

Multi-Sector Income Fund

CLOSED END FUND

FUND OVERVIEW

Objective & Strategy

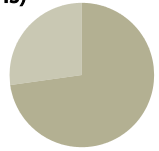
The fund seeks a high level of current income consistent with limiting its overall exposure to domestic interest rate risk.

Fund Basics

Fund inception	06/25/2003
Ticker	ERC
NAV Ticker	XERCX
CUSIP	94987D101

Fund Capitalization (In Millions)

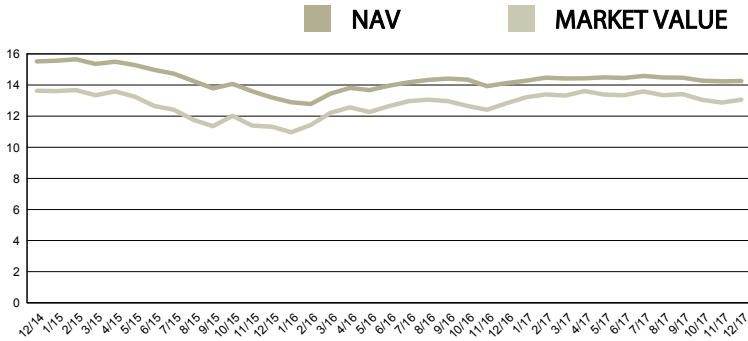
Common	\$ 498.2
Bank Borrowings [^]	\$ 187.5
Total	\$ 685.7



[^]Bank borrowings are used as a source of leverage. Effective rate on borrowings as of December 31, 2017 is 2.09%. Borrowing cost impact on expense ratio to net assets is 0.80%.

PERFORMANCE

NAV VS. Market Price Chart



Fund Characteristics

Expense Ratio Gross*	1.68%
*As of 10/31/2017. Expense ratios include 0.61% of interest expense. Excluding interest expense, gross ratio would be 1.07%.	
Dividend Distributions	Monthly
Number of holdings	596
Effective Maturity (years).....	5.0
Average Duration (years).....	3.4
Average coupon	5.61%
Leverage as a % of total assets	27.3%

NAV and Market Price Data

Shares outstanding	34,939,684
Average daily volume	130,108
Since Inception high/low NAV	\$20.78/\$11.63
Since Inception high/low share price	\$20.03/\$8.35
Inception Common Share Price	\$20.01
Inception Common Share NAV	\$19.06
Current Share Price	\$13.06
Current Share NAV	\$14.26
Premium/Discount at NAV	-8.42%

Total Returns and Yields*

	AT MARKET	AT NAV
Distribution Rate	9.71%	8.89%
30-Day SEC Yield ¹	N/A	5.63%
3-month	-0.25%	0.95%
YTD 2017	11.88%	10.92%
1-year	11.88%	10.92%
3-year	8.16%	6.66%
5-year	4.65%	5.16%
10-year	8.27%	7.59%
Inception (6/25/2003)	6.55%	7.56%

*Cumulative if one year or less, annualized if greater than one year.

Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on a fund. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, 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. Current month-end performance is available by calling 1-800-343-2898. Performance figures of the fund do not reflect fees charged pursuant to the terms of any brokerage account agreements. If sales charges had been reflected, performance would have been lower.

Distributions are sourced from income, and may also be sourced from paid-in capital, and/or capital gains, if any. The quoted distribution rate is a figure that uses the funds' previous distribution to calculate an annualized figure. Distribution Rate is calculated by annualizing the last distribution and then dividing by the period ending NAV or market price. Special distributions, including special capital gains distributions, are not included in the calculation.

1. The 30-Day SEC yield is calculated with a standardized formula mandated by the SEC. The formula is based on an estimated yield to maturity (assuming all portfolio securities are held to maturity) and is intended to reflect a fund's hypothetical annualized income, as a percentage of its assets. A fund's actual distribution rate will differ from the SEC yield and any income distributions from the fund may be higher or lower than implied by the SEC yield. The 30-Day SEC yield is calculated as of the most recent month-end.

FUND INFORMATION

Top Sectors

(as a % of market value of investments)	
Corporate Bonds	55.3%
Foreign Government Bonds	15.3%
Loans	14.7%
Yankee Corporate Bonds and Notes	6.6%
Non-Agency Mortgage Backed Securities	3.7%
Agencies	1.3%
Government Agency Debt	0.9%
Asset Backed Securities	0.4%

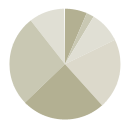
Dividend History (Last 6 Months)

Declaration Date	Dividend per share
07/28/2017	0.1073
08/16/2017	0.1075
09/29/2017	0.1076
10/27/2017	0.1077
11/10/2017	0.1077
12/29/2017	0.1078

Credit Quality

(as a % of market value of bonds)

AAA/Aaa	6.4%
AA/Aa	2.3%
A/A	9.2%
BBB/Baa	20.5%
BB/Ba	24.4%
B/B	26.6%
CCC/Caa and Below	10.5%
Other	0.1%
Not Rated	0.1%



The ratings indicated are from Standard & Poor's, Fitch Ratings Ltd., and/or Moody's Investors Service. The percentages of the fund's portfolio with the ratings depicted in the chart are calculated based on the total investments of the fund. If a security was rated by all three rating agencies, the middle rating was used. If rated by two of three rating agencies, the lower rating was used, and if rated by one of the agencies, that rating was used.

December 31, 2017

Multi-Sector Income Fund

PORTFOLIO MANAGEMENT

Peter Wilson	Mr. Wilson has been with Wells Capital Management or one of its affiliate firms since 1989. Mr. Wilson has been working in the investment field since 1978.	Michael Lee	Mr. Lee has been with Wells Capital Management or one of its affiliate firms since 1992. Mr. Lee has been working in the investment management field since 1982.
Philip Susser	Mr. Susser is currently a senior portfolio manager and co-manager of the U.S. High Yield team at Wells Capital Management. He began his investment career in 1995.	Noah Wise, CFA	Mr. Wise has been with Wells Capital Management or one of its affiliate firms since 2008. Mr. Wise has been working in the investment management field since 2001.
Anthony Norris	Mr. Norris has been with Wells Capital Management or one of its affiliate firms since 1990. Mr. Norris has been working in the investment management field since 1966.	Alex Perrin	Mr. Perrin has been with Wells Capital Management or one of its affiliate firms since 1992. Mr. Perrin has been working in the investment management industry since 1992.
Christopher Kauffman, CFA	Mr. Kauffman has been with Wells Capital Management or one of its affiliate firms since 2003. Mr. Kauffman has been working in the investment management field since 1997.	Christopher Wightman	Mr. Wightman has been with Wells Capital Management or one of its affiliate firms since 2011. Mr. Wightman has been working in the investment management field since 1997.
Niklas Nordenfelt, CFA	Mr. Nordenfelt has been with Wells Capital Management since 2003. He is currently a senior portfolio manager and co-manager of the U.S. High Yield team at Wells Capital Management. He began his investment career in 1991.		

MANAGEMENT COMMENTARY

Strategy

The fund seeks a high level of current income consistent with limiting its overall exposure to interest-rate risk. The fund's main investments include three principal fixed-income sectors: mortgage/corporate bonds, high-yield bonds, and international/emerging-market bonds. We continued to focus on reducing risk, on the margin, during the quarter. We did this by shifting the fund's holdings to higher-quality securities and maintaining a shorter duration than the index.

The Multi-Sector Income Fund's return based on market value was -0.25% for the three-month period that ended December 31, 2017. During the same period, the fund's return based on its net asset value (NAV) was 0.95%. Based on its NAV return, the fund outperformed relative to the Multi-Sector Income Blended Index², which returned 0.59%. The Multi-Sector Income Blended Index also returned 8.55%, 3.61%, and 5.75% for the 1-, 5-, and 10-year periods, respectively.

Contributors to performance

Outperformance during the quarter was aided by a number of factors. The fund's underweight to securitized bonds and issue selection within that sector were the largest drivers of returns. Issue selection within high yield aided results, particularly within the CCC-rated credit tranche. The fund also benefited from its non-U.S. allocation, particularly its emerging Asian investments.

Detractors from performance

The largest detractor during the period was the fund's positioning within the Treasury sector. We have maintained a large overweight to Mexico, which was a notable detractor because it performed poorly over concerns about the renegotiation of the North American Free Trade Agreement.

Management outlook

We expect continued economic growth. In the U.S., labor markets continue to improve as more workers are added to payrolls and the unemployment rate remains low. Despite anecdotal evidence of wage increases, inflation has remained limited. On the global front, most developed countries are now also growing their economies. As a result, developed-country central banks are beginning to reduce the amount of accommodation in their monetary policies.

One of the implications we see for the bond markets due to these macroeconomic influences is a supportive environment for credit quality. Corporate revenue and earnings have been strong and leverage declined slightly, though it remained at high levels. Given a continuation of economic growth, we expect credit fundamentals to remain sound as well. Another implication—this one due to limited inflation pressures—portends well for longer-term bond yields even as the Federal Reserve continues to raise short-term rates. U.S. yields remain attractive to foreign buyers although the attractiveness has begun to wane as European yields, in particular, begin to increase amid a return to more normal monetary policy.

2. The Multi-Sector Income Blended Index is weighted 7.5% Bloomberg Barclays Corporate Bond Index, 7.5% Bloomberg Barclays U.S. Securitized Index, 60% ICE BofAML High Yield U.S. Corporates, Cash Pay Index, 18% J.P. Morgan GBI-EM Global Diversified Composite Index, and 7% J.P. Morgan Global Government Bond Index (ex U.S.). The Bloomberg Barclays Corporate Bond Index is an unmanaged market-value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more. The Bloomberg Barclays U.S. Securitized Index is an unmanaged composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities. The ICE BofAML High Yield U.S. Corporates, Cash Pay Index tracks the performance of U.S.-dollar-denominated below-investment-grade corporate debt currently in a coupon-paying period that is publicly issued in the U.S. domestic market. The J.P. Morgan GBI-EM Global Diversified Composite Index is an unmanaged index of debt instruments of 31 emerging countries. The J.P. Morgan Global Government Bond Index (ex U.S.) measures the total return from investing in 12 developed government bond markets—Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the U.K. You cannot invest directly in an index.

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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. Returns reflect expense limits previously in effect, without which returns would have been lower. Investment return and principal value of an investment will fluctuate so that investors' shares, when sold, may be worth more or less than their original costs. The fund has issued preferred shares and, in addition, may borrow, which creates leverage. 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. The final determination of the source of all dividend distributions in the current year will be made after year-end. The actual amounts and sources of the amounts for tax reporting purposes will depend upon a fund's investment experience during the remainder of the fiscal year and may be subject to change based on tax regulations. Each fund will send shareholders a Form 1099-DIV for the calendar year that will tell shareholders how to report these distributions for federal income tax purposes. The fund is leveraged through a revolving credit facility and also may incur leverage by issuing preferred shares in the future. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value and the market value 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 noncorrelation to the relevant instruments that they are designed to hedge or closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest-rate changes and their impact on the fund and its share price can be sudden and unpredictable. 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. 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 from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Moody's rates the creditworthiness of bonds from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Fitch rates the creditworthiness of bonds from AAA (highest) to D (lowest).

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