

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2  
Form N-CSR  
October 08, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21333  
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Nuveen Preferred and Convertible Income Fund 2  
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(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
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(Address of principal executive offices) (Zip code)

Jessica R. Droeger  
Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
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(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700  
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Date of fiscal year end: July 31, 2003  
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Date of reporting period: July 31, 2003  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

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

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ITEM 1. REPORTS TO STOCKHOLDERS.

Nuveen  
Closed-End  
Exchange-Traded  
Funds

ANNUAL REPORT July 31, 2003

NUVEEN  
PREFERRED AND  
CONVERTIBLE  
INCOME FUNDS

JPC  
JQC

Photo of: boy in wheat field  
Photo of: seaside cabin

HIGH CURRENT INCOME  
FROM A PORTFOLIO OF  
PREFERRED AND  
CONVERTIBLE SECURITIES

Logo: NUVEEN Investments

FASTER INFORMATION  
RECEIVE YOUR  
NUVEEN FUND REPORT  
ELECTRONICALLY

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

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

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SOME COMMON CONCERNS:

WILL MY E-MAIL ADDRESS BE DISTRIBUTED TO OTHER COMPANIES?

No, your e-mail address is strictly confidential and will not be used for anything other than notification of shareholder information.

WHAT IF I CHANGE MY MIND AND WANT TO RECEIVE INVESTOR MATERIALS THROUGH REGULAR MAIL DELIVERY AGAIN?

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

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IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME FROM YOUR FINANCIAL ADVISOR OR BROKERAGE ACCOUNT,

FOLLOW THE STEPS OUTLINED BELOW:

- 1 Go to [WWW.INVESTORDELIVERY.COM](http://WWW.INVESTORDELIVERY.COM)
- 2 Refer to the address sheet that accompanied this report. Enter the personal 13-CHARACTER ENROLLMENT NUMBER imprinted near your name.
- 3 You'll be taken to a page with several options. Select the NEW ENROLLMENT-CREATE screen. Once there, enter your e-mail address (e.g. [yourID@providerID.com](mailto:yourID@providerID.com)), and a personal, 4-digit PIN number of your choice. (Pick a number that's easy to remember.)
- 4 Click Submit. Confirm the information you just entered is correct, then click Submit again.
- 5 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.
- 6 Use this same process if you need to change your registration information or cancel internet viewing.

IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME DIRECTLY TO YOU FROM NUVEEN, FOLLOW THE STEPS OUTLINED BELOW:

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

Logo: NUVEEN Investments

Photo of: TIMOTHY R. SCHWERTFEGER  
CHAIRMAN OF THE BOARD

SIDEBAR TEXT: "WE REMAIN CONVINCED THAT MAINTAINING A WELL-BALANCED PORTFOLIO  
..... IS AN IMPORTANT WAY TO HELP YOU REDUCE OVERALL INVESTMENT RISK."

Dear SHAREHOLDER

On behalf of all of us at Nuveen Investments, I'd like to use this first report of the Nuveen Preferred and Convertible Income Funds to welcome you to the growing family of Nuveen investors. For more than 100 years, Nuveen has

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specialized in offering quality investments to those seeking to accumulate and preserve wealth. Our mission continues to be to assist you and your financial advisor by offering the investment services and products that can help you meet your financial objectives. We thank you for choosing Nuveen Investments as a partner as you work toward that goal.

Because your Fund's fiscal year ends on July 31, this "annual" report really covers only about four months of operations for JPC and about one month for JQC. However, we believe both Funds are off to good starts, and are already well positioned to meet their objectives of high current income and total return potential. For more details, I encourage you to read the portfolio managers' interview that immediately follows this letter.

While the oldest of these two Funds was barely more than four months old as of July 31, 2003, both already have experienced a good deal of market price volatility. We know that the ups and downs that come with this volatility may lead some investors to consider increasing or decreasing their investments in their Fund. While we encourage you to take a strong interest in the performance of your investment portfolio, I urge you to first discuss any investment changes with your financial advisor before you act. We remain convinced that maintaining a well-balanced portfolio, structured and monitored with the help of an investment professional, is an important way to help you reduce overall investment risk and position yourself to achieve your long-term financial goals. In this context, the preferred and convertible securities in your Nuveen Fund can be important building blocks in a portfolio crafted to perform well through a variety of market conditions.

I also urge you to consider receiving future Fund reports and other information electronically via the Internet and e-mail rather than in hard copy. Not only will you be able to receive the information faster, but this also may help lower Fund expenses. Sign up is quick and easy -- see the inside front cover of this report for detailed instructions.

Again, thank you for the confidence you have shown in Nuveen Investments. We look forward to reporting on the performance of your Fund in the months and years ahead.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

September 15, 2003

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NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS (JPC, JQC)

Managers' PERSPECTIVE

The Nuveen Preferred and Convertible Income Funds are managed by Nuveen Institutional Advisory Corp. (NIAC), and sub-advised by a team of specialists from Spectrum Asset Management, Inc., Froleys, Revy Investment Co., Inc., and NIAC. Spectrum, an affiliate of Principal CapitalSM, manages the preferred securities portions of the Funds' portfolios. Froleys, Revy, one of the oldest firms specializing in convertible securities, manages that portion of both Fund's portfolios, while NIAC manages the high yield and other debt instruments

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in both Funds. Here representatives from Spectrum, Frolely, Revy and NIAC talk about general economic conditions and their management strategy for the period ended July 31, 2003.

WHAT WERE THE GENERAL MARKET CONDITIONS BETWEEN MARCH 2003 (THE INCEPTION OF JPC) AND JULY 31, 2003?

The first months of this period were characterized generally by a steady rise in price and fall in yield for most fixed income investments. This pattern reversed itself dramatically in July 2003, with price declines and yield increases that more than offset the gains of the previous three months.

This can be seen easily in the history of ten-year U.S. Treasury bonds. At the end of March 2003, when JPC began investing its initial assets, the ten-year U.S. Treasury was yielding 3.80%. By the end of June, when JQC began investing its assets, these bonds had continued to rally, pushing their yield to 3.52%. As of July 31, 2003, the ten-year Treasury yield had climbed almost 100 basis points to 4.40%.

These market conditions affected each of the Funds' three asset classes differently. Preferred securities generally performed well when compared with many other types of fixed-income investments from March through July 2003. However, this asset class still suffered across the board price declines. Convertible securities performed much better. During the April - July 2003 time frame, convertible securities generally advanced, with the Merrill Lynch All Convertible Index up 10.95% over those four months. The Merrill Lynch High-Yield Master Index returned 5.62% for the month of April 2003, 1.08% during May and 2.73% in June. However, the Index dropped -1.43% in July.

Generally, there was adequate supply of securities in all three asset classes over this period to facilitate the investing of both Funds' assets.

HOW HAVE YOU BEEN INVESTING THE ASSETS OF BOTH FUNDS?

For JPC, finding attractive yields among the high quality preferred securities we favor was the primary challenge as bonds rallied through much of the spring. A heavy new issuer calendar for preferred securities created some opportunities in both the primary and secondary markets and Spectrum was able to invest in a timely manner. The focus of the convertible securities portion of the Funds, managed by Frolely, Revy, was on balancing income opportunities with the potential for capital appreciation, while maintaining a roughly 50% weight (for this portion of the portfolio) in investment grade securities. For the high yield portion of the portfolio, NIAC focused on credits with strong fundamental business models, diversified revenue streams and limited earnings volatility. Industry and credit diversification were a key focus, with investments coming from sectors such as gaming/lodging, home-building, retail, media and food.

As of July 31, 2003, JQC was only about one month old. All three sub-advisers were still in the process of investing their initial allocations as of the end of the reporting period. The back-up in the fixed-income markets during July 2003 was providing some attractive yield opportunities for preferred and high yield securities, while the building consensus around improved equity market prospects was creating some opportunities for convertible securities investing.

WHAT WILL BE YOUR STRATEGY FOR THE FUNDS GOING FORWARD?

In an uncertain environment, we will continue to invest the Funds' assets in ways that we think will enhance their ability to provide attractive income and total returns. We plan to retain our research-oriented approach toward finding securities within each of the Funds' asset classes, and we will continue to seek opportunities to enhance the diversification of each Fund's portfolio.

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NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND

Performance

OVERVIEW As of July 31, 2003

JPC

PORTFOLIO STATISTICS

Share Price	\$14.57
Common Share Net Asset Value	\$14.12
Net Assets Applicable to Common Shares (\$000)	\$1,412,983

TOP 5 ISSUERS	% OF TOTAL INVESTMENTS
Wachovia Corporation	2.8%
General Motors Corporation	2.3%
Citigroup	2.1%
PartnerRe Limited	1.9%
Morgan Stanley	1.9%

CUMULATIVE TOTAL RETURN  
(INCEPTION DATE 3/26/03)

	Market	NAV
Since Inception	-0.89%	0.58%

Bar Chart:

2003 MONTHLY DIVIDENDS PER SHARE

May	0.1005
Jun	0.1005
Jul	0.1005

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

3/28/03	15.03
	15.09
	15.28
	15.4
	15.14

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	15.15
	15.3
	15.32
	15.43
	15.45
	15.37
	15.4
	15.49
	15.4
	15.04
	15.04
7/31/03	14.57

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NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2

Performance

OVERVIEW As of July 31, 2003

JQC

PORTFOLIO STATISTICS

Share Price	\$14.69
Common Share Net Asset Value	\$13.83
Net Assets Applicable to Common Shares (\$000)	\$1,950,622

TOP 5 ISSUERS <sup>1</sup>	% OF TOTAL INVESTMENTS
Citigroup	3.5%
Wachovia Corporation	2.2%
ABN AMRO Bank NV	2.0%
Prudential Financial Inc.	1.9%
ING Groep NV	1.7%

CUMULATIVE TOTAL RETURN  
(INCEPTION DATE 6/25/03)

	Market	NAV
Since Inception	-2.07%	-3.49%

THE FUND PAID ITS FIRST MONTHLY DIVIDEND OF \$.0975 PER SHARE ON SEPTEMBER 2, 2003.

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Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

6/27/03	15.09
	15.25
	15.01
	15
7/31/03	14.69

1 Excluding U.S. Government and agency obligations.

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Report of

INDEPENDENT AUDITORS

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 as of July 31, 2003, and the related statements of operations, changes in net assets 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 financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of July 31, 2003, by correspondence with the custodian and brokers or by other appropriate auditing procedures when replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 July 31, 2003, and the results of their operations, the changes in their net assets and the financial highlights for the periods indicated therein in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP



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Chicago, Illinois  
September 12, 2003

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Nuveen Preferred and Convertible Income Fund (JPC)

Portfolio of  
INVESTMENTS July 31, 2003

SHARES	DESCRIPTION(1)
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	EXCHANGE-LISTED PREFERRED SECURITIES - 54.0% (36.3% OF TOTAL INVESTMENTS)
	AGENCY - 0.9%
200,000	Fannie Mae, Series L, 5.125% (a)
129,632	Tennessee Valley Authority, Series D, 6.750%
-----	
	AUTO - 2.2%
334,800	Ford Motor Company, Series F, 8.000% (CBTCS)
130,000	Ford Motor Company, Series F, 8.000% (CORTS)
2,100	General Motors Corporation, 7.250%
8,700	General Motors Corporation, 7.375%
6,000	General Motors Corporation, 7.250%
765,200	General Motors Corporation, 7.375%
-----	
	AUTO - FOREIGN - 0.0%
7,500	Magna International Inc., Series B, 8.875%
-----	
	BANKING - 10.7%
2,000	ABN AMRO North America, Series H-144A, 6.590% (a)
50,600	ASBC Capital I, 7.625%
55,885	BAC Capital Trust I, 7.000%
115,755	BAC Capital Trust II, 7.000%
284,700	BAC Capital Trust III, 7.000%

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264,800	BAC Capital Trust IV, 5.875%
22,800	Bank One Capital V, 8.000%
72,300	Bank One Capital Trust VI, 7.200%
25,700	BankNorth Capital Trust II, 8.000%
500	BNY Capital Trust IV, Series E, 6.875%
736,379	BNY Capital Trust V, Series F, 5.950%
3,000	Chase Capital Trust V, Series E, 7.030%
62,200	Chittenden Capital Trust I, 8.000%
5,900	Citigroup Capital Trust III, 7.100%
22,200	Citigroup Capital Trust VII, 7.100%
186,000	Citigroup Capital Trust VIII, 6.950%
686,786	Citigroup Capital Trust IX, 6.000%
	Citigroup Inc.:
37,000	Series F, 6.365% (a)
100,000	Series G, 6.213% (a)
60,000	Series H, 6.231% (a)
80,000	Series M, 5.864% (a)
70,300	Comerica Capital Trust I, 7.600%
123,600	Compass Capital Trust III, 7.350%
14,500	First Union Capital II, Series II, 7.500% (CORTS)
41,500	First Union Institutional, 8.200% (CORTS)

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SHARES DESCRIPTION(1)

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BANKING (continued)

292,579	Fleet Capital Trust VII, 7.200%
337,000	Fleet Capital Trust VIII, 7.200%
3,400	Harris Preferred Capital Corporation, Series A, 7.375%
18,200	JPMorgan Chase Capital Trust, 7.200% (CORTS)
390,067	JPMorgan Chase Capital Trust X, 7.000%
240,000	JPMorgan Chase Capital Trust XI, 5.875%

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39,000	JPMorgan Chase Public Credit and Repackaged Securities, Series 2002, 7.125%
43,800	JPMorgan Chase Trust, Series 2002-6, Class A, 7.125% (SATURNS)
18,800	KeyCorp, Series B, 8.250% (CORTS)
5,900	KeyCorp, Series 2001-7, 7.750% (CORTS)
142,200	National Commerce Capital Trust II, 7.700%
1,000	Regions Finance Trust I, 8.000%
34,300	SunTrust Capital Trust IV, 7.125%
36,500	SunTrust Capital Trust V, 7.050%
32,700	U.S. Bancorp Capital Trust III, 7.750%
152,900	U.S. Bancorp Capital Trust IV, 7.350%
36,200	U.S. Bancorp Capital Trust V, 7.250%
21,500	Valley National Bank Capital Trust I, 7.750%
2,000	Washington Mutual Capital Trust I, Series 2001-22, Class A-1, 7.650% (CORTS)
1,300	Wells Fargo Capital Trust IV, 7.000%
37,600	Wells Fargo Capital Trust V, 7.000%
14,700	Wells Fargo Capital Trust VI, 6.950%
538,329	Wells Fargo Capital Trust VII, 5.850%
50,000	Zions Capital Trust B, 8.000%

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BANKING - FOREIGN - 2.1%

97,900	ABN AMRO Capital Funding Trust I, 7.500%
95,600	ABN AMRO Capital Funding Trust II, 7.125%
63,400	Banco Totta & Acores Finance, Series A, 8.875%
186,114	Banesto Holdings, Series A-144A, 10.500%
8,600	BBVA Preferred Capital Ltd., Series B, 7.750%
11,000	BCH Capital Ltd., Series B, 9.430%
	BSCH Finance Ltd.:
56,725	Series F, 8.125%
173,760	Series G, 8.125%
5,500	Series H, 7.790%
19,900	Series J, 7.350%
73,450	Series Q, 8.625%
42,500	Espirito Santo Overseas, 8.500%
3,100	Espirito Santo Overseas, Series A, 8.500%

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21,600	NAB Exchangeable Preferred Trust, 8.000%
32,900	National Westminster Bank plc, Series A, 7.875%
250,000	Royal Bank of Scotland Group plc, 5.750%
9,900	Westpac Capital Trust I, 8.000%

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS July 31, 2003

SHARES	DESCRIPTION(1)
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	BROKERAGE - 4.7%
5,900	Bear Stearns Capital Trust II, Series Y, 7.500%
10,100	Bear Stearns Capital Trust III, 7.800%
32,900	Goldman Sachs Group Inc., 6.000% (PPLUS)
16,000	Goldman Sachs Group Inc., Series 2003-06, 6.000% (SATURNS)
526,388	Lehman Brothers Holdings Capital Trust, III, Series K, 6.375%
100,000	Merrill Lynch Capital Trust, 7.000%
23,900	Merrill Lynch Capital Trust II, 8.000%
27,600	Merrill Lynch Preferred Capital Trust, 7.750%
113,600	Merrill Lynch Preferred Capital Trust IV, 7.120%
225,000	Merrill Lynch Preferred Capital Trust V, 7.280%
66,100	Morgan Stanley Capital Trust II, 7.250%
508,239	Morgan Stanley Capital Trust III, 6.250%
1,016,200	Morgan Stanley Capital Trust IV, 6.250%
20,400	Morgan Stanley Trust I, 7.050% (PPLUS)
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	COMPUTER - 0.0%
8,000	IBM Inc., 7.125% (CORTS)
2,600	IBM Inc., Series 2001-1, 7.125% (SATURNS)
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	ENERGY - FOREIGN - 0.1%

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

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ENTERTAINMENT - 0.1%

37,600 Viacom Inc., 7.250%

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FINANCIAL - 4.4%

53,700 AT&T Capital Corporation, 8.250%  
 125,900 AT&T Capital Corporation, 8.125%  
 6,800 CIT Group Incorporated, 7.750% (CORTS)  
 1,200,200 Countrywide Capital Trust IV, 6.750%  
 93,600 Countrywide Trust I, 8.050% (PPLUS)  
 13,500 General Electric Capital Corporation, 5.875%  
 33,100 General Electric Capital Corporation, 6.625%  
 5,600 General Electric Capital Corporation, 6.100%  
 137,600 General Motors Acceptance Corporation, 7.350%  
 4,800 Household Capital Trust V, Series X, 10.000%  
 14,000 Household Capital Trust VI, 8.300%  
 39,200 Household Capital Trust VII, 7.500%  
 773,900 Household Finance Corporation, 6.875%  
 1,300 Philadelphia Authority for Industrial Development, Pennsylvania, Pension, 6.550%

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FINANCIAL - FOREIGN - 2.6%

5,800 CSFB, Series 2002-10, 7.000% (SATURNS)  
 88,500 ING Capital Funding Trust, 7.700%  
 505,118 ING Group NV, 7.200%  
 654,975 ING Group NV, 7.050%  
 206,600 Swedish Export Credit, 7.375%

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SHARES	DESCRIPTION(1)
	FOOD - FOREIGN - 0.2%
126,300	Grand Metropolitan Delaware LP, 9.420%
	GAS - 0.2%
17,100	AGL Capital Trust II, 8.000%
39,100	Dominion CNG Capital Trust I, 7.800%
35,500	MCN Financing Trust II, 8.625%
2,000	SJG Capital Trust, 8.350%
	GAS - FOREIGN - 0.0%
1,000	TransCanada Pipelines Ltd., 8.250%
	INDUSTRIAL - 0.0%
3,700	Sherwin Williams Company, Series III, 7.250% (CORTS)
	INSURANCE - FINANCIAL - 0.8%
137,357	AMBAC Financial Group Inc., 5.950%
256,942	AMBAC Financial Group Inc., 5.875%
7,200	Financial Security Assurance Holdings, 6.875%
13,000	Financial Security Assurance Holdings, 6.250%
3,400	Financial Security Assurance Holdings, 6.950%
1,300	MBIA Inc., 8.000%
54,300	WR Berkley, 8.125% (CBTCS)
	INSURANCE - LIFE - 2.9%
272,300	Aetna Incorporated, 8.500%
1,216,000	Delphi Financial Group Inc., 8.000%
6,000	Great-West L&A Capital Trust I, Series A, 7.250%
21,600	Lincoln National Capital Trust V, Series E, 7.650%

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66,300 PLC Capital Trust III, 7.500%  
 12,900 PLC Capital Trust IV, 7.250%  
 12,800 Torchmark Capital Trust I, 7.750%

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INSURANCE - MULTILINE - 0.9%

108,360 AIG Capital Securities, Series 2002-11, 6.000% (SATURNS)  
 400 Hartford Capital Trust I, Series A, 7.700%  
 187,300 Hartford Capital Trust III, Series C, 7.450%  
 78,000 Hartford Life Capital Trust I, Series A, 7.200%  
 13,600 Hartford Life Capital Trust II, Series B, 7.625%  
 13,200 SAFECO Capital Trust I, 8.750% (CORTS)  
 4,300 SAFECO Capital Trust I, Series 2001-4, 8.750% (CORTS)  
 24,500 SAFECO Capital Trust III, 8.072% (CORTS)  
 1,700 SAFECO Capital Trust IV, 8.375% (CORTS)  
 38,600 SAFECO Corporation, Series 2001-7, 8.250%  
 35,100 SAFECO Corporation, Series 2002-5, 8.250% (SATURNS)

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INSURANCE - P&C - 0.2%

91,000 Everest RE Capital Trust, 7.850%

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INSURANCE - P&C - FOREIGN - 4.8%

135,000 Ace Ltd., Series C, 7.800%  
 224,560 Converium Finance, 8.250%

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
 Portfolio of INVESTMENTS July 31, 2003

SHARES DESCRIPTION(1)

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INSURANCE - P&C - FOREIGN (continued)

72,000 PartnerRe Limited, 7.900%

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

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

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

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PAPER - 0.2%

110,800 International Paper Capital Trust III, 7.875%

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PHARMACEUTICALS - FOREIGN - 0.0%

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

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REAL ESTATE INVESTMENT TRUSTS - 14.2%

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

2,500 AvalonBay Communities Inc., Series H, 8.700%

2,100 BRE Properties, Series B, 8.080%

Developers Diversified Realty Corporation:  
 14,400 Series F, 8.600%  
 656,785 Series G, 8.000%  
 55,000 Series H, 7.375%

Equity Office Properties Trust:  
 1,900 Series C, 8.625%  
 109,081 Series G, 7.750%

6,100 Equity Residential Properties Trust, 9.125%

Equity Residential Properties Trust:  
 18,700 Series C, 9.125%  
 5,000 Series D, 8.600%  
 611,200 Series N, 6.480%

First Industrial Realty Trust Inc.:  
 72,900 Series D, 7.950%  
 198,900 Series E, 7.900%

708,834 Gables Residential Trust, Series D, 7.500%

HRPT Properties Trust:  
 30,000 Series A, 9.875%  
 292,600 Series B, 8.750%

953,983 Kimco Realty Corporation, Series F, 6.650%

New Plan Excel Realty Trust:



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13,393	Series D, 7.800%
972,775	Series E, 7.625%
32,982	Prologis Trust, Series C, 8.540%
	Public Storage Inc.:
14,800	Series L, 8.250%
159,400	Series R, 8.000%
28,900	Series S, 7.875%
26,500	Series T, 7.625%
20,500	Series U, 7.625%
32,000	Series V, 7.500%
281,000	Regency Centers Corporation, 7.450%
7,000	Simon Property Group Inc., Series G, 7.890%
1,609,945	Wachovia Preferred Funding Corporation, 7.250%
710,000	Weingarten Realty Trust, Preferred Securities, 6.750%

10

SHARES	DESCRIPTION(1)
	TELECOM - 0.9%
5,500	AT&T Wireless, Series 2002-7, 8.000% (CBTCS)
15,000	AT&T Wireless Services, Series 2002-B, 9.250% (SATURNS)
21,900	BellSouth Corporation, Series 2001-3, 7.125% (SATURNS)
6,500	BellSouth Inc., Series BLS, 7.000% (CORTS)
30,500	Citizens Communications, Series 2001-2, 8.625% (SATURNS)
128,500	Citizens Communications Trust I, 8.375% (PPLUS)
21,950	Deutsche Telekom International Finance, B.V., Series 2001-24, Class A-1, 7.875% (
15,900	SBC Communications Inc., 7.000%
34,400	TDS Capital Trust I, 8.500%
85,700	TDS Capital Trust II, 8.040%
68,100	Telephone and Data Systems Inc., 7.600%
33,800	U.S. Cellular Corporation, 8.750%
14,800	Verizon Communications, 7.625% (CORTS)
19,500	Verizon Communications, 7.375% (CORTS)
11,500	Verizon New England Inc., Series B, 7.000%

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	UTILITIES - 0.9%
6,400	Atlantic Capital Trust II, Series C, 7.375%
4,100	Consolidated Edison Company of New York, Inc., 7.500%
16,300	Consolidated Edison Inc., 7.250%
3,000	Detroit Edison Company, 7.375%
22,200	DTE Energy Trust I, 7.800%
26,000	Energy East Capital Trust I, 8.250%
30,970	Entergy Louisiana Inc., 7.600%
3,000	Georgia Power Capital Trust IV, 6.850%
43,570	Georgia Power Capital Trust V, 7.125%
249,000	Georgia Power Company, 5.900%
65,000	Mississippi Power Company, 5.625%
8,200	Savannah Electric Capital Trust I, 6.850%
6,000	Virginia Electric and Power Company, Series A, 7.150%
44,000	Virginia Power Capital Trust, 7.375%

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	Total Exchange-Listed Preferred Securities (cost \$775,370,159)
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	CONVERTIBLE PREFERRED SECURITIES - 18.6% (12.5% OF TOTAL INVESTMENTS)
	AEROSPACE & DEFENSE - 0.6%
76,000	Northrop Grumman Corporation, 7.250%

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	AUTO - 0.7%
224,450	Ford Motor Company Capital Trust II, 6.500%

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	BANKING - 1.9%
217,900	Citigroup Global Markets Holdings, 2.000%
56,200	State Street Corporation, 6.750%
144,000	Washington Mutual Inc. Unit 1 Trust, 5.375%

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SHARES	DESCRIPTION(1)
-----	
	BROADCAST CABLE - 1.4%
508,250	Cablevision Systems Corp., Trust I, 6.500%
185,000	Emmis Communications Corporation, Series A, 6.250%
10,000	Sinclair Broadcast Group Inc., Series D, 6.000%
-----	
	COMMERCIAL SERVICES - 1.1%
330,000	Cendant Corporation, 7.750%
-----	
	ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.8%
175,000	Pioneer-Standard Financial Trust, 6.750%
200,000	Solectron Corp., 7.250%
-----	
	ENERGY - 0.7%
200,000	Unocal Capital Trust, 6.250%
-----	
	ENVIRONMENTAL SERVICES - 0.5%
97,375	Allied Waste Industries Inc., 6.250%
-----	
	FINANCIAL - 0.9%
200,000	Affiliated Managers Group Inc., 6.000%
118,000	Capital One Financial Corp., 6.250%
154,000	Gabelli Asset Management Inc., 6.950%
-----	
	GAS - 0.4%
185,000	Sempra Energy, 8.500%
4,000	Southern Union Company, Series B, 5.750%
-----	
	HEALTH DISTRIBUTORS SERVICES - 0.3%
41,000	Anthem Inc., 6.000%

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	HOUSEHOLD DURABLES - 0.3%
106,675	Newell Financial Trust I, 5.250%
-----	
	INSURANCE - LIFE - 0.8%
206,000	Reinsurance Group of America Inc., 5.750%
-----	
	INSURANCE - MULTILINE - 1.1%
86,200	Hartford Financial Services Group Inc., 7.000%
140,000	Phoenix Companies Inc., 7.000%
98,000	Prudential Financial Capital Trust I, 6.750%
-----	
	IT CONSULTING & SERVICES - 0.4%
239,000	Electronic Data Systems Corporation, 7.625%
-----	
	OIL SERVICES - 0.1%
25,000	Hanover Compressor Capital Trust, 7.250%
-----	
	REAL ESTATE INVESTMENT TRUSTS - 1.5%
165,000	Equity Office Properties Trust, Convertible Preferred Shares, Series B, 5.250%
55,400	Equity Residential Properties Trust, Series G, 7.250%
250,000	Host Marriott Financial Trust, 6.750%
-----	
	RETAIL - 0.7%
225,000	Toys R Us Inc., Convertible Equity Units, 6.250%
53,000	United Rentals Trust I, 6.500%
-----	
SHARES	DESCRIPTION(1)
-----	

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	STEEL - 0.6%
85,800	TXI Capital Trust I, 6.500%
84,700	United States Steel Corporation, Series B, 7.000%
-----	
	TELECOM - 1.2%
131,000	Alltel Corporation, 7.750%
8,310	Lucent Technologies Capital Trust I, 7.750%
633,900	Sprint Corporation, 7.125%
-----	
	UTILITIES - 2.6%
157,000	Cinergy Corporation, 9.500%
144,800	Dominion Resources Inc., 8.750%
344,500	DTE Energy Company, 8.750%
217,900	FPL Group Inc., 8.000%
-----	
	Total Convertible Preferred Securities (cost \$249,999,376)
-----	
	CAPITAL PREFERRED - HYBRID SECURITIES - 4.0% (2.7% OF TOTAL INVESTMENTS)
	BANKING - FOREIGN - 1.1%
15	BBVA Privanza International Gibraltar, Series 144A, 7.764%
-----	
	REAL ESTATE INVESTMENT TRUST - 2.0%
300	Union Planters Preferred Fund, Series 144A, 7.750%
-----	
	TELECOM - 0.9%
10,857	Centaur Funding Corporation, Series B - 144A, 9.080%
-----	
	Total Capital Preferred - Hybrid Securities (cost \$56,224,872)
-----	
PRINCIPAL	
AMOUNT (000)/	
SHARES	DESCRIPTION(1)
-----	
	CONVERTIBLE BONDS - 28.6% (19.2% OF TOTAL INVESTMENTS)
	AIRLINES - 0.6%

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6,110 Delta Air Lines, Convertible Notes, Series 144A, 8.000%, 6/03/23  
 3,200 Northwest Airlines Corporation, Convertible Notes, Series 144A, 6.625%, 5/15/23

-----  
 AUTO - 1.0%

General Motors Corporation, Convertible Notes, Senior Debentures:  
 185,100 Series A, 4.500%, 3/06/32  
 185,250 Series B, 5.250%, 3/06/32  
 6,000 Sonic Automotive Inc., Convertible Senior Subordinated Notes, 5.250%, 5/07/09

-----  
 BIOTECHNOLOGY - 1.1%

3,000 Cephalon Inc., Convertible Subordinated Notes, 2.500%, 12/15/06  
 1,765 Corixa Corporation, Subordinate Notes, Series 144A, 4.250%, 7/01/08  
 6,650 Fisher Scientific International Inc., Convertible Senior Notes, 2.500%, 10/01/23  
 4,500 Ivax Corporation, Convertible Senior Subordinated Notes, 4.500%, 5/15/08

-----  
 BROADCAST CABLE - 1.9%

325,000 Comcast Corporation, Exchangeable Subordinated Debentures, 2.000%, 10/15/29  
 4,000 Echostar Communications Corporation, Convertible Subordinated Notes, 5.750%, 5/15/06  
 4,000 Liberty Media Corporation, Senior Debentures Exchangeable for Class B, 3.250%, 3/01/06  
 6,500 Mediacom Communications Corporation, Convertible Senior Notes, 5.250%, 7/01/06  
 3,425 Sinclair Broadcast Group, Convertible Step Coupon, Senior Series 144A, 4.875%, 7/01/06

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
 Portfolio of INVESTMENTS July 31, 2003

PRINCIPAL  
 AMOUNT (000)/  
 SHARES

DESCRIPTION(1)  
 -----

COMPUTER - 4.2%

2,500 Computer Associates International Inc., Convertible Senior Notes, 5.000%, 3/15/07  
 6,435 Electronic Data Systems, Convertible Senior Notes, Series 144A, 3.875%, 7/15/23  
 4,000 FEI Company, Convertible Notes, 5.500%, 8/15/08  
 4,000 General Semiconductor Inc., Convertible Subordinated Notes, 5.750%, 12/15/06

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18,740 Hewlett Packard Company, 0.000%, 10/14/17 (LYONS)  
8,000 International Rectifier Corporation, Convertible Subordinated Notes, 4.250%, 7/15  
4,250 Lam Research Corporation, Convertible Subordinated Notes, 4.000%, 6/01/06  
2,625 Maxtor Corporation, Convertible Senior Notes, Series 144A, 6.800%, 4/30/10  
6,600 Mentor Graphics Corporation, Convertible Subordinate Notes, 6.875%, 6/15/07  
4,970 Mercury Interactive Corporation, Convertible Subordinated Notes, 4.750%, 7/01/07  
2,475 Photronics Inc., Convertible Subordinated Notes, 4.750%, 12/15/06  
825 Photronics Inc., Convertible Subordinate Notes, Series 144A, 2.250%, 4/15/08

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### ELECTRONIC EQUIPMENT & INSTRUMENTS - 1.6%

21,500 Arrow Electronics Inc., Convertible Senior Debentures, 0.000%, 2/21/21  
7,700 Celestica Inc., Convertible, 0.000%, 8/01/20 (LYONS)  
4,000 Sanmina Corporation, Convertible Subordinated Notes, 4.250%, 5/01/04  
4,100 Teradyne Inc., Convertible Senior Notes, 3.750%, 10/15/06

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### ENERGY - 0.9%

4,750 Hanover Compressor Co., Convertible Senior Notes, 4.750%, 3/15/08  
8,275 McMoran Exploration Corporation, Notes, Series 144A, 6.000%, 7/02/08

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### FINANCIAL - 0.5%

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

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### HEALTH CARE EQUIPMENT - 0.5%

7,050 Alza Corporation, Convertible Subordinated Debentures, 0.000%, 7/28/20  
3,300 Inhale Therapeutics, Convertible Subordinated Notes, 3.500%, 10/17/07

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### HEALTH DISTRIBUTORS & SERVICES - 0.3%

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

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### INDUSTRIAL - 0.9%

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

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7,150 GenCorp Inc., Convertible Notes, 5.750%, 4/15/07  
 3,387 INCO Limited, Convertible Notes, 7.750%, 3/15/16

-----  
 INDUSTRIAL CONGLOMERATES - 0.3%

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

-----  
 INSURANCE - P&C - 0.6%

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

-----  
 IT CONSULTING & SERVICES - 0.4%

2,090 Acxiom Corporation, Convertible Subordinate Notes, 3.750%, 2/15/09

3,760 First Data Corporation, Senior Convertible Contingent Debt Securities, 2.000%, 3/

-----  
 LEISURE FACILITIES - 1.0%

10,500 Carnival Corporation, Senior Notes, 0.000%, 10/24/21 (LYONS)

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

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PRINCIPAL  
 AMOUNT (000)/  
 SHARES DESCRIPTION(1)

-----  
 METALS DIVERSIFICATION - 0.5%

5,750 Freeport-McMoran Inc., 7.000%, 2/11/11

-----  
 NETWORK EQUIPMENT - 0.6%

9,800 Brocade Communication Systems Inc., Convertible Notes, 2.000%, 1/01/07

-----  
 PHARMACEUTICALS - 0.9%

3,950 Connectics Inc., Senior Notes, Series 144A, 2.250%, 5/30/08

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

2,975 KV Pharmaceutical Company, Convertible Subordinate Notes, Series 144A, 2.500%, 5/



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	PHARMACEUTICALS - FOREIGN - 0.7%
12,290	Roche Holdings Inc., 0.000%, 1/19/15 (LYONS)

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	PUBLISHING & PRINTING - 0.5%
96,000	Tribune Company, Exchangeable Subordinated Debentures, 2.000%, 5/15/29

---

	REAL ESTATE INVESTMENT TRUSTS - 0.9%
11,850	EOP Operating LP, Convertible Notes, 7.250%, 11/15/08

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	RETAIL - 1.4%
5,000	Barnes & Noble Inc., Convertible Notes, 5.250%, 3/15/09
4,750	Best Buy Inc., Convertible Subordinate Debentures, 2.250%, 1/15/22
9,500	Brinker International Inc., Convertible Senior Debentures, 0.000%, 10/10/21
3,700	JC Penney Corporation Inc., Convertible Subordinated Notes, 5.000%, 10/15/08

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	RETAIL - SPECIAL - 1.4%
1,475	Guitar Center Inc., Convertible Senior Notes, 4.000%, 7/15/13
9,525	K2 Inc., Convertible Notes, Series 144A, 5.000%, 6/15/10
4,665	Venator Group Inc., Convertible Notes, 5.500%, 6/01/08

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	SEMICONDUCTOR - 2.0%
4,890	ASM Lithography, Convertible Notes, 5.750%, 10/15/06
3,225	Brooks Automation Inc., Convertible Subordinated Notes, 4.750%, 6/01/08
2,545	Cypress Semiconductor Corporation, Convertible Notes, Series 144A, 1.250%, 6/15/0
4,000	LSI Logic Corporation, Convertible Subordinated Notes, 4.250%, 3/15/04
5,800	PMC-Sierra Inc., Convertible Subordinate Notes, 3.750%, 8/15/06
7,750	RF Micro Devices Inc., Convertible Subordinated Notes, 3.750%, 8/15/05

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	STEEL - 0.2%
3,500	Shaw Group Inc., Senior Notes, 0.000%, 5/01/21 (LYONS)

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TELECOM - 1.5%	
5,565	Converse Technology Inc., Series 144A, 0.000%, 5/15/23
4,800	Nextel Communications Inc., Convertible Senior Notes, 6.000%, 6/01/11
19,780	U.S. Cellular Corporation, 0.000%, 6/15/15 (LYONS)

---

TELECOM EQUIPMENT - 1.7%	
7,757	Ciena Corporation, Convertible Notes, 3.750%, 2/01/08
11,500	Liberty Media Corporation, Senior Debentures Exchangeable for Motorola, 3.500%, 1
10,725	Nortel Networks Corporation, Convertible Senior Notes, 4.250%, 9/01/08

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS July 31, 2003

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
-----	
UTILITIES - 0.5%	
\$ 8,125	Calpine Corporation, Convertible Senior Notes, 4.000%, 12/26/06
-----	
Total Convertible Bonds (cost \$387,128,305)	
-----	
CORPORATE BONDS - 17.2% (11.5% OF TOTAL INVESTMENTS)	
AUTO - 2.0%	
4,100	Asbury Automotive Group Inc., Senior Subordinated Notes, 9.000%, 6/15/12
3,500	Ford Motor Company 8.900%, 1/15/32
	Ford Motor Company, Debentures:
5,590	9.980%, 2/15/47
10,000	7.700%, 5/15/97
2,000	R.J. Tower Corporation, Series 144A, Senior Notes, 12.000%, 6/01/13
5,500	Tenneco Authomotive Inc., Senior Notes, Series 144A, 10.250%, 7/15/13
-----	
BROADCAST CABLE - 1.0%	
4,000	Allbritton Communications Company, Senior Subordinated Notes, Series B, 7.750%, 1
1,000	Cablevision Systems Corporation, Senior Debentures, Series B, 8.125%, 8/15/09

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5,000 CSC Holdings Inc., Senior Notes, 7.250%, 7/15/08  
4,000 Young Broadcasting Inc., Senior Subordinate Notes, 10.000%, 3/01/11

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### COMPUTER - 0.3%

4,050 Juniper Networks, Convertible Subordinated Notes, 4.750%, 3/15/07

---

### ENERGY - 0.3%

Tesoro Petroleum Corporation, Senior Subordinated Notes, Series B:  
2,000 9.000%, 7/01/08  
2,000 9.625%, 11/01/08

250 Tesoro Petroleum Corporation, Senior Secondary Notes, Series 144A, 8.000%, 4/15/0

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### ENTERTAINMENT - 1.8%

Boyd Gaming Corporation, Senior Subordinated Notes:  
2,000 8.750%, 4/15/12  
2,000 7.750%, 12/15/12

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

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

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

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

4,000 Penn National Gaming Inc., Senior Subordinated Notes, 8.875%, 3/15/10

Pinnacle Entertainment Inc., Senior Subordinate Notes, Series B:  
2,000 9.250%, 2/15/07  
2,349 9.500%, 8/01/07

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### FINANCIAL - 1.9%

2,500 CBRE Escrow Inc., Senior Notes, Series 144A, 9.750%, 5/15/10

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

19,000 General Motors Acceptance Corporation, Notes, 8.000%, 11/01/31

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

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

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AMOUNT (000)	DESCRIPTION(1)
FOOD - 0.9%	
\$ 5,943	Dole Foods Company, Debentures, 7.875%, 7/15/13
2,000	Ingles Markets Inc., Senior Subordinate Notes, 8.875%, 12/01/11
4,000	Ingles Markets Inc., Senior Subordinated Notes, Series 144A, 8.875%, 12/01/11
HOMEBUILDING - 0.5%	
1,000	Technical Olympic USA Inc., Notes, Series 144A, 10.375%, 7/01/12
3,500	Technical Olympic USA Inc., Senior Subordinate Notes, 10.375%, 7/01/12
2,500	Willima Lyon Homes Inc., Unsecured Senior Notes, 10.750%, 4/01/13
INDUSTRIAL - 1.8%	
1,000	Allied Waste North America Inc., Senior Notes, 7.875%, 4/15/13
6,250	Allied Waste North America Inc., Senior Subordinated Notes, Series B, 10.000%, 8/15/11
1,520	Berry Plastics Corporation, Senior Subordinated Notes, 10.750%, 7/15/12
2,000	Hovnanian K. Enterprises Inc., Senior Subordinate Notes, 8.875%, 4/01/12
3,000	Laidlaw International Inc., Senior Notes, Series 144A, 10.750%, 6/15/11
2,000	Owens-Brockway Glass Containers, Guaranteed Senior Notes, Series 144A, 8.250%, 5/15/11
2,000	Owens-Illinois Inc., 7.800%, 5/15/18
	Terex Corporation, Senior Subordinated Notes:
1,000	8.875%, 4/01/08
1,000	10.375%, 4/01/11
1,000	9.250%, 7/15/11
1,000	Terex Corporation, Senior Subordinated Notes, Series D, 8.875%, 4/01/08
2,000	Texas Industries Inc., Senior Notes, Series 144A, 10.250%, 6/15/11
LEISURE FACILITIES - 0.6%	
	Intrawest Corporation, Senior Notes:
1,280	9.750%, 8/15/08
4,000	10.500%, 2/01/10
2,000	Town Sports International Inc., 9.625%, 4/15/11
MEDICAL PRODUCTS - 0.3%	

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3,000 Iasis Healthcare Corporation, 13.000%, 10/15/09  
 1,000 Iasis Healthcare Corporation, Series 144A, 8.500%, 10/15/09

-----  
 NETWORK EQUIPMENT - 0.3%

3,500 Avaya Inc., Senior Secured Notes, 11.125%, 4/01/09

-----  
 OFFICE ELECTRONICS - 0.6%

4,000 IOS Capital LLC, Senior Notes, 7.250%, 6/30/08  
 2,000 Xerox Corporation, Notes, 5.500%, 11/15/03  
 3,000 Xerox Corporation, Unsecured Notes, 5.250%, 12/15/03

-----  
 OIL SERVICES - 0.2%

2,400 Baytex Energy Limited, Senior Subordinate Notes, Series 144A, 9.625%, 7/15/10

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Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
 Portfolio of INVESTMENTS July 31, 2003

PRINCIPAL  
 AMOUNT (000) DESCRIPTION(1)

-----  
 PAPER - 0.5%

\$ 2,000 Georgia Pacific Corporation, Debentures, 7.700%, 6/15/15  
 5,000 Georgia Pacific Corporation, Notes, 8.125%, 5/15/11

-----  
 PHARMACEUTICALS - FOREIGN - 0.1%

2,000 Alparma Inc., Senior Notes, Series 144A, 8.625%, 5/01/11

-----  
 PUBLISHING & PRINTING - 1.5%

500 CBD Media/CBD Finance, Senior Subordinate Notes, Series 144A, 8.625%, 6/01/11  
 5,800 Mail-Well I Corporation, Senior Unsecured Notes, Series 144A, 9.625%, 3/15/12  
 Primedia Inc., Senior Notes:  
 4,000 7.625%, 4/01/08  
 3,000 8.875%, 5/15/11

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6,750 Vertis Inc., Senior Notes, Series 144A, 9.750%, 4/01/09

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REAL ESTATE - 0.6%

4,425 LNR Property Corporation, Senior Subordinate Notes, Series 144A, 7.625%, 7/15/13

4,000 Mangrove Bay, Series 144A, Class 3, 6.102%, 7/15/33

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RESTAURANTS - 0.0%

500 Dominos Inc., Senior Subordinated Notes, Series 144A, 8.250%, 7/01/11

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RETAIL - 1.1%

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

1,000 Phillips-Van Heusen Corporation, Senior Notes, Series 144A, 8.125%, 5/01/13

Saks Inc., Notes:

1,500 8.250%, 11/15/08

2,000 9.875%, 10/01/11

5,000 Toys R Us Inc., Notes, 7.875%, 4/15/13

4,500 Williams Scotsman Inc., Senior Notes, 9.875%, 6/01/07

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RETAIL - SPECIAL - 0.4%

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

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SPECIALTY CHEMICALS - 0.1%

1,700 United Industries Corporation, Senior Subordinate Notes, Series D, 9.875%, 4/01/07

---

TELECOM - 0.2%

3,000 Triton PCS Inc., Senior Notes, Series 144A, 8.500%, 6/01/13

---

UTILITIES - FOREIGN - 0.2%

2,750 CanWest Media Inc., Senior Notes, 7.625%, 4/15/13

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Total Corporate Bonds (cost \$243,065,107)

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CAPITAL PREFERRED SECURITIES - 17.6% (11.9% OF TOTAL INVESTMENTS)

BANKING - 8.1%

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3,500	Ahmanson Capital Trust I, 8.360%, 12/01/26
1,000	BankAmerica Capital II, Series 2, 8.000%, 12/15/26
6,000	BankBoston Capital Trust I, Series B, 8.250%, 12/15/26
3,000	Bank One Capital III, 8.750%, 9/01/30
1,500	BanPonce Trust I, Series A, 8.327%, 2/01/27
4,850	BT Institutional Capital Trust A, Series 144A, 8.090%, 12/01/26
3,000	Centura Capital Trust I, Series 144A, 8.845%, 6/01/27

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PRINCIPAL  
AMOUNT (000) DESCRIPTION(1)

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BANKING (continued)

\$	18,125	Chase Capital Trust I, Series A, 7.670%, 12/01/26
	13,500	Corestates Capital Trust I, Series 144A, 8.000%, 12/15/26
	6,200	First Empire Capital Trust I, 8.234%, 2/01/27
	6,300	KeyCorp Institutional Capital Trust, Series A, 7.826%, 12/01/26
	20,000	M&I Capital Trust A, 7.650%, 12/01/26
	5,000	NB Capital Trust IV, 8.250%, 4/15/27
	1,000	North Fork Capital Trust I, 8.700%, 12/15/26
	11,000	North Fork Capital Trust II, 8.000%, 12/15/27
	100	Reliance Capital Trust I, Series B, 8.170%, 5/01/28
	100	Wachovia Capital Trust I, Series 144A, 7.640%, 1/15/27
	5,000	Zions Institutional Capital Trust, Series A, 8.536%, 12/15/26

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BANKING - FOREIGN - 3.1%

	5,000	Abbey National Capital Trust I, 8.963%, 6/30/20
	12,308	Barclays Bank plc, Series 144A, 6.860%, 6/15/32
	10,000	HSBC Capital Funding LP, 10.176%, 6/30/30
	10,000	Sparebanken Rogaland, Notes, Series 144A, 6.443%, 5/01/13

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-----  
 FINANCIAL - 1.3%

18,000 St. George Funding Company LLC, 8.485%, 6/30/17

-----  
 GAS - 0.2%

1,000 KN Capital Trust I, 8.560%, 4/15/27

1,145 KN Capital Trust III, 7.630%, 4/15/28

-----  
 INSURANCE - FINANCIAL - 1.4%

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

-----  
 INSURANCE - LIFE - 0.4%

4,270 American General Institutional Capital, 8.125%, 3/15/46

-----  
 INSURANCE - LIFE - FOREIGN - 0.4%

5,000 Sun Life Canada Capital Trust, 8.526%, 5/06/07

-----  
 INSURANCE - MULTILINE - 0.8%

4,780 SAFECO Capital Trust I, 8.072%, 7/15/37

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

-----  
 SAVINGS & LOAN - 0.3%

3,500 Washington Mutual Capital Trust I, 8.375%, 6/01/27

-----  
 SAVINGS & LOAN - THRIFT - 1.0%

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

-----  
 UTILITIES - 0.6%

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

6,160 Southern Company Capital Trust I, 8.190%, 2/01/37

-----  
 Total Capital Preferred Securities (cost \$268,132,708)  
 -----



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Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS July 31, 2003

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
	CAPITAL PREFERRED - EURO-MARKET LISTED SECURITIES - 8.1% (5.5% OF TOTAL INVESTMENTS)
	BANKING - FOREIGN - 8.0%
\$ 6,000	BNP Paribas Capital Trust Capital Trust, 7.200%, 6/30/07
28,750	C.A. Preferred Funding Trust, 7.000%, 1/30/09
38,500	HBOS Capital Funding LP, Notes, 6.850%, 3/23/09
18,600	Lloyds TSB Bank plc, Subordinate Notes, 6.900%, 11/22/07
23,850	RBSCapital Trust B, 6.800%, 3/31/08
	FINANCIAL - FOREIGN - 0.1%
1,500	Old Mutual Capital Funding, Notes, 8.000%, 12/22/08
	Total Capital Preferred - Euro-Market Listed Securities (cost \$122,454,537)
	SHORT-TERM INVESTMENTS - 0.6% (0.4% OF TOTAL INVESTMENTS)
8,530	State Street Repurchase Agreement, 0.980%, date 7/31/03, due 8/01/03, repurchase price \$8,530,232, collateralized by U.S. Treasury Bonds
	Total Short-Term Investments (cost \$8,530,000)
	Total Investments - 148.7% (cost \$2,110,905,064)
SHARES	DESCRIPTION(1)
	COMMON STOCKS SOLD SHORT - (1.5)%
	BROADCAST CABLE - (0.2)%
(147,000)	Cablevision Systems Corp. - Class A
	ELECTRONIC EQUIPMENT & INSTRUMENTS - (0.1)%
(291,900)	Solectron Corp.

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	FINANCIAL - (0.4)%
(51,000)	Affiliated Managers Group Inc.
(50,000)	Capital One Financial Corp.
	GAS - (0.2)%
(90,000)	Sempra Energy
	INSURANCE - FINANCIAL - (0.2)%
(68,700)	Hilb, Rogal, & Hamilton Companies
	INSURANCE - MULTILINE - (0.2)%
(60,000)	Hartford Financial Services Group Inc.
	RETAIL - SPECIAL - (0.0)%
(25,000)	K2 Inc.
	STEEL - (0.0)%
(30,200)	United States Steel Corporation
	TELECOM - (0.2)%
(400,000)	Sprint Corp. (PCS Group)
	Total Common Stocks Sold Short (proceeds \$21,553,296)
	Other Assets Less Other Liabilities - 2.9%
	Fund Preferred Shares, at Liquidation Value - (50.1)%
	Net Assets Applicable to Common Shares - 100%

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SHARES DESCRIPTION(1)

(1) All percentages shown in the Portfolio of Investments

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are based on net assets applicable to Common shares unless otherwise noted.

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

(CBTCS) Corporate Backed Trust Certificates.

(CORTS) Corporate Backed Trust Securities.

(LYONS) Liquid Yield Option Notes.

(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 July 31, 2003

SHARES	DESCRIPTION(1)
-----	
EXCHANGE-LISTED PREFERRED SECURITIES - 25.0% (24.5% OF TOTAL INVESTMENTS)	
AUTO - FOREIGN - 0.0%	
2,400	Magna International Inc., Series B, 8.875%
-----	
BANKING - 7.7%	
57,000	ASBC Capital I, 7.625%
97,310	BAC Capital Trust I, 7.000%
345,200	BAC Capital Trust II, 7.000%
108,000	BAC Capital Trust III, 7.000%
60,000	BAC Capital Trust IV, 5.875%
7,700	BankNorth Capital Trust II, 8.000%
73,800	Bank One Capital Trust VI, 7.200%
306,984	BNY Capital Trust V, Series F, 5.950%
1,300	Chase Capital Trust IV, 7.340%

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8,000	Chittenden Capital Trust I, 8.000%
13,900	Citigroup Capital Trust VI, 6.875%
135,900	Citigroup Capital Trust VII, 7.100%
189,400	Citigroup Capital Trust VIII, 6.950%
678,600	Citigroup Capital Trust IX, 6.000%
33,100	Comerica Capital Trust I, 7.600%
77,000	Compass Capital Trust III, 7.350%
7,000	First Union Capital II, Series II, 7.500% (CORTS)
6,900	First Union Institutional Capital I, 8.200% (CORTS)
3,500	Fleet Capital Trust VI, 8.800%
340,400	Fleet Capital Trust VII, 7.200%
372,600	Fleet Capital Trust VIII, 7.200%
18,900	JPMorgan Chase Capital Trust, 7.200% (CORTS)
483,700	JPMorgan Chase Capital Trust X, 7.000%
352,100	JPMorgan Chase Capital Trust XI, 5.875%
9,500	JPMorgan Chase Public Credit and Repackaged Securities, Series 2002, 7.125%
21,500	JPMorgan Chase Trust, Series 2002-6, Class A, 7.125% (SATURNS)
144,600	KeyCorp Capital Trust V, 5.875%
4,000	KeyCorp Securities Trust, 7.500% (CORTS)
7,400	KeyCorp, Series B, 8.250% (CORTS)
3,900	KeyCorp, Series 2001-7, 7.750% (CORTS)
13,700	National Commerce Capital Trust II, 7.700%
11,000	ONB Capital Trust II, 8.000%
6,000	SunTrust Capital Trust IV, 7.125%

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SHARES DESCRIPTION(1)

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BANKING (continued)

33,200 SunTrust Capital Trust V, 7.050%

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586,500	U.S. Bancorp Capital Trust III, 7.750%
258,300	U.S. Bancorp Capital Trust IV, 7.350%
206,900	U.S. Bancorp Capital Trust V, 7.250%
27,400	Valley National Bank Capital Trust I, 7.750%
9,700	Washington Mutual Capital Trust I, Series 2001-22, Class A-1, 7.650% (CORTS)
319,900	Wells Fargo Capital Trust IV, 7.000%
2,100	Wells Fargo Capital Trust V, 7.000%
66,200	Wells Fargo Capital Trust VI, 6.950%
311,550	Wells Fargo Capital Trust VII, 5.850%
18,600	Zions Capital Trust B, 8.000%

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BANKING - FOREIGN - 2.8%

5,000	ABN AMRO Capital Funding Trust I, 7.500%
77,300	ABN AMRO Capital Funding Trust II, 7.125%
1,615,270	ABN AMRO Capital Funding Trust V, 5.900%
14,600	ANZ Exchangeable Preferred Trust II, 8.080%
22,000	Banco Totta & Acores Finance, Series A, 8.875%
4,400	BBVA Preferred Capital Ltd., Series B, 7.750%
1,000	BCH Capital Ltd., Series B, 9.430%
	BSCH Finance Ltd.:
13,900	Series F, 8.125%
8,800	Series G, 8.125%
100	Series H, 7.790%
12,500	Series J, 7.350%
27,700	Series Q, 8.625%
7,200	Espirito Santo Overseas, 8.500%
8,000	NAB Exchangeable Preferred Trust, 8.000%
7,500	National Westminster Bank plc, Series A, 7.875%
488,700	Royal Bank of Scotland Group plc, 5.750%

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BROKERAGE - 2.7%

10,300	Bear Stearns Capital Trust III, 7.800%
270,600	Bear Stearns Companies, Series G, 5.490% (a)
14,000	Goldman Sachs Group Inc., 6.000% (PPLUS)

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13,000	Goldman Sachs Group Inc., Series 2003-06, 6.000% (SATURNS)
	Lehman Brothers Holdings Inc.:
198,550	Series C, 5.940% (a)
122,500	Series D, 5.670% (a)
48,100	Merrill Lynch Capital Trust II, 8.000%
7,400	Merrill Lynch Preferred Capital Trust I, 7.750%
140,300	Merrill Lynch Preferred Capital Trust III, 7.000%
98,200	Merrill Lynch Preferred Capital Trust IV, 7.120%
109,500	Merrill Lynch Preferred Capital Trust V, 7.280%
24,400	Morgan Stanley Capital Trust II, 7.250%

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS July 31, 2003

SHARES	DESCRIPTION(1)
-----	
	BROKERAGE (continued)
235,700	Morgan Stanley Capital Trust III, 6.250%
132,400	Morgan Stanley Capital Trust IV, 6.250%
91,500	Morgan Stanley Capital Trust V, 5.750%
16,400	Morgan Stanley Trust I, 7.050% (PPLUS)
-----	
	COMPUTER - 0.0%
8,900	IBM Inc., Series 2001-1, 7.125% (SATURNS)
-----	
	ENERGY - 0.0%
2,100	Northern States Power Company, 8.000%
-----	
	ENERGY - FOREIGN - 0.0%
600	Talisman Energy Inc., 9.000%
2,300	Talisman Energy Inc., 8.900%

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ENTERTAINMENT - 0.0%

5,200 Viacom Inc., 7.250%

---

FINANCIAL - 0.9%

8,900 CIT Group Incorporated, 7.750% (CORTS)

26,500 Countrywide Capital Trust II, Series II, 8.000% (CORTS)

511,400 Countrywide Capital Trust IV, 6.750%

14,600 Countrywide Trust I, 8.050% (PPLUS)

15,100 General Electric Capital Corporation, 6.625%

5,000 Household Capital Trust V, Series X, 10.000%

5,600 Household Capital Trust VI, 8.300%

79,700 Household Capital Trust VII, 7.500%

20,000 Household Finance Corporation, 6.875%

38,000 Philadelphia Authority for Industrial Development, Pennsylvania, Pension, 6.550%

---

FINANCIAL - FOREIGN - 1.1%

4,600 CSFB USA, Series 2002-10, 7.000% (SATURNS)

105,000 ING Capital Funding Trust, 7.700%

243,920 ING Group NV, 7.200%

509,975 ING Group NV, 7.050%

2,000 Swedish Export Credit Corp., 7.375%

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FOOD - FOREIGN - 0.0%

3,100 Grand Metropolitan Delaware LP, 9.420%

---

GAS - 0.0%

400 AGL Capital Trust II, 8.000%

5,800 Dominion CNG Capital Trust I, 7.800%

31,400 MCN Financing Trust II, 8.625%

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SHARES	DESCRIPTION(1)
-----	
	INDUSTRIAL - 0.0%
7,900	Sherwin Williams Company, Series III, 7.250% (CORTS)
-----	
	INSURANCE - FINANCIAL - 0.3%
157,100	AMBAC Financial Group Inc., 5.950%
5,000	AMBAC Financial Group Inc., 5.875%
3,000	Financial Security Assurance Holdings, 6.875%
34,000	Nationwide Financial Services Capital, Trust II, 7.100%
69,300	WR Berkley, 8.125% (CBTCS)
-----	
	INSURANCE - LIFE - 0.8%
167,000	Aetna Incorporated, 8.500%
426,867	Delphi Financial Group Inc., 8.000%
2,000	Lincoln National Capital Trust V, Series E, 7.650%
10,200	PLC Capital Trust III, 7.500%
10,100	PLC Capital Trust IV, 7.250%
8,300	Torchmark Capital Trust I, 7.750%
-----	
	INSURANCE - MULTILINE - 0.2%
2,800	AIG Capital Securities, Series 2002-11, 6.000% (SATURNS)
133,800	Hartford Capital Trust III, Series C, 7.450%
1,100	Hartford Life Capital Trust I, Series A, 7.200%
4,900	Hartford Life Capital Trust II, Series B, 7.625%
3,700	SAFECO Capital Trust I, 8.700% (CORTS)
10,600	SAFECO Capital Trust III, 8.072% (CORTS)
1,200	SAFECO Capital Trust I, 8.750% (CORTS)
1,500	SAFECO Corporation, Series 2001-7, 8.250%



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	INSURANCE - P&C - 0.0%
22,100	Everest RE Capital Trust, 7.850%,

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	INSURANCE - P&C - FOREIGN - 2.1%
120,200	Ace Capital Trust I, Series 1999, 8.875%
291,500	Ace Ltd., Series C, 7.800%
240,500	Converium Finance, 8.250%
4,400	PartnerRe Limited, 7.900%
155,000	PartnerRe Limited, 8.000%
472,502	PartnerRe Limited, Series C, 6.750%
	RenaissanceRe Holdings Ltd.:
31,500	Series A, 8.100%
93,800	Series B, 7.300%
	XL Capital Ltd.:
18,800	Series A, 8.000%
57,800	Series B, 7.625%

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS July 31, 2003

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

---

	PAPER - 0.0%
20,400	International Paper Capital Trust III, 7.875%

---

	PHARMACEUTICALS - FOREIGN - 0.0%
2,400	Rhone-Poulenc Overseas, Series A, 8.125%

---

	REAL ESTATE INVESTMENT TRUSTS - 6.0%
318,355	AMB Property Corporation, Series L, 6.500%
20,200	AvalonBay Communities Inc., Series H, 8.700%,
3,200	BRE Properties, Series B, 8.080%
	Developers Diversified Realty Corporation:

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13,500	Series G, 8.000%
1,120,000	Series H, 7.375%
23,000	Equity Office Properties Trust, Series G, 7.750%
	Equity Residential Properties Trust:
800	Series C, 9.125%
464,789	Series N, 6.480%
73,200	Gables Residential Trust, Series D, 7.500%
	HRPT Properties Trust:
366,785	Series A, 9.875%
119,900	Series B, 8.750%
41,300	New Plan Excel Realty Trust, Series E, 7.625%
	Public Storage Inc.:
1,200	Series Q, 8.600%
55,500	Series R, 8.000%
36,960	Series S, 7.875%
25,600	Series T, 7.625%
29,900	Series U, 7.625%
151,100	Regency Centers Corporation, 7.450%
4,300	Simon Property Group Inc., Series F, 8.750%
1,643,634	Wachovia Bank Preferred Funding Corporation, 7.250%

-----  
TELECOM - 0.3%

31,000	AT&T Wireless, Series 2002-7, 8.000% (CBTCS)
14,000	AT&T Wireless Services, Series 2002-B, 9.250% (SATURNS)
4,600	Bell South Capital Funding, 7.100% (CORTS)
9,500	Bell South Corporation, Series 2001-3, 7.125% (SATURNS)
9,600	Bell South Inc., Series BLS, 7.000% (CORTS)
6,000	Citizens Communications, Series 2001-2, 8.625% (SATURNS)
6,800	Citizens Communications Trust I, 8.375% (PPLUS)
11,900	Deutsche Telekom International Finance, B.V., Series 2001-24, Class A-1, 7.875% ( )
5,000	SBC Communications Inc., 7.000%
5,000	TDS Capital Trust I, 8.500%
17,700	TDS Capital Trust II, 8.040%
32,600	Telephone and Data Systems Inc., 7.600%
9,000	U.S. Cellular Corporation, 8.750%
2,700	Verizon Communications, 7.625% (CORTS)

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5,100 Verizon Global Funding Corp., 7.375% (CORTS)  
 30,700 Verizon New England Inc., Series B, 7.000%

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SHARES	DESCRIPTION(1)
-----	
	UTILITY - 0.1%
1,000	Consolidated Edison Inc., 7.250%
21,000	Energy East Capital Trust I, 8.250%
1,600	Southern Co. Capital Trust V, 6.875%
1,600	Southern Co. Capital Trust VI, 7.125%
31,000	Virginia Power Capital Trust, 7.375%
-----	
	Total Exchange-Listed Preferred Securities (cost \$510,588,651)
-----	
	CONVERTIBLE PREFERRED SECURITIES - 9.0% (8.8% OF TOTAL INVESTMENTS)
	AEROSPACE & DEFENSE - 0.3%
52,800	Northrop Grumman Corporation, 7.250%
-----	
	AUTO - 0.2%
103,400	Ford Motor Company Capital Trust II, 6.500%
-----	
	BANKING - 0.6%
96,250	Citigroup Global Markets Holdings, 2.000%
4,725	State Street Corporation, 6.750%
138,200	Washington Mutual Inc. Unit 1 Trust, 5.375%
-----	
	BROADCAST CABLE - 0.6%
204,000	Cablevision Systems Corp., Trust I, 6.500%
112,000	Emmis Communications Corporation, Series A, 6.250%
60,000	Sinclair Broadcast Group Inc., Series D, 6.000%
-----	

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	COMMERCIAL SERVICES - 0.4%
180,000	Cendant Corporation, 7.750%
-----	
	ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.2%
82,462	Pioneer-Standard Financial Trust, 6.750%
-----	
	ENERGY - 0.2%
70,000	Chesapeake Energy Corporation, Series 144A, 6.000%
-----	
	ENVIRONMENTAL SERVICES - 0.1%
18,400	Allied Waste Industries Inc., 6.250%
-----	
	FINANCIAL - 0.4%
330,000	Gabelli Asset Management Inc., 6.950%
-----	
	GAS - 0.4%
265,000	Sempra Energy, 8.500%
-----	
	HOUSEHOLD DURABLES - 0.3%
113,325	Newell Financial Trust I, 5.250%
-----	
	INDUSTRIAL - 0.2%
166,700	Teekay Shipping Corporation, 7.250%
-----	
	INSURANCE - LIFE - 0.8%
86,500	Anthem Inc., 6.000%
146,500	Reinsurance Group of America Inc., 5.750%

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS July 31, 2003

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SHARES	DESCRIPTION(1)
	INSURANCE - MULTILINE - 0.4%
143,225	Prudential Financial Capital Trust I, 6.750%
	IT CONSULTING & SERVICES - 0.1%
91,000	Electronic Data Systems Corporation, 7.625%
	MEDICAL PRODUCTS - 0.4%
166,000	Baxter International Inc., 7.000%
	REAL ESTATE INVESTMENT TRUSTS - 0.7%
49,800	Equity Office Properties Trust, Convertible Preferred Shares, Series B, 5.250%
232,600	Equity Residential Properties Trust, Series G, 7.250%
119,000	Host Marriott Financial Trust, 6.750%
	RETAIL - 0.3%
151,000	Toys R Us Inc., Convertible Equity Units, 6.250%
	STEEL - 0.1%
40,800	TXI Capital Trust I, 6.500%
	TELECOM - 0.9%
162,000	Alltel Corporation, 7.750%
6,200	Lucent Technologies Capital Trust I, 7.750%
184,100	Motorola Inc., 7.000%
	UTILITY - 1.4%
121,000	Cinergy Corporation, 9.500%
107,500	Dominion Resources Inc., 8.750%
98,500	FPL Group Inc., 8.000%

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66,300	PPL Capital Funding Trust I, 7.750%
100,000	Public Service Enterprise Group, 10.250%
-----	
Total Convertible Preferred Securities (cost \$177,965,280)	
-----	
CAPITAL PREFERRED - HYBRID SECURITIES - 1.1% (1.1% OF TOTAL INVESTMENTS)	
TELECOM - 1.1%	
19,545	Centaur Funding Corporation, Series B-144A, 9.080%
-----	
Total Capital Preferred - Hybrid Securities (cost \$23,604,173)	
-----	

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PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)
-----	
CONVERTIBLE BONDS - 14.7% (14.3% OF TOTAL INVESTMENTS)	
ADVERTISING - 0.3%	
\$ 5,650	Interpublic Group Companies, Convertible Subordinated Notes, 1.870%, 6/01/06
-----	
AIRLINES - 0.4%	
3,750	Continental Airlines, Convertible Notes, 4.500%, 2/01/07
3,000	Delta Air Lines, Convertible Notes, Series 144A, 8.000%, 6/03/23
3,100	Northwest Airlines Corporation, Convertible Notes, Series 144A, 6.625%, 5/15/23
-----	
AUTO - 1.2%	
696,000	General Motors Corporation, 6.250%
1,250	Sonic Automotive Inc., Convertible Senior Subordinated Notes, 5.250%, 5/07/09
5,000	Tower Automotive Inc., 5.000%, 8/01/04
-----	
BIOTECHNOLOGY - 0.6%	
6,165	Fisher Scientific International Inc., Convertible Senior Notes, 2.500%, 10/01/23
3,500	Ivax Corporation, Convertible Senior Subordinated Notes, 4.500%, 5/15/08
1,000	Sepracor Inc., Convertible Subordinated Debentures, 5.000%, 2/15/07

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BROADCAST CABLE - 1.0%

7,000 Liberty Media Corporation, Senior Debentures Exchangeable for Class B, 3.250%, 3/15/07  
 12,400 Liberty Media Corporation, Senior Debentures Exchangeable for PCS Common, 4.000%, 3/15/07  
 4,375 Mediacom Communications Corporation, Convertible Senior Notes, 5.250%, 7/01/06

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COMPUTER - 2.4%

4,200 Computer Associates International Inc., Convertible Senior Notes, 5.000%, 3/15/07  
 6,000 Electronic Data Systems, Convertible Senior Notes, Series 144A, 3.875%, 7/15/23  
 4,850 General Semiconductor Inc., Convertible Subordinated Notes, 5.750%, 12/15/06  
 15,500 Hewlett Packard Company, 0.000%, 10/14/17 (LYONS)  
 6,000 International Rectifier Corporation, Convertible Subordinated Notes, 4.250%, 7/15/07  
 3,815 Maxtor Corporation, Convertible Senior Notes, Series 144A, 6.800%, 4/30/10  
 2,000 Mentor Graphics Corporation, Convertible Subordinate Notes, 6.875%, 6/15/07  
 4,713 Mercury Interactive Corporation, Convertible Subordinated Notes, 4.750%, 7/01/07  
 5,000 Quantum Corporation, 7.000%, 8/01/04

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ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.4%

8,000 Anixter International Inc., 0.000%, 6/28/20 (LYONS)  
 12,000 Arrow Electronics Inc., Convertible Senior Debentures, 0.000%, 2/21/21

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ENERGY - 0.3%

6,000 McMoran Exploration Corporation, Notes, Series 144A, 6.000%, 7/02/08

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FINANCIAL - 0.4%

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

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PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)
-----	
	HEALTH DISTRIBUTORS & SERVICES - 0.5%
\$ 5,000	Lifepoint Hospitals Inc., Convertible Subordinate Notes, 4.500%, 6/01/09
5,400	Province Healthcare Inc., Convertible Subordinated Notes, 4.250%, 10/10/08
-----	
	INDUSTRIAL CONGLOMERATES - 0.4%
7,000	Tyco International Group Limited, Convertible Notes, Series 144A, 3.125%, 1/15/23
-----	
	INDUSTRIAL - 0.5%
4,900	EDO Corporation, Convertible Subordinate Notes, 5.250%, 4/15/07
5,300	GenCorp Inc., Convertible Notes, 5.750%, 4/15/07
-----	
	INSURANCE - P&C - 0.4%
333,000	Travelers Property and Casualty Company, 4.500%, 4/15/32
-----	
	LEISURE FACILITIES - 0.7%
7,175	Carnival Corporation, Convertible Senior Debentures, 2.000%, 4/15/21
12,000	Royal Caribbean Cruises Limited, Senior Notes, 0.000%, 2/02/21 (LYONS)
-----	
	METALS DIVERSIFICATION - 0.2%
3,950	Freeport-McMoran Inc., 7.000%, 2/11/11
-----	
	NETWORK EQUIPMENT - 0.7%
3,700	Agere Systems Inc., 6.500%, 12/15/09
10,500	Brocade Communication Systems Inc., Convertible Notes, 2.000%, 1/01/07
-----	
	OFFICE ELECTRONICS - 0.3%
5,500	IOS Capital LLC, Convertible Subordinate Debentures, Series 144A, 5.000%, 5/01/07
-----	
	OIL SERVICES - 0.1%



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2,500 Maverick Tube Corporation, Convertible Notes, Series 144A, 4.000%, 6/15/33

---

PHARMACEUTICALS - 0.6%

4,125 Indevus Pharmaceuticals Inc., Convertible Senior Debentures, Series 144A, 6.250%,

1,500 Ivax Corporation, Convertible Bonds, 5.500%, 5/15/07

6,000 Medarex Inc., Convertible Subordinated Notes, 4.500%, 7/01/06

---

RETAIL - 0.4%

3,630 Barnes & Noble Inc., Convertible Notes, 5.250%, 3/15/09

4,625 Best Buy Inc., Convertible Subordinate Debentures, 2.250%, 1/15/22

---

RETAIL - SPECIAL - 0.5%

3,000 Charming Shoppes Inc., Senior Convertible Notes, 4.750%, 6/01/12

8,000 Lowes Companies Inc., Senior Notes, 0.000%, 2/16/21 (LYONS)

---

SEMICONDUCTOR - 0.6%

5,500 ASM Lithography, Convertible Notes, 5.750%, 10/15/06

6,974 Brooks Automation Inc., Convertible Subordinated Notes, 4.750%, 6/01/08

---

STEEL - 0.2%

5,045 Shaw Group Inc., Senior Notes, 0.000%, 5/01/21 (LYONS)

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

---

TELECOM - 0.1%

\$ 1,500	Nextel Communications Inc., Convertible Senior Notes, 6.000%, 6/01/11
----------	---

---

TELECOM EQUIPMENT - 0.9%

8,000	Ciena Corporation, Convertible Notes, 3.750%, 2/01/08
-------	---

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9,500	Liberty Media Corporation, Senior Debentures Exchangeable for Motorola, 3.500%, 1
6,000	Nortel Networks Corporation, Convertible Senior Notes, 4.250%, 9/01/08
-----	
	UTILITY - 0.6%
5,000	Calpine Corporation, Convertible Senior Notes, 4.000%, 12/26/06
260,000	Centerpoint Energy Inc., Zero Premium Exchangeable Subordinated Notes, 2.000%, 9/
-----	
	Total Convertible Bonds (cost \$287,923,020)
-----	

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
-----	
	CORPORATE BONDS - 10.7% (10.5% OF TOTAL INVESTMENTS)
	AUTO - 1.7%
2,000	Ford Motor Company, 8.900%, 1/15/32
	Ford Motor Company, Debentures:
9,095	9.980%, 2/15/47
7,570	7.700%, 5/15/97
15,000	General Motors Corporation, Senior Debentures, 8.375%, 7/15/33
2,000	Tenneco Authomotive Inc., Senior Notes, Series 144A, 10.250%, 7/15/13
-----	
	BROADCAST CABLE - 0.5%
4,900	Allbritton Communications Company, Senior Subordinated Notes, Series B, 7.750%, 1
2,000	Cablevision Systems Corporation, Senior Debentures, Series B, 8.125%, 8/15/09
2,000	CSC Holdings Inc., 8.125%, 7/15/09
-----	
	ENERGY - 0.3%
2,000	Chesapeake Energy Corporation, Senior Notes, 9.000%, 8/15/12
1,000	Energy Partners Limited, Series 144A, 8.750%, 8/01/10 (DD, settling 8/05/03)
	Tesoro Petroleum Corporation, Senior Subordinated Notes, Series B:
2,000	9.000%, 7/01/08
1,000	9.625%, 11/01/08
-----	
	ENTERTAINMENT - 0.6%

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3,400 Aztar Corporation, 9.000%, 8/15/11  
 2,345 Boyd Gaming Corporation, Senior Subordinated Notes, 8.750%, 4/15/12  
 1,000 Park Place Entertainment, Senior Subordinate Notes, 7.875%, 3/15/10  
 2,000 Penn National Gaming Inc., Senior Subordinated Notes, 8.875%, 3/15/10  
 2,000 Pinnacle Entertainment Inc., Senior Subordinate Notes, Series B, 9.250%, 2/15/07  
 1,000 Venetian Casino Resort, LLC, 11.000%, 6/15/10

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
 Portfolio of INVESTMENTS July 31, 2003

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
-----	
	FINANCIAL - 0.4%
\$ 2,500	MDP Acquisitions plc, Senior Notes, 9.625%, 10/01/12
4,000	Universal City Development Partners, Senior Notes, Series 144A, 11.750%, 4/01/10
-----	
	FOOD - 0.7%
4,500	Del Monte Corporation, Senior Subordinate Notes, Series 144A, 8.625%, 12/15/12
5,000	Dole Foods Company, Debentures, 7.875%, 7/15/13
1,400	Dole Foods Company, Senior Notes, 8.625%, 5/01/09
957	Ingles Markets Inc., Senior Subordinate Notes, 8.875%, 12/01/11
2,000	Ingles Markets Inc., Senior Subordinated Notes, Series 144A, 8.875%, 12/01/11
-----	
	HEALTH DISTRIBUTORS AND SERVICES - 0.1%
1,000	Select Medical Corporation, Series 144A, 7.500%, 8/01/13 (DD, settling 8/12/03)
-----	
	HOMEBUILDING - 0.2%
3,000	Willima Lyon Homes Inc., Unsecured Senior Notes, 10.750%, 4/01/13
-----	
	INDUSTRIAL CONGLOMERATES - 0.2%
4,000	Jacuzzi Brands Inc., Senior Secured Notes, Series 144A, 9.625%, 7/01/10

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-----  
INDUSTRIAL - 1.4%

6,235 Allied Waste North America Inc., Senior Subordinated Notes, Series B, 10.000%, 8/  
2,000 Berry Plastics Corporation, Senior Subordinated Notes, 10.750%, 7/15/12  
3,000 Hovnanian K. Enterprises Inc., Senior Subordinate Notes, 8.875%, 4/01/12  
3,000 Laidlaw International Inc., Senior Notes, Series 144A, 10.750%, 6/15/11  
2,000 Owens-Brockway Glass Containers, Guaranteed Senior Notes, Series 144A, 8.250%, 5/  
3,000 Owens-Illinois Inc., 7.500%, 5/15/10  
Terex Corporation, Senior Subordinated Notes:  
3,000 8.875%, 4/01/08  
2,000 10.375%, 4/01/11  
199 Terex Corporation, Senior Subordinated Notes, Series D, 8.875%, 4/01/08  
2,100 United States Can Corporation, Second Priority Senior Secured Notes, 10.875%, 7/1

-----  
LEISURE FACILITIES - 0.3%

5,000 Intrawest Corporation, Senior Notes, 9.750%, 8/15/08

-----  
MEDICAL PRODUCTS - 0.2%

1,480 Iasis Healthcare Corporation, 13.000%, 10/15/09  
2,455 Iasis Healthcare Corporation, Series 144A, 8.500%, 10/15/09

-----  
PAPER - 0.3%

2,000 Georgia Pacific Corporation, Debentures, 7.700%, 6/15/15  
5,000 Georgia Pacific Corporation, Notes, 8.125%, 5/15/11

-----  
PUBLISHING & PRINTING - 0.8%

2,000 American Media Operations Inc., 8.875%, 1/15/11  
1,500 Mail-Well I Corporation, Senior Unsecured Notes, Series 144A, 9.625%, 3/15/12  
Primedia Inc., Senior Notes:  
3,000 7.625%, 4/01/08  
4,000 8.875%, 5/15/11  
4,000 Vertis Inc., Senior Notes, Series 144A, 9.750%, 4/01/09

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
	REAL ESTATE - 1.6%
\$ 1,500	LNR Property Corporation, Senior Subordinated Notes, 10.500%, 1/15/09
30,000	Mangrove Bay, Series 144A, Class 3, 6.102%, 7/15/33
	RETAIL - 0.6%
	Saks Inc., Notes:
2,000	7.500%, 12/01/10
1,000	9.875%, 10/01/11
2,000	7.375%, 2/15/19
4,000	Toys R Us Inc., Notes, 7.875%, 4/15/13
3,500	Williams Scotsman Inc., Senior Notes, 9.875%, 6/01/07
	RETAIL - SPECIAL - 0.2%
4,000	Warnaco Inc., Senior Notes, Series 144A, 8.875%, 6/15/13
	SPECIALTY CHEMICALS - 0.2%
2,500	OM Group Inc., 9.250%, 12/15/11
1,500	United Industries Corporation, Senior Subordinate Notes, Series D, 9.875%, 4/01/00
	TELECOM - 0.4%
5,000	Nextel Communications Inc., 7.375%, 8/01/15
3,000	Rural Cellular Corp, Series 144A, 9.875%, 2/01/10 (DD, settling 8/01/03)
	Total Corporate Bonds (cost \$213,218,633)
	CAPITAL PREFERRED SECURITIES - 15.4% (15.0% OF TOTAL INVESTMENTS)
	BANKING - 5.8%
2,183	BankAmerica Capital II, Series 2, 8.000%, 12/15/26
5,000	BankAmerica Institutional Trust, 8.070%, 12/31/26
2,600	BankAmerica Institutional Capital Trust, Series B, 7.700%, 12/31/26
2,000	BankBoston Capital Trust I, Series B, 8.250%, 12/15/26

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6,075	Bank One Capital III, 8.750%, 9/01/30
4,000	BT Capital Trust B, Capital Securities, Series B, 7.900%, 1/15/27
2,350	FBS Capital Trust I, 8.090%, 11/15/26
3,775	First Chicago NBD Institutional Capital Trust, Series B, 7.750%, 12/01/26
3,750	First Empire Capital Trust I, 8.234%, 2/01/27
10,000	First Empire Capital Trust II, 8.277%, 6/01/27
3,000	JPMorgan Chase Capital Trust II, 7.950%, 2/01/27
15,000	KeyCorp Institutional Capital Trust, Series A, 7.826%, 12/01/26
18,060	Mellon Capital Trust I, Series A, 7.720%, 12/01/26
17,000	North Fork Capital Trust II, 8.000%, 12/15/27
500	PNC Institutional Capital Securities, 7.950%, 12/15/26
1,002	Republic New York Capital II, 7.530%, 12/04/26
9,000	State Street Institutional Capital Trust, Series 144A, 8.035%, 3/15/27

---

BANKING - FOREIGN - 5.4%

20,000	Abbey National Capital Trust I, 8.963%, 6/30/20
29,075	Barclays Bank plc, Series 144A, 6.860%, 6/15/32
21,000	CBA Capital Trust I, 5.805%, 6/30/15 (DD, settling 8/06/03)
20,000	HSEC Capital Funding LP, 10.176%, 6/30/30

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Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS July 31, 2003

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
	FINANCIAL - 0.2%
\$ 3,725	St. George Funding Company LLC, 8.485%, 6/30/07

---

FINANCIAL - FOREIGN - 0.6%

10,000	ING Capital Funding Trust III, 8.439%, 12/29/49
--------	---

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GAS - 0.5%

10,000 KN Capital Trust III, 7.630%, 4/15/28

---

INSURANCE - FINANCIAL - 0.7%

10,000 American General Capital II, 8.500%, 7/0/30

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

---

INSURANCE - LIFE - 0.3%

5,000 American General Institutional Capital, Series 144A, 7.570%, 12/01/45

---

INSURANCE - MULTILINE - 1.7%

12,353 SAFECO Capital Trust I, 8.072%, 7/15/37

19,513 Zurich Capital Trust I, 8.376%, 6/01/37

---

SAVINGS & LOAN - THRIFT - 0.2%

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

---

Total Capital Preferred Securities (cost \$323,982,983)

---

CAPITAL PREFERRED - EURO-MARKET LISTED SECURITIES - 5.7% (5.6% OF TOTAL INVESTMENT)

BANKING - FOREIGN - 4.4%

6,250 BNP Paribas Capital Trust, 7.200%, 6/30/07

28,750 C.A. Preferred Funding Trust, 7.000%, 1/30/09

25,750 HBOS Capital Funding LP, Notes, 6.850%, 3/23/09

7,000 Lloyds TSB Bank plc, Subordinate Notes, 6.900%, 11/22/07

21,250 RBS Capital Trust B, 6.800%, 3/31/08

---

FINANCIAL - FOREIGN - 1.3%

24,850 Old Mutual Capital Funding, Notes, 8.000%, 12/22/08

---

Total Capital Preferred - Euro-Market Listed Securities (cost \$118,588,192)

---

U.S GOVERNMENT AND AGENCY OBLIGATIONS - 8.7% (8.5% OF TOTAL INVESTMENTS)

AGENCY - 1.0%

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

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-----  
 U.S. TREASURY NOTES - 7.7%

	United States of America Treasury Notes:
35,000	1.125%, 6/30/05
15,000	2.000%, 5/15/06
65,000	2.625%, 5/15/08
40,000	3.625%, 5/15/13

-----  
 Total U.S. Government and Agency Obligations (cost \$175,320,015)  
 -----

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PRINCIPAL  
 AMOUNT (000) DESCRIPTION(1)

-----

	SHORT-TERM INVESTMENTS - 12.0% (11.7% OF TOTAL INVESTMENTS)	
\$	133,426	State Street Repurchase Agreement, 0.980%, date 7/31/03, due 8/01/03, repurchase price \$133,429,632, collateralized by U.S. Treasury Bonds
	40,000	Citigroup Global Markets, Commercial Paper Notes, 1.030%, 8/06/03
	30,000	General Electric Company, Commercial Paper Notes, 1.000%, 8/06/03
	30,000	Prudential Funding LLC, Commercial Paper Notes, 0.980%, 8/06/03
		-----
		Total Short-Term Investments (cost \$233,412,028)
		-----
		Total Investments (cost \$2,064,602,975) - 102.3%
		-----
		Other Assets Less Liabilities - (2.3)%
		-----
		Net Assets Applicable to Common Shares - 100%,
		=====

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

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

(CBTCS) Corporate Backed Trust Certificates.

(CORTS) Corporate Backed Trust Securities.

(LYONS) Liquid Yield Option Notes.

(PPLUS) PreferredPlus Trust.

(SATURNS) Structured Asset Trust Unit Repackaging.

(DD) Security purchased on a delayed delivery basis.



See accompanying notes to financial statements.

Statement of  
ASSETS AND LIABILITIES July 31, 2003

-----  
ASSETS

Investments, at market value (cost \$2,110,905,064 and \$2,064,602,975, respectively)  
Cash  
Deposits with brokers for securities sold short  
Receivables:  
    Dividends  
    Interest  
    Investments sold  
Other assets

-----  
Total assets

-----  
LIABILITIES

Common stocks sold short, at value (proceeds \$21,553,296 and \$0, respectively)  
Payable for investments purchased  
Accrued expenses:  
    Management fees  
    Organization and offering costs  
    Other  
FundPreferred share dividends payable

-----  
Total liabilities

-----  
FundPreferred shares, at liquidation value

-----  
Net assets applicable to Common shares

=====

Common shares outstanding

=====

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

=====

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

-----  
Common shares, \$.01 par value per share  
Paid-in surplus  
Undistributed (Over-distribution of) net investment income  
Accumulated net realized gain (loss) from investments  
Net unrealized appreciation (depreciation) of investments

-----  
Net assets applicable to Common shares

=====

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Authorized shares:  
Common  
FundPreferred shares

=====

See accompanying notes to financial statements.

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Statement of  
OPERATIONS

-----  
INVESTMENT INCOME

Dividends  
Interest

-----  
Total investment income  
-----

EXPENSES

Management fees  
FundPreferred shares - auction fees  
FundPreferred shares - dividend disbursing agent fees  
Shareholders' servicing agent fees and expenses  
Custodian's fees and expenses  
Trustees' fees and expenses  
Professional fees  
Shareholders' reports - printing and mailing expenses  
Investor relations expense  
Other expenses

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

Net expenses  
-----

Net investment income  
-----

REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS

Net realized gain (loss) from investments  
Change in net unrealized appreciation (depreciation) of investments

-----  
Net gain (loss) from investments  
-----

DISTRIBUTIONS TO FUNDPREFERRED SHAREHOLDERS

From net investment income  
-----

Net increase (decrease) in net assets applicable to Common shares from operations

=====  
See accompanying notes to financial statements.

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Statement of  
CHANGES IN NET ASSETS

-----  
OPERATIONS

Net investment income  
Net realized gain (loss) from investments  
Change in net unrealized appreciation (depreciation) of investments  
Distributions to FundPreferred shareholders from net investment income

-----  
Net increase (decrease) in net assets applicable to Common shares  
from operations

-----  
DISTRIBUTIONS TO COMMON SHAREHOLDERS

From net investment income

-----  
CAPITAL SHARE TRANSACTIONS

Common shares:

Net proceeds from sale of shares  
Net proceeds from shares issued to shareholders due to  
reinvestment of distributions  
FundPreferred shares offering costs

-----  
Net increase in net assets applicable to Common shares from  
capital share transactions

-----  
Net increase in net assets applicable to Common shares  
Net assets applicable to Common shares at the beginning of period

-----  
Net assets applicable to Common shares at the end of period

=====  
Undistributed (Over-distribution of) net investment income at the end of period  
=====

See accompanying notes to financial statements.

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Notes to  
FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Securities Valuation

Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. The prices of fixed-income securities are provided by a pricing service approved by the Funds' Board of Trustees and based on the mean between the bid and asked prices. When price quotes are not readily available, the pricing service establishes fair market value based on prices of comparable securities. If it is determined that market prices for a security are unavailable or inappropriate, the Board of Trustees of the Funds, or its designee, may establish a fair value for the security. Short-term securities are valued at amortized cost, which approximates market value.

Securities Transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined on the specific identification method. Securities purchased on a when-issued or delayed delivery basis may have extended settlement periods. Any securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At July 31, 2003, Preferred and Convertible Income 2 (JQC) had outstanding delayed delivery purchase commitments of \$26,000,000.

Investment Income

Dividend income is recorded on the ex-dividend date. Interest income, which

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includes the amortization of premiums and accretion of discounts for financial reporting purposes, is recorded on an accrual basis.

### Income Taxes

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

### Dividends and Distributions to Common Shareholders

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

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

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### Notes to FINANCIAL STATEMENTS (continued)

#### FundPreferred Shares

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

	PREFERRED AND CONVERTIBLE INCOME (JPC)
-----	
Number of shares:	
Series M	4,720
Series T	4,720
Series W	4,720
Series TH	4,720
Series F	4,720
Series F2	4,720
-----	
Total	28,320
=====	

Effective May 16, 2003, Preferred and Convertible Income (JPC) issued 4,720 Series M, 4,720 Series T, 4,720 Series W, 4,720 Series TH, 4,720 Series F, and 4,720 Series F2, \$25,000 stated value FundPreferred shares.

#### Interest Rate Swap Transactions

The Funds are authorized to enter into hedging transactions, including interest rate swap transactions. The Funds may use interest rate swaps with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. The Funds did not enter into any interest rate swap transactions during the fiscal year ended July 31, 2003.

#### Short Sales

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

The Funds will borrow the securities sold short from a broker-dealer through which the short sale is executed and the broker-dealer will deliver such securities, on behalf of the Funds, to the purchaser of such securities. Such broker-dealer will be entitled to retain the proceeds from the short sale until the Funds deliver to such broker-dealer the securities sold short. In addition, the Funds will be required to pay the broker-dealer the amount of any dividends or interest paid on securities sold short. Finally, to secure its obligation to deliver to such broker-dealer the securities sold short, the Funds have instructed the custodian to segregate assets in an equivalent amount of the securities sold short or securities convertible into or exchangeable for such securities without the payment of additional consideration.

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

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#### Repurchase Agreements

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

#### Other Derivative Financial Instruments

The Funds may invest in options and futures contracts, credit derivative instruments, and currency exchange transactions for the purpose of hedging their portfolios. Although the Funds are authorized to invest in such financial instruments, and may do so in the future, they did not make any such investments during the fiscal year ended July 31, 2003.

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### Offering Costs

Nuveen Investments, LLC has agreed to pay all Common share offering costs (other than the sales load) that exceed \$.03 per Common share for Preferred and Convertible Income (JPC), and Preferred and Convertible Income 2 (JQC). Preferred and Convertible Income's (JPC), and Preferred and Convertible Income 2's (JQC) share of offering costs (\$1,557,409, and \$1,939,104, respectively) were recorded as a reduction of the proceeds from the sale of Common shares.

Costs incurred by Preferred and Convertible Income (JPC) in connection with its offering of FundPreferred shares (\$14,569,487) was recorded as a reduction to paid-in surplus.

### Custodian Fee Credit

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

### Use of Estimates

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

## 2. FUND SHARES

Transactions in Common and FundPreferred shares were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
	FOR THE PERIOD 3/26/03 (COMMENCEMENT OF OPERATIONS) THROUGH 7/31/03	FOR THE PERIOD 6/30/03 (COMMENCEMENT OF OPERATIONS) THROUGH 7/31/03
-----		
Common shares:		
Shares sold	100,000,000	141,000,000
Shares issued to shareholders due to reinvestment of distributions	36,992	--
	-----	-----
	100,036,992	141,000,000
=====		
FundPreferred shares sold	28,320	--
=====		

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## Notes to FINANCIAL STATEMENTS (continued)

### 3. SECURITIES TRANSACTIONS

Purchases and sales (including maturities) of investment securities and U.S. Government and agency obligations during the fiscal year ended July 31, 2003, were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC) *	PREFERRED AND CONVERTIBLE INCOME 2 (JQC) **
-----		
Purchases:		
Investment securities	\$2,289,974,517	\$1,664,689,392
U.S. Government and agency obligations	85,606,058	257,928,736
Sales and maturities:		
Investment securities	214,586,604	8,609,965
U.S. Government and agency obligations	88,036,199	80,167,684
=====		

\* For the period March 26, 2003 (commencement of operations) through 7/31/03.

\*\* For the period June 30, 2003 (commencement of operations) through 7/31/03.

### 4. INCOME TAX INFORMATION

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

At July 31, 2003, the cost of investments were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		
Cost of investments	\$2,091,713,385	\$2,066,058,742
=====		

Gross unrealized appreciation and gross unrealized depreciation of investments at July 31, 2003, were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		
Gross unrealized:		
Appreciation	\$ 43,078,395	\$ 4,759,934
Depreciation	(54,210,726)	(76,285,827)



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Net unrealized appreciation (depreciation) on investments	\$ (11,132,331)	\$ (71,525,893)
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The tax components of undistributed net ordinary income and net realized gains at July 31, 2003, were as follows:

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

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

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

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

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

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

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

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### 5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

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

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

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

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

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#### Notes to FINANCIAL STATEMENTS (continued)

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

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

\*From the commencement of operations.

The Adviser has not agreed to reimburse Preferred and Convertible Income (JPC)

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for any portion of its fees and expenses beyond March 31, 2011.

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

YEAR ENDING JUNE 30,	YEAR ENDING JUNE 30,	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.

### 6. SUBSEQUENT EVENTS

#### FundPreferred Share Issuance

On August 15, 2003, Preferred and Convertible Income 2 (JQC) issued 3,860 \$25,000 stated value FundPreferred shares per series for the following series: M, M2, T, T2, W, W2, TH, TH2, F, and F2. Costs incurred by the Fund in connection with its offering of FundPreferred shares (\$19,700,000) were recorded as a reduction to paid-in surplus.

#### Distributions to Common Shareholders

Preferred and Convertible Income (JPC) declared a \$.1005 Common share dividend distribution from its net investment income which was paid on September 2, 2003, to shareholders of record on August 15, 2003.

Preferred and Convertible Income 2 (JQC) declared a \$.0975 Common share dividend distribution from its net investment income which was paid on September 2, 2003, to shareholders of record on August 18, 2003.

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Selected data for a Common share outstanding throughout each period:

	Investment Operations					
	Beginning Common Share	Net Investment Income	Net Realized/ Unrealized Investment Gain (Loss)	Distributions from Net Investment Income to FundPreferred Share- holders+	Distributions from Capital Gains to FundPreferred Share- holders+	Tot
	Net Asset Value	Investment Income	Investment Gain (Loss)	Share- holders+	Share- holders+	Tot
=====						
PREFERRED AND CONVERTIBLE INCOME (JPC)						
-----						
Year Ended 7/31:						
2003 (a)	\$14.33	\$.30	\$ (.02)	\$ (.02)	\$--	\$ .
PREFERRED AND CONVERTIBLE INCOME 2 (JQC)						
-----						
Year Ended 7/31:						
2003 (b)	14.33	.04	(.53)	--	--	(.
=====						

	Total Returns				
	Offering Costs and Preferred Share Underwriting Discounts	Ending Common Share Net Asset Value	Ending Market Value	Based on Market Value**	Based on Common Share Net Asset Value**
=====					
PREFERRED AND CONVERTIBLE INCOME (JPC)					
-----					
Year Ended 7/31:					
2003 (a)	\$ (.17)	\$14.12	\$14.57	(.89)%	.58%
PREFERRED AND CONVERTIBLE INCOME 2 (JQC)					
-----					
Year Ended 7/31:					
2003 (b)	(.01)	13.83	14.69	(2.07)	(3.49)
=====					

Ratios/Supplemental Data	
Before Credit/Reimbursement	After Credit/Reimbursement
Ratio of Net	Ratio

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	Ending Net Assets Applicable to Common Shares (000)	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Investment Income to Average Net Assets Applicable to Common Shares++	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Inv In Net App to
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PREFERRED AND  
CONVERTIBLE INCOME  
(JPC)

Year Ended 7/31:					
2003 (a)	\$1,412,983	1.29%*	5.67%*	.87%*	

PREFERRED AND  
CONVERTIBLE INCOME 2  
(JQC)

Year Ended 7/31:					
2003 (b)	1,950,622	.97*	2.86*	.65*	

FundPreferred Shares at End of Period

	Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share
--	---	---	--------------------------------

PREFERRED AND  
CONVERTIBLE INCOME  
(JPC)

Year Ended 7/31:			
2003 (a)	\$708,000	\$25,000	\$74,893

PREFERRED AND  
CONVERTIBLE INCOME 2  
(JQC)

Year Ended 7/31:			
2003 (b)	--	--	--

\* Annualized.

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

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

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to FundPreferred shareholders; income ratios reflect income earned on assets attributable to FundPreferred shares.

(a) For the period March 26, 2003 (commencement of operations) through July 31, 2003.

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(b) For the period June 30, 2003 (commencement of operations) through July 31, 2003.

See accompanying notes to financial statements.

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### Trustees 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 of Trustees of the Funds. The number of trustees of the Funds is currently set at eight for Preferred and Convertible Income (JPC) and twelve for Preferred and Convertible Income 2 (JQC). None of the trustees 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 trustees 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 DIRECTORSHIPS DURING PAST 5 YEARS
--------------------------------	------------------------------------	---	---

-----  
**TRUSTEE 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 Trustee	1994	Chairman and Director (since 1992) of Nuveen Investments, Inc. and Nuveen Investment Management, Inc. Director (since 1992) and Chairman of Nuveen Advisory Corp. and Nuveen Investment Management, Inc. Advisory Corp.; Chairman and Director of Nuveen Asset Management, Inc. and Nuveen Institutional Capital Corporation (since 1999) of Rittenhouse Asset Management, Inc. Chairman of Nuveen Investments
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**TRUSTEES WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:**  
 -----

William E. Bennett 10/16/46 333 W. Wacker Drive Chicago, IL 60606	Trustee	2001	Private Investor; previously, Executive Officer, Draper & Kramer, a company that handles mortgage bank development, pension advisory and investment management (1995-1998). Prior thereto, Executive Chief Credit Officer of First Chicago Bank and its principal subsidiary, Trust Bank of Chicago.
--	---------	------	--

Robert P. Bremner	Trustee (3)	1997	Private Investor and Management
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8/22/40  
 333 W. Wacker Drive  
 Chicago, IL 60606

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Lawrence H. Brown 7/29/34 333 W. Wacker Drive Chicago, IL 60606	Trustee(3)	1993	Retired (since 1989) as Senior Northern Trust Company; Director Highland Park-Highwood (since 2
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Jack B. Evans 10/22/48 333 W. Wacker Drive Chicago, IL 60606	Trustee	1999	President, The Hall-Perrine Foun philanthropic corporation (sinc Alliant Energy; Director and Vi Fire & Casualty Company; Direct of Chicago; formerly, President Officer, SCI Financial Group, I services firm.
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Anne E. Impellizzeri 1/26/33 333 W. Wacker Drive Chicago, IL 60606	Trustee(3)	1994	Retired, formerly, Executive Di of Manitoaga/The Russel Wright D thereto, President and Chief Ex Blanton-Peale Institute (since Vice President, Metropolitan Li
---	------------	------	---

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William L. Kissick 7/29/32 333 W. Wacker Drive Chicago, IL 60606	Trustee	1992	Professor Emeritus, School of M School of Management and former Institute of Health Economics, Pennsylvania; Adjunct Professor Management, Yale University.
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Thomas E. Leafstrand 11/11/31 333 W. Wacker Drive Chicago, IL 60606	Trustee	1992	Retired; previously, Vice Presi Municipal Underwriting and Deal Northern Trust Company.
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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 DIRECTORSHIPS DURING PAST 5 YEARS
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TRUSTEES WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED):

---

Peter R. Sawers 4/3/33 333 W. Wacker Drive Chicago, IL 60606	Trustee(3)	1991	Adjunct Professor of Business a of Dubuque, Iowa; formerly (199 Lake Forest Graduate School of Illinois; prior thereto, Execut Perrin Australia, a management
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Chartered Financial Analyst; Ce  
Consultant; Director, Executive  
Chicago, a not-for-profit organ

William J. Schneider 9/24/44 333 W. Wacker Drive Chicago, IL 60606	Trustee(3)	1997	Senior Partner and Chief Operat Miller-Valentine Group, Vice Pr Miller-Valentine Realty, a cons MiamiValley Hospital; Chair, Da Coalition; formerly, Member, Co Board, National City Bank, Dayt Business Advisory Council, Clev Reserve Bank.
Judith M. Stockdale 12/29/47 333 W. Wacker Drive Chicago, IL 60606	Trustee(3)	1997	Executive Director, Gaylord and Foundation (since 1994); prior Director, Great Lakes Protectio to 1994).
Sheila W. Wellington 2/24/32 333 W. Wacker Drive Chicago, IL 60606	Trustee	1994	President (since 1993) of Catal organization focusing on women' in business and the professions

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:

Gifford R. Zimmerman 9/9/56 333 W. Wacker Drive Chicago, IL 60606	Chief Administrative Officer	1988	Managing Director (since 2002), and Associate General Counsel, and Assistant General Counsel o Managing Director (since 2002), Assistant Secretary, formerly, Advisory Corp. and Nuveen Insti Managing Director (since 2002), Associate General Counsel, form (since 2000), of Nuveen Asset M Secretary of Nuveen Investments Assistant Secretary of NWQ Inve Company, LLC (since 2002); Vice Assistant Secretary of Nuveen I (since 2002); Managing Director Counsel and Assistant Secretary Management, Inc. (since May 200 Financial Analyst.
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Michael T. Atkinson	Vice President	2000	Vice President (since 2002), fo
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2/3/66  
333 W. Wacker Drive  
Chicago, IL 60606

and Assistant  
Secretary

Vice President (since 2000), pr  
Nuveen Investments, LLC.

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Trustees  
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
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OFFICERS OF THE FUNDS (CONTINUED):  
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Peter H. D'Arrigo 11/28/67 333 W. Wacker Drive Chicago, IL 60606	Vice President and Treasurer	1999	Vice President of Nuveen Invest prior thereto, Assistant Vice P Vice President and Treasurer of Inc. (since 1999); Vice Preside Nuveen Advisory Corp. and Nuvee Advisory Corp. (since 1999); Vi Treasurer of Nuveen Asset Manag 2002) and of Nuveen Investments (since 2002); Assistant Treasur Management Company, LLC (since Financial Analyst.
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Susan M. DeSanto 9/8/54 333 W. Wacker Drive Chicago, IL 60606	Vice President	2001	Vice President of Nuveen Adviso previously, Vice President of V Advisory Corp. (since 1998); Vi Institutional Advisory Corp. (s prior thereto, Assistant Vice P Van Kampen Investment Advisory
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Jessica R. Droeger 9/24/64 333 W. Wacker Drive Chicago, IL 60606	Vice President and Secretary	2000	Vice President (since 2002) and Counsel (since 1998); formerly, President (since 1998) of Nuvee Vice President (since 2002) and (since 1998), formerly Assistan Nuveen Advisory Corp. and Nuvee Advisory Corp.
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Lorna C. Ferguson 10/24/45 333 W. Wacker Drive Chicago, IL 60606	Vice President	1998	Vice President of Nuveen Invest President (since 1998) of Nuvee Nuveen Institutional Advisory C
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William M. Fitzgerald 3/2/64 333 W. Wacker Drive Chicago, IL 60606	Vice President	1995	Managing Director (since 2002) LLC; Managing Director (since 2002) President of Nuveen Advisory Corporation (since 2002); Managing Director of Nuveen Institutional Advisory Corp. (since 2002); Managing Director of Nuveen Asset Management, Inc. (since 2002); Vice President of Nuveen Investments, LLC (since 2002); Chartered Financial Analyst
Stephen D. Foy 5/31/54 333 W. Wacker Drive Chicago, IL 60606	Vice President and Controller	1998	Vice President (since 1993) and Controller (since 1998) of Nuveen Investments, LLC; Funds Controller (since 1998) of Nuveen Investments, Inc.; Certified Public Accountant
David J. Lamb 3/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2000	Vice President (since 2000) of Nuveen Investments, LLC; previously Assistant Vice President of Nuveen Investments, Inc. thereto, Associate of Nuveen Investments, Inc. Public Accountant.
Tina M. Lazar 8/27/61 333 W. Wacker Drive Chicago, IL 60606	Vice President	2002	Vice President (since 1999), President (since 1993) of Nuveen Investments, Inc.

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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
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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 Secretary, General Counsel of Nuveen Investments, LLC; President and Assistant Secretary of Nuveen Institutional Advisory Corp. and Nuveen Institutional Advisory Corporation; Secretary of Nuveen Investments, LLC (since 1997); Nuveen Asset Management, Inc. (since 2000), Assistant Secretary, General Counsel (since 1998) of Nuveen Investments, Inc.; Vice President, Secretary of Nuveen Investments, LLC (since 2002); Assistant Secretary of Nuveen Asset Management Company, LLC (since 2002)
Edward F. Neild, IV 7/7/65 333 W. Wacker Drive Chicago, IL 60606	Vice President	1996	Managing Director (since 2002) LLC; Managing Director (since 2002) President (since 1996) of Nuveen Investments, Inc.; Managing Director of Nuveen Institutional Advisory Corporation; Managing Director of Nuveen Asset Management, Inc.

- (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 trustee of the Adviser.
- (2) Trustees serve a one-year term until his/her successor is elected. The year first elected or appointed represents the year in which the Trustee was first elected or appointed to any fund in the Nuveen Complex.
- (3) Trustees of Preferred and Convertible Income 2 (JQC) only.
- (4) Officers serve a one-year term 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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Build Your Wealth  
AUTOMATICALLY

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

NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS DIVIDEND REINVESTMENT PLAN

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

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power compounding. It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

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

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will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

### FLEXIBILITY

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

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

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

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

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### Fund INFORMATION

#### JPC BOARD OF TRUSTEES

William E. Bennett  
Jack B. Evans  
William L. Kissick  
Thomas E. Leafstrand  
Timothy R. Schwertfeger  
Sheila W. Wellington

#### JQC BOARD OF TRUSTEES

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

#### FUND MANAGER

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

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

Froley, Revy Investment Co., Inc.  
10900 Wilshire Boulevard  
Los Angeles, CA 90024

CUSTODIAN  
State Street Bank & Trust  
Boston, MA

TRANSFER AGENT AND  
SHAREHOLDER SERVICES  
State Street Bank & Trust  
Nuveen Funds  
P.O. Box 43071  
Providence, RI 02940-3071  
(800) 257-8787

LEGAL COUNSEL  
Chapman and Cutler LLP  
Chicago, IL

INDEPENDENT AUDITORS  
Ernst & Young LLP  
Chicago, IL

### GLOSSARY OF TERMS USED IN THIS REPORT

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

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

-----  
Each Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the fiscal year ended July 31, 2003. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

Serving Investors  
FOR GENERATIONS

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to the belief that the best approach to investing

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is to apply conservative risk-management principles to help minimize volatility.

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

Managing \$80 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in tax-free investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

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

Distributed by

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| [www.nuveen.com](http://www.nuveen.com)

EAN-E-0703D

### 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. The registrant has posted such code of ethics on its website at [www.nuveen.com/etf](http://www.nuveen.com/etf).

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's board of directors has 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 William E. Bennett, who is "independent" for purposes of Item 3 of Form N-CSR.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

### ITEM 6. [RESERVED]

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

The registrant has adopted the proxy voting policies and procedures of its Sub-Advisers as described below.

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Spectrum Asset Management: Spectrum's policies seek to ensure that proxies are voted solely in the best economic interests of the registrant and without undue influence from parties that may have an economic interest in the outcome of a proxy vote. Spectrum classifies proxy voting into three broad categories: Routine Administrative Items, Special Interest Issues, and Issues Having the Potential for Significant Economic Impact. Once it has analyzed and identified each issue as belonging in a particular category, Spectrum will cast the client's vote in accordance with the guidelines developed for that particular category.

On any occasion when a proxy vote presents a potential conflict of interest, Spectrum will review the matter and disclose the conflict to the client(s) to obtain prior to voting.

Froley, Revy Investment Co.: Froley, Revy has adopted a proxy voting policy which requires that proxies be voted in the best ultimate long-term economic interests of the Fund. Froley, Revy's primary consideration in deciding how to vote a proxy is the ultimate economic impact of a proxy proposal on the value of the company's stock based on Froley, Revy's independent analysis of the Stock's investment considerations.

Froley, Revy utilizes a proxy committee made up of portfolio managers and research analysts. With respect to each proxy issue, the committee will analyze the economic impact on the company of voting in favor or against the proposal. Where proxy voting involves a potential conflict of interests, the committee shall disclose its conflict to the client and allow the client an opportunity to approve the recommended vote based upon the committee's communicated rationale.

Symphony Asset Management: Symphony uses the services of Institutional Shareholder Services ("ISS"), an independent proxy voting service, which handles all proxy voting for Symphony client accounts, including the registrant. The proxy voting policies and procedures of ISS are reviewed and approved each year by Symphony.

ITEM 8. [RESERVED]

ITEM 9. 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 these 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 Exchange Act (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 10. EXHIBITS.

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

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

(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 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: Ex-99.CERT Attached hereto.

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

SIGNATURES

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

(Registrant) Nuveen Preferred and Convertible Income Fund 2

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

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Jessica R. Droeger  
Vice President and Secretary

Date: October 8, 2003

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

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

Date: October 8, 2003

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

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



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Date: October 8, 2003

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