

BLACKROCK MUNIYIELD QUALITY FUND, INC.
Form N-CSRS
January 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT
COMPANIES**

Investment Company Act file number: 811-06660

Name of Fund: BlackRock MuniYield Quality Fund, Inc. (MQY)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield Quality Fund, Inc., 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: 04/30/2015

Date of reporting period: 10/31/2014

Item 1 Report to Stockholders

OCTOBER 31, 2014

SEMI-ANNUAL REPORT (UNAUDITED)

BlackRock MuniYield Fund, Inc. (MYD)

BlackRock MuniYield Quality Fund, Inc. (MQY)

BlackRock MuniYield Quality Fund II, Inc. (MQT)

Not FDIC Insured May Lose Value No Bank Guarantee

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Shareholder Letter

Dear Shareholder,

The final months of 2013 were generally positive for most risk assets such as equities and high yield bonds even as investors were grappling with uncertainty as to when and by how much the U.S. Federal Reserve would begin to gradually reduce (or taper) its asset purchase programs. Higher quality bonds and emerging market investments, however, struggled as Fed tapering became increasingly imminent. When the central bank ultimately announced its tapering plans in mid-December, equity investors reacted positively, as this action signaled the Fed's perception of real improvement in the economy.

Most asset classes moved higher in the first half of 2014 despite the pull back in Fed stimulus. The year got off to a rocky start, however, as a number of developing economies showed signs of stress and U.S. economic data weakened. Equities declined in January while bond markets found renewed strength from investors seeking relatively safer assets. Although these headwinds persisted, equities were back on the rise in February as investors were assuaged by increasing evidence that the soft patch in U.S. data was temporary and weather-related, and forecasts pointed to growth picking up later in the year.

In the months that followed, interest rates trended lower and bond prices climbed higher in the modest growth environment. Financial markets exhibited a remarkably low level of volatility despite rising tensions in Russia and Ukraine and signs of decelerating growth in China. Equity markets were resilient as investors focused on signs of improvement in the U.S. recovery, stronger corporate earnings, increased merger-and-acquisition activity and, perhaps most importantly, reassurance from the Fed that no changes to short-term interest rates were on the horizon.

In the ongoing low-yield environment, income-seeking investors moved into equities, pushing major indices to record levels. However, as stock prices continued to rise, investors became wary of high valuations and began shedding the stocks that had experienced significant price appreciation in 2013, particularly growth and momentum names. The broad rotation into cheaper valuations resulted in the strongest performers of 2013 struggling most in 2014, and vice versa. Especially hard hit were U.S. small cap and European stocks, where earnings growth had not kept pace with market gains. In contrast, emerging markets benefited from the trend after having suffered heavy selling pressure in early 2014.

Volatility ticked up in the middle of the summer. Markets came under pressure in July as geopolitical turmoil intensified in Gaza, Iraq and Ukraine and financial troubles boiled over in Argentina and Portugal. Investors regained some confidence in August, allowing markets to rebound briefly amid renewed comfort that the Fed would continue to keep rates low and hopes that the European Central Bank would increase stimulus. However, markets swiftly reversed in September as improving U.S. economic indicators raised concerns that the Fed would increase short-term interest rates sooner than previously anticipated. Global credit markets tightened as the U.S. dollar strengthened, ultimately putting a strain on investor flows. High valuations combined with impending rate hikes stoked increasing volatility in financial markets. Escalating geopolitical risks further fueled the fire. The U.S. renewed its involvement in Iraq and the European Union imposed additional sanctions against Russia, while Scottish voters contemplated separating from the United Kingdom.

U.S. risk assets made a comeback in October while other developed markets continued their descent. This divergence in market performance moved in tandem with economic momentum and central bank policy. As the U.S. economy continued to strengthen, the need for monetary policy accommodation diminished. Meanwhile, economies in other parts of the developed world decelerated and central banks in Europe and Japan implemented aggressive measures to stimulate growth.

U.S. large cap stocks were the strongest performers for the six- and 12-month periods ended October 31, 2014. U.S. small caps experienced significantly higher volatility than large caps, but nonetheless generated positive returns. International developed market equities broadly declined while emerging markets posted modest gains. Most fixed income assets produced positive results as rates generally fell. Tax-exempt municipal bonds benefited from a favorable supply-and-demand environment. Short-term interest rates remained near zero, keeping yields on money market securities close to historic lows.

At BlackRock, we believe investors need to think globally, extend their scope across a broad array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit blackrock.com for further insight about investing in today's markets.

Sincerely,

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Rob Kapito

President, BlackRock Advisors, LLC

U.S. financial markets generally outperformed other parts of the world given stronger economic growth and corporate earnings, the continuation of low interest rates and the appeal of relative stability amid rising geopolitical uncertainty.

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of October 31, 2014

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	8.22%	17.27%
U.S. small cap equities (Russell 2000® Index)	4.83	8.06
International equities (MSCI Europe, Australasia, Far East Index)	(4.83)	(0.60)
Emerging market equities (MSCI Emerging Markets Index)	3.74	0.64
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.02	0.05
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	4.29	5.21
U.S. investment-grade bonds (Barclays U.S. Aggregate Bond Index)	2.35	4.14
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.54	7.94
U.S. high yield bonds (Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	1.05	5.82

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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Municipal Market Overview

For the Reporting Period Ended October 31, 2014

Municipal Market Conditions

The latter months of 2013 were challenging for municipal bond performance. Heightened uncertainty as to when the U.S. Federal Reserve (the Fed) would begin to reduce its bond-buying stimulus program (and by how much) caused interest rates to be volatile and generally move higher. (Bond prices fall as rates rise.) Municipal bond mutual funds saw strong outflows through year end when the Fed finally announced its plan to begin the gradual reduction of stimulus in January 2014. Relieved of anxiety around policy changes, investors again sought the relative safety of municipal bonds in the new year. Surprisingly, interest rates trended lower in the first half of 2014 even as the Fed pulled back on its open-market bond purchases. Softer U.S. economic data amid one of the harshest winters on record, coupled with reassurance from the Fed that short-term rates would remain low for a considerable amount of time, resulted in stronger demand for fixed income investments, with municipal bonds being one of the stronger performing sectors. Despite starting the period with negative flows, municipal bond funds finished the 12-month period ended October 31, 2014 with net inflows of approximately \$6.5 (based on data from the Investment Company Institute).

High levels of interest rate volatility in the latter half of 2013, particularly on the long end of the curve, resulted in a curtailment of tax-exempt issuance during the period. However, from a historical perspective, total new issuance for the 12 months ended October 31 remained relatively strong at \$317 billion (albeit meaningfully lower than the \$342 billion issued in the prior 12-month period). A noteworthy portion of new supply during this period was attributable to refinancing activity (roughly 45%) as issuers took advantage of lower interest rates to reduce their borrowing costs.

S&P Municipal Bond Index
Total Returns as of October 31, 2014
6 months : 3.54%
12 months : 7.94%

A Closer Look at Yields

From October 31, 2013 to October 31, 2014, muni yields on AAA-rated 30-year municipal bonds decreased by 103 basis points (bps) from 4.04% to 3.01%, while 10-year rates decreased 37 bps from 2.44% to 2.07% and 5-year rates increased 6 bps from 1.06% to 1.12% (as measured by Thomson Municipal Market Data). Overall, the municipal yield curve remained relatively steep over the 12-month period even as the spread between 2- and 30-year maturities flattened by 105 bps and the spread between 2- and 10-year maturities flattened by 39 bps.

During the same time period, U.S. Treasury rates fell by 57 bps on 30-year and 22 bps on 10-year bonds, while moving up 28 bp in 5-years. Accordingly, tax-exempt municipal bonds outperformed Treasuries across the yield curve as investors sought to reduce interest rate risk later in the period. On the short and intermediate parts of the curve, the outperformance of municipal bonds versus Treasuries was driven largely by a supply/demand imbalance within the municipal market and a rotation from long-duration assets into short- and intermediate-duration investments given their lower sensitivity to interest rate movements. More broadly, municipal bonds benefited from the increased appeal of tax-exempt investing in the new higher tax rate environment. The asset class is known for its lower relative volatility and preservation of principal with an emphasis on income as tax rates rise. The municipal market continues to be an attractive avenue for investors seeking yield in the low-rate environment. However, opportunities have not been as broad-based as in 2011 and 2012, warranting a more tactical approach going forward.

Financial Conditions of Municipal Issuers Continue to Improve

Following an extended period of nation-wide austerity and de-leveraging as states sought to balance their budgets, solid revenue growth exceeding pre-recession levels coupled with the elimination of more than 625,000 jobs in recent years have put state and local governments in a better financial position. Many local municipalities, however, continue to face increased health care and pension costs passed down from the state level. BlackRock maintains the view that municipal bond defaults will be minimal and remain in the periphery, and that the overall market is fundamentally sound. We continue to recognize that careful credit research, appropriate structure and security selection remain imperative amid uncertainty in a modestly improving economic environment.

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

The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield 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 will be based on short-term interest rates, will normally be lower than the income earned by a Fund on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the 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.

To illustrate these concepts, assume a Fund'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, the Fund'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 the Fund with the proceeds from leverage earn income based on longer-term interest rates. In this case, the Fund's financing cost of leverage is significantly lower than the income earned on the Fund'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 Fund's return on assets purchased with leverage proceeds, income to shareholders will be lower than if the Fund had not used leverage. Furthermore, the value of the Fund's 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 Fund's obligations under its leverage arrangement generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Fund's 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 Fund's intended leveraging strategy will be successful.

Leverage also will generally cause greater changes in the Funds' NAVs, market prices and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the net asset value and market price of a Fund's Common Shares than if the Fund were not leveraged. In addition, the 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 the Fund to incur losses. The use of leverage may limit the Fund's ability to invest in certain types of securities or use certain types of hedging strategies. The Fund will incur expenses in connection with the use of leverage, all of which are borne by Common Shareholders and may reduce income to the Common Shares.

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

Under the Investment Company Act of 1940 (the 1940 Act), each Fund is permitted to issue debt up to ~~33~~33% of its total managed assets or equity securities (e.g., Preferred Shares) up to 50% of its total managed assets. A Fund may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act. In addition, a Fund 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 Fund segregates or designates on its books and records cash or liquid assets having a value not less than the value of the Fund's obligations under the TOB (including accrued interest), a TOB will not be considered a senior security and will not be subject to the foregoing limitations and requirements under the 1940 Act.

Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to hedge

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market, interest rate and/or other 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 distributions paid to shareholders and/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 Financial Statements.

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Fund Summary as of October 31, 2014

BlackRock MuniYield Fund, Inc.

Fund Overview

BlackRock MuniYield Fund, Inc.'s (MYD) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Fund invests, under normal market conditions, at least 75% of its assets in municipal bonds rated investment grade and invests primarily in long-term municipal bonds with a maturity of more than ten years at the time of investment. 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.

Performance

For the six-month period ended October 31, 2014, the Fund returned 6.05% based on market price and 8.19% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 5.65% based on market price and 7.38% based on NAV. All returns reflect reinvestment of dividends and/or distributions. 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.

The Fund benefited from income generated in the form of coupon payments from its portfolio of municipal bond holdings. Leverage, which represents a significant element of the Fund's investment strategy, provided both incremental return and income in an environment of declining interest rates. (Bond prices rise as yields fall). The Fund's positioning with respect to duration (sensitivity to interest rate movements) helped performance. The Fund's positioning along the yield curve, which favored longer-dated bonds, also aided performance as longer-dated bonds generally outperformed those with shorter maturities. Investment grade bonds represent the bulk of the Fund's holdings, which contributed significantly to overall results. Concentrations in the transportation, health care, utilities, tax-backed and corporate-related sectors also were among the leading contributors to performance.

The Fund maintained a short position in U.S. Treasury futures contracts in order to manage interest rate risk. With interest rates falling during the period, as prices rose, this position had a small negative impact on performance.

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.

Fund Information

Symbol on New York Stock Exchange (NYSE)	MYD
Initial Offering Date	November 29, 1991
Yield on Closing Market Price as of October 31, 2014 (\$14.50) ¹	6.66%
Tax Equivalent Yield ²	11.77%
Current Monthly Distribution per Common Share ³	\$0.0805
Current Annualized Distribution per Common Share ³	\$0.9660
Economic Leverage as of October 31, 2014 ⁴	37%

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

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SEMI-ANNUAL REPORT

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Market Price and Net Asset Value Per Share Summary

	10/31/14	4/30/14	Change	High	Low
Market Price	\$ 14.50	\$ 14.14	2.55%	\$ 14.65	\$ 13.89
Net Asset Value	\$ 15.39	\$ 14.71	4.62%	\$ 15.56	\$ 14.71

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

Overview of the Fund's Long-Term Investments

Sector Allocation	10/31/14	4/30/14
Transportation	23%	20%
Health	21	21
Education	12	13
State	12	12
Utilities	11	10
Corporate	10	11
County/City/Special District/School District	8	10
Tobacco	3	3

Call/Maturity Schedule³

Calendar Year Ended December 31,

2014	5%
2015	4
2016	5
2017	5
2018	6

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

Credit Quality Allocation¹

	10/31/14	4/30/14
AAA/Aaa	10%	9%
AA/Aa	42	41
A	27	28
BBB/Baa	11	10

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BB/Ba	2	2
B	2	4
N/R ²	6	6

- ¹ For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor's (S&P) or Moody's Investors Service (Moody) 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 advisor 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 advisor has deemed certain of these unrated securities as investment grade quality. As of October 31, 2014 and April 30, 2014, the market value of unrated securities deemed by the investment advisor to be investment grade was \$6,145,818 and \$9,493,537, each representing 1%, respectively, of the Fund's long-term investments.

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Fund Summary as of October 31, 2014

BlackRock MuniYield Quality Fund, Inc.

Fund Overview

BlackRock MuniYield Quality Fund, Inc.'s (MQY) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Fund invests in municipal bonds which are in the three highest quality rating categories (A or better) or, if unrated, of comparable quality at the time of investment. The Fund invests primarily in long-term municipal bonds with maturities of more than ten years at the time of investment. 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.

Performance

For the six-month period ended October 31, 2014, the Fund returned 6.15% based on market price and 7.30% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 5.65% based on market price and 7.38% based on NAV. All returns reflect reinvestment of dividends and/or distributions. 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.

The Fund benefited from income generated in the form of coupon payments from its portfolio of municipal bond holdings. In addition, the Fund's use of leverage provided both incremental return and income in an environment of declining interest rates. (Bond prices rise as yields fall). The Fund's duration exposure (sensitivity to interest rate movements) contributed positively to performance as municipal interest rates declined during the period. The Fund's exposure to long-maturity bonds also benefited performance given that the yield curve flattened, with yields falling more significantly for longer-term bonds (those with maturities of 20 years and longer) than for intermediate- and short-term issues. Performance was also helped by the Fund's exposure to the utilities and transportation sectors.

In the strong market environment, there were no material detractors from the Fund's performance during the period. 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.

Fund Information

Symbol on NYSE	MQY
Initial Offering Date	June 26, 1992
Yield on Closing Market Price as of October 31, 2014 (\$15.26) ¹	6.29%
Tax Equivalent Yield ²	11.11%
Current Monthly Distribution per Common Share ³	\$0.08
Current Annualized Distribution per Common Share ³	\$0.96
Economic Leverage as of October 31, 2014 ⁴	37%

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 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.

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

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

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Market Price and Net Asset Value Per Share Summary

	10/31/14	4/30/14	Change	High	Low
Market Price	\$ 15.26	\$ 14.84	2.83%	\$ 15.45	\$ 14.65
Net Asset Value	\$ 16.35	\$ 15.73	3.94%	\$ 16.60	\$ 15.73

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

Overview of the Fund's Long-Term Investments

Sector Allocation	10/31/14	4/30/14
County/City/Special District/School District	26%	32%
Transportation	22	21
State	18	15
Utilities	17	16
Health	9	8
Education	5	5
Housing	2	2
Corporate	1	1

Call/Maturity Schedule²

Calendar Year Ended December 31,

2014	2%
2015	10
2016	3
2017	11
2018	14

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

Credit Quality Allocation¹

	10/31/14	4/30/14
AAA/Aaa	11%	10%
AA/Aa	62	63
A	23	24
BBB/Baa	2	3
N/R	2	

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- 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.

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Fund Summary as of October 31, 2014

BlackRock MuniYield Quality Fund II, Inc.

Fund Overview

BlackRock MuniYield Quality Fund II, Inc.'s (MQT) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Fund invests in municipal bonds which are in the three highest quality rating categories (A or better) or, if unrated, of comparable quality at the time of investment. The Fund invests primarily in long-term municipal bonds with maturities of more than ten years at the time of investment. 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.

Performance

For the six-month period ended October 31, 2014, the Fund returned 4.85% based on market price and 7.60% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 5.65% based on market price and 7.38% based on NAV. All returns reflect reinvestment of dividends and/or distributions. 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.

The Fund benefited from income generated in the form of coupon payments from its portfolio of municipal bond holdings. In addition, the Fund's use of leverage provided both incremental return and income in an environment of declining interest rates. (Bond prices rise as yields fall). The Fund's duration exposure (sensitivity to interest rate movements) contributed positively to performance as municipal interest rates declined during the period. The Fund's exposure to long-maturity bonds also benefited performance given that the yield curve flattened, with yields falling more significantly for longer-term bonds (those with maturities of 20 years and longer) than for intermediate- and short-term issues. Performance was also helped by the Fund's exposure to the utilities and transportation sectors.

In the strong market environment, there were no material detractors from the Fund's performance during the period. 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.

Fund Information

Symbol on NYSE	MQT
Initial Offering Date	August 28, 1992
Yield on Closing Market Price as of October 31, 2014 (\$13.10) ¹	6.46%
Tax Equivalent Yield ²	11.41%
Current Monthly Distribution per Common Share ³	\$0.0705
Current Annualized Distribution per Common Share ³	\$0.8460
Economic Leverage as of October 31, 2014 ⁴	37%

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 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.

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

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

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Market Price and Net Asset Value Per Share Summary

	10/31/14	4/30/14	Change	High	Low
Market Price	\$ 13.10	\$ 12.91	1.47%	\$ 13.22	\$ 12.54
Net Asset Value	\$ 14.35	\$ 13.78	4.14%	\$ 14.58	\$ 13.78

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

Overview of the Fund's Long-Term Investments

Sector Allocation	10/31/14	4/30/14
County/City/Special District/School District	26%	29%
Transportation	22	22
State	16	16
Utilities	14	12
Health	10	10
Education	8	8
Housing	2	2
Corporate	2	1

Call/Maturity Schedule²

Calendar Year Ended December 31,

2014	2%
2015	7
2016	5
2017	10
2018	12

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

Credit Quality Allocation¹

	10/31/14	4/30/14
AAA/Aaa	7%	7%
AA/Aa	66	70
A	21	20
BBB/Baa	4	3
N/R	2	

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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.

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Schedule of Investments October 31, 2014 (Unaudited)

BlackRock MuniYield Fund, Inc. (MYD)

(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Alabama 2.6%		
County of Jefferson Alabama, RB, Limited Obligation School, Series A, 5.50%, 1/01/22	\$ 5,250	\$ 5,296,200
County of Jefferson Alabama Sewer, Refunding RB:		
Senior Lien, Series A (AGM), 5.00%, 10/01/44	1,665	1,795,752
Senior Lien, Series A (AGM), 5.25%, 10/01/48	3,175	3,464,401
Sub-Lien, Series D, 6.00%, 10/01/42	7,410	8,068,453
		18,624,806
Alaska 0.9%		
Northern Tobacco Securitization Corp., Refunding RB, Tobacco Settlement, Asset-Backed, Series A:		
4.63%, 6/01/23	1,745	1,742,365
5.00%, 6/01/46	6,450	4,823,633
		6,565,998
Arizona 3.0%		
County of Maricopa Arizona IDA, RB, Arizona Charter Schools Project, Series A, 6.75%, 7/01/29	2,800	2,657,564
Phoenix IDA Arizona, Refunding RB, America West Airlines, Inc. Project, AMT, 6.25%, 12/01/14 (a)	3,000	3,014,940
Salt Verde Financial Corp., RB, Senior:		
5.00%, 12/01/32	7,365	8,408,915
5.00%, 12/01/37	5,000	5,651,200
Vistancia Community Facilities District Arizona, GO, 5.75%, 7/15/24	2,125	2,162,868
		21,895,487
California 9.5%		
California Health Facilities Financing Authority, RB:		
St. Joseph Health System, Series A, 5.75%, 7/01/39	4,425	5,152,159
Sutter Health, Series B, 6.00%, 8/15/42	6,465	7,816,702
California Health Facilities Financing Authority, Refunding RB, Series A:		
Catholic Healthcare West, 6.00%, 7/01/34	3,155	3,712,962
St. Joseph Health System, 5.00%, 7/01/33	2,560	2,941,773
California Municipal Finance Authority, RB, Senior, Caritas Affordable Housing, Inc. Projects, S/F Housing, Series A:		
5.25%, 8/15/39	305	335,613
5.25%, 8/15/49	770	841,718
California Pollution Control Financing Authority, RB (b):		
County of San Diego California Water Authority Desalination Project Pipeline, 5.00%, 11/21/45	2,510	2,589,040
Poseidon Resources (Channel Side) LP Desalination Project, AMT, 5.00%, 7/01/37	3,465	3,699,927
Poseidon Resources (Channel Side) LP Desalination Project, AMT, 5.00%, 11/21/45	1,650	1,754,577
California Statewide Communities Development Authority, RB, John Muir Health, Series A, 5.13%, 7/01/39	2,300	2,577,219
	Par (000)	Value
Municipal Bonds		
California (concluded)		
California Statewide Communities Development Authority, Refunding RB, Episcopal Communities & Services, 5.00%, 5/15/42	585	632,625
California Statewide Financing Authority, RB, Tobacco Settlement, Series A, 6.00%, 5/01/43	3,285	3,250,507
City of Los Angeles California Department of Airports, Refunding ARB, Los Angeles International Airport, Series A, 5.25%, 5/15/39		
	1,605	1,834,980
City of Stockton California Public Financing Authority, RB, Delta Water Supply Project, Series A:		
6.25%, 10/01/38	405	477,422
6.25%, 10/01/40	335	394,352
State of California, GO, (AMBAC), 5.00%, 4/01/31	10	10,035
State of California, GO, Refunding, Various Purposes:		
6.00%, 3/01/33	5,085	6,235,990
6.50%, 4/01/33	14,075	17,220,059
State of California Public Works Board, LRB, Various Capital Project:		

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Series I, 5.00%, 11/01/38	1,605	1,801,356
Sub-Series I-1, 6.38%, 11/01/34	2,385	2,945,213
Tobacco Securitization Authority of Southern California, Refunding RB, Tobacco Settlement, Asset-Backed, Senior Series A-1, 4.75%, 6/01/25	1,960	1,934,912
		68,159,141
Colorado 1.2%		
Colorado Health Facilities Authority, Refunding RB, Evangelical Lutheran Good Samaritan Society Project, 5.00%, 12/01/42	3,580	3,807,258
University of Colorado, RB, Series A:		
5.25%, 6/01/30	2,250	2,603,093
5.38%, 6/01/32	1,250	1,455,825
5.38%, 6/01/38	830	960,302
		8,826,478
Connecticut 1.6%		
Connecticut State Health & Educational Facility Authority, RB, Ascension Health Senior Credit, Series A, 5.00%, 11/15/40	2,770	3,073,758
Connecticut State Health & Educational Facility Authority, Refunding RB, Wesleyan University: 5.00%, 7/01/39	5,000	5,696,200
Series G, 5.00%, 7/01/35	2,225	2,534,809
		11,304,767
Delaware 1.6%		
County of Sussex Delaware, RB, NRG Energy, Inc., Indian River Power LLC Project, 6.00%, 10/01/40	2,305	2,622,191
Delaware State EDA, RB, Exempt Facilities, Indian River Power LLC Project, 5.38%, 10/01/45	8,275	8,850,940
		11,473,131

Portfolio Abbreviations

AGC	Assured Guarantee Corp.	EDC	Economic Development Corp.	LRB	Lease Revenue Bonds
AGM	Assured Guaranty Municipal Corp.	ERB	Education Revenue Bonds	M/F	Multi-Family
AMBAC	American Municipal Bond Assurance Corp.	GAB	Grant Anticipation Bonds	NPFGC	National Public Finance Guarantee Corp.
AMT	Alternative Minimum Tax (subject to)	GARB	General Airport Revenue Bonds	PSF-GTD	Public School Fund Guaranteed
ARB	Airport Revenue Bonds	GO	General Obligation Bonds	Radian	Radian Guaranty, Inc.
BARB	Building Aid Revenue Bonds	HDA	Housing Development Authority	RB	Revenue Bonds
BHAC	Berkshire Hathaway Assurance Corp.	HFA	Housing Finance Agency	S/F	Single-Family
CAB	Capital Appreciation Bonds	HRB	Housing Revenue Bonds	SO	Special Obligation
COP	Certificates of Participation	IDA	Industrial Development Authority	Syncora	Syncora Guarantee
EDA	Economic Development Authority	ISD	Independent School District		

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield Fund, Inc. (MYD)

(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
District of Columbia 3.3%		
District of Columbia, Tax Allocation Bonds, City Market at O Street Project, 5.13%, 6/01/41	\$ 4,440	\$ 4,741,032
Metropolitan Washington Airports Authority, Refunding RB:		
CAB, 2nd Senior Lien, Series B (AGC), 0.00%, 10/01/31 (c)	8,350	4,012,091
CAB, 2nd Senior Lien, Series B (AGC), 0.00%, 10/01/32 (c)	15,000	6,841,500
CAB, 2nd Senior Lien, Series B (AGC), 0.00%, 10/01/33 (c)	13,410	5,810,955
Dulles Toll Road, 1st Senior Lien, Series A, 5.25%, 10/01/44	2,425	2,652,902
		24,058,480
Florida 6.3%		
City of Atlantic Beach Florida, RB, Health Care Facilities, Fleet Landing Project, Series B, 5.63%, 11/15/43	2,805	3,089,707
City of Clearwater Florida Water & Sewer Revenue, RB, Series A, 5.25%, 12/01/39	6,900	7,852,752
County of Broward Florida Water & Sewer Utility, Refunding RB, Series A, 5.25%, 10/01/34	2,155	2,429,698
County of Hillsborough Florida IDA, RB, National Gypsum Co., AMT:		
Series A, 7.13%, 4/01/30	7,500	7,551,300
Series B, 7.13%, 4/01/30	5,000	5,006,450
County of Miami-Dade Florida Aviation, Refunding ARB, Miami International Airport, Series A-1, 5.38%, 10/01/41	7,530	8,590,375
County of Tampa-Hillsborough Florida Expressway Authority, Refunding RB, Series A, 5.00%, 7/01/37	1,310	1,442,926
Mid-Bay Bridge Authority, RB, Springing Lien, Series A, 7.25%, 10/01/40	6,150	7,488,117
Santa Rosa Bay Bridge Authority, RB, 6.25%, 7/01/28 (d)(e)	4,148	1,742,281
		45,193,606
Georgia 1.4%		
DeKalb Private Hospital Authority, Refunding RB, Children's Healthcare, 5.25%, 11/15/39	1,700	1,941,876
Metropolitan Atlanta Rapid Transit Authority, RB, Sales Tax, 3rd Indenture, Series A, 5.00%, 7/01/39	6,945	7,845,628
		9,787,504
Hawaii 0.4%		
State of Hawaii Harbor System, RB, Series A, 5.25%, 7/01/30	2,760	3,101,164
Idaho 1.4%		
County of Power Idaho Industrial Development Corp., RB, FMC Corp. Project, AMT, 6.45%, 8/01/32	10,000	10,018,700
Illinois 18.3%		
Bolingbrook Special Service Area No. 1, Special Tax Bonds, Forest City Project, 5.90%, 3/01/27	1,000	1,004,850
City of Chicago Illinois, GARB, O'Hare International Airport, 3rd Lien:		
Series A, 5.63%, 1/01/35	4,200	4,763,178
Series A, 5.75%, 1/01/39	3,500	3,993,605
Series C, 6.50%, 1/01/41	11,920	14,499,369
City of Chicago Illinois, GO, Refunding, Project, Series A:		
5.25%, 1/01/32	6,390	6,697,423
5.00%, 1/01/34	6,515	6,632,335
City of Chicago Illinois, Refunding RB, Sales Tax, Series A, 5.25%, 1/01/38	1,660	1,808,603
	Par (000)	Value
Municipal Bonds		
Illinois (concluded)		
City of Chicago Illinois Board of Education, GO, Series A, 5.25%, 12/01/41	9,280	9,572,877
City of Chicago Illinois Transit Authority, RB, Sales Tax Receipts, 5.25%, 12/01/40	2,130	2,390,392
City of Chicago Illinois Waterworks, Refunding RB, 2nd Lien Project, 5.00%, 11/01/42	6,030	6,525,184
County of Cook Illinois Community College District No. 508, GO, City College of Chicago, 5.50%, 12/01/38	1,635	1,883,389
Illinois Finance Authority, Refunding RB:		
Ascension Health, Series A, 5.00%, 11/15/37	1,970	2,193,201
Central Dupage Health, Series B, 5.50%, 11/01/39	3,235	3,662,473
Illinois State Toll Highway Authority, RB:		
Senior, Series C, 5.00%, 1/01/36 (f)	6,795	7,678,961

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Senior, Series C, 5.00%, 1/01/37 (f)	5,815	6,544,899
Series A, 5.00%, 1/01/38	4,720	5,272,193
Metropolitan Pier & Exposition Authority, Refunding RB, McCormick Place Expansion Project:		
CAB, Series B (AGM), 0.00%, 6/15/47 (c)	27,225	5,647,826
Series B (AGM), 5.00%, 6/15/50	12,435	13,109,101
Series B-2, 5.00%, 6/15/50	5,085	5,343,776
Railsplitter Tobacco Settlement Authority, RB:		
5.50%, 6/01/23	2,730	3,193,281
6.00%, 6/01/28	2,335	2,739,936
State of Illinois, GO:		
5.50%, 7/01/38	4,000	4,380,320
5.00%, 2/01/39	3,195	3,371,492
Series A, 5.00%, 4/01/38	2,510	2,645,590
State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/34	1,275	1,435,701
University of Illinois, RB, Auxiliary Facilities System, Series A:		
5.00%, 4/01/39	1,675	1,870,757
5.00%, 4/01/44	2,045	2,265,001
		131,125,713
Indiana 4.9%		
Carmel Redevelopment Authority, Refunding RB, Multipurpose, Series A, 4.00%, 2/01/38	1,925	2,000,364
City of Valparaiso Indiana, RB, Exempt Facilities, Pratt Paper LLC Project, AMT:		
6.75%, 1/01/34	1,635	1,864,505
7.00%, 1/01/44	3,950	4,512,401
Indiana Finance Authority, RB, Series A:		
CWA Authority Project, 1st Lien, 5.25%, 10/01/38	6,665	7,648,487
Private Activity Bond, Ohio River Bridges East End Crossing Project, AMT, 5.00%, 7/01/44	910	958,321
Private Activity Bond, Ohio River Bridges East End Crossing Project, AMT, 5.00%, 7/01/48	3,015	3,168,403
Sisters of St. Francis Health Services, 5.25%, 11/01/39	1,690	1,873,619
Indiana Finance Authority, Refunding RB, Parkview Health System, Series A, 5.75%, 5/01/31	6,645	7,516,425
Indiana Municipal Power Agency, RB, Series B, 6.00%, 1/01/39	2,230	2,555,959
Indianapolis Local Public Improvement Bond Bank, RB, Series A, 5.00%, 1/15/40	2,580	2,877,190
		34,975,674
Iowa 2.8%		
Iowa Finance Authority, RB, Midwestern Disaster Area, Alcoa, Inc. Project, 4.75%, 8/01/42	1,830	1,884,900
Iowa Finance Authority, Refunding RB, Midwestern Disaster Area, Iowa Fertilizer Co. Project:		
5.00%, 12/01/19	1,950	2,083,107

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield Fund, Inc. (MYD)

(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Iowa (concluded)		
Iowa Finance Authority, Refunding RB, Midwestern Disaster Area, Iowa Fertilizer Co. Project (concluded):		
5.50%, 12/01/22	\$ 4,765	\$ 5,048,756
5.25%, 12/01/25	940	1,011,656
Iowa Student Loan Liquidity Corp., Refunding RB, Student Loan, Senior Series A-1, AMT, 5.15%, 12/01/22	3,320	3,604,292
Iowa Tobacco Settlement Authority, Refunding RB, Asset-Backed:		
CAB, Series B, 5.60%, 6/01/34	3,500	3,116,050
Series C, 5.63%, 6/01/46	4,335	3,646,515
		20,395,276
Kansas 0.7%		
Kansas Development Finance Authority, Refunding RB, Adventist Health, Series C, 5.75%, 11/15/38	4,380	5,029,861
Kentucky 0.6%		
Kentucky Economic Development Finance Authority, RB, Catholic Health Initiatives, Series A, 5.25%, 1/01/45	2,055	2,319,335
Kentucky Public Transportation Infrastructure Authority, RB, Downtown Crossing Project, Convertible CAB, 1st Tier, Series C, 6.75%, 7/01/43 (g)	2,485	1,689,377
		4,008,712
Louisiana 3.3%		
East Baton Rouge Sewerage Commission, RB, Series A, 5.25%, 2/01/39	1,610	1,807,547
Louisiana Local Government Environmental Facilities & Community Development Authority, RB, Westlake Chemical Corp. Project, 6.75%, 11/01/32	9,000	10,076,760
New Orleans Aviation Board, RB, Passenger Facility Charge, Series A, 5.25%, 1/01/41	1,260	1,343,689
Tobacco Settlement Financing Corp., Refunding RB, Asset-Backed, Series A:		
5.50%, 5/15/30	2,055	2,251,725
5.25%, 5/15/31	1,750	1,900,938
5.25%, 5/15/32	2,240	2,449,910
5.25%, 5/15/33	2,430	2,647,412
5.25%, 5/15/35	1,025	1,123,646
		23,601,627
Maine 0.5%		
Maine Health & Higher Educational Facilities Authority, RB, Series A, 5.00%, 7/01/39	3,140	3,352,170
Maryland 0.8%		
County of Prince George s Maryland, SO, Remarketing, National Harbor Project, 5.20%, 7/01/34	1,500	1,508,595
Maryland EDC, RB, Transportation Facilities Project, Series A, 5.75%, 6/01/35	880	948,587
Maryland EDC, Refunding RB, CNX Marine Terminals, Inc., 5.75%, 9/01/25	2,400	2,653,896
Maryland Industrial Development Financing Authority, RB, Our Lady Of Good Counsel School, Series A, 6.00%, 5/01/15 (a)	500	514,150
		5,625,228
Massachusetts 2.0%		
Massachusetts Bay Transportation Authority, Refunding RB, Senior Series A-1, 5.25%, 7/01/29	3,250	4,134,618
Massachusetts Development Finance Agency, Refunding RB:		
Covanta Energy Project, Series C, AMT, 5.25%, 11/01/42 (b)	4,565	4,689,716
Seven Hills Foundation & Affiliates (Radian), 5.00%, 9/01/35	3,500	3,517,360 & nbs