

BLACKROCK CORPORATE HIGH YIELD FUND III, INC.

Form N-CSRS

November 05, 2012

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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 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: 02/28/2013

Date of reporting period: 08/31/2012

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Item 1 Report to Stockholders

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August 31, 2012

## 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 Floating Rate Income Strategies Fund II, Inc. (FRB)

BlackRock Senior High Income Fund, Inc. (ARK)

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

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### Dear Shareholder

About this time one year ago, financial markets had been upended by sovereign debt turmoil in the United States and Europe as well as growing concerns about the future of the global economy. Since then, asset prices have waxed and waned in broad strokes as investors reacted to developments in Europe's financial situation, mixed US economic news and global central bank policy action.

After confidence crumbled in the third quarter of 2011, October brought improving economic data and more concerted efforts among European leaders toward stemming the region's debt crisis, gradually drawing investors back to the markets. Improving sentiment carried over into early 2012 as investors felt some relief from the world's financial woes. Volatility abated and risk assets (including stocks, commodities and high yield bonds) moved boldly higher through the first two months of 2012 while climbing Treasury yields pressured higher-quality fixed income assets.

Markets reversed course in the spring when Europe's debt problems boiled over once again. High levels of volatility returned as political instability in Greece threatened the country's membership in the euro zone. Spain faced severe deficit issues while the nation's banks clamored for liquidity. Yields on Spanish and Italian government debt rose to levels deemed unsustainable. European leaders conferred and debated vehemently over the need for fiscal integration among the 17 nations comprising the euro currency bloc as a means to resolve the crisis for the long term.

Alongside the drama in Europe, investors were discouraged by gloomy economic reports from various parts of the world. A slowdown in China, a key powerhouse for global growth, became particularly worrisome. In the United States, disappointing jobs reports dealt a crushing blow to sentiment. Risk assets sold off in the second quarter as investors again retreated to safe haven assets.

Despite the continuation of heightened market volatility, most asset classes enjoyed a robust summer rally. Global economic data continued to be mixed, but the spate of downside surprises seen in the second quarter began to recede and, outside of Europe, the risk of recession largely subsided. Central bank policy action has been a major driver of market sentiment in 2012. Investors' anticipation for economic stimulus drove asset prices higher over the summer as the European Central Bank stepped up its efforts to support the region's troubled nations and the US Federal Reserve reiterated its readiness to take action if economic conditions warrant.

On the whole, most asset classes advanced during the reporting period. US large cap stocks delivered strong returns for the 12 months ended August 31, 2012, while small cap stocks and high yield bonds also performed well. Despite the risk-asset rally in recent months, higher-quality investments including tax-exempt municipal bonds and US Treasury bonds posted exceptional gains by historical standards and outperformed investment-grade corporate bonds. International and emerging equities, however, lagged other asset classes amid ongoing global uncertainty. Near-zero short term interest rates kept yields on money market securities near their all-time lows.

We know that investors continue to face a world of uncertainty and volatile markets, but we also believe these challenging times present many opportunities. We remain committed to working with you and your financial professional to identify actionable ideas for your portfolio. We encourage you to visit [www.blackrock.com/newworld](http://www.blackrock.com/newworld) for more information.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

*We know that investors continue to face a world of uncertainty and volatile markets, but we also believe these challenging times present many opportunities.*

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Rob Kapito

President, BlackRock Advisors, LLC

**Total Returns as of August 31, 2012**

	<b>6-month</b>	<b>12-month</b>
US large cap equities	4.14%	18.00%
(S&P 500® Index)		
US small cap equities	0.89	13.40
(Russell 2000® Index)		
International equities	(4.00)	(0.04)
(MSCI Europe, Australasia, Far East Index)		
Emerging market equities (MSCI Emerging Markets Index)	(10.51)	(5.80)
3-month Treasury bill	0.06	0.06
(BofA Merrill Lynch 3-Month US Treasury Bill Index)		
US Treasury securities	5.25	9.14
(BofA Merrill Lynch 10-Year US Treasury Index)		
US investment grade bonds (Barclays US Aggregate Bond Index)	2.97	5.78
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.24	9.37
US high yield bonds	4.80	13.84
(Barclays US Corporate High Yield 2% Issuer Capped Index)		

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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**Fund Summary** as of August 31, 2012

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

**Investment Objective**

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.

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, 2012, the Fund returned 6.02% based on market price and 5.85% based on net asset value (NAV). For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 8.15% based on market price and 5.80% based on NAV. All returns reflect reinvestment of dividends. The Fund's premium to NAV, which widened slightly during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Security selection across the high yield quality spectrum had a positive impact on performance. From a sector perspective, selection among non-captive diversified financials, cable media and wireless names boosted returns.

Conversely, on a sector basis, security selection among non-rated securities detracted from performance. On a sector basis, selection within independent energy, automotive and gaming had a negative impact on returns. The Fund's allocation to bank loans also hindered performance as the asset class underperformed relative to the high yield market in the risk asset rally.

**Describe recent portfolio activity.**

The Fund began the reporting period increasing its risk profile; however, as risk asset prices surged in 2012, the Fund moderated its degree of risk-taking over the six-month period. While the Fund's view on high yield remained positive throughout this period, as average prices moved north of par for the market, the Fund's holdings became increasingly focused on higher-quality income-oriented credit names with stable fundamentals and an attractive coupon rate, since the potential for price appreciation had largely diminished. With global growth concerns posing a persistent threat and fueling uncertainty, the Fund continued to favor issuers in mature industries that exhibit consistent cash flows and good earnings visibility and debt instruments that are backed by profitable assets. The Fund generally remained cautious of cyclical credits that tend to be more vulnerable to slower economic growth and/or macroeconomic weakness.

**Describe portfolio positioning at period end.**

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At period end, the Fund held 78% of its total portfolio in corporate bonds and 14% in floating rate loan interests (bank loans), with the remainder in common stocks, preferred securities and other interests. The Fund's largest sector exposures included non-cable media, healthcare and chemicals, while its portfolio holdings reflected less emphasis on the riskier, more cyclical segments of the market such as banking, home construction and restaurants. The Fund ended the period with economic leverage at 27% of its total managed assets.

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



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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
Yield on Closing Market Price as of August 31, 2012 (\$7.89) <sup>1</sup>	7.76%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.051
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.612
Economic Leverage as of August 31, 2012 <sup>3</sup>	27%

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

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

<sup>3</sup> 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 14.

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

	8/31/12	2/29/12	Change	High	Low
Market Price	\$ 7.89	\$ 7.76	1.68%	\$ 8.15	\$ 7.13
Net Asset Value	\$ 7.40	\$ 7.29	1.51%	\$ 7.40	\$ 7.00

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

**Portfolio Composition**

	8/31/12	2/29/12
Corporate Bonds	78%	80%
Floating Rate Loan Interests	14	12
Common Stocks	5	5
Preferred Securities	2	2
Other Interests	1	1

**Credit Quality Allocations<sup>4</sup>**

	8/31/12	2/29/12
A	1%	1%
BBB/Baa	5	6
BB/Ba	36	42
B	43	40
CCC/Caa	13	10
Not Rated	2	1

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<sup>4</sup> Using the higher of S&P's or Moody's ratings.

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**Fund Summary** as of August 31, 2012

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

**Investment Objective**

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.

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, 2012, the Fund returned 9.12% based on market price and 6.10% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 8.15% based on market price and 5.80% based on NAV. All returns reflect reinvestment of dividends. The Fund's premium to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Security selection across the high yield quality spectrum had a positive impact on performance. From a sector perspective, selection among non-captive diversified financials, cable media and wireless names boosted returns.

Conversely, on a sector basis, security selection among non-rated securities detracted from performance. On a sector basis, selection within independent energy, automotive and gaming had a negative impact on returns. The Fund's allocation to bank loans also hindered performance as the asset class underperformed relative to the high yield market in the risk asset rally.

**Describe recent portfolio activity.**

The Fund began the reporting period increasing its risk profile; however, as risk asset prices surged in 2012, the Fund moderated its degree of risk-taking over the six-month period. While the Fund's view on high yield remained positive throughout this period, as average prices moved north of par for the market, the Fund's holdings became increasingly focused on higher-quality income-oriented credit names with stable fundamentals and an attractive coupon rate, since the potential for price appreciation had largely diminished. With global growth concerns posing a persistent threat and fueling uncertainty, the Fund continued to favor issuers in mature industries that exhibit consistent cash flows and good earnings visibility and debt instruments that are backed by profitable assets. The Fund generally remained cautious of cyclical credits that tend to be more vulnerable to slower economic growth and/or macroeconomic weakness.

**Describe portfolio positioning at period end.**

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At period end, the Fund held 75% of its total portfolio in corporate bonds and 17% in floating rate loan interests (bank loans), with the remainder in common stocks, preferred securities and other interests. The Fund's largest sector exposures included non-cable media, healthcare and chemicals, while its portfolio holdings reflected less emphasis on the riskier, more cyclical segments of the market such as banking, home construction and retailers. The Fund ended the period with economic leverage at 29% of its total managed assets.

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

**Fund Information**

Symbol on NYSE	CYE
Initial Offering Date	January 30, 1998
Yield on Closing Market Price as of August 31, 2012 (\$8.11) <sup>1</sup>	7.77%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0525
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.6300
Economic Leverage as of August 31, 2012 <sup>3</sup>	29%

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

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

<sup>3</sup> 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 14.

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

	8/31/12	2/29/12	Change	High	Low
Market Price	\$ 8.11	\$ 7.75	4.65%	\$ 8.12	\$ 7.15
Net Asset Value	\$ 7.54	\$ 7.41	1.75%	\$ 7.54	\$ 7.11

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

**Portfolio Composition**

	8/31/12	2/29/12
Corporate Bonds	75%	77%
Floating Rate Loan Interests	17	15
Common Stocks	5	6
Preferred Securities	2	2
Other Interests	1	

**Credit Quality Allocations<sup>4</sup>**

	8/31/12	2/29/12
A	1%	1%
BBB/Baa	5	7
BB/Ba	35	38
B	43	43
CCC/Caa	13	10
Not Rated	3	1

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<sup>4</sup> Using the higher of S&P's or Moody's ratings.

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**Fund Summary** as of August 31, 2012

**BlackRock Debt Strategies Fund, Inc.**

**Investment Objective**

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.

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, 2012, the Fund returned 10.04% based on market price and 5.51% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 8.15% based on market price and 5.80% based on NAV. All returns reflect reinvestment of dividends. The Fund began the period with neither a discount nor a premium to NAV, and moved to a premium by period end. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Security selection among lower quality debt instruments (including both bonds and loans) had a positive impact on performance. From a sector perspective, selection within consumer services, wireless and technology contributed positively.

The Fund invests roughly half of its assets in high yield bonds and half in floating rate loan interests (bank loans), while most funds in the Lipper category invest primarily in high yield bonds. While the Fund's allocation to bank loans did not detract from performance on an absolute basis, the asset class underperformed high yield bonds for the period. Security selection in the independent energy and electric sectors hindered returns for the period.

**Describe recent portfolio activity.**

The Fund began the reporting period increasing its risk profile; however, as risk asset prices surged in 2012, the Fund moderated its degree of risk-taking over the six-month period. While the Fund's view on high yield and bank loan assets remained positive throughout this period, its holdings became increasingly focused on higher-quality income-oriented credit names with stable fundamentals and an attractive coupon rate. With global growth concerns posing a persistent threat and fueling uncertainty, the Fund continued to favor issuers in mature industries that exhibit consistent cash flows and good earnings visibility and debt instruments that are backed by profitable assets. The Fund generally remained cautious of cyclical credits that tend to be more vulnerable to slower economic growth and/or macroeconomic weakness.

**Describe portfolio positioning at period end.**

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At period end, the Fund held 53% of its total portfolio in floating rate loan interests, and 43% in corporate bonds, with the remainder in common stocks, asset-backed securities and other interests. The Fund's largest sector exposures included healthcare, independent energy and chemicals. The Fund ended the period with economic 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.



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BlackRock Debt Strategies Fund, Inc.

**Fund Information**

Symbol on NYSE	DSU
Initial Offering Date	March 27, 1998
Yield on Closing Market Price as of August 31, 2012 (\$4.37) <sup>1</sup>	7.41%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.027
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.324
Economic Leverage as of August 31, 2012 <sup>3</sup>	30%

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

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

<sup>3</sup> 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 14.

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

	8/31/12	2/29/12	Change	High	Low
Market Price	\$ 4.37	\$ 4.13	5.81%	\$ 4.39	\$ 4.00
Net Asset Value	\$ 4.19	\$ 4.13	1.45%	\$ 4.19	\$ 4.00

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

**Portfolio Composition**

	8/31/12	2/29/12
Floating Rate Loan Interests	53%	54%
Corporate Bonds	43	43
Asset-Backed Securities	2	1
Common Stocks	1	1
Other Interests	1	1

**Credit Quality Allocations<sup>4</sup>**

	8/31/12	2/29/12
A	1%	1%
BBB/Baa	5	5
BB/Ba	34	36
B	47	45
CCC/Caa	12	8

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Not Rated

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<sup>4</sup> Using the higher of S&P's or Moody's ratings.

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**Fund Summary** as of August 31, 2012

**BlackRock Floating Rate Income Strategies Fund II,  
Inc.**

**Investment Objective**

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

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

**Portfolio Management Commentary**

On May 23, 2012, the Board of Directors of FRB approved a plan of reorganization, whereby BlackRock Floating Rate Income Strategies Fund, Inc. (FRA) will acquire all of the assets and all of the liabilities of FRB in exchange for newly issued shares of FRA in a merger transaction. At a shareholder meeting on September 13, 2012, FRB's and FRA's shareholders approved the plan of reorganization. The reorganization took place on October 5, 2012.

**How did the Fund perform?**

For the six-month period ended August 31, 2012, the Fund returned 6.50% based on market price and 4.59% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds (Leveraged) category posted an average return of 9.00% based on market price and 5.03% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

Security selection among higher and lower quality loan instruments had a positive impact on the Fund's performance. From a sector perspective, security selection within the consumer services and gaming segments boosted returns. The Fund's tactical allocation to high yield bonds also contributed positively as the asset class outperformed bank loans and higher-duration fixed income instruments during the period. Conversely, on a sector basis, security selection in the electric and non-cable media sectors detracted from performance, as did selection among middle quality loan instruments.

**Describe recent portfolio activity.**

During the period, the Fund maintained its focus on the higher quality portions of the loan market in terms of loan structure, liquidity and overall credit quality. Given mixed economic data along with global policy uncertainty and an overall weak outlook for global growth, the Fund remained cautious of lower-rated less-liquid loans. Instead, the Fund sought issuers with attractive risk-reward characteristics and superior fundamentals. The European Central Bank's long-term refinancing operations, introduced in December 2011, were supportive of risk markets in first half of 2012. However, this development did not have a significant influence on the Fund's view on risk within the loan market. More specifically, the Fund continued to adhere to a strict investment discipline with the goal of pursuing yield while minimizing exposure to macroeconomic risks.

**Describe portfolio positioning at period end.**

At period end, the Fund held 87% of its total portfolio in floating rate loan interests (bank loans) and 10% in corporate bonds, with the remainder in asset-backed securities and common stocks. The Fund's largest sector exposures included healthcare, technology and chemicals. The Fund ended the period with economic 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 Strategies Fund II,  
Inc.****Fund Information**

Symbol on NYSE	FRB
Initial Offering Date	July 30, 2004
Yield on Closing Market Price as of August 31, 2012 (\$13.62) <sup>1</sup>	6.43%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.073
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.876
Economic Leverage as of August 31, 2012 <sup>3</sup>	30%

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

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

<sup>3</sup> 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 14.

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

	8/31/12	2/29/12	Change	High	Low
Market Price	\$ 13.62	\$ 13.21	3.10%	\$ 14.00	\$ 12.90
Net Asset Value	\$ 13.77	\$ 13.60	1.25%	\$ 13.77	\$ 13.37

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

**Portfolio Composition**

	8/31/12	2/29/12
Floating Rate Loan Interests	87%	84%
Corporate Bonds	10	13
Asset-Backed Securities	2	2
Common Stocks	1	1

**Credit Quality Allocations<sup>4</sup>**

	8/31/12	2/29/12
BBB/Baa	7%	10%
BB/Ba	33	36
B	40	39
CCC/Caa	11	7
Not Rated	9	8

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<sup>4</sup> Using the higher of S&P's or Moody's ratings.

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**Fund Summary** as of August 31, 2012

**BlackRock Senior High Income Fund, Inc.**

**Investment Objective**

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.

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, 2012, the Fund returned 13.11% based on market price and 5.41% based on NAV. For the same period, the closed-end Lipper High Yield Funds (Leveraged) category posted an average return of 8.15% based on market price and 5.80% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium 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 among lower quality debt instruments (including both bonds and loans) had a positive impact on performance. From a sector perspective, selection within gaming, wireless and technology contributed positively. The Trust s exposures to preferred securities and common stock also boosted returns.

The Fund invests roughly half of its assets in high yield bonds and half in floating rate loan interests (bank loans), while most funds in the Lipper category invest primarily in high yield bonds. While the Fund s allocation to bank loans did not detract from performance on an absolute basis, the asset class underperformed high yield bonds for the period. Security selection in the independent energy and electric sectors hindered returns for the period.

**Describe recent portfolio activity.**

The Fund began the reporting period increasing its risk profile; however, as risk asset prices surged in 2012, the Fund moderated its degree of risk-taking over the six-month period. While the Fund s view on high yield and bank loan assets remained positive throughout this period, its holdings became increasingly focused on higher-quality income-oriented credit names with stable fundamentals and an attractive coupon rate. With global growth concerns posing a persistent threat and fueling uncertainty, the Fund continued to favor issuers in mature industries that exhibit consistent cash flows and good earnings visibility and debt instruments that are backed by profitable assets. The Fund generally remained cautious of cyclical credits that tend to be more vulnerable to slower economic growth and/or macroeconomic weakness.

**Describe portfolio positioning at period end.**

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At period end, the Fund held 56% of its total portfolio in floating rate loan interests (bank loans) and 41% in corporate bonds, with the remainder in asset-backed securities and common stocks. The Fund's largest sector exposures included healthcare, independent energy and chemicals. The Fund ended the period with economic leverage at 27% of its total managed assets.

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



**Table of Contents****BlackRock Senior High Income Fund, Inc.****Fund Information**

Symbol on NYSE	ARK
Initial Offering Date	April 30, 1993
Yield on Closing Market Price as of August 31, 2012 (\$4.43) <sup>1</sup>	6.77%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.025
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.300
Economic Leverage as of August 31, 2012 <sup>3</sup>	27%

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

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

<sup>3</sup> 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 14.

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

	8/31/12	2/29/12	Change	High	Low
Market Price	\$ 4.43	\$ 4.06	9.11%	\$ 4.43	\$ 3.99
Net Asset Value	\$ 4.22	\$ 4.15	1.69%	\$ 4.22	\$ 4.03

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

**Portfolio Composition**

	8/31/12	2/29/12
Floating Rate Loan Interests	56%	56%
Corporate Bonds	41	41
Asset-Backed Securities	2	2
Common Stocks	1	1

**Credit Quality Allocations<sup>4</sup>**

	8/31/12	2/29/12
A	1%	1%
BBB/Baa	6	6
BB/Ba	35	39
B	54	48
CCC/Caa	4	3
Not Rated		3

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<sup>4</sup> Using the higher of S&P's or Moody's ratings.

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**Table of Contents****The Benefits and Risks of Leveraging**

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

The Funds may utilize leverage by borrowing through a credit facility. 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  $\frac{1}{3}$ % 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, 2012, the Funds had aggregate economic leverage from borrowings through a credit facility as a percentage of their total managed assets as follows:

	<b>Percent of Economic Leverage</b>
COY	27%
CYE	29%

DSU	30%
FRB	30%
ARK	27%

## Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts, foreign currency exchange contracts, options and swaps as specified in Note 2 of the Notes to 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.

**Table of Contents****Consolidated Schedule of Investments**

August 31, 2012 (Unaudited)

BlackRock Corporate High Yield Fund, Inc. (COY)  
(Percentages shown are based on Net Assets)

<b>Common Stocks</b>	<b>Shares</b>	<b>Value</b>
<b>Auto Components 2.3%</b>		
Dana Holding Corp.	92,740	\$ 1,266,828
Delphi Automotive Plc (a)	153,225	4,641,186
		5,908,014
<b>Biotechnology 0.0%</b>		
Ironwood Pharmaceuticals, Inc. (a)	6,540	81,946
<b>Capital Markets 0.4%</b>		
American Capital Ltd. (a)	46,567	511,771
E*Trade Financial Corp. (a)	68,100	583,617
		1,095,388
<b>Chemicals 0.2%</b>		
ADA-ES, Inc. (a)	1,670	39,162
CF Industries Holdings, Inc.	940	194,589
Huntsman Corp.	12,750	183,345
		417,096
<b>Commercial Banks 0.2%</b>		
CIT Group, Inc. (a)	15,830	597,741
<b>Communications Equipment 0.3%</b>		
Loral Space & Communications Ltd.	11,463	841,614
<b>Containers &amp; Packaging 0.0%</b>		
Smurfit Kappa Plc (a)	3,634	29,647
<b>Diversified Financial Services 0.5%</b>		
Kcad Holdings I Ltd.	210,194,127	1,393,797
<b>Diversified Telecommunication Services 0.2%</b>		
Level 3 Communications, Inc. (a)	20,920	450,826
<b>Electrical Equipment 0.0%</b>		
Medis Technologies Ltd.	67,974	204
<b>Energy Equipment &amp; Services 1.0%</b>		
Laricina Energy Ltd. (a)	35,294	1,521,679
Osum Oil Sands Corp. (a)	74,000	938,372
		2,460,051
<b>Hotels, Restaurants &amp; Leisure 0.0%</b>		
Travelport Worldwide Ltd.	70,685	9,189
<b>Media 2.2%</b>		
Belo Corp., Class A	20,724	151,285
Charter Communications, Inc. (a)	65,816	5,120,485
Clear Channel Outdoor Holdings, Inc., Class A (a)	8,934	46,903
Cumulus Media, Inc., Class A (a)	88,000	243,760
DISH Network Corp., Class A	5,420	173,386
		5,735,819
<b>Metals &amp; Mining 0.1%</b>		
African Minerals Ltd. (a)	40,400	161,685
<b>Oil, Gas &amp; Consumable Fuels 0.1%</b>		
African Petroleum Corp. Ltd. (a)	180,300	230,983
<b>Paper &amp; Forest Products 0.1%</b>		
Ainsworth Lumber Co. Ltd. (a)(b)	41,686	91,344
Ainsworth Lumber Co. Ltd. (a)	36,744	80,514
Western Forest Products, Inc. (a)	147,968	160,615
Western Forest Products, Inc. (a)(b)	41,528	45,077

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377,550

Common Stocks	Shares	Value
<b>Semiconductors &amp; Semiconductor Equipment 0.3%</b>		
NXP Semiconductors NV (a)	5,000	\$ 116,600
Spansion, Inc., Class A (a)	60,342	689,709
SunPower Corp.	123	551
		806,860
<b>Software 0.2%</b>		
Bankruptcy Management Solutions, Inc. (a)	468	5
HMH Holdings/EduMedia	19,102	468,005
		468,010
<b>Total Common Stocks 8.1%</b>		21,066,420

	Par	
	(000)	
<b>Corporate Bonds</b>		
<b>Aerospace &amp; Defense 0.7%</b>		
Huntington Ingalls Industries, Inc.:		
6.88%, 3/15/18	USD 210	224,700
7.13%, 3/15/21	295	319,338
Kratos Defense & Security Solutions, Inc., 10.00%, 6/01/17	796	847,740
Meccanica Holdings USA, Inc., 6.25%, 7/15/19 (b)	405	366,463
		1,758,241
<b>Air Freight &amp; Logistics 0.4%</b>		
National Air Cargo Group, Inc.:		
Series 1 12.38%, 9/02/15	548	558,607
Series 2 12.38%, 8/16/15	555	565,094
		1,123,701
<b>Airlines 1.5%</b>		
American Airlines Pass-Through Trust, Series 2011-2, Class A, 8.63%, 4/15/23	1,007	1,067,798
Continental Airlines, Inc.:		
Series 1997-4, Class B 6.90%, 7/02/18	268	267,785
Series 2010-1, Class B 6.00%, 7/12/20	355	357,812
Delta Air Lines, Inc.:		
Series 2002-1, Class G-1 6.72%, 7/02/24	555	601,640
Series 2009-1 Series B 9.75%, 6/17/18	173	187,232
Series 2010-1, Class B 6.38%, 7/02/17	447	447,000
US Airways Pass Through Trust:		
Series 2011-1, Class C 10.88%, 10/22/14	620	635,357
Series 2012-1, Class C 9.13%, 10/01/15	420	428,400
		3,993,024
<b>Auto Components 2.1%</b>		
Dana Holding Corp., 6.75%, 2/15/21	410	441,775
Delphi Corp., 6.13%, 5/15/21	150	165,000
Icahn Enterprises LP, 8.00%, 1/15/18	2,995	3,189,675
IDQ Holdings, Inc., 11.50%, 4/01/17 (b)	355	371,419
International Automotive Components Group SL, 9.13%, 6/01/18 (b)	40	38,350
Jaguar Land Rover Plc, 8.25%, 3/15/20	GBP 439	735,238
Titan International, Inc., 7.88%, 10/01/17	USD 430	450,425
		5,391,882

Portfolio Abbreviations

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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:

<b>AUD</b>	Australian Dollar
<b>CAD</b>	Canadian Dollar
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization
<b>ETF</b>	Exchange Traded Fund
<b>EUR</b>	Euro
<b>FKA</b>	Formerly Known As
<b>GBP</b>	British Pound
<b>LIBOR</b>	London Interbank Offered Rate
<b>PIK</b>	Payment in-Kind
<b>SPDR</b>	Standard and Poor's Depository Receipts
<b>USD</b>	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)

	Par		Value
Corporate Bonds	(000)		
<b>Beverages 0.2%</b>			
Crown European Holdings SA:			
7.13%, 8/15/18 (b)	EUR 227		\$ 314,073
7.13%, 8/15/18	171		236,592
			550,665
<b>Biotechnology 0.0%</b>			
QHP Royalty Sub LLC, 10.25%, 3/15/15 (b)	USD 53		53,117
<b>Building Products 0.8%</b>			
Building Materials Corp. of America (b):			
7.00%, 2/15/20	500		541,250
6.75%, 5/01/21	710		775,675
Momentive Performance Materials, Inc., 11.50%, 12/01/16	340		207,400
USG Corp., 9.75%, 1/15/18	550		589,875
			2,114,200
<b>Capital Markets 0.8%</b>			
E*Trade Financial Corp.:			
12.50%, 11/30/17 (c)	980		1,118,425
2.25%, 8/31/19 (b)(d)(e)	226		193,230
KKR Group Finance Co. LLC, 6.38%, 9/29/20 (b)	600		679,171
			1,990,826
<b>Chemicals 4.3%</b>			
Basell Finance Co. BV, 8.10%, 3/15/27 (b)	380		507,300
Celanese US Holdings LLC, 5.88%, 6/15/21	1,640		1,812,200
Chemtura Corp., 7.88%, 9/01/18	285		307,087
Hexion US Finance Corp.:			
6.63%, 4/15/20	215		217,150
9.00%, 11/15/20	285		243,675
Huntsman International LLC, 8.63%, 3/15/21	155		177,475
INEOS Finance Plc (b):			
8.38%, 2/15/19	835		878,837
7.50%, 5/01/20	405		413,100
INEOS Group Holdings Plc, 8.50%, 2/15/16 (b)	135		127,238
Kinove German Bondco GmbH, 10.00%, 6/15/18	EUR 315		431,866
Kraton Polymers LLC, 6.75%, 3/01/19	USD 115		117,875
LyondellBasell Industries NV, 5.75%, 4/15/24	2,590		2,933,175
Nexeo Solutions LLC, 8.38%, 3/01/18	170		166,175
OXEA Finance/Cy SCA, 9.63%, 7/15/17 (b)	EUR 330		457,743
PolyOne Corp., 7.38%, 9/15/20	USD 200		218,500
TPC Group LLC, 8.25%, 10/01/17	310		340,225
Tronox Finance LLC, 6.38%, 8/15/20 (b)	1,740		1,757,400
			11,107,021
<b>Commercial Banks 1.1%</b>			
CIT Group, Inc.:			
7.00%, 5/02/16 (b)	901		904,569
5.25%, 3/15/18	510		531,675
5.50%, 2/15/19 (b)	490		510,825
5.00%, 8/15/22	530		534,015
6.00%, 4/01/36	500		452,915



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			2,933,999
<b>Commercial Services &amp; Supplies</b>	<b>2.0%</b>		
ARAMARK Corp., 8.50%, 2/01/15		330	338,253
ARAMARK Holdings Corp., 8.63%, 5/01/16 (b)(c)		405	414,623
Aviation Capital Group Corp., 6.75%, 4/06/21 (b)		500	513,375
Brickman Group Holdings, Inc., 9.13%, 11/01/18 (b)		24	24,240
Casella Waste Systems, Inc., 7.75%, 2/15/19		430	425,700
Clean Harbors, Inc., 5.25%, 8/01/20 (b)		484	496,705
Covanta Holding Corp., 6.38%, 10/01/22		585	639,623
EC Finance Plc, 9.75%, 8/01/17	EUR	300	391,019
Mead Products LLC/ACCO Brands Corp., 6.75%, 4/30/20 (b)	USD	205	216,788
	<b>Par</b>		
<b>Corporate Bonds</b>		<b>(000)</b>	<b>Value</b>
<b>Commercial Services &amp; Supplies (concluded)</b>			
Mobile Mini, Inc., 7.88%, 12/01/20	USD	335	\$ 359,287
RSC Equipment Rental, Inc., 8.25%, 2/01/21		800	876,000
Verisure Holding AB:			
8.75%, 9/01/18	EUR	169	212,568
8.75%, 12/01/18		100	111,315
West Corp., 8.63%, 10/01/18	USD	125	126,875
			5,146,371
<b>Communications Equipment</b>	<b>1.8%</b>		
Avaya, Inc., 9.75%, 11/01/15		650	563,875
Frontier Communications Corp., 6.25%, 1/15/13		830	844,525
Hughes Satellite Systems Corp., 6.50%, 6/15/19		370	396,362
Zayo Group LLC/Zayo Capital, Inc.:			
8.13%, 1/01/20		1,420	1,508,750
10.13%, 7/01/20		1,160	1,244,100
			4,557,612
<b>Computers &amp; Peripherals</b>	<b>0.1%</b>		
SanDisk Corp., 1.50%, 8/15/17 (e)		200	221,500
<b>Construction &amp; Engineering</b>	<b>0.2%</b>		
Boart Longyear Management Property Ltd., 7.00%, 4/01/21 (b)		175	181,563
H&E Equipment Services, Inc., 7.00%, 9/01/22 (b)		305	316,437
URS Corp., 5.00%, 4/01/22 (b)		65	65,909
			563,909
<b>Construction Materials</b>	<b>1.4%</b>		
HD Supply, Inc. (b):			
8.13%, 4/15/19		1,425	1,546,125
11.00%, 4/15/20		1,350	1,485,000
Xefin Lux SCA:			
8.00%, 6/01/18 (b)	EUR	233	285,741
8.00%, 6/01/18		200	245,271
			3,562,137
<b>Consumer Finance</b>	<b>0.8%</b>		
Credit Acceptance Corp., 9.13%, 2/01/17	USD	435	478,500
Ford Motor Credit Co. LLC:			
7.00%, 4/15/15		480	534,327
12.00%, 5/15/15		670	834,150
6.63%, 8/15/17		131	150,595
			1,997,572
<b>Containers &amp; Packaging</b>	<b>1.8%</b>		
Ardagh Packaging Finance Plc:			
7.38%, 10/15/17 (b)		200	214,250
7.38%, 10/15/17 (b)	EUR	335	445,592
7.38%, 10/15/17		200	266,025
9.13%, 10/15/20 (b)	USD	365	379,600
9.13%, 10/15/20 (b)		205	214,225
9.13%, 10/15/20 (b)		204	212,670

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Berry Plastics Corp.:			
4.34%, 9/15/14 (f)		275	270,875
8.25%, 11/15/15		110	115,775
9.75%, 1/15/21		390	431,925
Beverage Packaging Holdings Luxembourg II SA, 8.00%, 12/15/16	EUR	617	760,541
GCL Holdings SCA, 9.38%, 4/15/18 (b)		244	297,696
Graphic Packaging International, Inc., 7.88%, 10/01/18	USD	340	379,100
OI European Group BV, 6.88%, 3/31/17	EUR	152	197,399
Sealed Air Corp., 8.38%, 9/15/21 (b)	USD	175	196,875
Tekni-Plex, Inc., 9.75%, 6/01/19 (b)		165	172,425
			4,554,973

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)

	Par	
Corporate Bonds	(000)	Value
<b>Distributors 0.6%</b>		
VWR Funding, Inc., 7.25%, 9/15/17 (b)(g)	USD 1,485	\$ 1,503,563
<b>Diversified Consumer Services 1.5%</b>		
Laureate Education, Inc., 9.25%, 9/01/19 (b)	555	555,000
Service Corp. International, 7.00%, 6/15/17	2,800	3,192,000
ServiceMaster Co., 8.00%, 2/15/20	175	186,594
		3,933,594
<b>Diversified Financial Services 4.1%</b>		
Aircastle Ltd., 6.75%, 4/15/17	430	464,400
Ally Financial, Inc.:		
7.50%, 12/31/13	350	374,062
8.00%, 11/01/31	2,705	3,198,662
8.00%, 11/01/31	560	664,717
CNG Holdings, Inc., 9.38%, 5/15/20 (b)	280	285,600
DPL, Inc., 7.25%, 10/15/21 (b)	1,075	1,225,500
Gala Group Finance Plc, 8.88%, 9/01/18	GBP 300	444,201
General Motors Financial Co., Inc., 6.75%, 6/01/18	USD 270	299,361
Leucadia National Corp., 8.13%, 9/15/15	790	890,725
Reynolds Group Issuer, Inc.:		
7.75%, 10/15/16	EUR 187	242,853
7.13%, 4/15/19	USD 230	247,825
9.75%, 4/15/19	260	264,225
7.88%, 8/15/19	315	350,438
9.88%, 8/15/19	955	1,009,912
8.25%, 2/15/21	125	122,813
WMG Acquisition Corp.:		
9.50%, 6/15/16	110	120,175
11.50%, 10/01/18	382	419,245
		10,624,714
<b>Diversified Telecommunication Services 2.3%</b>		
Broadview Networks Holdings, Inc., 11.38%, 9/01/12 (a)(h)	1,000	675,000
Consolidated Communications Finance Co., 10.88%, 6/01/20 (b)	550	589,875
ITC Deltacom, Inc., 10.50%, 4/01/16	260	280,150
Level 3 Communications, Inc., 8.88%, 6/01/19 (b)	295	300,900
Level 3 Financing, Inc.:		
8.13%, 7/01/19	1,224	1,282,140
7.00%, 6/01/20 (b)	525	522,375
8.63%, 7/15/20	785	839,950
OTE Plc, 5.00%, 8/05/13	EUR 104	113,377
Telenet Finance V Luxembourg SCA:		
6.25%, 8/15/22	137	173,180
6.75%, 8/15/24	350	446,834
Windstream Corp.:		
8.13%, 8/01/13	USD 400	422,000
7.88%, 11/01/17	360	391,500
		6,037,281
<b>Electric Utilities 0.7%</b>		
Mirant Mid Atlantic Pass Through Trust, Series B, 9.13%, 6/30/17	269	289,152
The Tokyo Electric Power Co., Inc., 4.50%, 3/24/14	EUR 1,150	1,439,671

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			1,728,823
<b>Electrical Equipment</b>	<b>0.1%</b>		
Belden, Inc., 5.50%, 9/01/22 (b)		USD 340	340,850
<b>Electronic Equipment, Instruments &amp; Components</b>	<b>0.5%</b>		
CDW LLC/CDW Finance Corp., 8.50%, 4/01/19		354	387,630
Jabil Circuit, Inc., 8.25%, 3/15/18		215	258,000
Micron Technology, Inc., 2.38%, 5/01/32 (b)(e)		407	387,159
NXP BV/NXP Funding LLC, 9.75%, 8/01/18 (b)		190	217,075
			1,249,864
		<b>Par</b>	
<b>Corporate Bonds</b>		<b>(000)</b>	<b>Value</b>
<b>Energy Equipment &amp; Services</b>	<b>3.4%</b>		
Atwood Oceanics, Inc., 6.50%, 2/01/20		USD 130	\$ 138,775
Calfrac Holdings LP, 7.50%, 12/01/20 (b)		360	352,800
Compagnie Générale de Géophysique, Veritas: 7.75%, 5/15/17		235	245,575
6.50%, 6/01/21		1,150	1,197,437
Forbes Energy Services Ltd., 9.00%, 6/15/19		335	324,950
FTS International Services LLC/ FTS International Bonds Inc., 8.13%, 11/15/18 (b)		1,615	1,667,487
Gulfmark Offshore, Inc., 6.38%, 3/15/22 (b)		145	147,900
Hornbeck Offshore Services, Inc., 5.88%, 4/01/20		290	295,800
Key Energy Services, Inc., 6.75%, 3/01/21		415	422,263
MEG Energy Corp. (b): 6.50%, 3/15/21		1,105	1,163,012
6.38%, 1/30/23		415	432,638
Oil States International, Inc., 6.50%, 6/01/19		290	308,125
Peabody Energy Corp.: 6.25%, 11/15/21 (b)		1,285	1,307,487
7.88%, 11/01/26		345	368,288
Precision Drilling Corp.: 6.63%, 11/15/20		70	73,500
6.50%, 12/15/21		275	288,750
			8,734,787
<b>Food &amp; Staples Retailing</b>	<b>0.2%</b>		
Bakkavor Finance 2 Plc, 8.25%, 2/15/18		GBP 100	139,731
Rite Aid Corp., 9.25%, 3/15/20		USD 345	354,487