

WELLS FARGO ADVANTAGE UTILITIES & HIGH INCOME FUND

Form N-CSR

November 03, 2015

[Table of Contents](#)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21507

Wells Fargo Advantage Utilities and

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

Date of reporting period: August 31, 2015

Table of Contents

ITEM 1. REPORT TO STOCKHOLDERS

Table of Contents

Wells Fargo Advantage

Utilities and High Income Fund

Annual Report

August 31, 2015

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.

Table of Contents*Reduce clutter. Save trees.*Sign up for electronic delivery of prospectuses and shareholder reports at wellsfargo.com/advantagedelivery

Contents

<u>Letter to shareholders</u>	2
<u>Performance highlights</u>	4
<u>Summary portfolio of investments*</u>	7
Financial statements	
<u>Statement of assets and liabilities</u>	15
<u>Statement of operations</u>	16
<u>Statement of changes in net assets</u>	17
<u>Statement of cash flows</u>	18
<u>Financial highlights</u>	19
<u>Notes to financial statements</u>	20
<u>Report of independent registered public accounting firm</u>	25
<u>Other information</u>	26
<u>Automatic dividend reinvestment plan</u>	32
<u>List of abbreviations</u>	33

* A complete schedule of portfolio holdings as of the report date may be obtained, free of charge, by accessing the following website:

<https://www.wellsfargoadvantagefunds.com/assets/edocs/regulatory/holdings/utilities-and-high-income-ann.pdf> or by calling *Wells Fargo Advantage Funds* at **1-800-222-8222**. This complete schedule, filed on Form N-CSR, is also available on the SEC's website at sec.gov.

The views expressed and any forward-looking statements are as of August 31, 2015, 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 and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

NOT FDIC INSURED ; NO BANK GUARANTEE ; MAY LOSE VALUE

Table of Contents

2 Wells Fargo Advantage Utilities and High Income Fund	Letter to shareholders (unaudited)
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Karla M. Rabusch

President

Wells Fargo Advantage Funds

During the period, investors confronted the likelihood of increasing interest rates in the U.S. and the end of the U.S. Federal Reserve's (Fed's) quantitative easing related bond-buying program, concerns about slowing growth in China, protracted negotiations to refinance Greece's sovereign debt, declining commodity prices, and global currency volatility.

In Europe, for the first time in five years, all four of the eurozone's largest economies—France, Germany, Italy, and Spain—recorded GDP growth on an annualized basis during the first and second quarters of 2015.

Dear Valued Shareholder:

We are pleased to offer you this annual report for the *Wells Fargo Advantage Utilities and High Income Fund* for the 12-month period that ended August 31, 2015. During the period, investors confronted the likelihood of increasing interest rates in the U.S. and the end of the U.S. Federal Reserve's (Fed's) quantitative easing related bond-buying program, concerns about slowing growth in China, protracted negotiations to refinance Greece's sovereign debt, declining commodity prices, and global currency volatility. These influences tended to obscure improving economic

data in the U.S. and several developed European countries and contributed to a period characterized by increasing volatility in global equity and fixed-income markets.

Commodity prices and global growth concerns overshadowed improved economic data.

The U.S. economy strengthened with positive annualized gross domestic product (GDP) growth in all four quarters during the reporting period. The Fed restated its intention to increase the federal funds rate when labor-market conditions improve and inflation returns to 2%. Job growth and employment rates in the U.S. increased and corporate earnings were steady, but declining prices for commodities helped restrain inflation. This circumstance left the actual timing of interest-rate increases to question and caused investor uncertainty. Despite the positive trends, the S&P 500 Index¹ was essentially flat for the period, returning 0.48%, with 6 of 10 S&P 500 Index sectors achieving positive returns.

The S&P 500 Utilities Index² recorded six months of positive returns and six months of negative returns for the period, ending it with a positive return of 1.62%. The S&P 500 Energy Index,³ which returned -30.35%, and the S&P 500 Materials Index,⁴ which had a -12.83% return, as companies in both sectors suffered the effects of declining commodity prices. (The telecommunication services and industrials sectors also had negative returns for the period, at -4.08% and -2.91%, respectively.)

In Europe, for the first time in five years, all four of the eurozone's largest economies—France, Germany, Italy, and Spain—recorded GDP growth on an annualized basis during the first and second quarters of 2015. This positive trend was overshadowed by increasing concerns about slowing economic growth in emerging markets countries in Europe and Asia. Declining commodity prices negatively affected a number of emerging markets countries that depend on commodities exports to drive business activity. Contentious negotiations between Greece and its debtors to refinance the country's sovereign debt also unsettled investors. The implications for global growth of a slowdown in China's economy, the world's second largest, caused concern. As measured by the Morgan Stanley Capital International (MSCI) All Country World Index ex USA Index (Net),⁵ international stock performance was -12.35%.

High-yield bond returns turned negative in the second half of the reporting period.

After recording an essentially flat return during the first six months of the reporting period, returns in the high-yield sector of the fixed-income market turned negative in the second half and finished the period with a -2.93% return, as measured by the Barclays U.S. Corporate High Yield Bond Index.⁶ High-yield bonds fell subject to many of the same trends that limited returns for stocks, particularly the effects of declining commodity prices and investor uncertainty about timing for interest-rate increases in the U.S. Excluding high-yield bonds in the energy sector, high-yield bonds delivered a positive return of 0.18% for the 12-month period ended August 31, 2015.

The worst-performing sectors in the high-yield market were energy and basic materials. High-yield bonds in the energy sector, which constitutes about 15% of the market, declined about 20%, while high-yield bonds in the basic

Table of Contents

Letter to shareholders (unaudited) Wells Fargo Advantage Utilities and High Income Fund 3

materials sector's metals and mining industry, which comprises a much lower 4% of the overall market, fell more than 25%.

As concerns heightened about credit risk among borrowers, investor preferences for higher-rated bonds within the high-yield sector increased, and higher-rated bonds tended to outperform lower-rated bonds.

Credit concerns and uncertainty about the future direction of investment markets also supported increased investor interest in shorter duration bonds, which escalated demand for those bonds compared with intermediate issues and benefited the performance of the shorter-duration segment of the market.

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

Periods of investment uncertainty can present challenges, but experience has taught us that maintaining long-term investment goals can be an effective way to plan for the future. Although diversification cannot guarantee an investment profit or prevent losses, we believe it can be an effective way to manage investment risk and potentially smooth out overall portfolio performance. We encourage investors to know their investments and to understand that appropriate levels of risk-taking may unlock opportunities.

Thank you for choosing to invest with *Wells Fargo Advantage Funds*. We appreciate your confidence in us and remain committed to helping you meet your financial needs.

Sincerely,

Karla M. Rabusch

President

Wells Fargo Advantage Funds

Notice to shareholders

At a meeting held on August 11-12, 2015, the Board of Trustees of the Fund approved a change in the name of the Fund whereby the word "Advantage" will be removed from its name, effective December 15, 2015.

For current information about your fund investments, contact your investment professional, visit our website at wellsfargoadvantagefunds.com, or call us directly at **1-800-222-8222**. We are available 24 hours a day, 7 days a week.

- 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 S&P 500 Utilities Index is a market-value-weighted index that measures the performance of all stocks within the utilities sector of the S&P 500 Index. You cannot invest directly in an index.
- ³ The S&P 500 Energy Index is a market-value-weighted index that measures the performance of all stocks within the energy sector of the S&P 500 Index. You cannot invest directly in an index.
- ⁴ The S&P 500 Materials Index is a market-value-weighted index that measures the performance of all stocks within the materials sector of the S&P 500 Index. You cannot invest directly in an index.
- ⁵ The Morgan Stanley Capital International (MSCI) All Country World Index ex USA Index (Net) includes large-, mid-, small-, and micro-cap segments for all developed markets countries in the index together with large-, mid-, and small-cap segments for the emerging markets countries. You cannot invest directly in an index. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.
- ⁶ 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.

Table of Contents

4 Wells Fargo Advantage Utilities and High Income Fund Performance highlights (unaudited)

Investment objective

The Fund seeks a high level of current income and moderate capital growth, with an emphasis on providing tax-advantaged dividend income.

Adviser

Wells Fargo Funds Management, LLC

Subadvisers

Crow Point Partners, LLC

Wells Capital Management Incorporated

Portfolio managers

Phillip Susser

Niklas Nordenfelt, CFA

Timothy P. O'Brien, CFA

Average annual total return¹ (%) as of August 31, 2015

	1 year	5 year	10 year
Based on market value	(9.11)	7.13	4.98
Based on net asset value (NAV) per share	(3.38)	10.02	4.96

Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on fund distributions or the sales of fund shares. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted, which assumes the reinvestment of dividends and capital gains. Performance figures of the Fund do not reflect brokerage commissions that a shareholder would pay on the purchase and sale of shares. If taxes and such brokerage commissions had been reflected, performance would have been lower. To obtain performance information current to the most recent month-end, please call 1-800-222-8222.

The Fund's expense ratio for the year ended August 31, 2015, was 1.19% which includes 0.16% of interest expense.

Comparison of NAV vs. market value²

High-yield, lower-rated bonds may contain more risk due to the increased possibility of default. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. Risks of international investing are magnified in emerging or developing markets. Funds that concentrate their investments in a single industry or sector may face increased risk of price fluctuation due to adverse developments within that industry or sector. Small- and midcap securities may be subject to special risks associated with narrower product lines and limited financial resources compared with their large-cap counterparts. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market price of common shares. Derivatives involve additional risks, including interest-rate risk, credit risk, the risk of improper valuation, and the risk of noncorrelation to the relevant instruments they are designed to hedge or to closely track. There are numerous risks associated with transactions in options on securities. Illiquid securities may be subject to wide fluctuations in market value and may be difficult to sell.

¹ Total returns based on market value are calculated assuming a purchase of common stock on the first day and sale on the last day of the period reported. Total returns based on NAV are calculated based on the NAV at the beginning of the period and end of the period. Dividends and distributions, if any, are assumed for the purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan.

² This chart does not reflect any brokerage commissions charged on the purchase and sale of the Fund's common stock. Dividends and distributions paid by the Fund are included in the Fund's average annual total returns but have the effect of reducing the Fund's NAV.

Table of Contents

Performance highlights (unaudited)

Wells Fargo Advantage Utilities and High Income Fund 5

MANAGERS DISCUSSION

The Fund's return, based on market value, was -9.11% for the 12-month period that ended August 31, 2015. During the same period, the Fund's return based on net asset value was -3.38%.

Overview

Interest rates declined during the first six months, which positively influenced equity performance. Later in the period, despite a low-interest-rate environment, the advent of higher equity market volatility and a related increase in the equity-risk premium caused a shift in investor sentiment that led to some weakness in the performance of some stock holdings. The Fund's cash position as a percentage of net assets increased.

High-yield bonds, as measured by the BofA Merrill Lynch U.S. High Yield Master II Constrained Index,⁵ fell in price, driven primarily by the energy sector and the metals and mining industry. Oil prices fell from over \$90 per barrel to below \$50 per barrel, and other commodity prices, including natural gas, came under pressure. Energy-related issues, which comprised approximately 15% of the high-yield bond market, had a negative total return of nearly 20%, on average. Similarly, while metals and mining industry stocks comprised a much smaller 4% of the high-yield bond market, they suffered a negative total return of more than 25%.

Ten largest holdings³ (%) as of August 31, 2015

Entergy Louisiana LLC	5.52
American Electric Power Company Incorporated	4.73
Vivendi SA	4.31
NextEra Energy Incorporated	4.28
The Williams Companies Incorporated	4.20
Edison International	3.82
Great Plains Energy Incorporated	3.80
Eversource Energy	3.70
Deutsche Post AG	3.60
Terna SpA	2.64

Credit quality⁴ as of August 31, 2015**Contributors to performance**

Within the Fund's equity portfolio, significant performance contributors included utilities American Electric Power Company, Incorporated; Public Service Enterprise Group Incorporated; and TECO Energy, Incorporated, which agreed to be acquired by a Canadian utility, as well as preferred stock holdings in Entergy Louisiana, LLC, which gained when interest rates declined. Telecommunication services sector holding Shenandoah Telecommunications Company, which announced an acquisition and a favorable modification of a reselling agreement, also benefited performance.

The Fund's high yield bond holdings benefited from limited exposure to energy exploration and production and metals and mining companies. Exposure to both shorter- and longer-dated securities rather than intermediate-term securities, as well as limited holdings of higher-yielding securities, contributed to the Fund's performance.

³The ten largest holdings, excluding cash and cash equivalents, are calculated based on the value of the investments divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

⁴ The credit quality distribution of portfolio holdings reflected in the chart is based on ratings from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit quality ratings apply to the underlying holdings of the Fund and not to the Fund itself. The percentages of the Fund's portfolio with the ratings depicted in the chart are calculated based on the total market value of fixed income securities held by the Fund. If a security was rated by all three rating agencies, the middle rating was utilized. If rated by two of three rating agencies, the lower rating was utilized, and if rated by one of the rating agencies, that rating was utilized. Standard & Poor's rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Standard & Poor's rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). Moody's rates the creditworthiness of bonds, ranging from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG 1/VMIG 1 (highest) to SG (lowest). Fitch rates the creditworthiness of bonds, ranging from AAA (highest) to D (lowest). Credit quality distribution is subject to change and may have changed since the date specified.

Table of Contents

6 Wells Fargo Advantage Utilities and High Income Fund	Performance highlights (unaudited)
Country allocation ⁶ as of August 31, 2015	

Detractors from performance

The Fund's European equity holdings generally detracted from performance, partially due to a sharp decline in the euro/dollar exchange rate. The performance of Deutsche Post AG stock was a meaningful detractor from Fund performance. The collapse of the Canadian dollar against the U.S. dollar exacerbated nominal losses in Canada-based holdings Veresen Incorporated and BCE Incorporated. Spectra Energy Corporation and The Williams Companies, Incorporated, detracted because domestic stock holdings that were sensitive to the negative movement of natural gas prices suffered.

Among high-yield investments in the Fund, holdings of bonds issued by oil-field services companies detracted, although favorable security selection tempered those losses.

Management outlook

From an equity perspective, we are now seeing what appears to be a more solid and accelerating economic recovery in the U.S. In addition, the U.S. Federal Reserve (Fed) continues to signal that it is moving closer to the time when it will increase interest rates off of the historic low levels it has maintained since 2008. Stronger economic growth may be positive for utilities suffering from weak sales, while higher interest rates could be a near-term headwind for utilities stocks. Over the longer term, fundamentals for regulated network operators remain robust, while the outlook for utilities with significant commodity price exposure remains challenging.

In our base-case scenario for the high-yield bond market, we are of the opinion that the economy is likely to improve at a consistent or slightly increasing pace while Treasury yields could rise as the Fed increases interest rates. In this environment, we would expect high-yield bonds to be relatively stable, potentially outperforming other fixed-income assets such as government bonds—particularly intermediate-term U.S. Treasury securities—and investment-grade corporate credits. Historically, these two asset classes tended to be influenced by rising interest rates to a higher degree than high-yield bonds. We expect the performance of high-yield bonds going forward to be driven primarily by corporate fundamentals and defaults. In the near term, with the exception of the energy and other commodity-related sectors and industries, our outlook for default rates remains benign and supportive of high-yield bonds. With respect to energy exploration and development companies, if oil and natural gas prices do not rise, there could be an increasing number of defaults starting in 2015 and growing in 2016 and 2017. In our view, a potential default rate increase already has been priced in somewhat in the higher yields and lower prices of bonds offered by issuers in these sectors and industries. Over a full cycle, we believe the best way to protect the Fund's high-yield investments from periodic bouts of systemic fears and rebalancing will be our continued focus on a bottom-up research approach that attempts to minimize downside risk while capturing the return potential of high-yield issuers.

⁵ The BofA Merrill Lynch U.S. High Yield Master II Constrained Index is a market-value-weighted index of all domestic and yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3 but are not in default. The BofA Merrill Lynch U.S. High Yield Master II Constrained Index limits any individual issuer to a maximum of 2% benchmark exposure. You cannot invest directly in an index.

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

Table of Contents

Summary portfolio of investments August 31, 2015 Wells Fargo Advantage Utilities and High Income Fund 7

The Summary portfolio of investments shows the 50 largest portfolio holdings in unaffiliated issuers and any holdings exceeding 1% of the total net assets as of the report date. The remaining securities held are grouped as Other securities in each category.

Security name	Shares	Value	Percent of net assets
Common Stocks: 61.68%			
Consumer Discretionary: 4.31%			
Media: 4.31%			
<i>Vivendi SA</i>	200,000	\$ 4,947,562	4.31%
Energy: 7.78%			
Oil, Gas & Consumable Fuels: 7.78%			
<i>EQT Corporation</i>	15,000	1,167,300	1.01
<i>Spectra Energy Corporation</i>	75,000	2,180,250	1.90
<i>The Williams Companies Incorporated</i>	100,000	4,820,000	4.20
<i>Veresen Incorporated</i>	75,000	774,742	0.67
		8,942,292	7.78
Industrials: 3.64%			
Air Freight & Logistics: 3.60%			
<i>Deutsche Post AG</i>	150,000	4,133,161	3.60
Construction & Engineering: 0.04%			
<i>Other securities</i>		51,030	0.04

Information Technology: 1.97%

IT Services: 1.97%

<i>Convergys Corporation</i>	100,000	2,260,000	1.97
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Telecommunication Services: 4.20%

Diversified Telecommunication Services: 2.68%

<i>BCE Incorporated</i>	16,000	647,040	0.56
<i>Verizon Communications Incorporated</i>	41,291	1,899,799	1.66
<i>Other securities</i>		532,136	0.46
		3,078,975	2.68

Wireless Telecommunication Services: 1.52%

<i>Shenandoah Telecommunications Company</i>	45,000	1,741,050	1.52
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Utilities: 39.78%

Electric Utilities: 31.33%

<i>American Electric Power Company Incorporated</i>	100,000	5,429,000	4.73
<i>Duke Energy Corporation</i>	30,514	2,163,748	1.88
<i>Edison International</i>	75,000	4,386,000	3.82
<i>Endesa SA</i>	80,000	1,660,783	1.45
<i>Enel SpA</i>	400,000	1,802,623	1.57
<i>Eversource Energy</i>	90,000	4,251,600	3.70
<i>Exelon Corporation</i>	16,000	492,160	0.43
<i>Great Plains Energy Incorporated</i>	175,000	4,361,000	3.80
<i>IDACORP Incorporated</i>	25,000	1,484,250	1.29

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

Table of Contents

8 Wells Fargo Advantage Utilities and High Income Fund

Summary portfolio of investments August 31, 2015

Security name	Shares	Value	Percent of net assets
Electric Utilities (continued)			
<i>NextEra Energy Incorporated</i>	50,000	\$ 4,920,500	4.28%
<i>PNM Resources Incorporated</i>	75,000	1,920,750	1.67
<i>Terna SpA</i>	650,000	3,031,378	2.64
<i>Other securities</i>		82,409	0.07
		35,986,201	31.33
Gas Utilities: 0.45%			
<i>Snam SpA</i>	100,000	489,482	0.43
<i>Other securities</i>		20,948	0.02
		510,430	0.45
Multi-Utilities: 5.74%			
<i>CenterPoint Energy Incorporated</i>	50,000	931,000	0.81
<i>Public Service Enterprise Group Incorporated</i>	50,000	2,012,500	1.75
<i>Sempra Energy</i>	19,900	1,887,515	1.64
<i>Suez Environnement Company SA</i>	25,000	451,245	0.39
<i>TECO Energy Incorporated</i>	50,000	1,053,500	0.92
<i>Other securities</i>		256,560	0.23
		6,592,320	5.74
Water Utilities: 2.26%			
<i>American Water Works Company Incorporated</i>	50,000	2,597,000	2.26
Total Common Stocks (Cost \$55,608,262)		70,840,021	61.68
Corporate Bonds and Notes: 31.36%			

Consumer Discretionary: 5.09%

Auto Components: 0.20%

<i>Other securities</i>				227,013	0.20
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Distributors: 0.06%

<i>Other securities</i>				71,906	0.06
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**Diversified Consumer Services:
0.55%**

<i>Other securities</i>				633,497	0.55
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	Interest rate	Maturity date	Principal		
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Hotels, Restaurants & Leisure:

1.37%

<i>CCM Merger Incorporated 144A</i>	9.13%	5-1-2019	\$ 465,000	495,225	0.43
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<i>Greektown Holdings LLC 144A</i>	8.88	3-15-2019	565,000	590,425	0.51
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<i>Other securities</i>				490,051	0.43
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				1,575,701	1.37
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Household Durables: 0.16%

<i>Other securities</i>				184,625	0.16
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The accompanying notes are an integral part of these financial statements.

Table of Contents

Summary portfolio of investments August 31, 2015 Wells Fargo Advantage Utilities and High Income Fund 9

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Leisure Products: 0.01%					
<i>Other securities</i>				\$ 15,263	0.01%
Media: 2.37%					
<i>Gray Television Incorporated</i>	7.50%	10-1-2020	\$ 500,000	517,025	0.45
<i>Other securities</i>				2,198,678	1.92
				2,715,703	2.37
Specialty Retail: 0.37%					
<i>Other securities</i>				418,534	0.37
Consumer Staples: 0.33%					
Beverages: 0.07%					
<i>Other securities</i>				86,813	0.07
Food Products: 0.26%					
<i>Other securities</i>				293,914	0.26
Energy: 6.11%					
Energy Equipment & Services: 2.45%					
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-2037	825,000	709,500	0.62
<i>Other securities</i>				2,110,686	1.83
				2,820,186	2.45
Oil, Gas & Consumable Fuels: 3.66%					
<i>Other securities</i>				4,199,617	3.66

Financials: 5.78%

Banks: 0.31%

<i>Other securities</i>				352,295	0.31
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Capital Markets: 0.55%

<i>Other securities</i>				625,679	0.55
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Consumer Finance: 1.80%

<i>Other securities</i>				2,072,586	1.80
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**Diversified Financial Services:
0.61%**

<i>Other securities</i>				706,025	0.61
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Insurance: 0.32%

<i>Other securities</i>				370,125	0.32
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**Real Estate Management &
Development: 0.21%**

<i>Other securities</i>				242,500	0.21
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REITs: 1.98%

<i>Iron Mountain Incorporated</i>	5.75	8-15-2024	450,000	451,688	0.39
<i>Other securities</i>				1,819,795	1.59
				2,271,483	1.98

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

Table of Contents

10 Wells Fargo Advantage Utilities and High Income Fund

Summary portfolio of investments August 31, 2015

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Health Care: 2.86%					
Health Care Equipment & Supplies: 0.35%					
<i>Other securities</i>				\$ 403,576	0.35%
Health Care Providers & Services: 1.79%					
<i>Capella Healthcare Incorporated</i>	9.25%	7-1-2017	\$ 435,000	446,963	0.39
<i>Select Medical Corporation</i>	6.38	6-1-2021	455,000	461,825	0.40
<i>Other securities</i>				1,140,077	1.00
				2,048,865	1.79
Health Care Technology: 0.33%					
<i>Other securities</i>				381,181	0.33
Life Sciences Tools & Services: 0.03%					
<i>Other securities</i>				35,700	0.03
Pharmaceuticals: 0.36%					
<i>Other securities</i>				416,113	0.36
Industrials: 1.98%					
Airlines: 0.10%					
<i>Other securities</i>				113,250	0.10
Commercial Services & Supplies: 0.75%					

<i>Other securities</i>				858,919	0.75
Construction & Engineering: 0.19%					
<i>Other securities</i>				216,575	0.19
Trading Companies & Distributors: 0.94%					
<i>H&E Equipment Services Incorporated</i>	7.00	9-1-2022	450,000	447,750	0.39
<i>Other securities</i>				638,315	0.55
				1,086,065	0.94
Information Technology: 2.63%					
Communications Equipment: 0.04%					
<i>Other securities</i>				48,625	0.04
Electronic Equipment, Instruments & Components: 0.73%					
<i>Jabil Circuit Incorporated</i>	8.25	3-15-2018	620,000	696,701	0.61
<i>Other securities</i>				144,450	0.12
				841,151	0.73
Internet Software & Services: 0.10%					
<i>Other securities</i>				114,844	0.10
IT Services: 1.13%					
<i>Other securities</i>				1,300,699	1.13

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

Table of Contents

Summary portfolio of investments August 31, 2015 Wells Fargo Advantage Utilities and High Income Fund 11

Security name	Value	Percent of net assets
Semiconductors & Semiconductor Equipment: 0.10% <i>Other securities</i>	\$ 112,025	0.10%
Software: 0.17% <i>Other securities</i>	192,712	0.17
Technology Hardware, Storage & Peripherals: 0.36% <i>Other securities</i>	408,317	0.36
Materials: 0.53% Chemicals: 0.02% <i>Other securities</i>	20,950	0.02
Containers & Packaging: 0.31% <i>Other securities</i>	358,917	0.31
Metals & Mining: 0.04% <i>Other securities</i>	45,500	0.04
Paper & Forest Products: 0.16% <i>Other securities</i>	179,741	0.16

Interest rate Maturity date Principal

Telecommunication Services:
3.79%

Diversified Telecommunication**Services: 1.69%**

<i>Syniverse Holdings Incorporated</i>	9.13%	1-15-2019	\$ 600,000	520,500	0.45
<i>Other securities</i>				1,420,108	1.24
				1,940,608	1.69

Wireless Telecommunication**Services: 2.10%**

<i>Sprint Capital Corporation</i>	6.88	11-15-2028	1,100,000	946,000	0.82
<i>Other securities</i>				1,467,969	1.28
				2,413,969	2.10

Utilities: 2.26%**Electric Utilities: 1.42%**

<i>ComEd Financing III</i>	6.35	3-15-2033	1,340,000	1,395,492	1.22
<i>Other securities</i>				234,571	0.20
				1,630,063	1.42

Gas Utilities: 0.27%

<i>Other securities</i>				310,376	0.27
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Independent Power & Renewable**Electricity Producers: 0.57%**

<i>Other securities</i>				650,878	0.57
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Total Corporate Bonds and Notes

(Cost \$36,302,227)				36,013,084	31.36
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The accompanying notes are an integral part of these financial statements.

Table of Contents

12 Wells Fargo Advantage Utilities and High Income Fund

Summary portfolio of investments August 31, 2015

Security name	Value	Percent of net assets
Loans: 1.88%		
Consumer Discretionary: 0.75%		
Diversified Consumer Services: 0.04%		
<i>Other securities</i>	\$ 41,175	0.04%
Media: 0.56%		
<i>Other securities</i>	637,159	0.56
Specialty Retail: 0.15%		
<i>Other securities</i>	177,377	0.15
Financials: 0.06%		
Diversified Financial Services: 0.04%		
<i>Other securities</i>	49,750	0.04
Insurance: 0.02%		
<i>Other securities</i>	24,458	0.02
Industrials: 0.32%		
Airlines: 0.01%		
<i>Other securities</i>	9,863	0.01
Commercial Services & Supplies: 0.17%		
<i>Other securities</i>	193,925	0.17

Transportation Infrastructure:

0.14%

<i>Other securities</i>				158,832	0.14
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Information Technology: 0.06%

Internet Software & Services:

0.03%

<i>Other securities</i>				35,190	0.03
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Technology Hardware, Storage & Peripherals: 0.03%

<i>Other securities</i>				28,500	0.03
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Telecommunication Services:

0.13%

Diversified Telecommunication Services: 0.13%

<i>Other securities</i>				153,436	0.13
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	Interest rate	Maturity date	Principal		
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Utilities: 0.56%

Electric Utilities: 0.56%

<i>Texas Competitive Electric Holdings Company LLC ±(s)</i>	4.66%	10-10-2016	\$ 1,471,940	648,699	0.56
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Total Loans (Cost \$2,999,951)				2,158,364	1.88
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Preferred Stocks: 13.14%

Financials: 0.08%

Banks: 0.08%

<i>Other securities</i>				88,257	0.08
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The accompanying notes are an integral part of these financial statements.

Table of Contents

Summary portfolio of investments August 31, 2015 Wells Fargo Advantage Utilities and High Income Fund 13

Security name	Dividend yield	Shares	Value	Percent of net assets
Utilities: 13.06%				
Electric Utilities: 13.06%				
<i>Alabama Power Company</i>	6.45%	50,000	\$ 1,325,000	1.15%
<i>Entergy Arkansas Incorporated</i>	4.90	44,335	1,074,680	0.94
<i>Entergy Louisiana LLC</i>	4.70	270,483	6,340,122	5.52
<i>Entergy Louisiana LLC</i>	6.95	21,050	2,106,316	1.83
<i>Indianapolis Power & Light Company</i>	5.65	24,345	2,511,340	2.19
<i>NextEra Energy Capital Holding Incorporated Series I</i>	5.13	44,000	1,056,000	0.92
<i>The Connecticut Light & Power Company</i>	5.28	12,000	588,750	0.51
			15,002,208	13.06
Total Preferred Stocks (Cost \$14,356,211)			15,090,465	13.14
Warrants: 0.02%				
Utilities: 0.02%				
Gas Utilities: 0.02%				
<i>Other securities</i>			21,280	0.02
Total Warrants (Cost \$30,480)			21,280	0.02
Yankee Corporate Bonds and Notes: 2.66%				
Energy: 0.05%				
Oil, Gas & Consumable Fuels: 0.05%				
<i>Other securities</i>			58,110	0.05
Financials: 0.35%				
Banks: 0.35%				

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<i>Other securities</i>	403,088	0.35
Health Care: 0.47%		
Pharmaceuticals: 0.47%		
<i>Other securities</i>	536,795	0.47
Industrials: 0.14%		
Commercial Services & Supplies: 0.13%		
<i>Other securities</i>	147,900	0.13
Machinery: 0.01%		
<i>Other securities</i>	19,400	0.01
Materials: 0.60%		
Containers & Packaging: 0.20%		
<i>Other securities</i>	224,841	0.20
Metals & Mining: 0.32%		
<i>Other securities</i>	364,939	0.32

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

Table of Contents

14 Wells Fargo Advantage Utilities and High Income Fund

Summary portfolio of investments August 31, 2015

Security name	Interest rate	Maturity date	Principal	Value	Percent of net assets
Paper & Forest Products: 0.08%					
<i>Other securities</i>				\$ 94,500	0.08%
Telecommunication Services: 1.05%					
Diversified Telecommunication Services: 1.00%					
<i>Intelsat Jackson Holdings SA</i>	5.50%	8-1-2023	\$ 545,000	479,600	0.42
<i>Other securities</i>				672,554	0.58
				1,152,154	1.00
Wireless Telecommunication Services: 0.05%					
<i>Other securities</i>				50,625	0.05
Total Yankee Corporate Bonds and Notes					
(Cost \$3,307,631)				3,052,352	2.66
	Yield		Shares		
Short-Term Investments: 7.99%					
Investment Companies: 7.99%					
<i>Wells Fargo Advantage Cash Investment Money Market Fund, Select Class (l)(u)##</i>	0.15		9,179,571	9,179,571	7.99
Total Short-Term Investments (Cost \$9,179,571)					
				9,179,571	7.99

Total investments in securities (Cost \$121,784,333) *	136,355,137	118.73%
<i>Other assets and liabilities, net</i>	(21,506,954)	(18.73)
Total net assets	\$ 114,848,183	100.00%

± Variable rate investment. The rate shown is the rate in effect at period end.

144A The security may be resold in transactions exempt from registration, normally to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933.

(l) The security represents an affiliate of the Fund as defined in the Investment Company Act of 1940.

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

(u) The rate represents the 7-day annualized yield at period end.

All or a portion of this security is segregated for when-issued securities.

* Cost for federal income tax purposes is \$122,506,173 and unrealized gains (losses) consists of:

Gross unrealized gains	\$ 20,508,332
Gross unrealized losses	(6,659,368)
Net unrealized gains	\$ 13,848,964

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

Table of Contents

Statement of assets and liabilities August 31, 2015	Wells Fargo Advantage Utilities and High Income Fund	15
Assets		
Investments		
In unaffiliated securities, at value (cost \$112,604,762)		\$ 127,175,566
In affiliated securities, at value (cost \$9,179,571)		9,179,571
Total investments, at value (cost \$121,784,333)		136,355,137
Foreign currency, at value (cost \$65,790)		66,287
Receivable for investments sold		251,270
Receivable for dividends and interest		1,243,903
Prepaid expenses and other assets		8,816
Total assets		137,925,413
Liabilities		
Dividends payable		712,783
Payable for investments purchased		162,254
Secured borrowing payable		22,014,564
Advisory fee payable		71,396
Administration fee payable		5,950
Accrued expenses and other liabilities		110,283
Total liabilities		23,077,230
Total net assets		\$ 114,848,183
NET ASSETS CONSIST OF		
Paid-in capital		\$ 151,460,387
Undistributed net investment income		155,876
Accumulated net realized losses on investments		(51,336,598)
Net unrealized gains on investments		14,568,518
Total net assets		\$ 114,848,183
NET ASSET VALUE PER SHARE		
Based on \$114,848,183 divided by 9,232,832 shares issued and outstanding (unlimited number of shares authorized)		\$12.44

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

Table of Contents

16 Wells Fargo Advantage Utilities and High Income Fund	Statement of operations year ended August 31, 2015
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Investment income

Dividends (net of foreign withholding taxes of \$508,835)	\$ 6,920,396
Interest	2,954,012
Income from affiliated securities	8,416
 Total investment income	 9,882,824

Expenses

Advisory fee	866,645
Administration fee	72,220
Custody and accounting fees	25,874
Professional fees	163,551
Shareholder report expenses	67,410
Trustees fees and expenses	23,255
Transfer agent fees	29,530
Interest expense	198,189
Secured borrowing fees	2,271
Other fees and expenses	11,294
 Total expenses	 1,460,239
 Net investment income	 8,422,585

REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS

Net realized gains on investments	319,865
Net change in unrealized gains (losses) on investments	(13,285,652)
 Net realized and unrealized gains (losses) on investments	 (12,965,787)
 Net decrease in net assets resulting from operations	 \$ (4,543,202)

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

Table of Contents

Statement of changes in net assets	Wells Fargo Advantage Utilities and High Income Fund 17	
	Year ended	Year ended
	August 31, 2015	August 31, 2014
Operations		
Net investment income	\$ 8,422,585	\$ 8,968,521
Net realized gains on investments	319,865	1,474,455
Net change in unrealized gains (losses) on investments	(13,285,652)	12,542,009
Net increase (decrease) in net assets resulting from operations	(4,543,202)	22,984,985
Distributions to shareholders from		
Net investment income	(8,308,807)	(8,308,065)
Capital share transactions		
Net asset value of shares issued under the Automatic Dividend Reinvestment Plan	22,151	0
Total increase (decrease) in net assets	(12,829,858)	14,676,920
Net assets		
Beginning of period	127,678,041	113,001,121
End of period	\$ 114,848,183	\$ 127,678,041
Undistributed net investment income	\$ 155,876	\$ 105,977

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

Table of Contents

18 Wells Fargo Advantage Utilities and High Income Fund Statement of cash flows year ended August 31, 2015

Cash flows from operating activities:

Net decrease in net assets resulting from operations \$ (4,543,202)

Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities:

Purchase of securities (85,564,199)

Proceeds from sale of securities 87,653,486

Amortization (33,508)

Proceeds from short-term securities, net (3,886,659)

Increase in receivable for investments sold (241,270)

Increase in dividends and interest receivable (3,861)

Increase in prepaid expenses and other assets (5,609)

Decrease in payable for investments purchased (3,102)

Decrease in advisory fee payable (5,840)

Decrease in administration fee payable (486)

Decrease in accrued expenses and other liabilities (39,724)

Litigation payments received 1,273

Net realized gains on investments (319,865)

Net change in unrealized gains (losses) on investments 13,285,652

Net cash provided by operating activities 6,293,086

Cash flows from financing activities:

Cash distributions paid (8,265,951)

Increase in secured borrowing payable 16,856

Net cash used in financing activities (8,249,095)

Net decrease in cash (1,956,009)

Cash (including foreign currency):

Beginning of period \$ 2,022,296

End of period \$ 66,287

Supplemental cash disclosure

Cash paid for interest \$ 181,333

Supplemental non-cash financing disclosure

Reinvestment of dividends \$ 22,151

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

Table of Contents

Financial highlights Wells Fargo Advantage Utilities and High Income Fund 19

(For a share outstanding throughout each period)

	Year ended August 31				
	2015	2014	2013	2012	2011
Net asset value, beginning of period	\$13.83	\$12.24	\$11.74	\$11.75	\$11.23
Net investment income	0.91	0.97 ¹	0.87 ¹	0.87 ¹	0.99 ¹
Net realized and unrealized gains (losses) on investments	(1.40)	1.52	0.53	0.02	0.43
Total from investment operations	(0.49)	2.49	1.40	0.89	1.42
Distributions to shareholders from					
Net investment income	(0.90)	(0.90)	(0.90)	(0.90)	(0.90)
Net asset value, end of period	\$12.44	\$13.83	\$12.24	\$11.74	\$11.75
Market value, end of period	\$10.89	\$12.87	\$12.04	\$11.92	\$11.03
Total return based on market value²	(9.11)%	14.89%	8.93%	17.03%	5.99%
Ratios to average net assets (annualized)					
Gross expenses ³	1.19%	1.11%	1.25%	1.20%	1.24%
Net expenses ³	1.19%	1.11%	1.25%	1.20%	1.24%
Net investment income	6.88%	7.38%	7.11%	7.48%	8.14%
Supplemental data					
Portfolio turnover rate	61%	29%	65%	48%	64%
Net assets, end of period (000s omitted)	\$114,848	\$127,678	\$113,001	\$108,327	\$108,146
Borrowings outstanding, end of period (000s omitted)	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Asset coverage per \$1,000 of borrowing, end of period	\$6,220	\$6,804	\$6,136	\$5,866	\$5,916

¹ Calculated based upon average shares outstanding

² 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, if any, are assumed for 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 that a shareholder would pay on the purchase and sale of shares.

³ Ratios include interest expense relating to interest associated with borrowings and/or leverage transactions as follows:

Year ended A