

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND
Form N-CSR
December 28, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811- 21331

Wells Fargo Advantage Multi-Sector Income Fund

(Exact name of registrant as specified in charter)

525 Market St., San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

C. David Messman

Wells Fargo Funds Management, LLC

525 Market St., San Francisco, CA 94105

(Name and address of agent for service)

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

Date of fiscal year end: October 31, 2012

Date of reporting period: October 31, 2012

ITEM 1. REPORT TO SHAREHOLDERS

Wells Fargo Advantage Multi-Sector Income Fund

Annual Report

October 31, 2012

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 and any forward-looking statements are as of October 31, 2012, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Advantage Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements; the views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC, disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

Karla M. Rabusch

President

Wells Fargo Advantage Funds

During the period, global fixed-income markets fluctuated between periods of risk aversion and corresponding recoveries in investor confidence that drove bond prices higher and yields lower.

Dear Valued Shareholder:

We are pleased to offer you this annual report for the *Wells Fargo Advantage Multi-Sector Income Fund* for the 12-month period that ended October 31, 2012. Upon reviewing the report, you may notice that your Fund has included a summary portfolio schedule in lieu of a complete portfolio schedule, which we hope will help you focus on your Fund's principal holdings and assist you in evaluating your Fund's risk profile and investment strategy. For those investors who wish to see it, the Fund's full portfolio is still available upon request or via wellsfargoadvantagefunds.com or the web link found on the summary portfolio schedule.

During the period, global fixed-income markets fluctuated between periods of risk aversion and corresponding recoveries in investor confidence that drove bond prices higher and yields lower. On the whole, global bond markets generated positive returns during the period, benefiting from strong rallies over the final three months of the period in the corporate bond and securitized sectors. The lower-rated credit tiers and longest-maturity segments of the fixed-income markets outperformed the higher-quality and shorter-maturity segments during the period, overcoming spates of risk aversion that temporarily damaged security valuations in the spring months of 2012.

Global credit markets were roiled by the European debt crisis.

The 12-month period began on the heels of an escalating credit crisis in Europe that crescendoed in August 2011 and echoed into September 2011. October 2011 saw a modest recovery with the formal announcement of a European debt deal late in the month. These leading events set the tone for the 12-month period that began in November 2011. The prospect of a default in Greek bonds resurfaced in November 2011, stirring waves of global risk aversion that led to resurgent rallies in U.S. Treasuries with declines in the prices of riskier sovereign bonds in Europe and a sharp decline in high-yield bond prices across the globe.

Fortunately, risk aversion abated in December 2011 with a strong recovery in bond pricing that seemed to bolster investor confidence and fortified a trend of declining spreads that carried into the first two months of 2012. Most investment-grade global fixed-income markets continued to generate positive returns during these months, but were nonetheless hindered by spates of risk aversion that would routinely flare up and demand further intervention from central banks in Europe and the U.S. The global bond markets were enthralled to central bank policies in Europe—decisive policymaking would bolster markets while re-escalating crises in Greece and Spain would undercut confidence.

Improving economic trends burgeoned in the U.S. while Europe fell into recession.

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The first months of 2012 saw strengthening investor confidence in the U.S. economy despite indications of a recession in Europe. The improving conditions in the U.S. led to greater confidence in the U.S. credit markets, which began to show some resistance to the credit problems of Europe. During these months, the lowest-rated credit tiers of the U.S. domestic fixed-income markets generally performed the best, while the highest-quality credit tiers and U.S. Treasuries generally declined in value as their yields began to shift higher on expectations for a strengthening economy. In Europe, trends were not as pronounced but growing confidence in the U.S. financial system did generally inspire renewed confidence in the valuations of bonds across the globe.

Unfortunately, the trends of improving credit confidence would, once again, be undermined by the woes of Europe. As Greece neared default on its sovereign debt again, politicians began to hint at the possibility of exiting the euro. By early

Letter to shareholders (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 3

May 2012, the default crisis in Europe had escalated to a debate over the viability of the euro, amplifying the crisis to an unprecedented level of worst-case consideration. Consequently, global investors once again rallied to the U.S. Treasury market, driving long-term yields to some of their lowest levels on record. That same month, U.S. Treasuries and the highest-rated credit tiers were the best performers, while the lower-rated credit tiers of the global fixed-income markets generally performed positively but underperformed those sectors.

For several weeks it appeared that investors would continue to prefer higher-quality over riskier asset classes as long as the problems in Europe persisted. The crisis continued to deepen into July 2012, prompting the International Monetary Fund to warn European policymakers of a significant risk of deflation. Running counter to the woes in Europe, U.S. credit markets began to improve in June 2012, benefiting from consistent policy commitment by the Federal Reserve to maintain highly accommodative monetary conditions. In the U.S., the second half of June 2012 and the entire month of July 2012 saw strong performance in the lower-rated and longer-maturity segments of the fixed-income markets as U.S. credit markets tried to remain isolated from the crisis in Europe.

European markets finally followed suit in August 2012 and into September and October 2012 as the European Central Bank (ECB) calmed market fears by announcing a program of unlimited bond-buying support and declaring to do whatever it takes to preserve the euro. Perhaps the most convincing statement of all for investors was Mario Draghi, the president of the ECB, declaring that the euro is irreversible. Global credit markets responded strongly through the final months of the period, with the lowest-rated securities performing best, most notably high-yield corporate bonds and emerging markets debt. Thus, despite intermittent spikes in risk aversion and profound concerns in Europe, the 12-month period finished with a convincing positive trend of strong performance across the global fixed-income markets.

Recent events have not altered our message to shareholders.

The heightened volatility across the global financial markets during the final months of 2011 and much of 2012 and lingering uncertainties about the outlook going forward have left many investors questioning their resolve and their investments. Yet, it is precisely at such times that the market may present opportunities as well as challenges for prudent investors. For many investors, simply building and maintaining a well-diversified¹ investment plan focused on clear financial objectives is the best long-term strategy.

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

Sincerely,

Karla M. Rabusch

President

Wells Fargo Advantage Funds

Despite intermittent spikes in risk aversion and profound concerns in Europe, the 12-month period finished with a convincing positive trend of strong performance across the global fixed-income markets.

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

Investment objective

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

Adviser

Wells Fargo Funds Management, LLC

Subadvisers

First International Advisors, LLC

Wells Capital Management Incorporated

Portfolio managers

Michael Bray, CFA

Christopher Y. Kauffman, CFA

Michael Lee

Niklas Nordenfelt, CFA

Anthony Norris

Alex Perrin

Janet S. Rilling, CFA, CPA

Phillip Susser

Christopher Wightman

Peter Wilson

Average annual total returns¹ (%) as of October 31, 2012

	1 Year	5 Year	Since inception 6-25-03
Based on market value	19.33	11.86	7.82
Based on net asset value (NAV) per share	13.69	9.28	8.71

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

The Fund's annualized expense ratio for the year ended October 31, 2012, is 1.24%, which includes 0.11% of interest expense.

Comparison of NAV vs. market value since inception²

The Fund is leveraged through a secured debt borrowing facility and may issue preferred shares. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market price of common shares. Foreign investments are especially volatile and can rise or fall dramatically due to differences in the political and economic conditions of the host country. These risks are generally intensified in emerging markets. Derivatives involve additional risks including interest rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments they are designed to hedge or to closely track. Bond fund values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. In general, when interest rates rise, bond fund values fall and investors may lose principal value. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. This Fund is exposed to mortgage- and asset-backed securities risk.

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

2. This chart does not reflect any brokerage commissions or sales charges.

Performance highlights (unaudited)

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MANAGER'S DISCUSSION

The Fund returned 19.33% during the 12 months ended October 31, 2012, based on market value. During the same period, the Fund's return based on NAV was 13.69%.

Strategy

At the beginning of this period, the Fund announced several changes to the investment guidelines and strategies of each of its investment allocations or "sleeves" and the Fund as a whole. The investment allocation ranges changed for the High-yield bond sleeve, International/Emerging Markets sleeve, and the Mortgage/Corporate sleeve. The International/Emerging Markets sleeve strategy was changed to permit investing in emerging market debt securities. The Mortgage/Corporate sleeve strategy was changed to permit investing in fixed-rate mortgages and investment-grade corporate bonds. These changes, combined with other strategy changes, contributed to the Fund's performance.

Eurozone problems emanating from the euro-periphery countries continued to impact the non-core euro regions (countries outside of Germany, France, United Kingdom, Italy, Netherlands, Belgium, and Luxembourg) throughout the period, which fell back into recession as austerity programs took hold. However, with the European Financial Stability Facility (EFSF), European Stability Mechanism (ESM), Labor Market Training (LMT), Fiscal Compact, and single European Banking Regulation all in the pipeline and above all else the political will to keep the monetary union together, yield spreads from bonds issued by the periphery regions started to stabilize, as did the valuation of the euro. In general, riskier securities across the globe performed strongly, benefiting from continued policy interventions by the European Central Bank and the U.S. Federal Reserve Bank.

During the 12-month period, the international/emerging markets fixed-income portion of the Fund focused on income-oriented securities, specifically finding value in local developed and emerging markets with higher relative yields, yet healthy fundamental sources of cash flow. This positioning had a positive effect on the performance of the Fund as emerging markets debt and high-yield debt outperformed sovereign developed-market debt.

The high-yield asset class in the United States ironically behaved as a perceived safe-haven during a fluctuating and often uncertain economic environment, as investors swarmed into the asset class for a steady source of higher yields. High yield defaults have been low thanks to strong corporate fundamentals consisting of decent earnings, strong balance sheets with large cash positions, cheap and abundant financing, central bank policies encouraging low rates, and sustained liquidity and a manageable maturity schedule for issuers of high-yield bonds. The Fund's exposure to U.S. high-yield corporate bonds added to returns during the quarter.

In the U.S. investment-grade markets, corporate bonds and structured products generally outperformed U.S. Treasuries during the period as spreads rallied virtually across the board. Commercial mortgage-backed securities (CMBS) and corporate bonds, particularly in the A-rated and BBB-rated tiers, offered some of the best returns. Fixed-rate mortgage-backed securities (MBS) outperformed adjustable-rate mortgages (ARMs). The mortgage/corporate sleeve of the Fund continued to invest in MBS, asset-backed securities, ARMs, and corporate bonds. In general, the lower-rated segments of these sectors were the best contributors to performance during the period.

Ten largest holdings³ (%) as of October 31, 2012

Poland, 5.25%, 10-25-20	2.72
Russia, 7.85%, 3-10-18	2.48
Hungary, 6.75%, 11-24-17	2.28
Brazil, 10.00%, 1-1-17	2.16
Mexico, 7.25%, 12-15-16	1.94
Texas Competitive Electric Holdings LLC, 3.75%, 10-10-14	1.91
Sprint Capital Corporation, 6.88%, 11-15-28	1.71
Indonesia, 7.38%, 9-15-16	1.56
Turkey, 0.00%, 2-20-13	1.53
South Africa, 6.50%, 2-28-41	1.28

Contributors to performance

The international/emerging markets bond allocation benefited from positioning in the higher-yielding bond markets of Brazil, Colombia, Hungary, Indonesia, Mexico, Poland, Russia, Turkey, and South Africa. Positioning in euro-denominated and British sterling-denominated investment-grade and high-yield corporate debt also added to value. The Fund's exposure to the high-yield and emerging market sectors were

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significant contributors to performance. Our currency allocations to the Chilean peso, Colombian peso, Korean won, Mexican peso, and Polish zloty also added value.

The U.S. high-yield bond portion of the Fund saw market forces pushing high-yield bond prices higher and yields lower. Individual credit selection in specific securities with the potential for significant price appreciation helped performance of the Fund during the period.

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

Credit quality⁴ as of October 31, 2012**Effective maturity distribution⁵ as of October 31, 2012****Country allocation⁵ as of October 31, 2012**

The mortgage/corporate credit sleeve's focus on A-rated and BBB-rated credits added value as lower-rated credits outperformed the higher-rated credits during the period. The Fund's holdings in corporate bonds, CMBS, and residential MBS broadly added value during the period, as credit spreads tightened. Financial sector fixed-income securities contributed to performance.

Detractors from performance

Currency exposure to the Brazilian real, Indonesian rupiah, and South African rand detracted from performance during the period.

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

The mortgage/corporate credit sleeve held a slightly conservative duration positioning, preferring to add incremental yield through increased credit exposure rather than increased interest-rate risk. Consequently the lower-duration positioning restrained performance when the markets rallied and the long end of the U.S. Treasury yield curve shifted significantly lower. Duration and yield-curve positioning modestly detracted from performance.

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

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

Management outlook

Global market conditions continue to appear characterized by high levels of both consumer and government debt in the old, developed economies that will likely continue to hinder growth. We continue to question where sustainable growth can emerge from in the largest economies. Thus, the international/emerging markets team's strategy continues to underweight the old, industrialized, lower-yielding economies with structural problems and overweight those economies that not only have higher yields but also have healthier, more sustainable growth, lower deficits (in some cases, surpluses), and central banks that have the ability to maneuver freely.

The high-yield team believes that the majority of U.S. companies within high yield have a sufficient cash cushion to absorb a slight recession before default risk would meaningfully increase. In the team's view, highly accommodative monetary policy combined with strong corporate balance sheets offers a complementary backdrop of liquidity for high-yield companies to weather a slower revenue-growing environment. We feel that the outlook for high-yield markets demonstrates the potential for continued positive performance but at a more modest pace, and that high yield remains a favorable investment alternative to lower-yielding areas of the fixed-income markets, albeit with additional risk.

Within U.S. mortgages and investment-grade corporate bonds, the team believes that stable interest-rate policy should continue to preserve a comfortable environment for relatively steady bond yields to offer relatively generous compensation from corporate bonds and securitized debt. We continue to focus on the medium-quality credit tiers of A-rated and BBB-rated securities as compelling sources of yield. Approximately 50% of the mortgage/corporate sleeves' exposure is in corporate fixed-income securities and around 40% is in fixed-rate and floating rate mortgage securities. Our credit exposure remains centered on industrials and financials, particularly in banks. We believe that continued highly accommodative monetary policy should continue to benefit the credit and securitized sectors in the upcoming 12-month period.

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Summary portfolio of investments October 31, 2012

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

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Agency Securities: 3.44%					
<i>FHLMC</i>	0.61-8.50%	4-1-15 to 7-25-48	\$ 28,061,618	\$ 14,388,160	2.01%
<i>FNMA</i>	0.56-12.00	1-1-16 to 5-25-42	9,161,054	9,760,504	1.37
<i>Other securities</i>				485,833	0.06
Total Agency Securities (Cost \$23,143,513)				24,634,497	3.44
 Asset-Backed Securities: 0.14%					
<i>Other securities</i>				1,003,067	0.14
Total Asset-Backed Securities (Cost \$961,331)				1,003,067	0.14
 Common Stocks: 0.07%					
Consumer Discretionary: 0.00%					
Hotels, Restaurants & Leisure: 0.00%					
<i>Other securities</i>				2,322	0.00
 Telecommunication Services: 0.07%					
Diversified Telecommunication Services: 0.07%					
<i>Other securities</i>				517,044	0.07
Total Common Stocks (Cost \$1,617,838)				519,366	0.07
 Corporate Bonds and Notes: 58.85%					
Consumer Discretionary: 13.26%					
Auto Components: 1.20%					
<i>Goodyear Tire & Rubber Company</i>	7.00-8.75	8-15-20 to 5-15-22	868,000	945,415	0.13

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<i>Other securities</i>				7,633,532	1.07
				8,578,947	1.20
Diversified Consumer Services: 1.41%					
<i>Service Corporation International</i>	6.75-8.00	4-1-16 to 11-15-21	3,690,000	4,241,801	0.59
<i>Service Corporation International</i>	7.50	4-1-27	3,965,000	4,222,725	0.59
<i>Other securities</i>				1,639,225	0.23
				10,103,751	1.41
Hotels, Restaurants & Leisure: 3.38%					
<i>CCM Merger Incorporated 144A</i>	9.13	5-1-19	4,000,000	3,990,000	0.56
<i>DineEquity Incorporated</i>	9.50	10-30-18	3,475,000	3,913,719	0.55
<i>Greektown Superholdings</i>	13.00	7-1-15	4,125,000	4,429,219	0.62
<i>Other securities</i>				11,843,266	1.65
				24,176,204	3.38
Household Durables: 0.07%					
<i>Other securities</i>				489,844	0.07
Internet & Catalog Retail: 0.12%					
<i>Other securities</i>				827,474	0.12

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

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Summary portfolio of investments October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 9

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Media: 6.05%					
Gray Television Incorporated 144A	7.50%	10-1-20	\$ 3,270,000	\$ 3,229,125	0.45%
Gray Television Incorporated	10.50	6-29-15	5,175,000	5,592,105	0.78
Local TV Finance LLC 144A	9.25	6-15-15	4,775,000	4,852,594	0.68
Other securities				29,632,129	4.14
				43,305,953	6.05
Specialty Retail: 1.03%					
Other securities				7,355,983	1.03
Consumer Staples: 0.55%					
Food & Staples Retailing: 0.10%					
Other securities				659,284	0.10
Food Products: 0.34%					
Other securities				2,445,869	0.34
Tobacco: 0.11%					
Other securities				798,326	0.11
Energy: 9.59%					
Energy Equipment & Services: 2.30%					
Other securities				16,452,038	2.30
Oil, Gas & Consumable Fuels: 7.29%					
El Paso Corporation	6.50-7.80	6-15-17 to 2-15-37	6,280,000	7,295,812	1.03
Rockies Express Pipeline 144A	3.90-7.50	4-15-15 to 4-15-40	8,563,000	7,769,310	1.09
Sabine Pass LNG LP 144A	6.50	11-1-20	3,720,000	3,794,400	0.53
Sabine Pass LNG LP	7.50	11-30-16	3,750,000	4,096,875	0.57
Other securities				29,187,378	4.07
				52,143,775	7.29
Financials: 11.70%					
Capital Markets: 1.08%					
E*TRADE Financial Corporation	12.50	11-30-17	4,291,000	4,859,558	0.68
Other securities				2,886,057	0.40
				7,745,615	1.08
Commercial Banks: 1.27%					

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<i>Other securities</i>				9,084,125	1.27
Consumer Finance: 4.97%					
<i>GMAC LLC</i>	7.50	12-31-13	3,620,000	3,841,725	0.54
<i>JBS USA Finance Incorporated</i>	11.63	5-1-14	3,745,000	4,194,400	0.59
<i>Nielsen Finance LLC Company</i>	7.75	10-15-18	5,100,000	5,737,500	0.80
<i>Springleaf Finance Corporation</i>	6.90	12-15-17	4,620,000	4,065,600	0.57

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Consumer Finance (continued)					
<i>Other securities</i>				\$ 17,707,849	2.47%
				35,547,074	4.97
Diversified Financial Services: 1.94%					
<i>Other securities</i>				13,904,243	1.94
Insurance: 0.50%					
<i>Other securities</i>				3,576,220	0.50
Real Estate Management & Development: 0.27%					
<i>Other securities</i>				1,925,375	0.27
REITs: 1.67%					
<i>Dupont Fabros Technology Incorporated</i>	8.50%	12-15-17	\$ 5,560,000	6,116,000	0.85
<i>Other securities</i>				5,797,271	0.82
				11,913,271	1.67
Health Care: 3.44%					
Biotechnology: 0.11%					
<i>Other securities</i>				805,466	0.11
Health Care Equipment & Supplies: 0.41%					
<i>Other securities</i>				2,954,036	0.41
Health Care Providers & Services: 2.28%					
<i>Other securities</i>				16,288,465	2.28
Life Sciences Tools & Services: 0.13%					
<i>Other securities</i>				896,998	0.13
Pharmaceuticals: 0.51%					
<i>Other securities</i>				3,673,381	0.51
Industrials: 2.66%					
Aerospace & Defense: 0.23%					
<i>Other securities</i>				1,670,188	0.23

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Air Freight & Logistics: 0.21% <i>Other securities</i>	1,527,525	0.21
Airlines: 0.11% <i>Other securities</i>	783,475	0.11
Commercial Services & Supplies: 1.28% <i>Other securities</i>	9,127,740	1.28
Machinery: 0.53% <i>Other securities</i>	3,783,414	0.53

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

Summary portfolio of investments October 31, 2012

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Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Professional Services: 0.28% <i>Other securities</i>				\$ 2,002,260	0.28%
Transportation Infrastructure: 0.02% <i>Other securities</i>				136,500	0.02
Information Technology: 4.91%					
Communications Equipment: 0.31% <i>Other securities</i>				2,196,138	0.31
Computers & Peripherals: 0.48% <i>Other securities</i>				3,453,549	0.48
Electronic Equipment, Instruments & Components: 1.25% <i>Jabil Circuit Incorporated</i>	8.25%	3-15-18	\$ 5,275,000	6,224,500	0.87
<i>Other securities</i>				2,695,684	0.38
				8,920,184	1.25
Internet Software & Services: 0.18% <i>Other securities</i>				1,276,750	0.18
IT Services: 2.44% <i>First Data Corporation</i>	11.25	3-31-16	3,720,000	3,636,300	0.51
<i>SunGard Data Systems Incorporated</i>	6.63-10.25	8-15-15 to 11-15-20	7,205,000	7,480,090	1.05
<i>Other securities</i>				6,342,188	0.88
				17,458,578	2.44
Software: 0.25% <i>Other securities</i>				1,815,674	0.25
Materials: 1.17%					
Chemicals: 0.46% <i>Other securities</i>				3,319,114	0.46
Containers & Packaging: 0.30% <i>Other securities</i>				2,164,250	0.30
Metals & Mining: 0.09%					

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<i>Other securities</i>				610,353	0.09
Paper & Forest Products: 0.32%					
<i>Other securities</i>				2,273,068	0.32
Telecommunication Services: 7.78%					
Diversified Telecommunication Services: 3.56%					
<i>GCI Incorporated</i>	6.75-8.63	11-15-19 to 6-1-21	6,050,000	6,500,000	0.91
<i>Intelsat Jackson Holdings Limited</i>	8.50	11-1-19	850,000	954,125	0.13
<i>Syniverse Holdings Incorporated</i>	9.13	1-15-19	5,005,000	5,330,325	0.75
<i>Other securities</i>				12,712,523	1.77
				25,496,973	3.56

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

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12 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2012

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Wireless Telecommunication Services: 4.22%					
<i>Crown Castle Towers LLC</i>	5.25-9.00%	1-15-15 to 1-15-40	\$ 2,150,000	\$ 2,376,910	0.33%
<i>Sprint Nextel Corporation</i>	5.95-11.50	3-15-14 to 3-15-32	4,890,000	5,509,131	0.78
<i>Sprint Capital Corporation</i>	6.88	11-15-28	11,985,000	12,254,663	1.71
<i>Other securities</i>				10,058,166	1.40
				30,198,870	4.22
Utilities: 3.79%					
Electric Utilities: 1.74%					
<i>Mirant Mid-Atlantic LLC Series C</i>	10.06	12-30-28	3,614,632	4,012,242	0.56
<i>Other securities</i>				8,404,194	1.18
				12,416,436	1.74
Gas Utilities: 0.33%					
<i>Other securities</i>				2,369,781	0.33
Independent Power Producers & Energy Traders: 1.51%					
<i>Calpine Construction Finance Corporation 144A</i>	7.25	10-15-17	4,433,000	4,698,980	0.66
<i>Other securities</i>				6,081,398	0.85
				10,780,378	1.51
Multi-Utilities: 0.21%					
<i>Other securities</i>				1,531,107	0.21
Total Corporate Bonds and Notes (Cost \$393,134,401)				420,964,022	58.85
Foreign Corporate Bonds and Notes @: 4.54%					
Consumer Discretionary: 0.63%					
Automobiles: 0.11%					
<i>Other securities</i>				795,578	0.11
Hotels, Restaurants & Leisure: 0.35%					
<i>Other securities</i>				2,516,257	0.35
Media: 0.17%					
<i>Other securities</i>				1,213,261	0.17
Consumer Staples: 0.16%					

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Food & Staples Retailing: 0.16%

<i>Other securities</i>				1,105,356	0.16
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Financials: 2.96%

Commercial Banks: 2.44%

<i>European Investment Bank (AUD)</i>	6.13	1-23-17	6,930,000	7,831,527	1.10
<i>KfW Bankengruppe (NZD)</i>	6.38	2-17-15	4,819,000	4,243,420	0.59
<i>Other securities</i>				5,376,521	0.75
				17,451,468	2.44

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

Summary portfolio of investments October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 13

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Consumer Finance: 0.08% <i>Other securities</i>				\$ 552,854	0.08%
Diversified Financial Services: 0.44% <i>Other securities</i>				3,173,600	0.44
Industrials: 0.40%					
Building Products: 0.07% <i>Other securities</i>				511,179	0.07
Commercial Services & Supplies: 0.05% <i>Other securities</i>				328,509	0.05
Trading Companies & Distributors: 0.08% <i>Other securities</i>				566,094	0.08
Transportation Infrastructure: 0.20% <i>Other securities</i>				1,457,209	0.20
Materials: 0.17%					
Metals & Mining: 0.09% <i>Other securities</i>				654,555	0.09
Paper & Forest Products: 0.08% <i>Other securities</i>				553,456	0.08
Telecommunication Services: 0.13%					
Diversified Telecommunication Services: 0.13% <i>Other securities</i>				956,517	0.13
Utilities: 0.09%					
Water Utilities: 0.09% <i>Other securities</i>				639,974	0.09
Total Foreign Corporate Bonds and Notes (Cost \$27,583,356)				32,475,867	4.54
Foreign Government Bonds @: 27.24%					

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<i>Australia Series 22 (AUD)</i>	6.00%	7-21-22	4,000,000	4,775,818	0.67
<i>Australia Series 124 (AUD)</i>	5.75	5-15-21	2,750,000	3,446,974	0.48
<i>Brazil (BRL)</i>	8.50	1-5-24	15,500,000	8,928,879	1.25
<i>Brazil (BRL)</i>	10.00	1-1-17	29,000,000	15,474,025	2.16
<i>Chile (CLP)</i>	5.50	8-5-20	1,700,000,000	3,831,757	0.54
<i>Hungary (HUF)</i>	6.75	11-24-17	3,520,000,000	16,281,173	2.28
<i>Indonesia (IDR)</i>	7.38	9-15-16	100,200,000,000	11,155,624	1.56
<i>Indonesia (IDR)</i>	8.25	6-15-32	29,000,000,000	3,598,983	0.50
<i>Malaysia (MYR)</i>	4.26	9-15-16	21,100,000	7,209,204	1.01
<i>Mexico (MXN)</i>	7.25	12-15-16	168,500,000	13,881,394	1.94
<i>New Zealand (NZD)</i>	6.00	12-15-17	6,705,000	6,343,583	0.89
<i>Poland (PLN)</i>	5.25	10-25-20	59,000,000	19,485,994	2.72
<i>Poland (PLN)</i>	5.75	10-25-21	19,000,000	6,486,774	0.91

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

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14 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2012

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Foreign Government Bonds @ (continued)					
<i>Queensland Treasury (AUD)</i>	6.00%	3-1-22	3,600,000	\$ 4,368,469	0.61%
<i>Russia (RUB)</i>	7.85	3-10-18	520,000,000	17,751,670	2.48
<i>South Africa (ZAR)</i>	2.60	3-31-28	66,609,696	8,761,637	1.22
<i>South Africa (ZAR)</i>	6.50	2-28-41	101,000,000	9,124,194	1.28
<i>Thailand (THB)</i>	3.25	6-16-17	216,500,000	7,104,527	0.99
<i>Turkey (TRY) ¤</i>	0.00	2-20-13	20,000,000	10,955,202	1.53
<i>Turkey (TRY)</i>	9.00	3-8-17	6,000,000	3,549,791	0.50
<i>Other securities</i>				12,315,376	1.72
Total Foreign Government Bonds (Cost\$ 188,245,522)				194,831,048	27.24
Non-Agency Mortgage Backed Securities: 7.85%					
<i>Morgan Stanley</i>	0.47-6.10	12-27-33 to 12-12-49	\$ 14,594,052	9,909,503	1.38
<i>Other securities</i>				46,268,677	6.47
Total Non-Agency Mortgage Backed Securities					
(Cost \$53,750,217)				56,178,180	7.85
Preferred Stocks: 0.10%					
Financials: 0.10%					
Diversified Financial Services: 0.10%					
<i>Other securities</i>				705,780	0.10
Total Preferred Stocks (Cost \$675,000)				705,780	0.10
Term Loans: 19.17%					
<i>Barrington Broadcasting Group</i>	7.50	12-14-17	3,651,081	3,670,870	0.51
<i>CCM Merger Incorporated</i>	6.00	3-1-17	3,720,963	3,758,173	0.52
<i>Crown Castle International Corporation</i>	4.00	1-31-19	6,600,125	6,630,156	0.93
<i>Federal Mogul Corporation</i>	2.15	12-28-15	3,951,257	3,697,705	0.52
<i>Goodyear Tire & Rubber Company</i>	4.75	4-30-19	6,200,000	6,235,650	0.87
<i>KAR Auction Services Incorporated</i>	5.00	5-19-17	4,945,299	4,967,553	0.69
<i>Local TV Finance LLC</i>	4.22	5-7-15	3,045,848	3,053,462	0.43
<i>LPL Holdings</i>	4.00	3-29-19	3,756,125	3,768,633	0.53
<i>Texas Competitive Electric Holdings LLC</i>	3.75	10-10-14	20,096,983	13,632,387	1.90
<i>Other securities</i>				87,694,296	12.27
Total Term Loans (Cost \$139,320,773)				137,108,885	19.17
Yankee Corporate Bonds and Notes: 8.31%					
Consumer Discretionary: 0.61%					
Diversified Consumer Services: 0.11%					
<i>Other securities</i>				763,842	0.11

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

Summary portfolio of investments October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 15

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Media: 0.50% <i>Other securities</i>				\$ 3,555,981	0.50%
Consumer Staples: 0.48%					
Beverages: 0.12% <i>Other securities</i>				851,971	0.12
Food Products: 0.25% <i>Other securities</i>				1,800,000	0.25
Tobacco: 0.11% <i>Other securities</i>				778,326	0.11
Energy: 1.69%					
Energy Equipment & Services: 0.12% <i>Other securities</i>				862,907	0.12
Oil, Gas & Consumable Fuels: 1.57% <i>Ship Finance International Limited</i> <i>Other securities</i>	8.50%	12-15-13	\$ 3,720,000	3,724,650 7,522,636 11,247,286	0.52 1.05 1.57
Financials: 1.57%					
Commercial Banks: 0.85% <i>Other securities</i>				6,062,075	0.85
Consumer Finance: 0.50% <i>Other securities</i>				3,568,500	0.50
Diversified Financial Services: 0.22% <i>Other securities</i>				1,618,410	0.22
Industrials: 0.28%					
Airlines: 0.07% <i>Other securities</i>				528,750	0.07
Commercial Services & Supplies: 0.09%					

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<i>Other securities</i>	650,149	0.09
Road & Rail: 0.12%		
<i>Other securities</i>	835,446	0.12
Information Technology: 0.50%		
Computers & Peripherals: 0.39%		
<i>Other securities</i>	2,752,000	0.39

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

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16 Wells Fargo Advantage Multi-Sector Income Fund

Summary portfolio of investments October 31, 2012

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Internet Software & Services: 0.11%					
<i>Other securities</i>				\$ 802,865	0.11%
Materials: 1.09%					
Metals & Mining: 0.90%					
<i>Other securities</i>				6,470,003	0.90
Paper & Forest Products: 0.19%					
<i>Other securities</i>				1,329,900	0.19
Telecommunication Services: 1.83%					
Diversified Telecommunication Services: 1.40%					
<i>Intelsat Luxembourg SA</i>	7.25-11.50%	2-4-17 to 4-1-21	\$ 6,400,000	6,790,502	0.95
<i>Other securities</i>				3,214,315	0.45
				10,004,817	1.40
Wireless Telecommunication Services: 0.43%					
<i>Other securities</i>				3,106,238	0.43
Utilities: 0.26%					
Electric Utilities: 0.26%					
<i>Other securities</i>				1,834,625	0.26
Total Yankee Corporate Bonds and Notes					
(Cost \$56,103,052)				59,424,091	8.31
	Yield		Shares		
Short-Term Investments: 3.68%					
Investment Companies: 3.68%					
<i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class ##(l)(u)</i>	0.17		26,329,441	26,329,441	3.68
Total Short-Term Investments (Cost \$26,329,441)					
				26,329,441	3.68
Total investments in securities					
(Cost \$910,864,444)*				954,174,244	133.38
<i>Other assets and liabilities, net</i>				(238,806,452)	(33.38)

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Total net assets \$ 715,367,792 100.00%

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

@ Foreign bond principal is denominated in local currency.

⌘ Security issued in zero coupon form with no periodic interest payments.

(l) Investment in an affiliate

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

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

* Cost for federal income tax purposes is \$915,061,017 and unrealized appreciation (depreciation) consists of:

Gross unrealized appreciation	\$ 56,619,185
Gross unrealized depreciation	(17,505,958)
Net unrealized appreciation	\$ 39,113,227

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

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Statement of assets and liabilities October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 17

Assets	
Investments	
In unaffiliated securities, at value (see cost below)	\$ 927,844,803
In affiliated securities, at value (see cost below)	26,329,441
Total investments, at value (see cost below)	954,174,244
Foreign currency, at value (see cost below)	29,146
Receivable for investments sold	521,250
Principal paydown receivable	168,232
Receivable for interest	13,856,573
Unrealized gains on forward foreign currency contracts	574,304
Prepaid expenses and other assets	45,533
Total assets	969,369,282
Liabilities	
Dividends payable	4,205,500
Payable for investments purchased	18,682,091
Unrealized losses on forward foreign currency exchange contracts	158,492
Secured borrowing payable	230,203,210
Advisory fee payable	467,662
Due to other related parties	42,515
Accrued expenses and other liabilities	242,020
Total liabilities	254,001,490
Total net assets	\$ 715,367,792
NET ASSETS CONSIST OF	
Paid-in capital	\$ 774,138,238
Overdistributed net investment income	(4,658,823)
Accumulated net realized losses on investments	(97,847,137)
Net unrealized gains on investments	43,735,514
Total net assets	\$ 715,367,792
NET ASSET VALUE PER SHARE	
Based on \$715,367,792 divided by 42,055,000 shares issued and outstanding (100,000,000 common shares authorized)	\$17.01

Investments in unaffiliated securities, at cost	\$ 884,535,003
Investments in affiliated securities, at cost	\$ 26,329,441
Total investments, at cost	\$ 910,864,444
Foreign currency, at cost	\$ 29,121

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

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Statement of changes in net assets

Wells Fargo Advantage Multi-Sector Income Fund 19

	Year ended October 31, 2012	Year ended October 31, 2011
Operations		
Net investment income	\$ 48,986,237	\$ 46,577,610
Net realized gains on investments	16,058,375	12,228,308
Net change in unrealized gains (losses) on investments	21,291,967	(28,556,729)
Net increase in net assets resulting from operations	86,336,579	30,249,189
Distributions to shareholders from net investment income	(50,466,000)	(51,862,226)
Total increase (decrease) in net assets	35,870,579	(21,613,037)
Net assets		
Beginning of period	679,497,213	701,110,250
End of period	\$ 715,367,792	\$ 679,497,213
Overdistributed net investment income	\$ (4,658,823)	\$ (2,401,847)

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

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20 Wells Fargo Advantage Multi-Sector Income Fund

Statement of cash flows year ended October 31, 2012

Cash flows from operating activities:	
Net increase in net assets resulting from operations	\$ 86,336,579
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities	(841,739,284)
Proceeds from sales of investment securities	805,642,222
Paydowns	18,549,009
Amortization	(1,439,549)
Sale of short-term investment securities, net	(2,492,130)
Increase in interest receivable	(305,657)
Decrease in receivable for investments sold	1,490,683
Decrease in principal paydown receivable	545,901
Decrease in prepaid expenses and other assets	5,715
Increase in payable for investments purchased	17,517,562
Increase in advisory fee payable	20,694
Increase in due to other related parties	1,882
Increase in accrued expenses and other liabilities	194,573
Unrealized gains on unaffiliated securities	(18,935,375)
Unrealized gains on forward foreign currency contract transactions	(2,356,592)
Net realized gains on unaffiliated securities	(16,742,403)
Net cash provided by operating activities	46,293,830
Cash flows from financing activities:	
Cash distributions paid	(50,466,000)
Decrease in reverse repurchase agreements	(99,561,821)
Increase in secured borrowing	100,063,913
Net cash used in financing activities	(49,963,908)
Net decrease in cash	(3,670,078)
Cash (including foreign currency):	
Beginning of period	\$ 3,699,224
End of period	\$ 29,146
Supplemental cash disclosure	
Cash paid for interest	\$ 797,633

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

(For a common share outstanding throughout each period)

	Year ended October 31				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	\$ 16.16	\$ 16.67	\$ 15.61	\$ 13.47	\$ 18.74
Net investment income	1.16	1.11	1.21	1.33	1.68
Net realized and unrealized gains (losses) on investments	0.89	(0.39)	1.17	3.26	(5.35)
Distributions to preferred shareholders from net investment income	0.00	0.00	(0.02) ¹	(0.03) ¹	(0.30) ¹
Total from investment operations	2.05	0.72	2.36	4.56	(3.97)
Distributions to common shareholders from					
Net investment income	(1.20)	(1.23)	(1.30)	(2.20)	(1.30)
Tax basis return of capital	0.00	0.00	0.00	(0.22)	0.00
Total distributions to common shareholders	(1.20)	(1.23)	(1.30)	(2.42)	(1.30)
Net asset value, end of period	\$ 17.01	\$ 16.16	\$ 16.67	\$ 15.61	\$ 13.47
Market value, end of period	\$ 16.54	\$ 14.97	\$ 16.18	\$ 13.73	\$ 11.68
Total return based on market value ²	19.33%	0.33%	28.44%	44.93%	(21.43)%
Ratios to average net assets (annualized)					
Gross expenses	1.24%	1.14%	1.58%	3.07%	1.95%
Net expenses	1.24%	1.14%	1.18%	1.62%	1.90%
Interest expense ³	0.11%	0.09%	0.08%	0.47%	0.54%
Net investment income	7.13%	6.75%	7.63% ⁴	9.65% ⁴	7.85% ⁴
Supplemental data					
Portfolio turnover rate	78%	35%	70%	93%	92%
Net assets of common shareholders, end of period (000s omitted)	\$715,368	\$679,497	\$701,110	\$656,404	\$566,515
Borrowings outstanding, end of period (000s omitted)	\$230,000	\$230,000	\$230,000	\$230,000	\$380,000
Asset coverage per \$1,000 of borrowing, end of period	\$4,110	\$3,954	\$4,048	\$3,854	\$2,491
Liquidation value of Preferred Shares, end of period (000s omitted)	N/A	N/A	N/A	\$80,035	\$80,108
Asset coverage ratio for Preferred Shares, end of period	N/A	N/A	N/A	385%	249%

1. Calculated based upon average common shares outstanding

2. Total return is calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Dividends and distributions, if any, are assumed for the 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 reflects any distributions paid to preferred shareholders.

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

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

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

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

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

Securities denominated in foreign currencies are translated into U.S. dollars using the rates of exchange in effect on the day of valuation at a time specified by the Management Valuation Team of Wells Fargo Funds Management, LLC (Funds Management).

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

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

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

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

about the issuer and the current market environment.

Foreign currency translation

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

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

Reverse repurchase agreements

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

Forward foreign currency contracts

The Fund may be subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. A forward foreign currency contract is an agreement between two parties to purchase or sell a specific currency for an agreed-upon price at a future date. The Fund enters into forward foreign currency contracts to facilitate transactions in foreign-denominated securities and to attempt to minimize the risk to the Fund from adverse changes in the relationship between currencies. Forward foreign currency contracts are recorded at the forward rate and marked-to-market daily. When the contracts are closed, realized gains and losses arising from such transactions are recorded as realized gains or losses on 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 in an amount at least equal in value to the Fund's commitment to purchase when-issued securities. Securities purchased on a when-issued basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

Term loans

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

Security transactions and income recognition

Securities transactions are recorded on a trade date basis. Realized gains or losses are 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.

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Dividend income is recognized on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the Fund is informed of the ex-dividend date.

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

Distributions to shareholders

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

Federal and other taxes

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

The Fund's income and federal excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal and Delaware revenue authorities. Management has analyzed the Fund's tax positions taken on federal, state, and foreign tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The primary permanent differences causing such reclassifications are due to bond premiums, certain distributions paid, consent fees, and foreign currency transactions. At October 31, 2012, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

Paid-in capital	Overdistributed net investment income	Accumulated net realized losses on investments
\$(342,689)	\$(777,213)	\$1,119,902

Under the *Regulated Investment Company Modernization Act of 2010*, the Fund is permitted to carry forward capital losses incurred in taxable years which began after December 22, 2010 for an unlimited period. However, any losses incurred are 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. Post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than be considered all short-term as under previous law. In addition, the Fund may elect to defer any portion of a post-October capital loss or qualified late-year ordinary loss to the first day of the following taxable year. A post-October capital loss is the greatest of the net capital loss, net short-term capital loss or net long-term capital loss for the portion of the taxable year after October 31. A qualified late-year ordinary loss is the net loss comprised of (a) net gain or loss from the sale or other disposition of certain capital assets for the portion of the taxable year after October 31, and (b) other ordinary income or loss for the portion of the taxable year after December 31.

As of October 31, 2012, the Fund had net capital loss carryforwards, which are available to offset future net realized capital gains, in the amount of \$94,018,990 with \$4,567,517 expiring in 2016 and \$89,451,473 expiring in 2017.

3. FAIR VALUATION MEASUREMENTS

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

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- 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)

Notes to financial statements

Wells Fargo Advantage Multi-Sector Income Fund 25

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

As of October 31, 2012, the inputs used in valuing investments in securities, which are carried at fair value, were as follows:

	Quoted prices (Level 1)	Significant other observable Inputs (Level 2)	Significant unobservable inputs (Level 3)		Total
Investments in securities					
Agency securities	\$ 0	\$ 24,634,497	\$ 0		\$ 24,634,497
Asset-backed securities	0	1,003,067	0		1,003,067
Corporate bonds and notes	0	420,964,022	0		420,964,022
Equity securities					
<i>Common stocks</i>	517,044	0	2,322		519,366
<i>Preferred stocks</i>	705,780	0	0		705,780
Foreign corporate bonds and notes	0	32,475,867	0		32,475,867
Foreign government bonds	0	194,831,048	0		194,831,048
Non-agency mortgage backed securities	0	56,178,180	0		56,178,180
Term loans	0	120,269,682	16,839,203		137,108,885
Yankee corporate bonds and notes	0	59,424,091	0		59,424,091
Short-term investments					
<i>Investment companies</i>	26,329,441	0	0		26,329,441
	\$ 27,552,265	\$ 909,780,454	\$ 16,841,525		\$ 954,174,244

As of October 31, 2012, the inputs used in valuing the Fund's other financial instruments, which are carried at fair value, were as follows:

	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		Total
Other financial instruments					
Forward foreign currency contracts+	\$ 0	\$ 415,812	\$ 0		\$ 415,812

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

Transfers in and transfers out are recognized at the end of the reporting period. For the year ended October 31, 2012, the Fund did not have any significant transfers into/out of Level 1 or Level 2.

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

	Corporate bonds and notes	Common stocks	Term loans	Yankee corporate bonds and notes	Total
Balance as of October 31, 2011	\$ 5,243,760	\$ 0	\$ 3,971,316	\$ 191	\$ 9,215,267
Accrued discounts (premiums)	2,652	0	36,542	0	39,194
Realized gains (losses)	(3,211)	0	9,204	0	5,993
Change in unrealized gains (losses)	366,989	0	29,932	0	396,921

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Purchases	0	0	14,431,847	0	14,431,847
Sales	(124,713)	0	(5,397,811)	0	(5,522,524)
Transfers into Level 3	0	2,322	3,758,173	0	3,760,495
Transfers out of Level 3	(5,485,477)	0	0	(191)	(5,485,668)
Balance as of October 31, 2012	\$ 0	\$ 2,322	\$ 16,839,203	\$ 0	\$ 16,841,525
Change in unrealized gains (losses) relating to securities still held at October 31, 2012	\$ 0	\$ 0	\$ 111,510	\$ 0	\$ 111,510

4. TRANSACTIONS WITH AFFILIATES**Advisory fee**

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

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

Administration fee

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

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized capital of 100,000,000 shares with no par value. For the year ended October 31, 2012 and the year ended October 31, 2011, the Fund did not issue any shares.

6. BORROWING AND LEVERAGE TRANSACTIONS

The Fund has borrowed \$230 million through a secured debt financing agreement administered by a major financial institution (the Facility). The Facility has a commitment amount of \$230 million which expires on February 25, 2013, at which point it may be renegotiated and potentially renewed for another one-year term. At October 31, 2012, the Fund had secured borrowings outstanding in the amount of \$230,203,210 (including accrued interest and usage and commitment fees payable).

The Fund's borrowing under the Facility are generally charged interest at a rate based on the rates of the commercial paper notes issued to fund the Fund's borrowings or at the London Interbank Offered Rate (LIBOR) plus 1.0%. During the year ended October 31, 2012, an effective interest rate of 0.32% was incurred on the borrowings. Interest expense of \$634,043, representing 0.09% of the Fund's average daily net assets, was incurred during the year ended October 31, 2012.

The Fund has pledged all of its assets to secure the borrowings and currently pays, on a monthly basis, a usage fee at an annual rate of 0.40% of the daily average outstanding principal amount of borrowings and a commitment fee at an annual rate of 0.40% of the product of (i) the daily average outstanding principal amount of borrowings and (ii) 1.02. Prior to February 27, 2012, both the usage fee and commitment fee were charged at an annual rate of 0.50%. The secured borrowing fees on the Statement of Operations of \$1,808,327 represents the usage fee, commitment fee, and structuring fees. For the year ended October 31, 2012, the Fund paid structuring fees in the amount of \$106,031.

During the year ended October 31, 2012, the Fund entered into reverse repurchase agreements that had an average daily balance outstanding of \$32,222,683 with an effective annual interest rate of 0.41% and paid interest of \$132,113 representing 0.02% of the Fund's average daily net assets. The maximum amount outstanding under reverse repurchase agreements during the year ended October 31, 2012 was \$99,573,404 (including accrued interest).

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the year ended October 31, 2012 were as follows:

Purchases at cost

Sales proceeds

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U.S. government	Non-U.S. government	U.S. government	Non-U.S. government
\$0	\$810,309,167	\$181,342,011	\$511,283,881

As of October 31, 2012, the Fund had unfunded term loan commitments of \$14,464,777.

8. DERIVATIVE TRANSACTIONS

During the year ended October 31, 2012, the Fund entered into forward foreign currency exchange contracts for economic hedging purposes.

At October 31, 2012, 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 October, 31, 2012	In exchange for U.S. \$	Unrealized gains (losses)
11-9-12	State Street Bank	22,900,000 MYR	\$ 7,514,046	\$ 7,473,159	\$ 40,887
11-28-12	State Street Bank	41,600,000 ZAR	4,779,925	4,891,476	(111,551)
11-28-12	State Street Bank	9,000,000 ZAR	1,034,118	1,030,208	3,910
12-3-12	State Street Bank	65,000,000 THB	2,116,505	2,105,604	10,901
12-6-12	State Street Bank	118,600,000 MXN	9,029,124	8,897,364	131,760
12-6-12	State Street Bank	25,000,000 MXN	1,903,272	1,907,554	(4,282)

Forward foreign currency contracts to sell:

Exchange date	Counterparty	Contracts to deliver	U.S. value at October, 31, 2012	In exchange for U.S. \$	Unrealized gains (losses)
11-27-12	State Street Bank	12,415,000 TRY	\$ 6,902,740	\$ 6,864,482	\$ (38,258)
11-28-12	State Street Bank	142,000,000 ZAR	16,316,089	16,702,935	386,846
12-3-12	State Street Bank	65,000,000 THB	2,116,505	2,112,104	(4,401)

The Fund had average contract amounts of \$51,548,659 and \$28,850,391 in forward foreign currency exchange contracts to buy and forward foreign currency exchange contracts to sell, respectively, during the year ended October 31, 2012.

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

9. DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid was \$50,466,000 and \$51,862,226 of ordinary income for the years ended October 31, 2012 and October 31, 2011, respectively.

As of October 31, 2012, the components of distributable earnings on a tax basis were as follows:

Unrealized gains	Capital loss carryforward
\$39,538,942	\$(94,018,990)

10. 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.

11. NEW ACCOUNTING PRONOUNCEMENTS

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In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11, which amends FASB ASC Topic 210, *Balance Sheet*, creates new disclosure requirements which require entities to disclose both gross and net information for derivatives and other financial instruments that are either offset in the Statement of Assets and Liabilities or subject to an enforceable master netting arrangement or similar agreement. The disclosure requirements are effective for interim and annual reporting periods beginning on or after January 1, 2013. Management is currently assessing the potential impact, in addition to expanded financial statement disclosure, that may result from adopting this ASU.

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Notes to financial statements

In May 2011, FASB issued ASU No. 2011-04 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-04 amends FASB ASC Topic 820, *Fair Value Measurements*, to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP. The ASU is effective prospectively for interim and annual periods beginning after December 15, 2011. Adoption of the ASU will result in additional disclosures in future financial statements, as applicable.

In April 2011, FASB issued ASU No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements*. ASU No. 2011-03 amends FASB ASC Topic 860, *Transfers and Servicing*, specifically the criteria required to determine whether a repurchase agreement (repo) and similar agreements should be accounted for as sales of financial assets or secured borrowings with commitments. ASU No. 2011-03 changes the assessment of effective control by focusing on the transferor's contractual rights and obligations and removing the criterion to assess its ability to exercise those rights or honor those obligations. This could result in changes to the way entities account for certain transactions including repurchase agreements, mortgage dollar rolls and reverse repurchase agreements. The ASU will become effective on a prospective basis for new transfers and modifications to existing transactions as of the beginning of the first interim or annual period beginning on or after December 15, 2011. Management has evaluated the impact of adopting the ASU and expects no significant changes.

12. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to common shareholders:

Declaration Date	Record Date	Payable Date	Per Share Amount
October 26, 2012	November 15, 2012	December 3, 2012	\$0.1000
November 7, 2012	December 17, 2012	January 2, 2013	\$0.1000

These distributions are not reflected in the accompanying financial statements.

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

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments and the summary portfolio of investments, of the Wells Fargo Advantage Multi-Sector Income Fund (the Fund), as of October 31, 2012, and the related statement of operations for the year then ended, statements of changes in net assets for each of the years in the two-year period then ended, statement of cash flows for the year then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2012, by correspondence with the custodian and brokers, or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Wells Fargo Advantage Multi-Sector Income Fund as of October 31, 2012, the results of its operations for the year then ended, changes in its net assets for each of the years in the two-year period then ended, its cash flows for the year then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

December 21, 2012

TAX INFORMATION

For the fiscal year ended October 31, 2012, \$31,712,834 has been designated as interest-related dividends for nonresident alien shareholders pursuant to Section 871 of the Internal Revenue Code.

Current tax law generally provides for a maximum tax rate for individual taxpayers of 15% on long-term capital gains and qualifying dividends on corporate stocks. This rate is scheduled to expire at the end of 2012. In the absence of further Congressional action, the maximum tax rate on long-term capital gains for individual taxpayers would increase to 20% and income from dividends would be taxed at the rates applicable to ordinary income.

In addition, for taxable years beginning after December 31, 2012, absent further Congressional action, an additional 3.8% Medicare tax will be imposed on certain net investment income (including ordinary dividends and capital gain distributions received from a Fund and net gains from redemptions or other taxable dispositions of Fund shares) of U.S. individuals, estates and trusts to the extent that such person's modified adjusted gross income (in the case of an individual) or adjusted gross income (in the case of an estate or trust) exceed certain threshold amounts.

PROXY VOTING INFORMATION

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling **1-800-222-8222**, visiting our website at **wellsfargoadvantagefunds.com**, or visiting the SEC website at sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Fund's website at **wellsfargoadvantagefunds.com** or by visiting the SEC website at sec.gov.

PORTFOLIO HOLDINGS INFORMATION

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

Other information (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund 31

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 138 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, Retired Chairman, President and CEO of Crystal Geyser Water Company. Trustee Emeritus, Colby College	Asset Allocation Trust
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007. 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; Audit Committee Chairman, since 2010	Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.	Asset Allocation Trust
Leroy Keith, Jr. (Born 1939)	Trustee, since 2003	Chairman, Bloc Global Services (development and construction). Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, Inc. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services.	Trustee, Virtus Fund Complex (consisting of 40 portfolios as of 12/31/11); 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 Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University.	Asset Allocation Trust
Olivia S. Mitchell (Born 1953)	Trustee, since 2010	International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research.	Asset Allocation Trust
Timothy J. Penny (Born 1951)	Trustee, since 2010	President and CEO of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	Asset Allocation Trust

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Name and year of birth	Position held and length of service	Principal occupations during past five years	Other
Michael S. Scofield (Born 1943)	Trustee, since 2003	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield.	directorships during past five years Asset Allocation Trust
Donald C. Willeke (Born 1940)	Trustee, since 2010	Principal of the law firm of Willeke & Daniels. General Counsel of the Minneapolis Employees Retirement Fund from 1984 until its consolidation into the Minnesota Public Employees Retirement Association on June 30, 2010. Director, General Counsel, and Vice Chair of The Tree Trust (non-profit corporation). Director and General Counsel of The American Chestnut Foundation (non-profit corporation).	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.
Jeremy DePalma* (Born 1974)	Treasurer, since 2012	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Vice President, Evergreen Investment Services, Inc. from 2004 to 2007. Head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.
C. David Messman (Born 1960)	Secretary, since 2010; Chief Legal Counsel, since 2010	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.
Debra Ann Early (Born 1964)	Chief Compliance Officer, since 2010	Chief Compliance Officer of Wells Fargo Funds Management, LLC since 2007. Chief Compliance Officer of Parnassus Investments from 2005 to 2007. Chief Financial Officer of Parnassus Investments from 2004 to 2007.
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Assistant Vice President of Evergreen Investment Services, Inc. from 2004 to 2008. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.

* Jeremy DePalma acts as Treasurer of 61 funds and Assistant Treasurer of 77 funds in the Fund Complex.

AUTOMATIC DIVIDEND REINVESTMENT PLAN

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

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

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
AUD	Australian dollar
BAN	Bond anticipation notes
BHAC	Berkshire Hathaway Assurance Corporation
BRL	Brazilian real
CAB	Capital appreciation bond
CAD	Canadian dollar
CCAB	Convertible capital appreciation bond
CDA	Community Development Authority
CDO	Collateralized debt obligation
CHF	Swiss franc
COP	Certificate of participation
CR	Custody receipts
DKK	Danish krone
DRIVER	Derivative inverse tax-exempt receipts
DW&P	Department of Water & Power
DWR	Department of Water Resources
ECFA	Educational & Cultural Facilities Authority
EDA	Economic Development Authority
EDFA	Economic Development Finance Authority
ETF	Exchange-traded fund
EUR	Euro
FDIC	Federal Deposit Insurance Corporation
FFCB	Federal Farm Credit Banks
FGIC	Financial Guaranty Insurance Corporation
FGLMC	Federal Government Loan Mortgage Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	The Financing Corporation
FNMA	Federal National Mortgage Association
FSA	Farm Service Agency
GBP	Great British pound
GDR	Global depositary receipt
GNMA	Government National Mortgage Association
GO	General obligation
HCFR	Healthcare facilities revenue
HEFA	Health & Educational Facilities Authority
HEFAR	Higher education facilities authority revenue
HFA	Housing Finance Authority
HFFA	Health Facilities Financing Authority
HKD	Hong Kong dollar
HUF	Hungarian forint
IBC	Insured bond certificate
IDA	Industrial Development Authority
IDAG	Industrial Development Agency
IDR	Industrial development revenue
IEP	Irish pound
JPY	Japanese yen
KRW	Republic of Korea won
LIBOR	London Interbank Offered Rate
LIQ	Liquidity agreement
LLC	Limited liability company

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LLP	Limited liability partnership	
LOC	Letter of credit	
LP	Limited partnership	
MBIA	Municipal Bond Insurance Association	
MFHR	Multifamily housing revenue	
MSTR	Municipal securities trust receipts	
MTN	Medium-term note	
MUD	Municipal Utility District	
MXN	Mexican peso	
MYR	Malaysian ringgit	
NATL-RE	National Public Finance Guarantee Corporation	
NOK	Norwegian krone	
NZD	New Zealand dollar	
PCFA	Pollution Control Financing Authority	
PCL	Public Company Limited	
PCR	Pollution control revenue	
PFA	Public Finance Authority	
PFFA	Public Facilities Financing Authority	
PFOTER	Puttable floating option tax-exempt receipts	
plc	Public limited company	
PLN	Polish zloty	
PUTTER	Puttable tax-exempt receipts	
R&D	Research & development	
RDA	Redevelopment Authority	
RDFA	Redevelopment Finance Authority	
REIT	Real estate investment trust	
ROC	Reset option certificates	
SAVRS	Select auction variable rate securities	
SBA	Small Business Authority	
SEK	Swedish krona	
SFHR	Single-family housing revenue	
SFMR	Single-family mortgage revenue	
SGD	Singapore dollar	
SKK	Slovakian koruna	
SPA	Standby purchase agreement	
SPDR	Standard & Poor's Depository Receipts	
STRIPS	Separate trading of registered interest and	principal securities
TAN	Tax anticipation notes	
TBA	To be announced	
TIPS	Treasury inflation-protected securities	
TRAN	Tax revenue anticipation notes	
TCR	Transferable custody receipts	
TRY	Turkish lira	
TTFA	Transportation Trust Fund Authority	
TVA	Tennessee Valley Authority	
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

Website: wellsfargoadvantagefunds.com

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

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

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ITEM 2. CODE OF ETHICS

As of the end of the period, October 31, 2012, Wells Fargo Advantage Multi-Sector Income Fund has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its President and Treasurer. A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

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

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(a)

Audit Fees - Provided below are the aggregate fees billed for the fiscal years ended October 31, 2011 and October 31, 2012 for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

For the fiscal years ended October 31, 2011 and October 31, 2012, the Audit Fees were \$54,500 and \$53,210, respectively.

(b)

Audit-Related Fees There were no audit-related fees incurred for the fiscal years ended October 31, 2011 and October 31, 2012 for assurance and related services by the principal accountant for the Registrant.

(c)

Tax Fees - Provided below are the aggregate fees billed for the fiscal years ended October 31, 2011 and October 31, 2012 for professional services rendered by the principal accountant for the Registrant for tax compliance, tax advice, and tax planning.

For the fiscal years ended October 31, 2011 and October 31, 2012, the Tax Fees were \$1,660 and \$1,700, respectively. The incurred Tax Fees are comprised of excise tax review services.

For the fiscal years ended October 31, 2011 and October 31, 2012, the Tax Fees were \$1,940 and \$1,990, respectively. The incurred Tax Fees are comprised of tax preparation and consulting services.

(d)

All Other Fees There were no other fees incurred for the fiscal years ended October 31, 2011 and October 31, 2012.

(e)(1)

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

(e)(2)

Not Applicable.

(f)

Not Applicable.

(g)

Non-Audit Fees There were no non-audit fees billed for the fiscal years ended October 31, 2011 and October 31, 2012, by the principal accountant for services rendered to the Registrant, and rendered to the Registrant's investment adviser, and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the Registrant.

(h)

The Registrant's audit committee of the board of directors has determined that non-audit services rendered to the registrant's investment adviser, that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of the Regulation S-X, does not compromise the independence of the principal accountant.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

Not applicable.

ITEM 6. PORTFOLIO OF INVESTMENTS

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Portfolio of investments October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 1

Security name	Interest rate	Maturity date	Principal	Value
Agency Securities: 3.44%				
FHLMC	8.50%	4-1-15	\$ 1,262	\$ 1,228
FHLMC	8.50	7-1-28	108,856	133,587
FHLMC	8.50	3-1-30	63,871	67,233
FHLMC Series 0196 Class A ±	1.05	12-15-21	72,785	73,794
FHLMC Series 1383 ±	5.81	2-1-37	1,228,087	1,324,148
FHLMC Series 2011 Class K16-B ±144A	4.35	11-25-46	1,000,000	1,068,948
FHLMC Series 2011 Class K701-B ±144A	4.29	7-25-48	165,000	175,516
FHLMC Series 2011 Class K702-B ±144A	4.77	4-25-44	740,000	810,139
FHLMC Series 2012 Class B-K705 ±144A	4.16	9-25-44	1,000,000	1,071,380
FHLMC Series 2012 Class K17-B ±144A	4.35	12-25-44	500,000	530,211
FHLMC Series 2012 Class K18-B ±144A	4.26	1-25-45	810,000	837,043
FHLMC Series 2012 Class K19-B ±144A	4.04	5-25-45	1,000,000	1,022,694
FHLMC Series 2012 Class K501-C ±144A	3.49	11-25-46	800,000	780,990
FHLMC Series 2012 Class K706-B ±144A	4.02	11-25-44	500,000	532,112
FHLMC Series 2012 Class K706-C ±144A	4.02	11-25-44	805,000	794,732
FHLMC Series 2012 Class K707-B ±144A	3.88	1-25-47	930,000	973,696
FHLMC Series 2012 Class K709-B ±144A	3.74	4-25-45	1,000,000	1,037,679
FHLMC Series 2012 Class K710-B ±144A	3.82	6-25-47	1,000,000	1,040,835
FHLMC Series 2390 Class FD ±	0.66	12-15-31	68,531	69,028
FHLMC Series 2411 Class F ±	0.76	2-15-32	98,324	99,265
FHLMC Series 2567 Class FH ±	0.61	2-15-33	169,902	170,088
FHLMC Series K020 Class X1 ±(c)	1.48	5-25-22	7,000,000	758,625
FHLMC Series K021 Class X1 ±%%(c)	1.52	6-25-22	9,000,000	1,015,189
FNMA ±	2.56	5-1-36	775,802	811,825
FNMA ±	4.74	9-1-32	1,940,808	2,078,981
FNMA ±	4.84	4-1-34	2,392,749	2,526,356
FNMA	6.00	4-1-33	181,900	206,624
FNMA ±	6.39	9-1-37	1,389,014	1,524,745
FNMA	6.50	11-1-32	64,712	74,593
FNMA	7.50	7-1-17	85,475	92,840
FNMA	7.50	10-1-28	10,907	10,933
FNMA	7.50	11-1-28	160,416	174,013
FNMA	7.50	2-1-30	41,529	42,245
FNMA	7.50	9-1-30	97,119	104,609
FNMA	8.00	12-1-24	3,791	3,799
FNMA	8.00	6-1-30	32,131	32,785
FNMA	12.00	1-1-16	10,325	11,370
FNMA Series 1996-46 Class FA ±	0.72	8-25-21	44,166	44,421
FNMA Series 2001-25 Class Z	6.00	6-25-31	403,551	451,241
FNMA Series 2001-35 Class F ±	0.81	7-25-31	18,820	19,009
FNMA Series 2001-57 Class F ±	0.71	6-25-31	18,948	19,119
FNMA Series 2001-T10 Class A2	7.50	12-25-41	209,327	246,484
FNMA Series 2002-77 Class FH ±	0.61	12-18-32	135,715	136,485
FNMA Series 2002-97 Class FR ±	0.76	1-25-33	39,598	39,773
FNMA Series 2003-W8 Class 3F2 ±	0.56	5-25-42	952,931	954,805
FNMA Series G91-16 Class F ±	0.67	6-25-21	48,637	48,863
FNMA Series G92-17 Class F ±	1.27	3-25-22	102,683	104,586
GNMA	6.50	6-15-28	65,656	76,790
GNMA	7.25	7-15-17	22,718	25,035
GNMA	7.25	8-15-17	49,131	54,304

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2 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2012

Security name	Interest rate	Maturity date	Principal	Value
Agency Securities (continued)				
GNMA	7.25%	8-15-17	\$ 25,427	\$ 28,026
GNMA	7.25	8-15-17	13,207	14,639
GNMA	7.25	9-15-17	37,082	41,133
GNMA	7.25	10-15-17	69,504	76,789
GNMA	7.25	10-15-17	39,939	44,046
GNMA	7.25	11-15-17	31,839	35,001
GNMA	7.25	1-15-18	11,511	12,728
GNMA	7.25	1-15-18	27,321	30,543
GNMA	7.25	2-15-18	27,873	30,907
GNMA	7.25	5-15-18	14,514	15,892
Total Agency Securities (Cost \$23,143,513)				24,634,497
Asset-Backed Securities: 0.14%				
<i>Bear Stearns Asset Backed Securities Series 2006 Class 1A2 ±</i>	0.43	12-25-35	250,629	246,490
<i>CVS Pass-Through Trust Series T</i>	6.04	12-10-28	634,861	756,577
Total Asset-Backed Securities (Cost \$961,331)				1,003,067
Shares				
Common Stocks: 0.07%				
Consumer Discretionary: 0.00%				
Hotels, Restaurants & Leisure: 0.00%				
<i>Trump Entertainment Resorts Incorporated (i)</i>			1,161	2,322
Telecommunication Services: 0.07%				
Diversified Telecommunication Services: 0.07%				
<i>Fairpoint Communications Incorporated</i>			70,442	517,044
Total Common Stocks (Cost \$1,617,838)				519,366
Principal				
Corporate Bonds and Notes: 58.85%				
Consumer Discretionary: 13.26%				
Auto Components: 1.20%				
<i>Allison Transmission Incorporated 144A</i>	7.13	5-15-19	\$ 3,050,000	3,244,438
<i>Cooper Tire & Rubber Company</i>	7.63	3-15-27	1,895,000	1,930,531
<i>Cooper Tire & Rubber Company</i>	8.00	12-15-19	450,000	504,563
<i>Goodyear Tire & Rubber Company</i>	7.00	5-15-22	400,000	419,500
<i>Goodyear Tire & Rubber Company</i>	8.75	8-15-20	468,000	525,915
<i>Penske Automotive Group Incorporated 144A</i>	5.75	10-1-22	140,000	142,625

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<i>United Rentals Financing Escrow Corporation 144A</i>	5.75	7-15-18	1,685,000	1,811,375
				8,578,947
Diversified Consumer Services: 1.41%				
<i>Service Corporation International</i>	6.75	4-1-16	475,000	528,438
<i>Service Corporation International</i>	7.00	6-15-17	1,410,000	1,614,450
<i>Service Corporation International</i>	7.00	5-15-19	650,000	711,750
<i>Service Corporation International</i>	7.50	4-1-27	3,965,000	4,222,725
<i>Service Corporation International</i>	7.63	10-1-18	680,000	804,100
<i>Service Corporation International</i>	8.00	11-15-21	475,000	583,063
<i>Sotheby s 144A</i>	5.25	10-1-22	1,615,000	1,639,225
				10,103,751

Portfolio of investments October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 3

Security name	Interest rate	Maturity date	Principal	Value
Hotels, Restaurants & Leisure: 3.38%				
<i>Ameristar Casinos Incorporated</i>	7.50%	4-15-21	\$ 2,150,000	\$ 2,300,500
<i>Burger King Corporation</i>	9.88	10-15-18	850,000	983,875
<i>CCM Merger Incorporated 144A</i>	9.13	5-1-19	4,000,000	3,990,000
<i>CityCenter Holdings LLC</i>	7.63	1-15-16	175,000	186,813
<i>CityCenter Holdings LLC 144A</i>	7.63	1-15-16	425,000	452,625
<i>CityCenter Holdings LLC ¥</i>	10.75	1-15-17	1,811,822	1,916,002
<i>DineEquity Incorporated</i>	9.50	10-30-18	3,475,000	3,913,719
<i>Greektown Superholdings Incorporated Series A</i>	13.00	7-1-15	4,125,000	4,429,219
<i>NAI Entertainment Holdings LLC 144A</i>	8.25	12-15-17	1,620,000	1,802,250
<i>Penn National Gaming Incorporated</i>	8.75	8-15-19	250,000	279,375
<i>Ruby Tuesday Incorporated 144A</i>	7.63	5-15-20	2,200,000	2,087,250
<i>Scientific Games Corporation</i>	9.25	6-15-19	485,000	539,563
<i>Speedway Motorsports Incorporated</i>	6.75	2-1-19	225,000	239,063
<i>Speedway Motorsports Incorporated</i>	8.75	6-1-16	980,000	1,055,950
				24,176,204
Household Durables: 0.07%				
<i>American Greetings Corporation</i>	7.38	12-1-21	475,000	489,844
Internet & Catalog Retail: 0.12%				
<i>Expedia Incorporated</i>	5.95	8-15-20	750,000	827,474
Media: 6.05%				
<i>Cablevision Systems Corporation</i>	8.63	9-15-17	1,310,000	1,529,425
<i>CBS Corporation</i>	8.88	5-15-19	750,000	1,031,526
<i>CCH II Capital LLC</i>	13.50	11-30-16	3,077,815	3,308,651
<i>CCO Holdings LLC</i>	6.50	4-30-21	900,000	956,250
<i>CCO Holdings LLC</i>	7.00	1-15-19	500,000	537,500
<i>CCO Holdings LLC</i>	8.13	4-30-20	450,000	506,250
<i>Cinemark USA Incorporated</i>	7.38	6-15-21	775,000	854,438
<i>Cinemark USA Incorporated</i>	8.63	6-15-19	350,000	387,625
<i>CSC Holdings LLC</i>	7.63	7-15-18	325,000	376,188
<i>CSC Holdings LLC</i>	7.88	2-15-18	1,100,000	1,276,000
<i>CSC Holdings LLC</i>	8.50	4-15-14	400,000	438,500
<i>DIRECTV Holdings LLC</i>	3.80	3-15-22	750,000	780,703
<i>DISH DBS Corporation</i>	7.88	9-1-19	480,000	562,800
<i>EchoStar DBS Corporation</i>	7.13	2-1-16	125,000	139,688
<i>EchoStar DBS Corporation</i>	7.75	5-31-15	350,000	393,750
<i>Gray Television Incorporated 144A</i>	7.50	10-1-20	3,270,000	3,229,125
<i>Gray Television Incorporated</i>	10.50	6-29-15	5,175,000	5,592,105
<i>Interpublic Group of Companies</i>	4.00	3-15-22	750,000	785,919
<i>Lamar Media Corporation</i>	5.88	2-1-22	650,000	689,000
<i>Lamar Media Corporation</i>	7.88	4-15-18	2,250,000	2,475,000
<i>Lamar Media Corporation Series C</i>	9.75	4-1-14	500,000	555,000
<i>LIN Television Corporation 144A</i>	6.38	1-15-21	275,000	278,438
<i>LIN Television Corporation</i>	8.38	4-15-18	1,625,000	1,755,000
<i>Local TV Finance LLC 144A</i>	9.25	6-15-15	4,775,000	4,852,594
<i>National CineMedia LLC 144A</i>	6.00	4-15-22	1,860,000	1,962,300

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<i>National CineMedia LLC</i>	7.88	7-15-21	650,000	710,125
<i>Nexstar Broadcasting Incorporated 144A%%</i>	6.88	11-15-20	1,000,000	1,002,500
<i>Regal Cinemas Corporation</i>	8.63	7-15-19	2,650,000	2,915,000
<i>Salem Communications Corporation</i>	9.63	12-15-16	2,329,000	2,591,013
<i>Time Warner Cable Incorporated</i>	4.00	1-15-22	750,000	833,540
				43,305,953

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4 Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments October 31, 2012

Security name	Interest rate	Maturity date	Principal	Value
Specialty Retail: 1.03%				
<i>Advance Auto Parts Incorporated</i>	4.50%	1-15-22	\$ 600,000	\$ 647,263
<i>Gap Incorporated</i>	5.95	4-12-21	600,000	681,311
<i>Limited Brands Incorporated</i>	6.63	4-1-21	800,000	915,001
<i>Macys Retail Holdings Incorporated</i>	3.88	1-15-22	600,000	658,789
<i>RadioShack Corporation</i>	6.75	5-15-19	1,950,000	1,218,750
<i>Rent-A-Center Incorporated</i>	6.63	11-15-20	375,000	405,469
<i>Toys R Us Property Company I LLC</i>	10.75	7-15-17	725,000	783,906
<i>Toys R Us Property Company II LLC</i>	8.50	12-1-17	1,905,000	2,045,494
				7,355,983
Consumer Staples: 0.55%				
Food & Staples Retailing: 0.10%				
<i>SABMiller Holdings Incorporated 144A</i>	3.75	1-15-22	600,000	659,284
Food Products: 0.34%				
<i>Dole Food Company Incorporated</i>	13.88	3-15-14	1,452,000	1,633,500
<i>Kraft Foods Incorporated 144A</i>	3.50	6-6-22	750,000	812,369
				2,445,869
Tobacco: 0.11%				
<i>Lorillard Tobacco Company</i>	6.88	5-1-20	650,000	798,326
Energy: 9.59%				
Energy Equipment & Services: 2.30%				
<i>Dresser Rand Group Incorporated</i>	6.50	5-1-21	925,000	971,250
<i>Gulfmark Offshore Incorporated 144A</i>	6.38	3-15-22	2,250,000	2,345,625
<i>Hornbeck Offshore Services Incorporated Series B</i>	8.00	9-1-17	2,230,000	2,386,100
<i>NGPL PipeCo LLC 144A</i>	7.12	12-15-17	375,000	402,188
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-37	2,700,000	2,774,250
<i>NGPL PipeCo LLC 144A</i>	9.63	6-1-19	3,155,000	3,628,250
<i>Oil States International Incorporated</i>	6.50	6-1-19	1,230,000	1,306,875
<i>PHI Incorporated</i>	8.63	10-15-18	2,500,000	2,637,500
				16,452,038
Oil, Gas & Consumable Fuels: 7.29%				
<i>Coffeyville Resources LLC 144A</i>	10.88	4-1-17	1,350,000	1,491,750
<i>Crestwood Midstream Part Company</i>	7.75	4-1-19	675,000	690,188
<i>CVR Refining LLC 144A</i>	6.50	11-1-22	1,675,000	1,641,500
<i>Denbury Resources Incorporated</i>	6.38	8-15-21	50,000	54,750
<i>Denbury Resources Incorporated</i>	8.25	2-15-20	1,010,000	1,143,825
<i>El Paso Corporation</i>	6.50	4-1-20	750,000	917,663
<i>El Paso Corporation</i>	6.50	9-15-20	445,000	501,843
<i>El Paso Corporation</i>	7.00	6-15-17	850,000	970,806

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<i>El Paso Corporation</i>	7.25	6-1-18	1,585,000	1,829,355
<i>El Paso Corporation</i>	7.42	2-15-37	800,000	878,523
<i>El Paso Corporation</i>	7.80	8-1-31	1,850,000	2,197,622
<i>Encore Acquisition Company</i>	9.50	5-1-16	375,000	404,063
<i>Energy Transfer Equity LP</i>	7.50	10-15-20	3,100,000	3,526,250

Portfolio of investments October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 5

Security name	Interest rate	Maturity date	Principal	Value
Oil, Gas & Consumable Fuels (continued)				
<i>Energy Transfer Partners LP</i>	5.20%	2-1-22	\$ 750,000	\$ 860,178
<i>Ferrellgas Finance Corporation</i>	9.13	10-1-17	2,450,000	2,621,500
<i>Holly Corporation</i>	9.88	6-15-17	1,895,000	2,065,550
<i>Kinder Morgan Energy Partners LP</i>	3.95	9-1-22	750,000	818,818
<i>Nabors Industries Incorporated</i>	4.63	9-15-21	750,000	824,092
<i>Petrohawk Energy Corporation</i>	7.88	6-1-15	790,000	823,518
<i>Petrohawk Energy Corporation</i>	10.50	8-1-14	495,000	533,363
<i>Phillips 66 144A</i>	4.30	4-1-22	625,000	702,147
<i>Pioneer Natural Resources Company</i>	3.95	7-15-22	750,000	801,962
<i>Pioneer Natural Resources Company</i>	7.50	1-15-20	1,220,000	1,562,075
<i>Rockies Express Pipeline LLC 144A</i>	3.90	4-15-15	2,000,000	1,980,000
<i>Rockies Express Pipeline LLC 144A</i>	5.63	4-15-20	400,000	381,000
<i>Rockies Express Pipeline LLC 144A</i>	6.88	4-15-40	5,388,000	4,687,560
<i>Rockies Express Pipeline LLC 144A</i>	7.50	7-15-38	775,000	720,750
<i>Plains Exploration & Production Company</i>	8.63	10-15-19	2,885,000	3,180,713
<i>Sabine Pass LNG LP 144A</i>	6.50	11-1-20	3,720,000	3,794,400
<i>Sabine Pass LNG LP</i>	7.50	11-30-16	3,750,000	4,096,875
<i>Suburban Propane Partners LP</i>	7.38	3-15-20	275,000	291,500
<i>Suburban Propane Partners LP 144A</i>	7.38	8-1-21	420,000	449,400
<i>Suburban Propane Partners LP 144A</i>	7.50	10-1-18	422,000	453,650
<i>Susser Holdings LLC</i>	8.50	5-15-16	975,000	1,043,250
<i>Tesoro Corporation</i>	9.75	6-1-19	945,000	1,087,931
<i>Weatherford International Incorporated</i>	6.35	6-15-17	650,000	759,133
<i>Western Gas Partners LP</i>	5.38	6-1-21	503,000	579,552
<i>Williams Partners LP</i>	3.35	8-15-22	750,000	776,720
				52,143,775
Financials: 11.70%				
Capital Markets: 1.08%				
<i>Ace Securities Corporation ±</i>	0.61	8-25-45	386,362	374,711
<i>Ace Securities Corporation ±</i>	2.84	6-25-33	713,357	683,552
<i>E*TRADE Financial Corporation</i>	12.50	11-30-17	4,291,000	4,859,558
<i>Goldman Sachs Group Incorporated</i>	5.75	1-24-22	750,000	869,894
<i>Oppenheimer Holdings Incorporated</i>	8.75	4-15-18	930,000	957,900
				7,745,615
Commercial Banks: 1.27%				
<i>CIT Group Incorporated 144A</i>	4.75	2-15-15	1,475,000	1,526,625
<i>CIT Group Incorporated</i>	5.00	5-15-17	250,000	263,450
<i>CIT Group Incorporated 144A</i>	5.25	4-1-14	750,000	778,125
<i>CIT Group Incorporated</i>	5.25	3-15-18	500,000	531,250
<i>CIT Group Incorporated 144A</i>	5.50	2-15-19	1,275,000	1,359,469
<i>CIT Group Incorporated 144A</i>	6.63	4-1-18	550,000	613,250
<i>City National Bank</i>	5.38	7-15-22	500,000	540,220
<i>Emigrant Bancorp Incorporated 144A(i)</i>	6.25	6-15-14	2,925,000	2,715,295
<i>HSBC Bank USA</i>	6.00	8-9-17	650,000	756,441
				9,084,125

Security name	Interest rate	Maturity date	Principal	Value
Consumer Finance: 4.97%				
<i>Ally Financial Incorporated</i>	5.50%	2-15-17	\$ 750,000	\$ 793,359
<i>Ally Financial Incorporated</i>	8.30	2-12-15	2,055,000	2,302,114
<i>American General Finance Corporation</i>	5.40	12-1-15	1,625,000	1,519,375
<i>American General Finance Corporation</i>	5.75	9-15-16	1,100,000	981,750
<i>American General Finance Corporation</i>	6.50	9-15-17	200,000	177,124
<i>Clearwire Communications Finance Corporation 144A</i>	12.00	12-1-15	940,000	996,400
<i>Clearwire Communications Finance Corporation 144A</i>	12.00	12-1-15	1,450,000	1,544,250
<i>Ford Motor Credit Company LLC</i>	5.00	5-15-18	650,000	716,665
<i>Ford Motor Credit Company LLC</i>	8.00	12-15-16	250,000	302,660
<i>General Motors Financial Company Incorporated 144A</i>	4.75	8-15-17	275,000	281,437
<i>General Motors Financial Company Incorporated</i>	6.75	6-1-18	1,150,000	1,274,412
<i>GMAC LLC</i>	6.75	12-1-14	1,298,000	1,398,595
<i>GMAC LLC</i>	7.50	12-31-13	3,620,000	3,841,725
<i>Homer City Funding LLC (s)</i>	8.73	10-1-26	1,207,176	1,321,858
<i>International Lease Finance Corporation</i>	6.38	3-25-13	460,000	468,050
<i>International Lease Finance Corporation 144A</i>	6.75	9-1-16	100,000	113,000
<i>International Lease Finance Corporation 144A</i>	7.13	9-1-18	75,000	88,125
<i>International Lease Finance Corporation</i>	8.63	9-15-15	900,000	1,013,400
<i>JBS USA Finance Incorporated</i>	11.63	5-1-14	3,745,000	4,194,400
<i>Level 3 Financing Incorporated</i>	10.00	2-1-18	2,010,000	2,241,150
<i>Nielsen Finance LLC Company 144A</i>	4.50	10-1-20	175,000	174,125
<i>Nielsen Finance LLC Company</i>	7.75	10-15-18	5,100,000	5,737,500
<i>Springleaf Finance Corporation</i>	6.90	12-15-17	4,620,000	4,065,600
				35,547,074
Diversified Financial Services: 1.94%				
<i>Bank of America Corporation</i>	3.70	9-1-15	650,000	689,676
<i>Bank of America Corporation</i>	5.70	1-24-22	250,000	297,171
<i>Blackstone Holdings Finance Company LLC 144A</i>	5.88	3-15-21	750,000	836,755
<i>Citigroup Incorporated</i>	4.50	1-14-22	250,000	275,735
<i>Citigroup Incorporated</i>	6.00	8-15-17	650,000	764,837
<i>Discover Financial Services 144A</i>	5.20	4-27-22	750,000	846,404
<i>Fidelity National Information Services Incorporated</i>	5.00	3-15-22	275,000	280,500
<i>General Electric Capital Corporation</i>	4.65	10-17-21	650,000	734,825
<i>Hub International Limited Company 144A</i>	8.13	10-15-18	2,260,000	2,322,150
<i>ING US Incorporated 144A</i>	5.50	7-15-22	750,000	814,610
<i>Moody's Corporation</i>	5.50	9-1-20	1,302,000	1,474,205
<i>Neuberger Berman Group LLC 144A</i>	5.63	3-15-20	500,000	525,000
<i>Neuberger Berman Group LLC 144A</i>	5.88	3-15-22	650,000	692,250
<i>Nuveen Investments Incorporated</i>	5.50	9-15-15	2,950,000	2,817,250
<i>USI Holdings Corporation 144A</i>	9.75	5-15-15	525,000	532,875
				13,904,243
Insurance: 0.50%				
<i>American International Group Incorporated</i>	4.88	6-1-22	750,000	845,079
<i>Hartford Financial Services Group</i>	5.13	4-15-22	650,000	739,466
<i>Liberty Mutual Group Incorporated 144A</i>	4.95	5-1-22	750,000	818,296
<i>Prudential Covered Trust Company 144A</i>	3.00	9-30-15	456,000	473,427

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WR Berkley Corporation

4.63

3-15-22

650,000

699,952

3,576,220

Portfolio of investments October 31, 2012

Wells Fargo Advantage Multi-Sector Income Fund 7

Security name	Interest rate	Maturity date	Principal	Value
Real Estate Management & Development: 0.27%				
<i>Ashtead Capital Incorporated 144A</i>	6.50%	7-15-22	\$ 1,825,000	\$ 1,925,375
REITs: 1.67%				
<i>Alexandria Real Estate Company</i>	4.60	4-1-22	650,000	703,061
<i>Dupont Fabros Technology Incorporated</i>	8.50	12-15-17	5,560,000	6,116,000
<i>Essex Portfolio LP 144A</i>	3.63	8-15-22	750,000	751,013
<i>Health Care Incorporated</i>	5.25	1-15-22	650,000	741,589
<i>Host Hotels & Resorts LP</i>	9.00	5-15-17	235,000	254,975
<i>Omega Healthcare Investors Incorporated</i>	6.75	10-15-22	1,775,000	1,934,750
<i>Ventas Incorporated</i>	4.25	3-1-22	650,000	697,120
<i>WEA Finance LLC 144A</i>	4.63	5-10-21	650,000	714,763
				11,913,271
Health Care: 3.44%				
Biotechnology: 0.11%				
<i>Amgen Incorporated</i>	3.63	5-15-22	750,000	805,466
Health Care Equipment & Supplies: 0.41%				
<i>Boston Scientific Corporation</i>	6.00	1-15-20	750,000	889,361
<i>CareFusion Corporation</i>	6.38	8-1-19	750,000	893,375
<i>Hologic Incorporated 144A</i>	6.25	8-1-20	1,105,000	1,171,300
				2,954,036
Health Care Providers & Ser				