

KKR Income Opportunities Fund
Form N-Q
September 26, 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: July 31, 2017

Item 1. Schedule of Investments.

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Income Opportunities Fund

July 31, 2017

(Unaudited)

Schedule of Investments

| | Par | Value |
|--|------------|------------|
| HIGH YIELD SECURITIES - 56.4% | | |
| Building Products - 0.0% | | |
| Builders FirstSource, Inc. 10.750%, 08/15/2023 (a) | 98,000 | \$ 112,945 |
| Chemicals - 1.0% | | |
| Consolidated Energy Finance SA 6.875%, 06/15/2025 (a) (g) | 1,457,000 | 1,529,850 |
| Platform Specialty Products Corp. 10.375%, 05/01/2021 (a) | 1,158,000 | 1,276,695 |
| | | 2,806,545 |
| Commercial Services & Supplies - 1.3% | | |
| Acosta Holdco, Inc. 7.750%, 10/01/2022 (a) | 2,356,000 | 1,778,780 |
| Vivint, Inc. 7.625%, 09/01/2023 (a) | 1,795,000 | 1,826,412 |
| | | 3,605,192 |
| Communications Equipment - 3.6% | | |
| Genesys Telecommunications Laboratories, Inc. 10.000%, 11/30/2024 (a) | 8,774,000 | 9,958,490 |
| Construction & Engineering - 4.4% | | |
| Brand Energy & Infrastructure Services, Inc. 8.500%, 07/15/2025 (a) | 2,216,000 | 2,360,040 |
| Maxim Crane Works LP / Maxim Finance Corp. 10.125%, 08/01/2024 (a) | 8,824,000 | 9,927,000 |
| | | 12,287,040 |
| Construction Materials - 5.5% | | |
| Cemex Materials LLC 7.700%, 07/21/2025 (a) | 13,776,000 | 15,222,480 |
| Containers & Packaging - 0.8% | | |
| Reynolds Group Holdings, Inc. 7.950%, 12/15/2025 | 2,002,000 | 2,249,748 |
| Electronic Equipment, Instruments & Components - 7.0% | | |
| Artesyn Technologies, Inc. 9.750%, 10/15/2020 (a) | 9,594,000 | 9,306,180 |
| Vertiv Group Corp. 12.000%, 02/15/2022 (a) | 1,239,000 | 1,362,900 |
| 9.250%, 10/15/2024 (a) | 8,089,000 | 8,938,345 |
| | | 19,607,425 |
| Health Care Equipment & Supplies - 2.9% | | |
| DJO Finance LLC / DJO Finance Corp. | | |

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| | | |
|---|-----------|-----------|
| 8.125%, 06/15/2021 (a) | 8,599,000 | 8,104,557 |
| Health Care Providers & Services - 7.8% | | |
| Quorum Health Corp. | | |
| 11.625%, 04/15/2023 | 8,345,000 | 6,968,075 |
| Surgery Partners Holdings LLC | | |
| 8.875%, 04/15/2021 (a) | 8,210,000 | 8,907,850 |
| 6.750%, 07/01/2025 (a) | 2,841,000 | 2,919,127 |

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| | Par | Value |
|---|------------|--------------|
| HIGH YIELD SECURITIES - 56.4% (continued) | | |
| Health Care Providers & Services - 7.8% (continued) | | |
| Tenet Healthcare Corp. | | |
| 8.125%, 04/01/2022 | 1,832,000 | \$ 1,969,400 |
| 5.125%, 05/01/2025 (a) | 392,000 | 394,450 |
| 7.000%, 08/01/2025 (a) | 538,000 | 530,774 |
| | | 21,689,676 |
| IT Services - 3.9% | | |
| Solera Holdings, Inc. | | |
| 10.500%, 03/01/2024 (a) (d) (e) | 5,068,000 | 5,828,200 |
| Xerox Business Services / Conduent | | |
| 10.500%, 12/15/2024 (a) | 4,363,000 | 5,104,710 |
| | | 10,932,910 |
| Machinery - 0.7% | | |
| Nesco | | |
| 6.875%, 02/15/2021 (a) | 2,240,000 | 1,814,400 |
| Media - 2.2% | | |
| AMC Networks, Inc. | | |
| 4.750%, 08/01/2025 | 1,183,000 | 1,193,351 |
| Clear Channel International BV | | |
| 8.750%, 12/15/2020 (a) | 1,704,000 | 1,814,760 |
| Intelsat Jackson Holdings SA | | |
| 7.250%, 10/15/2020 (g) | 3,243,000 | 3,113,280 |
| | | 6,121,391 |
| Metals & Mining - 1.6% | | |
| Allegheny Technologies, Inc. | | |
| 7.875%, 08/15/2023 | 4,306,000 | 4,521,300 |
| Road & Rail - 4.0% | | |
| The Kenan Advantage Group, Inc. | | |
| 7.875%, 07/31/2023 (a) | 10,647,000 | 11,126,115 |
| Software - 5.3% | | |
| Datatel, Inc. | | |
| 9.000%, 09/30/2023 (a) | 5,564,000 | 5,786,560 |
| TIBCO Software, Inc. | | |
| 11.375%, 12/01/2021 (a) (d) (e) | 8,172,000 | 8,978,985 |
| | | 14,765,545 |
| Specialty Retail - 0.8% | | |
| Guitar Center, Inc. | | |
| 6.500%, 04/15/2019 (a) | 2,208,000 | 1,965,120 |
| Jo-Ann Stores, Inc. | | |
| 8.125%, 03/15/2019 (a) | 221,000 | 220,448 |
| | | 2,185,568 |
| Thrifts & Mortgage Finance - 0.9% | | |
| MGIC Investment Corp. | | |
| 9.000%, 04/01/2063 (a) | 1,907,000 | 2,557,764 |

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| | Par | Value |
|---|-----------|--------------------|
| HIGH YIELD SECURITIES - 56.4% (continued) | | |
| Transportation Infrastructure - 1.5% | | |
| Direct ChassisLink, Inc. | | |
| 10.000%, 06/15/2023 (a) | 3,854,000 | \$ 4,306,845 |
| Wireless Telecommunication Services - 1.2% | | |
| Sprint Corp. | | |
| 7.875%, 09/15/2023 | 2,274,000 | 2,580,990 |
| 6.875%, 11/15/2028 | 732,000 | 797,880 |
| | | 3,378,870 |
| TOTAL HIGH YIELD SECURITIES (amortized cost \$148,756,227) | | 157,354,806 |
| LEVERAGED LOANS - 67.3% | | |
| Building Products - 1.5% | | |
| SRS Distribution, Inc., TL 2L 06/16 | | |
| 10.046%, 02/24/2023 (b) | 3,943,740 | 4,081,771 |
| Chemicals - 0.2% | | |
| Emerald Performance Materials LLC, TL 2L 07/14 | | |
| 8.984%, 08/01/2022 (b) | 268,490 | 269,245 |
| New Arclin US Holding Corp., TL 2L 02/17 | | |
| 10.170%, 02/14/2025 (b) | 415,240 | 421,730 |
| | | 690,975 |
| Commercial Services & Supplies - 6.2% | | |
| Acosta Holdco., Inc., TL 1L B 04/15 | | |
| 4.484%, 09/26/2021 (b) | 7,043,669 | 6,468,412 |
| Advantage Sales & Marketing, Inc., TL 1L B 06/14 | | |
| 4.546%, 07/23/2021 (b) | 2,690,940 | 2,638,467 |
| Koosharem LLC, TL 1L 05/14 | | |
| 7.796%, 05/15/2020 (b) | 8,683,268 | 8,142,387 |
| | | 17,249,266 |
| Distributors - 2.5% | | |
| Distribution International, Inc., TL 1L 12/14 | | |
| 6.300%, 12/15/2021 (b) | 8,331,561 | 6,894,367 |
| Diversified Financial Services - 0.4% | | |
| SquareTwo Financial Corp., TL 1.5L 05/16 | | |
| PIK Rate: 13.052%; Cash Rate: 0.000% | | |
| 05/24/2019 (b) (c) (d) (e) (f) (j) | 6,732,718 | 1,146,919 |
| Energy Equipment & Services - 0.4% | | |
| Proserv Acquisition LLC, TL 1L B1 12/14 (US Tranche) | | |
| 6.671%, 12/22/2021 (b) (e) (g) | 1,163,703 | 655,560 |
| Proserv Acquisition LLC, TL 1L B2 12/14 (UK Tranche) | | |
| 6.670%, 12/22/2021 (b) (e) (g) | 683,043 | 384,786 |
| | | 1,040,346 |
| Food & Staples Retailing - 2.4% | | |
| BJ's Wholesale Club, Inc., TL 2L 01/17 | | |
| 8.710%, 02/03/2025 (b) | 5,186,530 | 5,076,316 |
| Grocery Outlet, Inc., TL 2L 09/14 | | |
| 9.546%, 10/21/2022 (b) | 1,647,651 | 1,662,068 |
| | | 6,738,384 |

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| | Par | Value |
|---|-----------|------------|
| LEVERAGED LOANS - 67.3% (continued) | | |
| Food Products - 1.5% | | |
| CSM Bakery Products, TL 2L 07/13 | | |
| 9.050%, 07/05/2021 (b) (e) | 991,568 | \$ 884,974 |
| CTI Foods Holding Co. LLC, TL 2L 06/13 | | |
| 8.490%, 06/28/2021 (b) | 3,800,000 | 3,249,000 |
| | | 4,133,974 |
| Health Care Equipment & Supplies - 1.2% | | |
| DeVilbiss Healthcare LLC, TL 1L B 11/16 | | |
| 6.796%, 01/03/2023 (b) | 2,537,510 | 2,372,571 |
| DJO Finance LLC / DJO Finance Corp., TL 1L B 04/15 | | |
| 4.481%, 06/08/2020 (b) | 1,018,382 | 1,016,264 |
| | | 3,388,835 |
| Health Care Providers & Services - 6.9% | | |
| Genoa (QoL), TL 2L 10/16 | | |
| 9.234%, 10/28/2024 (b) | 5,063,890 | 5,114,529 |
| Press Ganey Holdings, Inc., TL 2L 09/16 | | |
| 8.484%, 10/21/2024 (b) | 5,448,710 | 5,595,144 |
| Quorum Health Corp., TL 1L 04/16 | | |
| 7.984%, 04/29/2022 (b) | 8,597,232 | 8,620,101 |
| | | 19,329,774 |
| Hotels, Restaurants & Leisure - 2.0% | | |
| The Bay Club Co., TL 1L 08/16 | | |
| 7.740%, 08/31/2022 (b) | 5,419,437 | 5,500,729 |
| IT Services - 2.1% | | |
| NeuStar, Inc., TL 2L 02/17 | | |
| 9.311%, 02/28/2025 (b) | 2,380,090 | 2,415,791 |
| Sutherland Global Services, Inc., TL 1L 10/14_US Borrower | | |
| 6.671%, 04/23/2021 (b) | 3,016,879 | 2,918,831 |
| Sutherland Global Services, Inc., TL 1L 10/14_Cayman Borrower | | |
| 6.671%, 04/23/2021 (b) | 702,261 | 679,438 |
| | | 6,014,060 |
| Life Sciences Tools & Services - 0.3% | | |
| Albany Molecular Research, Inc., TL 2L 07/17 | | |
| 9.061%, 07/31/2025 (b) | 910,270 | 930,751 |
| Machinery - 8.8% | | |
| Accuride Corp., TL 1L B 10/16 | | |
| 8.296%, 11/17/2023 (b) | 3,172,268 | 3,223,817 |
| BakerCorp International, Inc., TL 1L B 06/11 | | |
| 4.311%, 02/07/2020 (b) | 7,581,923 | 7,196,496 |
| Utility One Source LP, TL 1L 03/17 | | |
| 6.799%, 04/18/2023 (b) | 6,473,270 | 6,606,781 |
| WireCo WorldGroup, Inc., TL 1L 07/16 | | |
| 6.702%, 09/29/2023 (b) (g) | 3,729,934 | 3,779,673 |
| WireCo WorldGroup, Inc., TL 2L 07/16 | | |
| 10.202%, 09/30/2024 (b) (g) | 3,803,220 | 3,835,319 |
| | | 24,642,086 |
| Media - 1.8% | | |
| Intelsat Jackson Holdings SA, TL 1L B2 11/13 | | |
| 4.000%, 06/30/2019 (b) (g) | 4,387,615 | 4,382,108 |

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| | Par | Value |
|--|------------|------------|
| LEVERAGED LOANS - 67.3% (continued) | | |
| NEP Broadcasting LLC, TL 2L 06/17 | | |
| 8.224%, 01/23/2023 (b) | 591,910 | \$ 603,748 |
| | | 4,985,856 |
| Metals & Mining - 5.8% | | |
| Foresight Energy LLC, TL 1L B 03/17 | | |
| 7.046%, 03/28/2022 (b) | 3,913,759 | 3,787,794 |
| Sequa Corp., TL 1L 04/17 | | |
| 6.814%, 11/28/2021 (b) | 5,811,517 | 5,872,044 |
| Sequa Corp., TL 2L 04/17 | | |
| 10.314%, 04/28/2022 (b) | 6,412,400 | 6,572,710 |
| | | 16,232,548 |
| Multiline Retail - 1.7% | | |
| Belk, Inc., TL 1L B 08/15 | | |
| 6.054%, 12/12/2022 (b) | 4,424,196 | 3,699,734 |
| J.C. Penney Corp., Inc., TL 1L B 06/16 | | |
| 5.450%, 06/23/2023 (b) | 1,177,820 | 1,173,220 |
| | | 4,872,954 |
| Professional Services - 2.0% | | |
| SIRVA Worldwide, Inc., TL 1L 10/16 | | |
| 7.739%, 11/22/2022 (b) | 5,477,435 | 5,532,210 |
| Software - 11.7% | | |
| Applied Systems, Inc., TL 2L B 01/14 | | |
| 7.796%, 01/24/2022 (b) | 11,326,006 | 11,485,306 |
| iParadigms Holdings LLC, TL 2L 07/14 | | |
| 8.546%, 07/29/2022 (b) | 5,303,859 | 5,166,834 |
| Misys Ltd., TL 2L 04/17 | | |
| 8.460%, 06/13/2025 (b) | 8,177,152 | 8,419,891 |
| P2 Energy Solutions, Inc., TL 1L 10/13 | | |
| 5.180%, 10/30/2020 (b) | 7,616,977 | 7,477,319 |
| | | 32,549,350 |
| Specialty Retail - 4.7% | | |
| Charlotte Russe Inc., TL 1L Add On 02/14 | | |
| 6.750%, 05/22/2019 (b) (d) (e) | 390,875 | 166,122 |
| Charlotte Russe Inc., TL 1L B 04/13 | | |
| 6.750%, 05/22/2019 (b) (d) (e) | 3,257,882 | 1,384,600 |
| David s Bridal, Inc., TL 1L B 10/12 | | |
| 5.300%, 10/11/2019 (b) | 1,879,926 | 1,391,146 |
| Jo-Ann Stores, Inc., TL 1L 09/16 | | |
| 6.391%, 10/20/2023 (b) | 1,374,787 | 1,379,516 |
| Savers, Inc., TL 1L C 07/12 | | |
| 5.064%, 07/09/2019 (b) | 6,505,589 | 6,164,078 |
| Talbots, Inc., TL 1L B 03/14 | | |
| 5.734%, 03/19/2020 (b) | 2,792,117 | 2,631,570 |
| | | 13,117,032 |
| Textiles, Apparel & Luxury Goods - 0.2% | | |
| Nine West Holdings, TL 1L B 03/14 | | |
| 5.053%, 10/08/2019 (b) | 705,580 | 598,685 |
| Trading Companies & Distributors - 1.6% | | |
| FleetPride Corporation, TL 1L 11/12 | | |
| 5.296%, 11/19/2019 (b) | 1,144,892 | 1,138,097 |

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| | Par | Value |
|---|---------------|-----------------------|
| LEVERAGED LOANS - 67.3% (continued) | | |
| Trading Companies & Distributors - 1.6% (continued) | | |
| FleetPride Corporation, TL 2L 11/12 | | |
| 9.296%, 05/19/2020 (b) | 3,517,630 | \$ 3,338,812 |
| | | 4,476,909 |
| Transportation Infrastructure - 1.4% | | |
| Commercial Barge Lines Co., TL 1L B 11/15 | | |
| 9.984%, 11/12/2020 (b) | 4,345,290 | 3,787,659 |
| | | |
| TOTAL LEVERAGED LOANS (amortized cost \$193,581,245) | | 187,935,440 |
| Shares | | |
| COMMON STOCKS - 4.9% | | |
| Health Care Providers & Services - 4.6% | | |
| Amedisys, Inc. (d) (e) (f) | 271,040 | 12,836,455 |
| Household Durables - 0.0% | | |
| Algeco Scotsman Global Sarl Common Stock B (d) (e) (f) (g) (j) | | |
| | 3 | 36,360 |
| Insurance - 0.3% | | |
| Towergate, TopCo Common (d) (e) (f) (g) | GBP 540,649 | 759,699 |
| Towergate, Sun NEWCo Common A (d) (e) (f) (g) | GBP 8,597 | 759,699 |
| | | 759,699 |
| TOTAL COMMON STOCK (cost \$4,645,169) | | 13,632,514 |
| PREFERRED STOCKS - 1.6% | | |
| Diversified Financial Services - 0.0% | | |
| SquareTwo Financial Corp. (d) (e) (f) | | |
| | 14,720 | |
| Insurance - 1.6% | | |
| Towergate SUN NewCo Preference B (d) (e) (f) (g) | GBP 3,194,971 | 4,489,450 |
| TOTAL PREFERRED STOCKS (cost \$10,420,280) | | 4,489,450 |
| TOTAL INVESTMENTS (amortized cost \$357,402,921) (h) - 130.2% | | 363,412,210 |
| LIABILITIES EXCEEDING OTHER ASSETS, NET - (30.2)% | | (84,398,984) |
| NET ASSETS - 100.0% | | \$ 279,013,226 |

In U.S. Dollars unless otherwise indicated.

At July 31, 2017, the tax basis of the Fund's investments was \$357,402,921 and the unrealized appreciation and depreciation were \$21,705,094 and \$(15,695,790), respectively. Because tax adjustments are calculated annually at the end of the Fund's fiscal year, the above table does not reflect tax adjustments for the current fiscal year. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Fund's most recent annual report.

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 July 31, 2017 was \$133,960,782, which represent 48.0% of net assets.
- (b) Variable rate security, the coupon rate shown is the effective rate as of July 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 July 31, 2017 was \$35,626,790, and represented 12.8% of net assets.
- (e) Security considered illiquid, as defined by the Securities and Exchange Commission. The total value of these securities as of July 31, 2017 was \$37,552,110, and represented 13.5% of net assets.

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- (f) Non-income producing security.
- (g) Non-U.S. security.
- (h) All investments are held as collateral for the Fund's credit facility.
- (j) Defaulted security.

The following table presents information about the Fund's assets measured on a recurring basis as of July 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 | \$ | \$ 157,354,806 | \$ | \$ 157,354,806 |
| Leveraged loans | | 185,748,175 | 2,187,265 | 187,935,440 |
| Common stocks | 12,836,455 | | 796,059 | 13,632,514 |
| Preferred stocks | | | 4,489,450 | 4,489,450 |
| Cash equivalents | 9,879,849 | | | 9,879,849 |
| Total investments in securities and cash equivalents | \$ 22,716,304 | \$ 343,102,981 | \$ 7,472,774 | \$ 373,292,059 |

| Country: | % of Net Assets |
|---|-----------------|
| United States | 122.0% |
| Cayman Islands | 2.7% |
| Luxembourg | 2.7% |
| United Kingdom | 2.3% |
| Trinidad & Tobago | 0.5% |
| | 130.2% |
| Liabilities Exceeding Other Assets, Net | (30.2)% |
| | 100.0% |

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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, Common Stock B | 3 | 06/23/2017 | \$ 29,857 | \$ 36,360 | 0.0% |
| Amedisys, Inc., Common Stock | | 08/05/2013- | | | |
| | 271,040 | 08/08/2013 | 3,799,456 | 12,836,455 | 4.6% |
| Charlotte Russe Inc., TL 1L Add On 02/14 , 6.750%, 05/22/2019 | 390,875 | 06/14/2016 | 198,513 | 166,122 | 0.1% |
| Charlotte Russe Inc., TL 1L B 04/13 , 6.750%, 05/22/2019 | 3,257,882 | 06/14/2016 | 1,654,575 | 1,384,600 | 0.5% |
| Solera Holdings, Inc., 10.500%, 03/01/2024 | | 02/29/2016- | | | |
| | 5,068,000 | 11/22/2016 | 4,868,814 | 5,828,200 | 2.1% |
| SquareTwo Financial Corp., Preferred Stock | 14,720 | 05/24/2016 | 5,683,411 | | % |
| SquareTwo Financial Corp., TL 1.5L 05/16, PIK Rate: 13.052%; Cash Rate: 0.000%, 05/24/2019 | | 05/24/2016- | | | |
| | 6,732,718 | 02/27/2017 | 6,410,114 | 1,146,919 | 0.4% |
| TIBCO Software, Inc., 11.375%, 12/01/2021 | | 11/24/2014- | | | |
| | 8,172,000 | 01/04/2017 | 8,013,288 | 8,978,985 | 3.2% |
| Towergate, SUN NewCo Preference B | 3,194,971 | 04/02/2015 | 4,736,869 | 4,489,450 | 1.6% |
| Towergate, TopCo Common | 540,649 | 04/02/2015 | 815,841 | 759,699 | 0.3% |
| Towergate SUN, NewCo Common A | 8,597 | 04/02/2015 | 15 | | % |

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

| | High Yield Securities | Leverage Loans | Collateralized Debt Obligation | Common Stocks | Preferred Stocks |
|--|-----------------------|----------------|--------------------------------|---------------|------------------|
| Beginning Balance at October 31, 2016 | \$ 999,132 | \$ 6,012,278 | \$ 1,740,146 | \$ 957,102 | \$ 3,660,379 |
| Purchases | | | | 29,857 | |
| Sales and Paydowns | (1,162,879) | (3,804,739) | (1,805,957) | (248,660) | |
| Transfer in and/or out of Level 3(1) | | | | | |
| Settlements | | 318,458 | 3,201 | | |
| Net change in appreciation/(depreciation) | 111,015 | (69,383) | (37,145) | 471,820 | 829,071 |
| Net realized gain/(loss) | 52,732 | (269,349) | 99,755 | (414,060) | |
| Balance as of July 31, 2017 | \$ | \$ 2,187,265 | \$ | \$ 796,059 | \$ 4,489,450 |
| Net change in appreciation/(depreciation) on investments held at July 31, 2017 | \$ | \$ (69,383) | \$ | \$ 471,820 | \$ 829,071 |

(1) During the period ended July 31, 2017, there were no transfers into Level 3. The Fund's policy is to recognize transfers into and out of Level 3 at the beginning of each reporting 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 July 31, 2017:

| Financial Asset | Fair Value As of July 31, 2017 | Valuation Technique(1) | Unobservable Inputs(2) | Range (Weighted Average)(3) | |
|-------------------|--------------------------------------|---------------------------|---------------------------|-----------------------------------|---------------|
| Leverages Loan(4) | \$ 2,187,265 | | Yield Analysis | Yield | 26% (26%) |
| | | | | EBITDA Multiple | 12.6x (12.6x) |
| | | | | Net Leverage | 16.9x (16.9x) |
| | | | Liquidation Analysis | EBITDA Multiple | 6.4x (6.4x) |
| Common Stock | \$ 796,059 | Market Comparables | LTM EBITDA Multiple | 3.0x-8.0x (3.2x) | |
| | | | Fwd EBITDA Multiple | 7.6x (7.6x) | |
| | | | Illiquidity Discount | 10%-15% (10%) | |
| Preferred Stock | \$ 4,489,450 | Market Comparables | LTM EBITDA Multiple | 3.0x (3.0x) | |
| | | | Illiquidity Discount | 10% (10%) | |

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- (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 flow 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 of 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.
 - (3) Weighted average amounts are based on the estimated fair values.
 - (4) Of the \$2,187,265, \$1,146,919 was valued based on the present value of escrow payments made to repay the term loan.

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, as amended (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 9/26/2017

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 9/26/2017

By (Signature and Title) /s/Thomas Murphy
Thomas Murphy, Treasurer, Chief Accounting
Officer,
and Chief Financial Officer

Date 9/26/2017
