

KKR Income Opportunities Fund
Form N-Q
September 22, 2016

**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, 2016

Date of reporting period: July 31, 2016

Item 1. Schedule of Investments.

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Income Opportunities Fund

July 31, 2016
(Unaudited)

Schedule of Investments

| | Par | Value |
|--|---------------|--------------|
| HIGH YIELD SECURITIES - 65.0% | | |
| Air Freight & Logistics - 1.0% | | |
| XPO Logistics, Inc. | | |
| 7.875%, 09/01/2019 (a) | 2,664,000 | \$ 2,763,900 |
| Banks - 0.4% | | |
| Novo Banco SA | | |
| N/A, 02/19/2049 (a) (f) (g) (i) | EUR 8,520,000 | 690,592 |
| N/A, 02/27/2051 (a) (f) (g) (i) (j) | EUR 3,601,000 | 271,751 |
| N/A, 04/09/2052 (f) (g) (i) | EUR 246,000 | 19,252 |
| | | 981,595 |
| Building Products - 5.7% | | |
| Builders FirstSource, Inc. | | |
| 10.750%, 08/15/2023 (a) | 5,080,000 | 5,638,800 |
| New Enterprise Stone & Lime Co., Inc. | | |
| 12.000%, 03/15/2018 (d) (e) | 9,108,821 | 9,423,075 |
| | | 15,061,875 |
| Chemicals - 2.8% | | |
| GCP Applied Technologies, Inc. | | |
| 9.500%, 02/01/2023 (a) (f) | 729,000 | 823,770 |
| Platform Specialty Products Corp. | | |
| 10.375%, 05/01/2021 (a) | 6,534,000 | 6,566,670 |
| | | 7,390,440 |
| Commercial Services & Supplies - 0.1% | | |
| Atento Luxco 1 SA | | |
| 7.375%, 01/29/2020 (a) (g) | 350,000 | 345,625 |
| Communications Equipment - 1.4% | | |
| Riverbed Technology, Inc. | | |
| 8.875%, 03/01/2023 (a) | 3,616,000 | 3,805,840 |
| Computers & Peripherals - 0.4% | | |
| Dell, Inc. | | |
| 8.350%, 07/15/2046 (a) (f) | 865,000 | 992,035 |
| Construction & Engineering - 2.5% | | |
| Maxim Crane Works LP / Maxim Finance Corp. | | |
| 10.125%, 08/01/2024 (a) (f) | 6,520,000 | 6,715,600 |
| Construction Materials - 5.5% | | |
| Cemex Materials LLC | | |
| 7.700%, 07/21/2025 (a) | 13,760,000 | 14,482,400 |
| Diversified Financial Services 0.4% | | |
| iPayment Investors LP | | |

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| | | |
|---|-----------|-----------|
| 9.500%, 12/15/2019 (a) (d) (e) | 1,201,147 | 1,105,055 |
| Electronic Equipment, Instruments & Components - 3.3% | | |
| Artesyn Technologies, Inc. | | |
| 9.750%, 10/15/2020 (a) | 9,594,000 | 8,034,975 |
| Zebra Technologies Corp. | | |
| 7.250%, 10/15/2022 (f) | 608,000 | 649,040 |
| | | 8,684,015 |

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| | Par | Value |
|--|---------------|--------------|
| HIGH YIELD SECURITIES - 65.0% (continued) | | |
| Energy Equipment & Services - 1.8% | | |
| Brand Energy & Infrastructure Services, Inc. | | |
| 8.500%, 12/01/2021 (a) (f) | 4,653,000 | \$ 4,629,735 |
| Health Care Providers & Services - 3.4% | | |
| MultiPlan, Inc. | | |
| 7.125%, 06/01/2024 (a) (f) | 246,000 | 262,605 |
| Surgery Partners Holdings LLC | | |
| 8.875%, 04/15/2021 (a) (f) | 8,210,000 | 8,743,650 |
| | | 9,006,255 |
| Hotels, Restaurants & Leisure - 2.3% | | |
| ClubCorp Club Operations, Inc. | | |
| 8.250%, 12/15/2023 (a) | 3,984,000 | 4,153,320 |
| MGM Resorts International | | |
| 8.625%, 02/01/2019 | 1,603,000 | 1,815,397 |
| | | 5,968,717 |
| Household Durables - 0.1% | | |
| The Hillman Group, Inc. | | |
| 6.375%, 07/15/2022 (a) | 251,000 | 228,410 |
| Insurance - 3.8% | | |
| Hub International Ltd. | | |
| 7.875%, 10/01/2021 (a) | 6,541,000 | 6,557,353 |
| Towergate | | |
| 8.750%, 04/02/2020 (a) (d) (e) (g) | GBP 3,310,813 | 3,330,092 |
| | | 9,887,445 |
| IT Services - 2.0% | | |
| Solera Holdings, Inc. | | |
| 10.500%, 03/01/2024 (a) (d) (e) (f) | 4,900,000 | 5,288,962 |
| Machinery - 1.3% | | |
| Manitowoc Foodservice, Inc. | | |
| 9.500%, 02/15/2024 (a)(f) | 1,420,000 | 1,609,925 |
| Nesco | | |
| 6.875%, 02/15/2021 (a) | 2,797,000 | 1,901,960 |
| | | 3,511,885 |
| Media - 3.6% | | |
| Block Communications, Inc. | | |
| 7.250%, 02/01/2020 (a) | 418,000 | 424,270 |
| Cequel Communications Holdings LLC | | |
| 7.750%, 07/15/2025 (a) | 3,026,000 | 3,222,690 |
| Clear Channel International BV | | |
| 8.750%, 12/15/2020 (a) | 1,704,000 | 1,793,460 |
| Clear Channel Outdoor, Inc. | | |
| 6.500%, 11/15/2022 | 85,000 | 87,975 |
| Intelsat Jackson Holdings SA | | |
| 7.250%, 04/01/2019 (g) | 2,746,000 | 2,052,635 |
| 5.500%, 08/01/2023 (g) | 3,034,000 | 1,987,270 |
| | | 9,568,300 |

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| | Par | Value |
|---|-----------|--------------------|
| HIGH YIELD SECURITIES - 65.0% (continued) | | |
| Metals & Mining - 0.2% | | |
| Allegheny Technologies, Inc. 7.875%, 08/15/2023 (f) | 486,000 | \$ 456,840 |
| Multiline Retail - 4.5% | | |
| J.C. Penney Corp., Inc. 5.750%, 02/15/2018 | 28,000 | 28,644 |
| 8.125%, 10/01/2019 | 8,927,000 | 9,328,715 |
| 5.650%, 06/01/2020 | 2,490,000 | 2,393,513 |
| | | 11,750,872 |
| Oil, Gas & Consumable Fuels - 4.5% | | |
| Calumet Specialty Products | | |
| 11.500%, 01/15/2021 (a) | 4,210,000 | 4,788,875 |
| Genesis Energy LP/ Genesis Energy Financial Corp. | | |
| 6.750%, 08/01/2022 (f) | 3,382,000 | 3,407,365 |
| 6.000%, 05/15/2023 | 2,271,000 | 2,259,645 |
| 5.625%, 06/15/2024 | 1,336,000 | 1,275,880 |
| | | 11,731,765 |
| Road & Rail - 2.2% | | |
| The Kenan Advantage Group, Inc. | | |
| 7.875%, 07/31/2023 (a) | 5,615,000 | 5,685,188 |
| Software - 1.4% | | |
| Datatel, Inc. | | |
| 9.000%, 09/30/2023 (a) | 546,000 | 557,602 |
| TIBCO Software, Inc. | | |
| 11.375%, 12/01/2021 (a) | 3,594,000 | 3,099,825 |
| | | 3,657,427 |
| Specialty Retail - 4.7% | | |
| Guitar Center, Inc. | | |
| 6.500%, 04/15/2019 (a) | 6,490,000 | 5,727,425 |
| Jo-Ann Stores, Inc. | | |
| 8.125%, 03/15/2019 (a) (f) | 4,127,000 | 4,028,984 |
| The Mens Wearhouse, Inc. | | |
| 7.000%, 07/01/2022 | 3,010,000 | 2,648,800 |
| | | 12,405,209 |
| Transportation Infrastructure - 1.5% | | |
| Direct ChassisLink, Inc. | | |
| 10.000%, 06/15/2023 (a) (f) | 3,765,000 | 3,953,250 |
| Wireless Telecommunication Services - 4.2% | | |
| GCI, Inc. | | |
| 6.750%, 06/01/2021 | 5,100,000 | 5,253,000 |
| 6.875%, 04/15/2025 | 4,076,000 | 4,228,850 |
| Sprint Corp. | | |
| 7.875%, 09/15/2023 | 1,642,000 | 1,499,359 |
| | | 10,981,209 |
| TOTAL HIGH YIELD SECURITIES (amortized cost \$172,457,603) | | 171,039,849 |

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| | Par | Value |
|---|------------|--------------|
| LEVERAGED LOANS - 64.8% | | |
| Aerospace & Defense - 4.6% | | |
| CPI International, Inc., TL 1L B 03/14 | | |
| 4.250%, 11/17/2017 (b) | 1,623,464 | \$ 1,611,288 |
| Sequa Corp., TL 1L 12/12 | | |
| 5.250%, 06/19/2017 (b) | 12,967,372 | 10,503,572 |
| | | 12,114,860 |
| Building Products - 1.5% | | |
| SRS Distribution, Inc., TL 2L 06/16 | | |
| 9.750%, 02/24/2023 (b) | 3,943,740 | 3,980,713 |
| Chemicals - 0.1% | | |
| Emerald Performance Materials LLC, TL 2L 07/14 | | |
| 7.750%, 08/01/2022 (b) | 268,490 | 264,127 |
| Commercial Services & Supplies - 0.9% | | |
| Koosharem LLC, TL 1L 05/14 | | |
| 7.500%, 05/15/2020 (b) (f) | 2,754,362 | 2,384,823 |
| Distributors - 1.6% | | |
| Distribution International, Inc., TL 1L 12/14 | | |
| 6.000%, 12/15/2021 (b) | 5,203,131 | 4,253,560 |
| Diversified Financial Services 4.2% | | |
| iPayment Investors LP, TL 1L B 05/11 | | |
| 6.750%, 05/08/2017 (b) (d) (e) | 6,861,619 | 6,707,232 |
| Square Two Financial Corp., TL 1.5L 05/16 | | |
| 11.000%, 05/24/2019 (b) (d) (e) (f) | 9,568,000 | 4,440,796 |
| | | 11,148,028 |
| Diversified Telecommunication Services - 4.4% | | |
| Lightower Fiber LLC, TL 2L 04/13 | | |
| 8.000%, 04/12/2021 (b) | 11,523,828 | 11,552,638 |
| Electronic Equipment, Instruments & Components - 2.2% | | |
| TTM Technologies, Inc., TL 1L B 02/15 | | |
| 6.000%, 05/31/2021 (b) | 5,865,896 | 5,880,560 |
| Energy Equipment & Services - 0.5% | | |
| Proserv Acquisition LLC, TL 1L B1 12/14 (US Tranche) | | |
| 6.375%, 12/22/2021 (b) (e) (g) | 1,175,639 | 767,562 |
| Proserv Acquisition LLC, TL 1L B2 12/14 (UK Tranche) | | |
| 6.375%, 12/22/2021 (b) (e) (g) | 690,049 | 450,526 |
| | | 1,218,088 |
| Food & Staples Retailing - 4.2% | | |
| BJ's Wholesale Club, Inc., TL 2L 09/11 | | |
| 8.500%, 03/26/2020 (b) (f) | 4,766,200 | 4,742,369 |
| California Pizza Kitchen, Inc., TL 1L B 07/11 | | |
| 5.250%, 03/29/2018 (b) | 4,753,559 | 4,515,881 |
| Grocery Outlet, Inc., TL 2L 09/14 | | |
| 9.250%, 10/21/2022 (b) | 1,805,430 | 1,787,376 |
| | | 11,045,626 |

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| | Par | Value |
|--|------------|--------------|
| LEVERAGED LOANS - 64.8% (continued) | | |
| Food Products - 3.2% | | |
| CSM Bakery Products, TL 2L 07/13 | | |
| 8.750%, 07/05/2021 (b) (e) | 5,300,000 | \$ 5,035,000 |
| CTI Foods Holding Co. LLC, TL 2L 06/13 | | |
| 8.250%, 06/28/2021 (b) (d) (e) | 3,800,000 | 3,458,000 |
| | | 8,493,000 |
| Health Care Providers & Services - 0.8% | | |
| Genoa (QoL), TL 2L 03/15 | | |
| 8.750%, 04/28/2023 (b) | 2,144,610 | 2,128,525 |
| Health Care Technology - 0.2% | | |
| Greenway Medical Technologies, TL 2L 10/13 | | |
| 9.250%, 11/04/2021 (b) | 476,428 | 434,740 |
| Hotels, Restaurants & Leisure - 5.8% | | |
| Caesars Entertainment Operating Co., Inc., TL 1L B6 01/08 | | |
| 9.500%, 03/01/2017 (b) (j) | 10,469,808 | 10,910,430 |
| Caesars Entertainment Operating Co., Inc., TL 1L B7 05/14 | | |
| 11.750%, 03/01/2017 (b) (j) | 4,028,914 | 4,273,187 |
| | | 15,183,617 |
| 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) | 423,747 | 61,973 |
| Internet Software & Services 4.1% | | |
| RedPrairie Corp., TL 1L 12/13 | | |
| 6.000%, 12/21/2018 (b) | 2,386,754 | 2,317,144 |
| RedPrairie Corp., TL 2L 12/12 | | |
| 11.250%, 12/21/2019 (b) | 9,231,528 | 8,354,533 |
| | | 10,671,677 |
| Machinery - 1.0% | | |
| WireCo WorldGroup, Inc., TL 1L 07/16 | | |
| 6.500%, 07/21/2023 (b) (f) | 2,662,800 | 2,676,660 |
| Media - 2.2% | | |
| Intelsat Jackson Holdings SA, TL 1L B2 11/13 | | |
| 3.750%, 06/30/2019 (b) (f) (g) | 5,354,260 | 5,088,582 |
| NEP Broadcasting LLC, TL 2L 01/13 | | |
| 10.000%, 07/22/2020 (b) | 711,260 | 703,258 |
| | | 5,791,840 |
| Multiline Retail - 0.9% | | |
| Belk, Inc., TL 1L 08/15 | | |
| 5.750%, 12/12/2022 (b) | 2,762,756 | 2,438,146 |
| Software - 13.9% | | |
| Applied Systems, Inc., TL 2L 01/14 | | |
| 7.500%, 01/24/2022 (b) | 10,432,773 | 10,484,937 |
| Deltek, Inc., TL 2L 06/15 | | |
| 9.500%, 06/26/2023 (b) | 7,346,780 | 7,466,165 |
| iParadigms Holdings LLC, TL 2L 07/14 | | |
| 8.250%, 07/29/2022 (b) | 5,719,710 | 5,333,630 |

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| | Par | Value |
|--|---------------|--------------------|
| LEVERAGED LOANS - 64.8% (continued) | | |
| Software - 13.9% (continued) | | |
| Misys Ltd., TL 2L 06/12 | | |
| 12.000%, 06/12/2019 | 1,640,020 | \$ 1,713,821 |
| TIBCO Software, Inc., TL 1L 10/14 | | |
| 6.500%, 12/04/2020 (b) | 9,565,721 | 9,223,746 |
| Triple Point Technology, Inc., TL 1L 07/13 | | |
| 5.250%, 07/10/2020 (b) | 2,496,426 | 2,206,216 |
| | | 36,428,515 |
| Specialty Retail - 6.6% | | |
| Charlotte Russe Inc., TL 1L 04/13 | | |
| 6.750%, 05/22/2019 (b) (f) | 3,285,813 | 1,226,693 |
| Charlotte Russe Inc., TL 1L Add On 02/14 | | |
| 6.750%, 05/22/2019 (b) (f) | 394,226 | 149,806 |
| David s Bridal, Inc., TL 1L B 10/12 | | |
| 5.250%, 10/11/2019 (b) | 6,113,322 | 5,665,032 |
| Gymboree Corp., TL 1L 02/11 | | |
| 5.000%, 02/23/2018 (b) | 5,445,847 | 4,260,613 |
| Savers, Inc., TL 1L C 07/12 | | |
| 5.000%, 07/09/2019 (b) | 6,985,470 | 6,116,687 |
| | | 17,418,831 |
| Transportation Infrastructure - 1.9% | | |
| Commercial Barge Line Co., TL 1L 11/15 | | |
| 9.750%, 11/12/2020 (b) | 5,344,521 | 5,043,892 |
| | | |
| TOTAL LEVERAGED LOANS (amortized cost \$177,330,077) | | 170,614,439 |
| COLLATERALIZED DEBT OBLIGATION - 0.7% | | |
| Diversified Financial Services - 0.7% | | |
| OHA Credit Partners XII, OHA E Notes | | |
| 7.286%, 01/23/2027 (a) (b) (e) | 1,799,210 | 1,707,755 |
| | | |
| TOTAL COLLATERALIZED DEBT OBLIGATION (amortized cost \$1,698,728) | | 1,707,755 |
| | | |
| | Shares | |
| COMMON STOCKS 7.3% | | |
| Diversified Financial Services - 1.5% | | |
| Invesco Dynamic Credit Opportunities Fund | 63,600 | 733,308 |
| iPayment Investors LP (d) (e) (f) | 160,426 | 891,006 |
| Nuveen Credit Strategies Income Fund | 84,784 | 714,729 |
| Prudential Global Short Duration High Yield Fund, Inc. | 63,468 | 976,138 |
| Wells Fargo Advantage Income Opportunities Fund | 64,184 | 539,788 |
| | | 3,854,969 |
| Health Care Providers & Services - 5.5% | | |
| Amedisys, Inc. (d) (e) (f) | 271,040 | 14,514,192 |
| 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 | 731,980 |
| | | 731,980 |
| TOTAL COMMON STOCKS (cost \$7,966,464) | | 19,101,141 |

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| | Shares | Value |
|---|---------------|----------------|
| PREFERRED STOCKS - 1.6% | | |
| Diversified Financial Services - 0.0% | | |
| Square Two Financial Corp., (d) (e) (f) (k) | 5,152,000 | \$ |
| Insurance - 1.6% | | |
| Towergate, Sun NewCo Preference B, (d) (e) (f) (g) (k) | GBP 3,194,971 | 4,325,642 |
| TOTAL PREFERRED STOCKS (cost \$10,420,281) | | 4,325,642 |
| TOTAL INVESTMENTS (amortized cost \$369,873,153) (h) - 139.4% | | 366,788,826 |
| LIABILITIES EXCEEDING OTHER ASSETS, NET - (39.4)% | | (103,581,343) |
| NET ASSETS - 100.0% | | \$ 263,207,483 |

In U.S. Dollars unless otherwise indicated.

At July 31, 2016, the tax basis cost of the Fund's investments was \$369,992,238 and the unrealized appreciation and depreciation were \$19,574,407 and \$(22,777,819), 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 July 31, 2016 was \$123,932,349, which represent 47.1% of net assets.
- (b) Variable rate security, the coupon rate shown is the effective rate as of July 31, 2016.
- (c) Represents a payment-in-kind (PIK) security which may pay interest in additional par.
- (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, 2016 was \$54,278,005 and represented 20.6% 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, 2016 was \$62,238,848 and represented 23.6% 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) Security in Default.
- (k) No applicable coupon rate.

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The following table presents information about the Fund's assets measured on a recurring basis as of July 31, 2016, 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 | \$ | \$ 171,039,849 | \$ | \$ 171,039,849 |
| Leveraged loans | | 164,893,582 | 5,720,857 | 170,614,439 |
| Collateralized debt obligation | | | 1,707,755 | 1,707,755 |
| Common stocks | 14,514,192 | 2,963,963 | 1,622,986 | 19,101,141 |
| Preferred stocks | | | 4,325,642 | 4,325,642 |
| Cash equivalents | 2,745,647 | | | 2,745,647 |
| Total investments in securities and cash equivalents | \$ 17,259,839 | \$ 338,897,394 | \$ 13,377,240 | \$ 369,534,473 |

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The following table represents the Fund's investments categorized by country of risk as of July 31, 2016:

| Country | % of Net Assets |
|---|-----------------|
| United States | 131.7% |
| United Kingdom | 3.7% |
| Luxembourg | 3.6% |
| Portugal | 0.4% |
| | 139.4% |
| Liabilities Exceeding Other Assets, Net | (39.4)% |
| | 100.0% |

The following table details the restricted securities held by the Fund as of July 31, 2016:

| | Par/Shares | Acquisition date(s) | Amortized Cost | Value | % of Net Assets |
|---|------------|-----------------------|----------------|------------|-----------------|
| Algeco Scotsman Global Sarl, TL PIK 04/13 , 15.750%, 05/01/2018 | 423,747 | 9/17/2013 | \$ 351,253 | \$ 61,973 | 0.0% |
| Amedisys, Inc., Common Stock | 271,040 | 08/05/2013-08/08/2013 | 3,799,455 | 14,514,192 | 5.5% |
| CTI Foods Holding Co. LLC, TL 2L 06/13 , 8.250%, 06/28/2021 | 3,800,000 | 7/30/2013 | 3,800,000 | 3,458,000 | 1.3% |
| iPayment Investors LP, Common Stock | 160,426 | 12/29/2014 | 662,720 | 891,006 | 0.3% |
| iPayment Investors LP, TL 1L B 05/11, 6.750%, 05/08/2017 | 6,861,619 | 08/14/2013-6/11/2014 | 6,816,929 | 6,707,232 | 2.5% |
| iPayment Investors LP, 9.500%, 12/15/2019 | 1,201,147 | 12/29/2014 | 1,201,147 | 1,105,055 | 0.4% |
| New Enterprise Stone & Lime Co., Inc., 12.000%, 03/15/2018 | 9,108,821 | 06/25/2015-08/17/2015 | 9,435,412 | 9,423,075 | 3.6% |
| Solera Holdings, Inc., 10.500%, 03/01/2024 | 4,900,000 | 02/29/2016 | 4,662,947 | 5,288,962 | 2.0% |
| Square Two Financial Corp., TL 1.5L 05/16 , 11.000%, 05/24/2019 | 9,568,000 | 05/24/2016 | 9,568,000 | 4,440,796 | 1.7% |
| Square Two Financial Corp., Preferred Stock | 5,152,000 | 05/24/2016 | 5,683,411 | | 0.0% |
| Towergate, 8.750%, 04/02/2020 | 3,310,813 | 04/02/2015 | 5,035,490 | 3,330,092 | 1.3% |
| Towergate, Sun NewCo Common Shares A | 8,597 | 04/02/2015 | 15 | | 0.0% |
| Towergate, Sun NewCo Preference B | 3,194,971 | 04/02/2015 | 4,736,869 | 4,325,642 | 1.6% |
| Towergate, TopCo Common | 540,649 | 04/02/2015 | 815,841 | 731,980 | 0.3% |

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The following table presents additional information about investments that are measured at fair value on a recurring basis for which the Fund has utilized Level 3 inputs to determine fair value as of July 31, 2016:

| | Leveraged Loans | Collateralized Debt Obligation | Common Stocks | Preferred Stocks |
|--|------------------------|---|----------------------|-------------------------|
| Balance at October 31, 2015 | \$ 80,638 | \$ | \$ 1,928,936 | \$ 5,339,071 |
| Purchases | 20,996,270 | 1,695,755 | | 5,683,411 |
| Sales | (11,437,739) | | | |
| Transfer in and/or out of level 3(1) | 1,277,451 | | | |
| Settlements | 12,308 | 3,849 | | |
| Net change in appreciation/(depreciation) | (5,209,967) | 8,151 | (305,950) | (6,696,840) |
| Realized gain (loss) | 1,896 | | | |
| Balance at July 31, 2016 | \$ 5,720,857 | \$ 1,707,755 | \$ 1,622,986 | \$ 4,325,642 |
| Net change in appreciation/(depreciation) on investments held at July 31, 2016 | \$ (5,209,967) | \$ 8,151 | \$ (305,950) | \$ (6,696,840) |

(1) During the nine months ended July 31, 2016, there were transfers into Level 3. The Fund's Policy is to recognize transfers into and out of Level 3 at the beginning of the 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, 2016:

| Financial Asset | Fair Value as of July 31, 2016 | Valuation Technique (1) | Unobservable Inputs (2) | Range (Weighted Average)(3) | | |
|--------------------------------|--------------------------------|---|-------------------------|-----------------------------|--------------------------------|-------------------|
| Leveraged Loans (4) | \$ 5,720,857 | Yield Analysis | Yield | 19%-19% (19%) | | |
| | | | EBITDA Multiple | 8.5x-11.8x (11.7x) | | |
| | | | Net Leverage | 8.9x-23.8x (23.1x) | | |
| | | Liquidation Analysis Broker Quotes Option Pricing Model | | | EBITDA Multiple | 0.4x-11.8x (2.9x) |
| | | | | | Offered Quotes | 5.0-12.5 |
| | | | | | Risk Free Rate | 1% |
| | | | | | Implied Volatility Term | 25% 1.8 years |
| Collateralized Debt Obligation | \$ 1,707,755 | Yield Analysis | Discount Margin | 8% | | |
| | | | Discounted Cash Flow | Probability of Default | 2% | |
| | | | | | Loss Severity | 30% |
| Common Stocks (5) | \$ 1,622,986 | Market Comparables | LTM EBIDTA Multiple | 2.4x-9.9x (6.5x) | | |
| | | | Fwd EBIDTA Multiple | 2.5x-8.1x (5.6x) | | |
| | | | Illiquidity Discount | 10%-10% (10%) | | |
| | | Discounted Cash Flow | | | Weight average cost of capital | 11% |
| | | | | | Fwd EBIDTA exit multiple | 10.1x |
| | | | | | Illiquidity Discount | 10% |
| Preferred Stocks | \$ 4,325,642 | Market Comparables | LTM EBIDTA Multiple | 0.4x-2.4x (2.4x) | | |
| | | | Fwd EBIDTA Multiple | 2.5x | | |
| | | | Illiquidity Discount | 5%-10% (10%) | | |

(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.

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- (4) Of the \$5,720,857, \$4,440,796 was valued solely using a liquidation analysis technique.

- (5) Of the \$1,622,986, \$731,980 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.

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 9/22/16

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 9/22/16

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

Date 9/22/16
