WELLS FARGO ADVANTAGE UTILITIES & HIGH INCOME FUND
Form N-CSRS
April 29, 2015
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: 811-21507

Wells Fargo Advantage Utilities and High Income Fund

(Exact name of registrant as specified in charter)

525 Market St., San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

C. David Messman

Wells Fargo Funds Management, LLC

525 Market St., San Francisco, CA 94105

(Name and address of agent for service)

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

Date of fiscal year end: August 31

Date of reporting period: February 28, 2015

Table of Contents

ITEM 1. REPORT TO STOCKHOLDERS

Table of Contents

Wells Fargo Advantage

Utilities and High Income Fund

Semi-Annual Report

February 28, 2015

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**

Contents

* A complete schedule of portfolio holdings as of the report date may be obtained, free of charge, by accessing the following website: http://a584.g.akamai.net/f/584/1326/1d/www.wellsfargoadvantagefunds.com/pdf/semi/holdings/utilitiesandhighincome.pdf or by calling Wells Fargo Advantage Funds at 1-800-222-8222. This complete schedule, filed on Form N-CSRS, is also available on the SEC s website at sec.gov.

The views expressed and any forward-looking statements are as of February 28, 2015, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Advantage Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements; the views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

NOT FDIC INSURED ¡ NO BANK GUARANTEE ¡ MAY LOSE VALUE

Table of Contents

Karla M. Rabusch

President

Wells Fargo Advantage Funds

During the period, an improving U.S. economy, a stronger U.S. dollar, declining oil and gas prices, and central bank actions globally were among the most significant influences on the equity and bond markets.

Dear Valued Shareholder:

We are pleased to offer you this semi-annual report for the *Wells Fargo Advantage Utilities and High Income Fund* for the six-month period that ended February 28, 2015. During the period, an improving U.S. economy, a stronger U.S. dollar, declining oil and gas prices, and central bank actions globally were among the most significant influences on the equity and bond markets.

The U.S. Federal Reserve (Fed) continued to hold short-term interest rates near zero, which supported equity investing, although falling energy commodity prices caused volatility. Utilities sector stocks benefited while energy sector stocks suffered. Many domestic longer-term fixed-income market segments recorded positive returns, which was counter to investor expectations that bonds would suffer when the Fed ended its quantitative easing-related bond-buying program in October 2014. U.S. high-yield bond returns were essentially flat. Energy-related high-yield bonds declined due to falling oil and natural gas prices.

Strengthening U.S. economic recovery benefited investors.

The U.S. economy strengthened with positive gross domestic product measures in each of the last two quarters of 2014. Consumer sentiment improved and corporate earnings generally were favorable. In 2015, initial weekly jobless claims fell to 267,000 for the week ended January 24. The unemployment rate declined from 5.7% in January to 5.5% in February. The S&P 500 Index[1] returned 6.12%. Nine of ten business sectors in the index had positive returns. The lone exception was the S&P 500 Energy Index[2], which fell 18.21% when oil and natural gas prices declined in the second half of 2014 before stabilizing in early 2015. The S&P 500 Utilities Index[3] returned 6.44%. Utilities stocks followed a negative September 2014 return with four months of positive performances before declining 6.40% in February 2015 when improving economic data caused the 10-year U.S. Treasury bond yield to spike. Some stocks may look less attractive during times of rising fixed-income yields because investors may consider stocks, particularly utilities stocks, as a source of dividend income when bond investment returns are low.

Returns in fixed-income markets, while not as strong as stocks, were positive in many sectors. Domestic bond yields were higher than international bonds, driving continued investor demand for U.S. issues. The Barclays U.S. Aggregate Bond Index[4] returned 2.25%. Returns in the high-yield sector of the fixed-income market were essentially flat, falling 0.08% as measured by the Barclays U.S. Corporate High Yield Bond Index[5].

[1] The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock s weight in the index proportionate to its market value. You cannot invest directly in an index.

[2] The S&P 500 Energy Index is a market-value-weighted index that measures the performance of all stocks within the energy sector of the S&P 500 Index. You cannot invest directly in an index.

[3] The S&P 500 Utilities Index is a market-value-weighted index that measures the performance of all stocks within the utilities sector of the S&P 500 Index. You cannot invest directly in an index.

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

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

Table of Contents

Europe and Asia focus on economic stimulus.

As the U.S. economic recovery gained strength, economies in other global regions tended to struggle. In response, central banks in Europe, Japan, and China took steps to spark business activity and economic growth. The European Central Bank reduced interest rates in June and September 2014 and announced a quantitative easing bond-buying program early in 2015. While Japan s economy rebounded from recession in the final quarter of 2014, the Bank of Japan maintained accommodative monetary policies because growth was weaker than expected. The People s Bank of China reduced interest rates in November 2014 and February 2015 in an effort to spark increased economic activity, however government officials revised their projections for future economic growth lower. U.S. investors in international equity markets saw positive returns in local currency terms turn negative after translation into U.S. dollars because the U.S. dollar strengthened substantially. During the period, the return for the MSCI All Country World Index ex-USA Index (Net)[6] was -3.78%. On the international fixed-income front, the return for the Barclays Global Aggregate ex-U.S. Dollar Bond Index[7] was -9.54% during the period, as investors shunned foreign debt markets in favor of the U.S., helping to sustain higher domestic bond prices.

Don t let short-term uncertainty derail long-term investment goals.

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

Thank you for choosing to invest with *Wells Fargo 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**, 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

As the U.S. economic recovery gained strength, economies in other global regions tended to struggle. In response, central banks in Europe, Japan, and China took steps to spark business activity and economic

growth.

[6] The MSCI All Country World Index ex-USA Index (Net) includes large-, mid-, small-, and micro-cap segments for all developed markets countries in the index together with large-, mid-, and small-cap segments for the emerging markets countries. You cannot invest directly in an index. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

[7] The Barclays Global Aggregate ex-U.S. Dollar Bond Index tracks an international basket of government, corporate, agency, and mortgage-related bonds. You cannot invest directly in an index.

Table of Contents

Investment objective

The Fund seeks a high level of current income and moderate capital growth, with an emphasis on providing tax-advantaged dividend income.

Adviser

Wells Fargo Funds Management, LLC

Subadvisers

Crow Point Partners, LLC

Wells Capital Management Incorporated

Portfolio managers

Phillip Susser

Niklas Nordenfelt, CFA

Timothy P. O Brien, CFA

Average annual total return[1] (%) as of February 28, 2015

	6 months	1 year	5 year	10 year
Based on market value	8.35	16.66	4.74	7.91
Based on net asset value (NAV) per share	1.13	8.99	11.81	6.79

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

The Fund s expense ratio for the six months ended February 28, 2015, was 1.09% which includes 0.16% of interest expense.

Comparison of NAV vs. market value[2]

High-yield, lower-rated bonds may contain more risk due to the increased possibility of default. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. Risks of international investing are magnified in emerging or developing markets. Funds that concentrate their investments in a single industry or sector may face increased risk of price fluctuation due to adverse developments within that industry or sector. Small- and midcap securities may be subject to special risks associated with narrower product lines and limited financial resources compared with their large-cap counterparts. 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. Derivatives involve additional risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of noncorrelation to the relevant instruments they are designed to hedge or to closely track. There are numerous risks associated with transactions in options on securities. Illiquid securities may be subject to wide fluctuations in market value and may be difficult to sell.

[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 period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund s Automatic Dividend Reinvestment Plan.

[2] This chart does not reflect any brokerage commissions charged on the purchase and sale of the Fund s common stock. Dividends and distributions paid by the Fund have the effect of reducing the Fund s NAV.

Table of Contents

MANAGERS DISCUSSION

The Fund s return was 8.35% based on market value and 1.13% based on net asset value during the six-month period that ended February 28, 2015.

Overview

For the period, high-yield bond prices declined, driven primarily by the energy sector as oil prices fell nearly 50%. The high-yield market reached its lowest level in December 2014 and moved higher through January and February. Corporate leverage levels have moved higher over the past several years, though they are not at record highs. Typically, leverage is highest during recessions when earnings before interest, taxes, depreciation, and amortization typically decline. That is not the situation today. Economic and business measures have improved. In addition, accommodative U.S. Federal Reserve (Fed) policies allow companies to take advantage of historically low interest rates to extend maturities while keeping interest costs low. Low interest costs reduce the cash-flow impact of higher debt levels as evidenced by today s historically high interest coverage levels, which measure the ability of companies to meet interest obligations on outstanding debt.

The Fund s equity allocation was positioned somewhat more defensively during the period compared with the period that ended August 31, 2014. Interest rates generally declined during 2014 and into 2015, with the 10-year U.S. Treasury yield falling below 2.00% early in 2015 before moving higher in February 2015. Within the equity portfolio, the Fund s cash allocation increased.

Ten largest holdings[3] (%) as of February 28, 2015	
Entergy Louisiana LLC	5.14
American Electric Power Company Incorporated	4.61
ITC Holdings Corporation	4.19
NextEra Energy Incorporated	4.14
Deutsche Post AG	4.09
Suez Environnement Company SA	3.93
The Williams Companies Incorporated	3.93
Edison International	3.86
Eversource Energy	3.73
Great Plains Energy Incorporated	3.73

Credit quality[4] as of February 28, 2015

Contributors to performance

Relative to the broader high-yield market, the Fund s fixed-income portfolio allocation to the exploration and production and metals and mining industries had a beneficial effect on performance, though it was offset to some extent by its oil-field services industry positions. Select European equity investments contributed to performance despite the strengthening U.S. dollar, with gains in Deutsche Post AG and Veolia Environnement SA. Domestic utility investments NextEra Energy Incorporated; American Electric Power Company Incorporated; Edison International; Entergy Louisiana, LLC; and Public Service Enterprise Group Incorporated contributed to performance.

Detractors from performance

The Fund s allocation to BB-rated bonds detracted from performance, while a lower risk profile contributed. Stocks of companies directly exposed to energy prices detracted from performance, including The Williams Companies Incorporated; Spectra Energy Corporation; and EQT Corporation.

Table of Contents

Country allocation[5] as of February 28, 2015

Management outlook

Our base case is for high-yield bonds to perform in a relatively stable manner, potentially outperforming government and investment-grade corporate bonds, which may be more affected by rising interest rates. In this scenario, the economy improves while U.S. Treasury yields rise. We believe lower energy prices are generally positive for the economy and high-yield bonds, with the exception of energy exploration and development companies and others associated with them. We do not expect a substantial increase in 2015 defaults for energy

exploration and development companies if energy prices remain at today s level because many have hedged 2015 production partially and have access to secured debt markets. If energy prices remain low for several years, an uptick may be expected in energy-company defaults in the coming years. High levels of developed markets governmental debt, a potential real estate and municipal debt bubble in China, and persistent trade and current account concerns among certain countries could renew fears of systemic risks and related falls in risk markets. Long-term high-yield bond performance is likely to be driven primarily by corporate fundamentals and defaults. Over a full cycle, we believe the best way to protect the Fund against the potentially negative effects periodic bouts of systemic fear can have will be a continued focus on a bottom-up approach that seeks to minimize downside risk while capturing the return potential of high-yield issuers.

A strengthening economy and potential interest-rate increases also influence the outlook from an equity perspective. While stronger economic growth will be positive for utilities suffering from weak sales, it could push interest rates higher, which could be a near-term headwind for utility stocks. During the period, interest rates in the U.S. remained higher compared with Europe and Japan and the U.S. dollar strengthened sharply. The dollar could move higher if and when the Fed raises U.S. interest rates. Longer-term fundamentals for regulated network operators remain robust, while the outlook for utilities with significant commodity-price exposure remains challenging.

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

4 The credit quality distribution of portfolio holdings reflected in the chart is based on ratings from Standard & Poor s, Moody s Investors Service, and/or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the Fund and not to the Fund itself. The percentages of the Fund s portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was

utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor s rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Standard & Poor s rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). Moody s rates the creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Moody s rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality and credit quality ratings are subject to change and may have changed since the date specified.

[5] Amounts are calculated based on the total long-term investments of the Fund. These percentages are subject to change and may have changed since the date specified.

Table of Contents

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.

Security name	Shares	Value	Percent of net assets
Common Stocks: 63.26%			
Energy: 9.58%			
Oil, Gas & Consumable Fuels: 9.58%			
Cenovus Energy Incorporated	75,000	$ 1,296,750	1.04%
Energen Corporation	15,000	969,600	0.77
EQT Corporation	15,000	1,197,150	0.96
Spectra Energy Corporation	75,000	2,661,750	2.13
The Williams Companies Incorporated	100,000	4,904,000	3.93
Veresen Incorporated	75,000	933,525	0.75
		11,962,775	9.58
Industrials: 4.14%			
Air Freight & Logistics: 4.09%			
Deutsche Post AG	150,000	5,107,904	4.09
Construction & Engineering: 0.05%			
Other securities		56,340	0.05
Telecommunication Services: 3.52%			

Diversified Telecommunication Services: 2.19%			
BCE Incorporated	16,000	700,960	0.56
Verizon Communications Incorporated	41,291	2,041,840	1.63
		2,742,800	2.19
Wireless Telecommunication Services: 1.33%			
Shenandoah Telecommunications Company	45,000	1,309,050	1.05
Other securities		347,771	0.28
		1,656,821	1.33
Utilities: 46.02%			
Electric Utilities: 31.70%			
American Electric Power Company Incorporated	100,000	5,758,000	4.61
Duke Energy Corporation	30,514	2,396,875	1.92
Edison International	75,000	4,818,750	3.86
Endesa SA	80,000	1,617,699	1.30
Enel SpA	200,000	921,650	0.74
Eversource Energy	90,000	4,657,500	3.73
Exelon Corporation	16,000	542,720	0.44
Great Plains Energy Incorporated	175,000	4,656,750	3.73
IDACORP Incorporated	25,000	1,565,500	1.25
ITC Holdings Corporation	135,000	5,228,550	4.19
NextEra Energy Incorporated	50,000	5,173,000	4.14
PNM Resources Incorporated	75,000	2,141,250	1.72

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

Table of Contents

Security name			Shares	Value	Percent of net assets
Electric Utilities (continued)					
Other securities				$ 96,384	0.07%
				39,574,628	31.70
Gas Utilities: 0.83%					
Snam SpA			200,000	1,012,069	0.81
Other securities				23,852	0.02
				1,035,921	0.83
Multi-Utilities: 11.32%					
CenterPoint Energy Incorporated			50,000	1,039,500	0.83
Public Service Enterprise Group Incorporated			50,000	2,103,000	1.68
Sempra Energy			19,900	2,153,180	1.72
Suez Environnement Company SA			275,000	4,906,895	3.93
TECO Energy Incorporated			50,000	981,500	0.79
Veolia Environnement SA			137,000	2,667,592	2.14
Other securities				287,177	0.23
				14,138,844	11.32
Water Utilities: 2.17%					
American Water Works Company Incorporated			50,000	2,704,000	2.17
Total Common Stocks (Cost $53,882,275)				78,980,033	63.26
	Interest rate	**Maturity date**	**Principal**		
Corporate Bonds and Notes: 28.97%					

Consumer Discretionary: 4.92%					
Auto Components: 0.47%					
Other securities				583,900	0.47
Distributors: 0.06%					
Other securities				73,875	0.06
Diversified Consumer Services: 0.49%					
Other securities				616,178	0.49
Hotels, Restaurants & Leisure: 1.38%					
CCM Merger Incorporated 144A	9.13%	5-1-2019	$ 465,000	505,688	0.41
Greektown Holdings LLC 144A	8.88	3-15-2019	565,000	603,138	0.48
Other securities				618,797	0.49
				1,727,623	1.38
Household Durables: 0.15%					
Other securities				186,938	0.15
Media: 2.04%					
Gray Television Incorporated	7.50	10-1-2020	500,000	520,000	0.42
Other securities				2,026,009	1.62
				2,546,009	2.04

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

Table of Contents

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Specialty Retail: 0.33%					
Other securities				$ 408,181	0.33%
Consumer Staples: 0.23%					
Beverages: 0.05%					
Other securities				60,000	0.05
Food Products: 0.18%					
Other securities				220,150	0.18
Energy: 5.94%					
Energy Equipment & Services: 2.44%					
NGPL PipeCo LLC 144A	7.77%	12-15-2037	$ 715,000	768,625	0.62
Other securities				2,272,901	1.82
				3,041,526	2.44
Oil, Gas & Consumable Fuels: 3.50%					
Other securities				4,373,363	3.50
Financials: 4.68%					
Banks: 0.14%					
Other securities				177,801	0.14
Capital Markets: 0.47%					
Other securities				590,888	0.47
Consumer Finance: 1.61%					

Other securities				2,008,198	1.61
Diversified Financial Services: 0.42%					
Other securities				523,038	0.42
Insurance: 0.18%					
Other securities				223,875	0.18
Real Estate Management & Development: 0.37%					
Other securities				459,375	0.37
REITs: 1.49%					
Other securities				1,863,142	1.49
Health Care: 2.84%					
Health Care Equipment & Supplies: 0.38%					
Other securities				474,113	0.38
Health Care Providers & Services: 1.68%					
Capella Healthcare Incorporated	9.25	7-1-2017	430,000	447,200	0.36
Select Medical Corporation	6.38	6-1-2021	455,000	457,275	0.37
Other securities				1,192,407	0.95
				2,096,882	1.68

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

Table of Contents

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Health Care Technology: 0.31%					
Other securities				$ 389,613	0.31%
Pharmaceuticals: 0.47%					
Other securities				579,260	0.47
Industrials: 1.69%					
Airlines: 0.14%					
Other securities				171,415	0.14
Commercial Services & Supplies: 0.65%					
Other securities				816,726	0.65
Construction & Engineering: 0.18%					
Other securities				228,213	0.18
Trading Companies & Distributors: 0.72%					
Other securities				895,132	0.72
Information Technology: 2.32%					
Electronic Equipment, Instruments & Components: 0.69%					
Jabil Circuit Incorporated	8.25%	3-15-2018	$ 620,000	716,100	0.57
Other securities				145,800	0.12
				861,900	0.69

Internet Software & Services: 0.11%					
Other securities				141,400	0.11
IT Services: 0.98%					
First Data Corporation	11.75	8-15-2021	375,000	436,875	0.35
Other securities				790,440	0.63
				1,227,315	0.98
Semiconductors & Semiconductor Equipment: 0.10%					
Other securities				121,469	0.10
Software: 0.10%					
Other securities				126,813	0.10
Technology Hardware, Storage & Peripherals: 0.34%					
Other securities				420,548	0.34
Materials: 0.52%					
Chemicals: 0.02%					
Other securities				21,750	0.02
Containers & Packaging: 0.35%					
Other securities				437,482	0.35
Paper & Forest Products: 0.15%					
Other securities				192,292	0.15

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

Table of Contents

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Telecommunication Services: 3.75%					
Diversified Telecommunication Services: 1.80%					
GCI Incorporated	8.63%	11-15-2019	$ 428,000	$ 447,795	0.36%
Syniverse Holdings Incorporated	9.13	1-15-2019	525,000	546,000	0.44
Other securities				1,259,273	1.00
				2,253,068	1.80
Wireless Telecommunication Services: 1.95%					
Sprint Capital Corporation	6.88	11-15-2028	1,100,000	1,034,000	0.83
Other securities				1,399,415	1.12
				2,433,415	1.95
Utilities: 2.08%					
Electric Utilities: 1.41%					
ComEd Financing III	6.35	3-15-2033	1,340,000	1,370,603	1.10
Other securities				394,243	0.31
				1,764,846	1.41
Gas Utilities: 0.22%					
Other securities				267,063	0.22
Independent Power & Renewable Electricity Producers: 0.45%					
Other securities				560,472	0.45

Total Corporate Bonds and Notes (Cost $34,653,059)				36,165,247	28.97
Loans: 2.40%					
Texas Competitive Electric Holdings Company LLC ±(s)	4.66	10-10-2015	1,471,940	931,002	0.75
Other securities				2,066,683	1.65
Total Loans (Cost $3,589,380)				2,997,685	2.40
	Dividend yield		**Shares**		
Preferred Stocks: 10.89%					
Financials: 0.07%					
Banks: 0.07%					
Other securities				89,986	0.07
Utilities: 10.82%					
Electric Utilities: 10.82%					
Alabama Power Company	6.45		20,576	568,412	0.46
Entergy Arkansas Incorporated	4.75		65,000	1,537,250	1.23
Entergy Arkansas Incorporated	4.90		80,000	1,972,000	1.58
Entergy Louisiana LLC	4.70		270,483	6,421,266	5.14
Indianapolis Power & Light Company	5.65		20,000	1,940,626	1.55
NextEra Energy Capital Holding Incorporated Series I	5.13		44,000	1,067,000	0.86
				13,506,554	10.82
Total Preferred Stocks (Cost $12,476,809)				13,596,540	10.89

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

Table of Contents

Security name	Value	Percent of net assets
Warrants: 0.05%		
Utilities: 0.05%		
Gas Utilities: 0.05%		
Other securities	$ 61,760	0.05%
Total Warrants (Cost $30,480)	61,760	0.05
Yankee Corporate Bonds and Notes: 2.31%		
Consumer Discretionary: 0.00%		
Media: 0.00%		
Other securities	3,083	0.00
Energy: 0.37%		
Oil, Gas & Consumable Fuels: 0.37%		
Other securities	466,077	0.37
Financials: 0.02%		
Banks: 0.02%		
Other securities	31,200	0.02
Health Care: 0.32%		
Pharmaceuticals: 0.32%		
Other securities	403,781	0.32
Industrials: 0.04%		
Aerospace & Defense: 0.04%		
Other securities	45,000	0.04

Materials: 0.52%					
Containers & Packaging: 0.18%					
Other securities				229,253	0.18
Metals & Mining: 0.26%					
Other securities				321,500	0.26
Paper & Forest Products: 0.08%					
Other securities				93,000	0.08
	Interest rate	**Maturity date**	**Principal**		
Telecommunication Services: 1.04%					
Diversified Telecommunication Services: 1.00%					
Intelsat Jackson Holdings SA	5.50%	8-1-2023	$ 575,000	543,375	0.43
Other securities				701,731	0.57
				1,245,106	1.00

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

Table of Contents

Security name	Yield	Shares	Value	Percent of net assets
Wireless Telecommunication Services: 0.04%				
Other securities			$ 51,188	0.04%
Total Yankee Corporate Bonds and Notes (Cost $2,924,078)			2,889,188	2.31
Short-Term Investments: 10.12%				
Investment Companies: 10.12%				
Wells Fargo Advantage Cash Investment Money Market Fund, Select Class ##(l)(u)	0.10%	12,636,577	12,636,577	10.12
Total Short-Term Investments (Cost $12,636,577)			12,636,577	10.12
Total investments in securities (Cost $120,192,658) *			147,327,030	118.00%
Other assets and liabilities, net			(22,474,532)	(18.00)
Total net assets			**$ 124,852,498**	**100.00%**

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

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

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

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

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

All or a portion of this security is segregated for unfunded loans.

* Cost for federal income tax purposes is $120,714,424 and unrealized gains (losses) consists of:

Gross unrealized gains	$ 30,683,305
Gross unrealized losses	(4,070,699)
Net unrealized gains	$ 26,612,606

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

Table of Contents

Statement of assets and liabilities February 28, 2015 (unaudited)

Assets	
Investments	
In unaffiliated securities, at value (cost $107,556,081)	$ 134,690,453
In affiliated securities, at value (cost $12,636,577)	12,636,577
Total investments, at value (cost $120,192,658)	147,327,030
Foreign currency, at value (cost $126,651)	116,424
Receivable for investments sold	583,022
Receivable for dividends and interest	1,298,233
Prepaid expenses and other assets	2,628
Total assets	149,327,337
Liabilities	
Dividends payable	692,078
Payable for investments purchased	1,599,294
Secured borrowing payable	22,004,402
Advisory fee payable	70,373
Administration fee payable	5,864
Accrued expenses and other liabilities	102,828
Total liabilities	24,474,839
Total net assets	**$ 124,852,498**
NET ASSETS CONSIST OF	
Paid-in capital	$ 151,438,236
Overdistributed net investment income	(670,697)
Accumulated net realized losses on investments	(53,036,407)
Net unrealized gains on investments	27,121,366
Total net assets	**$ 124,852,498**
NET ASSET VALUE PER SHARE	
Based on $124,852,498 divided by 9,231,183 shares issued and outstanding (unlimited number of shares authorized)	$13.53

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

Table of Contents

Statement of operations six months ended February 28, 2015 (unaudited) Wells Fargo Advantage Utilities and High Income Fund 15

Investment income	
Dividends (net of foreign withholding taxes of $215,324)	$ 2,760,154
Interest	1,461,948
Income from affiliated securities	3,845
Total investment income	4,225,947
Expenses	
Advisory fee	437,194
Administration fee	36,433
Custody and accounting fees	12,544
Professional fees	36,734
Shareholder report expenses	24,439
Trustees fees and expenses	7,489
Transfer agent fees	16,978
Interest expense	99,187
Secured borrowing fees	2,221
Other fees and expenses	4,853
Total expenses	678,072
Net investment income	3,547,875
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS	
Net realized losses on investments	(1,486,582)
Net change in unrealized gains (losses) on investments	(732,804)
Net realized and unrealized gains (losses) on investments	(2,219,386)
Net increase in net assets resulting from operations	**$ 1,328,489**

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

Table of Contents

	Six months ended February 28, 2015 (unaudited)	Year ended August 31, 2014
Operations		
Net investment income	$ 3,547,875	$ 8,968,521
Net realized gains (losses) on investments	(1,486,582)	1,474,455
Net change in unrealized gains (losses) on investments	(732,804)	12,542,009
Net increase in net assets resulting from operations	1,328,489	22,984,985
Distributions to shareholders from		
Net investment income	(4,154,032)	(8,308,065)
Total increase (decrease) in net assets	(2,825,543)	14,676,920
Net assets		
Beginning of period	**127,678,041**	**113,001,121**
End of period	**$ 124,852,498**	**$ 127,678,041**
Undistributed (overdistributed) net investment income	**$ (670,697)**	**$ 105,977**

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

Table of Contents

Statement of cash flows six months ended February 28, 2015 (unaudited) Wells Fargo Advantage Utilities and High Income Fund 17

Cash flows from operating activities:	
Net increase in net assets resulting from operations	$ 1,328,489
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Purchase of securities	(26,816,743)
Proceeds from sale of securities	32,098,107
Amortization	7,202
Proceeds from short-term securities, net	(7,343,665)
Increase in dividends and interest receivable	(58,191)
Increase in receivable for investments sold	(573,022)
Decrease in prepaid expenses and other assets	579
Increase in payable for securities purchased	1,433,938
Decrease in advisory fee payable	(6,863)
Decrease in administration fee payable	(572)
Decrease in accrued expenses and other liabilities	(47,179)
Change in unrealized gains (losses) on investments	732,804
Net realized losses on investments	1,486,582
Net cash provided by operating activities	2,241,466
Cash flows from financing activities:	
Cash distributions paid	(4,154,032)
Decrease in secured borrowing	6,694
Net cash used in financing activities	(4,147,338)
Net increase in cash	(1,905,872)
Cash (including foreign currency):	
Beginning of period	$ 2,022,296
End of period	$ 116,424
Supplemental cash disclosure:	
Cash paid for interest	$ 105,881

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

Table of Contents

(For a share outstanding throughout each period)

	Six months ended February 28, 2015 (unaudited)	Year ended August 31				
		2014	2013	2012	2011	2010
Net asset value, beginning of period	**$13.83**	**$12.24**	**$11.74**	**$11.75**	**$11.23**	**$11.38**
Net investment income	0.38	0.97[1]	0.87[1]	0.87[1]	0.99[1]	0.59[1]
Net realized and unrealized gains (losses) on investments	(0.23)	1.52	0.53	0.02	0.43	0.41
Total from investment operations	0.15	2.49	1.40	0.89	1.42	1.00
Distributions to shareholders from						
Net investment income	(0.45)	(0.90)	(0.90)	(0.90)	(0.90)	(0.53)[1]
Tax basis return of capital	0.00	0.00	0.00	0.00	0.00	(0.62)[1]
Total distributions to shareholders	(0.45)	(0.90)	(0.90)	(0.90)	(0.90)	(1.15)
Net asset value, end of period	**$13.53**	**$13.83**	**$12.24**	**$11.74**	**$11.75**	**$11.23**
Market value, end of period	**$13.48**	**$12.87**	**$12.04**	**$11.92**	**$11.03**	**$11.23**
Total return based on market value[2]	**8.35%**	**14.89%**	**8.93%**	**17.03%**	**5.99%**	**(1.24)%**
Ratios to average net assets (annualized)						
Gross expenses	1.09%	1.11%	1.25%	1.20%	1.24%	2.52%
Net expenses	1.09%	1.11%	1.25%	1.20%	1.24%	1.52%
	5.73%	7.38%	7.11%	7.48%	8.14%	5.19%

Net investment income						
Supplemental data						
Portfolio turnover rate	18%	29%	65%	48%	64%	59%
Net assets, end of period (000s omitted)	$124,852	$127,678	$113,001	$108,327	$108,146	$103,245
Borrowings outstanding, end of period (000s omitted)	$22,000	$22,000	$22,000	$22,000	$22,000	$22,000
Asset coverage per $1,000 of borrowing, end of period	$6,675	$6,804	$6,136	$5,866	$5,916	$5,693

1 Calculated based upon average shares outstanding

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

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

Six months ended February 28, 2015 (unaudited)	0.16%
Year ended August 31, 2014	0.19%
Year ended August 31, 2013	0.21%
Year ended August 31, 2012	0.25%
Year ended August 31, 2011	0.25%
Year ended August 31, 2010	0.19%

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

Table of Contents

1. ORGANIZATION

Wells Fargo Advantage Utilities and High Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on February 4, 2004. Originally classified as non-diversified, the Fund now is classified as a diversified closed-end management investment company and is registered under the Investment Company Act of 1940, as amended. As an investment company, the Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946*, Financial Services Investment Companies*.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Securities valuation

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

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

Equity securities that are not listed on a foreign or domestic exchange or market, but have a public trading market, are valued at the quoted bid price from an independent broker-dealer that the Management Valuation Team of Wells Fargo Funds Management, LLC (Funds Management) has determined is an acceptable source.

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

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

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign securities are traded, but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of such securities, then fair value pricing procedures approved by the Board of Trustees of the Fund are applied. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Foreign securities that are fair valued under these procedures are categorized as Level 2 and the application of these procedures may result in transfers between Level 1 and Level 2.

Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in net asset values that are higher or lower than net asset values based on the last reported sales price or latest quoted bid price. On February 28, 2015, such fair value pricing was not used in pricing foreign securities.

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

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

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

Valuations of fair valued securities are compared to the next actual sales price when available, or other appropriate market values, to assess the continued appropriateness of the fair valuation methodologies used. These securities are fair valued on a day-to-day basis, taking into consideration changes to appropriate market information and any significant changes to the inputs considered in the valuation process until there is a readily available price provided on an exchange

Table of Contents

or by an independent pricing service. Valuations received from an independent pricing service or independent broker-dealer quotes are periodically validated by comparisons to most recent trades and valuations provided by other independent pricing services in addition to the review of prices by the adviser and/or subadviser. Unobservable inputs used in determining fair valuations are identified based on the type of security, taking into consideration factors utilized by market participants in valuing the investment, knowledge about the issuer and the current market environment.

Foreign currency translation

The accounting records of the Fund are maintained in U.S. dollars. The values of other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Management Valuation Team. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions. Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting from changes in exchange rates. The changes in net assets arising from changes in exchange rates and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are included in net realized and unrealized gains or losses from investments.

When-issued transactions

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

Loans

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

Options

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

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

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

Table of Contents

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.

Dividend income is recognized on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the custodian verifies the ex-dividend date. Dividend income from foreign securities is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

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.

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.

Capital loss carryforwards that do not expire are required to be utilized prior to capital loss carryforwards that expire. As of August 31 2014, capital loss carryforwards available to offset future net realized capital gains were as follows through the indicated expiration dates:

2017	2018	No expiration Short-term
$20,548,693	$27,435,579	$3,278,428

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:

- Level 1 quoted prices in active markets for identical securities

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

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

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

Table of Contents

The following is a summary of the inputs used in valuing the Fund s assets and liabilities as of February 28, 2015:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investments in:				
Common stocks				
Energy	$ 11,962,775	$ 0	$ 0	$ 11,962,775
Industrials	5,164,244	0	0	5,164,244
Telecommunication services	4,399,621	0	0	4,399,621
Utilities	57,453,393	0	0	57,453,393
Corporate bonds and notes	0	36,165,247	0	36,165,247
Loans	0	2,036,304	961,381	2,997,685
Preferred stocks				
Financials	89,986	0	0	89,986
Utilities	10,997,516	2,509,038	0	13,506,554
Warrants				
Utilities	0	61,760	0	61,760
Yankee corporate bonds and notes	0	2,889,188	0	2,889,188
Short-term investments				
Investment companies	12,636,577	0	0	12,636,577
Total assets	**$ 102,704,112**	**$ 43,661,537**	**$ 961,381**	**$ 147,327,030**

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At February 28, 2015, the Fund did not have any transfers into/out of Level 1, Level 2, or Level 3.

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 0.60% 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 investment subadvisers to provide daily portfolio management to the Fund. The fees for subadvisory services are borne by Funds Management. Wells Capital Management Incorporated (an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo) and Crow Point Partners, LLC are each investment subadvisers to the Fund and are each entitled to receive a fee from Funds

Management at an annual rate of 0.20% of the Fund s average daily total assets.

Administration fee

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

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of shares with no par value. For the six months ended February 28, 2015 and the year ended August 31, 2014, the Fund did not issue any shares.

6. BORROWINGS

The Fund has borrowed approximately $22 million through a secured debt financing agreement administered by a major financial institution (the Facility). The Facility has a commitment amount of $25 million which expires on March 6, 2015, at which point it may be renegotiated and potentially renewed for another one-year term. At February 28, 2015, the Fund had secured borrowings outstanding in the amount of $22,004,402 (including accrued interest and usage and commitment fees payable).

Table of Contents

The Fund s borrowings under the Facility are generally charged interest at a rate determined by the type of loan elected by the Fund. During the six months ended February 28, 2015, an effective interest rate of 0.91% was incurred on the borrowings. Interest expense of $99,187, representing 0.16% of the Fund s average daily net assets, was incurred during the six months ended February 28, 2015.

The Fund has pledged all of its assets to secure the borrowings and pays a commitment fee at an annual rate equal to 0.15% of average daily unutilized amounts of the $25 million commitment amount.

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the six months ended February 28, 2015 were $24,319,104 and $29,250,079, respectively.

As of February 28, 2015, the Fund had unfunded term loan commitments of $123,554.

8. CONCENTRATION RISK

The Fund invests a substantial portion of its assets in utilities companies and, therefore, would be more affected by changes in that industry than would be a fund whose investments are not heavily weighted in the sector.

9. INDEMNIFICATION

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

10. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to shareholders: