

WELLS FARGO UTILITIES & HIGH INCOME FUND

Form N-CSR

October 31, 2018

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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 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)

Alexander Kymn

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, 2018

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ITEM 1. REPORT TO STOCKHOLDERS

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Annual Report

August 31, 2018

Wells Fargo

Utilities and High Income Fund (ERH)

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The views expressed and any forward-looking statements are as of August 31, 2018, unless otherwise noted, and are those of the Fund managers and/or Wells Fargo Funds Management, LLC. Discussions of individual securities, or the markets generally, or any Wells Fargo Fund are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Funds Management, LLC and the Fund disclaim any obligation to publicly update or revise any views expressed or forward-looking statements.

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2 Wells Fargo Utilities and High Income Fund

Letter to shareholders (unaudited)

Andrew Owen

President

Wells Fargo Funds

After advancing during 2017, economic growth and stock markets globally diverged during the first eight months of 2018.

Dear Shareholder:

We are pleased to offer you this annual report for the Wells Fargo Utilities and High Income Fund for the 12-month period that ended August 31, 2018. After advancing during 2017, economic growth and stock markets globally diverged during the first eight months of 2018. For fixed-income investors, taxable bond returns suffered and high-yield and municipal bond returns were positive.

For the period, U.S. stocks, as measured by the S&P 500 Index,¹ gained 19.66%, and international stocks, as measured by the MSCI ACWI ex USA Index (Net),² added 3.18%. Based on the MSCI EM Index (Net),³ emerging market stocks lost 0.68%. For bond investors, the Bloomberg Barclays U.S. Aggregate Bond Index⁴ declined 1.05% while the Bloomberg Barclays Global Aggregate ex-USD Index⁵ fell 1.64%. The Bloomberg Barclays Municipal Bond Index⁶ returned 0.49%, and the ICE BofAML U.S. High Yield Index⁷ was up 3.26%.

Continued optimism in the U.S. characterized the fourth quarter of 2017.

Some observers described economic conditions in late 2017 as a Goldilocks scenario: synchronized global growth, low inflation, healthy corporate earnings, and a weaker U.S. dollar that supported international growth. The U.S. Bureau of Economic Analysis reported that annualized U.S. gross domestic product (GDP) growth for the third quarter of 2017 was 2.8% and inflation remained below U.S. Federal Reserve (Fed) targets. U.S. corporate earnings and consumer confidence improved.

Economic momentum increased in Europe. The Bank of England (BOE) raised interest rates in November 2017 to 0.50%, the first increase in more than 10 years, indicating confidence in the economy's growth potential. Meanwhile, the European Central Bank and the Bank of Japan kept interest rates low to spur business activities and bought bonds

in an effort to encourage equity investments. The People's Bank of China's (PBOC's) policies sought to stimulate business. Many emerging market economies benefited from stronger currencies versus the U.S. dollar, while commodity price increases benefited countries that rely on natural resources for exports.

¹The 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.

²The Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex USA Index (Net) is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. You cannot invest directly in an index.

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

⁴The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities. You cannot invest directly in an index.

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

⁶The Bloomberg Barclays Municipal Bond Index is an unmanaged index composed of long-term tax-exempt bonds with a minimum credit rating of Baa. You cannot invest directly in an index.

⁷The ICE BofAML U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of high-yield securities traded in the U.S. bond market. You cannot invest directly in an index. Copyright 2018. ICE Data Indices, LLC. All rights reserved.

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Letter to shareholders (unaudited) Wells Fargo Utilities and High Income Fund 3
Volatility reemerged during the first quarter of 2018 as global tensions and inflation fears increased.

Stock market gains in January 2018 followed the passage of lower U.S. tax rates. Some investors then grew concerned about trade, particularly between the U.S. and China, and the specter of inflation. The Fed followed its 25-basis-point (bp; 100 bps equal 1.00%) federal funds rate increase in December 2017 with a further 25-bps increase in March 2018. The inflation rate in March reached the Fed's 2% target for the first time in a year.

The S&P 500 Index closed the first quarter with a negative return, the first negative quarterly return for the index since 2014. Overseas investment markets reversed strong returns in 2017, hurt by a stronger U.S. dollar and mounting trade and diplomatic tensions. After gaining 27.19% for the 12-month period that ended December 31, 2017, the MSCI ACWI ex USA Index (Net) declined 1.81% for the quarter that ended March 31, 2018.

Global trade tensions escalated during the second quarter.

Global trade tensions escalated throughout the second quarter of 2018. The U.S. government imposed tariffs, and foreign governments in North America, Europe, and Asia retaliated. The escalating tensions chilled investment activity as observers awaited signals of next steps.

Meanwhile, inflation continued an upward trend. The CPI-U⁸ added 0.1% in June after increases of 0.2% in both April and May. On a year-over-year basis, the all-items index rose 2.9% for the 12 months that ended June 30, 2018. The index for all items less food and energy rose 2.3% for the same 12-month period.

U.S. stocks gained while international stocks and bonds declined during the summer of 2018.

The U.S. economy strengthened during the summer months. Revised second-quarter GDP data released in August showed the U.S. economy growing at a 4.2% rate. After ticking up slightly in June, the unemployment rate in the U.S. was 3.9% in July and August, according to the U.S. Department of Labor. Wages showed more consistent growth, and consumer confidence remained strong.

Several U.S. equity market indices reached records during August, with the S&P 500 Index gaining 7.76% for the three-month period that ended August 31, 2018. International stock values continued to suffer under the effects of a strong U.S. dollar and continuing trade tensions. The MSCI ACWI ex USA Index (Net) and the MSCI EM Index (Net) were down 4.70% and 1.64%, respectively, during the same three-month period.

The Fed increased the federal funds rate in June, and expectations grew that two more rate increases were in the offing in 2018. Long-term interest rates in the U.S. remained at higher levels relative to the prior 10 years. Rates on 10-year and 30-year Treasury bonds 2.46% and 2.81%, respectively, on January 1, 2018 were 2.86% and 3.02%, respectively, on August 31, off their peak levels on May 17, 2018, of 3.11% and 3.25%, respectively. Some investors became more aware of and concerned about the potential for an inverted yield curve sometimes a recession signal as short-term rates increased more quickly than long-term rates. The Fed decided to forgo an interest rate increase at its August meeting.

Global trade tensions escalated throughout the second quarter of 2018.

⁸ The Consumer Price Index for All Urban Consumers (CPI-U) measures the changes in the price of a basket of goods and services purchased by urban consumers. The urban consumer population is deemed by many as a better representative measure of the general public because close to 90% of the country's population lives in highly populated areas. You cannot invest directly in an index.

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

Internationally, members of Prime Minister Theresa May's U.K./Brexit negotiating team resigned amid unproductive negotiations. In early August, the BOE's Monetary Policy Committee increased its key interest rate to 0.75%. Central banks in Europe and Japan maintained low interest rates and accommodative monetary policies. Amid rising trade uncertainty, the PBOC cut reserve requirement ratios and accelerated infrastructure spending and tax cuts for business enterprises and individuals. Nevertheless, a strengthening U.S. dollar and the trade tensions remained headwinds for investors overseas.

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

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

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

Sincerely,

Andrew Owen

President

Wells Fargo Funds

Notice to shareholders

On November 10, 2017, the Fund announced an extension of its open-market share repurchase program (the Buyback Program). Under the extended Buyback Program, the Fund may repurchase up to 10% of its outstanding shares during the period in open market transactions beginning on January 1, 2018 and ending on December 31, 2018. The Fund's Board of Trustees has delegated to Wells Fargo Funds Management, LLC, the Fund's adviser, discretion to administer the Buyback Program including the determination of the amount and timing of repurchases in accordance with the best interests of the Fund and subject to applicable legal limitations.

For further information about your Fund, contact your investment professional, visit our website at wellsfargofunds.com, or call us directly at **1-800-222-8222**.

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Table of Contents**6 Wells Fargo 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.

Strategy summary

The Fund allocates its assets between two separate investment strategies, or sleeves. Under normal market conditions, the Fund will allocate approximately 70% of its total assets to a sleeve that places a focus on common, preferred and convertible preferred stocks and convertible debentures of utility companies (water, gas, electric and telecommunications companies), and approximately 30% of its total assets to a sleeve of U.S. dollar denominated non-investment-grade (high yield) debt.

Adviser

Wells Fargo Funds Management, LLC

Subadvisers

Crow Point Partners, LLC

Wells Capital Management Incorporated

Portfolio managers

Niklas Nordenfelt, CFA®

Timothy P. O'Brien, CFA®

Phillip Susser

Average annual total return (%) as of August 31, 2018¹

	1 year	5 year	10 year
Based on market value	1.85	8.54	3.41
Based on net asset value (NAV) per share	(0.96)	7.80	5.17
ERH Blended Index ²	1.61	9.85	8.01
ICE BofAML U.S. High Yield Index ³	3.26	5.63	8.37
S&P 500 Utilities Sector Index ⁴	0.71	11.44	7.79

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, 2018, was 1.42% which includes 0.46% of interest expense.

Comparison of NAV vs. market value⁵

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

Please see footnotes on page 9.

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MANAGERS' DISCUSSION

Wells Fargo Utilities and High Income Fund 7

Overview

The Fund's return based on market value was 1.85% for the 12-month period that ended August 31, 2018. During the same period, the Fund's return based on net asset value (NAV) was -0.96%. Based on its NAV return, the Fund underperformed the ERH Blended Index, which returned 1.61%.

During the period, the U.S. economy enjoyed accelerating economic growth while European and Asian growth continued to lag. The U.S. Federal Reserve (Fed) continued to normalize interest rates in the U.S. at a deliberate, steady pace. The Fed announced three interest rate increases of 0.25% each during the period. In contrast, Europe has seen more talk than actual rate increases. The interest rate differential between the U.S. and Europe continued to widen, putting upward pressure on the U.S. dollar. U.S. equity markets generally enjoyed gains, while overseas markets saw declines as trade tensions and the stronger U.S. dollar concerned investors.

Within high-yield markets during the past 12 months, bonds were supported by solid U.S. gross domestic product growth; lack of aggressive issuance over the past several years, which has supported demand; and the tailwinds from tax reform. These favorable conditions were offset to some extent by rising interest rates. Corporate revenue and earnings generally have been strong over the period. As a result, high-yield spreads over Treasuries narrowed during the year, which has offset the rise in interest rates to some extent. Over the trailing 12-month period, lower-quality bonds have outperformed, which is not unusual in the latter stages of an economic cycle when interest rates have risen during past interest-rate cycles.

Ten largest holdings (%) as of August 31, 2018⁶

Terna SpA	4.57
Southern Company	4.49
DTE Energy Company	4.26
PNM Resources Incorporated	4.06
FirstEnergy Corporation	4.06
Enel SpA	3.87
Red Electrica de Espana	3.65
CMS Energy Corporation	3.59
American Electric Power Company Incorporated	3.43
Antena 3 de Television SA	3.26

Credit quality as of August 31, 2018⁷**Contributors to performance**

Within the Fund's equity portfolio, significant contributors to performance relative to the S&P 500 Utilities Sector Index included FirstEnergy Corporation; Great Plains Energy Incorporated;* Veolia Environment S.A.;* and IDACORP, Incorporated.

Within the Fund's high-yield bond portfolio sleeve, overall industry selection was positive. An overweight to and strong selection within oil-field services, midstream energy, and cable/satellite benefited performance over the period as did strong selection within transportation services. Credit-rating allocation was also positive, led by an underweight to BB-rated bonds and a slight overweight to distressed securities offsetting an overweight to BBB-rated bonds and cash. Security selection was the main driver of positive contributions to performance.

Detractors from performance

Significant performance detractors among the Fund's equity investments relative to the S&P 500 Utilities Sector Index included Atresmedia Corporación de Medios de Comunicación, S.A.; Telecom Italia S.p.A.*; Enel Generación Chile S.A.; PNM Resources, Incorporated; Terna S.p.A.; Red Electrica de Espana; and Spark Energy, Incorporated.

Please see footnotes on page 9.

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8 Wells Fargo Utilities and High Income Fund

Performance highlights (unaudited)

Sector distribution as of August 31, 2018⁸**Country allocation as of August 31, 2018⁸**

During the year, we initiated an equity position in Atresmedia; reinitiated positions in Enel and Terna; and added to existing holdings of Entergy Corporation, Spark Energy, and Sempra Energy. In addition, we reduced holdings of American Electric Power Company, Incorporated; Chunghwa Telecom Company, Limited; and Exelon Corporation and sold holdings of Alliant Energy Corporation; Eversource Energy (common shares); Shenandoah Telecommunications Company; and Verizon Communications Incorporated.

Within the high-yield sleeve of the Fund, maturity allocations detracted slightly from performance, hurt by an underweight to the 3- to 5-year maturity segment of the curve and an overweight to 7- to 10-year maturities. A slight underweight to CC-rated bonds was also a detractor but was mostly offset by security selection. Holding cash as well as an underweight to and security selection within the energy exploration and production sector detracted from performance, as that sector outperformed the broader market.

Outlook from the Fund's equities manager: solid, accelerating economic recovery

From an equity perspective, we are now seeing what appears to be a more solid and accelerating economic recovery in the U.S. We expect interest rates to continue to go up on the short end of the curve. The outlook for 10-year rates, which are highly correlated with utility dividend yields, is less clear. Stronger economic growth may be positive for utilities suffering from weak sales, while higher interest rates could be a near-term headwind for utility stocks. Over the longer term, fundamentals for regulated network operators remain robust, while the outlook for utilities with significant commodity price exposure remains challenging.

Outlook from the Fund's high-yield manager: growth to continue with evidence of potential risks

While we tend to think that the U.S. economy should continue to grow and company fundamentals will continue to improve, we are always on the lookout for potential threats to that growth. Of growing concern is what we believe to be the early stages of a new inflationary period characterized by gradual inflation increases. This concern is partly mitigated by the fact that inflation often takes a fair amount of time to build up (and to quell, unfortunately) and to have an impact, and this may even help high-yield companies repay their debts. Our increasing concern about potential trade wars is mitigated by the large entrenched interests that are hurt by a trade war and the broader understanding in the investment, business, and government communities that all parties could lose. Lastly, our concern about increasing instability in several emerging market currencies and bond prices is softened by the relatively limited direct exposure the U.S. economy has to sales in these countries. We continue to be vigilant to these concerns, as they all have the potential to cause instability in the U.S. and world equity and bond markets generally. If that does happen, the high-yield market may not be immune.

We continue to believe that in the short run, spreads will likely continue to remain flat, but in the medium term, spreads will likely widen, potentially significantly from here. To some extent, the higher yields available in the junk

bond market may offset this spread widening.

Please see footnotes on page 9.

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Performance highlights (unaudited)

Wells Fargo Utilities and High Income Fund 9

¹Total 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.

²Source: Wells Fargo Funds Management, LLC. The ERH Blended Index is weighted 70% in the S&P 500 Utilities Sector Index and 30% in the ICE BofA Merrill Lynch U.S. High Yield Index. You cannot invest directly in an index.

³ The ICE BofAML U.S. High Yield Index is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of high-yield securities traded in the U.S. bond market. You cannot invest directly in an index. Copyright 2018. ICE Data Indices, LLC. All rights reserved.

⁴The S&P 500 Utilities Sector 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.

⁵This 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.

⁶The ten largest holdings, excluding cash, cash equivalents and any money market funds, are calculated based on the value of the investments divided by total net assets of the Fund. Holdings are subject to change and may have changed since the date specified.

⁷ 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.

⁸ 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.

*This security was not held in the Fund at the end of the reporting period.

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10 Wells Fargo Utilities and High Income Fund

Portfolio of investments August 31, 2018

Security name	Shares	Value
Common Stocks: 49.87%		
Consumer Discretionary: 3.26%		
Media: 3.26%		
<i>Antena 3 de Television SA</i>	525,000	\$ 3,747,736
Telecommunication Services: 2.98%		
Diversified Telecommunication Services: 2.98%		
<i>Chunghwa Telecom Company Limited ADR</i>	97,325	3,424,867
Utilities: 43.63%		
Electric Utilities: 34.64%		
<i>American Electric Power Company Incorporated</i>	55,000	3,945,150
<i>Enel SpA</i>	900,000	4,450,315
<i>Entergy Corporation</i>	15,000	1,253,850
<i>Evergy Incorporated</i>	59,810	3,412,161
<i>Exelon Corporation</i>	41,001	1,792,154
<i>FirstEnergy Corporation</i>	125,000	4,672,500
<i>IDACORP Incorporated</i>	25,000	2,446,250
<i>PNM Resources Incorporated</i>	120,000	4,674,000
<i>Red Electrica de Espana</i>	200,000	4,201,915
<i>Spark Energy Incorporated Class A</i>	424,138	3,732,414
<i>Terna SpA</i>	1,000,000	5,253,554
		39,834,263
Gas Utilities: 0.02%		
<i>Chesapeake Utilities Corporation</i>	300	25,800
Multi-Utilities: 8.97%		
<i>CenterPoint Energy Incorporated</i>	50,000	1,389,500
<i>Hera SpA</i>	900,000	2,822,712
<i>MDU Resources Group Incorporated</i>	200	5,578

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<i>Public Service Enterprise Group Incorporated</i>	50,000	2,617,500
<i>Sempra Energy</i>	30,000	3,482,400
		10,317,690
Total Common Stocks (Cost \$50,641,111)		57,350,356

	Interest rate	Maturity date	Principal	
Corporate Bonds and Notes: 29.85%				
Consumer Discretionary: 7.57%				
Auto Components: 0.67%				
<i>Allison Transmission Incorporated 144A</i>	4.75%	10-1-2027	\$ 75,000	70,500
<i>Allison Transmission Incorporated 144A</i>	5.00	10-1-2024	400,000	394,000
<i>Cooper Tire & Rubber Company</i>	7.63	3-15-2027	257,000	285,913
<i>Cooper Tire & Rubber Company</i>	8.00	12-15-2019	15,000	15,795
				766,208

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

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Portfolio of investments August 31, 2018

Wells Fargo Utilities and High Income Fund 11

Security name	Interest rate	Maturity date	Principal	Value
Distributors: 0.22%				
<i>LKQ Corporation</i>	4.75%	5-15-2023	\$ 225,000	\$ 225,563
<i>Spectrum Brands Incorporated</i>	6.63	11-15-2022	25,000	25,719
				251,282
Diversified Consumer Services: 0.56%				
<i>Carriage Services Incorporated 144A</i>	6.63	6-1-2026	50,000	50,875
<i>Service Corporation International</i>	4.63	12-15-2027	50,000	48,000
<i>Service Corporation International</i>	7.50	4-1-2027	400,000	446,000
<i>Service Corporation International</i>	8.00	11-15-2021	85,000	93,500
				638,375
Hotels, Restaurants & Leisure: 0.83%				
<i>Brinker International Incorporated 144A</i>	5.00	10-1-2024	50,000	48,250
<i>CCM Merger Incorporated 144A</i>	6.00	3-15-2022	425,000	431,375
<i>Hilton Domestic Operating Company Incorporated 144A</i>	5.13	5-1-2026	50,000	50,063
<i>KFC Holding Company 144A</i>	5.00	6-1-2024	100,000	99,750
<i>Pinnacle Entertainment Incorporated</i>	5.63	5-1-2024	25,000	26,250
<i>Speedway Motorsports Incorporated</i>	5.13	2-1-2023	100,000	99,000
<i>Wyndham Hotels & Resorts Company 144A</i>	5.38	4-15-2026	200,000	198,500
				953,188
Media: 3.35%				
<i>Altice US Finance I Corporation 144A</i>	5.38	7-15-2023	200,000	201,250
<i>Altice US Finance I Corporation 144A</i>	5.50	5-15-2026	100,000	98,250
<i>CCO Holdings LLC 144A</i>	5.00	2-1-2028	25,000	23,413
<i>CCO Holdings LLC</i>	5.13	2-15-2023	100,000	100,125
<i>CCO Holdings LLC 144A</i>	5.13	5-1-2023	135,000	135,000
<i>CCO Holdings LLC 144A</i>	5.13	5-1-2027	50,000	47,688
<i>CCO Holdings LLC</i>	5.25	9-30-2022	90,000	90,619
<i>CCO Holdings LLC 144A</i>	5.38	5-1-2025	335,000	332,906
<i>CCO Holdings LLC 144A</i>	5.50	5-1-2026	5,000	4,938
<i>CCO Holdings LLC</i>	5.75	9-1-2023	50,000	50,875

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<i>CCO Holdings LLC 144A</i>	5.75	2-15-2026	275,000	275,000
<i>CCO Holdings LLC 144A</i>	5.88	4-1-2024	125,000	127,500
<i>Cequel Communications Holdings I LLC 144A</i>	7.75	7-15-2025	100,000	106,375
<i>Cinemark USA Incorporated</i>	4.88	6-1-2023	25,000	24,688
<i>CSC Holdings LLC</i>	8.63	2-15-2019	125,000	127,890
<i>Dish Network Corporation</i>	3.38	8-15-2026	25,000	23,515
<i>EMI Music Publishing Group 144A</i>	7.63	6-15-2024	150,000	161,438
<i>Gray Television Incorporated 144A</i>	5.13	10-15-2024	100,000	98,000
<i>Gray Television Incorporated 144A</i>	5.88	7-15-2026	325,000	325,000
<i>Lamar Media Corporation</i>	5.38	1-15-2024	50,000	50,875
<i>LIN Television Corporation</i>	5.88	11-15-2022	25,000	25,500
<i>Live Nation Entertainment Incorporated 144A</i>	4.88	11-1-2024	100,000	98,375
<i>Live Nation Entertainment Incorporated 144A</i>	5.38	6-15-2022	50,000	50,938
<i>Live Nation Entertainment Incorporated 144A</i>	5.63	3-15-2026	25,000	25,125
<i>National CineMedia LLC</i>	6.00	4-15-2022	300,000	304,500
<i>Nexstar Broadcasting Group Incorporated 144A</i>	5.63	8-1-2024	50,000	49,135
<i>Nexstar Broadcasting Group Incorporated 144A</i>	6.13	2-15-2022	150,000	152,531

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

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12 Wells Fargo Utilities and High Income Fund

Portfolio of investments August 31, 2018

Security name	Interest rate	Maturity date	Principal	Value
Media (continued)				
<i>Nielsen Finance LLC 144A</i>	5.00%	4-15-2022	\$ 100,000	\$ 97,105
<i>Outfront Media Capital Corporation</i>	5.25	2-15-2022	15,000	15,075
<i>Outfront Media Capital Corporation</i>	5.63	2-15-2024	29,000	29,326
<i>Outfront Media Capital Corporation</i>	5.88	3-15-2025	65,000	65,569
<i>Salem Media Group Incorporated 144A</i>	6.75	6-1-2024	300,000	267,000
<i>The E.W. Scripps Company 144A</i>	5.13	5-15-2025	275,000	262,625
				3,848,149
Specialty Retail: 1.41%				
<i>Asbury Automotive Group Incorporated</i>	6.00	12-15-2024	350,000	350,875
<i>Group 1 Automotive Incorporated</i>	5.00	6-1-2022	125,000	123,750
<i>Group 1 Automotive Incorporated 144A</i>	5.25	12-15-2023	120,000	116,700
<i>Lithia Motors Incorporated 144A</i>	5.25	8-1-2025	350,000	335,650
<i>Penske Auto Group Incorporated</i>	3.75	8-15-2020	50,000	49,375
<i>Penske Auto Group Incorporated</i>	5.38	12-1-2024	300,000	295,875
<i>Penske Auto Group Incorporated</i>	5.75	10-1-2022	99,000	100,980
<i>Sonic Automotive Incorporated</i>	5.00	5-15-2023	145,000	136,663
<i>Sonic Automotive Incorporated</i>	6.13	3-15-2027	125,000	117,188
				1,627,056
Textiles, Apparel & Luxury Goods: 0.16%				
<i>Wolverine World Wide Incorporated 144A</i>	5.00	9-1-2026	185,000	178,525
Consumer Staples: 0.38%				
Beverages: 0.04%				
<i>Cott Beverages Incorporated 144A</i>	5.50	4-1-2025	50,000	48,968
Food Products: 0.27%				
<i>B&G Foods Incorporated</i>	4.63	6-1-2021	30,000	29,850
<i>B&G Foods Incorporated</i>	5.25	4-1-2025	75,000	72,844
<i>Darling Ingredients Incorporated</i>	5.38	1-15-2022	15,000	15,188
<i>Pilgrim s Pride Corporation 144A</i>	5.75	3-15-2025	110,000	106,425

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<i>Pilgrim s Pride Corporation 144A</i>	5.88	9-30-2027	25,000	23,750
<i>Prestige Brands Incorporated 144A</i>	6.38	3-1-2024	35,000	35,317
<i>US Foods Incorporated 144A</i>	5.88	6-15-2024	30,000	30,225
				313,599

Household Products: 0.06%

<i>Central Garden & Pet Company</i>	5.13	2-1-2028	25,000	23,531
<i>Central Garden & Pet Company</i>	6.13	11-15-2023	20,000	20,625
<i>Spectrum Brands Incorporated</i>	5.75	7-15-2025	25,000	25,250
				69,406

Energy: 6.94%

Energy Equipment & Services: 2.12%

<i>Bristow Group Incorporated</i>	6.25	10-15-2022	325,000	229,125
<i>Bristow Group Incorporated 144A</i>	8.75	3-1-2023	75,000	71,625
<i>Diamond Offshore Drilling Incorporated</i>	4.88	11-1-2043	150,000	106,875

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Portfolio of investments August 31, 2018

Wells Fargo Utilities and High Income Fund 13

Security name	Interest rate	Maturity date	Principal	Value
Energy Equipment & Services (continued)				
<i>Era Group Incorporated</i>	7.75%	12-15-2022	\$ 215,000	\$ 211,775
<i>Hilcorp Energy Company 144A</i>	5.00	12-1-2024	150,000	144,938
<i>Hilcorp Energy Company 144A</i>	5.75	10-1-2025	175,000	173,688
<i>Hornbeck Offshore Services Incorporated</i>	1.50	9-1-2019	350,000	308,491
<i>Hornbeck Offshore Services Incorporated</i>	5.00	3-1-2021	100,000	72,000
<i>Hornbeck Offshore Services Incorporated</i>	5.88	4-1-2020	120,000	93,600
<i>NGPL PipeCo LLC 144A</i>	4.38	8-15-2022	25,000	25,188
<i>NGPL PipeCo LLC 144A</i>	4.88	8-15-2027	50,000	50,387
<i>NGPL PipeCo LLC 144A</i>	7.77	12-15-2037	625,000	771,875
<i>Oceaneering International Incorporated</i>	6.00	2-1-2028	75,000	74,423
<i>USA Compression Partners LP 144A</i>	6.88	4-1-2026	100,000	103,000
				2,436,990
Oil, Gas & Consumable Fuels: 4.82%				
<i>Andeavor Logistics LP</i>	5.25	1-15-2025	50,000	51,188
<i>Archrock Partners LP</i>	6.00	10-1-2022	75,000	74,813
<i>Carrizo Oil & Gas Incorporated</i>	8.25	7-15-2025	75,000	80,438
<i>Cheniere Energy Partners LP</i>	5.25	10-1-2025	525,000	525,000
<i>Continental Resources Incorporated</i>	3.80	6-1-2024	100,000	98,422
<i>Continental Resources Incorporated</i>	4.38	1-15-2028	25,000	24,820
<i>DCP Midstream Operating LP</i>	2.70	4-1-2019	75,000	74,531
<i>Denbury Resources Incorporated</i>	6.38	8-15-2021	285,000	273,422
<i>Denbury Resources Incorporated 144A</i>	9.25	3-31-2022	61,000	65,194
<i>Enable Midstream Partner LP</i>	2.40	5-15-2019	275,000	273,730
<i>Enable Oklahoma Intrastate Transmission LLC 144A</i>	6.25	3-15-2020	50,000	51,708
<i>EnLink Midstream Partners LLC</i>	4.40	4-1-2024	300,000	292,317
<i>EnLink Midstream Partners LLC</i>	4.85	7-15-2026	125,000	121,343
<i>Exterran Partners LP</i>	6.00	4-1-2021	250,000	249,375
<i>Gulfport Energy Corporation</i>	6.00	10-15-2024	75,000	74,063
<i>Kinder Morgan Incorporated</i>	6.50	9-15-2020	45,000	47,681
<i>Kinder Morgan Incorporated</i>	7.42	2-15-2037	90,000	104,766
<i>Murphy Oil Corporation</i>	4.45	12-1-2022	175,000	174,591
<i>Murphy Oil Corporation</i>	5.75	8-15-2025	15,000	15,026
<i>Murphy Oil Corporation</i>	6.88	8-15-2024	50,000	52,810

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<i>Nabors Industries Incorporated</i>	0.75	1-15-2024	125,000	98,408
<i>PDC Energy Incorporated</i>	6.13	9-15-2024	50,000	49,750
<i>Rockies Express Pipeline LLC 144A</i>	5.63	4-15-2020	325,000	335,156
<i>Rockies Express Pipeline LLC 144A</i>	6.88	4-15-2040	250,000	290,000
<i>Rockies Express Pipeline LLC 144A</i>	7.50	7-15-2038	55,000	65,450
<i>Rose Rock Midstream LP</i>	5.63	7-15-2022	100,000	99,125
<i>Rose Rock Midstream LP</i>	5.63	11-15-2023	100,000	96,750
<i>Sabine Pass Liquefaction LLC</i>	5.63	2-1-2021	125,000	130,359
<i>Sabine Pass Liquefaction LLC</i>	6.25	3-15-2022	100,000	107,679
<i>SemGroup Corporation</i>	6.38	3-15-2025	275,000	268,813
<i>SemGroup Corporation</i>	7.25	3-15-2026	150,000	149,250
<i>Southern Star Central Corporation 144A</i>	5.13	7-15-2022	150,000	150,000
<i>Southwestern Energy Company</i>	7.50	4-1-2026	50,000	52,375
<i>Southwestern Energy Company</i>	7.75	10-1-2027	50,000	52,875
<i>Summit Midstream Holdings LLC</i>	5.75	4-15-2025	25,000	24,125

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14 Wells Fargo Utilities and High Income Fund

Portfolio of investments August 31, 2018

Security name	Interest rate	Maturity date	Principal	Value
Oil, Gas & Consumable Fuels (continued)				
<i>Tallgrass Energy Partners LP 144A</i>	5.50%	9-15-2024	\$ 600,000	\$ 617,250
<i>Tesoro Logistics LP</i>	6.38	5-1-2024	25,000	26,500
<i>Ultra Resources Incorporated 144A</i>	6.88	4-15-2022	80,000	39,000
<i>Ultra Resources Incorporated 144A</i>	7.13	4-15-2025	375,000	165,938
				5,544,041
Financials: 1.87%				
Banks: 0.01%				
<i>Citigroup Incorporated</i>	4.13	3-9-2021	5,000	5,019
<i>Citigroup Incorporated</i>	6.13	3-9-2028	10,000	10,450
				15,469
Capital Markets: 0.02%				
<i>MSCI Incorporated 144A</i>	5.38	5-15-2027	25,000	25,688
Consumer Finance: 0.79%				
<i>Ally Financial Incorporated</i>	8.00	12-31-2018	75,000	76,223
<i>Ally Financial Incorporated</i>	8.00	3-15-2020	203,000	215,434
<i>FirstCash Incorporated 144A</i>	5.38	6-1-2024	125,000	125,000
<i>Navient Corporation</i>	8.00	3-25-2020	175,000	185,544
<i>Springleaf Finance Corporation</i>	6.00	6-1-2020	100,000	102,500
<i>Springleaf Finance Corporation</i>	7.13	3-15-2026	100,000	99,507
<i>Springleaf Finance Corporation</i>	7.75	10-1-2021	25,000	27,000
<i>Springleaf Finance Corporation</i>	8.25	10-1-2023	65,000	71,663
				902,871
Diversified Financial Services: 0.76%				
<i>LPL Holdings Incorporated 144A</i>	5.75	9-15-2025	775,000	757,563
<i>Tempo Acquisition LLC 144A</i>	6.75	6-1-2025	75,000	72,938
<i>Vantiv LLC 144A</i>	4.38	11-15-2025	50,000	47,625
				878,126

Insurance: 0.29%

<i>AmWINS Group Incorporated 144A</i>	7.75	7-1-2026	100,000	105,375
<i>HUB International Limited 144A</i>	7.00	5-1-2026	75,000	74,516
<i>USIS Merger Subordinate Incorporated 144A</i>	6.88	5-1-2025	150,000	149,250
				329,141

Health Care: 3.09%**Health Care Equipment & Supplies: 0.63%**

<i>Hill-Rom Holdings Incorporated 144A</i>	5.00	2-15-2025	50,000	48,625
<i>Hill-Rom Holdings Incorporated 144A</i>	5.75	9-1-2023	25,000	25,750
<i>Hologic Incorporated 144A</i>	4.38	10-15-2025	225,000	216,563
<i>Hologic Incorporated 144A</i>	4.63	2-1-2028	25,000	23,438
<i>Kinetics Concepts Incorporated 144A</i>	7.88	2-15-2021	200,000	206,750
<i>Surgery Center Holdings Incorporated 144A</i>	6.75	7-1-2025	50,000	48,250
<i>Surgery Center Holdings Incorporated 144A</i>	8.88	4-15-2021	150,000	156,188
				725,564

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Portfolio of investments August 31, 2018

Wells Fargo Utilities and High Income Fund 15

Security name	Interest rate	Maturity date	Principal	Value
Health Care Providers & Services: 2.14%				
<i>Acadia Healthcare Company Incorporated</i>	6.50%	3-1-2024	\$ 20,000	\$ 20,725
<i>Centene Corporation 144A</i>	5.38	6-1-2026	75,000	77,425
<i>Centene Corporation</i>	6.13	2-15-2024	25,000	26,281
<i>CHS Incorporated</i>	5.13	8-1-2021	225,000	217,125
<i>Davita Incorporated</i>	5.00	5-1-2025	125,000	118,438
<i>HCA Incorporated</i>	5.88	3-15-2022	25,000	26,563
<i>HCA Incorporated</i>	6.50	2-15-2020	325,000	337,350
<i>HealthSouth Corporation</i>	5.75	9-15-2025	75,000	75,563
<i>Mednax Incorporated 144A</i>	5.25	12-1-2023	50,000	49,875
<i>MPH Acquisition Holdings LLC 144A</i>	7.13	6-1-2024	325,000	336,375
<i>MPT Operating Partnership LP</i>	5.00	10-15-2027	100,000	98,000
<i>MPT Operating Partnership LP</i>	5.25	8-1-2026	150,000	150,000
<i>MPT Operating Partnership LP</i>	6.38	3-1-2024	10,000	10,543
<i>NVA Holdings Company 144A</i>	6.88	4-1-2026	25,000	24,844
<i>Polaris Intermediate Corporation 144A</i>	8.50	12-1-2022	50,000	51,625
<i>Select Medical Corporation</i>	6.38	6-1-2021	315,000	318,150
<i>Tenet Healthcare Corporation</i>	4.63	7-15-2024	118,000	115,585
<i>Vizient Incorporated 144A</i>	10.38	3-1-2024	350,000	382,375
<i>Wellcare Health Plans Incorporated 144A</i>	5.38	8-15-2026	25,000	25,750
				2,462,592
Health Care Technology: 0.30%				
<i>Change Healthcare Holdings Incorporated 144A</i>	5.75	3-1-2025	275,000	268,813
<i>Quintiles IMS Holdings Incorporated 144A</i>	4.88	5-15-2023	75,000	75,188
				344,001
Life Sciences Tools & Services: 0.02%				
<i>Charles River Laboratories Incorporated 144A</i>	5.50	4-1-2026	25,000	25,375
Industrials: 1.67%				
Aerospace & Defense: 0.10%				
<i>RBS Global & Rexnord LLC 144A</i>	4.88	12-15-2025	125,000	120,313

Airlines: 0.27%

<i>Aviation Capital Group Corporation 144A</i>	6.75	4-6-2021	100,000	107,253
<i>BBA US Holdings Incorporated 144A</i>	5.38	5-1-2026	200,000	200,500
				307,753

Commercial Services & Supplies: 1.27%

<i>Acco Brands Corporation 144A</i>	5.25	12-15-2024	25,000	24,875
<i>Advanced Disposal Services Incorporated 144A</i>	5.63	11-15-2024	275,000	275,000
<i>Aramark Services Incorporated 144A</i>	5.00	2-1-2028	25,000	24,500
<i>Aramark Services Incorporated</i>	5.13	1-15-2024	60,000	60,929
<i>Covanta Holding Corporation</i>	5.88	3-1-2024	185,000	186,388
<i>Covanta Holding Corporation</i>	5.88	7-1-2025	75,000	74,773
<i>Covanta Holding Corporation</i>	6.38	10-1-2022	195,000	198,656
<i>KAR Auction Services Incorporated 144A</i>	5.13	6-1-2025	550,000	539,000
<i>Waste Pro USA Incorporated 144A</i>	5.50	2-15-2026	50,000	48,250
<i>Wrangler Buyer Corporation 144A</i>	6.00	10-1-2025	25,000	24,125
				1,456,496

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16 Wells Fargo Utilities and High Income Fund

Portfolio of investments August 31, 2018

Security name	Interest rate	Maturity date	Principal	Value
Trading Companies & Distributors: 0.03%				
<i>International Lease Finance Corporation 144A</i>	7.13%	9-1-2018	\$ 35,000	\$ 35,000
Information Technology: 2.81%				
Communications Equipment: 0.07%				
<i>CommScope Technologies Finance LLC 144A</i>	6.00	6-15-2025	75,000	77,625
Internet Software & Services: 0.47%				
<i>Infor (US) Incorporated</i>	6.50	5-15-2022	50,000	50,649
<i>Infor Software Parent LLC (PIK at 7.88%) 144A</i>	7.13	5-1-2021	75,000	75,680
<i>Zayo Group LLC 144A</i>	5.75	1-15-2027	125,000	125,313
<i>Zayo Group LLC</i>	6.38	5-15-2025	275,000	287,375
				539,017
IT Services: 0.98%				
<i>Cardtronics Incorporated</i>	5.13	8-1-2022	125,000	122,688
<i>Cardtronics Incorporated 144A</i>	5.50	5-1-2025	200,000	189,500
<i>First Data Corporation 144A</i>	5.00	1-15-2024	125,000	125,256
<i>First Data Corporation 144A</i>	5.38	8-15-2023	25,000	25,441
<i>First Data Corporation 144A</i>	5.75	1-15-2024	200,000	204,000
<i>First Data Corporation 144A</i>	7.00	12-1-2023	225,000	234,113
<i>Gartner Incorporated 144A</i>	5.13	4-1-2025	225,000	227,813
				1,128,811
Semiconductors & Semiconductor Equipment: 0.03%				
<i>Micron Technology Incorporated</i>	5.50	2-1-2025	29,000	30,012
Software: 0.15%				
<i>CDK Global Incorporated</i>	4.88	6-1-2027	20,000	19,650
<i>CDK Global Incorporated</i>	5.00	10-15-2024	50,000	51,250
<i>CDK Global Incorporated</i>	5.88	6-15-2026	25,000	25,666

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<i>Fair Isaac Corporation 144A</i>	5.25	5-15-2026	25,000	25,188
<i>Symantec Corporation 144A</i>	5.00	4-15-2025	50,000	49,556
				171,310

Technology Hardware, Storage & Peripherals: 1.11%

<i>Dell International LLC 144A</i>	5.88	6-15-2021	250,000	257,213
<i>Dell International LLC 144A</i>	7.13	6-15-2024	475,000	507,799
<i>NCR Corporation</i>	5.88	12-15-2021	15,000	15,137
<i>NCR Corporation</i>	6.38	12-15-2023	500,000	501,875
				1,282,024

Materials: 1.22%

Chemicals: 0.04%

<i>Celanese U.S. Holdings LLC</i>	5.88	6-15-2021	20,000	21,125
<i>Valvoline Incorporated</i>	5.50	7-15-2024	25,000	25,563
				46,688

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Security name	Interest rate	Maturity date	Principal	Value
Containers & Packaging: 1.16%				
<i>Ball Corporation</i>	4.88%	3-15-2026	\$ 50,000	\$ 49,625
<i>Ball Corporation</i>	5.25	7-1-2025	40,000	41,200
<i>Berry Global Incorporated</i>	5.13	7-15-2023	50,000	49,750
<i>Berry Global Incorporated</i>	6.00	10-15-2022	65,000	66,869
<i>Crown Americas LLC 144A</i>	4.75	2-1-2026	75,000	72,000
<i>Crown Cork & Seal Company Incorporated</i>	7.38	12-15-2026	155,000	168,950
<i>Flex Acquisition Company Incorporated 144A</i>	6.88	1-15-2025	150,000	144,375
<i>Flex Acquisition Company Incorporated 144A</i>	7.88	7-15-2026	50,000	50,063
<i>Owens-Brockway Glass Container Incorporated 144A</i>	5.38	1-15-2025	50,000	49,375
<i>Owens-Brockway Glass Container Incorporated 144A</i>	5.88	8-15-2023	50,000	51,250
<i>Owens-Illinois Incorporated 144A</i>	6.38	8-15-2025	375,000	384,375
<i>Sealed Air Corporation 144A</i>	5.13	12-1-2024	100,000	101,250
<i>Silgan Holdings Incorporated</i>	5.50	2-1-2022	100,000	101,125
				1,330,207
Metals & Mining: 0.02%				
<i>Novelis Corporation 144A</i>	6.25	8-15-2024	25,000	25,313
Real Estate: 1.66%				
Equity REITs: 1.66%				
<i>CoreCivic Incorporated</i>	4.63	5-1-2023	35,000	33,950
<i>CoreCivic Incorporated</i>	5.00	10-15-2022	100,000	99,750
<i>Equinix Incorporated</i>	5.75	1-1-2025	125,000	128,750
<i>Equinix Incorporated</i>	5.88	1-15-2026	100,000	103,750
<i>ESH Hospitality Incorporated 144A</i>	5.25	5-1-2025	325,000	314,844
<i>Iron Mountain Incorporated 144A</i>	4.38	6-1-2021	125,000	125,313
<i>Iron Mountain Incorporated 144A</i>	5.25	3-15-2028	50,000	47,313
<i>Iron Mountain Incorporated 144A</i>	5.38	6-1-2026	100,000	94,750
<i>Iron Mountain Incorporated</i>	6.00	8-15-2023	267,000	274,009
<i>MGM Growth Properties LLC</i>	4.50	1-15-2028	50,000	46,095
<i>Sabra Health Care REIT Incorporated</i>	5.38	6-1-2023	75,000	75,938
<i>Sabra Health Care REIT Incorporated</i>	5.50	2-1-2021	130,000	132,519

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<i>The Geo Group Incorporated</i>	5.13	4-1-2023	50,000	48,250
<i>The Geo Group Incorporated</i>	5.88	1-15-2022	135,000	136,940
<i>The Geo Group Incorporated</i>	5.88	10-15-2024	175,000	170,625
<i>The Geo Group Incorporated</i>	6.00	4-15-2026	75,000	72,375
				1,905,171

Telecommunication Services: 1.43%

**Diversified Telecommunication Services:
0.56%**

<i>GCI Incorporated</i>	6.75	6-1-2021	125,000	126,525
<i>Level 3 Financing Incorporated</i>	5.13	5-1-2023	75,000	74,838
<i>Level 3 Financing Incorporated</i>	5.25	3-15-2026	50,000	49,005
<i>Level 3 Financing Incorporated</i>	5.38	8-15-2022	125,000	126,250
<i>Level 3 Financing Incorporated</i>	5.38	1-15-2024	50,000	50,000
<i>Level 3 Financing Incorporated</i>	5.38	5-1-2025	75,000	74,063
<i>Level 3 Financing Incorporated</i>	5.63	2-1-2023	65,000	65,794
<i>Level 3 Financing Incorporated</i>	6.13	1-15-2021	80,000	80,475
				646,950

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

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18 Wells Fargo Utilities and High Income Fund

Portfolio of investments August 31, 2018

Security name	Interest rate	Maturity date	Principal	Value
Wireless Telecommunication Services: 0.87%				
<i>SBA Communications Corporation</i>	4.88%	7-15-2022	\$ 75,000	\$ 75,938
<i>Sprint Capital Corporation</i>	6.88	11-15-2028	225,000	223,313
<i>Sprint Capital Corporation</i>	8.75	3-15-2032	150,000	165,750
<i>Sprint Communications Incorporated 144A</i>	9.00	11-15-2018	25,000	25,281
<i>T-Mobile USA Incorporated</i>	4.00	4-15-2022	50,000	49,688
<i>T-Mobile USA Incorporated</i>	5.13	4-15-2025	25,000	25,199
<i>T-Mobile USA Incorporated</i>	5.38	4-15-2027	150,000	150,780
<i>T-Mobile USA Incorporated</i>	6.00	3-1-2023	25,000	25,730
<i>T-Mobile USA Incorporated</i>	6.38	3-1-2025	145,000	150,800
<i>T-Mobile USA Incorporated</i>	6.50	1-15-2024	5,000	5,175
<i>T-Mobile USA Incorporated</i>	6.50	1-15-2026	100,000	105,719
				1,003,373
Utilities: 1.59%				
Electric Utilities: 0.02%				
<i>NextEra Energy Incorporated 144A</i>	4.25	9-15-2024	25,000	24,375
Gas Utilities: 0.06%				
<i>AmeriGas Partners LP</i>	5.75	5-20-2027	75,000	74,063
Independent Power & Renewable Electricity Producers: 1.51%				
<i>NSG Holdings LLC 144A</i>	7.75	12-15-2025	397,500	436,754
<i>Pattern Energy Group Incorporated 144A</i>	5.88	2-1-2024	550,000	554,125
<i>TerraForm Power Operating LLC 144A</i>	4.25	1-31-2023	375,000	365,625
<i>TerraForm Power Operating LLC 144A</i>	5.00	1-31-2028	50,000	46,813
<i>TerraForm Global Operating LLC 144A</i>	6.13	3-1-2026	125,000	120,938
<i>TerraForm Power Operating LLC 144A</i>	6.63	6-15-2025	200,000	213,000
				1,737,255
Total Corporate Bonds and Notes (Cost \$33,942,400)				34,326,370

Loans: 1.35%**Consumer Discretionary: 0.59%****Auto Components: 0.14%**

<i>Federal-Mogul Corporation (1 Month LIBOR +3.75%) ±</i>	5.82	4-15-2021	157,058	157,422
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Hotels, Restaurants & Leisure: 0.45%

<i>CCM Merger Incorporated (1 Month LIBOR +2.75%) ±</i>	4.83	8-8-2021	46,707	46,882
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<i>Montreign Operating Company LLC (3 Month LIBOR +8.25%) ±</i>	10.59	1-24-2023	523,688	468,700
				515,582

Energy: 0.04%**Oil, Gas & Consumable Fuels: 0.04%**

<i>Chesapeake Energy Corporation (1 Month LIBOR +7.50%) ±</i>	9.58	8-23-2021	50,000	52,134
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Financials: 0.11%**Diversified Financial Services: 0.11%**

<i>Resolute Investment Managers Incorporated (3 Month LIBOR +7.50%) ±</i>	9.84	4-30-2023	125,000	126,250
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The accompanying notes are an integral part of these financial statements.

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Portfolio of investments August 31, 2018

Wells Fargo Utilities and High Income Fund 19

Security name	Interest rate	Maturity date	Principal	Value
Health Care: 0.12%				
Health Care Providers & Services: 0.01%				
<i>Press Ganey Holdings Incorporated (1 Month LIBOR +6.50%) ±</i>	8.58%	10-21-2024	\$ 11,236	\$ 11,348
Health Care Technology: 0.11%				
<i>Emerald Bidco Incorporated (1 Month LIBOR +2.75%) ±</i>	4.83	10-23-2023	124,181	124,375
Industrials: 0.07%				
Commercial Services & Supplies: 0.07%				
<i>Advantage Sales & Marketing LLC (1 Month LIBOR +6.50%) ±</i>	8.58	7-25-2022	91,664	75,623
Information Technology: 0.33%				
Internet Software & Services: 0.33%				
<i>Ancestry.com Incorporated (1 Month LIBOR +3.25%) ±</i>	5.33	10-19-2023	375,449	375,543
Real Estate: 0.05%				
Real Estate Management & Development: 0.05%				
<i>Capital Automotive LP (1 Month LIBOR +6.00%) ±</i>	8.08	3-24-2025	61,237	62,462
Utilities: 0.04%				
Independent Power & Renewable Electricity Producers: 0.04%				
<i>Vistra Energy Corporation (1 Month LIBOR +2.25%) ±</i>	4.33	12-14-2023	49,250	49,233

Total Loans (Cost \$1,611,085)			1,549,972
	Dividend yield	Shares	
Preferred Stocks: 18.67%			
Energy: 0.23%			
Oil, Gas & Consumable Fuels: 0.23%			
<i>Energy Transfer Partners</i>	7.63	10,000	262,500
Telecommunication Services: 1.64%			
Diversified Telecommunication Services: 1.64%			
<i>AT&T Incorporated</i>	5.63	75,000	1,889,250
Utilities: 16.80%			
Electric Utilities: 8.95%			
<i>Entergy Mississippi Incorporated</i>	4.92	9,208	962,480
<i>Georgia Power Company</i>	5.00	50,000	1,220,000
<i>NSTAR Electric Company</i>	4.78	13,830	1,417,575
<i>Southern Company</i>	5.25	211,000	5,161,060
<i>The Connecticut Light & Power Company</i>	5.28	10,500	538,125
<i>Union Electric Company</i>	4.56	10,000	990,000
			10,289,240
Multi-Utilities: 7.85%			
<i>CMS Energy Corporation</i>	5.63	165,237	4,130,925
<i>DTE Energy Company</i>	5.38	200,000	4,894,000
			9,024,925
Total Preferred Stocks (Cost \$21,726,952)			21,465,915

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

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20 Wells Fargo Utilities and High Income Fund

Portfolio of investments August 31, 2018

Security name	Expiration date	Shares	Value
Rights: 0.01%			
Utilities: 0.01%			
Independent Power & Renewable Electricity			
Producers: 0.01%			
<i>Vistra Energy Corporation</i>	12-31-2046	23,978	\$ 16,305
Total Rights (Cost \$24,970)			16,305
	Interest rate	Maturity date	Principal
Yankee Corporate Bonds and Notes: 3.11%			
Energy: 0.90%			
Energy Equipment & Services: 0.23%			
<i>Ensco plc</i>	5.75%	10-1-2044	\$ 355,000 258,263
Oil, Gas & Consumable Fuels: 0.67%			
<i>Baytex Energy Corporation 144A</i>	5.13	6-1-2021	175,000 170,188
<i>Baytex Energy Corporation 144A</i>	5.63	6-1-2024	125,000 118,125
<i>Griffin Coal Mining Company Limited 144A (a)</i>	9.50	12-1-2016	61,991 0
<i>Rockpoint Gas Storage 144A</i>	7.00	3-31-2023	175,000 176,313
<i>Teekay Corporation</i>	8.50	1-15-2020	300,000 309,375
			774,001
Financials: 0.63%			
Banks: 0.24%			
<i>Intelsat Connect Finance Company 144A</i>	9.50	2-15-2023	50,000 49,835
<i>Nielsen Holding and Finance BV 144A</i>	5.00	2-1-2025	200,000 194,000
<i>Nielsen Holding and Finance BV 144A</i>	5.50	10-1-2021	30,000 30,038
			273,873
Diversified Financial Services: 0.39%			
<i>Intelsat Jackson Holdings SA</i>	5.50	8-1-2023	495,000 451,539

Health Care: 0.69%

Pharmaceuticals: 0.69%

<i>Bausch Health Companies Incorporated 144A</i>	5.50	3-1-2023	200,000	188,526
<i>Bausch Health Companies Incorporated 144A</i>	5.50	11-1-2025	50,000	49,875
<i>Bausch Health Companies Incorporated 144A</i>	5.88	5-15-2023	180,000	172,080
<i>Bausch Health Companies Incorporated 144A</i>	6.13	4-15-2025	200,000	186,000
<i>Bausch Health Companies Incorporated 144A</i>	6.50	3-15-2022	25,000	25,875
<i>Bausch Health Companies Incorporated 144A</i>	7.00	3-15-2024	50,000	52,750
<i>Bausch Health Companies Incorporated 144A</i>	7.50	7-15-2021	94,000	95,493
<i>Bausch Health Companies Incorporated 144A</i>	8.50	1-31-2027	25,000	25,688
				796,287

Industrials: 0.53%

Commercial Services & Supplies: 0.37%

<i>Ritchie Brothers Auctioneers Incorporated 144A</i>	5.38	1-15-2025	425,000	420,750
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The accompanying notes are an integral part of these financial statements.

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Portfolio of investments August 31, 2018

Wells Fargo Utilities and High Income Fund 21

Security name	Interest rate	Maturity date	Principal	Value
Machinery: 0.09%				
<i>Sensata Technologies BV 144A</i>	5.00%	10-1-2025	\$ 20,000	\$ 19,950
<i>Sensata Technologies BV 144A</i>	6.25	2-15-2026	74,000	77,793
				97,743
Professional Services: 0.07%				
<i>IHS Markit Limited 144A</i>	4.75	2-15-2025	75,000	76,050
Materials: 0.26%				
Containers & Packaging: 0.24%				
<i>Ardagh Packaging Finance plc 144A</i>	4.63	5-15-2023	100,000	99,125
<i>Ardagh Packaging Finance plc 144A</i>	6.00	2-15-2025	25,000	24,438
<i>Ardagh Packaging Finance plc 144A</i>	7.25	5-15-2024	100,000	105,125
<i>OI European Group BV 144A</i>	4.00	3-15-2023	50,000	47,438
				276,126
Metals & Mining: 0.02%				
<i>ArcelorMittal SA</i>	6.25	2-25-2022	25,000	26,823
Telecommunication Services: 0.10%				
Diversified Telecommunication Services: 0.10%				
<i>Intelsat Luxembourg SA</i>	7.75	6-1-2021	95,000	91,556
<i>Virgin Media Finance plc 144A</i>	6.38	4-15-2023	25,000	25,750
				117,306
Total Yankee Corporate Bonds and Notes (Cost \$3,572,706)				3,568,761

Short-Term Investments: 14.68%

Yield

Shares

Investment Companies: 14.68%

*Wells Fargo Government Money Market
Fund Select Class (l)(u)*

1.87 16,883,118 16,883,118

**Total Short-Term Investments (Cost
\$16,883,118)**

16,883,118

**Total investments in securities (Cost
\$128,402,342)**

117.54% 135,160,797

Other assets and liabilities, net

(17.54) (20,168,401)

Total net assets

100.00% \$ 114,992,396

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.

¥ A payment-in-kind (PIK) security is a security in which the issuer may make interest or dividend payments in cash or additional securities. These additional securities generally have the same terms as the original holdings.

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

Security is valued using significant unobservable inputs.

Non-income-earning security

(a) The security is fair valued in accordance with procedures approved by the Board of Trustees.

(l) The issuer of the security is an affiliated person of the Fund as defined in the Investment Company Act of 1940.

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

Abbreviations:

ADR American depositary receipt

LIBOR London Interbank Offered Rate

REIT Real estate investment trust

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

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22 Wells Fargo Utilities and High Income Fund

Portfolio of investments August 31, 2018

Investments in Affiliates

An affiliated investment is an investment in which the Fund owns at least 5% of the outstanding voting shares of the issuer or as a result of the Fund and the issuer having the same investment manager. Transactions with issuers that were either affiliates of the Fund at the beginning of the period or the end of the period were as follows:

	Shares,		Net			Value,		% of net assets
	beginning of period	Shares purchased	Shares sold	Shares, realized from end of period	change in income (losses) gains affiliated securities	end of period		
Short-Term Investments								
Investment Companies								
Wells Fargo Government Money Market Fund Select Class	31,330,542	102,759,868	117,207,292	16,883,118	\$0 \$0 \$112,834	\$16,883,118	14.68%	

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

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Statement of assets and liabilities August 31, 2018

Wells Fargo Utilities and High Income Fund 23

Assets

Investments in unaffiliated securities, at value (cost \$111,519,224)	\$ 118,277,679
Investments in affiliated securities, at value (cost \$16,883,118)	16,883,118
Cash	117,863
Foreign currency, at value (cost \$1,114,516)	1,120,274
Receivable for dividends and interest	1,336,537
Prepaid expenses and other assets	81,852
Total assets	137,817,323

Liabilities

Secured borrowing payable	22,000,000
Dividends payable	693,977
Advisory fee payable	76,596
Administration fee payable	6,383
Accrued expenses and other liabilities	47,971
Total liabilities	22,824,927

Total net assets **\$ 114,992,396**

NET ASSETS CONSIST OF

Paid-in capital	\$ 114,523,592
Overdistributed net investment income	(639,518)
Accumulated net realized losses on investments	(5,653,367)
Net unrealized gains on investments	6,761,689

Total net assets **\$ 114,992,396**

NET ASSET VALUE PER SHARE

Based on \$114,992,396 divided by 9,253,014 shares issued and outstanding (unlimited number of shares authorized) \$12.43

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

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24 Wells Fargo Utilities and High Income Fund

Statement of operations year ended August 31, 2018

Investment income

Dividends (net of foreign withholding taxes of \$588,587)	\$ 6,916,019
Interest	2,464,153
Income from affiliated securities	112,834
Total investment income	9,493,006

Expenses

Advisory fee	851,334
Administration fee	70,944
Custody and accounting fees	27,250
Professional fees	85,189
Shareholder report expenses	55,223
Trustees' fees and expenses	23,402
Transfer agent fees	26,595
Interest expense	552,279
Other fees and expenses	5,597
Total expenses	1,697,813
Net investment income	7,795,193

REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS

Net realized gains on investments	5,508,086
Net change in unrealized gains (losses) on investments	(14,710,267)
Net realized and unrealized gains (losses) on investments	(9,202,181)
Net decrease in net assets resulting from operations	\$ (1,406,988)

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

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Statement of changes in net assets	Wells Fargo Utilities and High Income Fund		25
	Year ended	Year ended	
	August 31, 2018	August 31, 2017	
Operations			
Net investment income	\$ 7,795,193	\$ 8,121,542	
Net realized gains on investments	5,508,086	3,910,826	
Net change in unrealized gains (losses) on investments	(14,710,267)	3,064,651	
Net increase (decrease) in net assets resulting from operations	(1,406,988)	15,097,019	
Distributions to shareholders from			
Net investment income	(8,326,250)	(8,320,654)	
Capital share transactions			
Net asset value of common shares issued under the Automatic Dividend Reinvestment Plan	32,862	116,165	
Total increase (decrease) in net assets	(9,700,376)	6,892,530	
Net assets			
Beginning of period	124,692,772	117,800,242	
End of period	\$ 114,992,396	\$ 124,692,772	
Undistributed (overdistributed) net investment income	\$ (639,518)	\$ 69,019	

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

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26 Wells Fargo Utilities and High Income Fund

Statement of cash flows year ended August 31, 2018

Cash flows from operating activities:

Net decrease in net assets resulting from operations \$ (1,406,988)

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

Purchase of long-term securities (144,301,082)

Proceeds from the sales of long-term securities 144,526,492

Amortization 60,708

Purchases and sales of short-term securities, net 14,447,424

Decrease in receivable for investments sold 17,434,220

Increase in receivable for dividends and interest (160,591)

Increase in prepaid expenses and other assets (8,867)

Decrease in payable for investments purchased (16,044,717)

Increase in advisory fee payable 2,160

Decrease in trustees' fees and expenses payable (1,267)

Increase in administration fee payable 180

Increase in accrued expenses and other liabilities 15,790

Litigation payments received 11,014

Net realized gains on investments (5,508,086)

Net change in unrealized gains (losses) on investments 14,710,267

Net cash provided by operating activities 23,776,657

Cash flows from financing activities:

Decrease in amount due to custodian for overdraft (14,245,326)

Cash distributions paid (8,293,194)

Net cash used in financing activities (22,538,520)

Net increase in cash 1,238,137

Cash (including foreign currency):

Beginning of period \$ 0

End of period \$ 1,238,137

Supplemental cash disclosure

Cash paid for interest \$ 537,756

Supplemental non-cash financing disclosure

Reinvestment of dividends \$ 32,862

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

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Financial highlights

Wells Fargo Utilities and High Income Fund 27

(For a share outstanding throughout each period)

	Year ended August 31				
	2018	2017	2016	2015	2014
Net asset value, beginning of period	\$13.48	\$12.75	\$12.44	\$13.83	\$12.24
Net investment income	0.85	0.88	0.86	0.91	0.97 ¹
Net realized and unrealized gains (losses) on investments	(1.00)	0.75	0.35	(1.40)	1.52
Total from investment operations	(0.15)	1.63	1.21	(0.49)	2.49
Distributions to shareholders from					
Net investment income	(0.90)	(0.90)	(0.90)	(0.90)	(0.90)
Net asset value, end of period	\$12.43	\$13.48	\$12.75	\$12.44	\$13.83
Market value, end of period	\$12.65	\$13.34	\$12.93	\$10.89	\$12.87
Total return based on market value²	1.85%	10.80%	27.83%	(9.11)%	14.89%
Ratios to average net assets (annualized)					
Net expenses ³	1.42%	1.24%	1.19%	1.19%	1.11%
Net investment income	6.51%	6.91%	6.83%	6.88%	7.38%
Supplemental data					
Portfolio turnover rate	109%	73%	85%	61%	29%
Net assets, end of period (000s omitted)	\$114,992	\$124,693	\$117,800	\$114,848	\$127,678
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	\$6,227	\$6,668	\$6,355	\$6,220	\$6,804

¹ Calculated based upon average shares outstanding² 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 August 31, 2018	0.46%
Year ended August 31, 2017	0.29%
Year ended August 31, 2016	0.21%
Year ended August 31, 2015	0.16%
Year ended August 31, 2014	0.19%

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

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28 Wells Fargo Utilities and High Income Fund

Notes to financial statements

1. ORGANIZATION

Wells Fargo Utilities and High Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on February 4, 2004. Originally classified as non-diversified, the Fund was reclassified as a diversified closed-end management investment company in September 2014. As an investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act), the Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Securities valuation

All investments are valued each business day as of the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern Time), although the Fund may deviate from this calculation time under unusual or unexpected circumstances.

Equity securities and options that are listed on a foreign or domestic exchange or market are valued at the official closing price or, if none, the last sales price. If no sale occurs on the principal exchange or market that day, a fair value price will be determined in accordance with the Fund's Valuation Procedures.

Non-listed options are valued at the evaluated price provided by an independent pricing service or, if a reliable price is not available, the quoted bid price from an independent broker-dealer.

The values of securities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Wells Fargo Asset Management Pricing Committee at Wells Fargo Funds Management, LLC (Funds Management).

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign securities are traded, but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of such securities, then fair value pricing procedures approved by the Board of Trustees of the Fund are applied. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Foreign securities that are fair valued under these procedures are categorized as Level 2 and the application of these procedures may result in transfers between Level 1 and Level 2. Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in net asset values that are higher or lower than net asset values based on the last reported sales price or latest quoted bid price. On August 31, 2018, such fair value pricing was not used in pricing foreign securities.

Debt securities are valued at the evaluated bid price provided by an independent pricing service or, if a reliable price is not available, the quoted bid price from an independent broker-dealer.

Investments in registered open-end investment companies are valued at net asset value.

Investments which are not valued using any of the methods discussed above are valued at their fair value, as determined in good faith by the Board of Trustees. The Board of Trustees has established a Valuation Committee comprised of the Trustees and has delegated to it the authority to take any actions regarding the valuation of portfolio securities that the Valuation Committee deems necessary or appropriate, including determining the fair value of portfolio securities, unless the determination has been delegated to the Wells Fargo Asset Management Pricing Committee. The Board of Trustees retains the authority to make or ratify any valuation decisions or approve any changes to the Valuation Procedures as it deems appropriate. On a quarterly basis, the Board of Trustees receives reports on any valuation actions taken by the Valuation Committee or the Wells Fargo Asset Management Pricing Committee which may include items for ratification.

Valuations of fair valued securities are compared to the next actual sales price when available, or other appropriate market values, to assess the continued appropriateness of the fair valuation methodologies used. These securities are fair valued on a day-to-day basis, taking into consideration changes to appropriate market information and any significant changes to the inputs considered in the valuation process until there is a readily available price provided on an exchange

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Notes to financial statements Wells Fargo Utilities and High Income Fund 29
or by an independent pricing service. Valuations received from an independent pricing service or independent broker-dealer quotes are periodically validated by comparisons to most recent trades and valuations provided by other independent pricing services in addition to the review of prices by the adviser and/or subadviser. Unobservable inputs used in determining fair valuations are identified based on the type of security, taking into consideration factors utilized by market participants in valuing the investment, knowledge about the issuer and the current market environment.

Foreign currency translation

The accounting records of the Fund are maintained in U.S. dollars. The values of other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Wells Fargo Asset Management Pricing Committee. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions. Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting from changes in exchange rates. The changes in net assets arising from changes in exchange rates of securities and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are included in net realized and unrealized gains or losses from investments.

When-issued transactions

The Fund may purchase securities on a forward commitment or when-issued basis. The Fund records a when-issued transaction on the trade date and will segregate assets in an amount at least equal in value to the Fund's commitment to purchase when-issued securities. Securities purchased on a when-issued basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

Loans

The Fund may invest in direct debt instruments which are interests in amounts owed to lenders by corporate or other borrowers. The loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. Investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. When the Fund purchases participations, it generally has no rights to enforce compliance with terms of the loan agreement with the borrower. As a result, the Fund assumes the credit risk of both the borrower and the lender that is selling the participation. When the Fund purchases assignments from lenders, it acquires direct rights against the borrower on the loan and may enforce compliance by the borrower with the terms of the loan agreement. Loans may include fully funded term loans or unfunded loan commitments, which are contractual obligations for future funding.

Options

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

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

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

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Security transactions and income recognition**

Notes to financial statements

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

Dividend income is recognized on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the custodian verifies the ex-dividend date. Dividend income from foreign securities is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

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

Distributions to shareholders

Distributions to shareholders are recorded on the ex-dividend date and paid from net investment income monthly and any net realized gains are paid at least annually. Such distributions are determined in accordance with income tax regulations and may differ from U.S. generally accepted accounting principles. Dividend sources are estimated at the time of declaration. The tax character of distributions is determined as of the Fund's fiscal year end. Therefore, a portion of the Fund's distributions made prior to the Fund's fiscal year end may be categorized as a tax return of capital at year end.

Federal and other taxes

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

The Fund's income and federal excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal and Delaware revenue authorities. Management has analyzed the Fund's tax positions taken on federal, state, and foreign tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

As of August 31, 2018, the aggregate cost of all investments for federal income tax purposes was \$128,661,659 and the unrealized gains (losses) consisted of:

Gross unrealized gains	\$ 11,114,550
Gross unrealized losses	(4,615,412)
Net unrealized gains	\$ 6,499,138

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The primary permanent differences causing such reclassifications are due to bond premiums, expiration of capital loss carryforwards, and foreign currency transactions. At August 31, 2018, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

	Overdistributed net	Accumulated net
Paid-in capital	investment income	realized losses
		on investments
\$(19,606,358)	\$5,069	\$19,601,289

As of August 31, 2018, the Fund had current year deferred post-October capital losses consisting of \$5,394,050 in short-term losses which will be recognized on the first day of the following fiscal year.

3. FAIR VALUATION MEASUREMENTS

Fair value measurements of investments are determined within a framework that has established a fair value hierarchy based upon the various data inputs utilized in determining the value of the Fund's investments. The three-level hierarchy

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Notes to financial statements Wells Fargo Utilities and High Income Fund 31
gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Fund's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs are summarized into three broad levels as follows:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

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

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of August 31, 2018:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investments in:				
Common stocks				
<i>Consumer discretionary</i>	\$ 3,747,736	\$ 0	\$ 0	\$ 3,747,736
<i>Telecommunication services</i>	3,424,867	0	0	3,424,867
<i>Utilities</i>	50,177,753	0	0	50,177,753
Corporate bonds and notes	0	34,326,370	0	34,326,370
Loans	0	1,349,912	200,060	1,549,972
Preferred stocks				
<i>Energy</i>	262,500	0	0	262,500
<i>Telecommunication Services</i>	1,889,250	0	0	1,889,250
<i>Utilities</i>	15,405,985	3,908,180	0	19,314,165
Rights				
<i>Utilities</i>	0	16,305	0	16,305
Yankee corporate bonds and notes	0	3,568,761	0	3,568,761

Short-term investments

<i>Investment companies</i>	16,883,118	0	0	16,883,118
Total assets	\$ 91,791,209	\$ 43,169,528	\$ 200,060	\$ 135,160,797

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At August 31, 2018, the Fund did not have any transfers into/out of Level 1, Level 2, or Level 3.

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

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

Funds Management has retained the services of certain investment subadvisers to provide daily portfolio management to the Fund. The fees for subadvisory services are borne by Funds Management. Wells Capital Management Incorporated (an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo) and Crow Point Partners, LLC (which is not an affiliate of Fund Management) are each investment subadvisers to the Fund and are each entitled to receive a fee from Funds Management at an annual rate of 0.20% of the Fund's average daily total assets.

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**32 Wells Fargo Utilities and High Income Fund
Administration fee**

Notes to financial statements

Funds Management also serves as the administrator to the Fund, providing the Fund with a wide range of administrative services necessary to the operation of the Fund. Funds Management is entitled to receive an annual administration fee from the Fund equal to 0.05% of the Fund's average daily total assets.

Interfund transactions

The Fund may purchase or sell portfolio investment securities to certain other Wells Fargo affiliates pursuant to Rule 17a-7 under the 1940 Act and under procedures adopted by the Board of Trustees. The procedures have been designed to ensure that these interfund transactions, which do not incur broker commissions, are effected at current market prices. Pursuant to these procedures, the Fund had \$4,449,853 and \$5,316,910 in interfund purchases and sales, respectively, during the year ended August 31, 2018.

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of shares with no par value. For the years ended August 31, 2018 and August 31, 2017, the Fund issued 2,581 and 9,051 shares, respectively, under its Automatic Dividend Reinvestment Plan. During the year ended August 31, 2018, the Fund did not repurchase any of its shares under the open-market share repurchase program.

6. BORROWINGS

The Fund has borrowed \$22,000,000 through a revolving credit facility administered by a major financial institution (the Facility). The Facility has a commitment amount of \$25,000,000 with no specific contract expiration date but the Facility can be terminated upon 180 days' notice. The Fund is charged interest at London Interbank Offered Rate (LIBOR) plus 0.70% and a commitment fee of 0.30% of the average daily unutilized amount of the commitment which may be waived if the amount drawn on the Facility is over 75% of the committed amount. The financial institution holds a security interest in all the assets of the Fund as collateral for the borrowing.

During the year ended August 31, 2018, the Fund had average borrowings outstanding of \$22,000,000 at an average interest rate of 2.49% and paid interest in the amount of \$552,279, which represents 0.46% of its average daily net assets. Based on the nature of the terms of the Facility and comparative market rates, the carrying amount of the borrowings at August 31, 2018 approximates its fair value. If measured at fair value, the borrowings would be categorized as a Level 2 under the fair value hierarchy.

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the year ended August 31, 2018 were \$140,862,083 and \$138,748,744, respectively.

8. DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid was \$8,326,250 and \$8,320,654 of ordinary income for the years ended August 31, 2018 and August 31, 2017, respectively.

As of August 31, 2018, the components of distributable earnings on a tax basis were as follows:

Undistributed	Unrealized	Post-October
ordinary	gains	capital losses
income		deferred
\$96,643	\$6,502,372	\$(5,394,050)

9. CONCENTRATION RISK

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

10. INDEMNIFICATION

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

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