

BLACKROCK CREDIT ALLOCATION INCOME TRUST  
Form N-CSRS  
July 01, 2015

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 811-21972

Name of Fund: BlackRock Credit Allocation Income Trust (BTZ)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Credit Allocation Income Trust, 55 East 52<sup>nd</sup> Street, New York, NY 10055

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

Date of fiscal year end: 10/31/2015

Date of reporting period: 04/30/2015

Item 1 Report to Stockholders

SEMI-ANNUAL REPORT (UNAUDITED)

**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**

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## The Markets in Review

Dear Shareholder,

Financial market performance was generally positive for the 6- and 12-month periods ended April 30, 2015, although volatility increased from the remarkably low levels seen in recent years. In 2014, as the U.S. Federal Reserve (the Fed) gradually reduced its bond buying program (which ultimately ended in October), U.S. interest rates surprisingly trended lower and stock prices forged ahead despite high valuations on the back of a multi-year bull market.

Around mid-year, however, geopolitical tensions intensified in Ukraine and the Middle East and oil prices became highly volatile, stoking worries about economic growth outside the United States. As the U.S. economy continued to post stronger data, investors grew concerned that the Fed would raise short-term rates sooner than previously anticipated. The U.S. dollar appreciated and global credit markets tightened, ultimately putting a strain on investor flows, and financial markets broadly weakened in the third quarter.

U.S. economic growth picked up considerably in the fourth quarter while the broader global economy showed signs of slowing. U.S. markets significantly outperformed international markets during this period even as the European Central Bank (ECB) and the Bank of Japan eased monetary policy, which drove further strengthening in the U.S. dollar. Oil prices plummeted due to a global supply-and-demand imbalance, sparking a selloff in energy-related assets and stress in emerging markets. Fixed income investors piled into U.S. Treasuries as their persistently low yields became attractive as compared to international sovereign debt.

Equity markets reversed in 2015, with U.S. stocks underperforming international markets. Investors had held high expectations for the U.S. economy, but after a harsh winter, first-quarter data disappointed and high valuations took their toll on U.S. stocks. The continued appreciation of the dollar was an additional headwind for exporters. Although U.S. economic momentum had broadly weakened, the labor market—a key determinant for the Fed's decision on the future of interest rate policy—showed improvement, keeping investors on edge about when to expect the first rate hike.

In contrast, economic reports in Europe and Asia easily beat investors' very low expectations, and accommodative policies from central banks in those regions helped international equities rebound. The ECB's asset purchase program was the largest in scale and effect on the markets. Global sentiment improved with a ceasefire in Ukraine and an improving outlook for Greece's continued membership in the eurozone. Emerging market stocks rebounded in April as oil prices appeared to stabilize.

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 [blackrock.com](http://blackrock.com) for further insight about investing in today's markets.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

**Total Returns as of April 30, 2015**

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	<b>6-month</b>	<b>12-month</b>
U.S. large cap equities (S&P 500® Index)	4.40%	12.98%
U.S. small cap equities (Russell 2000® Index)	4.65	9.71
International equities (MSCI Europe, Australasia, Far East Index)	6.81	1.66
Emerging market equities (MSCI Emerging Markets Index)	3.92	7.80
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.01	0.02
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	3.59	8.03
U.S. investment-grade bonds (Barclays U.S. Aggregate Bond Index)	2.06	4.46
Tax-exempt municipal bonds (S&P Municipal Bond Index)	1.27	4.86
U.S. high yield bonds (Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	1.52	2.59

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

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## Trust Summary as of April 30, 2015

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****How did the Trust perform?**

For the six-month period ended April 30, 2015, the Trust returned 3.66% based on market price and 2.71% based on NAV. For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of 3.16% based on market price and 1.90% based on NAV. All returns reflect reinvestment of dividends and/or distributions. 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 the Trust's absolute performance based on NAV:**

**What factors influenced performance?**

The Trust's positions in high-yield bonds and capital securities (which combine the features of corporate bonds and preferred stock and typically offer higher yields than corporate debt since they are lower in the capital structure), which outperformed the broader investment-grade corporate bond market, made a positive contribution to performance during the six-month period. On a sector basis, allocations to the financials, industrials and utilities sectors had a positive impact on performance.

The Trust utilized derivatives during the period for the purposes of managing risk in its allocation to financials and targeting specific positioning with respect to the yield curve. On balance, these positions detracted from performance. The Trust also held a conservative duration positioning during the period, which prevented it from fully benefiting from the modest decline in bond yields.

**Describe recent portfolio activity.**

The Trust had a bias toward higher quality securities, and it continued to look for opportunities to increase credit quality. In addition, the Trust reduced its overweight position in 30-year corporate bonds late in 2014.

The Trust added to its position in the energy sector by increasing exposure to the midstream sub-sector, which is largely made up of gas pipeline companies. The Trust remained overweight in financials, particularly in the life insurance industry, as the financial sector typically features lower event risk than the industrials sector. Within the financial sector, the Trust maintained an allocation to capital securities given the attractive yield premium available by moving down the capital structure.

**Describe portfolio positioning at period end.**

The Trust remained defensively positioned on the belief that overall valuations in the credit sectors were not particularly attractive. However, the investment advisor continued to look for ways to capitalize on market volatility and idiosyncratic opportunities. The Trust maintained a

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bias toward higher-quality securities and sought to avoid the risks associated with events such as mergers and acquisitions or other activities designed to benefit equity investors over bondholders.

The Trust remained underweight in the industrials sector, with its largest underweights in the consumer cyclical, consumer non-cyclical, technology, and energy industries. Within the energy space, the Trust held a significant position in gas pipeline companies, which are less sensitive to fluctuations in the price of the underlying commodity.

Believing U.S. bond yields are too low given the nation's healthy economic fundamentals, the Trust closed the period with a short duration (or an interest-rate sensitivity below that of the benchmark). The Trust maintained a bias toward a flattening yield curve on the belief that rate hikes by the U.S. Federal Reserve could have a disproportionate impact on short-term bonds. (Prices and yields move in opposite directions). The Trust is more cautious on the international debt markets, however, as quantitative easing actions in Europe and Asia are likely to exacerbate a misallocation of capital flows and further delay the undertaking of true fiscal reform.

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.

### 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 April 30, 2015 (\$13.54) <sup>1</sup>	7.13%
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 April 30, 2015 <sup>3</sup>	32%

<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 consists of income, net realized gains and/or a return of capital. Past performance does not guarantee future results.

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

<sup>3</sup> 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.



## BlackRock Credit Allocation Income Trust

## Market Price and Net Asset Value Per Share Summary

	4/30/15	10/31/14	Change	High	Low
Market Price	\$13.54	\$13.54	0.00%	\$13.65	\$12.92
Net Asset Value	\$15.22	\$15.36	(0.91)%	\$15.41	\$14.93

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

## Overview of the Trust's Total Investments

Portfolio Composition	4/30/15	10/31/14 <sup>1</sup>
Corporate Bonds	76%	78%
Preferred Securities	16	16
Asset-Backed Securities	4	3
U.S. Treasury Obligations	2	1
Municipal Bonds	1	1
Foreign Agency Obligations	1	1
Other <sup>2</sup>		

<sup>1</sup> Information has been revised to conform to current year presentation.

<sup>2</sup> Includes a less than 1% holding in each of the following investment types: Options Purchased, Options Written, U.S. Sponsored-Agency Securities and Short-Term Securities.

Credit Quality Allocation <sup>3,4</sup>	4/30/15	10/31/14 <sup>1</sup>
AAA/Aaa <sup>5</sup>	3%	2%
AA/Aa	2	2
A	19	17
BBB/Baa	45	45
BB/Ba	19	21
B	9	9
CCC/Caa	1	2
N/R	2	2

<sup>3</sup> For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor's (S&P) or Moody's Investors Service (Moody's) if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

<sup>4</sup> Excludes Short-Term Securities, Options Purchased and Options Written.

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- <sup>5</sup> The investment advisor evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors, individual investments and/or issuer. Using this approach, the investment advisor has deemed U.S. Government Sponsored Agency Securities and U.S. Treasury Obligations as AAA/Aaa.

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APRIL 30, 2015

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## Trust Summary as of April 30, 2015

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 U.S. and non-U.S. issuers, including a substantial portion of its assets in global floating and variable rate securities including senior secured floating rate loans made to corporate and other business entities. Under normal market conditions, the Trust expects that the average effective duration of its portfolio will be no more than 1.5 years. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

**Portfolio Management Commentary****How did the Trust perform?**

For the six-month period ended April 30, 2015, the Trust returned 5.78% based on market price and 3.98% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 5.86% based on market price and 2.60% 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 the Trust's absolute performance based on NAV:**

**What factors influenced performance?**

After declining in late 2014 along with global risk markets more generally, the market for floating rate loan interests (i.e. bank loans) recovered steadily from around mid-December through the end of the period. Within the loan portfolio, individual security selection in the electric sector, particularly Energy Future Holdings Corp., as well as a focus on higher quality companies in the independent energy sector, were the most significant positive contributors. The Trust's use of leverage was also a contributor in a strong market for loans, as were modest allocations to collateralized loan obligations (CLOs) and high yield bonds.

Allocations to loans within metals & mining and oil field services detracted from performance as those sectors declined.

**Describe recent portfolio activity.**

Throughout the six-month period, the Trust maintained its focus on the higher quality segments of the loan market in terms of loan structure, liquidity and overall credit quality. During the period, the Trust modestly increased its exposure to loans rated BB and B, while reducing exposure to CCC-rated loans. The Trust also modestly increased holdings of CLOs given attractive valuations. With respect to individual holdings, the Trust reduced its position in Caesars Entertainment Resort Properties LLC as the company continued its restructuring, and added to its position in Valeant Pharmaceuticals International as the company did a large acquisition financing.

**Describe portfolio positioning at period end.**

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At period end, the Trust held 93% of its total portfolio in bank loans, with the remainder primarily in corporate bonds and collateralized loan obligations. The Trust continued to favor loans rated B where the investment advisor was comfortable with credit quality, in view of the incremental income they offered versus BB loans. The Trust had a cautious stance with respect to loans rated CC and below and nonrated loans, as well as smaller, less liquid loans. The Trust's largest portfolio positions included Valeant Pharmaceuticals (pharmaceuticals), Level 3 Communications (wirelines) and HD Supply (building materials).

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.

Trust Information	
Symbol on NYSE	BGT
Initial Offering Date	August 30, 2004
Current Distribution Rate on Closing Market Price as of April 30, 2015 (\$13.50) <sup>1</sup>	5.80%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0653
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.7836
Economic Leverage as of April 30, 2015 <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 consists of income, net realized gains and/or a return of capital. Past performance does not guarantee future results.

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

<sup>3</sup> Represents bank borrowings outstanding as a percentage of total managed assets, which is the total assets of the Trust (including any assets attributable to any borrowings) minus the sum of 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

	4/30/15	10/31/14	Change	High	Low
Market Price	\$ 13.50	\$ 13.18	2.43%	\$ 13.73	\$ 12.58
Net Asset Value	\$ 14.67	\$ 14.57	0.69%	\$ 14.68	\$ 14.12

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

## Overview of the Trust's Total Investments

Portfolio Composition	4/30/15	10/31/14 <sup>1</sup>
Floating Rate Loan Interests	93%	93%
Corporate Bonds	4	4
Asset-Backed Securities	2	2
Common Stocks	1	1
Other	2	3

<sup>1</sup> Information has been revised to conform to current year presentation.

<sup>2</sup> Includes a less than 1% holding in each of the following investment types: Non-Agency Mortgage Backed Securities, Other Interests, Investment Companies, Warrants, Short-Term Securities and Options Purchased.

<sup>3</sup> Includes a less than 1% holding in each of the following investment types: Non-Agency Mortgage-Backed Securities, Other Interests, Warrants and Options Purchased.

Credit Quality Allocation <sup>4,5</sup>	4/30/15	10/31/14 <sup>1</sup>
BBB/Baa	6	