

WELLS FARGO MULTI-SECTOR INCOME FUND

Form N-CSR

January 02, 2018

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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: 811-21507**

**Wells Fargo Multi-Sector Income Fund**

**(Exact name of registrant as specified in charter)**

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

**(Address of principal executive offices) (Zip code)**

**C. David Messman**

**Wells Fargo Funds Management, LLC**

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

**(Name and address of agent for service)**

Registrant's telephone number, including area code: 800-222-8222

Date of fiscal year end: October 31

Date of reporting period: October 31, 2017

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**ITEM 1. REPORT TO STOCKHOLDERS**

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**Annual Report**

October 31, 2017

**Wells Fargo Multi-Sector Income Fund (ERC)**

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The views expressed and any forward-looking statements are as of October 31, 2017, 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 Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

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2 Wells Fargo Multi-Sector Income Fund

Letter to shareholders (unaudited)

**Andrew Owen**

President

Wells Fargo Funds

**Global stocks generally delivered double-digit results; bond markets had smaller but positive results as well.**

**Dear Shareholder:**

We are pleased to offer you this annual report for the Wells Fargo Multi-Sector Income Fund for the 12-month period that ended October 31, 2017. Global stocks generally delivered double-digit results; bond markets had smaller but positive results as well. U.S. and international stocks performed similarly overall with returns of 23.63% and 23.64%, respectively, for the 12-month period, as measured by the S&P 500 Index<sup>1</sup> and the MSCI ACWI ex USA Index (Net),<sup>2</sup> respectively. Within fixed income, the Bloomberg Barclays U.S. Aggregate Bond Index<sup>3</sup> returned 0.90% and the Bloomberg Barclays Municipal Bond Index<sup>4</sup> returned 2.19% as interest rates rose from low levels.

**Election results and central banks policies commanded investor attention as 2016 closed.**

During the last two months of 2016, investors appeared intent on the prospective outcomes of elections in the U.S. and central-bank actions globally. Following Donald Trump's election victory in November, U.S. stocks rallied. Investors appeared optimistic that the new administration would pursue progrowth policies. Favorable economic news supported stocks, and interest rates moved higher. At their mid-December meeting, U.S. Federal Reserve (Fed) officials raised the target interest rate by a quarter percentage point to a range of 0.50% to 0.75%. The fourth quarter also saw the implementation of the U.S. Securities and Exchange Commission's amended rule for money market funds, which included the possibility of liquidity fees and redemption gates and, for institutional prime and municipal money market funds, floating net asset values (NAVs). Outside of the U.S., the prospects for faster U.S. growth appeared to trigger some acceleration in Europe.

**Financial markets gained during the first two quarters of 2017 on positive economic data.**

Stocks rallied globally through the first quarter of 2017, supported by signs of improvement in the U.S. and global economies. In the U.S., hiring remained strong, and business and consumer sentiment improved. In March, Fed

officials raised their target interest rate by a quarter percentage point to a range of 0.75% to 1.00%. With the Fed's target interest-rate increase, short-term bond yields rose during the quarter. Meanwhile, longer-term Treasury yields were little changed, leading to positive performance. Investment-grade and high-yield bonds benefited from strong demand. Municipal bond returns were positive in the quarter, helped by strong demand and constrained new-issue supply. Outside the U.S., stocks in emerging markets generally outperformed stocks in the U.S. and international developed markets because they benefited from both global

- <sup>1</sup> 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.
- <sup>2</sup> The Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex USA Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. You cannot invest directly in an index.
- <sup>3</sup> The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities. You cannot invest directly in an index.
- <sup>4</sup> The Bloomberg Barclays Municipal Bond Index is an unmanaged index composed of long-term tax-exempt bonds with a minimum credit rating of Baa. You cannot invest directly in an index.

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Letter to shareholders (unaudited) Wells Fargo Multi-Sector Income Fund 3  
economic growth and recent weakening of the U.S. dollar. Stocks in Asia, Europe, and Latin America also outperformed the U.S. market during the quarter.

Globally, stocks marked continued gains through the second quarter of 2017. Steady, albeit modest, economic growth both in the U.S. and abroad and generally favorable corporate earnings announcements supported higher valuations. U.S. inflation trended lower despite a continued decline in the unemployment rate. Ten-year U.S. Treasury yields declined, resulting in stronger prices for long-term bonds. As was widely expected, Fed officials raised the target interest rate in June by a quarter percentage point to a range of 1.00% to 1.25%. In addition, the Fed indicated that it planned to start selling bonds that accumulated on its balance sheet during quantitative easing programs conducted since 2008.

**As global growth improved in the third quarter of 2017, financial markets generally advanced.**

Most stock markets worldwide moved higher during the quarter and ended the period at or near all-time highs. Moderate acceleration in global economic growth was supported by improving corporate earnings, low inflation pressure, and still-low interest rates. Corporate earnings reports were favorable overall as companies continued to benefit from healthy operating leverage. Global commodity prices climbed during the quarter. Oil prices rebounded, partly due to a better balance between supply and demand. While North Korea's recent missile launches and nuclear testing raised serious concerns around the world, the heightened geopolitical risk had relatively minimal impact on the quarter's stock returns. In the U.S., economic data released during the quarter reflected a generally healthy economy. Second-quarter economic output grew at a 3.1% annual rate, and consumers displayed more willingness to spend. Meanwhile, the Fed maintained the target range for the federal funds rate at 1.00% to 1.25%, noting that inflation had remained below the Fed's 2.00% objective. Reflecting continued confidence in the U.S. economy, the Fed also stated the possibility of one more 0.25% increase in the federal funds rate by the end of 2017 and announced plans to begin the process of unwinding its \$4.5 trillion portfolio of bonds and other assets in October. Outside the U.S., stocks in the Asia Pacific region benefited from solid earnings reports and investors' willingness to take on risk despite the rising tensions between North Korea and the U.S. In Europe, markets were supported by better-than-expected economic growth, which has led to narrowing of the gap between Europe's growth rate and that of the U.S. In emerging markets, many countries benefited from stronger currencies versus the U.S. dollar. Also, commodity prices were on an upward trajectory, which benefited many companies that rely on natural resources for exports.

**Positive economic and market news continued into October.**

October proved to be a strong month for U.S. stocks. The S&P 500 Index delivered 11 record closes amid rising consumer confidence and signs the economy was continuing to gain momentum, including news in late October that economic output was estimated to have grown at a 3.0% annual rate in the third quarter. At its October meeting, the Fed, in a unanimous vote, left short-term interest rates unchanged but signaled it could make another rate increase before the end of 2017 if the economy remains on track. The Fed also began the process of unwinding its quantitative easing program. Outside the U.S., international stocks generally delivered positive results in October as global economic growth continued to strengthen.



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4 Wells Fargo Multi-Sector Income Fund

Letter to shareholders (unaudited)

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

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

Thank you for choosing to invest with Wells Fargo Funds. We appreciate your confidence in us and remain committed to helping you meet your financial needs.

Sincerely,

Andrew Owen

President

Wells Fargo Funds

**Although diversification cannot guarantee an investment profit or prevent losses, we believe it can be an effective way to manage investment risk and potentially smooth out overall portfolio performance.**

**Notice to shareholders**

On November 23, 2016, the Fund announced the commencement of a managed distribution plan, which began with the monthly distribution declared in January 2017, that provides for the declaration of monthly distributions to common shareholders of the Fund at an annual minimum fixed rate of 9% based on the Fund's average monthly NAV per share over the prior 12 months. Under the managed distribution plan, monthly distributions may be sourced from income, paid-in capital, and/or capital gains, if any. To the extent that sufficient investment income is not available on

a monthly basis, the Fund may distribute paid-in capital and/or capital gains, if any, in order to maintain its managed distribution level. You should not draw any conclusions about the Fund's investment performance from the amount of the Fund's distributions or from the terms of the managed distribution plan. Shareholders may elect to reinvest distributions received pursuant to the managed distribution plan in the Fund under the existing dividend reinvestment plan, which is described later in this report.

On November 10, 2017, the Fund announced the reinstatement of its open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund may repurchase up to 10% of its outstanding shares in open market transactions during the period beginning on January 1, 2018 and ending on December 31, 2018. The Fund's Board of Trustees has delegated to Wells Fargo Funds Management, LLC, the Fund's adviser, discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations.

For further information about your Fund, contact your investment professional, visit our website at [wellsfargofunds.com](http://wellsfargofunds.com), or call us directly at **1-800-222-8222**. We are available 24 hours a day, 7 days a week.

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**6 Wells Fargo Multi-Sector Income Fund  
Investment objective**

Performance highlights (unaudited)

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

**Strategy summary**

The Fund allocates its assets between three separate investment strategies, or sleeves. Under normal market conditions, the Fund will allocate approximately 30%-70% of its total assets to a sleeve consisting of non-investment-grade (high yield) corporate debt, including floating-rate high yield bank loan securities; approximately 10%-40% to a sleeve of foreign debt securities, including emerging market debt; and approximately 10%-30% to a sleeve of adjustable-rate and fixed-rate mortgage-backed securities, and investment-grade corporate bonds.

**Adviser**

Wells Fargo Funds Management, LLC

**Subadvisers**

First International Advisors, LLC

Wells Capital Management Incorporated

**Portfolio managers**

Christopher Y. Kauffman, CFA®

Michael Lee

Niklas Nordenfelt, CFA®

Tony Norris

Alex Perrin

Phillip Susser

Christopher Wightman

Peter Wilson

Noah Wise

**Average annual total returns (%) as of October 31, 2017<sup>1</sup>**

|  | 1 year | 5 year | 10 year |
|--|--------|--------|---------|
| Based on market value                          | 13.07  | 4.07   | 7.89    |
| Based on net asset value (NAV) per share       | 9.39   | 5.42   | 7.33    |
| Multi-Sector Income Blended Index <sup>2</sup> | 6.76   | 3.81   | 5.65    |

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

The Fund's expense ratio for the year ended October 31, 2017, was 1.68% which includes 0.61% of interest expense.

### Comparison of NAV vs. market value<sup>3</sup>

The Fund is leveraged through a revolving credit facility. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value and the market value of common shares. Foreign investments are especially volatile and can rise or fall dramatically due to differences in the political and economic conditions of the host country. These risks are generally intensified in emerging markets. Derivatives involve additional risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments that they are designed to hedge or closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the Fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes and their impact on the Fund and its share price can be sudden and unpredictable. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. The Fund is exposed to mortgage- and asset-backed securities risk. This closed-end fund is no longer available as an initial public offering and is only offered through broker/dealers on the secondary market.

**Please see footnotes on page 9.**

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Performance highlights (unaudited)  
**MANAGERS DISCUSSION**

Wells Fargo Multi-Sector Income Fund 7

The Fund's return based on market value was 13.07% for the 12-month period that ended October 31, 2017. During the same period, the Fund's return based on its net asset value (NAV) was 9.39%. Based on its NAV return, the Fund outperformed the Multi-Sector Income Blended Index, which returned 6.76%.

**Overview**

Looking back, there was a stark difference between late 2016 and year-to-date 2017. Bond markets were weak and volatile at the end of 2016 amid investor expectations for progrowth, higher-inflation fiscal policies. The U.S. dollar traded strongly into year-end 2016 but subsequently lost ground in 2017. Bond yields, particularly on longer-dated debt, peaked in early 2017 and then trended lower. Smaller and emerging markets—both bonds and currencies—were strong performers during the first 10 months of 2017 after faring poorly in late 2016.

During the reporting period, U.S. investment-grade corporate bonds outperformed comparable-duration U.S. Treasuries in all but two months. BBB-rated bonds in particular performed well. Within securitized sectors, both nonagency commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) had positive results, with lower-rated segments posting the strongest results.

The Fund seeks a high level of current income consistent with limiting its overall exposure to interest-rate risk. The Fund's main investments include three principal fixed-income sectors: mortgage/corporate bonds, high-yield bonds, and international/emerging markets bonds.

**Ten largest holdings (%) as of October 31, 2017<sup>4</sup>**

|  |      |
|--|------|
| Mexico, 8.00%, 11-07-2047                    | 2.38 |
| Malaysia, 4.23%, 6-30-2031                   | 2.37 |
| Republic of South Africa, 10.50%, 12-21-2026 | 2.35 |
| LPL Holdings Incorporated, 5.75%, 9-15-2025  | 2.09 |
| Indonesia, 7.88%, 4-15-2019                  | 2.03 |
| Indonesia, 8.38%, 9-15-2026                  | 1.78 |
| NGPL PipeCo LLC, 7.77%, 12-15-2037           | 1.64 |
| Colombia, 7.50%, 8-26-2026                   | 1.58 |
| Republic of South Africa, 7.75%, 2-28-2023   | 1.42 |
| India, 7.80%, 4-11-2021                      | 1.39 |

**Credit quality as of October 31, 2017<sup>5</sup>****Contributors**

Credit-quality allocation helped results. The Fund's overweight allocation to BBB-rated debt, the best-performing credit tier, was a significant contributor. An allocation to high-yield debt also added to returns. Within high yield, security selection within the cable/satellite, electric utilities, pipelines, and retail industries benefited performance; an

underweight to wirelines and nonallocation to supermarkets, which are sectors that underperformed the broader high-yield market, contributed positively as well. Sector allocation to securitized holdings generally added value during the reporting period, with CMBS being the largest contributor within the mortgage area. Senior RMBS and asset-backed securities also contributed because credit performance in these sectors remained strong. Issue selection within the financial sector's property and casualty companies contributed to results as did selection within industrial sector metals and mining companies. Holdings in noncorporate credit sectors, such as agencies and supranationals, also helped performance.

The Fund was helped by exposure to higher-yielding bond markets in Asia and Latin America. Within Asia, exposure to Indonesia and Malaysia was increased and both performed well. A new position in India was added because it offered

diversification as well as an attractive yield. Brazil added to performance before its downgrade to below investment grade necessitated its sale. Elsewhere in Latin America, allocations to Mexico and Colombia have been increased. Exposure to Hungary has added value.

#### **Detractors**

Fund holdings in certain RMBS and CMBS positions modestly detracted from performance during the period due to security-specific prepayment and credit-rating changes. Fund holdings within health care real estate investment trusts

**Please see footnotes on page 9.**

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8 Wells Fargo Multi-Sector Income Fund Performance highlights (unaudited)  
and health insurance companies underperformed. Given the strong performance of the high-yield market, there were few sectors within this portion of the Fund that did not contribute to its total return. Relative detractors within the Fund's high-yield portion included overweights to and security selection within the financial, oil-field services, and technology industries and an underweight to and security selection within the energy exploration and production sector. Certain allocations within Latin America hurt results. Mexican assets were particularly hard-hit in November 2016 but have recovered somewhat in 2017. South African debt has been challenged by the increased risk of further credit-rating downgrades ahead of the 54th national conference of the ruling African National Conference this December. Exposure to the New Zealand dollar weighed on Fund performance.

**Outlook**

We expect continued modest economic growth, which has been supported by persistent job growth. In addition, economic growth rates have converged to a modestly stable and positive rate across major developed countries, which hasn't been the case for some time. In terms of monetary policy, the U.S. Federal Reserve (Fed) continues to communicate that it expects to gradually normalize monetary policy. The Fed also has emphasized that reducing its balance sheet will be done gradually and methodically. Meanwhile, U.S. fiscal policy is unlikely to produce much stimulus in the near term.

Amid moderate economic growth and some improvement in underlying credit fundamentals, we are seeking strategies that offer income while reducing risk. We expect to remain short duration because we think the Fed will raise the federal funds rate more than what is priced into the market. On the credit front, we are selective about adding credit and may reduce allocations because credit spreads are near historically narrow differences. On the other hand, should spreads widen, we expect to add to these sectors. We are maintaining our overweight in the BBB-rated portion of the market based on both interest rates and supportive fundamentals. Within securitized sectors, we remain focused on shorter-duration cash flows in the senior part of the capital structure as credit fundamentals remain stable. We may add to emerging markets debt from countries that have improving fundamentals and attractive valuations. The higher real yields and lower debt levels offered by many smaller economies continue to argue in favor of an allocation to bonds in those countries. Looking ahead, we see scope for a further unwind of the multiyear U.S. dollar rally. Geopolitical risk has been rising and needs to be watched, but so far this is having little impact on longer-term investor positioning.

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**Effective maturity distribution as of October 31, 2017<sup>6</sup>**

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**Country allocation as of October 31, 2017<sup>6</sup>**



**Please see footnotes on page 9.**

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Performance highlights (unaudited)

Wells Fargo Multi-Sector Income Fund 9

<sup>1</sup>Total returns based on market value are calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Total returns based on NAV are calculated based on the NAV at the beginning of the period and end of the period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan.

<sup>2</sup> Source: Wells Fargo Funds Management, LLC. The Multi-Sector Income Blended Index is composed of 60% ICE BofAML U.S. Cash Pay High Yield Index (formerly known as BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index), 18% J.P. Morgan GBI-EM Global Diversified Composite Index, 7.5% Bloomberg Barclays Credit Bond Index, 7.5% Bloomberg Barclays U.S. Securitized Index, and 7% J.P. Morgan Global Government Bond Index (ex U.S.). The ICE BofAML U.S. Cash Pay High Yield Index tracks the performance of U.S. dollar-denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the U.S. domestic market. The J.P. Morgan GBI-EM Global Diversified Composite Index is an unmanaged index of debt instruments of 31 emerging countries. The Bloomberg Barclays Credit Bond Index is an unmanaged index of fixed income securities composed of securities from the Bloomberg Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The Bloomberg Barclays U.S. Securitized Index is an unmanaged composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities. The J.P. Morgan Global Government Bond Index (ex U.S.) measures the total return from investing in 12 developed government bond markets: Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the U.K. You cannot invest directly in an index.

<sup>3</sup> This chart does not reflect any brokerage commissions charged on the purchase and sale of the Fund's common stock. Dividends and distributions paid by the Fund are included in the Fund's average annual total returns but have the effect of reducing the Fund's NAV.

<sup>4</sup> The ten largest holdings, excluding cash and cash equivalents, are calculated based on the value of the investments divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

<sup>5</sup>The credit quality distribution of portfolio holdings reflected in the chart is based on ratings from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the

Fund and not to the Fund itself. The percentages of the Fund's portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of the three rating agencies, the lower rating was utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor's rates the creditworthiness of bonds, 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. Standard & Poor's rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). 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. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality distribution is subject to change and may have changed since the date specified.

<sup>6</sup> Amounts are calculated based on the total long-term investments of the Fund. These amounts are subject to change and may have changed since the date specified.

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10 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name   | Interest rate | Maturity date | Principal  | Value        |
|---|---------------|---------------|------------|--------------|
| <b>Agency Securities: 1.70%</b>                                       |               |               |            |              |
| <i>FHLMC (5 Year Treasury Constant Maturity +2.06%) ±</i>             | 3.56%         | 9-1-2032      | \$ 979,452 | \$ 1,016,207 |
| <i>FHLMC</i>  | 8.50          | 7-1-2028      | 40,118     | 46,338       |
| <i>FHLMC Series 1383 (1 Year Treasury Constant Maturity +2.25%) ±</i> | 2.95          | 2-1-2037      | 240,842    | 253,594      |
| <i>FHLMC Series 196 Class A (1 Month LIBOR +0.80%) ±</i>              | 2.04          | 12-15-2021    | 10,874     | 10,956       |
| <i>FHLMC Series 2011-K16 Class B 144A±±</i>                           | 4.60          | 11-25-2046    | 1,000,000  | 1,065,574    |
| <i>FHLMC Series 2011-K701 Class B 144A±±</i>                          | 4.06          | 7-25-2048     | 165,000    | 164,750      |
| <i>FHLMC Series 2012-K17 Class B 144A±±</i>                           | 4.34          | 12-25-2044    | 675,000    | 713,354      |
| <i>FHLMC Series 2012-K18 Class B 144A±±</i>                           | 4.26          | 1-25-2045     | 810,000    | 852,767      |
| <i>FHLMC Series 2012-K706 Class B 144A±±</i>                          | 4.03          | 11-25-2044    | 500,000    | 506,819      |
| <i>FHLMC Series 2012-K706 Class C 144A±±</i>                          | 4.03          | 11-25-2044    | 805,000    | 814,216      |
| <i>FHLMC Series 2012-K707 Class B 144A±±</i>                          | 3.88          | 1-25-2047     | 930,000    | 943,842      |
| <i>FHLMC Series 2012-K711 Class B 144A±±</i>                          | 3.56          | 8-25-2045     | 264,000    | 268,573      |
| <i>FHLMC Series 2013-K30 Class B 144A±±</i>                           | 3.56          | 6-25-2045     | 700,000    | 712,463      |
| <i>FHLMC Series 2390 Class FD (1 Month LIBOR +0.45%) ±</i>            | 1.69          | 12-15-2031    | 19,532     | 19,604       |
| <i>FHLMC Series 2567 Class FH (1 Month LIBOR +0.40%) ±</i>            | 1.64          | 2-15-2033     | 60,030     | 60,072       |
| <i>FHLMC Series K007 Class XI ±±(c)</i>                               | 1.22          | 4-25-2020     | 779,396    | 16,512       |
| <i>FHLMC Series K016 Class XI ±±(c)</i>                               | 1.53          | 10-25-2021    | 365,774    | 18,302       |
| <i>FHLMC Series K020 Class XI ±±(c)</i>                               | 1.43          | 5-25-2022     | 6,475,960  | 344,938      |
| <i>FNMA (6 Month LIBOR +1.64%) ±</i>                                  | 3.02          | 9-1-2037      | 256,234    | 269,895      |
| <i>FNMA</i>   | 6.00          | 4-1-2033      | 61,518     | 63,629       |
| <i>FNMA</i>   | 7.50          | 2-1-2030      | 25,231     | 25,421       |
| <i>FNMA</i>   | 7.50          | 9-1-2030      | 32,469     | 32,849       |
| <i>FNMA Series 1996-46 Class FA (1 Month LIBOR +0.50%) ±</i>          | 1.74          | 8-25-2021     | 6,609      | 6,614        |
| <i>FNMA Series 1997-20 Class IO ±±(c)</i>                             | 1.84          | 3-25-2027     | 638,874    | 17,147       |
| <i>FNMA Series 2001-25 Class Z</i>                                    | 6.00          | 6-25-2031     | 105,467    | 116,186      |
| <i>FNMA Series 2001-35 Class F (1 Month LIBOR +0.60%) ±</i>           | 1.84          | 7-25-2031     | 5,068      | 5,146        |
| <i>FNMA Series 2001-57 Class F (1 Month LIBOR +0.50%) ±</i>           | 1.74          | 6-25-2031     | 5,102      | 5,130        |
|   | 1.64          | 12-18-2032    | 37,011     | 37,035       |

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|  |      |            |         |           |
|--|------|------------|---------|-----------|
| <i>FNMA Series 2002-77 Class FH (1 Month LIBOR +0.40%) ±</i>   |      |            |         |           |
| <i>FNMA Series 2002-97 Class FR (1 Month LIBOR +0.55%) ±</i>   | 1.79 | 1-25-2033  | 8,582   | 8,694     |
| <i>FNMA Series G91-16 Class F (1 Month LIBOR +0.45%) ±</i>   | 1.69 | 6-25-2021  | 6,715   | 6,747     |
| <i>FNMA Series G92-17 Class F (1 Month LIBOR +1.05%) ±</i>   | 2.29 | 3-25-2022  | 32,019  | 32,439    |
| <i>GNMA</i>  | 6.50 | 6-15-2028  | 25,915  | 28,687    |
| <i>GNMA</i>  | 7.25 | 1-15-2018  | 252     | 252       |
| <i>GNMA</i>  | 7.25 | 2-15-2018  | 412     | 412       |
| <i>GNMA</i>  | 7.25 | 5-15-2018  | 973     | 974       |
| <b>Total Agency Securities (Cost \$8,088,668)</b>  |      |            |         | 8,486,138 |
| <b>Asset-Backed Securities: 0.77%</b>  |      |            |         |           |
| <i>CVS Pass-Through Trust Series T</i>   | 6.04 | 12-10-2028 | 497,813 | 560,675   |
| <i>Five Guys Funding LLC Series 17-1A Class A2 144A</i>  | 4.60 | 7-25-2047  | 997,500 | 1,019,428 |
| <i>MMAF Equipment Finance LLC Series 2017-AA Class A4 144A</i>   | 2.41 | 8-16-2024  | 170,000 | 169,546   |
| <i>Montana Higher Education Student Assistance Corporation Series 2012-1 Class A2 (1 Month LIBOR +1.00%) ±</i> | 2.24 | 5-20-2030  | 611,495 | 614,723   |
| <i>Navient SLM Student Loan Series 2005-B Class A3 (3 Month LIBOR +0.27%) ±</i>                                | 1.59 | 12-15-2023 | 71,139  | 71,158    |
| <i>Octagon Investment Partners Series 2015-1A Class AIR (3 Month LIBOR +0.90%) 144A±</i>                       | 2.25 | 5-21-2027  | 700,000 | 700,000   |
| <i>Social Professional Loan Program Series 2017-A Class A2B 144A</i>   | 2.40 | 3-26-2040  | 750,000 | 742,768   |
| <b>Total Asset-Backed Securities (Cost \$3,878,318)</b>  |      |            |         | 3,878,298 |

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 11

| Security name                                 | Interest rate | Maturity date | Shares     | Value      |
|---|---------------|---------------|------------|------------|
| <b>Common Stocks: 0.04%</b>                   |               |               |            |            |
| <b>Energy: 0.04%</b>                          |               |               |            |            |
| <b>Oil, Gas &amp; Consumable Fuels: 0.04%</b> |               |               |            |            |
| <i>SilverBow Resources Incorporated</i>       |               |               | 8,665      | \$ 194,876 |
| <b>Materials: 0.00%</b>                       |               |               |            |            |
| <b>Chemicals: 0.00%</b>                       |               |               |            |            |
| <i>LyondellBasell Industries NV Class A</i>   |               |               | 9          | 932        |
| <b>Total Common Stocks (Cost \$1,895,755)</b> |               |               |            | 195,808    |
| <b>Principal</b>                              |               |               |            |            |
| <b>Corporate Bonds and Notes: 69.86%</b>      |               |               |            |            |
| <b>Consumer Discretionary: 12.51%</b>         |               |               |            |            |
| <b>Auto Components: 1.22%</b>                 |               |               |            |            |
| <i>Allison Transmission Incorporated 144A</i> | 4.75%         | 10-1-2027     | \$ 625,000 | 631,250    |
| <i>Allison Transmission Incorporated 144A</i> | 5.00          | 10-1-2024     | 2,250,000  | 2,345,625  |
| <i>Cooper Tire &amp; Rubber Company</i>       | 7.63          | 3-15-2027     | 1,710,000  | 1,957,950  |
| <i>Cooper Tire &amp; Rubber Company</i>       | 8.00          | 12-15-2019    | 550,000    | 607,750    |
| <i>Goodyear Tire &amp; Rubber Company</i>     | 8.75          | 8-15-2020     | 468,000    | 545,220    |
|   |               |               |            | 6,087,795  |
| <b>Distributors: 0.21%</b>                    |               |               |            |            |
| <i>LKQ Corporation</i>                        | 4.75          | 5-15-2023     | 900,000    | 924,750    |
| <i>Spectrum Brands Incorporated</i>           | 6.63          | 11-15-2022    | 125,000    | 129,935    |
|   |               |               |            | 1,054,685  |
| <b>Diversified Consumer Services: 1.16%</b>   |               |               |            |            |
| <i>Service Corporation International</i>      | 7.50          | 4-1-2027      | 3,400,000  | 4,075,750  |
| <i>Service Corporation International</i>      | 7.63          | 10-1-2018     | 680,000    | 714,000    |
| <i>Service Corporation International</i>      | 8.00          | 11-15-2021    | 850,000    | 998,750    |

5,788,500

**Hotels, Restaurants & Leisure: 0.63%**

|  |      |           |           |           |
|--|------|-----------|-----------|-----------|
| <i>CCM Merger Incorporated 144A</i>        | 6.00 | 3-15-2022 | 2,700,000 | 2,808,000 |
| <i>Pinnacle Entertainment Incorporated</i> | 5.63 | 5-1-2024  | 325,000   | 335,563   |
|  |      |           |           | 3,143,563 |

**Internet & Direct Marketing Retail: 0.16%**

|                             |      |           |         |         |
|-----------------------------|------|-----------|---------|---------|
| <i>Expedia Incorporated</i> | 5.95 | 8-15-2020 | 750,000 | 819,919 |
|-----------------------------|------|-----------|---------|---------|

**Leisure Products: 0.01%**

|                                   |      |           |        |        |
|-----------------------------------|------|-----------|--------|--------|
| <i>Vista Outdoor Incorporated</i> | 5.88 | 10-1-2023 | 25,000 | 25,813 |
|-----------------------------------|------|-----------|--------|--------|

**Media: 7.32%**

|   |      |           |           |           |
|---|------|-----------|-----------|-----------|
| <i>Altice US Finance I Corporation 144A</i> | 5.38 | 7-15-2023 | 1,395,000 | 1,454,288 |
| <i>Altice US Finance I Corporation 144A</i> | 5.50 | 5-15-2026 | 1,275,000 | 1,326,000 |
| <i>CBS Radio Incorporated 144A</i>          | 7.25 | 11-1-2024 | 45,000    | 47,081    |

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

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12 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name                                       | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Media (continued)</b>                            |               |               |            |            |
| <i>CCO Holdings LLC 144A</i>                        | 4.00%         | 3-1-2023      | \$ 100,000 | \$ 101,438 |
| <i>CCO Holdings LLC 144A</i>                        | 5.00          | 2-1-2028      | 150,000    | 148,875    |
| <i>CCO Holdings LLC</i>                             | 5.13          | 2-15-2023     | 100,000    | 103,250    |
| <i>CCO Holdings LLC 144A</i>                        | 5.13          | 5-1-2027      | 450,000    | 453,938    |
| <i>CCO Holdings LLC</i>                             | 5.25          | 9-30-2022     | 1,250,000  | 1,287,500  |
| <i>CCO Holdings LLC 144A</i>                        | 5.38          | 5-1-2025      | 4,150,000  | 4,305,625  |
| <i>CCO Holdings LLC 144A</i>                        | 5.50          | 5-1-2026      | 215,000    | 220,375    |
| <i>CCO Holdings LLC 144A</i>                        | 5.75          | 2-15-2026     | 3,375,000  | 3,528,056  |
| <i>CCO Holdings LLC 144A</i>                        | 5.88          | 4-1-2024      | 1,250,000  | 1,331,250  |
| <i>Cequel Communications Holdings LLC 144A</i>      | 7.75          | 7-15-2025     | 2,030,000  | 2,217,775  |
| <i>Cinemark USA Incorporated</i>                    | 4.88          | 6-1-2023      | 325,000    | 331,094    |
| <i>CSC Holdings LLC</i>                             | 7.88          | 2-15-2018     | 1,000,000  | 1,015,120  |
| <i>CSC Holdings LLC</i>                             | 8.63          | 2-15-2019     | 383,000    | 410,289    |
| <i>EMI Music Publishing 144A</i>                    | 7.63          | 6-15-2024     | 525,000    | 587,344    |
| <i>Gray Television Incorporated 144A</i>            | 5.13          | 10-15-2024    | 450,000    | 448,740    |
| <i>Gray Television Incorporated 144A</i>            | 5.88          | 7-15-2026     | 3,875,000  | 3,971,875  |
| <i>Interpublic Group of Companies</i>               | 4.00          | 3-15-2022     | 750,000    | 786,216    |
| <i>Lamar Media Corporation</i>                      | 5.38          | 1-15-2024     | 375,000    | 393,750    |
| <i>Lamar Media Corporation</i>                      | 5.88          | 2-1-2022      | 690,000    | 708,113    |
| <i>Live Nation Entertainment Incorporated 144A</i>  | 4.88          | 11-1-2024     | 1,400,000  | 1,448,538  |
| <i>National CineMedia LLC</i>                       | 6.00          | 4-15-2022     | 1,725,000  | 1,759,500  |
| <i>Nexstar Broadcasting Group Incorporated 144A</i> | 5.63          | 8-1-2024      | 850,000    | 872,313    |
| <i>Nexstar Broadcasting Group Incorporated 144A</i> | 6.13          | 2-15-2022     | 950,000    | 985,625    |
| <i>Outfront Media Capital Corporation</i>           | 5.63          | 2-15-2024     | 20,000     | 21,050     |
| <i>Outfront Media Capital Corporation</i>           | 5.88          | 3-15-2025     | 775,000    | 821,016    |
| <i>Salem Media Group Incorporated 144A</i>          | 6.75          | 6-1-2024      | 2,150,000  | 2,246,750  |
| <i>The E.W. Scripps Company 144A</i>                | 5.13          | 5-15-2025     | 2,385,000  | 2,450,588  |
| <i>Time Warner Cable Incorporated</i>               | 4.00          | 1-15-2022     | 750,000    | 787,965    |
|   |               |               |            | 36,571,337 |
| <b>Multiline Retail: 0.12%</b>                      |               |               |            |            |
| <i>Macy's Retail Holdings Incorporated</i>          | 3.88          | 1-15-2022     | 600,000    | 594,422    |



**Specialty Retail: 1.58%**

|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>Advance Auto Parts Incorporated</i>      | 4.50 | 1-15-2022  | 600,000   | 634,161   |
| <i>Asbury Automotive Group Incorporated</i> | 6.00 | 12-15-2024 | 1,175,000 | 1,239,625 |
| <i>Lithia Motors Incorporated 144A</i>      | 5.25 | 8-1-2025   | 445,000   | 466,694   |
| <i>Penske Auto Group Incorporated</i>       | 3.75 | 8-15-2020  | 540,000   | 550,800   |
| <i>Penske Auto Group Incorporated</i>       | 5.38 | 12-1-2024  | 2,150,000 | 2,203,750 |
| <i>Penske Auto Group Incorporated</i>       | 5.75 | 10-1-2022  | 1,155,000 | 1,191,463 |
| <i>Sonic Automotive Incorporated</i>        | 5.00 | 5-15-2023  | 849,000   | 832,020   |
| <i>Sonic Automotive Incorporated</i>        | 6.13 | 3-15-2027  | 775,000   | 800,188   |
|   |      |            |           | 7,918,701 |

**Textiles, Apparel & Luxury Goods: 0.10%**

|  |      |          |         |         |
|--|------|----------|---------|---------|
| <i>Wolverine World Wide Company 144A</i> | 5.00 | 9-1-2026 | 500,000 | 499,375 |
|--|------|----------|---------|---------|

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 13

| Security name                                    | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Consumer Staples: 1.62%</b>                   |               |               |            |            |
| <b>Beverages: 0.27%</b>                          |               |               |            |            |
| <i>Anheuser-Busch InBev Finance Incorporated</i> | 3.75%         | 1-15-2022     | \$ 600,000 | \$ 633,309 |
| <i>Cott Beverages Incorporated 144A</i>          | 5.50          | 4-1-2025      | 675,000    | 696,094    |
|  |               |               |            | 1,329,403  |
| <b>Food Products: 1.21%</b>                      |               |               |            |            |
| <i>B&amp;G Foods Incorporated</i>                | 4.63          | 6-1-2021      | 300,000    | 306,000    |
| <i>B&amp;G Foods Incorporated</i>                | 5.25          | 4-1-2025      | 1,050,000  | 1,072,313  |
| <i>Darling Ingredients Incorporated</i>          | 5.38          | 1-15-2022     | 180,000    | 186,075    |
| <i>Kraft Foods Group Incorporated</i>            | 3.50          | 6-6-2022      | 750,000    | 774,757    |
| <i>Pilgrim s Pride Corporation 144A</i>          | 5.75          | 3-15-2025     | 1,305,000  | 1,381,669  |
| <i>Pilgrim s Pride Corporation 144A</i>          | 5.88          | 9-30-2027     | 150,000    | 156,000    |
| <i>Pinnacle Foods Incorporated</i>               | 5.88          | 1-15-2024     | 75,000     | 79,875     |
| <i>Post Holdings Incorporated 144A</i>           | 5.00          | 8-15-2026     | 400,000    | 402,000    |
| <i>Post Holdings Incorporated 144A</i>           | 5.50          | 3-1-2025      | 525,000    | 546,000    |
| <i>Post Holdings Incorporated 144A</i>           | 5.75          | 3-1-2027      | 975,000    | 1,012,781  |
| <i>Prestige Brands Incorporated 144A</i>         | 6.38          | 3-1-2024      | 130,000    | 138,450    |
|  |               |               |            | 6,055,920  |
| <b>Tobacco: 0.14%</b>                            |               |               |            |            |
| <i>Reynolds American Incorporated</i>            | 6.88          | 5-1-2020      | 650,000    | 722,043    |
| <b>Energy: 19.08%</b>                            |               |               |            |            |
| <b>Energy Equipment &amp; Services: 5.23%</b>    |               |               |            |            |
| <i>Bristow Group Incorporated</i>                | 6.25          | 10-15-2022    | 3,330,000  | 2,376,788  |
| <i>Era Group Incorporated</i>                    | 7.75          | 12-15-2022    | 2,350,000  | 2,220,750  |
| <i>Hilcorp Energy Company 144A</i>               | 5.00          | 12-1-2024     | 1,450,000  | 1,442,750  |
| <i>Hilcorp Energy Company 144A</i>               | 5.75          | 10-1-2025     | 1,525,000  | 1,561,219  |
| <i>Hornbeck Offshore Services Incorporated</i>   | 1.50          | 9-1-2019      | 4,750,000  | 3,687,188  |
| <i>Hornbeck Offshore Services Incorporated</i>   | 5.00          | 3-1-2021      | 150,000    | 79,500     |
| <i>Hornbeck Offshore Services Incorporated</i>   | 5.88          | 4-1-2020      | 1,860,000  | 1,227,600  |
| <i>NGPL PipeCo LLC 144A</i>                      | 4.38          | 8-15-2022     | 350,000    | 360,063    |

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|                             |      |            |           |            |
|-----------------------------|------|------------|-----------|------------|
| <i>NGPL PipeCo LLC 144A</i> | 4.88 | 8-15-2027  | 550,000   | 569,250    |
| <i>NGPL PipeCo LLC 144A</i> | 7.77 | 12-15-2037 | 6,585,000 | 8,214,768  |
| <i>PHI Incorporated</i>     | 5.25 | 3-15-2019  | 4,425,000 | 4,380,750  |
|                             |      |            |           | 26,120,626 |

**Oil, Gas & Consumable Fuels: 13.85%**

|   |      |           |           |           |
|---|------|-----------|-----------|-----------|
| <i>Carrizo Oil &amp; Gas Incorporated</i>                   | 8.25 | 7-15-2025 | 800,000   | 862,000   |
| <i>Cheniere Energy Incorporated 144A</i>                    | 5.25 | 10-1-2025 | 2,825,000 | 2,909,750 |
| <i>Continental Resources Incorporated</i>                   | 3.80 | 6-1-2024  | 700,000   | 679,875   |
| <i>Continental Resources Incorporated</i>                   | 5.00 | 9-15-2022 | 875,000   | 884,844   |
| <i>DCP Midstream Operating Company</i>                      | 2.70 | 4-1-2019  | 725,000   | 720,469   |
| <i>Denbury Resources Incorporated</i>                       | 4.63 | 7-15-2023 | 1,650,000 | 936,375   |
| <i>Denbury Resources Incorporated</i>                       | 6.38 | 8-15-2021 | 3,209,000 | 2,198,165 |
| <i>El Paso LLC</i>  | 6.50 | 4-1-2020  | 750,000   | 818,236   |
| <i>Enable Midstream Partner LP</i>                          | 2.40 | 5-15-2019 | 2,350,000 | 2,344,931 |
| <i>Enable Midstream Partner LP</i>                          | 3.90 | 5-15-2024 | 1,750,000 | 1,764,310 |
| <i>Enable Oklahoma Intrastate Transmission<br/>LLC 144A</i> | 6.25 | 3-15-2020 | 250,000   | 266,254   |
| <i>Energy Transfer Partners LP</i>                          | 5.20 | 2-1-2022  | 750,000   | 815,821   |

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

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14 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name                                      | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Oil, Gas &amp; Consumable Fuels (continued)</b> |               |               |              |              |
| <i>EnLink Midstream LLC</i>                        | 4.15%         | 6-1-2025      | \$ 2,350,000 | \$ 2,384,545 |
| <i>EnLink Midstream LLC</i>                        | 4.40          | 4-1-2024      | 3,200,000    | 3,317,573    |
| <i>Exterran Partners LP</i>                        | 6.00          | 4-1-2021      | 3,100,000    | 3,084,500    |
| <i>Gulfport Energy Corporation</i>                 | 6.63          | 5-1-2023      | 1,900,000    | 1,947,500    |
| <i>Kinder Morgan Energy Partners LP</i>            | 3.95          | 9-1-2022      | 750,000      | 784,862      |
| <i>Kinder Morgan Incorporated</i>                  | 6.50          | 9-15-2020     | 285,000      | 313,330      |
| <i>Kinder Morgan Incorporated</i>                  | 7.42          | 2-15-2037     | 800,000      | 930,837      |
| <i>Matador Resources Company</i>                   | 6.88          | 4-15-2023     | 300,000      | 317,250      |
| <i>Murphy Oil Corporation</i>                      | 4.70          | 12-1-2022     | 1,200,000    | 1,209,000    |
| <i>Murphy Oil Corporation</i>                      | 5.75          | 8-15-2025     | 185,000      | 191,013      |
| <i>Murphy Oil Corporation</i>                      | 6.88          | 8-15-2024     | 850,000      | 913,750      |
| <i>Nabors Industries Limited</i>                   | 0.75          | 1-15-2024     | 1,425,000    | 1,050,938    |
| <i>Nabors Industries Limited</i>                   | 4.63          | 9-15-2021     | 750,000      | 724,350      |
| <i>Overseas Shipholding Group Incorporated</i>     | 8.13          | 3-30-2018     | 2,275,000    | 2,309,125    |
| <i>Phillips 66</i>                                 | 4.30          | 4-1-2022      | 625,000      | 669,383      |
| <i>Pioneer Natural Resources Company</i>           | 3.95          | 7-15-2022     | 750,000      | 785,662      |
| <i>Rockies Express Pipeline LLC 144A</i>           | 5.63          | 4-15-2020     | 3,500,000    | 3,710,000    |
| <i>Rockies Express Pipeline LLC 144A</i>           | 6.88          | 4-15-2040     | 3,074,000    | 3,427,510    |
| <i>Rockies Express Pipeline LLC 144A</i>           | 7.50          | 7-15-2038     | 240,000      | 277,200      |
| <i>Rose Rock Midstream LP</i>                      | 5.63          | 7-15-2022     | 1,200,000    | 1,182,000    |
| <i>Rose Rock Midstream LP</i>                      | 5.63          | 11-15-2023    | 825,000      | 806,438      |
| <i>Sabine Pass Liquefaction LLC</i>                | 5.63          | 2-1-2021      | 600,000      | 650,779      |
| <i>Sabine Pass Liquefaction LLC</i>                | 5.63          | 4-15-2023     | 1,710,000    | 1,898,994    |
| <i>Sabine Pass Liquefaction LLC</i>                | 5.63          | 3-1-2025      | 460,000      | 511,018      |
| <i>Sabine Pass Liquefaction LLC</i>                | 5.75          | 5-15-2024     | 1,625,000    | 1,820,140    |
| <i>Sabine Pass Liquefaction LLC</i>                | 6.25          | 3-15-2022     | 3,550,000    | 3,996,304    |
| <i>SemGroup Corporation 144A</i>                   | 6.38          | 3-15-2025     | 3,425,000    | 3,373,625    |
| <i>SemGroup Corporation 144A</i>                   | 7.25          | 3-15-2026     | 1,000,000    | 1,025,000    |
| <i>Southern Star Central Corporation 144A</i>      | 5.13          | 7-15-2022     | 775,000      | 807,938      |
| <i>Southwestern Energy Company</i>                 | 4.10          | 3-15-2022     | 425,000      | 417,563      |
| <i>Southwestern Energy Company</i>                 | 7.50          | 4-1-2026      | 400,000      | 415,000      |
| <i>Southwestern Energy Company</i>                 | 7.75          | 10-1-2027     | 400,000      | 416,000      |
| <i>Summit Midstream Holdings LLC</i>               | 5.75          | 4-15-2025     | 225,000      | 229,500      |
| <i>Tallgrass Energy Partners LP 144A</i>           | 5.50          | 9-15-2024     | 4,950,000    | 5,117,063    |
| <i>Tesoro Logistics LP</i>                         | 6.13          | 10-15-2021    | 225,000      | 232,313      |

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|  |      |           |         |            |
|--|------|-----------|---------|------------|
| <i>Tesoro Logistics LP</i>               | 6.38 | 5-1-2024  | 450,000 | 492,750    |
| <i>Ultra Resources Incorporated 144A</i> | 6.88 | 4-15-2022 | 600,000 | 606,000    |
| <i>Ultra Resources Incorporated 144A</i> | 7.13 | 4-15-2025 | 505,000 | 505,000    |
| <i>Western Gas Partners LP</i>           | 4.00 | 7-1-2022  | 175,000 | 180,600    |
| <i>Western Gas Partners LP</i>           | 5.38 | 6-1-2021  | 225,000 | 241,068    |
| <i>Williams Partners LP</i>              | 3.35 | 8-15-2022 | 750,000 | 766,336    |
|  |      |           |         | 69,240,787 |

**Financials: 9.29%**

**Banks: 0.37%**

|                                     |      |           |         |           |
|-------------------------------------|------|-----------|---------|-----------|
| <i>Bank of America Corporation</i>  | 5.70 | 1-24-2022 | 250,000 | 280,488   |
| <i>Citigroup Incorporated</i>       | 4.50 | 1-14-2022 | 250,000 | 268,134   |
| <i>City National Bank</i>           | 5.38 | 7-15-2022 | 500,000 | 553,438   |
| <i>JPMorgan Chase &amp; Company</i> | 3.38 | 5-1-2023  | 750,000 | 768,695   |
|                                     |      |           |         | 1,870,755 |

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 15

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Capital Markets: 0.39%</b>                              |               |               |            |            |
| <i>ACE Securities Corporation (1 Month LIBOR +2.63%) ±</i> | 3.86%         | 6-25-2033     | \$ 280,067 | \$ 279,118 |
| <i>Blackstone Holdings Finance Company LLC 144A</i>        | 5.88          | 3-15-2021     | 750,000    | 831,629    |
| <i>Goldman Sachs Group Incorporated</i>                    | 5.75          | 1-24-2022     | 750,000    | 839,490    |
|  |               |               |            | 1,950,237  |
| <b>Consumer Finance: 3.26%</b>                             |               |               |            |            |
| <i>Ally Financial Incorporated</i>                         | 8.00          | 12-31-2018    | 780,000    | 827,775    |
| <i>Ally Financial Incorporated</i>                         | 8.00          | 3-15-2020     | 755,000    | 848,431    |
| <i>Discover Financial Services</i>                         | 5.20          | 4-27-2022     | 750,000    | 816,423    |
| <i>FirstCash Incorporated 144A</i>                         | 5.38          | 6-1-2024      | 575,000    | 600,703    |
| <i>Ford Motor Credit Company LLC</i>                       | 5.00          | 5-15-2018     | 650,000    | 661,204    |
| <i>General Motors Financial Company Incorporated</i>       | 3.70          | 5-9-2023      | 750,000    | 768,514    |
| <i>Navient Corporation</i>                                 | 8.00          | 3-25-2020     | 930,000    | 1,025,325  |
| <i>Navient Corporation</i>                                 | 8.45          | 6-15-2018     | 1,675,000  | 1,737,813  |
| <i>OneMain Financial Group LLC 144A</i>                    | 7.25          | 12-15-2021    | 3,425,000  | 3,562,000  |
| <i>Springleaf Finance Corporation</i>                      | 6.00          | 6-1-2020      | 825,000    | 864,188    |
| <i>Springleaf Finance Corporation</i>                      | 6.90          | 12-15-2017    | 4,550,000  | 4,567,290  |
|  |               |               |            | 16,279,666 |
| <b>Diversified Financial Services: 3.06%</b>               |               |               |            |            |
| <i>General Electric Capital Corporation</i>                | 4.65          | 10-17-2021    | 187,000    | 204,085    |
| <i>Infinity Acquisition LLC 144A</i>                       | 7.25          | 8-1-2022      | 960,000    | 950,400    |
| <i>ING US Incorporated</i>                                 | 5.50          | 7-15-2022     | 750,000    | 832,644    |
| <i>Ladder Capital Securities LLC 144A</i>                  | 5.25          | 10-1-2025     | 350,000    | 348,688    |
| <i>LPL Holdings Incorporated 144A</i>                      | 5.75          | 9-15-2025     | 10,025,000 | 10,426,000 |
| <i>NewStar Financial Incorporated</i>                      | 7.25          | 5-1-2020      | 2,450,000  | 2,548,000  |
|  |               |               |            | 15,309,817 |
| <b>Insurance: 2.21%</b>                                    |               |               |            |            |

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|   |      |            |           |            |
|---|------|------------|-----------|------------|
| <i>American International Group Incorporated</i>      | 4.88 | 6-1-2022   | 750,000   | 821,062    |
| <i>Endurance Specialty Holdings Limited</i>           | 7.00 | 7-15-2034  | 575,000   | 722,728    |
| <i>Hartford Financial Services Group Incorporated</i> | 5.13 | 4-15-2022  | 650,000   | 718,327    |
| <i>Hub Holdings LLC (PIK at 8.88%) 144A</i>           | 8.13 | 7-15-2019  | 1,075,000 | 1,077,688  |
| <i>Hub International Limited 144A</i>                 | 7.88 | 10-1-2021  | 3,950,000 | 4,111,279  |
| <i>Liberty Mutual Group Incorporated 144A</i>         | 4.95 | 5-1-2022   | 750,000   | 819,012    |
| <i>ProAssurance Corporation</i>                       | 5.30 | 11-15-2023 | 750,000   | 813,676    |
| <i>Prudential Financial Incorporated</i>              | 4.50 | 9-15-2047  | 750,000   | 757,969    |
| <i>USIS Merger Subordinate Incorporated 144A</i>      | 6.88 | 5-1-2025   | 475,000   | 492,813    |
| <i>W.R. Berkley Corporation</i>                       | 4.63 | 3-15-2022  | 650,000   | 697,593    |
|   |      |            |           | 11,032,147 |

**Health Care: 5.70%**

**Biotechnology: 0.16%**

|                           |      |           |         |         |
|---------------------------|------|-----------|---------|---------|
| <i>Amgen Incorporated</i> | 3.63 | 5-15-2022 | 750,000 | 783,042 |
|---------------------------|------|-----------|---------|---------|

**Health Care Equipment & Supplies: 1.12%**

|  |      |           |         |         |
|--|------|-----------|---------|---------|
| <i>Hill-Rom Holdings Incorporated 144A</i> | 5.00 | 2-15-2025 | 400,000 | 409,000 |
| <i>Hill-Rom Holdings Incorporated 144A</i> | 5.75 | 9-1-2023  | 200,000 | 210,500 |

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

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16 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name                                       | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Health Care Equipment &amp; Supplies</b>         |               |               |            |            |
| (continued)   |               |               |            |            |
| <i>Hologic Incorporated 144A</i>                    | 4.38%         | 10-15-2025    | \$ 700,000 | \$ 711,200 |
| <i>Hologic Incorporated 144A</i>                    | 5.25          | 7-15-2022     | 670,000    | 699,313    |
| <i>Kinetics Concepts Incorporated 144A</i>          | 7.88          | 2-15-2021     | 1,425,000  | 1,485,563  |
| <i>Surgery Center Holdings Incorporated 144A</i>    | 6.75          | 7-1-2025      | 500,000    | 456,250    |
| <i>Surgery Center Holdings Incorporated 144A</i>    | 8.88          | 4-15-2021     | 1,575,000  | 1,610,438  |
|   |               |               |            | 5,582,264  |
| <b>Health Care Providers &amp; Services: 3.81%</b>  |               |               |            |            |
| <i>Acadia Healthcare Company Incorporated</i>       | 6.50          | 3-1-2024      | 190,000    | 200,213    |
| <i>Community Health Systems Incorporated</i>        | 6.25          | 3-31-2023     | 390,000    | 374,400    |
| <i>Coventry Health Care Incorporated</i>            | 5.45          | 6-15-2021     | 750,000    | 820,846    |
| <i>Express Scripts Holding Company</i>              | 3.90          | 2-15-2022     | 665,000    | 695,989    |
| <i>HCA Incorporated</i>                             | 6.50          | 2-15-2020     | 1,400,000  | 1,508,500  |
| <i>HealthSouth Corporation</i>                      | 5.75          | 9-15-2025     | 575,000    | 592,969    |
| <i>Humana Incorporated</i>                          | 7.20          | 6-15-2018     | 750,000    | 774,820    |
| <i>Mednax Incorporated 144A</i>                     | 5.25          | 12-1-2023     | 475,000    | 494,000    |
| <i>MPH Acquisition Holdings LLC 144A</i>            | 7.13          | 6-1-2024      | 1,750,000  | 1,883,438  |
| <i>MPT Operating Partnership LP</i>                 | 5.00          | 10-15-2027    | 1,100,000  | 1,130,250  |
| <i>MPT Operating Partnership LP</i>                 | 5.25          | 8-1-2026      | 1,250,000  | 1,301,475  |
| <i>MPT Operating Partnership LP</i>                 | 6.38          | 3-1-2024      | 110,000    | 118,938    |
| <i>Select Medical Corporation</i>                   | 6.38          | 6-1-2021      | 3,050,000  | 3,137,688  |
| <i>Tenet Healthcare Corporation 144A</i>            | 4.63          | 7-15-2024     | 436,000    | 428,915    |
| <i>Tenet Healthcare Corporation</i>                 | 6.00          | 10-1-2020     | 1,475,000  | 1,548,750  |
| <i>Vizient Incorporated 144A</i>                    | 10.38         | 3-1-2024      | 3,550,000  | 4,047,000  |
|   |               |               |            | 19,058,191 |
| <b>Health Care Technology: 0.30%</b>                |               |               |            |            |
| <i>Change Healthcare Holdings Incorporated 144A</i> | 5.75          | 3-1-2025      | 1,200,000  | 1,227,000  |
| <i>Quintiles IMS Holdings Incorporated 144A</i>     | 5.00          | 10-15-2026    | 225,000    | 239,063    |
|   |               |               |            | 1,466,063  |



**Life Sciences Tools & Services: 0.16%**

|                                      |      |          |         |         |
|--------------------------------------|------|----------|---------|---------|
| <i>Life Technologies Corporation</i> | 6.00 | 3-1-2020 | 750,000 | 813,570 |
|--------------------------------------|------|----------|---------|---------|

**Pharmaceuticals: 0.15%**

|  |      |           |         |         |
|--|------|-----------|---------|---------|
| <i>Watson Pharmaceuticals Incorporated</i> | 3.25 | 10-1-2022 | 750,000 | 762,096 |
|--|------|-----------|---------|---------|

**Industrials: 3.07%**

**Aerospace & Defense: 0.21%**

|   |      |           |           |           |
|---|------|-----------|-----------|-----------|
| <i>BAE Systems Holdings Incorporated 144A</i> | 3.80 | 10-7-2024 | 1,000,000 | 1,046,494 |
|---|------|-----------|-----------|-----------|

**Airlines: 0.35%**

|  |      |          |           |           |
|--|------|----------|-----------|-----------|
| <i>Aviation Capital Group Corporation 144A</i> | 6.75 | 4-6-2021 | 1,100,000 | 1,241,294 |
|--|------|----------|-----------|-----------|

|                                     |      |           |         |         |
|-------------------------------------|------|-----------|---------|---------|
| <i>Delta Air Lines Incorporated</i> | 4.75 | 11-7-2021 | 469,889 | 491,067 |
|-------------------------------------|------|-----------|---------|---------|

1,732,361

**Commercial Services & Supplies: 2.19%**

|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>Advanced Disposal Services Incorporated 144A</i> | 5.63 | 11-15-2024 | 1,750,000 | 1,820,000 |
|---|------|------------|-----------|-----------|

|                                      |      |           |         |         |
|--------------------------------------|------|-----------|---------|---------|
| <i>Aramark Services Incorporated</i> | 5.13 | 1-15-2024 | 420,000 | 444,150 |
|--------------------------------------|------|-----------|---------|---------|

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 17

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Commercial Services &amp; Supplies (continued)</b>            |               |               |            |            |
| <i>Covanta Holding Corporation</i>                               | 5.88%         | 7-1-2025      | \$ 900,000 | \$ 891,000 |
| <i>Covanta Holding Corporation</i>                               | 5.88          | 3-1-2024      | 1,485,000  | 1,488,713  |
| <i>Covanta Holding Corporation</i>                               | 6.38          | 10-1-2022     | 1,500,000  | 1,548,750  |
| <i>KAR Auction Services Incorporated 144A</i>                    | 5.13          | 6-1-2025      | 3,200,000  | 3,312,000  |
| <i>Multi-Color Corporation 144A</i>                              | 4.88          | 11-1-2025     | 25,000     | 25,250     |
| <i>Plastipak Holdings Incorporated 144A</i>                      | 6.25          | 10-15-2025    | 400,000    | 407,500    |
| <i>Republic Services Incorporated</i>                            | 3.55          | 6-1-2022      | 750,000    | 779,870    |
| <i>Wrangler Buyer Corporation 144A</i>                           | 6.00          | 10-1-2025     | 250,000    | 255,625    |
|  |               |               |            | 10,972,858 |
| <b>Professional Services: 0.17%</b>                              |               |               |            |            |
| <i>Ascent Capital Group Incorporated</i>                         | 4.00          | 7-15-2020     | 375,000    | 294,375    |
| <i>Verisk Analytics Incorporated</i>                             | 5.80          | 5-1-2021      | 530,000    | 582,391    |
|  |               |               |            | 876,766    |
| <b>Road &amp; Rail: 0.13%</b>                                    |               |               |            |            |
| <i>TTX Company 144A</i>  | 2.60          | 6-15-2020     | 650,000    | 650,745    |
| <b>Trading Companies &amp; Distributors: 0.02%</b>               |               |               |            |            |
| <i>International Lease Finance Corporation 144A</i>              | 7.13          | 9-1-2018      | 75,000     | 78,131     |
| <b>Information Technology: 6.26%</b>                             |               |               |            |            |
| <b>Communications Equipment: 0.33%</b>                           |               |               |            |            |
| <i>CommScope Technologies Finance LLC 144A</i>                   | 6.00          | 6-15-2025     | 825,000    | 870,375    |
| <i>Motorola Solutions Incorporated</i>                           | 3.75          | 5-15-2022     | 750,000    | 773,488    |
|  |               |               |            | 1,643,863  |
| <b>Electronic Equipment, Instruments &amp; Components: 1.26%</b> |               |               |            |            |
| <i>Jabil Circuit Incorporated</i>                                | 8.25          | 3-15-2018     | 4,325,000  | 4,411,500  |

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|                                       |      |            |         |           |
|---------------------------------------|------|------------|---------|-----------|
| <i>Keysight Technologies</i>          | 4.60 | 4-6-2027   | 600,000 | 640,842   |
| <i>L-3 Communications Corporation</i> | 4.95 | 2-15-2021  | 750,000 | 803,562   |
| <i>Zebra Technologies Corporation</i> | 7.25 | 10-15-2022 | 414,000 | 437,288   |
|                                       |      |            |         | 6,293,192 |

**Internet Software & Services: 0.77%**

|  |      |           |           |           |
|--|------|-----------|-----------|-----------|
| <i>Infor Software Parent LLC</i>                         | 6.50 | 5-15-2022 | 550,000   | 574,640   |
| <i>Infor Software Parent LLC (PIK at 7.88%)<br/>144A</i> | 7.13 | 5-1-2021  | 550,000   | 565,125   |
| <i>Zayo Group LLC 144A</i>                               | 5.75 | 1-15-2027 | 1,125,000 | 1,185,469 |
| <i>Zayo Group LLC</i>                                    | 6.00 | 4-1-2023  | 75,000    | 78,844    |
| <i>Zayo Group LLC</i>                                    | 6.38 | 5-15-2025 | 1,325,000 | 1,426,177 |
|  |      |           |           | 3,830,255 |

**IT Services: 1.15%**

|                                      |      |           |           |           |
|--------------------------------------|------|-----------|-----------|-----------|
| <i>Cardtronics Incorporated</i>      | 5.13 | 8-1-2022  | 460,000   | 469,200   |
| <i>Cardtronics Incorporated 144A</i> | 5.50 | 5-1-2025  | 940,000   | 935,300   |
| <i>First Data Corporation 144A</i>   | 5.00 | 1-15-2024 | 1,150,000 | 1,194,563 |
| <i>First Data Corporation 144A</i>   | 5.38 | 8-15-2023 | 275,000   | 286,000   |
| <i>First Data Corporation 144A</i>   | 5.75 | 1-15-2024 | 320,000   | 334,800   |
| <i>First Data Corporation 144A</i>   | 7.00 | 12-1-2023 | 75,000    | 80,252    |

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

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18 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>IT Services (continued)</b>                               |               |               |              |              |
| <i>Gartner Incorporated 144A</i>                             | 5.13%         | 4-1-2025      | \$ 2,325,000 | \$ 2,458,688 |
|  |               |               |              | 5,758,803    |
| <b>Semiconductors &amp; Semiconductor Equipment: 0.28%</b>   |               |               |              |              |
| <i>Micron Technology Incorporated 144A</i>                   | 5.25          | 8-1-2023      | 375,000      | 392,513      |
| <i>Micron Technology Incorporated 144A</i>                   | 5.25          | 1-15-2024     | 700,000      | 735,875      |
| <i>Micron Technology Incorporated</i>                        | 5.50          | 2-1-2025      | 256,000      | 272,000      |
|  |               |               |              | 1,400,388    |
| <b>Software: 0.17%</b>                                       |               |               |              |              |
| <i>SS&amp;C Technologies Incorporated</i>                    | 5.88          | 7-15-2023     | 600,000      | 633,750      |
| <i>Symantec Corporation 144A</i>                             | 5.00          | 4-15-2025     | 200,000      | 209,000      |
|  |               |               |              | 842,750      |
| <b>Technology Hardware, Storage &amp; Peripherals: 2.30%</b> |               |               |              |              |
| <i>Diamond 1 Finance Corporation 144A</i>                    | 5.88          | 6-15-2021     | 1,000,000    | 1,047,251    |
| <i>Diamond 1 Finance Corporation 144A</i>                    | 7.13          | 6-15-2024     | 4,525,000    | 4,994,399    |
| <i>Hewlett-Packard Company</i>                               | 4.05          | 9-15-2022     | 750,000      | 791,858      |
| <i>NCR Corporation</i>                                       | 5.88          | 12-15-2021    | 5,000        | 5,169        |
| <i>NCR Corporation</i>                                       | 6.38          | 12-15-2023    | 4,400,000    | 4,686,264    |
|  |               |               |              | 11,524,941   |
| <b>Materials: 1.15%</b>                                      |               |               |              |              |
| <b>Chemicals: 0.24%</b>                                      |               |               |              |              |
| <i>Dow Chemical Company</i>                                  | 4.13          | 11-15-2021    | 750,000      | 795,025      |
| <i>Valvoline Incorporated 144A</i>                           | 5.50          | 7-15-2024     | 375,000      | 397,500      |
|  |               |               |              | 1,192,525    |

**Containers & Packaging: 0.91%**

|  |      |            |           |           |
|--|------|------------|-----------|-----------|
| <i>Ball Corporation</i>                            | 5.25 | 7-1-2025   | 190,000   | 208,763   |
| <i>Berry Plastics Corporation</i>                  | 5.13 | 7-15-2023  | 350,000   | 367,500   |
| <i>Berry Plastics Corporation</i>                  | 6.00 | 10-15-2022 | 215,000   | 227,631   |
| <i>Crown Cork &amp; Seal Company Incorporated</i>  | 7.38 | 12-15-2026 | 35,000    | 41,125    |
| <i>Owens-Brockway Glass Container Incorporated</i> |      |            |           |           |
| <i>144A</i>  | 5.88 | 8-15-2023  | 325,000   | 356,688   |
| <i>Owens-Illinois Incorporated 144A</i>            | 6.38 | 8-15-2025  | 2,950,000 | 3,333,500 |
|  |      |            |           | 4,535,207 |

**Metals & Mining: 0.00%**

|   |       |          |           |   |
|---|-------|----------|-----------|---|
| <i>Indalex Holdings Corporation (a)</i> | 11.50 | 2-1-2020 | 3,170,000 | 0 |
|---|-------|----------|-----------|---|

**Real Estate: 3.22%****Equity REITs: 3.22%**

|  |      |           |           |           |
|--|------|-----------|-----------|-----------|
| <i>Alexandria Real Estate Company</i>    | 4.60 | 4-1-2022  | 650,000   | 693,296   |
| <i>American Tower Corporation</i>        | 5.90 | 11-1-2021 | 650,000   | 727,861   |
| <i>DDR Corporation</i>                   | 4.70 | 6-1-2027  | 600,000   | 623,127   |
| <i>Equinix Incorporated</i>              | 5.88 | 1-15-2026 | 425,000   | 460,594   |
| <i>ESH Hospitality Incorporated 144A</i> | 5.25 | 5-1-2025  | 1,550,000 | 1,602,313 |
| <i>Essex Portfolio LP</i>                | 3.63 | 8-15-2022 | 750,000   | 776,478   |

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 19

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Equity REITs (continued)</b>                          |               |               |            |            |
| <i>Iron Mountain Incorporated 144A</i>                   | 5.38%         | 6-1-2026      | \$ 150,000 | \$ 156,750 |
| <i>Iron Mountain Incorporated</i>                        | 6.00          | 8-15-2023     | 2,960,000  | 3,115,400  |
| <i>MGM Growth Properties LLC 144A</i>                    | 4.50          | 1-15-2028     | 400,000    | 399,000    |
| <i>Omega HealthCare Investors Incorporated</i>           | 4.50          | 4-1-2027      | 600,000    | 596,550    |
| <i>Sabra Health Care REIT Incorporated</i>               | 5.38          | 6-1-2023      | 900,000    | 929,250    |
| <i>Sabra Health Care REIT Incorporated</i>               | 5.50          | 2-1-2021      | 1,100,000  | 1,134,375  |
| <i>The Geo Group Incorporated</i>                        | 5.13          | 4-1-2023      | 800,000    | 814,000    |
| <i>The Geo Group Incorporated</i>                        | 5.88          | 1-15-2022     | 1,565,000  | 1,617,819  |
| <i>The Geo Group Incorporated</i>                        | 5.88          | 10-15-2024    | 840,000    | 878,052    |
| <i>The Geo Group Incorporated</i>                        | 6.00          | 4-15-2026     | 184,000    | 192,280    |
| <i>Ventas Realty LP</i>                                  | 4.25          | 3-1-2022      | 650,000    | 686,082    |
| <i>Welltower Incorporated</i>                            | 5.25          | 1-15-2022     | 650,000    | 713,363    |
|  |               |               |            | 16,116,590 |
| <b>Telecommunication Services: 3.65%</b>                 |               |               |            |            |
| <b>Diversified Telecommunication Services:<br/>1.14%</b> |               |               |            |            |
| <i>AT&amp;T Incorporated</i>                             | 3.80          | 3-15-2022     | 750,000    | 789,536    |
| <i>GCI Incorporated</i>                                  | 6.75          | 6-1-2021      | 1,000,000  | 1,025,000  |
| <i>Level 3 Financing Incorporated</i>                    | 5.13          | 5-1-2023      | 975,000    | 998,156    |
| <i>Level 3 Financing Incorporated</i>                    | 5.25          | 3-15-2026     | 650,000    | 671,743    |
| <i>Level 3 Financing Incorporated</i>                    | 5.38          | 8-15-2022     | 300,000    | 309,084    |
| <i>Level 3 Financing Incorporated</i>                    | 5.38          | 1-15-2024     | 700,000    | 727,125    |
| <i>Level 3 Financing Incorporated</i>                    | 5.38          | 5-1-2025      | 625,000    | 653,125    |
| <i>Level 3 Financing Incorporated</i>                    | 5.63          | 2-1-2023      | 350,000    | 361,375    |
| <i>Level 3 Financing Incorporated</i>                    | 6.13          | 1-15-2021     | 175,000    | 178,521    |
|  |               |               |            | 5,713,665  |
| <b>Wireless Telecommunication Services:<br/>2.51%</b>    |               |               |            |            |
| <i>Crown Castle Towers LLC 144A</i>                      | 6.11          | 1-15-2040     | 750,000    | 797,889    |
| <i>SBA Communications Corporation 144A</i>               | 4.00          | 10-1-2022     | 800,000    | 812,000    |
| <i>SBA Communications Corporation</i>                    | 4.88          | 7-15-2022     | 640,000    | 660,800    |

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|   |      |            |           |            |
|---|------|------------|-----------|------------|
| <i>SBA Communications Corporation</i>     | 4.88 | 9-1-2024   | 500,000   | 513,750    |
| <i>Sprint Capital Corporation</i>         | 6.88 | 11-15-2028 | 3,925,000 | 4,187,484  |
| <i>Sprint Capital Corporation</i>         | 8.75 | 3-15-2032  | 625,000   | 757,813    |
| <i>Sprint Communications Incorporated</i> | 7.00 | 8-15-2020  | 225,000   | 243,000    |
| <i>T-Mobile USA Incorporated</i>          | 4.00 | 4-15-2022  | 650,000   | 672,344    |
| <i>T-Mobile USA Incorporated</i>          | 5.13 | 4-15-2025  | 425,000   | 445,060    |
| <i>T-Mobile USA Incorporated</i>          | 5.38 | 4-15-2027  | 225,000   | 243,563    |
| <i>T-Mobile USA Incorporated</i>          | 6.00 | 3-1-2023   | 300,000   | 316,125    |
| <i>T-Mobile USA Incorporated</i>          | 6.13 | 1-15-2022  | 85,000    | 88,400     |
| <i>T-Mobile USA Incorporated</i>          | 6.38 | 3-1-2025   | 825,000   | 891,000    |
| <i>T-Mobile USA Incorporated</i>          | 6.50 | 1-15-2024  | 80,000    | 85,400     |
| <i>T-Mobile USA Incorporated</i>          | 6.63 | 4-1-2023   | 655,000   | 687,750    |
| <i>T-Mobile USA Incorporated</i>          | 6.84 | 4-28-2023  | 1,060,000 | 1,118,300  |
|   |      |            |           | 12,520,678 |

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

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20 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name   | Interest rate | Maturity date | Principal  | Value       |
|---|---------------|---------------|------------|-------------|
| <b>Utilities: 4.31%</b>                                     |               |               |            |             |
| <b>Electric Utilities: 0.20%</b>                            |               |               |            |             |
| <i>Great Plains Energy Incorporated</i>                     | 4.85%         | 6-1-2021      | \$ 750,000 | \$ 796,796  |
| <i>NextEra Energy Incorporated 144A</i>                     | 4.25          | 9-15-2024     | 175,000    | 176,750     |
|   |               |               |            | 973,546     |
| <b>Gas Utilities: 0.20%</b>                                 |               |               |            |             |
| <i>AmeriGas Partners LP</i>                                 | 5.75          | 5-20-2027     | 1,000,000  | 1,021,250   |
| <b>Independent Power &amp; Renewable Electricity</b>        |               |               |            |             |
| <b>Producers: 3.64%</b>                                     |               |               |            |             |
| <i>NSG Holdings LLC 144A</i>                                | 7.75          | 12-15-2025    | 4,956,547  | 5,384,049   |
| <i>Pattern Energy Group Incorporated 144A</i>               | 5.88          | 2-1-2024      | 4,825,000  | 5,126,563   |
| <i>TerraForm Power Operating LLC 144A</i>                   | 6.38          | 2-1-2023      | 5,425,000  | 5,682,688   |
| <i>TerraForm Power Operating LLC 144A</i>                   | 6.63          | 6-15-2025     | 1,850,000  | 2,007,250   |
|   |               |               |            | 18,200,550  |
| <b>Multi-Utilities: 0.27%</b>                               |               |               |            |             |
| <i>Ameren Illinois Company</i>                              | 9.75          | 11-15-2018    | 500,000    | 538,983     |
| <i>CMS Energy Corporation</i>                               | 5.05          | 3-15-2022     | 750,000    | 823,065     |
|   |               |               |            | 1,362,048   |
| <b>Total Corporate Bonds and Notes (Cost \$329,724,369)</b> |               |               |            | 349,168,343 |
| <b>Foreign Corporate Bonds and Notes @: 2.07%</b>           |               |               |            |             |
| <b>Consumer Discretionary: 0.05%</b>                        |               |               |            |             |
| <b>Internet &amp; Direct Marketing Retail: 0.05%</b>        |               |               |            |             |
| <i>Priceline Group Incorporated (EUR)</i>                   | 2.38          | 9-23-2024     | 200,000    | 253,671     |



**Consumer Staples: 0.19%**

**Food Products: 0.19%**

|                          |      |           |           |         |
|--------------------------|------|-----------|-----------|---------|
| <i>BRF SA 144A (BRL)</i> | 7.75 | 5-22-2018 | 3,100,000 | 938,159 |
|--------------------------|------|-----------|-----------|---------|

**Energy: 0.26%**

**Oil, Gas & Consumable Fuels: 0.26%**

|                                       |      |           |            |           |
|---------------------------------------|------|-----------|------------|-----------|
| <i>Petroleos Mexicanos 144A (MXN)</i> | 7.19 | 9-12-2024 | 28,200,000 | 1,317,814 |
|---------------------------------------|------|-----------|------------|-----------|

**Financials: 1.14%**

**Banks: 1.08%**

|                       |      |            |           |           |
|-----------------------|------|------------|-----------|-----------|
| <i>Eurofima (AUD)</i> | 6.25 | 12-28-2018 | 2,450,000 | 1,964,788 |
|-----------------------|------|------------|-----------|-----------|

|                                       |      |           |            |           |
|---------------------------------------|------|-----------|------------|-----------|
| <i>European Investment Bank (ZAR)</i> | 9.00 | 3-31-2021 | 17,400,000 | 1,263,568 |
|---------------------------------------|------|-----------|------------|-----------|

|                  |      |           |           |           |
|------------------|------|-----------|-----------|-----------|
| <i>KfW (AUD)</i> | 5.00 | 3-19-2024 | 1,300,000 | 1,119,261 |
|------------------|------|-----------|-----------|-----------|

|   |      |           |            |           |
|---|------|-----------|------------|-----------|
| <i>Landwirtschaftliche Rentenbank (ZAR)</i> | 8.25 | 5-23-2022 | 15,000,000 | 1,057,835 |
|---|------|-----------|------------|-----------|

5,405,452

**Diversified Financial Services: 0.06%**

|                                      |      |           |         |         |
|--------------------------------------|------|-----------|---------|---------|
| <i>AA Bond Company Limited (GBP)</i> | 4.25 | 7-31-2043 | 200,000 | 280,671 |
|--------------------------------------|------|-----------|---------|---------|

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 21

| Security name  | Interest rate | Maturity date | Principal       | Value      |
|--|---------------|---------------|-----------------|------------|
| <b>Information Technology: 0.04%</b>                               |               |               |                 |            |
| <b>Semiconductors &amp; Semiconductor Equipment: 0.04%</b>         |               |               |                 |            |
| <i>ASML Holding NV (EUR)</i>                                       | 1.38%         | 7-7-2026      | 175,000 \$      | 212,411    |
| <b>Materials: 0.06%</b>  |               |               |                 |            |
| <b>Chemicals: 0.06%</b>  |               |               |                 |            |
| <i>Albemarle Corporation (EUR)</i>                                 | 1.88          | 12-8-2021     | 246,000         | 303,054    |
| <b>Telecommunication Services: 0.33%</b>                           |               |               |                 |            |
| <b>Diversified Telecommunication Services: 0.04%</b>               |               |               |                 |            |
| <i>Verizon Communications Incorporated (EUR)</i>                   | 3.25          | 2-17-2026     | 150,000         | 203,817    |
| <b>Wireless Telecommunication Services: 0.29%</b>                  |               |               |                 |            |
| <i>America Movil SAB de CV (MXN)</i>                               | 7.13          | 12-9-2024     | 28,850,000      | 1,425,529  |
| <b>Total Foreign Corporate Bonds and Notes (Cost \$13,592,821)</b> |               |               |                 | 10,340,578 |
| <b>Foreign Government Bonds @:</b>                                 |               |               |                 |            |
| <b>24.44%</b>  |               |               |                 |            |
| <i>Colombia (COP)</i>  | 7.00          | 9-11-2019     | 18,500,000,000  | 6,275,842  |
| <i>Colombia (COP)</i>  | 7.00          | 5-4-2022      | 18,650,000,000  | 6,375,338  |
| <i>Colombia (COP)</i>  | 7.50          | 8-26-2026     | 22,725,000,000  | 7,894,850  |
| <i>Colombia (COP)</i>  | 7.75          | 4-14-2021     | 5,250,000,000   | 1,835,808  |
| <i>Hungary (HUF)</i>   | 6.75          | 11-24-2017    | 1,305,000,000   | 4,900,052  |
| <i>India (INR)</i>   | 7.80          | 4-11-2021     | 435,000,000     | 6,960,887  |
| <i>Indonesia (IDR)</i>   | 7.88          | 4-15-2019     | 133,640,000,000 | 10,131,474 |
| <i>Indonesia (IDR)</i>   | 8.38          | 9-15-2026     | 110,000,000,000 | 8,901,382  |
| <i>Malaysia (MYR)</i>  | 4.18          | 7-15-2024     | 19,850,000      | 4,741,963  |

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|   |       |            |             |            |
|---|-------|------------|-------------|------------|
| <i>Malaysia (MYR)</i>                           | 4.23  | 6-30-2031  | 51,300,000  | 11,830,445 |
| <i>Mexico (MXN)</i>                             | 5.75  | 3-5-2026   | 72,000,000  | 3,410,393  |
| <i>Mexico (MXN)</i>                             | 8.00  | 11-7-2047  | 217,500,000 | 11,910,016 |
| <i>Mexico (MXN)</i>                             | 10.00 | 12-5-2024  | 62,120,000  | 3,757,868  |
| <i>Mexico (MXN)</i>                             | 10.00 | 12-5-2024  | 14,100,000  | 852,961    |
| <i>New Zealand (NZD)</i>                        | 4.50  | 4-15-2027  | 8,250,000   | 6,369,966  |
| <i>Queensland Treasury (AUD)</i>                | 5.75  | 7-22-2024  | 4,100,000   | 3,718,725  |
| <i>Republic of South Africa (ZAR)</i>           | 7.75  | 2-28-2023  | 103,000,000 | 7,086,065  |
| <i>Republic of South Africa (ZAR)</i>           | 10.50 | 12-21-2026 | 153,500,000 | 11,761,213 |
| <i>State of New South Wales Australia (AUD)</i> | 5.00  | 8-20-2024  | 3,900,000   | 3,426,221  |

**Total Foreign Government Bonds  
(Cost \$138,513,717)**

122,141,469

**Loans: 18.74%**

**Consumer Discretionary: 4.91%**

**Auto Components: 0.59%**

|   |      |           |              |           |
|---|------|-----------|--------------|-----------|
| <i>Allison Transmission Incorporated (1 Month LIBOR +2.00%) ±</i> | 3.25 | 9-23-2022 | \$ 1,885,701 | 1,895,921 |
| <i>Federal-Mogul Corporation (1 Month LIBOR +3.75%) ±</i>         | 4.99 | 4-15-2021 | 1,036,583    | 1,045,653 |
|   |      |           |              | 2,941,574 |

**Distributors: 0.50%**

|  |      |            |           |           |
|--|------|------------|-----------|-----------|
| <i>Spin Holdco Incorporated (1 Month LIBOR +3.75%) ±</i> | 4.99 | 11-14-2022 | 2,465,960 | 2,482,926 |
|--|------|------------|-----------|-----------|

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

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22 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name   | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Food &amp; Staples Retailing: 0.08%</b>                            |               |               |            |            |
| <i>TKC Holdings Incorporated (2 Month LIBOR +4.25%) ±</i>             | 5.52%         | 2-1-2023      | \$ 398,000 | \$ 401,980 |
| <b>Hotels, Restaurants &amp; Leisure: 1.56%</b>                       |               |               |            |            |
| <i>CCM Merger Incorporated (1 Month LIBOR +2.75%) ±</i>               | 3.99          | 8-8-2021      | 700,617    | 704,779    |
| <i>Four Seasons Holdings Incorporated (1 Month LIBOR +2.50%) ±</i>    | 3.74          | 11-30-2023    | 903,830    | 909,822    |
| <i>La Quinta Intermediate Holdings LLC (3 Month LIBOR +2.75%) ±</i>   | 4.11          | 4-14-2021     | 736,809    | 739,800    |
| <i>Montreign Operating Company (1 Month LIBOR +8.25%) ±%%&lt;</i>     | 9.30          | 12-7-2022     | 5,375,000  | 5,422,031  |
|   |               |               |            | 7,776,432  |
| <b>Household Products: 0.38%</b>                                      |               |               |            |            |
| <i>Anchor Glass Container Corporation (1 Month LIBOR +2.75%) ±</i>    | 4.02          | 12-7-2023     | 595,500    | 598,757    |
| <i>Anchor Glass Container Corporation (3 Month LIBOR +7.75%) ±</i>    | 9.07          | 12-7-2024     | 1,300,000  | 1,310,829  |
|   |               |               |            | 1,909,586  |
| <b>Media: 1.67%</b>   |               |               |            |            |
| <i>Altice US Finance I Corporation (1 Month LIBOR +2.25%) ±</i>       | 3.49          | 7-28-2025     | 715,992    | 714,796    |
| <i>CBS Radio Incorporated (1 Month LIBOR +3.50%) ±</i>                | 4.74          | 10-17-2023    | 1,875,961  | 1,887,216  |
| <i>Charter Communications Operating LLC (1 Month LIBOR +2.25%) ±</i>  | 3.50          | 1-15-2024     | 906,200    | 912,670    |
| <i>Entercom Radio LLC (1 Month LIBOR +3.50%) ±</i>                    | 4.73          | 11-1-2023     | 1,073,438  | 1,075,048  |
| <i>Learfield Communications Incorporated (1 Month LIBOR +3.25%) ±</i> | 4.25          | 12-1-2023     | 3,473,750  | 3,491,119  |
|   | 3.74          | 1-17-2024     | 31,805     | 31,982     |

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|  |      |            |           |           |
|--|------|------------|-----------|-----------|
| <i>Mission Broadcasting Incorporated (1 Month LIBOR +2.50%) ±</i>                        |      |            |           |           |
| <i>Nexstar Broadcasting Group Incorporated (1 Month LIBOR +2.50%) ±</i>                  | 3.74 | 1-17-2024  | 253,320   | 254,724   |
|  |      |            |           | 8,367,555 |
| <b>Specialty Retail: 0.13%</b>   |      |            |           |           |
| <i>Staples Incorporated (2 Month LIBOR +4.00%) ±</i>                                     | 5.31 | 9-12-2024  | 700,000   | 657,825   |
| <b>Consumer Staples: 0.17%</b>   |      |            |           |           |
| <b>Food Products: 0.17%</b>  |      |            |           |           |
| <i>B&amp;G Foods Incorporated (1 Month LIBOR +2.25%) ±</i>                               | 3.49 | 11-2-2022  | 640,110   | 643,509   |
| <i>Prestige Brands Incorporated (1 Month LIBOR +2.75%) ±</i>                             | 3.99 | 1-26-2024  | 209,965   | 211,113   |
|  |      |            |           | 854,622   |
| <b>Energy: 1.83%</b>   |      |            |           |           |
| <b>Energy Equipment &amp; Services: 0.90%</b>  |      |            |           |           |
| <i>Hummel Station (1 Month LIBOR +6.00%) ±</i>   | 7.24 | 10-27-2022 | 4,929,434 | 4,522,756 |
| <b>Oil, Gas &amp; Consumable Fuels: 0.93%</b>  |      |            |           |           |
| <i>Chesapeake Energy Corporation (3 Month LIBOR +7.50%) ±</i>                            | 8.81 | 8-23-2021  | 450,000   | 482,252   |
| <i>Traverse Midstream Partners LLC (2 Month LIBOR +4.00%) ±</i>                          | 5.33 | 9-27-2024  | 575,000   | 582,331   |
| <i>Ultra Resources Incorporated (2 Month LIBOR +3.00%) ±</i>                             | 4.31 | 4-12-2024  | 2,250,000 | 2,249,438 |
| <i>Veresen Midstream LP (1 Month LIBOR +3.50%) ±</i>                                     | 4.74 | 3-31-2022  | 1,308,228 | 1,318,694 |
|  |      |            |           | 4,632,715 |
| <b>Financials: 2.02%</b>   |      |            |           |           |
| <b>Capital Markets: 0.18%</b>  |      |            |           |           |
| <i>Neptune Finco Corporation (1 Month LIBOR +2.25%) ±</i>                                | 3.49 | 7-17-2025  | 457,078   | 456,342   |
| <i>Russell Investments US Institutional Holdco Incorporated (1 Month LIBOR +4.25%) ±</i> | 5.49 | 6-1-2023   | 421,796   | 426,964   |
|  |      |            |           | 883,306   |

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 23

| Security name   | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Consumer Finance: 0.03%</b>  |               |               |            |            |
| <i>KAR Auction Services Incorporated (3 Month LIBOR +2.50%) ±</i>               | 3.88%         | 3-9-2023      | \$ 155,087 | \$ 156,121 |
| <b>Diversified Financial Services: 1.05%</b>                                    |               |               |            |            |
| <i>Ipreo Holdings LLC (3 Month LIBOR +3.00%) ±</i>                              | 4.33          | 8-6-2021      | 140,674    | 140,323    |
| <i>LPL Holdings Incorporated (3 Month LIBOR +2.25%) ±</i>                       | 3.65          | 9-23-2024     | 1,077,100  | 1,080,687  |
| <i>Nielsen Finance LLC (1 Month LIBOR +2.00%) ±</i>                             | 3.24          | 10-4-2023     | 470,262    | 471,659    |
| <i>Resolute Investment Managers Incorporated (2 Month LIBOR +3.25%) ±</i>       | 4.58          | 4-30-2022     | 2,459,447  | 2,476,368  |
| <i>Resolute Investment Managers Incorporated (3 Month LIBOR +7.50%) ±%%&lt;</i> | 8.88          | 4-30-2023     | 650,000    | 650,000    |
| <i>Resolute Investment Managers Incorporated (3 Month LIBOR +8.75%) ±</i>       | 10.13         | 3-3-2023      | 440,000    | 441,100    |
|   |               |               |            | 5,260,137  |
| <b>Insurance: 0.76%</b>   |               |               |            |            |
| <i>Alliant Holdings I LLC (1 Month LIBOR +3.25%) ±</i>                          | 4.49          | 8-12-2022     | 1,389,359  | 1,398,626  |
| <i>AmWINS Group Incorporated (1 Month LIBOR +2.75%) ±</i>                       | 3.99          | 1-25-2024     | 797,188    | 800,081    |
| <i>Hub International Limited (3 Month LIBOR +3.00%) ±</i>                       | 4.31          | 10-2-2020     | 689,611    | 694,728    |
| <i>Solera Holdings Incorporated (1 Month LIBOR +3.25%) ±</i>                    | 4.49          | 3-3-2023      | 861,875    | 868,089    |
|   |               |               |            | 3,761,524  |
| <b>Health Care: 1.70%</b>   |               |               |            |            |
| <b>Health Care Equipment &amp; Supplies: 0.38%</b>                              |               |               |            |            |
|   | 4.54          | 6-8-2020      | 557,175    | 557,292    |

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|  |      |            |           |           |
|--|------|------------|-----------|-----------|
| <i>DJO Finance LLC (1 Month LIBOR +3.25%)</i>                                      |      |            |           |           |
| ±  |      |            |           |           |
| <i>Kinetic Concepts Incorporated (3 Month LIBOR +3.25%)</i> ±                      | 4.58 | 2-2-2024   | 1,332,898 | 1,330,899 |
|  |      |            |           | 1,888,191 |
| <b>Health Care Providers &amp; Services: 0.98%</b>                                 |      |            |           |           |
| <i>Community Health Systems Incorporated (3 Month LIBOR +3.00%)</i> ±              | 4.32 | 1-27-2021  | 582,757   | 563,223   |
| <i>MPH Acquisition Holdings LLC (3 Month LIBOR +3.00%)</i> ±                       | 4.33 | 6-7-2023   | 500,072   | 504,718   |
| <i>Press Ganey Holdings Incorporated (1 Month LIBOR +3.00%)</i> ±                  | 4.24 | 10-23-2023 | 1,705,627 | 1,718,419 |
| <i>Press Ganey Holdings Incorporated (1 Month LIBOR +6.50%)</i> ±                  | 7.74 | 10-21-2024 | 774,319   | 783,998   |
| <i>TeamHealth Incorporated (1 Month LIBOR +2.75%)</i> ±                            | 3.99 | 2-6-2024   | 746,250   | 739,720   |
| <i>Vizient Incorporated (1 Month LIBOR +3.50%)</i> ±                               | 4.74 | 2-13-2023  | 559,159   | 562,514   |
|  |      |            |           | 4,872,592 |
| <b>Health Care Technology: 0.13%</b>   |      |            |           |           |
| <i>Change Healthcare Holdings Incorporated (1 Month LIBOR +2.75%)</i> ±            | 3.99 | 3-1-2024   | 665,691   | 669,206   |
| <b>Life Sciences Tools &amp; Services: 0.09%</b>                                   |      |            |           |           |
| <i>INC Research LLC (1 Month LIBOR +2.25%)</i> ±                                   | 3.49 | 8-1-2024   | 467,578   | 469,991   |
| <b>Pharmaceuticals: 0.12%</b>  |      |            |           |           |
| <i>Endo Finance LLC (1 Month LIBOR +4.25%)</i> ±                                   | 5.50 | 4-29-2024  | 295,946   | 299,793   |
| <i>Valeant Pharmaceuticals International Incorporated (1 Month LIBOR +4.75%)</i> ± | 5.99 | 4-1-2022   | 296,919   | 303,415   |
|  |      |            |           | 603,208   |
| <b>Industrials: 2.79%</b>  |      |            |           |           |
| <b>Aerospace &amp; Defense: 0.50%</b>  |      |            |           |           |
| <i>TransDigm Incorporated (1 Month LIBOR +3.00%)</i> ±                             | 4.26 | 8-22-2024  | 2,467,390 | 2,478,567 |

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24 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Commercial Services &amp; Supplies: 2.16%</b>                                 |               |               |              |              |
| <i>Advanced Disposal Services Incorporated (1 Month LIBOR +2.75%) ±</i>          | 3.95%         | 11-10-2023    | \$ 1,220,091 | \$ 1,230,462 |
| <i>Advantage Sales &amp; Marketing LLC (3 Month LIBOR +6.50%) ±</i>              | 7.88          | 7-25-2022     | 1,250,000    | 1,041,513    |
| <i>Avantor Performance Materials Incorporated (1 Month LIBOR +4.00%) ±</i>       | 5.25          | 3-10-2024     | 1,699,455    | 1,708,258    |
| <i>Casella Waste Systems Incorporated (1 Month LIBOR +2.75%) ±</i>               | 3.99          | 10-17-2023    | 1,960,187    | 1,974,889    |
| <i>Columbus McKinnon Corporation (3 Month LIBOR +3.00%) ±</i>                    | 4.33          | 1-31-2024     | 1,079,039    | 1,089,829    |
| <i>Gates Global Limited (3 Month LIBOR +3.25%) ±</i>                             | 4.58          | 4-1-2024      | 609,239      | 613,126      |
| <i>GFL Environmental Incorporated (3 Month LIBOR +2.75%) ±</i>                   | 4.08          | 9-29-2023     | 173,250      | 173,683      |
| <i>Sedgwick Claims Management Services Incorporated (1 Month LIBOR +2.75%) ±</i> | 3.99          | 3-1-2021      | 520,176      | 522,455      |
| <i>USI Incorporated (4 Month LIBOR +3.00%) ±</i>                                 | 4.31          | 5-16-2024     | 225,000      | 225,468      |
| <i>WASH Multifamily Laundry Systems LLC (1 Month LIBOR +3.25%) ±</i>             | 4.49          | 5-14-2022     | 1,260,973    | 1,267,277    |
| <i>WASH Multifamily Laundry Systems LLC (1 Month LIBOR +7.00%) ±</i>             | 8.24          | 5-12-2023     | 17,885       | 17,706       |
| <i>WASH Multifamily Laundry Systems LLC (1 Month LIBOR +7.00%) ±</i>             | 8.24          | 5-14-2023     | 102,115      | 101,094      |
| <i>Wrangler Buyer Corporation (1 Month LIBOR +3.00%) ±</i>                       | 4.24          | 9-27-2024     | 825,000      | 831,922      |
|  |               |               |              | 10,797,682   |
| <b>Machinery: 0.12%</b>  |               |               |              |              |
| <i>Onex Wizard Acquisition Company (1 Month LIBOR +3.00%) ±</i>                  | 4.24          | 3-13-2022     | 606,429      | 610,474      |
| <b>Transportation Infrastructure: 0.01%</b>                                      |               |               |              |              |
| <i>OSG Bulk Ships Incorporated (3 Month LIBOR +4.25%) ±</i>                      | 5.57          | 8-5-2019      | 71,190       | 68,520       |



**Information Technology: 2.16%****Electronic Equipment, Instruments & Components: 0.46%***Dell Incorporated (1 Month LIBOR +2.00%)*

|   |      |          |           |           |
|---|------|----------|-----------|-----------|
| ± | 3.25 | 9-7-2023 | 2,272,210 | 2,277,299 |
|---|------|----------|-----------|-----------|

**Internet Software & Services: 1.53%***Ancestry.com Incorporated (1 Month LIBOR +3.25%) ±*

|      |            |           |           |
|------|------------|-----------|-----------|
| 4.49 | 10-19-2023 | 2,974,950 | 3,005,949 |
|------|------------|-----------|-----------|

*Ancestry.com Incorporated (1 Month LIBOR +8.25%) ±*

|      |            |           |           |
|------|------------|-----------|-----------|
| 9.49 | 10-19-2024 | 2,992,500 | 3,059,831 |
|------|------------|-----------|-----------|

*Applied Systems Incorporated (2 Month LIBOR +3.25%) ±*

|      |           |         |         |
|------|-----------|---------|---------|
| 4.57 | 9-19-2024 | 325,000 | 328,972 |
|------|-----------|---------|---------|

*Black Knight InfoServ LLC (1 Month LIBOR +2.25%) ±*

|      |           |         |         |
|------|-----------|---------|---------|
| 3.50 | 5-27-2022 | 489,364 | 493,034 |
|------|-----------|---------|---------|

*Infor US Incorporated (3 Month LIBOR +2.75%) ±*

|      |          |         |         |
|------|----------|---------|---------|
| 4.08 | 2-1-2022 | 514,074 | 514,609 |
|------|----------|---------|---------|

*Sophia Holding Finance LP (3 Month LIBOR +3.25%) ±*

|      |           |         |         |
|------|-----------|---------|---------|
| 4.58 | 9-30-2022 | 146,969 | 146,694 |
|------|-----------|---------|---------|

*Zayo Group LLC (1 Month LIBOR +2.25%) ±*

|      |           |         |         |
|------|-----------|---------|---------|
| 3.49 | 1-19-2024 | 107,244 | 107,653 |
|------|-----------|---------|---------|

7,656,742

**Semiconductors & Semiconductor Equipment: 0.07%***Micron Technology Incorporated (3 Month LIBOR +2.00%) ±*

|      |           |         |         |
|------|-----------|---------|---------|
| 3.39 | 4-26-2022 | 345,625 | 348,794 |
|------|-----------|---------|---------|

**Software: 0.10%***SS&C Technologies Incorporated (1 Month LIBOR +2.25%) ±*

|      |          |         |         |
|------|----------|---------|---------|
| 3.49 | 7-8-2022 | 505,172 | 507,855 |
|------|----------|---------|---------|

**Materials: 0.61%****Containers & Packaging: 0.61%***Berry Plastics Corporation (1 Month LIBOR +2.25%) ±*

|      |           |         |         |
|------|-----------|---------|---------|
| 3.49 | 10-1-2022 | 412,327 | 414,104 |
|------|-----------|---------|---------|

*Reynolds Group Holdings Incorporated (1 Month LIBOR +2.75%) ±*

|      |          |           |           |
|------|----------|-----------|-----------|
| 3.99 | 2-5-2023 | 2,475,047 | 2,488,957 |
|------|----------|-----------|-----------|

*RING Container Technologies (1 Month LIBOR +2.75%) ±*

|      |            |         |         |
|------|------------|---------|---------|
| 0.00 | 10-31-2024 | 125,000 | 125,079 |
|------|------------|---------|---------|

3,028,140

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 25

| Security name   | Interest rate | Maturity date | Principal    | Value        |
|---|---------------|---------------|--------------|--------------|
| <b>Real Estate: 1.07%</b>   |               |               |              |              |
| <b>Equity REITs: 0.63%</b>  |               |               |              |              |
| <i>ESH Hospitality Incorporated (1 Month LIBOR +2.50%) ±</i>        | 3.74%         | 8-30-2023     | \$ 1,287,024 | \$ 1,294,348 |
| <i>MGM Growth Properties LLC (1 Month LIBOR +2.25%) ±</i>           | 3.49          | 4-25-2023     | 319,999      | 321,656      |
| <i>The Geo Group Incorporated (3 Month LIBOR +2.25%) ±</i>          | 3.57          | 3-22-2024     | 1,548,824    | 1,548,173    |
|   |               |               |              | 3,164,177    |
| <b>Real Estate Management &amp; Development: 0.44%</b>              |               |               |              |              |
| <i>Capital Automotive LP (1 Month LIBOR +3.00%) ±</i>               | 4.25          | 3-24-2024     | 1,364,062    | 1,366,108    |
| <i>Capital Automotive LP (1 Month LIBOR +6.00%) ±</i>               | 7.25          | 3-24-2025     | 808,086      | 828,289      |
|   |               |               |              | 2,194,397    |
| <b>Telecommunication Services: 1.34%</b>                            |               |               |              |              |
| <b>Diversified Telecommunication Services: 0.89%</b>                |               |               |              |              |
| <i>Frontier Communications Corporation (1 Month LIBOR +3.75%) ±</i> | 4.99          | 6-15-2024     | 1,418,500    | 1,348,327    |
| <i>Level 3 Financing Incorporated (1 Month LIBOR +2.25%) ±</i>      | 3.49          | 2-22-2024     | 555,420      | 557,303      |
| <i>Telesat Canada (2 Month LIBOR +3.00%) ±</i>                      | 4.32          | 11-17-2023    | 2,512,738    | 2,526,080    |
|   |               |               |              | 4,431,710    |
| <b>Wireless Telecommunication Services: 0.45%</b>                   |               |               |              |              |
| <i>LTS Buyer LLC (2 Month LIBOR +2.25%) ±</i>                       | 6.50          | 4-13-2020     | 1,824,550    | 1,827,980    |
|   | 3.75          | 2-2-2024      | 447,750      | 449,241      |

*Sprint Communications Incorporated (1 Month  
LIBOR +2.50%) ±*

2,277,221

**Utilities: 0.14%**

**Independent Power & Renewable Electricity  
Producers: 0.14%**

*Vistra Energy Corporation (1 Month LIBOR  
+2.75%) ±%<*

|      |            |         |         |
|------|------------|---------|---------|
| 4.01 | 12-14-2023 | 695,688 | 700,516 |
|------|------------|---------|---------|

**Total Loans (Cost \$93,511,679)**

93,654,341

**Municipal Obligations: 0.01%**

**New York: 0.01%**

*Build New York City Resource Corporation  
Bronx Charter School for Excellence Project  
Series B (Education Revenue)*

|      |          |        |        |
|------|----------|--------|--------|
| 5.00 | 4-1-2018 | 45,000 | 45,286 |
|------|----------|--------|--------|

**Total Municipal Obligations (Cost \$45,000)**

45,286

**Non-Agency Mortgage-Backed Securities:  
4.56%**

*280 Park Avenue Mortgage Trust Series  
2017-280P Class A (1 Month LIBOR  
+0.88%) 144A±*

|      |           |           |           |
|------|-----------|-----------|-----------|
| 2.12 | 9-15-2034 | 1,000,000 | 1,000,946 |
|------|-----------|-----------|-----------|

*Argent Securities Incorporated Series 2004-W5  
Class AV3B (1 Month LIBOR +0.90%) ±  
Asset-Backed Funding Certificates Series*

|      |           |        |        |
|------|-----------|--------|--------|
| 2.14 | 4-25-2034 | 51,373 | 51,826 |
|------|-----------|--------|--------|

*2003-AHL1 Class A1*

|      |           |         |         |
|------|-----------|---------|---------|
| 4.18 | 3-25-2033 | 180,626 | 180,178 |
|------|-----------|---------|---------|

*Banc of America Commercial Mortgage  
Securities Incorporated Series 2006-03*

|      |           |           |         |
|------|-----------|-----------|---------|
| 5.72 | 7-10-2044 | 1,053,875 | 742,075 |
|------|-----------|-----------|---------|

*Class AM ±±*

*Banc of America Commercial Mortgage  
Securities Incorporated Series 2007-1*

|      |           |         |         |
|------|-----------|---------|---------|
| 5.48 | 1-15-2049 | 181,224 | 183,775 |
|------|-----------|---------|---------|

*Class AMFX ±±*

*Banc of America Commercial Mortgage  
Securities Incorporated Series 2008-1*

|      |           |         |         |
|------|-----------|---------|---------|
| 6.34 | 2-10-2051 | 550,000 | 552,635 |
|------|-----------|---------|---------|

*Class AM ±±*

*Banc of America Funding Corporation Series  
2005 Class 5-1A1*

|      |           |         |         |
|------|-----------|---------|---------|
| 5.50 | 9-25-2035 | 232,953 | 243,599 |
|------|-----------|---------|---------|

*Banc of America Mortgage Securities Series  
2003 Class 1A1 ±±*

|      |           |         |         |
|------|-----------|---------|---------|
| 3.62 | 4-25-2033 | 263,890 | 248,808 |
|------|-----------|---------|---------|

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

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26 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name   | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Non-Agency Mortgage-Backed Securities</b>  |               |               |            |            |
| (continued)   |               |               |            |            |
| <i>Bear Stearns Asset-Backed Securities Series 2002-2 Class A1 (1 Month LIBOR +0.66%) ±</i>         | 1.89%         | 10-25-2032    | \$ 203,064 | \$ 199,286 |
| <i>Bear Stearns Commercial Mortgage Series 2007-PW18 Class AM ±±</i>                                | 6.08          | 6-11-2050     | 31,372     | 31,349     |
| <i>Bear Stearns Commercial Mortgage Series 2007-PW18 Class AMA ±±</i>                               | 6.09          | 6-11-2050     | 147,776    | 147,725    |
| <i>Centex Home Equity Series 2002-A Class AF6</i>   | 5.54          | 1-25-2032     | 34,428     | 34,375     |
| <i>Centex Home Equity Series 2002-D Class AF6 ±±</i>  | 4.66          | 12-25-2032    | 9,860      | 9,938      |
| <i>Centex Home Equity Series 2004-B Class AF6</i>   | 4.69          | 3-25-2034     | 136,904    | 140,251    |
| <i>CFCRE Commercial Mortgage Trust Series 2015-RUM Class A (1 Month LIBOR +1.70%) 144A±</i>         | 2.94          | 7-15-2030     | 480,000    | 481,021    |
| <i>CGDBB Commercial Mortgage Trust Series 2017 Class A (1 Month LIBOR +0.79%) 144A±</i>             | 2.03          | 7-15-2028     | 750,000    | 750,822    |
| <i>Citigroup Commercial Mortgage Trust Series 2012-GC8 Class C 144A±±</i>                           | 4.87          | 9-10-2045     | 1,000,000  | 1,047,465  |
| <i>Citigroup Commercial Mortgage Trust Series 2015 Class A (1 Month LIBOR +1.15%) 144A±</i>         | 2.38          | 9-15-2027     | 595,000    | 594,995    |
| <i>Citigroup Commercial Mortgage Trust Series 2017-1500 Class A (1 Month LIBOR +0.85%) 144A±</i>    | 2.09          | 7-15-2032     | 750,000    | 751,145    |
| <i>Citigroup Commercial Mortgage Trust Series 2017-MDRB Class A (1 Month LIBOR +1.10%) 144A±</i>    | 2.34          | 7-15-2030     | 1,000,000  | 997,339    |
| <i>Citigroup Mortgage Loan Trust Incorporated Series 2003-HE3 Class A3 (1 Month LIBOR +0.76%) ±</i> | 1.99          | 12-25-2033    | 29,240     | 29,069     |
| <i>Commercial Mortgage Trust Series 2012-CR2 Class C ±±</i>   | 4.84          | 8-15-2045     | 1,000,000  | 1,037,347  |
| <i>Commercial Mortgage Trust Series 2012-LC4 Class A4</i>   | 3.29          | 12-10-2044    | 205,000    | 210,977    |
| <i>Commercial Mortgage Trust Series 2012-LC4 Class AM</i>   | 4.06          | 12-10-2044    | 500,000    | 523,665    |

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|   |      |            |           |           |
|---|------|------------|-----------|-----------|
| <i>Commercial Mortgage Trust Series 2012-LC4 Class C ±±</i>   | 5.59 | 12-10-2044 | 500,000   | 533,297   |
| <i>Countrywide Asset-Backed Certificates Series 2003-5 Class AF5</i>  | 5.26 | 2-25-2034  | 91,747    | 94,537    |
| <i>Countrywide Home Loans Series 2003-48 Class 2A2 ±±</i>   | 3.67 | 10-25-2033 | 72,198    | 71,461    |
| <i>Credit Suisse First Boston Mortgage Securities Series 2002-AR25 Class 1A1 ±±</i>                                   | 2.91 | 9-25-2032  | 547,813   | 529,510   |
| <i>Credit Suisse First Boston Mortgage Securities Series 2003-AR15 Class 3A1 ±±</i>                                   | 3.73 | 6-25-2033  | 126,447   | 126,722   |
| <i>Credit Suisse First Boston Mortgage Securities Series 2003-AR9 Class 2A2 ±±</i>                                    | 3.45 | 3-25-2033  | 26,072    | 25,905    |
| <i>Credit-Based Asset Servicing &amp; Securitization LLC Series 2005-CB2 Class M1 (1 Month LIBOR +0.66%) ±</i>        | 1.90 | 4-25-2036  | 35,587    | 35,635    |
| <i>Equity One Asset-Backed Securities Series 2004-2 Class AF4 ±±</i>  | 4.62 | 7-25-2034  | 259,038   | 258,711   |
| <i>Global Mortgage Securitization Limited Series 2004-A Class A2 (1 Month LIBOR +0.32%) 144A±</i>                     | 1.56 | 11-25-2032 | 105,428   | 99,972    |
| <i>GS Mortgage Securities Trust Series 2010-C1 Class X 144A±±(c)</i>  | 1.38 | 8-10-2043  | 5,149,706 | 157,028   |
| <i>GS Mortgage Securities Trust Series 2012-GCJ7 Class XA ±±(c)</i>   | 2.23 | 5-10-2045  | 3,473,996 | 224,709   |
| <i>GS Mortgage Securities Trust Series 2014 Class C 144A</i>  | 3.79 | 1-10-2031  | 1,000,000 | 999,163   |
| <i>GSAA Home Equity Trust Series 2004-5 Class AF5</i>   | 4.51 | 6-25-2034  | 2,934     | 2,937     |
| <i>GSCCRE Commercial Mortgage Trust Series 2015-HULA Class C (1 Month LIBOR +2.75%) 144A±</i>                         | 3.99 | 8-15-2032  | 1,000,000 | 1,003,133 |
| <i>GSMPs Mortgage Loan Trust Series 2005-AHL Class M1 (1 Month LIBOR +0.65%) ±</i>                                    | 1.88 | 4-25-2035  | 4,436     | 4,442     |
| <i>GSMPs Mortgage Loan Trust Series 2006-1 Class A1 (1 Month LIBOR +0.30%) 144A±</i>                                  | 1.54 | 3-25-2035  | 80,501    | 79,783    |
| <i>JPMorgan Chase Commercial Mortgage Securities Corporation Series 2013-C17 Class B ±±</i>                           | 4.89 | 1-15-2047  | 50,000    | 53,304    |
| <i>JPMorgan Chase Commercial Mortgage Securities Corporation Series 2014-PHH Class A (1 Month LIBOR +1.45%) 144A±</i> | 2.69 | 8-15-2027  | 700,000   | 699,999   |
| <i>JPMorgan Chase Commercial Mortgage Securities Trust Series 2007-CB18 Class AM ±±</i>                               | 5.47 | 6-12-2047  | 287,423   | 287,159   |
| <i>JPMorgan Chase Commercial Mortgage Securities Trust Series 2007-CB18 Class AMFL (1 Month LIBOR +0.17%) ±</i>       | 1.40 | 6-12-2047  | 246,363   | 243,584   |
| <i>JPMorgan Chase Commercial Mortgage Securities Trust Series 2007-LDPX Class AM ±±</i>                               | 5.46 | 1-15-2049  | 168,694   | 169,116   |

*JPMorgan Chase Commercial Mortgage  
Securities Trust  
Series 2015-FL7 Class A (1 Month LIBOR  
+1.25%) 144A±*

|      |           |         |         |
|------|-----------|---------|---------|
| 2.49 | 5-15-2028 | 122,414 | 122,397 |
|------|-----------|---------|---------|

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 27

| Security name  | Interest rate | Maturity date | Principal | Value     |
|--|---------------|---------------|-----------|-----------|
| <b>Non-Agency Mortgage-Backed Securities</b><br>(continued)                                    |               |               |           |           |
| <i>JPMorgan Mortgage Trust Series 2004-A3 Class 2A1 ±±</i>                                     | 3.66%         | 7-25-2034     | \$ 67,867 | \$ 68,624 |
| <i>JPMorgan Mortgage Trust Series 2004-A3 Series 3A3 ±±</i>                                    | 3.50          | 7-25-2034     | 60,830    | 60,000    |
| <i>JPMorgan Mortgage Trust Series 2005-A3 Class 11A2 ±±</i>                                    | 3.72          | 6-25-2035     | 206,354   | 210,055   |
| <i>JPMorgan Mortgage Trust Series 2009-7 Class 2A1 144A±±</i>                                  | 6.00          | 2-27-2037     | 10,398    | 10,452    |
| <i>JPMorgan Mortgage Trust Series 2009-7 Class 5A1 144A±±</i>                                  | 6.00          | 2-27-2037     | 14,753    | 14,715    |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2003-6 Class 3A1 ±±</i>                         | 3.33          | 12-25-2033    | 361,751   | 363,397   |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2003-6 Class 4A2 ±±</i>                         | 3.44          | 1-25-2034     | 10,543    | 10,307    |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2004-13 Class 3A7 ±±</i>                        | 3.47          | 11-21-2034    | 17,285    | 17,697    |
| <i>MASTR Alternative Loans Trust Series 2005-1 Class 5A1</i>                                   | 5.50          | 1-25-2020     | 17,969    | 18,304    |
| <i>MASTR Specialized Loan Trust Series 2005-3 Class A1 (1 Month LIBOR +0.36%) 144A±</i>        | 1.59          | 11-25-2035    | 316,633   | 314,565   |
| <i>Merrill Lynch Mortgage Trust Series 2005-A8 Class A1B3</i>                                  | 5.25          | 8-25-2036     | 26,010    | 26,457    |
| <i>Merrill Lynch Mortgage Trust Series 2007-C1 Class A1A ±±</i>                                | 5.81          | 6-12-2050     | 47,441    | 47,441    |
| <i>Mesa Trust Asset-Backed Certificates Series 2001-5 Class A (1 Month LIBOR +0.40%) 144A±</i> | 2.04          | 12-25-2031    | 13,194    | 12,995    |
| <i>Mid State Trust Series 11 Class A1</i>  | 4.86          | 7-15-2038     | 201,619   | 208,933   |
| <i>MLCC Mortgage Investors Incorporated Series 2003-G Class A2 (6 Month LIBOR +0.68%) ±</i>    | 2.09          | 1-25-2029     | 77,404    | 77,038    |
| <i>Morgan Stanley Bank of America Merrill Lynch Trust Series 2012-C5 Class XA 144A±±(c)</i>    | 1.48          | 8-15-2045     | 4,220,752 | 234,093   |

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|  |      |            |           |            |
|--|------|------------|-----------|------------|
| <i>Morgan Stanley Bank of America Merrill Lynch Trust</i>              |      |            |           |            |
| <i>Series 2013-C11 Class A4 ±±</i>                                     | 4.17 | 8-15-2046  | 569,000   | 611,932    |
| <i>Morgan Stanley Capital I Trust Series</i>                           |      |            |           |            |
| <i>2004-NC1 Class M1 (1 Month LIBOR +1.05%) ±</i>                      | 2.29 | 12-27-2033 | 427,199   | 428,362    |
| <i>Morgan Stanley Capital I Trust Series</i>                           |      |            |           |            |
| <i>2012-C4 Class C 144A±±</i>  | 5.42 | 3-15-2045  | 900,000   | 951,104    |
| <i>New Century Home Equity Loan Trust Series</i>                       |      |            |           |            |
| <i>2004-3 Class M1 (1 Month LIBOR +0.93%) ±</i>                        | 2.17 | 11-25-2034 | 1,165,049 | 1,162,423  |
| <i>New Century Home Equity Loan Trust Series</i>                       |      |            |           |            |
| <i>2005-1 Class AIMZ (1 Month LIBOR +0.58%) ±</i>                      | 1.82 | 3-25-2035  | 24,252    | 24,258     |
| <i>Provident Funding Mortgage Loan Series</i>                          |      |            |           |            |
| <i>2005-1 Class 2A1 ±±</i>   | 3.45 | 5-25-2035  | 22,620    | 22,090     |
| <i>RBSSP Resecuritization Trust Series 2010-3</i>                      |      |            |           |            |
| <i>Class 4A1 144A±±</i>  | 4.12 | 12-26-2035 | 6,272     | 6,291      |
| <i>Renaissance Home Equity Loan Trust Series</i>                       |      |            |           |            |
| <i>2004-4 Class AF4</i>  | 4.88 | 2-25-2035  | 141,973   | 142,654    |
| <i>Saxon Asset Securities Trust Series 2002-1</i>                      |      |            |           |            |
| <i>Class AF5</i>   | 6.04 | 12-25-2030 | 129,077   | 131,746    |
| <i>Saxon Asset Securities Trust Series 2003-1</i>                      |      |            |           |            |
| <i>Class AF7</i>   | 4.03 | 6-25-2033  | 420,328   | 424,569    |
| <i>Sequoia Mortgage Trust Series 2003-1 Class</i>                      |      |            |           |            |
| <i>1A (1 Month LIBOR +0.76%) ±</i>                                     | 2.00 | 4-20-2033  | 13,676    | 13,057     |
| <i>Stonemont Portfolio Trust Series 2017 Class A</i>                   |      |            |           |            |
| <i>(1 Month LIBOR +0.85%) 144A±</i>                                    | 2.09 | 8-20-2030  | 465,000   | 466,010    |
| <i>Structured Adjustable Rate Mortgage Loan</i>                        |      |            |           |            |
| <i>Trust Series 2004-2 Class 2A ±±</i>                                 | 3.51 | 3-25-2034  | 47,207    | 46,794     |
| <i>Structured Asset Securities Corporation Series</i>                  |      |            |           |            |
| <i>1998-2 Class A (1 Month LIBOR +0.52%) ±</i>                         | 1.76 | 2-25-2028  | 176,553   | 174,660    |
| <i>Structured Asset Securities Corporation Series</i>                  |      |            |           |            |
| <i>2002-9 Class A2 (1 Month LIBOR +0.60%) ±</i>                        | 1.54 | 10-25-2027 | 52,918    | 52,168     |
| <i>Terwin Mortgage Trust Series 2003-6HE</i>                           |      |            |           |            |
| <i>Class A3 (1 Month LIBOR +1.14%) ±</i>                               | 2.37 | 11-25-2033 | 173,407   | 173,021    |
| <i>Vendee Mortgage Trust Series 2003-2 Class</i>                       |      |            |           |            |
| <i>IO ±±(c)</i>  | 0.72 | 5-15-2033  | 4,245,193 | 114,157    |
| <i>Washington Mutual Mortgage Trust Series</i>                         |      |            |           |            |
| <i>2004-RA4 Class 3A</i>   | 7.50 | 7-25-2034  | 122,249   | 131,783    |
| <b>Total Non-Agency Mortgage-Backed Securities (Cost \$22,738,634)</b> |      |            |           | 22,785,267 |

**Expiration date**      **Shares**

**Rights: 0.05%**

**Utilities: 0.05%**

**Independent Power & Renewable**

**Electricity Producers: 0.05%**

|                                  |  |            |         |         |
|----------------------------------|--|------------|---------|---------|
| <i>Vistra Energy Corporation</i> |  | 12-31-2046 | 327,375 | 245,531 |
|----------------------------------|--|------------|---------|---------|



**Total Rights (Cost \$360,113)**

245,531

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

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28 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name   | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Yankee Corporate Bonds and Notes: 9.16%</b>        |               |               |            |            |
| <b>Consumer Discretionary: 0.31%</b>                  |               |               |            |            |
| <b>Media: 0.31%</b>                                   |               |               |            |            |
| <i>Grupo Televisa SAB</i>                             | 6.00%         | 5-15-2018     | \$ 750,000 | \$ 765,057 |
| <i>WPP Finance 2010</i>                               | 3.63          | 9-7-2022      | 750,000    | 778,425    |
|   |               |               |            | 1,543,482  |
| <b>Consumer Staples: 0.32%</b>                        |               |               |            |            |
| <b>Beverages: 0.17%</b>                               |               |               |            |            |
| <i>Pernod Ricard SA 144A</i>                          | 4.45          | 1-15-2022     | 760,000    | 816,266    |
| <b>Tobacco: 0.15%</b>                                 |               |               |            |            |
| <i>BAT International Finance plc 144A</i>             | 3.25          | 6-7-2022      | 750,000    | 764,829    |
| <b>Energy: 2.08%</b>                                  |               |               |            |            |
| <b>Energy Equipment &amp; Services: 0.30%</b>         |               |               |            |            |
| <i>Ensco plc</i>                                      | 5.75          | 10-1-2044     | 2,070,000  | 1,412,775  |
| <i>Trinidad Drilling Limited 144A</i>                 | 6.63          | 2-15-2025     | 75,000     | 72,938     |
|   |               |               |            | 1,485,713  |
| <b>Oil, Gas &amp; Consumable Fuels: 1.78%</b>         |               |               |            |            |
| <i>Baytex Energy Corporation 144A</i>                 | 5.13          | 6-1-2021      | 2,114,000  | 2,003,015  |
| <i>Baytex Energy Corporation 144A</i>                 | 5.63          | 6-1-2024      | 850,000    | 790,500    |
| <i>Griffin Coal Mining Company Limited 144A(a)(p)</i> | 9.50          | 12-1-2016     | 1,685,411  | 6,742      |
| <i>Griffin Coal Mining Company Limited (a)(p)</i>     | 9.50          | 12-1-2016     | 137,792    | 551        |
| <i>Teekay Corporation</i>                             | 8.50          | 1-15-2020     | 5,625,000  | 5,688,281  |
| <i>Woodside Finance Limited 144A</i>                  | 8.75          | 3-1-2019      | 405,000    | 438,762    |
|   |               |               |            | 8,927,851  |
| <b>Financials: 1.09%</b>                              |               |               |            |            |

**Banks: 0.77%**

|  |      |            |         |           |
|--|------|------------|---------|-----------|
| <i>ABN AMRO Bank NV 144A</i>                     | 4.80 | 4-18-2026  | 750,000 | 799,741   |
| <i>Banco del Estado de Chile 144A</i>            | 3.88 | 2-8-2022   | 650,000 | 679,052   |
| <i>Corporación Andina de Fomento</i>             | 4.38 | 6-15-2022  | 958,000 | 1,032,111 |
| <i>Nielsen Holding and Finance BV 144A</i>       | 5.00 | 2-1-2025   | 875,000 | 905,625   |
| <i>Nielsen Holding and Finance BV 144A</i>       | 5.50 | 10-1-2021  | 415,000 | 427,450   |
| <i>Preferred Term Securities XII Limited (a)</i> | 0.00 | 12-24-2033 | 635,000 | 0         |
|  |      |            |         | 3,843,979 |

**Diversified Financial Services: 0.32%**

|   |      |            |         |           |
|---|------|------------|---------|-----------|
| <i>GE Capital International Funding Company</i> | 2.34 | 11-15-2020 | 527,000 | 529,498   |
| <i>Sensata Technologies BV 144A</i>             | 6.25 | 2-15-2026  | 400,000 | 439,000   |
| <i>Tyco Electronics Group SA</i>                | 3.50 | 2-3-2022   | 625,000 | 648,516   |
|   |      |            |         | 1,617,014 |

**Health Care: 1.94%****Pharmaceuticals: 1.94%**

|  |      |           |           |           |
|--|------|-----------|-----------|-----------|
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 5.50 | 3-1-2023  | 2,200,000 | 1,848,000 |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 5.50 | 11-1-2025 | 375,000   | 382,969   |

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

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Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 29

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Pharmaceuticals (continued)</b>                             |               |               |            |            |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 5.63%         | 12-1-2021     | \$ 700,000 | \$ 638,750 |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 5.88          | 5-15-2023     | 770,000    | 649,688    |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 6.13          | 4-15-2025     | 4,575,000  | 3,843,000  |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 6.38          | 10-15-2020    | 872,000    | 866,550    |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 6.50          | 3-15-2022     | 325,000    | 344,906    |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 6.75          | 8-15-2021     | 425,000    | 411,719    |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 7.00          | 3-15-2024     | 575,000    | 622,438    |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 7.25          | 7-15-2022     | 75,000     | 72,094     |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 7.50          | 7-15-2021     | 10,000     | 9,863      |
|  |               |               |            | 9,689,977  |
| <b>Industrials: 0.87%</b>                                      |               |               |            |            |
| <b>Commercial Services &amp; Supplies: 0.54%</b>               |               |               |            |            |
| <i>GFL Environmental Incorporated 144A</i>                     | 9.88          | 2-1-2021      | 500,000    | 531,875    |
| <i>Ritchie Brothers Auctioneers Incorporated 144A</i>          | 5.38          | 1-15-2025     | 2,050,000  | 2,157,625  |
|  |               |               |            | 2,689,500  |
| <b>Machinery: 0.05%</b>  |               |               |            |            |
| <i>Sensata Technologies BV 144A</i>                            | 5.00          | 10-1-2025     | 235,000    | 250,275    |
| <b>Professional Services: 0.12%</b>                            |               |               |            |            |
| <i>IHS Markit Limited 144A</i>                                 | 4.75          | 2-15-2025     | 600,000    | 634,500    |

**Road & Rail: 0.16%**

|   |      |           |         |         |
|---|------|-----------|---------|---------|
| <i>Canadian Pacific Railway Company</i> | 4.50 | 1-15-2022 | 750,000 | 802,625 |
|---|------|-----------|---------|---------|

**Materials: 0.98%**

**Containers & Packaging: 0.60%**

|  |      |           |           |           |
|--|------|-----------|-----------|-----------|
| <i>Ardagh Packaging Finance plc 144A</i> | 4.25 | 9-15-2022 | 375,000   | 386,250   |
| <i>Ardagh Packaging Finance plc 144A</i> | 6.00 | 2-15-2025 | 1,700,000 | 1,804,125 |
| <i>Ardagh Packaging Finance plc 144A</i> | 7.25 | 5-15-2024 | 725,000   | 796,594   |
|  |      |           |           | 2,986,969 |

**Metals & Mining: 0.38%**

|   |      |            |         |           |
|---|------|------------|---------|-----------|
| <i>ArcelorMittal SA</i>                     | 6.13 | 6-1-2025   | 275,000 | 317,204   |
| <i>Glencore Finance Canada Limited 144A</i> | 4.25 | 10-25-2022 | 750,000 | 793,069   |
| <i>Vale Overseas Limited</i>                | 4.38 | 1-11-2022  | 750,000 | 782,100   |
|   |      |            |         | 1,892,373 |

**Telecommunication Services: 1.43%**

**Diversified Telecommunication Services:  
1.31%**

|                                      |      |           |           |           |
|--------------------------------------|------|-----------|-----------|-----------|
| <i>Intelsat Jackson Holdings SA</i>  | 5.50 | 8-1-2023  | 5,775,000 | 4,930,406 |
| <i>Intelsat Luxembourg SA</i>        | 7.75 | 6-1-2021  | 1,970,000 | 1,236,175 |
| <i>Virgin Media Finance plc 144A</i> | 6.38 | 4-15-2023 | 365,000   | 380,513   |
|                                      |      |           |           | 6,547,094 |

**Wireless Telecommunication Services: 0.12%**

|   |      |           |         |         |
|---|------|-----------|---------|---------|
| <i>Globo Comunicacoes Participacoes SA 144A</i> | 4.88 | 4-11-2022 | 595,000 | 621,775 |
|---|------|-----------|---------|---------|

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

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30 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

| Security name   | Interest rate | Maturity date  | Principal     | Value                 |
|---|---------------|----------------|---------------|-----------------------|
| <b>Utilities: 0.14%</b>   |               |                |               |                       |
| <b>Electric Utilities: 0.14%</b>                                      |               |                |               |                       |
| <i>Comision Federal de Electricidad 144A</i>                          | 4.88%         | 5-26-2021      | \$ 650,000    | \$ 691,600            |
| <b>Total Yankee Corporate Bonds and Notes (Cost \$47,572,502)</b>     |               |                |               | 45,805,822            |
|   | <b>Yield</b>  |                | <b>Shares</b> |                       |
| <b>Short-Term Investments: 5.13%</b>                                  |               |                |               |                       |
| <b>Investment Companies: 5.13%</b>                                    |               |                |               |                       |
| <i>Wells Fargo Government Money Market Fund Select Class (l)(u)##</i> | 0.96          |                | 25,651,250    | 25,651,250            |
| <b>Total Short-Term Investments (Cost \$25,651,250)</b>               |               |                |               | 25,651,250            |
| <b>Total investments in securities (Cost \$685,572,826)</b>           |               | 136.53%        |               | 682,398,131           |
| <i>Other assets and liabilities, net</i>                              |               | (36.53)        |               | (182,574,101)         |
| <b>Total net assets</b>   |               | <b>100.00%</b> |               | <b>\$ 499,824,030</b> |

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

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

±± The coupon of the security is adjusted based on the principal and interest payments received from the underlying pool of mortgages as well as the credit quality and the actual prepayment speed of the underlying mortgages.

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

Security is valued using significant unobservable inputs.

Non-income-earning security

¥ 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.

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

@ Foreign bond principal is denominated in the local currency of the issuer.

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

< All or a portion of the position represents an unfunded loan commitment. The rate represents the current interest rate if the loan is partially funded.

(p) Issuer is undergoing bankruptcy proceedings.

(l) The issuer of the security is an affiliated person of the Fund as defined in the Investment Company Act of 1940.

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

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

#### **Investments in Affiliates**

An affiliated investment is an investment in which the Fund owns at least 5% of the outstanding voting shares of the issuer or as a result of other relationships, such as the Fund and the issuer having the same investment manager. Transactions with issuers that were either affiliated persons of the Fund at the beginning of the period or the end of the period were as follows:

|   | Shares,<br>beginning of<br>period | Shares<br>purchased | Shares<br>sold | Shares, realized<br>end of<br>period | Net change<br>Net in Income<br>realized from<br>gains affiliated<br>(losses) securities | Value,<br>end<br>of period | % of<br>net<br>assets |
|---|-----------------------------------|---------------------|----------------|--------------------------------------|---|----------------------------|-----------------------|
| <b>Short-Term<br/>Investments<br/>Investment<br/>companies</b>    |                                   |                     |                |                                      |   |                            |                       |
| Wells Fargo<br>Government<br>Money<br>Market Fund<br>Select Class | 33,404,630                        | 307,738,352         | 315,491,732    | 25,651,250                           | \$ 0 \$ 0 \$ 182,315  | \$ 25,651,250              | 5.13%                 |

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



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Statement of assets and liabilities October 31, 2017

Wells Fargo Multi-Sector Income Fund 31

**Assets**

|   |                    |
|---|--------------------|
| Investments in unaffiliated securities, at value (cost \$659,921,576) | \$ 656,746,881     |
| Investments in affiliated securities, at value (cost \$25,651,250)    | 25,651,250         |
| Foreign currency, at value (cost \$751,413)                           | 743,694            |
| Receivable for investments sold                                       | 1,729,680          |
| Principal paydown receivable  | 53,390             |
| Receivable for interest   | 8,527,137          |
| Prepaid expenses and other assets                                     | 14,722             |
| <b>Total assets</b>   | <b>693,466,754</b> |

**Liabilities**

|  |                    |
|--|--------------------|
| Secured borrowing payable              | 187,000,000        |
| Dividends payable                      | 3,759,161          |
| Payable for investments purchased      | 1,938,884          |
| Advisory fee payable                   | 322,368            |
| Administration fee payable             | 29,306             |
| Trustees' fees and expenses payable    | 2,754              |
| Accrued expenses and other liabilities | 590,251            |
| <b>Total liabilities</b>               | <b>193,642,724</b> |

**Total net assets****\$ 499,824,030****NET ASSETS CONSIST OF**

|  |                |
|--|----------------|
| Paid-in capital                                | \$ 536,127,462 |
| Overdistributed net investment income          | (3,872,518)    |
| Accumulated net realized losses on investments | (29,163,549)   |
| Net unrealized losses on investments           | (3,267,365)    |

**Total net assets****\$ 499,824,030****NET ASSET VALUE PER SHARE**

Based on \$499,824,030 divided by 34,939,684 shares issued and outstanding (100,000,000 shares authorized)

\$14.31

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

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## 32 Wells Fargo Multi-Sector Income Fund

Statement of operations year ended October 31, 2017

**Investment income**

|  |               |
|--|---------------|
| Interest (net of foreign withholding taxes of \$424,991) | \$ 45,196,946 |
| Dividends  | 759,542       |
| Income from affiliated securities                        | 182,315       |
| Total investment income                                  | 46,138,803    |

**Expenses**

|                             |            |
|-----------------------------|------------|
| Advisory fee                | 4,134,415  |
| Administration fee          | 375,856    |
| Custody and accounting fees | 200,147    |
| Professional fees           | 660,085    |
| Shareholder report expenses | 350,532    |
| Trustees' fees and expenses | 22,883     |
| Transfer agent fees         | 44,672     |
| Interest expense            | 3,369,579  |
| Other fees and expenses     | 47,219     |
| Total expenses              | 9,205,388  |
| Net investment income       | 36,933,415 |

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

|   |                      |
|---|----------------------|
| Unaffiliated securities                                     | (19,670,600)         |
| Foreign currency transactions                               | (1,341,773)          |
| Net realized losses on investments                          | (21,012,373)         |
| Net change in unrealized gains (losses) on investments      | 27,791,101           |
| Net realized and unrealized gains (losses) on investments   | 6,778,728            |
| <b>Net increase in net assets resulting from operations</b> | <b>\$ 43,712,143</b> |

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

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| Statement of changes in net assets                                   | Wells Fargo Multi-Sector Income Fund 33 |                                |
|--|---|--------------------------------|
|  | Year ended<br>October 31, 2017          | Year ended<br>October 31, 2016 |
| <b>Operations</b>  |   |                                |
| Net investment income  | \$ 36,933,415                           | \$ 45,426,982                  |
| Net realized losses on investments                                   | (21,012,373)                            | (11,124,183)                   |
| Net change in unrealized gains (losses) on investments               | 27,791,101                              | 24,589,506                     |
| Net increase in net assets resulting from operations                 | 43,712,143                              | 58,892,305                     |
| <b>Distributions to shareholders from</b>                            |   |                                |
| Net investment income  | (26,702,083)                            | (40,758,130)                   |
| Tax basis return of capital  | (19,927,206)                            | (6,993,269)                    |
| Total distributions to shareholders                                  | (46,629,289)                            | (47,751,399)                   |
| <b>Capital share transactions</b>                                    |   |                                |
| Cost of shares repurchased   | (88,098,943)                            | (11,526,575)                   |
| Net decrease in net assets resulting from capital share transactions | (88,098,943)                            | (11,526,575)                   |
| Total decrease in net assets   | (91,016,089)                            | (385,669)                      |
| <b>Net assets</b>  |   |                                |
| <b>Beginning of period</b>   | <b>590,840,119</b>                      | <b>591,225,788</b>             |
| <b>End of period</b>   | <b>\$ 499,824,030</b>                   | <b>\$ 590,840,119</b>          |
| <b>Overdistributed net investment income</b>                         | <b>\$ (3,872,518)</b>                   | <b>\$ (3,954,254)</b>          |

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

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34 Wells Fargo Multi-Sector Income Fund

Statement of cash flows year ended October 31, 2017

**Cash flows from operating activities:**

Net increase in net assets resulting from operations \$ 43,712,143

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

Purchase of securities (342,715,078)

Proceeds from the sale of securities 456,454,916

Paydowns 12,496,512

Amortization (1,236,857)

Proceeds from sale of short-term securities, net 7,753,380

Decrease in receivable for investments sold 1,190,692

Increase in principal paydown receivable (46,236)

Decrease in receivable for interest 3,175,193

Increase in prepaid expenses and other assets (2,400)

Decrease in payable for investments purchased (5,385,654)

Decrease in advisory fee payable (58,172)

Decrease in administration fee payable (5,289)

Increase in trustees fees and expenses payable 1,477

Increase in accrued expenses and other liabilities 284,334

Litigation payments received 3,276

Net realized losses on investments 19,673,876

Net change in unrealized gains (losses) on investments (27,798,812)

Net cash provided by operating activities 167,497,301

**Cash flows from financing activities:**

Decrease in secured borrowing payable (33,000,000)

Cost of shares repurchased (89,084,448)

Cash distributions paid (46,694,393)

Net cash used in financing activities (168,778,841)

Net decrease in cash (1,281,540)

**Cash (including foreign currency):**

Beginning of period \$ 2,025,234

End of period \$ 743,694

**Supplemental cash disclosure**

Cash paid for interest \$ 3,285,061

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

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Financial highlights Wells Fargo Multi-Sector Income Fund 35  
 (For a share outstanding throughout each period)

|   | Year ended October 31 |                |                   |                   |                |
|---|-----------------------|----------------|-------------------|-------------------|----------------|
|   | 2017                  | 2016           | 2015              | 2014              | 2013           |
| <b>Net asset value, beginning of period</b>               | <b>\$14.35</b>        | <b>\$14.06</b> | <b>\$16.10</b>    | <b>\$16.40</b>    | <b>\$17.01</b> |
| Net investment income                                     | 0.97 <sup>1</sup>     | 1.08           | 1.10 <sup>1</sup> | 1.14 <sup>1</sup> | 1.18           |
| Net realized and unrealized gains (losses) on investments | 0.18                  | 0.33           | (1.98)            | (0.24)            | (0.59)         |
| Total from investment operations                          | 1.15                  | 1.41           | (0.88)            | 0.90              | 0.59           |
| <b>Distributions to shareholders from</b>                 |                       |                |                   |                   |                |
| Net investment income                                     | (0.70)                | (0.97)         | (0.87)            | (0.91)            | (1.20)         |
| Tax basis return of capital                               | (0.53)                | (0.17)         | (0.29)            | (0.29)            | 0.00           |
| Total distributions to shareholders                       | (1.23)                | (1.14)         | (1.16)            | (1.20)            | (1.20)         |
| <b>Anti-dilutive effect of shares repurchased</b>         | <b>0.04</b>           | <b>0.02</b>    | <b>0.00</b>       | <b>0.00</b>       | <b>0.00</b>    |
| <b>Net asset value, end of period</b>                     | <b>\$14.31</b>        | <b>\$14.35</b> | <b>\$14.06</b>    | <b>\$16.10</b>    | <b>\$16.40</b> |
| <b>Market value, end of period</b>                        | <b>\$13.05</b>        | <b>\$12.66</b> | <b>\$12.02</b>    | <b>\$14.19</b>    | <b>\$14.47</b> |
| <b>Total return based on market value<sup>2</sup></b>     | <b>13.07%</b>         | <b>15.66%</b>  | <b>(7.34)%</b>    | <b>6.55%</b>      | <b>(5.44)%</b> |
| <b>Ratios to average net assets (annualized)</b>          |                       |                |                   |                   |                |
| Net expenses <sup>3</sup>                                 | 1.68%                 | 1.39%          | 1.24%             | 1.21%             | 1.24%          |
| Net investment income <sup>3</sup>                        | 6.73%                 | 7.94%          | 7.33%             | 6.95%             | 7.04%          |
| <b>Supplemental data</b>                                  |                       |                |                   |                   |                |
| Portfolio turnover rate                                   | 38%                   | 29%            | 31%               | 41%               | 40%            |
| Net assets, end of period (000s omitted)                  | \$499,824             | \$590,840      | \$591,226         | \$677,004         | \$689,573      |
| Borrowings outstanding, end of period (000s omitted)      | \$187,000             | \$220,000      | \$230,000         | \$230,000         | \$230,000      |
| Asset coverage per \$1,000 of borrowing, end of period    | \$3,673               | \$3,686        | \$3,570           | \$3,944           | \$3,998        |



<sup>1</sup> Calculated based upon average shares outstanding

<sup>2</sup> Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions that a shareholder would pay on the purchase and sale of shares.

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

|                             |       |
|-----------------------------|-------|
| Year ended October 31, 2017 | 0.61% |
| Year ended October 31, 2016 | 0.44% |
| Year ended October 31, 2015 | 0.24% |
| Year ended October 31, 2014 | 0.07% |
| Year ended October 31, 2013 | 0.07% |

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

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36 Wells Fargo Multi-Sector Income Fund

Notes to financial statements

**1. ORGANIZATION**

Wells Fargo 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 1940 Act). As an investment company, the Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services - Investment Companies*.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**Securities valuation**

All investments are valued each business day as of the close of regular trading on the New York Stock Exchange (NYSE) (generally 4 p.m. Eastern Time), although the Fund may deviate from this calculation time under unusual or unexpected circumstances.

Debt securities are valued at the evaluated bid price provided by an independent pricing service or, if a reliable price is not available, the quoted bid price from an independent broker-dealer.

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

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

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

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

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

#### **Foreign currency translation**

The accounting records of the Fund are maintained in U.S. dollars. The values of other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Management Valuation Team. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions. Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized

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foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting from changes in exchange rates. The changes in net assets arising from changes in exchange rates of securities and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are included in net realized and unrealized gains or losses from investments.

### **Forward foreign currency contracts**

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

### **When-issued transactions**

The Fund may purchase securities on a forward commitment or when-issued basis. The Fund records a when-issued transaction on the trade date and will segregate assets in an amount at least equal in value to the Fund's commitment to purchase when-issued securities. Securities purchased on a when-issued basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

### **Loans**

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

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

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

Interest income is accrued daily and bond discounts are accreted and premiums are amortized daily based on the effective interest method. To the extent debt obligations are placed on non-accrual status, any related interest income may be reduced by writing off interest receivables when the collection of all or a portion of interest has been determined to be doubtful based on consistently applied procedures and the fair value has decreased. 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**

Under a monthly distribution plan, the Fund pays distributions to shareholders at an annual minimum fixed rate of 9% based on the Fund's average monthly net asset value per share over the prior 12 months. Under the managed distribution plan, monthly distributions may be sourced from income, paid-in capital, and/or capital gains, if any. To the extent that sufficient investment income is not available on a monthly basis, the Fund may distribute paid-in capital and/or capital gains, if any, in order to maintain its managed distribution level.

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 accordance with income tax regulations and may differ from U.S. generally accepted accounting principles. Dividend sources are estimated at the time of declaration. The tax character of distributions is determined as of the Fund's fiscal year end. Therefore, a portion of the Fund's distributions made prior to the Fund's fiscal year end may be categorized as a tax return of capital.

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

As of October 31, 2017, the aggregate cost of all investments for federal income tax purposes was \$690,427,638 and the unrealized gains (losses) consisted of:

|                         |                |
|-------------------------|----------------|
| Gross unrealized gains  | \$ 29,575,706  |
| Gross unrealized losses | (37,605,213)   |
| Net unrealized losses   | \$ (8,029,507) |

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or the net asset value per share. The primary permanent differences causing such reclassifications are due to bond premiums, foreign currency transactions, and paydown losses. At October 31, 2017, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

|                 | Overdistributed net | Accumulated net realized losses |
|-----------------|---------------------|---------------------------------|
| Paid-in capital | investment income   | on investments                  |
| \$(86,701,155)  | \$(10,149,596)      | \$96,850,751                    |

As of October 31, 2017, the Fund had capital loss carryforwards which consist of \$10,706,157 in short-term capital losses and \$13,671,135 in long-term capital losses.

**3. FAIR VALUATION MEASUREMENTS**

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

value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs are summarized into three broad levels as follows:

Level 1 quoted prices in active markets for identical securities

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

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

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

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The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of October 31, 2017:

|  | Quoted prices<br>(Level 1) | Other significant<br>observable inputs<br>(Level 2) | Significant<br>unobservable inputs<br>(Level 3) | Total                 |
|--|----------------------------|---|---|-----------------------|
| <b>Assets</b>                                |                            |   |   |                       |
| <b>Investments in:</b>                       |                            |   |   |                       |
| <b>Agency securities</b>                     | \$ 0                       | \$ 8,486,138  | \$ 0  | \$ 8,486,138          |
| <b>Asset-backed securities</b>               | 0                          | 3,178,298   | 700,000   | 3,878,298             |
| <b>Common stocks</b>                         |                            |   |   |                       |
| <i>Energy</i>                                | 194,876                    | 0   | 0   | 194,876               |
| <i>Materials</i>                             | 932                        | 0   | 0   | 932                   |
| <b>Corporate bonds and notes</b>             | 0                          | 349,168,343   | 0   | 349,168,343           |
| <b>Foreign corporate bonds and notes</b>     | 0                          | 10,340,578  | 0   | 10,340,578            |
| <b>Foreign government bonds</b>              | 0                          | 122,141,469   | 0   | 122,141,469           |
| <b>Loans</b>                                 | 0                          | 72,727,606  | 20,926,735                                      | 93,654,341            |
| <b>Municipal obligations</b>                 | 0                          | 45,286  | 0   | 45,286                |
| <b>Non-agency mortgage-backed securities</b> | 0                          | 22,785,267  | 0   | 22,785,267            |
| <b>Rights</b>                                |                            |   |   |                       |
| <i>Utilities</i>                             | 0                          | 245,531   | 0   | 245,531               |
| <b>Yankee corporate bonds and notes</b>      | 0                          | 45,798,529  | 7,293   | 45,805,822            |
| <b>Short-term investments</b>                |                            |   |   |                       |
| <i>Investment companies</i>                  | 25,651,250                 | 0   | 0   | 25,651,250            |
| <b>Total assets</b>                          | <b>\$ 25,847,058</b>       | <b>\$ 634,917,045</b>                               | <b>\$ 21,634,028</b>                            | <b>\$ 682,398,131</b> |

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At October 31, 2017, the Fund had no material transfers between 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:

|  | Asset-backed<br>securities | Loans | Yankee corporate | Total |
|--|----------------------------|-------|------------------|-------|
|  |                            |       |                  |       |



|  |            |               | bonds and<br>notes |               |
|--|------------|---------------|--------------------|---------------|
| <b>Balance as of October 31, 2016</b>  | \$ 0       | \$ 5,626,538  | \$ 7,293           | \$ 5,633,831  |
| Accrued discounts (premiums)   | 0          | 20,738        | 17,712             | 38,450        |
| Realized gains (losses)  | 0          | 32,824        | 0                  | 32,824        |
| Change in unrealized gains (losses)  | 0          | 104,000       | (17,712)           | 86,288        |
| Purchases  | 700,000    | 21,772,445    | 0                  | 22,472,445    |
| Sales  | 0          | (9,594,325)   | 0                  | (9,594,325)   |
| Transfers into Level 3   | 0          | 5,015,790     | 0                  | 5,015,790     |
| Transfers out of Level 3   | 0          | (2,051,275)   | 0                  | (2,051,275)   |
| <b>Balance as of October 31, 2017</b>  | \$ 700,000 | \$ 20,926,735 | \$ 7,293           | \$ 21,634,028 |
| <b>Change in unrealized gains (losses)<br/>relating to securities still held at<br/>October 31, 2017</b> | \$ 0       | \$ 111,155    | \$ (17,712)        | \$ 93,443     |

Loans and other asset-backed securities in the Level 3 table were valued using indicative broker quotes. These indicative broker quotes are considered Level 3 inputs. Quantitative unobservable inputs used by the brokers are often proprietary and not provided to the Fund and therefore the disclosure that would address these inputs is not included above.

The yankee corporate bonds and notes in the Level 3 table represents two positions which were valued based on an analysis of the expected final distribution available to bondholders from asset sales.

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Notes to financial statements

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

**Advisory fee**

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

Funds Management has retained the services of certain subadvisers to provide daily portfolio management to the Fund. The fees for subadvisory services are borne by Funds Management. Wells Capital Management Incorporated, an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo, is a subadviser to the Fund and is entitled to receive a fee from Funds Management at an annual rate of 0.30% of the Fund's average daily total assets. First International Advisors, LLC, an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo, is also a subadviser to the Fund and is entitled to receive a fee from Funds Management at an annual rate of 0.10% of the Fund's average daily total assets.

**Administration fee**

Funds Management also serves as the administrator to the Fund, providing the Fund with a wide range of administrative services necessary to the operation of the Fund. Funds Management is entitled to receive an annual administration fee from the Fund equal to 0.05% of the Fund's average daily total assets.

**Out-of-pocket reimbursements**

During the year ended October 31, 2017, State Street Bank and Trust Company ( State Street ), the Fund's custodian, reimbursed the Fund \$20,366 for certain out-of-pocket expenses that were billed to the Fund in error from 1998-2015. This amount is included in interest income on the Statement of Operations. In addition, Funds Management was also reimbursed \$9,019 by State Street for waivers/reimbursements it made to the Fund to limit Fund expenses during the period the Fund was erroneously billed.

**Interfund transactions**

The Fund may purchase or sell portfolio investment securities to certain other Wells Fargo affiliates pursuant to Rule 17a-7 under the 1940 Act and under procedures adopted by the Board of Trustees. The procedures have been designed to ensure that these interfund transactions, which do not incur broker commissions, are effected at current market prices. Pursuant to these procedures, the Fund had \$2,645,781 and \$27,657,338 in interfund purchases and sales, respectively, during the year ended October 31, 2017.

**5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized capital of 100,000,000 shares with no par value. For the year ended October 31, 2017 and the year ended October 31, 2016, the Fund did not issue any shares.

On December 17, 2015, the Fund announced an open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund was authorized to repurchase up to 10% of its outstanding shares in open market transactions through December 16, 2016. The Fund's Board of Trustees had delegated to Funds Management full discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations. The Buyback Program ended at the close of business on December 16, 2016. During the year ended October 31, 2017, the Fund purchased 57,556 of its shares on the open market at a total cost of \$729,188 (weighted average price per share of \$12.65). The weighted average discount of these repurchased shares was 11.60%.

On May 11, 2017, the Fund's tender offer to purchase up to 15% of its outstanding common shares expired. Through the tender offer, 18,987,662 common shares, or approximately 46% of the Fund's common shares outstanding, were tendered. Because the total number of shares tendered exceeded the number of shares offered to purchase, all tendered shares were subject to proration in accordance with the terms of the offer to purchase. The Fund accepted 6,165,826 shares for cash payment at a price equal to 98% of the Fund's net asset value per share effective as of the close of the regular trading session of the NYSE on May 12, 2017. Following the purchase of the tendered shares, the Fund had 34,939,684 common shares outstanding.

## **6. BORROWINGS**

The Fund has borrowed \$187 million through a revolving credit facility administered by a major financial institution (the Facility). The Facility has a commitment amount of \$230 million with no specific contract expiration date but the Facility can be terminated upon 180 days' notice. The Fund is charged interest at London Interbank Offered Rate (LIBOR) plus 0.70% and a commitment fee of 0.30% of the average daily unutilized amount of the commitment which may be waived

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 if the amount drawn on the Facility is over 75% of the committed amount. The financial institution holds a security interest in all the assets of the Fund as collateral for the borrowing.

During the year ended October 31, 2017, the Fund had average borrowings outstanding of \$203,183,562 at an average interest rate of 1.66% and paid interest in the amount of \$3,369,579, which represents 0.61% of its average daily net assets.

**7. INVESTMENT PORTFOLIO TRANSACTIONS**

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the year ended October 31, 2017 were \$275,691,891 and \$319,157,038, respectively.

As of October 31, 2017, the Fund had unfunded term loan commitments of \$1,911,875.

**8. DISTRIBUTIONS TO SHAREHOLDERS**

The tax character of distributions paid during the years ended October 31, 2017 and October 31, 2016 were as follows:

|                                    | Year ended October 31 |               |
|------------------------------------|-----------------------|---------------|
|                                    | 2017                  | 2016          |
| <b>Ordinary income</b>             | \$26,702,083          | \$ 40,758,130 |
| <b>Tax basis return of capital</b> | 19,927,206            | 6,993,269     |

As of October 31, 2017, the components of distributable earnings on a tax basis were as follows:

| Unrealized<br>losses | Capital loss<br>carryforward |
|----------------------|------------------------------|
| \$(8,108,928)        | \$(24,377,292)               |

**9. INDEMNIFICATION**

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

**10. NEW ACCOUNTING PRONOUNCEMENT**

In August 2016, FASB issued Accounting Standard Update (ASU) No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)*, which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Management has evaluated the

impact of adopting this ASU and determined that it will not result in any material changes to the disclosures in the financial statements. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those financial years, with early adoption permitted.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash (a Consensus of the Emerging Issues Task Force)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts described as restricted cash and restricted cash equivalents should be included with the cash and cash equivalents in reconciling the beginning and end of period total amounts shown on the statement of cash flows. Management has evaluated the impact of adopting this ASU and determined that it will not result in any material changes to the disclosures in the financial statements. This ASU is effective for interim and annual reporting periods beginning after December 15, 2017.

## 11. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to shareholders:

| Declaration date  | Record date       | Payable date     | Per share amount |
|-------------------|-------------------|------------------|------------------|
| October 27, 2017  | November 15, 2017 | December 1, 2017 | \$0.10772        |
| November 10, 2017 | December 13, 2017 | January 2, 2018  | 0.10770          |

These distributions are not reflected in the accompanying financial statements.

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**BOARD OF TRUSTEES AND SHAREHOLDERS OF WELLS FARGO MULTI-SECTOR INCOME FUND:**

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the Wells Fargo Multi-Sector Income Fund (the Fund), as of October 31, 2017, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period 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, 2017, by correspondence with the custodian and brokers, or by other appropriate audit 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 Multi-Sector Income Fund as of October 31, 2017, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period 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 21, 2017

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Other information (unaudited)

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**TAX INFORMATION**

For corporate shareholders, pursuant to Section 854 of the Internal Revenue Code, 2.84% of ordinary income dividends qualify for the corporate dividends-received deduction for the fiscal year ended October 31, 2017.

Pursuant to Section 854 of the Internal Revenue Code, \$759,542 of income dividends paid during the fiscal year ended October 31, 2017 has been designated as qualified dividend income (QDI).

For the fiscal year ended October 31, 2017, \$26,767,187 has been designated as interest-related dividends for nonresident alien shareholders pursuant to Section 871 of the Internal Revenue Code.

Pursuant to Section 853 of the Internal Revenue Code, the Fund expects to designate amounts as foreign taxes paid for the fiscal year ended October 31, 2017. Additional details will be available in the semiannual report.

**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, upon request, by calling **1-800-222-8222**, visiting our website at **wellsfargofunds.com**, or visiting the SEC website at [sec.gov](http://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 on the Fund's website at **wellsfargofunds.com** or by visiting the SEC website at [sec.gov](http://sec.gov).

**PORTFOLIO HOLDINGS INFORMATION**

The complete portfolio holdings for the Fund are publicly available monthly on the Fund's website (**wellsfargofunds.com**), on a one-month delayed basis. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available by visiting the SEC website at [sec.gov](http://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)

**BOARD OF TRUSTEES AND OFFICERS**

The following table provides basic information about the Board of Trustees (the Trustees) and Officers of the Fund. Each of the Trustees and Officers<sup>1</sup> listed below acts in identical capacities for each fund in the Wells Fargo family of funds, which consists of 152 mutual funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the Fund Complex). The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

**Independent Trustees**

| Name and year of birth  | Position held and length of service | Principal occupations during past five years or longer   | Current other public company or investment company directorships |
|---|-------------------------------------|--|--|
| <b>Class I - Non-Interested Trustees to serve until 2020 Annual Meeting of Shareholders</b> |                                     |  |  |
| Isaiah Harris, Jr.<br>(Born 1952)   | Trustee, since 2010                 | Retired. Chairman of the Board of CIGNA Corporation since 2009, and Director since 2005. From 2003 to 2011, Director of Deluxe Corporation. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Harbor Academy (charter school). Advisory Board Member, Child Evangelism Fellowship (non-profit). Mr. Harris is a certified public accountant (inactive status). | CIGNA Corporation;<br>Asset Allocation Trust                     |
| David F. Larcker<br>(Born 1950)   | Trustee, since 2010                 | James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of the Corporate Governance Research Initiative and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.  | Asset Allocation Trust   |
| Olivia S. Mitchell*   |                                     |  |  |



|  |  |  |                        |
|--|--|--|------------------------|
| (Born 1953)  | Trustee, since 2010, Governance Committee Chairman, effective 2018 | 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 |
| <b>Class II - Non-Interested Trustees to serve until 2018 Annual Meeting of Shareholders</b> |  |  |                        |
| William R. Ebsworth  | Trustee, since 2015  | Retired. From 1984 to 2013, equities analyst, portfolio manager, research director and chief investment officer at Fidelity Management and Research Company in Boston, Tokyo, and Hong Kong, and retired in 2013 as Chief Investment Officer of Fidelity Strategic Advisers, Inc. where he led a team of investment professionals managing client assets. Prior thereto, Board member of Hong Kong Securities Clearing Co., Hong Kong Options Clearing Corp., the Thailand International Fund, Ltd., Fidelity Investments Life Insurance Company, and Empire Fidelity Investments Life Insurance Company. Board member of the Forté Foundation (non-profit organization) and the Vincent Memorial Hospital Endowment (non-profit organization), where he serves on the Investment Committee and as Chair of the Audit Committee. Mr. Ebsworth is a CFA® charterholder. | Asset Allocation Trust |
| (Born 1957)  |  |  |                        |
| Jane A. Freeman**  | Trustee, since 2015;   | Retired. From 2012 to 2014 and 1999 to 2008, Chief Financial Officer of Scientific Learning Corporation. From 2008 to 2012, Ms. Freeman provided consulting services related to strategic business projects. Prior to 1999, Portfolio Manager at Rockefeller & Co. and Scudder, Stevens & Clark. Board member of the Harding Loevner Funds from 1996 to 2014, serving as both Lead Independent Director and chair of the Audit Committee. Board member of the Russell Exchange Traded Funds Trust from 2011 to 2012 and the chair of the Audit Committee. Ms. Freeman is a Board Member of Ruth Bancroft Garden (non-profit organization) and an inactive chartered financial analyst.   | Asset Allocation Trust |
| (Born 1953)  | Chair Liaison, effective 2018                                      |  |                        |

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| Other information (unaudited)   |   | Wells Fargo Multi-Sector Income Fund 45  |  |
|---|---|--|--|
| Name and year of birth  | Position held and length of service   | Principal occupations during past five years or longer   | Current other public company or investment company directorships |
| Judith M. Johnson<br>(Born 1949)  | Trustee, since 2010;<br>Audit Committee Chairman, 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   |
| <b>Class III - Non-Interested Trustees to serve until 2019 Annual Meeting of Shareholders</b> |   |  |  |
| Peter G. Gordon***<br>(Born 1942)   | Trustee, from 2010 to 2017; Chairman, from 2010 to 2017                         | Co-Founder, Retired Chairman, President and CEO of Crystal Geysers Water Company. Trustee Emeritus, Colby College.   | Asset Allocation Trust   |
| Timothy J. Penny****<br>(Born 1951)   | Trustee, since 2010; Chairman, effective 2018; Vice Chairman, from 2017 to 2018 | President and Chief Executive Officer 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   |
| James G. Polisson*****<br>(Born 1959)   | Trustee, effective 2018; Advisory Board Member, from 2017 to 2018               | Retired. Chief Marketing Officer, Source (ETF) UK Services, Ltd, from 2015 to 2017. From 2012 to 2015, Principal of The Polisson Group, LLC, a management consulting, corporate advisory and principal investing company. Chief Executive Officer and Managing Director at Russell Investments, Global Exchange Traded Funds from 2010 to 2012. Managing Director of Barclays Global Investors from 1998 to 2010 and Global Chief Marketing Officer for iShares and Barclays Global Investors from 2000 to 2010. Prior thereto, Vice President, Fidelity Retail Mutual Fund Group from 1996 to 1998 and Risk Management Practice Manager, Fidelity Consulting from 1995 to 1996. Board member of the Russell Exchange Traded Fund Trust from 2011 to 2012. Director of Barclays Global Investors Holdings Deutschland GmbH from 2006 to 2009. Mr. Polisson is an attorney and has a retired status with the Massachusetts and District of Columbia Bar Associations. | Asset Allocation Trust   |
| Michael S. Scofield<br>(Born 1943)  | Trustee, since 2003   | 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   | Asset Allocation Trust   |

|   |  |   |                                       |
|---|--|---|---------------------------------------|
| <p>Pamela Wheelock*****<br/>(Born 1959)</p> | <p>Trustee,<br/>effective 2018;<br/>Advisory Board<br/>Member, from<br/>2017 to 2018</p> | <p>the Independent Directors Council Executive Committee from 2008-2011. Trustee of the Evergreen Funds complex (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield. Chief Operating Officer, Twin Cities Habitat for Humanity, since January, 2017. Vice President of University Services, University of Minnesota from 2012 to 2017. Prior thereto, Interim President and Chief Executive Officer of Blue Cross Blue Shield of Minnesota from 2010 to 2011, Chairman of the Board from 2009 to 2011 and Board Director from 2003 to 2015. Vice President, Leadership and Community Engagement, Bush Foundation, Saint Paul, Minnesota (a private foundation) from 2009 to 2011. Executive Vice President and Chief Financial Officer, Minnesota Sports and Entertainment from 2004 to 2009 and Senior Vice President from 2002 to 2004. Commissioner of Finance, State of Minnesota, from 1999 to 2002. Currently on the Board of Directors, Governance Committee and Finance Committee, for the Minnesota Philanthropy Partners (Saint Paul Foundation) since 2012 and Board Chair of the Minnesota Wild Foundation since 2010.</p> | <p>Asset<br/>Allocation<br/>Trust</p> |
|---|--|---|---------------------------------------|

\* Olivia Mitchell will become Chairman of the Governance Committee effective January 1, 2018.

\*\* Jane Freeman will become Chair Liaison effective January 1, 2018.

\*\*\* Peter Gordon will retire on December 31, 2017.

\*\*\*\* Timothy Penny will become Chairman effective January 1, 2018.

\*\*\*\*\* James Polisson and Pamela Wheelock each will become a Trustee effective January 1, 2018.

**Table of Contents****46 Wells Fargo Multi-Sector Income Fund  
Officers**

Other information (unaudited)

| Name and year of birth                     | Position held and length of service                    | Principal occupations during past five years or longer  |
|--|--|---|
| Andrew Owen<br>(Born 1960)                 | President, since 2017                                  | Executive Vice President of Wells Fargo & Company and Head of Affiliated Managers, Wells Fargo Asset Management, since 2014. In addition, Mr. Owen is currently President, Chief Executive Officer and Director of Wells Fargo Funds Management, LLC since 2017. Prior thereto, Executive Vice President responsible for marketing, investments and product development for Wells Fargo Funds Management, LLC, from 2009 to 2014. |
| Jeremy DePalma <sup>1</sup><br>(Born 1974) | Treasurer, since 2012                                  | Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.  |
| C. David Messman<br>(Born 1960)            | Secretary, since 2010; Chief Legal Officer, since 2010 | Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013.  |
| Michael H. Whitaker<br>(Born 1967)         | Chief Compliance Officer, since 2016                   | Senior Vice President and Chief Compliance Officer since 2016. Senior Vice President and Chief Compliance Officer for Fidelity Investments from 2007 to 2016.   |
| David Berardi<br>(Born 1975)               | Assistant Treasurer, since 2009                        | Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.   |

<sup>1</sup>Jeremy DePalma acts as Treasurer of 76 funds and Assistant Treasurer of 76 funds in the Fund Complex.

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|  |   |
|--|---|
| Other information (unaudited)  | Wells Fargo Multi-Sector Income Fund 47 |
| <b>BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:</b> |   |

Under the Investment Company Act of 1940 (the 1940 Act ), the Board of Trustees (the Board ) of Wells Fargo Multi-Sector Income Fund (the Fund ) must determine whether to approve the continuation of the Fund's investment advisory and sub-advisory agreements. In this regard, at an in-person meeting held on May 16-17, 2017 (the Meeting ), the Board, all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not interested persons of the Fund, as defined in the 1940 Act (the Independent Trustees ), reviewed and approved: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC ( Funds Management ), (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated ( WellsCap ), an affiliate of Funds Management; and (iii) an investment sub-advisory agreement with First International Advisors, LLC ( FIA ), an affiliate of Funds Management. The investment advisory agreement with Funds Management and the investment sub-advisory agreements with WellsCap and FIA (each, a Sub-Adviser and together, the Sub-Advisers ) are collectively referred to as the Advisory Agreements.

At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of Funds Management and the Sub-Advisers and the continuation of the Advisory Agreements. Prior to the Meeting, including at an in-person meeting in April 2017, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. Also, the Board has adopted a team-based approach, with each team consisting of a sub-set of Trustees, to assist the full Board in the discharge of its duties in reviewing performance and other matters throughout the year. The Independent Trustees were assisted in their evaluation of the Advisory Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, Funds Management and the Sub-Advisers were guided by a detailed set of requests for information submitted to them by independent legal counsel on behalf of the Independent Trustees at the start of the Board's annual contract renewal process earlier in 2017. In considering and approving the Advisory Agreements, the Trustees considered the information they believed relevant, including but not limited to the information discussed below. The Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with Funds Management and the Sub-Advisers about various topics. In this regard, the Board reviewed reports of Funds Management at each of its quarterly meetings, which included, among other things, portfolio reviews and performance reports. In addition, the Board and the teams mentioned above confer with portfolio managers at various times throughout the year. The Board did not identify any particular information or consideration that was all-important or controlling, and each individual Trustee may have attributed different weights to various factors.

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

**Nature, extent and quality of services**

The Board received and considered various information regarding the nature, extent and quality of services provided to the Fund by Funds Management and the Sub-Advisers under the Advisory Agreements. This information included,

among other things, a summary of the background and experience of senior management of Funds Management, a summary of certain organizational and personnel changes involving Funds Management and the Sub-Advisers, and a description of Funds Management's and the Sub-Advisers' business continuity planning programs and of their approaches to data privacy and cybersecurity. The Board also considered the qualifications, background, tenure and responsibilities of each of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

The Board evaluated the ability of Funds Management and the Sub-Advisers to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board further considered the compliance programs and compliance records of Funds Management and the Sub-Advisers. In addition, the Board took into account the full range of services provided to the Fund by Funds Management and its affiliates.

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

The Board considered the performance results for the Fund over various time periods ended December 31, 2016. The Board considered these results in comparison to the performance of funds in a custom peer group that included funds

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

The Board also received and considered information regarding the Fund s net operating expense ratio and its various components, including actual management fees, and custodian and other non-management fees. The Board considered this ratio in comparison to the median ratio of funds in the Custom Peer Group and in comparison to the median ratio of funds in an expense group that was determined by Broadridge to be similar to the Fund (the Broadridge Group , and together with the Custom Peer Group, the Expense Groups ). Broadridge is an independent provider of investment company data. The Board received a description of the methodology used by Broadridge and Funds Management to select the funds in the Expense Groups, and an explanation from Broadridge of how funds comprising Broadridge expense groups and their expense ratios may vary from year-to-year. Based on the Broadridge reports, the Board noted that the net operating expense ratio of the Fund was lower than the median net operating expense ratios of the Expense Groups.

The Board took into account the Fund performance and expense information provided to it among the factors considered in deciding to re-approve the Advisory Agreements.

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

The Board reviewed and considered the contractual investment advisory fee rate that is payable by the Fund to Funds Management for investment advisory services (the Advisory Agreement Rate ), both on a stand-alone basis and on a combined basis with the Fund s contractual administration fee rate (the Management Rate ). The Board also reviewed and considered the contractual investment sub-advisory fee rates that are payable by Funds Management to each of the Sub-Advisers for investment sub-advisory services (the Sub-Advisory Agreement Rate ).

Among other information reviewed by the Board was a comparison of the Management Rate of the Fund with those of other funds in the Expense Groups at a common asset level. The Board noted that the Management Rate of the Fund was lower than the average rates for both Expense Groups.

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

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board determined that the Advisory Agreement Rate and each Sub-Advisory Agreement Rate was reasonable.

### **Profitability**

The Board received and considered information concerning the profitability of Funds Management, as well as the profitability of Wells Fargo as a whole, from providing services to the Fund and the fund family as a whole. The Board also received and considered information concerning the profitability of the Sub-Advisers from providing services to the fund family as a whole, noting that the Sub-Advisers' profitability information with respect to providing services to the Fund was subsumed in the Wells Fargo and Funds Management profitability analysis.

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

### **Economies of scale**

The Board considered the extent to which there may be sharing with the Fund of potential economies of scale in the provision of advisory services to the Fund. The Board noted that, as is typical of closed-end funds, there are no breakpoints in



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Other information (unaudited) Wells Fargo Multi-Sector Income Fund 49  
the Management Rate. Although the Fund would not share in any potential economies of scale through contractual breakpoints, the Board noted that competitive management fee rates set at the outset without regard to breakpoints and fee waiver and expense reimbursement arrangements are means of sharing potential economies of scale with shareholders of the Fund. The Board concluded that the Fund's fee waiver and expense arrangements constituted a reasonable approach to sharing potential economies of scale with the Fund and its shareholders. The Board also noted that it would have opportunities to revisit the Management Rate as part of future contract reviews.

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

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

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

**Conclusion**

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

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50 Wells Fargo Multi-Sector Income Fund Automatic dividend reinvestment plan  
**AUTOMATIC DIVIDEND REINVESTMENT PLAN**

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan ( the Plan ). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by Computershare Trust Company, N.A., as agent for shareholders in administering the Plan ( Plan Agent ), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as dividends ) payable either in shares or in cash, nonparticipants in the Plan will receive cash, and participants in the Plan will receive the equivalent in common shares. The shares are acquired by the Plan Agent for the participant s account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund ( newly issued common shares ) or (ii) by purchase of outstanding common shares on the open-market (open-market purchases) on the NYSE Amex or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions ( market premium ), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant s account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value ( market discount ), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at 505000, Louisville, Kentucky 40233 or by calling 1-800-730-6001.

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List of abbreviations Wells Fargo Multi-Sector Income Fund 51  
 The following is a list of common abbreviations for terms and entities that may have appeared in this report.

|        |   |
|--------|---|
| ACA    | ACA Financial Guaranty Corporation          |
| ADR    | American depositary receipt                 |
| ADS    | American depositary shares                  |
| AGC    | Assured Guaranty Corporation                |
| AGM    | Assured Guaranty Municipal                  |
| Ambac  | Ambac Financial Group Incorporated          |
| AMT    | Alternative minimum tax                     |
| AUD    | Australian dollar                           |
| BAN    | Bond anticipation notes                     |
| BHAC   | Berkshire Hathaway Assurance Corporation    |
| BRL    | Brazilian real                              |
| CAB    | Capital appreciation bond                   |
| CAD    | Canadian dollar                             |
| CCAB   | Convertible capital appreciation bond       |
| CDA    | Community Development Authority             |
| CDO    | Collateralized debt obligation              |
| CHF    | Swiss franc                                 |
| CLO    | Collateralized loan obligation              |
| CLP    | Chilean peso                                |
| COP    | Colombian peso                              |
| DKK    | Danish krone                                |
| DRIVER | Derivative inverse tax-exempt receipts      |
| DW&P   | Department of Water & Power                 |
| DWR    | Department of Water Resources               |
| ECFA   | Educational & Cultural Facilities Authority |
| EDA    | Economic Development Authority              |
| EDFA   | Economic Development Finance Authority      |
| ETF    | Exchange-traded fund                        |
| EUR    | Euro  |
| FDIC   | Federal Deposit Insurance Corporation       |
| FFCB   | Federal Farm Credit Banks                   |
| FGIC   | Financial Guaranty Insurance Corporation    |
| FHA    | Federal Housing Administration              |
| FHLB   | Federal Home Loan Bank                      |
| FHLMC  | Federal Home Loan Mortgage Corporation      |
| FICO   | The Financing Corporation                   |
| FNMA   | Federal National Mortgage Association       |
| FSA    | Farm Service Agency                         |
| GBP    | Great British pound                         |
| GDR    | Global depositary receipt                   |
| GNMA   | Government National Mortgage Association    |

|          |   |
|----------|---|
| GO       | General obligation                            |
| HCFR     | Healthcare facilities revenue                 |
| HEFA     | Health & Educational Facilities Authority     |
| HEFAR    | Higher education facilities authority revenue |
| HFA      | Housing Finance Authority                     |
| HFFA     | Health Facilities Financing Authority         |
| HKD      | Hong Kong dollar                              |
| HUD      | Department of Housing and Urban Development   |
| HUF      | Hungarian forint                              |
| IDA      | Industrial Development Authority              |
| IDAG     | Industrial Development Agency                 |
| IDR      | Indonesian rupiah                             |
| IEP      | Irish pound                                   |
| INR      | Indian rupee                                  |
| JPY      | Japanese yen                                  |
| KRW      | Republic of Korea won                         |
| LIBOR    | London Interbank Offered Rate                 |
| LIFER    | Long Inverse Floating Exempt Receipts         |
| LIQ      | Liquidity agreement                           |
| LLC      | Limited liability company                     |
| LLLP     | Limited liability limited partnership         |
| LLP      | Limited liability partnership                 |
| LOC      | Letter of credit                              |
| LP       | Limited partnership                           |
| MBIA     | Municipal Bond Insurance Association          |
| MFHR     | Multifamily housing revenue                   |
| MSTR     | Municipal securities trust receipts           |
| MTN      | Medium-term note                              |
| MUD      | Municipal Utility District                    |
| MXN      | Mexican peso                                  |
| MYR      | Malaysian ringgit                             |
| National | National Public Finance Guarantee Corporation |
| NGN      | Nigerian naira                                |
| NOK      | Norwegian krone                               |
| NZD      | New Zealand dollar                            |
| PCFA     | Pollution Control Financing Authority         |
| PCL      | Public Company Limited                        |
| PCR      | Pollution control revenue                     |
| PFA      | Public Finance Authority                      |
| PFFA     | Public Facilities Financing Authority         |
| PFOTER   | Puttable floating option tax-exempt receipts  |
| PJSC     | Public Joint Stock Company                    |
| plc      | Public limited company                        |
| PLN      | Polish zloty                                  |
| PUTTER   | Puttable tax-exempt receipts                  |
| R&D      | Research & development                        |
| Radian   | Radian Asset Assurance                        |
| RAN      | Revenue anticipation notes                    |
| RDA      | Redevelopment Authority                       |
| RDFA     | Redevelopment Finance Authority               |
| REIT     | Real estate investment trust                  |

|        |  |
|--------|--|
| ROC    | Reset option certificates  |
| RON    | Romanian lei   |
| RUB    | Russian ruble  |
| SAVRS  | Select auction variable rate securities                          |
| SBA    | Small Business Authority   |
| SDR    | Swedish depositary receipt                                       |
| SEK    | Swedish krona  |
| SFHR   | Single-family housing revenue                                    |
| SFMR   | Single-family mortgage revenue                                   |
| SGD    | Singapore dollar   |
| SPA    | Standby purchase agreement                                       |
| SPDR   | Standard & Poor's Depositary Receipts                            |
| SPEAR  | Short Puttable Exempt Adjustable Receipts                        |
| STRIPS | Separate trading of registered interest and principal securities |
| TAN    | Tax anticipation notes   |
| TBA    | To be announced  |
| THB    | Thai baht  |
| TIPS   | Treasury inflation-protected securities                          |
| TRAN   | Tax revenue anticipation notes                                   |
| TRY    | Turkish lira   |
| TTFA   | Transportation Trust Fund Authority                              |
| TVA    | Tennessee Valley Authority                                       |
| ZAR    | South African rand   |

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Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 505000

Louisville, Kentucky 40233

1-800-730-6001

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

Wells Fargo Funds Management, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries. Certain material contained in this report may be considered marketing material and has been reviewed by Wells Fargo Funds Distributor, LLC, Member FINRA, an affiliate of Wells Fargo & Company. Neither Wells Fargo Funds Management nor Wells Fargo Funds Distributor has Fund customer accounts/assets, and neither provides investment advice/recommendations or acts as an investment advice fiduciary to any investor.

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

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

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

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

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

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

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

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

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

|                         | <b>Fiscal<br/>year ended<br/>October 31, 2017</b> | <b>Fiscal<br/>year ended<br/>October 31, 2016</b> |
|-------------------------|---|---|
| Audit fees              | \$ 54,322   | \$ 53,992   |
| Audit-related fees      |   |   |
| Tax fees <sup>(1)</sup> | 4,150   | 3,945   |
| All other fees          |   |   |
|                         | <b>\$ 58,472</b>                                  | <b>\$ 57,937</b>                                  |

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

(e) The Chairman of the Audit Committees is authorized to pre-approve: (1) audit services for the Wells Fargo Multi-Sector Income Fund; (2) non-audit tax or compliance consulting or training services provided to the Wells Fargo Multi-Sector Income Fund by the independent auditors ( Auditors ) if the fees for any particular engagement are not anticipated to exceed \$50,000; and (3) non-audit tax or compliance consulting or training services provided by the Auditors to Wells Fargo Multi-Sector Income Fund's investment adviser and its controlling entities (where pre-approval is required because the engagement relates directly to the operations and financial reporting of the Wells Fargo Multi-Sector Income Fund) if the fee to the Auditors for any particular engagement is not anticipated to exceed \$50,000. For any such pre-approval sought from the Chairman, Management shall prepare a brief description of the proposed services. If the Chairman approves of such service, he or she shall sign the statement prepared by



Management. Such written statement shall be presented to the full Committees at their next regularly scheduled meetings.

(f) Not applicable

(g) Not applicable

(h) Not applicable

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

The entire Board of Trustees is acting as the registrant's audit committee. The following comprise the audit committee: William Ebsworth, Jane Freeman, Peter Gordon, Isaiah Harris, Jr., Judith Johnson, David Larcker, Olivia Mitchell, Timothy Penny, James G. Polisson, Michael Scofield and Pamela Wheelock.

**ITEM 6. INVESTMENTS**

Wells Fargo Multi-Sector Income Fund included a Summary Portfolio of Investments under Item 1. A Portfolio of Investments for Wells Fargo Multi-Sector Income Fund is filed under this Item.

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

**WELLS FARGO FUNDS TRUST**

**WELLS FARGO MASTER TRUST**

**WELLS FARGO VARIABLE TRUST**

**ASSET ALLOCATION TRUST**

**WELLS FARGO GLOBAL DIVIDEND OPPORTUNITY FUND**

**WELLS FARGO INCOME OPPORTUNITIES FUND**

**WELLS FARGO MULTI-SECTOR INCOME FUND**

**WELLS FARGO UTILITIES & HIGH INCOME FUND**

**WELLS FARGO FUNDS MANAGEMENT, LLC**

**PROXY VOTING POLICIES AND PROCEDURES**

**REVISED AS OF JANUARY 26, 2016**

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

**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.

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

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**Proxy Committee.** 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 coordinate with Funds Management Risk and Compliance to monitor Institutional Shareholder Services ( ISS ), the proxy voting agent for Funds Management, to determine that ISS is accurately applying the Procedures as set forth herein. The Proxy Committee shall review the continuing appropriateness of the Procedures set forth herein, recommend revisions to the Board as necessary and provide an annual update to the Board on proxy voting activity.

**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 annually to review the Procedures and shall coordinate with Funds Management Risk and Compliance to review the performance of ISS in exercising its proxy voting responsibilities.

**Voting Discretion.** 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 item is forwarded by ISS to the Proxy Committee, the Proxy Committee may be assisted in its voting decision through receipt of: (i) independent research and voting recommendations provided by ISS or other independent sources; (ii) input from the investment sub-adviser responsible for purchasing the security; and (iii) information provided by company management and shareholder groups.

**Membership.** The voting members of the Proxy Committee shall be Tom Biwer, Travis Keshenberg, Erik Sens, Aldo Ceccarelli and Melissa Duller. 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.

**Voting Policy.** Proxies generally shall be voted in accordance with the recommendations of proxy advisor ISS. However, the following proxy items shall be referred to the Proxy Committee for case-by-case review and vote determination:

1. Proxy items for meetings deemed of high importance where ISS opposes management recommendations
2. Mutual fund proxies

The term high importance is defined as those items designated Proxy Level 6, 5, or 4 by ISS, which include proxy contests, mergers, capitalization proposals and anti-takeover defenses. (Further detail appears in Appendix A.)

The Proxy Committee may consult Fund sub-advisers on specific proxy voting issues as it deems appropriate or if a sub-adviser 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.

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

**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

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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.

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.

Conflicts of Interest. Funds Management may have a conflict of interest regarding a proxy to be voted upon if, for example, Funds Management or its affiliates have other relationships with the issuer of the proxy. In most instances, conflicts of interest are avoided through a strict and objective application of the voting guidelines attached hereto. However, when the Proxy Committee is aware of a material conflict of interest regarding a matter that would otherwise require a vote by the Proxy Committee, the Proxy Committee shall address the material conflict by using any of the following methods:

1. instructing ISS to vote in accordance with the recommendation ISS makes to its clients;
2. disclosing the conflict to the Board and obtaining their consent before voting;
3. submitting the matter to the Board to exercise its authority to vote on such matter;
4. engaging an independent fiduciary who will direct the Proxy Committee on voting instructions for the proxy;
5. consulting with outside legal counsel for guidance on resolution of the conflict of interest;
6. erecting information barriers around the person or persons making voting decisions;
7. voting in proportion to other shareholders ( mirror voting ); or
8. voting in other ways that are consistent with each Fund's obligation to vote in the best interests of its shareholders.

The Proxy Committee will not permit its votes to be influenced by any conflict of interest that exists for any other affiliated person of the Fund (such as a sub-adviser or principal underwriter) or any affiliated persons of such affiliated

persons and the Proxy Committee will vote all such matters without regard to the conflict.

Funds Management may also have a conflict of interest regarding a proxy to be voted on if a member of the Board has an affiliation, directly or indirectly, with a public or private company (an Identified Company ). Identified Companies include a Board member's employer, as well as any company of which the Board member is a director or officer or a 5% or more shareholder. The Proxy Committee shall address such a conflict by instructing ISS to vote in accordance with the recommendation ISS makes to its clients.

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

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**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:

1. The name of the issuer of the portfolio security;
2. The exchange ticker symbol of the portfolio security;
3. 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);
4. The shareholder meeting date;
5. A brief identification of the matter voted on;
6. Whether the matter was proposed by the issuer or by a security holder;
7. Whether the Fund cast its vote on the matter;
8. How the Fund cast its vote (e.g. for or against a proposal, or abstain; for or withhold regarding election of directors); and
9. 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.



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**APPENDIX A**

**TO**

**PROXY VOTING POLICIES AND PROCEDURES**

**DEFINITION OF PROXY LEVELS**

| <b>Proxy Level</b> | <b>Meetings with . . .</b>                       | <b>Examples of Proposals</b>  |
|--------------------|--|---|
| 6                  | Proxy Contests                                   | <ul style="list-style-type: none"> <li>Elect Directors (management slate)</li> <li>Elect Directors (opposition slate)</li> </ul>  |
| 5                  | Significant Transactions                         | <ul style="list-style-type: none"> <li>Mergers, acquisitions, reorgs, restructurings, spinoffs</li> <li>Issue shares in connection with acquisitions</li> <li>Sale/purchase of company assets</li> <li>Adjourn meeting to solicit additional votes</li> </ul> |
| 4                  | Capitalization Proposals & Antitakeover Defenses | <ul style="list-style-type: none"> <li>Increase authorized shares</li> <li>New classes of stock</li> <li>Share repurchase programs</li> <li>Anti-takeover provisions (poison pills, NOL pills)</li> </ul>   |
| 3                  | Compensation Proposals                           | <ul style="list-style-type: none"> <li>Stock compensation &amp; executive bonus plans</li> <li>Say on golden parachutes</li> <li>Say on pay/frequency</li> <li>ESOPs</li> <li>Stock option repricing</li> </ul>   |
| 2                  | Shareholder Proposals                            | <ul style="list-style-type: none"> <li>Require independent chair</li> <li>Classify/declassify board</li> <li>Proxy Access</li> <li>Majority vote standard</li> </ul>  |

|   |   |                                 |
|---|---|---------------------------------|
|   |   | Supermajority vote requirements |
|   |   | Cumulative voting               |
|   |   | Right to call special meetings  |
|   |   | Right to act by written consent |
| 1 | Uncontested Director Elections<br>and Routine Items | Elect directors                 |
|   |   | Ratify auditors                 |

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**APPENDIX B**

**TO**

**PROXY VOTING POLICIES AND PROCEDURES**

Members of Funds Management Proxy Voting Committee

**Thomas C. Biwer, CFA**

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

**Erik J. Sens, CFA**

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

**Travis L. Keshemberg, CFA**

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

**Aldo Ceccarelli, CFA**

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

**Melissa Duller, CIMA**

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

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

**Christopher Y. Kauffman, CFA**

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

**Michael Lee**

Mr. Lee is a senior portfolio manager with the First International Advisors team at Wells Capital Management. Mike is one of five senior members of the investment team that forms the Senior Strategy Team. His responsibilities include the day-to-day management and implementation of portfolio strategies. He joined WellsCap from Evergreen Investments, where he served in a similar role since

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1992. Prior to this, he worked at Northern Trust Co. Earlier, he held investment positions at JPMorgan Chase and National Westminster Bank. Michael began his investment industry career in 1982. He is a member of the U.K. Society of Investment Professionals.

### **Niklas Nordenfelt, CFA**

Mr. Nordenfelt is currently managing director, senior portfolio manager with the Sutter High Yield Fixed Income team at Wells Capital Management. Niklas joined the Sutter High Yield Fixed Income team of Wells Capital Management in February 2003 as investment strategist. Niklas began his investment career in 1991 and has managed portfolios ranging from quantitative-based and tactical asset allocation strategies to credit driven portfolios. Previous to joining Sutter, Niklas was at Barclays Global Investors (BGI) from 1996-2002 where he was a principal. At BGI, he worked on their international and emerging markets equity strategies after having managed their asset allocation products. Prior to this, Niklas was a quantitative analyst at Fidelity and a portfolio manager and group leader at Mellon Capital Management. He earned a bachelor's degree in economics from the University of California, Berkeley, and has earned the right to use the CFA designation.

### **Tony Norris**

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

### **Alex Perrin**

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

### **Philip Susser**

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

### **Christopher Wightman**

Mr. Wightman is a senior portfolio manager with the First International Advisors team at Wells Capital Management. Chris is one of five senior members of the investment team that forms the Senior Strategy

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Team. His responsibilities include macro-portfolio allocation, portfolio positioning, and risk management. He joined First International Advisors in 2011 from JP Morgan Chase, where he served as a senior investment manager specializing in global fixed income strategies. Earlier, Chris served as a senior fixed income trader at Fidelity International. He began his investment industry career in 1997 as a Graduate Analyst at Morgan Stanley. Chris earned a B.A. (Hons) in business studies at Staffordshire University (UK).

**Peter Wilson**

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

**Noah Wise, CFA**

Noah Wise is a portfolio manager for the Wells Capital Management Customized Fixed Income team. Noah joined Wells Capital Management in 2008 as a research analyst and later became a portfolio manager in 2013. Prior to joining WellsCap, Noah worked as a lead market maker for Interactive Brokers. He began his investment industry career as an intern for Capital Financial Services in 2001. Noah earned a bachelor's degree in finance and a master's degree in business administration with an emphasis in securities analysis from the University of Wisconsin, Madison. He has earned the right to use the CFA designation.

**OTHER FUNDS AND ACCOUNTS MANAGED**

The following table provides information about the registered investment companies and other pooled investment vehicles and accounts managed by the portfolio manager of the Fund as of the Fund's most recent year ended October 31, 2017.

**Niklas Nordenfelt**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 7  | 4   | 13                |
| Total assets of above accounts (millions) | \$ 2,858.2                                     | \$ 430.2                                  | \$ 1,508.0        |

performance based fee accounts:

|   | Other<br>Registered<br>Investment | Other<br>Pooled<br>Investment | Other<br>Accounts |
|---|-----------------------------------|-------------------------------|-------------------|
| I manage the following types of accounts: |                                   |                               |                   |

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|   | Companies | Vehicles |    |   |
|---|-----------|----------|----|---|
| Number of above accounts                  | 0         | 0        |    | 0 |
| Total assets of above accounts (millions) | \$ 0      | \$ 0     | \$ | 0 |



**Table of Contents****Philip Susser**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 7  | 4   | 13                |
| Total assets of above accounts (millions) | \$ 2,858.2                                     | \$ 430.2                                  | \$ 1,508.0        |

performance based fee accounts:

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

**Christopher Y. Kauffman**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 5  | 0   | 4                 |
| Total assets of above accounts (millions) | \$ 4,052.47                                    | \$ 0                                      | \$ 319.93         |

performance based fee accounts:

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

**Tony Norris**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 5  | 12  | 6                 |
| Total assets of above accounts (millions) | \$ 941.34                                      | \$ 921                                    | \$ 3,793          |

performance based fee accounts:

I manage the following types of accounts:

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|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| Number of above accounts                  | 0  | 1   | 1                 |
| Total assets of above accounts (millions) | \$ 0   | \$ 173                                    | \$ 620            |

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

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 5  | 12  | 6                 |
| Total assets of above accounts (millions) | \$ 941.34                                      | \$ 921                                    | \$ 3,793          |

performance based fee accounts:

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 1   | 1                 |
| Total assets of above accounts (millions) | \$ 0   | \$ 173                                    | \$ 620            |

**Michael Lee**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 5  | 12  | 6                 |
| Total assets of above accounts (millions) | \$ 941.34                                      | \$ 921                                    | \$ 3,793          |

performance based fee accounts:

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 1   | 1                 |
| Total assets of above accounts (millions) | \$ 0   | \$ 173                                    | \$ 620            |

**Alex Perrin**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 5  | 12  | 6                 |
| Total assets of above accounts (millions) | \$ 941.34                                      | \$ 921                                    | \$ 3,793          |

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performance based fee accounts:

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 1   | 1                 |
| Total assets of above accounts (millions) | \$ 0   | \$ 173                                    | \$ 620            |

**Christopher Wightman**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 5  | 12  | 6                 |
| Total assets of above accounts (millions) | \$ 941.34                                      | \$ 921                                    | \$ 3,793          |

performance based fee accounts:

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 0  | 1   | 1                 |
| Total assets of above accounts (millions) | \$ 0   | \$ 173                                    | \$ 620            |

**Noah Wise**

|   | Other<br>Registered<br>Investment<br>Companies | Other<br>Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|--|---|-------------------|
| I manage the following types of accounts: |  |   |                   |
| Number of above accounts                  | 6  | 3   | 15                |
| Total assets of above accounts (millions) | \$ 2,4932.37                                   | \$ 1,622                                  | \$ 881            |

performance based fee accounts:

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

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### **MATERIAL CONFLICTS OF INTEREST**

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

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

#### **First International Advisors**

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

#### **Wells Capital Management**

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

### **COMPENSATION**

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

**First International Advisors Compensation.** The compensation structure for First International Advisors 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

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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, 2017

|                      |      |
|----------------------|------|
| Niklas Nordenfelt    | none |
| Philip Susser        | none |
| Christopher Kauffman | none |
| Tony Norris          | none |
| Peter Wilson         | none |
| Michael Lee          | none |
| Alex Perrin          | none |
| Christopher Wightman | none |
| Noah Wise            | none |

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

| Period                  | (a)<br>Total<br>Number<br>of Shares<br>Purchased | (b)<br>Average<br>Price<br>Paid per<br>Share | (c)<br>Total<br>Number<br>of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | (d)<br>Maximum<br>Number of<br>Shares that<br>May Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|-------------------------|--|--|--|--|
| 11/1/2016 to 11/30/2016 | 57,556   | 12.65  | 57,556   | 3,256,010  |

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|                         |     |     |     |           |
|-------------------------|-----|-----|-----|-----------|
| 12/1/2016 to 12/31/2016 | 0   | 0   | 0   | 3,256,010 |
| 1/1/2017 to 1/31/2017   | N/A | N/A | N/A | N/A       |
| 2/1/2017 to 2/28/2017   | N/A | N/A | N/A | N/A       |
| 3/1/2017 to 3/31/2017   | N/A | N/A | N/A | N/A       |



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|                         |           |       |           |     |
|-------------------------|-----------|-------|-----------|-----|
| 4/1/2017 to 4/30/17     | N/A       | N/A   | N/A       | N/A |
| 5/1/2017 to 5/31/2017   | 6,165,826 | 14.17 | 6,165,826 | 0   |
| 6/1/2017 to 6/30/2017   | N/A       | N/A   | N/A       | N/A |
| 7/1/2017 to 7/31/2017   | N/A       | N/A   | N/A       | N/A |
| 8/1/2017 to 8/31/2017   | N/A       | N/A   | N/A       | N/A |
| 9/1/2017 to 9/30/2017   | N/A       | N/A   | N/A       | N/A |
| 10/1/2017 to 10/31/2017 | N/A       | N/A   | N/A       | N/A |
| Total                   | 6,223,382 | 14.16 | 6,223,382 | 0   |

On December 17, 2015, the Fund announced an open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund was able to repurchase up to 10% of its outstanding shares within one year of December 17, 2015. The Buyback Program ended at the close of business on December 16, 2016

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Trustees that have been implemented since the registrant's last provided disclosure in response to the requirements of this Item.

**ITEM 11. CONTROLS AND PROCEDURES**

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

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

**ITEM 12. EXHIBITS**

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

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

(a)(3) Not applicable.

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

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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 Multi-Sector Income Fund

By:

/s/ Andrew Owen

Andrew Owen  
President

Date: December 21, 2017

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

Wells Fargo Multi-Sector Income Fund

By:

/s/ Andrew Owen

Andrew Owen  
President

Date: December 21, 2017

By:

/s/ Jeremy DePalma

Jeremy DePalma  
Treasurer

Date: December 21, 2017