

Wells Fargo Advantage Total Return Bond Fund (MNTRX)

Portfolio Managers: Troy Ludgood; Thomas O'Connor, CFA

Subadvisor: Wells Capital Management

Category: Core Bond

FUND STRATEGY

- Focus on bottom-up security selection in a universe of high-quality, liquid bonds.
- Use a bottom-up security selection process that focuses on evaluating relative value with an overall risk/return trade-off.
- Typically keep duration neutral to the benchmark, with a predominant emphasis on issue selection.
- Use proprietary risk-management systems as the foundation for a highly disciplined decision-making process.

KEY DRIVERS OF PERFORMANCE

- Credit and structured products outperformed U.S. Treasuries for the fourth consecutive quarter. The Fund outperformed its benchmark during the fourth quarter due to its overweight of credit, asset-backed securities (ABS), commercial mortgaged-backed securities (CMBS), and collateralized mortgage obligations (CMOs), and by tactically trading for value in specific securities throughout the period. The Fund outperformed its benchmark over the past 12 months.
- Overweights of specific securities within the sector allocations, such as Goldman Sachs, American Express, Liberty Mutual, Bank of America, Andarko Petroleum, Dow Chemical, and Cenovus, added to performance during the quarter.

AVERAGE ANNUAL TOTAL RETURNS* (AS OF 12-31-09)

	3 Month	Year to Date	1 Year	3 Year	5 Year	10 Year	Since Inception (6-30-97)
Total Return Bond Fund–Adm	0.50%	11.18%	11.18%	6.75%	5.28%	6.60%	6.41%
Lipper Intermediate Investment Grade Debt Funds Average	1.11%	12.89%	12.89%	4.60%	3.90%	5.51%	–
Barclays Cap. U.S. Aggregate Bond Index	0.20%	5.93%	5.93%	6.04%	4.97%	6.33%	–

*Returns for periods of less than one year are not annualized.

Figures quoted represent past performance, which is no guarantee of future results. Investment return, principal value, and yields of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current month-end performance is available at the Fund's Web site, www.wellsfargo.com/advantagefunds. Administrator Class shares are sold without a front-end sales charge or contingent deferred sales charge.

The adviser has committed, through September 30, 2010, to waive fees and/or reimburse expenses to maintain the Fund's net expense ratio at 0.70%. Without these reductions, the Fund's returns would have been lower. The Fund's gross expense ratio is 0.79%.

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All information is as of 12-31-09 unless otherwise indicated.

PORTFOLIO CHARACTERISTICS

	Wells Fargo Advantage Total Return Bond Fund	Barclays Capital U.S. Aggregate Bond Index
Duration	4.59	4.57
30-Day SEC Yield	3.80%	–
Avg. Credit Quality ¹	AA	AA+/AA
Avg. Maturity	5.36	6.84
Sector Weights		
U.S. Treasuries	16.8%	27.7%
Agency Debt	0.3%	13.2%
Credit	26.1%	18.8%
ABS/CMBS	21.4%	3.6%
MBS	37.3%	36.8%
CMO	6.6%	0.0%
Cash Equivalents	-8.5%	0.0%
Credit Quality Allocation		
U.S. Treasuries	15.5%	27.7%
Agency Quality	40.4%	47.0%
AAA	20.6%	3.5%
AA	5.8%	4.1%
A	8.5%	9.7%
BBB	8.7%	8.2%
BB	0.5%	0.0%
Other	0.0%	0.0%

1. The ratings indicated are from Standard & Poor's and/or Moody's Investors Service.

Portfolio characteristics, sector weights, and allocations are subject to change and may have changed since the date specified.

(See pages 6–7 for important information.)

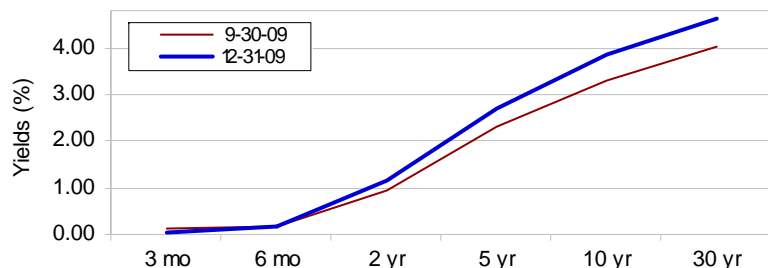
STRATEGY AND PERFORMANCE ATTRIBUTION (GROSS OF EXPENSES²)

	Fund Positioning	Market Activity	Result
Duration	Duration positioning was neutral with the benchmark in the fourth quarter, as it was throughout 2008 and 2009. A neutral duration positioning is typical of the Fund's strategy.	The U.S. Treasury curve steepened with a significant upward shift in longer maturities. The Fund's neutral duration positioning did not impact relative performance.	Neutral
Yield Curve	The Fund's yield-curve positioning was overweight the 30-year segment of the curve and underweight the two-year segment of the curve. In the previous quarter, we were overweight in the ten-year segment of the curve.	The yield curve steepened and shifted higher in long-term maturities. The Fund's overweight of the long end detracted from performance.	Negative
Sector	The Fund was overweight corporates, ABS, CMBS, and CMOs. Within the corporate sector, we were overweight financial companies, particularly banks. We continued to have overweights in energy, utilities, and sovereign sectors. We were underweight U.S. Treasuries and MBS pass-throughs. We held no agency debentures.	For the fourth consecutive quarter, spread sectors outperformed U.S. Treasuries. The Fund's overweight of corporate bonds, CMBS, and ABS added to relative performance. Our underweights in U.S. Treasuries and agencies also added to performance, as both sectors lost value in the fourth quarter. Overweights in financials, energy, and utilities added to performance, particularly our overweight in the banking sector.	Positive
Quality	The Fund maintained a slightly lower, but mostly similar, overall credit quality with the benchmark during the fourth quarter, as we did throughout 2008 and 2009. We were overweight BBB-rated debt.	Lower-quality debt continued to perform better than higher-quality debt for the fourth consecutive quarter as investors continued to add yield from the riskier asset classes. Our overweight of the lower-quality tiers slightly added value.	Slight Positive
Issue Selection	During the fourth quarter, we continued to actively trade for value in various spread sectors. The Fund was overweight in financial credits, with notable positive performance from Goldman Sachs, American Express, Bank of America, Liberty Mutual, and the Commonwealth Bank of Australia. Specific energy and chemical names, such as Anadarko Petroleum, Cenovus, and Dow Chemical, also added to performance. The real estate investment trust (REIT) Westfield contributed to performance as improving retail sales and the market's appetite for real estate investment improved. Specific security selection and relative-value trading in CMBS and ABS also added to performance. Overweights to United Health, Cisco Systems, State of California issuances, Korean sovereign issues, and student loan ABS detracted from performance.	Corporate bonds continued to add significant relative value for the Fund in the fourth quarter, as they did in the third quarter. Holdings in Goldman Sachs, American Express, and the Commonwealth Bank of Australia added value as the demand for high-quality bank paper continued to strengthen. Bank of America notes rallied after the company raised new capital and exited the Troubled Asset Relief Program (TARP). Liberty Mutual contributed to performance after reporting stronger earnings. Our overweight in higher-coupon MBS added to performance, as the higher coupons outperformed lower coupons. Specific CMBS holdings added value, particularly our more seasoned issues. However, United Health detracted as health care reform debate persisted, and Cisco Systems underperformed as new issues came at a concession to the existing notes. California issues underperformed on budget woes and Korean debt lagged the U.S. corporate bond rally.	Positive

2. The gross of expenses performance attribution does not reflect the deduction of the Fund's expenses as shown in the prospectus.

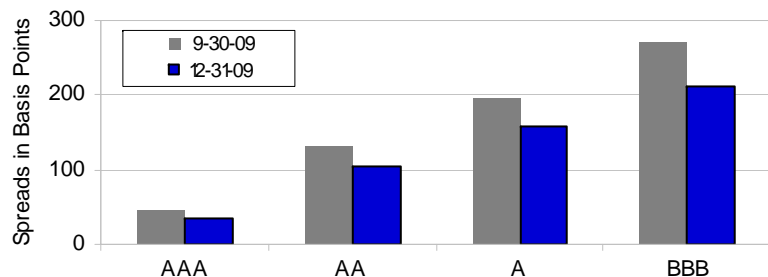
FIXED-INCOME MARKET REVIEW

The U.S. Treasury Yield Curve Steepened in the Fourth Quarter



- The U.S. Treasury curve steepened and shifted higher during the fourth quarter, which was a reversal of the rally in Treasury yields during the third quarter. The 30-year bond increased the most, shifting 59 basis points higher.
- The shift higher in U.S. Treasury yields was consistent with the general trend over 2009. The third quarter was the only quarter in which U.S. Treasury yields rallied during 2009.
- The yield on the 1-year note increased by only five basis points, while the 5-year note increased by 37 basis points, and the 10-year note by 53 basis points. The 3-month bill was the only Treasury that rallied, dropping by six basis points to a yield of only five basis points.

Credit Spreads Tightened Further in the Fourth Quarter



- Credit spreads continued to tighten further in the fourth quarter, extending the spread-tightening trends that have persisted throughout 2009.
- Although the spread-tightening trends continued in the fourth quarter, the pace of tightening has slowed from previous quarters. In the fourth quarter, BBB-rated spreads tightened by 59 basis points, after tightening by 105 basis points in the third quarter, and 274 basis points in the second quarter.
- AA-rated, A-rated, and BBB-rated spreads finished 2009 at levels similar to where they were at the end of 2007. AAA-rated spreads finished at levels not seen since the fourth quarter of 2006.

Credit, CMBS, and ABS Continued to Outperform U.S. Treasuries

Aggregate Sectors	Credit Quality	UST Maturities
U.S. Treasuries	-1.30%	AAA -0.10% 3 Month 0.04%
Agencies	-0.19%	AA 0.48% 6 Month 0.07%
ABS	1.34%	A 0.93% 2 Year 0.16%
MBS	0.57%	BBB 2.11% 5 Year -0.64%
CMBS	3.27%	10 Year -3.60%
Corporate	1.35%	30 Year -8.46%

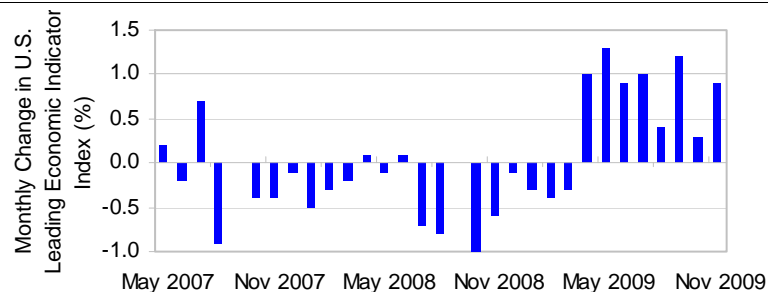
- Lower-quality securities continued to outperform higher-quality securities for the fourth consecutive quarter. BBB-rated debt returned 2.11% and A-rated debt returned 0.93%, but AAA-rated debt underperformed again, returning -0.10%.
- Credit and structured products continued to outperform U.S. Treasuries for the fourth consecutive quarter. CMBS returned 3.27%, ABS returned 1.34%, corporate bonds returned 1.35%, but U.S. Treasuries and agencies declined, returning -1.30% and -0.19%, respectively.
- In a reversal of the ongoing trends throughout much of 2009, longer-maturity securities declined in value in the fourth quarter, after outperforming short-term maturities over the previous three quarters. The long end of the U.S. Treasury curve returned -8.46%.

Source: Bloomberg

Past performance is no guarantee of future results.

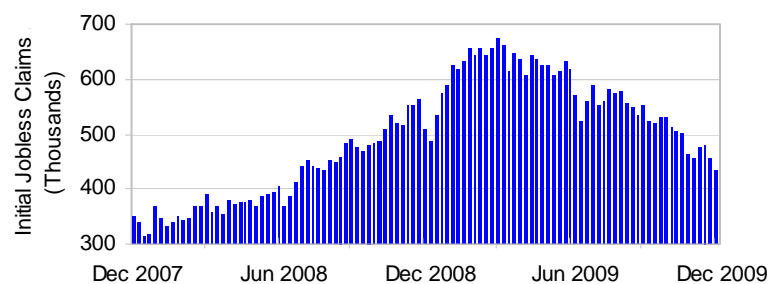
THE ECONOMY AND MONETARY POLICY

The Index of Leading U.S. Economic Indicators Expanded



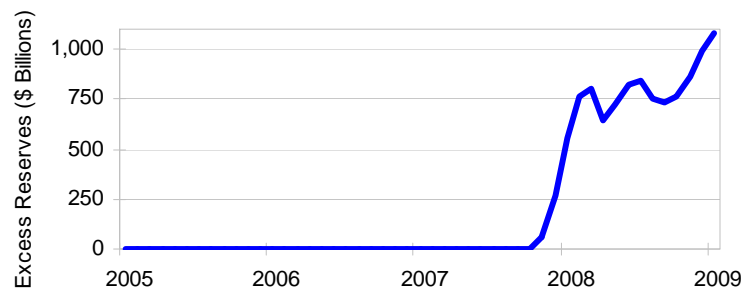
- Positive trends in economic conditions continued in several key economic measures during the fourth quarter. The Conference Board's index of ten leading economic indicators continued to improve throughout the fourth quarter, building on the economic expansion from the third quarter. Gross Domestic Product (GDP) expanded by 2.2% in the third quarter after four consecutive quarters of contraction.
- The Institute for Supply Management (ISM) Manufacturing Index continued to improve strongly, finishing the fourth quarter above 55, which is the highest level since the first half of 2006. Figures above 50 indicate economic expansion in manufacturing.
- The Federal Open Market Committee (FOMC) introduced new language regarding economic conditions in its December 16 policy statement, acknowledging that "financial market conditions have become more supportive of economic growth."

Initial Jobless Claims Declined but Unemployment Remained High



- Initial jobless claims continued to decline during the fourth quarter, finishing the year at a weekly average of around 450,000 compared with a weekly average of around 650,000 during the first quarter of 2009. Despite the trend toward improving employment conditions, continuing jobless claims remained elevated at recessionary levels, and the unemployment rate finished the year around 10%.
- At its December 16 meeting, the FOMC observed that "economic activity has continued to pick up and that deterioration in the labor market is abating... [however], businesses are still cutting back on fixed investment... and remain reluctant to add payrolls."
- Consequently, the FOMC stated that it intends to keep the target range for the federal funds rate at 0% to 0.25 percent, citing that "economic conditions, including low rates of resource utilization... are likely to warrant exceptionally low levels of the federal funds rate for an extended period."

Excess Reserves Continued to Build to an Extraordinary Level



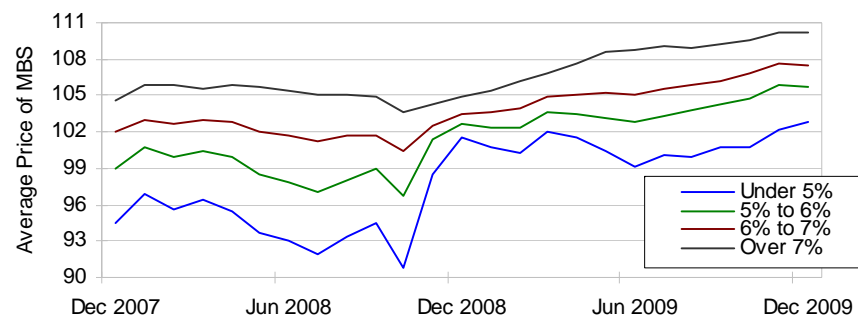
- Excess reserves grew to extraordinary levels throughout the credit crisis of 2008 and its aftermath in 2009. The continued use of quantitative easing programs by the Fed resulted in more than \$1 trillion held in excess reserves in the fourth quarter of 2009. Prior to 1991, excess reserves never exceeded \$2 billion. With the exception of September 2001, when they temporarily reached \$19 billion, they never exceeded \$5 billion until the recent credit crisis.
- In the fourth quarter, the Fed began to focus its attention on reducing excess reserves and unwinding several quantitative easing programs. Potential methods for reducing excess reserves included a massive reverse repurchase program and the eventual closing of the Fed's temporary liquidity swap arrangements with central bank counterparties.
- In the December 16 FOMC statement, the Federal Reserve confirmed that most of its special liquidity facilities would expire on February 1, 2010.

Source: Bloomberg, Federal Reserve Bank of St. Louis

PORTFOLIO POSITIONING

- Our duration positioning will likely continue to be neutral with the benchmark, as this is a fundamental tenet of the Fund's strategy.
- The Fund's yield-curve positioning was overweight the 30-year range of the curve in the fourth quarter. We began reducing that overweight of the long end later in the quarter and started increasing our exposure to the five- to ten-year range of the curve, based on our bottom-up credit analysis.
- Going into the first quarter of 2010, we are overweight in credit, ABS, CMBS, and CMOs, as we were in the fourth quarter. We intend to continue with these overweights but will continue to apply a bottom-up credit analysis to determine where relative-value opportunities exist. We intend to continue underweighting U.S. Treasuries and agency debentures. Although agency MBS spreads are historically low, relative yield in the sector may surface with the retirement of the Fed's MBS purchasing program.
- In the fourth quarter, the Fund benefited from an overweight of higher-coupon MBS. We intend to look for opportunities to tactically shift from the higher-coupon securities into the mid-coupon issues in the first quarter, due to strong performance in that range of issuances and on the premise that rising delinquencies may begin to speed up prepayments through buyouts of mortgages. The price compression across the coupon tiers may offer opportunities to trade across the coupon stack in the upcoming quarter.
- We moderately reduced our overweight in corporates, selling into strong performance in the fourth quarter; however, in our view, the sector continues to offer several attractive opportunities for value. We added to our ABS position with floating-rate credit card and student loan ABS and increased our CMBS allocation.

PRICING ACROSS THE MBS COUPON STACK REMAINED COMPRESSED



Source: Bloomberg. Past performance is no guarantee of future results.

OUTLOOK

As 2009 came to a close, it was impossible not to look back with astonishment at some of the impressive levels of return from broad areas of the fixed-income markets. According to the Barclays Capital sector indices, municipal bonds returned 12%, corporate bonds 18%, ABS 24%, CMBS 28%, and high yield 58%. With the exception of municipal bonds, each of these sectors appreciated further in the fourth quarter, building on strong 2009 rallies. However, it's important to note that "normal" yielding years from here on out will likely look languid in comparison with 2009. We started to see the first indications that some sectors of the fixed-income markets were throttling back a touch in the fourth quarter, particularly in longer-maturity municipal bonds. As the fourth quarter came to a close, it appeared that fixed-income markets were beginning to prepare for a return to modesty in 2010.

At the outset of 2010, we see the potential for improving economic growth, albeit with continued strong headwinds from high levels of unemployment. In our view, it is unlikely that the Fed will raise rates until a considerable improvement in employment conditions takes form. In our assessment, the Fed is more vigilant toward economic risks than it is to inflation risk at this time, meaning a tightening response is not likely until economic fundamentals and financial market conditions are reasonably secure. This implies extraordinarily low interest rates for an extended period, which would likely preserve the current historically steep yield curve through the first quarter of 2010, or until the Fed indicates that it will begin considering a tightening response.

Certainly there are events to monitor in the upcoming quarter, most notably the retirement of several stimulus and liquidity-support programs from the Federal Reserve, particularly the end of the MBS buying program. This will likely influence the market for mortgage-related debt but may also create opportunities and valuation shifts across various other asset classes. We intend to remain vigilant with those shifting opportunities. In our opinion, diligent and earnest assessment of the fundamental risks in individual fixed-income securities will be a key differentiating factor between which investment strategies perform well and which do not.

The core fixed-income market offered compelling returns in 2009, which may not be equaled in 2010. Credit, CMBS, and ABS sectors generated total returns of 16%, 28%, and 24%, respectively, in 2009. Yet, going into the new year we remain bullish on credit, ABS, and CMBS spreads. In our opinion, corporate credit metrics continue to improve, justifying lower spreads, while insurance companies, banks, and the market at large continue to search for bonds with higher levels of compensation than the Treasury market. From our perspective, all of these influences provide a supportive technical environment going into the first quarter of 2010.

We intend to continue looking for opportunities to trade for value in the first quarter of 2010, as we did throughout 2009. Despite the strong rally across several core fixed-income sectors last year, we believe that the markets will continue to present opportunities for relative value. In our view, the *Wells Fargo Advantage Total Return Bond Fund* is well-positioned to trade for value and harvest returns from all areas of the core bond market.

FUND FACTS

Inception Date	6-30-97
Net Expense Ratio—Admin	0.70%
Assets—All Share Classes	\$2,409.9M

Sources: FactSet, Zephyr Analytics

RANKINGS AND RATINGS

Morningstar Total Return Rankings—Administrator Class (as of 12-31-09)

Morningstar Category	Intermediate Term Bond
1 Year	665 out of 1,123 funds
3 Year	135 out of 978 funds
5 Year	132 out of 866 funds
10 Year	51 out of 496 funds
Overall Morningstar Rating™	★★★★

The Overall Morningstar Rating, a weighted average of the three-, five-, and ten-year ratings, is out of 978 funds in the Intermediate Term Bond category, based on risk-adjusted return as of 12-31-09.

Benchmark Descriptions:

The Barclays Capital U.S. Aggregate Bond Index is composed of the Barclays Capital Government/Credit Index and the Mortgage-Backed Securities Index and includes U.S. Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities. You cannot invest directly in an index.

The Lipper Averages are compiled by Lipper, Inc., an independent mutual fund research and rating service. Each Lipper Average represents a universe of funds that are similar in investment objective. You cannot invest directly in a Lipper Average.

Definition of Terms:

30-Day SEC Yield: The 30-Day SEC yield is calculated with a standardized formula mandated by the SEC. The formula is based on an estimated yield to maturity (assuming all portfolio securities are held to maturity) and is intended to reflect a fund's hypothetical annualized income, as a percentage of its assets. A fund's actual distribution rate will differ from the SEC yield and any income distributions from the fund may be higher or lower than implied by the SEC yield.

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

Duration: The weighted average of the timing of cash flow payments from fixed-income securities. Duration is used as a measurement of sensitivity to interest rates.

Yield Curve: A graphical representation of fixed-income security yields (usually U.S. Treasuries) at their respective maturities, starting with the shortest time to maturity and sequentially plotting in a line chart to the longest maturity.

Risks: Bond fund values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. In general, when interest rates rise, bond fund values fall and investors may lose principal value. The use of derivatives may reduce returns and/or increase volatility. Active trading results in increased turnover and trading expenses and may generate higher short-term capital gains. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). This Fund is exposed to foreign investment risk and mortgage- and asset-backed securities risk. Consult the Fund's prospectus for additional information on these and other risks.

The views expressed in this document are as of December 31, 2009, and are those of the portfolio manager(s) and Wells Fargo Funds Management, LLC. The views are subject to change at any time in response to changing circumstances in the market and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally, or any Wells Fargo Advantage Fund. Any specific securities discussed may or may not be current or future holdings of the Fund. The securities discussed should not be considered recommendations to purchase or sell a particular security.

Please note, some of the Morningstar[®] proprietary calculations, including the Morningstar Rating[™] and rankings, are not customarily calculated based on adjusted historical returns; however, in some cases, the investment's independent rating and ranking metric is compared against the retail mutual fund universe break points to determine its hypothetical rating and ranking. The evaluation of this investment does not affect the retail mutual fund data published by Morningstar.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees, unless otherwise indicated), placing more emphasis on downward variations and rewarding consistent performance.

The top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. (Each share class is counted as a fraction of one fund within this scale and is rated separately, which may cause slight variations in the distribution percentages.) Across U.S.-domiciled Intermediate Term Bond funds, the Total Return Bond Fund received four stars among 978 funds, four stars among 866 funds, and four stars among 496 funds for the three-, five-, and ten-year periods, respectively. Morningstar Ratings are for the Administrator share class only; other classes may have different performance characteristics. Past performance is no guarantee of future results.

Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus, containing this and other information, visit www.wellsfargo.com/advantagefunds. Read it carefully before investing.

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