

WELLS FARGO ADVANTAGE UTILITIES & HIGH INCOME FUND

Form N-CSRS

April 30, 2012

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**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: 811-21507

**Wells Fargo Advantage Utilities & High  
Income Fund**

(Exact name of registrant as specified in charter)

525 Market St., San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

C. David Messman

Wells Fargo Funds Management, LLC

525 Market St., San Francisco, CA 94105

(Name and address of agent for service)

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

Date of fiscal year end: August 31, 2011

Date of reporting period: February 29, 2012



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ITEM 1. REPORT TO SHAREHOLDERS

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# **Wells Fargo Advantage Utilities and High Income Fund**

## **Semi-Annual Report**

February 29, 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.**

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The views expressed and any forward-looking statements are as of February 29, 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**

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Letter to Shareholders

**Karla M. Rabusch,**

President

*Wells Fargo Advantage Funds*

**The U.S. economic recovery that began in mid-2009 gained some traction during the six-month period, after slowing during the summer months yet the rate of growth remained subpar compared with most previous recovery cycles.**

**Dear Valued Shareholder:**

We're pleased to offer you this semi-annual report for the *Wells Fargo Advantage Utilities and High Income Fund* for the six-month period that ended February 29, 2012.

For the entire six-month period, most of the major equity and fixed-income indexes posted solid returns; however, the market's six-month return figures masked the uneven path that the financial markets traced since the summer, as investors had to contend with a variety of global and domestic headwinds.

The S&P 500 Index<sup>1</sup> and the Russell 3000<sup>®</sup> Index<sup>2</sup> posted returns of 13.31% and 13.24%, respectively, for the period, while the Barclays U.S. Aggregate Bond Index<sup>3</sup>, representing the universe of investment-grade bonds, posted a total return of 2.73%. By comparison, the Barclays U.S. Corporate High Yield Bond Index<sup>4</sup> added 8.63%, and the Barclays U.S. Treasury Index<sup>5</sup> returned 2.35%.

**The economic recovery gained traction as the year progressed.**

The U.S. economic recovery that began in mid-2009 gained some traction during the six-month period, after slowing during the summer months yet the rate of growth remained subpar compared with most previous recovery cycles.

The U.S. Bureau of Economic Analysis reported that U.S. gross domestic product (GDP) grew 1.8% in the third quarter, reigniting hopes that the U.S. economy may have reached a sustainable economic recovery. Those hopes were buoyed further by the preliminary estimate of fourth-quarter GDP, which showed that growth accelerated to a 2.8% annual rate. While few economists now believe that the U.S. economy is in danger of sliding back into recession, many continue to expect a tepid economic growth environment in 2012.

**The struggling housing and labor markets slowed growth.**

As has been the case throughout the recovery, the housing and labor markets continued to restrain economic momentum during the six-month period.

The beleaguered housing market has exerted the biggest drag on growth. Despite intermittent signs of improvement, ongoing weakness in sales of both new and existing homes has put downward pressure on prices. On the other hand, the labor market took a decided turn for the better

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during the six-month period as evidenced by the fact that initial unemployment claims have eased in recent months, and the private sector has been steadily adding jobs. The pace of hiring, while not brisk, was sufficient to push the U.S. unemployment rate down to 8.3% as of February 2012 its lowest level since February 2009. Many observers expect the unemployment rate to decline further in 2012, which could act as a tailwind for consumer spending widely viewed as one of the keys to long-term 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 Russell 3000<sup>®</sup> Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. You cannot invest directly in an index.

3. The Barclays U.S. Aggregate Bond Index is composed of the Barclays Government/Credit Index and the Mortgage-Backed Securities Index and includes U.S. Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities. You cannot invest directly in an index.

4. The Barclays U.S. Corporate High Yield Bond Index is an unmanaged, U.S. dollar denominated, nonconvertible, non-investment grade debt index. The index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million. You cannot invest directly in an index.

5. The Barclays U.S. Treasury Index is an index of U.S. Treasury securities. You cannot invest directly in an index.

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Letter to Shareholders

Wells Fargo Advantage Utilities and High Income Fund 3

### **The Federal Reserve announced Operation Twist.**

Oil prices retreated early in the period, only to spike again during the fourth quarter of 2011. Yet, core inflation, which excludes volatile energy and food prices, remained fairly benign throughout the year.

With inflation in check, the Federal Reserve (Fed) held its target range for the federal funds rate a proxy for short-term interest rates steady at 0% to 0.25%. Despite improvements across an array of economic data, the pace of economic growth remained a focus for the Fed. In September 2011, the Fed launched yet another stimulus program dubbed Operation Twist designed to keep intermediate- and longer-term yields relatively low. By keeping longer-term yields low, lending activity may potentially spark business investments and home purchases, which, in turn, may provide support for a more sustainable economic recovery.

### **Economic outlook shifts and European uncertainty swayed investors.**

Throughout the second half of 2011, the equity and bond markets were roiled by changes to the global economic outlook and the ongoing fiscal challenges facing many countries in the eurozone. After U.S. economic activity slowed during the summer, many market participants began to fear that the U.S. economy could slip into a double-dip recession. However, in the fall, many of the most closely watched indicators such as GDP growth and the unemployment rate improved, and the talk of recession ceased. Equities and high-yield bonds rallied strongly during the fourth quarter of 2011 and into 2012 as both the U.S. economy and Europe seemed to regain their footing. Low risk assets such as Treasuries rallied when the eurozone credit crisis appeared to be expanding early in the reporting period, and the European markets continued to struggle with managing the risk of contagion from countries such as Greece that were teetering on the brink of financial collapse.

### **Recent events have not altered our message to shareholders.**

The market turmoil of 2011 and an uncertain outlook going forward have 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. Bear in mind that many investors who indiscriminately sold their equity investments during the severe market downturn of 2008 to 2009 missed out on the impressive two-year rally that followed. The lesson to be learned from these dramatic market events is that, for many investors, simply building and maintaining a well-diversified<sup>6</sup> investment plan is the best long-term strategy.

**Throughout the second half of 2011, the equity and bond markets were roiled by changes to the global economic outlook and the ongoing fiscal challenges facing many countries in the eurozone.**

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



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Letter to Shareholders

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 Web site 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*

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Portfolio of Investments February 29, 2012 (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 5

Security Name	Shares	Value
<b>Common Stocks: 73.32%</b>		
<b>Consumer Discretionary: 10.23%</b>		
<b>Media: 10.23%</b>		
<i>Comcast Corporation Class A</i>	47,900	\$ 1,407,302
<i>Dish Network Corporation</i>	200,000	5,834,000
<i>Mediaset SpA</i>	1,310,000	3,881,575
		11,122,877
<b>Energy: 8.21%</b>		
<b>Oil, Gas &amp; Consumable Fuels: 8.21%</b>		
<i>Enbridge Incorporated</i>	30,000	1,158,300
<i>EQT Corporation</i>	15,000	795,300
<i>Southwestern Energy Company</i>	25,000	826,500
<i>Spectra Energy Corporation</i>	100,000	3,138,000
<i>The Williams Companies Incorporated</i>	100,000	2,988,000
<i>WPX Energy Incorporated</i>	1,433	26,023
		8,932,123
<b>Financials: 2.70%</b>		
<b>Consumer Finance: 2.70%</b>		
<i>MasterCard Incorporated</i>	7,000	2,940,000
<b>Industrials: 1.03%</b>		
<b>Construction &amp; Engineering: 0.12%</b>		
<i>Ameresco Incorporated Class A</i>	9,000	126,810
<b>Machinery: 0.91%</b>		
<i>Kaydon Corporation</i>	26,264	988,052
<b>Information Technology: 0.89%</b>		
<b>IT Services: 0.89%</b>		
<i>Convergys Corporation</i>	75,000	966,000
<b>Telecommunication Services: 11.92%</b>		
<b>Diversified Telecommunication Services: 9.68%</b>		
<i>BCE Incorporated</i>	16,000	654,720
<i>France Telecom SA</i>	150,000	2,289,224
<i>Shenandoah Telecommunications Company</i>	40,000	399,600
<i>Tele2 AB Series B</i>	250,000	5,089,295

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<i>Telecom Italia SpA</i>	357,100	338,030
<i>Telefonica Brasil ADR</i>	18,600	547,398
<i>Windstream Corporation</i>	100,000	1,208,000
		10,526,267
<b>Wireless Telecommunication Services: 2.24%</b>		
<i>Turkcell Iletisim Hizmetleri AS ADR</i>	80,000	1,088,000
<i>Vimpelcom Limited ADR</i>	100,000	1,217,000
<i>Vodafone Group plc ADR</i>	5,000	135,450
		2,440,450

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

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Portfolio of Investments February 29, 2012 (Unaudited)

Security Name	Shares	Value
<b>Utilities: 38.34%</b>		
<b>Electric Utilities: 27.96%</b>		
<i>American Electric Power Company Incorporated</i>	75,000	\$ 2,820,750
<i>CenterPoint Energy Incorporated</i>	50,000	974,500
<i>CH Energy Group Incorporated</i>	500	33,335
<i>Chesapeake Utilities Corporation</i>	200	8,214
<i>China Hydroelectric Company ADR</i>	10,000	17,100
<i>Duke Energy Corporation</i>	500	10,460
<i>Edison International</i>	2,000	83,740
<i>Enel SpA</i>	350,000	1,404,510
<i>Energy Corporation</i>	1,000	66,630
<i>FirstEnergy Corporation</i>	75,000	3,321,750
<i>Great Plains Energy Incorporated</i>	150,000	2,967,000
<i>Hawaiian Electric Industries Incorporated</i>	100,000	2,505,000
<i>ITC Holdings Corporation</i>	60,000	4,528,800
<i>Nextera Energy Incorporated</i>	70,000	4,165,700
<i>Northeast Utilities</i>	100,000	3,590,000
<i>NSTAR</i>	1,000	46,900
<i>NV Energy Incorporated</i>	75,000	1,176,000
<i>Pepco Holdings Incorporated</i>	100	1,944
<i>Progress Energy Incorporated</i>	400	21,232
<i>South Jersey Industries Incorporated</i>	200	10,400
<i>The Southern Company</i>	60,000	2,651,400
		30,405,365
<b>Gas Utilities: 4.36%</b>		
<i>El Paso Corporation</i>	25,000	695,250
<i>MDU Resources Group Incorporated</i>	500	10,850
<i>National Fuel Gas Company</i>	80,000	4,026,400
<i>New Jersey Resources Corporation</i>	200	9,338
		4,741,838
<b>Multi-Utilities: 4.02%</b>		
<i>Dominion Resources Incorporated</i>	300	15,141
<i>Public Service Enterprise Group Incorporated</i>	100,000	3,078,000
<i>Sempra Energy</i>	19,900	1,178,876
<i>Wisconsin Energy Corporation</i>	3,000	102,240
		4,374,257
<b>Water Utilities: 2.00%</b>		
<i>American Water Works Company Incorporated</i>	50,000	1,714,000
<i>Middlesex Water Company</i>	25,000	460,500
		2,174,500

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Total Common Stocks (Cost \$74,024,818)

79,738,539

	Interest Rate	Maturity Date	Principal	
Corporate Bonds and Notes: 30.75%				
Consumer Discretionary: 6.33%				
<b>Auto Components: 0.73%</b>				
<i>Allison Transmission Incorporated 144A</i>	7.13%	05/15/2019	\$ 250,000	257,500

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

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Portfolio of Investments February 29, 2012 (Unaudited)

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Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Auto Components (continued)</b>				
<i>Cooper Tire &amp; Rubber Company</i>	7.63%	03/15/2027	\$ 215,000	\$ 208,550
<i>Exide Technologies</i>	8.63	02/01/2018	50,000	38,875
<i>Goodyear Tire &amp; Rubber Company</i>	7.00	05/15/2022	25,000	25,313
<i>Goodyear Tire &amp; Rubber Company</i>	10.50	05/15/2016	218,000	238,712
<i>UR Financing Escrow Company 144A</i>	5.75	07/15/2018	25,000	25,688
				794,638
<b>Diversified Consumer Services: 0.84%</b>				
<i>Carriage Services Incorporated</i>	7.88	01/15/2015	185,000	186,850
<i>Mac-Gray Corporation</i>	7.63	08/15/2015	42,000	43,155
<i>Service Corporation International</i>	6.75	04/01/2016	100,000	111,000
<i>Service Corporation International</i>	7.50	04/01/2027	465,000	465,000
<i>Service Corporation International</i>	7.63	10/01/2018	25,000	29,094
<i>Service Corporation International</i>	8.00	11/15/2021	40,000	46,525
<i>Service Corporation International Series WI</i>	7.00	06/15/2017	25,000	28,000
				909,624
<b>Hotels, Restaurants &amp; Leisure: 1.79%</b>				
<i>Ameristar Casinos Incorporated</i>	7.50	04/15/2021	225,000	243,000
<i>Burger King Corporation</i>	9.88	10/15/2018	75,000	84,750
<i>Chukchansi EDA 144A(i)±</i>	4.16	11/15/2012	100,000	69,000
<i>Cinemark USA Incorporated</i>	7.38	06/15/2021	75,000	80,063
<i>Cinemark USA Incorporated</i>	8.63	06/15/2019	50,000	55,625
<i>CityCenter Finance Corporation</i>	7.63	01/15/2016	25,000	26,375
<i>CityCenter Finance Corporation 144A</i>	7.63	01/15/2016	125,000	131,563
<i>CityCenter Finance Corporation ¥</i>	11.50	01/15/2017	139,533	150,870
<i>DineEquity Incorporated</i>	9.50	10/30/2018	325,000	358,313
<i>Greektown Superholdings Incorporated</i>	13.00	07/01/2015	450,000	493,875
<i>Scientific Games Corporation</i>	9.25	06/15/2019	60,000	66,300
<i>Speedway Motorsports Incorporated</i>	6.75	02/01/2019	25,000	26,063
<i>Speedway Motorsports Incorporated</i>	8.75	06/01/2016	120,000	131,550
<i>Yonkers Racing Corporation 144A</i>	11.38	07/15/2016	25,000	27,094
				1,944,441
<b>Household Durables: 0.02%</b>				
<i>American Greetings Corporation</i>	7.38	12/01/2021	25,000	25,813
<b>Media: 2.39%</b>				
<i>Cablevision Systems Corporation</i>	8.63	09/15/2017	145,000	163,488
<i>CCH II Capital Corporation</i>	13.50	11/30/2016	605,000	695,750
<i>CSC Holdings LLC</i>	7.88	02/15/2018	50,000	56,500
<i>DISH DBS Corporation</i>	7.88	09/01/2019	115,000	135,125
<i>Gray Television Incorporated</i>	10.50	06/29/2015	250,000	264,063
<i>Interactive Data Corporation</i>	10.25	08/01/2018	100,000	112,750

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<i>Lamar Media Corporation 144A</i>	5.88	02/01/2022	25,000	26,094
<i>Lamar Media Corporation</i>	7.88	04/15/2018	75,000	82,500
<i>Lamar Media Corporation Series C</i>	9.75	04/01/2014	25,000	28,438
<i>LIN Television Corporation</i>	8.38	04/15/2018	100,000	105,750
<i>Local TV Finance LLC 144A</i>	9.25	06/15/2015	250,000	254,375

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

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8 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments February 29, 2012 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Media (continued)</b>				
<i>NAI Entertainment Holdings LLC 144A</i>	8.25%	12/15/2017	\$ 100,000	\$ 110,000
<i>National Cinemedia LLC</i>	7.88	07/15/2021	50,000	53,000
<i>Regal Cinemas Corporation</i>	8.63	07/15/2019	250,000	273,125
<i>Salem Communications Corporation</i>	9.63	12/15/2016	218,000	240,345
				2,601,303
<b>Specialty Retail: 0.36%</b>				
<i>Gap Incorporated</i>	5.95	04/12/2021	50,000	50,132
<i>Limited Brands Incorporated</i>	6.63	04/01/2021	25,000	27,500
<i>Radioshack Corporation</i>	6.75	05/15/2019	150,000	125,625
<i>Rent A Center Incorporated</i>	6.63	11/15/2020	25,000	26,031
<i>Toys R Us Property Company LLC</i>	8.50	12/01/2017	150,000	158,625
				387,913
<b>Textiles, Apparel &amp; Luxury Goods: 0.20%</b>				
<i>Oxford Industries Incorporated</i>	11.38	07/15/2015	200,000	218,250
<b>Consumer Staples: 0.22%</b>				
<b>Food Products: 0.22%</b>				
<i>Darling International Incorporated</i>	8.50	12/15/2018	25,000	28,125
<i>Dole Food Company Incorporated</i>	13.88	03/15/2014	181,000	207,245
				235,370
<b>Energy: 4.99%</b>				
<b>Energy Equipment &amp; Services: 1.03%</b>				
<i>Bristow Group Incorporated</i>	7.50	09/15/2017	135,000	141,075
<i>Dresser Rand Group Incorporated 144A</i>	6.50	05/01/2021	75,000	78,563
<i>Gulfmark Offshore Incorporated</i>	7.75	07/15/2014	225,000	226,688
<i>Hornbeck Offshore Services Incorporated Series B</i>	6.13	12/01/2014	260,000	260,650
<i>Hornbeck Offshore Services Incorporated Series B</i>	8.00	09/01/2017	55,000	58,025
<i>Oil States International Incorporated</i>	6.50	06/01/2019	125,000	134,375
<i>PHI Incorporated</i>	8.63	10/15/2018	200,000	205,000
<i>Pride International Incorporated</i>	8.50	06/15/2019	10,000	12,793
				1,117,169
<b>Oil, Gas &amp; Consumable Fuels: 3.96%</b>				
<i>Amerigas Partners Finance Corporation</i>	6.25	08/20/2019	150,000	151,500
<i>Chesapeake Energy Corporation</i>	9.50	02/15/2015	255,000	293,250
<i>Coffeyville Resources Energy Incorporated 144A</i>	9.00	04/01/2015	95,000	101,650
<i>Coffeyville Resources Energy Incorporated 144A</i>	10.88	04/01/2017	100,000	113,000
<i>Consol Energy Incorporated</i>	8.25	04/01/2020	165,000	179,850



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<i>Crestwood Midstream Partnership Company 144A</i>	7.75	04/01/2019	50,000	50,500
<i>Denbury Resources Incorporated</i>	6.38	08/15/2021	25,000	27,563
<i>Denbury Resources Incorporated</i>	8.25	02/15/2020	25,000	28,500
<i>El Paso Corporation</i>	6.50	09/15/2020	45,000	49,702
<i>El Paso Corporation</i>	7.00	06/15/2017	50,000	55,879
<i>El Paso Corporation</i>	7.25	06/01/2018	175,000	198,144
<i>El Paso Corporation</i>	7.42	02/15/2037	90,000	99,613

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

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Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Oil, Gas &amp; Consumable Fuels (continued)</b>				
<i>El Paso Corporation</i>	7.80%	08/01/2031	\$ 100,000	\$ 119,240
<i>Encore Acquisition Company</i>	9.50	05/01/2016	50,000	55,875
<i>Energy Transfer Equity LP</i>	7.50	10/15/2020	300,000	343,500
<i>Ferrellgas LP</i>	9.13	10/01/2017	200,000	212,000
<i>Forest Oil Corporation</i>	7.25	06/15/2019	95,000	95,713
<i>Forest Oil Corporation</i>	8.50	02/15/2014	65,000	70,525
<i>Holly Corporation</i>	9.88	06/15/2017	220,000	245,850
<i>Inergy Holdings LP</i>	7.00	10/01/2018	50,000	49,250
<i>Inergy LP &amp; Inergy Finance Corporation</i>	6.88	08/01/2021	37,000	35,705
<i>Newfield Exploration Company</i>	6.88	02/01/2020	55,000	59,400
<i>Overseas Shipholding Group Incorporated</i>	7.50	02/15/2024	75,000	44,438
<i>Penn Virginia Corporation</i>	10.38	06/15/2016	10,000	9,925
<i>Petrohawk Energy Corporation</i>	7.88	06/01/2015	95,000	100,344
<i>Petrohawk Energy Corporation</i>	10.50	08/01/2014	60,000	66,675
<i>Pioneer Natural Resource Company</i>	7.50	01/15/2020	145,000	179,142
<i>Plains Exploration &amp; Production Company</i>	8.63	10/15/2019	325,000	367,250
<i>Regency Energy Partners LP</i>	6.88	12/01/2018	25,000	27,125
<i>Sabine Pass LNG LP</i>	7.25	11/30/2013	250,000	263,750
<i>Sabine Pass LNG LP</i>	7.50	11/30/2016	275,000	295,625
<i>Samson Investment Company 144A</i>	9.75	02/15/2020	50,000	52,625
<i>Suburban Propane Partners LP</i>	7.38	03/15/2020	25,000	26,625
<i>Susser Holdings LLC</i>	8.50	05/15/2016	125,000	137,188
<i>Tesoro Corporation</i>	9.75	06/01/2019	90,000	102,375
				4,309,296
<b>Financials: 7.21%</b>				
<b>Capital Markets: 0.77%</b>				
<i>E*TRADE Financial Corporation ¥</i>	12.50	11/30/2017	68,000	79,220
<i>Nuveen Investments Incorporated</i>	5.50	09/15/2015	225,000	210,375
<i>Nuveen Investments Incorporated 144A</i>	10.50	11/15/2015	250,000	260,000
<i>Nuveen Investments Incorporated</i>	10.50	11/15/2015	150,000	156,750
<i>Oppenheimer Holdings Incorporated</i>	8.75	04/15/2018	125,000	127,500
				833,845
<b>Commercial Banks: 1.07%</b>				
<i>CIT Group Incorporated 144A</i>	4.75	02/15/2015	200,000	203,000
<i>CIT Group Incorporated 144A</i>	5.25	04/01/2014	100,000	102,250
<i>CIT Group Incorporated 144A</i>	5.50	02/15/2019	100,000	102,125
<i>CIT Group Incorporated 144A</i>	7.00	05/04/2015	450,000	451,125
<i>CIT Group Incorporated</i>	7.00	05/01/2016	53,189	53,256
<i>CIT Group Incorporated</i>	7.00	05/01/2017	50,000	50,000
<i>Emigrant Bancorp Incorporated 144A(i)</i>	6.25	06/15/2014	225,000	203,434
				1,165,190
<b>Consumer Finance: 4.14%</b>				

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<i>Ally Financial Incorporated Company</i>	5.50	02/15/2017	50,000	50,648
<i>Ally Financial Incorporated Company</i>	8.30	02/12/2015	825,000	911,625
<i>American General Finance Corporation</i>	5.40	12/01/2015	150,000	118,875
<i>American General Finance Corporation</i>	5.75	09/15/2016	50,000	37,750

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

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10 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments February 29, 2012 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Consumer Finance (continued)</b>				
<i>American General Finance Corporation</i>	6.50%	09/15/2017	\$ 50,000	\$ 37,375
<i>Calpine Construction Finance Corporation 144A</i>	7.25	10/15/2017	400,000	424,000
<i>Calpine Construction Finance Corporation 144A</i>	8.00	06/01/2016	125,000	135,938
<i>Clearwire Communications Finance Corporation 144A</i>	12.00	12/01/2015	130,000	126,425
<i>Ford Motor Credit Company LLC</i>	8.00	12/15/2016	25,000	29,713
<i>General Motors Financial Company</i>	6.75	06/01/2018	100,000	107,932
<i>GMAC LLC</i>	6.75	12/01/2014	36,000	38,025
<i>GMAC LLC</i>	6.88	08/28/2012	146,000	148,555
<i>Homer City Funding LLC</i>	8.73	10/01/2026	139,376	125,438
<i>International Lease Finance Corporation 144A</i>	6.75	09/01/2016	50,000	54,625
<i>International Lease Finance Corporation</i>	8.63	09/15/2015	75,000	83,250
<i>JBS USA Finance Incorporated</i>	11.63	05/01/2014	420,000	486,675
<i>Nielsen Finance LLC</i>	7.75	10/15/2018	450,000	500,625
<i>Nielsen Finance LLC</i>	11.50	05/01/2016	49,000	56,718
<i>Springleaf Finance Corporation</i>	6.90	12/15/2017	225,000	174,375
<i>Sprint Capital Corporation</i>	6.88	11/15/2028	850,000	663,000
<i>Sprint Capital Corporation</i>	8.75	03/15/2032	220,000	195,800
				4,507,367
<b>Insurance: 0.42%</b>				
<i>HUB International Holdings Incorporated 144A</i>	10.25	06/15/2015	275,000	281,875
<i>USI Holdings Corporation 144A±</i>	4.38	11/15/2014	50,000	46,375
<i>USI Holdings Corporation 144A</i>	9.75	05/15/2015	125,000	125,313
				453,563
<b>REITs: 0.81%</b>				
<i>Dupont Fabros Technology Incorporated</i>	8.50	12/15/2017	565,000	624,325
<i>Host Marriott Corporation</i>	9.00	05/15/2017	30,000	33,300
<i>Omega Healthcare Investors</i>	6.75	10/15/2022	125,000	135,156
<i>Ventas Incorporated</i>	9.00	05/01/2012	90,000	90,816
				883,597
<b>Health Care: 1.20%</b>				
<b>Health Care Equipment &amp; Supplies: 0.06%</b>				
<i>Biomet Incorporated ¥</i>	10.38	10/15/2017	60,000	65,325
<b>Health Care Providers &amp; Services: 0.96%</b>				
<i>Apria Healthcare Group</i>	11.25	11/01/2014	70,000	73,850
<i>Aviv Healthcare Properties LP</i>	7.75	02/15/2019	100,000	102,250
<i>Centene Corporation</i>	5.75	06/01/2017	75,000	78,188
<i>Emergency Medical Services</i>	8.13	06/01/2019	25,000	26,250
<i>HCA Incorporated</i>	5.88	03/15/2022	25,000	25,625
<i>HCA Incorporated</i>	6.50	02/15/2020	175,000	187,688

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<i>HCA Incorporated</i>	7.50	02/15/2022	25,000	27,063
<i>Health Management Associates Incorporated</i>	6.13	04/15/2016	50,000	52,188
<i>Health Management Associates Incorporated 144A</i>	7.38	01/15/2020	25,000	26,063
<i>Healthisouth Corporation</i>	7.25	10/01/2018	25,000	27,000
<i>Healthisouth Corporation</i>	7.75	09/15/2022	25,000	27,188
<i>MPT Operating Partnership LP</i>	6.38	02/15/2022	25,000	25,813

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

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Portfolio of Investments February 29, 2012 (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 11

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Health Care Providers &amp; Services (continued)</b>				
<i>MPT Operating Partnership LP</i>	6.88%	05/01/2021	\$ 125,000	\$ 132,891
<i>PSS World Medical Incorporated 144A</i>	6.38	03/01/2022	25,000	26,000
<i>Sabra Health Care Corporation</i>	8.13	11/01/2018	150,000	160,875
<i>United Surgical Partners International Incorporated</i>	8.88	05/01/2017	50,000	52,188
				1,051,120
<b>Life Sciences Tools &amp; Services: 0.03%</b>				
<i>Community Health Systems Incorporated Series WI</i>	8.88	07/15/2015	30,000	31,425
<b>Pharmaceuticals: 0.15%</b>				
<i>Mylan Incorporated 144A</i>	6.00	11/15/2018	50,000	52,313
<i>Mylan Incorporated 144A</i>	7.63	07/15/2017	25,000	27,672
<i>Mylan Incorporated 144A</i>	7.88	07/15/2020	75,000	83,813
				163,798
<b>Industrials: 1.89%</b>				
<b>Aerospace &amp; Defense: 0.49%</b>				
<i>Alliant Techsystems Incorporated</i>	6.75	04/01/2016	225,000	230,625
<i>Geoeye Incorporated</i>	9.63	10/01/2015	55,000	60,775
<i>Hexcel Corporation</i>	6.75	02/01/2015	48,000	48,420
<i>L-3 Communications Holdings Incorporated</i>	6.38	10/15/2015	167,000	170,758
<i>Transdigm Incorporated</i>	7.75	12/15/2018	25,000	27,500
				538,078
<b>Commercial Services &amp; Supplies: 0.80%</b>				
<i>Casella Waste Systems Incorporated</i>	11.00	07/15/2014	220,000	238,425
<i>Corrections Corporation of America</i>	7.75	06/01/2017	95,000	103,550
<i>Geo Group Incorporated</i>	7.75	10/15/2017	125,000	134,688
<i>Iron Mountain Incorporated</i>	8.38	08/15/2021	155,000	172,244
<i>KAR Holdings Incorporated ±</i>	4.55	05/01/2014	100,000	99,500
<i>NCO Group Incorporated</i>	11.88	11/15/2014	125,000	124,375
				872,782
<b>Industrial Conglomerates: 0.21%</b>				
<i>Otter Tail Corporation</i>	9.00	12/15/2016	215,000	230,050
<b>Machinery: 0.30%</b>				
<i>Cleaver-Brooks Incorporated 144A</i>	12.25	05/01/2016	55,000	57,200
<i>Columbus Mckinnon Corporation</i>	7.88	02/01/2019	75,000	78,563
<i>CPM Holdings Incorporated</i>	10.63	09/01/2014	150,000	161,625

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<i>Titan International Incorporated</i>	7.88	10/01/2017	25,000	26,563 323,951
<b>Metals &amp; Mining: 0.04%</b>				
<i>Crown Cork &amp; Seal Company Incorporated (i)</i>	7.50	12/15/2096	50,000	43,125
<b>Road &amp; Rail: 0.05%</b>				
<i>RailAmerica Incorporated</i>	9.25	07/01/2017	44,000	49,060

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12 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments February 29, 2012 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Information Technology: 2.59%</b>				
<b>Communications Equipment: 0.35%</b>				
<i>Avaya Incorporated</i>	9.75%	11/01/2015	\$ 50,000	\$ 50,000
<i>EchoStar DBS Corporation</i>	7.13	02/01/2016	50,000	55,250
<i>Lucent Technologies Incorporated</i>	6.45	03/15/2029	155,000	119,350
<i>Lucent Technologies Incorporated Series B</i>	2.88	06/15/2025	160,000	153,400
				378,000
<b>Computers &amp; Peripherals: 0.20%</b>				
<i>Seagate Technology HDD Holdings</i>	6.80	10/01/2016	50,000	55,625
<i>Seagate Technology HDD Holdings</i>	6.88	05/01/2020	25,000	27,375
<i>Seagate Technology HDD Holdings 144A</i>	7.00	11/01/2021	25,000	27,688
<i>Seagate Technology HDD Holdings</i>	7.75	12/15/2018	100,000	112,500
				223,188
<b>Electronic Equipment, Instruments &amp; Components: 0.87%</b>				
<i>CDW LLC / CDW Financial Corporation</i>	12.54	10/12/2017	75,000	81,750
<i>Jabil Circuit Incorporated</i>	8.25	03/15/2018	620,000	737,800
<i>Viasystem Group Incorporated 144A</i>	12.00	01/15/2015	115,000	123,913
				943,463
<b>Internet Software &amp; Services: 0.10%</b>				
<i>Equinix Incorporated</i>	8.13	03/01/2018	95,000	106,044
<b>IT Services: 1.07%</b>				
<i>Audatex North American 144A</i>	6.75	06/15/2018	25,000	26,031
<i>Fidelity National Information Services Incorporated 144A</i>	7.63	07/15/2017	25,000	27,156
<i>Fidelity National Information Services Incorporated</i>	7.63	07/15/2017	25,000	27,281
<i>Fidelity National Information Services Incorporated</i>	7.88	07/15/2020	100,000	112,500
<i>First Data Corporation 144A</i>	7.38	06/15/2019	50,000	50,563
<i>First Data Corporation</i>	11.25	03/31/2016	375,000	355,313
<i>SunGard Data Systems Incorporated</i>	7.38	11/15/2018	50,000	53,750
<i>SunGard Data Systems Incorporated</i>	7.63	11/15/2020	25,000	27,000
<i>SunGard Data Systems Incorporated</i>	10.25	08/15/2015	300,000	312,750
<i>TW Telecommunications Holdings Incorporated</i>	8.00	03/01/2018	75,000	82,219
<i>Unisys Corporation 144A</i>	12.75	10/15/2014	47,000	52,758
<i>Unisys Corporation 144A</i>	14.25	09/15/2015	36,000	41,400
				1,168,721
<b>Materials: 1.19%</b>				
<b>Chemicals: 0.30%</b>				
<i>Huntsman International LLC</i>	5.50	06/30/2016	140,000	139,825



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<i>Lyondell Chemical Company</i>	11.00	05/01/2018	119,904	131,445
<i>Solutia Incorporated</i>	7.88	03/15/2020	50,000	58,625
				329,895

**Containers & Packaging: 0.22%**

<i>Ball Corporation</i>	5.00	03/15/2022	25,000	25,563
<i>Crown Americas LLC</i>	7.63	05/15/2017	25,000	27,313

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

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Portfolio of Investments February 29, 2012 (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 13

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Containers &amp; Packaging (continued)</b>				
<i>Graham Packaging Company Incorporated</i>	9.88%	10/15/2014	\$ 150,000	\$ 153,000
<i>Owens Brockway Glass Container Incorporated</i>	7.38	05/15/2016	25,000	28,313
				234,189
<b>Metals &amp; Mining: 0.44%</b>				
<i>Freeport-McMoRan Copper &amp; Gold Incorporated</i>	8.38	04/01/2017	295,000	308,800
<i>Novelis Incorporated</i>	8.38	12/15/2017	100,000	109,500
<i>Novelis Incorporated</i>	8.75	12/15/2020	50,000	55,750
				474,050
<b>Paper &amp; Forest Products: 0.23%</b>				
<i>Clearwater Paper Corporation</i>	10.63	06/15/2016	70,000	79,538
<i>Georgia-Pacific Corporation</i>	8.88	05/15/2031	125,000	172,853
				252,391
<b>Telecommunication Services: 3.06%</b>				
<b>Diversified Telecommunication Services: 1.64%</b>				
<i>Citizens Communications Company</i>	7.88	01/15/2027	200,000	182,000
<i>Frontier Communications Corporation</i>	8.13	10/01/2018	60,000	64,650
<i>Frontier Communications Corporation</i>	8.25	05/01/2014	140,000	152,250
<i>GCI Incorporated</i>	6.75	06/01/2021	75,000	75,938
<i>GCI Incorporated</i>	8.63	11/15/2019	150,000	163,500
<i>Intelsat Jackson Holdings Company</i>	7.25	10/15/2020	75,000	78,938
<i>Intelsat Jackson Holdings Company</i>	9.50	06/15/2016	300,000	315,750
<i>Qwest Corporation</i>	7.50	06/15/2023	180,000	180,900
<i>Qwest Corporation</i>	7.63	08/03/2021	20,000	20,876
<i>SBA Telecommunications Incorporated</i>	8.00	08/15/2016	50,000	53,875
<i>SBA Telecommunications Incorporated</i>	8.25	08/15/2019	50,000	55,000
<i>U.S. West Communications Incorporated</i>	7.25	09/15/2025	125,000	138,952
<i>Windstream Corporation</i>	7.88	11/01/2017	265,000	298,788
				1,781,417
<b>Wireless Telecommunication Services: 1.42%</b>				
<i>Allbritton Communications Company</i>	8.00	05/15/2018	100,000	105,750
<i>CC Holdings GS V LLC 144A</i>	7.75	05/01/2017	50,000	54,500
<i>Cricket Communications Incorporated</i>	7.75	10/15/2020	150,000	149,250
<i>Cricket Communications Incorporated Series I</i>	7.75	05/15/2016	125,000	133,125
<i>Crown Castle International Corporation</i>	7.13	11/01/2019	10,000	10,950
<i>MetroPCS Communications Incorporated</i>	6.63	11/15/2020	250,000	257,500
<i>MetroPCS Communications Incorporated</i>	7.88	09/01/2018	50,000	53,625
<i>Sprint Nextel Corporation 144A</i>	9.00	11/15/2018	25,000	27,875
<i>Sprint Nextel Corporation 144A</i>	11.50	11/15/2021	25,000	27,250
<i>Sprint Nextel Corporation Series D</i>	7.38	08/01/2015	375,000	370,313

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<i>Syniverse Holdings Incorporation</i>	9.13	01/15/2019	325,000	354,250
				1,544,388

**Utilities: 2.07%**

**Electric Utilities: 1.86%**

<i>Aquila Incorporated Step Bond</i>	11.88	07/01/2012	794,000	821,844
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14 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments February 29, 2012 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Electric Utilities (continued)</b>				
<i>Dolphin Subsidiary Incorporated 144A</i>	7.25%	10/15/2021	\$ 200,000	\$ 228,000
<i>Ipalco Enterprises Incorporated</i>	5.00	05/01/2018	75,000	75,844
<i>Mirant Mid-Atlantic LLC Series C</i>	10.06	12/30/2028	438,432	451,585
<i>NRG Energy Incorporated</i>	7.38	01/15/2017	250,000	259,375
<i>NRG Energy Incorporated</i>	8.50	06/15/2019	185,000	189,163
				2,025,811
<b>Gas Utilities: 0.07%</b>				
<i>AmeriGas Finance LLC</i>	7.00	05/20/2022	25,000	25,656
<i>AmeriGas Partners LP</i>	6.50	05/20/2021	50,000	50,500
				76,156
<b>Independent Power Producers &amp; Energy Traders: 0.14%</b>				
<i>Reliant Energy Incorporated</i>	9.24	07/02/2017	95,082	91,754
<i>Reliant Energy Incorporated</i>	9.68	07/02/2026	10,000	9,325
<i>RRI Energy Incorporated</i>	7.63	06/15/2014	50,000	51,000
				152,079
<b>Total Corporate Bonds and Notes (Cost \$31,460,505)</b>				33,445,885
	<b>Dividend Yield</b>		<b>Shares</b>	
<b>Preferred Stocks: 7.28%</b>				
<b>Financials: 0.05%</b>				
<b>Consumer Finance: 0.05%</b>				
<i>GMAC Capital Trust I</i>	8.13		2,200	51,656
<b>Utilities: 7.23%</b>				
<b>Electric Utilities: 2.76%</b>				
<i>Great Plains Energy Incorporated</i>	12.00		50,000	3,001,000
<b>Multi-Utilities: 4.47%</b>				
<i>Scana Corporation</i>	7.70		165,000	4,867,500
<b>Total Preferred Stocks (Cost \$7,553,500)</b>				7,920,156
	<b>Interest Rate</b>		<b>Principal</b>	

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**Term Loans: 3.32%**

<i>Capital Automotive LP</i>	5.00	03/10/2017	\$ 281,520	278,423
<i>CCM Merger Incorporated</i>	7.00	03/01/2017	364,347	363,892
<i>Coinmach Corporation</i>	3.41	11/20/2014	271,213	249,787
<i>Fairpoint Communications Incorporated</i>	6.50	01/22/2016	375,000	316,436
<i>Federal Mogul Corporation</i>	2.19	12/28/2015	41,970	40,144
<i>Federal Mogul Corporation</i>	2.20	12/29/2014	82,261	78,683
<i>First Data Corporation B1</i>	2.99	09/24/2014	164,254	157,027
<i>First Data Corporation B2</i>	2.99	09/24/2014	240,789	230,194
<i>First Data Corporation B3</i>	2.99	09/24/2014	70,394	67,297
<i>Focus Brands Incorporated &lt;</i>	N/A	08/22/2018	50,000	49,500
<i>Gray Television Incorporated</i>	3.77	12/31/2014	71,075	70,220

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Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Term Loans (continued)</b>				
<i>HHI Holdings LLC</i>	7.00%	03/21/2017	\$ 99,250	\$ 99,002
<i>Local TV Finance LLC</i>	4.25	05/07/2015	106,284	105,752
<i>Merisant Company (i)</i>	7.50	01/08/2014	70,879	69,815
<i>NCO Group Incorporated</i>	8.00	05/15/2013	67,367	66,904
<i>Newsday LLC</i>	10.50	08/01/2013	365,000	375,494
<i>Panolam Industries International (i)</i>	8.25	12/31/2013	20,950	19,798
<i>Springleaf Finance Corporation</i>	5.50	05/10/2017	100,000	91,161
<i>Texas Competitive Electric Holdings Company LLC</i>	3.76	10/10/2014	1,371,940	835,031
<i>WASH Multifamily Laundry Systems LLC</i>	7.00	08/28/2014	49,488	49,025
<b>Total Term Loans (Cost \$3,982,026)</b>				3,613,585
<b>Shares</b>				
<b>Warrants: 0.00%</b>				
<b>Utilities: 0.00%</b>				
<b>Electric Utilities: 0.00%</b>				
<i>China Hydroelectric Company ADR</i>			10,000	250
<b>Total Warrants (Cost \$12,000)</b>				250
<b>Principal</b>				
<b>Yankee Corporate Bonds and Notes: 0.93%</b>				
<b>Consumer Discretionary: 0.10%</b>				
<b>Media: 0.10%</b>				
<i>Vidéotron GP 144A</i>	5.00	07/15/2022	\$ 25,000	25,000
<i>Vidéotron GP</i>	9.13	04/15/2018	75,000	83,063
				108,063
<b>Energy: 0.15%</b>				
<b>Oil, Gas &amp; Consumable Fuels: 0.10%</b>				
<i>Griffin Coal Mining Company Limited 144A(s)</i>	9.50	12/01/2016	209,550	166,330
<b>Financials: 0.20%</b>				
<b>Consumer Finance: 0.10%</b>				
<i>Wind Acquisition Finance SA 144A</i>	11.75	07/15/2017	110,000	112,750
<b>Diversified Financial Services: 0.10%</b>				
<i>Ship Finance International Limited</i>	8.50	12/15/2013	105,000	104,738

**Materials: 0.14%**

**Metals & Mining: 0.06%**

*Teck Resources Limited*

10.75

05/15/2019

55,000

68,200

**Paper & Forest Products: 0.08%**

*Sappi Limited 144A*

7.50

06/15/2032

100,000

82,000

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

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16 Wells Fargo Advantage Utilities and High Income Fund

Portfolio of Investments February 29, 2012 (Unaudited)

Security Name	Interest Rate	Maturity Date	Principal	Value
<b>Telecommunication Services: 0.34%</b>				
<b>Diversified Telecommunication Services: 0.12%</b>				
<i>Intelsat Jackson Holding Company</i>	7.25%	04/01/2019	\$ 75,000	\$ 78,750
<i>Intelsat Jackson Holding Company</i>	7.50	04/01/2021	50,000	52,875
				131,625
<b>Wireless Telecommunication Services: 0.22%</b>				
<i>Digicel Group Limited 144A</i>	12.00	04/01/2014	20,000	22,450
<i>Intelsat Limited</i>	11.25	06/15/2016	200,000	211,500
				233,950
<b>Total Yankee Corporate Bonds and Notes (Cost \$958,542)</b>				1,007,656
	<b>Yield</b>		<b>Shares</b>	
<b>Short-Term Investments: 2.70%</b>				
<b>Investment Companies: 2.70%</b>				
<i>Wells Fargo Advantage Cash Investment Money Market Fund, Institutional Class (1)(u)</i>	0.02		2,938,691	2,938,691
<b>Total Short-Term Investments (Cost \$2,938,691)</b>				2,938,691
<b>Total Investments in Securities</b>				
<b>(Cost \$120,930,082) *</b>	118.30%		128,664,762	
<i>Other Assets and Liabilities, Net</i>	(18.30)		(19,901,589)	
<b>Total Net Assets</b>	<b>100.00%</b>		<b>\$ 108,763,173</b>	

Non-income earning security.

144A



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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.

(i) Illiquid security.

± Variable rate investment.

¥ 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.

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

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

(l) Investment in an affiliate.

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

\* Cost for federal income tax purposes is \$121,614,698 and net unrealized appreciation (depreciation) consists of:

Gross unrealized appreciation	\$ 15,887,227
Gross unrealized depreciation	(8,837,163)
Net unrealized appreciation	\$ 7,050,064

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

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Portfolio of Investments February 29, 2012 (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 17

The following table shows the percent of total long-term investments by geographic location as of February 29, 2012:

United States	85.0%
Italy	4.4%
Sweden	3.9%
France	1.8%
Canada	1.5%
Netherlands	0.9%
Turkey	0.8%
Luxembourg	0.7%
Brazil	0.4%
Cayman Islands	0.2%
Australia	0.1%
Great Britain	0.1%
Bermuda	0.1%
Austria	0.1%
	100.0%

The following table shows the percent of total bonds by credit quality based on Moody's and Standard & Poor's ratings as of February 29, 2012:

BBB/Baa	5.6%
BB/Ba	32.1%
B/B	49.2%
CCC/Caa and Below	12.6%
Not Rated	0.5%
	100.0%

The following table shows the percent of total bonds based on effective maturity as of February 29, 2012:

Less than 1 year	18.4%
1 to 3 Year(s)	34.4%
3 to 5 Years	19.7%
5 to 10 Years	19.3%
10 to 20 Years	7.0%
20+ Years	1.2%
	100.0%

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

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18 Wells Fargo Advantage Utilities and High Income Fund

Statement of Assets and Liabilities February 29, 2012 (Unaudited)

<b>Assets</b>	
<b>Investments</b>	
In unaffiliated securities, at value (see cost below)	\$ 125,726,071
In affiliated securities, at value (see cost below)	2,938,691
Total investments, at value (see cost below)	128,664,762
Foreign currency, at value (see cost below)	56,819
Receivable for investments sold	2,748,407
Receivable for dividends and interest	1,389,470
Prepaid expenses and other assets	24,971
Total assets	132,884,429
<b>Liabilities</b>	
Dividends payable	690,809
Payable for investments purchased	1,121,550
Secured borrowing payable	22,003,407
Written options, at value (see premiums received below)	11,704
Advisory fee payable	66,053
Due to other related parties	5,504
Accrued expenses and other liabilities	222,229
Total liabilities	24,121,256
<b>Total net assets</b>	<b>\$ 108,763,173</b>
<b>NET ASSETS CONSIST OF</b>	
Paid-in capital	\$ 151,182,584
Overdistributed net investment income	(1,786,119)
Accumulated net realized losses on investments	(48,380,855)
Net unrealized gains on investments	7,747,563
<b>Total net assets</b>	<b>\$ 108,763,173</b>
<b>NET ASSET VALUE PER SHARE</b>	
Based on \$108,763,173 divided by 9,210,760 shares issued and outstanding (unlimited number of shares authorized)	\$11.81

Investments in unaffiliated securities, at cost	\$ 117,991,391
Investments in affiliated securities, at cost	\$ 2,938,691
Total investments, at cost	\$ 120,930,082
Foreign currency, at cost	\$ 54,012
Premiums received on written options	\$ 3,095

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

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Statement of Operations Six Months Ended February 29, 2012 (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 19

<b>Investment income</b>	
Dividends	\$ 2,026,979
Interest	1,559,668
Income from affiliated securities	3,132
Total investment income	3,589,779
<b>Expenses</b>	
Advisory fee	381,472
Administration fee	31,789
Custody and accounting fees	14,370
Professional fees	28,512
Shareholder report expenses	4,920
Trustees' fees and expenses	5,027
Transfer agent fees	2,952
Interest expense	139,365
Secured borrowing fees	6,572
Other fees and expenses	7,909
Total expenses	622,888
Net investment income	2,966,891
<b>REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>	
<b>Net realized gains (losses) on:</b>	
Unaffiliated securities	(12,312)
Written options	7,843
Net realized losses on investments	(4,469)
<b>Net change in unrealized gains (losses) on:</b>	
Unaffiliated securities	1,770,292
Written options	(8,609)
Net change in unrealized gains (losses) on investments	1,761,683
Net realized and unrealized gains (losses) on investments	1,757,214
<b>Net increase in net assets resulting from operations</b>	<b>\$ 4,724,105</b>

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

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20 Wells Fargo Advantage Utilities and High Income Fund	Statements of Changes in Net Assets	
	Six Months Ended February 29, 2012 (Unaudited)	Year Ended August 31, 2011
<b>Operations</b>		
Net investment income	\$ 2,966,891	\$ 9,107,452
Net realized gains (losses) on investments	(4,469)	3,007,613
Net change in unrealized gains (losses) on investments	1,761,683	909,241
Net increase in net assets resulting from operations	4,724,105	13,024,306
<b>Distributions to shareholders from</b>		
Net investment income	(4,143,659)	(8,285,334)
<b>Capital share transactions</b>		
Net asset value of shares issued under the Automatic Dividend Reinvestment Plan	36,732	162,439
Total increase in net assets	617,178	4,901,411
<b>Net assets</b>		
Beginning of period	108,145,995	103,244,584
End of period	\$ 108,763,173	\$ 108,145,995
Overdistributed net investment income	\$ (1,786,119)	\$ (436,585)

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



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Statement of Cash Flows Six Months Ended February 29, 2012 (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 21

<b>Cash flows from operating activities:</b>	
Net increase in net assets resulting from operations	\$ 4,724,105
<b>Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:</b>	
Purchase of investment securities	(26,747,699)
Proceeds from disposition of investment securities	23,179,646
Amortization	(60,692)
Proceeds from sale of written options	10,939
Sales of short-term investment securities, net	6,140,256
Decrease in dividends and interest receivable	50,146
Increase in receivable for investments sold	(2,484,565)
Decrease in prepaid expenses and other assets	10,997
Increase in payable for investments purchased	224,009
Decrease in advisory fee payable	(2,857)
Decrease in due to other related parties	(239)
Decrease in accrued expenses and other liabilities	(65,530)
Unrealized appreciation on investments	(1,761,683)
Net realized gains on written options	(7,843)
Net realized losses on unaffiliated securities	12,312
Net cash provided by operating activities	3,221,302
<b>Cash flows from financing activities:</b>	
Cash distributions paid on common shares	(4,106,690)
Increase in secured borrowing	306
Net cash used in financing activities	(4,106,384)
Net decrease in cash	(885,082)
<b>Cash (including foreign currency):</b>	
Beginning of period	\$ 941,901
End of period	\$ 56,819
<b>Supplemental cash disclosure:</b>	
Cash paid for interest	\$ 139,365
<b>Supplemental non-cash financing disclosure:</b>	
Reinvestment of dividends	\$ 36,732

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

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22 Wells Fargo Advantage Utilities and High Income Fund  
(For a share outstanding throughout each period)

Financial Highlights

	Six Month Ended February 29, 2012		Year Ended August 31,				
	(Unaudited)	2011	2010	2009	2008	2007	
<b>Net asset value, beginning of period</b>	\$ 11.75	\$ 11.23	\$ 11.38	\$ 17.50	\$ 24.05	\$ 23.16	
Net investment income	0.32 <sup>1</sup>	0.99 <sup>1</sup>	0.59 <sup>1</sup>	0.97 <sup>1</sup>	2.49 <sup>1</sup>	2.81 <sup>1</sup>	
Net realized and unrealized gains (losses) on investments	0.19	0.43	0.41	(5.29)	(4.18)	2.37	
Distributions to preferred shareholders from							
Net investment income	0.00	0.00	0.00	0.00	(0.33)	(0.30)	
Net realized gains	0.00	0.00	0.00	0.00	0.00	(0.20)	
Total from investment operations	0.51	1.42	1.00	(4.32)	(2.02)	4.68	
<b>Distributions to common shareholders from</b>							
Net investment income	(0.45)	(0.90)	(0.53)	(1.00) <sup>1</sup>	(2.76)	(3.79)	
Net realized gains	0.00	0.00	0.00	0.00	(1.77)	0.00	
Tax basis return of capital	0.00	0.00	(0.62) <sup>1</sup>	(0.80) <sup>1</sup>	0.00	0.00	
Total distributions to common shareholders	(0.45)	(0.90)	(1.15)	(1.80)	(4.53)	(3.79)	
<b>Net asset value, end of period</b>	\$ 11.81	\$ 11.75	\$ 11.23	\$ 11.38	\$ 17.50	\$ 24.05	
<b>Market value, end of period</b>	\$ 11.82	\$ 11.03	\$ 11.23	\$ 12.49	\$ 21.02	\$ 27.30	
<b>Total return based on market value<sup>2</sup></b>	<b>11.63%</b>	<b>5.99%</b>	<b>(1.24)%</b>	<b>(30.46)%</b>	<b>(7.86)%</b>	<b>34.05%</b>	
<b>Ratios to average net assets (annualized)</b>							
Gross expenses	1.18%	1.24%	2.52%	3.44%	1.92%	1.42%	
Net expenses	1.18%	1.24%	1.52%	2.25%	1.89%	1.42%	
Interest expense	0.26%	0.25%	0.19%	0.70%	0.52%	0.22%	
Net investment income	5.64%	8.14%	5.19%	8.75%	10.33% <sup>3</sup>	9.41% <sup>3</sup>	
<b>Supplemental data</b>							
Portfolio turnover rate	16%	64%	59%	137%	153%	117%	
Net assets of common shareholders, end of period (000 s omitted)	\$108,763	\$108,146	\$103,245	\$103,687	\$156,384	\$209,066	
Borrowings outstanding, end of period (000 s omitted)	\$22,000	\$22,000	\$22,000	\$22,000	\$86,500	\$6,600	
Asset coverage per \$1,000 of borrowing, end of period	\$5,944	\$5,916	\$5,693	\$5,713	\$2,808	\$44,836	
Liquidation value of Preferred Shares, end of period (000 s omitted)	N/A	N/A	N/A	N/A	N/A	\$80,000	
Asset coverage ratio for Preferred Shares, end of period	N/A	N/A	N/A	N/A	N/A	360%	

1. Calculated based upon average common shares outstanding during the period.

2.

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

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

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

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Notes to Financial Statements (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 23

**1. ORGANIZATION**

Wells Fargo Advantage Utilities and High Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on February 4, 2004 and is registered as a non-diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The primary investment objective of the Fund is to seek a high level of current income and moderate capital growth, with an emphasis on providing tax advantaged dividend income.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**Securities valuation**

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 Fair Value Procedures.

Securities denominated in foreign currencies are translated into U.S. dollars using the closing rates of exchange in effect on the day of valuation.

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign investments are traded but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of the investments, then those investments are fair valued following procedures approved by the Board of Trustees. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in NAVs that are higher or lower than NAVs based on the closing price or latest quoted bid price.

Fixed income securities with original maturities exceeding 60 days are valued based on available 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 Fair Value 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.

**Foreign currency translation**

The accounting records of the Fund are maintained in U.S. dollars. Assets, including investment securities, and liabilities denominated in foreign currency are translated into U.S. dollars at the prevailing rates of exchange at the date of valuation. Purchases and sales of securities, and income

and expenses are translated at the prevailing rate of exchange on the respective dates of such transactions. Reported net realized foreign exchange gains or losses arise from sales of foreign

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24 Wells Fargo Advantage Utilities and High Income Fund

Notes to Financial Statements (Unaudited)

currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting in changes in exchange rates.

The changes in net assets arising from changes in exchange rates and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are recorded with net realized and unrealized gains or losses from investments. Gains and losses from certain foreign currency transactions are treated as ordinary income for U.S. federal income tax purposes.

### **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 to cover its obligation by confirming the availability of qualifying assets having a value sufficient to make payment for the securities purchased. Securities purchased on a when-issued basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

### **Term loans**

The Fund may invest in term loans. The 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.

### **Options**

The Fund may be subject to equity price risk in the normal course of pursuing its investment objectives. The Fund may write covered put or call options. When the Fund writes an option, an amount equal to the premium received is recorded as a liability and is subsequently adjusted to the current market value of the written option. Premiums received from written options, which expire unexercised, are recognized as realized gains from investments on the expiration date. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is treated as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in calculating the realized gain or loss on the sale. If a put option is exercised, the premium reduces the cost of the security purchased. The Fund, as a writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

The Fund may also purchase call or put options. The premium is included in the Statement of Assets and Liabilities as an investment which is subsequently adjusted to the current market value of the option. Premiums paid for purchased options which expire are recognized as realized losses from investments on the expiration date. Premiums paid for purchased options which are exercised or closed are added to the amount paid or offset against the proceeds on the underlying security to determine the realized gain or loss. The risk of loss associated with purchased options is limited to the premium paid.

Options traded on an exchange are regulated and terms of the options are standardized. Options traded over the counter expose the Fund to counterparty risk in the event the counterparty does not perform. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

### **Security transactions and income recognition**

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

Interest income is accrued daily and bond discounts are accreted and premiums are amortized daily based on the effective interest method. To the extent debt obligations are placed on non-accrual status, any related interest income may be reduced by writing off interest receivables when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. If the issuer subsequently resumes interest payments or when the collectability of interest is reasonably assured, the debt obligation is removed from non-accrual status.

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Notes to Financial Statements (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 25

Dividend income is recognized on the ex-dividend date.

**Distributions to shareholders**

Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from generally accepted accounting principles.

**Federal and other taxes**

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

Under the recently enacted *Regulated Investment Company Modernization Act of 2010*, the Fund is permitted to carry forward capital losses incurred in taxable years which began after December 22, 2010 for an unlimited period. However, any losses incurred are required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

The Fund's income and federal excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal and Delaware revenue authorities.

As of August 31, 2011, Fund had net capital loss carryforwards, which were available to offset future net realized capital gains, in the amount of \$47,984,272 with \$20,548,693 expiring in 2017 and \$27,435,579 expiring in 2018.

**3. FAIR VALUATION MEASUREMENTS**

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

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

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

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26 Wells Fargo Advantage Utilities and High Income Fund

Notes to Financial Statements (Unaudited)

As of February 29, 2012, the inputs used in valuing the Fund's assets, which are carried at fair value, were as follows:

Investments in Securities	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Equity securities</b>				
Common stocks	\$ 79,738,539*	\$ 0*	\$ 0	\$ 79,738,539
Preferred stocks	7,920,156	0	0	7,920,156
<b>Corporate bonds and notes</b>		32,994,300	451,585	33,445,885
<b>Term loans</b>	0	3,465,083	148,502	3,613,585
<b>Warrants</b>	0	250	0	250
<b>Yankee corporate bonds and notes</b>	0	1,007,656	0	1,007,656
<b>Short-term investments</b>				
Investment companies	2,938,691	0	0	2,938,691
	<b>\$ 90,597,386</b>	<b>\$ 37,467,289</b>	<b>\$ 600,087</b>	<b>\$ 128,664,762</b>

\*Transfers in and transfers out are recognized at the end of the reporting period. At the end of the period, foreign securities valued in the amount of \$13,002,657 in common stocks were transferred out of Level 2 and into Level 1 since adjustments to prices of foreign securities due to movements against a specified benchmark were not necessary at February 29, 2012.

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

As of February 29, 2012, the inputs used in valuing the Fund's other financial instruments, which are carried at fair value, were as follows:

Other financial instruments	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Written options</b>	\$ 0	\$ (11,704)	\$ 0	\$ (11,704)

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

	Corporate bonds and notes	Term loans	Total
<b>Balance as of August 31, 2011</b>	\$ 584,450	\$ 1,414,710	\$ 1,999,160
Accrued discounts (premiums)	107	6,223	6,330
Realized gains (losses)	0	4,449	4,449
Change in unrealized gains (losses)	(31,893)	32,765	872
Purchases	0	49,000	49,000
Sales	0	(209,488)	(209,488)
Transfers into Level 3	0	0	0
Transfers out of Level 3	(101,079)	(1,149,157)	(1,250,236)
<b>Balance as of February 29, 2012</b>	\$ 451,585	\$ 148,502	\$ 600,087
<b>Change in unrealized gains (losses) relating to securities still held at February 29, 2012</b>	\$ (26,413)	\$ 5,423	\$ (20,990)

Transfers out of Level 3 into Level 2 are due to the availability of significant observable inputs which are currently used in the determination of the fair value of the securities.



**4. TRANSACTIONS WITH AFFILIATES AND OTHER EXPENSES**

**Advisory fee**

Wells Fargo Funds Management, LLC ( Funds Management ), an indirect wholly owned subsidiary of Wells Fargo & Company ( Wells Fargo ), is the investment adviser to the Fund and is entitled to receive a fee at an annual rate of 0.60% of the Fund's average daily total assets. Total assets consist of the net assets of the Fund plus borrowings or other leverage for investment purposes to the extent excluded in calculating net assets.

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Notes to Financial Statements (Unaudited) Wells Fargo Advantage Utilities and High Income Fund 27

Funds Management has retained the services of certain investment sub-advisers to provide daily portfolio management to the Fund. The fees related to investment sub-advisory services are borne directly by Funds Management and do not increase the overall fees paid by the Fund. Wells Capital Management Incorporated, an affiliate of Funds Management, and Crow Point Partners, LLC are each investment sub-advisers to the Fund and are each entitled to receive a fee from Funds Management at an annual rate of 0.20% of the Fund's average daily total assets.

**Administration fee**

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

**5. CAPITAL SHARE TRANSACTIONS**

The Fund has authorized an unlimited number of common shares with no par value. For the six months ended February 29, 2012 and the year ended August 31, 2011, the Fund issued 3,155 and 13,611 common shares, respectively.

**6. BORROWINGS**

The Fund has borrowed \$22 million through a secured debt financing agreement administered by a major financial institution (the Facility). The Facility has a commitment amount of \$25 million which expires on February 25, 2013, at which point it may be renegotiated and potentially renewed for another term. At February 29, 2012, the Fund had secured borrowings outstanding in the amount of \$22,003,407 (including accrued interest and liquidity and program fees payable).

The Fund's borrowings under the Facility are generally charged interest at a rate determined by the type of loan elected by the Fund. During six months ended February 29, 2012, an effective interest rate of 1.25% was incurred on the borrowings. Interest expense of \$139,365, representing 0.26% of the Fund's average daily net assets was incurred during the six months ended February 29, 2012.

The Fund has pledged its assets to secure the borrowings and pays a commitment fee at an annual rate equal to 0.15% of average daily unutilized amounts of the \$25 million commitment amount. Prior to February 27, 2012, the Fund paid a commitment fee at an annual rate equal to (a) 0.20% as of any date upon which the loan balance exceeded 50% of the facility amount and (b) 0.30% as of any other date when the loan balance was less than 50% of the facility amount. The secured borrowing fees on the Statement of Operations represents structuring fees and commitment fees. Of this amount, \$5,132 represents structuring fees.

**7. INVESTMENT PORTFOLIO TRANSACTIONS**

Purchases and sales of investments, excluding U.S. Government obligations (if any) and short-term securities (securities with maturities of one year or less at purchase date), for the six months ended February 29, 2012 were \$25,038,959 and \$20,106,927, respectively.

**8. DERIVATIVE TRANSACTIONS**

During the six months ended February 29, 2012, the Fund entered into written options for economic hedging purposes.

During the six months ended February 29, 2012, the Fund had written call option activities as follows:

	Number of Contracts	Premiums Received
Options outstanding at August 31, 2011	0	\$ 0
Options written	396	10,939
Options expired	(320)	(7,844)
Options closed	0	0
Options exercised	0	0

<b>Options outstanding at February 29, 2012</b>	<b>76</b>	<b>\$ 3,095</b>
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The Fund had outstanding written options with total premiums received that averaged \$1,474 during the six months ended February 29, 2012.

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28 Wells Fargo Advantage Utilities and High Income Fund

Notes to Financial Statements (Unaudited)

Open written call options at February 29, 2012 were as follows for the Fund:

Expiration Date	Issuer Name	Number of Contracts	Strike Price	Value
March 2012	Comcast Corporation Class A	76	\$ 28.00	\$ (11,704)

The fair value, realized gains or losses and change in unrealized gains or losses, if any, on derivative instruments are reflected in the appropriate financial statements.

**9. CONCENTRATION RISK**

The Fund invests a substantial portion of its assets in the utilities industry and, therefore, may be more affected by changes in that industry than would be a comparable mutual fund whose investments are not heavily weighted in any industry.

**10. INDEMNIFICATION**

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

**11. NEW ACCOUNTING PRONOUNCEMENTS**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-04 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* . ASU No. 2011-04 amends FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP. The ASU is effective prospectively for interim and annual periods beginning after December 15, 2011. Management expects that adoption of the ASU will result in additional disclosures in the financial statements, as applicable.

In April 2011, FASB issued ASU No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements* . ASU No. 2011-03 amends FASB ASC Topic 860, *Transfers and Servicing*, specifically the criteria required to determine whether a repurchase agreement (repo) and similar agreements should be accounted for as sales of financial assets or secured borrowings with commitments. ASU No. 2011-03 changes the assessment of effective control by focusing on the transferor's contractual rights and obligations and removing the criterion to assess its ability to exercise those rights or honor those obligations. This could result in changes to the way entities account for certain transactions including repurchase agreements, mortgage dollar rolls and reverse repurchase agreements. The ASU will become effective on a prospective basis for new transfers and modifications to existing transactions as of the beginning of the first interim or annual period beginning on or after December 15, 2011. Management has evaluated the impact of adopting the ASU and expects no significant changes.

**12. SUBSEQUENT DISTRIBUTIONS**

The Fund declared the following distributions to common shareholders:

Declaration Date	Record Date	Payable Date	Net Investment Income
February 9, 2012	March 14, 2012	April 2, 2012	\$ 0.075
March 16, 2012	April 16, 2012	May 1, 2012	\$ 0.075
April 20, 2012	May 15, 2012	June 1, 2012	\$ 0.075

These distributions are not reflected in the accompanying financial statements.

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Other Information (Unaudited)

Wells Fargo Advantage Utilities and High Income Fund 29

**PROXY VOTING INFORMATION**

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

**PORTFOLIO HOLDINGS INFORMATION**

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

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30 Wells Fargo Advantage Utilities and High Income Fund

Other Information (Unaudited)

**BOARD OF TRUSTEES**

The following table provides basic information about the Board of Trustees (the "Trustees") and Officers of the Fund. Each of the Trustees and Officers listed below acts in identical capacities for the Wells Fargo Advantage family of funds, which consists of 137 funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the "Fund Complex"). All of the Trustees are also Members of the Audit and Governance Committees of each Trust in the Fund Complex. The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

**Independent Trustees**

Name and Year of Birth	Position Held and Length of Service	Principal Occupations During Past Five Years	Other Directorships During Past Five Years
Peter G. Gordon (Born 1942)	Trustee, since 2010; Chairman, since 2010 (Lead Trustee since 2010)	Co-Founder, Retired Chairman, President and CEO of Crystal Geyser Water Company. Trustee Emeritus, Colby College	Asset Allocation Trust
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Mr. Harris is a certified public accountant.	CIGNA Corporation; Deluxe Corporation; Asset Allocation Trust
Judith M. Johnson (Born 1949)	Trustee, since 2010	Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.	Asset Allocation Trust
Leroy Keith, Jr. (Born 1939)	Trustee, since 2004	Chairman, Bloc Global Services (development and construction). Trustee of the Evergreen Funds from 1983 to 2010. Former Managing Director, Almanac Capital Management (commodities firm), former Partner, Stonington Partners, Inc. (private equity fund), former Director, Obagi Medical Products Co. and former Director, Lincoln Educational Services.	Trustee, Virtus Fund Complex (consisting of 40 portfolios as of 12/31/11); Asset Allocation Trust
David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of Corporate Governance Research Program and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	Asset Allocation Trust
Olivia S. Mitchell (Born 1953)	Trustee, since 2010	International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993.	Asset Allocation Trust

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Other Information (Unaudited)			Wells Fargo Advantage Utilities and High Income Fund	31
Name and	Position Held and		Other	
Year of Birth	Length of Service	Principal Occupations During Past Five Years	Directorships During Past Five Years	
Timothy J. Penny (Born 1951)	Trustee, since 2010	President and CEO of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007 and Senior Fellow at the Humphrey Institute Policy Forum at the University of Minnesota since 1995. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	Asset Allocation Trust	
Michael S. Scofield (Born 1943)	Trustee, since 2004	Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Chairman of the IDC from 2008-2010. Institutional Investor (Fund Directions) Trustee of Year in 2007. Trustee of the Evergreen Funds (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield and former Director and Chairman, Branded Media Corporation (multi-media branding company).	Asset Allocation Trust	
Donald C. Willeke (Born 1940)	Trustee, since 2010	Principal of the law firm of Willeke & Daniels. General Counsel of the Minneapolis Employees Retirement Fund from 1984 until its consolidation into the Minnesota Public Employees Retirement Association on June 30, 2010. Director and Vice Chair of The Free Trust (non-profit corporation). Director of the American Chestnut Foundation (non-profit corporation).	Asset Allocation Trust	

**Officers**

Name and	Position Held and			
Year of Birth	Length of Service	Principal Occupations During Past Five Years		
Karla M. Rabusch (Born 1959)	President, since 2010	Executive Vice President of Wells Fargo Bank, N.A. and President of Wells Fargo Funds Management, LLC since 2003. Senior Vice President and Chief Administrative Officer of Wells Fargo Funds Management, LLC from 2001 to 2003.		
C. David Messman (Born 1960)	Secretary, since 2010; Chief Legal Counsel, since 2010	Senior Vice President and Secretary of Wells Fargo Funds Management, LLC since 2001. Vice President and Managing Senior Counsel of Wells Fargo Bank, N.A. since 1996.		
Kasey Phillips (Born 1970)	Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2006 to 2010. Treasurer of the Evergreen Funds from 2005 to 2010.		
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Assistant Vice President of Evergreen Investment Services, Inc. from 2004 to 2008. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.		
Jeremy DePalma (Born 1974)	Assistant Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Vice President, Evergreen Investment Services, Inc. from 2004 to 2007. Head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.		
Debra Ann Early (Born 1964)	Chief Compliance Officer, since 2010	Chief Compliance Officer of Wells Fargo Funds Management, LLC since 2007. Chief Compliance Officer of Parnassus Investments from 2005 to 2007. Chief Financial Officer of Parnassus Investments from 2004 to 2007 and Senior Audit Manager of PricewaterhouseCoopers LLP from 1998 to 2004.		

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32 Wells Fargo Advantage Utilities and High Income Fund

Automatic Dividend Reinvestment Plan

**AUTOMATIC DIVIDEND REINVESTMENT PLAN**

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



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## List of Abbreviations

Wells Fargo Advantage Utilities and High Income Fund 33

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

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
EUR	Euro
FFCB	Federal Farm Credit Bank
FGIC	Financial Guaranty Insurance Corporation
FHA	Federal Housing Authority
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage 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
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LLP	Limited Liability Partnership
LOC	Letter of Credit

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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
SPDR	Standard & Poor's Depository Receipts
TAN	Tax Anticipation Notes
TBA	To Be Announced
TIPS	Treasury Inflation-Protected Securities
TRAN	Tax Revenue Anticipation Notes
TCR	Transferable Custody Receipts
TRY	Turkish Lira
TTFA	Transportation Trust Fund Authority
TVA	Tennessee Valley Authority
XLCA	XL Capital Assurance
ZAR	South African Rand

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Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

1-800-730-6001

Web site: [wellsfargoadvantagefunds.com](http://wellsfargoadvantagefunds.com)

Wells Fargo Funds Management, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries.

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

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**ITEM 2. CODE OF ETHICS**

Not required in this filing

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT**

Not required in this filing.

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

Not required in this filing.

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

Not required in this filing.

**ITEM 6. SCHEDULE OF INVESTMENTS**

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

**ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR**

**CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

Not applicable.

**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

Not applicable.

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMEMENT**

**INVESTMENT COMPANY AND AFFILIATED PURCHASES**

Not applicable.

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

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

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

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

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

## ITEM 11. CONTROLS AND PROCEDURES

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

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

## ITEM 12. EXHIBITS

(a)(1) Not required in this filing.

(a)(2) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is filed and attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) is filed and attached hereto as Exhibit 99.906CERT.



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**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 Utilities & High

Income Fund

By:

/s/ Karla M. Rabusch

Karla M. Rabusch  
President

Date: April 25, 2012

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

By:

/s/ Karla M. Rabusch

Karla M. Rabusch  
President

Date: April 25, 2012

By:

/s/ Kasey L. Phillips

Kasey L. Phillips  
Treasurer

Date: April 25, 2012