

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Form N-Q

September 26, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-21331

Wells Fargo Advantage Multi-Sector Income Fund

(Exact name of registrant as specified in charter)

525 Market Street, 12th Floor, San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

C. David Messman

Wells Fargo Funds Management, LLC

525 Market Street, 12th Floor, San Francisco, CA 94105

(Name and address of agent for service)

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

Date of fiscal year end: **October 31, 2011**

Date of reporting period: **July 31, 2012**

ITEM 1. PORTFOLIO OF INVESTMENTS

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WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

Security name	Interest rate	Maturity date	Principal	Value
Agency Securities : 5.03%				
FHLMC	8.50%	4/1/15	\$ 7,545	\$ 7,592
FHLMC	8.50	7/1/28	114,413	141,105
FHLMC	8.50	3/1/30	65,807	69,371
FHLMC Series 0196 Class A ±	1.05	12/15/21	76,480	77,484
FHLMC Series 1383 ±	5.80	2/1/37	1,433,696	1,538,577
FHLMC Series 2390 Class FD ±	0.70	12/15/31	70,693	71,144
FHLMC Series 2411 Class F ±	0.80	2/15/32	101,337	102,294
FHLMC Series 2567 Class FH ±	0.65	2/15/33	171,378	171,749
FNMA ±	2.12	12/1/35	1,413,206	1,478,991
FNMA ±	2.28	8/1/36	1,923,014	2,011,974
FNMA ±	2.51	1/1/38	2,626,068	2,711,990
FNMA ±	2.58	6/1/38	3,023,040	3,228,121
FNMA ±	2.62	4/1/36	1,531,425	1,602,514
FNMA ±	2.64	7/1/36	1,033,264	1,099,980
FNMA ±	2.64	5/1/36	823,014	857,582
FNMA ±	4.77	9/1/32	2,079,775	2,233,044
FNMA ±	4.85	4/1/34	2,496,572	2,635,082
FNMA	6.00	4/1/33	184,794	207,980
FNMA ±	6.39	9/1/37	1,536,440	1,688,560
FNMA	6.50	11/1/32	65,123	75,096
FNMA	7.50	7/1/17	90,905	99,263
FNMA	7.50	10/1/28	11,406	11,433
FNMA	7.50	11/1/28	161,686	175,723
FNMA	7.50	2/1/30	42,186	42,949
FNMA	7.50	9/1/30	98,385	106,278
FNMA	8.00	12/1/24	5,363	5,420
FNMA	8.00	6/1/30	33,520	34,242
FNMA	12.00	1/1/16	11,800	13,080
FNMA Series 1996-46 Class FA ±	0.75	8/25/21	46,387	46,615
FNMA Series 2001-25 Class Z	6.00	6/25/31	449,027	503,929
FNMA Series 2001-35 Class F ±	0.85	7/25/31	20,456	20,668
FNMA Series 2001-57 Class F ±	0.75	6/25/31	20,595	20,762
FNMA Series 2001-T10 Class A2	7.50	12/25/41	214,930	254,640
FNMA Series 2002-77 Class FH ±	0.65	12/18/32	147,069	147,750
FNMA Series 2002-97 Class FR ±	0.80	1/25/33	44,171	44,357
FNMA Series 2003-W8 Class 3F2 ±	0.60	5/25/42	977,864	979,285
FNMA Series G91-16 Class F ±	0.70	6/25/21	50,445	50,654
FNMA Series G92-17 Class F ±	1.30	3/25/22	111,402	113,368
FREMF Mortgage Trust Series 2011 Class K16-B ±144A	4.59	11/25/46	1,000,000	1,019,779
FREMF Mortgage Trust Series 2011 Class K701-B ±144A	4.29	7/25/48	165,000	169,819
FREMF Mortgage Trust Series 2011 Class K702-B ±144A	4.77	4/25/44	740,000	779,722
FREMF Mortgage Trust Series 2012 Class B-K705 ±144A	4.16	9/25/44	1,000,000	1,015,719
FREMF Mortgage Trust Series 2012 Class K17-B ±144A	4.35	12/25/44	500,000	497,676
FREMF Mortgage Trust Series 2012 Class K18-B ±144A	4.26	1/25/45	810,000	800,140
FREMF Mortgage Trust Series 2012 Class K19-B ±144A#	4.18	5/25/45	1,000,000	983,700
FREMF Mortgage Trust Series 2012 Class K501-C ±144A	3.49	11/25/46	800,000	757,546
FREMF Mortgage Trust Series 2012 Class K706-B ±144A	4.02	11/25/44	500,000	502,320
FREMF Mortgage Trust Series 2012 Class K706-C ±144A	4.02	11/25/44	555,000	509,058
FREMF Mortgage Trust Series 2012 Class K707-B ±144A	3.88	1/25/47	930,000	923,151
FREMF Mortgage Trust Series 2012 Class K709-B ±144A	3.74	4/25/45	1,000,000	984,600
FREMF Mortgage Trust Series 2012 Class K710-B ±144A	3.95	6/25/47	1,000,000	984,110
GNMA	6.50	6/15/28	69,622	81,861

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GNMA	7.25	7/15/17	32,871	36,407
GNMA	7.25	8/15/17	13,781	15,254
GNMA	7.25	8/15/17	26,693	29,375
GNMA	7.25	8/15/17	51,332	56,653
GNMA	7.25	9/15/17	38,657	42,818
GNMA	7.25	10/15/17	42,259	46,486
GNMA	7.25	10/15/17	73,008	80,534
GNMA	7.25	11/15/17	33,750	37,007
GNMA	7.25	1/15/18	28,399	31,909
GNMA	7.25	1/15/18	12,097	13,367
GNMA	7.25	2/15/18	29,001	32,130

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PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Security name	Interest rate	Maturity date	Principal	Value
Agency Securities (continued)				
GNMA	7.25%	5/15/18	\$ 15,063	\$ 16,468
Total Agency Securities (Cost \$33,869,953)				35,128,255
Asset-Backed Securities : 0.11%				
CVS Pass-Through Trust Series T (Cost \$717,227)	6.04	12/10/28	640,690	734,391
Total Asset-Backed Securities (Cost \$717,227)				734,391
Shares				
Common Stocks : 0.06%				
Consumer Discretionary : 0.00%				
Hotels, Restaurants & Leisure : 0.00%				
Trump Entertainment Resorts Incorporated (i)			1,161	4,644
Telecommunication Services : 0.06%				
Diversified Telecommunication Services : 0.06%				
Fairpoint Communications Incorporated			70,442	430,401
Total Common Stocks (Cost \$1,617,838)				435,045
Principal				
Corporate Bonds and Notes : 58.38%				
Consumer Discretionary : 13.10%				
Auto Components : 0.93%				
Allison Transmission Incorporated 144A	7.13	5/15/19	3,050,000	3,206,313
Cooper Tire & Rubber Company	7.63	3/15/27	1,895,000	1,868,944
Cooper Tire & Rubber Company	8.00	12/15/19	450,000	482,063
Goodyear Tire & Rubber Company	7.00	5/15/22	400,000	408,500
Goodyear Tire & Rubber Company	8.75	8/15/20	468,000	513,630
				6,479,450
Diversified Consumer Services : 1.34%				
Carriage Services Incorporated	7.88	1/15/15	1,795,000	1,812,950
Service Corporation International	6.75	4/1/16	475,000	524,875
Service Corporation International	7.00	6/15/17	1,410,000	1,603,875
Service Corporation International	7.00	5/15/19	650,000	706,875
Service Corporation International	7.50	4/1/27	3,965,000	4,143,425
Service Corporation International	8.00	11/15/21	475,000	559,313
				9,351,313
Hotels, Restaurants & Leisure : 3.59%				
Ameristar Casinos Incorporated	7.50	4/15/21	2,150,000	2,316,625
Burger King Corporation	9.88	10/15/18	850,000	974,313
CCM Merger Incorporated 144A	9.13	5/1/19	4,000,000	4,060,000
Chukchansi Economic Development Authority 144A	9.75	5/30/20	1,306,000	966,440
CityCenter Holdings LLC	7.63	1/15/16	175,000	184,406
CityCenter Holdings LLC 144A	7.63	1/15/16	425,000	446,781

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<i>CityCenter Holdings LLC ¥</i>	10.75	1/15/17	1,811,822	1,909,207
<i>DineEquity Incorporated</i>	9.50	10/30/18	3,475,000	3,839,875
<i>Greektown Superholdings</i>	13.00	7/1/15	4,125,000	4,485,938
<i>NAI Entertainment Holdings LLC 144A</i>	8.25	12/15/17	1,620,000	1,802,250
<i>Penn National Gaming Incorporated</i>	8.75	8/15/19	250,000	276,563
<i>Ruby Tuesday Incorporated 144A</i>	7.63	5/15/20	2,200,000	1,977,250
<i>Scientific Games Corporation</i>	9.25	6/15/19	485,000	534,713
<i>Speedway Motorsports Incorporated</i>	6.75	2/1/19	225,000	236,813

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PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

Security name	Interest rate	Maturity date	Principal	Value
Hotels, Restaurants & Leisure (continued)				
<i>Speedway Motorsports Incorporated</i>	8.75%	6/1/16	\$ 950,000	\$ 1,030,750
				25,041,924
Household Durables : 0.07%				
<i>American Greetings Corporation</i>	7.38	12/1/21	475,000	503,500
Internet & Catalog Retail : 0.11%				
<i>Expedia Incorporated</i>	5.95	8/15/20	750,000	803,512
Media : 6.01%				
<i>Cablevision Systems Corporation</i>	8.63	9/15/17	1,310,000	1,496,675
<i>CBS Corporation</i>	8.88	5/15/19	750,000	1,015,489
<i>CCH II Capital LLC</i>	13.50	11/30/16	7,535,929	8,346,041
<i>CCO Holdings LLC</i>	6.50	4/30/21	900,000	974,250
<i>CCO Holdings LLC</i>	7.00	1/15/19	500,000	548,750
<i>Cinemark USA Incorporated</i>	7.38	6/15/21	775,000	860,250
<i>Cinemark USA Incorporated</i>	8.63	6/15/19	350,000	390,250
<i>CSC Holdings LLC</i>	7.63	7/15/18	325,000	368,063
<i>CSC Holdings LLC</i>	7.88	2/15/18	1,100,000	1,256,750
<i>CSC Holdings LLC</i>	8.50	4/15/14	400,000	441,000
<i>DIRECTV Holdings LLC</i>	3.80	3/15/22	750,000	793,604
<i>DISH DBS Corporation</i>	7.88	9/1/19	480,000	558,000
<i>EchoStar DBS Corporation</i>	7.13	2/1/16	125,000	137,969
<i>EchoStar DBS Corporation</i>	7.75	5/31/15	350,000	391,563
<i>Gray Television Incorporated</i>	10.50	6/29/15	5,175,000	5,485,500
<i>Interpublic Group of Companies</i>	4.00	3/15/22	750,000	776,894
<i>Lamar Media Corporation</i>	5.88	2/1/22	650,000	685,750
<i>Lamar Media Corporation</i>	7.88	4/15/18	2,150,000	2,386,500
<i>Lamar Media Corporation Series C</i>	9.75	4/1/14	500,000	560,625
<i>LIN Television Corporation</i>	8.38	4/15/18	1,625,000	1,685,938
<i>Local TV Finance LLC 144A</i>	9.25	6/15/15	4,775,000	4,870,500
<i>National CineMedia LLC 144A</i>	6.00	4/15/22	850,000	879,750
<i>National CineMedia LLC</i>	7.88	7/15/21	650,000	700,375
<i>Regal Cinemas Corporation</i>	8.63	7/15/19	2,650,000	2,961,375
<i>Salem Communications Corporation</i>	9.63	12/15/16	2,329,000	2,579,368
<i>Time Warner Cable Incorporated</i>	4.00	1/15/22	750,000	825,837
				41,977,066
Specialty Retail : 1.05%				
<i>Advance Auto Parts Incorporated</i>	4.50	1/15/22	600,000	644,123
<i>Gap Incorporated</i>	5.95	4/12/21	600,000	634,274
<i>Limited Brands Incorporated</i>	6.63	4/1/21	800,000	889,001
<i>Macys Retail Holdings Incorporated</i>	3.88	1/15/22	600,000	647,152
<i>RadioShack Corporation</i>	6.75	5/15/19	1,950,000	1,248,000
<i>Rent-A-Center Incorporated</i>	6.63	11/15/20	375,000	404,531
<i>Toys R Us Property Company I LLC</i>	10.75	7/15/17	725,000	801,125
<i>Toys R Us Property Company LLC</i>	8.50	12/1/17	1,905,000	2,057,400
				7,325,606
Consumer Staples : 0.79%				
Food & Staples Retailing : 0.10%				

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<i>SABMiller Holdings Incorporated 144A</i>	3.75	1/15/22	600,000	658,743
Food Products : 0.58%				
<i>Dole Food Company Incorporated</i>	13.88	3/15/14	1,452,000	1,640,760
<i>Kraft Foods Incorporated 144A</i>	3.50	6/6/22	750,000	795,797
<i>Smithfield Foods Incorporated</i>	10.00	7/15/14	1,370,000	1,613,175
				4,049,732

PORTFOLIO OF INVESTMENTS July 31, 2012 (UNAUDITED)

WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND

Security name	Interest rate	Maturity date	Principal	Value
Tobacco : 0.11%				
<i>Lorillard Tobacco Company</i>	6.88%	5/1/20	\$ 650,000	\$ 793,893
Energy : 9.22%				
Energy Equipment & Services : 3.44%				
<i>Bristow Group Incorporated</i>	7.50	9/15/17	1,585,000	1,644,438
<i>Dresser Rand Group Incorporated</i>	6.50	5/1/21	925,000	971,250
<i>Gulfmark Offshore Incorporated 144A</i>	6.38	3/15/22	2,025,000	2,070,563
<i>Hornbeck Offshore Services Incorporated Series B</i>	8.00	9/1/17	2,230,000	2,386,100
<i>NGPL PipeCo LLC 144A</i>	7.12	12/15/17	375,000	385,313
<i>NGPL PipeCo LLC 144A</i>	7.77	12/15/37	2,700,000	2,646,000
<i>NGPL PipeCo LLC 144A</i>	9.63	6/1/19	2,550,000	2,773,125
<i>Oil States International Incorporated</i>	6.50	6/1/19	1,230,000	1,294,575
<i>PHI Incorporated</i>	8.63	10/15/18	2,500,000	2,581,250
<i>Rockies Express Pipeline 144A</i>	3.90	4/15/15	2,000,000	1,950,000
<i>Rockies Express Pipeline 144A</i>	5.63	4/15/20	400,000	380,000
<i>Rockies Express Pipeline 144A</i>	6.88	4/15/40	4,963,000	4,479,108
<i>Rockies Express Pipeline 144A</i>	7.50	7/15/38	500,000	473,750
				24,035,472
Oil, Gas & Consumable Fuels : 5.78%				
<i>Coffeyville Resources LLC 144A</i>	9.00	4/1/15	932,000	990,250
<i>Coffeyville Resources LLC 144A</i>	10.88	4/1/17	1,350,000	