15,659,841 | 13,178,821 | 12,661,887    |
|               | Federal National Mortgage Assoc.     | 5.500 | 10/1/2020        | 1,641,812  | 1,178,209  | 1,180,664     |
|               | Federal National Mortgage Assoc.     | 5.500 | 3/1/2021         | 677,502    | 561,380    | 562,448       |
|               | Federal National Mortgage Assoc.     | 5.500 | 6/1/2036         | 1,001,094  | 912,150    | 898,951       |
|               | Federal National Mortgage Assoc.     | 5.500 | 3/1/2021         | 654,254    | 539,250    | 540,276       |
|               | Federal National Mortgage Assoc.     | 6.000 | 6/1/2037         | 910,396    | 896,952    | 903,619       |
|               | JP Morgan Chase Capital XXV          | 6.800 | 10/1/2037        | 4,375,000  | 4,375,000  | 4,370,175     |
|               |                                      |       |                  |            |            | \$ 53,113,688 |

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## Notes to Financial Statements (continued)

| Trust/Counter Party            | Description                                  | Rate   | Maturity Date | Original Face | Current Face | Market Value  |
|--------------------------------|--|--------|---------------|---------------|--------------|---------------|
| Income Opportunity<br>(cont d) |  |        |               |               |              |               |
| Lehman Brothers                | U.S. Treasury Notes                          | 4.750% | 8/15/2017     | \$ 9,415,000  | \$ 9,415,000 | \$ 9,622,422  |
|                                | Resolution Funding Corp.                     | 0.000  | 4/15/2030     | 6,055,000     | 6,055,000    | 2,018,561     |
|                                | Federal Home Loan Mortgage Corp.             | 5.067  | 1/1/2035      | 7,644,276     | 1,881,935    | 1,858,585     |
|                                | Federal National Mortgage Assoc.             | 5.500  | 7/1/2016      | 1,539,074     | 481,759      | 484,728       |
|                                | Federal National Mortgage Assoc.             | 5.500  | 3/1/2018      | 4,172,428     | 485,682      | 488,057       |
|                                | Federal National Mortgage Assoc.             | 5.500  | 11/1/2017     | 3,217,577     | 496,702      | 499,351       |
|                                | Federal National Mortgage Assoc.             | 5.500  | 8/1/2017      | 3,622,323     | 1,075,243    | 1,080,979     |
|                                |  |        |               |               |              | \$ 16,052,683 |
| Morgan Stanley                 | Michaels Stores, Inc.                        | 11.375 | 11/1/2016     | 670,000       | 670,000      | \$ 668,325    |
| Income Trust                   |  |        |               |               |              |               |
| Lehman Brothers                | U.S. Treasury Strip Principal                | 0.000  | 11/15/2024    | 56,630,000    | 56,630,000   | \$ 24,656,589 |
|                                | Resolution Funding Corp.                     | 0.000  | 4/15/2030     | 12,440,000    | 12,440,000   | 4,147,135     |
|                                | Federal Home Loan Mortgage Corp.             | 5.500  | 3/1/2022      | 6,083,988     | 5,641,353    | 5,650,273     |
|                                |  |        |               |               |              | \$ 34,453,997 |
| Limited Duration               |  |        |               |               |              |               |
| Barclays Bank                  | Huntsman LLC                                 | 11.625 | 10/15/2010    | 1,495,000     | 1,495,000    | \$ 1,584,700  |
|                                | Midwest Generation LLC                       | 8.560  | 1/2/2016      | 5,180,000     | 4,324,265    | 4,648,585     |
|                                | Turkey                                       | 7.000  | 9/26/2016     | 5,093,000     | 5,093,000    | 5,328,806     |
|                                | Columbia                                     | 9.750  | 4/23/2009     | 5,000,000     | 6,144,495    | 6,543,887     |
|                                | Group 1 Automotive, Inc.                     | 8.250  | 8/15/2013     | 5,000,000     | 5,000,000    | 5,000,000     |
|                                | Rite Aid Corp.                               | 8.125  | 5/1/2010      | 3,429,659     | 5,000,000    | 5,031,250     |
|                                | Freeport-McMoRan Copper & Gold, Inc.         | 8.375  | 4/1/2017      | 3,034,000     | 3,034,000    | 3,322,230     |
|                                | Comcast Cable Communications LLC             | 6.875  | 6/15/2009     | 2,907,000     | 2,907,000    | 2,980,881     |
|                                | Reynolds American, Inc.                      | 7.625  | 6/1/2016      | 756,000       | 756,000      | 817,930       |
|                                |  |        |               |               |              | \$ 35,258,269 |
| Credit Suisse                  | Rouse Co. LP                                 | 5.375  | 11/26/2013    | 2,000,000     | 2,000,000    | \$ 1,812,352  |
|                                | Deutsche Telekom Intl. Finance BV            | 8.000  | 6/15/2010     | 5,000,000     | 5,000,000    | 5,361,380     |
|                                | Daimler Finance North America LLC            | 4.050  | 6/4/2008      | 7,500,000     | 7,500,000    | 7,439,415     |
|                                | DR Horton, Inc.                              | 5.875  | 7/1/2013      | 3,000,000     | 3,000,000    | 2,688,714     |
|                                | JC Penney Corp., Inc.                        | 8.000  | 3/1/2010      | 4,400,000     | 4,400,000    | 4,687,540     |
|                                | Comcast Cable Communications LLC             | 6.875  | 6/15/2009     | 2,185,000     | 2,185,000    | 2,240,532     |
|                                | Windstream Corp.                             | 8.125  | 8/1/2013      | 2,340,000     | 2,340,000    | 2,474,550     |
|                                | Sanmina-SCI Corp.                            | 8.125  | 3/1/2016      | 1,710,000     | 1,710,000    | 1,500,525     |
|                                | Michaels Stores, Inc.                        | 11.375 | 11/1/2016     | 2,800,000     | 2,800,000    | 2,793,000     |
|                                | Celestica, Inc.                              | 7.625  | 7/1/2013      | 1,965,000     | 1,965,000    | 1,886,400     |
|                                | Chesapeake Energy Corp.                      | 7.500  | 9/15/2013     | 4,000,000     | 4,000,000    | 4,110,000     |
|                                | American Real Estate Partners<br>LP/American |        |               |               |              |               |
|                                | Real Estate Finance Corp.                    | 8.125  | 6/1/2012      | 5,390,000     | 5,390,000    | 5,430,425     |
|                                | Qwest Corp.                                  | 8.875  | 3/15/2012     | 2,640,000     | 2,640,000    | 2,890,800     |
|                                | Rite Aid Corp.                               | 7.500  | 3/1/2017      | 1,628,000     | 1,628,000    | 1,514,040     |
|                                |  |        |               |               |              | \$ 46,829,673 |
| Lehman Brothers                | NewPage Corp                                 | 11.606 | 5/1/2012      | 1,500,000     | 1,500,000    | \$ 1,616,250  |

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|  |                     |        |            |            |            |            |
|--|---------------------|--------|------------|------------|------------|------------|
|  | Metaldyne Corp.     | 10.000 | 11/1/13    | 1,000,000  | 1,000,000  | 930,000    |
|  | Grant Prideco Inc   | 6.125  | 8/15/2015  | 380,000    | 380,000    | 381,900    |
|  | U.S. Treasury Notes | 3.375  | 9/15/2009  | 3,425,000  | 3,425,000  | 3,391,284  |
|  | U.S. Treasury Notes | 3.375  | 12/15/2008 | 17,000,000 | 17,000,000 | 16,881,799 |
|  | U.S. Treasury Notes | 4.250  | 8/15/2015  | 1,815,000  | 1,815,000  | 1,801,388  |
|  | U.S. Treasury Notes | 3.875  | 5/15/2009  | 5,945,000  | 5,945,000  | 5,937,105  |
|  | Sally Holdings LLC  | 10.500 | 11/15/2016 | 1,790,000  | 1,790,000  | 1,781,050  |

\$ 32,720,776

|                                       |                       |        |                  |           |           |              |
|---------------------------------------|-----------------------|--------|------------------|-----------|-----------|--------------|
| Preferred and Equity<br>Credit Suisse | Michaels Stores, Inc. | 11.375 | 11/1/2016        | 5,000,000 | 5,000,000 | \$ 4,987,500 |
|                                       | ICICI Bank Ltd.       | 7.250  | N/A <sup>1</sup> | 6,600,000 | 6,600,000 | 6,128,298    |

\$ 11,115,798

|                 |                               |       |                  |            |            |               |
|-----------------|-------------------------------|-------|------------------|------------|------------|---------------|
| Lehman Brothers | BOI Capital Funding No. 3     | 6.107 | N/A <sup>1</sup> | 30,000,000 | 30,000,000 | \$ 27,601,950 |
|                 | State Street Capital Trust IV | 6.694 | 6/15/2037        | 28,305,000 | 28,305,000 | 25,559,273    |
|                 | Swiss Re Capital I LP         | 6.854 | N/A <sup>1</sup> | 25,000,000 | 25,000,000 | 25,215,175    |

\$ 78,376,398

|                                  |                       |        |           |         |         |            |
|----------------------------------|-----------------------|--------|-----------|---------|---------|------------|
| Strategic Bond<br>Morgan Stanley | Michaels Stores, Inc. | 11.375 | 11/1/2016 | 430,000 | 430,000 | \$ 428,925 |
|----------------------------------|-----------------------|--------|-----------|---------|---------|------------|

<sup>1</sup> The security is a perpetual bond and has no stated maturity date.

## Notes to Financial Statements (continued)

## Note 5. Commitments

**Bridge Debt Commitments:** Limited Duration may invest in floating rate senior loans. In connection with these investments, Limited Duration may, with its Manager, also enter into senior unsecured bridge financing commitments. Bridge financing commitments may obligate Limited Duration to furnish temporary financing to a borrower until permanent financing can be arranged. These commitments range in duration from 43 to 294 days. At October 31, 2007, Limited Duration had outstanding bridge financing commitments of \$20,740,000. In connection with these commitments, Limited Duration earns a commitment fee, typically set as a percentage of the commitment amount. Such fee income, which is classified in the statement of operations as interest income, is recognized ratably over the commitment period. During the year ended October 31, 2007, Limited Duration earned \$254,615 in commitment fee income and the unrecognized commitment fee income is recoded on the statement of assets and liabilities as deferred income liability.

## Note 6. Income Tax Information

No provision is made for U.S. federal taxes as it is the portfolios intention to continue to qualify for and elect the tax treatment applicable to regulated investment companies under Subchapter M of the Internal Revenue Code of 1986, as amended, and to make the requisite distributions to its shareholders which will be sufficient to relieve it from federal income and excise taxes.

Dividends from net investment income and distributions from net capital gains are determined in accordance with U.S. federal income tax regulations, which may differ from those amounts determined under accounting principles generally accepted in the United States. These Book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, they are charged or credited to paid-in-capital, undistributed net investment income, or accumulated net realized gain, as appropriate, in the period the difference arise.

**Reclassification of Capital Accounts:** The following permanent differences as of October 31, 2007, attributable to swap income/(loss), transactions involving foreign securities and currencies, expiration of capital loss carryforwards and other differences between financial reporting and tax accounting were reclassified to the following accounts.

| Trust                  | Undistributed Net<br>Investment Income/<br>Distributions in Excess<br>of Net Investment Income | Accumulated<br>Gain/(Loss) | Paid In<br>Capital |
|------------------------|--|----------------------------|--------------------|
| Broad Investment Grade | \$ 282,885   | \$ 172                     | \$ (283,057)       |
| Core Bond              | 786,797  | (786,797)                  |                    |
| High Yield             | 2,368  | 2,556,500                  | (2,558,868)        |
| Income Opportunity     | 1,070,069  | (1,070,069)                |                    |
| Income Trust           | (5,959,196)  | 39,067,148                 | (33,107,952)       |
| Limited Duration       | (2,414,790)  | 2,414,790                  |                    |
| Preferred and Equity   | (48,592)   | 78,130                     | (29,538)           |

The tax character of distributions paid during the year ended October 31, 2007 and 2006 were as follows:

## Year ended October 31, 2007

| Distributions<br>Paid from: | Ordinary<br>Income | Non-taxable<br>Return of<br>Capital | Long-term<br>Capital Gains | Total<br>Distributions |
|-----------------------------|--------------------|-------------------------------------|----------------------------|------------------------|
| Broad Investment Grade      | \$ 4,490,035       | \$                                  | \$                         | \$ 4,490,035           |
| Core Bond                   | 11,064,934         | 5,227,386                           |                            | 16,292,320             |
| High Yield                  | 3,927,807          |                                     |                            | 3,927,807              |
| Income Opportunity          | 20,862,233         | 1,874,570                           |                            | 22,736,803             |
| Income Trust                | 18,808,452         | 4,978,175                           |                            | 23,786,627             |
| Limited Duration            | 51,967,739         | 1,074,826                           | 2,229,742                  | 55,272,307             |
| Preferred and Equity        | 65,002,006         | 24,171,991                          |                            | 89,173,997             |

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Strategic Bond

6,521,963

6,521,963

Year ended October 31, 2006

| Distributions Paid from: | Ordinary Income | Non-taxable Return of Capital | Long-term Capital Gains | Total Distributions |
|--------------------------|-----------------|-------------------------------|-------------------------|---------------------|
| 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           |

As of October 31, 2007, the components of distributable earnings on a tax basis were as follows:

| Trust                  | Undistributed Ordinary Income | Undistributed Long-term Capital Loss Carryforward Amount | Unrealized Gain/(Loss) Net |
|------------------------|-------------------------------|--|----------------------------|
| Broad Investment Grade | \$ 4,855,266                  | \$ (3,222,226)   | \$ (287,678)               |
| Core Bond              | (2,423,603)                   | (9,296,969)  | (833,467)                  |
| High Yield             | 148,061                       | (36,514,583)   | (3,298,228)                |
| Income Opportunity     |                               | (4,794,548)  | (1,062,523)                |
| Income Trust           |                               | (66,753,313)   | 3,726,058                  |
| Limited Duration       |                               |  | (18,232,683)               |
| Preferred and Equity   |                               | (49,741,712)   | (47,853,961)               |
| Strategic Bond         | 214,202                       | (447,113)  | (808,018)                  |



## Notes to Financial Statements (concluded)

For federal income tax purposes, the following Trusts had capital loss carry-forward 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 |
|------------------------|--|---------|
| Broad Investment Grade | \$ 2,061,303                           | 2011    |
|                        | 684,360                                | 2012    |
|                        | 479,567                                | 2014    |
|                        | \$ 3,225,230                           |         |
| Core Bond              | \$ 6,643,266                           | 2014    |
| High Yield             | \$ 3,270,311                           | 2008    |
|                        | 15,159,280                             | 2009    |
|                        | 8,468,860                              | 2010    |
|                        | 4,771,417                              | 2011    |
|                        | 316,410                                | 2012    |
|                        | 2,060,533                              | 2014    |
|                        | 2,467,773                              | 2015    |
|                        | \$ 36,514,584                          |         |
| Income Opportunity     | \$ 2,451,626                           | 2014    |
|                        | 2,342,922                              | 2015    |
|                        | \$ 4,794,548                           |         |
| Income Trust           | \$ 1,352,206                           | 2008    |
|                        | 13,940,898                             | 2009    |
|                        | 21,960,613                             | 2011    |
|                        | 10,100,201                             | 2012    |
|                        | 3,861,222                              | 2013    |
|                        | 6,952,429                              | 2014    |
|                        | 8,585,744                              | 2015    |
|                        | \$ 66,753,313                          |         |
| Preferred and Equity   | \$ 49,741,712                          | 2015    |
| Strategic Bond         | \$ 447,113                             | 2014    |

**Note 7. Capital**

There are 200 million of \$0.01 par value common shares authorized for Broad Investment Grade, Income Opportunity and Income Trust. There are an unlimited number of \$0.001 par value common shares authorized for Core Bond, High Yield, Limited Duration, Preferred and Equity and Strategic Bond. At October 31, 2007, the shares owned by an affiliate of the Advisor of Limited Duration and Preferred and Equity were 6,021 and 4,817, respectively.

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Preferred and Equity, which commenced on December 27, 2006, issued 47,004,817 common shares under the initial public offering. On February 1, 2007, an additional 4,750,000 shares were issued by the underwriters exercising their over-allotment option. Offering costs incurred in connection with the offering of common shares have been charged against the proceeds from the initial common share offering in the amount of \$1,367,957.

During the years ended October 31, 2007 and 2006, the following Trusts issued additional shares under their respective dividend reinvestment plan:

| Trust                | October 31, 2007 | October 31, 2006 |
|----------------------|------------------|------------------|
| High Yield           | 1,496            | 6,259            |
| Limited Duration     | 107,367          | 13,785           |
| Preferred and Equity | 73,340           |                  |

As of October 31, 2007, Preferred and Equity has the following series of preferred shares outstanding as listed in the table below. The preferred shares have a liquidation value of \$25,000 per share plus any accumulated unpaid dividends.

| Series | Shares |
|--------|--------|
| T7     | 4,620  |
| W7     | 4,620  |
| R7     | 4,620  |
| F7     | 4,620  |

Dividends on seven-day preferred shares are cumulative at a rate which is reset every seven days based on the results of an auction. The dividend ranges on the preferred shares for Preferred and Equity for the period ended October 31, 2007 were as follows:

| Series | Low   | High  | Average |
|--------|-------|-------|---------|
| T7     | 5.05% | 6.40% | 5.38%   |
| W7     | 5.08  | 6.40  | 5.39    |
| R7     | 4.99  | 6.30  | 5.39    |
| F7     | 5.00  | 6.35  | 5.36    |

### Note 8. Subsequent Events

Subsequent to October 31, 2007, the Board of each of the Trusts declared dividends per common share payable November 30, 2007, to shareholders of record on November 15, 2007. The per share common dividends declared were as follows:

| Trust                  | Common Dividend<br>Per Share |
|------------------------|------------------------------|
| Broad Investment Grade | \$ 0.04900                   |
| Core Bond              | 0.06700                      |
| High Yield             | 0.05100                      |
| Income Opportunity     | 0.05500                      |
| Income Trust           | 0.03100                      |
| Limited Duration       | 0.12500                      |
| Preferred and Equity   | 0.15625                      |
| Strategic Bond         | 0.07700                      |

The dividends declared on preferred shares for the period November 1, 2007 to November 30, 2007 for Preferred and Equity were as follows:

| <b>Series</b> | <b>Dividends<br/>Declared</b> |
|---------------|-------------------------------|
| T7            | \$ 458,581                    |
| W7            | 455,301                       |
| R7            | 567,983                       |
| F7            | 574,127                       |

On November 29, 2007, Broad Investment Grade's Board of Trustees approved a Plan of Liquidation and Dissolution. Accordingly, the Broad Investment Grade will liquidate substantially all of its assets on or about the close of business on December 31, 2009.

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## Report of Independent Registered Public Accounting Firm

To the Directors/Trustees 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 Preferred and Equity Advantage 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, 2007, and the related statements of operations for the year then ended, the statements of changes in net assets and the financial highlights for each of the periods presented. We have also audited the statements of cash flows of BlackRock Core Bond Trust, BlackRock High Yield Trust, BlackRock Income Opportunity Trust, BlackRock Income Trust Inc., BlackRock Limited Duration Income Trust and BlackRock Preferred and Equity Advantage Trust, for the year ended October 31, 2007. 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 their 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, 2007, 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, 2007, the results of their operations and the cash flows of BlackRock Core Bond Trust, BlackRock High Yield Trust, BlackRock Income Opportunity Trust, BlackRock Income Trust Inc., BlackRock Limited Duration Income Trust and BlackRock Preferred and Equity Advantage Trust, for the year then ended, the changes in their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Boston, Massachusetts  
December 28, 2007

## The Benefits and Risks of Leveraging (unaudited)

The Trusts may utilize leveraging through borrowings or issuance of short-term debt securities or shares of Preferred Stock. The concept of leveraging is based on the premise that the cost of assets to be obtained from leverage will be based on short-term interest rates on borrowings or dividend rates on the Preferred Stock, which normally will 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 Common Stock shareholders will be the beneficiaries of the incremental yield.

As of October 31, 2007, the Trusts had the following leverage amounts to total net assets before the deduction of leverage of:

| Trust                | Leverage% |
|----------------------|-----------|
| Core Bond            | 22%       |
| High Yield           | 15%       |
| Income Opportunity   | 22%       |
| Income Trust         | 8%        |
| Limited Duration     | 14%       |
| Preferred and Equity | 33%       |

Leverage creates risks for holders of Common Stock including the likelihood of greater net asset value and market price volatility. In addition, there is the risk that fluctuations in interest rates on borrowings or in the dividend rates on any Preferred Stock may reduce the Common Stock's yield and negatively impact its net asset value and market price. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, each Trust's 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 Common Stock shareholders will be reduced.

## Dividend Reinvestment Plans (unaudited)

Pursuant to each Trust's respective Dividend Reinvestment Plan (the "Plan"), common shareholders of Broad Investment Grade, Income Opportunity and Income Trust may elect, while shareholders of Core Bond, High Yield, Limited Duration, Preferred and Equity 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, Preferred and Equity 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 net asset value per share ("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 took 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.

### 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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## Additional Information (unaudited)

## TAX 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, 2007:

|  | Payable Date     | Federal<br>Obligation<br>Interest <sup>1</sup> | Interest Related<br>Dividends for<br>Non- U.S.<br>Residents <sup>2</sup> | Long-Term<br>Capital Gains<br>Per Share (\$) |
|--|------------------|--|--|--|
| Broad Investment Grade 2009 Term Trust (BCT) | 11/30/06 1/31/07 | 3.48%  | 8.50%  |  |
|  | 2/28/07 10/31/07 | 2.13%  | 42.10%   |  |
| High Yield Trust (BHY)                       | 11/30/06 1/31/07 | 2.08%  | 58.91%   |  |
|  | 2/28/07 10/31/07 | 1.78%  | 87.67%   |  |
| Income Opportunity Trust (BNA)               | 11/30/06 1/31/06 | 8.24%  | 51.11%   |  |
|  | 2/28/07 10/31/07 | 1.97%  | 100%   |  |
| Income Trust (BKT)                           | 11/30/06 1/31/07 | 7.80%  | 58.17%   |  |
|  | 2/28/07 10/31/07 | 12.22%   | 84.45%   |  |
| Limited Duration Income Trust (BLW)          | 11/30/06 1/31/07 | 2.41%  | 57.97%   |  |
|  | 2/28/07 9/30/07  | 1.93%  | 100%   |  |
|  | 10/31/07         | 1.93%  | 100%   | 0.060444                                     |
| Preferred and Equity Advantage Trust (BTZ)*  | 1/31/07 10/31/07 | 2.31%  | 37.89%   |  |
| Strategic Bond Trust (BHD)                   | 11/30/06 1/31/07 | 2.50%  | 57.18%   |  |
|  | 2/28/07 10/31/07 | 3.76%  | 100%   |  |

\* Of the ordinary distributions paid by Preferred and Equity Advantage Trust, 37 percent consist of qualified dividend income for individuals and dividends qualifying for the dividends received deduction for corporations.

<sup>1</sup> 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.

<sup>2</sup> Represents the portion of the distributions paid that are exempt from U.S. withholding tax for nonresident aliens and foreign corporations. In January 2008, 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.



## Additional Information (unaudited) (continued)

## Shareholder Meetings

The Joint Annual Meeting of Shareholders was held on August 16, 2007 for shareholders of record on June 20, 2007, to elect director or trustee nominees of each Trust. This proposal was part of the reorganization of the Trust's Boards of Trustees (the Boards) to take effect on or about November 1, 2007. The Board is organized into three classes one class of which is elected annually. Each Trustee serves a three-year term concurrent with the class into which he or she is elected.

Approved the Class I Directors/Trustees as follows:

|                        | G. Nicholas Beckwith, III |                | Kent Dixon |                | R. Glenn Hubbard |                |
|------------------------|---------------------------|----------------|------------|----------------|------------------|----------------|
|                        | Votes For                 | Votes Withheld | Votes For  | Votes Withheld | Votes For        | Votes Withheld |
| Broad Investment Grade | 2,600,006                 | 20,037         | 2,600,006  | 20,037         | 2,600,006        | 20,037         |
| Core Bond              | 21,540,504                | 205,001        | 21,534,431 | 211,073        | 21,540,366       | 205,138        |
| High Yield             | 5,938,569                 | 96,163         | 5,941,585  | 93,147         | 5,937,943        | 96,789         |
| Income Opportunity     | 27,451,182                | 274,088        | 27,449,422 | 275,848        | 27,444,122       | 281,147        |
| Income Trust           | 54,004,899                | 878,220        | 54,007,568 | 875,552        | 54,012,161       | 870,958        |
| Limited Duration       | 31,528,458                | 301,321        | 31,522,202 | 307,576        | 31,527,975       | 301,804        |
| Preferred and Equity   | 49,178,575                | 636,127        | 49,172,672 | 642,030        | 49,178,097       | 636,605        |
| Strategic Bond         | 5,838,976                 | 188,565        | 5,839,626  | 187,915        | 5,838,876        | 188,665        |

|                        | W. Carl Kester      |                 | Robert S. Salomon, Jr. |                |
|------------------------|---------------------|-----------------|------------------------|----------------|
|                        | Votes For           | Votes Withheld  | Votes For              | Votes Withheld |
| Broad Investment Grade | 2,600,006           | 20,037          | 2,600,006              | 20,037         |
| Core Bond              | 21,542,541          | 202,963         | 21,532,904             | 212,601        |
| High Yield             | 5,940,393           | 94,339          | 5,941,060              | 93,672         |
| Income Opportunity     | 27,459,822          | 265,448         | 27,427,963             | 297,307        |
| Income Trust           | 540,145,471         | 868,572         | 53,998,127             | 884,992        |
| Limited Duration       | 31,535,465          | 294,314         | 31,529,737             | 300,042        |
| Preferred and Equity   | 12,415 <sup>1</sup> | 63 <sup>1</sup> | 49,178,951             | 635,751        |
| Strategic Bond         | 5,839,476           | 188,065         | 5,839,776              | 187,765        |

Approved the Class II Directors/Trustees as follows:

|                        | Richard S. Davis |                | Frank J. Fabozzi    |                 | James T. Flynn |                |
|------------------------|------------------|----------------|---------------------|-----------------|----------------|----------------|
|                        | Votes For        | Votes Withheld | Votes For           | Votes Withheld  | Votes For      | Votes Withheld |
| Broad Investment Grade | 2,600,006        | 20,037         | 2,600,006           | 20,037          | 2,600,006      | 20,037         |
| Core Bond              | 21,528,535       | 216,970        | 21,543,679          | 201,825         | 21,535,708     | 209,796        |
| High Yield             | 5,939,343        | 95,389         | 5,938,756           | 95,976          | 5,941,378      | 93,354         |
| Income Opportunity     | 27,452,493       | 272,777        | 27,456,158          | 269,112         | 27,447,610     | 277,660        |
| Income Trust           | 54,011,445       | 871,675        | 54,017,461          | 865,659         | 54,012,426     | 870,694        |
| Limited Duration       | 31,533,743       | 296,036        | 31,534,354          | 295,425         | 31,531,608     | 298,171        |
| Preferred and Equity   | 49,181,551       | 633,151        | 12,415 <sup>1</sup> | 63 <sup>1</sup> | 49,179,416     | 635,286        |

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Strategic Bond 5,839,276 188,265 5,836,791 190,750 5,839,776 187,765

**Karen P. Robards**

|                        | <b>Votes For</b> | <b>Votes Withheld</b> |
|------------------------|------------------|-----------------------|
| Broad Investment Grade | 2,600,006        | 20,037                |
| Core Bond              | 21,546,810       | 198,695               |
| High Yield             | 5,939,791        | 94,941                |
| Income Opportunity     | 27,457,771       | 267,499               |
| Income Trust           | 54,006,888       | 876,232               |
| Limited Duration       | 31,534,697       | 295,081               |
| Preferred and Equity   | 49,180,119       | 634,583               |
| Strategic Bond         | 5,839,676        | 187,865               |

1 Voted on by holders of preferred shares only.

## Additional Information (unaudited) (concluded)

Approved the Class III Directors/Trustees as follows:

|                        | Richard E. Cavanagh |                | Kathleen F. Feldstein |                | Henry Gabbay |                |
|------------------------|---------------------|----------------|-----------------------|----------------|--------------|----------------|
|                        | Votes For           | Votes Withheld | Votes For             | Votes Withheld | Votes For    | Votes Withheld |
| Broad Investment Grade | 2,600,006           | 20,037         | 2,600,006             | 20,037         | 2,600,006    | 20,037         |
| Core Bond              | 21,545,394          | 200,110        | 21,537,449            | 208,056        | 21,528,340   | 217,164        |
| High Yield             | 5,939,949           | 94,783         | 5,937,482             | 97,250         | 5,939,881    | 94,851         |
| Income Opportunity     | 27,447,696          | 277,574        | 27,434,374            | 290,896        | 27,449,506   | 275,764        |
| Income Trust           | 54,014,874          | 868,245        | 53,992,362            | 890,757        | 54,015,668   | 867,452        |
| Limited Duration       | 31,529,595          | 300,184        | 31,523,085            | 306,693        | 31,527,485   | 302,294        |
| Preferred and Equity   | 49,151,157          | 663,545        | 49,177,230            | 637,472        | 49,184,426   | 630,276        |
| Strategic Bond         | 5,839,176           | 188,365        | 5,838,876             | 188,665        | 5,839,926    | 187,615        |

**Jerrold B. Harris**

|                        | Jerrold B. Harris |                |
|------------------------|-------------------|----------------|
|                        | Votes For         | Votes Withheld |
| Broad Investment Grade | 2,600,006         | 20,037         |
| Core Bond              | 21,544,954        | 200,551        |
| High Yield             | 5,941,378         | 93,354         |
| Income Opportunity     | 27,441,156        | 284,114        |
| Income Trust           | 54,010,458        | 872,661        |
| Limited Duration       | 31,525,195        | 304,584        |
| Preferred and Equity   | 49,180,428        | 634,274        |
| Strategic Bond         | 5,838,976         | 188,565        |

The following Trusts had an additional proposal (Proposal #2) to amend their respective Declarations of Trust to increase the maximum number of Board Members to 15:

|                      | Votes For  | Votes Against | Votes Abstain |
|----------------------|------------|---------------|---------------|
| Core Bond            | 21,397,280 | 273,953       | 74,272        |
| High Yield           | 5,853,627  | 164,515       | 16,590        |
| Limited Duration     | 30,858,715 | 452,424       | 518,639       |
| Preferred and Equity | 48,460,779 | 990,861       | 363,061       |
| Strategic Bond       | 5,817,653  | 131,815       | 78,074        |

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 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.

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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 principal risk factors associated with investment in the Trusts.

Quarterly performance and other information regarding the Trusts may be found on BlackRock's website, which can be accessed at <http://www.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.

Section 19 Notices (unaudited)

The amounts and sources of distributions reported are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes will depend upon the Trust's investment experience during the remainder of its fiscal year and may be subject to changes based on the tax regulations. The Trust will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

| Trust                | Total Fiscal Year to Date Cumulative Distributions by Character |                            |                   |                        | Percentage of Fiscal Year to Date Cumulative Distributions by Character |                            |                   |                        |
|----------------------|---|----------------------------|-------------------|------------------------|---|----------------------------|-------------------|------------------------|
|                      | Net Investment Income   | Net Realized Capital Gains | Return of Capital | Total Per Common Share | Net Investment Income   | Net Realized Capital Gains | Return of Capital | Total Per Common Share |
| Core Bond            | \$ 0.72   | \$                         | \$ 0.09           | \$ 0.80                | 89%   | %                          | 11%               | 100%                   |
| Income Opportunity   | 0.61  |                            | 0.05              | 0.66                   | 92  |                            | 8                 | 100                    |
| Income Trust         | 0.32  |                            | 0.05              | 0.37                   | 85  |                            | 15                | 100                    |
| Preferred and Equity | 0.89  |                            | 0.52              | 1.41                   | 63  |                            | 37                | 100                    |

Each Trust estimates that it has distributed more than its income and net realized gains; therefore, a portion of the distribution may be a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the Fund is paid back to the shareholder. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with yield or income.

## Directors/Trustees Information (unaudited)

| Name,<br>Address and<br>Year of Birth  | Current<br>Positions<br>Held With<br>the<br>Trusts | Term of<br>Office<br>and<br>Length<br>of<br>Time<br>Served | Principal<br>Occupations<br>During the Past<br>Five Years  | Number of<br>Portfolios<br>Overseen<br>Within the<br>Fund<br>Complex <sup>1</sup> | Other<br>Directorships<br>Held Outside<br>the<br>Fund<br>Complex <sup>1</sup> | Events or<br>Transactions<br>by<br>Reason of<br>Which the<br>Trustee is an<br>Interested<br>Person as<br>Defined in<br>Section 2(a)<br>(19) of the<br>1940 Act |
|--|--|--|--|---|---|--|
| <b>Interested Director/Trustee<sup>2</sup></b>   |  |  |  |   |   |  |
| <b>Ralph L. Schlosstein</b><br><br>BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY<br>10022<br><br>1951 | Chairman of<br>the Board <sup>3</sup>              | 3 years <sup>4</sup> /<br>since<br>inception               | Director from 1999 to<br>2007 and President of<br>BlackRock, Inc. from<br>1998 to 2007.<br>Chairman and<br>President of the<br>BlackRock Liquidity<br>Funds. | 70  | None  | Former Director and<br>President of the<br>Advisor until<br>September 2007.  |

<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.

## Directors/Trustees Information (unaudited) (continued)

| Name, Address and Year of Birth   | 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>   |  |  |   |  |   |
| <b>Richard E. Cavanagh</b><br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>1946 | Lead Trustee Audit Committee Member <sup>2</sup> | 3 years <sup>3</sup> /since inception    | Trustee, Aircraft Finance Trust (AFT) from 1999 to the present; Director, The Guardian Life Insurance Company of America and The Mutual Life Insurance Company from 1998 to the present; Trustee, Educational Testing Service (ETS) from 1997 until the present; Director, the Freemont Group from 1996 until the present. President and Chief Executive Officer of The Conference Board, Inc. (a leading global business research organization) from 1995 to 2007. | 60   | Arch Chemical (Chemicals and Allied Products).    |
| <b>Kent Dixon</b><br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>1937          | Trustee Audit Committee Member <sup>2</sup>      | 3 years <sup>3</sup> /since inception    | Consultant/Investor since 1988.   | 60   | None  |
| <b>Frank J. Fabozzi</b><br>P.O. Box 4546<br>New York, NY<br>10163-4546<br>1948    | Trustee Audit Committee Member <sup>2</sup>      | 3 years <sup>3</sup> /since inception    | Consultant/Editor of, The Journal of Portfolio Management ; Yale University, School of Management, Professor in the Practice of Finance and Becton Fellow from 2006 until present; Adjunct Professor of Finance and Becton Fellow from 2005 to 2006; Professor in the practice of Finance from 2003 to 2005; Adjunct Professor of Finance from 1994 to 2003; Author and Editor.   | 60   | None  |

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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> The Board of each Trust has determined that each Trust has three Audit Committee financial experts serving on its Audit Committee, Mr. Cavanagh, Mr. Dixon and Mr. Fabozzi, each of whom is independent for the purpose of the definition of Audit Committee financial expert as applicable to the Trusts.

<sup>3</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.

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## Directors/Trustees Information (unaudited) (concluded)

| Name,<br>Address and<br>Year of Birth   | Current<br>Positions<br>Held<br>With the<br>Trusts | Term of Office and<br>Length of Time<br>Served | Principal<br>Occupations<br>During the Past Five<br>Years   | Number of<br>Portfolios<br>Overseen<br>Within the<br>Fund<br>Complex <sup>1</sup> | Other<br>Directorships<br>Held Outside the<br>Fund Complex                        |
|---|--|--|---|---|---|
| <b>Independent Directors/Trustees</b>   |  |  |   |   |   |
| <b>Kathleen F. Feldstein</b><br><br>P.O. Box 4546<br>New York, NY<br>10163-4546<br><br>1941 | Trustee  | 3 years <sup>3</sup> /since January 19, 2005   | President of Economic Studies, Inc., (a Belmont MA-based private economic consulting firm) since 1987; Chair, Board of Trustees, McLean Hospital since 2000. Member of the Board of Partners Community Healthcare, Inc. from 2005 until the present; Member of the Board of Partners HealthCare and Sherrill House from 1990 to the present; Trustee, Museum of Fine Arts, Boston from 1992 until the present and a Member of the Visiting Committee to the Harvard University Art Museum from 2003 to the present; Trustee, The Committee for Economic Development (a research organization of business leaders and educators) from 1990 to the present; Member of the Advisory Board to the International School of Business, Brandeis University from 2002 to the present. | 60  | Director, The McClatchy Company.  |
| <b>R. Glenn Hubbard</b><br><br>P.O. Box 4546<br>New York, NY<br>10163-4546<br><br>1958      | Trustee  | 3 years <sup>3</sup> /since November 16, 2004  | Dean of Columbia Business School since 2004; Columbia faculty member since 1988; Co-director of Columbia Business School's Entrepreneurship Program 1997 to 2004; Visiting Professor at the John F. Kennedy School of Government at Harvard University and the Harvard Business School from 1985, as  | 60  | ADP, KKR Financial Corporation, Duke Realty, Metropolitan Life Insurance Company. |

well as the University of Chicago from 1994; Deputy Assistant Secretary of the U.S. Treasury Department for Tax Policy from 1991 to 1993; Chairman of the U.S. Council of Economic Advisers under the President of the United States from 2001 to 2003.

- <sup>1</sup> The Fund Complex means two or more registered investments 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> The Board of each Trust has determined that each Trust has three Audit Committee financial experts serving on its Audit Committee, Mr. Cavanagh, Mr. Dixon and Mr. Fabozzi, each of whom is independent for the purpose of the definition of Audit Committee financial expert as applicable to the Trusts.
- <sup>3</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.

## BlackRock Closed-End Funds

### Officers

Robert S. Kapito, *President*

Donald C. Burke, *Treasurer*

Bartholomew Battista, *Chief Compliance Officer*

Anne Ackerley, *Vice President*

Vincent B. Tritto, *Secretary*

### Investment Advisor

BlackRock Advisors, LLC

100 Bellevue Parkway

Wilmington, DE 19809

(800) 227-7BFM

### Sub-Advisor

BlackRock Financial Management, Inc.<sup>1</sup>

40 East 52nd Street

New York, NY 10022

BlackRock Investment Management, LLC<sup>2</sup>

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

### Auction Agent<sup>2</sup>

Bank of New York

101 Barclay Street, 7 West

New York, NY 10286

### Independent Registered Public Accounting Firm

Deloitte & Touche LLP

200 Berkeley Street

Boston, MA 02116

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

Four Times Square

New York, NY 10036

### Legal Counsel Independent Trustees

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

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

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

<sup>2</sup> For Preferred and Equity.

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 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 is 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 (800) SEC-0330. Each Trust's Form N-Q may also be obtained without charge, upon request, by calling (800) 699-1BFM.

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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.

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Item 2 ☐ Code of Ethics ☐ The registrant (or the ☐Fund☐) has adopted a code of ethics, as of the end of the period covered by this report, applicable to the registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. During the period covered by this report, there have been no amendments to or waivers granted under the code of ethics. A copy of the 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 directors or trustees, as applicable (the ☐board of directors☐) has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent:

Kent Dixon

Frank J. Fabozzi

Dr. Andrew F. Brimmer (retired as of December 31, 2006)

Robert S. Salomon, Jr. (term began effective November 1, 2007)

W. Carl Kester (term began effective November 1, 2007)

James T. Flynn (term began effective November 1, 2007)

Karen P. Robards (term began effective November 1, 2007)

The registrant's board of directors has determined that W. Carl Kester and Karen P. Robards qualify as financial experts pursuant to Item 3(c)(4) of Form N-CSR.

Prof. Kester has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Prof. Kester has been involved in providing valuation and other financial consulting services to corporate clients since 1978. Prof. Kester's financial consulting services present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements.

Ms. Robards has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Ms. Robards has been President of Robards & Company, a financial advisory firm, since 1987. Ms. Robards was formerly an investment banker for more than 10 years where she was responsible for evaluating and assessing the performance of companies based on their financial results. Ms. Robards has over 30 years of experience analyzing financial statements. She also is the member of the Audit Committees of one publicly held company and a non-profit organization.

Under applicable securities laws, a person 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 as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification.

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Item 4 ☐ Principal Accountant Fees and Services

| <u>Entity Name</u>                             | <u>(a) Audit Fees</u> |                    | <u>(b) Audit-Related Fees<sup>1</sup></u> |                    | <u>(c) Tax Fees<sup>2</sup></u> |                    | <u>(d) All Other Fees<sup>3</sup></u> |                    |
|--|-----------------------|--------------------|---|--------------------|---------------------------------|--------------------|---------------------------------------|--------------------|
|  | <u>Current</u>        | <u>Previous</u>    | <u>Current</u>                            | <u>Previous</u>    | <u>Current</u>                  | <u>Previous</u>    | <u>Current</u>                        | <u>Previous</u>    |
|  | <u>Fiscal Year</u>    | <u>Fiscal Year</u> | <u>Fiscal Year</u>                        | <u>Fiscal Year</u> | <u>Fiscal Year</u>              | <u>Fiscal Year</u> | <u>Fiscal Year</u>                    | <u>Fiscal Year</u> |
|  | <u>End</u>            | <u>End</u>         | <u>End</u>                                | <u>End</u>         | <u>End</u>                      | <u>End</u>         | <u>End</u>                            | <u>End</u>         |
| BlackRock Preferred and Equity Advantage Trust | \$49,500              | N/A                | \$0                                       | N/A                | \$6,100                         | N/A                | \$1,042                               | N/A                |

<sup>1</sup> The nature of the services include assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.

<sup>2</sup> The nature of the services include tax compliance, tax advice and tax planning.

<sup>3</sup> The nature of the services include a review of compliance procedures and attestation thereto.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The registrant has polices 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 Fund'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 Fund and (B) all engagements for non-audit services related directly to the operations and financial reporting or the Fund 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 Fund.

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 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).

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The terms and fees of the annual Audit services engagement for the Fund 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, Fund structure or other matters.

In addition to the annual Audit services engagement specifically approved by the audit committee, any other Audit services for the Fund 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.

(e)(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) Affiliates' Aggregate Non-Audit Fees:

| <u>Entity Name</u>                             | <u>Current Fiscal Year</u> | <u>Previous Fiscal Year</u> |
|--|----------------------------|-----------------------------|
|  | <u>End</u>                 | <u>End</u>                  |
| BlackRock Preferred and Equity Advantage Trust | \$291,642                  | N/A                         |



(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser (not including any non-affiliated sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by the registrant's 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.

Regulation S-X Rule 2-01(c)(7)(ii)  \$284,500, 0%

Item 5  Audit Committee of Listed Registrants  The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)):

Dr. Andrew F. Brimmer (retired as of December 31, 2006)

Richard E. Cavanagh (not reappointed to Audit Committee as of November 1, 2007)

Kent Dixon

Frank J. Fabozzi

Robert S. Salomon, Jr. (term began effective November 1, 2007)

W. Carl Kester (term began effective November 1, 2007)

James T. Flynn (term began effective November 1, 2007)

Karen P. Robards (term began effective November 1, 2007)

Item 6  Schedule of Investments  The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.

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 Fund portfolio securities to its investment adviser, BlackRock Advisors, LLC and its sub-adviser, as applicable. The Proxy Voting Policies and Procedures of the adviser and sub-adviser are attached hereto as Exhibit 99.PROXYPOL.

Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12 month period ended June 30 is available without charge (1) at [www.blackrock.com](http://www.blackrock.com) and (2) on the Commission's web site at <http://www.sec.gov>.

Item 8  Portfolio Managers of Closed-End Management Investment Companies  as of October 31, 2007.

(a)(1) BlackRock Preferred and Equity Advantage Trust is managed by a team of investment professionals comprised of Scott Amero, Managing Director at BlackRock, Jonathan Clark, Director at BlackRock, John D. Burger, CFA, Managing Director at BlackRock and Daniel Chen, CFA, Director at BlackRock. Messrs. Amero, Burger and Chen are members of BlackRock's fixed income portfolio management group. Mr. Clark is a member of BlackRock's Quantitative Equity Investment Team. Mr. Amero is responsible for setting the Fund's overall investment strategy and overseeing the management of the Fund. Messrs. Clark, Burger and Chen are responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Messrs. Amero, Clark, Burger and Chen have been members of the Fund's management team since 2006.

Scott Amero is co-head of BlackRock's fixed income portfolio management group. He is a member of the Management Committee and co-chair of the Fixed Income Investment Strategy Group. Mr. Amero is a senior strategist and portfolio manager with responsibility for overseeing all fixed income sector strategy and the overall management of client portfolios. He is also the head of global fixed income research. He is also a director of Anthracite Capital, Inc., BlackRock's publicly-traded real estate investment trust. Mr. Amero has been with BlackRock since 1990.

Jonathan Clark joined BlackRock in 2006. Prior to joining BlackRock, he was a Vice President of Merrill Lynch Investment Managers, L.P. from 1999 to 2006. Mr. Clark has 14 years' experience as a portfolio manager and trader.

John D. Burger joined BlackRock in 2006. Prior to joining BlackRock, he was a Managing Director of Merrill Lynch Investment Managers (MLIM) from 2002 to 2006 and a Director of MLIM from 1996 to 2004. From 1992 to 1996, he was a portfolio manager of MLIM.

Daniel Chen has been a portfolio manager at BlackRock since 2002 and is a member of BlackRock's fixed income portfolio management group. He has been responsible for managing total return client portfolios, with a sector emphasis on corporate bonds. Mr. Chen has been with BlackRock since 1999.

(a)(2) As of October 31, 2007:

| (i) Name of Portfolio Manager | (ii) Number of Other Accounts Managed and Assets by Account Type |                                  |                        | (iii) Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based |                                  |                      |
|-------------------------------|--|----------------------------------|------------------------|---|----------------------------------|----------------------|
|                               | Other Registered Investment Companies                            | Other Pooled Investment Vehicles | Other Accounts         | Other Registered Investment Companies   | Other Pooled Investment Vehicles | Other Accounts       |
|                               | Scott Amero  | 48<br>\$39,319,745,647           | 38<br>\$6,954,333,971  | 258<br>\$95,887,026,723   | 0<br>\$0                         | 3<br>\$2,577,310,124 |
| Jonathan Clark                | 10<br>\$2,717,856,756  | 5<br>\$1,368,294,637             | 0<br>\$0               | 0<br>\$0  | 0<br>\$0                         | 0<br>\$0             |
| John D. Burger, CFA           | 3<br>\$2,315,166,146   | 1<br>\$82,352,007                | 54<br>\$12,920,752,902 | 0<br>\$0  | 0<br>\$0                         | 0<br>\$0             |
| Daniel Chen, CFA              | 4<br>\$2,315,166,146   | 1<br>\$82,352,007                | 2<br>\$276,119,420     | 0<br>\$0  | 0<br>\$0                         | 0<br>\$0             |

(iv) Potential Material Conflicts of Interest

BlackRock, Inc. and its affiliates (collectively, herein "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 Fund, 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 Fund. 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 Fund. 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 Fund 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 Fund. In this connection, it should be noted that certain portfolio managers currently manage certain accounts that are subject to performance fees. In addition, certain portfolio managers assist in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned on 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) As of October 31, 2007:

#### *Portfolio Manager Compensation*

The portfolio manager compensation program of BlackRock is critical to BlackRock's ability to attract and retain the most talented asset management professionals. This program ensures that compensation is aligned with maximizing investment returns and it provides a competitive pay opportunity for competitive performance.

#### *Compensation Program*

The elements of total compensation for BlackRock portfolio managers are: fixed base salary, annual performance-based cash and stock compensation (cash and stock bonus) and other benefits. BlackRock has balanced these components of pay to provide portfolio managers with a powerful incentive to achieve consistently superior investment performance. By design, portfolio manager compensation levels fluctuate — both up and down — with the relative investment performance of the portfolios that they manage.

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### *Base Salary*

Under the BlackRock approach, like that of many asset management firms, fixed base salaries represent a relatively small portion of a portfolio manager's total compensation. This approach serves to enhance the motivational value of the performance-based (and therefore variable) compensation elements of the compensation program.

### *Performance-Based Compensation*

BlackRock believes that the best interests of investors are served by recruiting and retaining exceptional asset management talent and managing their compensation within a consistent and disciplined framework that emphasizes pay for performance in the context of an intensely competitive market for talent. To that end, the portfolio manager incentive compensation is based on a formulaic compensation program.

BlackRock's formulaic portfolio manager compensation program includes: pre-tax investment performance relative to the appropriate competitors or benchmarks over 1-, 3- and 5-year performance periods and a measure of operational efficiency. If a portfolio manager's tenure is less than 5 years, performance periods will reflect time in position. Portfolio managers are compensated based on products they manage. For these purposes, the performance of the Fund is compared to the Lipper Closed-end Income and Preferred Stock Funds classification. A smaller discretionary element of portfolio manager compensation may include consideration of: financial results, expense control, profit margins, strategic planning and implementation, quality of client service, market share, corporate reputation, capital allocation, compliance and risk control, leadership, workforce diversity, supervision, technology and innovation. All factors are considered collectively by BlackRock management.

### *Cash Bonus*

Performance-based compensation is distributed to portfolio managers in a combination of cash and stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for the portfolio managers.

### *Stock Bonus*

A portion of the dollar value of the total annual performance-based bonus is paid in restricted shares of stock of BlackRock, Inc. (the "Company"). Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year "at risk" based on the Company's ability to sustain and improve its performance over future periods. The ultimate value of stock bonuses is dependent on future Company stock price performance. As such, the stock bonus aligns each portfolio manager's financial interests with those of the Company's shareholders and encourages a balance between short-term goals and long-term strategic objectives. Management strongly believes that providing a significant portion of competitive performance-based compensation in stock is in the best interests of investors and shareholders. This approach ensures that portfolio managers participate as shareholders in both the "downside risk" and "upside opportunity" of the Company's performance. Portfolio managers, therefore, have a direct incentive to protect the Company's reputation for integrity.

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*Other Benefits*

Portfolio managers are also eligible to participate in broad-based plans offered generally to BlackRock employees, including broad-based retirement, 401(k), health, and other employee benefit plans. For example, BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP) and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 6% of eligible pay contributed to the plan capped at \$4,000 per year, and a company retirement contribution equal to 3% of eligible compensation, plus an additional contribution of 2% for any year in which BlackRock has positive net operating income. The RSP offers a range of investment options, including registered investment companies managed by the firm. Company contributions follow the investment direction set by participants for their own contributions or absent, employee investment direction, are invested into a stable value fund. The ESPP allows for investment in BlackRock common stock at a 5% discount on the fair market value of the stock on the purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares or a dollar value of \$25,000. Each portfolio manager is eligible to participate in these plans.

(a)(4) *Beneficial Ownership of Securities.* As of October 31, 2007, neither of Messrs. Clark or Burger beneficially owned any stock issued by the Fund. As of October 31, 2007, Mr. Amero beneficially owned stock issued by the Fund in the range of \$100,001 to \$500,000 and Mr. Chen beneficially owned stock issued by the Fund in the range of \$10,001 to \$50,000.

Item 9  Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers  Not Applicable due to no such purchases during the period covered by this report.

Item 10  Submission of Matters to a Vote of Security Holders  The registrant's Nominating and Governance Committee will consider nominees to the Board recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and set 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

11(a)  The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended.

11(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) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12  Exhibits attached hereto

12(a)(1)  Code of Ethics  See Item 2

12(a)(2)  Certifications  Attached hereto

12(a)(3)  Not Applicable

12(b)  Certifications  Attached hereto



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.

BlackRock Preferred and Equity Advantage Trust

By: /s/ Donald C. Burke

Donald C. Burke,  
Chief Executive Officer of  
BlackRock Preferred and Equity Advantage Trust

Date: December 19, 2007

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

By: /s/ Donald C. Burke

Donald C. Burke,  
Chief Executive Officer (principal executive officer) of  
BlackRock Preferred and Equity Advantage Trust

Date: December 19, 2007

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