Semi-Annual Report

February 28, 2017

WELLS FARGO ASSET MANAGEMENT

Wells Fargo
Utilities and High Income Fund (ERH)

Together we'll go far

Contents

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* A complete schedule of portfolio holdings as of the report date may be obtained, free of charge, by accessing the following website: https://www.wellsfargofunds.com/assets/edocs/regulatory/holdings/utilities-and-high-income-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.

The views expressed and any forward-looking statements are as of February 28, 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

U.S. and international stocks returned 10.01% and 5.15% for the six-month period; within fixed income, the Bloomberg Barclays U.S. Aggregate Bond Index[3] returned -2.19%.

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 Utilities and High Income Fund for the six-month period that ended February 28, 2017. During this period, global stocks delivered favorable results overall. U.S. and international stocks returned 10.01% and 5.15% for the six-month period, respectively, as measured by the S&P 500 Index[1] and the MSCI ACWI ex USA Index (Net)[2]; within fixed income, the Bloomberg Barclays U.S. Aggregate Bond Index[3] returned -2.19%.

In September 2016, interest-rate uncertainty weighed somewhat on U.S. markets; bonds' interest rates remained low.

Ever since the Great Recession, markets worldwide have been supported to varying degrees by accommodative policies from leading central banks, including the Federal Reserve (Fed), European Central Bank, Bank of England, and Bank of Japan. As a result, investors have watched closely for any signs that global central banks might tighten their measures. In the U.S., early-September comments by several Fed officials appeared to suggest a September interest-rate increase, which sent stock and bond prices downward. However, stocks surged following the Fed's September 20 meeting on news that the Fed had decided to delay a rate increase to later in 2016. In bond markets, interest rates remained at low levels as a result of easy monetary policies, subdued global growth, and modest inflation expectations. Yields did rise, however, after bottoming in July, because market participants felt that yields had overshot the real risks of the U.K.'s Brexit vote and as economic activity strengthened. At the front end of the yield curve, anticipation of new money market fund rules resulted in significantly higher yields on many short-term securities.

During the fourth quarter of 2016, prospects for faster growth and higher interest rates in the U.S. largely influenced the markets.

Early in the fourth quarter of 2016, U.S. stocks tended to trade lower amid concerns such as a likely interest-rate increase and uncertainty over the approaching general election. However, 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 pro-growth policies, and supportive economic news helped the rally carry through the quarter. The buoyant environment sent interest rates higher as well. At its mid-December meeting, 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%. The fourth quarter also saw the implementation of the Securities and Exchange Commission's new rules for money market funds, which included floating net asset values (NAVs) for institutional prime and municipal money market funds as well as liquidity fees and redemption gates. In the year leading up to money fund

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

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

3 The Bloomberg Barclays U.S. Aggregate Bond Index (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.

reform implementation, nearly $1 trillion in assets moved from these types of money market funds into government money market funds, which continued to transact at a stable $1 NAV. 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.

Investor optimism continued into February 2017.

January and February brought continued strength in global stock markets. Markets were lifted by factors such as strong trade data from Japan, robust earnings reports by businesses, and investors' hopes that the U.S. government will approve pro-growth policies, such as a large fiscal stimulus package. Within fixed income, short-term interest rates rose modestly in anticipation of Fed interest-rate hikes. Meanwhile, 10-year Treasury yields ranged between 2.30% and 2.55%, appearing to plateau after the fourth quarter's sell-off. Spreads of both investment-grade and high-yield bonds compressed slightly, and both taxable and municipal bond mutual fund flows were positive.

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

We encourage investors to know their investments and to understand that appropriate levels of risk-taking may unlock opportunities.

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

Sincerely,

Andrew Owen
President
Wells Fargo Funds

Notice to shareholders

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

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

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

Adviser
Wells Fargo Funds Management, LLC

Subadvisers
Crow Point Partners, LLC
Wells Capital Management Incorporated

Portfolio managers
Niklas Nordenfelt, CFA®
Timothy P. O'Brien, CFA®
Phillip Susser

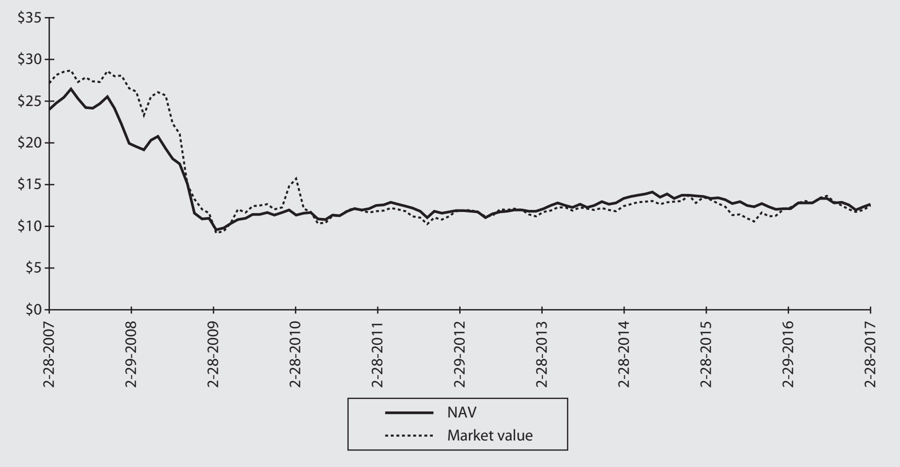
Average annual total return (%) as of February 28, 2017[1]

	6 months	1 year	5 year	10 year
Based on market value	(0.32)	9.10	8.73	1.85
Based on net asset value (NAV) per share	2.72	11.95	9.09	3.25

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 Feburary 28, 2017, was 1.21% which includes 0.26% of interest expense.

Comparison of NAV vs. market value[2]



High-yield, lower-rated bonds may contain more risk due to the increased possibility of default. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. Risks of international investing are magnified in emerging or developing markets. Funds that concentrate their investments in a single industry or sector may face increased risk of price fluctuation due to adverse developments within that industry or sector. Small- and mid-cap securities may be subject to special risks associated with narrower product lines and limited financial resources compared with their large-cap counterparts. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value and the market price of common shares. Derivatives involve additional risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of noncorrelation to the relevant instruments they are designed to hedge or closely track. There are numerous risks associated with transactions in options on securities. Illiquid securities may be subject to wide fluctuations in market value and may be difficult to sell. This closed-end fund is no longer available as an initial public offering and is only offered through broker/dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request.

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

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

MANAGERS' DISCUSSION

Overview

The Fund's return based on market value was -0.32% for the six-month period that ended February 28, 2017. During the same period, the Fund's return based on net asset value (NAV) was 2.72%. Based on its NAV return, the Fund underperformed relative to the ERH Blended Index[3], which returned 6.73%.

During the reporting period, U.S. stock markets were strong, especially following the presidential election in November 2016, while international stock markets generally posted positive, less robust returns. The U.S. dollar remained strong as well. Although bond interest rates rose during the reporting period, the broad U.S. stock market—including utility stocks—shrugged off the interest-rate headwind to generate very good returns. Within the Fund's stock portfolio, the allocation to utility preferred stocks rose during the reporting period, the allocation to international stocks increased slightly, and the cash position fell.

The high-yield bond market weathered rising Treasury yields during the reporting period while simultaneously staging a strong rally following the November 2016 presidential election. With rising Treasury yields and higher prices for high-yield bonds, spreads contracted meaningfully. Optimism over potentially growth-friendly policies coming from tax reform and infrastructure spending boosted risk assets, including high-yield bonds.

Detractors from performance

Within the Fund's stock portfolio, detractors included Georgia Power preferred; Chunghwa Telecom Company, Limited; Enagas S.A.; and Terna SpA Chunghwa reported disappointing earnings and lowered its guidance. Enagas has invested heavily in acquisitions that have yet to bear fruit.

The Fund's high-yield bond portfolio was hindered by underweights to the metals/mining and energy exploration and production industries. Negative security selection within metals/mining detracted as well.

Ten largest holdings (%) as of February 28, 2017[4]	
Eversource Energy	4.53
Enel SpA	4.51
Edison International	4.10
American Electric Power Company Incorporated	4.02
NextEra Energy Incorporated	3.93
Georgia Power Company	3.88
Enagas SA	3.69
Chunghwa Telecom Company Limited ADR	3.38
American Water Works Company Incorporated	3.34
Endesa SA	3.29

Contributors to performance

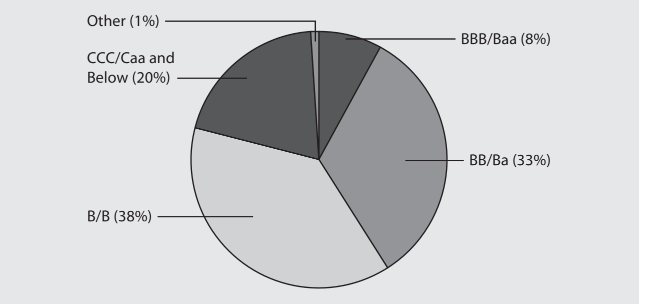
Within the Fund's stock portfolio, contributors included utilities Eversource Energy; PNM Resources, Incorporated; and IDACORP, Incorporated. U.S. utility stocks generally benefited during the reporting period as income-oriented investors continued to have limited options—utility shares were one of the few.

The Fund's high-yield bond portfolio benefited from positive security selection within the wireless and utilities sectors. An overweight to oil-field services contributed on a relative basis, as did an underweight to rate-sensitive BB-rated bonds.

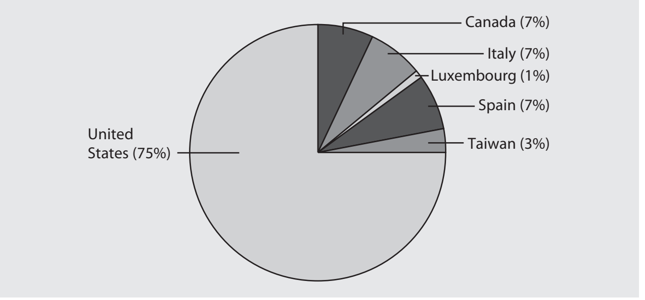
3 Source: Wells Fargo Funds Management, LLC. The ERH Blended Index is weighted 70% S&P 500 Utilities Index and 30% BofA Merrill Lynch U.S. High Yield Index (formerly known as BofA Merrill Lynch High Yield Master II Index). The S&P 500 Utilities Index is a market-value-weighted index that measures the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

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

Credit quality as of February 28, 2017[5]



Country allocation as of February 28, 2017[6]



Management outlook

With regard to the Fund's allocation to stocks, we believe the economy is improving in the U.S. and, to a lesser extent, in Europe. U.S. short- and long-term interest rates have continued to rise. The U.S. stock market remains buoyed by the anticipation of tax reform, deregulation, fiscal stimulus, and accelerating economic growth; thus far, investors appear undeterred by the somewhat rocky start for the new Trump administration. In the wake of the Brexit surprise in June 2016 and Donald Trump's unexpected victory in November 2016, elections in three European countries—the Netherlands (March), France (April and May), and Germany (September)—are drawing renewed attention as potential catalysts. The mood of voters, both in the U.S. and abroad, in our view appears generally sour. We are inclined to be somewhat more cautious going forward.

With respect to the Fund's high-yield bond portfolio, the U.S. Federal Reserve's guidance in December 2016 of potentially three interest-rate hikes in 2017 appeared to be one more than the market was expecting. Our expectation was similar; in our view, more than two hikes likely would require a jump in inflation combined with a strong stock market. We expect spreads to tighten further before widening to more normal levels in the coming years, and we find the most value in single-B, credit-sensitive bonds and select higher-quality bank loans. One of the most persistent forces benefiting U.S. high yield has been foreign demand for U.S. dollar–denominated debt with yield. Recently, dollar-funding costs for foreign investors have begun to decline. In the long run, we expect the relative performance of high-yield bonds may be primarily driven by corporate fundamentals and defaults. In the near term, our default outlook remains benign and supportive of high yield. Over a full cycle, we believe our continued focus on a bottom-up process—an approach that attempts to minimize downside risk while capturing the return potential of high-yield issuers—may insulate the Fund's high-yield portfolio from periodic bouts of systemic fears and rebalancing.

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

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

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

Security name	Shares	Value	Percent of net assets
Common Stocks: 58.95%			
Energy: 6.36%			
Oil, Gas & Consumable Fuels: 6.36%			
Enagas SA	175,000	$ 4,300,235	3.68%
Enbridge Incorporated	73,800	3,088,530	2.65
Other securities		36,153	0.03
		7,424,918	6.36
Telecommunication Services: 7.31%			
Diversified Telecommunication Services: 5.14%			
Chunghwa Telecom Company Limited ADR	120,000	3,944,400	3.38
Verizon Communications Incorporated	41,291	2,049,272	1.76
Other securities		2,572	0.00
		5,996,244	5.14
Wireless Telecommunication Services: 2.17%			
Shenandoah Telecommunications Company	90,000	2,529,000	2.17
Utilities: 45.28%			
Electric Utilities: 36.22%			
American Electric Power Company Incorporated	70,000	4,687,900	4.02
Edison International	60,000	4,784,400	4.10
Endesa SA	180,000	3,831,954	3.29
Enel SpA	1,225,000	5,258,541	4.51
Eversource Energy	90,000	5,279,400	4.53
Exelon Corporation	16,000	587,360	0.50
Great Plains Energy Incorporated	100,000	2,906,000	2.49
IDACORP Incorporated	25,000	2,073,250	1.78
NextEra Energy Incorporated	35,000	4,585,000	3.93
PNM Resources Incorporated	75,000	2,722,500	2.33
Red Electrica Corporacion SA	40,000	722,299	0.62
Spark Energy Incorporated Class A	36,700	990,900	0.85
Terna SpA	650,000	3,010,601	2.58
Other securities		800,669	0.69
		42,240,774	36.22
Gas Utilities: 0.03%			
Other securities		29,768	0.03
Multi-Utilities: 5.69%			
CenterPoint Energy Incorporated	50,000	1,366,000	1.17
Dominion Resources Incorporated	300	23,292	0.02
Hera SpA	300,000	743,698	0.64
Public Service Enterprise Group Incorporated	50,000	2,299,000	1.97

Security name	Interest rate	Maturity date	Shares	Value	Percent of net assets
Multi-Utilities (continued)					
Sempra Energy			19,900	$ 2,194,771	1.88%
Other securities				13,555	0.01
				6,640,316	5.69
Water Utilities: 3.34%					
American Water Works Company Incorporated			50,000	3,900,000	3.34
Total Common Stocks (Cost $49,954,755)				68,761,020	58.95
	Interest rate	**Maturity date**	**Principal**		
Corporate Bonds and Notes: 29.72%					
Consumer Discretionary: 6.04%					
Auto Components: 0.52%					
Other securities				603,198	0.52
Distributors: 0.09%					
Other securities				100,157	0.09
Diversified Consumer Services: 0.42%					
Service Corporation International	7.50%	4-1-2027	$ 351,000	415,935	0.36
Other securities				73,800	0.06
				489,735	0.42
Hotels, Restaurants & Leisure: 1.14%					
CCM Merger Incorporated 144A	9.13	5-1-2019	425,000	438,281	0.37
Greektown Holdings LLC 144A	8.88	3-15-2019	675,000	707,906	0.61
Other securities				190,383	0.16
				1,336,570	1.14
Leisure Products: 0.05%					
Other securities				64,513	0.05
Media: 2.82%					
Other securities				3,284,749	2.82
Specialty Retail: 0.94%					
Other securities				1,099,988	0.94
Textiles, Apparel & Luxury Goods: 0.06%					
Other securities				71,063	0.06
Consumer Staples: 0.69%					
Beverages: 0.10%					
Other securities				113,275	0.10
Food Products: 0.57%					
Other securities				671,598	0.57

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Household Products: 0.02%					
Other securities				$ 21,350	0.02%
Energy: 7.44%					
Energy Equipment & Services: 2.38%					
NGPL PipeCo LLC 144A	7.77%	12-15-2037	$ 725,000	821,063	0.70
PHI Incorporated	5.25	3-15-2019	455,000	442,488	0.38
Other securities				1,516,508	1.30
				2,780,059	2.38
Oil, Gas & Consumable Fuels: 5.06%					
Tallgrass Energy Partners LP 144A	5.50	9-15-2024	500,000	505,000	0.43
Other securities				5,394,688	4.63
				5,899,688	5.06
Financials: 2.33%					
Banks: 0.30%					
Other securities				347,286	0.30
Consumer Finance: 1.32%					
Other securities				1,540,278	1.32
Diversified Financial Services: 0.27%					
Other securities				314,156	0.27
Insurance: 0.44%					
Other securities				520,001	0.44
Health Care: 2.84%					
Health Care Equipment & Supplies: 0.51%					
Other securities				599,700	0.51
Health Care Providers & Services: 1.63%					
Other securities				1,897,287	1.63
Health Care Technology: 0.61%					
Other securities				705,201	0.61
Pharmaceuticals: 0.09%					
Other securities				104,538	0.09
Industrials: 1.03%					
Airlines: 0.10%					
Other securities				115,056	0.10
Commercial Services & Supplies: 0.75%					
Other securities				870,876	0.75
Professional Services: 0.01%					
Other securities				19,156	0.01

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Trading Companies & Distributors: 0.17%					
Other securities				$ 194,513	0.17%
Information Technology: 2.84%					
Communications Equipment: 0.09%					
Other securities				107,000	0.09
Electronic Equipment, Instruments & Components: 0.69%					
Jabil Circuit Incorporated	8.25%	3-15-2018	$ 620,000	659,643	0.57
Other securities				146,046	0.12
				805,689	0.69
Internet Software & Services: 0.25%					
Other securities				290,184	0.25
IT Services: 0.24%					
Other securities				281,661	0.24
Semiconductors & Semiconductor Equipment: 0.32%					
Other securities				369,914	0.32
Software: 0.20%					
Other securities				229,098	0.20
Technology Hardware, Storage & Peripherals: 1.05%					
Diamond 1 Finance Corporation 144A	7.13	6-15-2024	425,000	469,576	0.40
NCR Corporation	6.38	12-15-2023	475,000	507,656	0.44
Other securities				253,746	0.21
				1,230,978	1.05
Materials: 0.82%					
Chemicals: 0.04%					
Other securities				48,564	0.04
Containers & Packaging: 0.78%					
Other securities				908,890	0.78
Real Estate: 2.30%					
Equity REITs: 1.99%					
Other securities				2,324,533	1.99
Real Estate Management & Development: 0.31%					
Other securities				357,438	0.31
Telecommunication Services: 2.06%					
Diversified Telecommunication Services: 0.84%					
Other securities				978,616	0.84

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Wireless Telecommunication Services: 1.22%					
Sprint Capital Corporation	6.88%	11-15-2028	$ 425,000	$ 454,750	0.39%
T-Mobile USA Incorporated	6.73	4-28-2022	375,000	390,000	0.33
Other securities				578,194	0.50
				1,422,944	1.22
Utilities: 1.33%					
Gas Utilities: 0.07%					
Other securities				75,375	0.07
Independent Power & Renewable Electricity Producers: 1.26%					
NSG Holdings LLC 144A	7.75	12-15-2025	386,264	418,614	0.36
TerraForm Power Operating LLC 144A	6.38	2-1-2023	425,000	439,875	0.38
Other securities				611,987	0.52
				1,470,476	1.26
Total Corporate Bonds and Notes (Cost $33,092,212)				34,665,351	29.72
Loans: 0.99%					
Consumer Discretionary: 0.32%					
Hotels, Restaurants & Leisure: 0.32%					
Other securities				366,401	0.32
Energy: 0.08%					
Energy Equipment & Services: 0.03%					
Other securities				41,808	0.03
Oil, Gas & Consumable Fuels: 0.05%					
Other securities				54,000	0.05
Financials: 0.04%					
Capital Markets: 0.04%					
Other securities				49,500	0.04
Health Care: 0.02%					
Health Care Providers & Services: 0.02%					
Other securities				25,375	0.02
Industrials: 0.11%					
Commercial Services & Supplies: 0.11%					
Other securities				128,933	0.11
Information Technology: 0.37%					
Internet Software & Services: 0.35%					
Other securities				406,323	0.35
Technology Hardware, Storage & Peripherals: 0.02%					
Other securities				28,300	0.02

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

Security name	Dividend yield	Shares	Value	Percent of net assets
Utilities: 0.05%				
Electric Utilities: 0.05%				
Other securities			$ 50,289	0.05%
Total Loans (Cost $1,127,324)			1,150,929	0.99
	Dividend yield	**Shares**		
Preferred Stocks: 17.98%				
Utilities: 17.98%				
Electric Utilities: 12.41%				
Alabama Power Company	6.45%	68,347	1,774,890	1.52
Alabama Power Company	6.50	103,283	2,727,322	2.34
Entergy Louisiana LLC	4.88	30,000	681,900	0.58
Georgia Power Company	6.50	44,043	4,524,097	3.88
Gulf Power Company	6.45	30,000	3,052,242	2.62
NextEra Energy Capital	5.25	18,826	448,624	0.38
The Connecticut Light & Power Company	5.28	12,000	630,750	0.54
The Connecticut Light & Power Company	6.56	12,000	641,626	0.55
			14,481,451	12.41
Multi-Utilities: 5.57%				
Dominion Resources Incorporated	5.25	74,195	1,746,550	1.50
DTE Energy Company	6.00	40,000	1,028,800	0.88
Just Energy Group Incorporated ±	1.26	150,000	3,718,500	3.19
			6,493,850	5.57
Total Preferred Stocks (Cost $21,039,800)			20,975,301	17.98
Rights: 0.02%				
Utilities: 0.02%				
Electric Utilities: 0.02%				
Other securities		23,978	23,978	0.02
Total Rights (Cost $26,376)			23,978	0.02
Warrants: 0.00%				
Utilities: 0.00%				
Gas Utilities: 0.00%				
Other securities		16,000	50	0.00
Total Warrants (Cost $30,480)			50	0.00
Yankee Corporate Bonds and Notes: 3.23%				
Energy: 0.77%				
Energy Equipment & Services: 0.12%				
Other securities			140,400	0.12

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Oil, Gas & Consumable Fuels: 0.65%					
Teekay Corporation	8.50%	1-15-2020	$ 535,000	$ 535,000	0.46%
Other securities				228,242	0.19
				763,242	0.65
Financials: 0.11%					
Banks: 0.11%					
Other securities				131,691	0.11
Health Care: 0.77%					
Pharmaceuticals: 0.77%					
Valeant Pharmaceuticals International Incorporated 144A	6.13	4-15-2025	550,000	441,375	0.38
Other securities				452,480	0.39
				893,855	0.77
Industrials: 0.59%					
Building Products: 0.01%					
Other securities				16,125	0.01
Commercial Services & Supplies: 0.56%					
Other securities				647,429	0.56
Machinery: 0.02%					
Other securities				20,300	0.02
Materials: 0.12%					
Containers & Packaging: 0.05%					
Other securities				54,500	0.05
Metals & Mining: 0.07%					
Other securities				80,501	0.07
Telecommunication Services: 0.87%					
Diversified Telecommunication Services: 0.87%					
Intelsat Jackson Holdings SA	5.50	8-1-2023	545,000	451,669	0.39
Other securities				560,484	0.48
				1,012,153	0.87
Total Yankee Corporate Bonds and Notes (Cost $4,169,904)				3,760,196	3.23
	Yield		Shares		
Short-Term Investments: 7.36%					
Investment Companies: 7.36%					
Wells Fargo Government Money Market Fund Select Class (l)(u)##	0.48		8,583,240	8,583,240	7.36
Total Short-Term Investments (Cost $8,583,240)				8,583,240	7.36
Total investments in securities (Cost $118,024,091) *				137,920,065	118.25
Other assets and liabilities, net				(21,282,111)	(18.25)
Total net assets				$116,637,954	100.00%

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

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

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

(l) The security represents an affiliate 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 unfunded term loans.

* Cost for federal income tax purposes is $118,287,863 and unrealized gains (losses) consists of:

Gross unrealized gains	$24,791,980
Gross unrealized losses	(5,159,778)
Net unrealized gains	$19,632,202

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

Assets	
Investments	
In unaffiliated securities, at value (cost $109,440,851)	$ 129,336,825
In affiliated securities, at value (cost $8,583,240)	8,583,240
Total investments, at value (cost $118,024,091)	137,920,065
Foreign currency, at value (cost $464,924)	457,061
Receivable for investments sold	71,551
Receivable for dividends and interest	1,045,318
Prepaid expenses and other assets	7,007
Total assets	139,501,002
Liabilities	
Dividends payable	693,312
Payable for investments purchased	76,730
Secured borrowing payable	22,000,000
Advisory fee payable	62,843
Administration fee payable	5,237
Accrued expenses and other liabilities	24,926
Total liabilities	22,863,048
Total net assets	**$116,637,954**
NET ASSETS CONSIST OF	
Paid-in capital	$ 151,604,675
Overdistributed net investment income	(307,173)
Accumulated net realized losses on investments	(54,543,087)
Net unrealized gains on investments	19,883,539
Total net assets	**$116,637,954**
NET ASSET VALUE PER SHARE	
Based on $116,637,954 divided by 9,244,157 shares issued and outstanding (unlimited number of shares authorized)	$ 12.62

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

Investment income	
Dividends (net of foreign withholding taxes of $85,247)	$ 3,546,885
Interest	1,394,152
Income from affiliated securities	13,269
Total investment income	4,954,306
Expenses	
Advisory fee	406,374
Administration fee	33,864
Custody and accounting fees	12,711
Professional fees	61,500
Shareholder report expenses	715
Trustees' fees and expenses	23,456
Transfer agent fees	2,699
Interest expense	145,808
Other fees and expenses	2,194
Total expenses	689,321
Net investment income	4,264,985
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS	
Net realized gains (losses) on:	
Unaffiliated securities	(2,829,231)
Written options	50,778
Net realized losses on investments	(2,778,453)
Net change in unrealized gains (losses) on:	
Unaffiliated securities	1,521,056
Written options	(44,822)
Net change in unrealized gains (losses) on investments	1,476,234
Net realized and unrealized gains (losses) on investments	(1,302,219)
Net increase in net assets resulting from operations	**$2,962,766**

	Six months ended February 28, 2017 (unaudited)	Year ended August 31, 2016
Operations		
Net investment income	$ 4,264,985	$ 7,903,851
Net realized losses on investments	(2,778,453)	(588,730)
Net change in unrealized gains (losses) on investments	1,476,234	3,838,787
Net increase in net assets resulting from operations	2,962,766	11,153,908
Distributions to shareholders from		
Net investment income	(4,159,365)	(8,311,826)
Capital share transactions		
Net asset value of shares issued under the Automatic Dividend Reinvestment Plan	34,311	109,977
Total increase (decrease) in net assets	(1,162,288)	2,952,059
Net assets		
Beginning of period	**117,800,242**	**114,848,183**
End of period	**$116,637,954**	**$117,800,242**
Overdistributed net investment income	**$ (307,173)**	**$ (190,837)**

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

Cash flows from operating activities:	
Net increase in net assets resulting from operations	$ 2,962,766
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of securities	(34,822,862)
Proceeds from sale of securities	31,734,662
Amortization	(98,355)
Proceeds from sales of short-term securities, net	3,389,568
Decrease in receivable for investments sold	148,701
Decrease in receivable for dividends and interest	210,818
Increase in prepaid expenses and other assets	(227)
Decrease in payable for investments purchased	(149,676)
Decrease in due to custodian bank	(33,300)
Decrease in advisory fee payable	(9,431)
Decrease in administration fee payable	(786)
Decrease in accrued expenses and other liabilities	(81,571)
Litigation payments received	512
Net realized losses on investments	2,778,453
Net change in unrealized gains (losses) on investments	(1,476,234)
Net cash provided by operating activities	4,553,038
Cash flows from financing activities:	
Cash distributions paid	(4,124,572)
Net cash used in financing activities	(4,124,572)
Net increase in cash	428,466
Cash (including foreign currency):	
Beginning of period	$ 28,595
End of period	$ 457,061
Supplemental cash disclosure	
Cash paid for interest	$ 142,629
Supplemental non-cash financing disclosure	
Reinvestment of dividends	$ 34,311

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

(For a share outstanding throughout each period)

	Six months ended February 28, 2017 (unaudited)	Year ended August 31				
		2016	2015	2014	2013	2012
Net asset value, beginning of period	$12.75	$12.44	$13.83	$12.24	$11.74	$11.75
Net investment income	0.46	0.86	0.91	0.97[1]	0.87[1]	0.87[1]
Net realized and unrealized gains (losses) on investments	(0.14)	0.35	(1.40)	1.52	0.53	0.02
Total from investment operations	0.32	1.21	(0.49)	2.49	1.40	0.89
Distributions to shareholders from						
Net investment income	(0.45)	(0.90)	(0.90)	(0.90)	(0.90)	(0.90)
Net asset value, end of period	$12.62	$12.75	$12.44	$13.83	$12.24	$11.74
Market value, end of period	$12.42	$12.93	$10.89	$12.87	$12.04	$11.92
Total return based on market value[2]	(0.32)%	27.83%	(9.11)%	14.89%	8.93%	17.03%
Ratios to average net assets (annualized)						
Net expenses[3]	1.21%	1.19%	1.19%	1.11%	1.25%	1.20%
Net investment income	7.51%	6.83%	6.88%	7.38%	7.11%	7.48%
Supplemental data						
Portfolio turnover rate	22%	85%	61%	29%	65%	48%
Net assets, end of period (000s omitted)	$116,638	$117,800	$114,848	$127,678	$113,001	$108,327
Borrowings outstanding, end of period (000s omitted)	$22,000	$22,000	$22,000	$22,000	$22,000	$22,000
Asset coverage per $1,000 of borrowing, end of period	$6,302	$6,355	$6,220	$6,804	$6,136	$5,866

1 Calculated based upon average shares outstanding

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

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

Six months ended February 28, 2017 (unaudited)	0.26%
Year ended August 31, 2016	0.21%
Year ended August 31, 2015	0.16%
Year ended August 31, 2014	0.19%
Year ended August 31, 2013	0.21%
Year ended August 31, 2012	0.25%

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

1. ORGANIZATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Securities valuation

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

Equity securities and options that are listed on a foreign or domestic exchange or market are valued at the official closing price or, if none, the last sales price. If no sale occurs on the principal exchange or market that day, 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.

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

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

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign securities are traded, but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of such securities, then fair value pricing procedures approved by the Board of Trustees of the Fund are applied. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Foreign securities that are fair valued under these procedures are categorized as Level 2 and the application of these procedures may result in transfers between Level 1 and Level 2. Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in net asset values that are higher or lower than net asset values based on the last reported sales price or latest quoted bid price. On February 28, 2017, such fair value pricing was not used in pricing foreign securities.

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

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

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

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

Foreign currency translation

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

When-issued transactions

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

Loans

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

Options

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

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

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

Security transactions and income recognition

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

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

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

Distributions to shareholders

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

Federal and other taxes

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

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

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

		No expiration
2017	2018	Short-term
$19,833,087	$27,435,579	$4,258,819

3. FAIR VALUATION MEASUREMENTS

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

- 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 February 28, 2017:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investments in:				
Common stocks				
Energy	$ 7,424,918	$ 0	$ 0	$ 7,424,918
Telecommunication services	8,525,244	0	0	8,525,244
Utilities	52,810,858	0	0	52,810,858
Corporate bonds and notes	0	34,665,351	0	34,665,351
Loans	0	689,436	461,493	1,150,929
Preferred stocks				
Utilities	12,148,471	8,826,830	0	20,975,301
Rights				
Utilities	0	23,978	0	23,978
Warrants				
Utilities	0	50	0	50
Yankee corporate bonds and notes	0	3,759,824	372	3,760,196
Short-term investments				
Investment companies	8,583,240	0	0	8,583,240
Total assets	**$89,492,731**	**$47,965,469**	**$461,865**	**$137,920,065**

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At February 28, 2017, the Fund had no material transfers between Level 1 and Level 2. The Fund did not have any transfers into/out of Level 3.

4. TRANSACTIONS WITH AFFILIATES AND OTHER EXPENSES

Advisory fee

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

Funds Management has retained the services of certain investment subadvisers to provide daily portfolio management to the Fund. The fees for subadvisory services are borne by Funds Management. Wells Capital Management Incorporated (an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo) and Crow Point Partners, LLC are each investment subadvisers to the Fund and are each entitled to receive a fee from Funds Management at an annual rate of 0.20% of the Fund's average daily total assets.

Administration fee

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

During the six months ended February 28, 2017, State Street Bank and Trust Company, the Fund's custodian, reimbursed the Fund $9,391 for certain out-of-pocket expenses that were billed to the Fund in error from 1998-2015. This amount is included in dividend income on the Statement of Operations. In addition, Funds Management was also reimbursed $4,015 for waivers/reimbursements it made to the Fund during the period the Fund was erroneously billed.

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of shares with no par value. For the six months ended February 28, 2017 and the year ended August 31, 2016, the Fund issued 2,775 and 8,550 shares, respectively. During the six months ended February 28, 2017, the Fund did not repurchase any of it shares under the open-market share repurchase program.

6. BORROWINGS

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

At February 28, 2017, the Fund had borrowings outstanding in the amount of $22,021,169 (including accrued interest payable). During the six months ended February 28, 2017, an effective interest rate of 1.34% was incurred on the borrowings and the Fund incurred interest expense in the amount of $145,808, representing 0.26% of the Fund's average daily net assets.

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the six months ended February 28, 2017 were $32,775,176 and $28,914,455, respectively.

The Fund may purchase or sell investment securities to other Wells Fargo funds under procedures adopted by the Board of Trustees. The procedures have been designed to ensure that these interfund transactions, which generally 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 February 28, 2017, the Fund had unfunded term loan commitments of $25,170.

8. DERIVATIVE TRANSACTIONS

During the six months ended February 28, 2017, the Fund entered into written options for economic hedging purposes.

During the six months ended February 28, 2017, the Fund had written call/put option activities as follows:

	Number of contracts	Premiums received
Options outstanding at August 31, 2016	749	$ 52,977
Options expired	(385)	(17,501)
Options closed	(364)	(35,476)
Options outstanding at February 28, 2017	0	$ 0

As of February 28, 2017, the Fund did not have any open written options. The Fund had an average of 116 written option contracts during the six months ended February 28, 2017.

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

9. CONCENTRATION RISK

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

10. INDEMNIFICATION

Under the Trust'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 Trust. Additionally, in the normal course of business, the Trust may enter into contracts with service providers that contain a variety of indemnification clauses. The Trust's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

11. NEW ACCOUNTING PRONOUNCEMENTS

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 general 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.

12. 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.

13. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to common shareholders:

Declaration date	Record date	Payable date	Per share amount
March 1, 2017	March 15, 2017	April 3, 2017	$0.075
March 31, 2017	April 18, 2017	May 1, 2017	0.075
April 28, 2017	May 18, 2017	June 1, 2017	0.075

These distributions are not reflected in the accompanying financial statements. The final determination of the source of all distributions is subject to change and made after the Fund's tax year-end.

PROXY VOTING INFORMATION

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

SPECIAL MEETING OF SHAREHOLDERS

On December 5, 2016, an Annual Meeting of Shareholders for the Fund was held to consider the following proposal. The results of the proposal are indicated below.

Proposal 1 – Election of Trustees:

Net assets voted "For"	Peter G. Gordon	$100,521,179
Net assets voted "Against"		$ 4,459,245
Net assets voted "For"	Timothy J. Penny	$100,655,166
Net assets voted "Against"		$ 4,325,258
Net assets voted "For"	Michael S. Scofield	$100,651,454
Net assets voted "Against"		$ 4,328,970

PORTFOLIO HOLDINGS INFORMATION

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

BOARD OF TRUSTEES AND OFFICERS

The following table provides basic information about the Board of Trustees and Officers of the Fund. Each of the Trustees and Officers 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
Class I - Non-Interested Trustees to serve until 2020 Annual Meeting of Shareholders			
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Chairman of the Board of CIGNA Corporation since 2009, and Director since 2005. From 2003 to 2011, Director of Deluxe Corporation. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Harbor Academy (charter school). Advisory Board Member, Child Evangelism Fellowship (non-profit). Mr. Harris is a certified public accountant (inactive status).	CIGNA Corporation; Asset Allocation Trust
David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of the Corporate Governance Research Initiative and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	Asset Allocation Trust
Olivia S. Mitchell (Born 1953)	Trustee, since 2010	International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993.	Asset Allocation Trust
Class II - Non-Interested Trustees to serve until 2018 Annual Meeting of Shareholders			
William R. Ebsworth (Born 1957)	Trustee, since 2015	Retired. From 1984 to 2013, equities analyst, portfolio manager, research director and chief financial 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 lead 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 Fonté 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 and an Adjunct Lecturer, Finance, at Babson College.	Asset Allocation Trust
Jane A. Freeman (Born 1953)	Trustee, since 2015	Retired. From 2012 to 2014 and 1999 to 2008, Chief Financial Officer of Scientific Learning Corporation. From 2008 to 2012, Ms. Freeman provided consulting services related to strategic business projects. Prior to 1999, Portfolio Manager at Rockefeller & Co. and Scudder, Stevens & Clark. Board member of the Harding Loevner Funds from 1996 to 2014, serving as both Lead Independent Director and chair of the Audit Committee. Board member of the Russell Exchange Traded Funds Trust from 2011 to 2012 and the chair of the Audit Committee. Ms. Freeman is a Board Member of Ruth Bancroft Garden (non-profit organization) and an inactive chartered financial analyst.	Asset Allocation Trust

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
Judith M. Johnson (Born 1949)	Trustee, since 2010; Audit Committee Chairman, since 2010	Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.	Asset Allocation Trust
Class III - Non-Interested Trustees to serve until 2019 Annual Meeting of Shareholders			
Peter G. Gordon* (Born 1942)	Trustee, since 2010; Chairman, since 2010	Co-Founder, Retired Chairman, President and CEO of Crystal Geyser Water Company. Trustee Emeritus, Colby College.	Asset Allocation Trust
Timothy J. Penny (Born 1951)	Trustee, since 2010	President and Chief Executive Officer of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	Asset Allocation Trust
Michael S. Scofield (Born 1943)	Trustee, since 2004	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. 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 Bank, N.A. and President of Wells Fargo & Company and Head of Affiliated Managers, Wells Fargo Asset Management, since 2014. Executive Vice President responsible for marketing, investments and product development for Wells Fargo Funds Management, LLC, from 2009 to 2014.
Nancy Wiser[1] (Born 1967)	Treasurer, since 2012	Executive Vice President of Wells Fargo Funds Management, LLC since 2011. Chief Operating Officer and Chief Compliance Officer at LightBox Capital Management LLC, from 2008 to 2011.
C. David Messman (Born 1960)	Secretary, since 2010; Chief Legal Officer, since 2010	Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013.
Michael Whitaker (Born 1967)	Chief Compliance Officer, since 2016	Executive Vice President of Wells Fargo Funds Management, LLC since 2016. Chief Compliance Officer of Fidelity's Fixed Income Funds and Asset Allocation Funds from 2008 to 2016, Compliance Officer of FMR Co., Inc. from 2014 to 2016, Fidelity Investments Money Management, Inc. from 2014 to 2016, Fidelity Investments from 2007 to 2016.
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.
Jeremy DePalma[1] (Born 1974)	Assistant Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.

1 Nancy Wiser acts as Treasurer of 69 funds in the Fund Complex. 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 30170, College Station, Texas 77842-3170 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
ADR	—	American depositary receipt
ADS	—	American depositary shares
AGC	—	Assured Guaranty Corporation
AGM	—	Assured Guaranty Municipal
Ambac	—	Ambac Financial Group Incorporated
AMT	—	Alternative minimum tax
AUD	—	Australian dollar
BAN	—	Bond anticipation notes
BHAC	—	Berkshire Hathaway Assurance Corporation
BRL	—	Brazilian real
CAB	—	Capital appreciation bond
CAD	—	Canadian dollar
CCAB	—	Convertible capital appreciation bond
CDA	—	Community Development Authority
CDO	—	Collateralized debt obligation
CHF	—	Swiss franc
COP	—	Colombian peso
CLP	—	Chilean peso
DKK	—	Danish krone
DRIVER	—	Derivative inverse tax-exempt receipts
DW&P	—	Department of Water & Power
DWR	—	Department of Water Resources
ECFA	—	Educational & Cultural Facilities Authority
EDA	—	Economic Development Authority
EDFA	—	Economic Development Finance Authority
ETF	—	Exchange-traded fund
EUR	—	Euro
FDIC	—	Federal Deposit Insurance Corporation
FFCB	—	Federal Farm Credit Banks
FGIC	—	Financial Guaranty Insurance Corporation
FHA	—	Federal Housing Administration
FHLB	—	Federal Home Loan Bank
FHLMC	—	Federal Home Loan Mortgage Corporation
FICO	—	The Financing Corporation
FNMA	—	Federal National Mortgage Association
FSA	—	Farm Service Agency
GBP	—	Great British pound
GDR	—	Global depositary receipt
GNMA	—	Government National Mortgage Association
GO	—	General obligation
HCFR	—	Healthcare facilities revenue
HEFA	—	Health & Educational Facilities Authority
HEFAR	—	Higher education facilities authority revenue
HFA	—	Housing Finance Authority
HFFA	—	Health Facilities Financing Authority
HKD	—	Hong Kong dollar
HUD	—	Department of Housing and Urban Development
HUF	—	Hungarian forint
IDA	—	Industrial Development Authority
IDAG	—	Industrial Development Agency
IDR	—	Indonesian rupiah
IEP	—	Irish pound
JPY	—	Japanese yen
KRW	—	Republic of Korea won
LIBOR	—	London Interbank Offered Rate
LIFER	—	Long Inverse Floating Exempt Receipts
LIQ	—	Liquidity agreement
LLC	—	Limited liability company
LLLP	—	Limited liability limited partnership
LLP	—	Limited liability partnership
LOC	—	Letter of credit
LP	—	Limited partnership
MBIA	—	Municipal Bond Insurance Association
MFHR	—	Multifamily housing revenue
MSTR	—	Municipal securities trust receipts
MTN	—	Medium-term note
MUD	—	Municipal Utility District
MXN	—	Mexican peso
MYR	—	Malaysian ringgit
National	—	National Public Finance Guarantee Corporation
NGN	—	Nigerian naira
NOK	—	Norwegian krone
NZD	—	New Zealand dollar
PCFA	—	Pollution Control Financing Authority
PCL	—	Public Company Limited
PCR	—	Pollution control revenue
PFA	—	Public Finance Authority
PFFA	—	Public Facilities Financing Authority
PFOTER	—	Puttable floating option tax-exempt receipts
plc	—	Public limited company
PLN	—	Polish zloty
PUTTER	—	Puttable tax-exempt receipts
R&D	—	Research & development
Radian	—	Radian Asset Assurance
RAN	—	Revenue anticipation notes
RDA	—	Redevelopment Authority
RDFA	—	Redevelopment Finance Authority
REIT	—	Real estate investment trust
ROC	—	Reset option certificates
RON	—	Romanian lei
RUB	—	Russian ruble
SAVRS	—	Select auction variable rate securities
SBA	—	Small Business Authority
SDR	—	Swedish depositary receipt
SEK	—	Swedish krona
SFHR	—	Single-family housing revenue
SFMR	—	Single-family mortgage revenue
SGD	—	Singapore dollar
SPA	—	Standby purchase agreement
SPDR	—	Standard & Poor's Depositary Receipts
SPEAR	—	Short Puttable Exempt Adjustable Receipts
STRIPS	—	Separate trading of registered interest and principal securities
TAN	—	Tax anticipation notes
TBA	—	To be announced
THB	—	Thai baht
TIPS	—	Treasury inflation-protected securities
TRAN	—	Tax revenue anticipation notes
TRY	—	Turkish lira
TTFA	—	Transportation Trust Fund Authority
TVA	—	Tennessee Valley Authority
ZAR	—	South African rand

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