

Annual Report

August 31, 2017

WELLS
FARGO

ASSET
MANAGEMENT

Wells Fargo Utilities and High Income Fund (ERH)



Together we'll go far



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

The views expressed and any forward-looking statements are as of August 31, 2017, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.



Andrew Owen
President
Wells Fargo Funds

Favorable economic news supported stocks, and interest rates moved higher.

Hiring remained strong, and business and consumer sentiment improved.

Dear Shareholder:

We are pleased to offer you this annual report for the Wells Fargo Utilities and High Income Fund for the 12-month period that ended August 31, 2017. Despite heightened market volatility at times, in general, global stocks delivered double-digit results and bond markets had smaller, but positive, results as well. U.S. and international stocks returned 16.23% and 18.88%, respectively, for the 12-month period, as measured by the S&P 500 Index¹ and the MSCI ACWI ex USA Index (Net)²; within fixed income, the Bloomberg Barclays U.S. Aggregate Bond Index³ returned 0.49%.

Election results and central banks' policies commanded investor attention as 2016 closed.

During September and the fourth quarter of 2016, investors appeared intent on the prospective outcomes of elections in the U.S. and central-bank actions globally. Following Donald Trump's election victory, U.S. stocks rallied. Investors appeared optimistic that the new administration would pursue progrowth policies. Favorable economic news supported stocks, and interest rates moved higher. At their mid-December meeting, U.S. Federal Reserve (Fed) officials raised the target interest rate by a quarter percentage point to a range from 0.50% and 0.75%. The fourth quarter also saw the implementation of the U.S. Securities and Exchange Commission's new rules for money market funds, which included floating net asset values (NAVs) as well as the possibility of liquidity fees and redemption gates for institutional prime and municipal money market funds. In the year leading up to money market fund reform implementation, nearly \$1 trillion in assets moved from money market funds subject to floating NAVs into government money market funds, which continued to transact at a stable \$1.00 NAV. Outside of the U.S., the prospects for faster U.S. growth appeared to trigger some acceleration in Europe.

Equity and bond markets gained during the first quarter of 2017 on positive economic data.

Stocks rallied globally through the first quarter of 2017, supported by signs of improvement in the U.S. and global economies. U.S. economic data released during the quarter reflected a healthy economy. Hiring remained strong, and business and consumer sentiment improved. In March, Fed officials raised their target interest rate by a quarter percentage point to a range from 0.75% and 1.00%. With the Fed's target interest rate increase, short-term bond yields rose during the quarter. Meanwhile, longer-term Treasury yields were little changed, leading to positive performance. Investment-grade and high-yield bonds benefited from strong demand. Municipal bond returns were positive in the quarter, helped by strong demand and constrained new-issue supply. Outside of the U.S., stocks in emerging markets generally outperformed stocks in the U.S. and international developed markets because they benefited from both global economic growth and recent weakening in the U.S. dollar. Stocks in Asia, Europe, and Latin America also outperformed the U.S. market during the quarter.

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

² The Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex USA Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. You cannot invest directly in an index.

³ The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities. You cannot invest directly in an index.

⁴ The Chicago Board Options Exchange Market Volatility Index (CBOE VIX) is a popular measure of the implied volatility of S&P 500 Index options. It represents one measure of the market's expectation of stock market volatility over the next 30-day period. You cannot invest directly in an index.

Steady advancement in many markets marked the first eight months of 2017.

During the second quarter, most equity markets in the U.S. and abroad advanced. Steady, albeit modest, economic growth both in the U.S. and abroad and generally favorable corporate earnings announcements supported higher valuations. U.S. inflation trended lower despite the unemployment rate continuing to decline. Ten-year U.S. Treasury yields declined, resulting in stronger prices for long-term bonds. As was widely expected, in June, the Fed raised the target interest rate by a quarter percentage point to a range from 1.00% and 1.25%. In addition, the Fed indicated that it would begin to sell bonds accumulated on its balance sheet during quantitative easing programs conducted since 2008, likely beginning in September. Early in July and again in August, volatility expectations increased and then receded, as measured by the CBOE VIX,⁴ amid geopolitical tensions (particularly in Asia) and declining investor optimism about President Trump's potential to move forward with his agenda for tax and regulatory reforms.

Economic momentum increased in Europe; the European Central Bank held its rates steady at low levels and continued its quantitative easing bond-buying program, which is intended to spark economic activity. In emerging markets, many countries benefited from stronger currencies versus the U.S. dollar.

Don't let short-term uncertainty derail long-term investment goals.

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

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

Sincerely,



Andrew Owen
President
Wells Fargo Funds

Notice to shareholders

On November 23, 2016, the Fund announced an extension of its open-market share repurchase program (the "Buyback Program"). Under the extended Buyback Program, the Fund may repurchase up to 10% of its outstanding shares during the period beginning on December 17, 2016, and ending on December 31, 2017. The Fund's Board of Trustees has delegated to Wells Fargo Funds Management, LLC, the Fund's adviser, discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations.

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

Investment objective

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

Adviser

Wells Fargo Funds Management, LLC

Subadvisers

Crow Point Partners, LLC

Wells Capital Management Incorporated

Portfolio managers

Niklas Nordenfelt, CFA*

Timothy P. O'Brien, CFA*

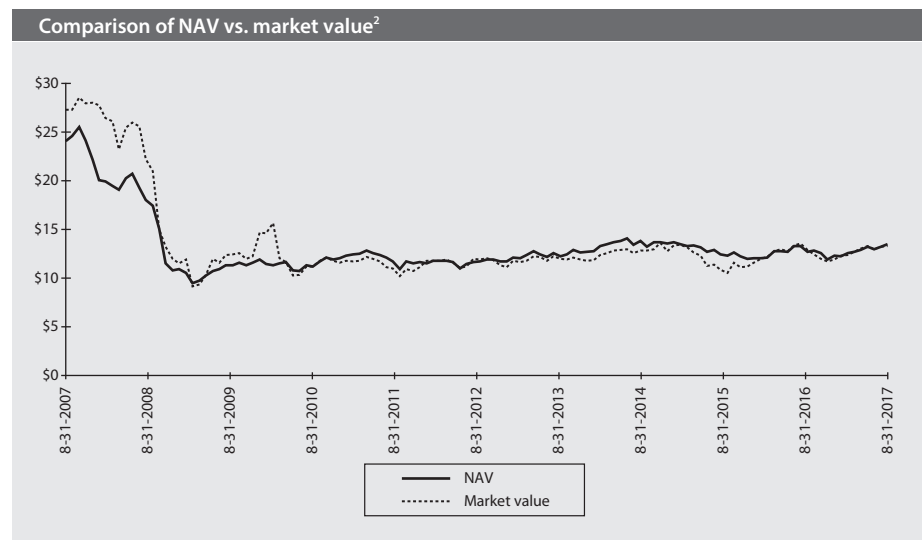
Phillip Susser

Average annual total return (%) as of August 31, 2017¹

	1 year	5 year	10 year
Based on market value	10.80	10.01	2.37
Based on net asset value (NAV) per share	13.63	10.59	3.78

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

The Fund's expense ratio for the year ended August 31, 2017, was 1.24% which includes 0.29% of interest expense.



High-yield, lower-rated bonds may contain more risk due to the increased possibility of default. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. Risks of international investing are magnified in emerging or developing markets. Funds that concentrate their investments in a single industry or sector may face increased risk of price fluctuation due to adverse developments within that industry or sector. Small- and mid-cap securities may be subject to special risks associated with narrower product lines and limited financial resources compared with their large-cap counterparts. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value and the market price of common shares. Derivatives involve additional risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of noncorrelation to the relevant instruments they are designed to hedge or closely track. There are numerous risks associated with transactions in options on securities. Illiquid securities may be subject to wide fluctuations in market value and may be difficult to sell. This closed-end fund is no longer available 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.

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

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

MANAGERS' DISCUSSION

Overview

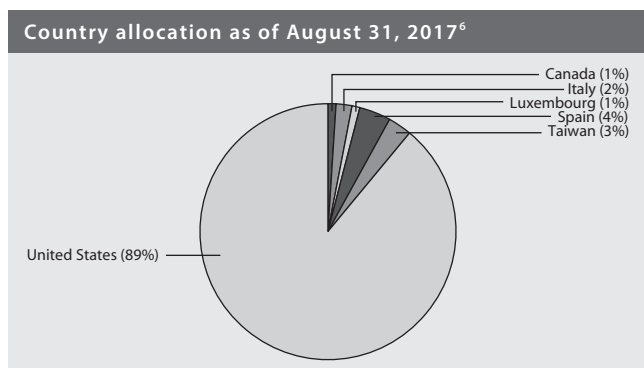
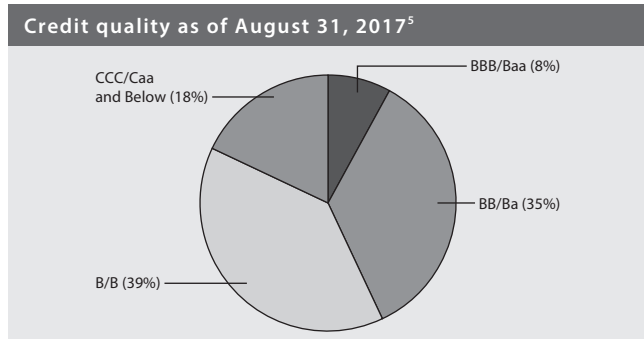
The Fund's return based on market value was 10.80% for the 12-month period that ended August 31, 2017. During the same period, the Fund's return based on net asset value (NAV) was 13.63%. Based on its NAV return, the Fund performed in line with the ERH Blended Index³, which returned 13.63%.

During the 12-month period that ended August 31, 2017, the U.S. economy continued its slow but steady expansion while Europe appeared to finally have turned a corner into an economic recovery. Although central banks worldwide seemed determined to normalize interest rates, this proved to be a difficult challenge as of the end of August.

With the exception of three extremely mild monthly pullbacks, high-yield bonds rallied over the reporting period, driven primarily by spread compression, which offset higher Treasury yields. The rise in Treasury yields and the spread compression were most pronounced after the election of Donald Trump as U.S. president in November 2016. From a fundamental perspective, corporate leverage remained elevated; however, the cash-flow impact from the increased leverage was somewhat offset by bond issuers' ability to pay low interest rates.

A number of the Fund's positions in equities were adjusted during the reporting period. New positions were initiated, including FirstEnergy Corporation and Poste Italiane S.p.A.* The Fund's positions were increased in American Electric Power Company, Incorporated; Exelon Corporation; and PNM Resources, Incorporated. The Fund's holdings in Eversource Energy and Spark Energy, Incorporated, were reduced, and positions in American Water Works Company, Incorporated; CenturyLink, Incorporated; Spectra Energy Corp; and Duke Energy Corporation were eliminated.

Ten largest holdings (%) as of August 31, 2017 ⁴	
FirstEnergy Corporation	7.84
American Electric Power Company Incorporated	7.09
PNM Resources Incorporated	5.95
NextEra Energy Incorporated	4.22
Georgia Power Company	4.09
Eversource Energy	4.04
Edison International	3.86
Red Electrica Corporacion SA	3.60
Exelon Corporation	3.52
Chunghwa Telecom Company Limited ADR	3.34



Contributors to performance

Within the Fund's equities portfolio, a number of utilities contributed significantly to relative performance. These included PNM Resources, Enel SpA*, Enel Generacion Chile S.A.*, and Poste Italiane S.p.A. Also, telecom carrier Shenandoah Telecommunications Company delivered a substantial contribution.

While the performance of the Fund's high-yield bond portfolio was hindered by its industry allocations overall, security selection within industries offset the negative impact of industry allocations. The portfolio benefited in particular from security selection in and exposure to the cable and satellite, transportation services, pipeline retail, and electric utility industries.

Detractors from performance

Within the Fund's equities portfolio, Chunghwa Telecom Company, Limited; Verizon Communications Incorporated; and Red Eléctrica Corporación, S.A., detracted significantly from relative performance. Also, holdings of cash and preferred equities materially detracted from performance.

Within the Fund's high-yield bond portfolio, performance was negatively affected by security selection in and exposure to companies engaged in energy exploration and production, metals and mining, and oil-field services. Holding cash in the strong market environment also detracted from performance.

Outlook from the Fund's equities manager: A mixed bag

We are now seeing what appears to be a more solid and accelerating economic recovery in the U.S. We believe interest rates may continue to rise on the short end of the yield curve. The outlook for 10-year interest rates, which are highly correlated with the dividend yields provided by utilities, is less clear; in 2017 through the end of the reporting period, the 10-year Treasury rate fell and the yield curve flattened. Stronger economic growth may be positive for utilities suffering from weak sales; however, higher interest rates could be a near-term headwind for utilities stocks. Over the longer term, we believe fundamentals for regulated network operators should remain robust; the outlook for utilities with significant exposure to commodity prices, however, remains challenging.

Outlook from the Fund's high-yield manager: Cautiously optimistic over the near term

On the whole, we view the current environment as better than average for high yield. In the short term, we expect solid economic growth, due partly to continued consumer strength in the U.S. combined with improving conditions globally. Industrial production in Germany and France rose materially in recent months, and the euro-area economy grew more than 2% in the second quarter of 2017. Over the long term, however, a rising discount rate, the potential end or reversal of quantitative easing, and lower-than-average overall credit spreads may work against the high-yield market. We also believe geopolitical risks and other global macro imbalances are increasing and could surprise the markets by creating incremental uncertainty about future government policies.

We believe continued moderate growth with low unemployment is often an ideal environment for high-yield issuers as it typically has led to stable consumer demand while allowing the U.S. Federal Reserve to remain accommodative. While we continue to be cautiously optimistic that this environment will continue in the near term, we are aware that ideal environments never last forever and that the lower yields go, the less compensation investors receive for taking on the risk of a potential downturn.

³ Source: Wells Fargo Funds Management, LLC. The ERH Blended Index is weighted 70% S&P 500 Utilities Index and 30% BofA Merrill Lynch U.S. High Yield Index. The S&P 500 Utilities Index is a market-value-weighted index that measures the performance of all stocks within the utilities sector of the S&P 500 Index. The BofA Merrill Lynch U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of high-yield securities traded in the U.S. bond market. You cannot invest directly in an index.

⁴ The ten largest holdings, excluding cash and cash equivalents, are calculated based on the value of the investments divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

⁵ The credit quality distribution of portfolio holdings reflected in the chart is based on ratings from Standard & Poor's, Moody's Investors Service, and/ or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the Fund and not to the Fund itself. The percentages of the Fund's portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Standard & Poor's rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). Moody's rates the creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality distribution is subject to change and may have changed since the date specified.

⁶ Amounts are calculated based on the total long-term investments of the Fund. These percentages are subject to change and may have changed since the date specified.

* This security was not held in the Fund at the end of the reporting period.

The Summary portfolio of investments shows the 50 largest portfolio holdings in unaffiliated issuers and any holdings exceeding 1% of the total net assets as of the report date. The remaining securities held are grouped as "Other securities" in each category.

Security name	Shares	Value	Percent of net assets
Common Stocks: 61.37%			
Energy: 0.01%			
Oil, Gas & Consumable Fuels: 0.01%			
Other securities		\$ 15,689	0.01%
Telecommunication Services: 7.53%			
Diversified Telecommunication Services: 4.93%			
Chunghwa Telecom Company Limited ADR	120,249	4,161,818	3.34
Verizon Communications Incorporated	41,291	1,980,729	1.59
		<u>6,142,547</u>	<u>4.93</u>
Wireless Telecommunication Services: 2.60%			
Shenandoah Telecommunications Company	90,000	<u>3,244,500</u>	<u>2.60</u>
Utilities: 53.83%			
Electric Utilities: 45.27%			
Alliant Energy Corporation	8,000	341,920	0.28
American Electric Power Company Incorporated	120,000	8,835,600	7.09
Edison International	60,000	4,810,800	3.86
Eversource Energy	80,000	5,040,000	4.04
Exelon Corporation	116,001	4,392,958	3.52
FirstEnergy Corporation	300,000	9,773,968	7.84
Great Plains Energy Incorporated	100,000	3,069,000	2.46
IDACORP Incorporated	25,000	2,224,500	1.78
NextEra Energy Incorporated	35,000	5,267,850	4.23
PNM Resources Incorporated	175,000	7,420,000	5.95
Red Electrica Corporacion SA	200,000	4,491,570	3.60
Spark Energy Incorporated Class A	44,138	699,587	0.56
Other securities		79,170	0.06
		<u>56,446,923</u>	<u>45.27</u>
Gas Utilities: 0.05%			
Other securities		<u>55,647</u>	<u>0.05</u>
Independent Power & Renewable Electricity Producers: 0.01%			
Other securities		<u>13,930</u>	<u>0.01</u>
Multi-Utilities: 8.50%			
CenterPoint Energy Incorporated	50,000	1,481,000	1.19
Hera SpA	900,000	2,879,938	2.31
Public Service Enterprise Group Incorporated	50,000	2,342,000	1.88
SCANA Corporation	25,000	1,514,750	1.21
Sempra Energy	19,900	2,346,807	1.88
Other securities		37,151	0.03
		<u>10,601,646</u>	<u>8.50</u>
Total Common Stocks (Cost \$56,093,835)		<u>76,520,882</u>	<u>61.37</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Corporate Bonds and Notes: 27.96%					
Consumer Discretionary: 5.66%					
Auto Components: 0.52%					
<i>Allison Transmission Incorporated 144A</i>	5.00%	10-1-2024	\$ 350,000	\$ 360,500	0.29%
<i>Other securities</i>				289,125	0.23
				<u>649,625</u>	<u>0.52</u>
Distributors: 0.10%					
<i>Other securities</i>				<u>128,125</u>	<u>0.10</u>
Diversified Consumer Services: 0.47%					
<i>Service Corporation International</i>	7.50	4-1-2027	400,000	476,000	0.39
<i>Other securities</i>				102,976	0.08
				<u>578,976</u>	<u>0.47</u>
Hotels, Restaurants & Leisure: 0.37%					
<i>Other securities</i>				<u>464,501</u>	<u>0.37</u>
Leisure Products: 0.03%					
<i>Other securities</i>				<u>41,000</u>	<u>0.03</u>
Media: 2.93%					
<i>CCO Holdings LLC 144A</i>	5.38	5-1-2025	335,000	349,238	0.28
<i>Other securities</i>				3,308,266	2.65
				<u>3,657,504</u>	<u>2.93</u>
Specialty Retail: 1.17%					
<i>Other securities</i>				<u>1,460,353</u>	<u>1.17</u>
Textiles, Apparel & Luxury Goods: 0.07%					
<i>Other securities</i>				<u>84,575</u>	<u>0.07</u>
Consumer Staples: 0.55%					
Beverages: 0.08%					
<i>Other securities</i>				<u>104,376</u>	<u>0.08</u>
Food Products: 0.43%					
<i>Other securities</i>				<u>535,007</u>	<u>0.43</u>
Household Products: 0.04%					
<i>Other securities</i>				<u>47,894</u>	<u>0.04</u>
Energy: 6.90%					
Energy Equipment & Services: 2.06%					
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-2037	725,000	900,813	0.72
<i>PHI Incorporated</i>	5.25	3-15-2019	430,000	411,725	0.33
<i>Other securities</i>				1,258,582	1.01
				<u>2,571,120</u>	<u>2.06</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Oil, Gas & Consumable Fuels: 4.84%					
Rockies Express Pipeline LLC 144A	5.63%	4-15-2020	\$ 325,000	\$ 342,063	0.28%
Tallgrass Energy Partners LP 144A	5.50	9-15-2024	575,000	575,000	0.46
Other securities				5,113,456	4.10
				<u>6,030,519</u>	<u>4.84</u>
Financials: 2.64%					
Banks: 0.03%					
Other securities				<u>35,573</u>	<u>0.03</u>
Consumer Finance: 1.25%					
Other securities				<u>1,556,236</u>	<u>1.25</u>
Diversified Financial Services: 0.93%					
LPL Holdings Incorporated 144A	5.75	9-15-2025	775,000	811,813	0.65
Other securities				353,188	0.28
				<u>1,165,001</u>	<u>0.93</u>
Insurance: 0.43%					
Hub International Limited 144A	7.88	10-1-2021	325,000	337,903	0.27
Other securities				200,907	0.16
				<u>538,810</u>	<u>0.43</u>
Health Care: 2.66%					
Health Care Equipment & Supplies: 0.61%					
Other securities				<u>757,159</u>	<u>0.61</u>
Health Care Providers & Services: 1.78%					
HCA Incorporated	6.50	2-15-2020	325,000	353,919	0.28
Vizient Incorporated 144A	10.38	3-1-2024	325,000	373,750	0.30
Other securities				1,497,562	1.20
				<u>2,225,231</u>	<u>1.78</u>
Health Care Technology: 0.19%					
Other securities				<u>231,469</u>	<u>0.19</u>
Pharmaceuticals: 0.08%					
Other securities				<u>100,050</u>	<u>0.08</u>
Industrials: 1.12%					
Airlines: 0.09%					
Other securities				<u>113,537</u>	<u>0.09</u>
Commercial Services & Supplies: 0.98%					
Other securities				<u>1,222,479</u>	<u>0.98</u>
Professional Services: 0.02%					
Other securities				<u>19,500</u>	<u>0.02</u>
Trading Companies & Distributors: 0.03%					
Other securities				<u>36,749</u>	<u>0.03</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Information Technology: 2.86%					
Communications Equipment: 0.11%					
Other securities				\$ 131,164	0.11%
Electronic Equipment, Instruments & Components: 0.55%					
Jabil Circuit Incorporated	8.25%	3-15-2018	\$ 620,000	639,375	0.51
Other securities				48,760	0.04
				<u>688,135</u>	<u>0.55</u>
Internet Software & Services: 0.32%					
Other securities				<u>394,490</u>	<u>0.32</u>
IT Services: 0.62%					
Other securities				<u>776,820</u>	<u>0.62</u>
Semiconductors & Semiconductor Equipment: 0.11%					
Other securities				<u>134,661</u>	<u>0.11</u>
Software: 0.12%					
Other securities				<u>152,395</u>	<u>0.12</u>
Technology Hardware, Storage & Peripherals: 1.03%					
Diamond 1 Finance Corporation 144A	7.13	6-15-2024	425,000	470,801	0.38
NCR Corporation	6.38	12-15-2023	500,000	534,750	0.43
Other securities				277,694	0.22
				<u>1,283,245</u>	<u>1.03</u>
Materials: 0.85%					
Chemicals: 0.04%					
Other securities				<u>48,910</u>	<u>0.04</u>
Containers & Packaging: 0.81%					
Other securities				<u>1,009,900</u>	<u>0.81</u>
Real Estate: 2.00%					
Equity REITs: 2.00%					
DuPont Fabros Technology Incorporated LP	5.88	9-15-2021	340,000	351,278	0.28
Other securities				2,141,488	1.72
				<u>2,492,766</u>	<u>2.00</u>
Telecommunication Services: 1.40%					
Diversified Telecommunication Services: 0.58%					
Other securities				<u>722,527</u>	<u>0.58</u>
Wireless Telecommunication Services: 0.82%					
Sprint Capital Corporation	6.88	11-15-2028	425,000	467,500	0.38
Other securities				554,602	0.44
				<u>1,022,102</u>	<u>0.82</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Utilities: 1.32%					
Gas Utilities: 0.06%					
Other securities				\$ 75,750	0.06%
Independent Power & Renewable Electricity Producers: 1.26%					
NSG Holdings LLC 144A	7.75%	12-15-2025	\$ 379,650	409,073	0.33
Pattern Energy Group Incorporated 144A	5.88	2-1-2024	500,000	523,750	0.42
TerraForm Power Operating LLC 144A	6.38	2-1-2023	425,000	439,875	0.35
Other securities				200,250	0.16
				<u>1,572,948</u>	<u>1.26</u>
Total Corporate Bonds and Notes (Cost \$33,509,577)				<u>34,861,182</u>	<u>27.96</u>
Loans: 1.36%					
Consumer Discretionary: 0.49%					
Auto Components: 0.13%					
Other securities				<u>157,524</u>	<u>0.13</u>
Hotels, Restaurants & Leisure: 0.36%					
Montreign Operating Company (1 Month LIBOR +8.25%) ±	9.49	12-7-2022	400,000	403,000	0.32
Other securities				53,560	0.04
				<u>456,560</u>	<u>0.36</u>
Energy: 0.14%					
Energy Equipment & Services: 0.03%					
Other securities				<u>39,551</u>	<u>0.03</u>
Oil, Gas & Consumable Fuels: 0.11%					
Other securities				<u>127,959</u>	<u>0.11</u>
Financials: 0.04%					
Diversified Financial Services: 0.04%					
Other securities				<u>50,000</u>	<u>0.04</u>
Health Care: 0.02%					
Health Care Providers & Services: 0.02%					
Other securities				<u>25,469</u>	<u>0.02</u>
Industrials: 0.10%					
Commercial Services & Supplies: 0.10%					
Other securities				<u>122,709</u>	<u>0.10</u>
Information Technology: 0.31%					
Internet Software & Services: 0.31%					
Other securities				<u>382,998</u>	<u>0.31</u>

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

Security name		Value	Percent of net assets
Real Estate: 0.05%			
Real Estate Management & Development: 0.05%			
<i>Other securities</i>		\$ 65,095	0.05%
Telecommunication Services: 0.17%			
Diversified Telecommunication Services: 0.17%			
<i>Other securities</i>		214,875	0.17
Utilities: 0.04%			
Independent Power & Renewable Electricity Producers: 0.04%			
<i>Other securities</i>		49,821	0.04
Total Loans (Cost \$1,691,541)		1,692,561	1.36
	Dividend yield	Shares	
Preferred Stocks: 8.96%			
Utilities: 8.96%			
Electric Utilities: 8.96%			
Alabama Power Company	6.45%	45,588	1,196,685 0.96
Alabama Power Company	6.50	63,923	1,661,998 1.33
Georgia Power Company	6.50	50,168	5,103,029 4.09
NSTAR Electric Company	4.78	8,830	922,183 0.74
The Connecticut Light & Power Company	5.28	12,000	636,000 0.51
The Connecticut Light & Power Company	6.56	12,000	655,876 0.53
Union Electric Company	4.56	10,000	1,002,500 0.80
Total Preferred Stocks (Cost \$11,178,931)		11,178,271	8.96
Rights: 0.02%			
Utilities: 0.02%			
Independent Power & Renewable Electricity Producers: 0.02%			
<i>Other securities</i>		26,376	0.02
Total Rights (Cost \$26,376)		26,376	0.02
	Interest rate	Maturity date	Principal
Yankee Corporate Bonds and Notes: 2.80%			
Energy: 0.78%			
Energy Equipment & Services: 0.17%			
<i>Other securities</i>			212,025 0.17
Oil, Gas & Consumable Fuels: 0.61%			
Teekay Corporation	8.50	1-15-2020	\$ 535,000 540,350 0.43
<i>Other securities</i>			220,998 0.18
			761,348 0.61

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Financials: 0.11%					
Banks: 0.11%					
Other securities				\$ 134,075	0.11%
Health Care: 0.79%					
Pharmaceuticals: 0.79%					
Other securities				986,657	0.79
Industrials: 0.51%					
Building Products: 0.01%					
Other securities				16,088	0.01
Commercial Services & Supplies: 0.44%					
Ritchie Brothers Auctioneers Incorporated 144A	5.38%	1-15-2025	\$ 425,000	442,000	0.36
Other securities				105,500	0.08
				547,500	0.44
Machinery: 0.02%					
Other securities				20,950	0.02
Professional Services: 0.04%					
Other securities				53,250	0.04
Materials: 0.06%					
Containers & Packaging: 0.04%					
Other securities				55,155	0.04
Metals & Mining: 0.02%					
Other securities				26,406	0.02
Telecommunication Services: 0.55%					
Diversified Telecommunication Services: 0.55%					
Intelsat Jackson Holdings SA	5.50	8-1-2023	545,000	455,075	0.37
Other securities				229,191	0.18
				684,266	0.55
Total Yankee Corporate Bonds and Notes (Cost \$3,701,434)				3,497,720	2.80
	Yield		Shares		
Short-Term Investments: 25.13%					
Investment Companies: 25.13%					
Wells Fargo Government Money Market Fund Select Class (l)(u)	0.92		31,330,542	31,330,542	25.13
Total Short-Term Investments (Cost \$31,330,542)				31,330,542	25.13
Total investments in securities (Cost \$137,532,236)				159,107,534	127.60
Other assets and liabilities, net				(34,414,762)	(27.60)
Total net assets				\$124,692,772	100.00%

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

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

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

(l) The issuer of the security is an affiliated person of the Fund as defined in the Investment Company Act of 1940.

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

Investments In Affiliates

An affiliated investment is an investment in which the Fund owns at least 5% of the outstanding voting shares of the issuer or as a result of other relationships, such as the Fund and the issuer having the same investment manager. Transactions with issuers that were either affiliated persons of the Fund at the beginning of the period or the end of the period were as follows:

	Shares, beginning of period	Shares purchased	Shares sold	Shares, end of period	Net realized gains (losses)	Net change in unrealized gains (losses)	Income from affiliated securities	Value, end of period
Investment companies - 25.13%								
Wells Fargo Government Money Market Fund Select Class	11,972,808	107,717,610	88,359,876	31,330,542	\$0	\$0	\$59,690	\$31,330,542

Assets	
Investments in unaffiliated securities, at value (cost \$106,201,694)	\$ 127,776,992
Investments in affiliated securities, at value (cost \$31,330,542)	31,330,542
Receivable for investments sold	17,434,220
Receivable for dividends and interest	1,175,946
Prepaid expenses and other assets	<u>72,985</u>
Total assets	<u>177,790,685</u>
Liabilities	
Secured borrowing payable	22,000,000
Payable for investments purchased	16,044,717
Due to custodian bank, foreign currency, at value (cost \$14,241,974)	14,245,326
Dividends payable	693,783
Advisory fee payable	74,436
Administration fee payable	6,203
Accrued expenses and other liabilities	<u>33,448</u>
Total liabilities	<u>53,097,913</u>
Total net assets	<u>\$124,692,772</u>
NET ASSETS CONSIST OF	
Paid-in capital	\$ 134,097,088
Undistributed net investment income	69,019
Accumulated net realized losses on investments	(30,945,291)
Net unrealized gains on investments	<u>21,471,956</u>
Total net assets	<u>\$124,692,772</u>
NET ASSET VALUE PER SHARE	
Based on \$124,692,772 divided by 9,250,433 shares issued and outstanding (unlimited number of shares authorized)	<u>\$13.48</u>

Investment income	
Dividends (net of foreign withholding taxes of \$324,093)	\$ 6,850,287
Interest	2,668,892
Income from affiliated securities	<u>59,690</u>
Total investment income	<u>9,578,869</u>
Expenses	
Advisory fee	837,150
Administration fee	69,763
Custody and accounting fees	25,688
Professional fees	114,020
Shareholder report expenses	10,442
Trustees' fees and expenses	21,300
Transfer agent fees	32,442
Interest expense	342,098
Other fees and expenses	<u>4,424</u>
Total expenses	<u>1,457,327</u>
Net investment income	<u>8,121,542</u>
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS	
Net realized gains on:	
Unaffiliated securities	3,860,048
Written options	<u>50,778</u>
Net realized gains on investments	<u>3,910,826</u>
Net change in unrealized gains (losses) on:	
Unaffiliated securities	3,109,473
Written options	<u>(44,822)</u>
Net change in unrealized gains (losses) on investments	<u>3,064,651</u>
Net realized and unrealized gains (losses) on investments	<u>6,975,477</u>
Net increase in net assets resulting from operations	<u>\$15,097,019</u>

	Year ended August 31, 2017	Year ended August 31, 2016
Operations		
Net investment income	\$ 8,121,542	\$ 7,903,851
Net realized gains (losses) on investments	3,910,826	(588,730)
Net change in unrealized gains (losses) on investments	3,064,651	3,838,787
Net increase in net assets resulting from operations	<u>15,097,019</u>	<u>11,153,908</u>
Distributions to shareholders from		
Net investment income	<u>(8,320,654)</u>	<u>(8,311,826)</u>
Capital share transactions		
Net asset value of shares issued under the Automatic Dividend Reinvestment Plan	<u>116,165</u>	<u>109,977</u>
Total increase in net assets	<u>6,892,530</u>	<u>2,952,059</u>
Net assets		
Beginning of period	<u>117,800,242</u>	<u>114,848,183</u>
End of period	<u>\$124,692,772</u>	<u>\$117,800,242</u>
Undistributed (overdistributed) net investment income	<u>\$ 69,019</u>	<u>\$ (190,837)</u>

Cash flows from operating activities:	
Net increase in net assets resulting from operations	\$ 15,097,019
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of securities	(112,782,381)
Proceeds from sale of securities	119,631,084
Amortization	(162,245)
Purchase of short-term securities, net	(19,357,734)
Increase in receivable for investments sold	(17,213,968)
Decrease in dividends and interest receivable	80,190
Increase in prepaid expenses and other assets	(66,205)
Increase in payable for investments purchased	15,818,311
Increase in amount due to custodian bank	14,212,026
Decrease in premiums received on written options	(52,977)
Increase in advisory fee payable	2,162
Increase in administration fee payable	180
Decrease in accrued expenses and other liabilities	(73,049)
Litigation payments received	18,005
Net realized gains on investments	(3,910,826)
Net change in unrealized gains (losses) on investments	<u>(3,064,651)</u>
Net cash provided by operating activities	<u>8,174,941</u>
Cash flows from financing activities:	
Cash distributions paid	<u>(8,203,536)</u>
Net cash used in financing activities	<u>(8,203,536)</u>
Net decrease in cash	<u>(28,595)</u>
Cash (including foreign currency):	
Beginning of period	\$ <u>28,595</u>
End of period	\$ <u>0</u>
Supplemental cash disclosure	
Cash paid for interest	<u>\$ 326,640</u>
Supplemental non-cash financing disclosure	
Reinvestment of dividends	<u>\$ 116,165</u>

(For a share outstanding throughout each period)

	Year ended August 31				
	2017	2016	2015	2014	2013
Net asset value, beginning of period	\$12.75	\$12.44	\$13.83	\$12.24	\$11.74
Net investment income	0.88	0.86	0.91	0.97 ¹	0.87 ¹
Net realized and unrealized gains (losses) on investments	0.75	0.35	(1.40)	1.52	0.53
Total from investment operations	1.63	1.21	(0.49)	2.49	1.40
Distributions to shareholders from					
Net investment income	(0.90)	(0.90)	(0.90)	(0.90)	(0.90)
Net asset value, end of period	\$13.48	\$12.75	\$12.44	\$13.83	\$12.24
Market value, end of period	\$13.34	\$12.93	\$10.89	\$12.87	\$12.04
Total return based on market value ²	10.80%	27.83%	(9.11)%	14.89%	8.93%
Ratios to average net assets (annualized)					
Net expenses ³	1.24%	1.19%	1.19%	1.11%	1.25%
Net investment income	6.91%	6.83%	6.88%	7.38%	7.11%
Supplemental data					
Portfolio turnover rate	73%	85%	61%	29%	65%
Net assets, end of period (000s omitted)	\$124,693	\$117,800	\$114,848	\$127,678	\$113,001
Borrowings outstanding, end of period (000s omitted)	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Asset coverage per \$1,000 of borrowing, end of period	\$6,668	\$6,355	\$6,220	\$6,804	\$6,136

¹ Calculated based upon average shares outstanding

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

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

Year ended August 31, 2017	0.29%
Year ended August 31, 2016	0.21%
Year ended August 31, 2015	0.16%
Year ended August 31, 2014	0.19%
Year ended August 31, 2013	0.21%

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

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Securities valuation

All investments are valued each business day as of the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern Time), although the Fund may deviate from this calculation time under unusual or unexpected circumstances.

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

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

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

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign securities are traded, but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of such securities, then fair value pricing procedures approved by the Board of Trustees of the Fund are applied. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Foreign securities that are fair valued under these procedures are categorized as Level 2 and the application of these procedures may result in transfers between Level 1 and Level 2. Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in net asset values that are higher or lower than net asset values based on the last reported sales price or latest quoted bid price. On August 31, 2017, such fair value pricing was not used in pricing foreign securities.

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

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

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

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

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

Foreign currency translation

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

When-issued transactions

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

Loans

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

Options

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

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

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

Security transactions and income recognition

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

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

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

Distributions to shareholders

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in accordance with income tax regulations and may differ from U.S. generally accepted accounting principles. Dividend sources are estimated at the time of declaration. The tax character of distributions is determined as of the Fund's fiscal year end. Therefore, a portion of the Fund's distributions made prior the Fund's fiscal year end may be categorized as a tax return of capital.

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.

As of August 31, 2017, the aggregate cost of all investments for federal income tax purposes was \$137,862,800 and the unrealized gains (losses) consisted of:

Gross unrealized gains	\$22,935,178
Gross unrealized losses	(1,690,444)
Net unrealized gains	\$21,244,734

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The primary permanent differences causing such reclassifications are due to bond premiums, expiration of capital loss carryforwards, and foreign currency transactions. At August 31, 2017, 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	Undistributed net investment income	Accumulated net realized losses on investments
\$(17,589,441)	\$458,968	\$17,130,473

As of August 31, 2017, the Fund had capital loss carryforwards available to offset future net realized capital gains in the amount of \$27,435,579 expiring in 2018.

As of August 31, 2017, the Fund had current year net deferred post-October capital losses consisting of \$3,186,390 in short-term losses which will be recognized on the first day of the following fiscal year.

3. FAIR VALUATION MEASUREMENTS

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

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

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

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of August 31, 2017:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investments in:				
Common stocks				
<i>Energy</i>	\$ 0	\$ 15,689	\$ 0	\$ 15,689
<i>Telecommunication services</i>	9,387,047	0	0	9,387,047
<i>Utilities</i>	67,118,146	0	0	67,118,146
Corporate bonds and notes	0	34,861,182	0	34,861,182
Loans	0	1,538,333	154,228	1,692,561
Preferred stocks				
<i>Utilities</i>	0	11,178,271	0	11,178,271
Rights				
<i>Utilities</i>	0	26,376	0	26,376
Yankee corporate bonds and notes	0	3,497,348	372	3,497,720
Short-term investments				
<i>Investment companies</i>	31,330,542	0	0	31,330,542
Total assets	\$107,835,735	\$51,117,199	\$154,600	\$159,107,534

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At August 31, 2017, the Fund did not have any transfers into/out of Level 1, Level 2, or Level 3.

4. TRANSACTIONS WITH AFFILIATES AND OTHER EXPENSES

Advisory fee

Funds Management, an indirect wholly owned subsidiary of Wells Fargo & Company ("Wells Fargo"), is the adviser to the Fund and is entitled to receive a fee at an annual rate of 0.60% of the Fund's average daily total assets. Total assets consist of net assets of the Fund plus borrowings or other leverage for investment purposes to the extent excluded in calculating net assets.

Funds Management has retained the services of certain investment subadvisers to provide daily portfolio management to the Fund. The fees for subadvisory services are borne by Funds Management. Wells Capital Management Incorporated (an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo) and Crow Point Partners, LLC (which is not an affiliate of Funds Management) are each investment subadvisers to the Fund and are each entitled to receive a fee from Funds Management at an annual rate of 0.20% of the Fund's average daily total assets.

Administration fee

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

During the year ended August 31, 2017, State Street Bank and Trust Company ("State Street"), the Fund's custodian, reimbursed the Fund \$9,391 for certain out-of-pocket expenses that were billed to the Fund in error from 1998-2015. This amount is included in dividend income on the Statement of Operations. In addition, Funds Management was also reimbursed \$4,015 by State Street for waivers/reimbursements it made to the Fund to limit Fund expenses during the period the Fund was erroneously billed.

Interfund transactions

The Fund may purchase or sell portfolio investment securities to certain other Wells Fargo affiliates pursuant to Rule 17a-7 of the 1940 Act and under procedures adopted by the Board of Trustees. The procedures have been designed to ensure that these interfund transactions, which do not incur broker commissions, are effected at current market prices. Pursuant to these procedures, the Fund had \$16,509,854 and \$17,906,779 in interfund purchases and sales, respectively, during the year ended August 31, 2017.

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of shares with no par value. For the years ended August 31, 2017 and August 31, 2016, the Fund issued 9,051 and 8,550 shares, respectively. During the year ended August 31, 2017, the Fund did not repurchase any of its shares under the open-market share repurchase program.

6. BORROWINGS

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

At August 31, 2017, the Fund had borrowings outstanding in the amount of \$22,033,448 (including accrued interest payable). During the year ended August 31, 2017, an effective interest rate of 1.55% was incurred on the borrowings and the Fund incurred interest expense in the amount of \$342,098, representing 0.29% of the Fund's average daily net assets.

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the year ended August 31, 2017 were \$94,112,869 and \$96,429,276, respectively.

8. DERIVATIVE TRANSACTIONS

During the year ended August 31, 2017, the Fund entered into written options for economic hedging purposes. The Fund had an average of 58 written option contracts during the year ended August 31, 2017.

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

9. DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid was \$8,320,654 and \$8,311,826 of ordinary income for the years ended August 31, 2017 and August 31, 2016, respectively.

As of August 31, 2017, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	Unrealized gains	Post-October capital losses deferred	Capital loss carryforward
\$810,920	\$21,141,392	\$(3,186,390)	\$(27,435,579)

10. CONCENTRATION RISK

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

11. INDEMNIFICATION

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

12. NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued Accounting Standard Update ("ASU") No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)*, which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Management is currently assessing the potential impact on the financial statements that may result from adopting this ASU. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those financial years, with early adoption permitted.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash (a Consensus of the Emerging Issues Task Force)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts described as restricted cash and restricted cash equivalents should be included with the cash and cash equivalents in reconciling the beginning and end of period total amounts shown on the statement of cash flows. Management is currently assessing the potential impact on the financial statements that may result from adopting this ASU. This ASU is effective for interim and annual reporting periods beginning after December 15, 2017.

13. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to shareholders:

Declaration date	Record date	Payable date	Per share amount
August 16, 2017	September 13, 2017	October 2, 2017	\$0.075
September 29, 2017	October 16, 2017	November 1, 2017	0.075
October 27, 2017	November 15, 2017	December 1, 2017	0.075

These distributions are not reflected in the accompanying financial statements.

BOARD OF TRUSTEES AND SHAREHOLDERS OF WELLS FARGO UTILITIES AND HIGH INCOME FUND:

We have audited the accompanying statement of assets and liabilities, including the summary portfolio of investments, of the Wells Fargo Utilities and High Income Fund (the "Fund"), as of August 31, 2017, and the related statements of operations and cash flows for the year then ended, the statement of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2017, by correspondence with custodians and brokers, or by other appropriate audit procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Wells Fargo Utilities and High Income Fund as of August 31, 2017, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts
October 26, 2017

TAX INFORMATION

For corporate shareholders, pursuant to Section 854 of the Internal Revenue Code, 26.10% of ordinary income dividends qualify for the corporate dividends-received deduction for the fiscal year ended August 31, 2017.

Pursuant to Section 854 of the Internal Revenue Code, \$3,700,368 of income dividends paid during the fiscal year ended August 31, 2017 has been designated as qualified dividend income (QDI).

For the fiscal year ended August 31, 2017, \$2,055,700 has been designated as interest-related dividends for nonresident alien shareholders pursuant to Section 871 of the Internal Revenue Code.

PROXY VOTING INFORMATION

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

PORTFOLIO HOLDINGS INFORMATION

The complete portfolio holdings for the Fund are publicly available monthly on the Fund's website (**wellsfargofunds.com**), on a one-month delayed basis. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available by visiting the SEC website at sec.gov. 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.

BOARD OF TRUSTEES AND OFFICERS

The following table provides basic information about the Board of Trustees (the “Trustees”) and Officers of the Fund. Each of the Trustees and Officers¹ listed below acts in identical capacities for each fund in the Wells Fargo family of funds, which consists of 152 mutual funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the “Fund Complex”). The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

Independent Trustees

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
Class I - Non-Interested Trustees to serve until 2020 Annual Meeting of Shareholders			
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Chairman of the Board of CIGNA Corporation since 2009, and Director since 2005. From 2003 to 2011, Director of Deluxe Corporation. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Harbor Academy (charter school). Advisory Board Member, Child Evangelism Fellowship (non-profit). Mr. Harris is a certified public accountant (inactive status).	CIGNA Corporation; Asset Allocation Trust
David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of the Corporate Governance Research Initiative and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	Asset Allocation Trust
Olivia S. Mitchell (Born 1953)	Trustee, since 2010	International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton’s Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993.	Asset Allocation Trust
Class II - Non-Interested Trustees to serve until 2018 Annual Meeting of Shareholders			
William R. Ebsworth (Born 1957)	Trustee, since 2015	Retired. From 1984 to 2013, equities analyst, portfolio manager, research director and chief investment officer at Fidelity Management and Research Company in Boston, Tokyo, and Hong Kong and retired in 2013 as Chief Investment Officer of Fidelity Strategic Advisers, Inc. where he led a team of investment professionals managing client assets. Prior thereto, Board member of Hong Kong Securities Clearing Co., Hong Kong Options Clearing Corp., the Thailand International Fund, Ltd., Fidelity Investments Life Insurance Company, and Empire Fidelity Investments Life Insurance Company. Board member of the Forté Foundation (non-profit organization) and the Vincent Memorial Hospital Endowment (non-profit organization), where he serves on the Investment Committee and as a Chair of the Audit Committee. Mr. Ebsworth is a CFA® charterholder.	Asset Allocation Trust
Jane A. Freeman (Born 1953)	Trustee, since 2015	Retired. From 2012 to 2014 and 1999 to 2008, Chief Financial Officer of Scientific Learning Corporation. From 2008 to 2012, Ms. Freeman provided consulting services related to strategic business projects. Prior to 1999, Portfolio Manager at Rockefeller & Co. and Scudder, Stevens & Clark. Board member of the Harding Loevner Funds from 1996 to 2014, serving as both Lead Independent Director and chair of the Audit Committee. Board member of the Russell Exchange Traded Funds Trust from 2011 to 2012 and the chair of the Audit Committee. Ms. Freeman is a Board Member of Ruth Bancroft Garden (non-profit organization) and an inactive chartered financial analyst.	Asset Allocation Trust

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
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
Class III - Non-Interested Trustees to serve until 2019 Annual Meeting of Shareholders			
Peter G. Gordon* (Born 1942)	Trustee, since 2010; Chairman, since 2010	Co-Founder, Retired Chairman, President and CEO of Crystal Geysers Water Company. Trustee Emeritus, Colby College.	Asset Allocation Trust
Timothy J. Penny (Born 1951)	Trustee, since 2010: Vice Chairman, since 2017	President and Chief Executive Officer of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	Asset Allocation Trust
Michael S. Scofield (Born 1943)	Trustee, since 2004	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Trustee of the Evergreen Funds complex (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield.	Asset Allocation Trust

* Peter Gordon is expected to retire on December 31, 2017.

Advisory Board Members

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
James G. Polisson (Born 1959)	Advisory Board Member, since 2017	Retired. Chief Marketing Officer, Source (ETF) UK Services, Ltd, from 2015 to 2017. From 2012 to 2015, Principal of The Polisson Group, LLC, a management consulting, corporate advisory and principal investing company. Chief Executive Officer and Managing Director at Russell Investments, Global Exchange Traded Funds from 2010 to 2012. Managing Director of Barclays Global Investors from 1998 to 2010 and Global Chief Marketing Officer for iShares and Barclays Global Investors from 2000 to 2010. Prior thereto, Vice President, Fidelity Retail Mutual Fund Group from 1996 to 1998 and Risk Management Practice Manager, Fidelity Consulting from 1995 to 1996. Board member of the Russell Exchange Traded Fund Trust from 2011 to 2012. Director of Barclays Global Investors Holdings Deutschland GmbH from 2006 to 2009. Mr. Polisson is an attorney and has a retired status with the Massachusetts and District of Columbia Bar Associations.	None
Pamela Wheelock (Born 1959)	Advisory Board Member, since 2017	Chief Operating Officer, Twin Cities Habitat for Humanity, since January, 2017. Vice President of University Services, University of Minnesota from 2012 to 2017. Prior thereto, Interim President and Chief Executive Officer of Blue Cross Blue Shield of Minnesota from 2010 to 2011, Chairman of the Board from 2009 to 2011 and Board Director from 2003 to 2015. Vice President, Leadership and Community Engagement, Bush Foundation, Saint Paul, Minnesota (a private foundation) from 2009 to 2011. Executive Vice President and Chief Financial Officer, Minnesota Sports and Entertainment from 2004 to 2009 and Senior Vice President from 2002 to 2004. Commissioner of Finance, State of Minnesota, from 1999 to 2002. Currently on the Board of Directors, Governance Committee and Finance Committee, for the Minnesota Philanthropy Partners (Saint Paul Foundation) since 2012 and Board Chair of the Minnesota Wild Foundation since 2010.	None

Officers

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer
Andrew Owen (Born 1960)	President, since 2017	Executive Vice President of Wells Fargo & Company and Head of Affiliated Managers, Wells Fargo Asset Management, since 2014. In addition, Mr. Owen is currently President, Chief Executive Officer and Director of Wells Fargo Funds Management, LLC since 2017. Prior thereto, Executive Vice President responsible for marketing, investments and product development for Wells Fargo Funds Management, LLC, from 2009 to 2014.
Nancy Wiser ¹ (Born 1967)	Treasurer, since 2012	Executive Vice President of Wells Fargo Funds Management, LLC since 2011. Chief Operating Officer and Chief Compliance Officer at LightBox Capital Management LLC, from 2008 to 2011.
C. David Messman (Born 1960)	Secretary, since 2010; Chief Legal Officer, since 2010	Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013.
Michael H. Whitaker (Born 1967)	Chief Compliance Officer, since 2016	Senior Vice President and Chief Compliance Officer since 2016. Senior Vice President and Chief Compliance Officer for Fidelity Investments from 2007 to 2016.
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.
Jeremy DePalma ¹ (Born 1974)	Assistant Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.

¹ Nancy Wiser acts as Treasurer of 76 funds in the Fund Complex. Jeremy DePalma acts as Treasurer of 76 funds and Assistant Treasurer of 76 funds in the Fund Complex.

BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:

Under the Investment Company Act of 1940 (the "1940 Act"), the Board of Trustees (the "Board") of Wells Fargo Utilities and High Income Fund (the "Fund") must determine whether to approve the continuation of the Fund's investment advisory and sub-advisory agreements. In this regard, at an in-person meeting held on May 16-17, 2017 (the "Meeting"), the Board, all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not "interested persons" of the Fund, as defined in the 1940 Act (the "Independent Trustees"), reviewed and approved: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC ("Funds Management"), (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated ("WellsCap"), an affiliate of Funds Management; and (iii) an investment sub-advisory agreement with Crow Point Partners, LLC ("Crow Point"). The investment advisory agreement with Funds Management and the investment sub-advisory agreements with WellsCap and Crow Point (each, a "Sub-Adviser" and together, the "Sub-Advisers") are collectively referred to as the "Advisory Agreements."

At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of Funds Management and the Sub-Advisers and the continuation of the Advisory Agreements. Prior to the Meeting, including at an in-person meeting in April 2017, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. Also, the Board has adopted a team-based approach, with each team consisting of a sub-set of Trustees, to assist the full Board in the discharge of its duties in reviewing performance and other matters throughout the year. The Independent Trustees were assisted in their evaluation of the Advisory Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, Funds Management and the Sub-Advisers were guided by a detailed set of requests for information submitted to them by independent legal counsel on behalf of the Independent Trustees at the start of the Board's annual contract renewal process earlier in 2017. In considering and approving the Advisory Agreements, the Trustees considered the information they believed relevant, including but not limited to the information discussed below. The Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with Funds Management and the Sub-Advisers about various topics. In this regard, the Board reviewed reports of Funds Management at each of its quarterly meetings, which included, among other things, portfolio reviews and performance reports. In addition, the Board and the teams mentioned above confer with portfolio managers at various times throughout the year. The Board did not identify any particular information or consideration that was all-important or controlling, and each individual Trustee may have attributed different weights to various factors.

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

Nature, extent and quality of services

The Board received and considered various information regarding the nature, extent and quality of services provided to the Fund by Funds Management and the Sub-Advisers under the Advisory Agreements. This information included, among other things, a summary of the background and experience of senior management of Funds Management, a summary of certain organizational and personnel changes involving Funds Management and WellsCap, and a description of Funds Management's and the Sub-Advisers' business continuity planning programs and of their approaches to data privacy and cybersecurity. The Board also considered the qualifications, background, tenure and responsibilities of each of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

The Board evaluated the ability of Funds Management and the Sub-Advisers to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board further considered the compliance programs and compliance records of Funds Management and the Sub-Advisers. In addition, the Board took into account the full range of services provided to the Fund by Funds Management and its affiliates.

Fund performance and expenses

The Board considered the performance results for the Fund over various time periods ended December 31, 2016. The Board considered these results in comparison to the performance of funds in a custom peer group that included funds selected by Broadridge Inc. ("Broadridge") and additional funds that were determined by Funds Management to be similar to the Fund (the "Custom Peer Group"), and in comparison to the Fund's benchmark index and to other comparative data. The Board

received a description of the methodology used by Broadridge and Funds Management to select the funds in the Custom Peer Group and discussed the limitations inherent in the use of other peer groups. The Board noted that the performance of the Fund was lower than the average performance of the Custom Peer Group for all periods under review. The Board also noted that the performance of the Fund was lower than its benchmark, the ERH Blended Index, which is a proprietary index used by the Board to help it assess the Fund's relative performance, for all periods under review.

The Board also received and considered information regarding the Fund's net operating expense ratio and its various components, including actual management fees, and custodian and other non-management fees. The Board considered this ratio in comparison to the median ratio of funds in the Custom Peer Group and in comparison to the median ratio of funds in an expense group that was determined by Broadridge to be similar to the Fund (the "Broadridge Group", and together with the Custom Peer Group, the "Expense Groups"). Broadridge is an independent provider of investment company data. The Board received a description of the methodology used by Broadridge and Funds Management to select the funds in the Expense Groups, and an explanation from Broadridge of how funds comprising Broadridge expense groups and their expense ratios may vary from year-to-year. Based on the Broadridge reports, the Board noted that the net operating expense ratio of the Fund was lower than the median net operating expense ratios of the Expense Groups.

The Board took into account the Fund performance and expense information provided to it among the factors considered in deciding to re-approve the Advisory Agreements.

Investment advisory and sub-advisory fee rates

The Board reviewed and considered the contractual investment advisory fee rate that is payable by the Fund to Funds Management for investment advisory services (the "Advisory Agreement Rate"), both on a stand-alone basis and on a combined basis with the Fund's contractual administration fee rate (the "Management Rate"). The Board also reviewed and considered the contractual investment sub-advisory fee rates that are payable by Funds Management to each of the Sub-Advisers for investment sub-advisory services (the "Sub-Advisory Agreement Rate").

Among other information reviewed by the Board was a comparison of the Management Rate of the Fund with those of other funds in the Expense Groups at a common asset level. The Board noted that the Management Rate of the Fund was lower than the average rates for both Expense Groups.

The Board also received and considered information about the portion of the total advisory fee that was retained by Funds Management after payment of the fee to the Sub-Advisers for sub-advisory services. In assessing the reasonableness of this amount, the Board received and evaluated information about the nature and extent of responsibilities retained and risks assumed by Funds Management and not delegated to or assumed by the Sub-Advisers, and about Funds Management's on-going oversight services. Given the affiliation between Funds Management and WellsCap, the Board ascribed limited relevance to the allocation of the advisory fee between them. The Board also considered that the sub-advisory fees paid to Crow Point had been negotiated by Funds Management on an arm's-length basis.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board determined that the Advisory Agreement Rate and each Sub-Advisory Agreement Rate was reasonable.

Profitability

The Board received and considered information concerning the profitability of Funds Management, as well as the profitability of Wells Fargo as a whole, from providing services to the Fund and the fund family as a whole. The Board also received and considered information concerning the profitability of WellsCap from providing services to the fund family as a whole, noting that WellsCap's profitability information with respect to providing services to the Fund was subsumed in the Wells Fargo and Funds Management profitability analysis. The Board did not consider profitability with respect to Crow Point, as the sub-advisory fees paid to Crow Point had been negotiated by Funds Management on an arm's-length basis.

Funds Management reported on the methodologies and estimates used in calculating profitability, including a description of the methodology used to allocate certain expenses. Among other things, the Board noted that the levels of profitability reported on a fund-by-fund basis varied widely, depending on factors such as the size and type of fund. Based on its review, the Board did not deem the profits reported by Funds Management or Wells Fargo from its services to the Fund to be at a level that would prevent it from approving the continuation of the Advisory Agreements.

Economies of scale

The Board considered the extent to which there may be sharing with the Fund of potential economies of scale in the provision of advisory services to the Fund. The Board noted that, as is typical of closed-end funds, there are no breakpoints in

the Management Rate. Although the Fund would not share in any potential economies of scale through contractual breakpoints, the Board noted that competitive management fee rates set at the outset without regard to breakpoints and fee waiver and expense reimbursement arrangements are means of sharing potential economies of scale with shareholders of the Fund. The Board concluded that the Fund's fee waiver and expense arrangements constituted a reasonable approach to sharing potential economies of scale with the Fund and its shareholders. The Board also noted that it would have opportunities to revisit the Management Rate as part of future contract reviews.

Other benefits to Funds Management and the Sub-Advisers

The Board received and considered information regarding potential "fall-out" or ancillary benefits received by Funds Management and its affiliates, including WellsCap, and Crow Point as a result of their relationships with the Fund. Ancillary benefits could include, among others, benefits directly attributable to other relationships with the Fund and benefits potentially derived from an increase in Funds Management's and the Sub-Advisers' business as a result of their relationships with the Fund. The Board also reviewed information about soft dollar credits earned and utilized by the Sub-Advisers and commissions earned by affiliated brokers from portfolio transactions.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board did not find that any ancillary benefits received by Funds Management and its affiliates, including WellsCap, or Crow Point were unreasonable.

Conclusion

At the Meeting, after considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board unanimously approved the continuation of the Advisory Agreements for an additional one-year period and determined that the compensation payable to Funds Management and the Sub-Advisers is reasonable.

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 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 ("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 505000, Louisville, Kentucky 40233 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.

ACA	— ACA Financial Guaranty Corporation	LIQ	— Liquidity agreement
ADR	— American depositary receipt	LLC	— Limited liability company
ADS	— American depositary shares	LLLLP	— Limited liability limited partnership
AGC	— Assured Guaranty Corporation	LLP	— Limited liability partnership
AGM	— Assured Guaranty Municipal	LOC	— Letter of credit
Ambac	— Ambac Financial Group Incorporated	LP	— Limited partnership
AMT	— Alternative minimum tax	MBIA	— Municipal Bond Insurance Association
AUD	— Australian dollar	MFHR	— Multifamily housing revenue
BAN	— Bond anticipation notes	MSTR	— Municipal securities trust receipts
BHAC	— Berkshire Hathaway Assurance Corporation	MTN	— Medium-term note
BRL	— Brazilian real	MUD	— Municipal Utility District
CAB	— Capital appreciation bond	MXN	— Mexican peso
CAD	— Canadian dollar	MYR	— Malaysian ringgit
CCAB	— Convertible capital appreciation bond	National	— National Public Finance Guarantee Corporation
CDA	— Community Development Authority	NGN	— Nigerian naira
CDO	— Collateralized debt obligation	NOK	— Norwegian krone
CHF	— Swiss franc	NZD	— New Zealand dollar
CLO	— Collateralized loan obligation	PCFA	— Pollution Control Financing Authority
CLP	— Chilean peso	PCL	— Public Company Limited
COP	— Colombian peso	PCR	— Pollution control revenue
DKK	— Danish krone	PFA	— Public Finance Authority
DRIVER	— Derivative inverse tax-exempt receipts	PFPA	— Public Facilities Financing Authority
DW&P	— Department of Water & Power	PFOTER	— Puttable floating option tax-exempt receipts
DWR	— Department of Water Resources	PJSC	— Public Joint Stock Company
ECFA	— Educational & Cultural Facilities Authority	plc	— Public limited company
EDA	— Economic Development Authority	PLN	— Polish zloty
EDFA	— Economic Development Finance Authority	PUTTER	— Puttable tax-exempt receipts
ETF	— Exchange-traded fund	R&D	— Research & development
EUR	— Euro	Radian	— Radian Asset Assurance
FDIC	— Federal Deposit Insurance Corporation	RAN	— Revenue anticipation notes
FFCB	— Federal Farm Credit Banks	RDA	— Redevelopment Authority
FGIC	— Financial Guaranty Insurance Corporation	RDFA	— Redevelopment Finance Authority
FHA	— Federal Housing Administration	REIT	— Real estate investment trust
FHLB	— Federal Home Loan Bank	ROC	— Reset option certificates
FHLMC	— Federal Home Loan Mortgage Corporation	RON	— Romanian lei
FICO	— The Financing Corporation	RUB	— Russian ruble
FNMA	— Federal National Mortgage Association	SAVRS	— Select auction variable rate securities
FSA	— Farm Service Agency	SBA	— Small Business Authority
GBP	— Great British pound	SDR	— Swedish depositary receipt
GDR	— Global depositary receipt	SEK	— Swedish krona
GNMA	— Government National Mortgage Association	SFHR	— Single-family housing revenue
GO	— General obligation	SFMR	— Single-family mortgage revenue
HCFR	— Healthcare facilities revenue	SGD	— Singapore dollar
HEFA	— Health & Educational Facilities Authority	SPA	— Standby purchase agreement
HEFAR	— Higher education facilities authority revenue	SPDR	— Standard & Poor's Depositary Receipts
HFA	— Housing Finance Authority	SPEAR	— Short Puttable Exempt Adjustable Receipts
HFFA	— Health Facilities Financing Authority	STRIPS	— Separate trading of registered interest and principal securities
HKD	— Hong Kong dollar	TAN	— Tax anticipation notes
HUD	— Department of Housing and Urban Development	TBA	— To be announced
HUF	— Hungarian forint	THB	— Thai baht
IDA	— Industrial Development Authority	TIPS	— Treasury inflation-protected securities
IDAG	— Industrial Development Agency	TRAN	— Tax revenue anticipation notes
IDR	— Indonesian rupiah	TRY	— Turkish lira
IEP	— Irish pound	TTFA	— Transportation Trust Fund Authority
JPY	— Japanese yen	TVA	— Tennessee Valley Authority
KRW	— Republic of Korea won	ZAR	— South African rand
LIBOR	— London Interbank Offered Rate		
LIFER	— Long Inverse Floating Exempt Receipts		

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