

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-CSRS

June 29, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSRS**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-21331

**Wells Fargo Advantage Multi-Sector Income Fund**

(Exact name of registrant as specified in charter)

**525 Market St., San Francisco, CA 94105**

(Address of principal executive offices) (Zip code)

**C. David Messman**

**Wells Fargo Funds Management, LLC**

**525 Market St., San Francisco, CA 94105**

(Name and address of agent for service)

Registrant's telephone number, including area code: 800-643-9691

Date of fiscal year end: October 31, 2010

Date of reporting period: April 30, 2011



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ITEM 1. REPORT TO SHAREHOLDERS

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# Semi-Annual Report

April 30, 2011

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

**This closed-end fund is no longer offered as an initial public offering and is only offered through broker/dealers on the secondary market.** A closed-end fund is not required to buy its shares back from investors upon request.

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The views expressed are as of April 30, 2011. Any reference to a specific security in this report is not a recommendation to purchase or sell any specific security or adopt any investment strategy. The views are subject to change at any time in response to changing circumstances in the market and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally, or the *Wells Fargo Advantage Multi-Sector Income Fund*.

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

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Letter to Shareholders

**Karla M. Rabusch,**

President

*Wells Fargo Advantage Funds*

**There certainly were a rash of geopolitical and geological issues that provided headwinds, but overall, many areas across both the global equity and bond markets showed resilience and posted solid annual returns.**

## Dear Valued Shareholder,

We are pleased to provide you with this semi-annual report for the *Wells Fargo Advantage Multi-Sector Income Fund* for the six-month period that ended April 30, 2011. After a series of extraordinary financial and economic events that affected the financial markets in the United States and throughout the world dating back to the beginning of the financial crisis in 2008 it seemed the global economy continued to move toward a more sustainable recovery throughout the period. There certainly were a rash of geopolitical and geological issues that provided headwinds, but overall, many areas across both the global equity and bond markets showed resilience and posted solid annual returns, suggesting that the most underlying fundamentals of the economy continue to strengthen.

### **The global economic recovery moved toward expansion.**

The global economic recovery that began in mid-2009, especially within the developed countries, gained further momentum throughout the period, particularly toward the end of 2010. For example, within the U.S., gross domestic product (GDP) grew at an annualized rate of 3.1% in the fourth quarter of 2010 capping a streak of six consecutive quarters of positive GDP growth and 2.8% for the full year. Although the path of recovery within the U.S. has been uneven at times and growth remains subpar compared with previous recoveries, the general consensus among economists is that the economy will likely continue to move toward a sustainable expansion.

### **Jobs and housing remained troublesome.**

By the end of the reporting period, the unemployment rate in the U.S. stood at 9.0%, down from 9.8% a year earlier but still notably higher than historical averages. Unfortunately, the drop may be more attributable to a decline in the labor force than to a meaningful uptick in hiring. In fact, employers added just 1.1 million jobs during the entire 2010 calendar year, below the historical average of 1.4 million jobs created each year over the past 80 years, suggesting that the improving economy has yet to translate into widespread hiring. Meanwhile, the beleaguered housing market was an ongoing source of concern, despite some tentative late-year signs of stabilization. That said, persistent weakness in the labor and housing markets bears close watching in the months ahead.

Other economic data in the U.S. was more encouraging, reflecting greater confidence in the sustainability of the expansion on the part of both consumers and businesses. Retail sales came in strong at certain points during the period, including the critical holiday shopping season, and industrial production and new orders have picked up. Although still reluctant to hire, businesses have gradually increased spending in other areas, such as equipment and technology. Core inflation, which excludes volatile food and energy prices, remained benign.

### **The Federal Reserve continued to do its part.**

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With inflation subdued, the Federal Reserve (Fed) held its target range for the federal funds rate a proxy for short-term interest rates steady at 0.00% to 0.25%. On April 27, 2011, in its final statement of the six-month period, the Fed noted that economic recovery is proceeding at a moderate pace, while the employment situation is improving gradually. With regard to inflation, the Fed noted that the rate of inflation increased but that longer-term inflation

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expectations have remained stable and measures of underlying inflation are still subdued. As a result, the Fed indicated that it intends to keep short-term rates at historically low levels for as long as necessary to ensure a sustainable recovery and expansion.

The Fed also stated that to promote a stronger pace of economic recovery, it plans to proceed with other stimulus measures, including its second round of quantitative easing (QE2) a plan to purchase \$600 billion in long-term Treasury securities by mid-2011. The launch of QE2 in the third quarter of 2010 marked a turning point for the equity markets in that it ushered in a favorable shift in investor sentiment. Largely, investors interpreted the plan as further evidence of the Fed's commitment to avoiding deflation and spurring economic growth.

### **Central banks focused on balancing the need for sustainable growth with ongoing sovereign debt concerns.**

The coordinated efforts of the developed markets' central banks to quell the worldwide financial crisis were effective in restoring order to the capital markets, and the stimulus packages provided a significant underpinning to economies, helping to restore them to growth. As a result, throughout the six-month period, stock markets in the United States and worldwide rebounded dramatically from their March 2009 lows.

Either many emerging markets countries were not as affected by the same problems as the U.S. and eurozone economies or, if they were, their difficulties were more manageable. With lower levels of consumer debt and less-speculative housing markets, economies and stock markets in China, India, and Singapore recovered quickly and continued to post generally strong returns throughout the period.

### **Facing a spike in global events, the high-yield market showed its resilience.**

The high-yield market was resilient to the numerous problem areas throughout the past six months. Neither the horrible earthquake and tsunami in Japan nor the unrest and social upheaval in the Middle East and North Africa nor rising oil prices nor the evolving sovereign debt issues among the European peripheral economies derailed the high-yield market. Indeed, the most prevailing factor propelling asset prices, including high-yield bonds, was the Fed's continued accommodative policies. QE2 seemed to propel the equity markets and the prices of virtually all commodities higher and ensured a liquid environment, low Treasury rates, and easy financing conditions for corporate borrowers. Such a benign environment for corporate borrowers supported high-yield companies, as they were able to refinance existing debt at cheaper rates, and for the more-troubled, overleveraged issuers, many were able to push out near-term maturities at favorable terms.

### **Entering the new year, central banks attempted to balance growth with inflation pressures.**

2011 began moderately well, building on the momentum established during the fourth quarter of 2010. Investors focused on signs of sustainable economic growth and low volatility in many countries. In step with stronger economic conditions, corporate earnings continued to improve, further bolstering investor confidence. However, during the period, investors shifted their focus away from these

**The coordinated efforts of the developed markets' central banks to quell the worldwide financial crisis were effective in restoring order to the capital markets, and the stimulus packages provided a significant underpinning to economies, helping to restore them to growth.**



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Letter to Shareholders

developments to the political unrest in the Middle East and the tragedy affecting Japan, which prompted concerns about the impact on oil prices and the supply chain. In response, investors began to rotate out of small-cap stocks and growth stocks and into larger-cap value stocks that they perceived as offering lower levels of risk.

In the developed markets, Europe and the U.S. are good examples of how many countries are attempting to balance the effects of higher inflation with the need to firmly establish sustainable economic expansion. These governments believe that this can best be achieved through an exceptionally accommodative monetary policy. In an effort to stave off the effects of rising inflation, China, India, and Brazil have already been tightening their monetary policies through rate increases and a more restrictive approach to money supply. It is possible that if the rate of inflation in those emerging markets countries begins to stabilize or even subside, particularly in China, the countries may actually begin to loosen their monetary policies.

Concerns about sovereign debt re-emerged across the European peripheral countries, especially as Portugal became the third country to seek a bailout from the European Union and the International Monetary Fund. In addition, Ireland's four largest banks failed another round of stress tests in March, forcing them to seek another 24 billion euros from public and private entities. Nevertheless, in spite of these renewed challenges, the peripheral countries, led by Greece, Italy, and Spain, had remarkable stock performance to start 2011. They outperformed their larger, more developed European neighbors, such as Germany and the United Kingdom. Last year, when the sovereign debt issue first came to the forefront, it brought along with it a high level of investor anxiety, which translated into higher volatility. However, after the bailouts of Greece and Ireland, investors may have become comfortable with how policymakers have been able to handle these problems and mitigate the risks of contagion.

### **The fund remained focused on diversification in face of ongoing geopolitical uncertainty.**

Within the *Wells Fargo Advantage Multi-Sector Income Fund*, the portfolio manager's strategic view remains consistent and continues to be that of underweighting the old, industrialized, lower-yielding economies with structural problems and continues to be overweight those economies that not only have higher yields but also have healthier, more sustainable growth; lower deficits (in some cases surpluses); and central banks that have the freedom to maneuver. However, a background of political stability will also become an important requirement.

Therefore, from an international bond and currency perspective, the team continues to be underweight the bond markets of the U.S., the eurozone, the U.K., and Japan in favor of a diversified overweight exposure to the smaller, seemingly healthier economies. Similarly, it is the currencies of those old, developed markets that need to, and are likely to, decline over the long term. The team believes that it is most likely the currencies of the smaller, more dynamic economies with trade surpluses, healthier growth, and higher yields and interest rates that should appreciate.

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Within high-yield markets, the portfolio managers believe that the lowest-quality assets may have the most to lose in a higher rate environment. Meanwhile, we believe higher-quality BB and B bonds<sup>1</sup> are potentially the sweet spot for investors and are supported by a low default environment, liquidity-enhancing policies, strong corporate earnings, and minimal near-term maturities while still offering enough spread to Treasuries to provide some cushion in a rising rate environment. The team feels that high yield has low exposure or uncorrelated risk to most of the problematic areas, such as European sovereign debt, rising commodity costs, and the unrest in the Middle East. However, the team thinks that total returns in high yield will be subdued compared with the experience over the past two years.

**A broadly diversified portfolio gives exposure to many areas of potential recovery.**

As global economies continue to move toward more sustainable growth and manageable levels of inflation, there can still be moments of volatility. These periods can present both challenges and opportunities, and experience has taught us that maintaining a long-term investment strategy based on individual goals and risk tolerance can be an effective way to plan for the future.

*Wells Fargo Advantage Funds* provides investments across a broad range of asset classes and investment styles, giving you an opportunity to create a diversified investment portfolio. While diversification may not prevent losses in a downturn, it may help to reduce them and provide you with one way of managing risk. And, in a potential upturn, diversification can give you exposure to many areas of economic recovery.

Thank you for choosing *Wells Fargo Advantage Funds*<sup>®</sup>. We appreciate your confidence in us. Through each market cycle, we are committed to helping you meet your financial needs. Please visit us at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds) for more information about our funds and other investment products available to you. Thank you for your continued support of *Wells Fargo Advantage Funds*.

Sincerely,

Karla M. Rabusch

President

*Wells Fargo Advantage Funds*

1. The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit Quality Ratings: Credit quality ratings apply to underlying holdings of the fund and not the fund itself. Standard & Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Moody's rates the creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest).

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Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name                    | Interest Rate | Maturity Date | Principal    | Value        |
|----------------------------------|---------------|---------------|--------------|--------------|
| <b>Agency Securities: 29.86%</b> |               |               |              |              |
| FHLB±                            | 2.60%         | 12/01/2034    | \$ 7,217,043 | \$ 7,547,832 |
| FHLB±                            | 2.65          | 06/01/2035    | 3,131,692    | 3,302,554    |
| FHLB±                            | 2.70          | 11/01/2030    | 376,296      | 395,609      |
| FHLB±                            | 2.99          | 07/01/2033    | 291,044      | 294,822      |
| FHLMC±                           | 2.50          | 01/01/2036    | 6,845,033    | 7,178,970    |
| FHLMC±                           | 2.50          | 12/01/2035    | 4,846,631    | 5,078,659    |
| FHLMC±                           | 2.53          | 08/01/2035    | 1,775,604    | 1,867,597    |
| FHLMC±                           | 2.55          | 04/01/2034    | 14,545,748   | 15,234,267   |
| FHLMC±                           | 2.56          | 09/01/2035    | 5,347,697    | 5,599,523    |
| FHLMC±                           | 2.61          | 08/01/2035    | 5,204,599    | 5,467,924    |
| FHLMC±                           | 2.63          | 09/01/2032    | 508,891      | 534,879      |
| FHLMC±                           | 2.64          | 10/01/2033    | 195,683      | 205,583      |
| FHLMC±                           | 2.69          | 10/01/2030    | 337,721      | 355,939      |
| FHLMC±                           | 2.74          | 07/01/2032    | 438,430      | 442,351      |
| FHLMC±                           | 2.77          | 01/01/2038    | 3,528,428    | 3,694,974    |
| FHLMC±                           | 2.79          | 06/01/2036    | 3,368,522    | 3,530,642    |
| FHLMC±                           | 2.83          | 09/01/2038    | 6,469,872    | 6,789,834    |
| FHLMC±                           | 2.86          | 08/01/2030    | 405,439      | 426,804      |
| FHLMC±                           | 2.98          | 06/01/2033    | 235,164      | 237,626      |
| FHLMC±                           | 2.98          | 10/01/2030    | 18,233       | 18,772       |
| FHLMC±                           | 3.15          | 12/01/2026    | 77,878       | 79,091       |
| FHLMC±                           | 3.70          | 05/01/2019    | 4,090        | 4,106        |
| FHLMC±                           | 3.74          | 06/01/2018    | 55,788       | 56,092       |
| FHLMC±                           | 3.89          | 10/01/2022    | 71,542       | 71,757       |
| FHLMC±                           | 4.14          | 10/01/2037    | 2,957,394    | 3,034,578    |
| FHLMC±                           | 4.40          | 01/01/2027    | 142,858      | 149,983      |
| FHLMC±                           | 5.08          | 07/01/2035    | 333,071      | 353,490      |
| FHLMC±                           | 5.75          | 11/01/2036    | 1,495,061    | 1,583,129    |
| FHLMC                            | 8.50          | 04/01/2015    | 48,197       | 49,602       |
| FHLMC                            | 8.50          | 07/01/2028    | 143,967      | 172,510      |
| FHLMC                            | 8.50          | 03/01/2030    | 80,379       | 92,392       |
| FHLMC Series 0196 Class A±       | 1.05          | 12/15/2021    | 97,614       | 97,664       |
| FHLMC Series 1383±               | 5.83          | 02/01/2037    | 2,256,495    | 2,408,078    |
| FHLMC Series 2390 Class FD±      | 0.67          | 12/15/2031    | 98,958       | 99,138       |
| FHLMC Series 2411 Class F±       | 0.77          | 02/15/2032    | 126,768      | 127,272      |
| FHLMC Series 2431 Class F±       | 0.72          | 03/15/2032    | 4,113,875    | 4,126,290    |
| FHLMC Series 2567 Class FH±      | 0.62          | 02/15/2033    | 205,043      | 205,044      |
| FNMA±                            | 1.35          | 04/01/2028    | 108,822      | 111,675      |
| FNMA±                            | 1.68          | 10/01/2034    | 297,587      | 303,677      |
| FNMA±                            | 2.13          | 04/01/2019    | 7,226        | 7,214        |
| FNMA±                            | 2.22          | 10/01/2035    | 1,632,498    | 1,680,417    |
| FNMA±                            | 2.25          | 01/01/2017    | 46,631       | 47,934       |
| FNMA±                            | 2.26          | 12/01/2035    | 1,930,556    | 1,989,171    |
| FNMA±                            | 2.26          | 12/01/2031    | 69,884       | 70,989       |
| FNMA±                            | 2.36          | 03/01/2033    | 165,427      | 173,280      |
| FNMA±                            | 2.40          | 03/01/2035    | 5,908,004    | 6,187,297    |
| FNMA±                            | 2.43          | 03/01/2034    | 553,551      | 579,312      |
| FNMA±                            | 2.44          | 12/01/2026    | 115,826      | 121,567      |
| FNMA±                            | 2.44          | 06/01/2035    | 3,641,457    | 3,811,439    |
| FNMA±                            | 2.44          | 01/01/2036    | 2,873,532    | 3,003,586    |
| FNMA±                            | 2.46          | 08/01/2036    | 2,549,094    | 2,618,612    |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 7

| Security Name                        | Interest Rate | Maturity Date | Principal    | Value        |
|--------------------------------------|---------------|---------------|--------------|--------------|
| <b>Agency Securities (continued)</b> |               |               |              |              |
| FNMA±                                | 2.47%         | 04/01/2034    | \$ 5,066,572 | \$ 5,305,381 |
| FNMA±                                | 2.48          | 06/01/2029    | 184,040      | 193,239      |
| FNMA±                                | 2.49          | 07/01/2038    | 237,503      | 249,047      |
| FNMA±                                | 2.49          | 12/01/2028    | 43,935       | 44,154       |
| FNMA±                                | 2.51          | 06/01/2024    | 153,230      | 160,781      |
| FNMA±                                | 2.51          | 07/01/2038    | 2,544,832    | 2,676,312    |
| FNMA±                                | 2.51          | 01/01/2026    | 244,601      | 258,097      |
| FNMA±                                | 2.53          | 02/01/2035    | 352,081      | 370,653      |
| FNMA±                                | 2.54          | 01/01/2035    | 1,772,288    | 1,858,691    |
| FNMA±                                | 2.57          | 12/01/2029    | 56,871       | 60,031       |
| FNMA±                                | 2.57          | 07/01/2026    | 36,513       | 38,542       |
| FNMA±                                | 2.60          | 05/01/2030    | 235,955      | 247,689      |
| FNMA±                                | 2.60          | 07/01/2048    | 332,409      | 348,677      |
| FNMA±                                | 2.61          | 02/01/2036    | 1,511,072    | 1,596,973    |
| FNMA±                                | 2.61          | 08/01/2030    | 160,672      | 169,128      |
| FNMA±                                | 2.61          | 08/01/2039    | 6,374,640    | 6,689,846    |
| FNMA±                                | 2.62          | 08/01/2028    | 72,933       | 76,413       |
| FNMA±                                | 2.62          | 07/01/2033    | 77,192       | 78,343       |
| FNMA±                                | 2.62          | 10/01/2034    | 11,141,616   | 11,686,943   |
| FNMA±                                | 2.67          | 06/01/2031    | 98,700       | 99,420       |
| FNMA±                                | 2.69          | 03/01/2034    | 16,969       | 17,784       |
| FNMA±                                | 2.74          | 04/01/2017    | 1,936,723    | 1,994,191    |
| FNMA±                                | 2.75          | 12/01/2017    | 701,498      | 721,915      |
| FNMA±                                | 2.75          | 12/01/2016    | 8,804        | 8,853        |
| FNMA±                                | 2.79          | 04/01/2036    | 2,140,823    | 2,214,823    |
| FNMA±                                | 2.80          | 05/01/2035    | 3,628,764    | 3,831,991    |
| FNMA±                                | 2.80          | 04/01/2033    | 132,122      | 138,593      |
| FNMA±                                | 2.81          | 11/01/2035    | 2,479,564    | 2,601,238    |
| FNMA±                                | 2.84          | 01/01/2038    | 3,566,787    | 3,649,072    |
| FNMA±                                | 2.85          | 09/01/2027    | 182,481      | 192,854      |
| FNMA±                                | 2.85          | 07/01/2036    | 1,523,456    | 1,599,049    |
| FNMA±                                | 2.94          | 05/01/2036    | 11,062,624   | 11,689,779   |
| FNMA±                                | 2.95          | 09/01/2032    | 200,223      | 203,216      |
| FNMA±                                | 2.97          | 08/01/2035    | 2,962,683    | 3,135,256    |
| FNMA±                                | 2.98          | 10/01/2033    | 4,152,405    | 4,370,879    |
| FNMA±                                | 2.98          | 05/01/2036    | 962,301      | 985,357      |
| FNMA±                                | 3.03          | 06/01/2036    | 4,930,613    | 5,176,315    |
| FNMA±                                | 3.12          | 07/01/2030    | 101,346      | 101,910      |
| FNMA±                                | 3.24          | 07/01/2038    | 2,468,057    | 2,582,572    |
| FNMA±                                | 3.26          | 02/01/2017    | 1,600,364    | 1,654,541    |
| FNMA±                                | 3.31          | 10/01/2029    | 104,831      | 108,945      |
| FNMA±                                | 3.72          | 01/01/2015    | 20,011       | 20,064       |
| FNMA±                                | 3.82          | 01/01/2030    | 66,431       | 66,592       |
| FNMA±                                | 4.12          | 07/01/2035    | 2,280,752    | 2,370,567    |
| FNMA±                                | 4.31          | 02/01/2035    | 5,788,859    | 5,969,675    |
| FNMA±                                | 4.31          | 04/01/2025    | 88,588       | 89,435       |
| FNMA±                                | 4.44          | 08/01/2027    | 219,699      | 221,346      |
| FNMA±                                | 4.57          | 12/01/2036    | 45,381       | 47,442       |
| FNMA±                                | 4.61          | 04/01/2031    | 677,989      | 716,673      |
| FNMA±                                | 4.79          | 12/01/2034    | 1,435,471    | 1,516,508    |
| FNMA±                                | 4.85          | 04/01/2034    | 3,171,595    | 3,304,352    |

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Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name  | Interest Rate | Maturity Date | Principal  | Value              |
|--|---------------|---------------|------------|--------------------|
| <b>Agency Securities (continued)</b>                   |               |               |            |                    |
| FNMA±  | 4.95%         | 01/01/2034    | \$ 468,797 | \$ 482,070         |
| FNMA±  | 4.95          | 11/01/2024    | 227,669    | 241,174            |
| FNMA±  | 5.11          | 12/01/2022    | 13,643     | 13,849             |
| FNMA±¤   | 5.90          | 09/01/2032    | 2,696,133  | 2,876,335          |
| FNMA   | 6.00          | 05/01/2021    | 5,567      | 5,650              |
| FNMA   | 6.00          | 08/01/2021    | 9,644      | 9,667              |
| FNMA   | 6.00          | 04/01/2033    | 194,073    | 214,574            |
| FNMA±  | 6.10          | 12/01/2013    | 197,927    | 200,314            |
| FNMA±  | 6.14          | 12/01/2020    | 102,601    | 103,822            |
| FNMA±¤   | 6.28          | 09/01/2037    | 2,304,615  | 2,471,739          |
| FNMA   | 6.50          | 11/01/2032    | 67,071     | 76,132             |
| FNMA   | 7.50          | 07/01/2017    | 175,054    | 194,267            |
| FNMA   | 7.50          | 10/01/2028    | 13,794     | 13,855             |
| FNMA   | 7.50          | 11/01/2028    | 167,629    | 195,619            |
| FNMA   | 7.50          | 02/01/2030    | 45,280     | 52,455             |
| FNMA   | 7.50          | 09/01/2030    | 104,356    | 118,247            |
| FNMA   | 7.50          | 07/01/2032    | 22,419     | 25,973             |
| FNMA   | 8.00          | 12/01/2024    | 14,389     | 14,590             |
| FNMA   | 8.00          | 06/01/2030    | 127,625    | 145,195            |
| FNMA   | 12.00         | 01/01/2016    | 19,602     | 21,766             |
| FNMA Series 1996-46 Class FA±                          | 0.75          | 08/25/2021    | 57,716     | 57,850             |
| FNMA Series 2001-25 Class Z                            | 6.00          | 06/25/2031    | 654,952    | 730,092            |
| FNMA Series 2001-35 Class F±                           | 0.81          | 07/25/2031    | 31,855     | 32,089             |
| FNMA Series 2001-57 Class F±                           | 0.71          | 06/25/2031    | 32,071     | 32,202             |
| FNMA Series 2001-T10 Class A2                          | 7.50          | 12/25/2041    | 276,495    | 313,353            |
| FNMA Series 2002-77 Class FH±                          | 0.62          | 12/18/2032    | 206,280    | 206,199            |
| FNMA Series 2002-95 Class FK±                          | 0.71          | 01/25/2033    | 4,702,813  | 4,722,060          |
| FNMA Series 2002-97 Class FR±                          | 0.76          | 01/25/2033    | 67,564     | 67,676             |
| FNMA Series 2003-W8 Class 3F2±                         | 0.56          | 05/25/2042    | 1,398,656  | 1,395,213          |
| FNMA Series G91-16 Class F±                            | 0.70          | 06/25/2021    | 66,634     | 66,696             |
| FNMA Series G92-17 Class F±                            | 1.30          | 03/25/2022    | 131,468    | 133,457            |
| GNMA   | 6.50          | 06/15/2028    | 82,752     | 93,795             |
| GNMA   | 7.25          | 07/15/2017    | 41,206     | 45,962             |
| GNMA   | 7.25          | 08/15/2017    | 61,889     | 68,802             |
| GNMA   | 7.25          | 08/15/2017    | 48,914     | 54,317             |
| GNMA   | 7.25          | 08/15/2017    | 16,502     | 18,407             |
| GNMA   | 7.25          | 09/15/2017    | 62,993     | 70,264             |
| GNMA   | 7.25          | 10/15/2017    | 114,949    | 127,782            |
| GNMA   | 7.25          | 10/15/2017    | 66,818     | 74,213             |
| GNMA   | 7.25          | 11/15/2017    | 42,660     | 47,126             |
| GNMA   | 7.25          | 01/15/2018    | 31,473     | 35,128             |
| GNMA   | 7.25          | 01/15/2018    | 33,490     | 37,589             |
| GNMA   | 7.25          | 02/15/2018    | 34,118     | 38,053             |
| GNMA   | 7.25          | 05/15/2018    | 17,655     | 19,433             |
| GNMA Series 2001-61 Class FA±                          | 0.71          | 09/20/2030    | 8,533      | 8,534              |
| <b>Total Agency Securities (Cost \$207,720,802)</b>    |               |               |            | <b>211,105,279</b> |
| <b>Non-Agency Mortgage Backed Securities: 1.84%</b>    |               |               |            |                    |
| American Home Mortgage Assets Series 2006-2 Class 1A1± | 1.27          | 09/25/2046    | 4,441,680  | 2,316,909          |

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*Banc of America Commercial Mortgage Incorporated Series  
2006-03 Class AM*

6.08

07/10/2044

1,340,000

1,388,031

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 9

| Security Name  | Interest Rate | Maturity Date | Principal    | Value             |
|--|---------------|---------------|--------------|-------------------|
| <b>Non-Agency Mortgage Backed Securities (continued)</b>                         |               |               |              |                   |
| <i>Greenwich Capital Commercial Funding Corporation Series 2006-GG7 Class AM</i> | 6.08%         | 07/10/2038    | \$ 1,820,000 | \$ 1,946,392      |
| <i>Lehman XS Trust Series 2006-18N Class A5A±(i)</i>                             | 0.38          | 12/25/2036    | 3,570,000    | 1,462,733         |
| <i>Morgan Stanley Capital I Trust Series 2006-IQ12 Class AM</i>                  | 5.37          | 12/15/2043    | 1,866,000    | 1,939,556         |
| <i>Morgan Stanley Capital I Trust Series 2006-IQ12 Class AMFX</i>                | 5.37          | 12/15/2043    | 810,000      | 837,909           |
| <i>NCUA Guaranteed Notes Series 2011-C1 Class 1A±</i>                            | 0.54          | 02/28/2020    | 1,837,602    | 1,837,602         |
| <i>Wachovia Bank Commercial Mortgage Trust Series 2006-C23 Class AM(l)</i>       | 5.47          | 01/15/2045    | 1,220,000    | 1,294,036         |
| <b>Total Non-Agency Mortgage Backed Securities (Cost \$13,050,182)</b>           |               |               |              | <b>13,023,168</b> |
| <b>Shares</b>  |               |               |              |                   |
| <b>Common Stocks: 0.17%</b>  |               |               |              |                   |
| <b>Consumer Discretionary: 0.00%</b>   |               |               |              |                   |
| <b>Hotels, Restaurants &amp; Leisure: 0.00%</b>                                  |               |               |              |                   |
| <i>Trump Entertainment Resorts Incorporated (a)(i)</i>                           |               |               | 1,161        | 0                 |
| <b>Telecommunication Services: 0.17%</b>   |               |               |              |                   |
| <b>Diversified Telecommunication Services: 0.17%</b>                             |               |               |              |                   |
| <i>Fairpoint Communications Incorporated</i>                                     |               |               | 70,442       | 1,179,199         |
| <b>Total Common Stocks (Cost \$1,617,838)</b>                                    |               |               |              | <b>1,179,199</b>  |
| <b>Principal</b>   |               |               |              |                   |
| <b>Corporate Bonds and Notes: 53.42%</b>   |               |               |              |                   |
| <b>Consumer Discretionary: 9.31%</b>   |               |               |              |                   |
| <b>Auto Components: 0.72%</b>  |               |               |              |                   |
| <i>Allison Transmission Incorporated%%</i>                                       | 7.13          | 05/15/2019    | \$ 50,000    | 50,750            |
| <i>Cooper Tire &amp; Rubber Company##</i>  | 7.63          | 03/15/2027    | 1,895,000    | 1,847,625         |
| <i>Cooper Tire &amp; Rubber Company</i>  | 8.00          | 12/15/2019    | 450,000      | 480,938           |
| <i>Goodyear Tire &amp; Rubber Company</i>  | 8.75          | 08/15/2020    | 468,000      | 525,330           |
| <i>Goodyear Tire &amp; Rubber Company</i>  | 10.50         | 05/15/2016    | 1,957,000    | 2,216,303         |
|  |               |               |              | <b>5,120,946</b>  |
| <b>Diversified Consumer Services: 1.72%</b>                                      |               |               |              |                   |
| <i>Carriage Services Incorporated</i>  | 7.88          | 01/15/2015    | 1,795,000    | 1,830,900         |
| <i>Service Corporation International</i>   | 6.75          | 04/01/2016    | 475,000      | 510,625           |
| <i>Service Corporation International</i>   | 7.00          | 06/15/2017    | 1,610,000    | 1,750,875         |
| <i>Service Corporation International</i>   | 7.00          | 05/15/2019    | 650,000      | 690,625           |

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|  |       |            |           |            |
|--|-------|------------|-----------|------------|
| <i>Service Corporation International</i> | 7.50  | 04/01/2027 | 3,965,000 | 3,851,006  |
| <i>Service Corporation International</i> | 8.00  | 11/15/2021 | 475,000   | 524,875    |
| <i>Stonemor Operating LP</i>             | 10.25 | 12/01/2017 | 2,890,000 | 3,005,600  |
|  |       |            |           | 12,164,506 |

**Hotels, Restaurants & Leisure: 2.19%**

|                                      |      |            |           |           |
|--------------------------------------|------|------------|-----------|-----------|
| <i>American Casinos Incorporated</i> | 7.50 | 04/15/2021 | 1,000,000 | 1,023,750 |
| <i>Blue Merger Sub Incorporated</i>  | 7.63 | 02/15/2019 | 500,000   | 511,875   |
| <i>Burger King Corporation</i>       | 9.88 | 10/15/2018 | 850,000   | 898,875   |



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10 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name  | Interest Rate | Maturity Date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Hotels, Restaurants &amp; Leisure (continued)</b> |               |               |              |              |
| <i>Chukchansi Economic Development Authority±</i>    | 3.94%         | 11/15/2012    | \$ 1,375,000 | \$ 1,100,000 |
| <i>Citycenter Holdings LLC</i>                       | 7.63          | 01/15/2016    | 175,000      | 182,438      |
| <i>Citycenter Holdings LLC</i>                       | 11.50         | 01/15/2017    | 875,000      | 920,938      |
| <i>DineEquity Incorporated</i>                       | 9.50          | 10/30/2018    | 525,000      | 573,563      |
| <i>Greektown Superholdings</i>                       | 13.00         | 07/01/2015    | 3,375,000    | 3,809,531    |
| <i>NAI Entertainment Holdings LLC</i>                | 8.25          | 12/15/2017    | 900,000      | 972,000      |
| <i>Pinnacle Entertainment Incorporated</i>           | 7.50          | 06/15/2015    | 1,250,000    | 1,275,000    |
| <i>Scientific Games Corporation</i>                  | 9.25          | 06/15/2019    | 485,000      | 535,925      |
| <i>Speedway Motorsports Incorporated</i>             | 6.75          | 02/01/2019    | 225,000      | 227,813      |
| <i>Speedway Motorsports Incorporated</i>             | 8.75          | 06/01/2016    | 950,000      | 1,040,250    |
| <i>Yonkers Racing Corporation%%</i>                  | 11.38         | 07/15/2016    | 2,200,000    | 2,420,000    |
|  |               |               |              | 15,491,958   |
| <b>Household Durables: 0.01%</b>                     |               |               |              |              |
| <i>Sealy Corporation</i>                             | 10.88         | 04/15/2016    | 66,000       | 74,250       |
| <b>Leisure Equipment &amp; Products: 0.07%</b>       |               |               |              |              |
| <i>Eastman Kodak Company</i>                         | 7.25          | 11/15/2013    | 525,000      | 517,125      |
| <b>Media: 3.84%</b>                                  |               |               |              |              |
| <i>Cablevision Systems Corporation</i>               | 8.63          | 09/15/2017    | 1,310,000    | 1,467,200    |
| <i>CCH II Capital LLC</i>                            | 13.50         | 11/30/2016    | 7,535,929    | 9,090,214    |
| <i>Charter Communications Incorporated Step Bond</i> | 8.00          | 04/30/2012    | 904,000      | 949,200      |
| <i>Charter Communications Incorporated Step Bond</i> | 10.88         | 09/15/2014    | 5,140,000    | 5,743,950    |
| <i>Cinemark USA Incorporated</i>                     | 8.63          | 06/15/2019    | 250,000      | 273,750      |
| <i>CSC Holdings LLC</i>                              | 8.50          | 04/15/2014    | 400,000      | 447,500      |
| <i>DISH DBS Corporation</i>                          | 7.88          | 09/01/2019    | 480,000      | 519,600      |
| <i>EchoStar DBS Corporation</i>                      | 6.63          | 10/01/2014    | 1,000,000    | 1,062,500    |
| <i>EchoStar DBS Corporation</i>                      | 7.75          | 05/31/2015    | 350,000      | 381,500      |
| <i>Gray Television Incorporated</i>                  | 10.50         | 06/29/2015    | 675,000      | 727,313      |
| <i>Interactive Data Corporation</i>                  | 10.25         | 08/01/2018    | 300,000      | 334,500      |
| <i>Lamar Media Corporation Series C</i>              | 9.75          | 04/01/2014    | 375,000      | 436,875      |
| <i>LIN Television Corporation</i>                    | 8.38          | 04/15/2018    | 775,000      | 846,688      |
| <i>Regal Cinemas Corporation</i>                     | 8.63          | 07/15/2019    | 2,475,000    | 2,666,813    |
| <i>Salem Communications Corporation</i>              | 9.63          | 12/15/2016    | 1,557,000    | 1,673,775    |
| <i>Sirius XM Radio Incorporated</i>                  | 13.00         | 08/01/2014    | 425,000      | 504,688      |
| <i>Young Broadcasting Incorporated(a)^(i)</i>        | 8.75          | 01/15/2014    | 1,526,000    | 15           |
| <i>Young Broadcasting Incorporated(a)^(i)</i>        | 10.00         | 12/31/2049    | 940,000      | 0            |
|  |               |               |              | 27,126,081   |
| <b>Multiline Retail: 0.09%</b>                       |               |               |              |              |
| <i>Saks Incorporated</i>                             | 9.88          | 10/01/2011    | 585,000      | 602,550      |

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**Specialty Retail: 0.37%**

|                                       |      |            |         |           |
|---------------------------------------|------|------------|---------|-----------|
| <i>Gap Incorporated</i>               | 5.95 | 04/12/2021 | 600,000 | 606,699   |
| <i>Inergy LP</i>                      | 7.00 | 10/01/2018 | 500,000 | 527,500   |
| <i>Limited Brands Incorporated</i>    | 6.63 | 04/01/2021 | 50,000  | 51,750    |
| <i>Radioshack Corporation</i>         | 6.75 | 05/15/2019 | 225,000 | 223,277   |
| <i>Rent-A-Center Incorporated</i>     | 6.63 | 11/15/2020 | 375,000 | 375,469   |
| <i>Toys R Us Property Company LLC</i> | 8.50 | 12/01/2017 | 780,000 | 838,500   |
|                                       |      |            |         | 2,623,195 |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 11

| Security Name   | Interest Rate | Maturity Date | Principal    | Value        |
|---|---------------|---------------|--------------|--------------|
| <b>Textiles, Apparel &amp; Luxury Goods: 0.30%</b>      |               |               |              |              |
| <i>Oxford Industries Incorporated</i>                   | 11.38%        | 07/15/2015    | \$ 1,865,000 | \$ 2,098,125 |
| <b>Consumer Staples: 0.75%</b>                          |               |               |              |              |
| <b>Beverages: 0.25%</b>                                 |               |               |              |              |
| <i>Anheuser-Busch InBev SA</i>                          | 6.88          | 11/15/2019    | 1,475,000    | 1,777,735    |
| <b>Food Products: 0.50%</b>                             |               |               |              |              |
| <i>Darling International Incorporated</i>               | 8.50          | 12/15/2018    | 125,000      | 136,250      |
| <i>Dole Food Company Incorporated</i>                   | 13.88         | 03/15/2014    | 1,452,000    | 1,767,810    |
| <i>Smithfield Foods Incorporated</i>                    | 10.00         | 07/15/2014    | 1,370,000    | 1,623,450    |
|   |               |               |              | 3,527,510    |
| <b>Energy: 7.55%</b>                                    |               |               |              |              |
| <b>Energy Equipment &amp; Services: 1.58%</b>           |               |               |              |              |
| <i>Bristow Group Incorporated</i>                       | 7.50          | 09/15/2017    | 985,000      | 1,039,175    |
| <i>Cleaver-Brooks Incorporated</i>                      | 12.25         | 05/01/2016    | 630,000      | 661,500      |
| <i>GulfMark Offshore Incorporated</i>                   | 7.75          | 07/15/2014    | 1,625,000    | 1,657,500    |
| <i>Hornbeck Offshore Services Incorporated Series B</i> | 6.13          | 12/01/2014    | 2,345,000    | 2,368,450    |
| <i>Hornbeck Offshore Services Incorporated Series B</i> | 8.00          | 09/01/2017    | 2,230,000    | 2,302,475    |
| <i>Parker Drilling Company</i>                          | 9.13          | 04/01/2018    | 460,000      | 509,450      |
| <i>PHI Incorporated</i>                                 | 8.63          | 10/15/2018    | 2,475,000    | 2,629,688    |
|   |               |               |              | 11,168,238   |
| <b>Oil, Gas &amp; Consumable Fuels: 5.97%</b>           |               |               |              |              |
| <i>Chesapeake Energy Corporation</i>                    | 9.50          | 02/15/2015    | 2,250,000    | 2,708,438    |
| <i>Cloud Peak Energy Resources Incorporated</i>         | 8.25          | 12/15/2017    | 125,000      | 136,875      |
| <i>Cloud Peak Energy Resources Incorporated</i>         | 8.50          | 12/15/2019    | 225,000      | 250,313      |
| <i>Coffeyville Resources LLC</i>                        | 9.00          | 04/01/2015    | 932,000      | 1,015,880    |
| <i>Coffeyville Resources LLC</i>                        | 10.88         | 04/01/2017    | 1,350,000    | 1,539,000    |
| <i>Consol Energy Incorporated</i>                       | 8.25          | 04/01/2020    | 825,000      | 919,875      |
| <i>Denbury Resources Incorporated</i>                   | 6.38          | 08/15/2021    | 350,000      | 360,500      |
| <i>Denbury Resources Incorporated</i>                   | 8.25          | 02/15/2020    | 425,000      | 473,875      |
| <i>El Paso Corporation</i>                              | 6.50          | 09/15/2020    | 445,000      | 484,084      |
| <i>El Paso Corporation</i>                              | 6.88          | 06/15/2014    | 175,000      | 195,989      |
| <i>El Paso Corporation</i>                              | 7.00          | 06/15/2017    | 175,000      | 194,230      |
| <i>El Paso Corporation</i>                              | 7.25          | 06/01/2018    | 1,250,000    | 1,408,115    |
| <i>El Paso Corporation</i>                              | 7.42          | 02/15/2037    | 800,000      | 842,794      |
| <i>El Paso Corporation</i>                              | 7.80          | 08/01/2031    | 1,850,000    | 2,114,019    |
| <i>Energy Transfer Equity LP</i>                        | 7.50          | 10/15/2020    | 3,100,000    | 3,394,500    |
| <i>Ferrellgas Partners LP</i>                           | 6.50          | 05/01/2021    | 600,000      | 588,000      |
| <i>Ferrellgas Partners LP</i>                           | 9.13          | 10/01/2017    | 1,025,000    | 1,148,000    |
| <i>Forest Oil Corporation</i>                           | 7.25          | 06/15/2019    | 1,070,000    | 1,112,800    |
| <i>Forest Oil Corporation</i>                           | 8.50          | 02/15/2014    | 535,000      | 596,525      |

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|  |       |            |           |           |
|--|-------|------------|-----------|-----------|
| <i>Holly Corporation</i>                           | 9.88  | 06/15/2017 | 1,895,000 | 2,136,613 |
| <i>Inergy Holdings LP</i>                          | 6.88  | 08/01/2021 | 575,000   | 609,500   |
| <i>Peabody Energy Corporation</i>                  | 7.88  | 11/01/2026 | 3,435,000 | 3,864,375 |
| <i>Petrohawk Energy Corporation</i>                | 7.88  | 06/01/2015 | 790,000   | 837,400   |
| <i>Petrohawk Energy Corporation</i>                | 10.50 | 08/01/2014 | 495,000   | 567,394   |
| <i>Pioneer Natural Resources Company</i>           | 7.50  | 01/15/2020 | 1,220,000 | 1,382,497 |
| <i>Plains Exploration &amp; Production Company</i> | 8.63  | 10/15/2019 | 2,885,000 | 3,213,169 |
| <i>Regency Energy Partners</i>                     | 6.88  | 12/01/2018 | 250,000   | 266,875   |

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12 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name                                       | Interest Rate | Maturity Date | Principal    | Value        |
|---|---------------|---------------|--------------|--------------|
| <b>Oil, Gas &amp; Consumable Fuels (continued)</b>  |               |               |              |              |
| <i>Sabine Pass LNG LP</i>                           | 7.25%         | 11/30/2013    | \$ 2,265,000 | \$ 2,338,613 |
| <i>Sabine Pass LNG LP</i>                           | 7.50          | 11/30/2016    | 2,625,000    | 2,730,000    |
| <i>SandRidge Energy Incorporated</i>                | 8.75          | 01/15/2020    | 940,000      | 1,034,000    |
| <i>Stallion Oilfield Holdings Incorporated</i>      | 10.50         | 02/15/2015    | 571,000      | 615,253      |
| <i>Susser Holdings LLC</i>                          | 8.50          | 05/15/2016    | 975,000      | 1,055,438    |
| <i>Tesoro Corporation(i)</i>                        | 7.50          | 07/17/2012    | 990,000      | 1,016,720    |
| <i>Tesoro Corporation</i>                           | 9.75          | 06/01/2019    | 945,000      | 1,074,938    |
|   |               |               |              | 42,226,597   |
| <b>Financials: 13.46%</b>                           |               |               |              |              |
| <b>Capital Markets: 1.49%</b>                       |               |               |              |              |
| <i>E*TRADE Financial Corporation</i>                | 7.38          | 09/15/2013    | 800,000      | 806,000      |
| <i>E*TRADE Financial Corporation</i>                | 12.50         | 11/30/2017    | 4,291,000    | 5,122,381    |
| <i>Nuveen Investments Incorporated</i>              | 5.50          | 09/15/2015    | 2,400,000    | 2,130,000    |
| <i>Nuveen Investments Incorporated</i>              | 10.50         | 11/15/2015    | 975,000      | 1,010,344    |
| <i>Nuveen Investments Incorporated</i>              | 10.50         | 11/15/2015    | 875,000      | 911,094      |
| <i>Oppenheimer Holdings Incorporated</i>            | 8.75          | 04/15/2018    | 550,000      | 574,750      |
|   |               |               |              | 10,554,569   |
| <b>Commercial Banks: 2.12%</b>                      |               |               |              |              |
| <i>CapitalSource Incorporated</i>                   | 12.75         | 07/15/2014    | 1,925,000    | 2,319,625    |
| <i>CIT Group Incorporated</i>                       | 5.25          | 04/01/2014    | 150,000      | 153,622      |
| <i>CIT Group Incorporated</i>                       | 6.63          | 04/01/2018    | 50,000       | 53,708       |
| <i>CIT Group Incorporated</i>                       | 7.00          | 05/01/2013    | 4,163,626    | 4,246,898    |
| <i>CIT Group Incorporated</i>                       | 7.00          | 05/01/2014    | 1,592,738    | 1,622,602    |
| <i>CIT Group Incorporated</i>                       | 7.00          | 05/01/2015    | 647,738      | 656,644      |
| <i>CIT Group Incorporated</i>                       | 7.00          | 05/01/2016    | 1,554,562    | 1,566,221    |
| <i>Emigrant Bancorp Incorporated (i)</i>            | 6.25          | 06/15/2014    | 2,925,000    | 2,593,235    |
| <i>FCE Bank plc</i>                                 | 9.38          | 01/17/2014    | 350,000      | 583,203      |
| <i>Lloyds TSB Bank plc</i>                          | 6.38          | 01/21/2021    | 1,100,000    | 1,178,673    |
|   |               |               |              | 14,974,431   |
| <b>Consumer Finance: 7.24%</b>                      |               |               |              |              |
| <i>American General Finance Corporation</i>         | 5.40          | 12/01/2015    | 1,600,000    | 1,504,000    |
| <i>American General Finance Corporation</i>         | 5.75          | 09/15/2016    | 1,075,000    | 987,656      |
| <i>American General Finance Corporation</i>         | 6.50          | 09/15/2017    | 150,000      | 137,250      |
| <i>Calpine Construction Finance Corporation</i>     | 7.25          | 10/15/2017    | 3,975,000    | 4,173,750    |
| <i>Calpine Construction Finance Corporation</i>     | 8.00          | 06/01/2016    | 1,375,000    | 1,505,625    |
| <i>Clearwire Communications Finance Corporation</i> | 12.00         | 12/01/2015    | 2,390,000    | 2,596,775    |
| <i>Dunkin Finance Corporation</i>                   | 9.63          | 12/01/2018    | 532,000      | 542,640      |
| <i>Ford Motor Credit Company LLC</i>                | 9.88          | 08/10/2011    | 2,815,000    | 2,873,546    |
| <i>Fresenius Medical Care US Finance Company</i>    | 5.75          | 02/15/2021    | 775,000      | 756,594      |
| <i>GMAC LLC</i>                                     | 6.75          | 12/01/2014    | 1,298,000    | 1,385,615    |
| <i>GMAC LLC</i>                                     | 6.88          | 09/15/2011    | 59,000       | 59,996       |
| <i>GMAC LLC</i>                                     | 6.88          | 08/28/2012    | 1,244,000    | 1,307,755    |

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|  |      |            |           |           |
|--|------|------------|-----------|-----------|
| <i>GMAC LLC</i>                                | 7.50 | 12/31/2013 | 3,620,000 | 3,936,750 |
| <i>Homer City Funding LLC</i>                  | 8.73 | 10/01/2026 | 1,287,964 | 1,139,848 |
| <i>International Lease Finance Corporation</i> | 4.75 | 01/13/2012 | 1,265,000 | 1,280,813 |
| <i>International Lease Finance Corporation</i> | 5.30 | 05/01/2012 | 1,800,000 | 1,838,250 |
| <i>International Lease Finance Corporation</i> | 5.75 | 06/15/2011 | 705,000   | 706,974   |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 13

| Security Name                                      | Interest Rate | Maturity Date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Consumer Finance (continued)</b>                |               |               |            |            |
| <i>International Lease Finance Corporation</i>     | 6.38%         | 03/25/2013    | \$ 460,000 | \$ 477,250 |
| <i>International Lease Finance Corporation</i>     | 8.63          | 09/15/2015    | 900,000    | 990,000    |
| <i>JBS USA Finance Incorporated</i>                | 11.63         | 05/01/2014    | 3,745,000  | 4,381,650  |
| <i>LBI Escrow Corporation</i>                      | 8.00          | 11/01/2017    | 2,267,000  | 2,527,705  |
| <i>Level 3 Financing Incorporated</i>              | 10.00         | 02/01/2018    | 2,010,000  | 2,170,800  |
| <i>Local TV Finance LLC</i>                        | 9.25          | 06/15/2015    | 625,000    | 618,750    |
| <i>Nielsen Finance LLC Company</i>                 | 7.75          | 10/15/2018    | 2,275,000  | 2,451,313  |
| <i>Nielsen Finance LLC Company</i>                 | 11.50         | 05/01/2016    | 601,000    | 710,683    |
| <i>Sable International Finance Limited</i>         | 7.75          | 02/15/2017    | 350,000    | 365,750    |
| <i>Springleaf Finance Corporation</i>              | 6.90          | 12/15/2017    | 1,575,000  | 1,476,563  |
| <i>Sprint Capital Corporation</i>                  | 6.88          | 11/15/2028    | 5,985,000  | 5,738,119  |
| <i>Sprint Capital Corporation</i>                  | 8.38          | 03/15/2012    | 2,420,000  | 2,556,125  |
|  |               |               |            | 51,198,545 |
| <b>Diversified Financial Services: 0.99%</b>       |               |               |            |            |
| <i>Ally Financial Incorporated</i>                 | 8.30          | 02/12/2015    | 2,055,000  | 2,311,875  |
| <i>General Electric Capital Corporation</i>        | 7.63          | 12/10/2014    | 2,000,000  | 1,746,857  |
| <i>Leucadia National Corporation</i>               | 8.13          | 09/15/2015    | 2,655,000  | 2,947,050  |
|  |               |               |            | 7,005,782  |
| <b>Insurance: 0.17%</b>                            |               |               |            |            |
| <i>Hub International Holdings Incorporated</i>     | 10.25         | 06/15/2015    | 1,150,000  | 1,196,000  |
| <b>REIT: 1.45%</b>                                 |               |               |            |            |
| <i>Dupont Fabros Technology Incorporated</i>       | 8.50          | 12/15/2017    | 5,560,000  | 6,143,800  |
| <i>Host Hotels &amp; Resorts LP</i>                | 9.00          | 05/15/2017    | 235,000    | 264,375    |
| <i>Medical Properties Trust Incorporated</i>       | 6.88          | 05/01/2021    | 600,000    | 603,000    |
| <i>Omega Healthcare Investors Incorporated</i>     | 6.75          | 10/15/2022    | 1,775,000  | 1,803,844  |
| <i>Omega Healthcare Investors Incorporated</i>     | 7.00          | 01/15/2016    | 500,000    | 515,000    |
| <i>Ventas Incorporated</i>                         | 9.00          | 05/01/2012    | 859,000    | 922,063    |
|  |               |               |            | 10,252,082 |
| <b>Health Care: 2.28%</b>                          |               |               |            |            |
| <b>Health Care Equipment &amp; Supplies: 0.44%</b> |               |               |            |            |
| <i>Biomet Incorporated</i>                         | 10.38         | 10/15/2017    | 540,000    | 600,075    |
| <i>Biomet Incorporated</i>                         | 11.63         | 10/15/2017    | 2,200,000  | 2,497,000  |
|  |               |               |            | 3,097,075  |
| <b>Health Care Providers &amp; Services: 1.72%</b> |               |               |            |            |
| <i>Apria Healthcare Group Incorporated</i>         | 11.25         | 11/01/2014    | 1,090,000  | 1,174,475  |
| <i>Aviv Healthcare Properties LP</i>               | 7.75          | 02/15/2019    | 1,025,000  | 1,081,375  |
| <i>Community Health Systems Incorporated</i>       | 8.88          | 07/15/2015    | 700,000    | 715,750    |

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|                                 |      |            |           |           |
|---------------------------------|------|------------|-----------|-----------|
| <i>HCA Incorporated</i>         | 8.50 | 04/15/2019 | 375,000   | 416,250   |
| <i>HCA Incorporated</i>         | 9.13 | 11/15/2014 | 250,000   | 262,500   |
| <i>HCA Incorporated</i>         | 9.25 | 11/15/2016 | 2,945,000 | 3,158,513 |
| <i>HCA Incorporated</i>         | 9.63 | 11/15/2016 | 2,181,000 | 2,341,849 |
| <i>Health Management plc</i>    | 6.13 | 04/15/2016 | 175,000   | 181,344   |
| <i>Healthisouth Corporation</i> | 7.25 | 10/01/2018 | 400,000   | 422,000   |
| <i>Healthisouth Corporation</i> | 7.75 | 09/15/2022 | 400,000   | 424,500   |



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Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name   | Interest Rate | Maturity Date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Health Care Providers &amp; Services (continued)</b>     |               |               |            |            |
| <i>Omnicare Incorporated</i>                                | 6.88%         | 12/15/2015    | \$ 525,000 | \$ 540,750 |
| <i>Sabra Health Care LP</i>                                 | 8.13          | 11/01/2018    | 1,350,000  | 1,414,125  |
|   |               |               |            | 12,133,431 |
| <b>Pharmaceuticals: 0.12%</b>                               |               |               |            |            |
| <i>Mylan Incorporated</i>                                   | 6.00          | 11/15/2018    | 300,000    | 307,125    |
| <i>Mylan Incorporated</i>                                   | 7.63          | 07/15/2017    | 375,000    | 410,625    |
| <i>Mylan Incorporated</i>                                   | 7.88          | 07/15/2020    | 150,000    | 165,750    |
|   |               |               |            | 883,500    |
| <b>Industrials: 3.78%</b>                                   |               |               |            |            |
| <b>Aerospace &amp; Defense: 1.28%</b>                       |               |               |            |            |
| <i>Alliant Techsystems Incorporated</i>                     | 6.75          | 04/01/2016    | 1,980,000  | 2,049,300  |
| <i>Digitalglobe Incorporated</i>                            | 10.50         | 05/01/2014    | 340,000    | 382,500    |
| <i>GenCorp Incorporated</i>                                 | 9.50          | 08/15/2013    | 475,000    | 477,375    |
| <i>GeoEye Incorporated</i>                                  | 9.63          | 10/01/2015    | 485,000    | 548,656    |
| <i>Hexcel Corporation</i>                                   | 6.75          | 02/01/2015    | 480,000    | 492,000    |
| <i>Huntington Ingalls Industries Incorporated</i>           | 6.88          | 03/15/2018    | 125,000    | 131,563    |
| <i>Huntington Ingalls Industries Incorporated</i>           | 7.13          | 03/15/2021    | 125,000    | 131,563    |
| <i>Kratos Defense &amp; Security Solutions Incorporated</i> | 10.00         | 06/01/2017    | 1,140,000  | 1,251,150  |
| <i>L-3 Communications Holdings Incorporated</i>             | 6.38          | 10/15/2015    | 2,784,000  | 2,874,480  |
| <i>Wyle Services Corporation</i>                            | 10.50         | 04/01/2018    | 635,000    | 687,388    |
|   |               |               |            | 9,025,975  |
| <b>Commercial Services &amp; Supplies: 1.58%</b>            |               |               |            |            |
| <i>Casella Waste Systems Incorporated</i>                   | 7.75          | 02/15/2019    | 125,000    | 127,813    |
| <i>Casella Waste Systems Incorporated</i>                   | 11.00         | 07/15/2014    | 1,945,000  | 2,205,144  |
| <i>Corrections Corporation of America</i>                   | 6.25          | 03/15/2013    | 815,000    | 817,038    |
| <i>Corrections Corporation of America</i>                   | 7.75          | 06/01/2017    | 1,270,000  | 1,390,650  |
| <i>Geo Group Incorporated</i>                               | 7.75          | 10/15/2017    | 1,300,000  | 1,391,000  |
| <i>Interface Incorporated</i>                               | 7.63          | 12/01/2018    | 125,000    | 133,906    |
| <i>Iron Mountain Incorporated</i>                           | 6.75          | 10/15/2018    | 550,000    | 798,340    |
| <i>Iron Mountain Incorporated</i>                           | 8.38          | 08/15/2021    | 1,385,000  | 1,475,025  |
| <i>KAR Holdings Incorporated±</i>                           | 4.30          | 05/01/2014    | 1,150,000  | 1,148,563  |
| <i>KAR Holdings Incorporated</i>                            | 8.75          | 05/01/2014    | 200,000    | 206,250    |
| <i>KAR Holdings Incorporated</i>                            | 10.00         | 05/01/2015    | 225,000    | 236,813    |
| <i>NCO Group Incorporated</i>                               | 11.88         | 11/15/2014    | 1,425,000  | 1,245,094  |
|   |               |               |            | 11,175,636 |
| <b>Machinery: 0.50%</b>                                     |               |               |            |            |
| <i>Columbus Mckinnon Corporation</i>                        | 7.88          | 02/01/2019    | 725,000    | 746,750    |
| <i>CPM Holdings Incorporated</i>                            | 10.88         | 09/01/2014    | 1,315,000  | 1,434,994  |
| <i>Dresser Rand Group Incorporated</i>                      | 6.50          | 05/01/2021    | 925,000    | 950,438    |

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|   |      |            |         |           |
|---|------|------------|---------|-----------|
| <i>Titan International Incorporated</i> | 7.88 | 10/01/2017 | 375,000 | 403,125   |
|   |      |            |         | 3,535,307 |
| <b>Professional Services: 0.05%</b>     |      |            |         |           |
| <i>Brickman Group Holdings</i>          | 9.13 | 11/01/2018 | 375,000 | 391,875   |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 15

| Security Name  | Interest Rate | Maturity Date | Principal | Value      |
|--|---------------|---------------|-----------|------------|
| <b>Road &amp; Rail: 0.29%</b>                        |               |               |           |            |
| <i>Kansas City Southern</i>                          | 8.00%         | 06/01/2015    | \$ 55,000 | \$ 59,675  |
| <i>Kansas City Southern</i>                          | 13.00         | 12/15/2013    | 349,000   | 411,820    |
| <i>RailAmerica Incorporated</i>                      | 9.25          | 07/01/2017    | 1,425,000 | 1,585,313  |
|  |               |               |           | 2,056,808  |
| <b>Transportation Infrastructure: 0.08%</b>          |               |               |           |            |
| <i>United Maritime Group</i>                         | 11.75         | 06/15/2015    | 520,000   | 543,400    |
| <b>Information Technology: 4.01%</b>                 |               |               |           |            |
| <b>Communications Equipment: 0.34%</b>               |               |               |           |            |
| <i>Allbritton Communication Company</i>              | 8.00          | 05/15/2018    | 1,175,000 | 1,245,500  |
| <i>Lucent Technologies Incorporated</i>              | 6.45          | 03/15/2029    | 1,285,000 | 1,169,350  |
|  |               |               |           | 2,414,850  |
| <b>Computers &amp; Peripherals: 0.19%</b>            |               |               |           |            |
| <i>Intcomex Incorporated</i>                         | 13.25         | 12/15/2014    | 1,240,000 | 1,305,100  |
| <b>Electronic Equipment &amp; Instruments: 1.75%</b> |               |               |           |            |
| <i>GCI Incorporated</i>                              | 7.25          | 02/15/2014    | 2,490,000 | 2,514,900  |
| <i>GCI Incorporated</i>                              | 8.63          | 11/15/2019    | 625,000   | 689,063    |
| <i>Jabil Circuit Incorporated</i>                    | 8.25          | 03/15/2018    | 5,275,000 | 6,053,063  |
| <i>Kemet Corporation</i>                             | 10.50         | 05/01/2018    | 1,485,000 | 1,681,763  |
| <i>Viasystem Group Incorporated</i>                  | 12.00         | 01/15/2015    | 1,285,000 | 1,442,413  |
|  |               |               |           | 12,381,202 |
| <b>Internet Software &amp; Services: 0.37%</b>       |               |               |           |            |
| <i>Equinix Incorporated</i>                          | 8.13          | 03/01/2018    | 1,085,000 | 1,174,513  |
| <i>Terremark Worldwide Incorporated</i>              | 12.00         | 06/15/2017    | 1,173,000 | 1,439,858  |
|  |               |               |           | 2,614,371  |
| <b>IT Services: 1.22%</b>                            |               |               |           |            |
| <i>First Data Corporation</i>                        | 11.25         | 03/31/2016    | 1,850,000 | 1,868,500  |
| <i>iPayment Incorporated</i>                         | 9.75          | 05/15/2014    | 1,230,000 | 1,256,138  |
| <i>SunGard Data Systems Incorporated</i>             | 7.38          | 11/15/2018    | 525,000   | 542,063    |
| <i>SunGard Data Systems Incorporated</i>             | 7.63          | 11/15/2020    | 250,000   | 260,625    |
| <i>SunGard Data Systems Incorporated</i>             | 10.25         | 08/15/2015    | 3,130,000 | 3,286,500  |
| <i>Unisys Corporation</i>                            | 12.50         | 01/15/2016    | 460,000   | 511,750    |
| <i>Unisys Corporation</i>                            | 12.75         | 10/15/2014    | 434,000   | 516,460    |
| <i>Unisys Corporation</i>                            | 14.25         | 09/15/2015    | 332,000   | 397,570    |
|  |               |               |           | 8,639,606  |

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**Semiconductors & Semiconductor Equipment: 0.14%**

|  |      |            |         |           |
|--|------|------------|---------|-----------|
| <i>Advanced Micro Devices Incorporated</i> | 5.75 | 08/15/2012 | 975,000 | 1,014,000 |
|--|------|------------|---------|-----------|

**Materials: 3.42%**

**Chemicals: 1.86%**

|  |       |            |           |            |
|--|-------|------------|-----------|------------|
| <i>Chemtura Corporation</i>                    | 7.88  | 09/01/2018 | 250,000   | 268,125    |
| <i>Huntsman International LLC</i>              | 5.50  | 06/30/2016 | 1,260,000 | 1,256,850  |
| <i>Lyondell Chemical Company</i>               | 11.00 | 05/01/2018 | 8,981,938 | 10,149,590 |
| <i>Rockwood Specialties Group Incorporated</i> | 7.63  | 11/15/2014 | 400,000   | 604,309    |

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Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name  | Interest Rate | Maturity Date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Chemicals (continued)</b>                           |               |               |            |            |
| <i>Solutia Incorporated</i>                            | 7.88%         | 03/15/2020    | \$ 670,000 | \$ 735,325 |
| <i>Vertellus Specialties Incorporated</i>              | 9.38          | 10/01/2015    | 125,000    | 131,563    |
|  |               |               |            | 13,145,762 |
| <b>Containers &amp; Packaging: 0.73%</b>               |               |               |            |            |
| <i>Crown Americas LLC</i>                              | 7.63          | 05/15/2017    | 450,000    | 491,625    |
| <i>Exopack Holding Corporation</i>                     | 11.25         | 02/01/2014    | 2,760,000  | 2,849,700  |
| <i>Graham Packaging Company</i>                        | 8.25          | 01/01/2017    | 95,000     | 103,075    |
| <i>Graham Packaging Company</i>                        | 9.88          | 10/15/2014    | 1,450,000  | 1,513,438  |
| <i>Owens Brockway Glass Container Incorporated</i>     | 7.38          | 05/15/2016    | 175,000    | 192,938    |
|  |               |               |            | 5,150,776  |
| <b>Metals &amp; Mining: 0.56%</b>                      |               |               |            |            |
| <i>Freeport-McMoRan Copper &amp; Gold Incorporated</i> | 8.38          | 04/01/2017    | 2,485,000  | 2,739,713  |
| <i>Indalex Holdings Corporation<sup>^^</sup></i>       | 11.50         | 02/01/2014    | 3,170,000  | 55,475     |
| <i>Novelis Incorporated</i>                            | 8.38          | 12/15/2017    | 500,000    | 552,500    |
| <i>Novelis Incorporated</i>                            | 8.75          | 12/15/2020    | 525,000    | 586,688    |
|  |               |               |            | 3,934,376  |
| <b>Paper &amp; Forest Products: 0.27%</b>              |               |               |            |            |
| <i>Clearwater Paper Corporation</i>                    | 10.63         | 06/15/2016    | 545,000    | 615,850    |
| <i>Georgia Pacific Corporation</i>                     | 8.88          | 05/15/2031    | 1,080,000  | 1,323,000  |
|  |               |               |            | 1,938,850  |
| <b>Telecommunication Services: 5.08%</b>               |               |               |            |            |
| <b>Diversified Telecommunication Services: 2.65%</b>   |               |               |            |            |
| <i>Citizens Communications Company</i>                 | 7.88          | 01/15/2027    | 4,155,000  | 4,004,381  |
| <i>Frontier Communications Corporation</i>             | 8.13          | 10/01/2018    | 845,000    | 913,656    |
| <i>Frontier Communications Corporation</i>             | 8.25          | 05/01/2014    | 200,000    | 221,500    |
| <i>Frontier Communications Corporation</i>             | 8.25          | 04/15/2017    | 1,965,000  | 2,129,569  |
| <i>Frontier Communications Corporation</i>             | 8.50          | 04/15/2020    | 525,000    | 568,969    |
| <i>Intelsat Jackson Holdings Limited</i>               | 8.50          | 11/01/2019    | 850,000    | 915,875    |
| <i>Qwest Corporation</i>                               | 7.13          | 11/15/2043    | 795,000    | 781,088    |
| <i>Qwest Corporation</i>                               | 7.25          | 09/15/2025    | 1,040,000  | 1,097,200  |
| <i>Qwest Corporation</i>                               | 7.50          | 06/15/2023    | 1,370,000  | 1,373,425  |
| <i>Qwest Corporation</i>                               | 7.63          | 08/03/2021    | 230,000    | 240,350    |
| <i>Qwest Corporation</i>                               | 8.88          | 03/15/2012    | 2,875,000  | 3,054,688  |
| <i>SBA Telecommunications Incorporated</i>             | 8.00          | 08/15/2016    | 700,000    | 758,625    |
| <i>SBA Telecommunications Incorporated</i>             | 8.25          | 08/15/2019    | 100,000    | 110,375    |
| <i>Windstream Corporation</i>                          | 7.88          | 11/01/2017    | 2,330,000  | 2,516,400  |
|  |               |               |            | 18,686,101 |

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**Wireless Telecommunication Services: 2.43%**

|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>CCO Holdings LLC</i>                       | 7.75 | 05/01/2017 | 325,000   | 359,125   |
| <i>CCO Holdings LLC</i>                       | 8.13 | 04/30/2020 | 500,000   | 556,250   |
| <i>Cricket Communications Incorporated</i>    | 7.75 | 05/15/2016 | 1,905,000 | 2,033,588 |
| <i>Crown Castle International Corporation</i> | 7.13 | 11/01/2019 | 75,000    | 80,156    |
| <i>Crown Castle International Corporation</i> | 9.00 | 01/15/2015 | 325,000   | 360,750   |
| <i>iPCS Incorporated</i>                      | 3.55 | 05/01/2014 | 1,357,019 | 1,295,953 |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 17

| Security Name  | Interest Rate | Maturity Date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Wireless Telecommunication Services (continued)</b>         |               |               |              |              |
| <i>MetroPCS Communications Incorporated</i>                    | 6.63%         | 11/15/2020    | \$ 1,875,000 | \$ 1,877,344 |
| <i>MetroPCS Communications Incorporated</i>                    | 7.88          | 09/01/2018    | 775,000      | 835,063      |
| <i>Sprint Nextel Corporation</i>                               | 6.90          | 05/01/2019    | 1,055,000    | 1,107,750    |
| <i>Sprint Nextel Corporation Series D</i>                      | 7.38          | 08/01/2015    | 4,085,000    | 4,115,638    |
| <i>Sprint Nextel Corporation Series F</i>                      | 5.95          | 03/15/2014    | 2,335,000    | 2,352,513    |
| <i>Syniverse Holdings Incorporated</i>                         | 9.13          | 01/15/2019    | 2,075,000    | 2,225,438    |
|  |               |               |              | 17,199,568   |
| <b>Utilities: 3.78%</b>  |               |               |              |              |
| <b>Electric Utilities: 1.45%</b>                               |               |               |              |              |
| <i>Aquila Incorporated Step Bond</i>                           | 11.88         | 07/01/2012    | 6,545,000    | 7,287,223    |
| <i>Energy Future Holdings Corporation</i> ¥                    | 12.00         | 11/01/2017    | 904,463      | 847,934      |
| <i>Otter Tail Corporation</i>                                  | 9.00          | 12/15/2016    | 1,835,000    | 2,055,200    |
| <i>PNM Resources Incorporated</i>                              | 9.25          | 05/15/2015    | 15,000       | 16,856       |
|  |               |               |              | 10,207,213   |
| <b>Gas Utilities: 0.15%</b>                                    |               |               |              |              |
| <i>AmeriGas Partners LP</i>                                    | 6.50          | 05/20/2021    | 475,000      | 491,625      |
| <i>AmeriGas Partners LP</i>                                    | 7.13          | 05/20/2016    | 275,000      | 285,313      |
| <i>Suburban Propane Partners LP</i>                            | 7.38          | 03/15/2020    | 275,000      | 294,250      |
|  |               |               |              | 1,071,188    |
| <b>Independent Power Producers &amp; Energy Traders: 2.18%</b> |               |               |              |              |
| <i>Dynegy Holdings Incorporated</i>                            | 7.63          | 10/15/2026    | 2,165,000    | 1,569,625    |
| <i>Mirant Mid-Atlantic LLC Series C</i>                        | 10.06         | 12/30/2028    | 3,614,632    | 4,048,388    |
| <i>NRG Energy Incorporated</i>                                 | 7.38          | 02/01/2016    | 2,125,000    | 2,204,688    |
| <i>NRG Energy Incorporated</i>                                 | 7.38          | 01/15/2017    | 3,475,000    | 3,635,719    |
| <i>NRG Energy Incorporated</i>                                 | 8.50          | 06/15/2019    | 1,615,000    | 1,719,975    |
| <i>Reliant Energy Incorporated</i>                             | 7.63          | 06/15/2014    | 450,000      | 471,375      |
| <i>Reliant Energy Incorporated</i>                             | 9.24          | 07/02/2017    | 1,226,246    | 1,333,542    |
| <i>Reliant Energy Incorporated</i>                             | 9.68          | 07/02/2026    | 410,000      | 446,900      |
|  |               |               |              | 15,430,212   |
| <b>Total Corporate Bonds and Notes (Cost \$348,907,270)</b>    |               |               |              | 377,676,407  |
| <b>Convertible Debentures: 0.16%</b>                           |               |               |              |              |
| <b>Information Technology: 0.16%</b>                           |               |               |              |              |
| <b>Communications Equipment: 0.16%</b>                         |               |               |              |              |
| <i>Lucent Technologies Incorporated</i>                        | 2.88          | 06/15/2025    | 1,145,000    | 1,126,394    |

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Total Convertible Debentures (Cost \$765,113) 1,126,394

Foreign Corporate Bonds@: 13.14%

Consumer Discretionary: 0.29%

Hotels, Restaurants & Leisure: 0.09%

|  |      |            |         |         |
|--|------|------------|---------|---------|
| <i>R&amp;R Ice Cream plc (i) (EUR)</i> | 8.38 | 11/15/2017 | 250,000 | 365,659 |
| <i>R&amp;R Ice Cream plc(i) (EUR)</i>  | 8.38 | 11/15/2017 | 200,000 | 292,527 |
|  |      |            |         | 658,186 |



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18 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name   | Interest Rate | Maturity Date | Principal | Value      |
|---|---------------|---------------|-----------|------------|
| <b>Media: 0.20%</b>                                       |               |               |           |            |
| UPC Holding BV (EUR)                                      | 9.63%         | 12/01/2019    | 470,000   | \$ 760,534 |
| Ziggo Bond Company BV (i) (EUR)                           | 8.00          | 05/15/2018    | 400,000   | 622,824    |
|   |               |               |           | 1,383,358  |
| <b>Consumer Staples: 0.62%</b>                            |               |               |           |            |
| <b>Food &amp; Staples Retailing: 0.11%</b>                |               |               |           |            |
| Bakkavor Finance plc (GBP)                                | 8.25          | 02/15/2018    | 500,000   | 789,223    |
| <b>Tobacco: 0.51%</b>                                     |               |               |           |            |
| British American Tobacco Finance plc (EUR)                | 5.38          | 06/29/2017    | 1,100,000 | 1,748,304  |
| Imperial Tobacco Group plc (EUR)                          | 8.38          | 02/17/2016    | 1,025,000 | 1,800,457  |
|   |               |               |           | 3,548,761  |
| <b>Financials: 9.83%</b>                                  |               |               |           |            |
| <b>Commercial Banks: 6.00%</b>                            |               |               |           |            |
| Bank Nederlandse Gemeenten (EUR)                          | 3.88          | 11/04/2019    | 1,200,000 | 1,794,621  |
| Bayerische Landesbank (EUR)                               | 1.88          | 06/30/2014    | 2,300,000 | 3,323,813  |
| Eurofima (AUD)  | 6.25          | 12/28/2018    | 2,450,000 | 2,675,510  |
| European Investment Bank (EUR)                            | 3.13          | 04/15/2014    | 1,900,000 | 2,865,263  |
| European Investment Bank (EUR)                            | 3.13          | 03/03/2017    | 2,330,000 | 3,429,390  |
| European Investment Bank (EUR)                            | 4.25          | 10/15/2014    | 2,300,000 | 3,585,940  |
| European Investment Bank (AUD)                            | 6.13          | 01/23/2017    | 6,930,000 | 7,579,159  |
| Instituto de Credito Oficial (EUR)                        | 4.38          | 05/23/2012    | 1,800,000 | 2,700,329  |
| International Bank for Reconstruction & Development (AUD) | 5.75          | 10/01/2020    | 950,000   | 1,009,129  |
| KfW Bankengruppe (EUR)                                    | 3.88          | 01/21/2019    | 910,000   | 1,382,453  |
| KfW Bankengruppe (AUD)                                    | 6.25          | 12/04/2019    | 1,225,000 | 1,335,250  |
| KfW Bankengruppe (NZD)                                    | 6.38          | 02/17/2015    | 4,819,000 | 4,121,833  |
| Landesbank Baden-Württemberg (EUR)                        | 1.75          | 01/17/2014    | 2,300,000 | 3,336,240  |
| Rabobank Nederland (EUR)                                  | 4.25          | 01/16/2017    | 2,150,000 | 3,255,525  |
|   |               |               |           | 42,394,455 |
| <b>Consumer Finance: 0.21%</b>                            |               |               |           |            |
| Fiat Industrial SpA (EUR)                                 | 6.25          | 03/09/2018    | 400,000   | 593,230    |
| Virgin Media Finance plc (GBP)                            | 8.88          | 10/15/2019    | 300,000   | 566,249    |
| Wind Acquisition Finance SpA (EUR)                        | 11.75         | 07/15/2017    | 200,000   | 345,108    |
|   |               |               |           | 1,504,587  |
| <b>Insurance: 0.06%</b>                                   |               |               |           |            |
| Towergate Finance plc (GBP)                               | 8.50          | 02/15/2018    | 250,000   | 428,027    |

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**Thriffs & Mortgage Finance: 3.56%**

|  |      |            |            |            |
|--|------|------------|------------|------------|
| <i>Dexia Kommunalbank AG (EUR)</i>       | 3.50 | 06/05/2014 | 4,000,000  | 6,024,679  |
| <i>Eurohypo AG (EUR)</i>                 | 3.75 | 03/24/2014 | 4,000,000  | 6,067,212  |
| <i>Nationwide Building Society (EUR)</i> | 3.75 | 01/20/2015 | 700,000    | 1,015,701  |
| <i>Nykredit (DKK)</i>                    | 4.00 | 10/01/2041 | 35,634,147 | 6,546,362  |
| <i>Realkredit Danmark (DKK)</i>          | 4.00 | 10/01/2041 | 30,125,323 | 5,523,863  |
|  |      |            |            | 25,177,817 |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 19

| Security Name                                      | Interest Rate | Maturity Date | Principal | Value      |
|--|---------------|---------------|-----------|------------|
| <b>Health Care: 0.13%</b>                          |               |               |           |            |
| <b>Pharmaceuticals: 0.13%</b>                      |               |               |           |            |
| <i>Pfizer Incorporated (EUR)</i>                   | 4.75%         | 06/03/2016    | 600,000   | \$ 939,811 |
| <b>Industrials: 0.46%</b>                          |               |               |           |            |
| <b>Airlines: 0.12%</b>                             |               |               |           |            |
| <i>Inaer Aviation Finance Limited (EUR)</i>        | 9.50          | 08/01/2017    | 550,000   | 826,852    |
| <b>Building Products: 0.08%</b>                    |               |               |           |            |
| <i>Heidelbergcement AG (EUR)</i>                   | 8.50          | 10/31/2019    | 330,000   | 551,099    |
| <b>Commercial Services &amp; Supplies: 0.09%</b>   |               |               |           |            |
| <i>Exova (GBP)</i>                                 | 10.50         | 10/15/2018    | 350,000   | 613,143    |
| <b>Machinery: 0.05%</b>                            |               |               |           |            |
| <i>Savcio Holdings Limited (EUR)</i>               | 8.00          | 02/15/2013    | 250,000   | 368,436    |
| <b>Professional Services: 0.08%</b>                |               |               |           |            |
| <i>ISS Financing plc (EUR)</i>                     | 11.00         | 06/15/2014    | 350,000   | 565,059    |
| <b>Trading Companies &amp; Distributors: 0.04%</b> |               |               |           |            |
| <i>Rexel SA (EUR)</i>                              | 8.25          | 12/15/2016    | 200,000   | 320,299    |
| <b>Materials: 0.52%</b>                            |               |               |           |            |
| <b>Chemicals: 0.13%</b>                            |               |               |           |            |
| <i>Kerling plc (EUR)</i>                           | 10.63         | 02/01/2017    | 550,000   | 898,132    |
| <b>Containers &amp; Packaging: 0.17%</b>           |               |               |           |            |
| <i>Ardagh Glass Finance (EUR)</i>                  | 8.75          | 02/01/2020    | 400,000   | 614,677    |
| <i>Owens-Illinois European Group BV (EUR)</i>      | 6.88          | 03/31/2017    | 400,000   | 605,790    |
|  |               |               |           | 1,220,467  |
| <b>Metals &amp; Mining: 0.11%</b>                  |               |               |           |            |
| <i>New World Resources NV (EUR)</i>                | 7.38          | 05/15/2015    | 500,000   | 760,941    |
| <b>Paper &amp; Forest Products: 0.11%</b>          |               |               |           |            |
| <i>Smurfit Kappa Funding plc (EUR)</i>             | 7.25          | 11/15/2017    | 400,000   | 616,158    |

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|  |      |            |         |         |
|--|------|------------|---------|---------|
| <i>Smurfit Kappa Funding plc (EUR)</i> | 7.75 | 11/15/2019 | 120,000 | 186,625 |
|  |      |            |         | 802,783 |

### Telecommunication Services: 0.70%

#### Diversified Telecommunication Services: 0.70%

|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>Deutsche Telekom International Finance (EUR)</i> | 4.25 | 07/13/2022 | 1,250,000 | 1,807,631 |
| <i>France Telecom (EUR)</i>                         | 4.75 | 02/21/2017 | 1,275,000 | 1,995,316 |
| <i>Telstra Corporation Limited (EUR)</i>            | 4.75 | 03/21/2017 | 725,000   | 1,124,057 |
|   |      |            |           | 4,927,004 |

### Utilities: 0.59%

#### Independent Power Producers & Energy Traders: 0.08%

|                          |      |            |         |         |
|--------------------------|------|------------|---------|---------|
| <i>Infinis plc (GBP)</i> | 9.13 | 12/15/2014 | 335,000 | 584,748 |
|--------------------------|------|------------|---------|---------|

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20 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name  | Interest Rate         | Maturity Date | Principal     | Value        |
|--|-----------------------|---------------|---------------|--------------|
| <b>Multi-Utilities: 0.51%</b>                              |                       |               |               |              |
| National Grid plc (EUR)                                    | 4.38%                 | 03/10/2020    | 1,225,000     | \$ 1,801,144 |
| Veolia Environnement SA (EUR)                              | 4.00                  | 02/12/2016    | 1,200,000     | 1,810,662    |
|  |                       |               |               | 3,611,806    |
| <b>Total Foreign Corporate Bonds (Cost \$83,711,292)</b>   |                       |               |               | 92,874,994   |
| <b>Foreign Government Bonds@: 18.52%</b>                   |                       |               |               |              |
| Australia Series 124 (AUD)                                 | 5.75                  | 05/15/2021    | 2,750,000     | 3,085,742    |
| Australia Series 25CI (AUD)                                | 3.14                  | 09/20/2025    | 6,650,000     | 8,050,185    |
| Brazil (BRL)   | 12.50                 | 01/05/2022    | 8,500,000     | 6,543,033    |
| Caisse d'Amortissement de la Dette Sociale (EUR)           | 3.38                  | 04/25/2021    | 1,125,000     | 1,612,506    |
| Caisse d'Amortissement de la Dette Sociale (EUR)           | 4.25                  | 04/25/2020    | 700,000       | 1,075,775    |
| Canada (CAD)   | 2.50                  | 09/01/2013    | 6,400,000     | 6,858,955    |
| Canada Series 23 (CAD)                                     | 4.10                  | 12/15/2018    | 4,350,000     | 4,841,297    |
| Czech Republic (CZK)                                       | 5.00                  | 04/11/2019    | 98,350,000    | 6,499,314    |
| France (EUR)   | 2.00                  | 07/12/2015    | 2,120,000     | 3,051,018    |
| France (EUR)   | 3.50                  | 04/25/2020    | 4,650,000     | 6,896,302    |
| Germany (EUR)  | 3.50                  | 04/12/2013    | 5,100,000     | 7,797,931    |
| Hungary (HUF)  | 5.50                  | 02/12/2016    | 325,000,000   | 1,729,959    |
| Hungary (HUF)  | 6.75                  | 02/24/2017    | 970,000,000   | 5,411,711    |
| Korea (KRW)  | 5.25                  | 09/10/2015    | 2,850,000,000 | 2,789,165    |
| Korea (KRW)  | 5.25                  | 03/10/2027    | 4,635,000,000 | 4,626,761    |
| Mexico (MXN)   | 8.50                  | 11/18/2038    | 77,900,000    | 7,040,240    |
| New Zealand (NZD)  | 6.00                  | 12/15/2017    | 6,705,000     | 5,708,283    |
| Norway (NOK)   | 3.75                  | 05/25/2021    | 25,000,000    | 4,786,757    |
| Norway (NOK)   | 4.25                  | 05/19/2017    | 28,730,000    | 5,745,179    |
| Poland (PLN)   | 5.50                  | 04/25/2015    | 16,950,000    | 6,354,153    |
| Portugal (EUR)   | 6.40                  | 02/15/2016    | 2,050,000     | 2,478,348    |
| Slovenia (EUR)   | 4.63                  | 09/09/2024    | 1,425,000     | 2,054,137    |
| South Africa (ZAR)   | 6.75                  | 03/31/2021    | 33,970,000    | 4,592,728    |
| Spain (EUR)  | 4.85                  | 10/31/2020    | 6,575,000     | 9,411,347    |
| Sweden (SEK)   | 4.50                  | 08/12/2015    | 67,650,000    | 11,894,407   |
| <b>Total Foreign Government Bonds (Cost \$119,840,532)</b> |                       |               |               | 130,935,233  |
|  | <b>Dividend Yield</b> |               | <b>Shares</b> |              |
| <b>Preferred Stocks: 0.10%</b>                             |                       |               |               |              |
| <b>Financials: 0.10%</b>                                   |                       |               |               |              |
| <b>Diversified Financial Services: 0.10%</b>               |                       |               |               |              |
| GMAC Capital Trust I                                       | 8.13                  |               | 27,000        | 703,688      |
| <b>Total Preferred Stocks (Cost \$675,000)</b>             |                       |               |               | 703,688      |

|  | <b>Interest<br/>Rate</b> |            | <b>Principal</b> |           |
|--|--------------------------|------------|------------------|-----------|
| <b>Term Loans: 5.35%</b>                   |                          |            |                  |           |
| <i>Advantage Sales &amp; Marketing LLC</i> | 9.25%                    | 06/18/2018 | \$ 475,000       | 485,293   |
| <i>Barrington Broadcasting Company</i>     | 4.54                     | 08/12/2013 | 973,839          | 938,538   |
| <i>Blackstone Group LP</i>                 | 7.75                     | 11/02/2014 | 1,117,459        | 1,128,634 |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 21

| Security Name   | Interest Rate | Maturity Date | Principal    | Value             |
|---|---------------|---------------|--------------|-------------------|
| <b>Term Loans (continued)</b>                           |               |               |              |                   |
| <i>Capital Automotive LP</i>                            | 5.00%         | 03/10/2017    | \$ 3,971,934 | \$ 3,948,777      |
| <i>CCM Merger Incorporated</i>                          | 7.00          | 03/01/2017    | 1,775,000    | 1,796,637         |
| <i>Coinmach Corporation</i>                             | 3.29          | 11/20/2014    | 2,979,477    | 2,864,022         |
| <i>Fairpoint Communications Incorporated</i>            | 6.50          | 01/22/2016    | 2,982,230    | 2,844,987         |
| <i>Federal Mogul Corporation</i>                        | 2.15          | 12/28/2015    | 418,393      | 407,783           |
| <i>Federal Mogul Corporation</i>                        | 2.17          | 12/29/2014    | 459,948      | 448,284           |
| <i>First Data Corporation&lt;</i>                       | 2.96          | 09/24/2014    | 3,653,498    | 3,467,315         |
| <i>First Data Corporation</i>                           | 2.96          | 09/24/2014    | 516,226      | 490,048           |
| <i>Gray Television Incorporated</i>                     | 3.75          | 12/31/2014    | 978,945      | 971,877           |
| <i>HHI Holdings LLC</i>                                 | 7.01          | 03/21/2017    | 950,000      | 948,813           |
| <i>Level 3 Financing Incorporated</i>                   | 2.53          | 03/13/2014    | 700,000      | 688,821           |
| <i>Local TV Finance LLC</i>                             | 2.37          | 05/07/2013    | 1,663,716    | 1,626,881         |
| <i>Merisant Company(i)</i>                              | 7.50          | 01/08/2014    | 988,405      | 979,757           |
| <i>NCO Group Incorporated</i>                           | 8.00          | 11/15/2013    | 1,176,420    | 1,164,279         |
| <i>Newsday LLC</i>                                      | 10.50         | 08/01/2013    | 2,755,000    | 2,926,030         |
| <i>Panolam Industries International Incorporated(i)</i> | 8.25          | 12/31/2013    | 234,814      | 215,247           |
| <i>Texas Competitive Electric Holding LLC&lt;</i>       | 4.74          | 10/10/2014    | 10,536,766   | 8,981,539         |
| <i>Texas Competitive Electric Holding LLC</i>           | 4.74          | 10/10/2017    | 66,589       | 53,230            |
| <i>Web Service Company LLC</i>                          | 7.00          | 08/28/2014    | 461,726      | 460,572           |
| <b>Total Term Loans (Cost \$37,103,700)</b>             |               |               |              | <b>37,837,364</b> |
| <b>Yankee Corporate Bonds and Notes: 6.66%</b>          |               |               |              |                   |
| <b>Consumer Discretionary: 0.12%</b>                    |               |               |              |                   |
| <b>Media: 0.12%</b>                                     |               |               |              |                   |
| <i>Videotron Limited</i>                                | 9.13          | 04/15/2018    | 775,000      | 868,000           |
| <b>Energy: 2.51%</b>                                    |               |               |              |                   |
| <b>Oil, Gas &amp; Consumable Fuels: 2.51%</b>           |               |               |              |                   |
| <i>Connacher Oil &amp; Gas Limited</i>                  | 10.25         | 12/15/2015    | 2,550,000    | 2,709,375         |
| <i>Connacher Oil &amp; Gas Limited</i>                  | 11.75         | 07/15/2014    | 620,000      | 663,400           |
| <i>General Maritime Corp</i>                            | 12.00         | 11/15/2017    | 1,380,000    | 1,290,300         |
| <i>Griffin Coal Mining Company Limited^^</i>            | 9.50          | 12/01/2016    | 475,000      | 453,625           |
| <i>Griffin Coal Mining Company Limited ^^</i>           | 9.50          | 12/31/2049    | 5,810,000    | 5,548,550         |
| <i>OPTI Canada Incorporated</i>                         | 7.88          | 12/15/2014    | 2,420,000    | 1,282,600         |
| <i>Petroplus Finance Limited</i>                        | 5.75          | 01/20/2020    | 1,650,000    | 1,714,302         |
| <i>Ship Finance International Limited</i>               | 8.50          | 12/15/2013    | 4,020,000    | 4,085,325         |
|   |               |               |              | <b>17,747,477</b> |
| <b>Financials: 1.36%</b>                                |               |               |              |                   |
| <b>Capital Markets: 0.14%</b>                           |               |               |              |                   |
| <i>FMC Finance III SA</i>                               | 6.88          | 07/15/2017    | 625,000      | 664,844           |
| <i>Mubadala Development Company</i>                     | 5.50          | 04/20/2021    | 360,000      | 363,095           |
|   |               |               |              | <b>1,027,939</b>  |

**Commercial Banks: 0.47%**

|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>Banco De Crédito Del Peru</i>        | 4.75 | 03/16/2016 | 1,600,000 | 1,552,000 |
| <i>Banco Votorantim</i>                 | 5.25 | 02/11/2016 | 600,000   | 606,000   |
| <i>Royal Bank of Scotland Group plc</i> | 6.13 | 01/11/2021 | 1,100,000 | 1,164,798 |
|   |      |            |           | 3,322,798 |



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22 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

| Security Name  | Interest Rate | Maturity Date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Consumer Finance: 0.62%</b>                       |               |               |            |            |
| <i>Virgin Media Finance plc</i>                      | 9.13%         | 08/15/2016    | \$ 100,000 | \$ 106,125 |
| <i>Wind Acquisition Finance SpA</i>                  | 11.75         | 07/15/2017    | 3,660,000  | 4,254,750  |
|  |               |               |            | 4,360,875  |
| <b>Diversified Financial Services: 0.13%</b>         |               |               |            |            |
| <i>IPIC GMTN Limited</i>                             | 5.00          | 11/15/2020    | 900,000    | 896,625    |
| <i>Preferred Term Securities XII Limited±^(i)</i>    | 0.00          | 12/24/2033    | 635,000    | 191        |
|  |               |               |            | 896,816    |
| <b>Industrials: 0.04%</b>                            |               |               |            |            |
| <b>Road &amp; Rail: 0.04%</b>                        |               |               |            |            |
| <i>Transnet Limited</i>                              | 4.50          | 02/10/2016    | 300,000    | 307,154    |
| <b>Information Technology: 0.33%</b>                 |               |               |            |            |
| <b>Computers &amp; Peripherals: 0.33%</b>            |               |               |            |            |
| <i>Seagate Technology HDD Holdings</i>               | 6.80          | 10/01/2016    | 650,000    | 693,875    |
| <i>Seagate Technology HDD Holdings</i>               | 6.88          | 05/01/2020    | 300,000    | 304,500    |
| <i>Seagate Technology HDD Holdings</i>               | 7.75          | 12/15/2018    | 1,225,000  | 1,298,500  |
|  |               |               |            | 2,296,875  |
| <b>Materials: 1.52%</b>                              |               |               |            |            |
| <b>Metals &amp; Mining: 0.52%</b>                    |               |               |            |            |
| <i>Novelis Incorporated</i>                          | 7.25          | 02/15/2015    | 1,030,000  | 1,045,450  |
| <i>Teck Resources Limited</i>                        | 10.75         | 05/15/2019    | 2,050,000  | 2,621,540  |
|  |               |               |            | 3,666,990  |
| <b>Paper &amp; Forest Products: 1.00%</b>            |               |               |            |            |
| <i>PE Paper Escrow GmbH</i>                          | 12.00         | 08/01/2014    | 1,170,000  | 1,351,350  |
| <i>Sappi Limited</i>                                 | 6.75          | 06/15/2012    | 2,085,000  | 2,225,352  |
| <i>Sappi Limited</i>                                 | 7.50          | 06/15/2032    | 3,860,000  | 3,531,900  |
|  |               |               |            | 7,108,602  |
| <b>Telecommunication Services: 0.62%</b>             |               |               |            |            |
| <b>Diversified Telecommunication Services: 0.22%</b> |               |               |            |            |
| <i>Global Crossing Limited</i>                       | 12.00         | 09/15/2015    | 570,000    | 666,900    |
| <i>Intelsat Jackson Holdings SA</i>                  | 7.25          | 04/01/2019    | 175,000    | 177,953    |
| <i>Intelsat Jackson Holdings SA</i>                  | 7.50          | 04/01/2021    | 100,000    | 101,500    |
| <i>Intelsat Jackson Holdings SA</i>                  | 11.25         | 06/15/2016    | 275,000    | 292,188    |

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|   |       |            |           |           |
|---|-------|------------|-----------|-----------|
| <i>Qtel International Finance Limited</i>         | 4.75  | 02/16/2021 | 300,000   | 283,875   |
|   |       |            |           | 1,522,416 |
| <b>Wireless Telecommunication Services: 0.40%</b> |       |            |           |           |
| <i>Digicel Group Limited</i>                      | 12.00 | 04/01/2014 | 1,335,000 | 1,565,288 |
| <i>Telesat Canada Incorporated</i>                | 11.00 | 11/01/2015 | 1,135,000 | 1,262,688 |
|   |       |            |           | 2,827,976 |

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 23

| Security Name  | Interest Rate | Maturity Date | Principal      | Value                 |
|--|---------------|---------------|----------------|-----------------------|
| <b>Utilities: 0.16%</b>  |               |               |                |                       |
| <b>Electric Utilities: 0.16%</b>                                       |               |               |                |                       |
| <i>E.ON AG</i>   | 5.80%         | 04/30/2018    | \$ 1,000,000   | \$ 1,125,633          |
| <b>Total Yankee Corporate Bonds and Notes (Cost \$41,583,695)</b>      |               |               |                | 47,079,551            |
| <b>Shares</b>  |               |               |                |                       |
| <b>Investment Companies: 0.14%</b>                                     |               |               |                |                       |
| <i>Dreyfus High Yield Strategies Fund Incorporated</i>                 |               |               | 13,141         | 62,026                |
| <i>Eaton Vance Limited Duration Income Trust</i>                       |               |               | 46,191         | 742,289               |
| <i>New America High Income Fund Incorporated</i>                       |               |               | 19,592         | 203,169               |
| <b>Total Investment Companies (Cost \$554,740)</b>                     |               |               |                | 1,007,484             |
| <b>Yield</b>   |               |               |                |                       |
| <b>Short-Term Investments: 2.63%</b>                                   |               |               |                |                       |
| <b>Investment Companies: 2.63%</b>                                     |               |               |                |                       |
| <i>Wells Fargo Advantage Cash Investment Money Market Fund(l)(u)##</i> | 0.09          |               | 18,554,173     | 18,554,173            |
| <b>Total Short-Term Investments (Cost \$18,554,173)</b>                |               |               |                | 18,554,173            |
| <b>Total Investments in Securities (Cost \$874,084,337)*</b>           |               |               |                |                       |
| <i>Other Assets and Liabilities, Net</i>                               | 131.99%       |               |                | 933,102,934           |
|  | (31.99)       |               |                | (226,166,314)         |
| <b>Total Net Assets</b>  |               |               | <b>100.00%</b> | <b>\$ 706,936,620</b> |

± Variable rate investments.

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¤ All or a portion of this security has been segregated as collateral for reverse repurchase agreements.

(l) Investment in an affiliate. The total cost of affiliated investments is \$19,606,426.

(a) Security is fair valued by the Management Valuation Team, and in certain instances by the Board of Trustees, in accordance with procedures approved by the Board of Trustees.

Non-income earning securities.

%% Securities issued on a when-issued (TBA) basis.

Security that may be resold to qualified institutional buyers under Rule 144A or securities offered pursuant to Section 4(2) of the Securities Act of 1933, as amended.

¥ Payment-in-kind (PIK) securities are securities in which the issuer may make interest or dividend payments in cash or additional securities. These additional securities generally have the same terms as the original holdings.

^^ Security is currently in default with regards to scheduled interest and/or principal payments. The fund has stopped accruing interest on this security.

(i) Illiquid security

@ Foreign bond principal is denominated in local currency.

< All or a portion of the position represents an unfunded loan commitment.

(u) Rate shown is the 7-day annualized yield at period end.

## All or a portion of this security has been segregated for when-issued, delayed delivery securities and/or unfunded loans.

\* Cost for federal income tax purposes is \$876,627,627 and net unrealized appreciation (depreciation) consists of:

|                               |               |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 66,130,075 |
| Gross unrealized depreciation | (9,654,768)   |
| Net unrealized appreciation   | \$ 56,475,307 |

The accompanying notes are an integral part of these financial statements.

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24 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

The following table shows the percentage of total long-term investments by geographic location as of April 30, 2011 (unaudited):

|                   |         |
|-------------------|---------|
| United States     | 70.75%  |
| Germany           | 3.66%   |
| Luxembourg        | 2.53%   |
| Canada            | 2.36%   |
| Australia         | 2.06%   |
| France            | 1.80%   |
| United Kingdom    | 1.55%   |
| Spain             | 1.49%   |
| Denmark           | 1.29%   |
| Sweden            | 1.27%   |
| Netherlands       | 1.17%   |
| Norway            | 1.13%   |
| South Korea       | 0.79%   |
| Brazil            | 0.77%   |
| Hungary           | 0.77%   |
| Austria           | 0.76%   |
| Mexico            | 0.75%   |
| Bermuda           | 0.74%   |
| Czech Republic    | 0.70%   |
| Poland            | 0.68%   |
| New Zealand       | 0.61%   |
| South Africa      | 0.60%   |
| Cayman Islands    | 0.53%   |
| Switzerland       | 0.29%   |
| Portugal          | 0.27%   |
| Slovenia          | 0.22%   |
| Panama            | 0.17%   |
| Ireland           | 0.15%   |
| Marshalls Islands | 0.14%   |
|                   | 100.00% |

The following table shows the percent of total bonds by credit quality based on Moody's and Standard & Poor's ratings as of April 30, 2011 (unaudited):

|               |         |
|---------------|---------|
| AAA           | 52.31%  |
| AA            | 2.61%   |
| A             | 6.13%   |
| BBB           | 6.02%   |
| BB            | 11.85%  |
| B             | 16.67%  |
| CCC           | 3.61%   |
| Less than CCC | 0.80%   |
|               | 100.00% |

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The following table shows the percent of total bonds based on effective maturity as of April 30, 2011 (unaudited):

|                       |         |
|-----------------------|---------|
| Less than 1 year      | 5.24%   |
| 1 to 3 year(s)        | 15.11%  |
| 3 to 5 years          | 32.22%  |
| 5 to 10 years         | 37.46%  |
| 10 to 20 years        | 6.65%   |
| 20 to 30 years        | 1.61%   |
| Greater than 30 years | 1.71%   |
|                       | 100.00% |

The accompanying notes are an integral part of these financial statements.

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Statement of Assets and Liabilities April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 25

|  |                       |
|--|-----------------------|
| <b>Assets</b>  |                       |
| Investments  |                       |
| In unaffiliated securities, at value   | \$ 913,254,725        |
| In affiliated securities, at value   | 19,848,209            |
| Total investments, at value (see cost below)   | 933,102,934           |
| Cash   | 464,805               |
| Foreign currency, at value (see cost below)  | 1,301,800             |
| Receivable for investments sold  | 4,402,035             |
| Principal paydown receivable   | 1,207,755             |
| Receivable for interest  | 14,577,996            |
| Unrealized gains on forward foreign currency contracts   | 1,730,873             |
| Prepaid expenses and other assets  | 76,198                |
| Total assets   | 956,864,396           |
| <b>Liabilities</b>   |                       |
| Dividends payable  | 4,205,500             |
| Payable for investments purchased  | 9,226,884             |
| Unrealized losses on forward foreign currency contracts  | 5,347,773             |
| Payable for reverse repurchase agreements  | 100,166,125           |
| Secured borrowing payable  | 130,077,982           |
| Advisory fee payable   | 460,544               |
| Due to other related parties   | 41,868                |
| Accrued expenses and other liabilities   | 401,100               |
| Total liabilities  | 249,927,776           |
| <b>Total net assets</b>  | <b>\$ 706,936,620</b> |
| <b>NET ASSETS CONSIST OF</b>   |                       |
| Paid-in capital  | \$ 780,337,042        |
| Overdistributed net investment income  | (9,246,497)           |
| Accumulated net realized losses on investments   | (119,804,902)         |
| Net unrealized gains on investments  | 55,650,977            |
| <b>Total net assets</b>  | <b>\$ 706,936,620</b> |
| <b>COMPUTATION OF NET ASSET VALUE PER SHARE</b>  |                       |
| Based on \$706,936,620 divided by 42,055,000 shares issued and outstanding (100,000,000 shares authorized) | \$ 16.81              |
| Total investments, at cost   | \$ 874,084,337        |
| Foreign currency, at cost  | \$ 1,241,583          |

The accompanying notes are an integral part of these financial statements.



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26 Wells Fargo Advantage Multi-Sector Income Fund

Statement of Operations Six Months Ended April 30, 2011 (Unaudited)

**Investment income**

|                                   |                   |
|-----------------------------------|-------------------|
| Interest*                         | \$ 27,924,461     |
| Dividends                         | 71,364            |
| Income from affiliated securities | 50,979            |
| <b>Total investment income</b>    | <b>28,046,804</b> |

**Expenses**

|                             |                  |
|-----------------------------|------------------|
| Advisory fee                | 2,526,813        |
| Administration fee          | 229,710          |
| Custody and accounting fees | 108,638          |
| Professional fees           | 45,601           |
| Shareholder report expenses | 58,990           |
| Trustees' fees and expenses | 9,519            |
| Transfer agent fees         | 17,902           |
| Interest expense            | 335,940          |
| Secured borrowing fees      | 900,266          |
| Other fees and expenses     | 43,916           |
| <b>Total expenses</b>       | <b>4,277,295</b> |

|                       |            |
|-----------------------|------------|
| Net investment income | 23,769,509 |
|-----------------------|------------|

**REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS**

**Net realized gains (losses) on:**

|  |                  |
|--|------------------|
| Unaffiliated securities                        | 10,504,756       |
| Forward foreign currency contract transactions | (6,469,370)      |
| <b>Net realized gains on investments</b>       | <b>4,035,386</b> |

**Net change in unrealized gains (losses) on:**

|  |             |
|--|-------------|
| Unaffiliated securities                        | 7,813,280   |
| Affiliated securities                          | 73,090      |
| Forward foreign currency contract transactions | (3,235,669) |

|  |           |
|--|-----------|
| Net change in unrealized gains (losses) on investments | 4,650,701 |
|--|-----------|

|   |           |
|---|-----------|
| Net realized and unrealized gains (losses) on investments | 8,686,087 |
|---|-----------|

|   |                      |
|---|----------------------|
| <b>Net increase in net assets resulting from operations</b> | <b>\$ 32,455,596</b> |
|---|----------------------|

|                                       |          |
|---------------------------------------|----------|
| * Net of foreign withholding taxes of | \$37,332 |
|---------------------------------------|----------|

The accompanying notes are an integral part of these financial statements.

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| Statements of Changes in Net Assets  | Wells Fargo Advantage Multi-Sector Income Fund 27 |                                |
|--|---|--------------------------------|
|  | Six Months Ended<br>April 30, 2011<br>(Unaudited) | Year Ended<br>October 31, 2010 |
| <b>Operations</b>  |   |                                |
| Net investment income  | \$ 23,769,509                                     | \$ 50,787,031                  |
| Net realized gains on investments  | 4,035,386   | 31,615,711                     |
| Net change in unrealized gains (losses) on investments                                 | 4,650,701   | 17,614,314                     |
| Dividends to preferred shareholders from net investment income                         | 0   | (656,310)                      |
| Net increase in net assets applicable to common shareholders resulting from operations | 32,455,596  | 99,360,746                     |
| <b>Distributions to common shareholders from net investment income</b>                 | <b>(26,629,226)</b>                               | <b>(54,654,527)</b>            |
| Total increase in net assets   | 5,826,370   | 44,706,219                     |
| <b>Net assets applicable to common shareholders</b>                                    |   |                                |
| <b>Beginning of period</b>   | <b>701,110,250</b>                                | <b>656,404,031</b>             |
| <b>End of period</b>   | <b>\$ 706,936,620</b>                             | <b>\$ 701,110,250</b>          |
| <b>Overdistributed net investment income</b>   | <b>\$ (9,246,497)</b>                             | <b>\$ (4,283,816)</b>          |

The accompanying notes are an integral part of these financial statements.

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28 Wells Fargo Advantage Multi-Sector Income Fund

Statement of Cash Flows April 30, 2011 (Unaudited)

|  |               |
|--|---------------|
| <b>Cash flows from operating activities:</b>   |               |
| Net increase in net assets resulting from operations   | \$ 32,455,596 |
| <b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b> |               |
| Purchase of investment securities  | (250,364,108) |
| Proceeds from sales of securities  | 228,644,184   |
| Paydowns   | 29,278,732    |
| Amortization   | (939,485)     |
| Sale of short-term investment securities, net  | 2,381,823     |
| Decrease in dividends and interest receivable  | 164,206       |
| Decrease in receivable for investments sold  | 9,587,851     |
| Decrease in principal paydown receivable   | 164,195       |
| Increase in prepaid expenses and other assets  | (66,961)      |
| Decrease in payable for investments purchased  | (9,223,407)   |
| Decrease in advisory fee payable   | (80)          |
| Decrease in due to other related parties   | (7)           |
| Increase in accrued expenses and other liabilities   | 36,615        |
| Unrealized gains on securities   | (7,886,370)   |
| Unrealized losses on forward foreign currency contract transactions  | 3,235,669     |
| Net realized gains on securities   | (10,504,756)  |
| Net cash provided by operating activities  | 26,963,697    |
| <b>Cash flows from financing activities:</b>   |               |
| Cash distributions paid on common shares   | (26,978,282)  |
| Decrease in reverse repurchase agreements  | (38,799)      |
| Increase in secured borrowing  | 67,526        |
| Net cash used in financing activities  | (26,949,555)  |
| Net increase in cash   | 14,142        |
| <b>Cash (including foreign currency):</b>  |               |
| Beginning of period  | \$ 1,752,463  |
| End of period  | \$ 1,766,605  |
| <b>Supplemental cash disclosure</b>  |               |
| Cash paid for interest   | \$ 307,214    |

The accompanying notes are an integral part of these financial statements.

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## Financial Highlights

Wells Fargo Advantage Multi-Sector Income Fund 29

(For a common share outstanding throughout each period)

|  | Six Months Ended<br>April 30, |                     | Year Ended October 31, |                     |                     |                     |
|--|-------------------------------|---------------------|------------------------|---------------------|---------------------|---------------------|
|  | 2011<br>(Unaudited)           | 2010                | 2009                   | 2008                | 2007                | 2006                |
| <b>Net asset value, beginning of period</b>  | \$ 16.67                      | \$ 15.61            | \$ 13.47               | \$ 18.74            | \$ 18.55            | \$ 18.91            |
| <b>Income from investment operations</b>   |                               |                     |                        |                     |                     |                     |
| Net investment income  | 0.57                          | 1.21                | 1.33                   | 1.68                | 1.73 <sup>1</sup>   | 1.60 <sup>1</sup>   |
| Net realized and unrealized gains (losses) on investments                          | 0.20                          | 1.17                | 3.26                   | (5.35)              | 0.29                | (0.06)              |
| Distributions to preferred shareholders from net investment income                 | 0                             | (0.02) <sup>1</sup> | (0.03) <sup>1</sup>    | (0.30) <sup>1</sup> | (0.51) <sup>1</sup> | (0.45) <sup>1</sup> |
| Total from investment operations   | 0.77                          | 2.36                | 4.56                   | (3.97)              | 1.51                | 1.09                |
| <b>Distributions to common shareholders from</b>                                   |                               |                     |                        |                     |                     |                     |
| Net investment income  | (0.63)                        | (1.30)              | (2.20)                 | (1.30)              | (1.29)              | (1.34)              |
| Net realized gains   | 0                             | 0                   | 0                      | 0                   | 0                   | (0.01)              |
| Tax basis return of capital  | 0                             | 0                   | (0.22)                 | 0                   | (0.03)              | (0.10)              |
| Total distributions to common shareholders   | (0.63)                        | (1.30)              | (2.42)                 | (1.30)              | (1.32)              | (1.45)              |
| <b>Net asset value, end of period</b>  | \$ 16.81                      | \$ 16.67            | \$ 15.61               | \$ 13.47            | \$ 18.74            | \$ 18.55            |
| <b>Market asset value, end of period</b>   | \$ 15.13                      | \$ 16.18            | \$ 13.73               | \$ 11.68            | \$ 16.22            | \$ 17.07            |
| <b>Total return based on market value<sup>2</sup></b>                              | <b>(2.56)%</b>                | <b>28.44%</b>       | <b>44.93%</b>          | <b>(21.43)%</b>     | <b>2.64%</b>        | <b>13.46%</b>       |
| <b>Ratios and supplemental data</b>  |                               |                     |                        |                     |                     |                     |
| Net assets of common shareholders, end of period (thousands)                       | \$706,937                     | \$701,110           | \$656,404              | \$566,515           | \$787,919           | \$780,321           |
| Liquidation value of Preferred Shares, end of period (thousands)                   | NA                            | NA                  | \$80,035               | \$80,108            | \$400,475           | \$400,402           |
| Asset coverage ratio, end of period  | NA                            | NA                  | 385%                   | 249%                | 296%                | 299%                |
| <b>Ratios to average net assets applicable to common shareholders (annualized)</b> |                               |                     |                        |                     |                     |                     |
| Expenses including waivers/reimbursements and interest expense                     | 1.24%                         | 1.18%               | 1.62%                  | 1.90%               | 1.15%               | 1.15%               |
| Expenses including interest expense but excluding waivers/reimbursements           | 1.24%                         | 1.58%               | 3.07%                  | 1.95%               | 1.15%               | 1.15%               |
| Expenses including waivers/reimbursements but excluding interest expense           | 1.14%                         | 1.10%               | 1.15%                  | 1.36%               | 1.13%               | 1.14%               |
| Interest expense <sup>3</sup>  | 0.10%                         | 0.08%               | 0.47%                  | 0.54%               | 0.02%               | 0.01%               |
| Net investment income  | 6.89%                         | 7.63% <sup>4</sup>  | 9.65% <sup>4</sup>     | 7.85% <sup>4</sup>  | 6.54% <sup>4</sup>  | 6.18% <sup>4</sup>  |
| Portfolio turnover rate  | 20%                           | 70%                 | 93%                    | 92%                 | 95%                 | 62%                 |

<sup>1</sup>-Calculated based on average common shares outstanding during the period.<sup>2</sup>- Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return

does not reflect brokerage commissions or sales charges.

3. Interest expense ratio relates to interest associated with borrowings and/or leverage transactions.

4. The net investment income ratio includes any distributions paid to preferred shareholders.

The accompanying notes are an integral part of these financial statements.

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30 Wells Fargo Advantage Multi-Sector Income Fund

Notes to Financial Statements (Unaudited)

**1. ORGANIZATION**

Wells Fargo Advantage Multi-Sector Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on April 10, 2003 and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income consistent with limiting its overall exposure to domestic interest-rate risk.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following significant accounting policies, which are consistently followed in the preparation of the financial statements of the Fund, are in conformity with U.S. generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Securities valuation**

Certain fixed income securities with maturities exceeding 60 days are valued based on available market quotations received from an independent pricing service approved by the Fund's Board of Trustees which may utilize both transaction data and market information such as yield, prices of securities of comparable quality, coupon rate, maturity, type of issue, trading characteristics and other market data. If valuations are not available from the pricing service or values received are deemed not representative of market value, values will be obtained from a third party broker-dealer or determined based on the Fund's Fair Value Procedures.

Investments in securities are valued each business day as of the close of regular trading on the New York Stock Exchange, which is usually 4:00 p.m. (Eastern Time). Securities which are traded on a national or foreign securities exchange are valued at the last reported sales price, except that securities listed on The Nasdaq Stock Market, Inc. (Nasdaq) are valued at the Nasdaq Official Closing Price (NOCP), and if no NOCP is available, then at the last reported sales price. If no sales price is shown on the Nasdaq, the bid price will be used. In the absence of any sale of securities listed on the Nasdaq, and in the case of other securities, including U.S. Government obligations, but excluding debt securities maturing in 60 days or less, the price will be deemed stale and the valuations will be determined in accordance with the Fund's Fair Value Procedures.

Securities denominated in foreign currencies are translated into U.S. dollars using the closing rates of exchange in effect on the day of valuation.

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign investments are traded but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of the investments, then those investments are fair valued following procedures approved by the Board of Trustees. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in NAVs that are higher or lower than NAVs based on the closing price or latest quoted bid price.

Debt securities of sufficient credit quality with original maturities of 60 days or less generally are valued at amortized cost which approximates fair value. The amortized cost method involves valuing a security at its cost, plus accretion of discount or minus amortization of premium over the period until maturity.

Investments in open-end mutual funds and non-registered investment companies are generally valued at net asset value.

Certain investments which are not valued using any of the methods discussed above, are valued at their fair value, as determined by procedures established in good faith and approved by the Board of Trustees.

The valuation techniques used by the Fund to measure fair value are consistent with the market approach, income approach and/or cost approach, where applicable, for each security type.

**Foreign currency translation**

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The accounting records of the Fund are maintained in U.S. dollars. Assets, including investment securities, and liabilities denominated in foreign currency are translated into U.S. dollars at the prevailing rates of exchange at the date of valuation. Purchases and sales of securities, and income and expenses are translated at the prevailing rate of exchange on



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Notes to Financial Statements (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 31

the respective dates of such transactions. Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting in changes in exchange rates.

The changes in net assets arising from changes in exchange rates and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are recorded with net realized and unrealized gains or losses from investments. Gains and losses from certain foreign currency transactions are treated as ordinary income for U.S. federal income tax purposes.

**Reverse repurchase agreements**

To obtain short-term financing, the Fund may enter into reverse repurchase agreements with banks and other financial institutions, which are deemed by the adviser to be creditworthy. At the time the Fund enters into a reverse repurchase agreement, it will establish a segregated account with the custodian containing qualified assets having a value not less than the repurchase price, including accrued interest. If the counterparty to the transaction is rendered insolvent, the Fund may be delayed or limited in the repurchase of the collateral securities.

**Forward foreign currency contracts**

The Fund may be subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. A forward foreign currency contract is an agreement between two parties to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund enters into forward foreign currency contracts to facilitate transactions in foreign-denominated securities and to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. Forward foreign currency contracts are recorded at the forward rate and marked-to-market daily. When the contracts are closed, realized gains and losses arising from such transactions are recorded as realized gains or losses on forward foreign currency related transactions. The Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts or if the value of the foreign currency changes unfavorably. The Fund's maximum risk of loss from counterparty credit risk is the unrealized gains or losses on the contracts. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty.

**When-issued transactions**

The Fund may purchase securities on a forward commitment or when-issued basis. The Fund records a when-issued transaction on the trade date and will segregate assets to cover its obligation by confirming the availability of qualifying assets having a value sufficient to make payment for the securities purchased. Securities purchased on a when-issued basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

**Term loans**

The Fund may invest in term loans. The loans are marked-to-market daily and the Fund begins earning interest when the loans are funded. The loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. The Fund assumes the credit risk of the borrower and there could be potential loss to the Fund in the event of default by the borrower.

**Credit default swaps**

The Fund may be subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swap contracts for hedging or speculative purposes to provide or receive a measure of protection against default on a referenced entity, obligation or index or for investment gains. Credit default swaps involve an exchange of a stream of payments for protection against the loss in value of an underlying security or index. Under the terms of the swap, one party acts as a guarantor (referred to as the seller of protection) and receives a periodic stream of payments, provided that there is no credit event, from another party (referred to as the buyer of protection) that is a fixed percentage applied to a notional principal amount over the term of the swap. An index credit default swap references all the names in the index, and if a credit event is triggered, the credit event is settled based on that name's weight in the index. A credit event includes bankruptcy, failure to pay, obligation default, obligation acceleration, repudiation/moratorium, and restructuring. The Fund may enter into credit default swaps as

either the seller of protection or the buyer of protection. As the seller of protection, the Fund is subject to investment exposure on the notional amount of the

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Notes to Financial Statements (Unaudited)

swap and has assumed the risk of default of the underlying security or index. As the buyer of protection, the Fund could be exposed to risks if the seller of the protection defaults on its obligation to perform, or if there are unfavorable changes in the fluctuation of interest rates. The maximum potential amount of future payments (undiscounted) that the Fund as the seller of protection could be required to make under the credit default swap contract would be an amount equal to the notional amount of the swap contract. The Fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

If the Fund is the seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will pay to the buyer of protection the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index. If the Fund is the buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will receive from the seller of protection the notional amount of the swap and deliver the referenced obligation or underlying securities comprising the referenced index.

Any premiums paid or received on the transactions are recorded as an asset or liability on the Statement of Assets and Liabilities and amortized. The value of the swap contract is marked-to-market daily based on quotations from an independent pricing service or market makers and any change in value is recorded as an unrealized gain or loss. Periodic payments made or received are recorded as realized gains or losses. In addition, payments received or made as a result of a credit event or termination of the contract are recognized as realized gains or losses.

Certain credit default swap contracts entered into by the Fund provide for conditions that result in events of default or termination that enable the counterparty to the agreement to cause an early termination of the transactions under those agreements. Any election by the counterparty to terminate early may impact the amounts reported on the financial statements.

**Security transactions and income recognition**

Securities transactions are recorded on a trade date basis. Realized gains or losses are reported on the basis of identified cost of securities delivered.

Interest income is accrued daily and bond discounts are accreted and premiums are amortized daily based on the effective interest method. To the extent debt obligations are placed on non-accrual status, any related interest income may be reduced by writing off interest receivables when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. If the issuer subsequently resumes interest payments or when the collectability of interest is reasonably assured, the debt obligation is removed from non-accrual status.

Dividend income is recognized on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the Fund is informed of the ex-dividend date. Dividend income from foreign securities is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

**Distributions to shareholders**

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

**Federal and other taxes**

The Fund intends to continue to qualify as a regulated investment company by distributing substantially all of its investment company taxable income and any net realized capital gains (after reduction for capital loss carryforwards) sufficient to relieve it from all, or substantially all, federal income taxes. Accordingly, no provision for federal income taxes was required.

The Fund's income and federal excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal and Delaware revenue authorities.

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As of October 31, 2010, the Fund had estimated net capital loss carryforwards, which are available to offset future net realized capital gains, in the amount of \$121,085,066 with \$31,633,593 expiring in 2016 and \$89,451,473 expiring in 2017.

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Notes to Financial Statements (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 33

Under the recently enacted *Regulated Investment Company Modernization Act of 2010*, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

**3. FAIR VALUATION MEASUREMENTS**

Fair value measurements of investments are determined within a framework that has established a fair value hierarchy based upon the various data inputs utilized in determining the value of the Fund's investments. The three-level hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Fund's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs are summarized into three broad levels as follows:

n Level 1 quoted prices in active markets for identical securities

n Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

n Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

As of April 30, 2011, the inputs used in valuing the Fund's assets, which are carried at fair value, were as follows:

|  | Significant                |   |                                  | Total                 |
|--|----------------------------|---|----------------------------------|-----------------------|
|  | Quoted Prices<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Unobservable Inputs<br>(Level 3) |                       |
| <b>Investments in Securities</b>             |                            |   |                                  |                       |
| <b>Equity securities</b>                     |                            |   |                                  |                       |
| Common stocks                                | \$ 1,179,199               | \$ 0  | \$ 0                             | \$ 1,179,199          |
| Preferred stocks                             | 0                          | 703,688   | 0                                | 703,688               |
| Investment companies                         | 1,007,484                  | 0   | 0                                | 1,007,484             |
| <b>Agency securities</b>                     | 0                          | 211,105,279   | 0                                | 211,105,279           |
| <b>Convertible debentures</b>                | 0                          | 1,126,394   | 0                                | 1,126,394             |
| <b>Corporate bonds and notes</b>             | 0                          | 371,847,562   | 5,828,845                        | 377,676,407           |
| <b>Foreign corporate bonds</b>               | 0                          | 92,874,994  | 0                                | 92,874,994            |
| <b>Foreign government bonds</b>              | 0                          | 130,935,233   | 0                                | 130,935,233           |
| <b>Non-agency mortgage backed securities</b> | 0                          | 11,185,566  | 1,837,602                        | 13,023,168            |
| <b>Term loans</b>                            | 0                          | 34,780,160  | 3,057,204                        | 37,837,364            |
| <b>Yankee corporate bonds and notes</b>      | 0                          | 47,079,360  | 191                              | 47,079,551            |
| <b>Short-term investments</b>                |                            |   |                                  |                       |
| Investment companies                         | 18,554,173                 | 0   | 0                                | 18,554,173            |
|  | <b>\$ 20,740,856</b>       | <b>\$ 901,638,236</b>                               | <b>\$ 10,723,842</b>             | <b>\$ 933,102,934</b> |

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Further details on the major security types listed above can be found in the Fund's Portfolio of Investments.

As of April 30, 2011, the inputs used in valuing the Fund's other financial instruments, which are carried at fair value, were as follows:

|   | Quoted Prices<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(Level 3) | Total          |
|---|----------------------------|---|---|----------------|
| <b>Other financial instruments</b>        |                            |   |   |                |
| <b>Forward foreign currency contracts</b> | \$ 0                       | \$ (3,616,900)                                      | \$ 0  | \$ (3,616,900) |

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Notes to Financial Statements (Unaudited)

Transfers in and transfers out are recognized at the end of the reporting period. For the six months ended April 30, 2011, the Fund did not have any significant transfers into/out of Level 1 and Level 2.

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

|  | Non-agency                      |                                   |                               | Yankee<br>corporate<br>bonds and<br>notes | Term loans   | Common<br>stock | Total         |
|--|---------------------------------|-----------------------------------|-------------------------------|---|--------------|-----------------|---------------|
|  | Corporate<br>bonds and<br>notes | mortgage-<br>backed<br>securities | Foreign<br>corporate<br>bonds |   |              |                 |               |
| <b>Balance as of October 31, 2010</b>  | \$ 5,753,667                    | \$ 0                              | \$ 560,823                    | \$ 191                                    | \$ 0         | \$ 0            | \$ 6,314,681  |
| Accrued discounts (premiums)   | 1,160                           | 0                                 | 0                             | 0   | 114          | 0               | 1,274         |
| Change in unrealized gains (losses)  | 74,003                          | 0                                 | 52,320                        | 0   | 5,825        | 0               | 132,148       |
| Purchases  | 0                               | 2,000,000                         | 0                             | 0   | 942,875      | 0               | 2,942,875     |
| Sales  | 0                               | (162,398)                         | 0                             | 0   | 0            | 0               | (162,398)     |
| Transfers into Level 3   | 15                              | 0                                 | 0                             | 0   | 2,108,390    | 0               | 2,108,405     |
| Transfers out of Level 3   | 0                               | 0                                 | (613,143)                     | 0   | 0            | 0               | (613,143)     |
| <b>Balance as of April 30, 2011</b>  | \$ 5,828,845                    | \$ 1,837,602                      | \$ 0                          | \$ 191                                    | \$ 3,057,204 | \$ 0            | \$ 10,723,842 |
| <b>Change in unrealized gains (losses) relating to securities still held at April 30, 2011</b> | \$ 74,003                       | \$ 0                              | \$ 0                          | \$ 0                                      | \$ 5,825     | \$ 0            | \$ 79,828     |

**4. TRANSACTIONS WITH AFFILIATES AND OTHER EXPENSES****Advisory fee**

Wells Fargo Funds Management, LLC ( Funds Management ), an indirect wholly owned subsidiary of Wells Fargo & Company ( Wells Fargo ) is the adviser to the Fund and is entitled to receive a fee at an annual rate of 0.55% of the Fund's average daily total assets. Total assets consist of net assets of the Fund plus borrowings or other leverage for investment purposes.

Funds Management may retain the services of certain sub-advisers to provide daily portfolio management to the Fund. The fees related to sub-advisory services are borne directly by the adviser and do not increase the overall fees paid by the Fund to the adviser. Wells Capital Management Incorporated ( Wells Capital Management ), an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo, is a sub-adviser to the Fund and is entitled to receive a fee by the adviser at an annual rate of 0.30% of the Fund's average daily total assets. First International Advisors, LLC ( FIA ), an affiliate of Funds Management and an indirect, wholly-owned subsidiary of Wells Fargo, is also a sub-adviser to the Fund and is entitled to receive a fee at an annual rate of 0.10% of the Fund's average daily total assets.

**Administration fee**

Funds Management also serves as the administrator to the Fund providing the Fund with facilities, equipment and personnel. Funds Management is entitled to receive an annual administration fee of 0.05% of the Fund's average daily total assets.

**5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized capital of 100,000,000 common shares with no par value. For the six months ended April 30, 2011 and the year ended October 31, 2010, the Fund did not issue any common shares.

The Fund no longer has any Auction Market Preferred Shares ( Preferred Shares ) outstanding.

**6. BORROWINGS AND LEVERAGE TRANSACTIONS**

The Fund borrowed \$130 million through a secured debt financing agreement administered by a major financial institution (the Facility) to redeem all of its Preferred Shares. The Facility has a commitment amount of \$130 million which expires on February 29, 2012, at which point it

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may be renegotiated and potentially renewed for another term. At April 30, 2011, the Fund had secured borrowings outstanding in the amount of \$130,077,982 (including accrued interest and liquidity and program fees payable).



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Notes to Financial Statements (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 35

The Fund's borrowings under the Facility are generally charged interest at a rate based on the rates of the commercial paper notes issued to fund the Fund's borrowings or at the London Interbank Offered Rate (LIBOR) plus 1.0%. During the six months ended April 30, 2011, an effective interest rate of 0.25% was incurred on the borrowings. Interest expense of \$166,229, representing 0.05% of the Fund's average daily net assets (on an annualized basis), was incurred during the six months ended April 30, 2011.

The Fund has pledged all of its assets to secure the borrowings and currently pays, on a monthly basis, a liquidity fee at an annual rate of 0.50% of the daily average outstanding principal amount of borrowings and a program fee at an annual rate of 0.50% of the product of (i) the daily average outstanding principal amount of borrowings and (ii) 1.02. Prior to April 26, 2011, both the liquidity fee and program fee were charged at an annual rate of 0.60%. The secured borrowing fees on the Statement of Operations of \$900,266 represents liquidity fees and program fees.

During the six months ended April 30, 2011, the Fund entered into reverse repurchase agreements that had an average daily balance outstanding of \$100,193,781 with an effective annual interest rate of 0.34% and paid interest of \$169,711, representing 0.05% of the Fund's average daily net assets (on an annualized basis). The maximum amount outstanding under reverse repurchase agreements during the six months ended April 30, 2011 was \$100,365,125 (including accrued interest). At April 30, 2011, reverse repurchase agreements outstanding were as follows:

| Repurchase Amount | Counterparty   | Interest Rate | Maturity Date |
|-------------------|----------------|---------------|---------------|
| \$ 33,191,511     | Credit Suisse  | 0.32%         | 5/18/2011     |
| 33,826,810        | Goldman Sachs  | 0.33%         | 5/18/2011     |
| 33,147,804        | Morgan Stanley | 0.32%         | 5/18/2011     |

**7. INVESTMENT PORTFOLIO TRANSACTIONS**

Purchases and sales of investments, exclusive of short-term securities (securities with maturities of one year or less at purchase date) for the six months ended April 30, 2011, were as follows:

|                            | Purchases at Cost | Sales Proceeds |
|----------------------------|-------------------|----------------|
| <b>U.S. Government</b>     | \$ 17,631,934     | \$ 0           |
| <b>Non-U.S. Government</b> | 222,385,660       | 213,955,858    |

As of April 30, 2011, the Fund had unfunded loan commitments of \$627,562.

**8. DERIVATIVE TRANSACTIONS**

During the six month ended April 30, 2011, the Fund entered into forward foreign currency contracts for hedging purposes.

At April 30, 2011, the Fund had forward foreign currency contracts outstanding as follows:

Forward Foreign Currency Contracts to Buy:

| Exchange Date | Counterparty      | Contracts to Receive | U.S. Value at April 30, 2011 | In Exchange for U.S. \$ | Net Unrealized Gains (Losses) |
|---------------|-------------------|----------------------|------------------------------|-------------------------|-------------------------------|
| 05/24/2011    | State Street Bank | 1,251,428,000 HUF    | \$ 7,000,681                 | \$ 6,790,684            | \$ 209,997                    |
| 05/24/2011    | State Street Bank | 400,000ZAR           | 60,761                       | 59,277                  | 1,484                         |
| 05/31/2011    | State Street Bank | 1,770,000,000 JPY    | 21,823,171                   | 21,567,218              | 255,953                       |
| 05/31/2011    | State Street Bank | 95,000,000 JPY       | 1,171,300                    | 1,121,897               | 49,403                        |
| 06/01/2011    | State Street Bank | 8,330,000 EUR        | 12,328,161                   | 11,582,948              | 745,213                       |

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| Exchange Date | Counterparty      | Contracts to Receive | U.S. Value at  |                 | U.S. Value at  |                               |
|---------------|-------------------|----------------------|----------------|-----------------|----------------|-------------------------------|
|               |                   |                      | April 30, 2011 | In Exchange for | April 30, 2011 | Net Unrealized Gains (Losses) |
| 05/2/2011     | State Street Bank | 850,000 CAD          | \$ 898,378     | 71,978,000 JPY  | \$ 887,358     | \$ 11,020                     |
| 05/2/2011     | State Street Bank | 9,000,000 CAD        | 9,512,234      | 759,924,000 JPY | 9,368,477      | 143,757                       |

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Notes to Financial Statements (Unaudited)

| Exchange Date | Counterparty      | Contracts to Receive | CAD | U.S. Value at  |                 | JPY | U.S. Value at  |                | Net Unrealized Gains (Losses) |
|---------------|-------------------|----------------------|-----|----------------|-----------------|-----|----------------|----------------|-------------------------------|
|               |                   |                      |     | April 30, 2011 | In Exchange for |     | April 30, 2011 | April 30, 2011 |                               |
| 05/2/2011     | State Street Bank | 2,300,000            | CAD | \$ 2,430,904   | 195,649,500     | JPY | \$ 2,412,001   | \$ 18,903      |                               |
| 05/2/2011     | State Street Bank | 1,908,012,675        | JPY | 23,522,316     | 23,025,000      | CAD | 24,335,464     | (813,148)      |                               |
| 05/18/2011    | State Street Bank | 505,791,720          | JPY | 6,235,805      | 17,640,000      | PLN | 6,636,144      | (400,339)      |                               |
| 05/25/2011    | State Street Bank | 1,630,000            | AUD | 1,781,697      | 144,830,390     | JPY | 1,785,638      | (3,941)        |                               |
| 05/25/2011    | State Street Bank | 4,400,000            | AUD | 4,809,489      | 386,669,800     | JPY | 4,767,315      | 42,174         |                               |
| 05/25/2011    | State Street Bank | 835,635,000          | JPY | 10,302,681     | 10,200,000      | AUD | 11,149,270     | (846,589)      |                               |
| 05/25/2011    | State Street Bank | 1,082,396,000        | JPY | 13,345,037     | 13,330,000      | AUD | 14,570,565     | (1,225,528)    |                               |
| 06/1/2011     | State Street Bank | 736,160              | GBP | 1,229,213      | 98,200,000      | JPY | 1,210,760      | 18,453         |                               |
| 06/1/2011     | State Street Bank | 310,000,000          | JPY | 3,822,153      | 2,359,298       | GBP | 3,939,472      | (117,319)      |                               |
| 06/1/2011     | State Street Bank | 388,940,500          | JPY | 4,795,453      | 3,250,000       | EUR | 4,809,907      | (14,454)       |                               |
| 06/21/2011    | State Street Bank | 5,730,000            | GBP | 9,565,224      | 767,665,290     | JPY | 9,465,909      | 99,315         |                               |
| 07/13/2011    | State Street Bank | 950,665,500          | JPY | 11,723,901     | 14,450,000      | NZD | 11,637,897     | 86,004         |                               |
| 08/2/2011     | State Street Bank | 933,836,250          | JPY | 11,517,812     | 10,875,000      | CAD | 11,468,615     | 49,197         |                               |

Forward Foreign Currency Contracts to Sell:

| Exchange Date | Counterparty      | Contracts to Deliver | DKK | U.S. Value at  |                | HUF | In Exchange for U.S. \$ | Net Unrealized Gains (Losses) |
|---------------|-------------------|----------------------|-----|----------------|----------------|-----|-------------------------|-------------------------------|
|               |                   |                      |     | April 30, 2011 | April 30, 2011 |     |                         |                               |
| 05/18/2011    | State Street Bank | 62,100,000           | DKK | \$ 12,329,790  | \$ 11,586,686  | HUF | \$ (743,104)            |                               |
| 05/24/2011    | State Street Bank | 302,890,000          | HUF | 1,694,413      | 1,508,266      | HUF | (186,147)               |                               |
| 05/24/2011    | State Street Bank | 313,180,000          | HUF | 1,751,977      | 1,585,079      | HUF | (166,898)               |                               |
| 05/24/2011    | State Street Bank | 635,358,000          | HUF | 3,554,291      | 3,168,236      | HUF | (386,055)               |                               |
| 05/24/2011    | State Street Bank | 14,615,000           | ZAR | 2,220,051      | 2,079,598      | ZAR | (140,453)               |                               |
| 05/24/2011    | State Street Bank | 16,060,000           | ZAR | 2,439,550      | 2,221,454      | ZAR | (218,096)               |                               |
| 06/1/2011     | State Street Bank | 4,517,454            | EUR | 6,685,702      | 6,600,000      | EUR | (85,702)                |                               |

The Fund had average market values of \$123,970,446 and \$19,889,825 in forward foreign currency contracts to buy and forward foreign currency contracts to sell, respectively, during the six months ended April 30, 2011.

The fair value, realized gains or losses and change in unrealized gains or losses on derivative instruments are reflected in the appropriate financial statements.

**9. INDEMNIFICATION**

Under the Fund's organizational documents, the officers and directors are indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

**10. SUBSEQUENT DISTRIBUTIONS**

The Fund declared the following distributions to common shareholders:

| Declaration Date | Record Date   | Payable Date   | Net Investment Income |
|------------------|---------------|----------------|-----------------------|
| April 22, 2011   | May 16, 2011  | June 1, 2011   | \$ 0.1000             |
| May 18, 2011     | June 15, 2011 | July 1, 2011   | \$ 0.1000             |
| June 17, 2011    | July 13, 2011 | August 1, 2011 | \$ 0.1000             |

These distributions are not reflected in the accompanying financial statements.

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Other Information (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 37

**ANNUAL MEETING OF SHAREHOLDERS**

On February 14, 2011, an Annual Meeting of Shareholders for the Fund was held to consider the following proposal. The results of the proposal are indicated below.

**Proposal 1** Election of Trustees:

|                           |                    |                |
|---------------------------|--------------------|----------------|
| Net Assets Voted For      | Isaiah Harris, Jr. | \$ 616,271,217 |
| Net Assets Voted Withheld |                    | \$ 13,192,724  |
| Net Assets Voted For      | David F. Larcker   | \$ 617,146,473 |
| Net Assets Voted Withheld |                    | \$ 12,317,468  |
| Net Assets Voted For      | Olivia S. Mitchell | \$ 617,191,181 |
| Net Assets Voted Withheld |                    | \$ 12,272,760  |

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Other Information (Unaudited)

**PROXY VOTING INFORMATION**

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling 1-800-222-8222, visiting our Web site at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds), or visiting the SEC Web site at [www.sec.gov](http://www.sec.gov). Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Funds' Web site at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds) or by visiting the SEC Web site at [www.sec.gov](http://www.sec.gov).

**PORTFOLIO HOLDINGS INFORMATION**

The complete portfolio holdings for the Fund are publicly available on the Fund's Web site ([www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds)) on a monthly, 30-day or more delayed basis. In addition, top ten holdings information for the Fund is publicly available on the Fund's Web site on a monthly, seven-day or more delayed basis. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available without charge by visiting the SEC Web site at [www.sec.gov](http://www.sec.gov). In addition, the Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and at regional offices in New York City, at 233 Broadway, and in Chicago, at 175 West Jackson Boulevard, Suite 900. Information about the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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Other Information (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 39

**BOARD OF TRUSTEES**

The following table provides basic information about the Board of Trustees (the Trustees) and Officers of the Fund. Each of the Trustees and Officers listed below acts in identical capacities for the Wells Fargo Advantage family of funds, which consists of 152 funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the Fund Complex). All of the Trustees are also Members of the Audit and Governance Committees of each Trust in the Fund Complex. The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

**Independent Trustees**

| Name and<br>Year of Birth         | Position Held and<br>Length of Service       | Principal Occupations During Past Five Years  | Other Directorships<br>During Past Five Years   |
|-----------------------------------|--|---|---|
| Peter G. Gordon<br>(Born 1942)    | Trustee, since 2010;<br>Chairman, since 2010 | Co-Founder, Chairman, President and CEO of Crystal Geysler Water Company. Trustee Emeritus, Colby College   | Asset Allocation Trust  |
| Isaiah Harris, Jr.<br>(Born 1952) | Trustee, since 2010                          | Retired. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Mr. Harris is a certified public accountant.         | CIGNA Corporation;<br>Deluxe Corporation;<br>Asset Allocation Trust   |
| Judith M. Johnson<br>(Born 1949)  | Trustee, since 2010                          | Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.   | Asset Allocation Trust  |
| Leroy Keith, Jr.<br>(Born 1939)   | Trustee, since 2004                          | Chairman, Bloc Global Services (development and construction), Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, In c. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services.  | Trustee, Virtus Fund Complex (consisting of 45 portfolios as of 12/31/10); Director, Diversapack Co. (packaging company);<br>Asset Allocation Trust<br>Asset Allocation Trust |
| David F. Larcker<br>(Born 1950)   | Trustee, since 2010                          | James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of Corporate Governance Research Program and Co-Director of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005. | Asset Allocation Trust  |
| Olivia S. Mitchell<br>(Born 1953) | Trustee, since 2010                          | International Foundation of Employee Benefit Plans Professor and Chair of the Department of Insurance and Risk Management, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993.                               | Asset Allocation Trust  |

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40 Wells Fargo Advantage Multi-Sector Income Fund Other Information (Unaudited)

| Name and Position Held and         |                     |   | Other Directorships    |
|------------------------------------|---------------------|---|------------------------|
| Year of Birth                      | Length of Service   | Principal Occupations During Past Five Years  | During Past Five Years |
| Timothy J. Penny<br>(Born 1951)    | Trustee, since 2010 | President and CEO of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, In c., a non-profit organization, since 2007.  | Asset Allocation Trust |
| Michael S. Scofield<br>(Born 1943) | Trustee, since 2004 | Currently serves on the Investment Company Institute's Board of Governors and Executive Committee as well the Independent Director's Counsel Board of Governors and Executive Committee. Former Chairman of the Independent Directors Counsel. Trustee of the Evergreen Funds from 1984 to 2010. Retired Attorney, Law Offices of Michael S. Scofield and former Director and Chairman, Branded Media Corporation (multi-media branding company). | Asset Allocation Trust |
| Donald C. Willeke<br>(Born 1940)   | Trustee, since 2010 | Principal of the law firm of Willeke & Daniels. General Counsel of the Minneapolis Employees Retirement Fund from 1984 until its consolidation into the Minnesota Public Employees Retirement Association on June 30, 2010.   | Asset Allocation Trust |

**Officers**

| Name and                        |  |  |
|---------------------------------|--|--|
| Year of Birth                   | Position Held and Length of Service                    | Principal Occupations During Past Five Years   |
| Karla M. Rabusch<br>(Born 1959) | President, since 2010                                  | Executive Vice President of Wells Fargo Bank, N.A. and President of Wells Fargo Funds Management, LLC since 2003. Senior Vice President and Chief Administrative Officer of Wells Fargo Funds Management, LLC from 2001 to 2003. Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Vice President and Managing Counsel of Wells Fargo Bank, N.A. since 1996.                          |
| C. David Messman<br>(Born 1960) | Secretary, since 2010; Chief Legal Counsel, since 2010 |  |
| Kasey Phillips<br>(Born 1970)   | Treasurer, since 2005                                  | Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2006 to 2010. Treasurer of the Evergreen Funds from 2005 to 2010. Vice President and Assistant Vice President of Evergreen Investment Services, Inc. from 1999 to 2006.  |
| David Berardi<br>(Born 1975)    | Assistant Treasurer, since 2009                        | Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Assistant Vice President of Evergreen Investment Services, Inc. from 2004 to 2008. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.   |
| Jeremy DePalma<br>(Born 1974)   | Assistant Treasurer, since 2005                        | Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Vice President, Evergreen Investment Services, Inc. from 2004 to 2007. Assistant Vice President, Evergreen Investment Services, Inc. from 2000 to 2004 and the head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010. |
| Debra Ann Early<br>(Born 1964)  | Chief Compliance Officer, since 2010                   | Chief Compliance Officer of Wells Fargo Funds Management, LLC since 2007. Chief Compliance Officer of Parnassus Investments from 2005 to 2007. Chief Financial Officer of Parnassus Investments from 2004 to 2007 and Senior Audit Manager of PricewaterhouseCoopers LLP from 1998 to 2004.  |

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Other Information (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 41

**BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:****Multi-Sector Income Fund**

Each year, as required by Section 15 of the Investment Company Act of 1940 (the 1940 Act ), the Board of Trustees (the Board ) of Wells Fargo Advantage Multi-Sector Income Fund (the Fund ), all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not interested persons of the Trust, as defined in the 1940 Act (the Independent Trustees ), determines whether to approve the continuation of the Trust's investment advisory and sub-advisory agreements. In this regard, at an in person meeting held on March 24-25, 2011 (the Meeting ), the Board reviewed and re-approved each of: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC ( Funds Management ), (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated ( Wells Capital Management ) and (iii) an investment sub-advisory agreement with First International Advisors, LLC ( FIA ) for the Fund. The investment advisory agreement with Funds Management and the investment sub-advisory agreements with Wells Capital Management and FIA (the Sub-Advisers ) are collectively referred to as the Advisory Agreements.

At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of Funds Management and the Sub-Advisers and continuation of the Advisory Agreements. Prior to the Meeting, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. The Board also met throughout the year and received information that was useful to them in considering the continuation of the Advisory Agreements. The Independent Trustees were assisted in their evaluation of the Advisory Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately from Funds Management.

**Nature, extent and quality of services**

The Board received and considered various information regarding the nature, extent and quality of services provided to the Fund by Funds Management and the Sub-Advisers under the Advisory Agreements. The Board also received and considered information provided in response to a detailed set of requests submitted by the Independent Trustees' independent legal counsel on their behalf. The Board received and considered, among other things, information about the background and experience of senior management of Funds Management, and the qualifications, backgrounds, tenures and responsibilities of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

The Board evaluated the ability of Funds Management and the Sub-Advisers, based on their respective financial condition, resources, reputation and other attributes, to attract and retain qualified investment professionals, including research, advisory, and supervisory personnel. The Board further considered the compliance programs and compliance records of Funds Management and the Sub-Advisers. In addition, the Board took into account the administrative services provided to the Fund by Funds Management and its affiliates.

The Board's decision to approve the continuation of the Advisory Agreements was based on a comprehensive evaluation of all of the information provided to it. In approving the continuation of the Advisory Agreements, the Board did not identify any particular information or consideration that was all-important or controlling, and each Trustee attributed different weights to various factors. The Board evaluated information provided to it both in terms of the funds generally and with respect to the Fund, specifically as it considered appropriate. Although the Board considered the continuation of the Advisory Agreements for the Fund as part of the larger process of considering the continuation of the advisory agreements for all of the funds, its decision to continue the Advisory Agreements for the Fund was ultimately made on a fund-by-fund basis.

In considering these matters, the Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with Funds Management and the Sub-Advisers about various topics, including Funds Management's oversight of service providers. The above factors, together with those referenced below, are some of the most important, but not necessarily all, factors considered by the Board in concluding that it was satisfied with the nature, extent and quality of the investment advisory services provided to the Fund by Funds Management and the Sub-Advisers.



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42 Wells Fargo Advantage Multi-Sector Income Fund

Other Information (Unaudited)

**Fund performance and expenses**

The Board considered the performance results for the Fund over various time periods ended December 31, 2010. The Board also considered these results in comparison to the median performance of a universe of relevant funds (the Universe) that was determined by Lipper Inc. (Lipper) to be similar to the Fund, and in comparison to the Fund's benchmark index and to other comparative data. Lipper is an independent provider of investment company data. The Board received a description of the methodology used by Lipper to select the mutual funds in the Universe.

The Board noted that the performance of the Fund was higher than or in range of the median performance of the Universe for one- and five-year periods under review. The Board also noted that the performance of the Fund was lower than the median performance of the Universe for the three-year period under review. The Board received an analysis of, and discussed factors contributing to, the performance of the Fund relative to the Universe. The Board noted that the Fund's performance was in range of its benchmark for the fourth quarter of 2010. The Board also noted the change in the investment management team that was responsible for managing a portion of the Fund's portfolio that had occurred earlier during the year. The Board was satisfied that the Fund's investment performance was being appropriately monitored and that Funds Management and the Sub-Advisers were taking appropriate actions with respect to the Fund's investment performance and requested continued reports on the performance of the Fund.

The Board received and considered information regarding the Fund's contractual advisory fee and net operating expense ratios and their various components, including actual management fees (which reflect fee waivers, if any), transfer agent, custodian and other non-management fees. The Board also considered these ratios in comparison to the median ratios of an expense Universe and a narrower expense group of mutual funds (each, an Expense Group) that was determined by Lipper to be similar to the Fund. The Board received a description of the methodology used by Lipper to select the mutual funds in the Fund's Expense Group. The Board noted that the net operating expense ratio of the Fund was lower than the Fund's Expense Group's median net operating expense ratio.

Based on the above-referenced considerations and other factors, the Board concluded that the overall performance and expense structure of the Fund supported the re-approval of the Advisory Agreements for the Fund.

**Investment advisory and sub-advisory fee rates**

The Board reviewed and considered the contractual investment advisory fee rate that is payable by the Fund to Funds Management for investment advisory services (the Advisory Agreement Rate), both on a stand-alone basis and on a combined basis with the Fund's administration fee rate. The Board took into account the separate administrative and other services covered by the administration fee rate. The Board also reviewed and considered the contractual investment sub-advisory fee rate that is payable by Funds Management to the Sub-Advisers for investment sub-advisory services (the Sub-Advisory Agreement Rates). In addition, the Board reviewed and considered the existing fee waiver/cap arrangements applicable to the Advisory Agreement Rate and considered the Advisory Agreement Rate after taking the waivers/caps into account (the Net Advisory Rate).

The Board received and considered information comparing the Advisory Agreement Rate and Net Advisory Rate with those of other funds in the Fund's Expense Group median. The Board noted that the Advisory Agreement Rate and Net Advisory Rate for the Fund were in range of the median rates for the Fund's Expense Group.

The Board also received and considered information about the nature and extent of services offered and fee rates charged by Funds Management and the Sub-Advisers to other types of clients. In this regard, the Board received information about differences between the services, and the compliance, reporting, and other legal burdens and risks of providing investment advice to mutual funds and those associated with providing advice to non-mutual fund clients such as collective funds or institutional separate accounts.

The Board determined that the Advisory Agreement Rate for the Fund, both with and without an administration fee rate and before and after waivers, were acceptable in light of the Fund's Expense Group information, the net expense ratio commitments, the services covered by the Advisory Agreements and other information provided. The Board also reviewed and considered the Sub-Advisory Agreement Rates and concluded that the Sub-Advisory Agreement Rates were acceptable in light of the services covered by the Sub-Advisory Agreements and other information provided.

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Other Information (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 43

**Profitability**

The Board received and considered a profitability analysis of Funds Management, as well as an analysis of the profitability to the collective Wells Fargo businesses that provide services to the Fund. It considered that the information provided to it was necessarily estimated, and that the profitability information provided to it, especially on a fund-by-fund basis, did not necessarily provide a precise tool for evaluating the appropriateness of the Fund's Advisory Agreement Rates in isolation. It noted that the levels of profitability of the Fund to Funds Management varied widely, depending on, among other things, the size and type of fund. The Board concluded that the profitability to Funds Management of the services provided to any of the Fund, individually or in the aggregate, was not unreasonable.

The Board did not consider separate profitability information with respect to Wells Capital Management and FIA, because, as affiliates of Funds Management, their profitability information was subsumed in the collective Wells Fargo profitability analysis provided by Funds Management.

**Economies of scale**

The Board considered that, in light of the fact that the Fund was not making a continuous offering of its shares, the likelihood of economies of scale following the Fund's initial offering was relatively low, although they determined to continue to monitor the Fund's expense ratio and the profitability of the investment advisory agreement to Funds Management in light of future growth of the Fund.

**Other benefits to Funds Management and the Sub-Advisers**

The Board received and considered information regarding potential fall-out or ancillary benefits received by Funds Management and its affiliates and the Sub-Advisers as a result of their relationship with the Fund. Ancillary benefits could include, among others, benefits directly attributable to the relationship of Funds Management and the Sub-Advisers with the Fund and benefits potentially derived from an increase in Funds Management's and each Sub-Adviser's business as a result of their relationship with the Fund (such as the ability to market to shareholders other financial products offered by Funds Management and its affiliates or the Sub-Advisers and their affiliates).

**Other factors and broader review**

The Board also considered the markets for distribution of the Fund's shares, including the multiple channels through which the Fund's shares are offered and sold. The Board noted that the Fund is part of one of the few fund families that have both direct-to-fund and intermediary distribution channels. As discussed above, the Board reviews detailed materials received from Funds Management and the Sub-Advisers annually as part of the re-approval process under Section 15 of the 1940 Act and also reviews and assesses information about the quality of the services that the Fund receives throughout the year. In this regard, the Board has reviewed reports of Funds Management at each of its quarterly meetings, which include, among other things, portfolio reviews and performance reports. In addition, the Board confers with portfolio managers at various times throughout the year.

**Conclusion**

After considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board concluded that approval of the continuation of the Advisory Agreements for the Fund was in the best interest of the Fund and its shareholders. Accordingly, the Board unanimously approved the continuation of the Advisory Agreements for an additional one-year period.

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44 Wells Fargo Advantage Multi-Sector Income Fund

Automatic Dividend Reinvestment Plan (Unaudited)

**AUTOMATIC DIVIDEND REINVESTMENT PLAN**

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan ( the Plan ). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by Computershare Trust Company, N.A., as agent for shareholders in administering the Plan ( Plan Agent ), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as dividends ) payable either in shares or in cash, nonparticipating the Plan will receive cash, and participants in the Plan will receive the equivalent in shares of common shares. The shares are acquired by the Plan Agent for the participant s account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund ( newly issued common shares ) or (ii) by purchase of outstanding common shares on the open-market (open-market purchases) on the NYSE Amex or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions ( market premium ), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant s account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value or market premium ( market discount ), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at P.O. Box 43010, Providence, Rhode Island 02940-3010 or by calling 1-800-730-6001.

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## List of Abbreviations

Wells Fargo Advantage Multi-Sector Income Fund 45

The following is a list of common abbreviations for terms and entities which may have appeared in this report.

|         |  |
|---------|--|
| ABAG    | Association of Bay Area Governments                                |
| ACB     | Agricultural Credit Bank   |
| ADR     | American Depositary Receipt  |
| ADS     | American Depositary Shares   |
| AGC-ICC | Assured Guaranty Corporation - Insured Custody Certificates        |
| AGM     | Assured Guaranty Municipal   |
| AMBAC   | American Municipal Bond Assurance Corporation                      |
| AMT     | Alternative Minimum Tax  |
| ARM     | Adjustable Rate Mortgage   |
| AUD     | Australian Dollar  |
| BAN     | Bond Anticipation Notes  |
| BART    | Bay Area Rapid Transit   |
| BHAC    | Berkshire Hathaway Assurance Corporation                           |
| BRL     | Brazil Real  |
| CAD     | Canadian Dollar  |
| CDA     | Community Development Authority                                    |
| CDO     | Collateralized Debt Obligation                                     |
| CDSC    | Contingent Deferred Sales Charge                                   |
| CGIC    | Capital Guaranty Insurance Company                                 |
| CGY     | Capital Guaranty Corporation                                       |
| CHF     | Swiss Franc  |
| CIFG    | CDC (Caisse des Dépôts et Consignations) IX IS Financial Guarantee |
| COP     | Certificate of Participation                                       |
| CP      | Commercial Paper   |
| CR      | Custody Receipts   |
| CTF     | Common Trust Fund  |
| DEM     | Deutsche Mark  |
| DKK     | Danish Krone   |
| DRIVER  | Derivative Inverse Tax-Exempt Receipts                             |
| DW&P    | Department of Water & Power  |
| DWR     | Department of Water Resources                                      |
| ECFA    | Educational & Cultural Facilities Authority                        |
| EDFA    | Economic Development Finance Authority                             |
| ETET    | Eagle Tax-Exempt Trust   |
| ETF     | Exchange-Traded Fund   |
| EUR     | Euro   |
| FFCB    | Federal Farm Credit Bank   |
| FGIC    | Financial Guaranty Insurance Corporation                           |
| FHA     | Federal Housing Authority  |
| FHAG    | Federal Housing Agency   |
| FHLB    | Federal Home Loan Bank   |
| FHLMC   | Federal Home Loan Mortgage Corporation                             |
| FNMA    | Federal National Mortgage Association                              |
| FRF     | French Franc   |
| FSA     | Farm Service Agency  |
| GBP     | Great British Pound  |
| GDR     | Global Depositary Receipt  |
| GNMA    | Government National Mortgage Association                           |
| GO      | General Obligation   |
| HCFR    | Healthcare Facilities Revenue                                      |
| HEFA    | Health & Educational Facilities Authority                          |
| HEFAR   | Higher Education Facilities Authority Revenue                      |
| HFA     | Housing Finance Authority  |
| HFFA    | Health Facilities Financing Authority                              |
| HKD     | Hong Kong Dollar   |
| HUD     | Housing & Urban Development  |
| HUF     | Hungarian Forint   |

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|         |   |
|---------|---|
| IDA     | Industrial Development Authority              |
| IDAG    | Industrial Development Agency                 |
| IDR     | Industrial Development Revenue                |
| IEP     | Irish Pound                                   |
| JPY     | Japanese Yen                                  |
| KRW     | Republic of Korea Won                         |
| LIBOR   | London Interbank Offered Rate                 |
| LLC     | Limited Liability Company                     |
| LLP     | Limited Liability Partnership                 |
| LOC     | Letter of Credit                              |
| LP      | Limited Partnership                           |
| MBIA    | Municipal Bond Insurance Association          |
| MFHR    | Multi-Family Housing Revenue                  |
| MFMR    | Multi-Family Mortgage Revenue                 |
| MMD     | Municipal Market Data                         |
| MSTR    | Municipal Securities Trust Receipts           |
| MTN     | Medium Term Note                              |
| MUD     | Municipal Utility District                    |
| MXN     | Mexican Peso                                  |
| MYR     | Malaysian Ringgit                             |
| NATL-RE | National Public Finance Guarantee Corporation |
| NLG     | Netherlands Guilder                           |
| NOK     | Norwegian Krone                               |
| NZD     | New Zealand Dollar                            |
| PCFA    | Pollution Control Finance Authority           |
| PCR     | Pollution Control Revenue                     |
| PFA     | Public Finance Authority                      |
| PFFA    | Public Facilities Financing Authority         |
| PFOTER  | Puttable Floating Option Tax-Exempt Receipts  |
| plc     | Public Limited Company                        |
| PLN     | Polish Zloty                                  |
| PSFG    | Public School Fund Guaranty                   |
| PUTTER  | Puttable Tax-Exempt Receipts                  |
| R&D     | Research & Development                        |
| RDA     | Redevelopment Authority                       |
| RDFA    | Redevelopment Finance Authority               |
| REIT    | Real Estate Investment Trust                  |
| ROC     | Reset Option Certificates                     |
| SEK     | Swedish Krona                                 |
| SFHR    | Single Family Housing Revenue                 |
| SFMR    | Single Family Mortgage Revenue                |
| SGD     | Singapore Dollar                              |
| SKK     | Slovakian Koruna                              |
| SLMA    | Student Loan Marketing Association            |
| SPDR    | Standard & Poor's Depository Receipts         |
| STIT    | Short-Term Investment Trust                   |
| TAN     | Tax Anticipation Notes                        |
| TBA     | To Be Announced                               |
| TRAN    | Tax Revenue Anticipation Notes                |
| TCR     | Transferable Custody Receipts                 |
| TRY     | Turkish Lira                                  |
| TTFA    | Transportation Trust Fund Authority           |
| USD     | United States Dollar                          |
| XLCA    | XL Capital Assurance                          |
| ZAR     | South African Rand                            |

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Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

1-800-730-6001

Wells Fargo Funds Management, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries.

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[www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds)

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**ITEM 2. CODE OF ETHICS**

Not required in this filing

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

Not required in this filing.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Not required in this filing.

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS**

Not required in this filing.

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### **ITEM 6. SCHEDULE OF INVESTMENTS**

The Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this Form.

### **ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

Not applicable.

### **ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

Not applicable.

### **ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASES**

Not applicable.

### **ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Governance Committee (the Committee) of the Board of Trustees of the registrant (the Trust) has adopted procedures by which a shareholder of any series of the Trust may submit properly a nominee recommendation for the Committee's consideration.

The shareholder must submit any such recommendation (a Shareholder Recommendation) in writing to the Trust, to the attention of the Trust's Secretary, at the address of the principal executive offices of the Trust.

The Shareholder Recommendation must be delivered to, or mailed and received at, the principal executive offices of the Trust not less than forty-five (45) calendar days nor more than seventy-five (75) calendar days prior to the date of the Committee meeting at which the nominee would be considered.

The Shareholder Recommendation must include: (i) a statement in writing setting forth (A) the name, age, date of birth, business address, residence address and nationality of the person recommended by the shareholder (the candidate); (B) the series (and, if applicable, class) and number of all shares of the Trust owned of record or beneficially by the candidate, as reported to such shareholder by the candidate; (C) any other information regarding the candidate called for with respect to director nominees by paragraphs (a), (d), (e) and (f) of Item 401 of Regulation S-K or paragraph (b) of Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934, as amended (the Exchange Act), adopted by the Securities and Exchange Commission (or the corresponding provisions of any regulation or rule subsequently adopted by the Securities and Exchange Commission or any successor agency applicable to the Trust); (D) any other information regarding the candidate that would be required to be disclosed if the candidate were a nominee in a proxy statement or other filing required to be made in connection with solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (E) whether the recommending shareholder believes that the candidate is or will be an interested person of the Trust (as defined in the Investment Company Act of 1940, as amended) and, if not an interested person, information regarding the candidate that will be sufficient for the Trust to make such determination; (ii) the written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected; (iii) the recommending shareholder's name as it appears on the Trust's books; (iv) the series (and, if applicable, class) and number of all shares of the Trust owned beneficially and of record by the recommending shareholder; and (v) a description of all arrangements or understandings between the recommending shareholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made by the recommending shareholder. In addition, the Committee may require the

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candidate to interview in person and furnish such other information as it may reasonably require or deem necessary to determine the eligibility of such candidate to serve as a Trustee of the Trust.

**ITEM 11. CONTROLS AND PROCEDURES**

(a) The President and Treasurer have concluded that the Wells Fargo Advantage Multi-Sector Income Fund (the Trust) disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) provide reasonable assurances that material information relating to the Trust is made known to them by the appropriate persons, based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.

(b) There were no significant changes in the Trust's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the second quarter of the period covered by this report that materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**ITEM 12. EXHIBITS**

(a)(1) Not required in this filing.

(a)(2) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is filed and attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) is filed and attached hereto as Exhibit 99.906CERT.

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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.

Wells Fargo Advantage Multi-Sector Income Fund

By: /s/ **KARLA M. RABUSCH**  
**Karla M. Rabusch**  
**President**

Date: June 28, 2011

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 date indicated.

By: /s/ **KARLA M. RABUSCH**  
**Karla M. Rabusch**  
**President**

Date: June 28, 2011

By: /s/ **KASEY L. PHILLIPS**  
**Kasey L. Phillips**  
**Treasurer**

Date: June 28, 2011