Income Opportunities Fund

Closed-End Fund

FUND FACTS

Ticker	EAD
NAV Ticker	XEADX
CUSIP	94987B105
Fund inception date	2-26-03
Shares outstanding	59,092,336
Average daily volume	339,890

OBJECTIVE

The fund seeks a high level of current income. As a secondary objective, the fund may also seek capital appreciation consistent with its investment objective.

INVESTMENT STRATEGY

Under normal market conditions, the fund invests at least 80% of its total assets in below investment-grade (high yield) debt securities, loans and preferred stocks. These securities are rated Ba or lower by Moody's or BB or lower by S&P, or are unrated securities of comparable quality as determined by the subadviser.

ASSET ALLOCATION (%)

Fixed income	96.98
Cash & equivalents	3.02

ADVISER

Allspring Funds Management, LLC

SUBADVISER

Allspring Global Investments, LLC

FUND MANAGERS

Name	Years of investment experience
Chris Lee, CFA	23
Michael J. Schueller, CFA	25

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EXPENSES (%)

Gross expense ratio	3.74

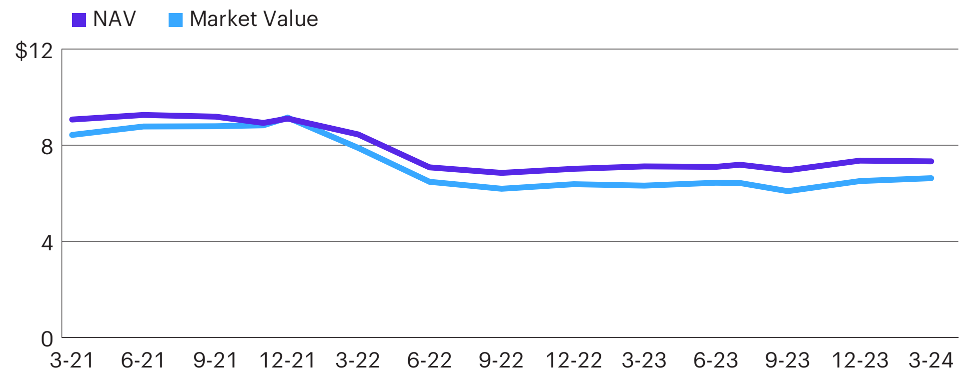
As of 10-31-2023. Expense ratios include 2.73% of interest expense. Excluding interest expense, gross ratio would be 1.01%.

Performance (%)

	3 month	Year to date	Annualized 1 year	3 year	5 year	10 year	Since incep.
Fund at Market	4.23	4.23	15.03	1.06	5.71	5.69	6.62
Fund at NAV	1.93	1.93	12.88	1.98	5.26	6.15	7.36

Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on fund distributions or the sales of fund shares. *Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted and assumes the reinvestment of dividends and capital gains. Performance figures of the Fund do not reflect brokerage commissions that a shareholder would pay on the purchase and sale of shares. If taxes and such brokerage commissions had been reflected, performance would have been lower. Current month-end performance is available by calling 1-800-222-8222.*

NAV vs. market price chart



Net asset value (NAV) and market price data

Current share price ($)	6.64
Current share NAV ($)	7.34
Premium/discount at NAV (%)	-9.54

Fund capitalization

Net assets ($ in millions)	434.0
Bank borrowings ($ in millions)	189.0
Total assets ($ in millions)	623.0
Leverage as a percentage of total assets (%)	30.3

Fund characteristics

Number of holdings	261
Portfolio turnover (%)	45.8
Duration (years)[2]	2.98
Weighted average maturity (years)[3]	4.16
Weighted average coupon (%)[4]	6.91

Yields (%)

	At market	At NAV
Distribution rate*	9.17	8.29
30-day SEC yield[1]	–	8.52

*Distribution rate is calculated by annualizing the last distribution and then dividing by the period ending NAV or market price. Special distributions, including special capital gains distributions, are not included in the calculation. Distributions may be sourced from any or all of the following: income, capital gains and return of capital.

Dividend information

Declaration date	Payment amount($)
3-28-2024	0.05174
2-22-2024	0.05171
1-26-2024	0.05170
12-29-2023	0.05165
11-15-2023	0.05173
10-27-2023	0.04738

Dividends shown are from the last six months and are paid monthly. Historical dividend sources since the Fund's inception have included net investment income, realized gains, and return of capital. Each fund will send shareholders a Form 1099-DIV for the calendar year that will tell shareholders how to report these distributions for federal income tax purposes. A fund's current distribution rate and historical dividends are not indicative of future performance.[5]

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Credit rating allocation (%)

BBB/Baa	5.13
BB/Ba	42.32
B/B	37.75
CCC/Caa and below	11.60
Not rated	0.75
Cash & equivalents	2.45

Calculated as a percentage of market value of bonds. Credit rating allocation is subject to change and may have changed since the date specified. Percent totals may not add to 100% due to rounding. The ratings indicated are from Standard & Poor's, Fitch Ratings Ltd., and/or Moody's Investors Service. If a security was rated by all three rating agencies, the middle rating was used. If rated by two of three rating agencies, the lower rating was used, and if rated by one of the agencies, that rating was used.

Sector allocation (%)

Consumer discretionary	21.17
Energy	16.66
Financials	14.88
Industrials	11.74
Communication services	9.35
Consumer staples	9.13
Utilities	7.36
Information technology	4.89
Cash & equivalents	2.44
Real estate	2.37

Calculated as a percentage of market value of bonds. Sector allocation is subject to change and may have changed since the date specified. These amounts may differ from the final sector categorization determined by the portfolio management team. Percent totals may not add to 100% due to rounding.

Maturity distribution (%)

0 - 1 year	7.54
1 - 3 years	24.53
3 - 5 years	38.71
5 - 10 years	27.30
10 - 20 years	1.33
20+ years	0.60

Calculated as a percentage of market value of bonds. Maturity distribution is subject to change and may have changed since the date specified. Percent totals may not add to 100% due to rounding.

Top geographic allocations (%)

United States	90.55
Canada	3.11
United Kingdom	1.66
Germany	0.95
France	0.88
Switzerland	0.87
Mexico	0.66
Israel	0.40
Italy	0.39
Brazil	0.31

Geographic allocation is subject to change and may have changed since the date specified. Percent totals may not add to 100% due to rounding.

Top holdings (%)

GEO Group INC 2022 Tranche 1 Term Loan	1.49
CCO Holdings, LLC	1.40
CCM Merger Inc.	1.14
Pattern Energy Operations LP	1.09
PG&E Corporation	1.05
SIRIUS XM RADIO INC COMPANY GUAR 144A 07/30 4.125	1.01
Air Canada	0.93
Royal Caribbean Group	0.89
Camelot Return Merger Sub, Inc.	0.89
CORECIVIC INC 8.25% 04/15/29	0.88

Portfolio holdings are subject to change and may have changed since the date specified. The holdings listed should not be considered recommendations to purchase or sell a particular security.

1. The 30-Day SEC yield is calculated with a standardized formula mandated by the SEC. The formula is based on maximum offering price per share and includes the effect of any fee waivers. Without waivers, yields would be reduced. A fund's actual distribution rate will differ from the SEC yield and any income distributions from the fund may be higher or lower than the SEC yield. The 30-day unsubsidized SEC yield does not reflect waivers in effect.
2. Duration is a measurement of the sensitivity of a bond's price to changes in Treasury yields. A fund's duration is the weighted average of duration of the bonds in the portfolio. Duration should be interpreted as the approximate change in a bond's (or fund's) price for a 100-basis-point change in Treasury yields. Duration is based on historical performance and does not represent future results.
3. Weighted average maturity (WAM): An average of the effective maturities of all securities held in the portfolio, weighted by each security's percentage of total investments. The maturity of a portfolio security is the period remaining until the date on which the principal amount is unconditionally required to be paid, or in the case of a security called for redemption, the date on which the redemption payment is unconditionally required to be made. WAM calculations allow for the maturities of certain securities with demand features or periodic interest rate resets to be shortened. WAM is a way to measure a fund's sensitivity to potential interest rate changes. WAM is subject to change and may have changed since the date specified.
4. The weighted average annual interest rate (expressed as a percentage of par value) that the issuers of all of the bonds in a fund promise to pay until maturity.
5. If a distribution is from a source other than net investment income, the Fund provides a notice to shareholders with an estimate of its distribution source at that time. The final determination of the source of all dividend distributions in the current year will be made after year-end. The actual amounts and sources of the amounts for tax reporting purposes will depend upon a fund's investment experience during the remainder of the fiscal year and may be subject to change based on tax regulations. Each fund will send shareholders a Form 1099-DIV for the calendar year that will tell shareholders how to report these distributions for federal income tax purposes.

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Strategy

U.S. economic growth decelerated in the first quarter from the robust pace seen in the second half of 2023, yet it remained healthy near historical average levels. Consumer spending was resilient as consumer fundamentals remained healthy overall, labor market and wage growth remained firm, and wealth effects stemming from home price and stock market appreciation were positive. Cyclical sectors such as manufacturing and housing began to inflect stronger, mostly due to the increased probability of lower financing costs in the second half of 2024. Concurrently, the pace of disinflation slowed, which prompted the Federal Open Market Committee (FOMC) and the market to reconsider the journey of future policy rate adjustments. The FOMC concluded the first quarter of 2024 expecting a total of three rate cuts in 2024 and a slowdown in the pace of quantitative tightening.

High yield and leveraged loans generated strong performance during the quarter as a continuation of the risk rally from the fourth quarter drove demand, pushing bond and loan prices higher. The loosening of financial conditions kept corporate defaults low and allowed risky borrowers to access the capital markets. High yield bond defaults continue to trend between 2% and 3%, which is low on a historical basis. Across the high yield landscape, issuer fundamentals and credit quality, as measured by interest coverage and leverage, remain stable and at historically constructive levels. Trailing 12-month speculative-grade default rates stabilized during the quarter, albeit at a very slow pace.

Corporate debt issuance was very strong during the quarter as a surge of inflows into mutual funds and exchange-traded funds aligned with lower yields to incentivize borrowers to tap the market for fresh funding. Both bond and loan issuance rose materially during the period compared with 2023 volumes. The first quarter of 2024 marks the second-highest quarter of loan issuance on record. Primary market CCC bond volumes recovered from last year's depressed levels. Combined with the overall better technical backdrop, this allowed many high yield and leveraged loan companies to secure funding for upcoming maturities, reducing the so-called "maturity wall" to more manageable levels.

The Income Opportunities Fund's return was 1.93% for the three-month period that ended March 31, 2024. The fund outperformed the ICE BofA U.S. High Yield Constrained Index,[6] which returned 1.52%.

Contributors to performance

During a quarter that ended with positive high yield performance, leverage in the fund was a meaningful contributor to total return. The team expects that leverage would contribute to performance in high yield market environments with absolute positive performance, and vice versa. An overweight to floating-rate leveraged loans added value as they outperformed fixed-rate bonds on the changing expectation of higher-for-longer rates. An underweight to telecommunications also contributed, as the sector continues to underperform. On an individual-name basis, Werner Finco, CoreCivic, and Dish DBS were the largest contributors

Detractors from performance

The fund's overweight to media detracted as the sector continues to grapple with secularly declining businesses. On an individual-name basis, Scripps Escrow, Hubbard Radio, and Charter Communications were the largest detractors.

Management outlook

High yield and leveraged loans continue to offer attractive yields that should outpace current rates of inflation and offset future economic volatility. Issuer fundamentals and balance sheets are healthy and a key reason for low defaults and spread compression. The average issuer's cash flow leverage ratio is nearly two times below its recent peak. Ratings trends have also been stable with rising star volume surpassing fallen angels. Outside the cable, telecom, and media sectors there has been little downward ratings migration and distress.

Avoiding and minimizing idiosyncratic distress has been one security selection theme within the fund. Another security selection theme is relative value in subordinated BBB bonds. These bonds have senior ratings ranging from BBB+ to A- yet have subordinated bonds with BBB or BB ratings that trade wide of the BB index. We believe "market segmentation technicals" create this opportunity and that this BBB relative value basket trade can outperform under two different extremes. In a market driven by sharp spread widening, we believe BBBs will outperform BBs on both spread and total return. In a compression environment, subordinated BBBs can "out-tighten" BBs, which are near three-year tights.

At a 315-basis-point (bp; 100 bps equal 1.00%) option-adjusted spread (OAS), low defaults are priced into the high yield market. Demonstrating the extent to which spreads have already compressed, excluding idiosyncratically distressed credits, performing high yield credits yielded approximately 7% and traded at a spread of 250 bps OAS at the end of the quarter. Thus, valuation, as measured by spreads, is the one noteworthy piece of the puzzle that suggests caution is warranted.

Ultimately, resilient economic growth and the possibility of a Federal Reserve (Fed) rate cut creates a favorable backdrop for corporate credit, low defaults, and spread compression. This is perhaps why investors seem more focused on yields than credit spreads, hoping to position themselves to benefit from an eventual Fed easing and today's yields, which are attractive compared with the post–Global Financial Crisis period.

6. The ICE BofA U.S. High Yield Constrained Index is a market-value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3 but are not in default. The ICE BofA U.S. High Yield Constrained Index limits any individual issuer to a maximum of 2% benchmark exposure. You cannot invest directly in an index. Copyright 2024. ICE Data Indices, LLC. All rights reserved.

Returns reflect expense limits previously in effect, without which returns would have been lower.

This closed-end fund is no longer available as an initial public offering and is only offered through broker-dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request. Shares of the fund may trade at either a premium or discount relative to the fund's net asset value, and there can be no assurance that any discount will decrease. The values of, and/or the income generated by, securities held by the fund may decline due to general market conditions or other factors, including those directly involving the issuers of such securities. Debt securities are subject to credit risk and interest rate risk, and high-yield securities and unrated securities of similar credit quality have a much greater risk of default and their values tend to be more volatile than higher-rated securities with similar maturities. The fund is leveraged through a revolving credit facility and also may incur leverage by issuing preferred shares in the future. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of the net asset value and the market value of common shares. Derivatives involve additional risks, including interest rate risk, credit risk, the risk of improper valuation, and the risk of noncorrelation to the relevant instruments that they are designed to hedge or closely track.

The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit-quality ratings: Credit-quality ratings apply to underlying holdings of the fund and not the fund itself. Standard & Poor's rates the creditworthiness of bonds from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Moody's rates the creditworthiness of bonds from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Fitch rates the creditworthiness of bonds from AAA (highest) to D (lowest).

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