

WELLS FARGO ADVANTAGE UTILITIES & HIGH INCOME FUND

Form N-CSR

November 08, 2010

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- 21507

Wells Fargo Advantage Utilities & High Income Fund
(Exact name of registrant as specified in charter)

525 Market St., San Francisco, CA 94105
(Address of principal executive offices) (Zip code)

C. David Messman
Wells Fargo Funds Management, LLC
525 Market St., San Francisco, CA 94105
(Name and address of agent for service)

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

Date of fiscal year end: August 31, 2010

Date of reporting period: August 31, 2010

ITEM 1. REPORT TO SHAREHOLDERS

(WELLS FARGO ADVANTAGE FUNDS LOGO)

(GRAPHIC)

REDUCE CLUTTER. SAVE TREES.

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(GRAPHIC)

Annual Report
August 31, 2010

WELLS FARGO ADVANTAGE UTILITIES AND HIGH INCOME FUND
(FORMERLY EVERGREEN UTILITIES AND HIGH INCOME FUND)

THIS CLOSED-END FUND IS NO LONGER OFFERED AS AN INITIAL PUBLIC OFFERING AND IS ONLY OFFERED THROUGH BROKER/DEALERS ON THE SECONDARY MARKET. A closed-end fund is not required to buy its shares back from investors upon request.

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The views expressed are as of August 31, 2010. Any reference to a specific security in this report is not a recommendation to purchase or sell any specific security or adopt any investment strategy. The views are subject to change at any time in response to changing circumstances in the market and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally, or the WELLS FARGO ADVANTAGE UTILITIES AND HIGH INCOME FUND.

NOT FDIC INSURED - NO BANK GUARANTEE - MAY LOSE VALUE

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Letter to Shareholders

(PHOTO OF KARLA M. RABUSCH)
KARLA M. RABUSCH,
President
WELLS FARGO ADVANTAGE FUNDS

Dear Valued Shareholder,

We are pleased to provide you with this annual report for the WELLS FARGO ADVANTAGE UTILITIES AND HIGH INCOME FUND for the 12-month period that ended August 31, 2010.

ECONOMIC GROWTH TURNED POSITIVE AFTER SEVERE CONTRACTION.

Economic growth was solid throughout the period as the economy began to recover from the deepest recession since the 1930s. Gross Domestic Product (GDP) became positive in the third quarter of 2009, after contracting for four consecutive quarters--something not seen in at least 60 years. GDP growth was 3.7% and 2.4% in the first and second quarters of 2010, respectively. The consensus among economists was that the recession that began in December 2007 had likely ended during the summer of 2009; however, questions remained over the sustainability of the recovery.

Other economic data were mixed during the period, raising some concerns about the potential sustainability of the recovery. Retail sales were strong through April 2010 but then declined in May and June. New and existing home sales also weakened in the final months of the period as the government tax credit ended, renewing concerns about the ongoing fragility of the housing market. On the

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positive side, industrial production continued to see gains, inflation remained subdued, and interest rates remained at historically low levels.

THE FED CONTINUED TO FOCUS ON ECONOMIC STIMULUS.

Despite extensive quantitative easing measures by the Federal Reserve, bank lending remained constrained during the period. Throughout the period, the Federal Open Market Committee (FOMC) held the federal funds rate between 0% and 0.25%--which it first targeted in December 2008. The Fed did, however, begin to remove some of its unconventional stimulus measures. After concluding its purchases of longer-term Treasuries in October 2009, it also ended its program to invest in mortgage-backed securities in March 2010.

The FOMC's final statement during the period noted a continuation of the economic recovery and gradual improvement in the labor market. It also cited increases in both household and business spending. However, the committee noted that unemployment remained high and credit continued to be tight, reiterating that it was likely to keep the federal funds rate at exceptionally low levels for an extended period because of the continued substantial economic slack.

FINANCIAL MARKETS SAW A SHIFT IN SENTIMENT AS VOLATILITY SPIKED.

The equity markets saw a significant shift in sentiment during the period. The strong rally that began in March 2009 continued through April 2010, but growing concerns about the strength of global economic growth resulted in a rapid correction and an increase in volatility in May and June.

Despite the macroeconomic concerns, strong corporate earnings helped support the equity markets through the first two quarters of 2010. Approximately three-quarters of the companies in the S&P 500 Index exceeded analysts' estimates during both the first and second quarters of 2010. However, investor focus shifted

Wells Fargo Advantage Utilities and High Income Fund 3

Letter to Shareholders

from improving corporate fundamentals to macroeconomic concerns about sovereign debt, slowing economic growth in China, and fear of a potential double-dip U.S. recession.

Within the bond markets, many of the trends that characterized the equity markets applied to bonds. By the end of 2009, investors appeared to be less concerned with the risks of a possible deepening recession and instead were more focused on the potential for increasing interest rates. During the first six months of 2010, however, not only did short-term interest rates not rise, but Treasury yields essentially remained unchanged, or even fell. The result was perhaps the steepest yield curve on record--certainly steeper than at any point during 2009. In addition, demand for bonds that offered additional yield, albeit with more risk, helped drive performance of the securitized and credit markets, especially high yield. However, investor optimism was tempered by global credit fears and signals from the Fed suggesting that short-term interest rates would remain at their current historic lows until 2011.

INDIVIDUAL SECURITY SELECTION IS KEY TO MAXIMIZING VALUE AND DRIVING PERFORMANCE.

As always, the management team of the WELLS FARGO ADVANTAGE UTILITIES AND HIGH INCOME FUND remained focused on the pursuit of a high level of current income

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and moderate capital growth for investors. As the period progressed, the team began to selectively reduce more defensive names that were in the Fund earlier in the year, particularly in preferred stock. Within the high-yield sleeve, a modestly defensive posture was maintained within the Fund throughout most of the period, favoring investment-grade and higher-rated non-investment-grade bonds over lower-rated high-yield names. However, the Fund continued to own bank debt in some of the lower-quality names where the team felt the pricing was attractive and downside risk minimized. Regardless of the marketplace--equity or fixed-income--we feel individual security selection will be the primary driver of performance for the foreseeable future. Within the equity sleeve, the management team will focus on utility companies with either above-average dividend yields or the potential to increase dividends. With the bond allocation, higher-quality, fundamentally sound credits will remain the focus, in an attempt to minimize downside risk and maximize upside potential at a good valuation.

DON'T LET SHORT-TERM VOLATILITY DERAIL LONG-TERM INVESTMENT GOALS.

The period saw renewed volatility within both the equity and fixed-income markets. We believe, however, that the significant rebound that began in March 2009 underscores the importance of maintaining a focus on long-term investment goals through periods of volatility, so as not to miss potential periods of strong recovery. Although periods of volatility can present challenges, experience has taught us that maintaining a long-term investment strategy based on individual goals and risk tolerance can be an effective way to plan for the future.

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Letter to Shareholders

Thank you for choosing WELLS FARGO ADVANTAGE FUNDS. We appreciate your confidence in us. Through each market cycle, we are committed to helping you meet your financial needs. Please visit us at www.wellsfargo.com/advantagefunds for more information about our funds and other investment products available to you. Thank you for your continued support of WELLS FARGO ADVANTAGE FUNDS.

Sincerely,

/s/ Karla M. Rabusch

Karla M. Rabusch
President
WELLS FARGO ADVANTAGE FUNDS

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Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | INTEREST RATE | MATURITY DATE | VAL |
|-----------|---------------|---------------|---------------|-----|
|-----------|---------------|---------------|---------------|-----|

CORPORATE BONDS & NOTES: 31.33%

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CONSUMER DISCRETIONARY: 5.30%

AUTO COMPONENTS: 0.60%

| | | | | | |
|------------|--------------------------------|-------|------------|----|---|
| \$ 215,000 | COOPER TIRE & RUBBER COMPANY | 7.63% | 03/15/2027 | \$ | 1 |
| 55,000 | GOODYEAR TIRE & RUBBER COMPANY | 9.00 | 07/01/2015 | | 3 |
| 335,000 | GOODYEAR TIRE & RUBBER COMPANY | 10.50 | 05/15/2016 | | 6 |

AUTOMOBILES: 0.24%

| | | | | | |
|---------|---------------------------|-------|------------|--|---|
| 235,000 | FORD MOTOR CREDIT COMPANY | 9.875 | 08/10/2011 | | 2 |
|---------|---------------------------|-------|------------|--|---|

DIVERSIFIED CONSUMER SERVICES: 0.96%

| | | | | | |
|---------|-----------------------------------|-------|------------|--|---|
| 185,000 | CARRIAGE SERVICES INCORPORATED | 7.875 | 01/15/2015 | | 1 |
| 40,000 | SERVICE CORPORATION INTERNATIONAL | 8.00 | 11/15/2021 | | |
| 465,000 | SERVICE CORPORATION INTERNATIONAL | 7.50 | 04/01/2027 | | 4 |
| 325,000 | STONEMOR PARTNERS LP++ | 10.25 | 12/01/2017 | | 3 |

HOTELS, RESTAURANTS & LEISURE: 0.54%

| | | | | | |
|---------|---|--------|------------|--|---|
| 75,000 | AMERISTAR CASINOS INCORPORATED | 9.25 | 06/01/2014 | | |
| 15,000 | BOYD GAMING CORPORATION | 7.75 | 12/15/2012 | | |
| 125,000 | GREEKTOWN SUPERHOLDINGS++ | 13.00 | 07/01/2015 | | 1 |
| 110,000 | INN OF THE MOUNTAIN GODS RESORT & CASINO(i)#### | 12.00 | 11/15/2049 | | |
| 7,000 | POKAGON GAMING AUTHORITY++ | 10.375 | 06/15/2014 | | |
| 60,000 | SCIENTIFIC GAMES CORPORATION | 9.25 | 06/15/2019 | | |
| 15,000 | SENECA GAMING CORPORATION | 7.25 | 05/01/2012 | | |
| 90,000 | SHINGLE SPRINGS TRIBAL GAMING AUTHORITY++ | 9.375 | 06/15/2015 | | |
| 120,000 | SPEEDWAY MOTORSPORTS INCORPORATED | 8.75 | 06/01/2016 | | 1 |

HOUSEHOLD DURABLES: 0.01%

| | | | | | |
|-------|---------------------|--------|------------|--|--|
| 5,000 | LENNAR CORPORATION | 12.25 | 06/01/2017 | | |
| 9,000 | SEALY CORPORATION++ | 10.875 | 04/15/2016 | | |

INTERNET & CATALOG RETAIL: 0.08%

| | | | | | |
|--------|----------------------------|-------|------------|--|--|
| 75,000 | TICKETMASTER ENTERTAINMENT | 10.75 | 08/01/2016 | | |
|--------|----------------------------|-------|------------|--|--|

MEDIA: 2.17%

| | | | | | |
|---------|--|--------|------------|--|-----|
| 145,000 | CABLEVISION SYSTEM CORPORATION++ | 8.625 | 09/15/2017 | | 1 |
| 880,000 | CCH II CAPITAL CORPORATION | 13.50 | 11/30/2016 | | 1,0 |
| 90,000 | CHARTER COMMUNICATIONS, INCORPORATED STEP BOND@@++ | 8.00 | 04/30/2012 | | |
| 595,000 | CHARTER COMMUNICATIONS, INCORPORATED STEP BOND@@++ | 10.875 | 09/15/2014 | | 6 |
| 115,000 | DISH DBS CORPORATION | 7.875 | 09/01/2019 | | 1 |
| 50,000 | LIN TELEVISION CORPORATION++ | 8.375 | 04/15/2018 | | |
| 100,000 | SALEM COMMUNICATIONS CORPORATION | 9.625 | 12/15/2016 | | 1 |

SPECIALTY RETAIL: 0.35%

| | | | | | |
|---------|------------------------------------|------|------------|--|---|
| 365,000 | AMERICAN ACHIEVEMENT CORPORATION++ | 8.25 | 04/01/2012 | | 3 |
|---------|------------------------------------|------|------------|--|---|

TEXTILES, APPAREL & LUXURY GOODS: 0.35%

| | | | | | |
|---------|--------------------------------|--------|------------|--|---|
| 200,000 | OXFORD INDUSTRIES INCORPORATED | 11.375 | 07/15/2015 | | 2 |
| 135,000 | VISANT CORPORATION | 7.625 | 10/01/2012 | | 1 |

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Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | INTEREST RATE | MATURITY DATE | VAL |
|------------------------------------|--|---------------|---------------|------|
| CONSUMER STAPLES: 0.32% | | | | |
| FOOD PRODUCTS: 0.32% | | | | |
| \$ 181,000 | DOLE FOOD COMPANY INCORPORATED | 13.875% | 03/15/2014 | \$ 2 |
| 115,000 | SMITHFIELD FOODS INCORPORATED | 7.00 | 08/01/2011 | 1 |
| | | | | 3 |
| ENERGY: 4.76% | | | | |
| ENERGY EQUIPMENT & SERVICES: 1.45% | | | | |
| 110,000 | BRISTOW GROUP INCORPORATED | 7.50 | 09/15/2017 | 1 |
| 190,000 | FORBES ENERGY SERVICES LIMITED | 11.00 | 02/15/2015 | 1 |
| 225,000 | GULFMARK OFFSHORE INCORPORATED | 7.75 | 07/15/2014 | 2 |
| 170,000 | HERCULES OFFSHORE INCORPORATED++ | 10.50 | 10/15/2017 | 1 |
| 260,000 | HORNBECK OFFSHORE SERVICES INCORPORATED SERIES B | 6.125 | 12/01/2014 | 2 |
| 230,000 | HORNBECK OFFSHORE SERVICES INCORPORATED SERIES B | 8.00 | 09/01/2017 | 2 |
| 10,000 | OFFSHORE LOGISTICS INCORPORATED | 6.125 | 06/15/2013 | |
| 370,000 | PHI INCORPORATED | 7.125 | 04/15/2013 | 3 |
| 10,000 | PRIDE INTERNATIONAL INCORPORATED | 8.50 | 06/15/2019 | |
| | | | | 1,4 |
| OIL, GAS & CONSUMABLE FUELS: 3.31% | | | | |
| 50,000 | ALON REFINING KROTZ SPRINGS INCORPORATED | 13.50 | 10/15/2014 | |
| 65,000 | ATLAS ENERGY RESOURCES LLC | 12.125 | 08/01/2017 | |
| 255,000 | CHESAPEAKE ENERGY CORPORATION | 9.50 | 02/15/2015 | 2 |
| 50,000 | COFFEYVILLE RESOURCES++ | 10.88 | 04/01/2017 | |
| 20,000 | CONNACHER OIL & GAS LIMITED++ | 11.75 | 07/15/2014 | |
| 55,000 | CONNACHER OIL & GAS LIMITED++ | 10.25 | 12/15/2015 | |
| 165,000 | CONSOL ENERGY INCORPORATED++ | 8.25 | 04/01/2020 | 1 |
| 45,000 | EL PASO CORPORATION | 12.00 | 12/12/2013 | |
| 50,000 | EL PASO CORPORATION | 7.80 | 08/01/2031 | |
| 90,000 | EL PASO CORPORATION | 7.42 | 02/15/2037 | |
| 65,000 | FOREST OIL CORPORATION | 8.50 | 02/15/2014 | |
| 95,000 | FOREST OIL CORPORATION | 7.25 | 06/15/2019 | |
| 220,000 | HOLLY CORPORATION | 9.875 | 06/15/2017 | 2 |
| 55,000 | NEWFIELD EXPLORATION COMPANY | 6.875 | 02/01/2020 | |
| 60,000 | OPTI CANADA INCORPORATED | 7.875 | 12/15/2014 | |
| 390,000 | PEABODY ENERGY CORPORATION | 7.875 | 11/01/2026 | 4 |
| 10,000 | PENN VIRGINIA CORPORATION | 10.375 | 06/15/2016 | |
| 60,000 | PETROHAWK ENERGY CORPORATION | 10.50 | 08/01/2014 | |
| 95,000 | PETROHAWK ENERGY CORPORATION | 7.875 | 06/01/2015 | |
| 145,000 | PIONEER NATURAL RESOURCE COMPANY | 7.50 | 01/15/2020 | 1 |
| 325,000 | PLAINS EXPLORATION & PRODUCTION COMPANY | 8.625 | 10/15/2019 | 3 |
| 250,000 | SABINE PASS LNG LP | 7.25 | 11/30/2013 | 2 |
| 290,000 | SANDRIDGE ENERGY INCORPORATED++ | 8.75 | 01/15/2020 | 2 |
| 60,000 | SOUTHWESTERN ENERGY COMPANY++ | 7.50 | 02/01/2018 | |
| 55,000 | STALLION OILFIELD HOLDINGS INCORPORATED++ | 10.50 | 02/15/2015 | |
| 125,000 | TESORO CORPORATION | 7.50 | 07/17/2012 | 1 |
| 70,000 | TESORO CORPORATION | 6.50 | 06/01/2017 | |
| 110,000 | TESORO CORPORATION | 9.75 | 06/01/2019 | 1 |
| | | | | 3,4 |
| FINANCIALS: 6.87% | | | | |
| CAPITAL MARKETS: 0.14% | | | | |
| 68,000 | E*TRADE FINANCIAL CORPORATION | 12.50 | 11/30/2017 | |
| 70,000 | PENSON WORLDWIDE INCORPORATED++ | 12.50 | 05/15/2017 | |

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Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | INTEREST RATE | MATURITY DATE | VAL |
|---------------------------------------|--|---------------|---------------|------|
| COMMERCIAL BANKS: 0.44% | | | | |
| \$ 215,000 | CAPITALSOURCE INCORPORATED++ | 12.75% | 07/15/2014 | \$ 2 |
| 200,000 | PROVIDENT FUNDING ASSOCIATION++ | 10.25 | 04/15/2017 | 2 |
| CONSUMER FINANCE: 3.19% | | | | |
| 75,000 | CALPINE CONSTRUCTION FINANCE CORPORATION++ | 8.00 | 06/01/2016 | |
| 125,000 | CALPINE CONSTRUCTION FINANCE CORPORATION++ | 7.25 | 10/15/2017 | 1 |
| 130,000 | CLEARWIRE COMMUNICATIONS FINANCE CORPORATION++ | 12.00 | 12/01/2015 | 1 |
| 6,000 | GMAC LLC | 6.875 | 09/15/2011 | |
| 146,000 | GMAC LLC | 6.875 | 08/28/2012 | 1 |
| 36,000 | GMAC LLC++ | 6.75 | 12/01/2014 | |
| 101,000 | GMAC LLC | 8.00 | 12/31/2018 | |
| 130,000 | GMAC LLC++ | 8.00 | 03/15/2020 | 1 |
| 310,000 | GMAC LLC++ | 8.00 | 11/01/2031 | 3 |
| 146,351 | HOMER CITY FUNDING LLC | 8.725 | 10/01/2026 | 1 |
| 75,000 | INTERNATIONAL LEASE FINANCE CORPORATION++ | 8.625 | 09/15/2015 | |
| 140,000 | INTERNATIONAL LEASE FINANCE CORPORATION | 4.75 | 01/13/2012 | 1 |
| 275,000 | INTERNATIONAL LEASE FINANCE CORPORATION | 5.30 | 05/01/2012 | 2 |
| 50,000 | INTERNATIONAL LEASE FINANCE CORPORATION SERIES MTN | 5.75 | 06/15/2011 | |
| 420,000 | JBS USA FINANCE INCORPORATED | 11.625 | 05/01/2014 | 4 |
| 75,000 | LBI ESCROW CORPORATION++ | 8.00 | 11/01/2017 | |
| 285,000 | SPRINT CAPITAL CORPORATION | 8.375 | 03/15/2012 | 3 |
| 120,000 | SPRINT CAPITAL CORPORATION | 6.90 | 05/01/2019 | 1 |
| 725,000 | SPRINT CAPITAL CORPORATION | 6.875 | 11/15/2028 | 6 |
| DIVERSIFIED FINANCIAL SERVICES: 2.24% | | | | |
| 825,000 | ALLY FINANCIAL INCORPORATED++ | 8.30 | 02/12/2015 | 8 |
| 1,025,000 | CITIGROUP INCORPORATED | 7.00 | 05/01/2013 | 1,0 |
| 90,000 | FMG FINANCE PROPERTY LIMITED++ | 10.625 | 09/01/2016 | 1 |
| 313,000 | LEUCADIA NATIONAL CORPORATION | 8.13 | 09/15/2015 | 3 |
| REAL ESTATE INVESTMENT TRUSTS: 0.86% | | | | |
| 565,000 | DUPONT FABROS TECHNOLOGY INCORPORATED | 8.50 | 12/15/2017 | 5 |
| 30,000 | HOST MARRIOTT CORPORATION | 9.00 | 05/15/2017 | |
| 160,000 | OMEGA HEALTHCARE INVESTORS INCORPORATED | 7.00 | 04/01/2014 | 1 |
| 90,000 | VENTAS INCORPORATED | 9.00 | 05/01/2012 | 8 |
| HEALTH CARE: 0.99% | | | | |
| BIOTECHNOLOGY: 0.06% | | | | |
| 55,000 | TALECRIS BIOTHERAPEUTICS HOLDINGS CORPORATION | 7.75 | 11/15/2016 | |

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| | | | |
|---|--------------------------|--------|------------|
| HEALTH CARE EQUIPMENT & SUPPLIES: 0.06% | | | |
| 60,000 | BIOMET INCORPORATED | 10.375 | 10/15/2017 |
| HEALTH CARE PROVIDERS & SERVICES: 0.75% | | | |
| 120,000 | APRIA HEALTHCARE GROUP++ | 11.25 | 11/01/2014 |
| 400,000 | HCA INCORPORATED | 9.25 | 11/15/2016 |
| 129,000 | HCA INCORPORATED | 9.625 | 11/15/2016 |
| 75,000 | OMNICARE INCORPORATED | 6.875 | 12/15/2015 |

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Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | INTEREST RATE | MATURITY DATE | VAL |
|---------------------------------------|--|---------------|---------------|------|
| LIFE SCIENCES TOOLS & SERVICES: 0.10% | | | | |
| \$ 95,000 | BIO-RAD LABORATORIES INCORPORATED | 8.00% | 09/15/2016 | \$ 1 |
| PHARMACEUTICALS: 0.02% | | | | |
| 25,000 | MYLAN INCORPORATED++ | 7.625 | 07/15/2017 | |
| INDUSTRIALS: 2.69% | | | | |
| AEROSPACE & DEFENSE: 1.20% | | | | |
| 225,000 | ALLIANT TECHSYSTEMS INCORPORATED | 6.75 | 04/01/2016 | 2 |
| 55,000 | GEOEYE INCORPORATED++ | 9.625 | 10/01/2015 | |
| 160,000 | HEXCEL CORPORATION | 6.75 | 02/01/2015 | 1 |
| 130,000 | KRATOS DEFENSE & SECURITY++ | 10.00 | 06/01/2017 | 1 |
| 216,000 | L-3 COMMUNICATIONS HOLDINGS INCORPORATED | 5.875 | 01/15/2015 | 2 |
| 360,000 | L-3 COMMUNICATIONS HOLDINGS INCORPORATED | 6.375 | 10/15/2015 | 3 |
| 70,000 | WYLE SERVICES CORPORATION++ | 10.50 | 04/01/2018 | 1,2 |
| COMMERCIAL SERVICES & SUPPLIES: 0.84% | | | | |
| 220,000 | CASELLA WASTE SYSTEMS INCORPORATED | 11.00 | 07/15/2014 | 2 |
| 60,000 | CORRECTIONS CORPORATION OF AMERICA | 6.25 | 03/15/2013 | |
| 70,000 | CORRECTIONS CORPORATION OF AMERICA | 7.75 | 06/01/2017 | |
| 50,000 | DIGITALGLOBE INCORPORATED | 10.50 | 05/01/2014 | |
| 100,000 | GEO GROUP INCORPORATED | 7.75 | 10/15/2017 | 1 |
| 5,000 | INTERFACE INCORPORATED | 11.375 | 11/01/2013 | |
| 155,000 | IRON MOUNTAIN INCORPORATED | 8.375 | 08/15/2021 | 1 |
| 155,000 | SGS INTERNATIONAL INCORPORATED | 12.00 | 12/15/2013 | 1 |
| INDUSTRIAL CONGLOMERATES: 0.22% | | | | |
| 215,000 | OTTER TAIL CORPORATION | 9.00 | 12/15/2016 | 2 |
| MACHINERY: 0.39% | | | | |
| 55,000 | CLEAVER-BROOKS INCORPORATED++ | 12.25 | 05/01/2016 | |
| 181,050 | COMMERCIAL VEHICLE GROUP INCORPORATED++ | 13.00 | 02/15/2013 | 1 |
| 150,000 | CPM HOLDINGS INCORPORATED++ | 10.63 | 09/01/2014 | 1 |

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| | | | | |
|---|---|-------|------------|---|
| ROAD & RAIL: 0.05% | | | | |
| 50,000 | RAILAMERICA INCORPORATED | 9.25 | 07/01/2017 | |
| INFORMATION TECHNOLOGY: 1.76% | | | | |
| COMMUNICATIONS EQUIPMENT: 0.24% | | | | |
| 155,000 | LUCENT TECHNOLOGIES INCORPORATED | 6.45 | 03/15/2029 | 1 |
| 160,000 | LUCENT TECHNOLOGIES INCORPORATED SERIES B | 2.75 | 06/15/2025 | 2 |
| ELECTRONIC EQUIPMENT & INSTRUMENTS: 1.04% | | | | |
| 105,000 | INTCOMEX INCORPORATED++ | 13.25 | 12/15/2014 | 1 |
| 620,000 | JABIL CIRCUIT INCORPORATED | 8.25 | 03/15/2018 | 6 |
| 160,000 | KEMET CORPORATION++ | 10.50 | 05/01/2018 | 1 |
| 115,000 | VIASYSTEM GROUP INCORPORATED++ | 12.00 | 01/15/2015 | 1 |
| INTERNET SOFTWARE & SERVICES: 0.26% | | | | |
| 95,000 | EQUINIX INCORPORATED | 8.125 | 03/01/2018 | |
| 150,000 | TERREMARK WORLDWIDE INCORPORATED | 12.00 | 06/15/2017 | 1 |

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Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | INTEREST RATE | MATURITY DATE | VAL |
|-------------------------------|---------------------------------------|---------------|---------------|-----|
| IT SERVICES: 0.22% | | | | |
| \$ 75,000 | SUNGARD DATA SYSTEMS INCORPORATED | 10.25% | 08/15/2015 | \$ |
| 70,000 | UNISYS CORPORATION++ | 12.75 | 10/15/2014 | |
| 55,000 | UNISYS CORPORATION++ | 14.25 | 09/15/2015 | 2 |
| MATERIALS: 1.83% | | | | |
| CHEMICALS: 0.46% | | | | |
| 140,000 | HUNTSMAN INTERNATIONAL LLC++ | 5.50 | 06/30/2016 | 1 |
| 240,241 | LYONDELL CHEMICAL COMPANY | 11.00 | 05/01/2018 | 2 |
| 15,000 | NOVA CHEMICALS CORPORATION | 8.375 | 11/01/2016 | |
| 15,000 | NOVA CHEMICALS CORPORATION | 8.625 | 11/01/2019 | |
| 50,000 | SOLUTIA INCORPORATED | 7.875 | 03/15/2020 | 4 |
| CONSTRUCTION MATERIALS: 0.35% | | | | |
| 40,000 | CPG INTERNATIONAL INCORPORATED | 7.50 | 07/01/2012 | |
| 140,000 | CPG INTERNATIONAL INCORPORATED | 10.50 | 07/01/2013 | 1 |
| 170,000 | HEADWATERS INCORPORATED | 11.38 | 11/01/2014 | 1 |
| CONTAINERS & PACKAGING: 0.32% | | | | |
| 280,000 | EXOPACK HOLDING CORPORATION | 11.25 | 02/01/2014 | 2 |
| 50,000 | GRAHAM PACKAGING COMPANY INCORPORATED | 9.88 | 10/15/2014 | 3 |

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| METALS & MINING: 0.42% | | | | |
|---|--|--------|------------|----------|
| 105,000 | CALIFORNIA STEEL INDUSTRIES INCORPORATED | 6.13 | 03/15/2014 | 1 |
| 295,000 | FREEMPORT-MCMORAN COPPER & GOLD INCORPORATED | 8.375 | 04/01/2017 | 3 4 |
| PAPER & FOREST PRODUCTS: 0.28% | | | | |
| 70,000 | CLEARWATER PAPER CORPORATION++ | 10.625 | 06/15/2016 | |
| 75,000 | GEORGIA-PACIFIC CORPORATION++ | 7.00 | 01/15/2015 | |
| 125,000 | GEORGIA-PACIFIC CORPORATION | 8.875 | 05/15/2031 | 1 2 |
| TELECOMMUNICATION SERVICES: 3.85% | | | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES: 2.92% | | | | |
| 185,000 | CINCINNATI BELL INCORPORATED | 8.25 | 10/15/2017 | 1 |
| 475,000 | CITIZENS COMMUNICATIONS COMPANY | 7.875 | 01/15/2027 | 4 |
| 140,000 | FRONTIER COMMUNICATIONS CORPORATION | 8.25 | 05/01/2014 | 1 |
| 220,000 | FRONTIER COMMUNICATIONS CORPORATION | 8.25 | 04/15/2017 | 2 |
| 260,000 | FRONTIER COMMUNICATIONS CORPORATION | 8.13 | 10/01/2018 | 2 |
| 215,000 | FRONTIER COMMUNICATIONS CORPORATION | 8.50 | 04/15/2020 | 2 |
| 340,000 | FRONTIER COMMUNICATIONS CORPORATION | 8.75 | 04/15/2022 | 3 |
| 5,000 | GLOBAL CROSSING LIMITED++ | 12.00 | 09/15/2015 | |
| 350,000 | QWEST CORPORATION | 8.875 | 03/15/2012 | 3 |
| 20,000 | QWEST CORPORATION | 7.63 | 08/03/2021 | |
| 180,000 | QWEST CORPORATION | 7.50 | 06/15/2023 | 1 |
| 25,000 | QWEST CORPORATION | 6.875 | 07/15/2028 | |
| 125,000 | U.S. WEST COMMUNICATIONS INCORPORATED | 7.25 | 09/15/2025 | 1 |
| 120,000 | U.S. WEST COMMUNICATIONS INCORPORATED | 7.125 | 11/15/2043 | 1 |
| 265,000 | WINDSTREAM CORPORATION | 7.875 | 11/01/2017 | 2 3,0 |

10 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | INTEREST RATE | MATURITY DATE | VAL |
|--|--|---------------|---------------|--------|
| WIRELESS TELECOMMUNICATION SERVICES: 0.93% | | | | |
| \$ 70,000 | CRICKET COMMUNICATIONS INCORPORATED | 9.375% | 11/01/2014 | \$ |
| 10,000 | CROWN CASTLE INTERNATIONAL CORPORATION | 7.125 | 11/01/2019 | |
| 165,000 | METROPCS COMMUNICATIONS INCORPORATED | 9.25 | 11/01/2014 | 1 |
| 475,000 | SPRINT NEXTEL CORPORATION SERIES D | 7.375 | 08/01/2015 | 4 |
| 240,000 | SPRINT NEXTEL CORPORATION SERIES F | 5.95 | 03/15/2014 | 2 9 |
| UTILITIES: 2.96% | | | | |
| ELECTRIC UTILITIES: 2.07% | | | | |
| 794,000 | AQUILA INCORPORATED STEP BOND@@ | 11.875 | 07/01/2012 | 9 |
| 110,000 | EDISON MISSION ENERGY | 7.20 | 05/15/2019 | |
| 44,105 | ENERGY FUTURE HOLDINGS CORPORATION | 12.00 | 11/01/2017 | |
| 105,000 | ENERGY FUTURE HOLDINGS CORPORATION FRN | 10.00 | 12/01/2020 | 1 |
| 438,432 | MIRANT MID-ATLANTIC LLC SERIES C | 10.06 | 12/30/2028 | 4 |
| 260,000 | MIRANT NORTH AMERICA LLC | 7.375 | 12/31/2013 | 2 |

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| | | | | |
|---|--|-------|------------|-----|
| 75,000 | NRG ENERGY INCORPORATED | 7.375 | 01/15/2017 | |
| 185,000 | NRG ENERGY INCORPORATED | 8.50 | 06/15/2019 | 1 |
| 15,000 | PUBLIC SERVICE COMPANY OF NEW MEXICO | 7.95 | 05/15/2018 | 2,1 |
| ----- | | | | |
| INDEPENDENT POWER PRODUCERS & ENERGY TRADERS: 0.89% | | | | |
| 95,000 | AES CORPORATION | 8.875 | 02/15/2011 | |
| 190,000 | DYNEGY HOLDINGS INCORPORATED | 7.63 | 10/15/2026 | 1 |
| 120,000 | DYNEGY HOLDINGS INCORPORATED | 6.875 | 04/01/2011 | 1 |
| 108,798 | RELIANT ENERGY INCORPORATED | 9.24 | 07/02/2017 | 1 |
| 10,000 | RELIANT ENERGY INCORPORATED | 9.68 | 07/02/2026 | |
| 50,000 | RRI ENERGY INCORPORATED | 7.63 | 06/15/2014 | |
| 391,000 | RRI ENERGY INCORPORATED | 6.75 | 12/15/2014 | 3 |
| 30,000 | RRI ENERGY INCORPORATED | 7.875 | 06/15/2017 | 9 |
| ----- | | | | |
| TOTAL CORPORATE BONDS & NOTES (COST \$30,618,896) | | | | |
| ----- | | | | |
| YANKEE OBLIGATIONS - CORPORATE: 1.79% | | | | |
| ENERGY: 0.18% | | | | |
| OIL GAS & CONSUMABLE FUELS: 0.18% | | | | |
| 321,000 | GRIFFIN COAL MINING COMPANY LIMITED##### | 9.50 | 12/01/2016 | 1 |
| ----- | | | | |
| FINANCIALS: 0.22% | | | | |
| CONSUMER FINANCE: 0.12% | | | | |
| 110,000 | WIND ACQUISITION FINANCE SA++ | 11.75 | 07/15/2017 | 1 |
| ----- | | | | |
| DIVERSIFIED FINANCIAL SERVICES: 0.10% | | | | |
| 105,000 | SHIP FINANCE INTERNATIONAL LIMITED | 8.50 | 12/15/2013 | 1 |
| ----- | | | | |
| INDUSTRIALS: 0.80% | | | | |
| ROAD & RAIL: 0.80% | | | | |
| 725,000 | KANSAS CITY SOUTHERN DE MEXICO | 7.375 | 06/01/2014 | 7 |
| 65,000 | KANSAS CITY SOUTHERN DE MEXICO | 12.50 | 04/01/2016 | 8 |
| ----- | | | | |

Wells Fargo Advantage Utilities and High Income Fund 11

Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | INTEREST RATE | MATURITY DATE | VAL |
|--|------------------------|---------------|---------------|-----|
| ----- | | | | |
| MATERIALS: 0.20% | | | | |
| METALS & MINING: 0.07% | | | | |
| \$ 55,000 | TECK RESOURCES LIMITED | 10.75% | 05/15/2019 | \$ |
| ----- | | | | |
| PAPER & FOREST PRODUCTS: 0.13% | | | | |
| 55,000 | SAPPI LIMITED++ | 6.75 | 06/15/2012 | |
| 100,000 | SAPPI LIMITED++ | 7.50 | 06/15/2032 | |
| ----- | | | | |
| TELECOMMUNICATION SERVICES: 0.39% | | | | |
| WIRELESS TELECOMMUNICATION SERVICES: 0.39% | | | | |

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| | | | | |
|---|-------------------------------|-------|------------|-----|
| 20,000 | DIGICEL GROUP LIMITED++ | 12.00 | 04/01/2014 | |
| 375,000 | INTELSAT LIMITED | 8.50 | 01/15/2013 | 3 |
| | | | | 4 |
| TOTAL YANKEE OBLIGATIONS - CORPORATE (COST \$1,764,867) | | | | 1,8 |
| ----- | | | | |
| SHARES | | | | |
| ----- | | | | |
| COMMON STOCKS: 71.06% | | | | |
| CONSUMER DISCRETIONARY: 0.83% | | | | |
| MEDIA: 0.83% | | | | |
| 50,000 | COMCAST CORPORATION CLASS A | | | 8 |
| ----- | | | | |
| ENERGY: 3.92% | | | | |
| OIL, GAS & CONSUMABLE FUELS: 3.92% | | | | |
| 25,000 | EL PASO CORPORATION | | | 2 |
| 25,000 | SOUTHWESTERN ENERGY COMPANY+ | | | 8 |
| 100,000 | SPECTRA ENERGY CORPORATION | | | 2,0 |
| 50,000 | WILLIAMS COMPANIES | | | 9 |
| | | | | 4,0 |
| ----- | | | | |
| FINANCIALS: 3.92% | | | | |
| CONSUMER FINANCE: 3.92% | | | | |
| 10,000 | MASTERCARD INCORPORATED | | | 1,9 |
| 30,000 | VISA INCORPORATED CLASS A | | | 2,0 |
| | | | | 4,0 |
| ----- | | | | |
| INDUSTRIALS: 0.11% | | | | |
| CONSTRUCTION & ENGINEERING: 0.11% | | | | |
| 9,000 | AMERESCO INCORPORATED CLASS A | | | 1 |
| ----- | | | | |
| INFORMATION TECHNOLOGY: 0.15% | | | | |
| IT SERVICES: 0.15% | | | | |
| 15,000 | CONVERGYS CORPORATION | | | 1 |
| ----- | | | | |
| MATERIALS: 0.07% | | | | |
| CHEMICALS: 0.07% | | | | |
| 1,997 | LYONDELLBASELL CLASS A+ | | | |
| 1,829 | LYONDELLBASELL CLASS B+ | | | |
| ----- | | | | |

12 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments--August 31, 2010

| SHARES | SECURITY NAME | | VAL |
|---|--|----|-------|
| ----- | ----- | | ----- |
| TELECOMMUNICATION SERVICES: 8.84% | | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES: 8.44% | | | |
| 16,000 | BCE INCORPORATED | \$ | 4 |
| 215,000 | FRANCE TELECOM SA | | 4,3 |
| 53,000 | SHENANDOAH TELECOMMUNICATIONS COMPANY(i) | | 8 |
| 100,034 | TELE2 AB SERIES B | | 1,7 |
| 100,000 | WINDSTREAM CORPORATION | | 1,1 |

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| | | |
|--|--|------|
| | | 8,7 |
| ----- | | |
| WIRELESS TELECOMMUNICATION SERVICES: 0.40% | | |
| 12,000 | VIVO PARTICIPACOES SA ADR | 2 |
| 5,000 | VODAFONE GROUP PLC ADR | 1 |
| | | 4 |
| ----- | | |
| UTILITIES: 53.05% | | |
| ELECTRIC UTILITIES: 31.51% | | |
| 600 | AMERICAN ELECTRIC POWER COMPANY INCORPORATED | |
| 30,000 | CENTERPOINT ENERGY INCORPORATED | 4 |
| 500 | CH ENERGY GROUP INCORPORATED | |
| 5,000 | CHESAPEAKE MIDSTREAM PARTNER LP | 1 |
| 200 | CHESAPEAKE UTILITIES CORPORATION | |
| 10,000 | CHINA HYDROELECTRIC COMPANY ADS+ | |
| 75,000 | DPL INCORPORATED | 1,8 |
| 500 | DUKE ENERGY CORPORATION | |
| 2,000 | EDISON INTERNATIONAL | |
| 450,000 | ENEL SPA | 2,1 |
| 1,000 | ENTERGY CORPORATION | |
| 70,000 | EXELON CORPORATION | 2,8 |
| 25,000 | FIRSTENERGY CORPORATION | 9 |
| 75,000 | FORTUM OYJ | 1,7 |
| 150,000 | GREAT PLAINS ENERGY INCORPORATED | 2,7 |
| 100,000 | HAWAIIAN ELECTRIC INDUSTRIES INCORPORATED | 2,4 |
| 475,000 | HERA SPA | 8 |
| 36,000 | ITC HOLDINGS CORPORATION | 2,0 |
| 20,000 | NEXTERA ENERGY INCORPORATED | 1,0 |
| 150,000 | NORTHEAST UTILITIES | 4,3 |
| 1,000 | NSTAR | |
| 100 | PEPCO HOLDINGS INCORPORATED | |
| 75,000 | PORTLAND GENERAL ELECTRIC COMPANY | 1,4 |
| 400 | PROGRESS ENERGY INCORPORATED | |
| 20,000 | RED ELECTRICA DE ESPANA | 8 |
| 190,000 | SCOTTISH & SOUTHERN ENERGY PLC | 3,3 |
| 200 | SOUTH JERSEY INDUSTRIES INCORPORATED | |
| 175,000 | TERNA SPA | 7 |
| 60,000 | THE SOUTHERN COMPANY | 2,2 |
| | | 32,5 |
| ----- | | |
| GAS UTILITIES: 7.76% | | |
| 16,900 | EQT CORPORATION | 6 |
| 500 | MDU RESOURCES GROUP INCORPORATED | |
| 50,000 | NATIONAL FUEL GAS COMPANY | 2,1 |
| 200 | NEW JERSEY RESOURCES | |
| 100,000 | NISKA GAS STORAGE PARTNERS+ | 1,8 |
| 48,500 | ONEOK INCORPORATED | 3,3 |
| | | 8,0 |
| ----- | | |

Wells Fargo Advantage Utilities and High Income Fund 13

Portfolio of Investments--August 31, 2010

| | | |
|--------|---------------|-----|
| SHARES | SECURITY NAME | VAL |
| ----- | | |

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| | | | | |
|---|---|---------------|---------------|--------|
| INDEPENDENT POWER PRODUCERS & ENERGY TRADERS: 2.84% | | | | |
| 100,000 | CONSTELLATION ENERGY GROUP INCORPORATED | | | \$ 2,9 |
| ----- | | | | |
| MULTI-UTILITIES: 4.19% | | | | |
| 300 | DOMINION RESOURCES INCORPORATED | | | 2,1 |
| 250,000 | NATIONAL GRID PLC | | | 1,5 |
| 1,000 | PG&E CORPORATION | | | 4 |
| 50,000 | PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED | | | 4,3 |
| 30,000 | SUEZ ENVIRONNEMENT SA | | | |
| 1,500 | WISCONSIN ENERGY CORPORATION | | | |
| ----- | | | | |
| WATER UTILITIES: 6.92% | | | | |
| 50,000 | AMERICAN WATER WORKS COMPANY | | | 1,1 |
| 25,000 | MIDDLESEX WATER COMPANY | | | 4 |
| 130,000 | PENNICHUCK CORPORATION(i) | | | 2,9 |
| 300,000 | PENNON GROUP PLC | | | 2,6 |
| ----- | | | | |
| TOTAL COMMON STOCKS (COST \$70,732,111) | | | | 73,3 |
| ----- | | | | |
| PREFERRED STOCKS: 10.34% | | | | |
| UTILITIES: 10.34% | | | YIELD | |
| ----- | | | | |
| ELECTRIC UTILITIES: 10.34% | | | | |
| 50,000 | GREAT PLAINS ENERGY INCORPORATED | 4.62% | | 3,1 |
| 100,000 | INTERSTATE POWER & LIGHT COMPANY | 3.87 | | 2,8 |
| 165,000 | SCANA CORPORATION | 3.21 | | 4,6 |
| TOTAL PREFERRED STOCKS (COST \$10,183,545) | | | | 10,6 |
| ----- | | | | |
| WARRANTS: 0.00% | | | | |
| ELECTRIC UTILITIES: 0.00% | | | | |
| 10,000 | CHINA HYDROELECTRIC COMPANY ADS+ | | 01/25/2014 | |
| TOTAL WARRANTS (COST \$12,000) | | | | |
| ----- | | | | |
| CLOSED END MUTUAL FUND SHARES: 0.16% | | | | |
| 9,640 | DREYFUS HIGH YIELD STRATEGIES FUND INCORPORATED | | | |
| 1,739 | EATON VANCE LIMITED DURATION INCOME TRUST | | | |
| 1,677 | LMP CORPORATE LOAN FUND INCORPORATED | | | |
| 7,858 | NEW AMERICA HIGH INCOME FUND INCORPORATED | | | |
| TOTAL CLOSED END MUTUAL FUND SHARES (COST \$84,845) | | | | 1 |
| ----- | | | | |
| | PRINCIPAL | INTEREST RATE | MATURITY DATE | |
| | ----- | ----- | ----- | |
| TERM LOANS: 1.77% | | | | |
| CAPITAL MARKETS: 0.15% | | | | |
| \$ 149,250 | BLACKSTONE GROUP LP | 7.75 | 11/02/2014 | 1 |
| ----- | | | | |
| CONSUMER DISCRETIONARY: 0.46% | | | | |

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| | | | | |
|---------|-------------------------------------|-------|------------|---|
| 365,000 | NEWSDAY LLC | 10.50 | 08/01/2013 | 3 |
| 95,000 | SUGARHOUSE HSP GAMING PROPERTIES LP | 11.25 | 09/23/2014 | 4 |

14 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments--August 31, 2010

| PRINCIPAL | SECURITY NAME | YIELD | MATURITY DATE | VAL |
|---|--|-------|---------------|---------------------|
| CONSUMER STAPLES: 0.12% | | | | |
| \$ 135,917 | MERISANT COMPANY (i) | 7.50% | 01/08/2014 | \$ 1 |
| ENERGY: 0.29% | | | | |
| 299,522 | SEMGROUP ENERGY PARTNERS | 8.25 | 06/30/2011 | 2 |
| FINANCIALS: 0.33% | | | | |
| 100,000 | AMERICAN GENERAL FINANCE CORPORATION | 5.40 | 12/01/2015 | |
| 75,000 | AMERICAN GENERAL FINANCE CORPORATION | 6.90 | 12/15/2017 | |
| 75,000 | CAPITAL AUTOMOTIVE REIT< | 7.50 | 12/14/2012 | 7 |
| 23,158 | REALOGY CORPORATION | 3.26 | 10/10/2013 | |
| 135,093 | REALOGY CORPORATION | 3.30 | 10/10/2013 | 1 3 |
| INDUSTRIALS: 0.28% | | | | |
| 295,008 | SWIFT TRANSPORTATION COMPANY INCORPORATED | 8.25 | 05/10/2014 | 2 |
| UTILITIES: 0.15% | | | | |
| 200,000 | TXU ENERGY COMPANY LLC < | 8.24 | 10/10/2014 | 1 |
| TOTAL TERM LOANS (COST \$1,795,420) | | | | 1,8 |
| SHARES | | | | |
| ESCROW SHARES: 0.00% | | | | |
| 5,000,000 | MIRANT CORPORATION ESCROW (i) (a)+ | | | |
| TOTAL ESCROW SHARES (COST \$0) | | | | |
| SHORT-TERM INVESTMENTS: 6.39% | | | | |
| INVESTMENT COMPANIES: 6.39% | | | | |
| 6,591,838 | WELLS FARGO ADVANTAGE MONEY MARKET TRUST (u) (l)## | 0.29 | | 6,5 |
| TOTAL SHORT-TERM INVESTMENTS (COST \$6,591,838) | | | | 6,5 |
| TOTAL INVESTMENTS IN SECURITIES (COST \$121,783,522) * | | | | 122.84% 126,8 |
| OTHER ASSETS AND LIABILITIES, NET | | | | (22.84) (23,5 |
| TOTAL NET ASSETS | | | | 100.00% \$ 103,2 |

Wells Fargo Advantage Utilities and High Income Fund 15

Portfolio of Investments--August 31, 2010

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

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

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

(l) Investment in an affiliate.

@@ The rate shown is the stated rate at the current period end.

This security is currently in default with regards to scheduled interest and/or principal payments.

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

+ Non-income earning securities.

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

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

* Cost for federal income tax purposes is \$122,866,668 and net unrealized appreciation (depreciation) consists of:

| | |
|-------------------------------|--------------|
| Gross unrealized appreciation | \$ 9,112,181 |
| Gross unrealized depreciation | (5,148,455) |
| | ----- |
| Net unrealized appreciation | \$ 3,963,726 |

The following table shows the percent of total long-term investments by geographic location as of August 31, 2010:

| | |
|----------------|-------|
| United States | 79.9% |
| United Kingdom | 6.8% |
| France | 4.0% |
| Italy | 3.1% |
| Sweden | 1.5% |
| Finland | 1.4% |
| Mexico | 0.8% |
| Spain | 0.7% |
| Canada | 0.6% |
| Bermuda | 0.4% |
| Australia | 0.2% |

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| | |
|----------------|--------|
| Brazil | 0.2% |
| Cayman Islands | 0.1% |
| Luxembourg | 0.1% |
| Austria | 0.1% |
| Netherlands | 0.1% |
| | ----- |
| | 100.0% |
| | ----- |

The following table shows the percent of total bonds by credit quality based on Moody's and Standard & Poor's ratings as of August 31, 2010 (unaudited):

| | |
|-----|--------|
| BBB | 6.2% |
| BB | 38.1% |
| B | 48.0% |
| CCC | 3.7% |
| CC | 0.1% |
| NR | 3.9% |
| | ----- |
| | 100.0% |
| | ----- |

The following table shows the percent of total bonds based on effective maturity as of August 31, 2010 (unaudited):

| | |
|-----------------------|--------|
| Less than 1 year | 3.8% |
| 1 to 3 year(s) | 31.2% |
| 3 to 5 years | 27.5% |
| 5 to 10 years | 23.9% |
| 10 to 20 years | 10.5% |
| 20 to 30 years | 1.8% |
| Greater than 30 years | 1.3% |
| | ----- |
| | 100.0% |
| | ----- |

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

16 Wells Fargo Advantage Utilities and High Income Fund

Statement of Assets and Liabilities--August 31, 2010

| | |
|--|----------------|
| ASSETS | |
| Investments in unaffiliated securities, at value | \$ 120,238,556 |
| Investments in affiliated securities, at value | 6,591,838 |
| | ----- |
| Total investments, at value (see cost below) | 126,830,394 |
| Receivable for securities sold | 872,068 |
| Dividend and interest receivable | 1,791,083 |
| Other assets | 41,874 |

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| | |
|--|----------------|
| Total assets | 129,535,419 |
| <hr/> | |
| LIABILITIES | |
| Dividends payable | 689,550 |
| Payable for securities purchased | 508,398 |
| Payable to custodian (cost \$2,722,720) | 2,692,310 |
| Secured borrowing payable | 22,002,647 |
| Advisory fee payable | 68,460 |
| Due to other related parties | 5,705 |
| Accrued expenses and other liabilities | 323,765 |
| <hr/> | |
| Total liabilities | 26,290,835 |
| <hr/> | |
| NET ASSETS | \$ 103,244,584 |
| <hr/> | |
| NET ASSETS CONSIST OF | |
| Paid-in capital | \$ 150,984,046 |
| Overdistributed net investment income | (765,075) |
| Accumulated net realized losses on investments | (52,051,026) |
| Net unrealized gains on investments | 5,076,639 |
| <hr/> | |
| NET ASSETS | \$ 103,244,584 |
| <hr/> | |
| NET ASSET VALUE PER SHARE | |
| Based on \$103,244,584 divided by 9,193,994 common shares issued and outstanding (unlimited number of common shares authorized) | \$ 11.23 |
| Total investments, at cost | \$ 121,783,522 |

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

Wells Fargo Advantage Utilities and High Income Fund 17

Statement of Operations--For the Year Ended August 31, 2010

| | |
|---|--------------|
| INVESTMENT INCOME | |
| Dividends(1) | \$ 3,798,052 |
| Interest(2) | 3,130,826 |
| Income from affiliated securities | 8,862 |
| <hr/> | |
| Total investment income | 6,937,740 |
| <hr/> | |
| EXPENSES | |
| Advisory fee | 761,779 |
| Administration fee | 63,482 |
| Transfer agent fees | 31,938 |
| Trustees' fees and expenses | 4,285 |
| Shareholder reports expenses | 70,201 |
| Custodian and accounting fees | 80,802 |
| Professional fees | 91,354 |
| Secured borrowing fees | 1,283,918 |
| Interest expense | 195,003 |
| Other fees and expenses | 59,233 |
| <hr/> | |
| Total expenses | 2,641,995 |
| LESS | |

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| | |
|--|--------------|
| Waived fees and expense reimbursements | (1,051,248) |
| | ----- |
| Net expenses | 1,590,747 |
| | ----- |
| Net investment income | 5,346,993 |
| | ----- |
| NET REALIZED AND UNREALIZED GAINS OR LOSSES ON INVESTMENTS | |
| NET REALIZED GAINS OR LOSSES ON: | |
| Unaffiliated securities | 483,307 |
| Foreign currency related transactions | 320,742 |
| Credit default swap transactions | (42,139) |
| | ----- |
| Net realized gains on investments | 761,910 |
| | ----- |
| NET CHANGE IN UNREALIZED GAINS OR LOSSES ON: | |
| Unaffiliated securities | 2,873,508 |
| Foreign currency related transactions | (25,499) |
| Credit default swap transactions | 29,752 |
| | ----- |
| Net change in unrealized gains or losses on investments .. | 2,877,761 |
| | ----- |
| Net realized and unrealized gains or losses on investments | 3,639,671 |
| | ----- |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$ 8,986,664 |
| | ===== |
| (1.) Net of foreign withholding taxes of | \$ 106,150 |
| (2.) Net of foreign withholding taxes of | \$ 1,336 |

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

18 Wells Fargo Advantage Utilities and High Income Fund

Statements of Changes in Net Assets

| | For the Year Ended August 31, 2010 | For the Year Ended August 31, |
|--|--|-------------------------------------|
| | ----- | ----- |
| OPERATIONS | | |
| Net investment income | \$ 5,346,993 | \$ 8,780, |
| Net realized gains or losses on investments | 761,910 | (46,472, |
| Net change in unrealized gains or losses on investments | 2,877,761 | (901, |
| | ----- | ----- |
| Net increase (decrease) in net assets resulting from operations .. | 8,986,664 | (38,594, |
| | ----- | ----- |
| DISTRIBUTIONS TO SHAREHOLDERS FROM | | |
| Net investment income | (4,848,035) | (8,968, |
| Tax basis return of capital | (5,644,957) | (7,286, |
| | ----- | ----- |
| Total distributions to shareholders | (10,492,992) | (16,255, |
| | ----- | ----- |
| CAPITAL SHARE TRANSACTIONS | | |
| Net asset value of shares issued under the Automatic Dividend Reinvestment Plan | 1,064,214 | 2,152, |
| | ----- | ----- |

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| | | |
|---|---------------|------------|
| Total decrease in net assets applicable to shareholders | (442,114) | (52,697, |
| | ----- | ----- |
| NET ASSETS | | |
| Beginning of period | 103,686,698 | 156,383, |
| | ----- | ----- |
| END OF PERIOD | \$103,244,584 | \$103,686, |
| | ===== | ===== |
| Overdistributed net investment income | \$ (765,075) | \$ (1,656, |

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

Wells Fargo Advantage Utilities and High Income Fund 19

Statement of Cash Flows--August 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|--------------|
| Net increase in net assets resulting from operations ... | \$ 8,986,664 |
| ADJUSTMENTS TO RECONCILE NET INCREASE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Purchase of investment securities | (79,695,798) |
| Proceeds from sales of securities | 78,099,528 |
| Paydowns | 423,738 |
| Amortization | (282,105) |
| Credit default swap payments made | (42,139) |
| Purchase of short-term investment securities, net | (1,002,653) |
| Decrease in dividends and interest receivable | 827,442 |
| Decrease in receivable for securities sold | 874,675 |
| Decrease in premiums paid on credit default swaps | 15,939 |
| Amortization of prepaid structuring fee | 456,623 |
| Decrease in receivable from investment advisor | 1,200 |
| Increase in prepaid expenses and other assets | (41,874) |
| Decrease in payable for securities purchased | (3,301,949) |
| Decrease in premiums received on credit default swaps .. | (4,699) |
| Increase in advisory fee payable | 68,460 |
| Increase in due to other related parties | 5,532 |
| Decrease in accrued expenses and other liabilities | (1,597) |
| Increase in payable to custodian bank | 2,692,310 |
| Unrealized appreciation on investments | (2,877,761) |
| Net realized loss on credit default swaps | 42,139 |
| Net realized gain on unaffiliated securities | (483,307) |
| | ----- |
| Net cash provided by operating activities | 4,760,368 |
| | ----- |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---|--------------|
| Cash distributions paid on common shares | (9,741,243) |
| Payment to investment advisor for secured borrowing ... | (444,444) |
| Decrease in secured borrowing | (2,322) |
| | ----- |
| Net cash used in financing activities | (10,188,009) |
| | ----- |
| Net decrease in cash | (5,427,641) |
| | ----- |

CASH (INCLUDING FOREIGN CURRENCY):

| | |
|---------------------------|--------------|
| Beginning of period | \$ 5,427,641 |
| | ----- |
| End of period | \$ 0 |

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| | | |
|--|----|-----------|
| SUPPLEMENTAL CASH DISCLOSURE: | | ----- |
| Cash paid for interest | \$ | 195,003 |
| | | ----- |
| SUPPLEMENTAL NON-CASH FINANCING DISCLOSURE: | | |
| Reinvestment of dividends | \$ | 1,064,214 |
| Structuring fee waived by investment advisor | \$ | 456,623 |
| | | ----- |

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

20 Wells Fargo Advantage Utilities and High Income Fund

Financial Highlights

(For a share outstanding throughout each period)

| | YEAR ENDED AUG | | |
|--|----------------|------------|-----------|
| | 2010 | 2009 | 2008 |
| | ----- | ----- | ----- |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 11.38 | \$ 17.50 | \$ 24.05 |
| INCOME FROM INVESTMENT OPERATIONS | | | |
| Net investment income(1) | 0.59 | 0.97 | 2.49 |
| Net realized and unrealized gains or losses on investments | 0.41 | (5.29) | (4.18) |
| Distributions to preferred shareholders from | | | |
| Net investment income | 0.00 | 0.00 | (0.33) |
| Net realized gains | 0.00 | 0.00 | 0.00 |
| Total from investment operations | 1.00 | (4.32) | (2.02) |
| DISTRIBUTIONS TO SHAREHOLDERS FROM | | | |
| Net investment income | (0.53) (1) | (1.00) (1) | (2.76) |
| Net realized gains | 0.00 | 0.00 | (1.77) |
| Tax basis return of capital | (0.62) (1) | (0.80) (1) | 0.00 |
| Total distributions to common shareholders | (1.15) | (1.80) | (4.53) |
| OFFERING COSTS CHARGED TO CAPITAL FOR | | | |
| Preferred shares | 0.00 | 0.00 | 0.00 |
| NET ASSET VALUE, END OF PERIOD | \$ 11.23 | \$ 11.38 | \$ 17.50 |
| MARKET VALUE, END OF PERIOD | \$ 11.23 | \$ 12.49 | \$ 21.02 |
| TOTAL RETURN BASED ON MARKET VALUE(3) | (1.24)% | (30.46)% | (7.86) |
| RATIOS AND SUPPLEMENTAL DATA | | | |
| Net assets of common shareholders, end of period (thousands) | \$103,245 | \$103,687 | \$156,384 |
| Liquidation value of preferred shares, end of period (thousands) | NA | NA | NA |
| Asset coverage ratio, end of period | NA | NA | NA |

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RATIOS TO AVERAGE NET ASSETS

| | | | |
|---|-------|-------|-------|
| Expenses including waivers/reimbursements and interest expense but excluding expense reductions | 1.52% | 2.25% | 1.89 |
| Expenses including interest expense but excluding waivers/reimbursements and expense reductions | 2.52% | 3.44% | 1.92 |
| Expenses including waivers/reimbursements but excluding expense reductions and interest expense | 1.33% | 1.55% | 1.37 |
| Interest expense | 0.19% | 0.70% | 0.52 |
| Net investment income | 5.19% | 8.75% | 10.33 |
| Portfolio turnover rate | 59% | 137% | 153 |

- (1.) Calculated based on average common shares outstanding during the period.
- (2.) Amount represents a refund of certain preferred share offering expenses.
- (3.) Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reporting. Dividends and distributions are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges.
- (4.) The net investment income ratio reflects distributions paid to preferred shareholders.

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

Wells Fargo Advantage Utilities and High Income Fund 21

Notes to Financial Statements

1. ORGANIZATION

Wells Fargo Advantage Utilities and High Income Fund (the "Fund") (formerly Evergreen Utilities and High Income Fund) was organized as a statutory trust under the laws of the state of Delaware on February 4, 2004 and is registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income and moderate capital growth, with an emphasis on providing tax advantaged dividend income.

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. Management has considered the circumstances under which the Fund should recognize or make disclosures regarding events or transactions occurring subsequent to the balance sheet date through the date the financial statements are issued. Adjustments or additional disclosures, if any, have been included in these financial statements.

SECURITIES VALUATION

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

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

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

Certain fixed income securities with maturities exceeding 60 days are valued by using a pricing service approved by the Board of Trustees. This service uses market prices as quoted by an independent pricing service or by dealers in these securities when, in the service's judgment, these prices are readily available and are representative of the securities' fair values. For some securities, such prices are not readily available. These securities will generally be fair valued using methods which may include consideration of yields or prices of securities of comparable quality, coupon rate, maturity and type of issue, indications as to values from dealers in securities, trading characteristics and general market conditions.

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

Investments in open-end mutual funds 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 by procedures established in good faith and approved by the Board of Trustees.

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Notes to Financial Statements

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

FOREIGN CURRENCY TRANSLATION

The accounting records of the Fund are maintained in U.S. dollars. Assets, including investment securities, and liabilities denominated in foreign currency are translated into U.S. dollars at the prevailing rates of exchange at the date of valuation. Purchases and sales of securities, and income and expenses are translated at the prevailing rate of exchange on the respective dates of such transactions. Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities, at fiscal period-end, resulting in changes in exchange rates.

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

REVERSE REPURCHASE AGREEMENTS

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

SECURITY LOANS

The Fund may lend its securities from time to time in order to earn additional income in the form of fees or interest on securities received as collateral or the investment of any cash received as collateral. The Fund continues to receive interest or dividends on the securities loaned. The Fund receives collateral in the form of cash or securities with a value at least equal to the value of the securities on loan. The value of the loaned securities is determined at the close of each business day and any additional required collateral is delivered to the Fund on the next business day. In the event of default or bankruptcy by the borrower, the Fund could experience delays and costs in recovering the loaned securities or in gaining access to the collateral. In addition, the investment of any cash collateral received may lose all or part of its value. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

Effective July 25, 2010, the Fund may lend its securities through an unaffiliated securities lending agent. Cash collateral received in connection with their securities lending transactions is invested in Wells Fargo Securities Lending Cash Investments, LLC (the "Cash Collateral Fund"). The Cash Collateral Fund is exempt from registration under Section 3(c)(7) of the 1940 Act and is managed by Wells Fargo Funds Management LLC ("Funds Management") and is sub-advised by Wells Capital Management Incorporated ("Wells Capital Management"). Funds Management receives an advisory fee starting at 0.05% and declining to 0.01% as the average daily net assets of the Cash Collateral Fund increase. All of the fees received by Funds Management are paid to Wells Capital Management for its services as sub-advisor. The Cash Collateral Fund seeks to provide a positive return compared to the daily Fed Funds Open rate by investing

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in high-quality, U.S. dollar-denominated short-term money market instruments. Cash Collateral Fund investments are fair valued based upon the amortized cost valuation technique.

Prior to June 30, 2010, the Fund entered into securities lending transactions through Wachovia Global Securities Lending as the securities lending agent.

WHEN-ISSUED TRANSACTIONS

The Fund may purchase securities on a forward commitment or 'when-issued' basis. A Fund records a when-issued transaction on the trade date and will segregate assets to cover its obligation by confirming the availability of qualifying assets having a value sufficient to make payment for the securities purchased. Securities purchased on a when-issued

Wells Fargo Advantage Utilities and High Income Fund 23

Notes to Financial Statements

basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

TERM LOANS

The Fund may invest in term loans. A Fund records an investment when the borrower withdraws money and records interest as earned. These loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. The Fund assumes the credit risk of the borrower. There could be potential loss to the Fund in the event of default by the borrower.

OPTIONS

The Fund may be subject to equity price risk in the normal course of pursuing its investment objectives. The Fund may write covered put or call options. When a Fund writes an option, an amount equal to the premium received is recorded as a liability and is subsequently adjusted to the current market value of the written option. Premiums received from written options, which expire unexercised, are recognized as realized gains from investments on the expiration date. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is treated as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in calculating the realized gain or loss on the sale. If a put option is exercised, the premium reduces the cost of the security purchased. The Fund, as a writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

The Fund may also purchase call or put options. The premium is included in the Statement of Assets and Liabilities as an investment which is subsequently adjusted to the current market value of the option. Premiums paid for purchased options which expire are recognized as realized losses from investments on the expiration date. Premiums paid for purchased options which are exercised or closed are added to the amount paid or offset against the proceeds on the underlying security to determine the realized gain or loss. The risk of loss associated with purchased options is limited to the premium paid.

Options traded on an exchange are regulated and terms of the options are standardized. Options traded over the counter expose the Fund to counterparty risk in the event the counterparty does not perform. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

CREDIT DEFAULT SWAPS

The Fund may be subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swap contracts for hedging or speculative purposes to provide or receive a measure of protection against default on a referenced entity, obligation or index or for investment gains. Credit default swaps involve an exchange of a stream of payments for protection against the loss in value of an underlying security or index. Under the terms of the swap, one party acts as a guarantor (referred to as the seller of protection) and receives a periodic stream of payments, provided that there is no credit event, from another party (referred to as the buyer of protection) that is a fixed percentage applied to a notional principal amount over the term of the swap. An index credit default swap references all the names in the index, and if a credit event is triggered, the credit event is settled based on that name's weight in the index. A credit event includes bankruptcy, failure to pay, obligation default, obligation acceleration, repudiation/moratorium, and restructuring. The Fund may enter into credit default swaps as either the seller of protection or the buyer of protection. As the seller of protection, the Fund is subject to investment exposure on the notional amount of the swap and has assumed the risk of default of the underlying security or index. As the buyer of protection, the Fund could be exposed to risks if the seller of the protection defaults on its obligation to perform, or if there are unfavorable changes in the fluctuation of interest rates. The maximum potential amount of future payments (undiscounted) that the Fund as the seller of protection could be required to make under the credit default swap contract would be an amount equal to the notional amount of the swap contract. The Fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

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Notes to Financial Statements

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

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

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gains or losses.

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

SECURITY TRANSACTIONS AND INCOME RECOGNITION

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

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

Dividend income is recognized on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the Fund is informed of the ex-dividend date.

Dividend and interest income from foreign securities is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

DISTRIBUTIONS TO SHAREHOLDERS

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

The timing and character of distributions made during the period from net investment income or net realized gains may also differ from their ultimate characterization for federal income tax purposes. To the extent that these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment. Temporary differences do not require reclassifications. At August 31, 2010, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statements of Assets and Liabilities:

| Overdistributed Net Investment Income ----- | Accumulated Net Realized Loss on Investments ----- |
|--|---|
| \$392,674 | \$(392,674) |

FEDERAL AND OTHER TAXES

The Fund is treated as a separate entity for federal income tax purposes. It is the policy of the Fund 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.

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Accordingly, no provision for federal income taxes was required.

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

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Notes to Financial Statements

At August 31, 2010, estimated net capital loss carryforwards, which are available to offset future net realized capital gains, were as follows:

| Expiration | | |
|------------|--------------|--------------|
| 2016 | 2017 | 2018 |
| \$701,198 | \$22,831,103 | \$27,435,579 |

3. FAIR VALUATION MEASUREMENTS

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

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

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

As of August 31, 2010, the inputs used in valuing the Fund's assets, which are carried at fair value, were as follows:

| INVESTMENTS IN SECURITIES | Quoted Prices (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------|----------------------------|---|---|
| EQUITY SECURITIES | | | |
| COMMON STOCKS | \$73,370,263 | \$ 0 | \$0 |
| PREFERRED STOCKS | 10,676,050 | 0 | 0 |

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| | | | |
|-------------------------------|--------------|--------------|-----|
| WARRANTS | 4,500 | 0 | 0 |
| CLOSED END MUTUAL FUND SHARES | 167,978 | 0 | 0 |
| CORPORATE BONDS AND NOTES | 0 | 32,345,536 | 0 |
| TERM LOANS | 0 | 1,829,448 | 0 |
| YANKEE OBLIGATIONS-CORPORATE | 0 | 1,844,781 | 0 |
| SHORT-TERM INVESTMENTS | | | |
| INVESTMENT COMPANIES | 6,591,838 | 0 | 0 |
| | ----- | ----- | --- |
| | \$90,810,629 | \$36,019,765 | \$0 |

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

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

| | Warrants ----- |
|---|-------------------|
| BALANCE AS OF AUGUST 31, 2009 | \$ 45,615 |
| Realized gains or losses | (6,521) |
| Change in unrealized gains or losses | 21,521 |
| Net purchases (sales) | (60,615) |
| Transfers in and/or out of Level 3 | 0 |
| BALANCE AS OF AUGUST 31, 2010 | \$ 0 |
| Change in unrealized gains or losses included in earnings relating to securities still held at August 31, 2010 | \$ 0 |

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Notes to Financial Statements

4. TRANSACTIONS WITH AFFILIATES AND OTHER EXPENSES

ADVISORY FEES

Funds Management, a wholly owned subsidiary of Wells Fargo & Company ("Wells Fargo"), is the investment advisor to the Fund and is paid an annual fee of 0.60% of the Fund's average daily total assets. Total assets consist of the net assets of the Fund plus borrowings or other leverage for investment purposes. Prior to July 12, 2010 Evergreen Investment Management Company, LLC ("EIMC"), a subsidiary of Wells Fargo, was the investment advisor to the Fund and was paid an annual fee at the same rate that is currently paid to Funds Management. For the year ended August 31, 2010, the advisory fee was equivalent to an annual rate of 0.73% of the Fund's average daily net assets.

Funds Management may retain the services of certain investment sub-advisors to provide daily portfolio management. The fees related to sub-advisory services are borne directly by the advisor and do not increase the overall fees paid by the Fund to the investment advisor. Wells Capital Management, an affiliate of Funds Management and indirect

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wholly owned subsidiary of Wells Fargo, and Crow Point Partners, LLC are each investment sub-advisors to the Fund and are each paid an annual fee of 0.20% of the Fund's average daily total assets. Prior to July 12, 2010, Tattersall Advisory Group, Inc., an affiliate of EIMC and an indirect, wholly-owned subsidiary of Wells Fargo, was an investment sub-advisor to the predecessor fund and was paid an annual fee of 0.18% of the Fund's average daily total assets by the advisor for its services to the Fund.

Funds Management also serves as the administrator to the Fund providing the Fund with facilities, equipment and personnel. Funds Management is paid an annual administrative fee of 0.05% of the Fund's average daily total assets. Prior to August 25, 2010, EIMC was the administrator to the Fund and was paid an annual fee at the same rate that is currently paid to Funds Management. For the year ended August 31, 2010, the administrative fee was equivalent to an annual rate of 0.06% of the Fund's average daily net assets.

Funds Management and/or EIMC contractually waived its advisory fee and reimbursed other expenses in the amount of \$1,051,248 for the year ended August 31, 2010.

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of common shares with no par value. For the year ended August 31, 2010 and the year ended August 31, 2009, the Fund issued 84,763 and 170,961 common shares, respectively.

6. BORROWINGS

The Fund had secured debt financing in April 2008 from a multi-seller commercial paper conduit administered by a major financial institution (the "Facility") in order to redeem all of its outstanding Preferred Shares. The Facility was refinanced on April 26, 2010 with a new borrowing facility, administered by a different major financial institution, with a commitment amount of \$25 million and a 364 day term ("Refinancing Facility"). As of August 31, 2010, the Fund had borrowed \$22 million under the Refinancing Facility. The Fund's borrowings under the Refinancing Facility are generally charged interest at a rate determined by the type of loan elected by the Fund. Under the Facility, the Fund had been generally charged interest at a rate based on the rates of the commercial paper notes issued or at LIBOR plus 9.5%. During the year ended August 31, 2010, an effective interest rate of 0.89% was incurred on the borrowings. Interest expense of \$195,003, representing 0.19% of the Fund's average daily net assets applicable to common shareholders, was incurred during the year ended August 31, 2010. The Fund has pledged its assets to secure the borrowings and pays a commitment fee at an annual rate equal to (a) 0.30% as of any date upon which the loan balance exceeds 50% of the facility amount and (b) 0.50% as of any other date when the loan balance is less than 50% of the facility amount. Under the Facility, the Fund paid, on a monthly basis, a liquidity fee at an annual rate of 2.75% of the total commitment amount and a program fee at an annual rate of 2.75% on the daily average outstanding principal amount of borrowings. The secured borrowing fees on the Statement of Operations of \$1,283,918 represents amortization of structuring fees, liquidity fees and program fees. Of this amount, \$456,623 represents prepaid structuring fees relating to the Facility, which were reimbursed to the Fund by the investment advisor.

Notes to Financial Statements

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, exclusive of short-term securities (securities with maturities of one year or less at purchase date) were \$70,793,891 and \$67,773,375, respectively, for the year ended August 31, 2010.

As of August 31, 2010, the Fund had unfunded loan commitments of \$127,219.

8. DERIVATIVE TRANSACTIONS

During the year ended August 31, 2010, the Fund entered into credit default swap contracts for speculative purposes. As of August 31, 2010, the Fund did not have any open credit default swap contacts but had an average notional balance on credit default swaps of \$112,863 during the year ended August 31, 2010.

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

9. DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid during the years ended August 31, 2010, and August 31, 2009, were as follows:

| | Year Ended August 31, | |
|-------------------|-----------------------|-------------|
| | 2010 | 2009 |
| Ordinary Income | \$4,848,035 | \$8,968,630 |
| Return of Capital | 5,644,957 | 7,286,854 |

As of August 31, 2010, the components of distributable earnings on a tax basis are shown on the table below. The difference between book basis and tax basis appreciation is attributable primarily to the tax deferral of losses on wash sales.

| | |
|----------------------------|------------------------------|
| Unrealized Appreciation | Capital Loss Carryforward |
| ----- | ----- |
| \$3,993,493 | (\$50,967,880) |

10. CONCENTRATION RISK

The Fund may invest a substantial portion of its assets in an industry and, therefore, may be more affected by changes in that industry than would be a comparable fund whose investment are not heavily weighted in any industry.

11. 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.

12. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to common shareholders:

| Declaration Date | Record Date | Payable Date | Net Investment Income |
|--------------------|--------------------|------------------|-----------------------|
| ----- | ----- | ----- | ----- |
| August 20, 2010 | September 15, 2010 | October 1, 2010 | \$0.075 |
| September 17, 2010 | October 15, 2010 | November 1, 2010 | \$0.075 |
| October 15, 2010 | November 15, 2010 | December 1, 2010 | \$0.075 |

These distributions are not reflected in the accompanying financial statements.

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Report of Independent Registered Public Accounting Firm

BOARD OF TRUSTEES AND SHAREHOLDERS
 WELLS FARGO ADVANTAGE UTILITIES AND HIGH INCOME FUND:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the Wells Fargo Advantage Utilities and High Income Fund (the "Fund"), as of August 31, 2010 and the related statement of operations for the year then ended, statements of changes in net assets for each of the years in the two-year period then ended, 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 August 31, 2010 by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

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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 Utilities and High Income Fund as of August 31, 2010, the results of its operations, changes in its net assets, its cash flows and financial highlights for each of the years described above, in conformity with U.S. generally accepted accounting principles.

(KPMG LLP)

Boston, Massachusetts
October 29, 2010

Wells Fargo Advantage Utilities and High Income Fund 29

Other Information (Unaudited)

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 Web site at www.wellsfargo.com/advantagefunds, or visiting the SEC Web site at www.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 Web site at www.wellsfargo.com/advantagefunds or by visiting the SEC Web site at www.sec.gov.

SPECIAL MEETING OF SHAREHOLDERS

On July 9, 2010, a Special Meeting of Shareholders was held to consider a number of proposals. The results of the proposals are indicated below.

PROPOSAL 1 - Election of Trustees:

| | | |
|-----------------------------|----------------------|--------------|
| Net Assets Voted "For" | Dr. Leroy Keith, Jr. | \$64,347,808 |
| Net Assets Voted "Withheld" | | \$ 5,207,932 |
| Net Assets Voted "For" | Peter G. Gordon | \$64,355,138 |
| Net Assets Voted "Withheld" | | \$ 5,200,602 |
| Net Assets Voted "For" | Isaiah Harris, Jr. | \$64,303,129 |
| Net Assets Voted "Withheld" | | \$ 5,252,611 |
| Net Assets Voted "For" | Judith M. Johnson | \$64,318,298 |
| Net Assets Voted "Withheld" | | \$ 5,237,442 |
| Net Assets Voted "For" | David F. Larcker | \$64,397,620 |
| Net Assets Voted "Withheld" | | \$ 5,158,120 |
| Net Assets Voted "For" | Olivia S. Mitchell | \$64,340,091 |
| Net Assets Voted "Withheld" | | \$ 5,215,649 |
| Net Assets Voted "For" | Timothy J. Penny | \$64,381,502 |
| Net Assets Voted "Withheld" | | \$ 5,174,238 |
| Net Assets Voted "For" | Michael S. Scofield | \$64,344,209 |
| Net Assets Voted "Withheld" | | \$ 5,211,531 |
| Net Assets Voted "For" | Donald C. Willeke | \$64,261,033 |

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Net Assets Voted "Withheld"

\$ 5,294,707

PROPOSAL 2A - To approve an investment advisory agreement with Wells Fargo Funds Management, LLC.

| | |
|----------------------------|--------------|
| Net Assets Voted "For" | \$50,210,911 |
| Net Assets Voted "Against" | \$ 4,537,948 |
| Net Assets Voted "Abstain" | \$ 1,302,665 |

PROPOSAL 2B - To approve a sub-advisory agreement with Crow Point Partners, LLC.

| | |
|----------------------------|--------------|
| Net Assets Voted "For" | \$50,107,742 |
| Net Assets Voted "Against" | \$ 4,280,749 |
| Net Assets Voted "Abstain" | \$ 1,663,032 |

PROPOSAL 2C - To approve a sub-advisory agreement with Wells Capital Management Incorporated.

| | |
|----------------------------|--------------|
| Net Assets Voted "For" | \$50,000,003 |
| Net Assets Voted "Against" | \$ 4,547,089 |
| Net Assets Voted "Abstain" | \$ 1,504,432 |

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Additional Information (Unaudited)

FEDERAL TAX DISTRIBUTIONS

For corporate shareholders, 46.72% of ordinary income dividends paid during the fiscal year ended August 31, 2010 qualified for the dividends received deduction.

With respect to dividends paid from investment company taxable income during the fiscal year ended August 31, 2010, the Fund designates 67.31% of ordinary income and any short-term capital gain distributions as Qualified Dividend Income in accordance with the Internal Revenue Code. Complete 2010 year-end tax information will be reported on your 2010 Form 1099-DIV, which shall be provided to you in early 2011.

The Fund paid total distributions of \$10,492,992 during the year ended August 31, 2010 of which 46.20% was from ordinary taxable income and 53.80% was from a non-taxable return of capital. Shareholders of the Fund will receive in early 2011 a Form 1099-DIV that will inform them of the tax character of their distributions as made by the Fund in calendar year 2010.

Wells Fargo Advantage Utilities and High Income Fund 31

Additional Information (Unaudited)

AUTOMATIC DIVIDEND REINVESTMENT PLAN

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

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Other Information (Unaudited)

PORTFOLIO HOLDINGS INFORMATION

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

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BOARD OF TRUSTEES

The following table provides basic information about the Board of Trustees (the "Trustees") and Officers of the Fund. Each of the Trustees and Officers listed below acts in identical capacities for the Wells Fargo Advantage family of funds, which consists of 155 funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the "Fund Complex"). All of the Trustees are also Members of the Audit and Governance Committees of each Trust in the Fund Complex. The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

INDEPENDENT TRUSTEES

| Name and Age ----- | Position Held and Length of Service ----- | Principal Occupations During Past Five Years ----- | Other ----- |
|-----------------------------|---|--|-------------------------|
| Peter G. Gordon(1) 67 | Trustee, since 2010; Chairman, since 2010 | Co-Founder, Chairman, President and CEO of Crystal Geyser Water Company. | None |
| Isaiah Harris, Jr.(1) 57 | 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. Currently a member of the Iowa State University Foundation Board of Governors and a member of the Advisory Board of Iowa State University School of Business. | CIGNA Corpo Delux |
| Judith M. Johnson(1) 61 | Trustee, since 2010 | Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified | None |