ELLINGTON INCOME OPPORTUNITIES FUND

Market Commentary

Third Quarter 2023

Introduction

Ellington Income Opportunity's (EIO) performance was positive in the third quarter. Structured product spreads were mixed as hawkish central bank posturing and concerns over Treasury supply drove a sharp bear steepening in the yield curve. In Residential Mortgage-Backed Securities (RMBS) credit, spreads widened out modestly at the top of the capital stack. Credit Risk Transfer (CRT) securities continued to outperform as net negative supply and robust housing fundamentals drove investor appetite. US Collateralized Loan Obligations (CLOs) outperformed in Q3, particularly at the top of the capital stack where demand for investment grade floaters drove spreads tighter. In the third quarter, legacy RMBS and non-qualified mortgage AAA spreads widened 5 basis points (bps), while single-family residence AAAs tightened 5 bps and US CLO AAAs 35 bps.

Market Environment

Within the fund's residential mortgage holdings, CRT securities were the largest driver of return in Q3. The CRT sector has been the beneficiary of several powerful tailwinds this year, including rising home prices, robust credit performance, and net negative supply. Due to home price appreciation and structural deleveraging, the Government Sponsored Enterprises (GSEs) have been repurchasing seasoned risk transfer securities one to two points above market levels through tender auctions. These tender auctions have provided a floor for pricing on some seasoned securities and benefited the entire market by reducing the overall market float.

Within EIO's corporate holdings, US CLOs were a positive contributor. Interest rate volatility this quarter created considerable demand for floating rate assets, driving up prices on CLOs and the loans that they reference.

Fund Outlook

After the recent pickup in credit and interest rate volatility, we believe the fund's conservative risk positioning and focus on defensive sectors will allow us to take advantage of any potential dislocations resulting from this quarter's market movements. To this effect, we are beginning to see opportunities emerge in commercials that could provide substantial total return for the fund. Although we have been slow to allocate to the sector given recent headline risk, we will potentially rotate some of our portfolio back into commercials given current distressed opportunities. Additionally, the fund's continued bias towards floating rate assets with strong current carry profiles will allow us to benefit from market expectations that higher interest rates may last longer than previously anticipated.

Important Notes

These materials have been provided for information purposes and reference only and are not intended to be, and must not be, taken as the basis for an investment decision. The contents hereof should not be construed as investment, legal, tax or other advice and you should consult your own advisers as to legal, business, tax and other matters related to the investments and business described herein.

Fund Risks

Investing involves risk including the possible loss of principal including the following:

• Shares of the Fund will not be listed on any securities exchange, which makes them inherently illiquid.

• There is no secondary market for the Fund's shares, and it is not anticipated that a secondary market will develop.

• The shares of the Fund are not redeemable.

• Although the Fund currently intends to offer a quarterly repurchase offer, the Fund is not required to repurchase shares at a shareholder's option nor will shares be exchangeable for units, interests or shares of any security.

• Regardless of how the Fund performs, an investor may not be able to sell or otherwise liquidate their shares whenever such investor would prefer at the time or amount desired.

An investment in the Fund's shares is not suitable for investors who cannot tolerate the risk of complete loss or who require liquidity.

The Fund's investment in ABS (Asset-Backed Securities, RMBS (Residential Mortgage-Backed Securities) and CMBS (Commercial Mortgage-Backed Securities) subjects it to credit risk because underlying loan borrowers may default. Additionally, these securities are subject to prepayment risk because the underlying loans held by the issuers may be paid off prior to maturity. The value of these securities may go down due to changes in prepayment rates on the underlying mortgages or loans. During periods of declining interest rates, prepayment rates usually increase and the Fund may have to reinvest prepayment proceeds at a lower interest rate.

There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Fund, resulting in losses to the Fund. In addition, the credit quality of securities held by the Fund may be lowered if an issuer's financial condition changes. Lower-quality fixed income securities, known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including an increased risk of default. An economic downturn or period of rising interest rates could adversely affect the market for these bonds and reduce the Fund's ability to sell its bonds and decrease the Fund's share price. Repayment of defaulted securities and obligations of distressed issuers is subject to significant uncertainties. Investments in defaulted securities and obligations of distressed issuers are considered speculative as are junk bonds in general.

The value of securities of smaller issuers can be more volatile than those of larger issuers. The value of certain types of securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market, or economic developments.

The Fund may enter into swaps and other derivative instruments which could amplify volatility. The Fund may engage in short selling for hedging and speculative purposes. A short sale may create the risk of an unlimited loss, in that the price of the underlying security

might theoretically increase without limit, thus increasing the cost of purchasing the security in order to close out the securities borrowing.

The use of leverage, such as borrowing money to purchase investments, could cause the Fund to incur additional expenses and magnify gains or losses.

Investors should carefully consider the investment objectives, risks, charges and expenses of the Ellington Income Opportunities Fund. This and other important information about the Fund are contained in the Prospectus, which can be obtained by contacting your financial advisor, or by calling 1-855-862-6092. The Prospectus should be read carefully before investing.

The Ellington Income Opportunities Fund is distributed by Foreside Fund Services, LLC, not an adviser affiliate.

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