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: 811-21269

Wells Fargo 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

Date of reporting period: April 30, 2018

Table of Contents

ITEM 1. REPORT TO STOCKHOLDERS

1

Table of Contents

Annual Report

April 30, 2018

Wells Fargo Income Opportunities Fund (EAD)

Table of Contents

Reduce clutter. Save trees.

Sign up for electronic delivery of prospectuses and shareholder reports at **wellsfargo.com/advantagedelivery**

Contents

The views expressed and any forward-looking statements are as of April 30, 2018, 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.

Table of Contents

Andrew Owen

President

Wells Fargo Funds

Globally, economies strengthened, equity markets advanced, and foreign bonds outperformed fixed-income investments in the U.S.

Dear Shareholder:

We are pleased to offer you this annual report for the Wells Fargo Income Opportunities Fund for the 12-month period that ended April 30, 2018. Globally, economies strengthened, equity markets advanced, and foreign bonds outperformed fixed-income investments in the U.S.

For the 12-month period, U.S. stocks, as measured by the S&P 500 Index,[1] gained 13.27% and international stocks, as measured by the MSCI ACWI ex USA Index (Net),[2] added 15.91%. Emerging market stocks, as measured by the MSCI EM Index (Net),[3] added 21.71%. In bond markets, the Bloomberg Barclays U.S. Aggregate Bond Index[4] declined 0.32% while fixed-income investments outside the U.S. gained 7.68%, as measured by the Bloomberg Barclays Global Aggregate ex-USD Index.[5] The Bloomberg Barclays Municipal Bond Index[6] added 1.56%, and the ICE BofAML U.S. High Yield Index[7] was up 3.21%.

Global economic growth benefited equity investments during the second quarter of 2017.

During the second quarter of 2017, U.S. economic data reflected a healthy economy. Gross domestic product (GDP) growth on an annualized basis was 3.1% for the second quarter. Hiring remained strong, and business and consumer sentiment improved.

In June, the U.S. Federal Reserve (Fed) raised the target federal funds interest rate by a quarter percentage point to a range of 0.75% to 1.00%. With the interest rate increase, short-term bond yields rose while longer-term Treasury yields were little changed, leading to positive performance. Investment-grade, high-yield, and municipal bonds benefited from strong demand.

Although economic momentum increased in Europe, the European Central Bank (ECB) held its rates steady at low levels because underlying inflation remained subdued. In emerging markets, many countries benefited from stronger currencies versus the U.S. dollar. The Bank of Japan also continued economic and monetary policies that align with Prime Minister Shinzō Abe s efforts to encourage business activity and economic growth.

[1] 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.

[2] 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 indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. You cannot invest directly in an index.

[3] The MSCI Emerging Markets (EM) Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure large- and mid-cap equity market performance of emerging markets. The MSCI EM Index (Net) consists of the following 24 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates. You cannot invest directly in an index.

[4] 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.

[5] The Bloomberg Barclays Global Aggregate ex-USD Index is an unmanaged index that provides a broad-based measure of the global investment-grade fixed-income markets excluding the U.S. dollar-denominated debt market. You cannot invest directly in an index.

[6] 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.

[7] The ICE BofAML U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of high-yield securities traded in the U.S. bond market. You cannot invest directly in an index.

Table of Contents

Volatility increased during the third quarter of 2017, but favorable data curbed concerns.

During the first four months of 2017, investor expectations advanced and fell amid shifting geopolitical tensions, particularly in Asia, and repeated but ultimately unsuccessful efforts to reform health care laws in the U.S. Corporate earnings and consumer confidence improved. Annualized U.S. GDP growth for the quarter was 3.2%. Meanwhile, inflation continued to trail the Fed s targets.

Economic momentum increased in Europe; the ECB held its rates steady at low levels and continued its quantitative easing bond-buying program with the goal of sparking economic activity. In emerging markets, many countries benefited from stronger currencies versus the U.S. dollar while commodity price increases benefited countries that rely on natural resources for exports.

The fourth quarter of 2017 was characterized by continued optimism in global markets.

U.S. stocks continued to rally during the fourth quarter of 2017, boosted by synchronized expansion in the global economy and favorable company earnings. In October 2017, the Fed began to sell the bonds acquired during a series of quantitative easing programs following the 2008 financial crisis. The Bank of England suggested it could hike interest rates in November, and the pound gained against other currencies. In addition, the Fed increased rates by another 25 basis points (bps; 100 bps equal 1.00%) in December. Stocks received a boost from growing optimism about tax reform legislation.

International markets, particularly emerging markets, continued to show strength, supported by several factors that led some observers to describe conditions as a Goldilocks economic scenario: synchronized global growth, low inflation, and healthy corporate earnings, all supported abroad by a weaker U.S. dollar.

Volatility reemerged during the first four months of 2018 as economic signals were mixed.

The first quarter of 2018 began with stock market gains in January. Subsequently, investor optimism was supplanted by several concerns. Trade tensions emerged, particularly between the U.S. and China, as the U.S. threatened to impose tariffs on a broad range of imported products. Increasing interest rates and inflation also caused concern. Long-term interest rates in the U.S. trended higher rates on the 10-year and 30-year Treasury bonds moved from 2.46% and 2.81%, respectively, at the beginning of the year on January 1, 2018, to 2.95% and 3.11%, respectively, on April 30, 2018.

During February 2018, the U.S. stock market endured a loss of more than 10% before recovering. The Fed increased the federal funds rate by 25 bps in March and the rate of inflation reached the Fed s 2% target for the first time in a year. In April, the U.S. Bureau of Economic Analysis placed first-quarter U.S. GDP growth at 2.3%. The unemployment rate fell to a 17-year low of 3.9% in April and wage growth data improved.

Internationally, central banks maintained low interest rates and monetary policies that were accommodative of business activity. Industrial production, retail sales, and fixed-asset investment increased in China. During January 2018, purchasing managers indices in China, the eurozone, India, and Japan reported data for December that indicated continued growth. Despite positive economic signals and business fundamentals, international stock values fell during February and March 2018, swept up in the selling momentum in U.S. markets before generally moving higher in April.

During February 2018, the U.S. stock market endured a loss of more than 10% before recovering.

Table of Contents

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

Notice to shareholders

On November 10, 2017, the Fund announced an extension of its open-market share repurchase program (the Buyback Program). Under the extended Buyback Program, the Fund may repurchase up to 10% of its outstanding shares during the period in open market transactions 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**, or call us directly at **1-800-222-8222**.

Table of Contents

This page is intentionally left blank.

Table of Contents

Investment objective

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

Strategy summary

Under normal market conditions, the Fund invests at least 80% of its total assets in below-investment-grade (high yield) debt securities, loans and preferred stocks. These securities are rated Ba or lower by Moody s or BB or lower by S&P, or are unrated securities of comparable quality as determined by the subadviser.

Adviser

Wells Fargo Funds Management, LLC

Subadviser

Wells Capital Management Incorporated

Portfolio managers

Niklas Nordenfelt, CFA®

Phillip Susser

Average annual total returns (%) as of April 30, 2018[1]

	1 year	5 year	10 year
Based on market value	1.24	4.54	7.17
Based on net asset value (NAV)	4.78	6.95	7.80
ICE BofAML U.S. High Yield Index[2]	3.21	4.76	7.75

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 Adviser has committed through March 6, 2019, to waive fees and/or reimburse expenses to the extent necessary to limit the Fund s borrowing expenses to an amount that is 0.05% lower than what the borrowing expenses would have been if the Fund had not redeemed its Auction Market Preferred Shares. The Fund previously utilized Auction Market Preferred Shares for leverage but secured debt financing to fully redeem those shares in 2010. The Fund s gross and net expense ratios, which include 0.74% of interest expense, were 1.68% and 1.63%, respectively, for the year ended April 30, 2018. Without this waiver and/or reimbursement, the Fund s returns would have been lower.

Comparison of NAV vs. market value[3]

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. 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. This closed-end fund is no longer offered as an initial public offering and is only offered through broker/dealers on the secondary market.

[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 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.

[2] The ICE BofAML U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of high-yield securities traded in the United States bond market. You cannot invest directly in an index. Copyright 2018. ICE Data Indices, LLC. All rights reserved.

[3] 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.

Table of Contents

MANAGER S DISCUSSION

During the 12-month period that ended April 30, 2018, the Fund s return based on market value was 1.24% while its return based on net asset value (NAV) was 4.78%. Based on its NAV-based return, the Fund outperformed the return of the ICE BofAML U.S. High Yield Index, which advanced 3.21% for the 12-month period ended April 30, 2018.

Overview

Over the last 12 months, returns in the high-yield sector were negatively impacted by higher Treasury yields though that was offset by a lower risk premium (spread). The spread reflects the relative risks of high-yield bonds compared with Treasuries and the value that investors expect to realize for accepting the higher relative risk of high-yield bonds. Spreads compressed during the period. Both higher Treasury yields and lower spreads are emblematic of solid and consistent gross domestic product (GDP) growth, improving corporate fundamentals, and nascent signs of inflation. Lower-quality CCC-rated bonds outperformed higher-quality, more interest rate-sensitive bonds. This is not particularly unusual in the latter stages of an economic cycle when interest rates begin to rise.

From a ratings perspective, the quality of the high-yield market is strong as the percentage of the high-yield index composed of BB-rated credits is near an all-time high and the percentage of CCC-rated bonds is at low levels not seen since the late 1990s. From a fundamental perspective, while leverage levels are above average for this point in the cycle, the cash flow impact from these higher leverage levels was largely offset by low interest rates. As a result, interest coverage levels, which measure a company s ability to meet interest expenses, are higher than average. Indeed, these metrics have generally been improving as the high-yield market recovers from the commodity-driven sell-off of 2015. Lastly, from an economic perspective, the economy has experienced accelerating growth led by a strong labor market, solid consumer confidence, relatively healthy household balance sheets, stimulative tax reform, and synchronized global growth. All of these conditions provide a solid backdrop for low high-yield spreads.

Ten largest holdings (%) as of April 30, 2018[4]	
LPL Holdings Incorporated 5.75%, 9-15-2025	2.58
NGPL PipeCo LLC 7.77%, 12-15-2037	2.42
Tallgrass Energy Partners LP 5.50%, 9-15-2024	2.10
Pattern Energy Group Incorporated 5.88%, 2-1-2024	1.89
KAR Auction Services Incorporated 5.13%, 6-1-2025	1.83
Teekay Corporation 8.50%, 1-15-2020	1.72
NCR Corporation 6.38%, 12-15-2023	1.67
Montreign Operating Company LLC 10.15%, 12-7-2022	1.63
Dell International LLC 7.13%, 6-15-2024	1.62
Intelsat Jackson Holdings SA 5.50%, 8-1-2023	1.59

Credit quality as of April 30, 2018[5]

Contributors to performance

Overall industry selection contributed to portfolio performance, with exposure and solid security selection in oil-field services, midstream companies, pharmaceuticals, and cable and satellite as the main contributors. Credit selection in higher-quality BB-rated companies and lower-quality CCC-rated companies contributed to the portfolio s performance.

Detractors from performance

The portfolio s performance relative to the index was hurt by its underweight to metals and mining, which outperformed the broader market. The portfolio s credit selection detracted within the energy exploration and production, media/entertainment, and financials sectors. Credit selection within medium-quality high-yield (single B-rated) companies also hurt performance.

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

[5] The 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.

Table of Contents

Effective maturity distribution as of April 30, 2018[6]

Management outlook

While we tend to think that the economy should continue to grow and company fundamentals will continue to improve, we are always on the lookout for potential threats to growth. Indeed, typically prolonged easy credit conditions lead to an increase in aggressively financed deals in which weaker companies are able to raise money and reduce the quality of the high-yield market as a whole with riskier bonds. In many ways, the high-yield market is benefiting from a strong loan market where many of the most aggressive new deals, in our opinion, have been raising capital in the loan market instead of the high-yield market.

Burgeoning market risk includes gradually increasing inflation and potential trade wars. While many of the conditions that often precede inflationary periods are in place, our concerns about inflation are mitigated by the fact that inflation often takes a fair amount of time to build up and, unfortunately, a fair amount of time to quell. We believe that if we are entering a new inflationary period, it will take time to have an impact and may even help high-yield companies repay their debts. In such a scenario, high-yield bonds should outperform many other fixed-income asset classes such as investment-grade and sovereign bonds. Our concern about trade wars is mitigated by the large entrenched interests that would be hurt by a trade war and a broader understanding in the investment, business, and government communities that all parties lose in a trade war. We continue to believe that, in the short run, spreads will remain flat, but in the medium term, they will widen, potentially significantly. To some extent, the higher yields available in the junk bond market may provide a cushion to this spread widening.

Over a full cycle, we believe the best way to insulate the portfolio from periodic bouts of systemic fears and rebalancing is by following a bottom-up investment process that attempts to minimize downside risk while capturing the return potential of high-yield issuers.

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

Table of Contents

Security name			Shares	Value
Common Stocks: 0.00%				
Materials: 0.00%				
Chemicals: 0.00%				
LyondellBasell Industries NV Class A			7	$ 740
Total Common Stocks (Cost $606)				740

	Interest rate	Maturity date	Principal	
Corporate Bonds and Notes: 112.19%				
Consumer Discretionary: 25.87%				
Auto Components: 2.54%				
Allison Transmission Incorporated 144A	4.75%	10-1-2027	$ 1,695,000	1,595,419
Allison Transmission Incorporated 144A	5.00	10-1-2024	8,125,000	7,980,375
Cooper Tire & Rubber Company	7.63	3-15-2027	5,190,000	5,786,850
Cooper Tire & Rubber Company	8.00	12-15-2019	400,000	428,000
				15,790,644
Distributors: 0.42%				
LKQ Corporation	4.75	5-15-2023	2,375,000	2,354,931
Spectrum Brands Incorporated	6.63	11-15-2022	250,000	258,750
				2,613,681
Diversified Consumer Services: 1.99%				
Service Corporation International	4.63	12-15-2027	1,250,000	1,222,250
Service Corporation International	7.50	4-1-2027	8,125,000	9,262,500
Service Corporation International	8.00	11-15-2021	1,635,000	1,839,375
				12,324,125
Hotels, Restaurants & Leisure: 2.65%				
Brinker International Incorporated 144A	5.00	10-1-2024	850,000	833,000

CCM Merger Incorporated 144A	6.00	3-15-2022	8,475,000	8,623,313
Hilton Domestic Operating Company Incorporated	5.13	5-1-2026	1,175,000	1,175,000
KFC Holding Company	5.00	6-1-2024	225,000	225,281
Pinnacle Entertainment Incorporated	5.63	5-1-2024	700,000	731,500
Speedway Motorsports Incorporated	5.13	2-1-2023	825,000	818,813
Wyndham Hotels & Resorts Company 144A	5.38	4-15-2026	4,025,000	4,065,250
				16,472,157
Media: 12.54%				
Altice US Finance I Corporation 144A	5.38	7-15-2023	2,270,000	2,272,838
Altice US Finance I Corporation 144A	5.50	5-15-2026	2,200,000	2,132,625
CCO Holdings LLC 144A	4.00	3-1-2023	175,000	168,875
CCO Holdings LLC 144A	5.00	2-1-2028	350,000	323,183
CCO Holdings LLC	5.13	2-15-2023	2,266,000	2,276,650
CCO Holdings LLC 144A	5.13	5-1-2023	2,965,000	2,974,488
CCO Holdings LLC 144A	5.13	5-1-2027	750,000	702,728
CCO Holdings LLC	5.25	9-30-2022	2,048,000	2,083,226
CCO Holdings LLC 144A	5.38	5-1-2025	7,195,000	7,073,584

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

Table of Contents

Security name	Interest rate	Maturity date	Principal	Value
Media (continued)				
CCO Holdings LLC 144A	5.50%	5-1-2026	$ 325,000	$ 316,453
CCO Holdings LLC 144A	5.75	2-15-2026	5,675,000	5,632,438
CCO Holdings LLC 144A	5.88	4-1-2024	2,350,000	2,385,274
Cequel Communications Holdings I LLC 144A	7.75	7-15-2025	3,625,000	3,815,313