BLACKROCK FLOATING RATE INCOME STRATEGIES FUND INC
Form N-CSRS
May 01, 2012

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 811-21413

Name of Fund: BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Floating Rate Income Strategies Fund, Inc., 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 08/31/2012

Date of reporting period: 02/29/2012

Item 1 – Report to Stockholders

February 29, 2012
Semi-Annual Report (Unaudited)

BlackRock Defined Opportunity Credit Trust (BHL)

BlackRock Diversified Income Strategies Fund, Inc. (DVF)

BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)

BlackRock Limited Duration Income Trust (BLW)

Not FDIC Insured No Bank Guarantee May Lose Value

Table of Contents

Dear Shareholder

Risk assets were advancing at this time last year despite a wave of geopolitical revolutions, soaring oil prices and natural disasters in Japan. Markets reversed sharply in May, however, when escalating political strife in Greece rekindled fears about sovereign debt problems spreading across Europe. Concurrently, global economic indicators signaled that the recovery had slowed. Confidence was further shaken by the prolonged debt ceiling debate in Washington, DC. On August 5, 2011, Standard & Poor s downgraded the US government s credit rating and turmoil erupted in financial markets around the world. Extraordinary levels of volatility persisted in the months that followed as Greece teetered on the brink of default, debt problems escalated in Italy and Spain, and exposure to European sovereign bonds stressed banks globally. Financial markets whipsawed on hopes and fears. Macro news flow became a greater influence on trading decisions than the fundamentals of the securities traded. By the end of the third quarter, equity markets had fallen nearly 20% from their April peak while safe-haven assets such as US Treasuries and gold had rallied to historic highs.

October brought enough positive economic data to assuage fears of a global double-dip recession. Additionally, European leaders began to show progress toward stemming the region s debt crisis. Investors began to reenter the markets and risk assets recovered through the month. But a lack of definitive details about Europe s rescue plan eventually raised doubts among investors and thwarted the rally at the end of October. The last two months of 2011 saw more political instability in Greece, unsustainable yields on Italian government bonds, and US policymakers in gridlock over budget issues. Global central bank actions and improving economic data invigorated the markets, but investor confidence was easily tempered by sobering news flow.

Investors showed more optimism at the start of 2012. Risk assets rallied through January and February as economic data grew stronger and debt problems in Europe stabilized. In the United States, jobs data signaled solid improvement in the labor market and the Federal Reserve indicated that it would keep short-term interest rates low through 2014. In Europe, policymakers made significant progress toward securing a Greek bailout plan and restructuring the nation s debt. Nevertheless, considerable headwinds remain. Europe faces a prolonged recession, the US economy still remains somewhat shaky and the risks of additional flare ups of euro-zone debt problems and slowing growth in China weigh heavily on the future of the global economy.

Risk assets, including equities and high yield bonds, recovered their late-summer losses and posted strong returns for the 6-month period ended February 29, 2012. On a 12-month basis, US large-cap stocks and high yield bonds delivered positive results, while small-cap and emerging-market stocks finished slightly negative. International markets, which experienced some significant downturns in 2011, lagged the broader rebound. Fixed income securities, which benefited from declining yields, advanced over the 6- and 12-month periods. Despite their quality rating downgrade, US Treasury bonds performed particularly well. Municipal bonds also delivered superior results. Continued low short-term interest rates kept yields on money market securities near their all-time lows.

Many of the themes that caused uncertainty in 2011 remain. For investors, the risks appear daunting, but this challenging environment offers new opportunities. BlackRock was built for these times. Visit ***blackrock.com/newworld*** for more information.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

For investors, the risks appear daunting, but this challenging environment offers new opportunities. BlackRock was built for these times.

Rob Kapito
President, BlackRock Advisors, LLC

Total Returns as of February 29, 2012

	[redacted]	
US large cap equities (S&P 500® Index)	13.31 %	5.12 %
US small cap equities (Russell 2000® Index)	12.40	(0.15)
International equities (MSCI Europe, Australasia, Far East Index)	4.13	(7.45)
Emerging market equities (MSCI Emerging Markets Index)	5.27	(0.11)
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.00	0.08
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	3.70	17.22
US investment grade bonds (Barclays US Aggregate Bond Index)	2.73	8.37
Tax-exempt municipal bonds (S&P Municipal Bond Index)	5.93	12.88
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	8.62	6.92

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

Fund Summary as of February 29, 2012 **BlackRock Defined Opportunity Credit Trust**

Investment Objective

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

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

Portfolio Management Commentary

How did the Fund perform?

For the six months ended February 29, 2012, the Fund returned 9.69% based on market price and 8.88% based on net asset value (NAV). For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 12.07% based on market price and 8.96% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection among higher-quality and non-rated floating rate loans and common stock had a positive impact on the Fund s performance. Selection in the chemicals and electric sectors also boosted returns. The Fund s tactical exposure to high yield bonds contributed positively as the asset class outperformed loans given improving investor demand for riskier assets over the six-month period.

Detracting from performance was security selection among lower-quality loan instruments, an area of the market that generally carried a less favorable risk-return profile during the period. The Fund s exposure to the paper sector had a negative effect on returns, as did a tactical allocation to asset-backed securities via collateralized loan obligations.

Describe recent portfolio activity.

The period began with severe market volatility in reaction to headwinds from Europe s debt crisis and a possible US government shut-down. However, the environment shifted in December when the European Central Bank announced a long-term refinancing operation. This liquidity program provided a much-needed short-term solution for the financial markets and mitigated the risk of a collapse in the European banking system. Moreover, it was the catalyst for a positive turn in the valuation of risk assets.

During the period, the Fund maintained its focus on the higher quality portions of the loan market in terms of loan structure, liquidity and overall credit quality. Given the weak outlook for global growth, the Fund remained cautious of lower-rated less-liquid loans. The Fund sought issuers with attractive risk-reward characteristics and superior fundamentals. While the developments during the period bode well for the posture of risk markets going forward, the Fund continues to maintain a high quality bias.

Describe portfolio positioning at period end.

At period end, the Fund held 87% of its total portfolio in floating rate loan interests (bank loans), 10% in corporate bonds, with the remainder in asset-backed securities and common stocks. The Fund s largest sector exposures included wireless, non-captive diversified financials and chemicals. The Fund ended the period with economic leverage at 22% of its total managed assets.

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

BlackRock Defined Opportunity Credit Trust

Fund Information

Symbol on New York Stock Exchange (NYSE)	BHL
Initial Offering Date	January 31, 2008
Yield on Closing Market Price as of February 29, 2012 ($13.45)[1]	5.89%
Current Monthly Distribution per Common Share[2]	$0.066
Current Annualized Distribution per Common Share[2]	$0.792
Economic Leverage as of February 29, 2012[3]	22%

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 rate is not constant and is subject to change.

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	2/29/12	8/31/11	Change	High	Low
Market Price	$13.45	$12.65	6.32%	$13.58	$11.59
Net Asset Value	$13.90	$13.17	5.54%	$13.90	$12.93

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

Portfolio Composition

	2/29/12	8/31/11
Floating Rate Loan Interests	87 %	86 %
Corporate Bonds	10	11
Asset-Backed Securities	2	2
Common Stocks	1	—
Other Interests	—	1

Credit Quality Allocations[4]

	2/29/12	8/31/11
BBB/Baa	11 %	12 %
BB/Ba	44	33
B	45	55

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

Fund Summary as of February 29, 2012 **BlackRock Diversified Income Strategies Fund, Inc.**

Investment Objective

BlackRock Diversified Income Strategies Fund, Inc. s (DVF) (the Fund) investment objective is to provide shareholders with high current income. The Fund seeks to achieve its investment objective by investing primarily in floating rate debt securities and instruments, including floating rate loans, bonds, certain preferred securities (including certain convertible preferred securities), notes or other debt securities or instruments which pay a floating or variable rate of interest until maturity. The Fund considers floating rate debt securities to include fixed rate debt securities held by the Fund where the Fund has entered into certain derivative transactions at either the portfolio level or with respect to an individual security held by the Fund, including interest rate swap agreements, in an attempt to convert the fixed rate payments it receives with respect to such securities into floating rate payments. The Fund may invest, under normal market conditions, a substantial portion of its assets in below investment grade quality securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Portfolio Management Commentary

How did the Fund perform?

For the six months ended February 29, 2012, the Fund returned 6.70% based on market price and 8.73% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 12.07% based on market price and 8.96% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection among higher-quality loan instruments had a positive impact on the Fund s performance. The Fund s tactical exposure to high yield bonds also contributed positively as the asset class outperformed loans during the period. Selection in the electric, chemicals and transportation services sectors boosted returns. The Fund s use of leverage was an additional contributor.

Detracting from performance was security selection among lower-quality loan instruments, an area of the market that generally carried a less favorable risk-return profile during the period. Selection within the independent energy and non-cable media sectors also had a negative impact on returns.

Describe recent portfolio activity.

The period began with severe market volatility in reaction to headwinds from Europe s debt crisis and a possible US government shut-down. However, the environment shifted in December when the European Central Bank announced a long-term refinancing operation. This liquidity program provided a much-needed short-term solution for the financial markets and mitigated the risk of a collapse in the European banking system. Moreover, it was the catalyst for a positive turn in the valuation of risk assets.

During the period, the Fund maintained its focus on the higher quality portions of the loan market in terms of loan structure, liquidity and overall credit quality. Given the weak outlook for global growth, the Fund remained cautious of lower-rated less-liquid loans. The Fund sought issuers with attractive risk-reward characteristics and superior fundamentals. While the developments during the period bode well for the posture of risk markets going forward, the Fund continues to maintain a high quality bias.

Describe portfolio positioning at period end.

At period end, the Fund held 83% of its total portfolio in floating rate loan interests (bank loans), 12% in corporate bonds, with the remainder in asset-backed securities, common stocks and other interests. The Fund s largest sector exposures included cable media, chemicals and wireless. The Fund ended the period with economic leverage at 23% of its total managed assets.

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

BlackRock Diversified Income Strategies Fund, Inc.

Fund Information

Symbol on NYSE	DVF
Initial Offering Date	January 31, 2005
Yield on Closing Market Price as of February 29, 2012 ($10.12)[1]	6.94%
Current Monthly Distribution per Common Share[2]	$0.0585
Current Annualized Distribution per Common Share[2]	$0.7020
Economic Leverage as of February 29, 2012[3]	23%

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 rate is not constant and is subject to change.

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	2/29/12	8/31/11	Change	High	Low
Market Price	$10.12	$ 9.84	2.85%	$10.22	$8.84
Net Asset Value	$10.68	$10.19	4.81%	$10.68	$9.95

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

Portfolio Composition

	2/29/12	8/31/11
Floating Rate Loan Interests	83 %	80 %
Corporate Bonds	12	14
Asset-Backed Securities	2	2
Common Stocks	2	2
Other Interests	1	2

Credit Quality Allocations[4]

	2/29/12	8/31/11
BBB/Baa	8 %	8 %
BB/Ba	44	30

B	36	47
CCC/Caa	7	8
Not Rated	5	7

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

Fund Summary as of February 29, 2012

BlackRock Floating Rate Income Strategies Fund, Inc.

Investment Objective

BlackRock Floating Rate Income Strategies Fund, Inc. s (FRA) (the Fund) investment objective is to provide shareholders with high current income and such preservation of capital as is consistent with investment in a diversified, leveraged portfolio consisting primarily of floating rate debt securities and instruments. The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in floating rate debt securities, including floating or variable rate debt securities that pay interest at rates that adjust whenever a specified interest rate changes and/or which reset on predetermined dates (such as the last day of a month or calendar quarter). The Fund invests a substantial portion of its investments in floating rate debt securities consisting of secured or unsecured senior floating rate loans that are rated below investment grade. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Portfolio Management Commentary

How did the Fund perform?

For the six months ended February 29, 2012, the Fund returned 12.69% based on market price and 8.76% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 12.07% based on market price and 8.96% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection among higher-quality and non-rated floating rate loans and common stock had a positive impact on the Fund s performance. Selection in the chemicals and electric sectors also boosted returns. The Fund s tactical exposure to high yield bonds contributed positively as the asset class outperformed loans given improving investor demand for riskier assets over the six-month period.

Detracting from performance was security selection among lower-quality loan instruments, an area of the market that generally carried a less favorable risk-return profile during the period. The Fund s exposure to the paper sector had a negative effect on returns, as did a tactical allocation to asset-backed securities via collateralized loan obligations.

Describe recent portfolio activity.

The period began with severe market volatility in reaction to headwinds from Europe s debt crisis and a possible US government shut-down. However, the environment shifted in December when the European Central Bank announced a long-term refinancing operation. This liquidity program provided a much-needed short-term solution for the financial markets and mitigated the risk of a collapse in the European banking system. Moreover, it was the catalyst for a positive turn in the valuation of risk assets.

During the period, the Fund maintained its focus on the higher quality portions of the loan market in terms of loan structure, liquidity and overall credit quality. Given the weak outlook for global growth, the Fund remained cautious of lower-rated less-liquid loans. The Fund sought issuers with attractive risk-reward characteristics and superior fundamentals. While the developments during the period bode well for the posture of risk markets going forward, the

Fund continues to maintain a high quality bias.

Describe portfolio positioning at period end.

At period end, the Fund held 83% of its total portfolio in floating rate loan interests (bank loans), 13% in corporate bonds, with the remainder in asset-backed securities and common stocks. The Fund s largest sector exposures included wireless, non-captive diversified financials and chemicals. The Fund ended the period with economic leverage at 22% of its total managed assets.

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

BlackRock Floating Rate Income Strategies Fund, Inc.

Fund Information

Symbol on NYSE	FRA
Initial Offering Date	October 31, 2003
Yield on Closing Market Price as of February 29, 2012 ($14.52)[1]	6.36%
Current Monthly Distribution per Common Share[2]	$0.077
Current Annualized Distribution per Common Share[2]	$0.924
Economic Leverage as of February 29, 2012[3]	22%

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 rate is not constant and is subject to change.

3 Represents loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	2/29/12	8/31/11	Change	High	Low
Market Price	$14.52	$13.33	8.93%	$14.60	$12.33
Net Asset Value	$14.76	$14.04	5.13%	$14.76	$13.74

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

Portfolio Composition

	2/29/12	8/31/11
Floating Rate Loan Interests	83 %	81 %
Corporate Bonds	13	15
Asset-Backed Securities	3	3
Common Stocks	1	—
Other Interests	—	1

Credit Quality Allocations[4]

	2/29/12	8/31/11
BBB/Baa	9 %	9 %
BB/Ba	39	36
B	43	49
CCC/Caa	4	3

Not Rated	5	3

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

Fund Summary as of February 29, 2012 **BlackRock Limited Duration Income Trust**

Investment Objective

BlackRock Limited Duration Income Trust s (BLW) (the Fund) investment objective is to provide current income and capital appreciation. The Fund seeks to achieve its investment objective by investing primarily in three distinct asset classes:

intermediate duration, investment grade corporate bonds, mortgage-related securities and asset-backed securities and US Government and agency securities;
senior, secured floating rate loans made to corporate and other business entities; and
US dollar-denominated securities of US and non-US issuers rated below investment grade, and to a limited extent, non-US dollar denominated securities of non-US issuers rated below investment grade.

The Fund s portfolio normally has an average portfolio duration of less than five years (including the effect of anticipated leverage), although it may be longer from time to time depending on market conditions. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Portfolio Management Commentary

How did the Fund perform?

For the six months ended February 29, 2012, the Fund returned 10.48% based on market price and 8.20% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of 13.38% based on market price and 10.05% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

Security selection among higher-quality credit instruments had a positive impact on the Fund s performance. Selection in the consumer services and electric sectors also boosted returns. The Fund s tactical exposure to equity securities was rewarding as equities outperformed high yield debt amid improving investor demand for riskier assets over the six-month period.

The Fund differs from its Lipper category competitors, which invest primarily in high yield bonds, in that the Fund also invests in floating rate loan interests (bank loans), investment grade credits and securitized assets. While the Fund s allocations to these other asset classes did not detract from performance on an absolute basis, they underperformed high yield bonds for the period. Security selection in the non-cable media and paper sectors pared the Fund s gains for the period.

Describe recent portfolio activity.

In the early part of the period, as the outlook for global growth worsened and the potential for further spreading of the ongoing debt crisis in Europe increased, the Fund shifted its positioning to a more conservative posture. Specifically, the Fund reduced positions in the more cyclical credits and increased exposure to market sectors with more stable cash flows.

However, the environment shifted in December when the European Central Bank announced a long-term refinancing operation. This liquidity program provided a much-needed short-term solution for the financial markets and mitigated the risk of a collapse in the European banking system. Moreover, it was the catalyst for a positive turn in the valuation of risk assets. Given these developments, the Fund maintained its higher-quality income-oriented bias, but started selectively adding back some risk in names with appealing risk-reward characteristics. Despite this modest shift to risk-on, the Fund continued to seek issuers with superior fundamentals while avoiding higher-beta credits (i.e., those with higher sensitivity to market volatility) and the more economically sensitive areas of the market.

Describe portfolio positioning at period end.

At period end, the Fund held 45% of its total portfolio in corporate bonds, 31% in floating rate loan interests (bank loans), 11% in non-agency mortgage-backed securities, with the remainder in US Government sponsored agency securities, asset-backed securities, common stocks and taxable municipal bonds. The Fund s largest sector exposures included cable media, independent energy and chemicals. The Fund ended the period with economic leverage at 27% of its total managed assets.

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

BlackRock Limited Duration Income Trust

Fund Information

Symbol on NYSE	BLW
Initial Offering Date	July 30, 2003
Yield on Closing Market Price as of February 29, 2012 ($16.96)[1]	7.43%
Current Monthly Distribution per Common Share[2]	$0.105
Current Annualized Distribution per Common Share[2]	$1.260
Economic Leverage as of February 29, 2012[3]	27%

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 rate is not constant and is subject to change.

3 Represents reverse repurchase agreements outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to borrowing) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 12.

The table below summarizes the changes in the Fund s market price and NAV per share:

	2/29/12	8/31/11	Change	High	Low
Market Price	$16.96	$16.01	5.93%	$17.33	$15.00
Net Asset Value	$17.14	$16.52	3.75%	$17.14	$15.92

The following charts show the portfolio composition of the Fund s long-term investments and credit quality allocations of the Fund s corporate bond and US government securities investments:

Portfolio Composition

	2/29/12	8/31/11
Corporate Bonds	45 %	40 %
Floating Rate Loan Interests	31	31
Non-Agency Mortgage-Backed Securities	11	10
US Government Sponsored Agency Securities	6	11
Asset-Backed Securities	4	5
Common Stocks	2	1
Taxable Municipal Bonds	1	1
Other Interests	—	1

Credit Quality Allocations[4]

	2/29/12	**8/31/11**
AAA/Aaa[5]	12 %	17 %
AA/Aa	2	2
A	7	5
BBB/Baa	15	15
BB/Ba	33	26
B	25	27
CCC/Caa	5	7
D	—	1
Not Rated	1	—

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

5 Includes US Government Sponsored Agency securities and US Treasury Obligations, which were deemed AAA/Aaa by the investment advisor.

The Benefits and Risks of Leveraging

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

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

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

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

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

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

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

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Funds are permitted to issue senior securities representing indebtedness up to 33 1/3% of their total managed assets (each Fund s net assets plus the proceeds of any outstanding borrowings). If the Funds segregate liquid assets having a value not less than the repurchase price (including accrued interest), a reverse repurchase agreement will not be considered a senior security and therefore will not be subject to this limitation. In addition, each Fund voluntarily limits its aggregate economic leverage to 50% of its managed assets. As of February 29, 2012, the Funds had aggregate economic leverage from any reverse repurchase agreements and borrowings through a credit facility as a percentage of their total managed assets as follows:

	Percent of Economic Leverage
BHL	22%
DVF	23%
FRA	22%
BLW	27%

Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts, foreign currency exchange contracts, options and swaps as specified in Note 2 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market, equity, credit, interest rate and/or foreign currency exchange rate risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Funds ability to use a derivative financial instrument successfully depends on the investment advisor s ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Fund can realize on an investment, may result in lower dividends paid to shareholders or may cause a Fund to hold an investment that it might otherwise sell. The Funds investments in these instruments are discussed in detail in the Notes to Financial Statements.

Schedule of Investments February 29, 2012 (Unaudited) **BlackRock Defined Opportunity Credit Trust (BHL)**
(Percentages shown are based on Net Assets)

Asset-Backed Securities		Par (000)	Value
ARES CLO Funds, Series 2005-10A, Class B, 0.95%, 9/18/17 (a)(b)	USD	250	$ 231,345
Canaras Summit CLO Ltd., Series 2007-1A, Class B, 1.04%, 6/19/21 (a)(b)		345	293,350
Flagship CLO, Series 2006-1A, Class B, 0.91%, 9/20/19 (a)(b)		1,000	772,500
Fraser Sullivan CLO Ltd., Series 2006-2A, Class B, 0.96%, 12/20/20 (a)(b)		500	425,000
Gannett Peak CLO Ltd., Series 2006-1X, Class A2, 0.92%, 10/27/20 (b)		265	213,988
Goldman Sachs Asset Management CLO Plc, Series 2007-1A, Class B, 1.00%, 8/01/22 (a)(b)		580	464,000
Landmark CDO Ltd., Series 2006-8A, Class B, 0.92%, 10/19/20 (a)(b)		495	414,404
MAPS CLO Fund LLC, Series 2005-1A, Class C, 1.52%, 12/21/17 (a)(b)		260	234,260
Portola CLO Ltd., Series 2007-1X, Class B1, 1.95%, 11/15/21 (b)		350	300,125
T2 Income Fund CLO Ltd., Series 2007-1A, Class B, 1.17%, 7/15/19 (a)(b)		300	260,175
Total Asset-Backed Securities 2.9%			3,609,147