

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-CSRS

July 05, 2013

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSRS**

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

Investment Company Act file number: 811-21331

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

(Exact name of registrant as specified in charter)

525 Market St., San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

**C. David Messman**

**Wells Fargo Funds Management, LLC**

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

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

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

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

**Date of reporting period: April 30, 2013**

**Table of Contents**

ITEM 1. REPORT TO STOCKHOLDERS

**Table of Contents**

**Wells Fargo Advantage**

**Multi-Sector Income Fund**

**Semi-Annual Report**

April 30, 2013

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

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

## Contents

<b><u>Letter to shareholders</u></b>	2
<b><u>Performance highlights</u></b>	4
<b><u>Summary portfolio of investments</u></b>	7
<b>Financial statements</b>	
<u>Statement of assets and liabilities</u>	16
<u>Statement of operations</u>	17
<u>Statement of changes in net assets</u>	18
<u>Statement of cash flows</u>	19
<u>Financial highlights</u>	20
<b><u>Notes to financial statements</u></b>	21
<b><u>Other information</u></b>	27
<b><u>Automatic dividend reinvestment plan</u></b>	33
<b><u>List of abbreviations</u></b>	34

The views expressed and any forward-looking statements are as of April 30, 2013, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Advantage Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements; the views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC, disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

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

**Table of Contents**

2 Wells Fargo Advantage Multi-Sector Income Fund

Letter to shareholders (unaudited)

**Karla M. Rabusch**

President

Wells Fargo Advantage Funds

**During the period, global fixed-income markets trended toward higher bond prices and lower yields but fluctuated between periods of risk aversion, shifting yields, and corresponding recoveries in investor confidence.**

**Dear Valued Shareholder:**

We are pleased to offer you this semi-annual report for the *Wells Fargo Advantage Multi-Sector Income Fund* for the six-month period that ended April 30, 2013. During the period, global fixed-income markets trended toward higher bond prices and lower yields but fluctuated between periods of risk aversion, shifting yields, and corresponding recoveries in investor confidence. On the whole, global bond markets generated positive returns during the period, benefiting from deepening rallies in high yield and emerging markets debt and steady returns from corporate bonds and securitized products. The lower-rated credit tiers and longer-maturity segments of the fixed-income markets outperformed the higher-quality and shortest-maturity segments during the period, overcoming spates of risk aversion that flared up intermittently.

**Global credit markets rallied after European Central Bank (ECB) actions.**

The six-month period started after the watershed announcements of the ECB in late summer 2012, which largely declared that the euro was irreversible and that every measure would be taken to fortify the European credit markets. These actions bolstered the global credit markets and inspired an ongoing rally in high-yield corporate debt and emerging markets debt over the final two months of 2012 and into 2013. Global bond markets had been enthralled by central bank policies in Europe—decisive policymaking would bolster markets, while reescalating crises in Greece and Spain would undercut confidence and damage security pricing. But the ECB's actions proved effective—despite continued economic woes across Europe, the announced central bank policies revitalized global credit markets. While no measure could serve as a panacea, coordinated policymaking certainly offered much-needed tonic to Europe and provided a foundation of confidence for the riskier areas of the global credit markets to rally.

**Improving economic trends strengthened in the U.S. while Europe's recession persisted.**

Despite problems in Europe during the period this time in the form of Italian politics and a bank debt crisis in Cyprus higher-yielding global debt securities continued to perform well. Investors continued to shun most higher-quality sovereign markets in preference for higher-yielding corporate debt. In November and December 2012, high yield and emerging markets debt outperformed higher-rated sovereign debt. These trends largely carried over in the first four months of 2013, as investors rallied to the higher-yielding, lower-rated areas of the global bond markets on increasing confidence in the intentions of the ECB to support credit and a distaste for low yields from the higher-rated sovereign debt sectors.

Despite global credit markets performing well, economic conditions across the globe continued to be mixed and, at times, volatile. In the U.S., growth remained relatively healthy compared with developed Europe and Japan, but employment levels remained disappointing. U.S. Treasury yields remained near historic lows, with negative real yields not a good outlook for the U.S. dollar or long-term investment in U.S. Treasuries. U.S. investment-grade structured products generated modest positive returns during the quarter. U.S. mortgage-backed securities generally experienced spread widening, which eroded some value. Nonetheless, yield compensation was adequate enough to generate positive returns but not nearly as compelling as the returns from lower-rated segments of the securitized sectors, most notably in commercial mortgage-backed securities (CMBS).

The eurozone was certainly more problematic, remaining firmly in recession. Fortunately, there appeared to be the political will to do whatever is necessary to preserve the single euro currency. The pain suffered in the periphery regions outside of core Europe during the period led to cheaper labor costs and lower

**Table of Contents**

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

Social Security and welfare costs. This internal devaluation within the European monetary union marketplace allowed the periphery markets to better compete in the European Union, which strengthened economic optimism during the period. It appeared to many investors that growth in the periphery may well hit bottom in 2013 and start to pick up from what is admittedly a low base, thus providing an investing foundation that strengthened security valuations during the period.

Japan's newly elected government took little time to deploy a new political mandate, announcing significant quantitative easing policies to deliberately weaken the currency. The Bank of Japan's new mandate to target 2% inflation and to intervene in foreign exchange markets while buying foreign bonds may have the political weight to deal with Japan's problems once and for all. Although this policy direction may help finally break the vicious cycle that is the Japanese economy, the circumstances indicated an unattractive market for bond investments and further currency depreciation to come. Consequently, the Japanese yen deteriorated precipitously throughout the period.

China also had new leaders in place, and investors looked for signs that political stability may resume with the new cabinet entering. Optimism that a shift from an export-led economy to a consumer-led economy appeared to develop in the early months of 2013. With the continued expansion of the offshore renminbi-based markets, bond yields of 3.5%, and a firming currency, China increasingly demonstrated signs of being a high-quality candidate for investment, thus generally improving security valuations during the period.

Nonetheless, the longer-term picture around the globe remained largely consistent throughout the period—currencies of smaller, more dynamic economies with trade surpluses, healthier growth, and higher interest rates demonstrated the best characteristics for investment, particularly in Asian and South American economies, while the largest economies with languid growth and high deficits underperformed. Optimism across the global markets continued to produce rallies in lower-rated securities while also pricing in some caution for intermittent periods of volatility that may persist in 2013, as markets attempt to balance uncertain growth prospects with deficit control and credit-risk contagion. Despite ongoing concerns across Europe, the six-month period largely produced positive performance across the global fixed-income markets, with strong returns most notably in high-yield corporate bonds and emerging markets debt.

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

Periods of uncertainty can present challenges, but experience has taught us that maintaining a long-term investment strategy based on individual goals and risk tolerance can be an effective way to plan for the future. Although diversification<sup>1</sup> 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.

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

Sincerely,



Karla M. Rabusch

President

Wells Fargo Advantage Funds

**Despite ongoing concerns across Europe, the six-month period largely produced positive performance across the global fixed-income markets, with strong returns most notably in high-yield corporate bonds and emerging markets debt.**

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

**Table of Contents**

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

**Investment objective**

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

**Adviser**

Wells Fargo Funds Management, LLC

**Subadvisers**

First International Advisors, LLC

Wells Capital Management Incorporated

**Portfolio managers**

Michael Bray, CFA

Christopher Y. Kauffman, CFA

Michael Lee

Niklas Nordenfelt, CFA

Anthony Norris

Alex Perrin

Janet S. Rilling, CFA, CPA

Phillip Susser

Christopher Wightman

Peter Wilson

**Average annual total returns<sup>1</sup> (%) as of April 30, 2013**

	1 Year	5 Year	Since inception 6-25-2003
Based on market value	17.34	12.32	7.97
Based on net asset value (NAV) per share	14.65	10.25	8.95

**Figures quoted represent past performance, which is no guarantee of future results and do not reflect the deduction of taxes that a shareholder may pay on fund distributions or the sale 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. If 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 annualized expense ratio for the six months ended April 30, 2013, is 1.21%, which includes 0.08% of interest expense.

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

The Fund is leveraged through a secured debt borrowing facility and also may incur leverage by issuing preferred shares in the future. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market price 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 they are designed to hedge or to closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. In general, when interest rates rise, bond values fall and investors may lose principal value. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. This Fund is exposed to mortgage- and asset-backed securities risk.

1. Total returns based on market value are calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Total returns based on NAV are calculated based on the NAV at the beginning of the period and end of the period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total returns do not reflect brokerage commissions or sales charges. If these charges were included, the returns would be lower.
2. This chart does not reflect any brokerage commissions or sales charges.

**Table of Contents**

Performance highlights (unaudited)  
**MANAGER'S DISCUSSION**

Wells Fargo Advantage Multi-Sector Income Fund 5

The Fund returned 17.34% during the 12 months ended April 30, 2013, based on market value. During the same period, the Fund's return based on NAV was 14.65%.

**Overview**

The eurozone remains firmly in recession, but there does appear to be the political will to do whatever is necessary to preserve the single euro currency. Growth in the European-periphery countries may well hit bottom in 2013 and start to pick up from what is admittedly a low base. The euro has benefited from the new stability, and this strength has not as yet hindered German exports. The sovereign bond yields of the core European economies remain at historic lows in both nominal and real terms and do not encourage investment, while there remains compelling income and some potential for further narrowing of spreads in the periphery, particularly in Spain and Italy. In general, riskier securities across the globe performed strongly, benefiting from continued policy interventions by the European Central Bank and the U.S. Federal Reserve Board. During the six-month period, the international/emerging markets fixed-income portion of the Fund focused on income-oriented securities, specifically finding value in local developed and emerging markets with higher relative yields, yet healthy fundamental sources of cash flow.

Performance across the high-yield market was strong and relatively consistent throughout much of the year, with the major high-yield indexes producing positive returns in every month except May 2012. This was driven by gradual improvement in the U.S. economy, with slowly falling unemployment and a rebounding housing market. Relative containment of sovereign debt-driven market fears in Europe also helped strengthen confidence in U.S. credit markets despite a continued decline in southern Europe's economy. Without the fears of a disruptive European debt crisis, cascading bank failures, and sovereign debt defaults, the U.S. high-yield market was able to focus on the improving U.S. economy benefiting from the steadfast backdrop of Federal Reserve-induced low interest rates. In light of this, the most risky, highest-yielding issuers, on average, performed the best.

In the U.S. investment-grade markets, corporate bonds and structured products generally continued to outperform U.S. Treasuries during the period, as spreads narrowed during late 2012 before stalling in early 2013. U.S. Treasury yields and investment-grade spreads rose in January and February 2013, in response to strengthening economic indicators. Lower-rated areas of the bond markets continued to outperform during the yield increases. Commercial mortgage-backed securities (CMBS) and corporate bonds, particularly in the A-rated and BBB-rated tiers, offered some of the best returns in the investment-grade space. The mortgage/corporate sleeve of the Fund continued to invest in mortgage-backed securities (MBS), CMBS, asset-backed securities, adjustable-rate mortgages, and corporate bonds. In general, the lower-rated segments of these sectors were the best contributors to performance during the period.

**Ten largest holdings<sup>3</sup> (%) as of April 30, 2013**

Russia, 7.00%, 1-25-2023	2.64
Brazil, 10.00%, 1-1-2017	2.25
Texas Competitive Electric Holdings LLC, 3.73%, 10-10-2014	2.05
Mexico, 7.25%, 12-15-2016	2.02
Sprint Capital Corporation, 6.88%, 11-15-2028	1.67

Turkey, 6.30%, 2-14-2018	1.59
Turkey, 9.00%, 3-8-2017	1.52
Hungary, 6.75%, 11-24-2017	1.51
Indonesia, 7.38%, 9-15-2016	1.26
Republic of South Africa, 2.60%, 3-31-2028	1.24

**Contributors to performance**

The international/emerging markets bond allocation benefited from positioning in the higher-yielding bond markets of Australia, Brazil, Colombia, Hungary, Indonesia, Mexico, New Zealand, Poland, Russia, Turkey, and South Africa. The Fund's exposure to the high-yield and emerging markets sectors were significant contributors to performance. In currency positioning, allocation to the Brazilian real, euro, Mexican peso, Malaysian ringgit, and Thai baht also added value.

The U.S. high-yield bond portion of the Fund benefited

from positive forces pushing high-yield bond prices higher and yields lower. Individual credit selection in certain securities helped performance of the Fund during the period.

The mortgage/corporate credit sleeve's focus on A-rated and BBB-rated credits added value, as lower-rated credits outperformed higher-rated credits during the period. The Fund's holdings in corporate bonds, CMBS, and residential MBS broadly added value during the period, as credit spreads tightened during the first two months and offered compelling incremental yield during the remainder of the period. Financial credits contributed to performance.

**Detractors from performance**

The international/emerging markets exposure to the Australian dollar, Korean won, and Polish zloty detracted from performance during the period.

3. The ten largest holdings are calculated based on the value of the securities divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

**Table of Contents**

6 Wells Fargo Advantage Multi-Sector Income Fund	Performance highlights (unaudited)
Credit quality <sup>4</sup> as of April 30, 2013	

**Effective maturity distribution<sup>5</sup> as of April 30, 2013**

**Country allocation<sup>5</sup> as of April 30, 2013**

The U.S. high-yield bond portion of the Fund maintained a relatively conservative positioning compared with the broader U.S. high-yield market, in recognition of challenging economic conditions. This positioning restrained performance, as riskier bonds with either lower quality or longer maturities generally outperformed their higher-quality counterparts and certain individual securities detracted.

The mortgage/corporate credit sleeve's holdings in some residential MBS modestly detracted from performance during the quarter, as returns in the sector were mixed.

**Management outlook**

Global market conditions continue to be characterized by high levels of both consumer and government debt in the old, developed economies, which continues to restrict growth. Thus, the international/emerging markets team's strategy continues (as it has for the past four years) to underweight the old, industrialized, lower-yielding economies with structural problems and overweight those economies that not only have higher yields but also have healthier, more sustainable growth, lower deficits (in some cases, surpluses), and central banks that have the ability to maneuver freely. In particular, the Fund remains underweight in Japan, the United Kingdom, the U.S., Germany, France, the Netherlands, and Denmark, and the Fund is overweight in Australia, Brazil, Hungary, Italy, Korea, Malaysia, Mexico, Norway, Poland, Russia, Spain, Sweden, Thailand, and South Africa.

The high-yield team believes that the current economic backdrop is highly supportive of high yield. While credit fundamentals have now begun to look less compelling as firms continue to take on more debt and earnings growth seems to have plateaued, we believe that most corporate balance sheets are still relatively healthy, particularly given the cheap access to capital financing. Additional debt has been cheap for issuers, so interest coverage levels are higher than average. The economy is strong enough for

companies to maintain their cash flow and pay back their debt, but it is weak enough (especially as it concerns employment) to encourage ultra-loose monetary policy. Despite absolute yields persisting at record lows therefore, giving us cause for concern reasonable spreads relative to near-term default risk make high yield a reasonable, fixed-income alternative given that many other fixed-income assets are also at or near all-time low yields.

Within U.S. mortgages and investment-grade corporate bonds, the team believes that stable interest-rate policy should continue to preserve a comfortable environment for income payments to offer relatively generous compensation from corporate bonds and securitized debt. We continue to focus on the medium-quality credit tiers of A-rated and BBB-rated securities as compelling sources of yield. Approximately 50% of the mortgage/corporate sleeve's exposure is in corporate credit, and around 42% is in fixed-rate and floating-rate mortgage securities. Our credit exposure remains centered on industrials and financials, particularly in banks. We believe that continued highly accommodative

monetary policy should continue to benefit the credit and securitized sectors in the upcoming six-month period.

4. The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit Quality Ratings: Credit quality ratings apply to underlying holdings of the Fund and not the Fund itself. Standard & Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. 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). Moody's rates the creditworthiness of short-term securities from P-1 (highest) to P-3 (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was utilized and if rated by one of the agencies that rating was utilized. Credit quality is subject to change and is calculated based on the total investments of the Fund. We generally define higher-quality (investment grade) bonds as bonds having a rating above BBB/Baa and lower-quality bonds as bonds having a rating below BBB/Baa.

5. Percentages are subject to change and are calculated based on the total long-term investments of the Fund.

**Table of Contents**Summary portfolio of investments April 30, 2013  
(unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 7

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

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Agency Securities: 2.66%</b>					
<i>FHLMC</i>	0.60-8.50%	4-25-2020 to 7-25-2048	\$ 29,471,146	\$ 14,474,067	1.98%
<i>Other securities</i>				5,033,993	0.68
<b>Total Agency Securities (Cost \$17,969,702)</b>				19,508,060	2.66
<b>Asset-Backed Securities: 0.12%</b>					
<i>Other securities</i>				916,846	0.12
<b>Total Asset-Backed Securities (Cost \$872,036)</b>				916,846	0.12
<b>Common Stocks: 0.08%</b>					



**Consumer Discretionary:**

**0.00%**

**Hotels, Restaurants &**

**Leisure: 0.00%**

*Other securities*

1,161 0.00

**Telecommunication**

**Services: 0.08%**

**Diversified**

**Telecommunication**

**Services: 0.08%**

*Other securities*

573,398 0.08

**Total Common Stocks**

**(Cost \$1,617,838)**

574,559 0.08

**Corporate Bonds and**

**Notes: 60.43%**

**Consumer Discretionary:**

**12.85%**

**Auto Components: 1.35%**

*Other securities*

9,921,962 1.35

**Diversified Consumer**

**Services: 1.27%**

*Service Corporation*

*International*

6.75-8.00

4-1-2016 to 4-1-2027

6,683,000

7,628,084

1.04

*Other securities*

1,709,856 0.23

9,337,940 1.27

**Hotels, Restaurants &**

**Leisure: 3.84%**

*CCM Merger Incorporated*

*144A*

9.13

5-1-2019

6,270,000

6,599,175

0.90

*DineEquity Incorporated*

9.50

10-30-2018

3,475,000

3,961,500

0.54

*Greektown Superholdings*

*Incorporated Series A*

13.00

7-1-2015

4,125,000

4,429,219

0.60

*Other securities*

13,199,798 1.80

28,189,692 3.84

**Household Durables:**

**0.09%**

*Other securities*

699,188 0.09

**Internet & Catalog**

**Retail: 0.11%**

*Other securities*

840,408

0.11

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

**Table of Contents**

8 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments April 30, 2013  
(unaudited)

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Media: 4.83%</b>					
<i>Local TV Finance LLC 144A ¥</i>	9.25%	6-15-2015	\$ 4,775,000	\$ 4,786,938	0.65%
<i>Other securities</i>				30,684,426	4.18
				35,471,364	4.83
<b>Multiline Retail: 0.09%</b>					
<i>Other securities</i>				642,491	0.09
<b>Specialty Retail: 1.27%</b>					
<i>Other securities</i>				9,327,843	1.27
<b>Consumer Staples: 1.01%</b>					
<b>Food &amp; Staples Retailing: 0.09%</b>					
<i>Other securities</i>				656,187	0.09
<b>Food Products: 0.81%</b>					
<i>Other securities</i>				5,993,874	0.81
<b>Tobacco: 0.11%</b>					
<i>Other securities</i>				794,856	0.11
<b>Energy: 11.30%</b>					
<b>Energy Equipment &amp; Services: 3.42%</b>					
<i>Gulfmark Offshore Incorporated</i>	6.38	3-15-2022	4,275,000	4,467,375	0.61
<i>PHI Incorporated</i>	8.63	10-15-2018	3,582,000	3,917,813	0.53

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

<i>Other securities</i>				16,758,733	2.28
				25,143,921	3.42
<b>Oil, Gas &amp; Consumable</b>					
<b>Fuels: 7.88%</b>					
<i>Rockies Express Pipeline LLC</i>					
<i>144A</i>	6.88	4-15-2040	7,198,000	6,514,190	0.89
<i>Sabine Pass LNG LP 144A</i>	6.50	11-1-2020	4,180,000	4,483,050	0.61
<i>Sabine Pass LNG LP</i>	7.50	11-30-2016	3,750,000	4,237,500	0.58
<i>Other securities</i>				42,632,716	5.80
				57,867,456	7.88
<b>Financials: 11.73%</b>					
<b>Capital Markets: 0.25%</b>					
<i>Other securities</i>				1,847,857	0.25
<b>Commercial Banks: 1.07%</b>					
<i>Other securities</i>				7,890,814	1.07
<b>Consumer Finance: 5.11%</b>					
<i>GMAC LLC</i>	7.50	12-31-2013	3,620,000	3,764,800	0.51
<i>JBS USA Finance</i>					
<i>Incorporated</i>	11.63	5-1-2014	3,745,000	4,086,731	0.56
<i>Nielsen Finance LLC</i>					
<i>Company</i>	7.75	10-15-2018	5,350,000	5,958,563	0.81
<i>Springleaf Finance</i>					
<i>Corporation</i>	6.90	12-15-2017	4,620,000	4,807,688	0.66
<i>Other securities</i>				18,922,086	2.57
				37,539,868	5.11

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

Table of Contents

Summary portfolio of investments April 30, 2013  
(unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 9

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Diversified Financial Services: 2.04%</b>					
<i>Other securities</i>				\$ 14,991,116	2.04%
<b>Insurance: 0.58%</b>					
<i>Other securities</i>				4,275,518	0.58
<b>Real Estate Management &amp; Development: 0.74%</b>					
<i>Other securities</i>				5,419,363	0.74
<b>REITs: 1.94%</b>					
<i>Dupont Fabros Technology Incorporated</i>	8.50%	12-15-2017	\$ 5,560,000	5,977,000	0.81
<i>Other securities</i>				8,238,688	1.13
				14,215,688	1.94
<b>Health Care: 2.76%</b>					
<b>Biotechnology: 0.11%</b>					
<i>Other securities</i>				814,761	0.11
<b>Health Care Equipment &amp; Supplies: 0.35%</b>					
<i>Other securities</i>				2,537,860	0.35
<b>Health Care Providers &amp; Services: 1.91%</b>					
<i>Other securities</i>				14,047,195	1.91

<b>Life Sciences Tools &amp; Services: 0.12%</b>		
<i>Other securities</i>	880,208	0.12
<b>Pharmaceuticals: 0.27%</b>		
<i>Other securities</i>	1,997,502	0.27
<b>Industrials: 3.19%</b>		
<b>Aerospace &amp; Defense: 0.16%</b>		
<i>Other securities</i>	1,150,875	0.16
<b>Air Freight &amp; Logistics: 0.41%</b>		
<i>Other securities</i>	2,986,600	0.41
<b>Airlines: 0.44%</b>		
<i>Other securities</i>	3,264,345	0.44
<b>Commercial Services &amp; Supplies: 1.25%</b>		
<i>Other securities</i>	9,185,684	1.25
<b>Machinery: 0.49%</b>		
<i>Other securities</i>	3,621,926	0.49
<b>Professional Services: 0.28%</b>		
<i>Other securities</i>	2,041,353	0.28
<b>Transportation Infrastructure: 0.16%</b>		
<i>Other securities</i>	1,202,681	0.16

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

**Table of Contents**

10 Wells Fargo Advantage Multi-Sector Income Fund Summary portfolio of investments April 30, 2013  
(unaudited)

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Information Technology:</b>					
<b>4.21%</b>					
<b>Communications Equipment:</b>					
<b>0.40%</b>					
<i>Other securities</i>				\$ 2,960,675	0.40%
<b>Computers &amp; Peripherals:</b>					
<b>0.47%</b>					
<i>Other securities</i>				3,481,709	0.47
<b>Electronic Equipment, Instruments &amp; Components:</b>					
<b>1.18%</b>					
<i>Jabil Circuit Incorporated</i>	8.25%	3-15-2018	\$ 5,275,000	6,382,750	0.87
<i>Other securities</i>				2,315,731	0.31
				8,698,481	1.18
<b>Internet Software &amp; Services:</b>					
<b>0.09%</b>					
<i>Other securities</i>				620,151	0.09
<b>IT Services: 1.82%</b>					
<i>First Data Corporation</i>	11.25	3-31-2016	4,405,000	4,482,088	0.61
<i>SunGard Data Systems Incorporated</i>	7.38	11-15-2018	3,487,000	3,765,960	0.51
<i>Other securities</i>				5,100,282	0.70
				13,348,330	1.82

**Software: 0.25%**

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

<i>Other securities</i>				1,813,476	0.25
<b>Materials: 1.11%</b>					
<b>Chemicals: 0.28%</b>					
<i>Other securities</i>				2,053,964	0.28
<b>Containers &amp; Packaging: 0.53%</b>					
<i>Other securities</i>				3,867,401	0.53
<b>Metals &amp; Mining: 0.08%</b>					
<i>Other securities</i>				600,295	0.08
<b>Paper &amp; Forest Products: 0.22%</b>					
<i>Other securities</i>				1,653,308	0.22
<b>Telecommunication Services: 8.50%</b>					
<b>Diversified Telecommunication Services: 3.72%</b>					
<i>GCI Incorporated</i>	8.63	11-15-2019	5,625,000	5,990,625	0.82
<i>Syniverse Holdings Incorporated</i>	9.13	1-15-2019	5,005,000	5,543,038	0.75
<i>Other securities</i>				15,788,752	2.15
				27,322,415	3.72
<b>Wireless Telecommunication Services: 4.78%</b>					
<i>Sprint Capital Corporation</i>	6.88	11-15-2028	11,985,000	12,254,663	1.67
<i>Other securities</i>				22,908,248	3.11
				35,162,911	4.78

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



**Table of Contents**Summary portfolio of investments April 30, 2013  
(unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 11

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Utilities: 3.77%</b>					
<b>Electric Utilities: 1.50%</b>					
<i>Mirant Mid-Atlantic LLC Series C</i>	10.06%	12-30-2028	\$ 3,614,632	\$ 4,120,681	0.56%
<i>Other securities</i>				6,874,903	0.94
				10,995,584	1.50
<b>Gas Utilities: 0.39%</b>					
<i>Other securities</i>				2,903,276	0.39
<b>Independent Power Producers &amp; Energy Traders: 1.66%</b>					
<i>Calpine Construction Finance Corporation 144A</i>	7.25	10-15-2017	4,433,000	4,693,439	0.64
<i>Other securities</i>				7,504,212	1.02
				12,197,651	1.66
<b>Multi-Utilities: 0.22%</b>					
<i>Other securities</i>				1,581,353	0.22
<b>Total Corporate Bonds and Notes (Cost \$410,717,109)</b>					
				444,059,376	60.43
<b>Foreign Corporate Bonds and Notes @: 3.75%</b>					
<b>Consumer Discretionary: 0.49%</b>					

<b>Automobiles: 0.11%</b>					
<i>Other securities</i>					
				851,663	0.11
<b>Hotels, Restaurants &amp; Leisure: 0.19%</b>					
<i>Other securities</i>					
				1,383,504	0.19
<b>Media: 0.19%</b>					
<i>Other securities</i>					
				1,367,689	0.19
<b>Consumer Staples: 0.16%</b>					
<b>Food &amp; Staples Retailing: 0.16%</b>					
<i>Other securities</i>					
				1,185,190	0.16
<b>Financials: 2.41%</b>					
<b>Commercial Banks: 2.08%</b>					
<i>European Investment Bank (AUD)</i>					
	6.13	1-23-2017	4,930,000	5,577,729	0.76
<i>Other securities</i>					
				9,754,119	1.32
				15,331,848	2.08
<b>Consumer Finance: 0.08%</b>					
<i>Other securities</i>					
				600,529	0.08
<b>Diversified Financial Services: 0.25%</b>					
<i>Other securities</i>					
				1,820,540	0.25

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



**Diversified****Telecommunication Services:****0.11 %**

<i>Other securities</i>				785,953	0.11
-------------------------	--	--	--	---------	------

**Utilities: 0.10%****Water Utilities: 0.10%**

<i>Other securities</i>				725,969	0.10
-------------------------	--	--	--	---------	------

**Total Foreign Corporate  
Bonds and Notes**

<b>(Cost \$23,351,363)</b>				27,553,443	3.75
----------------------------	--	--	--	------------	------

**Foreign Government Bonds****@: 27.61%**

<i>Australia Series 22 (AUD)</i>	6.00%	7-21-2022	4,000,000	4,729,791	0.64
<i>Brazil (BRL)</i>	8.50	1-5-2024	15,500,000	8,622,517	1.17
<i>Brazil (BRL)</i>	10.00	1-1-2017	31,000,000	16,497,020	2.25
<i>Chile (CLP)</i>	5.50	8-5-2020	1,700,000,000	3,820,172	0.52
<i>Hungary (HUF)</i>	6.75	11-24-2017	2,345,000,000	11,078,049	1.51
<i>Indonesia (IDR)</i>	7.38	9-15-2016	83,100,000,000	9,265,943	1.26
<i>Malaysia (MYR)</i>	3.26	3-1-2018	16,250,000	5,367,259	0.73
<i>Malaysia (MYR)</i>	4.26	9-15-2016	21,100,000	7,212,400	0.98
<i>Mexico (MXN)</i>	6.50	6-9-2022	80,000,000	7,573,636	1.03
<i>Mexico (MXN)</i>	7.25	12-15-2016	163,040,000	14,857,690	2.02
<i>Mexico (MXN)</i>	7.75	11-13-2042	35,200,000	3,936,603	0.54
<i>New Zealand (NZD)</i>	5.50	4-15-2023	5,625,000	5,765,271	0.78
<i>Poland (PLN)</i>	4.00	10-25-2023	22,850,000	7,707,179	1.05
<i>Queensland Treasury (AUD)</i>	6.00	3-1-2022	3,600,000	4,330,115	0.59
<i>Republic of South Africa (ZAR)</i>	2.60	3-31-2028	68,319,649	9,079,162	1.24
<i>Republic of South Africa (ZAR)</i>	6.50	2-28-2041	67,200,000	6,512,121	0.89

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

**Table of Contents**Summary portfolio of investments April 30, 2013  
(unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 13

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Foreign Government</b>					
<b>Bonds @ (continued)</b>					
<i>Russia (RUB)</i>	7.00%	1-25-2023	579,000,000	\$ 19,377,952	2.64%
<i>Russia (RUB)</i>	7.50	3-15-2018	172,600,000	5,904,077	0.80
<i>Thailand (THB)</i>	3.25	6-16-2017	216,500,000	7,457,920	1.02
<i>Turkey (TRY)</i>	6.30	2-14-2018	20,525,000	11,666,420	1.59
<i>Turkey (TRY)</i>	9.00	3-8-2017	18,000,000	11,205,132	1.53
<i>Other securities</i>				20,947,228	2.83
<b>Total Foreign Government Bonds</b>					
<b>(Cost \$194,915,431)</b>				202,913,657	27.61
<b>Municipal Obligations: 0.05%</b>					
<b>New York: 0.05%</b>					
<i>Other securities</i>				345,880	0.05
<b>Total Municipal Obligations (Cost \$345,000)</b>					
				345,880	0.05
<b>Non-Agency Mortgage Backed Securities: 7.70%</b>					
<i>Morgan Stanley</i>	0.48 6.30	12-27-2033 to 12-12-2049	\$ 14,369,034	10,021,021	1.36
<i>Other securities</i>				46,545,606	6.34
				56,566,627	7.70

**Total Non-Agency  
Mortgage Backed  
Securities**

(Cost \$52,163,842)

**Preferred Stocks:  
0.10%**

**Financials: 0.10%**

**Diversified Financial  
Services: 0.10%**

*Other securities* 739,530 0.10

**Total Preferred  
Stocks (Cost  
\$675,000)**

739,530 0.10

**Term Loans: 18.85%**

*Crown Castle*

*International*

*Corporation*

3.25

1-31-2019

6,566,875

6,597,477

0.90

*Federal-Mogul*

*Corporation*

2.14

12-27-2015

3,930,516

3,723,535

0.51

*Goodyear Tire &*

*Rubber Company*

4.75

4-30-2019

6,200,000

6,247,306

0.85

*LPL Holdings*

*Incorporation*

4.00

3-29-2019

3,737,250

3,773,464

0.51

*Texas Competitive*

*Electric Holdings LLC*

3.73

10-10-2014

20,096,983

15,089,418

2.05

*Other securities*

103,113,587

14.03

**Total Term Loans  
(Cost \$139,814,595)**

138,544,787 18.85

**Yankee Corporate  
Bonds and Notes:  
6.82%**

**Consumer**

**Discretionary: 0.59%**

**Diversified**

**Consumer Services:  
0.11%**

*Other securities*

784,007 0.11

**Media: 0.48%**

*Other securities*

3,518,172 0.48

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





**Diversified Financial Services:****0.14%**

<i>Other securities</i>	1,044,557	0.14
-------------------------	-----------	------

**Industrials: 0.28%****Airlines: 0.07%**

<i>Other securities</i>	538,750	0.07
-------------------------	---------	------

**Commercial Services &****Supplies: 0.09%**

<i>Other securities</i>	646,290	0.09
-------------------------	---------	------

**Road & Rail: 0.12%**

<i>Other securities</i>	840,251	0.12
-------------------------	---------	------

**Information Technology:****0.52%****Computers & Peripherals:****0.41%**

<i>Other securities</i>	3,000,776	0.41
-------------------------	-----------	------

**Internet Software & Services:****0.11%**

<i>Other securities</i>	819,261	0.11
-------------------------	---------	------

**Materials: 0.76%****Metals & Mining: 0.58%**

<i>Other securities</i>	4,234,160	0.58
-------------------------	-----------	------

**Paper & Forest Products:****0.18%**

<i>Other securities</i>	1,349,400	0.18
-------------------------	-----------	------

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

**Table of Contents**Summary portfolio of investments April 30, 2013  
(unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 15

Security name	Value	Percent of net assets
<b>Telecommunication Services: 1.50%</b>		
<b>Diversified Telecommunication Services: 1.28%</b>		
<i>Other securities</i>	\$ 9,387,570	1.28%
<b>Wireless Telecommunication Services: 0.22%</b>		
<i>Other securities</i>	1,635,000	0.22
<b>Utilities: 0.25%</b>		
<b>Electric Utilities: 0.25%</b>		
<i>Other securities</i>	1,856,875	0.25
<b>Total Yankee Corporate Bonds and Notes</b>		
<b>(Cost \$47,039,962)</b>	50,116,966	6.82
	Yield	Shares
<b>Short-Term Investments: 3.20%</b>		
<b>Investment Companies: 3.20%</b>		
<i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class (l)(u)##</i>	0.13%	23,517,275
	23,517,275	3.20
<b>Total Short-Term Investments (Cost \$23,517,275)</b>	<b>23,517,275</b>	<b>3.20</b>
<b>Total investments in securities</b>		
<b>(Cost \$912,999,153)*</b>	965,357,006	131.37

<i>Other assets and liabilities, net</i>	(230,532,675)	(31.37)
<b>Total net assets</b>	<b>\$ 734,824,331</b>	<b>100.00%</b>

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

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

@ Foreign bond principal is denominated in local currency.

(l) Investment in an affiliate

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

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

\* Cost for federal income tax purposes is \$917,278,172 and unrealized appreciation (depreciation) consists of:

Gross unrealized appreciation	\$ 62,219,111
Gross unrealized depreciation	(14,140,277)
Net unrealized appreciation	\$ 48,078,834

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

**Table of Contents**

16 Wells Fargo Advantage Multi-Sector Income Fund

Statement of assets and liabilities April 30, 2013  
(unaudited)**Assets****Investments**

In unaffiliated securities, at value (see cost below)	\$ 941,839,731
In affiliated securities, at value (see cost below)	23,517,275
Total investments, at value (see cost below)	965,357,006
Foreign currency, at value (see cost below)	207,128
Receivable for investments sold	5,949,955
Principal paydown receivable	42,944
Receivable for interest	13,062,663
Unrealized gains on forward foreign currency contracts	453,732
Prepaid expenses and other assets	100,230
Total assets	985,173,658

**Liabilities**

Dividends payable	4,205,500
Payable for investments purchased	14,955,921
Unrealized losses on forward foreign currency contracts	225,972
Secured borrowing payable	230,368,907
Advisory fee payable	432,833
Due to other related parties	39,349
Accrued expenses and other liabilities	120,845
Total liabilities	250,349,327
<b>Total net assets</b>	<b>\$ 734,824,331</b>

**NET ASSETS CONSIST OF**

Paid-in capital	\$ 774,138,238
Overdistributed net investment income	(4,846,036)
Accumulated net realized losses on investments	(87,057,549)
Net unrealized gains on investments	52,589,678
<b>Total net assets</b>	<b>\$ 734,824,331</b>

**NET ASSET VALUE PER SHARE**

Based on \$734,824,331 divided by 42,055,000 shares issued and outstanding (100,000,000 shares authorized)	\$ 17.47
------------------------------------------------------------------------------------------------------------	----------

Investments in unaffiliated securities, at cost	\$ 889,481,878
Investments in affiliated securities, at cost	\$ 23,517,275
Total investments, at cost	\$ 912,999,153
Foreign currency, at cost	\$ 206,668

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

**Table of Contents**

Statement of operations six months ended April 30, 2013 (unaudited) Wells Fargo Advantage Multi-Sector Income Fund 17

**Investment income**

Interest*	\$ 29,345,949
Income from affiliated securities	13,182
Dividends	5,181
Total investment income	29,364,312

**Expenses**

Advisory fee	2,597,891
Administration fee	236,172
Custody and accounting fees	88,078
Professional fees	32,287
Shareholder report expenses	49,389
Trustees fees and expenses	7,113
Transfer agent fees	16,348
Interest expense	273,670
Secured borrowing fees	996,664
Other fees and expenses	20,913
Total expenses	4,318,525

Net investment income 25,045,787

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

Net realized gains (losses) on:	
Unaffiliated securities	10,498,944
Forward foreign currency contract transactions	290,644
Net realized gains on investments	10,789,588
Net change in unrealized gains (losses) on:	
Unaffiliated securities	9,042,216
Forward foreign currency contract transactions	(188,052)
Net change in unrealized gains (losses) on investments	8,854,164
Net realized and unrealized gains (losses) on investments	19,643,752
Net increase in net assets resulting from operations	\$ 44,689,539

\* Net of foreign interest withholding taxes in the amount of \$24,978

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

**Table of Contents**

## 18 Wells Fargo Advantage Multi-Sector Income Fund

## Statement of changes in net assets

	Six months ended April 30, 2013 (unaudited)	Year ended October 31, 2012
<b>Operations</b>		
Net investment income	\$ 25,045,787	\$ 48,986,237
Net realized gains on investments	10,789,588	16,058,375
Net change in unrealized gains (losses) on investments	8,854,164	21,291,967
Net increase in net assets resulting from operations	44,689,539	86,336,579
<b>Distributions to shareholders from net investment income</b>	<b>(25,233,000)</b>	<b>(50,466,000)</b>
Total increase in net assets	19,456,539	35,870,579
<b>Net assets</b>		
<b>Beginning of period</b>	<b>715,367,792</b>	<b>679,497,213</b>
<b>End of period</b>	<b>\$ 734,824,331</b>	<b>\$ 715,367,792</b>
<b>Overdistributed net investment income</b>	<b>\$ (4,846,036)</b>	<b>\$ (4,658,823)</b>

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



**Table of Contents**

Statement of cash flows six months ended April 30, 2013

Wells Fargo Advantage Multi-Sector Income Fund 19

**Cash flows from operating activities:**

Net increase in net assets resulting from operations \$ 44,689,539

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

Purchase of investment securities	(447,231,397)
Proceeds from sales of investment securities	450,402,099
Paydowns	3,597,116
Amortization	(800,369)
Proceeds from sales of short-term investment securities, net	2,812,166
Decrease in interest receivable	793,910
Increase in receivable for investments sold	(5,428,705)
Decrease in principal paydown receivable	125,288
Increase in prepaid expenses and other assets	(54,697)
Decrease in payable for investments purchased	(3,726,170)
Decrease in advisory fee payable	(34,829)
Decrease in due to other related parties	(3,166)
Decrease in accrued expenses and other liabilities	(121,175)
Unrealized gains on unaffiliated securities	(9,099,203)
Unrealized losses on forward foreign currency contract transactions	188,052
Net realized gains on unaffiliated securities	(10,863,174)

Net cash provided by operating activities 25,245,285

**Cash flows from financing activities:**

Cash distributions paid	(25,233,000)
Increase in secured borrowing payable	165,697

Net cash used in financing activities (25,067,303)

Net increase in cash 177,982

**Cash (including foreign currency):**

Beginning of period \$ 29,146

End of period \$ 207,128

**Supplemental cash disclosure**

Cash paid for interest \$ 282,647

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

**Table of Contents**

20 Wells Fargo Advantage Multi-Sector Income Fund

Financial highlights

(For a share outstanding throughout each period)

	Six months ended April 30, 2013 (unaudited)		Year ended October 31			
	2012	2011	2010	2009	2008	
<b>Net asset value, beginning of period</b>	\$ 17.01	\$ 16.16	\$ 16.67	\$ 15.61	\$ 13.47	\$ 18.74
Net investment income	0.60	1.16	1.11	1.21	1.33	1.68
Net realized and unrealized gains (losses) on investments	0.46	0.89	(0.39)	1.17	3.26	(5.35)
Distributions to preferred shareholders from net investment income	0.00	0.00	0.00	(0.02) <sup>1</sup>	(0.03) <sup>1</sup>	(0.30)
<b>Total from investment operations</b>	1.06	2.05	0.72	2.36	4.56	(3.97)
<b>Distributions to common shareholders from</b>						
Net investment income	(0.60)	(1.20)	(1.23)	(1.30)	(2.20)	(1.30)
Tax basis return of capital	0.00	0.00	0.00	0.00	(0.22)	0.00
<b>Total distributions to common shareholders</b>	(0.60)	(1.20)	(1.23)	(1.30)	(2.42)	(1.30)

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

Net asset value, end of period	\$ 17.47	\$ 17.01	\$ 16.16	\$ 16.67	\$ 15.61	\$ 13.47
Market value, end of period	\$ 16.79	\$ 16.54	\$ 14.97	\$ 16.18	\$ 13.73	\$ 11.68
Total return based on market value <sup>2</sup>	5.28%	19.33%	0.33%	28.44%	44.93%	(21.43)%
<b>Ratios to average net assets (annualized)</b>						
Gross expenses	1.21%	1.24%	1.14%	1.58%	3.07%	1.95%
Net expenses	1.21%	1.24%	1.14%	1.18%	1.62%	1.90%
Interest expense <sup>3</sup>	0.08%	0.11%	0.09%	0.08%	0.47%	0.54%
Net investment income	6.99%	7.13%	6.75%	7.63% <sup>4</sup>	9.65% <sup>4</sup>	7.85% <sup>4</sup>
<b>Supplemental data</b>						
Portfolio turnover rate	20%	78%	35%	70%	93%	92%
Net assets of common shareholders, end of period (000s omitted)	\$734,824	\$715,368	\$679,497	\$701,110	\$656,404	\$566,515
Borrowings outstanding, end of period (000s omitted)	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$380,000
Asset coverage per \$1,000 of borrowing, end of period	\$4,195	\$4,110	\$3,954	\$4,048	\$3,854	\$2,491
Liquidation value of Preferred Shares, end of period (000s omitted)	N/A	N/A	N/A	N/A	\$80,035	\$80,108
Asset coverage ratio for Preferred Shares, end of	N/A	N/A	N/A	N/A	385%	249%

period

1. Calculated based upon average shares outstanding
2. Total return is calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions. Returns for periods of less than one year are not annualized.
3. Interest expense ratio relates to interest associated with borrowings and/or leverage transactions.
4. The net investment income ratio reflects any distributions paid to preferred shareholders.

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

---

**Table of Contents**

Notes to financial statements (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 21

**1. ORGANIZATION**

Wells Fargo Advantage Multi-Sector Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on April 10, 2003 and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended.

**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 (normally 4 p.m. Eastern Time).

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

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

Equity securities that are listed on a foreign or domestic exchange, except for The Nasdaq Stock Market, Inc. (Nasdaq), are valued at the official closing price or, if none, the last sales price. Securities listed on Nasdaq are valued at the Nasdaq Official Closing Price (NOCP). If no NOCP is available, securities are valued at the last sales price. If no sales price is shown on the Nasdaq, the bid price will be used. If no sale occurs on the primary exchange or market for the security that day or if no sale occurs and no bid price is shown on Nasdaq, the prior day's price will be deemed stale and fair values will be determined in accordance with the Fund's Valuation Procedures.

Securities denominated in foreign currencies are translated into U.S. dollars using the rates of exchange in effect on the day of valuation at a time 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 by procedures established in good faith and approved by the Board of Trustees. 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 information to assess the continued appropriateness of the fair valuation methodology 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 input factors considered in the valuation process until there is a readily available price provided on the exchange or by an independent pricing service. Valuations received from an independent pricing service or broker 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.

---

**Table of Contents****22 Wells Fargo Advantage Multi-Sector Income Fund**  
**Foreign currency translation**

Notes to financial statements (unaudited)

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

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

**Reverse repurchase agreements**

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

**Forward foreign currency contracts**

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

**When-issued transactions**

The Fund may purchase securities on a forward commitment or when-issued basis. The Fund records a when-issued transaction on the trade date and will segregate assets 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.

#### **Term loans**

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

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

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

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

## **Table of Contents**

Notes to financial statements (unaudited) Wells Fargo Advantage Multi-Sector Income Fund 23  
Dividend income is recognized on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the Fund is informed of the ex-dividend date.

Income from foreign securities is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

### **Distributions to shareholders**

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with federal income tax regulations, which may differ in amount or character from net investment income and realized gains recognized for purposes of U.S. generally accepted accounting principles.

### **Federal and other taxes**

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

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, 2012, the Fund had pre-enactment capital loss carryforwards incurred in taxable years beginning before December 22, 2010, which are available to offset future net realized capital gains, in the amount of \$94,018,990 with \$4,567,517 expiring in 2016 and \$89,451,473 expiring in 2017.

## **3. FAIR VALUATION MEASUREMENTS**

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

- n Level 1 quoted prices in active markets for identical securities
  
- n Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, use of amortized cost, etc.)

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

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

**Table of Contents**

24 Wells Fargo Advantage Multi-Sector Income Fund

Notes to financial statements (unaudited)

As of April 30, 2013, the inputs used in valuing investments in securities were as follows:

	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		Total
<b>Investments in securities</b>					
<b>Agency securities</b>	\$ 0	\$ 19,508,060	\$ 0		\$ 19,508,060
<b>Asset-backed securities</b>	0	916,846	0		916,846
<b>Corporate bonds and notes</b>	0	444,059,376	0		444,059,376
<b>Equity securities</b>					
<i>Common stocks</i>	573,398	0	1,161		574,559
<i>Preferred stocks</i>	739,530	0	0		739,530
<b>Foreign corporate bonds and notes</b>	0	27,553,443	0		27,553,443
<b>Foreign government bonds</b>	0	202,913,657	0		202,913,657
<b>Municipal obligations</b>	0	345,880	0		345,880
<b>Non-agency mortgage backed securities</b>	0	56,566,627	0		56,566,627
<b>Term loans</b>	0	123,236,631	15,308,156		138,544,787
<b>Yankee corporate bonds and notes</b>	0	50,116,966	0		50,116,966
<b>Short-term investments</b>					
<i>Investment companies</i>	23,517,275	0	0		23,517,275
	<b>\$ 24,830,203</b>	<b>\$ 925,217,486</b>	<b>\$ 15,309,317</b>		<b>\$ 965,357,006</b>

As of April 30, 2013, the inputs used in valuing the Fund's other financial instruments were as follows:

	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		Total
<b>Other financial instruments</b>					
<b>Forward foreign currency contracts+</b>	\$ 0	\$ 227,760	\$ 0		\$ 227,760

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

Transfers in and transfers out are recognized at the end of the reporting period. For the six months ended April 30, 2013, the Fund did not have any transfers into/out of Level 1 or Level 2.

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

	Term		Total
	Common stocks	loans	
<b>Balance as of October 31, 2012</b>	\$ 2,322	\$ 16,839,203	\$ 16,841,525
Accrued discounts (premiums)	0	5,100	5,100
Realized gains (losses)	0	(7,906)	(7,906)
Change in unrealized gains (losses)	(1,161)	120,539	119,378
Purchases	0	17,308,077	17,308,077
Sales	0	(18,956,857)	(18,956,857)
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
<b>Balance as of April 30, 2013</b>	\$ 1,161	\$ 15,308,156	\$ 15,309,317
<b>Change in unrealized gains (losses) relating to securities still held at April 30, 2013</b>	\$ (1,161)	\$ 241,072	\$ 239,911

The investment types categorized above were valued using indicative broker quotes and are therefore 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.

**Table of Contents**

Notes to financial statements (unaudited) Wells Fargo Advantage Multi-Sector Income Fund 25  
**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, 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 facilities, equipment and personnel. Funds Management is entitled to receive an annual administration fee of 0.05% of the Fund's average daily total assets.

**5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized capital of 100,000,000 shares with no par value. For the six months ended April 30, 2013 and the year ended October 31, 2012, the Fund did not issue any shares.

**6. BORROWING AND LEVERAGE TRANSACTIONS**

The Fund has borrowed \$230 million through a secured debt financing agreement administered by a major financial institution (the Facility ). The Facility has a commitment amount of \$230 million which expires on February 24, 2014, at which point it may be renegotiated and potentially renewed for another one-year term. At April 30, 2013, the Fund had secured borrowings outstanding in the amount of \$230,368,907 (including accrued interest and usage and commitment fees payable).

The Fund's borrowing under the Facility are generally charged interest at a rate based on the rates of the commercial paper notes issued to fund the Fund's borrowings or at the London Interbank Offered Rate (LIBOR) plus 1.0%. During the six months ended April 30, 2013, an effective interest rate of 0.24% was incurred on the borrowings. Interest expense of \$273,670, representing 0.08% of the Fund's average daily net assets, was incurred during the six months ended April 30, 2013.

The Fund has pledged all of its assets to secure the borrowings and currently pays, on a monthly basis, a usage fee at an annual rate of 0.40% of the daily average outstanding principal amount of borrowings and a commitment fee at an annual rate of 0.40% of the product of (i) the daily average outstanding principal amount of borrowings and (ii) 1.02. The secured borrowing fees on the Statement of Operations of \$996,664 represents the usage fee, commitment fee,

and structuring fees. For the six months ended April 30, 2013, the Fund paid structuring fees in the amount of \$62,414.

## 7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the six months ended April 30, 2013 were as follows:

<b>Purchases at cost</b>		<b>Sales proceeds</b>	
<b>U.S. government</b>	<b>Non-U.S. government</b>	<b>U.S. government</b>	<b>Non-U.S. government</b>
\$142,200	\$226,538,892	\$3,364,171	\$187,526,347

As of April 30, 2013, the Fund had unfunded term loan commitments of \$8,514,589.

## 8. DERIVATIVE TRANSACTIONS

During the six months ended April 30, 2013, the Fund entered into forward foreign currency exchange contracts for economic hedging purposes.

**Table of Contents**

26 Wells Fargo Advantage Multi-Sector Income Fund Notes to financial statements (unaudited)  
At April 30, 2013, the Fund had forward foreign currency contracts outstanding as follows:

Forward foreign currency contracts to buy:

Exchange date	Counterparty	Contracts to receive	U.S. value at April 30, 2013	In exchange for U.S. \$	Unrealized gains (losses)
5-7-2013	State Street Bank	70,800,000,000 IDR	\$ 7,277,691	\$ 7,286,424	\$ (8,733)
5-7-2013	State Street Bank	235,000,000 THB	8,004,949	7,877,975	126,974
5-28-2013	State Street Bank	47,600,000 MYR	15,616,054	15,290,716	325,338

Forward foreign currency contracts to sell:

Exchange date	Counterparty	Contracts to deliver	U.S. value at April 30, 2013	In exchange for U.S. \$	Unrealized gains (losses)
5-7-2013	State Street Bank	70,800,000,000 IDR	\$ 7,277,691	\$ 7,274,968	\$ (2,723)
5-28-2013	State Street Bank	20,450,000 MYR	6,708,998	6,710,418	1,420
7-29-2013	State Street Bank	14,500,000 TRY	8,016,733	7,966,836	(49,897)
7-31-2013	State Street Bank	69,500,000 ZAR	7,653,601	7,488,982	(164,619)

The Fund had average contract amounts of \$29,452,124 and \$30,699,071 in forward foreign currency contracts to buy and forward foreign currency contracts to sell, respectively, during the six months ended April 30, 2013.

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

## 9. INDEMNIFICATION

Under the Fund's organizational documents, the officers and directors are indemnified against certain liabilities that may arise out of performance of their duties to the Trust. 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 December 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standard Update ( ASU ) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11, which amends FASB ASC Topic 210, *Balance Sheet*, creates new disclosure requirements which require entities to disclose both gross and net information for derivatives and other financial instruments that are either offset in the Statement of Assets and



Liabilities or subject to an enforceable master netting arrangement or similar agreement. The disclosure requirements are effective for interim and annual reporting periods beginning on or after January 1, 2013. Management is currently assessing the potential impact, in addition to expanded financial statement disclosure, that may result from adopting this ASU.

## 11. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to common shareholders:

Declaration date	Record date	Payable date	Per share amount
April 26, 2013	May 15, 2013	June 3, 2013	\$0.1000
May 22, 2013	June 17, 2013	July 1, 2013	\$0.1000

These distributions are not reflected in the accompanying financial statements.

**Table of Contents**

Other information (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 27

**PROXY VOTING INFORMATION**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling **1-800-222-8222**, visiting our website at **wellsfargoadvantagefunds.com**, or visiting the SEC website at [sec.gov](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 without charge on the Fund's website at **wellsfargoadvantagefunds.com** or by visiting the SEC website at [sec.gov](http://sec.gov).

**ANNUAL MEETING OF SHAREHOLDERS**

On February 11, 2013, an Annual Meeting of Shareholders for the Fund was held to consider the following proposal. The results of the proposal are indicated below.

**Proposal 1** Election of Trustees:

Shares voted For	Peter G. Gordon	38,236,279
Shares voted Withhold		510,555
Shares voted For	Timothy J. Penny	38,165,799
Shares voted Withhold		581,035
Shares voted For	Michael S. Scofield	38,243,581
Shares voted Withhold		503,253

**PORTFOLIO HOLDINGS INFORMATION**

The complete portfolio holdings for the Fund are publicly available on the Fund's website (**wellsfargoadvantagefunds.com**) on a monthly, 30-day or more delayed basis. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available without charge by visiting the SEC 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.

**Table of Contents**

28 Wells Fargo Advantage Multi-Sector Income Fund

Other information (unaudited)

**BOARD OF TRUSTEES AND OFFICERS**

The following table provides basic information about the Board of Trustees (the Trustees) and Officers of the Fund. Each of the Trustees and Officers listed below acts in identical capacities for the Wells Fargo Advantage family of funds, which consists of 131 funds<sup>1</sup> comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the Fund Complex). All of the Trustees are also Members of the Audit and Governance Committees of each Trust in the Fund Complex. The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

**Independent Trustees**

Name and year of birth	Position held and length of service*	Principal occupations during past five years	Other directorships during past five years
Peter G. Gordon (Born 1942)	Trustee, since 2010; Chairman, since 2010	Co-Founder, Retired Chairman, President and CEO of Crystal Geysers Water Company. Trustee Emeritus, Colby College.	Asset Allocation Trust
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Coast Academy (charter school). Mr. Harris is a certified public accountant.	CIGNA Corporation; Deluxe Corporation; Asset Allocation Trust
Judith M. Johnson (Born 1949)	Trustee, since 2010; 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
Leroy Keith, Jr. (Born 1939)	Trustee, since 2003	Chairman, Bloc Global Services (development and construction). Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, Inc. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services.	Trustee, Virtus Fund Complex (consisting of 48 portfolios as of 1/31/2013); Asset Allocation Trust

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

David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Morgan Stanley Director of the Center for Leadership Development and Research and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	Asset Allocation Trust
Olivia S. Mitchell (Born 1953)	Trustee, since 2010	International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993.	Asset Allocation Trust
Timothy J. Penny (Born 1951)	Trustee, since 2010	President and CEO of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	Asset Allocation Trust

**Table of Contents**

Other information (unaudited)			Wells Fargo Advantage Multi-Sector Income Fund	29
Name and year of birth	Position held and length of service*	Principal occupations during past five years	Other	
Michael S. Scofield (Born 1943)	Trustee, since 2003	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well as the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield.	Asset Allocation Trust	
Donald C. Willeke (Born 1940)	Trustee, since 2010	Principal of the law firm of Willeke & Daniels. General Counsel of the Minneapolis Employees Retirement Fund from 1984 until its consolidation into the Minnesota Public Employees Retirement Association on June 30, 2010. Director and Vice Chair of The Tree Trust (non-profit corporation). Director of the American Chestnut Foundation (non-profit corporation).	Asset Allocation Trust	

\*Length of service dates reflect the Trustee's commencement of service with the Trust's predecessor entities, where applicable.

**Officers**

Name and year of birth	Position held and length of service	Principal occupations during past five years
Karla M. Rabusch (Born 1959)	President, since 2010	Executive Vice President of Wells Fargo Bank, N.A. and President of Wells Fargo Funds Management, LLC since 2003.
Jeremy DePalma <sup>1</sup> (Born 1974)	Treasurer, since 2012	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Vice President, Evergreen Investment Services, Inc. from 2004 to 2007. Head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.
C. David Messman	Secretary, since 2010; Chief	Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Vice President and Managing

(Born 1960)	Legal Officer, since 2010	Counsel of Wells Fargo Bank, N.A. since 1996.
Debra Ann Early (Born 1964)	Chief Compliance Officer, since 2010	Chief Compliance Officer of Wells Fargo Funds Management, LLC since 2007. Chief Compliance Officer of Parnassus Investments from 2005 to 2007. Chief Financial Officer of Parnassus Investments from 2004 to 2007.
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Assistant Vice President of Evergreen Investment Services, Inc. from 2004 to 2008. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.

1. Jeremy DePalma acts as Treasurer of 58 funds and Assistant Treasurer of 73 funds in the Fund Complex.

**Table of Contents**

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

Under Section 15 of the Investment Company Act of 1940 (the "1940 Act"), the Board of Trustees (the "Board") of Wells Fargo Advantage Multi-Sector Income Fund (the "Fund"), all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not interested persons of the Fund, as defined in the 1940 Act (the "Independent Trustees"), must determine whether to approve the continuation of the Fund's investment advisory and sub-advisory agreements. In this regard, at an in-person meeting held on March 28-29, 2013 (the "Meeting"), the Board reviewed: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC ("Funds Management") for the Fund, (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated ("WellsCap"), an affiliate of Funds Management, for the Fund, and (iii) an investment sub-advisory agreement with First International Advisors, LLC ("First International"), an affiliate of Funds Management, for the Fund. The investment advisory agreement with Funds Management and the investment sub-advisory agreements with WellsCap and First International (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, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. The Board has adopted a team-based approach, with each team consisting of a sub-set of Trustees, to assist the 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 2013. 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 determined that the continuation of the Advisory Agreements is in the best interests of the Fund and its shareholders, and that the compensation payable to Funds Management and the Sub-Advisers is reasonable. The Board considered the continuation of the Advisory Agreements for the Fund as part of its consideration of the continuation of advisory agreements for funds across the complex, but each decision was made on a fund-by-fund basis. The following summarizes a number of important, but not necessarily all, factors considered by the Board in reaching its determination.

**Nature, extent and quality of services**

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

among other things, a summary of the background and experience of senior management of Funds Management, and the qualifications, background, tenure and responsibilities of each of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

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

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

The Board considered the performance results for the Fund over various time periods ended December 31, 2012. The Board also considered these results in comparison to the performance of another fund that was determined by Lipper Inc., an independent provider of investment company data (Lipper), to be similar to the Fund (the Comparison Fund).



## **Table of Contents**

Other information (unaudited) Wells Fargo Advantage Multi-Sector Income Fund 31

The Board received a description of the methodology used by Lipper to select the Comparison Fund and noted that Lipper had identified only one comparable leveraged closed-end flexible income fund. The Board also considered these results in comparison to the performance of funds in a custom peer group that was 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 noted that the performance of the Fund was higher than or in range of the median performance of the Comparison Fund and the Fund's benchmark, the ERC 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 noted that while the performance of the Fund was lower than the median performance of the Custom Peer Group for the one- and three-year periods under review, the performance of the Fund was in range of the median performance of the Custom Peer Group for the five-year period under review.

The Board received information concerning, and discussed factors contributing to, the underperformance of the Fund relative to the Custom Peer Group for the one- and three-year periods under review. Funds Management advised the Board about the market conditions and investment decisions that it believed contributed to the underperformance during those periods. The Board noted distinctions between the Fund's investment strategy and that of funds in the Custom Peer Group, as well as the positive performance of the Fund relative to the Comparison Fund and the benchmark, and was satisfied with the explanation it received.

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

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

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

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

Among other information reviewed by the Board was a comparison of the Management Rate of the Fund with that of other funds in the expense Group at a common asset level. The Board noted that the Management Rate of the Fund was in range of the median rate for the Fund's expense Group. The Board and Funds Management agreed to extend the Fund's advisory fee waiver to February 2014.

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 concerning 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. In recognition of the fact that the Wells Fargo enterprise provides a suite of combined advisory and sub-advisory services to the Fund through affiliated entities, the Board ascribed limited relevance to the allocation of the total advisory fee between Funds Management and the Sub-Advisers.

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

### **Profitability**

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

**Table of Contents**

32 Wells Fargo Advantage Multi-Sector Income Fund Other information (unaudited)  
Funds Management explained the methodologies and estimates that it used in calculating the profitability from the Fund and the fund family as a whole. Among other things, the Board noted that the levels of profitability reported on a fund-by-fund basis varied widely, depending on factors such as the size and type of fund. Based on its review, the Board did not deem the profits reported by Funds Management to be at a level that would prevent it from approving the continuation of the Advisory Agreements.

**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 the case with many other closed-end funds, there are no breakpoints in the Management Rate. The Board further noted that, although the Fund would not share in any potential economies of scale through contractual breakpoints, fee waiver and expense reimbursement arrangements can also be a means of sharing potential economies of scale with the Fund. The Board 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 relationship 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 relationship with the Fund (such as the ability to market to shareholders other financial products and services offered by Funds Management and its affiliates, including the Sub-Advisers, or to operate other products and services that follow investment strategies similar to those of the Fund).

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

**Conclusion**

After considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board unanimously approved the continuation of the Advisory Agreements for an additional one-year period.

---

**Table of Contents**

Automatic dividend reinvestment plan

Wells Fargo Advantage Multi-Sector Income Fund 33

**AUTOMATIC DIVIDEND REINVESTMENT PLAN**

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

**Table of Contents**

34 Wells Fargo Advantage Multi-Sector Income Fund

List of abbreviations

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

ACA	ACA Financial Guaranty Corporation
ADR	American depositary receipt
ADS	American depositary shares
AGC	Assured Guaranty Corporation
AGM	Assured Guaranty Municipal
Ambac	Ambac Financial Group Incorporated
AMT	Alternative minimum tax
AUD	Australian dollar
BAN	Bond anticipation notes
BHAC	Berkshire Hathaway Assurance Corporation
BRL	Brazilian real
CAB	Capital appreciation bond
CAD	Canadian dollar
CCAB	Convertible capital appreciation bond
CDA	Community Development Authority
CDO	Collateralized debt obligation
CHF	Swiss franc
COP	Certificate of participation
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	Industrial development revenue
IEP	Irish pound
JPY	Japanese yen
KRW	Republic of Korea won
LIBOR	London Interbank Offered Rate
LIQ	Liquidity agreement
LLC	Limited liability company
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
NOK	Norwegian krone
NZD	New Zealand dollar
PCFA	Pollution Control Financing Authority
PCL	Public Company Limited
PCR	Pollution control revenue
PFA	Public Finance Authority
PFFA	Public Facilities Financing Authority
PFOTER	Puttable floating option tax-exempt receipts
plc	Public limited company
PLN	Polish zloty
PUTTER	Puttable tax-exempt receipts
R&D	Research & development
Radian	Radian Asset Assurance
RAN	Revenue anticipation notes
RDA	Redevelopment Authority
RDFA	Redevelopment Finance Authority
REIT	Real estate investment trust
ROC	Reset option certificates
SAVRS	Select auction variable rate securities
SBA	Small Business Authority
SEK	Swedish krona
SFHR	Single-family housing revenue
SFMR	Single-family mortgage revenue
SGD	Singapore dollar

SKK	Slovakian koruna
SPA	Standby purchase agreement
SPDR	Standard & Poor's Depository Receipts
STRIPS	Separate trading of registered interest and principal securities
TAN	Tax anticipation notes
TBA	To be announced
TIPS	Treasury inflation-protected securities
TRAN	Tax revenue anticipation notes
TRY	Turkish lira
TTFA	Transportation Trust Fund Authority
TVA	Tennessee Valley Authority
ZAR	South African rand

**Table of Contents**

*This page is intentionally left blank.*



**Table of Contents**

*This page is intentionally left blank.*

**Table of Contents**

Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

1-800-730-6001

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

Wells Fargo Funds Management, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries. This material is being prepared by Wells Fargo Funds Distributor, LLC. Member FINRA/SIPC, an affiliate of Wells Fargo & Company.

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

© 2013 Wells Fargo Funds Management, LLC. All rights reserved.

216826 06-13

SMSI/SAR159 4-13

**Table of Contents**

**ITEM 2. CODE OF ETHICS**

Not applicable.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

Not applicable.

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

Not applicable.

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

Not applicable.

**ITEM 6. INVESTMENTS**

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

**Table of Contents**

Portfolio of investments April 30, 2013 (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 1

Security name	Interest rate	Maturity date	Principal	Value
<b>Agency Securities: 2.66%</b>				
<i>FHLMC</i>	8.50%	7-1-2028	\$ 96,312	\$ 113,786
<i>FHLMC</i>	8.50	3-1-2030	59,977	62,995
<i>FHLMC Series 0196 Class A ±</i>	1.05	12-15-2021	65,746	66,360
<i>FHLMC Series 1383 ±</i>	5.81	2-1-2037	947,977	1,004,409
<i>FHLMC Series 2011-K16 Class B ±144A</i>	4.59	11-25-2046	1,000,000	1,099,936
<i>FHLMC Series 2011-K701 Class B ±144A</i>	4.29	7-25-2048	165,000	178,703
<i>FHLMC Series 2011-K702 Class B ±144A</i>	4.77	4-25-2044	740,000	818,996
<i>FHLMC Series 2012-K17 Class B ±144A</i>	4.35	12-25-2044	675,000	726,608
<i>FHLMC Series 2012-K18 Class B ±144A</i>	4.27	1-25-2045	810,000	869,320
<i>FHLMC Series 2012-K19 Class B ±144A</i>	4.04	5-25-2045	1,000,000	1,055,407
<i>FHLMC Series 2012-K501 Class C ±144A</i>	3.49	11-25-2046	800,000	823,644
<i>FHLMC Series 2012-K705 Class B ±144A</i>	4.16	9-25-2044	1,000,000	1,097,183
<i>FHLMC Series 2012-K706 Class B ±144A</i>	4.02	11-25-2044	500,000	536,218
<i>FHLMC Series 2012-K706 Class C ±144A</i>	4.02	11-25-2044	805,000	828,098
<i>FHLMC Series 2012-K707 Class B ±144A</i>	3.88	1-25-2047	930,000	997,094
<i>FHLMC Series 2012-K709 Class B ±144A</i>	3.74	4-25-2045	1,000,000	1,045,098
<i>FHLMC Series 2012-K710 Class B ±144A</i>	3.82	6-25-2047	1,000,000	1,059,001
<i>FHLMC Series 2390 Class FD ±</i>	0.65	12-15-2031	56,613	56,929
<i>FHLMC Series 2567 Class FH ±</i>	0.60	2-15-2033	158,212	158,086
<i>FHLMC Series K007 Class XI ±(c)</i>	1.40	4-25-2020	1,033,734	67,531
<i>FHLMC Series K016 Class XI ±(c)</i>	1.74	10-25-2021	391,390	42,306
<i>FHLMC Series K020 Class XI ±(c)</i>	1.61	5-25-2022	6,965,970	739,877

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

<i>FHLMC Series K021 Class XI ±(c)</i>	1.65	6-25-2022	9,270,215	1,026,482
<i>FNMA ±</i>	4.65	9-1-2032	1,840,864	1,977,316
<i>FNMA</i>	6.00	4-1-2033	174,632	196,129
<i>FNMA ±</i>	6.45	9-1-2037	1,118,114	1,220,734
<i>FNMA</i>	6.50	11-1-2032	63,867	65,861
<i>FNMA</i>	7.50	7-1-2017	74,146	79,040
<i>FNMA</i>	7.50	10-1-2028	9,878	9,902
<i>FNMA</i>	7.50	11-1-2028	157,820	171,084
<i>FNMA</i>	7.50	2-1-2030	40,176	40,811
<i>FNMA</i>	7.50	9-1-2030	94,512	101,485
<i>FNMA</i>	8.00	6-1-2030	29,258	29,806
<i>FNMA</i>	12.00	1-1-2016	7,467	7,782
<i>FNMA Series 1996-46 Class FA ±</i>	0.72	8-25-2021	35,232	35,353
<i>FNMA Series 2001-25 Class Z</i>	6.00	6-25-2031	339,227	381,200
<i>FNMA Series 2001-35 Class F ±</i>	0.80	7-25-2031	14,990	15,129
<i>FNMA Series 2001-57 Class F ±</i>	0.70	6-25-2031	15,092	15,206
<i>FNMA Series 2002-77 Class FH ±</i>	0.60	12-18-2032	114,084	114,514
<i>FNMA Series 2002-97 Class FR ±</i>	0.75	1-25-2033	31,104	31,242
<i>FNMA Series G91-16 Class F ±</i>	0.67	6-25-2021	43,019	43,124
<i>FNMA Series G92-17 Class F ±</i>	1.27	3-25-2022	96,163	97,664
<i>GNMA</i>	6.50	6-15-2028	60,687	68,656
<i>GNMA</i>	7.25	7-15-2017	20,256	22,174
<i>GNMA</i>	7.25	8-15-2017	44,599	48,029
<i>GNMA</i>	7.25	8-15-2017	22,929	23,523
<i>GNMA</i>	7.25	9-15-2017	33,840	36,519
<i>GNMA</i>	7.25	10-15-2017	62,330	66,909
<i>GNMA</i>	7.25	10-15-2017	35,060	37,552
<i>GNMA</i>	7.25	11-15-2017	27,844	29,856

**Table of Contents**

2 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments April 30, 2013 (unaudited)

Security name	Interest rate	Maturity date	Principal	Value
<b>Agency Securities (continued)</b>				
<i>GNMA</i>	7.25%	1-15-2018	\$ 10,297	\$ 10,326
<i>GNMA</i>	7.25	1-15-2018	15,523	17,259
<i>GNMA</i>	7.25	2-15-2018	25,550	26,388
<i>GNMA</i>	7.25	5-15-2018	13,383	13,420
<b>Total Agency Securities (Cost \$17,969,702)</b>				19,508,060
<b>Asset-Backed Securities: 0.12%</b>				
<i>Bear Stearns Asset Backed Securities Series 2006 Class 1A2 ±</i>				
	0.42	12-25-2035	174,682	173,476
<i>CVS Pass-Through Trust Series T</i>				
	6.04	12-10-2028	622,938	743,370
<b>Total Asset-Backed Securities (Cost \$872,036)</b>				916,846
<b>Shares</b>				
<b>Common Stocks: 0.08%</b>				
<b>Consumer Discretionary: 0.00%</b>				
<b>Hotels, Restaurants &amp; Leisure: 0.00%</b>				
<i>Trump Entertainment Resorts Incorporated (i)</i>				
			1,161	1,161
<b>Telecommunication Services: 0.08%</b>				
<b>Diversified Telecommunication Services: 0.08%</b>				
<i>Fairpoint Communications Incorporated</i>				
			70,442	573,398
<b>Total Common Stocks (Cost \$1,617,838)</b>				574,559
<b>Principal</b>				

**Corporate Bonds and Notes: 60.43%****Consumer Discretionary: 12.85%****Auto Components: 1.35%**

<i>Allison Transmission Incorporated 144A</i>	7.13	5-15-2019	3,050,000	3,313,012
<i>Cooper Tire &amp; Rubber Company</i>	7.63	3-15-2027	1,895,000	2,053,706
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12-15-2019	450,000	519,188
<i>Goodyear Tire &amp; Rubber Company</i>	7.00	5-15-2022	400,000	432,500
<i>Goodyear Tire &amp; Rubber Company</i>	8.75	8-15-2020	468,000	544,050
<i>Penske Automotive Group Incorporated 144A</i>	5.75	10-1-2022	1,155,000	1,222,856
<i>United Rentals North America Incorporated</i>	5.75	7-15-2018	1,685,000	1,836,650
				9,921,962

**Diversified Consumer Services: 1.27%**

<i>Ceridian Corporation 144A</i>	11.00	3-15-2021	50,000	56,500
<i>Service Corporation International</i>	6.75	4-1-2016	475,000	530,813
<i>Service Corporation International</i>	7.00	6-15-2017	1,410,000	1,621,500
<i>Service Corporation International</i>	7.00	5-15-2019	650,000	710,938
<i>Service Corporation International</i>	7.50	4-1-2027	2,993,000	3,374,608
<i>Service Corporation International</i>	7.63	10-1-2018	680,000	808,350
<i>Service Corporation International</i>	8.00	11-15-2021	475,000	581,875
<i>Sotheby's 144A</i>	5.25	10-1-2022	1,615,000	1,653,356
				9,337,940

**Table of Contents**

Portfolio of investments April 30, 2013 (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 3

Security name	Interest rate	Maturity date	Principal	Value
<b>Hotels, Restaurants &amp; Leisure: 3.84%</b>				
<i>Ameristar Casinos Incorporated</i>	7.50%	4-15-2021	\$ 2,150,000	\$ 2,397,250
<i>Burger King Corporation</i>	9.88	10-15-2018	850,000	967,938
<i>CCM Merger Incorporated 144A</i>	9.13	5-1-2019	6,270,000	6,599,175
<i>CityCenter Holdings LLC</i>	7.63	1-15-2016	600,000	644,250
<i>CityCenter Holdings LLC ¥</i>	10.75	1-15-2017	2,051,822	2,269,828
<i>DineEquity Incorporated</i>	9.50	10-30-2018	3,475,000	3,961,500
<i>Greektown Superholdings Incorporated Series A</i>	13.00	7-1-2015	4,125,000	4,429,219
<i>NAI Entertainment Holdings LLC 144A</i>	8.25	12-15-2017	2,264,000	2,456,440
<i>Penn National Gaming Incorporated</i>	8.75	8-15-2019	250,000	282,500
<i>Ruby Tuesday Incorporated 144A</i>	7.63	5-15-2020	2,025,000	2,055,375
<i>Scientific Games Corporation</i>	9.25	6-15-2019	485,000	534,713
<i>Speedway Motorsports Incorporated</i>	6.75	2-1-2019	325,000	348,969
<i>Speedway Motorsports Incorporated 144A</i>	6.75	2-1-2019	200,000	214,750
<i>Speedway Motorsports Incorporated</i>	8.75	6-1-2016	980,000	1,027,785
				28,189,692
<b>Household Durables: 0.09%</b>				
<i>American Greetings Corporation</i>	7.38	12-1-2021	475,000	480,938
<i>Tempur-Pedic International Incorporated 144A</i>	6.88	12-15-2020	200,000	218,250
				699,188
<b>Internet &amp; Catalog Retail: 0.11%</b>				
<i>Expedia Incorporated</i>	5.95	8-15-2020	750,000	840,408
<b>Media: 4.83%</b>				
<i>Cablevision Systems Corporation</i>	8.63	9-15-2017	1,310,000	