

BLACKROCK FLOATING RATE INCOME STRATEGIES FUND INC

Form N-CSRS

May 01, 2012

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 811-21413

Name of Fund: BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)

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 Strategies Fund, 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: 08/31/2012

Date of reporting period: 02/29/2012

Item 1 – Report to Stockholders

**February 29, 2012**

Semi-Annual Report (Unaudited)

BlackRock Defined Opportunity Credit Trust (BHL)

BlackRock Diversified Income Strategies Fund, Inc. (DVF)

BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)

BlackRock Limited Duration Income Trust (BLW)

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

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Dear Shareholder

Risk assets were advancing at this time last year despite a wave of geopolitical revolutions, soaring oil prices and natural disasters in Japan. Markets reversed sharply in May, however, when escalating political strife in Greece rekindled fears about sovereign debt problems spreading across Europe. Concurrently, global economic indicators signaled that the recovery had slowed. Confidence was further shaken by the prolonged debt ceiling debate in Washington, DC. On August 5, 2011, Standard & Poor's downgraded the US government's credit rating and turmoil erupted in financial markets around the world. Extraordinary levels of volatility persisted in the months that followed as Greece teetered on the brink of default, debt problems escalated in Italy and Spain, and exposure to European sovereign bonds stressed banks globally. Financial markets whipsawed on hopes and fears. Macro news flow became a greater influence on trading decisions than the fundamentals of the securities traded. By the end of the third quarter, equity markets had fallen nearly 20% from their April peak while safe-haven assets such as US Treasuries and gold had rallied to historic highs.

October brought enough positive economic data to assuage fears of a global double-dip recession. Additionally, European leaders began to show progress toward stemming the region's debt crisis. Investors began to reenter the markets and risk assets recovered through the month. But a lack of definitive details about Europe's rescue plan eventually raised doubts among investors and thwarted the rally at the end of October. The last two months of 2011 saw more political instability in Greece, unsustainable yields on Italian government bonds, and US policymakers in gridlock over budget issues. Global central bank actions and improving economic data invigorated the markets, but investor confidence was easily tempered by sobering news flow.

Investors showed more optimism at the start of 2012. Risk assets rallied through January and February as economic data grew stronger and debt problems in Europe stabilized. In the United States, jobs data signaled solid improvement in the labor market and the Federal Reserve indicated that it would keep short-term interest rates low through 2014. In Europe, policymakers made significant progress toward securing a Greek bailout plan and restructuring the nation's debt. Nevertheless, considerable headwinds remain. Europe faces a prolonged recession, the US economy still remains somewhat shaky and the risks of additional flare ups of euro-zone debt problems and slowing growth in China weigh heavily on the future of the global economy.

Risk assets, including equities and high yield bonds, recovered their late-summer losses and posted strong returns for the 6-month period ended February 29, 2012. On a 12-month basis, US large-cap stocks and high yield bonds delivered positive results, while small-cap and emerging-market stocks finished slightly negative. International markets, which experienced some significant downturns in 2011, lagged the broader rebound. Fixed income securities, which benefited from declining yields, advanced over the 6- and 12-month periods. Despite their quality rating downgrade, US Treasury bonds performed particularly well. Municipal bonds also delivered superior results. Continued low short-term interest rates kept yields on money market securities near their all-time lows.

Many of the themes that caused uncertainty in 2011 remain. For investors, the risks appear daunting, but this challenging environment offers new opportunities. BlackRock was built for these times. Visit [blackrock.com/newworld](http://blackrock.com/newworld) for more information.

Sincerely,

**Rob Kapito**

President, BlackRock Advisors, LLC

*For investors, the risks appear daunting, but this challenging environment offers new opportunities. BlackRock was built for these times.*

**Rob Kapito**

President, BlackRock Advisors, LLC

**Total Returns as of February 29, 2012**

			[REDACTED]
US large cap equities (S&P 500® Index)	13.31	% 5.12	%
US small cap equities (Russell 2000® Index)	12.40	(0.15	)
International equities (MSCI Europe, Australasia, Far East Index)	4.13	(7.45	)
Emerging market equities (MSCI Emerging Markets Index)	5.27	(0.11	)
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.00	0.08	
US Treasury securities (BofA Merrill Lynch 10- Year US Treasury Index)	3.70	17.22	
US investment grade bonds (Barclays US Aggregate Bond Index)	2.73	8.37	
Tax-exempt municipal bonds (S&P Municipal Bond Index)	5.93	12.88	
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	8.62	6.92	

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

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Fund Summary as of February 29, 2012

## **BlackRock Defined Opportunity Credit Trust**

### **Investment Objective**

**BlackRock Defined Opportunity Credit Trust** s (BHL) (the **Fund** ) primary investment objective is to provide high current income, with a secondary objective of long-term capital appreciation. The Fund seeks to achieve its investment objectives by investing substantially all of its assets in loan and debt instruments and loan-related and debt-related instruments (collectively "credit securities"). The Fund invests, under normal market conditions, at least 80% of its assets in any combination of the following credit securities: (i) senior secured floating rate and fixed rate loans; (ii) second lien or other subordinated or unsecured floating rate and fixed rate loans or debt; (iii) credit securities that are rated below investment grade quality; and (iv) investment grade corporate bonds. 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 months ended February 29, 2012, the Fund returned 9.69% based on market price and 8.88% based on net asset value ( NAV ). For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 12.07% based on market price and 8.96% 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-quality and non-rated floating rate loans and common stock had a positive impact on the Fund s performance. Selection in the chemicals and electric sectors also boosted returns. The Fund s tactical exposure to high yield bonds contributed positively as the asset class outperformed loans given improving investor demand for riskier assets over the six-month period.

Detracting from performance was security selection among lower-quality loan instruments, an area of the market that generally carried a less favorable risk-return profile during the period. The Fund s exposure to the paper sector had a negative effect on returns, as did a tactical allocation to asset-backed securities via collateralized loan obligations.

#### **Describe recent portfolio activity.**

The period began with severe market volatility in reaction to headwinds from Europe s debt crisis and a possible US government shut-down. However, the environment shifted in December when the European Central Bank announced a long-term refinancing operation. This liquidity program provided a much-needed short-term solution for the financial markets and mitigated the risk of a collapse in the European banking system. Moreover, it was the catalyst for a positive turn in the valuation of risk assets.

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 the weak outlook for global growth, the Fund remained cautious of lower-rated less-liquid loans. The Fund sought issuers with attractive risk-reward characteristics and superior fundamentals. While the developments during the period bode well for the posture of risk markets going forward, the Fund continues to maintain a high quality bias.

#### **Describe portfolio positioning at period end.**



At period end, the Fund held 87% of its total portfolio in floating rate loan interests (bank loans), 10% in corporate bonds, with the remainder in asset-backed securities and common stocks. The Fund's largest sector exposures included wireless, non-captive diversified financials and chemicals. The Fund ended the period with economic leverage at 22% 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 Defined Opportunity Credit Trust**

**Fund Information**

Symbol on New York Stock Exchange ( NYSE )	BHL
Initial Offering Date	January 31, 2008
Yield on Closing Market Price as of February 29, 2012 (\$13.45) <sup>1</sup>	5.89%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.066
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.792
Economic Leverage as of February 29, 2012 <sup>3</sup>	22%

<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 12.

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

	<b>2/29/12</b>	<b>8/31/11</b>	<b>Change</b>	<b>High</b>	<b>Low</b>
Market Price	\$13.45	\$12.65	6.32%	\$13.58	\$11.59
Net Asset Value	\$13.90	\$13.17	5.54%	\$13.90	\$12.93

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**

	<b>2/29/12</b>	<b>8/31/11</b>
Floating Rate Loan Interests	87 %	86 %
Corporate Bonds	10	11
Asset-Backed Securities	2	2
Common Stocks	1	—
Other Interests	—	1

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

	<b>2/29/12</b>	<b>8/31/11</b>
BBB/Baa	11 %	12 %
BB/Ba	44	33
B	45	55

<sup>4</sup>Using the higher of Standard & Poor's (S&P's) or Moody's Investors Service (Moody's) ratings.  
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Fund Summary as of February 29, 2012

**BlackRock Diversified Income Strategies Fund, Inc.**

## **Investment Objective**

**BlackRock Diversified Income Strategies Fund, Inc. s (DVF) (the Fund )** investment objective is to provide shareholders with high current income. The Fund seeks to achieve its investment objective by investing primarily in floating rate debt securities and instruments, including floating rate loans, bonds, certain preferred securities (including certain convertible preferred securities), notes or other debt securities or instruments which pay a floating or variable rate of interest until maturity. The Fund considers floating rate debt securities to include fixed rate debt securities held by the Fund where the Fund has entered into certain derivative transactions at either the portfolio level or with respect to an individual security held by the Fund, including interest rate swap agreements, in an attempt to convert the fixed rate payments it receives with respect to such securities into floating rate payments. The Fund may invest, under normal market conditions, a substantial portion of its assets in below investment grade quality securities. 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 months ended February 29, 2012, the Fund returned 6.70% based on market price and 8.73% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 12.07% based on market price and 8.96% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

### **What factors influenced performance?**

Security selection among higher-quality loan instruments had a positive impact on the Fund s performance. The Fund s tactical exposure to high yield bonds also contributed positively as the asset class outperformed loans during the period. Selection in the electric, chemicals and transportation services sectors boosted returns. The Fund s use of leverage was an additional contributor.

Detracting from performance was security selection among lower-quality loan instruments, an area of the market that generally carried a less favorable risk-return profile during the period. Selection within the independent energy and non-cable media sectors also had a negative impact on returns.

### **Describe recent portfolio activity.**

The period began with severe market volatility in reaction to headwinds from Europe s debt crisis and a possible US government shut-down. However, the environment shifted in December when the European Central Bank announced a long-term refinancing operation. This liquidity program provided a much-needed short-term solution for the financial markets and mitigated the risk of a collapse in the European banking system. Moreover, it was the catalyst for a positive turn in the valuation of risk assets.

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 the weak outlook for global growth, the Fund remained cautious of lower-rated less-liquid loans. The Fund sought issuers with attractive risk-reward characteristics and superior fundamentals. While the developments during the period bode well for the posture of risk markets going forward, the Fund continues to maintain a high quality bias.

**Describe portfolio positioning at period end.**

At period end, the Fund held 83% of its total portfolio in floating rate loan interests (bank loans), 12% in corporate bonds, with the remainder in asset-backed securities, common stocks and other interests. The Fund's largest sector exposures included cable media, chemicals and wireless. The Fund ended the period with economic leverage at 23% 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 Diversified Income Strategies Fund, Inc.****Fund Information**

Symbol on NYSE	DVF
Initial Offering Date	January 31, 2005
Yield on Closing Market Price as of February 29, 2012 (\$10.12) <sup>1</sup>	6.94%
Current Monthly Distribution per Common Share <sup>2</sup>	\$0.0585
Current Annualized Distribution per Common Share <sup>2</sup>	\$0.7020
Economic Leverage as of February 29, 2012 <sup>3</sup>	23%

<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 12.

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

	<b>2/29/12</b>	<b>8/31/11</b>	<b>Change</b>	<b>High</b>	<b>Low</b>
Market Price	\$10.12	\$ 9.84	2.85%	\$10.22	\$8.84
Net Asset Value	\$10.68	\$10.19	4.81%	\$10.68	\$9.95

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**

	<b>2/29/12</b>	<b>8/31/11</b>
Floating Rate Loan Interests	83 %	80 %
Corporate Bonds	12	14
Asset-Backed Securities	2	2
Common Stocks	2	2
Other Interests	1	2

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

	<b>2/29/12</b>	<b>8/31/11</b>
BBB/Baa	8 %	8 %
BB/Ba	44	30

B	36	47
CCC/Caa	7	8
Not Rated	5	7

<sup>4</sup>Using the higher of