

WELLS FARGO MULTI-SECTOR INCOME FUND

Form N-CSR

January 02, 2018

**Table of Contents**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

**Investment Company Act file number: 811-21507**

**Wells Fargo Multi-Sector Income Fund**

**(Exact name of registrant as specified in charter)**

**525 Market St., San Francisco, CA 94105**

**(Address of principal executive offices) (Zip code)**

**C. David Messman**

**Wells Fargo Funds Management, LLC**

**525 Market St., San Francisco, CA 94105**

**(Name and address of agent for service)**

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

Date of fiscal year end: October 31

Date of reporting period: October 31, 2017

**Table of Contents**

**ITEM 1. REPORT TO STOCKHOLDERS**

**Table of Contents**

**Annual Report**

October 31, 2017

**Wells Fargo Multi-Sector Income Fund (ERC)**

**Table of Contents**

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Contents

<b><u>Letter to shareholders</u></b>	2
<b><u>Performance highlights</u></b>	6
<b><u>Portfolio of investments</u></b>	10
<b><u>Financial statements</u></b>	
<b><u>Statement of assets and liabilities</u></b>	31
<b><u>Statement of operations</u></b>	32
<b><u>Statement of changes in net assets</u></b>	33
<b><u>Statement of cash flows</u></b>	34
<b><u>Financial highlights</u></b>	35
<b><u>Notes to financial statements</u></b>	36
<b><u>Report of independent registered public accounting firm</u></b>	42
<b><u>Other information</u></b>	43
<b><u>Automatic dividend reinvestment plan</u></b>	50
<b><u>List of abbreviations</u></b>	51

The views expressed and any forward-looking statements are as of October 31, 2017, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

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**Table of Contents**

2 Wells Fargo Multi-Sector Income Fund

Letter to shareholders (unaudited)

**Andrew Owen**

President

Wells Fargo Funds

**Global stocks generally delivered double-digit results; bond markets had smaller but positive results as well.**

**Dear Shareholder:**

We are pleased to offer you this annual report for the Wells Fargo Multi-Sector Income Fund for the 12-month period that ended October 31, 2017. Global stocks generally delivered double-digit results; bond markets had smaller but positive results as well. U.S. and international stocks performed similarly overall with returns of 23.63% and 23.64%, respectively, for the 12-month period, as measured by the S&P 500 Index<sup>1</sup> and the MSCI ACWI ex USA Index (Net),<sup>2</sup> respectively. Within fixed income, the Bloomberg Barclays U.S. Aggregate Bond Index<sup>3</sup> returned 0.90% and the Bloomberg Barclays Municipal Bond Index<sup>4</sup> returned 2.19% as interest rates rose from low levels.

**Election results and central banks policies commanded investor attention as 2016 closed.**

During the last two months of 2016, investors appeared intent on the prospective outcomes of elections in the U.S. and central-bank actions globally. Following Donald Trump's election victory in November, U.S. stocks rallied. Investors appeared optimistic that the new administration would pursue progrowth policies. Favorable economic news supported stocks, and interest rates moved higher. At their mid-December meeting, U.S. Federal Reserve (Fed) officials raised the target interest rate by a quarter percentage point to a range of 0.50% to 0.75%. The fourth quarter also saw the implementation of the U.S. Securities and Exchange Commission's amended rule for money market funds, which included the possibility of liquidity fees and redemption gates and, for institutional prime and municipal money market funds, floating net asset values (NAVs). Outside of the U.S., the prospects for faster U.S. growth appeared to trigger some acceleration in Europe.

**Financial markets gained during the first two quarters of 2017 on positive economic data.**

Stocks rallied globally through the first quarter of 2017, supported by signs of improvement in the U.S. and global economies. In the U.S., hiring remained strong, and business and consumer sentiment improved. In March, Fed

officials raised their target interest rate by a quarter percentage point to a range of 0.75% to 1.00%. With the Fed's target interest-rate increase, short-term bond yields rose during the quarter. Meanwhile, longer-term Treasury yields were little changed, leading to positive performance. Investment-grade and high-yield bonds benefited from strong demand. Municipal bond returns were positive in the quarter, helped by strong demand and constrained new-issue supply. Outside the U.S., stocks in emerging markets generally outperformed stocks in the U.S. and international developed markets because they benefited from both global

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

<sup>2</sup> The Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex USA Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. You cannot invest directly in an index.

<sup>3</sup> The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities. You cannot invest directly in an index.

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

## **Table of Contents**

Letter to shareholders (unaudited) Wells Fargo Multi-Sector Income Fund 3  
 economic growth and recent weakening of the U.S. dollar. Stocks in Asia, Europe, and Latin America also outperformed the U.S. market during the quarter.

Globally, stocks marked continued gains through the second quarter of 2017. Steady, albeit modest, economic growth both in the U.S. and abroad and generally favorable corporate earnings announcements supported higher valuations. U.S. inflation trended lower despite a continued decline in the unemployment rate. Ten-year U.S. Treasury yields declined, resulting in stronger prices for long-term bonds. As was widely expected, Fed officials raised the target interest rate in June by a quarter percentage point to a range of 1.00% to 1.25%. In addition, the Fed indicated that it planned to start selling bonds that accumulated on its balance sheet during quantitative easing programs conducted since 2008.

### **As global growth improved in the third quarter of 2017, financial markets generally advanced.**

Most stock markets worldwide moved higher during the quarter and ended the period at or near all-time highs. Moderate acceleration in global economic growth was supported by improving corporate earnings, low inflation pressure, and still-low interest rates. Corporate earnings reports were favorable overall as companies continued to benefit from healthy operating leverage. Global commodity prices climbed during the quarter. Oil prices rebounded, partly due to a better balance between supply and demand. While North Korea's recent missile launches and nuclear testing raised serious concerns around the world, the heightened geopolitical risk had relatively minimal impact on the quarter's stock returns. In the U.S., economic data released during the quarter reflected a generally healthy economy. Second-quarter economic output grew at a 3.1% annual rate, and consumers displayed more willingness to spend. Meanwhile, the Fed maintained the target range for the federal funds rate at 1.00% to 1.25%, noting that inflation had remained below the Fed's 2.00% objective. Reflecting continued confidence in the U.S. economy, the Fed also stated the possibility of one more 0.25% increase in the federal funds rate by the end of 2017 and announced plans to begin the process of unwinding its \$4.5 trillion portfolio of bonds and other assets in October. Outside the U.S., stocks in the Asia Pacific region benefited from solid earnings reports and investors' willingness to take on risk despite the rising tensions between North Korea and the U.S. In Europe, markets were supported by better-than-expected economic growth, which has led to narrowing of the gap between Europe's growth rate and that of the U.S. In emerging markets, many countries benefited from stronger currencies versus the U.S. dollar. Also, commodity prices were on an upward trajectory, which benefited many companies that rely on natural resources for exports.

### **Positive economic and market news continued into October.**

October proved to be a strong month for U.S. stocks. The S&P 500 Index delivered 11 record closes amid rising consumer confidence and signs the economy was continuing to gain momentum, including news in late October that economic output was estimated to have grown at a 3.0% annual rate in the third quarter. At its October meeting, the Fed, in a unanimous vote, left short-term interest rates unchanged but signaled it could make another rate increase before the end of 2017 if the economy remains on track. The Fed also began the process of unwinding its quantitative easing program. Outside the U.S., international stocks generally delivered positive results in October as global economic growth continued to strengthen.



**Table of Contents**

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

Letter to shareholders (unaudited)

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

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

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

Sincerely,

Andrew Owen

President

Wells Fargo Funds

**Although diversification cannot guarantee an investment profit or prevent losses, we believe it can be an effective way to manage investment risk and potentially smooth out overall portfolio performance.**

**Notice to shareholders**

On November 23, 2016, the Fund announced the commencement of a managed distribution plan, which began with the monthly distribution declared in January 2017, that provides for the declaration of monthly distributions to common shareholders of the Fund at an annual minimum fixed rate of 9% based on the Fund's average monthly NAV per share over the prior 12 months. Under the managed distribution plan, monthly distributions may be sourced from income, paid-in capital, and/or capital gains, if any. To the extent that sufficient investment income is not available on

a monthly basis, the Fund may distribute paid-in capital and/or capital gains, if any, in order to maintain its managed distribution level. You should not draw any conclusions about the Fund's investment performance from the amount of the Fund's distributions or from the terms of the managed distribution plan. Shareholders may elect to reinvest distributions received pursuant to the managed distribution plan in the Fund under the existing dividend reinvestment plan, which is described later in this report.

On November 10, 2017, the Fund announced the reinstatement of its open-market share repurchase program (the Buyback Program). Under the Buyback Program, the Fund may repurchase up to 10% of its outstanding shares in open market transactions during the period beginning on January 1, 2018 and ending on December 31, 2018. The Fund's Board of Trustees has delegated to Wells Fargo Funds Management, LLC, the Fund's adviser, discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations.

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

**Table of Contents**

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**Table of Contents**

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

Performance highlights (unaudited)

**Investment objective**

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

**Strategy summary**

The Fund allocates its assets between three separate investment strategies, or sleeves. Under normal market conditions, the Fund will allocate approximately 30%-70% of its total assets to a sleeve consisting of non-investment-grade (high yield) corporate debt, including floating-rate high yield bank loan securities; approximately 10%-40% to a sleeve of foreign debt securities, including emerging market debt; and approximately 10%-30% to a sleeve of adjustable-rate and fixed-rate mortgage-backed securities, and investment-grade corporate bonds.

**Adviser**

Wells Fargo Funds Management, LLC

**Subadvisers**

First International Advisors, LLC

Wells Capital Management Incorporated

**Portfolio managers**

Christopher Y. Kauffman, CFA®

Michael Lee

Niklas Nordenfelt, CFA®

Tony Norris

Alex Perrin

Phillip Susser

Christopher Wightman

Peter Wilson

Noah Wise

**Average annual total returns (%) as of October 31, 2017<sup>1</sup>**

	1 year	5 year	10 year
Based on market value	13.07	4.07	7.89
Based on net asset value (NAV) per share	9.39	5.42	7.33
Multi-Sector Income Blended Index <sup>2</sup>	6.76	3.81	5.65

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

The Fund's expense ratio for the year ended October 31, 2017, was 1.68% which includes 0.61% of interest expense.

#### Comparison of NAV vs. market value<sup>3</sup>

The Fund is leveraged through a revolving credit facility. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value and the market value of common shares. Foreign investments are especially volatile and can rise or fall dramatically due to differences in the political and economic conditions of the host country. These risks are generally intensified in emerging markets. Derivatives involve additional risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of non-correlation to the relevant instruments that they are designed to hedge or closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the Fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes and their impact on the Fund and its share price can be sudden and unpredictable. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. The Fund is exposed to mortgage- and asset-backed securities risk. This closed-end fund is no longer available as an initial public offering and is only offered through broker/dealers on the secondary market.

**Please see footnotes on page 9.**

**Table of Contents**

Performance highlights (unaudited)

Wells Fargo Multi-Sector Income Fund 7

**MANAGERS DISCUSSION**

The Fund's return based on market value was 13.07% for the 12-month period that ended October 31, 2017. During the same period, the Fund's return based on its net asset value (NAV) was 9.39%. Based on its NAV return, the Fund outperformed the Multi-Sector Income Blended Index, which returned 6.76%.

**Overview**

Looking back, there was a stark difference between late 2016 and year-to-date 2017. Bond markets were weak and volatile at the end of 2016 amid investor expectations for progrowth, higher-inflation fiscal policies. The U.S. dollar traded strongly into year-end 2016 but subsequently lost ground in 2017. Bond yields, particularly on longer-dated debt, peaked in early 2017 and then trended lower. Smaller and emerging markets' both bonds and currencies' were strong performers during the first 10 months of 2017 after faring poorly in late 2016.

During the reporting period, U.S. investment-grade corporate bonds outperformed comparable-duration U.S. Treasuries in all but two months. BBB-rated bonds in particular performed well. Within securitized sectors, both nonagency commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) had positive results, with lower-rated segments posting the strongest results.

The Fund seeks a high level of current income consistent with limiting its overall exposure to interest-rate risk. The Fund's main investments include three principal fixed-income sectors: mortgage/corporate bonds, high-yield bonds, and international/emerging markets bonds.

**Ten largest holdings (%) as of October 31, 2017<sup>4</sup>**

Mexico, 8.00%, 11-07-2047	2.38
Malaysia, 4.23%, 6-30-2031	2.37
Republic of South Africa, 10.50%, 12-21-2026	2.35
LPL Holdings Incorporated, 5.75%, 9-15-2025	2.09
Indonesia, 7.88%, 4-15-2019	2.03
Indonesia, 8.38%, 9-15-2026	1.78
NGPL PipeCo LLC, 7.77%, 12-15-2037	1.64
Colombia, 7.50%, 8-26-2026	1.58
Republic of South Africa, 7.75%, 2-28-2023	1.42
India, 7.80%, 4-11-2021	1.39

**Credit quality as of October 31, 2017<sup>5</sup>****Contributors**

Credit-quality allocation helped results. The Fund's overweight allocation to BBB-rated debt, the best-performing credit tier, was a significant contributor. An allocation to high-yield debt also added to returns. Within high yield, security selection within the cable/satellite, electric utilities, pipelines, and retail industries benefited performance; an

underweight to wirelines and nonallocation to supermarkets, which are sectors that underperformed the broader high-yield market, contributed positively as well. Sector allocation to securitized holdings generally added value during the reporting period, with CMBS being the largest contributor within the mortgage area. Senior RMBS and asset-backed securities also contributed because credit performance in these sectors remained strong. Issue selection within the financial sector's property and casualty companies contributed to results as did selection within industrial sector metals and mining companies. Holdings in noncorporate credit sectors, such as agencies and supranationals, also helped performance.

The Fund was helped by exposure to higher-yielding bond markets in Asia and Latin America. Within Asia, exposure to Indonesia and Malaysia was increased and both performed well. A new position in India was added because it offered

diversification as well as an attractive yield. Brazil added to performance before its downgrade to below investment grade necessitated its sale. Elsewhere in Latin America, allocations to Mexico and Colombia have been increased. Exposure to Hungary has added value.

#### **Detractors**

Fund holdings in certain RMBS and CMBS positions modestly detracted from performance during the period due to security-specific prepayment and credit-rating changes. Fund holdings within health care real estate investment trusts

**Please see footnotes on page 9.**

## **Table of Contents**

8 Wells Fargo Multi-Sector Income Fund Performance highlights (unaudited)  
and health insurance companies underperformed. Given the strong performance of the high-yield market, there were few sectors within this portion of the Fund that did not contribute to its total return. Relative detractors within the Fund's high-yield portion included overweights to and security selection within the financial, oil-field services, and technology industries and an underweight to and security selection within the energy exploration and production sector. Certain allocations within Latin America hurt results. Mexican assets were particularly hard-hit in November 2016 but have recovered somewhat in 2017. South African debt has been challenged by the increased risk of further credit-rating downgrades ahead of the 54th national conference of the ruling African National Conference this December. Exposure to the New Zealand dollar weighed on Fund performance.

## **Outlook**

We expect continued modest economic growth, which has been supported by persistent job growth. In addition, economic growth rates have converged to a modestly stable and positive rate across major developed countries, which hasn't been the case for some time. In terms of monetary policy, the U.S. Federal Reserve (Fed) continues to communicate that it expects to gradually normalize monetary policy. The Fed also has emphasized that reducing its balance sheet will be done gradually and methodically. Meanwhile, U.S. fiscal policy is unlikely to produce much stimulus in the near term.

Amid moderate economic growth and some improvement in underlying credit fundamentals, we are seeking strategies that offer income while reducing risk. We expect to remain short duration because we think the Fed will raise the federal funds rate more than what is priced into the market. On the credit front, we are selective about adding credit and may reduce allocations because credit spreads are near historically narrow differences. On the other hand, should spreads widen, we expect to add to these sectors. We are maintaining our overweight in the BBB-rated portion of the market based on both interest rates and supportive fundamentals. Within securitized sectors, we remain focused on shorter-duration cash flows in the senior part of the capital structure as credit fundamentals remain stable. We may add to emerging markets debt from countries that have improving fundamentals and attractive valuations. The higher real yields and lower debt levels offered by many smaller economies continue to argue in favor of an allocation to bonds in those countries. Looking ahead, we see scope for a further unwind of the multiyear U.S. dollar rally. Geopolitical risk has been rising and needs to be watched, but so far this is having little impact on longer-term investor positioning.

## **Effective maturity distribution as of October 31, 2017<sup>6</sup>**

## **Country allocation as of October 31, 2017<sup>6</sup>**



**Please see footnotes on page 9.**

**Table of Contents**

Performance highlights (unaudited)

Wells Fargo Multi-Sector Income Fund 9

<sup>1</sup> 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 the period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan.

<sup>2</sup> Source: Wells Fargo Funds Management, LLC. The Multi-Sector Income Blended Index is composed of 60% ICE BofAML U.S. Cash Pay High Yield Index (formerly known as BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index), 18% J.P. Morgan GBI-EM Global Diversified Composite Index, 7.5% Bloomberg Barclays Credit Bond Index, 7.5% Bloomberg Barclays U.S. Securitized Index, and 7% J.P. Morgan Global Government Bond Index (ex U.S.). The ICE BofAML U.S. Cash Pay High Yield Index tracks the performance of U.S. dollar-denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the U.S. domestic market. The J.P. Morgan GBI-EM Global Diversified Composite Index is an unmanaged index of debt instruments of 31 emerging countries. The Bloomberg Barclays Credit Bond Index is an unmanaged index of fixed income securities composed of securities from the Bloomberg Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The Bloomberg Barclays U.S. Securitized Index is an unmanaged composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities. The J.P. Morgan Global Government Bond Index (ex U.S.) measures the total return from investing in 12 developed government bond markets: Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the U.K. You cannot invest directly in an index.

<sup>3</sup> This chart does not reflect any brokerage commissions charged on the purchase and sale of the Fund's common stock. Dividends and distributions paid by the Fund are included in the Fund's average annual total returns but have the effect of reducing the Fund's NAV.

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

<sup>5</sup> The credit quality distribution of portfolio holdings reflected in the chart is based on ratings from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the

Fund and not to the Fund itself. The percentages of the Fund's portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of the three rating agencies, the lower rating was utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Standard & Poor's rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). Moody's rates the creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality distribution is subject to change and may have changed since the date specified.

<sup>6</sup> Amounts are calculated based on the total long-term investments of the Fund. These amounts are subject to change and may have changed since the date specified.

**Table of Contents**

10 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

Security name	Interest rate	Maturity date	Principal	Value
<b>Agency Securities: 1.70%</b>				
<i>FHLMC (5 Year Treasury Constant Maturity +2.06%) ±</i>	3.56%	9-1-2032	\$ 979,452	\$ 1,016,207
<i>FHLMC</i>	8.50	7-1-2028	40,118	46,338
<i>FHLMC Series 1383 (1 Year Treasury Constant Maturity +2.25%) ±</i>	2.95	2-1-2037	240,842	253,594
<i>FHLMC Series 196 Class A (1 Month LIBOR +0.80%) ±</i>	2.04	12-15-2021	10,874	10,956
<i>FHLMC Series 2011-K16 Class B 144A±±</i>	4.60	11-25-2046	1,000,000	1,065,574
<i>FHLMC Series 2011-K701 Class B 144A±±</i>	4.06	7-25-2048	165,000	164,750
<i>FHLMC Series 2012-K17 Class B 144A±±</i>	4.34	12-25-2044	675,000	713,354
<i>FHLMC Series 2012-K18 Class B 144A±±</i>	4.26	1-25-2045	810,000	852,767
<i>FHLMC Series 2012-K706 Class B 144A±±</i>	4.03	11-25-2044	500,000	506,819
<i>FHLMC Series 2012-K706 Class C 144A±±</i>	4.03	11-25-2044	805,000	814,216
<i>FHLMC Series 2012-K707 Class B 144A±±</i>	3.88	1-25-2047	930,000	943,842
<i>FHLMC Series 2012-K711 Class B 144A±±</i>	3.56	8-25-2045	264,000	268,573
<i>FHLMC Series 2013-K30 Class B 144A±±</i>	3.56	6-25-2045	700,000	712,463
<i>FHLMC Series 2390 Class FD (1 Month LIBOR +0.45%) ±</i>	1.69	12-15-2031	19,532	19,604
<i>FHLMC Series 2567 Class FH (1 Month LIBOR +0.40%) ±</i>	1.64	2-15-2033	60,030	60,072
<i>FHLMC Series K007 Class X1 ±±(c)</i>	1.22	4-25-2020	779,396	16,512
<i>FHLMC Series K016 Class X1 ±±(c)</i>	1.53	10-25-2021	365,774	18,302
<i>FHLMC Series K020 Class X1 ±±(c)</i>	1.43	5-25-2022	6,475,960	344,938
<i>FNMA (6 Month LIBOR +1.64%) ±</i>	3.02	9-1-2037	256,234	269,895
<i>FNMA</i>	6.00	4-1-2033	61,518	63,629
<i>FNMA</i>	7.50	2-1-2030	25,231	25,421
<i>FNMA</i>	7.50	9-1-2030	32,469	32,849
<i>FNMA Series 1996-46 Class FA (1 Month LIBOR +0.50%) ±</i>	1.74	8-25-2021	6,609	6,614
<i>FNMA Series 1997-20 Class IO ±±(c)</i>	1.84	3-25-2027	638,874	17,147
<i>FNMA Series 2001-25 Class Z</i>	6.00	6-25-2031	105,467	116,186
<i>FNMA Series 2001-35 Class F (1 Month LIBOR +0.60%) ±</i>	1.84	7-25-2031	5,068	5,146
<i>FNMA Series 2001-57 Class F (1 Month LIBOR +0.50%) ±</i>	1.74	6-25-2031	5,102	5,130
	1.64	12-18-2032	37,011	37,035

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<i>FNMA Series 2002-77 Class FH (1 Month LIBOR +0.40%) ±</i>				
<i>FNMA Series 2002-97 Class FR (1 Month LIBOR +0.55%) ±</i>				
	1.79	1-25-2033	8,582	8,694
<i>FNMA Series G91-16 Class F (1 Month LIBOR +0.45%) ±</i>				
	1.69	6-25-2021	6,715	6,747
<i>FNMA Series G92-17 Class F (1 Month LIBOR +1.05%) ±</i>				
	2.29	3-25-2022	32,019	32,439
<i>GNMA</i>	6.50	6-15-2028	25,915	28,687
<i>GNMA</i>	7.25	1-15-2018	252	252
<i>GNMA</i>	7.25	2-15-2018	412	412
<i>GNMA</i>	7.25	5-15-2018	973	974
<b>Total Agency Securities (Cost \$8,088,668)</b>				8,486,138
<b>Asset-Backed Securities: 0.77%</b>				
<i>CVS Pass-Through Trust Series T</i>				
	6.04	12-10-2028	497,813	560,675
<i>Five Guys Funding LLC Series 17-1A Class A2 144A</i>				
	4.60	7-25-2047	997,500	1,019,428
<i>MMAF Equipment Finance LLC Series 2017-AA Class A4 144A</i>				
	2.41	8-16-2024	170,000	169,546
<i>Montana Higher Education Student Assistance Corporation Series 2012-1 Class A2 (1 Month LIBOR +1.00%) ±</i>				
	2.24	5-20-2030	611,495	614,723
<i>Navient SLM Student Loan Series 2005-B Class A3 (3 Month LIBOR +0.27%) ±</i>				
	1.59	12-15-2023	71,139	71,158
<i>Octagon Investment Partners Series 2015-1A Class A1R (3 Month LIBOR +0.90%) 144A±</i>				
	2.25	5-21-2027	700,000	700,000
<i>Social Professional Loan Program Series 2017-A Class A2B 144A</i>				
	2.40	3-26-2040	750,000	742,768
<b>Total Asset-Backed Securities (Cost \$3,878,318)</b>				3,878,298

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

**Table of Contents**

Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 11

Security name	Interest rate	Maturity date	Shares	Value
<b>Common Stocks: 0.04%</b>				
<b>Energy: 0.04%</b>				
<b>Oil, Gas &amp; Consumable Fuels: 0.04%</b>				
<i>SilverBow Resources Incorporated</i>			8,665	\$ 194,876
<b>Materials: 0.00%</b>				
<b>Chemicals: 0.00%</b>				
<i>LyondellBasell Industries NV Class A</i>			9	932
<b>Total Common Stocks (Cost \$1,895,755)</b>				195,808
<b>Principal</b>				
<b>Corporate Bonds and Notes: 69.86%</b>				
<b>Consumer Discretionary: 12.51%</b>				
<b>Auto Components: 1.22%</b>				
<i>Allison Transmission Incorporated 144A</i>	4.75%	10-1-2027	\$ 625,000	631,250
<i>Allison Transmission Incorporated 144A</i>	5.00	10-1-2024	2,250,000	2,345,625
<i>Cooper Tire &amp; Rubber Company</i>	7.63	3-15-2027	1,710,000	1,957,950
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12-15-2019	550,000	607,750
<i>Goodyear Tire &amp; Rubber Company</i>	8.75	8-15-2020	468,000	545,220
				6,087,795
<b>Distributors: 0.21%</b>				
<i>LKQ Corporation</i>	4.75	5-15-2023	900,000	924,750
<i>Spectrum Brands Incorporated</i>	6.63	11-15-2022	125,000	129,935
				1,054,685
<b>Diversified Consumer Services: 1.16%</b>				
<i>Service Corporation International</i>	7.50	4-1-2027	3,400,000	4,075,750
<i>Service Corporation International</i>	7.63	10-1-2018	680,000	714,000
<i>Service Corporation International</i>	8.00	11-15-2021	850,000	998,750

5,788,500

**Hotels, Restaurants & Leisure: 0.63%**

<i>CCM Merger Incorporated 144A</i>	6.00	3-15-2022	2,700,000	2,808,000
<i>Pinnacle Entertainment Incorporated</i>	5.63	5-1-2024	325,000	335,563
				3,143,563

**Internet & Direct Marketing Retail: 0.16%**

<i>Expedia Incorporated</i>	5.95	8-15-2020	750,000	819,919
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**Leisure Products: 0.01%**

<i>Vista Outdoor Incorporated</i>	5.88	10-1-2023	25,000	25,813
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**Media: 7.32%**

<i>Altice US Finance I Corporation 144A</i>	5.38	7-15-2023	1,395,000	1,454,288
<i>Altice US Finance I Corporation 144A</i>	5.50	5-15-2026	1,275,000	1,326,000
<i>CBS Radio Incorporated 144A</i>	7.25	11-1-2024	45,000	47,081

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

**Table of Contents**

12 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

Security name	Interest rate	Maturity date	Principal	Value
<b>Media (continued)</b>				
<i>CCO Holdings LLC 144A</i>	4.00%	3-1-2023	\$ 100,000	\$ 101,438
<i>CCO Holdings LLC 144A</i>	5.00	2-1-2028	150,000	148,875
<i>CCO Holdings LLC</i>	5.13	2-15-2023	100,000	103,250
<i>CCO Holdings LLC 144A</i>	5.13	5-1-2027	450,000	453,938
<i>CCO Holdings LLC</i>	5.25	9-30-2022	1,250,000	1,287,500
<i>CCO Holdings LLC 144A</i>	5.38	5-1-2025	4,150,000	4,305,625
<i>CCO Holdings LLC 144A</i>	5.50	5-1-2026	215,000	220,375
<i>CCO Holdings LLC 144A</i>	5.75	2-15-2026	3,375,000	3,528,056
<i>CCO Holdings LLC 144A</i>	5.88	4-1-2024	1,250,000	1,331,250
<i>Cequel Communications Holdings LLC 144A</i>	7.75	7-15-2025	2,030,000	2,217,775
<i>Cinemark USA Incorporated</i>	4.88	6-1-2023	325,000	331,094
<i>CSC Holdings LLC</i>	7.88	2-15-2018	1,000,000	1,015,120
<i>CSC Holdings LLC</i>	8.63	2-15-2019	383,000	410,289
<i>EMI Music Publishing 144A</i>	7.63	6-15-2024	525,000	587,344
<i>Gray Television Incorporated 144A</i>	5.13	10-15-2024	450,000	448,740
<i>Gray Television Incorporated 144A</i>	5.88	7-15-2026	3,875,000	3,971,875
<i>Interpublic Group of Companies</i>	4.00	3-15-2022	750,000	786,216
<i>Lamar Media Corporation</i>	5.38	1-15-2024	375,000	393,750
<i>Lamar Media Corporation</i>	5.88	2-1-2022	690,000	708,113
<i>Live Nation Entertainment Incorporated 144A</i>	4.88	11-1-2024	1,400,000	1,448,538
<i>National CineMedia LLC</i>	6.00	4-15-2022	1,725,000	1,759,500
<i>Nexstar Broadcasting Group Incorporated 144A</i>	5.63	8-1-2024	850,000	872,313
<i>Nexstar Broadcasting Group Incorporated 144A</i>	6.13	2-15-2022	950,000	985,625
<i>Outfront Media Capital Corporation</i>	5.63	2-15-2024	20,000	21,050
<i>Outfront Media Capital Corporation</i>	5.88	3-15-2025	775,000	821,016
<i>Salem Media Group Incorporated 144A</i>	6.75	6-1-2024	2,150,000	2,246,750
<i>The E.W. Scripps Company 144A</i>	5.13	5-15-2025	2,385,000	2,450,588
<i>Time Warner Cable Incorporated</i>	4.00	1-15-2022	750,000	787,965
				36,571,337
<b>Multiline Retail: 0.12%</b>				
<i>Macy's Retail Holdings Incorporated</i>	3.88	1-15-2022	600,000	594,422



**Specialty Retail: 1.58%**

<i>Advance Auto Parts Incorporated</i>	4.50	1-15-2022	600,000	634,161
<i>Asbury Automotive Group Incorporated</i>	6.00	12-15-2024	1,175,000	1,239,625
<i>Lithia Motors Incorporated 144A</i>	5.25	8-1-2025	445,000	466,694
<i>Penske Auto Group Incorporated</i>	3.75	8-15-2020	540,000	550,800
<i>Penske Auto Group Incorporated</i>	5.38	12-1-2024	2,150,000	2,203,750
<i>Penske Auto Group Incorporated</i>	5.75	10-1-2022	1,155,000	1,191,463
<i>Sonic Automotive Incorporated</i>	5.00	5-15-2023	849,000	832,020
<i>Sonic Automotive Incorporated</i>	6.13	3-15-2027	775,000	800,188
				7,918,701

**Textiles, Apparel & Luxury Goods: 0.10%**

<i>Wolverine World Wide Company 144A</i>	5.00	9-1-2026	500,000	499,375
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The accompanying notes are an integral part of these financial statements.

**Table of Contents**

Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 13

Security name	Interest rate	Maturity date	Principal	Value
<b>Consumer Staples: 1.62%</b>				
<b>Beverages: 0.27%</b>				
<i>Anheuser-Busch InBev Finance Incorporated</i>	3.75%	1-15-2022	\$ 600,000	\$ 633,309
<i>Cott Beverages Incorporated 144A</i>	5.50	4-1-2025	675,000	696,094
				1,329,403
<b>Food Products: 1.21%</b>				
<i>B&amp;G Foods Incorporated</i>	4.63	6-1-2021	300,000	306,000
<i>B&amp;G Foods Incorporated</i>	5.25	4-1-2025	1,050,000	1,072,313
<i>Darling Ingredients Incorporated</i>	5.38	1-15-2022	180,000	186,075
<i>Kraft Foods Group Incorporated</i>	3.50	6-6-2022	750,000	774,757
<i>Pilgrim s Pride Corporation 144A</i>	5.75	3-15-2025	1,305,000	1,381,669
<i>Pilgrim s Pride Corporation 144A</i>	5.88	9-30-2027	150,000	156,000
<i>Pinnacle Foods Incorporated</i>	5.88	1-15-2024	75,000	79,875
<i>Post Holdings Incorporated 144A</i>	5.00	8-15-2026	400,000	402,000
<i>Post Holdings Incorporated 144A</i>	5.50	3-1-2025	525,000	546,000
<i>Post Holdings Incorporated 144A</i>	5.75	3-1-2027	975,000	1,012,781
<i>Prestige Brands Incorporated 144A</i>	6.38	3-1-2024	130,000	138,450
				6,055,920
<b>Tobacco: 0.14%</b>				
<i>Reynolds American Incorporated</i>	6.88	5-1-2020	650,000	722,043
<b>Energy: 19.08%</b>				
<b>Energy Equipment &amp; Services: 5.23%</b>				
<i>Bristow Group Incorporated</i>	6.25	10-15-2022	3,330,000	2,376,788
<i>Era Group Incorporated</i>	7.75	12-15-2022	2,350,000	2,220,750
<i>Hilcorp Energy Company 144A</i>	5.00	12-1-2024	1,450,000	1,442,750
<i>Hilcorp Energy Company 144A</i>	5.75	10-1-2025	1,525,000	1,561,219
<i>Hornbeck Offshore Services Incorporated</i>	1.50	9-1-2019	4,750,000	3,687,188
<i>Hornbeck Offshore Services Incorporated</i>	5.00	3-1-2021	150,000	79,500
<i>Hornbeck Offshore Services Incorporated</i>	5.88	4-1-2020	1,860,000	1,227,600
<i>NGPL PipeCo LLC 144A</i>	4.38	8-15-2022	350,000	360,063

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<i>NGPL PipeCo LLC 144A</i>	4.88	8-15-2027	550,000	569,250
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-2037	6,585,000	8,214,768
<i>PHI Incorporated</i>	5.25	3-15-2019	4,425,000	4,380,750
				26,120,626

**Oil, Gas & Consumable Fuels: 13.85%**

<i>Carrizo Oil &amp; Gas Incorporated</i>	8.25	7-15-2025	800,000	862,000
<i>Cheniere Energy Incorporated 144A</i>	5.25	10-1-2025	2,825,000	2,909,750
<i>Continental Resources Incorporated</i>	3.80	6-1-2024	700,000	679,875
<i>Continental Resources Incorporated</i>	5.00	9-15-2022	875,000	884,844
<i>DCP Midstream Operating Company</i>	2.70	4-1-2019	725,000	720,469
<i>Denbury Resources Incorporated</i>	4.63	7-15-2023	1,650,000	936,375
<i>Denbury Resources Incorporated</i>	6.38	8-15-2021	3,209,000	2,198,165
<i>El Paso LLC</i>	6.50	4-1-2020	750,000	818,236
<i>Enable Midstream Partner LP</i>	2.40	5-15-2019	2,350,000	2,344,931
<i>Enable Midstream Partner LP</i>	3.90	5-15-2024	1,750,000	1,764,310
<i>Enable Oklahoma Intrastate Transmission LLC 144A</i>	6.25	3-15-2020	250,000	266,254
<i>Energy Transfer Partners LP</i>	5.20	2-1-2022	750,000	815,821

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

**Table of Contents**

14 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

Security name	Interest rate	Maturity date	Principal	Value
<b>Oil, Gas &amp; Consumable Fuels (continued)</b>				
<i>EnLink Midstream LLC</i>	4.15%	6-1-2025	\$ 2,350,000	\$ 2,384,545
<i>EnLink Midstream LLC</i>	4.40	4-1-2024	3,200,000	3,317,573
<i>Exterran Partners LP</i>	6.00	4-1-2021	3,100,000	3,084,500
<i>Gulfport Energy Corporation</i>	6.63	5-1-2023	1,900,000	1,947,500
<i>Kinder Morgan Energy Partners LP</i>	3.95	9-1-2022	750,000	784,862
<i>Kinder Morgan Incorporated</i>	6.50	9-15-2020	285,000	313,330
<i>Kinder Morgan Incorporated</i>	7.42	2-15-2037	800,000	930,837
<i>Matador Resources Company</i>	6.88	4-15-2023	300,000	317,250
<i>Murphy Oil Corporation</i>	4.70	12-1-2022	1,200,000	1,209,000
<i>Murphy Oil Corporation</i>	5.75	8-15-2025	185,000	191,013
<i>Murphy Oil Corporation</i>	6.88	8-15-2024	850,000	913,750
<i>Nabors Industries Limited</i>	0.75	1-15-2024	1,425,000	1,050,938
<i>Nabors Industries Limited</i>	4.63	9-15-2021	750,000	724,350
<i>Overseas Shipholding Group Incorporated</i>	8.13	3-30-2018	2,275,000	2,309,125
<i>Phillips 66</i>	4.30	4-1-2022	625,000	669,383
<i>Pioneer Natural Resources Company</i>	3.95	7-15-2022	750,000	785,662
<i>Rockies Express Pipeline LLC 144A</i>	5.63	4-15-2020	3,500,000	3,710,000
<i>Rockies Express Pipeline LLC 144A</i>	6.88	4-15-2040	3,074,000	3,427,510
<i>Rockies Express Pipeline LLC 144A</i>	7.50	7-15-2038	240,000	277,200
<i>Rose Rock Midstream LP</i>	5.63	7-15-2022	1,200,000	1,182,000
<i>Rose Rock Midstream LP</i>	5.63	11-15-2023	825,000	806,438
<i>Sabine Pass Liquefaction LLC</i>	5.63	2-1-2021	600,000	650,779
<i>Sabine Pass Liquefaction LLC</i>	5.63	4-15-2023	1,710,000	1,898,994
<i>Sabine Pass Liquefaction LLC</i>	5.63	3-1-2025	460,000	511,018
<i>Sabine Pass Liquefaction LLC</i>	5.75	5-15-2024	1,625,000	1,820,140
<i>Sabine Pass Liquefaction LLC</i>	6.25	3-15-2022	3,550,000	3,996,304
<i>SemGroup Corporation 144A</i>	6.38	3-15-2025	3,425,000	3,373,625
<i>SemGroup Corporation 144A</i>	7.25	3-15-2026	1,000,000	1,025,000
<i>Southern Star Central Corporation 144A</i>	5.13	7-15-2022	775,000	807,938
<i>Southwestern Energy Company</i>	4.10	3-15-2022	425,000	417,563
<i>Southwestern Energy Company</i>	7.50	4-1-2026	400,000	415,000
<i>Southwestern Energy Company</i>	7.75	10-1-2027	400,000	416,000
<i>Summit Midstream Holdings LLC</i>	5.75	4-15-2025	225,000	229,500
<i>Tallgrass Energy Partners LP 144A</i>	5.50	9-15-2024	4,950,000	5,117,063
<i>Tesoro Logistics LP</i>	6.13	10-15-2021	225,000	232,313

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<i>Tesoro Logistics LP</i>	6.38	5-1-2024	450,000	492,750
<i>Ultra Resources Incorporated 144A</i>	6.88	4-15-2022	600,000	606,000
<i>Ultra Resources Incorporated 144A</i>	7.13	4-15-2025	505,000	505,000
<i>Western Gas Partners LP</i>	4.00	7-1-2022	175,000	180,600
<i>Western Gas Partners LP</i>	5.38	6-1-2021	225,000	241,068
<i>Williams Partners LP</i>	3.35	8-15-2022	750,000	766,336
				69,240,787

**Financials: 9.29%**

**Banks: 0.37%**

<i>Bank of America Corporation</i>	5.70	1-24-2022	250,000	280,488
<i>Citigroup Incorporated</i>	4.50	1-14-2022	250,000	268,134
<i>City National Bank</i>	5.38	7-15-2022	500,000	553,438
<i>JPMorgan Chase &amp; Company</i>	3.38	5-1-2023	750,000	768,695
				1,870,755

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

**Table of Contents**

Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 15

Security name	Interest rate	Maturity date	Principal	Value
<b>Capital Markets: 0.39%</b>				
<i>ACE Securities Corporation (1 Month LIBOR +2.63%) ±</i>	3.86%	6-25-2033	\$ 280,067	\$ 279,118
<i>Blackstone Holdings Finance Company LLC 144A</i>	5.88	3-15-2021	750,000	831,629
<i>Goldman Sachs Group Incorporated</i>	5.75	1-24-2022	750,000	839,490
				1,950,237
<b>Consumer Finance: 3.26%</b>				
<i>Ally Financial Incorporated</i>	8.00	12-31-2018	780,000	827,775
<i>Ally Financial Incorporated</i>	8.00	3-15-2020	755,000	848,431
<i>Discover Financial Services</i>	5.20	4-27-2022	750,000	816,423
<i>FirstCash Incorporated 144A</i>	5.38	6-1-2024	575,000	600,703
<i>Ford Motor Credit Company LLC</i>	5.00	5-15-2018	650,000	661,204
<i>General Motors Financial Company Incorporated</i>	3.70	5-9-2023	750,000	768,514
<i>Navient Corporation</i>	8.00	3-25-2020	930,000	1,025,325
<i>Navient Corporation</i>	8.45	6-15-2018	1,675,000	1,737,813
<i>OneMain Financial Group LLC 144A</i>	7.25	12-15-2021	3,425,000	3,562,000
<i>Springleaf Finance Corporation</i>	6.00	6-1-2020	825,000	864,188
<i>Springleaf Finance Corporation</i>	6.90	12-15-2017	4,550,000	4,567,290
				16,279,666
<b>Diversified Financial Services: 3.06%</b>				
<i>General Electric Capital Corporation</i>	4.65	10-17-2021	187,000	204,085
<i>Infinity Acquisition LLC 144A</i>	7.25	8-1-2022	960,000	950,400
<i>ING US Incorporated</i>	5.50	7-15-2022	750,000	832,644
<i>Ladder Capital Securities LLC 144A</i>	5.25	10-1-2025	350,000	348,688
<i>LPL Holdings Incorporated 144A</i>	5.75	9-15-2025	10,025,000	10,426,000
<i>NewStar Financial Incorporated</i>	7.25	5-1-2020	2,450,000	2,548,000
				15,309,817

**Insurance: 2.21%**

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<i>American International Group Incorporated</i>	4.88	6-1-2022	750,000	821,062
<i>Endurance Specialty Holdings Limited</i>	7.00	7-15-2034	575,000	722,728
<i>Hartford Financial Services Group Incorporated</i>	5.13	4-15-2022	650,000	718,327
<i>Hub Holdings LLC (PIK at 8.88%) 144A</i>	8.13	7-15-2019	1,075,000	1,077,688
<i>Hub International Limited 144A</i>	7.88	10-1-2021	3,950,000	4,111,279
<i>Liberty Mutual Group Incorporated 144A</i>	4.95	5-1-2022	750,000	819,012
<i>ProAssurance Corporation</i>	5.30	11-15-2023	750,000	813,676
<i>Prudential Financial Incorporated</i>	4.50	9-15-2047	750,000	757,969
<i>USIS Merger Subordinate Incorporated 144A</i>	6.88	5-1-2025	475,000	492,813
<i>W.R. Berkley Corporation</i>	4.63	3-15-2022	650,000	697,593
				11,032,147

**Health Care: 5.70%**

**Biotechnology: 0.16%**

<i>Amgen Incorporated</i>	3.63	5-15-2022	750,000	783,042
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**Health Care Equipment & Supplies: 1.12%**

<i>Hill-Rom Holdings Incorporated 144A</i>	5.00	2-15-2025	400,000	409,000
<i>Hill-Rom Holdings Incorporated 144A</i>	5.75	9-1-2023	200,000	210,500

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

**Table of Contents**

16 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

Security name	Interest rate	Maturity date	Principal	Value
<b>Health Care Equipment &amp; Supplies</b>				
(continued)				
<i>Hologic Incorporated 144A</i>	4.38%	10-15-2025	\$ 700,000	\$ 711,200
<i>Hologic Incorporated 144A</i>	5.25	7-15-2022	670,000	699,313
<i>Kinetics Concepts Incorporated 144A</i>	7.88	2-15-2021	1,425,000	1,485,563
<i>Surgery Center Holdings Incorporated 144A</i>	6.75	7-1-2025	500,000	456,250
<i>Surgery Center Holdings Incorporated 144A</i>	8.88	4-15-2021	1,575,000	1,610,438
				5,582,264
<b>Health Care Providers &amp; Services: 3.81%</b>				
<i>Acadia Healthcare Company Incorporated</i>	6.50	3-1-2024	190,000	200,213
<i>Community Health Systems Incorporated</i>	6.25	3-31-2023	390,000	374,400
<i>Coventry Health Care Incorporated</i>	5.45	6-15-2021	750,000	820,846
<i>Express Scripts Holding Company</i>	3.90	2-15-2022	665,000	695,989
<i>HCA Incorporated</i>	6.50	2-15-2020	1,400,000	1,508,500
<i>HealthSouth Corporation</i>	5.75	9-15-2025	575,000	592,969
<i>Humana Incorporated</i>	7.20	6-15-2018	750,000	774,820
<i>Mednax Incorporated 144A</i>	5.25	12-1-2023	475,000	494,000
<i>MPH Acquisition Holdings LLC 144A</i>	7.13	6-1-2024	1,750,000	1,883,438
<i>MPT Operating Partnership LP</i>	5.00	10-15-2027	1,100,000	1,130,250
<i>MPT Operating Partnership LP</i>	5.25	8-1-2026	1,250,000	1,301,475
<i>MPT Operating Partnership LP</i>	6.38	3-1-2024	110,000	118,938
<i>Select Medical Corporation</i>	6.38	6-1-2021	3,050,000	3,137,688
<i>Tenet Healthcare Corporation 144A</i>	4.63	7-15-2024	436,000	428,915
<i>Tenet Healthcare Corporation</i>	6.00	10-1-2020	1,475,000	1,548,750
<i>Vizient Incorporated 144A</i>	10.38	3-1-2024	3,550,000	4,047,000
				19,058,191
<b>Health Care Technology: 0.30%</b>				
<i>Change Healthcare Holdings Incorporated 144A</i>	5.75	3-1-2025	1,200,000	1,227,000
<i>Quintiles IMS Holdings Incorporated 144A</i>	5.00	10-15-2026	225,000	239,063
				1,466,063



**Life Sciences Tools & Services: 0.16%**

<i>Life Technologies Corporation</i>	6.00	3-1-2020	750,000	813,570
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**Pharmaceuticals: 0.15%**

<i>Watson Pharmaceuticals Incorporated</i>	3.25	10-1-2022	750,000	762,096
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**Industrials: 3.07%**

**Aerospace & Defense: 0.21%**

<i>BAE Systems Holdings Incorporated 144A</i>	3.80	10-7-2024	1,000,000	1,046,494
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**Airlines: 0.35%**

<i>Aviation Capital Group Corporation 144A</i>	6.75	4-6-2021	1,100,000	1,241,294
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<i>Delta Air Lines Incorporated</i>	4.75	11-7-2021	469,889	491,067
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1,732,361

**Commercial Services & Supplies: 2.19%**

<i>Advanced Disposal Services Incorporated 144A</i>	5.63	11-15-2024	1,750,000	1,820,000
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<i>Aramark Services Incorporated</i>	5.13	1-15-2024	420,000	444,150
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The accompanying notes are an integral part of these financial statements.

**Table of Contents**

Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 17

Security name	Interest rate	Maturity date	Principal	Value
<b>Commercial Services &amp; Supplies (continued)</b>				
<i>Covanta Holding Corporation</i>	5.88%	7-1-2025	\$ 900,000	\$ 891,000
<i>Covanta Holding Corporation</i>	5.88	3-1-2024	1,485,000	1,488,713
<i>Covanta Holding Corporation</i>	6.38	10-1-2022	1,500,000	1,548,750
<i>KAR Auction Services Incorporated 144A</i>	5.13	6-1-2025	3,200,000	3,312,000
<i>Multi-Color Corporation 144A</i>	4.88	11-1-2025	25,000	25,250
<i>Plastipak Holdings Incorporated 144A</i>	6.25	10-15-2025	400,000	407,500
<i>Republic Services Incorporated</i>	3.55	6-1-2022	750,000	779,870
<i>Wrangler Buyer Corporation 144A</i>	6.00	10-1-2025	250,000	255,625
				10,972,858
<b>Professional Services: 0.17%</b>				
<i>Ascent Capital Group Incorporated</i>	4.00	7-15-2020	375,000	294,375
<i>Verisk Analytics Incorporated</i>	5.80	5-1-2021	530,000	582,391
				876,766
<b>Road &amp; Rail: 0.13%</b>				
<i>TTX Company 144A</i>	2.60	6-15-2020	650,000	650,745
<b>Trading Companies &amp; Distributors: 0.02%</b>				
<i>International Lease Finance Corporation 144A</i>	7.13	9-1-2018	75,000	78,131
<b>Information Technology: 6.26%</b>				
<b>Communications Equipment: 0.33%</b>				
<i>CommScope Technologies Finance LLC 144A</i>	6.00	6-15-2025	825,000	870,375
<i>Motorola Solutions Incorporated</i>	3.75	5-15-2022	750,000	773,488
				1,643,863
<b>Electronic Equipment, Instruments &amp; Components: 1.26%</b>				
<i>Jabil Circuit Incorporated</i>	8.25	3-15-2018	4,325,000	4,411,500

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<i>Keysight Technologies</i>	4.60	4-6-2027	600,000	640,842
<i>L-3 Communications Corporation</i>	4.95	2-15-2021	750,000	803,562
<i>Zebra Technologies Corporation</i>	7.25	10-15-2022	414,000	437,288
				6,293,192

**Internet Software & Services: 0.77%**

<i>Infor Software Parent LLC</i>	6.50	5-15-2022	550,000	574,640
<i>Infor Software Parent LLC (PIK at 7.88%)</i>				
<i>144A¥</i>	7.13	5-1-2021	550,000	565,125
<i>Zayo Group LLC 144A</i>	5.75	1-15-2027	1,125,000	1,185,469
<i>Zayo Group LLC</i>	6.00	4-1-2023	75,000	78,844
<i>Zayo Group LLC</i>	6.38	5-15-2025	1,325,000	1,426,177
				3,830,255

**IT Services: 1.15%**

<i>Cardtronics Incorporated</i>	5.13	8-1-2022	460,000	469,200
<i>Cardtronics Incorporated 144A</i>	5.50	5-1-2025	940,000	935,300
<i>First Data Corporation 144A</i>	5.00	1-15-2024	1,150,000	1,194,563
<i>First Data Corporation 144A</i>	5.38	8-15-2023	275,000	286,000
<i>First Data Corporation 144A</i>	5.75	1-15-2024	320,000	334,800
<i>First Data Corporation 144A</i>	7.00	12-1-2023	75,000	80,252

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**Table of Contents**

18 Wells Fargo Multi-Sector Income Fund

Portfolio of investments October 31, 2017

Security name	Interest rate	Maturity date	Principal	Value
<b>IT Services (continued)</b>				
<i>Gartner Incorporated 144A</i>	5.13%	4-1-2025	\$ 2,325,000	\$ 2,458,688
				5,758,803
<b>Semiconductors &amp; Semiconductor Equipment: 0.28%</b>				
<i>Micron Technology Incorporated 144A</i>	5.25	8-1-2023	375,000	392,513
<i>Micron Technology Incorporated 144A</i>	5.25	1-15-2024	700,000	735,875
<i>Micron Technology Incorporated</i>	5.50	2-1-2025	256,000	272,000
				1,400,388
<b>Software: 0.17%</b>				
<i>SS&amp;C Technologies Incorporated</i>	5.88	7-15-2023	600,000	633,750
<i>Symantec Corporation 144A</i>	5.00	4-15-2025	200,000	209,000
				842,750
<b>Technology Hardware, Storage &amp; Peripherals: 2.30%</b>				
<i>Diamond 1 Finance Corporation 144A</i>	5.88	6-15-2021	1,000,000	1,047,251
<i>Diamond 1 Finance Corporation 144A</i>	7.13	6-15-2024	4,525,000	4,994,399
<i>Hewlett-Packard Company</i>	4.05	9-15-2022	750,000	791,858
<i>NCR Corporation</i>	5.88	12-15-2021	5,000	5,169
<i>NCR Corporation</i>	6.38	12-15-2023	4,400,000	4,686,264
				11,524,941
<b>Materials: 1.15%</b>				
<b>Chemicals: 0.24%</b>				
<i>Dow Chemical Company</i>	4.13	11-15-2021	750,000	795,025
<i>Valvoline Incorporated 144A</i>	5.50	7-15-2024	375,000	397,500
				1,192,525

**Containers & Packaging: 0.91%**

<i>Ball Corporation</i>	5.25	7-1-2025	190,000	208,763
<i>Berry Plastics Corporation</i>	5.13	7-15-2023	350,000	367,500
<i>Berry Plastics Corporation</i>	6.00	10-15-2022	215,000	227,631
<i>Crown Cork &amp; Seal Company Incorporated</i>	7.38	12-15-2026	35,000	41,125
<i>Owens-Brockway Glass Container Incorporated 144A</i>	5.88	8-15-2023	325,000	356,688
<i>Owens-Illinois Incorporated 144A</i>	6.38	8-15-2025	2,950,000	3,333,500
				4,535,207

**Metals & Mining: 0.00%**

<i>Indalex Holdings Corporation (a)</i>	11.50	2-1-2020	3,170,000	0
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**Real Estate: 3.22%****Equity REITs: 3.22%**

<i>Alexandria Real Estate Company</i>	4.60	4-1-2022	650,000	693,296
<i>American Tower Corporation</i>	5.90	11-1-2021	650,000	727,861
<i>DDR Corporation</i>	4.70	6-1-2027	600,000	623,127
<i>Equinix Incorporated</i>	5.88	1-15-2026	425,000	460,594
<i>ESH Hospitality Incorporated 144A</i>	5.25	5-1-2025	1,550,000	1,602,313
<i>Essex Portfolio LP</i>	3.63	8-15-2022	750,000	776,478

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

**Table of Contents**

Portfolio of investments October 31, 2017

Wells Fargo Multi-Sector Income Fund 19

Security name	Interest rate	Maturity date	Principal	Value
<b>Equity REITs (continued)</b>				
<i>Iron Mountain Incorporated 144A</i>	5.38%	6-1-2026	\$ 150,000	\$ 156,750
<i>Iron Mountain Incorporated</i>	6.00	8-15-2023	2,960,000	3,115,400
<i>MGM Growth Properties LLC 144A</i>	4.50	1-15-2028	400,000	399,000
<i>Omega HealthCare Investors Incorporated</i>	4.50	4-1-2027	600,000	596,550
<i>Sabra Health Care REIT Incorporated</i>	5.38	6-1-2023	900,000	929,250
<i>Sabra Health Care REIT Incorporated</i>	5.50	2-1-2021	1,100,000	1,134,375
<i>The Geo Group Incorporated</i>	5.13	4-1-2023	800,000	814,000
<i>The Geo Group Incorporated</i>	5.88	1-15-2022	1,565,000	1,617,819
<i>The Geo Group Incorporated</i>	5.88	10-15-2024	840,000	878,052
<i>The Geo Group Incorporated</i>	6.00	4-15-2026	184,000	192,280
<i>Ventas Realty LP</i>	4.25	3-1-2022	650,000	686,082
<i>Welltower Incorporated</i>	5.25	1-15-2022	650,000	713,363
				16,116,590

**Telecommunication Services: 3.65%****Diversified Telecommunication Services:  
1.14%**

<i>AT&amp;T Incorporated</i>	3.80	3-15-2022	750,000	789,536
<i>GCI Incorporated</i>	6.75	6-1-2021	1,000,000	1,025,000
<i>Level 3 Financing Incorporated</i>	5.13	5-1-2023	975,000	998,156
<i>Level 3 Financing Incorporated</i>	5.25	3-15-2026	650,000	671,743
<i>Level 3 Financing Incorporated</i>	5.38	8-15-2022	300,000	309,084
<i>Level 3 Financing Incorporated</i>	5.38	1-15-2024	700,000	727,125
<i>Level 3 Financing Incorporated</i>	5.38	5-1-2025	625,000	653,125
<i>Level 3 Financing Incorporated</i>	5.63	2-1-2023	350,000	361,375
<i>Level 3 Financing Incorporated</i>	6.13	1-15-2021	175,000	178,521
				5,713,665

**Wireless Telecommunication Services:  
2.51%**

<i>Crown Castle Towers LLC 144A</i>	6.11	1-15-2040	750,000	797,889
<i>SBA Communications Corporation 144A</i>	4.00	10-1-2022	800,000	812,000
<i>SBA Communications Corporation</i>	4.88	7-15-2022	640,000	660,800

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<i>SBA Communications Corporation</i>	4.88	9-1-2024	500,000	513,750
<i>Sprint Capital Corporation</i>	6.88	11-15-2028	3,925,000	4,187,484
<i>Sprint Capital Corporation</i>	8.75	3-15-2032	625,000	757,813
<i>Sprint Communications Incorporated</i>	7.00	8-15-2020	225,000	243,000
<i>T-Mobile USA Incorporated</i>	4.00	4-15-2022	650,000	672,344
<i>T-Mobile USA Incorporated</i>	5.13	4-15-2025	425,000	445,060
<i>T-Mobile USA Incorporated</i>	5.38	4-15-2027	225,000	243,563
<i>T-Mobile USA Incorporated</i>	6.00	3-1-2023	300,000	316,125
<i>T-Mobile USA Incorporated</i>	6.13	1-15-2022	85,000	88,400
<i>T-Mobile USA Incorporated</i>	6.38	3-1-2025	825,000	891,000
<i>T-Mobile USA Incorporated</i>	6.50			