

WELLS FARGO ADVANTAGE UTILITIES & HIGH INCOME FUND

Form N-CSR

November 01, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811- 21507

Wells Fargo Advantage Utilities and High Income Fund

(Exact name of registrant as specified in charter)

525 Market St., San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

C. David Messman

Wells Fargo Funds Management, LLC

525 Market St., San Francisco, CA 94105

(Name and address of agent for service)

Registrant's telephone number, including area code: 800-222-8222

Date of fiscal year end: August 31

Date of reporting period: August 31, 2013

ITEM 1. REPORT TO STOCKHOLDERS

Wells Fargo Advantage

Utilities and High Income Fund

Annual Report

August 31, 2013

This closed-end fund is no longer offered as an initial public offering and is only offered through broker/dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request.

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The views expressed and any forward-looking statements are as of August 31, 2013, 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 Advantage 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, disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

Karla M. Rabusch

President

Wells Fargo Advantage Funds

Major central banks, including the Fed and the European Central Bank (ECB) continued to inject liquidity into the banks and the market through various quantitative easing policies.

Dear Valued Shareholder:

We are pleased to offer you this annual report for the *Wells Fargo Advantage Utilities and High Income Fund* for the 12-month period that ended August 31, 2013. Much of the period was marked by monetary easing by global central banks. Toward the end of the period, however, investor concerns that the U.S. Federal Reserve (Fed) would end its bond-buying program led to higher interest rates, resulting in losses for bond indexes and volatility for stock indexes. However, increased confidence that the U.S. economy was staging a fragile recovery, combined with resilience in European economies, resulted in double-digit returns for major U.S. stock market indexes for the 12-month reporting period. The resilient economy also helped support high-yield bonds, which benefited from low default rates.

Central banks continued to provide stimulus.

Major central banks, including the Fed and the European Central Bank (ECB) continued to inject liquidity into the banks and the market through various quantitative easing policies. In the United States, throughout the reporting period, the Federal Open Market Committee (FOMC) kept its key interest rates effectively at zero in order to support the economy and the financial system. After its September 2012 meeting, the FOMC announced its intention to keep interest rates low until at least mid-2015 and to make open-ended purchases of \$40 billion per month in mortgage-backed securities to support the housing market. In December 2012, the Fed increased its quantitative easing program by adding purchases of \$45 billion per month in long-term U.S. Treasuries. The FOMC continued its policy of monetary easing into 2013. However, indications in May 2013 that the FOMC might reduce (or taper) its bond-buying program caused a rise in interest rates and a subsequent sell-off in both stocks and bonds. Even though comments by Fed Chairman Ben Bernanke and other members of the FOMC helped lend clarity to the central bank's plans, the markets remained unsettled through the end of the reporting period.

European markets benefited from the ECB's September 2012 announcement that it would purchase an unlimited amount of one- to three-year sovereign debt from countries that had formally applied for a bailout throughout the period. As a result, when the tiny eurozone nation of Cyprus was forced to implement capital controls and impose losses on uninsured bank depositors in March 2013, global stock markets remained resilient despite short-term volatility. Moreover, in May 2013, the ECB cut its key rate to a historic low of 0.5%. The ECB's aggressive actions helped ease investor worries about a eurozone sovereign debt default.

U.S. and developed foreign market stocks gained on relatively good news.

For most of the period, U.S. economic data remained moderately positive. Reported gross domestic product (GDP) growth came in at a solid 2.8% annualized rate in the third quarter of 2012 but fell back to a 0.1% annualized rate in the fourth quarter. Many analysts attributed the fourth-quarter weakness to the temporary aftereffects from Hurricane Sandy, which devastated the Eastern Seaboard in October 2012, a view that was given credence by the rebound in GDP growth to a 1.1% annualized rate in the first quarter of 2013 and a 2.5% annualized rate in the second quarter 2013. Even the stubbornly high unemployment rate showed signs of improvement, declining from 7.8% in September 2012 to 7.3% in August 2013. The main drawback was the federal budget sequestration that took effect on March 1, 2013, and had the potential to dampen economic growth.

Letter to shareholders (unaudited)

Wells Fargo Advantage Utilities and High Income Fund 3

The relatively positive outlook for the U.S. economy contributed to a strong domestic stock market for much of the reporting period. Dividend-paying stocks, including utilities, initially outperformed as investors continued to seek out yield in a historically low-yielding environment. After the Fed began to signal the end of its bond-buying program in May 2013, however, utilities and other dividend-paying stocks sold off as investors anticipated a rise in interest rates. The utilities sector ended the 12-month period with moderate gains that were less than the return of the S&P 500 Index¹. In the fixed-income market, the rising interest rates that followed the Fed's taper talk resulted in negative returns for investment-grade bonds for the 12-month period. However, high-yield bond indexes posted single-digit gains, continuing to benefit from their more generous yields and a relatively low default rate.

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

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

Thank you for choosing to invest with *Wells Fargo Advantage Funds*. We appreciate your confidence in us and remain committed to helping you meet your financial needs. For current information about your fund investments, contact your investment professional, visit our website at wellsfargoadvantagefunds.com, or call us directly at **1-800-222-8222**. We are available 24 hours a day, 7 days a week.

Sincerely,

Karla M. Rabusch

President

Wells Fargo Advantage Funds

The relatively positive outlook for the U.S. economy contributed to a strong domestic stock market for much of the reporting period.

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

4 Wells Fargo Advantage Utilities and High Income Fund

Performance highlights (unaudited)

Investment objective

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

Adviser

Wells Fargo Funds Management, LLC

Subadvisers

Crow Point Partners, LLC

Wells Capital Management Incorporated

Portfolio managers

Niklas Nordenfelt, CFA

Timothy P. O'Brien, CFA

Phillip Susser

Average annual total return¹ (%) as of August 31, 2013

| | 1 year | 5 year | Since inception 4-28-2004 |
|--|--------|--------|------------------------------|
| Based on market value | 8.93 | (1.49) | 7.09 |
| Based on net asset value (NAV) per share | 12.44 | 2.60 | 7.83 |

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 gross and net expense ratios for the year ended August 31, 2013, were 1.25% and 1.25%, respectively, which includes 0.21% of interest expense.

Comparison of NAV vs. market value since inception²

The Fund is leveraged through a secured debt borrowing facility and also may incur leverage by issuing preferred shares in the future. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market price of common shares. High-yield securities have a greater risk of default and tend to be more volatile than higher rated debt securities. 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 over more diversified funds due to adverse developments within that industry or sector. Non-diversified funds may face increased risk of price fluctuation over more diversified funds due to adverse developments within certain sectors. Derivatives involve risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments that they are designed to hedge or closely track. Illiquid securities may be subject to wide fluctuations in market value and may be difficult to sell.

1. Total returns based on market value are calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Total returns based on NAV are calculated based on the NAV at the beginning of the period and end of 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. Total returns do not reflect brokerage commissions. If brokerage commissions were included, the returns would be lower.
2. This chart does not reflect any brokerage commissions. Dividends and distributions have the effect of reducing the Fund's NAV.

Performance highlights (unaudited)

Wells Fargo Advantage Utilities and High Income
Fund**MANAGER'S DISCUSSION**

The Fund's return was 8.93% during the 12 months ended August 31, 2013, based on market value. During the same period, the Fund's return based on NAV was 12.44%.

Overview

The Fund was positioned defensively throughout the 12-month period, though somewhat less defensively in the second half compared with the first half. While the interest rate outlook was favorable for most of the year, as soon as the U.S. Federal Reserve began to talk of reducing (or tapering) its pace of bond purchases, interest rates rose and both bonds and bond surrogates, such as utilities and telecommunication services stocks, sold off. In the domestic utility space, the Fund was more focused on fully regulated integrated and network utilities and relatively less exposed to utility companies with direct or indirect commodity risk. The Fund continued to maintain exposure to European utility and telecommunication services issuers in anticipation of a nascent recovery in Europe.

The equity allocation of the Fund continued to be managed with a focus on income generation. The Fund's equity investment process includes a dividend capture strategy, which is used in an attempt to achieve the Fund's primary investment objective of high current income. In employing dividend capture, a fund purchases a stock before an ex-dividend date, becomes entitled to the dividend, and then typically sells the stock on or after the stock's ex-dividend date. This may result in a lack of capital appreciation over time, which may also lead to erosion in the value of the fund. Dividend capture may also increase the portfolio turnover rate and related transaction costs of the fund.

High-yield bonds continued to benefit from rising stock prices (as high-yield bonds often trade in sympathy with stocks), relatively low volatility, and strong investor interest due to a dearth of attractive income opportunities. More recently, the market gave back some of its gains due to the effect of rising U.S. Treasury yields on fixed-income assets. Even though many companies that issue high-yield debt were successful at cutting costs and raising cash flow over the past year, the increased use of debt to fund acquisitions and pay dividends resulted in higher average leverage ratios. On the whole, credit fundamentals deteriorated. However, on the positive side, historically low interest rates and a wave of refinancings have kept companies' interest costs low and have extended near-term maturities.

Ten largest holdings³ (%) as of August 31, 2013

| | |
|--|------|
| SCANA Corporation | 3.86 |
| Deutsche Post AG | 3.84 |
| American Electric Power Company Incorporated | 3.79 |
| Suez Environnement Company SA | 3.63 |
| NextEra Energy Incorporated | 3.56 |
| ITC Holdings Corporation | 3.54 |
| Great Plains Energy Incorporated | 3.39 |
| Southern California Edison | 3.27 |
| Northeast Utilities | 3.26 |
| The Williams Companies Incorporated | 3.21 |

Credit quality⁴ as of August 31, 2013

Contributors to performance

In the equity portfolio, on balance, the Fund's European issuers contributed to performance, with Deutsche Post AG, Vodafone Group plc, and Hera SpA as particular standouts. In the domestic utility space, ITC Holdings Corporation; Spectra Energy Corporation; and NextEra Energy Incorporated were significant contributors. The Fund also participated in the strong appreciation of the high-yield bond market with a position in Springleaf Finance Corporation, the largest contributor to performance.

Detractors from performance

In the equity portfolio, detractors on the foreign side included Telefonica Brasil SA, which was exacerbated by a modest decline in the currency exchange rate. Domestic laggards included American Electric Power Company Incorporated; Great Plains Energy Incorporated; Williams Companies Incorporated; Edison International; and The Southern Company.

Specific holdings in the high-yield component lagged the broader high-yield market as a result of the Fund's lower risk profile. Holding relatively shorter average-life bonds and cash detracted in a market that rewarded higher-risk issues.

**6 Wells Fargo Advantage Utilities and High Income Fund
Country allocation⁵ as of August 31, 2013**

Performance highlights (unaudited)

Management outlook

We are now seeing what appears to be a modest economic recovery in the U.S. While stronger economic growth should be positive for utilities suffering from weak sales, stronger economic growth could also eventually result in rising interest rates as monetary stimulus is withdrawn, and such a scenario would be a headwind for utility stocks. Longer term, fundamentals for regulated network operators remain robust, while the outlook for utilities with significant commodity price exposure remains challenging.

There are two main scenarios we see for high yield going forward. In our view, the more likely scenario is that the economy would continue to improve while U.S. Treasury yields continue to rise. In that case, high-yield bonds would most likely outperform other fixed-income asset classes. In the other scenario, which we believe is less likely, some external event leads to a sharp increase in credit spreads. We see several potential long-term imbalances that could reignite systemic risks and lead to a sell-off in high yield and various other asset classes, including the high government debt and deficit levels in most of the developed world, a potential real estate and municipal debt bubble in China, and persistent trade and current account deficits or surpluses among various countries around the globe. Ultimately, though, we believe that high yield's relative performance will be driven by corporate fundamentals and default rates.

3. The ten largest holdings are calculated based on the value of the securities divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

4. Credit quality is subject to change and is calculated based on the total market value of bonds held by the Fund. The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit Quality Ratings. Credit quality ratings apply to the underlying holdings of the Fund and not the Fund itself. Standard & Poor's rates the creditworthiness of bonds on a scale of 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 on a scale of 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 on a scale of AAA (highest) to D (lowest). 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 agencies that rating was utilized. We generally define higher quality bonds as bonds that have a rating of BBB/Baa and above and lower quality bonds as bonds with a rating below BBB/Baa.

5. Country allocation is subject to change and is calculated based on the total long-term investments of the Fund.

Summary portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 7

The Summary Portfolio of Investments shows the 50 largest portfolio holdings in unaffiliated issuers and any holdings exceeding 1% of the total net assets as of the report date. The remaining securities held are grouped as Other securities in each category. You can request a complete schedule of portfolio holdings as of the report date, free of charge, by accessing the following website:

<http://a584.g.akamai.net/f/584/1326/1d/www.wellsfargoadvantagefunds.com/pdf/ann/holdings/utilitiesandhighincome.pdf> or by calling *Wells Fargo Advantage Funds* at **1-800-222-8222**. This complete schedule, filed on the Form N-CSR, is also available on the SEC's website at sec.gov.

| Security name | Shares | Value | Percent of net assets |
|---|---------|--------------|-----------------------------|
| Common Stocks: 61.01% | | | |
| Consumer Discretionary: 1.99% | | | |
| Media: 1.99% | | | |
| <i>DISH Network Corporation</i> | 50,000 | \$ 2,248,000 | 1.99% |
| Energy: 6.90% | | | |
| Oil, Gas & Consumable Fuels: 6.90% | | | |
| <i>EQT Corporation</i> | 15,000 | 1,285,800 | 1.14 |
| <i>Spectra Energy Corporation</i> | 75,000 | 2,483,250 | 2.20 |
| <i>The Williams Companies Incorporated</i> | 100,000 | 3,624,001 | 3.21 |
| <i>Other securities</i> | | 401,186 | 0.35 |
| | | 7,794,237 | 6.90 |
| Financials: 0.26% | | | |
| Commercial Banks: 0.26% | | | |

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| | | | |
|--|---------|-----------|------|
| <i>Other securities</i> | | 301,061 | 0.26 |
| Industrials: 3.90% | | | |
| Air Freight & Logistics: 3.83% | | | |
| <i>Deutsche Post AG</i> | 150,000 | 4,335,844 | 3.83 |
| Building Products: 0.07% | | | |
| <i>Other securities</i> | | 77,040 | 0.07 |
| Information Technology: 0.27% | | | |
| Internet Software & Services: 0.27% | | | |
| <i>Other securities</i> | | 302,956 | 0.27 |
| Telecommunication Services: 6.37% | | | |
| Diversified Telecommunication Services: 2.50% | | | |
| <i>BCE Incorporated</i> | 16,000 | 655,360 | 0.58 |
| <i>Telefonica Brasil ADR</i> | 110,000 | 2,170,300 | 1.92 |
| | | 2,825,660 | 2.50 |
| Wireless Telecommunication Services: 3.87% | | | |
| <i>Shenandoah Telecommunications Company</i> | 40,000 | 686,000 | 0.61 |
| <i>Tele2 AB Class B</i> | 79,200 | 994,569 | 0.88 |
| <i>VimpelCom Limited ADR</i> | 100,000 | 1,073,000 | 0.95 |
| <i>Vodafone Group plc ADR</i> | 50,000 | 1,617,500 | 1.43 |
| | | 4,371,069 | 3.87 |

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

8 Wells Fargo Advantage Utilities and High Income Fund

Summary portfolio of investments August 31, 2013

| Security name | Shares | Value | Percent of net assets |
|---|-----------|--------------|-----------------------------|
| Utilities: 41.32% | | | |
| Electric Utilities: 27.83% | | | |
| <i>American Electric Power Company Incorporated</i> | 100,000 | \$ 4,280,000 | 3.79% |
| <i>Duke Energy Corporation</i> | 30,514 | 2,001,718 | 1.77 |
| <i>Edison International</i> | 75,000 | 3,441,750 | 3.05 |
| <i>Enel SpA</i> | 200,000 | 659,445 | 0.58 |
| <i>Great Plains Energy Incorporated</i> | 175,000 | 3,836,000 | 3.39 |
| <i>IDACORP Incorporated</i> | 25,000 | 1,196,750 | 1.06 |
| <i>ITC Holdings Corporation</i> | 45,000 | 4,000,050 | 3.54 |
| <i>NextEra Energy Incorporated</i> | 50,000 | 4,018,000 | 3.55 |
| <i>Northeast Utilities</i> | 90,000 | 3,687,300 | 3.26 |
| <i>NV Energy Incorporated</i> | 75,000 | 1,758,750 | 1.56 |
| <i>The Southern Company</i> | 60,000 | 2,497,200 | 2.21 |
| <i>Other securities</i> | | 75,566 | 0.07 |
| | | 31,452,529 | 27.83 |
| Gas Utilities: 0.02% | | | |
| <i>Other securities</i> | | 20,168 | 0.02 |
| Multi-Utilities: 11.67% | | | |
| <i>CenterPoint Energy Incorporated</i> | 50,000 | 1,146,500 | 1.02 |
| <i>Hera SpA</i> | 1,200,000 | 2,365,330 | 2.09 |
| <i>Public Service Enterprise Group Incorporated</i> | 50,000 | 1,621,000 | 1.43 |
| <i>Sempra Energy</i> | 19,900 | 1,679,958 | 1.49 |
| <i>Suez Environnement Company SA</i> | 275,000 | 4,098,293 | 3.63 |
| <i>Veolia Environnement SA</i> | 137,000 | 2,116,493 | 1.87 |
| <i>Other securities</i> | | 153,975 | 0.14 |
| | | 13,181,549 | 11.67 |
| Water Utilities: 1.80% | | | |

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*American Water Works Company
Incorporated*

50,000 2,037,000 1.80

**Total Common Stocks (Cost
\$53,269,988)**

68,947,113 61.01

Interest rate Maturity date Principal

**Corporate Bonds and Notes:
29.98%**

Consumer Discretionary: 7.40%

Auto Components: 0.63%

Other securities

712,594 0.63

Distributors: 0.11%

Other securities

128,800 0.11

**Diversified Consumer Services:
0.64%**

Other securities

728,137 0.64

**Hotels, Restaurants & Leisure:
2.64%**

CCM Merger Incorporated 144A

9.13% 5-1-2019 \$ 465,000 485,925 0.43

Greektown Superholdings

Incorporated Series A

13.00 7-1-2015 550,000 577,500 0.51

Other securities

1,913,817 1.70

2,977,242 2.64

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

Summary portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 9

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|------------|-----------|-----------------------|
| Household Durables: 0.04% <i>Other securities</i> | | | | \$ 50,469 | 0.04% |
| Media: 2.73% <i>Other securities</i> | | | | 3,080,749 | 2.73 |
| Specialty Retail: 0.61% <i>Other securities</i> | | | | 688,676 | 0.61 |
| Consumer Staples: 0.08% Food Products: 0.08% <i>Other securities</i> | | | | 94,500 | 0.08 |
| Energy: 5.61% Energy Equipment & Services: 1.67% <i>Other securities</i> | | | | 1,885,946 | 1.67 |
| Oil, Gas & Consumable Fuels: 3.94% <i>Other securities</i> | | | | 4,447,177 | 3.94 |
| Financials: 5.60% Commercial Banks: 0.42% <i>Other securities</i> | | | | 480,157 | 0.42 |
| Consumer Finance: 3.69% <i>Ally Financial Incorporated</i> | 8.30% | 2-12-2015 | \$ 825,000 | 891,000 | 0.79 |

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| | | | | | |
|--|-------|------------|---------|-----------|------|
| <i>JBS USA Finance Incorporated</i> | 11.63 | 5-1-2014 | 420,000 | 441,000 | 0.39 |
| <i>Nielsen Finance LLC Company</i> | 7.75 | 10-15-2018 | 515,000 | 560,063 | 0.50 |
| <i>Other securities</i> | | | | 2,274,599 | 2.01 |
| | | | | 4,166,662 | 3.69 |
| Diversified Financial Services: | | | | | |
| 0.51% | | | | | |
| <i>Other securities</i> | | | | 578,000 | 0.51 |
| Insurance: 0.04% | | | | | |
| <i>Other securities</i> | | | | 45,338 | 0.04 |
| Real Estate Management & Development: 0.16% | | | | | |
| <i>Other securities</i> | | | | 175,438 | 0.16 |
| REITs: 0.78% | | | | | |
| <i>Dupont Fabros Technology Incorporated</i> | 8.50 | 12-15-2017 | 565,000 | 596,075 | 0.53 |
| <i>Other securities</i> | | | | 285,908 | 0.25 |
| | | | | 881,983 | 0.78 |
| Health Care: 1.41% | | | | | |
| Health Care Equipment & Supplies: 0.10% | | | | | |
| <i>Other securities</i> | | | | 114,675 | 0.10 |

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

10 Wells Fargo Advantage Utilities and High Income Fund

Summary portfolio of investments August 31, 2013

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|-----------|--------------|-----------------------|
| Health Care Providers & Services: 1.28% | | | | | |
| <i>Other securities</i> | | | | \$ 1,441,745 | 1.28% |
| Health Care Technology: 0.03% | | | | | |
| <i>Other securities</i> | | | | 35,525 | 0.03 |
| Industrials: 1.72% | | | | | |
| Aerospace & Defense: 0.13% | | | | | |
| <i>Other securities</i> | | | | 148,500 | 0.13 |
| Air Freight & Logistics: 0.18% | | | | | |
| <i>Other securities</i> | | | | 199,875 | 0.18 |
| Airlines: 0.16% | | | | | |
| <i>Other securities</i> | | | | 184,352 | 0.16 |
| Commercial Services & Supplies: 0.54% | | | | | |
| <i>Other securities</i> | | | | 607,998 | 0.54 |
| Machinery: 0.25% | | | | | |
| <i>Other securities</i> | | | | 285,938 | 0.25 |
| Professional Services: 0.15% | | | | | |
| <i>Other securities</i> | | | | 166,500 | 0.15 |
| Trading Companies & Distributors: 0.22% | | | | | |

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| | | | | | |
|--|-------|------------|------------|-----------|------|
| <i>Other securities</i> | | | | 248,513 | 0.22 |
| Transportation Infrastructure: 0.09% | | | | | |
| <i>Other securities</i> | | | | 98,200 | 0.09 |
| Information Technology: 2.11% | | | | | |
| Communications Equipment: 0.18% | | | | | |
| <i>Other securities</i> | | | | 203,825 | 0.18 |
| Electronic Equipment, Instruments & Components: 0.68% | | | | | |
| <i>Jabil Circuit Incorporated</i> | 8.25% | 3-15-2018 | \$ 620,000 | 730,050 | 0.64 |
| <i>Other securities</i> | | | | 44,881 | 0.04 |
| | | | | 774,931 | 0.68 |
| Internet Software & Services: 0.02% | | | | | |
| <i>Other securities</i> | | | | 18,975 | 0.02 |
| IT Services: 1.16% | | | | | |
| <i>SunGard Data Systems Incorporated</i> | 7.38 | 11-15-2018 | 515,000 | 547,188 | 0.48 |
| <i>Other securities</i> | | | | 760,150 | 0.68 |
| | | | | 1,307,338 | 1.16 |
| Software: 0.07% | | | | | |
| <i>Other securities</i> | | | | 80,963 | 0.07 |

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

Summary portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 11

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|--------------|-----------|-----------------------|
| Materials: 0.45% | | | | | |
| Chemicals: 0.06% | | | | | |
| <i>Other securities</i> | | | | \$ 69,875 | 0.06% |
| Containers & Packaging: 0.24% | | | | | |
| <i>Other securities</i> | | | | 267,425 | 0.24 |
| Paper & Forest Products: 0.15% | | | | | |
| <i>Other securities</i> | | | | 171,301 | 0.15 |
| Telecommunication Services: 3.77% | | | | | |
| Diversified Telecommunication Services: 1.91% | | | | | |
| <i>Other securities</i> | | | | 2,156,108 | 1.91 |
| Wireless Telecommunication Services: 1.86% | | | | | |
| <i>Sprint Capital Corporation</i> | 6.88% | 11-15-2028 | \$ 1,100,000 | 992,750 | 0.88 |
| <i>Sprint Capital Corporation</i> | 8.75 | 3-15-2032 | 220,000 | 225,500 | 0.20 |
| <i>Other securities</i> | | | | 889,308 | 0.78 |
| | | | | 2,107,558 | 1.86 |
| Utilities: 1.83% | | | | | |
| Electric Utilities: 0.92% | | | | | |
| <i>Mirant Mid-Atlantic LLC Series C</i> | 10.06 | 12-30-2028 | 438,432 | 485,564 | 0.43 |
| <i>Other securities</i> | | | | 550,619 | 0.49 |
| | | | | 1,036,183 | 0.92 |

Gas Utilities: 0.24%

| | | | | |
|-------------------------|--|--|---------|------|
| <i>Other securities</i> | | | 269,788 | 0.24 |
|-------------------------|--|--|---------|------|

**Independent Power Producers &
Energy Traders: 0.67%**

| | | | | |
|-------------------------|--|--|---------|------|
| <i>Other securities</i> | | | 757,792 | 0.67 |
|-------------------------|--|--|---------|------|

**Total Corporate Bonds and Notes
(Cost \$32,788,972)**

| | | | | |
|--|--|--|------------|-------|
| | | | 33,875,751 | 29.98 |
|--|--|--|------------|-------|

Dividend yield

Shares

Preferred Stocks: 19.09%

Financials: 0.08%

**Diversified Financial Services:
0.08%**

| | | | | |
|-------------------------|--|--|--------|------|
| <i>Other securities</i> | | | 91,645 | 0.08 |
|-------------------------|--|--|--------|------|

**Telecommunication Services:
1.96%**

**Diversified Telecommunication
Services: 1.96%**

| | | | | |
|--------------------------|------|--------|-----------|------|
| <i>Qwest Corporation</i> | 7.00 | 90,000 | 2,210,400 | 1.96 |
|--------------------------|------|--------|-----------|------|

Utilities: 17.05%

Electric Utilities: 9.29%

| | | | | |
|--------------------------------|------|---------|-----------|------|
| <i>Duke Energy Corporation</i> | 5.13 | 130,000 | 2,754,700 | 2.44 |
|--------------------------------|------|---------|-----------|------|

| | | | | |
|---|------|--------|-----------|------|
| <i>Indianapolis Power & Light Company</i> | 5.65 | 20,000 | 2,025,626 | 1.79 |
|---|------|--------|-----------|------|

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

12 Wells Fargo Advantage Utilities and High Income Fund

Summary portfolio of investments August 31, 2013

| Security name | Dividend yield | Shares | Value | Percent of net assets | |
|---|----------------------|----------------------|------------------|-----------------------|------|
| Electric Utilities (continued) | | | | | |
| <i>Interstate Power & Light Company</i> | 5.10% | 50,000 | \$ 1,046,500 | 0.92% | |
| <i>SCE Trust I</i> | 5.63 | 23,000 | 503,010 | 0.44 | |
| <i>Southern California Edison</i> | 6.50 | 34,908 | 3,691,521 | 3.27 | |
| <i>Wisconsin Public Service</i> | 5.08 | 4,804 | 484,904 | 0.43 | |
| | | | 10,506,261 | 9.29 | |
| Multi-Utilities: 7.76% | | | | | |
| <i>DTE Energy Company Series Q</i> | 5.25 | 100,000 | 2,081,000 | 1.84 | |
| <i>Integrus Energy Group ±</i> | 6.00 | 95,000 | 2,327,500 | 2.06 | |
| <i>SCANA Corporation</i> | 7.70 | 165,000 | 4,357,650 | 3.86 | |
| | | | 8,766,150 | 7.76 | |
| Total Preferred Stocks (Cost \$22,730,805) | | | 21,574,456 | 19.09 | |
| | Interest rate | Maturity date | Principal | | |
| Term Loans: 2.69% | | | | | |
| <i>Texas Competitive Electric Holdings LLC</i> | 3.71 | 10-10-2014 | \$ 1,471,940 | 1,000,359 | 0.88 |
| <i>Other securities</i> | | | | 2,040,122 | 1.81 |
| Total Term Loans (Cost \$3,398,555) | | | 3,040,481 | 2.69 | |
| Warrants: 0.08% | | | | | |
| Utilities: 0.08% | | | | | |
| Electric Utilities: 0.00% | | | | | |
| <i>Other securities</i> | | | 184 | 0.00 | |

| | | |
|--|---------|------|
| Gas Utilities: 0.08% | | |
| <i>Other securities</i> | 84,160 | 0.08 |
| Total Warrants (Cost \$42,480) | 84,344 | 0.08 |
| Yankee Corporate Bonds and Notes: 1.73% | | |
| Consumer Discretionary: 0.06% | | |
| Media: 0.06% | | |
| <i>Other securities</i> | 69,256 | 0.06 |
| Energy: 0.07% | | |
| Oil, Gas & Consumable Fuels: 0.07% | | |
| <i>Other securities</i> | 75,659 | 0.07 |
| Financials: 0.10% | | |
| Consumer Finance: 0.10% | | |
| <i>Other securities</i> | 114,950 | 0.10 |
| Health Care: 0.13% | | |
| Pharmaceuticals: 0.13% | | |
| <i>Other securities</i> | 143,888 | 0.13 |

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

Summary portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 13

| Security name | Value | Percent of net assets |
|---|--------------|-----------------------------|
| Information Technology: 0.31% | | |
| Computers & Peripherals: 0.31% | | |
| <i>Other securities</i> | \$ 350,563 | 0.31% |
| Materials: 0.24% | | |
| Metals & Mining: 0.17% | | |
| <i>Other securities</i> | 188,813 | 0.17 |
| Paper & Forest Products: 0.07% | | |
| <i>Other securities</i> | 77,250 | 0.07 |
| Telecommunication Services: 0.82% | | |
| Diversified Telecommunication Services: 0.78% | | |
| <i>Other securities</i> | 877,713 | 0.78 |
| Wireless Telecommunication Services: 0.04% | | |
| <i>Other securities</i> | 51,875 | 0.04 |
| Total Yankee Corporate Bonds and Notes (Cost \$1,908,001) | 1,949,967 | 1.73 |
| | Yield | Shares |
| Short-Term Investments: 2.18% | | |
| Investment Companies: 2.18% | | |
| <i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class (l)(u)##</i> | | |
| | 0.09% | 2,462,946 |
| | 2,462,946 | 2.18 |

| | | |
|---|-----------------------|----------------|
| Total Short-Term Investments (Cost \$2,462,946) | 2,462,946 | 2.18 |
| Total investments in securities (Cost \$116,601,747) * | 131,935,058 | 116.76% |
| <i>Other assets and liabilities, net</i> | (18,933,937) | (16.76) |
| Total net assets | \$ 113,001,121 | 100.00% |

Non-income-earning security

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

144A Security that may be resold to qualified institutional buyers under Rule 144A or security offered pursuant to Section 4(2) of the Securities Act of 1933, as amended.

All or a portion of this security has been segregated for unfunded term loans.

(l) Investment in an affiliate

(u) Rate shown is the 7-day annualized yield at period end.

* Cost for federal income tax purposes is \$117,313,761 and unrealized appreciation (depreciation) consists of:

| | |
|------------------------------------|----------------------|
| Gross unrealized appreciation | \$ 19,080,389 |
| Gross unrealized depreciation | (4,459,092) |
| Net unrealized appreciation | \$ 14,621,297 |

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

14 Wells Fargo Advantage Utilities and High Income
Fund

Statement of assets and liabilities August 31, 2013

| Assets | |
|---|-----------------------|
| Investments | |
| In unaffiliated securities, at value (see cost below) | \$ 129,472,112 |
| In affiliated securities, at value (see cost below) | 2,462,946 |
| Total investments, at value (see cost below) | 131,935,058 |
| Foreign currency, at value (see cost below) | 1,993,925 |
| Receivable for investments sold | 659,442 |
| Receivable for dividends and interest | 1,430,515 |
| Total assets | 136,018,940 |
| Liabilities | |
| Dividends payable | 692,078 |
| Payable for investments purchased | 42,933 |
| Secured borrowing payable | 22,003,939 |
| Advisory fee payable | 74,209 |
| Due to other related parties | 6,184 |
| Accrued expenses and other liabilities | 198,476 |
| Total liabilities | 23,017,819 |
| Total net assets | \$ 113,001,121 |
| NET ASSETS CONSIST OF | |
| Paid-in capital | \$ 151,438,236 |
| Overdistributed net investment income | (678,412) |
| Accumulated net realized losses on investments | (53,070,864) |
| Net unrealized gains on investments | 15,312,161 |
| Total net assets | \$ 113,001,121 |
| NET ASSET VALUE PER SHARE | |
| Based on \$113,001,121 divided by 9,231,183 shares issued and outstanding (unlimited number of shares authorized) | \$12.24 |

| | |
|---|----------------|
| Investments in unaffiliated securities, at cost | \$ 114,138,801 |
| Investments in affiliated securities, at cost | \$ 2,462,946 |
| Total investments, at cost | \$ 116,601,747 |
| Foreign currency, at cost | \$ 2,016,498 |

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

Statement of operations year ended August 31, 2013 Wells Fargo Advantage Utilities and High Income Fund 15

Investment income

| | |
|-----------------------------------|---------------|
| Dividends* | \$ 6,498,731 |
| Interest | 2,888,580 |
| Income from affiliated securities | 7,635 |
| Total investment income | 9,394,946 |

Expenses

| | |
|-----------------------------|---------------|
| Advisory fee | 804,428 |
| Administration fee | 67,036 |
| Custody and accounting fees | 23,848 |
| Professional fees | 83,873 |
| Shareholder report expenses | 61,290 |
| Trustees' fees and expenses | 19,448 |
| Transfer agent fees | 30,118 |
| Interest expense | 234,588 |
| Secured borrowing fees | 10,898 |
| Other fees and expenses | 66,653 |
| Total expenses | 1,402,180 |
| Net investment income | 7,992,766 |

REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS

| | |
|---|--------------------------|
| Net realized gains on investments | 274,386 |
| Net change in unrealized gains (losses) on investments | 4,651,266 |
| Net realized and unrealized gains (losses) on investments | 4,925,652 |
| Net increase in net assets resulting from operations | \$ 12,918,418 |

* Net of foreign dividend withholding taxes in the amount of \$603,221

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

16 Wells Fargo Advantage Utilities and High Income Fund

Statement of changes in net assets

| | Year ended August 31, 2013 | Year ended August 31, 2012 |
|---|-------------------------------|-------------------------------|
| Operations | | |
| Net investment income | \$ 7,992,766 | \$ 7,992,913 |
| Net realized gains (losses) on investments | 274,386 | (4,406,056) |
| Net change in unrealized gains (losses) on investments | 4,651,266 | 4,675,015 |
| Net increase in net assets resulting from operations | 12,918,418 | 8,261,872 |
| Distributions to shareholders from | | |
| Net investment income | (8,307,863) | (8,292,871) |
| Capital share transactions | | |
| Net asset value of shares issued under the Automatic Dividend Reinvestment Plan | 63,685 | 211,885 |
| Total increase in net assets | 4,674,240 | 180,886 |
| Net assets | | |
| Beginning of period | 108,326,881 | 108,145,995 |
| End of period | \$ 113,001,121 | \$ 108,326,881 |
| Overdistributed net investment income | \$ (678,412) | \$ (753,857) |

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

| Statement of cash flows year ended August 31, 2013 | Wells Fargo Advantage Utilities and High Income Fund |
|--|--|
| Cash flows from operating activities: | |
| Net increase in net assets resulting from operations | \$ 12,918,418 |
| Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities: | |
| Purchase of securities | (97,857,808) |
| Proceeds from sale of securities | 95,139,771 |
| Amortization | (68,242) |
| Proceeds from short-term investment securities, net | 5,839,900 |
| Increase in receivables for dividends and interest | (172,683) |
| Increase in receivable for investments sold | (659,442) |
| Decrease in prepaid expenses and other assets | 11,533 |
| Decrease in payable for investments purchased | (35,051) |
| Decrease in advisory fee payable | (2,521) |
| Decrease in due to other related parties | (210) |
| Increase in accrued expenses and other liabilities | 51,351 |
| Change in unrealized gains (losses) on investments | (4,651,266) |
| Net realized gains on investments | (274,386) |
| Net cash provided by operating activities | 10,239,364 |
| Cash flows from financing activities: | |
| Cash distributions paid | (8,243,795) |
| Decrease in secured borrowing | (1,680) |
| Net cash used in financing activities | (8,245,475) |
| Net increase in cash | 1,993,889 |
| Cash (including foreign currency): | |
| Beginning of period | \$ 36 |
| End of period | \$ 1,993,925 |
| Supplemental cash disclosure: | |
| Cash paid for interest | \$ 232,908 |
| Supplemental non-cash financing disclosure: | |
| Reinvestment of dividends | \$ 63,685 |

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

18 Wells Fargo Advantage Utilities and High Income Fund

Financial highlights

(For a share outstanding throughout each period)

| | Year ended August 31 | | | | |
|---|----------------------|-------------------|-------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Net asset value, beginning of period | \$ 11.74 | \$ 11.75 | \$ 11.23 | \$ 11.38 | \$ 17.50 |
| Net investment income | 0.87 ¹ | 0.87 ¹ | 0.99 ¹ | 0.59 ¹ | 0.97 ¹ |
| Net realized and unrealized gains (losses) on investments | 0.53 | 0.02 | 0.43 | 0.41 | (5.29) |
| Total from investment operations | 1.40 | 0.89 | 1.42 | 1.00 | (4.32) |
| Distributions to shareholders from | | | | | |
| Net investment income | (0.90) | (0.90) | (0.90) | (0.53) ¹ | (1.00) ¹ |
| Tax basis return of capital | 0.00 | 0.00 | 0.00 | (0.62) ¹ | (0.80) ¹ |
| Total distributions to shareholders | (0.90) | (0.90) | (0.90) | (1.15) | (1.80) |
| Net asset value, end of period | \$ 12.24 | \$ 11.74 | \$ 11.75 | \$ 11.23 | \$ 11.38 |
| Market value, end of period | \$ 12.04 | \$ 11.92 | \$ 11.03 | \$ 11.23 | \$ 12.49 |
| Total return based on market value ² | 8.93% | 17.03% | 5.99% | (1.24)% | (30.46)% |
| Ratios to average net assets (annualized) | | | | | |
| Gross expenses ³ | 1.25% | 1.20% | 1.24% | 2.52% | 3.44% |
| Net expenses ³ | 1.25% | 1.20% | 1.24% | 1.52% | 2.25% |
| Net investment income | 7.11% | 7.48% | 8.14% | 5.19% | 8.75% |
| Supplemental data | | | | | |
| Portfolio turnover rate | 65% | 48% | 64% | 59% | 137% |
| Net assets, end of period (000s omitted) | \$113,001 | \$108,327 | \$108,146 | \$103,245 | \$103,687 |
| Borrowings outstanding, end of period (000s omitted) | \$22,000 | \$22,000 | \$22,000 | \$22,000 | \$22,000 |
| Asset coverage per \$1,000 of borrowing, end of period | \$ 6,136 | \$ 5,866 | \$ 5,916 | \$ 5,693 | \$ 5,713 |

1. Calculated based upon average shares outstanding

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

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

| | |
|----------------------------|-------|
| Year ended August 31, 2013 | 0.21% |
| Year ended August 31, 2012 | 0.25% |
| Year ended August 31, 2011 | 0.25% |
| Year ended August 31, 2010 | 0.19% |
| Year ended August 31, 2009 | 0.70% |

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

1. ORGANIZATION

The *Wells Fargo Advantage 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 and is registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income and moderate capital growth, with an emphasis on providing tax-advantaged dividend income.

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 (normally 4 p.m. Eastern Time).

Equity securities that are listed on a foreign or domestic exchange, except for The Nasdaq Stock Market, Inc. (Nasdaq), are valued at the official closing price or, if none, the last sales price. Securities listed on Nasdaq are valued at the Nasdaq Official Closing Price (NOCP). If no NOCP is available, securities are valued at the last sales price. If no sales price is shown on the Nasdaq, the bid price will be used. If no sale occurs on the primary exchange or market for the security that day or if no sale occurs and no bid price is shown on Nasdaq, the prior day's price will be deemed stale and fair values will be determined in accordance with the Fund's Valuation Procedures.

Securities denominated in foreign currencies are translated into U.S. dollars using the rates of exchange in effect on the day of valuation at a time specified by the Management Valuation Team of Wells Fargo Funds Management, LLC (Funds Management).

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign securities are traded, but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of such securities, then fair value pricing procedures approved by the Board of Trustees of the Fund are applied. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Foreign securities that are fair valued under these procedures are categorized as Level 2 and the application of these procedures may result in transfers between Level 1 and Level 2. Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in NAVs that are higher or lower than NAVs based on the last reported sales price or latest quoted bid price. On August 31, 2013, fair value pricing was used in pricing foreign securities.

Fixed income securities acquired with maturities exceeding 60 days are valued based on evaluated bid prices received from an independent pricing service which may utilize both transaction data and market information such as yield, prices of securities of comparable quality, coupon rate, maturity, type of issue, trading characteristics and other market

data. If valuations are not available from the independent pricing service or values received are deemed not representative of market value, values will be obtained from a broker-dealer or otherwise determined based on the Fund's Valuation Procedures.

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 by procedures established in good faith and approved by the Board of Trustees. The Board of Trustees has established a Valuation Committee comprised of the Trustees and has delegated to it the authority to take any actions regarding the valuation of portfolio securities that the Valuation Committee deems necessary or appropriate, including determining the fair value of portfolio securities, unless the determination has been delegated to the Management Valuation Team. The Board of Trustees retains the authority to make or ratify any valuation decisions or approve any changes to the Valuation Procedures as it deems appropriate. On a quarterly basis, the Board of Trustees receives reports on any valuation actions taken by the Valuation Committee or the Management Valuation Team which may include items for ratification.

Valuations of fair valued securities are compared to the next actual sales price when available, or other appropriate market information to assess the continued appropriateness of the fair valuation methodology used. These securities are fair valued on a day-to-day basis, taking into consideration changes to appropriate market information and any

20 Wells Fargo Advantage Utilities and High Income Fund

Notes to financial statements

significant changes to the input considered in the valuation process until there is a readily available price provided on the exchange or by an independent pricing service. Valuations received from an independent pricing service or broker 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. Assets, including investment securities, and liabilities denominated in foreign currency are translated into U.S. dollars at the rates of exchange at a time specified by the Management Valuation Team on the date of valuation. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions. Reported 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 in changes in exchange rates.

The changes in net assets arising from changes in exchange rates and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are recorded with net realized and unrealized gains or losses from investments. Gains and losses from certain foreign currency transactions are treated as ordinary income for U.S. federal income tax purposes.

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.

Term loans

The Fund may invest in term loans. The Fund begins earning interest when the loans are funded. The loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. The Fund assumes the credit risk of the borrower and there could be potential loss to the Fund in the event of default by the borrower.

Options

The Fund may be 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 from investments on the expiration date. 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. The premium is included in the Statement of Assets and Liabilities as an investment, the value of which is subsequently adjusted based on to the current market value of the option. Premiums paid for purchased options that expire are recognized as realized losses from investments 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. Options traded over the counter expose the Fund to counterparty risk in the event the counterparty does not perform. This risk is 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.

Notes to financial statements

Wells Fargo Advantage Utilities and High Income Fund 21

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 Fund is informed of the ex-dividend date. Dividend income from foreign securities is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

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

Distributions to shareholders

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

Federal and other taxes

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

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

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The primary permanent differences causing such reclassifications are due to consent fees, foreign currency transactions and bond premiums. At August 31, 2013, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

Paid-in capital

Overdistributed net
investment incomeAccumulated net
realized losses

| | | |
|---------|-----------|----------------|
| | | on investments |
| \$2,250 | \$390,542 | (\$392,792) |

As of August 31 2013, capital loss carryforwards available to offset future net realized capital gains were as follows through the indicated expiration dates:

| | | |
|--------------|--------------|-----------------------------|
| 2017 | 2018 | No expiration Short-term |
| \$20,548,693 | \$27,435,579 | \$4,033,372 |

As of August 31, 2013, the Fund had \$341,205 of current year deferred post-October capital losses, which will be recognized on the first day of the following fiscal year.

3. FAIR VALUATION MEASUREMENTS

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

n Level 1 – quoted prices in active markets for identical securities

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Notes to financial statements

n Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, use of amortized cost, etc.)

n 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.

As of August 31, 2013, the inputs used in valuing investments in securities were as follows:

| | Quoted prices (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|----------------------------|--|---|-----------------------|
| Investments in securities | | | | |
| Equity securities | | | | |
| <i>Common stocks</i> | \$ 54,076,078 | \$ 14,871,035 | \$ 0 | \$ 68,947,113 |
| <i>Preferred stocks</i> | 15,372,405 | 6,202,051 | 0 | 21,574,456 |
| <i>Warrants</i> | 0 | 84,344 | 0 | 84,344 |
| Corporate bonds and notes | 0 | 33,875,751 | 0 | 33,875,751 |
| Term loans | 0 | 2,129,548 | 910,933 | 3,040,481 |
| Yankee corporate bonds and notes | 0 | 1,949,967 | 0 | 1,949,967 |
| Short-term investments | | | | |
| <i>Investment companies</i> | 2,462,946 | 0 | 0 | 2,462,946 |
| | \$ 71,911,429 | \$ 59,112,696 | \$ 910,933 | \$ 131,935,058 |

Transfers in and transfers out are recognized at the end of the reporting period.

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 Crow Point Partners, LLC are each investment subadvisers to the Fund and are each entitled to receive a fee from Funds Management at an annual rate of 0.20% of the Fund's average daily total assets.

Administration fee

Funds Management also serves as the administrator to the Fund providing the Fund with facilities, equipment and personnel. 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.

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of shares with no par value. For the years ended August 31, 2013 and August 31, 2012, the Fund issued 5,359 and 18,219 shares, respectively.

6. BORROWINGS

The Fund has borrowed approximately \$22 million through a secured debt financing agreement administered by a major financial institution (the Facility). The Facility has a commitment amount of \$25 million which expires on February 24, 2014, at which point it may be renegotiated and potentially renewed for another one-year term. At August 31, 2013, the Fund had secured borrowings outstanding in the amount of \$22,003,939 (including accrued interest and usage and commitment fees payable).

The Fund's borrowings under the Facility are generally charged interest at a rate determined by the type of loan elected by the Fund. During year ended August 31, 2013, an effective interest rate of 1.05% was incurred on the borrowings. Interest expense of \$234,588, representing 0.21% of the Fund's average daily net assets, was incurred during the year ended August 31, 2013.

Notes to financial statements

Wells Fargo Advantage Utilities and High Income Fund 23

The Fund has pledged all of its assets to secure the borrowings and pays a commitment fee at an annual rate equal to 0.15% of average daily unutilized amounts of the \$25 million commitment amount. The secured borrowing fees on the Statement of Operations represents structuring fees and commitment fees. Of this amount, \$5,635 represents structuring fees.

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the year ended August 31, 2013 were \$90,015,334 and \$81,307,192, respectively.

As of August 31, 2013, the Fund had unfunded term loan commitments of \$14,850.

8. DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid was \$8,307,863 and \$8,292,871 of ordinary income for the years ended August 31, 2013 and August 31, 2012, respectively.

As of August 31, 2013, the components of distributable earnings on a tax basis were as follows:

| Undistributed ordinary income | Unrealized gains | Post-October capital losses deferred | Capital loss carryforward |
|-------------------------------|------------------|--------------------------------------|---------------------------|
| \$70,828 | \$14,600,146 | \$(341,205) | \$(52,017,644) |

9. CONCENTRATION RISK

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

10. INDEMNIFICATION

Under the Fund's organizational documents, the officers and directors are indemnified 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.

11. NEW ACCOUNTING PRONOUNCEMENT

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11, which amends FASB ASC Topic 210, *Balance Sheet*, creates new disclosure requirements which require entities to disclose both gross and net information for derivatives and other financial instruments that are either offset in the Statement of Assets and Liabilities or subject to an enforceable master netting arrangement or similar agreement. The disclosure requirements are effective for interim and annual reporting periods beginning on or after January 1, 2013. Management has assessed

the potential impact, in addition to expanded financial statement disclosure, that may result from adopting this ASU and determined that there are no significant changes to the financial statements.

12. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to shareholders:

| Declaration Date | Record Date | Payable Date | Per share amount |
|--------------------|--------------------|------------------|------------------|
| August 15, 2013 | September 17, 2013 | October 1, 2013 | \$0.075 |
| September 27, 2013 | October 15, 2013 | November 1, 2013 | \$0.075 |
| October 25, 2013 | November 14, 2014 | December 2, 2013 | \$0.075 |

The final determination of the source of all distributions in the current year is subject to change and will be made after calendar year-end. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of the calendar year and may be subject to change based on tax regulations. These distributions are not reflected in the accompanying financial statements.

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Report of independent registered public accounting firm

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

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments and the summary portfolio of investments of the Wells Fargo Advantage Utilities and High Income Fund (the Fund), as of August 31, 2013, and the related statement of operations for the year then ended, statements of changes in net assets for each of the years in the two-year period then ended, statement of cash flows for the year then ended, and the financial highlights for each of the years in the five-year period ended August 31, 2013. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2013 by correspondence with the custodian and brokers, or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Wells Fargo Advantage Utilities and High Income Fund as of August 31, 2013, the results of its operations for the year then ended, changes in its net assets for each of the years in the two-year period then ended, its cash flows for the year then ended, and the financial highlights for each of the years in the five year period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

October 28, 2013

Other information (unaudited)

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TAX INFORMATION

For corporate shareholders, pursuant to Section 854 of the Internal Revenue Code, 32.09% of ordinary income dividends qualify for the corporate dividends-received deduction for the fiscal year ended August 31, 2013.

Pursuant to Section 854 of the Internal Revenue Code, \$4,144,828 of income dividends paid during the fiscal year ended August, 31, 2013, has been designated as qualified dividend income (QDI).

For the fiscal year ended August 31, 2013, \$2,279,573 has been designated as interest-related dividends for nonresident alien shareholders pursuant to Section 871 of the Internal Revenue Code.

PROXY VOTING INFORMATION

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, by calling **1-800-222-8222**, visiting our website at **wellsfargoadvantagetrade.com**, or visiting the SEC website at sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Fund's website at **wellsfargoadvantagetrade.com** or by visiting the SEC website at sec.gov.

PORTFOLIO HOLDINGS INFORMATION

The complete portfolio holdings for the Fund are publicly available on the Fund's website (**wellsfargoadvantagetrade.com**) on a monthly, 30-day or more 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 without charge by visiting the SEC website at sec.gov. In addition, the Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and at regional offices in New York City, at 233 Broadway, and in Chicago, at 175 West Jackson Boulevard, Suite 900. Information about the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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Other information (unaudited)

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 listed below acts in identical capacities for each fund in the Wells Fargo Advantage family of funds, which consists of 131 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). All of the Trustees are also Members of the Audit and Governance Committees of each Trust in 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 | Other directorships during past five years |
|-----------------------------------|--|--|---|
| Peter G. Gordon (Born 1942) | Trustee, since 2010; Chairman, since 2010 | Co-Founder, Retired Chairman, President and CEO of Crystal Geysers Water Company. Trustee Emeritus, Colby College. | Asset Allocation Trust |
| Isaiah Harris, Jr. (Born 1952) | Trustee, since 2010 | Retired. 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). Mr. Harris is a certified public accountant. | CIGNA Corporation; Deluxe Corporation; 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 |
| Leroy Keith, Jr. (Born 1939) | Trustee, since 2004 | Chairman, Bloc Global Services (development and construction). Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, Inc. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services. | Trustee, Virtus Fund Complex (consisting of 48 portfolios as of 1/31/2013); 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, Morgan Stanley Director of the Center for Leadership Development and | Asset Allocation Trust |

| | | | |
|-----------------------------------|---------------------|--|------------------------|
| Olivia S. Mitchell (Born 1953) | Trustee, since 2010 | <p>Research 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.</p> <p>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.</p> | Asset Allocation Trust |
| Timothy J. Penny (Born 1951) | Trustee, since 2010 | <p>President and CEO of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.</p> | Asset Allocation Trust |

Other information (unaudited)

Wells Fargo Advantage Utilities and High Income Fund 27

| Name and year of birth | Position held and length of service* | Principal occupations during past five years | Other directorships during past five years |
|------------------------------------|--------------------------------------|--|--|
| 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 as the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds (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 |
| Donald C. Willeke (Born 1940) | Trustee, since 2010 | Principal of the law firm of Willeke & Daniels. General Counsel of the Minneapolis Employees Retirement Fund from 1984 until its consolidation into the Minnesota Public Employees Retirement Association on June 30, 2010. Director and Vice Chair of The Tree Trust (non-profit corporation). Director of the American Chestnut Foundation (non-profit corporation). | Asset Allocation Trust |

Officers

| Name and year of birth | Position held and length of service | Principal occupations during past five years |
|---|--|--|
| Karla M. Rabusch (Born 1959) | President, since 2010 | Executive Vice President of Wells Fargo Bank, N.A. and President of Wells Fargo Funds Management, LLC since 2003. |
| Nancy Wiser ¹ (Born 1967) | Treasurer, since 2012 | Executive Vice President of Wells Fargo Funds Management, LLC since 2011. Chief Operating Officer and Chief Compliance Officer at LightBox Capital Management LLC, from 2008 to 2011. Owned and operated a consulting business providing services to various hedge funds including acting as Chief Operating Officer and Chief Compliance Officer for a hedge fund from 2007 to 2008. Chief Operating Officer and Chief Compliance Officer of GMN Capital LLC from 2006 to 2007. |
| 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. Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013. Vice President and Assistant General Counsel of Wells Fargo |

| | | |
|--|---|--|
| Debra Ann Early (Born 1964) | Chief Compliance Officer, since 2010 | Bank N.A. since 2013. Chief Compliance Officer of Wells Fargo Funds Management, LLC since 2007. Chief Compliance Officer of Parnassus Investments from 2005 to 2007. Chief Financial Officer of Parnassus Investments from 2004 to 2007. |
| 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. Assistant Vice President of Evergreen Investment Services, Inc. from 2004 to 2008. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010. |
| Jeremy DePalma ¹ (Born 1974) | Assistant Treasurer, since 2005 | Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Vice President, Evergreen Investment Services, Inc. from 2004 to 2007. Head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010. |

1. Nancy Wisner acts as Treasurer of 73 funds in the Fund Complex. Jeremy DePalma acts as Treasurer of 58 funds and Assistant Treasurer of 73 funds in the Fund Complex.

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Other information (unaudited)

BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:

Under Section 15 of the Investment Company Act of 1940 (the 1940 Act), the Board of Trustees (the Board) of the *Wells Fargo Advantage Utilities and High Income Fund* (the Fund), all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not interested persons of the Fund, as defined in the 1940 Act (the Independent Trustees), must determine whether to approve the continuation of the Fund's investment advisory and sub-advisory agreements. In this regard, at an in-person meeting held on March 28-29, 2013 (the Meeting), the Board reviewed: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC (Funds Management) for the Fund, (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated (WellsCap), an affiliate of Funds Management, for the Fund, and (iii) an investment sub-advisory agreement with Crow Point Partners, LLC (Crow Point) for the Fund. The investment advisory agreement with Funds Management and the investment sub-advisory agreements with WellsCap and Crow Point (the Sub-Advisers) are collectively referred to as the Advisory Agreements.

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

In providing information to the Board, Funds Management and the Sub-Advisers were guided by a detailed set of requests for information submitted to them by independent legal counsel on behalf of the Independent Trustees at the start of the Board's annual contract renewal process earlier in 2013. In considering and approving the Advisory Agreements, the Trustees considered the information they believed relevant, including but not limited to the information discussed below. The Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with Funds Management and the Sub-Advisers about various topics. In this regard, the Board reviewed reports of Funds Management at each of its quarterly meetings, which included, among other things, portfolio reviews and performance reports. In addition, the Board and the teams mentioned above confer with portfolio managers at various times throughout the year. The Board did not identify any particular information or consideration that was all-important or controlling, and each individual Trustee may have attributed different weights to various factors.

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

Nature, extent and quality of services

The Board received and considered various information regarding the nature, extent and quality of services provided to the Fund by Funds Management and the Sub-Advisers under the Advisory Agreements. This information included, among other things, a summary of the background and experience of senior management of Funds Management, and

the qualifications, background, tenure and responsibilities of each of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

The Board evaluated the ability of Funds Management and the Sub-Advisers, based on attributes such as their financial condition, resources and reputation, to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board further considered the compliance programs and compliance records of Funds Management and the Sub-Advisers. In addition, the Board took into account the administrative and other services provided to the Fund by Funds Management and its affiliates and Funds Management's oversight of the Fund's various service providers.

Fund performance and expenses

The Board considered the performance results for the Fund over various time periods ended December 31, 2012. The Board also considered these results in comparison to the performance of funds in a universe that was determined by Lipper Inc. (Lipper) to be similar to the Fund (the Universe), and in comparison to the Fund's benchmark index and to

Other information (unaudited)

Wells Fargo Advantage Utilities and High Income Fund 29

other comparative data. Lipper is an independent provider of investment company data. The Board received a description of the methodology used by Lipper to select the funds in the performance Universe. The Board also considered these results in comparison to the performance of funds in a custom peer group that was determined by Funds Management to be similar to the Fund (the Custom Peer Group).

The Board noted that the performance of the Fund was higher than or in range of the median performance of the Universe, the Fund's benchmark, the ERH Blended Index, which is a proprietary index used by the Board to help it assess the Fund's relative performance, and the Custom Peer Group for the one-year period under review. The Board also noted that the performance of the Fund was lower than the Universe, the benchmark and the Custom Peer Group for the three- and five-year periods under review.

The Board received information concerning, and discussed factors contributing to, the underperformance of the Fund relative to the Universe, the benchmark and the Custom Peer Group for the three- and five-year periods under review. Funds Management advised the Board about the market conditions and investment decisions that it believed contributed to the underperformance during that period. Funds Management advised the Board that the Fund's focus on short duration, shorter maturity credits and an underweight to long-dated bonds detracted from performance relative to the Universe, the Custom Peer Group and the benchmark. The Board also noted the positive performance of the Fund relative to the Universe, the benchmark and the Custom Peer Group for the more recent one-year period under review. The Board was satisfied with the explanation it received.

The Board received and considered information regarding the Fund's net operating expense ratio and its various components, including actual management fees (which reflect fee waivers, if any, and include advisory and administration fees), custodian and other non-management fees, and fee waiver and expense reimbursement arrangements. The Board also considered this ratio in comparison to the median ratio of funds in an expense group that was determined by Lipper to be similar to the Fund (the Group). The Board received a description of the methodology used by Lipper to select the funds in the expense Group. Based on the Lipper reports, the Board noted that the net operating expense ratio of the Fund was lower than the median net operating expense ratio of the expense Group.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board concluded that the overall performance and expense structure of the Fund supported the re-approval of the Advisory Agreements.

Investment advisory and sub-advisory fee rates

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

Among other information reviewed by the Board was a comparison of the Management Rate of the Fund with that of other funds in the expense Group at a common asset level. The Board noted that the Management Rate of the Fund was lower than the median rate for the Fund's expense Group. The Board and Funds Management agreed to extend the Fund's advisory fee waiver to February 2014.

The Board also received and considered information about the portion of the total advisory fee that was retained by Funds Management after payment of the fee to the Sub-Advisers for sub-advisory services. In assessing the reasonableness of this amount, the Board received and evaluated information concerning the nature and extent of responsibilities retained and risks assumed by Funds Management and not delegated to or assumed by the Sub-Advisers, and about Funds Management's on-going oversight services. In recognition of the fact that the Wells Fargo enterprise provides a suite of combined advisory and sub-advisory services to the Fund through affiliated entities, the Board ascribed limited relevance to the allocation of the total advisory fee between Funds Management and WellsCap. The Board also considered that the sub-advisory fees paid to Crow Point had been negotiated by Funds Management on an arm's-length basis.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board determined that the Advisory Agreement Rate and each Sub-Advisory Agreement Rate were reasonable in light of the services covered by the Advisory Agreements.

Profitability

The Board received and considered information concerning the profitability of Funds Management, as well as the profitability of Wells Fargo as a whole, from providing services to the Fund. The Board did not receive or consider to be

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Other information (unaudited)

necessary separate profitability information with respect to WellsCap, because, as an affiliate of Funds Management, its profitability information was subsumed in the collective Wells Fargo profitability analysis provided by Funds Management.

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

The Board also received separate profitability information with respect to Crow Point, which is not affiliated with Funds Management. The Board did not deem the profits reported by Crow Point to be at a level that would prevent it from approving the continuation of the sub-advisory agreement with Crow Point.

Economies of scale

The Board considered the extent to which there may be sharing with the Fund of potential economies of scale in the provision of advisory services to the Fund. The Board noted that, as is the case with many other closed-end funds, there are no breakpoints in the Management Rate. The Board further noted that, although the Fund would not share in any potential economies of scale through contractual breakpoints, fee waiver and expense reimbursement arrangements can also be a means of sharing potential economies of scale with the Fund. The Board noted that it would have opportunities to revisit the Management Rate as part of future contract reviews.

Other benefits to Funds Management and the Sub-Advisers

The Board received and considered information regarding potential fall-out or ancillary benefits received by Funds Management and its affiliates, including WellsCap, and Crow Point as a result of their relationship with the Fund. Ancillary benefits could include, among others, benefits directly attributable to other relationships with the Fund and benefits potentially derived from an increase in Funds Management's and the Sub-Advisers' business as a result of their relationship with the Fund (such as the ability to market to shareholders other financial products and services offered by Funds Management and its affiliates, including WellsCap, or Crow Point, or to operate other products and services that follow investment strategies similar to those of the Fund).

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

Conclusion

After considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board unanimously approved the continuation of the Advisory Agreements for an additional one-year period.

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 or market premium (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 43010, Providence, Rhode Island 02940-3010 or by calling 1-800-730-6001.

The following is a list of common abbreviations for terms and entities that may have appeared in this report.

| | |
|--------|---|
| ACA | ACA Financial Guaranty Corporation |
| ADR | American depositary receipt |
| ADS | American depositary shares |
| AGC | Assured Guaranty Corporation |
| AGM | Assured Guaranty Municipal |
| Ambac | Ambac Financial Group Incorporated |
| AMT | Alternative minimum tax |
| AUD | Australian dollar |
| BAN | Bond anticipation notes |
| BHAC | Berkshire Hathaway Assurance Corporation |
| BRL | Brazilian real |
| CAB | Capital appreciation bond |
| CAD | Canadian dollar |
| CCAB | Convertible capital appreciation bond |
| CDA | Community Development Authority |
| CDO | Collateralized debt obligation |
| CHF | Swiss franc |
| COP | Certificate of participation |
| DKK | Danish krone |
| DRIVER | Derivative inverse tax-exempt receipts |
| DW&P | Department of Water & Power |
| DWR | Department of Water Resources |
| ECFA | Educational & Cultural Facilities Authority |
| EDA | Economic Development Authority |
| EDFA | Economic Development Finance Authority |
| ETF | Exchange-traded fund |
| EUR | Euro |
| FDIC | Federal Deposit Insurance Corporation |
| FFCB | Federal Farm Credit Banks |
| FGIC | Financial Guaranty Insurance Corporation |
| FHA | Federal Housing Administration |
| FHLB | Federal Home Loan Bank |
| FHLMC | Federal Home Loan Mortgage Corporation |
| FICO | The Financing Corporation |
| FNMA | Federal National Mortgage Association |
| FSA | Farm Service Agency |
| GBP | Great British pound |
| GDR | Global depositary receipt |
| GNMA | Government National Mortgage Association |
| GO | General obligation |
| HCFR | Healthcare facilities revenue |
| HEFA | Health & Educational Facilities Authority |

| | |
|----------|---|
| HEFAR | Higher education facilities authority revenue |
| HFA | Housing Finance Authority |
| HFFA | Health Facilities Financing Authority |
| HKD | Hong Kong dollar |
| HUD | Department of Housing and Urban Development |
| HUF | Hungarian forint |
| IDA | Industrial Development Authority |
| IDAG | Industrial Development Agency |
| IDR | Industrial development revenue |
| IEP | Irish pound |
| JPY | Japanese yen |
| KRW | Republic of Korea won |
| LIBOR | London Interbank Offered Rate |
| LIQ | Liquidity agreement |
| LLC | Limited liability company |
| LLP | Limited liability partnership |
| LOC | Letter of credit |
| LP | Limited partnership |
| MBIA | Municipal Bond Insurance Association |
| MFHR | Multifamily housing revenue |
| MSTR | Municipal securities trust receipts |
| MTN | Medium-term note |
| MUD | Municipal Utility District |
| MXN | Mexican peso |
| MYR | Malaysian ringgit |
| National | National Public Finance Guarantee Corporation |
| NOK | Norwegian krone |
| NZD | New Zealand dollar |
| PCFA | Pollution Control Financing Authority |
| PCL | Public Company Limited |
| PCR | Pollution control revenue |
| PFA | Public Finance Authority |
| PFFA | Public Facilities Financing Authority |
| PFOTER | Puttable floating option tax-exempt receipts |
| plc | Public limited company |
| PLN | Polish zloty |
| PUTTER | Puttable tax-exempt receipts |
| R&D | Research & development |
| Radian | Radian Asset Assurance |
| RAN | Revenue anticipation notes |
| RDA | Redevelopment Authority |
| RDFA | Redevelopment Finance Authority |
| REIT | Real estate investment trust |
| ROC | Reset option certificates |
| SAVRS | Select auction variable rate securities |
| SBA | Small Business Authority |
| SEK | Swedish krona |
| SFHR | Single-family housing revenue |
| SFMR | Single-family mortgage revenue |
| SGD | Singapore dollar |
| SKK | Slovakian koruna |

| | |
|--------|--|
| SPA | Standby purchase agreement |
| SPDR | Standard & Poor's Depository Receipts |
| STRIPS | Separate trading of registered interest and principal securities |
| TAN | Tax anticipation notes |
| TBA | To be announced |
| TIPS | Treasury inflation-protected securities |
| TRAN | Tax revenue anticipation notes |
| TRY | Turkish lira |
| TTFA | Transportation Trust Fund Authority |
| TVA | Tennessee Valley Authority |
| ZAR | South African rand |

Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

1-800-730-6001

Website: wellsfargoadvantagefunds.com

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ITEM 2. CODE OF ETHICS

(a) As of the end of the period, covered by the report, Wells Fargo Advantage Utilities and High Income Fund has adopted a code of ethics that applies to its President and Treasurer. A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

(c) During the period covered by this report, there were no amendments to the provisions of the code of ethics adopted in Item 2(a) above.

(d) During the period covered by this report, there were no implicit or explicit waivers to the provisions of the code of ethics adopted in Item 2(a) above.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Trustees of Wells Fargo Advantage Utilities and High Income Fund has determined that Judith Johnson is an audit committee financial expert, as defined in Item 3 of Form N-CSR. Mrs. Johnson is independent for purposes of Item 3 of Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(a), (b), (c), (d) The following table presents aggregate fees billed in each of the last two fiscal years for services rendered to the Registrant by the Registrant's principal accountant. These fees were billed to the registrant and were approved by the Registrant's audit committee.

| | Fiscal year ended August 31, 2013 | Fiscal year ended August 31, 2012 |
|--------------------|--|--|
| Audit fees | \$ 48,680 | \$ 47,490 |
| Audit-related fees | | |
| Tax fees (1) | 3,740 | 3,650 |
| All other fees | | |
| | \$ 52,420 | \$ 51,140 |

(1) Tax fees consist of fees for tax compliance, tax advice and tax planning. Excise tax fees for fiscal year ended 2012 in the amount of \$1,700 was billed on December 2012 and is included in the fiscal year ended August 31, 2013 value. Excise tax fees for fiscal year ended 2011 in the amount of \$1,660 was billed on December 2011 and is included in the fiscal year ended August 31, 2012 value.

(e) The Chairman of the Audit Committees is authorized to pre-approve: (1) audit services to the mutual funds of Wells Fargo Funds Trust; (2) non-audit tax or compliance consulting or training services provided to the Funds by the independent auditors (Auditors) if the fees for any particular engagement are not anticipated to exceed \$50,000; and (3) non-audit tax or compliance consulting or training services provided by the Auditors to a Fund's investment adviser and its controlling entities (where pre-approval is required because the engagement relates directly to the operations and financial reporting of the Fund) if the fee to the Auditors for any particular engagement is not anticipated to exceed \$50,000. For any such pre-approval sought from the Chairman, Management shall prepare a brief description

of the proposed services. If the Chairman approves of such service, he or she shall sign the statement

prepared by Management. Such written statement shall be presented to the full Committees at their next regularly scheduled meetings.

(f) Not applicable

(g) Not applicable

(h) Not applicable

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

Not applicable.

ITEM 6. INVESTMENTS

A summary portfolio of investments is included as part of the report to shareholders filed under Item 1 of this Form. The complete portfolio of investments for Wells Fargo Advantage Utilities and High Income Fund is filed under this Item.

Portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 1

| Security name | Shares | Value |
|--|---------|--------------|
| Common Stocks: 61.01% | | |
| Consumer Discretionary: 1.99% | | |
| Media: 1.99% | | |
| <i>DISH Network Corporation</i> | 50,000 | \$ 2,248,000 |
| Energy: 6.90% | | |
| Oil, Gas & Consumable Fuels: 6.90% | | |
| <i>EQT Corporation</i> | 15,000 | 1,285,800 |
| <i>Kinder Morgan Incorporated</i> | 10,577 | 401,186 |
| <i>Spectra Energy Corporation</i> | 75,000 | 2,483,250 |
| <i>The Williams Companies Incorporated</i> | 100,000 | 3,624,001 |
| | | 7,794,237 |
| Financials: 0.26% | | |
| Commercial Banks: 0.26% | | |
| <i>Natixis</i> | 69,900 | 301,061 |
| Industrials: 3.90% | | |
| Air Freight & Logistics: 3.83% | | |
| <i>Deutsche Post AG</i> | 150,000 | 4,335,844 |
| Building Products: 0.07% | | |
| <i>Ameresco Incorporated Class A</i> | 9,000 | 77,040 |
| Information Technology: 0.27% | | |
| Internet Software & Services: 0.27% | | |
| <i>AOL Incorporated</i> | 9,200 | 302,956 |
| Telecommunication Services: 6.37% | | |
| Diversified Telecommunication Services: 2.50% | | |

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| | | |
|---------------------------------|---------|-----------|
| <i>BCE Incorporated</i> | 16,000 | 655,360 |
| <i>Telefonica Brasil SA ADR</i> | 110,000 | 2,170,300 |
| | | 2,825,660 |

Wireless Telecommunication Services: 3.87%

| | | |
|--|---------|-----------|
| <i>Shenandoah Telecommunications Company</i> | 40,000 | 686,000 |
| <i>Tele2 AB Class B</i> | 79,200 | 994,569 |
| <i>VimpelCom Limited ADR</i> | 100,000 | 1,073,000 |
| <i>Vodafone Group plc ADR</i> | 50,000 | 1,617,500 |
| | | 4,371,069 |

Utilities: 41.32%

Electric Utilities: 27.83%

| | | |
|---|---------|-----------|
| <i>American Electric Power Company Incorporated</i> | 100,000 | 4,280,000 |
| <i>Chesapeake Utilities Corporation</i> | 200 | 10,442 |
| <i>Duke Energy Corporation</i> | 30,514 | 2,001,718 |
| <i>Edison International</i> | 75,000 | 3,441,750 |

2 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of investments August 31, 2013

| Security name | Shares | Value |
|---|-----------|------------|
| Electric Utilities (continued) | | |
| <i>Enel SpA</i> | 200,000 | \$ 659,445 |
| <i>Entergy Corporation</i> | 1,000 | 63,230 |
| <i>Great Plains Energy Incorporated</i> | 175,000 | 3,836,000 |
| <i>IDACORP Incorporated</i> | 25,000 | 1,196,750 |
| <i>ITC Holdings Corporation</i> | 45,000 | 4,000,050 |
| <i>NextEra Energy Incorporated</i> | 50,000 | 4,018,000 |
| <i>Northeast Utilities</i> | 90,000 | 3,687,300 |
| <i>NV Energy Incorporated</i> | 75,000 | 1,758,750 |
| <i>Pepco Holdings Incorporated</i> | 100 | 1,894 |
| <i>The Southern Company</i> | 60,000 | 2,497,200 |
| | | 31,452,529 |
| Gas Utilities: 0.02% | | |
| <i>New Jersey Resources</i> | 200 | 8,616 |
| <i>South Jersey Industries Incorporated</i> | 200 | 11,552 |
| | | 20,168 |
| Multi-Utilities: 11.67% | | |
| <i>CenterPoint Energy Incorporated</i> | 50,000 | 1,146,500 |
| <i>Dominion Resources Incorporated</i> | 300 | 17,505 |
| <i>Hera SpA</i> | 1,200,000 | 2,365,330 |
| <i>MDU Resources Group Incorporated</i> | 500 | 13,350 |
| <i>Public Service Enterprise Group Incorporated</i> | 50,000 | 1,621,000 |
| <i>Sempra Energy</i> | 19,900 | 1,679,958 |
| <i>Suez Environnement Company SA</i> | 275,000 | 4,098,293 |
| <i>Veolia Environnement SA</i> | 137,000 | 2,116,493 |
| <i>Wisconsin Energy Corporation</i> | 3,000 | 123,120 |
| | | 13,181,549 |
| Water Utilities: 1.80% | | |
| <i>American Water Works Company Incorporated</i> | 50,000 | 2,037,000 |
| Total Common Stocks (Cost \$53,269,988) | | 68,947,113 |

| | Interest rate | Maturity date | Principal | |
|--|----------------------|----------------------|------------------|---------|
| Corporate Bonds and Notes: 29.98% | | | | |
| Consumer Discretionary: 7.40% | | | | |
| Auto Components: 0.63% | | | | |
| <i>Allison Transmission Incorporated 144A</i> | 7.13% | 5-15-2019 | \$ 340,000 | 357,850 |
| <i>Cooper Tire & Rubber Company</i> | 7.63 | 3-15-2027 | 205,000 | 195,775 |
| <i>Goodyear Tire & Rubber Company</i> | 7.00 | 5-15-2022 | 25,000 | 25,531 |
| <i>United Rentals North America Incorporated</i> | 5.75 | 7-15-2018 | 125,000 | 133,438 |
| | | | | 712,594 |
| Distributors: 0.11% | | | | |
| <i>LKQ Corporation 144A</i> | 4.75 | 5-15-2023 | 140,000 | 128,800 |

Portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 3

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|-----------|-----------|
| Diversified Consumer Services: 0.64% | | | | |
| <i>Ceridian Corporation 144A</i> | 11.00% | 3-15-2021 | \$ 10,000 | \$ 11,550 |
| <i>Service Corporation International 144A</i> | 5.38 | 1-15-2022 | 10,000 | 9,713 |
| <i>Service Corporation International</i> | 6.75 | 4-1-2016 | 100,000 | 108,125 |
| <i>Service Corporation International</i> | 7.00 | 6-15-2017 | 25,000 | 27,438 |
| <i>Service Corporation International</i> | 7.50 | 4-1-2027 | 351,000 | 379,080 |
| <i>Service Corporation International</i> | 7.63 | 10-1-2018 | 25,000 | 28,406 |
| <i>Service Corporation International</i> | 8.00 | 11-15-2021 | 40,000 | 45,700 |
| <i>Sotheby's 144A</i> | 5.25 | 10-1-2022 | 125,000 | 118,125 |
| | | | | 728,137 |
| Hotels, Restaurants & Leisure: 2.64% | | | | |
| <i>Ameristar Casinos Incorporated</i> | 7.50 | 4-15-2021 | 260,000 | 278,200 |
| <i>Burger King Corporation</i> | 9.88 | 10-15-2018 | 75,000 | 84,375 |
| <i>CCM Merger Incorporated 144A</i> | 9.13 | 5-1-2019 | 465,000 | 485,925 |
| <i>CityCenter Holdings LLC</i> | 7.63 | 1-15-2016 | 100,000 | 105,625 |
| <i>CityCenter Holdings LLC</i> | 10.75 | 1-15-2017 | 270,431 | 291,389 |
| <i>DineEquity Incorporated</i> | 9.50 | 10-30-2018 | 350,000 | 389,375 |
| <i>Greektown Superholdings Incorporated Series A</i> | 13.00 | 7-1-2015 | 550,000 | 577,500 |
| <i>Greektown Superholdings Incorporated Series B</i> | 13.00 | 7-1-2015 | 150,000 | 157,500 |
| <i>NAI Entertainment Holdings LLC 144A</i> | 5.00 | 8-1-2018 | 150,000 | 151,875 |
| <i>NAI Entertainment Holdings LLC 144A</i> | 8.25 | 12-15-2017 | 43,000 | 46,578 |
| <i>Penn National Gaming Incorporated</i> | 8.75 | 8-15-2019 | 75,000 | 82,125 |
| <i>Ruby Tuesday Incorporated</i> | 7.63 | 5-15-2020 | 135,000 | 135,000 |
| <i>Scientific Games Corporation</i> | 9.25 | 6-15-2019 | 60,000 | 64,875 |
| <i>Speedway Motorsports Incorporated</i> | 6.75 | 2-1-2019 | 120,000 | 126,900 |
| | | | | 2,977,242 |
| Household Durables: 0.04% | | | | |
| <i>American Greetings Corporation</i> | 7.38 | 12-1-2021 | 25,000 | 24,375 |
| <i>Tempur Sealy International Incorporated</i> | 6.88 | 12-15-2020 | 25,000 | 26,094 |
| | | | | 50,469 |

Media: 2.73%

| | | | | |
|--|------|-----------|---------|---------|
| <i>Allbritton Communications Company</i> | 8.00 | 5-15-2018 | 150,000 | 162,000 |
| <i>Cablevision Systems Corporation</i> | 8.63 | 9-15-2017 | 145,000 | 164,938 |
| <i>CCO Holdings LLC</i> | 5.75 | 1-15-2024 | 10,000 | 9,275 |
| <i>CCO Holdings LLC</i> | 6.50 | 4-30-2021 | 200,000 | 202,500 |
| <i>Cinemark USA Incorporated</i> | 7.38 | 6-15-2021 | 75,000 | 80,813 |
| <i>CSC Holdings LLC</i> | 7.63 | 7-15-2018 | 45,000 | 51,188 |
| <i>CSC Holdings LLC</i> | 7.88 | 2-15-2018 | 75,000 | 85,125 |
| <i>CSC Holdings LLC</i> | 8.63 | 2-15-2019 | 125,000 | 143,750 |
| <i>DISH DBS Corporation</i> | 5.13 | 5-1-2020 | 25,000 | 24,188 |
| <i>DISH DBS Corporation</i> | 7.88 | 9-1-2019 | 115,000 | 129,663 |
| <i>DreamWorks Animation SKG Incorporated</i> | | | | |
| <i>144A</i> | 6.88 | 8-15-2020 | 115,000 | 118,163 |
| <i>EchoStar DBS Corporation</i> | 7.13 | 2-1-2016 | 50,000 | 54,500 |
| <i>Gray Television Incorporated</i> | 7.50 | 10-1-2020 | 260,000 | 274,300 |
| <i>Lamar Media Corporation</i> | 5.88 | 2-1-2022 | 75,000 | 75,563 |
| <i>Lamar Media Corporation</i> | 7.88 | 4-15-2018 | 130,000 | 138,938 |

4 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of investments August 31, 2013

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|-----------|-----------|
| Media (continued) | | | | |
| <i>Lamar Media Corporation Series C</i> | 9.75% | 4-1-2014 | \$ 25,000 | \$ 26,063 |
| <i>LIN Television Corporation</i> | 6.38 | 1-15-2021 | 25,000 | 25,000 |
| <i>LIN Television Corporation</i> | 8.38 | 4-15-2018 | 150,000 | 160,125 |
| <i>Live Nation Entertainment Incorporated 144A</i> | 7.00 | 9-1-2020 | 15,000 | 15,600 |
| <i>Local TV Finance LLC 144A</i> | 9.25 | 6-15-2015 | 425,000 | 430,313 |
| <i>Lynx I Corporation 144A</i> | 5.38 | 4-15-2021 | 25,000 | 24,375 |
| <i>Lynx II Corporation 144A</i> | 6.38 | 4-15-2023 | 25,000 | 24,813 |
| <i>National CineMedia LLC</i> | 6.00 | 4-15-2022 | 170,000 | 173,400 |
| <i>National CineMedia LLC</i> | 7.88 | 7-15-2021 | 50,000 | 54,000 |
| <i>Nexstar Broadcasting Group Incorporated 144A</i> | 6.88 | 11-15-2020 | 95,000 | 95,950 |
| <i>Regal Cinemas Corporation</i> | 8.63 | 7-15-2019 | 285,000 | 308,156 |
| <i>Regal Entertainment Group</i> | 5.75 | 6-15-2023 | 30,000 | 28,050 |
| | | | | 3,080,749 |
| Specialty Retail: 0.61% | | | | |
| <i>ABC Supply Company Incorporated 144A</i> | 5.63 | 4-15-2021 | 40,000 | 38,800 |
| <i>Ahern Rentals Incorporated 144A</i> | 9.50 | 6-15-2018 | 85,000 | 87,125 |
| <i>Hot Topic Incorporated 144A</i> | 9.25 | 6-15-2021 | 5,000 | 5,075 |
| <i>Limited Brands Incorporated</i> | 6.63 | 4-1-2021 | 25,000 | 26,563 |
| <i>Penske Auto Group Incorporated</i> | 5.75 | 10-1-2022 | 80,000 | 79,200 |
| <i>RadioShack Corporation</i> | 6.75 | 5-15-2019 | 165,000 | 122,925 |
| <i>Rent-A-Center Incorporated</i> | 6.63 | 11-15-2020 | 145,000 | 152,613 |
| <i>Sonic Automotive Incorporated</i> | 5.00 | 5-15-2023 | 20,000 | 18,500 |
| <i>Toys R Us Property Company II LLC</i> | 8.50 | 12-1-2017 | 150,000 | 157,875 |
| | | | | 688,676 |
| Consumer Staples: 0.08% | | | | |
| Food Products: 0.08% | | | | |
| <i>Hawk Acquisition Incorporated 144A</i> | 4.25 | 10-15-2020 | 100,000 | 94,500 |
| Energy: 5.61% | | | | |

Energy Equipment & Services: 1.67%

| | | | | |
|---|------|------------|---------|-----------|
| <i>Cleaver Brooks Incorporated 144A</i> | 8.75 | 12-15-2019 | 25,000 | 26,500 |
| <i>Dresser-Rand Group Incorporated</i> | 6.50 | 5-1-2021 | 90,000 | 95,625 |
| <i>Era Group Incorporated</i> | 7.75 | 12-15-2022 | 185,000 | 185,000 |
| <i>Gulfmark Offshore Incorporated</i> | 6.38 | 3-15-2022 | 320,000 | 324,000 |
| <i>Hornbeck Offshore Services Incorporated 144A</i> | 5.00 | 3-1-2021 | 220,000 | 210,100 |
| <i>Hornbeck Offshore Services Incorporated</i> | 5.88 | 4-1-2020 | 40,000 | 40,500 |
| <i>NGPL PipeCo LLC 144A</i> | 7.77 | 12-15-2037 | 370,000 | 318,200 |
| <i>Northern Tier Energy LLC 144A</i> | 7.13 | 11-15-2020 | 100,000 | 99,000 |
| <i>Oil States International Incorporated</i> | 6.50 | 6-1-2019 | 164,000 | 173,020 |
| <i>PHI Incorporated</i> | 8.63 | 10-15-2018 | 380,000 | 401,375 |
| <i>Pride International Incorporated</i> | 8.50 | 6-15-2019 | 10,000 | 12,626 |
| | | | | 1,885,946 |

Portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 5

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|-----------|
| Oil, Gas & Consumable Fuels: 3.94% | | | | |
| <i>CVR Refining LLC 144A</i> | 6.50% | 11-1-2022 | \$ 100,000 | \$ 96,000 |
| <i>Denbury Resources Incorporated</i> | 4.63 | 7-15-2023 | 25,000 | 22,313 |
| <i>Denbury Resources Incorporated</i> | 6.38 | 8-15-2021 | 25,000 | 26,188 |
| <i>Denbury Resources Incorporated</i> | 8.25 | 2-15-2020 | 140,000 | 154,000 |
| <i>El Paso Corporation</i> | 6.50 | 9-15-2020 | 45,000 | 47,383 |
| <i>El Paso Corporation</i> | 7.00 | 6-15-2017 | 75,000 | 83,485 |
| <i>El Paso Corporation</i> | 7.25 | 6-1-2018 | 175,000 | 197,243 |
| <i>El Paso Corporation</i> | 7.42 | 2-15-2037 | 90,000 | 86,449 |
| <i>El Paso Corporation</i> | 7.80 | 8-1-2031 | 100,000 | 104,552 |
| <i>Energy Transfer Equity LP</i> | 7.50 | 10-15-2020 | 300,000 | 327,000 |
| <i>Exterran Partners LP 144A</i> | 6.00 | 4-1-2021 | 225,000 | 218,250 |
| <i>Ferrellgas LP</i> | 9.13 | 10-1-2017 | 95,000 | 99,513 |
| <i>Inergy Midstream LP 144A</i> | 6.00 | 12-15-2020 | 76,000 | 75,050 |
| <i>Kinder Morgan Energy 144A</i> | 6.00 | 1-15-2018 | 25,000 | 27,078 |
| <i>Murphy Oil USA Incorporated 144A</i> | 6.00 | 8-15-2023 | 30,000 | 29,775 |
| <i>Petrohawk Energy Corporation</i> | 7.88 | 6-1-2015 | 95,000 | 96,886 |
| <i>Petrohawk Energy Corporation</i> | 10.50 | 8-1-2014 | 60,000 | 62,478 |
| <i>Pioneer Natural Resources Company</i> | 7.50 | 1-15-2020 | 145,000 | 176,901 |
| <i>Plains Exploration & Production Company</i> | 8.63 | 10-15-2019 | 325,000 | 360,659 |
| <i>Rockies Express Pipeline LLC 144A</i> | 5.63 | 4-15-2020 | 260,000 | 221,000 |
| <i>Rockies Express Pipeline LLC 144A</i> | 6.00 | 1-15-2019 | 25,000 | 22,750 |
| <i>Rockies Express Pipeline LLC 144A</i> | 6.88 | 4-15-2040 | 435,000 | 348,000 |
| <i>Rockies Express Pipeline LLC 144A</i> | 7.50 | 7-15-2038 | 205,000 | 175,275 |
| <i>Sabine Pass Liquefaction LLC 144A</i> | 5.63 | 2-1-2021 | 75,000 | 71,625 |
| <i>Sabine Pass Liquefaction LLC 144A</i> | 5.63 | 4-15-2023 | 75,000 | 69,563 |
| <i>Sabine Pass LNG LP 144A</i> | 6.50 | 11-1-2020 | 390,000 | 391,950 |
| <i>Sabine Pass LNG LP</i> | 7.50 | 11-30-2016 | 370,000 | 407,463 |
| <i>Semgroup LP 144A</i> | 7.50 | 6-15-2021 | 210,000 | 213,675 |
| <i>Suburban Propane Partners LP</i> | 7.38 | 3-15-2020 | 60,000 | 63,600 |
| <i>Suburban Propane Partners LP</i> | 7.38 | 8-1-2021 | 26,000 | 27,365 |
| <i>Suburban Propane Partners LP</i> | 7.50 | 10-1-2018 | 42,000 | 45,045 |
| <i>Tesoro Corporation</i> | 9.75 | 6-1-2019 | 90,000 | 98,663 |
| | | | | 4,447,177 |

Financials: 5.60%

Commercial Banks: 0.42%

| | | | | |
|---|------|-----------|---------|---------|
| <i>CIT Group Incorporated</i> | 5.00 | 5-15-2017 | 25,000 | 25,938 |
| <i>CIT Group Incorporated</i> | 5.25 | 3-15-2018 | 25,000 | 25,813 |
| <i>CIT Group Incorporated 144A</i> | 5.50 | 2-15-2019 | 100,000 | 102,500 |
| <i>CIT Group Incorporated 144A</i> | 6.63 | 4-1-2018 | 50,000 | 54,000 |
| <i>Emigrant Bancorp Incorporated 144A</i> | 6.25 | 6-15-2014 | 275,000 | 271,906 |
| | | | | 480,157 |

Consumer Finance: 3.69%

| | | | | |
|------------------------------------|------|-----------|---------|---------|
| <i>Ally Financial Incorporated</i> | 5.50 | 2-15-2017 | 50,000 | 52,657 |
| <i>Ally Financial Incorporated</i> | 7.50 | 9-15-2020 | 90,000 | 101,250 |
| <i>Ally Financial Incorporated</i> | 8.00 | 3-15-2020 | 65,000 | 74,831 |
| <i>Ally Financial Incorporated</i> | 8.30 | 2-12-2015 | 825,000 | 891,000 |

6 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of investments August 31, 2013

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Consumer Finance (continued) | | | | |
| <i>American General Finance Corporation</i> | 5.40% | 12-1-2015 | \$ 140,000 | \$ 142,450 |
| <i>American General Finance Corporation</i> | 5.75 | 9-15-2016 | 50,000 | 50,813 |
| <i>American General Finance Corporation</i> | 6.50 | 9-15-2017 | 50,000 | 49,750 |
| <i>BMC Software Finance Incorporated 144A</i> | 8.13 | 7-15-2021 | 45,000 | 45,563 |
| <i>Clearwire Communications Finance Corporation 144A</i> | 12.00 | 12-1-2015 | 130,000 | 137,150 |
| <i>First Data Corporation 144A</i> | 11.75 | 8-15-2021 | 170,000 | 158,950 |
| <i>Ford Motor Credit Company LLC</i> | 8.00 | 12-15-2016 | 25,000 | 29,047 |
| <i>General Motors Financial Company Incorporated</i> | 6.75 | 6-1-2018 | 120,000 | 133,650 |
| <i>GMAC LLC</i> | 6.75 | 12-1-2014 | 36,000 | 37,800 |
| <i>Homer City Funding LLC (PIK at 9.23%) ¥</i> | 8.73 | 10-1-2026 | 149,149 | 151,386 |
| <i>International Lease Finance Corporation 144A</i> | 6.75 | 9-1-2016 | 50,000 | 54,625 |
| <i>International Lease Finance Corporation 144A</i> | 7.13 | 9-1-2018 | 35,000 | 38,850 |
| <i>International Lease Finance Corporation</i> | 8.63 | 9-15-2015 | 75,000 | 82,313 |
| <i>JBS USA Finance Incorporated</i> | 11.63 | 5-1-2014 | 420,000 | 441,000 |
| <i>Nielsen Finance LLC Company</i> | 4.50 | 10-1-2020 | 15,000 | 14,250 |
| <i>Nielsen Finance LLC Company</i> | 7.75 | 10-15-2018 | 515,000 | 560,063 |
| <i>SLM Corporation</i> | 7.25 | 1-25-2022 | 70,000 | 71,575 |
| <i>SLM Corporation</i> | 8.00 | 3-25-2020 | 265,000 | 288,188 |
| <i>SLM Corporation</i> | 8.45 | 6-15-2018 | 125,000 | 142,500 |
| <i>Springleaf Finance Corporation 144A</i> | 6.00 | 6-1-2020 | 175,000 | 162,313 |
| <i>Springleaf Finance Corporation</i> | 6.90 | 12-15-2017 | 250,000 | 254,688 |
| | | | | 4,166,662 |
| Diversified Financial Services: 0.51% | | | | |
| <i>HUB International Limited Company 144A</i> | 8.13 | 10-15-2018 | 210,000 | 231,000 |
| <i>MPH Intermediate Holding Company (PIK at 9.13%) 144A ¥</i> | 8.38 | 8-1-2018 | 25,000 | 25,500 |
| <i>Nuveen Investments Incorporated</i> | 5.50 | 9-15-2015 | 275,000 | 272,250 |
| <i>Nuveen Investments Incorporated 144A</i> | 9.13 | 10-15-2017 | 50,000 | 49,250 |
| | | | | 578,000 |
| Insurance: 0.04% | | | | |
| | 6.38 | 4-1-2021 | 45,000 | 45,338 |

*Fidelity & Guaranty Life Holdings
Incorporated 144A*

Real Estate Management & Development:

0.16%

| | | | | |
|------------------------------|------|-----------|---------|---------|
| <i>Onex Corporation 144A</i> | 7.75 | 1-15-2021 | 175,000 | 175,438 |
|------------------------------|------|-----------|---------|---------|

REITs: 0.78%

| | | | | |
|--|------|------------|---------|---------|
| <i>Dupont Fabros Technology Incorporated</i> | 8.50 | 12-15-2017 | 565,000 | 596,075 |
|--|------|------------|---------|---------|

| | | | | |
|--|------|------------|---------|---------|
| <i>Omega Healthcare Investors Incorporated</i> | 6.75 | 10-15-2022 | 125,000 | 132,813 |
|--|------|------------|---------|---------|

| | | | | |
|---------------------------------------|------|----------|--------|--------|
| <i>Sabra Health Care Incorporated</i> | 5.38 | 6-1-2023 | 50,000 | 47,500 |
|---------------------------------------|------|----------|--------|--------|

| | | | | |
|---------------------------------------|------|-----------|--------|---------|
| <i>Sabra Health Care Incorporated</i> | 8.13 | 11-1-2018 | 98,000 | 105,595 |
|---------------------------------------|------|-----------|--------|---------|

881,983

Health Care: 1.41%

Health Care Equipment & Supplies: 0.10%

| | | | | |
|-----------------------------|------|----------|---------|---------|
| <i>Hologic Incorporated</i> | 6.25 | 8-1-2020 | 110,000 | 114,675 |
|-----------------------------|------|----------|---------|---------|

Portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 7

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|------------|
| Health Care Providers & Services: 1.28% | | | | |
| <i>Aviv HealthCare Properties LP</i> | 7.75% | 2-15-2019 | \$ 100,000 | \$ 107,000 |
| <i>Centene Corporation</i> | 5.75 | 6-1-2017 | 75,000 | 79,125 |
| <i>Community Health Systems Incorporated</i> | 5.13 | 8-15-2018 | 40,000 | 40,900 |
| <i>DaVita HealthCare Partners Incorporated</i> | 5.75 | 8-15-2022 | 55,000 | 54,450 |
| <i>DaVita HealthCare Partners Incorporated</i> | 6.38 | 11-1-2018 | 5,000 | 5,250 |
| <i>HCA Incorporated</i> | 5.88 | 3-15-2022 | 25,000 | 25,813 |
| <i>HCA Incorporated</i> | 6.50 | 2-15-2020 | 175,000 | 187,906 |
| <i>HCA Incorporated</i> | 7.50 | 11-15-2095 | 50,000 | 45,000 |
| <i>HCA Incorporated</i> | 8.50 | 4-15-2019 | 275,000 | 297,000 |
| <i>Health Management Associates Incorporated</i> | 6.13 | 4-15-2016 | 50,000 | 54,625 |
| <i>HealthSouth Corporation</i> | 5.75 | 11-1-2024 | 25,000 | 24,000 |
| <i>HealthSouth Corporation</i> | 7.25 | 10-1-2018 | 22,000 | 23,650 |
| <i>HealthSouth Corporation</i> | 8.13 | 2-15-2020 | 60,000 | 65,700 |
| <i>MPT Operating Partnership LP</i> | 6.38 | 2-15-2022 | 50,000 | 50,875 |
| <i>MPT Operating Partnership LP</i> | 6.88 | 5-1-2021 | 125,000 | 131,563 |
| <i>Multiplan Incorporated 144A</i> | 9.88 | 9-1-2018 | 165,000 | 182,738 |
| <i>Select Medical Corporation 144A</i> | 6.38 | 6-1-2021 | 70,000 | 66,150 |
| | | | | 1,441,745 |
| Health Care Technology: 0.03% | | | | |
| <i>Healthcare Technology Intermediate Incorporated (PIK at 8.13%) 144A</i> | 7.38 | 9-1-2018 | 35,000 | 35,525 |
| Industrials: 1.72% | | | | |
| Aerospace & Defense: 0.13% | | | | |
| <i>TransDigm Group Incorporated</i> | 5.50 | 10-15-2020 | 70,000 | 68,250 |
| <i>TransDigm Group Incorporated</i> | 7.75 | 12-15-2018 | 75,000 | 80,250 |
| | | | | 148,500 |
| Air Freight & Logistics: 0.18% | | | | |
| <i>Bristow Group Incorporated</i> | 6.25 | 10-15-2022 | 195,000 | 199,875 |

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Airlines: 0.16%

| | | | | |
|--|------|------------|---------|---------|
| <i>Aviation Capital Group Corporation 144A</i> | 4.63 | 1-31-2018 | 25,000 | 24,921 |
| <i>Aviation Capital Group Corporation 144A</i> | 6.75 | 4-6-2021 | 100,000 | 105,119 |
| <i>Aviation Capital Group Corporation 144A</i> | 7.13 | 10-15-2020 | 50,000 | 54,312 |
| | | | | 184,352 |

Commercial Services & Supplies: 0.54%

| | | | | |
|------------------------------------|------|------------|---------|---------|
| <i>Covanta Holding Corporation</i> | 6.38 | 10-1-2022 | 50,000 | 50,656 |
| <i>Covanta Holding Corporation</i> | 7.25 | 12-1-2020 | 10,000 | 10,678 |
| <i>Geo Group Incorporated 144A</i> | 5.13 | 4-1-2023 | 125,000 | 115,000 |
| <i>Geo Group Incorporated</i> | 6.63 | 2-15-2021 | 20,000 | 20,900 |
| <i>Geo Group Incorporated</i> | 7.75 | 10-15-2017 | 160,000 | 166,400 |
| <i>Iron Mountain Incorporated</i> | 5.75 | 8-15-2024 | 25,000 | 22,563 |
| <i>Iron Mountain Incorporated</i> | 6.00 | 8-15-2023 | 115,000 | 114,138 |
| <i>Iron Mountain Incorporated</i> | 8.38 | 8-15-2021 | 99,000 | 107,663 |
| | | | | 607,998 |

8 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of investments August 31, 2013

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|-----------|-----------|
| Machinery: 0.25% | | | | |
| <i>Columbus McKinnon Corporation</i> | 7.88% | 2-1-2019 | \$ 75,000 | \$ 78,750 |
| <i>H&E Equipment Services Incorporated</i> | 7.00 | 9-1-2022 | 195,000 | 207,188 |
| | | | | 285,938 |
| Professional Services: 0.15% | | | | |
| <i>Interactive Data Corporation</i> | 10.25 | 8-1-2018 | 150,000 | 166,500 |
| Trading Companies & Distributors: 0.22% | | | | |
| <i>Ashtead Capital Incorporated 144A</i> | 6.50 | 7-15-2022 | 235,000 | 248,513 |
| Transportation Infrastructure: 0.09% | | | | |
| <i>Florida East Coast Railway Corporation</i> | 8.13 | 2-1-2017 | 65,000 | 68,575 |
| <i>Watco Companies LLC 144A</i> | 6.38 | 4-1-2023 | 30,000 | 29,625 |
| | | | | 98,200 |
| Information Technology: 2.11% | | | | |
| Communications Equipment: 0.18% | | | | |
| <i>Avaya Incorporated</i> | 9.75 | 11-1-2015 | 50,000 | 49,500 |
| <i>CyrusOne LP</i> | 6.38 | 11-15-2022 | 25,000 | 25,125 |
| <i>Lucent Technologies Incorporated</i> | 6.45 | 3-15-2029 | 155,000 | 119,350 |
| <i>SBA Communications Corporation</i> | 5.63 | 10-1-2019 | 10,000 | 9,850 |
| | | | | 203,825 |
| Electronic Equipment, Instruments & Components: 0.68% | | | | |
| <i>CDW Financial Corporation</i> | 12.54 | 10-12-2017 | 43,000 | 44,881 |
| <i>Jabil Circuit Incorporated</i> | 8.25 | 3-15-2018 | 620,000 | 730,050 |
| | | | | 774,931 |
| Internet Software & Services: 0.02% | | | | |
| <i>Equinix Incorporated</i> | 4.88 | 4-1-2020 | 10,000 | 9,625 |

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| | | | | |
|--|-------|------------|---------|-----------|
| <i>Verisign Incorporated 144A</i> | 4.63 | 5-1-2023 | 10,000 | 9,350 |
| | | | | 18,975 |
| IT Services: 1.16% | | | | |
| <i>Audatex North America Incorporated 144A</i> | 6.00 | 6-15-2021 | 125,000 | 126,563 |
| <i>Audatex North America Incorporated</i> | 6.75 | 6-15-2018 | 50,000 | 53,125 |
| <i>Fidelity National Information Services Incorporated</i> | 7.88 | 7-15-2020 | 100,000 | 110,817 |
| <i>First Data Corporation 144A</i> | 7.38 | 6-15-2019 | 50,000 | 51,875 |
| <i>First Data Corporation</i> | 11.25 | 3-31-2016 | 392,000 | 391,020 |
| <i>SunGard Data Systems Incorporated</i> | 7.38 | 11-15-2018 | 515,000 | 547,188 |
| <i>SunGard Data Systems Incorporated</i> | 7.63 | 11-15-2020 | 25,000 | 26,750 |
| | | | | 1,307,338 |
| Software: 0.07% | | | | |
| <i>Nuance Communications Incorporated 144A</i> | 5.38 | 8-15-2020 | 85,000 | 80,963 |

Portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 9

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|-----------|-----------|
| Materials: 0.45% | | | | |
| Chemicals: 0.06% | | | | |
| <i>Celanese US Holdings LLC</i> | 5.88% | 6-15-2021 | \$ 20,000 | \$ 20,500 |
| <i>Chemtura Corporation</i> | 5.75 | 7-15-2021 | 50,000 | 49,375 |
| | | | | 69,875 |
| Containers & Packaging: 0.24% | | | | |
| <i>Crown Americas LLC</i> | 6.25 | 2-1-2021 | 20,000 | 21,000 |
| <i>Crown Cork & Seal Company Incorporated</i> | 7.38 | 12-15-2026 | 15,000 | 16,425 |
| <i>Crown Cork & Seal Company Incorporated (i)</i> | 7.50 | 12-15-2096 | 50,000 | 46,750 |
| <i>Owens-Illinois Incorporated</i> | 7.80 | 5-15-2018 | 60,000 | 68,400 |
| <i>Sealed Air Corporation 144A</i> | 6.88 | 7-15-2033 | 70,000 | 65,100 |
| <i>Silgan Holdings Incorporated</i> | 5.00 | 4-1-2020 | 50,000 | 49,750 |
| | | | | 267,425 |
| Paper & Forest Products: 0.15% | | | | |
| <i>Georgia-Pacific LLC</i> | 8.88 | 5-15-2031 | 125,000 | 171,301 |
| Telecommunication Services: 3.77% | | | | |
| Diversified Telecommunication Services: 1.91% | | | | |
| <i>Citizens Communications Company</i> | 7.88 | 1-15-2027 | 200,000 | 191,000 |
| <i>Frontier Communications Corporation</i> | 8.13 | 10-1-2018 | 60,000 | 66,000 |
| <i>Frontier Communications Corporation</i> | 8.25 | 5-1-2014 | 3,000 | 3,098 |
| <i>GCI Incorporated</i> | 6.75 | 6-1-2021 | 170,000 | 161,500 |
| <i>GCI Incorporated</i> | 8.63 | 11-15-2019 | 368,000 | 382,720 |
| <i>Qwest Corporation</i> | 7.25 | 9-15-2025 | 125,000 | 137,927 |
| <i>Qwest Corporation</i> | 7.63 | 8-3-2021 | 20,000 | 20,600 |
| <i>Syniverse Holdings Incorporated</i> | 9.13 | 1-15-2019 | 365,000 | 392,375 |
| <i>TW Telecommunications Holdings Incorporated 144A</i> | 5.38 | 10-1-2022 | 40,000 | 38,100 |
| <i>TW Telecommunications Holdings Incorporated 144A</i> | 6.38 | 9-1-2023 | 45,000 | 44,775 |

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TW Telecommunications Holdings

| | | | | |
|-------------------------------|------|-----------|---------|-----------|
| <i>Incorporated</i> | 5.38 | 10-1-2022 | 445,000 | 423,863 |
| <i>Windstream Corporation</i> | 7.88 | 11-1-2017 | 265,000 | 294,150 |
| | | | | 2,156,108 |

Wireless Telecommunication Services:

1.86%

| | | | | |
|---|-------|------------|-----------|-----------|
| <i>Cricket Communications Incorporated</i> | 7.75 | 10-15-2020 | 180,000 | 204,525 |
| <i>Crown Castle International Corporation</i> | 5.25 | 1-15-2023 | 100,000 | 94,500 |
| <i>Crown Castle International Corporation</i> | 7.13 | 11-1-2019 | 10,000 | 10,750 |
| <i>MetroPCS Wireless Incorporated 144A</i> | 6.25 | 4-1-2021 | 10,000 | 9,975 |
| <i>MetroPCS Wireless Incorporated</i> | 6.63 | 11-15-2020 | 240,000 | 249,000 |
| <i>MetroPCS Wireless Incorporated 144A</i> | 6.63 | 4-1-2023 | 10,000 | 9,925 |
| <i>MetroPCS Wireless Incorporated</i> | 7.88 | 9-1-2018 | 130,000 | 140,725 |
| <i>SBA Telecommunications Corporation</i> | 5.75 | 7-15-2020 | 100,000 | 100,500 |
| <i>SBA Telecommunications Corporation</i> | 8.25 | 8-15-2019 | 7,000 | 7,595 |
| <i>Sprint Capital Corporation</i> | 6.88 | 11-15-2028 | 1,100,000 | 992,750 |
| <i>Sprint Capital Corporation</i> | 8.75 | 3-15-2032 | 220,000 | 225,500 |
| <i>Sprint Nextel Corporation 144A</i> | 9.00 | 11-15-2018 | 25,000 | 29,188 |
| <i>Sprint Nextel Corporation</i> | 11.50 | 11-15-2021 | 25,000 | 32,625 |
| | | | | 2,107,558 |

10 Wells Fargo Advantage Utilities and High Income
Fund

Portfolio of investments August 31, 2013

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|-----------|------------|
| Utilities: 1.83% | | | | |
| Electric Utilities: 0.92% | | | | |
| <i>Energy Future Intermediate Holding Company LLC 144A</i> | | | | |
| | 6.88% | 8-15-2017 | \$ 25,000 | \$ 25,281 |
| <i>IPALCO Enterprises Incorporated</i> | | | | |
| | 5.00 | 5-1-2018 | 100,000 | 102,750 |
| <i>IPALCO Enterprises Incorporated 144A</i> | | | | |
| | 7.25 | 4-1-2016 | 160,000 | 174,800 |
| <i>Mirant Mid-Atlantic LLC Series C</i> | | | | |
| | 10.06 | 12-30-2028 | 438,432 | 485,564 |
| <i>Otter Tail Corporation</i> | | | | |
| | 9.00 | 12-15-2016 | 215,000 | 247,788 |
| | | | | 1,036,183 |
| Gas Utilities: 0.24% | | | | |
| <i>AmeriGas Finance LLC</i> | | | | |
| | 6.50 | 5-20-2021 | 5,000 | 5,163 |
| <i>AmeriGas Finance LLC</i> | | | | |
| | 6.75 | 5-20-2020 | 175,000 | 185,500 |
| <i>AmeriGas Finance LLC</i> | | | | |
| | 7.00 | 5-20-2022 | 75,000 | 79,125 |
| | | | | 269,788 |
| Independent Power Producers & Energy Traders: 0.67% | | | | |
| <i>Calpine Construction Finance Corporation 144A</i> | | | | |
| | 7.25 | 10-15-2017 | 335,000 | 349,238 |
| <i>NRG Energy Incorporated</i> | | | | |
| | 8.50 | 6-15-2019 | 185,000 | 199,338 |
| <i>NSG Holdings LLC 144A</i> | | | | |
| | 7.75 | 12-15-2025 | 125,000 | 129,375 |
| <i>Reliant Energy Incorporated</i> | | | | |
| | 9.24 | 7-2-2017 | 67,388 | 69,241 |
| <i>Reliant Energy Incorporated</i> | | | | |
| | 9.68 | 7-2-2026 | 10,000 | 10,600 |
| | | | | 757,792 |
| Total Corporate Bonds and Notes (Cost \$32,788,972) | | | | 33,875,751 |

Dividend yield

Shares

Preferred Stocks: 19.09%

Financials: 0.08%

Diversified Financial Services: 0.08%

| | | | |
|-------------------------------|------|-------|--------|
| <i>GMAC Capital Trust I ±</i> | 8.13 | 3,457 | 91,645 |
|-------------------------------|------|-------|--------|

Telecommunication Services: 1.96%

Diversified Telecommunication Services:

1.96%

| | | | |
|--------------------------|------|--------|-----------|
| <i>Qwest Corporation</i> | 7.00 | 90,000 | 2,210,400 |
|--------------------------|------|--------|-----------|

Utilities: 17.05%

Electric Utilities: 9.29%

| | | | |
|--------------------------------|------|---------|-----------|
| <i>Duke Energy Corporation</i> | 5.13 | 130,000 | 2,754,700 |
|--------------------------------|------|---------|-----------|

| | | | |
|---|------|--------|-----------|
| <i>Indianapolis Power & Light Company</i> | 5.65 | 20,000 | 2,025,626 |
|---|------|--------|-----------|

| | | | |
|---|------|--------|-----------|
| <i>Interstate Power & Light Company</i> | 5.10 | 50,000 | 1,046,500 |
|---|------|--------|-----------|

| | | | |
|--------------------|------|--------|---------|
| <i>SCE Trust I</i> | 5.63 | 23,000 | 503,010 |
|--------------------|------|--------|---------|

| | | | |
|-----------------------------------|------|--------|-----------|
| <i>Southern California Edison</i> | 6.50 | 34,908 | 3,691,521 |
|-----------------------------------|------|--------|-----------|

| | | | |
|---------------------------------|------|-------|---------|
| <i>Wisconsin Public Service</i> | 5.08 | 4,804 | 484,904 |
|---------------------------------|------|-------|---------|

10,506,261

Portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 11

| Security name | Dividend yield | Shares | Value |
|---|----------------|---------|--------------|
| Multi-Utilities: 7.76% | | | |
| <i>DTE Energy Company Series Q</i> | 5.25% | 100,000 | \$ 2,081,000 |
| <i>Integrus Energy Group ±</i> | 6.00 | 95,000 | 2,327,500 |
| <i>SCANA Corporation</i> | 7.70 | 165,000 | 4,357,650 |
| | | | 8,766,150 |
| Total Preferred Stocks (Cost \$22,730,805) | | | 21,574,456 |

| | Interest rate | Maturity date | Principal | |
|--|---------------|---------------|------------|-----------|
| Term Loans: 2.69% | | | | |
| <i>Alliance Laundry Systems LLC</i> | 9.50 | 12-10-2019 | \$ 144,122 | 145,023 |
| <i>Applied Systems Incorporated</i> | 8.25 | 6-8-2017 | 20,000 | 20,100 |
| <i>Capital Automotive LP</i> | 4.00 | 4-10-2019 | 200,029 | 200,729 |
| <i>Capital Automotive LP</i> | 6.00 | 4-30-2020 | 110,000 | 112,475 |
| <i>CBAC Borrower LLC</i> | 8.25 | 7-2-2020 | 85,000 | 87,338 |
| <i>CCM Merger Incorporated</i> | 5.00 | 3-1-2017 | 164,827 | 165,445 |
| <i>Centaur LLC</i> | 8.75 | 2-15-2020 | 125,000 | 125,938 |
| <i>Dealer Computer Services Incorporated</i> | | | | |
| < | 0.00 | 2-15-2021 | 15,000 | 15,321 |
| <i>Federal-Mogul Corporation</i> | 2.13 | 12-29-2014 | 80,976 | 78,850 |
| <i>Federal-Mogul Corporation</i> | 2.13 | 12-28-2015 | 41,314 | 40,230 |
| <i>Focus Brands Incorporated</i> | 10.25 | 8-21-2018 | 176,935 | 179,589 |
| <i>Four Seasons Holdings Incorporated</i> | 6.25 | 12-28-2020 | 25,000 | 25,375 |
| <i>Level 3 Financing Incorporated</i> | 4.00 | 1-15-2020 | 250,000 | 249,793 |
| <i>Philadelphia Energy Solutions LLC</i> | 6.25 | 4-4-2018 | 224,438 | 215,460 |
| <i>Spin Holdco Incorporated</i> | 4.25 | 11-14-2019 | 80,000 | 80,075 |
| <i>Springleaf Finance Corporation</i> | 5.50 | 5-10-2017 | 48,000 | 47,988 |
| <i>Tallgrass Energy Partners LP</i> | 5.25 | 11-13-2018 | 103,555 | 104,720 |
| <i>Texas Competitive Electric Holdings LLC</i> | 3.71 | 10-10-2014 | 1,471,940 | 1,000,359 |
| <i>Total Safety US Incorporated</i> | 9.25 | 9-11-2020 | 19,950 | 20,299 |
| <i>TWCC Holding Corporation</i> | 7.00 | 6-26-2020 | 15,000 | 15,375 |
| <i>WASH Multifamily Laundry Systems LLC</i> | 5.25 | 2-21-2019 | 109,725 | 109,999 |

Total Term Loans (Cost \$3,398,555) 3,040,481

| | Expiration date | Shares | |
|--|------------------------|---------------|---------------|
| Warrants: 0.08% | | | |
| Utilities: 0.08% | | | |
| Electric Utilities: 0.00% | | | |
| <i>China Hydroelectric Company ADR</i> | 01-25-2014 | 10,000 | 184 |
| Gas Utilities: 0.08% | | | |
| <i>Kinder Morgan Incorporated</i> | 05-25-2017 | 16,000 | 84,160 |
| Total Warrants (Cost \$42,480) | | | 84,344 |

12 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of investments August 31, 2013

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|-----------|-----------|
| Yankee Corporate Bonds and Notes: 1.73% | | | | |
| Consumer Discretionary: 0.06% | | | | |
| Media: 0.06% | | | | |
| <i>Videotron Limited</i> | 5.00% | 7-15-2022 | \$ 35,000 | \$ 32,550 |
| <i>Videotron Limited</i> | 9.13 | 4-15-2018 | 35,000 | 36,706 |
| | | | | 69,256 |
| Energy: 0.07% | | | | |
| Oil, Gas & Consumable Fuels: 0.07% | | | | |
| <i>Griffin Coal Mining Company Limited 144A(s)</i> | 9.50 | 12-1-2016 | 93,118 | 75,659 |
| Financials: 0.10% | | | | |
| Consumer Finance: 0.10% | | | | |
| <i>Wind Acquisition Finance SpA 144A</i> | 11.75 | 7-15-2017 | 110,000 | 114,950 |
| Health Care: 0.13% | | | | |
| Pharmaceuticals: 0.13% | | | | |
| <i>VPPI Escrow Corporation 144A</i> | 6.75 | 8-15-2018 | 50,000 | 52,938 |
| <i>VPPI Escrow Corporation 144A</i> | 7.50 | 7-15-2021 | 85,000 | 90,950 |
| | | | | 143,888 |
| Information Technology: 0.31% | | | | |
| Computers & Peripherals: 0.31% | | | | |
| <i>Seagate Technology HDD Holdings 144A</i> | 4.75 | 6-1-2023 | 150,000 | 138,375 |
| <i>Seagate Technology HDD Holdings</i> | 6.80 | 10-1-2016 | 50,000 | 55,625 |
| <i>Seagate Technology HDD Holdings</i> | 6.88 | 5-1-2020 | 80,000 | 86,200 |
| <i>Seagate Technology HDD Holdings</i> | 7.00 | 11-1-2021 | 65,000 | 70,363 |
| | | | | 350,563 |
| Materials: 0.24% | | | | |

Metals & Mining: 0.17%

| | | | | |
|-----------------------------|------|------------|---------|---------|
| <i>Novelis Incorporated</i> | 8.38 | 12-15-2017 | 100,000 | 107,250 |
| <i>Novelis Incorporated</i> | 8.75 | 12-15-2020 | 75,000 | 81,563 |
| | | | | 188,813 |

Paper & Forest Products: 0.07%

| | | | | |
|---------------------------|------|-----------|---------|--------|
| <i>Sappi Limited 144A</i> | 7.50 | 6-15-2032 | 100,000 | 77,250 |
|---------------------------|------|-----------|---------|--------|

Telecommunication Services: 0.82%

Diversified Telecommunication Services:

0.78%

| | | | | |
|---|------|-----------|---------|---------|
| <i>Intelsat Bermuda Limited 144A</i> | 7.75 | 6-1-2021 | 95,000 | 97,850 |
| <i>Intelsat Bermuda Limited 144A</i> | 8.13 | 6-1-2023 | 40,000 | 41,800 |
| <i>Intelsat Jackson Holdings Limited 144A</i> | 5.50 | 8-1-2023 | 200,000 | 185,500 |
| <i>Intelsat Jackson Holdings Limited</i> | 7.25 | 4-1-2019 | 275,000 | 294,938 |
| <i>Intelsat Jackson Holdings Limited</i> | 7.50 | 4-1-2021 | 50,000 | 54,000 |
| <i>Intelsat Jackson Holdings Limited</i> | 8.50 | 11-1-2019 | 40,000 | 43,500 |

Portfolio of investments August 31, 2013

Wells Fargo Advantage Utilities and High Income Fund 13

| Security name | Interest rate | Maturity date | Principal | Value |
|--|----------------|---------------|---------------|-----------------------|
| Diversified Telecommunication Services | | | | |
| (continued) | | | | |
| <i>Intelsat Jackson Holdings SA</i> | 7.25% | 10-15-2020 | \$ 150,000 | \$ 160,125 |
| | | | | 877,713 |
| Wireless Telecommunication Services: | | | | |
| 0.04% | | | | |
| <i>Telesat Canada Incorporated 144A</i> | 6.00 | 5-15-2017 | 50,000 | 51,875 |
| Total Yankee Corporate Bonds and Notes | | | | 1,949,967 |
| (Cost \$1,908,001) | | | | |
| | Yield | | Shares | |
| Short-Term Investments: 2.18% | | | | |
| Investment Companies: 2.18% | | | | |
| <i>Wells Fargo Advantage Cash Investment</i> | | | | |
| <i>Money Market Fund, Select Class (l)(u) ##</i> | 0.09 | | 2,462,946 | 2,462,946 |
| Total Short-Term Investments (Cost | | | | 2,462,946 |
| \$2,462,946) | | | | |
| Total investments in securities | | | | |
| (Cost \$116,601,747) * | | | | |
| <i>Other assets and liabilities, net</i> | 116.76% | | | 131,935,058 |
| | (16.76) | | | (18,933,937) |
| Total net assets | 100.00% | | | \$ 113,001,121 |

¥ 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.

All or a portion of this security has been segregated for unfunded loans.

(l) Investment in an affiliate

(u) Rate shown is the 7-day annualized yield at period end.

< All or a portion of the position represents an unfunded loan commitment.

(i) Illiquid security for which the designation as illiquid is unaudited

Non-income-earning security

144A Security that may be resold to qualified institutional buyers under Rule 144A or security offered pursuant to Section 4(2) of the Securities Act of 1933, as amended.

(s) Security is currently in default with regards to scheduled interest and/or principal payments. The Fund has stopped accruing interest on this security.

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

* Cost for federal income tax purposes is \$117,313,761 and unrealized appreciation (depreciation) consists of:

| | |
|-------------------------------|--------------------|
| Gross unrealized appreciation | \$ 19,080,389 |
| Gross unrealized depreciation | <u>(4,459,092)</u> |
| Net unrealized appreciation | \$ 14,621,297 |

Report of Independent Registered Public Accounting Firm

The Board of Trustees of

Wells Fargo Advantage Utilities and High Income Fund:

We have audited the financial statements of the Wells Fargo Advantage Utilities and High Income Fund (the Fund), as of August 31, 2013, and for each of the years presented and have issued our unqualified report thereon dated October 28, 2013 (which report and financial statements are included in Item 1 of this Certified Shareholder Report on Form N-CSR). We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our audit included an audit of the Fund s portfolio of investments (the Portfolio) as of August 31, 2013 appearing in Item 6 of this Form N-CSR. This Portfolio is the responsibility of management. Our responsibility is to express an opinion on this Portfolio based on our audit.

In our opinion, the Portfolio referred to above, when read in conjunction with the financial statements of the Fund, presents fairly, in all material respects, the information set forth therein.

Boston, Massachusetts

October 28, 2013

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END
MANAGEMENT INVESTMENT COMPANIES
PROXY VOTING POLICIES AND PROCEDURES

REVISED AS OF FEBRUARY 8, 2012

1. Scope of Policies and Procedures. These Policies and Procedures (Procedures) are used to determine how to vote proxies relating to portfolio securities held by the series of Wells Fargo Funds Trust, Wells Fargo Master Trust, Wells Fargo Variable Trust, Asset Allocation Trust, Wells Fargo Advantage Global Dividend Opportunity Fund, Wells Fargo Advantage Income Opportunities Fund, Wells Fargo Advantage Multi-Sector Income Fund, and Wells Fargo Advantage Utilities and High Income Fund (the Trusts) except for those series that exclusively hold non-voting securities (hereafter, all such series, and all such Trusts not having separate series, holding voting securities are referred to as the Funds).

2. Voting Philosophy. The Funds and Wells Fargo Funds Management, LLC (Funds Management) have adopted these Procedures to ensure that proxies are voted in the best interests of Fund shareholders, without regard to any relationship that any affiliated person of the Fund (or an affiliated person of such affiliated person) may have with the issuer. Funds Management exercises its voting responsibility, as a fiduciary, with the goal of maximizing value to shareholders consistent with governing laws and the investment policies of each Fund. While securities are not purchased to exercise control or to seek to effect corporate change through share ownership, the Funds support sound corporate governance practices within companies in which they invest.

3. Responsibilities

(a) Board of Trustees. The Board of Trustees of each Trust (the Board) has delegated the responsibility for voting proxies relating to the Funds portfolio securities to Funds Management. The Board retains the authority to make or ratify any voting decisions or approve any changes to these Procedures as the Board deems appropriate. Funds Management will provide reports to the Board regarding voting matters when and as reasonably requested by the Board. The Board shall review these Procedures as often as it deems appropriate to consider whether any revisions are warranted. On an annual basis, the Board shall receive and review a report from Funds Management on the proxy voting process.

(b) Funds Management Proxy Committee

- (i) Responsibilities. The Funds Management Proxy Voting Committee (the Proxy Committee) shall be responsible for overseeing the proxy voting process to ensure its implementation in conformance with these Procedures. The Proxy Committee shall monitor Institutional Shareholder Services (ISS), the proxy voting agent for Funds Management, to determine that ISS is accurately applying the Procedures as set forth herein. The Proxy Committee shall review the continuing appropriateness of the Procedures set forth herein, recommend revisions to the Board as necessary and provide an annual update to the Board on the proxy voting process.
- (ii) Voting Guidelines. Appendix A hereto sets forth guidelines regarding how proxies will be voted on the issues specified. ISS will vote proxies for or against as directed by the guidelines. Where the guidelines specify a case by case determination for a particular issue, ISS will forward the proxy to the Proxy Committee for a vote determination by the Proxy Committee. Finally, with respect to issues for which a vote for or against is specified by the Procedures, the Proxy Committee shall have the

authority to direct ISS to forward the proxy to the Proxy Committee for a discretionary vote by the Proxy Committee if the Proxy Committee determines that a case-by-case review of such matter is warranted. The Proxy Committee may also consult Fund sub-advisers on certain proxy voting issues on a case-by-case basis as the Proxy Committee deems appropriate or to the extent that a sub-adviser of a Fund makes a recommendation regarding a proxy voting

issue. As a general matter, however, proxies are voted consistently on the same matter when securities of an issuer are held by multiple Funds.

- (iii) Proxy Committee. In all cases, the Proxy Committee will exercise its voting discretion in accordance with the voting philosophy of the Funds. In cases where a proxy is forwarded by ISS to the Proxy Committee, the Proxy Committee may be assisted in its voting decision through receipt of:
- (i) independent research and voting recommendations provided by ISS or other independent sources;
 - (ii) input from the investment sub-adviser responsible for purchasing the security; and
 - (iii) information provided by company management and shareholder groups.

Voting decisions made by the Proxy Committee will be reported to ISS to ensure that the vote is registered in a timely manner and included in Form N-PX reporting.

- (iv) Securities on Loan. As a general matter, securities on loan will not be recalled to facilitate proxy voting (in which case the borrower of the security shall be entitled to vote the proxy). However, if the Proxy Committee is aware of an item in time to recall the security and has determined in good faith that the importance of the matter to be voted upon outweighs the loss in lending revenue that would result from recalling the security (i.e., if there is a controversial upcoming merger or acquisition, or some other significant matter), the security will be recalled for voting.
- (v) Practical Limitations to Proxy Voting. While Funds Management uses its best efforts to vote proxies, in certain circumstances it may be impractical or impossible for Funds Management to vote proxies (e.g., limited value or unjustifiable costs). For example, in accordance with local law or business practices, many foreign companies prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting (share blocking). Due to these restrictions, Funds Management must balance the benefits to its clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. As a result, Funds Management will generally not vote those proxies in the absence of an unusual, significant vote or compelling economic importance. Additionally, Funds Management may not be able to vote proxies for certain foreign securities if Funds Management does not receive the proxy statement in time to vote the proxies due to custodial processing delays.
- (vi) Conflicts of Interest. Funds Management may have a conflict of interest regarding a proxy to be voted upon if, for example, Funds Management or its affiliates have other relationships with the issuer of the proxy. In most instances, conflicts of interest are avoided through a strict and objective application of the voting guidelines attached hereto. However, when the Proxy Committee is aware of a material conflict of interest regarding a matter that would otherwise require a vote by the Proxy Committee, the Proxy Committee shall address the material conflict by using any of the following methods:
- (1) instructing ISS to vote in accordance with the recommendation ISS makes to its clients;
 - (2) disclosing the conflict to the Board and obtaining their consent before voting;
 - (3) submitting the matter to the Board to exercise its authority to vote on such matter;
 - (4) engaging an independent fiduciary who will direct the Proxy Committee on voting instructions for the proxy;
 - (5) consulting with outside legal counsel for guidance on resolution of the conflict of interest;
 - (6) erecting information barriers around the person or persons making voting decisions;
 - (7) voting in proportion to other shareholders (mirror voting); or
 - (8) voting in other ways that are consistent with each Fund's obligation

to vote in the best interests of its shareholders. Additionally, the Proxy Committee will not permit its votes to be influenced by any conflict of interest that exists for any other affiliated person of the Fund (such as a sub-adviser or principal underwriter)

or any affiliated persons of such affiliated persons and the Proxy Committee will vote all such matters without regard to the conflict.

Funds Management may also have a conflict of interest regarding a proxy to be voted on if a member of the Board has an affiliation, directly or indirectly, with a public or private company (an Identified Company). Identified Companies include a Board member's employer, as well as any company of which the Board member is a director or officer or a 5% or more shareholder. The Proxy Committee shall address such a conflict by instructing ISS to vote in accordance with the recommendation ISS makes to its clients.

(vii) Meetings. The Proxy Committee shall convene as needed and when discretionary voting determinations need to be considered, and shall have the authority to act by vote of a majority of the Proxy Committee members available at that time. The Proxy Committee shall also meet at least semi-annually to review the Procedures and the performance of ISS in exercising its proxy voting responsibilities.

(viii) Membership. The voting members of the Proxy Committee shall be Tom Biwer, Travis Keshemberg, Patrick McGuinnis and Erik Sens. Andrew Owen shall be a non-voting member and serve in an advisory capacity on the Proxy Committee. Changes to the membership of the Proxy Committee will be made only with Board approval. Upon departure from Funds Management, a member's position on the Proxy Committee will automatically terminate.

4. Disclosure of Policies and Procedures. Each Fund shall disclose in its statement of additional information a description of the policies and procedures it uses to determine how to vote proxies relating to securities held in its portfolio. In addition, each Fund shall disclose in its semi- and annual reports that a description of its proxy voting policies and procedures is available without charge, upon request, by calling 1-800-222-8222, on the Fund's web site at www.wellsfargo.com/advantagefunds and on the Securities and Exchange Commission's website at <http://www.sec.gov>.

5. Disclosure of Proxy Voting Record. Each Trust shall file with the Commission an annual report on Form N-PX not later than August 31 of each year (beginning August 31, 2004), containing the Trust's proxy voting record for the most recent twelve-month period ended June 30.

Each Fund shall disclose in its statement of additional information and semi- and annual reports that information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Funds' web site at www.wellsfargo.com/advantagefunds or by accessing the Commission's web site at www.sec.gov.

Each Fund shall disclose the following information on Form N-PX for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the Fund was entitled to vote:

The name of the issuer of the portfolio security;

The exchange ticker symbol of the portfolio security;

The Council of Uniform Securities Identification Procedures (CUSIP) number for the portfolio security (unless the CUSIP is not available through reasonably practicable means, in which case it will be omitted);

The shareholder meeting date;

A brief identification of the matter voted on;

Whether the matter was proposed by the issuer or by a security holder;

Whether the Fund cast its vote on the matter;

How the Fund cast its vote (e.g. for or against a proposal, or abstain; for or withhold regarding election of directors); and

Whether the Fund cast its vote for or against management.

Form N-PX shall be made available to Fund shareholders through the SEC web site.

APPENDIX A

TO

PROXY VOTING POLICIES AND PROCEDURES

Funds Management will vote proxies relating to portfolio securities held by the Trusts in accordance with the following proxy voting guidelines. To the extent the specific guidelines below do not address a proxy voting proposal, Funds Management will vote pursuant to ISS current U.S. and International proxy voting guidelines. Proxies for securities held by the Wells Fargo Advantage Social Awareness Fund related to social and environmental proposals will be voted pursuant to ISS current SRI Proxy Voting Guidelines. In addition, proxies related to issues not addressed by the specific guidelines below or by ISS current U.S. and International proxy voting guidelines will be forwarded to the Proxy Committee for a vote determination by the Proxy Committee.

Uncontested Election of Directors or Trustees

| | |
|--|-----------------|
| <p>THE FUNDS will generally vote for all uncontested director or trustee nominees. The Nominating Committee is in the best position to select nominees who are available and capable of working well together to oversee management of the company. THE FUNDS will not require a performance test for directors.</p> | <p>FOR</p> |
| <p>THE FUNDS will generally vote for reasonably crafted shareholder proposals calling for directors to be elected with an affirmative majority of votes cast and/or the elimination of the plurality standard for electing directors, unless the company has adopted formal corporate governance principles that present a meaningful alternative to the majority voting standard.</p> | <p>FOR</p> |
| <p>THE FUNDS will withhold votes for a director if the nominee fails to attend at least 75% of the board and committee meetings without a valid excuse.</p> | <p>WITHHOLD</p> |
| <p>THE FUNDS will vote against routine election of directors if any of the following apply: company fails to disclose adequate information in a timely manner, serious issues with the finances, questionable transactions, conflicts of interest, record of abuses against minority shareholder interests, bundling of director elections, and/or egregious governance practices.</p> | <p>AGAINST</p> |
| <p>THE FUNDS will withhold votes from the entire board (except for new nominees) where the director(s) receive more than 50% withhold votes out of those cast and the issue that was the underlying cause of the high level of withhold votes has not been addressed.</p> | <p>WITHHOLD</p> |
| <p>THE FUNDS will withhold votes from members of the Audit Committee and/or the full board if poor accounting practices, which rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures, are identified.</p> | <p>WITHHOLD</p> |
| <p>THE FUNDS will withhold votes from members of the Audit Committee if the company receives an adverse opinion on the company's financial statements from its auditor.</p> | <p>WITHHOLD</p> |
| | <p>WITHHOLD</p> |

THE FUNDS will withhold votes from members of the Audit Committee if there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm.

| | |
|--|------------------------------|
| <p>THE FUNDS will withhold votes from all directors (except for new nominees) if the company has adopted or renewed a poison pill without shareholder approval since the company's last annual meeting, does not put the pill to a vote at the current annual meeting, and does not have a requirement or does not commit to put the pill to shareholder vote within 12 months. In addition, THE FUNDS will withhold votes on all directors at any company that responds to the majority of the shareholders voting by putting the poison pill to a shareholder vote with a recommendation other than to eliminate the pill.</p> | <p>WITHHOLD</p> |
| <p>THE FUNDS will withhold votes from compensation committee members if they fail to submit one-time transferable stock options (TSOs) to shareholders for approval.</p> | <p>WITHHOLD</p> |
| <p>Limitation on Number of Boards a Director May Sit On</p> | |
| <p>THE FUNDS will withhold votes from directors who sit on more than six boards.</p> | <p>WITHHOLD</p> |
| <p>THE FUNDS will withhold votes from CEO directors who sit on more than two outside boards besides their own.</p> | <p>WITHHOLD</p> |
| <p>Ratification of Auditors</p> | |
| <p>THE FUNDS will vote against auditors and withhold votes from audit committee members if non-audit fees are greater than audit fees, audit-related fees, and permitted tax fees, combined. THE FUNDS will follow the disclosure categories being proposed by the SEC in applying the above formula.</p> | <p>AGAINST/ WITHHOLD</p> |
| <p>With the above exception, THE FUNDS will generally vote for proposals to ratify auditors unless:</p> | <p>FOR</p> |
| <p style="padding-left: 20px;">an auditor has a financial interest in or association with the company, and is therefore not independent, or</p> | <p>AGAINST</p> |
| <p style="padding-left: 20px;">there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.</p> | <p>AGAINST</p> |
| <p>THE FUNDS will vote against proposals that require auditors to attend annual meetings as auditors are regularly reviewed by the board audit committee, and such attendance is unnecessary.</p> | <p>AGAINST</p> |
| <p>THE FUNDS will vote for shareholder proposals requesting a shareholder vote for audit firm ratification.</p> | <p>FOR</p> |
| <p>THE FUNDS will vote against shareholder proposals asking for audit firm rotation. This practice is viewed as too disruptive and too costly to implement for the benefit achieved.</p> | <p>AGAINST</p> |
| <p>Company Name Change/Purpose</p> | |
| <p>THE FUNDS will vote for proposals to change the company name as management and the board is best suited to determine if such change in company name is necessary.</p> | <p>FOR</p> |
| <p>However, where the name change is requested in connection with a reorganization of the company, the vote will be based on the merits of the reorganization.</p> | <p>CASE-BY-CASE</p> |

In addition, THE FUNDS will generally vote for proposals to amend the purpose of the company. Management is in the best position to know whether the description of what the company does is accurate, or whether it needs to be updated by deleting, adding or revising language. FOR

Employee Stock Purchase Plans/401(k) Employee Benefit Plans

THE FUNDS will vote for proposals to adopt, amend or increase authorized shares for employee stock purchase plans and 401(k) plans for employees as properly structured plans enable employees to purchase common stock at a slight discount and thus own a beneficial interest in the company, provided that the total cost of the company's plan is not above the allowable cap for the company. FOR

Similarly, THE FUNDS will generally vote for proposals to adopt or amend thrift and savings plans, retirement plans, pension plans and profit plans. FOR

Anti-Hedging/Pledging/Speculative Investments Policy

THE FUNDS will consider proposals prohibiting named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan on a case-by-case basis. The company's existing policies regarding responsible use of company stock will be considered. CASE-BY-CASE

Approve Other Business

THE FUNDS will generally vote for proposals to approve other business. This transfer of authority allows the corporation to take certain ministerial steps that may arise at the annual or special meeting. FOR

However, THE FUNDS retains the discretion to vote against such proposals if adequate information is not provided in the proxy statement, or the measures are significant and no further approval from shareholders is sought. AGAINST

Independent Board of Directors/Board Committees

THE FUNDS will vote for proposals requiring that two-thirds of the board be independent directors. An independent board faces fewer conflicts and is best prepared to protect stockholders interests. FOR

THE FUNDS will withhold votes from insiders and affiliated outsiders on boards that are not at least majority independent. WITHHOLD

THE FUNDS will withhold votes from compensation committee members where there is a pay-for-performance disconnect (for Russell 3000 companies). WITHHOLD

THE FUNDS will vote for proposals requesting that the board audit, compensation and/or nominating committees be composed of independent directors, only. Committees should be composed entirely of independent directors in order to avoid conflicts of interest.

FOR

THE FUNDS will withhold votes from any insiders or affiliated outsiders on audit, compensation or nominating committees. THE FUNDS will withhold votes from any insiders or affiliated outsiders on the board if any of these key committees has not been established.

WITHHOLD

THE FUNDS will vote against proposals from shareholders requesting an independent compensation consultant. AGAINST

Director Fees

THE FUNDS will vote for proposals to set director fees. FOR

Minimum Stock Requirements by Directors

THE FUNDS will vote against proposals requiring directors to own a minimum number of shares of company stock in order to qualify as a director, or to remain on the board. Minimum stock ownership requirements can impose an across-the-board requirement that could prevent qualified individuals from serving as directors. AGAINST

Indemnification and Liability Provisions for Directors and Officers

THE FUNDS will vote for proposals to allow indemnification of directors and officers, when the actions taken were on behalf of the company and no criminal violations occurred. THE FUNDS will also vote in favor of proposals to purchase liability insurance covering liability in connection with those actions. Not allowing companies to indemnify directors and officers to the degree possible under the law would limit the ability of the company to attract qualified individuals. FOR

Alternatively, THE FUNDS will vote against indemnity proposals that are overly broad. For example, THE FUNDS will oppose proposals to indemnify directors for acts going beyond mere carelessness, such as gross negligence, acts taken in bad faith, acts not otherwise allowed by state law or more serious violations of fiduciary obligations. AGAINST

Nominee Statement in the Proxy

THE FUNDS will vote against proposals that require board nominees to have a statement of candidacy in the proxy, since the proxy statement already provides adequate information pertaining to the election of directors. AGAINST

Director Tenure/Retirement Age

THE FUNDS will vote against proposals to limit the tenure of directors as such limitations based on an arbitrary number could prevent qualified individuals from serving as directors. However, THE FUNDS is in favor of inserting cautionary language when the average director tenure on the board exceeds 15 years for the entire board. AGAINST

The Funds will vote for proposals to establish a mandatory retirement age for directors provided that such retirement age is not less than 65. FOR

Board Powers/Procedures/Qualifications CASE-BY-CASE

THE FUNDS will consider on a case-by-case basis proposals to amend the corporation's By-laws so that the Board of Directors shall have the power, without the assent or vote of the shareholders, to make, alter, amend, or rescind the By-laws, fix the amount to be reserved as working capital, and fix the number of directors and what number shall constitute a quorum of the Board. In determining these issues, THE FUNDS will rely on the proxy voting Guidelines.

Adjourn Meeting to Solicit Additional Votes

THE FUNDS will examine proposals to adjourn the meeting to solicit additional votes on a case-by-case basis. As additional solicitation may be costly and could result in coercive pressure on shareholders, THE FUNDS will consider the nature of the proposal and its vote recommendations for the scheduled meeting.

CASE-BY-CASE

THE FUNDS will vote for this item when:

THE FUNDS is supportive of the underlying merger proposal; the company provides a sufficient, compelling reason to support the adjournment proposal; and the authority is limited to adjournment proposals requesting the authority to adjourn solely to solicit proxies to approve a transaction THE FUNDS supports.

FOR

Reimbursement of Solicitation Expenses

THE FUNDS will consider contested elections on a case-by-case basis, considering the following factors: long-term financial performance of the target company relative to its industry; management's track record; background of the proxy contest; qualifications of director or trustee nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and stock ownership positions.

CASE-BY-CASE

Board Structure: Staggered vs. Annual Elections

THE FUNDS will consider the issue of classified boards on a case-by-case basis. In some cases, the division of the board into classes, elected for staggered terms, can entrench the incumbent management and make them less responsive to shareholder concerns. On the other hand, in some cases, staggered elections may provide for the continuity of experienced directors on the Board.

CASE-BY-CASE

Removal of Directors

THE FUNDS will consider on a case-by-case basis proposals to eliminate shareholders' rights to remove directors with or without cause or only with approval of two-thirds or more of the shares entitled to vote.

CASE-BY-CASE

However, a requirement that a 75% or greater vote be obtained for removal of directors is abusive and will warrant a vote against the proposal.

AGAINST

Board Vacancies

AGAINST

THE FUNDS will vote against proposals that allow the board to fill vacancies without

shareholder approval as these authorizations run contrary to basic shareholders' rights.

Alternatively, THE FUNDS will vote for proposals that permit shareholders to elect directors to fill board vacancies.

FOR

Cumulative Voting