

KKR Income Opportunities Fund  
Form N-CSRS  
June 21, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number (811-22543)

KKR Income Opportunities Fund  
(Exact name of registrant as specified in charter)

555 California Street, 50th Floor

San Francisco, CA  
(Address of principal executive offices)

94104  
(Zip code)

Nicole J. Macarchuk, Esq.

KKR Asset Management LLC

555 California Street, 50th Floor

San Francisco, CA 94104  
(Name and address of agent for service)

Registrant's telephone number, including area code: (415) 315-3620

Date of fiscal year end: October 31, 2016

Date of reporting period: April 30, 2016

---

**Item 1. Reports to Stockholders.**

---

**KKR**

**KKR Income Opportunities Fund**

Semi-Annual Report

April 30, 2016

---

April 30, 2016

Income Opportunities Fund

(Unaudited)

**Table of Contents**

Management Discussion of Fund Performance	1
Performance Information	4
Schedule of Investments	5
Statement of Assets and Liabilities	12
Statement of Operations	13
Statements of Changes in Net Assets	14
Statement of Cash Flows	15
Financial Highlights	16
Notes to Financial Statements	17
Voting Results from the March 23, 2016 Shareholder Meeting	27
Dividend Reinvestment Plan	28
Privacy Notice	30

The KKR Income Opportunities Fund (the Fund) files its complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q within sixty days after the end of the period. The Fund's Form N-Q is available on the Commission's website at <http://www.sec.gov>, and may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, as well as information relating to how a Fund voted proxies relating to portfolio securities during the most recent period ended June 30 will be available (i) without charge, upon request, by calling 855-330-3927; and (ii) on the Commission's website at <http://www.sec.gov>.

**INFORMATION ABOUT THE FUND'S TRUSTEES**

The Statement of Additional Information (SAI) includes additional information about the Fund's Trustees and is available without charge, upon request, by calling 855-330-3927. Furthermore, you can obtain the SAI on the SEC's web site at [www.sec.gov](http://www.sec.gov) or the Fund's website at [www.kkrfunds.com](http://www.kkrfunds.com).

## Management Discussion of Fund Performance

Looking Back on the Markets November 1, 2015 to April 30, 2016

### *Credit Market Commentary*

Latter part of February and March marked a significant turning point for the credit market in Q1 2016. In March, the Leveraged Loan Index had the best return for the asset class since October 2011. Underneath driving performance were an improving macro backdrop, significantly enhanced risk appetite, a slight uptick in CLO origination, and a transition to modest retail inflows amid weak supply. Additionally, high yield bonds extended a historic rally in March amid a dovish global central bank policy narrative, incremental improvements across a broad range of global issues, and an influx of cash. The European Central Bank provided a larger expansion of monetary policy than expected while the Chinese officials at the G20 and NPC calmed worries around growth and FX policy.

Q4 2015's credit story can be summarized by spread dispersion and volatility. Near the end of 2015, we witnessed stress in the high yield market beyond pure commodity exposure. Retail, Healthcare and any credit experiencing (even minor) operational challenges all gapped out materially. To that end, 2015 concluded the year with the largest decline on record for the high yield asset class on a monthly basis. Underneath was an important adjustment of lower expected oil price into the new year but also the uncertainty leading into the initial Fed rate hike, an increase in stock market volatility, abundant sectoral issues, and the heaviest retail outflows for high-yield mutual funds since August 2014.

### *Leveraged Loans(1)*

Leveraged loan new-issue volume increased to \$85.9 billion in Q1 2016, up from \$74.2 billion in Q4 2015. Although up quarter over quarter, leveraged loan new-issue activity was still relatively light as market conditions kept opportunistic deal flow to a minimum. Notably, leveraged loan new-issue volume was heavily weighted towards acquisition financing, which accounted for an eight-year high of 75% of new issuance in the first quarter of 2016.

Year to date, retail investors withdrew \$4.9 billion from leveraged loan mutual funds over the three month period ending March 31, 2016 versus a \$7.5 billion withdrawal in Q4 2015. The outlook for leveraged loan mutual funds has improved amidst modest economic growth revisions and improved investor sentiment.

Furthermore, US CLO issuance declined in Q1 2016, totaling \$7.1 billion versus \$19.1 billion in Q4 2015 and marking the lowest quarter of CLO production since Q1 2012. We believe this quarter-over-quarter decline is largely attributable to managers reacting to new CLO risk retention requirements, the continued market volatility and managers and underwriters having to offer significant fee concessions to get deals done.

### *High Yield Bonds*

## Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

The high yield market rallied in March on the heels of dovish narrative from the Fed, improving US economic data and higher oil prices. As risk appetite resurfaced, a broader set of buyers emerged, leading to inflows into high yield mutual funds. Specifically, the Bank of America Merrill Lynch High Yield Index returned 3.25% in Q1 2016, while spreads increased 10bp to 705bp and yields decreased 0.32% to 8.58% from Q4 2015.(2)

Despite the rally in March, new issuance in the high yield market remained muted. High yield issuance was \$35.1 billion in Q1 2016, down from \$36.3 billion in Q4 2015 and a 3.5 year low.(3) From a use of proceeds perspective, the majority of high yield bonds issued in Q1 2016 were for either refinancings or acquisition financings. Furthermore, high-yield bond mutual funds experienced an \$8.0 billion inflow in Q1 2016 versus an outflow of \$13.4 billion Q4 2015.(4)

- 
- (1) S&P LCD Quarterly Review as of March 31, 2016.
  - (2) Source: Bank of America Merrill Markets Online as of March 31, 2016.
  - (3) S&P LCD Quarterly Review as of March 31, 2016.
  - (4) Ibid.

The Market in Numbers

*For the period of November 1, 2015 – April 30, 2016*

- *Returns:* Over the 6 month period ending April 30, 2016, the high yield and leveraged loan markets returned 2.25%(5) and 1.58%(6) (as measured by the Bank of America Merrill Lynch High Yield Index and the S&P LSTA Leveraged Loan Index), respectively, while the US 10-year treasury and the Bank of America Merrill Lynch US Corporate Index returned 3.76% and 4.19%, respectively.(7)
- *Spreads:* The option adjusted spread on the Bank of America Merrill Lynch High Yield Index averaged approximately 702bps for the 6 month period ending April 30, 2016.(8) Similarly, the spread on the S&P LSTA Leveraged Loan Index averaged approximately 607bps for the six month period ending April 30, 2016.(9)
- *Volatility(10):* As measured by the VIX index, volatility was sitting at 15.1 as of November 1, 2015. Over the last six months, the VIX increased to as high as 20.2 in January 2016, before settling at 15.7 as of April 30, 2016.

Fund Performance

KKR Income Opportunities Fund ( KIO or, the Fund ) is a non-diversified closed-end fund that trades on the New York Stock Exchange under the symbol KIO . The Fund 's primary investment objective is to seek a high level of current income with a secondary objective of capital appreciation. The Fund seeks to achieve its investment objectives by employing a dynamic strategy of investing in a targeted portfolio of loans and fixed-income instruments (including derivatives) of U.S. and non-U.S. issuers and implementing hedging strategies in order to seek to achieve attractive risk-adjusted returns. Under normal market conditions, KIO will invest at least 80% of its Managed Assets in loans and fixed-income instruments or other instruments, including derivative instruments, with similar economic characteristics. The Fund expects to invest primarily in first- and second lien secured loans, unsecured loans and high-yield corporate debt instruments of varying maturities.

As of April 30, 2016, the Fund held 69.6% of its net assets in high-yield corporate debt, 60.4% of its net assets in first and second-lien leveraged loans, 0.6% of its net assets in collateralized debt obligations, 7.4% of its net assets in common stock and 1.9% of its net assets in preferred stock. KIO 's investments represented obligations and equity interests in 79 companies diversified across 33 distinct industries. The top ten issuers represented 44.9% of the Fund 's net assets while the top five industry groups represented 53.9% of the Fund 's net assets. The Fund 's Securities and Exchange Commission 30-day yield was 10.54%.

For the period from July 25, 2013 (commencement of operations) to April 30, 2016, KIO outperformed the Bank of America Merrill Lynch High Yield Master II Index on a gross net asset value ( NAV ) basis and underperformed it on a net NAV and market price basis. Over that period, the Fund had returns of 5.53% on a gross NAV basis, 3.01% on a net NAV basis and (1.79%) on a market price basis. Over the same period, the Bank of America Merrill Lynch High

## Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

Yield Master II Index returned 3.13%. For the six month period ended April 30, 2016, the Fund had returns of 1.92% on a gross NAV basis, 0.58% on a net NAV basis, and 4.80% on a market price basis, and the Bank of America Merrill Lynch High Yield Master II Index returned 2.25% over the same time period. Since inception through April 30, 2016, the Fund traded at an average discount to NAV of (9.38%).(11) The Fund employed leverage during the period covered by this report.(12)

### Business Updates

We thank you for your partnership and continued investment in KIO. We look forward to continued communications and will keep you apprised of the progress of KIO specifically and the leveraged finance market place generally. Fund information is available on our website at [kkrfunds.com/kio](http://kkrfunds.com/kio).

- 
- (5) Source: Bank of America Merrill Markets Online as of April 30, 2016.
  - (6) Source: S&P LCD Returns Summary as of April 30, 2016.
  - (7) Source: Bank of America Merrill Markets Online as of April 30, 2016.
  - (8) Ibid.
  - (9) S&P LCD Discounted Spreads as of April 30, 2016.
  - (10) Source: Bloomberg from November 1, 2015 to April 30, 2016.
  - (11) Source: Bloomberg as of April 30, 2015.
  - (12) For a discussion of the risks associated with the use of leverage and other risks, please see Risk Considerations, Note 3 to the financial statements.

**Disclosures**

*The Bank of America Merrill Lynch US Corporate Index is an unmanaged index comprised of U.S. dollar denomination investment grade corporate debt securities publicly issued in the U.S. domestic market with at least one year remaining term to final maturity.*

*The Bank of America Merrill Lynch High Yield Master II Index is a market-value weighted index of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Yankee bonds (debt of foreign issuers issued in the U.S. domestic market) are included in the Bank of America Merrill Lynch High Yield Master II Index provided that the issuer is domiciled in a country having investment grade foreign currency long-term debt rating. Qualifying bonds must have maturities of one year or more, a fixed coupon schedule and minimum outstanding of US\$100 million. In addition, issues having a credit rating lower than BBB3, but not in default, are also included.*

*The Chicago Board Options Exchange (CBOE) Volatility Index (VIX) reflects the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. The VIX reflects the market's estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes. The first and second month expirations are used until 8 days from expiration, then the second and third are used.*

*It is not possible to invest directly in an index.*

*Past performance is not an indication of future results. Returns represent past performance and reflect changes in share prices, the reinvestment of all dividends and capital gains, expense limitations and the effects of compounding. **The prospectus contains more complete information on the investment objectives, risks, charges and expenses of the investment company, which investors should read and consider carefully before investing.** The returns shown do not reflect taxes a shareholder would pay on distributions or redemptions. Total investment return and principal value of your investment will fluctuate, and your shares, when sold, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. **An investment in the Fund involves risk, including the risk of loss of principal. For a discussion of the Fund's risks, see Risk Considerations, Note 3 to the financial statements.** Call 855-330-3927 or visit [www.kkrfunds.com/kio](http://www.kkrfunds.com/kio) for performance results current to the most recent calendar quarter-end.*

*Must be preceded or accompanied by a prospectus.*

*An imbalance in supply and demand in the income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. Borrowing to increase investments (leverage) will exaggerate the effect of any increase or decrease in the value of Fund investments. Investments rated below investment grade (typically referred to as "junk") are generally subject to greater price volatility and illiquidity than higher rated investments. As interest rates rise, the value of certain income investments is likely to decline. Senior loans are subject to prepayment risk. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market economic, political, regulatory, geopolitical or other conditions. Changes in the value of investments entered for hedging purposes may not match those of the position being hedged. The Fund may engage in other investment practices that may involve additional risks.*



**Performance Information**

<b>Average Annual Total Returns Period Ended April 30, 2016</b>	<b>Six Month</b>	<b>Since Inception (7/25/2013)</b>	<b>Value of \$10,000 4/30/2016</b>
KKR Income Opportunities Fund - Market Price Return	4.80%	(1.79)%	\$ 9,513
KKR Income Opportunities Fund - NAV Return	0.58%	3.01%	\$ 10,854
BofA Merrill Lynch High Yield Master II Index®	2.25%	3.13%	\$ 10,889

## Schedule of Investments

	Par	Value
<b>HIGH YIELD SECURITIES 69.6%</b>		
Air Freight & Logistics - 1.2%		
XPO Logistics, Inc.		
7.875%, 09/01/2019 (a)	2,664,000	\$ 2,797,200
6.500%, 06/15/2022 (a)	260,000	254,150
		3,051,350
Banks - 0.5%		
Novo Banco SA		
0.000%, 02/19/2049 (a) (g) (i)	EUR 8,520,000	829,250
0.000%, 02/27/2051 (a) (g) (i)	EUR 3,601,000	319,559
0.000%, 04/09/2052 (g) (i)	EUR 246,000	21,126
		1,169,935
Building Products - 4.3%		
Builders FirstSource, Inc.		
10.750%, 08/15/2023 (a)	1,377,000	1,452,735
New Enterprise Stone & Lime Co., Inc.		
12.000%, 03/15/2018 (d) (e)	9,108,821	9,416,244
		10,868,979
Chemicals - 5.2%		
Platform Specialty Products Corp.		
10.375%, 05/01/2021 (a)	6,534,000	6,517,665
PQ Corp.		
8.750%, 11/01/2018 (a)	2,256,000	2,349,060
Univar, Inc.		
6.750%, 07/15/2023 (a)	4,069,000	4,048,655
		12,915,380
Communications Equipment - 1.4%		
Riverbed Technology, Inc.		
8.875%, 03/01/2023 (a)	3,616,000	3,634,080
Construction Materials - 5.4%		
Cemex Materials LLC		
7.700%, 07/21/2025 (a)	13,760,000	13,622,400
Containers & Packaging - 1.6%		
Ardagh Group SA		
7.250%, 05/15/2024 (a) (g)	3,999,000	3,999,000
Diversified Financial Services - 1.4%		
SquareTwo Financial Corp.		
11.625%, 04/01/2017 (d) (e) (j)	14,720,000	3,385,600
Electric Utilities - 3.3%		
Dynegy, Inc.		
7.375%, 11/01/2022	4,996,000	4,933,550
7.625%, 11/01/2024	3,507,000	3,428,092
		8,361,642
Electronic Equipment, Instruments & Components - 3.4%		
Artesyn Technologies, Inc.		
9.750%, 10/15/2020 (a)	9,594,000	8,490,690
Healthcare Providers & Services - 3.2%		
Surgery Partners Holdings LLC.		

Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

8.875%, 04/15/2021 (a)

7,972,000

7,952,070

Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

	Par	Value
<b>HIGH YIELD SECURITIES 69.6% (continued)</b>		
Hotels, Restaurants & Leisure - 2.0%		
ClubCorp Club Operations, Inc.		
8.250%, 12/15/2023 (a)	3,218,000	\$ 3,169,730
MGM Resorts International		
8.625%, 02/01/2019	1,603,000	1,823,412
		4,993,142
Household Durables - 0.1%		
The Hillman Group, Inc.		
6.375%, 07/15/2022 (a)	251,000	224,018
Insurance - 3.8%		
Hub International Ltd.		
7.875%, 10/01/2021 (a)	5,587,000	5,475,260
Towergate		
8.750%, 04/02/2020 (a) (d) (e) (f) (g)	GBP 3,310,813	3,918,465
		9,393,725
IT Services - 2.8%		
iPayment Investors LP		
9.500%, 12/15/2019 (a)	1,835,147	1,894,789
Solera Holdings, Inc.		
10.500%, 03/01/2024 (a) (d) (e)	4,900,000	5,132,750
		7,027,539
Machinery - 1.4%		
Manitowoc Foodservice, Inc.		
9.500%, 02/15/2024 (a)	1,420,000	1,569,100
Nesco		
6.875%, 02/15/2021 (a)	2,797,000	1,880,983
		3,450,083
Media - 5.7%		
Block Communications, Inc.		
7.250%, 02/01/2020 (a)	418,000	420,090
Cequel Communications Holdings LLC		
7.750%, 07/15/2025 (a)	7,151,000	7,151,000
Clear Channel International BV		
8.750%, 12/15/2020 (a)	1,586,000	1,645,475
Clear Channel Outdoor, Inc., Series B		
6.500%, 11/15/2022	85,000	85,425
Intelsat Jackson Holdings SA		
7.250%, 04/01/2019 (g)	2,746,000	2,251,720
5.500%, 08/01/2023 (g)	3,034,000	1,917,109
8.000%, 02/15/2024 (a) (g)	686,000	710,010
		14,180,829
Multiline Retail - 3.9%		
J.C. Penney Corp., Inc.		
5.750%, 02/15/2018	28,000	28,420
8.125%, 10/01/2019	7,293,000	7,511,790
5.650%, 06/01/2020	2,490,000	2,346,825
		9,887,035
Oil, Gas & Consumable Fuels - 6.0%		
Bill Barrett Corp.		
7.000%, 10/15/2022	5,417,000	3,954,410

Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

	Par	Value
<b>HIGH YIELD SECURITIES 69.6% (continued)</b>		
Oil, Gas & Consumable Fuels - 6.0% (continued)		
Calumet Specialty Products		
11.500%, 01/15/2021 (a)	4,210,000	\$ 4,567,850
Genesis Energy LP/ Genesis Energy Financial Corp.		
6.750%, 08/01/2022	3,382,000	3,246,889
6.000%, 05/15/2023	2,271,000	2,089,320
5.625%, 06/15/2024	1,336,000	1,209,080
		15,067,549
Road & Rail - 2.3%		
The Kenan Advantage Group, Inc.		
7.875%, 07/31/2023 (a)	5,531,000	5,655,448
Software - 1.4%		
Datatel, Inc.		
9.000%, 09/30/2023 (a)	546,000	541,905
TIBCO Software, Inc.		
11.375%, 12/01/2021 (a)	3,594,000	2,965,050
		3,506,955
Specialty Retail - 4.7%		
Guitar Center, Inc.		
6.500%, 04/15/2019 (a)	6,289,000	5,707,267
Jo-Ann Stores, Inc.		
8.125%, 03/15/2019 (a)	3,550,000	3,319,250
The Mens Wearhouse, Inc.		
7.000%, 07/01/2022	3,010,000	2,633,750
		11,660,267
Textiles, Apparel & Luxury Goods - 0.4%		
Hot Topic, Inc.		
12.000%, 05/15/2019 (a) (c)	1,184,000	1,101,120
Wireless Telecommunication Services - 4.2%		
GCI, Inc.		
6.750%, 06/01/2021	5,100,000	5,151,000
6.875%, 04/15/2025	4,076,000	4,116,760
Sprint Corp.		
7.875%, 09/15/2023	1,642,000	1,280,760
		10,548,520
		174,147,356
<b>TOTAL HIGH YIELD SECURITIES (amortized cost \$191,461,711)</b>		
<b>LEVERAGED LOANS - 60.4%</b>		
Aerospace & Defense - 2.6%		
CPI International, Inc., TL 1L B 03/14		
4.250%, 11/17/2017 (b)	863,210	822,207
Sequa Corp., TL 1L 12/12		
5.250%, 06/19/2017 (b)	7,401,750	5,683,952
		6,506,159
Building Products - 3.7%		
Gypsum Management & Supply, Inc., TL 2L 03/14		
7.750%, 04/01/2022 (b)	8,621,960	7,964,535

Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

	Par	Value
<b>LEVERAGED LOANS - 60.4% (continued)</b>		
Building Products - 3.7% (continued)		
Hanson Building Products North America, TL 1L B 02/15		
6.500%, 03/14/2022 (b)	1,419,734	\$ 1,417,072
		9,381,607
Chemicals - 1.1%		
Emerald Performance Materials LLC, TL 2L 07/14		
7.750%, 08/01/2022 (b)	268,490	253,557
Platform Specialty Products Corp., TL 1L 10/15		
5.500%, 06/05/2020 (b)	2,592,084	2,553,436
		2,806,993
Distributors - 0.5%		
Distribution International, Inc., TL 1L 12/14		
6.000%, 12/15/2021 (b)	1,761,920	1,352,274
Diversified Telecommunication Services - 4.6%		
Lightower Fiber LLC, TL 2L 04/13		
8.000%, 04/12/2021 (b)	11,523,828	11,466,209
Electronic Equipment, Instruments & Components - 2.4%		
TTM Technologies, Inc., TL 1L B 02/15		
6.000%, 05/31/2021 (b)	6,075,107	5,976,387
Energy Equipment & Services - 0.5%		
Proserv Acquisition LLC, TL 1L B1 12/14 (US Tranche)		
6.375%, 12/22/2021 (b) (e) (g)	1,178,622	783,784
Proserv Acquisition LLC, TL 1L B2 12/14 (UK Tranche)		
6.375%, 12/22/2021 (b) (e) (g)	691,800	460,047
		1,243,831
Food & Staples Retailing - 2.6%		
California Pizza Kitchen, Inc., TL 1L B 07/11		
5.254%, 03/29/2018 (b)	5,185,776	4,792,538
Grocery Outlet, Inc., TL 2L 09/14		
9.250%, 10/21/2022 (b)	1,805,430	1,724,186
		6,516,724
Food Products - 3.4%		
CSM Bakery Products, TL 2L 07/13		
8.750%, 07/05/2021 (b) (e)	5,300,000	4,982,000
CTI Foods Holding Co. LLC, TL 2L 05/13		
8.250%, 06/28/2021 (b) (d) (e)	3,800,000	3,534,000
		8,516,000
Health Care Providers & Services - 0.7%		
Genoa (QoL), TL 2L 03/15		
8.750%, 04/28/2023 (b)	1,821,910	1,739,924
Health Care Technology - 0.2%		
Greenway Medical Technologies, TL 2L 10/13		
9.250%, 11/04/2021 (b)	476,428	402,582
Hotels, Restaurants & Leisure - 5.5%		
Caesars Entertainment Operating Co., Inc., TL 1L B6 01/08		
9.000%, 03/01/2017 (b) (j)	10,469,808	9,915,797

Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

	Par	Value
<b>LEVERAGED LOANS - 60.4% (continued)</b>		
Hotels, Restaurants & Leisure - 5.5% (continued)		
Caesars Entertainment Operating Co., Inc., TL 1L B7 05/14		
11.000%, 03/01/2017 (b) (j)	4,028,914	\$ 3,805,632
		13,721,429
Household Durables - 0.0%		
Algeco Scotsman Global Sarl, TL PIK 04/13		
15.750%, 05/01/2018 (c) (d) (e) (g)	392,494	46,185
IT Services - 3.2%		
iPayment Investors LP, TL 1L B 05/11		
6.750%, 05/08/2017 (b)	8,136,508	7,953,437
Media - 1.8%		
Learfield Communications, Inc., TL 2L 10/13		
8.750%, 10/08/2021 (b)	3,835,790	3,821,406
NEP Broadcasting LLC, TL 2L 01/13		
10.000%, 07/22/2020 (b)	711,260	665,028
		4,486,434
Multiline Retail - 1.0%		
Belk, Inc., TL 1L 08/15		
5.750%, 11/18/2022 (b)	2,769,680	2,477,132
Oil, Gas & Consumable Fuels - 0.7%		
MEG Energy Corp., TL 1L B 03/11		
3.750%, 03/31/2020 (b) (g)	1,998,889	1,800,660
Software - 17.0%		
Applied Systems, Inc., TL 2L 01/14		
7.500%, 01/24/2022 (b)	10,432,773	10,297,982
Deltek, Inc., TL 2L 06/15		
9.500%, 06/26/2023 (b)	7,346,780	7,310,046
iParadigms Holdings LLC, TL 2L 07/14		
8.250%, 07/29/2022 (b)	5,719,710	5,576,717
Misys Ltd., TL 2L 06/12		
12.000%, 06/12/2019	1,515,020	1,588,877
RedPrairie Corp., TL 1L 12/13		
6.000%, 12/21/2018 (b)	2,392,874	2,274,223
RedPrairie Corp., TL 2L 12/12		
11.250%, 12/21/2019 (b)	9,231,528	7,592,932
TIBCO Software, Inc., TL 1L 10/14		
6.500%, 12/04/2020 (b)	6,911,175	6,254,614
Triple Point Technology, Inc., TL 1L 07/13		
5.250%, 07/10/2020 (b)	2,504,713	1,787,738
		42,683,129
Specialty Retail - 5.8%		
David s Bridal, Inc., TL 1L B 10/12		
5.250%, 10/11/2019 (b)	6,113,322	5,499,453
Gymboree Corp., TL 1L 02/11		
5.000%, 02/23/2018 (b)	7,767,509	6,022,616
Savers, Inc., TL 1L C 07/12		
5.000%, 07/09/2019 (b)	3,607,860	3,057,661
		14,579,730

Edgar Filing: KKR Income Opportunities Fund - Form N-CSRS

	Par	Value
<b>LEVERAGED LOANS - 60.4% (continued)</b>		
Trading Companies & Distributors - 1.7%		
Maxim Crane Works LP (Maxim Finance Corp.), TL 2L B 11/13 10.250%, 11/26/2018 (b)	4,493,151	\$ 4,302,192
Transportation Infrastructure - 1.4%		
Commercial Barge Lines Co., TL 1L 10/15 9.750%, 11/06/2020 (b)	3,895,120	3,422,837
<b>TOTAL LEVERAGED LOANS (amortized cost \$158,814,061)</b>		<b>151,381,855</b>
<b>COLLATERALIZED DEBT OBLIGATION - 0.6%</b>		
Diversified Financial Services - 0.6%		
OHA Credit Partners XII, Class E Notes 7.286%, 01/23/2027 (a) (b)	1,799,210	1,562,737
<b>TOTAL COLLATERALIZED DEBT OBLIGATION (amortized cost \$1,697,241)</b>		<b>1,562,737</b>
	Shares	
<b>COMMON STOCKS 7.4%</b>		
Diversified Financial Services - 1.1%		
Invesco Dynamic Credit Opportunities Fund	63,600	687,516
Nuveen Credit Strategies Income Fund	84,784	672,337
Prudential Global Short Duration High Yield Fund, Inc.	63,468	947,577
Wells Fargo Advantage Income Opportunities Fund	64,184	498,068
		2,805,498
Health Care Providers & Services - 5.6%		
Amedisys, Inc. (d) (e) (f)	271,040	13,955,850
Insurance - 0.3%		
Towergate Sun NewCo Common Shares A (d) (e) (f) (g)	GBP 8,597	
Towergate TopCo Common (d) (e) (f) (g)	GBP 540,649	789,182
		789,182
IT Services - 0.4%		
iPayment Investors LP (e) (f)	160,426	945,551