

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-Q

September 26, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANY**

**Investment Company Act file number: 811-21331**

**Wells Fargo Advantage Multi-Sector Income Fund**

(Exact name of registrant as specified in charter)

525 Market Street, 12<sup>th</sup> Floor, San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

**C. David Messman**

**Wells Fargo Funds Management, LLC**

**525 Market Street, 12<sup>th</sup> Floor, 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: October 31, 2011**

**Date of reporting period: July 31, 2012**

ITEM 1. PORTFOLIO OF INVESTMENTS

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WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

Security name	Interest rate	Maturity date	Principal	Value
<b>Agency Securities : 5.03%</b>				
FHLMC	8.50%	4/1/15	\$ 7,545	\$ 7,592
FHLMC	8.50	7/1/28	114,413	141,105
FHLMC	8.50	3/1/30	65,807	69,371
FHLMC Series 0196 Class A ±	1.05	12/15/21	76,480	77,484
FHLMC Series 1383 ±	5.80	2/1/37	1,433,696	1,538,577
FHLMC Series 2390 Class FD ±	0.70	12/15/31	70,693	71,144
FHLMC Series 2411 Class F ±	0.80	2/15/32	101,337	102,294
FHLMC Series 2567 Class FH ±	0.65	2/15/33	171,378	171,749
FNMA ±	2.12	12/1/35	1,413,206	1,478,991
FNMA ±	2.28	8/1/36	1,923,014	2,011,974
FNMA ±	2.51	1/1/38	2,626,068	2,711,990
FNMA ±	2.58	6/1/38	3,023,040	3,228,121
FNMA ±	2.62	4/1/36	1,531,425	1,602,514
FNMA ±	2.64	7/1/36	1,033,264	1,099,980
FNMA ±	2.64	5/1/36	823,014	857,582
FNMA ±	4.77	9/1/32	2,079,775	2,233,044
FNMA ±	4.85	4/1/34	2,496,572	2,635,082
FNMA	6.00	4/1/33	184,794	207,980
FNMA ±	6.39	9/1/37	1,536,440	1,688,560
FNMA	6.50	11/1/32	65,123	75,096
FNMA	7.50	7/1/17	90,905	99,263
FNMA	7.50	10/1/28	11,406	11,433
FNMA	7.50	11/1/28	161,686	175,723
FNMA	7.50	2/1/30	42,186	42,949
FNMA	7.50	9/1/30	98,385	106,278
FNMA	8.00	12/1/24	5,363	5,420
FNMA	8.00	6/1/30	33,520	34,242
FNMA	12.00	1/1/16	11,800	13,080
FNMA Series 1996-46 Class FA ±	0.75	8/25/21	46,387	46,615
FNMA Series 2001-25 Class Z	6.00	6/25/31	449,027	503,929
FNMA Series 2001-35 Class F ±	0.85	7/25/31	20,456	20,668
FNMA Series 2001-57 Class F ±	0.75	6/25/31	20,595	20,762
FNMA Series 2001-T10 Class A2	7.50	12/25/41	214,930	254,640
FNMA Series 2002-77 Class FH ±	0.65	12/18/32	147,069	147,750
FNMA Series 2002-97 Class FR ±	0.80	1/25/33	44,171	44,357
FNMA Series 2003-W8 Class 3F2 ±	0.60	5/25/42	977,864	979,285
FNMA Series G91-16 Class F ±	0.70	6/25/21	50,445	50,654
FNMA Series G92-17 Class F ±	1.30	3/25/22	111,402	113,368
FREMF Mortgage Trust Series 2011 Class K16-B ±144A	4.59	11/25/46	1,000,000	1,019,779
FREMF Mortgage Trust Series 2011 Class K701-B ±144A	4.29	7/25/48	165,000	169,819
FREMF Mortgage Trust Series 2011 Class K702-B ±144A	4.77	4/25/44	740,000	779,722
FREMF Mortgage Trust Series 2012 Class B-K705 ±144A	4.16	9/25/44	1,000,000	1,015,719
FREMF Mortgage Trust Series 2012 Class K17-B ±144A	4.35	12/25/44	500,000	497,676
FREMF Mortgage Trust Series 2012 Class K18-B ±144A	4.26	1/25/45	810,000	800,140
FREMF Mortgage Trust Series 2012 Class K19-B ±144A#	4.18	5/25/45	1,000,000	983,700
FREMF Mortgage Trust Series 2012 Class K501-C ±144A	3.49	11/25/46	800,000	757,546
FREMF Mortgage Trust Series 2012 Class K706-B ±144A	4.02	11/25/44	500,000	502,320
FREMF Mortgage Trust Series 2012 Class K706-C ±144A	4.02	11/25/44	555,000	509,058
FREMF Mortgage Trust Series 2012 Class K707-B ±144A	3.88	1/25/47	930,000	923,151
FREMF Mortgage Trust Series 2012 Class K709-B ±144A	3.74	4/25/45	1,000,000	984,600
FREMF Mortgage Trust Series 2012 Class K710-B ±144A	3.95	6/25/47	1,000,000	984,110
GNMA	6.50	6/15/28	69,622	81,861

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GNMA	7.25	7/15/17	32,871	36,407
GNMA	7.25	8/15/17	13,781	15,254
GNMA	7.25	8/15/17	26,693	29,375
GNMA	7.25	8/15/17	51,332	56,653
GNMA	7.25	9/15/17	38,657	42,818
GNMA	7.25	10/15/17	42,259	46,486
GNMA	7.25	10/15/17	73,008	80,534
GNMA	7.25	11/15/17	33,750	37,007
GNMA	7.25	1/15/18	28,399	31,909
GNMA	7.25	1/15/18	12,097	13,367
GNMA	7.25	2/15/18	29,001	32,130

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PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Security name	Interest rate	Maturity date	Principal	Value
<b>Agency Securities (continued)</b>				
<i>GNMA</i>	7.25%	5/15/18	\$ 15,063	\$ 16,468
<b>Total Agency Securities (Cost \$33,869,953)</b>				35,128,255
<b>Asset-Backed Securities : 0.11%</b>				
<i>CVS Pass-Through Trust Series T (Cost \$717,227)</i>	6.04	12/10/28	640,690	734,391
<b>Total Asset-Backed Securities (Cost \$717,227)</b>				734,391
<b>Shares</b>				
<b>Common Stocks : 0.06%</b>				
<b>Consumer Discretionary : 0.00%</b>				
<b>Hotels, Restaurants &amp; Leisure : 0.00%</b>				
<i>Trump Entertainment Resorts Incorporated (i)</i>			1,161	4,644
<b>Telecommunication Services : 0.06%</b>				
<b>Diversified Telecommunication Services : 0.06%</b>				
<i>Fairpoint Communications Incorporated</i>			70,442	430,401
<b>Total Common Stocks (Cost \$1,617,838)</b>				435,045
<b>Principal</b>				
<b>Corporate Bonds and Notes : 58.38%</b>				
<b>Consumer Discretionary : 13.10%</b>				
<b>Auto Components : 0.93%</b>				
<i>Allison Transmission Incorporated 144A</i>	7.13	5/15/19	3,050,000	3,206,313
<i>Cooper Tire &amp; Rubber Company</i>	7.63	3/15/27	1,895,000	1,868,944
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12/15/19	450,000	482,063
<i>Goodyear Tire &amp; Rubber Company</i>	7.00	5/15/22	400,000	408,500
<i>Goodyear Tire &amp; Rubber Company</i>	8.75	8/15/20	468,000	513,630
				6,479,450
<b>Diversified Consumer Services : 1.34%</b>				
<i>Carriage Services Incorporated</i>	7.88	1/15/15	1,795,000	