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	269,487

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 (%)

Equity	0.01
Fixed income	97.66
Cash & equivalents	2.33

ADVISER

Allspring Funds Management, LLC

SUBADVISER

Allspring Global Investments, LLC

FUND MANAGERS

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

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EXPENSES (%)

Gross expense ratio	3.74

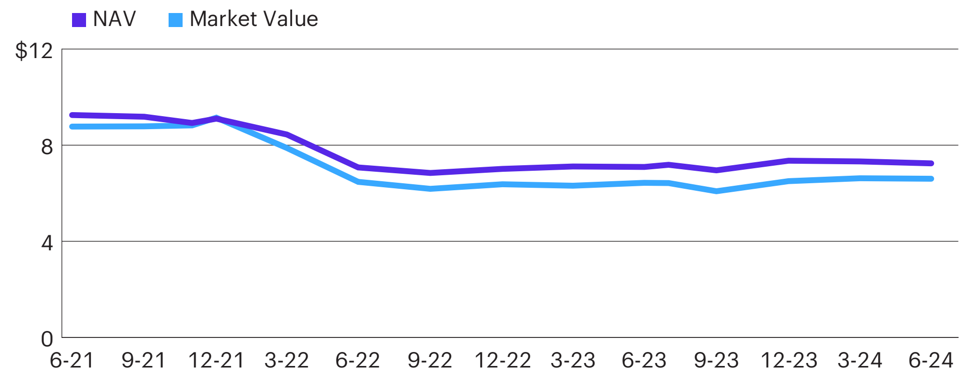
As of 10-31-2023. Expense ratios include 2.73% of interest expense. Excluding interest expense, gross ratio would be 1.01%.

Performance (%)

			Annualized				
	3 month	Year to date	1 year	3 year	5 year	10 year	Since incep.
Fund at Market	2.07	6.39	12.60	-0.26	4.75	5.56	6.64
Fund at NAV	1.26	3.22	12.02	1.05	4.81	5.90	7.33

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 ($)	6.62
Current share NAV ($)	7.26
Premium/discount at NAV (%)	-8.82

Fund capitalization

Net assets ($ in millions)	428.8
Bank borrowings ($ in millions)	189.0
Total assets ($ in millions)	617.8
Leverage as a percentage of total assets (%)	30.6

Fund characteristics

Number of holdings	280
Portfolio turnover (%)	54.1
Duration (years)[2]	3.03
Weighted average maturity (years)[3]	4.49
Weighted average coupon (%)[4]	7.15

Yields (%)

	At market	At NAV
Distribution rate*	9.55	8.71
30-day SEC yield[1]	—	8.27

*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($)
6-28-2024	0.05210
5-30-2024	0.05197
4-26-2024	0.05192
3-28-2024	0.05174
2-22-2024	0.05171
1-26-2024	0.05170

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	3.70
BB/Ba	44.87
B/B	38.62
CCC/Caa and below	10.67
Not rated	1.48
Cash & equivalents	0.66

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	24.25
Energy	17.94
Financials	14.15
Industrials	11.63
Communication services	8.41
Consumer staples	7.69
Information technology	6.90
Utilities	6.14
Real estate	2.13
Cash & equivalents	0.66
ABS	0.10

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	7.02
1 - 3 years	20.20
3 - 5 years	46.71
5 - 10 years	23.58
10 - 20 years	1.66
20+ years	0.84

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	89.13
Canada	3.94
Germany	1.60
France	0.98
United Kingdom	0.82
Switzerland	0.78
Mexico	0.50
Ireland	0.48
Israel	0.41
Italy	0.40

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 (%)

CCM Merger Inc.	1.13
BRISTOW GROUP INC.	1.02
WERNER FINCO LP/INC SECURED 144A 10/28 8.75	0.97
Air Canada	0.92
PG&E Corporation	0.88
CORECIVIC INC 8.25% 04/15/29	0.87
ASURION LLC 2020 TERM LOAN B8	0.87
Camelot Return Merger Sub, Inc.	0.85
TENET HEALTH 6.75% 05/15/2031	0.84
CCO Holdings LLC	0.83

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

The higher income produced by high yield bonds and leveraged loans drove returns in the second quarter of 2024 as Treasury yields rose and credit spreads remained stable in a narrow range. Robust demand for attractive all-in yields met the strongest new issue market for high yield bonds since 2021 while leveraged loan issuance year to date trails only 2017's record pace. Credit metrics stabilized in the second quarter at levels comparing favorably with historical averages and trailing 12-month speculative-grade default rates ticked down over the period. Bond and loan defaults stood at 1.8% and 3.1%, respectively, as of June 30, 2024, down 1.09% and 0.17%, respectively, since the start of 2023. U.S. economic growth slowed to below-trend levels yet remains positive. Inflation data came in better than expected in the second quarter, and the U.S. jobs market showed signs of normalization, leading investors to recalibrate their expectations for the U.S. Federal Reserve's (Fed's) shift in monetary policy.

Corporate debt issuance was very strong in the second quarter of 2024 as a surge of inflows into mutual funds and exchange-traded funds incentivize borrowers to tap the market for fresh funding. Many high yield and leveraged loan companies used a better technical backdrop to secure funding for upcoming maturities, reducing the so-called "maturity wall" to more manageable levels.

In short, during the second quarter of 2024, U.S. high yield bonds and loans continued to benefit from a resilient macro backdrop and improved technicals. Prices rose and yields were slightly elevated while spreads traded in a relatively narrow range. With many expecting these trends to continue through 2024, current valuations appear well aligned with an economic backdrop of decelerating inflation and slowing growth.

Contributors to performance

Telecom-Wireline and Oil Field Equipment & Services were our best-performing sectors. On a company basis, Werner FinCo and Hubbard Broadcasting were our strongest holdings, while not holding Level 3 Financing also helped. By rating, our underweight to CCCs contributed most and our overweight to BBBs was also positive. Holdings inside of 3 years did best, while our selection of 10-year-plus debt (including perps) also generated positive alpha.

Detractors from performance

The managed care and pharmaceutical sectors were the worst for performance this quarter. By issuer, MultiPlan and Scripps were our worst holdings, while not carrying Bausch or Carvana also weakened relative returns. The portfolio was underweight CCs, which outperformed during the period.

Management outlook

The macro environment continued to be broadly supportive of the high yield market in the second quarter. Although the 10-year Treasury yield spiked briefly, its level was essentially unchanged from the beginning to the end of the quarter. Second quarter real gross domestic product, which is tracking in the 1.5–2.0% range, is slowing enough to contribute toward moderating inflation but resilient enough to keep the labor market from experiencing a hard landing. A 90% probability of a September Fed cut is now priced into the market.

Defaults continue to edge lower. The trailing twelve-month (TTM) default rate fell to 1.9% in the second quarter of 2024. Lower-quality issuers continue to have access to the new issue market. $11.4 billion of CCCs priced in the primary market in the first half of 2024—the most since 2022. The "wall of refinancing" that concerned investors last year is now of insignificant size. Just $60 billion of 2024 and 2025 maturities remain, with just $11 billion of that $60 billion trading at levels that suggest default is likely. While the high yield market's distress ratio of just under 5% suggests defaults should creep modestly higher in the coming quarters, we believe this cycle's peak default rate will be much less severe than in previous cycles. Higher rates have discouraged aggressive issuance. High yield issuance used for buyouts, dividends, and equity repurchases has been modest compared with history, helping skew the market's ratings distribution higher and potentially limiting the pool of future distressed.

Issuer fundamentals and balance sheets remain healthy and a key reason for low defaults and spread compression. The average issuer's cash flow leverage ratio is nearly two turns below its recent peak. Despite the Treasury rate volatility, the average high yield issuer has an interest coverage ratio of 4.5x, a comparable level with the years preceding the COVID crisis. Ratings trends have also been stable with the number of securities transitioning from high yield to investment-grade outpacing securities being downgraded from investment-grade to high yield.

Low defaults have led to low dispersion, with more than 75% of the high yield market trading with yields of 8% or lower. Security selection themes have consequently focused on avoiding idiosyncratic distress and liability management exercises and identifying fundamental momentum, secular growth, and balance sheet improvement. For example, electricity demand stemming from growing artificial intelligence workloads has helped lead to compressing spreads among utilities, and liquified natural gas (LNG) demand growth has contributed toward tighter spreads among gas producers and distribution companies most exposed to the trend.

Our base case calls for the quiescent market conditions to persist over the next six months. Certainly, we are not alone in our forecast. Yield buyers have outnumbered spread sellers. Inflows into high yield have been steady throughout the year. The prospect for Fed cuts, "Goldilocks" inflation and growth trends, modest and isolated defaults, and broadly healthy balance sheets likely keep spreads in their recent range. There's even a case for spreads to tighten toward the all-time tights experienced in the 2005–2006 period. Today's market has less duration and a lower average dollar price than the market did then. Adjusting for both the shorter duration and lower dollar price of today's market could prove an impetus for spreads to grind even tighter. We believe maintaining carry while guarding against complacency in security selection is critical in this environment.

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).