BLACKROCK CORPORATE HIGH YIELD FUND III, INC.
Form N-CSRS
November 04, 2013
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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 811-08497

Name of Fund: BlackRock Corporate High Yield Fund III, Inc. (CYE)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Corporate High Yield Fund III, 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: 02/28/2014

Date of reporting period: 08/31/2013

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Item 1 Report to Stockholders

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AUGUST 31, 2013

SEMI-ANNUAL REPORT (UNAUDITED)

BlackRock Corporate High Yield Fund, Inc. (COY)

BlackRock Corporate High Yield Fund III, Inc. (CYE)

BlackRock Debt Strategies Fund, Inc. (DSU)

BlackRock Senior High Income Fund, Inc. (ARK)

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Dear Shareholder

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

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

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

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

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

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

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

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

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of August 31, 2013

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

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

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Fund Summary as of August 31, 2013

BlackRock Corporate High Yield Fund, Inc.

Fund Overview

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

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

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

Portfolio Management Commentary

How did the Fund perform?

For the six-month period ended August 31, 2013, the Fund returned (10.76)% based on market price and 2.53% based on net asset value (NAV). For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (6.67)% based on market price and 1.46% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

The Fund benefited from a tactical allocation to equities, which rallied during the period. In fixed income, selection in the automotive, technology and consumer service industries boosted results. Exposure to senior secured floating rate loan interests (bank loans) also aided performance as the asset class outperformed high yield bonds for the six-month period.

Detracting from performance was the Fund s exposure to issuers in the independent energy, electric and banking industries.

Describe recent portfolio activity.

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

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

Describe portfolio positioning at period end.

At period end, the Fund held 77% of its total portfolio in corporate bonds, 14% in floating rate loan interests and 7% in common stocks, with the remainder invested in preferred securities. The Fund s highest-conviction holdings included HD Supply, Inc. (building materials), Caesars Entertainment Corp. (gaming) and Energy Future Intermediate Holding Co. LLC/EFIH Finance, Inc. (electric). The Fund held limited exposure to segments with minimal cash flow visibility and/or challenged industry dynamics.

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

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BlackRock Corporate High Yield Fund, Inc.

Fund Information	
Symbol on New York Stock Exchange (NYSE)	COY
Initial Offering Date	June 25, 1993
Current Distribution Rate on Closing Market Price as of August 31, 2013 ($6.89)[1]	8.62%
Current Monthly Distribution per Common Share[2]	$0.0495
Current Annualized Distribution per Common Share[2]	$0.5940
Economic Leverage as of August 31, 2013[3]	29%

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

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

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.

Market Price and Net Asset Value Per Share Summary

	8/31/13	2/28/13	Change	High	Low
Market Price	$6.89	$8.04	(14.30)%	$8.39	$6.74
Net Asset Value	$7.64	$7.76	(1.55)%	$8.07	$7.44

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

Overview of the Fund s Long-Term Investments

Portfolio Composition	**8/31/13**	**2/28/13**
Corporate Bonds	77%	75%
Floating Rate Loan Interests	14	17
Common Stocks	7	7
Preferred Securities	2	1

Credit Quality Allocation[4]	**8/31/13**	**2/28/13**
BBB/Baa	4%	6%
BB/Ba	31	36
B	52	46
CCC/Caa	11	10
Not Rated	2	2

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

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Fund Summary as of August 31, 2013

BlackRock Corporate High Yield Fund III, Inc.

Fund Overview

BlackRock Corporate High Yield Fund III, Inc. s (CYE) (the Fund) primary investment objective is to provide current income by investing primarily in fixed-income securities, which are rated in the lower rating categories of the established rating services (BBB or lower by S&P s or Baa or lower by Moody s) or are unrated securities of comparable quality. The Fund s secondary investment objective is to provide capital appreciation. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

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

Portfolio Management Commentary

How did the Fund perform?

For the six-month period ended August 31, 2013, the Fund returned (7.95)% based on market price and 2.61% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (6.67)% based on market price and 1.46% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

The Fund benefited from a tactical allocation to equities, which rallied during the period. In fixed income, selection in the automotive, technology and consumer service industries boosted results. Exposure to senior secured floating rate loan interests (bank loans) also aided performance as the asset class outperformed high yield bonds for the six-month period.

Detracting from performance was the Fund s exposure to issuers in the independent energy, electric and chemicals industries.

Describe recent portfolio activity.

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

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

Describe portfolio positioning at period end.

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

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BlackRock Corporate High Yield Fund III, Inc.

Fund Information	
Symbol on NYSE	CYE
Initial Offering Date	January 30, 1998
Current Distribution Rate on Closing Market Price as of August 31, 2013 ($6.97)[1]	8.69%
Current Monthly Distribution per Common Share[2]	$0.0505
Current Annualized Distribution per Common Share[2]	$0.6060
Economic Leverage as of August 31, 2013[3]	29%

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

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

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.

Market Price and Net Asset Value Per Share Summary

	8/31/13	2/28/13	Change	High	Low
Market Price	$6.97	$7.89	(11.66)%	$8.07	$6.85
Net Asset Value	$7.76	$7.88	(1.52)%	$8.20	$7.56

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

Overview of the Fund s Long-Term Investments

Portfolio Composition	**8/31/13**	**2/28/13**
Corporate Bonds	76%	73%
Floating Rate Loan Interests	14	19
Common Stocks	7	6
Preferred Securities	2	2
Asset-Backed Securities	1	

Credit Quality Allocation[4]	**8/31/13**	**2/28/13**
A		1%
BBB/Baa	4%	5
BB/Ba	31	36
B	51	45
CCC/Caa	12	10
Not Rated	2	3

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

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Fund Summary as of August 31, 2013

BlackRock Debt Strategies Fund, Inc.

Fund Overview

BlackRock Debt Strategies Fund, Inc. s (DSU) (the Fund) primary investment objective is to provide current income by investing primarily in a diversified portfolio of US companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by S&P s or Baa or lower by Moody s) or unrated debt instruments, which are in the judgment of the investment adviser of equivalent quality. The Fund s secondary objective is to provide capital appreciation. Corporate loans include senior and subordinated corporate loans, both secured and unsecured. The Fund may invest directly in such securities or synthetically through the use of derivatives.

On July 19, 2013, the Board of the Fund approved the reorganization of the Fund with each of BlackRock Senior High Income Fund, Inc. and BlackRock Strategic Bond Trust, with the Fund continuing as the surviving fund after the reorganizations. On October 25, 2013, the shareholders of the Fund, BlackRock Senior High Income Fund, Inc. and BlackRock Strategic Bond Trust approved their respective reorganizations, which is expected to be completed in late 2013. In connection with the Funds reorganizations, the Board of the Fund also approved an increase in the amount of the Fund s authorized shares by 200 million shares.

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-month period ended August 31, 2013, the Fund returned (8.31)% based on market price and 2.37% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (6.67)% based on market price and 1.46% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

What factors influenced performance?

The Fund benefited from a tactical allocation to equities, which rallied during the period. In fixed income, selection in the chemicals, gaming and consumer service industries boosted results.

Detracting from performance was the Fund s exposure to issuers in the independent energy, electric and wireless industries. Within floating rate loan interests (bank loans), holding limited exposure to lower-quality assets resulted in an opportunity cost to the Fund as this segment of the market outperformed higher-quality issues.

Describe recent portfolio activity.

Fund management continued to maintain a positive view on high yield and bank loan assets overall, while remaining focused on income-oriented credits with strong asset bases and good earnings visibility. Within the bank loan space, the Fund continued to prefer higher-quality, more liquid assets with attractive coupon rates. In high yield bonds, the Fund remained anchored in companies with more stable cash flows, but allowed some risk in companies with positive growth catalysts. Additionally, the Fund continued to find value in select equity and equity-like investments that provide upside potential to enhance total return. Over the six-month period, the Fund increased exposure to the technology and automotive industries, while decreasing risk within independent energy.

Describe portfolio positioning at period end.

At period end, the Fund held 54% of its total portfolio in floating rate loan interests, 42% in corporate bonds, with the remainder invested in asset-backed securities and common stocks. The Fund s highest-conviction holdings included HD Supply, Inc. (building materials), Federal-Mogul Corp. (automotive) and Level 3 Financing, Inc. (wirelines).

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BlackRock Debt Strategies Fund, Inc.

Fund Information	
Symbol on NYSE	DSU
Initial Offering Date	March 27, 1998
Current Distribution Rate on Closing Market Price as of August 31, 2013 ($3.94)[1]	7.61%
Current Monthly Distribution per Common Share[2]	$0.025
Current Annualized Distribution per Common Share[2]	$0.300
Economic Leverage as of August 31, 2013[3]	28%

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

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

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.

Market Price and Net Asset Value Per Share Summary

	8/31/13	2/28/13	Change	High	Low
Market Price	$3.94	$4.46	(11.66)%	$4.65	$3.85
Net Asset Value	$4.32	$4.38	(1.37)%	$4.51	$4.27

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

Overview of the Fund s Long-Term Investments

Portfolio Composition	8/31/13	2/28/13
Floating Rate Loan Interests	54%	53%
Corporate Bonds	42	41
Asset-Backed Securities	2	3
Common Stocks	2	2
Other Interests		1

Credit Quality Allocation[4]	8/31/13	2/28/13
A	1%	1%
BBB/Baa	3	6
BB/Ba	29	34
B	53	45
CCC/Caa	10	10

Not Rated	4	4

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

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Fund Summary as of August 31, 2013

BlackRock Senior High Income Fund, Inc.

Fund Overview

BlackRock Senior High Income Fund, Inc. s (ARK) (the Fund) investment objective is to provide high current income by investing principally in senior debt obligations of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

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

Portfolio Management Commentary

How did the Fund perform?

For the six-month period ended August 31, 2013, the Fund returned (6.93)% based on market price and 1.91% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of (6.67)% based on market price and 1.46% 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?

The Fund benefited from a tactical allocation to equities, which rallied during the period. In fixed income, selection in the chemicals, metals and healthcare industries boosted results.

Detracting from performance was the Fund s exposure to issuers in the media non cable, electric and wireless industries. Within floating rate loan interests (bank loans), holding limited exposure to lower-quality assets resulted in an opportunity cost to the Fund as this segment of the market outperformed higher-quality issues.

Describe recent portfolio activity.

Fund management continued to maintain a positive view on high yield and bank loan assets overall, while remaining focused on income-oriented credits with strong asset bases and good earnings visibility. Within the bank loan space, the Fund continued to prefer higher-quality, more liquid assets with attractive coupon rates. In high yield bonds, the Fund remained anchored in companies with more stable cash flows, but allowed some risk in companies with positive growth catalysts. Additionally, the Fund continued to find value in select equity and equity-like investments that provide upside potential to enhance total return. Over the six-month period, the Fund increased exposure to the consumer services and food & beverage industries, while decreasing risk within independent energy.

Describe portfolio positioning at period end.

At period end, the Fund held 56% of its total portfolio in floating rate loan interests, 40% in corporate bonds, with the remainder invested in asset-backed securities, common stocks and preferred securities. The Fund s highest-conviction holdings included HD Supply, Inc. (building materials), Intelsat Jackson Holdings SA (media non cable) and Level 3 Financing, Inc. (wirelines).

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BlackRock Senior High Income Fund, Inc.

Fund Information	
Symbol on NYSE	ARK
Initial Offering Date	April 30, 1993
Current Distribution Rate on Closing Market Price as of August 31, 2013 ($3.90)[1]	7.38%
Current Monthly Distribution per Common Share[2]	$0.024
Current Annualized Distribution per Common Share[2]	$0.288
Economic Leverage as of August 31, 2013[3]	26%

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

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

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.

Market Price and Net Asset Value Per Share Summary

	8/31/13	2/28/13	Change	High	Low
Market Price	$3.90	$4.34	(10.14)%	$4.78	$3.84
Net Asset Value	$4.28	$4.35	(1.61)%	$4.47	$4.23

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

Overview of the Fund s Long-Term Investments

Portfolio Composition	8/31/13	2/28/13
Floating Rate Loan Interests	56%	54%
Corporate Bonds	40	42
Asset-Backed Securities	2	3
Common Stocks	1	1
Preferred Securities	1	

Credit Quality Allocation[4]	8/31/13	2/28/13
A	1%	1%
BBB/Baa	3	7
BB/Ba	35	37
B	56	51

CCC/Caa	1	1
Not Rated	4	3

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

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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 through a credit facility. 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 Fund s net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each 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). In addition, each Fund voluntarily limits its aggregate economic leverage to 50% of its managed assets. As of August 31, 2013, the Funds had aggregate economic leverage from borrowings through a credit facility as a percentage of their total managed assets as follows:

	Percent of Economic Leverage
COY	29%
CYE	29%

DSU	28%
ARK	26%

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 4 of the Notes to Consolidated 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 Consolidated Financial Statements.

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Consolidated Schedule of Investments August 31, 2013 (Unaudited)

BlackRock Corporate High Yield Fund, Inc. (COY)

(Percentages shown are based on Net Assets)

Asset-Backed Securities		**Par (000)**	**Value**
ALM Loan Funding (a)(b)(c):			
Series 2013-7R2A, Class B, 2.86%, 4/24/24	USD	375	$ 358,126
Series 2013-7RA, Class C, 3.71%, 4/24/24		1,000	943,800
Series 2013-7RA, Class D, 5.26%, 4/24/24		450	413,325
Total Asset-Backed Securities 0.6%			1,715,251

Common Stocks	**Shares**	
Auto Components 0.8%		
Dana Holding Corp.	5,718	119,849
Delphi Automotive PLC	8,200	451,164
The Goodyear Tire & Rubber Co. (d)	77,979	1,568,938
		2,139,951
Automobiles 1.5%		
General Motors Co. (d)	115,397	3,932,730
Biotechnology 0.0%		
Ironwood Pharmaceuticals, Inc. (d)	6,540	76,191
Capital Markets 1.9%		
American Capital Ltd. (d)	341,246	4,258,750
E*Trade Financial Corp. (d)	44,900	630,396
Uranium Participation Corp. (d)	33,680	155,402
		5,044,548
Chemicals 0.4%		
Advanced Emissions Solutions, Inc. (d)	6,170	240,938
Huntsman Corp.	42,200	738,500
		979,438
Communications Equipment 0.3%		
Loral Space & Communications Ltd.	11,463	757,819
Containers & Packaging 0.0%		
Smurfit Kappa Group PLC	3,634	73,910
Diversified Financial Services 0.5%		
Kcad Holdings I Ltd. (d)	269,089,036	1,358,900
Diversified Telecommunication Services 0.3%		
Broadview Networks Holdings, Inc. (d)	32,500	204,750
Level 3 Communications, Inc. (d)	20,920	467,771
		672,521
Electrical Equipment 0.0%		
Medis Technologies Ltd. (d)	67,974	1
Energy Equipment & Services 0.8%		
Laricina Energy Ltd. (d)	35,294	1,185,514
Osum Oil Sands Corp. (d)	74,000	890,135
		2,075,649
Hotels, Restaurants & Leisure 0.8%		
Caesars Entertainment Corp. (d)	45,393	974,588

Common Stocks	**Shares**	**Value**
Hotels, Restaurants & Leisure (concluded)		
Pinnacle Entertainment, Inc. (d)	8,176	$ 193,608
Travelport LLC (d)(e)	895,979	792,941

			1,961,137
Insurance 0.7%			
American International Group, Inc. (d)		40,002	1,858,493
Media 0.2%			
Cablevision Systems Corp., Class A		30,253	536,386
Clear Channel Outdoor Holdings, Inc., Class A (d)		8,934	67,541
			603,927
Metals & Mining 0.1%			
African Minerals Ltd. (d)		40,400	119,284
Peninsula Energy Ltd. (d)		6,975,317	160,145
			279,429
Oil, Gas & Consumable Fuels 0.0%			
African Petroleum Corp. Ltd. (d)		180,300	19,257
Paper & Forest Products 0.5%			
Ainsworth Lumber Co. Ltd. (d)		146,558	403,511
Ainsworth Lumber Co. Ltd. (a)(d)		41,686	120,889
NewPage Corp. (d)		7,740	619,200
Western Forest Products, Inc. (d)		147,968	199,757
Western Forest Products, Inc.		41,528	55,986
			1,399,343
Semiconductors & Semiconductor Equipment 0.0%			
SunPower Corp. (d)		123	2,643
Software 0.2%			
HMH Holdings/EduMedia (d)		19,102	575,456
Trading Companies & Distributors 0.3%			
HD Supply Holdings, Inc. (d)		39,100	889,134
Wireless Telecommunication Services 0.5%			
Crown Castle International Corp. (d)		9,634	668,792
SBA Communications Corp., Class A (d)		9,634	722,550
			1,391,342
Total Common Stocks 9.8%			26,091,819

Corporate Bonds		**Par (000)**	
Aerospace & Defense 0.7%			
Bombardier, Inc., 4.25%, 1/15/16 (a)	USD	450	465,187
Huntington Ingalls Industries, Inc.:			
6.88%, 3/15/18		145	156,238
7.13%, 3/15/21		235	253,800
Kratos Defense & Security Solutions, Inc., 10.00%, 6/01/17		796	859,680
Meccanica Holdings USA, Inc., 6.25%, 7/15/19 (a)		247	251,607
			1,986,512

Portfolio Abbreviations

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

AUD	Australian Dollar
CAD	Canadian Dollar
DIP	Debtor-In-Possession
EUR	Euro
GBP	British Pound
S&P	Standard and Poor s
SPDR	Standard and Poor s Depositary Receipts
USD	US Dollar

See Notes to Consolidated Financial Statements.

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Consolidated Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)

(Percentages shown are based on Net Assets)

Corporate Bonds		**Par (000)**	**Value**
Air Freight & Logistics 0.2%			
National Air Cargo Group, Inc.:			
Series 1, 12.38%, 9/02/15	USD	308	$ 308,330
Series 2, 12.38%, 8/16/15		317	316,825
			625,155
Airlines 2.3%			
Air Canada Pass-Through Trust, Series 2013-1, Class C, 6.63%, 5/15/18 (a)		371	369,739
Continental Airlines Pass-Through Trust:			
Series 1997-4, Class B, 6.90%, 7/02/18		89	92,395
Series 2010-1, Class B, 6.00%, 7/12/20		298	305,241
Series 2012-3, Class C, 6.13%, 4/29/18		850	862,325
Delta Air Lines Pass-Through Trust:			
Series 2002-1, Class G-1, 6.72%, 7/02/24		531	578,509
Series 2009-1, Class B, 9.75%, 6/17/18		161	176,025
Series 2010-1, Class B, 6.38%, 7/02/17		447	463,763
US Airways Group, Inc., 6.13%, 6/01/18		305	276,788
US Airways Pass-Through Trust:			
Series 2011-1, Class C, 10.88%, 10/22/14		421	444,422
Series 2012-1, Class C, 9.13%, 10/01/15		390	405,292
Series 2012-2, Class B, 6.75%, 12/03/22		300	309,750
Series 2012-2, Class C, 5.45%, 6/03/18		1,045	974,462
Series 2013-1, Class B, 5.38%, 5/15/23		875	831,250
			6,089,961
Auto Components 3.0%			
Affinia Group, Inc., 7.75%, 5/01/21 (a)		621	638,077
Brighthouse Group PLC, 7.88%, 5/15/18	GBP	100	156,520
Continental Rubber of America Corp., 4.50%, 9/15/19 (a)	USD	150	151,575
Dana Holding Corp., 6.75%, 2/15/21		410	435,112
Delphi Corp., 6.13%, 5/15/21		65	71,013
GKN Holdings PLC, 5.38%, 9/19/22	GBP	180	283,962
Icahn Enterprises LP/Icahn Enterprises Finance Corp., 8.00%, 1/15/18	USD	2,775	2,920,687
IDQ Holdings, Inc., 11.50%, 4/01/17 (a)		355	393,162
Jaguar Land Rover Automotive PLC, 8.25%, 3/15/20	GBP	439	753,793
Schaeffler Finance BV, 4.25%, 5/15/18	EUR	121	159,952
Schaeffler Holding Finance BV (f):			
6.88%, 8/15/18 (a)	USD	450	468,000
6.88%, 8/15/18	EUR	310	420,979
Servus Luxembourg Holdings SCA, 7.75%, 6/15/18		200	268,348
Titan International, Inc.:			
7.88%, 10/01/17	USD	430	455,800
7.88%, 10/01/17 (a)		455	482,300
			8,059,280
Building Products 1.5%			
American Builders & Contractors Supply Co., Inc., 5.63%, 4/15/21 (a)		425	412,250
Builders FirstSource, Inc., 7.63%, 6/01/21 (a)		372	372,000
Building Materials Corp. of America (a):			
7.00%, 2/15/20		500	531,250
6.75%, 5/01/21		710	752,600
Cemex SAB de CV, 5.88%, 3/25/19 (a)		210	198,975
Momentive Performance Materials, Inc., 8.88%, 10/15/20		700	726,250
Texas Industries, Inc., 9.25%, 8/15/20		215	234,888
USG Corp., 9.75%, 1/15/18		645	743,362

				3,971,575
Capital Markets 0.3%				
E*Trade Financial Corp., 0.00%, 8/31/19 (g)(h)		226		306,795
Capital Markets (concluded)				
KCG Holdings, Inc., 8.25%, 6/15/18 (a)	USD	209	$	205,342
Nuveen Investments, Inc., 9.13%, 10/15/17 (a)		194		191,090
				703,227