ELLINGTON INCOME OPPORTUNITIES FUND

Market Commentary

Fourth Quarter 2023

Introduction

Ellington Income Opportunities (EIO) had a net performance of +4.48% in the fourth quarter and +17.45% year-to-date . Financial markets staged a dramatic turnaround after September's sell-off. Five-year Treasury yields rallied 76 bps, CDX HY rallied 124 bps, and CDX IG rallied 17 bps. Structured product spreads tightened throughout the quarter alongside the macro rally but lagged more liquid credit indices. In the fourth quarter, legacy RMBS tightened 10 bps, Non-QM AAAs tightened 20 bps, single-family rental (SFR) AAAs were unchanged, and US CLO AAAs tightened 10 bps.

Market Environment

Within the Fund's residential mortgage holdings, CRT securities continued to drive returns in Q4. The CRT sector benefitted from two additional tender offers removing another $1.5 billion of supply from the market. Aggregate net supply for the sector ended the year around negative $2 billion. This technical factor combined with robust fundamental performance in the U.S. housing market drove price action in the space. In addition to CRT, the Fund's single-family rental and Legacy RMBS holdings were positive contributors to Fund returns.

Within EIO's corporate holdings, US CLOs were a positive contributor, driven by lower default expectations and rapid deal amortization of the Fund's seasoned profiles.

The Fund's asset-backed securities, mainly aircraft-backed securities, also had a strong quarter as the sector has rebounded from the aftermath of Covid as well as last year's Russia-Ukraine crisis.

The Fund's interest rate hedges detracted from returns as economic data releases and dovish Federal Reserve projections led to a substantial rally in interest rates, though this was partially offset by the Fund's bond holdings.

Fund Outlook

Structured credit markets are poised for outperformance in the near term as money managers deploy cash and dealers look to rebuild depleted inventories. Low aggregate supply has already pushed some managers to reach for riskier assets, causing a flattening of the credit curve. Given robust demand, we will look to upgrade the portfolio where possible, preferably by selling new issue bonds with more potential downside risk and retaining seasoned assets. We believe seasoned assets with lower credit sensitivity will outperform if credit conditions deteriorate without a substantial reduction in expected return in an upside scenario.

Important Notes

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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