Allspring

# Income Opportunities Fund

## Closed-End Fund

### FUND FACTS

| | |
|---|---|
| Ticker | EAD |
| NAV Ticker | XEADX |
| CUSIP | 94987B105 |
| Fund inception date | 2-26-03 |
| Shares outstanding | 59,105,706 |
| Average daily volume | 278,498 |

### 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 | 97.71 |
| Cash & equivalents | 2.29 |

### ADVISER

Allspring Funds Management, LLC

### SUBADVISER

Allspring Global Investments, LLC

### FUND MANAGERS

| Name | Years of investment experience |
|---|---|
| Chris Lee, CFA | 22 |
| Michael J. Schueller, CFA | 24 |

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### EXPENSES (%)

| | |
|---|---|
| Gross expense ratio | 2.74 |

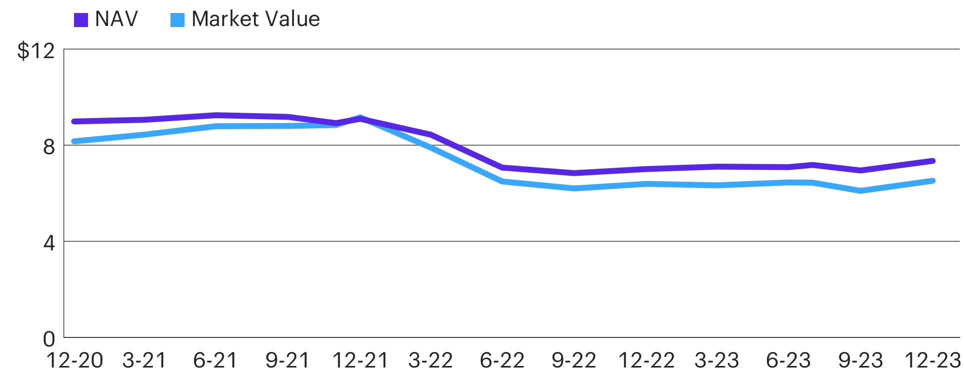
As of 10-31-2023. Expense ratios include 2.72% of interest expense. Excluding interest expense, gross ratio would be 1.01%.

## Performance (%)

| | | | Annualized | | | | |
|---|---|---|---|---|---|---|---|
| | 3 month | Year to date | 1 year | 3 year | 5 year | 10 year | Since incep. |
| Fund at Market | 9.38 | 11.86 | 11.86 | 1.47 | 7.15 | 5.79 | 6.49 |
| Fund at NAV | 8.21 | 14.93 | 14.93 | 2.27 | 6.69 | 6.35 | 7.35 |

***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 ($) | 6.52 |
| Current share NAV ($) | 7.37 |
| Premium/discount at NAV (%) | -11.53 |

## Fund capitalization

| | |
|---|---|
| Net assets ($ in millions) | 435.6 |
| Bank borrowings ($ in millions) | 189.0 |
| Total assets ($ in millions) | 624.6 |
| Leverage as a percentage of total assets (%) | 30.3 |

## Fund characteristics

| | |
|---|---|
| Number of holdings | 239 |
| Portfolio turnover (%) | 48.4 |
| Duration (years)[2] | 2.99 |
| Weighted average maturity (years)[3] | 4.27 |
| Weighted average coupon (%)[4] | 6.88 |

## Yields (%)

| | At market | At NAV |
|---|---|---|
| Distribution rate* | 9.34 | 8.26 |
| 30-day SEC yield[1] | – | 9.24 |

*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($) |
|---|---|
| 12-29-2023 | 0.05165 |
| 11-15-2023 | 0.05173 |
| 10-27-2023 | 0.04738 |
| 9-29-2023 | 0.04744 |
| 8-16-2023 | 0.04769 |
| 7-28-2023 | 0.04776 |

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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## Closed-End Fund

## Credit rating allocation (%)

| | |
|---|---|
| BBB/Baa | 2.13 |
| BB/Ba | 41.71 |
| B/B | 42.89 |
| CCC/Caa and below | 11.96 |
| Cash & equivalents | 1.32 |

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 | 22.25 |
| Energy | 15.49 |
| Industrials | 12.78 |
| Communication services | 12.05 |
| Financials | 11.09 |
| Consumer staples | 8.96 |
| Utilities | 7.70 |
| Information technology | 5.96 |
| Real estate | 2.40 |
| Cash & equivalents | 1.31 |

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 | 4.81 |
| 1 - 3 years | 27.52 |
| 3 - 5 years | 34.31 |
| 5 - 10 years | 29.95 |
| 10 - 20 years | 2.80 |
| 20+ years | 0.61 |

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 | 92.20 |
| Canada | 2.44 |
| United Kingdom | 1.40 |
| France | 0.98 |
| Germany | 0.80 |
| Israel | 0.72 |
| India | 0.69 |
| Mexico | 0.48 |
| Switzerland | 0.30 |
| Australia | 0.00 |

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 (%)

| | |
|---|---|
| CCO Holdings, LLC | 1.50 |
| GEO Group INC 2022 Tranche 1 Term Loan | 1.47 |
| CoreCivic, Inc. | 1.38 |
| CCM Merger Inc. | 1.27 |
| PG&E Corporation | 1.26 |
| Match Group Hld Ii Llc Sr Unsecured 144A 02/29 5.625 | 1.15 |
| Pattern Energy Operations LP | 1.10 |
| Sabre GLBL, Inc. | 1.02 |
| Gray Escrow II Sr Unsecured | 0.96 |
| TerraForm Power Operating, LLC | 0.93 |

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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## Closed-End Fund

### Strategy

Inflationary pressures eased during the quarter as monthly core Consumer Price Index (CPI)6 reports showed a slowing of consumer price increases. Encouragingly, the downtrend in core CPI persisted as capital goods prices declined and residential real estate costs eased. Despite the improvement, an annualized rate of core inflation of 3.9% as of December 31, 2023, remains well above the Federal Reserve's 2% target, but it is well off 2022's high of 6.6%. A healthy jobs market with just 3.7% unemployment keeps cash in consumers' pockets and bolsters optimism about the future, which may also contribute to sticky inflation going forward.

High yield and leveraged loans generated very strong performance during the quarter as both interest rate and equity volatility declined and pushed bond and loan prices higher. However, credit quality showed ongoing signs of erosion as higher borrowing costs drove interest coverage lower and leverage higher across the high yield landscape. Trailing 12-month speculative-grade default rates stabilized during the quarter, albeit at a very slow pace. Bond and loan defaults stood at 2.85% and 3.15%, respectively, as of December 31, 2023, up from ~2% at the start of 2023 and 0.4% at the start of 2022. Official statistics showed solid economic growth during the period, as a tight labor market and robust personal earnings allowed consumers to absorb higher prices and spend through the cycle.

Corporate debt issuance remained healthy in the fourth quarter despite some year-end pressures. 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 held steady during the quarter compared with 2023 volumes. Many high yield and leveraged loan companies used a better technical backdrop to secure funding for upcoming maturities. While this does not eliminate all economic pressures, it can buy a company some extra time to weather tighter monetary policy and bouts of economic volatility.

The Income Opportunities Fund's return based on market value was 9.38% and, based on its net asset value (NAV), was 8.21% for the three-month period that ended December 31, 2023. The fund outperformed based on both market value and NAV relative to the ICE BofA U.S. High Yield Constrained Index[7], which returned 7.07%.

### 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. The fund saw positive contributions from its overweights to media, retail, and financial services as well as its underweight to technology. Positive selection within the media and capital goods sectors was led by names such as Scripps Escrow, Gray Escrow, and Level 3 Financing.

### Detractors from performance

The fund had a short duration position relative to the benchmark throughout the quarter. This underweight detracted from performance as yields declined across the curve during the period. The fund's overweight to leveraged loans was a detractor, as they underperformed longer-duration bonds given the decline in yields. An overweight to cash during the period detracted from performance, given positive overall returns. On an individual-name basis, Enviva Partners was the primary driver of underperformance during the quarter based on poor results and the issuance of a "going concern'" warning.

### Management outlook

High yield and leveraged loans continue to offer generous yields, which should outpace current rates of inflation and offset future economic volatility. However, credit fundamentals are deteriorating at a slow pace as tighter monetary policy, higher costs of funding, and solid but decelerating economic growth create a challenging operating environment for some corporations.

We expect credit fundamentals to erode gradually over the remainder of the year as higher borrowing costs, margin pressure, and slow-burn rating deterioration negatively affect high yield and leveraged loan issuers. This will likely result in higher default rates going forward.

Despite the mixed economic outlook, the demand for high yield and leveraged loan investments has improved, albeit modestly. Refinancing activity has increased but higher borrowing costs continue to dissuade borrowers from materially increasing issuance. As a result, bond issuance rose about 65% in 2023 compared with 2022 but remains about 50% below the average of the prior five years. Capital markets activity is likely to increase once again in 2024 as companies continue to fund upcoming maturities. Current spreads provide adequate protection against sluggish growth and a modest uptick in default rates, but they do not provide adequate protection against a true recessionary "hard landing" scenario.

6. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. You cannot invest directly in an index.

7. 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 2023. 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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