BLACKROCK MUNICIPAL INCOME QUALITY TRUST
Form N-CSRS
May 03, 2017

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 811-21178

Name of Fund: BlackRock Municipal Income Quality Trust (BYM)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Municipal Income Quality Trust, 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 08/31/2017

Date of reporting period: 02/28/2017

Item 1 Report to Stockholders

FEBRUARY 28, 2017

SEMI-ANNUAL REPORT (UNAUDITED)

BlackRock Municipal Bond Trust (BBK)

BlackRock Municipal Income Investment Quality Trust (BAF)

BlackRock Municipal Income Quality Trust (BYM)

BlackRock Municipal Income Trust II (BLE)

BlackRock MuniHoldings Investment Quality Fund (MFL)

BlackRock MuniVest Fund, Inc. (MVF)

The Markets in Review

Dear Shareholder,

Risk assets, such as stocks and high yield bonds, enjoyed strong performance in the 12 months ended February 28, 2017. It was a different story for higher-quality assets such as U.S. Treasuries, which generated muted returns after struggling in the latter part of 2016 as reflationary expectations in the United States helped drive a pick-up in global growth and investors braced for higher interest rates.

Markets showed great resilience during the period. Big surprises such as the United Kingdom s vote to leave the European Union and the outcome of the U.S. presidential election brought spikes in equity market volatility, but they were ultimately short-lived. Instead, investors used the sell-offs to seize upon buying opportunities, allowing markets to quickly rebound. We believe this reinforces the case for taking the long view rather than reacting to short-term market noise.

The global reflationary theme rising nominal growth, wages and inflation was the dominant driver of asset returns during the period, outweighing significant political upheavals and uncertainty. This trend accelerated after the U.S. election and continued into the beginning of 2017, stoked by expectations for an extra boost to U.S. growth via fiscal policy.

Although economic momentum is gaining traction, the capacity for rapid global growth is restrained by structural factors including an aging population, low productivity growth and excess savings. A tempered economic growth trend and high valuations across most assets have set the stage for muted investment returns going forward.

Equity markets still have room to move, although the disparity between winners and losers is widening, making selectivity increasingly important. Fixed income investors are also facing challenges as bond markets recalibrate to accommodate rising rates and higher inflation expectations. And in a world where political risk and policy uncertainty abound, there is no lack of potential catalysts for higher volatility.

In this environment, investors need to think globally, extend their scope across a broad array of asset classes and be nimble as market conditions change. We encourage you to talk with your financial advisor and visit 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 February 28, 2017

	6-month	**12-month**
U.S. large cap equities (S&P 500® Index)	10.01%	24.98%
U.S. small cap equities (Russell 2000® Index)	12.61	36.11
International equities (MSCI Europe, Australasia, Far East Index)	4.90	15.75
Emerging market equities (MSCI Emerging Markets Index)	5.51	29.46
	0.22	0.39

3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)		
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	(6.17)	(4.09)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	(2.19)	1.42
Tax-exempt municipal bonds (S&P Municipal Bond Index)	(2.51)	0.76
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	5.43	21.83

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

Table of Contents

Municipal Market Overview

For the Reporting Period Ended February 28, 2017

Municipal Market Conditions

Municipal bonds generated modestly positive performance for the period, in spite of vastly rising interest rates as a result of generally stronger economic data, signs of inflation pressures, Federal Reserve (Fed) monetary policy normalization, and market expectations for pro-growth fiscal policy. However, ongoing reassurance from the Fed that rates would be increased gradually and would likely remain low overall resulted in strong demand for fixed income investments. Investors favored the income, relative yield, and stability of municipal bonds amid bouts of interest rate volatility (bond prices rise as rates fall) resulting from the United Kingdom s decision to leave the European Union, the contentious U.S. election, and widening central bank divergence i.e., policy easing outside the United States while the Fed slowly commences policy tightening. During the 12 months ended February 28, 2017, municipal bond funds garnered net inflows of approximately $22 billion (based on data from the Investment Company Institute).

For the same 12-month period, total new issuance remained robust from a historical perspective at $443 billion (significantly above the $393 billion issued in the prior 12-month period). A noteworthy portion of new supply during this period was attributable to refinancing activity (roughly 60%) as issuers continued to take advantage of low interest rates and a flatter yield curve to reduce their borrowing costs.

S&P Municipal Bond Index
Total Returns as of February 28, 2017
6 months: (2.51)%
12 months: 0.76%

A Closer Look at Yields

From February 29, 2016 to February 28, 2017, yields on AAA-rated 30-year municipal bonds increased by 25 basis points (bps) from 2.80% to 3.05%, while 10-year rates rose by 53 bps from 1.76% to 2.29% and 5-year rates increased 57 bps from 0.93% to 1.50% (as measured by Thomson Municipal Market Data). The municipal yield curve modestly flattened over the 12-month period with the spread between 2- and 30-year maturities flattening by 17 bps and the spread between 10- and 30-year maturities flattening by 28 bps.

During the same time period, on a relative basis, tax-exempt municipal bonds broadly outperformed U.S. Treasuries with the greatest outperformance experienced in the long-end of the yield curve. In absolute terms, the positive performance of municipal bonds was driven largely by a supply/demand imbalance within the municipal market as investors sought income and incremental yield in an environment where opportunities became increasingly scarce. More broadly, municipal bonds came under pressure post the November U.S. election as a result of uncertainty surrounding potential tax-reform, erasing a bulk of year-to-date performance and influencing a strong pattern of mutual fund inflows to turn negative in the closing months of the period. The asset class is known for its lower relative volatility and preservation of principal with an emphasis on income as tax rates rise.

Financial Conditions of Municipal Issuers

The majority of municipal credits remain strong, despite well-publicized distress among a few issuers. Four of the five states with the largest amount of debt outstanding California, New York, Texas and Florida have exhibited markedly improved credit fundamentals during the slow national recovery. However, several states with the largest unfunded pension liabilities have seen their bond prices decline noticeably and remain vulnerable to additional price deterioration. On the local level, Chicago s credit quality downgrade is an outlier relative to other cities due to its larger pension liability and inadequate funding remedies. BlackRock maintains the view that municipal bond defaults will remain minimal and in the periphery while the overall market is fundamentally sound. We continue to advocate careful credit research and believe that a thoughtful approach to structure and security selection remains imperative amid uncertainty in a modestly improving economic environment.

The opinions expressed are those of BlackRock as of February 28, 2017, and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of any individual holdings or market sectors. Investing involves risk including loss of principal. Bond values fluctuate in price so the value of your investment can go down depending on market conditions. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable.

The Standard & Poor s Municipal Bond Index, a broad, market value-weighted index, seeks to measure the performance of the U.S. municipal bond market. All bonds in the index are exempt from U.S. federal income taxes or subject to the alternative minimum tax. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index.

The Benefits and Risks of Leveraging

The Trusts may utilize leverage to seek to enhance the distribution rate on, and net asset value (NAV) of, their common shares (Common Shares). However, these objectives cannot be achieved in all interest rate environments.

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which is based on short-term interest rates, is normally lower than the income earned by a Trust on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Trusts (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Trusts shareholders 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.

To illustrate these concepts, assume a Trust s Common Shares capitalization is $100 million and it utilizes leverage for an additional $30 million, creating a total value of $130 million available for investment in longer-term income securities. If prevailing short-term interest rates are 3% and longer-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, a Trust s financing costs on the $30 million of proceeds obtained from leverage are based on the lower short-term interest rates. At the same time, the securities purchased by a Trust with the proceeds from leverage earn income based on longer-term interest rates. In this case, a Trust s financing cost of leverage is significantly lower than the income earned on a Trust s longer-term investments acquired from leverage proceeds, and therefore the holders of Common Shares (Common Shareholders) are the beneficiaries of the incremental net income.

However, in order to benefit Common Shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Trusts return on assets purchased with leverage proceeds, income to shareholders is lower than if the Trusts had not used leverage. Furthermore, the value of the Trusts 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 value of the Trusts obligations under their respective leverage arrangements generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Trusts NAVs positively or

negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that a Trust s intended leveraging strategy will be successful.

The use of leverage also generally causes greater changes in each Trust s NAV, market price and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the NAV and market price of a Trust s Common Shares than if the Trust were not leveraged. In addition, each Trust 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 the Trusts to incur losses. The use of leverage may limit a Trust s ability to invest in certain types of securities or use certain types of hedging strategies. Each Trust incurs expenses in connection with the use of leverage, all of which are borne by Common Shareholders and may reduce income to the Common Shares. Moreover, to the extent the calculation of the Trusts investment advisory fees includes assets purchased with the proceeds of leverage, the investment advisory fees payable to the Trusts investment adviser will be higher than if the Trusts did not use leverage.

To obtain leverage, each Trust has issued Variable Rate Demand Preferred Shares (VRDP Shares) and Variable Rate Muni Term Preferred Shares (VMTP Shares) (collectively, Preferred Shares) and/or leveraged its assets through the use of tender option bond trusts (TOB Trusts) as described in the Notes to Financial Statements.

Under the Investment Company Act of 1940, as amended (the 1940 Act), each Trust is permitted to issue debt up to 33 1/3% of its total managed assets or equity securities (e.g., Preferred Shares) up to 50% of its total managed assets. A Trust may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act. In addition, a Trust may also be subject to certain asset coverage, leverage or portfolio composition requirements imposed by the Preferred Shares governing instruments or by agencies rating the Preferred Shares, which may be more stringent than those imposed by the 1940 Act.

If a Trust segregates or designates on its books and records cash or liquid assets having a value not less than the value of a Trust s obligations under the TOB Trust (including accrued interest), a TOB Trust is not considered a senior security and is not subject to the foregoing limitations and requirements under the 1940 Act.

Derivative Financial Instruments

The Trusts may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market, and/or other asset without owning or taking physical custody of securities, commodities and/or other referenced assets or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage and 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 instrument. The Trusts successful use of a derivative financial instrument depends on the investment adviser s ability to predict pertinent market movements accurately, which cannot be assured. The use of these instruments may result in losses greater than if they had not been used, may limit the amount of appreciation a Trust can realize on an investment and/or may result in lower distributions paid to shareholders. The Trusts investments in these instruments, if any, are discussed in detail in the Notes to Financial Statements.

Trust Summary as of February 28, 2017

BlackRock Municipal Bond Trust

Trust Overview

BlackRock Municipal Bond Trust s (BBK) (the Trust) investment objective is to provide current income exempt from regular U.S. federal income tax. The Trust seeks to achieve its investment objective by investing primarily in municipal bonds exempt from regular U.S. federal income taxes (except that the interest may be subject to the U.S. federal alternative minimum tax). The Trust invests, under normal market conditions, at least 80% of its managed assets in municipal bonds that are investment grade quality or, if unrated, determined to be of comparable quality by the investment adviser at the time of investment. 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.

Trust Information	
Symbol on New York Stock Exchange (NYSE)	BBK
Initial Offering Date	April 30, 2002
Yield on Closing Market Price as of February 28, 2017 ($15.55)[1]	5.79%
Tax Equivalent Yield[2]	10.23%
Current Monthly Distribution per Common Share[3]	$0.0750
Current Annualized Distribution per Common Share[3]	$0.9000
Economic Leverage as of February 28, 2017[4]	38%

1 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.

2 Tax equivalent yield assumes the maximum marginal U.S. federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

3 The monthly distribution per Common Share, declared on March 1, 2017, was decreased to $0.0635 per share. The yield on closing market price, current monthly distribution per Common Share and current annualized distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to change in the future.

4 Represents VMTP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to VMTP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 5.

Performance

Returns for the six months ended February 28, 2017 were as follows:

	Returns Based On	
	Market Price	**NAV**
BBK[1,2]	(10.01)%	(7.82)%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3]	(6.50)%	(5.12)%

1 All returns reflect reinvestment of dividends and/or distributions.

[2] The Trust moved from a premium to NAV to a discount during the period, which accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

The following discussion relates to the Trust s absolute performance based on NAV:

Municipal bonds lost ground in the six-month reporting period. Municipal bonds initially traded lower through September and October due to a pick-up in new tax-exempt issuance and rising yields in the U.S. Treasury market. (Prices and yields move in opposite directions.) The downturn accelerated in November once Donald Trump s election victory caused investors to adjust their expectations in favor of stronger growth and tighter Fed policy. While the municipal market subsequently retraced some of its losses in the second half of the period, the modest rally was insufficient to make up for the earlier downturn.

In this environment, the Trust s positions in longer-dated and longer-duration bonds were the largest detractors from performance. (Duration is a measure of interest rate sensitivity.) Exposure to lower-coupon and zero-coupon bonds, which experienced greater price deterioration than the market as a whole, also detracted from returns. Conversely, positions in pre-refunded issues benefited performance as their low duration and higher quality enabled them to hold up better than longer-duration bonds.

Positions in the transportation, education and utilities sectors, which were among the weaker performing sectors for the period, negatively impacted performance. The Trust s exposure to school district bonds, which were adversely affected by their longer duration, was an additional detractor.

The Trust sought to manage interest rate risk using U.S. Treasury futures. Given that Treasury yields rose as prices fell, this aspect of the Trust s positioning had a positive effect on returns.

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.

Market Price and Net Asset Value Per Share Summary

	2/28/17	8/31/16	Change	High	Low
Market Price	$15.55	$18.22	(14.65)%	$18.55	$14.78
Net Asset Value	$15.64	$17.89	(12.58)%	$17.89	$15.30

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

Overview of the Trust s Total Investments*

Sector Allocation	2/28/17	8/31/16
Health	23%	24%
County/City/Special District/School District	19	17
Transportation	15	15
Education	14	14
Utilities	12	13
State	8	9
Corporate	5	5
Tobacco	3	2
Housing	1	1

For Trust compliance purposes, the Trust s sector classifications refer to one or more of the sector sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by the investment adviser. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

Call/Maturity Schedule[3]	
Calendar Year Ended December 31,	
2017	4%
2018	6
2019	4
2020	7
2021	11

[3] Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

Credit Quality Allocation[1]	2/28/17	8/31/16
AAA/Aaa	4%	4%
AA/Aa	31	47
A	26	27
BBB/Baa	13	11
BB/Ba	6	5
B	1	1
N/R[2]	19	5

[1] For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P s or 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.

[2] The investment adviser evaluates the credit quality of unrated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments. Using this approach, the investment adviser has deemed certain of these unrated securities as investment grade quality. As of February 28, 2017 and August 31, 2016, the market value of unrated securities deemed by the investment adviser to be investment grade represents less than 1% and 3%, respectively, of the Trust s total investments.

* Excludes short-term securities.

Trust Summary as of February 28, 2017

BlackRock Municipal Income Investment Quality Trust

Trust Overview

BlackRock Municipal Income Investment Quality Trust s (BAF) (the Trust) investment objective is to provide current income exempt from U.S. federal income tax, including the alternative minimum tax and Florida intangible property tax. The Trust seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its managed assets in municipal bonds exempt from U.S. federal income taxes, including the alternative minimum tax. The Trust also invests at least 80% of its managed assets in municipal bonds that are investment grade quality at the time of investment or, if unrated, determined to be of comparable quality by the investment adviser at the time of investment. The Trust may invest directly in such securities or synthetically through the use of derivatives. Due to the repeal of the Florida intangible personal property tax, in September 2008, the Board gave approval to permit the Trust the flexibility to invest in municipal obligations regardless of geographic location since municipal obligations issued by any state or municipality that provides income exempt from regular U.S. federal income tax would now satisfy the foregoing objective and policy.

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

Trust Information	
Symbol on NYSE	BAF
Initial Offering Date	October 31, 2002
Yield on Closing Market Price as of February 28, 2017 ($14.50)[1]	5.67%
Tax Equivalent Yield[2]	10.02%
Current Monthly Distribution per Common Share[3]	$0.0685
Current Annualized Distribution per Common Share[3]	$0.8220
Economic Leverage as of February 28, 2017[4]	39%

1 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.

2 Tax equivalent yield assumes the maximum marginal U.S. federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

3 The distribution rate is not constant and is subject to change.

4 Represents VMTP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to VMTP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 5.

Performance

Returns for the six months ended February 28, 2017 were as follows:

	Returns Based On	
	Market Price	**NAV**
BAF[1,2]	(5.56)%	(4.36)%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3].	(6.50)%	(5.12)%

1 All returns reflect reinvestment of dividends and/or distributions.

[2] The Trust s discount to NAV widened during the period, which accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

The following discussion relates to the Trust s absolute performance based on NAV:

Municipal bonds lost ground in the six-month reporting period. Municipal bonds initially traded lower through September and October due to a pick-up in new tax-exempt issuance and rising yields in the U.S. Treasury market. (Prices and yields move in opposite directions.) The downturn accelerated in November once Donald Trump s election victory caused investors to adjust their expectations in favor of stronger growth and tighter Fed policy. While the municipal market subsequently retraced some of its losses in the second half of the period, the modest rally was insufficient to make up for the earlier downturn.

The Trust continued to employ leverage, which helped augment income. However, since leverage also amplifies the effect of market movements, it was a net detractor from overall performance.

Positions in longer-dated maturities, which have higher interest rate sensitivity, generally experienced the largest price declines. The Trust s exposure to 4% coupon bonds also detracted, as lower coupons typically underperform in a rising rate environment. Positions in high-quality, short-duration bonds such as pre-refunded securities performed relatively well compared to longer-duration positions. (Duration is a measure of interest rate sensitivity.)

From a sector allocation perspective, the Trust s exposure to the transportation and utilities sectors were the largest detractors.

The Trust sought to manage interest rate risk using U.S. Treasury futures. Given that Treasury yields rose as prices fell, this aspect of the Trust s positioning had a positive effect on returns.

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.

Market Price and Net Asset Value Per Share Summary

	2/28/17	8/31/16	Change	High	Low
Market Price	$14.50	$15.79	(8.17)%	$ 16.30	$ 13.68
Net Asset Value	$15.40	$16.56	(7.00)%	$ 16.56	$ 15.07

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

Overview of the Trust s Total Investments*

Sector Allocation	2/28/17	8/31/16
Transportation	31%	28%
County/City/Special District/School District	29	27
Utilities	14	17
Health	13	14
State	5	6
Education	5	5
Tobacco	1	1
Corporate	1	1
Housing	1	1

For Trust compliance purposes, the Trust s sector classifications refer to one or

more of the sector sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by the investment adviser. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

Call/Maturity Schedule[2]

Calendar Year Ended December 31,	
2017	
2018	13%
2019	18
2020	3
2021	29

[2] Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

Credit Quality Allocation[1]	2/28/17	8/31/16
AAA/Aaa	3%	3%
AA/Aa	72	74
A	19	19
BBB/Baa	5	4
N/R	1	

[1] For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P s or 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.

* Excludes short-term securities.

Trust Summary as of February 28, 2017

BlackRock Municipal Income Quality Trust

Trust Overview

BlackRock Municipal Income Quality Trust s (BYM) (the Trust) investment objective is to provide current income exempt from U.S. federal income taxes, including the alternative minimum tax. The Trust seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its managed assets in municipal bonds exempt from U.S. federal income taxes, including the U.S. federal alternative minimum tax. The Trust also invests at least 80% of its managed assets in municipal bonds that are investment grade quality at the time of investment or, if unrated, determined to be of comparable quality by the investment adviser at the time of investment. 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.

Trust Information	
Symbol on NYSE	BYM
Initial Offering Date	October 31, 2002
Yield on Closing Market Price as of February 28, 2017 ($14.04)[1]	5.64%
Tax Equivalent Yield[2]	9.96%
Current Monthly Distribution per Common Share[3]	$0.0660
Current Annualized Distribution per Common Share[3]	$0.7920
Economic Leverage as of February 28, 2017[4]	39%

1 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.

2 Tax equivalent yield assumes the maximum marginal U.S. federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

3 The distribution rate is not constant and is subject to change.

4 Represents VMTP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to VMTP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 5.

Performance

Returns for the six months ended February 28, 2017 were as follows:

	Returns Based On	
	Market Price	**NAV**
BYM[1,2]	(7.19)%	(5.44)%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3]	(6.50)%	(5.12)%

1 All returns reflect reinvestment of dividends and/or distributions.

[2] The Trust s discount to NAV widened during the period, which accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

The following discussion relates to the Trust s absolute performance based on NAV:

Municipal bonds lost ground in the six-month reporting period. Municipal bonds initially traded lower through September and October due to a pick-up in new tax-exempt issuance and rising yields in the U.S. Treasury market. (Prices and yields move in opposite directions.) The downturn accelerated in November once Donald Trump s election victory caused investors to adjust their expectations in favor of stronger growth and tighter Fed policy. While the municipal market subsequently retraced some of its losses in the second half of the period, the modest rally was insufficient to make up for the earlier downturn.

Positions in longer-dated maturities, which have higher interest rate sensitivity, generally experienced the largest price declines. Conversely, the Trust s positions in high-quality, short-dated issues performed relatively well and helped mitigate the impact of the market downturn. The Trust s holdings in zero-coupon bonds also detracted, as their longer durations accentuated negative price performance in a rising rate environment. (Duration is a measure of interest-rate sensitivity.)

The Trust continued to employ leverage, which helped augment income. However, since leverage also amplifies the effect of market movements, it was a net detractor from overall performance.

Holdings in tax-backed (state) issues underperformed. The health care sector also lagged, reflecting the increased uncertainty surrounding the future of the Affordable Care Act following the November 2016 election.

The Trust sought to manage interest rate risk using U.S. Treasury futures. Given that Treasury yields rose as prices fell, this aspect of the Trust s positioning had a positive effect on returns.

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.

Market Price and Net Asset Value Per Share Summary

	2/28/17	8/31/16	Change	High	Low
Market Price	$14.04	$15.55	(9.71)%	$ 15.79	$ 13.50
Net Asset Value	$14.92	$16.22	(8.01)%	$ 16.22	$ 14.64

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

Overview of the Trust s Total Investments*

Sector Allocation	2/28/17	8/31/16
Transportation	30%	28%
County/City/Special District/School District	23	25
Utilities	12	12
Health	11	11
Education	9	7
State	9	11
Tobacco	3	3
Corporate	2	2
Housing	1	1

For Trust compliance purposes, the Trust s sector classifications refer to one or

more of the sector sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by the investment adviser. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

Call/Maturity Schedule[2]	
Calendar Year Ended December 31,	
2017	8%
2018	15
2019	8
2020	8
2021	8

2 Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

Credit Quality Allocation[1]	2/28/17	8/31/16
AAA/Aaa	13%	14%
AA/Aa	55	54
A	25	24
BBB/Baa	6	7
N/R	1	1

1 For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P s or 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.

* Excludes short-term securities.

Trust Summary as of February 28, 2017

BlackRock Municipal Income Trust II

Trust Overview

BlackRock Municipal Income Trust II s (BLE) (the Trust) investment objective is to provide current income exempt from regular U.S. federal income tax. The Trust seeks to achieve its investment objective by investing primarily in municipal bonds exempt from U.S. federal income taxes (except that the interest may be subject to the U.S. federal alternative minimum tax). The Trust invests, under normal market conditions, at least 80% of its managed assets in municipal bonds that are investment grade quality at the time of investment or, if unrated, determined to be of comparable quality by the investment adviser at the time of investment. 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.

Trust Information

Symbol on NYSE MKT	BLE
Initial Offering Date	July 30, 2002
Yield on Closing Market Price as of February 28, 2017 ($14.86)[1]	5.94%
Tax Equivalent Yield[2]	10.49%
Current Monthly Distribution per Common Share[3]	$0.0735
Current Annualized Distribution per Common Share[3]	$0.8820
Economic Leverage as of February 28, 2017[4]	39%

1 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.

2 Tax equivalent yield assumes the maximum marginal U.S. federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

3 The distribution rate is not constant and is subject to change.

4 Represents VMTP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to VMTP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Trust, please see The Benefits and Risks of Leveraging on page 5.

Performance

Returns for the six months ended February 28, 2017 were as follows:

	Returns Based On	
	Market Price	**NAV**
BLE[1,2]	(6.32)%	(4.72)%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3]	(6.50)%	(5.12)%

1 All returns reflect reinvestment of dividends and/or distributions.

[2] The Trust moved from a premium to NAV to a discount during the period, which accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

The following discussion relates to the Trust s absolute performance based on NAV:

Municipal bonds lost ground in the six-month reporting period. Municipal bonds initially traded lower through September and October due to a pick-up in new tax-exempt issuance and rising yields in the U.S. Treasury market. (Prices and yields move in opposite directions.) The downturn accelerated in November once Donald Trump s election victory caused investors to adjust their expectations in favor of stronger growth and tighter Fed policy. While the municipal market subsequently retraced some of its losses in the second half of the period, the modest rally was insufficient to make up for the earlier downturn.