

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-Q

September 26, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANY**

**Investment Company Act file number: 811-21331**

**Wells Fargo Advantage Multi-Sector Income Fund**

**(Exact name of registrant as specified in charter)**

**525 Market Street, 12<sup>th</sup> Floor, San Francisco, CA 94105**

**(Address of principal executive offices) (Zip code)**

**C. David Messman**

**Wells Fargo Funds Management, LLC**

**525 Market Street, 12<sup>th</sup> Floor, San Francisco, CA 94105**

**(Name and address of agent for service)**

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

**Date of fiscal year end: Registrant is making a filing for Wells Fargo Advantage Multi-Sector Income Fund.  
The Fund has an October 31 fiscal year end.**

**Date of reporting period: July 31, 2014**

ITEM 1. INVESTMENTS

## Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments July 31, 2014 (unaudited)

Security name	Interest rate	Maturity date	Principal	Value
<b>Agency Securities : 2.31%</b>				
<i>FHLMC ±</i>	4.67%	9-1-2032	\$ 1,395,080	\$ 1,491,876
<i>FHLMC</i>	8.50	7-1-2028	72,483	86,482
<i>FHLMC</i>	8.50	3-1-2030	48,877	50,806
<i>FHLMC Series 1383 ±</i>	2.38	2-1-2037	579,470	620,270
<i>FHLMC Series 196 Class A ±</i>	0.95	12-15-2021	48,742	49,343
<i>FHLMC Series 2011-K16 Class B 144A±</i>	4.59	11-25-2046	1,000,000	1,064,960
<i>FHLMC Series 2011-K701 Class B 144A±</i>	4.29	7-25-2048	165,000	173,659
<i>FHLMC Series 2011-K702 Class B 144A±</i>	4.77	4-25-2044	740,000	792,757
<i>FHLMC Series 2012-K17 Class B 144A±</i>	4.35	12-25-2044	675,000	707,519
<i>FHLMC Series 2012-K18 Class B 144A±</i>	4.26	1-25-2045	810,000	844,089
<i>FHLMC Series 2012-K501 Class C 144A±</i>	3.49	11-25-2046	800,000	815,265
<i>FHLMC Series 2012-K705 Class B 144A±</i>	4.16	9-25-2044	1,000,000	1,048,787
<i>FHLMC Series 2012-K706 Class B 144A±</i>	4.02	11-25-2044	500,000	521,695
<i>FHLMC Series 2012-K706 Class C 144A±</i>	4.02	11-25-2044	805,000	827,439
<i>FHLMC Series 2012-K707 Class B 144A±</i>	3.88	1-25-2047	930,000	964,781
<i>FHLMC Series 2012-K709 Class B 144A±</i>	3.74	4-25-2045	1,000,000	1,030,412
<i>FHLMC Series 2012-K711 Class B 144A±</i>	3.56	8-25-2045	264,000	270,009
<i>FHLMC Series 2013-K30 Class B 144A±</i>	3.56	6-25-2045	700,000	687,126
<i>FHLMC Series 2013-K713 Class B 144A±</i>	3.17	4-25-2046	1,000,000	997,436
<i>FHLMC Series 2390 Class FD ±</i>	0.60	12-15-2031	36,291	36,658
<i>FHLMC Series 2567 Class FH ±</i>	0.55	2-15-2033	118,794	119,635
<i>FHLMC Series K007 Class XI ±(c)</i>	1.19	4-25-2020	988,841	50,033
<i>FHLMC Series K016 Class XI ±(c)</i>	1.57	10-25-2021	385,806	35,151
<i>FHLMC Series K020 Class XI ±(c)</i>	1.47	5-25-2022	6,877,353	622,229
<i>FNMA ±</i>	4.11	9-1-2037	710,772	725,544
<i>FNMA</i>	6.00	4-1-2033	69,178	75,863
<i>FNMA</i>	6.50	11-1-2032	61,616	63,397
<i>FNMA</i>	7.50	7-1-2017	30,185	30,584
<i>FNMA</i>	7.50	10-1-2028	7,062	7,085
<i>FNMA</i>	7.50	11-1-2028	150,866	161,989
<i>FNMA</i>	7.50	2-1-2030	36,547	37,039
<i>FNMA</i>	7.50	9-1-2030	87,520	92,886
<i>FNMA</i>	8.00	6-1-2030	21,454	21,744
<i>FNMA</i>	12.00	1-1-2016	2,596	2,620
<i>FNMA Series 1996-46 Class FA ±</i>	0.66	8-25-2021	26,634	26,832
<i>FNMA Series 2001-25 Class Z</i>	6.00	6-25-2031	238,475	263,272
<i>FNMA Series 2001-35 Class F ±</i>	0.76	7-25-2031	9,849	9,983
<i>FNMA Series 2001-57 Class F ±</i>	0.66	6-25-2031	9,916	10,014
<i>FNMA Series 2002-77 Class FH ±</i>	0.56	12-18-2032	77,203	77,752
<i>FNMA Series 2002-97 Class FR ±</i>	0.71	1-25-2033	19,345	19,533
<i>FNMA Series G91-16 Class F ±</i>	0.61	6-25-2021	28,112	28,289
<i>FNMA Series G92-17 Class F ±</i>	1.21	3-25-2022	76,878	78,502
<i>GNMA</i>	6.50	6-15-2028	48,789	55,601
<i>GNMA</i>	7.25	7-15-2017	13,864	14,044
<i>GNMA</i>	7.25	8-15-2017	32,068	33,805

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<i>GNMA</i>	7.25	8-15-2017	16,217	16,456
<i>GNMA</i>	7.25	9-15-2017	25,166	26,627
<i>GNMA</i>	7.25	10-15-2017	42,999	45,278
<i>GNMA</i>	7.25	10-15-2017	15,179	15,384
<i>GNMA</i>	7.25	11-15-2017	17,241	17,706
<i>GNMA</i>	7.25	1-15-2018	7,085	7,110
<i>GNMA</i>	7.25	1-15-2018	9,793	9,828
<i>GNMA</i>	7.25	2-15-2018	19,267	19,632
<i>GNMA</i>	7.25	5-15-2018	10,358	10,395
<b>Total Agency Securities (Cost \$14,891,026)</b>				15,913,211
<b>Asset-Backed Securities : 0.10%</b>				
<i>CVS Pass-Through Trust Series T</i>	6.04	12-10-2028	591,509	679,362
<b>Total Asset-Backed Securities (Cost \$662,171)</b>				679,362

Portfolio of investments July 31, 2014 (unaudited)

Wells Fargo Advantage Multi-Sector Income Fund

Security name	Shares	Value
<b>Common Stocks : 0.15%</b>		
<b>Telecommunication Services : 0.15%</b>		
<b>Diversified Telecommunication Services : 0.15%</b>		
<i>Fairpoint Communications Incorporated</i>	70,442	\$ 1,028,453
<b>Total Common Stocks (Cost \$1,617,838)</b>		1,028,453

	Interest rate	Maturity date	Principal	
<b>Corporate Bonds and Notes : 65.99%</b>				
<b>Consumer Discretionary : 11.23%</b>				
<b>Auto Components : 1.06%</b>				
<i>Allison Transmission Incorporated 144A</i>	7.13%	5-15-2019	\$ 3,790,000	4,017,400
<i>Cooper Tire &amp; Rubber Company</i>	7.63	3-15-2027	1,680,000	1,772,400
<i>Cooper Tire &amp; Rubber Company</i>	8.00	12-15-2019	450,000	508,500
<i>Goodyear Tire &amp; Rubber Company</i>	7.00	5-15-2022	400,000	434,000
<i>Goodyear Tire &amp; Rubber Company</i>	8.75	8-15-2020	468,000	553,410
				7,285,710

<b>Distributors : 0.11%</b>				
<i>LKQ Corporation</i>	4.75	5-15-2023	800,000	772,000

<b>Diversified Consumer Services : 1.03%</b>				
<i>Ceridian HCM Holding Incorporated 144A</i>	11.00	3-15-2021	50,000	57,000
<i>Service Corporation International</i>	6.75	4-1-2016	475,000	509,438
<i>Service Corporation International</i>	7.00	6-15-2017	1,410,000	1,561,575
<i>Service Corporation International</i>	7.50	4-1-2027	2,993,000	3,307,265
<i>Service Corporation International</i>	7.63	10-1-2018	680,000	790,500
<i>Service Corporation International</i>	8.00	11-15-2021	475,000	556,938
<i>Sotheby's 144A</i>	5.25	10-1-2022	315,000	307,913
				7,090,629

<b>Hotels, Restaurants &amp; Leisure : 3.19%</b>				
<i>Burger King Corporation</i>	9.88	10-15-2018	850,000	898,875
<i>CCM Merger Incorporated 144A</i>	9.13	5-1-2019	6,270,000	6,614,850
<i>DineEquity Incorporated</i>	9.50	10-30-2018	4,200,000	4,477,200
<i>Greentown Holdings LLC 144A</i>	8.88	3-15-2019	6,500,000	6,467,500
<i>Hilton Worldwide Finance LLC 144A</i>	5.63	10-15-2021	195,000	204,263
<i>Pinnacle Entertainment Incorporated</i>	7.50	4-15-2021	2,620,000	2,770,650

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<i>Speedway Motorsports Incorporated</i>	6.75	2-1-2019	525,000	548,625
				21,981,963

**Household Durables : 0.22%**

<i>American Greetings Corporation</i>	7.38	12-1-2021	1,230,000	1,291,500
<i>Tempur Sealy International Incorporated</i>	6.88	12-15-2020	200,000	212,750
				1,504,250

**Internet & Catalog Retail : 0.12%**

<i>Expedia Incorporated</i>	5.95	8-15-2020	750,000	845,097
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**Media : 4.38%**

<i>Cablevision Systems Corporation</i>	8.63	9-15-2017	1,310,000	1,493,400
<i>CBS Corporation</i>	8.88	5-15-2019	750,000	958,114
<i>CBS Outdoor Americas Capital LLC 144A</i>	5.63	2-15-2024	20,000	19,975
<i>CCO Holdings LLC</i>	8.13	4-30-2020	415,000	442,494
<i>Cinemark USA Incorporated</i>	7.38	6-15-2021	775,000	838,938
<i>CSC Holdings LLC</i>	7.63	7-15-2018	625,000	710,938

## Wells Fargo Advantage Multi-Sector Income Fund

Portfolio of investments July 31, 2014 (unaudited)

Security name	Interest rate	Maturity date	Principal	Value
<b>Media (continued)</b>				
<i>CSC Holdings LLC</i>	7.88%	2-15-2018	\$ 1,100,000	\$ 1,248,500
<i>CSC Holdings LLC</i>	8.63	2-15-2019	383,000	450,025
<i>DIRECTV Holdings LLC</i>	3.80	3-15-2022	750,000	768,263
<i>DISH DBS Corporation</i>	7.88	9-1-2019	480,000	552,000
<i>DreamWorks Animation SKG Incorporated 144A</i>	6.88	8-15-2020	2,350,000	2,455,750
<i>EchoStar DBS Corporation</i>	7.13	2-1-2016	125,000	133,125
<i>EchoStar DBS Corporation</i>	7.75	5-31-2015	350,000	366,625
<i>Gray Television Incorporated</i>	7.50	10-1-2020	6,040,000	6,319,350
<i>Interpublic Group of Companies</i>	4.00	3-15-2022	750,000	766,618
<i>Lamar Media Corporation</i>	5.88	2-1-2022	690,000	729,675
<i>LIN Television Corporation</i>	6.38	1-15-2021	275,000	285,313
<i>LIN Television Corporation</i>	8.38	4-15-2018	1,625,000	1,694,063
<i>Live Nation Entertainment Incorporated 144A</i>	7.00	9-1-2020	200,000	215,500
<i>Lynx II Corporation 144A</i>	6.38	4-15-2023	365,000	383,250
<i>National CineMedia LLC</i>	6.00	4-15-2022	1,860,000	1,920,450
<i>National CineMedia LLC</i>	7.88	7-15-2021	760,000	820,800
<i>Nexstar Broadcasting Group Incorporated</i>	6.88	11-15-2020	1,750,000	1,855,000
<i>Regal Entertainment Group</i>	5.75	6-15-2023	400,000	402,000
<i>Regal Entertainment Group</i>	5.75	3-15-2022	3,425,000	3,493,500
<i>Time Warner Cable Incorporated</i>	4.00	1-15-2022	750,000	783,217
				30,106,883
<b>Multiline Retail : 0.09%</b>				