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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21507

Wells Fargo Income Opportunities Fund

(Exact name of registrant as specified in charter)

525 Market St., San Francisco, CA 94105

(Address of principal executive offices) (Zip code)

C. David Messman

Wells Fargo Funds Management, LLC

525 Market St., San Francisco, CA 94105

(Name and address of agent for service)

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

Date of fiscal year end: April 30

Date of reporting period: October 31, 2016

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ITEM 1. REPORT TO STOCKHOLDERS

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Semi-Annual Report

October 31, 2016

Wells Fargo Income Opportunities Fund (EAD)

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NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

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Karla M. Rabusch

President

Wells Fargo Funds

In a marked difference from the prior 12 months, muted volatility characterized the high-yield bond market.

In another departure from the prior year, default events among energy and materials companies moderated during the period.

Dear Shareholder:

We are pleased to offer you this semi-annual report for the Wells Fargo Income Opportunities Fund for the six-month period that ended October 31, 2016. High-yield bonds enjoyed favorable market conditions during the period. Credit spreads narrowed, prices strengthened, and volatility was subdued in comparison to the prior year. These conditions attracted greater interest in high-yield bonds among investors, helping the market as measured by the BofA Merrill Lynch U.S. High Yield Index[1] to achieve a 7.74% return for the period.

In a marked difference from the prior 12 months, muted volatility characterized the high-yield bond market. Once again, the Federal Open Market Committee the policy-making committee of the U.S Federal Reserve (Fed) deferred an interest-rate hike at its September meeting. Throughout the period, the Fed cited inconsistent employment or jobs creation data and other mixed economic and manufacturing indicators to explain its hesitancy to raise rates. Based on high-yield bond pricing at the close of the period, it appeared the market still is anticipating that there is a more-than-even chance that the Fed will announce an interest-rate hike at its December 2016 meeting.

The U.S. economy continued to grow at a moderate pace during the six-month reporting period. The country delivered annualized real gross domestic product (GDP) growth of 1.4% in the second quarter of 2016. GDP growth accelerated to 2.9% in the third quarter that ended September 30, 2016. Reported inflation, as measured by the core personal consumption expenditures price index, remained below the Fed s target of 2.0%.

The U.K. s vote in June to exit the European Union (Brexit) created some initial volatility in the U.S. high-yield market but had little enduring overall effect during the period. Credit spreads tightened primarily due to monetary policy in major global financial markets that was accommodative of economic and business activity. Further accommodation out of major central banks the European Central Bank, the People s Bank of China, and the Bank of Japan offered strong encouragement that they would maintain low and in some cases negative interest rates as well as provide liquidity to the markets through bond purchases. To a certain degree, accommodative monetary policies around the globe, including negative interest rates on some sovereign bonds, drove yields down and supported the investment case for riskier assets such as high-yield bonds as investors sought higher yields than were available in other sectors of the bond market or from equity investments.

In another departure from the prior year, default events among energy and materials companies moderated during the period. While defaults continue, the overall default rate is less than 1% when those occurring among commodity-related businesses are excluded. Outside of the stressed commodity sector, the majority of U.S. high-yield companies are meeting their debt obligations, largely because of continued low interest rates. High-yield companies can obtain inexpensive financing compared with historical norms to meet their interest payments.

Energy prices rebounded somewhat from the declines that began in mid-2014. The potential for an agreement among Organization of Petroleum Exporting Countries (OPEC) to limit output helped support higher oil prices for several weeks

[1] The BofA Merrill Lynch U.S. High Yield Index (formerly known as BofA Merrill Lynch High Yield Master II Index) is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of the high-yield securities traded in the United States bond market. You cannot invest directly in an index.

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during the period. Higher oil prices reduced the specter of default for energy-sector companies which had suffered elevated default levels as commodity prices remained low. Also, the Fed s continued low-interest-rate policy along with continued slow but consistent U.S. economic growth combined to support higher investor interest in lower-quality bonds. One outcome of increased investor risk tolerance was that CCC-rated bonds outperformed BB-rated and B-rated bonds during the period.

New issuance remains below 2015 levels, but the difference has steadily narrowed after a slow start. High-yield new issuance began 2016 well below last year s pace but grew more robust later in the reporting period. This is an encouraging sign for high-yield bond issuers relying on the capital markets for financing and for investors seeking the yields available in the high yield bond markets.

Don t let short-term uncertainty derail long-term investment goals.

Periods of 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,

Karla M. Rabusch

President

Wells Fargo Funds

Notice to shareholders

On November 23, 2016, 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 beginning December 17, 2016, ending December 31, 2017. 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**. We are available 24 hours a day, 7 days a week.

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Investment objective

The Fund seeks a high level of current income. Capital appreciation is a secondary objective.

Adviser

Wells Fargo Funds Management, LLC

Subadviser

Wells Capital Management Incorporated

Portfolio managers

Niklas Nordenfelt, CFA®

Phillip Susser

Average annual total returns (%) as of October 31, 2016[1]

	6 months	1 year	5 year	10 year
Based on market value	10.67	15.11	6.08	5.51
Based on net asset value (NAV)	11.49	12.76	8.95	6.96
BofA Merrill Lynch U.S. High Yield Index[2]	7.74	10.16	7.07	7.46

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 Adviser has committed through March 6, 2017, to waive fees and/or reimburse expenses to the extent necessary to limit the Fund s borrowing expenses to an amount that is 0.05% lower than what the borrowing expenses would have been if the Fund had not redeemed its Auction Market Preferred Shares. The Fund previously utilized Auction Market Perferred Shares for leverage but secured debt financing to fully redeem those shares in 2010. The Fund s gross and net expense ratios, which inclue 0.44% of interest expense, were 1.36% and 1.16% , respectively, for the six months ended October 31, 2016. Without this waiver and/or reimbursement, the Fund s returns would have been lower.

Comparison of NAV vs. market value[3]

The Fund is leveraged through a revolving credit facility and also may incur leverage by issuing preferred shares in the future. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of net asset value and the market value 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 that they are designed to hedge or closely track. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the Fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest-rate changes and their impact on the fund and its share price can be sudden and unpredictable. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. This closed-end fund is no longer offered as an initial public offering and is only offered through broker/dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request.

Please see footnotes on page 6.

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MANAGER S DISCUSSION

The Fund s return based on market value was 10.67% during the six months that ended October 31, 2016. During the same period, the Fund s return based on net asset value (NAV) was 11.49%. Based on its NAV return, the Fund outperformed relative to the BofA Merrill Lynch U.S. High Yield Index (the Index), which returned 7.74%.

Overview

The rally reflected the continued bounce-back from the decline in the high-yield market that began in June 2015. Energy and other commodity-related bonds drove much of the decline in high-yield bond prices, as commodity prices were generally falling until mid-February 2016. Technical pressure from large investment grade issuers being downgraded to high-yield ratings aggravated the price decline of non-investment grade debt issues. Once the downgrades were absorbed by the high-yield market and commodity prices began to stabilize or rebound, the high-yield market rallied during the reporting period.

From a fundamental perspective, corporate leverage remained at elevated levels for this point in the credit cycle. However, the cash flow impact from these higher leverage levels was somewhat offset by issuers ability to finance debt at low interest rates. Outside of commodity-dependent sectors, the U.S. economy appears to be growing, albeit at a subdued pace. Moderate growth with low unemployment should provide an ideal environment for high-yield issuers because consumer demand might remain stable and the Federal Reserve (Fed) should have room to be accommodative. While we continue to remain cautiously optimistic that this environment will continue in the near term, we are cognizant that ideal environments never last forever, and as yields move lower, the risk of a future sell off may increase.

Ten largest holdings (%) as of October 31, 2016[4]	
NGPL PipeCo LLC, 7.77%, 12-15-2037	2.65
Jabil Circuit Incorporated, 8.25%, 3-15-2018	2.27
Greektown Holdings LLC, 8.88%, 3-15-2019	2.13
NCR Corporation, 6.38%, 12-15-2023	1.65
Texas Competitive Electric Holdings Company LLC, 0.00%, 10-10-2017	1.54
Diamond 1 Finance Corporation, 7.13%, 6-15-2024	1.50
Sprint Capital Corporation, 6.88%, 11-15-2028	1.49
TerraForm Power Operating LLC, 6.38%, 2-1-2023	1.41
Ultra Petroleum Corporation, 6.13%, 10-1-2024	1.38
PHI Incorporated, 5.25%, 3-15-2019	1.38

Credit quality as of October 31, 2016[5]

Contributors to performance

As compared with the composition of the broader high-yield bond market, as measured by the Index, the portfolio benefited from a relatively higher level of investment in the midstream energy industry, including Natural Gas

Pipeline Company of America and Rockies Express Pipeline LLC. The Fund s investment in Ultra Petroleum Corporation contributed to performance.

Detractors from performance

The portfolio was hurt by a comparatively lower level of investment (as compared with the Index as representative of the broader high-yield bond market) to two sectors. The portfolio s lower-than-market allocation to the metals and mining sector was a detractor. The portfolio also invested in the energy exploration and production sector at a lower level than represented in the market, which detracted from performance. An investment in private prison operator Geo Group Incorporated also detracted. A relatively higher cash allocation in a strong market during the period restrained performance.

The ratings and maturity allocations of the Fund did not have a meaningful effect on relative performance during this period.

Management outlook

Our outlook for high-yield energy and commodity companies has not changed. With respect to the broader high-yield market, we continue to believe that a number of imbalances that have existed for years around the world could prompt a second potential scenario. Although likely to remain dormant, these imbalances have the potential to cause renewed fears of systemic risks and a related fall in all risk markets, including high yield. These global imbalances include the high government debt and deficit levels in most of the developed world, potential real-estate and municipal-debt bubbles in China, potential real-estate bubbles in major cities, and persistent trade and current international account deficits and

Please see footnotes on page 6.

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Effective maturity distribution as of October 31, 2016[6]

surpluses. We believe high-yield bonds will remain relatively stable and potentially outperform other fixed-income asset classes such as intermediate U.S. Treasuries and investment-grade corporate markets that may be more affected by a rising interest-rate environment. In this scenario, the economy would improve at a consistent pace and interest rates would rise as the Fed continued to reduce the exceptionally accommodative monetary stance it has maintained for nearly a decade. We expect the Fed to be extremely cautious in implementing further

rate increases and may be willing to risk higher inflation

in order to avoid derailing the economy. In our view, the recent rally in the high-yield and bank loan markets tends to reduce the likelihood of the market remaining stable and increases the risk that the market sells off in the future.

Default rates were mostly concentrated in the energy and commodity industries over the prior year. While we expect that bankruptcies will remain concentrated in those industries in the near term, many of the weakest names have already filed for bankruptcy. Outside of the broader energy and metals and mining complexes, we believe that lower energy and commodity prices are generally a positive for the economy and the high-yield market. Lower energy and commodity prices should reduce expenses at most companies and leave consumers with more purchasing power with which to buy goods and services. In addition, lower energy and commodity prices may suppress near-term inflation, which would allow the Fed to leave rates lower for longer.

In addition, lower rates since the beginning of this year have also been a near-term positive for high-yield bonds, as weaker companies are more easily able to refinance their debt when yields are lower. In a higher-yield environment, these companies may have more difficulty accessing the high-yield market leading to more bankruptcies. In this way, the fall in rates may be a near-term positive, but a long-term risk for the market.

In the long run, we expect high yield s relative performance will be primarily driven by corporate fundamentals and defaults. In the near term, with the exception of the energy and other commodity sectors, our default outlook remains fairly benign. Over a full cycle, we believe the best way to protect the portfolio from periodic bouts of systemic fears and rebalancing is by following a bottom-up investment process that attempts to minimize downside risk while capturing the return potential of high-yield issuers.

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

[2] The BofA Merrill Lynch U.S. High Yield Index (formerly known as BofA Merrill Lynch High Yield Master II Index) is a market-capitalization-weighted index of domestic and Yankee high-yield bonds. The index tracks the performance of the high-yield securities traded in the United States bond market. You cannot invest directly in an index.

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

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

[5] 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.

[6] Effective maturity distribution is subject to change and are calculated based on the total long-term investments of the Fund.

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Portfolio of investments October 31, 2016 (unaudited) Wells Fargo Income Opportunities Fund 7

Security name			Shares	Value
Common Stocks: 0.13%				
Energy: 0.13%				
Oil, Gas & Consumable Fuels: 0.13%				
Swift Energy Company (i)			27,009	$ 864,288
Materials: 0.00%				
Chemicals: 0.00%				
LyondellBasell Industries NV Class A			7	557
Total Common Stocks (Cost $7,028,060)				864,845

	Interest rate	Maturity date	Principal	
Corporate Bonds and Notes: 113.77%				
Consumer Discretionary: 21.97%				
Auto Components: 2.03%				
Allison Transmission Incorporated 144A	5.00%	10-1-2024	$ 7,375,000	7,522,500
Cooper Tire & Rubber Company (i)	7.63	3-15-2027	4,000,000	4,370,000
Cooper Tire & Rubber Company (i)	8.00	12-15-2019	400,000	452,000
Goodyear Tire & Rubber Company	7.00	5-15-2022	700,000	735,875
				13,080,375
Distributors: 0.27%				
LKQ Corporation	4.75	5-15-2023	1,675,000	1,718,969
Diversified Consumer Services: 1.64%				
Service Corporation International	7.50	4-1-2027	7,078,000	8,281,260
Service Corporation International	7.63	10-1-2018	1,100,000	1,212,750
Service Corporation International	8.00	11-15-2021	885,000	1,048,725
				10,542,735

Hotels, Restaurants & Leisure: 3.82%				
Brinker International Incorporated 144A	5.00	10-1-2024	1,525,000	1,540,250
CCM Merger Incorporated 144A	9.13	5-1-2019	7,876,000	8,230,420
Greektown Holdings LLC 144A	8.88	3-15-2019	12,975,000	13,721,063
Hilton Worldwide Finance LLC	5.63	10-15-2021	320,000	329,600
Speedway Motorsports Incorporated	5.13	2-1-2023	825,000	830,998
				24,652,331
Household Durables: 0.43%				
American Greetings Corporation	7.38	12-1-2021	1,100,000	1,127,500
Tempur Sealy International Incorporated	5.50	6-15-2026	1,425,000	1,467,750
Tempur Sealy International Incorporated	5.63	10-15-2023	175,000	181,125
				2,776,375
Leisure Products: 0.20%				
Vista Outdoor Incorporated	5.88	10-1-2023	1,250,000	1,312,625

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

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Security name	Interest rate	Maturity date	Principal	Value
Media: 10.94%				
Altice US Finance I Corporation 144A	5.38%	7-15-2023	$ 2,270,000	$ 2,332,425
Altice US Finance I Corporation 144A	5.50	5-15-2026	2,200,000	2,244,000
AMC Entertainment Holdings Incorporated 144A%%	5.88	11-15-2026	1,525,000	1,536,438
Cablevision Systems Corporation	8.63	9-15-2017	2,975,000	3,108,875
CBS Radio Incorporated 144A	7.25	11-1-2024	80,000	83,100
CCO Holdings LLC	5.13	2-15-2023	1,425,000	1,474,875
CCO Holdings LLC 144A	5.13	5-1-2023	2,965,000	3,068,775
CCO Holdings LLC	5.25	9-30-2022	2,048,000	2,132,480
CCO Holdings LLC 144A	5.38	5-1-2025	7,195,000	7,392,863
CCO Holdings LLC 144A	5.50	5-1-2026	325,000	333,938
CCO Holdings LLC 144A	5.75	2-15-2026	5,675,000	5,912,641
CCO Holdings LLC 144A	5.88	4-1-2024	2,350,000	2,479,250
CCO Holdings LLC	6.63	1-31-2022	1,228,000	1,280,190
Cequel Communications Holdings I LLC 144A	7.75	7-15-2025	3,625,000	3,878,750
Cinemark USA Incorporated	4.88	6-1-2023	600,000	600,750
CSC Holdings LLC	7.88	2-15-2018	1,525,000	1,627,938
CSC Holdings LLC	8.63	2-15-2019	635,000	