

NUVEEN PREFERRED CONVERTIBLE INCOME FUND
Form N-CSR
March 09, 2007

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 811-21293

Nuveen Preferred and Convertible Income Fund

(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: December 31

Date of reporting period: December 31, 2006

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.

ITEM 1. REPORTS TO STOCKHOLDERS.

ANNUAL REPORT DECEMBER 31, 2006

NUVEEN INVESTMENTS
CLOSED-END
FUNDS

NUVEEN PREFERRED
AND CONVERTIBLE
INCOME FUND
JPC

NUVEEN PREFERRED
AND CONVERTIBLE
INCOME FUND 2
JQC

ATTRACTIVE MONTHLY DISTRIBUTIONS
FROM A PORTFOLIO OF
PREFERRED AND CONVERTIBLE
SECURITIES, DOMESTIC AND FOREIGN
EQUITIES, AND DEBT INSTRUMENTS

NUVEEN LOGO

COVER PHOTO

INSIDE COVER PHOTO

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NUVEEN LOGO

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(TIMOTHY SCHWERTFEGER PHOTO)
Timothy R. Schwertfeger
Chairman of the Board

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

I am very pleased to report that over the twelve-month period covered by this report, your Fund continued to provide you with attractive monthly distributions from a diversified portfolio of quality preferred securities, convertible securities, high yield debt and equities. For more information on your Fund's performance, please read the Portfolio Managers' Comments, the Distribution and Share Price Information, and the Performance Overview sections of this report.

During 2006, the Board of Trustees' of each Fund authorized a series of changes to the Funds' investment and distribution policies. These changes were designed to enhance the Funds' ability to meet their investment objectives by providing for increased portfolio management flexibility, greater diversification, and increased capital appreciation potential over time through direct equity exposure. I urge you to review the Investment Strategy and Management Update section of this report for more detailed information. Some of these changes will require shareholder approval and you will receive proxy materials in the mail soon. I encourage you to read the complete proxy statement and vote.

As you look through this report, be sure to review the inside front cover. This contains information on how you can receive future Fund reports and other Fund information faster by using e-mails and the Internet. Sign up is quick and easy - just follow the step-by-step instructions.

At Nuveen Investments, our mission continues to be to assist you and your financial advisor by offering investment services and products that can help you to secure your financial objectives. We are grateful that you have chosen us as a partner as you pursue your financial goals, and we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

(TIMOTHY SCHWERTFEGER SIG)
Timothy R. Schwertfeger
Chairman of the Board

February 15, 2007

Nuveen Investments Closed-End Funds (JPC and JQC)

INVESTMENT STRATEGY AND MANAGEMENT UPDATE

ON NOVEMBER 22, 2006, the Funds' Board of Trustees approved certain investment policy changes designed to provide both Funds with greater flexibility to pursue their investment objectives of high current income and total return. The following changes were approved for each Fund:

- Eliminating the requirement to invest a minimum of each Fund's managed assets in preferred and/or convertible securities

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- Expanding the Funds' direct equity investment types to include both domestic and international equities
- Increasing the percentage of the Funds' managed assets that may be invested directly in equity securities
- Adding Tradewinds NWQ Global Investors, LLC, as a sub-adviser to manage a portion of each Fund's direct equity investments, subject to shareholder approval

Reflecting these enhancements, the Funds also plan to change their names to the Nuveen Multi-Strategy Income and Growth Fund (JPC) and Nuveen Multi-Strategy Income and Growth Fund 2 (JQC). The anticipated implementation date for these changes is on or about April 11, 2007, assuming shareholder approval of Tradewinds NWQ Global Investors, LLC as one of the Fund's sub-advisers.

Shareholders will receive more information and proxy materials for the upcoming shareholder vote in the coming weeks.

ON APRIL 28, 2006, the Funds received authorization from their Board of Trustees to expand the range of permissible investments and implement a managed distribution policy. Symphony, which acts as sub-advisor for approximately 20% of each Fund's portfolio, was allowed to diversify its debt investments across high-yield bonds, senior loans and convertible securities, as well as invest up to 10% of each Fund's portfolio in equity securities. These changes were intended to better enable the Funds to meet their investment objectives and provide for increased capital appreciation potential over time.

The investment parameters for the Funds' other sub-advisors, Spectrum and Frole, Revy, did not change. Additionally, the Funds' new managed distribution policy gives each Fund the flexibility to draw upon net investment income as well as realized and unrealized portfolio gains and non-taxable returns of principal when making its monthly distributions to common shareholders. See the Distribution and Share Price Information section of this report immediately following the Portfolio Manager's Comments for more details about this managed distribution policy.

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Nuveen Investments Closed-End Funds (JPC and JQC)

PORTFOLIO MANAGERS' COMMENTS

In 2006, these Funds were subadvised by a team of specialists from Spectrum Asset Management, Inc., (Spectrum) Frole, Revy Investment Co., Inc. (Frole, Revy), and Symphony Asset Management LLC (Symphony), an affiliate of Nuveen Investments.

Spectrum, an affiliate of Principal Capital (SM), manages the preferred securities portion of each Fund's portfolio. Mark Lieb, Bernie Sussman and Phil Jacoby, who have more than 50 years of combined experience in the preferred securities markets, lead the team.

Frole, Revy, one of the oldest firms specializing in convertible securities, manages that portion of each Fund's portfolio. Their investment team is led by Andrea Revy O'Connell and Michael Revy, who each have more than 10 years experience in convertible securities investing.

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The Symphony team managing the high yield securities and other debt and equity instruments in both Funds is led by Igor Lotsvin.

Here representatives from Spectrum; Frole, Revy; and Symphony talk about their management strategies and the performance of both Funds for the 12-month period ended December 31, 2006.

WHAT WERE THE GENERAL ECONOMIC AND MARKET CONDITIONS YOU FACED DURING THIS ANNUAL REPORTING PERIOD ENDED DECEMBER 31, 2006?

In 2006, the U.S. economy benefited from increased flexibility stemming mainly from productivity advancements and globalization, which seems to be reducing the reliance on monetary policy actions to offset unexpected shocks. We began the year still in the midst of a Federal Reserve Bank (Fed) tightening cycle. Our departing Fed Chairman, Alan Greenspan warned, "History cautions that people experiencing long periods of relative stability are prone to excess. We must thus remain vigilant against complacency, especially since several important economic challenges confront policymakers in the years ahead." Chairman Greenspan's work was complete and Fed Chairman, Ben Bernanke, took the helm. By June and after two full years of rate tightening, the Fed finally paused with Fed Funds at 5.25%. The uncertainty of the Fed's actions throughout the year led to a fair amount of volatility in the long end of the bond market as the 30-year Treasury bond traded as high as 5.31% only to rally for the entire summer and close the year at 4.81%, just 27 basis points cheaper than where it started in January. The bond rally in the 2nd half of the year led to a U.S. Treasury yield curve inversion which is continuing for 7 months running now. In order to put a perspective on yield curve inversions, note that the U.S. has experienced 5 inversions since the 1970s with the average length of time being 12 months and the longest being 19 months. We do not think that this inversion will last too much longer because, according to the Fed, "economic growth has slowed over the course of the year, partly reflecting a substantial cooling of the housing market." Notably, the extended housing market was a concern of the Fed and its orderly cooling is indeed a policy victory. Nonetheless, Chairman Bernanke still has lingering concerns over inflation risks even though the

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pressures seem likely to moderate along with slowing aggregate demand around the globe.

There were some very good buying opportunities in the preferred sleeves of the Funds during the year. We were able to take advantage of several closed-end funds that were under-priced and confusion in the hybrid preferred market due to the National Association of Insurance Commissioners' (NAIC) classification of several preferred structures as common equity. As about 25% of the hybrid capital securities market was comprised of insurance company buyers traditionally, the IPO market for institutional deals took a timeout in April thanks to the NAIC, only to come back strong in May (continuing through December) as it became evident that the buyer base went significantly beyond insurance companies to newer buyers such as hedge funds and traditional corporate bond. Even the \$25 par preferred market has found new buyer breadth as equity income and balanced funds are the latest institutional buyers competing with retail. Overall, new issuance in hybrid-preferred securities set a record of over \$74 billion -- about 60% more than the issuance amount last year, which at the time was also a record year.

Convertibles ended 2006 with positive returns and kept close pace with the underlying equities. For 2006, the Merrill Lynch All Convertibles Index was up 12.8%, with the underlying equities up 14.7%. Mirroring the bond market, the Speculative Grade Index outperformed the Investment Grade Index, posting a 13.8% return for the year. Many of the fallen angels of 2005 ended up outperforming in

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2006, in particular automotives and airlines. Convertibles across all sectors performed well in 2006, with Materials (up 30.3%) the best performing sector.

High yield new issuance soared in 2006, helped by a large pickup in Leveraged Buyout (LBO) activity. Landmark deals during the year included HCA, which agreed to be acquired by a consortium of private equity investors for \$33 billion in July, and Freescale Semiconductor, which agreed to be purchased by private equity group for \$17.6 billion in September. The total new issue volume for the twelve-month period was \$114.8 billion, a \$33.6 billion increase from 2005 new issuance. While supply was large, there was plenty of demand in the market to absorb it, especially from hedge funds.

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WHAT WAS YOUR OVERALL MANAGEMENT STRATEGY FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2006?

In 2006, the Funds continued to allocate their assets in order to maintain a strategic asset mix of approximately 70% in income-oriented debt securities and 30% in equities and equity-like securities. (In response to market changes over time, Nuveen Asset Management, together with the funds' sub-advisers, will determine how best to allocate each fund's assets among the fund's sub-advisors, consistent with the fund's objectives and strategic asset allocation target.)

PLEASE SEE THE INVESTMENT STRATEGY AND MANAGEMENT UPDATE FROM NUVEEN FOR MORE INFORMATION REGARDING THE FUNDS' STRATEGY

HOW DID THE FUNDS PERFORM OVER THE TWELVE-MONTHS ENDED DECEMBER 31, 2006?

The performance of each Fund, as well as the performance of comparative benchmark is shown below:

TOTAL RETURN ON NET ASSET VALUE

For the 12-month period ended December 31, 2006

| | |
|-----|-------|
| JPC | 8.71% |
|-----|-------|

| | |
|-----|-------|
| JQC | 8.73% |
|-----|-------|

| | |
|--------------------------|-------|
| Comparative benchmark(1) | 9.28% |
|--------------------------|-------|

1 Comparative benchmark performance is a blended return consisting of: 1) 33% of the Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange traded preferred issues with outstanding market values of at least \$30 million and at least one year to maturity; 2) 27% of the Lehman Tier 1 Capital Securities Index, an unmanaged index that includes securities that can generally be viewed as hybrid fixed-income securities that either receive regulatory capital treatment or a degree of "equity credit" from a rating agency; 3) 30% of the Merrill Lynch All U.S. Convertibles Index, consisting of approximately 575 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.; and 4) 10% of the CSFB High Yield Index, which 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

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investment-grade. Index returns do not include the effects of any management fees or fund expenses. It is not possible to invest directly in an index.

Past performance does not guarantee future results. Current performance may be higher or lower than the data shown.

Returns do not reflect the deduction of taxes that a shareholder may have to pay on Fund distributions or upon the sale of Fund shares.

For more information, please see the individual Performance Overview pages in this report.

As indicated in the accompanying table, both Funds posted positive results for the twelve-month period.

In the Preferred Securities sleeves of the Funds, we generally maintained the 60/40 portfolio mix between the \$25 par preferred sector and the Capital Securities sector. Dividends Received Deduction (DRDs) Tax-Advantaged securities were sold as spreads tightened from the cheap positioning that took place in 2005. The sale proceeds were reinvested roughly equally in fully taxable \$25 par securities and in competitor closed-end funds (CEFs) that were priced at discounts to their Net Asset Value trading price.

We continued to opportunistically increase the Funds' concentration in DRDs due to the relative attractiveness of the sector that carried over from 2005 into the first quarter of 2006. As the year progressed and spreads tightened while other sectors widened, we took some profits with spreads as much as 85 basis points tighter in order to redeploy proceeds into CEFs and newer hybrid issues. We also switched from \$25 par paper and capital securities that were soon callable and into relatively cheap bullet capital securities and perpetual preferreds where structure paid us well. We benefited from the capital performance of the IPO market for floating rate DRD paper.

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In the convertibles sleeve of JPC and JQC the Financials, Media, Transportation and Utilities sectors benefited the portfolio relative to the index.

Financials represent the largest sector in the convertible universe at just under 20%. Over the period, our exposure to financials in the Funds increased. The fundamentals of the financial sector improved throughout the year and the higher credit quality of the financial sector also contributed to our market weight relative to the index. Relative to the ML All Convertibles Index, our financial sector holdings have significantly lower investment value premiums, making the sector very attractive.

Our superior convertible security selection in the Media sector also contributed significantly to performance. The portfolios benefited from the Interpublic Group floating rate issue as well as Walt Disney and Time Warner who were also strong contributors to performance due to company specific issues. Technology also benefited performance for the year. The portfolios had an equal weight relative to the index, but our security selection again contributed to performance. In addition, our overweight position in RF Micro Devices contributed to total performance. Convertibles issued by Metlife, Alleghany, and Merrill Lynch contributed to the portfolio's out-performance over the year.

In the high yield portion of the Funds, we continued to employ a value-oriented strategy, focusing on relatively higher quality credits with strong fundamental

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business models, more diversified revenue streams, strong asset coverage and relatively low earnings volatility. We stayed away from positions with escalating credit issues, limited upside potential, or significant downside risk with weak asset protection.

The Funds had several positions that constrained performance over this reporting period.

In the preferred sleeve of JPC and JQC while the added volatility in the "enhanced equity" hybrid and Tier 1 spaces provided some trading opportunities for the funds, it also slowed performance, as we were long the sector, as well. We also made a decision to stop selling the callable hybrid securities because it became unclear whether or not the issuers would have adequate incentive to call them. As a result, the portfolio duration was consciously lower than our benchmark and switches for lower yield and more duration became less attractive than holding for high income and low duration. This served the primary income objective very well, but the capital performance of the fund was a bit slower than it likely would have been otherwise when spreads tightened in the second half of the year.

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Very similar to the first half of 2006, Consumer Discretionary performance lagged ML All Convertibles Index due to an underweight in General Motors. In the Materials sector, the Funds did not own Titanium Metals. The security is nearly impossible to invest in; is highly illiquid and 65+% is held by the Chairman of the company. However, behind the largest issues in the index (GM and Ford), Titanium Metals added 30bps to the performance of the Index in 2006. Health Care and Energy also detracted from total performance. Specific names that led to the portfolio underperformance include Nabors Industries in the Energy sector and CV Therapeutics in the Health Care sector. Both issues had a larger position in the portfolio versus the index. In addition to the specific issues, the Health Care sector relative to the broader index suffered from slight underperformance.

Another factor that hindered the benchmark-relative performance of the portfolios' convertibles securities investments was the investment policies limiting investments in CCC-rated securities to no more than 5% of a Fund's net assets. The CCC-rated securities were up over 35% for the year in ML All Convertibles Index and the inability to more fully participate in this sector detracted from the overall performance of the Funds' allocation to convertible securities.

In the high yield sleeve, our strategy of investing in higher quality names allowed us to reduce the overall risk in the portfolio; however, it limited our exposure to some of the upside in the high yield market from lower rated credits which outperformed higher rated credits. Within the CS High Yield Index, distressed credits returned close to 40%, CCC/Split CCC rated credits returned close to 20%, B rated credits returned close to 11%, and BB rated credits returned 8%.

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DISTRIBUTION AND SHARE PRICE INFORMATION

DISTRIBUTION INFORMATION

Each of these Funds issues FundPreferred(TM) shares and uses financial leverage

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in an effort to enhance its distribution-paying capabilities. While this strategy adds volatility to a Fund's net asset value and share price, it generally enhances the amount of income the Fund has to distribute to its common shareholders. The extent of this benefit is tied in part to the short-term rates these Funds pay their FundPreferred shareholders. As short-term rates rose through this reporting period, the Funds paid higher dividends to their FundPreferred shareholders.

Effective with the distribution payable June 1, 2006, the Funds began implementing a Managed Distribution Policy. Under this policy, the Funds will make monthly distributions of a stated dollar amount per common share, comprised of net investment income, realized capital gains and/or, if necessary, non-taxable distributions (which generally are expected to represent unrealized capital appreciation).

Over this twelve month reporting period, both JPC and JQC announced increases in their monthly distribution to shareholders. JPC increased its monthly distribution to \$0.095 from \$0.085 a share. JQC increased its monthly distribution to \$0.095 from \$0.084 per share.

The goal of a managed distribution program is to provide shareholders relatively consistent and predictable cash flow by systematically converting its expected long-term return potential into regular monthly distributions. As a result, regular distributions throughout the year will likely include a portion of expected long-term gains (both realized and unrealized), along with net investment income.

Important points to understand about the managed distribution program are:

- Each Fund seeks to establish a relatively stable distribution rate that roughly corresponds to the projected total return from its investment strategy over an extended period of time. However, you should not draw any conclusions about the Fund's past or future investment performance from its current distribution rate.
- Actual returns will differ from projected long-term returns (and therefore the Fund's distribution rate), at least over shorter time periods. Over a specific timeframe, the difference between actual returns and total distributions will be reflected in an increasing (returns exceed distributions) or a decreasing (distributions exceed returns) fund net asset value.

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- Each month's distributions are expected to be paid from some or all of the following sources:
 - net investment income (regular interest and dividends),
 - realized capital gains, and
 - unrealized gains, or, in certain cases, a return of principal (non-taxable distributions)
- A non-taxable distribution is a payment of a portion of a Fund's capital. When a Fund's returns exceed distributions, it may represent portfolio gains generated, but not realized as a taxable capital gain. In periods when a Fund's return falls short of distributions, it will represent a portion of your original principal unless the shortfall is offset during other time periods over the life of your investment (previous or subsequent) when the fund's total return exceeds distributions.
- Because distribution source estimates are updated monthly during the year, based on a Fund's performance and forecast for its current fiscal year (which is the calendar year for each Fund), these estimates may differ from both the tax information reported to you in your Fund's 1099 statement provided at year end, as well as the ultimate economic sources of

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distributions over the life of your investment.

The following table provides information regarding each Fund's distributions and total return performance for the fiscal year ended December 31, 2006. The distribution information is presented on a tax basis rather than on a generally accepted accounting principles (GAAP) basis. This information is intended to help you better understand whether the Fund's returns for the specified time period was sufficient to meet each Fund's distributions. Information regarding such distributions in the future will likely vary based on the Fund's investment activities and portfolio investment value changes at that time.

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DISTRIBUTION AND SHARE PRICE INFORMATION (continued)

| AS OF 12/31/2006 | JPC | JQC |
|--|---------|---------|
| Inception date | 3/26/03 | 6/25/03 |
| Calendar Year: | | |
| Per share distribution: | | |
| From net investment income | \$0.87 | \$0.93 |
| From short-term capital gains | \$0.01 | \$0.01 |
| From long-term capital gains | \$0.07 | \$0.08 |
| From return of capital | \$0.15 | \$0.08 |
| Total per share distribution | \$1.10 | \$1.10 |
| Distribution rate on NAV | 7.71% | 7.70% |
| One-year total return on NAV | 8.71% | 8.73% |
| Annualized since inception total return on NAV | 8.72% | 7.95% |

SHARE REPURCHASE AND SHARE PRICE INFORMATION

On February 3, 2006, the Funds' Board of Trustees approved an open market share repurchase program, as part of a broad, ongoing effort designed to support the market prices of the Funds' common shares. Under the terms of the program, each Fund may repurchase up to 10% of its outstanding common shares. As of December 31, 2006, JPC had repurchased 432,200 common shares and JQC had repurchased 511,200 common shares.

At the end of the reporting period, the Funds' share prices were trading relative to their NAVs as shown in the accompanying table:

| | AS OF 12/31/06 PREMIUM DISCOUNT | 12-MONTH AVERAGE DISCOUNT |
|-----|------------------------------------|------------------------------|
| JPC | 0.21% | -8.91% |
| JQC | -1.26% | -9.62% |

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Nuveen Preferred and Convertible Income Fund
JPC

PERFORMANCE

OVERVIEW As of December 31, 2006

(PORTFOLIO ALLOCATION PIE CHART)
(as a % of total investments)

| | |
|--|-------|
| ----- | ----- |
| \$25 Par (or similar) Preferred Securities | 32.8% |
| ----- | ----- |
| Convertible Bonds | 24.5% |
| ----- | ----- |
| Capital Preferred Securities | 19.5% |
| ----- | ----- |
| Corporate Bonds | 7.8% |
| ----- | ----- |
| Common Stocks | 6.7% |
| ----- | ----- |
| Convertible Preferred Securities | 5.8% |
| ----- | ----- |
| Variable Rate Senior Loan Interests | 1.3% |
| ----- | ----- |
| Investment Companies | 0.9% |
| ----- | ----- |
| Short-Term Investments | 0.7% |
| ----- | ----- |

(2006 MONTHLY DISTRIBUTIONS PER SHARE BAR CHART)

| | |
|-----|-------|
| Jan | 0.085 |
| Feb | 0.085 |
| Mar | 0.085 |
| Apr | 0.085 |
| May | 0.095 |
| Jun | 0.095 |
| Jul | 0.095 |
| Aug | 0.095 |
| Sep | 0.095 |
| Oct | 0.095 |
| Nov | 0.095 |
| Dec | 0.095 |

(SHARE PRICE PERFORMANCE CHART)

Past performances is not predictive of future results.

1/01/06

12.17

12.37
12.47
12.51
12.53
12.71
12.76
12.70
12.71
12.75
12.53
12.53
12.62
12.38
12.27
11.98
12.03
12.12
12.45
12.45
12.43
12.36
12.51
12.41
12.22
12.28
12.29
12.38
12.42
12.46
12.44
12.78
13.00
13.08
13.19
13.33
13.51
13.32
13.58
13.69
13.76
13.93
13.63
13.85
14.06
13.69
13.95
13.87
13.95
14.02
14.18
14.32
14.22
14.26
14.29
14.26

12/31/06

FUND SNAPSHOT

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| | |
|--|-------------|
| Common Share Price | \$14.29 |
| Common Share Net Asset Value | \$14.26 |
| Premium/(Discount) to NAV | 0.21% |
| Current Distribution Rate(1) | 7.98% |
| Net Assets Applicable to Common Shares (\$000) | \$1,421,951 |

AVERAGE ANNUAL TOTAL RETURN
(Inception 3/26/03)

| | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year | 29.81% | 8.71% |
| Since Inception | 8.07% | 8.72% |

INDUSTRIES
(as a % of total investments)

| | |
|--------------------------------|-------|
| Commercial Banks | 19.0% |
| Insurance | 10.7% |
| Real Estate | 10.4% |
| Capital Markets | 7.2% |
| Media | 5.5% |
| Diversified Financial Services | 4.8% |
| Oil, Gas & Consumable Fuels | 2.5% |
| Biotechnology | 2.4% |
| Thrifts & Mortgage Finance | 2.3% |
| Hotels, Restaurants & Leisure | 2.1% |
| Energy Equipment & Services | 1.8% |
| Aerospace & Defense | 1.8% |

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| | |
|--|-------|
| Pharmaceuticals | 1.7% |
| ----- | |
| Diversified Telecommunication Services | 1.7% |
| ----- | |
| Software | 1.6% |
| ----- | |
| Semiconductors & Equipment | 1.5% |
| ----- | |
| Computers & Peripherals | 1.5% |
| ----- | |
| Communications Equipment | 1.4% |
| ----- | |
| Health Care Equipment & Supplies | 1.4% |
| ----- | |
| Electric Utilities | 1.3% |
| ----- | |
| Health Care Providers & Services | 1.3% |
| ----- | |
| Automobiles | 1.2% |
| ----- | |
| Short-Term Investments | 0.7% |
| ----- | |
| Other | 14.2% |
| ----- | |

TOP FIVE ISSUERS
(EXCLUDING SHORT-TERM INVESTMENTS)
(as a % of total investments)

| | |
|-----------------------------------|------|
| Wachovia Corporation | 2.0% |
| ----- | |
| ING Group N.V. | 1.7% |
| ----- | |
| Morgan Stanley | 1.6% |
| ----- | |
| Union Planters Corporation | 1.6% |
| ----- | |
| Countrywide Financial Corporation | 1.5% |
| ----- | |

1 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

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PERFORMANCE

OVERVIEW As of December 31, 2006

(PORTFOLIO ALLOCATION PIE CHART)

(as a % of total investments)

| | |
|--|-------|
| \$25 Par (or similar) Preferred Securities | 29.8% |
| Convertible Bonds | 24.6% |
| Capital Preferred Securities | 22.3% |
| Corporate Bonds | 8.4% |
| Common Stocks | 6.7% |
| Convertible Preferred Securities | 5.9% |
| Variable Rate Senior Loan Interests | 1.0% |
| Investment Companies | 0.9% |
| Short-Term Investments | 0.4% |

(2006 MONTHLY DISTRIBUTIONS PER SHARE BAR CHART)

| | |
|-----|-------|
| Jan | 0.084 |
| Feb | 0.084 |
| Mar | 0.084 |
| Apr | 0.084 |
| May | 0.095 |
| Jun | 0.095 |
| Jul | 0.095 |
| Aug | 0.095 |
| Sep | 0.095 |
| Oct | 0.095 |
| Nov | 0.095 |
| Dec | 0.095 |

(SHARE PRICE PERFORMANCE CHART)

Past performance is not predictive of future results.

| | |
|---------|-------|
| 1/01/06 | 12.18 |
| | 12.43 |
| | 12.49 |
| | 12.50 |
| | 12.44 |
| | 12.49 |
| | 12.64 |
| | 12.55 |
| | 12.57 |
| | 12.58 |
| | 12.30 |
| | 12.38 |

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| | |
|----------|-------|
| | 12.43 |
| | 12.34 |
| | 12.26 |
| | 11.97 |
| | 12.02 |
| | 12.10 |
| | 12.38 |
| | 12.35 |
| | 12.32 |
| | 12.37 |
| | 12.52 |
| | 12.47 |
| | 12.27 |
| | 12.26 |
| | 12.28 |
| | 12.38 |
| | 12.44 |
| | 12.41 |
| | 12.49 |
| | 12.74 |
| | 13.02 |
| | 13.15 |
| | 13.22 |
| | 13.32 |
| | 13.46 |
| | 13.29 |
| | 13.54 |
| | 13.68 |
| | 13.69 |
| | 13.87 |
| | 13.64 |
| | 13.80 |
| | 13.90 |
| | 13.62 |
| | 13.91 |
| | 13.89 |
| | 13.93 |
| | 14.05 |
| | 14.27 |
| | 14.29 |
| | 14.22 |
| | 14.07 |
| | 14.11 |
| 12/31/06 | 14.29 |

FUND SNAPSHOT

| | |
|--|-------------|
| ----- | |
| Common Share Price | \$14.11 |
| ----- | |
| Common Share Net Asset Value | \$14.29 |
| ----- | |
| Premium/(Discount) to NAV | -1.26% |
| ----- | |
| Current Distribution Rate(1) | 8.08% |
| ----- | |
| Net Assets Applicable to Common Shares (\$000) | \$2,008,154 |
| ----- | |

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AVERAGE ANNUAL TOTAL RETURN
(Inception 6/25/03)

| | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year | 26.71% | 8.73% |
| Since Inception | 6.81% | 7.95% |

INDUSTRIES
(as a % of total investments)

| | |
|--|-------|
| Commercial Banks | 18.8% |
| Insurance | 12.2% |
| Real Estate | 8.6% |
| Capital Markets | 6.8% |
| Media | 6.6% |
| Diversified Financial Services | 6.3% |
| Oil, Gas & Consumable Fuels | 2.5% |
| Biotechnology | 2.4% |
| Hotels, Restaurants & Leisure | 2.1% |
| Diversified Telecommunication Services | 1.9% |
| Energy Equipment & Services | 1.8% |
| Aerospace & Defense | 1.8% |
| Pharmaceuticals | 1.7% |
| Computers & Peripherals | 1.5% |
| Semiconductors & Equipment | 1.5% |
| Software | 1.5% |
| Communications Equipment | 1.5% |
| Health Care Equipment & Supplies | 1.4% |

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| | |
|----------------------------------|-------|
| Automobiles | 1.2% |
| Thrifths & Mortgage Finance | 1.2% |
| Health Care Providers & Services | 1.2% |
| Short-Term Investments | 0.4% |
| Other | 15.1% |

TOP FIVE ISSUERS
(EXCLUDING SHORT-TERM INVESTMENTS)
(as a % of total investments)

| | |
|--------------------------------|------|
| Wachovia Corporation | 2.1% |
| JPMorgan Chase & Company | 2.1% |
| Merrill Lynch and Company Inc. | 2.0% |
| Citigroup Inc. | 1.7% |
| Washington Mutual | 1.6% |

1 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

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Report of
INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

THE BOARD OF TRUSTEES AND SHAREHOLDERS
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Preferred and Convertible Income Fund and Nuveen Preferred and Convertible Income Fund 2 (the "Funds") as of December 31, 2006, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these

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financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2006, by correspondence with the custodian, selling or agent banks and brokers or by other appropriate auditing procedures where replies from selling or agent banks were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of Nuveen Preferred and Convertible Income Fund and Nuveen Preferred and Convertible Income Fund 2 at December 31, 2006, the results of their operations for the year then ended, changes in their net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated therein in conformity with U.S. generally accepted accounting principles.

(ERNST & YOUNG LLP LOGO)

Chicago, Illinois
February 20, 2007

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Nuveen Preferred and Convertible Income Fund (JPC)

Portfolio of
INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) |
|--------|---|
| | COMMON STOCKS - 10.0% (6.7% OF TOTAL INVESTMENTS) |
| | AEROSPACE & DEFENSE - 0.3% |
| 18,710 | Boeing Company |
| 18,626 | Lockheed Martin Corporation |
| 11,060 | Orbital Sciences Corporation, (2) |
| | Total Aerospace & Defense |
| | AIR FREIGHT & LOGISTICS - 0.2% |
| 20,032 | FedEx Corporation |
| 11,840 | Ryder System Inc. |
| | Total Air Freight & Logistics |

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| | |
|--------|---|
| | BEVERAGES - 0.1% |
| 25,300 | Coca-Cola Company |
| 8,306 | Pepsi Bottling Group Inc. |
| ----- | |
| | Total Beverages |
| ----- | |
| | BIOTECHNOLOGY - 0.3% |
| 14,790 | Biogen Idec Inc., (2) |
| 6,980 | Cephalon, Inc., (2) |
| 13,183 | Genentech, Inc., (2) |
| 21,878 | Gilead Sciences, Inc., (2) |
| ----- | |
| | Total Biotechnology |
| ----- | |
| | CAPITAL MARKETS - 0.2% |
| 52,780 | JPMorgan Chase & Co. |
| 11,620 | Lehman Brothers Holdings Inc. |
| ----- | |
| | Total Capital Markets |
| ----- | |
| | CHEMICALS - 0.2% |
| 12,710 | Air Products & Chemicals Inc. |
| 18,270 | Airgas, Inc. |
| 19,640 | Ashland Inc. |
| 7,740 | Sparetech Corporation |
| ----- | |
| | Total Chemicals |
| ----- | |
| | COMMERCIAL BANKS - 0.5% |
| 21,980 | Bank of Hawaii Corporation |
| 14,630 | Colonial BancGroup Inc. |
| 7,394 | Greater Bay Bancorp |
| 18,730 | Mellon Financial Corporation |
| 9,530 | Northern Trust Corporation |
| 31,300 | PNC Financial Services Group, Inc. |
| 8,175 | Sterling Bancshares Inc. |
| 4,760 | Umpqua Holdings Corporation |
| 19,067 | Washington Mutual, Inc. |
| ----- | |
| | Total Commercial Banks |
| ----- | |
| | COMMERCIAL SERVICES & SUPPLIES - 0.6% |
| 6,260 | Administaff, Inc. |
| 4,343 | American Ecology Corporation |
| 3,136 | Consolidated Graphics Inc., (2) |
| 27,420 | Convergys Corporation, (2) |
| 6,319 | Corporate Executive Board Company |
| 22,480 | Corrections Corporation of America, (2) |
| 27,909 | Global Payments Inc. |
| 9,930 | ITT Educational Services, Inc., (2) |
| 37,520 | Republic Services, Inc. |
| 31,520 | SEI Investments Company |
| ----- | |
| | Total Commercial Services & Supplies |
| ----- | |

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| SHARES | DESCRIPTION (1) |
|--------|---|
| | COMMUNICATIONS EQUIPMENT - 0.1% |
| 83,360 | Corning Incorporated, (2) |
| 3,543 | Harris Corporation |
| 9,710 | Polycom Inc., (2) |
| | Total Communications Equipment |
| | COMPUTERS & PERIPHERALS - 0.4% |
| 18,441 | Apple Computer, Inc., (2) |
| 38,130 | Hewlett-Packard Company |
| 22,900 | Lexmark International, Inc., (2) |
| 36,563 | Network Appliance Inc., (2) |
| | Total Computers & Peripherals |
| | CONSUMER FINANCE - 0.1% |
| 13,130 | Capital One Financial Corporation |
| | DIVERSIFIED CONSUMER SERVICES - 0.0% |
| 10,419 | Jackson Hewitt Tax Services Inc. |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.2% |
| 13,290 | Alltel Corporation |
| 25,420 | AT&T Inc. |
| 4,780 | Cbeyond Inc., (2) |
| 5,920 | CT Communications, Inc. |
| 62,880 | Sprint Nextel Corporation |
| | Total Diversified Telecommunication Services |
| | ELECTRIC UTILITIES - 0.3% |
| 21,740 | Great Plains Energy Incorporated |
| 13,060 | OGE Energy Corp. |
| 34,950 | PG&E Corporation |
| 10,264 | TXU Corporation |
| 15,770 | Xcel Energy, Inc. |
| | Total Electric Utilities |
| | ELECTRICAL EQUIPMENT - 0.2% |
| 62,600 | Emerson Electric Co. |
| 4,244 | Ormat Technologies Inc. |
| | Total Electrical Equipment |
| | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.3% |
| 3,420 | American Science & Engineering Inc., (2) |
| 4,704 | Itron Inc., (2) |
| 53,460 | MEMC Electronic Materials, (2) |
| 9,308 | Millipore Corporation, (2) |
| 10,194 | Plexus Corporation, (2) |
| 10,387 | Teledyne Technologies Inc., (2) |
| 15,874 | Waters Corporation, (2) |
| | Total Electronic Equipment & Instruments |
| | ENERGY EQUIPMENT & SERVICES - 0.0% |
| 7,170 | Matrix Service Company, (2) |

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| | |
|--------|-----------------------------------|
| 7,739 | Unit Corporation, (2) |
| ----- | |
| | Total Energy Equipment & Services |
| ----- | |
| | FOOD & STAPLES RETAILING - 0.2% |
| 36,880 | Safeway Inc. |
| 12,940 | Whole Foods Market, Inc. |
| ----- | |
| | Total Food & Staples Retailing |
| ----- | |
| | FOOD PRODUCTS - 0.3% |
| 33,750 | Campbell Soup Company |
| 80,670 | ConAgra Foods, Inc. |
| 14,290 | H.J. Heinz Company |
| 13,340 | McCormick and Company Inc. |
| ----- | |
| | Total Food Products |
| ----- | |
| | GAS UTILITIES - 0.3% |
| 77,410 | Energen Corporation |
| 11,940 | Questar Corporation |
| ----- | |
| | Total Gas Utilities |
| ----- | |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) |
|--------|--|
| ----- | |
| | HEALTH CARE EQUIPMENT & SUPPLIES - 0.3% |
| 11,976 | American Medical Systems Holdings, Inc., (2) |
| 30,410 | Baxter International Inc. |
| 16,290 | Dade Behring Holdings Inc. |
| 7,072 | Express Scripts, Inc., (2) |
| 8,470 | Hillenbrand Industries |
| 26,480 | Hospira Inc., (2) |
| 5,642 | Surmodics Inc., (2) |
| ----- | |
| | Total Health Care Equipment & Supplies |
| ----- | |
| | HEALTH CARE PROVIDERS & SERVICES - 0.3% |
| 5,490 | Centene Corporation, (2) |
| 10,206 | Healthways Inc., (2) |
| 3,980 | Humana Inc., (2) |
| 5,630 | Mentor Corporation |
| 6,830 | Nighthawk Radiology Holdings Inc., (2) |
| 22,160 | Quest Diagnostics Incorporated |
| 29,703 | Wellcare Health Plans Inc., (2) |
| ----- | |
| | Total Health Care Providers & Services |
| ----- | |
| | HOTELS, RESTAURANTS & LEISURE - 0.1% |

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| | |
|---------|---|
| 30,756 | Choice Hotels International, Inc. |
| 11,334 | Starbucks Corporation, (2) |
| ----- | |
| | Total Hotels, Restaurants & Leisure |
| ----- | |
| | HOUSEHOLD DURABLES - 0.1% |
| 36,551 | Newell Rubbermaid Inc. |
| 11,780 | Snap-on Incorporated |
| ----- | |
| | Total Household Durables |
| ----- | |
| | HOUSEHOLD PRODUCTS - 0.2% |
| 37,900 | Colgate-Palmolive Company |
| 13,297 | Kimberly-Clark Corporation |
| ----- | |
| | Total Household Products |
| ----- | |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1% |
| 17,550 | NRG Energy Inc., (2) |
| ----- | |
| | INDUSTRIAL CONGLOMERATES - 0.1% |
| 21,130 | General Electric Company |
| 2,720 | Teleflex Inc. |
| ----- | |
| | Total Industrial Conglomerates |
| ----- | |
| | INSURANCE - 0.6% |
| 36,445 | AFLAC Incorporated |
| 34,663 | HCC Insurance Holdings Inc. |
| 45,317 | Philadelphia Consolidated Holding Corporation, (2) |
| 5,064 | Tower Group Inc. |
| 104,440 | W.R. Berkley Corporation |
| ----- | |
| | Total Insurance |
| ----- | |
| | INTERNET & CATALOG RETAIL - 0.0% |
| 2,806 | Coldwater Creek Inc., (2) |
| ----- | |
| | INTERNET SOFTWARE & SERVICES - 0.1% |
| 5,630 | F5 Networks, Inc., (2) |
| 1,236 | Google Inc., Class A, (2) |
| ----- | |
| | Total Internet Software & Services |
| ----- | |
| | IT SERVICES - 0.0% |
| 11,022 | Websense Inc., (2) |
| ----- | |
| | LEISURE EQUIPMENT & PRODUCTS - 0.0% |
| 15,710 | Marvel Entertainment Inc., (2) |
| ----- | |
| | LIFE SCIENCES TOOLS & SERVICES - 0.0% |
| 2,500 | Illumina Inc., (2) |
| ----- | |
| | MACHINERY - 0.2% |
| 5,440 | Flow International Corporation, (2) |
| 2,147 | Freightcar America Inc. |
| 9,883 | Harsco Corporation |
| 7,130 | Joy Global Inc. |

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| SHARES | DESCRIPTION (1) |
|--------|---|
| | MACHINERY (continued) |
| 5,720 | Paccar Inc. |
| 10,857 | Parker Hannifin Corporation |
| 2,650 | Robbins & Myers, Inc. |
| 10,780 | Terex Corporation, (2) |
| | Total Machinery |
| | MEDIA - 0.5% |
| 9,484 | Comcast Corporation, Class A, (2) |
| 33,460 | DIRECTV Group, Inc., (2) |
| 19,277 | John Wiley and Sons Inc., Class A |
| 10,640 | Liberty Global Inc., A Shares, (2) |
| 10,640 | Liberty Global Inc., Class C, (2) |
| 5,731 | Lodgenet Entertainment Corporation, (2) |
| 43,840 | McGraw-Hill Companies, Inc. |
| 7,900 | NetFlix.com Inc., (2) |
| 57,760 | Time Warner Inc. |
| | Total Media |
| | METALS & MINING - 0.0% |
| 3,280 | Compass Minerals International, Inc. |
| | MULTILINE RETAIL - 0.3% |
| 21,400 | Big Lots Inc., (2) |
| 30,360 | Dollar Tree Stores Inc., (2) |
| 34,780 | Kohl's Corporation, (2) |
| | Total Multiline Retail |
| | OIL, GAS & CONSUMABLE FUELS - 0.4% |
| 4,640 | Bill Barnett Corporation, (2) |
| 8,320 | Cabot Oil & Gas Corporation |
| 24,520 | EOG Resources, Inc. |
| 5,920 | Equitable Resources Inc. |
| 4,490 | Houston Exploration Company, (2) |
| 7,436 | Pioneer Drilling Company, (2) |
| 6,450 | St Mary Land and Exploration Company |
| 20,405 | Sunoco, Inc. |
| 11,472 | Valero Energy Corporation |
| 36,172 | W&T Offshore Inc. |
| | Total Oil, Gas & Consumable Fuels |
| | PAPER & FOREST PRODUCTS - 0.1% |
| 18,590 | Plum Creek Timber Company |
| | PERSONAL PRODUCTS - 0.2% |
| 5,200 | NBTY Inc., (2) |
| 16,790 | Nutri System Inc., (2) |
| | Total Personal Products |
| | PHARMACEUTICALS - 0.2% |

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| | |
|--------|-------------------------------------|
| 9,170 | Abraxis Bioscience Inc., (2) |
| 9,930 | Allergan Inc. |
| 7,530 | Johnson & Johnson |
| 10,550 | Merck & Co. Inc. |
| 5,150 | New River Pharmaceuticals Inc., (2) |
| 8,070 | Pozen Inc., (2) |

Total Pharmaceuticals

REAL ESTATE - 0.3%

| | |
|--------|---|
| 5,110 | American Home Mortgage Investment Corp. |
| 9,950 | Camden Property Trust |
| 9,091 | Equity Inns Inc. |
| 8,200 | Health Care Property Investors Inc. |
| 6,286 | LaSalle Hotel Properties |
| 11,830 | Northstar Realty Finance Corporation |
| 8,196 | Public Storage, Inc. |
| 5,981 | SL Green Realty Corporation |
| 10,381 | Tanger Factory Outlet Centers |
| 1,903 | Taubman Centers Inc. |
| 9,703 | United Dominion Realty Trust |

Total Real Estate

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

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

SEMICONDUCTORS & EQUIPMENT - 0.2%

| | |
|---------|------------------------------------|
| 12,736 | Advanced Micro Devices, Inc., (2) |
| 125,820 | Micron Technology, Inc., (2) |
| 25,710 | National Semiconductor Corporation |
| 20,950 | Trident Microsystems Inc., (2) |

Total Semiconductors & Equipment

SOFTWARE - 0.5%

| | |
|--------|----------------------------|
| 3,070 | Ansys Inc., (2) |
| 8,005 | Aspen Technology Inc., (2) |
| 33,919 | Autodesk, Inc., (2) |
| 10,908 | Blackbaud, Inc. |
| 66,940 | BMC Software Inc., (2) |
| 35,010 | Intuit Inc., (2) |
| 37,820 | Salesforce.com, Inc., (2) |

Total Software

SPECIALTY RETAIL - 0.3%

| | |
|--------|------------------------------------|
| 48,200 | American Eagle Outfitters, Inc. |
| 9,700 | Ann Taylor Stores Corporation, (2) |
| 5,196 | Build-A-Bear-Workshop, Inc., (2) |

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2,686 Childrens Place Retail Stores Inc., (2)
 4,700 Dick's Sporting Goods Inc., (2)
 4,730 Gymboree Corporation, (2)
 12,100 Office Depot, Inc., (2)
 8,750 PetSmart Inc.
 25,244 Staples, Inc.

 Total Specialty Retail

TEXTILES, APPAREL & LUXURY GOODS - 0.0%
 10,489 Guess Inc., (2)

 THRIFTS & MORTGAGE FINANCE - 0.0%
 14,350 Washington Federal Inc.

 TOBACCO - 0.1%
 34,750 UST Inc.

 TRADING COMPANIES & DISTRIBUTORS - 0.0%
 5,294 GATX Corporation

 TOTAL COMMON STOCKS (COST \$135,432,664)
 =====

| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------|---|--------|----|
| | CONVERTIBLE PREFERRED SECURITIES - 8.7% (5.8% OF TOTAL INVESTMENTS) | | |
| | AUTOMOBILES - 1.8% | | |
| 287,000 | Ford Motor Company Capital Trust II | 6.500% | |
| 468,700 | General Motors Corporation | 5.250% | |
| 271,100 | General Motors Corporation | 6.250% | |
| | Total Automobiles | | |
| | CAPITAL MARKETS - 0.6% | | |
| 9,500 | Affiliated Managers Group Inc. | 5.100% | |
| 51,150 | Affiliated Managers Group Inc. | 5.100% | |
| 102,200 | E*Trade Financial Corporation | 6.125% | |
| 39,875 | Lazard Limited | 6.625% | |
| | Total Capital Markets | | |
| | CHEMICALS - 0.1% | | |
| 36,215 | Celanese Corporation | 4.250% | |
| | COMMERCIAL BANKS - 0.7% | | |
| 6,475,000 | Fortis Insurance NV, 144A | 7.750% | |
| | COMMERCIAL SERVICES & SUPPLIES - 0.6% | | |
| 23,925 | Allied Waste Industries Inc. | 6.250% | |
| | CONSUMER FINANCE - 0.1% | | |
| 750,000 | SLM Corporation | 5.326% | |

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| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|---|--------|----|
| | ELECTRIC UTILITIES - 0.5% | | |
| 77,660 | Entergy Corporation | 7.625% | |
| 56,800 | PNM Resources Inc. | 6.750% | |
| | Total Electric Utilities | | |
| | FOOD PRODUCTS - 0.3% | | |
| 43,825 | Bunge Limited | 4.875% | |
| | GAS UTILITIES - 0.1% | | |
| 27,000 | Southern Union Company | 5.000% | |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1% | | |
| 3,900 | NRG Energy Inc. | 5.750% | |
| | INSURANCE - 1.2% | | |
| 334,000 | MetLife Inc. | 6.375% | |
| 272,390 | Travelers Property Casualty Corporation | 4.500% | |
| | Total Insurance | | |
| | MEDIA - 0.5% | | |
| 190,000 | Comcast Corporation | 2.000% | |
| | METALS & MINING - 0.2% | | |
| 2,385 | Freeport McMoran Copper & Gold, Inc. | 5.500% | |
| | PHARMACEUTICALS - 0.7% | | |
| 180,055 | Schering-Plough Corporation | 6.000% | |
| | REAL ESTATE - 0.2% | | |
| 106,935 | Annaly Mortgage Management Inc. | 6.000% | |
| | U.S. AGENCY - 0.8% | | |
| 110 | Fannie Mae | 5.375% | |
| | WIRELESS TELECOMMUNICATION SERVICES - 0.2% | | |
| 55,050 | Crown Castle International Corporation | 6.250% | |
| | TOTAL CONVERTIBLE PREFERRED SECURITIES (COST \$113,067,554) | | |
| | ===== | | |
| SHARES | DESCRIPTION (1) | COUPON | RA |
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 48.7% (32.8% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 5.4% | | |
| 271,087 | BNY Capital Trust V, Series F | 5.950% | |
| 148,300 | Compass Capital Trust III | 7.350% | |
| 11,300 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% | |
| 41,500 | First Union Institutional Capital II (CORTS) | 8.200% | |
| 5,900 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% | |
| 4,800 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | 6.000% | |
| 41,600 | Goldman Sachs Group Inc., Series 2004-4 (CORTS) | 6.000% | |
| 7,000 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% | |
| 4,400 | Goldman Sachs Group Incorporated (SATURNS) | 5.750% | |

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| | | |
|---------|--|--------|
| 527,188 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% |
| 2,400 | Lehman Brothers Holdings Capital Trust IV, Series L | 6.375% |
| 28,100 | Merrill Lynch Capital Trust II | 8.000% |
| 153,700 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 124,400 | Merrill Lynch Preferred Capital Trust IV | 7.120% |
| 358,400 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 71,100 | Morgan Stanley Capital Trust II | 7.250% |
| 333,722 | Morgan Stanley Capital Trust III | 6.250% |
| 626,759 | Morgan Stanley Capital Trust IV | 6.250% |
| 285,641 | Morgan Stanley Capital Trust VII | 6.600% |
| 2,600 | Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS) | 7.650% |

 Total Capital Markets

COMMERCIAL BANKS - 8.6%

| | | |
|---------|---------------------------------|--------|
| 173,100 | Abbey National PLC, Series C | 7.375% |
| 83,300 | ABN AMRO Capital Fund Trust V | 5.900% |
| 10,000 | ABN AMRO Capital Trust Fund VII | 6.080% |
| 73,600 | ASBC Capital I | 7.625% |
| 43,785 | BAC Capital Trust I | 7.000% |
| 111,055 | BAC Capital Trust II | 7.000% |
| 284,700 | BAC Capital Trust III | 7.000% |
| 317,222 | Banco Santander 144A | 6.800% |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|--|---------|----|
| | COMMERCIAL BANKS (continued) | | |
| 45,182 | Banco Santander, (6) | 6.410% | |
| 9,100 | BancorpSouth Capital Trust I | 8.150% | |
| 231,600 | Banesto Holdings, Series A, 144A | 10.500% | |
| 81,700 | Bank One Capital Trust VI | 7.200% | |
| 35,700 | BankNorth Capital Trust II | 8.000% | |
| 7,300 | Capital One Capital II Corporation | 7.500% | |
| 62,300 | Chittenden Capital Trust I | 8.000% | |
| 214,600 | Citizens Funding Trust I | 7.500% | |
| 107,000 | Cobank ABC, 144A, (6) | 7.000% | |
| 85,900 | Comerica Capital Trust I | 7.600% | |
| 338,700 | Fleet Capital Trust VIII | 7.200% | |
| 771,620 | HSBC Finance Corporation | 6.875% | |
| 22,360 | HSBC Holdings PLC, Series A | 6.200% | |
| 539,400 | National City Capital Trust II | 6.625% | |
| 43,550 | PNC Capital Trust | 6.125% | |
| 115,938 | Royal Bank of Scotland Group PLC, Series L | 5.750% | |
| 91,395 | Royal Bank of Scotland Group PLC, Series N | 6.350% | |
| 391,100 | USB Capital Trust VI | 5.750% | |
| 36,050 | USB Capital Trust XI | 6.600% | |
| 33,400 | VNB Capital Trust I | 7.750% | |

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| | | |
|---------|--|--------|
| 7,400 | Wells Fargo Capital Trust IV | 7.000% |
| 80,735 | Wells Fargo Capital Trust V | 7.000% |
| 127,369 | Wells Fargo Capital Trust VII | 5.850% |
| 44,000 | Wells Fargo Capital Trust IX | 5.625% |
| 80,700 | Zions Capital Trust B | 8.000% |
| ----- | | |
| | Total Commercial Banks | |
| ----- | | |
| | COMPUTERS & PERIPHERALS - 0.0% | |
| 4,600 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% |
| ----- | | |
| | CONSUMER FINANCE - 0.1% | |
| 39,700 | SLM Corporation | 6.000% |
| ----- | | |
| | DIVERSIFIED FINANCIAL SERVICES - 3.6% | |
| 63,130 | BAC Capital Trust XII | 6.875% |
| 16,500 | CIT Group Incorporated (CORTS) | 7.750% |
| 86,500 | Citigroup Capital Trust VII | 7.125% |
| 241,654 | Citigroup Capital Trust VIII | 6.950% |
| 68,255 | Citigroup Capital XV | 6.500% |
| 13,400 | Citigroup, Series CIT (CORTS) | 6.750% |
| 4,500 | General Electric Capital Corporation (CORTS) | 6.000% |
| 33,100 | General Electric Capital Corporation | 6.625% |
| 570,518 | ING Group N.V. | 7.200% |
| 786,475 | ING Group N.V. | 7.050% |
| 16,800 | ING Group N.V. | 6.200% |
| 54,000 | JPMorgan Chase & Company (PCARS) | 7.125% |
| 48,200 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% |
| ----- | | |
| | Total Diversified Financial Services | |
| ----- | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.4% | |
| 21,900 | BellSouth Capital Funding (CORTS) | 7.100% |
| 18,300 | BellSouth Corporation (CORTS) | 7.000% |
| 34,300 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% |
| 2,400 | BellSouth Corporation, Series BLS (CORTS) | 7.000% |
| 12,300 | BellSouth Corporation | 7.125% |
| 10,000 | BellSouth Inc. (CORTS) | 7.000% |
| 18,300 | BellSouth Telecommunications (PPLUS) | 7.300% |
| 17,500 | Verizon Communications (CORTS) | 7.625% |
| 22,200 | Verizon Communications (CORTS) | 7.375% |
| 4,700 | Verizon Communications, Series 2004-1 (SATURNS) | 6.125% |
| 1,300 | Verizon Global Funding Corporation Trust III, Series III (CORTS) | 6.250% |
| 13,900 | Verizon New England Inc., Series B | 7.000% |
| 45,155 | Verizon South Inc., Series F | 7.000% |
| ----- | | |
| | Total Diversified Telecommunication Services | |
| ----- | | |
| | ELECTRIC UTILITIES - 0.8% | |
| 10,000 | Consolidated Edison, Inc. | 7.250% |
| 22,200 | DTE Energy Trust I | 7.800% |
| 40,670 | Entergy Louisiana LLC | 7.600% |
| 8,100 | FPL Group Capital Inc. | 6.600% |
| 44,570 | Georgia Power Capital Trust V | 7.125% |

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| SHARES | DESCRIPTION (1) | COUPON | RA |
|--------------------------------|--|--------|----|
| ELECTRIC UTILITIES (continued) | | | |
| 153,100 | Georgia Power Company | 5.900% | |
| 1,700 | Georgia Power Company | 5.750% | |
| 1,100 | National Rural Utilities Cooperative Finance Corporation | 7.400% | |
| 6,600 | National Rural Utilities Cooperative Finance Corporation | 6.100% | |
| 4,900 | National Rural Utilities Cooperative Finance Corporation | 5.950% | |
| 2,100 | Southern Company Capital Trust I (CORTS) | 7.375% | |
| 2,800 | Southern Company Capital Trust VI | 7.125% | |
| 134,400 | Virginia Power Capital Trust | 7.375% | |
| ----- | | | |
| | Total Electric Utilities | | |
| ----- | | | |
| FOOD PRODUCTS - 0.3% | | | |
| 41,900 | Dairy Farmers of America Inc., 144A, (6) | 7.875% | |
| ----- | | | |
| INSURANCE - 10.5% | | | |
| 556,210 | Ace Ltd., Series C | 7.800% | |
| 11,456 | Aegon N.V. | 6.875% | |
| 982,000 | Aegon N.V., (6) | 6.375% | |
| 26,600 | AMBAC Financial Group Inc. | 5.950% | |
| 25,700 | Arch Capital Group Limited, Series B | 7.785% | |
| 408,100 | Arch Capital Group Limited | 8.000% | |
| 1,221,100 | Delphi Financial Group, Inc. | 8.000% | |
| 322,955 | EverestRe Capital Trust II | 6.200% | |
| 110,400 | EverestRe Group Limited | 7.850% | |
| 82,200 | Financial Security Assurance Holdings | 6.250% | |
| 3,500 | Lincoln National Capital Trust VI | 6.750% | |
| 5,000 | Markel Corporation | 7.500% | |
| 809,050 | PartnerRe Limited, Series C | 6.750% | |
| 82,200 | PLC Capital Trust III | 7.500% | |
| 32,900 | PLC Capital Trust IV | 7.250% | |
| 8,300 | PLC Capital Trust V | 6.125% | |
| 34,700 | Protective Life Corporation | 7.250% | |
| 37,400 | Prudential PLC | 6.750% | |
| 86,381 | RenaissanceRe Holdings Limited, Series A | 8.100% | |
| 325,410 | RenaissanceRe Holdings Limited, Series B | 7.300% | |
| 3,134 | RenaissanceRe Holdings Limited, Series C | 6.080% | |
| 27,800 | RenaissanceRe Holdings Ltd | 6.600% | |
| 27,300 | Safeco Capital Trust I (CORTS) | 8.750% | |
| 39,100 | Safeco Capital Trust III (CORTS) | 8.072% | |
| 7,500 | Safeco Capital Trust IV (CORTS) | 8.375% | |
| 47,400 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% | |
| 44,900 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% | |
| 14,700 | W.R. Berkley Corporation | 6.750% | |
| 151,100 | XL Capital Ltd, Series A | 8.000% | |
| 340,500 | XL Capital Ltd, Series B | 7.625% | |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| MEDIA - 1.7% | | | |
| 43,700 | CBS Corporation | 7.250% | |
| 449,200 | Comcast Corporation | 7.000% | |
| 461,200 | Viacom Inc. | 6.850% | |
| ----- | | | |

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| Total Media | | |
|-------------|---|--------|
| ----- | | |
| | MULTI-UTILITIES - 0.1% | |
| 55,600 | Dominion CNG Capital Trust I | 7.800% |
| ----- | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.9% | |
| 477,200 | Nexen Inc. | 7.350% |
| ----- | | |
| | REAL ESTATE - 13.5% | |
| 10,500 | AvalonBay Communities, Inc., Series H | 8.700% |
| 3,000 | BRE Properties, Series B | 8.080% |
| 15,266 | BRE Properties, Series C | 6.750% |
| 20,600 | Developers Diversified Realty Corporation, Series F | 8.600% |
| 658,185 | Developers Diversified Realty Corporation, Series G | 8.000% |
| 74,900 | Developers Diversified Realty Corporation, Series H | 7.375% |
| 81,100 | Duke Realty Corporation, Series L | 6.600% |
| 36,828 | Duke-Weeks Realty Corporation | 6.950% |
| 208,656 | Equity Office Properties Trust, Series G | 7.750% |
| 11,800 | Equity Residential Properties Trust, Series D | 8.600% |
| 393,070 | Equity Residential Properties Trust, Series N | 6.480% |
| 267,400 | First Industrial Realty Trust, Inc., Series J | 7.250% |
| 232,400 | HRPT Properties Trust, Series B | 8.750% |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|---------------------------------------|--------|----|
| ----- | | | |
| | REAL ESTATE (continued) | | |
| 652,100 | HRPT Properties Trust, Series C | 7.125% | |
| 458,887 | Kimco Realty Corporation, Series F | 6.650% | |
| 13,693 | New Plan Excel Realty Trust, Series D | 7.800% | |
| 876,975 | New Plan Excel Realty Trust, Series E | 7.625% | |
| 32,982 | Prologis Trust, Series C | 8.540% | |
| 13,600 | Prologis Trust, Series G | 6.750% | |
| 13,000 | PS Business Parks, Inc., Series F | 8.750% | |
| 2,000 | PS Business Parks, Inc., Series K | 7.950% | |
| 149,400 | Public Storage Inc., Series I | 7.250% | |
| 110,000 | Public Storage Inc. | 6.750% | |
| 51,900 | Public Storage, Inc., Series E | 6.750% | |
| 15,000 | Public Storage, Inc., Series F | 6.450% | |
| 97,600 | Public Storage, Inc., Series H | 6.950% | |
| 28,200 | Public Storage, Inc., Series T | 7.625% | |
| 30,200 | Public Storage, Inc., Series U | 7.625% | |
| 32,300 | Public Storage, Inc., Series V | 7.500% | |
| 2,600 | Public Storage, Inc., Series X | 6.450% | |
| 323,900 | Realty Income Corporation, Series E | 6.750% | |
| 216,495 | Regency Centers Corporation | 7.450% | |
| 9,100 | Regency Centers Corporation | 7.250% | |
| 7,000 | Simon Property Group, Inc., Series G | 7.890% | |

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| | | |
|-----------|--|--------|
| 2,800 | Vornado Realty Trust, Series F | 6.750% |
| 16,800 | Vornado Realty Trust, Series G | 6.625% |
| 3,400 | Vornado Realty Trust, Series H | 6.750% |
| 54,200 | Vornado Realty Trust, Series I | 6.625% |
| 1,446,545 | Wachovia Preferred Funding Corporation | 7.250% |
| 628,830 | Weingarten Realty Trust | 6.750% |

Total Real Estate

| | | |
|-----------|---------------------------------------|--------|
| | THRIFTS & MORTGAGE FINANCE - 2.3% | |
| 99,500 | Countrywide Capital Trust III (PPLUS) | 8.050% |
| 1,201,200 | Countrywide Capital Trust IV | 6.750% |

Total Thrifts & Mortgage Finance

| | | |
|---------|--|--------|
| | WIRELESS TELECOMMUNICATION SERVICES - 0.5% | |
| 34,100 | AT&T Wireless (CORTS) | 8.000% |
| 18,200 | AT&T Wireless, Series 2002-B (SATURNS) | 9.250% |
| 33,900 | United States Cellular Corporation | 8.750% |
| 213,404 | United States Cellular Corporation | 7.500% |

Total Wireless Telecommunication Services

=====

TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES (COST \$690,691,665)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | WEIGHTED AVERAGE COUPON | MATURITY (5) |
|---------------------------|--|-------------------------------|--------------|
| | VARIABLE RATE SENIOR LOAN INTERESTS - 2.1% (1.3% OF TOTAL INVESTMENTS) (4) | | |
| \$ 998 | BUILDING PRODUCTS - 0.2% TFS Acquisition, Term Loan | 8.921% | 8/11/13 |
| | COMMERCIAL SERVICES & SUPPLIES - 0.1% | | |
| 2,000 | Banta Corporation, Term Loan | 7.110% | 10/31/13 |
| | HEALTH CARE PROVIDERS & SERVICES - 0.5% | | |
| 5,000 | HCA, Inc., Term Loan | 8.114% | 11/17/13 |
| 1,500 | LifePoint Hospitals Holdings, Inc., Term Loan B | 6.975% | 4/18/12 |
| 6,500 | Total Health Care Providers & Services | | |
| | HOTELS, RESTAURANTS & LEISURE - 0.1% | | |
| 995 | Cedar Fair LP, Term Loan | 7.850% | 8/30/12 |
| | MACHINERY - 0.1% | | |
| 2,000 | Oshkosh Truck Corporation, Term Loan | 7.350% | 12/06/13 |
| | MEDIA - 0.3% | | |
| 1,000 | Charter Communications Inc., Term Loan B | 8.005% | 4/28/13 |
| 2,000 | Neilsen Finance LLC, Term Loan B | 8.125% | 8/01/13 |
| 1,521 | Panamsat Corporation, Term Loan | 7.872% | 1/03/14 |
| 995 | Philadelphia Newspapers, Term Loan | 8.120% | 6/29/13 |
| 5,516 | Total Media | | |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | WEIGHTED AVERAGE COUPON | MATURITY (5) |
|---------------------------|---|-------------------------------|--------------|
| | PAPER & FOREST PRODUCTS - 0.2% | | |
| \$ 345 | Bluegrass Container Company, LLC, 1st Lien Term Loan | 7.609% | 7/31/13 |
| 1,152 | Bluegrass Container Company, LLC, Term Loan B | 7.610% | 6/30/13 |
| 995 | Georgia-Pacific Corporation, Term Loan B | 7.356% | 2/13/12 |
| 2,492 | Total Paper & Forest Products | | |
| | REAL ESTATE MANAGEMENT & DEVELOPMENT - 0.1% | | |
| 1,000 | LNR Property Corporation, Term Loan B | 8.120% | 7/12/11 |
| | SEMICONDUCTORS & EQUIPMENT - 0.1% | | |
| 1,333 | Advanced Micro Devices, Term Loan B | 7.620% | 12/31/13 |
| | SOFTWARE - 0.3% | | |
| 2,993 | Dealer Computer Service, Term Loan | 7.850% | 10/26/12 |
| 1,500 | Intergraph Corporation, Term Loan | 7.870% | 5/29/14 |
| 4,493 | Total Software | | |
| | SPECIALTY RETAIL - 0.1% | | |
| 979 | Michaels Stores Inc., Term Loan | 8.375% | 10/31/13 |
| \$ 28,306 | TOTAL VARIABLE RATE SENIOR LOAN INTERESTS (COST \$28,283,071) | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| | CONVERTIBLE BONDS - 36.4% (24.5% OF TOTAL INVESTMENTS) | | |
| | AEROSPACE & DEFENSE - 2.2% | | |
| \$ 4,115 | AAR Corporation, 144A | 1.750% | 2/01/26 |
| 500 | Alliant Techsystems Inc., 144A | 2.750% | 9/15/11 |
| 500 | Armor Holdings Inc. | 2.000% | 11/01/24 |
| 6,650 | L-3 Communications Corporation | 3.000% | 8/01/35 |
| 3,410 | L-3 Communications Corporation, 144A | 3.000% | 8/01/35 |
| 8,375 | Lockheed Martin Corporation | 5.124% | 8/15/33 |
| 3,145 | Triumph Group Inc | 2.625% | 10/01/26 |
| 26,695 | Total Aerospace & Defense | | |
| | AIRLINES - 0.7% | | |
| 1,225 | AMR Corporation | 4.500% | 2/15/24 |
| 1,000 | Continental Airlines, Inc. | 5.000% | 6/15/23 |
| 4,065 | UAL Corporation, 144A | 4.500% | 6/30/21 |
| 6,290 | Total Airlines | | |
| | BIOTECHNOLOGY - 3.3% | | |
| 9,575 | Amgen Inc., 144A | 0.125% | 2/01/11 |
| 10,060 | Amgen Inc., 144A | 0.375% | 2/01/13 |
| 4,625 | Cephalon, Inc. | 0.000% | 6/15/33 |

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| | | | |
|---------------------------------|------------------------------------|--------|----------|
| 9,450 | Genzyme Corporation | 1.250% | 12/01/23 |
| 9,550 | Gilead Sciences Inc., 144A | 0.625% | 5/01/13 |
| 2,000 | Sepracor Inc. | 5.000% | 2/15/07 |
| 45,260 | Total Biotechnology | | |
| CAPITAL MARKETS - 0.5% | | | |
| 6,600 | Goldman Sachs Group, Inc. | 0.125% | 6/28/11 |
| COMMERCIAL BANKS - 0.5% | | | |
| 5,500 | U.S. Bancorp, 144A | 3.615% | 9/20/36 |
| 1,000 | Wells Fargo & Company | 5.625% | 5/01/33 |
| 6,500 | Total Commercial Banks | | |
| COMMUNICATIONS EQUIPMENT - 1.9% | | | |
| 2,900 | Andrew Corporation | 3.250% | 8/15/13 |
| 2,695 | Arris Group Inc. | 2.000% | 11/15/26 |
| 2,000 | Ciena Corporation | 3.750% | 2/01/08 |
| 2,545 | Fibertower Corporation, 144A | 9.000% | 11/15/12 |
| 7,525 | Lucent Technologies Inc., Series B | 2.750% | 6/15/25 |
| 7,625 | Lucent Technologies Inc. | 2.750% | 6/15/23 |
| 25,290 | Total Communications Equipment | | |
| COMPUTERS & PERIPHERALS - 1.7% | | | |
| 2,100 | Electronics for Imaging Inc. | 1.500% | 6/01/23 |
| 6,145 | EMC Corporation, 144A | 1.750% | 12/01/11 |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------------------|-------------------------------|--------|----------|
| COMPUTERS & PERIPHERALS (continued) | | | |
| \$ 6,075 | EMC Corporation, 144A | 1.750% | 12/01/13 |
| 10,930 | Sandisk Corporation | 1.000% | 5/15/13 |
| 25,250 | Total Computers & Peripherals | | |
| CONSTRUCTION & ENGINEERING - 0.3% | | | |
| 3,250 | Quanta Services Inc., 144A | 3.750% | 4/30/26 |
| CONSUMER FINANCE - 0.2% | | | |
| 3,095 | Compucredit Corporation | 5.875% | 11/30/35 |
| CONTAINERS & PACKAGING - 0.7% | | | |
| 9,925 | Sealed Air Corporation, 144A | 3.000% | 6/30/33 |
| DIVERSIFIED FINANCIAL SERVICES - 1.6% | | | |
| 10,525 | Citigroup Funding Inc. | 0.125% | 9/07/11 |
| 9,600 | Merrill Lynch & Co. Inc. | 0.000% | 3/13/32 |

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| | | | |
|--------|---|--------|----------|
| 20,125 | Total Diversified Financial Services | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.9% | | |
| 1,400 | Level 3 Communications Inc. | 3.500% | 6/15/12 |
| 4,725 | Level 3 Communications Inc. | 2.875% | 7/15/10 |
| 2,625 | Qwest Communications International Inc. | 3.500% | 11/15/25 |
| 1,500 | Time Warner Telecom Inc. | 2.375% | 4/01/26 |
| 10,250 | Total Diversified Telecommunication Services | | |
| | ELECTRIC UTILITIES - 0.1% | | |
| 725 | PPL Energy Supply LLC | 2.625% | 5/15/23 |
| | ELECTRICAL EQUIPMENT - 0.1% | | |
| 1,800 | General Cable Corporation | 0.875% | 11/15/13 |
| | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.1% | | |
| 2,000 | SCI Systems Inc. | 3.000% | 3/15/07 |
| | ENERGY EQUIPMENT & SERVICES - 2.5% | | |
| 4,600 | Cameron International Corporation, 144A | 2.500% | 6/15/26 |
| 3,095 | Core Laboratories LP, 144A | 0.250% | 10/31/11 |
| 500 | Halliburton Company | 3.125% | 7/15/23 |
| 3,125 | Hanover Compressor Company | 4.750% | 1/15/14 |
| 9,610 | Nabors Industries Inc., 144A | 0.940% | 5/15/11 |
| 850 | Nabors Industries Inc., 144A | 0.940% | 5/15/11 |
| 9,200 | Nabors Industries Inc. | 0.000% | 6/15/23 |
| 500 | Pride International Inc. | 3.250% | 5/01/33 |
| 1,525 | SESI LLC, Convertible Bond, 144A | 1.500% | 12/15/26 |
| 33,005 | Total Energy Equipment & Services | | |
| | HEALTH CARE EQUIPMENT & SUPPLIES - 1.8% | | |
| 500 | Advanced Medical Optics | 3.250% | 8/01/26 |
| 2,925 | CYTYC Corporation | 2.250% | 3/15/24 |
| 16,650 | Medtronic Inc. | 1.500% | 4/15/11 |
| 3,250 | Medtronic, Inc. | 1.625% | 4/15/13 |
| 250 | Medtronic, Inc. | 1.500% | 4/15/11 |
| 23,575 | Total Health Care Equipment & Supplies | | |
| | HEALTH CARE PROVIDERS & SERVICES - 0.9% | | |
| 500 | LifePoint Hospitals Inc. | 3.250% | 8/15/25 |
| 2,800 | Manor Care Inc. | 2.000% | 6/01/36 |
| 2,525 | PSS World Medical Inc. | 2.250% | 3/15/24 |
| 6,210 | Roche Holdings Inc., 144A | 0.000% | 7/25/21 |
| 12,035 | Total Health Care Providers & Services | | |
| | HOTELS, RESTAURANTS & LEISURE - 1.5% | | |
| 1,000 | Caesars Entertainment Inc. | 5.370% | 4/15/24 |
| 2,170 | Carnival Corporation | 2.000% | 4/15/21 |
| 13,715 | Carnival Corporation | 1.132% | 4/29/33 |
| 500 | Hilton Hotels Corporation | 3.375% | 4/15/23 |
| 3,225 | International Game Technology, 144A | 2.600% | 12/15/36 |
| 3,005 | RARE Hospitality International Inc., 144A | 2.500% | 11/15/26 |
| 23,615 | Total Hotels, Restaurants & Leisure | | |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|--------|----------|
| \$ 500 | INDUSTRIAL CONGLOMERATES - 0.0% 3M Company | 0.000% | 11/21/32 |
| | INSURANCE - 1.5% | | |
| 10 | Alleghany Corporation | 5.750% | 6/15/09 |
| 5,655 | American Financial Group Inc. | 1.486% | 6/02/33 |
| 2,600 | Berkshire Hathaway Inc., 144A | 0.000% | 5/15/07 |
| 10,225 | Prudential Financial Inc. | 2.613% | 11/15/35 |
| 18,490 | Total Insurance | | |
| | INTERNET & CATALOG RETAIL - 0.2% | | |
| 1,680 | Priceline.com Inc., 144A | 0.500% | 9/30/11 |
| | IT SERVICES - 0.4% | | |
| 2,150 | Digital River Inc. | 1.250% | 1/01/24 |
| 2,200 | DST Systems Inc. | 4.125% | 8/15/23 |
| 4,350 | Total IT Services | | |
| | LEISURE EQUIPMENT & PRODUCTS - 0.5% | | |
| 6,195 | K2 Corporation, 144A | 5.000% | 6/15/10 |
| | MEDIA - 2.6% | | |
| 2,700 | ELF Special Financing Limited, 144A | 5.710% | 6/15/09 |
| 8,850 | Liberty Media Corporation | 0.750% | 3/30/23 |
| 7,150 | Omnicom Group Inc. | 0.000% | 7/01/38 |
| 700 | Playboy Enterprises Inc. | 3.000% | 3/15/25 |
| 2,650 | Shuffle Master Inc. | 1.250% | 4/15/24 |
| 8,850 | Walt Disney Company | 2.125% | 4/15/23 |
| 30,900 | Total Media | | |
| | METALS & MINING - 0.3% | | |
| 1,005 | Century Aluminum Company | 1.750% | 8/01/24 |
| 2,400 | Placer Dome Inc. | 2.750% | 10/15/23 |
| 3,405 | Total Metals & Mining | | |
| | MULTI-UTILITIES - 0.6% | | |
| 1,200 | Centerpoint Energy Inc. | 2.875% | 1/15/24 |
| 6,325 | Dominion Resources Inc., Series C | 2.125% | 12/15/23 |
| 7,525 | Total Multi-Utilities | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.2% | | |
| 7,585 | Chesapeake Energy Corporation, 144A | 2.750% | 11/15/35 |
| 2,500 | Devon Energy Corporation | 4.900% | 8/15/08 |
| 1,765 | Goodrich Petroleum Corporation, 144A | 3.250% | 12/01/26 |
| 3,950 | Peabody Energy Corp. | 4.375% | 12/15/66 |
| 15,800 | Total Oil, Gas & Consumable Fuels | | |

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| | | | |
|--------|--|--------|----------|
| ----- | | | |
| | PHARMACEUTICALS - 1.3% | | |
| 5,585 | Allergan Inc., 144A | 1.500% | 4/01/26 |
| 3,650 | Allergan Inc. | 1.500% | 4/01/26 |
| 500 | Bristol-Myers Squibb Company | 4.860% | 9/15/23 |
| 500 | Sepracor Inc. | 0.000% | 10/15/24 |
| 250 | Teva Pharmaceutical Finance Company B.V., Series D | 1.750% | 2/01/26 |
| 6,400 | Wyeth, 144A | 1.000% | 1/15/24 |
| ----- | | | |
| 16,885 | Total Pharmaceuticals | | |
| ----- | | | |
| | REAL ESTATE - 1.0% | | |
| 2,860 | Archstone-Smith Trust | 4.000% | 7/15/36 |
| 500 | Developers Diversified Realty Corporation, 144A | 3.500% | 8/15/11 |
| 5,275 | Vornado Realty | 3.875% | 4/15/25 |
| 3,100 | Vornado Realty | 3.625% | 11/15/26 |
| ----- | | | |
| 11,735 | Total Real Estate | | |
| ----- | | | |
| | REAL ESTATE MANAGEMENT & DEVELOPMENT - 0.6% | | |
| 4,625 | EOP Operating LP, 144A | 4.000% | 7/15/26 |
| 2,675 | Tanger Properties Limited Partnership | 3.750% | 8/15/26 |
| ----- | | | |
| 7,300 | Total Real Estate Management & Development | | |
| ----- | | | |
| | ROAD & RAIL - 0.2% | | |
| 2,000 | Yellow Roadway Corporation | 5.000% | 8/08/23 |
| ----- | | | |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| ----- | | | |
| | SEMICONDUCTORS & EQUIPMENT - 1.8% | | |
| \$ 5,050 | Cypress Semiconductor Corporation, 144A | 1.250% | 6/15/08 |
| 2,900 | Diodes Inc. | 2.250% | 10/01/26 |
| 4,000 | Intel Corporation, 144A | 2.950% | 12/15/35 |
| 7,600 | Intel Corporation | 2.950% | 12/15/35 |
| 3,435 | ON Semiconductor Corporation | 0.000% | 4/15/24 |
| 2,800 | Photronics Inc. | 2.250% | 4/15/08 |
| ----- | | | |
| 25,785 | Total Semiconductors & Equipment | | |
| ----- | | | |
| | SOFTWARE - 1.6% | | |
| 7,350 | Amdocs Limited | 0.500% | 3/15/24 |
| 500 | Computer Associates International Inc., 144A | 1.625% | 12/15/09 |
| 2,450 | Mentor Graphics Corporation | 6.250% | 3/01/26 |
| 500 | Sybase, Inc. | 1.750% | 2/22/25 |
| 7,950 | Symantec Corporation, 144A | 0.750% | 6/15/11 |
| 250 | Symantec Corporation, 144A | 1.000% | 6/15/13 |
| ----- | | | |

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4,500 Total Electric Utilities

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|---------|----------|
| \$ 2,000 | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.1% NXP BV | 8.118% | 10/15/13 |
| 1,200 | ENERGY EQUIPMENT & SERVICES - 0.2% Hanover Compressor Company | 7.500% | 4/15/13 |
| 1,500 | Pride International Inc. | 7.375% | 7/15/14 |
| 2,700 | Total Energy Equipment & Services | | |
| 2,000 | FOOD & STAPLES RETAILING - 0.1% Stater Brothers Holdings Inc. | 8.125% | 6/15/12 |
| 356 | FOOD PRODUCTS - 0.2% Dole Foods Company | 8.875% | 3/15/11 |
| 2,243 | Dole Foods Company | 7.875% | 7/15/13 |
| 2,599 | Total Food Products | | |
| 700 | HEALTH CARE PROVIDERS & SERVICES - 0.3% HCA The Health Care Corporation Inc, 144A | 9.125% | 11/15/14 |
| 700 | HCA The Health Care Corporation Inc., 144A | 9.250% | 11/15/16 |
| 2,500 | US Oncology Inc. | 10.750% | 8/15/14 |
| 3,900 | Total Health Care Providers & Services | | |
| 2,000 | HOTELS, RESTAURANTS & LEISURE - 1.5% Boyd Gaming Corporation | 8.750% | 4/15/12 |
| 2,000 | Boyd Gaming Corporation | 7.750% | 12/15/12 |
| 1,500 | Herbst Gaming Inc. | 7.000% | 11/15/14 |
| 700 | Jacobs Entertainment Inc. | 9.750% | 6/15/14 |
| 2,000 | Landry's Restaurants Inc., Series B | 7.500% | 12/15/14 |
| 1,600 | Park Place Entertainment | 8.125% | 5/15/11 |
| 2,500 | Park Place Entertainment | 7.000% | 4/15/13 |
| 2,000 | Pinnacle Entertainment Inc. | 8.250% | 3/15/12 |
| 750 | Pinnacle Entertainment Inc. | 8.750% | 10/01/13 |
| 1,283 | Town Sports International Inc. | 9.625% | 4/15/11 |
| 4,000 | Universal City Development Partners | 11.750% | 4/01/10 |
| 20,333 | Total Hotels, Restaurants & Leisure | | |
| 4,675 | HOUSEHOLD DURABLES - 0.3% Technical Olympic USA Inc., Senior Subordinated Notes | 10.375% | 7/01/12 |
| 1,650 | HOUSEHOLD PRODUCTS - 0.1% Central Garden & Pet Company | 9.125% | 2/01/13 |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1% | | |

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| | | | |
|--------|--|---------|----------|
| 400 | NRG Energy Inc. | 7.250% | 2/01/14 |
| 400 | NRG Energy Inc. | 7.375% | 2/01/16 |
| ----- | | | |
| 800 | Total Independent Power Producers & Energy Traders | | |
| ----- | | | |
| | IT SERVICES - 0.5% | | |
| 1,625 | Global Cash Access LLC | 8.750% | 3/15/12 |
| 4,750 | Sungard Data Systems Inc. | 9.125% | 8/15/13 |
| ----- | | | |
| 6,375 | Total IT Services | | |
| ----- | | | |
| | MACHINERY - 0.6% | | |
| 2,000 | Greenbrier Companies, Inc. | 8.375% | 5/15/15 |
| 6,095 | Terex Corporation, Senior Subordinated Notes | 9.250% | 7/15/11 |
| ----- | | | |
| 8,095 | Total Machinery | | |
| ----- | | | |
| | MEDIA - 2.4% | | |
| 4,000 | Allbritton Communications Company, Series B | 7.750% | 12/15/12 |
| 2,880 | American Media Operations Inc., Series B | 10.250% | 5/01/09 |
| 2,000 | American Media Operations Inc. | 8.875% | 1/15/11 |
| 1,000 | Cablevision Systems Corporation, Series B | 8.125% | 8/15/09 |
| 5,000 | Cablevision Systems Corporation | 7.250% | 7/15/08 |
| 2,000 | Charter Communications Operating LLC, 144A | 8.000% | 4/30/12 |
| 1,975 | Medianews Group Inc. | 6.375% | 4/01/14 |
| 1,950 | Panamsat Corporation | 9.000% | 8/15/14 |
| 5,000 | Primedia Inc., Senior Notes | 8.875% | 5/15/11 |
| 4,550 | Vertis Inc. | 9.750% | 4/01/09 |
| 4,000 | Young Broadcasting Inc., Senior Subordinated Note | 10.000% | 3/01/11 |
| ----- | | | |
| 34,355 | Total Media | | |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|---------|----------|
| ----- | | | |
| | METALS & MINING - 0.2% | | |
| \$ 2,000 | Chaparral Steel Company | 10.000% | 7/15/13 |
| ----- | | | |
| | MULTI-UTILITIES - 0.2% | | |
| 1,400 | Bon-Ton Department Stores Inc. | 10.250% | 3/15/14 |
| 1,600 | Dynegy Holdings Inc. | 8.375% | 5/01/16 |
| ----- | | | |
| 3,000 | Total Multi-Utilities | | |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.7% | | |
| 2,400 | Baytex Energy Ltd | 9.625% | 7/15/10 |
| 400 | Chaparral Energy Inc. | 8.500% | 12/01/15 |
| 2,345 | Chesapeake Energy Corporation | 7.750% | 1/15/15 |
| 2,000 | Hilcorp Energy I LP/Hilcorp Finance Company, 144A | 7.750% | 11/01/15 |

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| | | | |
|------------|---|---------|----------|
| 2,000 | SemGroup LP, 144A | 8.750% | 11/15/15 |
| 1,000 | Whiting Petroleum Corporation | 7.000% | 2/01/14 |
| 10,145 | Total Oil, Gas & Consumable Fuels | | |
| | PAPER & FOREST PRODUCTS - 0.5% | | |
| 2,000 | Georgia Pacific Corporation, Debentures | 7.700% | 6/15/15 |
| 5,000 | Georgia Pacific Corporation, Notes | 8.125% | 5/15/11 |
| 7,000 | Total Paper & Forest Products | | |
| | PERSONAL PRODUCTS - 0.1% | | |
| 1,500 | Prestige Brands Inc. | 9.250% | 4/15/12 |
| | PHARMACEUTICALS - 0.3% | | |
| 3,500 | Wyeth | 5.109% | 1/15/24 |
| | REAL ESTATE - 0.4% | | |
| 3,000 | Felcor Lodging Trust Inc., 144A | 7.263% | 12/01/11 |
| 600 | Saxon Capital Inc., 144A | 12.000% | 5/01/14 |
| 1,000 | Trustreet Properties, Inc. | 7.500% | 4/01/15 |
| 500 | Ventas Realty LP, Series WI | 7.125% | 6/01/15 |
| 5,100 | Total Real Estate | | |
| | SEMICONDUCTORS & EQUIPMENT - 0.1% | | |
| 1,600 | Avago Technologies Finance Pte. Ltd., Floating Rate Note, 5.500% plus three-month LIBOR, 144A | 10.125% | 12/01/13 |
| | SPECIALTY RETAIL - 0.6% | | |
| 3,100 | Asbury Automotive Group Inc. | 9.000% | 6/15/12 |
| 1,412 | Stripes Acquisition/Susser Finance Corporation, Series 144A | 10.625% | 12/15/13 |
| 3,000 | Warnaco Inc., Senior Notes | 8.875% | 6/15/13 |
| 7,512 | Total Specialty Retail | | |
| | TEXTILES, APPAREL & LUXURY GOODS - 0.2% | | |
| 3,000 | Jostens IH Corporation | 7.625% | 10/01/12 |
| | TRADING COMPANIES & DISTRIBUTORS - 0.1% | | |
| 2,000 | United Rentals North America Inc. | 6.500% | 2/15/12 |
| \$ 159,849 | TOTAL CORPORATE BONDS (COST \$164,190,587) | | |

PRINCIPAL
AMOUNT (000)/
SHARES

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|---|--------|----------|
| | CAPITAL PREFERRED SECURITIES - 28.9% (19.5% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 4.1% | | |
| 3,100 | BankBoston Capital Trust III | 6.103% | 6/15/27 |
| 1,000 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 |
| 1,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 |
| 27,500 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 |
| 6,800 | Dresdner Funding Trust I, 144A | 8.151% | 6/30/31 |
| 1,600 | MUFG Capital Finance 2 | 4.850% | 7/25/56 |
| 8,000 | UBS Preferred Funding Trust I | 8.622% | 10/29/49 |
| 4,800 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 |

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Total Capital Markets

| | | | |
|-------|--------------------------------|--------|----------|
| | COMMERCIAL BANKS - 18.5% | | |
| 3,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 |
| 9,500 | Abbey National Capital Trust I | 8.963% | 6/30/50 |

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| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|---|---------|----------|
| | COMMERCIAL BANKS (continued) | | |
| 6,500 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 |
| 3,000 | Bank One Capital III | 8.750% | 9/01/30 |
| 2,000 | BanPonce Trust I, Series A | 8.327% | 2/01/27 |
| 13,030 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 |
| 1,000 | BOI Capital Funding 3, 144A | 6.107% | 8/04/56 |
| 3,000 | Centura Capital Trust I, 144A | 8.845% | 6/01/27 |
| 1,500 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 |
| 1,400 | Den Norske Bank, 144A | 7.729% | 6/29/49 |
| 6,200 | First Empire Capital Trust I | 8.234% | 2/01/27 |
| 2,000 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 |
| 19,000 | HBOS Capital Funding LP | 6.850% | 3/23/49 |
| 4,500 | HBOS PLC, Series 144A | 6.413% | 9/29/49 |
| 2,400 | HSEC Capital Funding LP, 144A | 9.547% | 12/31/49 |
| 5,750 | HSEC Capital Funding LP | 10.176% | 6/30/50 |
| 11,000 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 |
| 18,600 | Lloyds TSB Bank PLC | 6.900% | 11/22/49 |
| 20,000 | M&I Capital Trust A | 7.650% | 12/01/26 |
| 6,392 | Nationsbank Capital Trust III | 5.920% | 1/15/27 |
| 5,000 | NB Capital Trust IV | 8.250% | 4/15/27 |
| 1,000 | North Fork Capital Trust I | 8.700% | 12/15/26 |
| 8,000 | North Fork Capital Trust II | 8.000% | 12/15/27 |
| 1,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 |
| 14,000 | RBS Capital Trust B | 6.800% | 12/31/49 |
| 600 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 |
| 8,000 | Sparebanken Rogaland, Notes, 144A | 6.443% | 5/01/49 |
| 10,500 | St. George Funding Company LLC | 8.485% | 6/30/17 |
| 9,450 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 |
| 4,000 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 |
| 300 | Union Planters Preferred Fund, 144A | 7.750% | 7/15/53 |
| 14,200 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 |
| | Total Commercial Banks | | |
| | DIVERSIFIED FINANCIAL SERVICES - 1.5% | | |
| 4,000 | BNP Paribas Capital Trust | 7.200% | 12/31/49 |
| 3,100 | Fulton Capital Trust I | 6.290% | 2/01/36 |
| 10,400 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17/36 |
| 2,800 | Old Mutual Capital Funding | 8.000% | 6/22/53 |
| | Total Diversified Financial Services | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.8% | | |

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| | | | |
|--------|--|--------|----------|
| 9,957 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 |
| ----- | | | |
| | INSURANCE - 2.1% | | |
| 2,300 | American General Capital II | 8.500% | 7/01/30 |
| 4,000 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 |
| 5,500 | MetLife Inc. | 6.400% | 12/15/66 |
| 1,150 | Nationwide Financial Services Capital Trust | 7.899% | 3/01/37 |
| 3,000 | Oil Insurance Limited, 144A | 7.550% | 12/30/49 |
| 7,250 | Prudential PLC | 6.500% | 6/29/49 |
| 4,750 | Zurich Capital Trust I, 144A | 8.376% | 6/01/37 |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.5% | | |
| 1,200 | KN Capital Trust I | 8.560% | 4/15/27 |
| 6,110 | KN Capital Trust III | 7.630% | 4/15/28 |
| ----- | | | |
| | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | ROAD & RAIL - 0.3% | | |
| 6,400 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15/55 |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 1.1% | | |
| 500 | Caisse Nationale Des Caisses d'Epargne et de Prevoyance | 6.750% | 1/27/49 |
| 10,000 | 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 |
| 3,000 | Washington Mutual Preferred Funding Trust II | 6.665% | 3/15/57 |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| | TOTAL CAPITAL PREFERRED SECURITIES (COST \$420,241,627) | | |
| ===== | | | |

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | | |
|---------|---|--|--|
| ----- | | | |
| | INVESTMENT COMPANIES - 1.4% (0.9% OF TOTAL INVESTMENTS) | | |
| 65,094 | Blackrock Preferred and Corporate Income Strategies Fund | | |
| 323,097 | Blackrock Preferred Income Strategies Fund | | |
| 188,002 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. | | |
| 109,974 | Flaherty and Crumrine/Claymore Total Return Fund Inc. | | |
| 205,946 | John Hancock Preferred Income Fund III | | |
| ----- | | | |
| | TOTAL INVESTMENT COMPANIES (COST \$17,709,021) | | |
| ===== | | | |

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

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| | | | |
|-----------|---|--------|---------|
| \$ 14,200 | SHORT-TERM INVESTMENTS - 1.0% (0.7% OF TOTAL INVESTMENTS) | | |
| | Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/29/06, repurchase price \$14,207,714, collateralized by \$10,820,000 U.S. Treasury Bonds, 6.250%, due 8/15/23, value \$12,674,321 and \$1,345,000 U.S. Treasury Bonds, 7.625%, due 2/15/25, value \$1,815,750 | 4.580% | 1/02/07 |
| ===== | TOTAL SHORT-TERM INVESTMENTS (COST \$14,200,488) | | |
| | TOTAL INVESTMENTS (COST \$2,072,028,787) - 148.7% | | |
| | OTHER ASSETS LESS LIABILITIES - 1.1% | | |
| | PREFERRED SHARES, AT LIQUIDATION VALUE - (49.8)% | | |
| | NET ASSETS APPLICABLE TO COMMON SHARES - 100% | | |

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2006:

| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | FLOATING RATE INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PA FREQ |
|----------------|-----------------|--------------------------------|---------------------|-------------------------|--------------------|
| JPMorgan Chase | \$71,000,000 | Receive | 1-Month USD-LIBOR | 2.994% | Mo |
| Morgan Stanley | 71,000,000 | Receive | 1-Month USD-LIBOR | 2.567 | Mo |
| Morgan Stanley | 71,000,000 | Receive | 1-Month USD-LIBOR | 3.406 | Mo |

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

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- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Non-income producing.
- (3) Ratings (not covered by the report of independent registered public accounting firm) are based on the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Senior Loans in which the Fund invests generally pay interest at rates which are periodically adjusted by reference to a base short-term, floating lending rate plus an assigned fixed rate. These floating lending rates are generally (i) the lending rate plus a margin as referenced by the London Inter-Bank Offered Rate ('LIBOR'), or (ii) the prime rate plus a margin by one or more major United States banks. Senior Loans may be considered restricted in that the Fund ordinarily is contractually restricted from selling or disposing of such loans.

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- obligated to receive approval from the Agent Bank and/or Borrower prior to the d
of a Senior Loan.
- (5) Senior Loans generally are subject to mandatory and/or optional prepayment. Bec
these mandatory prepayment conditions and because there may be significant econo
incentives for a Borrower to prepay, prepayments of Senior Loans may occur. As a
the actual remaining maturity of Senior Loans held may be substantially less tha
stated maturities shown.
- (6) Investment is eligible for the Dividends Received Deduction.
- N/R Not rated.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of
amended. These investments may only be resold in transactions exempt from regist
which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- 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 December 31, 2006

| SHARES | DESCRIPTION (1) |
|--------|--|
| | COMMON STOCKS - 9.9% (6.7% OF TOTAL INVESTMENTS) |
| | AEROSPACE & DEFENSE - 0.2% |
| 26,030 | Boeing Company |
| 25,972 | Lockheed Martin Corporation |
| 15,390 | Orbital Sciences Corporation, (2) |
| | Total Aerospace & Defense |
| | AIR FREIGHT & LOGISTICS - 0.2% |
| 27,882 | FedEx Corporation |
| 16,507 | Ryder System Inc. |
| | Total Air Freight & Logistics |
| | BEVERAGES - 0.1% |
| 35,210 | Coca-Cola Company |
| 11,581 | Pepsi Bottling Group Inc. |
| | Total Beverages |
| | BIOTECHNOLOGY - 0.3% |
| 20,630 | Biogen Idec Inc., (2) |
| 9,710 | Cephalon, Inc., (2) |
| 18,388 | Genentech, Inc., (2) |
| 30,507 | Gilead Sciences, Inc., (2) |
| | Total Biotechnology |

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| | |
|--------|-------------------------------|
| | CAPITAL MARKETS - 0.2% |
| 73,590 | JPMorgan Chase & Co. |
| 16,210 | Lehman Brothers Holdings Inc. |

Total Capital Markets

| | |
|--------|-------------------------------|
| | CHEMICALS - 0.2% |
| 17,690 | Air Products & Chemicals Inc. |
| 25,458 | Airgas, Inc. |
| 27,390 | Ashland Inc. |
| 10,780 | Sparetech Corporation |

Total Chemicals

| | |
|--------|------------------------------------|
| | COMMERCIAL BANKS - 0.5% |
| 30,650 | Bank of Hawaii Corporation |
| 20,380 | Colonial BancGroup Inc. |
| 10,285 | Greater Bay Bancorp. |
| 26,110 | Mellon Financial Corporation |
| 13,290 | Northern Trust Corporation |
| 43,640 | PNC Financial Services Group, Inc. |
| 11,385 | Sterling Bancshares Inc. |
| 6,630 | Umpqua Holdings Corporation |
| 26,586 | Washington Mutual, Inc. |

Total Commercial Banks

| | |
|--------|---|
| | COMMERCIAL SERVICES & SUPPLIES - 0.6% |
| 8,710 | Administaff, Inc. |
| 6,042 | American Ecology Corporation |
| 4,368 | Consolidated Graphics Inc., (2) |
| 38,190 | Convergys Corporation, (2) |
| 8,822 | Corporate Executive Board Company |
| 31,300 | Corrections Corporation of America, (2) |
| 38,873 | Global Payments Inc. |
| 13,840 | ITT Educational Services, Inc., (2) |

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SHARES DESCRIPTION (1)

| | |
|--------|--|
| | COMMERCIAL SERVICES & SUPPLIES (continued) |
| 52,290 | Republic Services, Inc. |
| 43,930 | SEI Investments Company |

Total Commercial Services & Supplies

| | |
|---------|---------------------------------|
| | COMMUNICATIONS EQUIPMENT - 0.2% |
| 116,240 | Corning Incorporated, (2) |
| 4,939 | Harris Corporation |
| 13,510 | Polycom Inc., (2) |

Total Communications Equipment

| | |
|--------|--------------------------------|
| | COMPUTERS & PERIPHERALS - 0.4% |
| 25,700 | Apple Computer, Inc., (2) |

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| | |
|---------|---|
| 53,170 | Hewlett-Packard Company |
| 31,890 | Lexmark International, Inc., (2) |
| 50,974 | Network Appliance Inc., (2) |
| ----- | |
| | Total Computers & Peripherals |
| ----- | |
| | CONSUMER FINANCE - 0.1% |
| 18,310 | Capital One Financial Corporation |
| ----- | |
| | DIVERSIFIED CONSUMER SERVICES - 0.0% |
| 14,504 | Jackson Hewitt Tax Services Inc. |
| ----- | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.2% |
| 18,540 | Alltel Corporation |
| 35,450 | AT&T Inc. |
| 6,660 | Cbeyond Inc., (2) |
| 8,250 | CT Communications, Inc. |
| 87,690 | Sprint Nextel Corporation |
| ----- | |
| | Total Diversified Telecommunication Services |
| ----- | |
| | ELECTRIC UTILITIES - 0.3% |
| 30,280 | Great Plains Energy Incorporated |
| 18,210 | OGE Energy Corp. |
| 48,740 | PG&E Corporation |
| 14,312 | TXU Corporation |
| 21,950 | Xcel Energy, Inc. |
| ----- | |
| | Total Electric Utilities |
| ----- | |
| | ELECTRICAL EQUIPMENT - 0.2% |
| 87,244 | Emerson Electric Co. |
| 5,906 | Ormat Technologies Inc. |
| ----- | |
| | Total Electrical Equipment |
| ----- | |
| | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.3% |
| 4,750 | American Science & Engineering Inc., (2) |
| 6,544 | Itron Inc., (2) |
| 74,540 | MEMC Electronic Materials, (2) |
| 12,967 | Millipore Corporation, (2) |
| 14,181 | Plexus Corporation, (2) |
| 14,461 | Teledyne Technologies Inc., (2) |
| 22,135 | Waters Corporation, (2) |
| ----- | |
| | Total Electronic Equipment & Instruments |
| ----- | |
| | ENERGY EQUIPMENT & SERVICES - 0.0% |
| 9,980 | Matrix Service Company, (2) |
| 10,794 | Unit Corporation, (2) |
| ----- | |
| | Total Energy Equipment & Services |
| ----- | |
| | FOOD & STAPLES RETAILING - 0.1% |
| 51,350 | Safeway Inc. |
| 18,040 | Whole Foods Market, Inc. |
| ----- | |
| | Total Food & Staples Retailing |
| ----- | |
| | FOOD PRODUCTS - 0.3% |
| 46,970 | Campbell Soup Company |
| 112,380 | ConAgra Foods, Inc. |

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) |
|---------|--|
| | FOOD PRODUCTS (continued) |
| 19,890 | H.J. Heinz Company |
| 18,590 | McCormick and Company Inc. |
| | Total Food Products |
| | GAS UTILITIES - 0.3% |
| 107,913 | Energen Corporation |
| 16,650 | Questar Corporation |
| | Total Gas Utilities |
| | HEALTH CARE EQUIPMENT & SUPPLIES - 0.3% |
| 16,670 | American Medical Systems Holdings, Inc., (2) |
| 42,400 | Baxter International Inc. |
| 22,714 | Dade Behring Holdings Inc. |
| 9,854 | Express Scripts, Inc., (2) |
| 11,820 | Hillenbrand Industries |
| 36,920 | Hospira Inc., (2) |
| 7,859 | Surmodics Inc., (2) |
| | Total Health Care Equipment & Supplies |
| | HEALTH CARE PROVIDERS & SERVICES - 0.3% |
| 7,640 | Centene Corporation, (2) |
| 14,209 | Healthways Inc., (2) |
| 5,550 | Humana Inc., (2) |
| 7,840 | Mentor Corporation |
| 9,500 | Nighthawk Radiology Holdings Inc., (2) |
| 30,880 | Quest Diagnostics Incorporated |
| 41,383 | Wellcare Health Plans Inc., (2) |
| | Total Health Care Providers & Services |
| | HOTELS, RESTAURANTS & LEISURE - 0.2% |
| 42,846 | Choice Hotels International, Inc. |
| 15,807 | Starbucks Corporation, (2) |
| | Total Hotels, Restaurants & Leisure |
| | HOUSEHOLD DURABLES - 0.1% |
| 50,922 | Newell Rubbermaid Inc. |
| 16,410 | Snap-on Incorporated |
| | Total Household Durables |
| | HOUSEHOLD PRODUCTS - 0.2% |

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| | |
|---------|---|
| 52,840 | Colgate-Palmolive Company |
| 18,537 | Kimberly-Clark Corporation |
| ----- | |
| | Total Household Products |
| ----- | |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1% |
| 24,440 | NRG Energy Inc., (2) |
| ----- | |
| | INDUSTRIAL CONGLOMERATES - 0.1% |
| 29,460 | General Electric Company |
| 3,790 | Teleflex Inc. |
| ----- | |
| | Total Industrial Conglomerates |
| ----- | |
| | INSURANCE - 0.6% |
| 50,818 | AFLAC Incorporated |
| 48,334 | HCC Insurance Holdings Inc. |
| 63,154 | Philadelphia Consolidated Holding Corporation, (2) |
| 7,050 | Tower Group Inc. |
| 145,490 | W.R. Berkley Corporation |
| ----- | |
| | Total Insurance |
| ----- | |
| | INTERNET & CATALOG RETAIL - 0.0% |
| 3,926 | Coldwater Creek Inc., (2) |
| ----- | |

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| SHARES | DESCRIPTION (1) |
|--------|---------------------------------------|
| ----- | |
| | INTERNET SOFTWARE & SERVICES - 0.1% |
| 7,840 | F5 Networks, Inc., (2) |
| 1,724 | Google Inc., Class A, (2) |
| ----- | |
| | Total Internet Software & Services |
| ----- | |
| | IT SERVICES - 0.0% |
| 15,336 | Websense Inc., (2) |
| ----- | |
| | LEISURE EQUIPMENT & PRODUCTS - 0.0% |
| 21,860 | Marvel Entertainment Inc., (2) |
| ----- | |
| | LIFE SCIENCES TOOLS & SERVICES - 0.0% |
| 3,480 | Illumina Inc., (2) |
| ----- | |
| | MACHINERY - 0.2% |
| 7,570 | Flow International Corporation, (2) |
| 2,996 | Freightcar America Inc. |
| 13,774 | Harsco Corporation |
| 9,935 | Joy Global Inc. |
| 7,980 | Paccar Inc. |
| 15,135 | Parker Hannifin Corporation |
| 3,690 | Robbins & Myers, Inc. |
| 15,010 | Terex Corporation, (2) |
| ----- | |

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| | |
|--------|---|
| | Total Machinery |
| | ----- |
| | MEDIA - 0.5% |
| 13,225 | Comcast Corporation, Class A, (2) |
| 46,570 | DIRECTV Group, Inc., (2) |
| 26,864 | John Wiley and Sons Inc., Class A |
| 14,818 | Liberty Global Inc., A Shares, (2) |
| 14,818 | Liberty Global Inc., Class C, (2) |
| 7,984 | Lodgenet Entertainment Corporation, (2) |
| 61,140 | McGraw-Hill Companies, Inc. |
| 11,000 | NetFlix.com Inc., (2) |
| 80,420 | Time Warner Inc. |
| | ----- |
| | Total Media |
| | ----- |
| | METALS & MINING - 0.0% |
| 4,570 | Compass Minerals International, Inc. |
| | ----- |
| | MULTILINE RETAIL - 0.3% |
| 29,780 | Big Lots Inc., (2) |
| 42,320 | Dollar Tree Stores Inc., (2) |
| 48,500 | Kohl's Corporation, (2) |
| | ----- |
| | Total Multiline Retail |
| | ----- |
| | OIL, GAS & CONSUMABLE FUELS - 0.4% |
| 6,460 | Bill Barnett Corporation, (2) |
| 11,580 | Cabot Oil & Gas Corporation |
| 34,190 | EOG Resources, Inc. |
| 8,240 | Equitable Resources Inc. |
| 6,252 | Houston Exploration Company, (2) |
| 10,357 | Pioneer Drilling Company, (2) |
| 8,990 | St Mary Land and Exploration Company |
| 28,441 | Sunoco, Inc. |
| 15,992 | Valero Energy Corporation |
| 50,392 | W&T Offshore Inc. |
| | ----- |
| | Total Oil, Gas & Consumable Fuels |
| | ----- |
| | PAPER & FOREST PRODUCTS - 0.1% |
| 25,920 | Plum Creek Timber Company |
| | ----- |
| | PERSONAL PRODUCTS - 0.1% |
| 7,230 | NBTY Inc., (2) |
| 23,410 | Nutri System Inc., (2) |
| | ----- |
| | Total Personal Products |
| | ----- |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

SHARES DESCRIPTION (1)

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| | |
|---------|---|
| | PHARMACEUTICALS - 0.2% |
| 12,790 | Abraxis Bioscience Inc., (2) |
| 13,847 | Allergan Inc. |
| 10,500 | Johnson & Johnson |
| 14,710 | Merck & Co. Inc. |
| 7,170 | New River Pharmaceuticals Inc., (2) |
| 11,220 | Pozen Inc., (2) |
| | Total Pharmaceuticals |
| | REAL ESTATE - 0.3% |
| 7,103 | American Home Mortgage Investment Corp. |
| 13,860 | Camden Property Trust |
| 12,653 | Equity Inns Inc. |
| 11,430 | Health Care Property Investors Inc. |
| 8,747 | LaSalle Hotel Properties |
| 16,460 | Northstar Realty Finance Corporation |
| 11,421 | Public Storage, Inc. |
| 8,334 | SL Green Realty Corporation |
| 14,447 | Tanger Factory Outlet Centers |
| 2,654 | Taubman Centers Inc. |
| 13,534 | United Dominion Realty Trust |
| | Total Real Estate |
| | SEMICONDUCTORS & EQUIPMENT - 0.2% |
| 17,760 | Advanced Micro Devices, Inc., (2) |
| 175,200 | Micron Technology, Inc., (2) |
| 35,820 | National Semiconductor Corporation |
| 29,320 | Trident Microsystems Inc., (2) |
| | Total Semiconductors & Equipment |
| | SOFTWARE - 0.4% |
| 4,280 | Ansys Inc., (2) |
| 11,135 | Aspen Technology Inc., (2) |
| 47,301 | Autodesk, Inc., (2) |
| 15,184 | Blackbaud, Inc. |
| 93,320 | BMC Software Inc., (2) |
| 48,810 | Intuit Inc., (2) |
| 52,730 | Salesforce.com, Inc., (2) |
| | Total Software |
| | SPECIALTY RETAIL - 0.3% |
| 67,200 | American Eagle Outfitters, Inc. |
| 13,511 | Ann Taylor Stores Corporation, (2) |
| 7,234 | Build-A-Bear-Workshop, Inc., (2) |
| 3,743 | Childrens Place Retail Stores Inc., (2) |
| 6,540 | Dick's Sporting Goods Inc., (2) |
| 6,580 | Gymboree Corporation, (2) |
| 16,860 | Office Depot, Inc., (2) |
| 12,180 | PetSmart Inc. |
| 35,201 | Staples, Inc. |
| | Total Specialty Retail |
| | TEXTILES, APPAREL & LUXURY GOODS - 0.0% |
| 14,599 | Guess Inc., (2) |
| | THRIFTS & MORTGAGE FINANCE - 0.0% |

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| | | |
|--------|--|--|
| 20,010 | Washington Federal Inc. | |
| ----- | | |
| | TOBACCO - 0.2% | |
| 48,440 | UST Inc. | |
| ----- | | |
| | TRADING COMPANIES & DISTRIBUTORS - 0.0% | |
| 7,374 | GATX Corporation | |
| ----- | | |
| | TOTAL COMMON STOCKS (COST \$188,595,569) | |
| ===== | | |

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| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------|---|--------|----|
| ----- | | | |
| | CONVERTIBLE PREFERRED SECURITIES - 8.6% (5.9% OF TOTAL INVESTMENTS) | | |
| | AUTOMOBILES - 1.8% | | |
| 407,000 | Ford Motor Company Capital Trust II | 6.500% | |
| 664,265 | General Motors Corporation | 5.250% | |
| 384,100 | General Motors Corporation | 6.250% | |
| ----- | | | |
| | Total Automobiles | | |
| ----- | | | |
| | CAPITAL MARKETS - 0.6% | | |
| 13,750 | Affiliated Managers Group Inc. | 5.100% | |
| 72,000 | Affiliated Managers Group Inc. | 5.100% | |
| 144,800 | E*Trade Financial Corporation | 6.125% | |
| 56,250 | Lazard Limited | 6.625% | |
| ----- | | | |
| | Total Capital Markets | | |
| ----- | | | |
| | CHEMICALS - 0.1% | | |
| 51,100 | Celanese Corporation | 4.250% | |
| ----- | | | |
| | COMMERCIAL BANKS - 0.6% | | |
| 9,100,000 | Fortis Insurance NV, 144A | 7.750% | |
| ----- | | | |
| | COMMERCIAL SERVICES & SUPPLIES - 0.6% | | |
| 33,890 | Allied Waste Industries Inc. | 6.250% | |
| ----- | | | |
| | CONSUMER FINANCE - 0.0% | | |
| 750,000 | SLM Corporation | 5.326% | |
| ----- | | | |
| | ELECTRIC UTILITIES - 0.5% | | |
| 108,860 | Entergy Corporation | 7.625% | |
| 76,430 | PNM Resources Inc. | 6.750% | |
| ----- | | | |
| | Total Electric Utilities | | |
| ----- | | | |
| | FOOD PRODUCTS - 0.3% | | |
| 62,000 | Bunge Limited | 4.875% | |
| ----- | | | |
| | GAS UTILITIES - 0.1% | | |
| 37,500 | Southern Union Company | 5.000% | |
| ----- | | | |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.2% | | |

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| | | |
|---------|---|--------|
| 5,500 | NRG Energy Inc. | 5.750% |
| ----- | | |
| | INSURANCE - 1.2% | |
| 470,000 | MetLife Inc. | 6.375% |
| 375,770 | Travelers Property Casualty Corporation | 4.500% |
| ----- | | |
| | Total Insurance | |
| ----- | | |
| | MEDIA - 0.5% | |
| 270,000 | Comcast Corporation | 2.000% |
| ----- | | |
| | METALS & MINING - 0.2% | |
| 3,380 | Freeport McMoran Copper & Gold, Inc. | 5.500% |
| ----- | | |
| | PHARMACEUTICALS - 0.7% | |
| 253,450 | Schering-Plough Corporation | 6.000% |
| ----- | | |
| | REAL ESTATE - 0.2% | |
| 151,465 | Annaly Mortgage Management Inc. | 6.000% |
| ----- | | |
| | U.S. AGENCY - 0.8% | |
| 153 | Fannie Mae | 5.375% |
| ----- | | |
| | WIRELESS TELECOMMUNICATION SERVICES - 0.2% | |
| 78,725 | Crown Castle International Corporation | 6.250% |
| ----- | | |
| | TOTAL CONVERTIBLE PREFERRED SECURITIES (COST \$158,521,379) | |
| ===== | | |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|---|--------|----|
| ----- | | | |
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 43.8% (29.8% OF TOTAL INVESTMENTS) | | |
| | AUTOMOBILES - 0.0% | | |
| 3,000 | DaimlerChrysler AG (CORTS) | 7.875% | |
| 1,300 | DaimlerChrysler Corp. (PPLUS) | 7.250% | |
| ----- | | | |
| | Total Automobiles | | |
| ----- | | | |
| | CAPITAL MARKETS - 3.1% | | |
| 269,511 | BNY Capital Trust V, Series F | 5.950% | |
| 219,600 | Compass Capital Trust III | 7.350% | |
| 31,200 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% | |
| 22,600 | First Union Institutional Capital II (CORTS) | 8.200% | |
| 8,400 | Goldman Sachs Capital I (CORTS) | 6.000% | |
| 7,700 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% | |
| 6,700 | Goldman Sachs Group Inc., Series 2004-04 (SATURNS) | 6.000% | |
| 2,900 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | 6.000% | |
| 2,900 | Goldman Sachs Group Inc., Series 2004-4 (CORTS) | 6.000% | |
| 16,500 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% | |
| 11,200 | Goldman Sachs Group Inc., Series GSG-1 (PPLUS) | 6.000% | |

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| | | |
|---------|--|--------|
| 4,000 | Goldman Sachs Group Inc., Series GSG-2 (PPLUS) | 5.750% |
| 71,500 | Merrill Lynch Capital Trust II | 8.000% |
| 423,200 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 189,600 | Merrill Lynch Preferred Capital Trust IV | 7.120% |
| 283,400 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 211,850 | Morgan Stanley Capital Trust II | 7.250% |
| 185,370 | Morgan Stanley Capital Trust III | 6.250% |
| 121,846 | Morgan Stanley Capital Trust IV | 6.250% |
| 310,300 | Morgan Stanley Capital Trust VI | 6.600% |
| 31,980 | Morgan Stanley Capital Trust VII | 6.600% |

Total Capital Markets

| | | |
|---------|--|---------|
| | COMMERCIAL BANKS - 8.4% | |
| 303,200 | Abbey National PLC, Series C | 7.375% |
| 730,000 | ABN AMRO Capital Fund Trust V | 5.900% |
| 35,179 | ABN AMRO Capital Fund Trust VI | 6.250% |
| 17,021 | ABN AMRO Capital Trust Fund VII | 6.080% |
| 115,200 | ASBC Capital I | 7.625% |
| 128,410 | BAC Capital Trust I | 7.000% |
| 565,500 | BAC Capital Trust II | 7.000% |
| 151,300 | BAC Capital Trust III | 7.000% |
| 1,000 | BAC Capital Trust X | 6.250% |
| 108,627 | Banco Santander 144A | 6.800% |
| 816,556 | Banco Santander, (6) | 6.410% |
| 6,700 | BancorpSouth Capital Trust I | 8.150% |
| 28,800 | Banesto Holdings, Series A, 144A | 10.500% |
| 167,700 | Bank One Capital Trust VI | 7.200% |
| 52,800 | BankNorth Capital Trust II | 8.000% |
| 66,042 | Barclays Bank PLC, (6) | 6.625% |
| 33,900 | Capital One Capital II Corporation | 7.500% |
| 166,100 | Chittenden Capital Trust I | 8.000% |
| 142,300 | Citizens Funding Trust I | 7.500% |
| 146,500 | Cobank ABC, 144A, (6) | 7.000% |
| 119,100 | Comerica Capital Trust I | 7.600% |
| 430,300 | Fleet Capital Trust VIII | 7.200% |
| 61,600 | HSBC Finance Corporation | 6.875% |
| 85,867 | KeyCorp Capital Trust V | 5.875% |
| 4,100 | Keycorp Capital VIII | 7.000% |
| 723,905 | National City Capital Trust II | 6.625% |
| 21,700 | ONB Capital Trust II | 8.000% |
| 27,300 | PNC Capital Trust | 6.125% |
| 181,074 | Royal Bank of Scotland Group PLC, Series L | 5.750% |
| 124,740 | Royal Bank of Scotland Group PLC, Series N | 6.350% |
| 14,300 | SunAmerica CORTS | 6.700% |
| 31,800 | USB Capital Trust VI | 5.750% |
| 43,900 | USB Capital Trust XI | 6.600% |
| 39,300 | VNB Capital Trust I | 7.750% |
| 40,000 | Wells Fargo Capital Trust IV | 7.000% |
| 483,400 | Wells Fargo Capital Trust V | 7.000% |
| 114,700 | Wells Fargo Capital Trust VI | 6.950% |

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| SHARES | DESCRIPTION (1) | COUPON | RA |
|--------|-----------------|--------|----|
|--------|-----------------|--------|----|

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| | | |
|---------|---|--------|
| | COMMERCIAL BANKS (continued) | |
| 129,309 | Wells Fargo Capital Trust VII | 5.850% |
| 11,000 | Wells Fargo Capital Trust IX | 5.625% |
| 117,800 | Zions Capital Trust B | 8.000% |
| <hr/> | | |
| | Total Commercial Banks | |
| <hr/> | | |
| | COMPUTERS & PERIPHERALS - 0.0% | |
| 20,000 | IBM Trust IV (CORTS) | 7.000% |
| <hr/> | | |
| | CONSUMER FINANCE - 0.0% | |
| 14,200 | SLM Corporation | 6.000% |
| <hr/> | | |
| | DIVERSIFIED FINANCIAL SERVICES - 4.5% | |
| 101,500 | BAC Capital Trust XII | 6.875% |
| 27,700 | CIT Group Incorporated (CORTS) | 7.750% |
| 197,400 | Citigroup Capital Trust VII | 7.125% |
| 754,422 | Citigroup Capital Trust VIII | 6.950% |
| 6,100 | Citigroup Capital XIV | 6.875% |
| 298,821 | Citigroup Capital XV | 6.500% |
| 35,000 | Citigroup Capital XVI | 6.450% |
| 6,500 | Citigroup, Series CIT (CORTS) | 6.750% |
| 2,000 | Deutsche Bank Capital Funding Trust VIII | 6.375% |
| 1,400 | General Electric Capital Corporation (CORTS) | 6.000% |
| 40,500 | General Electric Capital Corporation | 6.625% |
| 592,320 | ING Group N.V. | 7.200% |
| 755,475 | ING Group N.V. | 7.050% |
| 71,965 | JPMorgan Chase & Company (PCARS) | 7.125% |
| 73,600 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% |
| 598,100 | Merrill Lynch Capital Trust I | 6.450% |
| 47,000 | Royal Bank of Scotland Public Limited Company, Series 2006Q | 6.750% |
| <hr/> | | |
| | Total Diversified Financial Services | |
| <hr/> | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.5% | |
| 38,500 | BellSouth Capital Funding (CORTS) | 7.100% |
| 30,500 | BellSouth Corporation (CORTS) | 7.000% |
| 50,600 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% |
| 32,600 | BellSouth Inc. (CORTS) | 7.000% |
| 81,200 | BellSouth Telecommunications (PPLUS) | 7.300% |
| 28,000 | Verizon Communications (CORTS) | 7.625% |
| 48,100 | Verizon Communications (CORTS) | 7.375% |
| 50,700 | Verizon New England Inc., Series B | 7.000% |
| 30,400 | Verizon South Inc., Series F | 7.000% |
| <hr/> | | |
| | Total Diversified Telecommunication Services | |
| <hr/> | | |
| | ELECTRIC UTILITIES - 0.5% | |
| 6,000 | Consolidated Edison, Inc. | 7.250% |
| 21,100 | DTE Energy Trust I | 7.800% |
| 28,900 | Entergy Louisiana LLC | 7.600% |
| 8,300 | Entergy Mississippi Inc. | 7.250% |
| 51,600 | FPL Group Capital Inc. | 6.600% |
| 3,000 | Georgia Power Capital Trust V | 7.125% |
| 11,700 | Mississippi Power Capital Trust II | 7.200% |
| 5,200 | National Rural Utilities Cooperative Finance Corporation | 7.400% |
| 1,500 | National Rural Utilities Cooperative Finance Corporation | 6.100% |
| 1,600 | National Rural Utilities Cooperative Finance | 5.950% |

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| | | |
|---------|--|--------|
| | Corporation | |
| 33,600 | Northern States Power Company | 8.000% |
| 1,500 | PPL Energy Supply LLC | 7.000% |
| 15,400 | Southern Company Capital Trust I (CORTS) | 8.190% |
| 35,700 | Southern Company Capital Trust I (CORTS) | 7.375% |
| 13,100 | Southern Company Capital Trust VI | 7.125% |
| 122,500 | Virginia Power Capital Trust | 7.375% |
| ----- | | |
| | Total Electric Utilities | |
| ----- | | |
| | FOOD PRODUCTS - 0.2% | |
| 54,200 | Dairy Farmers of America Inc., 144A, (6) | 7.875% |
| ----- | | |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------|---|--------|----|
| ----- | | | |
| | HOUSEHOLD DURABLES - 0.1% | | |
| 72,700 | Pulte Homes Inc. | 7.375% | |
| ----- | | | |
| | INDUSTRIAL CONGLOMERATES - 0.0% | | |
| 5,400 | General Electric Company, Series GE (CORTS) | 6.800% | |
| ----- | | | |
| | INSURANCE - 10.7% | | |
| 1,210,933 | Ace Ltd., Series C | 7.800% | |
| 2,100 | Aegon N.V. | 6.875% | |
| 1,402,000 | Aegon N.V., (6) | 6.375% | |
| 36,700 | AMBAC Financial Group Inc. | 5.950% | |
| 236,713 | Arch Capital Group Limited, Series B | 7.785% | |
| 389,973 | Arch Capital Group Limited | 8.000% | |
| 677,101 | Delphi Financial Group, Inc. | 8.000% | |
| 200,456 | EverestRe Capital Trust II | 6.200% | |
| 97,100 | EverestRe Group Limited | 7.850% | |
| 1,401,100 | Lincoln National Capital Trust VI | 6.750% | |
| 123,800 | Markel Corporation | 7.500% | |
| 903,702 | PartnerRe Limited, Series C | 6.750% | |
| 80,900 | PLC Capital Trust III | 7.500% | |
| 70,800 | PLC Capital Trust IV | 7.250% | |
| 23,800 | PLC Capital Trust V | 6.125% | |
| 36,700 | Protective Life Corporation | 7.250% | |
| 39,200 | Prudential PLC | 6.750% | |
| 104,088 | RenaissanceRe Holdings Limited, Series A | 8.100% | |
| 124,700 | RenaissanceRe Holdings Limited, Series B | 7.300% | |
| 1,534 | RenaissanceRe Holdings Limited, Series C | 6.080% | |
| 18,600 | RenaissanceRe Holdings Ltd | 6.600% | |
| 24,600 | Safeco Capital Trust I (CORTS) | 8.750% | |
| 48,300 | Safeco Capital Trust III (CORTS) | 8.072% | |
| 17,400 | Safeco Capital Trust IV (CORTS) | 8.375% | |
| 40,200 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% | |
| 38,800 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% | |
| 709,600 | W.R. Berkley Corporation | 6.750% | |

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| | | |
|-----------|---|--------|
| 68,800 | XL Capital Ltd, Series A | 8.000% |
| 248,540 | XL Capital Ltd, Series B | 7.625% |
| ----- | | |
| | Total Insurance | |
| ----- | | |
| | IT SERVICES - 0.0% | |
| 2,500 | Vertex Industries Inc. (PPLUS) | 7.625% |
| ----- | | |
| | MEDIA - 2.2% | |
| 52,700 | CBS Corporation | 7.250% |
| 1,031,100 | Comcast Corporation | 7.000% |
| 640,500 | Viacom Inc. | 6.850% |
| 2,900 | Walt Disney Company (CORTS) | 6.875% |
| ----- | | |
| | Total Media | |
| ----- | | |
| | MULTI-UTILITIES - 0.1% | |
| 52,400 | Dominion CNG Capital Trust I | 7.800% |
| ----- | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.9% | |
| 679,400 | Nexen Inc. | 7.350% |
| ----- | | |
| | PHARMACEUTICALS - 0.1% | |
| 49,000 | Bristol Myers Squibb Company (CORTS) | 6.250% |
| ----- | | |
| | REAL ESTATE - 10.8% | |
| 30,600 | AMB Property Corporation, Series P | 6.850% |
| 77,100 | AvalonBay Communities, Inc., Series H | 8.700% |
| 166,283 | BRE Properties, Series B | 8.080% |
| 3,900 | Developers Diversified Realty Corporation, Series F | 8.600% |
| 104,300 | Developers Diversified Realty Corporation, Series G | 8.000% |
| 1,264,845 | Developers Diversified Realty Corporation, Series H | 7.375% |
| 125,600 | Duke Realty Corporation, Series L | 6.600% |
| 31,700 | Duke Realty Corporation, Series N | 7.250% |
| 25,000 | Duke-Weeks Realty Corporation, Series B | 7.990% |
| 100,400 | Duke-Weeks Realty Corporation | 6.950% |

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| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|---|--------|----|
| ----- | | | |
| | REAL ESTATE (continued) | | |
| 96,000 | Duke-Weeks Realty Corporation | 6.625% | |
| 196,800 | Equity Office Properties Trust, Series G | 7.750% | |
| 15,400 | Equity Residential Properties Trust, Series D | 8.600% | |
| 314,523 | Equity Residential Properties Trust, Series N | 6.480% | |
| 4,900 | First Industrial Realty Trust, Inc., Series C | 8.625% | |
| 688,600 | HRPT Properties Trust, Series B | 8.750% | |
| 532,700 | HRPT Properties Trust, Series C | 7.125% | |
| 99,800 | New Plan Excel Realty Trust, Series E | 7.625% | |
| 3,997 | Prologis Trust, Series C | 8.540% | |
| 96,275 | Prologis Trust, Series G | 6.750% | |
| 2,000 | PS Business Parks, Inc., Series F | 8.750% | |

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| | | |
|-----------|--|--------|
| 4,000 | PS Business Parks, Inc., Series I | 6.875% |
| 700 | PS Business Parks, Inc., Series K | 7.950% |
| 243,000 | PS Business Parks, Inc., Series L | 7.600% |
| 130,700 | PS Business Parks, Inc., Series O | 7.375% |
| 299,600 | PS Business Parks, Inc. | 7.000% |
| 12,500 | Public Storage Inc., Series I | 7.250% |
| 249,836 | Public Storage Inc. | 6.750% |
| 149,000 | Public Storage, Inc., Series E | 6.750% |
| 18,400 | Public Storage, Inc., Series F | 6.450% |
| 197,600 | Public Storage, Inc., Series H | 6.950% |
| 32,800 | Public Storage, Inc., Series K | 7.250% |
| 45,000 | Public Storage, Inc., Series T | 7.625% |
| 174,500 | Public Storage, Inc., Series U | 7.625% |
| 31,500 | Public Storage, Inc., Series V | 7.500% |
| 15,403 | Realty Income Corporation, Series E | 6.750% |
| 166,100 | Regency Centers Corporation | 7.450% |
| 20,650 | Simon Property Group, Inc., Series G | 7.890% |
| 2,600 | United Dominion Realty Trust | 8.600% |
| 1,200 | Vornado Realty Trust, Series F | 6.750% |
| 165,000 | Vornado Realty Trust, Series G | 6.625% |
| 183,000 | Vornado Realty Trust, Series H | 6.750% |
| 1,987,734 | Wachovia Preferred Funding Corporation | 7.250% |
| 130,300 | Weingarten Realty Trust, Series E | 6.950% |

Total Real Estate

THRIFTS & MORTGAGE FINANCE - 1.2%

| | | |
|---------|---------------------------------------|--------|
| 70,800 | Countrywide Capital Trust III (PPLUS) | 8.050% |
| 733,343 | Countrywide Capital Trust IV | 6.750% |
| 129,000 | Countrywide Capital Trust V | 7.000% |

Total Thrifts & Mortgage Finance

WIRELESS TELECOMMUNICATION SERVICES - 0.5%

| | | |
|---------|--|--------|
| 60,200 | AT&T Wireless (CORTS) | 8.000% |
| 24,200 | AT&T Wireless, Series 2002-B (SATURNS) | 9.250% |
| 50,600 | United States Cellular Corporation | 8.750% |
| 270,291 | United States Cellular Corporation | 7.500% |

Total Wireless Telecommunication Services

TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES (COST \$880,581,061)
=====

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | WEIGHTED AVERAGE COUPON | MATURITY (5) |
|---------------------------|--|-------------------------------|--------------|
| | VARIABLE RATE SENIOR LOAN INTERESTS - 1.4% (1.0% OF TOTAL INVESTMENTS) (4) | | |
| | BUILDING PRODUCTS - 0.1% | | |
| \$ 998 | TFS Acquisition, Term Loan | 8.921% | 8/11/13 |
| | COMMERCIAL SERVICES & SUPPLIES - 0.1% | | |
| 2,000 | Banta Corporation, Term Loan | 7.110% | 10/31/13 |
| | HEALTH CARE PROVIDERS & SERVICES - 0.3% | | |
| 5,000 | HCA, Inc., Term Loan | 8.114% | 11/17/13 |
| 1,500 | LifePoint Hospitals Holdings, Inc., Term Loan B | 6.975% | 4/18/12 |
| 6,500 | Total Health Care Providers & Services | | |

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | WEIGHTED AVERAGE COUPON | MATURITY (5) |
|---------------------------|---|-------------------------------|--------------|
| \$ 995 | HOTELS, RESTAURANTS & LEISURE - 0.1% Cedar Fair LP, Term Loan | 7.850% | 8/30/12 |
| 2,000 | MACHINERY - 0.1% Oshkosh Truck Corporation, Term Loan | 7.350% | 12/06/13 |
| 1,000 | MEDIA - 0.3% Charter Communications Inc., Term Loan B | 8.005% | 4/28/13 |
| 2,000 | Neilsen Finance LLC, Term Loan B | 8.125% | 8/01/13 |
| 1,521 | Panamsat Corporation, Term Loan | 7.872% | 1/03/14 |
| 995 | Philadelphia Newspapers, Term Loan | 8.120% | 6/29/13 |
| 5,516 | Total Media | | |
| 345 | PAPER & FOREST PRODUCTS - 0.1% Bluegrass Container Company, LLC, 1st Lien Term Loan | 7.609% | 7/31/13 |
| 1,152 | Bluegrass Container Company, LLC, Term Loan B | 7.610% | 6/30/13 |
| 995 | Georgia-Pacific Corporation, Term Loan B | 7.356% | 2/13/12 |
| 2,492 | Total Paper & Forest Products | | |
| 1,000 | REAL ESTATE MANAGEMENT & DEVELOPMENT - 0.1% LNR Property Corporation, Term Loan B | 8.120% | 7/12/11 |
| 1,333 | SEMICONDUCTORS & EQUIPMENT - 0.1% Advanced Micro Devices, Term Loan B | 7.620% | 12/31/13 |
| 2,993 | SOFTWARE - 0.1% Dealer Computer Service, Term Loan | 7.850% | 10/26/12 |
| 1,500 | Intergraph Corporation, Term Loan | 7.870% | 5/29/14 |
| 4,493 | Total Software | | |
| 979 | SPECIALTY RETAIL - 0.0% Michaels Stores Inc., Term Loan | 8.375% | 10/31/13 |
| \$ 28,306 | TOTAL VARIABLE RATE SENIOR LOAN INTERESTS (COST \$28,291,816) | | |

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

CONVERTIBLE BONDS - 36.1% (24.6% OF TOTAL INVESTMENTS)

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| | | | |
|----------------------------|--------------------------------------|--------|----------|
| AEROSPACE & DEFENSE - 2.2% | | | |
| \$ 5,740 | AAR Corporation, 144A | 1.750% | 2/01/26 |
| 500 | Alliant Techsystems Inc., 144A | 2.750% | 9/15/11 |
| 500 | Armor Holdings Inc. | 2.000% | 11/01/24 |
| 9,425 | L-3 Communications Corporation | 3.000% | 8/01/35 |
| 4,670 | L-3 Communications Corporation, 144A | 3.000% | 8/01/35 |
| 11,675 | Lockheed Martin Corporation | 5.124% | 8/15/33 |
| 4,445 | Triumph Group Inc. | 2.625% | 10/01/26 |
| 36,955 | Total Aerospace & Defense | | |
| AIRLINES - 0.7% | | | |
| 1,700 | AMR Corporation | 4.500% | 2/15/24 |
| 1,400 | Continental Airlines, Inc. | 5.000% | 6/15/23 |
| 5,715 | UAL Corporation, 144A | 4.500% | 6/30/21 |
| 8,815 | Total Airlines | | |
| BIOTECHNOLOGY - 3.2% | | | |
| 13,570 | Amgen Inc., 144A | 0.125% | 2/01/11 |
| 14,050 | Amgen Inc., 144A | 0.375% | 2/01/13 |
| 6,165 | Cephalon, Inc. | 0.000% | 6/15/33 |
| 13,025 | Genzyme Corporation | 1.250% | 12/01/23 |
| 13,450 | Gilead Sciences Inc., 144A | 0.625% | 5/01/13 |
| 2,000 | Sepracor Inc. | 5.000% | 2/15/07 |
| 62,260 | Total Biotechnology | | |
| CAPITAL MARKETS - 0.5% | | | |
| 9,300 | Goldman Sachs Group, Inc. | 0.125% | 6/28/11 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------------|------------------------------------|--------|----------|
| COMMERCIAL BANKS - 0.6% | | | |
| \$ 10,260 | U.S. Bancorp, 144A | 3.615% | 9/20/36 |
| 1,000 | Wells Fargo & Company | 5.625% | 5/01/33 |
| 11,260 | Total Commercial Banks | | |
| COMMUNICATIONS EQUIPMENT - 2.0% | | | |
| 4,100 | Andrew Corporation | 3.250% | 8/15/13 |
| 3,800 | Arris Group Inc. | 2.000% | 11/15/26 |
| 4,000 | Ciena Corporation | 3.750% | 2/01/08 |
| 3,590 | Fibertower Corporation, 144A | 9.000% | 11/15/12 |
| 10,665 | Lucent Technologies Inc., Series B | 2.750% | 6/15/25 |
| 10,800 | Lucent Technologies Inc. | 2.750% | 6/15/23 |
| 36,955 | Total Communications Equipment | | |
| COMPUTERS & PERIPHERALS - 1.7% | | | |
| 2,950 | Electronics for Imaging Inc. | 1.500% | 6/01/23 |
| 8,710 | EMC Corporation, 144A | 1.750% | 12/01/11 |

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| | | | |
|---|--|--------|----------|
| 8,610 | EMC Corporation, 144A | 1.750% | 12/01/13 |
| 15,485 | Sandisk Corporation | 1.000% | 5/15/13 |
| ----- | | | |
| 35,755 | Total Computers & Peripherals | | |
| ----- | | | |
| CONSTRUCTION & ENGINEERING - 0.3% | | | |
| 4,545 | Quanta Services Inc., 144A | 3.750% | 4/30/26 |
| ----- | | | |
| CONSUMER FINANCE - 0.2% | | | |
| 4,390 | Compucredit Corporation | 5.875% | 11/30/35 |
| ----- | | | |
| CONTAINERS & PACKAGING - 0.7% | | | |
| 14,100 | Sealed Air Corporation, 144A | 3.000% | 6/30/33 |
| ----- | | | |
| DIVERSIFIED FINANCIAL SERVICES - 1.6% | | | |
| 14,900 | Citigroup Funding Inc. | 0.125% | 9/07/11 |
| 13,600 | Merrill Lynch & Co. Inc. | 0.000% | 3/13/32 |
| ----- | | | |
| 28,500 | Total Diversified Financial Services | | |
| ----- | | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES - 0.9% | | | |
| 2,150 | Level 3 Communications Inc. | 3.500% | 6/15/12 |
| 6,725 | Level 3 Communications Inc. | 2.875% | 7/15/10 |
| 3,500 | Qwest Communications International Inc. | 3.500% | 11/15/25 |
| 2,105 | Time Warner Telecom Inc. | 2.375% | 4/01/26 |
| ----- | | | |
| 14,480 | Total Diversified Telecommunication Services | | |
| ----- | | | |
| ELECTRIC UTILITIES - 0.1% | | | |
| 1,015 | PPL Energy Supply LLC | 2.625% | 5/15/23 |
| ----- | | | |
| ELECTRICAL EQUIPMENT - 0.1% | | | |
| 2,600 | General Cable Corporation | 0.875% | 11/15/13 |
| ----- | | | |
| ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.1% | | | |
| 2,000 | SCI Systems Inc. | 3.000% | 3/15/07 |
| ----- | | | |
| ENERGY EQUIPMENT & SERVICES - 2.4% | | | |
| 6,500 | Cameron International Corporation, 144A | 2.500% | 6/15/26 |
| 4,415 | Core Laboratories LP, 144A | 0.250% | 10/31/11 |
| 500 | Halliburton Company | 3.125% | 7/15/23 |
| 4,025 | Hanover Compressor Company | 4.750% | 1/15/14 |
| 13,415 | Nabors Industries Inc., 144A | 0.940% | 5/15/11 |
| 1,250 | Nabors Industries Inc., 144A | 0.940% | 5/15/11 |
| 13,000 | Nabors Industries Inc. | 0.000% | 6/15/23 |
| 500 | Pride International Inc. | 3.250% | 5/01/33 |
| 2,160 | SESI LLC, Convertible Bond, 144A | 1.500% | 12/15/26 |
| ----- | | | |
| 45,765 | Total Energy Equipment & Services | | |
| ----- | | | |
| HEALTH CARE EQUIPMENT & SUPPLIES - 1.8% | | | |
| 500 | Advanced Medical Optics | 3.250% | 8/01/26 |
| 4,150 | CYTYC Corporation | 2.250% | 3/15/24 |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| | HEALTH CARE EQUIPMENT & SUPPLIES (continued) | | |
| \$ 23,350 | Medtronic, Inc. | 1.500% | 4/15/11 |
| 4,800 | Medtronic, Inc. | 1.625% | 4/15/13 |
| 250 | Medtronic, Inc. | 1.500% | 4/15/11 |
| 33,050 | Total Health Care Equipment & Supplies | | |
| | HEALTH CARE PROVIDERS & SERVICES - 0.9% | | |
| 500 | LifePoint Hospitals Inc. | 3.250% | 8/15/25 |
| 3,975 | Manor Care Inc. | 2.000% | 6/01/36 |
| 3,550 | PSS World Medical Inc. | 2.250% | 3/15/24 |
| 8,510 | Roche Holdings Inc., 144A | 0.000% | 7/25/21 |
| 16,535 | Total Health Care Providers & Services | | |
| | HOTELS, RESTAURANTS & LEISURE - 1.5% | | |
| 1,000 | Caesars Entertainment Inc. | 5.370% | 4/15/24 |
| 3,075 | Carnival Corporation | 2.000% | 4/15/21 |
| 19,650 | Carnival Corporation | 1.132% | 4/29/33 |
| 500 | Hilton Hotels Corporation | 3.375% | 4/15/23 |
| 4,575 | International Game Technology, 144A | 2.600% | 12/15/36 |
| 4,245 | RARE Hospitality International Inc., 144A | 2.500% | 11/15/26 |
| 33,045 | Total Hotels, Restaurants & Leisure | | |
| | INDUSTRIAL CONGLOMERATES - 0.0% | | |
| 500 | 3M Company | 0.000% | 11/21/32 |
| | INSURANCE - 1.4% | | |
| 15 | Alleghany Corporation | 5.750% | 6/15/09 |
| 8,015 | American Financial Group Inc. | 1.486% | 6/02/33 |
| 3,740 | Berkshire Hathaway Inc., 144A | 0.000% | 5/15/07 |
| 14,200 | Prudential Financial Inc. | 2.613% | 11/15/35 |
| 25,970 | Total Insurance | | |
| | INTERNET & CATALOG RETAIL - 0.1% | | |
| 2,380 | Priceline.com Inc., 144A | 0.500% | 9/30/11 |
| | IT SERVICES - 0.4% | | |
| 3,050 | Digital River Inc. | 1.250% | 1/01/24 |
| 3,110 | DST Systems Inc. | 4.125% | 8/15/23 |
| 6,160 | Total IT Services | | |
| | LEISURE EQUIPMENT & PRODUCTS - 0.2% | | |
| 1,165 | K2 Corporation, 144A | 5.000% | 6/15/10 |
| | MEDIA - 3.0% | | |
| 3,800 | ELF Special Financing Limited, 144A | 5.710% | 6/15/09 |
| 11,800 | Liberty Media Corporation | 4.000% | 11/15/29 |
| 12,325 | Liberty Media Corporation | 0.750% | 3/30/23 |
| 10,150 | Omnicom Group Inc. | 0.000% | 7/01/38 |
| 975 | Playboy Enterprises Inc. | 3.000% | 3/15/25 |
| 3,820 | Shuffle Master Inc. | 1.250% | 4/15/24 |

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| | | | |
|--------|-------------------------------------|--------|----------|
| 12,435 | Walt Disney Company | 2.125% | 4/15/23 |
| 55,305 | Total Media | | |
| | METALS & MINING - 0.3% | | |
| 1,430 | Century Aluminum Company | 1.750% | 8/01/24 |
| 3,375 | Placer Dome Inc. | 2.750% | 10/15/23 |
| 4,805 | Total Metals & Mining | | |
| | MULTI-UTILITIES - 0.6% | | |
| 1,700 | Centerpoint Energy Inc. | 2.875% | 1/15/24 |
| 8,625 | Dominion Resources Inc., Series C | 2.125% | 12/15/23 |
| 10,325 | Total Multi-Utilities | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.2% | | |
| 10,650 | Chesapeake Energy Corporation, 144A | 2.750% | 11/15/35 |
| 3,550 | Devon Energy Corporation | 4.900% | 8/15/08 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| | OIL, GAS & CONSUMABLE FUELS (continued) | | |
| \$ 2,500 | Goodrich Petroleum Corporation, 144A | 3.250% | 12/01/26 |
| 5,600 | Peabody Energy Corp. | 4.375% | 12/15/66 |
| 22,300 | Total Oil, Gas & Consumable Fuels | | |
| | PHARMACEUTICALS - 1.2% | | |
| 7,910 | Allergan Inc., 144A | 1.500% | 4/01/26 |
| 5,140 | Allergan Inc. | 1.500% | 4/01/26 |
| 500 | Bristol-Myers Squibb Company | 4.860% | 9/15/23 |
| 500 | Sepracor Inc. | 0.000% | 10/15/24 |
| 250 | Teva Pharmaceutical Finance Company B.V., Series D | 1.750% | 2/01/26 |
| 8,500 | Wyeth, 144A | 1.000% | 1/15/24 |
| 22,800 | Total Pharmaceuticals | | |
| | REAL ESTATE - 1.0% | | |
| 4,060 | Archstone-Smith Trust | 4.000% | 7/15/36 |
| 500 | Developers Diversified Realty Corporation, 144A | 3.500% | 8/15/11 |
| 7,465 | Vornado Realty | 3.875% | 4/15/25 |
| 4,400 | Vornado Realty | 3.625% | 11/15/26 |
| 16,425 | Total Real Estate | | |
| | REAL ESTATE MANAGEMENT & DEVELOPMENT - 0.6% | | |
| 6,520 | EOP Operating LP, 144A | 4.000% | 7/15/26 |
| 3,785 | Tanger Properties Limited Partnership | 3.750% | 8/15/26 |
| 10,305 | Total Real Estate Management & Development | | |
| | ROAD & RAIL - 0.2% | | |

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| | | | |
|------------|--|--------|----------|
| 2,625 | Yellow Roadway Corporation | 5.000% | 8/08/23 |
| ----- | | | |
| | SEMICONDUCTORS & EQUIPMENT - 1.8% | | |
| 7,150 | Cypress Semiconductor Corporation, 144A | 1.250% | 6/15/08 |
| 4,100 | Diodes Inc. | 2.250% | 10/01/26 |
| 5,650 | Intel Corporation, 144A | 2.950% | 12/15/35 |
| 10,485 | Intel Corporation | 2.950% | 12/15/35 |
| 4,865 | ON Semiconductor Corporation | 0.000% | 4/15/24 |
| 3,950 | Photronics Inc. | 2.250% | 4/15/08 |
| ----- | | | |
| 36,200 | Total Semiconductors & Equipment | | |
| ----- | | | |
| | SOFTWARE - 1.5% | | |
| 10,400 | Amdocs Limited | 0.500% | 3/15/24 |
| 500 | Computer Associates International Inc., 144A | 1.625% | 12/15/09 |
| 3,450 | Mentor Graphics Corporation | 6.250% | 3/01/26 |
| 500 | Sybase, Inc. | 1.750% | 2/22/25 |
| 11,275 | Symantec Corporation, 144A | 0.750% | 6/15/11 |
| 250 | Symantec Corporation, 144A | 1.000% | 6/15/13 |
| ----- | | | |
| 26,375 | Total Software | | |
| ----- | | | |
| | SPECIALTY RETAIL - 0.6% | | |
| 2,175 | Group 1 Automotive Inc. | 2.250% | 6/15/36 |
| 4,265 | Lowe's Companies, Inc. | 0.861% | 10/19/21 |
| 980 | Sonic Automotive Inc. | 4.250% | 11/30/15 |
| 4,985 | TJX Companies, Inc. | 0.000% | 2/13/21 |
| ----- | | | |
| 12,405 | Total Specialty Retail | | |
| ----- | | | |
| | TRADING COMPANIES & DISTRIBUTORS - 0.2% | | |
| 2,304 | GATX Corporation | 5.000% | 8/15/23 |
| ----- | | | |
| | WIRELESS TELECOMMUNICATION SERVICES - 0.3% | | |
| 3,515 | NII Holdings Inc., 144A | 2.750% | 8/15/25 |
| ----- | | | |
| \$ 663,189 | TOTAL CONVERTIBLE BONDS (COST \$682,802,917) | | |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|--------|----------|
| | CORPORATE BONDS - 12.3% (8.4% OF TOTAL INVESTMENTS) | | |
| | AEROSPACE & DEFENSE - 0.2% | | |
| \$ 1,000 | Hexcel Corporation | 6.750% | 2/01/15 |
| 2,500 | K&F Acquisition Inc. | 7.750% | 11/15/14 |
| ----- | | | |
| 3,500 | Total Aerospace & Defense | | |
| ----- | | | |
| | AUTO COMPONENTS - 0.1% | | |

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| | | | |
|--------|--|--------|----------|
| 1,300 | Keystone Automotive Operations Inc. | 9.750% | 11/01/13 |
| ----- | | | |
| 4,000 | BUILDING PRODUCTS - 0.2% Jacuzzi Brands, Inc. | 9.625% | 7/01/10 |
| ----- | | | |
| 3,000 | CHEMICALS - 0.7% Ineos Group Holdings PLC, 144A | 8.500% | 2/15/16 |
| 2,000 | Nell AF Sarl | 8.375% | 8/15/15 |
| 6,500 | OM Group Inc. | 9.250% | 12/15/11 |
| 3,000 | Rockwood Specialties Group Inc., Series WI | 7.500% | 11/15/14 |
| ----- | | | |
| 14,500 | Total Chemicals | | |
| ----- | | | |
| 3,100 | COMMERCIAL BANKS - 0.1% Standard Chartered PLC, 144A | 6.409% | 1/30/57 |
| ----- | | | |
| 900 | COMMERCIAL SERVICES & SUPPLIES - 0.0% Williams Scotsman Inc. | 8.500% | 10/01/15 |
| ----- | | | |
| 1,000 | COMPUTERS & PERIPHERALS - 0.1% GSC Holdings Corporation, 144A | 8.000% | 10/01/12 |
| ----- | | | |
| 2,450 | CONTAINERS & PACKAGING - 0.4% MDP Acquisitions PLC, Senior Notes | 9.625% | 10/01/12 |
| 3,000 | Owens-Brockway Glass Containers, Guaranteed Senior Note | 8.250% | 5/15/13 |
| 3,000 | Owens-Illinois Inc. | 7.500% | 5/15/10 |
| ----- | | | |
| 8,450 | Total Containers & Packaging | | |
| ----- | | | |
| 2,000 | DIVERSIFIED CONSUMER SERVICES - 0.1% Service Corporation International | 7.700% | 4/15/09 |
| ----- | | | |
| 2,000 | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.1% Intelsat Subsidiary Holding Company Limited | 8.500% | 1/15/13 |
| 750 | Syniverse Technologies Inc., Series B | 7.750% | 8/15/13 |
| ----- | | | |
| 2,750 | Total Diversified Telecommunication Services | | |
| ----- | | | |
| 2,000 | ELECTRIC UTILITIES - 0.2% Midwest Generation LLC | 8.750% | 5/01/34 |
| 500 | Mirant North America LLC | 7.375% | 12/31/13 |
| 1,000 | Sierra Pacific Resources, Series 2006 | 6.750% | 8/15/17 |
| ----- | | | |
| 3,500 | Total Electric Utilities | | |
| ----- | | | |
| 2,000 | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.1% NXP BV | 8.118% | 10/15/13 |
| ----- | | | |
| 1,800 | ENERGY EQUIPMENT & SERVICES - 0.2% Hanover Compressor Company | 7.500% | 4/15/13 |
| 2,500 | Pride International Inc. | 7.375% | 7/15/14 |
| ----- | | | |
| 4,300 | Total Energy Equipment & Services | | |
| ----- | | | |
| 2,000 | FOOD & STAPLES RETAILING - 0.1% Stater Brothers Holdings Inc. | 8.125% | 6/15/12 |
| ----- | | | |
| 4,610 | FOOD PRODUCTS - 0.4% Del Monte Corporation | 8.625% | 12/15/12 |
| 1,096 | Dole Foods Company | 8.625% | 5/01/09 |
| 2,700 | Dole Foods Company | 7.875% | 7/15/13 |

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8,406 Total Food Products

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|---------|----------|
| | HEALTH CARE PROVIDERS & SERVICES - 0.2% | | |
| \$ 700 | HCA The Health Care Corporation Inc, 144A | 9.125% | 11/15/14 |
| 700 | HCA The Health Care Corporation Inc., 144A | 9.250% | 11/15/16 |
| 3,000 | US Oncology Inc. | 10.750% | 8/15/14 |
| 4,400 | Total Health Care Providers & Services | | |
| | HOTELS, RESTAURANTS & LEISURE - 1.5% | | |
| 5,190 | Aztar Corporation | 9.000% | 8/15/11 |
| 2,345 | Boyd Gaming Corporation | 8.750% | 4/15/12 |
| 4,075 | Boyd Gaming Corporation | 7.750% | 12/15/12 |
| 1,500 | Herbst Gaming Inc. | 7.000% | 11/15/14 |
| 800 | Jacobs Entertainment Inc. | 9.750% | 6/15/14 |
| 2,000 | Landry's Restaurants Inc., Series B | 7.500% | 12/15/14 |
| 2,000 | MGM Mirage, Inc. | 6.750% | 8/01/07 |
| 1,000 | Park Place Entertainment | 9.375% | 2/15/07 |
| 1,000 | Park Place Entertainment | 7.875% | 3/15/10 |
| 2,000 | Pinnacle Entertainment Inc. | 8.250% | 3/15/12 |
| 3,000 | Pinnacle Entertainment Inc. | 8.750% | 10/01/13 |
| 4,000 | Universal City Development Partners | 11.750% | 4/01/10 |
| 28,910 | Total Hotels, Restaurants & Leisure | | |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1% | | |
| 600 | NRG Energy Inc. | 7.250% | 2/01/14 |
| 600 | NRG Energy Inc. | 7.375% | 2/01/16 |
| 1,200 | Total Independent Power Producers & Energy Traders | | |
| | IT SERVICES - 0.4% | | |
| 1,950 | Global Cash Access LLC | 8.750% | 3/15/12 |
| 4,750 | Sungard Data Systems Inc. | 9.125% | 8/15/13 |
| 6,700 | Total IT Services | | |
| | MACHINERY - 0.3% | | |
| 3,000 | Greenbrier Companies, Inc. | 8.375% | 5/15/15 |
| 3,000 | Terex Corporation, Senior Subordinated Notes | 9.250% | 7/15/11 |
| 6,000 | Total Machinery | | |
| | MEDIA - 3.3% | | |
| 6,900 | Allbritton Communications Company, Series B | 7.750% | 12/15/12 |
| 2,000 | AMC Entertainment Inc. | 8.000% | 3/01/14 |
| 4,200 | American Media Operations Inc., Series B | 10.250% | 5/01/09 |
| 1,345 | American Media Operations Inc. | 8.875% | 1/15/11 |
| 5,000 | Cablevision Systems Corporation, Series B | 8.125% | 8/15/09 |

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| | | | |
|--------|---|---------|----------|
| 3,000 | Cablevision Systems Corporation | 7.250% | 7/15/08 |
| 2,000 | Cablevision Systems Corporation | 8.125% | 7/15/09 |
| 2,000 | Charter Communications Operating LLC, 144A | 8.000% | 4/30/12 |
| 6,000 | Cinemark USA Inc. | 9.000% | 2/01/13 |
| 1,000 | Dex Media West LLC | 8.500% | 8/15/10 |
| 2,198 | Dex Media West LLC | 9.875% | 8/15/13 |
| 4,000 | Medianews Group Inc. | 6.375% | 4/01/14 |
| 1,950 | Panamsat Corporation | 9.000% | 8/15/14 |
| 6,000 | Primedia Inc., Senior Notes | 8.875% | 5/15/11 |
| 2,000 | R. H. Donnelley Finance Corp 1 | 10.875% | 12/15/12 |
| 2,000 | Sun Media Corporation | 7.625% | 2/15/13 |
| 6,200 | Vertis Inc. | 9.750% | 4/01/09 |
| 5,500 | Young Broadcasting Inc., Senior Subordinated Note | 10.000% | 3/01/11 |
| 2,000 | Young Broadcasting Inc. | 8.750% | 1/15/14 |
| <hr/> | | | |
| 65,293 | Total Media | | |
| <hr/> | | | |
| | METALS & MINING - 0.3% | | |
| 3,000 | Chaparral Steel Company | 10.000% | 7/15/13 |
| 1,682 | United States Steel Corporation | 9.750% | 5/15/10 |
| <hr/> | | | |
| 4,682 | Total Metals & Mining | | |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|---------|----------|
| | MULTI-UTILITIES - 0.3% | | |
| \$ 2,600 | Bon-Ton Department Stores Inc. | 10.250% | 3/15/14 |
| 2,400 | Dynegey Holdings Inc. | 8.375% | 5/01/16 |
| 500 | Northwestern Corporation | 5.875% | 11/01/14 |
| <hr/> | | | |
| 5,500 | Total Multi-Utilities | | |
| <hr/> | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.7% | | |
| 600 | Chaparral Energy Inc. | 8.500% | 12/01/15 |
| 4,345 | Chesapeake Energy Corporation | 7.750% | 1/15/15 |
| 2,000 | Hilcorp Energy I LP/Hilcorp Finance Company, 144A | 7.750% | 11/01/15 |
| 2,000 | Premcor Refining Group Inc. | 7.500% | 6/15/15 |
| 3,000 | SemGroup LP, 144A | 8.750% | 11/15/15 |
| 1,500 | Whiting Petroleum Corporation | 7.000% | 2/01/14 |
| <hr/> | | | |
| 13,445 | Total Oil, Gas & Consumable Fuels | | |
| <hr/> | | | |
| | PAPER & FOREST PRODUCTS - 0.4% | | |
| 2,000 | Georgia Pacific Corporation, Debentures | 7.700% | 6/15/15 |
| 5,000 | Georgia Pacific Corporation, Notes | 8.125% | 5/15/11 |
| <hr/> | | | |
| 7,000 | Total Paper & Forest Products | | |

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| | | | |
|------------|---|---------|----------|
| 1,600 | PERSONAL PRODUCTS - 0.1% Prestige Brands Inc. | 9.250% | 4/15/12 |
| 5,300 | PHARMACEUTICALS - 0.3% Wyeth | 5.109% | 1/15/24 |
| 3,000 | REAL ESTATE - 0.3% Felcor Lodging Trust Inc., 144A | 7.263% | 12/01/11 |
| 900 | Saxon Capital Inc., 144A | 12.000% | 5/01/14 |
| 1,000 | Trustreet Properties, Inc. | 7.500% | 4/01/15 |
| 500 | Ventas Realty LP, Series WI | 7.125% | 6/01/15 |
| 5,400 | Total Real Estate | | |
| 2,400 | SEMICONDUCTORS & EQUIPMENT - 0.1% Avago Technologies Finance Pte. Ltd., Floating Rate Note, 5.500% plus three-month LIBOR, 144A | 10.125% | 12/01/13 |
| 5,000 | SPECIALTY RETAIL - 0.7% Asbury Automotive Group Inc. | 9.000% | 6/15/12 |
| 1,000 | Quiksilver Inc. | 6.875% | 4/15/15 |
| 7,000 | Warnaco Inc., Senior Notes | 8.875% | 6/15/13 |
| 13,000 | Total Specialty Retail | | |
| 4,000 | TEXTILES, APPAREL & LUXURY GOODS - 0.2% Jostens IH Corporation | 7.625% | 10/01/12 |
| 2,000 | TRADING COMPANIES & DISTRIBUTORS - 0.1% United Rentals North America Inc. | 6.500% | 2/15/12 |
| \$ 238,536 | TOTAL CORPORATE BONDS (COST \$245,677,641) | | |

| PRINCIPAL AMOUNT (000)/SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|-------------------------------------|---|--------|----------|
| | CAPITAL PREFERRED SECURITIES - 32.7% (22.3% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 5.6% | | |
| 4,900 | BankBoston Capital Trust III | 6.103% | 6/15/27 |
| 6,273 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 |
| 1,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 |
| 32,750 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 |
| 3,000 | Compass Trust I, Series A | 8.230% | 1/15/27 |
| 12,400 | Dresdner Funding Trust I, 144A | 8.151% | 6/30/31 |
| 2,000 | First Hawaiian Capital Trust I, Series B | 8.343% | 7/01/27 |
| 3,500 | First Union Capital Trust II, Series A | 7.950% | 11/15/29 |
| 15,500 | Mellon Capital Trust I, Series A | 7.720% | 12/01/26 |
| 2,200 | MUFG Capital Finance 2 | 4.850% | 7/25/56 |

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

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| | | | |
|---|---|---------|----------|
| CAPITAL MARKETS (continued) | | | |
| 9,000 | State Street Institutional Capital Trust, 144A | 8.035% | 3/15/27 |
| 13,419 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 |
| ----- | | | |
| Total Capital Markets | | | |
| ----- | | | |
| COMMERCIAL BANKS - 17.5% | | | |
| 2,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 |
| 8,000 | Abbey National Capital Trust I | 8.963% | 6/30/50 |
| 43,100 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 |
| 12,120 | Bank One Capital III | 8.750% | 9/01/30 |
| 2,600 | BankAmerica Institutional Capital Trust, Series B, 144A | 7.700% | 12/31/26 |
| 1,000 | BanPonce Trust I, Series A | 8.327% | 2/01/27 |
| 4,000 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 |
| 1,400 | BOI Capital Funding 3, 144A | 6.107% | 8/04/56 |
| 10,100 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 |
| 2,400 | Den Norske Bank, 144A | 7.729% | 6/29/49 |
| 4,315 | First Chicago NBD Institutional Capital Trust, Series B, 144A | 7.750% | 12/01/26 |
| 5,000 | First Chicago NBD Institutional Capital, 144A | 7.950% | 12/01/26 |
| 5,750 | First Empire Capital Trust I | 8.234% | 2/01/27 |
| 11,000 | First Empire Capital Trust II | 8.277% | 6/01/27 |
| 4,250 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 |
| 27,850 | HBOS Capital Funding LP | 6.850% | 3/23/49 |
| 6,000 | HBOS PLC, Series 144A | 6.413% | 9/29/49 |
| 12,838 | HSBC Capital Funding LP, 144A | 9.547% | 12/31/49 |
| 14,000 | HSBC Capital Funding LP | 10.176% | 6/30/50 |
| 19,605 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 |
| 4,000 | KeyCorp Capital III | 7.750% | 7/15/29 |
| 17,000 | Lloyds TSB Bank PLC | 6.900% | 11/22/49 |
| 2,000 | Nationsbank Capital Trust III | 5.920% | 1/15/27 |
| 1,000 | Nordbanken AB, 144A | 8.950% | 11/29/49 |
| 10,000 | North Fork Capital Trust II | 8.000% | 12/15/27 |
| 6,000 | PNC Preferred Funding Trust | 6.517% | 3/15/49 |
| 2,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 |
| 14,750 | RBS Capital Trust B | 6.800% | 12/31/49 |
| 2,000 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 |
| 1,202 | Republic New York Capital II | 7.530% | 12/04/26 |
| 6,200 | Royal Bank of Scotland Group PLC | 9.118% | 3/31/49 |
| 4,472 | St. George Funding Company LLC, 144A | 8.485% | 12/31/47 |
| 14,700 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 |
| 15,290 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 |
| 3,800 | Union Planters Capital Trust A | 8.200% | 12/15/26 |
| 22,700 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 |
| ----- | | | |
| Total Commercial Banks | | | |
| ----- | | | |
| DIVERSIFIED FINANCIAL SERVICES - 3.0% | | | |
| 6,200 | BNP Paribas Capital Trust | 7.200% | 12/31/49 |
| 1,000 | Citigroup Capital III | 7.625% | 12/01/36 |
| 4,800 | Fulton Capital Trust I | 6.290% | 2/01/36 |
| 3,000 | JPM Capital Trust II | 7.950% | 2/01/27 |
| 18,600 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17/36 |
| 23,600 | Old Mutual Capital Funding | 8.000% | 6/22/53 |
| ----- | | | |
| Total Diversified Financial Services | | | |
| ----- | | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES - 1.1% | | | |

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| | | | |
|--------|---|--------|----------|
| 19,080 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 |
| ----- | | | |
| | INSURANCE - 3.9% | | |
| 10,000 | American General Capital II | 8.500% | 7/01/30 |
| 4,980 | American General Institutional Capital, 144A | 8.125% | 3/15/46 |
| 1,000 | Great West Life and Annuity Insurance Company | 7.153% | 5/16/46 |
| 14,250 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 |
| 5,000 | MetLife Inc. | 6.400% | 12/15/66 |
| 1,550 | Nationwide Financial Services Capital Trust | 7.899% | 3/01/37 |
| 5,000 | Oil Insurance Limited, 144A | 7.550% | 12/30/49 |
| 3,750 | Prudential PLC | 6.500% | 6/29/49 |

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)

Portfolio of INVESTMENTS December 31, 2006

| PRINCIPAL AMOUNT (000)/SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|---|---|--------|----------|
| ----- | | | |
| | INSURANCE (continued) | | |
| 8,000 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 |
| 18,994 | Zurich Capital Trust I, 144A | 8.376% | 6/01/37 |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.6% | | |
| 12,355 | KN Capital Trust III | 7.630% | 4/15/28 |
| ----- | | | |
| | REAL ESTATE - 0.0% | | |
| 3,500 | PS Business Parks Inc., Series M | 7.200% | 3/30/55 |
| ----- | | | |
| | ROAD & RAIL - 0.4% | | |
| 7,600 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15/55 |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.6% | | |
| 2,000 | Caisse Nationale Des Caisses d'Epargne et de Prevoyance | 6.750% | 1/27/49 |
| 3,365 | Great Western Financial Trust II, Series A | 8.206% | 2/01/27 |
| 6,800 | Washington Mutual Preferred Funding Trust II | 6.665% | 3/15/57 |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| TOTAL CAPITAL PREFERRED SECURITIES (COST \$676,221,183) | | | |
| ===== | | | |
| SHARES | DESCRIPTION (1) | | |
| ----- | | | |
| | INVESTMENT COMPANIES - 1.4% (0.9% OF TOTAL INVESTMENTS) | | |
| 99,306 | Blackrock Preferred and Corporate Income Strategies Fund | | |
| 450,963 | Blackrock Preferred Income Strategies Fund | | |

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| | |
|---------|--|
| 319,801 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. |
| 146,733 | Flaherty and Crumrine/Claymore Total Return Fund Inc. |
| 307,548 | John Hancock Preferred Income Fund III |

TOTAL INVESTMENT COMPANIES (COST \$26,151,816)
=====

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| | SHORT-TERM INVESTMENTS - 0.6% (0.4% OF TOTAL INVESTMENTS) | | |
| \$ 12,831 | Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/29/06, repurchase price \$12,837,598, collateralized by \$9,695,000 U.S. Treasury Bonds, 7.625%, due 2/15/25, value \$13,088,250 | 4.580% | 1/02/07 |
| | ===== | | |
| | TOTAL SHORT-TERM INVESTMENTS (COST \$12,831,068) | | |
| | ===== | | |
| | TOTAL INVESTMENTS (COST \$2,899,674,450) - 146.8% | | |
| | ===== | | |
| | OTHER ASSETS LESS LIABILITIES - 1.3% | | |
| | ===== | | |
| | PREFERRED SHARES, AT LIQUIDATION VALUE - (48.1)% | | |
| | ===== | | |
| | NET ASSETS APPLICABLE TO COMMON SHARES - 100% | | |
| | ===== | | |

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2006:

| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | FLOATING RATE INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY |
|----------------------|--------------------|--------------------------------------|------------------------|----------------------------|------------------------------------|
| JPMorgan Chase | \$97,000,000 | Receive | 1-Month USD-LIBOR | 3.360% | Monthly |
| Morgan Stanley | 97,000,000 | Receive | 1-Month USD-LIBOR | 3.048 | Monthly |
| Royal Bank of Canada | 97,000,000 | Receive | 1-Month USD-LIBOR | 2.679 | Monthly |

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

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- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Non-income producing.
- (3) Ratings (not covered by the report of independent registered public accounting firm)

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- Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Senior Loans in which the Fund invests generally pay interest at rates which are periodically adjusted by reference to a base short-term, floating lending rate plus an assigned fixed rate. These floating lending rates are generally (i) the lending rate referenced by the London Inter-Bank Offered Rate ('LIBOR'), or (ii) the prime rate as published by one or more major United States banks.
Senior Loans may be considered restricted in that the Fund ordinarily is contractually obligated to receive approval from the Agent Bank and/or Borrower prior to the termination of a Senior Loan.
- (5) Senior Loans generally are subject to mandatory and/or optional prepayment. Because of these mandatory prepayment conditions and because there may be significant economic incentives for a Borrower to prepay, prepayments of Senior Loans may occur. As a result, the actual remaining maturity of Senior Loans held may be substantially less than the stated maturities shown.
- (6) Investment is eligible for the Dividends Received Deduction.
- N/R Not rated.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- 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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Statement of
ASSETS AND LIABILITIES December 31, 2006

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|--|---|---|
| <hr/> | | |
| ASSETS | | |
| Investments, at value (cost \$2,072,028,787 and \$2,899,674,450, respectively) | \$2,113,792,476 | \$2,948,283,301 |
| Unrealized appreciation on interest rate swaps | 4,248,539 | 5,782,258 |
| Receivables: | | |
| Dividends | 3,548,621 | 3,456,414 |
| Interest | 11,660,743 | 18,478,882 |
| Investments sold | 38,346 | 653,719 |
| Reclaims | -- | 69,108 |
| Other assets | 119,339 | 154,216 |
| <hr/> | | |
| Total assets | 2,133,408,064 | 2,976,877,898 |
| <hr/> | | |
| LIABILITIES | | |
| Cash overdraft | 1,474,360 | 953,729 |
| Payable for investments purchased | -- | 152,448 |
| Accrued expenses: | | |
| Management fees | 948,530 | 1,282,497 |

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| | | |
|---|-----------------|-----------------|
| Other | 521,359 | 664,729 |
| FundPreferred shares dividends payable | 512,801 | 670,983 |
| ----- | | |
| Total liabilities | 3,457,050 | 3,724,386 |
| ----- | | |
| FundPreferred shares, at liquidation value | 708,000,000 | 965,000,000 |
| ----- | | |
| Net assets applicable to Common shares | \$1,421,951,014 | \$2,008,153,512 |
| ----- | | |
| Common shares outstanding | 99,690,977 | 140,495,800 |
| ----- | | |
| Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) | \$ 14.26 | \$ 14.29 |
| ----- | | |

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

| | | |
|---|-----------------|-----------------|
| Common shares, \$.01 par value per share | \$ 996,910 | \$ 1,404,958 |
| Paid-in surplus | 1,395,785,216 | 1,979,517,242 |
| Undistributed (Over-distribution of) net investment income | (20,135,888) | (26,066,540) |
| Accumulated net realized gain (loss) from investments and derivative transactions | (708,627) | (1,094,881) |
| Net unrealized appreciation (depreciation) of investments and derivative transactions | 46,013,403 | 54,392,733 |
| ----- | | |
| Net assets applicable to Common shares | \$1,421,951,014 | \$2,008,153,512 |
| ----- | | |
| Authorized shares: | | |
| Common | Unlimited | Unlimited |
| FundPreferred | Unlimited | Unlimited |
| ----- | | |

See accompanying notes to financial statements.

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Statement of
OPERATIONS Year Ended December 31, 2006

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|---|---|---|
| ----- | | |
| INVESTMENT INCOME | | |
| Dividends | \$ 59,383,988 | \$ 77,312,248 |
| Interest | 56,817,054 | 87,878,692 |
| ----- | | |
| Total investment income | 116,201,042 | 165,190,940 |
| ----- | | |
| EXPENSES | | |
| Management fees | 17,864,558 | 24,449,422 |
| FundPreferred shares - auction fees | 1,770,002 | 2,412,500 |
| FundPreferred shares - dividend disbursing agent fees | 34,877 | 55,552 |
| Shareholders' servicing agent fees and expenses | 11,160 | 14,697 |

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| | | |
|--|-----------------|-----------------|
| Investments | 24,700,838 | 19,497,960 |
| Interest rate swaps | 5,199,947 | 1,556,692 |
| Futures | -- | (425,117) |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | 22,163,953 | (96,969,970) |
| Interest rate swaps | (3,391,223) | 3,055,918 |
| Foreign currencies | 1,175 | -- |
| Futures | -- | 325,875 |
| Distributions to FundPreferred shareholders: | | |
| From net investment income | (30,872,125) | (21,981,246) |
| From accumulated net realized gains | (2,714,021) | (482,035) |
| ----- | | |
| Net increase (decrease) in net assets applicable to | | |
| Common shares | | |
| from operations | 117,201,412 | 17,385,505 |
| ----- | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From net investment income | (86,742,611) | (114,775,658) |
| From accumulated net realized gains | (7,661,112) | (16,385,704) |
| Tax return of capital | (15,334,925) | -- |
| ----- | | |
| Decrease in net assets applicable to Common shares | | |
| from distributions to Common shareholders | (109,738,648) | (131,161,362) |
| ----- | | |
| CAPITAL SHARE TRANSACTIONS | | |
| Common shares repurchased | (5,457,666) | -- |
| FundPreferred shares offering costs adjustments | -- | -- |
| ----- | | |
| Net increase (decrease) in net assets applicable to | | |
| Common shares | | |
| from capital share transactions | (5,457,666) | -- |
| ----- | | |
| Net increase (decrease) in net assets applicable to | | |
| Common shares | 2,005,098 | (113,775,857) |
| Net assets applicable to Common shares at the beginning | | |
| of year | 1,419,945,916 | 1,533,721,773 |
| ----- | | |
| Net assets applicable to Common shares at the end of | | |
| year | \$1,421,951,014 | \$1,419,945,916 |
| ----- | | |
| Undistributed (Over-distribution of) net investment | | |
| income at the | | |
| end of year | \$ (20,135,888) | \$ (24,775,814) |
| ----- | | |

See accompanying notes to financial statements.

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Notes to FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The funds (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.

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Each Fund seeks to provide high income by investing primarily in a portfolio of preferred securities, convertible securities, high yield securities and equity securities.

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

Investment Valuation

Exchange-listed securities and instruments, other than futures, are generally valued at the last sales price on the exchange on which such securities or instruments are primarily traded. Securities or instruments traded on an exchange for which there are no transactions on a given day or securities or instruments not listed on an 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. Futures contracts are valued using the closing settlement price or, in the absence of such a price, at the mean of the bid and asked prices. Prices of other derivative instruments, fixed-income securities and senior loans are generally provided by an independent pricing service approved by the Funds' Board of Trustees. When price quotes are not readily available, the pricing service or, in the absence of a pricing service for a particular investment, the Board of Trustees of the Funds, or its designee, may establish fair market value using a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or 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 or the Board of Trustee's designee. If the pricing service is unable to supply a price for a derivative investment the Fund may use a market quote provided by a major broker/dealer in such investments. If it is determined that the market price for an investment is unavailable or inappropriate, the Board of Trustees of the Funds, or its designee, may establish fair value in accordance with procedures established in good faith by the Board of Trustees. Short-term investments are valued at amortized cost, which approximates market value.

The senior loans in which the Fund invests are not listed on an organized exchange and the secondary market for such investments may be less liquid relative to markets for other fixed income securities. Consequently, the value of senior loans, determined as described above, may differ significantly from the value that would have been determined had there been an active market for that senior loan.

Investment Transactions

Investment transactions are recorded on a trade date basis. Trade date for senior loans purchased in the "primary market" is considered the date on which the loan allocations are determined. Trade date for senior loans purchased in the "secondary market" is the date on which the transaction is entered into. Realized gains and losses from investment transactions are determined on the specific identification method. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments 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/delayed delivery purchase commitments. At December 31, 2006, there were no such outstanding purchase commitments in either Fund.

Investment Income

Dividend income on securities purchased and dividend expense on securities sold short, if any, are recorded on the ex-dividend date or, for foreign securities, when information is available. 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. Interest income also includes paydown gains and losses. Fee income, if any, consists primarily of amendment fees. Amendment fees are earned as compensation for evaluating and accepting changes to the original loan agreement and are recognized when received.

Federal Income Taxes

Each Fund is a separate taxpayer for Federal income tax purposes. Each Fund intends to distribute substantially all net investment income and net capital gains to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. Therefore, no Federal income tax provision is required.

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Notes to

FINANCIAL STATEMENTS (continued)

Dividends and Distributions to Common Shareholders

Distributions to Common shareholders 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 U.S. generally accepted accounting principles.

The Funds make monthly cash distributions to Common shareholders of a stated dollar amount per share. Effective with the distribution payable June 1, 2006, and subject to approval and oversight by the Funds' Board of Trustees, each Fund began to make distributions that seek to maintain a stable distribution level designed to deliver the long-term return potential of each Fund's investment strategy through regular monthly distributions (a "Managed Distribution Policy"). Total distributions during a calendar year generally will be made from each Fund's net investment income, net realized capital gains and net unrealized capital gains in the Fund's portfolio, if any. The portion of distributions paid from net unrealized gains, if any, would be distributed from the Fund's assets and would be treated by shareholders as a non-taxable distribution for tax purposes. If a Fund's total return on net asset value exceeds total distributions during a calendar year, the excess will be reflected as an increase in net asset value per share. In the event that total distributions during a calendar year exceed a Fund's total return on net asset value, the difference will be treated as a return of capital for tax purposes and will reduce net asset value per share. The final determination of the source and character of all distributions for the fiscal year are made after the end of the fiscal year and are reflected in the financial statements.

Real Estate Investment Trust ("REIT") distributions received by the Funds are generally comprised of ordinary income, long-term and short-term capital gains, and a return of REIT capital. The actual character of amounts received during the period are not known until after the fiscal year-end.

For the fiscal year ended December 31, 2006, the character of distributions to the Funds from the REITs was as follows:

| PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|--|--------------------|
|--|--------------------|

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| | |
|--|--------|
| Ordinary income | 76.30% |
| Long-term and short-term capital gains | 23.61 |
| Return of REIT capital | 0.09 |

For the fiscal year ended December 31, 2005, the character of distributions to the Funds from the REITs was as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|--|--|--------------------|
| Ordinary income | 66.92% | |
| Long-term and short-term capital gains | 33.08 | |
| Return of REIT capital | -- | |

For the fiscal years ended December 31, 2006 and December 31, 2005, the Funds applied the actual character of distributions reported by the REITs in which the Funds invest to their receipts from the REITs. If a REIT held in the portfolio of investments did not report the actual character of its distributions during the period, the Funds treated the distributions as ordinary income.

The actual character of distributions made by the Funds during the fiscal years ended December 31, 2006 and December 31, 2005, are reflected in the accompanying financial statements.

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FundPreferred Shares

The Funds have issued and outstanding FundPreferred shares, \$25,000 stated value per share, as a means of effecting financial leverage. Each Fund's FundPreferred shares are issued in more than one Series. The dividend rate paid by the Funds on each Series is determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and is payable at the end of each rate period. The number of FundPreferred shares outstanding, by Series and in total, for each Fund is as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|-------------------|--|--------------------|
| Number of shares: | | |
| Series M | 4,720 | |
| Series M2 | -- | |
| Series T | 4,720 | |
| Series T2 | -- | |
| Series W | 4,720 | |

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| | |
|------------|--------|
| Series W2 | -- |
| Series TH | 4,720 |
| Series TH2 | -- |
| Series F | 4,720 |
| Series F2 | 4,720 |
| <hr/> | |
| Total | 28,320 |
| <hr/> | |

Foreign Currency Translation

To the extent that the Funds invest in securities that are denominated in a currency other than U.S. dollars, the Funds will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the foreign currency will reduce returns or portfolio value. Generally, when the U.S. dollar rises in value against a foreign currency, the Funds' investments in securities denominated in that currency will lose value because its currency is worth fewer U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value. Investments and other assets and liabilities denominated in foreign currencies are converted into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange market at the time of valuation. Purchases and sales of investments and dividend income denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions. The gains or losses resulting from changes in foreign exchange rates on investments and derivative transactions, if any, are included with Net realized gain (loss) from foreign currencies and Change in net unrealized appreciation (depreciation) of foreign currencies in the Statement of Operations.

Foreign Currency Transactions

The Funds are authorized to engage in foreign currency exchange transactions. The Funds may engage in foreign currency forward, swap, options and futures contracts. To the extent that the Funds invest in contracts that are denominated in a currency other than U.S. dollars, the Funds will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the foreign currency will reduce returns or portfolio value. Generally, when the U.S. dollar rises in value against a foreign currency, the Funds' investments denominated in that currency will lose value because its currency is worth fewer U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value. Investments and other assets and liabilities denominated in foreign currencies are converted into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange market at the time of valuation. Purchases and sales of investments and dividend income denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions.

Interest Rate Swap Transactions

The Funds are authorized to invest in certain derivative financial instruments. The Funds' use of interest rate swap transactions is intended to mitigate the negative impact that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swap transactions involve each Fund's agreement with the counterparty to pay or receive a fixed rate payment in exchange for the counterparty paying or receiving a variable rate payment that is intended to approximate each Fund's variable rate payment obligation on Fund Preferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the interest rate swap contract. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that each Fund is to receive. Interest rate swap positions are valued 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.

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Notes to
FINANCIAL STATEMENTS (continued)

Futures Contracts

Each Fund may use futures contracts to hedge against changes in the values of securities the Fund owns. Each Fund bears the market risk arising from changes in the value of these financial instruments. At the time a Fund enters into a futures contract, the Fund deposits and maintains as collateral an initial margin as required by the exchange on which the transaction is affected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses on futures contracts. Risk may arise from the potential inability of the counterparty to meet the terms of the contract. When a contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the time it was closed. At December 31, 2006, there were no open futures contracts in either Fund.

Short Sales

The Funds are authorized to make short sales of securities if the Funds own at least an equal amount of such securities or securities convertible into securities of the same issuer. To secure its obligation to deliver 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. The Fund is obligated to pay to the party to which the securities were sold short, dividends declared on the stock by the issuer and records such amounts as expense in the Statement of Operations. Short sales are valued daily and the corresponding unrealized gains or losses are included in "Change in net unrealized appreciation (depreciation) of investments." At December 31, 2006, there were no outstanding short sales in either Fund.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Funds' 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.

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.

Indemnifications

Under the Funds' organizational documents, their Officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the Funds enter into contracts that provide general indemnifications to other parties. The

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Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

2. FUND SHARES

On February 3, 2006, the Funds' Board of Trustees approved an open market share repurchase program as part of a broad, ongoing effort designed to support the market prices of the Funds' common shares. Under the terms of the program, each Fund may repurchase up to 10% of its outstanding common shares.

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Transactions in Common shares were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | | P CONVERTI |
|-------------------------------------|---|---------------------------|---------------------|
| | YEAR ENDED 12/31/06 | YEAR ENDED 12/31/05 | YE END 12/31/ |
| Shares repurchased | (432,200) | -- | (511,2 |
| Average price per share repurchased | \$12.63 | -- | \$12. |

3. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the fiscal year ended December 31, 2006, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|----------------------|--|--------------------|
| Purchases | \$1,533,279,880 | \$2,159,0 |
| Sales and maturities | 1,532,871,372 | 2,143,8 |

4. INCOME TAX INFORMATION

The following information is presented on an income tax basis based on the

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information currently available to the Funds. Differences between amounts for financial statement and Federal income tax purposes are primarily due to the treatment of paydown gains and losses, recognition of premium amortization, recognition of income on REIT investments, timing differences in the recognition of income and timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their Federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset values of the Funds.

At December 31, 2006, the cost of investments was as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|---------------------|--|--------------------|
| Cost of investments | \$2,092,203,111 | \$2,926,0 |

Gross unrealized appreciation and gross unrealized depreciation of investments at December 31, 2006, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|---|--|--------------------|
| Gross unrealized: | | |
| Appreciation | \$ 76,415,721 | \$ 100,2 |
| Depreciation | (54,826,356) | (77,9 |
| Net unrealized appreciation (depreciation) of investments | \$ 21,589,365 | \$ 22,2 |

The tax components of undistributed net ordinary income and net long-term capital gains at December 31, 2006, the Funds' tax year end, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|---|--|--------------------|
| Undistributed net ordinary income * | \$ -- | |
| Undistributed net long-term capital gains | -- | |

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

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Notes to
FINANCIAL STATEMENTS (continued)

The tax character of distributions paid during the tax years ended December 31, 2006 and December 31, 2005, was designated for purposes of the dividends paid deduction as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|--|--|--------------------|
| 2006 | | |
| Distributions from net ordinary income * | \$118,807,924 | \$174,6 |
| Distributions from net long-term capital gains** | 9,007,830 | 14,6 |
| Tax return of capital | 15,334,925 | 10,5 |

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|--|--|--------------------|
| 2005 | | |
| Distributions from net ordinary income * | \$136,580,519 | \$182,6 |
| Distributions from net long-term capital gains | 16,867,739 | 12,9 |

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

** The Funds designated as a long-term capital gain dividend, pursuant to the Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Funds related to net capital gain to zero for the tax year ended December 31, 2006.

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

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used in computing taxable income for purposes of preparing the Federal and state income and excise tax returns.

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Each Fund's management fee is separated into two components -- a complex-level component, based on the aggregate amount of all fund assets managed by Nuveen Asset Management (the "Adviser"), a wholly owned subsidiary of Nuveen Investments, Inc. ("Nuveen"), and a specific fund-level component, based only on the amount of assets within each individual fund. This pricing structure enables Nuveen fund shareholders to benefit from growth in the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

The annual fund-level fee, payable monthly, for each Fund is based upon the average daily Managed Assets of each Fund as follows:

| AVERAGE DAILY MANAGED ASSETS | FUND-LEVEL FEE RATE |
|-------------------------------------|---------------------|
| For the first \$500 million | .7000% |
| For the next \$500 million | .6750 |
| For the next \$500 million | .6500 |
| For the next \$500 million | .6250 |
| For Managed Assets over \$2 billion | .6000 |

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The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the table below. As of December 31, 2006, the complex-level fee rate was .1845%.

| COMPLEX-LEVEL ASSETS(1) | COMPLEX-LEVEL FEE RATE |
|---|------------------------|
| For the first \$55 billion | .2000% |
| For the next \$1 billion | .1800 |
| For the next \$1 billion | .1600 |
| For the next \$3 billion | .1425 |
| For the next \$3 billion | .1325 |
| For the next \$3 billion | .1250 |
| For the next \$5 billion | .1200 |
| For the next \$5 billion | .1175 |
| For the next \$15 billion | .1150 |
| For Managed Assets over \$91 billion(2) | .1400 |

(1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate Managed Assets ("Managed Assets" means the average daily net assets of each fund including assets attributable to preferred stock issued by or borrowings by the Nuveen funds) of Nuveen-sponsored funds in the U.S.

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- (2) With respect to the complex-wide Managed Assets over \$91 billion, the fee rate or rates that will apply to such assets will be determined at a later date. In the unlikely event that complex-wide Managed Assets reach \$91 billion prior to a determination of the complex-level fee rate or rates to be applied to Managed Assets in excess of \$91 billion, the complex-level fee rate for such complex-wide Managed Assets shall be .1400% until such time as a different rate or rates is determined.

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

The Funds pay no compensation directly to those of their 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. The Board of Trustees has adopted a deferred compensation plan for independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen advised Funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen advised Funds.

For the first eight years of Preferred and Convertible Income's (JPC) operations, the Adviser has 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 Adviser has 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:

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| YEAR ENDING JUNE 30, | | YEAR ENDING JUNE 30, | |
|-------------------------|------|-------------------------|------|
| | | | |
| 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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Notes to
FINANCIAL STATEMENTS (continued)

6. NEW ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board Interpretation No. 48
On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Recent SEC guidance allows Funds to delay implementing FIN 48 into NAV calculations until the fund's last NAV calculation in the first required financial statement reporting period. As a result, the Funds must begin to incorporate FIN 48 into their NAV calculations on June 29, 2007. At this time, management is continuing to evaluate the implications of FIN 48 and does not expect the adoption of FIN 48 will have a significant impact on the net assets or results of operations of the Funds.

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this standard relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of December 31, 2006, the Funds do not believe the adoption of SFAS No. 157 will impact the financial statement amounts; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements included within the Statement of Operations for the period.

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7. SUBSEQUENT EVENTS

Distributions to Common Shareholders

The Funds declared Common share distributions which were paid on February 1, 2007, to shareholders of record on January 15, 2007, as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME (JPC) |
|------------------------|--|--|
| Distribution per share | \$.0950 | |

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Financial
HIGHLIGHTS

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Financial
HIGHLIGHTS

Selected data for a Common share outstanding throughout each period:

| | Investment Operations | | | | | | To |
|--|--|---------------------------------|---|---|--|------|----|
| | Beginning Common Share Net Asset Value | Net Investment Income (a) | Net Realized/ Unrealized Gain (Loss) | Distributions from Net Investment Income to FundPreferred Share- holders+ | Distributions from Capital Gains to FundPreferred Share- holders+ | | |
| PREFERRED AND CONVERTIBLE INCOME (JPC) | | | | | | | |
| Year Ended 12/31: | | | | | | | |
| 2006 | \$ 14.18 | \$ 1.02 | \$.50 | \$ (.31) | \$ (.03) | \$ 1 | |
| 2005 | 15.32 | 1.13 | (.74) | (.22) | -- | 1 | |
| 8/01/04-12/31/04 | 14.73 | .52 | .85 | (.04) | (.01) | 1 | |
| Year Ended 7/31: | | | | | | | |
| 2004 | 14.12 | 1.25 | .71 | (.08) | -- | 1 | |
| 2003 (b) | 14.33 | .30 | (.02) | (.02) | -- | 1 | |
| PREFERRED AND CONVERTIBLE INCOME 2 (JQC) | | | | | | | |
| Year Ended 12/31: | | | | | | | |
| 2006 | 14.20 | 1.04 | .48 | (.30) | (.03) | 1 | |
| 2005 | 15.18 | 1.12 | (.70) | (.21) | (.01) | 1 | |
| 8/01/04-12/31/04 | 14.33 | .51 | .90 | (.05) | -- | 1 | |
| Year Ended 7/31: | | | | | | | |

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| | | | | | | |
|----------|-------|------|-------|-------|----|---|
| 2004 | 13.83 | 1.16 | .73 | (.08) | -- | 1 |
| 2003 (c) | 14.33 | .04 | (.53) | -- | -- | (|

Less Distributions

| | Net Investment Income to Common Share- holders | Capital Gains to Common Share- holders | Tax Return of Capital to Common Share- holders | Total | Offering Costs and FundPreferred Share Underwriting Discounts | Ending Common Share Net Asset Value |
|--|---|--|---|-------|--|---|
|--|---|--|---|-------|--|---|

PREFERRED AND CONVERTIBLE INCOME (JPC)

| | | | | | | |
|-------------------|----------|----------|----------|-----------|-------|----------|
| Year Ended 12/31: | | | | | | |
| 2006 | \$ (.87) | \$ (.08) | \$ (.15) | \$ (1.10) | \$ -- | \$ 14.26 |
| 2005 | (1.15) | (.16) | -- | (1.31) | -- | 14.18 |
| 8/01/04-12/31/04 | (.50) | (.23) | -- | (.73) | -- | 15.32 |
| Year Ended 7/31: | | | | | | |
| 2004 | (1.22) | (.05) | -- | (1.27) | -- | 14.73 |
| 2003 (b) | (.30) | -- | -- | (.30) | (.17) | 14.12 |

PREFERRED AND CONVERTIBLE INCOME 2 (JQC)

| | | | | | | |
|-------------------|--------|-------|-------|--------|-------|-------|
| Year Ended 12/31: | | | | | | |
| 2006 | (.93) | (.09) | (.08) | (1.10) | -- | 14.29 |
| 2005 | (1.09) | (.09) | -- | (1.18) | -- | 14.20 |
| 8/01/04-12/31/04 | (.49) | (.02) | -- | (.51) | -- | 15.18 |
| Year Ended 7/31: | | | | | | |
| 2004 | (1.17) | -- | -- | (1.17) | (.14) | 14.33 |
| 2003 (c) | -- | -- | -- | -- | (.01) | 13.83 |

* Annualized.

** Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. Total Return on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. 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 includes the effect of the dividend expense on securities sold short as follows:

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

PREFERRED AND CONVERTIBLE INCOME (JPC)

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| | |
|--|------|
| Year Ended 12/31: | |
| 2006 | --% |
| 2005 | .01 |
| 8/01/04-12/31/04 | .04* |
| Year Ended 7/31: | |
| 2004 | .03 |
| 2003(b) | -- |
| PREFERRED AND CONVERTIBLE INCOME 2 (JQC) | |
| Year Ended 12/31: | |
| 2006 | --% |
| 2005 | .01 |
| 8/01/04-12/31/04 | .05* |
| Year Ended 7/31: | |
| 2004 | .03 |
| 2003(c) | -- |

- (a) Per share Net Investment Income is calculated using the average daily shares method.
- (b) For the period March 26, 2003 (commencement of operations) through July 31, 2003.
- (c) For the period June 25, 2003 (commencement of operations) through July 31, 2003.

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| Ratios/Supplemental Data | | | | | | |
|----------------------------------|---|---|---|-------------------------------|--|----------------------|
| Total Returns | | | Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement | | Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement | |
| Based on Market Value** | Based on Common Share Net Asset Value** | Ending Net Assets Applicable to Common Shares (000) | Expenses++ | Net Investment Income++ | Expenses++ | Investment Income |
| 29.81% | 8.71% | \$ 1,421,951 | 1.49% | 6.80% | 1.00% | 7.81% |
| (7.63) | 1.32 | 1,419,946 | 1.50 | 7.25 | 1.03 | 7.81% |
| 8.06 | 9.07 | 1,533,722 | 1.51* | 7.66* | 1.04* | 7.81% |
| 4.34 | 13.44 | 1,474,983 | 1.53 | 7.90 | 1.05 | 7.81% |
| (.89) | .58 | 1,412,983 | 1.29* | 5.67* | .87* | 7.81% |
| 26.71 | 8.73 | 2,008,154 | 1.44 | 6.90 | .96 | 7.81% |
| (4.40) | 1.41 | 2,002,079 | 1.46 | 7.25 | .99 | 7.81% |
| 6.20 | 9.59 | 2,140,563 | 1.47* | 7.81* | 1.00* | 7.81% |
| .10 | 12.25 | 2,021,258 | 1.47 | 7.51 | 1.00 | 7.81% |
| (2.07) | (3.49) | 1,950,622 | .97* | 2.86* | .65* | 7.81% |

Fund Preferred Shares at End of Period

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| Aggregate Amount Outstanding (000) | Liquidation and Market Value Per Share | Asset Coverage Per Share |
|---|---|--------------------------------|
| \$ 708,000 | \$ 25,000 | \$ 75,210 |
| 708,000 | 25,000 | 75,139 |
| 708,000 | 25,000 | 79,157 |
| 708,000 | 25,000 | 77,083 |
| 708,000 | 25,000 | 74,893 |
| 965,000 | 25,000 | 77,025 |
| 965,000 | 25,000 | 76,867 |
| 965,000 | 25,000 | 80,455 |
| 965,000 | 25,000 | 77,364 |
| -- | -- | -- |

See accompanying notes to financial statements.

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Board Members
AND OFFICERS

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the Board Members of the Funds. The number of board members of the Fund is currently set at ten. None of the board members who are not "interested" persons of the Funds has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED(2) | PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIP DURING PAST 5 YEARS |
|--------------------------------|------------------------------------|---------------------------------------|--|
|--------------------------------|------------------------------------|---------------------------------------|--|

BOARD MEMBER WHO IS AN INTERESTED PERSON OF THE FUNDS:

| | | | |
|--|--|------|---|
| Timothy R. Schwertfeger(1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606 | Chairman of the Board and Board Member | 1994 | Chairman (since 1996) and Director of Nuveen Investments, Inc., Investments, LLC; Chairman and Director (since 1997) of Nuveen Asset Management; Chairman and Director of Rittenhouse Asset Management, Inc. (since 1999); Chairman of Nuveen Investments Advisers Inc. (since 2002); formerly, Chairman and Director |
|--|--|------|---|

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(1996-2004) Nuveen Advisory and Nuveen Institutional Adv Corp.(3); formerly, Director (1996-2006) of Institutional Capital Corporation.

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

| | | | |
|--|----------------------------------|------|---|
| Robert P. Bremner 8/22/40 333 W. Wacker Drive Chicago, IL 60606 | Lead Independent Board member | 1997 | Private Investor and Management Consultant. |
| Lawrence H. Brown 7/29/34 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1993 | Retired (since 1989) as Senior President of The Northern Trust Company; Director (since 2000) of Community Advisory Board for Highland Park and Highwood, Way of the North Shore; Director (since 2006) of the Michael J. Fox Foundation for Pancreatic Cancer Research. |
| Jack B. Evans 10/22/48 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1999 | President, The Hall-Perrine Foundation, a private philanthropic corporation (since 1996); Director and Vice Chairman, United Financial Group, a publicly held company; Adjunct Faculty Member, University of Iowa; Director, Gazette Companies; Life Trustee of College and Iowa College Foundation; formerly, Director of Alliant Energy; formerly, Director of Federal Reserve Bank of Chicago; formerly, President and Chief Operating Officer, SCI Financial Group, Inc., a regional financial services firm. |
| William C. Hunter 3/6/48 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2004 | Dean, Tippie College of Business, University of Iowa (since June 2006); formerly, Dean and Distinguished Professor of Finance, School of Business at the University of Connecticut (2003-2006); previously, Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago (1995-2003); Director (since 1997), Credit Research Center at Georgetown University; Director (since 1997) of Xerox Corporation; Director of SS&C Technologies, Inc. (May 2005 to October 2005). |
| David J. Kundert 10/28/42 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2005 | Director, Northwestern Mutual Wealth Management Company; Retired (since 2004) as Chairman, JP Fleming Asset Management, President and CEO, Banc One Investment Advisors Corporation, and President, One Group Mutual |

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prior thereto, Executive Vice President, Banc One Corporation; Chairman and CEO, Banc One Investment Management Group; of Regents, Luther College; of the Wisconsin Bar Association; member of Board of Directors Friends of Boerner Botanical Gardens; member of Board of Directors, Milwaukee Repertory Theater.

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| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (2) | PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIP DURING PAST 5 YEARS |
|---|---------------------------------|-------------------------------------|--|
| BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED): | | | |
| William J. Schneider 9/24/44 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1997 | Chairman of Miller-Valentine Partners Ltd., a real estate investment company; formerly Senior Partner and Chief Operating Officer (retired, 2004) of Miller-Valentine Group; former Vice President, Miller-Valentine Realty; Board Member, Chair Finance Committee and member Audit Committee of Premier Health Partners, the not-for-profit company of Miami Valley Hospital; Vice President, Dayton Philharmonic Orchestra Association; Board Member, Regional Leaders Forum which promotes cooperation on economic development issues; Director, Dayton Development Coalition; formerly, Member, Community Advisory Board, National City Bank, Dayton, Ohio and Business Advisory Council, Cleveland Federal Reserve Bank |
| Judith M. Stockdale 12/29/47 333 W. Wacker Drive Chicago, IL 60606 | Board member | 1997 | Executive Director, Gaylord Dorothy Donnelley Foundation (1994); prior thereto, Executive Director, Great Lakes Protection Fund (from 1990 to 1994). |
| Carole E. Stone 6/28/47 333 West Wacker Drive Chicago, IL 60606 | Board Member | 2007 | Director, Chicago Board Options Exchange (since 2006); Chair York Racing Association Over Board (since 2005); Commission New York State Commission on |

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Authority Reform (since 2005 formerly Director, New York Division of the Budget (2000 Chair, Public Authorities Co Board (2000-2004) and Direct Local Government Assistance Corporation (2000-2004).

| | | | |
|---|--------------|------|--|
| Eugene S. Sunshine 1/22/50 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2005 | Senior Vice President for Business and Finance, Northwestern University (since 1997); Director (since 2003), Chicago Board of Exchange; Chairman (since 1997) Board of Directors, Rubicon, a captive insurance company owned by Northwestern University; Director (since 1997), Evanston Chamber of Commerce and Evanston Inventive business development organization; Director (since 2006), Pathways, a provider of therapy and related information for physically disabled infants and young children; formerly, Director (2003-2004) National Mentor Holdings, a privately-held, national provider of home and community-based services. |
|---|--------------|------|--|

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Board Members
AND OFFICERS (CONTINUED)

| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (4) | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--------------------------------|------------------------------------|--|--|
|--------------------------------|------------------------------------|--|--|

OFFICERS OF THE FUND:

| | | | |
|--|------------------------------------|------|--|
| Gifford R. Zimmerman 9/9/56 333 W. Wacker Drive Chicago, IL 60606 | Chief Administrative Officer | 1988 | Managing Director (since 2000) Assistant Secretary and Associate General Counsel, formerly, Vice President and Assistant General Counsel, of Nuveen Investment LLC; Managing Director (2002-2004) General Counsel (1998-2004) Assistant Secretary, formerly, President of Nuveen Advisory and Nuveen Institutional Adv Corp. (3); Managing Director (2002) and Assistant Secretary Associate General Counsel, formerly, Vice President (since 1997), of Nuveen Asset Management Managing Director (since 2000) |
|--|------------------------------------|------|--|

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| | | | |
|---|--|------|---|
| | | | Assistant Secretary (since 1 Nuveen Investments, Inc.; As Secretary of NWQ Investment Management Company, LLC. (si 2002); Vice President and As Secretary of Nuveen Investme Advisers Inc. (since 2002); Managing Director, Associate General Counsel and Assistan Secretary of Rittenhouse Ass Management, Inc.; Assistant Secretary of Symphony Asset Management LLC (since 2003), Tradewinds NWQ Global Invest LLC and Santa Barbara Asset Management, LLC; (since 2006 Chartered Financial Analyst. |
| Julia L. Antonatos 9/22/63 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 2004 | Managing Director (since 200 formerly, Vice President (si 2002); formerly, Assistant V President (since 2000) of Nu Investments, LLC; Chartered Financial Analyst. |
| Michael T. Atkinson 2/3/66 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Assistant Secretary | 2000 | Vice President (since 2002), formerly, Assistant Vice Pre (since 2000) of Nuveen Inves LLC. |
| Peter H. D'Arrigo 11/28/67 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 1999 | Vice President and Treasurer Nuveen Investments, LLC and Nuveen Investments, Inc. (si 1999); Vice President and Tr of Nuveen Asset Management (2002) and of Nuveen Investme Advisers Inc. (since 2002); Assistant Treasurer of NWQ Investment Management Compan (since 2002); Vice President Treasurer of Nuveen Rittenho Asset Management, Inc. (sinc 2003); Treasurer of Symphony Management LLC (since 2003). Santa Barbara Asset Manageme (since 2006); Assistant Trea Tradewinds NWQ Global Invest LLC (since 2006); formerly, President and Treasurer (199 of Nuveen Advisory Corp. and Institutional Advisory Corp. Chartered Financial Analyst. |
| John N. Desmond 8/24/61 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 2005 | Vice President, Director of Investment Operations, Nuvee Investments, LLC (since Janu 2005); formerly, Director, B Manager, Deutsche Asset Mana (2003- 2004), Director, Busi Development and Transformati Deutsche Trust Bank Japan (2002-2003); previously, Sen |

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Vice President, Head of Inve
Operations and Systems, Scud
Investments Japan, (2000-200
Senior Vice President, Head
Administration and Participa
Services, Scudder Investment
(1995-2002).

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| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (4) | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|---|------------------------------------|--|---|
| ----- | | | |
| OFFICERS OF THE FUNDS (CONTINUED) | | | |
| ----- | | | |
| Jessica R. Droeger 9/24/64 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Secretary | 1998 | Vice President (since 2002), Assistant Secretary and Assi General Counsel (since 1998) formerly, Assistant Vice Pre (since 1998) of Nuveen Inves LLC; Vice President (2002-20 Assistant Secretary (1998-20 formerly, Assistant Vice Pre of Nuveen Advisory Corp. and Institutional Advisory Corp. Vice President and Assistant Secretary (since 2005) of Nu Asset Management. |
| ----- | | | |
| Lorna C. Ferguson 10/24/45 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 1998 | Managing Director (since 200 formerly, Vice President of Investments, LLC, Managing D (2004) formerly, Vice Presid (1998-2004) of Nuveen Adviso Corp. and Nuveen Institution Advisory Corp.(3); Managing Director (since 2005) of Nuve Asset Management. |
| ----- | | | |
| William M. Fitzgerald 3/2/64 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 1995 | Managing Director (since 200 formerly, Vice President of Investments, LLC; Managing D (1997-2004) of Nuveen Adviso Corp. and Nuveen Institution Advisory Corp.(3); Managing Director (since 2001) of Nuve Asset Management; Vice Presi (since 2002) of Nuveen Inves Advisers Inc.; Chartered Fin Analyst. |
| ----- | | | |
| Stephen D. Foy 5/31/54 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Contoller | 1998 | Vice President (since 1993) Funds Contoller (since 1998) Nuveen Investments, LLC; for Vice President and Funds Con |

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(1998-2004) of Nuveen Invest
Inc.; Certified Public Accountant

| | | | |
|--|---|------|--|
| Walter M. Kelly 2/24/70 333 West Wacker Drive Chicago, IL 60606 | Chief Compliance Officer and Vice President | 2003 | Vice President and Assistant Secretary (since 2006) former Assistant Vice President and Assistant General Counsel (s 2003) of Nuveen Investments, Vice President (since 2006) Assistant Secretary (since 2 formerly, Assistant Vice Pre of Nuveen Asset Management; previously, Associate (2001- at the law firm of Vedder, P Kaufman & Kammholz. |
| David J. Lamb 3/22/63 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 2000 | Vice President (since 2000) Nuveen Investments, LLC; Cer Public Accountant. |
| Tina M. Lazar 8/27/61 333 W. Wacker Drive Chicago, IL 60606 | Vice President | 2002 | Vice President of Nuveen Investments, LLC (since 1999 |

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Board Members
AND OFFICERS (CONTINUED)

| NAME, BIRTHDATE AND ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED(4) | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--------------------------------|------------------------------------|---------------------------------------|--|
|--------------------------------|------------------------------------|---------------------------------------|--|

OFFICERS OF THE FUNDS (CONTINUED)

| | | | |
|--|--|------|--|
| Larry W. Martin 7/27/51 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Assistant Secretary | 1988 | Vice President, Assistant Se and Assistant General Counse Nuveen Investments, LLC; for Vice President and Assistant Secretary of Nuveen Advisory and Nuveen Institutional Adv Corp.(3); Vice President (si 2005) and Assistant Secretar Nuveen Investments, Inc.; Vi President (since 2005) and Assistant Secretary (since 1 Nuveen Asset Management; Vic President (since 2000), Assi Secretary and Assistant Gene Counsel (since 1998) of Ritt Asset Management, Inc.; Vice President and Assistant Secr of Nuveen Investments Advise (since 2002); Assistant Secr |
|--|--|------|--|

of NWQ Investment Management Company, LLC (since 2002), S Asset Management LLC (since and Tradewinds NWQ Global Investors, LLC and Santa Bar Asset Management, LLC (since

- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, because he is an officer and board member of the Adviser.
- (2) Board members serve a three year term until his/her successor is elected. The year first elected or appointed represents the year in which the board member was first elected or appointed to any fund in the Nuveen Complex.
- (3) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were reorganized into Nuveen Asset Management, effective January 1, 2005.
- (4) Officers serve one year terms through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

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Disclosure for NUVEEN
PREFERRED AND CONVERTIBLE INCOME FUNDS

PROCESS FOR APPROVAL OF A SUB-ADVISORY AGREEMENT WITH TRADEWINDS GLOBAL INVESTORS AND AN AMENDED SUB-ADVISORY AGREEMENT WITH SYMPHONY ASSET MANAGEMENT

The Board of Trustees is responsible for overseeing the performance of the investment adviser to the Funds and determining whether to approve the advisory arrangements, including sub-advisory arrangements. At a meeting held on November 14, 2006 (the "November Meeting"), the Board of Trustees of the Funds, including the independent Trustees, unanimously approved on behalf of each Fund the new Tradewinds Sub-Advisory Agreement between NAM and Tradewinds and the Amended Symphony Sub-Advisory Agreement between NAM and Symphony. Tradewinds and Symphony are each a "Sub-Advisor."

THE APPROVAL PROCESS

During the course of the fall of 2006, the Board received a wide variety of materials relating to proposed changes to the investment mandates for the Funds as well as the proposed managers for the assets allocated pursuant to these revised mandates. In this regard, NAM recommended Symphony and Tradewinds. To assist the Board in its evaluation of the sub-advisory contract with the respective Sub-Advisor at the November Meeting or at prior meetings, the independent Trustees received extensive materials which outlined, among other things:

- the nature, extent and quality of services to be provided by the Sub-Advisor;
- the organization and business operations of the Sub-Advisor;
- hypothetical performance of the Fund's modified investment strategies as well as certain hypothetical and actual performance of the respective Sub-Advisor;
- the profitability of Nuveen (which included its wholly-owned affiliated

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- sub-advisors such as Symphony and Tradewinds);
- the sub-advisory fee schedule for each Sub-Advisor as well as a description of the fees received by the Sub-Advisor from other funds and/or clients; and
- the soft dollar practices of the Sub-Advisor, if any.

At the November Meeting, Symphony made a presentation to and responded to questions from the Board. After the presentations and after reviewing the written materials, the independent Trustees met privately with their legal counsel to review the Board's duties under the Investment Company Act of 1940, as amended and the general principals of state law in reviewing and approving advisory contracts, the standards used by courts in determining whether investment company boards of directors have fulfilled their duties and factors to be considered by the Board in voting on advisory contracts. It is with this background that the Trustees considered the Amended Symphony Sub-Advisory Agreement and the Tradewinds Sub-Advisory Agreement. The independent Trustees, in consultation with independent counsel, reviewed the factors set out in judicial decisions and SEC directives relating to the approval of advisory contracts. As outlined in more detail below, the Trustees considered all factors they believed relevant with respect to each Fund, including the following: (a) the nature, extent and quality of the services to be provided by the Sub-Advisor; (b) performance information of the Fund and the Sub-Advisor (as described below); (c) the profitability of Nuveen and its affiliates; (d) the extent to which economies of scale would be realized as the Fund grows; and (e) whether fee levels reflect these economies of scale for the benefit of Fund investors.

A. NATURE, EXTENT AND QUALITY OF SERVICES

In reviewing the Sub-Advisors, the Trustees considered the nature, extent and quality of the respective Sub-Advisor's services. As Symphony already serves as a sub-advisor to the Funds and Tradewinds serves as sub-advisor to other Nuveen funds overseen by the Trustees, the Board has a good understanding of each Sub-Advisor's organization, operations and personnel. In this regard, the Trustees are familiar with and have evaluated the professional experience, qualifications and credentials of the Fund Advisor's personnel. At the November Meeting or at prior meetings, the Trustees have reviewed materials outlining, among other things, the Sub-Advisor's organization and business; the types of services that the respective Sub-Advisor will provide to the Funds under the revised investment mandates; the experience of the Sub-Advisor with respect to the investment strategies; and hypothetical as well as actual performance of the Sub-Advisor with respect to its investment strategies (as described in further detail below). The Trustees noted that NAM recommended the Sub-Advisors and considered the basis for such recommendation. At prior meetings, the Board has also reviewed an evaluation from NAM of each Sub-Advisor which outlined, among other things, the Sub-Advisor's organizational history, client base, product mix, investment team and any changes thereto, investment process, and performance (as applicable). Given the Trustees' experience with the Funds (including any other Nuveen funds advised by the Sub-Advisor) and each Sub-Advisor, the Trustees recognized and considered the quality of their investment processes in making portfolio management decisions.

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Disclosure for NUVEEN
PREFERRED AND CONVERTIBLE INCOME FUNDS (continued)

In addition to advisory services, the independent Trustees considered the quality of any administrative or non-advisory services provided. With respect to

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each Sub-Advisor, the independent Trustees noted that each respective Sub-Advisory Agreement was essentially an agreement for portfolio management services only and the Sub-Advisor was not expected to supply other significant administrative services to the Funds.

Based on their review, the Trustees found that, overall, the nature, extent and quality of services expected to be provided to the Funds under the Tradewinds Sub-Advisory Agreement and Amended Symphony Sub-Advisory Agreement, as applicable, were satisfactory.

B. THE INVESTMENT PERFORMANCE OF THE FUND AND SUB-ADVISORS

The Trustees recognized that the changes to the investment mandates are seeking, in part, to enhance portfolio returns thus limiting some of the usefulness of reviewing the Fund's past performance record. Accordingly, the Trustees have reviewed hypothetical model performance of the investment strategies as well as hypothetical and more recent actual performance of the respective Sub-Advisor with respect to its investment strategies. The Trustees are also familiar with the performance records of the respective Sub-Advisor with respect to other funds it advises.

C. FEES, EXPENSES AND PROFITABILITY

1. FEES AND EXPENSES

In evaluating the advisory fees, the Board recognized that the overall advisory fee paid by the Funds will not change as a result of the addition of Tradewinds as a Sub-Advisor and the increased fee for Symphony. Rather, NAM will pay the sub-advisory fees out of the management fees it receives from the Funds. With respect to the overall advisory fees and expenses of the Fund, the Trustees have previously reviewed, among other things, the respective Fund's advisory fees (net and gross management fees) and total expense ratios (before and after expense reimbursements and/or waivers) in absolute terms as well as comparisons to the gross management fees (before waivers), net management fees (after waivers) and total expense ratios (before and after waivers) of comparable funds. With respect to the sub-advisory fees, the Trustees reviewed the proposed sub-advisory fee for Tradewinds, the revised sub-advisory fee schedule for Symphony and the fees received by each from other funds they advise. At prior meetings, the Trustees have also reviewed the pricing schedule that the Sub-Advisor (or its predecessor) charges for similar investment management services for other client accounts or fund sponsors.

Based on their review of the fee and service information provided, the Trustees determined that the proposed sub-advisory fees for the respective Sub-Advisor was acceptable.

2. PROFITABILITY

In conjunction with its review of fees at prior meetings, the Trustees have considered the profitability of Nuveen for advisory activities (which incorporated Nuveen's wholly-owned affiliated sub-advisors including Tradewinds and Symphony). As noted, the overall advisory fees paid by the Funds will not change as a result of the proposed changes to the Funds' sub-advisory arrangements. At prior meetings, the Trustees have reviewed data comparing Nuveen's profitability with other fund sponsors prepared by three independent third party service providers as well as comparisons of the revenues, expenses and profits margins of various unaffiliated management firms with similar amounts of assets under management prepared by Nuveen. In considering profitability, the Trustees have recognized the inherent limitations in determining profitability as well as the difficulties in comparing the profitability of other unaffiliated advisers. Based on their review, the Trustees recognized that the Sub-Advisors are wholly-owned subsidiaries of Nuveen, the advisory fees paid to NAM are not changing, and therefore the level of profitability to Nuveen should remain the same and appears reasonable in light of the services provided.

In evaluating the reasonableness of the compensation, the Trustees also considered any other revenues paid to the Sub-Advisor and its affiliates (including NAM) as well as any indirect benefits (such as soft dollar arrangements, if any) they expect to receive that are directly attributable to their management of the Funds, if any. See Section E below for additional information.

D. ECONOMIES OF SCALE AND WHETHER FEE LEVELS REFLECT THESE ECONOMIES OF SCALE
With respect to economies of scale, the Trustees have recognized the potential benefits resulting from the costs of a fund being spread over a larger asset base as a fund grows. To help ensure the shareholders share in these benefits, the Trustees have previously reviewed and considered the breakpoints in the Fund's advisory fee schedules that reduce advisory fees as the applicable Fund's assets grow. In addition to advisory fee breakpoints as assets in a respective Fund rise, the Board had also approved a complex-wide fee arrangement that was introduced on August 1, 2004. Pursuant to the complex-wide fee arrangement, the fees of the funds in the Nuveen complex, including the Funds, are reduced as the assets in the fund complex reach certain

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levels. As noted, each Fund's overall advisory fee schedule including the breakpoints applicable to the fees paid by the Fund will not change as a result of the proposed changes to the Funds' sub-advisory arrangements. The Trustees had concluded that such breakpoint schedule and complex-wide fee arrangement continues to be acceptable and desirable in providing benefits from economies of scale to shareholders.

E. INDIRECT BENEFITS

In evaluating fees, the Trustees also considered any indirect benefits or profits the Sub-Advisor or its affiliates may receive as a result of its relationship with each Fund. In this regard, the Trustees recognized revenues received by affiliates of NAM and the Sub-Advisors for serving as agent at Nuveen's preferred trading desk.

In addition to the above, the Trustees considered whether the Sub-Advisor received any benefits from soft dollar arrangements. The Trustees recognized that Tradewinds may engage in soft dollar arrangements and that such Sub-Advisor may benefit from its soft dollar arrangements pursuant to which it receives research from brokers that execute the respective Fund's portfolio transactions. The Trustees noted that such Sub-Advisor's profitability may be lower if it was required to pay for this research with hard dollars. With respect to Symphony, Symphony currently does not enter into soft dollar arrangements; however, it has adopted a soft dollar policy in the event it does so in the future.

F. OTHER CONSIDERATIONS

In addition to the above, the Trustees recognized that the modifications in the Funds' investment strategies would result in changes to the Funds' portfolio management. As noted above, the Trustees considered the Sub-Advisors' experience in light of the Funds' new investment mandates. However, the Trustees recognized that the Sub-Advisors are affiliated with Nuveen and will be managing assets that were formerly managed by a sub-adviser unaffiliated with Nuveen. As Nuveen pays the Sub-Advisors out of the management fee it receives from the Funds, the Trustees considered the benefit to Nuveen that it will be retaining more of the management fees through its affiliated Sub-Advisors when the Board evaluated the sub-advisory arrangements and fee structures.

The Trustees did not identify any single factor discussed previously as all-important or controlling. The Trustees, including a majority of independent

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Trustees, concluded that the terms of the Tradewinds Sub-Advisory Agreement and Symphony's Amended Sub-Advisory Agreement were fair and reasonable, that the respective Sub-Advisor's fees are reasonable in light of the services provided to each Fund, and that the Trustees recommend that shareholders approve such Sub-Advisory Agreements.

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Reinvest Automatically
EASILY AND CONVENIENTLY

NUVEEN EXCHANGE-TRADED CLOSED-END FUNDS
DIVIDEND REINVESTMENT PLAN

Your Nuveen Exchange-Traded Closed-End 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

NUVEEN MAKES REINVESTING EASY. A PHONE CALL IS ALL IT TAKES TO SET UP YOUR REINVESTMENT ACCOUNT.

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 the 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 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.

FLEXIBLE

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

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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.

CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

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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AUTOMATIC DIVIDEND REINVESTMENT PLAN

NOTICE OF AMENDMENT TO THE TERMS AND CONDITIONS

The Fund is amending the terms and conditions of its Automatic Dividend Reinvestment Plan (the "Plan") as further described below effective with the close of business on December 1, 2006. THESE CHANGES ARE INTENDED TO ENABLE PLAN PARTICIPANTS UNDER CERTAIN CIRCUMSTANCES TO REINVEST FUND DISTRIBUTIONS AT A LOWER AGGREGATE COST THAN IS POSSIBLE UNDER THE EXISTING PLAN. Shareholders who do not wish to continue as participants under the amended Plan may withdraw from the Plan by notifying the Plan Agent prior to the effective date of the amendments. Participants should refer to their Plan document for notification instructions, or may simply call Nuveen at (800) 257-8787.

Fund shareholders who elect to participate in the Plan are able to have Fund distributions consisting of income dividends, realized capital gains and returns of capital automatically reinvested in additional Fund shares. Under the Plan's existing terms, the Plan Agent purchases Fund shares in the open market if the Fund's shares are trading at a discount to their net asset value on the payable date for the distribution. If the Fund's shares are trading at or above their net asset value on the payable date for the distribution, the Plan Agent purchases newly-issued Fund shares directly from the Fund at a price equal to the greater of the shares' net asset value or 95% of the shares' market value.

Under the Plan's amended terms, if the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value. This change will permit Plan participants under these circumstances to reinvest Fund distributions at a lower aggregate cost than is possible under the existing Plan.

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Notes

OTHER USEFUL
INFORMATION

QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

The Fund's (i) quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the most recent 12-month period ended June 30, 2006, and (iii) a description of the policies and procedures that the Fund used to determine how to vote proxies relating to portfolio securities are available without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at www.nuveen.com.

You may also obtain this and other Fund information directly from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at 1-202-942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to publicinfo@sec.gov or by writing to the SEC's Public Reference Section at 450 Fifth Street NW, Washington, D.C. 20549.

DISTRIBUTION INFORMATION

Nuveen Preferred and Convertible Income Fund (JPC) and Nuveen Preferred and Convertible Income Fund 2 (JQC) designate 21.23% and 17.79%, respectively, of dividends declared from net investment income as dividends qualifying for the 70% dividends received deduction for corporations and 25.58% and 21.97%, respectively, as qualified dividend income for individuals under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

CEO CERTIFICATION DISCLOSURE

Each Fund's Chief Executive Officer has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Each Fund has filed with the Securities and Exchange Commission the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

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 that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

MARKET YIELD: Market yield is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Funds' cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.

NET ASSET VALUE (NAV): A Fund's common share NAV per share is calculated by subtracting the liabilities of the Fund (including any Preferred shares issued in order to leverage the Fund) from its total assets and then dividing the

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remainder by the number of shares outstanding. Fund NAVs are calculated at the end of each business day.

BOARD OF TRUSTEES

Robert P. Bremner
Lawrence H. Brown
Jack B. Evans
William C. Hunter
David J. Kundert
William J. Schneider
Timothy R. Schwertfeger
Judith M. Stockdale
Carole E. Stone
Eugene S. Sunshine

FUND MANAGER

Nuveen Asset Management
333 West Wacker Drive
Chicago, IL 60606

CUSTODIAN

State Street Bank & Trust Company
Boston, MA

TRANSFER AGENT AND SHAREHOLDER SERVICES

State Street Bank & Trust Company
Nuveen Funds
P.O. Box 43071
Providence, RI 02940-3071
(800) 257-8787

LEGAL COUNSEL

Chapman and Cutler LLP
Chicago, IL

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Chicago, IL

The 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. During the period covered by this report, JPC and JQC repurchased 432,200 and 511,200 common shares, respectively. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

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(BACK COVER PHOTO)

NUVEEN INVESTMENTS:

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, Nuveen Investments has adhered to the belief that the best

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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.

WE OFFER MANY DIFFERENT INVESTING SOLUTIONS FOR OUR CLIENTS' DIFFERENT NEEDS.

Managing \$162 billion in assets, as of December 31, 2006, 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 six distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; Symphony, a leading institutional manager of market-neutral alternative investment portfolios; Santa Barbara, a leader in growth equities; and Tradewinds, NWQ a leader in global equities.

FIND OUT HOW WE CAN HELP YOU REACH YOUR FINANCIAL GOALS.

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

Be sure to obtain a prospectus, where applicable. Investors should consider the investment objective and policies, risk considerations, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information relevant to an investment in the Fund. For a prospectus, please contact your securities representative or Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606. Please read the prospectus carefully before you invest or send money.

LEARN MORE
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- Share prices
- Fund details
- Daily financial news
- Investor education
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NUVEEN LOGO

ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. [There were no amendments to or waivers from the Code during the period covered by this report.] The registrant has posted the code of ethics on its website at www.nuveen.com/etf. (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then click on Code of Conduct.)

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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The registrant's Board of Directors or Trustees determined that the registrant has at least one "audit committee financial expert" (as defined in Item 3 of Form N-CSR) serving on its Audit Committee. The registrant's audit committee financial expert is Jack B. Evans, Chairman of the Audit Committee, who is "independent" for purposes of Item 3 of Form N-CSR.

Mr. Evans was formerly President and Chief Operating Officer of SCI Financial Group, Inc., a full service registered broker-dealer and registered investment adviser ("SCI"). As part of his role as President and Chief Operating Officer, Mr. Evans actively supervised the Chief Financial Officer (the "CFO") and actively supervised the CFO's preparation of financial statements and other filings with various regulatory authorities. In such capacity, Mr. Evans was actively involved in the preparation of SCI's financial statements and the resolution of issues raised in connection therewith. Mr. Evans has also served on the audit committee of various reporting companies. At such companies, Mr. Evans was involved in the oversight of audits, audit plans, and the preparation of financial statements. Mr. Evans also formerly chaired the audit committee of the Federal Reserve Bank of Chicago.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Nuveen Preferred and Convertible Income Fund

The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's last two full fiscal years. For engagements with Ernst & Young LLP the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund, except for those non-audit services that were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The pre-approval exception for services provided directly to the Fund waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the services are provided; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the audit is completed.

The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, any other member of the Audit Committee).

SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND

| FISCAL YEAR ENDED | AUDIT FEES BILLED TO FUND (1) | AUDIT-RELATED FEES BILLED TO FUND (2) | TAX FEES BILLED TO FUND (3) |
|--|----------------------------------|--|--------------------------------|
| December 31, 2006 | \$ 20,731 | \$ 0 | \$ 800 |
| Percentage approved pursuant to pre-approval exception | 0% | 0% | 0% |
| December 31, 2005 | \$ 19,502 | \$ 0 | \$ 4,731 |
| Percentage approved pursuant to | 0% | 0% | 0% |

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pre-approval
exception

(1) "Audit Fees" are the aggregate fees billed for professional services for the audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

(2) "Audit Related Fees" are the aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statements and are not reported under "Audit Fees".

(3) "Tax Fees" are the aggregate fees billed for professional services for tax advice, tax compliance, and tax planning.

(4) "All Other Fees" are the aggregate fees billed for products and services other than "Audit Fees", "Audit Related Fees", and "Tax Fees".

SERVICES THAT THE FUND'S AUDITOR BILLED TO THE ADVISER AND AFFILIATED FUND SERVICE PROVIDERS

The following tables show the amount of fees billed by Ernst & Young LLP to Nuveen Asset Management ("NAM" or the "Adviser"), and any entity controlling, controlled by or under common control with NAM ("Control Affiliate") that provides ongoing services to the Fund ("Affiliated Fund Service Provider"), for engagements directly related to the Fund's operations and financial reporting, during the Fund's last two full fiscal years.

The tables also show the percentage of fees subject to the pre-approval exception. The pre-approval exception for services provided to the Adviser and any Affiliated Fund Service Provider (other than audit, review or attest services) waives the pre-approval requirement if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid to Ernst & Young LLP by the Fund, the Adviser and Affiliated Fund Service Providers during the fiscal year in which the services are provided that would have to be pre-approved by the Audit Committee; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the Fund's audit is completed.

| FISCAL YEAR ENDED | AUDIT-RELATED FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS | TAX FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (1) | ALL BILLE AND AF SERVI |
|---|---|---|---------------------------------|
| December 31, 2006 | \$ 0 | \$ 5,400 | |
| Percentage approved pursuant to pre-approval exception | 0% | 0% | |
| December 31, 2005 | \$ 0 | \$ 4,950 | |
| Percentage approved | 0% | 0% | |

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pursuant to
pre-approval
exception

(1) The amounts reported for the Fund under the column heading "Tax Fees" represents amounts billed to the Adviser exclusively for the preparation for the Fund's tax return, the cost of which is borne by the Adviser. In the aggregate, for all Nuveen funds for which Ernst & Young LLP serves as independent registered public accounting firm, these fees amounted to \$288,000 in 2006 and \$282,575 in 2005.

NON-AUDIT SERVICES

The following table shows the amount of fees that Ernst & Young LLP billed during the Fund's last two full fiscal years for non-audit services. For engagements entered into on or after May 6, 2003, the Audit Committee is required to pre-approve non-audit services that Ernst & Young LLP provides to the Adviser and any Affiliated Fund Services Provider, if the engagement related directly to the Fund's operations and financial reporting (except for those subject to the de minimis exception described above). The Audit Committee requested and received information from Ernst & Young LLP about any non-audit services that Ernst & Young LLP rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating Ernst & Young LLP's independence.

| FISCAL YEAR ENDED | TOTAL NON-AUDIT FEES BILLED TO FUND | TOTAL NON-AUDIT FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (ENGAGEMENTS RELATED DIRECTLY TO THE OPERATIONS AND FINANCIAL REPORTING OF THE FUND) | TOTAL BILLED AFFILIATED PROVIDER ENG |
|-------------------|--|---|--|
| December 31, 2006 | \$ 4,750 | \$ 5,400 | |
| December 31, 2005 | \$ 8,481 | \$ 4,950 | |

"Non-Audit Fees billed to Adviser" for both fiscal year ends represent "Tax Fees" billed to Adviser in their respective amounts from the previous table.

Audit Committee Pre-Approval Policies and Procedures. Generally, the Audit Committee must approve (i) all non-audit services to be performed for the Fund by the Fund's independent accountants and (ii) all audit and non-audit services to be performed by the Fund's independent accountants for the Affiliated Fund Service Providers with respect to operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent accountants for the Fund and Affiliated Fund Service Providers (with respect to operations and financial reports of the Fund) such engagements will be (i) pre-approved by the Audit Committee if they are expected to be for amounts greater than \$10,000; (ii) reported to the Audit Committee chairman for his verbal approval prior to engagement if they are expected to be for amounts under

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\$10,000 but greater than \$5,000; and (iii) reported to the Audit Committee at the next Audit Committee meeting if they are expected to be for an amount under \$5,000.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant's Board of Directors or Trustees has a separately designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Robert P. Bremner, Lawrence H. Brown, Jack B. Evans, William J. Schneider and Eugene S. Sunshine.

ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

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

The Adviser has engaged Spectrum Asset Management, Inc. ("Spectrum"), Frolely, Revy Investment Company Inc. ("Frolely, Revy") and Symphony Asset Management, LLC ("Symphony") (Spectrum, Frolely, Revy and Symphony are also collectively referred to as "Sub-Advisers") as Sub-Advisers to provide discretionary investment advisory services. As part of these services, the Adviser has also delegated to each Sub-Adviser the full responsibility for proxy voting and related duties in accordance with the Sub-Adviser's policy and procedures. The Adviser periodically will monitor each Sub-Adviser's voting to ensure that they are carrying out their duties. The Sub-Advisers' proxy voting policies and procedures are summarized as follows:

SYMPHONY

Symphony uses the proxy voting services of Institutional Shareholder Services ("ISS"). The ISS Proxy Voting Services provide Symphony and its clients with an independent source of proxy voting research and services. The use of ISS is designed to offer client-centered proxy voting which minimizes conflicts of interests between Symphony's interests and those of its clients.

In order to monitor how ISS votes client proxies, Symphony has established a Proxy Voting Review Committee (the "Committee"). The Committee is composed of Symphony's Chief Operating Officer and its Chief Investment Officer. Each year, the Committee reviews ISS proxy voting policies and practices to determine whether such policies and practices are consistent with Symphony's fiduciary duty to the clients for whom Symphony is responsible for voting proxies. During the year, the Committee review how ISS votes on specific issues. From time to time, the Committee discusses the proxy voting process with representatives of ISS in order to ensure that Symphony's client interests are being protected. When Symphony disagrees with ISS' policies with respect to certain issues, Symphony will direct the voting of its clients' proxies according to what Symphony believes is the best interests of its clients.

Clients who have questions about how particular proxies are voted for their account may request such information from Symphony by calling (415) 676-4000.

FROLEY, REVY

Frolely, Revy will vote proxies upon a client's request as set forth in the Investment Management contract. Proxies will be voted in the best interests of the account's participants and beneficiaries. Thus, the primary consideration in voting a proxy is the ultimate economic value of the stock based on Frolely, Revy's independent analysis of the stock's investment potential. Frolely, Revy utilizes a proxy committee. With respect to each proxy issue, the committee will

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analyze the economic impact on the company of voting in favor or against the proposal. The committee will vote based on the best ultimate long-term economic interest of the plan. Froley, Revy may determine not to vote proxies relating to certain securities if Froley, Revy determines it would be in its clients' overall best interest not to vote. If Froley, Revy manages the assets of a company or its pension plan and any of Froley, Revy's clients hold any securities of that company, to avoid conflicts of interest, the client will be asked to vote the proxy.

Clients that would like to obtain a copy of Froley, Revy's proxy policies and procedures and/or the voting history for their account may do so by writing to the offices of Froley, Revy Investment Co., Inc. at 10900 Wilshire Blvd. Suite 900, Los Angeles, CA 90024, Attn: Compliance Department.

SPECTRUM

Spectrum has adopted a Policy on Proxy Voting for Investment Advisory Clients (the "Voting Policy"), which provides that Spectrum aims to ensure that, when delegated proxy voting authority by a client, Spectrum act (1) solely in the interest of the client in providing for ultimate long-term stockholder value, and (2) without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Spectrum relies on the custodian bank to deliver proxies to Spectrum for voting.

Spectrum has selected Institutional Shareholder Services, Inc. ("ISS") to assist with Spectrum's proxy voting responsibilities. Spectrum generally follows ISS standard proxy voting guidelines which embody the positions and factors Spectrum considers important in casting proxy votes. In connection with each proxy vote, ISS prepares a written analysis and recommendation based on its guidelines. In order to avoid any conflict of interest for ISS, the CCO will require ISS to deliver additional information or certify that ISS has adopted policies and procedures to detect and mitigate such conflicts of interest in issuing voting recommendations. Spectrum also may obtain voting recommendations from two proxy voting services as an additional check on the independence of ISS' voting recommendations.

Spectrum may, on any particular proxy vote, diverge from ISS' guidelines or recommendations. In such a case, Spectrum's Voting Policy requires that: (i) the requesting party document the reason for the request; (ii) the approval of the Chief Investment Officer; (iii) notification to appropriate compliance personnel; (iv) a determination that the decision is not influenced by any conflict of interest; and (v) a written record of the process.

When Spectrum determines not to follow ISS' guidelines or recommendations, Spectrum classifies proxy voting issues into three broad categories: (1) Routine Administrative Items; (2) Special Interest Issues; and (3) Issues having the Potential for Significant Economic Impact, and casts proxy votes in accordance with the philosophy and decision guidelines developed for that category in the Voting Policy.

- Routine Administrative Items. Spectrum is willing to defer to management on matters a routine administrative nature. Examples of issues on which Spectrum will normally defer to management's recommendation include selection of auditors, increasing the authorized number of common shares and the election of unopposed directors.
- Special Interest Issues. In general, Spectrum will abstain from voting on shareholder social, political, environmental proposals because their long-term impact on share value cannot be calculated with any reasonable degree of confidence.

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- Issues Having the Potential for Significant Economic Impact. Spectrum is not willing to defer to management on proposals which have the potential for major economic impact on the corporation and value of its shares and believes such issues should be carefully analyzed and decided by shareholders. Examples of such issues are classification of board of directors' cumulative voting and supermajority provisions, defensive strategies (e.g., greenmail prevention), business combinations and restructurings and executive and director compensation.

Conflicts of Interest. There may be a material conflict of interest when Spectrum votes, on behalf of a client, a proxy that is solicited by an affiliated person of Spectrum or another Spectrum client. To avoid such conflicts, Spectrum has established procedures under its Voting Policy to seek to ensure that voting decisions are based on a client's best interests and are not the product of a material conflict. In addition to employee monitoring for potential conflicts, the CCO reviews Spectrum's and its affiliates' material business relationships and personal and financial relationships of senior personnel of Spectrum and its affiliates to monitor for conflicts of interest.

If a conflict of interest is identified, Spectrum considers both financial and non-financial materiality to determine if a conflict of interest is material. If a material conflict of interest is found to exist, the CCO discloses the conflict to affected clients and obtains consent from each client in the manner in which Spectrum proposed to vote.

Spectrum clients can obtain a copy of the Voting Policy or information on how Spectrum voted their proxies by calling Spectrum's Compliance Department at (203) 322-0189.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Adviser has engaged Spectrum Asset Management, Inc. ("Spectrum") for the registrant's preferred securities investments, Frolely Revy Investment Co. (Frolely Revy) for the registrant's convertible securities and Symphony Asset Management, LLC ("Symphony") for the registrant's high yield, fixed income investments (Spectrum, Frolely Revy and Symphony are also collectively referred to as "Sub-Advisers") as Sub-Advisers to provide discretionary investment advisory services. The following section provides information on the portfolio managers at each Sub-Adviser:

SPECTRUM

Item 8 (a) (1). PORTFOLIO MANAGER BIOGRAPHIES:

MARK A. LIEB - Mr. Lieb is Chief Financial Officer and is responsible for business development. Prior to founding Spectrum in 1987, Mr. Lieb was a Founder, Director and Partner of DBL Preferred Management, Inc., a wholly owned corporate cash management subsidiary of Drexel Burnham Lambert, Inc. Mr. Lieb was instrumental in the formation and development of all aspects of DBL Preferred Management, Inc., including the daily management of preferred stock portfolios for institutional clients, hedging strategies, and marketing strategies. Mr. Lieb's prior employment included the development of the preferred stock trading desk at Mosley Hallgarten & Estabrook. BA Economics, Central Connecticut State College; MBA Finance, University of Hartford.

L. PHILLIP JACOBY, IV -- Managing Director and Senior Portfolio Manager. Mr. Jacoby joined Spectrum in 1995 as Portfolio Manager. Previously, Mr. Jacoby was a Senior Investment Officer at USL Capital Corporation (a subsidiary of Ford Motor Corporation) and was a co-manager of a the preferred stock portfolio of its US Corporate Financing Division for six years. Mr. Jacoby began his career

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in 1981 with The Northern Trust Company, Chicago and then moved to Los Angeles to join E.F. Hutton & Co. as a Vice President and Institutional Salesman, Generalist Fixed Income Sales through most of the 1980s. BSBA (Finance), Boston University School of Management.

BERNARD M. SUSSMAN - Mr. Sussman is Chief Investment Officer and Chairman of Spectrum's Investment Committee. Prior to joining Spectrum in 1995, Mr. Sussman was with Goldman Sachs & Co. for nearly 18 years. A General Partner and head of the Preferred Stock Department, he was in charge of sales, trading and underwriting for all preferred products and was instrumental in the development of the hybrid (MIPS) market. He was a Limited Partner at Goldman Sachs from December 1994 through November 1996. BS Industrial Relations and MBA Finance, Cornell University. NASD Series 55 "Equity Trader Limited Representative".

Item 8 (a) (2). Other Accounts Managed

| PORTFOLIO MANAGER ----- | TYPE OF ACCOUNT MANAGED ----- | NUMBER OF ACCOUNTS ----- | ASSETS* ----- |
|----------------------------|-------------------------------------|--------------------------------|------------------|
| Phillip Jacoby | Separately Managed accounts | 32 | \$2,482,964,695 |
| | Pooled Accounts | 16 | \$2,254,008,805 |
| | Registered Investment Vehicles | 10 | \$7,981,784,022 |
| Mark Lieb | Separately Managed accounts | 41 | \$2,491,238,774 |
| | Pooled Accounts | 16 | \$2,254,008,805 |
| | Registered Investment Vehicles | 10 | \$7,981,784,022 |
| Bernard Sussman | Separately Managed accounts | 37 | \$2,488,012,550 |
| | Pooled Accounts | 16 | \$2,254,008,805 |
| | Registered Investment Vehicles | 10 | \$7,981,784,022 |

POTENTIAL MATERIAL CONFLICTS OF INTEREST

There are no material conflicts of interest to report.

ITEM 8 (a) (3). Fund Manager Compensation

All employees of Spectrum Asset Management are paid a base salary and discretionary bonus. The bonus is paid quarterly and may represent a significant proportion of an individual's total annual compensation. Discretionary bonuses are determined by management after consideration of several factors including but not necessarily limited to:

- Changes in overall firm assets under management (employees have no direct incentive to increase assets)
- Portfolio performance relative to benchmarks
- Contribution to client servicing

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- Compliance with firm and/or regulatory policies and procedures
- Work ethic
- Seniority and length of service
- Contribution to overall functioning of organization

ITEM 8 (a) (4). OWNERSHIP OF JPC SECURITIES AS OF DECEMBER 31, 2006

| NAME OF PORTFOLIO MANAGER | DOLLAR RANGE OF EQUITY SECURITIES BENEFICIALLY OWNED IN FUND |
|---------------------------|--|
| Phillip Jacoby | \$0 |
| Mark Lieb | \$0 |
| Bernard Sussman | \$0 |

FROLEY REVY

Item 8 (a) (1). PORTFOLIO MANAGER BIOGRAPHY:

ANDREA REVY O'CONNELL, CFA, CIC, Senior Portfolio Manager, President and Chief Executive Officer of Frolely, Revy Investment Co., Inc. since 2000.

Item 8 (a) (2). Other Accounts Managed

| (a) (1) Identify portfolio manager(s) | (a) (2) For each person identified in column (a) (1), provide number of other than the Funds managed by the person within each category below a total assets in the accounts managed within each category below | | | | |
|---------------------------------------|---|---------------------------|----------------------------------|---------------------------|----------------|
| | Registered Investment Companies | Total Assets (\$billions) | Other Pooled Investment Vehicles | Total Assets (\$billions) | Other Accounts |
| Andrea Revy O'Connell | 2 | \$1.5 | 0 | 0 | 3 |

*No accounts based on perf

POTENTIAL MATERIAL CONFLICTS OF INTEREST

As described above, the portfolio manager may manage other accounts with investment strategies similar to the Fund, including other investment companies and separately managed accounts. Fees earned by the sub-advisers may vary among

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these accounts and the portfolio managers may personally invest in some but not all of these accounts. These factors could create conflicts of interest because a portfolio manager may have incentives to favor certain accounts over others, resulting in other accounts outperforming the Fund. A conflict may also exist if a portfolio manager identified a limited investment opportunity that may be appropriate for more than one account, but the Fund is not able to take full advantage of that opportunity due to the need to allocate that opportunity among multiple accounts. In addition, the portfolio manager may execute transactions for another account that may adversely impact the value of securities held by the Fund. However, the sub-advisers believe that these risks are mitigated by the fact that accounts with like investment strategies managed by a particular portfolio manager are generally managed in a similar fashion, subject to exceptions to account for particular investment restrictions or policies applicable only to certain accounts, differences in cash flows and account sizes, and other factors. In addition, each sub-adviser has adopted trade allocation procedures that require equitable allocation of trade orders for a particular security among participating accounts.

ITEM 8 (a) (3). Fund Manager Compensation

Froley, Revy's portfolio managers receive base compensation and benefits, which are competitive with the industry standards. Bonuses are a reflection of both the individual's contribution and firm wide profitability. Ms. O'Connell's compensation is not based on the performance of her portfolios and is not directly tied to the gathering of assets. Rather any increases in assets are reflected through overall firm profitability. Ms. O'Connell is a profit participant in the firm and her bonus is based on a percentage of net profitability (including all bonuses paid to employees).

Due to the complex and varying natures of the portfolios managed, there is no simple comparison to an index, nor is compensation tied to performance against an index in the short term. Over a longer cycle, however, actual over and under performance is evaluated.

ITEM 8 (a) (4). OWNERSHIP OF JPC SECURITIES AS OF DECEMBER 31, 2006.

| NAME OF PORTFOLIO MANAGER | NONE | \$1 - \$10,000 | \$10,001- \$50,000 | \$50,001- \$100,000 | \$100,001- \$500,000 | \$500,001- \$1,000,000 | O \$ |
|---------------------------------|------|-------------------|-----------------------|------------------------|-------------------------|---------------------------|---------|
|---------------------------------|------|-------------------|-----------------------|------------------------|-------------------------|---------------------------|---------|

| | | | | | | | |
|-----------------------|--|--|--|---|--|--|--|
| Andrea Revy O'Connell | | | | X | | | |
|-----------------------|--|--|--|---|--|--|--|

SYMPHONY

Item 8 (a) (1). PORTFOLIO MANAGER BIOGRAPHIES:

GUNTHER STEIN, Director of Fixed Income Strategies, Portfolio Manager

Gunther Stein is the lead portfolio manager for High Yield strategies at Symphony and is the lead portfolio manager of Symphony's senior loan asset management team. Prior to joining Symphony in 1999, Stein was a high yield portfolio manager at Wells Fargo Bank, where he was responsible for investing in public high yield bonds and bank loans and also managed a team of credit analysts. Stein joined Wells Fargo in 1993 as an Associate in its Loan Syndications/Leveraged Finance Group. Previously, Stein worked for four years as a euro-currency deposit trader with First Interstate Bank. He has also worked

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for Standard Chartered Bank, Mexico City and Citibank Investment Bank, London. He completed Wells Fargo's Credit Management Training program and holds an M.B.A. from the University of Texas, Austin. He graduated from the University of California at Berkeley with a B.A. in Economics.

LENNY MASON, Fixed-Income Portfolio Manager

Lenny Mason is a Fixed-Income Portfolio Manager for Symphony Asset Management LLC. His responsibilities include portfolio management for Symphony's high yield and bank loan strategies and credit research for its fixed income strategies. Prior to joining Symphony in 2001, Lenny was a Managing Director in FleetBoston's Technology & Communications Group where he headed its five-member Structuring and Advisory Team. He joined FleetBoston in 1995 as an Assistant Vice President in its Media & Communications Group. Before joining Fleet, Lenny worked for Wells Fargo Bank's Corporate Banking Group dealing primarily with leveraged transactions and for Coopers & Lybrand as an auditor. Lenny has an MBA in Finance from the University of Chicago, a BS in Accounting from Babson College. Lenny is a Certified Public Accountant.

DAVID T. WANG, Equity Portfolio Manager

David's responsibilities include design, research and implementation of Symphony's long-only strategies. David joined Symphony in 1994 from Barra, Inc. where he was a member of the Active Strategies Group. At Barra he was responsible for investment-strategy research, portfolio construction and rebalancing for several domestic and global equity funds. David received his MBA from the University of Illinois at Urbana-Champaign and holds a BS degree in Chemical Engineering from Tamkang University in Taipei.

IGOR LOTSVIN, EQUITY PORTFOLIO MANAGER

Igor is an Equity Portfolio Manager focusing on qualitative analysis. Igor joined Symphony from Franklin Templeton Investments where he served as a High-Yield/Distressed Securities Analyst specializing in the domestic and international cable sector, satellite television, financial services and real estate sectors. Prior to receiving his MBA from Harvard Business School in 2001, Igor was in the Business Advisory Group at Arthur Andersen. He co-authored *The Capital Book*, and has authored or co-authored over 80 explanatory memos on new accounting and technical developments. Igor received a BS in Accounting, graduating magna cum laude from San Francisco State University. He is a Certified Public Accountant and holds the Chartered Financial Analyst designation.

Item 8 (a) (2). Other Accounts Managed

| | Gunther Stein | Lenny Mason | David Wang | Igor Lots |
|---------------------------|---------------|-------------|------------|-----------|
| (a) RICs | | | | |
| Number of accts | 7 | 7 | 2 | |
| Assets (\$000s) | \$ 1,420 | \$ 1,420 | \$ 155 | \$ 1 |
| (b) Other pooled accts | | | | |
| Non-performance fee accts | | | | |
| Number of accts | 3 | 3 | 0 | |
| Assets (\$000s) | \$ 432 | \$ 432 | \$ - | \$ |
| Performance fee accts | | | | |
| Number of accts | 8 | 2 | 2 | |
| Assets (\$000s) | \$ 1,175 | \$ 66 | \$ 28 | \$ |

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(c) Other

Non-performance fee accts

| | | | | | |
|-----------------|-------|----|----|----|-----|
| Number of accts | 2 | | 1 | 6 | |
| Assets (\$000s) | \$ 30 | \$ | 37 | \$ | 965 |

Performance fee accts

| | | | | | |
|-----------------|----------|----|---|----|---|
| Number of accts | 2 | | - | - | |
| Assets (\$000s) | \$ 295.3 | \$ | - | \$ | - |

Dollar amounts are in millions

POTENTIAL MATERIAL CONFLICTS OF INTEREST

As described above, the portfolio manager may manage other accounts with investment strategies similar to the Fund, including other investment companies and separately managed accounts. Fees earned by the sub-advisers may vary among these accounts and the portfolio managers may personally invest in some but not all of these accounts. In addition, certain accounts may be subject to performance-based fees. These factors could create conflicts of interest because a portfolio manager may have incentives to favor certain accounts over others, resulting in other accounts outperforming the Fund. A conflict may also exist if a portfolio manager identified a limited investment opportunity that may be appropriate for more than one account, but the Fund is not able to take full advantage of that opportunity due to the need to allocate that opportunity among multiple accounts. In addition, the portfolio manager may execute transactions for another account that may adversely impact the value of securities held by the Fund. However, the sub-advisers believe that these risks are mitigated by the fact that accounts with like investment strategies managed by a particular portfolio manager are generally managed in a similar fashion, subject to exceptions to account for particular investment restrictions or policies applicable only to certain accounts, differences in cash flows and account sizes, and other factors. In addition, each sub-adviser has adopted trade allocation procedures that require equitable allocation of trade orders for a particular security among participating accounts.

ITEM 8 (a) (3). Fund Manager Compensation

Symphony investment professionals receive competitive base salaries and participate in a bonus pool which is tied directly to the firm's operating income with a disproportionate amount paid to the managers responsible for generating the alpha. The bonus paid to investment personnel is based on acumen, overall contribution and strategy performance. However, there is no fixed formula which guides bonus allocations. Bonuses are paid on an annual basis. In addition, investment professionals may participate in an equity-based compensation pool.

ITEM 8 (a) (4). OWNERSHIP OF JPC SECURITIES AS OF DECEMBER 31, 2006.

| NAME OF PORTFOLIO MANAGER | NONE | \$1 - \$10,000 | \$10,001- \$50,000 | \$50,001- \$100,000 | \$100,001- \$500,000 | \$500,001- \$1,000,000 | OVER \$1,000,000 |
|---------------------------|------|----------------|--------------------|---------------------|----------------------|------------------------|------------------|
| Gunther Stein | X | | | | | | |
| Lenny Mason | | | X | | | | |

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ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board implemented after the registrant last provided disclosure in response to this Item.

ITEM 11. 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 second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the

exhibits in the sequence indicated.

(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 the code is posted on registrant's website at www.nuveen.com/etf and there were no amendments during the period covered by this report. (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then Code of Conduct.)

(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.

(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

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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

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

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

Jessica R. Droeger
Vice President and Secretary

Date: March 9, 2007

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: March 9, 2007

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

Stephen D. Foy
Vice President and Controller
(principal financial officer)

Date: March 9, 2007

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