

BLACKROCK MUNIYIELD INVESTMENT QUALITY FUND  
Form N-CSR  
October 04, 2018

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: 811-07156

Name of Fund: BlackRock MuniYield Investment Quality Fund (MFT)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield  
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Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 07/31/2018

Date of reporting period: 07/31/2018

Item 1 Report to Stockholders

JULY 31, 2018

**ANNUAL REPORT**

**BlackRock MuniHoldings California Quality Fund, Inc. (MUC)**

**BlackRock MuniHoldings New Jersey Quality Fund, Inc. (MUJ)**

**BlackRock MuniYield Investment Quality Fund (MFT)**

**BlackRock MuniYield Michigan Quality Fund, Inc. (MIY)**

**BlackRock MuniYield Pennsylvania Quality Fund (MPA)**

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

## The Markets in Review

Dear Shareholder,

In the 12 months ended July 31, 2018, the strongest corporate profits in seven years drove the equity market higher, while rising interest rates constrained bond returns. Though the market's appetite for risk remained healthy, risk-taking was tempered somewhat, as shorter-term, higher-quality securities led the bond market, and U.S. equities outperformed most international stock markets.

Strong equity performance worldwide was driven by synchronized economic growth across the most influential economies. However, volatility in emerging market stocks rose, as U.S.-China trade relations and debt concerns weighed heavily on the Chinese stock market, while Turkey became embroiled in a currency crisis shortly after the end of the reporting period.

Short-term U.S. Treasury interest rates rose the fastest, while longer-term rates slightly increased, leading to a negative return for long-term U.S. Treasuries and a substantial flattening of the yield curve. Many investors are concerned with the flattening yield curve as a harbinger of recession, but given the extraordinary monetary measures in the last decade, we believe a more accurate barometer for the economy is the returns along the risk spectrums in stock and bond markets. Although the fundamentals in credit markets remained relatively solid, investment-grade bonds declined slightly, and high-yield bonds posted modest returns.

In response to rising growth and inflation, the U.S. Federal Reserve (the Fed) increased short-term interest rates three times during the reporting period. The Fed also reduced its \$4.3 trillion balance sheet by approximately \$180 billion during the reporting period, gradually reversing the unprecedented stimulus measures it enacted after the financial crisis. Meanwhile, the European Central Bank announced that its bond-purchasing program would conclude at the end of the year, while also expressing its commitment to low interest rates. In contrast, the Bank of Japan continued to expand its balance sheet through bond purchasing while lowering its expectations for inflation.

The U.S. economy continued to gain momentum despite the Fed's modest reduction of economic stimulus; unemployment declined to 3.9%, wages increased, and the number of job openings reached a record high. Strong economic performance may justify a more rapid pace of rate hikes in 2018, as the headline inflation rate and investors' expectations for inflation have already surpassed the Fed's target of 2.0%.

While U.S. monetary policy is seeking to restrain economic growth and inflation, fiscal policy has produced new sources of growth that could nourish the economy for the next few years. Corporate tax cuts and repatriation of capital held abroad could encourage a virtuous cycle of business spending. Lower individual tax rates coupled with the robust job market may refresh consumer spending.

We continue to believe the primary risks to economic expansion are trade protectionism, rapidly rising interest rates, and geopolitical tension. Given the deflationary forces of technology and globalization, a substantial increase in inflation is unlikely to materialize as long as the unemployment rate remains above 3.0%. However, we are closely monitoring trade protectionism and the rise of populism in Western nations. In particular, the outcome of trade negotiations between the United States and China is likely to influence the global growth trajectory and set the tone for free trade in many other nations.

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 July 31, 2018**

	<b>6-month</b>	<b>12-month</b>
U.S. large cap equities (S&P 500® Index)	0.70%	16.24%
U.S. small cap equities (Russell 2000® Index)	6.75	18.73
International equities (MSCI Europe, Australasia, Far East Index)	(5.12)	6.40
Emerging market equities (MSCI Emerging Markets Index)	(11.94)	4.36
3-month Treasury bills (ICE BofAML 3-Month U.S. Treasury Bill Index)	0.85	1.43
U.S. Treasury securities (ICE BofAML 10-Year U.S. Treasury Index)	(0.95)	(3.66)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	(0.45)	(0.80)
Tax-exempt municipal bonds (S&P Municipal Bond Index)	1.20	1.21
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	0.65	2.60

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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## Municipal Market Overview For the Reporting Period Ended July 31, 2018

**Municipal Market Conditions**

Municipal bonds experienced positive performance during the period despite rising interest rates resulting from continued Fed monetary policy normalization, firmer economic data, and the anticipated impacts of fiscal stimulus. Ongoing reassurance from the Fed that rates would be increased gradually and would likely remain low overall resulted in continued demand for fixed income investments. More specifically, investors favored the tax-exempt income, diversification, quality, and value of municipal bonds amid fiscal policy uncertainty, which saw tax reform ultimately lower the top individual tax rate just 2.6% while eliminating deductions and increasing demand for tax shelter. During the 12 months ended July 31, 2018, municipal bond funds experienced net inflows of approximately \$24 billion (based on data from the Investment Company Institute).

For the same 12-month period, total new issuance was moderate from a historical perspective at \$370 billion (well below the \$408 billion issued in the prior 12-month period), but displayed significant month to month volatility. Notably, issuance in December posted the highest monthly total on record at \$56 billion, as issuers rushed deals to market ahead of the expected elimination of the tax-exemption for advanced refunding bonds and possibly private activity bonds (PABs). Ultimately, the final version of the Tax Cuts and Jobs Act left PABs unchanged, though the elimination of advanced refundings has suppressed supply in 2018, providing a powerful technical tailwind.

**A Closer Look at Yields**

S&P Municipal Bond Index  
Total Returns as of July 31, 2018  
6 months: 1.20%  
12 months: 1.21%

From July 31, 2017 to July 31, 2018, yields on AAA-rated 30-year municipal bonds increased by 27 basis points ( bps ) from 2.74% to 3.01%, while 10-year rates increased by 50 bps from 1.95% to 2.45% and 5-year rates increased by 76 bps from 1.21% to 1.97% (as measured by Thomson Municipal Market Data). The municipal yield curve bear flattened over the 12-month period with the spread between 2- and 30-year maturities flattening by 41 bps, however remained a significant 72 bps steeper than the corresponding U.S. Treasury curve.

During the same time period, on a relative basis, tax-exempt municipal bonds strongly outperformed U.S. Treasuries with the greatest outperformance experienced in the front and intermediate portions of the yield curve. The relative 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. 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 problems among a few issuers. Four of the five states with the largest amount of debt outstanding—California, New York, Texas and Florida—continue to exhibit improved credit fundamentals. However, several states with the largest unfunded pension liabilities are faced with elevated borrowing costs and difficult budgetary decisions. Across the country on the local level, property values support credit stability. Revenue bonds continue to drive performance as investors continue to seek higher yield bonds in the tobacco sector. 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 July 31, 2018, 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 AMT. 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 Funds may utilize leverage to seek to enhance the distribution rate on, and net asset value ( NAV ) of, their common shares ( Common Shares ). However, there is no guarantee that these objectives can 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 Fund on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Funds (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Funds' 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 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, a 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 a Fund with the proceeds from leverage earn income based on longer-term interest rates. In this case, a Fund's financing cost of leverage is significantly lower than the income earned on a Fund's longer-term investments acquired from such 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 Funds' return on assets purchased with leverage proceeds, income to shareholders is lower than if the Funds had not used leverage. Furthermore, the value of the Funds' portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the value of the Funds' 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 Funds' NAVs positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that the Funds' intended leveraging strategy will be successful.

The use of leverage also generally causes greater changes in each Fund'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 Fund's Common Shares than if the Fund were not leveraged. In addition, each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Fund to incur losses. The use of leverage may limit a Fund's ability to invest in certain types of securities or use certain types of hedging strategies. Each Fund 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 Funds' investment advisory fees includes assets purchased with the proceeds of leverage, the investment advisory fees payable to the Funds' investment adviser will be higher than if the Funds did not use leverage.

To obtain leverage, each Fund has issued Variable Rate Demand Preferred Shares ( VRDP Shares ), 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 Fund 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 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 a Fund's obligations under the TOB Trust (including accrued interest), then the TOB Trust is not considered a senior security and is not subject to the foregoing limitations and requirements imposed by the 1940 Act.

#### Derivative Financial Instruments

The Funds may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market, and/or other assets 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 Funds' 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 Fund can realize on an investment and/or may result in lower distributions paid to shareholders. The Funds' investments in these instruments, if any, are discussed in detail in the Notes to Financial Statements.

Fund Summary as of July 31, 2018

**BlackRock MuniHoldings California Quality Fund, Inc.****Fund Overview**

**BlackRock MuniHoldings California Quality Fund, Inc.** s (MUC) (the **Fund** ) investment objective is to provide shareholders with current income exempt from U.S. federal income taxes and California personal income taxes. The Fund seeks to achieve its investment objective by investing primarily in municipal obligations exempt from U.S. federal income taxes (except that the interest may be subject to the U.S. federal alternative minimum tax) and California personal income taxes. Under normal market conditions, the Fund invests at least 80% of its assets in investment grade municipal obligations with remaining maturities of one year or more at the time of investment. The municipal obligations in which the Fund primarily invests are either rated investment grade quality, or are considered by the Fund s investment adviser to be of comparable quality, 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.

**Fund Information**

Symbol on New York Stock Exchange ( NYSE )	MUC
Initial Offering Date	February 27, 1998
Yield on Closing Market Price as of July 31, 2018 (\$13.07) <sup>(a)</sup>	4.36%
Tax Equivalent Yield <sup>(b)</sup>	9.50%
Current Monthly Distribution per Common Share <sup>(c)</sup>	\$0.0475
Current Annualized Distribution per Common Share <sup>(c)</sup>	\$0.5700
Economic Leverage as of July 31, 2018 <sup>(d)</sup>	42%

<sup>(a)</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>(b)</sup> Tax equivalent yield assumes the maximum marginal U.S. federal and state tax rate of 54.1%, 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.

<sup>(c)</sup> The distribution rate is not constant and is subject to change.

<sup>(d)</sup> Represents VMTP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Fund, 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 Fund, please see The Benefits and Risks of Leveraging on page 5.

**Performance**

Returns for the 12 months ended July 31, 2018 were as follows:

	Returns Based On	
	<i>Market Price</i>	<i>NAV</i>
MUC <sup>(a)(b)</sup>	(7.03)%	1.54%
Lipper California Municipal Debt Funds <sup>(c)</sup>	(6.07)	1.15

- (a) All returns reflect reinvestment of dividends and/or distributions at actual reinvestment prices.
- (b) The Fund's discount to NAV widened during the period, which accounts for the difference between performance based on market price and performance based on NAV.
- (c) Average return. Returns reflect reinvestment of dividends and/or distributions at NAV on the ex-dividend as calculated by Lipper.

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

Past performance is not indicative of future results.

**The following discussion relates to the Fund's absolute performance based on NAV:**

The U.S. municipal bond market posted a narrow gain in the 12-month period, with the contribution from yield offsetting negative price performance. Although tax-exempt issues sold off sharply in early 2018 due to a spike in U.S. Treasury yields, the market was supported by the improving fundamentals of state and local issuers, as well as low new-issue supply from January onward. Short-term bonds, which have above-average sensitivity to Fed policy, generally lagged longer-term issues.

After a period of outperformance, California municipal bonds trailed the national market over the past 12 months due to the combination of richer valuations, tighter yield spreads, and significant new-issue supply.

Positions in high-grade, long-maturity bonds, especially those with shorter call dates, were the largest contributors to returns. (A call is when an issuer redeems a bond prior to its maturity date.) Such bonds outperformed in the sell-off, and then their prices quickly rebounded to account for the increased likelihood of being called after interest rates steadied. Health care and community college district bonds with these characteristics made even larger contributions, as their higher yield spreads led to both additional income and stronger relative price performance.

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

The Fund's use of leverage, while amplifying the impact of weak price performance, was a net contributor since it provided additional income. However, the cost of leverage increased due to rising short-term rates.

Positions in certain pre-refunded securities detracted from performance, as their short maturities were a headwind at a time of increasing interest rates. The Fund continued to hold the positions due to their attractive yields. 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 Summary as of July 31, 2018 (continued)

BlackRock MuniHoldings California Quality Fund, Inc.

**Market Price and Net Asset Value Per Share Summary**

	<i>07/31/18</i>	<i>07/31/17</i>	<i>Change</i>	<i>High</i>	<i>Low</i>
Market Price	\$ 13.07	\$ 14.75	(11.39)%	\$ 15.19	\$ 12.99
Net Asset Value	15.03	15.53	(3.22)	15.71	14.84

**Market Price and Net Asset Value History For the Past Five Years****Overview of the Fund's Total Investments\*****SECTOR ALLOCATION**

<i>Sector</i>	<i>07/31/18</i>	<i>07/31/17</i>
County/City/Special District/School District	37%	37%
Health	19	18
Utilities	16	16
Transportation	13	18
Education	8	4
State	6	5
Corporate	1	2

For Fund compliance purposes, the Fund'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 <sup>(c)</sup>**

Calendar Year Ended December 31,	
2018	4%
2019	13
2020	4
2021	13
2022	4

<sup>(c)</sup> Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

\* Excludes short-term securities.

**CREDIT QUALITY ALLOCATION** <sup>(a)</sup>

<i>Credit Rating</i>	<i>07/31/18</i>	<i>07/31/17</i>
AAA/Aaa	14%	14%
AA/Aa	67	70
A	12	13
BBB/Baa	2	2
N/R <sup>(b)</sup>	5	1

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

(b) 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 July 31, 2018 and July 31, 2017, the market value of unrated securities deemed by the investment adviser to be investment grade each represents less than 1% of the Fund's total investments.

Fund Summary as of July 31, 2018

BlackRock MuniHoldings New Jersey Quality Fund, Inc.

**Fund Overview**

**BlackRock MuniHoldings New Jersey Quality Fund, Inc. s (MUJ) (the Fund )** investment objective is to provide shareholders with current income exempt from U.S. federal income tax and New Jersey personal income taxes. The Fund seeks to achieve its investment objective by investing primarily in long-term, investment grade municipal obligations exempt from U.S federal income taxes (except that the interest may be subject to the U.S. federal alternative minimum tax) and New Jersey personal income taxes. The municipal obligations in which the Fund primarily invests are either rated investment grade quality, or are considered by the Fund s investment adviser to be of comparable quality, at the time of investment. Under normal market conditions, the Fund invests at least 80% of its assets in municipal obligations with remaining maturities of one year or more 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.

**Fund Information**

Symbol on NYSE	MUJ
Initial Offering Date	March 11, 1998
Yield on Closing Market Price as of July 31, 2018 (\$12.90) <sup>(a)</sup>	4.88%
Tax Equivalent Yield <sup>(b)</sup>	9.72%
Current Monthly Distribution per Common Share <sup>(c)</sup>	\$0.0525
Current Annualized Distribution per Common Share <sup>(c)</sup>	\$0.6300
Economic Leverage as of July 31, 2018 <sup>(d)</sup>	39%

<sup>(a)</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>(b)</sup> Tax equivalent yield assumes the maximum marginal U.S. federal and state tax rate of 49.77%, 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.

<sup>(c)</sup> The distribution rate is not constant and is subject to change.

<sup>(d)</sup> Represents VRDP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOB Trusts, 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.

**Performance**

Returns for the 12 months ended July 31, 2018 were as follows:

	Returns Based On	
	Market Price	NAV
MUJ <sup>(a)(b)</sup>	(8.55)%	3.52%
Lipper New Jersey Municipal Debt Funds <sup>(c)</sup>	(5.76)	2.25



- (a) All returns reflect reinvestment of dividends and/or distributions at actual reinvestment prices.
- (b) The Fund's discount to NAV widened during the period, which accounts for the difference between performance based on market price and performance based on NAV.
- (c) Average return. Returns reflect reinvestment of dividends and/or distributions at NAV on the ex-dividend as calculated by Lipper.

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

Past performance is not indicative of future results.

**The following discussion relates to the Fund's absolute performance based on NAV:**

The U.S. municipal bond market posted a narrow gain in the 12-month period, with the contribution from yield offsetting negative price performance. Although tax-exempt issues sold off sharply in early 2018 due to a spike in U.S. Treasury yields, the market was supported by the improving fundamentals of state and local issuers, as well as low new-issue supply from January onward.

New Jersey bonds outpaced the national market due in part to investors' positive reaction to legislation that redirected roughly \$1 billion annually in lottery proceeds to the state's pension funds.

Given that bond prices declined somewhat, the Fund's return was primarily derived from income. The Fund's use of leverage, while amplifying the impact of weak price performance, provided additional income and was therefore a net contributor. However, the cost of leverage increased due to rising short-term interest rates.

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

At the sector level, positions in state tax-backed issues made the largest contribution to performance, followed by transportation and education.

Long-term bonds outperformed short-term debt, leading to a flattening of the yield curve. In this environment, the Fund's positions in bonds with maturities of 20 years and above generated positive returns. Longer-bonds' stronger performance also reflected their higher yields versus the market as a whole. Conversely, the Fund's positions in shorter-maturity debt weighed on results as interest rate increases by the Fed continued to push short-term yields higher.

Positions in higher-yielding, lower-rated bonds performed well and outpaced the broader market. The category was boosted by improving credit fundamentals and the combination of strong investor demand and limited new-issue supply. Overall, however, the Fund's emphasis on higher-quality bonds was a headwind to performance.

Reinvestment had an adverse effect on the Fund's income, as the proceeds of higher-yielding bonds that matured or were called needed to be reinvested at lower prevailing rates.

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 Summary as of July 31, 2018 (continued)

**BlackRock MuniHoldings New Jersey Quality Fund, Inc.**

**Market Price and Net Asset Value Per Share Summary**

	<i>07/31/18</i>	<i>07/31/17</i>	<i>Change</i>	<i>High</i>	<i>Low</i>
Market Price	\$ 12.90	\$ 14.88	(13.31)%	\$ 14.95	\$ 12.90
Net Asset Value	15.28	15.57	(1.86)	15.84	15.05

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

**Overview of the Fund's Total Investments\***

**SECTOR ALLOCATION**

<i>Sector</i>	<i>07/31/18</i>	<i>07/31/17</i>
Transportation	28%	27%
Education	18	20
State	18	19
County/City/Special District/School District	14	14
Health	10	12
Housing	5	4
Utilities	3	2
0 shares		
		SHARED
		8 DISPOSITIVE
		POWER
		2,737,000
		AGGREGATE
		AMOUNT
		BENEFICIALLY
		OWNED BY EACH
		REPORTING
		PERSON
		2,737,000
		CHECK BOX IF THE
		AGGREGATE
		AMOUNT IN ROW
		(9) EXCLUDES
		CERTAIN SHARES

11 PERCENT OF CLASS  
REPRESENTED BY  
AMOUNT IN ROW  
(9)

5.7%

12 TYPE OF  
REPORTING  
PERSON

CO

CUSIP NO. 92337C104

1	NAME OF REPORTING PERSON	
	Mark N. Lampert	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a)  (b)
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION	
	United States	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER  0 shares
	6	SHARED VOTING POWER  2,737,000
	7	SOLE DISPOSITIVE POWER  0 shares
	8	SHARED DISPOSITIVE POWER  2,737,000
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES	

CERTAIN  
SHARES

11 PERCENT OF CLASS  
REPRESENTED BY  
AMOUNT IN ROW (9)

12 *5.7%*  
TYPE OF REPORTING  
PERSON

IN

8

CUSIP NO. 92337C104

Item 1(a).

Name of Issuer:

Verastem, Inc., a Delaware corporation (the "Issuer").

Item 1(b).

Address of Issuer's Principal Executive Offices:

117 Kendrick Street, Suite 500

Needham, MA 02494

Item 2(a).

Name of Person Filing

Item 2(b).

Address of Principal Business Office or, if None, Residence

Item 2(c).

Citizenship

Biotechnology Value Fund, L.P. ("BVF")

1 Sansome Street, 30<sup>th</sup> Floor

San Francisco, California 94104

Citizenship: Delaware

Biotechnology Value Fund II, L.P. ("BVF2")

1 Sansome Street, 30<sup>th</sup> Floor

San Francisco, California 94104

Citizenship: Delaware

Biotechnology Value Trading Fund OS LP ("Trading Fund OS")

PO Box 309 Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Citizenship: Cayman Islands

BVF Partners OS Ltd. (“Partners OS”)

PO Box 309 Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Citizenship: Cayman Islands

BVF Partners L.P. (“Partners”)

1 Sansome Street, 30th Floor

San Francisco, California 94104

Citizenship: Delaware

BVF Inc.

1 Sansome Street, 30<sup>th</sup> Floor

San Francisco, California 94104

Citizenship: Delaware

Mark N. Lampert (“Mr. Lampert”)

1 Sansome Street, 30<sup>th</sup> Floor

San Francisco, California 94104

Citizenship: United States

Each of the foregoing is referred to as a “Reporting Person” and collectively as the “Reporting Persons.”



CUSIP NO. 92337C104

Item 2(d).

Title of Class of Securities:

Common Stock, \$0.0001 par value (the "Common Stock")

Item 2(e).

CUSIP Number:

92337C104

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is a:

/x/Not applicable.

(a) // Broker or dealer registered under Section 15 of the Exchange Act.

(b) // Bank as defined in Section 3(a)(6) of the Exchange Act.

(c) // Insurance company as defined in Section 3(a)(19) of the Exchange Act.

(d) // Investment company registered under Section 8 of the Investment Company Act.

(e) // An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E).

(f) // An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F).

(g) // A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G).

(h) // A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act.

(i) // A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act.

(j) // Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

(k) // Group, in accordance with Rule 240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J), please specify the type of institution: \_\_\_\_\_

Item 4.

Ownership

(a)

Amount beneficially owned:

As of the close of business on January 26, 2018 (i) BVF beneficially owned 1,293,127 shares of Common Stock, (ii) BVF2 beneficially owned 863,522 shares of Common Stock, and (iii) Trading Fund OS beneficially owned 221,646 shares of Common Stock.

Partners OS, as the general partner of Trading Fund OS, may be deemed to beneficially own the 221,646 shares of Common Stock beneficially owned by Trading Fund OS.

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Partners, as the general partner of BVF, BVF2, the investment manager of Trading Fund OS, and the sole member of Partners OS, may be deemed to beneficially own the 2,737,000 shares of Common Stock beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners managed accounts (the “Partners Managed Accounts”), including 358,705 shares of Common Stock held in the Partners Managed Accounts.

BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 2,737,000 shares of Common Stock beneficially owned by Partners.

Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 2,737,000 shares of Common Stock beneficially owned by BVF Inc.

The foregoing should not be construed in and of itself as an admission by any Reporting Person as to beneficial ownership of any shares of Common Stock owned by another Reporting Person. Partners OS disclaims beneficial ownership of the shares of Common Stock beneficially owned by Trading Fund OS. Each of Partners, BVF Inc. and Mr. Lampert disclaims beneficial ownership of the shares of Common Stock beneficially owned by BVF, BVF2, Trading Fund OS, and the Partners Managed Accounts, and the filing of this statement shall not be construed as an admission that any such person or entity is the beneficial owner of any such securities.

(b)

Percent of class:

The following percentages are based on 48,367,905 shares of Common Stock outstanding, which is the total number of shares of Common Stock outstanding as reported in the Issuer’s Prospectus Supplement filed with the Securities and Exchange Commission on December 18, 2017.

As of the close of business on January 26, 2018 (i) BVF beneficially owned approximately 2.7% of the outstanding shares of Common Stock, (ii) BVF2 beneficially owned approximately 1.8% of the outstanding shares of Common Stock, (iii) Trading Fund OS beneficially owned less than 1% of the outstanding shares of Common Stock (iv) Partners OS may be deemed to beneficially own less than 1% of the outstanding shares of Common Stock, and (v) each of Partners, BVF Inc. and Mr. Lampert may be deemed to beneficially own approximately 5.7% of the outstanding shares of Common Stock (less than 1% of the outstanding shares of Common Stock are held in the Partners Managed Accounts).

(c)

Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote

See Cover Pages Items 5-9.

(ii) Shared power to vote or to direct the vote

See Cover Pages Items 5-9.

(iii) Sole power to dispose or to direct the disposition of

See Cover Pages Items 5-9.

(iv) Shared power to dispose or to direct the disposition of

See Cover Pages Items 5-9.

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Item 5. Ownership of Five Percent or Less of a Class.

Not Applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Partners, BVF Inc. and Mr. Lampert share voting and dispositive power over the shares of Common Stock beneficially owned by BVF, BVF2, Trading Fund OS, and the Partners Managed Accounts.

Item 7. Identification and Classification of the Subsidiary That Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

Not Applicable.

Item 8. Identification and Classification of Members of the Group.

See Exhibit 99.1.

Item 9. Notice of Dissolution of Group.

Not Applicable.

Item 10. Certifications.

By signing below each of the undersigned certifies that, to the best of its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.



CUSIP NO. 92337C104

SIGNATURE

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: January 26, 2018

BIOTECHNOLOGY VALUE FUND, L.P.

By: BVF Partners L.P., its general partner

By: BVF Inc., its general partner

By: /s/ Mark N. Lampert

Mark N. Lampert

President

BVF INC.

/s/ Mark N. Lampert

By: Mark N. Lampert

President

/s/ Mark N. Lampert

MARK N. LAMPERT

BIOTECHNOLOGY VALUE FUND II, L.P.

By: BVF Partners L.P., its general partner

By: BVF Inc., its general partner

By: /s/ Mark N. Lampert

Mark N. Lampert

President

BVF PARTNERS L.P.

By: BVF Inc., its general partner

By: /s/ Mark N. Lampert

Mark N. Lampert

President

BVF PARTNERS OS LTD.

By: BVF Partners L.P., its sole member

By: BVF Inc., its general partner

By: /s/ Mark N. Lampert

Mark N. Lampert

President

Biotechnology Value Trading Fund OS LP

By: BVF Partners L.P., its investment manager

By: BVF Inc., its general partner

By: /s/ Mark N. Lampert

Mark N. Lampert

President

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