Utilities and High Income Fund

Closed-End Fund

FUND FACTS

Ticker	ERH
NAV Ticker	XERHX
CUSIP	94987E109
Fund inception date	4-28-04
Shares outstanding	9,170,842.12
Average daily volume	32,276

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	63.83
Fixed income	34.63
Cash & equivalents	1.54

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 J. Schueller, CFA	25
Jack Spudich, CFA	38
Andy Smith, CFA	28

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EXPENSES (%)

Gross expense ratio	2.45

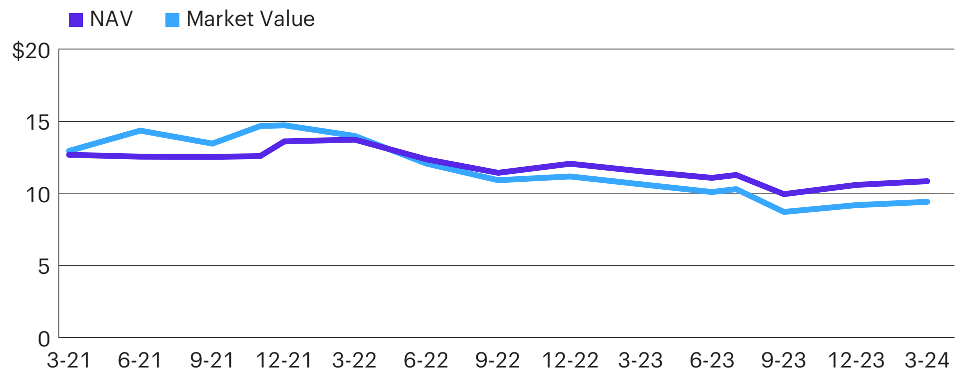
As of 8-31-2023. Expense ratios include 1.44% of interest expense. Excluding interest expense, gross ratio would be 1.01%.

Performance (%)

	3 month	Year to date	Annualized 1 year	3 year	5 year	10 year	Since incep.
Fund at Market	4.67	4.67	-3.48	-2.97	0.87	4.55	6.06
Fund at NAV	4.63	4.63	2.48	2.42	4.27	5.26	7.06

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 ($)	9.44
Current share NAV ($)	10.86
Premium/discount at NAV (%)	-13.08

Fund capitalization

Net assets ($ in millions)	99.6
Bank borrowings ($ in millions)	30.0
Total assets ($ in millions)	129.6
Leverage as a percentage of total assets (%)	23.1

Fund characteristics

Number of holdings	283
Portfolio turnover (%)	18.8

Yields (%)

	At market	At NAV
Distribution rate*	7.92	6.88
30-day SEC yield[1]	–	4.14

*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($)
3-28-2024	0.06278
2-22-2024	0.06347
1-26-2024	0.06428
12-29-2023	0.06507
11-15-2023	0.06584
10-27-2023	0.06655

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	4.49
BB/Ba	45.42
B/B	36.54
CCC/Caa and below	10.73
Not rated	2.82

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	63.83
Cash & equivalents	1.54

Top fixed income allocations	
Industrials	4.44
Consumer discretionary	3.89
Energy	3.56
Financials	2.05
Utilities	1.50
Communication services	1.49
Consumer staples	0.87
Real estate	0.64
Information technology	0.59

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	13.62
1 - 3 years	34.52
3 - 5 years	40.78
5 - 10 years	8.97
10 - 20 years	1.15
Other	0.99

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	93.60
Canada	1.04
Netherlands	0.69
United Kingdom	0.68
Bermuda	0.60
France	0.45
Ireland	0.42
Cayman Islands	0.41
Switzerland	0.15
Italy	0.15

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.	8.93
Constellation Energy Corporation	4.18
Sempra	4.09
Southern Company	4.07
Duke Energy Corporation	3.98
American Electric Power Company, Inc.	3.97
DTE Energy Company	3.17
Exelon Corporation	3.04
CMS Energy Corporation	2.77
CenterPoint Energy, Inc.	2.67

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

This marked the second consecutive quarter of positive returns for utilities, although they still underperformed the broader market. The S&P 500 Utilities Index[3] increased 4.57% on a total return basis, while the S&P 500 Index[4] rose 10.56%. Following underperformance throughout much of 2023, utilities gained in the quarter as the Federal Reserve (Fed) telegraphed a softer stance on interest rates. Utilities often underperform on a relative basis when dividend yields trail higher rates on alternative income-producing investments or when investors favor riskier stocks. While those factors still exist, investors could be looking ahead to potential interest rate cuts in the second half of 2024. If rate cuts coincide with a slowing economy, we would expect utilities to attract more investor interest given their earnings stability and more attractive relative dividend yield.

Sector valuation continues to look attractive as well. On a price/earnings basis at quarter-end, the S&P 500 Utilities[3] Index traded at more than a 20% discount to the S&P 500 Index[4] versus a 15-year average premium of about 9%.

Despite the 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 do 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.

High yield bonds and leveraged loans generated strong performance during the quarter as a continuation of the risk rally from the fourth quarter drove demand, pushing bond and loan prices higher. Issuer fundamentals and credit quality remain stable and at historically constructive levels, while defaults continue to trend between 2% and 3%, which is low historically speaking. Corporate debt issuance was very strong during the quarter as 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.

The Utilities and High Income Fund returned 4.63% for the three-month period that ended March 31, 2024, outperforming the 3.68% return of the Utilities and High Income Blended Index.[5]

Contributors to performance

The equity sleeve outperformed the S&P 500 Utilities[3] Index principally because the fund did not hold underperformer PG&E Corp. (PCG), an index component that pays a nominal dividend and has wildfire risk in its California service territory. The fund also benefited by not owning several other index components that lagged in the most recent quarter. The fund's position in independent power producer Constellation Energy Corp. (CEG) contributed to utility performance.

Within high yield, the sleeve's overweight to floating-rate leveraged loans added value as they outperformed fixed-rate bonds on the changing expectation of higher for longer rates. An underweight to telecommunications also contributed, as the sector continues to underperform. On an individual-name basis, Werner Finco, CoreCivic, and Dish DBS were the largest contributors

Detractors from performance

The main detractor in the period was not owning NRG Energy, Inc. (NRG), another independent power producer that outperformed. The managers do not believe NRG has an attractive business mix longer term given that it has diversified away from power generation in favor of services such as gas and electricity marketing, residential services like appliance rentals and repairs, and home security.

Within the fund's high yield sleeve, an overweight to media detracted as the sector continues to grapple with secularly declining businesses. On an individual-name basis, Scripps Escrow, Enviva Partners, and Charter Communications were the largest detractors.

Management outlook

Investors have expressed concerns over utilities' ability to finance robust capital expenditure plans in a higher interest rate environment, with an increased focus on balance sheet strength. However, the industry has to date not encountered meaningful difficulties financing growth, despite higher interest rates, and we still see a clear path for moderate yet consistent growth in utility earnings and dividends. This, combined with attractive dividend yields, could provide solid total return potential and below-average volatility over time. As we have noted in prior reports, regulated utilities have abundant opportunities to invest in their core businesses at returns we view as attractive. 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, potentially enhancing their attractiveness to ESG (environmental, social, governance) oriented investors. Challenges to the sector include ongoing inflation and higher interest rates.

High yield and leveraged loans continue to offer attractive yields that should outpace current rates of inflation and offset future economic volatility. Issuer fundamentals and balance sheets are healthy and a key reason for low defaults and spread compression. Resilient economic growth and the possibility of a Fed rate cut creates a favorable backdrop for corporate credit, low defaults, and spread compression. This is perhaps why investors seem more focused on yields than credit spreads, hoping to position themselves to benefit from both an eventual Fed easing and yields, which are attractive compared with the post–Global Financial Crisis period.

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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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