Utilities and High Income Fund

Allspring

Closed-End Fund

FUND FACTS

Ticker	ERH
NAV Ticker	XERHX
CUSIP	94987E109
Fund inception date	4-28-04
Shares outstanding	9,050,288.12
Average daily volume	11,709

OBJECTIVE

The fund seeks a high level of current income and moderate capital growth, with an emphasis on providing tax-advantaged dividend income.

INVESTMENT STRATEGY

The Fund allocates its assets between two separate investment strategies, or sleeves. Under normal market conditions, the fund allocates approximately 70% of its total assets to a sleeve that places a focus on common, preferred and convertible preferred stocks of utility companies and approximately 30% of its total assets to a sleeve of U.S. dollar denominated below investment grade (high yield) debt.

ASSET ALLOCATION (%)

Equity	64.79
Fixed income	33.79
Cash & equivalents	1.42

ADVISER

Allspring Funds Management, LLC

SUBADVISER

Allspring Global Investments, LLC

FUND MANAGERS

Name	Years of investment experience
Chris Lee, CFA	23
Kent Newcomb, CFA	39
Michael Schueller, CFA	25
Jack Spudich, CFA	38
Andy Smith, CFA	28

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EXPENSES (%)

Gross expense ratio	2.45

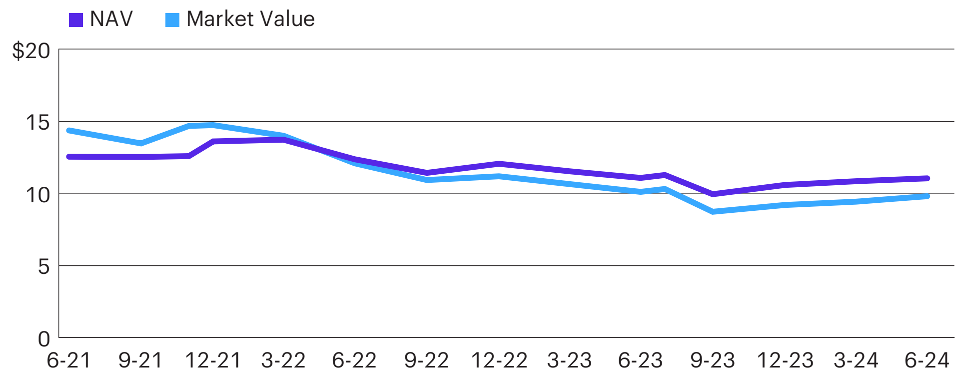
As of 8-31-2023. Expense ratios include 1.44% of interest expense. Excluding interest expense, gross ratio would be 1.01%.

Performance (%)

	3 month	Year to date	Annualized 1 year	3 year	5 year	10 year	Since incep.
Fund at Market	6.03	10.98	5.56	-4.90	1.92	4.64	6.29
Fund at NAV	3.80	8.60	8.49	3.51	4.34	5.04	7.17

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 ($)	9.82
Current share NAV ($)	11.06
Premium/discount at NAV (%)	-11.21

Fund capitalization

Net assets ($ in millions)	100.1
Bank borrowings ($ in millions)	30.0
Total assets ($ in millions)	130.1
Leverage as a percentage of total assets (%)	23.1

Fund characteristics

Number of holdings	297
Portfolio turnover (%)	23.6

Yields (%)

	At market	At NAV
Distribution rate*	7.68	6.82
30-day SEC yield[1]	–	3.89

*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	0.06200
5-30-2024	0.06197
4-26-2024	0.06246
3-28-2024	0.06278
2-22-2024	0.06347
1-26-2024	0.06428

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.[2]

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Credit rating allocation (%)

BBB/Baa	3.06
BB/Ba	46.27
B/B	37.65
CCC/Caa and below	9.91
Not rated	3.11

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 (%)

Top equity allocations	
Utilities	63.53
Cash & equivalents	1.42

Top fixed income allocations	
Industrials	4.36
Consumer discretionary	3.32
Energy	2.80
Communication services	1.31
Financials	1.21
Utilities	1.13
Consumer staples	0.37
Information technology	0.35
Real estate	0.24

Calculated as a percentage of market value of investments. 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 to 1 year	12.05
1 - 3 years	35.06
3 - 5 years	44.63
5 - 10 years	6.89
10 - 20 years	0.75
Other	0.63

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	95.01
Canada	1.35
United Kingdom	0.61
Bermuda	0.60
Netherlands	0.54
Cayman Islands	0.41
France	0.37
Ireland	0.32
Chile	0.22
Italy	0.16

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 (%)

NextEra Energy, Inc.	9.81
Constellation Energy Corporation	4.48
Southern Company	4.36
Sempra	4.30
American Electric Power Company, Inc.	4.01
Duke Energy Corporation	3.63
DTE Energy Company	3.11
CenterPoint Energy, Inc.	2.88
Public Service Enterprise Group Inc	2.86
Exelon Corporation	2.78

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. 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

Utilities generated positive returns for the third consecutive quarter, slightly outperforming the broader market. The S&P 500 Utilities Index[3] increased 4.66% on a total return basis, while the S&P 500 Index[4] rose 4.28%. Following underperformance throughout much of 2023, utilities have turned in a respectable performance year to date. However, after easily outdistancing the index through May, utilities gave much of it back in June as the "Magnificent 7" trade regained traction. Utilities often underperform on a relative basis when dividend yields trail higher rates on alternative investments or when investors favor riskier stocks. Both of these conditions continue to hold firm. If the Federal Reserve (Fed) does cut rates, and if this coincides with a slowing economy, we expect utilities would attract more investor interest given their earnings stability and more competitive dividend yield.

Sector valuation continues to look attractive. On a price/earnings basis at quarter-end, the S&P 500 Utilities Index[3] traded at more than a 25% discount to the S&P 500 Index[4] versus a 15-year average of a slight premium.

Despite recent underperformance, we do not foresee a marked deterioration in either utility earnings or dividend growth expectations, which remain on track for healthy mid-single-digit percentage growth in 2024 and beyond. We still consider utilities an important source of downside risk protection within a broader equity portfolio and a source of consistent income growth historically greater than the rate of inflation.

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. 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.

The Utilities and High Income Fund returned 3.80% for the three-month period that ended June 30, 2024, outperforming the 3.69% return of the Utilities and High Income Blended Index.[5]

Contributors to performance

Within the equity sleeve, not owning New York utility Consolidated Edison (ED) contributed to performance. ED shares trailed the benchmark in the quarter due to valuation concerns, as it now trades at a premium earnings multiple to the peer group average. Also, as a transmission and distribution only utility, ED does not own power generation facilities, which have received much investor interest of late due to their potential to more directly benefit from the rapid growth in the demand for electricity expected from new datacenters, electric vehicles, and the reshoring of manufacturing facilities to the U.S. in the coming years.

Within high yield, Telecom-wireline and media content were the best-performing sectors. On a company basis, Werner FinCo and Hubbard Broadcasting outperformed while not holding Level 3 Financing also helped. By rating, an underweight to CCCs contributed most and our overweight to BBBs was also positive. Holdings inside of 3 years did best, while selection of 10-year-plus debt (including perps) also generated positive alpha.

Detractors from performance

Following on the equity comment in the contributors section, the fund's underweight position in companies that produce and market unregulated power, including NRG Energy Inc. (NRG), detracted from performance. These stocks have benefited from the market's recent affinity for companies exposed to higher power prices and anticipated growth in electricity consumption. The fund did benefit from a position in Constellation Energy (CEG), the nation's largest generator of carbon-free nuclear power, which should also benefit from these trends. The managers recently added Vistra Corp. (VST) to the portfolio as well—another large independent power producer that stands to benefit.

Within the fund's high yield sleeve, the managed care and pharmaceutical sectors were the worst performers this quarter. By issuer, MultiPlan and Scripps underperformed while not carrying Bausch or Carvana also weakened relative returns. The portfolio was underweight CCs, which outperformed during the quarter.

Management outlook

Investors have expressed concerns over utilities' ability to finance robust capital expenditure plans in a higher interest rate environment. However, the industry has to date not encountered meaningful difficulties financing growth investments. The environment remains favorable for capital spending to modernize the electrical grid and replace coal generation with natural gas and renewables. The transition to cleaner generation facilities should also improve the sector's environmental characteristics.

Within high yield, resilient economic growth and the possibility of a Federal Reserve rate cut creates 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.

3. The S&P 500 Utilities Index is a market-value-weighted index that measures the performance of all stocks within the utilities sector of the S&P 500 Index. You cannot invest directly in an index.The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.

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5. The Utilities and High Income Blended Index is weighted 70% S&P 500 Utilities Index and 30% ICE BofA U.S. High Yield Constrained Index. Prior to October 15, 2019, the index was composed of ICE BofA U.S. High Yield Index (30%) and S&P Utilities Index (70%). Prior to July 1, 2010, the index was composed of ICE BofA BB-B U.S. High Yield, Cash Pay Index (30%) and S&P Utilities Index (70%). The ICE BofA U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of high-yield securities traded in the U.S. bond market. You cannot invest directly in an index. Copyright 2024. ICE Data Indices, LLC. All rights reserved. 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. The S&P 500 Utilities Index is a market-value-weighted index that measures the performance of all stocks within the utilities sector of the S&P 500 Index. 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. Equity securities fluctuate in value in response to factors specific to the issuer of the security. 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 also subject to risks associated with any concentration of its investments in the utility sector. Funds that concentrate their investments in a single industry or sector may face increased risk of price fluctuation due to adverse developments within that industry or sector. 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 net asset value and the market price of common shares. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. Derivatives involve additional risks, including interest rate risk, credit risk, the risk of improper valuation, and the risk of noncorrelation to the relevant instruments 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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