

# Wells Fargo Utilities and High Income Fund (ERH)



Together we'll go far





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The views expressed and any forward-looking statements are as of February 28, 2018, 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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During the period, stocks globally delivered positive returns.

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## Dear Shareholder:

We are 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, 2018. During the period, stocks globally delivered positive returns. For the period, U.S. stocks, as measured by the S&P 500 Index<sup>1</sup>, gained 10.84% and international stocks, as measured by the MSCI ACWI ex USA Index (Net)<sup>2</sup>, gained 7.59%. In bond markets, the Bloomberg Barclays U.S. Aggregate Bond Index<sup>3</sup> declined 2.18% and the Bloomberg Barclays Municipal Bond Index<sup>4</sup> lost 1.24% while fixed-income investments outside the U.S. gained 2.52%, according to the Bloomberg Barclays Global Aggregate ex-USD Index<sup>5</sup>. The ICE BofAML U.S. High Yield Index<sup>6</sup> earned 1.01% during the period.

U.S. stocks advanced as business-friendly policies and regulations, newly implemented tax reform, increased hiring activity, and consistent corporate profits led to higher investor and consumer confidence. Internationally, stocks gained as unemployment fell and wages increased in the U.K.; the Bank of Japan continued its accommodative monetary policies; and industrial production, retail sales, and fixed asset investment increased in China. Stock returns in the emerging markets were strong, with the MSCI EM Index (Net)<sup>7</sup> gaining 10.58% for the period.

### Reactions to U.S. interest-rate increases were uneven across the yield curve and globally.

The U.S. Federal Reserve (Fed) increased the federal funds rate twice during the six-month period. Following a federal funds rate increase in June to a range of 1.00% to 1.25%, 10-year U.S. Treasury yields declined, the yield curve flattened, and long-term bond prices benefited.

Internationally, central banks maintained low interest rates and accommodative monetary policies that supported business activity and stock values in foreign markets. A weaker U.S. dollar was generally supportive of business activity in regions around the globe.

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<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 indices 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 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.

<sup>4</sup> The Bloomberg Barclays Municipal Bond Index is an unmanaged index composed of long-term tax-exempt bonds with a minimum credit rating of Baa. You cannot invest directly in an index.

<sup>5</sup> The Bloomberg Barclays Global Aggregate ex-USD Index is an unmanaged index that provides a broad-based measure of the global investment-grade fixed-income markets excluding the U.S. dollar-denominated debt market. You cannot invest directly in an index.

<sup>6</sup> The ICE BofAML 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. Copyright 2018. ICE Data Indices, LLC. All rights reserved.

<sup>7</sup> The MSCI Emerging Markets (EM) Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure large- and mid-cap equity market performance of emerging markets. The MSCI EM Index (Net) consists of the following 24 emerging markets country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates. You cannot invest directly in an index.

### **Positive economic and market news continued as 2017 closed and 2018 began.**

During the fourth quarter of 2017, stock markets continued the move higher. Third-quarter economic output in the U.S. grew at a 3.2% annual rate. The unemployment rate fell to a 17-year low of 4.1%. Tax reform and wage growth encouraged increased business and consumer spending.

Fed officials announced in October 2017 plans to begin unwinding its \$4.5 trillion portfolio of bonds and other assets accumulated during rounds of quantitative easing conducted since the 2008–2009 recession. Still, restrained inflation kept long-term bond rates steady and the flattening of the yield curve persisted.

October 2017 also marked one year since the regulatory reform of money market investing in the U.S. By December 2017, money market fund asset levels exceeded their December 2016 levels, reflecting continued investor demand for short-term investment opportunities offered in money market funds.

In December, the Organisation for Economic Co-operation and Development (OECD) reported that the global economy was expanding at its fastest rate since 2010; all 35 countries the OECD follows were on track to expand for 2017. International economies benefited from economic stimulus, which accelerated trade growth; improving employment; increased investment; and firming commodity prices.

The Fed raised the federal funds rate target to a range of 1.25% to 1.50% in December 2017 and began reducing its bond portfolio.

### **2018 opened with continued stock advances, then volatility.**

Improving business and economic data globally continued to support stock advances through January 2018. Even political wrangling in the U.S. over budget resolutions could not dissuade investors from buying stocks as payrolls and factory orders increased. Long-term interest rates in the U.S. trended higher as the yield curve steepened—the 10-year Treasury rate moved from 2.46% to 2.84% and the 30-year rate moved from 2.81% to 3.08% during January 2018.

Investor sentiment shifted in February. Concerns about inflation began to emerge in the U.S. as readings from the Producer Price Index in January rose 2.5% year over year. During February 2018, the U.S. market endured a loss of more than 10% before recovering much of that loss, but volatility affected stocks globally throughout the month.

During January 2018, purchasing managers' indexes in China, the eurozone, India, and Japan reported data for December that indicated continued growth. International stock values fell during February 2018, swept up in the selling momentum in U.S. markets.

### **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.

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**During February 2018, the U.S. market endured a loss of more than 10% before recovering much of that loss, but volatility affected stocks globally throughout the month.**

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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,

A handwritten signature in black ink, appearing to read "Andrew Owen".

Andrew Owen  
President  
Wells Fargo Funds

#### Notice to shareholders

On November 10, 2017, 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 in open market transactions beginning on January 1, 2018 and ending on December 31, 2018. 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.



**Investment objective**

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

**Strategy summary:**

The Fund allocates its assets between two separate investment strategies, or sleeves. Under normal market conditions, the Fund will allocate approximately 70% of its total assets to a sleeve that places a focus on common, preferred and convertible preferred stocks and convertible debentures of utility companies (water, gas, electric and telecommunications companies), and approximately 30% of its total assets to a sleeve of U.S. dollar denominated non-investment-grade (high yield) debt.

**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\*

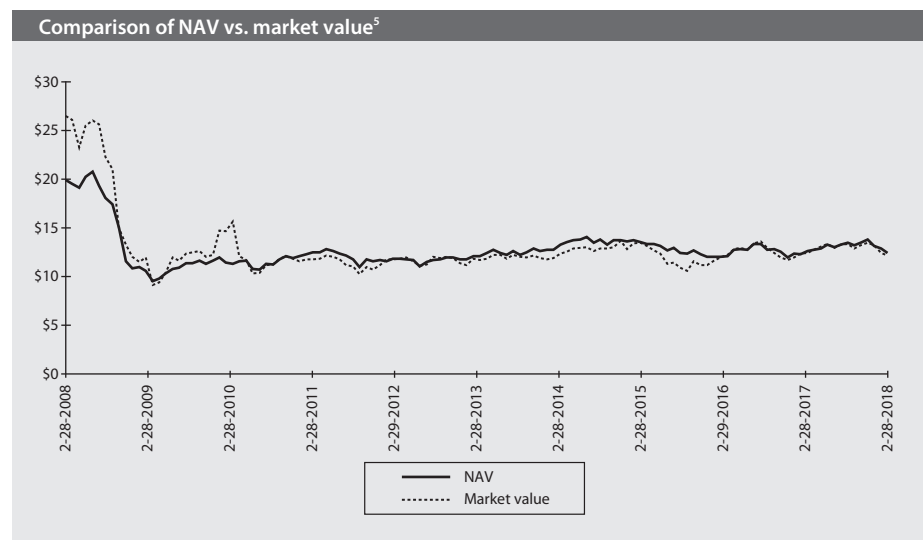
Phillip Susser

**Average annual total return (%) as of February 28, 2018<sup>1</sup>**

	6 months	1 year	5 year	10 year
Based on market value	(5.37)	5.19	8.39	1.06
Based on net asset value (NAV) per share	(4.65)	5.48	8.08	4.25
ERH Blended Index <sup>2</sup>	(6.13)	(0.06)	8.45	7.28
ICE BofAML U.S. High Yield Index <sup>3</sup>	1.01	4.12	5.35	8.13
S&P 500 Utilities Sector Index <sup>4</sup>	(9.18)	(1.99)	9.50	6.85

**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 February 28, 2018, was 1.32% which includes 0.38% of interest expense.



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



## MANAGERS' DISCUSSION

### Overview

The Fund's return based on market value was -5.37% for the six-month period that ended February 28, 2018. During the same period, the Fund's return based on net asset value (NAV) was -4.65%. Based on its NAV return, the Fund performed in line with the ERH Blended Index,<sup>3</sup> which returned -6.13%.

During the six-month period that ended February 28, 2018, the U.S. economic expansion picked up steam while economic recoveries in Europe and Asia appeared to strengthen. The U.S. Federal Reserve increased the federal funds rate once again in December 2017, the fifth such increase since December 2015. Other central banks around the world maintained interest-rate and monetary policies that were accommodative of increased business activity. The U.S. dollar weakened relative to other major currencies during the period.

The high-yield bond market was supported during the period by solid and consistent gross domestic product growth, less-than-aggressive issuance over the past several years, and the tailwinds from tax reform, offset to some extent by rising interest rates. As a result, high-yield spreads over Treasuries narrowed, which, to a large extent, was offset by the rise in interest rates. During the period, lower-quality bonds have outperformed higher quality bonds which is not unusual in the latter stages of an economic cycle when interest rates begin to rise.

Among the Fund's equity holdings, a new position was initiated in Atresmedia Corporacion de Medios de Comunicacion S.A. and the remaining holdings of Chunghwa Telecom Company, Limited, were sold.

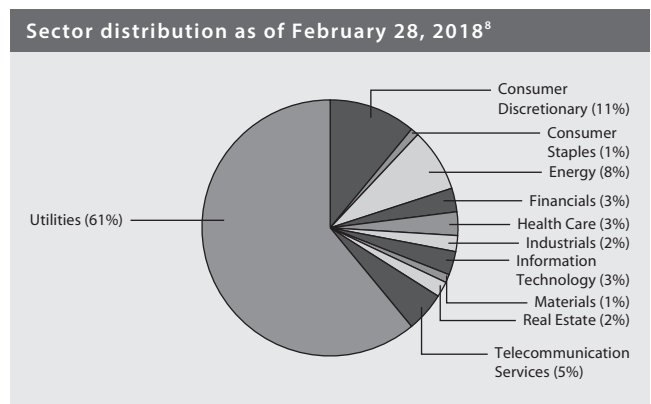
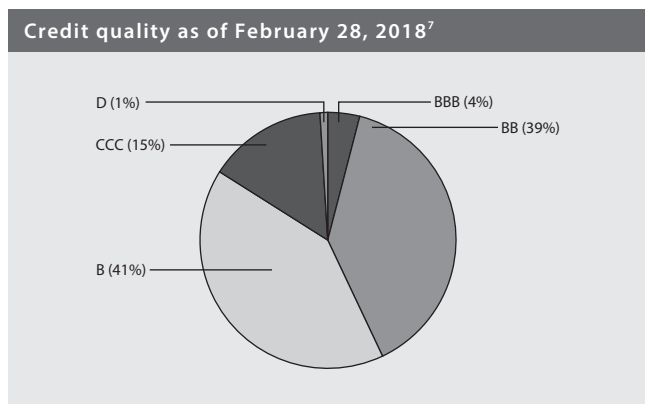
Ten largest holdings (%) as of February 28, 2018 <sup>6</sup>	
FirstEnergy Corporation	6.14
American Electric Power Company Incorporated	5.71
PNM Resources Incorporated	5.36
Antena 3 de Television SA	4.74
NextEra Energy Incorporated	4.64
DTE Energy Company	4.24
Eversource Energy	3.97
Exelon Corporation	3.74
Red Electrica Corporacion SA	3.39
Edison International	3.16

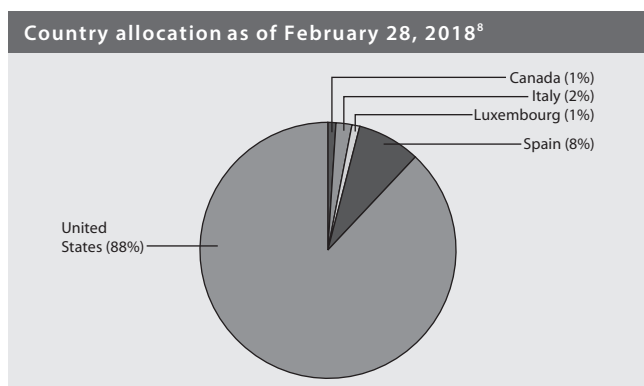
### Contributors to performance

Within the Fund's equities portfolio, performance contributors included utilities Hera S.p.A.; NextEra Energy, Incorporated; and Public Service Enterprise Group Incorporated along with telecommunication services carrier Verizon Communications Incorporated. The Fund's substantial cash position and its preferred stock holdings generally were additive to performance.

The performance of the Fund's high-yield bond investments benefited from industry allocation. An overweight to and strong security selection within

oil-field services and midstream along with an underweight to wireless and cable/satellite (both underperforming sectors relative to the broader high-yield index) were the largest contributors. Security selection was the main driver of outperformance.





### Detractors from performance

Significant performance detractors among the Fund's equities investments included utilities Edison International; SCANA Corporation; South Jersey Industries, Incorporated; and Spark Energy, Incorporated. Credit rating and maturity allocations within the Fund's high-yield bond portfolios both detracted modestly from performance. The negative effects of an overweight to BBB and a slight underweight to CC were more than offset by security selection, as were the negative effects of an underweight to the better-performing 3- to 5-year maturity bucket and an overweight to the 7- to 10-year maturity bucket.

### Outlook from the Fund's equities manager: Solid, accelerating economic recovery

From an equity perspective, we are now seeing what appears to be a more solid and accelerating economic recovery in the U.S. We expect interest rates to continue to go up on the short end of the yield curve. The outlook for 10-year rates, which are highly correlated with utility dividend yields, is less clear. Stronger economic growth may be positive for utilities suffering from weak sales, while higher interest rates could be a near-term headwind for utility stocks. Over the longer term, the outlook on the fundamentals of regulated network operators remains robust while the outlook for utilities with significant commodity price exposure remains challenging.

### Outlook from the Fund's high-yield manager: Growth to continue with evidence of potential risks

While we tend to think that the economy should continue to grow and company fundamentals will continue to improve, we are always on the lookout for potential threats to that growth. Of growing concern is what we believe to be the early stages of a new period of gradually increasing inflation. This inflation concern is partly mitigated by the fact that inflation often takes a fair amount of time to build up (and to quell, unfortunately) and to have an impact on consumers, businesses, and the economy, and it may even help high-yield companies repay their debts.

Our increasing concern about potential trade wars is mitigated by the large entrenched interests that are hurt by a trade war and the broader understanding in the investment, business, and government communities that all parties would lose. We continue to believe that spreads between high-yield bonds and Treasuries will continue to remain flat in the short run but will widen in the medium term, potentially significantly from here. In our view, the higher yields available in the junk bond market will offset this spread widening to some extent.

<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 at the 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 ERH Blended Index is weighted 70% S&P 500 Utilities Index and 30% ICE BofA Merrill Lynch U.S. High Yield Index. You cannot invest directly in an index.

<sup>3</sup> The ICE BofAML 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. Copyright 2018. ICE Data Indices, LLC. All rights reserved.

<sup>4</sup> 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.

<sup>5</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.

<sup>6</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>7</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.

<sup>8</sup> 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.

Security name	Shares	Value
<b>Common Stocks: 61.84%</b>		
<b>Consumer Discretionary: 4.74%</b>		
<b>Media: 4.74%</b>		
<i>Antena 3 de Television SA</i>	525,000	\$ 5,450,400
<b>Telecommunication Services: 4.29%</b>		
<b>Diversified Telecommunication Services: 1.72%</b>		
<i>Verizon Communications Incorporated</i>	41,291	1,971,232
<b>Wireless Telecommunication Services: 2.57%</b>		
<i>Shenandoah Telecommunications Company</i>	90,000	2,952,000
<b>Utilities: 52.81%</b>		
<b>Electric Utilities: 43.08%</b>		
<i>Alliant Energy Corporation</i>	8,000	309,200
<i>American Electric Power Company Incorporated</i>	100,000	6,558,000
<i>Edison International</i>	60,000	3,635,400
<i>Entergy Corporation</i>	31,000	2,350,420
<i>Eversource Energy</i>	80,000	4,560,000
<i>Exelon Corporation</i>	116,001	4,296,677
<i>FirstEnergy Corporation</i>	218,333	7,058,706
<i>Great Plains Energy Incorporated</i>	100,000	2,915,000
<i>IDACORP Incorporated</i>	25,000	2,026,250
<i>NextEra Energy Incorporated</i>	35,000	5,325,250
<i>PNM Resources Incorporated</i>	175,000	6,160,000
<i>Red Electrica Corporacion SA</i>	200,000	3,891,363
<i>Spark Energy Incorporated Class A</i>	44,138	410,483
		<u>49,496,749</u>
<b>Gas Utilities: 0.04%</b>		
<i>Chesapeake Utilities Corporation</i>	300	19,995
<i>New Jersey Resources Corporation</i>	400	15,240
<i>South Jersey Industries Incorporated</i>	400	10,484
		<u>45,719</u>
<b>Multi-Utilities: 9.69%</b>		
<i>CenterPoint Energy Incorporated</i>	50,000	1,352,500
<i>Dominion Resources Incorporated</i>	300	22,221
<i>Hera SpA</i>	900,000	3,061,185
<i>MDU Resources Group Incorporated</i>	500	13,145
<i>Public Service Enterprise Group Incorporated</i>	50,000	2,421,500
<i>SCANA Corporation</i>	25,000	991,750
<i>Sempra Energy</i>	30,000	3,269,400
		<u>11,131,701</u>
<b>Total Common Stocks (Cost \$56,146,547)</b>		<u>71,047,801</u>

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

Security name	Interest rate	Maturity date	Principal	Value
<b>Corporate Bonds and Notes: 29.90%</b>				
<b>Consumer Discretionary: 6.90%</b>				
<b>Auto Components: 0.68%</b>				
<i>Allison Transmission Incorporated 144A</i>	4.75%	10-1-2027	\$ 75,000	\$ 73,500
<i>Allison Transmission Incorporated 144A</i>	5.00	10-1-2024	400,000	405,500
<i>Cooper Tire &amp; Rubber Company</i>	7.63	3-15-2027	257,000	289,125
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12-15-2019	15,000	16,320
				784,445
<b>Distributors: 0.13%</b>				
<i>LKQ Corporation</i>	4.75	5-15-2023	125,000	126,563
<i>Spectrum Brands Incorporated</i>	6.63	11-15-2022	25,000	25,844
				152,407
<b>Diversified Consumer Services: 0.53%</b>				
<i>Service Corporation International</i>	4.63	12-15-2027	50,000	48,875
<i>Service Corporation International</i>	7.50	4-1-2027	400,000	466,000
<i>Service Corporation International</i>	8.00	11-15-2021	85,000	96,900
				611,775
<b>Hotels, Restaurants &amp; Leisure: 0.53%</b>				
<i>Brinker International Incorporated 144A</i>	5.00	10-1-2024	50,000	49,313
<i>CCM Merger Incorporated 144A</i>	6.00	3-15-2022	425,000	429,497
<i>Pinnacle Entertainment Incorporated</i>	5.63	5-1-2024	25,000	26,388
<i>Speedway Motorsports Incorporated</i>	5.13	2-1-2023	100,000	100,000
				605,198
<b>Media: 3.45%</b>				
<i>Altice US Finance I Corporation 144A</i>	5.38	7-15-2023	200,000	203,250
<i>Altice US Finance I Corporation 144A</i>	5.50	5-15-2026	100,000	99,000
<i>CCO Holdings LLC</i>	5.75	9-1-2023	50,000	51,000
<i>CCO Holdings LLC 144A</i>	5.00	2-1-2028	25,000	23,610
<i>CCO Holdings LLC</i>	5.13	2-15-2023	100,000	101,625
<i>CCO Holdings LLC 144A</i>	5.13	5-1-2023	135,000	137,531
<i>CCO Holdings LLC 144A</i>	5.13	5-1-2027	50,000	48,063
<i>CCO Holdings LLC</i>	5.25	9-30-2022	90,000	91,631
<i>CCO Holdings LLC 144A</i>	5.38	5-1-2025	335,000	336,256
<i>CCO Holdings LLC 144A</i>	5.50	5-1-2026	5,000	5,000
<i>CCO Holdings LLC 144A</i>	5.75	2-15-2026	275,000	278,781
<i>CCO Holdings LLC 144A</i>	5.88	4-1-2024	125,000	129,256
<i>Cequel Communications Holdings I LLC 144A</i>	7.75	7-15-2025	100,000	106,500
<i>Cinemark USA Incorporated</i>	4.88	6-1-2023	25,000	24,844
<i>CSC Holdings LLC</i>	8.63	2-15-2019	125,000	130,525
<i>EMI Music Publishing Group 144A</i>	7.63	6-15-2024	150,000	163,500
<i>Gray Television Incorporated 144A</i>	5.13	10-15-2024	100,000	98,000
<i>Gray Television Incorporated 144A</i>	5.88	7-15-2026	325,000	322,156
<i>Lamar Media Corporation</i>	5.38	1-15-2024	50,000	51,545
<i>Lamar Media Corporation</i>	5.88	2-1-2022	75,000	76,568

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

Security name	Interest rate	Maturity date	Principal	Value
<b>Media (continued)</b>				
<i>LIN Television Corporation</i>	5.88%	11-15-2022	\$ 25,000	\$ 25,813
<i>Live Nation Entertainment Incorporated 144A</i>	4.88	11-1-2024	100,000	99,375
<i>Live Nation Entertainment Incorporated 144A</i>	5.38	6-15-2022	50,000	51,563
<i>National CineMedia LLC</i>	6.00	4-15-2022	300,000	302,625
<i>Nexstar Broadcasting Group Incorporated 144A</i>	5.63	8-1-2024	75,000	75,375
<i>Nexstar Broadcasting Group Incorporated 144A</i>	6.13	2-15-2022	150,000	154,500
<i>Nielsen Finance LLC 144A</i>	5.00	4-15-2022	100,000	101,238
<i>Outfront Media Capital Corporation</i>	5.25	2-15-2022	15,000	15,319
<i>Outfront Media Capital Corporation</i>	5.63	2-15-2024	29,000	29,326
<i>Outfront Media Capital Corporation</i>	5.88	3-15-2025	65,000	65,975
<i>Salem Media Group Incorporated 144A</i>	6.75	6-1-2024	300,000	292,500
<i>The E.W. Scripps Company 144A</i>	5.13	5-15-2025	275,000	264,000
				3,956,250
<b>Specialty Retail: 1.44%</b>				
<i>Asbury Automotive Group Incorporated</i>	6.00	12-15-2024	350,000	363,125
<i>Group 1 Automotive Incorporated</i>	5.00	6-1-2022	125,000	127,500
<i>Group 1 Automotive Incorporated 144A</i>	5.25	12-15-2023	95,000	97,375
<i>Lithia Motors Incorporated 144A</i>	5.25	8-1-2025	350,000	356,125
<i>Penske Auto Group Incorporated</i>	3.75	8-15-2020	50,000	49,625
<i>Penske Auto Group Incorporated</i>	5.38	12-1-2024	300,000	300,750
<i>Penske Auto Group Incorporated</i>	5.75	10-1-2022	99,000	101,723
<i>Sonic Automotive Incorporated</i>	5.00	5-15-2023	145,000	138,838
<i>Sonic Automotive Incorporated</i>	6.13	3-15-2027	125,000	123,438
				1,658,499
<b>Textiles, Apparel &amp; Luxury Goods: 0.14%</b>				
<i>Wolverine World Wide Company 144A</i>	5.00	9-1-2026	160,000	160,000
<b>Consumer Staples: 0.36%</b>				
<b>Beverages: 0.04%</b>				
<i>Cott Beverages Incorporated 144A</i>	5.50	4-1-2025	50,000	49,805
<b>Food Products: 0.26%</b>				
<i>B&amp;G Foods Incorporated</i>	4.63	6-1-2021	30,000	30,113
<i>B&amp;G Foods Incorporated</i>	5.25	4-1-2025	75,000	72,188
<i>Darling Ingredients Incorporated</i>	5.38	1-15-2022	15,000	15,394
<i>Pilgrim's Pride Corporation 144A</i>	5.75	3-15-2025	110,000	109,450
<i>Pilgrim's Pride Corporation 144A</i>	5.88	9-30-2027	25,000	24,313
<i>Prestige Brands Incorporated 144A</i>	6.38	3-1-2024	10,000	10,313
<i>US Foods Incorporated 144A</i>	5.88	6-15-2024	30,000	31,125
				292,896
<b>Household Products: 0.06%</b>				
<i>Central Garden &amp; Pet Company</i>	5.13	2-1-2028	25,000	24,344
<i>Central Garden &amp; Pet Company</i>	6.13	11-15-2023	20,000	20,875
<i>Spectrum Brands Incorporated</i>	5.75	7-15-2025	25,000	25,750
				70,969

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Security name	Interest rate	Maturity date	Principal	Value
<b>Energy: 7.52%</b>				
<b>Energy Equipment &amp; Services: 2.35%</b>				
<i>Bristow Group Incorporated</i>	6.25%	10-15-2022	\$ 325,000	\$ 279,500
<i>Bristow Group Incorporated 144A</i>	8.75	3-1-2023	75,000	76,266
<i>Diamond Offshore Drilling Incorporated</i>	4.88	11-1-2043	150,000	110,250
<i>Era Group Incorporated</i>	7.75	12-15-2022	215,000	206,669
<i>Hilcorp Energy Company 144A</i>	5.00	12-1-2024	150,000	150,750
<i>Hilcorp Energy Company 144A</i>	5.75	10-1-2025	175,000	178,063
<i>Hornbeck Offshore Services Incorporated</i>	1.50	9-1-2019	350,000	284,599
<i>Hornbeck Offshore Services Incorporated</i>	5.00	3-1-2021	150,000	88,500
<i>Hornbeck Offshore Services Incorporated</i>	5.88	4-1-2020	235,000	162,150
<i>NGPL PipeCo LLC 144A</i>	4.38	8-15-2022	25,000	24,938
<i>NGPL PipeCo LLC 144A</i>	4.88	8-15-2027	50,000	50,438
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-2037	625,000	765,625
<i>Oceaneering International Incorporated</i>	6.00	2-1-2028	75,000	73,925
<i>PHI Incorporated</i>	5.25	3-15-2019	255,000	250,219
				2,701,892
<b>Oil, Gas &amp; Consumable Fuels: 5.17%</b>				
<i>Andeavor Logistics LP</i>	5.25	1-15-2025	50,000	51,315
<i>Archrock Partners LP</i>	6.00	10-1-2022	75,000	75,188
<i>Carrizo Oil &amp; Gas Incorporated</i>	8.25	7-15-2025	75,000	80,063
<i>Cheniere Energy Incorporated 144A</i>	5.25	10-1-2025	400,000	404,000
<i>Continental Resources Incorporated 144A</i>	4.38	1-15-2028	25,000	24,297
<i>Continental Resources Incorporated</i>	3.80	6-1-2024	100,000	97,125
<i>DCP Midstream Operating LLC</i>	2.70	4-1-2019	75,000	74,156
<i>Denbury Resources Incorporated</i>	5.00	12-15-2023	51,000	41,856
<i>Denbury Resources Incorporated</i>	6.38	8-15-2021	285,000	236,550
<i>Denbury Resources Incorporated 144A</i>	9.25	3-31-2022	61,000	62,525
<i>Enable Midstream Partner LP</i>	2.40	5-15-2019	275,000	272,424
<i>Enable Oklahoma Intrastate Transmission LLC 144A</i>	6.25	3-15-2020	50,000	52,567
<i>EnLink Midstream LLC</i>	4.40	4-1-2024	300,000	301,406
<i>Exterran Partners LP</i>	6.00	4-1-2021	300,000	300,750
<i>Gulfport Energy Corporation</i>	6.00	10-15-2024	75,000	73,688
<i>Gulfport Energy Corporation</i>	6.63	5-1-2023	150,000	154,125
<i>Kinder Morgan Incorporated</i>	6.50	9-15-2020	45,000	48,425
<i>Kinder Morgan Incorporated</i>	7.42	2-15-2037	90,000	104,976
<i>Matador Resources Company</i>	6.88	4-15-2023	25,000	26,125
<i>Murphy Oil Corporation</i>	4.45	12-1-2022	175,000	172,813
<i>Murphy Oil Corporation</i>	5.75	8-15-2025	15,000	14,925
<i>Murphy Oil Corporation</i>	6.88	8-15-2024	50,000	52,569
<i>Nabors Industries Limited</i>	0.75	1-15-2024	125,000	95,060
<i>Overseas Shipholding Group Incorporated</i>	8.13	3-30-2018	175,000	175,175
<i>PDC Energy Incorporated</i>	6.13	9-15-2024	50,000	51,125
<i>Rockies Express Pipeline LLC 144A</i>	5.63	4-15-2020	325,000	337,594
<i>Rockies Express Pipeline LLC 144A</i>	6.88	4-15-2040	250,000	293,125
<i>Rockies Express Pipeline LLC 144A</i>	7.50	7-15-2038	55,000	67,100
<i>Rockpoint Gas Storage 144A</i>	7.00	3-31-2023	175,000	175,000
<i>Rose Rock Midstream LP</i>	5.63	7-15-2022	100,000	99,000
<i>Rose Rock Midstream LP</i>	5.63	11-15-2023	100,000	96,750

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Security name	Interest rate	Maturity date	Principal	Value
<b>Oil, Gas &amp; Consumable Fuels (continued)</b>				
<i>Sabine Pass Liquefaction LLC</i>	5.63%	2-1-2021	\$ 125,000	\$ 132,024
<i>Sabine Pass Liquefaction LLC</i>	6.25	3-15-2022	100,000	109,094
<i>SemGroup Corporation</i>	6.38	3-15-2025	275,000	271,563
<i>SemGroup Corporation</i>	7.25	3-15-2026	150,000	153,375
<i>Southern Star Central Corporation 144A</i>	5.13	7-15-2022	75,000	76,688
<i>Southwestern Energy Company</i>	4.10	3-15-2022	75,000	70,313
<i>Southwestern Energy Company</i>	7.50	4-1-2026	50,000	50,500
<i>Southwestern Energy Company</i>	7.75	10-1-2027	50,000	51,000
<i>Summit Midstream Holdings LLC</i>	5.75	4-15-2025	25,000	25,000
<i>Tallgrass Energy Partners LP 144A</i>	5.50	9-15-2024	600,000	617,988
<i>Tesoro Logistics LP</i>	6.38	5-1-2024	25,000	26,875
<i>Ultra Resources Incorporated 144A</i>	6.88	4-15-2022	50,000	45,000
<i>Ultra Resources Incorporated 144A</i>	7.13	4-15-2025	225,000	201,375
				5,942,592
<b>Financials: 2.52%</b>				
<b>Consumer Finance: 1.07%</b>				
<i>Ally Financial Incorporated</i>	8.00	12-31-2018	75,000	77,813
<i>Ally Financial Incorporated</i>	8.00	3-15-2020	203,000	219,748
<i>FirstCash Incorporated 144A</i>	5.38	6-1-2024	100,000	103,125
<i>Navient Corporation</i>	8.00	3-25-2020	175,000	187,469
<i>Navient Corporation</i>	8.45	6-15-2018	125,000	126,563
<i>OneMain Financial Group LLC 144A</i>	7.25	12-15-2021	300,000	311,663
<i>Springleaf Finance Corporation</i>	6.00	6-1-2020	100,000	103,375
<i>Springleaf Finance Corporation</i>	7.75	10-1-2021	25,000	27,250
<i>Springleaf Finance Corporation</i>	8.25	10-1-2023	65,000	71,500
				1,228,506
<b>Diversified Financial Services: 0.85%</b>				
<i>Infinity Acquisition LLC 144A</i>	7.25	8-1-2022	75,000	75,188
<i>LPL Holdings Incorporated 144A</i>	5.75	9-15-2025	775,000	784,688
<i>Tempo Acquisition LLC 144A</i>	6.75	6-1-2025	75,000	75,563
<i>Vantiv LLC 144A</i>	4.38	11-15-2025	50,000	48,438
				983,877
<b>Insurance: 0.60%</b>				
<i>Hub Holdings LLC (PIK at 8.88%) 144A</i>	8.13	7-15-2019	175,000	175,219
<i>Hub International Limited 144A</i>	7.88	10-1-2021	350,000	360,938
<i>USIS Merger Subordinate Incorporated 144A</i>	6.88	5-1-2025	150,000	151,875
				688,032
<b>Health Care: 2.87%</b>				
<b>Health Care Equipment &amp; Supplies: 0.64%</b>				
<i>Hill-Rom Holdings Incorporated 144A</i>	5.00	2-15-2025	50,000	49,875
<i>Hill-Rom Holdings Incorporated 144A</i>	5.75	9-1-2023	25,000	25,938
<i>Hologic Incorporated 144A</i>	4.63	2-1-2028	25,000	24,125
<i>Hologic Incorporated 144A</i>	4.38	10-15-2025	225,000	219,656
<i>Kinetics Concepts Incorporated 144A</i>	7.88	2-15-2021	200,000	207,000

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Security name	Interest rate	Maturity date	Principal	Value
<b>Health Care Equipment &amp; Supplies (continued)</b>				
<i>Surgery Center Holdings Incorporated 144A</i>	6.75%	7-1-2025	\$ 50,000	\$ 47,000
<i>Surgery Center Holdings Incorporated 144A</i>	8.88	4-15-2021	150,000	155,625
				<u>729,219</u>
<b>Health Care Providers &amp; Services: 1.87%</b>				
<i>Acadia Healthcare Company Incorporated</i>	6.50	3-1-2024	20,000	20,650
<i>CHS Incorporated</i>	5.13	8-1-2021	200,000	184,500
<i>HCA Incorporated</i>	5.88	3-15-2022	25,000	26,500
<i>HCA Incorporated</i>	6.50	2-15-2020	325,000	342,063
<i>HealthSouth Corporation</i>	5.75	9-15-2025	75,000	76,313
<i>Mednax Incorporated 144A</i>	5.25	12-1-2023	50,000	51,188
<i>MPH Acquisition Holdings LLC 144A</i>	7.13	6-1-2024	300,000	315,750
<i>MPT Operating Partnership LP</i>	5.00	10-15-2027	100,000	97,700
<i>MPT Operating Partnership LP</i>	5.25	8-1-2026	150,000	149,063
<i>MPT Operating Partnership LP</i>	6.38	3-1-2024	10,000	10,525
<i>Polaris Intermediate Corporation 144A</i>	8.50	12-1-2022	50,000	50,906
<i>Select Medical Corporation</i>	6.38	6-1-2021	315,000	321,133
<i>Tenet Healthcare Corporation 144A</i>	4.63	7-15-2024	118,000	112,911
<i>Vizient Incorporated 144A</i>	10.38	3-1-2024	350,000	392,000
				<u>2,151,202</u>
<b>Health Care Technology: 0.28%</b>				
<i>Change Healthcare Holdings Incorporated 144A</i>	5.75	3-1-2025	250,000	250,000
<i>Quintiles IMS Holdings Incorporated 144A</i>	4.88	5-15-2023	75,000	77,063
				<u>327,063</u>
<b>Pharmaceuticals: 0.08%</b>				
<i>Endo Finance LLC 144A</i>	5.38	1-15-2023	50,000	37,125
<i>Endo Finance LLC 144A</i>	5.75	1-15-2022	65,000	53,138
				<u>90,263</u>
<b>Industrials: 1.44%</b>				
<b>Aerospace &amp; Defense: 0.02%</b>				
<i>RBS Global &amp; Rexnord LLC 144A</i>	4.88	12-15-2025	25,000	<u>24,625</u>
<b>Airlines: 0.10%</b>				
<i>Aviation Capital Group Corporation 144A</i>	6.75	4-6-2021	100,000	<u>109,917</u>
<b>Commercial Services &amp; Supplies: 1.29%</b>				
<i>Acco Brands Corporation 144A</i>	5.25	12-15-2024	25,000	25,125
<i>Advanced Disposal Services Incorporated 144A</i>	5.63	11-15-2024	275,000	280,500
<i>Aramark Services Incorporated 144A</i>	5.00	2-1-2028	25,000	24,906
<i>Aramark Services Incorporated</i>	5.13	1-15-2024	60,000	61,200
<i>Covanta Holding Corporation</i>	5.88	3-1-2024	185,000	185,463
<i>Covanta Holding Corporation</i>	5.88	7-1-2025	75,000	74,625
<i>Covanta Holding Corporation</i>	6.38	10-1-2022	195,000	199,144
<i>KAR Auction Services Incorporated 144A</i>	5.13	6-1-2025	550,000	554,125
<i>Waste Pro USA Incorporated 144A</i>	5.50	2-15-2026	50,000	50,250
<i>Wrangler Buyer Corporation 144A</i>	6.00	10-1-2025	25,000	25,313
				<u>1,480,651</u>

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Security name	Interest rate	Maturity date	Principal	Value
<b>Trading Companies &amp; Distributors: 0.03%</b>				
<i>International Lease Finance Corporation 144A</i>	7.13%	9-1-2018	\$ 35,000	\$ <u>35,745</u>
<b>Information Technology: 2.79%</b>				
<b>Communications Equipment: 0.07%</b>				
<i>CommScope Technologies Finance LLC 144A</i>	6.00	6-15-2025	75,000	<u>77,460</u>
<b>Internet Software &amp; Services: 0.47%</b>				
<i>Infor Software Parent LLC (PIK at 7.88%) 144A</i>	7.13	5-1-2021	75,000	76,313
<i>Infor US Incorporated</i>	6.50	5-15-2022	50,000	51,125
<i>Zayo Group LLC 144A</i>	5.75	1-15-2027	125,000	125,625
<i>Zayo Group LLC</i>	6.38	5-15-2025	275,000	287,719
				<u>540,782</u>
<b>IT Services: 0.89%</b>				
<i>Cardtronics Incorporated</i>	5.13	8-1-2022	125,000	121,563
<i>Cardtronics Incorporated 144A</i>	5.50	5-1-2025	200,000	188,500
<i>First Data Corporation 144A</i>	5.00	1-15-2024	125,000	125,781
<i>First Data Corporation 144A</i>	5.38	8-15-2023	25,000	25,435
<i>First Data Corporation 144A</i>	5.75	1-15-2024	95,000	96,663
<i>First Data Corporation 144A</i>	7.00	12-1-2023	225,000	236,531
<i>Gartner Incorporated 144A</i>	5.13	4-1-2025	225,000	230,625
				<u>1,025,098</u>
<b>Semiconductors &amp; Semiconductor Equipment: 0.09%</b>				
<i>Micron Technology Incorporated 144A</i>	5.25	1-15-2024	75,000	76,875
<i>Micron Technology Incorporated</i>	5.50	2-1-2025	29,000	30,088
				<u>106,963</u>
<b>Software: 0.13%</b>				
<i>CDK Global Incorporated 144A</i>	4.88	6-1-2027	20,000	19,844
<i>CDK Global Incorporated</i>	5.00	10-15-2024	50,000	50,625
<i>SS&amp;C Technologies Incorporated</i>	5.88	7-15-2023	50,000	52,563
<i>Symantec Corporation 144A</i>	5.00	4-15-2025	25,000	25,503
				<u>148,535</u>
<b>Technology Hardware, Storage &amp; Peripherals: 1.14%</b>				
<i>Dell International LLC 144A</i>	5.88	6-15-2021	250,000	255,625
<i>Dell International LLC 144A</i>	7.13	6-15-2024	475,000	512,953
<i>NCR Corporation</i>	5.88	12-15-2021	15,000	15,263
<i>NCR Corporation</i>	6.38	12-15-2023	500,000	520,000
				<u>1,303,841</u>
<b>Materials: 1.05%</b>				
<b>Chemicals: 0.04%</b>				
<i>Celanese U.S. Holdings LLC</i>	5.88	6-15-2021	20,000	21,517
<i>Valvoline Incorporated</i>	5.50	7-15-2024	25,000	25,781
				<u>47,298</u>

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Security name	Interest rate	Maturity date	Principal	Value
<b>Containers &amp; Packaging: 0.99%</b>				
<i>Ball Corporation</i>	5.25%	7-1-2025	\$ 40,000	\$ 42,000
<i>Berry Plastics Corporation</i>	5.13	7-15-2023	50,000	51,063
<i>Berry Plastics Corporation</i>	6.00	10-15-2022	65,000	67,681
<i>Crown Americas LLC 144A</i>	4.75	2-1-2026	75,000	73,875
<i>Crown Cork &amp; Seal Company Incorporated</i>	7.38	12-15-2026	155,000	175,925
<i>Owens-Brockway Glass Container Incorporated 144A</i>	5.38	1-15-2025	50,000	51,000
<i>Owens-Brockway Glass Container Incorporated 144A</i>	5.88	8-15-2023	50,000	52,125
<i>Owens-Illinois Incorporated 144A</i>	6.38	8-15-2025	375,000	403,125
<i>Sealed Air Corporation 144A</i>	5.13	12-1-2024	100,000	103,000
<i>Silgan Holdings Incorporated</i>	5.00	4-1-2020	14,000	13,965
<i>Silgan Holdings Incorporated</i>	5.50	2-1-2022	100,000	101,875
				1,135,634
<b>Metals &amp; Mining: 0.02%</b>				
<i>Novelis Corporation 144A</i>	6.25	8-15-2024	25,000	25,563
<b>Real Estate: 1.61%</b>				
<b>Equity REITs: 1.61%</b>				
<i>CoreCivic Incorporated</i>	4.63	5-1-2023	35,000	34,825
<i>CoreCivic Incorporated</i>	5.00	10-15-2022	100,000	102,250
<i>Equinix Incorporated</i>	5.75	1-1-2025	125,000	130,625
<i>Equinix Incorporated</i>	5.88	1-15-2026	100,000	104,750
<i>ESH Hospitality Incorporated 144A</i>	5.25	5-1-2025	325,000	324,188
<i>Iron Mountain Incorporated 144A</i>	5.25	3-15-2028	50,000	47,640
<i>Iron Mountain Incorporated 144A</i>	4.38	6-1-2021	125,000	126,438
<i>Iron Mountain Incorporated 144A</i>	5.38	6-1-2026	100,000	98,500
<i>Iron Mountain Incorporated</i>	6.00	8-15-2023	267,000	277,346
<i>Sabra Health Care REIT Incorporated</i>	5.38	6-1-2023	75,000	75,375
<i>Sabra Health Care REIT Incorporated</i>	5.50	2-1-2021	130,000	132,925
<i>The Geo Group Incorporated</i>	5.13	4-1-2023	50,000	49,750
<i>The Geo Group Incorporated</i>	5.88	1-15-2022	135,000	138,544
<i>The Geo Group Incorporated</i>	5.88	10-15-2024	125,000	126,250
<i>The Geo Group Incorporated</i>	6.00	4-15-2026	75,000	74,741
				1,844,147
<b>Real Estate: 0.11%</b>				
<i>MGM Growth/MGM Finance Company</i>	4.50	1-15-2028	50,000	47,375
<i>SBA Communications Corporation</i>	4.88	7-15-2022	75,000	75,938
				123,313
<b>Telecommunication Services: 1.14%</b>				
<b>Diversified Telecommunication Services: 0.56%</b>				
<i>GCI Incorporated</i>	6.75	6-1-2021	125,000	126,875
<i>Level 3 Financing Incorporated</i>	5.13	5-1-2023	75,000	75,000
<i>Level 3 Financing Incorporated</i>	5.25	3-15-2026	50,000	48,125
<i>Level 3 Financing Incorporated</i>	5.38	8-15-2022	125,000	126,250
<i>Level 3 Financing Incorporated</i>	5.38	1-15-2024	50,000	49,750
<i>Level 3 Financing Incorporated</i>	5.38	5-1-2025	75,000	74,438
<i>Level 3 Financing Incorporated</i>	5.63	2-1-2023	65,000	65,650

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Security name	Interest rate	Maturity date	Principal	Value
<b>Diversified Telecommunication Services (continued)</b>				
<i>Level 3 Financing Incorporated</i>	6.13%	1-15-2021	\$ 80,000	\$ 81,350
				647,438
<b>Wireless Telecommunication Services: 0.58%</b>				
<i>Sprint Capital Corporation</i>	6.88	11-15-2028	225,000	214,875
<i>Sprint Capital Corporation</i>	8.75	3-15-2032	25,000	27,125
<i>Sprint Communications Incorporated 144A</i>	9.00	11-15-2018	25,000	25,938
<i>T-Mobile USA Incorporated</i>	4.00	4-15-2022	50,000	50,000
<i>T-Mobile USA Incorporated</i>	5.13	4-15-2025	25,000	25,250
<i>T-Mobile USA Incorporated</i>	5.38	4-15-2027	25,000	25,563
<i>T-Mobile USA Incorporated</i>	6.00	3-1-2023	25,000	26,000
<i>T-Mobile USA Incorporated</i>	6.38	3-1-2025	145,000	152,975
<i>T-Mobile USA Incorporated</i>	6.50	1-15-2024	5,000	5,238
<i>T-Mobile USA Incorporated</i>	6.63	4-1-2023	35,000	36,239
<i>T-Mobile USA Incorporated</i>	6.84	4-28-2023	75,000	77,813
				667,016
<b>Utilities: 1.59%</b>				
<b>Electric Utilities: 0.13%</b>				
<i>NextEra Energy Incorporated 144A</i>	4.25	9-15-2024	25,000	24,656
<i>Terraform Global Operating LLC 144A</i>	6.13	3-1-2026	125,000	125,938
				150,594
<b>Gas Utilities: 0.06%</b>				
<i>AmeriGas Partners LP</i>	5.75	5-20-2027	75,000	74,250
<b>Independent Power &amp; Renewable Electricity Producers: 1.40%</b>				
<i>NSG Holdings LLC 144A</i>	7.75	12-15-2025	369,009	404,065
<i>Pattern Energy Group Incorporated 144A</i>	5.88	2-1-2024	550,000	566,500
<i>TerraForm Power Operating LLC 144A</i>	4.25	1-31-2023	375,000	367,500
<i>TerraForm Power Operating LLC 144A</i>	5.00	1-31-2028	50,000	48,390
<i>TerraForm Power Operating LLC 144A</i>	6.63	6-15-2025	200,000	216,500
				1,602,955
<b>Total Corporate Bonds and Notes (Cost \$33,619,238)</b>				<b>34,356,715</b>
<b>Loans: 1.47%</b>				
<b>Consumer Discretionary: 0.65%</b>				
<b>Auto Components: 0.14%</b>				
<i>Federal-Mogul Corporation (1 Month LIBOR +3.75%) ±</i>	5.35	4-15-2021	157,058	157,931
<b>Hotels, Restaurants &amp; Leisure: 0.51%</b>				
<i>CCM Merger Incorporated (1 Month LIBOR +2.75%) ±#</i>	4.40	8-8-2021	51,312	51,665
<i>Montreign Operating Company LLC (1 Month LIBOR +8.25%) ±#</i>	9.90	12-7-2022	525,000	532,875
				584,540
<b>Energy: 0.07%</b>				
<b>Energy Equipment &amp; Services: 0.02%</b>				
<i>Hummel Station (1 Month LIBOR +6.00%) ±</i>	7.65	10-27-2022	22,991	22,222

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

Security name	Interest rate	Maturity date	Principal	Value
<b>Oil, Gas &amp; Consumable Fuels: 0.05%</b>				
<i>Chesapeake Energy Corporation (3 Month LIBOR +7.50%) ±</i>	9.44%	8-23-2021	\$ 50,000	\$ 53,238
<b>Financials: 0.11%</b>				
<b>Diversified Financial Services: 0.11%</b>				
<i>Resolute Investment Managers Incorporated (3 Month LIBOR +7.50%) ±#</i>	9.27	4-30-2023	125,000	126,563
<b>Health Care: 0.10%</b>				
<b>Health Care Providers &amp; Services: 0.01%</b>				
<i>Press Ganey Holdings Incorporated (1 Month LIBOR +6.50%) ±#</i>	8.15	10-21-2024	16,833	17,022
<b>Health Care Technology: 0.09%</b>				
<i>Emerald Bidco Incorporated (1 Month LIBOR +3.00%) ±</i>	4.65	10-21-2023	99,748	100,372
<b>Industrials: 0.11%</b>				
<b>Commercial Services &amp; Supplies: 0.11%</b>				
<i>Advantage Sales &amp; Marketing LLC (3 Month LIBOR +6.50%) ±</i>	8.27	7-25-2022	91,664	88,181
<i>WASH Multifamily Laundry Systems LLC 1st Lien Term (1 Month LIBOR +3.25%) ±#</i>	4.90	5-14-2022	4,359	4,381
<i>WASH Multifamily Laundry Systems LLC 2015 Term Loan B (1 Month LIBOR +3.25%) ±#</i>	4.90	5-14-2022	24,891	25,015
<i>WASH Multifamily Laundry Systems LLC 2nd Lien Term (1 Month LIBOR +7.00%) ±#</i>	8.65	5-12-2023	1,490	1,476
<i>WASH Multifamily Laundry Systems LLC 2nd Lien Term (1 Month LIBOR +7.00%) ±#</i>	8.65	5-14-2023	8,510	8,424
				127,477
<b>Information Technology: 0.33%</b>				
<b>Internet Software &amp; Services: 0.33%</b>				
<i>Ancestry.com Incorporated (1 Month LIBOR +3.25%) ±</i>	4.90	10-19-2023	377,369	378,973
<b>Real Estate: 0.06%</b>				
<b>Real Estate Management &amp; Development: 0.06%</b>				
<i>Capital Automotive LP (1 Month LIBOR +6.00%) ±</i>	7.65	3-24-2025	64,449	65,469
<b>Utilities: 0.04%</b>				
<b>Independent Power &amp; Renewable Electricity Producers: 0.04%</b>				
<i>Vistra Energy Corporation (1 Month LIBOR +2.25%) ±</i>	3.85	12-14-2023	49,500	49,741
<b>Total Loans (Cost \$1,664,366)</b>				<b>1,683,548</b>
	<b>Dividend yield</b>		<b>Shares</b>	
<b>Preferred Stocks: 12.06%</b>				
<b>Utilities: 12.06%</b>				
<b>Electric Utilities: 7.81%</b>				
<i>Alabama Power Company</i>	5.00		106,966	2,734,051
<i>Georgia Power Company</i>	5.00		50,000	1,205,500
<i>NSTAR Electric Company</i>	4.78		8,830	865,340
<i>Southern Company</i>	7.00		111,000	2,659,560
<i>The Connecticut Light &amp; Power Company</i>	5.28		10,500	539,700
<i>Union Electric Company</i>	6.13		10,000	970,000
				8,974,151

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

Security name	Dividend yield		Shares	Value
<b>Multi-Utilities: 4.25%</b>				
<i>DTE Energy Company</i>	5.38%		200,000	\$ 4,876,000
<b>Total Preferred Stocks (Cost \$14,302,290)</b>				<u>13,850,151</u>
<b>Rights: 0.01%</b>				
<b>Utilities: 0.01%</b>				
<b>Independent Power &amp; Renewable Electricity Producers: 0.01%</b>				
<i>Vistra Energy Corporation †</i>		Expiration date 12-31-2046	23,978	<u>16,785</u>
<b>Total Rights (Cost \$24,970)</b>				<u>16,785</u>
<b>Yankee Corporate Bonds and Notes: 3.06%</b>				
<b>Energy: 0.94%</b>				
<b>Energy Equipment &amp; Services: 0.21%</b>				
<i>Ensco plc</i>	5.75	Maturity date 10-1-2044	\$ 355,000	<u>245,394</u>
<b>Oil, Gas &amp; Consumable Fuels: 0.73%</b>				
<i>Baytex Energy Corporation 144A</i>	5.13	6-1-2021	175,000	164,500
<i>Baytex Energy Corporation 144A</i>	5.63	6-1-2024	125,000	112,188
<i>Griffin Coal Mining Company Limited 144A(a)†</i>	9.50	12-1-2016	61,991	0
<i>Teekay Corporation</i>	8.50	1-15-2020	535,000	557,738
				<u>834,426</u>
<b>Financials: 0.11%</b>				
<b>Banks: 0.11%</b>				
<i>Nielsen Holding and Finance BV 144A</i>	5.00	2-1-2025	100,000	99,844
<i>Nielsen Holding and Finance BV 144A</i>	5.50	10-1-2021	30,000	30,675
				<u>130,519</u>
<b>Health Care: 0.70%</b>				
<b>Pharmaceuticals: 0.70%</b>				
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	5.50	3-1-2023	200,000	177,250
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	5.50	11-1-2025	50,000	49,469
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	5.88	5-15-2023	180,000	159,975
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	6.13	4-15-2025	200,000	175,375
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	6.50	3-15-2022	25,000	26,000
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	6.75	8-15-2021	25,000	24,375
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	7.00	3-15-2024	50,000	52,688
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	7.50	7-15-2021	94,000	94,470
<i>Valeant Pharmaceuticals International Incorporated 144A</i>	9.00	12-15-2025	50,000	50,094
				<u>809,696</u>
<b>Industrials: 0.53%</b>				
<b>Commercial Services &amp; Supplies: 0.37%</b>				
<i>Ritchie Brothers Auctioneers Incorporated 144A</i>	5.38	1-15-2025	425,000	<u>429,803</u>

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

Security name	Interest rate	Maturity date	Principal	Value
<b>Machinery: 0.09%</b>				
<i>Sensata Technologies BV 144A</i>	5.00%	10-1-2025	\$ 20,000	\$ 20,150
<i>Sensata Technologies BV 144A</i>	6.25	2-15-2026	74,000	78,440
				<u>98,590</u>
<b>Professional Services: 0.07%</b>				
<i>IHS Markit Limited 144A</i>	4.75	2-15-2025	75,000	<u>76,688</u>
<b>Materials: 0.27%</b>				
<b>Containers &amp; Packaging: 0.25%</b>				
<i>Ardagh Packaging Finance plc 144A</i>	4.63	5-15-2023	100,000	99,875
<i>Ardagh Packaging Finance plc 144A</i>	6.00	2-15-2025	25,000	25,625
<i>Ardagh Packaging Finance plc 144A</i>	7.25	5-15-2024	100,000	107,125
<i>OI European Group BV 144A</i>	4.00	3-15-2023	50,000	48,375
				<u>281,000</u>
<b>Metals &amp; Mining: 0.02%</b>				
<i>ArcelorMittal SA</i>	6.50	2-25-2022	25,000	<u>27,188</u>
<b>Telecommunication Services: 0.51%</b>				
<b>Diversified Telecommunication Services: 0.12%</b>				
<i>Intelsat Luxembourg SA</i>	7.75	6-1-2021	185,000	105,450
<i>Virgin Media Finance plc 144A</i>	6.38	4-15-2023	25,000	25,625
				<u>131,075</u>
<b>Wireless Telecommunication Services: 0.39%</b>				
<i>Intelsat Jackson Holdings SA</i>	5.50	8-1-2023	545,000	<u>450,988</u>
<b>Total Yankee Corporate Bonds and Notes (Cost \$3,683,729)</b>				<u>3,515,367</u>
		<b>Yield</b>	<b>Shares</b>	
<b>Short-Term Investments: 7.01%</b>				
<b>Investment Companies: 7.01%</b>				
<i>Wells Fargo Government Money Market Fund Select Class (l)(u)##</i>	1.29		8,058,488	<u>8,058,488</u>
<b>Total Short-Term Investments (Cost \$8,058,488)</b>				<u>8,058,488</u>
<b>Total investments in securities (Cost \$117,499,628)</b>		115.35%		132,528,855
<i>Other assets and liabilities, net</i>		<u>(15.35)</u>		<u>(17,640,853)</u>
<b>Total net assets</b>		<u>100.00%</u>		<u>\$114,888,002</u>

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.

%% The security is issued on a when-issued basis.

¥ A payment-in-kind (PIK) security is a security in which the issuer may make interest or dividend payments in cash or additional securities. These additional securities generally have the same terms as the original holdings.

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

‡ Security is valued using significant unobservable inputs.

† Non-income-earning security

(a) The security is fair valued in accordance with procedures approved by the Board of Trustees.

(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.

#### Investments in Affiliates

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

	Shares, beginning of period	Shares purchased	Shares sold	Shares, end of period	Net realized gains (losses)	Net change in unrealized gains (losses)	Income from affiliated securities	Value, end of period	% of net assets
<b>Short-Term Investments</b>									
<b>Investment Companies</b>									
Wells Fargo Government Money									
Market Fund Select Class	31,330,542	29,502,395	52,774,449	8,058,488	\$0	\$0	\$39,121	\$8,058,488	7.01%

<b>Assets</b>	
Investments in unaffiliated securities, at value (cost \$109,441,140) .....	\$ 124,470,367
Investments in affiliated securities, at value (cost \$8,058,488) .....	8,058,488
Foreign currency, at value (cost \$3,591,310) .....	3,731,693
Receivable for investments sold .....	871,624
Receivable for dividends and interest .....	1,171,642
Prepaid expenses and other assets .....	<u>101,864</u>
<b>Total assets</b> .....	<u>138,405,678</u>
<b>Liabilities</b>	
Secured borrowing payable .....	22,000,000
Dividends payable .....	693,879
Payable for investments purchased .....	672,558
Advisory fee payable .....	63,313
Trustees' fees and expenses payable .....	1,280
Administration fees payable .....	5,276
Accrued expenses and other liabilities .....	<u>81,370</u>
<b>Total liabilities</b> .....	<u>23,517,676</u>
<b>Total net assets</b> .....	<u>\$114,888,002</u>
<b>NET ASSETS CONSIST OF</b>	
Paid-in capital .....	\$ 134,113,626
Overdistributed net investment income .....	(1,806,586)
Accumulated net realized losses on investments .....	(32,593,098)
Net unrealized gains on investments .....	<u>15,174,060</u>
<b>Total net assets</b> .....	<u>\$114,888,002</u>
<b>NET ASSET VALUE PER SHARE</b>	
Based on \$114,888,002 divided by 9,251,699 shares issued and outstanding (unlimited number of shares authorized) .....	<u>\$12.42</u>



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<b>Investment income</b>	
Dividends (net of foreign withholding taxes of \$38,807) .....	\$ 1,980,787
Interest .....	1,247,904
Income from affiliated securities .....	<u>39,121</u>
Total investment income .....	<u>3,267,812</u>
<b>Expenses</b>	
Advisory fee .....	428,383
Administration fee .....	35,699
Custody and accounting fees .....	12,770
Professional fees .....	61,500
Shareholder report expenses .....	715
Trustees' fees and expenses .....	23,456
Transfer agent fees .....	2,699
Interest expense .....	230,566
Other fees and expenses .....	<u>2,194</u>
Total expenses .....	<u>797,982</u>
Net investment income .....	<u>2,469,830</u>
<b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>	
Net realized losses on investments .....	(1,830,356)
Net change in unrealized gains (losses) on investments .....	<u>(6,297,896)</u>
Net realized and unrealized gains (losses) on investments .....	<u>(8,128,252)</u>
<b>Net decrease in net assets resulting from operations</b> .....	<u><b>\$(5,658,422)</b></u>

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	Six months ended February 28, 2018 (unaudited)	Year ended August 31, 2017
<b>Operations</b>		
Net investment income .....	\$ 2,469,830	\$ 8,121,542
Net realized gains (losses) on investments .....	(1,830,356)	3,910,826
Net change in unrealized gains (losses) on investments .....	(6,297,896)	3,064,651
Net increase (decrease) in net assets resulting from operations .....	(5,658,422)	15,097,019
<b>Distributions to shareholders from</b>		
Net investment income .....	(4,162,886)	(8,320,654)
<b>Capital share transactions</b>		
Net asset value of common shares issued under the Automatic Dividend Reinvestment Plan .....	16,538	116,165
Total increase (decrease) in net assets .....	(9,804,770)	6,892,530
<b>Net assets</b>		
Beginning of period .....	124,692,772	117,800,242
End of period .....	\$114,888,002	\$124,692,772
Undistributed (overdistributed) net investment income .....	\$ (1,806,586)	\$ 69,019

<b>Cash flows from operating activities:</b>	
Net decrease in net assets resulting from operations .....	\$ (5,658,422)
<b>Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities:</b>	
Purchase of long-term securities .....	(40,198,419)
Proceeds from the sales of long-term securities .....	35,416,424
Amortization .....	(39,632)
Proceeds from sales of short-term securities, net .....	23,272,054
Decrease in receivable for investments sold .....	16,562,596
Decrease in receivable for interest .....	4,304
Increase in prepaid expenses and other assets .....	(28,879)
Decrease in payable for investments purchased .....	(15,372,159)
Decrease in amount due to custodian bank .....	(14,245,326)
Decrease in advisory fee payable .....	(11,123)
Decrease in administration fee payable .....	(927)
Decrease in Trustees' fees and expenses payable .....	(34,831)
Increase in accrued expenses and other liabilities .....	84,033
Net realized losses on investments .....	1,830,356
Net change in unrealized gains (losses) on investments .....	<u>6,297,896</u>
Net cash provided by operating activities .....	<u>7,877,945</u>
<b>Cash flows from financing activities:</b>	
Cash distributions paid .....	<u>(4,146,252)</u>
Net cash used in financing activities .....	<u>(4,146,252)</u>
Net increase in cash .....	<u>3,731,693</u>
<b>Cash (including foreign currency):</b>	
Beginning of period .....	<u>\$ 0</u>
End of period .....	<u>\$ 3,731,693</u>
<b>Supplemental cash disclosure</b>	
Cash paid for interest .....	<u>\$ 228,644</u>
<b>Supplemental non-cash financing disclosure</b>	
Reinvestment of dividends .....	<u>\$ 16,538</u>

(For a share outstanding throughout each period)

	Six months ended February 28, 2018 (unaudited)	Year ended August 31				
		2017	2016	2015	2014	2013
Net asset value, beginning of period	\$13.48	\$12.75	\$12.44	\$13.83	\$12.24	\$11.74
Net investment income	0.25	0.88	0.86	0.91	0.97 <sup>1</sup>	0.87 <sup>1</sup>
Net realized and unrealized gains (losses) on investments	(0.86)	0.75	0.35	(1.40)	1.52	0.53
Total from investment operations	(0.61)	1.63	1.21	(0.49)	2.49	1.40
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	\$12.42	\$13.48	\$12.75	\$12.44	\$13.83	\$12.24
Market value, end of period	\$12.19	\$13.34	\$12.93	\$10.89	\$12.87	\$12.04
Total return based on market value <sup>2</sup>	(5.37)%	10.80%	27.83%	(9.11)%	14.89%	8.93%
Ratios to average net assets (annualized)						
Net expenses <sup>3</sup>	1.32%	1.24%	1.19%	1.19%	1.11%	1.25%
Net investment income	4.08%	6.91%	6.83%	6.88%	7.38%	7.11%
Supplemental data						
Portfolio turnover rate	26%	73%	85%	61%	29%	65%
Net assets, end of period (000s omitted)	\$114,888	\$124,693	\$117,800	\$114,848	\$127,678	\$113,001
Borrowings outstanding, end of period (000s omitted)	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Asset coverage per \$1,000 of borrowing, end of period	\$5,158	\$6,668	\$6,355	\$6,220	\$6,804	\$6,136

<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 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.

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

Six months ended February 28, 2018 (unaudited)	0.38%
Year ended August 31, 2017	0.29%
Year ended August 31, 2016	0.21%
Year ended August 31, 2015	0.16%
Year ended August 31, 2014	0.19%
Year ended August 31, 2013	0.21%

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

## 1. ORGANIZATION

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

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 Wells Fargo Asset Management Pricing Committee at 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, 2018, such fair value pricing was used in pricing certain 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 Wells Fargo Asset Management Pricing Committee. 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 Wells Fargo Asset Management Pricing Committee 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 Wells Fargo Asset Management Pricing Committee. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions. Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting from changes in exchange rates. The changes in net assets arising from changes in exchange rates of securities and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are included in net realized and unrealized gains or losses from investments.

### When-issued transactions

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

### Loans

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

### Options

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

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

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

### Security transactions and income recognition

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

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

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

### Distributions to shareholders

Distributions to shareholders are recorded on the ex-dividend date and paid from net investment income monthly and any net realized gains are paid at least annually. 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 to the Fund's fiscal year end may be categorized as a tax return of capital at year end.

### Federal and other taxes

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

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

As of February 28, 2018, the aggregate cost of all investments for federal income tax purposes was \$96,185,311 and the unrealized gains (losses) consisted of:

Gross unrealized gains	\$40,579,758
Gross unrealized losses	(4,236,214)
Net realized gains	\$36,343,544

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

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

### 3. FAIR VALUATION MEASUREMENTS

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

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

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

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of February 28, 2018:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<b>Assets</b>				
<b>Investments in:</b>				
<b>Common stocks</b>				
<i>Consumer discretionary</i>	\$ 0	\$ 5,450,400	\$ 0	\$ 5,450,400
<i>Telecommunication services</i>	4,923,232	0	0	4,923,232
<i>Utilities</i>	53,721,621	6,952,548	0	60,674,169
<b>Corporate bonds and notes</b>	0	34,356,715	0	34,356,715
<b>Loans</b>	0	916,127	767,421	1,683,548
<b>Preferred stocks</b>				
<i>Utilities</i>	11,475,111	2,375,040	0	13,850,151
<b>Rights</b>				
<i>Utilities</i>	0	16,785	0	16,785
<b>Yankee corporate bonds and notes</b>	0	3,515,367	0	3,515,367
<b>Short-term investments</b>				
<i>Investment companies</i>	8,058,488	0	0	8,058,488
<b>Total assets</b>	<b>\$78,178,452</b>	<b>\$53,582,982</b>	<b>\$767,421</b>	<b>\$132,528,855</b>

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At February 28, 2018, fair value pricing was used in pricing certain foreign securities and common stocks valued at \$6,952,548 were transferred from Level 1 to Level 2 within the fair value hierarchy. The Fund had no material transfers between Level 2 and Level 3.

#### 4. TRANSACTIONS WITH AFFILIATES AND OTHER EXPENSES

##### Advisory fee

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

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

##### Administration fee

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

##### Interfund transactions

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. Pursuant to these procedures, the Fund had \$1,330,037 in interfund purchases during the six months ended February 28, 2018.



## 5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of shares with no par value. For the six months ended February 28, 2018 and the year ended August 31, 2017, the Fund issued 1,266 and 9,051 shares, respectively. During the six months ended February 28, 2018, the Fund did not repurchase any of its shares under the open-market share repurchase program.

## 6. BORROWINGS

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

At February 28, 2018, the Fund had borrowings outstanding in the amount of \$22,035,370 (including accrued interest payable). During the six months ended February 28, 2018, an effective interest rate of 2.11% was incurred on the borrowings and the Fund incurred interest expense in the amount of \$230,566, representing 0.38% 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, 2018 were \$39,366,382 and \$33,767,005, respectively.

## 8. 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.

## 9. 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.

## 10. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to common shareholders:

Declaration date	Record date	Payable date	Per share amount
February 28, 2018	March 14, 2018	April 2, 2018	\$0.075
March 29, 2018	April 16, 2018	May 1, 2018	0.075
April 27, 2018	May 15, 2018	June 1, 2018	0.075

These distributions are not reflected in the accompanying financial statements.

## 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).

## SPECIAL MEETING OF SHAREHOLDERS

On December 4, 2017, a Special 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"	Isaiah Harris, Jr.	\$106,118,106
Net assets voted "Against"		\$ 4,114,098
Net assets voted "For"	David F. Larcker	\$105,598,718
Net assets voted "Against"		\$ 4,633,486
Net assets voted "For"	Olivia S. Mitchell	\$105,322,848
Net assets voted "Against"		\$ 4,909,356

## 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 153 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, Governance Committee Chairman, since 2018	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 Chair of the Audit Committee. Mr. Ebsworth is a CFA® charterholder.	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
Jane A. Freeman** (Born 1953)	Trustee, since 2015; Chair Liaison, since 2018	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 the Glimmerglass Festival. She is also an inactive Chartered Financial Analyst.	Asset Allocation Trust
Judith M. Johnson (Born 1949)	Trustee, since 2010; Audit Committee Chairman, since 2010	Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.	Asset Allocation Trust
<b>Class III - Non-Interested Trustees to serve until 2019 Annual Meeting of Shareholders</b>			
Timothy J. Penny*** (Born 1951)	Trustee, since 2010; Chairman, since 2018; Vice Chairman, from 2017 to 2018	President and Chief Executive Officer of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	Asset Allocation Trust
James G. Polisson**** (Born 1959)	Trustee, since 2018; Advisory Board Member, from 2017 to 2018	Retired. Chief Marketing Officer, Source (ETF) UK Services, Ltd, from 2015 to 2017. From 2012 to 2015, Principal of The Polisson Group, LLC, a management consulting, corporate advisory and principal investing company. Chief Executive Officer and Managing Director at Russell Investments, Global Exchange Traded Funds from 2010 to 2012. Managing Director of Barclays Global Investors from 1998 to 2010 and Global Chief Marketing Officer for iShares and Barclays Global Investors from 2000 to 2010. Trustee of the San Francisco Mechanics' Institute, a non-profit organization, from 2013 to 2015. Board member of the Russell Exchange Traded Fund Trust from 2011 to 2012. Director of Barclays Global Investors Holdings Deutschland GmbH from 2006 to 2009. Mr. Polisson is an attorney and has a retired status with the Massachusetts and District of Columbia Bar Associations.	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. Trustee of the Evergreen Fund 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

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
Pamela Wheelock**** (Born 1959)	Trustee, since 2018; Advisory Board Member, from 2017 to 2018	Chief Operating Officer, Twin Cities Habitat for Humanity, since January, 2017. Vice President of University Services, University of Minnesota from 2012 to 2017. Prior thereto, Interim President and Chief Executive Officer of Blue Cross Blue Shield of Minnesota from 2010 to 2011, Chairman of the Board from 2009 to 2011 and Board Director from 2003 to 2015. Vice President, Leadership and Community Engagement, Bush Foundation, Saint Paul, Minnesota (a private foundation) from 2009 to 2011. Executive Vice President and Chief Financial Officer, Minnesota Sports and Entertainment from 2004 to 2009 and Senior Vice President from 2002 to 2004. Commissioner of Finance, State of Minnesota, from 1999 to 2002. Currently on the Board of Directors, Governance Committee and Finance Committee, for the Minnesota Philanthropy Partners (Saint Paul Foundation) since 2012 and Board Chair of the Minnesota Wild Foundation since 2010.	Asset Allocation Trust

\* Olivia Mitchell became Chairman of the Governance Committee effective January 1, 2018.

\*\* Jane Freeman became Chair Liaison effective January 1, 2018.

\*\*\* Timothy Penny became Chairman effective January 1, 2018.

\*\*\*\* James Polisson and Pamela Wheelock each became a Trustee effective January 1, 2018.

## Officers

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer
Andrew Owen (Born 1960)	President, since 2017	Executive Vice President of Wells Fargo & Company and Head of Affiliated Managers, Wells Fargo Asset Management, since 2014. In addition, Mr. Owen is currently President, Chief Executive Officer and Director of Wells Fargo Funds Management, LLC since 2017. Prior thereto, Executive Vice President responsible for marketing, investments and product development for Wells Fargo Funds Management, LLC, from 2009 to 2014.
Nancy Wiser <sup>1</sup> (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.
Alexander Kymn* (Born 1973)	Secretary, since 2018; Chief Legal Officer, since 2018	Senior Company Counsel of Wells Fargo Bank, N.A. since 2018 (previously Senior Counsel from 2007 to 2018). Vice President of Wells Fargo Funds Management, LLC from 2008 to 2014.
C. David Messman** (Born 1960)	Secretary, since 2010; Chief Legal Officer, since 2010	Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013.
Michael H. Whitaker (Born 1967)	Chief Compliance Officer, since 2016	Senior Vice President and Chief Compliance Officer since 2016. Senior Vice President and Chief Compliance Officer for Fidelity Investments from 2007 to 2016.
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.
Jeremy DePalma <sup>1</sup> (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.

<sup>1</sup> Nancy Wiser acts as Treasurer of 77 funds in the Fund Complex. Jeremy DePalma acts as Treasurer of 76 funds and Assistant Treasurer of 77 funds in the Fund Complex.

\* Alexander Kymn became the Secretary and Chief Legal Officer effective April 17, 2018.

\*\* David Messman was the Secretary and Chief Legal Officer until April 16, 2018.

## 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	LLLP	— Limited liability limited partnership
AGC	— Assured Guaranty Corporation	LLP	— Limited liability partnership
AGM	— Assured Guaranty Municipal	LOC	— Letter of credit
Ambac	— Ambac Financial Group Incorporated	LP	— Limited partnership
AMT	— Alternative minimum tax	MBIA	— Municipal Bond Insurance Association
AUD	— Australian dollar	MFHR	— Multifamily housing revenue
BAN	— Bond anticipation notes	MSTR	— Municipal securities trust receipts
BHAC	— Berkshire Hathaway Assurance Corporation	MTN	— Medium-term note
BRL	— Brazilian real	MUD	— Municipal Utility District
CAB	— Capital appreciation bond	MXN	— Mexican peso
CAD	— Canadian dollar	MYR	— Malaysian ringgit
CCAB	— Convertible capital appreciation bond	National	— National Public Finance Guarantee Corporation
CDA	— Community Development Authority	NGN	— Nigerian naira
CDO	— Collateralized debt obligation	NOK	— Norwegian krone
CHF	— Swiss franc	NZD	— New Zealand dollar
CLO	— Collateralized loan obligation	PCFA	— Pollution Control Financing Authority
CLP	— Chilean peso	PCL	— Public Company Limited
COP	— Colombian peso	PCR	— Pollution control revenue
DKK	— Danish krone	PFA	— Public Finance Authority
DRIVER	— Derivative inverse tax-exempt receipts	PFFA	— Public Facilities Financing Authority
DW&P	— Department of Water & Power	PFOTER	— Puttable floating option tax-exempt receipts
DWR	— Department of Water Resources	PJSC	— Public Joint Stock Company
ECFA	— Educational & Cultural Facilities Authority	plc	— Public limited company
EDA	— Economic Development Authority	PLN	— Polish zloty
EDFA	— Economic Development Finance Authority	PUTTER	— Puttable tax-exempt receipts
ETF	— Exchange-traded fund	R&D	— Research & development
EUR	— Euro	Radian	— Radian Asset Assurance
FDIC	— Federal Deposit Insurance Corporation	RAN	— Revenue anticipation notes
FFCB	— Federal Farm Credit Banks	RDA	— Redevelopment Agency
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	SIFMA	— Securities Industry and Financial Markets Association
HEFAR	— Higher education facilities authority revenue	SPA	— Standby purchase agreement
HFA	— Housing Finance Authority	SPDR	— Standard & Poor's Depositary Receipts
HFFA	— Health Facilities Financing Authority	SPEAR	— Short Puttable Exempt Adjustable Receipts
HKD	— Hong Kong dollar	STRIPS	— Separate trading of registered interest and principal securities
HUD	— Department of Housing and Urban Development	TAN	— Tax anticipation notes
HUF	— Hungarian forint	TBA	— To be announced
IDA	— Industrial Development Authority	THB	— Thai baht
IDAG	— Industrial Development Agency	TIPS	— Treasury inflation-protected securities
IDR	— Indonesian rupiah	TRAN	— Tax revenue anticipation notes
IEP	— Irish pound	TRY	— Turkish lira
INR	— Indian rupee	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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