

WELLS FARGO ADVANTAGE INCOME OPPORTUNITIES FUND
Form N-CSRS
January 04, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSRS
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number: 811-21269
Wells Fargo Advantage Income Opportunities Fund
(Exact name of registrant as specified in charter)
525 Market St., San Francisco, CA 94105
(Address of principal executive offices) (Zip code)
C. David Messman
Wells Fargo Funds Management, LLC
525 Market St., San Francisco, CA 94105
(Name and address of agent for service)**

Registrant's telephone number, including area code: 800-643-9691

Date of fiscal year end: April 30, 2010

Date of reporting period: October 31, 2010

ITEM 1. REPORT TO SHAREHOLDERS

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The views expressed are as of October 31, 2010, and are those of the Fund managers. Any reference to a specific security in this report is not a recommendation to purchase or sell any specific security or adopt any investment strategy. The views are subject to change at any time in response to changing circumstances in the market and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally, or the *Wells Fargo Advantage Income Opportunities Fund*.

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Fund

Letter to Shareholders

Karla M. Rabusch, President *Wells Fargo Advantage Funds*

Despite the heightened market volatility during the period, we believe that the advance in the financial markets since early 2009 underscores the importance of maintaining a disciplined focus on a long-term investment strategy.

Dear Valued Shareholder:

We are pleased to provide you with this semiannual report for the *Wells Fargo Advantage Income Opportunities Fund* for the six-month period that ended October 31, 2010. The period could be described as a roller-coaster ride, both on the economic front and across the financial markets. While several key economic indicators gathered strength entering the period, many moderated throughout much of the period. In turn, the financial markets, which had built upon the impressive rally of late 2009 and early 2010, gave back some of those gains as volatility returned during the summer months. Despite the heightened market volatility during the period, we believe that the advance in the financial markets since early 2009 underscores the importance of maintaining a disciplined focus on a long-term investment strategy. Although periods of volatility can be challenging for investors, staying focused on a long-term strategy based on individual goals and risk tolerance can help avoid missing out on potential periods of strong recovery.

Economic growth turned positive after severe contraction.

Economic growth modestly improved throughout the period, as the economy continued to slowly recover from the deepest recession since the 1930s. As an example, gross domestic product (GDP), which contracted for four consecutive quarters between late 2008 and late 2009 something not seen in at least 60 years remained positive throughout the past six months. After turning positive for the third quarter of 2009, GDP growth was 3.7% and 1.7% in the first and second quarters of 2010, respectively. Recently, the National Bureau of Economic Research declared that the recession that began in December 2007 ended in June 2009. In spite of these indicators that the economy is growing, many market participants and economists continue to question the sustainability of the current recovery.

The unemployment rate edged down but remained elevated.

Employment data turned positive early in the period, softened over the summer months, and improved at the end of the reporting period. More specifically, the unemployment rate, which peaked at 10.1% in October 2009, its highest level in more than 25 years, edged down to 9.6% in October 2010. After U.S. employers added 313,000 workers in April and 433,000 workers in May, the economy lost an average of 103,000 each month from June through August. While some of the decline in payroll employment over the summer was a result of the end of temporary government employees working on Census 2010, jobs increased by 64,000 and 159,000 in September and October, respectively. Other economic data were mixed, further illustrating the roller-coaster trend during the period and raising some concerns about the potential sustainability of the recovery. Retail sales were strong in April 2010 but then declined through most of the summer before rising again in September and October on the strength of increased auto sales. Consumer confidence continued to weaken during the final months of the period as consumers remained concerned about income, job prospects, and the potential effects of the midterm elections on fiscal

and tax policy. New and existing home sales, perceived by many as the key to a sustainable, long-term recovery, also reported mixed results over the year. The rate of home sales, which modestly improved in the spring, weakened during the summer. However, the rate of new home sales remained unchanged from August to September.

The Federal Reserve continued to focus on economic stimulus.

Despite extensive quantitative easing measures by the Federal Reserve, bank lending remained constrained during the period, which indicates that the trillions of dollars of government stimulus added to the monetary system might not have an inflationary impact in the near term. Throughout the period, the Federal Open Market Committee (FOMC) held the federal funds rate between 0% and 0.25% a level it first targeted in December 2008.

In recent months, the FOMC's official statements have noted a continuation of the economic recovery and gradual improvement in the labor market. The FOMC has also cited increases in both household and business spending. However, it has also noted that unemployment remains high and credit continues to be tight, reiterating that it is likely to keep the federal funds rate at exceptionally low levels for an extended period because of the continued substantial economic slack.

Market returns were a roller coaster.

The riskier asset classes, notably equities and high-yield corporate bonds, saw a significant shift in sentiment during the period. The strong rally that began in 2009 continued through April 2010, but growing concerns about the strength of global economic growth resulted in a rapid correction between May and August. However, the U.S. equity and high-yield markets enjoyed a significant rebound in September and October.

During the period, the high-yield corporate market posted the best returns among all domestic fixed-income markets. After an impressive beginning to 2010, supported by improving investor sentiment, the lowest credit-quality tiers, CCC-rated¹ and lower, struggled along with equities during the correction over the summer months. However, the lower-quality segments of the non-investment-grade markets rallied during the last two months of the reporting period to lead every segment of the fixed-income market.

Since the beginning of the year, within the high-yield universe, BB-rated corporates have performed nearly as well as their lower-quality counterparts. Clearly, the trend has been that CCCs have underperformed during market corrections and outperformed during rallies. By comparison, over the past six months and year to date, high yield has outperformed both Treasuries and investment-grade corporates.

During the period, the high-yield corporate market posted the best returns among all domestic fixed-income markets.

1. The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit Quality Ratings: Credit quality ratings apply to underlying holdings of the Fund and not the Fund itself. Standard and Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Moody's rates the creditworthiness of bonds, ranging from Aaa (highest) to CC (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest).

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Letter to Shareholders

For the full six-month period, the Barclays Capital U.S. Corporate High Yield Bond Index² advanced 6.9%, the Barclays Capital U.S. Treasury Index³ returned 6.3%, and the broad investment-grade Barclays Capital U.S. Aggregate Bond Index⁴ returned 5.3%.

Our long-term strategy remains focused on attractive risk-to-reward opportunities.

As always, our long-term strategy is to focus on issues where we feel the risk-to-reward relationship is attractive. Our perspective is not to simply identify attractive risk-to-reward profiles for the short run but, ideally, through the maturity of the issue, regardless of if we hold the bond through its maturity date.

Within the *Wells Fargo Advantage Income Opportunities Fund*, positioning remains primarily focused on credits that are rated B and higher, with a focus on companies that generate free cash flow and have the ability to deleverage absent market liquidity conditions. The current environment has been very supportive of lower-quality issues, as liquidity has been abundant and refinancing debt has been easy. We believe that the risks of weaker credits are no longer being appropriately compensated and, with interest rates at extremely low levels, interest-rate sensitivity is not being fully compensated for the risk either. Therefore, the holdings have been gradually positioned away from interest-rate-sensitive issues and instead positioned higher in quality.

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

The period saw renewed volatility and a correction across the global financial markets. However, we believe that the significant rebound experienced over the past 18 months underscores the importance of maintaining a focus on long-term investment goals through periods of volatility so investors don't miss potential periods of strong recovery. Thank you for choosing *Wells Fargo Advantage Funds*. We appreciate your confidence in us. Through each market cycle, we are committed to helping you meet your financial needs. If you have any questions about your investment, please contact your investment professional or call us at 1-800-222-8222. You may also visit our website at

wellsfargo.com/advantagefunds.

Sincerely,

Karla M. Rabusch
President
Wells Fargo Advantage Funds

2. The Barclays Capital 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.
 3. Barclays Capital U.S. Treasury Index contains public obligations of the U.S. Treasury with a remaining maturity of one year or more. You cannot invest directly in an index.
 4. The Barclays Capital U.S. Aggregate Bond Index is composed of the Barclays Capital 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.
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Portfolio of Investments October 31, 2010 (Unaudited) Wells Fargo Advantage Income Opportunities Fund 5

Principal	Security Name	Interest Rate	Maturity Date	Value
Corporate Bonds and Notes: 112.80%				
Consumer Discretionary: 17.81%				
Auto Components: 1.73%				
\$ 4,455,000	Cooper Tire & Rubber Company	7.63%	03/15/2027	\$ 4,187,700
6,830,000	Goodyear Tire & Rubber Company	10.50	05/15/2016	7,820,350
				12,008,050
Diversified Consumer Services: 3.13%				
4,055,000	Carriage Services Incorporated	7.88	01/15/2015	4,095,550
9,376,000	Service Corporation International	7.50	04/01/2027	9,258,800
880,000	Service Corporation International	8.00	11/15/2021	959,200
100,000	Service Corporation International Series WI	7.00	06/15/2017	106,500
6,550,000	StoneMor Partners LP	10.25	12/01/2017	7,254,125
				21,674,175
Hotels, Restaurants & Leisure: 3.33%				
1,900,000	Ameristar Casinos Incorporated	9.25	06/01/2014	2,056,750
1,030,000	Boyd Gaming Corporation	7.75	12/15/2012	1,035,150
2,525,000	Chukchansi Economic Development Authority	4.12	11/15/2012	1,603,375
1,025,000	Dineequity Incorporated	9.50	10/30/2018	1,091,625
6,262,000	Greentown Superholdings Incorporated	13.00	07/01/2015	6,903,855
2,880,000	Pinnacle Entertainment Incorporated	7.50	06/15/2015	2,865,600
1,130,000	Scientific Games Corporation	9.25	06/15/2019	1,233,113
665,000	Shingle Springs Tribal Gaming Authority	9.38	06/15/2015	452,200
2,075,000	Speedway Motorsports Incorporated	8.75	06/01/2016	2,261,750
3,250,000	Yonkers Racing Corporation	11.38	07/15/2016	3,558,750
				23,062,168
Household Durables: 0.03%				
149,000	Sealy Mattress Corporation	10.88	04/15/2016	170,419
Internet & Catalog Retail: 0.15%				
990,000	QVC Incorporated	7.50	10/01/2019	1,064,250
Media: 7.57%				

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1,200,000	<i>AMC Entertainment Incorporated</i>	8.75	06/01/2019	1,285,500
2,975,000	<i>Cablevision Systems Corporation</i>	8.63	09/15/2017	3,358,031
14,756,015	<i>CCH II Capital Corporation</i>	13.50	11/30/2016	17,670,304
940,000	<i>CCO Holdings LLC</i>	8.13	04/30/2020	1,015,200
2,290,000	<i>Charter Communications Incorporated Step Bond^{oo}</i>	8.00	04/30/2012	2,435,988
11,640,000	<i>Charter Communications Incorporated Step Bond^{oo}</i>	10.88	09/15/2014	13,269,600
2,260,000	<i>DISH DBS Corporation</i>	7.88	09/01/2019	2,477,525
1,275,000	<i>Gray Television Incorporated</i>	10.50	06/29/2015	1,330,781
775,000	<i>LIN Television Corporation</i>	8.38	04/15/2018	830,219
4,475,000	<i>Regal Cinemas Corporation</i>	8.63	07/15/2019	4,777,063
2,575,000	<i>Salem Communications Corporation</i>	9.63	12/15/2016	2,813,188
250,000	<i>Sirius XM Radio Incorporated</i>	9.75	09/01/2015	280,313
815,000	<i>Sirius XM Radio Incorporated</i>	13.00	08/01/2013	971,888
2,325,000	<i>Young Broadcasting Incorporated^^</i>	8.75	03/01/2011	23
3,619,000	<i>Young Broadcasting Incorporated^^</i>	10.00	01/15/2014	36
				52,515,659

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Principal	Security Name	Interest Rate	Maturity Date	Value
Multiline Retail: 0.19%				
\$ 1,270,000	<i>Saks Incorporated</i>	9.88%	10/01/2011	\$ 1,339,850
Specialty Retail: 1.05%				
6,550,000	<i>American Achievement Corporation</i>	8.25	04/01/2012	6,550,000
700,000	<i>Rent-A-Center Incorporated</i>	6.63	11/15/2020	707,000
				7,257,000
Textiles, Apparel & Luxury Goods: 0.63%				
3,850,000	<i>Oxford Industries Incorporated</i>	11.38	07/15/2015	4,379,375
Consumer Staples: 1.78%				
Beverages: 0.04%				
250,000	<i>Cott Beverages Incorporated</i>	8.38	11/15/2017	271,250
Food Products: 1.74%				
3,075,000	<i>Dole Food Company Incorporated</i>	13.88	03/15/2014	3,793,781
3,035,000	<i>Smithfield Foods Incorporated</i>	7.00	08/01/2011	3,137,431
4,465,000	<i>Smithfield Foods Incorporated</i>	10.00	07/15/2014	5,145,913
				12,077,125
Energy: 15.37%				
Energy Equipment & Services: 3.41%				
2,210,000	<i>Bristow Group Incorporated</i>	7.50	09/15/2017	2,292,875
3,395,000	<i>Gulfmark Offshore Incorporated</i>	7.75	07/15/2014	3,454,413
4,110,000	<i>Hercules Offshore Incorporated</i>	10.50	10/15/2017	3,185,250
5,325,000	<i>Hornbeck Offshore Services Incorporated Series B</i>	6.13	12/01/2014	5,325,000
4,920,000	<i>Hornbeck Offshore Services Incorporated Series B</i>	8.00	09/01/2017	4,987,650
205,000	<i>Offshore Logistics Incorporated</i>	6.13	06/15/2013	207,050
860,000	<i>Parker Drilling Company</i>	9.13	04/01/2018	903,000
3,000,000	<i>PHI Incorporated</i>	8.63	10/15/2018	3,022,500
210,000	<i>Pride International Incorporated</i>	8.50	06/15/2019	254,888

23,632,626

Oil, Gas & Consumable Fuels: 11.96%

1,185,000	<i>Alon Refining Krotz Springs Incorporated</i>	13.50	10/15/2014	1,155,375
5,085,000	<i>Chesapeake Energy Corporation</i>	9.50	02/15/2015	5,898,600
200,000	<i>Cloud Peak Enrgy Resources LLC</i>	8.25	12/15/2017	217,500
250,000	<i>Cloud Peak Enrgy Resources LLC</i>	8.50	12/15/2019	275,000
1,275,000	<i>Coffeyville Resources Incorporated</i>	9.00	04/01/2015	1,367,438
2,665,000	<i>Consol Energy Incorporated</i>	8.25	04/01/2020	2,971,475
955,000	<i>El Paso Corporation</i>	6.50	09/15/2020	996,295
325,000	<i>El Paso Corporation</i>	6.88	06/15/2014	352,146
375,000	<i>El Paso Corporation</i>	7.00	06/15/2017	408,764
450,000	<i>El Paso Corporation</i>	7.25	06/01/2018	499,298
1,820,000	<i>El Paso Corporation</i>	7.42	02/15/1937	1,783,261
3,050,000	<i>El Paso Corporation</i>	7.80	08/01/1931	3,263,219
1,925,000	<i>El Paso Corporation</i>	7.75	01/15/1932	2,061,429
3,250,000	<i>Energy Transfer Equity LP</i>	7.50	10/15/2020	3,542,500
1,300,000	<i>Ferrellgas Partners LP</i>	9.13	10/01/2017	1,436,500
1,870,000	<i>Forest Oil Corporation</i>	7.25	06/15/2019	1,965,838
1,115,000	<i>Forest Oil Corporation</i>	8.50	02/15/2014	1,234,863
1,000,000	<i>Griffin Coal Mining Company Limited[^]</i>	9.50	12/01/2016	605,000

Portfolio of Investments October 31, 2010 (Unaudited)

Wells Fargo Advantage Income Opportunities Fund 7

	Principal	Security Name	Interest Rate	Maturity Date	Value
Oil, Gas & Consumable Fuels (continued)					
\$	4,265,000	<i>Holly Corporation</i>	9.88%	06/15/2017	\$ 4,670,175
	1,185,000	<i>Newfield Exploration Company</i>	6.88	02/01/2020	1,264,988
	8,705,000	<i>Peabody Energy Corporation</i>	7.88	11/01/2026	9,836,650
	215,000	<i>Penn Virginia Corporation</i>	10.38	06/15/2016	236,500
	2,045,000	<i>Petrohawk Energy Corporation</i>	7.88	06/01/2015	2,167,700
	1,065,000	<i>Petrohawk Energy Corporation</i>	10.50	08/01/2014	1,216,763
	3,170,000	<i>Pioneer Natural Resources Company</i>	7.50	01/15/2020	3,570,368
	6,380,000	<i>Plains Exploration & Production Company</i>	8.63	10/15/2019	7,081,800
	475,000	<i>Regency Energy Partners LP</i>	6.88	12/01/2018	497,563
	2,700,000	<i>Sabine Pass LNG LP</i>	7.50	11/30/2016	2,494,125
	4,940,000	<i>Sabine Pass LNG LP</i>	7.25	11/30/2013	4,754,750
	5,870,000	<i>SandRidge Energy Incorporated</i>	8.75	01/15/2020	6,104,800
	2,450,000	<i>Ship Finance International Limited</i>	8.50	12/15/2013	2,489,813
	1,450,000	<i>Stallion Oilfield Holdings Incorporated</i>	10.50	02/15/2015	1,522,500
	300,000	<i>Suburban Propane Partners LP</i>	7.38	03/15/2020	319,125
	2,185,000	<i>Tesoro Corporation</i>	9.75	06/01/2019	2,425,350
	2,235,000	<i>Tesoro Corporation</i>	7.50	07/17/2012	2,230,038
					82,917,509
Financials: 24.35%					
Capital Markets: 2.06%					
	1,675,000	<i>E*TRADE Financial Corporation</i>	7.38	09/15/2013	1,664,531
	9,741,000	<i>E*TRADE Financial Corporation@</i>	12.50	11/30/2017	11,275,208
	1,320,000	<i>Penson Worldwide Incorporated</i>	12.50	05/15/2017	1,310,100
					14,249,839
Commercial Banks: 0.93%					
	4,375,000	<i>CapitalSource Incorporated</i>	12.75	07/15/2014	5,162,500
	1,575,000	<i>Emigrant Bancorp Incorporated</i>	6.25	06/15/2014	1,312,070
					6,474,570
Consumer Finance: 15.59%					
	375,000	<i>American General Finance Corporation</i>	5.75	09/15/2016	300,938
	400,000	<i>American General Finance Corporation</i>	6.50	09/15/2017	319,000
	2,725,000	<i>American General Finance Corporation</i>	5.40	12/01/2015	2,214,063
	3,100,000	<i>American General Finance Corporation</i>	6.90	12/15/2017	2,580,750
	1,600,000	<i>Blue Acquisition Sub Incorporated</i>	9.88	10/15/2018	1,724,000

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1,900,000	<i>Calpine Construction Finance Corporation</i>	8.00	06/01/2016	2,056,750
2,350,000	<i>CIT Group Incorporated</i>	7.00	05/01/2014	2,361,750
17,134,313	<i>CIT Group Incorporated</i>	7.00	05/01/2013	17,348,492
2,280,000	<i>Clearwire Communications Finance Corporation</i>	12.00	12/01/2015	2,530,800
3,140,000	<i>Clearwire Communications Finance Corporation</i>	12.00	12/01/2015	3,477,550
3,865,000	<i>Ford Motor Credit Company</i>	9.88	08/10/2011	4,096,838
130,000	<i>GMAC LLC</i>	6.88	09/15/2011	134,225
2,862,000	<i>GMAC LLC</i>	6.88	08/28/2012	3,005,100
2,344,000	<i>GMAC LLC</i>	6.75	12/01/2014	2,455,340
6,855,000	<i>GMAC LLC</i>	7.50	12/31/2013	7,334,850
1,495,000	<i>GMAC LLC</i>	8.00	11/01/2031	1,626,898
2,994,111	<i>Homer City Funding LLC</i>	8.73	10/01/2026	2,709,670
2,875,000	<i>International Lease Finance Corporation</i>	4.75	01/13/2012	2,907,344
1,700,000	<i>International Lease Finance Corporation</i>	8.63	09/15/2015	1,912,500
4,170,000	<i>International Lease Finance Corporation</i>	5.30	05/01/2012	4,232,550
865,000	<i>International Lease Finance Corporation</i>	6.38	03/25/2013	890,950
2,050,000	<i>International Lease Finance Corporation Series MTN</i>	5.75	06/15/2011	2,073,063

8 Wells Fargo Advantage Income Opportunities Fund

Portfolio of Investments October 31, 2010 (Unaudited)

Principal	Security Name	Interest Rate	Maturity Date	Value
Consumer Finance (continued)				
\$ 8,465,000	<i>JBS USA Finance Incorporated</i>	11.63%	05/01/2014	\$ 9,999,281
1,700,000	<i>LBI Escrow Corporation</i>	8.00	11/01/2017	1,861,500
4,555,000	<i>Level 3 Financing Incorporated</i>	10.00	02/01/2018	4,361,413
675,000	<i>Nielsen Finance LLC Company</i>	7.75	10/15/2018	699,469
1,800,000	<i>Nielsen Finance LLC Company</i>	11.50	05/01/2016	2,070,000
105,000	<i>Nielsen Finance LLC Company Senior</i>			
105,000	<i>Discount Note Step Bond^{oo}</i>	12.25	08/01/2016	106,969
9,875,000	<i>Sprint Capital Corporation</i>	6.88	11/15/2028	9,307,188
4,725,000	<i>Sprint Capital Corporation</i>	6.90	05/01/2019	4,831,313
6,133,000	<i>Sprint Capital Corporation</i>	8.38	03/15/2012	6,554,644
				108,085,198
Diversified Financial Services: 2.34%				
385,000	<i>AAC Group Holding Corporation</i>	10.25	10/01/2012	384,038
1,300,000	<i>Hub International Holdings Incorporated</i>	10.25	06/15/2015	1,303,250
7,815,000	<i>Leucadia National Corporation</i>	8.13	09/15/2015	8,528,119
2,495,000	<i>Nuveen Investments Incorporated</i>	10.50	11/15/2015	2,607,275
4,000,000	<i>Nuveen Investments Incorporated</i>	5.50	09/15/2015	3,400,000
				16,222,682
Real Estate Investment Trusts: 2.83%				
11,580,000	<i>Dupont Fabros Technology Incorporated</i>	8.50	12/15/2017	12,535,350
490,000	<i>Host Marriott Corporation</i>	9.00	05/15/2017	552,475
3,260,000	<i>Omega Healthcare Investors Incorporated</i>	7.00	04/01/2014	3,325,200
1,525,000	<i>Omega Healthcare Investors Incorporated</i>	6.75	10/15/2022	1,578,375
1,560,000	<i>Ventas Incorporated</i>	9.00	05/01/2012	1,665,075
				19,656,475
Thriffs & Mortgage Finance: 0.60%				
4,020,000	<i>Provident Funding Associates LP</i>	10.25	04/15/2017	4,180,800
Health Care: 4.13%				
Health Care Equipment & Supplies: 0.76%				
1,215,000	<i>Biomet Incorporated@</i>	10.38	10/15/2017	1,354,725
3,485,000	<i>Biomet Incorporated</i>	11.63	10/15/2017	3,924,981

5,279,706

Health Care Providers & Services: 2.89%

2,440,000	<i>Apria Healthcare Group</i>	11.25	11/01/2014	2,693,150
1,830,000	<i>HCA Incorporated</i>	7.88	02/01/2011	1,852,875
6,745,000	<i>HCA Incorporated</i>	9.25	11/15/2016	7,301,463
3,732,000	<i>HCA Incorporated@</i>	9.63	11/15/2016	4,058,550
250,000	<i>HCA Incorporated</i>	8.50	04/15/2019	281,250
750,000	<i>Healthsouth Corporation</i>	7.25	10/01/2018	781,875
750,000	<i>Healthsouth Corporation</i>	7.75	09/15/2022	792,188
900,000	<i>Omnicare Incorporated</i>	6.88	12/15/2015	922,500
1,325,000	<i>Sabra Health Care Corporation</i>	8.13	11/01/2018	1,371,375
				20,055,226

Life Sciences Tools & Services: 0.22%

	<i>Community Health Systems Incorporated</i>			
1,445,000	<i>Series WI</i>	8.88	07/15/2015	1,546,150

Portfolio of Investments October 31, 2010 (Unaudited)

Wells Fargo Advantage Income Opportunities Fund 9

Principal	Security Name	Interest Rate	Maturity Date	Value
Pharmaceuticals: 0.26%				
\$ 650,000	<i>Mylan Incorporated</i>	7.63%	07/15/2017	\$ 715,000
950,000	<i>Mylan Incorporated</i>	7.88	07/15/2020	1,059,250
				1,774,250
Industrials: 10.80%				
Aerospace & Defense: 3.87%				
4,470,000	<i>Alliant Techsystems Incorporated</i>	6.75	04/01/2016	4,637,625
800,000	<i>Digitalglobe Incorporated</i>	10.50	05/01/2014	904,000
1,030,000	<i>GenCorp Incorporated</i>	9.50	08/15/2013	1,050,600
1,140,000	<i>GeoEye Incorporated</i>	9.63	10/01/2015	1,269,675
3,265,000	<i>Hexcel Corporation</i>	6.75	02/01/2015	3,322,138
2,570,000	<i>Kratos Defense & Security Solutions Incorporated</i>	10.00	06/01/2017	2,852,700
5,585,000	<i>L-3 Communications Holdings Incorporated</i>	5.88	01/15/2015	5,696,700
5,506,000	<i>L-3 Communications Holdings Incorporated</i>	6.38	10/15/2015	5,671,180
1,445,000	<i>Wyle Services Corporation</i>	10.50	04/01/2018	1,434,163
				26,838,781
Commercial Services & Supplies: 3.14%				
4,385,000	<i>Casella Waste Systems Incorporated</i>	11.00	07/15/2014	4,850,906
1,840,000	<i>Corrections Corporation of America</i>	6.25	03/15/2013	1,858,400
2,035,000	<i>Corrections Corporation of America</i>	7.75	06/01/2017	2,213,063
250,000	<i>Energy Solutions Incorporated LLC</i>	10.75	08/15/2018	273,125
2,205,000	<i>Geo Group Incorporated</i>	7.75	10/15/2017	2,406,206
550,000	<i>Interface Incorporated</i>	11.38	11/01/2013	638,000
3,520,000	<i>Iron Mountain Incorporated</i>	8.38	08/15/2021	3,946,800
2,125,000	<i>KAR Holdings Incorporated</i>	4.47	05/01/2014	1,986,875
400,000	<i>KAR Holdings Incorporated</i>	10.00	05/01/2015	423,000
3,050,000	<i>SGS International Incorporated</i>	12.00	12/15/2013	3,187,250
				21,783,625
Machinery: 1.17%				
1,440,000	<i>Cleaver-Brooks Incorporated</i>	12.25	05/01/2016	1,512,000
940,000	<i>Commercial Vehicle Group Incorporated</i>	8.00	07/01/2013	855,400
4,888,161	<i>Commercial Vehicle Group Incorporated@</i>	13.00	02/15/2013	5,010,365
700,000	<i>Titan International Incorporated</i>	7.88	10/01/2017	728,000

8,105,765

Professional Services: 0.56%

230,000	<i>Affinia Group Incorporated</i>	10.75	08/15/2016	255,588
500,000	<i>Brickman Group Holdings</i>	9.13	11/01/2018	515,000
450,000	<i>Interactive Data Corporation</i>	10.25	08/01/2018	492,188
3,050,000	<i>NCO Group Incorporated</i>	11.88	11/15/2014	2,592,500
				3,855,276

Road & Rail: 1.89%

8,285,000	<i>Kansas City Southern</i>	8.00	06/01/2015	8,947,800
1,184,000	<i>Kansas City Southern</i>	13.00	12/15/2013	1,432,640
2,475,000	<i>RailAmerica Incorporated</i>	9.25	07/01/2017	2,741,063
				13,121,503

Transportation Infrastructure: 0.17%

1,190,000	<i>United Maritime Group</i>	11.75	06/15/2015	1,188,513
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10 Wells Fargo Advantage Income Opportunities Fund

Portfolio of Investments October 31, 2010 (Unaudited)

Principal	Security Name	Interest Rate	Maturity Date	Value
Information Technology: 8.35%				
Communications Equipment: 0.46%				
\$ 585,000	<i>EchoStar DBS Corporation</i>	7.13%	02/01/2016	\$ 620,100
3,100,000	<i>Lucent Technologies Incorporated</i>	6.45	03/15/2029	2,588,500
				3,208,600
Electronic Equipment & Instruments: 4.86%				
3,750,000	<i>GCI Incorporated</i>	7.25	02/15/2014	3,825,000
2,820,000	<i>Intcomex Incorporated</i>	13.25	12/15/2014	2,985,675
13,532,000	<i>Jabil Circuit Incorporated</i>	8.25	03/15/2018	15,866,270
3,380,000	<i>Kemet Corporation</i>	10.50	05/01/2018	3,718,000
4,240,000	<i>SunGard Data Systems Incorporated</i>	10.25	08/15/2015	4,467,900
2,530,000	<i>Viasystem Group Incorporated</i>	12.00	01/15/2015	2,830,438
				33,693,283
Internet Software & Services: 0.89%				
2,125,000	<i>Equinix Incorporated</i>	8.13	03/01/2018	2,252,500
3,395,000	<i>Terremark Worldwide Incorporated</i>	12.00	06/15/2017	3,895,763
				6,148,263
IT Services: 1.84%				
895,000	<i>First Data Corporation</i>	9.88	09/24/2015	756,275
4,466,640	<i>First Data Corporation@</i>	10.55	09/24/2015	3,774,311
1,450,000	<i>First Data Corporation</i>	11.25	03/31/2016	1,054,875
2,835,000	<i>iPayment Incorporated</i>	9.75	05/15/2014	2,679,075
1,065,000	<i>Unisys Corporation</i>	12.50	01/15/2016	1,192,800
1,600,000	<i>Unisys Corporation</i>	12.75	10/15/2014	1,928,000
1,155,000	<i>Unisys Corporation</i>	14.25	09/15/2015	1,391,775
				12,777,111
Semiconductors & Semiconductor Equipment: 0.30%				
2,025,000	<i>Advanced Micro Devices Incorporated</i>	5.75	08/15/2012	2,070,563
Materials: 6.67%				

Chemicals: 1.49%

500,000	<i>Chemtura Corporation</i>	7.88	09/01/2018	540,000
2,855,000	<i>Huntsman International LLC</i>	5.50	06/30/2016	2,837,156
4,807,125	<i>Lyondell Chemical Company</i>	11.00	05/01/2018	5,383,980
1,300,000	<i>Solutia Incorporated</i>	7.88	03/15/2020	1,434,875
150,000	<i>Vertellus Specialties Incorporated</i>	9.38	10/01/2015	161,438
				10,357,449

Construction Materials: 1.76%

1,480,000	<i>CPG International Incorporated±</i>	7.50	07/01/2012	1,480,000
3,415,000	<i>CPG International Incorporated</i>	10.50	07/01/2013	3,500,375
3,025,000	<i>CPG International Incorporated</i>	10.63	09/01/2014	3,267,000
3,725,000	<i>Headwaters Incorporated</i>	11.38	11/01/2014	3,948,500
				12,195,875

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Portfolio of Investments October 31, 2010 (Unaudited) Wells Fargo Advantage Income Opportunities Fund 11

Principal	Security Name	Interest Rate	Maturity Date	Value
Containers & Packaging: 1.29%				
\$ 5,780,000	<i>Exopack Holding Corporation</i>	11.25%	02/01/2014	\$ 6,011,200
350,000	<i>Graham Packaging Company Incorporated</i>	8.25	01/01/2017	363,125
2,450,000	<i>Graham Packaging Company Incorporated</i>	9.88	10/15/2014	2,541,875
				8,916,200
Metals & Mining: 1.23%				
2,055,000	<i>California Steel Industries Incorporated</i>	6.13	03/15/2014	2,039,588
5,725,000	<i>Freeport-McMoRan Copper & Gold Incorporated</i>	8.38	04/01/2017	6,476,406
5,985,000	<i>Indalex Holdings Corporation^^</i>	11.50	02/01/2014	46,683
				8,562,677
Paper & Forest Products: 0.90%				
1,175,000	<i>Clearwater Paper Corporation</i>	10.63	06/15/2016	1,354,188
1,775,000	<i>Georgia-Pacific Corporation</i>	7.00	01/15/2015	1,852,656
2,430,000	<i>Georgia-Pacific Corporation</i>	8.88	05/15/2031	3,043,575
				6,250,419
Telecommunication Services: 11.69%				
Diversified Telecommunication Services: 7.06%				
510,000	<i>Cincinnati Bell Incorporated</i>	8.25	10/15/2017	517,650
9,580,000	<i>Citizens Communications Company</i>	7.88	01/15/2027	10,011,100
2,550,000	<i>FairPoint Communications Incorporated</i>	10.88	04/01/2017	2,715,750
1,980,000	<i>Frontier Communications Corporation</i>	8.13	10/01/2018	2,257,200
4,455,000	<i>Frontier Communications Corporation</i>	8.25	04/15/2017	5,078,700
1,000,000	<i>Frontier Communications Corporation</i>	8.50	04/15/2020	1,155,000
1,200,000	<i>GCI Incorporated</i>	8.63	11/15/2019	1,320,000
345,000	<i>Global Crossing Limited</i>	12.00	09/15/2015	394,163
440,000	<i>Qwest Corporation</i>	7.63	08/03/2021	459,800
7,340,000	<i>Qwest Corporation</i>	8.88	03/15/2012	8,055,650
3,260,000	<i>Qwest Corporation</i>	7.50	06/15/2023	3,276,300
1,090,000	<i>SBA Telecommunications Incorporated</i>	8.00	08/15/2016	1,201,725
485,000	<i>SBA Telecommunications Incorporated</i>	8.25	08/15/2019	545,625
2,015,000	<i>U.S. West Communications Incorporated</i>	7.13	11/15/2043	1,999,888
2,755,000	<i>U.S. West Communications Incorporated</i>	7.25	09/15/2025	3,002,950

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1,055,000	<i>West Corporation</i>	9.50	10/15/2014	1,105,113
5,380,000	<i>Windstream Corporation</i>	7.88	11/01/2017	5,877,650
				48,974,264

Wireless Telecommunication Services: 4.63%

450,000	<i>CC Holdings LLC</i>	7.75	05/01/2017	505,125
2,585,000	<i>Cricket Communications Incorporated</i>	9.38	11/01/2014	2,707,788
1,305,000	<i>Cricket Communications Incorporated</i>	7.75	05/15/2016	1,406,138
165,000	<i>Crown Castle International Corporation</i>	7.13	11/01/2019	181,500
650,000	<i>Crown Castle International Corporation</i>	9.00	01/15/2015	726,375
1,325,000	<i>Intelsat Limited</i>	9.25	06/15/2016	1,417,750
465,000	<i>Intelsat Limited</i>	11.25	06/15/2016	506,269
4,155,000	<i>Intelsat Limited</i>	8.50	01/15/2013	4,191,356
2,607,559	<i>iPCS Incorporated@±</i>	3.72	05/01/2014	2,516,294
675,000	<i>MetroPCS Wireless Incorporated</i>	7.88	09/01/2018	723,938
3,020,000	<i>MetroPCS Wireless Incorporated</i>	9.25	11/01/2014	3,163,450
7,935,000	<i>Nextel Communications Incorporated Series D</i>	7.38	08/01/2015	7,964,756
6,065,000	<i>Nextel Communications Incorporated Series F</i>	5.95	03/15/2014	6,087,744
				32,098,483

12 Wells Fargo Advantage Income Opportunities Fund

Portfolio of Investments October 31, 2010 (Unaudited)

Principal	Security Name	Interest Rate	Maturity Date	Value
Utilities: 11.41%				
Electric Utilities: 5.61%				
\$ 14,996,000	<i>Aquila Incorporated Step Bond^{oo}</i>	11.88%	07/01/2012	\$ 17,244,905
140,000	<i>Edison Mission Energy</i>	7.00	05/15/2017	103,250
2,935,000	<i>Edison Misson Energy</i>	7.20	05/15/2019	2,113,200
1,612,002	<i>Energy Future Holdings Corporation@</i>	12.00	11/01/2017	1,039,741
250,000	<i>Mirant Americas Generation LLC</i>	8.50	10/01/2021	245,000
7,560,525	<i>Mirant Mid-Atlantic LLC Series C</i>	10.06	12/30/2028	8,411,084
5,280,000	<i>Mirant North America LLC</i>	7.38	12/31/2013	5,418,600
3,985,000	<i>Otter Tail Corporation</i>	9.00	12/15/2016	4,318,744
				38,894,524
Gas Utilities: 0.14%				
550,000	<i>AmeriGas Partners LP</i>	7.13	05/20/2016	573,375
400,000	<i>Amerigas Partners LP</i>	7.25	05/20/2015	413,000
				986,375
Independent Power Producers & Energy Traders: 5.66%				
2,045,000	<i>AES Corporation</i>	8.88	02/15/2011	2,073,119
7,194,000	<i>Calpine Corporation</i>	7.25	10/15/2017	7,481,760
4,850,000	<i>Dynegy Holding Incorporated</i>	7.63	10/15/2026	2,910,000
1,440,000	<i>NRG Energy Incorporated</i>	7.25	02/01/2014	1,474,200
3,825,000	<i>NRG Energy Incorporated</i>	7.38	02/01/2016	3,982,781
3,950,000	<i>NRG Energy Incorporated</i>	7.38	01/15/2017	4,117,875
3,675,000	<i>NRG Energy Incorporated</i>	8.50	06/15/2019	3,932,250
8,390,000	<i>RRI Energy Incorporated</i>	6.75	12/15/2014	8,568,288
1,020,000	<i>RRI Energy Incorporated</i>	7.63	06/15/2014	1,027,650
75,000	<i>RRI Energy Incorporated</i>	7.88	06/15/2017	69,375
2,617,955	<i>RRI Energy Incorporated</i>	9.24	07/02/2017	2,761,942
780,000	<i>RRI Energy Incorporated</i>	9.68	07/02/2026	834,600
				39,233,840
Total Corporate Bonds & Notes (Cost \$731,588,564)				779,155,741
Yankee Corporate Bonds and Notes: 3.01%				
Energy: 1.18%				

Oil, Gas and Consumable Fuels: 1.18%

1,610,000	<i>Connacher Oil & Gas Limited</i>	10.25	12/15/2015	1,605,975
360,000	<i>Connacher Oil & Gas Limited</i>	11.75	07/15/2014	388,800
7,306,000	<i>Griffin Coal Mining Company Limited</i> ^^	9.50	12/31/2049	4,420,130
1,115,000	<i>OPTI Canada Incorporated</i>	7.88	12/15/2014	836,250
905,000	<i>RDS Ultra-Deepwater Limited</i>	11.88	03/15/2017	950,250
				8,201,405

Financials: 0.80%

Consumer Finance: 0.36%

2,205,000	<i>Wind Acquisition Finance SA</i>	11.75	07/15/2017	2,513,700
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Diversified Financial Services: 0.44%

2,074,500	<i>FMG Finance Property Limited</i>	10.63	09/01/2016	3,059,888
1,540,000	<i>Preferred Term Securities XII Limited±^(i)</i>	1.17	12/24/2033	462
				3,060,350

Portfolio of Investments October 31, 2010 (Unaudited) Wells Fargo Advantage Income Opportunities Fund 13

Principal	Security Name	Interest Rate	Maturity Date	Value
Materials: 0.77%				
Metals & Mining: 0.17%				
\$ 630,000	<i>Novelis Incorporated</i>	7.25%	02/15/2015	\$ 649,688
500,000	<i>Vedanta Resources plc</i>	9.50	07/18/2018	537,350
				1,187,038
Paper & Forest Products: 0.60%				
715,000	<i>PE Paper Escrow GmbH</i>	12.00	08/01/2014	829,278
1,265,000	<i>Sappi Limited</i>	6.75	06/15/2012	1,280,794
2,355,000	<i>Sappi Limited</i>	7.50	06/15/2032	2,003,596
				4,113,668
Telecommunication Services: 0.26%				
Wireless Telecommunication Services: 0.26%				
870,000	<i>Digicel Group Limited</i>	12.00	04/01/2014	1,018,988
690,000	<i>Telesat Canada Incorporated</i>	11.00	11/01/2015	774,525
				1,793,513
Total Yankee Corporate Bonds and Notes (Cost \$18,464,649)				20,869,674
Convertible Debenture: 0.43%				
Information Technology: 0.43%				
3,225,000	<i>Lucent Technologies Incorporated Series B</i>	2.88	06/15/2025	3,007,313
Total Convertible Debentures (Cost \$2,343,229)				3,007,313
Shares			Yield	
Preferred Stocks: 1.39%				
Diversified Financial Services: 1.39%				
8,820,000	<i>Ally Financial Incorporated</i>		8.30	9,613,800
Total Preferred Stocks (Cost \$8,779,684)				9,613,800

Investment Companies: 0.49%

124,208	<i>Dreyfus High Yield Strategies Fund Incorporated</i>	576,325
85,251	<i>Eaton Vance Limited Duration Income Trust</i>	1,421,987
29,726	<i>LMP Corporate Loan Fund Incorporated</i>	337,985
100,438	<i>New America High Income Fund Incorporated</i>	1,065,647

Total Investment Companies (Cost \$1,731,855) 3,401,944

Principal		Interest Rate		
Term Loans: 8.41%				
\$ 2,615,238	<i>Blackstone Group LP±</i>	7.75	11/02/2014	2,667,542
237,670	<i>Capital Automotive±</i>	2.01	12/16/2010	236,111
6,512,215	<i>Capital Automotive^±</i>	2.76	12/14/2012	6,428,077
4,414,551	<i>Coinmach Corporation±</i>	3.35	11/20/2014	3,832,934
11,732,499	<i>Fairpoint Communications Incorporated</i>	NA	03/31/2015	7,620,024
825,580	<i>Federal Mogul Corporation ±</i>	2.20	12/29/2014	731,324
821,214	<i>Federal Mogul Corporation±</i>	2.20	12/28/2015	727,456
900,000	<i>First Data Corporation^</i>	NA	09/24/2014	808,965
1,895,128	<i>Gray Television±</i>	3.76	12/31/2014	1,833,537
3,195,103	<i>Local TV Finance LLC±</i>	2.29	05/07/2013	2,979,434
1,957,236	<i>Merisant Company±</i>	7.50	01/08/2014	1,760,298
550,000	<i>Metaldyne Company LLC±</i>	7.75	10/28/2016	556,875

14 Wells Fargo Advantage Income Opportunities Fund Portfolio of Investments October 31, 2010 (Unaudited)

Principal	Security Name	Interest Rate	Maturity Date	Value
Term Loans (continued)				
\$ 2,700,000	<i>NCO Group Incorporated</i> ±	7.43%	11/15/2013	\$ 2,603,259
5,920,000	<i>Newsday LLC</i> ^	NA	08/01/2013	6,331,914
501,263	<i>Panolam Industries International</i> ±	8.25	12/31/2013	456,149
2,735,885	<i>Realogy Corporation</i> ±	3.26	10/10/2013	2,501,639
2,375,000	<i>Sugarhouse HSP Gaming Properties LP</i> ^	NA	09/23/2014	2,413,594
17,771,401	<i>TXU Energy Company LLC</i> ^	NA	10/10/2014	13,807,668
Total Term Loans (Cost \$58,005,213)				58,296,800
Shares			Yield	
Short-Term Investments: 5.51%				
Investment Companies: 5.51%				
38,248,074	<i>Wells Fargo Advantage Money Market Trust</i> ##(l)(u)		0.19	38,248,074
Total Short-Term Investments (Cost \$38,248,074)				38,248,074
Total Investments in Securities (Cost \$859,161,268)*				
		131.61%		912,593,346
<i>Other Assets and Liabilities, Net</i>		(31.61)		(219,199,005)
Total Net Assets		100.00%		\$ 693,394,341

All or a portion of this security has been segregated for when-issued, delayed delivery securities and/or unfunded loans.

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

∞ Stepped coupon bond. Interest rate presented is stated yield.

@ Payment-in-kind (PIK) securities are securities 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.

(l) Investment in an affiliate.

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

± Variable rate investments.

^^ This security is currently in default with regards to scheduled interest and/or principal payments. The Fund has stopped accruing interest on this security.

(i) Illiquid security for which the designation as illiquid is unaudited.

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

* Cost for federal income tax purposes is \$863,976,600 and net unrealized appreciation (depreciation) consists of:

Gross unrealized appreciation	\$ 65,075,975
Gross unrealized depreciation	(16,459,229)
Net unrealized appreciation	\$ 48,616,746

Portfolio of Investments October 31, 2010 (Unaudited) Wells Fargo Advantage Income Opportunities Fund 15
 The following table shows the percent of total bonds by credit quality based on Moody's and Standard & Poor's ratings as of October 31, 2010:

BBB	4.7%
BB	30.3%
B	47.8%
CCC	10.5%
NR	6.7%
	100.0%

The following table shows the percent of total bonds based on effective maturity as of October 31, 2010:

Less than 1 year	9.8%
1 to 3 year(s)	32.2%
3 to 5 years	27.6%
5 to 10 years	20.7%
10 to 20 years	7.9%
20 to 30 years	1.8%
	100.0%

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

16 Wells Fargo Advantage Income Opportunities Fund Statement of Assets and Liabilities October 31, 2010 (Unaudited)

Assets

Investments

In unaffiliated securities, at value	\$ 874,345,272
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In affiliated securities, at value	38,248,074
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Total investments, at value (see cost below)	912,593,346
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Receivable for investments sold	5,689,051
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Dividend and interest receivable	19,062,552
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Receivable from investment adviser	118,392
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Prepaid expenses and other assets	9,172
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Total assets	937,472,513
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Liabilities

Dividends payable	5,951,232
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Payable for investments purchased	7,502,928
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Secured borrowing payable	230,076,661
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Due to related parties	41,389
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Accrued expenses and other liabilities	505,962
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Total liabilities	244,078,172
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