

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-CSRS

June 29, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSRS**

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

Investment Company Act file number: 811-21331

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

(Exact name of registrant as specified in charter)

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

(Address of principal executive offices) (Zip code)

**C. David Messman**

**Wells Fargo Funds Management, LLC**

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

(Name and address of agent for service)

Registrant's telephone number, including area code: 800-643-9691

Date of fiscal year end: October 31, 2010

Date of reporting period: April 30, 2011



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ITEM 1. REPORT TO SHAREHOLDERS

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# Semi-Annual Report

April 30, 2011

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

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

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The views expressed are as of April 30, 2011. Any reference to a specific security in this report is not a recommendation to purchase or sell any specific security or adopt any investment strategy. The views are subject to change at any time in response to changing circumstances in the market and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally, or the *Wells Fargo Advantage Multi-Sector Income Fund*.

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

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Letter to Shareholders

**Karla M. Rabusch,**

President

*Wells Fargo Advantage Funds*

**There certainly were a rash of geopolitical and geological issues that provided headwinds, but overall, many areas across both the global equity and bond markets showed resilience and posted solid annual returns.**

## Dear Valued Shareholder,

We are pleased to provide you with this semi-annual report for the *Wells Fargo Advantage Multi-Sector Income Fund* for the six-month period that ended April 30, 2011. After a series of extraordinary financial and economic events that affected the financial markets in the United States and throughout the world dating back to the beginning of the financial crisis in 2008 it seemed the global economy continued to move toward a more sustainable recovery throughout the period. There certainly were a rash of geopolitical and geological issues that provided headwinds, but overall, many areas across both the global equity and bond markets showed resilience and posted solid annual returns, suggesting that the most underlying fundamentals of the economy continue to strengthen.

### **The global economic recovery moved toward expansion.**

The global economic recovery that began in mid-2009, especially within the developed countries, gained further momentum throughout the period, particularly toward the end of 2010. For example, within the U.S., gross domestic product (GDP) grew at an annualized rate of 3.1% in the fourth quarter of 2010 capping a streak of six consecutive quarters of positive GDP growth and 2.8% for the full year. Although the path of recovery within the U.S. has been uneven at times and growth remains subpar compared with previous recoveries, the general consensus among economists is that the economy will likely continue to move toward a sustainable expansion.

### **Jobs and housing remained troublesome.**

By the end of the reporting period, the unemployment rate in the U.S. stood at 9.0%, down from 9.8% a year earlier but still notably higher than historical averages. Unfortunately, the drop may be more attributable to a decline in the labor force than to a meaningful uptick in hiring. In fact, employers added just 1.1 million jobs during the entire 2010 calendar year, below the historical average of 1.4 million jobs created each year over the past 80 years, suggesting that the improving economy has yet to translate into widespread hiring. Meanwhile, the beleaguered housing market was an ongoing source of concern, despite some tentative late-year signs of stabilization. That said, persistent weakness in the labor and housing markets bears close watching in the months ahead.

Other economic data in the U.S. was more encouraging, reflecting greater confidence in the sustainability of the expansion on the part of both consumers and businesses. Retail sales came in strong at certain points during the period, including the critical holiday shopping season, and industrial production and new orders have picked up. Although still reluctant to hire, businesses have gradually increased spending in other areas, such as equipment and technology. Core inflation, which excludes volatile food and energy prices, remained benign.

### **The Federal Reserve continued to do its part.**

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With inflation subdued, the Federal Reserve (Fed) held its target range for the federal funds rate a proxy for short-term interest rates steady at 0.00% to 0.25%. On April 27, 2011, in its final statement of the six-month period, the Fed noted that economic recovery is proceeding at a moderate pace, while the employment situation is improving gradually. With regard to inflation, the Fed noted that the rate of inflation increased but that longer-term inflation

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Wells Fargo Advantage Multi-Sector Income Fund 3

expectations have remained stable and measures of underlying inflation are still subdued. As a result, the Fed indicated that it intends to keep short-term rates at historically low levels for as long as necessary to ensure a sustainable recovery and expansion.

The Fed also stated that to promote a stronger pace of economic recovery, it plans to proceed with other stimulus measures, including its second round of quantitative easing (QE2) a plan to purchase \$600 billion in long-term Treasury securities by mid-2011. The launch of QE2 in the third quarter of 2010 marked a turning point for the equity markets in that it ushered in a favorable shift in investor sentiment. Largely, investors interpreted the plan as further evidence of the Fed's commitment to avoiding deflation and spurring economic growth.

### **Central banks focused on balancing the need for sustainable growth with ongoing sovereign debt concerns.**

The coordinated efforts of the developed markets' central banks to quell the worldwide financial crisis were effective in restoring order to the capital markets, and the stimulus packages provided a significant underpinning to economies, helping to restore them to growth. As a result, throughout the six-month period, stock markets in the United States and worldwide rebounded dramatically from their March 2009 lows.

Either many emerging markets countries were not as affected by the same problems as the U.S. and eurozone economies or, if they were, their difficulties were more manageable. With lower levels of consumer debt and less-speculative housing markets, economies and stock markets in China, India, and Singapore recovered quickly and continued to post generally strong returns throughout the period.

### **Facing a spike in global events, the high-yield market showed its resilience.**

The high-yield market was resilient to the numerous problem areas throughout the past six months. Neither the horrible earthquake and tsunami in Japan nor the unrest and social upheaval in the Middle East and North Africa nor rising oil prices nor the evolving sovereign debt issues among the European peripheral economies derailed the high-yield market. Indeed, the most prevailing factor propelling asset prices, including high-yield bonds, was the Fed's continued accommodative policies. QE2 seemed to propel the equity markets and the prices of virtually all commodities higher and ensured a liquid environment, low Treasury rates, and easy financing conditions for corporate borrowers. Such a benign environment for corporate borrowers supported high-yield companies, as they were able to refinance existing debt at cheaper rates, and for the more-troubled, overleveraged issuers, many were able to push out near-term maturities at favorable terms.

### **Entering the new year, central banks attempted to balance growth with inflation pressures.**

2011 began moderately well, building on the momentum established during the fourth quarter of 2010. Investors focused on signs of sustainable economic growth and low volatility in many countries. In step with stronger economic conditions, corporate earnings continued to improve, further bolstering investor confidence. However, during the period, investors shifted their focus away from these

**The coordinated efforts of the developed markets' central banks to quell the worldwide financial crisis were effective in restoring order to the capital markets, and the stimulus packages provided a significant underpinning to economies, helping to restore them to growth.**



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Letter to Shareholders

developments to the political unrest in the Middle East and the tragedy affecting Japan, which prompted concerns about the impact on oil prices and the supply chain. In response, investors began to rotate out of small-cap stocks and growth stocks and into larger-cap value stocks that they perceived as offering lower levels of risk.

In the developed markets, Europe and the U.S. are good examples of how many countries are attempting to balance the effects of higher inflation with the need to firmly establish sustainable economic expansion. These governments believe that this can best be achieved through an exceptionally accommodative monetary policy. In an effort to stave off the effects of rising inflation, China, India, and Brazil have already been tightening their monetary policies through rate increases and a more restrictive approach to money supply. It is possible that if the rate of inflation in those emerging markets countries begins to stabilize or even subside, particularly in China, the countries may actually begin to loosen their monetary policies.

Concerns about sovereign debt re-emerged across the European peripheral countries, especially as Portugal became the third country to seek a bailout from the European Union and the International Monetary Fund. In addition, Ireland's four largest banks failed another round of stress tests in March, forcing them to seek another 24 billion euros from public and private entities. Nevertheless, in spite of these renewed challenges, the peripheral countries, led by Greece, Italy, and Spain, had remarkable stock performance to start 2011. They outperformed their larger, more developed European neighbors, such as Germany and the United Kingdom. Last year, when the sovereign debt issue first came to the forefront, it brought along with it a high level of investor anxiety, which translated into higher volatility. However, after the bailouts of Greece and Ireland, investors may have become comfortable with how policymakers have been able to handle these problems and mitigate the risks of contagion.

#### **The fund remained focused on diversification in face of ongoing geopolitical uncertainty.**

Within the *Wells Fargo Advantage Multi-Sector Income Fund*, the portfolio manager's strategic view remains consistent and continues to be that of underweighting the old, industrialized, lower-yielding economies with structural problems and continues to be overweight those economies that not only have higher yields but also have healthier, more sustainable growth; lower deficits (in some cases surpluses); and central banks that have the freedom to maneuver. However, a background of political stability will also become an important requirement.

Therefore, from an international bond and currency perspective, the team continues to be underweight the bond markets of the U.S., the eurozone, the U.K., and Japan in favor of a diversified overweight exposure to the smaller, seemingly healthier economies. Similarly, it is the currencies of those old, developed markets that need to, and are likely to, decline over the long term. The team believes that it is most likely the currencies of the smaller, more dynamic economies with trade surpluses, healthier growth, and higher yields and interest rates that should appreciate.

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Within high-yield markets, the portfolio managers believe that the lowest-quality assets may have the most to lose in a higher rate environment. Meanwhile, we believe higher-quality BB and B bonds<sup>1</sup> are potentially the sweet spot for investors and are supported by a low default environment, liquidity-enhancing policies, strong corporate earnings, and minimal near-term maturities while still offering enough spread to Treasuries to provide some cushion in a rising rate environment. The team feels that high yield has low exposure or uncorrelated risk to most of the problematic areas, such as European sovereign debt, rising commodity costs, and the unrest in the Middle East. However, the team thinks that total returns in high yield will be subdued compared with the experience over the past two years.

**A broadly diversified portfolio gives exposure to many areas of potential recovery.**

As global economies continue to move toward more sustainable growth and manageable levels of inflation, there can still be moments of volatility. These periods can present both challenges and opportunities, and experience has taught us that maintaining a long-term investment strategy based on individual goals and risk tolerance can be an effective way to plan for the future.

*Wells Fargo Advantage Funds* provides investments across a broad range of asset classes and investment styles, giving you an opportunity to create a diversified investment portfolio. While diversification may not prevent losses in a downturn, it may help to reduce them and provide you with one way of managing risk. And, in a potential upturn, diversification can give you exposure to many areas of economic recovery.

Thank you for choosing *Wells Fargo Advantage Funds*<sup>®</sup>. We appreciate your confidence in us. Through each market cycle, we are committed to helping you meet your financial needs. Please visit us at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds) for more information about our funds and other investment products available to you. Thank you for your continued support of *Wells Fargo Advantage Funds*.

Sincerely,

Karla M. Rabusch

President

*Wells Fargo Advantage Funds*

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

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Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Agency Securities: 29.86%</b>				
FHLB±	2.60%	12/01/2034	\$ 7,217,043	\$ 7,547,832
FHLB±	2.65	06/01/2035	3,131,692	3,302,554
FHLB±	2.70	11/01/2030	376,296	395,609
FHLB±	2.99	07/01/2033	291,044	294,822
FHLMC±	2.50	01/01/2036	6,845,033	7,178,970
FHLMC±	2.50	12/01/2035	4,846,631	5,078,659
FHLMC±	2.53	08/01/2035	1,775,604	1,867,597
FHLMC±	2.55	04/01/2034	14,545,748	15,234,267
FHLMC±	2.56	09/01/2035	5,347,697	5,599,523
FHLMC±	2.61	08/01/2035	5,204,599	5,467,924
FHLMC±	2.63	09/01/2032	508,891	534,879
FHLMC±	2.64	10/01/2033	195,683	205,583
FHLMC±	2.69	10/01/2030	337,721	355,939
FHLMC±	2.74	07/01/2032	438,430	442,351
FHLMC±	2.77	01/01/2038	3,528,428	3,694,974
FHLMC±	2.79	06/01/2036	3,368,522	3,530,642
FHLMC±	2.83	09/01/2038	6,469,872	6,789,834
FHLMC±	2.86	08/01/2030	405,439	426,804
FHLMC±	2.98	06/01/2033	235,164	237,626
FHLMC±	2.98	10/01/2030	18,233	18,772
FHLMC±	3.15	12/01/2026	77,878	79,091
FHLMC±	3.70	05/01/2019	4,090	4,106
FHLMC±	3.74	06/01/2018	55,788	56,092
FHLMC±	3.89	10/01/2022	71,542	71,757
FHLMC±	4.14	10/01/2037	2,957,394	3,034,578
FHLMC±	4.40	01/01/2027	142,858	149,983
FHLMC±	5.08	07/01/2035	333,071	353,490
FHLMC±	5.75	11/01/2036	1,495,061	1,583,129
FHLMC	8.50	04/01/2015	48,197	49,602
FHLMC	8.50	07/01/2028	143,967	172,510
FHLMC	8.50	03/01/2030	80,379	92,392
FHLMC Series 0196 Class A±	1.05	12/15/2021	97,614	97,664
FHLMC Series 1383±	5.83	02/01/2037	2,256,495	2,408,078
FHLMC Series 2390 Class FD±	0.67	12/15/2031	98,958	99,138
FHLMC Series 2411 Class F±	0.77	02/15/2032	126,768	127,272
FHLMC Series 2431 Class F±	0.72	03/15/2032	4,113,875	4,126,290
FHLMC Series 2567 Class FH±	0.62	02/15/2033	205,043	205,044
FNMA±	1.35	04/01/2028	108,822	111,675
FNMA±	1.68	10/01/2034	297,587	303,677
FNMA±	2.13	04/01/2019	7,226	7,214
FNMA±	2.22	10/01/2035	1,632,498	1,680,417
FNMA±	2.25	01/01/2017	46,631	47,934
FNMA±	2.26	12/01/2035	1,930,556	1,989,171
FNMA±	2.26	12/01/2031	69,884	70,989
FNMA±	2.36	03/01/2033	165,427	173,280
FNMA±	2.40	03/01/2035	5,908,004	6,187,297
FNMA±	2.43	03/01/2034	553,551	579,312
FNMA±	2.44	12/01/2026	115,826	121,567
FNMA±	2.44	06/01/2035	3,641,457	3,811,439
FNMA±	2.44	01/01/2036	2,873,532	3,003,586
FNMA±	2.46	08/01/2036	2,549,094	2,618,612

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 7

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Agency Securities (continued)</b>				
FNMA±	2.47%	04/01/2034	\$ 5,066,572	\$ 5,305,381
FNMA±	2.48	06/01/2029	184,040	193,239
FNMA±	2.49	07/01/2038	237,503	249,047
FNMA±	2.49	12/01/2028	43,935	44,154
FNMA±	2.51	06/01/2024	153,230	160,781
FNMA±	2.51	07/01/2038	2,544,832	2,676,312
FNMA±	2.51	01/01/2026	244,601	258,097
FNMA±	2.53	02/01/2035	352,081	370,653
FNMA±	2.54	01/01/2035	1,772,288	1,858,691
FNMA±	2.57	12/01/2029	56,871	60,031
FNMA±	2.57	07/01/2026	36,513	38,542
FNMA±	2.60	05/01/2030	235,955	247,689
FNMA±	2.60	07/01/2048	332,409	348,677
FNMA±	2.61	02/01/2036	1,511,072	1,596,973
FNMA±	2.61	08/01/2030	160,672	169,128
FNMA±	2.61	08/01/2039	6,374,640	6,689,846
FNMA±	2.62	08/01/2028	72,933	76,413
FNMA±	2.62	07/01/2033	77,192	78,343
FNMA±	2.62	10/01/2034	11,141,616	11,686,943
FNMA±	2.67	06/01/2031	98,700	99,420
FNMA±	2.69	03/01/2034	16,969	17,784
FNMA±	2.74	04/01/2017	1,936,723	1,994,191
FNMA±	2.75	12/01/2017	701,498	721,915
FNMA±	2.75	12/01/2016	8,804	8,853
FNMA±	2.79	04/01/2036	2,140,823	2,214,823
FNMA±	2.80	05/01/2035	3,628,764	3,831,991
FNMA±	2.80	04/01/2033	132,122	138,593
FNMA±	2.81	11/01/2035	2,479,564	2,601,238
FNMA±	2.84	01/01/2038	3,566,787	3,649,072
FNMA±	2.85	09/01/2027	182,481	192,854
FNMA±	2.85	07/01/2036	1,523,456	1,599,049
FNMA±	2.94	05/01/2036	11,062,624	11,689,779
FNMA±	2.95	09/01/2032	200,223	203,216
FNMA±	2.97	08/01/2035	2,962,683	3,135,256
FNMA±	2.98	10/01/2033	4,152,405	4,370,879
FNMA±	2.98	05/01/2036	962,301	985,357
FNMA±	3.03	06/01/2036	4,930,613	5,176,315
FNMA±	3.12	07/01/2030	101,346	101,910
FNMA±	3.24	07/01/2038	2,468,057	2,582,572
FNMA±	3.26	02/01/2017	1,600,364	1,654,541
FNMA±	3.31	10/01/2029	104,831	108,945
FNMA±	3.72	01/01/2015	20,011	20,064
FNMA±	3.82	01/01/2030	66,431	66,592
FNMA±	4.12	07/01/2035	2,280,752	2,370,567
FNMA±	4.31	02/01/2035	5,788,859	5,969,675
FNMA±	4.31	04/01/2025	88,588	89,435
FNMA±	4.44	08/01/2027	219,699	221,346
FNMA±	4.57	12/01/2036	45,381	47,442
FNMA±	4.61	04/01/2031	677,989	716,673
FNMA±	4.79	12/01/2034	1,435,471	1,516,508
FNMA±	4.85	04/01/2034	3,171,595	3,304,352

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Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Agency Securities (continued)</b>				
FNMA±	4.95%	01/01/2034	\$ 468,797	\$ 482,070
FNMA±	4.95	11/01/2024	227,669	241,174
FNMA±	5.11	12/01/2022	13,643	13,849
FNMA±±	5.90	09/01/2032	2,696,133	2,876,335
FNMA	6.00	05/01/2021	5,567	5,650
FNMA	6.00	08/01/2021	9,644	9,667
FNMA	6.00	04/01/2033	194,073	214,574
FNMA±	6.10	12/01/2013	197,927	200,314
FNMA±	6.14	12/01/2020	102,601	103,822
FNMA±±	6.28	09/01/2037	2,304,615	2,471,739
FNMA	6.50	11/01/2032	67,071	76,132
FNMA	7.50	07/01/2017	175,054	194,267
FNMA	7.50	10/01/2028	13,794	13,855
FNMA	7.50	11/01/2028	167,629	195,619
FNMA	7.50	02/01/2030	45,280	52,455
FNMA	7.50	09/01/2030	104,356	118,247
FNMA	7.50	07/01/2032	22,419	25,973
FNMA	8.00	12/01/2024	14,389	14,590
FNMA	8.00	06/01/2030	127,625	145,195
FNMA	12.00	01/01/2016	19,602	21,766
FNMA Series 1996-46 Class FA±	0.75	08/25/2021	57,716	57,850
FNMA Series 2001-25 Class Z	6.00	06/25/2031	654,952	730,092
FNMA Series 2001-35 Class F±	0.81	07/25/2031	31,855	32,089
FNMA Series 2001-57 Class F±	0.71	06/25/2031	32,071	32,202
FNMA Series 2001-T10 Class A2	7.50	12/25/2041	276,495	313,353
FNMA Series 2002-77 Class FH±	0.62	12/18/2032	206,280	206,199
FNMA Series 2002-95 Class FK±	0.71	01/25/2033	4,702,813	4,722,060
FNMA Series 2002-97 Class FR±	0.76	01/25/2033	67,564	67,676
FNMA Series 2003-W8 Class 3F2±	0.56	05/25/2042	1,398,656	1,395,213
FNMA Series G91-16 Class F±	0.70	06/25/2021	66,634	66,696
FNMA Series G92-17 Class F±	1.30	03/25/2022	131,468	133,457
GNMA	6.50	06/15/2028	82,752	93,795
GNMA	7.25	07/15/2017	41,206	45,962
GNMA	7.25	08/15/2017	61,889	68,802
GNMA	7.25	08/15/2017	48,914	54,317
GNMA	7.25	08/15/2017	16,502	18,407
GNMA	7.25	09/15/2017	62,993	70,264
GNMA	7.25	10/15/2017	114,949	127,782
GNMA	7.25	10/15/2017	66,818	74,213
GNMA	7.25	11/15/2017	42,660	47,126
GNMA	7.25	01/15/2018	31,473	35,128
GNMA	7.25	01/15/2018	33,490	37,589
GNMA	7.25	02/15/2018	34,118	38,053
GNMA	7.25	05/15/2018	17,655	19,433
GNMA Series 2001-61 Class FA±	0.71	09/20/2030	8,533	8,534
<b>Total Agency Securities (Cost \$207,720,802)</b>				<b>211,105,279</b>
<b>Non-Agency Mortgage Backed Securities: 1.84%</b>				
American Home Mortgage Assets Series 2006-2 Class 1A1±	1.27	09/25/2046	4,441,680	2,316,909

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*Banc of America Commercial Mortgage Incorporated Series  
2006-03 Class AM*

6.08

07/10/2044

1,340,000

1,388,031

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Portfolio of Investments April 30, 2011 (Unaudited)

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Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Non-Agency Mortgage Backed Securities (continued)</b>				
<i>Greenwich Capital Commercial Funding Corporation Series 2006-GG7 Class AM</i>				
	6.08%	07/10/2038	\$ 1,820,000	\$ 1,946,392
<i>Lehman XS Trust Series 2006-18N Class A5A±(i)</i>	0.38	12/25/2036	3,570,000	1,462,733
<i>Morgan Stanley Capital I Trust Series 2006-IQ12 Class AM</i>	5.37	12/15/2043	1,866,000	1,939,556
<i>Morgan Stanley Capital I Trust Series 2006-IQ12 Class AMFX</i>	5.37	12/15/2043	810,000	837,909
<i>NCUA Guaranteed Notes Series 2011-C1 Class 1A±</i>	0.54	02/28/2020	1,837,602	1,837,602
<i>Wachovia Bank Commercial Mortgage Trust Series 2006-C23 Class AM(l)</i>	5.47	01/15/2045	1,220,000	1,294,036
<b>Total Non-Agency Mortgage Backed Securities (Cost \$13,050,182)</b>				<b>13,023,168</b>
<b>Shares</b>				
<b>Common Stocks: 0.17%</b>				
<b>Consumer Discretionary: 0.00%</b>				
<b>Hotels, Restaurants &amp; Leisure: 0.00%</b>				
<i>Trump Entertainment Resorts Incorporated (a)(i)</i>			1,161	0
<b>Telecommunication Services: 0.17%</b>				
<b>Diversified Telecommunication Services: 0.17%</b>				
<i>Fairpoint Communications Incorporated</i>			70,442	1,179,199
<b>Total Common Stocks (Cost \$1,617,838)</b>				<b>1,179,199</b>
<b>Principal</b>				
<b>Corporate Bonds and Notes: 53.42%</b>				
<b>Consumer Discretionary: 9.31%</b>				
<b>Auto Components: 0.72%</b>				
<i>Allison Transmission Incorporated%%</i>	7.13	05/15/2019	\$ 50,000	50,750
<i>Cooper Tire &amp; Rubber Company##</i>	7.63	03/15/2027	1,895,000	1,847,625
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12/15/2019	450,000	480,938
<i>Goodyear Tire &amp; Rubber Company</i>	8.75	08/15/2020	468,000	525,330
<i>Goodyear Tire &amp; Rubber Company</i>	10.50	05/15/2016	1,957,000	2,216,303
				<b>5,120,946</b>
<b>Diversified Consumer Services: 1.72%</b>				
<i>Carriage Services Incorporated</i>	7.88	01/15/2015	1,795,000	1,830,900
<i>Service Corporation International</i>	6.75	04/01/2016	475,000	510,625
<i>Service Corporation International</i>	7.00	06/15/2017	1,610,000	1,750,875
<i>Service Corporation International</i>	7.00	05/15/2019	650,000	690,625

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<i>Service Corporation International</i>	7.50	04/01/2027	3,965,000	3,851,006
<i>Service Corporation International</i>	8.00	11/15/2021	475,000	524,875
<i>Stonemor Operating LP</i>	10.25	12/01/2017	2,890,000	3,005,600
				12,164,506

**Hotels, Restaurants & Leisure: 2.19%**

<i>American Casinos Incorporated</i>	7.50	04/15/2021	1,000,000	1,023,750
<i>Blue Merger Sub Incorporated</i>	7.63	02/15/2019	500,000	511,875
<i>Burger King Corporation</i>	9.88	10/15/2018	850,000	898,875



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10 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Hotels, Restaurants &amp; Leisure (continued)</b>				
<i>Chukchansi Economic Development Authority±</i>	3.94%	11/15/2012	\$ 1,375,000	\$ 1,100,000
<i>Citycenter Holdings LLC</i>	7.63	01/15/2016	175,000	182,438
<i>Citycenter Holdings LLC</i>	11.50	01/15/2017	875,000	920,938
<i>DineEquity Incorporated</i>	9.50	10/30/2018	525,000	573,563
<i>Greektown Superholdings</i>	13.00	07/01/2015	3,375,000	3,809,531
<i>NAI Entertainment Holdings LLC</i>	8.25	12/15/2017	900,000	972,000
<i>Pinnacle Entertainment Incorporated</i>	7.50	06/15/2015	1,250,000	1,275,000
<i>Scientific Games Corporation</i>	9.25	06/15/2019	485,000	535,925
<i>Speedway Motorsports Incorporated</i>	6.75	02/01/2019	225,000	227,813
<i>Speedway Motorsports Incorporated</i>	8.75	06/01/2016	950,000	1,040,250
<i>Yonkers Racing Corporation%%</i>	11.38	07/15/2016	2,200,000	2,420,000
				15,491,958
<b>Household Durables: 0.01%</b>				
<i>Sealy Corporation</i>	10.88	04/15/2016	66,000	74,250
<b>Leisure Equipment &amp; Products: 0.07%</b>				
<i>Eastman Kodak Company</i>	7.25	11/15/2013	525,000	517,125
<b>Media: 3.84%</b>				
<i>Cablevision Systems Corporation</i>	8.63	09/15/2017	1,310,000	1,467,200
<i>CCH II Capital LLC</i>	13.50	11/30/2016	7,535,929	9,090,214
<i>Charter Communications Incorporated Step Bond</i>	8.00	04/30/2012	904,000	949,200
<i>Charter Communications Incorporated Step Bond</i>	10.88	09/15/2014	5,140,000	5,743,950
<i>Cinemark USA Incorporated</i>	8.63	06/15/2019	250,000	273,750
<i>CSC Holdings LLC</i>	8.50	04/15/2014	400,000	447,500
<i>DISH DBS Corporation</i>	7.88	09/01/2019	480,000	519,600
<i>EchoStar DBS Corporation</i>	6.63	10/01/2014	1,000,000	1,062,500
<i>EchoStar DBS Corporation</i>	7.75	05/31/2015	350,000	381,500
<i>Gray Television Incorporated</i>	10.50	06/29/2015	675,000	727,313
<i>Interactive Data Corporation</i>	10.25	08/01/2018	300,000	334,500
<i>Lamar Media Corporation Series C</i>	9.75	04/01/2014	375,000	436,875
<i>LIN Television Corporation</i>	8.38	04/15/2018	775,000	846,688
<i>Regal Cinemas Corporation</i>	8.63	07/15/2019	2,475,000	2,666,813
<i>Salem Communications Corporation</i>	9.63	12/15/2016	1,557,000	1,673,775
<i>Sirius XM Radio Incorporated</i>	13.00	08/01/2014	425,000	504,688
<i>Young Broadcasting Incorporated(a)^(i)</i>	8.75	01/15/2014	1,526,000	15
<i>Young Broadcasting Incorporated(a)^(i)</i>	10.00	12/31/2049	940,000	0
				27,126,081
<b>Multiline Retail: 0.09%</b>				
<i>Saks Incorporated</i>	9.88	10/01/2011	585,000	602,550

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**Specialty Retail: 0.37%**

<i>Gap Incorporated</i>	5.95	04/12/2021	600,000	606,699
<i>Inergy LP</i>	7.00	10/01/2018	500,000	527,500
<i>Limited Brands Incorporated</i>	6.63	04/01/2021	50,000	51,750
<i>Radioshack Corporation</i>	6.75	05/15/2019	225,000	223,277
<i>Rent-A-Center Incorporated</i>	6.63	11/15/2020	375,000	375,469
<i>Toys R Us Property Company LLC</i>	8.50	12/01/2017	780,000	838,500
				2,623,195

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 11

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Textiles, Apparel &amp; Luxury Goods: 0.30%</b>				
<i>Oxford Industries Incorporated</i>	11.38%	07/15/2015	\$ 1,865,000	\$ 2,098,125
<b>Consumer Staples: 0.75%</b>				
<b>Beverages: 0.25%</b>				
<i>Anheuser-Busch InBev SA</i>	6.88	11/15/2019	1,475,000	1,777,735
<b>Food Products: 0.50%</b>				
<i>Darling International Incorporated</i>	8.50	12/15/2018	125,000	136,250
<i>Dole Food Company Incorporated</i>	13.88	03/15/2014	1,452,000	1,767,810
<i>Smithfield Foods Incorporated</i>	10.00	07/15/2014	1,370,000	1,623,450
				3,527,510
<b>Energy: 7.55%</b>				
<b>Energy Equipment &amp; Services: 1.58%</b>				
<i>Bristow Group Incorporated</i>	7.50	09/15/2017	985,000	1,039,175
<i>Cleaver-Brooks Incorporated</i>	12.25	05/01/2016	630,000	661,500
<i>GulfMark Offshore Incorporated</i>	7.75	07/15/2014	1,625,000	1,657,500
<i>Hornbeck Offshore Services Incorporated Series B</i>	6.13	12/01/2014	2,345,000	2,368,450
<i>Hornbeck Offshore Services Incorporated Series B</i>	8.00	09/01/2017	2,230,000	2,302,475
<i>Parker Drilling Company</i>	9.13	04/01/2018	460,000	509,450
<i>PHI Incorporated</i>	8.63	10/15/2018	2,475,000	2,629,688
				11,168,238
<b>Oil, Gas &amp; Consumable Fuels: 5.97%</b>				
<i>Chesapeake Energy Corporation</i>	9.50	02/15/2015	2,250,000	2,708,438
<i>Cloud Peak Energy Resources Incorporated</i>	8.25	12/15/2017	125,000	136,875
<i>Cloud Peak Energy Resources Incorporated</i>	8.50	12/15/2019	225,000	250,313
<i>Coffeyville Resources LLC</i>	9.00	04/01/2015	932,000	1,015,880
<i>Coffeyville Resources LLC</i>	10.88	04/01/2017	1,350,000	1,539,000
<i>Consol Energy Incorporated</i>	8.25	04/01/2020	825,000	919,875
<i>Denbury Resources Incorporated</i>	6.38	08/15/2021	350,000	360,500
<i>Denbury Resources Incorporated</i>	8.25	02/15/2020	425,000	473,875
<i>El Paso Corporation</i>	6.50	09/15/2020	445,000	484,084
<i>El Paso Corporation</i>	6.88	06/15/2014	175,000	195,989
<i>El Paso Corporation</i>	7.00	06/15/2017	175,000	194,230
<i>El Paso Corporation</i>	7.25	06/01/2018	1,250,000	1,408,115
<i>El Paso Corporation</i>	7.42	02/15/2037	800,000	842,794
<i>El Paso Corporation</i>	7.80	08/01/2031	1,850,000	2,114,019
<i>Energy Transfer Equity LP</i>	7.50	10/15/2020	3,100,000	3,394,500
<i>Ferrellgas Partners LP</i>	6.50	05/01/2021	600,000	588,000
<i>Ferrellgas Partners LP</i>	9.13	10/01/2017	1,025,000	1,148,000
<i>Forest Oil Corporation</i>	7.25	06/15/2019	1,070,000	1,112,800
<i>Forest Oil Corporation</i>	8.50	02/15/2014	535,000	596,525

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<i>Holly Corporation</i>	9.88	06/15/2017	1,895,000	2,136,613
<i>Inergy Holdings LP</i>	6.88	08/01/2021	575,000	609,500
<i>Peabody Energy Corporation</i>	7.88	11/01/2026	3,435,000	3,864,375
<i>Petrohawk Energy Corporation</i>	7.88	06/01/2015	790,000	837,400
<i>Petrohawk Energy Corporation</i>	10.50	08/01/2014	495,000	567,394
<i>Pioneer Natural Resources Company</i>	7.50	01/15/2020	1,220,000	1,382,497
<i>Plains Exploration &amp; Production Company</i>	8.63	10/15/2019	2,885,000	3,213,169
<i>Regency Energy Partners</i>	6.88	12/01/2018	250,000	266,875

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12 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Oil, Gas &amp; Consumable Fuels (continued)</b>				
<i>Sabine Pass LNG LP</i>	7.25%	11/30/2013	\$ 2,265,000	\$ 2,338,613
<i>Sabine Pass LNG LP</i>	7.50	11/30/2016	2,625,000	2,730,000
<i>SandRidge Energy Incorporated</i>	8.75	01/15/2020	940,000	1,034,000
<i>Stallion Oilfield Holdings Incorporated</i>	10.50	02/15/2015	571,000	615,253
<i>Susser Holdings LLC</i>	8.50	05/15/2016	975,000	1,055,438
<i>Tesoro Corporation(i)</i>	7.50	07/17/2012	990,000	1,016,720
<i>Tesoro Corporation</i>	9.75	06/01/2019	945,000	1,074,938
				42,226,597
<b>Financials: 13.46%</b>				
<b>Capital Markets: 1.49%</b>				
<i>E*TRADE Financial Corporation</i>	7.38	09/15/2013	800,000	806,000
<i>E*TRADE Financial Corporation</i>	12.50	11/30/2017	4,291,000	5,122,381
<i>Nuveen Investments Incorporated</i>	5.50	09/15/2015	2,400,000	2,130,000
<i>Nuveen Investments Incorporated</i>	10.50	11/15/2015	975,000	1,010,344
<i>Nuveen Investments Incorporated</i>	10.50	11/15/2015	875,000	911,094
<i>Oppenheimer Holdings Incorporated</i>	8.75	04/15/2018	550,000	574,750
				10,554,569
<b>Commercial Banks: 2.12%</b>				
<i>CapitalSource Incorporated</i>	12.75	07/15/2014	1,925,000	2,319,625
<i>CIT Group Incorporated</i>	5.25	04/01/2014	150,000	153,622
<i>CIT Group Incorporated</i>	6.63	04/01/2018	50,000	53,708
<i>CIT Group Incorporated</i>	7.00	05/01/2013	4,163,626	4,246,898
<i>CIT Group Incorporated</i>	7.00	05/01/2014	1,592,738	1,622,602
<i>CIT Group Incorporated</i>	7.00	05/01/2015	647,738	656,644
<i>CIT Group Incorporated</i>	7.00	05/01/2016	1,554,562	1,566,221
<i>Emigrant Bancorp Incorporated (i)</i>	6.25	06/15/2014	2,925,000	2,593,235
<i>FCE Bank plc</i>	9.38	01/17/2014	350,000	583,203
<i>Lloyds TSB Bank plc</i>	6.38	01/21/2021	1,100,000	1,178,673
				14,974,431
<b>Consumer Finance: 7.24%</b>				
<i>American General Finance Corporation</i>	5.40	12/01/2015	1,600,000	1,504,000
<i>American General Finance Corporation</i>	5.75	09/15/2016	1,075,000	987,656
<i>American General Finance Corporation</i>	6.50	09/15/2017	150,000	137,250
<i>Calpine Construction Finance Corporation</i>	7.25	10/15/2017	3,975,000	4,173,750
<i>Calpine Construction Finance Corporation</i>	8.00	06/01/2016	1,375,000	1,505,625
<i>Clearwire Communications Finance Corporation</i>	12.00	12/01/2015	2,390,000	2,596,775
<i>Dunkin Finance Corporation</i>	9.63	12/01/2018	532,000	542,640
<i>Ford Motor Credit Company LLC</i>	9.88	08/10/2011	2,815,000	2,873,546
<i>Fresenius Medical Care US Finance Company</i>	5.75	02/15/2021	775,000	756,594
<i>GMAC LLC</i>	6.75	12/01/2014	1,298,000	1,385,615
<i>GMAC LLC</i>	6.88	09/15/2011	59,000	59,996
<i>GMAC LLC</i>	6.88	08/28/2012	1,244,000	1,307,755

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<i>GMAC LLC</i>	7.50	12/31/2013	3,620,000	3,936,750
<i>Homer City Funding LLC</i>	8.73	10/01/2026	1,287,964	1,139,848
<i>International Lease Finance Corporation</i>	4.75	01/13/2012	1,265,000	1,280,813
<i>International Lease Finance Corporation</i>	5.30	05/01/2012	1,800,000	1,838,250
<i>International Lease Finance Corporation</i>	5.75	06/15/2011	705,000	706,974

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 13

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Consumer Finance (continued)</b>				
<i>International Lease Finance Corporation</i>	6.38%	03/25/2013	\$ 460,000	\$ 477,250
<i>International Lease Finance Corporation</i>	8.63	09/15/2015	900,000	990,000
<i>JBS USA Finance Incorporated</i>	11.63	05/01/2014	3,745,000	4,381,650
<i>LBI Escrow Corporation</i>	8.00	11/01/2017	2,267,000	2,527,705
<i>Level 3 Financing Incorporated</i>	10.00	02/01/2018	2,010,000	2,170,800
<i>Local TV Finance LLC</i>	9.25	06/15/2015	625,000	618,750
<i>Nielsen Finance LLC Company</i>	7.75	10/15/2018	2,275,000	2,451,313
<i>Nielsen Finance LLC Company</i>	11.50	05/01/2016	601,000	710,683
<i>Sable International Finance Limited</i>	7.75	02/15/2017	350,000	365,750
<i>Springleaf Finance Corporation</i>	6.90	12/15/2017	1,575,000	1,476,563
<i>Sprint Capital Corporation</i>	6.88	11/15/2028	5,985,000	5,738,119
<i>Sprint Capital Corporation</i>	8.38	03/15/2012	2,420,000	2,556,125
				51,198,545
<b>Diversified Financial Services: 0.99%</b>				
<i>Ally Financial Incorporated</i>	8.30	02/12/2015	2,055,000	2,311,875
<i>General Electric Capital Corporation</i>	7.63	12/10/2014	2,000,000	1,746,857
<i>Leucadia National Corporation</i>	8.13	09/15/2015	2,655,000	2,947,050
				7,005,782
<b>Insurance: 0.17%</b>				
<i>Hub International Holdings Incorporated</i>	10.25	06/15/2015	1,150,000	1,196,000
<b>REIT: 1.45%</b>				
<i>Dupont Fabros Technology Incorporated</i>	8.50	12/15/2017	5,560,000	6,143,800
<i>Host Hotels &amp; Resorts LP</i>	9.00	05/15/2017	235,000	264,375
<i>Medical Properties Trust Incorporated</i>	6.88	05/01/2021	600,000	603,000
<i>Omega Healthcare Investors Incorporated</i>	6.75	10/15/2022	1,775,000	1,803,844
<i>Omega Healthcare Investors Incorporated</i>	7.00	01/15/2016	500,000	515,000
<i>Ventas Incorporated</i>	9.00	05/01/2012	859,000	922,063
				10,252,082
<b>Health Care: 2.28%</b>				
<b>Health Care Equipment &amp; Supplies: 0.44%</b>				
<i>Biomet Incorporated</i>	10.38	10/15/2017	540,000	600,075
<i>Biomet Incorporated</i>	11.63	10/15/2017	2,200,000	2,497,000
				3,097,075
<b>Health Care Providers &amp; Services: 1.72%</b>				
<i>Apria Healthcare Group Incorporated</i>	11.25	11/01/2014	1,090,000	1,174,475
<i>Aviv Healthcare Properties LP</i>	7.75	02/15/2019	1,025,000	1,081,375
<i>Community Health Systems Incorporated</i>	8.88	07/15/2015	700,000	715,750

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<i>HCA Incorporated</i>	8.50	04/15/2019	375,000	416,250
<i>HCA Incorporated</i>	9.13	11/15/2014	250,000	262,500
<i>HCA Incorporated</i>	9.25	11/15/2016	2,945,000	3,158,513
<i>HCA Incorporated</i>	9.63	11/15/2016	2,181,000	2,341,849
<i>Health Management plc</i>	6.13	04/15/2016	175,000	181,344
<i>Healthisouth Corporation</i>	7.25	10/01/2018	400,000	422,000
<i>Healthisouth Corporation</i>	7.75	09/15/2022	400,000	424,500



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14 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Health Care Providers &amp; Services (continued)</b>				
<i>Omnicare Incorporated</i>	6.88%	12/15/2015	\$ 525,000	\$ 540,750
<i>Sabra Health Care LP</i>	8.13	11/01/2018	1,350,000	1,414,125
				12,133,431
<b>Pharmaceuticals: 0.12%</b>				
<i>Mylan Incorporated</i>	6.00	11/15/2018	300,000	307,125
<i>Mylan Incorporated</i>	7.63	07/15/2017	375,000	410,625
<i>Mylan Incorporated</i>	7.88	07/15/2020	150,000	165,750
				883,500
<b>Industrials: 3.78%</b>				
<b>Aerospace &amp; Defense: 1.28%</b>				
<i>Alliant Techsystems Incorporated</i>	6.75	04/01/2016	1,980,000	2,049,300
<i>Digitalglobe Incorporated</i>	10.50	05/01/2014	340,000	382,500
<i>GenCorp Incorporated</i>	9.50	08/15/2013	475,000	477,375
<i>GeoEye Incorporated</i>	9.63	10/01/2015	485,000	548,656
<i>Hexcel Corporation</i>	6.75	02/01/2015	480,000	492,000
<i>Huntington Ingalls Industries Incorporated</i>	6.88	03/15/2018	125,000	131,563
<i>Huntington Ingalls Industries Incorporated</i>	7.13	03/15/2021	125,000	131,563
<i>Kratos Defense &amp; Security Solutions Incorporated</i>	10.00	06/01/2017	1,140,000	1,251,150
<i>L-3 Communications Holdings Incorporated</i>	6.38	10/15/2015	2,784,000	2,874,480
<i>Wyle Services Corporation</i>	10.50	04/01/2018	635,000	687,388
				9,025,975
<b>Commercial Services &amp; Supplies: 1.58%</b>				
<i>Casella Waste Systems Incorporated</i>	7.75	02/15/2019	125,000	127,813
<i>Casella Waste Systems Incorporated</i>	11.00	07/15/2014	1,945,000	2,205,144
<i>Corrections Corporation of America</i>	6.25	03/15/2013	815,000	817,038
<i>Corrections Corporation of America</i>	7.75	06/01/2017	1,270,000	1,390,650
<i>Geo Group Incorporated</i>	7.75	10/15/2017	1,300,000	1,391,000
<i>Interface Incorporated</i>	7.63	12/01/2018	125,000	133,906
<i>Iron Mountain Incorporated</i>	6.75	10/15/2018	550,000	798,340
<i>Iron Mountain Incorporated</i>	8.38	08/15/2021	1,385,000	1,475,025
<i>KAR Holdings Incorporated±</i>	4.30	05/01/2014	1,150,000	1,148,563
<i>KAR Holdings Incorporated</i>	8.75	05/01/2014	200,000	206,250
<i>KAR Holdings Incorporated</i>	10.00	05/01/2015	225,000	236,813
<i>NCO Group Incorporated</i>	11.88	11/15/2014	1,425,000	1,245,094
				11,175,636
<b>Machinery: 0.50%</b>				
<i>Columbus Mckinnon Corporation</i>	7.88	02/01/2019	725,000	746,750
<i>CPM Holdings Incorporated</i>	10.88	09/01/2014	1,315,000	1,434,994
<i>Dresser Rand Group Incorporated</i>	6.50	05/01/2021	925,000	950,438

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<i>Titan International Incorporated</i>	7.88	10/01/2017	375,000	403,125
				3,535,307
<b>Professional Services: 0.05%</b>				
<i>Brickman Group Holdings</i>	9.13	11/01/2018	375,000	391,875

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 15

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Road &amp; Rail: 0.29%</b>				
<i>Kansas City Southern</i>	8.00%	06/01/2015	\$ 55,000	\$ 59,675
<i>Kansas City Southern</i>	13.00	12/15/2013	349,000	411,820
<i>RailAmerica Incorporated</i>	9.25	07/01/2017	1,425,000	1,585,313
				2,056,808
<b>Transportation Infrastructure: 0.08%</b>				
<i>United Maritime Group</i>	11.75	06/15/2015	520,000	543,400
<b>Information Technology: 4.01%</b>				
<b>Communications Equipment: 0.34%</b>				
<i>Allbritton Communication Company</i>	8.00	05/15/2018	1,175,000	1,245,500
<i>Lucent Technologies Incorporated</i>	6.45	03/15/2029	1,285,000	1,169,350
				2,414,850
<b>Computers &amp; Peripherals: 0.19%</b>				
<i>Intcomex Incorporated</i>	13.25	12/15/2014	1,240,000	1,305,100
<b>Electronic Equipment &amp; Instruments: 1.75%</b>				
<i>GCI Incorporated</i>	7.25	02/15/2014	2,490,000	2,514,900
<i>GCI Incorporated</i>	8.63	11/15/2019	625,000	689,063
<i>Jabil Circuit Incorporated</i>	8.25	03/15/2018	5,275,000	6,053,063
<i>Kemet Corporation</i>	10.50	05/01/2018	1,485,000	1,681,763
<i>Viasystem Group Incorporated</i>	12.00	01/15/2015	1,285,000	1,442,413
				12,381,202
<b>Internet Software &amp; Services: 0.37%</b>				
<i>Equinix Incorporated</i>	8.13	03/01/2018	1,085,000	1,174,513
<i>Terremark Worldwide Incorporated</i>	12.00	06/15/2017	1,173,000	1,439,858
				2,614,371
<b>IT Services: 1.22%</b>				
<i>First Data Corporation</i>	11.25	03/31/2016	1,850,000	1,868,500
<i>iPayment Incorporated</i>	9.75	05/15/2014	1,230,000	1,256,138
<i>SunGard Data Systems Incorporated</i>	7.38	11/15/2018	525,000	542,063
<i>SunGard Data Systems Incorporated</i>	7.63	11/15/2020	250,000	260,625
<i>SunGard Data Systems Incorporated</i>	10.25	08/15/2015	3,130,000	3,286,500
<i>Unisys Corporation</i>	12.50	01/15/2016	460,000	511,750
<i>Unisys Corporation</i>	12.75	10/15/2014	434,000	516,460
<i>Unisys Corporation</i>	14.25	09/15/2015	332,000	397,570
				8,639,606

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**Semiconductors & Semiconductor Equipment: 0.14%**

<i>Advanced Micro Devices Incorporated</i>	5.75	08/15/2012	975,000	1,014,000
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**Materials: 3.42%**

**Chemicals: 1.86%**

<i>Chemtura Corporation</i>	7.88	09/01/2018	250,000	268,125
<i>Huntsman International LLC</i>	5.50	06/30/2016	1,260,000	1,256,850
<i>Lyondell Chemical Company</i>	11.00	05/01/2018	8,981,938	10,149,590
<i>Rockwood Specialties Group Incorporated</i>	7.63	11/15/2014	400,000	604,309

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16 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Chemicals (continued)</b>				
<i>Solutia Incorporated</i>	7.88%	03/15/2020	\$ 670,000	\$ 735,325
<i>Vertellus Specialties Incorporated</i>	9.38	10/01/2015	125,000	131,563
				13,145,762
<b>Containers &amp; Packaging: 0.73%</b>				
<i>Crown Americas LLC</i>	7.63	05/15/2017	450,000	491,625
<i>Exopack Holding Corporation</i>	11.25	02/01/2014	2,760,000	2,849,700
<i>Graham Packaging Company</i>	8.25	01/01/2017	95,000	103,075
<i>Graham Packaging Company</i>	9.88	10/15/2014	1,450,000	1,513,438
<i>Owens Brockway Glass Container Incorporated</i>	7.38	05/15/2016	175,000	192,938
				5,150,776
<b>Metals &amp; Mining: 0.56%</b>				
<i>Freeport-McMoRan Copper &amp; Gold Incorporated</i>	8.38	04/01/2017	2,485,000	2,739,713
<i>Indalex Holdings Corporation<sup>^^</sup></i>	11.50	02/01/2014	3,170,000	55,475
<i>Novelis Incorporated</i>	8.38	12/15/2017	500,000	552,500
<i>Novelis Incorporated</i>	8.75	12/15/2020	525,000	586,688
				3,934,376
<b>Paper &amp; Forest Products: 0.27%</b>				
<i>Clearwater Paper Corporation</i>	10.63	06/15/2016	545,000	615,850
<i>Georgia Pacific Corporation</i>	8.88	05/15/2031	1,080,000	1,323,000
				1,938,850
<b>Telecommunication Services: 5.08%</b>				
<b>Diversified Telecommunication Services: 2.65%</b>				
<i>Citizens Communications Company</i>	7.88	01/15/2027	4,155,000	4,004,381
<i>Frontier Communications Corporation</i>	8.13	10/01/2018	845,000	913,656
<i>Frontier Communications Corporation</i>	8.25	05/01/2014	200,000	221,500
<i>Frontier Communications Corporation</i>	8.25	04/15/2017	1,965,000	2,129,569
<i>Frontier Communications Corporation</i>	8.50	04/15/2020	525,000	568,969
<i>Intelsat Jackson Holdings Limited</i>	8.50	11/01/2019	850,000	915,875
<i>Qwest Corporation</i>	7.13	11/15/2043	795,000	781,088
<i>Qwest Corporation</i>	7.25	09/15/2025	1,040,000	1,097,200
<i>Qwest Corporation</i>	7.50	06/15/2023	1,370,000	1,373,425
<i>Qwest Corporation</i>	7.63	08/03/2021	230,000	240,350
<i>Qwest Corporation</i>	8.88	03/15/2012	2,875,000	3,054,688
<i>SBA Telecommunications Incorporated</i>	8.00	08/15/2016	700,000	758,625
<i>SBA Telecommunications Incorporated</i>	8.25	08/15/2019	100,000	110,375
<i>Windstream Corporation</i>	7.88	11/01/2017	2,330,000	2,516,400
				18,686,101

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**Wireless Telecommunication Services: 2.43%**

<i>CCO Holdings LLC</i>	7.75	05/01/2017	325,000	359,125
<i>CCO Holdings LLC</i>	8.13	04/30/2020	500,000	556,250
<i>Cricket Communications Incorporated</i>	7.75	05/15/2016	1,905,000	2,033,588
<i>Crown Castle International Corporation</i>	7.13	11/01/2019	75,000	80,156
<i>Crown Castle International Corporation</i>	9.00	01/15/2015	325,000	360,750
<i>iPCS Incorporated</i>	3.55	05/01/2014	1,357,019	1,295,953

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 17

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Wireless Telecommunication Services (continued)</b>				
<i>MetroPCS Communications Incorporated</i>	6.63%	11/15/2020	\$ 1,875,000	\$ 1,877,344
<i>MetroPCS Communications Incorporated</i>	7.88	09/01/2018	775,000	835,063
<i>Sprint Nextel Corporation</i>	6.90	05/01/2019	1,055,000	1,107,750
<i>Sprint Nextel Corporation Series D</i>	7.38	08/01/2015	4,085,000	4,115,638
<i>Sprint Nextel Corporation Series F</i>	5.95	03/15/2014	2,335,000	2,352,513
<i>Syniverse Holdings Incorporated</i>	9.13	01/15/2019	2,075,000	2,225,438
				17,199,568
<b>Utilities: 3.78%</b>				
<b>Electric Utilities: 1.45%</b>				
<i>Aquila Incorporated Step Bond</i>	11.88	07/01/2012	6,545,000	7,287,223
<i>Energy Future Holdings Corporation</i> ¥	12.00	11/01/2017	904,463	847,934
<i>Otter Tail Corporation</i>	9.00	12/15/2016	1,835,000	2,055,200
<i>PNM Resources Incorporated</i>	9.25	05/15/2015	15,000	16,856
				10,207,213
<b>Gas Utilities: 0.15%</b>				
<i>AmeriGas Partners LP</i>	6.50	05/20/2021	475,000	491,625
<i>AmeriGas Partners LP</i>	7.13	05/20/2016	275,000	285,313
<i>Suburban Propane Partners LP</i>	7.38	03/15/2020	275,000	294,250
				1,071,188
<b>Independent Power Producers &amp; Energy Traders: 2.18%</b>				
<i>Dynegy Holdings Incorporated</i>	7.63	10/15/2026	2,165,000	1,569,625
<i>Mirant Mid-Atlantic LLC Series C</i>	10.06	12/30/2028	3,614,632	4,048,388
<i>NRG Energy Incorporated</i>	7.38	02/01/2016	2,125,000	2,204,688
<i>NRG Energy Incorporated</i>	7.38	01/15/2017	3,475,000	3,635,719
<i>NRG Energy Incorporated</i>	8.50	06/15/2019	1,615,000	1,719,975
<i>Reliant Energy Incorporated</i>	7.63	06/15/2014	450,000	471,375
<i>Reliant Energy Incorporated</i>	9.24	07/02/2017	1,226,246	1,333,542
<i>Reliant Energy Incorporated</i>	9.68	07/02/2026	410,000	446,900
				15,430,212
<b>Total Corporate Bonds and Notes (Cost \$348,907,270)</b>				377,676,407
<b>Convertible Debentures: 0.16%</b>				
<b>Information Technology: 0.16%</b>				
<b>Communications Equipment: 0.16%</b>				
<i>Lucent Technologies Incorporated</i>	2.88	06/15/2025	1,145,000	1,126,394

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Total Convertible Debentures (Cost \$765,113)

1,126,394

Foreign Corporate Bonds@: 13.14%

Consumer Discretionary: 0.29%

Hotels, Restaurants & Leisure: 0.09%

<i>R&amp;R Ice Cream plc (i) (EUR)</i>	8.38	11/15/2017	250,000	365,659
<i>R&amp;R Ice Cream plc(i) (EUR)</i>	8.38	11/15/2017	200,000	292,527
				658,186



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18 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Media: 0.20%</b>				
UPC Holding BV (EUR)	9.63%	12/01/2019	470,000	\$ 760,534
Ziggo Bond Company BV (i) (EUR)	8.00	05/15/2018	400,000	622,824
				1,383,358
<b>Consumer Staples: 0.62%</b>				
<b>Food &amp; Staples Retailing: 0.11%</b>				
Bakkavor Finance plc (GBP)	8.25	02/15/2018	500,000	789,223
<b>Tobacco: 0.51%</b>				
British American Tobacco Finance plc (EUR)	5.38	06/29/2017	1,100,000	1,748,304
Imperial Tobacco Group plc (EUR)	8.38	02/17/2016	1,025,000	1,800,457
				3,548,761
<b>Financials: 9.83%</b>				
<b>Commercial Banks: 6.00%</b>				
Bank Nederlandse Gemeenten (EUR)	3.88	11/04/2019	1,200,000	1,794,621
Bayerische Landesbank (EUR)	1.88	06/30/2014	2,300,000	3,323,813
Eurofima (AUD)	6.25	12/28/2018	2,450,000	2,675,510
European Investment Bank (EUR)	3.13	04/15/2014	1,900,000	2,865,263
European Investment Bank (EUR)	3.13	03/03/2017	2,330,000	3,429,390
European Investment Bank (EUR)	4.25	10/15/2014	2,300,000	3,585,940
European Investment Bank (AUD)	6.13	01/23/2017	6,930,000	7,579,159
Instituto de Credito Oficial (EUR)	4.38	05/23/2012	1,800,000	2,700,329
International Bank for Reconstruction & Development (AUD)	5.75	10/01/2020	950,000	1,009,129
KfW Bankengruppe (EUR)	3.88	01/21/2019	910,000	1,382,453
KfW Bankengruppe (AUD)	6.25	12/04/2019	1,225,000	1,335,250
KfW Bankengruppe (NZD)	6.38	02/17/2015	4,819,000	4,121,833
Landesbank Baden-Württemberg (EUR)	1.75	01/17/2014	2,300,000	3,336,240
Rabobank Nederland (EUR)	4.25	01/16/2017	2,150,000	3,255,525
				42,394,455
<b>Consumer Finance: 0.21%</b>				
Fiat Industrial SpA (EUR)	6.25	03/09/2018	400,000	593,230
Virgin Media Finance plc (GBP)	8.88	10/15/2019	300,000	566,249
Wind Acquisition Finance SpA (EUR)	11.75	07/15/2017	200,000	345,108
				1,504,587
<b>Insurance: 0.06%</b>				
Towergate Finance plc (GBP)	8.50	02/15/2018	250,000	428,027

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**Thriffs & Mortgage Finance: 3.56%**

<i>Dexia Kommunalbank AG (EUR)</i>	3.50	06/05/2014	4,000,000	6,024,679
<i>Eurohypo AG (EUR)</i>	3.75	03/24/2014	4,000,000	6,067,212
<i>Nationwide Building Society (EUR)</i>	3.75	01/20/2015	700,000	1,015,701
<i>Nykredit (DKK)</i>	4.00	10/01/2041	35,634,147	6,546,362
<i>Realkredit Danmark (DKK)</i>	4.00	10/01/2041	30,125,323	5,523,863
				25,177,817

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 19

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Health Care: 0.13%</b>				
<b>Pharmaceuticals: 0.13%</b>				
<i>Pfizer Incorporated (EUR)</i>	4.75%	06/03/2016	600,000	\$ 939,811
<b>Industrials: 0.46%</b>				
<b>Airlines: 0.12%</b>				
<i>Inaer Aviation Finance Limited (EUR)</i>	9.50	08/01/2017	550,000	826,852
<b>Building Products: 0.08%</b>				
<i>Heidelbergcement AG (EUR)</i>	8.50	10/31/2019	330,000	551,099
<b>Commercial Services &amp; Supplies: 0.09%</b>				
<i>Exova (GBP)</i>	10.50	10/15/2018	350,000	613,143
<b>Machinery: 0.05%</b>				
<i>Savcio Holdings Limited (EUR)</i>	8.00	02/15/2013	250,000	368,436
<b>Professional Services: 0.08%</b>				
<i>ISS Financing plc (EUR)</i>	11.00	06/15/2014	350,000	565,059
<b>Trading Companies &amp; Distributors: 0.04%</b>				
<i>Rexel SA (EUR)</i>	8.25	12/15/2016	200,000	320,299
<b>Materials: 0.52%</b>				
<b>Chemicals: 0.13%</b>				
<i>Kerling plc (EUR)</i>	10.63	02/01/2017	550,000	898,132
<b>Containers &amp; Packaging: 0.17%</b>				
<i>Ardagh Glass Finance (EUR)</i>	8.75	02/01/2020	400,000	614,677
<i>Owens-Illinois European Group BV (EUR)</i>	6.88	03/31/2017	400,000	605,790
				1,220,467
<b>Metals &amp; Mining: 0.11%</b>				
<i>New World Resources NV (EUR)</i>	7.38	05/15/2015	500,000	760,941
<b>Paper &amp; Forest Products: 0.11%</b>				
<i>Smurfit Kappa Funding plc (EUR)</i>	7.25	11/15/2017	400,000	616,158

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<i>Smurfit Kappa Funding plc (EUR)</i>	7.75	11/15/2019	120,000	186,625
				802,783

### **Telecommunication Services: 0.70%**

#### **Diversified Telecommunication Services: 0.70%**

<i>Deutsche Telekom International Finance (EUR)</i>	4.25	07/13/2022	1,250,000	1,807,631
<i>France Telecom (EUR)</i>	4.75	02/21/2017	1,275,000	1,995,316
<i>Telstra Corporation Limited (EUR)</i>	4.75	03/21/2017	725,000	1,124,057
				4,927,004

### **Utilities: 0.59%**

#### **Independent Power Producers & Energy Traders: 0.08%**

<i>Infinis plc (GBP)</i>	9.13	12/15/2014	335,000	584,748
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20 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Multi-Utilities: 0.51%</b>				
National Grid plc (EUR)	4.38%	03/10/2020	1,225,000	\$ 1,801,144
Veolia Environnement SA (EUR)	4.00	02/12/2016	1,200,000	1,810,662
				3,611,806
<b>Total Foreign Corporate Bonds (Cost \$83,711,292)</b>				92,874,994
<b>Foreign Government Bonds@: 18.52%</b>				
Australia Series 124 (AUD)	5.75	05/15/2021	2,750,000	3,085,742
Australia Series 25CI (AUD)	3.14	09/20/2025	6,650,000	8,050,185
Brazil (BRL)	12.50	01/05/2022	8,500,000	6,543,033
Caisse d'Amortissement de la Dette Sociale (EUR)	3.38	04/25/2021	1,125,000	1,612,506
Caisse d'Amortissement de la Dette Sociale (EUR)	4.25	04/25/2020	700,000	1,075,775
Canada (CAD)	2.50	09/01/2013	6,400,000	6,858,955
Canada Series 23 (CAD)	4.10	12/15/2018	4,350,000	4,841,297
Czech Republic (CZK)	5.00	04/11/2019	98,350,000	6,499,314
France (EUR)	2.00	07/12/2015	2,120,000	3,051,018
France (EUR)	3.50	04/25/2020	4,650,000	6,896,302
Germany (EUR)	3.50	04/12/2013	5,100,000	7,797,931
Hungary (HUF)	5.50	02/12/2016	325,000,000	1,729,959
Hungary (HUF)	6.75	02/24/2017	970,000,000	5,411,711
Korea (KRW)	5.25	09/10/2015	2,850,000,000	2,789,165
Korea (KRW)	5.25	03/10/2027	4,635,000,000	4,626,761
Mexico (MXN)	8.50	11/18/2038	77,900,000	7,040,240
New Zealand (NZD)	6.00	12/15/2017	6,705,000	5,708,283
Norway (NOK)	3.75	05/25/2021	25,000,000	4,786,757
Norway (NOK)	4.25	05/19/2017	28,730,000	5,745,179
Poland (PLN)	5.50	04/25/2015	16,950,000	6,354,153
Portugal (EUR)	6.40	02/15/2016	2,050,000	2,478,348
Slovenia (EUR)	4.63	09/09/2024	1,425,000	2,054,137
South Africa (ZAR)	6.75	03/31/2021	33,970,000	4,592,728
Spain (EUR)	4.85	10/31/2020	6,575,000	9,411,347
Sweden (SEK)	4.50	08/12/2015	67,650,000	11,894,407
<b>Total Foreign Government Bonds (Cost \$119,840,532)</b>				130,935,233
	<b>Dividend Yield</b>		<b>Shares</b>	
<b>Preferred Stocks: 0.10%</b>				
<b>Financials: 0.10%</b>				
<b>Diversified Financial Services: 0.10%</b>				
GMAC Capital Trust I	8.13		27,000	703,688
<b>Total Preferred Stocks (Cost \$675,000)</b>				703,688

	<b>Interest Rate</b>		<b>Principal</b>	
<b>Term Loans: 5.35%</b>				
<i>Advantage Sales &amp; Marketing LLC</i>	9.25%	06/18/2018	\$ 475,000	485,293
<i>Barrington Broadcasting Company</i>	4.54	08/12/2013	973,839	938,538
<i>Blackstone Group LP</i>	7.75	11/02/2014	1,117,459	1,128,634

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 21

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Term Loans (continued)</b>				
<i>Capital Automotive LP</i>	5.00%	03/10/2017	\$ 3,971,934	\$ 3,948,777
<i>CCM Merger Incorporated</i>	7.00	03/01/2017	1,775,000	1,796,637
<i>Coinmach Corporation</i>	3.29	11/20/2014	2,979,477	2,864,022
<i>Fairpoint Communications Incorporated</i>	6.50	01/22/2016	2,982,230	2,844,987
<i>Federal Mogul Corporation</i>	2.15	12/28/2015	418,393	407,783
<i>Federal Mogul Corporation</i>	2.17	12/29/2014	459,948	448,284
<i>First Data Corporation&lt;</i>	2.96	09/24/2014	3,653,498	3,467,315
<i>First Data Corporation</i>	2.96	09/24/2014	516,226	490,048
<i>Gray Television Incorporated</i>	3.75	12/31/2014	978,945	971,877
<i>HHI Holdings LLC</i>	7.01	03/21/2017	950,000	948,813
<i>Level 3 Financing Incorporated</i>	2.53	03/13/2014	700,000	688,821
<i>Local TV Finance LLC</i>	2.37	05/07/2013	1,663,716	1,626,881
<i>Merisant Company(i)</i>	7.50	01/08/2014	988,405	979,757
<i>NCO Group Incorporated</i>	8.00	11/15/2013	1,176,420	1,164,279
<i>Newsday LLC</i>	10.50	08/01/2013	2,755,000	2,926,030
<i>Panolam Industries International Incorporated(i)</i>	8.25	12/31/2013	234,814	215,247
<i>Texas Competitive Electric Holding LLC&lt;</i>	4.74	10/10/2014	10,536,766	8,981,539
<i>Texas Competitive Electric Holding LLC</i>	4.74	10/10/2017	66,589	53,230
<i>Web Service Company LLC</i>	7.00	08/28/2014	461,726	460,572
<b>Total Term Loans (Cost \$37,103,700)</b>				<b>37,837,364</b>
<b>Yankee Corporate Bonds and Notes: 6.66%</b>				
<b>Consumer Discretionary: 0.12%</b>				
<b>Media: 0.12%</b>				
<i>Videotron Limited</i>	9.13	04/15/2018	775,000	868,000
<b>Energy: 2.51%</b>				
<b>Oil, Gas &amp; Consumable Fuels: 2.51%</b>				
<i>Connacher Oil &amp; Gas Limited</i>	10.25	12/15/2015	2,550,000	2,709,375
<i>Connacher Oil &amp; Gas Limited</i>	11.75	07/15/2014	620,000	663,400
<i>General Maritime Corp</i>	12.00	11/15/2017	1,380,000	1,290,300
<i>Griffin Coal Mining Company Limited^^</i>	9.50	12/01/2016	475,000	453,625
<i>Griffin Coal Mining Company Limited ^^</i>	9.50	12/31/2049	5,810,000	5,548,550
<i>OPTI Canada Incorporated</i>	7.88	12/15/2014	2,420,000	1,282,600
<i>Petroplus Finance Limited</i>	5.75	01/20/2020	1,650,000	1,714,302
<i>Ship Finance International Limited</i>	8.50	12/15/2013	4,020,000	4,085,325
				<b>17,747,477</b>
<b>Financials: 1.36%</b>				
<b>Capital Markets: 0.14%</b>				
<i>FMC Finance III SA</i>	6.88	07/15/2017	625,000	664,844
<i>Mubadala Development Company</i>	5.50	04/20/2021	360,000	363,095
				<b>1,027,939</b>

**Commercial Banks: 0.47%**

<i>Banco De Crédito Del Peru</i>	4.75	03/16/2016	1,600,000	1,552,000
<i>Banco Votorantim</i>	5.25	02/11/2016	600,000	606,000
<i>Royal Bank of Scotland Group plc</i>	6.13	01/11/2021	1,100,000	1,164,798
				3,322,798



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22 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Consumer Finance: 0.62%</b>				
<i>Virgin Media Finance plc</i>	9.13%	08/15/2016	\$ 100,000	\$ 106,125
<i>Wind Acquisition Finance SpA</i>	11.75	07/15/2017	3,660,000	4,254,750
				4,360,875
<b>Diversified Financial Services: 0.13%</b>				
<i>IPIC GMTN Limited</i>	5.00	11/15/2020	900,000	896,625
<i>Preferred Term Securities XII Limited±^(i)</i>	0.00	12/24/2033	635,000	191
				896,816
<b>Industrials: 0.04%</b>				
<b>Road &amp; Rail: 0.04%</b>				
<i>Transnet Limited</i>	4.50	02/10/2016	300,000	307,154
<b>Information Technology: 0.33%</b>				
<b>Computers &amp; Peripherals: 0.33%</b>				
<i>Seagate Technology HDD Holdings</i>	6.80	10/01/2016	650,000	693,875
<i>Seagate Technology HDD Holdings</i>	6.88	05/01/2020	300,000	304,500
<i>Seagate Technology HDD Holdings</i>	7.75	12/15/2018	1,225,000	1,298,500
				2,296,875
<b>Materials: 1.52%</b>				
<b>Metals &amp; Mining: 0.52%</b>				
<i>Novelis Incorporated</i>	7.25	02/15/2015	1,030,000	1,045,450
<i>Teck Resources Limited</i>	10.75	05/15/2019	2,050,000	2,621,540
				3,666,990
<b>Paper &amp; Forest Products: 1.00%</b>				
<i>PE Paper Escrow GmbH</i>	12.00	08/01/2014	1,170,000	1,351,350
<i>Sappi Limited</i>	6.75	06/15/2012	2,085,000	2,225,352
<i>Sappi Limited</i>	7.50	06/15/2032	3,860,000	3,531,900
				7,108,602
<b>Telecommunication Services: 0.62%</b>				
<b>Diversified Telecommunication Services: 0.22%</b>				
<i>Global Crossing Limited</i>	12.00	09/15/2015	570,000	666,900
<i>Intelsat Jackson Holdings SA</i>	7.25	04/01/2019	175,000	177,953
<i>Intelsat Jackson Holdings SA</i>	7.50	04/01/2021	100,000	101,500
<i>Intelsat Jackson Holdings SA</i>	11.25	06/15/2016	275,000	292,188

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<i>Qtel International Finance Limited</i>	4.75	02/16/2021	300,000	283,875
				1,522,416
<b>Wireless Telecommunication Services: 0.40%</b>				
<i>Digicel Group Limited</i>	12.00	04/01/2014	1,335,000	1,565,288
<i>Telesat Canada Incorporated</i>	11.00	11/01/2015	1,135,000	1,262,688
				2,827,976

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Portfolio of Investments April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 23

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Utilities: 0.16%</b>				
<b>Electric Utilities: 0.16%</b>				
<i>E.ON AG</i>	5.80%	04/30/2018	\$ 1,000,000	\$ 1,125,633
<b>Total Yankee Corporate Bonds and Notes (Cost \$41,583,695)</b>				47,079,551
			<b>Shares</b>	
<b>Investment Companies: 0.14%</b>				
<i>Dreyfus High Yield Strategies Fund Incorporated</i>			13,141	62,026
<i>Eaton Vance Limited Duration Income Trust</i>			46,191	742,289
<i>New America High Income Fund Incorporated</i>			19,592	203,169
<b>Total Investment Companies (Cost \$554,740)</b>				1,007,484
			<b>Yield</b>	
<b>Short-Term Investments: 2.63%</b>				
<b>Investment Companies: 2.63%</b>				
<i>Wells Fargo Advantage Cash Investment Money Market Fund(l)(u)##</i>	0.09		18,554,173	18,554,173
<b>Total Short-Term Investments (Cost \$18,554,173)</b>				18,554,173
<b>Total Investments in Securities (Cost \$874,084,337)*</b>				
<i>Other Assets and Liabilities, Net</i>	131.99%			933,102,934
	(31.99)			(226,166,314)
<b>Total Net Assets</b>			<b>100.00%</b>	<b>\$ 706,936,620</b>

± Variable rate investments.

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

(l) Investment in an affiliate. The total cost of affiliated investments is \$19,606,426.

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

Non-income earning securities.

%% Securities issued on a when-issued (TBA) basis.

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

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

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

(i) Illiquid security

@ Foreign bond principal is denominated in local currency.

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

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

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

\* Cost for federal income tax purposes is \$876,627,627 and net unrealized appreciation (depreciation) consists of:

Gross unrealized appreciation	\$ 66,130,075
Gross unrealized depreciation	(9,654,768)
<b>Net unrealized appreciation</b>	<b>\$ 56,475,307</b>

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

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24 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of Investments April 30, 2011 (Unaudited)

The following table shows the percentage of total long-term investments by geographic location as of April 30, 2011 (unaudited):

United States	70.75%
Germany	3.66%
Luxembourg	2.53%
Canada	2.36%
Australia	2.06%
France	1.80%
United Kingdom	1.55%
Spain	1.49%
Denmark	1.29%
Sweden	1.27%
Netherlands	1.17%
Norway	1.13%
South Korea	0.79%
Brazil	0.77%
Hungary	0.77%
Austria	0.76%
Mexico	0.75%
Bermuda	0.74%
Czech Republic	0.70%
Poland	0.68%
New Zealand	0.61%
South Africa	0.60%
Cayman Islands	0.53%
Switzerland	0.29%
Portugal	0.27%
Slovenia	0.22%
Panama	0.17%
Ireland	0.15%
Marshalls Islands	0.14%
	100.00%

The following table shows the percent of total bonds by credit quality based on Moody's and Standard & Poor's ratings as of April 30, 2011 (unaudited):

AAA	52.31%
AA	2.61%
A	6.13%
BBB	6.02%
BB	11.85%
B	16.67%
CCC	3.61%
Less than CCC	0.80%
	100.00%

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The following table shows the percent of total bonds based on effective maturity as of April 30, 2011 (unaudited):

Less than 1 year	5.24%
1 to 3 year(s)	15.11%
3 to 5 years	32.22%
5 to 10 years	37.46%
10 to 20 years	6.65%
20 to 30 years	1.61%
Greater than 30 years	1.71%
	100.00%

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

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Statement of Assets and Liabilities April 30, 2011 (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 25

<b>Assets</b>	
Investments	
In unaffiliated securities, at value	\$ 913,254,725
In affiliated securities, at value	19,848,209
Total investments, at value (see cost below)	933,102,934
Cash	464,805
Foreign currency, at value (see cost below)	1,301,800
Receivable for investments sold	4,402,035
Principal paydown receivable	1,207,755
Receivable for interest	14,577,996
Unrealized gains on forward foreign currency contracts	1,730,873
Prepaid expenses and other assets	76,198
Total assets	956,864,396
<b>Liabilities</b>	
Dividends payable	4,205,500
Payable for investments purchased	9,226,884
Unrealized losses on forward foreign currency contracts	5,347,773
Payable for reverse repurchase agreements	100,166,125
Secured borrowing payable	130,077,982
Advisory fee payable	460,544
Due to other related parties	41,868
Accrued expenses and other liabilities	401,100
Total liabilities	249,927,776
<b>Total net assets</b>	<b>\$ 706,936,620</b>
<b>NET ASSETS CONSIST OF</b>	
Paid-in capital	\$ 780,337,042
Overdistributed net investment income	(9,246,497)
Accumulated net realized losses on investments	(119,804,902)
Net unrealized gains on investments	55,650,977
<b>Total net assets</b>	<b>\$ 706,936,620</b>
<b>COMPUTATION OF NET ASSET VALUE PER SHARE</b>	
Based on \$706,936,620 divided by 42,055,000 shares issued and outstanding (100,000,000 shares authorized)	\$ 16.81
Total investments, at cost	\$ 874,084,337
Foreign currency, at cost	\$ 1,241,583

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



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26 Wells Fargo Advantage Multi-Sector Income Fund

Statement of Operations Six Months Ended April 30, 2011 (Unaudited)

**Investment income**

Interest*	\$ 27,924,461
Dividends	71,364
Income from affiliated securities	50,979

Total investment income 28,046,804

**Expenses**

Advisory fee	2,526,813
Administration fee	229,710
Custody and accounting fees	108,638
Professional fees	45,601
Shareholder report expenses	58,990
Trustees' fees and expenses	9,519
Transfer agent fees	17,902
Interest expense	335,940
Secured borrowing fees	900,266
Other fees and expenses	43,916

Total expenses 4,277,295

Net investment income 23,769,509

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

**Net realized gains (losses) on:**

Unaffiliated securities	10,504,756
Forward foreign currency contract transactions	(6,469,370)

Net realized gains on investments 4,035,386

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

Unaffiliated securities	7,813,280
Affiliated securities	73,090
Forward foreign currency contract transactions	(3,235,669)

Net change in unrealized gains (losses) on investments 4,650,701

Net realized and unrealized gains (losses) on investments 8,686,087

**Net increase in net assets resulting from operations** **\$ 32,455,596**

\* Net of foreign withholding taxes of \$37,332

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

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Statements of Changes in Net Assets	Wells Fargo Advantage Multi-Sector Income Fund 27	
	Six Months Ended April 30, 2011 (Unaudited)	Year Ended October 31, 2010
<b>Operations</b>		
Net investment income	\$ 23,769,509	\$ 50,787,031
Net realized gains on investments	4,035,386	31,615,711
Net change in unrealized gains (losses) on investments	4,650,701	17,614,314
Dividends to preferred shareholders from net investment income	0	(656,310)
Net increase in net assets applicable to common shareholders resulting from operations	32,455,596	99,360,746
<b>Distributions to common shareholders from net investment income</b>	<b>(26,629,226)</b>	<b>(54,654,527)</b>
Total increase in net assets	5,826,370	44,706,219
<b>Net assets applicable to common shareholders</b>		
<b>Beginning of period</b>	<b>701,110,250</b>	<b>656,404,031</b>
<b>End of period</b>	<b>\$ 706,936,620</b>	<b>\$ 701,110,250</b>
<b>Overdistributed net investment income</b>	<b>\$ (9,246,497)</b>	<b>\$ (4,283,816)</b>

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

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28 Wells Fargo Advantage Multi-Sector Income Fund

Statement of Cash Flows April 30, 2011 (Unaudited)

<b>Cash flows from operating activities:</b>	
Net increase in net assets resulting from operations	\$ 32,455,596
<b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b>	
Purchase of investment securities	(250,364,108)
Proceeds from sales of securities	228,644,184
Paydowns	29,278,732
Amortization	(939,485)
Sale of short-term investment securities, net	2,381,823
Decrease in dividends and interest receivable	164,206
Decrease in receivable for investments sold	9,587,851
Decrease in principal paydown receivable	164,195
Increase in prepaid expenses and other assets	(66,961)
Decrease in payable for investments purchased	(9,223,407)
Decrease in advisory fee payable	(80)
Decrease in due to other related parties	(7)
Increase in accrued expenses and other liabilities	36,615
Unrealized gains on securities	(7,886,370)
Unrealized losses on forward foreign currency contract transactions	3,235,669
Net realized gains on securities	(10,504,756)
Net cash provided by operating activities	26,963,697
<b>Cash flows from financing activities:</b>	
Cash distributions paid on common shares	(26,978,282)
Decrease in reverse repurchase agreements	(38,799)
Increase in secured borrowing	67,526
Net cash used in financing activities	(26,949,555)
Net increase in cash	14,142
<b>Cash (including foreign currency):</b>	
Beginning of period	\$ 1,752,463
End of period	\$ 1,766,605
<b>Supplemental cash disclosure</b>	
Cash paid for interest	\$ 307,214

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

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## Financial Highlights

Wells Fargo Advantage Multi-Sector Income Fund 29

(For a common share outstanding throughout each period)

	Six Months Ended April 30,		Year Ended October 31,			
	2011 (Unaudited)	2010	2009	2008	2007	2006
<b>Net asset value, beginning of period</b>	\$ 16.67	\$ 15.61	\$ 13.47	\$ 18.74	\$ 18.55	\$ 18.91
<b>Income from investment operations</b>						
Net investment income	0.57	1.21	1.33	1.68	1.73 <sup>1</sup>	1.60 <sup>1</sup>
Net realized and unrealized gains (losses) on investments	0.20	1.17	3.26	(5.35)	0.29	(0.06)
Distributions to preferred shareholders from net investment income	0	(0.02) <sup>1</sup>	(0.03) <sup>1</sup>	(0.30) <sup>1</sup>	(0.51) <sup>1</sup>	(0.45) <sup>1</sup>
Total from investment operations	0.77	2.36	4.56	(3.97)	1.51	1.09
<b>Distributions to common shareholders from</b>						
Net investment income	(0.63)	(1.30)	(2.20)	(1.30)	(1.29)	(1.34)
Net realized gains	0	0	0	0	0	(0.01)
Tax basis return of capital	0	0	(0.22)	0	(0.03)	(0.10)
Total distributions to common shareholders	(0.63)	(1.30)	(2.42)	(1.30)	(1.32)	(1.45)
<b>Net asset value, end of period</b>	\$ 16.81	\$ 16.67	\$ 15.61	\$ 13.47	\$ 18.74	\$ 18.55
<b>Market asset value, end of period</b>	\$ 15.13	\$ 16.18	\$ 13.73	\$ 11.68	\$ 16.22	\$ 17.07
<b>Total return based on market value<sup>2</sup></b>	<b>(2.56)%</b>	<b>28.44%</b>	<b>44.93%</b>	<b>(21.43)%</b>	<b>2.64%</b>	<b>13.46%</b>
<b>Ratios and supplemental data</b>						
Net assets of common shareholders, end of period (thousands)	\$706,937	\$701,110	\$656,404	\$566,515	\$787,919	\$780,321
Liquidation value of Preferred Shares, end of period (thousands)	NA	NA	\$80,035	\$80,108	\$400,475	\$400,402
Asset coverage ratio, end of period	NA	NA	385%	249%	296%	299%
<b>Ratios to average net assets applicable to common shareholders (annualized)</b>						
Expenses including waivers/reimbursements and interest expense	1.24%	1.18%	1.62%	1.90%	1.15%	1.15%
Expenses including interest expense but excluding waivers/reimbursements	1.24%	1.58%	3.07%	1.95%	1.15%	1.15%
Expenses including waivers/reimbursements but excluding interest expense	1.14%	1.10%	1.15%	1.36%	1.13%	1.14%
Interest expense <sup>3</sup>	0.10%	0.08%	0.47%	0.54%	0.02%	0.01%
Net investment income	6.89%	7.63% <sup>4</sup>	9.65% <sup>4</sup>	7.85% <sup>4</sup>	6.54% <sup>4</sup>	6.18% <sup>4</sup>
Portfolio turnover rate	20%	70%	93%	92%	95%	62%

<sup>1</sup>-Calculated based on average common shares outstanding during the period.<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 or sales charges.

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

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

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

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30 Wells Fargo Advantage Multi-Sector Income Fund

Notes to Financial Statements (Unaudited)

**1. ORGANIZATION**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**Securities valuation**

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

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

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

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

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

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

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

The valuation techniques used by the Fund to measure fair value are consistent with the market approach, income approach and/or cost approach, where applicable, for each security type.

**Foreign currency translation**

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The accounting records of the Fund are maintained in U.S. dollars. Assets, including investment securities, and liabilities denominated in foreign currency are translated into U.S. dollars at the prevailing rates of exchange at the date of valuation. Purchases and sales of securities, and income and expenses are translated at the prevailing rate of exchange on



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Notes to Financial Statements (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 31

the respective dates of such transactions. Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting in changes in exchange rates.

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

**Reverse repurchase agreements**

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

**Forward foreign currency contracts**

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

**When-issued transactions**

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

**Term loans**

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

**Credit default swaps**

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

either the seller of protection or the buyer of protection. As the seller of protection, the Fund is subject to investment exposure on the notional amount of the

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Notes to Financial Statements (Unaudited)

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

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

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

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

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

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

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

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

### **Distributions to shareholders**

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

### **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.

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As of October 31, 2010, the Fund had estimated net capital loss carryforwards, which are available to offset future net realized capital gains, in the amount of \$121,085,066 with \$31,633,593 expiring in 2016 and \$89,451,473 expiring in 2017.

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Wells Fargo Advantage Multi-Sector Income Fund 33

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

**3. FAIR VALUATION MEASUREMENTS**

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

n Level 1 quoted prices in active markets for identical securities

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

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

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

As of April 30, 2011, the inputs used in valuing the Fund's assets, which are carried at fair value, were as follows:

	Significant			Total
	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
<b>Investments in Securities</b>				
<b>Equity securities</b>				
Common stocks	\$ 1,179,199	\$ 0	\$ 0	\$ 1,179,199
Preferred stocks	0	703,688	0	703,688
Investment companies	1,007,484	0	0	1,007,484
<b>Agency securities</b>	0	211,105,279	0	211,105,279
<b>Convertible debentures</b>	0	1,126,394	0	1,126,394
<b>Corporate bonds and notes</b>	0	371,847,562	5,828,845	377,676,407
<b>Foreign corporate bonds</b>	0	92,874,994	0	92,874,994
<b>Foreign government bonds</b>	0	130,935,233	0	130,935,233
<b>Non-agency mortgage backed securities</b>	0	11,185,566	1,837,602	13,023,168
<b>Term loans</b>	0	34,780,160	3,057,204	37,837,364
<b>Yankee corporate bonds and notes</b>	0	47,079,360	191	47,079,551
<b>Short-term investments</b>				
Investment companies	18,554,173	0	0	18,554,173
	<b>\$ 20,740,856</b>	<b>\$ 901,638,236</b>	<b>\$ 10,723,842</b>	<b>\$ 933,102,934</b>

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

As of April 30, 2011, the inputs used in valuing the Fund's other financial instruments, which are carried at fair value, were as follows:

	Quoted Prices	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
Other financial instruments	(Level 1)	(Level 2)	(Level 3)	
<b>Forward foreign currency contracts</b>	\$ 0	\$ (3,616,900)	\$ 0	\$ (3,616,900)

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Notes to Financial Statements (Unaudited)

Transfers in and transfers out are recognized at the end of the reporting period. For the six months ended April 30, 2011, the Fund did not have any significant transfers into/out of Level 1 and Level 2.

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

	Non-agency			Yankee corporate bonds and notes	Term loans	Common stock	Total
	Corporate bonds and notes	mortgage- backed securities	Foreign corporate bonds				
<b>Balance as of October 31, 2010</b>	\$ 5,753,667	\$ 0	\$ 560,823	\$ 191	\$ 0	\$ 0	\$ 6,314,681
Accrued discounts (premiums)	1,160	0	0	0	114	0	1,274
Change in unrealized gains (losses)	74,003	0	52,320	0	5,825	0	132,148
Purchases	0	2,000,000	0	0	942,875	0	2,942,875
Sales	0	(162,398)	0	0	0	0	(162,398)
Transfers into Level 3	15	0	0	0	2,108,390	0	2,108,405
Transfers out of Level 3	0	0	(613,143)	0	0	0	(613,143)
<b>Balance as of April 30, 2011</b>	\$ 5,828,845	\$ 1,837,602	\$ 0	\$ 191	\$ 3,057,204	\$ 0	\$ 10,723,842
<b>Change in unrealized gains (losses) relating to securities still held at April 30, 2011</b>	\$ 74,003	\$ 0	\$ 0	\$ 0	\$ 5,825	\$ 0	\$ 79,828

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

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

Funds Management may retain the services of certain sub-advisers to provide daily portfolio management to the Fund. The fees related to sub-advisory services are borne directly by the adviser and do not increase the overall fees paid by the Fund to the adviser. Wells Capital Management Incorporated ( Wells Capital Management ), an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo, is a sub-adviser to the Fund and is entitled to receive a fee by the adviser at an annual rate of 0.30% of the Fund's average daily total assets. First International Advisors, LLC ( FIA ), an affiliate of Funds Management and an indirect, wholly-owned subsidiary of Wells Fargo, is also a sub-adviser to the Fund and is entitled to receive a fee at an annual rate of 0.10% of the Fund's average daily total assets.

**Administration fee**

Funds Management also serves as the administrator to the Fund providing the Fund with facilities, equipment and personnel. Funds Management is entitled to receive an annual administration fee of 0.05% of the Fund's average daily total assets.

**5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized capital of 100,000,000 common shares with no par value. For the six months ended April 30, 2011 and the year ended October 31, 2010, the Fund did not issue any common shares.

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

**6. BORROWINGS AND LEVERAGE TRANSACTIONS**

The Fund borrowed \$130 million through a secured debt financing agreement administered by a major financial institution (the Facility ) to redeem all of its Preferred Shares. The Facility has a commitment amount of \$130 million which expires on February 29, 2012, at which point it

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may be renegotiated and potentially renewed for another term. At April 30, 2011, the Fund had secured borrowings outstanding in the amount of \$130,077,982 (including accrued interest and liquidity and program fees payable).



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Wells Fargo Advantage Multi-Sector Income Fund 35

The Fund's borrowings under the Facility are generally charged interest at a rate based on the rates of the commercial paper notes issued to fund the Fund's borrowings or at the London Interbank Offered Rate (LIBOR) plus 1.0%. During the six months ended April 30, 2011, an effective interest rate of 0.25% was incurred on the borrowings. Interest expense of \$166,229, representing 0.05% of the Fund's average daily net assets (on an annualized basis), was incurred during the six months ended April 30, 2011.

The Fund has pledged all of its assets to secure the borrowings and currently pays, on a monthly basis, a liquidity fee at an annual rate of 0.50% of the daily average outstanding principal amount of borrowings and a program fee at an annual rate of 0.50% of the product of (i) the daily average outstanding principal amount of borrowings and (ii) 1.02. Prior to April 26, 2011, both the liquidity fee and program fee were charged at an annual rate of 0.60%. The secured borrowing fees on the Statement of Operations of \$900,266 represents liquidity fees and program fees.

During the six months ended April 30, 2011, the Fund entered into reverse repurchase agreements that had an average daily balance outstanding of \$100,193,781 with an effective annual interest rate of 0.34% and paid interest of \$169,711, representing 0.05% of the Fund's average daily net assets (on an annualized basis). The maximum amount outstanding under reverse repurchase agreements during the six months ended April 30, 2011 was \$100,365,125 (including accrued interest). At April 30, 2011, reverse repurchase agreements outstanding were as follows:

Repurchase Amount	Counterparty	Interest Rate	Maturity Date
\$ 33,191,511	Credit Suisse	0.32%	5/18/2011
33,826,810	Goldman Sachs	0.33%	5/18/2011
33,147,804	Morgan Stanley	0.32%	5/18/2011

**7. INVESTMENT PORTFOLIO TRANSACTIONS**

Purchases and sales of investments, exclusive of short-term securities (securities with maturities of one year or less at purchase date) for the six months ended April 30, 2011, were as follows:

	Purchases at Cost	Sales Proceeds
<b>U.S. Government</b>	\$ 17,631,934	\$ 0
<b>Non-U.S. Government</b>	222,385,660	213,955,858

As of April 30, 2011, the Fund had unfunded loan commitments of \$627,562.

**8. DERIVATIVE TRANSACTIONS**

During the six month ended April 30, 2011, the Fund entered into forward foreign currency contracts for hedging purposes.

At April 30, 2011, the Fund had forward foreign currency contracts outstanding as follows:

Forward Foreign Currency Contracts to Buy:

Exchange Date	Counterparty	Contracts to Receive	U.S. Value at April 30, 2011	In Exchange for U.S. \$	Net Unrealized Gains (Losses)
05/24/2011	State Street Bank	1,251,428,000 HUF	\$ 7,000,681	\$ 6,790,684	\$ 209,997
05/24/2011	State Street Bank	400,000ZAR	60,761	59,277	1,484
05/31/2011	State Street Bank	1,770,000,000 JPY	21,823,171	21,567,218	255,953
05/31/2011	State Street Bank	95,000,000 JPY	1,171,300	1,121,897	49,403
06/01/2011	State Street Bank	8,330,000 EUR	12,328,161	11,582,948	745,213

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Exchange Date	Counterparty	Contracts to Receive	U.S. Value at		U.S. Value at	
			April 30, 2011	In Exchange for	April 30, 2011	Net Unrealized Gains (Losses)
05/2/2011	State Street Bank	850,000 CAD	\$ 898,378	71,978,000 JPY	\$ 887,358	\$ 11,020
05/2/2011	State Street Bank	9,000,000 CAD	9,512,234	759,924,000 JPY	9,368,477	143,757

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Notes to Financial Statements (Unaudited)

Exchange Date	Counterparty	Contracts to Receive	CAD	U.S. Value at		JPY	U.S. Value at		Net Unrealized Gains (Losses)
				April 30, 2011	In Exchange for		April 30, 2011	April 30, 2011	
05/2/2011	State Street Bank	2,300,000	CAD	\$ 2,430,904	195,649,500	JPY	\$ 2,412,001	\$ 18,903	
05/2/2011	State Street Bank	1,908,012,675	JPY	23,522,316	23,025,000	CAD	24,335,464	(813,148)	
05/18/2011	State Street Bank	505,791,720	JPY	6,235,805	17,640,000	PLN	6,636,144	(400,339)	
05/25/2011	State Street Bank	1,630,000	AUD	1,781,697	144,830,390	JPY	1,785,638	(3,941)	
05/25/2011	State Street Bank	4,400,000	AUD	4,809,489	386,669,800	JPY	4,767,315	42,174	
05/25/2011	State Street Bank	835,635,000	JPY	10,302,681	10,200,000	AUD	11,149,270	(846,589)	
05/25/2011	State Street Bank	1,082,396,000	JPY	13,345,037	13,330,000	AUD	14,570,565	(1,225,528)	
06/1/2011	State Street Bank	736,160	GBP	1,229,213	98,200,000	JPY	1,210,760	18,453	
06/1/2011	State Street Bank	310,000,000	JPY	3,822,153	2,359,298	GBP	3,939,472	(117,319)	
06/1/2011	State Street Bank	388,940,500	JPY	4,795,453	3,250,000	EUR	4,809,907	(14,454)	
06/21/2011	State Street Bank	5,730,000	GBP	9,565,224	767,665,290	JPY	9,465,909	99,315	
07/13/2011	State Street Bank	950,665,500	JPY	11,723,901	14,450,000	NZD	11,637,897	86,004	
08/2/2011	State Street Bank	933,836,250	JPY	11,517,812	10,875,000	CAD	11,468,615	49,197	

Forward Foreign Currency Contracts to Sell:

Exchange Date	Counterparty	Contracts to Deliver	DKK	U.S. Value at		HUF	In Exchange for U.S. \$	Net Unrealized Gains (Losses)
				April 30, 2011	April 30, 2011			
05/18/2011	State Street Bank	62,100,000	DKK	\$ 12,329,790	\$ 11,586,686	HUF	\$ (743,104)	
05/24/2011	State Street Bank	302,890,000	HUF	1,694,413	1,508,266	HUF	(186,147)	
05/24/2011	State Street Bank	313,180,000	HUF	1,751,977	1,585,079	HUF	(166,898)	
05/24/2011	State Street Bank	635,358,000	HUF	3,554,291	3,168,236	HUF	(386,055)	
05/24/2011	State Street Bank	14,615,000	ZAR	2,220,051	2,079,598	ZAR	(140,453)	
05/24/2011	State Street Bank	16,060,000	ZAR	2,439,550	2,221,454	ZAR	(218,096)	
06/1/2011	State Street Bank	4,517,454	EUR	6,685,702	6,600,000	EUR	(85,702)	

The Fund had average market values of \$123,970,446 and \$19,889,825 in forward foreign currency contracts to buy and forward foreign currency contracts to sell, respectively, during the six months ended April 30, 2011.

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

**9. INDEMNIFICATION**

Under the Fund's organizational documents, the officers and directors are indemnified against certain liabilities that may arise out of performance of their duties to the 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 common shareholders:

Declaration Date	Record Date	Payable Date	Net Investment Income
April 22, 2011	May 16, 2011	June 1, 2011	\$ 0.1000
May 18, 2011	June 15, 2011	July 1, 2011	\$ 0.1000
June 17, 2011	July 13, 2011	August 1, 2011	\$ 0.1000

These distributions are not reflected in the accompanying financial statements.

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Wells Fargo Advantage Multi-Sector Income Fund 37

**ANNUAL MEETING OF SHAREHOLDERS**

On February 14, 2011, an Annual Meeting of Shareholders for the Fund was held to consider the following proposal. The results of the proposal are indicated below.

**Proposal 1** Election of Trustees:

Net Assets Voted For	Isaiah Harris, Jr.	\$ 616,271,217
Net Assets Voted Withheld		\$ 13,192,724
Net Assets Voted For	David F. Larcker	\$ 617,146,473
Net Assets Voted Withheld		\$ 12,317,468
Net Assets Voted For	Olivia S. Mitchell	\$ 617,191,181
Net Assets Voted Withheld		\$ 12,272,760

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**PROXY VOTING INFORMATION**

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling 1-800-222-8222, visiting our Web site at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds), or visiting the SEC Web site at [www.sec.gov](http://www.sec.gov). Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Funds' Web site at [www.wellsfargo.com/advantagefunds](http://www.wellsfargo.com/advantagefunds) or by visiting the SEC Web site at [www.sec.gov](http://www.sec.gov).

**PORTFOLIO HOLDINGS INFORMATION**

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

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**BOARD OF TRUSTEES**

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

**Independent Trustees**

Name and Year of Birth	Position Held and Length of Service	Principal Occupations During Past Five Years	Other Directorships During Past Five Years
Peter G. Gordon (Born 1942)	Trustee, since 2010; Chairman, since 2010	Co-Founder, Chairman, President and CEO of Crystal Geysler Water Company. Trustee Emeritus, Colby College	Asset Allocation Trust
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Mr. Harris is a certified public accountant.	CIGNA Corporation; Deluxe Corporation; Asset Allocation Trust
Judith M. Johnson (Born 1949)	Trustee, since 2010	Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.	Asset Allocation Trust
Leroy Keith, Jr. (Born 1939)	Trustee, since 2004	Chairman, Bloc Global Services (development and construction), Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, In c. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services.	Trustee, Virtus Fund Complex (consisting of 45 portfolios as of 12/31/10); Director, Diversapack Co. (packaging company); Asset Allocation Trust Asset Allocation Trust
David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of Corporate Governance Research Program and Co-Director of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	Asset Allocation Trust
Olivia S. Mitchell (Born 1953)	Trustee, since 2010	International Foundation of Employee Benefit Plans Professor and Chair of the Department of Insurance and Risk Management, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993.	Asset Allocation Trust

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Name and Position Held and			Other Directorships
Year of Birth	Length of Service	Principal Occupations During Past Five Years	During Past Five Years
Timothy J. Penny (Born 1951)	Trustee, since 2010	President and CEO of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, In c., a non-profit organization, since 2007.	Asset Allocation Trust
Michael S. Scofield (Born 1943)	Trustee, since 2004	Currently serves on the Investment Company Institute's Board of Governors and Executive Committee as well the Independent Director's Counsel Board of Governors and Executive Committee. Former Chairman of the Independent Directors Counsel. Trustee of the Evergreen Funds from 1984 to 2010. Retired Attorney, Law Offices of Michael S. Scofield and former Director and Chairman, Branded Media Corporation (multi-media branding company).	Asset Allocation Trust
Donald C. Willeke (Born 1940)	Trustee, since 2010	Principal of the law firm of Willeke & Daniels. General Counsel of the Minneapolis Employees Retirement Fund from 1984 until its consolidation into the Minnesota Public Employees Retirement Association on June 30, 2010.	Asset Allocation Trust

**Officers**

Name and		
Year of Birth	Position Held and Length of Service	Principal Occupations During Past Five Years
Karla M. Rabusch (Born 1959)	President, since 2010	Executive Vice President of Wells Fargo Bank, N.A. and President of Wells Fargo Funds Management, LLC since 2003. Senior Vice President and Chief Administrative Officer of Wells Fargo Funds Management, LLC from 2001 to 2003. Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Vice President and Managing Counsel of Wells Fargo Bank, N.A. since 1996.
C. David Messman (Born 1960)	Secretary, since 2010; Chief Legal Counsel, since 2010	
Kasey Phillips (Born 1970)	Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2006 to 2010. Treasurer of the Evergreen Funds from 2005 to 2010. Vice President and Assistant Vice President of Evergreen Investment Services, Inc. from 1999 to 2006.
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Assistant Vice President of Evergreen Investment Services, Inc. from 2004 to 2008. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.
Jeremy DePalma (Born 1974)	Assistant Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Vice President, Evergreen Investment Services, Inc. from 2004 to 2007. Assistant Vice President, Evergreen Investment Services, Inc. from 2000 to 2004 and the head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.
Debra Ann Early (Born 1964)	Chief Compliance Officer, since 2010	Chief Compliance Officer of Wells Fargo Funds Management, LLC since 2007. Chief Compliance Officer of Parnassus Investments from 2005 to 2007. Chief Financial Officer of Parnassus Investments from 2004 to 2007 and Senior Audit Manager of PricewaterhouseCoopers LLP from 1998 to 2004.

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Other Information (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 41

**BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:****Multi-Sector Income Fund**

Each year, as required by Section 15 of the Investment Company Act of 1940 (the 1940 Act ), the Board of Trustees (the Board ) of Wells Fargo Advantage Multi-Sector Income Fund (the Fund ), all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not interested persons of the Trust, as defined in the 1940 Act (the Independent Trustees ), determines whether to approve the continuation of the Trust's investment advisory and sub-advisory agreements. In this regard, at an in person meeting held on March 24-25, 2011 (the Meeting ), the Board reviewed and re-approved each of: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC ( Funds Management ), (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated ( Wells Capital Management ) and (iii) an investment sub-advisory agreement with First International Advisors, LLC ( FIA ) for the Fund. The investment advisory agreement with Funds Management and the investment sub-advisory agreements with Wells Capital Management and FIA (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 continuation of the Advisory Agreements. Prior to the Meeting, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. The Board also met throughout the year and received information that was useful to them in considering the continuation of the Advisory Agreements. 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 from Funds Management.

**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. The Board also received and considered information provided in response to a detailed set of requests submitted by the Independent Trustees' independent legal counsel on their behalf. The Board received and considered, among other things, information about the background and experience of senior management of Funds Management, and the qualifications, backgrounds, tenures and responsibilities of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

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

The Board's decision to approve the continuation of the Advisory Agreements was based on a comprehensive evaluation of all of the information provided to it. In approving the continuation of the Advisory Agreements, the Board did not identify any particular information or consideration that was all-important or controlling, and each Trustee attributed different weights to various factors. The Board evaluated information provided to it both in terms of the funds generally and with respect to the Fund, specifically as it considered appropriate. Although the Board considered the continuation of the Advisory Agreements for the Fund as part of the larger process of considering the continuation of the advisory agreements for all of the funds, its decision to continue the Advisory Agreements for the Fund was ultimately made on a fund-by-fund basis.

In considering these matters, 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, including Funds Management's oversight of service providers. The above factors, together with those referenced below, are some of the most important, but not necessarily all, factors considered by the Board in concluding that it was satisfied with the nature, extent and quality of the investment advisory services provided to the Fund by Funds Management and the Sub-Advisers.



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42 Wells Fargo Advantage Multi-Sector Income Fund

Other Information (Unaudited)

**Fund performance and expenses**

The Board considered the performance results for the Fund over various time periods ended December 31, 2010. The Board also considered these results in comparison to the median performance of a universe of relevant funds (the Universe) that was determined by Lipper Inc. (Lipper) to be similar to the Fund, and in comparison to the Fund's benchmark index and to other comparative data. Lipper is an independent provider of investment company data. The Board received a description of the methodology used by Lipper to select the mutual funds in the Universe.

The Board noted that the performance of the Fund was higher than or in range of the median performance of the Universe for one- and five-year periods under review. The Board also noted that the performance of the Fund was lower than the median performance of the Universe for the three-year period under review. The Board received an analysis of, and discussed factors contributing to, the performance of the Fund relative to the Universe. The Board noted that the Fund's performance was in range of its benchmark for the fourth quarter of 2010. The Board also noted the change in the investment management team that was responsible for managing a portion of the Fund's portfolio that had occurred earlier during the year. The Board was satisfied that the Fund's investment performance was being appropriately monitored and that Funds Management and the Sub-Advisers were taking appropriate actions with respect to the Fund's investment performance and requested continued reports on the performance of the Fund.

The Board received and considered information regarding the Fund's contractual advisory fee and net operating expense ratios and their various components, including actual management fees (which reflect fee waivers, if any), transfer agent, custodian and other non-management fees. The Board also considered these ratios in comparison to the median ratios of an expense Universe and a narrower expense group of mutual funds (each, an Expense Group) that was determined by Lipper to be similar to the Fund. The Board received a description of the methodology used by Lipper to select the mutual funds in the Fund's Expense Group. The Board noted that the net operating expense ratio of the Fund was lower than the Fund's Expense Group's median net operating expense ratio.

Based on the above-referenced considerations and other factors, the Board concluded that the overall performance and expense structure of the Fund supported the re-approval of the Advisory Agreements for the Fund.

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

The Board reviewed and considered the contractual investment advisory fee rate that is payable by the Fund to Funds Management for investment advisory services (the Advisory Agreement Rate), both on a stand-alone basis and on a combined basis with the Fund's administration fee rate. The Board took into account the separate administrative and other services covered by the administration fee rate. The Board also reviewed and considered the contractual investment sub-advisory fee rate that is payable by Funds Management to the Sub-Advisers for investment sub-advisory services (the Sub-Advisory Agreement Rates). In addition, the Board reviewed and considered the existing fee waiver/cap arrangements applicable to the Advisory Agreement Rate and considered the Advisory Agreement Rate after taking the waivers/caps into account (the Net Advisory Rate).

The Board received and considered information comparing the Advisory Agreement Rate and Net Advisory Rate with those of other funds in the Fund's Expense Group median. The Board noted that the Advisory Agreement Rate and Net Advisory Rate for the Fund were in range of the median rates for the Fund's Expense Group.

The Board also received and considered information about the nature and extent of services offered and fee rates charged by Funds Management and the Sub-Advisers to other types of clients. In this regard, the Board received information about differences between the services, and the compliance, reporting, and other legal burdens and risks of providing investment advice to mutual funds and those associated with providing advice to non-mutual fund clients such as collective funds or institutional separate accounts.

The Board determined that the Advisory Agreement Rate for the Fund, both with and without an administration fee rate and before and after waivers, were acceptable in light of the Fund's Expense Group information, the net expense ratio commitments, the services covered by the Advisory Agreements and other information provided. The Board also reviewed and considered the Sub-Advisory Agreement Rates and concluded that the Sub-Advisory Agreement Rates were acceptable in light of the services covered by the Sub-Advisory Agreements and other information provided.

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Other Information (Unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 43

**Profitability**

The Board received and considered a profitability analysis of Funds Management, as well as an analysis of the profitability to the collective Wells Fargo businesses that provide services to the Fund. It considered that the information provided to it was necessarily estimated, and that the profitability information provided to it, especially on a fund-by-fund basis, did not necessarily provide a precise tool for evaluating the appropriateness of the Fund's Advisory Agreement Rates in isolation. It noted that the levels of profitability of the Fund to Funds Management varied widely, depending on, among other things, the size and type of fund. The Board concluded that the profitability to Funds Management of the services provided to any of the Fund, individually or in the aggregate, was not unreasonable.

The Board did not consider separate profitability information with respect to Wells Capital Management and FIA, because, as affiliates of Funds Management, their profitability information was subsumed in the collective Wells Fargo profitability analysis provided by Funds Management.

**Economies of scale**

The Board considered that, in light of the fact that the Fund was not making a continuous offering of its shares, the likelihood of economies of scale following the Fund's initial offering was relatively low, although they determined to continue to monitor the Fund's expense ratio and the profitability of the investment advisory agreement to Funds Management in light of future growth of the Fund.

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

The Board received and considered information regarding potential fall-out or ancillary benefits received by Funds Management and its affiliates and the Sub-Advisers as a result of their relationship with the Fund. Ancillary benefits could include, among others, benefits directly attributable to the relationship of Funds Management and the Sub-Advisers with the Fund and benefits potentially derived from an increase in Funds Management's and each Sub-Adviser's business as a result of their relationship with the Fund (such as the ability to market to shareholders other financial products offered by Funds Management and its affiliates or the Sub-Advisers and their affiliates).

**Other factors and broader review**

The Board also considered the markets for distribution of the Fund's shares, including the multiple channels through which the Fund's shares are offered and sold. The Board noted that the Fund is part of one of the few fund families that have both direct-to-fund and intermediary distribution channels. As discussed above, the Board reviews detailed materials received from Funds Management and the Sub-Advisers annually as part of the re-approval process under Section 15 of the 1940 Act and also reviews and assesses information about the quality of the services that the Fund receives throughout the year. In this regard, the Board has reviewed reports of Funds Management at each of its quarterly meetings, which include, among other things, portfolio reviews and performance reports. In addition, the Board confers with portfolio managers at various times throughout the year.

**Conclusion**

After considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board concluded that approval of the continuation of the Advisory Agreements for the Fund was in the best interest of the Fund and its shareholders. Accordingly, the Board unanimously approved the continuation of the Advisory Agreements for an additional one-year period.

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44 Wells Fargo Advantage Multi-Sector Income Fund

Automatic Dividend Reinvestment Plan (Unaudited)

**AUTOMATIC DIVIDEND REINVESTMENT PLAN**

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

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## List of Abbreviations

Wells Fargo Advantage Multi-Sector Income Fund 45

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

ABAG	Association of Bay Area Governments
ACB	Agricultural Credit Bank
ADR	American Depositary Receipt
ADS	American Depositary Shares
AGC-ICC	Assured Guaranty Corporation - Insured Custody Certificates
AGM	Assured Guaranty Municipal
AMBAC	American Municipal Bond Assurance Corporation
AMT	Alternative Minimum Tax
ARM	Adjustable Rate Mortgage
AUD	Australian Dollar
BAN	Bond Anticipation Notes
BART	Bay Area Rapid Transit
BHAC	Berkshire Hathaway Assurance Corporation
BRL	Brazil Real
CAD	Canadian Dollar
CDA	Community Development Authority
CDO	Collateralized Debt Obligation
CDSC	Contingent Deferred Sales Charge
CGIC	Capital Guaranty Insurance Company
CGY	Capital Guaranty Corporation
CHF	Swiss Franc
CIFG	CDC (Caisse des Dépôts et Consignations) IX IS Financial Guarantee
COP	Certificate of Participation
CP	Commercial Paper
CR	Custody Receipts
CTF	Common Trust Fund
DEM	Deutsche Mark
DKK	Danish Krone
DRIVER	Derivative Inverse Tax-Exempt Receipts
DW&P	Department of Water & Power
DWR	Department of Water Resources
ECFA	Educational & Cultural Facilities Authority
EDFA	Economic Development Finance Authority
ETET	Eagle Tax-Exempt Trust
ETF	Exchange-Traded Fund
EUR	Euro
FFCB	Federal Farm Credit Bank
FGIC	Financial Guaranty Insurance Corporation
FHA	Federal Housing Authority
FHAG	Federal Housing Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FRF	French Franc
FSA	Farm Service Agency
GBP	Great British Pound
GDR	Global Depositary Receipt
GNMA	Government National Mortgage Association
GO	General Obligation
HCFR	Healthcare Facilities Revenue
HEFA	Health & Educational Facilities Authority
HEFAR	Higher Education Facilities Authority Revenue
HFA	Housing Finance Authority
HFFA	Health Facilities Financing Authority
HKD	Hong Kong Dollar
HUD	Housing & Urban Development
HUF	Hungarian Forint

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IDA	Industrial Development Authority
IDAG	Industrial Development Agency
IDR	Industrial Development Revenue
IEP	Irish Pound
JPY	Japanese Yen
KRW	Republic of Korea Won
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LLP	Limited Liability Partnership
LOC	Letter of Credit
LP	Limited Partnership
MBIA	Municipal Bond Insurance Association
MFHR	Multi-Family Housing Revenue
MFMR	Multi-Family Mortgage Revenue
MMD	Municipal Market Data
MSTR	Municipal Securities Trust Receipts
MTN	Medium Term Note
MUD	Municipal Utility District
MXN	Mexican Peso
MYR	Malaysian Ringgit
NATL-RE	National Public Finance Guarantee Corporation
NLG	Netherlands Guilder
NOK	Norwegian Krone
NZD	New Zealand Dollar
PCFA	Pollution Control Finance Authority
PCR	Pollution Control Revenue
PFA	Public Finance Authority
PFFA	Public Facilities Financing Authority
PFOTER	Puttable Floating Option Tax-Exempt Receipts
plc	Public Limited Company
PLN	Polish Zloty
PSFG	Public School Fund Guaranty
PUTTER	Puttable Tax-Exempt Receipts
R&D	Research & Development
RDA	Redevelopment Authority
RDFA	Redevelopment Finance Authority
REIT	Real Estate Investment Trust
ROC	Reset Option Certificates
SEK	Swedish Krona
SFHR	Single Family Housing Revenue
SFMR	Single Family Mortgage Revenue
SGD	Singapore Dollar
SKK	Slovakian Koruna
SLMA	Student Loan Marketing Association
SPDR	Standard & Poor's Depository Receipts
STIT	Short-Term Investment Trust
TAN	Tax Anticipation Notes
TBA	To Be Announced
TRAN	Tax Revenue Anticipation Notes
TCR	Transferable Custody Receipts
TRY	Turkish Lira
TTFA	Transportation Trust Fund Authority
USD	United States Dollar
XLCA	XL Capital Assurance
ZAR	South African Rand

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Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

1-800-730-6001

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

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**ITEM 2. CODE OF ETHICS**

Not required in this filing

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

Not required in this filing.

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

Not required in this filing.

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

Not required in this filing.

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### **ITEM 6. SCHEDULE OF INVESTMENTS**

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

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

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

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

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

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candidate to interview in person and furnish such other information as it may reasonably require or deem necessary to determine the eligibility of such candidate to serve as a Trustee of the Trust.

**ITEM 11. CONTROLS AND PROCEDURES**

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

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

**ITEM 12. EXHIBITS**

(a)(1) Not required in this filing.

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

(a)(3) Not applicable.

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

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**SIGNATURES**

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

Wells Fargo Advantage Multi-Sector Income Fund

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

Date: June 28, 2011

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

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

Date: June 28, 2011

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

Date: June 28, 2011