

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-CSR

January 02, 2015

[Table of Contents](#)

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**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: 800-222-8222**

**Date of fiscal year end: October 31**

**Date of reporting period: October 31, 2014**

**Table of Contents**

**ITEM 1. REPORT TO STOCKHOLDERS**

**Table of Contents**

**Wells Fargo Advantage**

**Multi-Sector Income Fund**

**Annual Report**

October 31, 2014

**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.

**Table of Contents***Reduce clutter. Save trees.*Sign up for electronic delivery of prospectuses and shareholder reports at [wellsfargo.com/advantagedelivery](http://wellsfargo.com/advantagedelivery)

## Contents

|   |    |
|---|----|
| <b><u>Letter to shareholders</u></b>                                  | 2  |
| <b><u>Performance highlights</u></b>                                  | 6  |
| <b><u>Summary portfolio of investments</u></b>                        | 10 |
| <b><u>Financial statements</u></b>                                    |    |
| <b><u>Statement of assets and liabilities</u></b>                     | 20 |
| <b><u>Statement of operations</u></b>                                 | 21 |
| <b><u>Statement of changes in net assets</u></b>                      | 22 |
| <b><u>Statement of cash flows</u></b>                                 | 23 |
| <b><u>Financial highlights</u></b>                                    | 24 |
| <b><u>Notes to financial statements</u></b>                           | 25 |
| <b><u>Report of independent registered public accounting firm</u></b> | 32 |
| <b><u>Other information</u></b>                                       | 33 |
| <b><u>Automatic dividend reinvestment plan</u></b>                    | 39 |
| <b><u>List of abbreviations</u></b>                                   | 40 |

The views expressed and any forward-looking statements are as of October 31, 2014, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Advantage Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements; the views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

**NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE**

**Table of Contents**

2 Wells Fargo Advantage Multi-Sector Income Fund

Letter to shareholders (unaudited)

**Karla M. Rabusch**

President

Wells Fargo Advantage Funds

**The U.S. investment-grade corporate bond, mortgage-backed securities (MBS), and high-yield bond markets delivered positive performance overall for this 12-month period.**

**Dear Valued Shareholder:**

We are pleased to offer you this annual report for the *Wells Fargo Advantage Multi-Sector Income Fund* for the 12-month period that ended October 31, 2014. The U.S. investment-grade corporate bond, mortgage-backed securities (MBS), and high-yield bond markets delivered positive performance overall for this 12-month period.

**In the fourth quarter of 2013, bond markets rallied following the tapering announcement.**

As the reporting period began, investors were waiting to hear when the U.S. Federal Reserve (Fed) would begin tapering its bond purchases. This question finally was answered in December 2013 when the Fed announced that it would start reducing its bond purchases by \$10 billion per month in January 2014. The news was well received by the markets, which ended 2013 on a positive note; equities performed strongly, credit spreads continued to tighten, and the dollar rallied.

**Despite heightened volatility, bond markets generally delivered positive results in the first quarter of 2014.**

Bond markets rallied further during the first quarter of 2014, as low growth and low inflation expectations appeared to drive yields lower and longer-term bond prices higher. Global high-yield and emerging markets debt sectors performed best. After a volatile January that saw yields and risk move higher in smaller economic regions, markets recovered in February and March, which drove some smaller bond markets to outperform the major bond markets over the entire quarter. Brazil, Italy, and Spain outperformed other countries, while Russia declined in value and South Africa and South Korea lagged the broader global markets. Currency markets were mixed; the Brazilian real appreciated, while the Russian ruble and Polish zloty depreciated. The Japanese yen appreciated during the quarter, halting its decline from previous quarters. The U.S. high-yield market rallied midquarter as investor confidence in lower-rated bonds improved following a brief period of spread-widening and U.S. Treasury rallies in mid-January

2014. High-yield bonds ultimately led U.S. fixed-income quarterly performance; investment-grade corporate bonds also delivered positive results.

**Bond markets displayed strength in the second quarter of 2014 although global events caused concern.**

Global high-yield and emerging markets debt sectors performed strongly during the second quarter of 2014; smaller bond markets generally outperformed the major markets. From a foreign-exchange perspective, the second quarter of 2014 was relatively quiet, with minimal movement among the world's largest currencies and volatility running close to record lows. In the U.S., Fed officials continued winding down their bond-buying program during the quarter, leaving it on pace to end in October 2014. They also revisited the question of when to begin raising short-term interest rates from near zero and released new projections showing rates rising more than previously expected in 2015 and 2016, but on a positive note they slightly reduced their projection for rates over the longer term. Bond markets took this news in stride, continuing their rally. But as the quarter progressed, concern over geopolitical events and a perceived weaker global market overall seemed to overpower investor optimism. Consequently, U.S. Treasuries rallied as investors sought safety, pulling investment-grade bond valuations higher, which resulted in a lower-rate

---

**Table of Contents**

Letter to shareholders (unaudited) Wells Fargo Advantage Multi-Sector Income Fund 3

environment than previously anticipated for mid-2014. Across the sectors within the Barclays U.S. Aggregate Bond Index<sup>1</sup>, corporate bonds outperformed the securitized sectors within the index, although MBS performed well while commercial mortgage-backed securities and asset-backed securities delivered positive returns. The U.S. high-yield bond market delivered strong quarterly results. Longer-duration high-yield bonds performed best. BB-rated bonds performed well because a number of higher-quality names in the BB-rated tier tend to have longer durations. However, BBB-rated bonds outperformed all other high-yield tiers.

**Non-Treasury bonds were challenged in the third quarter of 2014 as Treasuries rallied.**

The Fed maintained its tapering schedule throughout the third quarter. Although the Fed retained its view that interest rates will remain low for a considerable time, Fed Chair Janet Yellen made it clear that monetary policy is data dependent. The U.S. stock market experienced bouts of volatility during the quarter as investors reacted to interest-rate concerns at home and increased tensions abroad. Ultimately, U.S. stocks ended the third quarter up slightly, buoyed by positive economic data. In contrast to the U.S., many international economies continued to struggle. Globally, low interest rates largely due to accommodative monetary policies around the world and investors desire for less-risky investments led longer-duration bonds to continue their outperformance. The summer months brought a limited supply of new issues across most fixed-income asset classes, and geopolitical events kept concerned investors steadily focusing on fixed-income markets. U.S. Treasuries rallied as investors sought safety.

In the high-yield market, a months-long rally began weakening toward the end of June, likely driven by concern expressed by Fed Chair Janet Yellen that the leveraged financial markets might be overheating. Shortly after her comments, high-yield bond mutual funds experienced outflows for the first time in more than nine months; by the end of the third quarter, they had suffered nearly \$20 billion in net outflows. The high-yield market as measured by the Barclays U.S. Corporate High Yield Index<sup>2</sup>, had its worst quarterly performance (-1.87%) in three years and second-worst performance since the height of the financial crisis in the fourth quarter of 2008.

**Bond markets showed renewed strength as October 2014 progressed.**

The volatility in non-Treasury bond markets carried into October. A sharp shift away from riskier assets was driven, in our view, by a variety of investor concerns, such as slowing global growth particularly in Europe, disinflationary pressures resulting from falling oil prices, the end of the Fed's bond-purchase program in October 2014, and the spread of the Ebola virus. However, on the last day of October, the Bank of Japan unexpectedly announced an extension of its qualitative and quantitative easing programs. Investors responded positively to the news, which pushed bond markets into positive territory for the month.

1. The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. You cannot invest directly in an index.



2. The Barclays U.S. Corporate High Yield Index is an unmanaged, U.S. dollar-denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million. You cannot invest directly in an index.

**Table of Contents**

4 Wells Fargo Advantage Multi-Sector Income Fund

Letter to shareholders (unaudited)

**Periods of uncertainty can present challenges, but experience has taught us that maintaining long-term investment goals can be an effective way to plan for the future.**

**Don't let short-term uncertainty derail long-term investment goals.**

Periods of uncertainty can present challenges, but experience has taught us that maintaining long-term investment goals can be an effective way to plan for the future. Although diversification cannot guarantee an investment profit or prevent losses, we believe it can be an effective way to manage investment risk and potentially smooth out overall portfolio performance. We encourage investors to know their investments and to understand that appropriate levels of risk-taking may unlock opportunities.

Thank you for choosing to invest with *Wells Fargo Advantage Funds*. We appreciate your confidence in us and remain committed to helping you meet your financial needs. For current information about your fund investments, contact your investment professional, visit our website at [wellsfargoadvantagefunds.com](http://wellsfargoadvantagefunds.com), or call us directly at **1-800-222-8222**. We are available 24 hours a day, 7 days a week.

Sincerely,

Karla M. Rabusch

President

Wells Fargo Advantage Funds

**Table of Contents**

*This page is intentionally left blank.*

**Table of Contents**

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

Performance highlights (unaudited)

**Investment objective**

The Fund seeks a high level of current income consistent with limiting its overall exposure to domestic interest-rate risk.

**Adviser**

Wells Fargo Funds Management, LLC

**Subadvisers**

First International Advisors, LLC

Wells Capital Management Incorporated

**Portfolio managers**

Michael Bray, CFA

Christopher Y. Kauffman, CFA

Michael Lee

Niklas Nordenfelt, CFA

Anthony Norris

Alex Perrin

Janet S. Rilling, CFA, CPA

Phillip Susser

Christopher Wightman

Peter Wilson

**Average annual total returns<sup>1</sup> (%) as of October 31, 2014**

|  | 1 Year | 5 Year | 10 Year |
|--|--------|--------|---------|
| Based on market value                    | 6.55   | 9.15   | 7.05    |
| Based on net asset value (NAV) per share | 6.67   | 9.09   | 7.46    |

**Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on fund distributions or the sales of fund shares. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted, which assumes the reinvestment of dividends and capital gains. Performance figures of the Fund do not reflect brokerage commissions that a shareholder would pay on the purchase and sale of shares. If taxes and such brokerage commissions had been reflected, performance would have been lower. To obtain performance information current to the most recent month-end, please call 1-800-222-8222.**

The Fund's expense ratio for the year ended October 31, 2014 was 1.21%, which includes 0.07% of interest expense.

### Comparison of NAV vs. market value<sup>2</sup>

The Fund is leveraged through a secured debt borrowing facility and also may incur leverage by issuing preferred shares in the future. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market value of common shares. Foreign investments are especially volatile and can rise or fall dramatically due to differences in the political and economic conditions of the host country. These risks are generally intensified in emerging markets. Derivatives involve additional risks including interest rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments that they are designed to hedge or to closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the Fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes and their impact on the Fund and its share price can be sudden and unpredictable. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. This Fund is exposed to mortgage- and asset-backed securities risk.

1. Total returns based on market value are calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Total returns based on NAV are calculated based on the NAV at the beginning of the period and end of the period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan.
2. This chart does not reflect any brokerage commissions charged on the purchase and sale of the Fund's common stock. Dividends and distributions paid by the Fund have the effect of reducing the Fund's NAV.

**Table of Contents**

Performance highlights (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 7

**MANAGERS DISCUSSION**

The Fund's return based on market value was 6.55% during the 12 months that ended October 31, 2014. During the same period, the Fund's return based on net asset value was 6.67%.

**Overview**

The Fund contains the following sleeves: mortgage/corporate bonds, high-yield bonds, and international/emerging markets bonds.

U.S. investment-grade corporate bonds and structured products outperformed U.S. Treasuries during the one-year period that ended October 31, 2014. The mortgage/corporate sleeve of the Fund continued to invest in commercial mortgage-backed securities (CMBS), non-agency residential mortgage-backed securities (RMBS), and corporate bonds. The lower-rated segments of these sectors tended to aid performance the most during the period.

High-yield bond performance was aided by rising stock prices, increasing prices for long-term U.S. Treasuries, and relatively low volatility during the reporting period. However, these positive effects were partially offset by a decline in commodity prices and higher yields for intermediate-term Treasuries. The rise in Treasuries' interest rates that began in the summer of 2013 has subsided, and since the end of 2013, interest rates for long-term Treasuries have consistently declined with a few small pullbacks. We believe the resulting environment provided a strong backdrop for long-duration high-yield bonds in particular.

Within the international/emerging markets sleeve, emerging markets bonds and currency markets diverged from one another in terms of their respective performance over the reporting period; gains in emerging markets bonds contrasted with losses in currency markets versus the U.S. dollar. We found it striking that such a large portion of overall emerging markets currency losses during the period was due to results in just two months: January 2014 and September 2014. Emerging markets bonds were well supported by below-trend growth; moderating inflation aided by lower commodity prices and continued investor interest also played roles. In Russia, we reduced the Fund's allocation to both bonds and currency in March 2014 due to the escalating tension between Russia and Ukraine. We increased the Fund's exposure to the U.S. dollar at the expense of Eastern European currencies and maintained significant exposure to Asian currencies.

**Ten largest holdings<sup>3</sup> (%) as of October 31, 2014**

|  |      |
|--|------|
| Brazil, 10.00%, 1-1-2017                                   | 2.60 |
| Poland, 3.25%, 7-25-2025                                   | 2.33 |
| Texas Competitive Electric Holdings LLC, 4.65%, 10-10-2015 | 2.15 |
| Sprint Capital Corporation, 6.88%, 11-15-2028              | 1.96 |
| Republic of South Africa, 8.00%, 12-21-2018                | 1.40 |
| Columbia, 7.00%, 5-4-2022                                  | 1.38 |
| Thailand, 3.25%, 6-16-2017                                 | 1.28 |
| Dell Incorporated, 4.50%, 4-29-2020                        | 1.24 |
| Turkey, 8.20%, 7-13-2016                                   | 1.19 |
| Greektown Holdings LLC, 8.88%, 3-15-2019                   | 1.10 |

### **Positive contributors to performance**

The mortgage/corporate credit sleeve's focus on A-rated and BBB-rated credits added value because lower-rated credits outperformed higher-rated credits during the period. The Fund's holdings in corporate bonds, CMBS, and RMBS broadly added value, as credit spreads tightened over the first three quarters of the period in addition to providing a yield advantage over similarly maturing Treasuries.

The performance of the high-yield market during the reporting period generally was positive, with the

exception of five sectors in which the Fund overall had relatively low exposure. Three of these sectors were commodity-related, one was gaming-related, and one was consumer products-related. An emphasis on longer-duration bonds which outperformed shorter-duration bonds also contributed to performance. In addition, exposure to pipeline companies helped relative performance.

Within the international/emerging markets sleeve, the Fund benefited most from country allocation. Exposures to the bond markets of Brazil, Poland, and South Africa were especially beneficial, as were minimal exposures to the bond markets of Malaysia and Thailand. In currency, reduced exposure to the Russian ruble and Turkish lira were key contributors to Fund performance. In addition, positions in U.S. dollar-denominated high-yield emerging markets bonds added modestly to overall results.

### **Detractors from performance**

Certain RMBS and CMBS holdings within the Fund's mortgage/corporate bond sleeve detracted from performance during the period due to security-specific prepayment and ratings changes. The Fund also was negatively affected by its exposure to the energy sector.

**Please see footnotes on page 9.**

---

**Table of Contents**

8 Wells Fargo Advantage Multi-Sector Income Fund Performance highlights (unaudited)  
Within the Fund's high-yield bond sleeve, performance was negatively affected by exposure to electric utilities in particular, to Energy Future Intermediate Holding Company LLC. (The position in this company was held for part of the period and then no longer held.)

In terms of the international/emerging markets sleeve, the Fund's positioning in Russian bonds hindered performance, partly due to the negative effect of the ongoing Ukraine conflict and the imposition of sanctions and partly due to minimal exposure to Russia during a temporary rally in the second quarter of 2014. In currency, exposure to the Chilean peso held back results, as did underexposure to the Indonesian rupee in the first quarter of 2014.

---

**Credit quality<sup>4</sup> as of October 31, 2014**

**Management outlook**

In terms of the Fund's U.S. mortgages and investment-grade corporate bond sleeve, we believe that stable interest rate policy for the rest of 2014 and for 2015 should continue to preserve a comfortable environment for yield carry. The effect of the Federal Reserve's tapering and end of its bond-purchase program appears to be fully priced into the market and has not negatively affected spreads in either of these sectors. We continue to focus on the medium-quality credit tiers of A-rated and BBB-rated securities as compelling sources of yield. As of

October 31, 2014, approximately 55% of the mortgage/corporate sleeve was invested in corporate bonds, and roughly 44% was invested in fixed-rate and floating-rate mortgage securities. Credit exposure remained centered on industrials and financials, particularly banks.

We feel that accommodative central bank monetary policies will be a key to high-yield bond performance over the coming year. High-yield bonds and most other asset classes have been underpinned by low rates and quantitative easing, which have pushed investors into higher-yielding assets. Should interest rates rise meaningfully over the coming year, we would not be surprised to see a sell-off in the high-yield market. However, if an increase in interest rates coincides with a strong economy, we believe high-yield bonds could continue to outperform other fixed-income assets. Alternatively, should rising interest rates trigger a slowdown in the economy, we are unsure which (if any) assets would perform well, and we would not be surprised by a sharper drop in the high-yield bond market. In the near term, our default outlook remains benign and supportive of high yield. Over a full cycle, we believe the best way to protect the Fund's high-yield sleeve from periodic bouts of systemic fears and volatility will be our continued focus on a bottom-up approach that attempts to minimize downside risk while capturing the return potential of high-yield issuers.

Within the international/emerging markets sleeve, we continue to favor economies displaying sustainable growth, lower deficits, and central banks that have the ability to maneuver freely rather than developed, lower-yielding economies that have structural problems. We believe the low yields and poor debt dynamics of the older industrial economies make those markets a poor value. We anticipate maintaining this bias for the remainder of 2014 and into 2015. Specific bond markets we favor include Australia, Brazil, Italy, Korea, Malaysia, Mexico, Norway, Poland, Spain, Sweden, South Africa, and Thailand.



**Please see footnotes on page 9.**

---

**Table of Contents**

Performance highlights (unaudited) Wells Fargo Advantage Multi-Sector Income Fund 9

Effective maturity distribution<sup>5</sup> as of October 31, 2014

Country allocation<sup>5</sup> as of October 31, 2014

3. The ten largest holdings are calculated based on the value of the securities divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.
4. The credit quality of portfolio holdings reflected in the chart is based on ratings from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the Fund and not to the Fund itself. The percentages of the Fund's portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor's rates the creditworthiness of bonds on a scale of 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. Standard & Poor's rates the creditworthiness of short-term notes on a scale SP-1 (highest) to SP-3 (lowest). Moody's rates the creditworthiness of bond on a scale of 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. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality, and credit quality ratings, are subject to change.
5. Percentages are subject to change and are calculated based on the total long-term investments of the Fund.

**Table of Contents**

10 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2014

The Summary Portfolio of Investments shows the 50 largest portfolio holdings in unaffiliated issuers and any holdings exceeding 1% of the total net assets as of the report date. The remaining securities held are grouped as Other securities in each category. You can request a complete schedule of portfolio holdings as of the report date, free of charge, by accessing the following website:

<http://a584.g.akamai.net/f/584/1326/1d/www.wellsfargoadvantagefunds.com/pdf/ann/holdings/multisectorincome.pdf> or by calling *Wells Fargo Advantage Funds* at **1-800-222-8222**. This complete schedule, filed on the Form N-CSR, is also available on the SEC's website at sec.gov.

| Security name   | Interest rate | Maturity date          | Principal     | Value         | Percent of net assets |
|---|---------------|------------------------|---------------|---------------|-----------------------|
| <b>Agency Securities: 2.33%</b>                           |               |                        |               |               |                       |
| <i>FHLMC</i>  | 0.55-8.50%    | 4-25-2020 to 7-25-2048 | \$ 20,817,355 | \$ 13,808,784 | 2.04%                 |
| <i>Other securities</i>                                   |               |                        |               | 1,996,398     | 0.29                  |
| <b>Total Agency Securities<br/>(Cost \$14,785,998)</b>    |               |                        |               | 15,805,182    | 2.33                  |
| <b>Asset-Backed Securities:<br/>0.10%</b>                 |               |                        |               |               |                       |
| <i>Other securities</i>                                   |               |                        |               | 680,814       | 0.10                  |
| <b>Total Asset-Backed<br/>Securities (Cost \$654,811)</b> |               |                        |               | 680,814       | 0.10                  |
| <b>Common Stocks: 0.17%</b>                               |               |                        |               |               |                       |
| <b>Materials: 0.00%</b>                                   |               |                        |               |               |                       |
| <b>Chemicals: 0.00%</b>                                   |               |                        |               |               |                       |

|                                  |      |           |           |            |      |
|----------------------------------|------|-----------|-----------|------------|------|
| <i>Other securities</i>          |      |           |           | 825        | 0.00 |
| <b>Telecommunication</b>         |      |           |           |            |      |
| <b>Services: 0.17%</b>           |      |           |           |            |      |
| <b>Diversified</b>               |      |           |           |            |      |
| <b>Telecommunication</b>         |      |           |           |            |      |
| <b>Services: 0.17%</b>           |      |           |           |            |      |
| <i>Other securities</i>          |      |           |           | 1,169,337  | 0.17 |
| <b>Total Common Stocks</b>       |      |           |           |            |      |
| <b>(Cost \$1,618,617)</b>        |      |           |           |            |      |
|                                  |      |           |           | 1,170,162  | 0.17 |
| <b>Corporate Bonds and</b>       |      |           |           |            |      |
| <b>Notes: 67.03%</b>             |      |           |           |            |      |
| <b>Consumer Discretionary:</b>   |      |           |           |            |      |
| <b>10.75%</b>                    |      |           |           |            |      |
| <b>Auto Components:</b>          |      |           |           |            |      |
| <b>1.07%</b>                     |      |           |           |            |      |
| <i>Allison Transmission</i>      |      |           |           |            |      |
| <i>Incorporated 144A</i>         | 7.13 | 5-15-2019 | 3,790,000 | 3,984,238  | 0.59 |
| <i>Other securities</i>          |      |           |           | 3,257,385  | 0.48 |
|                                  |      |           |           | 7,241,623  | 1.07 |
| <b>Distributors: 0.12%</b>       |      |           |           |            |      |
| <i>Other securities</i>          |      |           |           | 773,120    | 0.12 |
| <b>Diversified Consumer</b>      |      |           |           |            |      |
| <b>Services: 0.98%</b>           |      |           |           |            |      |
| <i>Other securities</i>          |      |           |           | 6,654,763  | 0.98 |
| <b>Hotels, Restaurants &amp;</b> |      |           |           |            |      |
| <b>Leisure: 2.75%</b>            |      |           |           |            |      |
| <i>CCM Merger Incorporated</i>   |      |           |           |            |      |
| <i>144A</i>                      | 9.13 | 5-1-2019  | 6,270,000 | 6,740,250  | 1.00 |
| <i>Greektown Holdings LLC</i>    |      |           |           |            |      |
| <i>144A</i>                      | 8.88 | 3-15-2019 | 7,425,000 | 7,462,125  | 1.10 |
| <i>Other securities</i>          |      |           |           | 4,445,081  | 0.65 |
|                                  |      |           |           | 18,647,456 | 2.75 |
| <b>Household Durables:</b>       |      |           |           |            |      |
| <b>0.22%</b>                     |      |           |           |            |      |
| <i>Other securities</i>          |      |           |           | 1,509,613  | 0.22 |

**Internet & Catalog**

**Retail: 0.18%**

*Other securities*

1,221,667

0.18

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

**Table of Contents**

Summary portfolio of investments October 31, 2014 Wells Fargo Advantage Multi-Sector Income Fund 11

| Security name                                 | Interest rate | Maturity date | Principal    | Value        | Percent of net assets |
|---|---------------|---------------|--------------|--------------|-----------------------|
| <b>Media: 4.29%</b>                           |               |               |              |              |                       |
| <i>Gray Television Incorporated</i>           | 7.50%         | 10-1-2020     | \$ 6,040,000 | \$ 6,319,350 | 0.93%                 |
| <i>Other securities</i>                       |               |               |              | 22,720,866   | 3.36                  |
|   |               |               |              | 29,040,216   | 4.29                  |
| <b>Multiline Retail: 0.09%</b>                |               |               |              |              |                       |
| <i>Other securities</i>                       |               |               |              | 625,596      | 0.09                  |
| <b>Specialty Retail: 1.05%</b>                |               |               |              |              |                       |
| <i>Other securities</i>                       |               |               |              | 7,079,791    | 1.05                  |
| <b>Consumer Staples: 0.41%</b>                |               |               |              |              |                       |
| <b>Food &amp; Staples Retailing: 0.09%</b>    |               |               |              |              |                       |
| <i>Other securities</i>                       |               |               |              | 619,465      | 0.09                  |
| <b>Food Products: 0.20%</b>                   |               |               |              |              |                       |
| <i>Other securities</i>                       |               |               |              | 1,360,706    | 0.20                  |
| <b>Tobacco: 0.12%</b>                         |               |               |              |              |                       |
| <i>Other securities</i>                       |               |               |              | 767,271      | 0.12                  |
| <b>Energy: 14.14%</b>                         |               |               |              |              |                       |
| <b>Energy Equipment &amp; Services: 5.44%</b> |               |               |              |              |                       |
| <i>Era Group Incorporated</i>                 | 7.75          | 12-15-2022    | 4,425,000    | 4,590,938    | 0.68                  |
|   | 6.38          | 3-15-2022     | 4,930,000    | 4,486,300    | 0.66                  |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

*Gulfmark Offshore  
Incorporated*

|                             |      |  |            |           |            |      |
|-----------------------------|------|--|------------|-----------|------------|------|
| <i>NGPL PipeCo LLC 144A</i> | 7.12 |  | 12-15-2017 | 5,300,000 | 5,313,250  | 0.78 |
| <i>NGPL PipeCo LLC 144A</i> | 7.77 |  | 12-15-2037 | 6,975,000 | 7,219,125  | 1.07 |
| <i>NGPL PipeCo LLC 144A</i> | 9.63 |  | 6-1-2019   | 435,000   | 463,275    | 0.07 |
| <i>PHI Incorporated</i>     | 5.25 |  | 3-15-2019  | 4,250,000 | 4,198,405  | 0.62 |
| <i>Other securities</i>     |      |  |            |           | 10,568,613 | 1.56 |
|                             |      |  |            |           | 36,839,906 | 5.44 |

**Oil, Gas & Consumable  
Fuels: 8.70%**

|  |           |  |                        |           |            |      |
|--|-----------|--|------------------------|-----------|------------|------|
| <i>Rockies Express Pipeline<br/>LLC</i>      | 5.63-7.50 |  | 4-15-2020 to 7-15-2038 | 5,975,000 | 6,443,625  | 0.95 |
| <i>Rockies Express Pipeline<br/>LLC 144A</i> | 6.88      |  | 4-15-2040              | 4,613,000 | 5,120,430  | 0.76 |
| <i>Sabine Pass Liquefaction<br/>LLC</i>      | 5.63-5.75 |  | 2-1-2021 to 5-15-2024  | 3,495,000 | 3,625,919  | 0.54 |
| <i>Sabine Pass Liquefaction<br/>LLC 144A</i> | 6.25      |  | 3-15-2022              | 3,550,000 | 3,825,125  | 0.56 |
| <i>Sabine Pass LNG LP</i>                    | 6.50      |  | 11-1-2020              | 4,245,000 | 4,489,088  | 0.66 |
| <i>Sabine Pass LNG LP</i>                    | 7.50      |  | 11-30-2016             | 4,635,000 | 4,971,038  | 0.73 |
| <i>Other securities</i>                      |           |  |                        |           | 30,428,766 | 4.50 |
|  |           |  |                        |           | 58,903,991 | 8.70 |

**Financials: 14.43%**

**Banks: 0.88%**

|                         |  |  |  |  |           |      |
|-------------------------|--|--|--|--|-----------|------|
| <i>Other securities</i> |  |  |  |  | 5,914,930 | 0.88 |
|-------------------------|--|--|--|--|-----------|------|

**Capital Markets: 1.17%**

|                         |  |  |  |  |           |      |
|-------------------------|--|--|--|--|-----------|------|
| <i>Other securities</i> |  |  |  |  | 7,936,170 | 1.17 |
|-------------------------|--|--|--|--|-----------|------|

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

**Table of Contents**

12 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date          | Principal    | Value        | Percent of net assets |
|--|---------------|------------------------|--------------|--------------|-----------------------|
| <b>Consumer Finance: 4.40%</b>                         |               |                        |              |              |                       |
| <i>Navient LLC</i>                                     | 8.00%         | 3-25-2020              | \$ 3,940,000 | \$ 4,521,150 | 0.67%                 |
| <i>Springleaf Finance Corporation</i>                  | 5.40-8.25     | 12-1-2015 to 10-1-2023 | 5,430,000    | 5,717,151    | 0.85                  |
| <i>Springleaf Finance Corporation</i>                  | 6.90          | 12-15-2017             | 4,550,000    | 4,959,500    | 0.73                  |
| <i>Other securities</i>                                |               |                        |              | 14,608,945   | 2.15                  |
|  |               |                        |              | 29,806,746   | 4.40                  |
| <b>Diversified Financial Services: 1.98%</b>           |               |                        |              |              |                       |
| <i>Other securities</i>                                |               |                        |              | 13,366,864   | 1.98                  |
| <b>Insurance: 1.16%</b>                                |               |                        |              |              |                       |
| <i>Other securities</i>                                |               |                        |              | 7,838,109    | 1.16                  |
| <b>Real Estate Management &amp; Development: 0.87%</b> |               |                        |              |              |                       |
| <i>Other securities</i>                                |               |                        |              | 5,898,113    | 0.87                  |
| <b>REITs: 3.97%</b>                                    |               |                        |              |              |                       |
| <i>DuPont Fabros Technology Incorporated LP</i>        | 5.88          | 9-15-2021              | 4,655,000    | 4,841,200    | 0.71                  |
| <i>Iron Mountain Incorporated</i>                      | 5.75          | 8-15-2024              | 4,525,000    | 4,615,500    | 0.68                  |
| <i>Iron Mountain Incorporated</i>                      | 6.00-8.38     | 10-1-2019 to 8-15-2023 | 4,284,000    | 4,495,135    | 0.67                  |
| <i>Other securities</i>                                |               |                        |              | 12,948,179   | 1.91                  |
|  |               |                        |              | 26,900,014   | 3.97                  |
| <b>Health Care: 6.28%</b>                              |               |                        |              |              |                       |
| <b>Biotechnology: 0.11%</b>                            |               |                        |              |              |                       |



Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |       |            |           |            |      |
|--|-------|------------|-----------|------------|------|
| <i>Other securities</i>                            |       |            |           | 764,441    | 0.11 |
| <b>Health Care Equipment &amp; Supplies: 0.68%</b> |       |            |           |            |      |
| <i>Other securities</i>                            |       |            |           | 4,595,754  | 0.68 |
| <b>Health Care Providers &amp; Services: 3.53%</b> |       |            |           |            |      |
| <i>Select Medical Corporation</i>                  | 6.38  | 6-1-2021   | 6,215,000 | 6,354,838  | 0.94 |
| <i>Other securities</i>                            |       |            |           | 17,542,970 | 2.59 |
|  |       |            |           | 23,897,808 | 3.53 |
| <b>Health Care Technology: 0.84%</b>               |       |            |           |            |      |
| <i>Emdeon Incorporated</i>                         | 11.00 | 12-31-2019 | 5,150,000 | 5,710,063  | 0.84 |
| <b>Life Sciences Tools &amp; Services: 0.13%</b>   |       |            |           |            |      |
| <i>Other securities</i>                            |       |            |           | 863,923    | 0.13 |
| <b>Pharmaceuticals: 0.99%</b>                      |       |            |           |            |      |
| <i>Other securities</i>                            |       |            |           | 6,674,203  | 0.99 |
| <b>Industrials: 4.47%</b>                          |       |            |           |            |      |
| <b>Aerospace &amp; Defense: 0.15%</b>              |       |            |           |            |      |
| <i>Other securities</i>                            |       |            |           | 1,006,126  | 0.15 |
| <b>Airlines: 0.45%</b>                             |       |            |           |            |      |
| <i>Other securities</i>                            |       |            |           | 3,039,157  | 0.45 |

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

**Table of Contents**

Summary portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 13

| Security name                                      | Interest rate | Maturity date | Principal    | Value        | Percent of net assets |
|--|---------------|---------------|--------------|--------------|-----------------------|
| <b>Commercial Services &amp; Supplies: 1.34%</b>   |               |               |              |              |                       |
| <i>Other securities</i>                            |               |               |              | \$ 9,109,496 | 1.34%                 |
| <b>Construction &amp; Engineering: 0.44%</b>       |               |               |              |              |                       |
| <i>Other securities</i>                            |               |               |              | 2,985,288    | 0.44                  |
| <b>Machinery: 0.51%</b>                            |               |               |              |              |                       |
| <i>Other securities</i>                            |               |               |              | 3,469,400    | 0.51                  |
| <b>Professional Services: 0.09%</b>                |               |               |              |              |                       |
| <i>Other securities</i>                            |               |               |              | 596,927      | 0.09                  |
| <b>Trading Companies &amp; Distributors: 1.36%</b> |               |               |              |              |                       |
| <i>Ashtead Capital Incorporated 144A</i>           | 6.50%         | 7-15-2022     | \$ 4,010,000 | 4,330,800    | 0.64                  |
| <i>Other securities</i>                            |               |               |              | 4,904,326    | 0.72                  |
|  |               |               |              | 9,235,126    | 1.36                  |
| <b>Transportation Infrastructure: 0.13%</b>        |               |               |              |              |                       |
| <i>Other securities</i>                            |               |               |              | 847,525      | 0.13                  |
| <b>Information Technology: 4.92%</b>               |               |               |              |              |                       |
| <b>Communications Equipment: 0.11%</b>             |               |               |              |              |                       |
| <i>Other securities</i>                            |               |               |              | 746,330      | 0.11                  |

**Electronic Equipment,  
Instruments & Components:****1.12%**

|                                   |      |           |           |           |      |
|-----------------------------------|------|-----------|-----------|-----------|------|
| <i>Jabil Circuit Incorporated</i> | 8.25 | 3-15-2018 | 5,275,000 | 6,105,813 | 0.90 |
| <i>Other securities</i>           |      |           |           | 1,453,999 | 0.22 |

|  |  |  |  |           |      |
|--|--|--|--|-----------|------|
|  |  |  |  | 7,559,812 | 1.12 |
|--|--|--|--|-----------|------|

**Internet Software & Services:****0.30%**

|                         |  |  |  |           |      |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> |  |  |  | 2,045,525 | 0.30 |
|-------------------------|--|--|--|-----------|------|

**IT Services: 2.18%**

|   |       |           |           |           |      |
|---|-------|-----------|-----------|-----------|------|
| <i>First Data Holdings Incorporated<br/>(PIK at 14.50%) ¥144A</i> | 14.50 | 9-24-2019 | 3,687,734 | 3,852,607 | 0.58 |
|---|-------|-----------|-----------|-----------|------|

|                         |  |  |  |            |      |
|-------------------------|--|--|--|------------|------|
| <i>Other securities</i> |  |  |  | 10,896,551 | 1.60 |
|-------------------------|--|--|--|------------|------|

|  |  |  |  |            |      |
|--|--|--|--|------------|------|
|  |  |  |  | 14,749,158 | 2.18 |
|--|--|--|--|------------|------|

**Semiconductors &  
Semiconductor Equipment:****0.22%**

|                         |  |  |  |           |      |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> |  |  |  | 1,470,000 | 0.22 |
|-------------------------|--|--|--|-----------|------|

**Software: 0.42%**

|                         |  |  |  |           |      |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> |  |  |  | 2,824,103 | 0.42 |
|-------------------------|--|--|--|-----------|------|

**Technology Hardware,  
Storage & Peripherals: 0.57%**

|                         |  |  |  |           |      |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> |  |  |  | 3,878,861 | 0.57 |
|-------------------------|--|--|--|-----------|------|

**Materials: 1.18%****Chemicals: 0.12%**

|                         |  |  |  |         |      |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> |  |  |  | 794,086 | 0.12 |
|-------------------------|--|--|--|---------|------|

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

**Table of Contents**

14 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date         | Principal    | Value        | Percent of net assets |
|--|---------------|-----------------------|--------------|--------------|-----------------------|
| <b>Containers &amp; Packaging:</b>                   |               |                       |              |              |                       |
| <b>0.68%</b>   |               |                       |              |              |                       |
| <i>Other securities</i>                              |               |                       |              | \$ 4,622,475 | 0.68%                 |
| <b>Metals &amp; Mining: 0.14%</b>                    |               |                       |              |              |                       |
| <i>Other securities</i>                              |               |                       |              | 925,420      | 0.14                  |
| <b>Paper &amp; Forest Products:</b>                  |               |                       |              |              |                       |
| <b>0.24%</b>   |               |                       |              |              |                       |
| <i>Other securities</i>                              |               |                       |              | 1,648,333    | 0.24                  |
| <b>Telecommunication Services: 8.42%</b>             |               |                       |              |              |                       |
| <b>Diversified Telecommunication Services: 3.89%</b> |               |                       |              |              |                       |
| <i>GCI Incorporated</i>                              | 6.75%         | 6-1-2021              | \$ 2,330,000 | 2,318,350    | 0.34                  |
| <i>GCI Incorporated</i>                              | 8.63          | 11-15-2019            | 5,625,000    | 5,864,063    | 0.86                  |
| <i>Syniverse Holdings Incorporated</i>               | 9.13          | 1-15-2019             | 5,005,000    | 5,255,250    | 0.78                  |
| <i>Other securities</i>                              |               |                       |              | 12,934,767   | 1.91                  |
|  |               |                       |              | 26,372,430   | 3.89                  |
| <b>Wireless Telecommunication Services: 4.53%</b>    |               |                       |              |              |                       |
| <i>Sprint Capital Corporation</i>                    | 6.88          | 11-15-2028            | 13,665,000   | 13,289,167   | 1.96                  |
| <i>Sprint Capital Corporation</i>                    | 8.75          | 3-15-2032             | 515,000      | 575,513      | 0.09                  |
| <i>T-Mobile USA Incorporated</i>                     | 6.00-6.84     | 4-28-2019 to 3-1-2025 | 7,195,000    | 7,581,726    | 1.12                  |
| <i>Other securities</i>                              |               |                       |              | 9,200,159    | 1.36                  |

|   |             |       |
|---|-------------|-------|
|   | 30,646,565  | 4.53  |
| <b>Utilities: 2.03%</b>   |             |       |
| <b>Electric Utilities: 0.71%</b>  |             |       |
| <i>Other securities</i>   | 4,787,842   | 0.71  |
| <b>Gas Utilities: 0.40%</b>   |             |       |
| <i>Other securities</i>   | 2,748,975   | 0.40  |
| <b>Independent Power &amp;<br/>Renewable Electricity<br/>Producers: 0.70%</b> |             |       |
| <i>Other securities</i>   | 4,752,110   | 0.70  |
| <b>Multi-Utilities: 0.22%</b>   |             |       |
| <i>Other securities</i>   | 1,486,845   | 0.22  |
| <b>Total Corporate Bonds and Notes<br/>(Cost \$432,441,973)</b>               | 453,800,237 | 67.03 |
| <b>Foreign Corporate Bonds<br/>and Notes @: 5.09%</b>                         |             |       |
| <b>Consumer Discretionary:<br/>0.30%</b>                                      |             |       |
| <b>Auto Components:<br/>0.07%</b>   |             |       |
| <i>Other securities</i>   | 429,814     | 0.07  |
| <b>Automobiles: 0.08%</b>   |             |       |
| <i>Other securities</i>   | 526,701     | 0.08  |

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

**Table of Contents**

Summary portfolio of investments October 31, 2014 Wells Fargo Advantage Multi-Sector Income Fund 15

| Security name  | Interest rate | Maturity date | Principal | Value      | Percent of net assets |
|--|---------------|---------------|-----------|------------|-----------------------|
| <b>Distributors: 0.02%</b><br><i>Other securities</i>                      |               |               |           | \$ 144,789 | 0.02%                 |
| <b>Diversified Consumer Services: 0.02%</b><br><i>Other securities</i>     |               |               |           | 155,971    | 0.02                  |
| <b>Hotels, Restaurants &amp; Leisure: 0.02%</b><br><i>Other securities</i> |               |               |           | 159,370    | 0.02                  |
| <b>Media: 0.09%</b><br><i>Other securities</i>                             |               |               |           | 581,149    | 0.09                  |
| <b>Consumer Staples: 0.37%</b>   |               |               |           |            |                       |
| <b>Beverages: 0.08%</b><br><i>Other securities</i>                         |               |               |           | 545,869    | 0.08                  |
| <b>Food &amp; Staples Retailing: 0.13%</b><br><i>Other securities</i>      |               |               |           | 906,047    | 0.13                  |
| <b>Food Products: 0.16%</b><br><i>Other securities</i>                     |               |               |           | 1,075,911  | 0.16                  |
| <b>Energy: 0.31%</b>   |               |               |           |            |                       |
| <b>Oil, Gas &amp; Consumable Fuels: 0.31%</b><br><i>Other securities</i>   |               |               |           | 2,121,976  | 0.31                  |

**Financials: 3.26%**

**Banks: 3.20%**

*International Bank for  
Reconstruction & Development*

|                         |       |           |            |            |      |
|-------------------------|-------|-----------|------------|------------|------|
| (AUD)                   | 4.25% | 6-24-2025 | 5,600,000  | 5,058,492  | 0.75 |
| KfW (TRY)               | 5.00  | 1-16-2017 | 11,400,000 | 4,820,246  | 0.71 |
| KfW (AUD)               | 5.00  | 3-19-2024 | 1,300,000  | 1,236,872  | 0.18 |
| KfW (NZD)               | 6.38  | 2-17-2015 | 3,319,000  | 2,604,913  | 0.39 |
| <i>Other securities</i> |       |           |            | 7,923,921  | 1.17 |
|                         |       |           |            | 21,644,444 | 3.20 |

**Consumer Finance: 0.02%**

*Other securities*

153,011 0.02

**Diversified Financial Services:  
0.04%**

*Other securities*

295,977 0.04

**Industrials: 0.37%**

**Building Products: 0.08%**

*Other securities*

534,192 0.08

**Commercial Services & Supplies:  
0.05%**

*Other securities*

312,536 0.05

**Construction & Engineering:  
0.03%**

*Other securities*

240,605 0.03

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

**Table of Contents**

16 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal      | Value        | Percent of net assets |
|--|---------------|---------------|----------------|--------------|-----------------------|
| <b>Transportation Infrastructure: 0.21%</b>                        |               |               |                |              |                       |
| <i>Other securities</i>  |               |               |                | \$ 1,403,234 | 0.21%                 |
| <b>Telecommunication Services: 0.38%</b>                           |               |               |                |              |                       |
| <b>Diversified Telecommunication Services: 0.06%</b>               |               |               |                |              |                       |
| <i>Other securities</i>  |               |               |                | 442,583      | 0.06                  |
| <b>Wireless Telecommunication Services: 0.32%</b>                  |               |               |                |              |                       |
| <i>Other securities</i>  |               |               |                | 2,155,462    | 0.32                  |
| <b>Utilities: 0.10%</b>  |               |               |                |              |                       |
| <b>Water Utilities: 0.10%</b>                                      |               |               |                |              |                       |
| <i>Other securities</i>  |               |               |                | 656,037      | 0.10                  |
| <b>Total Foreign Corporate Bonds and Notes (Cost \$35,095,986)</b> |               |               |                | 34,485,678   | 5.09                  |
| <b>Foreign Government Bonds @: 23.31%</b>                          |               |               |                |              |                       |
| <i>Brazil (BRL)</i>  | 10.00%        | 1-1-2017      | 44,075,000     | 16,974,221   | 2.51                  |
| <i>Columbia (COP)</i>  | 7.00          | 5-4-2022      | 18,650,000,000 | 9,330,529    | 1.38                  |
| <i>Hungary (HUF)</i>   | 6.75          | 11-24-2017    | 1,305,000,000  | 5,953,762    | 0.88                  |
| <i>Indonesia (IDR)</i>   | 7.88          | 4-15-2019     | 74,000,000,000 | 6,129,417    | 0.90                  |
| <i>Indonesia (IDR)</i>   | 8.38          | 3-15-2024     | 67,650,000,000 | 5,718,202    | 0.84                  |
| <i>Indonesia (IDR)</i>   | 10.00         | 7-15-2017     | 50,000,000,000 | 4,364,915    | 0.64                  |
| <i>Malaysia (MYR)</i>  | 3.26          | 3-1-2018      | 22,500,000     | 6,767,122    | 1.00                  |



Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|   |       |            |              |             |       |
|---|-------|------------|--------------|-------------|-------|
| <i>Malaysia (MYR)</i>                                       | 4.26  | 9-15-2016  | 21,100,000   | 6,502,739   | 0.96  |
| <i>Mexico (MXN)</i>   | 7.75  | 11-13-2042 | 67,350,000   | 5,592,692   | 0.83  |
| <i>Mexico (MXN)</i>   | 10.00 | 12-5-2024  | 62,120,000   | 6,030,247   | 0.89  |
| <i>New Zealand (NZD)</i>                                    | 5.50  | 4-15-2023  | 5,625,000    | 4,847,578   | 0.72  |
| <i>Poland (PLN)</i>   | 3.25  | 7-25-2025  | 50,000,000   | 15,811,890  | 2.34  |
| <i>Queensland Treasury (AUD)</i>                            | 5.75  | 7-22-2024  | 4,100,000    | 4,180,848   | 0.62  |
| <i>Republic of South Africa (ZAR)</i>                       | 8.00  | 12-21-2018 | 101,000,000  | 9,468,484   | 1.40  |
| <i>Romania (RON)</i>  | 5.85  | 4-26-2023  | 15,000,000   | 4,914,174   | 0.73  |
| <i>South Africa (ZAR)</i>                                   | 6.75  | 3-31-2021  | 62,000,000   | 5,424,645   | 0.80  |
| <i>State of New South Wales Australia (AUD)</i>             | 5.00  | 8-20-2024  | 3,900,000    | 3,805,524   | 0.56  |
| <i>Thailand (THB)</i>                                       | 3.25  | 6-16-2017  | 276,500,000  | 8,678,789   | 1.28  |
| <i>Turkey (TRY)</i>   | 8.20  | 7-13-2016  | 18,000,000   | 8,076,170   | 1.19  |
| <i>Other securities</i>                                     |       |            |              | 19,244,232  | 2.84  |
| <b>Total Foreign Government Bonds (Cost \$163,981,311)</b>  |       |            |              | 157,816,180 | 23.31 |
| <b>Loans: 16.22%</b>  |       |            |              |             |       |
| <i>Crown Castle Operating Company ±</i>                     | 3.00  | 1-31-2021  | \$ 6,468,769 | 6,412,167   | 0.95  |
| <i>Dell Incorporated ±</i>                                  | 4.50  | 4-29-2020  | 8,365,500    | 8,372,778   | 1.24  |
| <i>Goodyear Tire &amp; Rubber Company ±</i>                 | 4.75  | 4-30-2019  | 5,500,000    | 5,512,045   | 0.81  |
| <i>Texas Competitive Electric Holdings Company LLC ±(s)</i> | 4.65  | 10-10-2015 | 20,096,983   | 14,532,731  | 2.15  |
| <i>Other securities</i>                                     |       |            |              | 74,952,598  | 11.07 |
| <b>Total Loans (Cost \$116,084,433)</b>                     |       |            |              | 109,782,319 | 16.22 |

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

**Table of Contents**

Summary portfolio of investments October 31, 2014 Wells Fargo Advantage Multi-Sector Income Fund 17

| Security name  | Value      | Percent of net assets |
|--|------------|-----------------------|
| <b>Municipal Obligations: 0.05%</b>                                    |            |                       |
| <b>New York: 0.05%</b>   |            |                       |
| <i>Other securities</i>  | \$ 340,943 | 0.05%                 |
| <b>Total Municipal Obligations (Cost \$345,000)</b>                    | 340,943    | 0.05                  |
| <b>Non-Agency Mortgage Backed Securities: 7.47%</b>                    |            |                       |
| <i>Other securities</i>  | 50,570,799 | 7.47                  |
| <b>Total Non-Agency Mortgage Backed Securities (Cost \$48,429,170)</b> | 50,570,799 | 7.47                  |
| <b>Preferred Stocks: 0.18%</b>   |            |                       |
| <b>Financials: 0.18%</b>   |            |                       |
| <b>Banks: 0.18%</b>  |            |                       |
| <i>Other securities</i>  | 1,186,812  | 0.18                  |
| <b>Total Preferred Stocks (Cost \$1,130,339)</b>                       | 1,186,812  | 0.18                  |
| <b>Yankee Corporate Bonds and Notes: 7.39%</b>                         |            |                       |
| <b>Consumer Discretionary: 0.55%</b>                                   |            |                       |
| <b>Diversified Consumer Services: 0.11%</b>                            |            |                       |
| <i>Other securities</i>  | 746,960    | 0.11                  |
| <b>Media: 0.44%</b>  |            |                       |
| <i>Other securities</i>  | 3,008,183  | 0.44                  |
| <b>Consumer Staples: 0.35%</b>   |            |                       |

|   |           |      |
|---|-----------|------|
| <b>Beverages: 0.12%</b>                       |           |      |
| <i>Other securities</i>                       | 807,260   | 0.12 |
| <b>Food Products: 0.12%</b>                   |           |      |
| <i>Other securities</i>                       | 825,000   | 0.12 |
| <b>Tobacco: 0.11%</b>                         |           |      |
| <i>Other securities</i>                       | 752,408   | 0.11 |
| <b>Energy: 1.06%</b>                          |           |      |
| <b>Energy Equipment &amp; Services: 0.12%</b> |           |      |
| <i>Other securities</i>                       | 789,729   | 0.12 |
| <b>Oil, Gas &amp; Consumable Fuels: 0.94%</b> |           |      |
| <i>Other securities</i>                       | 6,375,209 | 0.94 |
| <b>Financials: 1.12%</b>                      |           |      |
| <b>Banks: 1.02%</b>                           |           |      |
| <i>Other securities</i>                       | 6,935,518 | 1.02 |
| <b>Diversified Financial Services: 0.10%</b>  |           |      |
| <i>Other securities</i>                       | 644,974   | 0.10 |

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

**Table of Contents**

18 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal | Value        | Percent of net assets |
|--|---------------|---------------|-----------|--------------|-----------------------|
| <b>Health Care: 0.30%</b>                                    |               |               |           |              |                       |
| <b>Pharmaceuticals: 0.30%</b>                                |               |               |           |              |                       |
| <i>Other securities</i>                                      |               |               |           | \$ 2,018,050 | 0.30%                 |
| <b>Industrials: 0.12%</b>                                    |               |               |           |              |                       |
| <b>Road &amp; Rail: 0.12%</b>                                |               |               |           |              |                       |
| <i>Other securities</i>                                      |               |               |           | 827,118      | 0.12                  |
| <b>Information Technology: 0.34%</b>                         |               |               |           |              |                       |
| <b>Communications Equipment: 0.12%</b>                       |               |               |           |              |                       |
| <i>Other securities</i>                                      |               |               |           | 784,089      | 0.12                  |
| <b>Internet Software &amp; Services: 0.12%</b>               |               |               |           |              |                       |
| <i>Other securities</i>                                      |               |               |           | 792,062      | 0.12                  |
| <b>Technology Hardware, Storage &amp; Peripherals: 0.10%</b> |               |               |           |              |                       |
| <i>Other securities</i>                                      |               |               |           | 705,250      | 0.10                  |
| <b>Materials: 1.27%</b>                                      |               |               |           |              |                       |
| <b>Containers &amp; Packaging: 0.43%</b>                     |               |               |           |              |                       |
| <i>Other securities</i>                                      |               |               |           | 2,896,823    | 0.43                  |
| <b>Metals &amp; Mining: 0.62%</b>                            |               |               |           |              |                       |
| <i>Other securities</i>                                      |               |               |           | 4,211,284    | 0.62                  |

**Paper & Forest Products:**

**0.22%**

*Other securities*

1,458,600 0.22

**Telecommunication**

**Services: 2.18%**

**Diversified**

**Telecommunication**

**Services: 1.95%**

*Intelsat Jackson Holdings SA* 5.50-8.50% 4-1-2019 to 8-1-2023 \$ 7,890,000 8,209,551 1.21

*Other securities* 4,981,075 0.74

13,190,626 1.95

**Wireless**

**Telecommunication**

**Services: 0.23%**

*Other securities*

1,569,456 0.23

**Utilities: 0.10%**

**Electric Utilities: 0.10%**

*Other securities*

692,250 0.10

**Total Yankee Corporate Bonds and**

**Notes (Cost \$48,854,957)**

50,030,849 7.39

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

**Table of Contents**

Summary portfolio of investments October 31, 2014 Wells Fargo Advantage Multi-Sector Income Fund 19

| Security name   | Yield | Shares     | Value                 | Percent of<br>net<br>assets |
|---|-------|------------|-----------------------|-----------------------------|
| <b>Short-Term Investments: 3.47%</b>  |       |            |                       |                             |
| <b>Investment Companies: 3.47%</b>  |       |            |                       |                             |
| <i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class (l)(u)##</i> |       |            |                       |                             |
|   | 0.07% | 23,482,499 | \$ 23,482,499         | 3.47%                       |
| <b>Total Short-Term Investments (Cost \$23,482,499)</b>                               |       |            | 23,482,499            | 3.47                        |
| <b>Total investments in securities (Cost \$886,905,094) *</b>                         |       |            | 899,152,474           | 132.81                      |
| <i>Other assets and liabilities, net</i>  |       |            | (222,148,088)         | (32.81)                     |
| <b>Total net assets</b>   |       |            | <b>\$ 677,004,386</b> | <b>100.00%</b>              |

144A The security may be resold in transactions exempt from registration, normally to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933.

¥ A payment-in-kind (PIK) security is a security 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.

@ Foreign bond and note principal is denominated in local currency.

± Variable rate investment. The rate shown is the rate in effect at period end.

(s) The security is currently in default with regards to scheduled interest and/or principal payments. The Fund has stopped accruing interest on the security.

(l) The security represents an affiliate of the Fund as defined in the Investment Company Act of 1940.

(u) The rate represents the 7-day annualized yield at period end.

## All or a portion of this security is segregated for when-issued securities and unfunded loans.

\* Cost for federal income tax purposes is \$890,891,847 and unrealized gains (losses) consists of:

|                         |               |
|-------------------------|---------------|
| Gross unrealized gains  | \$ 33,162,328 |
| Gross unrealized losses | (24,901,701)  |
| Net unrealized gains    | \$ 8,260,627  |

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

**Table of Contents**

20 Wells Fargo Advantage Multi-Sector Income Fund Statement of assets and liabilities October 31, 2014

**Assets****Investments**

|   |                |
|---|----------------|
| In unaffiliated securities, at value (cost \$863,422,595) | \$ 875,669,975 |
| In affiliated securities, at value (cost \$23,482,499)    | 23,482,499     |

|  |             |
|--|-------------|
| Total investments, at value (cost \$886,905,094) | 899,152,474 |
|--|-------------|

|      |       |
|------|-------|
| Cash | 8,387 |
|------|-------|

|   |           |
|---|-----------|
| Foreign currency, at value (cost \$1,347,835) | 1,334,704 |
|---|-----------|

|                                 |           |
|---------------------------------|-----------|
| Receivable for investments sold | 2,937,395 |
|---------------------------------|-----------|

|                              |        |
|------------------------------|--------|
| Principal paydown receivable | 11,440 |
|------------------------------|--------|

|                         |            |
|-------------------------|------------|
| Receivable for interest | 13,284,368 |
|-------------------------|------------|

|  |         |
|--|---------|
| Unrealized gains on forward foreign currency contracts | 533,004 |
|--|---------|

|                                   |        |
|-----------------------------------|--------|
| Prepaid expenses and other assets | 26,467 |
|-----------------------------------|--------|

|              |             |
|--------------|-------------|
| Total assets | 917,288,239 |
|--------------|-------------|

**Liabilities**

|                   |           |
|-------------------|-----------|
| Dividends payable | 4,205,501 |
|-------------------|-----------|

|                                   |           |
|-----------------------------------|-----------|
| Payable for investments purchased | 4,061,611 |
|-----------------------------------|-----------|

|   |         |
|---|---------|
| Unrealized losses on forward foreign currency contracts | 950,647 |
|---|---------|

|                           |             |
|---------------------------|-------------|
| Secured borrowing payable | 230,363,479 |
|---------------------------|-------------|

|                      |         |
|----------------------|---------|
| Advisory fee payable | 411,141 |
|----------------------|---------|

|                            |        |
|----------------------------|--------|
| Administration fee payable | 37,376 |
|----------------------------|--------|

|  |         |
|--|---------|
| Accrued expenses and other liabilities | 254,098 |
|--|---------|

|                   |             |
|-------------------|-------------|
| Total liabilities | 240,283,853 |
|-------------------|-------------|

|                         |                       |
|-------------------------|-----------------------|
| <b>Total net assets</b> | <b>\$ 677,004,386</b> |
|-------------------------|-----------------------|

**NET ASSETS CONSIST OF**

|                 |                |
|-----------------|----------------|
| Paid-in capital | \$ 761,839,820 |
|-----------------|----------------|

|                                       |             |
|---------------------------------------|-------------|
| Overdistributed net investment income | (4,088,672) |
|---------------------------------------|-------------|

|  |              |
|--|--------------|
| Accumulated net realized losses on investments | (92,419,310) |
|--|--------------|

|                                     |            |
|-------------------------------------|------------|
| Net unrealized gains on investments | 11,672,548 |
|-------------------------------------|------------|

|                         |                       |
|-------------------------|-----------------------|
| <b>Total net assets</b> | <b>\$ 677,004,386</b> |
|-------------------------|-----------------------|

**NET ASSET VALUE PER SHARE**

|  |         |
|--|---------|
| Based on \$677,004,386 divided by 42,055,000 shares issued and outstanding (100,000,000 shares authorized) | \$16.10 |
|--|---------|



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

**Table of Contents**

Statement of operations year ended October 31, 2014 Wells Fargo Advantage Multi-Sector Income Fund 21

**Investment income**

|   |                   |
|---|-------------------|
| Interest (net of foreign interest withholding taxes of \$156,347) | \$ 56,101,022     |
| Dividends   | 90,235            |
| Income from affiliated securities                                 | 13,767            |
| <b>Total investment income</b>                                    | <b>56,205,024</b> |

**Expenses**

|                             |                  |
|-----------------------------|------------------|
| Advisory fee                | 5,027,368        |
| Administration fee          | 457,033          |
| Custody and accounting fees | 163,241          |
| Professional fees           | 84,351           |
| Shareholder report expenses | 81,959           |
| Trustees' fees and expenses | 10,443           |
| Transfer agent fees         | 30,192           |
| Interest expense            | 469,756          |
| Secured borrowing fees      | 1,945,286        |
| Other fees and expenses     | 31,115           |
| <b>Total expenses</b>       | <b>8,300,744</b> |

Net investment income 47,904,280

**REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS****Net realized gains (losses) on:**

|  |              |
|--|--------------|
| Unaffiliated securities                        | (11,945,779) |
| Forward foreign currency contract transactions | 952,803      |

Net realized losses on investments (10,992,976)

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

|  |           |
|--|-----------|
| Unaffiliated securities                        | 1,624,668 |
| Forward foreign currency contract transactions | (638,946) |

Net change in unrealized gains (losses) on investments 985,722

Net realized and unrealized gains (losses) on investments (10,007,254)

**Net increase in net assets resulting from operations \$ 37,897,026**

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

**Table of Contents**

## 22 Wells Fargo Advantage Multi-Sector Income Fund

|  | Statement of changes in net assets |                                |
|--|------------------------------------|--------------------------------|
|  | Year ended<br>October 31, 2014     | Year ended<br>October 31, 2013 |
| <b>Operations</b>                                      |                                    |                                |
| Net investment income                                  | \$ 47,904,280                      | \$ 49,766,339                  |
| Net realized gains (losses) on investments             | (10,992,976)                       | 7,953,917                      |
| Net change in unrealized gains (losses) on investments | 985,722                            | (33,048,688)                   |
| Net increase in net assets resulting from operations   | 37,897,026                         | 24,671,568                     |
| <b>Distributions to shareholders from</b>              |                                    |                                |
| Net investment income                                  | (38,167,582)                       | (50,466,000)                   |
| Tax basis return of capital                            | (12,298,418)                       | 0                              |
| Total distributions to shareholders                    | (50,466,000)                       | (50,466,000)                   |
| Total decrease in net assets                           | (12,568,974)                       | (25,794,432)                   |
| <b>Net assets</b>                                      |                                    |                                |
| <b>Beginning of period</b>                             | <b>689,573,360</b>                 | <b>715,367,792</b>             |
| <b>End of period</b>                                   | <b>\$ 677,004,386</b>              | <b>\$ 689,573,360</b>          |
| <b>Overdistributed net investment income</b>           | <b>\$ (4,088,672)</b>              | <b>\$ (3,627,622)</b>          |

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

**Table of Contents**

Statement of cash flows year ended October 31, 2014 Wells Fargo Advantage Multi-Sector Income Fund 23

**Cash flows from operating activities:**

Net increase in net assets resulting from operations \$ 37,897,026

**Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:**

Purchase of investment securities (517,783,487)

Proceeds from sales of investment securities 526,225,007

Paydowns 5,048,853

Amortization (857,227)

Proceeds from sales of short-term investment securities, net 251,148

Decrease in interest receivable 201,820

Increase in receivable for investments sold (503,843)

Decrease in principal paydown receivable 128,791

Decrease in prepaid expenses and other assets 7,248

Decrease in payable for investments purchased (11,480,298)

Decrease in advisory fee payable (15,920)

Decrease in administration fee payable (1,448)

Increase in accrued expenses and other liabilities 6,692

Net realized losses on investments 10,992,976

Net change in unrealized gains (losses) on investments (985,722)

Net cash provided by operating activities 49,131,616

**Cash flows from financing activities:**

Cash distributions paid (50,466,000)

Increase in secured borrowing payable 163,520

Net cash used in financing activities (50,302,480)

Net increase in cash (1,170,864)

**Cash (including foreign currency):**

Beginning of period \$ 2,513,955

End of period \$ 1,343,091

**Supplemental cash disclosure**

Cash paid for interest \$ 309,228

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

**Table of Contents**

24 Wells Fargo Advantage Multi-Sector Income Fund  
(For a share outstanding throughout each period)

Financial highlights

|  | Year ended October 31 |           |           |           |                     |
|--|-----------------------|-----------|-----------|-----------|---------------------|
|  | 2014                  | 2013      | 2012      | 2011      | 2010                |
| <b>Net asset value, beginning of period</b>                        | \$ 16.40              | \$ 17.01  | \$ 16.16  | \$ 16.67  | \$ 15.61            |
| Net investment income  | 1.14 <sup>1</sup>     | 1.18      | 1.16      | 1.11      | 1.21                |
| Net realized and unrealized gains (losses) on investments          | (0.24)                | (0.59)    | 0.89      | (0.39)    | 1.17                |
| Distributions to preferred shareholders from net investment income | 0.00                  | 0.00      | 0.00      | 0.00      | (0.02) <sup>1</sup> |
| <b>Total from investment operations</b>                            | 0.90                  | 0.59      | 2.05      | 0.72      | 2.36                |
| <b>Distributions to common shareholders from</b>                   |                       |           |           |           |                     |
| Net investment income  | (0.91)                | (1.20)    | (1.20)    | (1.23)    | (1.30)              |
| Tax basis return of capital  | (0.29)                | 0.00      | 0.00      | 0.00      | 0.00                |
| <b>Total distributions to common shareholders</b>                  | (1.20)                | (1.20)    | (1.20)    | (1.23)    | (1.30)              |
| <b>Net asset value, end of period</b>                              | \$ 16.10              | \$ 16.40  | \$ 17.01  | \$ 16.16  | \$ 16.67            |
| <b>Market value, end of period</b>                                 | \$ 14.19              | \$ 14.47  | \$ 16.54  | \$ 14.97  | \$ 16.18            |
| <b>Total return based on market value<sup>2</sup></b>              | 6.55%                 | (5.44)%   | 19.33%    | 0.33%     | 28.44%              |
| <b>Ratios to average net assets (annualized)</b>                   |                       |           |           |           |                     |
| Gross expenses <sup>3</sup>  | 1.21%                 | 1.24%     | 1.24%     | 1.14%     | 1.58%               |
| Net expenses <sup>3</sup>  | 1.21%                 | 1.24%     | 1.24%     | 1.14%     | 1.18%               |
| Net investment income  | 6.95%                 | 7.04%     | 7.13%     | 6.75%     | 7.63% <sup>4</sup>  |
| <b>Supplemental data</b>   |                       |           |           |           |                     |
| Portfolio turnover rate  | 41%                   | 40%       | 78%       | 35%       | 70%                 |
| Net assets of common shareholders, end of period (000s omitted)    | \$677,004             | \$689,573 | \$715,368 | \$679,497 | \$701,110           |
| Borrowings outstanding, end of period (000s omitted)               | \$230,000             | \$230,000 | \$230,000 | \$230,000 | \$230,000           |
| Asset coverage per \$1,000 of borrowing, end of period             | \$3,944               | \$3,998   | \$4,110   | \$3,954   | \$4,048             |

1. Calculated based upon average shares outstanding

2. Total return is calculated assuming a purchase of common stock on the first day and 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 that a shareholder would pay on the purchase and sale of shares.

3. Ratios include interest expense relating to interest associated with borrowings and/or leverage transactions as follows:

|                             |       |
|-----------------------------|-------|
| Year ended October 31, 2014 | 0.07% |
| Year ended October 31, 2013 | 0.07% |
| Year ended October 31, 2012 | 0.11% |
| Year ended October 31, 2011 | 0.09% |
| Year ended October 31, 2010 | 0.08% |

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

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



---

**Table of Contents**

Notes to financial statements

Wells Fargo Advantage Multi-Sector Income Fund 25

**1. ORGANIZATION**

The *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.

**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**

All investments are valued each business day as of the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern Time).

Fixed income securities acquired with maturities exceeding 60 days are valued based on evaluated bid prices provided by an independent pricing service which may utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data. If prices are not available from the independent pricing service or prices received are deemed not representative of market value, values will be obtained from an independent broker-dealer.

Equity securities that are listed on a foreign or domestic exchange or market are valued at the official closing price or, if none, the last sales price. If no sale occurs on the primary exchange or market for the security that day, the prior day's price will be deemed stale and fair values will be determined in accordance with the Fund's Valuation Procedures.

Short-term securities, with maturities of 60 days or less at time of purchase, 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.

The values of securities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Management Valuation Team of Wells Fargo Funds Management, LLC ( *Funds Management* ).

Investments in registered open-end investment companies are valued at net asset value.

Investments which are not valued using any of the methods discussed above are valued at their fair value, as determined in good faith by the Board of Trustees of the Fund. The Board of Trustees has established a Valuation Committee comprised of the Trustees and has delegated to it the authority to take any actions regarding the valuation of portfolio securities that the Valuation Committee deems necessary or appropriate, including determining the fair value of portfolio securities, unless the determination has been delegated to the Management Valuation Team. The Board of Trustees retains the authority to make or ratify any valuation decisions or approve any changes to the

Valuation Procedures as it deems appropriate. On a quarterly basis, the Board of Trustees receives reports on any valuation actions taken by the Valuation Committee or the Management Valuation Team which may include items for ratification.

Valuations of fair valued securities are compared to the next actual sales price when available, or other appropriate market values, to assess the continued appropriateness of the fair valuation methodologies used. These securities are fair valued on a day-to-day basis, taking into consideration changes to appropriate market information and any significant changes to the inputs considered in the valuation process until there is a readily available price provided on an exchange or by an independent pricing service. Valuations received from an independent pricing service or independent broker-dealer quotes are periodically validated by comparisons to most recent trades and valuations provided by other independent pricing services in addition to the review of prices by the adviser and/or subadviser. Unobservable inputs used in determining fair valuations are identified based on the type of security, taking into consideration factors utilized by market participants in valuing the investment, knowledge about the issuer and the current market environment.

#### **Foreign currency translation**

The accounting records of the Fund are maintained in U.S. dollars. The values of other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Management Valuation Team. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions.

Net realized foreign

## **Table of Contents**

26 Wells Fargo Advantage Multi-Sector Income Fund Notes to financial statements

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 from 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 included in with net realized and unrealized gains or losses from investments.

### **Forward foreign currency contracts**

The Fund is 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 contract 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 may be mitigated if there is 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 in an amount at least equal in value to the Fund's commitment to purchase when-issued securities. 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.

### **Loans**

The Fund may invest in direct debt instruments which are interests in amounts owed to lenders by corporate or other borrowers. The loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. Investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. When the Fund purchases participations, it generally has no rights to enforce compliance with terms of the loan agreement with the borrower. As a result, the Fund assumes the credit risk of both the borrower and the lender that is selling the participation. When the Fund purchases assignments from lenders, it acquires direct rights against the borrower on the loan and may enforce compliance by the borrower with the terms of the loan agreement. Loans may include fully funded term loans or unfunded loan commitments, which are contractual obligations for future funding.

### **Security transactions and income recognition**

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

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 custodian verifies the ex-dividend date.

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 federal income tax regulations, which may differ in amount or character from net investment income and realized gains recognized for purposes of U.S. 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.

**Table of Contents**

Notes to financial statements Wells Fargo Advantage Multi-Sector Income Fund 27

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. Management has analyzed the Fund's tax positions taken on federal, state, and foreign tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or the net asset value per share. The primary permanent differences causing such reclassifications are due to bond premiums and foreign currency transactions. At October 31, 2014, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

|                                       |  |
|---------------------------------------|--|
| Overdistributed net investment income | Accumulated net realized losses on investments |
| \$(10,197,748)                        | \$10,197,748                                   |

As of October 31, 2014, capital loss carryforwards available to offset future net realized capital gains were as follows through the indicated expiration dates:

|              |                       |
|--------------|-----------------------|
| 2017         | No expiration         |
|              | Short-term Long-term  |
| \$86,701,155 | \$172,085 \$1,368,853 |

**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 significant 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, use of amortized cost, 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 investments in securities are not necessarily an indication of the risk associated with investing in those securities.

**Table of Contents**

28 Wells Fargo Advantage Multi-Sector Income Fund

Notes to financial statements

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of October 31, 2014:

|  | Quoted prices<br>(Level 1) | Other<br>significant<br>observable inputs<br>(Level 2) | Significant<br>unobservable inputs<br>(Level 3) | Total                 |
|--|----------------------------|--|---|-----------------------|
| <b>Assets</b>                                |                            |  |   |                       |
| <b>Investments in:</b>                       |                            |  |   |                       |
| <b>Agency securities</b>                     | \$ 0                       | \$ 15,805,182  | \$ 0  | \$ 15,805,182         |
| <b>Asset-backed securities</b>               | 0                          | 680,814  | 0   | 680,814               |
| <b>Common stocks</b>                         |                            |  |   |                       |
| <i>Materials</i>                             | 825                        | 0  | 0   | 825                   |
| <i>Telecommunication services</i>            | 1,169,337                  | 0  | 0   | 1,169,337             |
| <b>Corporate bonds and notes</b>             | 0                          | 453,800,237  | 0   | 453,800,237           |
| <b>Foreign corporate bonds and notes</b>     | 0                          | 34,485,678   | 0   | 34,485,678            |
| <b>Foreign government bonds</b>              | 0                          | 157,816,180  | 0   | 157,816,180           |
| <b>Loans</b>                                 | 0                          | 94,929,286   | 14,853,033                                      | 109,782,319           |
| <b>Municipal obligations</b>                 | 0                          | 340,943  | 0   | 340,943               |
| <b>Non-agency mortgage backed securities</b> | 0                          | 50,570,799   | 0   | 50,570,799            |
| <b>Preferred stocks</b>                      |                            |  |   |                       |
| <i>Financials</i>                            | 1,186,812                  | 0  | 0   | 1,186,812             |
| <b>Yankee corporate bonds and notes</b>      | 0                          | 50,030,849   | 0   | 50,030,849            |
| <b>Short-term investments</b>                |                            |  |   |                       |
| <i>Investment companies</i>                  | 23,482,499                 | 0  | 0   | 23,482,499            |
|  | 25,839,473                 | 858,459,968  | 14,853,033                                      | 899,152,474           |
| <b>Forward foreign currency contracts</b>    | 0                          | 533,004  | 0   | 533,004               |
| <b>Total assets</b>                          | <b>\$ 25,839,473</b>       | <b>\$ 858,992,972</b>                                  | <b>\$ 14,853,033</b>                            | <b>\$ 899,685,478</b> |
| <b>Liabilities</b>                           |                            |  |   |                       |
| <b>Forward foreign currency contracts</b>    | \$ 0                       | \$ 950,647   | \$ 0  | \$ 950,647            |
| <b>Total liabilities</b>                     | <b>\$ 0</b>                | <b>\$ 950,647</b>                                      | <b>\$ 0</b>                                     | <b>\$ 950,647</b>     |

Forward foreign currency contracts are reported at their unrealized gains (losses) at measurement date, which represents the change in the contract's value from trade date. All other assets and liabilities are reported at their market value at measurement date.

Transfers in and transfers out are recognized at the end of the reporting period. At October 31, 2014, the Fund did not have any transfers into/out of Level 1 or Level 2.

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

|  | Loans         |
|--|---------------|
| <b>Balance as of October 31, 2013</b>  | \$ 13,055,687 |
| Accrued discounts (premiums)   | 11,641        |
| Realized gains (losses)  | 28,888        |
| Change in unrealized gains (losses)  | (97,779)      |
| Purchases  | 10,279,966    |
| Sales  | (5,828,648)   |
| Transfers into Level 3   | 3,564,523     |
| Transfers out of Level 3   | (6,161,245)   |
| <b>Balance as of October 31, 2014</b>  | \$ 14,853,033 |
| <b>Change in unrealized gains (losses) relating to securities still held at October 31, 2014</b> | \$ (102,644)  |



## **Table of Contents**

Notes to financial statements Wells Fargo Advantage Multi-Sector Income Fund 29  
The investment type categorized above was valued using indicative broker quotes. These indicative broker quotes are considered Level 3 inputs. Quantitative unobservable inputs used by the brokers are often proprietary and not provided to the Fund and therefore the disclosure that would address these inputs is not included above.

### **4. TRANSACTIONS WITH AFFILIATES**

#### **Advisory fee**

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 to the extent excluded in calculating net assets.

Funds Management has retained the services of certain subadvisers to provide daily portfolio management to the Fund. The fees for subadvisory services are borne by Funds Management. Wells Capital Management Incorporated, an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo, is a subadviser to the Fund and is entitled to receive a fee from Funds Management at an annual rate of 0.30% of the Fund's average daily total assets. First International Advisors, LLC, an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo, is also a subadviser to the Fund and is entitled to receive a fee from Funds Management 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 a wide range of administrative services necessary to the operation of the Fund. Funds Management is entitled to receive an annual administration fee from the Fund equal to 0.05% of the Fund's average daily total assets.

### **5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized capital of 100,000,000 shares with no par value. For the year ended October 31, 2014 and year ended October 31, 2013, the Fund did not issue any shares.

### **6. BORROWINGS**

The Fund has borrowed approximately \$230 million through a secured debt financing agreement administered by a major financial institution (the Facility ). The Facility has a commitment amount of \$230 million which expires on February 23, 2015, at which point it may be renegotiated and potentially renewed for another one-year term. At October 31, 2014, the Fund had secured borrowings outstanding in the amount of \$230,363,479 (including accrued interest and usage and commitment fees payable).

The Fund's borrowing 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 year ended October 31, 2014, an effective interest rate of 0.20% was incurred on the borrowings. Interest expense of \$469,756, representing 0.07% of the Fund's average daily net assets, was incurred during the year ended October 31, 2014.

The Fund has pledged all of its assets to secure the borrowings and currently pays, on a monthly basis, a usage fee at an annual rate of 0.40% of the daily average outstanding principal amount of borrowings and a commitment fee at an annual rate of 0.40% of the daily average outstanding principal amount of borrowings. Prior to February 25, 2014, the Fund paid a commitment fee at an annual rate of 0.40% of the product of (i) the daily average outstanding principal amount of borrowings and (ii) 1.02. Effective February 25, 2014, the Fund no longer incurs any structuring fees. The secured borrowing fees on the Statement of Operations of \$1,945,286 represents the usage fee, commitment fee and structuring fees. For the year ended October 31, 2014, the Fund paid structuring fees in the amount of \$62,414.

## 7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the year ended October 31, 2014 were as follows:

| Purchases at cost  |                        | Sales proceeds     |                        |
|--------------------|------------------------|--------------------|------------------------|
| U.S.<br>government | Non-U.S.<br>government | U.S.<br>government | Non-U.S.<br>government |
| \$90,440           | \$ 411,364,124         | \$ 0               | \$ 364,153,880         |

As of October 31, 2014, the Fund had unfunded term loan commitments of \$1,602,410.

**Table of Contents**

30 Wells Fargo Advantage Multi-Sector Income Fund

Notes to financial statements

**8. DERIVATIVE TRANSACTIONS**

During the year ended October 31, 2014, the Fund entered into forward foreign currency contracts for economic hedging purposes.

At October 31, 2014, 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 October 31, 2014 | In exchange for U.S. \$ | Unrealized losses |
|---------------|-------------------|----------------------|-----|--------------------------------|-------------------------|-------------------|
| 11-12-2014    | State Street Bank | 20,550,000           | MYR | \$ 6,243,828                   | \$ 6,404,662            | \$ (160,834)      |
| 12-5-2014     | State Street Bank | 45,000,000           | MXN | 3,335,308                      | 3,421,949               | (86,641)          |
| 1-22-2015     | State Street Bank | 150,000,000          | THB | 4,589,359                      | 4,621,428               | (32,069)          |

Forward foreign currency contracts to sell:

| Exchange date | Counterparty      | Contracts to deliver |     | U.S. value at October 31, 2014 | In exchange for U.S. \$ | Unrealized gains (losses) |
|---------------|-------------------|----------------------|-----|--------------------------------|-------------------------|---------------------------|
| 11-28-2014    | State Street Bank | 91,750,000           | ZAR | \$ 8,285,779                   | \$ 8,004,572            | \$ (281,207)              |
| 11-28-2014    | State Street Bank | 6,300,000            | TRY | 2,818,235                      | 2,752,092               | (66,143)                  |
| 11-28-2014    | State Street Bank | 11,175,000           | TRY | 4,999,012                      | 4,786,687               | (212,325)                 |
| 11-28-2014    | State Street Bank | 35,500,000           | ZAR | 3,205,942                      | 3,283,146               | 77,204                    |
| 12-5-2014     | State Street Bank | 45,000,000           | MXN | 3,335,308                      | 3,320,862               | (14,446)                  |
| 12-8-2014     | State Street Bank | 17,145,000           | RON | 4,865,711                      | 4,841,019               | (24,692)                  |
| 12-8-2014     | State Street Bank | 252,000,000          | RUB | 5,803,304                      | 6,220,687               | 417,383                   |
| 12-8-2014     | State Street Bank | 32,500,000           | PLN | 9,631,324                      | 9,669,741               | 38,417                    |
| 12-8-2014     | State Street Bank | 1,550,000,000        | HUF | 6,298,603                      | 6,246,977               | (51,626)                  |
| 1-23-2015     | State Street Bank | 7,250,000            | BRL | 2,859,904                      | 2,839,240               | (20,664)                  |

The Fund had average contract amounts of \$20,911,473 and \$20,744,131 in forward foreign currency exchange contracts to buy and forward foreign currency exchange contracts to sell, respectively, during the year ended October 31, 2014.

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

For certain types of derivative transactions, the Fund has entered into International Swaps and Derivatives Association, Inc. master agreements ( ISDA Master Agreements ) or similar agreements with approved counterparties. The ISDA Master Agreements or similar agreements may have requirements to deliver/deposit securities or cash to/with an exchange or broker-dealer as collateral and allows the Fund to offset, with each counterparty, certain derivative financial instrument s assets and/or liabilities with collateral held or pledged. Collateral requirements differ

by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Fund under ISDA Master Agreements or similar agreements, if any, will be reported separately in the Statement of Assets and Liabilities. Securities pledged as collateral, if any, for the same purpose are noted in the Summary Portfolio of Investments. With respect to balance sheet offsetting, absent an event of default by the counterparty or a termination of the agreement, the reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities are not offset across transactions between the Fund and the applicable counterparty. A reconciliation of the gross amounts on the Statement of Assets and Liabilities to the net amounts by derivative type, including any collateral exposure, is as follows:

| Derivative type                    | Counterparty      | Gross amounts of assets in the Statement of Assets and Liabilities | Amounts subject to netting agreements | Collateral received | Net amount of assets |
|------------------------------------|-------------------|--|---------------------------------------|---------------------|----------------------|
| Forward foreign currency contracts | State Street Bank | \$533,004*   | \$ (533,004)                          | \$ 0                | \$ 0                 |

\* Amount represents net unrealized gains.

**Table of Contents**

| Notes to financial statements      |                   | Wells Fargo Advantage Multi-Sector Income Fund 31                       |                                       |                    |                           |
|------------------------------------|-------------------|---|---------------------------------------|--------------------|---------------------------|
| Derivative type                    | Counterparty      | Gross amounts of liabilities in the Statement of Assets and Liabilities | Amounts subject to netting agreements | Collateral pledged | Net amount of liabilities |
| Forward foreign currency contracts | State Street Bank | \$950,647**   | \$ (533,004)                          | \$ 0               | \$ 417,643                |

\*\* Amount represents net unrealized losses.

**9. DISTRIBUTIONS TO SHAREHOLDERS**

The tax character of distributions paid during the years ended October 31, 2014 and October 31, 2013 were as follows:

|                                    | Year ended October 31 |              |
|------------------------------------|-----------------------|--------------|
|                                    | 2014                  | 2013         |
| <b>Ordinary income</b>             | \$38,167,582          | \$50,466,000 |
| <b>Tax basis return of capital</b> | 12,298,418            | 0            |

As of October 31, 2014, the components of distributable earnings on a tax basis were as follows:

| Unrealized gains | Capital loss carryforward |
|------------------|---------------------------|
| \$7,685,795      | \$(88,242,093)            |

**10. INDEMNIFICATION**

Under the Fund's organizational documents, the officers and Trustees 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.

**11. SUBSEQUENT DISTRIBUTIONS**

The Fund declared the following distributions to common shareholders:

| Declaration date | Record date       | Payable date     | Per share amount |
|------------------|-------------------|------------------|------------------|
| October 31, 2014 | November 17, 2014 | December 1, 2014 | \$0.1000         |
| November 7, 2014 | December 15, 2014 | January 2, 2015  | \$0.0967         |

These distributions are not reflected in the accompanying financial statements. The final determination of the source of all distributions is subject to change and made after the Fund's tax year-end.

**Table of Contents**

32 Wells Fargo Advantage Multi-Sector Income Fund      Report of independent registered public accounting firm  
**BOARD OF TRUSTEES AND SHAREHOLDERS OF WELLS FARGO ADVANTAGE MULTI-SECTOR  
INCOME FUND:**

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments and the summary portfolio of investments, of the Wells Fargo Advantage Multi-Sector Income Fund (the Fund ), as of October 31, 2014, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, the statement of cash flows for the year then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2014, by correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Wells Fargo Advantage Multi-Sector Income Fund as of October 31, 2014, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, its cash flows for the year then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

December 23, 2014

**Table of Contents**

Other information (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 33

**TAX INFORMATION**

For the fiscal year ended October 31, 2014, \$39,871,672 has been designated as interest-related dividends for nonresident alien shareholders pursuant to Section 871 of the Internal Revenue Code.

**PROXY VOTING INFORMATION**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling **1-800-222-8222**, visiting our website at **wellsfargoadvantagefunds.com**, or visiting the SEC website at sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Fund's website at **wellsfargoadvantagefunds.com** or by visiting the SEC website at sec.gov.

**PORTFOLIO HOLDINGS INFORMATION**

The complete portfolio holdings for the Fund are publicly available monthly on the Fund's website (**wellsfargoadvantagefunds.com**), on a one-month 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 website at 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.



**Table of Contents**

34 Wells Fargo Advantage Multi-Sector Income Fund

Other information (unaudited)

**BOARD OF TRUSTEES AND OFFICERS**

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 each fund in the Wells Fargo Advantage family of funds, which consists of 133 mutual 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). 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 or longer  | Other<br>directorships<br>during<br>past five years   |
|-------------------------------------|--|---|---|
| Peter G.<br>Gordon (Born<br>1942)   | Trustee, since 2010;<br>Chairman, since<br>2010                    | Co-Founder, Retired Chairman, President and CEO of Crystal Geysler Water Company. Trustee Emeritus, Colby College.  | Asset<br>Allocation Trust   |
| Isaiah Harris,<br>Jr. (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. Advisory Board Member, Palm Harbor Academy. Mr. Harris is a certified public accountant. | CIGNA<br>Corporation;<br>Asset<br>Allocation Trust  |
| Judith M.<br>Johnson (Born<br>1949) | Trustee, since 2010;<br>Audit Committee<br>Chairman, since<br>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<br>Allocation Trust   |
| Leroy Keith,<br>Jr. (Born 1939)     | Trustee, since 2010*<br><br>Trustee, since 2010                    | Chairman, Bloc Global Services (development and construction). Trustee of the Evergreen Funds complex (and its predecessors) from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, Inc. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services.  | Trustee, Virtus<br>Fund Complex<br>(consisting of<br>50 portfolios as<br>of 12/16/2013);<br>Asset<br>Allocation Trust |

|                                |                     |  |                        |
|--------------------------------|---------------------|--|------------------------|
| David F. Larcker (Born 1950)   |                     | James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Morgan Stanley Director of the Center for Leadership Development and Research and Senior Faculty 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 (Born 1953) | Trustee, since 2010 | International Foundation of Employee Benefit Plans Professor, 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 |
| Timothy J. Penny (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, Inc., a non-profit organization, since 2007.  | Asset Allocation Trust |

**Table of Contents**

| Other information (unaudited)   |                                     |  | Wells Fargo Advantage Multi-Sector Income Fund | 35 |
|---------------------------------|-------------------------------------|--|--|----|
| Name and year of birth          | Position held and length of service | Principal occupations during past five years or longer   | Other directorships during past five years     |    |
| Michael S. Scofield (Born 1943) | Trustee, since 2003                 | Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well as the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds complex (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield. | Asset Allocation Trust                         |    |
| Donald C. Willeke (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. Director and Vice Chair of The Tree Trust (non-profit corporation). Director of the American Chestnut Foundation (non-profit corporation).   | Asset Allocation Trust                         |    |

\*Leroy Keith, Jr. will retire as a Trustee effective December 31, 2014.

**Officers**

| Name and year of birth                  | Position held and length of service | Principal occupations during past five years or longer   |
|---|-------------------------------------|--|
| Karla M. Rabusch (Born 1959)            | President, since 2010               | Executive Vice President of Wells Fargo Bank, N.A. and President of Wells Fargo Funds Management, LLC since 2003.  |
| Jeremy DePalma <sup>1</sup> (Born 1974) | Treasurer, since 2012               | 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. Head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010. |
| C. David Messman (Born 1974)            | Secretary, since 2010; Chief        | Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Funds Management, LLC since 2009.  |

|                                |                                      |  |
|--------------------------------|--------------------------------------|--|
| 1960)                          | Legal Officer, since 2010            | Fargo Bank N.A. from 1996 to 2013. Senior Vice President and Secretary of Wells Fargo Funds Management , LLC since 2001.   |
| Debra Ann Early<br>(Born 1964) | Chief Compliance Officer, since 2010 | Senior Vice President and 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.   |
| 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. |

1. Jeremy DePalma acts as Treasurer of 60 funds and Assistant Treasurer of 73 funds in the Fund Complex.

**Table of Contents**

|  |                               |
|--|-------------------------------|
| 36 Wells Fargo Advantage Multi-Sector Income Fund                              | Other information (unaudited) |
| <b>BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:</b> |                               |

Under 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 Fund, as defined in the 1940 Act (the Independent Trustees ), must determine whether to approve the continuation of the Fund's investment advisory and sub-advisory agreements. In this regard, at in-person meetings held on March 27-28, 2014 (the March Meeting ) and May 15-16, 2014 (the May Meeting ), and together with the March Meeting, the Meetings ), the Board reviewed: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC ( Funds Management ) for the Fund, (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated ( WellsCap ), an affiliate of Funds Management, for the Fund, and (iii) an investment sub-advisory agreement with First International Advisors, LLC ( FIA ), and affiliate of Funds Management, for the Fund. The investment advisory agreement with Funds Management and the investment sub-advisory agreements with WellsCap and FIA (each a Sub-Adviser and together, the Sub-Advisers ) are collectively referred to as the Advisory Agreements.

At the May Meeting, the Board received the information, considered the factors and reached the conclusions discussed below, and unanimously approved the renewal of the Advisory Agreements, as it had done at the March Meeting.

At the Meetings, the Board considered the factors and reached the conclusions described below relating to the selection of Funds Management and the Sub-Advisers and the continuation of the Advisory Agreements. Prior to the Meetings, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. Also, the Board has adopted a team-based approach, with each team consisting of a sub-set of Trustees, to assist the full Board in the discharge of its duties in reviewing performance and other matters throughout the year. 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.

In providing information to the Board, Funds Management and the Sub-Advisers were guided by a detailed set of requests for information submitted to them by independent legal counsel on behalf of the Independent Trustees at the start of the Board's annual contract renewal process earlier in 2014. In considering and approving the Advisory Agreements, the Trustees considered the information they believed relevant, including but not limited to the information discussed below. The Board considered not only the specific information presented in connection with the Meetings, but also the knowledge gained over time through interaction with Funds Management and the Sub-Advisers about various topics. In this regard, the Board reviewed reports of Funds Management at each of its quarterly meetings, which included, among other things, portfolio reviews and performance reports. In addition, the Board and the teams mentioned above confer with portfolio managers at various times throughout the year. The Board did not identify any particular information or consideration that was all-important or controlling, and each individual Trustee may have attributed different weights to various factors.

After its deliberations, the Board unanimously approved the continuation of the Advisory Agreements and determined that the compensation payable to Funds Management and the Sub-Advisers is reasonable. The Board considered the continuation of the Advisory Agreements for the Fund as part of its consideration of the continuation of advisory agreements for funds across the complex, but its approvals were made on a fund-by-fund basis. The following summarizes a number of important, but not necessarily all, factors considered by the Board in support of its approvals.

**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. This information included, among other things, a summary of the background and experience of senior management of Funds Management, and the qualifications, background, tenure and responsibilities of each 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 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 full range of services provided to the Fund by Funds Management and its affiliates.

#### **Fund performance and expenses**

The Board considered the performance results for the Fund over various time periods ended December 31, 2013. The Board also considered these results in comparison to the performance of funds in a custom peer group that was

**Table of Contents**

Other information (unaudited) Wells Fargo Advantage Multi-Sector Income Fund 37  
determined by Funds Management to be similar to the Fund (the Custom Peer Group ), and in comparison to the Fund s benchmark index and to other comparative data. The Board received a description of the methodology used by Funds Management to select the funds in the Custom Peer Group and discussed the limitations inherent in the use of other peer groups. The Board noted that the performance of the Fund was lower than the average performance of the Custom Peer Group for all periods under review. However, the Board also noted that the performance of the Fund was higher than or in range of its benchmark, the Multi-Sector Blended Index, which is a proprietary index used by the Board to help it assess the Fund s relative performance, for all periods under review except for the one-year period.

The Board received information concerning, and discussed factors contributing to, the underperformance of the Fund relative to the Custom Peer Group for the periods under review and relative to the benchmark for the one-year period. The Board took note of the small size of the Custom Peer Group and the explanations for the relative underperformance and was satisfied with the information it received.

The Board also received and considered information regarding the Fund s net operating expense ratio and its various components, including actual management fees (which reflect fee waivers, if any, and include advisory, and administration fees), custodian and other non-management fees, and fee waiver and expense reimbursement arrangements. The Board considered this ratio in comparison to the median ratio of funds in an expense group that was determined by Lipper, Inc. ( Lipper ) to be similar to the Fund (the Group ). Lipper is an independent provider of investment company data. The Board received a description of the methodology used by Lipper to select the funds in the expense Group and an explanation of year-to-year variations in the funds comprising such expense Group and their expense ratios. Based on the Lipper reports, the Board noted that the net operating expense ratio of the Fund was lower than the median net operating expense ratio of the expense Group.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board concluded that the overall performance and expense structure of the Fund supported the re-approval of the Advisory Agreements.

**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 contractual administration fee rate (the Management Rate ). The Board also reviewed and considered the contractual investment sub-advisory fee rates that are payable by Funds Management to each of the Sub-Advisers for investment sub-advisory services (the Sub-Advisory Agreement Rate ).

Among other information reviewed by the Board was a comparison of the Management Rate of the Fund with those of other funds in the expense Group at a common asset level. The Board noted that the Management Rate of the Fund was lower than the average rate for the Fund s expense Group.

The Board also received and considered information about the portion of the total advisory fee that was retained by Funds Management after payment of the fee to the Sub-Advisers for sub-advisory services. In assessing the reasonableness of this amount, the Board received and evaluated information about the nature and extent of responsibilities retained and risks assumed by Funds Management and not delegated to or assumed by the Sub-Advisers, and about Funds Management s on-going oversight services. However, given the affiliation between Funds Management and the Sub-Advisers, the Board ascribed limited relevance to the allocation of the advisory fee

between them.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board determined that the Advisory Agreement Rate and each Sub-Advisory Agreement Rate were reasonable in light of the services covered by the Advisory Agreements.

### **Profitability**

The Board received and considered information concerning the profitability of Funds Management, as well as the profitability of Wells Fargo as a whole, from providing services to the Fund and the fund family as a whole. The Board did not receive or consider to be necessary separate profitability information with respect to the Sub-Advisers, because their profitability information was subsumed in the collective Wells Fargo profitability analysis.

Funds Management explained the methodologies and estimates that it used in calculating profitability. Among other things, the Board noted that the levels of profitability reported on a fund-by-fund basis varied widely, depending on factors such as the size and type of fund. Based on its review, the Board did not deem the profits reported by Funds Management to be at a level that would prevent it from approving the continuation of the Advisory Agreements.



**Table of Contents**

38 Wells Fargo Advantage Multi-Sector Income Fund

Other information (unaudited)

**Economies of scale**

The Board considered the extent to which there may be sharing with the Fund of potential economies of scale in the provision of advisory services to the Fund. The Board noted that, as is typical of closed-end funds, there are no breakpoints in the Management Rate. Although the Fund would not share in any potential economies of scale through contractual breakpoints, the Board noted that fee waiver and expense reimbursement arrangements and competitive fee rates at the outset are means of sharing potential economies of scale with shareholders of the Fund and the fund family as a whole. The Board concluded that the Fund's fee waiver and expense arrangements constituted a reasonable approach to sharing potential economies of scale with the Fund and its shareholders. The Board also noted that it would have opportunities to revisit the Management Rate as part of future contract reviews.

**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, including the Sub-Advisers, as a result of their relationships with the Fund. Ancillary benefits could include, among others, benefits directly attributable to other relationships with the Fund and benefits potentially derived from an increase in Funds Management's and the Sub-Advisers' business as a result of their relationships with the Fund. The Board also reviewed information about soft dollar credits earned and utilized by the Sub-Advisers and commissions earned by affiliated brokers from portfolio transactions.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board did not find that any ancillary benefits received by Funds Management and its affiliates, including the Sub-Advisers, were unreasonable.

**Conclusion**

After considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board unanimously approved the continuation of the Advisory Agreements for an additional one-year period and determined that the compensation payable to Funds Management and the Sub-Advisers is reasonable.

---

**Table of Contents**

Automatic dividend reinvestment plan

Wells Fargo Advantage Multi-Sector Income Fund 39

**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, nonparticipants in the Plan will receive cash, and participants in the Plan will receive the equivalent in 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 ( 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 30170, College Station, Texas 77842-3170 or by calling 1-800-730-6001.

**Table of Contents**

40 Wells Fargo Advantage Multi-Sector Income Fund

List of abbreviations

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

|        |   |
|--------|---|
| ACA    | ACA Financial Guaranty Corporation          |
| ADR    | American depositary receipt                 |
| ADS    | American depositary shares                  |
| AGC    | Assured Guaranty Corporation                |
| AGM    | Assured Guaranty Municipal                  |
| Ambac  | Ambac Financial Group Incorporated          |
| AMT    | Alternative minimum tax                     |
| AUD    | Australian dollar                           |
| BAN    | Bond anticipation notes                     |
| BHAC   | Berkshire Hathaway Assurance Corporation    |
| BRL    | Brazilian real                              |
| CAB    | Capital appreciation bond                   |
| CAD    | Canadian dollar                             |
| CCAB   | Convertible capital appreciation bond       |
| CDA    | Community Development Authority             |
| CDO    | Collateralized debt obligation              |
| CHF    | Swiss franc                                 |
| COP    | Columbian Peso                              |
| CLP    | Chilean peso                                |
| 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 |
| EDA    | Economic Development Authority              |
| EDFA   | Economic Development Finance Authority      |
| ETF    | Exchange-traded fund                        |
| EUR    | Euro  |
| FDIC   | Federal Deposit Insurance Corporation       |
| FFCB   | Federal Farm Credit Banks                   |
| FGIC   | Financial Guaranty Insurance Corporation    |
| FHA    | Federal Housing Administration              |
| FHLB   | Federal Home Loan Bank                      |
| FHLMC  | Federal Home Loan Mortgage Corporation      |
| FICO   | The Financing Corporation                   |
| FNMA   | Federal National Mortgage Association       |
| 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      | Department of Housing and Urban Development   |
| HUF      | Hungarian forint                              |
| IDA      | Industrial Development Authority              |
| IDAG     | Industrial Development Agency                 |
| IDR      | Indonesian rupiah                             |
| IEP      | Irish pound                                   |
| JPY      | Japanese yen                                  |
| KRW      | Republic of Korea won                         |
| LIBOR    | London Interbank Offered Rate                 |
| LIQ      | Liquidity agreement                           |
| LLC      | Limited liability company                     |
| LLLP     | Limited liability limited partnership         |
| LLP      | Limited liability partnership                 |
| LOC      | Letter of credit                              |
| LP       | Limited partnership                           |
| MBIA     | Municipal Bond Insurance Association          |
| MFHR     | Multifamily housing revenue                   |
| MSTR     | Municipal securities trust receipts           |
| MTN      | Medium-term note                              |
| MUD      | Municipal Utility District                    |
| MXN      | Mexican peso                                  |
| MYR      | Malaysian ringgit                             |
| National | National Public Finance Guarantee Corporation |
| NGN      | Nigerian naira                                |
| NOK      | Norwegian krone                               |
| NZD      | New Zealand dollar                            |
| PCFA     | Pollution Control Financing Authority         |
| PCL      | Public Company Limited                        |
| 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                                  |
| PUTTER   | Puttable tax-exempt receipts                  |
| R&D      | Research & development                        |
| Radian   | Radian Asset Assurance                        |
| RAN      | Revenue anticipation notes                    |
| RDA      | Redevelopment Authority                       |
| RDFA     | Redevelopment Finance Authority               |
| REIT     | Real estate investment trust                  |
| ROC      | Reset option certificates                     |
| RON      | Romanian lei                                  |
| RUB      | Russian ruble                                 |
| SAVRS    | Select auction variable rate securities       |

|        |  |
|--------|--|
| SBA    | Small Business Authority   |
| SEK    | Swedish krona  |
| SFHR   | Single-family housing revenue                                    |
| SFMR   | Single-family mortgage revenue                                   |
| SGD    | Singapore dollar   |
| SPA    | Standby purchase agreement                                       |
| SPDR   | Standard & Poor's Depositary Receipts                            |
| STRIPS | Separate trading of registered interest and principal securities |
| TAN    | Tax anticipation notes   |
| TBA    | To be announced  |
| THB    | Thai baht  |
| TIPS   | Treasury inflation-protected securities                          |
| TRAN   | Tax revenue anticipation notes                                   |
| TRY    | Turkish lira   |
| TTFA   | Transportation Trust Fund Authority                              |
| TVA    | Tennessee Valley Authority                                       |
| ZAR    | South African rand   |

**Table of Contents**

Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 30170

College Station, TX 77842-3170

1-800-730-6001

Website: [wellsfargoadvantagefunds.com](http://wellsfargoadvantagefunds.com)

Wells Fargo Funds Management, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries. Certain material contained in this report may be considered marketing material and has been reviewed by Wells Fargo Funds Distributor, LLC, Member FINRA/SIPC, an affiliate of Wells Fargo & Company.

**NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE**

© 2014 Wells Fargo Funds Management, LLC. All rights reserved.

229615 12-14

AMSI/AR143 10-14

**Table of Contents****ITEM 2. CODE OF ETHICS**

(a) As of the end of the period, covered by the report, Wells Fargo Advantage Multi-Sector Income Fund has adopted a code of ethics that applies to its President and Treasurer. A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

(c) During the period covered by this report, there were no amendments to the provisions of the code of ethics adopted in Item 2(a) above.

(d) During the period covered by this report, there were no implicit or explicit waivers to the provisions of the code of ethics adopted in Item 2(a) above.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

The Board of Trustees of Wells Fargo Advantage Multi-Sector Income Fund has determined that Judith Johnson is an audit committee financial expert, as defined in Item 3 of Form N-CSR. Mrs. Johnson is independent for purposes of Item 3 of Form N-CSR.

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

(a), (b), (c), (d) The following table presents aggregate fees billed in each of the last two fiscal years for services rendered to the Registrant by the Registrant's principal accountant. These fees were billed to the registrant and were approved by the Registrant's audit committee.

|                    | <b>Fiscal<br/>year ended<br/>October 31, 2014</b> | <b>Fiscal<br/>year ended<br/>October 31, 2013</b> |
|--------------------|---|---|
| Audit fees         | \$ 66,735   | \$ 65,110   |
| Audit-related fees |   |   |
| Tax fees (1)       | 3,830   | 3,740   |
| All other fees     |   |   |
|                    | <b>\$ 70,565</b>                                  | <b>\$ 68,850</b>                                  |

(1) Tax fees consist of fees for tax compliance, tax advice, tax planning and excise tax.

(e) The Chairman of the Audit Committees is authorized to pre-approve: (1) audit services for the Wells Fargo Advantage Multi-Sector Income Fund; (2) non-audit tax or compliance consulting or training services provided to the Wells Fargo Advantage Multi-Sector Income Fund by the independent auditors ( Auditors ) if the fees for any particular engagement are not anticipated to exceed \$50,000; and (3) non-audit tax or compliance consulting or training services provided by the Auditors to a Wells Fargo Advantage Multi-Sector Income Fund's investment adviser and its controlling entities (where pre-approval is required because the engagement relates directly to the operations and financial reporting of the Wells Fargo Advantage Multi-Sector Income Fund) if the fee to the Auditors for any

particular engagement is not anticipated to exceed \$50,000. For any such pre-approval sought from the Chairman, Management shall prepare a brief description of the proposed services. If the Chairman approves of such service, he or she shall sign the statement prepared by Management. Such written statement shall be presented to the full Committees at their next regularly scheduled meetings.

(f) Not applicable

(g) Not applicable



**Table of Contents**

(h) Not applicable

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

Not applicable.

**ITEM 6. INVESTMENTS**

A summary portfolio of investments is included as part of the report to shareholders filed under Item 1 of this Form. The portfolio of investments for Wells Fargo Advantage Multi-Sector Income Fund is filed under this Item.

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 1

| Security name                                | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Agency Securities: 2.33%</b>              |               |               |              |              |
| <i>FHLMC ±</i>                               | 4.66%         | 9-1-2032      | \$ 1,369,624 | \$ 1,468,683 |
| <i>FHLMC</i>                                 | 8.50          | 7-1-2028      | 69,590       | 83,906       |
| <i>FHLMC</i>                                 | 8.50          | 3-1-2030      | 46,481       | 48,123       |
| <i>FHLMC Series 1383 ±</i>                   | 2.38          | 2-1-2037      | 539,472      | 578,135      |
| <i>FHLMC Series 196 Class A ±</i>            | 0.95          | 12-15-2021    | 45,870       | 46,454       |
| <i>FHLMC Series 2011-K16 Class B 144A ±</i>  | 4.59          | 11-25-2046    | 1,000,000    | 1,071,069    |
| <i>FHLMC Series 2011-K701 Class B 144A ±</i> | 4.29          | 7-25-2048     | 165,000      | 173,635      |
| <i>FHLMC Series 2011-K702 Class B 144A ±</i> | 4.77          | 4-25-2044     | 740,000      | 792,244      |
| <i>FHLMC Series 2012-K17 Class B 144A ±</i>  | 4.35          | 12-25-2044    | 675,000      | 711,714      |
| <i>FHLMC Series 2012-K18 Class B 144A ±</i>  | 4.26          | 1-25-2045     | 810,000      | 848,844      |
| <i>FHLMC Series 2012-K501 Class C 144A ±</i> | 3.48          | 11-25-2046    | 800,000      | 814,497      |
| <i>FHLMC Series 2012-K705 Class B 144A ±</i> | 4.16          | 9-25-2044     | 1,000,000    | 1,049,480    |
| <i>FHLMC Series 2012-K706 Class B 144A ±</i> | 4.02          | 11-25-2044    | 500,000      | 522,155      |
| <i>FHLMC Series 2012-K706 Class C 144A ±</i> | 4.02          | 11-25-2044    | 805,000      | 826,274      |
| <i>FHLMC Series 2012-K707 Class B 144A ±</i> | 3.88          | 1-25-2047     | 930,000      | 965,891      |
| <i>FHLMC Series 2012-K709 Class B 144A ±</i> | 3.74          | 4-25-2045     | 1,000,000    | 1,032,086    |
| <i>FHLMC Series 2012-K711 Class B 144A ±</i> | 3.56          | 8-25-2045     | 264,000      | 269,559      |
| <i>FHLMC Series 2013-K30 Class B 144A ±</i>  | 3.56          | 6-25-2045     | 700,000      | 690,601      |
| <i>FHLMC Series 2013-K713 Class B 144A ±</i> | 3.16          | 4-25-2046     | 1,000,000    | 995,632      |
| <i>FHLMC Series 2390 Class FD ±</i>          | 0.60          | 12-15-2031    | 33,991       | 34,359       |
| <i>FHLMC Series 2567 Class FH ±</i>          | 0.55          | 2-15-2033     | 101,504      | 102,512      |
| <i>FHLMC Series K007 Class XI ±(c)</i>       | 1.19          | 4-25-2020     | 984,741      | 47,155       |
| <i>FHLMC Series K016 Class XI ±(c)</i>       | 1.57          | 10-25-2021    | 384,506      | 33,626       |
| <i>FHLMC Series K020 Class XI ±(c)</i>       | 1.47          | 5-25-2022     | 6,852,576    | 602,150      |
| <i>FNMA ±</i>                                | 2.02          | 9-1-2037      | 708,618      | 724,696      |
| <i>FNMA</i>                                  | 6.00          | 4-1-2033      | 68,650       | 75,760       |
| <i>FNMA</i>                                  | 6.50          | 11-1-2032     | 61,140       | 62,891       |
| <i>FNMA</i>                                  | 7.50          | 7-1-2017      | 24,606       | 24,897       |
| <i>FNMA</i>                                  | 7.50          | 10-1-2028     | 6,471        | 6,492        |
| <i>FNMA</i>                                  | 7.50          | 11-1-2028     | 149,391      | 160,409      |
| <i>FNMA</i>                                  | 7.50          | 2-1-2030      | 35,777       | 36,240       |
| <i>FNMA</i>                                  | 7.50          | 9-1-2030      | 86,036       | 91,189       |
| <i>FNMA</i>                                  | 8.00          | 6-1-2030      | 19,759       | 20,020       |
| <i>FNMA</i>                                  | 12.00         | 1-1-2016      | 1,677        | 1,695        |
| <i>FNMA Series 1996-46 Class FA ±</i>        | 0.65          | 8-25-2021     | 24,705       | 24,920       |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |      |            |           |         |
|--|------|------------|-----------|---------|
| <i>FNMA Series 1997-20 Class IO ±(c)</i> | 1.84 | 3-25-2027  | 1,902,352 | 83,515  |
| <i>FNMA Series 2001-25 Class Z</i>       | 6.00 | 6-25-2031  | 223,723   | 247,114 |
| <i>FNMA Series 2001-35 Class F ±</i>     | 0.75 | 7-25-2031  | 9,325     | 9,475   |
| <i>FNMA Series 2001-57 Class F ±</i>     | 0.65 | 6-25-2031  | 9,388     | 9,507   |
| <i>FNMA Series 2002-77 Class FH ±</i>    | 0.56 | 12-18-2032 | 72,621    | 73,339  |
| <i>FNMA Series 2002-97 Class FR ±</i>    | 0.70 | 1-25-2033  | 18,097    | 18,320  |
| <i>FNMA Series G91-16 Class F ±</i>      | 0.60 | 6-25-2021  | 25,941    | 26,137  |
| <i>FNMA Series G92-17 Class F ±</i>      | 1.20 | 3-25-2022  | 71,938    | 73,549  |
| <i>GNMA</i>                              | 6.50 | 6-15-2028  | 44,811    | 51,023  |
| <i>GNMA</i>                              | 7.25 | 7-15-2017  | 5,731     | 5,750   |
| <i>GNMA</i>                              | 7.25 | 8-15-2017  | 21,914    | 22,997  |
| <i>GNMA</i>                              | 7.25 | 8-15-2017  | 14,782    | 14,975  |
| <i>GNMA</i>                              | 7.25 | 9-15-2017  | 23,329    | 24,512  |
| <i>GNMA</i>                              | 7.25 | 10-15-2017 | 31,786    | 33,434  |
| <i>GNMA</i>                              | 7.25 | 10-15-2017 | 13,883    | 14,062  |

**Table of Contents**

2 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name   | Interest rate | Maturity date | Principal | Value      |
|---|---------------|---------------|-----------|------------|
| <b>Agency Securities (continued)</b>                  |               |               |           |            |
| <i>GNMA</i>   | 7.25%         | 11-15-2017    | \$ 15,666 | \$ 15,888  |
| <i>GNMA</i>   | 7.25          | 1-15-2018     | 6,379     | 6,402      |
| <i>GNMA</i>   | 7.25          | 1-15-2018     | 9,141     | 9,174      |
| <i>GNMA</i>   | 7.25          | 2-15-2018     | 17,955    | 18,264     |
| <i>GNMA</i>   | 7.25          | 5-15-2018     | 9,717     | 9,752      |
| <b>Total Agency Securities (Cost \$14,785,998)</b>    |               |               |           | 15,805,182 |
| <b>Asset-Backed Securities: 0.10%</b>                 |               |               |           |            |
| <i>CVS Pass-Through Trust Series T</i>                | 6.04          | 12-10-2028    | 584,935   | 680,814    |
| <b>Total Asset-Backed Securities (Cost \$654,811)</b> |               |               |           | 680,814    |
| <b>Shares</b>   |               |               |           |            |
| <b>Common Stocks: 0.17%</b>                           |               |               |           |            |
| <b>Materials: 0.00%</b>                               |               |               |           |            |
| <b>Chemicals: 0.00%</b>                               |               |               |           |            |
| <i>LyondellBasell Industries NV Class A</i>           |               |               | 9         | 825        |
| <b>Telecommunication Services: 0.17%</b>              |               |               |           |            |
| <b>Diversified Telecommunication Services: 0.17%</b>  |               |               |           |            |
| <i>Fairpoint Communications Incorporated</i>          |               |               | 70,442    | 1,169,337  |
| <b>Total Common Stocks (Cost \$1,618,617)</b>         |               |               |           | 1,170,162  |
| <b>Principal</b>                                      |               |               |           |            |
| <b>Corporate Bonds and Notes: 67.03%</b>              |               |               |           |            |

**Consumer Discretionary: 10.75%****Auto Components: 1.07%**

|   |      |            |              |           |
|---|------|------------|--------------|-----------|
| <i>Allison Transmission Incorporated 144A</i> | 7.13 | 5-15-2019  | \$ 3,790,000 | 3,984,238 |
| <i>Cooper Tire &amp; Rubber Company (i)</i>   | 7.63 | 3-15-2027  | 1,680,000    | 1,772,400 |
| <i>Cooper Tire &amp; Rubber Company</i>       | 8.00 | 12-15-2019 | 450,000      | 499,500   |
| <i>Goodyear Tire &amp; Rubber Company</i>     | 7.00 | 5-15-2022  | 400,000      | 435,000   |
| <i>Goodyear Tire &amp; Rubber Company</i>     | 8.75 | 8-15-2020  | 468,000      | 550,485   |
|   |      |            |              | 7,241,623 |

**Distributors: 0.12%**

|                        |      |           |         |         |
|------------------------|------|-----------|---------|---------|
| <i>LKQ Corporation</i> | 4.75 | 5-15-2023 | 800,000 | 773,120 |
|------------------------|------|-----------|---------|---------|

**Diversified Consumer Services: 0.98%**

|  |      |            |           |           |
|--|------|------------|-----------|-----------|
| <i>Service Corporation International</i> | 6.75 | 4-1-2016   | 475,000   | 502,313   |
| <i>Service Corporation International</i> | 7.00 | 6-15-2017  | 1,410,000 | 1,540,425 |
| <i>Service Corporation International</i> | 7.50 | 4-1-2027   | 2,993,000 | 3,292,300 |
| <i>Service Corporation International</i> | 7.63 | 10-1-2018  | 680,000   | 761,600   |
| <i>Service Corporation International</i> | 8.00 | 11-15-2021 | 475,000   | 558,125   |
|  |      |            |           | 6,654,763 |

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 3

| Security name                                   | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Hotels, Restaurants &amp; Leisure: 2.75%</b> |               |               |            |            |
| <i>Burger King Corporation</i>                  | 9.88%         | 10-15-2018    | \$ 850,000 | \$ 896,750 |
| <i>CCM Merger Incorporated 144A</i>             | 9.13          | 5-1-2019      | 6,270,000  | 6,740,250  |
| <i>Greektown Holdings LLC 144A</i>              | 8.88          | 3-15-2019     | 7,425,000  | 7,462,125  |
| <i>Hilton Worldwide Finance LLC 144A</i>        | 5.63          | 10-15-2021    | 195,000    | 205,481    |
| <i>Pinnacle Entertainment Incorporated</i>      | 7.50          | 4-15-2021     | 2,620,000  | 2,796,850  |
| <i>Speedway Motorsports Incorporated</i>        | 6.75          | 2-1-2019      | 525,000    | 546,000    |
|   |               |               |            | 18,647,456 |
| <b>Household Durables: 0.22%</b>                |               |               |            |            |
| <i>American Greetings Corporation</i>           | 7.38          | 12-1-2021     | 1,230,000  | 1,296,113  |
| <i>Tempur Sealy International Incorporated</i>  | 6.88          | 12-15-2020    | 200,000    | 213,500    |
|   |               |               |            | 1,509,613  |
| <b>Internet &amp; Catalog Retail: 0.18%</b>     |               |               |            |            |
| <i>Expedia Incorporated</i>                     | 5.95          | 8-15-2020     | 750,000    | 836,245    |
| <i>Priceline Group Incorporated</i>             | 2.38          | 9-23-2024     | 300,000    | 385,422    |
|   |               |               |            | 1,221,667  |
| <b>Media: 4.29%</b>                             |               |               |            |            |
| <i>Cablevision Systems Corporation</i>          | 8.63          | 9-15-2017     | 1,310,000  | 1,480,300  |
| <i>CBS Outdoor Americas Capital LLC 144A</i>    | 5.63          | 2-15-2024     | 20,000     | 20,850     |
| <i>CBS Outdoor Americas Capital LLC 144A</i>    | 5.88          | 3-15-2025     | 1,185,000  | 1,244,250  |
| <i>CCO Holdings LLC</i>                         | 8.13          | 4-30-2020     | 415,000    | 439,900    |
| <i>CCOH Safari LLC %%</i>                       | 5.50          | 12-1-2022     | 450,000    | 452,813    |
| <i>CCOH Safari LLC %%</i>                       | 5.75          | 12-1-2024     | 1,575,000  | 1,586,813  |
| <i>Cinemark USA Incorporated</i>                | 7.38          | 6-15-2021     | 775,000    | 831,188    |
| <i>CSC Holdings LLC</i>                         | 7.63          | 7-15-2018     | 625,000    | 707,813    |
| <i>CSC Holdings LLC</i>                         | 7.88          | 2-15-2018     | 1,100,000  | 1,243,000  |
| <i>CSC Holdings LLC</i>                         | 8.63          | 2-15-2019     | 383,000    | 449,546    |
| <i>DIRECTV Holdings LLC</i>                     | 3.80          | 3-15-2022     | 750,000    | 763,718    |
| <i>DISH DBS Corporation</i>                     | 7.88          | 9-1-2019      | 480,000    | 557,400    |
| <i>EchoStar DBS Corporation</i>                 | 7.13          | 2-1-2016      | 125,000    | 132,969    |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |      |            |           |            |
|--|------|------------|-----------|------------|
| <i>EchoStar DBS Corporation</i>                    | 7.75 | 5-31-2015  | 350,000   | 362,250    |
| <i>Gray Television Incorporated</i>                | 7.50 | 10-1-2020  | 6,040,000 | 6,319,350  |
| <i>Interpublic Group of Companies</i>              | 4.00 | 3-15-2022  | 750,000   | 763,615    |
| <i>Lamar Media Corporation</i>                     | 5.88 | 2-1-2022   | 690,000   | 727,950    |
| <i>LIN Television Corporation</i>                  | 6.38 | 1-15-2021  | 275,000   | 279,125    |
| <i>LIN Television Corporation</i>                  | 8.38 | 4-15-2018  | 1,625,000 | 1,692,031  |
| <i>Live Nation Entertainment Incorporated 144A</i> | 7.00 | 9-1-2020   | 200,000   | 212,500    |
| <i>Lynx II Corporation 144A</i>                    | 6.38 | 4-15-2023  | 365,000   | 385,988    |
| <i>National CineMedia LLC</i>                      | 6.00 | 4-15-2022  | 1,710,000 | 1,731,375  |
| <i>National CineMedia LLC</i>                      | 7.88 | 7-15-2021  | 760,000   | 809,400    |
| <i>Nexstar Broadcasting Group Incorporated</i>     | 6.88 | 11-15-2020 | 1,750,000 | 1,815,625  |
| <i>Regal Entertainment Group</i>                   | 5.75 | 6-15-2023  | 400,000   | 384,000    |
| <i>Regal Entertainment Group</i>                   | 5.75 | 3-15-2022  | 2,925,000 | 2,859,188  |
| <i>Time Warner Cable Incorporated</i>              | 4.00 | 1-15-2022  | 750,000   | 787,259    |
|  |      |            |           | 29,040,216 |

**Table of Contents**

4 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Multiline Retail: 0.09%</b>                                   |               |               |            |            |
| <i>Macy's Retail Holdings Incorporated</i>                       | 3.88%         | 1-15-2022     | \$ 600,000 | \$ 625,596 |
| <b>Specialty Retail: 1.05%</b>                                   |               |               |            |            |
| <i>ABC Supply Company Incorporated 144A</i>                      | 5.63          | 4-15-2021     | 450,000    | 455,625    |
| <i>Advance Auto Parts Incorporated</i>                           | 4.50          | 1-15-2022     | 600,000    | 633,092    |
| <i>Ahern Rentals Incorporated 144A</i>                           | 9.50          | 6-15-2018     | 1,200,000  | 1,281,000  |
| <i>Century Intermediate Holding Company (PIK at 10.50%) 144A</i> | 9.75          | 2-15-2019     | 175,000    | 185,719    |
| <i>L Brands Incorporated</i>                                     | 6.63          | 4-1-2021      | 750,000    | 849,375    |
| <i>Penske Auto Group Incorporated</i>                            | 5.75          | 10-1-2022     | 1,155,000  | 1,201,200  |
| <i>Sonic Automotive Incorporated</i>                             | 5.00          | 5-15-2023     | 1,174,000  | 1,138,780  |
| <i>Toys 'R Us Property Company II LLC</i>                        | 8.50          | 12-1-2017     | 1,335,000  | 1,335,000  |
|  |               |               |            | 7,079,791  |
| <b>Consumer Staples: 0.41%</b>                                   |               |               |            |            |
| <b>Food &amp; Staples Retailing: 0.09%</b>                       |               |               |            |            |
| <i>SABMiller Holdings Incorporated 144A</i>                      | 3.75          | 1-15-2022     | 600,000    | 619,465    |
| <b>Food Products: 0.20%</b>                                      |               |               |            |            |
| <i>B&amp;G Foods Incorporated</i>                                | 4.63          | 6-1-2021      | 300,000    | 294,750    |
| <i>Darling Ingredients Incorporated</i>                          | 5.38          | 1-15-2022     | 180,000    | 180,450    |
| <i>Hearthside Group Holdings LLC 144A</i>                        | 6.50          | 5-1-2022      | 120,000    | 118,200    |
| <i>Kraft Foods Group Incorporated</i>                            | 3.50          | 6-6-2022      | 750,000    | 767,306    |
|  |               |               |            | 1,360,706  |
| <b>Tobacco: 0.12%</b>  |               |               |            |            |
| <i>Lorillard Tobacco Company</i>                                 | 6.88          | 5-1-2020      | 650,000    | 767,271    |
| <b>Energy: 14.14%</b>  |               |               |            |            |
| <b>Energy Equipment &amp; Services: 5.44%</b>                    |               |               |            |            |



Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |      |            |           |            |
|--|------|------------|-----------|------------|
| <i>Bristow Group Incorporated</i>              | 6.25 | 10-15-2022 | 3,540,000 | 3,681,600  |
| <i>Cleaver Brooks Incorporated 144A</i>        | 8.75 | 12-15-2019 | 275,000   | 299,063    |
| <i>Compressco Partners LP 144A</i>             | 7.25 | 8-15-2022  | 1,205,000 | 1,192,950  |
| <i>Era Group Incorporated</i>                  | 7.75 | 12-15-2022 | 4,425,000 | 4,590,938  |
| <i>Forum Energy Technologies Incorporated</i>  | 6.25 | 10-1-2021  | 200,000   | 206,000    |
| <i>Gulfmark Offshore Incorporated</i>          | 6.38 | 3-15-2022  | 4,930,000 | 4,486,300  |
| <i>Hornbeck Offshore Services Incorporated</i> | 5.00 | 3-1-2021   | 2,375,000 | 2,113,750  |
| <i>Hornbeck Offshore Services Incorporated</i> | 5.88 | 4-1-2020   | 2,350,000 | 2,209,000  |
| <i>NGPL PipeCo LLC 144A</i>                    | 7.12 | 12-15-2017 | 5,300,000 | 5,313,250  |
| <i>NGPL PipeCo LLC 144A</i>                    | 7.77 | 12-15-2037 | 6,975,000 | 7,219,125  |
| <i>NGPL PipeCo LLC 144A</i>                    | 9.63 | 6-1-2019   | 435,000   | 463,275    |
| <i>Northern Tier Energy LLC 144A</i>           | 7.13 | 11-15-2020 | 825,000   | 866,250    |
| <i>PHI Incorporated</i>                        | 5.25 | 3-15-2019  | 4,250,000 | 4,198,405  |
|  |      |            |           | 36,839,906 |
| <b>Oil, Gas &amp; Consumable Fuels: 8.70%</b>  |      |            |           |            |
| <i>Crestwood Midstream Partners LP</i>         | 6.00 | 12-15-2020 | 1,075,000 | 1,088,438  |
| <i>Crestwood Midstream Partners LP</i>         | 6.13 | 3-1-2022   | 275,000   | 277,750    |
| <i>CVR Refining LLC</i>                        | 6.50 | 11-1-2022  | 1,249,000 | 1,261,490  |

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 5

| Security name                                      | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Oil, Gas &amp; Consumable Fuels (continued)</b> |               |               |            |            |
| <i>Denbury Resources Incorporated</i>              | 4.63%         | 7-15-2023     | \$ 535,000 | \$ 492,200 |
| <i>Denbury Resources Incorporated</i>              | 6.38          | 8-15-2021     | 50,000     | 52,250     |
| <i>El Paso LLC</i>                                 | 6.50          | 9-15-2020     | 285,000    | 324,188    |
| <i>El Paso LLC</i>                                 | 7.00          | 6-15-2017     | 530,000    | 589,625    |
| <i>El Paso LLC</i>                                 | 7.42          | 2-15-2037     | 800,000    | 960,000    |
| <i>El Paso LLC</i>                                 | 7.80          | 8-1-2031      | 1,850,000  | 2,275,500  |
| <i>El Paso Pipeline Partners Operating LLC</i>     | 6.50          | 4-1-2020      | 750,000    | 857,979    |
| <i>Energy Transfer Equity LP</i>                   | 7.50          | 10-15-2020    | 3,100,000  | 3,565,000  |
| <i>Energy Transfer Partners LP</i>                 | 5.20          | 2-1-2022      | 750,000    | 820,393    |
| <i>Exterran Partners LP</i>                        | 6.00          | 4-1-2021      | 2,500,000  | 2,412,500  |
| <i>Kinder Morgan Energy Partners LP</i>            | 3.95          | 9-1-2022      | 750,000    | 747,704    |
| <i>Nabors Industries Incorporated</i>              | 4.63          | 9-15-2021     | 750,000    | 790,957    |
| <i>Northern Tier Energy LLC</i>                    | 7.13          | 11-15-2020    | 1,975,000  | 2,073,750  |
| <i>Overseas Shipholding Group</i>                  | 8.13          | 3-30-2018     | 425,000    | 430,844    |
| <i>Phillips 66</i>                                 | 4.30          | 4-1-2022      | 625,000    | 669,770    |
| <i>Pioneer Natural Resources Company</i>           | 3.95          | 7-15-2022     | 750,000    | 755,761    |
| <i>Pioneer Natural Resources Company</i>           | 7.50          | 1-15-2020     | 1,220,000  | 1,478,340  |
| <i>Rockies Express Pipeline LLC 144A</i>           | 5.63          | 4-15-2020     | 3,625,000  | 3,788,125  |
| <i>Rockies Express Pipeline LLC 144A</i>           | 6.88          | 4-15-2040     | 4,613,000  | 5,120,430  |
| <i>Rockies Express Pipeline LLC 144A</i>           | 7.50          | 7-15-2038     | 2,350,000  | 2,655,500  |
| <i>Rose Rock Midstream LP</i>                      | 5.63          | 7-15-2022     | 215,000    | 214,463    |
| <i>Sabine Pass Liquefaction LLC</i>                | 5.63          | 2-1-2021      | 850,000    | 890,375    |
| <i>Sabine Pass Liquefaction LLC</i>                | 5.63          | 4-15-2023     | 1,020,000  | 1,055,700  |
| <i>Sabine Pass Liquefaction LLC 144A</i>           | 5.75          | 5-15-2024     | 1,625,000  | 1,679,844  |
| <i>Sabine Pass Liquefaction LLC 144A</i>           | 6.25          | 3-15-2022     | 3,550,000  | 3,825,125  |
| <i>Sabine Pass LNG LP</i>                          | 6.50          | 11-1-2020     | 4,245,000  | 4,489,088  |
| <i>Sabine Pass LNG LP</i>                          | 7.50          | 11-30-2016    | 4,635,000  | 4,971,038  |
| <i>SemGroup Corporation</i>                        | 7.50          | 6-15-2021     | 2,665,000  | 2,804,913  |
| <i>Suburban Propane Partners LP</i>                | 7.38          | 3-15-2020     | 790,000    | 823,575    |
| <i>Suburban Propane Partners LP</i>                | 7.38          | 8-1-2021      | 309,000    | 332,175    |
| <i>Ultra Petroleum Corporation 144A</i>            | 5.75          | 12-15-2018    | 1,135,000  | 1,123,650  |
| <i>Ultra Petroleum Corporation 144A</i>            | 6.13          | 10-1-2024     | 1,260,000  | 1,189,125  |
| <i>Weatherford International Incorporated</i>      | 6.35          | 6-15-2017     | 650,000    | 723,267    |
| <i>Western Gas Partners LP</i>                     | 5.38          | 6-1-2021      | 503,000    | 562,537    |
| <i>Williams Partners LP</i>                        | 3.35          | 8-15-2022     | 750,000    | 730,622    |

**Financials: 14.43%****Banks: 0.88%**

|                                     |      |           |           |           |
|-------------------------------------|------|-----------|-----------|-----------|
| <i>Bank of America Corporation</i>  | 3.70 | 9-1-2015  | 650,000   | 665,297   |
| <i>Bank of America Corporation</i>  | 5.70 | 1-24-2022 | 250,000   | 287,725   |
| <i>CIT Group Incorporated 144A</i>  | 5.50 | 2-15-2019 | 1,275,000 | 1,360,266 |
| <i>CIT Group Incorporated 144A</i>  | 6.63 | 4-1-2018  | 550,000   | 602,250   |
| <i>Citigroup Incorporated</i>       | 4.50 | 1-14-2022 | 250,000   | 271,134   |
| <i>Citigroup Incorporated</i>       | 6.00 | 8-15-2017 | 650,000   | 725,249   |
| <i>City National Bank</i>           | 5.38 | 7-15-2022 | 500,000   | 546,666   |
| <i>HSBC Bank USA</i>                | 6.00 | 8-9-2017  | 650,000   | 724,248   |
| <i>JPMorgan Chase &amp; Company</i> | 3.38 | 5-1-2023  | 750,000   | 732,095   |
|                                     |      |           |           | 5,914,930 |

**Table of Contents**

6 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Capital Markets: 1.17%</b>                        |               |               |            |            |
| <i>Ace Securities Corporation ±</i>                  | 2.78%         | 6-25-2033     | \$ 500,085 | \$ 494,399 |
| <i>Blackstone Holdings Finance Company LLC 144A</i>  | 5.88          | 3-15-2021     | 750,000    | 870,917    |
| <i>Goldman Sachs Group Incorporated</i>              | 5.75          | 1-24-2022     | 750,000    | 863,745    |
| <i>Neuberger Berman Group LLC 144A</i>               | 5.63          | 3-15-2020     | 500,000    | 522,500    |
| <i>Neuberger Berman Group LLC 144A</i>               | 5.88          | 3-15-2022     | 650,000    | 689,000    |
| <i>Nuveen Investments Incorporated</i>               | 5.50          | 9-15-2015     | 3,560,000  | 3,715,750  |
| <i>Nuveen Investments Incorporated 144A</i>          | 9.13          | 10-15-2017    | 730,000    | 779,859    |
|  |               |               |            | 7,936,170  |
| <b>Consumer Finance: 4.40%</b>                       |               |               |            |            |
| <i>Ally Financial Incorporated</i>                   | 5.50          | 2-15-2017     | 750,000    | 797,775    |
| <i>Ally Financial Incorporated</i>                   | 6.75          | 12-1-2014     | 998,000    | 1,000,994  |
| <i>Ally Financial Incorporated</i>                   | 7.50          | 9-15-2020     | 927,000    | 1,103,130  |
| <i>Ally Financial Incorporated</i>                   | 8.00          | 3-15-2020     | 755,000    | 907,888    |
| <i>Ally Financial Incorporated</i>                   | 8.30          | 2-12-2015     | 2,055,000  | 2,088,394  |
| <i>Discover Financial Services</i>                   | 5.20          | 4-27-2022     | 750,000    | 823,655    |
| <i>Ford Motor Credit Company LLC</i>                 | 5.00          | 5-15-2018     | 650,000    | 710,324    |
| <i>Ford Motor Credit Company LLC</i>                 | 8.00          | 12-15-2016    | 250,000    | 283,351    |
| <i>General Motors Financial Company Incorporated</i> | 6.75          | 6-1-2018      | 1,135,000  | 1,289,644  |
| <i>Homer City Funding LLC (PIK at 9.23%) ¥</i>       | 8.73          | 10-1-2026     | 1,328,854  | 1,388,653  |
| <i>Navient LLC</i>                                   | 8.00          | 3-25-2020     | 3,940,000  | 4,521,150  |
| <i>SLM Corporation</i>                               | 6.13          | 3-25-2024     | 1,220,000  | 1,259,662  |
| <i>SLM Corporation</i>                               | 7.25          | 1-25-2022     | 930,000    | 1,039,275  |
| <i>SLM Corporation</i>                               | 8.45          | 6-15-2018     | 1,675,000  | 1,916,200  |
| <i>Springleaf Finance Corporation</i>                | 5.40          | 12-1-2015     | 1,535,000  | 1,584,888  |
| <i>Springleaf Finance Corporation</i>                | 5.75          | 9-15-2016     | 1,100,000  | 1,144,000  |
| <i>Springleaf Finance Corporation</i>                | 6.00          | 6-1-2020      | 1,735,000  | 1,795,725  |
| <i>Springleaf Finance Corporation</i>                | 6.50          | 9-15-2017     | 200,000    | 214,000    |
| <i>Springleaf Finance Corporation</i>                | 6.90          | 12-15-2017    | 4,550,000  | 4,959,500  |
| <i>Springleaf Finance Corporation</i>                | 7.75          | 10-1-2021     | 475,000    | 536,750    |
| <i>Springleaf Finance Corporation</i>                | 8.25          | 10-1-2023     | 385,000    | 441,788    |
|  |               |               |            | 29,806,746 |

**Diversified Financial Services: 1.98%**

|   |      |            |           |            |
|---|------|------------|-----------|------------|
| <i>Denali Borrower LLC 144A</i>             | 5.63 | 10-15-2020 | 3,510,000 | 3,722,794  |
| <i>General Electric Capital Corporation</i> | 4.65 | 10-17-2021 | 650,000   | 726,654    |
| <i>Infinity Acquisition LLC 144A</i>        | 7.25 | 8-1-2022   | 2,615,000 | 2,445,025  |
| <i>ING US Incorporated</i>                  | 5.50 | 7-15-2022  | 750,000   | 845,239    |
| <i>Jefferies Finance LLC 144A</i>           | 6.88 | 4-15-2022  | 1,360,000 | 1,319,200  |
| <i>Jefferies Finance LLC 144A</i>           | 7.38 | 4-1-2020   | 2,400,000 | 2,394,000  |
| <i>Jefferies Finance LLC 144A</i>           | 7.50 | 4-15-2021  | 425,000   | 425,000    |
| <i>Moody s Corporation</i>                  | 5.50 | 9-1-2020   | 1,302,000 | 1,488,952  |
|   |      |            |           | 13,366,864 |

**Insurance: 1.16%**

|   |      |           |         |         |
|---|------|-----------|---------|---------|
| <i>American International Group Incorporated</i>      | 4.88 | 6-1-2022  | 750,000 | 836,255 |
| <i>Endurance Specialty Holdings Limited</i>           | 7.00 | 7-15-2034 | 575,000 | 704,764 |
| <i>Hartford Financial Services Group Incorporated</i> | 5.13 | 4-15-2022 | 650,000 | 726,116 |

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 7

| Security name                                    | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Insurance (continued)</b>                     |               |               |              |              |
| <i>Hub Holdings LLC (PIK at 8.88%) 144A</i>      | 8.13%         | 7-15-2019     | \$ 2,900,000 | \$ 2,878,250 |
| <i>Liberty Mutual Group Incorporated 144A</i>    | 4.95          | 5-1-2022      | 750,000      | 812,601      |
| <i>ProAssurance Corporation</i>                  | 5.30          | 11-15-2023    | 750,000      | 815,247      |
| <i>Prudential Covered Trust 144A</i>             | 3.00          | 9-30-2015     | 360,000      | 366,731      |
| <i>W.R. Berkley Corporation</i>                  | 4.63          | 3-15-2022     | 650,000      | 698,145      |
|  |               |               |              | 7,838,109    |
| <b>Real Estate Management &amp; Development:</b> |               |               |              |              |
| <b>0.87%</b>                                     |               |               |              |              |
| <i>Hockey Merger Sub 2 Incorporated 144A</i>     | 7.88          | 10-1-2021     | 2,035,000    | 2,121,488    |
| <i>Onex Corporation 144A</i>                     | 7.75          | 1-15-2021     | 3,730,000    | 3,776,625    |
|  |               |               |              | 5,898,113    |
| <b>REITs: 3.97%</b>                              |               |               |              |              |
| <i>Alexandria Real Estate Company</i>            | 4.60          | 4-1-2022      | 650,000      | 685,431      |
| <i>American Tower Corporation</i>                | 5.90          | 11-1-2021     | 650,000      | 730,322      |
| <i>Crown Castle International Corporation</i>    | 5.25          | 1-15-2023     | 100,000      | 102,375      |
| <i>DuPont Fabros Technology Incorporated LP</i>  | 5.88          | 9-15-2021     | 4,655,000    | 4,841,200    |
| <i>Essex Portfolio LP</i>                        | 3.63          | 8-15-2022     | 750,000      | 763,352      |
| <i>Health Care REIT Incorporated</i>             | 5.25          | 1-15-2022     | 650,000      | 720,221      |
| <i>Iron Mountain Incorporated</i>                | 5.75          | 8-15-2024     | 4,525,000    | 4,615,500    |
| <i>Iron Mountain Incorporated</i>                | 6.00          | 8-15-2023     | 2,160,000    | 2,273,400    |
| <i>Iron Mountain Incorporated</i>                | 7.75          | 10-1-2019     | 365,000      | 392,375      |
| <i>Iron Mountain Incorporated</i>                | 8.38          | 8-15-2021     | 1,759,000    | 1,829,360    |
| <i>Omega Healthcare Investors Incorporated</i>   | 6.75          | 10-15-2022    | 1,775,000    | 1,894,813    |
| <i>Sabra Health Care Incorporated</i>            | 5.38          | 6-1-2023      | 850,000      | 862,750      |
| <i>Sabra Health Care Incorporated</i>            | 5.50          | 2-1-2021      | 1,100,000    | 1,141,250    |
| <i>The Geo Group Incorporated</i>                | 5.13          | 4-1-2023      | 1,775,000    | 1,757,250    |
| <i>The Geo Group Incorporated</i>                | 5.88          | 1-15-2022     | 2,640,000    | 2,745,600    |
| <i>The Geo Group Incorporated</i>                | 5.88          | 10-15-2024    | 465,000      | 478,950      |
| <i>The Geo Group Incorporated</i>                | 6.63          | 2-15-2021     | 365,000      | 385,988      |
| <i>Ventas Realty LP</i>                          | 4.25          | 3-1-2022      | 650,000      | 679,877      |
|  |               |               |              | 26,900,014   |

**Health Care: 6.28%**

**Biotechnology: 0.11%**

|                           |      |           |         |         |
|---------------------------|------|-----------|---------|---------|
| <i>Amgen Incorporated</i> | 3.63 | 5-15-2022 | 750,000 | 764,441 |
|---------------------------|------|-----------|---------|---------|

**Health Care Equipment & Supplies: 0.68%**

|                                      |      |           |         |         |
|--------------------------------------|------|-----------|---------|---------|
| <i>Boston Scientific Corporation</i> | 6.00 | 1-15-2020 | 750,000 | 860,216 |
|--------------------------------------|------|-----------|---------|---------|

|   |      |           |           |           |
|---|------|-----------|-----------|-----------|
| <i>Crimson Merger Sub Incorporated 144A</i> | 6.63 | 5-15-2022 | 2,275,000 | 2,127,125 |
|---|------|-----------|-----------|-----------|

|                             |      |          |           |           |
|-----------------------------|------|----------|-----------|-----------|
| <i>Hologic Incorporated</i> | 6.25 | 8-1-2020 | 1,530,000 | 1,608,413 |
|-----------------------------|------|----------|-----------|-----------|

4,595,754

**Health Care Providers & Services: 3.53%**

|                                      |      |            |         |         |
|--------------------------------------|------|------------|---------|---------|
| <i>Aviv Healthcare Properties LP</i> | 6.00 | 10-15-2021 | 515,000 | 530,450 |
|--------------------------------------|------|------------|---------|---------|

|                                      |      |           |           |           |
|--------------------------------------|------|-----------|-----------|-----------|
| <i>Aviv Healthcare Properties LP</i> | 7.75 | 2-15-2019 | 1,625,000 | 1,706,250 |
|--------------------------------------|------|-----------|-----------|-----------|

|  |      |          |           |           |
|--|------|----------|-----------|-----------|
| <i>Capella Healthcare Incorporated</i> | 9.25 | 7-1-2017 | 1,375,000 | 1,438,594 |
|--|------|----------|-----------|-----------|

|                            |      |          |           |           |
|----------------------------|------|----------|-----------|-----------|
| <i>Centene Corporation</i> | 5.75 | 6-1-2017 | 1,000,000 | 1,052,500 |
|----------------------------|------|----------|-----------|-----------|

**Table of Contents**

8 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Health Care Providers &amp; Services</b>                    |               |               |              |              |
| (continued)  |               |               |              |              |
| <i>Community Health Systems Incorporated</i>                   | 6.88%         | 2-1-2022      | \$ 1,340,000 | \$ 1,443,850 |
| <i>Coventry Health Care Incorporated</i>                       | 5.45          | 6-15-2021     | 750,000      | 858,684      |
| <i>DaVita HealthCare Partners Incorporated</i>                 | 5.75          | 8-15-2022     | 525,000      | 556,500      |
| <i>Express Scripts Holding Company</i>                         | 3.90          | 2-15-2022     | 665,000      | 692,995      |
| <i>HCA Incorporated</i>  | 6.50          | 2-15-2020     | 1,875,000    | 2,095,313    |
| <i>HealthSouth Corporation</i>                                 | 5.75          | 11-1-2024     | 30,000       | 31,500       |
| <i>HealthSouth Corporation</i>                                 | 8.13          | 2-15-2020     | 495,000      | 520,988      |
| <i>Humana Incorporated</i>                                     | 7.20          | 6-15-2018     | 750,000      | 882,939      |
| <i>MPH Acquisition Holdings LLC 144A</i>                       | 6.63          | 4-1-2022      | 885,000      | 925,931      |
| <i>MPT Operating Partnership LP</i>                            | 6.38          | 2-15-2022     | 1,075,000    | 1,142,188    |
| <i>MPT Operating Partnership LP</i>                            | 6.88          | 5-1-2021      | 775,000      | 829,250      |
| <i>Select Medical Corporation</i>                              | 6.38          | 6-1-2021      | 6,215,000    | 6,354,838    |
| <i>Tenet Healthcare Corporation</i>                            | 6.00          | 10-1-2020     | 1,475,000    | 1,585,625    |
| <i>Tenet Healthcare Corporation</i>                            | 8.13          | 4-1-2022      | 1,090,000    | 1,249,413    |
|  |               |               |              | 23,897,808   |
| <b>Health Care Technology: 0.84%</b>                           |               |               |              |              |
| <i>Emdeon Incorporated</i>                                     | 11.00         | 12-31-2019    | 5,150,000    | 5,710,063    |
| <b>Life Sciences Tools &amp; Services: 0.13%</b>               |               |               |              |              |
| <i>Life Technologies Corporation</i>                           | 6.00          | 3-1-2020      | 750,000      | 863,923      |
| <b>Pharmaceuticals: 0.99%</b>                                  |               |               |              |              |
| <i>Endo Finance LLC 144A</i>                                   | 5.75          | 1-15-2022     | 715,000      | 718,575      |
| <i>Endo Finance LLC 144A</i>                                   | 7.25          | 1-15-2022     | 2,175,000    | 2,321,813    |
| <i>Par Pharmaceutical Company</i>                              | 7.38          | 10-15-2020    | 2,150,000    | 2,284,375    |
| <i>Pinnacle Incorporated 144A</i>                              | 9.50          | 10-1-2023     | 500,000      | 545,000      |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 5.63          | 12-1-2021     | 85,000       | 84,150       |
| <i>Watson Pharmaceuticals Incorporated</i>                     | 3.25          | 10-1-2022     | 750,000      | 720,290      |
|  |               |               |              | 6,674,203    |



**Industrials: 4.47%****Aerospace & Defense: 0.15%**

|   |      |           |           |           |
|---|------|-----------|-----------|-----------|
| <i>BAE Systems Holdings Incorporated 144A</i> | 3.80 | 10-7-2024 | 1,000,000 | 1,006,126 |
|---|------|-----------|-----------|-----------|

**Airlines: 0.45%**

|  |      |          |           |           |
|--|------|----------|-----------|-----------|
| <i>Aviation Capital Group Corporation 144A</i> | 6.75 | 4-6-2021 | 1,320,000 | 1,504,800 |
|--|------|----------|-----------|-----------|

|  |      |            |         |         |
|--|------|------------|---------|---------|
| <i>Aviation Capital Group Corporation 144A</i> | 7.13 | 10-15-2020 | 720,000 | 827,595 |
|--|------|------------|---------|---------|

|                                     |      |           |         |         |
|-------------------------------------|------|-----------|---------|---------|
| <i>Delta Air Lines Incorporated</i> | 4.75 | 11-7-2021 | 663,626 | 706,762 |
|-------------------------------------|------|-----------|---------|---------|

|  |  |  |  |           |
|--|--|--|--|-----------|
|  |  |  |  | 3,039,157 |
|--|--|--|--|-----------|

**Commercial Services & Supplies: 1.34%**

|                        |      |           |         |         |
|------------------------|------|-----------|---------|---------|
| <i>ADT Corporation</i> | 3.50 | 7-15-2022 | 750,000 | 671,250 |
|------------------------|------|-----------|---------|---------|

|                        |      |           |           |         |
|------------------------|------|-----------|-----------|---------|
| <i>ADT Corporation</i> | 4.13 | 6-15-2023 | 1,075,000 | 989,000 |
|------------------------|------|-----------|-----------|---------|

|                        |      |            |         |         |
|------------------------|------|------------|---------|---------|
| <i>ADT Corporation</i> | 6.25 | 10-15-2021 | 735,000 | 772,669 |
|------------------------|------|------------|---------|---------|

|                                    |      |          |           |           |
|------------------------------------|------|----------|-----------|-----------|
| <i>Covanta Holding Corporation</i> | 5.88 | 3-1-2024 | 1,885,000 | 1,946,263 |
|------------------------------------|------|----------|-----------|-----------|

|                                    |      |           |           |           |
|------------------------------------|------|-----------|-----------|-----------|
| <i>Covanta Holding Corporation</i> | 6.38 | 10-1-2022 | 1,500,000 | 1,597,500 |
|------------------------------------|------|-----------|-----------|-----------|

|                                    |      |           |           |           |
|------------------------------------|------|-----------|-----------|-----------|
| <i>Covanta Holding Corporation</i> | 7.25 | 12-1-2020 | 1,480,000 | 1,576,200 |
|------------------------------------|------|-----------|-----------|-----------|

|  |      |           |         |         |
|--|------|-----------|---------|---------|
| <i>Penske Truck Leasing Company 144A</i> | 3.75 | 5-11-2017 | 750,000 | 787,844 |
|--|------|-----------|---------|---------|

|                                       |      |          |         |         |
|---------------------------------------|------|----------|---------|---------|
| <i>Republic Services Incorporated</i> | 3.55 | 6-1-2022 | 750,000 | 768,770 |
|---------------------------------------|------|----------|---------|---------|

|  |  |  |  |           |
|--|--|--|--|-----------|
|  |  |  |  | 9,109,496 |
|--|--|--|--|-----------|

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 9

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Construction &amp; Engineering: 0.44%</b>                     |               |               |            |            |
| <i>AECOM Technology Corporation 144A</i>                         | 5.75%         | 10-15-2022    | \$ 215,000 | \$ 225,213 |
| <i>AECOM Technology Corporation 144A</i>                         | 5.88          | 10-15-2024    | 2,610,000  | 2,760,075  |
|  |               |               |            | 2,985,288  |
| <b>Machinery: 0.51%</b>  |               |               |            |            |
| <i>Columbus McKinnon Corporation</i>                             | 7.88          | 2-1-2019      | 3,320,000  | 3,469,400  |
| <b>Professional Services: 0.09%</b>                              |               |               |            |            |
| <i>Verisk Analytics Incorporated</i>                             | 5.80          | 5-1-2021      | 530,000    | 596,927    |
| <b>Trading Companies &amp; Distributors: 1.36%</b>               |               |               |            |            |
| <i>Ashtead Capital Incorporated 144A</i>                         | 6.50          | 7-15-2022     | 4,010,000  | 4,330,800  |
| <i>H&amp;E Equipment Services Incorporated</i>                   | 7.00          | 9-1-2022      | 3,085,000  | 3,293,238  |
| <i>International Lease Finance Corporation 144A</i>              | 7.13          | 9-1-2018      | 75,000     | 84,938     |
| <i>International Lease Finance Corporation</i>                   | 8.63          | 9-15-2015     | 900,000    | 945,000    |
| <i>Light Tower Rentals Incorporated 144A</i>                     | 8.13          | 8-1-2019      | 590,000    | 581,150    |
|  |               |               |            | 9,235,126  |
| <b>Transportation Infrastructure: 0.13%</b>                      |               |               |            |            |
| <i>Watco Companies LLC 144A</i>                                  | 6.38          | 4-1-2023      | 835,000    | 847,525    |
| <b>Information Technology: 4.92%</b>                             |               |               |            |            |
| <b>Communications Equipment: 0.11%</b>                           |               |               |            |            |
| <i>Motorola Solutions Incorporated</i>                           | 3.75          | 5-15-2022     | 750,000    | 746,330    |
| <b>Electronic Equipment, Instruments &amp; Components: 1.12%</b> |               |               |            |            |
| <i>Jabil Circuit Incorporated</i>                                | 8.25          | 3-15-2018     | 5,275,000  | 6,105,813  |
| <i>L-3 Communications Corporation</i>                            | 4.95          | 2-15-2021     | 750,000    | 822,499    |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |       |            |           |            |
|--|-------|------------|-----------|------------|
| <i>Zebra Technologies Corporation 144A</i>                       | 7.25  | 10-15-2022 | 600,000   | 631,500    |
|  |       |            |           | 7,559,812  |
| <b>Internet Software &amp; Services: 0.30%</b>                   |       |            |           |            |
| <i>Equinix Incorporated</i>                                      | 7.00  | 7-15-2021  | 75,000    | 81,750     |
| <i>Sophia Holding Finance LP (PIK at 10.38%)<br/>144A</i>        | 9.63  | 12-1-2018  | 1,930,000 | 1,963,775  |
|  |       |            |           | 2,045,525  |
| <b>IT Services: 2.18%</b>  |       |            |           |            |
| <i>Audatex North America Incorporated 144A</i>                   | 6.00  | 6-15-2021  | 1,400,000 | 1,480,500  |
| <i>Audatex North America Incorporated 144A</i>                   | 6.13  | 11-1-2023  | 420,000   | 445,200    |
| <i>First Data Corporation 144A</i>                               | 6.75  | 11-1-2020  | 585,000   | 625,950    |
| <i>First Data Corporation 144A</i>                               | 7.38  | 6-15-2019  | 1,555,000 | 1,648,300  |
| <i>First Data Corporation</i>                                    | 11.75 | 8-15-2021  | 1,534,000 | 1,798,615  |
| <i>First Data Holdings Incorporated (PIK at<br/>14.50%) 144A</i> | 14.50 | 9-24-2019  | 3,687,734 | 3,852,607  |
| <i>SunGard Data Systems Incorporated</i>                         | 6.63  | 11-1-2019  | 2,000,000 | 2,070,000  |
| <i>SunGard Data Systems Incorporated</i>                         | 7.38  | 11-15-2018 | 2,457,000 | 2,561,423  |
| <i>SunGard Data Systems Incorporated</i>                         | 7.63  | 11-15-2020 | 250,000   | 266,563    |
|  |       |            |           | 14,749,158 |

**Table of Contents**

10 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Semiconductors &amp; Semiconductor Equipment: 0.22%</b>   |               |               |              |              |
| <i>Micron Technology Incorporated 144A</i>                   | 5.88%         | 2-15-2022     | \$ 1,400,000 | \$ 1,470,000 |
| <b>Software: 0.42%</b>                                       |               |               |              |              |
| <i>Activision Blizzard Incorporated 144A</i>                 | 5.63          | 9-15-2021     | 705,000      | 749,944      |
| <i>Activision Blizzard Incorporated 144A</i>                 | 6.13          | 9-15-2023     | 175,000      | 189,438      |
| <i>BMC Software Finance Incorporated 144A</i>                | 8.13          | 7-15-2021     | 1,095,000    | 1,048,463    |
| <i>CA Incorporated</i>                                       | 5.38          | 12-1-2019     | 750,000      | 836,258      |
|  |               |               |              | 2,824,103    |
| <b>Technology Hardware, Storage &amp; Peripherals: 0.57%</b> |               |               |              |              |
| <i>Hewlett-Packard Company</i>                               | 4.05          | 9-15-2022     | 750,000      | 768,236      |
| <i>NCR Corporation</i>                                       | 5.88          | 12-15-2021    | 230,000      | 235,750      |
| <i>NCR Corporation</i>                                       | 6.38          | 12-15-2023    | 2,725,000    | 2,874,875    |
|  |               |               |              | 3,878,861    |
| <b>Materials: 1.18%</b>                                      |               |               |              |              |
| <b>Chemicals: 0.12%</b>                                      |               |               |              |              |
| <i>Dow Chemical Company</i>                                  | 4.13          | 11-15-2021    | 750,000      | 794,086      |
| <b>Containers &amp; Packaging: 0.68%</b>                     |               |               |              |              |
| <i>Crown Cork &amp; Seal Company Incorporated</i>            | 7.38          | 12-15-2026    | 35,000       | 38,675       |
| <i>Crown Cork &amp; Seal Company Incorporated (i)</i>        | 7.50          | 12-15-2096    | 600,000      | 561,000      |
| <i>Owens-Illinois Incorporated</i>                           | 7.80          | 5-15-2018     | 1,295,000    | 1,463,350    |
| <i>Sealed Air Corporation 144A</i>                           | 8.38          | 9-15-2021     | 2,260,000    | 2,559,450    |
|  |               |               |              | 4,622,475    |
| <b>Metals &amp; Mining: 0.14%</b>                            |               |               |              |              |
| <i>Cliffs Natural Resources</i>                              | 6.25          | 10-1-2040     | 460,000      | 340,400      |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |       |            |           |           |
|--|-------|------------|-----------|-----------|
| <i>Freeport-McMoRan Copper &amp; Gold Incorporated</i> | 3.55  | 3-1-2022   | 600,000   | 585,020   |
| <i>Indalex Holdings Corporation (s)(a)(i)</i>          | 11.50 | 2-1-2020   | 3,170,000 | 0         |
|  |       |            |           | 925,420   |
| <b>Paper &amp; Forest Products: 0.24%</b>              |       |            |           |           |
| <i>Georgia-Pacific LLC</i>                             | 8.88  | 5-15-2031  | 1,080,000 | 1,648,333 |
| <b>Telecommunication Services: 8.42%</b>               |       |            |           |           |
| <b>Diversified Telecommunication Services: 3.89%</b>   |       |            |           |           |
| <i>CenturyLink Incorporated</i>                        | 5.80  | 3-15-2022  | 600,000   | 636,000   |
| <i>Citizens Communications Company</i>                 | 7.88  | 1-15-2027  | 1,805,000 | 1,877,200 |
| <i>Frontier Communications Corporation</i>             | 8.13  | 10-1-2018  | 845,000   | 959,498   |
| <i>Frontier Communications Corporation</i>             | 8.25  | 4-15-2017  | 1,040,000 | 1,166,100 |
| <i>Frontier Communications Corporation</i>             | 8.50  | 4-15-2020  | 525,000   | 605,063   |
| <i>GCI Incorporated</i>                                | 6.75  | 6-1-2021   | 2,330,000 | 2,318,350 |
| <i>GCI Incorporated</i>                                | 8.63  | 11-15-2019 | 5,625,000 | 5,864,063 |
| <i>Level 3 Financing Incorporated</i>                  | 8.13  | 7-1-2019   | 300,000   | 321,000   |
| <i>Qwest Corporation</i>                               | 7.13  | 11-15-2043 | 795,000   | 807,051   |
| <i>Qwest Corporation</i>                               | 7.25  | 9-15-2025  | 1,040,000 | 1,225,365 |
| <i>Qwest Corporation</i>                               | 7.63  | 8-3-2021   | 230,000   | 251,850   |

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 11

| Security name                                      | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Diversified Telecommunication Services</b>      |               |               |              |              |
| (continued)  |               |               |              |              |
| <i>Syniverse Holdings Incorporated</i>             | 9.13%         | 1-15-2019     | \$ 5,005,000 | \$ 5,255,250 |
| <i>TW Telecommunications Holdings Incorporated</i> | 5.38          | 10-1-2022     | 1,270,000    | 1,403,350    |
| <i>TW Telecommunications Holdings Incorporated</i> | 5.38          | 10-1-2022     | 600,000      | 663,000      |
| <i>Verizon Communications Incorporated</i>         | 3.25          | 2-17-2026     | 300,000      | 425,534      |
| <i>Windstream Corporation</i>                      | 7.88          | 11-1-2017     | 2,330,000    | 2,593,756    |
|  |               |               |              | 26,372,430   |
| <b>Wireless Telecommunication Services:</b>        |               |               |              |              |
| <b>4.53%</b>                                       |               |               |              |              |
| <i>Crown Castle Towers LLC 144A</i>                | 6.11          | 1-15-2040     | 750,000      | 866,578      |
| <i>MetroPCS Wireless Incorporated</i>              | 6.63          | 11-15-2020    | 3,300,000    | 3,477,375    |
| <i>SBA Telecommunications Corporation</i>          | 5.63          | 10-1-2019     | 160,000      | 166,400      |
| <i>SBA Telecommunications Corporation</i>          | 5.75          | 7-15-2020     | 2,000,000    | 2,090,000    |
| <i>Sprint Capital Corporation</i>                  | 6.88          | 11-15-2028    | 13,665,000   | 13,289,167   |
| <i>Sprint Capital Corporation</i>                  | 8.75          | 3-15-2032     | 515,000      | 575,513      |
| <i>Sprint Communications Incorporated 144A</i>     | 9.00          | 11-15-2018    | 325,000      | 382,281      |
| <i>Sprint Communications Incorporated</i>          | 11.50         | 11-15-2021    | 625,000      | 803,125      |
| <i>Sprint Corporation 144A</i>                     | 7.13          | 6-15-2024     | 960,000      | 986,400      |
| <i>Sprint Corporation 144A</i>                     | 7.25          | 9-15-2021     | 200,000      | 211,500      |
| <i>Sprint Corporation 144A</i>                     | 7.88          | 9-15-2023     | 200,000      | 216,500      |
| <i>T-Mobile USA Incorporated</i>                   | 6.00          | 3-1-2023      | 115,000      | 118,450      |
| <i>T-Mobile USA Incorporated</i>                   | 6.13          | 1-15-2022     | 85,000       | 88,081       |
| <i>T-Mobile USA Incorporated</i>                   | 6.25          | 4-1-2021      | 505,000      | 527,094      |
| <i>T-Mobile USA Incorporated</i>                   | 6.38          | 3-1-2025      | 225,000      | 231,188      |
| <i>T-Mobile USA Incorporated</i>                   | 6.46          | 4-28-2019     | 160,000      | 166,800      |
| <i>T-Mobile USA Incorporated</i>                   | 6.50          | 1-15-2024     | 80,000       | 83,800       |
| <i>T-Mobile USA Incorporated</i>                   | 6.54          | 4-28-2020     | 165,000      | 174,075      |
| <i>T-Mobile USA Incorporated</i>                   | 6.63          | 4-1-2023      | 505,000      | 532,775      |
| <i>T-Mobile USA Incorporated</i>                   | 6.63          | 4-28-2021     | 920,000      | 969,450      |
| <i>T-Mobile USA Incorporated</i>                   | 6.73          | 4-28-2022     | 3,490,000    | 3,690,675    |
| <i>T-Mobile USA Incorporated</i>                   | 6.84          | 4-28-2023     | 945,000      | 999,338      |

30,646,565

**Utilities: 2.03%****Electric Utilities: 0.71%**

|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>Great Plains Energy Incorporated</i>     | 4.85 | 6-1-2021   | 750,000   | 833,357   |
| <i>IPALCO Enterprises Incorporated 144A</i> | 7.25 | 4-1-2016   | 1,730,000 | 1,842,450 |
| <i>Otter Tail Corporation (i)</i>           | 9.00 | 12-15-2016 | 1,835,000 | 2,102,662 |
| <i>PNM Resources Incorporated</i>           | 9.25 | 5-15-2015  | 9,000     | 9,373     |
|   |      |            |           | 4,787,842 |

**Gas Utilities: 0.40%**

|                             |      |           |           |           |
|-----------------------------|------|-----------|-----------|-----------|
| <i>AmeriGas Finance LLC</i> | 6.75 | 5-20-2020 | 1,775,000 | 1,890,375 |
| <i>AmeriGas Finance LLC</i> | 7.00 | 5-20-2022 | 795,000   | 858,600   |
|                             |      |           |           | 2,748,975 |

**Independent Power & Renewable****Electricity Producers: 0.70%**

|                                 |      |           |         |         |
|---------------------------------|------|-----------|---------|---------|
| <i>Calpine Corporation 144A</i> | 6.00 | 1-15-2022 | 515,000 | 554,913 |
| <i>Calpine Corporation 144A</i> | 7.88 | 1-15-2023 | 735,000 | 814,013 |

**Table of Contents**

12 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Independent Power &amp; Renewable Electricity Producers (continued)</b> |               |               |              |              |
| <i>NSG Holdings LLC 144A</i>   | 7.75%         | 12-15-2025    | \$ 2,175,000 | \$ 2,343,563 |
| <i>Reliant Energy Incorporated</i>   | 9.24          | 7-2-2017      | 563,039      | 596,821      |
| <i>Reliant Energy Incorporated</i>   | 9.68          | 7-2-2026      | 410,000      | 442,800      |
|  |               |               |              | 4,752,110    |
| <b>Multi-Utilities: 0.22%</b>  |               |               |              |              |
| <i>Ameren Illinois Company</i>   | 9.75          | 11-15-2018    | 500,000      | 646,793      |
| <i>CMS Energy Corporation</i>  | 5.05          | 3-15-2022     | 750,000      | 840,052      |
|  |               |               |              | 1,486,845    |
| <b>Total Corporate Bonds and Notes (Cost \$432,441,973)</b>                |               |               |              | 453,800,237  |
| <b>Foreign Corporate Bonds and Notes @: 5.09%</b>                          |               |               |              |              |
| <b>Consumer Discretionary: 0.30%</b>                                       |               |               |              |              |
| <b>Auto Components: 0.07%</b>  |               |               |              |              |
| <i>Gestamp Funding Luxembourg SA (EUR)</i>                                 | 5.88          | 5-31-2020     | 135,000      | 178,015      |
| <i>HP Pelzer Holdings (EUR) 144A</i>                                       | 7.50          | 7-15-2021     | 100,000      | 130,212      |
| <i>Samvardhana Motherson Automotive Systems Group (EUR) 144A</i>           | 4.13          | 7-15-2021     | 100,000      | 121,587      |
|  |               |               |              | 429,814      |
| <b>Automobiles: 0.08%</b>  |               |               |              |              |
| <i>Jaguar Land Rover plc (GBP)</i>   | 8.25          | 3-15-2020     | 300,000      | 526,701      |
| <b>Distributors: 0.02%</b>   |               |               |              |              |
| <i>GHD Bondco plc (GBP)</i>  | 7.00          | 4-15-2020     | 100,000      | 144,789      |



**Diversified Consumer Services: 0.02%**

|                                  |      |            |         |         |
|----------------------------------|------|------------|---------|---------|
| <i>Brakes Capital (GBP) 144A</i> | 7.13 | 12-15-2018 | 100,000 | 155,971 |
|----------------------------------|------|------------|---------|---------|

**Hotels, Restaurants & Leisure: 0.02%**

|                                     |      |          |         |         |
|-------------------------------------|------|----------|---------|---------|
| <i>Twinkle Pizza plc (GBP) 144A</i> | 6.63 | 8-1-2021 | 100,000 | 159,370 |
|-------------------------------------|------|----------|---------|---------|

**Media: 0.09%**

|                                 |      |           |         |         |
|---------------------------------|------|-----------|---------|---------|
| <i>Altice SA (EUR) 144A (i)</i> | 7.25 | 5-15-2022 | 100,000 | 129,388 |
|---------------------------------|------|-----------|---------|---------|

|  |      |           |         |         |
|--|------|-----------|---------|---------|
| <i>Cable Communications Systems NV (EUR)</i> | 7.50 | 11-1-2020 | 350,000 | 451,761 |
|--|------|-----------|---------|---------|

581,149

**Consumer Staples: 0.37%****Beverages: 0.08%**

|                              |      |          |         |         |
|------------------------------|------|----------|---------|---------|
| <i>Bacardi Limited (EUR)</i> | 2.75 | 7-3-2023 | 400,000 | 545,869 |
|------------------------------|------|----------|---------|---------|

**Food & Staples Retailing: 0.13%**

|   |      |           |         |         |
|---|------|-----------|---------|---------|
| <i>Casino Guichard Perrachon SA (EUR)</i> | 4.73 | 5-26-2021 | 500,000 | 750,876 |
|---|------|-----------|---------|---------|

|                                    |      |           |         |         |
|------------------------------------|------|-----------|---------|---------|
| <i>R&amp;R Ice Cream plc (GBP)</i> | 5.50 | 5-15-2020 | 100,000 | 155,171 |
|------------------------------------|------|-----------|---------|---------|

906,047

**Food Products: 0.16%**

|                          |      |           |           |           |
|--------------------------|------|-----------|-----------|-----------|
| <i>BRF SA (BRL) 144A</i> | 7.75 | 5-22-2018 | 3,100,000 | 1,075,911 |
|--------------------------|------|-----------|-----------|-----------|

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 13

| Security name  | Interest rate | Maturity date | Principal  | Value        |
|--|---------------|---------------|------------|--------------|
| <b>Energy: 0.31%</b>   |               |               |            |              |
| <b>Oil, Gas &amp; Consumable Fuels: 0.31%</b>                        |               |               |            |              |
| <i>Petroleos Mexicanos (MXN) 144A</i>                                | 7.19%         | 9-12-2024     | 28,200,000 | \$ 2,121,976 |
| <b>Financials: 3.26%</b>   |               |               |            |              |
| <b>Banks: 3.20%</b>  |               |               |            |              |
| <i>Eurofima (AUD)</i>  | 6.25          | 12-28-2018    | 2,450,000  | 2,393,280    |
| <i>European Investment Bank (ZAR)</i>                                | 9.00          | 3-31-2021     | 17,400,000 | 1,667,740    |
| <i>General Electric Capital Corporation (NZD)</i>                    | 4.25          | 1-17-2018     | 2,000,000  | 1,554,759    |
| <i>International Bank for Reconstruction &amp; Development (AUD)</i> | 4.25          | 6-24-2025     | 5,600,000  | 5,058,492    |
| <i>International Bank for Reconstruction &amp; Development (AUD)</i> | 5.75          | 10-1-2020     | 950,000    | 935,115      |
| <i>KfW (TRY)</i>   | 5.00          | 1-16-2017     | 11,400,000 | 4,820,246    |
| <i>KfW (AUD)</i>   | 5.00          | 3-19-2024     | 1,300,000  | 1,236,872    |
| <i>KfW (NZD)</i>   | 6.38          | 2-17-2015     | 3,319,000  | 2,604,913    |
| <i>Landwirtschaftliche Rentenbank (ZAR)</i>                          | 8.25          | 5-23-2022     | 15,000,000 | 1,373,027    |
|  |               |               |            | 21,644,444   |
| <b>Consumer Finance: 0.02%</b>                                       |               |               |            |              |
| <i>Matalan Finance plc (GBP)</i>                                     | 6.88          | 6-1-2019      | 100,000    | 153,011      |
| <b>Diversified Financial Services: 0.04%</b>                         |               |               |            |              |
| <i>TES Finance plc (GBP)</i>   | 6.75          | 7-15-2020     | 200,000    | 295,977      |
| <b>Industrials: 0.37%</b>  |               |               |            |              |
| <b>Building Products: 0.08%</b>                                      |               |               |            |              |
| <i>Heidelbergcement AG (EUR)</i>                                     | 8.50          | 10-31-2019    | 330,000    | 534,192      |
| <b>Commercial Services &amp; Supplies: 0.05%</b>                     |               |               |            |              |
| <i>Iron Mountain Incorporated (EUR)</i>                              | 6.75          | 10-15-2018    | 250,000    | 312,536      |

**Construction & Engineering: 0.03%**

|  |      |           |         |         |
|--|------|-----------|---------|---------|
| <i>Grupo Isolux Corsan Finance BV (EUR) 144A</i> | 6.63 | 4-15-2021 | 200,000 | 240,605 |
|--|------|-----------|---------|---------|

**Transportation Infrastructure: 0.21%**

|   |      |           |         |         |
|---|------|-----------|---------|---------|
| <i>Autoroutes Du Sud de la France (EUR)</i> | 2.95 | 1-17-2024 | 500,000 | 698,991 |
|---|------|-----------|---------|---------|

|                                       |      |           |         |         |
|---------------------------------------|------|-----------|---------|---------|
| <i>Heathrow Funding Limited (EUR)</i> | 4.60 | 2-15-2020 | 500,000 | 704,243 |
|---------------------------------------|------|-----------|---------|---------|

1,403,234

**Telecommunication Services: 0.38%**

**Diversified Telecommunication Services:  
0.06%**

|   |      |            |         |         |
|---|------|------------|---------|---------|
| <i>Telefonica Emisiones Company (EUR)</i> | 4.69 | 11-11-2019 | 300,000 | 442,583 |
|---|------|------------|---------|---------|

**Wireless Telecommunication Services:  
0.32%**

|                                      |      |           |            |           |
|--------------------------------------|------|-----------|------------|-----------|
| <i>America Movil SAB de CV (MXN)</i> | 7.13 | 12-9-2024 | 28,850,000 | 2,155,462 |
|--------------------------------------|------|-----------|------------|-----------|

**Utilities: 0.10%**

**Water Utilities: 0.10%**

|                                  |      |           |         |         |
|----------------------------------|------|-----------|---------|---------|
| <i>Befesa Zinc Aser SA (EUR)</i> | 8.88 | 5-15-2018 | 500,000 | 656,037 |
|----------------------------------|------|-----------|---------|---------|

**Total Foreign Corporate Bonds and Notes  
(Cost \$35,095,986)**

34,485,678

**Table of Contents**

14 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal      | Value        |
|--|---------------|---------------|----------------|--------------|
| <b>Foreign Government Bonds @:</b>                             |               |               |                |              |
| <b>23.31 %</b>   |               |               |                |              |
| <i>Australia (AUD)</i>   | 3.25%         | 4-21-2025     | 3,350,000      | \$ 2,920,347 |
| <i>Brazil (BRL)</i>  | 10.00         | 1-1-2017      | 44,075,000     | 16,974,221   |
| <i>Colombia (COP)</i>  | 7.75          | 4-14-2021     | 5,250,000,000  | 2,776,950    |
| <i>Columbia (COP)</i>  | 7.00          | 5-4-2022      | 18,650,000,000 | 9,330,529    |
| <i>Hungary (HUF)</i>   | 6.75          | 11-24-2017    | 1,305,000,000  | 5,953,762    |
| <i>Indonesia (IDR)</i>   | 7.88          | 4-15-2019     | 74,000,000,000 | 6,129,417    |
| <i>Indonesia (IDR)</i>   | 8.38          | 3-15-2024     | 67,650,000,000 | 5,718,202    |
| <i>Indonesia (IDR)</i>   | 10.00         | 7-15-2017     | 50,000,000,000 | 4,364,915    |
| <i>Korea (KRW)</i>   | 5.25          | 3-10-2027     | 2,830,000,000  | 3,346,514    |
| <i>Malaysia (MYR)</i>  | 3.26          | 3-1-2018      | 22,500,000     | 6,767,122    |
| <i>Malaysia (MYR)</i>  | 4.26          | 9-15-2016     | 21,100,000     | 6,502,739    |
| <i>Mexico (MXN)</i>  | 7.75          | 11-13-2042    | 67,350,000     | 5,592,692    |
| <i>Mexico (MXN)</i>  | 10.00         | 12-5-2024     | 62,120,000     | 6,030,247    |
| <i>New Zealand (NZD)</i>                                       | 5.50          | 4-15-2023     | 5,625,000      | 4,847,578    |
| <i>Nigeria (NGN)</i>   | 15.10         | 4-27-2017     | 500,000,000    | 3,190,462    |
| <i>Poland (PLN)</i>  | 3.25          | 7-25-2025     | 50,000,000     | 15,811,890   |
| <i>Queensland Treasury (AUD)</i>                               | 5.75          | 7-22-2024     | 4,100,000      | 4,180,848    |
| <i>Republic of South Africa (ZAR)</i>                          | 8.00          | 12-21-2018    | 101,000,000    | 9,468,484    |
| <i>Romania (RON)</i>   | 5.85          | 4-26-2023     | 15,000,000     | 4,914,174    |
| <i>Russia (RUB)</i>  | 6.70          | 5-15-2019     | 175,000,000    | 3,594,701    |
| <i>Russia (RUB)</i>  | 7.00          | 1-25-2023     | 50,500,000     | 990,973      |
| <i>Russia (RUB)</i>  | 7.60          | 7-20-2022     | 48,400,000     | 992,526      |
| <i>South Africa (ZAR)</i>                                      | 6.75          | 3-31-2021     | 62,000,000     | 5,424,645    |
| <i>State of New South Wales Australia (AUD)</i>                | 5.00          | 8-20-2024     | 3,900,000      | 3,805,524    |
| <i>Thailand (THB)</i>  | 3.25          | 6-16-2017     | 276,500,000    | 8,678,789    |
| <i>Turkey (TRY)</i>  | 6.30          | 2-14-2018     | 675,000        | 287,292      |
| <i>Turkey (TRY)</i>  | 8.20          | 7-13-2016     | 18,000,000     | 8,076,170    |
| <i>Turkey (TRY)</i>  | 9.00          | 3-8-2017      | 2,500,000      | 1,144,467    |
| <b>Total Foreign Government Bonds<br/>(Cost \$163,981,311)</b> |               |               |                | 157,816,180  |

**Loans: 16.22%**

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |      |            |    |           |           |
|--|------|------------|----|-----------|-----------|
| <i>Accellent Incorporated ±</i>                | 7.50 | 3-11-2022  | \$ | 310,000   | 300,080   |
| <i>ADS Waste Holdings Incorporated ±</i>       | 3.75 | 10-9-2019  |    | 1,066,126 | 1,042,405 |
| <i>Albertson s Holdings LLC ±</i>              | 4.50 | 8-25-2021  |    | 1,475,000 | 1,475,266 |
| <i>Albertson s Holdings LLC ±</i>              | 4.50 | 8-25-2021  |    | 150,255   | 150,282   |
| <i>Alliance Laundry Systems LLC ±</i>          | 4.25 | 12-10-2018 |    | 1,686,829 | 1,666,453 |
| <i>Alliance Laundry Systems LLC ±</i>          | 9.50 | 12-10-2019 |    | 2,230,189 | 2,235,764 |
| <i>Allison Transmission Incorporated ±</i>     | 3.75 | 8-23-2019  |    | 3,410,139 | 3,380,300 |
| <i>American Capital Limited ±</i>              | 3.50 | 8-22-2017  |    | 1,387,362 | 1,371,754 |
| <i>AMF Bowling Centers Incorporated ±</i>      | 7.25 | 9-18-2021  |    | 775,000   | 767,250   |
| <i>Applied Systems Incorporated ±</i>          | 7.50 | 1-22-2022  |    | 325,000   | 322,699   |
| <i>Arris Group Incorporated ±</i>              | 3.25 | 4-17-2020  |    | 593,250   | 589,542   |
| <i>Asurion LLC ±</i>                           | 8.50 | 3-3-2021   |    | 1,235,000 | 1,253,834 |
| <i>Capital Automotive LP ±</i>                 | 4.00 | 4-10-2019  |    | 3,096,615 | 3,079,832 |
| <i>Capital Automotive LP ±</i>                 | 6.00 | 4-30-2020  |    | 1,849,333 | 1,867,827 |
| <i>CCC Information Services Incorporated ±</i> | 4.00 | 12-20-2019 |    | 590,485   | 580,151   |
| <i>CCM Merger Incorporated ±</i>               | 4.50 | 8-8-2021   |    | 720,000   | 715,500   |
| <i>CDW LLC ±</i>                               | 3.25 | 4-29-2020  |    | 886,750   | 866,320   |
| <i>Centaur Acquisition LLC ±</i>               | 8.75 | 2-20-2020  |    | 1,850,000 | 1,863,875 |

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 15

| Security name   | Interest rate | Maturity date | Principal    | Value        |
|---|---------------|---------------|--------------|--------------|
| <b>Loans (continued)</b>                                |               |               |              |              |
| <i>Crown Castle Operating Company</i> ±                 | 3.00%         | 1-31-2021     | \$ 6,468,769 | \$ 6,412,167 |
| <i>Dave &amp; Buster's Incorporated</i> ±               | 4.50          | 7-25-2020     | 498,962      | 497,870      |
| <i>Dell Incorporated</i> ±                              | 4.50          | 4-29-2020     | 8,365,500    | 8,372,778    |
| <i>Doosan Infracore International Incorporated</i><br>± | 4.50          | 5-28-2021     | 219,450      | 219,588      |
| <i>Dunkin' Brands Incorporated</i> ±                    | 3.25          | 2-7-2021      | 1,551,844    | 1,523,228    |
| <i>Entercom Radio LLC</i> ±                             | 4.00          | 11-23-2018    | 1,135,000    | 1,131,220    |
| <i>Focus Brands Incorporated</i> ±                      | 4.25          | 2-21-2018     | 747,628      | 739,217      |
| <i>Focus Brands Incorporated</i> ±                      | 10.25         | 8-21-2018     | 2,023,863    | 2,029,023    |
| <i>Gates Global LLC</i> ±                               | 4.25          | 7-3-2021      | 875,000      | 864,063      |
| <i>Goodyear Tire &amp; Rubber Company</i> ±             | 4.75          | 4-30-2019     | 5,500,000    | 5,512,045    |
| <i>HGIM Corporation</i> ±                               | 5.50          | 6-18-2020     | 1,215,789    | 1,153,991    |
| <i>Hub International Limited</i> ±                      | 4.25          | 10-2-2020     | 276,217      | 272,419      |
| <i>Interactive Data Corporation</i> ±                   | 4.75          | 5-2-2021      | 1,855,350    | 1,854,422    |
| <i>Ipreo Holdings LLC</i> ±                             | 4.25          | 7-16-2021     | 145,000      | 141,738      |
| <i>Kronos Incorporated</i> ±                            | 4.50          | 10-30-2019    | 585,308      | 582,381      |
| <i>Learfield Communications Incorporated</i><br>±%%<    | 8.75          | 10-9-2021     | 1,578,297    | 1,570,406    |
| <i>Level 3 Financing Incorporated</i> ±                 | 4.00          | 1-15-2020     | 1,700,000    | 1,691,500    |
| <i>LIN Television Corporation</i> ±                     | 4.00          | 12-21-2018    | 639,506      | 635,240      |
| <i>LM U.S. Corp Acquisition Incorporated</i> ±          | 8.25          | 10-25-2020    | 105,000      | 103,163      |
| <i>LPL Holdings Incorporated</i> ±                      | 3.25          | 3-29-2019     | 1,215,222    | 1,195,985    |
| <i>LTS Buyer LLC</i> ±                                  | 4.00          | 4-11-2020     | 748,106      | 738,755      |
| <i>LTS Buyer LLC</i> ±                                  | 8.00          | 4-12-2021     | 566,625      | 561,429      |
| <i>MedAssets Incorporated</i> ±                         | 4.00          | 12-12-2019    | 234,508      | 232,357      |
| <i>MGM Resorts International</i> ±                      | 3.50          | 12-20-2019    | 1,351,861    | 1,334,963    |
| <i>Mission Broadcasting Incorporated</i> ±              | 3.75          | 10-1-2020     | 126,491      | 124,277      |
| <i>Neff Rental LLC</i> ±                                | 7.25          | 6-9-2021      | 820,000      | 822,050      |
| <i>New Albertson's Incorporated</i> ±                   | 4.75          | 6-27-2021     | 530,000      | 523,046      |
| <i>Nexstar Broadcasting Incorporated</i> ±              | 3.75          | 10-1-2020     | 143,443      | 140,932      |
| <i>Novelis Incorporated</i> ±                           | 3.75          | 3-10-2017     | 969,897      | 958,985      |
| <i>nTelos Incorporated</i> ±                            | 5.75          | 11-9-2019     | 1,308,763    | 1,306,578    |
| <i>Nusil Technology LLC</i> ±                           | 5.25          | 4-7-2017      | 390,191      | 384,217      |
| <i>OSG Bulk Ships Incorporated</i> ±                    | 5.25          | 8-5-2019      | 89,775       | 89,064       |
| <i>OSG International Incorporated</i> ±                 | 5.75          | 8-5-2019      | 304,238      | 301,956      |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|   |      |            |            |            |
|---|------|------------|------------|------------|
| <i>Peak 10 Incorporated ±</i>                             | 8.25 | 6-17-2022  | 430,000    | 424,088    |
| <i>Philadelphia Energy Solutions LLC ±</i>                | 6.25 | 4-4-2018   | 2,831,875  | 2,669,042  |
| <i>Prestige Brands Incorporated ±</i>                     | 4.13 | 1-31-2019  | 126,799    | 126,588    |
| <i>Prestige Brands Incorporated ±</i>                     | 4.50 | 9-3-2021   | 240,000    | 240,074    |
| <i>Sedgwick Claims Management Services Incorporated ±</i> | 6.75 | 2-28-2022  | 620,000    | 601,400    |
| <i>Spin Holdco Incorporated ±</i>                         | 4.25 | 11-14-2019 | 1,654,721  | 1,636,519  |
| <i>Surgery Center Holdings Incorporated ±%%&lt;</i>       | 0.00 | 7-9-2020   | 185,000    | 184,654    |
| <i>Syniverse Holdings Incorporated ±</i>                  | 4.00 | 4-23-2019  | 959,826    | 943,029    |
| <i>Syniverse Holdings Incorporated ±</i>                  | 4.00 | 4-23-2019  | 169,666    | 166,380    |
| <i>Tallgrass Operations LLC ±</i>                         | 4.25 | 11-13-2018 | 1,425,295  | 1,419,594  |
| <i>Telesat Canada ±</i>                                   | 3.50 | 3-28-2019  | 2,590,673  | 2,561,528  |
| <i>Tempur-Pedic International Incorporated ±</i>          | 3.50 | 3-18-2020  | 756,494    | 745,857    |
| <i>Texas Competitive Electric Holdings LLC ±(s)</i>       | 4.65 | 10-10-2015 | 20,096,983 | 14,532,731 |
| <i>TGI Friday s Incorporated ±</i>                        | 5.25 | 7-15-2020  | 396,636    | 395,645    |
| <i>TGI Friday s Incorporated ±</i>                        | 9.25 | 7-15-2021  | 565,000    | 556,525    |
| <i>TMFS Holdings LLC ±</i>                                | 5.50 | 7-30-2021  | 1,235,000  | 1,222,650  |

**Table of Contents**

16 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Loans (continued)</b>   |               |               |              |              |
| <i>TransDigm Incorporated ±</i>  | 3.75%         | 2-28-2020     | \$ 3,429,822 | \$ 3,370,349 |
| <i>TWCC Holdings Corporation ±</i>   | 7.00          | 6-26-2020     | 3,565,000    | 3,492,203    |
| <i>United Surgical Partners International Incorporated ±</i>   | 4.25          | 4-19-2017     | 1,897,650    | 1,888,161    |
| <i>United Surgical Partners International Incorporated ±</i>   | 4.75          | 4-3-2019      | 1,041,109    | 1,040,370    |
| <i>Valeant Pharmaceuticals International Incorporated ±</i>  | 3.50          | 2-13-2019     | 1,446,124    | 1,433,471    |
| <i>Valeant Pharmaceuticals International Incorporated ±</i>  | 3.50          | 12-11-2019    | 172,765      | 171,253      |
| <i>Vertafore Incorporated ±</i>  | 9.75          | 10-29-2017    | 510,000      | 509,148      |
| <i>W3 Company ±(i)</i>   | 9.25          | 9-13-2020     | 289,275      | 280,597      |
| <i>WASH Multifamily Laundry Systems LLC ±</i>  | 4.50          | 2-21-2019     | 1,644,950    | 1,620,276    |
| <b>Total Loans (Cost \$116,084,433)</b>  |               |               |              | 109,782,319  |
| <b>Municipal Obligations: 0.05%</b>  |               |               |              |              |
| <b>New York: 0.05%</b>   |               |               |              |              |
| <i>Build New York City Resource Corporation Bronx Charter School for Excellence Project Series B (Education Revenue)</i> | 5.00          | 4-1-2018      | 345,000      | 340,943      |
| <b>Total Municipal Obligations (Cost \$345,000)</b>  |               |               |              | 340,943      |
| <b>Non-Agency Mortgage Backed Securities: 7.47%</b>  |               |               |              |              |
| <i>American General Mortgage Loan Series 2010 Class 1A-A3 144A ±</i>   | 5.65          | 3-25-2058     | 460,000      | 474,187      |
| <i>American Home Mortgage Assets Series 2006-2 Class 1A1 ±(i)</i>  | 1.08          | 9-25-2046     | 3,551,122    | 2,528,942    |
| <i>Argent Securities Incorporated Series 2004-W5 Class AV3B ±</i>  | 1.05          | 4-25-2034     | 83,324       | 80,784       |
| <i>Asset Backed Funding Certificates Series 2003-AHL1 Class A1</i>   | 4.18          | 3-25-2033     | 232,798      | 232,304      |
| <i>Asset Backed Securities Corporation Home Equity Series 2002-HE3 Class M2 ±</i>  | 2.48          | 10-15-2032    | 226,330      | 223,470      |
| <i>Banc of America Commercial Mortgage Securities Incorporated Series 2006-03</i>  | 5.85          | 7-10-2044     | 1,340,000    | 1,386,759    |



Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |      |            |           |           |
|--|------|------------|-----------|-----------|
| <i>Class AM ±</i>  |      |            |           |           |
| <i>Banc of America Commercial Mortgage Securities Incorporated Series 2007-1</i> |      |            |           |           |
| <i>Class AMFX ±</i>  | 5.48 | 1-15-2049  | 500,000   | 525,842   |
| <i>Banc of America Commercial Mortgage Securities Incorporated Series 2008-1</i> |      |            |           |           |
| <i>Class AM ±</i>  | 6.29 | 2-10-2051  | 550,000   | 611,054   |
| <i>Banc of America Commercial Mortgage Trust Series 2006-5 Class AM</i>          | 5.45 | 9-10-2047  | 750,000   | 793,148   |
| <i>Banc of America Commercial Mortgage Trust Series 2007-3 Class AM ±</i>        | 5.56 | 6-10-2049  | 430,000   | 465,148   |
| <i>Banc of America Funding Corporation Series 2005 Class 5-1A1</i>               | 5.50 | 9-25-2035  | 493,527   | 515,207   |
| <i>Banc of America Funding Corporation Series 2009 Class R6-3A1 144A ±</i>       | 2.03 | 1-26-2037  | 133,717   | 134,105   |
| <i>Banc of America Mortgage Securities Series 2003 Class A-3A1 ±</i>             | 2.62 | 2-25-2033  | 176,210   | 174,201   |
| <i>Bear Stearns Commercial Mortgage Series 2007-PW17 Class AM ±</i>              | 5.89 | 6-11-2050  | 318,000   | 350,750   |
| <i>Bear Stearns Commercial Mortgage Series 2007-PW18 Class AM ±</i>              | 6.08 | 6-11-2050  | 100,000   | 111,055   |
| <i>Centex Home Equity Series 2002-A Class AF6</i>                                | 5.54 | 1-25-2032  | 233,315   | 233,471   |
| <i>Centex Home Equity Series 2002-D Class AF6 ±</i>                              | 4.66 | 12-25-2032 | 69,185    | 70,024    |
| <i>Centex Home Equity Series 2004-B Class AF6</i>                                | 4.69 | 3-25-2034  | 256,555   | 262,723   |
| <i>Citigroup Commercial Mortgage Trust Series 2006 Class C4 ±</i>                | 5.78 | 3-15-2049  | 680,000   | 718,647   |
| <i>Citigroup Commercial Mortgage Trust Series 2007-C6 Class AM ±</i>             | 5.71 | 12-10-2049 | 450,000   | 485,006   |
| <i>Citigroup Commercial Mortgage Trust Series 2012-GC8 Class C 144A ±</i>        | 4.88 | 9-10-2045  | 1,000,000 | 1,066,277 |
| <i>Citigroup Mortgage Loan Trust Incorporated Series 2003-HE3 Class A3 ±</i>     | 0.53 | 12-25-2033 | 83,635    | 80,049    |
| <i>Commercial Mortgage Trust Series 2012-CR2 Class C ±</i>                       | 4.86 | 8-15-2045  | 1,000,000 | 1,066,776 |
| <i>Commercial Mortgage Trust Series 2013-FL3 Class B 144A ±</i>                  | 2.30 | 10-13-2028 | 1,000,000 | 1,015,526 |
| <i>Countrywide Asset Backed Certificates Series 2003-5 Class AF5</i>             | 5.64 | 2-25-2034  | 97,099    | 102,909   |
| <i>Countrywide Home Loans Series 2003-48 Class 2A2 ±</i>                         | 2.58 | 10-25-2033 | 175,384   | 173,654   |
| <i>Credit Suisse Commercial Mortgage Trust Series 2006-C3 Class AM ±</i>         | 5.81 | 6-15-2038  | 1,045,000 | 1,112,383 |
| <i>Credit Suisse Commercial Mortgage Trust Series 2006-C4 Class AM</i>           | 5.51 | 9-15-2039  | 1,500,000 | 1,602,036 |
| <i>Credit Suisse Commercial Mortgage Trust Series 2006-C5 Class AM</i>           | 5.34 | 12-15-2039 | 1,000,000 | 1,067,780 |

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 17

| Security name   | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Non-Agency Mortgage Backed Securities (continued)</b>                                |               |               |            |            |
| <i>Credit Suisse First Boston Mortgage Securities Series 2002-AR25 Class 1A1 ±</i>      | 2.15%         | 9-25-2032     | \$ 626,154 | \$ 624,171 |
| <i>Credit Suisse First Boston Mortgage Securities Series 2003-AR15 Class 3A1 ±</i>      | 2.78          | 6-25-2033     | 180,841    | 179,863    |
| <i>Credit Suisse First Boston Mortgage Securities Series 2003-AR9 Class 2A2 ±</i>       | 2.23          | 3-25-2033     | 52,433     | 51,507     |
| <i>Credit-Based Asset Servicing &amp; Securitization LLC Series 2005-CB2 Class M1 ±</i> | 0.81          | 4-25-2036     | 209,286    | 209,143    |
| <i>Equity One Asset Backed Securities Series 2004-2 Class AF4 ±</i>                     | 4.62          | 7-25-2034     | 423,501    | 431,108    |
| <i>First Horizon Mortgage Pass Through Series 2004-AR1 Class 1A1 ±</i>                  | 2.59          | 2-25-2034     | 460,397    | 456,601    |
| <i>First Horizon Mortgage Pass Through Series 2004-AR4 Class 3A1 ±</i>                  | 2.59          | 8-25-2034     | 16,407     | 16,096     |
| <i>GCCFC Commercial Mortgage Trust Series 2007-GG9 Class AM</i>                         | 5.48          | 3-10-2039     | 200,000    | 210,991    |
| <i>GCCFC Commercial Mortgage Trust Series 2007-GG9 Class AMFX</i>                       | 5.48          | 3-10-2039     | 100,000    | 106,469    |
| <i>Global Mortgage Securitization Limited Series 2004-A Class A2 144A±</i>              | 0.47          | 11-25-2032    | 372,170    | 359,902    |
| <i>GMAC Mortgage Corporation Loan Series 2003-GH1 Class A5</i>                          | 5.62          | 7-25-2034     | 99,606     | 100,667    |
| <i>Greenpoint Mortgage Funding Trust Series 2005-HE4 Class 1A1 ±</i>                    | 0.59          | 7-25-2030     | 6,134      | 6,105      |
| <i>Greenwich Capital Commercial Funding Corporation Series 2006-GG7 Class AM ±</i>      | 5.82          | 7-10-2038     | 2,600,000  | 2,769,182  |
| <i>Greenwich Capital Commercial Funding Corporation Series 2007-GG11 Class A4</i>       | 5.74          | 12-10-2049    | 475,000    | 519,940    |
| <i>GS Mortgage Securities Trust Series 2006-GG6 Class AM ±</i>                          | 5.55          | 4-10-2038     | 835,000    | 873,095    |
| <i>GS Mortgage Securities Trust Series 2007-GG10 Class A4 ±</i>                         | 5.80          | 8-10-2045     | 903,441    | 987,901    |
| <i>GS Mortgage Securities Trust Series 2010-C1 Class X 144A±(c)</i>                     | 1.50          | 8-10-2043     | 6,055,960  | 392,002    |
|   | 2.57          | 5-10-2045     | 4,823,367  | 558,392    |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>GS Mortgage Securities Trust Series 2012-GCJ7 Class XA ±(c)</i>                |      |            |           |           |
| <i>GSAA Home Equity Trust Series 2004-5 Class AF5 ±</i>                           | 4.99 | 6-25-2034  | 34,030    | 35,003    |
| <i>GSMPS Mortgage Loan Trust Series 2005-AHL Class M1 ±</i>                       | 0.58 | 4-25-2035  | 17,307    | 17,012    |
| <i>GSMPS Mortgage Loan Trust Series 2006-1 Class A1 144A±</i>                     | 0.45 | 3-25-2035  | 176,280   | 171,403   |
| <i>GSMPS Mortgage Loan Trust Series 2006-SEA1 Class A 144A±</i>                   | 0.45 | 5-25-2036  | 218,173   | 215,690   |
| <i>JPMorgan Chase Commercial Mortgage Trust Series 2007-CB18 Class AM ±</i>       | 5.47 | 6-12-2047  | 875,000   | 940,447   |
| <i>JPMorgan Chase Commercial Mortgage Trust Series 2007-CB20 Class AM ±</i>       | 5.88 | 2-12-2051  | 785,000   | 869,840   |
| <i>JPMorgan Chase Commercial Mortgage Trust Series 2007-LDPX Class AM ±</i>       | 5.46 | 1-15-2049  | 550,000   | 577,601   |
| <i>JPMorgan Mortgage Trust Series 2004-A3 Class 2A1 ±</i>                         | 2.52 | 7-25-2034  | 76,808    | 77,033    |
| <i>JPMorgan Mortgage Trust Series 2004-A3 Series 3A3 ±</i>                        | 2.60 | 7-25-2034  | 100,318   | 99,441    |
| <i>JPMorgan Mortgage Trust Series 2005-A3 Class 11A2 ±</i>                        | 2.66 | 6-25-2035  | 435,887   | 436,725   |
| <i>JPMorgan Mortgage Trust Series 2009-7 Class 2A1 144A±</i>                      | 6.00 | 2-27-2037  | 69,975    | 71,740    |
| <i>JPMorgan Mortgage Trust Series 2009-7 Class 5A1 144A±</i>                      | 6.00 | 2-27-2037  | 298,388   | 306,872   |
| <i>Lehman Brothers-UBS Commercial Mortgage Trust Series 2007-C1 Class AM</i>      | 5.46 | 2-15-2040  | 750,000   | 806,552   |
| <i>Lehman Brothers-UBS Commercial Mortgage Trust Series 2008-C1 Class AM ±</i>    | 6.15 | 4-15-2041  | 820,000   | 908,448   |
| <i>Lehman XS Trust Series 2006-18N Class A5A ±(i)</i>                             | 0.32 | 12-25-2036 | 2,991,818 | 2,258,589 |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2003-6 Class 3A1 ±</i>             | 2.51 | 12-25-2033 | 564,985   | 559,294   |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2003-6 Class 4A2 ±</i>             | 2.67 | 1-25-2034  | 26,235    | 25,585    |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2004-13 Class 3A7 ±</i>            | 2.64 | 11-21-2034 | 38,865    | 39,546    |
| <i>MASTR Alternative Loans Trust Series 2005-1 Class 5A1</i>                      | 5.50 | 1-25-2020  | 70,377    | 73,568    |
| <i>Merrill Lynch Countrywide Commercial Mortgage Trust Series 2006-4 Class AM</i> | 5.20 | 12-12-2049 | 340,000   | 364,917   |
| <i>Merrill Lynch Countrywide Commercial Mortgage Trust Series 2007-9 Class A4</i> | 5.70 | 9-12-2049  | 829,000   | 904,973   |
| <i>Merrill Lynch Mortgage Trust Series 2005-A8 Class A1B3 ±</i>                   | 5.25 | 8-25-2036  | 120,000   | 125,613   |
| <i>Merrill Lynch Mortgage Trust Series 2006-C1 Class AM ±</i>                     | 5.67 | 5-12-2039  | 565,000   | 596,765   |
| <i>Merrill Lynch Mortgage Trust Series 2007-C1 Class A1A ±</i>                    | 5.84 | 6-12-2050  | 670,055   | 718,960   |
| <i>Mesa Trust Asset Backed Certificates Series 2001-5 Class A 144A±</i>           | 0.95 | 12-25-2031 | 21,415    | 19,390    |
| <i>Mid State Trust Series 11 Class A1</i>   | 4.86 | 7-15-2038  | 262,191   | 278,936   |
| <i>MLCC Mortgage Investors Incorporated Series 2003-G Class A2 ±</i>              | 1.00 | 1-25-2029  | 151,552   | 141,202   |
| <i>Morgan Stanley Bank of America Merrill Lynch Trust Series 2012-C5</i>          | 1.86 | 8-15-2045  | 5,819,669 | 493,514   |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

*Class XA 144A±(c)*

*Morgan Stanley Capital I Trust Series 2004-NC1 Class*

|             |      |            |         |         |
|-------------|------|------------|---------|---------|
| <i>M1 ±</i> | 1.20 | 12-27-2033 | 649,757 | 625,965 |
|-------------|------|------------|---------|---------|

*Morgan Stanley Capital I Trust Series 2005-HQ6 Class*

|            |      |           |         |         |
|------------|------|-----------|---------|---------|
| <i>A4B</i> | 5.04 | 8-13-2042 | 650,000 | 661,998 |
|------------|------|-----------|---------|---------|

*Morgan Stanley Capital I Trust Series 2006-HQ10 Class*

|           |      |            |         |         |
|-----------|------|------------|---------|---------|
| <i>AM</i> | 5.36 | 11-12-2041 | 500,000 | 535,213 |
|-----------|------|------------|---------|---------|

**Table of Contents**

18 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Non-Agency Mortgage Backed Securities</b>                                   |               |               |              |              |
| (continued)  |               |               |              |              |
| <i>Morgan Stanley Capital I Trust Series 2006-HQ9 Class AJ ±</i>               | 5.79%         | 7-12-2044     | \$ 1,000,000 | \$ 1,053,515 |
| <i>Morgan Stanley Capital I Trust Series 2006-HQ9 Class AM ±</i>               | 5.77          | 7-12-2044     | 25,000       | 26,672       |
| <i>Morgan Stanley Capital I Trust Series 2006-IQ12 Class AM</i>                | 5.37          | 12-15-2043    | 500,000      | 532,241      |
| <i>Morgan Stanley Capital I Trust Series 2007-HQ13 Class A3</i>                | 5.57          | 12-15-2044    | 1,355,000    | 1,455,862    |
| <i>Morgan Stanley Capital I Trust Series 2010-GG10 Class A4B 144A±</i>         | 5.80          | 8-15-2045     | 615,000      | 666,022      |
| <i>Morgan Stanley Capital I Trust Series 2012-C4 Class C 144A±</i>             | 5.53          | 3-15-2045     | 900,000      | 993,475      |
| <i>New Century Home Equity Loan Trust Series 2004-3 Class M1 ±</i>             | 1.08          | 11-25-2034    | 1,165,049    | 1,073,272    |
| <i>New Century Home Equity Loan Trust Series 2005-1 Class AIMZ ±</i>           | 0.73          | 3-25-2035     | 62,015       | 61,916       |
| <i>Provident Funding Mortgage Loan Series 2005-1 Class 2A1 ±</i>               | 2.49          | 5-25-2035     | 57,246       | 57,833       |
| <i>RBSSP Resecuritization Trust Series 2010-3 Class 4A1 144A±</i>              | 2.92          | 12-26-2035    | 38,989       | 38,989       |
| <i>Renaissance Home Equity Loan Trust Series 2004-4 Class AF4</i>              | 4.88          | 2-25-2035     | 631,664      | 640,291      |
| <i>Residential Asset Securities Corporation Series 2004-KS3 Class AI4 ±</i>    | 3.77          | 1-25-2032     | 120,170      | 120,314      |
| <i>Residential Funding Mortgage Securities Trust Series 03-S12 Class 2A1</i>   | 4.00          | 12-25-2032    | 77,812       | 79,307       |
| <i>Saxon Asset Securities Trust Series 2002-1 Class AF5 ±</i>                  | 6.26          | 12-25-2030    | 170,862      | 177,959      |
| <i>Saxon Asset Securities Trust Series 2003-1 Class AF7</i>                    | 4.03          | 6-25-2033     | 684,685      | 693,273      |
| <i>Sequoia Mortgage Trust Series 2003-1 Class 1A ±</i>                         | 0.92          | 4-20-2033     | 29,111       | 29,018       |
| <i>Structured Adjustable Rate Mortgage Loan Trust Series 2004-2 Class 2A ±</i> | 2.57          | 3-25-2034     | 87,255       | 86,543       |
| <i>Structured Asset Investment Loan Trust Series 2005-4 Class M1 ±</i>         | 0.75          | 5-25-2035     | 4,737        | 4,732        |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|   |      |            |           |            |
|---|------|------------|-----------|------------|
| <i>Structured Asset Securities Corporation Series 1998-2 Class A ±</i>    | 0.67 | 2-25-2028  | 278,530   | 274,592    |
| <i>Structured Asset Securities Corporation Series 2002-9 Class A2 ±</i>   | 0.75 | 10-25-2027 | 104,220   | 101,901    |
| <i>Terwin Mortgage Trust Series 2003-6HE Class A3 ±</i>                   | 1.29 | 11-25-2033 | 256,891   | 256,594    |
| <i>Vendee Mortgage Trust Series 2003-2 Class IO ±(c)</i>                  | 0.79 | 5-15-2033  | 6,777,586 | 158,571    |
| <i>Wachovia Bank Commercial Mortgage Trust Series 2006-C23 Class AM ±</i> | 5.47 | 1-15-2045  | 1,220,000 | 1,280,217  |
| <i>Washington Mutual Mortgage Trust Series 2004-RA4 Class 3A</i>          | 7.50 | 7-25-2034  | 222,954   | 232,503    |
| <b>Total Non-Agency Mortgage Backed Securities (Cost \$48,429,170)</b>    |      |            |           | 50,570,799 |

|  | Dividend yield |  | Shares |           |
|--|----------------|--|--------|-----------|
| <b>Preferred Stocks: 0.18%</b>                   |                |  |        |           |
| <b>Financials: 0.18%</b>                         |                |  |        |           |
| <b>Banks: 0.18%</b>                              |                |  |        |           |
| <i>GMAC Capital Trust I ±</i>                    | 7.60           |  | 44,400 | 1,186,812 |
| <b>Total Preferred Stocks (Cost \$1,130,339)</b> |                |  |        | 1,186,812 |

|  | Interest rate |           | Principal  |           |
|--|---------------|-----------|------------|-----------|
| <b>Yankee Corporate Bonds and Notes: 7.39%</b> |               |           |            |           |
| <b>Consumer Discretionary: 0.55%</b>           |               |           |            |           |
| <b>Diversified Consumer Services: 0.11%</b>    |               |           |            |           |
| <i>Anglo American Capital Company 144A</i>     | 4.13          | 9-27-2022 | \$ 750,000 | 746,960   |
| <b>Media: 0.44%</b>                            |               |           |            |           |
| <i>Grupo Televisa SA</i>                       | 6.00          | 5-15-2018 | 750,000    | 848,370   |
| <i>Myriad International Holdings BV</i>        | 6.00          | 7-18-2020 | 500,000    | 542,500   |
| <i>Myriad International Holdings BV 144A</i>   | 6.38          | 7-28-2017 | 750,000    | 813,750   |
| <i>Videotron Limited</i>                       | 9.13          | 4-15-2018 | 40,000     | 41,300    |
| <i>WPP Finance 2010</i>                        | 3.63          | 9-7-2022  | 750,000    | 762,263   |
|  |               |           |            | 3,008,183 |

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 19

| Security name                                      | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Consumer Staples: 0.35%</b>                     |               |               |            |            |
| <b>Beverages: 0.12%</b>                            |               |               |            |            |
| <i>Pernod Ricard SA 144A</i>                       | 4.45%         | 1-15-2022     | \$ 760,000 | \$ 807,260 |
| <b>Food Products: 0.12%</b>                        |               |               |            |            |
| <i>BRF SA 144A</i>                                 | 5.88          | 6-6-2022      | 750,000    | 825,000    |
| <b>Tobacco: 0.11%</b>                              |               |               |            |            |
| <i>BAT International Finance plc 144A</i>          | 3.25          | 6-7-2022      | 750,000    | 752,408    |
| <b>Energy: 1.06%</b>                               |               |               |            |            |
| <b>Energy Equipment &amp; Services: 0.12%</b>      |               |               |            |            |
| <i>Enesco plc</i>                                  | 4.70          | 3-15-2021     | 750,000    | 789,729    |
| <b>Oil, Gas &amp; Consumable Fuels: 0.94%</b>      |               |               |            |            |
| <i>Griffin Coal Mining Company Limited 144A(s)</i> | 9.50          | 12-1-2016     | 1,685,411  | 1,129,225  |
| <i>Griffin Coal Mining Company Limited (s)</i>     | 9.50          | 12-1-2016     | 137,792    | 90,943     |
| <i>Petrobras International Finance Company</i>     | 5.38          | 1-27-2021     | 670,000    | 685,986    |
| <i>Petroleos Mexicanos</i>                         | 4.88          | 1-24-2022     | 750,000    | 799,500    |
| <i>Petroplus International Finance Company</i>     | 5.75          | 1-20-2020     | 650,000    | 686,160    |
| <i>Teekay Corporation</i>                          | 8.50          | 1-15-2020     | 2,230,000  | 2,475,300  |
| <i>Woodside Finance Limited 144A</i>               | 8.75          | 3-1-2019      | 405,000    | 508,095    |
|  |               |               |            | 6,375,209  |
| <b>Financials: 1.12%</b>                           |               |               |            |            |
| <b>Banks: 1.02%</b>                                |               |               |            |            |
| <i>Banco del Estado de Chile 144A</i>              | 3.88          | 2-8-2022      | 650,000    | 658,176    |
| <i>Corporación Andina de Fomento</i>               | 4.38          | 6-15-2022     | 958,000    | 1,029,132  |
| <i>Export Import Bank of Korea</i>                 | 5.00          | 4-11-2022     | 750,000    | 845,936    |
| <i>ITAU Unibanco Holding SA</i>                    | 5.13          | 5-13-2023     | 1,650,000  | 1,650,000  |
| <i>Macquarie Bank Limited 144A</i>                 | 5.00          | 2-22-2017     | 750,000    | 808,098    |

Edgar Filing: WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND - Form N-CSR

|  |      |            |         |           |
|--|------|------------|---------|-----------|
| <i>Nielsen Holding and Finance BV 144A</i>             | 5.50 | 10-1-2021  | 415,000 | 430,563   |
| <i>Preferred Term Securities XII Limited (s)(a)(i)</i> | 1.00 | 12-24-2033 | 635,000 | 0         |
| <i>Royal Bank of Scotland plc</i>                      | 4.38 | 3-16-2016  | 750,000 | 782,939   |
| <i>Standard Chartered Bank 144A</i>                    | 6.40 | 9-26-2017  | 650,000 | 730,674   |
|  |      |            |         | 6,935,518 |

**Diversified Financial Services: 0.10%**

|                                  |      |          |         |         |
|----------------------------------|------|----------|---------|---------|
| <i>Tyco Electronics Group SA</i> | 3.50 | 2-3-2022 | 625,000 | 644,974 |
|----------------------------------|------|----------|---------|---------|

**Health Care: 0.30%**

**Pharmaceuticals: 0.30%**

|  |      |           |           |           |
|--|------|-----------|-----------|-----------|
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 6.75 | 8-15-2018 | 680,000   | 723,350   |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 7.50 | 7-15-2021 | 1,210,000 | 1,294,700 |
|  |      |           |           | 2,018,050 |

**Industrials: 0.12%**

**Road & Rail: 0.12%**

|   |      |           |         |         |
|---|------|-----------|---------|---------|
| <i>Canadian Pacific Railway Company</i> | 4.50 | 1-15-2022 | 750,000 | 827,118 |
|---|------|-----------|---------|---------|



**Table of Contents**

20 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2014

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Information Technology: 0.34%</b>                         |               |               |            |            |
| <b>Communications Equipment: 0.12%</b>                       |               |               |            |            |
| <i>Ericsson LM</i>   | 4.13%         | 5-15-2022     | \$ 750,000 | \$ 784,089 |
| <b>Internet Software &amp; Services: 0.12%</b>               |               |               |            |            |
| <i>Tencent Holdings Limited 144A</i>                         | 4.63          | 12-12-2016    | 750,000    | 792,062    |
| <b>Technology Hardware, Storage &amp; Peripherals: 0.10%</b> |               |               |            |            |
| <i>Seagate Technology HDD Holdings</i>                       | 6.80          | 10-1-2016     | 650,000    | 705,250    |
| <b>Materials: 1.27%</b>                                      |               |               |            |            |
| <b>Containers &amp; Packaging: 0.43%</b>                     |               |               |            |            |
| <i>Ardagh Finance Holdings (PIK at 8.63%)<br/>144A¥</i>      | 8.63          | 6-15-2019     | 1,900,000  | 1,878,585  |
| <i>Ardagh Packaging Finance 144A</i>                         | 9.13          | 10-15-2020    | 945,000    | 1,018,238  |
|  |               |               |            | 2,896,823  |
| <b>Metals &amp; Mining: 0.62%</b>                            |               |               |            |            |
| <i>ArcelorMittal SA</i>                                      | 5.00          | 2-25-2017     | 725,000    | 757,625    |
| <i>Novelis Incorporated</i>                                  | 8.38          | 12-15-2017    | 550,000    | 574,750    |
| <i>Novelis Incorporated</i>                                  | 8.75          | 12-15-2020    | 725,000    | 791,156    |
| <i>Vale Overseas Limited</i>                                 | 4.38          | 1-11-2022     | 750,000    | 761,753    |
| <i>Vedanta Resources plc 144A</i>                            | 6.00          | 1-31-2019     | 1,300,000  | 1,326,000  |
|  |               |               |            | 4,211,284  |
| <b>Paper &amp; Forest Products: 0.22%</b>                    |               |               |            |            |
| <i>Sappi Limited 144A</i>                                    | 7.50          | 6-15-2032     | 1,560,000  | 1,458,600  |
| <b>Telecommunication Services: 2.18%</b>                     |               |               |            |            |

**Diversified Telecommunication Services:****1.95%**

|  |      |            |           |            |
|--|------|------------|-----------|------------|
| <i>Intelsat Jackson Holdings SA</i>          | 5.50 | 8-1-2023   | 2,370,000 | 2,375,925  |
| <i>Intelsat Jackson Holdings SA</i>          | 7.25 | 4-1-2019   | 1,820,000 | 1,911,000  |
| <i>Intelsat Jackson Holdings SA</i>          | 7.25 | 10-15-2020 | 1,775,000 | 1,894,813  |
| <i>Intelsat Jackson Holdings SA</i>          | 7.50 | 4-1-2021   | 525,000   | 568,313    |
| <i>Intelsat Jackson Holdings SA</i>          | 8.50 | 11-1-2019  | 1,400,000 | 1,459,500  |
| <i>Intelsat Luxembourg SA</i>                | 7.75 | 6-1-2021   | 1,785,000 | 1,865,325  |
| <i>Intelsat Luxembourg SA</i>                | 8.13 | 6-1-2023   | 2,450,000 | 2,603,125  |
| <i>Qtel International Finance Limited</i>    | 5.00 | 10-19-2025 | 300,000   | 325,875    |
| <i>Virgin Media Secured Finance plc 144A</i> | 5.38 | 4-15-2021  | 180,000   | 186,750    |
|  |      |            |           | 13,190,626 |

**Wireless Telecommunication Services:****0.23%**

|   |      |           |         |           |
|---|------|-----------|---------|-----------|
| <i>Globo Comunicacoes Participacoes SA 144A</i> | 4.88 | 4-11-2022 | 750,000 | 770,625   |
| <i>Telesat Canada Incorporated 144A</i>         | 6.00 | 5-15-2017 | 775,000 | 798,831   |
|   |      |           |         | 1,569,456 |

**Utilities: 0.10%****Electric Utilities: 0.10%**

|  |      |           |         |         |
|--|------|-----------|---------|---------|
| <i>Comision Federal de Electricidad 144A</i> | 4.88 | 5-26-2021 | 650,000 | 692,250 |
|--|------|-----------|---------|---------|

**Total Yankee Corporate Bonds and Notes****(Cost \$48,854,957)**

50,030,849

**Table of Contents**

Portfolio of investments October 31, 2014

Wells Fargo Advantage Multi-Sector Income Fund 21

| Security name   | Yield          | Shares     | Value                 |
|---|----------------|------------|-----------------------|
| <b>Short-Term Investments: 3.47%</b>  |                |            |                       |
| <b>Investment Companies: 3.47%</b>  |                |            |                       |
| <i>Wells Fargo Advantage Cash Investment Money Market Fund,<br/>Select Class (l)(u)##</i> | 0.07%          | 23,482,499 | \$ 23,482,499         |
| <b>Total Short-Term Investments (Cost \$23,482,499)</b>                                   |                |            | 23,482,499            |
| <b>Total investments in securities (Cost \$886,905,094) *</b>                             | 132.81%        |            | 899,152,474           |
| <i>Other assets and liabilities, net</i>  | (32.81)        |            | (222,148,088)         |
| <b>Total net assets</b>   | <b>100.00%</b> |            | <b>\$ 677,004,386</b> |

± Variable rate investment. The rate shown is the rate in effect at period end.

144A The security may be resold in transactions exempt from registration, normally to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933.

(c) Investment in an interest-only security entitles holders to receive only the interest payments on the underlying mortgages. The principal amount shown is the notional amount of the underlying mortgages. The rate represents the coupon rate.

Non-income-earning security

(i) Illiquid security for which the designation as illiquid is unaudited

%% The security is issued on a when-issued basis.

¥ A payment-in-kind (PIK) security is a security 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.

(s) The security is currently in default with regards to scheduled interest and/or principal payments. The Fund has stopped accruing interest on the security.

(a) The security is fair valued in accordance with procedures approved by the Board of Trustees.

@ Foreign bond principal is denominated in local currency.

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

(l) The security represents an affiliate of the Fund as defined in the Investment Company Act of 1940.

(u) The rate represents the 7-day annualized yield at period end.

## All or a portion of this security is segregated for when-issued securities and unfunded loans.

\* Cost for federal income tax purposes is \$890,891,847 and unrealized gains (losses) consists of:

|                         |               |
|-------------------------|---------------|
| Gross unrealized gains  | \$ 33,162,328 |
| Gross unrealized losses | (24,901,701)  |
| Net unrealized gains    | \$ 8,260,627  |

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Trustees and Shareholders of

Wells Fargo Advantage Multi-Sector Income Fund:

We have audited the financial statements of the Wells Fargo Advantage Multi-Sector Income Fund (the Fund ), as of October 31, 2014, and for each of the years presented and have issued our unqualified report thereon dated December 23, 2014 (which report and financial statements are included in Item 1 of this Certified Shareholder Report on Form N-CSR). We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our audit included an audit of this portfolio of investments (the Portfolio ) as of October 31, 2014, appearing in Item 6 of this Form N-CSR. This Portfolio is the responsibility of management. Our responsibility is to express an opinion on this Portfolio based on our audit.

In our opinion, the Portfolio referred to above, when read in conjunction with the financial statements of the Fund, presents fairly, in all material respects, the information set forth therein.

Boston, Massachusetts  
December 23, 2014

**Table of Contents**

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

**PROXY VOTING POLICIES AND PROCEDURES**

**REVISED AS OF AUGUST 13, 2014**

1. Scope of Policies and Procedures. These Policies and Procedures ( Procedures ) are used to determine how to vote proxies relating to portfolio securities held by the series of Wells Fargo Funds Trust, Wells Fargo Master Trust, Wells Fargo Variable Trust, Asset Allocation Trust, Wells Fargo Advantage Global Dividend Opportunity Fund, Wells Fargo Advantage Income Opportunities Fund, Wells Fargo Advantage Multi-Sector Income Fund, and Wells Fargo Advantage Utilities & High Income Fund (the Trusts ) except for those series that exclusively hold non-voting securities (hereafter, all such series, and all such Trusts not having separate series, holding voting securities are referred to as the Funds ).

2. Voting Philosophy. The Funds and Wells Fargo Funds Management, LLC ( Funds Management ) have adopted these Procedures to ensure that proxies are voted in the best interests of Fund shareholders, without regard to any relationship that any affiliated person of the Fund (or an affiliated person of such affiliated person) may have with the issuer. Funds Management exercises its voting responsibility, as a fiduciary, with the goal of maximizing value to shareholders consistent with governing laws and the investment policies of each Fund. While securities are not purchased to exercise control or to seek to effect corporate change through share ownership, the Funds support sound corporate governance practices within companies in which they invest.

3. Responsibilities

(a) Board of Trustees. The Board of Trustees of each Trust (the Board ) has delegated the responsibility for voting proxies relating to the Funds portfolio securities to Funds Management. The Board retains the authority to make or ratify any voting decisions or approve any changes to these Procedures as the Board deems appropriate. Funds Management will provide reports to the Board regarding voting matters when and as reasonably requested by the Board. The Board shall review these Procedures as often as it deems appropriate to consider whether any revisions are warranted. On an annual basis, the Board shall receive and review a report from Funds Management on the proxy voting process.

(b) Funds Management Proxy Committee

(i) Responsibilities. The Funds Management Proxy Voting Committee (the Proxy Committee ) shall be responsible for overseeing the proxy voting process to ensure its implementation in conformance with these Procedures. The Proxy Committee shall monitor Institutional Shareholder Services ( ISS ), the proxy voting agent for Funds Management, to determine that ISS is accurately applying the Procedures as set forth herein. The Proxy Committee shall review the continuing appropriateness of the Procedures set forth herein, recommend revisions to the Board as necessary and provide an annual update to the Board on the proxy voting process.

(ii) Voting Guidelines. Appendix A hereto sets forth guidelines regarding how proxies will be voted on the issues specified. ISS will vote proxies for or against as directed by the guidelines. Where the guidelines specify a case by case determination for a particular issue, ISS will forward the proxy to the

Proxy Committee for a vote determination by the Proxy Committee. Finally, with respect to issues for which a vote for or against is specified by the Procedures, the Proxy Committee shall have the authority to direct ISS to forward the proxy to the Proxy Committee for a discretionary vote by the Proxy Committee if the Proxy Committee determines that a case-by-case review of such matter is warranted. The Proxy Committee may also consult Fund sub-advisers on certain proxy voting issues on a case-by-case basis as the Proxy Committee deems appropriate or to the extent that a sub-adviser of a Fund makes a recommendation regarding a proxy voting issue. As a general matter, however, proxies are voted consistently on the same matter when securities of an issuer are held by multiple Funds.

**Table of Contents**

- (iii) Proxy Committee. In all cases, the Proxy Committee will exercise its voting discretion in accordance with the voting philosophy of the Funds. In cases where a proxy is forwarded by ISS to the Proxy Committee, the Proxy Committee may be assisted in its voting decision through receipt of:
  - (i) independent research and voting recommendations provided by ISS or other independent sources;
  - (ii) input from the investment sub-adviser responsible for purchasing the security; and
  - (iii) information provided by company management and shareholder groups.

Voting decisions made by the Proxy Committee will be reported to ISS to ensure that the vote is registered in a timely manner and included in Form N-PX reporting.

- (iv) Securities on Loan. As a general matter, securities on loan will not be recalled to facilitate proxy voting (in which case the borrower of the security shall be entitled to vote the proxy). However, if the Proxy Committee is aware of an item in time to recall the security and has determined in good faith that the importance of the matter to be voted upon outweighs the loss in lending revenue that would result from recalling the security (i.e., if there is a controversial upcoming merger or acquisition, or some other significant matter), the security will be recalled for voting.
- (v) Practical Limitations to Proxy Voting. While Funds Management uses its best efforts to vote proxies, in certain circumstances it may be impractical or impossible for Funds Management to vote proxies (e.g., limited value or unjustifiable costs). For example, in accordance with local law or business practices, many foreign companies prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting ( share blocking ). Due to these restrictions, Funds Management must balance the benefits to its clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. As a result, Funds Management will generally not vote those proxies in the absence of an unusual, significant vote or compelling economic importance. Additionally, Funds Management may not be able to vote proxies for certain foreign securities if Funds Management does not receive the proxy statement in time to vote the proxies due to custodial processing delays.
- (vi) Conflicts of Interest. Funds Management may have a conflict of interest regarding a proxy to be voted upon if, for example, Funds Management or its affiliates have other relationships with the issuer of the proxy. In most instances, conflicts of interest are avoided through a strict and objective application of the voting guidelines attached hereto. However, when the Proxy Committee is aware of a material conflict of interest regarding a matter that would otherwise require a vote by the Proxy Committee, the Proxy Committee shall address the material conflict by using any of the following methods:
  - (1) instructing ISS to vote in accordance with the recommendation ISS makes to its clients;
  - (2) disclosing the conflict to the Board and obtaining their consent before voting;
  - (3) submitting the matter to the Board to exercise its authority to vote on such matter;
  - (4) engaging an independent fiduciary who will direct the Proxy Committee on voting instructions for the proxy;
  - (5) consulting with outside legal counsel for guidance on resolution of the conflict of interest;
  - (6) erecting information barriers around the person or persons making voting decisions;
  - (7) voting in proportion to other shareholders ( mirror voting ); or
  - (8) voting in other ways that are consistent with each Fund's obligation to vote in the best interests of its shareholders. Additionally, the Proxy Committee will not permit its votes to be influenced by any conflict of interest that exists for any other affiliated person of the Fund



(such as a sub-adviser or principal underwriter) or any affiliated persons of such affiliated persons and the Proxy Committee will vote all such matters without regard to the conflict.

Funds Management may also have a conflict of interest regarding a proxy to be voted on if a member of the Board has an affiliation, directly or indirectly, with a public or private company (an Identified Company ). Identified Companies include a Board member s

**Table of Contents**

employer, as well as any company of which the Board member is a director or officer or a 5% or more shareholder. The Proxy Committee shall address such a conflict by instructing ISS to vote in accordance with the recommendation ISS makes to its clients.

(vii) Meetings. The Proxy Committee shall convene as needed and when discretionary voting determinations need to be considered, and shall have the authority to act by vote of a majority of the Proxy Committee members available at that time. The Proxy Committee shall also meet at least semi-annually to review the Procedures and the performance of ISS in exercising its proxy voting responsibilities.

(viii) Membership. The voting members of the Proxy Committee shall be Tom Biwer, Travis Keshenberg, Patrick McGuinnis and Erik Sens. Andrew Owen shall be a non-voting member and serve in an advisory capacity on the Proxy Committee. Changes to the membership of the Proxy Committee will be made only with Board approval. Upon departure from Funds Management, a member's position on the Proxy Committee will automatically terminate.

4. Disclosure of Policies and Procedures. Each Fund shall disclose in its statement of additional information a description of the policies and procedures it uses to determine how to vote proxies relating to securities held in its portfolio. In addition, each Fund shall disclose in its semi- and annual reports that a description of its proxy voting policies and procedures is available without charge, upon request, by calling 1-800-222-8222, on the Fund's web site at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds) and on the Securities and Exchange Commission's website at <http://www.sec.gov>.

5. Disclosure of Proxy Voting Record. Each Trust shall file with the Commission an annual report on Form N-PX not later than August 31 of each year (beginning August 31, 2004), containing the Trust's proxy voting record for the most recent twelve-month period ended June 30.

Each Fund shall disclose in its statement of additional information and semi- and annual reports that information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Fund's web site at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds) or by accessing the Commission's web site at [www.sec.gov](http://www.sec.gov).

Each Fund shall disclose the following information on Form N-PX for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the Fund was entitled to vote:

The name of the issuer of the portfolio security;

The exchange ticker symbol of the portfolio security;

The Council of Uniform Securities Identification Procedures (CUSIP) number for the portfolio security (unless the CUSIP is not available through reasonably practicable means, in which case it will be omitted);

The shareholder meeting date;

A brief identification of the matter voted on;

Whether the matter was proposed by the issuer or by a security holder;

Whether the Fund cast its vote on the matter;

How the Fund cast its vote (e.g. for or against a proposal, or abstain; for or withhold regarding election of directors); and

Whether the Fund cast its vote for or against management.

Form N-PX shall be made available to Fund shareholders through the SEC web site.

**Table of Contents**

**APPENDIX A**

TO

**PROXY VOTING POLICIES AND PROCEDURES**

Funds Management will vote proxies relating to portfolio securities held by the Trusts in accordance with the following proxy voting guidelines. To the extent the specific guidelines below do not address a proxy voting proposal, Funds Management will vote pursuant to ISS current U.S. and International proxy voting guidelines. Proxies related to issues not addressed by the specific guidelines below or by ISS current U.S. and International proxy voting guidelines will be forwarded to the Proxy Committee for a vote determination by the Proxy Committee.

**Uncontested Election of Directors or Trustees**

THE FUNDS will generally vote for all uncontested director or trustee nominees. The Nominating Committee is in the best position to select nominees who are available and capable of working well together to oversee management of the company. THE FUNDS will not require a performance test for directors. FOR

THE FUNDS will generally vote for reasonably crafted shareholder proposals calling for directors to be elected with an affirmative majority of votes cast and/or the elimination of the plurality standard for electing directors, unless the company has adopted formal corporate governance principles that present a meaningful alternative to the majority voting standard. FOR

**Board and Committee Independence**

THE FUNDS will withhold votes from insiders and affiliated outsiders on boards that are not at least majority independent.

THE FUNDS will withhold votes from any insiders or affiliated outsiders on audit, compensation or nominating committees. THE FUNDS will withhold votes from any insiders or affiliated outsiders on the board if any of these key committees has not been established. WITHHOLD

WITHHOLD

**Attendance and Overboarding**

THE FUNDS will withhold votes from directors who sit on more than six boards.

THE FUNDS will withhold votes from CEO directors who sit on more than two outside boards besides their own. WITHHOLD

THE FUNDS will withhold votes for a director if the nominee fails to attend at least 75% of the board and committee meetings without a valid excuse. WITHHOLD

**Responsiveness**

WITHHOLD

THE FUNDS will withhold votes from the entire board (except for new nominees) where the director(s) receive more than 50% withhold votes out of those cast and the issue that was the underlying cause of the high level of withhold votes has not been addressed.

Poor Governance Practices

WITHHOLD

THE FUNDS will withhold votes from all directors (except for new nominees) if the company has adopted or renewed a poison pill without shareholder approval since the company's last annual meeting, does not put the pill to a vote at the current annual meeting,

**Table of Contents**

and does not have a requirement or does not commit to put the pill to shareholder vote within 12 months. In addition, THE FUNDS will withhold votes on all directors at any company that responds to the majority of the shareholders voting by putting the poison pill to a shareholder vote with a recommendation other than to eliminate the pill. WITHHOLD

THE FUNDS will vote against routine election of directors if any of the following apply: company fails to disclose adequate information in a timely manner, serious issues with the finances, questionable transactions, conflicts of interest, record of abuses against minority shareholder interests, bundling of director elections, and/or egregious governance practices. WITHHOLD

**Audit Issues**

THE FUNDS will withhold votes from members of the Audit Committee and/or the full board if poor accounting practices, which rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures, are identified. WITHHOLD

THE FUNDS will withhold votes from members of the Audit Committee if the company receives an adverse opinion on the company's financial statements from its auditor.

THE FUNDS will withhold votes from members of the Audit Committee if there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm. WITHHOLD

**Compensation Issues**

THE FUNDS will withhold votes from compensation committee members where there is a pay-for-performance disconnect (for Russell 3000 companies). WITHHOLD

THE FUNDS will withhold votes from compensation committee members if they fail to submit one-time transferable stock options (TSOs) to shareholders for approval.

**Ratification of Auditors**

THE FUNDS will vote against auditors and withhold votes from audit committee members if non-audit fees are greater than audit fees, audit-related fees, and permitted tax fees, combined. THE FUNDS will follow the disclosure categories being proposed by the SEC in applying the above formula. AGAINST/  
WITHHOLD

With the above exception, THE FUNDS will generally vote for proposals to ratify auditors unless: FOR

an auditor has a financial interest in or association with the company, and is therefore not independent, or AGAINST

there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position. AGAINST

THE FUNDS will vote against proposals that require auditors to attend annual meetings as auditors are regularly reviewed by the board audit committee, and such attendance is unnecessary. AGAINST

THE FUNDS will vote for shareholder proposals requesting a shareholder vote for audit firm ratification.

**Table of Contents**

|  |              |
|--|--------------|
|  | FOR          |
| THE FUNDS will vote against shareholder proposals asking for audit firm rotation. This practice is viewed as too disruptive and too costly to implement for the benefit achieved.  | AGAINST      |
| <br><b>Company Name Change/Purpose</b>   |              |
| THE FUNDS will vote for proposals to change the company name as management and the board is best suited to determine if such change in company name is necessary.  | FOR          |
| However, where the name change is requested in connection with a reorganization of the company, the vote will be based on the merits of the reorganization.  | CASE-BY-CASE |
| In addition, THE FUNDS will generally vote for proposals to amend the purpose of the company. Management is in the best position to know whether the description of what the company does is accurate, or whether it needs to be updated by deleting, adding or revising language.   | FOR          |
| <br><b>Employee Stock Purchase Plans/401(k) Employee Benefit Plans</b>   |              |
| THE FUNDS will vote for proposals to adopt, amend or increase authorized shares for employee stock purchase plans and 401(k) plans for employees as properly structured plans enable employees to purchase common stock at a slight discount and thus own a beneficial interest in the company, provided that the total cost of the company's plan is not above the allowable cap for the company. | FOR          |
| Similarly, THE FUNDS will generally vote for proposals to adopt or amend thrift and savings plans, retirement plans, pension plans and profit plans.   | FOR          |
| <br><b>Anti-Hedging/Pledging/Speculative Investments Policy</b>  |              |
| THE FUNDS will consider proposals prohibiting named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan on a case-by-case basis. The company's existing policies regarding responsible use of company stock will be considered.                   | CASE-BY-CASE |
| <br><b>Approve Other Business</b>  |              |
| THE FUNDS will generally vote for proposals to approve other business. This transfer of authority allows the corporation to take certain ministerial steps that may arise at the annual or special meeting.  | FOR          |
| However, THE FUNDS retains the discretion to vote against such proposals if adequate information is not provided in the proxy statement, or the measures are significant and no further approval from shareholders is sought.  | AGAINST      |
| <br><b>Independent Board of Directors/Board Committees</b>   |              |
| THE FUNDS will vote for proposals requiring that two-thirds of the board be independent directors. An independent board faces fewer conflicts and is best prepared to protect stockholders' interests.   | FOR          |

**Table of Contents**

|  |              |
|--|--------------|
| THE FUNDS will vote for proposals requesting that the board audit, compensation and/or nominating committees be composed of independent directors only. Committees should be composed entirely of independent directors in order to avoid conflicts of interest.   | FOR          |
| THE FUNDS will vote against proposals from shareholders requesting an independent compensation consultant.   | AGAINST      |
| <b>Director Fees</b>   |              |
| THE FUNDS will vote for proposals to set director fees.  | FOR          |
| <b>Minimum Stock Requirements by Directors</b>   |              |
| THE FUNDS will vote against proposals requiring directors to own a minimum number of shares of company stock in order to qualify as a director, or to remain on the board. Minimum stock ownership requirements can impose an across-the-board requirement that could prevent qualified individuals from serving as directors.   | AGAINST      |
| <b>Indemnification and Liability Provisions for Directors and Officers</b>   |              |
| THE FUNDS will vote for proposals to allow indemnification of directors and officers, when the actions taken were on behalf of the company and no criminal violations occurred. THE FUNDS will also vote in favor of proposals to purchase liability insurance covering liability in connection with those actions. Not allowing companies to indemnify directors and officers to the degree possible under the law would limit the ability of the company to attract qualified individuals. | FOR          |
| Alternatively, THE FUNDS will vote against indemnity proposals that are overly broad. For example, THE FUNDS will oppose proposals to indemnify directors for acts going beyond mere carelessness, such as gross negligence, acts taken in bad faith, acts not otherwise allowed by state law or more serious violations of fiduciary obligations.   | AGAINST      |
| <b>Nominee Statement in the Proxy</b>  |              |
| THE FUNDS will vote against proposals that require board nominees to have a statement of candidacy in the proxy, since the proxy statement already provides adequate information pertaining to the election of directors.  | AGAINST      |
| <b>Director Tenure/Retirement Age</b>  |              |
| THE FUNDS will vote against proposals to limit the tenure of directors as such limitations based on an arbitrary number could prevent qualified individuals from serving as directors. However, THE FUNDS is in favor of inserting cautionary language when the average director tenure on the board exceeds 15 years for the entire board.  | AGAINST      |
| The Funds will vote for proposals to establish a mandatory retirement age for directors provided that such retirement age is not less than 65.   | FOR          |
| <b>Board Powers/Procedures/Qualifications</b>  |              |
| THE FUNDS will consider on a case-by-case basis proposals to amend the corporation's By-laws so that the Board of Directors shall have the power, without the assent or vote of the shareholders, to make, alter, amend, or rescind the By-laws, fix the amount to be  | CASE-BY-CASE |



**Table of Contents**

reserved as working capital, and fix the number of directors and what number shall constitute a quorum of the Board. In determining these issues, THE FUNDS will rely on the proxy voting Guidelines.

**Adjourn Meeting to Solicit Additional Votes**

THE FUNDS will examine proposals to adjourn the meeting to solicit additional votes on a case-by-case basis. As additional solicitation may be costly and could result in coercive pressure on shareholders, THE FUNDS will consider the nature of the proposal and its vote recommendations for the scheduled meeting. CASE-BY-CASE

THE FUNDS will vote for this item when:

THE FUNDS is supportive of the underlying merger proposal; the company provides a sufficient, compelling reason to support the adjournment proposal; and the authority is limited to adjournment proposals requesting the authority to adjourn solely to solicit proxies to approve a transaction THE FUNDS supports. FOR

**Reimbursement of Solicitation Expenses**

THE FUNDS will consider contested elections on a case-by-case basis, considering the following factors: long-term financial performance of the target company relative to its industry; management's track record; background of the proxy contest; qualifications of director or trustee nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and stock ownership positions. CASE-BY-CASE

**Board Structure: Staggered vs. Annual Elections**

THE FUNDS will consider the issue of classified boards on a case-by-case basis. In some cases, the division of the board into classes, elected for staggered terms, can entrench the incumbent management and make them less responsive to shareholder concerns. On the other hand, in some cases, staggered elections may provide for the continuity of experienced directors on the Board. CASE-BY-CASE

**Removal of Directors**

THE FUNDS will consider on a case-by-case basis proposals to eliminate shareholders' rights to remove directors with or without cause or only with approval of two-thirds or more of the shares entitled to vote. CASE-BY-CASE

However, a requirement that a 75% or greater vote be obtained for removal of directors is abusive and will warrant a vote against the proposal. AGAINST

**Board Vacancies**

THE FUNDS will vote against proposals that allow the board to fill vacancies without shareholder approval as these authorizations run contrary to basic shareholders' rights. AGAINST

Alternatively, THE FUNDS will vote for proposals that permit shareholders to elect directors to fill board vacancies. FOR

**Cumulative Voting**

**Table of Contents**

THE FUNDS will vote on proposals to permit or eliminate cumulative voting on a case-by-case basis based upon the existence of a counter balancing governance structure and company performance, in accordance with its proxy voting guideline philosophy. CASE-BY-CASE

THE FUNDS will vote against cumulative voting if the board is elected annually. AGAINST

**Board Size**

THE FUNDS will vote for proposals that seek to fix the size of the board, as the ability for management to increase or decrease the size of the board in the face of a proxy contest may be used as a takeover defense. FOR

However, if the company has cumulative voting, downsizing the board may decrease a minority shareholder's chances of electing a director.

By increasing the size of the board, management can make it more difficult for dissidents to gain control of the board. Fixing the size of the board also prevents a reduction in the board size as a means to oust independent directors or those who cause friction within an otherwise homogenous board.

**Shareholder Rights Plan (Poison Pills)**

THE FUNDS will generally vote for proposals that request a company to submit its poison pill for shareholder ratification. FOR

Alternatively, THE FUNDS will analyze proposals to redeem a company's poison pill, or requesting the ratification of a poison pill on a case-by-case basis. CASE-BY-CASE

Poison pills are one of the most potent anti-takeover measures and are generally adopted by boards without shareholder approval. These plans harm shareholder value and entrench management by deterring stock acquisition offers that are not favored by the board.

**Fair Price Provisions**

THE FUNDS will consider fair price provisions on a case-by-case basis, evaluating factors such as the vote required to approve the proposed mechanism, the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price. CASE-BY-CASE

THE FUNDS will vote against fair price provisions with shareholder vote requirements of 75% or more of disinterested shares. AGAINST

**Greenmail**

THE FUNDS will generally vote in favor of proposals limiting the corporation's authority to purchase shares of common stock (or other outstanding securities) from a holder of a stated interest (5% or more) at a premium unless the same offer is made to all shareholders. These are known as anti-greenmail provisions. Greenmail discriminates against rank-and-file shareholders and may have an adverse effect on corporate image. FOR

If the proposal is bundled with other charter or bylaw amendments, THE FUNDS will analyze such proposals on a case-by-case basis. In addition, THE FUNDS will analyze restructurings that involve the payment of pale greenmail on a case-by-case basis. CASE-BY-CASE

**Table of Contents**

**Voting Rights**

THE FUNDS will vote for proposals that seek to maintain or convert to a one-share, one-vote capital structure as such a principle ensures that management is accountable to all the company's owners. FOR

Alternatively, THE FUNDS will vote against any proposals to cap the number of votes a shareholder is entitled to. Any measure that places a ceiling on voting may entrench management and lessen its interest in maximizing shareholder value. AGAINST

**Dual Class/Multiple-Voting Stock**

THE FUNDS will vote against proposals that authorize, amend or increase dual class or multiple-voting stock which may be used in exchanges or recapitalizations. Dual class or multiple-voting stock carry unequal voting rights, which differ from those of the broadly traded class of common stock. AGAINST

Alternatively, THE FUNDS will vote for the elimination of dual class or multiple-voting stock, which carry different rights than the common stock. FOR

**Confidential Voting**

THE FUNDS will vote for proposals to adopt confidential voting. FOR

**Vote Tabulations**

THE FUNDS will vote against proposals asking corporations to refrain from counting abstentions and broker non-votes in their vote tabulations and to eliminate the company's discretion to vote unmarked proxy ballots. Vote counting procedures are determined by a number of different standards, including state law, the federal proxy rules, internal corporate policies, and mandates of the various stock exchanges. AGAINST

**Equal Access to the Proxy**

THE FUNDS will evaluate Shareholder proposals requiring companies to give shareholders access to the proxy ballot for the purpose of nominating board members, on a case-by-case basis taking into account the ownership threshold proposed in the resolution and the proponent's rationale for the proposal at the targeted company in terms of board and director conduct. CASE-BY-CASE

**Disclosure of Information**

THE FUNDS will vote against shareholder proposals requesting fuller disclosure of company policies, plans, or business practices. Such proposals rarely enhance shareholder return and in many cases would require disclosure of confidential business information. AGAINST

**Annual Meetings**

THE FUNDS will vote for proposals to amend procedures or change date or location of the annual meeting. Decisions as to procedures, dates or locations of meetings are best placed with management. FOR

**Table of Contents**

Alternatively, THE FUNDS will vote against proposals from shareholders calling for a change in the location or date of annual meetings as no date or location proposed will be acceptable to all shareholders. AGAINST

THE FUNDS will generally vote in favor of proposals to reduce the quorum necessary for shareholders meetings, subject to a minimum of a simple majority of the company's outstanding voting shares. FOR

**Shareholder Advisory Committees/Independent Inspectors**

THE FUNDS will vote against proposals seeking to establish shareholder advisory committees or independent inspectors. The existence of such bodies dilutes the responsibility of the board for managing the affairs of the corporation. AGAINST

**Technical Amendments to the Charter of Bylaws**

THE FUNDS will generally vote in favor of charter and bylaw amendments proposed solely to conform to modern business practices, for simplification, or to comply with what management's counsel interprets as applicable law. FOR

However, amendments that have a material effect on shareholder's rights will be considered on a case-by-case basis. CASE-BY-CASE

**Bundled Proposals**

THE FUNDS will vote for bundled or conditional proxy proposals on a case-by-case basis, as THE FUNDS will examine the benefits and costs of the packaged items, and determine if the effect of the conditioned items are in the best interests of shareholders. CASE-BY-CASE

**Dividends**

THE FUNDS will vote for proposals to allocate income and set dividends. FOR

THE FUNDS will also vote for proposals that authorize a dividend reinvestment program as it allows investors to receive additional stock in lieu of a cash dividend. FOR

However, if a proposal for a special bonus dividend is made that specifically rewards a certain class of shareholders over another, THE FUNDS will vote against the proposal. AGAINST

THE FUNDS will also vote against proposals from shareholders requesting management to redistribute profits or restructure investments. Management is best placed to determine how to allocate corporate earnings or set dividends. AGAINST

**Reduce the Par Value of the Common Stock**

THE FUNDS will vote for proposals to reduce the par value of common stock. FOR

**Preferred Stock Authorization**

THE FUNDS will generally vote for proposals to create preferred stock in cases where the FOR

**Table of Contents**

company expressly states that the stock will not be used as a takeover defense or carry superior voting rights, or where the stock may be used to consummate beneficial acquisitions, combinations or financings.

Alternatively, THE FUNDS will vote against proposals to authorize or issue preferred stock if the board has asked for the unlimited right to set the terms and conditions for the stock and may issue it for anti-takeover purposes without shareholder approval (blank check preferred stock). AGAINST

In addition, THE FUNDS will vote against proposals to issue preferred stock if the shares to be used have voting rights greater than those available to other shareholders. AGAINST

THE FUNDS will vote for proposals to require shareholder approval of blank check preferred stock issues for other than general corporate purposes (white squire placements). FOR

**Preemptive Rights**

THE FUNDS will generally vote for proposals to eliminate preemptive rights. Preemptive rights are unnecessary to protect shareholder interests due to the size of most modern companies, the number of investors and the liquidity of trading. FOR

**Share Repurchase Plans**

THE FUNDS will vote for share repurchase plans, unless: FOR

- there is clear evidence of past abuse of the authority; or AGAINST
- the plan contains no safeguards against selective buy-backs. AGAINST

Corporate stock repurchases are a legitimate use of corporate funds and can add to long-term shareholder returns.

**Executive and Director Compensation Plans**

THE FUNDS will analyze on a case-by-case basis proposals on executive or director compensation plans, with the view that viable compensation programs reward the creation of stockholder wealth by having high payout sensitivity to increases in shareholder value. Such proposals may seek shareholder approval to adopt a new plan, or to increase shares reserved for an existing plan. CASE-BY-CASE

THE FUNDS will review the potential cost and dilutive effect of the plan. After determining how much the plan will cost, ISS evaluates whether the cost is reasonable by comparing the cost to an allowable cap. The allowable cap is industry-specific, market cap-base, and pegged to the average amount paid by companies performing in the top quartile of their peer groups. If the proposed cost is below the allowable cap, THE FUNDS will vote for the plan. ISS will also apply a pay for performance overlay in assessing equity-based compensation plans for Russell 3000 companies. FOR

If the proposed cost is above the allowable cap, THE FUNDS will vote against the plan. AGAINST

Among the plan features that may result in a vote against the plan are:

- plan administrators are given the authority to reprice or replace underwater options; repricing guidelines will conform to changes in the NYSE and NASDAQ listing rules. AGAINST

THE FUNDS will vote against equity plans that have high average three-year burn rate. (The

**Table of Contents**

|   |              |
|---|--------------|
| burn rate is calculated as the total number of stock awards and stock options granted any given year divided by the number of common shares outstanding.) THE FUNDS will define a high average three-year burn rate as the following: The company's most recent three-year burn rate exceeds one standard deviation of its four-digit GICS peer group segmented by Russell 3000 index and non-Russell 3000 index; and the company's most recent three-year burn rate exceeds 2% of common shares outstanding. For companies that grant both full value awards and stock options to their employees, THE FUNDS shall apply a premium on full value awards for the past three fiscal years. | AGAINST      |
| Even if the equity plan fails the above burn rate, THE FUNDS will vote for the plan if the company commits in a public filing to a three-year average burn rate equal to its GICS group burn rate mean plus one standard deviation. If the company fails to fulfill its burn rate commitment, THE FUNDS will consider withholding from the members of the compensation committee.   | FOR          |
| THE FUNDS will calculate a higher award value for awards that have Dividend Equivalent Rights (DERs) associated with them.  | CASE-BY-CASE |
| THE FUNDS will generally vote for shareholder proposals requiring performance-based stock options unless the proposal is overly restrictive or the company demonstrates that it is using a substantial portion of performance-based awards for its top executives.  | FOR          |
| THE FUNDS will vote for shareholder proposals asking the company to expense stock options, as a result of the FASB final rule on expensing stock options.   |              |
| THE FUNDS will generally vote for shareholder proposals to exclude pension fund income in the calculation of earnings used in determining executive bonuses/compensation.   | FOR          |
| THE FUNDS will generally vote for TSO awards within a new equity plan if the total cost of the equity plan is less than the company's allowable cap.  | FOR          |
| THE FUNDS will generally vote against shareholder proposals to ban future stock option grants to executives. This may be supportable in extreme cases where a company is a serial repricer, has a huge overhang, or has highly dilutive, broad-based (non-approved) plans and is not acting to correct the situation.   | FOR          |
| THE FUNDS will evaluate shareholder proposals asking companies to adopt holding periods for their executives on a case-by-case basis taking into consideration the company's current holding period or officer share ownership requirements, as well as actual officer stock ownership in the company.  | AGAINST      |
| For certain OBRA-related proposals, THE FUNDS will vote for plan provisions that (a) place a cap on annual grants or amend administrative features, and (b) add performance criteria to existing compensation plans to comply with the provisions of Section 162(m) of the Internal Revenue Code.   | CASE-BY-CASE |
| In addition, director compensation plans may also include stock plans that provide directors with the option of taking all or a portion of their cash compensation in the form of stock.  |              |
| THE FUNDS will consider these plans based on their voting power dilution.   | FOR          |
| THE FUNDS will generally vote for retirement plans for directors.   |              |
| THE FUNDS will evaluate compensation proposals (Tax Havens) requesting share option   | CASE-BY-CASE |

**Table of Contents**

schemes or amending an existing share option scheme on a case-by-case basis.

Stock options align management interests with those of shareholders by motivating executives to maintain stock price appreciation. Stock options, however, may harm shareholders by diluting each owner's interest. In addition, exercising options can shift the balance of voting power by increasing executive ownership.

FOR

CASE-BY-CASE

**Bonus Plans**

THE FUNDS will vote for proposals to adopt annual or long-term cash or cash-and-stock bonus plans on a case-by-case basis. These plans enable companies qualify for a tax deduction under the provisions of Section 162(m) of the IRC. Payouts under these plans may either be in cash or stock and are usually tied to the attainment of certain financial or other performance goals. THE FUNDS will consider whether the plan is comparable to plans adopted by companies of similar size in the company's industry and whether it is justified by the company's performance.

CASE-BY-CASE

**Deferred Compensation Plans**

THE FUNDS will generally vote for proposals to adopt or amend deferred compensation plans as they allow the compensation committee to tailor the plan to the needs of the executives or board of directors, unless

FOR

the proposal is embedded in an executive or director compensation plan that is contrary to guidelines

AGAINST

**Disclosure on Executive or Director Compensation Cap or Restrict Executive or Director Compensation**

THE FUNDS will generally vote for shareholder proposals requiring companies to report on their executive retirement benefits (deferred compensation, split-dollar life insurance, SERPs, and pension benefits).

FOR

THE FUNDS will generally vote for shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote, unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

FOR

THE FUNDS will generally vote against proposals seek to limit executive and director pay.

AGAINST

**Tax-Gross-Up Payments**

THE FUNDS will examine on a case-by-case basis proposals calling for companies to adopt a policy of not providing tax gross-up payments to executives.

CASE-BY-CASE

**Relocation Benefits**

The FUNDS will not consider relocation benefits as a problematic pay practice in connection with management say-on-pay proposals.

**Exchange Offers/Re-Pricing**

**Table of Contents**

The FUNDS will not vote against option exchange programs made available to executives and directors that are otherwise found acceptable.

**Golden and Tin Parachutes**

THE FUNDS will vote for proposals that seek shareholder ratification of golden or tin parachutes as shareholders should have the opportunity to approve or disapprove of these severance agreements. FOR

Alternatively, THE FUNDS will examine on a case-by-case basis proposals that seek to ratify or cancel golden or tin parachutes. Effective parachutes may encourage management to consider takeover bids more fully and may also enhance employee morale and productivity. Among the arrangements that will be considered on their merits are: CASE-BY-CASE

arrangements guaranteeing key employees continuation of base salary for more than three years or lump sum payment of more than three times base salary plus retirement benefits;

guarantees of benefits if a key employee voluntarily terminates;

guarantees of benefits to employees lower than very senior management; and

indemnification of liability for excise taxes.

By contrast, THE FUNDS will vote against proposals that would guarantee benefits in a management-led buyout. AGAINST

**Stakeholder Laws**

THE FUNDS will vote against resolutions that would allow the Board to consider stakeholder interests (local communities, employees, suppliers, creditors, etc.) when faced with a takeover offer. AGAINST

Similarly, THE FUNDS will vote for proposals to opt out of stakeholder laws, which permit directors, when taking action, to weight the interests of constituencies other than shareholders in the process of corporate decision-making. Such laws allow directors to consider nearly any factor they deem relevant in discharging their duties. FOR



**Table of Contents**

**Mergers/Acquisitions and Corporate Restructurings**

THE FUNDS will consider proposals on mergers and acquisitions on a case-by-case basis. THE FUNDS will determine if the transaction is in the best economic interests of the shareholders. THE FUNDS will take into account the following factors:

CASE-BY-CASE

- anticipated financial and operating benefits;
- offer price (cost versus premium);
- prospects for the combined companies;
- how the deal was negotiated;
- changes in corporate governance and their impact on shareholder rights.

In addition, THE FUNDS will also consider whether current shareholders would control a minority of the combined company's outstanding voting power, and whether a reputable financial advisor was retained in order to ensure the protection of shareholders' interests.

CASE-BY-CASE

On all other business transactions, i.e. corporate restructuring, spin-offs, asset sales, liquidations, and restructurings, THE FUNDS will analyze such proposals on a case-by-case basis and utilize the majority of the above factors in determining what is in the best interests of shareholders. Specifically, for liquidations, the cost versus premium factor may not be applicable, but THE FUNDS may also review the compensation plan for executives managing the liquidation.

CASE-BY-CASE

**Appraisal Rights**

THE FUNDS will vote for proposals to restore, or provide shareholders with rights of appraisal. FOR

Rights of appraisal provide shareholders who are not satisfied with the terms of certain corporate transactions (such as mergers) the right to demand a judicial review in order to determine the fair value of their shares.

**Mutual Fund Proxies**

THE FUNDS will vote mutual fund proxies on a case-by-case basis. Proposals may include, and are not limited to, the following issues: CASE-BY-CASE

- eliminating the need for annual meetings of mutual fund shareholders;
- entering into or extending investment advisory agreements and management contracts;
- permitting securities lending and participation in repurchase agreements;
- changing fees and expenses; and
- changing investment policies.

**Table of Contents**

**APPENDIX B**  
**TO**  
**PROXY VOTING POLICIES AND PROCEDURES**

Members of Funds Management Proxy Voting Committee

**Thomas C. Biwer, CFA**

Mr. Biwer has over 40 years of experience in finance and investments. He has served as an investment analyst, portfolio strategist, and corporate pension officer. He received B.S. and M.B.A. degrees from the University of Illinois and has earned the right to use the CFA designation.

**Erik J. Sens, CFA**

Mr. Sens has over 25 years of investment industry experience. He has served as an investment analyst and portfolio manager. He received undergraduate degrees in Finance and Philosophy from the University of San Francisco and has earned the right to use the CFA designation.

**Travis L. Keshemberg, CFA**

Mr. Keshemberg has over 20 years of experience in the investment industry. He has served as a overlay portfolio manager and investment consultant. He holds a Masters Degree from the University of Wisconsin Milwaukee and Bachelors degree from Marquette University. He has earned the right to use the CFA, CIPM and CIMA designations.

**Aldo Ceccarelli, CFA**

Mr. Ceccarelli has over 14 years of investment industry experience. He has served as a fixed income analyst and head of the Funds Management investments team. He earned his bachelor s degree in business administration with an emphasis in economics from Santa Clara University and has earned the right to use the CFA designation.

**Melissa Duller, CIMA**

Ms. Duller has over 16 years of experience in the investment industry. She has served as an investment analyst and as a regional investment manager for high net worth individuals, personal trusts, and charitable foundations. She has earned the right to use the CIMA designation.

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

**Niklas Nordenfelt, CFA**

Mr. Nordenfelt is currently managing director, senior portfolio manager with the Sutter High Yield Fixed Income team at Wells Capital Management. Niklas joined the Sutter High Yield Fixed Income team of Wells Capital Management in February 2003 as investment strategist. Niklas began his investment career in 1991 and has managed

portfolios ranging from quantitative-based and tactical asset allocation strategies to credit driven portfolios. Previous to joining Sutter, Niklas was at Barclays Global Investors (BGI) from 1996-2002 where he was a principal. At BGI, he worked on their international and emerging markets equity strategies after having managed their asset allocation products. Prior to this, Niklas was a quantitative analyst at Fidelity and a portfolio manager and group leader at Mellon Capital Management. He earned a bachelor's degree in economics from the University of California, Berkeley, and has earned the right to use the CFA designation.

**Philip Susser**

Mr. Susser is currently managing director, senior portfolio manager, and co-head of the Sutter High Yield Fixed Income team at Wells Capital Management. Philip joined the Sutter High Yield Fixed Income team as a senior research analyst in 2001. He has extensive research experience in the cable/satellite, gaming, hotels, restaurants, printing/publishing, telecom, REIT, lodging and distressed sectors. Philip's investment experience began in 1995 spending three years as a securities lawyer at Cahill Gordon and Shearman & Sterling representing underwriters and issuers of high yield debt. Later, Philip evaluated venture investment opportunities for MediaOne Ventures before joining Deutsche Bank as a research analyst. He received his bachelor's degree in economics from the University of Pennsylvania and his law degree from the University of Michigan Law School.

**Table of Contents**

**Janet S. Rilling, CFA, CPA**

Mrs. Rilling is a senior portfolio manager for the Wells Capital Management Fixed Income team. She joined Wells Capital Management from Strong Capital Management in 2005. Janet began her investment industry career in 1995, joining Strong as a research analyst and then becoming a portfolio manager in 2000. Prior to joining Strong, she was an auditor with Coopers & Lybrand for three years, specializing in the manufacturing and financial services industries. She earned a bachelor's degree in accounting and finance and a master's degree in finance from the University of Wisconsin, Madison. Janet is a Certified Public Accountant and has earned the right to use the CFA designation.

**Michael Bray, CFA**

Mr. Bray is the managing director of taxable fixed income and senior portfolio manager for the Wells Capital Management Fixed Income team. He began his investment industry career in 1988. Prior to joining Wells Capital Management in 2005, he was managing director at State Street Research and Management, focusing on mutual fund and institutional account management. He also gained experience while with Merrill Lynch & Company as vice president of mortgage securities research and sales. Earlier, he was an analyst with Manufacturers Hanover Company, specializing in mortgage and derivative securities. Michael earned a bachelor's degree in math and actuarial science from the University of Connecticut, Storrs, and a master's degree in business administration with an emphasis in finance from The Pennsylvania State University. He has earned the right to use the CFA designation.

**Christopher Y. Kauffman, CFA**

Mr. Kauffman is a portfolio manager for the Wells Capital Management Fixed Income team. He joined WellsCap from Tattersall Advisory Group (TAG), where he served in a similar role since 2003. He began his investment industry career in 1997 as an investment officer for NISA Investment Advisors, where he was responsible for MBS analysis, risk assessment, and trading. He earned a bachelor's degree in finance and economics and a master's degree in business administration with an emphasis in finance from Washington University in St. Louis. He has earned the right to use the CFA designation and is a member of the St. Louis Society of Financial Analysts and the CFA Institute.

**Anthony Norris**

Mr. Norris is a managing director and senior portfolio manager with the First International Advisors team at Wells Capital Management. Tony is one of five senior members of the investment team that forms the Senior Strategy Team. His responsibilities include developing investment strategies, macro-portfolio allocation, portfolio positioning, and risk management. He joined WellsCap from Evergreen Investments, where he served in a similar role since 1990. Previously, he spent several years in banking, with particular emphasis on foreign exchange. Tony served in senior executive positions at Reserve Asset Managers and Gillett Brothers Fund Management. He began his investment industry career in 1967 at Wallace Brothers Bank. He is a member of the Society of Technical Analysts and is an associate of the International Federation of Technical Analysts.

**Peter Wilson**

Mr. Wilson is a managing director and senior portfolio manager with the First International Advisors team at Wells Capital Management. Peter is one of five senior members of the investment team that forms the Senior Strategy Team. His responsibilities include macro-portfolio allocation, portfolio positioning, and risk management. He joined WellsCap from Evergreen Investments, where he served in a similar role since 1989. Previously, he served as treasurer and portfolio manager for Axe-Houghton, vice president at Bankers Trust in London and New York, and portfolio manager at Merchant Bankers Kleinwort Benson Ltd. Peter began his investment industry career in 1978 at

international stockbrokers James Capel & Co. He was educated in Canada, Hong Kong, and England.

**Michael Lee**

Mr. Lee is a senior portfolio manager with the First International Advisors team at Wells Capital Management. Mike is one of five senior members of the investment team that forms the Senior Strategy Team. His responsibilities include the day-to-day management and implementation of portfolio strategies. He joined WellsCap from Evergreen Investments, where he served in a similar role since 1992. Prior to this, he worked at Northern Trust Co. Earlier, he held investment positions at JPMorganChase and National Westminster Bank. Michael began his investment industry career in 1982. He is a member of the U.K. Society of Investment Professionals.

**Alex Perrin**

Mr. Perrin is a senior portfolio manager with the First International Advisors team at Wells Capital Management. Alex is one of five senior members of the investment team that forms the Senior Strategy Team. His responsibilities include developing investment strategies, macro-portfolio allocation, portfolio positioning, and risk management. He joined First International Advisors in 1992. Alex earned a bachelor's degree in mathematics and computer science from Hull University in the U.K. He is a member of the Society of Technical Analysts and an Associate Member of the U.K. Society of Investment Professionals.

**Christopher Wightman**

**Table of Contents**

Mr. Wightman is a senior portfolio manager with the First International Advisors team at Wells Capital Management. Chris is one of five senior members of the investment team that forms the Senior Strategy Team. His responsibilities include macro-portfolio allocation, portfolio positioning, and risk management. He joined First International Advisors in 2011 from JP Morgan Chase, where he served as a senior investment manager specializing in global fixed income strategies. Earlier, Chris served as a senior fixed income trader at Fidelity International. He began his investment industry career in 1997 as a Graduate Analyst at Morgan Stanley. Chris earned a B.A. (Hons) in business studies at Staffordshire University (UK).

**OTHER FUNDS AND ACCOUNTS MANAGED**

The following table provides information about the registered investment companies and other pooled investment vehicles and accounts managed by the portfolio manager of the Fund as of the Fund's most recent year ended October 31, 2014.

**Niklas Nordenfelt**

|   | Other<br>Registered<br>Investment Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|---|--|-------------------|
| I manage the following types of accounts: |   |  |                   |
| Number of above accounts                  | 5   | 6                                      | 13                |
| Total assets of above accounts (millions) | \$ 1,990.7                                  | \$ 259.1                               | \$ 1,713.9        |
| performance based fee accounts:           |   |  |                   |

|   | Other<br>Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|--|-------------------|
| I manage the following types of accounts: |  |  |                   |
| Number of above accounts                  | 0  | 1                                      | 0                 |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 3.2                                 | \$ 0.0            |

**Philip Susser**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 5  | 6   | 13                |
| Total assets of above accounts (millions) | \$ 1,990.7                                     | \$ 259.6                                  | \$ 1,713.9        |
| performance based fee accounts:           |  |   |                   |

|  | Other<br>Registered<br>Investment | Other<br>Pooled<br>Investment | Other<br>Accounts |
|--|-----------------------------------|-------------------------------|-------------------|
|--|-----------------------------------|-------------------------------|-------------------|

|   | Companies | Vehicles |        |
|---|-----------|----------|--------|
| I manage the following types of accounts: |           |          |        |
| Number of above accounts                  | 0         | 1        | 0      |
| Total assets of above accounts (millions) | \$ 0.0    | \$ 3.2   | \$ 0.0 |

**Janet Rilling**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 2  | 4   | 24                |
| Total assets of above accounts (millions) | \$ 579   | \$ 1,966                                  | \$ 4,394          |
| performance based fee accounts:           |  |   |                   |

**Table of Contents**

|   | Other<br>Registered<br>Investment<br>Companies | Other Pooled Investment<br>Vehicles | Other<br>Accounts |
|---|--|-------------------------------------|-------------------|
| I manage the following types of accounts: |  |                                     |                   |
| Number of above accounts                  | 0  | 0                                   | 0                 |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 0.0                              | \$ 0.0            |

**Michael Bray**

|   | Other<br>Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|--|-------------------|
| I manage the following types of accounts: |  |  |                   |
| Number of above accounts                  | 6  | 3                                      | 5                 |
| Total assets of above accounts (millions) | \$ 3,265                                       | \$ 1,869                               | \$ 2,183          |
| performance based fee accounts:           |  |  |                   |

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 0   | 0                 |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 0.0                                    | \$ 0.0            |

**Christopher Y. Kauffman**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 7  | 0   | 1                 |
| Total assets of above accounts (millions) | \$ 5,461                                       | \$ 0                                      | \$ 23             |
| performance based fee accounts:           |  |   |                   |

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 0   | 0                 |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 0.0                                    | \$ 0.0            |

**Anthony Norris**



|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 6  | 13  | 11                |
| Total assets of above accounts (millions) | \$ 1,739.79                                    | \$ 1,190                                  | \$ 3,074          |

performance based fee accounts:

|   | Other<br>Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Investment<br>Other<br>Accounts |
|---|--|--|---------------------------------|
| I manage the following types of accounts: |  |  |                                 |
| Number of above accounts                  | 0  | 1                                      | 0                               |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 212                                 | \$ 0.0                          |

**Peter Wilson**

**Table of Contents**

|   | Other<br>Registered<br>Investment Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|---|--|-------------------|
| I manage the following types of accounts: |   |  |                   |
| Number of above accounts                  | 6   | 13                                     | 11                |
| Total assets of above accounts (millions) | \$ 1,739.79                                 | \$ 1,190                               | \$ 3,074          |
| performance based fee accounts:           |   |  |                   |

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 1   | 0                 |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 212                                    | \$ 0.0            |

**Michael Lee**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 6  | 13  | 11                |
| Total assets of above accounts (millions) | \$ 1,739.79                                    | \$ 1,190                                  | \$ 3,074          |
| performance based fee accounts:           |  |   |                   |

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 1   | 0                 |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 212                                    | \$ 0.0            |

**Alex Perrin**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 6  | 13  | 11                |
| Total assets of above accounts (millions) | \$ 1,739.79                                    | \$ 1,190                                  | \$ 3,074          |
| performance based fee accounts:           |  |   |                   |

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 1   | 0                 |
| Total assets of above accounts (millions) | \$ 0.0   | \$ 212                                    | \$ 0.0            |

**Christopher Wightman**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 6  | 13  | 11                |

**Table of Contents**

|   |             |          |          |
|---|-------------|----------|----------|
| Total assets of above accounts (millions) | \$ 1,739.79 | \$ 1,190 | \$ 3,074 |
|---|-------------|----------|----------|

performance based fee accounts:

|   | Other<br>Registered<br>Investment Companies | Other Pooled Investment<br>Vehicles | Other Accounts |
|---|---|-------------------------------------|----------------|
| I manage the following types of accounts: |   |                                     |                |
| Number of above accounts                  | 0   | 1                                   | 0              |
| Total assets of above accounts (millions) | \$ 0.0                                      | \$ 212                              | \$ 0.0         |

**MATERIAL CONFLICTS OF INTEREST**

The Portfolio Managers face inherent conflicts of interest in their day-to-day management of the Funds and other accounts because the Funds may have different investment objectives, strategies and risk profiles than the other accounts managed by the Portfolio Managers. For instance, to the extent that the Portfolio Managers manage accounts with different investment strategies than the Funds, they may from time to time be inclined to purchase securities, including initial public offerings, for one account but not for a Fund. Additionally, some of the accounts managed by the Portfolio Managers may have different fee structures, including performance fees, which are or have the potential to be higher or lower, in some cases significantly higher or lower, than the fees paid by the Funds. The differences in fee structures may provide an incentive to the Portfolio Managers to allocate more favorable trades to the higher-paying accounts.

To minimize the effects of these inherent conflicts of interest, the Sub-Advisers have adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, that they believe address the potential conflicts associated with managing portfolios for multiple clients and ensure that all clients are treated fairly and equitably. Additionally, some of the Sub-Advisers minimize inherent conflicts of interest by assigning the Portfolio Managers to accounts having similar objectives. Accordingly, security block purchases are allocated to all accounts with similar objectives in proportionate weightings. Furthermore, the Sub-Advisers have adopted a Code of Ethics under Rule 17j-1 of the 1940 Act and Rule 204A-1 under the Investment Advisers Act of 1940 (the Advisers Act ) to address potential conflicts associated with managing the Funds and any personal accounts the Portfolio Managers may maintain.

**First International Advisors**

First International Advisors Portfolio Managers often provide investment management for separate accounts advised in the same or similar investment style as that provided to mutual funds. While management of multiple accounts could potentially lead to conflicts of interest over various issues such as trade allocation, fee disparities and research acquisition, First International Advisors has implemented policies and procedures for the express purpose of ensuring that clients are treated fairly and that potential conflicts of interest are minimized.

**Wells Capital Management**

Wells Capital Management s Portfolio Managers often provide investment management for separate accounts advised in the same or similar investment style as that provided to mutual funds. While management of multiple accounts could potentially lead to conflicts of interest over various issues such as trade allocation, fee disparities and research acquisition, Wells Capital Management has implemented policies and procedures for the express purpose of ensuring that clients are treated fairly and that potential conflicts of interest are minimized.

**COMPENSATION**

The Portfolio Managers were compensated by their employing sub-adviser from the fees the Adviser paid the Sub-Adviser using the following compensation structure:

**First International Advisors Compensation.** The compensation structure for First International Advisors' s Portfolio Managers includes a competitive fixed base salary plus variable incentives (First International Advisors utilizes investment management compensation surveys as confirmation). Incentive bonuses are typically tied to pretax relative investment performance of all accounts under his or her management within acceptable risk parameters. Relative investment performance is generally evaluated for 1, 3, and 5 year performance results, with a predominant weighting on the 3-and 5- year time periods, versus the relevant benchmarks and/or peer groups consistent with the investment style. This evaluation takes into account relative performance of the accounts to each account' s individual benchmark and/or the relative composite performance of all accounts to one or more relevant benchmarks consistent with the overall investment style. In the case of each Fund, the benchmark(s) against which the

**Table of Contents**

performance of the Fund’s portfolio may be compared for these purposes generally are indicated in the Performance sections of the Prospectuses.

**Wells Capital Management Compensation.** The compensation structure for Wells Capital Management’s Portfolio Managers includes a competitive fixed base salary plus variable incentives (Wells Capital Management utilizes investment management compensation surveys as confirmation). Incentive bonuses are typically tied to pretax relative investment performance of all accounts under his or her management within acceptable risk parameters. Relative investment performance is generally evaluated for 1, 3, and 5 year performance results, with a predominant weighting on the 3- and 5- year time periods, versus the relevant benchmarks and/or peer groups consistent with the investment style. This evaluation takes into account relative performance of the accounts to each account’s individual benchmark and/or the relative composite performance of all accounts to one or more relevant benchmarks consistent with the overall investment style. In the case of each Fund, the benchmark(s) against which the performance of the Fund’s portfolio may be compared for these purposes generally are indicated in the Performance sections of the Prospectuses.

**BENEFICIAL OWNERSHIP OF THE FUND**

The following table shows for each Portfolio Manager the dollar value of the Fund beneficially owned by the Portfolio Manager as of October 31, 2014:

|                      |      |
|----------------------|------|
| Niklas Nordenfelt    | none |
| Philip Susser        | none |
| Janet S. Rilling     | none |
| Michael J. Bray      | none |
| Christopher Kauffman | none |
| Tony Norris          | none |
| Peter Wilson         | none |
| Michael Lee          | none |
| Alex Perrin          | none |
| Christopher Wightman | none |

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

Not applicable.

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant’s board of trustees that have been implemented since the Registrant’s last provided disclosure in response to the requirements of this Item.

**ITEM 11. CONTROLS AND PROCEDURES**

(a) The President and Treasurer have concluded that the Wells Fargo Advantage Multi-Sector Income Fund (the Fund ) 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 Fund 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 Fund 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 fiscal 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.

**Table of Contents**

**ITEM 12. EXHIBITS**

(a)(1) Code of Ethics pursuant to Item 2 of Form N-CSR is filed and attached hereto as Exhibit COE.

(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.



Table of Contents

**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: December 23, 2014

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.

Wells Fargo Advantage Multi-Sector Income  
Fund

By:

/s/ Karla M. Rabusch

Karla M. Rabusch  
President

Date: December 23, 2014

By:

/s/ Jeremy DePalma

Jeremy DePalma  
Treasurer

Date: December 23, 2014