

KKR Income Opportunities Fund  
Form N-Q  
March 30, 2017

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

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number (811-22543)

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

KKR Credit Advisors (US) LLC  
555 California Street, 50th Floor  
San Francisco, California  
(Address of principal executive offices)

94104  
(Zip code)

U.S. Bancorp Fund Services. LLC  
615 East Michigan Street  
Milwaukee, WI 53202  
(Name and address of agent for service)

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

Date of fiscal year end: October 31, 2017

Date of reporting period: January 31, 2017

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**Item 1. Schedule of Investments.**

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Income Opportunities Fund

January 31, 2017  
(Unaudited)

Schedule of Investments

|   | Par           | Value      |
|---|---------------|------------|
| <b>HIGH YIELD SECURITIES - 69.2%</b>                  |               |            |
| Banks - 0.5%  |               |            |
| Novo Banco SA   |               |            |
| N/A, 02/19/2049 (a) (g) (i) (j)                       | EUR 8,520,000 | \$ 896,745 |
| N/A, 02/27/2051 (a) (g) (i) (j)                       | EUR 3,601,000 | 340,139    |
| N/A, 04/09/2052 (g) (i) (j)                           | EUR 246,000   | 21,909     |
|   |               | 1,258,793  |
| Building Products - 3.5%                              |               |            |
| Builders FirstSource, Inc.                            |               |            |
| 10.750%, 08/15/2023 (a)                               | 8,289,000     | 9,604,879  |
| Chemicals - 3.1%                                      |               |            |
| Platform Specialty Products Corp.                     |               |            |
| 10.375%, 05/01/2021 (a) (d) (e)                       | 7,611,000     | 8,467,238  |
| Commercial Services & Supplies - 0.1%                 |               |            |
| Atento Luxco 1 SA                                     |               |            |
| 7.375%, 01/29/2020 (a) (g)                            | 350,000       | 357,875    |
| Communications Equipment - 1.4%                       |               |            |
| Genesys Telecommunications Laboratories, Inc.         |               |            |
| 10.000%, 11/30/2024 (a) (f)                           | 3,566,000     | 3,851,280  |
| Construction & Engineering - 2.9%                     |               |            |
| Maxim Crane Works LP / Maxim Finance Corp.            |               |            |
| 10.125%, 08/01/2024 (a) (f)                           | 7,137,000     | 7,850,700  |
| Construction Materials - 5.3%                         |               |            |
| Cemex Materials LLC                                   |               |            |
| 7.700%, 07/21/2025 (a)                                | 13,776,000    | 14,671,440 |
| Electric Utilities - 0.4%                             |               |            |
| Dynegy, Inc.  |               |            |
| 6.750%, 11/01/2019 (f)                                | 1,172,000     | 1,202,765  |
| Electronic Equipment, Instruments & Components - 4.8% |               |            |
| Artesyn Technologies, Inc.                            |               |            |
| 9.750%, 10/15/2020 (a)                                | 9,594,000     | 9,018,360  |
| Vertiv Group Corp.                                    |               |            |
| 9.250%, 10/15/2024 (a)                                | 4,076,000     | 4,307,802  |
|   |               | 13,326,162 |
| Energy Equipment & Services - 2.9%                    |               |            |
| Brand Energy & Infrastructure Services, Inc.          |               |            |
| 8.500%, 12/01/2021 (a)                                | 7,735,000     | 8,025,062  |
| Health Care Providers & Services - 4.8%               |               |            |

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|                               |           |            |
|-------------------------------|-----------|------------|
| Quorum Health Corp.           |           |            |
| 11.625%, 04/15/2023 (a) (f)   | 4,577,000 | 4,302,380  |
| Surgery Partners Holdings LLC |           |            |
| 8.875%, 04/15/2021 (a)        | 8,210,000 | 8,887,325  |
|                               |           | 13,189,705 |

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|  | Par           | Value        |
|--|---------------|--------------|
| <b>HIGH YIELD SECURITIES - 69.2% (continued)</b> |               |              |
| Hotels, Restaurants & Leisure - 1.7%             |               |              |
| ClubCorp Club Operations, Inc.                   |               |              |
| 8.250%, 12/15/2023 (a)                           | 3,984,000     | \$ 4,392,360 |
| Jacobs Entertainment, Inc.                       |               |              |
| 7.875%, 02/01/2024 (a) (f)                       | 188,000       | 193,405      |
|  |               | 4,585,765    |
| Household Durables - 0.1%                        |               |              |
| The Hillman Group, Inc.                          |               |              |
| 6.375%, 07/15/2022 (a)                           | 251,000       | 240,960      |
| Insurance - 4.3%                                 |               |              |
| Hub International Ltd.                           |               |              |
| 7.875%, 10/01/2021 (a)                           | 7,555,000     | 7,913,862    |
| Towergate  |               |              |
| 8.750%, 04/02/2020 (a) (d) (e) (g)               | GBP 3,310,813 | 3,998,416    |
|  |               | 11,912,278   |
| IT Services - 4.3%                               |               |              |
| iPayment Investors LP                            |               |              |
| 9.500%, 12/15/2019 (a) (e)                       | 1,110,147     | 1,032,092    |
| Solera Holdings, Inc.                            |               |              |
| 10.500%, 03/01/2024 (a)                          | 5,068,000     | 5,752,180    |
| Xerox Business Services /Conduent                |               |              |
| 10.500%, 12/15/2024 (a) (f)                      | 4,363,000     | 4,913,829    |
|  |               | 11,698,101   |
| Machinery - 1.3%                                 |               |              |
| Manitowoc Foodservice, Inc.                      |               |              |
| 9.500%, 02/15/2024 (f)                           | 1,420,000     | 1,633,000    |
| Nesco  |               |              |
| 6.875%, 02/15/2021 (a)                           | 2,484,000     | 2,067,930    |
|  |               | 3,700,930    |
| Media - 2.6%                                     |               |              |
| Clear Channel International BV                   |               |              |
| 8.750%, 12/15/2020 (a)                           | 1,704,000     | 1,814,760    |
| Gibson Guitar Corp.                              |               |              |
| 8.875%, 08/01/2018 (a)                           | 923,000       | 839,930      |
| Intelsat Jackson Holdings SA                     |               |              |
| 7.250%, 04/01/2019 (g)                           | 2,746,000     | 2,359,844    |
| 5.500%, 08/01/2023 (g)                           | 3,034,000     | 2,123,800    |
|  |               | 7,138,334    |
| Metals & Mining - 1.6%                           |               |              |
| Allegheny Technologies, Inc.                     |               |              |
| 7.875%, 08/15/2023                               | 4,306,000     | 4,349,060    |
| Multiline Retail - 4.4%                          |               |              |
| J.C. Penney Corp., Inc.                          |               |              |
| 5.750%, 02/15/2018                               | 28,000        | 28,787       |
| 8.125%, 10/01/2019                               | 9,009,000     | 9,521,387    |
| 5.650%, 06/01/2020                               | 2,490,000     | 2,452,650    |
|  |               | 12,002,824   |

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|   | Par        | Value              |
|---|------------|--------------------|
| <b>HIGH YIELD SECURITIES - 69.2% (continued)</b>                  |            |                    |
| Oil, Gas & Consumable Fuels - 1.8%                                |            |                    |
| Calumet Specialty Products  |            |                    |
| 11.500%, 01/15/2021 (a)   | 4,210,000  | \$ 4,873,075       |
| Road & Rail - 4.0%  |            |                    |
| The Kenan Advantage Group, Inc.                                   |            |                    |
| 7.875%, 07/31/2023 (a)  | 10,647,000 | 10,899,866         |
| Software - 4.5%   |            |                    |
| RedPrairie Corp.  |            |                    |
| 7.375%, 10/15/2024 (a) (f)  | 2,926,000  | 3,072,300          |
| TIBCO Software, Inc.  |            |                    |
| 11.375%, 12/01/2021 (a)   | 8,489,000  | 9,337,900          |
|   |            | 12,410,200         |
| Specialty Retail - 4.4%   |            |                    |
| Guitar Center, Inc.   |            |                    |
| 6.500%, 04/15/2019 (a)  | 3,231,000  | 2,899,823          |
| Jo-Ann Stores, Inc.   |            |                    |
| 8.125%, 03/15/2019 (a)  | 5,368,000  | 5,354,580          |
| PIK Rate: 10.500%; Cash Rate: 9.750%, 10/15/2019 (a) (c) (f)      | 4,008,000  | 3,802,590          |
|   |            | 12,056,993         |
| Thrifts & Mortgage Finance - 0.9%                                 |            |                    |
| MGIC Investment Corp.   |            |                    |
| 9.000%, 04/01/2063 (a)  | 1,907,000  | 2,449,303          |
| Transportation Infrastructure - 1.5%                              |            |                    |
| Direct ChassisLink, Inc.  |            |                    |
| 10.000%, 06/15/2023 (a)   | 3,758,000  | 4,021,060          |
| Wireless Telecommunication Services - 2.1%                        |            |                    |
| GCI, Inc.   |            |                    |
| 6.750%, 06/01/2021  | 3,850,000  | 3,965,500          |
| Sprint Corp.  |            |                    |
| 7.875%, 09/15/2023  | 1,642,000  | 1,794,870          |
|   |            | 5,760,370          |
| <b>TOTAL HIGH YIELD SECURITIES (amortized cost \$182,684,685)</b> |            | <b>189,905,018</b> |
| <b>LEVERAGED LOANS - 61.9%</b>                                    |            |                    |
| Aerospace & Defense - 0.1%  |            |                    |
| PAE Holding Corp., TL 1L 09/16                                    |            |                    |
| 6.500%, 10/20/2022 (b)  | 329,110    | 333,499            |
| Building Products - 1.5%  |            |                    |
| SRS Distribution, Inc., TL 2L 06/16                               |            |                    |
| 9.789%, 02/24/2023 (b)  | 3,943,740  | 4,092,873          |
| Chemicals - 0.1%  |            |                    |
| Emerald Performance Materials LLC, TL 2L 07/14                    |            |                    |
| 8.750%, 08/01/2022 (b)  | 268,490    | 268,826            |

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|   | Par        | Value        |
|---|------------|--------------|
| <b>LEVERAGED LOANS - 61.9% (continued)</b>            |            |              |
| Commercial Services & Supplies - 2.6%                 |            |              |
| Koosharem LLC, TL 1L 05/14                            |            |              |
| 7.500%, 05/15/2020 (b)                                | 7,656,451  | \$ 7,151,623 |
| Distributors - 2.7%                                   |            |              |
| Distribution International, Inc., TL 1L 12/14         |            |              |
| 6.000%, 12/15/2021 (b)                                | 8,294,387  | 7,299,061    |
| Diversified Financial Services - 1.5%                 |            |              |
| Square Two Financial Corp., TL 1.5L 05/16             |            |              |
| 11.000%, 05/24/2019 (b) (d) (e) (f) (j)               | 10,116,501 | 4,176,193    |
| Electronic Equipment, Instruments & Components - 2.1% |            |              |
| Vertiv Group Corp., TL 1L B 09/16                     |            |              |
| 6.029%, 11/30/2023 (b)                                | 5,756,640  | 5,799,815    |
| Energy Equipment & Services - 0.4%                    |            |              |
| Proserv Acquisition LLC, TL 1L B1 12/14 (US Tranche)  |            |              |
| 6.375%, 12/22/2021 (b) (e) (g)                        | 1,169,671  | 766,766      |
| Proserv Acquisition LLC, TL 1L B2 12/14 (UK Tranche)  |            |              |
| 6.375%, 12/22/2021 (b) (e) (g)                        | 686,546    | 450,058      |
|   |            | 1,216,824    |
| Food & Staples Retailing - 5.3%                       |            |              |
| BJ's Wholesale Club, Inc., TL 2L 09/11                |            |              |
| 8.500%, 03/26/2020 (b)                                | 7,605,590  | 7,616,694    |
| BJ's Wholesale Club, Inc., TL 2L 01/17                |            |              |
| 8.535%, 02/03/2025 (b) (f)                            | 5,078,710  | 5,153,621    |
| Grocery Outlet, Inc., TL 2L 09/14                     |            |              |
| 9.250%, 10/21/2022 (b)                                | 1,647,651  | 1,653,830    |
|   |            | 14,424,145   |
| Food Products - 2.7%                                  |            |              |
| CSM Bakery Products, TL 2L 07/13                      |            |              |
| 8.760%, 07/05/2021 (b) (e)                            | 5,300,000  | 4,037,964    |
| CTI Foods Holding Co. LLC, TL 2L 06/13                |            |              |
| 8.250%, 06/28/2021 (b)                                | 3,800,000  | 3,458,000    |
|   |            | 7,495,964    |
| Health Care Equipment & Supplies - 0.9%               |            |              |
| DeVilbiss Healthcare LLC, TL 1L B 11/16               |            |              |
| 6.500%, 01/03/2023 (b) (f)                            | 2,569,630  | 2,457,209    |
| Health Care Providers & Services - 6.0%               |            |              |
| Genoa (QoL), TL 2L 10/16                              |            |              |
| 9.000%, 10/28/2024 (b)                                | 5,063,890  | 5,139,848    |
| Press Ganey Holdings, Inc., TL 2L 09/16               |            |              |
| 8.250%, 10/21/2024 (b)                                | 5,448,710  | 5,564,495    |
| Quorum Health Corp., TL 1L 04/16                      |            |              |
| 6.789%, 04/29/2022 (b) (f)                            | 5,844,893  | 5,800,618    |
|   |            | 16,504,961   |
| Health Care Technology - 0.0%                         |            |              |
| Greenway Medical Technologies, TL 2L 10/13            |            |              |
| 9.250%, 11/04/2021 (b) (d) (e)                        | 91,445     | 90,531       |

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|   | Par        | Value         |
|---|------------|---------------|
| <b>LEVERAGED LOANS - 61.9% (continued)</b>                                |            |               |
| Hotels, Restaurants & Leisure - 2.6%                                      |            |               |
| Caesars Growth Properties Holdings LLC, TL 1L B 05/14                     |            |               |
| 6.250%, 05/08/2021 (b)  | 1,765,031  | \$ 1,780,105  |
| The Bay Club Co., TL 1L 08/16   |            |               |
| 7.500%, 08/31/2022 (b)  | 5,166,985  | 5,226,741     |
|   |            | 7,006,846     |
| Household Durables - 0.0%   |            |               |
| Algeco Scotsman Global Sarl, TL PIK 04/13                                 |            |               |
| PIK Rate: 15.750%; Cash Rate: 15.000%, 05/01/2018 (c) (d) (e) (f) (g) (j) | 457,673    | 89,397        |
| IT Services - 2.8%  |            |               |
| iPayment Investors LP, TL 1L B 05/11                                      |            |               |
| 6.750%, 05/08/2017 (b)  | 5,539,585  | 5,442,642     |
| Xerox Business Services/ Conduent, TL 1L B 12/16                          |            |               |
| 6.251%, 12/07/2023 (b) (f)  | 2,185,619  | 2,228,413     |
|   |            | 7,671,055     |
| Machinery - 4.1%  |            |               |
| Accuride Corp., TL 1L B 10/16   |            |               |
| 8.000%, 11/17/2023 (b) (f)  | 2,692,580  | 2,669,020     |
| BakerCorp International, Inc., TL 1L B 06/11                              |            |               |
| 4.250%, 02/07/2020 (b)  | 1,101,850  | 1,065,351     |
| WireCo WorldGroup, Inc., TL 1L 07/16                                      |            |               |
| 6.500%, 09/29/2023 (b) (g)  | 3,748,725  | 3,794,422     |
| WireCo WorldGroup, Inc., TL 2L 07/16                                      |            |               |
| 10.000%, 09/30/2024 (b) (g)   | 3,803,220  | 3,836,498     |
|   |            | 11,365,291    |
| Media - 0.9%  |            |               |
| Cengage Learning, Inc., TL 1L 05/16                                       |            |               |
| 5.250%, 06/07/2023 (b) (d) (e)  | 279,607    | 260,908       |
| Global Eagle Entertainment, Inc., TL 1L B 12/16                           |            |               |
| 7.000%, 01/06/2023 (b) (f)  | 1,447,750  | 1,454,989     |
| NEP Broadcasting LLC, TL 2L B 01/13                                       |            |               |
| 10.000%, 07/22/2020 (b)   | 711,260    | 722,818       |
|   |            | 2,438,715     |
| Metals & Mining - 4.8%  |            |               |
| Sequa Corp., TL 1L B 12/12  |            |               |
| 5.250%, 06/19/2017 (b)  | 13,767,154 | 13,205,041    |
| Multiline Retail - 1.6%   |            |               |
| Belk, Inc., TL 1L 08/15   |            |               |
| 5.760%, 12/12/2022 (b)  | 3,842,301  | 3,313,293     |
| J.C. Penney Corp., Inc., TL 1L B 06/16                                    |            |               |
| 5.250%, 06/23/2023 (b) (f)  | 1,192,920  | 1,193,296     |
|   |            | 4,506,589     |
| Professional Services - 2.0%  |            |               |
| SIRVA Worldwide, Inc., TL 1L 10/16  |            |               |
| 7.517%, 11/22/2022 (b)  | 5,504,960  | 5,408,623     |
| Software - 10.7%  |            |               |
| Applied Systems, Inc., TL 2L B 01/14                                      |            |               |
| 7.500%, 01/24/2022 (b)  | 11,377,473 | \$ 11,466,331 |



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|   | Par       | Value              |
|---|-----------|--------------------|
| <b>LEVERAGED LOANS - 61.9% (continued)</b>                  |           |                    |
| iParadigms Holdings LLC, TL 2L 07/14                        |           |                    |
| 8.250%, 07/29/2022 (b)                                      | 5,303,859 | \$ 5,118,224       |
| Misys Ltd., TL 2L 06/12                                     |           |                    |
| 12.000%, 06/12/2019   | 4,830,160 | 5,130,016          |
| TIBCO Software, Inc., TL 1L B 01/17                         |           |                    |
| 4.500%, 12/04/2020 (b) (f)                                  | 5,253,944 | 5,307,587          |
| Triple Point Technology, Inc., TL 1L 07/13                  |           |                    |
| 5.250%, 07/10/2020 (b)                                      | 2,479,853 | 2,220,088          |
|   |           | 29,242,246         |
| Specialty Retail - 4.1%                                     |           |                    |
| Charlotte Russe Inc., TL 1L B 04/13                         |           |                    |
| 6.750%, 05/22/2019 (b)                                      | 3,285,813 | 2,212,453          |
| Charlotte Russe Inc., TL 1L Add On 02/14                    |           |                    |
| 6.750%, 05/22/2019 (b)                                      | 394,226   | 265,446            |
| David s Bridal, Inc., TL 1L B 10/12                         |           |                    |
| 5.250%, 10/11/2019 (b)                                      | 4,032,128 | 3,480,734          |
| Gymboree Corp., TL 1L 02/11                                 |           |                    |
| 5.000%, 02/23/2018 (b)                                      | 2,800,004 | 1,403,502          |
| Savers, Inc., TL 1L C 07/12                                 |           |                    |
| 5.000%, 07/09/2019 (b)                                      | 4,093,590 | 3,799,384          |
|   |           | 11,161,519         |
| Trading Companies & Distributors - 0.2%                     |           |                    |
| FleetPride Corporation, TL 1L 11/12                         |           |                    |
| 5.250%, 11/19/2019 (b)                                      | 478,984   | 458,028            |
| Transportation Infrastructure - 2.2%                        |           |                    |
| Commercial Barge Lines Co., TL 1L B 11/15                   |           |                    |
| 9.750%, 11/12/2020 (b)                                      | 6,439,160 | 6,176,217          |
| <b>TOTAL LEVERAGED LOANS (amortized cost \$176,092,223)</b> |           | <b>170,041,091</b> |

|  | Shares      |                   |
|--|-------------|-------------------|
| <b>COMMON STOCKS 6.0%</b>                              |             |                   |
| Diversified Financial Services - 1.1%                  |             |                   |
| Invesco Dynamic Credit Opportunities Fund              | 63,600      | 793,092           |
| Nuveen Credit Strategies Income Fund                   | 84,784      | 749,491           |
| Prudential Global Short Duration High Yield Fund, Inc. | 63,468      | 957,732           |
| Wells Fargo Advantage Income Opportunities Fund        | 64,184      | 544,922           |
|  |             | 3,045,237         |
| Health Care Providers & Services - 4.5%                |             |                   |
| Amedisys, Inc. (d) (e) (f)                             | 271,040     | 12,419,053        |
| Insurance - 0.3%                                       |             |                   |
| Towergate Sun NewCo Common Shares A (f) (g) (e)        | GBP 8,597   |                   |
| Towergate TopCo Common (d) (e) (f) (g)                 | GBP 540,649 | 632,529           |
|  |             | 632,529           |
| IT Services - 0.1%                                     |             |                   |
| iPayment Investors LP (e) (f)                          | 160,426     | 345,237           |
| <b>TOTAL COMMON STOCKS (cost \$7,966,464)</b>          |             | <b>16,422,056</b> |

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|   | Shares        | Value                 |
|---|---------------|-----------------------|
| <b>PREFERRED STOCKS - 1.4%</b>  |               |                       |
| Diversified Financial Services - 0.0%                                 |               |                       |
| Square Two Financial Corp. (e) (f)                                    | 14,720        | \$                    |
| Insurance - 1.4%  |               |                       |
| Towergate Sun NewCo Preference B (d) (e) (f) (g)                      | GBP 3,194,971 | 3,737,936             |
| <b>TOTAL PREFERRED STOCKS (cost \$10,420,281)</b>                     |               | <b>3,737,936</b>      |
| <b>TOTAL INVESTMENTS (amortized cost \$377,163,653 ) (h) - 138.5%</b> |               | <b>380,126,101</b>    |
| <b>LIABILITIES EXCEEDING OTHER ASSETS, NET - (38.5)%</b>              |               | <b>(105,531,063)</b>  |
| <b>NET ASSETS - 100.0%</b>  |               | <b>\$ 274,595,038</b> |

In U.S. Dollars unless otherwise indicated.

At January 31, 2017, the tax basis cost of the Fund's investments was \$377,163,653 and the unrealized appreciation and depreciation were \$24,531,017 and \$(21,568,569), respectively.

EUR Euro

GBP Great British Pound

TL Term Loan

- (a) Securities exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may only be resold to qualified institutional buyers in transactions exempt from registration. The total value of these securities as of January 31, 2017 was \$160,451,446, which represent 58.4% of net assets.
- (b) Variable rate security, the coupon rate shown is the effective rate as of January 31, 2017.
- (c) Represents a payment-in-kind ( PIK ) security which may pay interest/dividend in additional par/shares.
- (d) Security considered restricted due to the Adviser's knowledge of material non-public information. The total value of these securities as of January 31, 2017 was \$33,872,201 and represented 12.3% of net assets.
- (e) Security considered illiquid, as defined by the Securities and Exchange Commission. The total value of these securities as of January 31, 2017 was \$40,504,318 and represented 14.8% of net assets.
- (f) Non-income producing security.
- (g) Non-U.S. security.
- (h) All investments are held as collateral for the Fund's credit facility.
- (i) Zero Coupon security.
- (j) Defaulted security.

The following table presents information about the Fund's assets measured on a recurring basis as of January 31, 2017, and indicates the fair value hierarchy of the inputs utilized by the Fund to determine such fair value:

|  | Level 1       | Level 2        | Level 3       | Total          |
|--|---------------|----------------|---------------|----------------|
| Investments in securities                            |               |                |               |                |
| High yield securities                                | \$            | \$ 188,872,926 | \$ 1,032,092  | \$ 189,905,018 |
| Leveraged loans                                      |               | 164,558,677    | 5,482,414     | 170,041,091    |
| Common stocks  | 15,464,290    |                | 977,766       | 16,442,056     |
| Preferred stocks                                     |               |                | 3,737,936     | 3,737,936      |
| Cash equivalents                                     | 7,615,911     |                |               | 7,615,911      |
| Total investments in securities and cash equivalents | \$ 20,080,201 | \$ 353,431,603 | \$ 11,230,208 | \$ 387,742,012 |

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| Country                                 | (% of Net Assets) |
|---|-------------------|
| United States                           | 129.9%            |
| United Kingdom                          | 3.5%              |
| Cayman Islands                          | 2.8%              |
| Luxembourg                              | 1.8%              |
| Portugal                                | 0.5%              |
|   | 138.5%            |
| Liabilities Exceeding Other Assets, Net | (38.5)%           |
|   | 100.0%            |

The following are the details of the restricted securities held by the Fund:

|   | Par/Shares | Acquisition date(s)       | Amortized Cost | Value      | % of Net Assets |
|---|------------|---------------------------|----------------|------------|-----------------|
| Algeco Scotsman Global Sarl, TL PIK 04/13 ,<br>PIK Rate: 15.750%; Cash Rate: 15.000%,<br>05/01/2018 | 457,673    | 09/17/2013                | \$ 353,542     | \$ 89,397  | 0.0%            |
| Amedisys, Inc., Common Stock  | 271,040    | 08/05/2013-<br>08/08/2013 | 3,799,455      | 12,419,053 | 4.5%            |
| Cengage Learning, Inc., TL 1L 05/16 5.250%,<br>06/07/2023   | 279,607    | 12/21/2016                | 272,674        | 260,908    | 0.1%            |
| Greenway Medical Technologies, TL 2L 10/13<br>, 9.250%, 11/04/2021                                  | 91,445     | 01/31/2016                | 90,444         | 90,531     | 0.0%            |
| Platform Specialty Products Corp., 10.375%,<br>05/01/2021   | 7,611,000  | 11/03/2015-<br>11/04/2015 | 7,738,975      | 8,467,238  | 3.1%            |
| Square Two Financial Corp., TL 1.5L 05/16,<br>11.000%, 05/24/2019                                   | 10,116,501 | 05/24/2016                | 10,116,501     | 4,176,193  | 1.5%            |
| Towergate, 8.750%, 04/02/2020   | 3,310,813  | 04/02/2015                | 5,042,188      | 3,998,416  | 1.5%            |
| Towergate, Sun NewCo Preference B   | 3,194,971  | 04/02/2015                | 4,736,869      | 3,737,936  | 1.4%            |
| Towergate, TopCo Common   | 540,649    | 04/02/2015                | 815,841        | 632,529    | 0.2%            |

The following is a reconciliation of the investments in which significant unobservable inputs (Level 3) were used in determining value:

|  | High Yield Securities | Leveraged Loans | Collateralized Securities | Common Stocks | Preferred Stocks |
|--|-----------------------|-----------------|---------------------------|---------------|------------------|
| Balance at October 31, 2016  | \$ 999,132            | \$ 6,012,278    | \$ 1,740,146              | \$ 957,101    | \$ 3,660,379     |
| Purchases  |                       | 279,534         |                           |               |                  |
| Sales and paydowns   |                       | (4,735)         | (1,805,957)               |               |                  |
| Transfers in and/or out of Level 3(1)  |                       |                 |                           |               |                  |
| Settlements  |                       | 12,307          | 3,201                     |               |                  |
| Net change in appreciation/(depreciation)  | 32,960                | (817,789)       | (37,145)                  | 20,665        | 77,557           |
| Net realized gain/(loss)   |                       | 819             | 99,755                    |               |                  |
| Balance as of January 31, 2017   | \$ 1,032,092          | \$ 5,482,414    | \$                        | \$ 977,766    | \$ 3,737,936     |
| Net change in appreciation/(depreciation) on<br>investments held at January 31, 2017 | \$ 32,960             | \$ (817,789)    | \$ (37,145)               | \$ 20,665     | \$ 77,557        |

(1) During the period ended January 31, 2017, there were transfers into Level 3. The Fund's policy is to recognize transfers into and out of Level 3 at the beginning of each period.



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The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 as of January 31, 2017.

| Financial Asset      | Fair Value as of January 31, 2017 | Valuation Technique (1) | Unobservable Inputs (2)        | Range (Weighted Average)(3)    |                                 |
|----------------------|-----------------------------------|-------------------------|--------------------------------|--------------------------------|---------------------------------|
| Leveraged Loan (5)   | \$ 5,482,414                      | Yield Analysis          | Yield                          | 20%-20% (20%)                  |                                 |
|                      |                                   |                         | EBITDA Multiple                | 25.7x                          |                                 |
|                      |                                   |                         | Net Leverage                   | 52.4x                          |                                 |
|                      |                                   |                         | Liquidation Analysis           | EBITDA Multiple                | 25.7x                           |
|                      |                                   |                         |                                | Estimated Remaining Collection | 0.4X                            |
|                      |                                   |                         | Broker Quotes                  | Offered Quotes                 | 4.7-7.0                         |
|                      |                                   |                         |                                | Risk Free Rate                 | 1%                              |
|                      |                                   |                         | Option Pricing Model           | Implied Volatility             | 27%                             |
|                      |                                   |                         |                                | Term                           | 1.3 years                       |
|                      |                                   |                         | High Yield Securities          | \$ 1,032,093                   | Yield Analysis<br>Broker Quotes |
| EBITDA Multiple      | 8.2x                              |                         |                                |                                |                                 |
| Net Leverage         | 7.5x                              |                         |                                |                                |                                 |
| Offered Quotes       | 104.9-105.0                       |                         |                                |                                |                                 |
| Common Stock (4)     | \$ 977,766                        | Market Comparables      | LTM EBIDTA Multiple            | 2.5x-8.7x (4.7x)               |                                 |
|                      |                                   |                         | Fwd EBIDTA Multiple            | 2.5x-8.3x (4.5x)               |                                 |
|                      |                                   |                         | Illiquidity Discount           | 10%-10% (10%)                  |                                 |
|                      |                                   | Discounted Cash Flow    | Weight average cost of capital | 12%                            |                                 |
|                      |                                   |                         | Fwd EBIDTA exit multiple       | 7.2x                           |                                 |
|                      |                                   |                         | Illiquidity Discount           | 10%                            |                                 |
|                      |                                   |                         | Preferred Stock (6)            | \$ 3,737,936                   | Market Comparables              |
| Fwd EBIDTA Multiple  | 2.5x                              |                         |                                |                                |                                 |
| Illiquidity Discount | 5%-10% (10%)                      |                         |                                |                                |                                 |
|                      |                                   | Liquidation Analysis    | Estimated Remaining Collection | 0.4x                           |                                 |
|                      |                                   |                         | Estimated Remaining Collection | 0.4x                           |                                 |

(1) For the assets that have more than one valuation technique, the Partnership may rely on the techniques individually or in aggregate based on a weight ascribed to each one ranging from 0-100%. When determining the weighting ascribed to each valuation methodology, the Partnership considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flows analysis and the expected hold period and manner of realization for the investment. These factors can result in different weightings among the investments and in certain instances, may result in up to a 100% weighting to a single methodology.

(2) The significant unobservable inputs used in the fair value measurement for the Partnership's assets and liabilities may include the last twelve months ( LTM ) EBITDA multiple, weighted average cost of capital, discount margin, probability of default, loss severity and constant prepayment rate. In determining certain of these inputs, management evaluates a variety of factors including economic, industry and market trends and developments; market valuations of comparable companies; and company specific developments including potential exit strategies and realization opportunities. Significant increases or decreases in any of these inputs in isolation could result in significantly lower or higher fair value measurement.

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(3) Weighted average amounts are based on the estimated fair values.

(4) Of the \$977,766, \$632,529 was valued solely using a market comparables technique.

(5) Of the \$5,482,414, \$4,176,193 was valued solely using a liquidation analysis technique.

(6) Of the \$3,737,936, \$3,737,936 was valued solely using a market comparables technique.

**Item 2. Controls and Procedures.**

(a) The Registrant's President and Principal Financial Officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act")) (17 CFR 270.30a-3(c)) are effective as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(d)).

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) (17 CFR 270.30a-3(d)) that occurred during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 3. Exhibits.**

*Separate certifications for each principal executive officer and principal financial officer of the Registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)). Filed herewith.*

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) KKR Income Opportunities Fund

By (Signature and Title) /s/ Suzanne Donohoe  
Suzanne Donohoe, President

Date 3/27/17

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Suzanne Donohoe  
Suzanne Donohoe, President

Date 3/27/17

By (Signature and Title) /s/ Roshan Chagan  
Roshan Chagan, Treasurer and Chief Financial  
Officer

Date 3/27/17

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