

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 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		
	Interest rate	Maturity date	Principal	
<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	\$ 6,375,000	6,781,374
<i>Cooper Tire &amp; Rubber Company</i>	7.63	3-15-27	4,455,000	4,538,531
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12-15-19	150,000	168,188
<i>Goodyear Tire &amp; Rubber Company</i>	7.00	5-15-22	700,000	734,125
<i>Penske Automotive Group Incorporated 144A</i>	5.75	10-1-22	250,000	254,688
<i>United Rentals Financing Escrow Corporation 144A</i>	5.75	7-15-18	2,675,000	2,875,625
				15,352,531
<b>Diversified Consumer Services: 2.73%</b>				
<i>Service Corporation International</i>	6.75	4-1-16	1,250,000	1,390,625
<i>Service Corporation International</i>	7.00	6-15-17	1,250,000	1,431,250
<i>Service Corporation International</i>	7.00	5-15-19	1,125,000	1,231,875
<i>Service Corporation International</i>	7.50	4-1-27	9,376,000	9,985,440
<i>Service Corporation International</i>	7.63	10-1-18	1,100,000	1,300,750
<i>Service Corporation International</i>	8.00	11-15-21	885,000	1,086,338
<i>Sotheby's 144A</i>	5.25	10-1-22	2,755,000	2,796,325
				19,222,603
<b>Hotels, Restaurants &amp; Leisure: 7.59%</b>				
<i>Ameristar Casinos Incorporated</i>	7.50	4-15-21	5,502,000	5,887,140
<i>Burger King Corporation</i>	9.88	10-15-18	1,600,000	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
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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>				