BlackRock Multi-Sector Income Trust
Form N-CSR
January 05, 2018

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: 811-22774

Name of Fund: BlackRock Multi-Sector Income Trust (BIT)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Multi-Sector

Income Trust, 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 10/31/2017

Date of reporting period: 10/31/2017

Item 1 Report to Stockholders

OCTOBER 31, 2017

ANNUAL REPORT

BlackRock Credit Allocation Income Trust (BTZ)

BlackRock Floating Rate Income Trust (BGT)

BlackRock Multi-Sector Income Trust (BIT)

Not FDIC Insured   May Lose Value   No Bank Guarantee

The Markets in Review

Dear Shareholder,

In the 12 months ended October 31, 2017, risk assets, such as stocks and high-yield bonds, continued to deliver strong performance. These markets showed great resilience during a period with big political surprises, including the aftermath of the U.K.   s vote to leave the European Union and the outcome of the U.S. presidential election, which brought only brief spikes in equity market volatility. In contrast, closely watched elections in France, the Netherlands, and Australia countered the isolationist and nationalist political developments in the U.K. and the United States.

Interest rates rose, which worked against high-quality assets with more interest rate sensitivity. Consequently, longer-term U.S. Treasuries posted negative returns, as rising energy prices, modest wage increases, and steady job growth led to expectations of higher inflation and further interest rate increases by the U.S. Federal Reserve (the   Fed).

The market   s performance reflected reflationary expectations early in the reporting period, as investors began to sense that a global recovery was afoot. Thereafter, many countries throughout the world experienced sustained and synchronized growth for the first time since the financial crisis. Growth rates and inflation are still relatively low, but they are finally rising together.

The Fed responded to these positive developments by increasing short-term interest rates three times and setting expectations for additional interest rate increases. The Fed also began reducing the vast balance sheet reserves that had accumulated in the wake of the financial crisis. In October 2017, the Fed reduced its $4.5 trillion balance sheet by only $10 billion, while setting expectations for additional modest reductions and rate hikes in 2018.

By contrast, the European Central Bank (ECB   ) and the Bank of Japan (BoJ   ) both continued to expand their balance sheets despite nascent signs of sustained economic growth. The Eurozone and Japan are both approaching the limits of central banks   ownership share of debt issued by their respective governments, which is a structural pressure point that limits their capacity to deliver additional monetary stimulus. In October 2017, the ECB announced plans to cut the amount of its bond purchases in half for 2018, while the BoJ reiterated its commitment to economic stimulus until the inflation rate rises to its target of 2.0%.

Emerging market growth also stabilized, as accelerating growth in China, the second largest economy in the world and the most influential of all developing economies, improved the outlook for corporate profits and economic growth across most developing nations. Chinese demand for commodities and other raw materials allayed concerns about the country   s banking system, leading to rising equity prices and foreign investment flows.

While escalating tensions between the United States and North Korea and our nation   s divided politics are significant concerns, benign credit conditions, modest inflation, solid corporate earnings, and the positive outlook for growth in the world   s largest economies have kept markets relatively tranquil.

High valuations across most assets have laid the groundwork for muted returns going forward. At current valuation levels, potential equity gains will likely be closely tied to the pace of earnings growth, which has remained solid thus far in 2017, particularly in emerging markets. In this environment, investors need to think globally, extend their scope across a broad array of asset classes, and be nimble as market conditions change. We encourage you to talk with your financial advisor and visit **blackrock.com** for further insight about investing in today   s markets.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of October 31, 2017

	6-month	**12-month**
U.S. large cap equities (S&P 500® Index)	9.10%	23.63%
U.S. small cap equities (Russell 2000® Index)	8.01	27.85
International equities (MSCI Europe, Australasia, Far East Index)	10.74	23.44
Emerging market equities (MSCI Emerging Markets Index)	16.14	26.45
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.49	0.72
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	0.15	(2.98)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	1.58	0.90
Tax-exempt municipal bonds (S&P Municipal Bond Index)	2.22	1.80
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	3.44	8.92

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

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Investment Objective

BlackRock Credit Allocation Income Trust s (BTZ) (the Trust) investment objective is to provide current income, current gains and capital appreciation. The Trust seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

Trust Information

Symbol on New York Stock Exchange (NYSE)	BTZ
Initial Offering Date	December 27, 2006
Current Distribution Rate on Closing Market Price as of October 31, 2017 ($13.36)[a]	6.02%
Current Monthly Distribution per Common Share[b]	$0.067
Current Annualized Distribution per Common Share[b]	$0.804
Economic Leverage as of October 31, 2017[c]	23%

[a] Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate consists of income, net realized gains and/or a return of capital. Past performance does not guarantee future results.

[b] The distribution rate is not constant and is subject to change. A portion of the distribution may be deemed a return of capital or net realized gain.

[c] Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to any borrowings) minus the sum of its liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 13.

Market Price and Net Asset Value Per Share Summary

	10/31/17	*10/31/16*	*Change*	*High*	*Low*
Market Price	$ 13.36	$ 12.87	3.81%	$ 13.66	$ 12.06
Net Asset Value	14.88	14.61	1.85	14.93	14.14

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

Performance and Portfolio Management Commentary

Returns for the period ended October 31, 2017 were as follows:

	Average Annual Total Returns		
	1 Year	*3 Years*	*5 Years*
Trust at NAV[(a)(b)]	8.53%	6.13%	6.65%
Trust at Market Price[(a)(b)]	10.62	6.78	6.00
Reference Benchmark[(c)]	5.48	4.62	4.58
Bloomberg Barclays U.S. Credit Index[(d)]	3.18	3.62	3.07
Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index[(e)]	8.92	5.58	6.27
Bloomberg Barclays USD Capital Securities Index[(f)]	6.25	5.57	5.81

(a) All returns reflect reinvestment of dividends and/or distributions at actual reinvestment prices. Performance results reflect the Trust s use of leverage.

(b) The Trust s discount to NAV narrowed during the period, which accounts for the difference between performance based on market price and performance based on NAV.

(c) The Reference Benchmark is comprised of the Bloomberg Barclays U.S. Credit Index (50.36%), the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index (29.93%), and the Bloomberg Barclays USD Capital Securities Index (19.71%).

(d) This unmanaged index measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets.

(e) An unmanaged index comprised of issues that meet the following criteria: at least $150 million par value outstanding; maximum credit rating of Ba1; at least one year to maturity; and no issuer represents more than 2% of the index.

(f) This unmanaged index tracks fixed-rate, investment grade capital securities denominated in USD.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Past performance is not indicative of future results.

Beginning with this reporting period, BTZ is presenting the Reference Benchmark to accompany trust performance. The Reference Benchmark is presented for informational purposes only, as the Trust is actively managed and does not seek to track or replicate the performance of the Reference Benchmark or any other index. The portfolio investments of the Trust may differ substantially from the securities that comprise the indices within the Reference Benchmark, which may cause the Trust s performance to differ materially from that of the Reference Benchmark. The Trust employs leverage as part of its investment strategy, which may change over time at the discretion of BlackRock Advisors, LLC (the Manager) as market and other conditions warrant. In contrast, the Reference Benchmark is not adjusted for leverage. Therefore, leverage generally may result in the Trust outperforming the Reference Benchmark in rising markets and underperforming in declining markets. The Board considers additional factors to evaluate the

Trust s performance, such as the performance of the Trust relative to a peer group of funds, a leverage-adjusted benchmark and/or other information provided by the Manager.

More information about the Trust s historical performance can be found in the Closed End Funds section of http://www.blackrock.com.

The following discussion relates to the Trust s absolute performance based on NAV:

What factors influenced performance?

Positive contributors to performance during the period included the Trust s exposure to capital securities (dividend-paying securities that combine some features of both corporate bonds and preferred stocks, while generally providing higher yields to compensate for being less senior in the issuer s capital structure). In terms of industries, holdings within midstream energy generated positive performance as companies there are benefiting from improved balance sheet fundamentals and a more favorable regulatory environment. Additionally, utilities and U.S. banks added to performance. Exposure to high yield bonds also contributed positively to performance on an absolute basis. Finally, positioning with respect to duration (and corresponding interest rate sensitivity) and yield curve positioning helped generate positive performance as well.

There were no detractors from the Trust s performance on an absolute basis.

Describe recent portfolio activity.

The Trust tactically shortened duration early in the period in preparation for rates moving higher as a result of the reflationary environment and anticipated pro-growth policy initiatives. The Trust has had a preference for high quality assets given the compression in spreads seen during the reporting period, which has resulted in an environment with little dispersion in terms of opportunities to generate performance. The Trust maintained significant positions in banking, midstream energy, wirelines, and electric utilities throughout the period. The allocation to media names was reduced as industry disruption and merger and acquisition activity led to increased volatility in the sector.

Describe portfolio positioning at period end.

Despite somewhat rich valuations, the Trust was positioned with a constructive view on credit, on the basis that an extended credit cycle is supported by improved growth and the Fed s effective telegraphing of its plans for tightening policy. The Trust ended the period with a significant allocation to the banking sector with a focus on capital securities down in the capital structure. The Trust also held select midstream energy names on the view that the energy industry is stabilizing.

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

Overview of the Trust s Total Investments

PORTFOLIO COMPOSITION

	10/31/17	*10/31/16*
Corporate Bonds	73%	71%
Preferred Securities	19	17
Asset-Backed Securities	3	4
Foreign Agency Obligations	2	1
U.S. Treasury Obligations	1	6
Municipal Bonds	1	1
Other	1[(a)]	[(b)]

[(a)] Includes a less than 1% holding in each of the following investment types: Short-Term Securities, U.S. Government Sponsored Agency Securities and Options Purchased.

[(b)] Includes a less than 1% holding in each of the following investment types: Short-Term Securities, U.S. Government Sponsored Agency Securities, Options Purchased, Options Written and Common Stocks.

CREDIT QUALITY ALLOCATION [(c)(d)]

	10/31/17	*10/31/16*
AAA/Aaa[(e)]	2%	7%
AA/Aa	3	3
A	16	17
BBB/Baa	51	47
BB/Ba	19	16
B	8	8
CCC/Caa	1	1
CC/Ca	[(f)]	
N/R		1

[(c)] For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor s (S&P) or Moody s Investors Service (Moody s) if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used.

Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

[d] Excludes Short-Term Securities, Options Purchased and Options Written.

[e] The investment adviser evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors, individual investments and/or issuer. Using this approach, the investment adviser has deemed U.S. Government Sponsored Agency Securities and U.S. Treasury Obligations as AAA/Aaa.

[f] Represents less than 1% of total investments.

Trust Summary as of October 31, 2017 **BlackRock Floating Rate Income Trust**

Investment Objective

BlackRock Floating Rate Income Trust s (BGT) (the Trust) primary investment objective is to provide a high level of current income. The Trust s secondary investment objective is to seek the preservation of capital to the extent consistent with its primary objective of high current income. The Trust seeks to achieve its investment objectives by investing primarily, under normal conditions, at least 80% of its assets in floating and variable rate instruments of U.S. and non-U.S. issuers, including a substantial portion of its assets in global floating and variable rate securities including senior secured floating rate loans made to corporate and other business entities. Under normal market conditions, the Trust expects that the average effective duration of its portfolio will be no more than 1.5 years. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

Trust Information

Symbol on NYSE	BGT
Initial Offering Date	August 30, 2004
Current Distribution Rate on Closing Market Price as of October 31, 2017 ($14.31)[(a)]	4.89%
Current Monthly Distribution per Common Share[(b)]	$0.0583
Current Annualized Distribution per Common Share[(b)]	$0.6996
Economic Leverage as of October 31, 2017[(c)]	30%

(a) Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate consists of income, net realized gains and/or a return of capital. Past performance does not guarantee future results.

(b) The distribution rate is not constant and is subject to change. A portion of the distribution may be deemed a return of capital or net realized gain.

(c) Represents bank borrowings outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to any borrowings) minus the sum of its liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 13.

Market Price and Net Asset Value Per Share Summary

	10/31/17	*10/31/16*	*Change*	*High*	*Low*
Market Price	$ 14.31	$ 13.58	5.38%	$ 14.79	$ 13.23
Net Asset Value	14.49	14.41	0.56	14.59	14.30

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

Performance and Portfolio Management Commentary

Returns for the period ended October 31, 2017 were as follows:

	Average Annual Total Returns		
	1 Year	*3 Years*	*5 Years*
Trust at NAV[(a)(b)]	6.13%	5.63%	6.16%
Trust at Market Price[(a)(b)]	11.21	8.77	5.11
S&P/LSTA Leveraged Loan Index[(c)]	5.06	3.99	4.15

(a) All returns reflect reinvestment of dividends and/or distributions at actual reinvestment prices. Performance results reflect the Trust s use of leverage.

(b) The Trust s discount to NAV narrowed during the period, which accounts for the difference between performance based on market price and performance based on NAV.

(c) This unmanaged market value-weighted index (the Reference Benchmark) is designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads and interest payments.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Past performance is not indicative of future results.

Beginning with this reporting period, BGT is presenting the Reference Benchmark to accompany trust performance. The Reference Benchmark is presented for informational purposes only, as the Trust is actively managed and does not seek to track or replicate the performance of the Reference Benchmark or any other index. The portfolio investments of the Trust may differ substantially from the securities that comprise the indices within the Reference Benchmark, which may cause the Trust s performance to differ materially from that of the Reference Benchmark. The Trust employs leverage as part of its investment strategy, which may change over time at the discretion of BlackRock Advisors, LLC (the Manager) as market and other conditions warrant. In contrast, the Reference Benchmark is not adjusted for leverage. Therefore, leverage generally may result in the Trust outperforming the Reference Benchmark in rising markets and underperforming in declining markets. The Board considers additional factors to evaluate the Trust s performance, such as the performance of the Trust relative to a peer group of funds, a leverage-adjusted benchmark and/or other information provided by the Manager.

More information about the Trust s historical performance can be found in the Closed End Funds section of http://www.blackrock.com.

The following discussion relates to the Trust s absolute performance based on NAV:

What factors influenced performance?

The broad floating rate loan interest (bank loan) market provided a positive return for the 12-month period. Among the most notable drivers of positive returns in the Trust were allocations to the technology, health care and consumer cyclical sectors. The Trust s B-rated, BB-rated, and CCC-rated positions positively contributed to performance. The Trust s tactical allocations to high yield bonds, equities and collateralized loan obligations also benefited performance, as these segments outperformed bank loans over the 12-month period.

The Trust s exposure to retailers and supermarkets was the leading detractor from performance, as secular changes in consumer spending behavior, shifting fashion trends, excess capacity, and uncertainty around fiscal reform all weighed on the segments. In terms of credit quality, the Trust s lack of holdings in CC-rated, D-rated, and C-rated names detracted from performance.

Describe recent portfolio activity.

The Trust maintained its focus on the higher quality segments of the loan market in terms of loan structure, liquidity and overall credit quality, while gradually adding market risk as the 12-month period progressed. The majority of the Trust was invested in B-rated bank loans, followed by BB-rated names. Over the course of the period, the Trust increased its B-rated allocation while reducing positions in BB-rated names. On a sector basis, the Trust reduced its broad consumer cyclical allocation, trimming retailers specifically as the sector faces fundamental challenges. By contrast, the Trust increased its energy exposure, particularly within the higher-quality independent energy sector. Finally, with the bank loan market increasingly trading above par value, the Trust added to its high yield bond position based on relative valuation.

Describe portfolio positioning at period end.

At period end, the Trust held the majority of its portfolio in rated bank loans, with a meaningful position in high yield corporate bonds as well. The Trust maintained its highest concentration in B-rated loans of select issuers, while limiting exposure to both higher quality loans with less compelling risk/reward profiles and lower-rated loans with more equity-like profiles and greater downside risk should credit sentiment weaken. From a sector perspective, the Trust s largest overweight positions were within the cable & satellite, wireless, and gaming sectors. By contrast, the Trust was underweight in retail and leisure, where fundamentals have continued to deteriorate. Within energy, the Trust was focused on higher-quality issuers within the independent energy segment. The Trust remained focused on industries and companies with stable business profiles and consistent cash flows, avoiding areas of the market with secular concerns and/or deteriorating fundamental trends. Top issuer positions included Altice (wireless), Centurylink (wirelines) and Liberty Global (cable & satellite).

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

Overview of the Trust s Total Investments

PORTFOLIO COMPOSITION

	10/31/17	*10/31/16*
Floating Rate Loan Interests	93%	92%
Corporate Bonds	5	4
Asset-Backed Securities	1	2
Short-Term Securities	[(a)]	2
Other	1[(b)]	[(c)]

(a) Represents less than 1% of total investments.

(b) Includes a less than 1% holding in each of the following investment types: Common Stocks, Other Interests, Rights, Warrants, Short-Term Securities and Options Purchased.

(c) Includes a less than 1% holding in each of the following investment types: Non-Agency Mortgage Backed Securities, Other Interests, Investment Companies, Warrants, Common Stocks and Options Purchased.

CREDIT QUALITY ALLOCATION [(d)(e)]

	10/31/17	*10/31/16*
A	1%	[(a)]
BBB/Baa	8	8%
BB/Ba	42	43
B	42	41
CCC/Caa	3	3
N/R	4	5

(d) For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P s or Moody s if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

(e) Excludes Short-Term Securities and Options Purchased.

Investment Objective

BlackRock Multi-Sector Income Trust s (BIT) (the Trust) primary investment objective is to seek high current income, with a secondary objective of capital appreciation. The Trust seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its assets in loan and debt instruments and other investments with similar economic characteristics. The Trust may invest directly in such securities or synthetically through the use of derivatives. Additionally, as part of the Trust s investments in loans, the Trust may make loans directly to borrowers either as sole lender or by acting as a member of a syndicate of original lenders.

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

Trust Information

Symbol on NYSE	BIT
Initial Offering Date	February 27, 2013
Current Distribution Rate on Closing Market Price as of October 31, 2017 ($18.55)[(a)]	7.55%
Current Monthly Distribution per Common Share[(b)]	$0.1167
Current Annualized Distribution per Common Share[(b)]	$1.4004
Economic Leverage as of October 31, 2017[(c)]	38%

[(a)] Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate consists of income, net realized gains and/or a return of capital. Past performance does not guarantee future results.

[(b)] The distribution rate is not constant and is subject to change. A portion of the distribution may be deemed a return of capital or net realized gain.

[(c)] Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to any borrowings) minus the sum of its liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 13.

Market Price and Net Asset Value Per Share Summary

	10/31/17	*10/31/16*	*Change*	*High*	*Low*
Market Price	$ 18.55	$ 16.76	10.68%	$ 18.77	$ 15.53
Net Asset Value	20.07	18.91	6.13	20.09	18.28

Market Price and Net Asset Value History Since Inception

[(a)] Commencement of operations.

Performance and Portfolio Management Commentary

Returns for the period ended October 31, 2017 were as follows:

	Average Annual Total Returns		
	1 Year	*3 Years*	*Since Inception* [a]
Trust at NAV[b][c]	17.34%	10.38%	10.41%
Trust at Market Price[b][c]	22.36	11.61	7.51
Lipper General Bond Funds at NAV[d]	11.20	6.38	6.46[e]
Lipper General Bond Funds at Market Price[d]	14.75	8.52	6.01[e]

[a] The Trust commenced operations on February 27, 2013.

[b] All returns reflect reinvestment of dividends and/or distributions at actual reinvestment prices. Performance results reflect the Trust s use of leverage.

[c] The Trust s discount to NAV narrowed during the period, which accounts for the difference between performance based on market price and performance based on NAV.

[d] Average return. Returns reflect reinvestment of dividends and/or distributions at NAV on the ex-dividend date as calculated by Lipper. Historical performance shown is calculated based on the composition of the Lipper General Bond Fund category at the time of preparation of this report to shareholders.

[e] The Lipper category average return for the since inception period is from the close of February 28, 2013. Therefore, the category average is using 1 less day of performance (February 28, 2013) compared to the Trust (February 27, 2013).

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Past performance is not indicative of future results.

More information about the Trust s historical performance can be found in the Closed End Funds section of http://www.blackrock.com.

The following discussion relates to the Trust s absolute performance based on NAV:

What factors influenced performance?

The Trust s positions in non-agency mortgage-backed securities (MBS), high yield corporate bonds, senior loans, commercial mortgage backed securities (CMBS) and capital securities were the largest positive contributors to return for the 12-month period. The Trust s allocation to asset-backed securities (ABS), investment grade corporate debt and emerging market debt also supported absolute returns.

The Trust s stance with respect to duration (sensitivity to interest rate movements) and yield curve positioning detracted from performance during the period.

Describe recent portfolio activity.

The Trust s spread sector exposure was rotated out of ABS and investment grade corporate bonds and into non-agency MBS, capital securities and emerging market sovereign names. The Trust s duration exposure increased over the period from 3.4 years to 3.9 years. The spread sector rotations over the period were based on the view that the upturn in global economic growth, low volatility and generally robust U.S. economic data are supportive of risk assets.

Describe portfolio positioning at period end.

At period end, the Trust maintained a diversified exposure within non-government spread sectors, including non-agency MBS, high yield corporates, capital securities, ABS, collateralized loan obligations, CMBS, emerging market debt and senior loans. The Trust also held marginal exposure to government-related sectors such as foreign agency obligations.

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

Overview of the Trust s Total Investments

PORTFOLIO COMPOSITION

	10/31/17	*10/31/16*
Corporate Bonds	42%	41%
Asset-Backed Securities	17	19
Non-Agency Mortgage-Backed Securities	13	18
Preferred Securities	11	12
Foreign Agency Obligations	6	4
Floating Rate Loan Interests	9	5
U.S. Government Sponsored Agency Securities	2	
Short-Term Securities	[a]	1
Other	[b]	[c]

[a] Represents less than 1% of total investments.

[b] Includes a less than 1% holding in each of the following investment types: Common Stocks, Options Purchased, Options Written, and Short-Term Securities.

[c] Includes a less than 1% holding in each of the following investment types: Common Stocks, U.S. Treasury Obligations, Options Purchased and Options Written.

CREDIT QUALITY ALLOCATION [d][e]

	10/31/17	*10/31/16*
AAA/Aaa[f]	[a]	[a]
AA/Aa	1%	2%
A	5	8
BBB/Baa	16	18
BB/Ba	29	22
B	18	20
CCC/Caa	16	16
CC/Ca	[a]	5
C	4	1
N/R	11	8

[d] For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P s or Moody s if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit

quality ratings are subject to change.

(e) Excludes Short-Term Securities, Options Purchased and Options Written.

(f) The investment adviser evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors, individual investments and/or issuer. Using this approach, the investment adviser has deemed U.S. Government Sponsored Agency Securities and U.S. Treasury Obligations as AAA/Aaa.

The Benefits and Risks of Leveraging

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

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which is based on short-term interest rates, is normally lower than the income earned by a Trust on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Trusts (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Trusts shareholders benefit from the incremental net income. The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV.

To illustrate these concepts, assume a Trust s Common Shares capitalization is $100 million and it utilizes leverage for an additional $30 million, creating a total value of $130 million available for investment in longer-term income securities. If prevailing short-term interest rates are 3% and longer-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, a Trust s financing costs on the $30 million of proceeds obtained from leverage are based on the lower short-term interest rates. At the same time, the securities purchased by a Trust with the proceeds from leverage earn income based on longer-term interest rates. In this case, a Trust s financing cost of leverage is significantly lower than the income earned on a Trust s longer-term investments acquired from such leverage proceeds, and therefore the holders of Common Shares (Common Shareholders) are the beneficiaries of the incremental net income.

However, in order to benefit shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Trusts return on assets purchased with leverage proceeds, income to shareholders is lower than if the Trusts had not used leverage. Furthermore, the value of the Trusts portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the value of the Trusts obligations under their respective leverage arrangements generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Trusts NAVs positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that the Trusts intended leveraging strategy will be successful.

The use of leverage also generally causes greater changes in each Trust s NAV, market price and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the NAV and market price of a Trust s shares than if the Trust were not leveraged. In addition, each Trust may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Trusts to incur losses. The use of leverage may limit a Trust s ability to invest in certain types of securities or use certain types of hedging strategies. Each Trust incurs expenses in connection with the use of leverage, all of which are borne by shareholders and may reduce income to the shareholders. Moreover, to the extent the calculation of the Trusts investment advisory fees includes assets purchased with the proceeds of leverage, the investment advisory fees payable to the Trusts investment adviser will be higher than if the Trusts did not use leverage.

Each Trust may utilize leverage through a credit facility or reverse repurchase agreements as described in the Notes to Financial Statements.

Under the Investment Company Act of 1940, as amended (the 1940 Act), each Trust is permitted to issue debt up to 33 ⅓% of its total managed assets. BIT is permitted to use economic leverage (which includes leverage attributable to reverse repurchase agreements) of up to 50% of its total managed assets. A Trust may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act. In addition, a Trust may also be subject to certain asset coverage, leverage or portfolio composition requirements imposed by its credit facility, which may be more stringent than those imposed by the 1940 Act.

If a Trust segregates or designates on its books and records cash or liquid assets having a value not less than the value of a Trust s obligations under the reverse repurchase agreement (including accrued interest), then such transaction is not considered a senior security and is not subject to the foregoing limitations and requirements imposed by the 1940 Act.

Derivative Financial Instruments

The Trusts may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market and/or other asset without owning or taking physical custody of securities, commodities and/or other referenced assets or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage and involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the instrument. BIT may use economic leverage up to 100% of its net assets (50% of its total managed assets). The Trusts successful use of a derivative financial instrument depends on the investment adviser s ability to predict pertinent market movements accurately, which cannot be assured. The use of these instruments may result in losses greater than if they had not been used, may limit the amount of appreciation a Trust can realize on an investment and/or may result in lower distributions paid to shareholders. The Trusts investments in these instruments, if any, are discussed in detail in the Notes to Financial Statements.

Schedule of Investments | **BlackRock Credit Allocation Income Trust (BTZ)**

October 31, 2017 | **(Percentages shown are based on Net Assets)**

Security		*Par (000)*	*Value*
Asset-Backed Securities			
Asset-Backed Securities 4.5%			
ALM XIV Ltd., Series 2014-14A, Class C, (3 mo. LIBOR US + 3.45%), 4.83%, 7/28/26[a][b]	USD	4,500	$ 4,522,862
ALM XVII Ltd., Series 2015-17A, Class B1, (3 mo. LIBOR US + 3.40%), 4.76%, 1/15/28[a][b]		1,400	1,425,101
AMMC CLO Ltd., Series 2015-17A, Class C, (3 mo. LIBOR US + 3.25%), 4.57%, 11/15/27[a][b]		1,000	1,000,360
Anchorage Capital CLO Ltd.[b]:			
Series 2013-1A, Class BR, 3.51%, 10/13/30[c][d]		1,000	1,000,000
Series 2014-3A, Class C, (3 mo. LIBOR US + 3.50%), 4.88%, 4/28/26[a]		1,000	1,001,046
Series 2015-7A, Class CR, 3.06%, 10/15/27[c]		1,000	1,001,300
Series 2015-7A, Class DR, 4.06%, 10/15/27[c]		1,000	1,006,138
Apidos CLO XVIII, Series 2014-18A, Class CR, (3 mo. LIBOR US + 3.25%), 4.61%, 7/22/26[a][b]		1,300	1,314,973
Ares CLO Ltd., 1.00%, 10/15/30[b][c]		2,750	2,750,000
Atlas Senior Loan Fund II Ltd., Series 2012-2A, Class DR, (3 mo. LIBOR US + 3.90%), 5.28%, 1/30/24[a][b]		750	753,738
Atlas Senior Loan Fund VI Ltd., Series 2014-6A, Class DR, (3 mo. LIBOR US + 3.60%), 4.96%, 10/15/26[a][b]		2,500	2,505,282
Atrium X, Series 10A, Class DR, (3 mo. LIBOR US + 3.00%), 4.36%, 7/16/25[a][b]		1,500	1,500,724
Benefit Street Partners CLO XII Ltd., Series 2017-12A[b][c]:			
Class B, 3.35%, 10/15/30		1,000	1,005,895
Class C, 4.40%, 10/15/30		2,000	2,017,587
Bowman Park CLO Ltd., Series 2014-1A, Class D2R, (3 mo. LIBOR US + 3.35%), 4.66%, 11/23/25[a][b]		1,000	1,001,691
Carlyle Global Market Strategies CLO Ltd.[a][b]:			
Series 2013-3A, Class C, (3 mo. LIBOR US + 3.40%), 4.76%, 7/15/25		1,000	1,000,221
Series 2016-1A, Class C, (3 mo. LIBOR US + 4.90%), 6.26%, 4/20/27		1,000	1,014,421
Series 2016-3A, Class C, (3 mo. LIBOR US + 4.00%), 5.36%, 10/20/29		1,000	1,016,158
CIFC Funding Ltd., Series 2013-2A[b][c]:			
Class A3LR, 3.95%, 10/18/30		1,000	1,003,179
Class B1LR, 4.60%, 10/18/30		1,000	1,011,570
Elevation CLO Ltd., Series 2017-7A, Class C, 1.00%, 7/15/30[b][c]		1,500	1,500,000
GoldenTree Loan Opportunities IX Ltd., Series 2014-9A, Class D, (3 mo. LIBOR US + 3.50%), 4.88%, 10/29/26[a][b]		1,000	1,001,790
Highbridge Loan Management Ltd.[a][b]:			
Series 4A-2014, Class B, (3 mo. LIBOR US + 3.00%), 4.38%, 7/28/25		750	750,772
Series 6A-2015, Class C, (3 mo. LIBOR US + 3.07%), 4.38%, 5/05/27		1,500	1,501,337
Series 8A-2016, Class D, (3 mo. LIBOR US + 4.85%), 6.21%, 4/20/27		500	508,842
LCM XVIII LP, Series 18A, Class C1, (3 mo. LIBOR US + 3.15%), 4.51%, 4/20/27[a][b]		1,000	1,000,214

Limerock CLO III LLC, Series 2014-3A, Class C, (3 mo. LIBOR US + 3.60%), 4.96%, 10/20/26[a][b]		1,000		1,000,403
Madison Park Funding XIII Ltd., Series 2014-13A, Class CR, (3 mo. LIBOR US + 2.15%), 3.51%, 1/19/25[a][b]		1,000		1,002,862
Madison Park Funding XIV Ltd., Series 2014-14A, Class DR, (3 mo. LIBOR US + 3.25%), 4.61%, 7/20/26[a][b]		2,000		2,001,186

Security		*Par (000)*		*Value*
Asset-Backed Securities (continued)				
Madison Park Funding XV Ltd., Series 2014-15A, Class B1R, (3 mo. LIBOR US + 2.20%), 3.57%, 1/27/26[a][b]	USD	2,000	$	2,003,422
Mill Creek II CLO Ltd., Series 2016-1A, Class D, (3 mo. LIBOR US + 4.85%), 6.21%, 4/20/28[a][b]		1,000		1,012,958
MP CLO III Ltd., Series 2013-1A, Class CR, 3.36%, 10/20/30[b][c][d]		1,000		1,000,000
Neuberger Berman CLO XV, Series 2013-15A, Class CR, 3.41%, 10/15/29[b][c]		1,000		1,006,659
Neuberger Berman Loan Advisers CLO 26, Series 2017-26A[b][c][d]:				
Class A, 1.00%, 10/18/30		2,000		2,000,000
Class B, 1.00%, 10/18/30		1,000		1,000,000
Class C, 1.00%, 10/18/30		1,500		1,500,000
Oak Hill Credit Partners XII Ltd., Series 2015-12A, Class C2, (3 mo. LIBOR US + 3.25%), 4.61%, 1/23/27[a][b]		1,600		1,607,144
OCP CLO Ltd., Series 2015-8A, Class CR, 4.18%, 4/17/27[b][c][d]		1,000		1,000,000
Octagon Investment Partners Ltd.[b]:				
Series 2016-1A, Class D, (3 mo. LIBOR US + 4.95%), 6.31%, 4/15/27[a]		500		506,267
Series 2017-1A, Class C, 1.00%, 1/20/31[c]		1,000		1,000,000
OHA Credit Partners XIV Ltd., Series 2017-14A, Class C, 1.00%, 1/21/30[b][c]		1,250		1,250,000
OZLM Funding IV Ltd., 3.56%, 10/22/30[b][c]		1,000		1,000,306
OZLM XIX Ltd., Series 2017-19A, Class C, 1.00%, 11/22/30[b][c]		1,000		1,000,000
Recette CLO Ltd., Series 2015-1A[b][c]:				
Class CR, 3.06%, 10/20/27		1,500		1,500,289
Class DR, 4.11%, 10/20/27		1,000		1,000,099
Regatta IV Funding Ltd., Series 2014-1A, Class CR, (3 mo. LIBOR US + 2.00%), 3.37%, 7/25/26[a][b]		1,500		1,500,746
Regatta V Funding Ltd., Series 2014-1A[a][b]:				
Class BR, (3 mo. LIBOR US + 2.30%), 3.67%, 10/25/26		1,000		1,002,130
Class C, (3 mo. LIBOR US + 3.45%), 4.82%, 10/25/26		1,000		1,000,632
Symphony CLO Ltd., Series 2016-17A, Class D, (3 mo. LIBOR US + 4.80%), 6.16%, 4/15/28[a][b]		1,000		1,015,766
Symphony CLO XV Ltd., Series 2014-15A[a][b]:				
Class CR, (3 mo. LIBOR US + 2.20%), 3.55%, 10/17/26		2,500		2,519,694
Class DR, (3 mo. LIBOR US + 3.35%), 4.70%, 10/17/26		1,000		1,006,772
Voya CLO Ltd., Series 2013-2A, Class C, (3 mo. LIBOR US + 3.50%), 4.87%, 4/25/25[a][b]		1,000		1,004,053
Webster Park CLO Ltd., Series 2015-1A, Class B1, (3 mo. LIBOR US + 3.10%), 4.41%, 1/20/27[a][b]		4,000		4,004,562
Total Asset-Backed Securities 4.5%				71,561,151

Corporate Bonds