

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2
Form N-CSRS
April 08, 2004

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 811-21333

Nuveen Preferred and Convertible Income Fund 2

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

Jessica R. Droeger
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: July 31

Date of reporting period: January 31

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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ITEM 1. REPORTS TO STOCKHOLDERS.

Nuveen Investments
Closed-End
Exchange-Traded
Funds

SEMIANNUAL REPORT January 31, 2004

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND
JPC

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2
JQC

Photo of: Man holding up small boy.
Photo of: 2 women with 2 girls looking at seashells.

HIGH CURRENT INCOME
FROM A PORTFOLIO OF
PREFERRED AND
CONVERTIBLE SECURITIES

Logo: NUVEEN Investments

FASTER INFORMATION
RECEIVE YOUR
NUVEEN FUND REPORT
ELECTRONICALLY

By registering for electronic delivery, you will receive an e-mail as soon as your Nuveen Fund information is available. Click on the link and you will be taken directly to the report. Your Fund report can be viewed and saved on your computer. Your report will arrive faster via e-mail than by traditional mail.

Registering is easy and only takes a few minutes
(see instructions at right).

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If you decide you do not like receiving your reports electronically, it's a simple process to go back to regular mail delivery.

IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME FROM YOUR FINANCIAL ADVISOR OR BROKERAGE ACCOUNT,

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FOLLOW THE STEPS OUTLINED BELOW:

- 1 Go to WWW.INVESTORDELIVERY.COM and follow the simple instructions, using the address sheet that accompanied this report as a guide.
- 2 You'll be taken to a page with several options. Select the NEW ENROLLMENT-CREATE screen and follow the simple instructions.
- 3 Click Submit. Confirm the information you just entered is correct, then click Submit again.
- 4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.
- 5 Use this same process if you need to change your registration information or cancel internet viewing.

IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME DIRECTLY TO YOU FROM NUVEEN,

FOLLOW THE STEPS OUTLINED BELOW:

- 1 Go to WWW.NUVEEN.COM
- 2 Select ACCESS YOUR ACCOUNT. Select the E-REPORT ENROLLMENT section. Click on Enrollment Today.
- 3 You'll be taken to a screen that asks for your Social Security number and e-mail address. Fill in this information, then click Enroll.
- 4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.
- 5 Use this same process if you need to change your registration information or cancel internet viewing.

Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

Sidebar text: We remain convinced that maintaining a well-balanced portfolio is an important way to help you reduce overall investment risk.

Dear SHAREHOLDER

I am pleased to report that over the period covered by this report both JPC and JQC essentially completed their initial investment processes, paid attractive monthly dividends and generated appealing cumulative returns. While it is too early to draw many conclusions about the overall performance of either Fund, we believe both provided investors with a quality-oriented portfolio and the opportunity for additional asset class diversification within their overall investment portfolios.

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We remain convinced that maintaining a well-balanced portfolio, structured and monitored with the help of an investment professional, is an important way to help you reduce overall investment risk and position yourself to achieve your long-term financial goals. In this context, the blended asset classes in your Fund may be important building blocks in a portfolio crafted to perform well through a variety of market conditions.

For more information on the specific performance of the Funds, I urge you to read the portfolio managers' perspective and performance overview pages in this report. I also ask you to consider receiving future Fund reports and other information electronically via the Internet and e-mail rather than in hard copy. Not only will you be able to receive the information faster, but this also may help lower Fund expenses. Sign up is quick and easy - see the inside front cover of this report for details.

Thank you for the confidence you have shown in Nuveen Investments. For more than 100 years, Nuveen Investments has specialized in offering quality investments to those seeking to accumulate and preserve wealth. Our mission continues to be to assist you and your financial advisor by offering the services and products that can help you meet your financial objectives.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

March 15, 2004

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NUVEEN PREFERRED AND CONVERTIBLE INCOME FUNDS (JPC, JQC)

Managers' PERSPECTIVE

The Funds are managed by Nuveen Institutional Advisory Corp. (NIAC), and subadvised by a team of specialists from Spectrum Asset Management, Inc., Frole, Revy Investment Co., Inc., and NIAC. Spectrum, an affiliate of Principal CapitalSM, manages the preferred securities portions of the Funds' portfolios. Frole, Revy, one of the oldest firms specializing in convertible securities, manages that portion of both Fund's portfolios, while NIAC manages the high yield securities and other debt instruments in both Funds. Here representatives from Spectrum, Frole, Revy and NIAC talk about general economic conditions, fund performance and their management strategies for the reporting period ended January 31, 2004.

WHAT WAS THE GENERAL MARKET ENVIRONMENT FOR PREFERRED AND CONVERTIBLE SECURITIES AND HIGH YIELD DEBT FOR THE PERIOD ENDED JANUARY 31, 2004?

Looking at preferred securities first, market conditions for most of this period were favorable. As a result, preferred securities were among the best performers within the fixed-income sector for the 12 months ended January 31, 2004. Both individual and institutional investors were aggressive buyers of preferred securities during this period because, in our opinion, of the attractive yields that preferred securities offered relative to alternative investments. The credit quality environment, especially among the financial industry-oriented issuers, was positive, reflecting improvement in the general economy and in the

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equity markets. New issuance of preferred securities was robust over the period, with a total of \$42.1 billion coming to market during 2003. As of December 31, 2003, the size of the hybrid preferred securities market, in which the Funds primarily invest, was approximately \$219 billion.

Generally, conditions also were favorable in the convertible securities market during the reporting period. For the six month period ending January 31, 2004, the convertible securities market, as measured by Merrill Lynch's All U. S. Convertible Index, provided a total return of 14.56%. This return represented about 75% of the NASDAQ 100 Index's return over the same period, and 95% of the S&P 500 Index's six month return. While convertibles performed well, they did not capture as much of the equity index gains as some might have expected because much of the convertible market during this period was trading primarily as yield alternatives with very low sensitivity to equity market movements.

In addition, the high yield securities market performed well during the reporting period. All 23 sectors of the CSFB High Yield Index provided positive returns for the fourth quarter and full year of 2003. Lower-rated bonds and loans significantly outperformed the middle and upper tier, due in our opinion to investors' increased risk appetites and the improved high yield environment. Default rates in the leveraged loan market continued to improve throughout 2003, falling to 2.92% from 7.32%. Importantly, distressed high yield debt declined 90% in 2003, to \$5.8 billion from \$59.0 billion. In addition, the ratio of upgraded to downgraded issues increased in 2003 for the first time in five years.

IN THIS ENVIRONMENT, HOW DID THE FUNDS PERFORM?

The portfolios of both Funds contain allocations of preferred, convertible and high yield securities. Cumulative total returns for the periods from the Funds' inceptions through January 31, 2004, are shown in the nearby chart, along with the performance over similar periods of some widely-followed unmanaged, unleveraged indexes of the major asset classes in which the Funds invest.

CUMULATIVE TOTAL RETURN ON NET ASSET VALUE

| | |
|--|--------|
| JPC (inception 3/26/03 - 1/31/04) | 16.64% |
| Merrill Lynch Preferred Stock Hybrid Securities Index1 (3/31/03-1/31/04) | 8.47% |
| Merrill Lynch All U.S. Convertible Index2 (3/31/03 - 1/31/04) | 27.10% |
| CSFB High Yield Index3 (3/31/03 - 1/31/04) | 21.99% |
| JQC (inception 6/25/03 - 1/31/04) | 10.35% |
| Merrill Lynch Preferred Stock Hybrid Securities Index1 (6/30/03-1/31/04) | 3.71% |
| Merrill Lynch All U.S. Convertible Index2 (6/30/03 - 1/31/04) | 14.88% |
| CSFB High Yield Index3 (6/30/03 - 1/31/04) | 11.16% |

During much of the performance periods shown here, both Funds were engaged in the initial investment of the proceeds raised from their common and preferred share offerings. While we are generally pleased with the performance of the Funds since their

1 The Merrill Lynch Preferred Stock Hybrid Securities Index is an unmanaged index of investment-grade, exchange-traded preferred stocks with outstanding market values of at least \$30 million and at least one year to

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maturity.

- 2 The Merrill Lynch All U.S. Convertibles Index consists of approximately 575 convertible securities with par value greater than \$50 million that were issued by U.S. companies or non-U.S. based issuers that have a significant business presence in the U.S.
- 3 The CSFB High Yield Index includes approximately \$375 billion of \$US-denominated high yield debt with a minimum of \$75 million in par value and at least one rating below investment-grade.

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inceptions, we think that a few months of initial data provide little basis for a proper evaluation of Fund performance. The cumulative Fund returns shown here lie between the returns posted by indexes representing the asset classes in which the Funds primarily invest. We believe this was to be expected, given the blended nature of both Funds' portfolios.

Both Funds provided attractive monthly income during the reporting period. Each Fund seeks to pay dividends at a rate that reflects the past and projected performance of the Fund. To permit a Fund to maintain a more stable monthly dividend, the Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If the Fund has cumulatively earned more than it has paid in dividends, it will hold the excess in reserve as undistributed net investment income (UNII) as part of the Fund's net asset value. Conversely, if the Fund has cumulatively paid in dividends more than it has earned, the excess will constitute a negative UNII balance which will likewise be reflected in the Fund's net asset value. Each Fund will, over time, pay all its net investment income as dividends to shareholders. As of January 31, 2004, both Funds had negative UNII.

As of January 31, 2004, both JPC and JQC were trading at discounts to their respective net asset values. For additional performance information, please see the individual Performance Overview pages for your Fund in this report.

WHAT STRATEGIES DID YOU EMPLOY IN MANAGING THE FUNDS?

For the preferred securities portion of each Fund's portfolio, we tried to generate income and enhance total return by looking to exploit inefficiencies between preferred valuations and senior debt levels, as well as between \$25 par listed preferred shares and \$1000 par unlisted preferred capital securities of the same issuer. In addition, we sought to lessen the potential effects of higher interest rates by focusing on higher coupon, "cushioned" issues trading at a premium to par in the secondary market. When they were available, we believed these cushioned securities represented better value than many of the new issues reflecting today's relatively low interest rates.

Looking at the convertible securities allocations, both Funds were positioned initially to balance income needs with the desire for capital gains. Generally, we looked for securities with greater equity-tracking sensitivity when we had strong views on the attractiveness of either a sector or a specific company. As of January 31, 2004, about 10% of both Funds' convertible securities allocations were hedged in an effort to reduce overall risk and increase cash flow.

With the high-yield allocations, we concentrated on finding what we thought were higher-quality credits with strong fundamental business models, diversified revenue streams and relatively less earnings volatility. We focused on investing the assets across multiple sectors such as gaming/lodging, home-building,

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retail, media and food.

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NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND

Performance

OVERVIEW As of January 31, 2004

JPC

Portfolio Statistics

| | |
|---|-------------|
| Share Price | \$15.49 |
| Common Share Net Asset Value | \$15.67 |
| Premium/(Discount) to NAV | -1.15% |
| Latest Dividend | \$.1005 |
| Market Yield | 7.79% |
| Net Assets Applicable to Common Shares (\$000) | \$1,568,810 |

| Top Five Industries | % of Total Investments |
|-------------------------------|---------------------------|
| Banking | 13% |
| Real Estate Investment Trusts | 12% |
| Banking - Foreign | 10% |
| Financial | 5% |
| Auto | 4% |

| Top Five Issuers | % of Total Investments |
|----------------------------|---------------------------|
| Wachovia Corporation | 2.8% |
| General Motors Corporation | 2.2% |
| Ford Motor Company | 2.0% |
| PartnerRe Limited | 1.9% |
| Citigroup | 1.8% |

Cumulative Total Return
(Inception Date 3/26/03)

on Share Price on NAV

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 Since Inception 10.17% 16.64%

Bar Chart:

2003-2004 MONTHLY DIVIDENDS PER SHARE¹

| | |
|-----|--------|
| May | 0.1005 |
| Jun | 0.1005 |
| Jul | 0.1005 |
| Aug | 0.1005 |
| Sep | 0.1005 |
| Oct | 0.1005 |
| Nov | 0.1005 |
| Dec | 0.1005 |
| Jan | 0.1005 |

Line Chart:

SHARE PRICE PERFORMANCE

| | |
|---------|-------|
| 3/28/03 | 15.03 |
| | 15.09 |
| | 15.28 |
| | 15.4 |
| | 15.14 |
| | 15.15 |
| | 15.3 |
| | 15.32 |
| | 15.43 |
| | 15.45 |
| | 15.37 |
| | 15.4 |
| | 15.49 |
| | 15.4 |
| | 15.04 |
| | 14.47 |
| | 14.75 |
| | 14.1 |
| | 14.01 |
| | 14.25 |
| | 14.43 |
| | 14.42 |
| | 14.42 |
| | 14.23 |
| | 14.66 |
| | 14.74 |
| | 14.67 |
| | 14.85 |
| | 14.95 |
| | 14.99 |
| | 14.76 |
| | 14.95 |
| | 15.17 |
| | 15.05 |
| | 15.52 |
| | 15.52 |
| | 15.4 |
| | 15.36 |
| 1/31/04 | 15.49 |

Weekly Closing Price

Past performance is not predictive of future results.

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1 The Fund paid shareholders a short-term capital gains distribution in December 2003 of \$0.0568 per share.

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NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2

Performance

OVERVIEW As of January 31, 2004

JQC

Portfolio Statistics

| | |
|---|-------------|
| Share Price | \$14.89 |
| Common Share Net Asset Value | \$15.19 |
| Premium/(Discount) to NAV | -1.97% |
| Latest Dividend | \$0.0975 |
| Market Yield | 7.86% |
| Net Assets Applicable to Common Shares (\$000) | \$2,141,490 |

| Top Five Industries | % of Total Investments |
|-------------------------------|---------------------------|
| Banking | 16% |
| Banking - Foreign | 13% |
| Real Estate Investment Trusts | 8% |
| Broadcast Cable | 4% |
| Financial | 4% |

| Top Five Issuers | % of Total Investments |
|-----------------------------|---------------------------|
| Wachovia Corporation | 2.2% |
| Citigroup | 1.9% |
| HBOS Public Limited Company | 1.8% |
| ING Groep NV | 1.7% |
| General Motors Corporation | 1.6% |

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Cumulative Total Return
(Inception Date 6/25/03)

| | on Share Price | on NAV |
|--------------------------|----------------|--------|
| ----- Since Inception | 3.38% | 10.35% |
| ----- | | |

Bar Chart:

2003-2004 MONTHLY DIVIDENDS PER SHARE

| | |
|-----|--------|
| Aug | 0.0975 |
| Sep | 0.0975 |
| Oct | 0.0975 |
| Nov | 0.0975 |
| Dec | 0.0975 |
| Jan | 0.0975 |

Line Chart:

SHARE PRICE PERFORMANCE

| | |
|---------|-------|
| 6/27/03 | 15 |
| | 15.09 |
| | 15.25 |
| | 15.01 |
| | 14.69 |
| | 14.21 |
| | 14.01 |
| | 13.73 |
| | 13.82 |
| | 14.05 |
| | 13.99 |
| | 13.97 |
| | 13.97 |
| | 14.33 |
| | 14.29 |
| | 14.3 |
| | 14.35 |
| | 14.43 |
| | 14.37 |
| | 14.37 |
| | 14.44 |
| | 14.73 |
| | 14.35 |
| | 14.68 |
| | 14.97 |
| | 14.83 |
| | 14.89 |
| 1/31/04 | 14.89 |

Weekly Closing Price

Past performance is not predictive of future results.

Shareholder

MEETING REPORT

The Shareholder Meeting was held in Chicago, Illinois on October 22, 2003.

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APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS:

=====

William E. Bennett

For
Withhold

Total

=====

Robert P. Bremner

For
Withhold

Total

=====

Lawrence H. Brown

For
Withhold

Total

=====

Jack B. Evans

For
Withhold

Total

=====

Anne E. Impellizzeri

For
Withhold

Total

=====

William L. Kissick

For
Withhold

Total

=====

Thomas E. Leafstrand

For
Withhold

Total

=====

Peter R. Sawers

For
Withhold

Total

=====

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APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS: (CONTINUED)

 =====
 William J. Schneider
 For
 Withhold

 Total

=====

Timothy R. Schwertfeger
 For
 Withhold

 Total

=====

Judith M. Stockdale
 For
 Withhold

 Total

=====

Sheila W. Wellington
 For
 Withhold

 Total

=====

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Nuveen Preferred and Convertible Income Fund (JPC)
 Portfolio of
 INVESTMENTS January 31, 2004 (Unaudited)

| SHARES | DESCRIPTION(1) |
|---------|---|
| | PREFERRED SECURITIES - 49.5% (34.2% OF TOTAL INVESTMENTS) |
| | AUTOMOBILE - 1.6% |
| 331,800 | Ford Motor Company, 8.000% (CORTS) |
| 129,900 | Ford Motor Company, Series F, 8.000% (CBTCS) |
| 520,000 | General Motors Corporation, 7.375% |

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| | |
|--------|--|
| | AUTOMOBILE - FOREIGN - 0.0% |
| 16,500 | Magna International Inc., Series B, 8.875% |

| | |
|---------|-------------------------|
| | AUTOMOBILE PARTS - 0.6% |
| 340,898 | Delphi Trust I, 8.250% |

| | |
|---------|---|
| | BANKING - 8.4% |
| 500 | ABN AMRO North America, Series L-144A, 6.460% (a) |
| 2,000 | ABN AMRO North America, Series 144A, 6.590% (a) |
| 51,000 | ASBC Capital I, 7.625% |
| 65,185 | BAC Capital Trust I, 7.000% |
| 135,755 | BAC Capital Trust II, 7.000% |
| 284,700 | BAC Capital Trust III, 7.000% |
| 22,800 | Bank One Capital Trust V, 8.000% |
| 72,300 | Bank One Capital Trust VI, 7.200% |
| 26,000 | BankNorth Capital Trust II, 8.000% |
| 500 | BNY Capital Trust IV, Series E, 6.875% |
| 300,000 | BNY Capital Trust V, Series F, 5.950% |
| 3,000 | Chase Capital Trust V, Series E, 7.030% |
| 62,200 | Chittenden Capital Trust I, 8.000% |
| 52,500 | Citigroup Capital Trust VI, 6.875% |
| 22,200 | Citigroup Capital Trust VII, 7.100% |
| 331,300 | Citigroup Capital Trust VIII, 6.950% |
| 251,574 | Citigroup Capital Trust IX, 6.000% |
| | Citigroup Inc.: |
| 37,000 | Series F, 6.365% (a) |
| 100,000 | Series G, 6.213% (a) |
| 60,000 | Series H, 6.231% (a) |
| 80,000 | Series M, 5.864% (a) |
| 110,000 | Cobank ABC, Series 144A, 7.000% (a) |
| 76,100 | Comerica Capital Trust I, 7.600% |
| 123,600 | Compass Capital Trust III, 7.350% |
| 17,900 | First Union Capital II, Series II, 7.500% (CORTS) |

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| | |
|---------|---|
| 41,500 | First Union Institutional Capital II, 8.200% (CORTS) |
| 292,579 | Fleet Capital Trust VII, 7.200% |
| 337,000 | Fleet Capital Trust VIII, 7.200% |
| 3,400 | Harris Preferred Capital Corporation, Series A 7.375% |

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SHARES DESCRIPTION(1)

BANKING (continued)

| | |
|---------|--|
| 28,000 | JPM Capital Trust, 7.200% (CORTS) |
| 50,000 | JPMorgan Chase & Company, 7.125% (PCARS) |
| 395,067 | JPMorgan Chase Capital Trust X, 7.000% |
| 50,000 | JPMorgan Chase Capital Trust XI, 5.875% |
| 47,200 | JPMorgan Chase Trust, Series 2002-6, Class A, 7.125% (SATURNS) |
| | KeyCorp: |
| 6,800 | Series 2001-7, 7.750% (CORTS) |
| 18,800 | Series B, 8.250% (CORTS) |
| 142,200 | National Commerce Capital Trust II, 7.700% |
| 15,000 | PNC Capital Trust, 6.125% |
| 1,000 | Regions Finance Trust I, 8.000% |
| 74,300 | SunTrust Capital Trust IV, 7.125% |
| 36,500 | SunTrust Capital Trust V, 7.050% |
| 41,900 | USB Capital Trust III, 7.750% |
| 159,400 | USB Capital Trust IV, 7.350% |
| 43,900 | USB Capital Trust V, 7.250% |
| 21,500 | VNB Capital Trust I, 7.750% |
| 3,000 | Washington Mutual Capital Trust I, Series 2001-22, Class A-1, 7.650% (CORTS) |
| 3,300 | Wells Fargo Capital Trust IV, 7.000% |
| 57,335 | Wells Fargo Capital Trust V, 7.000% |
| 14,700 | Wells Fargo Capital Trust VI, 6.950% |
| 230,000 | Wells Fargo Capital Trust VII, 5.850% |

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52,800 Zions Capital Trust B, 8.000%

BANKING - FOREIGN - 1.5%

40,000 Abbey National plc, 7.375%

138,500 ABN AMRO Capital Fund Trust II, 7.125%

30,000 ABN AMRO Capital Fund Trust V, 5.900%

63,400 Banco Totta & Acores Finance, Series A, 8.875%

186,114 Banesto Holdings, Series A-144A, 10.500%

11,000 BCH Capital Ltd., Series B, 9.430%

73,450 BSCH Finance Ltd., Series Q, 8.625%

42,500 Espirito Santo Overseas, 8.500%

32,900 National Westminster Bank plc, Series A, 7.875%

250,000 Royal Bank of Scotland Group plc, 5.750%

9,900 Westpac Capital Trust I, 8.000%

BROKERAGE - 3.8%

10,100 Bear Stearns Capital Trust III, 7.800%

16,900 Goldman Sachs Group Inc., 6.000% (PPLUS)

16,000 Goldman Sachs Group Inc., Series 2003-06, 6.000% (SATURNS)

526,388 Lehman Brothers Holdings Capital Trust, III, Series K, 6.375%

100,000 Merrill Lynch Capital Trust, 7.000%

23,900 Merrill Lynch Capital Trust II, 8.000%

27,600 Merrill Lynch Preferred Capital Trust, 7.750%

113,600 Merrill Lynch Preferred Capital Trust IV, 7.120%

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

SHARES DESCRIPTION(1)

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BROKERAGE (continued)

| | |
|---------|---|
| 225,000 | Merrill Lynch Preferred Capital Trust V, 7.280% |
| 21,400 | Morgan Stanley, 7.050% (PPLUS) |
| 66,100 | Morgan Stanley Capital Trust II, 7.250% |
| 403,239 | Morgan Stanley Capital Trust III, 6.250% |
| 716,200 | Morgan Stanley Capital Trust IV, 6.250% |

COMPUTER - 0.0%

| | |
|-------|---|
| 8,000 | IBM Inc., 7.125% (CORTS) |
| 3,000 | IBM Inc., Series 2001-1, 7.125% (SATURNS) |

ENERGY - FOREIGN - 0.1%

| | |
|--------|------------------------------|
| 15,300 | EnCana Corporation, 9.500% |
| 14,700 | Talisman Energy Inc., 9.000% |
| 24,200 | Talisman Energy Inc., 8.900% |

ENTERTAINMENT - 0.1%

| | |
|--------|---------------------|
| 37,600 | Viacom Inc., 7.300% |
|--------|---------------------|

FINANCIAL - 3.8%

| | |
|-----------|---|
| 6,800 | CIT Group Incorporated, 7.750% (CORTS) |
| 95,700 | Countrywide, 8.050% (PPLUS) |
| 1,200,200 | Countrywide Capital Trust IV, 6.750% |
| 7,200 | Financial Security Assurance Holdings, 6.875% |
| 13,000 | Financial Security Assurance Holdings, 6.250% |
| 33,100 | General Electric Capital Corporation, 6.625% |
| 40,000 | General Motors Acceptance Corporation, 7.350% |
| 4,800 | Household Capital Trust V, Series X, 10.000% |
| 20,400 | Household Capital Trust VI, 8.250% |
| 39,200 | Household Capital Trust VII, 7.500% |
| 773,900 | Household Finance Corporation, 6.875% |

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1,300 Philadelphia Industrial Development Authority, Pennsylvania, Pension, 6.550%

 FINANCIAL - FOREIGN - 2.4%

6,900 CSFB USA, Series 2002-10, 7.000% (SATURNS)

93,500 ING Capital Funding Trust, 7.700%

506,518 ING Group NV, 7.200%

747,975 ING Group NV, 7.050%

 FOOD - 0.4%

60,000 Dairy Farmers of America Inc., Series 144A, 7.875% (a)

 FOOD - FOREIGN - 0.2%

126,500 Grand Metropolitan Delaware LP, 9.420%

 GAS - 0.1%

20,100 AGL Capital Trust II, 8.000%

39,100 Dominion CNG Capital Trust I, 7.800%

 GAS - FOREIGN - 0.0%

1,000 TransCanada Pipeline, 8.250%

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SHARES DESCRIPTION(1)

 INDUSTRIAL - 0.0%

7,800 Sherwin Williams Company, Series III, 7.250% (CORTS)

 INSURANCE - FINANCIAL - 0.3%

103,157 AMBAC Financial Group Inc., 5.950%

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| | |
|--------|---|
| 50,000 | AMBAC Financial Group Inc., 5.875% |
| 1,300 | MBIA Inc., 8.000% |
| 55,100 | W.R. Berkley Capital Trust, Series 2002-1, 8.125% (CBTCS) |

INSURANCE - LIFE - 2.8%

| | |
|-----------|--|
| 273,500 | Aetna Inc., 8.500% |
| 1,216,000 | Delphi Financial Group Inc., 8.000% |
| 11,000 | Great-West L&A Capital Trust I, Series A, 7.250% |
| 25,200 | Lincoln National Capital Trust V, Series E, 7.650% |
| 73,100 | PLC Capital Trust III, 7.500% |
| 15,200 | PLC Capital Trust IV, 7.250% |
| 12,800 | Torchmark Capital Trust I, 7.750% |

INSURANCE - MULTIPLE LINE - 0.9%

| | |
|---------|--|
| 108,360 | AIG Capital Securities, Series 2002-11, 6.000% (SATURNS) |
| 188,900 | Hartford Capital Trust III, Series C, 7.450% |
| | Hartford Life Capital Trust I: |
| 78,000 | Series A, 7.200% |
| 13,600 | Series B, 7.625% |
| 13,200 | Safeco Capital Trust I, 8.750% (CORTS) |
| 4,300 | Safeco Capital Trust I, Series 2001-4, 8.750% (CORTS) |
| 30,000 | Safeco Capital Trust III, 8.072% (CORTS) |
| 3,600 | Safeco Capital Trust IV, 8.375% (CORTS) |
| | Safeco Corporation: |
| 38,600 | Series 2001-7, 8.250% (SATURNS) |
| 35,100 | Series 2002-5, 8.250% (SATURNS) |

INSURANCE - PROPERTY AND CASUALTY - FOREIGN - 5.4%

| | |
|---------|--|
| 2,000 | Ace Capital Trust I, Series 1999, 8.875% |
| 504,310 | Ace Ltd., Series C, 7.800% |
| 232,560 | Converium Finance. 8.250% |
| 91,000 | EverestRe Group Limited, 7.850% |
| 72,000 | PartnerRe Limited, 7.900% |

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1,550,312 PartnerRe Limited, Series C, 6.750%

RenaissanceRe Holdings Ltd.:
 88,800 Series A, 8.100%
 325,310 Series B, 7.300%

XL Capital Ltd.:
 64,000 Series A, 8.000%
 192,600 Series B, 7.625%

 OIL - FOREIGN - 0.6%

372,500 Nexen Inc., 7.350%

 PHARMACEUTICALS - FOREIGN - 0.0%

6,800 Rhone-Poulenc Overseas, Series A, 8.125%

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

SHARES DESCRIPTION(1)

REAL ESTATE INVESTMENT TRUSTS - 13.7%

60,000 AMB Property Corporation, Series L, 6.500%

10,700 AvalonBay Communities Inc., Series H, 8.700%

2,300 BRE Properties, Series B, 8.080%

201,925 CarrAmerica Realty Corporation, Series E, 7.500%

Developers Diversified Realty Corporation:
 14,400 Series F, 8.600%
 656,785 Series G, 8.000%
 72,000 Series H, 7.375%

109,081 Equity Office Properties Trust, Series G, 7.750%

Equity Residential Properties Trust:
 6,100 Series B, 9.125%
 18,700 Series C, 9.125%
 5,000 Series D, 8.600%

610,800 Equity Residential Properties Trust, Series N, 6.480%,

First Industrial Realty Trust Inc.:
 72,900 Series D, 7.950%
 199,500 Series E, 7.900%

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708,634 Gables Residential Trust, Series D, 7.500%,
 HRPT Properties Trust:
 30,000 Series A, 9.875%
 292,600 Series B, 8.750%
 949,983 Kimco Realty Corporation, Series F, 6.650%,
 New Plan Excel Realty Trust:
 13,693 Series D, 7.800%,
 972,775 Series E, 7.625%
 Prologis Trust:
 32,982 Series C, 8.540%,
 20,000 Series G, 6.750%
 Public Storage Inc.:
 14,800 Series L, 8.250%
 159,400 Series R, 8.000%
 28,900 Series S, 7.875%
 26,500 Series T, 7.625%
 24,500 Series U, 7.625%
 32,000 Series V, 7.500%
 281,000 Regency Centers Corporation, 7.450%
 7,000 Simon Property Group Inc., Series G, 7.890%
 1,609,945 Wachovia Preferred Funding Corporation, 7.250%
 710,000 Weingarten Realty Trust, 6.750%

TELECOMMUNICATIONS - 0.9%

15,200 AT&T Wireless Services Equity, Series 2002-B, 9.250% (SATURNS)
 14,100 AT&T Wireless, Series 2002-7, 8.000% (CBTCS)
 25,400 BellSouth Corporation, Series 2001-3, 7.125% (SATURNS)
 6,500 BellSouth Inc., 7.000% (CORTS)
 6,800 BellSouth Telecommunications, 7.300% (PPLUS)
 128,500 Citizens Communications Company, 8.375% (PPLUS)
 30,500 Citizens Communications Company, Series 2001-2, 8.625% (SATURNS)
 25,550 Deutsche Telekom International Finance, B.V., Series 2001-24, Class A-1, 7.875% (SATURNS)
 15,900 SBC Communications Inc., 7.000%
 70,700 Telephone and Data Systems Inc., 7.600%

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| SHARES | DESCRIPTION(1) |
|---------|--|
| ----- | |
| | TELECOMMUNICATIONS (continued) |
| 33,800 | United States Cellular Corporation, 8.750% |
| 19,900 | Verizon Communications, 7.375% (CORTS) |
| 110,000 | Verizon Communications, 6.200% (CBTCS) |
| 14,800 | Verizon Communications, Series VZ, 7.625% (CORTS) |
| 11,500 | Verizon New England Inc., Series B, 7.000% |
| 25,855 | Verizon South Inc., Series F, 7.000% |
| ----- | |
| | UNITED STATES GOVERNMENT AGENCY - 0.9% |
| 197,900 | Fannie Mae, 5.125% (a) |
| 10,000 | Federal Home Loan Mortgage Corporation, 5.000% (a) |
| 20,000 | SLM Corporation, 6.000% |
| 120,732 | Tennessee Valley Authority, Series D, 6.750% |
| ----- | |
| | UTILITIES - 0.1% |
| 6,500 | Atlantic Capital Trust II, Series C, 7.375% |
| 16,300 | Consolidated Edison Company, 7.250% |
| 4,100 | Consolidated Edison Company of New York Inc., 7.500% |
| 3,000 | Detroit Edison Company, 7.375% |
| 22,200 | DTE Energy Trust I, 7.800% |
| 26,000 | Energy East Capital Trust I, 8.250% |
| 30,970 | Entergy Louisiana Inc., 7.600% |
| 239,400 | Georgia Power Company, 5.900% |
| 3,000 | Georgia Power Capital Trust IV, 6.850% |
| 43,570 | Georgia Power Capital Trust V, 7.125% |
| 65,000 | Mississippi Power Company, 5.625% |
| 124,000 | Virginia Power Capital Trust, 7.375% |
| ----- | |
| | Total Preferred Securities (cost \$749,502,942) |
| ----- | |

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CONVERTIBLE PREFERRED SECURITIES - 20.2% (13.9% OF TOTAL INVESTMENTS)

AEROSPACE AND DEFENSE - 0.5%

76,000 Northrop Grumman Corporation, 7.250%

AUTOMOBILE - 0.8%

224,450 Ford Motor Company Capital Trust II, 6.500%

BANKING - 1.9%

217,900 Citigroup Global Markets, 2.000%

56,200 State Street Corporation, 6.750%

144,000 Washington Mutual Inc. Unit 1 Trust, 5.375%

BROADCASTING AND CABLE TV - 1.5%

508,250 Cablevision Systems Corporation, Trust I, 6.500%

185,000 Emmis Communications Corporation, Series A, 6.250%

10,000 Sinclair Broadcast Group Inc., Series D, 6.000%

COMMERCIAL SERVICES - 1.5%

330,000 Cendant Corporation, 7.750%

105,300 Interpublic Group, Series A, 5.375%

DISTILLERS/BREWERS - 0.1%

42,300 Constellation Brands Inc., 5.750%

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)
Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

SHARES DESCRIPTION(1)

ELECTRONIC EQUIPMENT AND INSTRUMENTS - 0.8%

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175,000 Pioneer-Standard Financial Trust, 6.750%

200,000 Solectron Corporation, 7.250%

ENERGY - 0.2%

68,250 Kerr McGee Corporation, 5.500%

ENVIRONMENTAL SERVICES - 0.5%

97,375 Allied Waste Industries Inc., 6.250%

FINANCIAL - 0.6%

200,000 Affiliated Managers Group Inc., 6.000%

154,000 Gabelli Asset Management Inc., 6.950%

FOREST PRODUCTS/PAPER - 0.4%

112,500 Temple Inland Inc., 7.500%

GAS - 0.3%

185,000 Sempra Energy, 8.500%

HEALTHCARE DISTRIBUTORS AND SERVICES - 0.3%

41,000 Anthem Inc., 6.000%

HOUSEHOLD DURABLES - 0.3%

106,675 Newell Financial Trust I, 5.250%

INFORMATION TECHNOLOGY SERVICES - 0.3%

239,000 Electronic Data Systems Corporation, 7.625%

INSURANCE - LIFE - 0.9%

206,000 Reinsurance Group of America Inc., 5.750%

65,000 UnumProvident Corporation, 8.250%

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| | |
|---------|--|
| | INSURANCE - MULTIPLE LINE - 1.1% |
| 86,200 | Hartford Financial Services Group Inc., 7.000% |
| 140,000 | Phoenix Companies Inc., 7.000% |
| 98,000 | Prudential Financial Capital Trust I, 6.750% |

| | |
|---------|--|
| | INSURANCE - PROPERTY AND CASUALTY - 0.3% |
| 100,000 | Chubb Corporation, 7.000% |
| 51,525 | PMI Group Inc., 5.875% |

| | |
|--------|--|
| | OIL SERVICES - 0.1% |
| 25,000 | Hanover Compressor Capital Trust, 7.250% |

| | |
|---------|--|
| | REAL ESTATE INVESTMENT TRUSTS - 0.5% |
| 165,000 | Equity Office Properties Trust, Series B, 5.250% |

| | |
|---------|---------------------------------------|
| | REAL ESTATE - OTHER - 0.9% |
| 250,000 | Host Marriott Financial Trust, 6.750% |

| | |
|---------|--------------------------------|
| | RETAIL - 0.8% |
| 225,000 | Toys R Us Inc., 6.250% |
| 53,000 | United Rentals Trust I, 6.500% |

| | |
|---------|---|
| | SAVINGS AND LOAN - 0.4% |
| 118,000 | Capital One Financial Corporation, 6.250% |

| SHARES | DESCRIPTION(1) |
|--------|----------------|
|--------|----------------|

| | |
|--|--------------|
| | STEEL - 0.9% |
|--|--------------|

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85,800 TXI Capital Trust I, 6.500%

84,700 United States Steel Corporation, Series B, 7.000%

TELECOMMUNICATIONS - 0.8%

131,000 Alltel Corporation, 7.750%

633,900 Sprint Corporation, 7.125%

TELECOMMUNICATIONS EQUIPMENT - 1.1%

6,010 Lucent Technologies Capital Trust I, 7.750%

65 Nortel Networks Corp., 7.000%

UTILITIES - 2.4%

157,000 Cinergy Corporation, 9.500%

344,500 Detroit Edison Company, 8.750%

144,800 Dominion Resources Inc., 8.750%

217,900 FPL Group Inc., 8.000%

Total Convertible Preferred Securities (cost \$264,168,507)

CAPITAL PREFERRED - HYBRID SECURITIES - 3.9% (2.7% OF TOTAL INVESTMENTS)

BANKING - FOREIGN - 1.0%

15 BBVA Privanza International Gibraltar, Series 144A, 7.764%

REAL ESTATE INVESTMENT TRUSTS - 2.0%

300 Union Planters Preferred Fund, Series 144A, 7.750%

TELECOMMUNICATIONS - 0.9%

10,957 Centaur Funding Corporation, Series B, Series 144A, 9.080%

Total Capital Preferred - Hybrid Securities (cost \$56,344,303)

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| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION(1) |
|--------------------------------------|--|
| ----- | |
| | CONVERTIBLE BONDS - 27.5% (18.9% OF TOTAL INVESTMENTS) |
| | AEROSPACE AND DEFENSE - 0.5% |
| 7,600 | AAR Corporation, Series 144A, 2.875%, 2/01/24 |
| ----- | |
| | AIRLINES - 0.6% |
| 6,110 | Delta Air Lines Incorporated, Series 144A, 8.000%, 6/03/23 |
| 3,200 | Northwest Airlines Corporation, Convertible Notes, Series 144A, 6.625%, 5/15/23 |
| ----- | |
| | AUTOMOBILE - 1.2% |
| 2,260 | Fleetwood Enterprises Inc., Series 144A, 5.000%, 12/15/23 |
| 185,250 | General Motors Corporation, Convertible Notes, Senior Debentures: Series A, 4.500%, 3/06/32 |
| 185,100 | Series B, 5.250%, 3/06/32 |
| 6,000 | Sonic Automotive Inc., Convertible Senior Subordinated Notes, 5.250%, 5/07/09 |
| ----- | |
| | BIOTECHNOLOGY - 1.1% |
| 4,000 | Echostar Communications Corporation, Convertible Subordinated Notes, 5.750%, 5/15/08 |
| 6,650 | Fisher Scientific International Inc., Convertible Senior Notes, 2.500%, 10/01/23 |
| 4,500 | Ivax Corporation, Convertible Senior Subordinated Notes, 4.500%, 5/15/08 |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)
Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION(1) |
|--------------------------------------|--|
| ----- | |
| | BROADCASTING AND CABLE TV - 2.0% |
| 325,000 | Comcast Corporation, 2.000%, 10/15/29 |
| 9,900 | Liberty Media Corporation, Senior Debentures Exchangeable for Class B, 3.250%, 3/01/29 |

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6,500 Mediacom Communications Corporation, Convertible Senior Notes, 5.250%, 7/01/06
3,425 Sinclair Broadcast Group, Convertible Step Coupon, Senior Series 144A, 4.875%, 7/01/06

COMMERCIAL SERVICES - 0.5%

6,700 Bowne and Company Incorporated, Series 144A, 5.000%, 10/01/33

COMPUTER - 2.8%

2,500 Computer Associates International Inc., 5.000%, 3/15/07
6,435 Electronic Data Systems, Convertible Senior Notes, Series 144A, 3.875%, 7/15/23
4,000 FEI Company, Convertible Notes, 5.500%, 8/15/08
18,740 Hewlett-Packard Company, 0.000%, 10/14/17
1,061 Juniper Networks, Convertible Subordinated Notes, 4.750%, 3/15/07
4,250 Lam Research Corporation, Convertible Subordinated Notes, 4.000%, 6/01/06
2,625 Maxtor Corporation, Convertible Senior Notes, Series 144A, 6.800%, 4/30/10
6,600 Mentor Graphics Corporation, Convertible Subordinate Notes, 6.875%, 6/15/07
2,000 Red Hat Inc., Convertible Bonds, Series 144A, 0.500%, 1/15/24

DIVERSIFIED METALS - 0.5%

4,785 Freeport-McMoran Inc., 7.000%, 2/11/11

ELECTRONIC EQUIPMENT AND INSTRUMENTS - 1.5%

21,500 Arrow Electronics Inc., 0.000%, 2/21/21
7,700 Celestica Inc., 0.000%, 8/01/20
46,475 General Cable Corporation, Series 144A, 5.750%, 11/24/13
4,100 Teradyne Inc., Convertible Senior Notes, 3.750%, 10/15/06

ENERGY - 0.6%

7,130 McMoran Exploration Corporation, Notes, Series 144A, 6.000%, 7/02/08

ENTERTAINMENT - 0.2%

3,200 Lions Gate Entertainment Corporation, Convertible Bonds, Series 144A, 4.875%, 12/01/06

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FINANCIAL - 0.4%

6,900 Providian Financial Corporation, Convertible Senior Notes, 3.250%, 8/15/05

GAS - 0.1%

39,750 Southern Union Company, Series B, 5.750%, 8/16/06

HEALTHCARE DISTRIBUTORS AND SERVICES - 0.6%

7,050 Alza Corporation, 0.000%, 7/28/20

4,200 Province Healthcare Inc., Convertible Subordinated Notes, 4.500%, 11/20/05

HOTELS - 0.3%

4,075 Fairmont Hotels and Resorts Inc., Convertible Notes, Series 144A, 3.750%, 12/01/20

INDUSTRIAL CONGLOMERATES - 0.3%

3,350 Tyco International Group Limited, Convertible Notes, Series 144A, 3.125%, 1/15/23

INDUSTRIAL - 0.2%

2,500 EDO Corporation, Convertible Subordinate Notes, 5.250%, 4/15/07

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| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION(1) |
|--------------------------------------|----------------|
|--------------------------------------|----------------|

INFORMATION TECHNOLOGY SERVICES - 0.5%

2,090 Acxiom Corporation, 3.750%, 2/15/09

4,000 HNC Software Inc., 5.250%, 9/01/08

INSURANCE - MULTIPLE LINE - 0.1%

2,300 American International Group Inc., 0.500%, 5/15/07

INSURANCE - PROPERTY AND CASUALTY - 0.6%

383,300 Travelers Property and Casualty Company, 4.500%, 4/15/32

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LEISURE FACILITIES - 1.0%

10,500 Carnival Corporation, 0.000%, 10/24/21
15,500 Royal Caribbean Cruises Limited, Senior Notes, 0.000%, 2/02/21 (LYONS)

NETWORKING EQUIPMENT - 0.6%

9,800 Brocade Communications Systems Inc., 2.000%, 1/01/07

OIL - 0.5%

7,000 Schlumberger Limited, 2.125%, 6/01/23

PHARMACEUTICALS - 1.8%

3,950 Connectics Corporation, Series 144A, 2.250%, 5/30/08

4,470 Indevus Pharmaceuticals Inc., Convertible Senior Debentures, Series 144A, 6.250%,

Teva Pharmaceutical Finance:

3,400 Series A, 0.500%, 2/01/24

7,100 Series B, 0.250%, 2/01/24

Valeant Pharmaceuticals International, Series 144A:

3,295 3.000%, 8/16/10

1,940 4.000%, 11/15/13

PHARMACEUTICALS - FOREIGN - 0.7%

12,290 Roche Holdings Inc., 0.000%, 1/19/15 (LYONS)

PUBLISHING AND PRINTING - 0.5%

96,000 Tribune Company, Exchangeable Subordinated Debentures, 2.000%, 5/15/29

REAL ESTATE INVESTMENT TRUSTS - 1.1%

11,850 EOP Operating LP, Convertible Notes, 7.250%, 11/15/08

6,390 TrizecHahn Corporation, 3.000%, 1/29/21

RETAIL - 0.7%

4,750 Best Buy Company Inc., 2.250%, 1/15/22

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9,500 Brinker International Inc., 0.000%, 10/10/21

RETAIL - SPECIALTY - 1.4%

9,270 K2 Corporation, Convertible Notes, Series 144A, 5.000%, 6/15/10

4,665 Venator Group Inc, Convertible Notes, 5.500%, 6/01/08

SEMICONDUCTOR - 0.9%

4,890 ASM Lithography Holding NV, 5.750%, 10/15/06

7,750 RF Micro Devices Inc., Convertible Subordinated Notes, 3.750%, 8/15/05

TELECOMMUNICATIONS - 1.4%

5,565 Converse Technology Inc., Series 144A, 0.000%, 5/15/23

2,850 Lucent Technologies Inc., 2.750%, 6/15/23

4,800 Nextel Communications Inc, Convertible Senior Notes, 6.000%, 6/01/11

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)
Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

PRINCIPAL
AMOUNT (000) DESCRIPTION(1)

TELECOMMUNICATIONS (continued)

NII Holdings Inc., Series 144A:
\$ 2,225 3.500%, 9/15/33
2,255 2.880%, 2/01/34

TELECOMMUNICATIONS EQUIPMENT - 1.9%

7,757 Ciena Corporation, 3.750%, 2/01/08

17,625 Liberty Media Corporation, Senior Debentures Exchangeable for Motorola, 3.500%, 1

5,000 Skyworks Solutions Inc., 4.750%, 11/15/07

TOY MANUFACTURER - 0.4%

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5,300 Hasbro Inc., 2.750%, 12/01/21

TRUCKING - 0.0%

585 Yellow Corporation, Series 144A, 3.375%, 11/25/23

Total Convertible Bonds (cost \$383,333,560)

CORPORATE BONDS - 17.5% (12.1% OF TOTAL INVESTMENTS)

AUTOMOBILE - 1.9%

4,100 Asbury Automotive Group Inc., 9.000%, 6/15/12

Ford Motor Company:

3,500 8.900%, 1/15/32

5,590 9.980%, 2/15/47

10,000 7.700%, 5/15/97

General Motors Corporation, Senior Debentures:

1,760 8.375%, 7/15/33

2,070 7.375%, 5/23/48

AUTOMOBILE PARTS - 0.4%

5,500 Tenneco Automotive Inc., 10.250%, 7/15/13

BIOTECHNOLOGY - 0.1%

2,000 Fisher Scientific International Inc., 8.000%, 9/01/13

BROADCASTING AND CABLE TV - 1.2%

4,000 Allbritton Communications Company, Series B, 7.750%, 12/15/12

5,000 Cablevision Systems Corporation, 7.250%, 7/15/08

1,000 Cablevision Systems Corporation, Series B, 8.125%, 8/15/09

2,750 Canwest Media Incorporated, 7.625%, 4/15/13

4,000 Young Broadcasting Inc., Senior Subordinate Notes, 10.000%, 3/01/11

CEMENT AND GYPSUM - 0.1%

2,000 Texas Industries Inc., 10.250%, 6/15/11

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CHEMICAL SPECIALTY - 0.1%

1,335 OM Group Inc., 9.250%, 12/15/11

ENERGY - 0.5%

2,400 Baytex Energy Ltd., 9.625%, 7/15/10

1,000 Chesapeake Energy Corporation, 9.000%, 8/15/12

Tesoro Petroleum Corporation, Senior Subordinate Notes, Series B:

2,000 9.000%, 7/01/08

2,000 9.625%, 11/01/08

250 Tesoro Petroleum Corporation, Senior Secondary Notes, 8.000%, 4/15/08

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PRINCIPAL
AMOUNT (000) DESCRIPTION(1)

ENTERTAINMENT - 2.0%

\$ 4,000 AMC Entertainment Inc., 9.875%, 2/01/12

Boyd Gaming Corporation:

2,000 8.750%, 4/15/12

2,000 7.750%, 12/15/12

3,000 Las Vegas Sands Inc., Venetian Casino Resorts, LLC Mortgage Notes, 11.000%, 6/15/12

2,500 Park Place Entertainment Corp., 7.000%, 4/15/13

1,600 Park Place Entertainment, Senior Subordinate Notes, 8.125%, 5/15/11

4,040 Park Place Entertainment, Unsecured Senior Subordinate Notes, 7.875%, 12/15/05

7,000 PennNational Gaming Inc., Senior Subordinated Notes, 8.875%, 3/15/10

750 Pinnacle Entertainment Inc., 8.750%, 10/01/13

2,000 Pinnacle Entertainment Inc., Senior Subordinate Notes, Series B, 9.250%, 2/15/07

FINANCIAL - 1.9%

500 Forest City Enterprises, Senior Notes, 7.625%, 6/01/15

20,500 General Motors Acceptance Corporation, Notes, 8.000%, 11/01/31

2,000 MDP Acquisitions plc, Senior Notes, 9.625%, 10/01/12

4,000 Universal City Development Partners, Senior Notes, Series 144A 11.750%, 4/01/10

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FOOD - 0.6%

1,000 Dole Food Inc., 8.875%, 3/15/11
5,943 Dole Foods Company, 7.875%, 7/15/13
1,000 Seminis Vegetable Seeds Inc., Series 144A, 10.250%, 10/01/13

GAS - 0.1%

2,000 Suburban Propane Partnership LP, 6.875%, 12/15/13

HOMEBUILDING - 0.8%

3,000 KB Home, 8.625%, 12/15/08
5,175 Technical Olympic USA Inc., Senior Subordinate Notes, 10.375%, 7/01/12
2,500 William Lyon Homes Inc., Unsecured Senior Notes, 10.750%, 4/01/13

INDUSTRIAL - 1.8%

Allied Waste North America:
6,250 10.000%, 8/01/09
1,000 7.875%, 4/15/13

1,520 Berry Plastics Corporation, 10.750%, 7/15/12
2,000 K. Hovnanian Enterprises Inc., Senior Subordinate Notes, 8.875%, 4/01/12
3,000 Laidlaw International Inc., Senior Notes, Series 144A, 10.750%, 6/15/11
2,000 Owens-Brockway Glass Containers, Guaranteed Senior Notes, 8.250%, 5/15/13
2,000 Owens-Illinois Inc., 7.800%, 5/15/18

Terex Corporation, Senior Subordinated Notes:
1,220 10.380%, 4/01/11
6,095 9.250%, 7/15/11

INSURANCE - LIFE - FOREIGN - 0.6%

7,500 Sun Life Canada Capital Trust, 8.526%, 5/06/47

LEISURE FACILITIES - 0.6%

2,900 Intrawest Corporation, 7.500%, 10/15/13
4,000 Intrawest Corporation, Senior Notes, 10.500%, 2/01/10
2,000 Town Sports International Inc., 9.625%, 4/15/11

Nuveen Preferred and Convertible Income Fund (JPC) (continued)
Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) |
|---------------------------|--|
| ----- | |
| | MEDICAL PRODUCTS - 0.3% |
| | Iasis Healthcare Corporation: |
| \$ 3,000 | 13.000%, 10/15/09 |
| 1,000 | 8.500%, 10/15/09 |
| ----- | |
| | NETWORKING EQUIPMENT - 0.3% |
| 3,500 | Avaya Inc., 11.125%, 4/01/09 |
| ----- | |
| | OFFICE ELECTRONICS - 0.3% |
| 4,000 | IOS Capital LLC, Senior Notes, 7.250%, 6/30/08 |
| ----- | |
| | PAPER - 0.5% |
| 2,000 | Georgia Pacific Corporation, Debentures, 7.700%, 6/15/15 |
| 5,000 | Georgia Pacific Corporation, Notes, 8.125%, 5/15/11 |
| ----- | |
| | PUBLISHING AND PRINTING - 1.7% |
| 2,000 | American Media Operations Inc., 8.875%, 1/15/11 |
| 4,180 | American Media Operations Inc., Series B, 10.250%, 5/01/09 |
| 500 | CBD Media LLC/CBD Finance Inc. Combined, 8.625%, 6/01/11 |
| 5,800 | Mail-Well I Corporation, Senior, Unsecured Notes, Series 144A, 9.625%, 3/15/12 |
| 6,000 | Primedia Inc., Senior Notes, 8.875%, 5/15/11 |
| 6,750 | Vertis Inc., 9.750%, 4/01/09 |
| ----- | |
| | REAL ESTATE - OTHER - 0.5% |
| 2,500 | CB Richard Ellis Services Inc., 9.750%, 5/15/10 |
| 4,425 | LNR Property Corporation, 7.625%, 7/15/13 |

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 RESTAURANTS - 0.2%

3,500 Dominos Inc., 8.250%, 7/01/11

 RETAIL - 0.1%

1,650 Central Garden & Pet Company, 9.125%, 2/01/13

 RETAIL - DEPARTMENT STORES - 0.5%

Saks Inc., Notes:

3,500 7.380%, 2/15/19

2,000 9.875%, 10/01/11

1,195 Saks Inc., Series 144A, 7.000%, 12/01/13

 RETAIL - DRUG STORES - 0.1%

2,000 Rite Aid Corporation, Series 144A, 6.000%, 12/15/05

 RETAIL - SPECIALTY - 0.3%

5,000 Warnaco Inc., Senior Notes, Series 144A, 8.875%, 6/15/13

 Total Corporate Bonds (cost \$257,548,337)

CAPITAL PREFERRED SECURITIES - 17.9% (12.3% OF TOTAL INVESTMENTS)

BANKING - 8.6%

7,000 AgFirst Farm Credit Bank, 7.300%, 10/15/49

2,500 Ahmanson Capital Trust I, 8.360%, 12/01/26

1,000 BankAmerica Capital II, Series 2, 8.000%, 12/15/26

6,000 BankBoston Capital Trust I, Series B, 8.250%, 12/15/26

3,000 Bank One Capital III, 8.750%, 9/01/30

1,500 BanPonce Trust I, Series A, 8.327%, 2/01/27

1,000 BT Capital Trust, Series B1, 7.900%, 1/15/27

4,850 BT Institutional Capital Trust A, Series 144A, 8.090%, 12/01/26

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PRINCIPAL
AMOUNT (000) DESCRIPTION(1)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) |
|---------------------------|--|
| | BANKING (continued) |
| \$ 3,000 | Centura Capital Trust I, Series 144A, 8.845%, 6/01/27 |
| 18,125 | Chase Capital Trust I, Series A, 7.670%, 12/01/26 |
| 13,500 | Corestates Capital Trust I, Series 144A, 8.000% 12/15/26 |
| 1,000 | First Chicago NBD Institutional Capital, 7.950%, 12/01/26 |
| 6,200 | First Empire Capital Trust I, 8.234%, 2/01/27 |
| 2,000 | First Midwest Bancorp Inc., Series 144A, 6.950%, 12/01/33 |
| 6,300 | KeyCorp Institutional Capital Trust A, 7.826%, 12/01/26 |
| 20,000 | M&I Capital Trust A, 7.650%, 12/01/26 |
| 5,000 | NB Capital Trust IV, 8.250%, 4/15/27 |
| 1,000 | North Fork Capital Trust I, 8.700%, 12/15/26 |
| 11,000 | North Fork Capital Trust II, 8.000%, 12/15/27 |
| 100 | Reliance Capital Trust I, Series B, 8.170%, 5/01/28 |
| 100 | Wachovia Capital Trust I, Capital Securities, Series 144A, 7.640%, 1/15/27 |
| 5,000 | Zions Institutional Capital Trust, Series A, 8.536%, 12/15/26 |
| | BANKING - FOREIGN - 4.0% |
| 13,000 | Abbey National Capital Trust I, 8.963%, 6/30/20 |
| 10,530 | Barclays Bank PLC, Series 144A, 8.550%, 6/15/49 |
| 1,000 | CBA Capital Trust I, Series 144A, 5.805%, 12/31/49 |
| 10,000 | HSBC Capital Funding LP, 10.176%, 6/30/50 |
| 8,000 | Sparebanken Rogaland, Notes, Series 144A, 6.443%, 5/01/49 |
| 4,300 | UBS Preferred Funding Trust I, 8.622%, 10/29/49 |
| 2,000 | Unicredito Italiano Capital Trust, Series 144A, 9.200%, 10/05/49 |
| | FINANCIAL - FOREIGN - 1.0% |
| 3,000 | AB Svensk Exportkredit, 6.375%, 10/27/49 |

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10,500 St. George Funding Company LLC, 8.485%, 6/30/17

 GAS - 0.5%

1,200 KN Capital Trust I, 8.560%, 4/15/27

5,110 KN Capital Trust III, 7.630%, 4/15/28

 INSURANCE - FINANCIAL - 1.3%

18,596 Berkeley Capital Trust, 8.197%, 12/20/45

 INSURANCE - MULTIPLE LINE - 0.9%

5,107 Safeco Capital Trust I, Capital Securities, 8.072%, 7/15/37

7,250 Zurich Capital Trust I, 8.376%, 6/01/37

 SAVINGS AND LOAN - 1.2%

12,250 Dime Capital Trust I, Series A, 9.330%, 5/06/27

1,000 Great Western Financial Trust II, Series A, 8.206%, 2/01/27

2,500 Washington Mutual Capital Trust I, 8.375%, 6/01/27

 UNITED STATES GOVERNMENT AGENCY - 0.2%

3,000 Farm Credit Bank of Texas, 7.561%, 11/05/49

 UTILITIES - 0.2%

3,000 PECO Energy Capital Trust IV, 5.750%, 6/15/33

 Total Capital Preferred Securities (cost \$277,584,657)

Nuveen Preferred and Convertible Income Fund (JPC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

PRINCIPAL
 AMOUNT (000) DESCRIPTION(1)

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CAPITAL PREFERRED EURO-MARKET LISTED SECURITIES - 7.8% (5.3% OF TOTAL INVESTMENTS)

BANKING - FOREIGN - 7.6%

| | | |
|----|--------|--|
| \$ | 6,000 | BNP Paribas Capital Trust, 7.200%, 12/31/49 |
| | 28,750 | C.A. Preferred Funding Trust, 7.000%, 1/30/49 |
| | 38,500 | HBOS Capital Funding LP, Notes, 6.850%, 3/01/49 |
| | 18,600 | Lloyds TSB Bank plc, Subordinate Notes, 6.900%, 11/22/49 |
| | 23,850 | RBS Capital Trust B, 6.800%, 12/31/49 |

FINANCIAL - FOREIGN - 0.2%

| | | |
|--|-------|--|
| | 3,500 | Old Mutual Capital Funding, Notes, 8.000%, 6/22/53 |
|--|-------|--|

Total Capital Preferred Euro-Market Listed Securities (cost \$124,360,062)

SHORT-TERM INVESTMENTS - 0.9% (0.6% OF TOTAL INVESTMENTS)

| | | |
|--|--------|---|
| | 13,680 | State Street Repurchase Agreement, 0.920%, date 1/30/04, due 2/02/04, repurchase price \$13,681,049, collateralized by U.S. Treasury Bonds |
|--|--------|---|

Total Short-Term Investments (cost \$13,680,000)

Total Investments (cost \$2,126,522,368) - 145.2%

SHARES DESCRIPTION(1)

COMMON STOCK SOLD SHORT - (3.3)%

AIRLINES - (0.1)%

| | |
|-----------|----------------------|
| (138,500) | Delta Air Lines Inc. |
|-----------|----------------------|

BROADCASTING AND CABLE TV - (0.3)%

| | |
|-----------|---------------------------------|
| (188,935) | Cablevision Systems Corporation |
|-----------|---------------------------------|

ELECTRONIC EQUIPMENT AND INSTRUMENTS - (0.2)%

| | |
|-----------|-----------------------|
| (426,900) | Solectron Corporation |
|-----------|-----------------------|

ENERGY - (0.2)%
 (53,502) Devon Energy Corporation

FINANCIAL - (0.6)%
 (50,000) Affiliated Managers Group Inc.
 (70,335) Capital One Financial Corporation

GAS - (0.2)%
 (86,000) Sempra Energy

INSURANCE - FINANCIAL - (0.2)%
 (103,200) Hilb, Roga, & Hamilton Companies

INSURANCE - LIFE - (0.1)%
 (107,775) UnumProvident Corporation

INSURANCE - MULTIPLE LINE - (0.3)%
 (67,725) Hartford Financial Services Group

INSURANCE - PROPERTY AND CASUALTY - (0.1)%
 (29,500) Chubb Corporation

RETAIL - SPECIALTY - (0.1)%
 (51,380) K2 Inc.

SHARES DESCRIPTION(1)

 STEEL - (0.5)%

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(256,676) United States Steel Corporation

TELECOMMUNICATIONS - (0.3)%

(611,880) Sprint Corporation PCS Group

UTILITIES - (0.1)%

(95,300) Southern Union Company

Total Common Stocks Sold Short (proceeds \$40,653,707)

Other Assets Less Liabilities - 3.2%

FundPreferred Shares, at Liquidation Value - (45.1)%

Net Assets Applicable to Common Shares - 100%
=====

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.

(a) Security is eligible for the Dividends Receivable Deduction.

(CBTCS) Corporate Backed Trust Certificates.

(CORTS) Corporate Backed Trust Securities.

(LYONS) Liquid Yield Option Notes.

(PCARS) Public Credit and Repackaged Securities.

(PPLUS) PreferredPlus Trust.

(SATURNS) Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

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Nuveen Preferred and Convertible Income Fund 2 (JQC)
Portfolio of
INVESTMENTS January 31, 2004 (Unaudited)

SHARES DESCRIPTION(1)

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PREFERRED SECURITIES - 44.4% (30.6% OF TOTAL INVESTMENTS)

AUTOMOBILE - FOREIGN - 0.0%

22,600 Magna International Inc., Series B, 8.875%

AUTOMOBILE PARTS - 0.6%

518,000 Delphi Trust I, 8.250%

BANKING - 11.4%

100,000 ABN AMRO Capital Fund Trust VI, 6.250%

98,700 ASBC Capital I, 7.625%

203,410 BAC Capital Trust I, 7.000%

560,200 BAC Capital Trust II, 7.000%

163,900 BAC Capital Trust III, 7.000%

30,000 BAC Capital Trust IV, 5.875%

100 Bank One Capital I, 8.000%

15,700 Bank One Capital II, 8.500%

30,300 Bank One Capital V, 8.000%

167,700 Bank One Capital Trust VI, 7.200%

46,700 BankNorth Capital Trust II, 8.000%

27,000 BNY Capital Trust IV, Series E, 6.875%

306,984 BNY Capital Trust V, Series F, 5.950%

31,300 Chase Capital Trust V, Series E, 7.030%

2,100 Chase Capital VII, 7.000%

135,000 Chittenden Capital Trust I, 8.000%

195,234 Citigroup Capital Trust VI, 6.875%

180,700 Citigroup Capital Trust VII, 7.100%

965,400 Citigroup Capital Trust VIII, 6.950%

373,750 Citigroup Capital Trust IX, 6.000%

24,000 Citigroup Inc., Series H, 6.231% (a)

150,000 Cobank ABC, Series 144A, 7.000% (a)

80,800 Comerica Capital Trust I, 7.600%

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| | |
|---------|--|
| 133,300 | Compass Capital Trust III, 7.350% |
| 42,600 | First Union Capital II, Series II, 7.500% (CORTS) |
| 18,700 | First Union Institutional Capital II, 8.200% (CORTS) |
| 2,900 | First Union Institutional Capital II, Series III, 7.500% (CORTS) |
| 15,400 | Fleet Capital Trust II, 8.000% (CORTS) |
| 4,400 | Fleet Capital Trust VI, 8.800% |
| 512,200 | Fleet Capital Trust VII, 7.200% |
| 430,300 | Fleet Capital Trust VIII, 7.200% |
| 30,300 | Harris Preferred Capital Corporation, Series A, 7.375% |
| 4,500 | JPM Capital Trust I, Series 2001-1, Class A-1, 7.850% (CORTS) |
| 43,200 | JPM Capital Trust I, Series 2001-1, Class A-1, 7.200% (CORTS) |

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| SHARES | DESCRIPTION(1) |
|--------|----------------|
|--------|----------------|

BANKING (continued)

| | |
|---------|--|
| 71,965 | JPMorgan Chase & Company, 7.125% (PCARS) |
| 20,500 | JPMorgan Chase Capital Trust IX, Series I, 7.500% |
| 692,420 | JPMorgan Chase Capital Trust X, 7.000% |
| 231,600 | JPMorgan Chase Capital Trust XI, 5.875% |
| 73,600 | JPMorgan Chase Trust, Series 2002-6, Class A, 7.125% (SATURNS) |
| 35,000 | KeyCorp, 7.500% (CORTS) |
| 195,070 | KeyCorp Capital Trust V, 5.875% |
| 26,700 | KeyCorp, Series 2001-7, 7.750% (CORTS) |
| 20,300 | KeyCorp, Series B, 8.250% (CORTS) |
| 58,900 | National Commerce Capital Trust II, 7.700% |
| 21,700 | ONB Capital Trust II, 8.000% |
| 48,300 | PNC Capital Trust, 6.125% |
| 136,400 | SunTrust Capital Trust IV, 7.125% |
| 98,900 | SunTrust Capital Trust V, 7.050% |

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| | |
|---------|--|
| 660,200 | USB Capital Trust III, 7.750% |
| 328,500 | USB Capital Trust IV, 7.350% |
| 277,000 | USB Capital Trust V, 7.250% |
| 35,800 | VNB Capital Trust I, 7.750% |
| 28,900 | Washington Mutual Capital Trust I, Series 2001-22, Class A-1, 7.650% (CORTS) |
| 40,000 | Wells Fargo Capital Trust IV, 7.000% |
| 420,800 | Wells Fargo Capital Trust V, 7.000% |
| 85,100 | Wells Fargo Capital Trust VI, 6.950% |
| 236,550 | Wells Fargo Capital Trust VII, 5.850% |
| 74,600 | Zions Capital Trust, Series B, 8.000% |

BANKING - FOREIGN - 3.0%

| | |
|-----------|---|
| 299,600 | Abbey National plc, 7.375% |
| 53,700 | Abbey National plc, 7.250% |
| 12,100 | Abbey National plc, 7.250% |
| 17,200 | Abbey National plc, 7.000% |
| 34,200 | Abbey National, Series B, 7.375% |
| 302,939 | ABN AMRO Capital Fund Trust II, 7.125% |
| 1,004,270 | ABN AMRO Capital Fund Trust V, 5.900% |
| 66,600 | Banco Totta & Acores Finance, Series A, 8.875% |
| 1,100 | BCH Capital Ltd., Series B, 9.430% |
| 56,300 | BSCH Finance Ltd., Series Q, 8.625% |
| 37,900 | Espirito Santo Overseas, 8.500% |
| 61,200 | National Westminster Bank plc, Series A, 7.875% |
| 488,700 | Royal Bank of Scotland Group plc, 5.750% |
| 52,600 | Westpac Capital Trust I, 8.000% |

BROKERAGE - 4.0%

| | |
|---------|--|
| 85,200 | Bear Stearns Capital Trust III, 7.800% |
| 269,600 | Bear Stearns Companies, Series G, 5.490% (a) |
| 9,000 | Goldman Sachs Group Inc., 6.000% (PPLUS) |

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13,000 Goldman Sachs Group Inc., Series, 2003-06, 6.000% (SATURNS)
 22,700 Lehman Brothers Capital Trust I, 8.000%

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| SHARES | DESCRIPTION(1) |
|---------|---|
| ----- | |
| | BROKERAGE (continued) |
| 41,100 | Lehman Brothers Holdings Capital Trust II, Series J, 7.875% |
| | Lehman Brothers Holdings Inc.: |
| 198,550 | Series C, 5.940% (a) |
| 118,300 | Series D, 5.670% (a) |
| 450,000 | Series F, 6.500% (a) |
| 221,700 | Merrill Lynch Capital Trust, 7.000% |
| 63,900 | Merrill Lynch Capital Trust II, 8.000% |
| 38,100 | Merrill Lynch Preferred Capital Trust, 7.750% |
| 164,700 | Merrill Lynch Preferred Capital Trust IV, 7.120% |
| 254,700 | Merrill Lynch Preferred Capital Trust V, 7.280% |
| 181,750 | Morgan Stanley Capital Trust II, 7.250% |
| 235,700 | Morgan Stanley Capital Trust III, 6.250% |
| 137,400 | Morgan Stanley Capital Trust IV, 6.250% |
| 51,500 | Morgan Stanley Capital Trust V, 5.750% |
| 105,880 | Morgan Stanley, 7.050% (PPLUS) |
| ----- | |
| | COMPUTER - 0.1% |
| 14,400 | IBM Inc., 7.125% (CORTS) |
| 27,500 | IBM Inc., Series 2001-1, 7.125% (SATURNS) |
| 2,700 | IBM Trust IV, 7.000% (CORTS) |
| ----- | |
| | ENERGY - FOREIGN - 0.2% |
| 5,200 | EnCana Corporation, 9.500% |

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121,600 Talisman Energy Inc., 9.000%

17,800 Talisman Energy Inc., 8.900%

ENTERTAINMENT - 0.0%

29,100 Viacom Inc., 7.300%

FINANCIAL - 1.8%

17,200 CIT Group Incorporated, 7.750% (CORTS)

55,400 Countrywide, 8.050% (PPLUS)

51,600 Countrywide Capital Trust II, Series II, 8.000% (CORTS)

666,000 Countrywide Capital Trust IV, 6.750%

8,000 Financial Security Assurance Holdings, 6.875%

15,100 General Electric Capital Corporation, 6.625%

7,000 Household Capital Trust V, Series X, 10.000%

35,900 Household Capital Trust VI, 8.250%

98,100 Household Capital Trust VII, 7.500%

53,000 Household Finance Corporation, 6.875%

43,900 Philadelphia Industrial Development Authority, Pennsylvania, Pension, 6.550%

174,000 SLM Corporation, Series A, 6.970% (a)

FINANCIAL - FOREIGN - 1.9%

30,300 CSFB USA, Series 2002-10, 7.000% (SATURNS)

190,100 ING Capital Funding Trust, 7.700%

534,220 ING Group NV, 7.200%

720,875 ING Group NV, 7.050%

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SHARES DESCRIPTION(1)

FOOD - 0.4%

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| | |
|-----------|---|
| 75,000 | Dairy Farmers of America Inc., Series 144A, 7.875% (a) |
| ----- | |
| | FOOD - FOREIGN - 0.1% |
| 41,900 | Grand Metropolitan Delaware LP, 9.420% |
| ----- | |
| | GAS - 0.1% |
| 66,600 | AGL Capital Trust II, 8.000% |
| 22,500 | Dominion CNG Capital Trust I, 7.800% |
| ----- | |
| | INDUSTRIAL - 0.0% |
| 26,000 | Sherwin Williams Company, Series III, 7.250% (CORTS) |
| ----- | |
| | INSURANCE - FINANCIAL - 0.4% |
| 155,400 | AMBAC Financial Group Inc., 5.950% |
| 5,000 | AMBAC Financial Group Inc., 5.875% |
| 3,600 | MBIA Inc., 8.000% |
| 93,500 | Nationwide Financial Services Capital Trust II, 7.100% |
| 101,400 | W.R. Berkley Capital Trust, Series 2002-1, 8.125% (CBTCS) |
| ----- | |
| | INSURANCE - LIFE - 3.4% |
| 376,200 | Aetna Incorporated, 8.500% |
| 2,800 | AIG Capital Securities, Series 2002-11, 6.000% (SATURNS) |
| 13,100 | American General Capital Trust I, 7.875% |
| 670,301 | Delphi Financial Group Inc., 8.000% |
| 20,200 | Great-West L&A Capital Trust I, Series A, 7.250% |
| 47,200 | Lincoln National Capital Trust V, Series E, 7.650% |
| 1,402,300 | Lincoln National Capital Trust VI, 6.750% |
| 62,800 | PLC Capital Trust III, 7.500% |
| 61,800 | PLC Capital Trust IV, 7.250% |
| 37,400 | Torchmark Capital Trust I, 7.750% |

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| | |
|---------|---|
| | INSURANCE - MULTIPLE LINE - 0.6% |
| 281,400 | Hartford Capital Trust III, Series C, 7.450% |
| 56,800 | Hartford Life Capital Trust I, Series A, 7.200% |
| 28,400 | Hartford Life Capital Trust II, Series B, 7.625% |
| 15,600 | Safeco Capital Trust I, 8.750% (CORTS) |
| 16,300 | Safeco Capital Trust I, 8.700% (CORTS) |
| 3,800 | Safeco Capital Trust I, Series 2001-4, 8.750% (CORTS) |
| 20,900 | Safeco Capital Trust III, 8.072% (CORTS) |
| 10,500 | Safeco Capital Trust IV, 8.375% (CORTS) |
| 27,900 | Safeco Corporation, Series 2001-7, 8.250% (SATURNS) |
| 24,500 | Safeco Corporation, Series 2002-5, 8.250% (SATURNS) |

| | |
|--------|--|
| | INSURANCE - PROPERTY AND CASUALTY - 0.1% |
| 900 | Allstate Corporation, 7.150% (PCARS) |
| 65,200 | EverestRe Group Limited, 7.850% |

| | |
|-----------|--|
| | INSURANCE - PROPERTY AND CASUALTY - FOREIGN - 4.0% |
| 156,300 | Ace Capital Trust I, Series 1999, 8.875% |
| 1,337,883 | Ace Ltd., Series C, 7.800% |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| SHARES | DESCRIPTION(1) |
|--------|----------------|
|--------|----------------|

| | |
|---------|---|
| | INSURANCE - PROPERTY AND CASUALTY - FOREIGN (continued) |
| 314,800 | Converium Finance, 8.250% |
| 62,800 | PartnerRe Limited, 7.900% |
| 900,702 | PartnerRe Limited, Series C, 6.750% |
| 91,400 | RenaissanceRe Holdings Ltd.: Series A, 8.100% |

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| | |
|-----------|--|
| 114,600 | Series B, 7.300% |
| | XL Capital Ltd.: |
| 52,000 | Series A, 8.000% |
| 101,100 | Series B, 7.625% |
| ----- | |
| | OIL - FOREIGN - 0.8% |
| 685,000 | Nexen Inc., 7.350% |
| ----- | |
| | PHARMACEUTICALS - FOREIGN - 0.0% |
| 11,000 | Rhone-Poulenc Overseas, Series A, 8.125% |
| ----- | |
| | REAL ESTATE INVESTMENT TRUSTS - 9.5% |
| 318,355 | AMB Property Corporation, Series L, 6.500% |
| 77,100 | AvalonBay Communities Inc., Series H, 8.700% |
| 216,000 | BRE Properties, Series B, 8.080% |
| 1,166,500 | CarrAmerica Realty Corporation, Series E, 7.500% |
| | Developers Diversified Realty Corporation: |
| 102,100 | Series G, 8.000% |
| 1,277,845 | Series H, 7.375% |
| 3,000 | Duke-Weeks Realty Corporation, Series I, 8.450% |
| 130,000 | Duke-Weeks Realty Corporation, Series I, 6.625% |
| 124,700 | Equity Office Properties Trust, Series G, 7.750% |
| | Equity Residential Properties Trust: |
| 3,200 | Series C, 9.125% |
| 11,000 | Series D, 8.600% |
| 467,489 | Series N, 6.480% |
| | First Industrial Realty Trust Inc.: |
| 2,400 | Series C, 8.625% |
| 23,500 | Series D, 7.950% |
| 16,700 | Series E, 7.900% |
| 92,800 | Gables Residential Trust, Series D, 7.500% |
| | HRPT Properties Trust: |
| 416,129 | Series A, 9.875% |
| 156,300 | Series B, 8.750% |
| 96,400 | New Plan Excel Realty Trust, Series E, 7.625% |
| | Prologis Trust: |
| 3,997 | Series C, 8.540% |
| 96,075 | Series G, 6.750% |

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| | |
|---------|--------------------------------|
| 40,000 | PS Business Parks Inc., 7.000% |
| | Public Storage Inc.: |
| 2,000 | Series L, 8.250% |
| 5,000 | Series M, 8.750% |
| 24,900 | Series Q, 8.600% |
| 129,450 | Series R, 8.000% |
| 48,560 | Series S, 7.875% |
| 42,000 | Series T, 7.625% |
| 152,200 | Series U, 7.625% |
| 14,000 | Series V, 7.500% |

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| SHARES | DESCRIPTION(1) |
|-----------|---|
| ----- | |
| | REAL ESTATE INVESTMENT TRUSTS (continued) |
| 166,100 | Regency Centers Corporation, 7.450% |
| | Simon Property Group Inc.: |
| 10,300 | Series F, 8.750% |
| 15,100 | Series G, 7.890% |
| 6,300 | Vornado Realty Trust, Series C, 8.500% |
| 1,987,734 | Wachovia Preferred Funding Corporation, 7.250% |
| ----- | |
| | TELECOMMUNICATIONS - 1.3% |
| 36,900 | AT&T Wireless, Series 2002-7, 8.000% (CORTS) |
| 22,800 | AT&T Wireless Services Equity, Series 2002-B, 9.250% (SATURNS) |
| 18,300 | BellSouth Capital Funding, 7.100% (CORTS) |
| 3,000 | BellSouth Capital Funding Corporation, 7.375% |
| 1,000 | BellSouth Corporation, 7.000% (CORTS) |
| 16,300 | BellSouth Corporation, CABCO Trust, 9.750% (CORTS) |
| 39,800 | BellSouth Corporation, Series 2001-3, 7.125% (SATURNS) |
| 29,800 | BellSouth Inc., Series BLS, 7.000% (CORTS) |
| 66,000 | BellSouth Telecommunications, 7.300% (PPLUS) |
| 69,100 | Citizens Communications Company, 8.375% (PPLUS) |
| 22,200 | Citizens Communications Company, Series 2001-2, 8.625% (SATURNS) |
| 42,800 | Deutsche Telekom International Finance, B.V., Series 2001-24, Class A-1, 7.875% (|

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| | |
|---------|---|
| 50,000 | SBC Communications Inc., 7.000% |
| 109,700 | Telephone and Data Systems Inc., 7.600% |
| 27,100 | U.S. Cellular Corporation, 8.750% |
| 44,300 | Verizon Communications, 7.375% (CORTS) |
| 369,300 | Verizon Communications, 6.200% (CORTS) |
| 16,100 | Verizon Communications, Series VZ, 7.625% (CORTS) |
| 49,000 | Verizon New England Inc., Series B, 7.000% |
| 19,000 | Verizon South Inc., Series F, 7.000% |

UNITED STATES GOVERNMENT AGENCY - 0.3%

| | |
|---------|--|
| 41,700 | Fannie Mae, 5.125% (a) |
| 101,700 | Fannie Mae, 4.750% (a) |
| 15,000 | Federal Home Loan Mortgage Corporation, 5.000% (a) |

UTILITIES - 0.4%

| | |
|---------|--|
| 5,100 | Consolidated Edison Company, 7.250% |
| 9,000 | Consolidated Edison Company of New York Inc., 7.500% |
| 4,200 | Detroit Edison Company, 7.375% |
| 2,300 | DTE Energy Trust I, 7.800% |
| 28,400 | Energy East Capital Trust I, 8.250% |
| 3,000 | Entergy Louisiana Inc., 7.600% |
| 3,000 | Georgia Power Capital Trust V, 7.125% |
| 150,000 | Interstate Power and Light Company, 7.100% (a) |
| 5,000 | Mississippi Power Capital Trust II, 7.200% |
| 4,700 | Northern States Power Company, 8.000% |
| 1,500 | OGE Energy Capital Trust I, 8.375% |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

SHARES DESCRIPTION(1)

 UTILITIES (continued)

700 Ohio Power Company, 7.375%
 3,700 Southern Company Capital Trust I, 8.190% (CORTS)
 17,500 Southern Company Capital Trust I, 7.375% (CORTS)
 4,600 Southern Company Capital Trust VI, 7.125%
 95,800 Virginia Power Capital Trust, 7.375%

 Total Preferred Securities (cost \$925,444,506)

CONVERTIBLE PREFERRED SECURITIES - 20.5% (14.2% OF TOTAL INVESTMENTS)

AEROSPACE AND DEFENSE - 0.6%

127,800 Northrop Grumman Corporation, 7.250%

 AUTOMOBILE - 1.9%

181,800 Ford Motor Company Capital Trust II, 6.500%
 1,046,200 General Motors Corporation, 6.250%

 BANKING - 1.6%

281,600 Citigroup Global Markets, 2.000%
 45,600 Provident Financial Group Incorporated, 9.000%
 29,725 State Street Corporation, 6.750%
 231,200 Washington Mutual Inc., Unit 1 Trust, 5.375%

 BANKING - FOREIGN - 0.5%

273,600 National Australia Bank Limited, 7.875%

 BROADCASTING AND CABLE TV - 1.0%

374,000 Cablevision Systems Corporation, Trust I, 6.500%
 137,000 Emmis Communications Corporation, Series A, 6.250%
 97,500 Sinclair Broadcast Group Inc., Series D, 6.000%

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| | |
|---------|--|
| ----- | |
| | COMMERCIAL SERVICES - 0.9% |
| 208,100 | Cendant Corporation, 7.750% |
| 138,775 | Interpublic Group, Series A, 5.375% |
| ----- | |
| | DISTILLERS/BREWERS - 0.1% |
| 57,700 | Constellation Brands Inc., 5.750% |
| ----- | |
| | DIVERSIFIED METALS - 0.3% |
| 37,820 | Phelps Dodge Corporation, 6.750% |
| ----- | |
| | ELECTRONIC EQUIPMENT AND INSTRUMENTS - 0.6% |
| 182,200 | Pioneer-Standard Financial Trust, 6.750% |
| 167,000 | Solectron Corporation, 7.250% |
| ----- | |
| | ENERGY - 0.6% |
| 105,000 | Chesapeake Energy Corporation, Series 144A, 6.000% |
| 125,000 | Kerr McGee Corporation, 5.500% |
| ----- | |
| | ENVIRONMENTAL SERVICES - 0.1% |
| 25,900 | Allied Waste Industries Inc., 6.250% |
| ----- | |
| | FINANCIAL - 0.6% |
| 162,000 | Affiliated Managers Group Inc., 6.000% |
| 309,000 | Gabelli Asset Management Inc., 6.950% |
| ----- | |
| | FOREST PRODUCTS/PAPER - 0.4% |
| 149,000 | Temple Inland Inc., 7.500% |
| ----- | |
| SHARES | DESCRIPTION(1) |
| ----- | |

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| | |
|---------|-----------------------|
| | GAS - 0.5% |
| 377,300 | Sempra Energy, 8.500% |

| | |
|--------|---|
| | HEALTHCARE DISTRIBUTORS AND SERVICES - 0.4% |
| 86,500 | Anthem Inc., 6.000% |

| | |
|---------|----------------------------------|
| | HOUSEHOLD DURABLES - 0.4% |
| 187,325 | Newell Financial Trust I, 5.250% |

| | |
|---------|-------------------------------------|
| | INDUSTRIAL - 0.4% |
| 222,100 | Teekay Shipping Corporation, 7.250% |

| | |
|---------|---|
| | INFORMATION TECHNOLOGY SERVICES - 0.4% |
| 358,000 | Electronic Data Systems Corporation, 7.625% |

| | |
|---------|---|
| | INSURANCE - LIFE - 0.5% |
| 167,000 | Reinsurance Group of America Inc., 5.750% |

| | |
|---------|--|
| | INSURANCE - MULTIPLE LINE - 0.6% |
| 194,100 | Prudential Financial Capital Trust I, 6.750% |

| | |
|---------|--|
| | INSURANCE - PROPERTY AND CASUALTY - 0.5% |
| 147,000 | Chubb Corporation, 7.000% |
| 208,650 | PMI Group Inc., 5.875% |

| | |
|---------|--|
| | INSURANCE - PROPERTY AND CASUALTY - FOREIGN - 0.7% |
| 249,000 | PartnerRe Limited, 8.000% |

| | |
|---------|-----------------------------------|
| | MEDICAL PRODUCTS - 0.6% |
| 244,000 | Baxter International Inc., 7.000% |

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| | |
|--------------------------------------|--|
| REAL ESTATE INVESTMENT TRUSTS - 0.5% | |
| 225,250 | Equity Office Properties Trust, Series B, 5.250% |
| REAL ESTATE - OTHER - 0.4% | |
| 157,000 | Host Marriott Financial Trust, 6.750% |
| RETAIL - 0.5% | |
| 228,000 | Toys R Us Inc., 6.250% |
| SAVINGS AND LOAN - 0.1% | |
| 45,000 | Capital One Financial Corporation, 6.250% |
| STEEL - 0.4% | |
| 216,700 | TXI Capital Trust I, 6.500% |
| TELECOMMUNICATIONS - 0.8% | |
| 245,300 | Alltel Corporation, 7.750% |
| 400,000 | Sprint Corporation, 7.125% |
| TELECOMMUNICATIONS EQUIPMENT - 1.5% | |
| 9,200 | Lucent Technologies Capital Trust I, 7.750% |
| 200,100 | Motorola Inc., 7.000% |
| 75 | Nortel Networks Corporation, 7.000% |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| SHARES | DESCRIPTION(1) |
|------------------|----------------|
| UTILITIES - 2.1% | |

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| | |
|--|---|
| 173,000 | Cinergy Corporation, 9.500% |
| 197,500 | Dominion Resources Inc., 8.750% |
| 154,500 | FPL Group Inc., 8.000% |
| 272,600 | PPL Capital Funding Trust I, 7.750% |
| 151,300 | Public Service Enterprise Group, 10.250% |
| ----- | |
| Total Convertible Preferred Securities (cost \$385,645,117) | |
| ----- | |
| CAPITAL PREFERRED - HYBRID SECURITIES - 1.4% (1.0% OF TOTAL INVESTMENTS) | |
| TELECOM - 1.4% | |
| 24,080 | Centaur Funding Corporation, Series B-144A, 9.080%, 4/21/20 |
| ----- | |
| Total Capital Preferred - Hybrid Securities (cost \$28,808,130) | |
| ----- | |
| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION(1) |
| ----- | |
| CONVERTIBLE BONDS - 26.2% (18.1% OF TOTAL INVESTMENTS) | |
| ADVERTISING - 0.6% | |
| 3,840 | Doubleclick Inc., Series 144A, 0.000%, 7/15/23 |
| 9,100 | Interpublic Group Companies, Convertible Subordinated Notes, Series B, 1.870%, 6/ |
| ----- | |
| AEROSPACE AND DEFENSE - 0.5% | |
| 10,125 | AAR Corporation, Series 144A, 2.875%, 2/01/24 |
| ----- | |
| AIRLINES - 1.2% | |
| 8,450 | American Airlines Corporation, Series 144A, 4.250%, 9/23/23 |
| 8,050 | Continental Airlines Inc., 4.500%, 2/01/07 |
| 3,200 | Northwest Airlines Corporation, 6.625%, 5/15/23 |
| 3,100 | Northwest Airlines Corporation, Convertible Notes, Series 144A, 6.625%, 5/15/23 |
| ----- | |
| AUTOMOBILE - 0.6% | |
| 2,670 | Fleetwood Enterprises Inc., Series 144A, 5.000%, 12/15/23 |
| 8,700 | Sonic Automotive Inc., Convertible Senior Subordinated Notes, 5.250%, 5/07/09 |

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| PRINCIPAL AMOUNT (000) / SHARES | DESCRIPTION(1) |
|---------------------------------------|--|
| ----- | |
| AUTOMOBILE PARTS - 0.2% | |
| 5,000 | Tower Automotive Inc., 5.000%, 8/01/04 |
| ----- | |
| BIOTECHNOLOGY - 0.7% | |
| 4,400 | Echostar Communications Corporation, Convertible Subordinated Notes, 5.750%, 5/15/08 |
| 6,165 | Fisher Scientific International Inc., Convertible Senior Notes, 2.500%, 10/01/23 |
| 3,500 | Ivax Corporation, Convertible Senior Subordinated Notes, 4.500%, 5/15/08 |
| ----- | |
| BROADCASTING AND CABLE TV - 3.4% | |
| 860,000 | Comcast Corporation, 2.000%, 10/15/29 |
| 26,800 | Liberty Media Corporation, Senior Debentures Exchangeable for PCS Common, 4.000%, 10/15/08 |
| 15,750 | Liberty Media Corporation, Senior Debentures Exchangeable for Class B, 3.250%, 3/15/08 |
| 8,900 | Mediacom Communications Corporation, Convertible Senior Notes, 5.250%, 7/01/06 |
| ----- | |
| COMMERCIAL SERVICES - 1.1% | |
| 8,900 | Bowne and Company Incorporated, Series 144A, 5.000%, 10/01/33 |
| 5,490 | Lamar Advertising Company, Convertible Notes, Series 144A, 2.875%, 12/31/10 |
| 8,500 | Quanta Services Incorporated, 4.000%, 7/01/07 |
| ----- | |
| COMPUTER - 1.8% | |
| 4,200 | Computer Associates International Inc., 5.000%, 3/15/07 |
| 7,000 | Electronic Data Systems, Convertible Senior Notes, Series 144A, 3.875%, 7/15/23 |
| 16,500 | Hewlett-Packard Company, 0.000%, 10/14/17 |
| 3,815 | Maxtor Corporation, Convertible Senior Notes, Series 144A, 6.800%, 4/30/10 |
| 7,100 | Mentor Graphics Corporation, Convertible Subordinate Notes, Series B, 6.875%, 6/15/08 |
| 2,650 | Red Hat Inc., Convertible Bonds, 144A, 0.500%, 1/15/24 |

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DIVERSIFIED METALS - 0.3%

3,635 Freeport McMoran Inc., 7.000%, 2/11/11

ELECTRONIC EQUIPMENT AND INSTRUMENTS - 1.1%

21,000 Anixter International Inc., 0.000%, 6/28/20

22,000 Arrow Electronics Inc., 0.000%, 2/21/21

60,775 General Cable Corporation, Series 144A, 5.750%, 11/24/13

ENERGY - 0.7%

8,600 Kerr McGee Corporation, 5.250%, 2/15/10

4,170 McMoran Exploration Corporation, Notes, Series 144A, 6.000%, 7/02/08

ENTERTAINMENT - 0.2%

4,200 Lions Gate Entertainment Corporation, Convertible Bonds, Series 144A, 4.875%, 12/

FINANCIAL - 0.4%

8,000 Providian Financial Corporation, Convertible Senior Notes, 3.250%, 8/15/05

FINANCIAL - FOREIGN - 0.1%

2,650 JMH Finance Limited, 4.750%, 9/06/07

HEALTHCARE DISTRIBUTORS AND SERVICES - 0.7%

8,700 Lifepoint Hospitals Inc., Convertible Subordinate Notes, 4.500%, 6/01/09

5,400 Province Healthcare Inc., Convertible Subordinated Notes, 4.250%, 10/10/08

HOTELS - 0.3%

5,425 Fairmont Hotels and Resorts Inc., Convertible Notes, Series 144A, 3.750%, 12/01/2

INDUSTRIAL - 0.2%

4,900 EDO Corporation, Convertible Subordinate Notes, 5.250%, 4/15/07

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| | |
|-------|---|
| | INDUSTRIAL CONGLOMERATE - 0.9% |
| 7,000 | Tyco International Group Limited, Convertible Notes, Series 144A, 3.125%, 1/15/23 |
| 7,200 | Tyco International Group SA, 3.125%, 1/15/23 |

| | |
|---------|--|
| | INSURANCE - PROPERTY AND CASUALTY - 0.6% |
| 505,800 | Travelers Property and Casualty Company, 4.500%, 4/15/32 |

| | |
|--------|---|
| | LEISURE FACILITIES - 1.0% |
| 10,775 | Carnival Corporation, 2.000%, 4/15/21 |
| 16,000 | Royal Caribbean Cruises Limited, Senior Convertible Notes, 0.000%, 2/2/21 (LYONS) |

| | |
|-------|--|
| | NETWORKING EQUIPMENT - 0.5% |
| 3,700 | Agere Systems Inc., 6.500%, 12/15/09 |
| 4,115 | Brocade Communications Systems Inc., 2.000%, 1/01/07 |

| | |
|-------|---|
| | OFFICE ELECTRONICS - 0.4% |
| 8,200 | IOS Capital LLC, Convertible Subordinate Debentures, Series 144A, 5.000%, 5/01/07 |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION(1) |
|--------------------------------------|----------------|
|--------------------------------------|----------------|

| | |
|-------|---------------------------------------|
| | OIL - 0.5% |
| 9,250 | Schlumberger Limited, 2.125%, 6/01/23 |

| | |
|-------|--|
| | OIL SERVICES - 0.4% |
| 4,500 | Maverick Tube Corporation, 4.000%, 6/15/33 |
| 4,000 | Maverick Tube Corporation, 4.000%, 6/15/33 |

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PHARMACEUTICALS - 1.8%

| | |
|-------|---|
| 1,755 | Atherogenics Inc., Series 144A, 4.500%, 9/01/08 |
| 4,125 | Indevus Pharmaceuticals Inc., Convertible Senior Debentures, Series 144A, 6.250%, |
| 7,000 | Ivax Corporation, Convertible Bonds, 5.500%, 5/15/07 |
| 8,000 | Medarex Inc., Convertible Subordinated Notes, 4.500%, 7/01/06 |
| 8,900 | Teva Pharmaceutical Finance, Series B, 0.250%, 2/01/24 |
| | Valeant Pharmaceuticals International, Series 144A: |
| 4,350 | 3.000%, 8/16/10 |
| 2,545 | 4.000%, 11/15/13 |

REAL ESTATE INVESTMENT TRUSTS - 0.8%

| | |
|--------|---|
| 10,800 | EOP Operating LP, Convertible Notes, 7.250%, 11/15/08 |
| 8,615 | TrizecHahn Corporation, 3.000%, 1/29/21 |

RETAIL - 0.5%

| | |
|-------|--|
| 9,400 | Best Buy Company Inc., 2.250%, 1/15/22 |
|-------|--|

RETAIL - SPECIALTY - 0.9%

| | |
|--------|---|
| 7,820 | Charming Shoppes Inc., 4.750%, 6/01/12 |
| 1,165 | K2 Corporation, Convertible Notes, Series 144A, 5.000%, 6/15/10 |
| 11,450 | Lowes Companies Inc., 0.000%, 2/16/21 |

SEMICONDUCTOR - 0.6%

| | |
|-------|--|
| 5,500 | ASM Lithography Holding NV, 5.750%, 10/15/06 |
| 5,865 | Triquint Semiconductor Inc., 4.000%, 3/01/07 |

TELECOMMUNICATIONS - 1.2%

| | |
|--------|---|
| 3,775 | Lucent Technologies Inc., 2.750%, 6/15/23 |
| 10,000 | Nextel Communications Inc., Convertible Senior Notes, Series 144A, 6.000%, 6/01/1 |
| | NII Holdings Inc., Series 144A: |
| 2,975 | 3.500%, 9/15/33 |
| 2,990 | 2.880%, 2/01/34 |

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| | |
|---------|--|
| | TELECOMMUNICATIONS EQUIPMENT - 1.2% |
| 10,000 | Ciena Corporation, 3.750%, 2/01/08 |
| 11,500 | Liberty Media Corporation, Senior Debentures, Exchangeable for Motorola, 3.500%, |
| 4,295 | Skyworks Solutions Inc., 4.750%, 11/15/07 |
| ----- | |
| | TOY MANUFACTURER - 0.4% |
| 7,000 | Hasbro Inc., 2.750%, 12/01/21 |
| ----- | |
| | UTILITIES - 0.4% |
| 260,000 | Centerpoint Energy Inc., 2.000%, 9/15/29 |
| ----- | |
| | Total Convertible Bonds (cost \$510,552,397) |
| ----- | |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) |
|---------------------------|---|
| ----- | |
| | CORPORATE BONDS - 16.0% (11.1% OF TOTAL INVESTMENTS) |
| | AUTOMOBILE - 2.5% |
| \$ 6,000 | Asbury Automotive Group Inc., 9.000%, 6/15/12 |
| | Ford Motor Company: |
| 2,000 | 8.900%, 1/15/32 |
| 17,095 | 9.980%, 2/15/47 |
| 7,570 | 7.700%, 5/15/97 |
| | General Motors Corporation, Senior Debentures: |
| 7,530 | 8.375%, 7/15/33 |
| 8,868 | 7.375%, 5/23/48 |
| ----- | |
| | AUTOMOBILE PARTS - 0.2% |
| 4,000 | Tenneco Automotive Inc., 10.250%, 7/15/13 |
| ----- | |
| | BIOTECHNOLOGY - 0.1% |
| 1,500 | Fisher Scientific International Inc., 8.000%, 9/01/13 |

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BROADCASTING AND CABLE TV - 1.3%

6,900 Allbritton Communications Company, Series B, 7.750%, 12/15/12

Cablevision Systems Corporation:

3,000 7.250%, 7/15/08

2,000 8.125%, 7/15/09

5,000 Cablevision Systems Corporation, Series B, 8.125%, 8/15/09

5,500 Young Broadcasting Inc., Senior Subordinate Notes, 10.000%, 3/01/11

Young Broadcasting Inc., Series 144A:

1,000 8.500%, 12/15/08

2,000 8.750%, 1/15/14

CEMENT AND GYPSUM - 0.1%

2,000 Texas Industries Inc., 10.250%, 6/15/11

CHEMICAL SPECIALTY - 0.3%

6,500 OM Group Inc., 9.250%, 12/15/11

ENERGY - 0.3%

2,563 Chesapeake Energy Corporation, 9.000%, 8/15/12

1,000 Tesoro Petroleum Corporation: 8.000%, 4/15/08

Tesoro Petroleum Corporation, Senior Subordinate Notes, Series B,

1,000 9.000%, 7/01/08

1,000 9.625%, 11/01/08

ENTERTAINMENT - 2.5%

1,980 AMC Entertainment Inc., 9.875%, 2/01/12

1,850 AMC Entertainment Incorporated, 9.500%, 2/01/11

Argosy Gaming Company:

3,000 10.750%, 6/01/09

1,880 8.880%, 5/15/07

5,190 Aztar Corporation, 9.000%, 8/15/11

Boyd Gaming Corporation:

2,345 8.750%, 4/15/12

4,075 7.750%, 12/15/12

6,000 Cinemark USA Inc., 9.000%, 2/01/13

1,000 Cinemark USA Inc., Series B, 8.500%, 8/01/08

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1,000 Isle of Capri Casinos Inc., Series B, 8.750%, 4/15/09
 3,000 Las Vegas Sands Inc., Venetian Casino Resorts LLC, Mortgage Notes, 11.000%, 6/15/09

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) |
|---------------------------|--|
| ----- | |
| | ENTERTAINMENT (continued) |
| \$ 2,000 | Mirage Inc., 6.750%, 8/01/07 |
| 1,000 | Park Place Entertainment, 9.375%, 2/15/07 |
| 1,000 | Park Place Entertainment, Senior Subordinate Notes, 7.875%, 3/15/10 |
| 3,500 | Park Place Entertainment, Unsecured Senior Subordinate Notes, 7.875%, 12/15/05 |
| 500 | PennNational Gaming Inc., Series B, 11.125%, 3/01/08 |
| 2,000 | PennNational Gaming Inc., Senior Subordinated Notes, 8.875%, 3/15/10 |
| 3,000 | Pinnacle Entertainment Inc., 8.750%, 10/01/13 |
| 2,000 | Pinnacle Entertainment Inc., Senior Subordinate Notes, Series B, 9.250%, 2/15/07 |
| 3,500 | Station Casinos Incorporated, 9.875%, 7/01/10 |
| ----- | |
| | FINANCIAL - 0.5% |
| 3,450 | MDP Acquisitions plc, Senior Notes, 9.625%, 10/01/12 |
| 4,000 | Universal City Development Partners, Series 144A, Senior Notes, 11.750%, 4/01/10 |
| 2,000 | Williams Scotsman Inc., 10.000%, 8/15/08 |
| ----- | |
| | FOOD - 1.1% |
| 7,610 | Del Monte Corporation, 8.625%, 12/15/12 |
| | Dole Foods Company: |
| 1,435 | 8.625%, 5/01/09 |
| 7,000 | 7.875%, 7/15/13 |
| 1,000 | Seminis Vegetable Seeds Inc., Series 144A, 10.250%, 10/01/13 |
| 4,020 | Stater Brothers Holdings Inc., 10.750%, 8/15/06 |

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| | |
|--------------|---|
| ----- | |
| | GAS - 0.0% |
| 1,000 | Suburban Propane Partnership LP, 6.875%, 12/15/13 |
| ----- | |
| | HEALTHCARE DISTRIBUTORS AND SERVICES - 0.1% |
| 2,000 | Service Corporation International, 7.700%, 4/15/09 |
| ----- | |
| | HOMEBUILDING - 0.5% |
| 1,000 | D.R. Horton Inc., Senior Notes, 10.500%, 4/01/05 |
| 5,000 | KB Home, 8.625%, 12/15/08 |
| 3,000 | William Lyon Homes Inc., Unsecured Senior Notes, 10.750%, 4/01/13 |
| ----- | |
| | INDUSTRIAL - 1.5% |
| | Allied Waste North America: |
| 114 | 7.875%, 1/01/09 |
| 6,235 | 10.000%, 8/01/09 |
| 2,000 | Berry Plastics Corporation, 10.750%, 7/15/12 |
| 4,500 | K. Hovnanian Enterprises Inc., Senior Subordinate Notes, 8.875%, 4/01/12 |
| 3,000 | Laidlaw International Inc., Senior Notes, Series 144A, 10.750%, 6/15/11 |
| 3,000 | Owens-Brockway Glass Containers, Guaranteed Senior Notes, 8.250%, 5/15/13 |
| 3,000 | Owens-Illinois Inc., 7.500%, 5/15/10 |
| | Terex Corporation, Senior Subordinated Notes, Series 144A: |
| 3,000 | 10.380%, 4/01/11 |
| 3,000 | 9.250%, 7/15/11 |
| 2,210 | United States Can Corporation, Series B, 10.875%, 7/15/10 |
| ----- | |
| | INDUSTRIAL CONGLOMERATES - 0.2% |
| 4,000 | Jacuzzi Brands Inc., Senior Secured Notes, Series 144A, 9.625%, 7/01/10 |
| ----- | |
| PRINCIPAL | |
| AMOUNT (000) | DESCRIPTION(1) |
| ----- | |

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| | | |
|-------|--------|---|
| | | LEISURE FACILITIES - 0.4% |
| \$ | 4,100 | Intrawest Corporation, 7.500%, 10/15/13 |
| | 3,500 | Intrawest Corporation, Senior Notes, 10.500%, 2/01/10 |
| ----- | | |
| | | MEDICAL PRODUCTS - 0.4% |
| | | Iasis Healthcare Corporation: |
| | 4,480 | 13.000%, 10/15/09 |
| | 2,455 | 8.500%, 10/15/09 |
| ----- | | |
| | | NETWORKING EQUIPMENT - 0.3% |
| | 5,000 | Avaya Inc., 11.125%, 4/01/09 |
| ----- | | |
| | | OIL SERVICES - 0.1% |
| | 2,000 | Premcor Refining Group Inc., 7.500%, 6/15/15 |
| ----- | | |
| | | PAPER - 0.4% |
| | 2,000 | Georgia Pacific Corporation, Debentures, 7.700%, 6/15/15 |
| | 5,000 | Georgia Pacific Corporation, Notes, 8.125%, 5/15/11 |
| ----- | | |
| | | PHARMACEUTICALS - 0.1% |
| | 2,000 | Quintiles Transnational Corporation, Series144A, 10.000%, 10/01/13 |
| ----- | | |
| | | PUBLISHING AND PRINTING - 1.9% |
| | 2,345 | American Media Operations Inc., 8.875%, 1/15/11 |
| | 6,000 | American Media Operations Inc., Series B, 10.250%, 5/01/09 |
| | | Dex Media West/Finance, Series 144A: |
| | 1,000 | 8.500%, 8/15/10 |
| | 2,250 | 9.875%, 8/15/13 |
| | 3,855 | Mail-Well I Corporation, Senior Unsecured Notes, Series 144A, 9.625%, 3/15/12 |
| | 8,000 | Primedia Inc., Senior Notes, 8.875%, 5/15/11 |
| | 2,000 | R H Donnelley Finance Corp 1, 10.875%, 12/15/12 |
| | 2,000 | Sum Media Corporation, 7.625%, 2/15/13 |
| | 10,000 | Vertis Inc., 9.750%, 4/01/09 |

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| | |
|-------|---|
| | RESTAURANTS - 0.3% |
| 4,350 | Dominos Inc., 8.250%, 7/01/11 |
| 2,000 | Tricon Golbal Restaurants Incorporated, 8.875%, 4/15/11 |

| | |
|-------|-------------------|
| | RETAIL - 0.4% |
| | Saks Inc., Notes: |
| 2,000 | 7.500%, 12/01/10 |
| 1,000 | 9.880%, 10/01/11 |
| 4,000 | 7.380%, 2/15/19 |

| | |
|-------|--|
| | RETAIL - SPECIALTY - 0.4% |
| 8,000 | Warnaco Inc., Series 144A, Senior Notes, 8.875%, 6/15/13 |

| | |
|-------|--|
| | STEEL - 0.1% |
| 2,000 | United States Steel Corporation, 9.750%, 5/15/10 |

Total Corporate Bonds (cost \$326,054,098)

CAPITAL PREFERRED SECURITIES - 26.3% (18.2% OF TOTAL INVESTMENTS)

BANKING - 10.5%

| | |
|--------|--|
| 46,000 | AgFirst Farm Credit Bank, 7.300%, 10/15/49 |
| 9,700 | Bank One Capital III, 8.750%, 9/01/30 |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) |
|---------------------------|----------------|
|---------------------------|----------------|

| | |
|----------|---|
| | BANKING (continued) |
| \$ 1,974 | BankAmerica Capital II, Series 2, 8.000%, 12/15/26 |
| 2,600 | BankAmerica Institutional Capital Trust, Series B, 7.700%, 12/31/26 |
| 5,000 | BankAmerica Institutional Trust, 8.070%, 12/31/26 |

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2,000 BankBoston Capital Trust I, Series B, 8.250%, 12/15/26
 500 Barnett Capital I, 8.060%, 12/01/26
 6,273 BT Capital Trust, Series B1, 7.900%, 1/15/27
 15,000 BT Institutional Capital Trust A, Series 144A, 8.090%, 12/01/26
 900 Chase Capital Trust I, Series A, 7.670%, 12/01/26
 1,000 Citigroup Capital III, 7.625%, 12/01/36
 3,000 Compass Trust I, Series A, 8.230%, 1/15/27
 2,350 FBS Capital Trust I, 8.090%, 11/15/26
 6,000 First Chicago NBD Institutional Capital, 7.950%, 12/01/26
 4,315 First Chicago NBD Institutional Capital Trust, Series B, 7.750%, 12/01/26
 3,750 First Empire Capital Trust I, 8.234%, 2/01/27
 10,000 First Empire Capital Trust II, 8.277%, 6/01/27
 3,000 First Midwest Bancorp Inc., Series 144A, 6.950%, 12/01/33
 2,000 First Union Institutional Capital I, 8.040%, 12/01/26
 3,500 First Union Capital Trust II, Series A, 7.950%, 11/15/29
 500 First Union Institutional Capital II, 7.850%, 1/01/27
 2,150 JPM Capital Trust I, 7.540%, 1/15/27
 3,000 JPM Capital Trust II, 7.950%, 2/01/27
 15,000 KeyCorp Institutional Capital Trust A, 7.826%, 12/01/26
 18,060 Mellon Capital Trust I, Series A, 7.720%, 12/01/26
 17,500 North Fork Capital Trust II, 8.000%, 12/15/27
 500 PNC Institutional Capital Securities, 7.950%, 12/15/26
 1,500 Reliance Capital Trust I, Series B, 8.170%, 5/01/28
 1,002 Republic New York Capital II, Capital Securities, 7.530%, 12/04/26
 9,000 State Street Institutional Capital Trust, Series 144A, 8.035%, 3/15/27
 1,225 Union Planters Capital Trust A, 8.200%, 12/15/26

BANKING - FOREIGN - 8.1%

20,000 Abbey National Capital Trust I, 8.963%, 6/30/20
 29,075 Barclays Bank plc, Series 144A, 6.860%, 9/29/49
 21,000 CBA Capital Trust I, Series 144A, 5.805%, 12/31/49

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| | |
|--------|--|
| 20,000 | HSBC Capital Funding LP, Debt, 10.176%, 6/30/50 |
| 8,388 | HSBC Capital Funding LP, Series 144A, 9.547%, 12/31/49 |
| 10,105 | KBC Bank Fund Trust III, Series 144A, 9.860%, 11/29/49 |
| 6,508 | Royal Bank of Scotland Group PLC, 7.648%, 8/31/49 |
| 23,490 | Unicredito Italiano Capital Trust, Series 144A, 9.200%, 10/05/49 |

FINANCIAL - 0.2%

| | |
|-------|---|
| 500 | Countrywide Capital Trust I, 8.000%, 12/15/26 |
| 4,000 | Keycorp Capital III, 7.750%, 7/15/29 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) |
|---------------------------|----------------|
|---------------------------|----------------|

FINANCIAL - FOREIGN - 0.9%

| | |
|----------|---|
| \$ 2,000 | AB Svensk Exportkredit, 6.375%, 10/27/49 |
| 10,000 | ING Capital Funding Trust III, 8.439%, 12/29/49 |
| 4,472 | St. George Funding Company LLC, 8.485%, 6/30/47 |

GAS - 1.0%

| | |
|--------|---------------------------------------|
| 18,855 | KN Capital Trust III, 7.630%, 4/15/28 |
|--------|---------------------------------------|

INSURANCE - FINANCIAL - 0.0%

| | |
|-----|--|
| 612 | Berkeley Capital Trust, 8.197%, 12/20/45 |
|-----|--|

INSURANCE - LIFE - 0.9%

| | |
|--------|---|
| 10,000 | American General Capital II, 8.500%, 7/01/30 |
| 4,750 | American General Institutional Capital, 8.125%, 3/15/46 |

INSURANCE - LIFE - FOREIGN - 0.7%

| | |
|--------|--|
| 12,890 | Sun Life Canada Capital Trust, Capital Securities, 8.526%, 5/06/47 |
|--------|--|

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INSURANCE - MULTIPLE LINE - 2.1%

16,260 Safeco Capital Trust I, Capital Securities, 8.072%, 7/15/37
23,513 Zurich Capital Trust I, 8.376%, 6/01/37

REAL ESTATE - OTHER - 1.4%

30,000 Mangrove Bay, Class 3, Series 144A, 6.102%, 7/15/33

SAVINGS AND LOAN - 0.2%

3,365 Great Western Financial Trust II, Series A, 8.206%, 2/01/27

UNITED STATES GOVERNMENT AGENCY - 0.3%

5,000 Farm Credit Bank of Texas, 7.561%, 11/05/49

UTILITY - 0.0%

750 ComEd Financing II, Series B, 8.500%, 1/15/27

Total Capital Preferred Securities (cost \$557,750,146)

CAPITAL PREFERRED EURO-MARKET LISTED SECURITIES - 7.9% (5.5% OF TOTAL INVESTMENTS)

BANKING - FOREIGN - 6.6%

15,750 BNP Paribas Capital Trust, 7.200%, 12/31/49
29,750 C.A. Preferred Funding Trust, 7.000%, 1/30/49
54,150 HBOS Capital Funding LP, Notes, 6.850%, 3/01/49
17,000 Lloyds TSB Bank PLC, Subordinate Notes, 6.900%, 11/22/49
21,250 RBS Capital Trust B, 6.800%, 12/31/49

FINANCIAL - 1.3%

27,850 Old Mutual Capital Funding, Notes, 8.000%, 6/22/53

Total Capital Preferred - Euro-Market Listed Securities (cost \$170,002,496)

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U.S. GOVERNMENT AND AGENCY OBLIGATIONS - 1.3% (0.9% OF TOTAL INVESTMENTS)

UNITED STATES GOVERNMENT AGENCY - 0.9%

20,000 Fannie Mae, 4.625%, 5/01/13

 UNITED STATES TREASURY NOTES - 0.4%

7,700 United States of America Treasury Notes, 3.375%, 11/15/08

 Total U.S. Government and Agency Obligations (cost \$28,218,070)

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)
 Portfolio of INVESTMENTS January 31, 2004 (Unaudited)

PRINCIPAL
 AMOUNT (000) DESCRIPTION(1)

 SHORT-TERM INVESTMENTS - 0.6% (0.4% OF TOTAL INVESTMENTS)

\$ 12,760 State Street Bank Repurchase Agreement, United States Government Securities
 0.920%, date 1/30/04, due 2/02/04, repurchase price \$12,760,978, collateralized
 U.S. Treasury Bonds

 Total Short-Term Investments (cost \$12,760,000)

Total Investments (cost \$2,945,234,960) - 144.6%

SHARES DESCRIPTION(1)

 COMMON STOCKS SOLD SHORT - (3.3)%

AEROSPACE AND DEFENSE - (0.3)%

(74,100) Northrop Gruman Corporation

 AUTOMOBILE - (0.2)%

(368,000) Ford Motor Company

 BANKING - (0.0)%

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(25,000) Provident Financial Group Inc.

BROADCASTING AND CABLE TV - (0.4)%

(330,545) Cablevision Systems Corporation

COMPUTER - (0.3)%

(292,800) Electronic Data Systems Corporation

DIVERSIFIED METALS - (0.1)%

(32,200) Phelps Dodge Corporation

ELECTRONIC EQUIPMENT AND INSTRUMENTS - (0.1)%

(361,000) Solectron Corporation

ENERGY - (0.3)%

(97,926) Devon Energy Corporation

FINANCE - (0.2)%

(37,000) Affiliated Managers Group Inc.

(25,000) Capital One Financial Corporation

HOSPITAL SUPPLIES - (0.4)%

(263,000) Baxter International Inc.

HOTELS - (0.1)%

(83,000) Cendant Corporation

INSURANCE - PROPERTY AND CASUALTY - (0.3)%

(40,000) Chubb Corporation

(65,300) PMI Group Inc.

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| | |
|----------|-----------------------------|
| | RETAIL - SPECIALTY - (0.1)% |
| (80,520) | K2 Inc. |

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| SHARES | DESCRIPTION(1) |
|-------------|--|
| | TELECOMMUNICATIONS - (0.5)% |
| (1,500,000) | Lucent Technologies Inc. |
| (386,700) | Sprint Corporation PCS Group |
| <hr/> | |
| | Total Common Stocks Sold Short (proceeds \$60,091,699) |
| | <hr/> |
| | Other Assets Less Other Liabilities - 3.8% |
| | <hr/> |
| | FundPreferred Shares, at Liquidation Value - (45.1)% |
| | <hr/> |
| | Net Assets Applicable to Common Shares - 100.0% |
| | ===== |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (a) Security is eligible for the Dividends Receivable Deduction.
- (CBTCS) Corporate Backed Trust Certificates.
- (CORTS) Corporate Backed Trust Securities.
- (LYONS) Liquid Yield Option Notes.
- (PCARS) Public Credit and Repackaged Securities.
- (PPLUS) PreferredPlus Trust.
- (SATURNS) Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

Statement of
ASSETS AND LIABILITIES January 31, 2004 (Unaudited)

ASSETS

Investments, at market value (cost \$2,126,522,368 and \$2,945,234,960, respectively)
Deposits with brokers for securities sold short

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Interest rate swaps, at value

Receivables:

Dividends

Interest

Investments sold

Other assets

Total assets

LIABILITIES

Securities sold short, at value (proceeds \$40,653,707 and \$60,091,699, respectively)

Cash overdraft

Payable for investments purchased

Accrued expenses:

Management fees

Other

Dividends payable:

FundPreferred shares

Short sells

Total liabilities

FundPreferred shares, at liquidation value

Net assets applicable to Common shares
=====

Common shares outstanding
=====

Net asset value per Common share outstanding (net assets applicable to
Common shares, divided by Common shares outstanding)
=====

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

Common shares, \$.01 par value per share

Paid-in surplus

Undistributed (Over-distribution of) net investment income

Accumulated net realized gain from investments

Net unrealized appreciation of investments and interest rate swaps transactions

Net assets applicable to Common shares
=====

Authorized shares:

Common

FundPreferred shares
=====

See accompanying notes to financial statements.

 INVESTMENT INCOME

Dividends (net of foreign tax withheld of \$26,831 and \$50,456, respectively)
 Interest (net of foreign tax withheld of \$10,573 and 12,444, respectively)

 Total investment income

 EXPENSES

Management fees
 Net interest expense on interest rate swap transactions
 Dividend expense on securities sold short
 FundPreferred shares - auction fees
 FundPreferred shares - dividend disbursing agent fees
 Shareholders' servicing agent fees and expenses
 Custodian's fees and expenses
 Trustees' fees and expenses
 Professional fees
 Shareholders' reports - printing and mailing expenses
 Stock exchange listing fees
 Investor relations expense
 Other expenses

 Total expenses before custodian fee credit and expense reimbursement
 Custodian fee credit
 Expense reimbursement

 Net expenses

 Net investment income

 REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS

Net realized gain from investments
 Change in net unrealized appreciation (depreciation) of investments
 Change in net unrealized appreciation (depreciation) of interest rate swap transactions

 Net gain from investments

 DISTRIBUTIONS TO FUNDPREFERRED SHAREHOLDERS

From net investment income

 Net increase in net assets applicable to Common shares from operations
 =====

See accompanying notes to financial statements.

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| | SIX MONTHS ENDED 1/31/04 | FOR THE PERIOD 3/26/03 (COMMENCEMENT OF OPERATIONS) THROUGH 7/31/03 |
|--|-----------------------------|---|
| ----- | | |
| OPERATIONS | | |
| Net investment income | \$ 63,953,501 | \$ 30,420,215 |
| Net realized gain (loss) from investments | 10,730,093 | 6,249,317 |
| Change in net unrealized appreciation (depreciation) of investments | 149,532,668 | (8,770,714) |
| Change in net unrealized appreciation (depreciation) of interest rate swap transactions | 886,127 | -- |
| Distributions to FundPreferred shareholders from net investment income | (4,207,529) | (1,781,038) |
| ----- | | |
| Net increase (decrease) in net assets applicable to Common shares from operations | 220,894,860 | 26,117,780 |
| ----- | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From net investment income | (60,349,679) | (30,157,634) |
| From accumulated net realized gains from investments | (5,685,017) | -- |
| ----- | | |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (66,034,696) | (30,157,634) |
| ----- | | |
| CAPITAL SHARE TRANSACTIONS | | |
| Common shares: | | |
| Net proceeds from sale of shares | (188,221) | 1,430,942,591 |
| Net proceeds from shares issued to shareholders due to reinvestment of distributions | 1,175,103 | 549,331 |
| FundPreferred shares offering costs | (20,355) | (14,569,487) |
| ----- | | |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 966,527 | 1,416,922,435 |
| ----- | | |
| Net increase in net assets applicable to Common shares | 155,826,691 | 1,412,882,581 |
| Net assets applicable to Common shares at the beginning of period | 1,412,982,856 | 100,275 |
| ----- | | |
| Net assets applicable to Common shares at the end of period | \$1,568,809,547 | \$1,412,982,856 |
| ===== | | |
| Undistributed (Over-distribution of) net investment income at the end of period | \$ (838,141) | \$ (234,434) |
| ===== | | |

See accompanying notes to financial statements.

Notes to
FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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The Funds covered in this report and their corresponding Common share New York Stock Exchange symbols are Nuveen Preferred and Convertible Income Fund (JPC) and Nuveen Preferred and Convertible Income Fund 2 (JQC). The Funds are registered under the Investment Company Act of 1940, as amended, as diversified, closed-end management investment companies.

Prior to the commencement of operations of the Funds, each Fund had no operations other than those related to organizational matters, the initial capital contribution of \$100,275 per Fund by Nuveen Institutional Advisory Corp. (the "Adviser"), a wholly owned subsidiary of Nuveen Investments, Inc., and the recording of the organization expenses (\$11,500 per Fund) and their reimbursement by Nuveen Investments, LLC, also a wholly owned subsidiary of Nuveen Investments, Inc.

Each Fund seeks to provide high current income by investing primarily in a portfolio of preferred securities, convertible securities, and related instruments. Each Fund may also invest in other debt instruments and common stocks acquired upon conversion of a convertible security.

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with accounting principles generally accepted in the United States.

Securities Valuation

Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. The prices of fixed-income securities are generally provided by an independent pricing service approved by the Funds' Board of Trustees and based on the mean between the bid and asked prices. When price quotes are not readily available for fixed-income securities, the pricing service establishes fair market value using a wide range of market data including yields or prices of securities of comparable quality, type of issue, coupon, maturity and rating, indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant by the pricing service. If it is determined that market prices for a security are unavailable or inappropriate, the Board of Trustees of the Funds, or its designee, may establish a fair value for the security. Short-term securities are valued at amortized cost, which approximates market value.

Securities Transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined on the specific identification method. Securities purchased on a when-issued or delayed delivery basis may have extended settlement periods. Any securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At January 31, 2004, there were no such outstanding purchase commitments in either of the Funds.

Investment Income

Dividend income and dividend expense on securities sold short are recorded on the ex-dividend date. Interest income, which includes the amortization of premiums and accretion of discounts for financial reporting purposes, is

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recorded on an accrual basis (see Dividends and Distributions to Common Shareholders for REIT income recognition policy).

Income Taxes

Each Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its net investment income to its shareholders. Therefore, no federal income tax provision is required.

Dividends and Distributions to Common Shareholders

Dividends from net investment income are declared monthly. Net realized capital gains from investment transactions, if any, are distributed to shareholders not less frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

The Funds make certain adjustments, at different points in time, to the character of both (a) the distributions received by the Funds from REITs, and (b) dividends to Fund shareholders to the extent that such dividends are attributable to REIT distributions received by the Funds.

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Notes to FINANCIAL STATEMENTS (Unaudited) (continued)

Characterization of Receipts from REITs - Distributions from REITs are generally comprised of investment income, long-term and short-term capital gains, and/or a return of REIT capital. The actual character of the amounts received by a Fund from REITs during the period is not known until after the fiscal year-end of the Funds. For the six months ended January 31, 2004, each Fund applied percentage estimates (of whether the receipts represented investment income, long-term and short-term capital gains, or return of capital), based on historical experience, to its receipts from the REITs and treated as income in the Statement of Operations only the amount of investment income so calculated. Each Fund will adjust that estimated breakdown of income type (and consequently its net investment income) as necessary in the subsequent calendar year when the REITs inform their shareholders of the actual breakdown of income type.

Characterization of Fund Distributions to Shareholders Derived from Distributions from REITs - During the six months ended January 31, 2004, each Fund treated each distribution to its shareholders, to the extent that such distribution was attributable to receipts from portfolio REITs, as being entirely from net investment income, because the character of such distributions made during the period is not known until after the fiscal year-end of the Funds. Each Fund recharacterizes those distributions as being from ordinary income, long-term and short-term capital gains, and return of capital, if necessary, in the subsequent calendar year, based upon the income type breakdown information conveyed at that time by the REITs whose securities are held in the Fund's portfolio. Consequently, the financial statements may reflect an over-distribution of net investment income that is at least partly attributable to the fact that, as of the date of the financial statements, some of the amounts received by the Funds from the portfolio REITs, but none of the dividends paid by the Funds to shareholders from the portfolio REITs during the period, were treated as something other than ordinary income.

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Distributions to Common shareholders of net investment income and net realized capital gains, if any, are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States.

FundPreferred Shares

The Funds have issued and outstanding \$25,000 stated value FundPreferred shares. Each Fund's FundPreferred shares are issued in more than one Series. The dividend rate on each Series may change every seven days, as set pursuant to a dutch auction process by the auction agent, and is payable at or near the end of each rate period. The number of shares outstanding, by Series and in total, for each Fund is as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|-------------------|--|--|
| ----- | | |
| Number of shares: | | |
| Series M | 4,720 | 3,860 |
| Series M2 | -- | 3,860 |
| Series T | 4,720 | 3,860 |
| Series T2 | -- | 3,860 |
| Series W | 4,720 | 3,860 |
| Series W2 | -- | 3,860 |
| Series TH | 4,720 | 3,860 |
| Series TH2 | -- | 3,860 |
| Series F | 4,720 | 3,860 |
| Series F2 | 4,720 | 3,860 |
| ----- | | |
| Total | 28,320 | 38,600 |
| ===== | | |

Preferred and Convertible Income (JPC) issued the FundPreferred shares listed above on May 16, 2003.

Preferred and Convertible Income 2 (JQC) issued the FundPreferred shares listed above on August 15, 2003.

Interest Rate Swap Transactions

The Funds are authorized to enter into hedging transactions, including interest rate swap transactions. The Funds use interest rate swaps with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swaps involve each Fund's agreement with the swap counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate each Fund's variable rate payment obligation on FundPreferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the swap. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of credit loss with respect to the swap counterparty on interest rate swaps is limited to the net amount of interest payments that each Fund is to receive.

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The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the net payment obligations under any interest rate swap transactions. Interest rate swap positions are marked to market daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Funds help manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations and by having the Adviser continually monitor the financial stability of the swap counterparties.

At January 31, 2004, Preferred and Convertible Income (JPC) had open interest rate swap agreements as follows:

| NOTIONAL AMOUNT | FIXED RATE | FLOATING RATE* | TERMINATION DATE | UN APPR (DEPRE |
|-----------------|------------|----------------|------------------|----------------|
| \$71,000,000 | 1.9735% | 1.0980% | 1/22/06 | |
| 71,000,000 | 2.5670 | 1.1000 | 1/22/07 | |
| 71,000,000 | 2.9935 | 1.0980 | 1/22/08 | |
| 71,000,000 | 3.4060 | 1.1000 | 1/22/09 | |

*Based on LIBOR (London Interbank Offered Rate)

At January 31, 2004, Preferred and Convertible Income 2 (JQC) had open interest rate swap agreements as follows:

| NOTIONAL AMOUNT | FIXED RATE | FLOATING RATE* | TERMINATION DATE | UN APPR (DEPRE |
|-----------------|------------|----------------|------------------|----------------|
| \$97,000,000 | 1.3605% | 1.0980% | 1/23/05 | |
| 97,000,000 | 2.0250 | 1.1000 | 1/23/06 | |
| 97,000,000 | 3.0480 | 1.1000 | 1/23/08 | |
| 97,000,000 | 3.3595 | 1.0980 | 1/23/09 | |

*Based on LIBOR (London Interbank Offered Rate)

Short Sales

The Funds may make short sales of securities if, at all times when a short position is open, the Funds own at least an equal amount of such securities or securities convertible into or exchangeable for, without payment of any further consideration, securities of the same issuer as, and at least equal in amount to, the securities sold short.

The Funds will borrow the securities sold short from a broker-dealer through which the short sale is executed and the broker-dealer will deliver such securities, on behalf of the Funds, to the purchaser of such securities. Such

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broker-dealer will be entitled to retain the proceeds from the short sale until the Funds deliver to such broker-dealer the securities sold short. In addition, the Funds will be required to pay the broker-dealer the amount of any dividends or interest paid on securities sold short. Finally, to secure its obligation to deliver to such broker-dealer the securities sold short, the Funds have instructed the custodian to segregate assets in an equivalent amount of the securities sold short or securities convertible into or exchangeable for such securities.

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Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

Short sales may protect the Funds against the risk of losses in the value of their portfolio securities because any unrealized losses with respect to such portfolio securities should be wholly or partially offset by a corresponding gain in the short position. However, any potential gain in such portfolio securities should be wholly or partially offset by a corresponding loss in the short position. The extent to which such gains or losses are offset will depend upon the amount of securities sold short relative to the amount the Funds own, either directly or indirectly, and, in the case where the Funds own convertible securities, changes in the conversion premium. The Funds will incur transaction costs in connection with short sales.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is each Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

Other Derivative Financial Instruments

The Funds may invest in options and futures contracts, credit derivative instruments, and currency exchange transactions for the purpose of hedging their portfolios. Although the Funds are authorized to invest in such financial instruments, and may do so in the future, they did not make any such investments during the six months ended January 31, 2004.

Organization and Offering Costs

Nuveen Investments, LLC has agreed to reimburse all organization expenses (approximately \$11,500 per Fund) and pay all Common share offering costs (other than the sales load) that exceed \$.03 per Common share for Preferred and Convertible Income (JPC) and Preferred and Convertible Income 2 (JQC). Preferred and Convertible Income's (JPC) and Preferred and Convertible Income 2's (JQC) share of Common share offering costs (\$1,745,630 and \$1,762,420, respectively) were recorded as a reduction of the proceeds from the sale of Common shares.

Costs incurred by Preferred and Convertible Income (JPC) and Preferred and Convertible Income 2 (JQC) in connection with their offering of FundPreferred shares (\$14,589,842 and \$19,723,013, respectively) were recorded as a reduction to paid-in surplus.

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Custodian Fee Credit

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to Common shares from operations during the reporting period. Actual results may differ from those estimates.

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2. FUND SHARES

Transactions in Common and FundPreferred shares were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | | PREFERRED AND CONVERTIBLE INCOME 2 | |
|---|---|---|---------------------------------------|---|
| | SIX MONTHS ENDED 1/31/04 | FOR THE PERIOD 3/26/03 (COMMENCEMENT OF OPERATIONS) THROUGH 7/31/03 | SIX MONTHS ENDED 1/31/04 | FOR THE PERIOD 6 (COMMENCEMENT OF OPERATIONS) THROUGH 7/31/03 |
| Common shares: | | | | |
| Shares sold | -- | 100,000,000 | -- | 141,000,000 |
| Shares issued to shareholders due to reinvestment of distributions | 79,185 | 36,992 | -- | |
| | 79,185 | 100,036,992 | -- | 141,000,000 |
| FundPreferred shares sold | -- | 28,320 | 38,600 | |

3. SECURITIES TRANSACTIONS

Purchases and sales of investments and U.S. Government and agency obligations (including maturities and transactions in securities sold short but excluding short-term investments) during the six months ended January 31, 2004, were as follows:

| PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|--|--|
|--|--|

| | | |
|--|---------------|-----------------|
| Purchases: | | |
| Investment securities | \$327,340,591 | \$1,556,409,215 |
| U.S. Government and agency obligations | 8,554,453 | 117,118,078 |
| Sales and maturities: | | |
| Investment securities | 347,203,286 | 377,625,421 |
| U.S. Government and agency obligations | 8,682,109 | 261,270,883 |

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

4. INCOME TAX INFORMATION

The following information is presented on an income tax basis based on the information currently available to the Funds. Differences between amounts for financial statement and federal income tax purposes are primarily due to the recognition of income on certain securities, which are treated as debt securities for income tax purposes and equity securities for financial statement purposes, and timing differences in recognizing certain gains and losses on security transactions.

At January 31, 2004, the cost of investments were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|---------------------|--|--|
| Cost of investments | \$2,087,082,428 | \$2,887,947,175 |

Gross unrealized appreciation and gross unrealized depreciation of investments at January 31, 2004, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|--|--|--|
| Gross unrealized: | | |
| Appreciation | \$161,324,436 | \$163,048,514 |
| Depreciation | (21,776,249) | (24,231,209) |
| Net unrealized appreciation of investments | \$139,548,187 | \$138,817,305 |

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The tax components of undistributed net ordinary income and net realized gains at July 31, 2003, the Funds' last fiscal year end, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|---|--|--|
| Undistributed net ordinary income * | \$17,219,532 | \$5,712,249 |
| Undistributed net long-term capital gains | -- | -- |

*Net ordinary income consists of net taxable income derived from dividends, interest, and net short-term capital gains, if any.

The tax character of distributions paid during the fiscal period ended July 31, 2003, the Funds' last fiscal year end, was designated for purposes of the dividends paid deduction as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|--|--|--|
| Distributions from net ordinary income * | \$21,811,614 | \$-- |
| Distributions from net long-term capital gains | -- | -- |

*Net ordinary income consists of net taxable income derived from dividends, interest, and net short-term capital gains, if any.

Preferred and Convertible Income 2 (JQC) elected to defer net realized losses from investments incurred from November 1, 2002 through July 31, 2003 ("post-October losses") in accordance with Federal income tax regulations. Preferred and Convertible Income 2 (JQC) had \$1,550,040 of post-October losses that are treated as having arisen on the first day of the following fiscal year.

Calculation of certain of the amounts presented above (namely, undistributed net ordinary income for tax purposes) involves the application of complex aspects of the Internal Revenue Code to certain securities held by the Funds. In calculating the amount of taxable income derived from these securities, management made assumptions as to the correct tax treatment of certain of those securities and made estimates about the tax characteristics of income received from those securities, based on information currently available to the Funds. The use of these assumptions and estimates will not affect the qualification of the Funds as regulated investment companies under Subchapter M of the Internal Revenue Code, nor is it expected that these assumptions and estimates will be used in computing taxable income for purposes of preparing the federal and state income and excise tax returns.

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5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Under each Fund's investment management agreement with the Adviser, each Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon each Fund's average daily managed assets. "Managed Assets" means the average daily net assets of each Fund including assets attributable to Fund Preferred shares and the principal amount of borrowings, if any.

| AVERAGE DAILY MANAGED ASSETS | MANAGEMENT FEE |
|-------------------------------------|----------------|
| For the first \$500 million | .9000% |
| For the next \$500 million | .8750 |
| For the next \$500 million | .8500 |
| For the next \$500 million | .8250 |
| For Managed Assets over \$2 billion | .8000 |

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Adviser has entered into Sub-Advisory Agreements with Spectrum Asset Management, Inc. ("Spectrum"), and Frole, Revy Investment Co., Inc. (Frole, Revy). Spectrum manages the portion of the Fund's investment portfolio allocated to preferred securities while Frole, Revy manages the portion of the investment portfolio allocated to convertible securities. Spectrum and Frole, Revy are compensated for their services to the Funds from the management fee paid to the Adviser. Spectrum also receives compensation on certain portfolio transactions for providing brokerage services to the Funds. The Adviser is responsible for the overall strategy and asset allocation decisions as well as managing the portion of the investment portfolio allocated to other debt securities.

The Funds pay no compensation directly to those of its Trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates.

For the first eight years of Preferred and Convertible Income's (JPC) operations, the Advisers have agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below:

| YEAR ENDING MARCH 31, | | YEAR ENDING MARCH 31, | |
|--------------------------|------|--------------------------|------|
| 2003* | .32% | 2008 | .32% |
| 2004 | .32 | 2009 | .24 |
| 2005 | .32 | 2010 | .16 |
| 2006 | .32 | 2011 | .08 |
| 2007 | .32 | | |

*From the commencement of operations.

The Adviser has not agreed to reimburse Preferred and Convertible Income (JPC) for any portion of its fees and expenses beyond March 31, 2011.

For the first eight years of Preferred and Convertible Income 2's (JQC) operations, the Advisers have agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below:

| YEAR ENDING JUNE 30, | | YEAR ENDING JUNE 30, | |
|-------------------------|--|-------------------------|--|
|-------------------------|--|-------------------------|--|

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| | | | |
|-------|------|------|------|
| 2003* | .32% | 2008 | .32% |
| 2004 | .32 | 2009 | .24 |
| 2005 | .32 | 2010 | .16 |
| 2006 | .32 | 2011 | .08 |
| 2007 | .32 | | |

*From the commencement of operations.

The Adviser has not agreed to reimburse Preferred and Convertible Income 2 (JQC) for any portion of its fees and expenses beyond June 30, 2011.

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6. SUBSEQUENT EVENTS

Distributions to Common Shareholders

The Funds declared Common share dividend distributions from their net investment income which were paid March 1, 2004, to shareholders of record on February 15, 2004:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|--------------------|--|--|
| Dividend per share | \$.1005 | \$.0975 |

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Financial
HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

| | Beginning Common Share Net Asset Value | Investment Income | Net Realized/ Unrealized Investment Gain (Loss) | Investment Operations | | Total |
|---|--|----------------------|---|---|---|-------|
| | | | | Distributions from Net Investment Income to FundPreferred Share- holders+ | Distributions from Capital Gains to FundPreferred Share- holders+ | |
| PREFERRED AND CONVERTIBLE INCOME (JPC) | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2004 (c) | \$14.12 | \$.64 | \$1.61 | \$(.04) | \$-- | \$2.2 |

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| | | | | | | |
|----------|-------|-----|-------|-------|----|----|
| 2003 (a) | 14.33 | .30 | (.02) | (.02) | -- | .2 |
|----------|-------|-----|-------|-------|----|----|

PREFERRED AND CONVERTIBLE
INCOME 2 (JQC)

| | | | | | | |
|------------------|-------|-----|-------|-------|----|-----|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2004 (c) | 13.83 | .56 | 1.57 | (.04) | -- | 2.0 |
| 2003 (b) | 14.33 | .04 | (.53) | -- | -- | (.4 |
| ===== | | | | | | |

| | | | | Total Returns | | |
|-------|---|--|---|---------------------------|----------------------------------|---|
| | | | | ----- | | |
| | | | | Based | | |
| | | | | on | | |
| | | | | Common | | |
| | | | | Share | | |
| | | | | Net | | |
| | | | | Asset | | |
| | | | | Value** | | |
| | | | | ----- | | |
| | Offering Costs and Fund Preferred Share Underwriting Discounts | | Ending Common Share Net Asset Value | Ending Market Value | Based on Market Value** | Based on Common Share Net Asset Value** |
| ===== | | | | | | |

PREFERRED AND CONVERTIBLE
INCOME (JPC)

| | | | | | | |
|------------------|--|-------|---------|---------|--------|--------|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2004 (c) | | \$ -- | \$15.67 | \$15.49 | 11.11% | 15.96% |
| 2003 (a) | | (.17) | 14.12 | 14.57 | (.89) | .58 |

PREFERRED AND CONVERTIBLE
INCOME 2 (JQC)

| | | | | | | |
|------------------|--|-------|-------|-------|--------|--------|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2004 (c) | | (.14) | 15.19 | 14.89 | 5.56 | 14.34 |
| 2003 (b) | | (.01) | 13.83 | 14.69 | (2.07) | (3.49) |
| ===== | | | | | | |

| Ratios/Supplemental Data | | | | |
|--|---|---|---|-------|
| ----- | | | | |
| | | Before Credit/Reimbursement | After Credit/Reimb | |
| | | ----- | | ----- |
| | | Ratio of Net | | R |
| | | Investment | | |
| | | Income to | | |
| | | Average | | |
| | | Net Assets | | |
| | | Applicable | | |
| | | to Common | | |
| | | Shares++ | | |
| | | ----- | | |
| Ending Net Assets Applicable to Common Shares (000) | Ratio of Expenses to Average Net Assets Applicable to Common Shares++ | Ratio of Investment Income to Average Net Assets Applicable to Common Shares++ | Ratio of Expenses to Average Net Assets Applicable to Common Shares++ | |
| ===== | | | | |

PREFERRED AND CONVERTIBLE
INCOME (JPC)

| | | | | |
|------------------|-------------|--------|--------|--------|
| ----- | | | | |
| Year Ended 7/31: | | | | |
| 2004 (c) | \$1,568,810 | 1.52%* | 8.09%* | 1.05%* |
| 2003 (a) | 1,412,983 | 1.29* | 5.67* | .87* |

PREFERRED AND CONVERTIBLE
INCOME 2 (JQC)

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| | | | | |
|------------------|-----------|-------|-------|------|
| Year Ended 7/31: | | | | |
| 2004 (c) | 2,141,490 | 1.43* | 7.32* | .97* |
| 2003 (b) | 1,950,622 | .97* | 2.86* | .65* |

| FundPreferred Shares at End of Period | | | |
|---------------------------------------|-------------|-------------|-----------|
| | Aggregate | Liquidation | Asset |
| | Amount | and Market | Coverage |
| | Outstanding | Value | Per Share |
| | (000) | Per Share | |

PREFERRED AND CONVERTIBLE INCOME (JPC)

| | | | |
|------------------|-----------|----------|----------|
| Year Ended 7/31: | | | |
| 2004 (c) | \$708,000 | \$25,000 | \$80,396 |
| 2003 (a) | 708,000 | 25,000 | 74,893 |

PREFERRED AND CONVERTIBLE INCOME 2 (JQC)

| | | | |
|------------------|---------|--------|--------|
| Year Ended 7/31: | | | |
| 2004 (c) | 965,000 | 25,000 | 80,479 |
| 2003 (b) | -- | -- | -- |

* Annualized.

** Total Investment Return on Market Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in stock price per share. Total Return on Common Share Net Asset Value is the combination of reinvested dividend income at net asset value, reinvested capital gains distributions at net asset value, if any, and changes in Common share net asset value per share. Total returns are not annualized.

*** After custodian fee credit and expense reimbursement, where applicable.

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to FundPreferred shareholders; income ratios reflect income earned on assets attributable to FundPreferred shares. Each Ratio of Expenses to Average Net Assets Applicable to Common Shares and each Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares includes the effect of the interest expense paid on interest rate swap transactions and the dividend expense on securities sold short as follows:

| | |
|---------------|-------------------|
| Ratio of | Ratio of |
| Net Interest | Dividend |
| Expense | Expense on |
| to Average | Securities |
| Net Assets | Sold Short to |
| Applicable to | Average Net |
| Common Shares | Assets Applicable |
| | to Common Shares |

PREFERRED AND CONVERTIBLE

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| | | |
|---------------------------|-------|-------|
| INCOME (JPC) | | |
| 2004(c) | .01%* | .02%* |
| 2003(a) | -- | -- |
| PREFERRED AND CONVERTIBLE | | |
| INCOME 2 (JQC) | | |
| 2004(c) | .01* | .02* |
| 2003(b) | -- | -- |

- (a) For the period March 26, 2003 (commencement of operations) through July 31, 2003.
- (b) For the period June 25, 2003 (commencement of operations) through July 31, 2003.
- (c) For the six months ended January 31, 2004.

See accompanying notes to financial statements.

54-55 spread

Build Your Wealth
AUTOMATICALLY

Sidebar text: Nuveen makes reinvesting easy. A phone call is all it takes to set up your reinvestment account.

NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS DIVIDEND REINVESTMENT PLAN

Your Nuveen Closed-End Exchange-Traded Fund allows you to conveniently reinvest dividends and/or capital gains distributions in additional fund shares.

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of compounding.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

EASY AND CONVENIENT

To make recordkeeping easy and convenient, each month you'll receive a statement showing your total dividends and distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

HOW SHARES ARE PURCHASED

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro

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rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

FLEXIBILITY

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change. Should you withdraw, you can receive a certificate for all whole shares credited to your reinvestment account and cash payment for fractional shares, or cash payment for all reinvestment account shares, less brokerage commissions and a \$2.50 service fee.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

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Fund INFORMATION

BOARD OF TRUSTEES

William E. Bennett
Robert P. Bremner
Lawrence H. Brown
Jack B. Evans
Anne E. Impellizzeri
William L. Kissick
Thomas E. Leafstrand
Peter R. Sawers
William J. Schneider
Timothy R. Schwertfeger
Judith M. Stockdale
Sheila W. Wellington

FUND MANAGER

Nuveen Institutional
Advisory Corp.
333 West Wacker Drive
Chicago, IL 60606

SUB-ADVISERS

Spectrum Asset
Management, Inc.
4 High Ridge Park
Stamford, CT 06905

Froley, Revy Investment Co., Inc.

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10900 Wilshire Boulevard
Los Angeles, CA 90024

CUSTODIAN
State Street Bank & Trust
Boston, MA

TRANSFER AGENT AND
SHAREHOLDER SERVICES
State Street Bank & Trust
Nuveen Funds
P.O. Box 43071
Providence, RI 02940-3071

(800) 257-8787

LEGAL COUNSEL
Chapman and Cutler LLP
Chicago, IL

INDEPENDENT AUDITORS
Ernst & Young LLP
Chicago, IL

PROXY VOTING POLICIES AND PROCEDURES

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling Nuveen Investments at (800) 257-8787; and (ii) on the Commission's website at <http://www.sec.gov>.

GLOSSARY OF TERMS USED IN THIS REPORT

AVERAGE ANNUAL TOTAL RETURN: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return (including change in NAV and reinvested dividends) that would have been necessary on an annual basis to equal the investment's actual performance over the time period being considered.

NET ASSET VALUE (NAV): A fund's NAV is calculated by subtracting the liabilities of the fund from its total assets and then dividing the remainder by the number of shares outstanding. Fund NAVs are calculated at the end of each business day.

Each Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the period ended January 31, 2004. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

Serving Investors
FOR GENERATIONS

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century,

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Nuveen Investments has adhered to the belief that the best approach to investing is to apply conservative risk-management principles to help minimize volatility.

Building on this tradition, we today offer a range of high quality equity and fixed-income solutions that are integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to proven, long-term investing principles.

Managing \$90 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in tax-free investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

To learn more about the products and services Nuveen Investments offers and for a prospectus, where applicable, talk to your financial advisor, or call us at (800) 257-8787. Please read the information carefully before you invest.

Distributed by

Nuveen Investments, LLC | 333 West Wacker Drive | Chicago, Illinois 60606

| www.nuveen.com

ESA-E-0104D

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable at this time.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Not applicable to this filing.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

Not applicable at this time.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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There were no material changes by which shareholders may recommend nominees to the registrant's Board of Trustees implemented after the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A (17 CFR 240.14a-101) or this Item.

ITEM 10. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

File the exhibits listed below as part of this Form.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable because posted on registrant's website at www.nuveen.com/etf.

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: Ex-99.CERT attached hereto.

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the 1940 Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable at this time.

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. Ex-99.906 CERT attached hereto.

SIGNATURES

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSRS

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Preferred and Convertible Income Fund 2

By (Signature and Title)* /s/ Jessica R. Droeger

Jessica R. Droeger
Vice President and Secretary

Date: April 8, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Gifford R. Zimmerman

Gifford R. Zimmerman
Chief Administrative Officer
(Principal Executive Officer)

Date: April 8, 2004

By (Signature and Title)* /s/ Stephen D. Foy

Stephen D. Foy
Vice President and Controller
(Principal Financial Officer)

Date: April 8, 2004

* Print the name and title of each signing officer under his or her signature.