

# Wells Fargo Multi-Sector Income Fund (ERC)



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/multi-sector-income-semi.pdf> or by calling Wells Fargo Funds at **1-800-222-8222**. This complete schedule, filed on Form N-CSRS, is also available on the SEC's website at [sec.gov](http://sec.gov)

The views expressed and any forward-looking statements are as of April 30, 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

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**Despite heightened market volatility at times, in general, global stocks delivered double-digit results while bond markets were hurt by a rise in interest rates during the latter part of 2016.**

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## Dear Shareholder:

As the new president of Wells Fargo Funds, now that Karla Rabusch is retiring from that position after nearly 14 years, I am pleased to offer you this semi-annual report for the Wells Fargo Multi-Sector Income Fund for the six-month period that ended April 30, 2017. Despite heightened market volatility at times, in general, global stocks delivered double-digit results while bond markets were hurt by a rise in interest rates during the latter part of 2016. U.S. and international stocks returned 13.31% and 10.37%, respectively, for the six-month period, as measured by the S&P 500 Index<sup>1</sup> and the MSCI ACWI ex USA Index (Net)<sup>2</sup>, respectively; within fixed income, the Bloomberg Barclays U.S. Aggregate Bond Index<sup>3</sup> returned -0.67%.

### During the last two months of 2016, prospects for faster growth and higher interest rates in the U.S. influenced markets.

Following Donald Trump's election as president in early November, U.S. stocks began to rally. Investors appeared optimistic that the new administration would usher in a series of progrowth policies, and supportive economic news helped the rally carry through the end of 2016. The buoyant environment sent interest rates higher as well. At its mid-December meeting, U.S. Federal Reserve (Fed) officials raised their short-term target interest rate for the first time in a year by a quarter percentage point to between 0.50% and 0.75%. Outside of the U.S., the prospects for faster U.S. growth appeared to trigger some acceleration in Europe. The improvement may be partly attributable to expectations for further strengthening of the U.S. dollar, which in turn could improve demand for European goods in the U.S. due to weakening of the euro relative to the dollar. Rising inflation across the eurozone and Japan caused an upward shift in yield curves in those areas, although developed-country bond yields remained significantly lower than U.S. Treasury yields.

### Globally, stocks delivered positive results and economies showed improvement in the first four months of 2017.

Stocks rallied globally, supported by signs of improvement in the U.S. and global economies. In the U.S., hiring remained strong, and business and consumer sentiment improved. Meanwhile, inflation inched up. In March, Fed officials raised their short-term target interest rate by a quarter percentage point to between 0.75% and 1.00%. With the Fed's target-rate increase, short-term bond yields rose. Longer-term Treasury yields were little changed, however, leading to positive performance. Investment-grade corporate bonds and high-yield bonds benefited from strong demand. Municipal bond returns were also positive during the first four months of 2017, helped by strong demand and constrained new-issue supply. Outside the U.S., stocks in emerging markets benefited from both global economic growth and recent weakening in the U.S. dollar. European stocks also advanced as political risk declined. In the first round of French presidential

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

<sup>2</sup> The 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.

<sup>3</sup> The Bloomberg Barclays U.S. Aggregate Bond Index (formerly known as 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.

elections, Emmanuel Macron, a pro-EU candidate, garnered the most votes. Non-U.S. bonds also benefited from a decline in perceived risk, with credit spreads continuing to narrow.

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

Periods of 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 in 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

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**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.**

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**Notice to shareholders**

On May 12, 2017 the Fund announced the final results of its tender offer for up to 15% of its outstanding common shares. Approximately 46% of the Fund's common shares outstanding were tendered. Because the total number of shares tendered exceeded the number of shares offered to purchase, all tendered shares were subject to proration in accordance with the terms of the offer to purchase. The Fund accepted 6,165,826 shares for cash payment at a price equal to 98% of the Fund's net asset value per share effective as of the close of the regular trading session of the NYSE on May 12, 2017. Following the purchase of the tendered shares, the Fund had approximately 34,939,684 common shares outstanding.

For further information about your Fund, contact your investment professional, visit our website at [wellsfargofunds.com](http://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 consistent with limiting its overall exposure to domestic interest rate risk.

**Adviser**

Wells Fargo Funds Management, LLC

**Subadvisers**

First International Advisors, LLC  
Wells Capital Management Incorporated

**Portfolio managers**

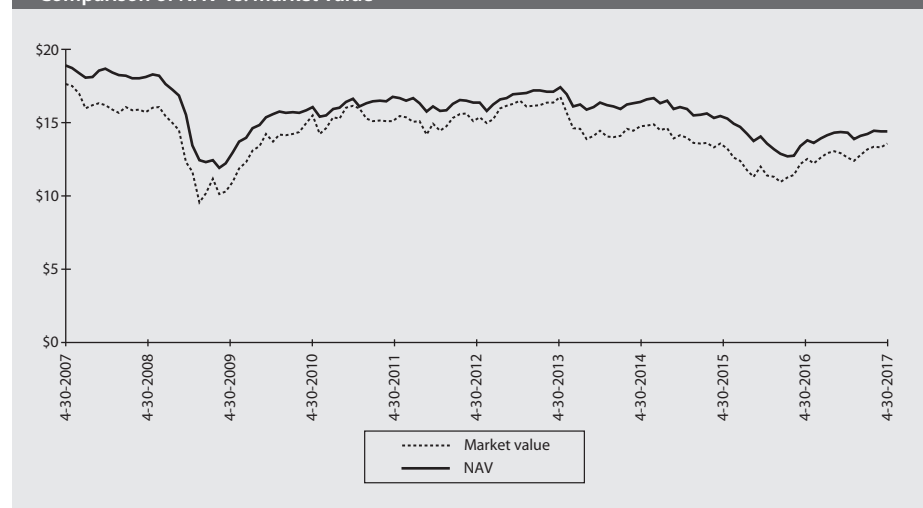
Christopher Y. Kauffman, CFA\*  
Michael Lee  
Niklas Nordenfelt, CFA\*  
Tony Norris  
Alex Perrin  
Phillip Susser  
Christopher Wightman  
Peter Wilson  
Noah Wise

**Average annual total returns (%) as of April 30, 2017<sup>1</sup>**

	6 Months	1 Year	5 Year	10 Year
Based on market value	12.42	18.32	6.23	7.34
Based on net asset value (NAV) per share	5.16	14.11	6.14	7.21
Multi-Sector Income Blended Index <sup>2</sup>	3.42	8.70	4.18	5.56

*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 six months ended April 30, 2017, was 1.77% which includes 0.55% of interest expense.

**Comparison of NAV vs. market value<sup>3</sup>**

The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value and the market value of common shares. Foreign investments are especially volatile and can rise or fall dramatically due to differences in the political and economic conditions of the host country. These risks are generally intensified in emerging markets. Derivatives involve additional risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments that they are designed to hedge or closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the Fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes and their impact on the Fund and its share price can be sudden and unpredictable. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. The Fund is exposed to mortgage- and asset-backed securities risk. 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.

<sup>1</sup> Total returns based on market value are calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Total returns based on NAV are calculated based on the NAV at the beginning of the period and end of the period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan.

<sup>2</sup> Source: Wells Fargo Funds Management, LLC. The Multi-Sector Income Blended Index is weighted 60.0% BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index, 18.0% J.P. Morgan GBI-EM Global Diversified Composite Index, 7.5% Bloomberg Barclays Credit Bond Index, 7.5% Bloomberg Barclays U.S. Securitized Index, and 7.0% J.P. Morgan Global Government Bond Index (ex U.S.). The Bloomberg Barclays Credit Bond Index (formerly Barclays Credit Bond Index) is an unmanaged index of fixed income securities composed of securities from the Bloomberg Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The Bloomberg Barclays U.S. Securitized Index (formerly Barclays U.S. Securitized Index) is an unmanaged composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities. The BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index tracks the performance of U.S. dollar denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the U.S. domestic market. The J.P. Morgan GBI-EM Global Diversified Composite Index is an unmanaged index of debt instruments of 31 emerging countries. The J.P. Morgan Global Government Bond Index (ex U.S.) measures the total return from investing in 12 developed government bond markets: Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the U.K. You cannot invest directly in an index.

<sup>3</sup> This chart does not reflect any brokerage commissions charged on the purchase and sale of the Fund's common stock. Dividends and distributions paid by the Fund are included in the Fund's average annual total returns but have the effect of reducing the Fund's NAV.

## MANAGERS' DISCUSSION

The Fund's return based on market value was 12.42% for the six-month period that ended April 30, 2017. During the same period, the Fund's return based on its net asset value (NAV) was 5.16%. Based on its NAV return, the Fund outperformed the Multi-Sector Income Blended Index, which returned 3.42% over this same period.

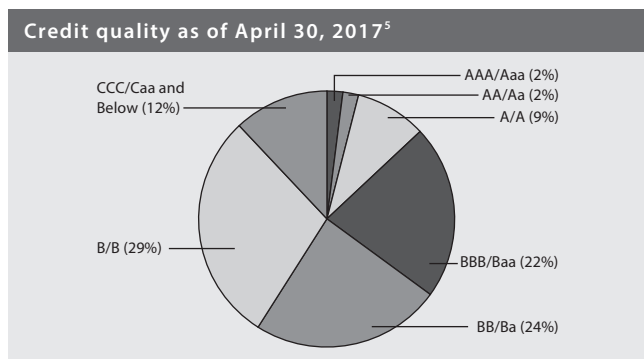
### Overview

During the reporting period, U.S. Treasury rates rose sharply and then fell, the U.S. Federal Reserve (Fed) raised the target federal funds rate twice, and demand for yield-advantaged sectors remained strong. From a fundamental perspective, corporate leverage remained elevated for this point in the credit cycle, but the cash-flow impact of these higher leverage levels was offset by issuers' ability to repay low-interest-rate debt. Within the mortgage/corporate bond market, BBB-rated bonds, in particular, did well amid strong demand for yield. Within the securitized sector, both commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) outperformed U.S. Treasuries. Meanwhile, the high-yield bond market also had positive results. Internationally, Turkey lost its investment-grade rating in January and we sold our Turkish bonds as political risks remain elevated. Instead, the international portion of the Fund was invested in the bond markets of Mexico, Colombia, and South Africa. We also sold all of the Fund's Brazilian bonds in March after Moody's Investors Service, Inc., downgraded the country's credit status to below investment grade.

Ten largest holdings (%) as of April 30, 2017 <sup>4</sup>	
Republic of South Africa, 10.5%, 12-21-2026	2.16
Mexico, 8.00%, 11-07-2047	2.04
Malaysia, 4.23%, 6-30-2031	1.95
NGPL PipeCo LLC, 7.77%, 12-15-2037	1.76
Indonesia, 7.88%, 4-15-2019	1.73
LPL Holdings Incorporated, 5.75%, 9-15-2025	1.72
Indonesia, 8.38%, 9-15-2026	1.51
Colombia, 7.50%, 8-26-2026	1.42
Greektown Holdings LLC, 8.88%, 3-15-2019	1.34
Republic of South Africa, 7.75%, 2-28-2023	1.28

### Contributors to performance

Securitized holdings added value during the period, and the allocation to CMBS was the largest contributor. Legacy RMBS holdings also contributed to results due to their more stable prepayments. Within the U.S. investment-grade sector, BBB-rated industrial credits and allocations to property and casualty bonds added to results. The high-yield portion of the Fund benefited from exposure to the wireless and electric utility industries. An overweight allocation to electric utilities as well as security selection within this sector contributed to results, as did an underweight to the retail sector. Within the international portion of the Fund, allocations to smaller and emerging bond markets, such as Brazil, Colombia, and Indonesia, added value during the reporting period, as did underweights to Poland and Thailand. An overweight to Mexico hurt results because Mexican bonds underperformed amid fears of greater U.S. protectionism. Meanwhile, yield-curve positioning helped results; the international portion of the Fund was underweight the very front end of the curve and underweight the longest maturities, leaving the bulk of the allocation to the outperforming part of the curves.



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

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

### Detractors from performance

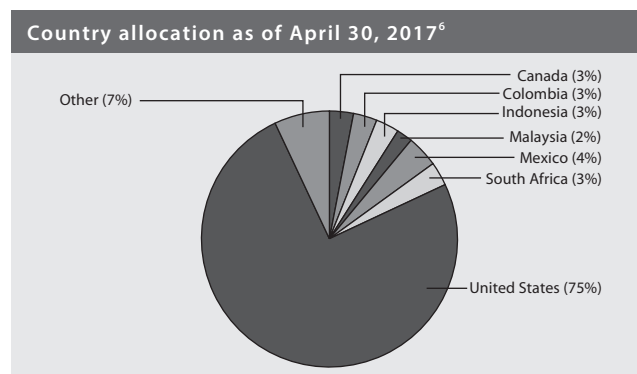
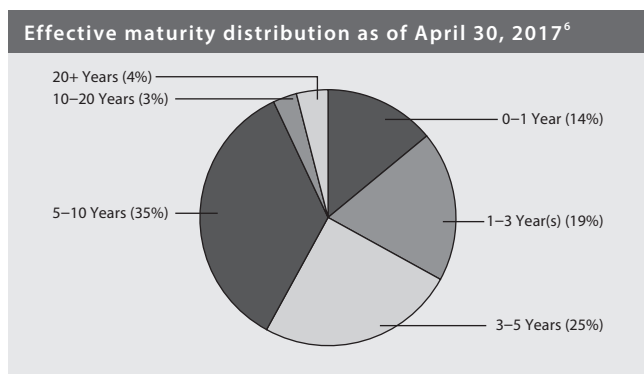
The Fund's holdings in certain RMBS and CMBS positions modestly detracted from performance during the period due to security-specific prepayment and ratings changes. An underweight to emerging markets sovereign credits modestly detracted. Within the high-yield portion, the Fund's performance was hurt by its exposure to finance and energy exploration and production companies. An allocation to cash also detracted given the strong market over the period. Currency positions within the international portion detracted because an underweight to the Russian ruble more than offset positive contributions from a number of other currency positions, including the Brazilian real and Mexican peso.

### Outlook

We believe the economy is likely to improve at a consistent pace and interest rates are likely to rise as the Fed continues to normalize monetary policy. Within U.S. mortgages and investment-grade corporate bonds, we are seeing opportunities within the credit and securitized sectors given current valuations. In particular, we expect to continue to focus on the medium-quality credit tiers of A-rated and BBB-rated securities as compelling sources of yield. Our credit exposure remains centered on industrials and financials, particularly banks

We view the credit and economic environment as better than average for high yield. Current spreads reflect the positive conditions but offer limited upside through compression in spreads. That said, spreads have been 100 basis points (100 basis points equals 1.00%) or more tighter than the current spreads in previous cycles and have remained below current spread levels for prolonged periods. Across asset classes, virtually everything is trading rich by historical measures. High yield, however, is rather unique in that it has historically benefited from relatively high coupons, which cushion price declines. With a benign default outlook, high yield may continue to do well on a relative basis, though idiosyncratic or individual bond risk is high. We believe spreads may remain flat or tighten in the short run before ultimately widening—potentially significantly—in the mid-to-longer term. Over a full cycle, we believe the best way to insulate the portfolio from periodic bouts of systemic fears and rebalancing is by following a bottom-up investment process that attempts to minimize downside risk while capturing the return potential of high-yield issuers.

On the international front, we have a positive outlook for emerging markets debt. Not only are many currencies—both emerging markets and European—gaining against the U.S. dollar amid expectations for faster U.S. economic growth without protectionism, but the likelihood of other central banks easing as the U.S. Fed tightens portends greater investor demand for emerging markets debt. Going forward, we believe that the smaller and emerging markets allocations provide the best long-term value in the months to come.



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



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	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Agency Securities: 1.54%</b>					
<i>FHLMC</i>	1.09-8.50%	4-25-2020 to 7-25-2048	\$ 15,111,434	\$ 8,158,118	1.38%
<i>Other securities</i>				<u>956,184</u>	<u>0.16</u>
<b>Total Agency Securities (Cost \$8,603,236)</b>				<u>9,114,302</u>	<u>1.54</u>
<b>Asset-Backed Securities: 0.21%</b>					
<i>Other securities</i>				<u>1,260,530</u>	<u>0.21</u>
<b>Total Asset-Backed Securities (Cost \$1,252,668)</b>				<u>1,260,530</u>	<u>0.21</u>
<b>Shares</b>					
<b>Common Stocks: 0.89%</b>					
<b>Energy: 0.07%</b>					
<b>Oil, Gas &amp; Consumable Fuels: 0.07%</b>					
<i>Other securities</i>				<u>406,302</u>	<u>0.07</u>
<b>Materials: 0.00%</b>					
<b>Chemicals: 0.00%</b>					
<i>Other securities</i>				<u>763</u>	<u>0.00</u>
<b>Utilities: 0.82%</b>					
<b>Electric Utilities: 0.82%</b>					
<i>Vistra Energy Corporation</i>			327,375	<u>4,894,256</u>	<u>0.82</u>
<b>Total Common Stocks (Cost \$23,474,603)</b>				<u>5,301,321</u>	<u>0.89</u>
<b>Principal</b>					
<b>Corporate Bonds and Notes: 66.99%</b>					
<b>Consumer Discretionary: 11.89%</b>					
<b>Auto Components: 1.03%</b>					
<i>Other securities</i>				<u>6,102,338</u>	<u>1.03</u>
<b>Distributors: 0.15%</b>					
<i>Other securities</i>				<u>904,500</u>	<u>0.15</u>
<b>Diversified Consumer Services: 0.89%</b>					
<i>Service Corporation International</i>	7.50	4-1-2027	\$ 3,400,000	3,969,500	0.67
<i>Other securities</i>				<u>1,291,163</u>	<u>0.22</u>
				<u>5,260,663</u>	<u>0.89</u>
<b>Food Products: 0.06%</b>					
<i>Other securities</i>				<u>335,563</u>	<u>0.06</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Hotels, Restaurants &amp; Leisure: 1.99%</b>					
<i>Greektown Holdings LLC 144A</i>	8.88%	3-15-2019	\$ 7,625,000	\$ 7,963,398	1.34%
<i>Other securities</i>				3,825,125	0.65
				<u>11,788,523</u>	<u>1.99</u>
<b>Internet &amp; Direct Marketing Retail: 0.14%</b>					
<i>Other securities</i>				<u>824,122</u>	<u>0.14</u>
<b>Leisure Products: 0.01%</b>					
<i>Other securities</i>				<u>49,750</u>	<u>0.01</u>
<b>Media: 6.23%</b>					
<i>CCO Holdings LLC</i>	5.13-5.88	9-30-2022 to 5-1-2027	5,245,000	5,488,867	0.92
<i>CCO Holdings LLC 144A</i>	5.38	5-1-2025	4,150,000	4,326,375	0.73
<i>CCO Holdings LLC 144A</i>	5.75	2-15-2026	3,375,000	3,584,858	0.60
<i>Gray Television Incorporated 144A</i>	5.88	7-15-2026	3,875,000	4,010,625	0.68
<i>Other securities</i>				19,573,245	3.30
				<u>36,983,970</u>	<u>6.23</u>
<b>Multiline Retail: 0.10%</b>					
<i>Other securities</i>				<u>598,355</u>	<u>0.10</u>
<b>Specialty Retail: 1.21%</b>					
<i>Other securities</i>				<u>7,168,648</u>	<u>1.21</u>
<b>Textiles, Apparel &amp; Luxury Goods: 0.08%</b>					
<i>Other securities</i>				<u>485,000</u>	<u>0.08</u>
<b>Consumer Staples: 1.58%</b>					
<b>Beverages: 0.22%</b>					
<i>Other securities</i>				<u>1,318,560</u>	<u>0.22</u>
<b>Food Products: 1.19%</b>					
<i>Other securities</i>				<u>7,081,043</u>	<u>1.19</u>
<b>Household Products: 0.05%</b>					
<i>Other securities</i>				<u>266,875</u>	<u>0.05</u>
<b>Tobacco: 0.12%</b>					
<i>Other securities</i>				<u>734,591</u>	<u>0.12</u>
<b>Energy: 17.21%</b>					
<b>Energy Equipment &amp; Services: 5.40%</b>					
<i>NGPL PipeCo LLC</i>	7.12-9.63	12-15-2017 to 6-1-2019	2,495,000	2,562,761	0.43
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-2037	9,060,000	10,419,000	1.76
<i>PHI Incorporated</i>	5.25	3-15-2019	5,675,000	5,334,500	0.90
<i>Other securities</i>				13,733,388	2.31
				<u>32,049,649</u>	<u>5.40</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Oil, Gas &amp; Consumable Fuels: 11.81%</b>					
<i>Enlink Midstream LLC</i>	4.15-4.40%	4-1-2024 to 6-1-2025	\$ 6,150,000	\$ 6,246,353	1.05%
<i>Rockies Express Pipeline LLC 144A</i>	5.63	4-15-2020	4,450,000	4,757,050	0.80
<i>Rockies Express Pipeline LLC 144A</i>	6.88	4-15-2040	3,524,000	3,766,275	0.64
<i>Rockies Express Pipeline LLC 144A</i>	7.50	7-15-2038	1,465,000	1,618,825	0.27
<i>Sabine Pass Liquefaction LLC</i>	5.63-5.88	2-1-2021 to 6-30-2026	5,795,000	6,377,207	1.08
<i>Sabine Pass Liquefaction LLC</i>	6.25	3-15-2022	3,550,000	3,982,784	0.67
<i>SemGroup Corporation 144A</i>	6.38	3-15-2025	3,425,000	3,442,125	0.58
<i>Tallgrass Energy Partners LP 144A</i>	5.50	9-15-2024	5,600,000	5,628,000	0.95
<i>Other securities</i>				34,196,653	5.77
				<u>70,015,272</u>	<u>11.81</u>
<b>Financials: 8.63%</b>					
<b>Banks: 0.73%</b>					
<i>Other securities</i>				<u>4,307,031</u>	<u>0.73</u>
<b>Capital Markets: 0.33%</b>					
<i>Other securities</i>				<u>1,992,826</u>	<u>0.33</u>
<b>Consumer Finance: 3.18%</b>					
<i>OneMain Financial Group LLC 144A</i>	7.25	12-15-2021	4,175,000	4,342,459	0.73
<i>Springleaf Finance Corporation</i>	6.00-8.25	9-15-2017 to 10-1-2023	1,900,000	1,988,022	0.34
<i>Springleaf Finance Corporation</i>	6.90	12-15-2017	4,550,000	4,669,438	0.79
<i>Other securities</i>				7,850,438	1.32
				<u>18,850,357</u>	<u>3.18</u>
<b>Diversified Financial Services: 2.59%</b>					
<i>LPL Holdings Incorporated 144A</i>	5.75	9-15-2025	10,025,000	10,175,375	1.72
<i>Other securities</i>				5,201,095	0.87
				<u>15,376,470</u>	<u>2.59</u>
<b>Insurance: 1.80%</b>					
<i>Hub International Limited 144A</i>	7.88	10-1-2021	3,950,000	4,138,218	0.70
<i>Other securities</i>				6,519,053	1.10
				<u>10,657,271</u>	<u>1.80</u>
<b>Health Care: 5.92%</b>					
<b>Biotechnology: 0.13%</b>					
<i>Other securities</i>				<u>783,952</u>	<u>0.13</u>
<b>Health Care Equipment &amp; Supplies: 0.80%</b>					
<i>Other securities</i>				<u>4,751,919</u>	<u>0.80</u>
<b>Health Care Providers &amp; Services: 4.04%</b>					
<i>Select Medical Corporation</i>	6.38	6-1-2021	4,065,000	4,156,463	0.70
<i>Vizient Incorporated 144A</i>	10.38	3-1-2024	3,550,000	4,064,750	0.68
<i>Other securities</i>				15,702,375	2.66
				<u>23,923,588</u>	<u>4.04</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Health Care Technology: 0.35%</b>					
<i>Other securities</i>				\$ 2,078,438	0.35%
<b>Life Sciences Tools &amp; Services: 0.14%</b>					
<i>Other securities</i>				822,034	0.14
<b>Pharmaceuticals: 0.46%</b>					
<i>Other securities</i>				2,723,722	0.46
<b>Industrials: 2.72%</b>					
<b>Aerospace &amp; Defense: 0.17%</b>					
<i>Other securities</i>				1,031,760	0.17
<b>Airlines: 0.35%</b>					
<i>Other securities</i>				2,042,612	0.35
<b>Commercial Services &amp; Supplies: 1.62%</b>					
<i>Other securities</i>				9,603,083	1.62
<b>Professional Services: 0.15%</b>					
<i>Other securities</i>				873,523	0.15
<b>Road &amp; Rail: 0.11%</b>					
<i>Other securities</i>				652,557	0.11
<b>Trading Companies &amp; Distributors: 0.32%</b>					
<i>Other securities</i>				1,923,844	0.32
<b>Information Technology: 6.26%</b>					
<b>Communications Equipment: 0.33%</b>					
<i>Other securities</i>				1,938,113	0.33
<b>Electronic Equipment, Instruments &amp; Components: 1.34%</b>					
<i>Jabil Circuit Incorporated</i>	8.25%	3-15-2018	\$ 5,275,000	5,566,671	0.94
<i>Other securities</i>				2,375,370	0.40
				7,942,041	1.34
<b>Internet Software &amp; Services: 0.41%</b>					
<i>Other securities</i>				2,411,195	0.41
<b>IT Services: 0.88%</b>					
<i>Other securities</i>				5,221,788	0.88
<b>Semiconductors &amp; Semiconductor Equipment: 0.38%</b>					
<i>Other securities</i>				2,267,720	0.38
<b>Software: 0.31%</b>					
<i>Other securities</i>				1,854,844	0.31

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Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Technology Hardware, Storage &amp; Peripherals: 2.61%</b>					
<i>Diamond 1 Finance Corporation 144A</i>	5.88%	6-15-2021	\$ 2,825,000	\$ 2,994,500	0.50%
<i>Diamond 1 Finance Corporation 144A</i>	7.13	6-15-2024	5,400,000	5,968,766	1.01
<i>NCR Corporation</i>	6.38	12-15-2023	5,125,000	5,494,000	0.93
<i>Other securities</i>				1,029,947	0.17
				<u>15,487,213</u>	<u>2.61</u>
<b>Materials: 1.36%</b>					
<b>Chemicals: 0.20%</b>					
<i>Other securities</i>				<u>1,193,372</u>	<u>0.20</u>
<b>Containers &amp; Packaging: 1.16%</b>					
<i>Other securities</i>				<u>6,860,196</u>	<u>1.16</u>
<b>Metals &amp; Mining: 0.00%</b>					
<i>Other securities</i>				<u>0</u>	<u>0.00</u>
<b>Real Estate: 4.37%</b>					
<b>Equity REITs: 4.37%</b>					
<i>DuPont Fabros Technology Incorporated LP</i>	5.63	6-15-2023	2,975,000	3,146,063	0.53
<i>DuPont Fabros Technology Incorporated LP</i>	5.88	9-15-2021	4,655,000	4,852,838	0.82
<i>Other securities</i>				17,918,204	3.02
				<u>25,917,105</u>	<u>4.37</u>
<b>Telecommunication Services: 3.60%</b>					
<b>Diversified Telecommunication Services: 1.32%</b>					
<i>Other securities</i>				<u>7,825,072</u>	<u>1.32</u>
<b>Wireless Telecommunication Services: 2.28%</b>					
<i>Sprint Capital Corporation</i>	6.88	11-15-2028	5,500,000	5,967,500	1.01
<i>Sprint Capital Corporation</i>	8.75	3-15-2032	625,000	769,138	0.13
<i>Other securities</i>				6,808,000	1.14
				<u>13,544,638</u>	<u>2.28</u>
<b>Utilities: 3.45%</b>					
<b>Electric Utilities: 0.14%</b>					
<i>Other securities</i>				<u>803,971</u>	<u>0.14</u>
<b>Gas Utilities: 0.17%</b>					
<i>Other securities</i>				<u>1,002,500</u>	<u>0.17</u>
<b>Independent Power &amp; Renewable Electricity Producers: 2.91%</b>					
<i>NSG Holdings LLC 144A</i>	7.75	12-15-2025	5,042,891	5,421,108	0.91
<i>Pattern Energy Group Incorporated 144A</i>	5.88	2-1-2024	3,675,000	3,771,469	0.64
<i>TerraForm Power Operating LLC 144A</i>	6.38	2-1-2023	5,425,000	5,601,313	0.94
<i>TerraForm Power Operating LLC 144A</i>	6.63	6-15-2025	1,850,000	1,956,375	0.33
<i>Other securities</i>				538,175	0.09
				<u>17,288,440</u>	<u>2.91</u>

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Security name	Value	Percent of net assets
<b>Multi-Utilities: 0.23%</b>		
<i>Other securities</i>	\$ 1,385,413	0.23%
<b>Total Corporate Bonds and Notes (Cost \$378,205,690)</b>	<u>397,306,030</u>	<u>66.99</u>
<b>Foreign Corporate Bonds and Notes @: 1.85%</b>		
<b>Consumer Discretionary: 0.11%</b>		
<b>Internet &amp; Direct Marketing Retail: 0.04%</b>		
<i>Other securities</i>	<u>233,631</u>	<u>0.04</u>
<b>Media: 0.07%</b>		
<i>Other securities</i>	<u>441,988</u>	<u>0.07</u>
<b>Consumer Staples: 0.16%</b>		
<b>Food Products: 0.16%</b>		
<i>Other securities</i>	<u>937,603</u>	<u>0.16</u>
<b>Energy: 0.24%</b>		
<b>Energy Equipment &amp; Services: 0.02%</b>		
<i>Other securities</i>	<u>112,618</u>	<u>0.02</u>
<b>Oil, Gas &amp; Consumable Fuels: 0.22%</b>		
<i>Other securities</i>	<u>1,320,476</u>	<u>0.22</u>
<b>Financials: 0.98%</b>		
<b>Banks: 0.93%</b>		
<i>Other securities</i>	<u>5,527,506</u>	<u>0.93</u>
<b>Diversified Financial Services: 0.05%</b>		
<i>Other securities</i>	<u>277,378</u>	<u>0.05</u>
<b>Information Technology: 0.03%</b>		
<b>Semiconductors &amp; Semiconductor Equipment: 0.03%</b>		
<i>Other securities</i>	<u>191,606</u>	<u>0.03</u>
<b>Materials: 0.05%</b>		
<b>Chemicals: 0.05%</b>		
<i>Other securities</i>	<u>281,620</u>	<u>0.05</u>
<b>Telecommunication Services: 0.28%</b>		
<b>Diversified Telecommunication Services: 0.03%</b>		
<i>Other securities</i>	<u>187,917</u>	<u>0.03</u>
<b>Wireless Telecommunication Services: 0.25%</b>		
<i>Other securities</i>	<u>1,441,010</u>	<u>0.25</u>
<b>Total Foreign Corporate Bonds and Notes (Cost \$14,117,001)</b>	<u>10,953,353</u>	<u>1.85</u>

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

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Foreign Government Bonds @: 20.49%</b>					
<i>Colombia (COP)</i>	7.00%	9-11-2019	18,500,000,000	\$ 6,463,901	1.09%
<i>Colombia (COP)</i>	7.00	5-4-2022	18,650,000,000	6,656,719	1.12
<i>Colombia (COP)</i>	7.50	8-26-2026	22,725,000,000	8,406,983	1.42
<i>Colombia (COP)</i>	7.75	4-14-2021	5,250,000,000	1,919,409	0.32
<i>Hungary (HUF)</i>	6.75	11-24-2017	1,305,000,000	4,709,103	0.79
<i>Indonesia (IDR)</i>	7.88	4-15-2019	133,640,000,000	10,276,915	1.73
<i>Indonesia (IDR)</i>	8.38	9-15-2026	110,000,000,000	8,970,665	1.51
<i>Malaysia (MYR)</i>	4.18	7-15-2024	19,850,000	4,641,717	0.78
<i>Malaysia (MYR)</i>	4.23	6-30-2031	51,300,000	11,537,596	1.95
<i>Mexico (MXN)</i>	5.75	3-5-2026	152,000,000	7,334,256	1.24
<i>Mexico (MXN)</i>	8.00	11-7-2047	217,500,000	12,078,397	2.04
<i>Mexico (MXN)</i>	10.00	12-5-2024	62,120,000	3,851,158	0.65
<i>Mexico (MXN)</i>	10.00	12-5-2024	14,100,000	874,136	0.15
<i>New Zealand (NZD)</i>	4.50	4-15-2027	8,250,000	6,357,150	1.07
<i>Queensland Treasury (AUD)</i>	5.75	7-22-2024	4,100,000	3,668,924	0.62
<i>Republic of South Africa (ZAR)</i>	7.75	2-28-2023	103,000,000	7,580,245	1.28
<i>Republic of South Africa (ZAR)</i>	10.50	12-21-2026	153,500,000	12,820,465	2.16
<i>Other securities</i>				<u>3,389,344</u>	<u>0.57</u>
<b>Total Foreign Government Bonds (Cost \$135,837,614)</b>				<u>121,537,083</u>	<u>20.49</u>
<b>Loans: 17.24%</b>					
<b>Consumer Discretionary: 5.10%</b>					
<b>Auto Components: 0.55%</b>					
<i>Other securities</i>				<u>3,230,517</u>	<u>0.55</u>
<b>Distributors: 0.42%</b>					
<i>Other securities</i>				<u>2,474,192</u>	<u>0.42</u>
<b>Food &amp; Staples Retailing: 0.07%</b>					
<i>Other securities</i>				<u>404,000</u>	<u>0.07</u>
<b>Hotels, Restaurants &amp; Leisure: 1.11%</b>					
<i>Montreign Operating Company ±</i>	9.25	12-7-2022	\$ 3,775,000	3,841,063	0.65
<i>Other securities</i>				<u>2,767,382</u>	<u>0.46</u>
				<u>6,608,445</u>	<u>1.11</u>
<b>Household Products: 0.32%</b>					
<i>Other securities</i>				<u>1,925,290</u>	<u>0.32</u>
<b>Leisure Products: 0.24%</b>					
<i>Other securities</i>				<u>1,449,733</u>	<u>0.24</u>
<b>Media: 2.36%</b>					
<i>Learfield Communications Incorporated ±</i>	4.25	12-1-2023	3,491,250	3,517,434	0.59
<i>Salem Communications Corporation ±</i>	4.50	3-16-2020	5,150,190	5,047,186	0.85
<i>Other securities</i>				<u>5,434,753</u>	<u>0.92</u>
				<u>13,999,373</u>	<u>2.36</u>

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Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Multiline Retail: 0.03%</b>					
Other securities				\$ 161,594	0.03%
<b>Consumer Staples: 0.15%</b>					
<b>Food Products: 0.15%</b>					
Other securities				873,740	0.15
<b>Energy: 1.40%</b>					
<b>Energy Equipment &amp; Services: 0.77%</b>					
Hummel Station LLC ±	7.00%	10-27-2022	\$ 4,929,434	4,584,373	0.77
<b>Oil, Gas &amp; Consumable Fuels: 0.63%</b>					
Other securities				3,699,516	0.63
<b>Financials: 1.47%</b>					
<b>Capital Markets: 0.07%</b>					
Other securities				428,439	0.07
<b>Consumer Finance: 0.04%</b>					
Other securities				199,485	0.04
<b>Diversified Financial Services: 0.80%</b>					
Other securities				4,736,006	0.80
<b>Insurance: 0.56%</b>					
Other securities				3,342,120	0.56
<b>Health Care: 1.74%</b>					
<b>Health Care Equipment &amp; Supplies: 0.32%</b>					
Other securities				1,888,248	0.32
<b>Health Care Providers &amp; Services: 1.09%</b>					
Other securities				6,499,457	1.09
<b>Health Care Technology: 0.13%</b>					
Other securities				771,975	0.13
<b>Life Sciences Tools &amp; Services: 0.08%</b>					
Other securities				476,248	0.08
<b>Pharmaceuticals: 0.12%</b>					
Other securities				703,684	0.12
<b>Industrials: 3.01%</b>					
<b>Aerospace &amp; Defense: 0.42%</b>					
Other securities				2,485,009	0.42
<b>Commercial Services &amp; Supplies: 2.00%</b>					
Other securities				11,853,587	2.00

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Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Machinery: 0.10%</b>					
Other securities				\$ 613,273	0.10%
<b>Transportation Infrastructure: 0.49%</b>					
Other securities				2,904,200	0.49
<b>Information Technology: 1.95%</b>					
<b>Electronic Equipment, Instruments &amp; Components: 0.42%</b>					
Other securities				2,496,272	0.42
<b>Internet Software &amp; Services: 1.37%</b>					
Ancestry.com Incorporated ±	4.25%	10-19-2023	\$ 2,974,950	2,998,184	0.51
Ancestry.com Incorporated ±	9.27	10-19-2024	3,325,000	3,399,813	0.57
Other securities				1,739,996	0.29
				8,137,993	1.37
<b>Semiconductors &amp; Semiconductor Equipment: 0.06%</b>					
Other securities				349,497	0.06
<b>Software: 0.10%</b>					
Other securities				572,765	0.10
<b>Materials: 0.50%</b>					
<b>Containers &amp; Packaging: 0.50%</b>					
Other securities				2,952,547	0.50
<b>Real Estate: 0.91%</b>					
<b>Equity REITs: 0.53%</b>					
Other securities				3,178,238	0.53
<b>Real Estate Management &amp; Development: 0.38%</b>					
Other securities				2,250,530	0.38
<b>Telecommunication Services: 0.91%</b>					
<b>Diversified Telecommunication Services: 0.52%</b>					
Other securities				3,100,083	0.52
<b>Wireless Telecommunication Services: 0.39%</b>					
Other securities				2,289,277	0.39
<b>Utilities: 0.10%</b>					
<b>Electric Utilities: 0.10%</b>					
Other securities				575,358	0.10
<b>Total Loans (Cost \$101,656,844)</b>				102,215,064	17.24

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Security name	Value	Percent of net assets
<b>Municipal Obligations: 0.01%</b>		
<b>New York: 0.01%</b>		
<i>Other securities</i>	\$ 44,818	0.01%
<b>Total Municipal Obligations (Cost \$45,000)</b>	<u>44,818</u>	<u>0.01</u>
<b>Non-Agency Mortgage-Backed Securities: 4.06%</b>		
<i>Other securities</i>	<u>24,098,948</u>	<u>4.06</u>
<b>Total Non-Agency Mortgage-Backed Securities (Cost \$21,114,725)</b>	<u>24,098,948</u>	<u>4.06</u>
	<b>Shares</b>	
<b>Rights: 0.07%</b>		
<b>Utilities: 0.07%</b>		
<b>Electric Utilities: 0.07%</b>		
<i>Other securities</i>	327,375 <u>409,219</u>	<u>0.07</u>
<b>Total Rights (Cost \$360,113)</b>	<u>409,219</u>	<u>0.07</u>
	<b>Interest rate</b>	<b>Maturity date</b>
	<b>Principal</b>	
<b>Yankee Corporate Bonds and Notes: 9.25%</b>		
<b>Consumer Discretionary: 0.48%</b>		
<b>Media: 0.48%</b>		
<i>Other securities</i>	<u>2,846,312</u>	<u>0.48</u>
<b>Consumer Staples: 0.27%</b>		
<b>Beverages: 0.14%</b>		
<i>Other securities</i>	<u>817,742</u>	<u>0.14</u>
<b>Tobacco: 0.13%</b>		
<i>Other securities</i>	<u>764,329</u>	<u>0.13</u>
<b>Energy: 1.75%</b>		
<b>Energy Equipment &amp; Services: 0.27%</b>		
<i>Other securities</i>	<u>1,583,351</u>	<u>0.27</u>
<b>Oil, Gas &amp; Consumable Fuels: 1.48%</b>		
<i>Teekay Corporation</i>	8.50%    1-15-2020    \$ 5,625,000    5,568,750	0.94
<i>Other securities</i>	<u>3,212,114</u>	<u>0.54</u>
	<u>8,780,864</u>	<u>1.48</u>
<b>Financials: 0.84%</b>		
<b>Banks: 0.64%</b>		
<i>Other securities</i>	<u>3,801,406</u>	<u>0.64</u>
<b>Diversified Financial Services: 0.20%</b>		
<i>Other securities</i>	<u>1,176,643</u>	<u>0.20</u>

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Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
<b>Health Care: 1.88%</b>					
<b>Pharmaceuticals: 1.88%</b>					
<i>Valeant Pharmaceuticals International Incorporated</i>	5.63-7.50%	10-15-2020 to 5-15-2023	\$ 5,555,000	\$ 4,403,063	0.75%
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	6.13	4-15-2025	6,775,000	5,001,644	0.84
<i>Other securities</i>				1,728,803	0.29
				<u>11,133,510</u>	<u>1.88</u>
<b>Industrials: 1.14%</b>					
<b>Building Products: 0.04%</b>					
<i>Other securities</i>				<u>224,175</u>	<u>0.04</u>
<b>Commercial Services &amp; Supplies: 0.93%</b>					
<i>Other securities</i>				<u>5,507,626</u>	<u>0.93</u>
<b>Machinery: 0.04%</b>					
<i>Other securities</i>				<u>239,994</u>	<u>0.04</u>
<b>Road &amp; Rail: 0.13%</b>					
<i>Other securities</i>				<u>807,505</u>	<u>0.13</u>
<b>Materials: 0.84%</b>					
<b>Containers &amp; Packaging: 0.49%</b>					
<i>Other securities</i>				<u>2,928,919</u>	<u>0.49</u>
<b>Metals &amp; Mining: 0.35%</b>					
<i>Other securities</i>				<u>2,072,649</u>	<u>0.35</u>
<b>Telecommunication Services: 1.94%</b>					
<b>Diversified Telecommunication Services: 1.83%</b>					
<i>Intelsat Jackson Holdings SA</i>	5.50	8-1-2023	6,775,000	5,784,156	0.97
<i>Intelsat Jackson Holdings SA</i>	7.25	4-1-2019	800,000	771,000	0.13
<i>Other securities</i>				4,319,996	0.73
				<u>10,875,152</u>	<u>1.83</u>
<b>Wireless Telecommunication Services: 0.11%</b>					
<i>Other securities</i>				<u>616,569</u>	<u>0.11</u>
<b>Utilities: 0.11%</b>					
<b>Electric Utilities: 0.11%</b>					
<i>Other securities</i>				<u>684,938</u>	<u>0.11</u>
<b>Total Yankee Corporate Bonds and Notes (Cost \$60,248,213)</b>				<u>54,861,684</u>	<u>9.25</u>

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

Security name	Yield	Shares	Value	Percent of net assets
<b>Short-Term Investments: 6.86%</b>				
<b>Investment Companies: 6.86%</b>				
Wells Fargo Government Money Market Select Class (l)(u)##	0.68%	40,658,824	\$ 40,658,824	6.86%
<b>Total Short-Term Investments (Cost \$40,658,824)</b>			<u>40,658,824</u>	<u>6.86</u>
<b>Total investments in securities (Cost \$788,574,531) *</b>			767,761,176	129.46%
<i>Other assets and liabilities, net</i>			<u>(174,693,355)</u>	<u>(29.46)</u>
<b>Total net assets</b>			<u>\$593,067,821</u>	<u>100.00%</u>

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.

@ Foreign bond principal is denominated in the local currency of the issuer.

± 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.

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

\* Cost for federal income tax purposes is \$793,103,154 and unrealized gains (losses) consists of:

Gross unrealized gains	\$ 26,964,636
Gross unrealized losses	<u>(52,306,614)</u>
Net unrealized losses	<u>\$(25,341,978)</u>

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

**Assets**

Investments	
In unaffiliated securities, at value (cost \$747,915,707)	\$ 727,102,352
In affiliated securities, at value (cost \$40,658,824)	<u>40,658,824</u>
Total investments, at value (cost \$788,574,531)	767,761,176
Cash	440,122
Foreign currency, at value (cost \$562,204)	560,509
Receivable for investments sold	8,329,919
Principal paydown receivable	7,697
Receivable for interest	9,984,027
Prepaid expenses and other assets	<u>8,243</u>
Total assets	<u>787,091,693</u>

**Liabilities**

Dividends payable	4,320,190
Payable for investments purchased	1,264,480
Secured borrowing payable	187,000,000
Advisory fee payable	365,680
Administration fee payable	33,244
Accrued expenses and other liabilities	<u>1,040,278</u>
Total liabilities	<u>194,023,872</u>
<b>Total net assets</b>	<b><u>\$593,067,821</u></b>

**NET ASSETS CONSIST OF**

Paid-in capital	\$ 730,125,578
Overdistributed net investment income	(7,877,606)
Accumulated net realized losses on investments	(108,366,512)
Net unrealized losses on investments	<u>(20,813,639)</u>
<b>Total net assets</b>	<b><u>\$593,067,821</u></b>

**NET ASSET VALUE PER SHARE**

Based on \$593,067,821 divided by 41,105,510 shares issued and outstanding (100,000,000 shares authorized)	<u>\$14.43</u>
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<b>Investment income</b>	
Interest (net of foreign interest withholding taxes of \$274,369) .....	\$ 24,595,938
Dividends .....	759,525
Income from affiliated securities .....	<u>82,326</u>
Total investment income .....	<u>25,437,789</u>
<b>Expenses</b>	
Advisory fee .....	2,195,114
Administration fee .....	199,556
Custody and accounting fees .....	84,314
Professional fees .....	651,837
Shareholder report expenses .....	341,853
Trustees' fees and expenses .....	34,654
Transfer agent fees .....	22,037
Interest expense .....	1,591,897
Other fees and expenses .....	<u>18,457</u>
Total expenses .....	<u>5,139,719</u>
Net investment income .....	<u>20,298,070</u>
<b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>	
Net realized losses on investments .....	(3,364,585)
Net change in unrealized gains (losses) on investments .....	<u>10,244,827</u>
Net realized and unrealized gains (losses) on investments .....	<u>6,880,242</u>
<b>Net increase in net assets resulting from operations</b> .....	<u><b>\$27,178,312</b></u>

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	Six months ended April 30, 2017 (unaudited)	Year ended October 31, 2016
<b>Operations</b>		
Net investment income .....	\$ 20,298,070	\$ 45,426,982
Net realized losses on investments .....	(3,364,585)	(11,124,183)
Net change in unrealized gains (losses) on investments .....	10,244,827	24,589,506
Net increase in net assets resulting from operations .....	<u>27,178,312</u>	<u>58,892,305</u>
<b>Distributions to shareholders from</b>		
Net investment income .....	(24,221,422)	(40,758,130)
Tax basis return of capital .....	0	(6,993,269)
Total distributions to shareholders .....	<u>(24,221,422)</u>	<u>(47,751,399)</u>
<b>Capital share transactions</b>		
Cost of shares repurchased .....	(729,188)	(11,526,575)
Net decrease in net assets resulting from capital share transactions .....	<u>(729,188)</u>	<u>(11,526,575)</u>
Total increase (decrease) in net assets .....	<u>2,227,702</u>	<u>(385,669)</u>
<b>Net assets</b>		
Beginning of period .....	590,840,119	591,225,788
End of period .....	<u>\$593,067,821</u>	<u>\$590,840,119</u>
Overdistributed net investment income .....	<u>\$ (7,877,606)</u>	<u>\$ (3,954,254)</u>

<b>Cash flows from operating activities:</b>	
Net increase in net assets resulting from operations .....	\$ 27,178,312
<b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b>	
Purchase of investment securities .....	(244,870,965)
Proceeds from the sale of investment securities .....	292,344,004
Paydowns .....	6,627,013
Amortization .....	(700,724)
Purchase of short-term investment securities, net .....	(7,254,194)
Increase in receivable for investments sold .....	(5,409,547)
Increase in principal paydown receivable .....	(543)
Decrease in receivable for interest .....	1,718,303
Decrease in prepaid expenses and other assets .....	4,079
Decrease in payable for investments purchased .....	(6,060,058)
Decrease in advisory fee payable .....	(14,860)
Decrease in administration fee payable .....	(1,351)
Increase in accrued expenses and other liabilities .....	733,084
Litigation payments received .....	3,276
Net realized losses on investments .....	3,364,585
Net change in unrealized gains (losses) on investments .....	<u>(10,244,827)</u>
Net cash provided by operating activities .....	<u>57,415,587</u>
<b>Cash flows from financing activities:</b>	
Decrease in secured borrowing payable .....	(33,000,000)
Cost of shares repurchased .....	(1,714,693)
Cash distributions paid .....	<u>(23,725,497)</u>
Net cash used in financing activities .....	<u>(58,440,190)</u>
Net decrease in cash .....	<u>(1,024,603)</u>
<b>Cash (including foreign currency):</b>	
Beginning of period .....	\$ 2,025,234
End of period .....	<u>\$ 1,000,631</u>
<b>Supplemental cash disclosure</b>	
Cash paid for interest .....	<u>\$ 1,526,189</u>



(For a share outstanding throughout each period)

	Six months ended	Year ended October 31				
	April 30, 2017 (unaudited)	2016	2015	2014	2013	2012
<b>Net asset value, beginning of period</b>	\$14.35	\$14.06	\$16.10	\$16.40	\$17.01	\$16.16
Net investment income	0.49	1.08	1.10 <sup>1</sup>	1.14 <sup>1</sup>	1.18	1.16
Net realized and unrealized gains (losses) on investments	0.17	0.33	(1.98)	(0.24)	(0.59)	0.89
<b>Total from investment operations</b>	0.66	1.41	(0.88)	0.90	0.59	2.05
<b>Distributions to shareholders from</b>						
Net investment income	(0.59)	(0.97)	(0.87)	(0.91)	(1.20)	(1.20)
Tax basis return of capital	0.00	(0.17)	(0.29)	(0.29)	0.00	0.00
<b>Total distributions to shareholders</b>	(0.59)	(1.14)	(1.16)	(1.20)	(1.20)	(1.20)
<b>Anti-dilutive effect of shares repurchased</b>	0.01	0.02	0.00	0.00	0.00	0.00
<b>Net asset value, end of period</b>	\$14.43	\$14.35	\$14.06	\$16.10	\$16.40	\$17.01
<b>Market value, end of period</b>	\$13.61	\$12.66	\$12.02	\$14.19	\$14.47	\$16.54
<b>Total return based on market value<sup>2</sup></b>	12.42%	15.66%	(7.34)%	6.55%	(5.44)%	19.33%
<b>Ratios to average net assets (annualized)</b>						
Net expenses <sup>3</sup>	1.77%	1.39%	1.24%	1.21%	1.24%	1.24%
Net investment income <sup>3</sup>	6.99%	7.94%	7.33%	6.95%	7.04%	7.13%
<b>Supplemental data</b>						
Portfolio turnover rate	26%	29%	31%	41%	40%	78%
Net assets, end of period (000s omitted)	\$593,068	\$590,840	\$591,226	\$677,004	\$689,573	\$715,368
Borrowings outstanding, end of period (000s omitted)	\$187,000	\$220,000	\$230,000	\$230,000	\$230,000	\$230,000
Asset coverage per \$1,000 of borrowing, end of period	\$4,171	\$3,686	\$3,570	\$3,944	\$3,998	\$4,110

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

<sup>2</sup> Total return is calculated assuming a purchase of common stock on the first day and 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. Returns for periods of less than one year are not annualized.

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

Six months ended April 30, 2017 (unaudited)	0.55%
Year ended October 31, 2016	0.44%
Year ended October 31, 2015	0.24%
Year ended October 31, 2014	0.07%
Year ended October 31, 2013	0.07%
Year ended October 31, 2012	0.11%

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

## 1. ORGANIZATION

Wells Fargo Multi-Sector Income Fund (the "Fund") was organized as a statutory trust under the laws of the state of Delaware on April 10, 2003 and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. As an investment company, the Fund follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 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.

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.

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

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").

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 of the Fund. 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.

#### **Forward foreign currency contracts**

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

#### **When-issued transactions**

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

#### **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.

#### **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.

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.

Dividend income is recognized on the ex-dividend date.

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

#### **Distributions to shareholders**

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in 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.

Capital loss carryforwards that do not expire are required to be utilized prior to capital loss carryforwards that expire. As of October 31, 2016, capital loss carryforwards available to offset future net realized capital gains were as follows through the indicated expiration dates:

2018	No expiration	
	Short-term	Long-term
\$86,701,155	\$2,682,399	\$10,251,593

### 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 April 30, 2017:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets</b>				
<b>Investments in:</b>				
Agency securities	\$ 0	\$ 9,114,302	\$ 0	\$ 9,114,302
Asset-backed securities	0	1,260,530	0	1,260,530
<b>Common stocks</b>				
Energy	0	406,302	0	406,302
Materials	763	0	0	763
Utilities	4,894,256	0	0	4,894,256
Corporate bonds and notes	0	397,306,030	0	397,306,030
Foreign corporate bonds and notes	0	10,953,353	0	10,953,353
Foreign government bonds	0	121,537,083	0	121,537,083
Loans	0	79,117,365	23,097,699	102,215,064
Municipal obligations	0	44,818	0	44,818
Non-agency mortgage-backed securities	0	24,098,948	0	24,098,948
<b>Rights</b>				
Utilities	0	409,219	0	409,219
Yankee corporate bonds and notes	0	54,854,391	7,293	54,861,684
<b>Short-term investments</b>				
Investment companies	40,658,824	0	0	40,658,824
<b>Total assets</b>	<b>\$45,553,843</b>	<b>\$699,102,341</b>	<b>\$23,104,992</b>	<b>\$767,761,176</b>

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At April 30, 2017, the Fund had no material transfers between Level 1 and Level 2.

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

	Loans	Yankee corporate bonds and notes	Total
<b>Balance as of October 31, 2016</b>	\$ 5,626,538	\$ 7,293	\$ 5,633,831
Accrued discounts (premiums)	9,227	17,712	26,939
Realized gains (losses)	(8,542)	0	(8,542)
Change in unrealized gains (losses)	209,557	(17,712)	191,845
Purchases	19,869,222	0	19,869,222
Sales	(3,676,688)	0	(3,676,688)
Transfers into Level 3	5,077,780	0	5,077,780
Transfers out of Level 3	(4,009,395)	0	(4,009,395)
<b>Balance as of April 30, 2017</b>	<b>\$23,097,699</b>	<b>\$ 7,293</b>	<b>\$23,104,992</b>
<b>Change in unrealized gains (losses) relating to securities still held at April 30, 2017</b>	<b>\$ 168,019</b>	<b>\$(17,712)</b>	<b>\$ 150,307</b>

The loan obligations in the Level 3 table were valued using indicative broker quotes. These indicative broker quotes are considered Level 3 inputs. Quantitative unobservable inputs used by the brokers are often proprietary and not provided to the Fund and therefore the disclosure that would address these inputs is not included above.

The yankee corporate bonds and notes obligations in the Level 3 table represents two positions which were valued based on an analysis of the expected final distribution available to bondholders from asset sales.

#### 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 0.55% of the Fund’s average daily total assets. Total assets consist of net assets of the Fund plus borrowings or other leverage for investment purposes to the extent excluded in calculating net assets.

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

##### Administration fee

Funds Management also serves as the administrator to the Fund, providing the Fund with 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 six months ended April 30, 2017, State Street Bank and Trust Company, the Fund’s custodian, reimbursed the Fund \$20,366 for certain out-of-pocket expenses that were billed to the Fund in error from 1998-2015. This amount is included in interest income on the Statement of Operations. In addition, Funds Management was also reimbursed \$9,019 for waivers/reimbursements it made to the Fund during the period the Fund was erroneously billed.

#### 5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized capital of 100,000,000 shares with no par value. For the six months ended April 30, 2017 and the year ended October 31, 2016, the Fund did not issue any shares.

On December 17, 2015, the Fund announced an open-market share repurchase program (the “Buyback Program”). Under the Buyback Program, the Fund was able to repurchase up to 10% of its outstanding shares within one year of December 17, 2015. The Fund’s Board of Trustees had delegated to Funds Management full discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations. The Buyback Program ended at the close of business on December 16, 2016. During the six months ended April 30, 2017, the Fund purchased 57,556 of its shares on the open market at a total cost of \$729,188 (weighted average price per share of \$12.65). The weighted average discount of these repurchased shares was 11.60%.

#### 6. BORROWINGS

The Fund has borrowed \$187 million through a revolving credit facility administered by a major financial institution (the “Facility”). The Facility has a commitment amount of \$230 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.

During the six months ended April 30, 2017, the Fund had average borrowings outstanding in the amount of \$219,456,044 and paid interest in the amount of \$1,591,897 (representing 0.55% of the Fund’s average daily net assets) at a weighted average interest rate of 0.73%.

#### 7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the six months ended April 30, 2017 were \$197,526,277 and \$202,475,688, respectively.

The Fund may purchase or sell investment securities to 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. Interfund trades are included within the respective purchases and sales amounts shown.

As of April 30, 2017, the Fund had unfunded term loan commitments of \$1,264,480.

## 8. 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.

## 9. NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, FASB issued Accounting Standards 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.

In December 2016, FASB issued ASU No. 2016-19, *Technical Corrections and Improvements*. ASU 2016-19 includes an amendment to FASB ASC Topic 820, *Fair Value Measurement* which clarifies the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. The disclosure requirements are effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016. Management is currently evaluating the potential impact of this new guidance to the financial statements.

## 10. REGULATORY CHANGES

In October 2016, the Securities and Exchange Commission ("SEC") adopted new rules and forms and amended existing rules and forms (together, "final rules") intended to modernize and enhance the reporting and disclosure of information by registered investment companies and to enhance liquidity risk management by open-end mutual funds and exchange-traded funds. The final rules will enhance the quality of information available to investors and will allow the SEC to more effectively collect and use data reported by funds. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in the Fund's financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X is August 1, 2017 while the compliance date for the new form types is June 1, 2018 and the compliance date for the liquidity risk management program requirements is December 1, 2018. Management is currently assessing the potential impact of these enhancements and their impact on the financial statement disclosures and reporting requirements.

## 11. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to shareholders:

Declaration date	Record date	Payable date	Per share amount
April 28, 2017	May 18, 2017	June 1, 2017	\$0.10581
May 17, 2017	June 14, 2017	July 3, 2017	0.10633

These distributions are not reflected in the accompanying financial statements.

## 12. SUBSEQUENT EVENT

On May 11, 2017, the Fund's tender offer to purchase up to 15% of its outstanding common shares expired. As result of the tender offer, 18,987,662 common shares, or approximately 46% of the Fund's common shares outstanding, were tendered. Because the total number of shares tendered exceeded the number of shares offered to purchase, all tendered shares were subject to proration in accordance with the terms of the offer to purchase. The Fund accepted 6,165,826 shares for cash payment at a price equal to 98% of the Fund's net asset value per share effective as of the close of the regular trading session of the NYSE on May 12, 2017. Following the purchase of the tendered shares, the Fund had approximately 34,939,684 common shares outstanding.

## PROXY VOTING INFORMATION

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

## ANNUAL MEETING OF SHAREHOLDERS

On February 6, 2017, an Annual Meeting of Shareholders for the Fund was held to consider the following proposal. The results of the proposal are indicated below.

### Proposal 1 – Election of trustees:

Shares voted "For"	Isaiah Harris, Jr.	35,163,701
Shares voted "Withhold"		1,075,104
Shares voted "For"	David F. Larcker	35,178,895
Shares voted "Withhold"		1,059,910
Shares voted "For"	Olivia S. Mitchell	35,220,287
Shares voted "Withhold"		1,018,518

## PORTFOLIO HOLDINGS INFORMATION

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



## 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 Officers<sup>1</sup> listed below acts in identical capacities for each fund in the Wells Fargo family of funds, which consists of 138 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
<b>Class I - Non-Interested Trustees to serve until 2020 Annual Meeting of Shareholders</b>			
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
<b>Class II - Non-Interested Trustees to serve until 2018 Annual Meeting of Shareholders</b>			
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
<b>Class III - Non-Interested Trustees to serve until 2019 Annual Meeting of Shareholders</b>			
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 2003	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds 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.

## 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.
Jeremy DePalma <sup>1</sup> (Born 1974)	Treasurer, since 2012	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.
C. David Messman (Born 1960)	Secretary, since 2010; Chief Legal Officer, since 2010	Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013.
Michael Whitaker (Born 1967)	Chief Compliance Officer, since 2016	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.

<sup>1</sup> Jeremy DePalma acts as Treasurer of 69 funds and Assistant Treasurer of 69 funds in the Fund Complex.

## AUTOMATIC DIVIDEND REINVESTMENT PLAN

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan ("the Plan"). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by Computershare Trust Company, N.A., as agent for shareholders in administering the Plan ("Plan Agent"), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as "dividends") payable either in shares or in cash, nonparticipants in the Plan will receive cash, and participants in the Plan will receive the equivalent in 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
COP	— Colombian peso	PCFA	— Pollution Control Financing Authority
CLP	— Chilean peso	PCL	— Public Company Limited
DKK	— Danish krone	PCR	— Pollution control revenue
DRIVER	— Derivative inverse tax-exempt receipts	PFA	— Public Finance Authority
DW&P	— Department of Water & Power	PFPA	— Public Facilities Financing Authority
DWR	— Department of Water Resources	PFOTER	— Puttable floating option tax-exempt receipts
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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