

BLACKROCK INCOME TRUST INC.  
Form N-CSRS  
May 02, 2014

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 811-05542

Name of Fund: BlackRock Income Trust, Inc. (BKT)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Income Trust, Inc.,  
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Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 08/31/2014

Date of reporting period: 02/28/2014

Item 1 – Report to Stockholders

FEBRUARY 28, 2014

**SEMI-ANNUAL REPORT (UNAUDITED)**

BlackRock Core Bond Trust (BHK)

BlackRock Corporate High Yield Fund, Inc. (HYT)

BlackRock Income Opportunity Trust, Inc. (BNA)

BlackRock Income Trust, Inc. (BKT)

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

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Dear Shareholder

One year ago, US financial markets were improving despite a sluggish global economy, as easy monetary policy gave investors enough conviction to take on more risk in their portfolios. Slow but positive growth in the US was sufficient to support corporate earnings, while uncomfortably high unemployment reinforced expectations that the Federal Reserve would continue its aggressive monetary stimulus programs. International markets were more volatile given uneven growth rates and more direct exposure to macro risks such as the banking crisis in Cyprus and a generally poor outlook for European economies. Emerging markets significantly lagged the rest of the world amid fears over slowing growth and debt problems.

Global financial markets were rattled in May when then-Fed Chairman Bernanke mentioned the possibility of reducing (or tapering) the central bank's asset purchase programs—comments that were widely misinterpreted as signaling an end to the Fed's zero-interest-rate policy. US Treasury yields rose sharply, triggering a steep sell-off across fixed income markets. (Bond prices move in the opposite direction of yields.) Equity prices also suffered as investors feared the implications of a potential end of a program that had greatly supported the markets. Markets rebounded in late June, however, when the Fed's tone turned more dovish, and improving economic indicators and better corporate earnings helped extend gains through most of the summer.

Although autumn brought mixed events, it was a surprisingly positive period for most asset classes. Early on, the Fed defied market expectations with its decision to delay tapering, but higher volatility returned in late September when the US Treasury Department warned that the national debt would soon breach its statutory maximum. The ensuing political brinksmanship led to a partial government shutdown, roiling global financial markets through the first half of October. Equities and other so-called risk assets managed to resume their rally when politicians engineered a compromise to reopen the government and extend the debt ceiling, at least temporarily.

The remainder of 2013 was generally positive for stock markets in the developed world, although investors continued to grapple with uncertainty about when and how much the Fed would scale back on stimulus. When the long-awaited taper announcement ultimately came in mid-December, the Fed reduced the amount of its monthly asset purchases but at the same time reaffirmed its commitment to maintaining low short-term interest rates. Markets reacted positively, as the taper signaled the Fed's perception of real improvement in the economy, and investors were finally relieved from the anxiety that had gripped them for quite some time.

The start of the new year brought another turn in sentiment, as heightened volatility in emerging markets and mixed US economic data caused global equities to weaken in January while bond markets found renewed strength. Although these headwinds persisted, equities were back on the rise in February thanks to positive developments in Washington, DC. For one, Congress extended the nation's debt ceiling through mid-March 2015, thereby reducing some degree of fiscal uncertainty for the next year. Additionally, investors were encouraged by market-friendly comments in new Fed Chair Janet Yellen's Congressional testimony, giving further assurance that short-term rates would remain low for a prolonged period.

While accommodative monetary policy was the main driver behind positive market performance over the period, it was also a key cause of investor uncertainty. Developed market stocks were the strongest performers for the six- and 12-month periods ended February 28. In contrast, emerging markets were weighed down by uneven growth, high levels of debt and severe currency weakness, in addition to the broader concern about reduced global liquidity. The anticipation of Fed tapering during 2013 pressured US Treasury bonds and other high-quality fixed income sectors, including tax-exempt municipals and investment grade corporate bonds. High yield bonds, to the contrary, benefited from income-oriented investors' search for yield in the low-rate environment. Short-term interest rates remained near zero, keeping yields on money market securities close to historic lows.

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At BlackRock, we believe investors need to think globally, extend their scope across a broad array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit [www.blackrock.com](http://www.blackrock.com) for further insight about investing in today's world.

Sincerely,

**Rob Kapito**

President, BlackRock Advisors, LLC

*While accommodative monetary policy was the main driver behind positive market performance over the period, it was also a key cause of investor uncertainty.*

**Rob Kapito**

President, BlackRock Advisors, LLC

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**Total Returns as of February 28, 2014**

	6-month	12-month
US large cap equities (S&P 500® Index)	15.07 %	25.37 %
US small cap equities (Russell 2000® Index)	17.75	31.56
International equities (MSCI Europe, Australasia, Far East Index)	15.01	19.28
Emerging market equities (MSCI Emerging Markets Index)	4.77	(6.01 )
3-month Treasury bill (BofA Merrill Lynch 3-Month US Treasury Bill Index)	0.03	0.08
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	2.61	(3.65 )
US investment grade bonds (Barclays US Aggregate Bond Index)	2.84	0.15
Tax-exempt municipal bonds (S&P Municipal Bond Index)	6.08	(0.27 )
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	7.46	8.36

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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THIS PAGE NOT PART OF YOUR FUND REPORT 3

Trust Summary as of February 28, 2014  
**Trust Overview**

**BlackRock Core Bond Trust**

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

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

**Portfolio Management Commentary**

**How did the Trust perform?**

For the six-month period ended February 28, 2014, the Trust returned 10.82% based on market price and 8.32% based on NAV. For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of 9.61% based on market price and 6.45% based on NAV. All returns reflect reinvestment of dividends. The Trust 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?**

Fixed income markets experienced a rally over the six-month period that was only temporarily suspended at the beginning of 2014 due to investors concern over softening US economic data, which appeared to be mostly driven by unusually harsh weather conditions. In addition, certain risk assets, including emerging market debt, were negatively impacted by the tightening of global liquidity as the Fed continued to reduce the size of its asset purchase program. The largest contributors to the Trust s performance were positions in corporate credit, specifically high yield and capital securities, as well as commercial mortgage-backed securities ( CMBS ). The Trust s exposure to asset-backed securities ( ABS ) and, to a lesser extent, sovereign-related debt had a positive impact on returns.

Based on the view that short-term rates would remain low, the Fund maintained its leverage to augment income generation throughout the period.

Conversely, the Trust s holdings of US Treasury securities detracted from performance as interest rates increased (bond prices fall as rates rise) toward the end of 2013 amid anticipation that the Fed would soon begin reducing its asset purchase program. The Trust s long duration bias (greater sensitivity to interest rate movements) and yield curve positioning hindered results for the period.

**Describe recent portfolio activity.**

The Trust s allocations remained consistent throughout the six-month period, with its largest position in investment grade and high yield corporate credit, followed by allocations to securitized credits, specifically, ABS and CMBS.

**Describe portfolio positioning at period end.**

At period end, the Trust maintained diversified exposure to non-government spread sectors including investment grade credit, high yield credit, CMBS, ABS and non-agency residential mortgage-backed securities ( MBS ). The Trust also held exposure to government-related sectors including US Treasury securities, agency debt and agency MBS. The Trust ended the period with a long duration profile.

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





## BlackRock Core Bond Trust

## Trust Information

Symbol on New York Stock Exchange ( NYSE )	BHK
Initial Offering Date	November 27, 2001
Current Distribution Rate on Closing Market Price as of February 28, 2014 (\$13.38) <sup>1</sup>	6.77%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0755
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.9060
Economic Leverage as of February 28, 2014 <sup>3</sup>	29%

<sup>1</sup> Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. Past performance does not guarantee future results.

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

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

## Market Price and Net Asset Value Per Share Summary

	2/28/14	8/31/13	Change	High	Low
Market Price	\$13.38	\$12.50	7.04%	\$13.44	\$12.27
Net Asset Value	\$14.70	\$14.05	4.63%	\$14.70	\$13.82

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

## Overview of the Trust's Long-Term Investments

Portfolio Composition	2/28/14	8/31/13
Corporate Bonds	61%	58%
Non-Agency Mortgage-Backed Securities	11	11
US Government Sponsored Agency Securities	9	10
US Treasury Obligations	8	8
Preferred Securities	4	5
Asset-Backed Securities	4	5
Municipal Bonds	2	2
Foreign Agency Obligations	1	1
Credit Quality Allocation <sup>4</sup>	2/28/14	8/31/13
AAA/Aaa <sup>5</sup>	12%	14%
AA/Aa	15	15
A	21	21

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BBB/Baa	24	23
BB/Ba	15	12
B	11	13
CCC/Caa	1	1
Not Rated	1	1

<sup>4</sup>Using the higher of Standard & Poor's ( S&P ) or Moody's Investors Service ( Moody's ) ratings.

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

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Trust Summary as of February 28, 2014  
**Trust Overview**

**BlackRock Corporate High Yield Fund, Inc.**

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

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

**Portfolio Management Commentary**

On June 5, 2013, the Board of Directors of the Trust approved separate plans of reorganization whereby the Trust would acquire all of the assets and assume all of the liabilities of BlackRock Corporate High Yield Fund, Inc. (COY), BlackRock Corporate High Yield Fund III, Inc. (CYE), BlackRock Corporate High Yield Fund V, Inc. (HYV), BlackRock High Income Shares (HIS) and BlackRock High Yield Trust (BHY) (each a Target Fund ) in exchange for newly issued shares of the Trust in a reorganization transaction. At a shareholder meeting on October 11, 2013, each Target Fund s shareholders approved their respective plan of reorganization and the Trust s shareholders approved the issuance of Trust shares in connection with each reorganization. The reorganizations took place on November 18, 2013. On February 28, 2014, the Trust changed its name from BlackRock Corporate High Yield Fund VI, Inc. to BlackRock Corporate High Yield Fund, Inc.

**How did the Trust perform?**

For the six-month period ended February 28, 2014, the Trust returned 15.24% based on market price and 11.46% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 12.50% based on market price and 10.48% based on NAV. All returns reflect reinvestment of dividends. The Trust 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?**

The Trust benefited from a tactical allocation to equities that were selected for their total return characteristics versus lower-quality bonds, which tend to exhibit more equity-like risks. In particular, equity positions in General Motors Co., The Goodyear Tire & Rubber Co. and American Capital Ltd. were notable contributors. Also adding to performance was security selection within floating rate loan interests, which the Trust purchased as an alternative to higher-quality, short-dated high yield bonds. Although the bank loan sector underperformed high yield during the period, the Trust benefited from idiosyncratic risk associated with holdings of select loan names in the gaming and lodging industries.

Detracting from performance was the Trust s exposure to names in the electric and metals & mining industries. Additionally, positions in put options for the purpose of managing equity market risk had a negative impact on returns as the equity market rally persisted during the period.

**Describe recent portfolio activity.**

The Trust actively managed risk throughout the six-month period. We generally shifted to more moderate risk positions by the end of the period as the overall risk-reward profile of the market, specifically in high yield, continued to shift away from the cheap prices of the last few years. Broadly speaking, the Trust s investment decisions were focused on individual credits or issuers, rather than sub-sectors. The Trust s core credit positioning continued to focus on income-oriented names with good earnings visibility and strong asset protection. These positions largely represent the income component of the Trust, although there were also cases where a specific catalyst or idiosyncratic characteristic enhanced the credit s attractiveness. The Trust maintained a bias toward credits with shorter duration

(lower sensitivity to interest rate movements) and expressed this view through holdings in bank loans as well as other non-bond assets. The Trust also held exposure to equities and equity-like instruments while managing equity market risk through the use of put options.

**Describe portfolio positioning at period end.**

At period end, the Trust held 75% of its total portfolio in corporate bonds, 13% in floating rate loan interests (bank loans) and 9% in common stocks, with the remainder invested in preferred securities and asset-backed securities. The Trust's highest-conviction holdings included HD Supply, Inc. (building materials), American Capital Ltd. (non-captive diversified financials) and Ally Financial, Inc. (banking).

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## BlackRock Corporate High Yield Fund, Inc.

## Trust Information

Symbol on NYSE	HYT
Initial Offering Date	May 30, 2003
Current Distribution Rate on Closing Market Price as of February 28, 2014 (\$12.51) <sup>1</sup>	7.72%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0805
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.9660
Economic Leverage as of February 28, 2014 <sup>3</sup>	29%

<sup>1</sup> Current distribution rate on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. The current distribution rate may consist of income, net realized gains and/or a tax return of capital. Past performance does not guarantee future results.

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

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

## Market Price and Net Asset Value Per Share Summary

	2/28/14	8/31/13	Change	High	Low
Market Price	\$12.51	\$11.37	10.03%	\$12.60	\$11.34
Net Asset Value	\$13.43	\$12.62	6.42%	\$13.43	\$12.62

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

## Overview of the Trust's Long-Term Investments

Portfolio Composition	2/28/14	8/31/13
Corporate Bonds	75%	76%
Floating Rate Loan Interests	13	14
Common Stocks	9	7
Preferred Stocks	2	2
Asset-Backed Securities	1	1