

WELLS FARGO MULTI-SECTOR INCOME FUND

Form N-CSRS

July 05, 2016

[Table of Contents](#)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21331

Wells Fargo Multi-Sector 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: October 31

Date of reporting period: April 30, 2016

Table of Contents

ITEM 1. REPORT TO STOCKHOLDERS

Table of Contents

Semi-Annual Report

April 30, 2016

Wells Fargo Multi-Sector Income Fund (ERC)

Table of Contents*Reduce clutter. Save trees.*Sign up for electronic delivery of prospectuses and shareholder reports at wellsfargo.com/advantagedelivery

Contents

| | |
|--|----|
| <u>Letter to shareholders</u> | 2 |
| <u>Performance highlights</u> | 4 |
| <u>Summary portfolio of investments*</u> | 7 |
| <u>Financial statements</u> | |
| <u>Statement of assets and liabilities</u> | 18 |
| <u>Statement of operations</u> | 19 |
| <u>Statement of changes in net assets</u> | 20 |
| <u>Statement of cash flows</u> | 21 |
| <u>Financial highlights</u> | 22 |
| <u>Notes to financial statements</u> | 23 |
| <u>Other information</u> | 28 |
| <u>Automatic dividend reinvestment plan</u> | 31 |
| <u>List of abbreviations</u> | 32 |

* A complete schedule of portfolio holdings as of the report date may be obtained, free of charge, by accessing the following website: <https://www.wellsfargofunds.com/assets/edocs/regulatory/holdings/multi-sector-income-semi.pdf> or by calling Wells Fargo Funds at **1-800-222-8222**. This complete schedule, filed on Form N-CSRS, is also available on the SEC's website at sec.gov.

The views expressed and any forward-looking statements are as of April 30, 2016, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

Table of Contents

2 Wells Fargo Multi-Sector Income Fund

Letter to shareholders (unaudited)

Karla M. Rabusch

President

Wells Fargo Funds

The U.S. Federal Reserve (Fed) embarked on a tightening cycle and raised the target federal funds rate to between 0.25% and 0.50% in December 2015.

Dear Valued Shareholder:

We are pleased to offer you this semi-annual report for the Wells Fargo Multi-Sector Income Fund for the six-month period that ended April 30, 2016. The period was marked by low interest rates, weakness in commodity prices, and moderate U.S. economic growth.

Accommodative monetary policies stole the headlines.

The U.S. Federal Reserve (Fed) embarked on a tightening cycle and raised the target federal funds rate to between 0.25% and 0.50% in December 2015. However, Fed Chair Janet Yellen has emphasized that the Fed expects to raise rates only gradually, depending on economic data. In addition, the Fed is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction, and it anticipates doing so until normalization of the level of the federal funds rate is well underway.

The European Central Bank cut all three of its short-term rates during the reporting period, increased its asset-purchase program from 60 billion euros per month to 80 billion, expanded the list of eligible securities to include investment-grade nonbank debt, and created a fund-to-lend program where banks could be paid to lend money. In Japan, the Bank of Japan (BOJ) maintained an aggressive monetary program aimed at combating deflation. The BOJ set a negative deposit rate at the end of January 2016, its latest effort to encourage banks to lend rather than hold deposits.

Global economic growth was below trend, and oil prices plummeted.

Developed countries experienced subtrend growth and subdued inflation. In the U.S., however, economic growth advanced, the unemployment rate was 5.0% as of April 2016, and inflation remained below the Fed's longer-run objective of a 2% pace. Oil prices continued to fall dramatically, reaching a secular low of \$26 per barrel in February before increasing later in the reporting period.

Positive results masked intra-period volatility.

The Barclays U.S. Aggregate Bond Index,¹ a broad measure of U.S. investment-grade bonds, finished the reporting period with a return of 2.82% and masked intra-period volatility. Corporate bond spreads widened in early 2016 due to investors' fears about falling commodity prices and a slowing Chinese economy and then retraced their path as investor worries eased. Utilities were the best-performing subsector within investment-grade corporates, while industrials outperformed financials. The energy subsector, however, lagged as Moody's downgraded a vast array of energy names in response to lower oil prices and a change in its rating methodology. Within the securitized sector, commercial mortgage-backed securities benefited from positive investor sentiment later in the period. Spreads in mortgage-backed securities (MBS) remained narrow, supported by the Fed's reinvesting principal payments from its holdings of agency MBS that were acquired under quantitative easing.

Meanwhile, the Barclays Global Aggregate Bond Index² posted a 6.09% return during the six-month period that ended April 30, 2016, and the Barclays U.S. Corporate High Yield Bond Index³ returned 2.37%. Emerging markets debt yields declined and prices rose, dramatically in some cases, and emerging markets currencies also appreciated. For example, certain emerging markets currencies, such as the Brazilian real, appreciated by approximately 10% during the reporting period.

¹ The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. You cannot invest directly in an index.

Table of Contents

Letter to shareholders (unaudited) Wells Fargo Multi-Sector Income Fund 3
Since the end of the financial crisis, structural changes in the fixed-income markets have reduced trading liquidity (the degree to which assets can be bought or sold without affecting the price). New regulations and capital requirements have caused traditional liquidity suppliers (banks and broker/dealers) to be more risk averse and hold less inventory. Meanwhile, corporate debt issuance has spiked as companies finance themselves at record-low yields, bond mutual funds hold larger amounts of this new debt supply, trading volumes are lower, and large-size trades are more difficult to execute. However, fixed-income markets appeared to function well over the past year with sufficient liquidity.

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

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

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

Sincerely,

Karla M. Rabusch

President

Wells Fargo Funds

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.

Notice to shareholders

On December 17, 2015, the Fund announced an open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund may repurchase up to 10% of its outstanding shares within one year of December 17, 2015. The Fund's Board of Trustees has delegated to Wells Fargo Funds Management, LLC, the Fund's adviser, full discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations.

Notice to shareholders

Effective May 25, 2016, the Fund's Board of Trustees approved a change to the investment strategy guidelines of the Fund's high-yield sleeve. As of this date, the Fund will be allowed to hold more than 20% of its assets in securities rated CCC or lower. However, additional securities rated CCC or lower cannot be added to the Fund if, at the time of purchase, more than 20% of the sleeve's assets are rated CCC or lower.

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

² The Barclays Global Aggregate Bond Index measures global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. You cannot invest directly in an index.

³ The Barclays U.S. Corporate High Yield Bond Index is an unmanaged, U.S. dollar denominated, nonconvertible, non-investment-grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million. You cannot invest directly in an index.

Table of Contents

4 Wells Fargo Multi-Sector Income Fund Performance highlights (unaudited)
Investment objective

The Fund seeks a high level of current income consistent with limiting its overall exposure to domestic interest rate risk.

Adviser

Wells Fargo Funds Management, LLC

Subadvisers

First International Advisors, LLC

Wells Capital Management Incorporated

Portfolio managers

Ashok Bhatia, CFA®

Christopher Y. Kauffman, CFA®

Michael Lee

Niklas Nordenfelt, CFA®

Tony Norris

Alex Perrin

Phillip Susser

Christopher Wightman

Peter Wilson

Noah Wise

Average annual total returns (%) as of April 30, 2016¹

| | 6 Months | 1 Year | 5 Year | 10 Year |
|--------------------------------|----------|--------|--------|---------|
| Based on market value | 9.89 | 1.88 | 4.74 | 7.33 |
| Based on net asset value (NAV) | 3.22 | (1.79) | 4.52 | 6.73 |

Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on fund distributions or the sales of fund shares. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted, which assumes the reinvestment of dividends and capital gains. Performance figures of the Fund do not reflect brokerage commissions that a shareholder would pay on the purchase and sale of shares. If taxes and such brokerage commissions had been reflected, performance would have been lower. To obtain performance information current to the most recent month-end, please call 1-800-222-8222.

The Fund's expense ratio for the six month ended April 30, 2016, was 1.36% which includes 0.43% of interest expense.

Comparison of NAV vs. market value²

The Fund is leveraged through a revolving credit 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 value of common shares. Foreign investments are especially volatile and can rise or fall dramatically due to differences in the political and economic conditions of the host country. These risks are generally intensified in emerging markets. Derivatives involve additional risks including interest rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments that they are designed to hedge or to closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the Fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes and their impact on the Fund and its share price can be sudden and unpredictable. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. The Fund is exposed to mortgage- and asset-backed securities risk. This closed-end fund is no longer offered as an initial public offering and is only available through broker/dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request.

¹Total 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.

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

Table of Contents

Performance highlights (unaudited)

Wells Fargo Multi-Sector Income Fund 5

MANAGERS DISCUSSION

The Fund's return based on market value was 9.89% during the six-month period that ended April 30, 2016. During the same period, the Fund's return based on net asset value was 3.22%. The ERC Blended Index returned 4.14% for the reporting period.

Ten largest holdings (%) as of April 30, 2016⁴

| | |
|---|------|
| Mexico, 4.75%, 6-14-2018 | 1.93 |
| Brazil, 10.00%, 1-1-2017 | 1.89 |
| Sprint Capital Corporation, 6.88%, 11-15-2028 | 1.86 |
| Poland, 2.50%, 7-25-2026 | 1.82 |
| Indonesia, 7.88%, 4-15-2019 | 1.77 |
| NGPL PipeCo LLC, 7.77%, 12-15-2037 | 1.74 |
| Romania, 5.85%, 4-26-2023 | 1.60 |
| Poland, 3.25%, 7-25-2025 | 1.58 |
| Republic of South Africa, 8.00%, 12-21-2018 | 1.55 |
| Brazil, 10.00%, 1-1-2025 | 1.45 |

Overview

While returns were positive for the reporting period, the period can be broken down into two subperiods. The prices of riskier assets fell from the beginning of the reporting period through February 2016 as investors feared falling commodity prices and weakness in China. These prices then rebounded as investors regained confidence. In the meantime, perceived safe-haven assets such as U.S. Treasury bonds performed strongly in the first, risk-averse time frame and then lagged as other assets rebounded.

U.S. investment-grade corporate bonds did well, particularly during the final two months of the period. Within the securitized-bond market, higher-quality AAA-rated and AA-rated tranches bested lower-quality A-rated and BBB-rated bonds. In general, lower-rated segments within commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (MBS) also lagged higher-rated counterparts.

The high-yield market, as measured by the BofA Merrill Lynch U.S. High Yield Master II Constrained Index,⁵ declined 9.6% for the first part of the reporting period that ended February 11, 2016, before returning 13.2% for the remainder of the period. Energy and other commodity-related issues drove this volatility. The fall in commodity prices as well as technical pressure from large investment-grade issuers being downgraded into high yield aggravated this decline. Once the downgrades were absorbed by the high-yield market and commodity prices began to stabilize or rebound, the high-yield market rebounded. Non-U.S. bonds also had positive returns despite significant volatility in prices during the reporting period. Emerging markets debt yields declined and prices rose, and emerging markets currencies also appreciated.

Contributors to performance

Sector allocation added to results. An allocation to investment-grade long-term industrial bonds helped, particularly exposure to the tobacco, metals and mining, and media/entertainment subsectors. Highly rated MBS also contributed to performance because its incremental yield was more than enough to compensate for wider spreads. While high-yield bonds had more modest returns than the BBB-rated credit tier, it still was additive to results. The Fund's exposure to smaller and emerging markets economies added value during the period. Bond market exposure to Brazil, Indonesia, and South Africa was increased over the reporting period and performed particularly well. On the currency front, the allocation to emerging markets currencies (and a reduced position in the U.S. dollar) was beneficial.

Detractors from performance

Certain CMBS detracted from results because they only partially recovered from their sell-off in early 2016. Exposure to the oil-field services and insurance sectors hampered results in the investment-grade credit sector. Within the Fund's allocation to high yield, its exposure to the oil-field services, cable and satellite, and technology sectors detracted from results. Issue selection within the oil-field services sector also hurt results but was offset by solid security selection in the energy exploration and production sector and the pipeline sector. The Fund's shorter duration positioning within its non-U.S. bonds detracted from performance over the reporting period. In particular, an allocation to securities with less-than-one-year maturities in Indonesia did not perform as well as longer-dated bonds. Select corporate positions (TES Global Limited;* America Movil, S.A.B. de C.V., ADS; and Petroleos Mexicanos) also detracted from performance.

³ Source: Wells Fargo Funds Management, LLC. The ERC Blended Index consists of the Barclays Credit Bond Index (7.5%), the Barclays U.S. Securitized Index (7.5%), the BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index (60%), the J.P. Morgan GBI-EM Global Diversified Composite Index (18%), and the J.P. Morgan Global Government Bond ex U.S. Index (7%). You cannot invest directly in an index.

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

⁵ The BofA Merrill Lynch U.S. High Yield Master II Constrained Index is a market-value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3 but are not in default. The BofA Merrill Lynch U.S. High Yield Master II Constrained Index limits any individual issuer to a maximum of 2% benchmark exposure. You cannot invest directly in an index.

Table of Contents

| | |
|--|---|
| 6 Wells Fargo Multi-Sector Income Fund | Performance highlights (unaudited) |
| Credit quality as of April 30, 2016⁶ | |

Effective maturity distribution as of April 30, 2016⁷

Country allocation as of April 30, 2016⁸

Management outlook

As we look ahead, we expect global growth to be mixed, with stable growth rates in the U.S. and emerging markets alongside continued weakness in Europe and Japan. Central banks continue to add liquidity, particularly the European Central Bank, which took additional steps to ease monetary policy, and the People's Bank of China, where declines in its balance sheet appear to be ending. Meanwhile, the U.S. Federal Reserve is expected to move gradually in raising rates in order to help protect economic growth and full employment. This expansion of central-bank liquidity should help support non-Treasury sectors.

In terms of our investment strategies, we expect U.S. mortgages and investment-grade corporate bonds will continue to provide investors with attractive coupon income. Our strategy focuses on A-rated and BBB-rated securities as compelling sources of yield, and our investment-grade credit exposure remains centered on industrials and financials, particularly the communications and insurance sectors. We believe overall credit fundamentals also remain sound due to continued economic growth. Lower energy and commodity prices are likely to be positive for the high-yield sector with the exception of energy exploration and development as well as metals and mining companies.

Outside the U.S., we continue to see value in the higher-yielding and smaller economies as opposed to bonds in either Japan or core Europe. We have increased the Fund's exposure to the bond markets of Latin America. We expect to add emerging markets debt to the Fund, focusing on countries where central banks can remain on hold or ease as well as where we believe currencies can appreciate. Furthermore, we see more opportunities in emerging markets currencies than in the U.S. dollar.

⁶ The credit quality distribution of portfolio holdings reflected in the chart is based on ratings from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the Fund and not to the Fund itself. The percentages of the Fund's portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Standard & Poor's rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). Moody's rates the

creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality distribution is subject to change and may have changed since the date specified.

⁷ Effective maturity distribution is subject to change and is calculated based on the total long-term investments of the Fund.

⁸ Amounts are calculated based on the total long-term investments of the Fund. These amounts are subject to change and may have changed since the date specified.

*This security was not held in the Fund at the end of the reporting period.

Table of Contents

Summary portfolio of investments April 30, 2016
(unaudited)

Wells Fargo Multi-Sector 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.

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|---|---------------|------------------------|---------------|---------------|-----------------------|
| Agency Securities: | | | | | |
| 2.49% | | | | | |
| <i>FHLMC</i> | 0.83-8.50% | 4-25-2020 to 7-25-2048 | \$ 20,185,978 | \$ 13,190,681 | 2.29% |
| <i>Other securities</i> | | | | 1,273,059 | 0.20 |
| Total Agency Securities (Cost \$13,630,968) | | | | 14,463,740 | 2.49 |
| Asset-Backed Securities: 0.10% | | | | | |
| <i>Other securities</i> | | | | 606,725 | 0.10 |
| Total Asset-Backed Securities (Cost \$608,247) | | | | 606,725 | 0.10 |
| Common Stocks: 0.07% | | | | | |
| Energy: 0.07% | | | | | |
| Oil, Gas & Consumable Fuels: 0.07% | | | | | |
| <i>Other securities</i> | | | | 423,014 | 0.07 |
| Materials: 0.00% | | | | | |
| Chemicals: 0.00% | | | | | |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | | |
|---|------|-----------|-----------|------------|------|
| <i>Other securities</i> | | | | 744 | 0.00 |
| Total Common Stocks (Cost \$4,298,672) | | | | 423,758 | 0.07 |
| Corporate Bonds and Notes: 72.38% | | | | | |
| Consumer | | | | | |
| Discretionary: 12.60% | | | | | |
| Auto Components: | | | | | |
| 0.58% | | | | | |
| <i>Other securities</i> | | | | 3,400,030 | 0.58 |
| Distributors: 0.16% | | | | | |
| <i>Other securities</i> | | | | 904,500 | 0.16 |
| Diversified Consumer | | | | | |
| Services: 0.83% | | | | | |
| <i>Service Corporation</i> | | | | | |
| <i>International</i> | 7.50 | 4-1-2027 | 2,993,000 | 3,516,775 | 0.60 |
| <i>Other securities</i> | | | | 1,319,050 | 0.23 |
| | | | | 4,835,825 | 0.83 |
| Hotels, Restaurants & Leisure: 2.60% | | | | | |
| <i>CCM Merger</i> | | | | | |
| <i>Incorporated 144A</i> | 9.13 | 5-1-2019 | 6,270,000 | 6,536,475 | 1.13 |
| <i>Greektown Holdings LLC</i> | | | | | |
| <i>144A</i> | 8.88 | 3-15-2019 | 7,625,000 | 7,891,875 | 1.36 |
| <i>Other securities</i> | | | | 640,852 | 0.11 |
| | | | | 15,069,202 | 2.60 |
| Household Durables: | | | | | |
| 0.41% | | | | | |
| <i>Other securities</i> | | | | 2,379,950 | 0.41 |
| Internet & Catalog | | | | | |
| Retail: 0.14% | | | | | |
| <i>Other securities</i> | | | | 829,298 | 0.14 |

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

Table of Contents

8 Wells Fargo Multi-Sector Income Fund

Summary portfolio of investments April 30, 2016
(unaudited)

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|----------------------|--------------|------------|-----------------------|
| Leisure Products: | | | | | |
| 0.11% | | | | | |
| <i>Other securities</i> | | | | \$ 630,000 | 0.11% |
| Media: 6.16% | | | | | |
| <i>CCO Holdings LLC</i> | 5.13-7.38% | 6-1-2020 to 5-1-2027 | \$ 6,170,000 | 6,386,313 | 1.09 |
| <i>CCO Holdings LLC 144A</i> | 5.38 | 5-1-2025 | 4,150,000 | 4,248,563 | 0.73 |
| <i>CCOH Safari LLC 144A</i> | 5.75 | 2-15-2026 | 3,375,000 | 3,484,688 | 0.60 |
| <i>Gray Television Incorporated</i> | 7.50 | 10-1-2020 | 4,600,000 | 4,818,500 | 0.83 |
| <i>Other securities</i> | | | | 16,847,775 | 2.91 |
| | | | | 35,785,839 | 6.16 |
| Multiline Retail: | | | | | |
| 0.11% | | | | | |
| <i>Other securities</i> | | | | 614,853 | 0.11 |
| Specialty Retail: | | | | | |
| 1.50% | | | | | |
| <i>Other securities</i> | | | | 8,719,505 | 1.50 |
| Consumer Staples: | | | | | |
| 1.13% | | | | | |
| Beverages: 0.14% | | | | | |
| <i>Other securities</i> | | | | 827,525 | 0.14 |
| Food & Staples Retailing: 0.11% | | | | | |
| <i>Other securities</i> | | | | 640,945 | 0.11 |

Food Products: 0.68%

| | | | | | |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> | | | | 3,977,583 | 0.68 |
|-------------------------|--|--|--|-----------|------|

Household Products:**0.07%**

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 368,565 | 0.07 |
|-------------------------|--|--|--|---------|------|

Tobacco: 0.13%

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 766,411 | 0.13 |
|-------------------------|--|--|--|---------|------|

Energy: 16.36%**Energy Equipment & Services: 5.42%**

| | | | | | |
|-------------------------------|-----------|------------------------|------------|------------|------|
| <i>Bristow Group</i> | | | | | |
| <i>Incorporated</i> | 6.25 | 10-15-2022 | 4,480,000 | 3,673,600 | 0.63 |
| <i>Era Group Incorporated</i> | 7.75 | 12-15-2022 | 4,425,000 | 3,827,625 | 0.66 |
| <i>NGPL PipeCo LLC</i> | 7.12-9.63 | 12-15-2017 to 6-1-2019 | 2,495,000 | 2,580,655 | 0.45 |
| <i>NGPL PipeCo LLC</i> | | | | | |
| <i>144A</i> | 7.77 | 12-15-2037 | 10,990,000 | 10,110,800 | 1.74 |
| <i>PHI Incorporated</i> | 5.25 | 3-15-2019 | 5,525,000 | 5,093,387 | 0.88 |
| <i>Other securities</i> | | | | 6,177,344 | 1.06 |
| | | | | 31,463,411 | 5.42 |

Oil, Gas & Consumable Fuels: 10.94%

| | | | | | |
|---------------------------|-----------|-------------------------|-----------|-----------|------|
| <i>Rockies Express</i> | | | | | |
| <i>Pipeline LLC 144A</i> | 5.63 | 4-15-2020 | 3,625,000 | 3,597,813 | 0.62 |
| <i>Rockies Express</i> | | | | | |
| <i>Pipeline LLC 144A</i> | 6.88 | 4-15-2040 | 5,199,000 | 4,575,120 | 0.79 |
| <i>Rockies Express</i> | | | | | |
| <i>Pipeline LLC 144A</i> | 7.50 | 7-15-2038 | 2,390,000 | 2,139,050 | 0.37 |
| <i>Sabine Pass</i> | | | | | |
| <i>Liquefaction LLC</i> | 5.63-5.75 | 2-1-2021 to 3-1-2025 | 4,645,000 | 4,536,901 | 0.78 |
| <i>Sabine Pass</i> | | | | | |
| <i>Liquefaction LLC</i> | 6.25 | 3-15-2022 | 3,550,000 | 3,594,375 | 0.62 |
| <i>Sabine Pass LNG LP</i> | 6.50-7.50 | 11-30-2016 to 11-1-2020 | 6,455,000 | 6,667,144 | 1.15 |

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

Table of Contents

Summary portfolio of investments April 30, 2016
(unaudited)

Wells Fargo Multi-Sector Income Fund 9

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|------------------------|--------------|---------------|-----------------------|
| Oil, Gas & Consumable Fuels (continued) | | | | | |
| <i>Other securities</i> | | | | \$ 38,429,291 | 6.61% |
| | | | | 63,539,694 | 10.94 |
| Financials: 14.61% | | | | | |
| Banks: 0.91% | | | | | |
| <i>Other securities</i> | | | | 5,282,402 | 0.91 |
| Capital Markets: 1.13% | | | | | |
| <i>Other securities</i> | | | | 6,532,871 | 1.13 |
| Consumer Finance: 3.48% | | | | | |
| <i>Navient Corporation</i> | 8.00% | 3-25-2020 | \$ 3,280,000 | 3,411,200 | 0.59 |
| <i>Springleaf Finance Corporation</i> | 5.75-8.25 | 9-15-2016 to 10-1-2023 | 4,870,000 | 4,810,019 | 0.82 |
| <i>Springleaf Finance Corporation</i> | 6.90 | 12-15-2017 | 4,550,000 | 4,754,750 | 0.82 |
| <i>Other securities</i> | | | | 7,247,132 | 1.25 |
| | | | | 20,223,101 | 3.48 |
| Diversified Financial Services: 1.82% | | | | | |
| <i>Denali Borrower LLC 144A</i> | 5.63 | 10-15-2020 | 3,510,000 | 3,694,275 | 0.64 |
| <i>Other securities</i> | | | | 6,885,784 | 1.18 |
| | | | | 10,580,059 | 1.82 |
| Insurance: 1.73% | | | | | |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | | |
|--|------|------------------------|-----------|------------|------|
| <i>Other securities</i> | | | | 10,031,892 | 1.73 |
| Real Estate Management & Development: 0.55% | | | | | |
| <i>Other securities</i> | | | | 3,205,000 | 0.55 |
| REITs: 4.99% | | | | | |
| <i>DuPont Fabros Technology Incorporated LP</i> | 5.63 | 6-15-2023 | 2,975,000 | 3,071,688 | 0.53 |
| <i>DuPont Fabros Technology Incorporated LP</i> | 5.88 | 9-15-2021 | 4,655,000 | 4,887,750 | 0.84 |
| <i>Iron Mountain Incorporated</i> | 5.75 | 8-15-2024 | 4,990,000 | 5,127,225 | 0.88 |
| <i>Iron Mountain Incorporated</i> | 6.00 | 10-1-2020 to 8-15-2023 | 3,190,000 | 3,380,250 | 0.58 |
| <i>Other securities</i> | | | | 12,521,692 | 2.16 |
| | | | | 28,988,605 | 4.99 |
| Health Care: 7.21% | | | | | |
| Biotechnology: 0.14% | | | | | |
| <i>Other securities</i> | | | | 801,195 | 0.14 |
| Health Care Equipment & Supplies: 1.06% | | | | | |
| <i>Other securities</i> | | | | 6,175,732 | 1.06 |
| Health Care Providers & Services: 4.12% | | | | | |
| <i>Select Medical Corporation</i> | 6.38 | 6-1-2021 | 6,215,000 | 5,896,481 | 1.02 |
| <i>Other securities</i> | | | | 18,030,588 | 3.10 |
| | | | | 23,927,069 | 4.12 |

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

Table of Contents

10 Wells Fargo Multi-Sector Income Fund Summary portfolio of investments April 30, 2016
(unaudited)

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|------------|------------|-----------------------------|
| Health Care Technology: 0.87% | | | | | |
| <i>Emdeon Incorporated 144A</i> | 6.00% | 2-15-2021 | \$ 500,000 | \$ 503,750 | 0.08% |
| <i>Emdeon Incorporated</i> | 11.00 | 12-31-2019 | 4,325,000 | 4,573,688 | 0.79 |
| | | | | 5,077,438 | 0.87 |
| Life Sciences Tools & Services: 0.15% | | | | | |
| <i>Other securities</i> | | | | 843,673 | 0.15 |
| Pharmaceuticals: 0.87% | | | | | |
| <i>Other securities</i> | | | | 5,074,613 | 0.87 |
| Industrials: 4.31% | | | | | |
| Aerospace & Defense: 0.18% | | | | | |
| <i>Other securities</i> | | | | 1,034,563 | 0.18 |
| Airlines: 0.36% | | | | | |
| <i>Other securities</i> | | | | 2,110,137 | 0.36 |
| Commercial Services & Supplies: 1.32% | | | | | |
| <i>Other securities</i> | | | | 7,687,731 | 1.32 |
| Construction & Engineering: 0.86% | | | | | |
| <i>Other securities</i> | | | | 5,002,432 | 0.86 |
| Professional Services: 0.15% | | | | | |
| <i>Other securities</i> | | | | 842,433 | 0.15 |

Road & Rail: 0.11%

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 652,072 | 0.11 |
|-------------------------|--|--|--|---------|------|

Trading Companies & Distributors: 1.33%

| | | | | | |
|--|------|-----------|-----------|-----------|------|
| <i>Ashtead Capital Incorporated 144A</i> | 6.50 | 7-15-2022 | 4,100,000 | 4,325,500 | 0.75 |
| <i>Other securities</i> | | | | 3,364,775 | 0.58 |
| | | | | 7,690,275 | 1.33 |

Information Technology: 4.20%

**Communications Equipment:
0.32%**

| | | | | | |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> | | | | 1,864,513 | 0.32 |
|-------------------------|--|--|--|-----------|------|

Electronic Equipment, Instruments & Components: 1.40%

| | | | | | |
|-----------------------------------|------|-----------|-----------|-----------|------|
| <i>Jabil Circuit Incorporated</i> | 8.25 | 3-15-2018 | 5,275,000 | 5,736,563 | 0.99 |
| <i>Other securities</i> | | | | 2,376,350 | 0.41 |
| | | | | 8,112,913 | 1.40 |

**Internet Software & Services:
0.20%**

| | | | | | |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> | | | | 1,153,250 | 0.20 |
|-------------------------|--|--|--|-----------|------|

IT Services: 0.24%

| | | | | | |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> | | | | 1,363,250 | 0.24 |
|-------------------------|--|--|--|-----------|------|

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

Table of Contents

Summary portfolio of investments April 30, 2016
(unaudited)

Wells Fargo Multi-Sector Income Fund 11

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|--------------|--------------|-----------------------|
| Semiconductors & Semiconductor Equipment: 0.55% | | | | | |
| <i>Other securities</i> | | | | \$ 3,204,879 | 0.55% |
| Software: 0.61% | | | | | |
| <i>Other securities</i> | | | | 3,543,782 | 0.61 |
| Technology Hardware, Storage & Peripherals: 0.88% | | | | | |
| <i>NCR Corporation</i> | 6.38% | 12-15-2023 | \$ 3,950,000 | 4,108,000 | 0.71 |
| <i>Other securities</i> | | | | 1,015,620 | 0.17 |
| | | | | 5,123,620 | 0.88 |
| Materials: 1.59% | | | | | |
| Chemicals: 0.14% | | | | | |
| <i>Other securities</i> | | | | 822,819 | 0.14 |
| Containers & Packaging: 1.41% | | | | | |
| <i>Other securities</i> | | | | 8,217,036 | 1.41 |
| Metals & Mining: 0.04% | | | | | |
| <i>Other securities</i> | | | | 204,125 | 0.04 |
| Telecommunication Services: 7.93% | | | | | |
| Diversified Telecommunication Services: 2.83% | | | | | |
| <i>Other securities</i> | | | | 16,431,266 | 2.83 |
| Wireless Telecommunication Services: 5.10% | | | | | |
| | 6.63 | 11-15-2020 | 3,300,000 | 3,415,500 | 0.59 |

| | | | | | |
|---|-----------|------------------------|------------|-------------|-------|
| <i>MetroPCS Wireless Incorporated Sprint Capital Corporation</i> | 6.88 | 11-15-2028 | 14,540,000 | 10,795,911 | 1.86 |
| <i>Sprint Capital Corporation</i> | 8.75 | 3-15-2032 | 2,575,000 | 2,047,125 | 0.35 |
| <i>T-Mobile USA Incorporated</i> | 6.00-6.84 | 4-28-2019 to 1-15-2026 | 4,770,000 | 5,035,261 | 0.87 |
| <i>T-Mobile USA Incorporated</i> | 6.73 | 4-28-2022 | 3,490,000 | 3,678,390 | 0.63 |
| <i>Other securities</i> | | | | 4,642,739 | 0.80 |
| | | | | 29,614,926 | 5.10 |
| Utilities: 2.44% | | | | | |
| Electric Utilities: 0.47% | | | | | |
| <i>Other securities</i> | | | | 2,719,958 | 0.47 |
| Gas Utilities: 0.30% | | | | | |
| <i>Other securities</i> | | | | 1,755,743 | 0.30 |
| Independent Power & Renewable Electricity Producers: 1.42% | | | | | |
| <i>Other securities</i> | | | | 8,235,846 | 1.42 |
| Multi-Utilities: 0.25% | | | | | |
| <i>Other securities</i> | | | | 1,442,991 | 0.25 |
| Total Corporate Bonds and Notes (Cost \$425,326,379) | | | | 420,327,346 | 72.38 |

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

Table of Contents

12 Wells Fargo Multi-Sector Income Fund Summary portfolio of investments April 30, 2016
(unaudited)

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|------------|------------|-----------------------|
| Foreign Corporate Bonds and Notes @ : 2.64% | | | | | |
| Consumer Discretionary: 0.06% | | | | | |
| Auto Components: 0.02% | | | | | |
| <i>Other securities</i> | | | | \$ 121,524 | 0.02% |
| Internet & Catalog Retail: 0.04% | | | | | |
| <i>Other securities</i> | | | | 234,782 | 0.04 |
| Consumer Staples: 0.14% | | | | | |
| Food Products: 0.14% | | | | | |
| <i>Other securities</i> | | | | 788,689 | 0.14 |
| Energy: 0.27% | | | | | |
| Energy Equipment & Services: 0.02% | | | | | |
| <i>Other securities</i> | | | | 120,814 | 0.02 |
| Oil, Gas & Consumable Fuels: 0.25% | | | | | |
| <i>Other securities</i> | | | | 1,443,366 | 0.25 |
| Financials: 1.70% | | | | | |
| Banks: 1.61% | | | | | |
| <i>KfW (TRY)</i> | 5.00% | 1-16-2017 | 11,400,000 | 3,937,058 | 0.68 |
| <i>Other securities</i> | | | | 5,405,843 | 0.93 |
| | | | | 9,342,901 | 1.61 |

Diversified Financial**Services: 0.09%**

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 546,473 | 0.09 |
|-------------------------|--|--|--|---------|------|

Materials: 0.12%**Chemicals: 0.12%**

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 686,201 | 0.12 |
|-------------------------|--|--|--|---------|------|

Telecommunication Services: 0.35%**Diversified Telecommunication Services: 0.07%**

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 401,031 | 0.07 |
|-------------------------|--|--|--|---------|------|

Wireless Telecommunication Services: 0.28%

| | | | | | |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> | | | | 1,620,697 | 0.28 |
|-------------------------|--|--|--|-----------|------|

| | | | | | |
|--|--|--|--|------------|------|
| Total Foreign Corporate Bonds and Notes (Cost \$19,899,745) | | | | 15,306,478 | 2.64 |
|--|--|--|--|------------|------|

Foreign Government Bonds @: 25.25%

| | | | | | |
|------------------------|-------|------------|-----------------|------------|------|
| <i>Brazil (BRL)</i> | 10.00 | 1-1-2017 | 38,525,000 | 10,983,811 | 1.89 |
| <i>Brazil (BRL)</i> | 10.00 | 1-1-2025 | 32,800,000 | 8,410,217 | 1.45 |
| <i>Colombia (COP)</i> | 7.00 | 5-4-2022 | 18,650,000,000 | 6,303,136 | 1.09 |
| <i>Colombia (COP)</i> | 7.75 | 4-14-2021 | 5,250,000,000 | 1,877,047 | 0.32 |
| <i>Hungary (HUF)</i> | 6.75 | 11-24-2017 | 1,305,000,000 | 5,211,478 | 0.90 |
| <i>Indonesia (IDR)</i> | 7.88 | 4-15-2019 | 133,640,000,000 | 10,276,843 | 1.77 |
| <i>Indonesia (IDR)</i> | 10.00 | 7-15-2017 | 50,000,000,000 | 3,929,747 | 0.68 |

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

Table of ContentsSummary portfolio of investments April 30, 2016
(unaudited)

Wells Fargo Multi-Sector Income Fund 13

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|-------------|--------------|-----------------------|
| Foreign Government Bonds @ (continued) | | | | | |
| <i>Malaysia (MYR)</i> | 3.66% | 10-15-2020 | 20,700,000 | \$ 5,334,310 | 0.92% |
| <i>Malaysia (MYR)</i> | 4.18 | 7-15-2024 | 19,850,000 | 5,164,089 | 0.89 |
| <i>Mexico (MXN)</i> | 4.75 | 6-14-2018 | 191,800,000 | 11,219,820 | 1.93 |
| <i>Mexico (MXN)</i> | 10.00 | 12-5-2024 | 62,120,000 | 4,653,480 | 0.80 |
| <i>Mexico (MXN)</i> | 10.00 | 12-5-2024 | 14,100,000 | 1,056,247 | 0.18 |
| <i>Poland (PLN)</i> | 2.50 | 7-25-2026 | 42,500,000 | 10,568,064 | 1.82 |
| <i>Poland (PLN)</i> | 3.25 | 7-25-2025 | 34,100,000 | 9,168,705 | 1.58 |
| <i>Queensland Treasury (AUD)</i> | 5.75 | 7-22-2024 | 4,100,000 | 3,783,050 | 0.65 |
| <i>Republic of South Africa (ZAR)</i> | 7.75 | 2-28-2023 | 103,000,000 | 6,846,648 | 1.18 |
| <i>Republic of South Africa (ZAR)</i> | 8.00 | 12-21-2018 | 129,000,000 | 9,020,054 | 1.55 |
| <i>Romania (RON)</i> | 5.85 | 4-26-2023 | 31,550,000 | 9,311,141 | 1.60 |
| <i>State of New South Wales</i> | | | | | |
| <i>Australia (AUD)</i> | 5.00 | 8-20-2024 | 3,900,000 | 3,498,309 | 0.60 |
| <i>Thailand (THB)</i> | 3.25 | 6-16-2017 | 110,000,000 | 3,216,311 | 0.56 |
| <i>Thailand (THB)</i> | 3.85 | 12-12-2025 | 108,500,000 | 3,664,421 | 0.63 |
| <i>Turkey (TRY)</i> | 6.30 | 2-14-2018 | 7,325,000 | 2,502,752 | 0.43 |
| <i>Turkey (TRY)</i> | 9.00 | 3-8-2017 | 13,600,000 | 4,855,754 | 0.84 |
| <i>Other securities</i> | | | | 5,774,007 | 0.99 |
| Total Foreign Government Bonds (Cost \$168,396,630) | | | | 146,629,441 | 25.25 |
| Loans: 15.23% | | | | | |
| Consumer Discretionary: | | | | | |
| 3.42% | | | | | |
| Auto Components: 0.58% | | | | | |
| <i>Other securities</i> | | | | 3,360,716 | 0.58 |
| Distributors: 0.51% | | | | | |
| <i>Other securities</i> | | | | 2,941,234 | 0.51 |

Hotels, Restaurants & Leisure:**0.12%**

| | | |
|-------------------------|---------|------|
| <i>Other securities</i> | 733,263 | 0.12 |
|-------------------------|---------|------|

Household Products: 0.03%*Other securities*

| | |
|---------|------|
| 164,017 | 0.03 |
|---------|------|

Leisure Products: 0.36%*Other securities*

| | |
|-----------|------|
| 2,078,429 | 0.36 |
|-----------|------|

Media: 1.28%*Other securities*

| | |
|-----------|------|
| 7,421,226 | 1.28 |
|-----------|------|

Multiline Retail: 0.03%*Other securities*

| | |
|---------|------|
| 196,155 | 0.03 |
|---------|------|

Specialty Retail: 0.51%*Other securities*

| | |
|-----------|------|
| 2,954,040 | 0.51 |
|-----------|------|

Consumer Staples: 0.15%**Food Products: 0.15%***Other securities*

| | |
|---------|------|
| 893,762 | 0.15 |
|---------|------|

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

Table of Contents

14 Wells Fargo Multi-Sector Income Fund

Summary portfolio of investments April 30, 2016
(unaudited)

| Security name | Value | Percent of net assets |
|--|--------------|-----------------------------|
| Energy: 0.49% | | |
| Energy Equipment & Services: 0.49% | | |
| <i>Other securities</i> | \$ 2,858,625 | 0.49% |
| Financials: 2.12% | | |
| Capital Markets: 0.36% | | |
| <i>Other securities</i> | 2,104,240 | 0.36 |
| Consumer Finance: 0.03% | | |
| <i>Other securities</i> | 200,750 | 0.03 |
| Diversified Financial Services: 0.69% | | |
| <i>Other securities</i> | 4,034,698 | 0.69 |
| Insurance: 0.26% | | |
| <i>Other securities</i> | 1,492,133 | 0.26 |
| Real Estate Management & Development: 0.75% | | |
| <i>Other securities</i> | 4,333,138 | 0.75 |
| REITs: 0.03% | | |
| <i>Other securities</i> | 150,782 | 0.03 |
| Health Care: 1.48% | | |
| Health Care Equipment & Supplies: 0.15% | | |
| <i>Other securities</i> | 847,846 | 0.15 |
| Health Care Providers & Services: 0.75% | | |

| | | |
|--|-----------|------|
| <i>Other securities</i> | 4,339,412 | 0.75 |
| Health Care Technology: 0.20% | | |
| <i>Other securities</i> | 1,162,651 | 0.20 |
| Pharmaceuticals: 0.38% | | |
| <i>Other securities</i> | 2,231,790 | 0.38 |
| Industrials: 1.69% | | |
| Aerospace & Defense: 0.52% | | |
| <i>Other securities</i> | 3,005,903 | 0.52 |
| Chemicals: 0.05% | | |
| <i>Other securities</i> | 269,980 | 0.05 |
| Commercial Services & Supplies: 0.68% | | |
| <i>Other securities</i> | 3,952,176 | 0.68 |
| Electrical Equipment: 0.17% | | |
| <i>Other securities</i> | 971,107 | 0.17 |
| Machinery: 0.11% | | |
| <i>Other securities</i> | 632,648 | 0.11 |

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

Table of Contents

Summary portfolio of investments April 30, 2016
(unaudited)

Wells Fargo Multi-Sector Income Fund 15

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|--------------|------------|-----------------------|
| Transportation Infrastructure: 0.16% | | | | | |
| <i>Other securities</i> | | | | \$ 952,313 | 0.16% |
| Information Technology: 2.65% | | | | | |
| Internet Software & Services: 0.48% | | | | | |
| <i>Other securities</i> | | | | 2,774,738 | 0.48 |
| Semiconductors & Semiconductor Equipment: 0.25% | | | | | |
| <i>Other securities</i> | | | | 1,450,177 | 0.25 |
| Software: 0.11% | | | | | |
| <i>Other securities</i> | | | | 683,485 | 0.11 |
| Technology Hardware, Storage & Peripherals: 1.81% | | | | | |
| <i>Dell Incorporated ±</i> | 4.00% | 4-29-2020 | \$ 8,231,686 | 8,228,722 | 1.42 |
| <i>Other securities</i> | | | | 2,274,588 | 0.39 |
| | | | | 10,503,310 | 1.81 |
| Materials: 0.03% | | | | | |
| Containers & Packaging: 0.03% | | | | | |
| <i>Other securities</i> | | | | 168,014 | 0.03 |
| Telecommunication Services: 1.74% | | | | | |
| Diversified Telecommunication Services: 1.10% | | | | | |
| <i>Other securities</i> | | | | 6,383,086 | 1.10 |

Wireless Telecommunication Services: 0.64%

| | | | | | |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> | | | | 3,742,012 | 0.64 |
|-------------------------|--|--|--|-----------|------|

Utilities: 1.46%

Electric Utilities: 1.37%

Texas Competitive Electric

| | | | | | |
|----------------------------------|------|------------|------------|-----------|------|
| <i>Holdings Company LLC ±(s)</i> | 4.66 | 10-10-2016 | 20,096,983 | 6,697,320 | 1.15 |
|----------------------------------|------|------------|------------|-----------|------|

| | | | | | |
|-------------------------|--|--|--|-----------|------|
| <i>Other securities</i> | | | | 1,270,150 | 0.22 |
|-------------------------|--|--|--|-----------|------|

| | | | | | |
|--|--|--|--|-----------|------|
| | | | | 7,967,470 | 1.37 |
|--|--|--|--|-----------|------|

Independent Power & Renewable Electricity Producers: 0.09%

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 493,730 | 0.09 |
|-------------------------|--|--|--|---------|------|

Total Loans (Cost \$102,342,187)

| | | | | | |
|--|--|--|--|------------|-------|
| | | | | 88,449,056 | 15.23 |
|--|--|--|--|------------|-------|

Municipal Obligations: 0.05%

New York: 0.05%

| | | | | | |
|-------------------------|--|--|--|---------|------|
| <i>Other securities</i> | | | | 269,109 | 0.05 |
|-------------------------|--|--|--|---------|------|

Total Municipal Obligations (Cost \$270,000)

| | | | | | |
|--|--|--|--|---------|------|
| | | | | 269,109 | 0.05 |
|--|--|--|--|---------|------|

Non-Agency Mortgage-Backed

Securities: 5.95%

| | | | | | |
|-------------------------|--|--|--|------------|------|
| <i>Other securities</i> | | | | 34,568,732 | 5.95 |
|-------------------------|--|--|--|------------|------|

Total Non-Agency Mortgage-Backed Securities (Cost \$34,661,152)

| | | | | | |
|--|--|--|--|------------|------|
| | | | | 34,568,732 | 5.95 |
|--|--|--|--|------------|------|

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

Table of Contents

16 Wells Fargo Multi-Sector Income Fund

Summary portfolio of investments April 30, 2016
(unaudited)

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|--------------|--------------|-----------------------|
| Yankee Corporate Bonds and Notes: 8.03% | | | | | |
| Consumer Discretionary: 0.50% | | | | | |
| Media: 0.50% | | | | | |
| <i>Other securities</i> | | | | \$ 2,923,698 | 0.50% |
| Consumer Staples: 0.49% | | | | | |
| Beverages: 0.35% | | | | | |
| <i>Other securities</i> | | | | 2,064,682 | 0.35 |
| Tobacco: 0.14% | | | | | |
| <i>Other securities</i> | | | | 792,298 | 0.14 |
| Energy: 1.20% | | | | | |
| Oil, Gas & Consumable Fuels: 1.20% | | | | | |
| <i>Teekay Corporation</i> | 8.50% | 1-15-2020 | \$ 4,475,000 | 3,412,188 | 0.59 |
| <i>Other securities</i> | | | | 3,555,365 | 0.61 |
| | | | | 6,967,553 | 1.20 |
| Financials: 0.99% | | | | | |
| Banks: 0.79% | | | | | |
| <i>Other securities</i> | | | | 4,578,249 | 0.79 |
| Diversified Financial Services: 0.20% | | | | | |
| <i>Other securities</i> | | | | 1,187,101 | 0.20 |
| Health Care: 1.06% | | | | | |

| | | |
|--|-----------|------|
| Pharmaceuticals: 1.06% | | |
| <i>Other securities</i> | 6,129,524 | 1.06 |
| Industrials: 0.64% | | |
| Building Products: 0.04% | | |
| <i>Other securities</i> | 222,600 | 0.04 |
| Commercial Services & Supplies: 0.42% | | |
| <i>Other securities</i> | 2,456,000 | 0.42 |
| Machinery: 0.04% | | |
| <i>Other securities</i> | 236,175 | 0.04 |
| Road & Rail: 0.14% | | |
| <i>Other securities</i> | 820,219 | 0.14 |
| Information Technology: 0.27% | | |
| Communications Equipment: 0.14% | | |
| <i>Other securities</i> | 794,905 | 0.14 |
| Internet Software & Services: 0.13% | | |
| <i>Other securities</i> | 765,215 | 0.13 |

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

Table of ContentsSummary portfolio of investments April 30, 2016
(unaudited)

Wells Fargo Multi-Sector Income Fund 17

| Security name | Interest rate | Maturity date | Principal | Value | Percent of net assets |
|--|---------------|---------------|---------------|--------------|-----------------------|
| Materials: 0.99% | | | | | |
| Containers & Packaging: 0.57% | | | | | |
| <i>Other securities</i> | | | | \$ 3,308,612 | 0.57% |
| Metals & Mining: 0.42% | | | | | |
| <i>Other securities</i> | | | | 2,403,339 | 0.42 |
| Telecommunication Services: 1.77% | | | | | |
| Diversified Telecommunication Services: 1.54% | | | | | |
| <i>Intelsat Jackson Holdings SA</i> | 5.50% | 8-1-2023 | \$ 6,775,000 | 4,280,953 | 0.74 |
| <i>Other securities</i> | | | | 4,636,362 | 0.80 |
| | | | | 8,917,315 | 1.54 |
| Wireless Telecommunication Services: 0.23% | | | | | |
| <i>Other securities</i> | | | | 1,363,864 | 0.23 |
| Utilities: 0.12% | | | | | |
| Electric Utilities: 0.12% | | | | | |
| <i>Other securities</i> | | | | 684,125 | 0.12 |
| Total Yankee Corporate Bonds and Notes (Cost \$55,735,817) | | | | 46,615,474 | 8.03 |
| | Yield | | Shares | | |
| Short-Term Investments: 4.71% | | | | | |
| Investment Companies: 4.71% | | | | | |
| <i>Wells Fargo Cash Investment Money Market Fund Select Class (l)(u)##</i> | 0.43 | | 27,383,187 | 27,383,187 | 4.71 |

| | | |
|---|-----------------------|----------------|
| Total Short-Term Investments (Cost \$27,383,187) | 27,383,187 | 4.71 |
| Total investments in securities (Cost \$852,552,984) * | 795,043,046 | 136.90 |
| <i>Other assets and liabilities, net</i> | (214,298,166) | (36.90) |
| Total net assets | \$ 580,744,880 | 100.00% |

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

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

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

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

(l) The issuer of the security is an affiliated person of the Fund as defined in the Investment Company Act of 1940.

(u) The rate represents the 7-day annualized yield at period end.

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

* Cost for federal income tax purposes is \$858,011,810 and unrealized gains (losses) consists of:

| | |
|------------------------------|------------------------|
| Gross unrealized gains | \$ 18,596,508 |
| Gross unrealized losses | (81,565,272) |
| Net unrealized losses | \$ (62,968,764) |

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

Table of Contents

| 18 Wells Fargo Multi-Sector Income Fund | Statement of assets and liabilities | April 30, 2016 (unaudited) |
|--|-------------------------------------|-------------------------------|
| Assets | | |
| Investments | | |
| In unaffiliated securities, at value (cost \$825,169,797) | \$ | 767,659,859 |
| In affiliated securities, at value (cost \$27,383,187) | | 27,383,187 |
| Total investments, at value (cost \$852,552,984) | | 795,043,046 |
| Cash | | 176,122 |
| Foreign currency, at value (cost \$463,952) | | 471,763 |
| Receivable for investments sold | | 5,373,988 |
| Principal paydown receivable | | 9,039 |
| Receivable for interest | | 12,661,604 |
| Prepaid expenses and other assets | | 4,222 |
| Total assets | | 813,739,784 |
| Liabilities | | |
| Dividends payable | | 4,063,171 |
| Payable for investments purchased | | 8,139,635 |
| Secured borrowing payable | | 220,167,345 |
| Advisory fee payable | | 367,980 |
| Administration fee payable | | 33,453 |
| Accrued expenses and other liabilities | | 223,320 |
| Total liabilities | | 232,994,904 |
| Total net assets | \$ | 580,744,880 |
| NET ASSETS CONSIST OF | | |
| Paid-in capital | \$ | 748,967,586 |
| Overdistributed net investment income | | (5,807,048) |
| Accumulated net realized losses on investments | | (105,064,485) |
| Net unrealized losses on investments | | (57,351,173) |
| Total net assets | \$ | 580,744,880 |
| NET ASSET VALUE PER SHARE | | |
| Based on \$580,744,880 divided by 42,018,309 shares issued and outstanding (100,000,000 shares authorized) | \$ | 13.82 |

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

Table of Contents

Statement of operations six months ended April 30, 2016 (unaudited) Wells Fargo Multi-Sector Income Fund 19

Investment income

| | |
|---|-------------------|
| Interest (net of foreign withholding taxes of \$87,424) | \$ 26,880,766 |
| Dividends | 45,108 |
| Income from affiliated securities | 40,860 |
| Total investment income | 26,966,734 |

Expenses

| | |
|-----------------------------|------------------|
| Advisory fee | 2,139,617 |
| Administration fee | 194,511 |
| Custody and accounting fees | 103,034 |
| Professional fees | 37,183 |
| Shareholder report expenses | 50,128 |
| Trustees' fees and expenses | 8,989 |
| Transfer agent fees | 19,177 |
| Interest expense | 1,201,929 |
| Other fees and expenses | 18,559 |
| Total expenses | 3,773,127 |

Net investment income 23,193,607

REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS

| | |
|--|----------------------|
| Net realized gains (losses) on: | |
| Unaffiliated securities | (6,445,133) |
| Forward foreign currency contract transactions | (729,490) |
| Net realized losses on investments | (7,174,623) |
| Net change in unrealized gains (losses) on: | |
| Unaffiliated securities | (2,627,881) |
| Forward foreign currency contract transactions | 924,680 |
| Net change in unrealized gains (losses) on investments | (1,703,201) |
| Net realized and unrealized gains (losses) on investments | (8,877,824) |
| Net increase in net assets resulting from operations | \$ 14,315,783 |

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

Table of Contents

| 20 Wells Fargo Multi-Sector Income Fund | Statement of changes in net assets | | | |
|---|---|-----------------------|--------------------------------|-----------------------|
| | Six months ended April 30, 2016 (unaudited) | | Year ended October 31, 2015 | |
| Operations | | | | |
| Net investment income | \$ | 23,193,607 | \$ | 46,469,815 |
| Net realized losses on investments | | (7,174,623) | | (15,988,489) |
| Net change in unrealized gains (losses) on investments | | (1,703,201) | | (67,320,520) |
| Net increase (decrease) in net assets resulting from operations | | 14,315,783 | | (36,839,194) |
| Distributions to shareholders from | | | | |
| Net investment income | | (24,389,667) | | (36,559,777) |
| Tax basis return of capital | | 0 | | (12,379,627) |
| Total distributions to shareholders | | (24,389,667) | | (48,939,404) |
| Capital share transactions | | | | |
| Cost of shares repurchased | Shares | (36,691) | Shares | 0 |
| Net increase (decrease) in net assets resulting from capital share transactions | | (407,024) | | 0 |
| Total decrease in net assets | | (10,480,908) | | (85,778,598) |
| Net assets | | | | |
| Beginning of period | | 591,225,788 | | 677,004,386 |
| End of period | | \$ 580,744,880 | | \$ 591,225,788 |
| Overdistributed net investment income | | \$ (5,807,048) | | \$ (4,610,988) |

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

Table of Contents

Statement of cash flows six months ended April 30, 2016 (unaudited) Wells Fargo Multi-Sector Income Fund 21

Cash flows from operating activities:

Net increase in net assets resulting from operations \$ 14,315,783

Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:

| | |
|--|--------------|
| Purchase of investment securities | (98,418,886) |
| Proceeds from the sales of investment securities | 122,499,419 |
| Paydowns | 3,519,089 |
| Amortization | (1,690,711) |
| Purchase of short-term investment securities, net | (12,811,410) |
| Increase in receivable for investments sold | (490,180) |
| Increase in principal paydown receivable | (1,847) |
| Decrease in receivable for interest | 420,643 |
| Decrease in prepaid expenses and other assets | 11,469 |
| Decrease in payable for investments purchased | (1,800,289) |
| Decrease in advisory fee payable | (27,280) |
| Decrease in administration fee payable | (2,480) |
| Increase in accrued expenses and other liabilities | 43,103 |
| Net realized losses on investments | 7,174,623 |
| Net change in unrealized gains (losses) on investments | 1,703,201 |

Net cash provided by operating activities 34,444,247

Cash flows from financing activities:

| | |
|---------------------------------------|--------------|
| Cost of shares repurchased | (407,024) |
| Cash distributions paid | (24,393,215) |
| Decrease in secured borrowing payable | (9,975,745) |

Net cash used in financing activities (34,775,984)

Net decrease in cash (331,737)

Cash (including foreign currency):

Beginning of period \$ 979,622

End of period \$ 647,885

Supplemental cash disclosure

Cash paid for interest \$ 1,177,674

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

Table of Contents

22 Wells Fargo Multi-Sector Income Fund
(For a share outstanding throughout each period)

Financial highlights

| | Six months ended April 30, 2016 (unaudited) | 2015 | Year ended October 31 | | | |
|--|--|-------------------|-----------------------|----------------|----------------|----------------|
| | | 2014 | 2013 | 2012 | 2011 | |
| Net asset value, beginning of period | \$14.06 | \$16.10 | \$16.40 | \$17.01 | \$16.16 | \$16.67 |
| Net investment income | 0.55 | 1.10 ¹ | 1.14 ¹ | 1.18 | 1.16 | 1.11 |
| Net realized and unrealized gains (losses) on investments | (0.21) | (1.98) | (0.24) | (0.59) | 0.89 | (0.39) |
| Total from investment operations | 0.34 | (0.88) | 0.90 | 0.59 | 2.05 | 0.72 |
| Distributions to shareholders from | | | | | | |
| Net investment income | (0.58) | (0.87) | (0.91) | (1.20) | (1.20) | (1.23) |
| Tax basis return of capital | 0.00 | (0.29) | (0.29) | 0.00 | 0.00 | 0.00 |
| Total distributions to shareholders | (0.58) | (1.16) | (1.20) | (1.20) | (1.20) | (1.23) |
| Anti-dilutive effect of shares repurchased | 0.00 ^{1,2} | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net asset value, end of period | \$13.82 | \$14.06 | \$16.10 | \$16.40 | \$17.01 | \$16.16 |
| Market value, end of period | \$12.57 | \$12.02 | \$14.19 | \$14.47 | \$16.54 | \$14.97 |
| Total return based on market value³ | 9.89% | (7.34)% | 6.55% | (5.44)% | 19.33% | 0.33% |
| Ratios to average net assets (annualized) | | | | | | |
| Net expenses ⁴ | 1.36% | 1.24% | 1.21% | 1.24% | 1.24% | 1.14% |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Net investment income ⁴ | 8.37% | 7.33% | 6.95% | 7.04% | 7.13% | 6.75% |
| Supplemental data | | | | | | |
| Portfolio turnover rate | 11% | 31% | 41% | 40% | 78% | 35% |
| Net assets, end of period (000s omitted) | \$580,745 | \$591,226 | \$677,004 | \$689,573 | \$715,368 | \$679,497 |
| Borrowings outstanding, end of period (000s omitted) | \$220,000 | \$230,000 | \$230,000 | \$230,000 | \$230,000 | \$230,000 |
| Asset coverage per \$1,000 of borrowing, end of period | \$3,640 | \$3,570 | \$3,944 | \$3,998 | \$4,110 | \$3,954 |

¹ Calculated based upon average shares outstanding

² Amount is less than \$0.005.

³ Total return is calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage commissions that a shareholder would pay on the purchase and sale of shares. Returns for periods of less than one year are not annualized.

⁴ Ratios include interest expense relating to interest associated with borrowings and/or leverage transactions as follows:

| | |
|---|-------|
| Six months ended April 30, 2016 (unaudited) | 0.43% |
| Year ended October 31, 2015 | 0.24% |
| Year ended October 31, 2014 | 0.07% |
| Year ended October 31, 2013 | 0.07% |
| Year ended October 31, 2012 | 0.11% |
| Year ended October 31, 2011 | 0.09% |

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

Table of Contents

Notes to financial statements (unaudited)

Wells Fargo Multi-Sector Income Fund 23

1. ORGANIZATION

The Wells Fargo Multi-Sector Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on April 10, 2003 and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. As an investment company, the Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services - Investment Companies*.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Securities valuation

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

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

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

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

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

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

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

Foreign currency translation

The accounting records of the Fund are maintained in U.S. dollars. The values of other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Management Valuation Team. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions. Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized

Table of Contents

24 Wells Fargo Multi-Sector Income Fund Notes to financial statements (unaudited)
foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting from changes in exchange rates. The changes in net assets arising from changes in exchange rates and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are included in with net realized and unrealized gains or losses from investments.

Forward foreign currency contracts

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

When-issued transactions

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

Loans

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

Security transactions and income recognition

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

Interest income is accrued daily and bond discounts are accreted and premiums are amortized daily based on the effective interest method. To the extent debt obligations are placed on non-accrual status, any related interest income may be reduced by writing off interest receivables when the collection of all or a portion of interest has 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.

Dividend income is recognized on the ex-dividend date.

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

Distributions to shareholders

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

Table of Contents

Notes to financial statements (unaudited) Wells Fargo Multi-Sector Income Fund 25
 The Fund's income and federal excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal and Delaware revenue authorities. Management has analyzed the Fund's tax positions taken on federal, state, and foreign tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

Capital loss carryforwards that do not expire are required to be utilized prior to capital loss carryforwards that expire. As of October 31, 2015, capital loss carryforwards available to offset future net realized capital gains were as follows through the indicated expiration dates:

| 2018 | Short-term | No expiration | Long-term |
|--------------|-------------|---------------|-------------|
| \$86,701,155 | \$4,490,558 | | \$1,934,103 |

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

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.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of April 30, 2016:

| Quoted prices (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|----------------------------|--|---|-------|
| | | | |

| Assets | | | | | |
|--|-----------|-------------------|-----------------------|----------------------|-----------------------|
| Investments in: | | | | | |
| Agency securities | \$ | 0 | \$ 14,463,740 | \$ 0 | \$ 14,463,740 |
| Asset-backed securities | | 0 | 606,725 | 0 | 606,725 |
| Common stocks | | | | | |
| <i>Energy</i> | | 423,014 | 0 | 0 | 423,014 |
| <i>Materials</i> | | 744 | 0 | 0 | 744 |
| Corporate bonds and notes | | 0 | 420,327,346 | 0 | 420,327,346 |
| Foreign corporate bonds and notes | | 0 | 15,306,478 | 0 | 15,306,478 |
| Foreign government bonds | | 0 | 146,629,441 | 0 | 146,629,441 |
| Loans | | 0 | 70,857,418 | 17,591,638 | 88,449,056 |
| Municipal obligations | | 0 | 269,109 | 0 | 269,109 |
| Non-agency mortgage-backed securities | | 0 | 34,568,732 | 0 | 34,568,732 |
| Yankee corporate bonds and notes | | 0 | 45,886,193 | 729,281 | 46,615,474 |
| Short-term investments | | | | | |
| <i>Investment companies</i> | | 27,383,187 | 0 | 0 | 27,383,187 |
| Total assets | \$ | 27,806,945 | \$ 748,915,182 | \$ 18,320,919 | \$ 795,043,046 |

Table of Contents

26 Wells Fargo Multi-Sector Income Fund Notes to financial statements (unaudited)

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At April 30, 2016, the Fund did not have any transfers into/out of Level 1 or Level 2.

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

| | Loans | Yankee corporate bonds and notes | Total |
|--|---------------|--|---------------|
| Balance as of October 31, 2015 | \$ 16,654,991 | \$ 729,281 | \$ 17,384,272 |
| Accrued discounts (premiums) | 22,561 | 95,094 | 117,655 |
| Realized gains (losses) | 9,160 | 0 | 9,160 |
| Change in unrealized gains (losses) | (172,922) | (95,094) | (268,016) |
| Purchases | 1,844,238 | 0 | 1,844,238 |
| Sales | (1,390,063) | 0 | (1,390,063) |
| Transfers into Level 3 | 2,488,206 | 0 | 2,488,206 |
| Transfers out of Level 3 | (1,864,533) | 0 | (1,864,533) |
| Balance as of April 30, 2016 | \$ 17,591,638 | \$ 729,281 | \$ 18,320,919 |
| Change in unrealized gains (losses) relating to securities still held at April 30, 2016 | \$ (161,082) | \$ (95,094) | \$ (256,176) |

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

4. TRANSACTIONS WITH AFFILIATES**Advisory fee**

Funds Management, an indirect wholly owned subsidiary of Wells Fargo & Company (Wells Fargo) is the adviser to the Fund and is entitled to receive a fee at an annual rate of 0.55% of the Fund's average daily total assets. Total assets consist of net assets of the Fund plus borrowings or other leverage for investment purposes to the extent excluded in calculating net assets.

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

Administration fee

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

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized capital of 100,000,000 shares with no par value. For the six months ended April 30, 2016 and the year ended October 31, 2015, the Fund did not issue any shares.

On December 17, 2015, the Fund announced an open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund may repurchase up to 10% of its outstanding shares within one year of December 17, 2015. The Fund's Board of Trustees has delegated to Funds Management full discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations. During the six months ended April 30, 2016, the Fund purchased 36,691 of its shares on the open market at a total cost of \$407,024 (average price per share of \$11.08). The average discount of these repurchased shares was 14.06%.

Table of Contents

Notes to financial statements (unaudited)

Wells Fargo Multi-Sector Income Fund 27

6. BORROWINGS

As of April 30, 2016, the Fund has borrowed \$220 million through a revolving credit facility administered by a major financial institution (the Facility). The Facility has a commitment amount of \$230 million with no specific contract expiration date but the Facility can be terminated upon 180 days' notice. The Fund is charged interest at London Interbank Offered Rate (LIBOR) plus 0.70% and a commitment fee of 0.30% of the average daily unutilized amount of the commitment which may be waived if the amount drawn on the Facility is over 75% of the committed amount.

During the six months ended April 30, 2016, the Fund had average borrowings outstanding of \$224,780,220 at an average rate of 1.08% and paid interest in the amount of \$1,201,929, which represents 0.43% of its average daily net assets (on an annualized basis).

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the six months ended April 30, 2016 were \$87,635,109 and \$80,281,002, respectively.

As of April 30, 2016, the Fund had unfunded term loan commitments of \$1,972,531.

8. DERIVATIVE TRANSACTIONS

During the six months ended April 30, 2016, the Fund entered into forward foreign currency contracts for economic hedging purposes.

As of April 30, 2016, the Fund did not have any open forward foreign currency contracts but had average contract amounts of \$1,372,192 and \$7,279,843 in forward foreign currency contracts to buy and forward foreign currency contracts to sell, respectively, during the six months ended April 30, 2016.

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

9. INDEMNIFICATION

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

10. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to shareholders:

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| Declaration date | Record date | Payable date | Per share amount |
|------------------|---------------|--------------|------------------|
| April 29, 2016 | May 16, 2016 | June 1, 2016 | \$0.0967 |
| May 25, 2016 | June 15, 2016 | July 1, 2016 | \$0.0923 |

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

Table of Contents**28 Wells Fargo Multi-Sector Income Fund
PROXY VOTING INFORMATION**

Other information (unaudited)

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

ANNUAL MEETING OF SHAREHOLDERS

On February 8, 2016, an Annual Meeting of Shareholders for the Fund was held to consider the following proposal. The results of the proposal are indicated below.

Proposal 1 Election of trustees:

| | | |
|-----------------------|------------------|------------|
| Shares voted For | Peter Gordon | 31,068,743 |
| Shares voted Withhold | | 6,168,246 |
| Shares voted For | Timothy Penny | 31,173,794 |
| Shares voted Withhold | | 6,063,195 |
| Shares voted For | Michael Scofield | 31,099,244 |
| Shares voted Withhold | | 6,137,745 |

PORTFOLIO HOLDINGS INFORMATION

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

Table of Contents

Other information (unaudited)

Wells Fargo Multi-Sector Income Fund 29

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 Officers¹ listed below acts in identical capacities for each fund in the Wells Fargo family of funds, which consists of 141 mutual funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the Fund Complex). The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

Independent Trustees

| Name and year of birth | Position held and length of service | Principal occupations during past five years or longer | Current other public company or investment company directorships |
|---------------------------------|-------------------------------------|--|--|
| William R. Ebsworth (Born 1957) | Trustee, since 2015 | Retired. From 1984 to 2013, equities analyst, portfolio manager, research director and chief financial officer at Fidelity Management and Research Company in Boston, Tokyo, and Hong Kong and retired in 2013 as Chief Investment Officer of Fidelity Strategic Advisers, Inc. where he lead a team of investment professionals managing client assets. Prior thereto, Board member of Hong Kong Securities Clearing Co., Hong Kong Options Clearing Corp., the Thailand International Fund, Ltd., Fidelity Investments Life Insurance Company, and Empire Fidelity Investments Life Insurance Company. Mr. Ebsworth is a CFA® charterholder and an Adjunct Lecturer, Finance, at Babson College. | Asset Allocation Trust |
| Jane A. Freeman (Born 1953) | Trustee, since 2015 | Retired. From 2012 to 2014 and 1999 to 2008, Chief Financial Officer of Scientific Learning Corporation. From 2008 to 2012, Ms. Freeman provided consulting services related to strategic business projects. Prior to 1999, Portfolio Manager at Rockefeller & Co. and Scudder, Stevens & Clark. Board member of the Harding Loevner Funds from 1996 to 2014, serving as both Lead Independent Director and chair of the Audit Committee. Board member of the Russell Exchange Traded Funds Trust from 2011 to 2012 and the chair of the Audit Committee. Ms. Freeman is Chair of Taproot Foundation (non-profit organization), a Board Member | Asset Allocation Trust |

| | | | |
|-----------------------------------|--|--|---|
| Peter G. Gordon (Born 1942) | Trustee, since 2010; Chairman, since 2010 | of Ruth Bancroft Garden (non-profit organization) and an inactive chartered financial analyst. Co-Founder, Retired Chairman, President and CEO of Crystal Geyser Water Company. Trustee Emeritus, Colby College. | Asset Allocation Trust |
| Isaiah Harris, Jr. (Born 1952) | Trustee, since 2010 | Retired. Chairman of the Board of CIGNA Corporation since 2009, and Director since 2005. From 2003 to 2011, Director of Deluxe Corporation. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Harbor Academy (charter school). Advisory Board Member, Child Evangelism Fellowship (non-profit). Mr. Harris is a certified public accountant (inactive status). | CIGNA Corporation; Asset Allocation Trust |
| 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 |
| David F. Larcker (Born 1950) | Trustee, since 2010 | James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of the Corporate Governance Research Initiative and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005. | Asset Allocation Trust |

Table of Contents

| 30 Wells Fargo Multi-Sector Income Fund | | | Other information (unaudited) |
|---|-------------------------------------|--|--|
| Name and year of birth | Position held and length of service | Principal occupations during past five years or longer | Current other public company or investment company directorships |
| Olivia S. Mitchell (Born 1953) | Trustee, since 2010 | International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993. | Asset Allocation Trust |
| Timothy J. Penny (Born 1951) | Trustee, since 2010 | President and Chief Executive Officer of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007. | Asset Allocation Trust |
| Michael S. Scofield (Born 1943) | Trustee, since 2003 | 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 complex (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield. | Asset Allocation Trust |

Officers

| Name and year of birth | Position held and length of service | Principal occupations during past five years or longer |
|---|-------------------------------------|--|
| 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. |
| Jeremy DePalma ¹ (Born 1974) | Treasurer, since 2012 | Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010. |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | |
|---------------------------------|--|---|
| C. David Messman (Born 1960) | Secretary, since 2010; Chief Legal Officer, since 2010 | Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Assistant General Counsel of Wells Fargo Bank, N.A. since 2013 and Vice President and Managing Counsel of Wells Fargo Bank, N.A. from 1996 to 2013. |
| Michael Whitaker (Born 1967) | Chief Compliance Officer, since 2016* | Executive Vice President of Wells Fargo Funds Management, LLC since 2016. Chief Compliance Officer of Fidelity's Fixed Income Funds and Asset Allocation Funds from 2008 to 2016, Compliance Officer of FMR Co., Inc. from 2014 to 2016, Fidelity Investments Money Management, Inc. from 2014 to 2016, Fidelity Investments from 2007 to 2016. |
| Debra Ann Early (Born 1964) | Chief Compliance Officer, since 2010** | Executive Vice President of Wells Fargo Funds Management, LLC since 2014, Senior Vice President and Chief Compliance Officer from 2007 to 2014. |
| David Berardi (Born 1975) | Assistant Treasurer, since 2009 | Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010. |

¹ Jeremy DePalma acts as Treasurer of 69 funds and Assistant Treasurer of 72 funds in the Fund Complex.

* Michael Whitaker became Chief Compliance Officer effective May 16, 2016.

** Debra Ann Early was the Chief Compliance Officer until May 15, 2016.

Table of Contents

Automatic dividend reinvestment plan

Wells Fargo Multi-Sector Income Fund 31

AUTOMATIC DIVIDEND REINVESTMENT PLAN

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan (the Plan). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by Computershare Trust Company, N.A., as agent for shareholders in administering the Plan (Plan Agent), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as dividends) payable either in shares or in cash, nonparticipants in the Plan will receive cash, and participants in the Plan will receive the equivalent in common shares. The shares are acquired by the Plan Agent for the participant s account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund (newly issued common shares) or (ii) by purchase of outstanding common shares on the open-market (open-market purchases) on the NYSE Amex or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions (market premium), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant s account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value (market discount), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at P.O. Box 30170, College Station, Texas 77842-3170 or by calling 1-800-730-6001.

Table of Contents

32 Wells Fargo Multi-Sector Income Fund

List of abbreviations

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

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

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | |
|----------|---|
| HCFR | Healthcare facilities revenue |
| HEFA | Health & Educational Facilities Authority |
| HEFAR | Higher education facilities authority revenue |
| HFA | Housing Finance Authority |
| HFFA | Health Facilities Financing Authority |
| HKD | Hong Kong dollar |
| HUD | Department of Housing and Urban Development |
| HUF | Hungarian forint |
| IDA | Industrial Development Authority |
| IDAG | Industrial Development Agency |
| IDR | Indonesian rupiah |
| IEP | Irish pound |
| JPY | Japanese yen |
| KRW | Republic of Korea won |
| LIBOR | London Interbank Offered Rate |
| LIFER | Long Inverse Floating Exempt Receipts |
| LIQ | Liquidity agreement |
| LLC | Limited liability company |
| LLLP | Limited liability limited partnership |
| LLP | Limited liability partnership |
| LOC | Letter of credit |
| LP | Limited partnership |
| MBIA | Municipal Bond Insurance Association |
| MFHR | Multifamily housing revenue |
| MSTR | Municipal securities trust receipts |
| MTN | Medium-term note |
| MUD | Municipal Utility District |
| MXN | Mexican peso |
| MYR | Malaysian ringgit |
| National | National Public Finance Guarantee Corporation |
| NGN | Nigerian naira |
| NOK | Norwegian krone |
| NZD | New Zealand dollar |
| PCFA | Pollution Control Financing Authority |
| PCL | Public Company Limited |
| PCR | Pollution control revenue |
| PFA | Public Finance Authority |
| PFFA | Public Facilities Financing Authority |
| PFOTER | Puttable floating option tax-exempt receipts |
| plc | Public limited company |
| PLN | Polish zloty |
| PUTTER | Puttable tax-exempt receipts |
| R&D | Research & development |
| Radian | Radian Asset Assurance |
| RAN | Revenue anticipation notes |
| RDA | Redevelopment Authority |
| RDFA | Redevelopment Finance Authority |
| REIT | Real estate investment trust |
| ROC | Reset option certificates |
| RON | Romanian lei |
| RUB | Russian ruble |

| | |
|--------|--|
| SAVRS | Select auction variable rate securities |
| SBA | Small Business Authority |
| SDR | Swedish depositary receipt |
| SEK | Swedish krona |
| SFHR | Single-family housing revenue |
| SFMR | Single-family mortgage revenue |
| SGD | Singapore dollar |
| SPA | Standby purchase agreement |
| SPDR | Standard & Poor's Depositary Receipts |
| SPEAR | Short Puttable Exempt Adjustable Receipts |
| STRIPS | Separate trading of registered interest and principal securities |
| TAN | Tax anticipation notes |
| TBA | To be announced |
| THB | Thai baht |
| TIPS | Treasury inflation-protected securities |
| TRAN | Tax revenue anticipation notes |
| TRY | Turkish lira |
| TTFA | Transportation Trust Fund Authority |
| TVA | Tennessee Valley Authority |
| ZAR | South African rand |

Table of Contents

Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 30170

College Station, TX 77842-3170

1-800-730-6001

Website: wellsfargofunds.com

Wells Fargo Funds Management, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries. Certain material contained in this report may be considered marketing material and has been reviewed by Wells Fargo Funds Distributor, LLC, Member FINRA, an affiliate of Wells Fargo & Company.

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

© 2016 Wells Fargo Funds Management, LLC. All rights reserved.

242224 06-16

SMSI/SAR159 04-16

Table of Contents

ITEM 2. CODE OF ETHICS

Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

Not applicable.

ITEM 6. INVESTMENTS

Wells Fargo Multi-Sector Income Fund included a Summary Portfolio of Investments under Item 1. A Portfolio of Investments for Wells Fargo Multi-Sector Income Fund is filed under this Item.

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 1

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|--------------|--------------|
| Agency Securities: 2.49% | | | | |
| <i>FHLMC ±</i> | 4.24% | 9-1-2032 | \$ 1,202,023 | \$ 1,273,768 |
| <i>FHLMC</i> | 8.50 | 7-1-2028 | 52,331 | 64,149 |
| <i>FHLMC</i> | 8.50 | 3-1-2030 | 30,926 | 31,431 |
| <i>FHLMC Series 1383 ±</i> | 2.66 | 2-1-2037 | 385,831 | 407,570 |
| <i>FHLMC Series 196 Class A ±</i> | 1.23 | 12-15-2021 | 26,173 | 26,463 |
| <i>FHLMC Series 2011-K16 Class B ±144A</i> | 4.75 | 11-25-2046 | 1,000,000 | 1,086,664 |
| <i>FHLMC Series 2011-K701 Class B ±144A</i> | 4.29 | 7-25-2048 | 165,000 | 169,074 |
| <i>FHLMC Series 2011-K702 Class B ±144A</i> | 4.77 | 4-25-2044 | 740,000 | 769,287 |
| <i>FHLMC Series 2012-K17 Class B ±144A</i> | 4.35 | 12-25-2044 | 675,000 | 724,831 |
| <i>FHLMC Series 2012-K18 Class B ±144A</i> | 4.26 | 1-25-2045 | 810,000 | 865,649 |
| <i>FHLMC Series 2012-K501 Class C ±144A</i> | 3.48 | 11-25-2046 | 800,000 | 802,314 |
| <i>FHLMC Series 2012-K705 Class B ±144A</i> | 4.16 | 9-25-2044 | 1,000,000 | 1,033,309 |
| <i>FHLMC Series 2012-K706 Class B ±144A</i> | 4.03 | 11-25-2044 | 500,000 | 515,414 |
| <i>FHLMC Series 2012-K706 Class C ±144A</i> | 4.03 | 11-25-2044 | 805,000 | 816,253 |
| <i>FHLMC Series 2012-K707 Class B ±144A</i> | 3.88 | 1-25-2047 | 930,000 | 956,503 |
| <i>FHLMC Series 2012-K709 Class B ±144A</i> | 3.74 | 4-25-2045 | 1,000,000 | 1,025,079 |
| <i>FHLMC Series 2012-K711 Class B ±144A</i> | 3.56 | 8-25-2045 | 264,000 | 269,113 |
| <i>FHLMC Series 2013-K30 Class B ±144A</i> | 3.67 | 6-25-2045 | 700,000 | 707,298 |
| <i>FHLMC Series 2013-K713 Class B ±144A</i> | 3.17 | 4-25-2046 | 1,000,000 | 1,006,773 |
| <i>FHLMC Series 2390 Class FD ±</i> | 0.88 | 12-15-2031 | 25,932 | 26,178 |
| <i>FHLMC Series 2567 Class FH ±</i> | 0.83 | 2-15-2033 | 74,422 | 75,195 |
| <i>FHLMC Series K007 Class XI ±(c)</i> | 1.33 | 4-25-2020 | 943,835 | 31,168 |
| <i>FHLMC Series K016 Class XI ±(c)</i> | 1.71 | 10-25-2021 | 375,846 | 25,706 |
| <i>FHLMC Series K020 Class XI ±(c)</i> | 1.59 | 5-25-2022 | 6,679,659 | 481,492 |
| <i>FNMA ±</i> | 2.27 | 9-1-2037 | 501,259 | 528,986 |
| <i>FNMA</i> | 6.00 | 4-1-2033 | 65,286 | 68,141 |
| <i>FNMA</i> | 6.50 | 11-1-2032 | 58,102 | 60,997 |
| <i>FNMA</i> | 7.50 | 7-1-2017 | 1,521 | 1,525 |
| <i>FNMA</i> | 7.50 | 10-1-2028 | 2,264 | 2,277 |
| <i>FNMA</i> | 7.50 | 2-1-2030 | 30,819 | 31,291 |
| <i>FNMA</i> | 7.50 | 9-1-2030 | 76,483 | 81,712 |
| <i>FNMA</i> | 8.00 | 6-1-2030 | 9,087 | 9,216 |
| <i>FNMA Series 1996-46 Class FA ±</i> | 0.94 | 8-25-2021 | 15,533 | 15,628 |
| <i>FNMA Series 1997-20 Class IO ±(c)</i> | 1.84 | 3-25-2027 | 1,150,659 | 40,380 |
| <i>FNMA Series 2001-25 Class Z</i> | 6.00 | 6-25-2031 | 158,545 | 179,129 |
| <i>FNMA Series 2001-35 Class F ±</i> | 1.04 | 7-25-2031 | 6,957 | 7,063 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|---------------------------------------|------|------------|--------|--------|
| <i>FNMA Series 2001-57 Class F ±</i> | 0.94 | 6-25-2031 | 7,004 | 7,094 |
| <i>FNMA Series 2002-77 Class FH ±</i> | 0.84 | 12-18-2032 | 52,454 | 52,930 |
| <i>FNMA Series 2002-97 Class FR ±</i> | 0.99 | 1-25-2033 | 12,295 | 12,450 |
| <i>FNMA Series G91-16 Class F ±</i> | 0.89 | 6-25-2021 | 14,031 | 14,112 |
| <i>FNMA Series G92-17 Class F ±</i> | 1.49 | 3-25-2022 | 50,957 | 51,778 |
| <i>GNMA</i> | 6.50 | 6-15-2028 | 36,954 | 42,297 |
| <i>GNMA</i> | 7.25 | 7-15-2017 | 1,345 | 1,348 |
| <i>GNMA</i> | 7.25 | 8-15-2017 | 2,525 | 2,534 |
| <i>GNMA</i> | 7.25 | 8-15-2017 | 4,016 | 4,030 |
| <i>GNMA</i> | 7.25 | 9-15-2017 | 8,047 | 8,126 |
| <i>GNMA</i> | 7.25 | 10-15-2017 | 14,399 | 14,534 |
| <i>GNMA</i> | 7.25 | 10-15-2017 | 5,536 | 5,584 |
| <i>GNMA</i> | 7.25 | 11-15-2017 | 7,564 | 7,638 |
| <i>GNMA</i> | 7.25 | 1-15-2018 | 1,951 | 1,957 |

Table of Contents

2 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|--------------|------------|
| Agency Securities (continued) | | | | |
| <i>GNMA</i> | 7.25% | 1-15-2018 | \$ 4,954 | \$ 4,971 |
| <i>GNMA</i> | 7.25 | 2-15-2018 | 9,615 | 9,715 |
| <i>GNMA</i> | 7.25 | 5-15-2018 | 5,596 | 5,616 |
| Total Agency Securities (Cost \$13,630,968) | | | | 14,463,740 |
| Asset-Backed Securities: 0.10% | | | | |
| <i>CVS Pass-Through Trust Series T</i> | 6.04 | 12-10-2028 | 543,340 | 606,725 |
| Total Asset-Backed Securities (Cost \$608,247) | | | | 606,725 |
| Shares | | | | |
| Common Stocks: 0.07% | | | | |
| Energy: 0.07% | | | | |
| Oil, Gas & Consumable Fuels: 0.07% | | | | |
| <i>Swift Energy Company (i)</i> | | | 16,550 | 423,014 |
| Materials: 0.00% | | | | |
| Chemicals: 0.00% | | | | |
| <i>LyondellBasell Industries NV Class A</i> | | | 9 | 744 |
| Total Common Stocks (Cost \$4,298,672) | | | | 423,758 |
| Principal | | | | |
| Corporate Bonds and Notes: 72.38% | | | | |
| Consumer Discretionary: 12.60% | | | | |
| Auto Components: 0.58% | | | | |
| <i>Cooper Tire & Rubber Company (i)</i> | 7.63 | 3-15-2027 | \$ 1,680,000 | 1,789,200 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|---|------|------------|-----------|------------|
| <i>Cooper Tire & Rubber Company</i> | 8.00 | 12-15-2019 | 550,000 | 624,250 |
| <i>Goodyear Tire & Rubber Company</i> | 7.00 | 5-15-2022 | 400,000 | 432,000 |
| <i>Goodyear Tire & Rubber Company</i> | 8.75 | 8-15-2020 | 468,000 | 554,580 |
| | | | | 3,400,030 |
| Distributors: 0.16% | | | | |
| <i>LKQ Corporation</i> | 4.75 | 5-15-2023 | 900,000 | 904,500 |
| Diversified Consumer Services: 0.83% | | | | |
| <i>Service Corporation International</i> | 7.50 | 4-1-2027 | 2,993,000 | 3,516,775 |
| <i>Service Corporation International</i> | 7.63 | 10-1-2018 | 680,000 | 763,300 |
| <i>Service Corporation International</i> | 8.00 | 11-15-2021 | 475,000 | 555,750 |
| | | | | 4,835,825 |
| Hotels, Restaurants & Leisure: 2.60% | | | | |
| <i>CCM Merger Incorporated 144A</i> | 9.13 | 5-1-2019 | 6,270,000 | 6,536,475 |
| <i>Greektown Holdings LLC 144A</i> | 8.88 | 3-15-2019 | 7,625,000 | 7,891,875 |
| <i>Hilton Worldwide Finance LLC</i> | 5.63 | 10-15-2021 | 195,000 | 203,102 |
| <i>Speedway Motorsports Incorporated</i> | 5.13 | 2-1-2023 | 425,000 | 437,750 |
| | | | | 15,069,202 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 3

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|--------------|--------------|
| Household Durables: 0.41% | | | | |
| <i>American Greetings Corporation</i> | 7.38% | 12-1-2021 | \$ 2,000,000 | \$ 2,060,000 |
| <i>Tempur Sealy International Incorporated</i> | 5.63 | 10-15-2023 | 105,000 | 109,200 |
| <i>Tempur Sealy International Incorporated</i> | 6.88 | 12-15-2020 | 200,000 | 210,750 |
| | | | | 2,379,950 |
| Internet & Catalog Retail: 0.14% | | | | |
| <i>Expedia Incorporated</i> | 5.95 | 8-15-2020 | 750,000 | 829,298 |
| Leisure Products: 0.11% | | | | |
| <i>Vista Outdoor Incorporated 144A</i> | 5.88 | 10-1-2023 | 600,000 | 630,000 |
| Media: 6.16% | | | | |
| <i>Altice US Finance I Corporation 144A</i> | 5.38 | 7-15-2023 | 1,395,000 | 1,424,365 |
| <i>Cable One Incorporated 144A</i> | 5.75 | 6-15-2022 | 375,000 | 385,313 |
| <i>Cablevision Systems Corporation</i> | 8.63 | 9-15-2017 | 1,310,000 | 1,388,600 |
| <i>CCO Holdings LLC</i> | 5.13 | 2-15-2023 | 300,000 | 307,500 |
| <i>CCO Holdings LLC 144A</i> | 5.13 | 5-1-2023 | 475,000 | 484,500 |
| <i>CCO Holdings LLC</i> | 5.25 | 9-30-2022 | 1,250,000 | 1,290,625 |
| <i>CCO Holdings LLC 144A</i> | 5.38 | 5-1-2025 | 4,150,000 | 4,248,563 |
| <i>CCO Holdings LLC 144A</i> | 5.50 | 5-1-2026 | 815,000 | 831,300 |
| <i>CCO Holdings LLC 144A</i> | 5.88 | 4-1-2024 | 750,000 | 785,625 |
| <i>CCO Holdings LLC 144A</i> | 5.88 | 5-1-2027 | 705,000 | 722,625 |
| <i>CCO Holdings LLC</i> | 6.63 | 1-31-2022 | 775,000 | 823,438 |
| <i>CCO Holdings LLC</i> | 7.38 | 6-1-2020 | 1,100,000 | 1,140,700 |
| <i>CCOH Safari LLC 144A</i> | 5.75 | 2-15-2026 | 3,375,000 | 3,484,688 |
| <i>Cequel Communications Holdings I LLC 144A</i> | 5.13 | 12-15-2021 | 1,335,000 | 1,258,238 |
| <i>Cequel Communications Holdings I LLC 144A</i> | 7.75 | 7-15-2025 | 2,030,000 | 2,060,450 |
| <i>Cinemark USA Incorporated 144A</i> | 4.88 | 6-1-2023 | 325,000 | 322,598 |
| <i>CSC Holdings LLC</i> | 7.88 | 2-15-2018 | 1,000,000 | 1,080,000 |
| <i>CSC Holdings LLC</i> | 8.63 | 2-15-2019 | 383,000 | 425,130 |
| <i>Gray Television Incorporated</i> | 7.50 | 10-1-2020 | 4,600,000 | 4,818,500 |
| <i>Interpublic Group of Companies</i> | 4.00 | 3-15-2022 | 750,000 | 783,599 |
| <i>Lamar Media Corporation</i> | 5.88 | 2-1-2022 | 690,000 | 722,775 |
| <i>LIN Television Corporation</i> | 6.38 | 1-15-2021 | 275,000 | 287,375 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|---|------|------------|-----------|------------|
| <i>Live Nation Entertainment Incorporated 144A</i> | 7.00 | 9-1-2020 | 200,000 | 209,500 |
| <i>National CineMedia LLC</i> | 6.00 | 4-15-2022 | 1,725,000 | 1,806,938 |
| <i>National CineMedia LLC</i> | 7.88 | 7-15-2021 | 1,000,000 | 1,042,500 |
| <i>Nexstar Broadcasting Group Incorporated 144A</i> | 6.13 | 2-15-2022 | 175,000 | 175,438 |
| <i>Nexstar Broadcasting Group Incorporated</i> | 6.88 | 11-15-2020 | 1,750,000 | 1,833,125 |
| <i>Outfront Media Capital Corporation</i> | 5.63 | 2-15-2024 | 20,000 | 20,800 |
| <i>Outfront Media Capital Corporation</i> | 5.88 | 3-15-2025 | 775,000 | 809,875 |
| <i>Time Warner Cable Incorporated</i> | 4.00 | 1-15-2022 | 750,000 | 811,156 |
| | | | | 35,785,839 |
| Multiline Retail: 0.11% | | | | |
| <i>Macy's Retail Holdings Incorporated</i> | 3.88 | 1-15-2022 | 600,000 | 614,853 |
| Specialty Retail: 1.50% | | | | |
| <i>ABC Supply Company Incorporated 144A</i> | 5.63 | 4-15-2021 | 450,000 | 465,750 |
| <i>ABC Supply Company Incorporated 144A</i> | 5.75 | 12-15-2023 | 300,000 | 314,250 |

Table of Contents

4 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|------------|
| Specialty Retail (continued) | | | | |
| <i>Advance Auto Parts Incorporated</i> | 4.50% | 1-15-2022 | \$ 600,000 | \$ 640,349 |
| <i>Asbury Automotive Group Incorporated</i> | 6.00 | 12-15-2024 | 675,000 | 696,938 |
| <i>Century Intermediate Holding Company (PIK at 10.50%) 144A(i)¥</i> | 9.75 | 2-15-2019 | 300,000 | 303,750 |
| <i>L Brands Incorporated</i> | 6.63 | 4-1-2021 | 750,000 | 851,550 |
| <i>Penske Auto Group Incorporated</i> | 5.38 | 12-1-2024 | 2,150,000 | 2,166,125 |
| <i>Penske Auto Group Incorporated</i> | 5.75 | 10-1-2022 | 1,155,000 | 1,192,538 |
| <i>Sonic Automotive Incorporated</i> | 5.00 | 5-15-2023 | 1,224,000 | 1,217,880 |
| <i>Sonic Automotive Incorporated</i> | 7.00 | 7-15-2022 | 825,000 | 870,375 |
| | | | | 8,719,505 |
| Consumer Staples: 1.13% | | | | |
| Beverages: 0.14% | | | | |
| <i>Cott Beverages Incorporated</i> | 6.75 | 1-1-2020 | 790,000 | 827,525 |
| Food & Staples Retailing: 0.11% | | | | |
| <i>SABMiller Holdings Incorporated 144A</i> | 3.75 | 1-15-2022 | 600,000 | 640,945 |
| Food Products: 0.68% | | | | |
| <i>B&G Foods Incorporated</i> | 4.63 | 6-1-2021 | 300,000 | 304,875 |
| <i>Darling Ingredients Incorporated</i> | 5.38 | 1-15-2022 | 180,000 | 187,650 |
| <i>Kraft Foods Group Incorporated</i> | 3.50 | 6-6-2022 | 750,000 | 795,688 |
| <i>Pilgrim s Pride Corporation 144A</i> | 5.75 | 3-15-2025 | 1,130,000 | 1,149,775 |
| <i>Pinnacle Foods Incorporated 144A</i> | 5.63 | 5-1-2024 | 325,000 | 324,594 |
| <i>Pinnacle Foods Incorporated 144A</i> | 5.88 | 1-15-2024 | 75,000 | 79,313 |
| <i>Prestige Brands Incorporated 144A</i> | 6.38 | 3-1-2024 | 130,000 | 136,500 |
| <i>Simmons Foods Incorporated 144A</i> | 7.88 | 10-1-2021 | 1,100,000 | 946,000 |
| <i>Treehouse Foods Incorporated 144A</i> | 6.00 | 2-15-2024 | 50,000 | 53,188 |
| | | | | 3,977,583 |
| Household Products: 0.07% | | | | |
| <i>Central Garden & Pet Company</i> | 6.13 | 11-15-2023 | 250,000 | 262,500 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|-----------|-----------|
| <i>Spectrum Brands Incorporated</i> | 5.75 | 7-15-2025 | 100,000 | 106,065 |
| | | | | 368,565 |
| Tobacco: 0.13% | | | | |
| <i>Reynolds American Incorporated 144A</i> | 6.88 | 5-1-2020 | 650,000 | 766,411 |
| Energy: 16.36% | | | | |
| Energy Equipment & Services: 5.42% | | | | |
| <i>Bristow Group Incorporated</i> | 6.25 | 10-15-2022 | 4,480,000 | 3,673,600 |
| <i>Cleaver Brooks Incorporated 144A</i> | 8.75 | 12-15-2019 | 95,000 | 93,100 |
| <i>Era Group Incorporated</i> | 7.75 | 12-15-2022 | 4,425,000 | 3,827,625 |
| <i>Forum Energy Technologies Incorporated</i> | 6.25 | 10-1-2021 | 250,000 | 227,500 |
| <i>Hilcorp Energy Company 144A</i> | 5.00 | 12-1-2024 | 500,000 | 465,000 |
| <i>Hilcorp Energy Company 144A</i> | 5.75 | 10-1-2025 | 1,300,000 | 1,225,250 |
| <i>Hilcorp Energy Company 144A</i> | 7.63 | 4-15-2021 | 325,000 | 331,500 |
| <i>Hornbeck Offshore Services Incorporated</i> | 1.50 | 9-1-2019 | 1,350,000 | 826,875 |
| <i>Hornbeck Offshore Services Incorporated</i> | 5.00 | 3-1-2021 | 2,835,000 | 1,803,769 |
| <i>Hornbeck Offshore Services Incorporated</i> | 5.88 | 4-1-2020 | 1,860,000 | 1,204,350 |
| <i>NGPL PipeCo LLC 144A</i> | 7.12 | 12-15-2017 | 2,060,000 | 2,126,950 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 5

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|---------------|---------------|
| Energy Equipment & Services (continued) | | | | |
| <i>NGPL PipeCo LLC 144A</i> | 7.77% | 12-15-2037 | \$ 10,990,000 | \$ 10,110,800 |
| <i>NGPL PipeCo LLC 144A</i> | 9.63 | 6-1-2019 | 435,000 | 453,705 |
| <i>PHI Incorporated</i> | 5.25 | 3-15-2019 | 5,525,000 | 5,093,387 |
| | | | | 31,463,411 |
| Oil, Gas & Consumable Fuels: 10.94% | | | | |
| <i>Alpha Natural Resources Incorporated (i)(s)</i> | 6.25 | 6-1-2021 | 475,000 | 3,563 |
| <i>Arch Coal Incorporated (s)</i> | 7.00 | 6-15-2019 | 1,200,000 | 9,000 |
| <i>Arch Coal Incorporated (s)</i> | 7.25 | 6-15-2021 | 475,000 | 3,563 |
| <i>Berry Petroleum Company LLC</i> | 6.38 | 9-15-2022 | 3,175,000 | 809,625 |
| <i>Berry Petroleum Company LLC</i> | 6.75 | 11-1-2020 | 320,000 | 78,400 |
| <i>Continental Resources Incorporated</i> | 5.00 | 9-15-2022 | 825,000 | 765,188 |
| <i>CSI Compressco LP</i> | 7.25 | 8-15-2022 | 1,250,000 | 981,250 |
| <i>Denbury Resources Incorporated</i> | 4.63 | 7-15-2023 | 4,725,000 | 2,811,375 |
| <i>Denbury Resources Incorporated</i> | 5.50 | 5-1-2022 | 655,000 | 425,750 |
| <i>Denbury Resources Incorporated</i> | 6.38 | 8-15-2021 | 1,460,000 | 949,000 |
| <i>El Paso LLC</i> | 6.50 | 4-1-2020 | 750,000 | 815,502 |
| <i>Enable Midstream Partner LP</i> | 2.40 | 5-15-2019 | 2,350,000 | 2,131,323 |
| <i>Enable Midstream Partner LP</i> | 3.90 | 5-15-2024 | 1,500,000 | 1,264,952 |
| <i>Enable Midstream Partner LP</i> | 5.00 | 5-15-2044 | 275,000 | 204,975 |
| <i>Energy Transfer Partners LP</i> | 5.20 | 2-1-2022 | 750,000 | 752,234 |
| <i>Enlink Midstream LLC</i> | 4.15 | 6-1-2025 | 2,950,000 | 2,541,986 |
| <i>Enlink Midstream LLC</i> | 4.40 | 4-1-2024 | 3,200,000 | 2,771,869 |
| <i>Exterran Partners LP</i> | 6.00 | 4-1-2021 | 2,225,000 | 1,746,625 |
| <i>Kinder Morgan Energy Partners LP</i> | 3.95 | 9-1-2022 | 750,000 | 740,612 |
| <i>Kinder Morgan Incorporated</i> | 5.55 | 6-1-2045 | 925,000 | 861,390 |
| <i>Kinder Morgan Incorporated</i> | 6.50 | 9-15-2020 | 285,000 | 310,183 |
| <i>Kinder Morgan Incorporated</i> | 7.00 | 6-15-2017 | 530,000 | 554,014 |
| <i>Kinder Morgan Incorporated (i)</i> | 7.42 | 2-15-2037 | 800,000 | 799,902 |
| <i>Kinder Morgan Incorporated</i> | 7.80 | 8-1-2031 | 1,850,000 | 2,003,084 |
| <i>Nabors Industries Incorporated</i> | 4.63 | 9-15-2021 | 750,000 | 688,675 |
| <i>Northern Tier Energy LLC</i> | 7.13 | 11-15-2020 | 1,575,000 | 1,563,188 |
| <i>Overseas Shipholding Group Incorporated</i> | 8.13 | 3-30-2018 | 2,430,000 | 2,417,850 |
| <i>Phillips 66</i> | 4.30 | 4-1-2022 | 625,000 | 676,868 |
| <i>Pioneer Natural Resources Company</i> | 3.95 | 7-15-2022 | 750,000 | 777,112 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|-----------|-----------|
| <i>Rockies Express Pipeline LLC 144A</i> | 5.63 | 4-15-2020 | 3,625,000 | 3,597,813 |
| <i>Rockies Express Pipeline LLC 144A</i> | 6.88 | 4-15-2040 | 5,199,000 | 4,575,120 |
| <i>Rockies Express Pipeline LLC 144A</i> | 7.50 | 7-15-2038 | 2,390,000 | 2,139,050 |
| <i>Rose Rock Midstream LP</i> | 5.63 | 11-15-2023 | 675,000 | 526,500 |
| <i>Sabine Oil & Gas Corporation (i)(s)</i> | 7.25 | 6-15-2019 | 520,000 | 2,600 |
| <i>Sabine Oil & Gas Corporation (i)(s)</i> | 7.50 | 9-15-2020 | 3,500,000 | 35,000 |
| <i>Sabine Pass Liquefaction LLC</i> | 5.63 | 2-1-2021 | 850,000 | 844,688 |
| <i>Sabine Pass Liquefaction LLC</i> | 5.63 | 4-15-2023 | 1,710,000 | 1,671,525 |
| <i>Sabine Pass Liquefaction LLC</i> | 5.63 | 3-1-2025 | 460,000 | 448,500 |
| <i>Sabine Pass Liquefaction LLC</i> | 5.75 | 5-15-2024 | 1,625,000 | 1,572,188 |
| <i>Sabine Pass Liquefaction LLC</i> | 6.25 | 3-15-2022 | 3,550,000 | 3,594,375 |
| <i>Sabine Pass LNG LP</i> | 6.50 | 11-1-2020 | 3,245,000 | 3,382,913 |
| <i>Sabine Pass LNG LP</i> | 7.50 | 11-30-2016 | 3,210,000 | 3,284,231 |
| <i>SemGroup Corporation</i> | 7.50 | 6-15-2021 | 2,755,000 | 2,424,400 |

Table of Contents

6 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|-----------|------------|
| Oil, Gas & Consumable Fuels (continued) | | | | |
| <i>Southern Star Central Corporation 144A</i> | 5.13% | 7-15-2022 | \$ 50,000 | \$ 47,625 |
| <i>Southwestern Energy Company</i> | 4.10 | 3-15-2022 | 425,000 | 345,844 |
| <i>Suburban Propane Partners LP</i> | 7.38 | 8-1-2021 | 309,000 | 318,270 |
| <i>Swift Energy Company (s)(a)</i> | 7.13 | 6-1-2017 | 5,696,000 | 0 |
| <i>Swift Energy Company (i)(s)(a)</i> | 8.88 | 1-15-2020 | 1,075,000 | 0 |
| <i>Ultra Petroleum Corporation 144A(s)</i> | 5.75 | 12-15-2018 | 410,000 | 61,500 |
| <i>Ultra Petroleum Corporation 144A(s)</i> | 6.13 | 10-1-2024 | 8,475,000 | 1,271,250 |
| <i>Weatherford International Incorporated</i> | 6.35 | 6-15-2017 | 650,000 | 659,750 |
| <i>Western Gas Partners LP</i> | 3.95 | 6-1-2025 | 175,000 | 157,255 |
| <i>Western Gas Partners LP</i> | 4.00 | 7-1-2022 | 175,000 | 167,797 |
| <i>Western Gas Partners LP</i> | 5.38 | 6-1-2021 | 728,000 | 739,453 |
| <i>Western Gas Partners LP</i> | 5.45 | 4-1-2044 | 650,000 | 559,121 |
| <i>Williams Partners LP</i> | 3.35 | 8-15-2022 | 750,000 | 653,868 |
| | | | | 63,539,694 |
| Financials: 14.61% | | | | |
| Banks: 0.91% | | | | |
| <i>Bank of America Corporation</i> | 5.70 | 1-24-2022 | 250,000 | 287,210 |
| <i>CIT Group Incorporated</i> | 5.25 | 3-15-2018 | 100,000 | 103,125 |
| <i>CIT Group Incorporated 144A</i> | 5.50 | 2-15-2019 | 1,275,000 | 1,334,288 |
| <i>CIT Group Incorporated 144A</i> | 6.63 | 4-1-2018 | 550,000 | 579,563 |
| <i>Citigroup Incorporated</i> | 4.50 | 1-14-2022 | 250,000 | 273,226 |
| <i>Citigroup Incorporated</i> | 6.00 | 8-15-2017 | 650,000 | 686,723 |
| <i>City National Bank</i> | 5.38 | 7-15-2022 | 500,000 | 578,389 |
| <i>HSBC Bank USA</i> | 6.00 | 8-9-2017 | 650,000 | 681,805 |
| <i>JPMorgan Chase & Company</i> | 3.38 | 5-1-2023 | 750,000 | 758,073 |
| | | | | 5,282,402 |
| Capital Markets: 1.13% | | | | |
| <i>ACE Securities Corporation ±</i> | 3.06 | 6-25-2033 | 399,612 | 394,096 |
| <i>Blackstone Holdings Finance Company LLC 144A</i> | 5.88 | 3-15-2021 | 750,000 | 870,151 |
| <i>Goldman Sachs Group Incorporated</i> | 5.75 | 1-24-2022 | 750,000 | 862,436 |
| <i>Jefferies Finance LLC 144A</i> | 6.88 | 4-15-2022 | 3,560,000 | 3,115,000 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|-----------|---------|-----------|
| <i>Jefferies Finance LLC 144A</i> | 7.38 | 4-1-2020 | 200,000 | 184,500 |
| <i>Jefferies Finance LLC 144A</i> | 7.50 | 4-15-2021 | 475,000 | 429,875 |
| <i>Neuberger Berman Group LLC 144A</i> | 5.88 | 3-15-2022 | 650,000 | 676,813 |
| | | | | 6,532,871 |

Consumer Finance: 3.48%

| | | | | |
|---------------------------------------|------|------------|-----------|-----------|
| <i>Ally Financial Incorporated</i> | 5.75 | 11-20-2025 | 675,000 | 683,438 |
| <i>Ally Financial Incorporated</i> | 8.00 | 12-31-2018 | 780,000 | 853,125 |
| <i>Ally Financial Incorporated</i> | 8.00 | 3-15-2020 | 755,000 | 855,981 |
| <i>Discover Financial Services</i> | 5.20 | 4-27-2022 | 750,000 | 811,134 |
| <i>Ford Motor Credit Company LLC</i> | 5.00 | 5-15-2018 | 650,000 | 690,846 |
| <i>Ford Motor Credit Company LLC</i> | 8.00 | 12-15-2016 | 250,000 | 260,473 |
| <i>Homer City Generation LLC 144A</i> | 8.73 | 10-1-2026 | 1,236,785 | 717,335 |
| <i>Navient Corporation</i> | 5.88 | 3-25-2021 | 610,000 | 582,550 |
| <i>Navient Corporation</i> | 8.00 | 3-25-2020 | 3,280,000 | 3,411,200 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 7

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|--------------|--------------|
| Consumer Finance (continued) | | | | |
| <i>SLM Corporation</i> | 8.45% | 6-15-2018 | \$ 1,675,000 | \$ 1,792,250 |
| <i>Springleaf Finance Corporation</i> | 5.75 | 9-15-2016 | 1,100,000 | 1,108,131 |
| <i>Springleaf Finance Corporation</i> | 6.00 | 6-1-2020 | 1,735,000 | 1,661,263 |
| <i>Springleaf Finance Corporation</i> | 6.50 | 9-15-2017 | 200,000 | 205,750 |
| <i>Springleaf Finance Corporation</i> | 6.90 | 12-15-2017 | 4,550,000 | 4,754,750 |
| <i>Springleaf Finance Corporation</i> | 7.75 | 10-1-2021 | 500,000 | 493,750 |
| <i>Springleaf Finance Corporation</i> | 8.25 | 12-15-2020 | 175,000 | 181,125 |
| <i>Springleaf Finance Corporation</i> | 8.25 | 10-1-2023 | 1,160,000 | 1,160,000 |
| | | | | 20,223,101 |
| Diversified Financial Services: 1.82% | | | | |
| <i>Denali Borrower LLC 144A</i> | 5.63 | 10-15-2020 | 3,510,000 | 3,694,275 |
| <i>General Electric Capital Corporation</i> | 4.65 | 10-17-2021 | 187,000 | 212,473 |
| <i>Infinity Acquisition LLC 144A(i)</i> | 7.25 | 8-1-2022 | 2,160,000 | 1,890,000 |
| <i>ING US Incorporated</i> | 5.50 | 7-15-2022 | 750,000 | 841,763 |
| <i>MGP Escrow Issuer LLC 144A</i> | 5.63 | 5-1-2024 | 200,000 | 208,125 |
| <i>Moody s Corporation</i> | 5.50 | 9-1-2020 | 1,302,000 | 1,454,923 |
| <i>NewStar Financial Incorporated</i> | 7.25 | 5-1-2020 | 2,450,000 | 2,278,500 |
| | | | | 10,580,059 |
| Insurance: 1.73% | | | | |
| <i>American International Group Incorporated</i> | 4.88 | 6-1-2022 | 750,000 | 822,965 |
| <i>Endurance Specialty Holdings Limited</i> | 7.00 | 7-15-2034 | 575,000 | 651,196 |
| <i>Hartford Financial Services Group Incorporated</i> | 5.13 | 4-15-2022 | 650,000 | 734,752 |
| <i>Hub Holdings LLC (PIK at 8.88%) 144A</i> | 8.13 | 7-15-2019 | 2,900,000 | 2,697,000 |
| <i>Hub International Limited 144A</i> | 7.88 | 10-1-2021 | 2,295,000 | 2,249,100 |
| <i>Liberty Mutual Group Incorporated 144A</i> | 4.95 | 5-1-2022 | 750,000 | 815,284 |
| <i>ProAssurance Corporation</i> | 5.30 | 11-15-2023 | 750,000 | 796,502 |
| <i>Progressive Corporation ±</i> | 6.70 | 6-15-2067 | 600,000 | 566,340 |
| <i>W.R. Berkley Corporation</i> | 4.63 | 3-15-2022 | 650,000 | 698,753 |
| | | | | 10,031,892 |

Real Estate Management & Development:**0.55%**

| | | | | |
|------------------------------|------|-----------|-----------|-----------|
| <i>Onex Corporation 144A</i> | 7.75 | 1-15-2021 | 3,205,000 | 3,205,000 |
|------------------------------|------|-----------|-----------|-----------|

REITs: 4.99%

| | | | | |
|---|------|-----------|-----------|-----------|
| <i>Alexandria Real Estate Company</i> | 4.60 | 4-1-2022 | 650,000 | 692,301 |
| <i>American Tower Corporation</i> | 5.90 | 11-1-2021 | 650,000 | 744,327 |
| <i>Crown Castle International Corporation</i> | 4.88 | 4-15-2022 | 460,000 | 499,100 |
| <i>Crown Castle International Corporation</i> | 5.25 | 1-15-2023 | 95,000 | 105,688 |
| <i>DuPont Fabros Technology Incorporated LP</i> | 5.63 | 6-15-2023 | 2,975,000 | 3,071,688 |
| <i>DuPont Fabros Technology Incorporated LP</i> | 5.88 | 9-15-2021 | 4,655,000 | 4,887,750 |
| <i>Equinix Incorporated</i> | 5.88 | 1-15-2026 | 425,000 | 449,701 |
| <i>ESH Hospitality Incorporated 144A</i> | 5.25 | 5-1-2025 | 1,825,000 | 1,799,906 |
| <i>Essex Portfolio LP</i> | 3.63 | 8-15-2022 | 750,000 | 778,430 |
| <i>Health Care REIT Incorporated</i> | 5.25 | 1-15-2022 | 650,000 | 720,489 |
| <i>Iron Mountain Incorporated</i> | 5.75 | 8-15-2024 | 4,990,000 | 5,127,225 |
| <i>Iron Mountain Incorporated 144A</i> | 6.00 | 10-1-2020 | 230,000 | 242,650 |
| <i>Iron Mountain Incorporated</i> | 6.00 | 8-15-2023 | 2,960,000 | 3,137,600 |

Table of Contents

8 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|------------|
| REITs (continued) | | | | |
| <i>Sabra Health Care Incorporated</i> | 5.38% | 6-1-2023 | \$ 900,000 | \$ 875,250 |
| <i>Sabra Health Care Incorporated</i> | 5.50 | 2-1-2021 | 1,100,000 | 1,111,000 |
| <i>The Geo Group Incorporated</i> | 5.13 | 4-1-2023 | 800,000 | 786,000 |
| <i>The Geo Group Incorporated</i> | 5.88 | 1-15-2022 | 2,740,000 | 2,794,800 |
| <i>The Geo Group Incorporated</i> | 5.88 | 10-15-2024 | 465,000 | 474,300 |
| <i>Ventas Realty LP</i> | 4.25 | 3-1-2022 | 650,000 | 690,400 |
| | | | | 28,988,605 |
| Health Care: 7.21% | | | | |
| Biotechnology: 0.14% | | | | |
| <i>Amgen Incorporated</i> | 3.63 | 5-15-2022 | 750,000 | 801,195 |
| Health Care Equipment & Supplies: 1.06% | | | | |
| <i>Crimson Merger Sub Incorporated 144A</i> | 6.63 | 5-15-2022 | 2,400,000 | 2,010,000 |
| <i>Hill-Rom Holdings Incorporated 144A</i> | 5.75 | 9-1-2023 | 200,000 | 207,000 |
| <i>Hologic Incorporated 144A</i> | 5.25 | 7-15-2022 | 670,000 | 701,825 |
| <i>Kinetics Concepts Incorporated 144A</i> | 7.88 | 2-15-2021 | 775,000 | 837,969 |
| <i>Surgery Center Holdings Company 144A</i> | 8.88 | 4-15-2021 | 2,425,000 | 2,418,938 |
| | | | | 6,175,732 |
| Health Care Providers & Services: 4.12% | | | | |
| <i>Acadia Healthcare Company Incorporated 144A</i> | 6.50 | 3-1-2024 | 190,000 | 200,450 |
| <i>Centene Corporation</i> | 5.75 | 6-1-2017 | 1,000,000 | 1,030,000 |
| <i>Coventry Health Care Incorporated</i> | 5.45 | 6-15-2021 | 750,000 | 848,498 |
| <i>DaVita HealthCare Partners Incorporated</i> | 5.00 | 5-1-2025 | 445,000 | 445,000 |
| <i>DaVita HealthCare Partners Incorporated</i> | 5.75 | 8-15-2022 | 525,000 | 549,938 |
| <i>Express Scripts Holding Company</i> | 3.90 | 2-15-2022 | 665,000 | 699,453 |
| <i>HCA Incorporated</i> | 5.25 | 6-15-2026 | 200,000 | 207,750 |
| <i>HCA Incorporated</i> | 6.50 | 2-15-2020 | 1,875,000 | 2,076,563 |
| <i>HealthSouth Corporation</i> | 5.75 | 11-1-2024 | 530,000 | 547,225 |
| <i>HealthSouth Corporation</i> | 5.75 | 9-15-2025 | 650,000 | 672,425 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|-------|------------|-----------|------------|
| <i>Humana Incorporated</i> | 7.20 | 6-15-2018 | 750,000 | 831,848 |
| <i>Mednax Incorporated 144A</i> | 5.25 | 12-1-2023 | 475,000 | 492,813 |
| <i>Molina Healthcare Incorporated 144A</i> | 5.38 | 11-15-2022 | 475,000 | 490,438 |
| <i>MPH Acquisition Holdings LLC 144A</i> | 6.63 | 4-1-2022 | 2,438,000 | 2,545,662 |
| <i>MPT Operating Partnership LP</i> | 6.38 | 2-15-2022 | 1,075,000 | 1,128,750 |
| <i>MPT Operating Partnership LP</i> | 6.38 | 3-1-2024 | 110,000 | 117,150 |
| <i>MPT Operating Partnership LP</i> | 6.88 | 5-1-2021 | 775,000 | 803,094 |
| <i>Select Medical Corporation</i> | 6.38 | 6-1-2021 | 6,215,000 | 5,896,481 |
| <i>Team Health Incorporated 144A</i> | 7.25 | 12-15-2023 | 950,000 | 1,008,781 |
| <i>Tenet Healthcare Corporation</i> | 6.00 | 10-1-2020 | 1,475,000 | 1,563,500 |
| <i>Vizient Incorporated 144A</i> | 10.38 | 3-1-2024 | 1,625,000 | 1,771,250 |
| | | | | 23,927,069 |
| Health Care Technology: 0.87% | | | | |
| <i>Emdeon Incorporated 144A</i> | 6.00 | 2-15-2021 | 500,000 | 503,750 |
| <i>Emdeon Incorporated</i> | 11.00 | 12-31-2019 | 4,325,000 | 4,573,688 |
| | | | | 5,077,438 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 9

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|------------|
| Life Sciences Tools & Services: 0.15% | | | | |
| <i>Life Technologies Corporation</i> | 6.00% | 3-1-2020 | \$ 750,000 | \$ 843,673 |
| Pharmaceuticals: 0.87% | | | | |
| <i>Endo Finance LLC 144A</i> | 5.75 | 1-15-2022 | 715,000 | 693,550 |
| <i>Endo Finance LLC 144A</i> | 5.88 | 1-15-2023 | 375,000 | 359,063 |
| <i>Endo Finance LLC 144A</i> | 6.00 | 2-1-2025 | 775,000 | 740,125 |
| <i>Endo Finance LLC 144A</i> | 7.75 | 1-15-2022 | 2,385,000 | 2,456,550 |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 7.25 | 7-15-2022 | 75,000 | 66,188 |
| <i>Watson Pharmaceuticals Incorporated</i> | 3.25 | 10-1-2022 | 750,000 | 759,137 |
| | | | | 5,074,613 |
| Industrials: 4.31% | | | | |
| Aerospace & Defense: 0.18% | | | | |
| <i>BAE Systems Holdings Incorporated 144A</i> | 3.80 | 10-7-2024 | 1,000,000 | 1,034,563 |
| Airlines: 0.36% | | | | |
| <i>Aviation Capital Group Corporation 144A</i> | 6.75 | 4-6-2021 | 1,320,000 | 1,496,550 |
| <i>Delta Air Lines Incorporated</i> | 4.75 | 11-7-2021 | 578,856 | 613,587 |
| | | | | 2,110,137 |
| Commercial Services & Supplies: 1.32% | | | | |
| <i>ADT Corporation</i> | 3.50 | 7-15-2022 | 750,000 | 690,000 |
| <i>Aramark Services Incorporated</i> | 5.13 | 1-15-2024 | 120,000 | 126,900 |
| <i>Covanta Holding Corporation</i> | 5.88 | 3-1-2024 | 2,260,000 | 2,237,400 |
| <i>Covanta Holding Corporation</i> | 6.38 | 10-1-2022 | 1,500,000 | 1,545,000 |
| <i>Covanta Holding Corporation</i> | 7.25 | 12-1-2020 | 1,480,000 | 1,535,500 |
| <i>Penske Truck Leasing Company 144A</i> | 3.75 | 5-11-2017 | 750,000 | 765,426 |
| <i>Republic Services Incorporated</i> | 3.55 | 6-1-2022 | 750,000 | 787,505 |
| | | | | 7,687,731 |

Construction & Engineering: 0.86%

| | | | | |
|--|------|------------|-----------|-----------|
| <i>AECOM</i> | 5.75 | 10-15-2022 | 215,000 | 224,138 |
| <i>AECOM</i> | 5.88 | 10-15-2024 | 2,610,000 | 2,740,500 |
| <i>United Rentals North America Incorporated</i> | 4.63 | 7-15-2023 | 1,200,000 | 1,192,500 |
| <i>United Rentals North America Incorporated</i> | 5.50 | 7-15-2025 | 850,000 | 845,294 |
| | | | | 5,002,432 |

Professional Services: 0.15%

| | | | | |
|--|------|-----------|---------|---------|
| <i>Ascent Capital Group Incorporated</i> | 4.00 | 7-15-2020 | 375,000 | 238,359 |
| <i>Verisk Analytics Incorporated</i> | 5.80 | 5-1-2021 | 530,000 | 604,074 |
| | | | | 842,433 |

Road & Rail: 0.11%

| | | | | |
|-------------------------|------|-----------|---------|---------|
| <i>TTX Company 144A</i> | 2.60 | 6-15-2020 | 650,000 | 652,072 |
|-------------------------|------|-----------|---------|---------|

Trading Companies & Distributors: 1.33%

| | | | | |
|---|------|-----------|-----------|-----------|
| <i>Ashtead Capital Incorporated 144A</i> | 6.50 | 7-15-2022 | 4,100,000 | 4,325,500 |
| <i>H&E Equipment Services Incorporated</i> | 7.00 | 9-1-2022 | 3,250,000 | 3,282,500 |
| <i>International Lease Finance Corporation 144A</i> | 7.13 | 9-1-2018 | 75,000 | 82,275 |
| | | | | 7,690,275 |

Table of Contents

10 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|--------------|--------------|
| Information Technology: 4.20% | | | | |
| Communications Equipment: 0.32% | | | | |
| <i>CommScope Technologies Finance LLC 144A</i> | 6.00% | 6-15-2025 | \$ 1,100,000 | \$ 1,122,000 |
| <i>Motorola Solutions Incorporated</i> | 3.75 | 5-15-2022 | 750,000 | 742,513 |
| | | | | 1,864,513 |
| Electronic Equipment, Instruments & Components: 1.40% | | | | |
| <i>Jabil Circuit Incorporated</i> | 8.25 | 3-15-2018 | 5,275,000 | 5,736,563 |
| <i>L-3 Communications Corporation</i> | 4.95 | 2-15-2021 | 750,000 | 806,580 |
| <i>Zebra Technologies Corporation</i> | 7.25 | 10-15-2022 | 1,450,000 | 1,569,770 |
| | | | | 8,112,913 |
| Internet Software & Services: 0.20% | | | | |
| <i>Infor Software Parent LLC</i> | 6.50 | 5-15-2022 | 550,000 | 507,656 |
| <i>Infor Software Parent LLC (PIK at 7.88%) 144A</i> | 7.13 | 5-1-2021 | 550,000 | 463,375 |
| <i>Zayo Group LLC 144A</i> | 6.38 | 5-15-2025 | 175,000 | 182,219 |
| | | | | 1,153,250 |
| IT Services: 0.24% | | | | |
| <i>First Data Corporation 144A</i> | 5.00 | 1-15-2024 | 420,000 | 424,200 |
| <i>First Data Corporation 144A</i> | 5.75 | 1-15-2024 | 320,000 | 324,800 |
| <i>First Data Corporation 144A</i> | 6.75 | 11-1-2020 | 585,000 | 614,250 |
| | | | | 1,363,250 |
| Semiconductors & Semiconductor Equipment: 0.55% | | | | |
| <i>Micron Technology Incorporated 144A</i> | 5.25 | 8-1-2023 | 375,000 | 303,004 |
| <i>Micron Technology Incorporated 144A</i> | 5.25 | 1-15-2024 | 700,000 | 561,750 |
| <i>Micron Technology Incorporated</i> | 5.50 | 2-1-2025 | 1,100,000 | 874,500 |
| <i>Micron Technology Incorporated 144A</i> | 5.63 | 1-15-2026 | 900,000 | 715,500 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|-----------|-----------|
| <i>Micron Technology Incorporated</i> | 5.88 | 2-15-2022 | 850,000 | 750,125 |
| | | | | 3,204,879 |
| Software: 0.61% | | | | |
| <i>Activision Blizzard Incorporated 144A</i> | 5.63 | 9-15-2021 | 705,000 | 742,013 |
| <i>Activision Blizzard Incorporated 144A</i> | 6.13 | 9-15-2023 | 175,000 | 190,531 |
| <i>Boxer Parent Company Incorporated (PIK at 9.75%) 144A</i> | 9.00 | 10-15-2019 | 2,160,000 | 1,587,600 |
| <i>CA Incorporated</i> | 5.38 | 12-1-2019 | 750,000 | 817,638 |
| <i>SS&C Technologies Incorporated 144A</i> | 5.88 | 7-15-2023 | 200,000 | 206,000 |
| | | | | 3,543,782 |
| Technology Hardware, Storage & Peripherals: 0.88% | | | | |
| <i>Hewlett-Packard Company</i> | 4.05 | 9-15-2022 | 750,000 | 778,145 |
| <i>NCR Corporation</i> | 5.88 | 12-15-2021 | 230,000 | 237,475 |
| <i>NCR Corporation</i> | 6.38 | 12-15-2023 | 3,950,000 | 4,108,000 |
| | | | | 5,123,620 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 11

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Materials: 1.59% | | | | |
| Chemicals: 0.14% | | | | |
| <i>Dow Chemical Company</i> | 4.13% | 11-15-2021 | \$ 750,000 | \$ 822,819 |
| Containers & Packaging: 1.41% | | | | |
| <i>Ball Corporation</i> | 5.25 | 7-1-2025 | 190,000 | 199,857 |
| <i>Berry Plastics Corporation</i> | 5.13 | 7-15-2023 | 350,000 | 353,500 |
| <i>Berry Plastics Corporation 144A</i> | 6.00 | 10-15-2022 | 215,000 | 224,675 |
| <i>Crown Cork & Seal Company Incorporated</i> | 7.38 | 12-15-2026 | 35,000 | 38,194 |
| <i>Crown Cork & Seal Company Incorporated (i)</i> | 7.50 | 12-15-2096 | 600,000 | 601,500 |
| <i>Owens-Illinois Incorporated 144A</i> | 5.38 | 1-15-2025 | 575,000 | 588,656 |
| <i>Owens-Illinois Incorporated 144A</i> | 5.88 | 8-15-2023 | 425,000 | 457,141 |
| <i>Owens-Illinois Incorporated 144A</i> | 6.38 | 8-15-2025 | 2,950,000 | 3,178,625 |
| <i>Owens-Illinois Incorporated</i> | 7.80 | 5-15-2018 | 1,295,000 | 1,421,263 |
| <i>Sealed Air Corporation 144A</i> | 5.13 | 12-1-2024 | 1,100,000 | 1,153,625 |
| | | | | 8,217,036 |
| Metals & Mining: 0.04% | | | | |
| <i>Indalex Holdings Corporation (i)(s)(a)</i> | 11.50 | 2-1-2020 | 3,170,000 | 0 |
| <i>Kaiser Aluminum Corporation 144A%%</i> | 5.88 | 5-15-2024 | 200,000 | 204,125 |
| | | | | 204,125 |
| Telecommunication Services: 7.93% | | | | |
| Diversified Telecommunication Services: 2.83% | | | | |
| <i>AT&T Incorporated</i> | 3.80 | 3-15-2022 | 750,000 | 794,648 |
| <i>CenturyLink Incorporated</i> | 5.80 | 3-15-2022 | 600,000 | 592,500 |
| <i>Citizens Communications Company</i> | 7.88 | 1-15-2027 | 355,000 | 291,100 |
| <i>Frontier Communications Corporation</i> | 8.13 | 10-1-2018 | 845,000 | 910,488 |
| <i>Frontier Communications Corporation</i> | 8.25 | 4-15-2017 | 1,040,000 | 1,092,915 |
| <i>Frontier Communications Corporation</i> | 8.50 | 4-15-2020 | 525,000 | 555,188 |
| <i>GCI Incorporated</i> | 6.75 | 6-1-2021 | 2,350,000 | 2,373,500 |
| <i>GCI Incorporated</i> | 6.88 | 4-15-2025 | 1,385,000 | 1,398,850 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|-----------|-----------|------------|
| <i>Level 3 Financing Incorporated</i> | 5.13 | 5-1-2023 | 975,000 | 992,063 |
| <i>Level 3 Financing Incorporated</i> | 5.38 | 8-15-2022 | 300,000 | 306,750 |
| <i>Level 3 Financing Incorporated 144A</i> | 5.38 | 1-15-2024 | 700,000 | 714,000 |
| <i>Level 3 Financing Incorporated</i> | 5.38 | 5-1-2025 | 975,000 | 992,063 |
| <i>Level 3 Financing Incorporated</i> | 5.63 | 2-1-2023 | 350,000 | 359,625 |
| <i>Level 3 Financing Incorporated</i> | 6.13 | 1-15-2021 | 175,000 | 183,313 |
| <i>Level 3 Financing Incorporated 144A</i> | 5.25 | 3-15-2026 | 650,000 | 659,750 |
| <i>Qwest Corporation (i)</i> | 7.63 | 8-3-2021 | 230,000 | 236,038 |
| <i>Syniverse Holdings Incorporated</i> | 9.13 | 1-15-2019 | 6,805,000 | 3,368,475 |
| <i>Windstream Corporation</i> | 6.38 | 8-1-2023 | 800,000 | 610,000 |
| | | | | 16,431,266 |

Wireless Telecommunication Services:

5.10%

| | | | | |
|---------------------------------------|------|------------|-----------|-----------|
| <i>Crown Castle Towers LLC 144A</i> | 6.11 | 1-15-2040 | 750,000 | 830,586 |
| <i>MetroPCS Wireless Incorporated</i> | 6.63 | 11-15-2020 | 3,300,000 | 3,415,500 |
| <i>SBA Communications Corporation</i> | 4.88 | 7-15-2022 | 640,000 | 644,403 |

Table of Contents

12 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|------------|
| Wireless Telecommunication Services | | | | |
| (continued) | | | | |
| <i>SBA Communications Corporation</i> | 5.63% | 10-1-2019 | \$ 160,000 | \$ 166,000 |
| <i>SBA Communications Corporation</i> | 5.75 | 7-15-2020 | 2,000,000 | 2,065,000 |
| <i>Sprint Capital Corporation</i> | 6.88 | 11-15-2028 | 14,540,000 | 10,795,911 |
| <i>Sprint Capital Corporation</i> | 8.75 | 3-15-2032 | 2,575,000 | 2,047,125 |
| <i>Sprint Communications Incorporated</i> | 7.00 | 8-15-2020 | 225,000 | 186,750 |
| <i>Sprint Corporation</i> | 7.13 | 6-15-2024 | 600,000 | 450,000 |
| <i>Sprint Corporation</i> | 7.63 | 2-15-2025 | 400,000 | 300,000 |
| <i>T-Mobile USA Incorporated</i> | 6.00 | 3-1-2023 | 300,000 | 315,000 |
| <i>T-Mobile USA Incorporated</i> | 6.13 | 1-15-2022 | 85,000 | 89,410 |
| <i>T-Mobile USA Incorporated</i> | 6.25 | 4-1-2021 | 165,000 | 172,013 |
| <i>T-Mobile USA Incorporated</i> | 6.38 | 3-1-2025 | 825,000 | 866,250 |
| <i>T-Mobile USA Incorporated</i> | 6.46 | 4-28-2019 | 160,000 | 163,200 |
| <i>T-Mobile USA Incorporated</i> | 6.50 | 1-15-2024 | 80,000 | 85,200 |
| <i>T-Mobile USA Incorporated</i> | 6.50 | 1-15-2026 | 500,000 | 530,000 |
| <i>T-Mobile USA Incorporated</i> | 6.54 | 4-28-2020 | 165,000 | 170,156 |
| <i>T-Mobile USA Incorporated</i> | 6.63 | 4-28-2021 | 925,000 | 974,719 |
| <i>T-Mobile USA Incorporated</i> | 6.63 | 4-1-2023 | 505,000 | 539,088 |
| <i>T-Mobile USA Incorporated</i> | 6.73 | 4-28-2022 | 3,490,000 | 3,678,390 |
| <i>T-Mobile USA Incorporated</i> | 6.84 | 4-28-2023 | 1,060,000 | 1,130,225 |
| | | | | 29,614,926 |
| Utilities: 2.44% | | | | |
| Electric Utilities: 0.47% | | | | |
| <i>Great Plains Energy Incorporated</i> | 4.85 | 6-1-2021 | 750,000 | 817,026 |
| <i>Otter Tail Corporation (i)</i> | 9.00 | 12-15-2016 | 1,835,000 | 1,902,932 |
| | | | | 2,719,958 |
| Gas Utilities: 0.30% | | | | |
| <i>AmeriGas Finance LLC</i> | 6.75 | 5-20-2020 | 1,700,000 | 1,755,743 |
| Independent Power & Renewable | | | | |
| Electricity Producers: 1.42% | | | | |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|---|------|------------|-----------|-------------|
| <i>Calpine Corporation 144A</i> | 6.00 | 1-15-2022 | 515,000 | 543,969 |
| <i>Calpine Corporation 144A</i> | 7.88 | 1-15-2023 | 530,000 | 565,775 |
| <i>NSG Holdings LLC 144A</i> | 7.75 | 12-15-2025 | 2,352,652 | 2,505,575 |
| <i>Reliant Energy Incorporated (i)</i> | 9.24 | 7-2-2017 | 394,314 | 386,427 |
| <i>Reliant Energy Incorporated</i> | 9.68 | 7-2-2026 | 410,000 | 393,600 |
| <i>TerraForm Power Operating LLC 144A</i> | 5.88 | 2-1-2023 | 2,800,000 | 2,443,000 |
| <i>TerraForm Power Operating LLC 144A</i> | 6.13 | 6-15-2025 | 1,625,000 | 1,397,500 |
| | | | | 8,235,846 |
| Multi-Utilities: 0.25% | | | | |
| <i>Ameren Illinois Company</i> | 9.75 | 11-15-2018 | 500,000 | 596,936 |
| <i>CMS Energy Corporation</i> | 5.05 | 3-15-2022 | 750,000 | 846,055 |
| | | | | 1,442,991 |
| Total Corporate Bonds and Notes (Cost \$425,326,379) | | | | 420,327,346 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 13

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Foreign Corporate Bonds and Notes @: 2.64% | | | | |
| Consumer Discretionary: 0.06% | | | | |
| Auto Components: 0.02% | | | | |
| <i>HP Pelzer Holding GmbH (EUR)</i> | 7.50% | 7-15-2021 | \$ 100,000 | \$ 121,524 |
| Internet & Catalog Retail: 0.04% | | | | |
| <i>Priceline Group Incorporated (EUR)</i> | 2.38 | 9-23-2024 | 200,000 | 234,782 |
| Consumer Staples: 0.14% | | | | |
| Food Products: 0.14% | | | | |
| <i>BRF S.A. 144A (BRL)</i> | 7.75 | 5-22-2018 | 3,100,000 | 788,689 |
| Energy: 0.27% | | | | |
| Energy Equipment & Services: 0.02% | | | | |
| <i>Rapid Holding GmbH 144A (EUR)</i> | 6.63 | 11-15-2020 | 100,000 | 120,814 |
| Oil, Gas & Consumable Fuels: 0.25% | | | | |
| <i>Petroleos Mexicanos 144A (MXN)</i> | 7.19 | 9-12-2024 | 28,200,000 | 1,443,366 |
| Financials: 1.70% | | | | |
| Banks: 1.61% | | | | |
| <i>Eurofima (AUD)</i> | 6.25 | 12-28-2018 | 2,450,000 | 2,035,421 |
| <i>European Investment Bank (ZAR)</i> | 9.00 | 3-31-2021 | 17,400,000 | 1,223,073 |
| <i>KfW (TRY)</i> | 5.00 | 1-16-2017 | 11,400,000 | 3,937,058 |
| <i>KfW (AUD)</i> | 5.00 | 3-19-2024 | 1,300,000 | 1,130,128 |
| <i>Landwirtschaftliche Rentenbank (ZAR)</i> | 8.25 | 5-23-2022 | 15,000,000 | 1,017,221 |
| | | | | 9,342,901 |
| Diversified Financial Services: 0.09% | | | | |
| <i>AA Bond Company Limited (GBP)</i> | 4.25 | 7-31-2043 | 200,000 | 299,159 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|-------|-----------|------------|------------|
| <i>TES Finance plc (GBP)</i> | 6.75 | 7-15-2020 | 200,000 | 247,314 |
| | | | | 546,473 |
| Materials: 0.12% | | | | |
| Chemicals: 0.12% | | | | |
| <i>Albemarle Corporation (EUR)</i> | 1.88 | 12-8-2021 | 600,000 | 686,201 |
| Telecommunication Services: 0.35% | | | | |
| Diversified Telecommunication Services: 0.07% | | | | |
| <i>Verizon Communications Incorporated (EUR)</i> | 3.25 | 2-17-2026 | 300,000 | 401,031 |
| Wireless Telecommunication Services: 0.28% | | | | |
| <i>America Movil SAB de CV (MXN)</i> | 7.13 | 12-9-2024 | 28,850,000 | 1,620,697 |
| Total Foreign Corporate Bonds and Notes (Cost \$19,899,745) | | | | 15,306,478 |
| Foreign Government Bonds @: 25.25% | | | | |
| <i>Brazil (BRL)</i> | 10.00 | 1-1-2017 | 38,525,000 | 10,983,811 |
| <i>Brazil (BRL)</i> | 10.00 | 1-1-2025 | 32,800,000 | 8,410,217 |

Table of Contents

14 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|-------------------|--------------|
| Foreign Government Bonds @ | | | | |
| (continued) | | | | |
| <i>Colombia (COP)</i> | 7.00% | 5-4-2022 | \$ 18,650,000,000 | \$ 6,303,136 |
| <i>Colombia (COP)</i> | 7.75 | 4-14-2021 | 5,250,000,000 | 1,877,047 |
| <i>Hungary (HUF)</i> | 6.75 | 11-24-2017 | 1,305,000,000 | 5,211,478 |
| <i>Indonesia (IDR)</i> | 7.88 | 4-15-2019 | 133,640,000,000 | 10,276,843 |
| <i>Indonesia (IDR)</i> | 10.00 | 7-15-2017 | 50,000,000,000 | 3,929,747 |
| <i>Korea (KRW)</i> | 5.25 | 3-10-2027 | 2,830,000,000 | 3,322,207 |
| <i>Malaysia (MYR)</i> | 3.66 | 10-15-2020 | 20,700,000 | 5,334,310 |
| <i>Malaysia (MYR)</i> | 4.18 | 7-15-2024 | 19,850,000 | 5,164,089 |
| <i>Mexico (MXN)</i> | 4.75 | 6-14-2018 | 191,800,000 | 11,219,820 |
| <i>Mexico (MXN)</i> | 6.50 | 6-10-2021 | 40,000,000 | 2,451,800 |
| <i>Mexico (MXN)</i> | 10.00 | 12-5-2024 | 62,120,000 | 4,653,480 |
| <i>Mexico (MXN)</i> | 10.00 | 12-5-2024 | 14,100,000 | 1,056,247 |
| <i>Poland (PLN)</i> | 2.50 | 7-25-2026 | 42,500,000 | 10,568,064 |
| <i>Poland (PLN)</i> | 3.25 | 7-25-2025 | 34,100,000 | 9,168,705 |
| <i>Queensland Treasury (AUD)</i> | 5.75 | 7-22-2024 | 4,100,000 | 3,783,050 |
| <i>Republic of South Africa (ZAR)</i> | 7.75 | 2-28-2023 | 103,000,000 | 6,846,648 |
| <i>Republic of South Africa (ZAR)</i> | 8.00 | 12-21-2018 | 129,000,000 | 9,020,054 |
| <i>Romania (RON)</i> | 5.85 | 4-26-2023 | 31,550,000 | 9,311,141 |
| <i>State of New South Wales Australia (AUD)</i> | 5.00 | 8-20-2024 | 3,900,000 | 3,498,309 |
| <i>Thailand (THB)</i> | 3.25 | 6-16-2017 | 110,000,000 | 3,216,311 |
| <i>Thailand (THB)</i> | 3.85 | 12-12-2025 | 108,500,000 | 3,664,421 |
| <i>Turkey (TRY)</i> | 6.30 | 2-14-2018 | 7,325,000 | 2,502,752 |
| <i>Turkey (TRY)</i> | 9.00 | 3-8-2017 | 13,600,000 | 4,855,754 |
| Total Foreign Government Bonds | | | | |
| (Cost \$168,396,630) | | | | 146,629,441 |

Loans: 15.23%**Consumer Discretionary: 3.42%****Auto Components: 0.58%**

| | | | | |
|--|------|-----------|-----------|-----------|
| <i>Allison Transmission Incorporated ±</i> | 3.75 | 8-23-2019 | 3,358,600 | 3,360,716 |
|--|------|-----------|-----------|-----------|

Distributors: 0.51%

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|---|------|------------|-----------|-----------|
| <i>Spin Holdco Incorporated ±</i> | 4.25 | 11-14-2019 | 3,002,546 | 2,941,234 |
| Hotels, Restaurants & Leisure: | | | | |
| 0.12% | | | | |
| <i>CCM Merger Incorporated ±</i> | 4.50 | 8-8-2021 | 633,825 | 635,213 |
| <i>TGI Friday s Incorporated ±</i> | 5.25 | 7-15-2020 | 98,050 | 98,050 |
| | | | | 733,263 |
| Household Products: 0.03% | | | | |
| <i>Anchor Glass Container Corporation ±</i> | 4.25 | 7-1-2022 | 163,710 | 164,017 |
| Leisure Products: 0.36% | | | | |
| <i>AMF Bowling Centers Incorporated ±</i> | 7.25 | 9-18-2021 | 1,716,282 | 1,707,701 |
| <i>Life Time Fitness Incorporated ±</i> | 4.25 | 6-10-2022 | 373,059 | 370,728 |
| | | | | 2,078,429 |
| Media: 1.28% | | | | |
| <i>Altice US Finance I Corporation ±</i> | 4.25 | 12-14-2022 | 421,699 | 421,066 |
| <i>Cablevision Systems Corporation ±</i> | 5.00 | 10-9-2022 | 700,000 | 702,191 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 15

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Media (continued) | | | | |
| <i>Charter Communications Operating LLC</i> ±%%< | 3.50% | 1-24-2023 | \$ 920,000 | \$ 923,616 |
| <i>Entercom Radio LLC</i> ± | 4.00 | 11-23-2018 | 1,026,127 | 1,022,710 |
| <i>Learfield Communications Incorporated</i> ± | 4.25 | 10-9-2020 | 1,433,762 | 1,429,289 |
| <i>Learfield Communications Incorporated</i> ± | 8.75 | 10-9-2021 | 2,669,807 | 2,656,458 |
| <i>Mission Broadcasting Incorporated</i> ± | 3.75 | 10-1-2020 | 124,911 | 124,599 |
| <i>Nexstar Broadcasting Incorporated</i> ± | 3.75 | 10-1-2020 | 141,651 | 141,297 |
| | | | | 7,421,226 |
| Multiline Retail: 0.03% | | | | |
| <i>Doosan Infracore International Incorporated</i> ± | 4.50 | 5-28-2021 | 199,227 | 196,155 |
| Specialty Retail: 0.51% | | | | |
| <i>Focus Brands Incorporated</i> ± | 4.25 | 2-21-2018 | 656,285 | 657,105 |
| <i>Focus Brands Incorporated</i> ± | 10.25 | 8-21-2018 | 2,023,863 | 2,021,333 |
| <i>Staples Incorporated</i> ± | 4.75 | 2-2-2022 | 275,000 | 275,602 |
| | | | | 2,954,040 |
| Consumer Staples: 0.15% | | | | |
| Food Products: 0.15% | | | | |
| <i>B&G Foods Incorporated</i> ± | 3.76 | 11-2-2022 | 640,110 | 643,310 |
| <i>Pinnacle Foods Incorporated</i> ± | 3.75 | 1-13-2023 | 249,375 | 250,452 |
| | | | | 893,762 |
| Energy: 0.49% | | | | |
| Energy Equipment & Services: 0.49% | | | | |
| <i>Hummel Station LLC</i> ± | 7.00 | 10-27-2022 | 3,025,000 | 2,858,625 |
| Financials: 2.12% | | | | |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

Capital Markets: 0.36%

| | | | | |
|--|------|-----------|-----------|-----------|
| <i>American Capital Limited ±</i> | 3.50 | 8-22-2017 | 1,373,348 | 1,367,346 |
| <i>La Quinta Intermediate Holdings LLC ±</i> | 3.75 | 4-14-2021 | 748,116 | 736,894 |
| | | | | 2,104,240 |

Consumer Finance: 0.03%

| | | | | |
|--|------|----------|---------|---------|
| <i>KAR Auction Services Incorporated ±</i> | 4.25 | 3-9-2023 | 200,000 | 200,750 |
|--|------|----------|---------|---------|

Diversified Financial Services: 0.69%

| | | | | |
|---|------|------------|-----------|-----------|
| <i>American Beacon Advisors Incorporated ±</i> | 5.50 | 4-30-2022 | 2,336,206 | 2,311,395 |
| <i>American Beacon Advisors Incorporated ±(i)</i> | 9.75 | 3-3-2023 | 440,000 | 402,600 |
| <i>Ipreo Holdings LLC ±</i> | 4.00 | 8-6-2021 | 142,833 | 135,870 |
| <i>LPL Holdings Incorporated ±</i> | 4.75 | 11-20-2022 | 1,196,801 | 1,184,833 |
| | | | | 4,034,698 |

Insurance: 0.26%

| | | | | |
|---------------------------------------|------|-----------|---------|-----------|
| <i>Asurion LLC ±</i> | 8.50 | 3-3-2021 | 360,000 | 345,085 |
| <i>Hub International Limited ±</i> | 4.25 | 10-2-2020 | 272,053 | 268,767 |
| <i>Solera Holdings Incorporated ±</i> | 5.75 | 3-3-2023 | 875,000 | 878,281 |
| | | | | 1,492,133 |

Table of Contents

16 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|--------------|--------------|
| Real Estate Management & Development: 0.75% | | | | |
| <i>Capital Automotive LP ±</i> | 4.00% | 4-10-2019 | \$ 2,472,998 | \$ 2,479,181 |
| <i>Capital Automotive LP ±</i> | 6.00 | 4-30-2020 | 1,849,333 | 1,853,957 |
| | | | | 4,333,138 |
| REITs: 0.03% | | | | |
| <i>MGM Growth Properties LLC ±</i> | 4.00 | 4-25-2023 | 150,000 | 150,782 |
| Health Care: 1.48% | | | | |
| Health Care Equipment & Supplies: 0.15% | | | | |
| <i>DJO Finance LLC ±</i> | 4.25 | 6-8-2020 | 565,725 | 549,460 |
| <i>Prestige Brands Incorporated ±</i> | 3.52 | 9-3-2021 | 297,826 | 298,386 |
| | | | | 847,846 |
| Health Care Providers & Services: 0.75% | | | | |
| <i>Acadia Healthcare Company Incorporated ±</i> | 4.25 | 2-11-2022 | 158,000 | 159,054 |
| <i>Acadia Healthcare Company Incorporated ±</i> | 4.50 | 2-16-2023 | 947,625 | 953,841 |
| <i>Community Health Systems Incorporated ±</i> | 4.00 | 1-27-2021 | 945,238 | 930,842 |
| <i>Surgery Center Holdings Incorporated ±</i> | 5.25 | 11-3-2020 | 1,110,938 | 1,113,026 |
| <i>TeamHealth Incorporated ±</i> | 4.50 | 11-23-2022 | 523,688 | 526,961 |
| <i>Vizient Incorporated ±%%<</i> | 6.25 | 2-13-2023 | 650,000 | 655,688 |
| | | | | 4,339,412 |
| Health Care Technology: 0.20% | | | | |
| <i>Alere Incorporated ±</i> | 4.25 | 6-18-2022 | 101,743 | 100,725 |
| <i>Emdeon Incorporated ±</i> | 3.75 | 11-2-2018 | 992,327 | 991,712 |
| <i>Hill-Rom Holdings Incorporated ±</i> | 3.50 | 9-8-2022 | 69,938 | 70,214 |
| | | | | 1,162,651 |
| Pharmaceuticals: 0.38% | | | | |
| <i>Endo Finance LLC ±</i> | 3.75 | 9-26-2022 | 299,250 | 298,128 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|---|------|------------|-----------|-----------|
| <i>Valeant Pharmaceuticals International Incorporated ±%%<</i> | 4.75 | 12-11-2019 | 1,545,866 | 1,504,514 |
| <i>Valeant Pharmaceuticals International Incorporated ±</i> | 5.00 | 4-1-2022 | 440,604 | 429,148 |
| | | | | 2,231,790 |
| Industrials: 1.69% | | | | |
| Aerospace & Defense: 0.52% | | | | |
| <i>TransDigm Incorporated ±</i> | 3.75 | 2-28-2020 | 3,011,172 | 3,005,903 |
| Chemicals: 0.05% | | | | |
| <i>The Chemours Company ±</i> | 3.75 | 5-12-2022 | 277,900 | 269,980 |
| Commercial Services & Supplies: 0.68% | | | | |
| <i>ADS Waste Holdings Incorporated ±</i> | 3.75 | 10-9-2019 | 1,016,091 | 1,012,280 |
| <i>Gates Global Limited ±</i> | 4.25 | 7-6-2021 | 849,460 | 812,143 |
| <i>Sedgwick Claims Management Services Incorporated ±</i> | 3.75 | 3-1-2021 | 528,262 | 517,697 |
| <i>W3 Company ±</i> | 9.25 | 9-13-2020 | 289,275 | 121,496 |
| <i>WASH Multifamily Laundry Systems LLC ±</i> | 4.25 | 5-14-2022 | 1,280,325 | 1,261,120 |
| <i>WASH Multifamily Laundry Systems LLC ±</i> | 8.00 | 5-12-2023 | 17,885 | 16,901 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 17

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|-----------|
| Commercial Services & Supplies | | | | |
| (continued) | | | | |
| <i>WASH Multifamily Laundry Systems LLC</i> | | | | |
| $\pm(i)$ | 8.00% | 5-14-2023 | \$ 102,115 | \$ 96,499 |
| <i>Waste Industries USA Incorporated</i> \pm | 4.25 | 2-27-2020 | 113,850 | 114,040 |
| | | | | 3,952,176 |
| Electrical Equipment: 0.17% | | | | |
| <i>Nusil Technology LLC</i> \pm | 5.25 | 4-7-2017 | 976,910 | 971,107 |
| Machinery: 0.11% | | | | |
| <i>Onex Wizard Acquisition Company</i> \pm | 4.25 | 3-13-2022 | 634,348 | 632,648 |
| Transportation Infrastructure: 0.16% | | | | |
| <i>HGIM Corporation</i> \pm | 5.50 | 6-18-2020 | 848,037 | 482,321 |
| <i>OSG Bulk Ships Incorporated</i> \pm | 5.25 | 8-5-2019 | 80,415 | 76,193 |
| <i>OSG International Incorporated</i> \pm | 5.75 | 8-5-2019 | 398,279 | 393,799 |
| | | | | 952,313 |
| Information Technology: 2.65% | | | | |
| Internet Software & Services: 0.48% | | | | |
| <i>Black Knight InfoServ LLC</i> \pm | 3.75 | 5-27-2022 | 496,873 | 497,186 |
| <i>CCC Information Services Incorporated</i> \pm | 4.00 | 12-20-2019 | 581,470 | 577,109 |
| <i>Infor US Incorporated</i> \pm | 3.75 | 6-3-2020 | 700,498 | 683,280 |
| <i>Sophia Holding Finance LP</i> \pm | 4.75 | 9-30-2022 | 151,075 | 150,698 |
| <i>Vertafore Incorporated</i> \pm | 9.75 | 10-29-2017 | 510,000 | 509,745 |
| <i>Zayo Group LLC</i> \pm | 3.75 | 5-6-2021 | 356,913 | 356,720 |
| | | | | 2,774,738 |
| Semiconductors & Semiconductor Equipment: 0.25% | | | | |
| <i>Avago Technologies</i> \pm | 4.25 | 2-1-2023 | 1,000,000 | 1,000,180 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|-----------|------------|
| <i>NXP Semiconductors N.V. ±</i> | 3.75 | 12-7-2020 | 448,875 | 449,997 |
| | | | | 1,450,177 |
| Software: 0.11% | | | | |
| <i>SS&C Technologies Incorporated ±</i> | 4.01 | 7-8-2022 | 596,759 | 598,251 |
| <i>SS&C Technologies Incorporated ±</i> | 4.02 | 7-8-2022 | 85,021 | 85,234 |
| | | | | 683,485 |
| Technology Hardware, Storage & Peripherals: 1.81% | | | | |
| <i>CDW LLC ±</i> | 3.25 | 4-29-2020 | 873,251 | 872,491 |
| <i>Dell Incorporated ±</i> | 4.00 | 4-29-2020 | 8,231,686 | 8,228,722 |
| <i>Kronos Incorporated ±</i> | 4.50 | 10-30-2019 | 569,266 | 567,603 |
| <i>Peak 10 Incorporated ±(i)</i> | 8.25 | 6-17-2022 | 430,000 | 344,000 |
| <i>Riverbed Technology Incorporated ±</i> | 5.75 | 4-24-2022 | 487,724 | 490,494 |
| | | | | 10,503,310 |
| Materials: 0.03% | | | | |
| Containers & Packaging: 0.03% | | | | |
| <i>Owens-Illinois Incorporated ±</i> | 3.50 | 9-1-2022 | 167,875 | 168,014 |

Table of Contents

18 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Telecommunication Services: 1.74% | | | | |
| Diversified Telecommunication Services: 1.10% | | | | |
| <i>Avaya Incorporated ±</i> | 5.13% | 10-26-2017 | \$ 199,261 | \$ 137,490 |
| <i>Level 3 Financing Incorporated ±</i> | 4.00 | 1-15-2020 | 1,700,000 | 1,704,675 |
| <i>nTelos Incorporated ±</i> | 5.75 | 11-9-2019 | 1,998,957 | 1,993,960 |
| <i>Telesat Canada ±</i> | 3.50 | 3-28-2019 | 2,551,221 | 2,546,961 |
| | | | | 6,383,086 |
| Wireless Telecommunication Services: 0.64% | | | | |
| <i>LTS Buyer LLC ±</i> | 4.00 | 4-13-2020 | 1,853,133 | 1,846,647 |
| <i>LTS Buyer LLC ±(i)</i> | 8.00 | 4-12-2021 | 566,625 | 560,959 |
| <i>Syniverse Holdings Incorporated ±</i> | 4.00 | 4-23-2019 | 937,955 | 750,364 |
| <i>Syniverse Holdings Incorporated ±</i> | 4.00 | 4-23-2019 | 165,800 | 132,640 |
| <i>T-Mobile USA Incorporated ±</i> | 3.50 | 11-9-2022 | 448,875 | 451,402 |
| | | | | 3,742,012 |
| Utilities: 1.46% | | | | |
| Electric Utilities: 1.37% | | | | |
| <i>Green Energy Partners ±(i)</i> | 6.50 | 11-13-2021 | 1,330,000 | 1,270,150 |
| <i>Texas Competitive Electric Holdings Company LLC ±(s)</i> | 4.66 | 10-10-2016 | 20,096,983 | 6,697,320 |
| | | | | 7,967,470 |
| Independent Power & Renewable Electricity Producers: 0.09% | | | | |
| <i>Calpine Corporation ±</i> | 4.00 | 10-9-2019 | 493,606 | 493,730 |
| Total Loans (Cost \$102,342,187) | | | | 88,449,056 |
| Municipal Obligations: 0.05% | | | | |

New York: 0.05%*Build New York City Resource Corporation**Bronx Charter School for Excellence**Project Series B (Education Revenue)* 5.00 4-1-2018 270,000 269,109**Total Municipal Obligations (Cost
\$270,000)**

269,109

Non-Agency Mortgage-Backed**Securities: 5.95%***American General Mortgage Loan Series**2010 Class 1A-A3 144A±* 5.65 3-25-2058 20,033 20,003*Argent Securities Incorporated Series**2004-W5 Class AV3B ±* 1.34 4-25-2034 68,759 62,642*Asset-Backed Funding Certificates Series**2003-AHL1 Class A1* 4.18 3-25-2033 221,284 220,799*Asset-Backed Securities Corporation Home**Equity Series 2002-HE3 Class M2 ±* 2.76 10-15-2032 115,733 115,370*Banc of America Commercial Mortgage**Securities Incorporated Series 2006-03**Class AM ±* 6.08 7-10-2044 1,340,000 1,332,035*Banc of America Commercial Mortgage**Securities Incorporated Series 2007-1**Class AMFX ±* 5.48 1-15-2049 530,000 530,319*Banc of America Commercial Mortgage**Securities Incorporated Series 2008-1**Class AM ±* 6.48 2-10-2051 550,000 584,022*Banc of America Commercial Mortgage**Trust Series 2006-5 Class AM* 5.45 9-10-2047 750,000 757,681*Banc of America Funding Corporation**Series 2005 Class 5-1A1* 5.50 9-25-2035 373,950 387,079*Banc of America Funding Corporation**Series 2009 Class R6-3A1 144A±* 2.21 1-26-2037 52,408 52,316*Banc of America Mortgage Securities**Series 2003 Class 1A1 ±* 2.74 4-25-2033 346,359 322,282*Banc of America Mortgage Securities**Series 2003 Class A-3A1 ±* 2.91 2-25-2033 57,633 55,534

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 19

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|------------|
| Non-Agency Mortgage-Backed Securities | | | | |
| (continued) | | | | |
| <i>Bear Stearns Commercial Mortgage Series 2007-PW17 Class AM ±</i> | 5.92% | 6-11-2050 | \$ 318,000 | \$ 330,027 |
| <i>Bear Stearns Commercial Mortgage Series 2007-PW18 Class AM ±</i> | 6.08 | 6-11-2050 | 100,000 | 104,760 |
| <i>Bear Stearns Commercial Mortgage Series 2007-PW18 Class AMA ±</i> | 6.09 | 6-11-2050 | 715,000 | 748,756 |
| <i>Centex Home Equity Series 2002-A Class AF6</i> | 5.54 | 1-25-2032 | 81,377 | 81,194 |
| <i>Centex Home Equity Series 2002-D Class AF6 ±</i> | 4.66 | 12-25-2032 | 31,189 | 31,481 |
| <i>Centex Home Equity Series 2004-B Class AF6</i> | 4.69 | 3-25-2034 | 218,835 | 222,758 |
| <i>Citigroup Commercial Mortgage Trust Series 2012-GC8 Class C 144A±</i> | 5.04 | 9-10-2045 | 1,000,000 | 1,052,242 |
| <i>Citigroup Commercial Mortgage Trust Series 2015 Class A 144A±</i> | 1.58 | 9-15-2027 | 595,000 | 589,596 |
| <i>Citigroup Mortgage Loan Trust Incorporated Series 2003-HE3 Class A3 ±</i> | 0.81 | 12-25-2033 | 54,070 | 52,096 |
| <i>Commercial Mortgage Trust Series 2007-C9 144A±</i> | 1.08 | 12-10-2049 | 940,000 | 917,590 |
| <i>Commercial Mortgage Trust Series 2012-CR2 Class C ±</i> | 5.02 | 8-15-2045 | 1,000,000 | 1,049,047 |
| <i>Countrywide Asset Backed Certificates Series 2003-5 Class AF5</i> | 5.43 | 2-25-2034 | 97,099 | 97,570 |
| <i>Countrywide Home Loans Series 2003-48 Class 2A2 ±</i> | 2.82 | 10-25-2033 | 112,052 | 109,124 |
| <i>Credit Suisse Commercial Mortgage Trust Series 2006-C3 Class AM ±</i> | 6.24 | 6-15-2038 | 1,045,000 | 1,045,275 |
| <i>Credit Suisse Commercial Mortgage Trust Series 2006-C4 Class AM</i> | 5.51 | 9-15-2039 | 1,500,000 | 1,511,447 |
| <i>Credit Suisse Commercial Mortgage Trust Series 2006-C5 Class AM</i> | 5.34 | 12-15-2039 | 1,000,000 | 1,010,747 |
| <i>Credit Suisse First Boston Mortgage Securities Series 2002-AR25 Class 1A1 ±</i> | 2.36 | 9-25-2032 | 578,809 | 535,032 |
| <i>Credit Suisse First Boston Mortgage Securities Series 2003-AR15 Class 3A1 ±</i> | 2.93 | 6-25-2033 | 161,875 | 160,009 |
| | 2.64 | 3-25-2033 | 38,162 | 36,864 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|-----------|-----------|
| <i>Credit Suisse First Boston Mortgage Securities Series 2003-AR9 Class 2A2 ±</i> | | | | |
| <i>Credit-Based Asset Servicing & Securitization LLC Series 2005-CB2 Class M1 ±</i> | 1.09 | 4-25-2036 | 117,845 | 117,488 |
| <i>Equity One Asset Backed Securities Series 2004-2 Class AF4 ±</i> | 4.62 | 7-25-2034 | 423,501 | 427,452 |
| <i>First Horizon Mortgage Pass Through Series 2004-AR1 Class 1A1 ±</i> | 2.77 | 2-25-2034 | 421,472 | 414,365 |
| <i>First Horizon Mortgage Pass Through Series 2004-AR4 Class 3A1 ±</i> | 2.71 | 8-25-2034 | 11,349 | 11,052 |
| <i>Global Mortgage Securitization Limited Series 2004-A Class A2 144A±</i> | 0.76 | 11-25-2032 | 193,072 | 180,607 |
| <i>GMAC Mortgage Corporation Loan Series 2003-GH1 Class A5</i> | 5.47 | 7-25-2034 | 72,943 | 73,945 |
| <i>Great Wolf Trust Series 2015 Class A 144A±</i> | 1.89 | 5-15-2034 | 1,015,000 | 1,003,420 |
| <i>Greenwich Capital Commercial Funding Corporation Series 2007-GG11 Class A4</i> | 5.74 | 12-10-2049 | 378,182 | 394,676 |
| <i>GS Mortgage Securities Trust Series 2007-GG10 Class A4 ±</i> | 5.99 | 8-10-2045 | 879,081 | 902,768 |
| <i>GS Mortgage Securities Trust Series 2010-C1 Class X 144A±</i> | 1.59 | 8-10-2043 | 5,430,085 | 274,314 |
| <i>GS Mortgage Securities Trust Series 2012-GCJ7 Class XA ±</i> | 2.69 | 5-10-2045 | 4,625,636 | 379,200 |
| <i>GS Mortgage Securities Trust Series 2014-New Class C 144A</i> | 3.79 | 1-10-2031 | 1,000,000 | 969,475 |
| <i>GS Mortgage Securities Trust Series 2016-ICE2 Class A 144A±</i> | 2.36 | 2-15-2033 | 500,000 | 501,093 |
| <i>GSAA Home Equity Trust Series 2004-5 Class AF5 ±</i> | 4.75 | 6-25-2034 | 11,235 | 11,233 |
| <i>GSMPS Mortgage Loan Trust Series 2005-AHL Class M1 ±</i> | 0.87 | 4-25-2035 | 10,611 | 10,517 |
| <i>GSMPS Mortgage Loan Trust Series 2006-1 Class A1 144A±</i> | 0.74 | 3-25-2035 | 128,206 | 125,978 |
| <i>GSMPS Mortgage Loan Trust Series 2006-SEA1 Class A 144A±</i> | 0.73 | 5-25-2036 | 76,102 | 75,612 |
| <i>JPMorgan Chase Commercial Mortgage Securities Trust Series 2007-CB18 Class AM ±</i> | 5.47 | 6-12-2047 | 875,000 | 886,296 |
| <i>JPMorgan Chase Commercial Mortgage Securities Trust Series 2007-LDPX Class AM ±</i> | 5.46 | 1-15-2049 | 550,000 | 542,398 |
| <i>JPMorgan Chase Commercial Mortgage Securities Trust Series 2015-FL7 Class A 144A±</i> | 1.68 | 5-15-2028 | 377,396 | 373,574 |
| <i>JPMorgan Mortgage Trust Series 2004-A3 Class 2A1 ±</i> | 2.67 | 7-25-2034 | 72,299 | 69,861 |
| <i>JPMorgan Mortgage Trust Series 2004-A3 Series 3A3 ±</i> | 2.67 | 7-25-2034 | 72,433 | 69,947 |
| <i>JPMorgan Mortgage Trust Series 2005-A3 Class 11A2 ±</i> | 2.83 | 6-25-2035 | 254,504 | 256,821 |
| <i>JPMorgan Mortgage Trust Series 2009-7 Class 2A1 144A±</i> | 6.00 | 2-27-2037 | 46,462 | 47,095 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|---------|---------|
| <i>JPMorgan Mortgage Trust Series 2009-7 Class 5A1 144A±</i> | 6.00 | 2-27-2037 | 191,541 | 192,363 |
| <i>Lehman XS Trust Series 2006-18N Class A5A ±</i> | 0.61 | 12-25-2036 | 18,036 | 14,805 |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2003-6 Class 3A1 ±</i> | 2.74 | 12-25-2033 | 460,461 | 454,738 |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2003-6 Class 4A2 ±</i> | 2.86 | 1-25-2034 | 18,422 | 17,731 |
| <i>MASTR Adjustable Rate Mortgage Trust Series 2004-13 Class 3A7 ±</i> | 2.78 | 11-21-2034 | 26,445 | 26,868 |
| <i>MASTR Alternative Loans Trust Series 2005-1 Class 5A1</i> | 5.50 | 1-25-2020 | 40,283 | 41,260 |

Table of Contents

20 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Non-Agency Mortgage-Backed Securities | | | | |
| (continued) | | | | |
| <i>Merrill Lynch Countrywide Commercial Mortgage Trust Series 2006-4 Class AM</i> | 5.20% | 12-12-2049 | \$ 340,000 | \$ 345,196 |
| <i>Merrill Lynch Countrywide Commercial Mortgage Trust Series 2007-9 Class A4</i> | 5.70 | 9-12-2049 | 793,369 | 822,948 |
| <i>Merrill Lynch Mortgage Trust Series 2005-A8 Class A1B3 ±</i> | 5.25 | 8-25-2036 | 75,847 | 77,319 |
| <i>Merrill Lynch Mortgage Trust Series 2006-C1 Class AM ±</i> | 5.92 | 5-12-2039 | 306,979 | 306,707 |
| <i>Merrill Lynch Mortgage Trust Series 2007-C1 Class A1A ±</i> | 6.03 | 6-12-2050 | 608,556 | 625,615 |
| <i>Mesa Trust Asset Backed Certificates Series 2001-5 Class A 144A±</i> | 1.24 | 12-25-2031 | 17,321 | 15,918 |
| <i>Mid State Trust Series 11 Class A1</i> | 4.86 | 7-15-2038 | 234,661 | 249,278 |
| <i>MLCC Mortgage Investors Incorporated Series 2003-G Class A2 ±</i> | 1.31 | 1-25-2029 | 113,855 | 106,395 |
| <i>Morgan Stanley Bank of America Merrill Lynch Trust Series 2012-C5 Class XA 144A±</i> | 1.89 | 8-15-2045 | 5,367,210 | 339,551 |
| <i>Morgan Stanley Capital I Trust Series 2004-NC1 Class M1 ±</i> | 1.49 | 12-27-2033 | 527,408 | 508,742 |
| <i>Morgan Stanley Capital I Trust Series 2006-HQ10 Class AM</i> | 5.36 | 11-12-2041 | 500,000 | 504,910 |
| <i>Morgan Stanley Capital I Trust Series 2006-HQ9 Class AJ ±</i> | 5.79 | 7-12-2044 | 1,000,000 | 1,003,993 |
| <i>Morgan Stanley Capital I Trust Series 2006-HQ9 Class AM ±</i> | 5.77 | 7-12-2044 | 25,000 | 25,084 |
| <i>Morgan Stanley Capital I Trust Series 2006-IQ12 Class AM</i> | 5.37 | 12-15-2043 | 500,000 | 503,523 |
| <i>Morgan Stanley Capital I Trust Series 2007-HQ13 Class A3</i> | 5.57 | 12-15-2044 | 1,225,642 | 1,271,047 |
| <i>Morgan Stanley Capital I Trust Series 2010-GG10 Class A4B 144A±</i> | 5.99 | 8-15-2045 | 615,000 | 629,149 |
| <i>Morgan Stanley Capital I Trust Series 2012-C4 Class C 144A±</i> | 5.71 | 3-15-2045 | 900,000 | 962,987 |
| <i>New Century Home Equity Loan Trust Series 2004-3 Class M1 ±</i> | 1.37 | 11-25-2034 | 1,165,049 | 1,031,904 |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|-----------|------------|
| <i>New Century Home Equity Loan Trust Series 2005-1 Class AIMZ ±</i> | 1.02 | 3-25-2035 | 62,015 | 61,936 |
| <i>Provident Funding Mortgage Loan Series 2005-1 Class 2A1 ±</i> | 2.78 | 5-25-2035 | 39,444 | 40,173 |
| <i>RBSSP Resecuritization Trust Series 2010-3 Class 4A1 144A±</i> | 3.13 | 12-26-2035 | 24,698 | 24,655 |
| <i>Renaissance Home Equity Loan Trust Series 2004-4 Class AF4</i> | 4.88 | 2-25-2035 | 410,814 | 412,687 |
| <i>Residential Funding Mortgage Securities Trust Series 03-S12 Class 2A1</i> | 4.00 | 12-25-2032 | 59,092 | 59,098 |
| <i>Saxon Asset Securities Trust Series 2002-1 Class AF5</i> | 4.87 | 12-25-2030 | 156,611 | 158,642 |
| <i>Saxon Asset Securities Trust Series 2003-1 Class AF7</i> | 4.03 | 6-25-2033 | 544,485 | 550,829 |
| <i>Sequoia Mortgage Trust Series 2003-1 Class 1A ±</i> | 1.20 | 4-20-2033 | 20,111 | 18,867 |
| <i>Structured Adjustable Rate Mortgage Loan Trust Series 2004-2 Class 2A ±</i> | 2.84 | 3-25-2034 | 67,479 | 66,282 |
| <i>Structured Asset Securities Corporation Series 1998-2 Class A ±</i> | 0.96 | 2-25-2028 | 257,303 | 248,276 |
| <i>Structured Asset Securities Corporation Series 2002-9 Class A2 ±</i> | 1.03 | 10-25-2027 | 75,775 | 73,626 |
| <i>Terwin Mortgage Trust Series 2003-6HE Class A3 ±</i> | 1.57 | 11-25-2033 | 173,407 | 163,516 |
| <i>Vendee Mortgage Trust Series 2003-2 Class IO ±</i> | 0.76 | 5-15-2033 | 5,569,109 | 175,371 |
| <i>Washington Mutual Mortgage Trust Series 2004-RA4 Class 3A</i> | 7.50 | 7-25-2034 | 179,858 | 191,859 |
| Total Non-Agency Mortgage-Backed Securities (Cost \$34,661,152) | | | | 34,568,732 |

Yankee Corporate Bonds and Notes: 8.03%

Consumer Discretionary: 0.50%

Media: 0.50%

| | | | | |
|--|------|-----------|---------|-----------|
| <i>Grupo Televisa SAB</i> | 6.00 | 5-15-2018 | 750,000 | 812,594 |
| <i>Myriad International Holdings BV</i> | 6.00 | 7-18-2020 | 500,000 | 545,480 |
| <i>Myriad International Holdings BV 144A</i> | 6.38 | 7-28-2017 | 750,000 | 783,750 |
| <i>WPP Finance 2010</i> | 3.63 | 9-7-2022 | 750,000 | 781,874 |
| | | | | 2,923,698 |

Consumer Staples: 0.49%

Beverages: 0.35%

| | | | | |
|------------------------------|------|-----------|-----------|-----------|
| <i>Anadolu Efes</i> | 3.38 | 11-1-2022 | 1,400,000 | 1,239,868 |
| <i>Pernod Ricard SA 144A</i> | 4.45 | 1-15-2022 | 760,000 | 824,814 |
| | | | | 2,064,682 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 21

| Security name | Interest rate | Maturity date | Principal | Value |
|--|---------------|---------------|------------|------------|
| Tobacco: 0.14% | | | | |
| <i>BAT International Finance plc 144A</i> | 3.25% | 6-7-2022 | \$ 750,000 | \$ 792,298 |
| Energy: 1.20% | | | | |
| Oil, Gas & Consumable Fuels: 1.20% | | | | |
| <i>Baytex Energy Corporation 144A</i> | 5.63 | 6-1-2024 | 325,000 | 247,000 |
| <i>Griffin Coal Mining Company Limited 144A(i)(s)(a)</i> | 9.50 | 12-1-2016 | 1,685,411 | 674,164 |
| <i>Griffin Coal Mining Company Limited (i)(s)(a)</i> | 9.50 | 12-1-2016 | 137,792 | 55,117 |
| <i>Petrobras International Finance Company</i> | 5.38 | 1-27-2021 | 670,000 | 595,664 |
| <i>Petroleos Mexicanos</i> | 4.88 | 1-24-2022 | 750,000 | 755,625 |
| <i>Teekay Corporation 144A</i> | 8.50 | 1-15-2020 | 1,000,000 | 762,500 |
| <i>Teekay Corporation</i> | 8.50 | 1-15-2020 | 4,475,000 | 3,412,188 |
| <i>Woodside Finance Limited 144A</i> | 8.75 | 3-1-2019 | 405,000 | 465,295 |
| | | | | 6,967,553 |
| Financials: 0.99% | | | | |
| Banks: 0.79% | | | | |
| <i>ABN AMRO Bank N.V. 144A</i> | 4.80 | 4-18-2026 | 750,000 | 767,622 |
| <i>Banco del Estado de Chile 144A</i> | 3.88 | 2-8-2022 | 650,000 | 693,999 |
| <i>Corporación Andina de Fomento</i> | 4.38 | 6-15-2022 | 958,000 | 1,051,673 |
| <i>Export Import Bank of Korea</i> | 5.00 | 4-11-2022 | 750,000 | 860,109 |
| <i>Macquarie Bank Limited 144A</i> | 5.00 | 2-22-2017 | 750,000 | 772,208 |
| <i>Nielsen Holding and Finance BV 144A</i> | 5.50 | 10-1-2021 | 415,000 | 432,638 |
| <i>Preferred Term Securities XII Limited (i)(s)(a)</i> | 1.00 | 12-24-2033 | 635,000 | 0 |
| | | | | 4,578,249 |
| Diversified Financial Services: 0.20% | | | | |
| <i>GE Capital International Funding Company 144A</i> | 2.34 | 11-15-2020 | 527,000 | 539,455 |
| <i>Tyco Electronics Group SA</i> | 3.50 | 2-3-2022 | 625,000 | 647,646 |
| | | | | 1,187,101 |

Health Care: 1.06%**Pharmaceuticals: 1.06%**

| | | | | |
|--|------|------------|-----------|-----------|
| <i>Mallinckrodt plc 144A</i> | 5.50 | 4-15-2025 | 500,000 | 450,000 |
| <i>Mallinckrodt plc 144A</i> | 5.63 | 10-15-2023 | 275,000 | 257,125 |
| <i>Perrigo Finance plc</i> | 3.90 | 12-15-2024 | 1,000,000 | 1,013,936 |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 5.63 | 12-1-2021 | 700,000 | 593,250 |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 5.88 | 5-15-2023 | 1,660,000 | 1,395,438 |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 6.13 | 4-15-2025 | 2,050,000 | 1,701,500 |
| <i>Valeant Pharmaceuticals International Incorporated 144A</i> | 7.50 | 7-15-2021 | 785,000 | 718,275 |
| | | | | 6,129,524 |

Industrials: 0.64%**Building Products: 0.04%**

| | | | | |
|---------------------|------|-----------|---------|---------|
| <i>Allegion plc</i> | 5.88 | 9-15-2023 | 210,000 | 222,600 |
|---------------------|------|-----------|---------|---------|

Commercial Services & Supplies: 0.42%

| | | | | |
|--|------|----------|-----------|-----------|
| <i>GFL Environmental Incorporated 144A</i> | 7.88 | 4-1-2020 | 1,900,000 | 1,928,500 |
| <i>GFL Environmental Incorporated 144A</i> | 9.88 | 2-1-2021 | 500,000 | 527,500 |
| | | | | 2,456,000 |

Table of Contents

22 Wells Fargo Multi-Sector Income Fund

Portfolio of investments April 30, 2016 (unaudited)

| Security name | Interest rate | Maturity date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Machinery: 0.04% | | | | |
| <i>Sensata Technologies BV 144A</i> | 5.00% | 10-1-2025 | \$ 235,000 | \$ 236,175 |
| Road & Rail: 0.14% | | | | |
| <i>Canadian Pacific Railway Company</i> | 4.50 | 1-15-2022 | 750,000 | 820,219 |
| Information Technology: 0.27% | | | | |
| Communications Equipment: 0.14% | | | | |
| <i>Ericsson LM</i> | 4.13 | 5-15-2022 | 750,000 | 794,905 |
| Internet Software & Services: 0.13% | | | | |
| <i>Tencent Holdings Limited 144A</i> | 4.63 | 12-12-2016 | 750,000 | 765,215 |
| Materials: 0.99% | | | | |
| Containers & Packaging: 0.57% | | | | |
| <i>Ardagh Finance Holdings SA (PIK at 8.63%) 144A</i> | 8.63 | 6-15-2019 | 1,521,968 | 1,510,062 |
| <i>Ardagh Packaging Finance plc 144A</i> | 7.25 | 5-15-2024 | 725,000 | 725,000 |
| <i>Ardagh Packaging Finance plc 144A</i> | 9.13 | 10-15-2020 | 1,020,000 | 1,073,550 |
| | | | | 3,308,612 |
| Metals & Mining: 0.42% | | | | |
| <i>ArcelorMittal SA</i> | 5.50 | 2-25-2017 | 725,000 | 748,563 |
| <i>ArcelorMittal SA</i> | 6.13 | 6-1-2025 | 275,000 | 268,813 |
| <i>Glencore Finance Canada Limited 144A</i> | 4.25 | 10-25-2022 | 750,000 | 692,213 |
| <i>Vale Overseas Limited</i> | 4.38 | 1-11-2022 | 750,000 | 693,750 |
| | | | | 2,403,339 |
| Telecommunication Services: 1.77% | | | | |
| Diversified Telecommunication Services: 1.54% | | | | |

Edgar Filing: WELLS FARGO MULTI-SECTOR INCOME FUND - Form N-CSRS

| | | | | |
|--|------|------------|-----------|------------|
| <i>Intelsat Jackson Holdings SA</i> | 5.50 | 8-1-2023 | 6,775,000 | 4,280,953 |
| <i>Intelsat Jackson Holdings SA</i> | 7.25 | 4-1-2019 | 1,675,000 | 1,373,500 |
| <i>Intelsat Luxembourg SA</i> | 7.75 | 6-1-2021 | 1,435,000 | 480,725 |
| <i>Intelsat Luxembourg SA</i> | 8.13 | 6-1-2023 | 5,815,000 | 1,904,413 |
| <i>Qtel International Finance Limited</i> | 5.00 | 10-19-2025 | 300,000 | 332,484 |
| <i>Virgin Media Finance plc 144A</i> | 5.38 | 4-15-2021 | 162,000 | 169,290 |
| <i>Virgin Media Finance plc 144A</i> | 6.38 | 4-15-2023 | 365,000 | 375,950 |
| | | | | 8,917,315 |
| Wireless Telecommunication Services: | | | | |
| 0.23% | | | | |
| <i>Globo Comunicacoes Participacoes SA 144A</i> | 4.88 | 4-11-2022 | 595,000 | 589,794 |
| <i>Telesat Canada Incorporated 144A</i> | 6.00 | 5-15-2017 | 775,000 | 774,070 |
| | | | | 1,363,864 |
| Utilities: 0.12% | | | | |
| Electric Utilities: 0.12% | | | | |
| <i>Comision Federal de Electricidad 144A</i> | 4.88 | 5-26-2021 | 650,000 | 684,125 |
| Total Yankee Corporate Bonds and Notes (Cost \$55,735,817) | | | | 46,615,474 |

Table of Contents

Portfolio of investments April 30, 2016 (unaudited)

Wells Fargo Multi-Sector Income Fund 23

| | Yield | Shares | Value |
|---|----------------|------------|-----------------------|
| Short-Term Investments: 4.71% | | | |
| Investment Companies: 4.71% | | | |
| <i>Wells Fargo Cash Investment Money Market Fund</i> | | | |
| <i>Select Class (l)(u)##</i> | 0.43% | 27,383,187 | \$ 27,383,187 |
| Total Short-Term Investments (Cost \$27,383,187) | | | 27,383,187 |
| Total investments in securities (Cost | 136.90% | | 795,043,046 |
| \$852,552,984) * | | | |
| <i>Other assets and liabilities, net</i> | (36.90) | | (214,298,166) |
| Total net assets | 100.00% | | \$ 580,744,880 |

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

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

(c) Investment in an interest-only security entitles holders to receive only the interest payments on the underlying mortgages. The principal amount shown is the notional amount of the underlying mortgages. The rate represents the coupon rate.

Non-income-earning security

(i) Illiquid security

¥ 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.

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

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

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

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

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

(l) The issuer of the security is an affiliated person of the Fund as defined in the Investment Company Act of 1940.

(u) The rate represents the 7-day annualized yield at period end.

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

* Cost for federal income tax purposes is \$858,011,810 and unrealized gains (losses) consists of:

| | |
|-------------------------|-----------------|
| Gross unrealized gains | \$ 18,596,508 |
| Gross unrealized losses | (81,565,272) |
| Net unrealized losses | \$ (62,968,764) |

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

Not applicable.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Not applicable

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|-------------------------|--|--|---|--|
| 11/1/2015 to 11/30/2015 | | | | 42,055,000 |
| 12/1/2015 to 12/31/2015 | | | | 42,055,000 |
| 1/1/2016 to 1/31/2016 | | | | 42,055,000 |
| 2/1/2016 to 2/29/2016 | 36,691 | \$ 11.08 | 36,691 | 42,018,309 |
| 3/1/2016 to 3/31/2016 | | | | 42,018,309 |
| 4/1/2016 to 4/30/2016 | | | | 42,018,309 |
| Total | 36,691 | \$ 11.08 | | 42,018,309 |

On December 17, 2015, the Fund announced an open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund may repurchase up to 10% of its outstanding shares within one year of December 17, 2015.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Trustees that have been implemented since the registrant's last provided disclosure in response to the requirements of this Item.

ITEM 11. CONTROLS AND PROCEDURES

(a) The President and Treasurer have concluded that the Wells Fargo Multi-Sector Income Fund (the Fund) disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) provide reasonable

assurances that material information relating to the Fund is made known to them by the appropriate persons, based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.

Table of Contents

(b) There were no significant changes in the Fund's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the second fiscal quarter of the period covered by this report that materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS

(a)(1) Not applicable

(a)(2) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is filed and attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) is filed and attached hereto as Exhibit 99.906CERT

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wells Fargo Multi-Sector Income Fund

By:

/s/ Karla M. Rabusch
Karla M. Rabusch
President

Date: June 27, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Wells Fargo Multi-Sector Income Fund

By:

/s/ Karla M. Rabusch
Karla M. Rabusch
President

Date: June 27, 2016

By:

/s/ Jeremy DePalma
Jeremy DePalma
Treasurer

Date: June 27, 2016