

BLACKROCK FLOATING RATE INCOME TRUST

Form N-CSR

January 02, 2014

[Table of Contents](#)

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: 811-21566

Name of Fund: BlackRock Floating Rate Income Trust (BGT)

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

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

Date of fiscal year end: 10/31/2013

Date of reporting period: 10/31/2013

Table of Contents

Item 1 Report to Stockholders

Table of Contents

OCTOBER 31, 2013

ANNUAL REPORT

BlackRock Credit Allocation Income Trust (BTZ)

BlackRock Floating Rate Income Trust (BGT)

BlackRock Multi-Sector Income Trust (BIT)

Not FDIC Insured May Lose Value No Bank Guarantee

Table of Contents

Table of Contents

	Page
<u>Dear Shareholder</u>	3
<u>Annual Report:</u>	
<u>Trust Summaries</u>	4
<u>The Benefits and Risks of Leveraging</u>	10
<u>Derivative Financial Instruments</u>	10
<u>Financial Statements:</u>	
<u>Schedules of Investments</u>	11
<u>Statements of Assets and Liabilities</u>	50
<u>Statements of Operations</u>	51
<u>Statements of Changes in Net Assets</u>	52
<u>Statements of Cash Flows</u>	54
<u>Financial Highlights</u>	55
<u>Notes to Financial Statements</u>	58
<u>Report of Independent Registered Public Accounting Firm</u>	72
<u>Important Tax Information</u>	72
<u>Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements</u>	73
<u>Automatic Dividend Reinvestment Plans</u>	77
<u>Officers and Trustees</u>	78
<u>Additional Information</u>	81

Table of Contents

Dear Shareholder

Financial markets were volatile as 2012 drew to a close, with investors growing increasingly concerned over the possible implementation of pre-mandated tax increases and spending cuts known as the fiscal cliff. However, a last-minute tax deal averted the potential crisis and allowed markets to get off to a strong 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, fostered an aura of comfort for investors. Global equities surged, while rising US Treasury yields pressured high quality fixed income assets. (Bond prices fall when yields rise.)

Global economic momentum slowed in February, however, and the pace of the rally moderated. In the months that followed, US stocks outperformed international stocks, as America showed greater stability compared to most other regions. Slow, but positive, growth was sufficient to support corporate earnings, while uncomfortably high unemployment reinforced expectations that the Federal Reserve would keep its asset purchase program intact and interest rates low. International markets experienced higher levels of volatility given a resurgence of political instability in Italy, a severe banking crisis in Cyprus and a generally poor outlook for European economies, many of which were mired in recession. Emerging markets significantly lagged the rest of the world as growth in these economies, particularly in China and Brazil, fell short of expectations.

In May, the Fed Chairman commented on the possibility of beginning to gradually reduce or taper the central bank's asset purchase program before the end of 2013. Investors around the world retreated from higher risk assets in response. Markets rebounded in late June when the tone of the US central bank turned more dovish, and improving economic indicators and better corporate earnings helped extend gains through July.

Markets slumped again in August as investors became wary of looming macro risks. Mixed economic data stirred worries about global growth and uncertainty about when and how much the Fed would scale back on stimulus. Also weighing on investors' minds was the escalation of the revolution in Egypt and the civil war in Syria, both of which fueled higher oil prices, an additional headwind for global economic growth.

September was surprisingly positive for investors, thanks to the easing of several key risks. Most important, the Fed defied market expectations with its decision to delay tapering. Additionally, the more hawkish candidate to become the next Fed Chairman, Larry Summers, withdrew from the race. On the geopolitical front, turmoil in Egypt and Syria subsided. In Europe, the re-election of Angela Merkel as Chancellor of Germany was welcomed as a continuation of the status quo. High levels of volatility returned in late September when the Treasury Department warned that the US national debt would breach its statutory maximum soon after Oct. 17. Political brinkmanship led to a partial government shutdown, roiling global financial markets through the first half of October, but the rally quickly resumed with a last-minute compromise to reopen the government and extend the debt ceiling until early 2014.

Though periods of heightened uncertainty drove high levels of market volatility over the past year, riskier asset classes generally outperformed lower-risk investments. Developed market equities generated the highest returns for the 6- and 12-month periods ended Oct. 31, with particular strength coming from US small-cap stocks. Emerging markets posted smaller, albeit positive returns after struggling with slowing growth and weakening currencies in the first half of 2013. Rising interest rates resulted in poor performance for US Treasury bonds and other higher-quality sectors such as tax-exempt municipals and investment grade corporate bonds. High yield bonds, on the other hand, moved higher as income-oriented investors sought meaningful returns in the low-rate environment. Short-term interest rates remained near zero, keeping yields on money market securities near historical lows.

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

Edgar Filing: BLACKROCK FLOATING RATE INCOME TRUST - Form N-CSR

Though periods of heightened uncertainty drove high levels of market volatility over the past year, riskier asset classes generally outperformed lower-risk investments.

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of October 31, 2013

	6-month	12-month
US large cap equities (S&P 500® Index)	11.14%	27.18%
US small cap equities (Russell 2000® Index)	16.90	36.28
International equities (MSCI Europe, Australasia, Far East Index)	8.53	26.88
Emerging market equities (MSCI Emerging Markets Index)	1.18	6.53
3-month Treasury bill (BofA Merrill Lynch 3-Month US Treasury Bill Index)	0.03	0.09
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	(6.07)	(4.64)
US investment grade bonds (Barclays US Aggregate Bond Index)	(1.97)	(1.08)
Tax-exempt municipal bonds (S&P Municipal Bond Index)	(3.63)	(1.69)
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	1.50	8.86

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

THIS PAGE NOT PART OF YOUR FUND REPORT

3

Table of Contents

Trust Summary as of October 31, 2013

BlackRock Credit Allocation Income Trust

Trust Overview

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

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

Portfolio Management Commentary

On December 10, 2012, the Trust acquired substantially all of the assets and assumed substantially all of the liabilities of BlackRock Credit Allocation Income Trust I, Inc., BlackRock Credit Allocation Income Trust II, Inc. and BlackRock Credit Allocation Income Trust III in exchange for newly issued shares of the Trust in a reorganization transaction. On February 11, 2013, the Trust changed its name from BlackRock Credit Allocation Income Trust IV to BlackRock Credit Allocation Income Trust.

How did the Trust perform?

For the 12-month period ended October 31, 2013, the Trust returned (2.01)% based on market price and 4.86% based on net asset value (NAV). For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of (4.42)% based on market price and 3.27% based on NAV. All returns reflect reinvestment of dividends. The Trust'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 Trust's heavy exposure to credit sectors had a positive impact on performance as risk assets broadly rallied during the period. In this positive market environment, the Trust's high level of leverage enhanced results. A preference for companies generating cash flows sourced from the US domestic market proved beneficial, as did holding large allocations to the higher-yielding credit sectors such as high yield bonds, subordinated financials and lower-quality investment grade bonds. The Trust's use of leverage to achieve greater exposure to high yield bonds boosted returns. Additionally, in the investment grade space, security selection within industrials and a preference for bank capital securities aided performance.

While the slow-growth, low-rate environment has been conducive for positive performance in credit sectors, the rapid rise in interest rates during the second quarter of 2013 drove negative returns across fixed income markets broadly. (Bond prices fall as interest rates rise.) Given the Trust's sensitivity to interest rate movements, this interest rate-driven market sell-off hindered performance for the period. Additionally, a small allocation to emerging market securities detracted from results given the recent underperformance of emerging versus developed markets.

Describe recent portfolio activity.

During the 12-month period, the Trust was tactical in rotating in and out of sectors and individual credit names, but overall, did not make major changes to its overall positioning. While it became clear that the US Federal Reserve is moving to closer to reducing the scale of its asset purchase program, the slow-growth paradigm in the United States has yet to prove sufficient to warrant a major change in central bank monetary policy and, as a result, credit sectors have been well supported. In this scenario where corporate funding is cheap and re-levering is

Edgar Filing: BLACKROCK FLOATING RATE INCOME TRUST - Form N-CSR

a reality, the Trust remained focused on bottom-up security selection within industrials given the event-driven headline risk for a number of credits in that space.

Describe portfolio positioning at period end.

As of period end, the Trust continued to maintain its allocations to high yield, financials and capital securities. The Trust continued to favor financials over industrials given the rising event risk in the industrial space. Additionally, the Trust retained a bias toward companies with US-sourced cash flows while minimizing exposure to emerging markets.

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.

Table of Contents**BlackRock Credit Allocation Income Trust****Trust Information**

Symbol on New York Stock Exchange (NYSE)	BTZ
Initial Offering Date	December 27, 2006
Current Distribution Rate on Closing Market Price as of October 31, 2013 (\$12.97) ¹	7.45%
Current Monthly Distribution per Common Share ²	\$0.0805
Current Annualized Distribution per Common Share ²	\$0.9660
Economic Leverage as of October 31, 2013 ³	33%

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. See the Additional Information Section 19(a) Notices section for the estimated sources and character of distributions. 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 reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to any borrowings) minus the sum of 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 10.

Market Price and Net Asset Value Per Share Summary

	10/31/13	10/31/12	Change	High	Low
Market Price	\$12.97	\$14.23	(8.85)%	\$14.44	\$12.13
Net Asset Value	\$14.99	\$15.37	(2.47)%	\$15.77	\$14.45

Market Price and Net Asset Value History For the Past Five Years**Overview of the Trust's Long-Term Investments**

Portfolio Composition	10/31/13	10/31/12
Corporate Bonds	84%	80%
Preferred Securities	14	16
Municipal Bonds	1	1
Asset-Backed Securities	1	1
US Treasury Obligations		2
Credit Quality Allocation⁴	10/31/13	10/31/12
AAA/Aaa ⁵		3%
AA/Aa	1%	2
A	16	25

Edgar Filing: BLACKROCK FLOATING RATE INCOME TRUST - Form N-CSR

BBB/Baa	43	39
BB/Ba	24	18
B	13	10
CCC/Caa		1
Not Rated	3	2

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

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

ANNUAL REPORT

OCTOBER 31, 2013

5

Table of Contents

Trust Summary as of October 31, 2013

BlackRock Floating Rate Income Trust

Trust Overview

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

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

Portfolio Management Commentary

How did the Trust perform?

For the 12-month period ended October 31, 2013, the Trust returned 0.60% based on market price and 9.37% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 2.92% based on market price and 9.12% based on NAV. All returns reflect reinvestment of dividends. The Trust 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?

Security selection in the technology and gaming sectors contributed positively to results, as did the Trust's tactical allocation to fixed-rate high yield corporate bonds, which outperformed floating rate loan interests (i.e., bank loans) over the period. The Trust's preference for non-US loan credits versus emerging market sovereign bonds proved beneficial as emerging market debt declined over the period.

Conversely, security selection in the electric and media non-cable sectors detracted from performance. Notably, the Trust's larger media non-cable issuer positions underperformed lower-rated and/or distressed issuers within the sector.

Describe recent portfolio activity.

During the 12-month period, the Trust added to positions in the gaming and technology sectors. The Trust maintained its focus on the higher quality portions of the loan market in terms of loan structure, liquidity and overall credit quality. The Trust sought issuers with attractive risk-reward characteristics and superior fundamentals, while limiting exposure to lower-rated portions of the market where the investment advisor believes there is a general risk-reward imbalance. As the average loan traded at or just above par during the period (leaving little or no potential for price appreciation), the Trust placed an emphasis on investing in strong companies that are better positioned to pay their debts despite the slow growth environment.

Edgar Filing: BLACKROCK FLOATING RATE INCOME TRUST - Form N-CSR

The bank loan market was strong in 2012 and continued to rally in 2013 with much of the upswing attributable to record inflows from investors seeking to reduce interest rate risk in their fixed income portfolios. Despite the positive market environment, the Trust did not deviate from its core investment style, which is centered on improving the yield characteristics of an investor's portfolio while seeking to minimize exposure to macro risks.

Describe portfolio positioning at period end.

At period end, the Trust held 83% of its total portfolio in floating rate loan interests and 13% in corporate bonds, with the remainder invested in a mix of asset-backed securities and common stocks. The Trust's highest-conviction holdings included Caesars Entertainment Operating Co., Inc. (gaming), Hilton Worldwide Finance LLC (lodging) and Alliance Boots Holdings Ltd. (retailers). The Trust ended the period with leverage at 30% 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.

Table of Contents**BlackRock Floating Rate Income Trust****Trust Information**

Symbol on NYSE	BGT
Initial Offering Date	August 30, 2004
Current Distribution Rate on Closing Market Price as of October 31, 2013 (\$14.12) ¹	6.16%
Current Monthly Distribution per Common Share ²	\$0.0725
Current Annualized Distribution per Common Share ²	\$0.8700
Economic Leverage as of October 31, 2013 ³	30%

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 the loan outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to any borrowings) minus the sum of 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 10.

Market Price and Net Asset Value Per Share Summary

	10/31/13	10/31/12	Change	High	Low
Market Price	\$14.12	\$15.07	(6.30)%	\$16.37	\$13.90
Net Asset Value	\$14.79	\$14.52	1.86%	\$14.93	\$14.45

Market Price and Net Asset Value History For the Past Five Years**Overview of the Trust's Long-Term Investments**

The following charts show the portfolio composition of the Trust's long-term investments and credit quality allocations of the Trust's corporate bonds:

Portfolio Composition	10/31/13	10/31/12
Floating Rate Loan Interests	83%	80%
Corporate Bonds	13	16
Asset-Backed Securities	3	2
Common Stocks	1	1
Foreign Agency Obligations		1
Credit Quality Allocation ⁴	10/31/13	10/31/12
BBB/Baa	10%	19%
BB/Ba	21	36
B	67	42

CCC/Caa
Not Rated