Multi-Sector Income Fund

Closed-End Fund

FUND FACTS

Ticker	ERC
NAV Ticker	XERCX
CUSIP	94987D101
Fund inception date	6-25-03
Shares outstanding	28,066,291.11
Average daily volume	87,340

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 (%)

Fixed income	96.78
Cash & equivalents	3.22

ADVISER

Allspring Funds Management, LLC

SUBADVISER

Allspring Global Investments, LLC

Allspring Global Investments (UK) Limited

FUND MANAGERS

Name	Years of investment experience
Christopher Y. Kauffman, CFA	26
Chris Lee, CFA	22
Michael Lee	41
Alex Perrin	31
Michael J. Schueller, CFA	24
Lauren van Biljon, CFA	16
Noah Wise, CFA	21

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EXPENSES (%)

Gross expense ratio	3.14

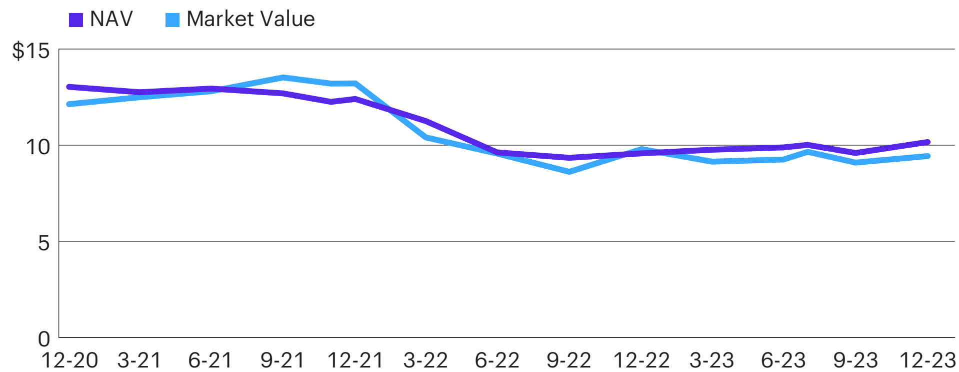
As of 10-31-2023. Expense ratios include 2.44% of interest expense. Excluding interest expense, gross ratio would be 0.96%.

Performance (%)

	3 month	Year to date	Annualized 1 year	3 year	5 year	10 year	Since incep.
Fund at Market	5.94	4.89	4.89	0.86	6.51	5.57	5.90
Fund at NAV	8.18	15.59	15.59	0.97	5.28	4.90	6.54

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 ($)	9.44
Current share NAV ($)	10.18
Premium/discount at NAV (%)	-7.27

Fund capitalization

Net assets ($ in millions)	285.6
Bank borrowings ($ in millions)	119.0
Total assets ($ in millions)	404.6
Leverage as a percentage of total assets (%)	29.4

Fund characteristics

Number of holdings	408
Portfolio turnover (%)	39.9
Duration (years)[2]	3.06
Weighted average maturity (years)[3]	4.65
Weighted average coupon (%)[4]	6.73

Yields (%)

	At market	At NAV
Distribution rate*	8.10	7.52
30-day SEC yield[1]	–	8.43

*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	0.06504
11-15-2023	0.06498
10-27-2023	0.06497
9-29-2023	0.06495
8-16-2023	0.06511
7-28-2023	0.06499

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	11.57
AA/Aa	1.18
A/A	1.57
BBB/Baa	20.94
BB/Ba	25.75
B/B	29.35
CCC/Caa and below	6.50
Not rated	0.47
Cash & equivalents	2.67

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)	57.75
Emerging markets bond	11.23
Sovereign	8.77
U.S. corporate (investment grade)	6.16
Securitized	6.01
U.S. treasuries	4.42
International corporate (high yield)	4.32
International corporate (investment grade)	1.10
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	7.25
1 - 3 years	27.27
3 - 5 years	28.18
5 - 10 years	33.11
10 - 20 years	2.19
20+ years	2.01

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	66.82
Supranational	8.35
Mexico	3.70
Colombia	2.89
Romania	2.80
Indonesia	2.38
Canada	1.66
United Kingdom	1.62
Hungary	1.24
Cayman Islands	1.19

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	1.89
Titulos de Tesoreria Bonds 11/27 5.75	1.36
Government of Hungary	1.24
GEO Group INC 2022 Tranche 1 Term Loan	1.21
Government of Mexico	1.16
International Bank for Reconstruction	1.15
Government of Romania	1.04
Government of New Zealand	1.03
Government Of Colombia	0.99
Government of Mexico	0.96

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 moderated in the fourth quarter of 2023 from the blistering pace set in the third quarter but remained near historical average levels mostly due to resilient consumer spending. Aside from pockets of weakness within the sub-prime sector, consumer fundamentals remained in solid shape and the still tight but gradually loosening labor market resulted in strong real disposable income growth. Stimulus provided through current fiscal policies remained a noticeable tailwind for nonresidential fixed investment and the lingering dearth in existing home supply motivated builders to begin focusing construction in the single-family residential sector. Despite prospects for a soft-landing continuing to improve in the fourth quarter, the overall manufacturing and housing sectors remained in mild recessions with prospects of a slow recovery increasing as we enter 2024.

The Federal Reserve (Fed) opted to hold rates unchanged at the November and December Federal Open Market Committee (FOMC) meetings, leaving the policy rate at 5.25 5.50% to end the year. With headline and core Personal Consumption Expenditures improving 2.80% and 1.71%, respectively, from January 2023 through November 2023, the Fed delivered a dovish pause at the December FOMC meeting where the FOMC forecasted a total of three rate cuts in 2024 in the updated Summary of Economic Projections. The year-to-date improvement in inflation metrics and the gradual loosening of the labor market were cited as key reasons for the Fed's shift dovish.

A strong finish to the year for global markets was enough to drive absolute returns comfortably into the black across a wide array of assets and indexes. Japanese government bonds underperformed by standing still while the best-performing bond markets were a mix of developed (United Kingdom and South Korea) and emerging markets (Hungary and Columbia). The U.S. dollar struggled during the quarter, resulting in a mixed year for the currency.

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.

The Multi-Sector Income Fund's return was 5.94% based on market value and 8.18% based on net asset value (NAV) for the three-month period that ended December 31, 2023. The fund unperformed relative to the Multi-Sector Income Blended Index[6], which returned 7.56% on a market value basis, while outperforming based on NAV.

Contributors to performance

The fund was underweight Treasuries during the quarter, which contributed to performance, as the sector underperformed spread sectors. From a country perspective, Colombia, Brazil, the United Kingdom, and South Africa all contributed during the period. Currency exposure away from the U.S. dollar was a positive contributor, with positions in the Hungarian forint, Colombian peso, and British pound performing particularly well. The fund also saw positive contributions from its overweight to BBB-rated debt, as lower quality outperformed during the period. Individual positive names of note include the International Bank of Reconstruction, PG&E Corp., and Scripps Escrow.

Detractors from performance

The fund was positioned with a significant underweight to U.S. dollar duration during the quarter, which was a meaningful detractor from performance as yields declined in the U.S. An overweight to India, both the bonds and currency, was a modest detractor but a holding the team believes is well positioned for 2024. An overweight to supranationals detracted from performance, as the sector underperformed during the period. Negative individual names of note included Enviva Partners, Frontier Communications, and Bausch Health.

Management outlook

Bearishness in the U.S. Treasury market is macro inspired with a hawkish Fed and a durable economy. Current yields appear cheap to fundamentals. The team feels recession odds remain above historical averages at the end of a monetary tightening cycle and therefore continues to maintain a long duration bias. They remain overweight agency mortgage-backed securities with a focus on higher 30-year production coupons. Within investment-grade credit, they continue to favor an underweight position and are looking to move up in quality as opportunities present themselves.

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. Current spreads provide adequate protection against sluggish growth and a modest uptick in default rates but do not provide adequate protection against a true recessionary "hard landing" scenario.

Globally, the team began to see a slow erosion of factors toward the end of the quarter underpinning the U.S. dollar versus its developed market peers, especially those with a European tilt. One underappreciated aspect of the recent rise in bond yields was a stabilization in inflation expectations as well as inflation forecasts. This has led to an increase in real yields, which suggests a significant valuation cushion has been forced into global markets.

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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 2023. 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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