

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND  
Form N-CSRS  
December 28, 2012  
[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: 811-21269

**Wells Fargo Advantage Income Opportunities 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: April 30, 2012

Date of reporting period: October 31, 2012



**Table of Contents**

ITEM 1. REPORT TO SHAREHOLDERS

Table of Contents

# Wells Fargo Advantage Income Opportunities Fund

## Semi-Annual Report

October 31, 2012

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

**Table of Contents**

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## Contents

|  |    |
|--|----|
| <b><u>Letter to shareholders</u></b>               | 2  |
| <b><u>Performance highlights</u></b>               | 4  |
| <b><u>Portfolio of investments</u></b>             | 7  |
| <b><u>Financial statements</u></b>                 |    |
| <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 |
| <b><u>Notes to financial statements</u></b>        | 23 |
| <b><u>Other information</u></b>                    | 27 |
| <b><u>Automatic dividend reinvestment plan</u></b> | 30 |
| <b><u>List of abbreviations</u></b>                | 31 |

The views expressed and any forward-looking statements are as of October 31, 2012, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Advantage Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements; the views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC, disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

**NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE**

**Table of Contents**

2 Wells Fargo Advantage Income Opportunities Fund

Letter to shareholders (unaudited)

**Karla M. Rabusch**

President

Wells Fargo Advantage Funds

**During the period, high-yield corporate bonds performed well compared with U.S. Treasuries, as continued monetary accommodation from the Federal Reserve (Fed) strengthened the demand for securities with higher yields.**

**Dear Valued Shareholder:**

We are pleased to provide you with this semi-annual report for the *Wells Fargo Advantage Income Opportunities Fund* for the six-month period that ended October 31, 2012. During the period, high-yield corporate bonds performed well compared with U.S. Treasuries, as continued monetary accommodation from the Federal Reserve (Fed) seemed to strengthen the demand for securities with higher yields. Volatility rippled through the markets on and off throughout the period as deteriorating credit conditions in Europe routinely counteracted burgeoning trends of economic improvement in the U.S. Nonetheless, these periods of uncertainty strengthened the resolve of the Fed to keep monetary policy highly accommodative, which had a positive effect on the valuations of high-yield bonds. The lower-rated credit tiers and longest-maturity segments of the fixed-income market outperformed the higher-quality and shorter-maturity segments during the period.

**Global credit markets were roiled by the European debt crisis.**

The first months of 2012 saw strengthening investor confidence in the U.S. economy despite indications of a recession in Europe. The improving conditions in the U.S. led to greater confidence in the U.S. credit markets, which began to show some resistance to the credit problems of Europe. These leading events set the tone for the six-month period that began in May 2012. During those early months of 2012, the lowest-rated credit tiers of the U.S. domestic fixed-income markets generally performed the best, while the highest-quality credit tiers and U.S. Treasuries generally declined in value as their yields began to shift higher on expectations for a strengthening economy.

Unfortunately, the trends of improving credit confidence would not last and would be undermined by the woes of Europe. As Greece neared default on its sovereign debt again in May 2012, politicians began to hint at the possibility of Greece exiting the euro. Early that month, the default crisis in Europe had escalated to a debate over the viability of the euro, amplifying the crisis to an unprecedented level of worst-case consideration. Consequently, global investors once again rallied to the U.S. Treasury market, driving long-term Treasury yields to some of their lowest levels on record. That same month, U.S. Treasuries and the highest-rated credit tiers were the best performers, while the lower-rated credit tiers of the fixed-income markets underperformed.

**High-yield corporate bonds rebounded convincingly in June 2012 and rallied throughout the remainder of the period.**

It appeared that investors would continue to prefer higher-quality over riskier asset classes as long as the problems in Europe persisted. The crisis continued to deepen into July, prompting the International Monetary Fund to warn European policymakers of a significant risk of

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deflation. Running counter to the woes in Europe, U.S. credit markets began to improve in June, benefiting from consistent policy commitment by the Fed to maintain highly accommodative monetary conditions. In the U.S., the second half of June 2012 and the entire month of July 2012 saw strong performance in the high-yield and longer-maturity segments of the fixed-income markets as U.S. credit markets tried to remain isolated from the crisis in Europe.

European markets finally followed suit in August 2012 and into September and October 2012 as the European Central Bank (ECB) calmed market fears by announcing a program of unlimited bond-buying support and declaring to do

**Table of Contents**

Letter to shareholders (unaudited)

Wells Fargo Advantage Income Opportunities Fund 3

whatever it takes to preserve the euro. Perhaps the most convincing statement of all for investors was Mario Draghi, the president of the ECB, declaring that the euro is irreversible. Global credit markets responded strongly through the final months of the period, with the lowest-rated securities performing best. Thus, despite intermittent spikes in risk aversion and profound concerns in Europe, the six-month period finished with a continued rally in the lower-rated areas of the fixed-income markets with notably strong performance from high-yield corporate bonds.

Recent events have not altered our message to shareholders. The heightened volatility of the past six months has often left many investors questioning their resolve and their investments. Yet, it is precisely at such times that the market may present opportunities as well as challenges for prudent investors. For many investors, simply building and maintaining a well-diversified<sup>1</sup> investment plan focused on clear financial objectives is the best long-term strategy.

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

Sincerely,

Karla M. Rabusch

President

Wells Fargo Advantage Funds

1. Diversification does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

Despite intermittent spikes in risk aversion and profound concerns in Europe, the six-month period finished with a continued rally in the lower-rated areas of the fixed-income markets with notably strong performance from high-yield corporate bonds.



**Table of Contents**

4 Wells Fargo Advantage Income Opportunities Fund

Performance highlights (unaudited)

**Investment objective**

The Fund seeks a high level of current income. Capital appreciation is a secondary objective.

**Adviser**

Wells Fargo Funds Management, LLC

**Subadviser**

Wells Capital Management Incorporated

**Portfolio managers**

Niklas Nordenfelt, CFA

Phillip Susser

**Average annual total returns<sup>1</sup> (%) as of October 31, 2012**

|  | 1 year | 5 year | Since inception<br>2-26-03 |
|--|--------|--------|----------------------------|
| Based on market value                    | 17.71  | 9.37   | 8.31                       |
| Based on net asset value (NAV) per share | 15.36  | 6.53   | 8.29                       |

*Figures quoted represent past performance, which is no guarantee of future results and do not reflect the deduction of 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 and assumes the reinvestment of dividends and capital gains. To obtain performance information current to the most recent month-end, please call 1-800-222-8222.*

The Adviser has committed through May 31, 2013, to waive fees and/or reimburse expenses to the extent necessary to limit the Fund's borrowing expenses to an amount that is 5 basis points lower than what the borrowing expenses would have been if the Fund had not redeemed its Auction Market Preferred Shares. The Fund's gross and net expense ratios for the six months ended October 31, 2012, are 1.29% and 1.04%, respectively. Without these reductions, the Fund's returns would have been lower.

**Comparison of NAV vs. market value since inception<sup>2</sup>**

The Fund is leveraged through a secured debt borrowing facility and may issue preferred shares. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market price of common shares. Derivatives involve additional risks including interest rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments 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. In general, when interest rates rise, bond fund values fall and investors may lose principal value. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities.

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1. Total returns based on market value are calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Total returns based on NAV are calculated based on the NAV at the beginning of the period and end of period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total returns do not reflect brokerage commissions or sales charges. If these charges were included, the returns would be lower.

2. This chart does not reflect any brokerage commissions or sales charges.

**Table of Contents**

Performance highlights (unaudited)

Wells Fargo Advantage Income Opportunities Fund 5

**MANAGER'S DISCUSSION**

The Fund returned 17.71% during the 12 months ended October 31, 2012, based on market value. During the same period, the Fund's return based on NAV was 15.36%.

**Strategy**

High-yield markets performed strongly during the period, benefiting from strengthening corporate balance sheets with large cash positions, cheap and abundant financing, central bank policies that encouraged low rates and sustained liquidity, and a manageable maturity schedule for issuers of high-yield bonds. The dearth of defaults also created a favorable backdrop for investors seeking yield. Defaults have been low thanks to strong corporate fundamentals consisting of decent earnings and strong balance sheets flush with cash.

Global growth forecasts were lowered and manufacturing slowed within the U.S. in response to European weakness and a slowing Chinese economy. The Federal Reserve Board (Fed) pledged open-ended and unlimited asset purchases (currently targeting \$40bn/month of mortgage-backed securities), a continuation of Operation Twist (effectively selling short-term U.S. Treasuries to fund purchases of long-term U.S. Treasuries) and a promise to keep the federal funds rate at essentially zero through mid-2015. With evidence of economic slowdown and little visibility into sustained labor improvement, investors seemed to begrudgingly accept a scenario of a prolonged period of low rates (with demand for treasuries being driven almost exclusively by Fed purchases; also known as money printing) which seems to have driven cash into riskier assets such as high yield and equities. Markets also benefited from actions out of the European Central Bank which included statements of unlimited bond purchases through the Outright Monetary Transactions (OMT) program.

**Ten largest holdings<sup>3</sup> (%) as of October 31, 2012**

|  |      |
|--|------|
| Texas Competitive Electric Holdings LLC, 3.75%, 10-10-14 | 3.31 |
| Sprint Capital Corporation, 6.88%, 11-15-28              | 2.38 |
| Jabil Circuit Incorporated, 8.25%, 3-15-18               | 2.27 |
| Dupont Fabros Technology Incorporated, 8.50%, 12-15-17   | 1.81 |
| Nielsen Finance LLC Company, 7.75%, 10-15-18             | 1.80 |
| E*TRADE Financial Corporation, 12.50%, 11-30-17          | 1.57 |
| Service Corporation International, 7.50%, 4-1-27         | 1.42 |
| Ally Financial Incorporated, 8.30%, 2-12-15              | 1.40 |
| Gray Television Incorporated, 10.50%, 6-29-15            | 1.40 |
| Local TV Finance LLC, 9.25%, 6-15-15                     | 1.40 |

**Credit quality<sup>4</sup> as of October 31, 2012****Contributors to performance**

The Fund benefited from the positive forces pushing bond prices higher and yields lower. Individual credit selection in specific securities with the potential for significant price appreciation helped performance of the Fund during the period.

**Detractors from performance**

Our holdings were positioned more conservatively than the broader high-yield market in anticipation of a more challenging economic environment. This positioning detracted from relative performance as riskier bonds with either lower quality or longer maturities generally outperformed. The Fund's holdings were focused on slightly higher credit qualities (while still remaining in high-yield) and issuers with more stable revenue profiles in industries less exposed to cyclical volatility.

**Management outlook**

Looking forward, highly accommodative monetary policy combined with strong corporate balance sheets offers a near-perfect backdrop of liquidity for high-yield companies to weather a slower revenue growing environment. We feel that the outlook for high-yield markets

demonstrates the potential for continued

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

4. The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit Quality Ratings: Credit quality ratings apply to underlying holdings of the Fund and not the Fund itself. 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). If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was utilized and if rated by one of the agencies that rating was utilized. Credit quality is subject to change and is calculated based on the total investments of the Fund.

**Table of Contents**

6 Wells Fargo Advantage Income Opportunities Fund

Performance highlights (unaudited)

**Effective maturity distribution<sup>5</sup> as of October 31, 2012**

positive performance but at a more modest pace, and that high yield remains a favorable investment alternative to lower-yielding areas of the fixed-income markets.

Strong corporate balance sheets with low refinancing rates and extraordinary access to capital offer a near-perfect backdrop of liquidity and plenty of runway for companies to weather a slower revenue-growing environment, in our view. Indeed, we feel the majority of U.S. companies within high yield have sufficient cash cushion to absorb a slight recession before a consideration of default risk meaningfully increases.

5. Percentages are subject to change and are calculated based on the total long-term investments of the Fund.

**Table of Contents**

Portfolio of investments October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 7

| Security name   | Shares               | Value                |
|---|----------------------|----------------------|
| <b>Common Stocks: 0.14%</b>                             |                      |                      |
| <b>Consumer Discretionary: 0.00%</b>                    |                      |                      |
| <b>Hotels, Restaurants &amp; Leisure: 0.00%</b>         |                      |                      |
| <i>Trump Entertainment Resorts Incorporated (i)</i>     | 2,149                | \$ 4,298             |
| <b>Telecommunication Services: 0.14%</b>                |                      |                      |
| <b>Diversified Telecommunication Services: 0.14%</b>    |                      |                      |
| <i>Fairpoint Communications Incorporated</i>            | 134,376              | 986,320              |
| <b>Total Common Stocks (Cost \$3,109,765)</b>           |                      | 990,618              |
|   | <b>Interest rate</b> | <b>Maturity date</b> |
|   |                      | <b>Principal</b>     |
| <b>Corporate Bonds and Notes: 112.47%</b>               |                      |                      |
| <b>Consumer Discretionary: 27.11%</b>                   |                      |                      |
| <b>Auto Components: 2.18%</b>                           |                      |                      |
| <i>Allison Transmission Incorporated 144A</i>           | 7.13%                | 5-15-19              |
| <i>Cooper Tire &amp; Rubber Company</i>                 | 7.63                 | 3-15-27              |
| <i>Cooper Tire &amp; Rubber Company</i>                 | 8.00                 | 12-15-19             |
| <i>Goodyear Tire &amp; Rubber Company</i>               | 7.00                 | 5-15-22              |
| <i>Penske Automotive Group Incorporated 144A</i>        | 5.75                 | 10-1-22              |
| <i>United Rentals Financing Escrow Corporation 144A</i> | 5.75                 | 7-15-18              |
|   |                      | 2,675,000            |
|   |                      | 6,375,000            |
|   |                      | 4,455,000            |
|   |                      | 150,000              |
|   |                      | 700,000              |
|   |                      | 250,000              |
|   |                      | 2,875,625            |
|   |                      | 15,352,531           |
| <b>Diversified Consumer Services: 2.73%</b>             |                      |                      |
| <i>Service Corporation International</i>                | 6.75                 | 4-1-16               |
| <i>Service Corporation International</i>                | 7.00                 | 6-15-17              |
| <i>Service Corporation International</i>                | 7.00                 | 5-15-19              |
| <i>Service Corporation International</i>                | 7.50                 | 4-1-27               |
| <i>Service Corporation International</i>                | 7.63                 | 10-1-18              |
| <i>Service Corporation International</i>                | 8.00                 | 11-15-21             |
| <i>Sotheby's 144A</i>                                   | 5.25                 | 10-1-22              |
|   |                      | 1,250,000            |
|   |                      | 1,250,000            |
|   |                      | 1,125,000            |
|   |                      | 9,376,000            |
|   |                      | 1,100,000            |
|   |                      | 885,000              |
|   |                      | 2,755,000            |
|   |                      | 1,390,625            |
|   |                      | 1,431,250            |
|   |                      | 1,231,875            |
|   |                      | 9,985,440            |
|   |                      | 1,300,750            |
|   |                      | 1,086,338            |
|   |                      | 2,796,325            |
|   |                      | 19,222,603           |
| <b>Hotels, Restaurants &amp; Leisure: 7.59%</b>         |                      |                      |
| <i>Ameristar Casinos Incorporated</i>                   | 7.50                 | 4-15-21              |
| <i>Burger King Corporation</i>                          | 9.88                 | 10-15-18             |
|   |                      | 5,502,000            |
|   |                      | 1,600,000            |
|   |                      | 5,887,140            |
|   |                      | 1,852,000            |

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|  |       |          |           |           |
|--|-------|----------|-----------|-----------|
| <i>CCM Merger Incorporated 144A</i>                  | 9.13  | 5-1-19   | 6,890,000 | 6,872,775 |
| <i>CityCenter Holdings LLC 144A</i>                  | 7.63  | 1-15-16  | 1,700,000 | 1,810,500 |
| <i>CityCenter Holdings LLC</i>                       | 7.63  | 1-15-16  | 350,000   | 373,625   |
| <i>CityCenter Holdings LLC ¥</i>                     | 10.75 | 1-15-17  | 3,471,305 | 3,670,905 |
| <i>DineEquity Incorporated</i>                       | 9.50  | 10-30-18 | 8,475,000 | 9,544,969 |
| <i>Greektown Superholdings Incorporated Series A</i> | 13.00 | 7-1-15   | 6,812,000 | 7,314,385 |
| <i>Greektown Superholdings Incorporated Series B</i> | 13.00 | 7-1-15   | 1,475,000 | 1,583,781 |
| <i>NAI Entertainment Holdings LLC 144A</i>           | 8.25  | 12-15-17 | 4,878,000 | 5,426,775 |
| <i>Penn National Gaming Incorporated</i>             | 8.75  | 8-15-19  | 1,499,000 | 1,675,133 |
| <i>Ruby Tuesday Incorporated 144A</i>                | 7.63  | 5-15-20  | 3,700,000 | 3,510,375 |
| <i>Scientific Games Corporation</i>                  | 9.25  | 6-15-19  | 1,130,000 | 1,257,125 |

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

**Table of Contents**

8 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments October 31, 2012 (unaudited)

| Security name  | Interest rate | Maturity date | Principal  | Value      |
|--|---------------|---------------|------------|------------|
| <b>Hotels, Restaurants &amp; Leisure (continued)</b> |               |               |            |            |
| <i>Speedway Motorsports Incorporated</i>             | 6.75%         | 2-1-19        | \$ 450,000 | \$ 478,125 |
| <i>Speedway Motorsports Incorporated</i>             | 8.75          | 6-1-16        | 2,075,000  | 2,235,813  |
|  |               |               |            | 53,493,426 |
| <b>Household Durables: 0.14%</b>                     |               |               |            |            |
| <i>American Greetings Corporation</i>                | 7.38          | 12-1-21       | 950,000    | 979,688    |
| <b>Media: 12.69%</b>                                 |               |               |            |            |
| <i>Cablevision Systems Corporation</i>               | 8.63          | 9-15-17       | 2,975,000  | 3,473,313  |
| <i>CCH II Capital Corporation</i>                    | 13.50         | 11-30-16      | 5,301,690  | 5,699,317  |
| <i>CCO Holdings LLC</i>                              | 6.50          | 4-30-21       | 5,275,000  | 5,604,688  |
| <i>CCO Holdings LLC</i>                              | 7.00          | 1-15-19       | 2,075,000  | 2,230,625  |
| <i>CCO Holdings LLC</i>                              | 7.88          | 4-30-18       | 300,000    | 324,000    |
| <i>CCO Holdings LLC</i>                              | 8.13          | 4-30-20       | 746,000    | 839,250    |
| <i>Cinemark USA Incorporated</i>                     | 7.38          | 6-15-21       | 1,525,000  | 1,681,313  |
| <i>Cinemark USA Incorporated</i>                     | 8.63          | 6-15-19       | 4,765,000  | 5,277,238  |
| <i>CSC Holdings LLC</i>                              | 7.63          | 7-15-18       | 650,000    | 752,375    |
| <i>CSC Holdings LLC</i>                              | 7.88          | 2-15-18       | 1,650,000  | 1,914,000  |
| <i>CSC Holdings LLC</i>                              | 8.50          | 4-15-14       | 200,000    | 219,250    |
| <i>DISH DBS Corporation</i>                          | 7.88          | 9-1-19        | 2,260,000  | 2,649,850  |
| <i>EchoStar DBS Corporation</i>                      | 7.13          | 2-1-16        | 1,160,000  | 1,296,300  |
| <i>EchoStar DBS Corporation</i>                      | 7.75          | 5-31-15       | 650,000    | 731,250    |
| <i>Gray Television Incorporated 144A</i>             | 7.50          | 10-1-20       | 5,575,000  | 5,505,313  |
| <i>Gray Television Incorporated</i>                  | 10.50         | 6-29-15       | 9,133,000  | 9,869,120  |
| <i>Lamar Media Corporation</i>                       | 5.88          | 2-1-22        | 1,625,000  | 1,722,500  |
| <i>Lamar Media Corporation</i>                       | 7.88          | 4-15-18       | 4,090,000  | 4,499,000  |
| <i>Lamar Media Corporation Series C</i>              | 9.75          | 4-1-14        | 925,000    | 1,026,750  |
| <i>LIN Television Corporation 144A</i>               | 6.38          | 1-15-21       | 500,000    | 506,250    |
| <i>LIN Television Corporation</i>                    | 8.38          | 4-15-18       | 3,475,000  | 3,753,000  |
| <i>Local TV Finance LLC 144A</i>                     | 9.25          | 6-15-15       | 9,693,218  | 9,850,733  |
| <i>National CineMedia LLC 144A</i>                   | 6.00          | 4-15-22       | 3,635,000  | 3,834,925  |
| <i>National CineMedia LLC</i>                        | 7.88          | 7-15-21       | 1,150,000  | 1,256,375  |
| <i>Nexstar Broadcasting Incorporated 144A%%</i>      | 6.88          | 11-15-20      | 2,285,000  | 2,290,713  |
| <i>Regal Cinemas Corporation</i>                     | 8.63          | 7-15-19       | 6,665,000  | 7,331,500  |
| <i>Salem Communications Corporation</i>              | 9.63          | 12-15-16      | 4,754,000  | 5,288,825  |
|  |               |               |            | 89,427,773 |
| <b>Specialty Retail: 1.78%</b>                       |               |               |            |            |
| <i>Gap Incorporated</i>                              | 5.95          | 4-12-21       | 1,175,000  | 1,334,234  |
| <i>Limited Brands Incorporated</i>                   | 6.63          | 4-1-21        | 925,000    | 1,057,969  |
| <i>RadioShack Corporation</i>                        | 6.75          | 5-15-19       | 3,925,000  | 2,453,125  |
| <i>Rent-A-Center Incorporated</i>                    | 6.63          | 11-15-20      | 1,940,000  | 2,097,625  |
| <i>Toys R Us Property Company I LLC</i>              | 10.75         | 7-15-17       | 1,225,000  | 1,324,531  |
| <i>Toys R Us Property Company II LLC</i>             | 8.50          | 12-1-17       | 4,025,000  | 4,321,844  |



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

**Table of Contents**

Portfolio of investments October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 9

| Security name   | Interest rate | Maturity date | Principal  | Value      |
|---|---------------|---------------|------------|------------|
| <b>Consumer Staples: 0.55%</b>                          |               |               |            |            |
| <b>Food Products: 0.55%</b>                             |               |               |            |            |
| <i>B&amp;G Foods Incorporated</i>                       | 7.63%         | 1-15-18       | \$ 405,000 | \$ 436,388 |
| <i>Dole Food Company Incorporated</i>                   | 13.88         | 3-15-14       | 3,075,000  | 3,459,375  |
|   |               |               |            | 3,895,763  |
| <b>Energy: 18.56%</b>                                   |               |               |            |            |
| <b>Energy Equipment &amp; Services: 4.77%</b>           |               |               |            |            |
| <i>Dresser Rand Group Incorporated</i>                  | 6.50          | 5-1-21        | 1,825,000  | 1,916,250  |
| <i>Gulfmark Offshore Incorporated 144A</i>              | 6.38          | 3-15-22       | 4,325,000  | 4,508,813  |
| <i>Hornbeck Offshore Services Incorporated Series B</i> | 5.88          | 4-1-20        | 750,000    | 763,125    |
| <i>Hornbeck Offshore Services Incorporated Series B</i> | 8.00          | 9-1-17        | 4,920,000  | 5,264,400  |
| <i>NGPL PipeCo LLC 144A</i>                             | 7.12          | 12-15-17      | 625,000    | 670,313    |
| <i>NGPL PipeCo LLC 144A</i>                             | 7.77          | 12-15-37      | 4,575,000  | 4,700,813  |
| <i>NGPL PipeCo LLC 144A</i>                             | 9.63          | 6-1-19        | 5,370,000  | 6,175,500  |
| <i>Oil States International Incorporated</i>            | 6.50          | 6-1-19        | 3,354,000  | 3,563,625  |
| <i>PHI Incorporated</i>                                 | 8.63          | 10-15-18      | 5,725,000  | 6,039,875  |
|   |               |               |            | 33,602,714 |
| <b>Oil, Gas &amp; Consumable Fuels: 13.79%</b>          |               |               |            |            |
| <i>Crestwood Midstream Partners LP</i>                  | 7.75          | 4-1-19        | 1,350,000  | 1,380,375  |
| <i>CVR Refining LLC 144A</i>                            | 6.50          | 11-1-22       | 2,850,000  | 2,793,000  |
| <i>Denbury Resources Incorporated</i>                   | 6.38          | 8-15-21       | 700,000    | 766,500    |
| <i>Denbury Resources Incorporated</i>                   | 8.25          | 2-15-20       | 5,965,000  | 6,755,363  |
| <i>El Paso Corporation</i>                              | 6.50          | 9-15-20       | 1,155,000  | 1,302,536  |
| <i>El Paso Corporation</i>                              | 7.00          | 6-15-17       | 3,183,000  | 3,635,384  |
| <i>El Paso Corporation</i>                              | 7.42          | 2-15-37       | 1,820,000  | 1,998,640  |
| <i>El Paso Corporation</i>                              | 7.80          | 8-1-31        | 3,050,000  | 3,623,107  |
| <i>El Paso Natural Gas Corporation</i>                  | 7.25          | 6-1-18        | 3,149,000  | 3,634,472  |
| <i>Encore Acquisition Company</i>                       | 9.50          | 5-1-16        | 700,000    | 754,250    |
| <i>Energy Transfer Equity LP</i>                        | 7.50          | 10-15-20      | 5,950,000  | 6,768,125  |
| <i>Ferrellgas Partners LP</i>                           | 9.13          | 10-1-17       | 4,925,000  | 5,269,750  |
| <i>HollyFrontier Corporation</i>                        | 9.88          | 6-15-17       | 4,265,000  | 4,648,850  |
| <i>Petrohawk Energy Corporation</i>                     | 7.88          | 6-1-15        | 2,045,000  | 2,131,765  |
| <i>Petrohawk Energy Corporation</i>                     | 10.50         | 8-1-14        | 1,065,000  | 1,147,538  |
| <i>Pioneer Natural Resources Company</i>                | 7.50          | 1-15-20       | 3,170,000  | 4,058,833  |
| <i>Plains Exploration &amp; Production Company</i>      | 8.63          | 10-15-19      | 6,380,000  | 7,033,950  |
| <i>Pride International Incorporated</i>                 | 8.50          | 6-15-19       | 210,000    | 283,315    |
| <i>Rockies Express Pipeline LLC 144A</i>                | 3.90          | 4-15-15       | 3,475,000  | 3,440,250  |
| <i>Rockies Express Pipeline LLC 144A</i>                | 5.63          | 4-15-20       | 700,000    | 666,750    |
| <i>Rockies Express Pipeline LLC 144A</i>                | 6.88          | 4-15-40       | 9,455,000  | 8,225,850  |
| <i>Rockies Express Pipeline LLC 144A</i>                | 7.50          | 7-15-38       | 1,800,000  | 1,674,000  |
| <i>Sabine Pass LNG LP 144A</i>                          | 6.50          | 11-1-20       | 8,485,000  | 8,654,700  |
| <i>Sabine Pass LNG LP</i>                               | 7.50          | 11-30-16      | 8,775,000  | 9,586,688  |
| <i>Suburban Propane Partners LP</i>                     | 7.38          | 3-15-20       | 575,000    | 609,500    |
| <i>Suburban Propane Partners LP 144A</i>                | 7.38          | 8-1-21        | 805,000    | 861,350    |

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|  |      |         |           |            |
|--|------|---------|-----------|------------|
| <i>Suburban Propane Partners LP 144A</i> | 7.50 | 10-1-18 | 802,000   | 862,150    |
| <i>Susser Holdings LLC</i>               | 8.50 | 5-15-16 | 2,000,000 | 2,140,000  |
| <i>Tesoro Corporation</i>                | 9.75 | 6-1-19  | 2,185,000 | 2,515,481  |
|  |      |         |           | 97,222,472 |

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

**Table of Contents**

10 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments October 31, 2012 (unaudited)

| Security name  | Interest rate | Maturity date | Principal    | Value         |
|--|---------------|---------------|--------------|---------------|
| <b>Financials: 20.96%</b>                                  |               |               |              |               |
| <b>Capital Markets: 1.82%</b>                              |               |               |              |               |
| <i>E*TRADE Financial Corporation</i>                       | 12.50%        | 11-30-17      | \$ 9,741,000 | \$ 11,031,683 |
| <i>Oppenheimer Holdings Incorporated</i>                   | 8.75          | 4-15-18       | 1,765,000    | 1,817,950     |
|  |               |               |              | 12,849,633    |
| <b>Commercial Banks: 2.87%</b>                             |               |               |              |               |
| <i>CIT Group Incorporated 144A</i>                         | 4.75          | 2-15-15       | 3,475,000    | 3,596,625     |
| <i>CIT Group Incorporated</i>                              | 5.00          | 5-15-17       | 425,000      | 447,865       |
| <i>CIT Group Incorporated 144A</i>                         | 5.25          | 4-1-14        | 7,275,000    | 7,547,813     |
| <i>CIT Group Incorporated</i>                              | 5.25          | 3-15-18       | 875,000      | 929,688       |
| <i>CIT Group Incorporated 144A</i>                         | 5.50          | 2-15-19       | 2,225,000    | 2,372,406     |
| <i>Emigrant Bancorp Incorporated (i)144A</i>               | 6.25          | 6-15-14       | 5,725,000    | 5,314,552     |
|  |               |               |              | 20,208,949    |
| <b>Consumer Finance: 11.17%</b>                            |               |               |              |               |
| <i>Ally Financial Incorporated</i>                         | 5.50          | 2-15-17       | 1,325,000    | 1,401,601     |
| <i>Ally Financial Incorporated</i>                         | 8.30          | 2-12-15       | 8,820,000    | 9,880,605     |
| <i>American General Finance Corporation</i>                | 5.40          | 12-1-15       | 2,800,000    | 2,618,000     |
| <i>American General Finance Corporation</i>                | 5.75          | 9-15-16       | 2,325,000    | 2,075,063     |
| <i>American General Finance Corporation</i>                | 6.50          | 9-15-17       | 550,000      | 487,091       |
| <i>Clearwire Communications Finance Corporation 144A</i>   | 12.00         | 12-1-15       | 5,420,000    | 5,760,900     |
| <i>Ford Motor Credit Company LLC</i>                       | 7.00          | 10-1-13       | 500,000      | 526,288       |
| <i>Ford Motor Credit Company LLC</i>                       | 8.00          | 12-15-16      | 200,000      | 242,128       |
| <i>General Motors Financial Company Incorporated 144A</i>  | 4.75          | 8-15-17       | 475,000      | 486,119       |
| <i>General Motors Financial Company Incorporated</i>       | 6.75          | 6-1-18        | 2,325,000    | 2,576,528     |
| <i>GMAC LLC</i>  | 6.75          | 12-1-14       | 2,344,000    | 2,525,660     |
| <i>GMAC LLC</i>  | 7.50          | 12-31-13      | 6,855,000    | 7,274,869     |
| <i>Homer City Funding LLC (s)</i>                          | 8.73          | 10-1-26       | 2,753,736    | 3,015,341     |
| <i>International Lease Finance Corporation</i>             | 6.38          | 3-25-13       | 865,000      | 880,138       |
| <i>International Lease Finance Corporation 144A</i>        | 6.75          | 9-1-16        | 2,200,000    | 2,486,000     |
| <i>International Lease Finance Corporation 144A</i>        | 7.13          | 9-1-18        | 515,000      | 605,125       |
| <i>International Lease Finance Corporation</i>             | 8.63          | 9-15-15       | 1,700,000    | 1,914,200     |
| <i>JBS USA Finance Incorporated</i>                        | 11.63         | 5-1-14        | 8,465,000    | 9,480,800     |
| <i>Level 3 Financing Incorporated</i>                      | 10.00         | 2-1-18        | 4,555,000    | 5,078,825     |
| <i>Nielsen Finance LLC Company 144A</i>                    | 4.50          | 10-1-20       | 515,000      | 512,425       |
| <i>Nielsen Finance LLC Company</i>                         | 7.75          | 10-15-18      | 11,270,000   | 12,678,750    |
| <i>Springleaf Finance Corporation</i>                      | 6.90          | 12-15-17      | 7,050,000    | 6,204,000     |
|  |               |               |              | 78,710,456    |
| <b>Diversified Financial Services: 2.19%</b>               |               |               |              |               |
| <i>Fidelity National Information Services Incorporated</i> | 5.00          | 3-15-22       | 500,000      | 510,000       |
| <i>Hub International Limited Company 144A</i>              | 8.13          | 10-15-18      | 3,930,000    | 4,038,075     |
| <i>Neuberger Berman Group LLC 144A</i>                     | 5.63          | 3-15-20       | 900,000      | 945,000       |
| <i>Neuberger Berman Group LLC 144A</i>                     | 5.88          | 3-15-22       | 1,125,000    | 1,198,125     |

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|  |      |          |           |           |
|--|------|----------|-----------|-----------|
| <i>Nuveen Investments</i>              | 5.50 | 9-15-15  | 5,800,000 | 5,539,000 |
| <i>USI Holdings Corporation 144A ±</i> | 4.31 | 11-15-14 | 1,175,000 | 1,139,750 |

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

**Table of Contents**

Portfolio of investments October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 11

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Diversified Financial Services (continued)</b>        |               |               |              |              |
| <i>USI Holdings Corporation 144A</i>                     | 9.75%         | 5-15-15       | \$ 2,055,000 | \$ 2,085,825 |
|  |               |               |              | 15,455,775   |
| <b>Real Estate Management &amp; Development: 0.45%</b>   |               |               |              |              |
| <i>Ashtead Capital Incorporated 144A</i>                 | 6.50          | 7-15-22       | 3,025,000    | 3,191,375    |
| <b>REITs: 2.46%</b>                                      |               |               |              |              |
| <i>Dupont Fabros Technology Incorporated</i>             | 8.50          | 12-15-17      | 11,580,000   | 12,738,000   |
| <i>Host Hotels &amp; Resorts Incorporated</i>            | 9.00          | 5-15-17       | 490,000      | 531,650      |
| <i>Omega Healthcare Investors Incorporated</i>           | 5.88          | 3-15-24       | 325,000      | 346,125      |
| <i>Omega Healthcare Investors Incorporated</i>           | 6.75          | 10-15-22      | 3,375,000    | 3,678,750    |
|  |               |               |              | 17,294,525   |
| <b>Health Care: 6.01%</b>                                |               |               |              |              |
| <b>Health Care Equipment &amp; Supplies: 0.29%</b>       |               |               |              |              |
| <i>Hologic Incorporated 144A</i>                         | 6.25          | 8-1-20        | 1,915,000    | 2,029,900    |
| <b>Health Care Providers &amp; Services: 5.03%</b>       |               |               |              |              |
| <i>Apria Healthcare Group Incorporated</i>               | 11.25         | 11-1-14       | 1,340,000    | 1,380,200    |
| <i>AVIV Health Care Incorporated</i>                     | 7.75          | 2-15-19       | 3,725,000    | 3,925,219    |
| <i>Centene Corporation</i>                               | 5.75          | 6-1-17        | 1,925,000    | 2,069,375    |
| <i>Community Health Systems Incorporated</i>             | 5.13          | 8-15-18       | 625,000      | 648,438      |
| <i>Community Health Systems Incorporated</i>             | 7.13          | 7-15-20       | 1,325,000    | 1,401,188    |
| <i>DaVita HealthCare Partners Incorporated</i>           | 5.75          | 8-15-22       | 1,360,000    | 1,421,200    |
| <i>Emergency Medical Services Corporation</i>            | 8.13          | 6-1-19        | 800,000      | 848,000      |
| <i>Fresenius Medical Care Holdings Incorporated 144A</i> | 5.63          | 7-31-19       | 1,800,000    | 1,894,500    |
| <i>Fresenius Medical Care Holdings Incorporated</i>      | 6.88          | 7-15-17       | 700,000      | 803,250      |
| <i>HCA Incorporated</i>                                  | 4.75          | 5-1-23        | 550,000      | 550,000      |
| <i>HCA Incorporated</i>                                  | 5.88          | 3-15-22       | 750,000      | 804,375      |
| <i>HCA Incorporated</i>                                  | 6.50          | 2-15-20       | 5,675,000    | 6,270,875    |
| <i>HCA Incorporated</i>                                  | 7.50          | 11-15-95      | 1,350,000    | 1,154,250    |
| <i>HCA Incorporated</i>                                  | 8.50          | 4-15-19       | 375,000      | 421,406      |
| <i>Health Management plc</i>                             | 6.13          | 4-15-16       | 475,000      | 517,750      |
| <i>HealthSouth Corporation</i>                           | 5.75          | 11-1-24       | 1,375,000    | 1,388,750    |
| <i>HealthSouth Corporation</i>                           | 7.25          | 10-1-18       | 675,000      | 729,000      |
| <i>HealthSouth Corporation</i>                           | 7.75          | 9-15-22       | 675,000      | 739,125      |
| <i>MPT Operating Partnership LP</i>                      | 6.38          | 2-15-22       | 775,000      | 807,938      |
| <i>MPT Operating Partnership LP</i>                      | 6.88          | 5-1-21        | 3,175,000    | 3,429,000    |
| <i>PSS World Medical Incorporated</i>                    | 6.38          | 3-1-22        | 640,000      | 764,000      |
| <i>Sabra Health Care LP</i>                              | 8.13          | 11-1-18       | 2,850,000    | 3,056,625    |
| <i>Tenet Healthcare Corporation 144A</i>                 | 4.75          | 6-1-20        | 250,000      | 247,813      |
| <i>Tenet Healthcare Corporation</i>                      | 10.00         | 5-1-18        | 150,000      | 171,000      |

**Pharmaceuticals: 0.69%**  
*Mylan Incorporated 144A*

|      |          |           |           |
|------|----------|-----------|-----------|
| 6.00 | 11-15-18 | 1,300,000 | 1,384,500 |
|------|----------|-----------|-----------|

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

**Table of Contents**

12 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments October 31, 2012 (unaudited)

| Security name   | Interest rate | Maturity date | Principal    | Value        |
|---|---------------|---------------|--------------|--------------|
| <b>Pharmaceuticals (continued)</b>                    |               |               |              |              |
| <i>Mylan Incorporated 144A</i>                        | 7.63%         | 7-15-17       | \$ 1,400,000 | \$ 1,561,000 |
| <i>Mylan Incorporated 144A</i>                        | 7.88          | 7-15-20       | 1,725,000    | 1,947,094    |
|   |               |               |              | 4,892,594    |
| <b>Industrials: 4.97%</b>                             |               |               |              |              |
| <b>Aerospace &amp; Defense: 0.56%</b>                 |               |               |              |              |
| <i>Geoeye Incorporated</i>                            | 9.63          | 10-1-15       | 1,140,000    | 1,268,250    |
| <i>TransDigm Group Incorporated 144A</i>              | 5.50          | 10-15-20      | 510,000      | 516,375      |
| <i>TransDigm Group Incorporated</i>                   | 7.75          | 12-15-18      | 1,939,000    | 2,137,748    |
|   |               |               |              | 3,922,373    |
| <b>Air Freight &amp; Logistics: 0.37%</b>             |               |               |              |              |
| <i>Bristow Group Incorporated</i>                     | 6.25          | 10-15-22      | 2,495,000    | 2,610,394    |
| <b>Commercial Services &amp; Supplies: 2.26%</b>      |               |               |              |              |
| <i>Corrections Corporation of America</i>             | 7.75          | 6-1-17        | 2,110,000    | 2,255,063    |
| <i>Covanta Holding Corporation</i>                    | 6.38          | 10-1-22       | 900,000      | 978,995      |
| <i>Crown Cork &amp; Seal Company Incorporated (i)</i> | 7.50          | 12-15-96      | 1,225,000    | 1,139,250    |
| <i>Geo Group Incorporated</i>                         | 7.75          | 10-15-17      | 2,955,000    | 3,209,869    |
| <i>Interface Incorporated</i>                         | 7.63          | 12-1-18       | 300,000      | 324,375      |
| <i>Iron Mountain Incorporated</i>                     | 5.75          | 8-15-24       | 475,000      | 473,813      |
| <i>Iron Mountain Incorporated</i>                     | 8.38          | 8-15-21       | 4,095,000    | 4,524,975    |
| <i>KAR Holdings Incorporated ±</i>                    | 4.44          | 5-1-14        | 3,013,000    | 3,013,030    |
|   |               |               |              | 15,919,370   |
| <b>Machinery: 1.08%</b>                               |               |               |              |              |
| <i>Cleaver-Brooks Incorporated 144A</i>               | 12.25         | 5-1-16        | 1,440,000    | 1,542,600    |
| <i>Columbus McKinnon Corporation</i>                  | 7.88          | 2-1-19        | 1,575,000    | 1,689,188    |
| <i>H&amp;E Equipment Services Incorporated 144A</i>   | 7.00          | 9-1-22        | 3,490,000    | 3,629,600    |
| <i>Titan International Incorporated</i>               | 7.88          | 10-1-17       | 700,000      | 740,250      |
|   |               |               |              | 7,601,638    |
| <b>Professional Services: 0.66%</b>                   |               |               |              |              |
| <i>Affinia Group Incorporated 144A</i>                | 10.75         | 8-15-16       | 184,000      | 199,180      |
| <i>Interactive Data Corporation</i>                   | 10.25         | 8-1-18        | 4,005,000    | 4,485,600    |
|   |               |               |              | 4,684,780    |
| <b>Transportation Infrastructure: 0.04%</b>           |               |               |              |              |
| <i>Overseas Shipholding Group</i>                     | 7.50          | 2-15-24       | 1,250,000    | 325,000      |



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## Information Technology: 10.52%

### Communications Equipment: 0.78%

*Allbritton Communications Company*

8.00

5-15-18

3,274,000

3,552,290

*Lucent Technologies Incorporated*

6.45

3-15-29

3,100,000

1,960,750

5,513,040

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

**Table of Contents**

Portfolio of investments October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 13

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Computers &amp; Peripherals: 0.69%</b>                        |               |               |              |              |
| <i>NCR Corporation 144A</i>                                      | 5.00%         | 7-15-22       | \$ 4,760,000 | \$ 4,861,150 |
| <b>Electronic Equipment, Instruments &amp; Components: 2.71%</b> |               |               |              |              |
| <i>CDW Financial Corporation</i>                                 | 12.54         | 10-12-17      | 2,900,000    | 3,106,625    |
| <i>Jabil Circuit Incorporated</i>                                | 8.25          | 3-15-18       | 13,532,000   | 15,967,760   |
|  |               |               |              | 19,074,385   |
| <b>Internet Software &amp; Services: 0.35%</b>                   |               |               |              |              |
| <i>Equinix Incorporated</i>                                      | 7.00          | 7-15-21       | 125,000      | 138,750      |
| <i>Equinix Incorporated</i>                                      | 8.13          | 3-1-18        | 2,125,000    | 2,337,500    |
|  |               |               |              | 2,476,250    |
| <b>IT Services: 5.70%</b>  |               |               |              |              |
| <i>Audatex North American Incorporated 144A</i>                  | 6.75          | 6-15-18       | 1,375,000    | 1,474,688    |
| <i>Fidelity National Information Services Incorporated</i>       | 7.63          | 7-15-17       | 875,000      | 954,844      |
| <i>Fidelity National Information Services Incorporated</i>       | 7.88          | 7-15-20       | 3,200,000    | 3,576,000    |
| <i>First Data Corporation 144A</i>                               | 6.75          | 11-1-20       | 2,025,000    | 2,025,000    |
| <i>First Data Corporation 144A</i>                               | 7.38          | 6-15-19       | 1,325,000    | 1,371,375    |
| <i>First Data Corporation</i>                                    | 11.25         | 3-31-16       | 8,500,000    | 8,308,750    |
| <i>SunGard Data Systems Incorporated 144A%%</i>                  | 6.63          | 11-1-19       | 2,325,000    | 2,345,344    |
| <i>SunGard Data Systems Incorporated</i>                         | 7.38          | 11-15-18      | 5,120,000    | 5,510,400    |
| <i>SunGard Data Systems Incorporated</i>                         | 7.63          | 11-15-20      | 650,000      | 706,063      |
| <i>SunGard Data Systems Incorporated</i>                         | 10.25         | 8-15-15       | 7,664,750    | 7,841,039    |
| <i>TW Telecommunications Holdings Incorporated 144A</i>          | 5.38          | 10-1-22       | 4,545,000    | 4,669,988    |
| <i>TW Telecommunications Holdings Incorporated</i>               | 8.00          | 3-1-18        | 1,272,000    | 1,399,200    |
|  |               |               |              | 40,182,691   |
| <b>Software: 0.29%</b>   |               |               |              |              |
| <i>Nuance Communications Incorporated 144A</i>                   | 5.38          | 8-15-20       | 1,975,000    | 2,014,500    |
| <b>Materials: 2.63%</b>  |               |               |              |              |
| <b>Chemicals: 0.75%</b>  |               |               |              |              |
| <i>Celanese US Holdings LLC</i>                                  | 5.88          | 6-15-21       | 440,000      | 490,050      |
| <i>Huntsman International LLC</i>                                | 5.50          | 6-30-16       | 2,855,000    | 2,862,138    |
| <i>Tronox Finance LLC 144A</i>                                   | 6.38          | 8-15-20       | 1,955,000    | 1,950,113    |
|  |               |               |              | 5,302,301    |
| <b>Containers &amp; Packaging: 1.16%</b>                         |               |               |              |              |
| <i>Ball Corporation</i>  | 5.00          | 3-15-22       | 475,000      | 501,125      |

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|  |      |         |           |           |
|--|------|---------|-----------|-----------|
| <i>Ball Corporation</i>                            | 5.75 | 5-15-21 | 400,000   | 430,000   |
| <i>Ball Corporation</i>                            | 6.75 | 9-15-20 | 375,000   | 411,563   |
| <i>Crown Americas LLC</i>                          | 6.25 | 2-1-21  | 515,000   | 568,431   |
| <i>Crown Americas LLC</i>                          | 7.63 | 5-15-17 | 950,000   | 1,009,375 |
| <i>Owens-Brockway Glass Container Incorporated</i> | 3.00 | 6-1-15  | 2,020,000 | 1,988,438 |
| <i>Owens-Illinois Incorporated</i>                 | 7.80 | 5-15-18 | 837,000   | 962,550   |
| <i>Silgan Holdings Incorporated</i>                | 5.00 | 4-1-20  | 2,250,000 | 2,311,875 |
|  |      |         |           | 8,183,357 |

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

**Table of Contents**

14 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments October 31, 2012 (unaudited)

| Security name  | Interest rate | Maturity date | Principal    | Value      |
|--|---------------|---------------|--------------|------------|
| <b>Metals &amp; Mining: 0.00%</b>                                |               |               |              |            |
| <i>Indalex Holdings Corporation (i)(s)(a)</i>                    | 11.50%        | 2-1-14        | \$ 5,985,000 | \$ 0       |
| <b>Paper &amp; Forest Products: 0.72%</b>                        |               |               |              |            |
| <i>Clearwater Paper Corporation</i>                              | 10.63         | 6-15-16       | 1,175,000    | 1,293,969  |
| <i>Georgia-Pacific LLC</i>                                       | 8.88          | 5-15-31       | 2,430,000    | 3,763,995  |
|  |               |               |              | 5,057,964  |
| <b>Telecommunication Services: 14.30%</b>                        |               |               |              |            |
| <b>Diversified Telecommunication Services: 6.87%</b>             |               |               |              |            |
| <i>Avaya Incorporated</i>  | 9.75          | 11-1-15       | 1,150,000    | 1,023,500  |
| <i>Citizens Communications Company</i>                           | 7.88          | 1-15-27       | 4,205,000    | 4,236,538  |
| <i>FairPoint Communications Incorporated 144A</i>                | 10.88         | 4-1-17        | 2,550,000    | 2,817,750  |
| <i>Frontier Communications Corporation</i>                       | 8.13          | 10-1-18       | 1,980,000    | 2,242,350  |
| <i>Frontier Communications Corporation</i>                       | 8.25          | 4-15-17       | 2,380,000    | 2,742,950  |
| <i>Frontier Communications Corporation</i>                       | 8.50          | 4-15-20       | 1,000,000    | 1,155,000  |
| <i>GCI Incorporated</i>  | 6.75          | 6-1-21        | 1,075,000    | 1,075,000  |
| <i>GCI Incorporated</i>  | 8.63          | 11-15-19      | 8,750,000    | 9,450,000  |
| <i>Qwest Corporation</i>   | 7.13          | 11-15-43      | 1,810,000    | 1,823,575  |
| <i>Qwest Corporation</i>   | 7.25          | 9-15-25       | 2,755,000    | 3,265,901  |
| <i>Qwest Corporation</i>   | 7.63          | 8-3-21        | 440,000      | 496,085    |
| <i>SBA Telecommunications Incorporated 144A</i>                  | 5.75          | 7-15-20       | 2,795,000    | 2,906,800  |
| <i>SBA Telecommunications Incorporated</i>                       | 8.25          | 8-15-19       | 93,000       | 103,928    |
| <i>Syniverse Holdings Incorporated</i>                           | 9.13          | 1-15-19       | 8,545,000    | 9,100,425  |
| <i>Windstream Corporation</i>                                    | 7.88          | 11-1-17       | 5,380,000    | 5,991,975  |
|  |               |               |              | 48,431,777 |
| <b>Wireless Telecommunication Services: 7.43%</b>                |               |               |              |            |
| <i>CC Holdings GS V LLC/Crown Castle GS III Corporation 144A</i> | 7.75          | 5-1-17        | 650,000      | 692,250    |
| <i>Crickit Communications Incorporated</i>                       | 7.75          | 10-15-20      | 3,200,000    | 3,300,000  |
| <i>Crickit Communications Incorporated Series I</i>              | 7.75          | 5-15-16       | 3,355,000    | 3,547,913  |
| <i>Crown Castle International Corporation 144A</i>               | 5.25          | 1-15-23       | 4,475,000    | 4,631,625  |
| <i>Crown Castle International Corporation</i>                    | 7.13          | 11-1-19       | 165,000      | 181,088    |
| <i>Crown Castle International Corporation</i>                    | 9.00          | 1-15-15       | 650,000      | 695,500    |
| <i>iPCS Incorporated ¥</i>                                       | 3.69          | 5-1-14        | 2,607,559    | 2,594,521  |
| <i>MetroPCS Communications Incorporated</i>                      | 6.63          | 11-15-20      | 4,975,000    | 5,348,125  |
| <i>MetroPCS Communications Incorporated</i>                      | 7.88          | 9-1-18        | 1,050,000    | 1,149,750  |
| <i>Nextel Communications Series F</i>                            | 5.95          | 3-15-14       | 3,315,000    | 3,319,144  |
| <i>SBA Communications Corporation 144A</i>                       | 5.63          | 10-1-19       | 270,000      | 274,388    |
| <i>Sprint Capital Corporation</i>                                | 6.88          | 11-15-28      | 16,375,000   | 16,743,438 |
| <i>Sprint Capital Corporation</i>                                | 8.75          | 3-15-32       | 6,270,000    | 7,398,600  |
| <i>Sprint Nextel Corporation 144A</i>                            | 9.00          | 11-15-18      | 750,000      | 926,250    |
| <i>Sprint Nextel Corporation</i>                                 | 11.50         | 11-15-21      | 1,200,000    | 1,596,000  |
|  |               |               |              | 52,398,592 |

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Utilities: 6.86%

**Electric Utilities: 3.35%**

|   |      |          |           |           |
|---|------|----------|-----------|-----------|
| <i>DPL Incorporated</i>                       | 7.25 | 10-15-21 | 2,825,000 | 3,185,188 |
| <i>Energy Future Holding Corporation 144A</i> | 6.88 | 8-15-17  | 875,000   | 885,938   |

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

**Table of Contents**

Portfolio of investments October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 15

| Security name  | Interest rate         | Maturity date | Principal        | Value       |
|--|-----------------------|---------------|------------------|-------------|
| <b>Electric Utilities (continued)</b>                          |                       |               |                  |             |
| <i>Energy Future Holdings Corporation</i>                      | 10.00%                | 12-1-20       | \$ 150,000       | \$ 163,875  |
| <i>IPALCO Enterprises Incorporated</i>                         | 5.00                  | 5-1-18        | 2,050,000        | 2,162,750   |
| <i>IPALCO Enterprises Incorporated 144A</i>                    | 7.25                  | 4-1-16        | 3,783,000        | 4,212,166   |
| <i>Mirant Mid-Atlantic LLC Series C</i>                        | 10.06                 | 12-30-28      | 7,560,525        | 8,392,182   |
| <i>Otter Tail Corporation</i>                                  | 9.00                  | 12-15-16      | 3,985,000        | 4,612,638   |
|  |                       |               |                  | 23,614,737  |
| <b>Gas Utilities: 0.41%</b>                                    |                       |               |                  |             |
| <i>AmeriGas Finance LLC</i>                                    | 6.75                  | 5-20-20       | 1,425,000        | 1,531,875   |
| <i>AmeriGas Finance LLC</i>                                    | 7.00                  | 5-20-22       | 1,225,000        | 1,330,656   |
|  |                       |               |                  | 2,862,531   |
| <b>Independent Power Producers &amp; Energy Traders: 3.10%</b> |                       |               |                  |             |
| <i>Calpine Construction Finance Corporation 144A</i>           | 7.25                  | 10-15-17      | 8,725,000        | 9,248,500   |
| <i>Calpine Construction Finance Corporation 144A</i>           | 8.00                  | 6-1-16        | 2,700,000        | 2,882,250   |
| <i>NRG Energy Incorporated</i>                                 | 8.50                  | 6-15-19       | 3,675,000        | 3,978,188   |
| <i>NSG Holdings LLC (i) 144A</i>                               | 7.75                  | 12-15-25      | 1,590,000        | 1,637,700   |
| <i>Reliant Energy Incorporated</i>                             | 7.63                  | 6-15-14       | 1,020,000        | 1,091,400   |
| <i>Reliant Energy Incorporated</i>                             | 9.24                  | 7-2-17        | 2,021,662        | 2,208,666   |
| <i>Reliant Energy Incorporated</i>                             | 9.68                  | 7-2-26        | 780,000          | 834,600     |
|  |                       |               |                  | 21,881,304  |
| <b>Total Corporate Bonds and Notes (Cost \$749,615,015)</b>    |                       |               |                  | 792,780,916 |
|  | <b>Dividend yield</b> |               | <b>Shares</b>    |             |
| <b>Preferred Stocks: 0.20%</b>                                 |                       |               |                  |             |
| <b>Financials: 0.20%</b>                                       |                       |               |                  |             |
| <b>Diversified Financial Services: 0.20%</b>                   |                       |               |                  |             |
| <i>GMAC Capital Trust I ±</i>                                  | 6.34                  |               | 53,000           | 1,385,420   |
| <b>Total Preferred Stocks (Cost \$1,325,000)</b>               |                       |               |                  | 1,385,420   |
|  | <b>Interest rate</b>  |               | <b>Principal</b> |             |
| <b>Term Loans: 11.26%</b>                                      |                       |               |                  |             |
| <i>Advantage Sales &amp; Marketing LLC</i>                     | 9.25%                 | 6-18-18       | \$ 900,000       | 900,000     |
| <i>Capital Automotive LP</i>                                   | 5.25                  | 3-10-17       | 6,869,978        | 6,904,328   |
| <i>CCM Merger Incorporated</i>                                 | 6.00                  | 3-1-17        | 6,222,707        | 6,284,935   |

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|  |       |          |           |           |
|--|-------|----------|-----------|-----------|
| <i>Coinmach Corporation</i>                  | 3.21  | 11-20-14 | 6,538,166 | 6,320,249 |
| <i>Energy Transfer Equity LP</i>             | 3.75  | 3-21-17  | 3,250,000 | 3,236,188 |
| <i>Fairpoint Communications Incorporated</i> | 6.50  | 1-22-16  | 5,215,056 | 4,844,422 |
| <i>Federal Mogul Corporation</i>             | 2.15  | 12-29-14 | 2,569,478 | 2,404,595 |
| <i>Federal Mogul Corporation</i>             | 2.15  | 12-28-15 | 1,702,732 | 1,593,468 |
| <i>First Data Corporation</i>                | 2.96  | 9-24-14  | 127,258   | 126,980   |
| <i>First Data Corporation</i>                | 2.96  | 9-24-14  | 237,585   | 237,065   |
| <i>First Data Corporation</i>                | 2.96  | 9-24-14  | 65,916    | 65,772    |
| <i>Focus Brands Incorporated</i>             | 10.25 | 8-22-18  | 2,900,000 | 2,929,000 |
| <i>HHI Holdings LLC &lt;</i>                 | 0.00  | 10-3-18  | 2,957,470 | 2,945,138 |
| <i>Level 3 Financing Incorporated</i>        | 4.75  | 2-1-16   | 6,600,000 | 6,663,954 |

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

**Table of Contents**

16 Wells Fargo Advantage Income Opportunities Fund

Portfolio of investments October 31, 2012 (unaudited)

| Security name  | Interest rate | Maturity date | Principal    | Value        |
|--|---------------|---------------|--------------|--------------|
| <b>Term Loans (continued)</b>                              |               |               |              |              |
| <i>Merisant Company (i)</i>                                | 7.50%         | 1-8-14        | \$ 1,351,688 | \$ 1,339,860 |
| <i>Springleaf Finance Corporation</i>                      | 5.50          | 5-5-17        | 1,350,000    | 1,330,763    |
| <i>Tallgrass Energy Partners LP &lt;</i>                   | 0.00          | 10-25-18      | 4,730,573    | 4,730,573    |
| <i>Texas Competitive Electric Holdings LLC</i>             | 3.75          | 10-10-14      | 34,355,889   | 23,304,630   |
| <i>United Surgical Partners International Incorporated</i> | 6.00          | 3-19-19       | 2,238,750    | 2,257,399    |
| <i>Web Service Company LLC</i>                             | 7.00          | 8-28-14       | 982,117      | 977,206      |
| <b>Total Term Loans (Cost \$81,533,906)</b>                |               |               |              | 79,396,525   |
| <b>Yankee Corporate Bonds and Notes: 5.75%</b>             |               |               |              |              |
| <b>Consumer Discretionary: 0.50%</b>                       |               |               |              |              |
| <b>Media: 0.50%</b>  |               |               |              |              |
| <i>Videotron Limited</i>                                   | 5.00          | 7-15-22       | 1,745,000    | 1,806,075    |
| <i>Videotron Limited</i>                                   | 6.38          | 12-15-15      | 100,000      | 101,750      |
| <i>Videotron Limited</i>                                   | 9.13          | 4-15-18       | 1,525,000    | 1,645,094    |
|  |               |               |              | 3,552,919    |
| <b>Energy: 0.81%</b>                                       |               |               |              |              |
| <b>Oil, Gas &amp; Consumable Fuels: 0.81%</b>              |               |               |              |              |
| <i>Griffin Coal Mining Company Limited (s)</i>             | 9.50          | 12-1-16       | 499,568      | 415,890      |
| <i>Griffin Coal Mining Company Limited 144A(s)</i>         | 9.50          | 12-1-16       | 3,649,845    | 3,038,496    |
| <i>Ship Finance International Limited</i>                  | 8.50          | 12-15-13      | 2,250,000    | 2,252,813    |
|  |               |               |              | 5,707,199    |
| <b>Financials: 0.30%</b>                                   |               |               |              |              |
| <b>Consumer Finance: 0.30%</b>                             |               |               |              |              |
| <i>Wind Acquisition Finance SpA 144A</i>                   | 11.75         | 7-15-17       | 2,205,000    | 2,149,875    |
| <b>Diversified Financial Services: 0.00%</b>               |               |               |              |              |
| <i>Preferred Term Securities XII Limited (i)(s)±</i>       | 1.97          | 12-24-33      | 1,540,000    | 462          |
| <b>Information Technology: 0.79%</b>                       |               |               |              |              |
| <b>Computers &amp; Peripherals: 0.79%</b>                  |               |               |              |              |
| <i>Seagate Technology HDD Holdings</i>                     | 6.80          | 10-1-16       | 1,275,000    | 1,408,875    |
| <i>Seagate Technology HDD Holdings</i>                     | 6.88          | 5-1-20        | 650,000      | 677,625      |
| <i>Seagate Technology HDD Holdings</i>                     | 7.00          | 11-1-21       | 725,000      | 757,625      |
| <i>Seagate Technology HDD Holdings</i>                     | 7.75          | 12-15-18      | 2,500,000    | 2,712,500    |
|  |               |               |              | 5,556,625    |



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## Materials: 0.94%

### Metals & Mining: 0.68%

|                             |      |          |           |           |
|-----------------------------|------|----------|-----------|-----------|
| <i>Novelis Incorporated</i> | 7.25 | 2-15-15  | 630,000   | 637,610   |
| <i>Novelis Incorporated</i> | 8.38 | 12-15-17 | 1,100,000 | 1,196,250 |
| <i>Novelis Incorporated</i> | 8.75 | 12-15-20 | 2,675,000 | 2,949,188 |
|                             |      |          |           | 4,783,048 |

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

**Table of Contents**

Portfolio of investments October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 17

| Security name   | Interest rate | Maturity date | Principal     | Value                 |
|---|---------------|---------------|---------------|-----------------------|
| <b>Paper &amp; Forest Products: 0.26%</b>   |               |               |               |                       |
| <i>Sappi Limited 144A</i>   | 7.50%         | 6-15-32       | \$ 2,155,000  | \$ 1,837,138          |
| <b>Telecommunication Services: 2.41%</b>  |               |               |               |                       |
| <b>Diversified Telecommunication Services: 2.05%</b>                                  |               |               |               |                       |
| <i>Intelsat Jackson Holdings Limited</i>  | 7.25          | 4-1-19        | 5,475,000     | 5,871,938             |
| <i>Intelsat Jackson Holdings Limited</i>  | 7.50          | 4-1-21        | 2,214,000     | 2,374,515             |
| <i>Intelsat Jackson Holdings SA 144A</i>  | 7.25          | 10-15-20      | 1,525,000     | 1,616,500             |
| <i>Intelsat Jackson Holdings SA</i>   | 7.25          | 10-15-20      | 1,700,000     | 1,806,250             |
| <i>Intelsat Luxembourg SA ¥</i>   | 11.50         | 2-4-17        | 2,650,000     | 2,789,125             |
|   |               |               |               | 14,458,328            |
| <b>Wireless Telecommunication Services: 0.36%</b>                                     |               |               |               |                       |
| <i>Digicel Group Limited 144A</i>   | 12.00         | 4-1-14        | 870,000       | 961,350               |
| <i>Telesat Canada Incorporated 144A</i>   | 6.00          | 5-15-17       | 1,475,000     | 1,537,688             |
|   |               |               |               | 2,499,038             |
| <b>Total Yankee Corporate Bonds and Notes (Cost \$38,357,547)</b>                     |               |               |               | 40,544,632            |
|   | <b>Yield</b>  |               | <b>Shares</b> |                       |
| <b>Short-Term Investments: 3.12%</b>  |               |               |               |                       |
| <b>Investment Companies: 3.12%</b>  |               |               |               |                       |
| <i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class (l)(u)##</i> | 0.17          |               | 21,956,846    | 21,956,846            |
| <b>Total Short-Term Investments (Cost \$21,956,846)</b>                               |               |               |               | 21,956,846            |
| <b>Total investments in securities (Cost \$895,898,079) *</b>                         |               |               |               | 937,054,957           |
| <i>Other assets and liabilities, net</i>  |               |               |               | (232,189,521)         |
| <b>Total net assets</b>   |               |               |               | <b>\$ 704,865,436</b> |

# Edgar Filing: WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND - Form N-CSRS

Non-income-earning security

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

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

¥ 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.

%% Security issued on a when-issued basis.

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

± Variable rate investment

(a) Security is fair valued by the Management Valuation Team, and in certain instances by the Board of Trustees, in accordance with procedures approved by the Board of Trustees.

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

(l) Investment in an affiliate

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

## All or a portion of this security has been segregated for when-issued or unfunded loans.

\* Cost for federal income tax purposes is \$904,809,591 and unrealized appreciation (depreciation) consists of:

|                               |               |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 51,907,272 |
| Gross unrealized depreciation | (19,661,906)  |
| Net unrealized appreciation   | \$ 32,245,366 |

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

**Table of Contents**

18 Wells Fargo Advantage Income Opportunities Fund

Statement of assets and liabilities October 31, 2012 (unaudited)

|   |                       |
|---|-----------------------|
| <b>Assets</b>   |                       |
| <b>Investments</b>  |                       |
| In unaffiliated securities, at value (see cost below)   | \$ 915,098,111        |
| In affiliated securities, at value (see cost below)   | 21,956,846            |
| Total investments, at value (see cost below)  | 937,054,957           |
| Receivable for investments sold   | 1,002,364             |
| Principal paydown receivable  | 64,100                |
| Receivable for interest and dividends   | 16,614,822            |
| Prepaid expenses and other assets   | 44,128                |
| Total assets  | 954,780,371           |
| <b>Liabilities</b>  |                       |
| Dividends payable   | 5,455,711             |
| Payable for investments purchased   | 13,643,904            |
| Secured borrowing payable   | 230,213,811           |
| Advisory fee payable  | 379,719               |
| Due to other related parties  | 42,249                |
| Accrued expenses and other liabilities  | 179,541               |
| Total liabilities   | 249,914,935           |
| <b>Total net assets</b>   | <b>\$ 704,865,436</b> |
| <b>NET ASSETS CONSIST OF</b>  |                       |
| Paid-in capital   | \$ 983,069,140        |
| Overdistributed net investment income   | (13,739,294)          |
| Accumulated net realized losses on investments  | (305,621,288)         |
| Net unrealized gains on investments   | 41,156,878            |
| <b>Total net assets</b>   | <b>\$ 704,865,436</b> |
| <b>NET ASSET VALUE PER SHARE</b>  |                       |
| Based on \$704,865,436 divided by 70,856,451 shares issued and outstanding (100,000,000 common shares authorized) | \$9.95                |

|   |                |
|---|----------------|
| Investments in unaffiliated securities, at cost | \$ 873,941,233 |
| Investments in affiliated securities, at cost   | \$ 21,956,846  |
| Total investments, at cost                      | \$ 895,898,079 |

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

**Table of Contents**

Statement of operations six months ended October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 19

|   |                   |
|---|-------------------|
| <b>Investment income</b>                                      |                   |
| Interest  | \$ 35,666,098     |
| Dividends   | 53,828            |
| Income from affiliated securities                             | 26,285            |
| <br>Total investment income                                   | <br>35,746,211    |
| <b>Expenses</b>   |                   |
| Advisory fee  | 2,788,166         |
| Administration fee  | 232,347           |
| Custody and accounting fees                                   | 29,893            |
| Professional fees   | 36,351            |
| Shareholder report expenses                                   | 84,511            |
| Trustees' fees and expenses                                   | 7,446             |
| Transfer agent fees   | 14,367            |
| Interest expense  | 273,005           |
| Secured borrowing fees  | 1,022,062         |
| Other fees and expenses                                       | 23,593            |
| <br>Total expenses  | <br>4,511,741     |
| Less: Fee waivers and/or expense reimbursements               | (884,859)         |
| <br>Net expenses  | <br>3,626,882     |
| <br>Net investment income                                     | <br>32,119,329    |
| <b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>  |                   |
| Net realized gains on investments                             | 5,563,299         |
| Net change in unrealized gains (losses) on investments        | 15,360,574        |
| <br>Net realized and unrealized gains (losses) on investments | <br>20,923,873    |
| <br>Net increase in net assets resulting from operations      | <br>\$ 53,043,202 |

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

**Table of Contents**

20 Wells Fargo Advantage Income Opportunities Fund

Statement of changes in net assets

|  | Six months ended |                |
|--|------------------|----------------|
|  | October 31, 2012 | Year ended     |
|  | (unaudited)      | April 30, 2012 |
| <b>Operations</b>  |                  |                |
| Net investment income  | \$ 32,119,329    | \$ 66,995,541  |
| Net realized gains on investments  | 5,563,299        | 7,371,101      |
| Net change in unrealized gains (losses) on investments                                 | 15,360,574       | (33,221,928)   |
| Net increase in net assets resulting from operations                                   | 53,043,202       | 41,144,714     |
| <b>Distributions to shareholders from</b>  |                  |                |
| Net investment income  | (33,278,040)     | (71,940,314)   |
| <b>Capital share transactions</b>  |                  |                |
| Net asset value of common shares issued under the Automatic Dividend Reinvestment Plan | 1,292,787        | 4,753,429      |
| Total increase (decrease) in net assets  | 21,057,949       | (26,042,171)   |
| <b>Net assets applicable to common shareholders</b>                                    |                  |                |
| Beginning of period  | 683,807,487      | 709,849,658    |
| End of period  | \$ 704,865,436   | \$ 683,807,487 |
| Overdistributed net investment income  | \$ (13,739,294)  | \$ (6,076,636) |

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

**Table of Contents**

Statement of cash flows six months ended October 31, 2012 (unaudited)

Wells Fargo Advantage Income Opportunities Fund 21

**Cash flows from operating activities:**

|  |               |
|--|---------------|
| Net increase in net assets resulting from operations   | \$ 53,043,202 |
| <b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b> |               |
| Purchase of investment securities  | (243,730,634) |
| Proceeds from disposition of investment securities   | 210,361,861   |
| Amortization   | (1,589,596)   |
| Purchase of short-term investment securities, net  | 22,612,289    |
| Decrease in interest and dividends receivable  | 568,476       |
| Decrease in receivable for securities sold   | 1,475,206     |
| Increase in principal paydown receivable   | (64,100)      |
| Decrease in prepaid expenses and other assets  | 55,047        |
| Increase in payable for investments purchased  | 10,634,775    |
| Increase in advisory fee payable   | 77,504        |
| Increase in due to other related parties   | 2,467         |
| Decrease in accrued expenses and other liabilities   | (141,355)     |
| Unrealized appreciation on investments   | (15,360,574)  |
| Net realized gains on investments  | (5,563,299)   |
| Net cash provided by operating activities  | 32,381,269    |

**Cash flows from financing activities:**

|  |              |
|--|--------------|
| Cash distributions paid on common shares | (32,541,031) |
| Increase in secured borrowing            | 159,762      |
| Net cash used in financing activities    | (32,381,269) |

|                      |   |
|----------------------|---|
| Net decrease in cash | 0 |
|----------------------|---|

|                     |      |
|---------------------|------|
| <b>Cash:</b>        |      |
| Beginning of period | \$ 0 |
| End of period       | \$ 0 |

**Supplemental cash disclosure:**

|                        |           |
|------------------------|-----------|
| Cash paid for interest | \$ 59,194 |
|------------------------|-----------|

**Supplemental non-cash financing disclosure:**

|                           |              |
|---------------------------|--------------|
| Reinvestment of dividends | \$ 1,292,787 |
|---------------------------|--------------|

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



**Table of Contents**

22 Wells Fargo Advantage Income Opportunities Fund

Financial highlights

(For a share outstanding throughout each period)

|  | Six months ended<br>October 31,<br>2012<br>(unaudited) |                   | Year ended April 30 |                     |                     |                     |
|--|--|-------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2012   | 2011              | 2010                | 2009                | 2008                |                     |
| Net asset value, beginning of period                                     | \$ 9.67  | \$ 10.11          | \$ 9.69             | \$ 7.37             | \$ 12.32            | \$ 14.26            |
| Net investment income  | 0.45 <sup>1</sup>                                      | 0.95 <sup>1</sup> | 1.02 <sup>1</sup>   | 1.06 <sup>1</sup>   | 1.35 <sup>1</sup>   | 1.64 <sup>1</sup>   |
| Net realized and unrealized gains<br>(losses) on investments             | 0.30   | (0.37)            | 0.42                | 2.41                | (4.91)              | (1.85)              |
| Distributions to preferred shareholders<br>from net<br>investment income | 0.00   | 0.00              | (0.00) <sup>1</sup> | (0.01) <sup>1</sup> | (0.08) <sup>1</sup> | (0.37) <sup>1</sup> |
| Total from investment operations   | 0.75   | 0.58              | 1.44                | 3.46                | (3.64)              | (0.58)              |
| Distributions to common shareholders<br>from                             |  |                   |                     |                     |                     |                     |
| Net investment income  | (0.47)   | (1.02)            | (1.02)              | (1.08)              | (1.31)              | (1.36)              |
| Tax basis return of capital  | 0.00   | 0.00              | 0.00                | (0.06) <sup>1</sup> | 0.00                | 0.00                |
| Total distributions to common<br>shareholders                            | (0.47)   | (1.02)            | (1.02)              | (1.14)              | (1.31)              | (1.36)              |
| Net asset value, end of period   | \$ 9.95  | \$ 9.67           | \$ 10.11            | \$ 9.69             | \$ 7.37             | \$ 12.32            |
| Market value, end of period  | \$ 10.43   | \$ 10.29          | \$ 10.38            | \$ 9.63             | \$ 7.30             | \$ 11.71            |
| Total return based on market value <sup>2</sup>                          | 6.25%  | 10.03%            | 19.68%              | 49.84%              | (25.48)%            | (11.07)%            |
| Ratios to average net assets<br>(annualized)                             |  |                   |                     |                     |                     |                     |
| Gross expenses   | 1.29%  | 1.35%             | 1.44%               | 1.79%               | 3.09%               | 1.21%               |
| Net expenses   | 1.04%  | 1.03%             | 1.09%               | 1.13%               | 2.30%               | 1.21%               |
| Interest expense <sup>3</sup>  | 0.08%  | 0.08%             | 0.11%               | 0.02%               | 0.79%               | 0.00%               |
| Net investment income  | 9.21%  | 9.89%             | 10.55% <sup>4</sup> | 11.81% <sup>4</sup> | 14.35% <sup>4</sup> | 9.81% <sup>4</sup>  |
| Supplemental data  |  |                   |                     |                     |                     |                     |
| Portfolio turnover rate  | 14%  | 25%               | 42%                 | 108%                | 88%                 | 102%                |
| Net assets of common shareholders, end<br>of period<br>(000s omitted)    | \$704,865  | \$683,807         | \$709,850           | \$676,144           | \$508,602           | \$849,573           |
| Borrowings outstanding, end of period<br>(000s omitted)                  | \$230,000  | \$230,000         | \$230,000           | N/A                 | N/A                 | N/A                 |
| Asset coverage per \$1,000 of borrowing,<br>end of period                | \$4,066  | \$3,973           | \$4,088             | N/A                 | N/A                 | N/A                 |
| Liquidation value of Preferred Shares,<br>end of<br>period (thousands)   | N/A  | N/A               | N/A                 | \$196,000           | \$196,000           | \$490,000           |
| Asset coverage ratio for Preferred<br>Shares, end of period              | N/A  | N/A               | N/A                 | 394%                | 315%                | 272%                |

1. Calculated based upon average common shares outstanding

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

3. Interest expense ratio relates to interest associated with borrowings and/or leverage transactions.

4. The net investment income ratio reflects any distributions paid to preferred shareholders.

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

**Table of Contents**

Notes to financial statements (unaudited)

Wells Fargo Advantage Income Opportunities Fund 23

**1. ORGANIZATION**

Wells Fargo Advantage Income Opportunities Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on December 3, 2002, and is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income. The Fund may, as a secondary objective, also seek capital appreciation to the extent consistent with its investment objective.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**Securities valuation**

All investments are valued each business day as of the close of regular trading on the New York Stock Exchange (normally 4 p.m. Eastern Time).

Fixed income securities acquired with maturities exceeding 60 days are valued based on evaluated bid prices received from an independent pricing service which may utilize both transaction data and market information such as yield, prices of securities of comparable quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. If valuations are not available from the independent pricing service or values received are deemed not representative of market value, values will be obtained from a broker-dealer or otherwise determined based on the Fund's Valuation Procedures.

Debt securities of sufficient credit quality acquired with maturities of 60 days or less generally are valued at amortized cost which approximates fair value. The amortized cost method involves valuing a security at its cost, plus accretion of discount or minus amortization of premium over the period until maturity.

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

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

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

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

about the issuer and the current market environment.

**Table of Contents**

24 Wells Fargo Advantage Income Opportunities Fund

Notes to financial statements (unaudited)

**When-issued transactions**

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

**Term loans**

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

**Security transactions and income recognition**

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

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.

**Distributions to shareholders**

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

**Federal and other taxes**

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

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

At April 30, 2012, net capital loss carryforwards, which are available to offset future net realized capital gains, were as follows:

|             | Pre-enactment capital loss expiration |               |               |
|-------------|---------------------------------------|---------------|---------------|
| 2015        | 2016                                  | 2017          | 2018          |
| \$6,603,920 | \$15,525,027                          | \$130,598,584 | \$155,329,141 |

**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

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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, etc.)

**Table of Contents**

Notes to financial statements (unaudited)

Wells Fargo Advantage Income Opportunities Fund 25

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 securities are not necessarily an indication of the risk associated with investing in those securities.

As of October 31, 2012, the inputs used in valuing investments in securities, which are carried at fair value, were as follows:

|   | Quoted prices<br>(Level 1) | Significant other<br>observable inputs<br>(Level 2) | Significant<br>unobservable inputs |                       |
|---|----------------------------|---|------------------------------------|-----------------------|
|   |                            |   | (Level 3)                          | Total                 |
| <b>Investments in securities</b>        |                            |   |                                    |                       |
| <b>Equity securities</b>                |                            |   |                                    |                       |
| <i>Common stocks</i>                    | \$ 986,320                 | \$ 0  | \$ 4,298                           | \$ 990,618            |
| <i>Preferred stocks</i>                 | 1,385,420                  | 0   | 0                                  | 1,385,420             |
| <b>Corporate bonds and notes</b>        | 0                          | 792,780,916   | 0                                  | 792,780,916           |
| <b>Term loans</b>                       | 0                          | 65,452,017  | 13,944,508                         | 79,396,525            |
| <b>Yankee corporate bonds and notes</b> | 0                          | 40,544,632  | 0                                  | 40,544,632            |
| <b>Short-term investments</b>           |                            |   |                                    |                       |
| <i>Investment companies</i>             | 21,956,846                 | 0   | 0                                  | 21,956,846            |
|   | <b>\$ 24,328,586</b>       | <b>898,777,565</b>                                  | <b>13,948,806</b>                  | <b>\$ 937,054,957</b> |

Further details on the major security types listed above can be found in the Portfolio of Investments.

Transfers in and transfers out are recognized at the end of the reporting period. For the six months ended October 31, 2012, 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:

|  | Common stocks | Term loans    | Total         |
|--|---------------|---------------|---------------|
| <b>Balance as of April 30, 2012</b>  | \$ 9,671      | \$ 5,611,506  | \$ 5,621,177  |
| Accrued discounts (premiums)   | 0             | 5,934         | 5,934         |
| Realized gains (losses)  | 0             | 27,213        | 27,213        |
| Change in unrealized gains (losses)  | (5,373)       | (18,311)      | (23,684)      |
| Purchases  | 0             | 4,683,268     | 4,683,268     |
| Sales  | 0             | (2,650,037)   | (2,650,037)   |
| Transfers into Level 3   | 0             | 6,284,935     | 6,284,935     |
| Transfers out of Level 3   | 0             | 0             | 0             |
| <b>Balance as of October 31, 2012</b>  | \$ 4,298      | \$ 13,944,508 | \$ 13,948,806 |
| <b>Change in unrealized gains (losses) relating to securities still held at October 31, 2012</b> | \$ (5,373)    | \$ 31,342     | \$ 25,969     |

The investments types categorized above were valued using indicative broker quotes and are therefore considered Level 3 inputs.

**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 0.60% of the Fund's average daily total assets. Total assets consist of the net assets of the Fund plus borrowings or other leverage for investment purposes to the extent excluded in calculating net assets. Funds Management has committed through May 31, 2013, to waive fees and/or reimburse expenses to the extent necessary to limit the Fund's borrowing expenses to an amount that is 5 basis points lower than what the borrowing expenses would have been if the Fund had not redeemed its Auction Market Preferred Shares (Preferred Shares). Funds Management contractually waived its advisory fee in the amount of \$884,859 for the six months ended October 31, 2012.

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Funds Management has retained the services of a subadviser to provide daily portfolio management to the Fund. The fee for subadvisory services is borne by Funds Management. Wells Capital Management Incorporated, an affiliate of Funds Management, is the subadviser to the Fund and is entitled to receive a fee from Funds Management at an annual rate of 0.40% of the Fund's average daily total assets.



**Table of Contents**

|  |   |
|--|---|
| 26 Wells Fargo Advantage Income Opportunities Fund | Notes to financial statements (unaudited) |
| <b>Administration fee</b>                          |   |

Funds Management also serves as the administrator to the Fund providing the Fund with facilities, equipment and personnel. Funds Management is entitled to receive an annual administration fee from the Fund equal to 0.05% of the Fund's average daily total assets.

**5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized capital of 100,000,000 shares with no par value. For the six months ended October 31, 2012 and the year ended April 30, 2012, the Fund issued 130,500 and 487,572 shares, respectively.

The Fund no longer has any Preferred Shares outstanding.

**6. BORROWINGS**

The Fund has borrowed \$230 million through a secured debt financing agreement administered by a major financial institution (the Facility). The Facility has a commitment amount of \$230 million which expires on February 25, 2013, at which point it may be renegotiated and potentially renewed for another one-year term. At October 31, 2012, the Fund had secured borrowings outstanding in the amount of \$230,213,811 (including accrued interest and usage and commitment fees payable).

The Fund's borrowings under the Facility are generally charged interest at a rate based on the rates of the commercial paper notes issued to fund the Fund's borrowings or at the London Interbank Offered Rate (LIBOR) plus 1.0%. During the six months ended October 31, 2012, an effective interest rate of 0.23% was incurred on the borrowings. Interest expense of \$273,005, representing 0.08 % of the Fund's average daily net assets, was incurred during the six months ended October 31, 2012.

The Fund has pledged all of its assets to secure the borrowings and currently pays, on a monthly basis, a usage fee at an annual rate of 0.40% of the daily average outstanding principal amount of borrowings and commitment fee at an annual rate of 0.40% of the product of (i) the daily average outstanding principal amount of borrowings and (ii) 1.02. Prior to February 27, 2012, both the usage fee and commitment fee were charged at an annual rate of 0.50%. The secured borrowing fee on the Statement of Operations of \$1,022,062 represents the usage fee, commitment fee, and structuring fees. For the six months ended October 31, 2012, the Fund paid structuring fees in the amount of \$67,660.

**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 October 31, 2012 were \$225,492,425 and \$124,915,344, respectively.

As of October 31, 2012, the Fund had unfunded term loan commitments of \$7,611,164.

**8. INDEMNIFICATION**

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

**9. NEW ACCOUNTING PRONOUNCEMENT**

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

**10. SUBSEQUENT DISTRIBUTIONS**

The Fund declared the following distributions to common shareholders:

| Declaration Date  | Record Date       | Payable Date     | Per Share Amount |
|-------------------|-------------------|------------------|------------------|
| October 26, 2012  | November 15, 2012 | December 3, 2012 | \$0.077          |
| November 7, 2012  | December 17, 2012 | January 2, 2013  | \$0.077          |
| December 28, 2012 | January 15, 2013  | February 1, 2013 | \$0.077          |

These distributions are not reflected in the accompanying financial statements.

**Table of Contents**

Other information (unaudited)

Wells Fargo Advantage Income Opportunities Fund 27

**TAX INFORMATION**

Current tax law generally provides for a maximum tax rate for individual taxpayers of 15% on long-term capital gains and qualifying dividends on corporate stocks. This rate is scheduled to expire at the end of 2012. In the absence of further Congressional action, the maximum tax rate on long-term capital gains for individual taxpayers would increase to 20% and income from dividends would be taxed at the rates applicable to ordinary income.

In addition, for taxable years beginning after December 31, 2012, absent further Congressional action, an additional 3.8% Medicare tax will be imposed on certain net investment income (including ordinary dividends and capital gain distributions received from a Fund and net gains from redemptions or other taxable dispositions of Fund shares) of U.S. individuals, estates and trusts to the extent that such person's modified adjusted gross income (in the case of an individual) or adjusted gross income (in the case of an estate or trust) exceed certain threshold amounts.

**PROXY VOTING INFORMATION**

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

**SPECIAL MEETING OF SHAREHOLDERS**

On August 6, 2012, an Annual Meeting of Shareholders for the Fund was held to consider the following proposal. The

results of the proposal are indicated below.

**Proposal 1 Election of Trustees:**

|                           |                   |                |
|---------------------------|-------------------|----------------|
| Net Assets Voted For      | Judith M. Johnson | \$ 302,453,713 |
| Net Assets Voted Withheld |                   | \$ 23,116,269  |
| Net Assets Voted For      | Leroy Keith, Jr.  | \$ 302,453,713 |
| Net Assets Voted Withheld |                   | \$ 23,203,105  |
| Net Assets Voted For      | Donald C. Willeke | \$ 302,453,713 |
| Net Assets Voted Withhold |                   | \$ 22,273,056  |

**PORTFOLIO HOLDINGS INFORMATION**

The complete portfolio holdings for the Fund are publicly available on the Fund's website (**wellsfargoadvantagefunds.com**) on a monthly, 30-day or more delayed basis. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available without charge by visiting the SEC website at [sec.gov](http://sec.gov). In addition, the Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and at regional offices in New York City, at 233 Broadway, and in Chicago, at 175 West Jackson Boulevard, Suite 900. Information about the Public Reference Room may be obtained by calling 1-800-SEC-0330.

**Table of Contents**

28 Wells Fargo Advantage Income Opportunities Fund  
**BOARD OF TRUSTEES**

Other information (unaudited)

The following table provides basic information about the Board of Trustees (the Trustees) and Officers of the Fund. Each of the Trustees and Officers listed below acts in identical capacities for the Wells Fargo Advantage family of funds, which consists of 138 funds\* comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the Fund Complex). All of the Trustees are also Members of the Audit and Governance Committees of each Trust in the Fund Complex. The mailing address of each Trustee and Officer is

525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

**Independent Trustees**

| Name and year of birth         | Position held and length of service                       | Principal occupations during past five years  | Other directorships during past five years  |
|--------------------------------|---|---|---|
| Peter G. Gordon (Born 1942)    | Trustee, since 2010; Chairman, since 2010                 | Co-Founder, Retired Chairman, President and CEO of Crystal Geyser Water Company. Trustee Emeritus, Colby College  | Asset Allocation Trust  |
| Isaiah Harris, Jr. (Born 1952) | Trustee, since 2010                                       | Retired. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Mr. Harris is a certified public accountant.                                    | CIGNA Corporation; Deluxe Corporation; Asset Allocation Trust                                     |
| Judith M. Johnson (Born 1949)  | Trustee, since 2010; Audit Committee Chairman, since 2010 | Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.   | Asset Allocation Trust  |
| Leroy Keith, Jr. (Born 1939)   | Trustee, since 2003                                       | Chairman, Bloc Global Services (development and construction). Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, Inc. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services. | Trustee, Virtus Fund Complex (consisting of 40 portfolios as of 12/31/11); 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 Corporate Governance Research Program 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.                      | Asset Allocation Trust  |
| Olivia S. Mitchell (Born 1953) | Trustee, since 2010                                       | International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research.  | Asset Allocation Trust  |
| Timothy J. Penny (Born 1951)   | Trustee, since 2010                                       | President and CEO of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.                                     | Asset Allocation Trust  |

**Table of Contents**

| Other information (unaudited)   |                                     |   | Wells Fargo Advantage Income Opportunities Fund | 29                                   |
|---------------------------------|-------------------------------------|---|---|--------------------------------------|
| Name and year of birth          | Position held and length of service | Principal occupations during past five years  | Other   | directorships during past five years |
| Michael S. Scofield (Born 1943) | Trustee, since 2003                 | Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield. | Asset Allocation Trust                          |                                      |
| Donald C. Willeke (Born 1940)   | Trustee, since 2010                 | Principal of the law firm of Willeke & Daniels. General Counsel of the Minneapolis Employees Retirement Fund from 1984 until its consolidation into the Minnesota Public Employees Retirement Association on June 30, 2010. Director, General Counsel, and Vice Chair of The Tree Trust (non-profit corporation). Director and General Counsel of The American Chestnut Foundation (non-profit corporation).  | Asset Allocation Trust                          |                                      |

**Officers**

| Name and year of birth       | Position held and length of service                    | Principal occupations during past five years   |
|------------------------------|--|--|
| Karla M. Rabusch (Born 1959) | President, since 2010                                  | Executive Vice President of Wells Fargo Bank, N.A. and President of Wells Fargo Funds Management, LLC since 2003.  |
| Jeremy DePalma* (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. Vice President, Evergreen Investment Services, Inc. from 2004 to 2007. Head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.               |
| C. David Messman (Born 1960) | Secretary, since 2010; Chief Legal Counsel, since 2010 | Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Vice President and Managing Counsel of Wells Fargo Bank, N.A. since 1996.   |
| Debra Ann Early (Born 1964)  | Chief Compliance Officer, since 2010                   | Chief Compliance Officer of Wells Fargo Funds Management, LLC since 2007. Chief Compliance Officer of Parnassus Investments from 2005 to 2007. Chief Financial Officer of Parnassus Investments from 2004 to 2007.   |
| David Berardi (Born 1975)    | Assistant Treasurer, since 2009                        | Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Assistant Vice President of Evergreen Investment Services, Inc. from 2004 to 2008. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010. |

\* Jeremy DePalma acts as Treasurer of 61 funds and Assistant Treasurer of 77 funds in the Fund complex.

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**Table of Contents**

30 Wells Fargo Advantage Income Opportunities Fund

Automatic dividend reinvestment plan

**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 shares of common shares. The shares are acquired by the Plan Agent for the participant s account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund ( newly issued common shares ) or (ii) by purchase of outstanding common shares on the open-market (open-market purchases) on the NYSE Amex or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions ( market premium ), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant s account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value or market premium ( market discount ), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at P.O. Box 43010, Providence, Rhode Island 02940-3010 or by calling 1-800-730-6001.

**Table of Contents**

List of abbreviations

Wells Fargo Advantage Income Opportunities Fund 31

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

|         |   |
|---------|---|
| ACB     | Agricultural Credit Bank                                    |
| ADR     | American depositary receipt                                 |
| ADS     | American depositary shares                                  |
| AGC-ICC | Assured Guaranty Corporation - Insured Custody Certificates |
| AGM     | Assured Guaranty Municipal                                  |
| AMBAC   | American Municipal Bond Assurance Corporation               |
| AMT     | Alternative minimum tax                                     |
| AUD     | Australian dollar   |
| BAN     | Bond anticipation notes                                     |
| BHAC    | Berkshire Hathaway Assurance Corporation                    |
| BRL     | Brazilian real  |
| CAB     | Capital appreciation bond                                   |
| CAD     | Canadian dollar   |
| CCAB    | Convertible capital appreciation bond                       |
| CDA     | Community Development Authority                             |
| CDO     | Collateralized debt obligation                              |
| CHF     | Swiss franc   |
| COP     | Certificate of participation                                |
| CR      | Custody receipts  |
| 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                    |
| FGLMC   | Federal Government Loan Mortgage Corporation                |
| FHA     | Federal Housing Administration                              |
| FHLB    | Federal Home Loan Bank                                      |
| FHLMC   | Federal Home Loan Mortgage Corporation                      |
| FICO    | The Financing Corporation                                   |
| FNMA    | Federal National Mortgage Association                       |
| FSA     | Farm Service Agency   |
| GBP     | Great British pound   |
| GDR     | Global depositary receipt                                   |
| GNMA    | Government National Mortgage Association                    |
| GO      | General obligation  |
| HCFR    | Healthcare facilities revenue                               |
| HEFA    | Health & Educational Facilities Authority                   |
| HEFAR   | Higher education facilities authority revenue               |
| HFA     | Housing Finance Authority                                   |
| HFFA    | Health Facilities Financing Authority                       |
| HKD     | Hong Kong dollar  |
| HUF     | Hungarian forint  |
| IBC     | Insured bond certificate                                    |
| IDA     | Industrial Development Authority                            |
| IDAG    | Industrial Development Agency                               |
| IDR     | Industrial development revenue                              |
| IEP     | Irish pound   |
| JPY     | Japanese yen  |
| KRW     | Republic of Korea won                                       |
| LIBOR   | London Interbank Offered Rate                               |

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|         |  |
|---------|--|
| LIQ     | Liquidity agreement  |
| LLC     | Limited liability company  |
| LLP     | Limited liability partnership                                    |
| LOC     | Letter of credit   |
| LP      | Limited partnership  |
| MBIA    | Municipal Bond Insurance Association                             |
| MFHR    | Multifamily housing revenue                                      |
| MSTR    | Municipal securities trust receipts                              |
| MTN     | Medium-term note   |
| MUD     | Municipal Utility District                                       |
| MXN     | Mexican peso   |
| MYR     | Malaysian ringgit  |
| NATL-RE | National Public Finance Guarantee Corporation                    |
| NOK     | Norwegian krone  |
| NZD     | New Zealand dollar   |
| PCFA    | Pollution Control Financing Authority                            |
| PCL     | Public Company Limited   |
| PCR     | Pollution control revenue  |
| PFA     | Public Finance Authority   |
| PFFA    | Public Facilities Financing Authority                            |
| PFOTER  | Puttable floating option tax-exempt receipts                     |
| plc     | Public limited company   |
| PLN     | Polish zloty   |
| PUTTER  | Puttable tax-exempt receipts                                     |
| R&D     | Research & development   |
| RDA     | Redevelopment Authority  |
| RDFA    | Redevelopment Finance Authority                                  |
| REIT    | Real estate investment trust                                     |
| ROC     | Reset option certificates  |
| SAVRS   | Select auction variable rate securities                          |
| SBA     | Small Business Authority   |
| SEK     | Swedish krona  |
| SFHR    | Single-family housing revenue                                    |
| SFMR    | Single-family mortgage revenue                                   |
| SGD     | Singapore dollar   |
| SKK     | Slovakian koruna   |
| SPA     | Standby purchase agreement                                       |
| SPDR    | Standard & Poor's Depository Receipts                            |
| STRIPS  | Separate trading of registered interest and principal securities |
| TAN     | Tax anticipation notes   |
| TBA     | To be announced  |
| TIPS    | Treasury inflation-protected securities                          |
| TRAN    | Tax revenue anticipation notes                                   |
| TCR     | Transferable custody receipts                                    |
| TRY     | Turkish lira   |
| TTFA    | Transportation Trust Fund Authority                              |
| TVA     | Tennessee Valley Authority                                       |
| XLCA    | XL Capital Assurance   |
| ZAR     | South African rand   |



**Table of Contents**

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**Table of Contents**

Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

1-800-730-6001

Website: [wellsfargoadvantagefunds.com](http://wellsfargoadvantagefunds.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.

**NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE**

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213216 12-12

SIO/SAR148 10-12

**Table of Contents**

**ITEM 2. CODE OF ETHICS**

Not required in this filing

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

Not required in this filing.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Not required in this filing.

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS**

Not required in this filing.

**ITEM 6. PORTFOLIO OF INVESTMENTS**

The Portfolio of investments is included as part of the report to shareholders filed under Item 1 of this Form.

**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 MANAGEMEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASES**

Not applicable.

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

The Governance Committee (the Committee) of the Board of Trustees of the registrant (the Trust) has adopted procedures by which a shareholder of any series of the Trust may submit properly a nominee recommendation for the Committee's consideration.

The shareholder must submit any such recommendation (a Shareholder Recommendation) in writing to the Trust, to the attention of the Trust's Secretary, at the address of the principal executive offices of the Trust.

The Shareholder Recommendation must be delivered to, or mailed and received at, the principal executive offices of the Trust not less than forty-five (45) calendar days nor more than seventy-five (75) calendar days prior to the date of the Committee meeting at which the nominee would be considered.

## **Table of Contents**

The Shareholder Recommendation must include: (i) a statement in writing setting forth (A) the name, age, date of birth, business address, residence address and nationality of the person recommended by the shareholder (the candidate); (B) the series (and, if applicable, class) and number of all shares of the Trust owned of record or beneficially by the candidate, as reported to such shareholder by the candidate; (C) any other information regarding the candidate called for with respect to director nominees by paragraphs (a), (d), (e) and (f) of Item 401 of Regulation S-K or paragraph (b) of Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934, as amended (the Exchange Act), adopted by the Securities and Exchange Commission (or the corresponding provisions of any regulation or rule subsequently adopted by the Securities and Exchange Commission or any successor agency applicable to the Trust); (D) any other information regarding the candidate that would be required to be disclosed if the candidate were a nominee in a proxy statement or other filing required to be made in connection with solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (E) whether the recommending shareholder believes that the candidate is or will be an interested person of the Trust (as defined in the Investment Company Act of 1940, as amended) and, if not an interested person, information regarding the candidate that will be sufficient for the Trust to make such determination; (ii) the written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected; (iii) the recommending shareholder's name as it appears on the Trust's books; (iv) the series (and, if applicable, class) and number of all shares of the Trust owned beneficially and of record by the recommending shareholder; and (v) a description of all arrangements or understandings between the recommending shareholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made by the recommending shareholder. In addition, the Committee may require the candidate to interview in person and furnish such other information as it may reasonably require or deem necessary to determine the eligibility of such candidate to serve as a Trustee of the Trust.

## **ITEM 11. CONTROLS AND PROCEDURES**

(a) The President and Treasurer have concluded that the Wells Fargo Advantage Income Opportunities Fund (the Trust) 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 Trust 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.

(b) There were no significant changes in the Trust'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 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 required in this filing.

(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 Advantage Income Opportunities Fund

By:

*/s/ Karla M. Rabusch*

Karla M. Rabusch  
President

Date: December 26, 2012

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.

By:

*/s/ Karla M. Rabusch*

Karla M. Rabusch  
President

Date: December 26, 2012

By:

*/s/ Jeremy DePalma*

Jeremy DePalma  
Treasurer

Date: December 26, 2012