

WELLS FARGO UTILITIES & HIGH INCOME FUND

Form N-CSR

November 01, 2016

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

**Investment Company Act file number: 811-21507**

**Wells Fargo 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: August 31, 2016**

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**ITEM 1. REPORT TO STOCKHOLDERS**

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**Annual Report**

August 31, 2016

**Wells Fargo**

**Utilities and High Income Fund (ERH)**

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\*A complete schedule of portfolio holdings as of the report date may be obtained, free of charge, by accessing the following website:  
<https://www.wellsfargofunds.com/assets/edocs/regulatory/holdings/utilities-and-high-income-ann.pdf> or by calling Wells Fargo Funds at **1-800-222-8222**. This complete schedule, filed on Form N-CSR, is also available on the SEC's website at [sec.gov](http://sec.gov).

The views expressed and any forward-looking statements are as of August 31, 2016, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

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

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2 Wells Fargo Utilities and High Income Fund

Letter to shareholders (unaudited)

**Karla M. Rabusch**

President

Wells Fargo Funds

**For the 12-month reporting period, U.S. stocks returned 12.55%, utilities stocks returned 20.32%, and high-yield bonds returned 9.18%**

**Dear Valued Shareholder:**

We are pleased to offer you this annual report for the Wells Fargo Utilities and High Income Fund for the 12-month period that ended August 31, 2016. During this period, which began September 1, 2015, U.S. and international stock markets experienced heightened volatility, with intermittent rebounds interspersed with sell-offs; markets became especially volatile during June 2016 as the U.K.'s vote over whether to leave the European Union (E.U.) approached. For the 12-month reporting period, U.S. stocks returned 12.55%, utilities stocks returned 20.32%, and high-yield bonds returned 9.18% (as represented, respectively, by the S&P 500 Index,<sup>1</sup> S&P 500 Utilities Index,<sup>2</sup> and BofA Merrill Lynch U.S. High Yield Index<sup>3</sup>). The U.S. economy displayed resilience throughout the period, although growth was somewhat sluggish amid ongoing pressures that included slowing growth in China, a strengthening U.S. dollar, and uncertainty regarding interest-rate increases by the U.S. Federal Reserve (Fed). International economies faced deeper ongoing challenges.

**During the last four months of 2015, ongoing global concerns pressured economies and markets worldwide.**

China's slowdown, in particular, negatively affected many countries' economies. Because China is the world's largest importer of many commodities, a number of emerging markets' key commodities exporters struggled under the dual strains of reduced demand and depressed prices for commodities. In December 2015, the Fed, as expected, raised its target interest rate by 25 basis points (bps; 100 bps equals 1.00%) after keeping it near zero for seven years. The move reflected confidence in the U.S. economy's ability to stay healthy with less central-bank support. The Fed also clarified that future interest-rate increases would be gradual. Energy prices remained depressed during this period due to improved oil/natural gas extraction efficiency, lackluster industrial demand, and a warm start to the 2015-2016 heating season in the U.S. In this environment, utilities that are more sensitive to changing oil and natural gas prices tended to underperform investments in more stable, rate-based utilities (those that can charge customers rates that are set by

regulatory action). Within the high-yield bond market, performance was challenged by concerns about interest-rate increases and declining commodity prices.

**Market volatility increased globally in the first quarter of 2016.**

Most stock markets worldwide declined sharply in the first six weeks of 2016 on concerns such as weak global growth, falling commodity prices, and uncertainty over the timing and impact of Fed interest-rate increases. As the quarter progressed, fears abated somewhat and global markets generally rallied back. The U.S. economy ended the quarter on a positive note as much of the quarter's data reflected resiliency. With ongoing uncertainties about global growth and financial markets, however, the Fed held off from raising the target interest rate. Investors bid up the prices of utilities, which often are perceived as low-volatility, safe-haven stocks. Energy stocks gained modestly late in the quarter as oil prices began trending higher. High-yield bond returns declined early in the quarter and then rebounded as the quarter progressed.

**Worries over interest rates and the U.K.'s vote largely drove the markets during the second quarter of 2016.**

U.S. stocks began the quarter in positive territory but plunged briefly in mid-May following comments by Fed officials noting that a June interest-rate increase remained on the table. Once investors had processed this information, stocks again rallied. But the first three weeks of June brought heightened volatility, spurred largely

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

<sup>2</sup> The 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.

<sup>3</sup> The BofA Merrill Lynch U.S. High Yield Index (formerly known as BofA Merrill Lynch High Yield Master II Index) is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of the high-yield securities traded in the U.S. bond market. You cannot invest directly in an index.

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Letter to shareholders (unaudited) Wells Fargo Utilities and High Income Fund 3

by a disappointing jobs report and uncertainty over whether the U.K. would remain in the E.U. The U.K.'s Brexit vote on June 23 shocked countries in Europe and much of the rest of the world. Stock markets plummeted as investors worried that the U.K.'s departure from the E.U. would slow global growth and prolong the low-interest-rate environment. Following the initial rout, however, U.S. stocks rallied as investors seemed to decide that any negative effects would be more localized and not create a serious risk for global growth. In contrast with the broader market, utilities stocks generally benefited in June, as investors turned more risk averse, and outperformed the overall market for the quarter. Within the high-yield bond market, firmer oil prices led to quarterly outperformance by energy-related bonds. Metals and mining bonds also outperformed as currency volatility sparked by Brexit boosted gold prices and economic data out of China stabilized other commodities prices.

**Utilities weakened in July/August 2016; high-yield bonds rallied.**

The U.S. economy continued to demonstrate resilience in July and August 2016, and expectations for another interest-rate hike by the Fed in the near future increased. In this environment, investors tended to shift toward areas of the market perceived as more risk-oriented and away from defensive sectors such as utilities, which lagged. High-yield bonds, in contrast, delivered positive results for both months, spurred by investors' improved appetite for risk; lower-quality bonds tended to outperform.

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

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

Sincerely,

Karla M. Rabusch

President

Wells Fargo Funds

**We encourage investors to know their investments and to understand that appropriate levels of risk-taking may unlock opportunities.**

### **Notice to shareholders**

Effective May 25, 2016, the Fund's Board of Trustees approved a change to the investment strategy guidelines of the Fund which allowed the Fund to hold more than 20% of its assets in securities rated CCC or lower. However, additional securities rated CCC or lower cannot be added to the Fund if, at the time of purchase, more than 20% of the Fund's assets are rated CCC or lower.

On December 17, 2015, the Fund announced an open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund may repurchase up to 10% of its outstanding shares within one year of December 17, 2015. The Fund's Board of Trustees has delegated to Wells Fargo Funds Management, LLC, the Fund's adviser, full discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations.

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

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4 Wells Fargo Utilities and High Income Fund

Performance highlights (unaudited)

**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**

Niklas Nordenfelt, CFA®

Timothy P. O'Brien, CFA®

Phillip Susser

**Average annual total return (%) as of August 31, 2016<sup>1</sup>**

	1 year	5 year	10 year
Based on market value	27.83	11.22	4.34
Based on net asset value (NAV) per share	10.35*	9.51	4.34

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

The Fund's expense ratio for the year ended August 31, 2016, was 1.19% which includes 0.21% of interest expense.

**Comparison of NAV vs. market value<sup>2</sup>**

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. 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.

<sup>1</sup>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.

<sup>2</sup>This chart does not reflect any brokerage commissions charged on the purchase and sale of the Fund's common stock. Dividends and distributions paid by the Fund are included in the Fund's average annual total returns but have the effect of reducing the Fund's NAV.

\*Total return reflects litigation payments received during the year. Excluding the payments, the total return would have been 9.74%.

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Performance highlights (unaudited)  
**MANAGERS DISCUSSION**

Wells Fargo Utilities and High Income Fund 5

The Fund's return based on its market value was 27.83% for the 12-month period that ended August 31, 2016. During the same period, the Fund's return based on its net asset value (NAV) was 10.35%. Based on its NAV return, the Fund underperformed relative to the ERH Blended Index<sup>3</sup> which returned 17.19%.

**Overview**

During the reporting period, the Fund's utilities holdings delivered weak results relative to the S&P 500 Utilities Index.<sup>4</sup> Some of the utilities positions were preferred stocks, which supported the Fund's income generation but lagged in terms of total return. Also, European and Canadian utilities stocks held in the Fund underperformed their U.S. peers. Energy holdings detracted from returns as well.

While the high-yield bond market delivered a positive return for the 12-month period overall, the path to that result was somewhat volatile. High-yield bonds delivered negative monthly results for the first five months of the reporting period, driven largely by depressed energy prices and other commodity-related issues; downgrades of large, investment-grade issuers into high-yield territory aggravated the decline. The high-yield market bounced back in mid-February 2016 and delivered positive monthly results for the remaining seven months of the period as commodity prices began to stabilize and improve and the issuer downgrades were absorbed by the high-yield market.

**Detractors from performance**

Among the Fund's utilities holdings, The Williams Companies, Incorporated, detracted significantly from performance. In addition to being pressured by depressed oil and gas prices early in the period, the company suffered other setbacks, including news that its expected acquisition by Energy Transfer Equity, L.P., had fallen through. Vivendi S.A. was a notable detractor as well. Both The Williams Companies and Vivendi were sold from the Fund during the period. Also, the Fund's holdings of cash and preferred stocks materially detracted from results as investors demonstrated their preference for common stocks within the utilities sector.

Within the Fund's allocation to high-yield bonds, the largest detractor from relative performance was an underweight to the metals and mining sector. Many companies that were downgraded from investment-grade to below-investment-grade during the period were in this sector, and they rebounded after being added to the high-yield bond index. Exposure to the electric utility and cable and satellite sectors also detracted from performance. The ratings distribution and maturity profile of the Fund's high-yield bond allocation had a slightly negative effect on results as well.

**Ten largest holdings (%) as of August 31, 2016<sup>5</sup>**

Enel SpA	4.59
Red Electrica Corporacion SA	4.39
Enagas SA	4.36
Eversource Energy	4.12
American Electric Power Company Incorporated	3.84
Edison International	3.70

Chunghwa Telecom Company Limited ADR	3.65
NextEra Energy Incorporated	3.59
American Water Works Company Incorporated	3.14
Endesa SA	3.11

**Credit quality as of August 31, 2016<sup>6</sup>**

<sup>3</sup> Source: Wells Fargo Funds Management, LLC. The ERH Blended Index is weighted 70% S&P 500 Utilities Index and 30% BofA Merrill Lynch U.S. High Yield Index (formerly known as BofA Merrill Lynch High Yield Master II Index). The BofA Merrill Lynch U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of the high-yield securities traded in the U.S. bond market. You cannot invest directly in an index.

<sup>4</sup> 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.

<sup>5</sup> The ten largest holdings, excluding cash and cash equivalents, are calculated based on the value of the investments divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

<sup>6</sup> The credit quality distribution of portfolio holdings reflected in the chart is based on ratings from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the Fund and not to the Fund itself. The percentages of the Fund's portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Standard & Poor's rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). Moody's rates the creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality distribution is subject to change and may have changed since the date specified.

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**6 Wells Fargo Utilities and High Income Fund  
Contributors to performance**

Performance highlights (unaudited)

Notable contributors to performance among the Fund's utilities stocks included American Water Works Company, Incorporated; American Electric Power Company, Incorporated; and Edison International. Shenandoah Telecommunications Company also significantly benefited results; the company's stock was up more than 30% year over year, despite declining sharply following a weak report for the second quarter of 2016.

The Fund's allocation to high-yield bonds benefited from a meaningful overweight to the midstream industry and solid security selection within that industry. Exposure to the health care and information technology industries contributed positively as well. Although positioning was unfavorable in the energy exploration and production and oilfield-services sectors, performance by the Fund's holdings within those sectors largely offset the impact of the positioning.

**Country allocation as of August 31, 2016<sup>7</sup>**

**Management outlook**

With regard to the Fund's allocation to utilities stocks, we are seeing what appears to be a more solid and accelerating economic recovery in the U.S. In our view, shorter-term interest rates could soon rise. However, the outlook for 10-year interest rates, which are highly correlated with the dividend yields of utilities stocks, is less clear to us. Stronger economic growth may be positive for utilities suffering from weak sales, while higher interest rates could provide a near-term challenge for utilities stocks. Over the longer term, fundamentals for

operators of regulated utilities appear robust. The outlook for utilities with significant exposure to commodities prices, however, remains challenging.

With respect to the broad high-yield market, we believe high-yield bonds may remain relatively stable and potentially outperform other fixed-income asset classes that may be more affected by a rising-interest-rate environment. While default rates rose over the reporting period, most of the increase was concentrated in the energy and commodities industries. Bankruptcies likely will remain concentrated in those industries in the near term; however, many of the weakest companies already have filed for bankruptcy. In the long run, we expect the relative performance of high-yield bonds will be driven primarily by corporate fundamentals and defaults. In the near term, our default outlook remains fairly benign, with the exception of the energy sector and other commodities sectors. Over a full cycle, we believe the best way to protect the Fund's high-yield bond allocation from periodic bouts of systemic fears and rebalancing is by following a bottom-up investment process that attempts to minimize downside risk and capture the return potential of high-yield issuers.

<sup>7</sup>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.

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Summary portfolio of investments August 31, 2016

Wells Fargo Utilities and High 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.

Security name	Shares	Value	Percent of net assets
<b>Common Stocks: 66.82%</b>			
<b>Energy: 2.30%</b>			
<b>Oil, Gas &amp; Consumable Fuels: 2.30%</b>			
<i>Spectra Energy Corporation</i>	75,000	\$ 2,671,500	2.27%
<i>Other securities</i>		33,385	0.03
		2,704,885	2.30
<b>Telecommunication Services: 11.81%</b>			
<b>Diversified Telecommunication Services: 9.85%</b>			
<i>CenturyLink Incorporated #</i>	75,000	2,085,000	1.77
<i>Chunghwa Telecom Company Limited ADR</i>	120,000	4,302,000	3.65
<i>Orange SA</i>	200,000	3,054,103	2.59
<i>Verizon Communications Incorporated</i>	41,291	2,160,758	1.84
		11,601,861	9.85
<b>Wireless Telecommunication Services: 1.96%</b>			
<i>Shenandoah Telecommunications Company</i>	90,000	2,314,800	1.96
<b>Utilities: 52.71%</b>			
<b>Electric Utilities: 39.91%</b>			
<i>American Electric Power Company Incorporated</i>	70,000	4,519,900	3.84

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<i>Duke Energy Corporation</i>	30,514	2,430,745	2.06
<i>Edison International</i>	60,000	4,363,200	3.70
<i>Endesa SA</i>	180,000	3,666,262	3.11
<i>Enel SpA</i>	1,225,000	5,408,316	4.59
<i>Eversource Energy</i>	90,000	4,857,300	4.12
<i>Exelon Corporation</i>	16,000	544,000	0.46
<i>Great Plains Energy Incorporated</i>	100,000	2,716,000	2.31
<i>IDACORP Incorporated</i>	25,000	1,901,750	1.62
<i>NextEra Energy Incorporated</i>	35,000	4,232,900	3.59
<i>PNM Resources Incorporated</i>	75,000	2,384,250	2.02
<i>Red Electrica Corporacion SA</i>	240,000	5,168,104	4.39
<i>Spark Energy Incorporated Class A</i>	36,700	1,063,933	0.90
<i>Terna SpA</i>	650,000	3,358,398	2.85
<i>Other securities</i>		400,895	0.35
		47,015,953	39.91
<b>Gas Utilities: 4.39%</b>			
<i>Enagas SA</i>	175,000	5,138,740	4.37
<i>Other securities</i>		25,328	0.02
		5,164,068	4.39
<b>Multi-Utilities: 5.27%</b>			
<i>CenterPoint Energy Incorporated</i>	50,000	1,123,500	0.95
<i>Hera SpA</i>	300,000	831,234	0.71

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

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8 Wells Fargo Utilities and High Income Fund

Summary portfolio of investments August 31, 2016

Security name	Shares	Value	Percent of net assets
<b>Multi-Utilities (continued)</b>			
<i>Public Service Enterprise Group Incorporated</i>	50,000	\$ 2,138,000	1.81%
<i>Sempra Energy</i>	19,900	2,082,137	1.77
<i>Other securities</i>		34,033	0.03
		6,208,904	5.27
<b>Water Utilities: 3.14%</b>			
<i>American Water Works Company Incorporated</i>	50,000	3,699,500	3.14
<b>Total Common Stocks (Cost \$60,295,682)</b>		78,709,971	66.82
<b>Corporate Bonds and Notes: 30.77%</b>			
<b>Consumer Discretionary: 5.94%</b>			
<b>Auto Components: 0.20%</b>			
<i>Other securities</i>		235,150	0.20
<b>Distributors: 0.09%</b>			
<i>Other securities</i>		101,000	0.09
	<b>Interest rate</b>	<b>Maturity date</b>	<b>Principal</b>
<b>Diversified Consumer Services: 0.41%</b>			
<i>Service Corporation International</i>	7.50%	4-1-2027	\$ 351,000
<i>Other securities</i>			410,670
			75,270
			485,940
			0.35
			0.06
			0.41

**Hotels, Restaurants & Leisure:**

**1.12%**

<i>CCM Merger Incorporated 144A</i>	9.13	5-1-2019	465,000	487,669	0.41
<i>Greektown Holdings LLC 144A</i>	8.88	3-15-2019	675,000	712,125	0.61
<i>Other securities</i>				118,766	0.10
				1,318,560	1.12

**Household Durables: 0.21%**

<i>Other securities</i>				245,401	0.21
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**Leisure Products: 0.04%**

<i>Other securities</i>				42,100	0.04
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**Media: 2.94%**

<i>Other securities</i>				3,466,111	2.94
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**Specialty Retail: 0.85%**

<i>Other securities</i>				1,005,842	0.85
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**Textiles, Apparel & Luxury**

**Goods: 0.08%**

<i>Other securities</i>				96,526	0.08
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**Consumer Staples: 0.50%**

**Beverages: 0.10%**

<i>Other securities</i>				114,475	0.10
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The accompanying notes are an integral part of these financial statements.

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Summary portfolio of investments August 31, 2016

Wells Fargo Utilities and High Income Fund 9

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Food Products: 0.38%</b>					
<i>Other securities</i>				\$ 449,677	0.38%
<b>Household Products: 0.02%</b>					
<i>Other securities</i>				21,475	0.02
<b>Energy: 7.43%</b>					
<b>Energy Equipment &amp; Services: 2.42%</b>					
<i>NGPL PipeCo LLC</i>	7.12-9.63%	12-15-2017 to 6-1-2019	\$ 225,000	234,413	0.20
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-2037	950,000	1,016,500	0.86
<i>Other securities</i>				1,593,769	1.36
				2,844,682	2.42
<b>Oil, Gas &amp; Consumable Fuels: 5.01%</b>					
<i>Rockies Express Pipeline LLC 144A</i>	6.88	4-15-2040	425,000	429,250	0.36
<i>Ultra Petroleum Corporation 144A(s)</i>	6.13	10-1-2024	550,000	448,250	0.38
<i>Other securities</i>				5,029,620	4.27
				5,907,120	5.01
<b>Financials: 4.83%</b>					
<b>Banks: 0.30%</b>					
<i>Other securities</i>				352,006	0.30
<b>Capital Markets: 0.27%</b>					
<i>Other securities</i>				317,625	0.27

**Consumer Finance:**

**1.30%**

<i>Other securities</i>				1,523,957	1.30
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**Diversified Financial**

**Services: 0.52%**

<i>Other securities</i>				613,650	0.52
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**Insurance: 0.43%**

<i>Other securities</i>				502,938	0.43
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**Real Estate Management &**

**Development: 0.30%**

<i>Other securities</i>				357,000	0.30
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**REITs: 1.71%**

<i>Other securities</i>				2,016,682	1.71
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**Health Care: 3.10%**

**Health Care Equipment &**

**Supplies: 0.72%**

<i>Other securities</i>				842,363	0.72
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**Health Care Providers &**

**Services: 1.84%**

<i>Select Medical Corporation</i>	6.38	6-1-2021	405,000	405,506	0.34
<i>Other securities</i>				1,764,622	1.50

				2,170,128	1.84
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The accompanying notes are an integral part of these financial statements.

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10 Wells Fargo Utilities and High Income Fund

Summary portfolio of investments August 31, 2016

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Health Care Technology: 0.45%</b>					
<i>Other securities</i>				\$ 534,413	0.45%
<b>Pharmaceuticals: 0.09%</b>					
<i>Other securities</i>				105,822	0.09
<b>Industrials: 1.45%</b>					
<b>Airlines: 0.10%</b>					
<i>Other securities</i>				117,500	0.10
<b>Commercial Services &amp; Supplies: 0.44%</b>					
<i>Other securities</i>				513,082	0.44
<b>Construction &amp; Engineering: 0.20%</b>					
<i>Other securities</i>				234,650	0.20
<b>Professional Services: 0.01%</b>					
<i>Other securities</i>				17,500	0.01
<b>Trading Companies &amp; Distributors: 0.70%</b>					
<i>Ashtead Capital Incorporated 144A</i>	6.50%	7-15-2022	\$ 400,000	422,000	0.36
<i>Other securities</i>				407,753	0.34
				829,753	0.70
<b>Information Technology: 2.61%</b>					
<b>Communications Equipment: 0.09%</b>					

<i>Other securities</i>				106,125	0.09
<b>Electronic Equipment, Instruments &amp; Components: 0.70%</b>					
<i>Jabil Circuit Incorporated</i>	8.25	3-15-2018	620,000	674,250	0.57
<i>Other securities</i>				146,475	0.13
				820,725	0.70
<b>Internet Software &amp; Services: 0.12%</b>					
<i>Other securities</i>				147,381	0.12
<b>IT Services: 0.19%</b>					
<i>Other securities</i>				219,255	0.19
<b>Semiconductors &amp; Semiconductor Equipment: 0.30%</b>					
<i>Other securities</i>				349,188	0.30
<b>Software: 0.20%</b>					
<i>Other securities</i>				240,408	0.20
<b>Technology Hardware, Storage &amp; Peripherals: 1.01%</b>					
<i>Diamond 1 Finance Corporation / Diamond 2 Finance Corporation 144A</i>	7.13	6-15-2024	425,000	460,192	0.39
<i>NCR Corporation</i>	6.38	12-15-2023	450,000	475,875	0.41
<i>Other securities</i>				253,883	0.21
				1,189,950	1.01

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

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Summary portfolio of investments August 31, 2016

Wells Fargo Utilities and High Income Fund 11

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Materials: 0.68%</b>					
<b>Chemicals: 0.02%</b>					
<i>Other securities</i>				\$ 22,812	0.02%
<b>Containers &amp; Packaging: 0.64%</b>					
<i>Other securities</i>				748,705	0.64
<b>Metals &amp; Mining: 0.02%</b>					
<i>Other securities</i>				26,500	0.02
<b>Telecommunication Services: 3.03%</b>					
<b>Diversified Telecommunication Services: 1.23%</b>					
<i>Other securities</i>				1,449,688	1.23
<b>Wireless Telecommunication Services: 1.80%</b>					
<i>Sprint Capital Corporation</i>	6.88%	11-15-2028	\$ 850,000	760,487	0.65
<i>T-Mobile USA Incorporated</i>	6.73	4-28-2022	375,000	394,219	0.33
<i>Other securities</i>				969,767	0.82
				2,124,473	1.80
<b>Utilities: 1.20%</b>					
<b>Electric Utilities: 0.25%</b>					
<i>Other securities</i>				293,797	0.25
<b>Gas Utilities: 0.09%</b>					
<i>Other securities</i>				107,125	0.09

**Independent Power & Renewable**

**Electricity Producers: 0.86%**

*TerraForm Power Operating LLC*

*144A* 5.88 2-1-2023 400,000 401,500 0.34

*Other securities* 612,086 0.52

1,013,586 0.86

**Total Corporate Bonds and Notes (Cost  
\$34,767,636)**

36,242,846 30.77

**Loans: 0.87%**

**Consumer Discretionary: 0.23%**

**Hotels, Restaurants & Leisure:**

**0.08%**

*Other securities* 97,279 0.08

**Specialty Retail: 0.15%**

*Other securities* 176,714 0.15

**Energy: 0.05%**

**Oil, Gas & Consumable Fuels:**

**0.05%**

*Other securities* 51,563 0.05

**Financials: 0.04%**

**Diversified Financial Services:**

**0.04%**

*Other securities* 48,000 0.04

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

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12 Wells Fargo Utilities and High Income Fund

Summary portfolio of investments August 31, 2016

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Health Care: 0.10%</b>					
<b>Pharmaceuticals: 0.10%</b>					
<i>Other securities</i>				\$ 121,377	0.10%
<b>Industrials: 0.04%</b>					
<b>Commercial Services &amp; Supplies: 0.04%</b>					
<i>Other securities</i>				46,384	0.04
<b>Information Technology: 0.02%</b>					
<b>Technology Hardware, Storage &amp; Peripherals: 0.02%</b>					
<i>Other securities</i>				27,200	0.02
<b>Utilities: 0.39%</b>					
<b>Electric Utilities: 0.39%</b>					
<i>Texas Competitive Electric Holdings Company LLC ±(s)</i>	4.66%	10-10-2016	\$ 1,471,940	463,293	0.39
<b>Total Loans (Cost \$2,043,173)</b>				1,031,810	0.87
	<b>Dividend yield</b>		<b>Shares</b>		
<b>Preferred Stocks: 7.40%</b>					
<b>Utilities: 7.40%</b>					
<b>Electric Utilities: 6.34%</b>					
<i>Alabama Power Company</i>	6.45		41,284	1,109,508	0.94
<i>Baltimore Gas &amp; Electric Company</i>	6.70		9,312	946,041	0.80
<i>Entergy Louisiana LLC</i>	4.88		30,000	750,000	0.64

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<i>Indianapolis Power &amp; Light Company</i>	5.65	28,811	2,936,022	2.49
<i>Nextera Energy Capital</i>	5.25	18,826	481,569	0.41
<i>The Connecticut Light &amp; Power Company</i>	5.28	12,000	620,250	0.53
<i>The Connecticut Light &amp; Power Company</i>	6.56	12,000	622,500	0.53
			7,465,890	6.34
<b>Multi-Utilities: 1.06%</b>				
<i>Dominion Resources Incorporated</i>	5.25	22,000	564,300	0.48
<i>Integrys Holding Incorporated ±</i>	5.47	25,050	687,372	0.58
			1,251,672	1.06
<b>Total Preferred Stocks (Cost \$8,526,046)</b>			8,717,562	7.40
<b>Warrants: 0.00%</b>				
<b>Utilities: 0.00%</b>				
<b>Gas Utilities: 0.00%</b>				
<i>Other securities</i>			304	0.00
<b>Total Warrants (Cost \$30,480)</b>			304	0.00

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

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Summary portfolio of investments August 31, 2016

Wells Fargo Utilities and High Income Fund 13

Security name	Value	Percent of net assets
<b>Yankee Corporate Bonds and Notes: 2.34%</b>		
<b>Energy: 0.50%</b>		
<b>Oil, Gas &amp; Consumable Fuels: 0.50%</b>		
<i>Other securities</i>	\$ 593,247	0.50%
<b>Financials: 0.03%</b>		
<b>Banks: 0.03%</b>		
<i>Other securities</i>	31,275	0.03
<b>Health Care: 0.73%</b>		
<b>Pharmaceuticals: 0.73%</b>		
<i>Other securities</i>	857,952	0.73
<b>Industrials: 0.23%</b>		
<b>Building Products: 0.01%</b>		
<i>Other securities</i>	16,200	0.01
<b>Commercial Services &amp; Supplies: 0.20%</b>		
<i>Other securities</i>	230,450	0.20
<b>Machinery: 0.02%</b>		
<i>Other securities</i>	20,700	0.02
<b>Materials: 0.17%</b>		
<b>Containers &amp; Packaging: 0.15%</b>		
<i>Other securities</i>	179,578	0.15
<b>Metals &amp; Mining: 0.02%</b>		

<i>Other securities</i>			26,063	0.02
<b>Telecommunication Services: 0.68%</b>				
<b>Diversified Telecommunication Services: 0.64%</b>				
<i>Other securities</i>			753,198	0.64
<b>Wireless Telecommunication Services: 0.04%</b>				
<i>Other securities</i>			50,000	0.04
<b>Total Yankee Corporate Bonds and Notes (Cost \$3,431,451)</b>				
			2,758,663	2.34
	<b>Yield</b>	<b>Shares</b>		
<b>Short-Term Investments: 10.16%</b>				
<b>Investment Companies: 10.16%</b>				
<i>Wells Fargo Government Money Market Select Class (l)(u)##</i>	0.32%	11,972,808	11,972,808	10.16
<b>Total Short-Term Investments (Cost \$11,972,808)</b>				
			11,972,808	10.16
<b>Total investments in securities (Cost \$121,067,276) *</b>				
<i>Other assets and liabilities, net</i>			(21,633,722)	(18.36)
<b>Total net assets</b>				
			<b>\$ 117,800,242</b>	<b>100.00%</b>

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

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14 Wells Fargo Utilities and High Income Fund

Summary portfolio of investments August 31, 2016

# All or a portion of this security is segregated as collateral for investments in derivative instruments.

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.

(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.

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

(I) The issuer of the security is 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 when-issued securities.

\* Cost for federal income tax purposes is \$121,553,836 and unrealized gains (losses) consists of:

Gross unrealized gains	\$ 23,024,618
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Gross unrealized losses	(5,144,490)
Net unrealized gains	\$ 17,880,128

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

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Statement of assets and liabilities August 31, 2016 Wells Fargo Utilities and High Income Fund 15

**Assets****Investments**

In unaffiliated securities, at value (cost \$109,094,468)	\$ 127,461,156
In affiliated securities, at value (cost \$11,972,808)	11,972,808

Total investments, at value (cost \$121,067,276)	139,433,964
Foreign currency, at value (cost \$28,643)	28,595
Receivable for investments sold	220,252
Receivable for dividends and interest	1,256,136
Prepaid expenses and other assets	6,780

Total assets	140,945,727
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**Liabilities**

Dividends payable	692,830
Payable for investments purchased	226,406
Written options, at value (premiums received \$52,977)	8,155
Due to custodian bank	33,300
Secured borrowing payable	22,017,990
Advisory fee payable	72,274
Administration fee payable	6,023
Accrued expenses and other liabilities	88,507

Total liabilities	23,145,485
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<b>Total net assets</b>	<b>\$ 117,800,242</b>
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**NET ASSETS CONSIST OF**

Paid-in capital	\$ 151,570,364
Overdistributed net investment income	(190,837)
Accumulated net realized losses on investments	(51,986,590)
Net unrealized gains on investments	18,407,305

<b>Total net assets</b>	<b>\$ 117,800,242</b>
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**NET ASSET VALUE PER SHARE**

Based on \$117,800,242 divided by 9,241,382 shares issued and outstanding (unlimited number of shares authorized)	\$12.75
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The accompanying notes are an integral part of these financial statements.

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## 16 Wells Fargo Utilities and High Income Fund

Statement of operations year ended August 31, 2016

**Investment income**

Dividends (net of foreign withholding taxes of \$457,362)	\$ 6,315,860
Interest	2,936,072
Income from affiliated securities	24,592
Total investment income	9,276,524

**Expenses**

Advisory fee	826,591
Administration fee	68,883
Custody and accounting fees	27,106
Professional fees	92,060
Shareholder report expenses	52,704
Trustees' fees and expenses	19,889
Transfer agent fees	33,435
Interest expense	238,420
Other fees and expenses	13,585
Total expenses	1,372,673
Net investment income	7,903,851

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

Unaffiliated securities	(664,783)
Written options	76,053
Net realized losses on investments	(588,730)

**Net change in unrealized gains (losses) on:**

Unaffiliated securities	3,793,965
Written options	44,822
Net change in unrealized gains (losses) on investments	3,838,787
Net realized and unrealized gains (losses) on investments	3,250,057
<b>Net increase in net assets resulting from operations</b>	<b>\$ 11,153,908</b>

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

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Statement of changes in net assets	Wells Fargo Utilities and High Income Fund 17	
	Year ended August 31, 2016	Year ended August 31, 2015
<b>Operations</b>		
Net investment income	\$ 7,903,851	\$ 8,422,585
Net realized gains (losses) on investments	(588,730)	319,865
Net change in unrealized gains (losses) on investments	3,838,787	(13,285,652)
Net increase (decrease) in net assets resulting from operations	11,153,908	(4,543,202)
<b>Distributions to shareholders from</b>		
Net investment income	(8,311,826)	(8,308,807)
<b>Capital share transactions</b>		
Net asset value of shares issued under the Automatic Dividend Reinvestment Plan	109,977	22,151
Total increase (decrease) in net assets	2,952,059	(12,829,858)
<b>Net assets</b>		
<b>Beginning of period</b>	<b>114,848,183</b>	<b>127,678,041</b>
<b>End of period</b>	<b>\$ 117,800,242</b>	<b>\$ 114,848,183</b>
<b>Undistributed (overdistributed) net investment income</b>	<b>\$ (190,837)</b>	<b>\$ 155,876</b>

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

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18 Wells Fargo Utilities and High Income Fund

Statement of cash flows year ended August 31, 2016

**Cash flows from operating activities:**

Net increase in net assets resulting from operations \$ 11,153,908

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

Purchase of securities (115,052,557)

Proceeds from sale of securities 117,525,219

Amortization (218,987)

Purchase of short-term securities, net (2,793,237)

Decrease in receivable for investments sold 31,018

Increase in receivable for dividends and interest (12,233)

Decrease in prepaid expenses and other assets 2,036

Increase in payable for investments purchased 64,152

Increase in premiums received 52,977

Increase in due to custodian bank 33,300

Increase in secured borrowing payable 3,426

Increase in advisory fee payable 878

Increase in administration fee payable 73

Decrease in accrued expenses and other liabilities (21,776)

Litigation payments received 665,970

Net realized losses on investments 588,730

Net change in unrealized gains (losses) on investments (3,838,787)

Net cash provided by operating activities 8,184,110

**Cash flows from financing activities:**

Cash distributions paid (8,221,802)

Net cash used in financing activities (8,221,802)

Net decrease in cash (37,692)

**Cash (including foreign currency):**

Beginning of period \$ 66,287

End of period \$ 28,595

**Supplemental cash disclosure**

Cash paid for interest \$ 234,994

**Supplemental non-cash financing disclosure**

Reinvestment of dividends \$ 109,977

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

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Financial highlights Wells Fargo Utilities and High Income Fund 19  
 (For a share outstanding throughout each period)

	Year ended August 31				
	2016	2015	2014	2013	2012
<b>Net asset value, beginning of period</b>	<b>\$12.44</b>	<b>\$13.83</b>	<b>\$12.24</b>	<b>\$11.74</b>	<b>\$11.75</b>
Net investment income	0.86	0.91	0.97 <sup>1</sup>	0.87 <sup>1</sup>	0.87 <sup>1</sup>
Net realized and unrealized gains (losses) on investments	0.35	(1.40)	1.52	0.53	0.02
Total from investment operations	1.21	(0.49)	2.49	1.40	0.89
<b>Distributions to shareholders from</b>					
Net investment income	(0.90)	(0.90)	(0.90)	(0.90)	(0.90)
<b>Net asset value, end of period</b>	<b>\$12.75</b>	<b>\$12.44</b>	<b>\$13.83</b>	<b>\$12.24</b>	<b>\$11.74</b>
<b>Market value, end of period</b>	<b>\$12.93</b>	<b>\$10.89</b>	<b>\$12.87</b>	<b>\$12.04</b>	<b>\$11.92</b>
<b>Total return based on market value<sup>2</sup></b>	<b>27.83%</b>	<b>(9.11)%</b>	<b>14.89%</b>	<b>8.93%</b>	<b>17.03%</b>
<b>Ratios to average net assets (annualized)</b>					
Net expenses <sup>3</sup>	1.19%	1.19%	1.11%	1.25%	1.20%
Net investment income	6.83%	6.88%	7.38%	7.11%	7.48%
<b>Supplemental data</b>					
Portfolio turnover rate	85%	61%	29%	65%	48%
Net assets, end of period (000s omitted)	\$117,800	\$114,848	\$127,678	\$113,001	\$108,327
Borrowings outstanding, end of period (000s omitted)	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Asset coverage per \$1,000 of borrowing, end of period	\$6,355	\$6,220	\$6,804	\$6,136	\$5,866

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

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

commissions that a shareholder would pay on the purchase and sale of shares.

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

Year ended August 31, 2016	0.21%
Year ended August 31, 2015	0.16%
Year ended August 31, 2014	0.19%
Year ended August 31, 2013	0.21%
Year ended August 31, 2012	0.25%

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

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20 Wells Fargo Utilities and High Income Fund

Notes to financial statements

**1. ORGANIZATION**

Wells Fargo 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 Trust 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), although the Fund may deviate from this calculation time under unusual or unexpected circumstances.

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 principal 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.

Non-listed 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 of Wells Fargo Funds Management, LLC (Funds Management).

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 August 31, 2016, 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

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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 manager and/or subadvisers. 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 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. Premiums paid are included in the Statement of Assets and Liabilities as investments, the values of which are subsequently adjusted based on the current market values of the options. 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.

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**22 Wells Fargo Utilities and High Income Fund  
Security transactions and income recognition**

Notes to financial statements

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.

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The primary permanent differences causing such reclassifications are due to bond premiums and foreign currency transactions. At August 31, 2016, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

Overdistributed net investment income	Accumulated net realized losses on investments
\$61,262	\$(61,262)

Capital loss carryforwards that do not expire are required to be utilized prior to capital loss carryforwards that expire. As of August 31, 2016, 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
\$19,833,087	\$27,435,579	\$4,258,819

### 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:

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Notes to financial statements Wells Fargo Utilities and High Income Fund 23

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.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of August 31, 2016:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets</b>				
<b>Investments in:</b>				
<b>Common stocks</b>				
<i>Energy</i>	\$ 2,671,500	\$ 33,385	\$ 0	\$ 2,704,885
<i>Telecommunication services</i>	13,916,661	0	0	13,916,661
<i>Utilities</i>	62,088,425	0	0	62,088,425
<b>Corporate bonds and notes</b>	0	36,242,846	0	36,242,846
<b>Loans</b>	0	944,409	87,401	1,031,810
<b>Preferred stocks</b>				
<i>Utilities</i>	1,795,869	6,921,693	0	8,717,562
<b>Warrants</b>				
<i>Utilities</i>	0	304	0	304
<b>Yankee corporate bonds and notes</b>				
	0	2,721,416	37,247	2,758,663
<b>Short-term investments</b>				
<i>Investment companies</i>	11,972,808	0	0	11,972,808
<b>Total assets</b>	<b>\$ 92,445,263</b>	<b>\$ 46,864,053</b>	<b>\$ 124,648</b>	<b>\$ 139,433,964</b>
<b>Liabilities</b>				
<b>Written options</b>	\$ 0	\$ 8,155	\$ 0	\$ 8,155
<b>Total liabilities</b>	<b>\$ 0</b>	<b>\$ 8,155</b>	<b>\$ 0</b>	<b>\$ 8,155</b>

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At August 31, 2016, the Fund had no material 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.

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Notes to financial statements

**5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized an unlimited number of shares with no par value. For the years ended August 31, 2016 and August 31, 2015, the Fund issued 8,550 and 1,649 shares, respectively. During the year ended August 31, 2016, the Fund did not repurchase any of its shares under the open-market share repurchase program.

**6. BORROWINGS**

The Fund has borrowed \$22 million through a revolving credit facility administered by a major financial institution (the Facility). The Facility has a commitment amount of \$25 million with no specific contract expiration date but the Facility can be terminated upon 180 days' notice. The Fund is charged interest at London Interbank Offered Rate (LIBOR) plus 0.70% and a commitment fee of 0.30% of the average daily unutilized amount of the commitment which is waived if the amount drawn on the Facility is over 75% of the committed amount.

At August 31, 2016, the Fund had borrowings outstanding in the amount of \$22,017,990 (including accrued interest payable). During the year ended August 31, 2016, an effective interest rate of 1.08% was incurred on the borrowings and the Fund incurred interest expense in the amount of \$238,420, representing 0.21% of the Fund's average daily net assets.

**7. INVESTMENT PORTFOLIO TRANSACTIONS**

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the year ended August 31, 2016 were \$111,824,517 and \$110,831,050, respectively.

The Fund may purchase or sell investment securities to other Wells Fargo funds under procedures adopted by the Board of Trustees. The procedures have been designed to ensure that these interfund transactions, which generally do not incur broker commissions, are effected at current market prices. Interfund trades are included within the respective purchases and sales amounts shown.

As of August 31, 2016, the Fund had unfunded term loan commitments of \$50,000.

**8. DERIVATIVE TRANSACTIONS**

During the year ended August 31, 2016, the Fund entered into written options for economic hedging purposes.

During the year ended August 31, 2016, the Fund had written call option activities as follows:

	Number of contracts	Premiums received
Options outstanding at August 31, 2015	0	\$ 0
Options written	1,340	131,293
Options expired	(386)	(58,849)
Options closed	(205)	(19,467)

Options outstanding at August 31, 2016	749	\$ 52,977
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Open call options written at August 31, 2016 were as follow for the Fund:

Expiration date	Counterparty	Description	Number of contracts	Strike price	Value
9-16-2016	JPMorgan	CenturyLink Incorporated	385 short	\$ 29	\$ (2,695)
10-21-2016	JPMorgan	CenturyLink Incorporated	364 short	30	(5,460)

The Fund had an average of 140 written call option contracts during the year ended August 31, 2016.

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.

For certain types of derivative transactions, the Fund has entered into International Swaps and Derivatives Association, Inc. master agreements ( ISDA Master Agreements ) or similar agreements with approved counterparties. The ISDA Master Agreements or similar agreements may have requirements to deliver/deposit securities or cash to/with an exchange or broker-dealer as collateral and allows the Fund to offset, with each counterparty, certain derivative financial instrument s assets and/or liabilities with collateral held or pledged. Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives while collateral terms are contract specific for over-the-counter traded derivatives. Cash collateral that has been pledged to cover obligations of the Fund under ISDA Master Agreements or similar agreements, if any, are reported separately in the

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Notes to financial statements Wells Fargo Utilities and High Income Fund 25

Statement of Assets and Liabilities. Securities pledged as collateral, if any, are noted in the Portfolio of Investments. With respect to balance sheet offsetting, absent an event of default by the counterparty or a termination of the agreement, the reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities are not offset across transactions between the Fund and the applicable counterparty. A reconciliation of the gross amounts on the Statement of Assets and Liabilities to the net amounts by derivative type, including any collateral exposure, is as follows:

Derivative type	Counterparty	Gross amounts of liabilities in the Statement of Assets and Liabilities	Amounts subject to netting agreements	Collateral pledged <sup>1</sup>	Net amount of liabilities
Written options	JPMorgan	\$8,155	\$ 0	\$ (8,155)	\$ 0

<sup>1</sup> Collateral pledged within this table is limited to the collateral for the net transaction with the counterparty.

**9. DISTRIBUTIONS TO SHAREHOLDERS**

The tax character of distributions paid was \$8,311,826 and \$8,308,807 of ordinary income for the years ended August 31, 2016 and August 31, 2015, respectively.

As of August 31, 2016, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	Unrealized gains	Capital loss carryforward
\$571,135	\$17,920,745	\$(51,527,485)

**10. 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 industry.

**11. INDEMNIFICATION**

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

**12. SUBSEQUENT DISTRIBUTIONS**

The Fund declared the following distributions to shareholders:

Declaration date	Record date	Payable date	Per share amount
August 10, 2016	September 14, 2016	October 3, 2016	\$0.075
September 30, 2016	October 13, 2016	November 1, 2016	0.075
October 28, 2016	November 14, 2016	December 1, 2016	0.075

These distributions are not reflected in the accompanying financial statements. The final determination of the source of all distributions is subject to change and made after the Fund's tax year-end.

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26 Wells Fargo Utilities and High Income Fund                      Report of independent registered public accounting firm  
**BOARD OF TRUSTEES AND SHAREHOLDERS OF WELLS FARGO UTILITIES AND HIGH INCOME FUND:**

We have audited the accompanying statement of assets and liabilities, including the summary portfolio of investments, of the Wells Fargo Utilities and High Income Fund (formerly known as Wells Fargo Advantage Utilities and High Income Fund) (the Fund ), as of August 31, 2016, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2016, by correspondence with the custodian and brokers, or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Wells Fargo Utilities and High Income Fund as of August 31, 2016, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

October 24, 2016

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Other information (unaudited)

Wells Fargo Utilities and High Income Fund 27

**TAX INFORMATION**

For corporate shareholders, pursuant to Section 854 of the Internal Revenue Code, 34.04% of ordinary income dividends qualify for the corporate dividends-received deduction for the fiscal year ended August 31, 2016.

Pursuant to Section 854 of the Internal Revenue Code, \$4,579,620 of income dividends paid during the fiscal year ended August 31, 2016 has been designated as qualified dividend income (QDI).

For the fiscal year ended August 31, 2016, \$2,414,092 has been designated as interest-related dividends for nonresident alien shareholders pursuant to Section 871 of the Internal Revenue Code.

**PROXY VOTING INFORMATION**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, upon request, by calling **1-800-222-8222**, visiting our website at **wellsfargofunds.com**, or visiting the SEC website at [sec.gov](http://sec.gov). Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on the Fund's website at **wellsfargofunds.com** or by visiting the SEC website at [sec.gov](http://sec.gov).

**PORTFOLIO HOLDINGS INFORMATION**

The complete portfolio holdings for the Fund are publicly available monthly on the Fund's website (**wellsfargofunds.com**), on a one-month delayed basis. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available by visiting the SEC website at [sec.gov](http://sec.gov). In addition, the Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and at regional offices in New York City, at 233 Broadway, and in Chicago, at 175 West Jackson Boulevard, Suite 900. Information about the Public Reference Room may be obtained by calling 1-800-SEC-0330.

**Table of Contents****28 Wells Fargo Utilities and High Income Fund  
BOARD OF TRUSTEES AND OFFICERS**

Other information (unaudited)

The following table provides basic information about the Board of Trustees and Officers of the Fund. Each of the Trustees and Officers listed below acts in identical capacities for each fund in the Wells Fargo family of funds, which consists of 139 mutual funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the Fund Complex). The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

**Independent Trustees**

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
William R. Ebsworth (Born 1957)	Trustee, since 2015	Retired. From 1984 to 2013, equities analyst, portfolio manager, research director and chief financial officer at Fidelity Management and Research Company in Boston, Tokyo, and Hong Kong and retired in 2013 as Chief Investment Officer of Fidelity Strategic Advisers, Inc. where he lead a team of investment professionals managing client assets. Prior thereto, Board member of Hong Kong Securities Clearing Co., Hong Kong Options Clearing Corp., the Thailand International Fund, Ltd., Fidelity Investments Life Insurance Company, and Empire Fidelity Investments Life Insurance Company. Mr. Ebsworth is a CFA® charterholder and an Adjunct Lecturer, Finance, at Babson College.	Asset Allocation Trust
Jane A. Freeman (Born 1953)	Trustee, since 2015	Retired. From 2012 to 2014 and 1999 to 2008, Chief Financial Officer of Scientific Learning Corporation. From 2008 to 2012, Ms. Freeman provided consulting services related to strategic business projects. Prior to 1999, Portfolio Manager at Rockefeller & Co. and Scudder, Stevens & Clark. Board member of the Harding Loevner Funds from 1996 to 2014, serving as both Lead Independent Director and chair of the Audit Committee. Board member of the Russell Exchange Traded Funds Trust from 2011 to 2012 and the chair of the Audit Committee. Ms.	Asset Allocation Trust

		Freeman is a Board Member of Ruth Bancroft Garden (non-profit organization) and an inactive chartered financial analyst.	
Peter G. Gordon (Born 1942)	Trustee, since 2010; Chairman, since 2010	Co-Founder, Retired Chairman, President and CEO of Crystal Geyser Water Company. Trustee Emeritus, Colby College.	Asset Allocation Trust
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Chairman of the Board of CIGNA Corporation since 2009, and Director since 2005. From 2003 to 2011, Director of Deluxe Corporation. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Harbor Academy (charter school). Advisory Board Member, Child Evangelism Fellowship (non-profit). Mr. Harris is a certified public accountant (inactive status).	CIGNA Corporation; 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
David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of the Corporate Governance Research Initiative and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	Asset Allocation Trust

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Other information (unaudited)			Wells Fargo Utilities and High Income Fund 29
Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
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 Chief Executive Officer of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	Asset Allocation Trust
Michael S. Scofield (Born 1943)	Trustee, since 2004	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds complex (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield.	Asset Allocation Trust

**Officers**

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer
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.
Nancy Wiser <sup>1</sup> (Born 1967)	Treasurer, since 2012	Executive Vice President of Wells Fargo Funds Management, LLC since 2011. Chief Operating Officer and Chief Compliance Officer at LightBox Capital Management LLC, from 2008 to 2011.
C. David Messman		

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(Born 1960)	Secretary, since 2010; Chief Legal Officer, since 2010	Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013.
Michael Whitaker (Born 1967)	Chief Compliance Officer, since 2016*	Executive Vice President of Wells Fargo Funds Management, LLC since 2016. Chief Compliance Officer of Fidelity's Fixed Income Funds and Asset Allocation Funds from 2008 to 2016, Compliance Officer of FMR Co., Inc. from 2014 to 2016, Fidelity Investments Money Management, Inc. from 2014 to 2016, Fidelity Investments from 2007 to 2016.
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. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.
Jeremy DePalma <sup>1</sup> (Born 1974)	Assistant Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.

<sup>1</sup>Nancy Wisner acts as Treasurer of 71 funds in the Fund Complex. Jeremy DePalma acts as Treasurer of 68 funds and Assistant Treasurer of 71 funds in the Fund Complex.

\*Michael Whitaker became Chief Compliance Officer effective May 16, 2016.

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<b>BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:</b>	

Under the Investment Company Act of 1940 (the 1940 Act ), the Board of Trustees (the Board ) of Wells Fargo Utilities and High Income Fund (the Fund ) must determine whether to approve the continuation of the Fund s investment advisory and sub-advisory agreements. In this regard, at an in-person meeting held on May 24-25, 2016 (the Meeting ), the Board, all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not interested persons of the Fund, as defined in the 1940 Act (the Independent Trustees ), reviewed and approved: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC ( Funds Management ), (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated ( WellsCap ), an affiliate of Funds Management; and (iii) an investment sub-advisory agreement with Crow Point Partners, LLC ( Crow Point ). The investment advisory agreement with Funds Management and the investment sub-advisory agreements with WellsCap and Crow Point (each, a Sub-Adviser and together, the Sub-Advisers ) are collectively referred to as the Advisory Agreements.

At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of Funds Management and the Sub-Advisers and the continuation of the Advisory Agreements. Prior to the Meeting, including at an in-person meeting in April 2016, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. Also, the Board has adopted a team-based approach, with each team consisting of a sub-set of Trustees, to assist the full Board in the discharge of its duties in reviewing performance and other matters throughout the year. The Independent Trustees were assisted in their evaluation of the Advisory Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, Funds Management and the Sub-Advisers were guided by a detailed set of requests for information submitted to them by independent legal counsel on behalf of the Independent Trustees at the start of the Board s annual contract renewal process earlier in 2016. In considering and approving the Advisory Agreements, the Trustees considered the information they believed relevant, including but not limited to the information discussed below. The Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with Funds Management and the Sub-Advisers about various topics. In this regard, the Board reviewed reports of Funds Management at each of its quarterly meetings, which included, among other things, portfolio reviews and performance reports. In addition, the Board and the teams mentioned above confer with portfolio managers at various times throughout the year. The Board did not identify any particular information or consideration that was all-important or controlling, and each individual Trustee may have attributed different weights to various factors.

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

**Nature, extent and quality of services**

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

among other things, a summary of the background and experience of senior management of Funds Management, 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 to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board further considered the compliance programs and compliance records of Funds Management and the Sub-Advisers. In addition, the Board took into account the full range of services provided to the Fund by Funds Management and its affiliates.