

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

Form N-Q

September 26, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-21269

Wells Fargo Advantage Income Opportunities Fund

(Exact name of registrant as specified in charter)

525 Market Street, 12th Floor, San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

C. David Messman

Wells Fargo Funds Management, LLC

525 Market Street, 12th Floor, San Francisco, CA 94105

(Name and address of agent for service)

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

Date of fiscal year end: **April 30, 2012**

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

ITEM 1. PORTFOLIO OF INVESTMENTS

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WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

| Security Name | Shares | Value |
|---|---------|----------|
| Common Stocks : 0.12% | | |
| Consumer Discretionary : 0.00% | | |
| Hotels, Restaurants & Leisure : 0.00% | | |
| <i>Trump Entertainment Resorts Incorporated (i)</i> | 2,149 | \$ 8,596 |
| Telecommunication Services : 0.12% | | |
| Diversified Telecommunication Services : 0.12% | | |
| <i>Fairpoint Communications Incorporated</i> | 134,375 | 821,032 |
| Total Common Stocks (Cost \$3,109,765) | | 829,628 |

| | Interest Rate | Maturity Date | Principal | |
|---|---------------|---------------|--------------|------------|
| Corporate Bonds and Notes : 111.42% | | | | |
| Consumer Discretionary : 25.33% | | | | |
| Auto Components : 2.08% | | | | |
| <i>Allison Transmission Incorporated 144A</i> | 7.13% | 05/15/2019 | \$ 6,075,000 | 6,386,344 |
| <i>Cooper Tire & Rubber Company</i> | 7.63 | 03/15/2027 | 4,455,000 | 4,393,744 |
| <i>Cooper Tire & Rubber Company</i> | 8.00 | 12/15/2019 | 150,000 | 160,688 |
| <i>Goodyear Tire & Rubber Company</i> | 7.00 | 05/15/2022 | 700,000 | 714,875 |
| <i>United Rentals Financing Escrow Corporation 144A</i> | 5.75 | 07/15/2018 | 2,675,000 | 2,795,375 |
| | | | | 14,451,026 |

| | | | | |
|--|------|------------|-----------|------------|
| Diversified Consumer Services : 2.89% | | | | |
| <i>Carriage Services Incorporated</i> | 7.88 | 01/15/2015 | 4,055,000 | 4,095,550 |
| <i>Service Corporation International</i> | 6.75 | 04/01/2016 | 1,250,000 | 1,381,250 |
| <i>Service Corporation International</i> | 7.00 | 05/15/2019 | 1,125,000 | 1,223,438 |
| <i>Service Corporation International</i> | 7.50 | 04/01/2027 | 9,376,000 | 9,797,920 |
| <i>Service Corporation International</i> | 7.63 | 10/01/2018 | 1,000,000 | 1,160,000 |
| <i>Service Corporation International</i> | 8.00 | 11/15/2021 | 880,000 | 1,036,200 |
| <i>Service Corporation International</i> | 7.00 | 06/15/2017 | 1,250,000 | 1,421,875 |
| | | | | 20,116,233 |

| | | | | |
|---|-------|------------|-----------|------------|
| Hotels, Restaurants & Leisure : 7.71% | | | | |
| <i>Ameristar Casinos Incorporated</i> | 7.50 | 04/15/2021 | 5,502,000 | 5,928,405 |
| <i>Burger King Corporation</i> | 9.88 | 10/15/2018 | 1,600,000 | 1,834,000 |
| <i>CCM Merger Incorporated 144A</i> | 9.13 | 05/01/2019 | 6,890,000 | 6,993,350 |
| <i>Chukchansi Economic Development Authority 144A ±</i> | 9.75 | 05/30/2020 | 2,399,000 | 1,775,260 |
| <i>CityCenter Holdings LLC</i> | 7.63 | 01/15/2016 | 350,000 | 368,813 |
| <i>CityCenter Holdings LLC 144A</i> | 7.63 | 01/15/2016 | 1,700,000 | 1,787,125 |
| <i>CityCenter Holdings LLC ¥</i> | 10.75 | 01/15/2017 | 3,471,305 | 3,657,888 |
| <i>Dineequity Incorporated</i> | 9.50 | 10/30/2018 | 8,475,000 | 9,364,875 |
| <i>Greektown Superholdings Incorporated Series A</i> | 13.00 | 07/01/2015 | 6,812,000 | 7,408,050 |
| <i>Greektown Superholdings Incorporated Series B</i> | 13.00 | 07/01/2015 | 1,475,000 | 1,604,063 |
| <i>NAI Entertainment Holdings LLC 144A</i> | 8.25 | 12/15/2017 | 3,510,000 | 3,904,875 |
| <i>Penn National Gaming Incorporated</i> | 8.75 | 08/15/2019 | 1,499,000 | 1,658,269 |
| <i>Ruby Tuesday Incorporated 144A</i> | 7.63 | 05/15/2020 | 3,700,000 | 3,325,375 |
| <i>Scientific Games Corporation</i> | 9.25 | 06/15/2019 | 1,130,000 | 1,245,825 |
| <i>Speedway Motorsports Incorporated</i> | 6.75 | 02/01/2019 | 450,000 | 473,625 |
| <i>Speedway Motorsports Incorporated</i> | 8.75 | 06/01/2016 | 2,075,000 | 2,251,375 |
| | | | | 53,581,173 |

| | | | | |
|-----------------------------------|--|--|--|--|
| Household Durables : 0.15% | | | | |
|-----------------------------------|--|--|--|--|

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American Greetings Corporation

7.38

12/01/2021

950,000

1,007,000

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PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|--|---------------|---------------|--------------|--------------|
| Media : 10.89% | | | | |
| <i>Cablevision Systems Corporation</i> | 8.63% | 09/15/2017 | \$ 2,975,000 | \$ 3,398,938 |
| <i>CCH II Capital Corporation</i> | 13.50 | 11/30/2016 | 12,981,015 | 14,376,474 |
| <i>CCO Holdings LLC</i> | 6.50 | 04/30/2021 | 1,525,000 | 1,650,813 |
| <i>CCO Holdings LLC</i> | 7.00 | 01/15/2019 | 2,075,000 | 2,277,313 |
| <i>CCO Holdings LLC</i> | 7.88 | 04/30/2018 | 300,000 | 327,375 |
| <i>CCO Holdings LLC</i> | 8.13 | 04/30/2020 | 746,000 | 842,980 |
| <i>Cinemark USA Incorporated</i> | 7.38 | 06/15/2021 | 1,525,000 | 1,692,750 |
| <i>Cinemark USA Incorporated</i> | 8.63 | 06/15/2019 | 1,100,000 | 1,226,500 |
| <i>CSC Holdings LLC</i> | 7.63 | 07/15/2018 | 650,000 | 736,125 |
| <i>CSC Holdings LLC</i> | 7.88 | 02/15/2018 | 1,650,000 | 1,885,125 |
| <i>CSC Holdings LLC</i> | 8.50 | 04/15/2014 | 200,000 | 220,500 |
| <i>DISH DBS Corporation</i> | 7.88 | 09/01/2019 | 2,260,000 | 2,627,250 |
| <i>EchoStar DBS Corporation</i> | 7.13 | 02/01/2016 | 1,160,000 | 1,280,350 |
| <i>EchoStar DBS Corporation</i> | 7.75 | 05/31/2015 | 650,000 | 727,188 |
| <i>Gray Television Incorporated</i> | 10.50 | 06/29/2015 | 9,133,000 | 9,680,980 |
| <i>Lamar Media Corporation</i> | 5.88 | 02/01/2022 | 1,175,000 | 1,239,625 |
| <i>Lamar Media Corporation</i> | 7.88 | 04/15/2018 | 3,925,000 | 4,356,750 |
| <i>Lamar Media Corporation Series C</i> | 9.75 | 04/01/2014 | 925,000 | 1,037,156 |
| <i>LIN Television Corporation</i> | 8.38 | 04/15/2018 | 3,475,000 | 3,605,313 |
| <i>Local TV Finance LLC 144A</i> | 9.25 | 06/15/2015 | 7,825,000 | 7,981,500 |
| <i>National CineMedia LLC 144A</i> | 6.00 | 04/15/2022 | 1,725,000 | 1,785,375 |
| <i>National CineMedia LLC</i> | 7.88 | 07/15/2021 | 1,150,000 | 1,239,125 |
| <i>Regal Cinemas Corporation</i> | 8.63 | 07/15/2019 | 5,500,000 | 6,146,250 |
| <i>Salem Communications Corporation</i> | 9.63 | 12/15/2016 | 4,573,000 | 5,064,598 |
| <i>Sirius XM Radio Incorporated 144A</i> | 9.75 | 09/01/2015 | 250,000 | 263,594 |
| | | | | 7,669,947 |
| Specialty Retail : 1.62% | | | | |
| <i>Gap Incorporated</i> | 5.95 | 04/12/2021 | 1,175,000 | 1,242,121 |
| <i>Limited Brands Incorporated</i> | 6.63 | 04/01/2021 | 925,000 | 1,027,906 |
| <i>RadioShack Corporation</i> | 6.75 | 05/15/2019 | 3,925,000 | 2,512,000 |
| <i>Rent-A-Center Incorporated</i> | 6.63 | 11/15/2020 | 700,000 | 755,125 |
| <i>Toys R Us Property Company LLC</i> | 10.75 | 07/15/2017 | 1,225,000 | 1,353,625 |
| <i>Toys R Us Property Company LLC</i> | 8.50 | 12/01/2017 | 4,025,000 | 4,347,000 |
| | | | | 11,237,777 |
| Consumer Staples : 1.32% | | | | |
| Food Products : 1.32% | | | | |
| <i>B&G Foods Incorporated</i> | 7.63 | 01/15/2018 | 405,000 | 437,400 |
| <i>Dole Food Company Incorporated</i> | 13.88 | 03/15/2014 | 3,075,000 | 3,474,750 |
| <i>Smithfield Foods Incorporated</i> | 10.00 | 07/15/2014 | 4,465,000 | 5,257,538 |
| | | | | 9,169,688 |
| Energy : 17.94% | | | | |
| Energy Equipment & Services : 6.74% | | | | |
| <i>Bristow Group Incorporated</i> | 7.50 | 09/15/2017 | 3,210,000 | 3,330,375 |
| <i>Dresser Rand Group Incorporated</i> | 6.50 | 05/01/2021 | 1,825,000 | 1,916,250 |
| <i>Gulfmark Offshore Incorporated 144A</i> | 6.38 | 03/15/2022 | 3,475,000 | 3,553,188 |
| <i>Hornbeck Offshore Services Incorporated Series B 144A</i> | 5.88 | 04/01/2020 | 750,000 | 750,000 |
| <i>Hornbeck Offshore Services Incorporated Series B</i> | 8.00 | 09/01/2017 | 4,920,000 | 5,264,400 |
| <i>NGPL PipeCo LLC 144A</i> | 7.12 | 12/15/2017 | 625,000 | 642,188 |
| <i>NGPL PipeCo LLC 144A</i> | 7.77 | 12/15/2037 | 4,575,000 | 4,483,500 |

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|--|------|------------|-----------|-----------|
| <i>NGPL PipeCo LLC 144A</i> | 9.63 | 06/01/2019 | 4,250,000 | 4,621,875 |
| <i>Oil States International Incorporated</i> | 6.50 | 06/01/2019 | 3,354,000 | 3,530,085 |
| <i>PHI Incorporated</i> | 8.63 | 10/15/2018 | 5,725,000 | 5,911,063 |
| <i>Pride International Incorporated</i> | 8.50 | 06/15/2019 | 210,000 | 276,199 |
| <i>Rockies Express Pipeline LLC 144A</i> | 3.90 | 04/15/2015 | 3,475,000 | 3,388,125 |
| <i>Rockies Express Pipeline LLC 144A</i> | 5.63 | 04/15/2020 | 700,000 | 665,000 |

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WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|--|---------------|---------------|--------------|--------------|
| Energy Equipment & Services (continued) | | | | |
| Rockies Express Pipeline LLC 144A | 6.88% | 04/15/2040 | \$ 8,035,000 | \$ 7,251,588 |
| Rockies Express Pipeline LLC 144A | 7.50 | 07/15/2038 | 1,350,000 | 1,279,125 |
| | | | | 46,862,961 |
| Oil, Gas & Consumable Fuels : 11.20% | | | | |
| Coffeyville Resources Incorporated 144A | 9.00 | 04/01/2015 | 1,947,000 | 2,068,688 |
| Crestwood Midstream Partners LP | 7.75 | 04/01/2019 | 1,350,000 | 1,370,250 |
| Denbury Resources Incorporated | 6.38 | 08/15/2021 | 700,000 | 750,750 |
| Denbury Resources Incorporated | 8.25 | 02/15/2020 | 2,975,000 | 3,346,875 |
| El Paso Corporation | 6.50 | 09/15/2020 | 1,155,000 | 1,295,863 |
| El Paso Corporation | 7.00 | 06/15/2017 | 2,938,000 | 3,367,280 |
| El Paso Corporation | 7.25 | 06/01/2018 | 3,149,000 | 3,633,467 |
| El Paso Corporation | 7.42 | 02/15/2037 | 1,820,000 | 1,952,787 |
| El Paso Corporation | 7.80 | 08/01/2031 | 3,050,000 | 3,551,127 |
| Encore Acquisition Company | 9.50 | 05/01/2016 | 700,000 | 766,500 |
| Energy Transfer Equity LP | 7.50 | 10/15/2020 | 5,950,000 | 6,797,875 |
| Ferrellgas Finance Corporation | 9.13 | 10/01/2017 | 4,925,000 | 5,269,750 |
| Griffin Coal Mining Company Limited (s) | 9.50 | 12/01/2016 | 652,804 | 554,067 |
| Holly Corporation | 9.88 | 06/15/2017 | 4,265,000 | 4,723,488 |
| Inergy LP | 6.88 | 08/01/2021 | 824,000 | 846,660 |
| Inergy LP | 7.00 | 10/01/2018 | 950,000 | 980,875 |
| Petrohawk Energy Corporation | 7.88 | 06/01/2015 | 2,045,000 | 2,126,800 |
| Petrohawk Energy Corporation | 10.50 | 08/01/2014 | 1,065,000 | 1,174,333 |
| Pioneer Natural Resource Company | 7.50 | 01/15/2020 | 3,170,000 | 3,941,955 |
| Plains Exploration & Production Company | 8.63 | 10/15/2019 | 6,380,000 | 7,177,500 |
| Regency Energy Partners | 6.88 | 12/01/2018 | 475,000 | 508,250 |
| Sabine Pass LNG LP | 7.25 | 11/30/2013 | 4,940,000 | 5,137,600 |
| Sabine Pass LNG LP | 7.50 | 11/30/2016 | 8,525,000 | 8,983,219 |
| Ship Finance International Limited | 8.50 | 12/15/2013 | 2,250,000 | 2,238,750 |
| Suburban Propane Partners LP | 7.38 | 03/15/2020 | 575,000 | 603,750 |
| Susser Holdings LLC | 8.50 | 05/15/2016 | 2,000,000 | 2,180,000 |
| Tesoro Corporation | 9.75 | 06/01/2019 | 2,185,000 | 2,479,975 |
| | | | | 77,828,434 |
| Financials : 26.68% | | | | |
| Capital Markets : 1.96% | | | | |
| E*TRADE Financial Corporation | 12.50 | 11/30/2017 | 9,741,000 | 11,153,445 |
| Oppenheimer Holdings Incorporated | 8.75 | 04/15/2018 | 2,500,000 | 2,437,500 |
| | | | | 13,590,945 |
| Commercial Banks : 2.90% | | | | |
| CIT Group Incorporated 144A | 4.75 | 02/15/2015 | 3,475,000 | 3,614,372 |
| CIT Group Incorporated | 5.00 | 05/15/2017 | 425,000 | 444,125 |
| CIT Group Incorporated 144A | 5.25 | 04/01/2014 | 7,275,000 | 7,584,188 |
| CIT Group Incorporated | 5.25 | 03/15/2018 | 875,000 | 926,406 |
| CIT Group Incorporated 144A | 5.50 | 02/15/2019 | 2,225,000 | 2,347,375 |
| Emigrant Bancorp Incorporated 144A(i) | 6.25 | 06/15/2014 | 5,725,000 | 5,262,620 |
| | | | | 20,179,086 |
| Consumer Finance : 14.49% | | | | |
| Ally Financial Incorporated | 5.50 | 02/15/2017 | 1,325,000 | 1,380,673 |
| Ally Financial Incorporated | 6.75 | 12/01/2014 | 2,344,000 | 2,528,590 |

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| | | | | |
|---|------|------------|-----------|-----------|
| <i>Ally Financial Incorporated</i> | 6.88 | 08/28/2012 | 2,862,000 | 2,867,724 |
| <i>Ally Financial Incorporated</i> | 7.50 | 12/31/2013 | 6,855,000 | 7,376,254 |
| <i>Ally Financial Incorporated</i> | 8.30 | 02/12/2015 | 8,820,000 | 9,801,225 |
| <i>American General Finance Corporation</i> | 5.40 | 12/01/2015 | 2,800,000 | 2,408,000 |
| <i>American General Finance Corporation</i> | 5.75 | 09/15/2016 | 2,325,000 | 1,918,125 |
| <i>American General Finance Corporation</i> | 6.50 | 09/15/2017 | 550,000 | 446,875 |

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PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|--|---------------|---------------|--------------|--------------|
| Consumer Finance (continued) | | | | |
| <i>Clearwire Communications Finance Corporation 144A</i> | 12.00% | 12/01/2015 | \$ 5,420,000 | \$ 5,110,500 |
| <i>Ford Motor Credit Company LLC</i> | 7.00 | 10/01/2013 | 500,000 | 531,889 |
| <i>Ford Motor Credit Company LLC</i> | 8.00 | 12/15/2016 | 200,000 | 236,446 |
| <i>General Motors Financial Company</i> | 6.75 | 06/01/2018 | 2,325,000 | 2,560,506 |
| <i>Homer City Funding LLC</i> | 8.73 | 10/01/2026 | 2,817,836 | 2,712,167 |
| <i>International Lease Finance Corporation</i> | 6.38 | 03/25/2013 | 865,000 | 886,625 |
| <i>International Lease Finance Corporation 144A</i> | 6.75 | 09/01/2016 | 2,200,000 | 2,414,500 |
| <i>International Lease Finance Corporation 144A</i> | 7.13 | 09/01/2018 | 300,000 | 339,375 |
| <i>International Lease Finance Corporation</i> | 8.63 | 09/15/2015 | 1,700,000 | 1,916,750 |
| <i>JBS USA Finance Incorporated</i> | 11.63 | 05/01/2014 | 8,465,000 | 9,597,194 |
| <i>Level 3 Financing Incorporated</i> | 10.00 | 02/01/2018 | 4,555,000 | 4,976,338 |
| <i>Nielsen Finance LLC Company</i> | 11.50 | 05/01/2016 | 1,170,000 | 1,316,250 |
| <i>Nielson Finance LLC Company</i> | 7.75 | 10/15/2018 | 11,270,000 | 12,678,750 |
| <i>Springleaf Finance Corporation</i> | 6.90 | 12/15/2017 | 7,050,000 | 5,745,750 |
| <i>Sprint Capital Corporation</i> | 6.88 | 11/15/2028 | 16,375,000 | 14,696,563 |
| <i>Sprint Capital Corporation</i> | 8.75 | 03/15/2032 | 6,270,000 | 6,254,325 |
| | | | | 100,701,394 |
| Diversified Financial Services : 4.38% | | | | |
| <i>Dolphin Subsidiary II Incorporated 144A</i> | 7.25 | 10/15/2021 | 4,700,000 | 5,346,250 |
| <i>Hub International Holdings Incorporated 144A</i> | 10.25 | 06/15/2015 | 6,650,000 | 6,683,250 |
| <i>Neuberger Berman Group 144A</i> | 5.63 | 03/15/2020 | 900,000 | 942,750 |
| <i>Neuberger Berman Group 144A</i> | 5.88 | 03/15/2022 | 1,125,000 | 1,189,688 |
| <i>Nuveen Investments Incorporated</i> | 5.50 | 09/15/2015 | 5,800,000 | 5,220,000 |
| <i>Nuveen Investments Incorporated</i> | 10.50 | 11/15/2015 | 7,795,000 | 7,911,925 |
| <i>USI Holdings Corporation ±144A</i> | 4.34 | 11/15/2014 | 1,175,000 | 1,104,500 |
| <i>USI Holdings Corporation 144A</i> | 9.75 | 05/15/2015 | 2,055,000 | 2,075,550 |
| | | | | 30,473,913 |
| Real Estate Management & Development : 0.45% | | | | |
| <i>Ashtead Capital Incorporated 144A</i> | 6.50 | 07/15/2022 | 3,025,000 | 3,146,000 |
| REITs : 2.50% | | | | |
| <i>Dupont Fabros Technology Incorporated</i> | 8.50 | 12/15/2017 | 11,580,000 | 12,766,950 |
| <i>Host Hotels & Resorts Incorporated</i> | 9.00 | 05/15/2017 | 490,000 | 540,225 |
| <i>Omega Healthcare Investors Incorporated 144A</i> | 5.88 | 03/15/2024 | 325,000 | 347,750 |
| <i>Omega Healthcare Investors Incorporated</i> | 6.75 | 10/15/2022 | 3,375,000 | 3,729,375 |
| | | | | 17,384,300 |
| Health Care : 5.39% | | | | |
| Health Care Equipment & Supplies : 0.53% | | | | |
| <i>Biomet Incorporated ¥</i> | 10.38 | 10/15/2017 | 1,215,000 | 1,300,050 |
| <i>Fresenius Medical Care Incorporated</i> | 6.88 | 07/15/2017 | 700,000 | 796,250 |
| <i>Hologic Incorporated 144A</i> | 6.25 | 08/01/2020 | 1,495,000 | 1,580,963 |
| | | | | 3,677,263 |
| Health Care Providers & Services : 4.17% | | | | |
| <i>Apria Healthcare Group Incorporated</i> | 11.25 | 11/01/2014 | 1,340,000 | 1,400,300 |
| <i>Aviv Healthcare Incorporated</i> | 7.75 | 02/15/2019 | 3,725,000 | 3,850,719 |
| <i>Centene Corporation</i> | 5.75 | 06/01/2017 | 1,925,000 | 2,018,844 |
| <i>Community Health Systems Incorporated</i> | 7.13 | 07/15/2020 | 1,325,000 | 1,387,938 |
| <i>Community Health Systems Incorporated</i> | 8.88 | 07/15/2015 | 765,000 | 780,300 |

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|---|------|------------|-----------|-----------|
| <i>Emergency Medical Services Corporation</i> | 8.13 | 06/01/2019 | 800,000 | 851,000 |
| <i>HCA Incorporated</i> | 5.88 | 03/15/2022 | 750,000 | 807,188 |
| <i>HCA Incorporated</i> | 6.50 | 02/15/2020 | 5,675,000 | 6,341,813 |
| <i>HCA Incorporated</i> | 7.50 | 11/15/2095 | 1,350,000 | 1,100,250 |
| <i>HCA Incorporated</i> | 8.50 | 04/15/2019 | 375,000 | 422,578 |

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WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|---|---------------|---------------|------------|------------|
| Health Care Providers & Services (continued) | | | | |
| <i>Health Management Associates Incorporated</i> | 6.13% | 04/15/2016 | \$ 475,000 | \$ 510,031 |
| <i>HealthSouth Corporation</i> | 7.25 | 10/01/2018 | 750,000 | 812,813 |
| <i>HealthSouth Corporation</i> | 7.75 | 09/15/2022 | 750,000 | 815,625 |
| <i>MPT Operating Partnership LP</i> | 6.38 | 02/15/2022 | 775,000 | 802,125 |
| <i>MPT Operating Partnership LP</i> | 6.88 | 05/01/2021 | 3,175,000 | 3,373,438 |
| <i>PSS World Medical Incorporated</i> | 6.38 | 03/01/2022 | 450,000 | 470,250 |
| <i>Sabra Health Care LP</i> | 8.13 | 11/01/2018 | 2,850,000 | 3,063,750 |
| <i>Tenet Healthcare Corporation</i> | 10.00 | 05/01/2018 | 150,000 | 174,000 |
| | | | | 28,982,962 |
| Pharmaceuticals : 0.69% | | | | |
| <i>Mylan Incorporated 144A</i> | 6.00 | 11/15/2018 | 1,300,000 | 1,400,750 |
| <i>Mylan Incorporated 144A</i> | 7.63 | 07/15/2017 | 1,400,000 | 1,561,875 |
| <i>Mylan Incorporated 144A</i> | 7.88 | 07/15/2020 | 1,625,000 | 1,848,438 |
| | | | | 4,811,063 |
| Industrials : 5.67% | | | | |
| Aerospace & Defense : 1.25% | | | | |
| <i>Alliant Techsystems Incorporated</i> | 6.75 | 04/01/2016 | 4,470,000 | 4,581,750 |
| <i>GeoEye Incorporated</i> | 9.63 | 10/01/2015 | 1,140,000 | 1,262,550 |
| <i>L-3 Communications Holdings Incorporated</i> | 6.38 | 10/15/2015 | 1,338,000 | 1,366,433 |
| <i>TransDigm Group Incorporated</i> | 7.75 | 12/15/2018 | 1,300,000 | 1,449,500 |
| | | | | 8,660,233 |
| Commercial Services & Supplies : 2.78% | | | | |
| <i>Casella Waste Systems Incorporated</i> | 11.00 | 07/15/2014 | 4,385,000 | 4,648,100 |
| <i>Corrections Corporation of America</i> | 7.75 | 06/01/2017 | 2,110,000 | 2,285,394 |
| <i>Covanta Holding Corporation</i> | 6.38 | 10/01/2022 | 900,000 | 966,596 |
| <i>Crown Cork & Seal Company Incorporated (i)</i> | 7.50 | 12/15/2096 | 1,225,000 | 1,058,094 |
| <i>Geo Group Incorporated</i> | 7.75 | 10/15/2017 | 2,955,000 | 3,184,013 |
| <i>Interface Incorporated</i> | 7.63 | 12/01/2018 | 300,000 | 321,000 |
| <i>Iron Mountain Incorporated</i> | 8.38 | 08/15/2021 | 3,520,000 | 3,898,400 |
| <i>KAR Holdings Incorporated ±</i> | 4.47 | 05/01/2014 | 3,013,000 | 3,001,701 |
| | | | | 19,363,298 |
| Machinery : 1.03% | | | | |
| <i>Cleaver-Brooks Incorporated 144A</i> | 12.25 | 05/01/2016 | 1,440,000 | 1,537,200 |
| <i>Columbus McKinnon Corporation</i> | 7.88 | 02/01/2019 | 1,575,000 | 1,669,500 |
| <i>CPM Holdings Incorporated</i> | 10.63 | 09/01/2014 | 3,025,000 | 3,206,500 |
| <i>Titan International Incorporated</i> | 7.88 | 10/01/2017 | 700,000 | 724,500 |
| | | | | 7,137,700 |
| Professional Services : 0.52% | | | | |
| <i>Affinia Group Incorporated 144A</i> | 10.75 | 08/15/2016 | 184,000 | 199,410 |
| <i>Interactive Data Corporation</i> | 10.25 | 08/01/2018 | 3,005,000 | 3,403,163 |
| | | | | 3,602,573 |
| Transportation Infrastructure : 0.09% | | | | |
| <i>Overseas Shipholding Group</i> | 7.50 | 02/15/2024 | 1,250,000 | 625,000 |
| Information Technology : 9.20% | | | | |

Communications Equipment : 0.96%

| | | | | |
|--|------|------------|-----------|-----------|
| <i>Allbritton Communications Company</i> | 8.00 | 05/15/2018 | 3,274,000 | 3,478,625 |
| <i>Lucent Technologies Incorporated</i> | 6.45 | 03/15/2029 | 3,100,000 | 1,767,000 |

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PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|---|---------------|---------------|--------------|--------------|
| Communications Equipment (continued) | | | | |
| <i>Seagate Technology Holdings</i> | 6.80% | 10/01/2016 | \$ 1,275,000 | \$ 1,418,438 |
| | | | | 6,664,063 |
| Computers & Peripherals : 0.50% | | | | |
| <i>Seagate HDD Cayman</i> | 6.88 | 05/01/2020 | 650,000 | 701,188 |
| <i>Seagate HDD Cayman</i> | 7.75 | 12/15/2018 | 2,500,000 | 2,768,750 |
| | | | | 3,469,938 |
| Electronic Equipment, Instruments & Components : 2.78% | | | | |
| <i>CDW Financial Corporation</i> | 12.54 | 10/12/2017 | 2,900,000 | 3,110,250 |
| <i>Jabil Circuit Incorporated</i> | 8.25 | 03/15/2018 | 13,532,000 | 16,238,400 |
| | | | | 19,348,650 |
| Internet Software & Services : 0.36% | | | | |
| <i>Equinix Incorporated</i> | 7.00 | 07/15/2021 | 125,000 | 139,063 |
| <i>Equinix Incorporated</i> | 8.13 | 03/01/2018 | 2,125,000 | 2,353,438 |
| | | | | 2,492,501 |
| IT Services : 4.60% | | | | |
| <i>Audatex North America Incorporated 144A</i> | 6.75 | 06/15/2018 | 1,375,000 | 1,467,813 |
| <i>Fidelity National Information Services Incorporated 144A</i> | 5.00 | 03/15/2022 | 500,000 | 527,500 |
| <i>Fidelity National Information Services Incorporated</i> | 7.63 | 07/15/2017 | 550,000 | 607,750 |
| <i>Fidelity National Information Services Incorporated 144A</i> | 7.63 | 07/15/2017 | 325,000 | 357,500 |
| <i>Fidelity National Information Services Incorporated</i> | 7.88 | 07/15/2020 | 2,450,000 | 2,762,375 |
| <i>First Data Corporation 144A</i> | 7.38 | 06/15/2019 | 1,325,000 | 1,382,969 |
| <i>First Data Corporation</i> | 11.25 | 03/31/2016 | 10,125,000 | 9,644,063 |
| <i>SunGard Data Systems Incorporated</i> | 7.38 | 11/15/2018 | 3,750,000 | 3,984,375 |
| <i>SunGard Data Systems Incorporated</i> | 7.63 | 11/15/2020 | 550,000 | 590,563 |
| <i>SunGard Data Systems Incorporated</i> | 10.25 | 08/15/2015 | 7,664,750 | 7,846,788 |
| <i>TW Telecommunications Holdings Incorporated</i> | 8.00 | 03/01/2018 | 1,272,000 | 1,421,460 |
| <i>Unisys Corporation</i> | 12.50 | 01/15/2016 | 185,000 | 197,025 |
| <i>Unisys Corporation 144A</i> | 12.75 | 10/15/2014 | 1,068,000 | 1,153,440 |
| | | | | 31,943,621 |
| Materials : 1.91% | | | | |
| Chemicals : 0.60% | | | | |
| <i>Huntsman International LLC</i> | 5.50 | 06/30/2016 | 2,855,000 | 2,862,138 |
| <i>Solutia Incorporated</i> | 7.88 | 03/15/2020 | 989,000 | 1,169,493 |
| <i>Solutia Incorporated</i> | 8.75 | 11/01/2017 | 100,000 | 113,250 |
| | | | | 4,144,881 |
| Containers & Packaging : 0.61% | | | | |
| <i>Ball Corporation</i> | 5.00 | 03/15/2022 | 475,000 | 502,313 |
| <i>Ball Corporation</i> | 6.75 | 09/15/2020 | 375,000 | 415,313 |
| <i>Crown Americas LLC</i> | 7.63 | 05/15/2017 | 950,000 | 1,030,750 |
| <i>Owens Brockway Glass Container Incorporated</i> | 7.38 | 05/15/2016 | 740,000 | 834,350 |
| <i>Silgan Holdings Incorporated 144A</i> | 5.00 | 04/01/2020 | 1,450,000 | 1,497,125 |
| | | | | 4,279,851 |
| Metals & Mining : 0.00% | | | | |

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| | | | | |
|---|-------|------------|-----------|-----------|
| <i>Indalex Holdings Corporation (s)(i)(a)</i> | 11.50 | 02/01/2014 | 5,985,000 | 1 |
| Paper & Forest Products : 0.70% | | | | |
| <i>Clearwater Paper Corporation</i> | 10.63 | 06/15/2016 | 1,175,000 | 1,310,125 |

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WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|---|---------------|---------------|--------------|--------------|
| Paper & Forest Products (continued) | | | | |
| <i>Georgia-Pacific Corporation</i> | 8.88% | 05/15/2031 | \$ 2,430,000 | \$ 3,566,671 |
| | | | | 4,876,796 |
| Telecommunication Services : 11.07% | | | | |
| Diversified Telecommunication Services : 7.18% | | | | |
| <i>Avaya Incorporated</i> | 9.75 | 11/01/2015 | 1,150,000 | 897,000 |
| <i>Citizens Communications Company</i> | 7.88 | 01/15/2027 | 4,205,000 | 3,773,988 |
| <i>FairPoint Communications Incorporated 144A</i> | 10.88 | 04/01/2017 | 2,550,000 | 2,836,875 |
| <i>Frontier Communications Corporation</i> | 8.13 | 10/01/2018 | 1,980,000 | 2,158,200 |
| <i>Frontier Communications Corporation</i> | 8.25 | 04/15/2017 | 2,380,000 | 2,606,100 |
| <i>Frontier Communications Corporation</i> | 8.50 | 04/15/2020 | 1,000,000 | 1,082,500 |
| <i>GCI Incorporated</i> | 6.75 | 06/01/2021 | 1,075,000 | 1,042,750 |
| <i>GCI Incorporated</i> | 8.63 | 11/15/2019 | 8,675,000 | 9,217,188 |
| <i>Intelsat Jackson Holdings Company</i> | 7.25 | 10/15/2020 | 1,700,000 | 1,814,750 |
| <i>Intelsat Jackson Holdings Company 144A</i> | 7.25 | 10/15/2020 | 1,525,000 | 1,620,313 |
| <i>Qwest Corporation</i> | 7.63 | 08/03/2021 | 440,000 | 470,981 |
| <i>SBA Telecommunications Incorporated 144A</i> | 5.75 | 07/15/2020 | 250,000 | 263,125 |
| <i>SBA Telecommunications Incorporated</i> | 8.00 | 08/15/2016 | 709,000 | 754,376 |
| <i>SBA Telecommunications Incorporated</i> | 8.25 | 08/15/2019 | 543,000 | 604,088 |
| <i>Syniverse Holdings Incorporated</i> | 9.13 | 01/15/2019 | 7,875,000 | 8,603,438 |
| <i>Telesat Canada Incorporated 144A</i> | 6.00 | 05/15/2017 | 1,225,000 | 1,267,875 |
| <i>U.S. West Communications Incorporated</i> | 7.13 | 11/15/2043 | 1,810,000 | 1,814,525 |
| <i>U.S. West Communications Incorporated</i> | 7.25 | 09/15/2025 | 2,755,000 | 3,165,906 |
| <i>Windstream Corporation</i> | 7.88 | 11/01/2017 | 5,380,000 | 5,911,275 |
| | | | | 49,905,253 |
| Wireless Telecommunication Services : 3.89% | | | | |
| <i>CC Holdings LLC 144A</i> | 7.75 | 05/01/2017 | 650,000 | 704,438 |
| <i>Cricket Communications Incorporated</i> | 7.75 | 05/15/2016 | 3,355,000 | 3,556,300 |
| <i>Cricket Communications Incorporated</i> | 7.75 | 10/15/2020 | 3,200,000 | 3,056,000 |
| <i>Crown Castle International Corporation</i> | 7.13 | 11/01/2019 | 165,000 | 181,088 |
| <i>Crown Castle International Corporation</i> | 9.00 | 01/15/2015 | 650,000 | 708,906 |
| <i>Intelsat Limited</i> | 11.25 | 06/15/2016 | 4,265,000 | 4,488,913 |
| <i>iPCS Incorporated ¥</i> | 3.72 | 05/01/2014 | 2,607,559 | 2,561,927 |
| <i>MetroPCS Communications Incorporated</i> | 6.63 | 11/15/2020 | 4,975,000 | 5,024,750 |
| <i>MetroPCS Communications Incorporated</i> | 7.88 | 09/01/2018 | 1,050,000 | 1,113,000 |
| <i>Sprint Nextel Corporation 144A</i> | 9.00 | 11/15/2018 | 750,000 | 875,625 |
| <i>Sprint Nextel Corporation 144A</i> | 11.50 | 11/15/2021 | 1,200,000 | 1,440,000 |
| <i>Sprint Nextel Corporation Series F</i> | 5.95 | 03/15/2014 | 3,315,000 | 3,323,288 |
| | | | | 27,034,235 |
| Utilities : 6.91% | | | | |
| Electric Utilities : 2.65% | | | | |
| <i>Energy Future Holdings Corporation</i> | 10.00 | 12/01/2020 | 150,000 | 165,188 |
| <i>IPALCO Enterprises Incorporated</i> | 5.00 | 05/01/2018 | 1,750,000 | 1,802,500 |
| <i>IPALCO Enterprises Incorporated 144A</i> | 7.25 | 04/01/2016 | 3,528,000 | 3,933,720 |
| <i>Mirant Mid-Atlantic LLC Series C</i> | 10.06 | 12/30/2028 | 7,560,525 | 8,203,169 |
| <i>Otter Tail Corporation</i> | 9.00 | 12/15/2016 | 3,985,000 | 4,323,725 |
| | | | | 18,428,302 |
| Gas Utilities : 0.28% | | | | |

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| | | | | |
|-----------------------------|------|------------|---------|-----------|
| <i>AmeriGas Finance LLC</i> | 6.75 | 05/20/2020 | 900,000 | 951,750 |
| <i>AmeriGas Finance LLC</i> | 7.00 | 05/20/2022 | 925,000 | 982,813 |
| | | | | 1,934,563 |

Independent Power Producers & Energy Traders : 3.98%

| | | | | |
|--|------|------------|-----------|-----------|
| <i>Calpine Construction Finance Corporation 144A</i> | 8.00 | 06/01/2016 | 2,700,000 | 2,926,125 |
|--|------|------------|-----------|-----------|

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PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|---|---------------|---------------|--------------|---------------|
| Independent Power Producers & Energy Traders (continued) | | | | |
| <i>Calpine Corporation 144A</i> | 7.25% | 10/15/2017 | \$ 9,694,000 | \$ 10,493,755 |
| <i>NRG Energy Incorporated</i> | 7.38 | 01/15/2017 | 6,050,000 | 6,276,875 |
| <i>NRG Energy Incorporated</i> | 8.50 | 06/15/2019 | 3,675,000 | 3,932,250 |
| <i>RRI Energy Incorporated</i> | 7.63 | 06/15/2014 | 1,020,000 | 1,086,300 |
| <i>RRI Energy Incorporated</i> | 9.24 | 07/02/2017 | 2,021,662 | 2,112,637 |
| <i>RRI Energy Incorporated</i> | 9.68 | 07/02/2026 | 780,000 | 819,000 |
| | | | | 27,646,942 |
| Total Corporate Bonds and Notes (Cost \$737,395,756) | | | | 774,429,566 |

| | Dividend Yield | Shares |
|--|----------------|-----------|
| Preferred Stocks : 0.19% | | |
| Financials : 0.19% | | |
| Consumer Finance : 0.19% | | |
| <i>GMAC Capital Trust ±</i> | 8.13 | 53,000 |
| | | 1,292,140 |
| Total Preferred Stocks (Cost \$1,325,000) | | 1,292,140 |

| | Interest Rate | Principal |
|--|---------------|------------|
| Term Loans : 12.02% | | |
| <i>Advantage Sales & Marketing Incorporated</i> | 9.25 | 900,000 |
| | | 895,500 |
| <i>Capital Automotive LP</i> | 5.25 | 6,963,608 |
| | | 6,951,979 |
| <i>CCM Merger Incorporated</i> | 6.00 | 6,296,169 |
| | | 6,222,692 |
| <i>Coinmach Corporation</i> | 3.25 | 6,555,327 |
| | | 6,284,919 |
| <i>Energy Transfer Equity LP</i> | 3.75 | 3,250,000 |
| | | 3,198,553 |
| <i>Fairpoint Communications Incorporated</i> | 6.50 | 5,366,061 |
| | | 4,833,909 |
| <i>Federal Mogul Corporation</i> | 2.18 | 2,576,222 |
| | | 2,446,200 |
| <i>Federal Mogul Corporation</i> | 2.19 | 1,707,201 |
| | | 1,621,039 |
| <i>First Data Corporation B1</i> | 3.00 | 2,867,975 |
| | | 2,783,141 |
| <i>First Data Corporation B2</i> | 3.00 | 5,354,373 |
| | | 5,195,990 |
| <i>First Data Corporation B3</i> | 3.00 | 1,485,523 |
| | | 1,441,581 |
| <i>Focus Brands Incorporated</i> | 10.25 | 2,900,000 |
| | | 2,918,125 |
| <i>Gray Television Incorporated</i> | 3.75 | 1,791,186 |
| | | 1,776,068 |
| <i>HHI Holdings Limited</i> | 7.00 | 2,221,886 |
| | | 2,221,886 |
| <i>Level 3 Financing Incorporated</i> | 2.65 | 1,300,000 |
| | | 1,294,800 |
| <i>Merisant Company (i)</i> | 7.50 | 1,355,162 |
| | | 1,341,611 |
| <i>Newsday LLC</i> | 10.50 | 5,920,000 |
| | | 5,999,565 |
| <i>Panoram Industries International (i)</i> | 8.25 | 416,315 |
| | | 407,989 |
| <i>Springleaf Finance Corporation</i> | 5.50 | 1,350,000 |
| | | 1,288,683 |
| <i>Texas Competitive Electric Holdings Company LLC</i> | 4.75 | 29,862,911 |
| | | 20,782,794 |
| <i>Texas Competitive Electric Holdings Company LLC</i> | 3.75 | 675,000 |
| | | 428,551 |
| <i>United Surgical Partners International</i> | 6.00 | 2,244,375 |
| | | 2,249,986 |
| <i>WASH Multifamily Laundry Systems LLC</i> | 7.00 | 984,655 |
| | | 974,808 |
| Total Term Loans (Cost \$88,426,989) | | 83,560,369 |

Yankee Corporate Bonds and Notes : 4.02%

Consumer Discretionary : 0.73%

Media : 0.73%

| | | | | |
|---------------------------|-------|------------|-----------|-----------|
| <i>Intelsat Limited ¥</i> | 11.50 | 02/04/2017 | 2,650,000 | 2,756,000 |
| <i>Videotron Limited</i> | 5.00 | 07/15/2022 | 500,000 | 522,500 |
| <i>Videotron Limited</i> | 6.38 | 12/15/2015 | 100,000 | 102,250 |
| <i>Videotron Limited</i> | 9.13 | 04/15/2018 | 1,525,000 | 1,666,063 |

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WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

| Security Name | Interest Rate | Maturity Date | Principal | Value |
|---|---------------|---------------|---------------|----------------|
| Energy : 0.58% | | | | |
| Oil, Gas & Consumable Fuels : 0.58% | | | | |
| <i>Griffin Coal Mining Company Limited 144A(s)</i> | 9.50% | 12/01/2016 | \$ 4,769,384 | \$ 4,048,015 |
| Financials : 0.00% | | | | |
| Diversified Financial Services : 0.00% | | | | |
| <i>Preferred Term Securities XII Limited ±(s)(i)</i> | 1.97 | 12/24/2033 | 1,540,000 | 462 |
| Information Technology : 0.11% | | | | |
| Computers & Peripherals : 0.11% | | | | |
| <i>Seagate HDD Cayman Company</i> | 7.00 | 11/01/2021 | 725,000 | 787,531 |
| Materials : 1.01% | | | | |
| Metals & Mining : 0.65% | | | | |
| <i>Novelis Incorporated</i> | 7.25 | 02/15/2015 | 630,000 | 630,000 |
| <i>Novelis Incorporated</i> | 8.38 | 12/15/2017 | 1,100,000 | 1,204,500 |
| <i>Novelis Incorporated</i> | 8.75 | 12/15/2020 | 2,425,000 | 2,691,750 |
| | | | | 4,526,250 |
| Paper & Forest Products : 0.36% | | | | |
| <i>PE Paper Escrow GmbH 144A</i> | 12.00 | 08/01/2014 | 715,000 | 759,402 |
| <i>Sappi Limited 144A</i> | 7.50 | 06/15/2032 | 2,155,000 | 1,756,325 |
| | | | | 2,515,727 |
| Telecommunication Services : 1.59% | | | | |
| Wireless Telecommunication Services : 1.59% | | | | |
| <i>Digicel Group Limited 144A</i> | 12.00 | 04/01/2014 | 870,000 | 967,875 |
| <i>Intelsat Jackson Holdings</i> | 7.25 | 04/01/2019 | 5,475,000 | 5,851,406 |
| <i>Intelsat Jackson Holdings</i> | 7.50 | 04/01/2021 | 2,214,000 | 2,368,980 |
| <i>Wind Acquisition Finance SA 144A</i> | 11.75 | 07/15/2017 | 2,205,000 | 1,830,123 |
| | | | | 11,018,384 |
| Total Yankee Corporate Bonds and Notes (Cost \$26,831,901) | | | | 27,943,182 |
| Short-Term Investments : 3.94% | | | | |
| | Yield | | Shares | |
| Investment Companies : 3.94% | | | | |
| <i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class (l)(u)</i> | 0.16 | | 27,409,174 | 27,409,174 |
| Total Short-Term Investments (Cost \$27,409,174) | | | | 27,409,174 |
| Total Investments in Securities | | | | |
| (Cost \$884,498,585)* | 131.71% | | | 915,464,059 |
| <i>Other Assets and Liabilities, Net</i> | (31.71) | | | (220,381,354) |
| Total Net Assets | 100.00% | | | \$ 695,082,705 |

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± *Variable rate investment*

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

Non-income earning security

¥ *A payment-in-kind (PIK) security is a security in which the issuer may make interest or dividend payments in cash or additional securities. These additional securities generally have the same terms as the original holdings.*

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

- (s) *Security is currently in default with regards to scheduled interest and/or principal payments. The Fund has stopped accruing interest on this security.*
- (i) *Illiquid security*
- (a) *Security is fair valued by the Management Valuation Team, and in certain instances by the Board of Trustees, in accordance with procedures approved by the Board of Trustees.*
- (l) *Investment in an affiliate*
- (u) *Rate shown is the 7-day annualized yield at period end.*
- * *Cost for federal income tax purposes is \$894,130,445 and unrealized appreciation (depreciation) consists of:*

| | |
|--------------------------------------|----------------------|
| <i>Gross unrealized appreciation</i> | <i>\$ 41,185,778</i> |
| <i>Gross unrealized depreciation</i> | <i>(19,852,164)</i> |
| <i>Net unrealized appreciation</i> | <i>\$ 21,333,614</i> |

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND

NOTES TO PORTFOLIO OF INVESTMENTS JULY 31, 2012 (UNAUDITED)

The following notes are to be read in conjunction with the Portfolio of Investments for Wells Fargo Advantage Income Opportunities Fund (the Fund).

Securities valuation

Investments in equity securities are valued each business day as of the close of regular trading on the New York Stock Exchange, which is usually 4:00 p.m. (Eastern Time). Securities which are traded on a national or foreign securities exchange are valued at the last reported sales price, except that securities listed on The Nasdaq Stock Market, Inc. (Nasdaq) are valued at the Nasdaq Official Closing Price (NOCP), and if no NOCP is available, then at the last reported sales price. If no sales price is shown on the Nasdaq, the bid price will be used. In the absence of any sale of securities listed on the Nasdaq, and in the case of other securities (including U.S. Government obligations, but excluding debt securities maturing in 60 days or less), the price will be deemed stale and the valuations will be determined in accordance with the Fund s Valuation Procedures.

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

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

Investments in open-end mutual funds and non-registered investment companies are generally valued at net asset value.

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

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

When-issued transactions

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

Term loans

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

Fair valuation measurements

Fair value measurements of investments are determined within a framework that has established a fair value hierarchy based upon the various data inputs utilized in determining the value of the Fund's investments. The three-level hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to significant unobservable inputs (Level 3). The Fund's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs are summarized into three broad levels as follows:

- Level 1 quoted prices in active markets for identical securities
- Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

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The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

As of July 31, 2012, the inputs used in valuing the Fund's assets, which are carried at fair value, were as follows:

| | Quoted Prices (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|-------------------------------|--|--|-----------------------|
| Investments in Securities | | | | |
| Equity securities | | | | |
| <i>Common stocks</i> | \$ 821,032 | \$ 0 | \$ 8,596 | \$ 829,628 |
| <i>Preferred stocks</i> | 1,292,140 | 0 | 0 | 1,292,140 |
| Corporate bonds and notes | 0 | 774,429,566 | 0 | 774,429,566 |
| Term loans | 0 | 75,762,383 | 7,797,986 | 83,560,369 |
| Yankee corporate bonds and notes | 0 | 27,943,182 | 0 | 27,943,182 |
| Short-term investments | | | | |
| <i>Investment companies</i> | 27,409,174 | 0 | 0 | 27,409,174 |
| | \$ 29,522,346 | \$ 878,135,131 | \$ 7,806,582 | \$ 915,464,059 |

Transfers in and transfers out are recognized at the end of the reporting period. For the three months ended July 31, 2012, the Fund did not have any transfers into/out of Level 1 and Level 2.

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

| | Common stocks | Term Loans | Total |
|---|-------------------|---------------------|---------------------|
| Balance as of April 30, 2012 | \$ 9,671 | \$ 5,611,506 | \$ 5,621,177 |
| Accrued discounts (premiums) | 0 | 4,080 | 4,080 |
| Realized gains (losses) | 0 | 285 | 285 |
| Change in unrealized gains (losses) | (1,075) | (56,036) | (57,111) |
| Purchases | 0 | 0 | 0 |
| Sales | 0 | (11,835) | (11,835) |
| Transfers into Level 3 | 0 | 2,249,986 | 2,249,986 |
| Transfers out of Level 3 | 0 | 0 | 0 |
| Balance as of July 31, 2012 | \$ 8,596 | \$ 7,797,986 | \$ 7,806,582 |
| Change in unrealized gains (losses) relating to securities still held at July 31, 2012 | (\$ 1,075) | (\$ 52,529) | (\$ 53,604) |

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

The following is a list of common abbreviations for terms and entities which may have appeared in the portfolio of investments.

ACB Agricultural Credit Bank

ADR American Depository Receipt

ADS American Depository Shares

AGC-ICC Assured Guaranty Corporation - Insured Custody Certificates

AGM Assured Guaranty Municipal

AMBAC American Municipal Bond Assurance Corporation

AMT Alternative Minimum Tax

AUD Australian Dollar

BAN Bond Anticipation Notes

BHAC Berkshire Hathaway Assurance Corporation

BRL Brazil Real

CAB Capital Appreciation Bond

CAD Canadian Dollar

CCAB Convertible Capital Appreciation Bond

CDA Community Development Authority

CDO Collateralized Debt Obligation

CHF Swiss Franc

COP Certificate of Participation

CR Custody Receipts

DKK Danish Krone

DRIVER Derivative Inverse Tax-Exempt Receipts

DW&P Department of Water & Power

DWR Department of Water Resources

ECFA Educational & Cultural Facilities Authority

EDA Economic Development Authority

EDFA Economic Development Finance Authority

ETF Exchange-Traded Fund

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EUR Euro

FFCB Federal Farm Credit Bank

FGIC Financial Guaranty Insurance Corporation

FGLMC Federal Government Loan Mortgage Company

FHA Federal Housing Authority

FHLB Federal Home Loan Bank

FHLMC Federal Home Loan Mortgage Corporation

FICO The Financing Corporation

FNMA Federal National Mortgage Association

FSA Farm Service Agency

GBP Great British Pound

GDR Global Depository Receipt

GNMA Government National Mortgage Association

GO General Obligation

HCFR Healthcare Facilities Revenue

HEFA Health & Educational Facilities Authority

HEFAR Higher Education Facilities Authority Revenue

HFA Housing Finance Authority

HFFA Health Facilities Financing Authority

HKD Hong Kong Dollar

HUF Hungarian Forint

IBC Insured Bond Certificate

IDA Industrial Development Authority

IDAG Industrial Development Agency

IDR Industrial Development Revenue

IEP Irish Pound

JPY Japanese Yen

KRW Republic of Korea Won

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LIBOR London Interbank Offered Rate

LIQ Liquidity Agreement

LLC Limited Liability Company

LLP Limited Liability Partnership

LOC Letter of Credit

LP Limited Partnership

MBIA Municipal Bond Insurance Association

MFHR Multi-Family Housing Revenue

MSTR Municipal Securities Trust Receipts

MTN Medium Term Note

MUD Municipal Utility District

MXN Mexican Peso

MYR Malaysian Ringgit

NATL-RE National Public Finance Guarantee Corporation

NOK Norwegian Krone

NZD New Zealand Dollar

PCFA Pollution Control Finance Authority

PCR Pollution Control Revenue

PFA Public Finance Authority

PFFA Public Facilities Financing Authority

PFOTER Puttable Floating Option Tax-Exempt Receipts

plc Public Limited Company

PLN Polish Zloty

PUTTER Puttable Tax-Exempt Receipts

R&D Research & Development

RDA Redevelopment Authority

RDFA Redevelopment Finance Authority

REIT Real Estate Investment Trust

ROC Reset Option Certificates

SAVRS Select Auction Variable Rate Securities

SBA Small Business Authority

SEK Swedish Krona

SFHR Single Family Housing Revenue

SFMR Single Family Mortgage Revenue

SGD Singapore Dollar

SKK Slovakian Koruna

SPA Standby Purchase Agreement

SPDR Standard & Poor's Depository Receipts

STRIPS Separate Trading of Registered Interest and Principal Securities

TAN Tax Anticipation Notes

TBA To Be Announced

TIPS Treasury Inflation-Protected Securities

TRAN Tax Revenue Anticipation Notes

TCR Transferable Custody Receipts

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TRY Turkish Lira

TTFA Transportation Trust Fund Authority

TVA Tennessee Valley Authority

XLCA XL Capital Assurance

ZAR South African Rand

ITEM 2. CONTROLS AND PROCEDURES

(a) The President and Treasurer have concluded that the Wells Fargo Advantage Income Opportunities Fund (the Trust) disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) provide reasonable assurances that material information relating to the Trust is made known to them by the appropriate persons based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.

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

SIGNATURES

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

Wells Fargo Advantage Income Opportunities Fund

By: /s/ Karla M. Rabusch

Karla M. Rabusch
President

Date: September 24, 2012

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

Wells Fargo Advantage Income Opportunities Fund

By: /s/ Karla M. Rabusch

Karla M. Rabusch
President

Date: September 24, 2012

By: /s/ Nancy Wiser

Nancy Wiser
Treasurer

Date: September 24, 2012