

Multi-Sector Income Fund

Closed-End Fund

FUND FACTS

Ticker	ERC
NAV Ticker	XERCX
CUSIP	94987D101
Fund inception date	6-25-03
Shares outstanding	28,053,801.11
Average daily volume	248,984

OBJECTIVE

The fund seeks to provide a high level of current income consistent with limiting its overall exposure to domestic interest-rate risk.

INVESTMENT STRATEGY

The Fund allocates its assets between three separate investment strategies, or sleeves. Under normal market conditions, the fund allocates approximately 30%-70% of its total assets to a sleeve consisting of below investment grade (high yield) debt; approximately 10%-40% to a sleeve of foreign debt securities, including emerging market debt; and approximately 10%-30% to a sleeve of adjustable-rate and fixed-rate mortgage backed securities, and investment grade corporate bonds.

ASSET ALLOCATION (%)

Equity	0.01
Fixed income	97.35
Cash & equivalents	2.64

ADVISER

Allspring Funds Management, LLC

SUBADVISER

Allspring Global Investments, LLC
Allspring Global Investments (UK) Limited

FUND MANAGERS

Name	Years of investment experience
Christopher Kauffman, CFA	27
Chris Lee, CFA	23
Michael Lee	42
Michael Schueller, CFA	25
Lauren van Biljon, CFA	17
Noah Wise, CFA	22

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EXPENSES (%)

Gross expense ratio 3.40

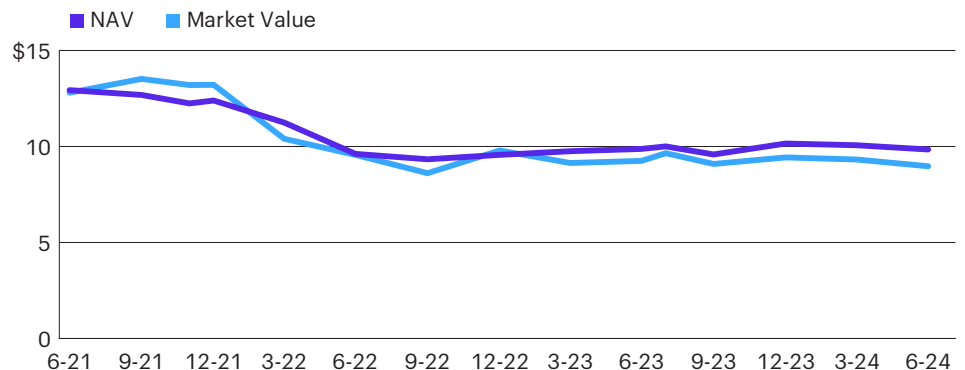
As of 10-31-2023. Expense ratios include 2.43% of interest expense. Excluding interest expense, gross ratio would be 0.97%.

Performance (%)

	3 month	Year to date	Annualized				
			1 year	3 year	5 year	10 year	Since incep.
Fund at Market	-1.64	-0.75	5.50	-2.60	2.75	4.45	5.71
Fund at NAV	-0.04	1.16	8.46	0.13	3.36	4.25	6.44

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 (\$)	8.98
Current share NAV (\$)	9.87
Premium/discount at NAV (%)	-9.02

Fund capitalization

Net assets (\$ in millions)	276.8
Bank borrowings (\$ in millions)	119.0
Total assets (\$ in millions)	395.8
Leverage as a percentage of total assets (%)	30.1

Fund characteristics

Number of holdings	454
Portfolio turnover (%)	44.1
Duration (years) ²	2.96
Weighted average maturity (years) ³	4.68
Weighted average coupon (%) ⁴	7.08

Yields (%)

	At market	At NAV
Distribution rate*	8.90	8.10
30-day SEC yield ¹	—	8.57

*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	0.06586
5-30-2024	0.06566
4-26-2024	0.06497
3-28-2024	0.06542
2-22-2024	0.06530
1-26-2024	0.06521

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 (%)

AAA/Aaa	11.32
AA/Aa	1.50
A/A	1.73
BBB/Baa	20.25
BB/Ba	28.33
B/B	27.96
CCC/Caa and below	5.59
Not rated	1.40
Cash & equivalents	1.91

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.

Portfolio composition (%)

U.S. corporate (high yield)	57.17
Emerging markets bonds	10.67
Sovereign	8.51
Securitized	6.55
U.S. corporate (investment grade)	5.62
International corporate (high yield)	5.18
U.S. treasuries	4.12
International corporate (investment grade)	1.94
Quasi government related	0.23

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

Maturity distribution (%)

0 - 1 year	7.50
1 - 3 years	25.48
3 - 5 years	38.02
5 - 10 years	25.49
10 - 20 years	1.69
20+ years	1.79

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	66.77
Supranational	8.16
Mexico	3.25
Colombia	2.89
Romania	2.63
Canada	2.49
Indonesia	2.25
Hungary	1.20
Cayman Islands	1.20
Germany	1.18

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 (%)

Indonesia Government Bonds	1.78
Titulos de Tesoreria Bonds 11/27 5.75	1.30
HUNGARY GOVERNMENT BOND BONDS 10/26 9.5	1.14
Government of Mexico	1.05
NEW ZEALAND GOVERNMENT UNSECURED 05/34 4.25	0.97
International Bank for Reconstruction	0.95
Government of Romania	0.94
Government Of Colombia	0.92
ROMANIA GOVERNMENT BOND BONDS 04/31 7.35	0.83
ROMANIA GOVERNMENT BOND BONDS 10/33 7.2	0.82

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.



Multi-Sector Income Fund

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Strategy

The U.S. economy grew at a below-trend pace for the second consecutive quarter. Consumption broadly moderated and uncertainty related to future monetary and fiscal policy weighed on cyclical sectors such as housing and manufacturing. Despite the moderation in growth, the U.S. economy remained well supported, stemming from positive home and stock price appreciation, elevated income growth, and large fiscal deficits. The labor market continued to remain healthy, albeit slowly softened to a more balanced level with the unemployment rate reaching a new post-COVID high of 4.1%. Together with economic activity slowing, wage growth trended lower and inflation returned to its trend of gradual disinflation. As a result, the Federal Reserve (Fed) acknowledged that risks to achieving both its inflation and employment goals have moved toward better balance, which kept probabilities for at least one rate cut in 2024 elevated.

Excluding the Bank of Japan, global central banks remained biased toward a shallow easing cycle, with the Bank of Canada and the European Central Bank among developed market central banks that performed a 25-basis-point (bp; 100 bps equal 1.00%) cut. Emerging market central banks continued to cut in the second quarter and Chinese economic activity remained subdued. With labor markets remaining generally tight, global growth trending modestly stronger, and services inflation remaining elevated, the market gradually moved toward the view that rates will remain elevated for longer versus pre-COVID levels. Elevated uncertainty related to geopolitical tensions and elections contributed to volatility and will remain key risk factors as the calendar turns.

The higher income produced by high yield bonds and leveraged loans drove returns during the quarter as Treasury yields rose and credit spreads modestly widened. 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. U.S. high yield bonds and loans continue 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.

The Multi-Sector Income Fund's return was -0.04% for the three-month period that ended June 30, 2024, which underperformed relative to the Multi-Sector Income Blended Index,¹ which returned 0.09%.

Contributors to performance

The fund was positioned with a significant underweight to U.S. dollar duration during the quarter, which contributed to performance as yields rose in the U.S. On the currency front, the fund saw positive contributions from its overweight to the South African rand, Indian rupee, and New Zealand dollar. An overweight to South African assets contributed on the heels of the successful formation of a coalition government. Overweights to non-agency commercial mortgage-backed securities and collateralized loan obligations were additive, as both sectors saw spread tightening. Within high yield, an overweight to bank loans contributed as the asset class outperformed cash bonds, as well as an underweight to telecommunications as the sector continues to underperform the broader market.

Detractors from performance

In general, currency exposure in emerging markets and away from the U.S. dollar detracted from performance during the quarter, with the Brazilian real, Mexican peso, and Colombian peso being of particular note. Bond market exposure to several Latin American names detracted, with yields in Brazil, Colombia, and Mexico all ending the quarter higher. Markets were shaken by the larger-than-expected margin of victory in Mexico's second quarter election while Brazilian assets have been negatively affected by investor skepticism around the country's fiscal path. Security selection within health care detracted, led by MPH Acquisition Holdings and Bausch Health.

Management outlook

Recent U.S. inflation and employment data continues to support delaying monetary policy normalization but does not negate the next monetary policy rate decision to be a cut. Current economic indicators point to the high likelihood of a soft landing for the U.S. economy. The upcoming U.S. election cycle has begun to play a much larger role in market pricing, particularly in terms of fiscal policy and deficit projections. With a rare break in 2024's relentless electoral calendar, markets could be content to range-trade for the short term, which would be supportive for carry.

Mortgage-backed securities valuations appear close to fair value; however, they still look relatively compelling compared with other high-quality sectors in the current macro environment. Credit spreads are inside of long-term averages and corporate fundamentals are mixed. Positioning may be nimble, balancing corporate fundamentals, consumer health, and a transitioning economy against tighter valuations.

Within high yield, resilient economic growth and the possibility of a Fed rate cut create a favorable backdrop for corporate credit, low defaults, and the income earned from high yield sector exposure. Our base case calls for the quiescent market conditions to persist over the next six months. We believe maintaining carry while guarding against complacency in security selection is critical in this environment.

6. Source: Allspring Funds Management, LLC. Effective October 15, 2019, the Multi-Sector Income Blended Index replaced the ICE BofA High Yield U.S. Corporates, Cash Pay Index with the ICE BofA U.S. High Yield Constrained Index in order to better match the fund's investment strategy. The Multi-Sector Income Blended Index is composed of 60% ICE BofA U.S. High Yield Constrained Index, 18% J.P. Morgan GBI-EM Global Diversified Composite Index, 7.5% Bloomberg U.S. Credit Bond Index, 7.5% Bloomberg U.S. Securitized Index, and 7% J.P. Morgan Global Government Bond Index (ex U.S.). Prior to October 15, 2019, the Multi-Sector Income Blended Index was composed of 60% ICE BofA U.S. Cash Pay High Yield Index, 18% J.P. Morgan GBI-EM Global Diversified Composite Index, 7.5%. The ICE BofA U.S. High Yield Constrained Index tracks the performance of U.S.-dollar-denominated below-investment-grade corporate debt that is publicly issued in the U.S. domestic market. The J.P. Morgan GBI-EM Global Diversified Composite Index is an unmanaged index of debt instruments of 31 emerging countries. The Bloomberg US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranational and local authorities. The Bloomberg U.S. Securitized Index is an unmanaged composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities. The J.P. Morgan Global Government Bond Index (ex U.S.) measures the total return from investing in 12 developed government bond markets—Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the U.K. Copyright 2024. ICE Data Indices, LLC. All rights reserved. You cannot invest directly in an index.



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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. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. Risks of foreign investing are magnified in emerging or developing markets. The fund is exposed to mortgage- and asset-backed securities risk. 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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