

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-CSR

December 29, 2011

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**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: 800-643-9691

Date of fiscal year end: October 31, 2011

Date of reporting period: October 31, 2011



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ITEM 1. REPORT TO SHAREHOLDERS

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# Wells Fargo Advantage Multi-Sector Income Fund

## Annual Report

October 31, 2011

**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 and any forward-looking statements are as of October 31, 2011, 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, disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

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

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Letter to Shareholders

**Karla M. Rabusch,**

President

*Wells Fargo Advantage Funds*

**Improving fundamentals, including strong corporate earnings, remained the core drivers of returns across the equity markets for much of the period.**

Dear Valued Shareholder,

We are pleased to provide you with this annual report for the *Wells Fargo Advantage Multi-Sector Income Fund* for the 12-month period that ended October 31, 2011. After establishing solid momentum entering 2011, the financial markets met some resistance during the early months of the year, which kept many markets from advancing steadily during the first eight months of 2011. Headwinds emerged in the form of political unrest in the Middle East and North Africa, the devastating earthquake and tsunami in Japan, and renewed sovereign debt concerns affecting several eurozone countries. These challenges, coupled with mixed economic data, debt-ceiling debates, and the long-term debt credit downgrade within the U.S., further increased investor anxiety. Despite these headwinds, many areas of the financial markets showed a degree of resilience, underscoring the need for a sound, well-diversified<sup>1</sup> investment strategy. As always, we believe that such a strategy may enable investors to balance risk and opportunity as they pursue long-term financial goals in a dynamic financial environment.

**The U.S. economic recovery moved toward expansion.**

The U.S. economic recovery that began in mid-2009 and gained further momentum throughout 2010, particularly during the fourth quarter, failed to maintain that level of growth through the first 10 months of 2011. For example, gross domestic product (GDP), the broadest measure of economic activity, grew at an annualized rate of 3.1% in the fourth quarter of 2010, only to slow dramatically during the first and second quarters of 2011 to annualized rates of 0.4% and 1.3%, respectively. While still positive, these readings showed a much slower pace of growth than experienced in the second half of 2010 and were lower than consensus forecasts had predicted. Nevertheless, the advance estimate of third-quarter 2011 GDP growth (which was released on October 27) was 2.5%, suggesting that the U.S. economy continues to expand, though at a slow and uneven pace relative to past economic recoveries.

**Persistent weakness in jobs and housing slowed economic growth.**

By the end of the reporting period, the U.S. unemployment rate for October 2011 stood at 9.0%, down from 9.6% a year earlier but still notably higher than historical averages. Unfortunately, the drop may be more attributable to a decline in the labor force than to a meaningful uptick in hiring. While the rate of job creation has remained positive throughout 2011, it remains far below the historical average of 1.4 million jobs created each year over the past 80 years, suggesting that the improving economy has yet to translate into widespread hiring. Meanwhile, the beleaguered housing market was an ongoing source of concern, despite an extraordinarily low interest-rate environment. Since many observers consider labor and housing activities to be key to long-term economic growth, the persistent weakness in both markets bears close watching in the months ahead.

Other economic data in the U.S. was more encouraging, reflecting greater confidence in the sustainability of the expansion on the part of both consumers and businesses. Retail sales came in strong at certain points during the period,

1. Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

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Letter to Shareholders

Wells Fargo Advantage Multi-Sector Income Fund 3

including the critical holiday shopping season during the fourth quarter of 2010. Industrial production and durable goods orders have also picked up in 2011, and the level of corporate profits continues to grow. Although still reluctant to hire, businesses have gradually increased spending in other areas, such as equipment and information technology. Core inflation, which excludes volatile food and energy prices, remained benign.

**The Federal Reserve announced that it will target current low rates until 2013.**

With inflation subdued, the Federal Open Market Committee (FOMC) held its target range for the federal funds rate a proxy for short-term interest rates steady at 0.00% to 0.25%. At its meeting on August 9, 2011 responding in part to the volatility and uncertainty facing the financial markets and global economies, the Federal Reserve (Fed) established a timetable for its commitment to lower rates. In that meeting's statement, the FOMC explained that economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013. At its September 21, 2011, meeting, the Fed introduced Operation Twist, where it outlined its focus on buying long-term Treasury securities, specifically those with maturities of six years or longer, while selling an equivalent amount of Treasury notes within six years of maturity. The objective is to help ensure that intermediate- and long-term Treasury yields remain low, which, in turn, should provide ongoing support for further economic growth.

**The debt-ceiling debate became the focus of the summer.**

During the second half of the reporting period, both bonds and equities experienced an unusually high level of volatility, especially during the final months of the summer season when many traders on Wall Street and politicians in Washington, D.C., typically focus on vacation and other activities. Instead, due to the debt-ceiling impasse, many market participants and politicians were forced to stay on the job until a solution was reached. As the estimated debt-ceiling deadline loomed, rating agencies began to voice concerns over the possibility of the U.S. government running short on funds to pay its bills. While the U.S. Congress was able to address the debt-ceiling issue in time, Standard & Poor's, one of the major credit rating agencies, lowered its rating of long-term U.S. debt from AAA to AA+<sup>2</sup>. While this did not seem to diminish the role U.S. Treasuries play as the primary source of liquidity and safety in the global markets, it did briefly roil the markets.

**Eurozone sovereign debt concerns returned to the forefront in the third quarter of 2011.**

The markets were further rattled during the period by sovereign debt concerns within the eurozone. The financial solvency of Greece and its ability to service its

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



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Letter to Shareholders

**The market momentum carried into the spring but sharply reversed course in early summer amid mounting evidence that the U.S. economic recovery had entered a soft patch, coupled with rising fears about the eurozone sovereign debt crisis.**

sovereign debt were focuses of the markets in early 2010. After the European Union and the International Monetary Fund developed a plan to support Greece, many market participants thought the situation was at a manageable point. Unfortunately, one year later Greece's financial problems returned to the forefront of investors' minds, as the country failed to make significant progress in addressing its financial condition. As a result, fear spread and market volatility spiked during the third quarter, with investors becoming more concerned about the negative impact of a Greek default on the eurozone periphery and those developed countries with large exposures to Greece, such as France.

**The equity markets became a rollercoaster toward the end of the period.**

Improving fundamentals, including strong corporate earnings, remained the core driver of returns across the equity markets for much of the period. Further supporting equities was the second round of quantitative easing (QE2), which was enacted by the Fed in late 2010. While there were bouts of volatility along the way, the markets demonstrated surprising resilience in the face of numerous global challenges, with many equity markets posting positive returns in the first quarter.

The market momentum carried into the spring but sharply reversed course in early summer amid mounting evidence that the U.S. economic recovery had entered a soft patch, coupled with rising fears about the eurozone sovereign debt crisis. The final three months of the period were a rollercoaster for the equity markets, both domestically and internationally, due to the U.S. debt-ceiling impasse and the renewed fears that Greece would default on its sovereign debt, dragging down many of the other eurozone economies. After selling off dramatically during the weeks surrounding the debt-ceiling impasse, many areas of the equity markets gained back some of those losses but finished the period significantly lower than where they began.

After the S&P 500 Index<sup>3</sup> and the Dow Jones Industrial Average<sup>4</sup> rose 6.0% and 8.6%, respectively, during the first half of 2011, the worry-driven sell-off throughout the third quarter pushed the major indexes into negative territory for 2011. However, during the final month of the reporting period the markets showed resilience, as both indexes posted total returns of more than 9.0%. On a year-to-date basis, the S&P 500 Index posted a modestly positive total return of 1.3% through October 31.

**A steep yield curve continued to define bond market performance.**

Most sectors of the bond market performed well during 2010 and continued to post positive total returns in 2011, with interest income rather than price gains accounting for the bulk of those returns. This part of the investment cycle is known as the income phase and is typically characterized by relatively stable short-term rates and relatively small movements in bond yields. The current market environment is certainly holding true to a typical income phase, especially considering that the Fed is maintaining an extraordinarily accommodative monetary policy. U.S. Treasuries continued to rally for much of the period, even

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3. The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.
4. The Dow Jones Industrial Average is a price-weighted index of 30 blue-chip industrial U.S. stocks. You cannot invest directly in an index.

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after Standard & Poor's lowered its credit rating on long-term U.S. debt, pulling yields lower in nearly all corners of the fixed-income markets, including municipal bonds.

The extraordinarily steep yield curve remained the most defining, perhaps most influential, characteristic of the fixed-income markets during the majority of the reporting period. Considering the shape of the curve, the best-performing maturities across most segments of the fixed-income markets were longer-dated bonds. For example, for the 12-month period that ended October 31, 2011, the 20 to 30-year range of the Treasury market posted a total return of 19.38%, while the one- to five-year maturities returned 1.93%. The municipal market and the investment-grade corporate market exhibited similar return profiles within the period.

In typical fashion, the high-yield fixed-income market moved in the same direction as equities throughout the reporting period. As a result, high yield was among the strongest-performing bond sectors through the first nine months of the reporting period, bolstered by improving corporate fundamentals and by less risk aversion from investors. However, as the debt-ceiling debate and the Greek debt crisis became the focus of the marketplace, many investors reduced their exposure to riskier assets, including high-yield bonds. As a result, the high-yield markets significantly underperformed almost every bond sector during the third quarter. The high-yield market began the fourth quarter of 2011 with relatively strong performance, as it seemed that investors took advantage of the lower valuation that resulted from the third-quarter sell-off to capture the extra yield being offered by these lower-quality credits. As of October 31, the high-yield index recorded a year-to-date total return of 4.52%, while recording a 12-month total return of 5.17%. By comparison, the U.S. Treasury index returned 7.96% and 5.27% on a year-to-date and one-year basis, respectively.

**A long-term perspective is key.**

The market's rebound over the past two years from the severe downturn of 2008 and 2009, coupled with the bouts of volatility, underscores the importance of maintaining a disciplined and balanced long-term investment strategy through changing market cycles. By staying focused on your long-term goals, you may be better positioned to both navigate falling markets and participate in rising markets.

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 [www.wellsfargo.com/advantage\\_funds](http://www.wellsfargo.com/advantage_funds), 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*

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6 Wells Fargo Advantage Multi-Sector Income Fund

Letter to Shareholders

**Notice to Shareholders**

On November 17, 2011, the *Wells Fargo Advantage Multi-Sector Income Fund* (the *Fund*) announced several changes to the investment guidelines and strategies of each of its investment allocations or sleeves and the Fund as a whole. These changes were approved after the Fund's fiscal year end at October 31, 2011 and are therefore not reflected in this annual report to shareholders. The Fund's portfolio will begin to reflect these changes over the coming months.

**High-yield bond sleeve:**

The percentage of the Fund's assets to be allocated to this sleeve is changing from a range of 20%-60% of the Fund's total assets to a range of 30%-70%.

**International bond sleeve:**

This sleeve is being renamed the *International/Emerging Markets* sleeve, and is now permitted to invest in emerging market debt securities.

The percentage of the Fund's assets to be allocated to this sleeve is changing from a range of 20%-60% of the Fund's total assets to a range of 10%-40%.

**Adjustable-rate agency mortgage securities sleeve:**

This sleeve is being renamed the *Mortgage/Corporate* sleeve, and is now permitted to invest in fixed-rate mortgages including mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations and investment-grade corporate bonds. The mortgage securities can consist of both nonagency mortgage securities and securities issued or guaranteed by the U.S. government, its agencies, or its instrumentalities.

n The percentage of the Fund's assets to be allocated to this sleeve is changing from a range of 20%-60% of the Fund's total assets to a range of 10%-30%.

n The weighted average credit quality of this sleeve is expected to be investment-grade (BBB-/Baa3 or better), as opposed to AAA/Aaa\*.

n The investment guideline that required that the weighted average life of this sleeve be 1 year to 6 years has been eliminated.

n The investment guideline that required that the average duration of this sleeve be between 0.5 years and 1.5 years has been eliminated.

In addition to the sleeve-specific changes described above:

n The Fund will no longer seek to maintain an average maturity of the Fund's portfolio of between 5 years and 7 years.

n The Fund will no longer seek to maintain an overall credit quality of the Fund's portfolio of BBB- or better.

n The Fund may now purchase illiquid securities, which the Fund defines as securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities. Previously, the Fund was permitted to continue to hold securities after they became illiquid (but not to purchase illiquid securities).

These revised investment guidelines and strategies permit the Fund to invest in a broader range of security types and adjust the percentage of the Fund's assets that can be allocated to each specific sleeve. While these changes may increase the overall income generated by the Fund's portfolio, they also are expected to result in an increase in the overall risk profile of the Fund's portfolio.

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

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**Notice to Shareholders (continued)****About investment risks**

The Fund has leverage through borrowings. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value (NAV) and the market price of common shares.

Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. 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 they are designed to hedge or to closely track. Below-investment-grade securities are commonly referred to as junk bonds and are considered speculative with respect to the issuer's capacity to pay interest and principal. They involve greater risk of loss, are subject to greater price volatility, and are less liquid especially during periods of economic uncertainty or change than higher-rated debt securities. Generally, the value of fixed-income securities rises when prevailing interest rates fall and falls when interest rates rise. U.S. government guarantees apply only to certain securities held in the Fund's portfolio and not to the Fund's shares. The Fund is also exposed to mortgage and asset-backed securities risk. Illiquid securities may be subject to wide fluctuations in market value. The Fund may be subject to significant delays in disposing of illiquid securities. Accordingly, the Fund may be forced to sell these securities at less than fair market value or may not be able to sell them when the adviser or sub-adviser believes that it is desirable to do so.

In addition, the changes to the investment guidelines and strategies described above expose the Fund's portfolio to emerging market risk. Emerging market securities typically present even greater exposure to the risks of investment in foreign securities issued in developed markets and may be particularly sensitive to certain economic changes. For example, emerging market countries are typically more dependent on exports and are therefore more vulnerable to recessions in other countries. Emerging markets may be undercapitalized and have less developed legal and financial systems than markets in the developed world. Additionally, emerging markets may have volatile currencies and may be more sensitive than more mature markets to a variety of economic factors. Emerging market securities also may be less liquid than securities of more developed countries and could be difficult to sell,

particularly during  
a market downturn.

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Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Agency Securities: 30.52%</b>				
<i>FHLB±(d)</i>	2.45%	12/01/2034	\$ 6,834,939	\$ 7,184,321
<i>FHLB±(d)</i>	2.55	06/01/2035	2,826,219	2,993,619
<i>FHLB±</i>	2.59	11/01/2030	366,414	387,329
<i>FHLB±</i>	2.71	07/01/2033	286,605	288,269
<i>FHLMC±</i>	2.33	08/01/2035	1,644,473	1,729,395
<i>FHLMC±(d)</i>	2.44	12/01/2035	4,578,162	4,805,401
<i>FHLMC±</i>	2.45	09/01/2035	5,071,520	5,331,397
<i>FHLMC±</i>	2.46	06/01/2036	3,117,520	3,278,930
<i>FHLMC±</i>	2.48	01/01/2036	6,345,712	6,625,160
<i>FHLMC±(d)</i>	2.48	04/01/2034	13,801,555	14,516,365
<i>FHLMC±(d)</i>	2.48	08/01/2035	4,802,474	5,068,947
<i>FHLMC±</i>	2.48	07/01/2032	403,087	405,281
<i>FHLMC±</i>	2.52	09/01/2032	468,485	494,994
<i>FHLMC±</i>	2.54	10/01/2035	1,838,874	1,940,162
<i>FHLMC±</i>	2.55	10/01/2033	183,002	193,127
<i>FHLMC±</i>	2.57	10/01/2030	310,627	328,954
<i>FHLMC±</i>	2.64	01/01/2038	3,361,610	3,539,426
<i>FHLMC±(d)</i>	2.64	09/01/2038	5,918,733	6,239,725
<i>FHLMC±</i>	2.67	12/01/2026	67,452	68,797
<i>FHLMC±</i>	2.68	10/01/2030	17,484	18,106
<i>FHLMC±</i>	2.73	06/01/2033	189,300	192,510
<i>FHLMC±</i>	2.77	08/01/2030	377,935	398,885
<i>FHLMC±</i>	3.24	06/01/2018	52,232	52,615
<i>FHLMC±</i>	3.32	05/01/2019	3,872	3,881
<i>FHLMC±</i>	3.89	10/01/2022	67,138	67,631
<i>FHLMC±</i>	4.07	10/01/2037	2,789,798	2,877,217
<i>FHLMC±</i>	4.40	01/01/2027	135,867	143,018
<i>FHLMC±</i>	5.00	07/01/2035	329,612	347,833
<i>FHLMC±</i>	5.28	11/01/2036	1,291,793	1,362,282
<i>FHLMC</i>	8.50	04/01/2015	19,048	19,402
<i>FHLMC</i>	8.50	07/01/2028	131,336	157,479
<i>FHLMC</i>	8.50	03/01/2030	73,133	83,648
<i>FHLMC Series 0196 Class A±</i>	1.05	12/15/2021	92,195	92,250
<i>FHLMC Series 1383±(d)</i>	5.82	02/01/2037	1,966,132	2,128,141
<i>FHLMC Series 2390 Class FD±</i>	0.69	12/15/2031	88,394	88,598
<i>FHLMC Series 2411 Class F±</i>	0.79	02/15/2032	115,683	116,078
<i>FHLMC Series 2431 Class F±</i>	0.74	03/15/2032	3,644,677	3,653,857
<i>FHLMC Series 2567 Class FH±</i>	0.64	02/15/2033	190,230	190,444
<i>FNMA±</i>	1.35	04/01/2028	106,444	109,758
<i>FNMA±</i>	1.68	10/01/2034	296,327	304,346
<i>FNMA±</i>	2.00	04/01/2019	6,095	6,134
<i>FNMA±</i>	2.19	10/01/2035	1,448,587	1,498,162
<i>FNMA±</i>	2.21	12/01/2031	56,321	56,646
<i>FNMA±</i>	2.25	01/01/2017	42,896	43,759
<i>FNMA±(d)</i>	2.25	12/01/2035	1,701,557	1,761,234
<i>FNMA±</i>	2.31	12/01/2026	112,807	118,766
<i>FNMA±</i>	2.31	06/01/2035	3,377,437	3,548,560
<i>FNMA±</i>	2.35	01/01/2036	2,709,294	2,841,131
<i>FNMA±</i>	2.36	03/01/2033	162,709	170,884
<i>FNMA±</i>	2.39	03/01/2034	519,310	545,001
<i>FNMA±(d)</i>	2.39	03/01/2035	5,460,641	5,696,725



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Portfolio of Investments October 31, 2011

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Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Agency Securities (continued)</b>				
FNMA±	2.40%	06/01/2024	\$ 146,169	\$ 153,816
FNMA±	2.42	06/01/2029	173,285	182,297
FNMA±(d)	2.42	07/01/2038	2,348,615	2,477,721
FNMA±	2.43	02/01/2035	322,028	339,816
FNMA±	2.43	07/01/2026	35,355	37,346
FNMA±(d)	2.44	04/01/2034	4,722,464	4,966,015
FNMA±(d)	2.44	08/01/2036	2,197,345	2,285,834
FNMA±	2.46	07/01/2038	223,419	233,741
FNMA±	2.47	12/01/2029	54,813	57,986
FNMA±	2.48	01/01/2026	228,803	241,563
FNMA±	2.49	07/01/2048	312,637	329,734
FNMA±	2.49	06/01/2038	3,687,127	3,899,985
FNMA±	2.49	12/01/2028	42,644	42,898
FNMA±	2.50	11/01/2035	2,311,442	2,439,737
FNMA±	2.50	06/01/2036	4,656,144	4,919,391
FNMA±	2.51	06/01/2031	96,197	97,029
FNMA±(d)	2.52	08/01/2039	5,594,853	5,905,675
FNMA±	2.52	08/01/2030	155,423	164,223
FNMA±	2.52	11/01/2035	3,611,453	3,798,759
FNMA±	2.53	01/01/2035	1,666,199	1,757,437
FNMA±(d)	2.59	10/01/2034	10,693,693	11,240,700
FNMA±	2.60	05/01/2030	177,777	187,042
FNMA±(d)	2.61	02/01/2036	1,380,974	1,466,030
FNMA±	2.62	08/01/2028	70,769	74,537
FNMA±	2.63	04/01/2035	2,700,473	2,854,205
FNMA±	2.64	04/01/2017	1,761,177	1,822,084
FNMA±	2.65	10/01/2033	3,789,467	4,006,048
FNMA±	2.68	03/01/2034	14,750	15,557
FNMA±(d)	2.70	01/01/2038	3,226,374	3,321,356
FNMA±	2.70	04/01/2033	118,235	124,583
FNMA±	2.72	05/01/2036	10,269,033	10,898,492
FNMA±(d)	2.75	07/01/2036	1,311,263	1,387,695
FNMA±	2.75	12/01/2016	8,100	8,131
FNMA±	2.75	08/01/2035	2,711,296	2,882,401
FNMA±(d)	2.76	04/01/2036	1,797,422	1,870,536
FNMA±(d)	2.76	05/01/2035	3,439,254	3,639,818
FNMA±	2.79	09/01/2027	176,025	186,743
FNMA±	2.82	05/01/2036	898,313	929,248
FNMA±	2.84	12/01/2017	654,603	677,518
FNMA±	2.84	09/01/2032	196,817	197,948
FNMA±(d)	2.87	07/01/2038	2,301,364	2,421,236
FNMA±	3.06	10/01/2029	97,049	101,423
FNMA±	3.08	02/01/2017	1,504,565	1,564,702
FNMA±	3.12	07/01/2030	97,750	97,846
FNMA±	3.15	07/01/2033	39,461	39,658
FNMA±	3.82	01/01/2015	15,109	15,146
FNMA±	3.82	01/01/2030	63,223	63,539
FNMA±	4.03	08/01/2027	210,298	211,002
FNMA±	4.15	07/01/2035	1,851,826	1,957,909
FNMA±	4.19	04/01/2031	662,301	695,251
FNMA±(d)	4.26	02/01/2035	5,430,307	5,618,294

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10 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Agency Securities (continued)</b>				
FNMA±	4.31%	04/01/2025	\$ 83,469	\$ 84,225
FNMA±	4.42	11/01/2024	191,150	202,354
FNMA±	4.54	12/01/2036	41,809	43,858
FNMA±	4.79	12/01/2034	1,359,044	1,454,289
FNMA±(d)	4.85	04/01/2034	2,894,776	3,026,798
FNMA±	4.95	01/01/2034	456,741	459,541
FNMA±(d)	5.00	09/01/2032	2,377,377	2,542,176
FNMA±	5.11	12/01/2022	13,233	13,191
FNMA±	6.00	05/01/2021	5,373	5,391
FNMA±	6.00	08/01/2021	9,316	9,279
FNMA	6.00	04/01/2033	191,479	212,571
FNMA±	6.14	12/01/2020	98,135	98,635
FNMA±	6.15	12/01/2013	137,052	139,073
FNMA±(d)	6.26	09/01/2037	1,963,800	2,111,908
FNMA	6.50	11/01/2032	66,313	74,855
FNMA	7.50	07/01/2017	106,526	117,569
FNMA	7.50	10/01/2028	12,881	12,936
FNMA	7.50	11/01/2028	165,321	193,997
FNMA	7.50	02/01/2030	44,079	51,043
FNMA	7.50	09/01/2030	102,043	115,494
FNMA	7.50	07/01/2032	21,942	22,526
FNMA	8.00	12/01/2024	10,872	11,011
FNMA	8.00	06/01/2030	124,100	141,268
FNMA	12.00	01/01/2016	16,555	18,278
FNMA Series 1996-46 Class FA±	0.75	08/25/2021	54,075	54,485
FNMA Series 2001-25 Class Z	6.00	06/25/2031	572,320	646,975
FNMA Series 2001-35 Class F±	0.84	07/25/2031	26,813	26,991
FNMA Series 2001-57 Class F±	0.74	06/25/2031	26,995	27,080
FNMA Series 2001-T10 Class A2	7.50	12/25/2041	231,022	262,093
FNMA Series 2002-77 Class FH±	0.64	12/18/2032	178,957	179,530
FNMA Series 2002-95 Class FK±	0.74	01/25/2033	4,019,100	4,030,482
FNMA Series 2002-97 Class FR±	0.79	01/25/2033	58,566	58,584
FNMA Series 2003-W8 Class 3F2±	0.59	05/25/2042	1,070,824	1,071,962
FNMA Series G91-16 Class F±	0.70	06/25/2021	59,840	60,222
FNMA Series G92-17 Class F±	1.30	03/25/2022	122,323	124,080
GNMA	6.50	06/15/2028	76,682	87,826
GNMA	7.25	07/15/2017	38,046	42,242
GNMA	7.25	08/15/2017	57,818	63,988
GNMA	7.25	08/15/2017	45,661	50,475
GNMA	7.25	08/15/2017	15,443	17,146
GNMA	7.25	09/15/2017	58,980	65,484
GNMA	7.25	10/15/2017	99,109	109,646
GNMA	7.25	10/15/2017	48,887	53,933
GNMA	7.25	11/15/2017	39,321	43,230
GNMA	7.25	01/15/2018	13,743	15,232
GNMA	7.25	01/15/2018	31,512	35,240
GNMA	7.25	02/15/2018	32,128	35,693
GNMA	7.25	05/15/2018	16,648	18,253
<b>Total Agency Securities (Cost \$203,516,613)</b>				<b>207,365,399</b>

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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 11

Security Name	Shares	Value
<b>Common Stocks: 0.06%</b>		
<b>Consumer Discretionary: 0.00%</b>		
<b>Hotels, Restaurants &amp; Leisure: 0.00%</b>		
<i>Trump Entertainment Resorts Incorporated(i)(a)</i>	1,161	\$ 0
<b>Telecommunication Services: 0.06%</b>		
<b>Diversified Telecommunication Services: 0.06%</b>		
<i>Fairpoint Communications Incorporated</i>	70,442	378,274
<b>Total Common Stocks (Cost \$1,617,838)</b>		378,274
	<b>Interest Rate</b>	<b>Maturity Date</b>
		<b>Principal</b>
<b>Convertible Debentures: 0.16%</b>		
<b>Information Technology: 0.16%</b>		
<b>Communications Equipment: 0.16%</b>		
<i>Lucent Technologies Incorporated Series B</i>	2.88	06/15/2025
		\$ 1,145,000
<b>Total Convertible Debentures (Cost \$765,113)</b>		1,082,025
<b>Corporate Bonds and Notes: 52.78%</b>		
<b>Consumer Discretionary: 10.44%</b>		
<b>Auto Components: 1.15%</b>		
<i>Allison Transmission Incorporated 144A</i>	7.13	05/15/2019
		3,050,000
<i>Cooper Tire &amp; Rubber Company</i>	7.63	03/15/2027
		1,895,000
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12/15/2019
		450,000
<i>Goodyear Tire &amp; Rubber Company</i>	8.75	08/15/2020
		468,000
<i>Goodyear Tire &amp; Rubber Company</i>	10.50	05/15/2016
		1,957,000
		7,805,120
<b>Diversified Consumer Services: 1.36%</b>		
<i>Carriage Services Incorporated</i>	7.88	01/15/2015
		1,795,000
<i>Service Corporation International</i>	6.75	04/01/2016
		475,000
<i>Service Corporation International</i>	7.00	05/15/2019
		650,000
<i>Service Corporation International</i>	7.50	04/01/2027
		3,965,000
<i>Service Corporation International</i>	8.00	11/15/2021
		475,000
<i>Service Corporation International Series WI</i>	7.00	06/15/2017
		1,610,000
		1,730,750
		9,213,438

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**Hotels, Restaurants & Leisure: 2.63%**

<i>American Casinos Incorporated 144A</i>	7.50	04/15/2021	1,250,000	1,281,250
<i>Burger King Corporation</i>	9.88	10/15/2018	850,000	911,625
<i>Chukchansi Economic Development Authority ±144A(i)</i>	3.92	11/15/2012	1,375,000	883,438
<i>Citycenter Holdings LLC 144A</i>	7.63	01/15/2016	175,000	182,000
<i>Citycenter Holdings LLC 144A¥</i>	11.50	01/15/2017	1,076,414	1,108,706
<i>DineEquity Incorporated</i>	9.50	10/30/2018	2,825,000	2,994,500
<i>Greektown Superholdings</i>	13.00	07/01/2015	4,125,000	4,238,438
<i>NAI Entertainment Holdings LLC 144A</i>	8.25	12/15/2017	1,000,000	1,052,500
<i>Pinnacle Entertainment Incorporated</i>	7.50	06/15/2015	1,250,000	1,228,125
<i>Scientific Games Corporation</i>	9.25	06/15/2019	485,000	510,463

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12 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Hotels, Restaurants &amp; Leisure (continued)</b>				
<i>Speedway Motorsports Incorporated</i>	6.75%	02/01/2019	\$ 225,000	\$ 221,063
<i>Speedway Motorsports Incorporated</i>	8.75	06/01/2016	950,000	1,026,000
<i>Yonkers Racing Corporation 144A</i>	11.38	07/15/2016	2,200,000	2,260,500
				17,898,608
<b>Media: 4.44%</b>				
<i>Barrington Broadcasting Group LLC</i>	10.50	08/15/2014	250,000	230,000
<i>Cablevision Systems Corporation</i>	8.63	09/15/2017	1,310,000	1,421,350
<i>CCH II Capital LLC</i>	13.50	11/30/2016	7,535,929	8,685,158
<i>Charter Communications Incorporated Step Bond 144A</i>	10.88	09/15/2014	5,140,000	5,538,350
<i>Cinemark USA Incorporated</i>	7.38	06/15/2021	775,000	773,063
<i>Cinemark USA Incorporated</i>	8.63	06/15/2019	250,000	271,250
<i>CSC Holdings LLC 144A</i>	6.75	11/15/2021	250,000	250,000
<i>CSC Holdings LLC</i>	7.88	02/15/2018	600,000	658,500
<i>CSC Holdings LLC</i>	8.50	04/15/2014	400,000	439,000
<i>DISH DBS Corporation</i>	7.88	09/01/2019	480,000	526,800
<i>EchoStar DBS Corporation</i>	6.63	10/01/2014	1,000,000	1,042,500
<i>EchoStar DBS Corporation</i>	7.13	02/01/2016	125,000	132,813
<i>EchoStar DBS Corporation</i>	7.75	05/31/2015	350,000	376,250
<i>Gray Television Incorporated</i>	10.50	06/29/2015	1,375,000	1,299,375
<i>Interactive Data Corporation</i>	10.25	08/01/2018	1,250,000	1,343,750
<i>Lamar Media Corporation</i>	7.88	04/15/2018	575,000	602,313
<i>Lamar Media Corporation Series C</i>	9.75	04/01/2014	375,000	412,500
<i>LIN Television Corporation</i>	8.38	04/15/2018	775,000	798,250
<i>Regal Cinemas Corporation</i>	8.63	07/15/2019	2,075,000	2,220,250
<i>Regal Entertainment Group</i>	9.13	08/15/2018	400,000	428,000
<i>Salem Communications Corporation</i>	9.63	12/15/2016	2,650,000	2,703,000
				30,152,472
<b>Specialty Retail: 0.56%</b>				
<i>Gap Incorporated</i>	5.95	04/12/2021	600,000	571,513
<i>Limited Brands Incorporated</i>	6.63	04/01/2021	50,000	52,500
<i>Radioshack Corporation 144A</i>	6.75	05/15/2019	900,000	810,000
<i>Rent-A-Center Incorporated</i>	6.63	11/15/2020	375,000	376,875
<i>Toys R Us Property Company LLC</i>	8.50	12/01/2017	1,905,000	2,012,156
				3,823,044
<b>Textiles, Apparel &amp; Luxury Goods: 0.30%</b>				
<i>Oxford Industries Incorporated</i>	11.38	07/15/2015	1,865,000	2,063,156
<b>Consumer Staples: 0.78%</b>				
<b>Beverages: 0.28%</b>				
<i>Anheuser-Busch InBev SA</i>	6.88	11/15/2019	1,475,000	1,887,103

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**Food Products: 0.50%**

<i>Darling International Incorporated</i>	8.50	12/15/2018	125,000	140,313
<i>Dole Food Company Incorporated</i>	13.88	03/15/2014	1,452,000	1,695,210
<i>Smithfield Foods Incorporated</i>	10.00	07/15/2014	1,370,000	1,592,625
				3,428,148

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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 13

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Energy: 7.99%</b>				
<b>Energy Equipment &amp; Services: 1.71%</b>				
<i>Bristow Group Incorporated</i>	7.50%	09/15/2017	\$ 985,000	\$ 1,024,400
<i>Cleaver-Brooks Incorporated 144A</i>	12.25	05/01/2016	630,000	630,000
<i>GulfMark Offshore Incorporated</i>	7.75	07/15/2014	1,625,000	1,596,563
<i>Hornbeck Offshore Services Incorporated Series B</i>	6.13	12/01/2014	2,345,000	2,362,588
<i>Hornbeck Offshore Services Incorporated Series B</i>	8.00	09/01/2017	2,230,000	2,252,300
<i>Oil States International Incorporated</i>	6.50	06/01/2019	755,000	790,863
<i>Parker Drilling Company</i>	9.13	04/01/2018	460,000	481,850
<i>PHI Incorporated</i>	8.63	10/15/2018	2,500,000	2,512,500
				11,651,064
<b>Oil, Gas &amp; Consumable Fuels: 6.28%</b>				
<i>Chesapeake Energy Corporation</i>	9.50	02/15/2015	2,250,000	2,576,250
<i>Cloud Peak Energy Resources Incorporated</i>	8.25	12/15/2017	125,000	133,750
<i>Cloud Peak Energy Resources Incorporated</i>	8.50	12/15/2019	225,000	240,750
<i>Coffeyville Resources LLC 144A</i>	9.00	04/01/2015	932,000	1,004,230
<i>Coffeyville Resources LLC 144A</i>	10.88	04/01/2017	1,350,000	1,528,875
<i>Consol Energy Incorporated</i>	8.25	04/01/2020	825,000	903,375
<i>Denbury Resources Incorporated</i>	6.38	08/15/2021	350,000	360,500
<i>Denbury Resources Incorporated</i>	8.25	02/15/2020	425,000	469,625
<i>El Paso Corporation</i>	6.50	09/15/2020	445,000	486,163
<i>El Paso Corporation</i>	7.00	06/15/2017	175,000	196,000
<i>El Paso Corporation</i>	7.25	06/01/2018	1,610,000	1,803,200
<i>El Paso Corporation</i>	7.42	02/15/2037	800,000	876,000
<i>El Paso Corporation</i>	7.80	08/01/2031	1,850,000	2,118,250
<i>Encore Acquisition Company</i>	9.50	05/01/2016	375,000	415,313
<i>Energy Transfer Equity LP</i>	7.50	10/15/2020	3,100,000	3,348,000
<i>Ferrellgas Finance Corporation</i>	6.50	05/01/2021	400,000	358,000
<i>Ferrellgas Finance Corporation</i>	9.13	10/01/2017	2,325,000	2,464,500
<i>Forest Oil Corporation</i>	7.25	06/15/2019	1,345,000	1,378,625
<i>Forest Oil Corporation</i>	8.50	02/15/2014	535,000	577,800
<i>Hilcorp Energy Company 144A</i>	7.75	11/01/2015	500,000	512,950
<i>Holly Corporation</i>	9.88	06/15/2017	1,895,000	2,075,025
<i>Inergy Holdings LP</i>	6.88	08/01/2021	575,000	562,063
<i>Inergy Holdings LP</i>	7.00	10/01/2018	500,000	502,500
<i>Overseas Shipholding Group</i>	7.50	02/15/2024	800,000	488,000
<i>Peabody Energy Corporation</i>	7.88	11/01/2026	3,435,000	3,787,088
<i>Petrohawk Energy Corporation</i>	7.88	06/01/2015	790,000	847,275
<i>Petrohawk Energy Corporation</i>	10.50	08/01/2014	495,000	555,019
<i>Pioneer Natural Resources Company</i>	7.50	01/15/2020	1,220,000	1,384,857
<i>Plains Exploration &amp; Production Company</i>	8.63	10/15/2019	2,885,000	3,202,350
<i>Regency Energy Partners</i>	6.88	12/01/2018	250,000	263,750
<i>Sabine Pass LNG LP</i>	7.25	11/30/2013	2,265,000	2,265,000
<i>Sabine Pass LNG LP</i>	7.50	11/30/2016	2,925,000	2,895,750
<i>Susser Holdings LLC</i>	8.50	05/15/2016	975,000	1,016,438
<i>Tesoro Corporation</i>	9.75	06/01/2019	945,000	1,063,125
				42,660,396

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14 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Financials: 12.53%</b>				
<b>Capital Markets: 0.90%</b>				
<i>E*TRADE Financial Corporation</i> ¥	12.50%	11/30/2017	\$ 4,291,000	\$ 4,945,378
<i>Oppenheimer Holdings Incorporated</i>	8.75	04/15/2018	1,225,000	1,194,375
				6,139,753
<b>Commercial Banks: 1.53%</b>				
<i>CIT Group Incorporated 144A</i>	5.25	04/01/2014	750,000	746,250
<i>CIT Group Incorporated</i>	7.00	05/01/2015	738	738
<i>CIT Group Incorporated 144A</i>	7.00	05/04/2015	1,472,000	1,472,000
<i>CIT Group Incorporated</i>	7.00	05/01/2016	2,654,562	2,657,880
<i>CIT Group Incorporated</i>	7.00	05/01/2017	2,900,000	2,900,000
<i>Emigrant Bancorp Incorporated 144A(i)</i>	6.25	06/15/2014	2,925,000	2,635,811
				10,412,679
<b>Consumer Finance: 6.64%</b>				
<i>American General Finance Corporation</i>	5.40	12/01/2015	1,600,000	1,248,000
<i>American General Finance Corporation</i>	5.75	09/15/2016	1,075,000	795,500
<i>American General Finance Corporation</i>	6.50	09/15/2017	150,000	111,375
<i>Calpine Construction Finance Corporation 144A</i>	7.25	10/15/2017	4,800,000	4,992,000
<i>Calpine Construction Finance Corporation 144A</i>	8.00	06/01/2016	1,375,000	1,464,375
<i>Clearwire Communications Finance Corporation 144A</i>	12.00	12/01/2015	2,390,000	2,043,450
<i>General Electric Capital Corporation</i>	7.63	12/10/2014	2,000,000	1,747,029
<i>General Motors Financial Company Incorporated 144A</i>	6.75	06/01/2018	900,000	910,196
<i>GMAC LLC</i>	6.75	12/01/2014	1,298,000	1,310,980
<i>GMAC LLC</i>	6.88	08/28/2012	1,244,000	1,259,550
<i>GMAC LLC</i>	7.50	12/31/2013	3,620,000	3,728,600
<i>Homer City Funding LLC</i>	8.73	10/01/2026	1,263,376	1,061,236
<i>International Lease Finance Corporation</i>	6.38	03/25/2013	460,000	461,150
<i>International Lease Finance Corporation 144A</i>	6.75	09/01/2016	100,000	102,875
<i>International Lease Finance Corporation</i>	8.63	09/15/2015	900,000	945,000
<i>JBS USA Finance Incorporated</i>	11.63	05/01/2014	3,745,000	4,119,500
<i>Level 3 Financing Incorporated</i>	10.00	02/01/2018	2,010,000	2,130,600
<i>Local TV Finance LLC 144A</i> ¥	9.25	06/15/2015	1,975,000	1,836,750
<i>Nielsen Finance LLC Company</i>	11.50	05/01/2016	601,000	689,648
<i>Nielson Finance LLC Company</i>	7.75	10/15/2018	5,100,000	5,622,750
<i>Springleaf Finance Corporation</i>	6.90	12/15/2017	2,975,000	2,268,438
<i>Sprint Capital Corporation</i>	6.88	11/15/2028	5,985,000	4,369,050
<i>Sprint Capital Corporation</i>	8.38	03/15/2012	1,895,000	1,913,950
				45,132,002
<b>Diversified Financial Services: 1.40%</b>				
<i>Ally Financial Incorporated</i>	8.30	02/12/2015	2,055,000	2,157,750
<i>Leucadia National Corporation</i>	8.13	09/15/2015	2,655,000	2,867,400
<i>Nuveen Investments Incorporated</i>	5.50	09/15/2015	2,950,000	2,507,500
<i>Nuveen Investments Incorporated</i>	10.50	11/15/2015	875,000	875,000



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<i>Nuveen Investments Incorporated 144A</i>	10.50	11/15/2015	1,100,000	1,089,000
				9,496,650
<b>Insurance: 0.56%</b>				
<i>Hub International Holdings Incorporated 144A</i>	10.25	06/15/2015	3,375,000	3,265,313

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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 15

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Insurance (continued)</b>				
<i>USI Holdings Corporation 144A</i>	9.75%	05/15/2015	\$ 525,000	\$ 500,063
				3,765,376
<b>REIT: 1.50%</b>				
<i>Dupont Fabros Technology Incorporated</i>	8.50	12/15/2017	5,560,000	5,949,200
<i>Host Hotels &amp; Resorts LP</i>	9.00	05/15/2017	235,000	262,613
<i>Medical Properties Trust Incorporated 144A</i>	6.88	05/01/2021	775,000	771,125
<i>Omega Healthcare Investors Incorporated</i>	6.75	10/15/2022	1,775,000	1,792,750
<i>Omega Healthcare Investors Incorporated</i>	7.00	01/15/2016	500,000	511,250
<i>Ventas Incorporated</i>	9.00	05/01/2012	859,000	884,088
				10,171,026
<b>Health Care: 1.81%</b>				
<b>Health Care Equipment &amp; Supplies: 0.44%</b>				
<i>Biomet Incorporated</i>	10.38	10/15/2017	540,000	583,200
<i>Biomet Incorporated</i>	11.63	10/15/2017	2,200,000	2,398,000
				2,981,200
<b>Health Care Providers &amp; Services: 1.24%</b>				
<i>Apria Healthcare Group Incorporated</i>	11.25	11/01/2014	590,000	573,775
<i>Aviv Healthcare Properties LP</i>	7.75	02/15/2019	1,025,000	989,125
<i>Centene Corporation</i>	5.75	06/01/2017	1,000,000	1,005,000
<i>Community Health Systems Incorporated</i>	8.88	07/15/2015	700,000	716,625
<i>HCA Incorporated</i>	6.50	02/15/2020	1,875,000	1,964,063
<i>HCA Incorporated</i>	7.50	02/15/2022	350,000	357,000
<i>HCA Incorporated</i>	8.50	04/15/2019	375,000	412,500
<i>Health Management plc</i>	6.13	04/15/2016	175,000	177,625
<i>Healthsouth Corporation</i>	7.25	10/01/2018	400,000	400,000
<i>Healthsouth Corporation</i>	7.75	09/15/2022	400,000	400,000
<i>Sabra Health Care LP</i>	8.13	11/01/2018	1,450,000	1,428,250
				8,423,963
<b>Pharmaceuticals: 0.13%</b>				
<i>Mylan Incorporated 144A</i>	6.00	11/15/2018	300,000	315,000
<i>Mylan Incorporated 144A</i>	7.63	07/15/2017	375,000	414,375
<i>Mylan Incorporated 144A</i>	7.88	07/15/2020	150,000	168,000
				897,375
<b>Industrials: 3.47%</b>				
<b>Aerospace &amp; Defense: 1.00%</b>				

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<i>Alliant Techsystems Incorporated</i>	6.75	04/01/2016	1,980,000	2,029,500
<i>GeoEye Incorporated</i>	9.63	10/01/2015	485,000	543,200
<i>Hexcel Corporation</i>	6.75	02/01/2015	480,000	487,200
<i>Huntington Ingalls Industries Incorporated 144A</i>	6.88	03/15/2018	350,000	352,625
<i>Huntington Ingalls Industries Incorporated 144A</i>	7.13	03/15/2021	125,000	126,563
<i>L-3 Communications Holdings Incorporated</i>	6.38	10/15/2015	2,784,000	2,843,160
<i>TransDigm Group Incorporated</i>	7.75	12/15/2018	350,000	379,750
				6,761,998

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16 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Commercial Services &amp; Supplies: 1.60%</b>				
<i>Casella Waste Systems Incorporated</i>	11.00%	07/15/2014	\$ 1,945,000	\$ 2,100,600
<i>Corrections Corporation of America</i>	6.25	03/15/2013	565,000	565,353
<i>Corrections Corporation of America</i>	7.75	06/01/2017	1,270,000	1,374,775
<i>Crown Cork &amp; Seal Company Incorporated</i>	7.50	12/15/2096	600,000	483,000
<i>Geo Group Incorporated</i>	7.75	10/15/2017	1,450,000	1,522,500
<i>Interface Incorporated</i>	7.63	12/01/2018	125,000	130,938
<i>Iron Mountain Incorporated</i>	6.75	10/15/2018	250,000	318,251
<i>Iron Mountain Incorporated</i>	8.38	08/15/2021	1,385,000	1,450,788
<i>KAR Holdings Incorporated±</i>	4.25	05/01/2014	1,150,000	1,127,000
<i>Mac-Gray Corporation</i>	7.63	08/15/2015	458,000	467,160
<i>NCO Group Incorporated</i>	11.88	11/15/2014	1,425,000	1,332,375
				10,872,740
<b>Machinery: 0.51%</b>				
<i>Columbus McKinnon Corporation</i>	7.88	02/01/2019	725,000	743,125
<i>CPM Holdings Incorporated</i>	10.63	09/01/2014	1,315,000	1,400,475
<i>Dresser Rand Group Incorporated 144A</i>	6.50	05/01/2021	925,000	936,563
<i>Titan International Incorporated</i>	7.88	10/01/2017	375,000	393,750
				3,473,913
<b>Professional Services: 0.06%</b>				
<i>CDRT Merger Sub Incorporated 144A</i>	8.13	06/01/2019	425,000	425,000
<b>Road &amp; Rail: 0.30%</b>				
<i>Kansas City Southern</i>	8.00	06/01/2015	55,000	58,575
<i>Kansas City Southern</i>	13.00	12/15/2013	349,000	397,424
<i>RailAmerica Incorporated</i>	9.25	07/01/2017	1,425,000	1,549,688
				2,005,687
<b>Information Technology: 3.74%</b>				
<b>Communications Equipment: 0.36%</b>				
<i>Allbritton Communications Company</i>	8.00	05/15/2018	1,275,000	1,281,375
<i>Lucent Technologies Incorporated</i>	6.45	03/15/2029	1,285,000	1,130,800
				2,412,175
<b>Computers &amp; Peripherals: 0.04%</b>				
<i>Seagate Technology HDD Holdings</i>	6.88	05/01/2020	300,000	294,000
<b>Electronic Equipment, Instruments &amp; Components: 1.52%</b>				
<i>GCI Incorporated</i>	6.75	06/01/2021	575,000	562,063

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<i>GCI Incorporated</i>	8.63	11/15/2019	2,125,000	2,279,063
<i>Jabil Circuit Incorporated</i>	8.25	03/15/2018	5,275,000	6,119,000
<i>Viasystem Group Incorporated 144A</i>	12.00	01/15/2015	1,285,000	1,384,588
				10,344,714
<b>Internet Software &amp; Services: 0.19%</b>				
<i>Equinix Incorporated</i>	7.00	07/15/2021	75,000	79,875
<i>Equinix Incorporated</i>	8.13	03/01/2018	1,085,000	1,182,650
				1,262,525

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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 17

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>IT Services: 1.60%</b>				
<i>Fidelity National Information Services Incorporated</i>	7.88%	07/15/2020	\$ 1,000,000	\$ 1,092,500
<i>First Data Corporation</i>	11.25	03/31/2016	4,550,000	4,049,500
<i>SunGard Data Systems Incorporated</i>	7.38	11/15/2018	525,000	536,813
<i>SunGard Data Systems Incorporated</i>	7.63	11/15/2020	250,000	256,250
<i>SunGard Data Systems Incorporated</i>	10.25	08/15/2015	3,455,000	3,584,563
<i>Unisys Corporation</i>	12.50	01/15/2016	460,000	493,350
<i>Unisys Corporation 144A</i>	12.75	10/15/2014	434,000	487,165
<i>Unisys Corporation 144A</i>	14.25	09/15/2015	332,000	377,650
				10,877,791
<b>Software: 0.03%</b>				
<i>Audatex North American Incorporated 144A</i>	6.75	06/15/2018	225,000	228,375
<b>Materials: 2.87%</b>				
<b>Chemicals: 1.83%</b>				
<i>Huntsman International LLC</i>	5.50	06/30/2016	1,260,000	1,247,400
<i>Lyondell Chemical Company</i>	11.00	05/01/2018	8,981,938	10,003,633
<i>Rockwood Specialties Group Incorporated</i>	7.63	11/15/2014	340,000	472,246
<i>Solutia Incorporated</i>	7.88	03/15/2020	670,000	716,900
				12,440,179
<b>Containers &amp; Packaging: 0.32%</b>				
<i>Crown Americas LLC</i>	7.63	05/15/2017	450,000	488,250
<i>Graham Packaging Company</i>	9.88	10/15/2014	1,450,000	1,469,938
<i>Owens Brockway Glass Container Incorporated</i>	7.38	05/15/2016	175,000	189,875
				2,148,063
<b>Metals &amp; Mining: 0.40%</b>				
<i>Freeport-McMoRan Copper &amp; Gold Incorporated</i>	8.38	04/01/2017	2,485,000	2,658,950
<i>Indalex Holdings Corporation(s)</i>	11.50	02/01/2014	3,170,000	31,700
				2,690,650
<b>Paper &amp; Forest Products: 0.32%</b>				
<i>Clearwater Paper Corporation</i>	10.63	06/15/2016	545,000	615,850
<i>Georgia Pacific Corporation</i>	8.88	05/15/2031	1,080,000	1,575,775
				2,191,625
<b>Telecommunication Services: 5.10%</b>				
<b>Diversified Telecommunication Services: 2.16%</b>				

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<i>Avaya Incorporated</i>	9.75	11/01/2015	1,175,000	1,039,875
<i>Citizens Communications Company</i>	7.88	01/15/2027	1,805,000	1,574,863
<i>Frontier Communications Corporation</i>	8.13	10/01/2018	845,000	902,038
<i>Frontier Communications Corporation</i>	8.25	05/01/2014	200,000	213,500
<i>Frontier Communications Corporation</i>	8.25	04/15/2017	1,040,000	1,110,200
<i>Frontier Communications Corporation</i>	8.50	04/15/2020	525,000	559,125
<i>Intelsat Jackson Holdings Limited 144A</i>	7.25	10/15/2020	875,000	877,188
<i>Intelsat Jackson Holdings Limited</i>	8.50	11/01/2019	850,000	890,375
<i>Intelsat Jackson Holdings Limited</i>	9.50	06/15/2016	725,000	756,719
<i>Qwest Corporation</i>	7.13	11/15/2043	795,000	771,150

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18 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Diversified Telecommunication Services (continued)</b>				
<i>Qwest Corporation</i>	7.25%	09/15/2025	\$ 1,040,000	\$ 1,045,200
<i>Qwest Corporation</i>	7.50	06/15/2023	1,370,000	1,364,863
<i>Qwest Corporation</i>	7.63	08/03/2021	230,000	220,800
<i>SBA Telecommunications Incorporated</i>	8.00	08/15/2016	700,000	752,500
<i>SBA Telecommunications Incorporated</i>	8.25	08/15/2019	100,000	109,250
<i>Windstream Corporation</i>	7.88	11/01/2017	2,330,000	2,516,400
				14,704,046
<b>Wireless Telecommunication Services: 2.94%</b>				
<i>CCO Holdings LLC 144A</i>	7.75	05/01/2017	325,000	351,813
<i>CCO Holdings LLC</i>	8.13	04/30/2020	450,000	487,125
<i>Cricket Communications Incorporated</i>	7.75	05/15/2016	1,705,000	1,768,938
<i>Cricket Communications Incorporated</i>	7.75	10/15/2020	1,400,000	1,197,000
<i>Crown Castle International Corporation</i>	7.13	11/01/2019	75,000	81,188
<i>Crown Castle International Corporation</i>	9.00	01/15/2015	325,000	354,250
<i>iPCS Incorporated</i> ¥	3.50	05/01/2014	1,357,019	1,173,821
<i>MetroPCS Communications Incorporated</i>	6.63	11/15/2020	2,775,000	2,608,500
<i>MetroPCS Communications Incorporated</i>	7.88	09/01/2018	775,000	788,563
<i>Sprint Nextel Corporation</i>	6.90	05/01/2019	1,055,000	878,288
<i>Sprint Nextel Corporation Series D</i>	7.38	08/01/2015	4,085,000	3,901,175
<i>Sprint Nextel Corporation Series F</i>	5.95	03/15/2014	2,335,000	2,229,925
<i>Syniverse Holdings Incorporated</i>	9.13	01/15/2019	3,975,000	4,134,000
				19,954,586
<b>Utilities: 4.05%</b>				
<b>Electric Utilities: 1.91%</b>				
<i>Aquila Incorporated Step Bond</i>	11.88	07/01/2012	6,545,000	6,987,265
<i>Dolphin Subsidiary II Incorporated 144A</i>	7.25	10/15/2021	2,125,000	2,279,063
<i>Energy Future Holdings Corporation</i> ¥	12.00	11/01/2017	958,730	814,921
<i>Ipalco Enterprises Incorporated 144A</i>	5.00	05/01/2018	900,000	913,500
<i>Otter Tail Corporation</i>	9.00	12/15/2016	1,835,000	1,986,388
<i>PNM Resources Incorporated</i>	9.25	05/15/2015	15,000	16,950
				12,998,087
<b>Gas Utilities: 0.33%</b>				
<i>AmeriGas Partners LP</i>	6.25	08/20/2019	1,500,000	1,485,000
<i>AmeriGas Partners LP</i>	6.50	05/20/2021	475,000	470,250
<i>Suburban Propane Partners LP</i>	7.38	03/15/2020	275,000	286,000
				2,241,250
<b>Independent Power Producers &amp; Energy Traders: 1.81%</b>				
<i>Dynegy Holdings Incorporated</i>	7.63	10/15/2026	2,165,000	1,299,000
<i>Mirant Mid-Atlantic LLC Series C</i>	10.06	12/30/2028	3,614,632	3,768,254



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<i>NRG Energy Incorporated</i>	7.38	01/15/2017	3,475,000	3,618,344
<i>NRG Energy Incorporated</i>	8.50	06/15/2019	1,615,000	1,687,675
<i>Reliant Energy Incorporated</i>	7.63	06/15/2014	450,000	459,000
<i>Reliant Energy Incorporated</i>	9.24	07/02/2017	1,071,656	1,071,656
<i>Reliant Energy Incorporated</i>	9.68	07/02/2026	410,000	403,850
				12,307,779
<b>Total Corporate Bonds and Notes (Cost \$344,042,127)</b>				<b>358,637,756</b>

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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 19

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Foreign Corporate Bonds and Notes@: 10.75%</b>				
<b>Consumer Discretionary: 0.32%</b>				
<b>Hotels, Restaurants &amp; Leisure: 0.17%</b>				
Casino Guichard Perrachon SA (EUR)	4.73%	05/26/2021	900,000	\$ 1,172,893
<b>Media: 0.15%</b>				
UPC Holding BV (EUR)	9.63	12/01/2019	470,000	689,359
Ziggo Bond Company BV 144A(i)(EUR)	8.00	05/15/2018	200,000	282,275
				971,634
<b>Consumer Staples: 0.50%</b>				
<b>Tobacco: 0.50%</b>				
British American Tobacco Finance plc (EUR)	5.38	06/29/2017	1,100,000	1,721,907
Imperial Tobacco Group plc (EUR)	8.38	02/17/2016	1,000,000	1,665,770
				3,387,677
<b>Financials: 8.29%</b>				
<b>Commercial Banks: 6.29%</b>				
Bank Nederlandse Gemeenten (EUR)	3.88	11/04/2019	1,200,000	1,791,577
Bayerische Landesbank (EUR)	1.88	06/30/2014	2,300,000	3,199,801
BNP Paribas SA (EUR)	3.50	03/07/2016	850,000	1,182,239
Eurofima (AUD)	6.25	12/28/2018	2,450,000	2,695,114
European Investment Bank (EUR)	3.13	04/15/2014	1,900,000	2,735,632
European Investment Bank (EUR)	3.13	03/03/2017	2,330,000	3,362,041
European Investment Bank (EUR)	4.25	10/15/2014	2,300,000	3,429,568
European Investment Bank (AUD)	6.13	01/23/2017	6,930,000	7,558,476
Instituto de Credito Oficial (EUR)	4.38	05/23/2012	1,800,000	2,495,544
International Bank for Reconstruction & Development (AUD)	5.75	10/01/2020	950,000	1,037,546
KfW Bankengruppe (EUR)	3.88	01/21/2019	910,000	1,389,726
KfW Bankengruppe (AUD)	6.25	12/04/2019	1,225,000	1,360,650
KfW Bankengruppe (NZD)	6.38	02/17/2015	4,819,000	4,163,927
Landesbank Baten-Wurtemberg (EUR)	1.75	01/17/2014	2,300,000	3,194,082
Rabobank Nederland (EUR)	4.25	01/16/2017	2,150,000	3,147,958
				42,743,881
<b>Consumer Finance: 0.19%</b>				
Fiat Industrial SpA (EUR)	6.25	03/09/2018	400,000	510,585
Virgin Media Finance plc (GBP)	8.88	10/15/2019	300,000	520,960
Wind Acquisition Finance SpA (EUR)	11.75	07/15/2017	200,000	273,973
				1,305,518

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**Thriffs & Mortgage Finance: 1.81%**

<i>Dexia Kommunalbank AG (EUR)</i>	3.50	06/05/2014	4,000,000	5,541,658
<i>Eurohypo AG (EUR)</i>	3.75	03/24/2014	4,000,000	5,761,262
<i>Nationwide Building Society (EUR)</i>	3.75	01/20/2015	700,000	967,101
				12,270,021

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20 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Health Care: 0.14%</b>				
<b>Pharmaceuticals: 0.14%</b>				
<i>Pfizer Incorporated (EUR)</i>	4.75%	06/03/2016	600,000	\$ 920,591
<b>Industrials: 0.36%</b>				
<b>Building Products: 0.07%</b>				
<i>Heidelbergcement AG (EUR)</i>	8.50	10/31/2019	330,000	487,443
<b>Machinery: 0.05%</b>				
<i>Savcio Holdings Limited (EUR)</i>	8.00	02/15/2013	250,000	332,088
<b>Trading Companies &amp; Distributors: 0.04%</b>				
<i>Rexel SA (EUR)</i>	8.25	12/15/2016	200,000	291,961
<b>Transportation Infrastructure: 0.20%</b>				
<i>BAA Funding Limited (EUR)</i>	4.60	02/15/2018	1,000,000	1,370,361
<b>Materials: 0.20%</b>				
<b>Metals &amp; Mining: 0.09%</b>				
<i>New World Resources NV (EUR)</i>	7.38	05/15/2015	500,000	650,339
<b>Paper &amp; Forest Products: 0.11%</b>				
<i>Smurfit Kappa Funding plc (EUR)</i>	7.25	11/15/2017	400,000	567,317
<i>Smurfit Kappa Funding plc (EUR)</i>	7.75	11/15/2019	120,000	171,025
				738,342
<b>Telecommunication Services: 0.42%</b>				
<b>Diversified Telecommunication Services: 0.42%</b>				
<i>Deutsche Telekom International Finance (EUR)</i>	4.25	07/13/2022	1,250,000	1,785,701
<i>Telstra Corporation Limited (EUR)</i>	4.75	03/21/2017	725,000	1,099,706
				2,885,407
<b>Utilities: 0.52%</b>				
<b>Multi-Utilities: 0.52%</b>				
<i>National Grid plc (EUR)</i>	4.38	03/10/2020	1,225,000	1,799,365
<i>Veolia Environnement SA (EUR)</i>	4.00	02/12/2016	1,200,000	1,740,513
				3,539,878

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Total Foreign Corporate Bonds and Notes (Cost \$69,347,075)

73,068,034

**Foreign Government Bonds@: 20.69%**

<i>Australia Series 124 (AUD)</i>	5.75	05/15/2021	2,750,000	3,172,541
<i>Australia Series 25CI (AUD)</i>	3.21	09/20/2025	6,650,000	8,268,338
<i>Brazil (BRL)</i>	12.50	01/05/2022	8,500,000	6,151,528
<i>Caisse d Amortissement de la Dette Sociale (EUR)</i>	3.38	04/25/2021	1,125,000	1,560,431
<i>Caisse d Amortissement de la Dette Sociale (EUR)</i>	4.25	04/25/2020	700,000	1,040,838
<i>Canada (CAD)</i>	2.50	09/01/2013	6,400,000	6,594,103
<i>Canada144A (CAD)</i>	3.35	12/15/2020	4,650,000	4,892,075
<i>Czech Republic (CZK)</i>	5.00	04/11/2019	101,850,000	6,402,884
<i>Denmark (DKK)</i>	4.00	11/15/2017	55,475,000	11,711,212
<i>Germany (EUR)</i>	0.75	09/13/2013	15,400,000	21,377,169

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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 21

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Foreign Government Bonds@ (continued)</b>				
<i>Germany (EUR)</i>	3.50%	04/12/2013	4,800,000	\$ 6,924,035
<i>Korea (KRW)</i>	5.25	09/10/2015	2,850,000,000	2,687,952
<i>Korea (KRW)</i>	5.25	03/10/2027	3,830,000,000	3,932,334
<i>Mexico (MXN)</i>	8.50	11/18/2038	77,900,000	6,517,869
<i>Netherlands144A (EUR)</i>	2.50	01/15/2017	900,000	1,296,239
<i>Netherlands (EUR)</i>	4.25	07/15/2013	4,850,000	7,109,911
<i>New Zealand (NZD)</i>	6.00	12/15/2017	6,705,000	5,981,475
<i>Norway (NOK)</i>	3.75	05/25/2021	30,000,000	5,843,334
<i>Norway (NOK)</i>	4.25	05/19/2017	28,730,000	5,663,361
<i>Poland (PLN)</i>	5.25	10/25/2020	20,100,000	6,141,437
<i>Slovenia (EUR)</i>	4.63	09/09/2024	1,425,000	1,825,270
<i>South Africa (ZAR)</i>	6.75	03/31/2021	33,970,000	3,976,585
<i>Sweden (SEK)</i>	4.50	08/12/2015	67,650,000	11,535,101
<b>Total Foreign Government Bonds (Cost \$135,731,129)</b>				<b>140,606,022</b>
<b>Non-Agency Mortgage Backed Securities: 1.38%</b>				
<i>American Home Mortgage Assets Series 2006-2 Class 1A1±</i>				
	1.19	09/25/2046	\$ 4,293,215	1,999,337
<i>Banc of America Commercial Mortgage Incorporated Series 2006-03 Class AM</i>				
	5.88	07/10/2044	1,340,000	1,270,083
<i>Greenwich Capital Commercial Funding Corporation Series 2006-GG7 Class AM</i>				
	5.88	07/10/2038	1,820,000	1,799,829
<i>Lehman XS Trust Series 2006-18N Class A5A±(i)</i>				
	0.41	12/25/2036	3,571,816	1,253,782
<i>NCUA Guaranteed Notes Series 2011-C1 Class 1A±</i>				
	0.57	02/28/2020	1,781,058	1,781,058
<i>Wachovia Bank Commercial Mortgage Trust Series 2006-C23 Class AM</i>				
	5.47	01/15/2045	1,220,000	1,239,133
<b>Total Non-Agency Mortgage Backed Securities (Cost \$10,618,824)</b>				<b>9,343,222</b>
		<b>Dividend Yield</b>	<b>Shares</b>	
<b>Preferred Stocks: 0.08%</b>				
<b>Financials: 0.08%</b>				
<b>Diversified Financial Services: 0.08%</b>				
<i>GMAC Capital Trust I</i>	8.13		27,000	565,920
<b>Total Preferred Stocks (Cost \$675,000)</b>				<b>565,920</b>
	<b>Interest Rate</b>		<b>Principal</b>	
<b>Term Loans: 6.09%</b>				
<i>Advantage Sales &amp; Marketing LLC</i>	9.25	06/18/2018	\$ 475,000	451,250

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<i>Barrington Broadcasting Company</i>	4.53	08/12/2013	889,251	851,458
<i>Capital Automotive LP</i>	5.00	03/10/2017	3,900,580	3,817,693
<i>CCM Merger Incorporated</i>	7.00	03/01/2017	4,208,133	4,159,024
<i>Coinmach Corporation&lt;</i>	3.31	11/20/2014	3,339,079	2,925,868
<i>Fairpoint Communications Incorporated</i>	6.50	01/22/2016	3,532,230	2,804,061
<i>Federal Mogul Corporation</i>	2.18	12/29/2014	457,571	431,261
<i>Federal Mogul Corporation</i>	2.18	12/28/2015	416,231	392,298
<i>First Data Corporation</i>	2.99	09/24/2014	5,419,724	5,008,747
<i>Gray Television Incorporated</i>	3.74	12/31/2014	973,886	949,188
<i>HHI Holdings LLC</i>	7.00	03/21/2017	945,250	928,708
<i>Level 3 Financing Incorporated</i>	2.65	03/13/2014	700,000	678,566

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Portfolio of Investments October 31, 2011

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Term Loans (continued)</b>				
<i>Local TV Finance LLC</i>	2.25%	05/07/2013	\$ 1,424,159	\$ 1,347,255
<i>Merisant Company(i)</i>	7.50	01/08/2014	877,646	848,394
<i>NCO Group Incorporated</i>	8.00	11/15/2013	1,108,144	1,090,447
<i>Newsday LLC</i>	10.50	08/01/2013	2,755,000	2,844,538
<i>Panolam Industries International Incorporated(i)</i>	8.25	12/31/2013	213,553	198,071
<i>Springleaf Finance Corporation</i>	5.50	05/05/2017	700,000	639,002
<i>Texas Competitive Electric Holding LLC</i>	3.76	10/10/2014	13,896,983	10,333,936
<i>Texas Competitive Electric Holding LLC</i>	4.76	10/10/2017	375,000	254,179
<i>Web Service Company LLC</i>	7.00	08/28/2014	459,358	452,468
<b>Total Term Loans (Cost \$43,864,580)</b>				<b>41,406,412</b>
<b>Yankee Corporate Bonds and Notes: 5.99%</b>				
<b>Consumer Discretionary: 0.13%</b>				
<b>Media: 0.13%</b>				
<i>Videotron Limited</i>	9.13	04/15/2018	775,000	852,500
<b>Energy: 1.27%</b>				
<b>Oil, Gas &amp; Consumable Fuels: 1.27%</b>				
<i>Griffin Coal Mining Company Limited(s)</i>	9.50	12/01/2016	333,446	250,501
<i>Griffin Coal Mining Company Limited 144A(s)</i>	9.50	12/31/2049	4,078,569	3,064,025
<i>Petroplus Finance Limited</i>	5.75	01/20/2020	1,650,000	1,776,816
<i>Ship Finance International Limited</i>	8.50	12/15/2013	3,720,000	3,552,600
				8,643,942
<b>Financials: 1.35%</b>				
<b>Capital Markets: 0.06%</b>				
<i>Mubadala Development Company 144A</i>	5.50	04/20/2021	360,000	386,538
<b>Commercial Banks: 0.58%</b>				
<i>Banco De Credito Del Peru(i)</i>	4.75	03/16/2016	1,600,000	1,592,960
<i>Lloyds TSB Bank plc</i>	6.38	01/21/2021	1,100,000	1,181,583
<i>Royal Bank of Scotland Group plc</i>	6.13	01/11/2021	1,100,000	1,164,913
				3,939,456
<b>Consumer Finance: 0.58%</b>				
<i>Sable International Finance Limited</i>	7.75	02/15/2017	350,000	350,000
<i>Wind Acquisition Finance SpA 144A</i>	11.75	07/15/2017	3,660,000	3,623,400
				3,973,400



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**Diversified Financial Services: 0.13%**

<i>IPIC GMTN Limited 144A</i>	5.00	11/15/2020	900,000	901,125
<i>Preferred Term Securities XII Limited(s)±(i)</i>	1.97	12/24/2033	635,000	191
				901,316

**Industrials: 0.05%**

**Road & Rail: 0.05%**

<i>Transnet Limited 144A</i>	4.50	02/10/2016	300,000	314,445
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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 23

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Information Technology : 0.34%</b>				
<b>Computers &amp; Peripherals: 0.34%</b>				
<i>Seagate Technology HDD Holdings</i>	6.80%	10/01/2016	\$ 650,000	\$ 679,250
<i>Seagate Technology HDD Holdings 144A</i>	7.00	11/01/2021	375,000	367,500
<i>Seagate Technology HDD Holdings 144A</i>	7.75	12/15/2018	1,225,000	1,280,125
				2,326,875
<b>Materials: 1.30%</b>				
<b>Metals &amp; Mining: 0.72%</b>				
<i>Novelis Incorporated</i>	7.25	02/15/2015	1,030,000	1,027,425
<i>Novelis Incorporated</i>	8.38	12/15/2017	500,000	540,000
<i>Novelis Incorporated</i>	8.75	12/15/2020	725,000	790,250
<i>Teck Resources Limited</i>	10.75	05/15/2019	2,050,000	2,531,750
				4,889,425
<b>Paper &amp; Forest Products: 0.58%</b>				
<i>PE Paper Escrow GmbH 144A</i>	12.00	08/01/2014	1,170,000	1,269,450
<i>Sappi Limited 144A</i>	7.50	06/15/2032	3,560,000	2,705,600
				3,975,050
<b>Telecommunication Services: 1.38%</b>				
<b>Diversified Telecommunication Services: 0.98%</b>				
<i>Global Crossing Limited</i>	12.00	09/15/2015	371,000	425,723
<i>Intelsat Jackson Holdings SA 144A</i>	7.25	04/01/2019	425,000	427,125
<i>Intelsat Jackson Holdings SA 144A</i>	7.50	04/01/2021	325,000	326,625
<i>Intelsat Jackson Holdings SA</i>	11.25	06/15/2016	4,525,000	4,773,875
<i>Qtel International Finance Limited</i>	4.75	02/16/2021	300,000	305,250
<i>Vimpelcom Holdings 144A</i>	7.50	03/01/2022	400,000	375,000
				6,633,598
<b>Wireless Telecommunication Services: 0.40%</b>				
<i>Digicel Group Limited 144A</i>	12.00	04/01/2014	1,335,000	1,508,550
<i>Telesat Canada Incorporated</i>	11.00	11/01/2015	1,135,000	1,234,313
				2,742,863
<b>Utilities: 0.17%</b>				
<b>Electric Utilities: 0.17%</b>				
<i>E.ON AG</i>	5.80	04/30/2018	1,000,000	1,146,951

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Total Yankee Corporate Bonds and Notes (Cost \$38,491,522)

40,726,359

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24 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments October 31, 2011

	Security Name	Yield	Shares	Value
<b>Short-Term Investments: 3.51%</b>				
<b>Investment Companies: 3.51%</b>				
	<i>Wells Fargo Advantage Cash Investment Money Market Fund, Institutional Class(l)(u)</i>	0.07%	23,837,311	\$ 23,837,311
<b>Total Short-Term Investments (Cost \$23,837,311)</b>				<b>23,837,311</b>
<b>Total Investments in Securities</b>				
		132.01%		897,016,734
	<i>Other Assets and Liabilities, Net</i>	(32.01)		(217,519,521)
<b>Total Net Assets</b>				<b>\$ 679,497,213</b>

± Variable rate investment.

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

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

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

Non-income earning security.

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

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

@ Foreign bond principal is denominated in local currency.

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

(l) Investment in an affiliate.

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

\* Cost for federal income tax purposes is \$877,482,977 and net unrealized appreciation (depreciation) consists of:

Gross unrealized appreciation	\$ 43,898,114
Gross unrealized depreciation	(24,364,357)
Net unrealized appreciation	\$ 19,533,757

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Portfolio of Investments October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 25

The following table shows the percent of long-term investments by geographic location as of October 31, 2011:

United States	70.8%
Germany	6.1%
Luxembourg	2.6%
Netherlands	2.1%
Canada	2.0%
Australia	1.6%
Denmark	1.3%
Sweden	1.3%
Norway	1.3%
Bermuda	1.3%
United Kingdom	1.2%
France	0.8%
South Korea	0.8%
Mexico	0.7%
Czech Republic	0.7%
Brazil	0.7%
Poland	0.7%
New Zealand	0.7%
Cayman Islands	0.6%
South Africa	0.6%
Austria	0.5%
Spain	0.4%
Australia	0.4%
Switzerland	0.3%
Slovenia	0.2%
Peru	0.2%
Ireland	0.1%
	100.0%

The following table shows the percent of total bonds by credit quality based on Standard & Poor's, Moody's and Fitch ratings of October 31, 2011 (unaudited):

AAA	54.7%
AA	3.3%
A	4.9%
BBB	4.7%
BB	11.4%
B	16.5%
CCC	3.9%
Less than CCC	0.6%
	100.0%

The following table shows the percent of total bonds based on effective maturity as of October 31, 2011 (unaudited):

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Less than 1 year	4.3%
1 to 3 year(s)	20.8%
3 to 5 years	19.6%
5 to 10 years	48.4%
10 to 20 years	5.5%
20 to 30 years	1.3%
Greater than 30 years	0.1%

100.0%

- The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit Quality Ratings: Credit quality ratings apply to underlying holdings of the Fund and not the Fund itself. Standard and Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Moody's rates the creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). 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 agencies that rating was utilized.

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

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26 Wells Fargo Advantage Multi-Sector Income Fund

Statement of Assets and Liabilities October 31, 2011

<b>Assets</b>	
<b>Investments</b>	
In unaffiliated securities, at value	\$ 873,179,423
In affiliated securities, at value	23,837,311
Total investments, at value (see cost below)	897,016,734
Foreign currency, at value (see cost below)	3,699,224
Receivable for investments sold	2,011,933
Principal paydown receivable	714,133
Receivable for interest	13,550,916
Unrealized gains on forward foreign currency contracts	1,664,999
Prepaid expenses and other assets	51,248
<b>Total assets</b>	<b>918,709,187</b>
<b>Liabilities</b>	
Dividends payable	4,205,500
Payable for investments purchased	1,164,529
Unrealized losses on forward foreign currency contracts	3,605,779
Payable for reverse repurchase agreements	99,561,821
Secured borrowing payable	130,139,297
Advisory fee payable	446,968
Due to other related parties	40,633
Accrued expenses and other liabilities	47,447
<b>Total liabilities</b>	<b>239,211,974</b>
<b>Total net assets</b>	<b>\$ 679,497,213</b>
<b>NET ASSETS CONSIST OF</b>	
Paid-in capital	\$ 774,480,927
Overdistributed net investment income	(2,401,847)
Accumulated net realized losses on investments	(115,025,414)
Net unrealized gains on investments	22,443,547
<b>Total net assets</b>	<b>\$ 679,497,213</b>
<b>COMPUTATION OF NET ASSET VALUE PER SHARE</b>	
Based on \$679,497,213 divided by 42,055,000 shares issued and outstanding (100,000,000 shares authorized)	\$16.16



Total investments, at cost	\$ 872,507,132
Foreign currency, at cost	\$ 3,721,509

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

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Statement of Operations Year Ended October 31, 2011

Wells Fargo Advantage Multi-Sector Income Fund 27

<b>Investment income</b>	
Interest*	\$ 54,323,320
Dividends	103,108
Income from affiliated securities	27,274
Total investment income	54,453,702
<b>Expenses</b>	
Advisory fee	5,060,499
Administration fee	460,045
Custody and accounting fees	109,670
Professional fees	54,224
Shareholder report expenses	58,990
Trustees' fees and expenses	19,090
Transfer agent fees	35,901
Interest expense	615,560
Secured borrowing fees	1,418,196
Other fees and expenses	43,917
Total expenses	7,876,092
Net investment income	46,577,610
<b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>	
<b>Net realized gains (losses) on:</b>	
Unaffiliated securities	19,297,434
Forward foreign currency contract transactions	(7,069,126)
Net realized gains on investments	12,228,308
<b>Net change in unrealized gains (losses) on:</b>	
Unaffiliated securities	(26,997,180)
Forward foreign currency contract transactions	(1,559,549)
Net change in unrealized gains (losses) on investments	(28,556,729)
Net realized and unrealized gains (losses) on investments	(16,328,421)
<b>Net increase in net assets resulting from operations</b>	<b>\$ 30,249,189</b>
* Net of foreign interest withholding taxes of	\$2,283

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

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28 Wells Fargo Advantage Multi-Sector Income Fund	Statements of Changes in Net Assets	
	Year Ended October 31, 2011	Year Ended October 31, 2010
<b>Operations</b>		
Net investment income	\$ 46,577,610	\$ 50,787,031
Net realized gains on investments	12,228,308	31,615,711
Net change in unrealized gains (losses) on investments	(28,556,729)	17,614,314
Distributions to preferred shareholders from net investment income	0	(656,310)
Net increase in net assets applicable to common shareholders resulting from operations	30,249,189	99,360,746
Distributions to common shareholders from net investment income	(51,862,226)	(54,654,527)
Total increase (decrease) in net assets	(21,613,037)	44,706,219
<b>Net assets applicable to common shareholders</b>		
Beginning of period	701,110,250	656,404,031
End of period	\$ 679,497,213	\$ 701,110,250
Overdistributed net investment income	\$ (2,401,847)	\$ (4,283,816)

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

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Statement of Cash Flows	Wells Fargo Advantage Multi-Sector Income Fund	29
	Year Ended	
	October 31, 2011	
<b>Cash flows from operating activities:</b>		
Net increase in net assets resulting from operations	\$	30,249,189
<b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b>		
Purchase of investment securities		(447,166,433)
Proceeds from sales of investment securities		413,982,665
Paydowns		51,192,962
Amortization		(1,484,292)
Sale of short-term investment securities, net		(2,901,315)
Decrease in dividends and interest receivable		1,191,286
Decrease in receivable for investments sold		11,977,953
Decrease in principal paydown receivable		657,817
Increase in prepaid expenses and other assets		(42,011)
Decrease in payable for investments purchased		(17,285,762)
Decrease in advisory fee payable		(13,656)
Decrease in due to other related parties		(1,242)
Decrease in accrued expenses and other liabilities		(317,038)
Unrealized losses on unaffiliated securities		26,997,180
Unrealized losses on forward foreign currency contract transactions		1,559,549
Net realized gains on unaffiliated securities		(13,924,547)
 Net cash provided by operating activities		 54,672,305
<b>Cash flows from financing activities:</b>		
Cash distributions paid on common shares		(52,211,282)
Decrease in reverse repurchase agreements		(643,103)
Increase in secured borrowing		128,841
 Net cash used in financing activities		 (52,725,544)
 Net increase in cash		 1,946,761
<b>Cash (including foreign currency):</b>		
Beginning of period	\$	1,752,463
 End of period	 \$	 3,699,224
<b>Supplemental cash disclosure</b>		
Cash paid for interest	\$	639,822

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

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

Financial Highlights

	Year Ended October 31,				
	2011	2010	2009	2008	2007
<b>Net asset value, beginning of period</b>	\$ 16.67	\$ 15.61	\$ 13.47	\$ 18.74	\$ 18.55
Net investment income	1.11	1.21	1.33	1.68	1.73 <sup>1</sup>
Net realized and unrealized gains (losses) on investments	(0.39)	1.17	3.26	(5.35)	0.29
Distributions to preferred shareholders from net investment income	0.00	(0.02) <sup>1</sup>	(0.03) <sup>1</sup>	(0.30) <sup>1</sup>	(0.51) <sup>1</sup>
Total from investment operations	0.72	2.36	4.56	(3.97)	1.51
<b>Distributions to common shareholders from</b>					
Net investment income	(1.23)	(1.30)	(2.20)	(1.30)	(1.29)
Tax basis return of capital	0.00	0.00	(0.22)	0.00	(0.03)
Total distributions to common shareholders	(1.23)	(1.30)	(2.42)	(1.30)	(1.32)
<b>Net asset value, end of period</b>	\$ 16.16	\$ 16.67	\$ 15.61	\$ 13.47	\$ 18.74
<b>Market value, end of period</b>	\$ 14.97	\$ 16.18	\$ 13.73	\$ 11.68	\$ 16.22
<b>Total return based on market value<sup>2</sup></b>	<b>0.33%</b>	<b>28.44%</b>	<b>44.93%</b>	<b>(21.43)%</b>	<b>2.64%</b>
<b>Ratios to average net assets (annualized)</b>					
Gross expenses	1.14%	1.58%	3.07%	1.95%	1.15%
Net expenses	1.14%	1.18%	1.62%	1.90%	1.15%
Interest expense <sup>3</sup>	0.09%	0.08%	0.47%	0.54%	0.02%
Net investment income	6.75%	7.63% <sup>4</sup>	9.65% <sup>4</sup>	7.85% <sup>4</sup>	6.54% <sup>4</sup>
<b>Supplemental data</b>					
Liquidation value of Preferred Shares, end of period (thousands)	NA	NA	\$80,035	\$80,108	\$400,475
Preferred Shares asset coverage ratio, end of period	NA	NA	385%	249%	296%
Portfolio turnover rate	35%	70%	93%	92%	95%
Net assets of common shareholders, end of period (000 s omitted)	\$679,497	\$701,110	\$656,404	\$566,515	\$787,919

1. Calculated based upon average common shares outstanding during the period.

2. Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions or sales charges. Returns for periods of less than one year are not annualized.

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

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

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

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Notes to Financial Statements

Wells Fargo Advantage Multi-Sector Income Fund 31

**1. ORGANIZATION**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**Securities valuation**

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

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

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

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

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

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

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

**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

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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,



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32 Wells Fargo Advantage Multi-Sector Income Fund

Notes to Financial Statements

and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting in changes in exchange rates.

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

**Reverse repurchase agreements**

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

**Forward foreign currency contracts**

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

**When-issued transactions**

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

**Term loans**

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

**Credit default swaps**

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

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Notes to Financial Statements

Wells Fargo Advantage Multi-Sector Income Fund 33

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

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

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

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

**Security transactions and income recognition**

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

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

Dividend income is recognized on the ex-dividend date. 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 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. The primary permanent differences causing such reclassifications are due to foreign currency transactions, bond premium, paydown losses, certain distributions paid, consent fees and corporate actions. At October 31, 2011, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

Overdistributed	Accumulated	Paid-in
Net Investment	Net Realized	Capital

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Income	Losses on Investments	
\$7,166,585	\$(1,310,470)	\$(5,856,115)

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**Federal and other taxes**

Notes to Financial Statements

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

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

As of October 31, 2011, the Fund had estimated net capital loss carryforwards, which are available to offset future net realized capital gains, in the amount of \$110,049,569 with \$20,598,096 expiring in 2016 and \$89,451,473 expiring in 2017.

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

**3. FAIR VALUATION MEASUREMENTS**

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

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

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

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Wells Fargo Advantage Multi-Sector Income Fund 35

As of October 31, 2011, 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)	Total
<b>Equity securities</b>				
Common stocks	\$ 378,274	\$ 0	\$ 0	\$ 378,274
Preferred stocks	565,920	0	0	565,920
Agency securities	0	207,365,399	0	207,365,399
Convertible debentures	0	1,082,025	0	1,082,025
Corporate bonds and notes	0	353,393,996	5,243,760	358,637,756
Foreign corporate bonds	0	73,068,034	0	73,068,034
Foreign government bonds	0	140,606,022	0	140,606,022
Non-agency mortgage backed securities	0	9,343,222	0	9,343,222
Term loans	0	37,435,096	3,971,316	41,406,412
Yankee corporate bonds and notes	0	40,726,168	191	40,726,359
Short-term investments				
Investment companies	23,837,311	0	0	23,837,311
	<b>\$ 24,781,505</b>	<b>\$ 863,019,962</b>	<b>\$ 9,215,267</b>	<b>\$ 897,016,734</b>

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

As of October 31, 2011, the inputs used in valuing the Fund's other financial instruments, which are carried at fair value, were as follows:

Other financial instruments	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Forward foreign currency contracts+</b>	\$ 0	\$ (1,940,780)	\$ 0	\$ (1,940,780)

+ Forward foreign currency contracts are presented at the unrealized gains or losses on the instrument.

Transfers in and transfers out are recognized at the end of the reporting period. For the year ended October 31, 2011, the Fund did not have any significant transfers into/out of Level 1 and Level 2.

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

	Corporate bonds and notes	Foreign corporate bonds	Term loans	Yankee corporate bonds and notes	Total
<b>Balance as of October 31, 2010</b>	\$ 5,753,667	\$ 560,823	\$ 0	\$ 191	\$ 6,314,681
Accrued discounts (premiums)	2,387	0	705	0	3,092
Realized gains (losses)	(3,980)	(109,434)	33	0	(113,381)
Change in unrealized gains (losses)	(353,724)	139	(10,155)	0	(363,740)
Purchases	0	0	942,875	0	942,875
Sales	(154,590)	(451,528)	(4,750)	0	(610,868)
Transfers into Level 3	0	0	3,042,608	0	3,042,608
Transfers out of Level 3	0	0	0	0	0
<b>Balance as of October 31, 2011</b>	<b>\$ 5,243,760</b>	<b>\$ 0</b>	<b>\$ 3,971,316</b>	<b>\$ 191</b>	<b>\$ 9,215,267</b>
<b>Change in unrealized gains (losses) relating to securities still held at October 31, 2011</b>	<b>(\$ 349,202)</b>	<b>\$ 0</b>	<b>(\$ 10,155)</b>	<b>\$ 0</b>	<b>(\$ 359,357)</b>

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36 Wells Fargo Advantage Multi-Sector Income Fund

Notes to Financial Statements

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

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

Funds Management has retained the services of certain sub-advisers to provide daily portfolio management to the Fund. The fees related to sub-advisory services are borne directly by Funds Management and do not increase the overall fees paid by the Fund to the adviser. Wells Capital Management Incorporated, an affiliate of Funds Management, is a sub-adviser 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 sub-adviser 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 facilities, equipment and personnel. Funds Management is entitled to receive an annual administration fee of 0.05% of the Fund's average daily total assets.

**5. CAPITAL SHARE TRANSACTIONS**

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

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

**6. BORROWINGS AND LEVERAGE TRANSACTIONS**

The Fund has borrowed \$130 million through a secured debt financing agreement administered by a major financial institution (the Facility ). The Facility has a commitment amount of \$130 million which expires on February 28, 2012, at which point it may be renegotiated and potentially renewed for another term. At October 31, 2011, the Fund had secured borrowings outstanding in the amount of \$130,139,837 (including accrued interest and liquidity and program 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, 2011, an effective interest rate of 0.24% was incurred on the borrowings. Interest expense of \$317,451, representing 0.05% of the Fund's average daily net assets, was incurred during the year ended October 31, 2011.

The Fund has pledged all of its assets to secure the borrowings and currently pays, on a monthly basis, a liquidity fee at an annual rate of 0.50% of the daily average outstanding principal amount of borrowings and a program fee at an annual rate of 0.50% of the product of (i) the daily average outstanding principal amount of borrowings and (ii) 1.02. Prior to April 26, 2011, both the liquidity fee and program fee were charged at an annual rate of 0.60%. The secured borrowing fees on the Statement of Operations of \$1,418,196 represents structuring fees, liquidity fees and program fees. For the year ended October 31, 2011, the Fund paid structuring fees in the amount of \$32,589.

During the year ended October 31, 2011, the Fund entered into reverse repurchase agreements that had an average daily balance outstanding of \$99,966,624 with an effective annual interest rate of 0.30% and paid interest of \$298,109 representing 0.04% of the Fund's average daily net assets. The maximum amount outstanding under reverse repurchase agreements during the year ended October 31, 2011 was \$100,365,125 (including accrued interest). At October 31, 2011, reverse repurchase agreements outstanding were as follows:

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Repurchase Amount	Counterparty	Interest Rate	Maturity Date
\$32,762,169	Credit Suisse	0.26%	11/18/2011
33,885,378	Goldman Sachs	0.23%	11/18/2011
32,914,274	Morgan Stanley	0.25%	11/18/2011

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**7. INVESTMENT PORTFOLIO TRANSACTIONS**

Purchases and sales of investments, exclusive of short-term securities (securities with maturities of one year or less at purchase date) for the year ended October 31, 2011 were as follows:

Purchases at Cost		Sales Proceeds	
U.S. Government	Non-U.S. Government	U.S. Government	Non-U.S. Government
\$28,590,523	\$ 360,743,536	\$ 0	\$ 319,460,311

As of October 31, 2011, the Fund had unfunded loan commitments of \$326,250.

**8. DERIVATIVE TRANSACTIONS**

During the year ended October 31, 2011, the Fund entered into forward foreign currency contracts for economic hedging purposes.

At October 31, 2011, the Fund had forward foreign currency contracts outstanding as follows:

Forward Foreign Currency Contracts to Buy:

Exchange Date	Counterparty	Contracts to Receive	U.S. Value at October 31, 2011	In Exchange for U.S. \$	Net Unrealized Gains (Losses)
12/12/2011	State Street Bank	2,060,000,000 JPY	\$ 26,369,395	\$ 26,891,195	\$ (521,800)

Exchange Date	Counterparty	Contracts to Receive	U.S. Value at October 31, 2011	In Exchange For	U.S. Value at October 31, 2011	Net Unrealized Gains (Losses)
11/02/2011	State Street Bank	923,639,400 JPY	\$ 11,814,267	11,300,000 CAD	\$ 11,336,587	\$ 477,680
11/02/2011	State Street Bank	11,300,000 CAD	11,336,587	881,885,900 JPY	11,280,198	56,389
11/10/2011	State Street Bank	8,252,674 EUR	11,418,301	64,800,000 NOK	11,630,960	(212,659)
11/18/2011	State Street Bank	526,796,000 JPY	6,740,190	20,000,000 PLN	6,277,495	462,695
12/13/2011	State Street Bank	888,777,500 JPY	11,377,199	14,950,000 NZD	12,055,917	(678,718)
12/21/2011	State Street Bank	87,900,000 JPY	1,125,398	728,699 GBP	1,171,070	(45,672)
01/06/2012	State Street Bank	421,861,800 JPY	5,402,990	5,900,000 AUD	6,169,662	(766,672)
01/17/2012	State Street Bank	1,190,000,000 JPY	15,243,947	11,290,323 EUR	15,614,343	(370,396)
01/25/2012	State Street Bank	1,347,978,000 JPY	17,270,154	17,400,000 AUD	18,155,249	(885,095)
02/02/2012	State Street Bank	894,010,000 JPY	11,455,623	11,500,000 CAD	11,513,700	(58,077)

Forward Foreign Currency Contracts to Sell:

Exchange Date	Counterparty	Contracts to Deliver	U.S. Value at October 31, 2011	In Exchange for U.S. \$	Net Unrealized Gains (Losses)
11/25/2011	State Street Bank	33,000,000 ZAR	\$ 4,144,274	\$ 4,524,887	\$ 380,613
12/14/2011	State Street Bank	118,500,000 CZK	6,594,569	6,581,871	(12,698)
12/14/2011	State Street Bank	89,750,000 MXN	6,708,847	6,996,469	287,622
01/17/2012	State Street Bank	1,775,000 EUR	2,454,798	2,443,039	(11,759)
01/18/2012	State Street Bank	65,000,000 DKK	12,079,270	12,037,037	(42,233)



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The Fund had average contract amounts of \$125,572,011 and \$24,280,558 in forward foreign currency contracts to buy and forward foreign currency contracts to sell, respectively, during the year ended October 31, 2011.

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

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Notes to Financial Statements

**9. DISTRIBUTIONS TO SHAREHOLDERS**

The tax character of distributions paid was \$51,862,226 and \$55,310,837 of ordinary income for the years ended October 31, 2011 and October 31, 2010, respectively.

As of October 31, 2011, the components of distributable earnings on a tax basis were as follows:

Unrealized Gains (Losses)	Capital Loss Carryforward
\$19,366,249	\$(110,049,569)

**10. INDEMNIFICATION**

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

**11. NEW ACCOUNTING PRONOUNCEMENTS**

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-04 amends FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP. The ASU is effective prospectively for interim and annual periods beginning after December 15, 2011.

In April 2011, FASB issued ASU No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements*. ASU No. 2011-03 amends FASB ASC Topic 860, *Transfers and Servicing*, specifically the criteria required to determine whether a repurchase agreement (repo) and similar agreements should be accounted for as sales of financial assets or secured borrowings with commitments. ASU No. 2011-03 changes the assessment of effective control by focusing on the transferor's contractual rights and obligations and removing the criterion to assess its ability to exercise those rights or honor those obligations. This could result in changes to the way entities account for certain transactions including repurchase agreements, mortgage dollar rolls and reverse repurchase agreements. The ASU will become effective on a prospective basis for new transfers and modifications to existing transactions as of the beginning of the first interim or annual period beginning on or after December 15, 2011.

As of October 31, 2011, management of the Fund is currently assessing the potential impact, in addition to expanded financial statement disclosure, that may result from adopting these ASUs.

**12. SUBSEQUENT DISTRIBUTIONS**

The Fund declared the following distributions to common shareholders:

Declaration Date	Record Date	Payable Date	Net Investment Income
October 21, 2011	November 16, 2011	December 1, 2011	\$0.1000
November 16, 2011	December 14, 2011	January 3, 2012	\$0.1000
December 16, 2011	January 18, 2012	February 1, 2012	\$0.1000

These distributions are not reflected in the accompanying financial statements.

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Report of Independent Registered Public Accounting Firm

Wells Fargo Advantage Multi-Sector Income Fund 39

**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, of the Wells Fargo Advantage Multi-Sector Income Fund (the Fund), as of October 31, 2011, 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, 2011, by correspondence with the custodian and brokers, or 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, 2011, the results of its operations for the year then ended, 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, 2011

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Other Information (Unaudited)

**TAX INFORMATION**

Pursuant to Section 871 of the Internal Revenue Code, \$34,869,687 has been designated as interest-related dividends for nonresident alien shareholders.

**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](http://www.wellsfargo.com/advantagefunds), or visiting the SEC Web site at [www.sec.gov](http://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](http://www.wellsfargo.com/advantagefunds) or by visiting the SEC Web site at [www.sec.gov](http://www.sec.gov).

**PORTFOLIO HOLDINGS INFORMATION**

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

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Other Information (Unaudited)

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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 138 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 Year of Birth	Position Held and Length of Service	Principal Occupations During Past Five Years	Other Directorships During Past Five Years
Peter G. Gordon (Born 1942)	Trustee, since 2010; Chairman, since 2010	Co-Founder, Chairman, President and CEO of Crystal Geysers Water Company. Trustee Emeritus, Colby College	Asset Allocation Trust
Isaiah Harris, 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. Mr. Harris is a certified public accountant.	CIGNA Corporation; Delux Corporation; Asset Allocation Trust
Judith M. Johnson (Born 1949)	Trustee, since 2010	Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.	Asset Allocation Trust
Leroy Keith, Jr. (Born 1939)	Trustee, since 2004	Chairman, Bloc Global Services (development and construction), Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, Inc. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services.	Trustee, Virtus Fund Complex (consisting of 45 portfolios as of 12/31/10); Director, Diversapack Co. (packaging company); Asset Allocation Trust
David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of Corporate Governance Research Program and Co-Director of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	Asset Allocation Trust
Olivia S. Mitchell (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

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42 Wells Fargo Advantage Multi-Sector Income Fund			Other Information (Unaudited)
Name and	Position Held and		Other
Year of Birth	Length of Service	Principal Occupations During Past Five Years	Directorships During Past Five Years
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
Michael S. Scofield (Born 1943)	Trustee, since 2004	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well 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 (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 and former Director and Chairman, Branded Media Corporation (multi-media branding company).	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.	Asset Allocation Trust

**Officers**

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

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Automatic Dividend Reinvestment Plan

Wells Fargo Advantage Multi-Sector Income Fund 43

**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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44 Wells Fargo Advantage Multi-Sector Income Fund

List of Abbreviations

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

ACB	Agricultural Credit Bank
ADR	American Depository Receipt
ADS	American Depository Shares
AGC-ICC	Assured Guaranty Corporation - Insured Custody Certificates
AGM	Assured Guaranty Municipal
AMBAC	American Municipal Bond Assurance Corporation
AMT	Alternative Minimum Tax
AUD	Australian Dollar
BAN	Bond Anticipation Notes
BHAC	Berkshire Hathaway Assurance Corporation
BRL	Brazil 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	Certificate of Participation
CR	Custody Receipts
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
FFCB	Federal Farm Credit Bank
FGIC	Financial Guaranty Insurance Corporation
FHA	Federal Housing Authority
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FSA	Farm Service Agency
GBP	Great British Pound
GDR	Global Depository 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
HUF	Hungarian Forint
IBC	Insured Bond Certificate
IDA	Industrial Development Authority
IDAG	Industrial Development Agency
IDR	Industrial Development Revenue
IEP	Irish Pound
JPY	Japanese Yen
KRW	Republic of Korea Won
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LLP	Limited Liability Partnership
LOC	Letter of Credit



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LP	Limited Partnership
MBIA	Municipal Bond Insurance Association
MFHR	Multi-Family Housing Revenue
MTN	Medium Term Note
MUD	Municipal Utility District
MXN	Mexican Peso
MYR	Malaysian Ringgit
NATL-RE	National Public Finance Guarantee Corporation
NOK	Norwegian Krone
NZD	New Zealand Dollar
PCFA	Pollution Control Finance Authority
PCR	Pollution Control Revenue
PFA	Public Finance Authority
PFPA	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
RDA	Redevelopment Authority
RDFA	Redevelopment Finance Authority
REIT	Real Estate Investment Trust
ROC	Reset Option Certificates
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
SKK	Slovakian Koruna
SPDR	Standard & Poor's Depository Receipts
TAN	Tax Anticipation Notes
TBA	To Be Announced
TIPS	Treasury Inflation-Protected Securities
TRAN	Tax Revenue Anticipation Notes
TCR	Transferable Custody Receipts
TRY	Turkish Lira
TTFA	Transportation Trust Fund Authority
TVA	Tennessee Valley Authority
XLCA	XL Capital Assurance
ZAR	South African Rand

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Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

1-800-730-6001

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

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

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**ITEM 2. CODE OF ETHICS**

As of the end of the period, October 31, 2011, Wells Fargo Advantage Multi-Sector Income Fund has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its President and Treasurer. A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

**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)

**Audit Fees** Provided below are the aggregate fees billed for the fiscal years ended October 31, 2010 and October 31, 2011 for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

For the fiscal years ended October 31, 2010 and October 31, 2011, the Audit Fees were \$44,500 and \$54,500, respectively.

(b)

**Audit-Related Fees** There were no audit-related fees incurred for the fiscal years ended October 31, 2010 and October 31, 2011 for assurance and related services by the principal accountant for the Registrant.

(c)

**Tax Fees** Provided below are the aggregate fees billed for the fiscal years ended October 31, 2010 and October 31, 2011 for professional services rendered by the principal accountant for the Registrant for tax compliance, tax advice, and tax planning.

For the fiscal years ended October 31, 2010 and October 31, 2011, the Tax Fees were \$1,620 and \$1,660, respectively. The incurred Tax Fees are comprised of excise tax review services.

For the fiscal years ended October 31, 2010 and October 31, 2011, the Tax Fees were \$1,890 and \$1,940, respectively. The incurred Tax Fees are comprised of tax preparation and consulting services.

(d)

**All Other Fees** There were no other fees incurred for the fiscal years ended October 31, 2010 and October 31, 2011.

(e)(1)

The Chairman of the Audit Committees is authorized to pre-approve: (1) audit services to Wells Fargo Advantage Multi-Sector Income Fund; (2) non-audit tax or compliance consulting or training services provided to the 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 the 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 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.

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(e)(2)

Not Applicable.

(f)

Not Applicable.

(g)

**Non-Audit Fees** There were no non-audit fees billed for the fiscal years ended October 31, 2010 and October 31, 2011, by the principal accountant for services rendered to the Registrant, and rendered to the Registrant's investment adviser, and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the Registrant.

(h)

The Registrant's audit committee of the board of directors has determined that non-audit services rendered to the registrant's investment adviser, that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of the Regulation S-X, does not compromise the independence of the principal accountant.

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

Not applicable.

**ITEMS 6. SCHEDULE OF INVESTMENTS**

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

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

**PROXY VOTING POLICIES AND PROCEDURES**

**REVISED AS OF AUGUST 25, 2010**

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 Multi-Sector 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

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(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

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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 Risk Metrics Group (Risk Metrics), the proxy voting agent for Funds Management, to determine that Risk Metrics 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. Risk Metrics will vote proxies for or against as directed by the guidelines. Where the guidelines specify a case-by-case determination for a particular issue, Risk Metrics 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 Risk Metrics 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.

(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 Risk Metrics 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 Risk Metrics 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 Risk Metrics 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.

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(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 Risk Metrics to vote in accordance with the recommendation Risk Metrics 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.

(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 Risk Metrics in exercising its proxy voting responsibilities.

(viii) Membership. The voting members of the Proxy Committee shall be Tom Biwer, Travis Keshemberg, 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-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 Funds' 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



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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.

**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 Risk Metrics current U.S. and International proxy voting guidelines. Proxies for securities held by the Wells Fargo Advantage Social Awareness Fund related to social and environmental proposals will be voted pursuant to Risk Metrics current SRI Proxy Voting Guidelines. In addition, proxies related to issues not addressed by the specific guidelines below or by Risk Metrics 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

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

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. AGAINST

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. WITHHOLD

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. WITHHOLD

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

**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

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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 consider shareholder proposals requiring companies to prohibit their auditors from engaging in non-audit services on a case-by-case basis (or cap level of non-audit services).	CASE-BY-CASE
THE FUNDS will vote for shareholder proposals requesting a shareholder vote for audit firm ratification.	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

**Company Name Change/Purpose**

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

**Employee Stock Purchase Plans/401(k) Employee Benefit Plans**

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

**Approve Other Business**

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

**Independent Board of Directors/Board Committees**

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
THE FUNDS will withhold votes from insiders and affiliated outsiders on boards that are not at least majority independent.	WITHHOLD
THE FUNDS will withhold votes from compensation committee members where there is a pay-for-performance disconnect (for Russell 3000 companies).	WITHHOLD

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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 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
THE FUNDS will vote against proposals from shareholders requesting an independent compensation consultant.	AGAINST
<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>Limitation on Number of Boards a Director May Sit On</b>	
THE FUNDS will withhold votes from directors who sit on more than six boards.	WITHHOLD
THE FUNDS will withhold votes from CEO directors who sit on more than two outside boards besides their own.	WITHHOLD
<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 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.	CASE-BY-CASE

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**Loans to Officers**

THE FUNDS will consider on a case-by-case basis proposals to authorize the corporation to make loans or to guarantee the obligations of officers of the corporation or any of its affiliates. CASE-BY-CASE

**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

**Contested Election of Directors or Trustees**

**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

In addition, decisions to provide reimbursement for dissidents waging a proxy contest are made on a case-by-case basis as proxy contests are governed by a mix of federal regulation, state law, and corporate charter and bylaw provisions. 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**

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. However, if the board is elected annually we will not support cumulative voting. CASE-BY-CASE

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**Shareholders Right To Call A Special Meeting**

**Shareholder Ability to Act by Written Consent**

Proposals providing that stockholder action may be taken only at an annual or special meeting of stockholder and not by written consent, or increasing the shareholder vote necessary to call a special meeting, will be voted on a case by case basis in accordance with the proxy voting guidelines. CASE-BY-CASE

**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

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, 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

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

**Voting Rights**

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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

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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

**Supermajority Vote Provisions**

THE FUNDS will generally consider on a case-by-case basis proposals to increase the shareholder vote necessary to approve mergers, acquisitions, sales of assets etc. and to amend the corporation's charter or by-laws. The factors considered are those specified in the proxy guidelines. CASE-BY-CASE

However, a supermajority requirement of 75% or more is abusive and THE FUNDS will vote against proposals that provide for them. AGAINST

Supermajority vote provisions require voting approval in excess of a simple majority of the outstanding shares for a proposal. Companies may include supermajority lock-in provisions, which occur when changes are made to a corporation's governing documents, and once approved, a supermajority vote is required to amend or repeal the changes.

**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

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

FOR

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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.



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**Shareholder Advisory Committees/Independent Inspectors**

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

**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 FOR  
business practices, for simplification, or to comply with what management's counsel interprets as applicable law.

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 CASE-BY-CASE  
the benefits and costs of the packaged items, and determine if the effect of the conditioned items are in the best interests of shareholders.

**Common Stock Authorizations/Reverse Stock Splits/Forward Stock Splits**

THE FUNDS will follow the Risk Metrics capital structure model in evaluating requested increases in authorized common CASE-BY-CASE  
stock. In addition, even if capital requests of less than or equal to 300% of outstanding shares fail the calculated allowable cap, THE FUNDS will evaluate the request on a case-by-case basis, potentially voting for the proposal based on the company's performance and whether the company's ongoing use of shares has shown prudence. Further, the company should identify what the stock increases are to be used for, i.e. a proposed stock split, issuance of shares for acquisitions, or for general business purposes.

Also to be considered is whether the purpose of the proposed increase is to strengthen takeover defenses, in which case AGAINST  
THE FUNDS will vote against the proposal. Such increases give management too much power and are beyond what a company would normally need during the course of a year. They may also allow management to freely place the shares with an allied institution or set the terms and prices of the new shares.

For reverse stock splits, THE FUNDS will generally vote for proposals to implement the split provided the number of FOR  
authorized common shares is reduced to a level that does not represent an unreasonably large increase in authorized but unissued shares. The failure to reduce authorized shares proportionally to any reverse split has potential adverse anti-takeover consequences. However, such circumstances may be warranted if delisting of the company's stock is imminent and would result in greater harm to shareholders than the excessive share authorization.

THE FUNDS will evaluate Going Dark transactions, which allow listed companies to de-list and terminate the registration CASE-BY-CASE  
of their common stock on a case-by-case basis, determining whether the transaction enhances shareholder value.

THE FUNDS will generally vote in favor of forward stock splits. FOR

**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 FOR  
additional stock in lieu of a cash dividend.

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

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

In addition, THE FUNDS will vote for proposals to set director fees. FOR

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**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 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. FOR

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

Finally, THE FUNDS will consider on a case-by-case basis proposals to modify the rights of preferred shareholders and to increase or decrease the dividend rate of preferred stock. CASE-BY-CASE

**Reclassification of Shares**

THE FUNDS will consider proposals to reclassify a specified class or series of shares on a case-by-case basis. CASE-BY-CASE

**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, Risk Metrics 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. Risk Metrics 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: AGAINST

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.

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THE FUNDS will vote against equity plans that have high average three-year burn rate. (The 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.	FOR
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 withhold votes from compensation committee members if they fail to submit one-time transferable stock options (TSOs) to shareholders for approval.	WITHHOLD
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 repriker, has a huge overhang, or has highly dilutive, broad-based (non-approved) plans and is not acting to correct the situation.	AGAINST
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.	CASE-BY-CASE
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.	FOR
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.	CASE-BY-CASE
THE FUNDS will generally vote for retirement plans for directors.	FOR
THE FUNDS will evaluate compensation proposals (Tax Havens) requesting share option schemes or amending an existing share option scheme on a case-by-case basis.	CASE-BY-CASE
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.	

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**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 that seek to limit executive and director pay. AGAINST

**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

**Reincorporation**

CASE-BY-CASE

THE FUNDS will evaluate a change in a company's state of incorporation on a case-by-case basis. THE FUNDS will analyze the valid reasons for the proposed move, including restructuring efforts, merger agreements, and tax or incorporation fee savings. THE FUNDS will also analyze proposed changes to the company charter and differences between the states' corporate governance laws.

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States have adopted various statutes intended to encourage companies to incorporate in the state. These may include state takeover statutes, control share acquisition statutes, control share cash-out statutes, freezeout provisions, fair price provisions, and disgorgement provisions. THE FUNDS will examine reincorporations on a case-by-case in light of these statutes and in light of the corporate governance features the company has adopted to determine whether the reincorporation is in shareholders' best interests.	CASE-BY-CASE
In addition, THE FUNDS will also examine poison pill endorsements, severance pay and labor contract provisions, and anti-greenmail provisions in the context of a state's corporate governance laws on a case-by-case basis.	CASE-BY-CASE
THE FUNDS will evaluate shareholder proposals requiring offshore companies to reincorporate into the United States on a case-by-case basis.	CASE-BY-CASE
Reincorporation proposals may have considerable implications for shareholders, affecting the company's takeover defenses and possibly its corporate structure and rules of governance.	

**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

**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.

CASE-BY-CASE



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Proposals may include, and are not limited to, the following issues:

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.

An investment advisory agreement is an agreement between a mutual fund and its financial advisor under which the financial advisor provides investment advice to the fund in return for a fee based on the fund's net asset size. Most agreements require that the particular fund pay the advisor a fee constituting a small percentage of the fund's average net daily assets. In exchange for this consideration, the investment advisor manages the fund's account, furnishes investment advice, and provides office space and facilities to the fund. A new investment advisory agreement may be necessitated by the merger of the advisor or the advisor's corporate parent.

Fundamental investment restrictions are limitations within a fund's articles of incorporation that limit the investment practices of the particular fund. As fundamental, such restrictions may only be amended or eliminated with shareholder approval. Non-fundamental investment restrictions may be altered by action of the board of trustees.

Distribution agreements are agreements authorized by guidelines established under the Investment Company Act of 1940 and, in particular, Rule 12b-1 thereunder, between a fund and its distributor, which provide that the distributor is paid a monthly fee to promote the sale of the fund's shares.

Reorganizations of funds may include the issuance of shares for an acquisition of a fund, or the merger of one fund into another for purposes of consolidation.

The mutual fund industry is one of the most highly regulated industries, as it is subject to: individual state law under which the company is formed; the federal Securities Act of 1933; the federal Securities Exchange Act of 1934; and the federal Investment Company Act of 1940.

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

### **Niklas Nordenfelt, CFA**

Mr. Nordenfelt is jointly responsible for managing the Fund, which he has managed since 2010. Mr. Nordenfelt joined Wells Capital Management in 2003, where he is a senior portfolio manager and co-manager of the Sutter High Yield Fixed Income team. Education: B.S., Economics, University of California, Berkeley.

### **Philip Susser,**

Mr. Susser is jointly responsible for managing the Fund, which he has managed since 2010. Mr. Susser joined Wells Capital Management in 2001, where he is a senior portfolio manager and co-manager of the Sutter High Yield Fixed Income team. Education: B.A., Economics, University of Pennsylvania; J.D., University of Michigan.

**Michael J. Bray, CFA,**

Mr. Bray is jointly responsible for managing the Fund, which he has managed since 2011. Mr. Bray joined Wells Capital Management in 2005 as a portfolio manager on the Customized Fixed Income Team specializing in government, agency and interest rate derivative instruments. Prior to joining Wells Capital Management, Mr. Bray was a principal responsible for multi-currency yield curve arbitrage business at Windward Capital, LLC from 2004 to 2005. From 1996 to 2004, he was the managing director at State Street Research and Management, focusing on mutual fund and institutional account management. Education: B.S., Math and Actuarial Science, University of Connecticut, Storrs; M.B.A., Pennsylvania State University.

**Christopher Kauffman, CFA,**

Mr. Kauffman is jointly responsible for managing Fund, which he has managed since 2008. Mr. Kauffman has been with Wells Capital Management or an affiliate firm since 2003, where he is a senior portfolio manager with Wells Fargo affiliate Tattersall Advisory Group (TAG). Education: B.A., Finance and Economics, Master s, Business Administration with an emphasis in finance, Washington University in St. Louis, MO.

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**Tony Norris,**

Mr. Norris is jointly responsible for managing Fund, which he has managed since 2003. Mr. Norris is Managing Director, Chief Investment Officer, and Senior Portfolio Manager with First International Advisors. He has been with Wells Capital or one of its affiliate firms since 1990.

**Peter Wilson,**

Mr. Wilson is jointly responsible for managing the Fund, which he has managed since 2003. Mr. Wilson is Managing Director, Chief Operating Officer, and Senior Portfolio Manager with First International Advisors in London. Mr. Wilson has been with Wells Capital or one of its affiliate firms since 1989. He was educated in Canada, Hong Kong and England.

**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 period ended October 31, 2011.

**Niklas Nordenfelt**

	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	5	4	20
Total assets of above accounts (millions)	\$ 2,407.7	\$ 427.2	\$ 2,228.8
performance based fee accounts:			

	Registered Investment Companies	Other Pooled Investment 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	\$ 283.3	\$ 0.0

**Philip Susser**

	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	5	4	20
Total assets of above accounts (millions)	\$ 2,407.7	\$ 427.2	\$ 2,228.8
performance based fee accounts:			

	Registered Investment Companies	Other Pooled Investment 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	\$ 283.3	\$ 0.0

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**Michael J. Bray**

I manage the following types of accounts:	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Number of above accounts	3	2	10
Total assets of above accounts (millions)	\$ 4,111	\$ 1,377	\$ 2,524

performance based fee accounts:

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

**Christopher Kauffman**

I manage the following types of accounts:	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Number of above accounts	4	0	2
Total assets of above accounts (millions)	\$ 5,347	\$ 0	\$ 289

performance based fee accounts:

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

**Tony Norris**

I manage the following types of accounts:	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Number of above accounts	9	1	24
Total assets of above accounts (millions)	\$ 2,579	\$ 181	\$ 3,474

performance based fee accounts:

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

**Table of Contents****Peter Wilson**

I manage the following types of accounts:	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Number of above accounts	9	1	22
Total assets of above accounts (millions)	\$ 2,579	\$ 239	\$ 3,416

performance based fee accounts:

I manage the following types of accounts:	Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Number of above accounts	0	0	0
Total assets of above accounts (millions)	\$ 0	\$ 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.

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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 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, 2011:

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

Niklas Nordenfelt	none
Phil Susser	none
Michael J. Bray	none
Christopher Kauffman	none
Tony Norris	none
Peter Wilson	none

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

Not applicable.

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

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

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

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

The Shareholder Recommendation must include: (i) a statement in writing setting forth (A) the name, age, date of birth, business address, residence address and nationality of the person recommended by the shareholder (the candidate); (B) the series (and, if applicable, class) and number of all shares of the Trust owned of record or beneficially by the candidate, as reported to such shareholder by the candidate; (C) any other information regarding

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

### ITEM 11. CONTROLS AND PROCEDURES

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

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

### ITEM 12. EXHIBITS

(a)(1) Code of Ethics pursuant to Item 2 of Form N-CSR is filed and attached hereto as Exhibit 10a.

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

(a)(3) Not applicable.

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



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wells Fargo Advantage Multi-Sector Income Fund

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

Date: December 28, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

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

Date: December 28, 2011

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

Date: December 28, 2011