

NUVEEN SENIOR INCOME FUND

Form N-30D

October 03, 2001

NUVEEN Investments

Closed-End Exchange-Traded Funds

Nuveen Senior Income Fund

High current income from a portfolio of senior, secured corporate loans

NSL

July 31, 2001

annual Report

Invest well.

Look ahead.

LEAVE YOUR MARK.

Photo: 2 children talking and 2 adults talking in the background.

Photo: Man talking to young girl sitting by a computer.

Less Mail,
More Freedom
with online fund
reports

Photo: Clouds

Photo: Hand on PC Mouse

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electronic versions of the important
financial information we send you by regular mail.

By registering for online access via the internet, you will be able to view and save the Fund information you currently receive in the mail. This information can be stored on your computer and retrieved any time. In addition, you can select only the specific pages you want to view or print.

With this new service, you'll receive an e-mail notice the moment Fund reports are ready. This notice will contain a link to the report - all you have to do is click your computer mouse on the internet address provided. You'll be saving time, as well as saving your Fund paper, printing and distribution expenses.

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If your Nuveen Fund dividends are

PAID TO YOUR BROKERAGE ACCOUNT,

follow the steps outlined below:

- 1 Go to WWW.INVESTORDELIVERY.COM
- 2 Look at the address sheet that accompanied this report. Enter the personal 13-CHARACTER ENROLLMENT number imprinted near your name on the address sheet.
- 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), and a personal, 4-digit PIN 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

COME DIRECTLY TO YOU FROM NUVEEN,

follow the steps outlined below:

- 1 Go to WWW.NUVEEN.COM
- 2 Select the Access Account tab. Select the E-REPORT ENROLLMENT section. Click on Enrollment Page.
- 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.

Photo: Timothy R. Schwertfeger
Chairman of the Board

Sidebar text: A diversified portfolio can leave you well positioned to reduce overall investment volatility.

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Dear Shareholder

The awful events of September 11, 2001, have touched all of us, and our hearts and thoughts go out to those directly affected by the terrible tragedies in New York, Washington and Pennsylvania.

In the aftermath of these horrible acts, the financial markets have reacted with volatility and uncertainty as investors attempt to understand what has happened and how it might affect the future. The prices of many investments have moved sharply in recent days, and shares of your Fund have followed this general trend.

It is too early to tell what the long-term impact will be on the markets or your Fund, but one thing that is increasingly clear to us is that a diversified portfolio can leave you well positioned to reduce overall investment volatility.

For example, during the period covered by this report, your Fund continued to meet its primary objective of providing an attractive monthly income from a portfolio of carefully researched senior loans. Detailed information on your Fund can be found in the Manager's Perspective and Performance Overview sections later in this report. I urge you to take the time to read them.

In addition to providing you with steady income, your Nuveen Fund also features several characteristics that can help make it an essential part of your overall investment strategy. These include constant surveillance and judicious trading by Nuveen's portfolio management team, with every action designed to supplement income, improve Fund structure, better adapt to current market conditions or increase diversification. In turbulent times like these, prudent investors understand the importance of diversification, balance, and risk management, all attributes your Nuveen Fund can bring to your portfolio.

For more than 100 years, Nuveen has specialized in offering quality investments to those seeking to accumulate and preserve wealth to establish a lasting legacy. Our mission continues to be to provide assistance to you and your financial advisor by offering investment services and products that can help you leave your mark. We thank you for continuing to choose Nuveen Investments as your partner as you work toward that goal.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

September 24, 2001

Nuveen Senior Income Fund (NSL)

Manager's Perspective

Jeffrey Maillet, manager of the Fund during the period covered by this report, discusses economic conditions, the market environment, key investment strategies and the performance of NSL. After completion of the Fund's reporting period, Jeff announced his intention to leave Nuveen, and he is now working with Company officials to ensure an orderly and efficient management transition. We expect

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this process to be completed by November 1, 2001, and we look forward to introducing the new manager in the next shareholder report.

Q. WHAT WAS THE GENERAL MARKET ENVIRONMENT OVER THE PAST TWELVE MONTHS?

A. First, let's take a look at the Fund's reporting period, which covers the twelve months ending July 31, 2001. At the beginning of the reporting period, the Fed had just completed the last of six short-term interest rate hikes that ended with the federal funds rate at 6.50%, and though the economy was beginning to show signs of slowing, fundamentals appeared strong. In the months that followed, our key concern became rising petroleum prices, which we believed could have greater negative impact on the economy overall than tightened money supply. As we entered 2001, declines in corporate spending and faltering financial markets clearly pointed to a weakening economy, making the specter of rising energy costs all the more worrisome.

As an economic downturn became more apparent, the Fed reversed course and began reducing interest rates aggressively. So far in 2001, they have reduced rates on six separate occasions bringing the federal funds rate to 3.50% from 6.50% at the start of the period. (On September 17 the Fed lowered rates again, bringing the fed funds rate to 3.00%.) As of yet, interest rate reductions have not provided a substantial boost to the economy and slowing economic growth has reduced the underlying credit quality of some borrow ers within the senior loan market. Reduced availability of capital caused by the turbulence in the financial markets has forced some companies to suspend or discontinue at least a portion of operations and raised the possi bility that others would be unable to avoid a negative credit event. As a result, corporate defaults in the high yield market have escalated to 7.25% through the first half of the year compared to 4.50% at the beginning of 2001 according to Credit Suisse First Boston. The slowing economy and rising defaults have made for a relatively difficult period for the senior loan markets.

It is too early to know how the market or the economy ultimately will react to the tragic events of September 11. In the first several trading days after the attacks, we witnessed increased price volatility, with prices and NAVs generally trending lower. The economic forecasts remain uncertain, but we believe the country will rebound and that many sectors now under pressure may be strong performers in the future.

Q. HOW DID THE FUND PERFORM ON A TOTAL RETURN BASIS DURING THE YEAR ENDED JULY 31, 2001, AND WHAT FACTORS INFLUENCED ITS RETURNS?

A. As of July 31, 2001, NSL offered a very attractive dividend yield. This strong dividend

yield was complemented by a strong stock price, enabling NSL to outperform the other closed-end senior loan funds on a total return basis over the twelve months ended July 31 when computed on stock price. As shown in the chart below, the fund outperformed its peer group average total returns for the one-year and since inception periods based upon stock price.

Cumulative Total Returns1
On Market Price

1-Year Since Inception2

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| | | |
|--|--------|--------|
| Nuveen Senior Income Fund | 15.35% | 19.07% |
| Lipper Loan Participation Funds Category average ³ | 7.06% | 11.43% |
| ----- | | |

These returns outpaced major stock indices during the one-year period, including the NASDAQ, which plummeted - 46.05 percent, and the S&P 500, down -14.33 percent. The difficulties experienced in so many financial markets during the period illustrate why we believe a diversified asset allocation plan that includes investments like the Nuveen Senior Income Fund may help to reduce an investor's overall risk.

While the Fund's dividend remained attractive over the period, declining interest rates did put pressure of the Fund's earnings, leading to three dividend reductions since the beginning of 2001. Due to the short average days-to-reset for the coupons of the loans held with the Fund, falling interest rates typically have negatively impacted the distribution rate for the Fund. However, the securities held within the Fund's portfolio typically yielded a premium of approximately 250 to 450 basis points over short-term interest rates. We believe the dividend paid by the Fund should remain relatively attractive in comparison to other short-term alternatives, which also tend to decline in a falling interest rate environment.

Increased uncertainty created by the rise in the number of defaults within the marketplace has placed some negative pressure on the Fund's net asset value. The Fund started the period with a net asset value of \$9.47 on July 31, 2000, and finished the period at \$8.13 as of July 31, 2001. This decline in NAV may be attributed to escalating default rates in the senior loan arena, which have created a significant amount of downward pressure on the market in general.

Q. WHAT DIFFERENTIATES YOUR FUND FROM THE OTHER EXCHANGE-TRADED CLOSED-END SENIOR LOAN FUNDS IN THE MARKET?

A. NSL maintains a very competitive leverage structure. NSL employs a two-tier leverage approach consisting of both commercial paper and taxable auction rate preferred shares. The Fund issues commercial paper directly to the market along with auction rate preferred shares. The innovative structure allows the Fund to employ a slightly higher degree of leverage than a simple credit facility or commercial paper alone and is currently a much less expensive alternative. This typically translates into a higher earning potential for the Fund.

- 1 Returns are historical and do not guarantee future performance. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost.
- 2 NSL commenced operations on October 29, 1999.
- 3 The Lipper Loan Participation Funds category consists of 43 Funds. Both NSL and Lipper returns assume reinvestment of dividends.

In addition, the fee structure also helps to differentiate the Fund from the other closed-end senior loan funds available in the market. Under the structure, Nuveen reimburses 45 bp of the Fund's 85 bp management fee for the first five years of the Fund's operation. After which, the expense reimbursement will be gradually phased out for the following five years. This is designed to increase the opportunity for more income to shareholders in the early years of the Fund's operations. The lower overall fees, especially when compared to the peer group

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of funds, provides a slight advantage over the other Funds in the marketplace.

Q. HOW DO YOU VIEW THE CURRENT DEFAULT RISK WITHIN THE SENIOR LOAN MARKET?
WHAT SECTORS DO YOU FEEL ARE SUSCEPTIBLE TO HIGH DEFAULT RATES?

A. With expected lower economic growth in the U.S. economy, the potential for defaults in the Senior Loan Market has escalated. As mentioned earlier, average default rates have increased significantly from the historical averages over the last 18 to 24 months. However, the fact that the Fund invests primarily in senior secured loans, a particular default does not necessarily indicate a devastating event for the shareholder. The loans are typically collateralized and the senior loan holders maintain a priority status in the restructuring and workout of a defaulted creditor. This can lead to substantially higher recovery rates on defaulted assets in comparison to many other types of corporate debt instruments.

Areas that are currently facing increased levels of risk would be the Competitive Local Exchange Carriers (CLECs) in the telecom sector. Several companies have lost vendor provided financing to build their networks. We feel the spill over effect of a tough capital market environment has compounded these problems. However, these factors should be resolved over time. In addition to the CLECs, steel and auto parts manufacturers have come under pressure recently with the slowing economy.

Q. WHAT IS YOUR OUTLOOK FOR THE SENIOR LOAN MARKET AND PLANS FOR THE NUVEEN SENIOR INCOME FUND?

A. In the wake of September 11, we will continue to evaluate various sectors and credits in an attempt to identify opportunities that may arise out of the uncertainty. The supply of attractive new senior loan assets may experience a slight fall off. However, we feel many existing loans now offer a substantial amount of value given current trading levels. Our efforts will focus on taking advantage of opportunities in the strongest sectors of the senior loan market while being mindful of the current uncertainty within the market overall.

Nuveen Senior Income Fund

Performance

Overview As of July 31, 2001

NSL

PORTFOLIO STATISTICS

| | |
|-------------------------|-----------|
| Share Price | \$9.96 |
| Net Asset Value | \$8.13 |
| Fund Net Assets (\$000) | \$287,641 |

| TOP 5 ISSUERS | % OF TOTAL INVESTMENTS |
|-----------------------------|------------------------|
| NRT, Inc. | 2.8% |
| The Fairchild Corporation | 2.7% |
| Wyndham International, Inc. | 2.6% |

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| | |
|--|------|
| Centennial Cellular Operating Company, LLC | 2.5% |
| Dominos Pizza, Inc. | 2.5% |

| TOP 5 INDUSTRIES | % OF TOTAL INVESTMENT |
|-------------------------------|-----------------------|
| Beverage, Food & Tobacco | 9.2% |
| Diversified Manufacturing | 6.1% |
| Containers, Packaging & Glass | 5.5% |
| Hotels, Motels, Inns & Gaming | 5.2% |
| Insurance | 4.9% |

ANNUALIZED TOTAL RETURN
INCEPTION DATE 10/29/99

| | MARKET | NAV |
|-----------|--------|--------|
| 1 Year | 15.35% | -3.30% |
| Inception | 10.44% | 1.53% |

Bar Chart:

2000-2001 Monthly Dividends Per Share

| | |
|----------|-------|
| Aug 2000 | 0.088 |
| Sep 2000 | 0.09 |
| Oct 2000 | 0.09 |
| Nov 2000 | 0.09 |
| Dec 2000 | 0.09 |
| Jan 2001 | 0.09 |
| Feb 2001 | 0.09 |
| Mar 2001 | 0.087 |
| Apr 2001 | 0.087 |
| May 2001 | 0.083 |
| Jun 2001 | 0.079 |
| Jul 2001 | 0.079 |

Line Chart:

Share Price Performance

Weekly Closing Price

| | |
|---------|------|
| 8/01/00 | 9.94 |
| | 9.75 |
| | 9.88 |
| | 9.81 |
| | 9.94 |
| | 10 |
| | 9.88 |
| | 9.94 |
| | 9.88 |

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10
9.94
9.81
9.88
10
9.94
10
10
10.06
10.19
10.25
10.13
10.19
10.25
10.06
10
10
10.08
10.06
10.16
10.16
10.2
10.15
10.14
10.02
10.04
9.18
9.2
9.45
9.79
9.75
9.9
9.93
9.95
10.05
10.12
10.05
10.08
9.68
9.83
9.9
9.9
7/31/01 9.99

Past performance is not predictive of future results.

1 The December 2000 bar includes a short-term capital gains distribution of \$0.0168 per share.

Report of
Independent Auditors

THE BOARD OF TRUSTEES AND SHAREHOLDERS OF
NUVEEN SENIOR INCOME FUND:

We have audited the accompanying statement of assets and liabilities of Nuveen

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Senior Income Fund (the "Fund"), including the portfolio of investments, as of July 31, 2001, and the related statement of operations, and cash flows for the year then ended, and the changes in net assets, and financial highlights for the year then ended and for the period October 29, 1999 (commencement of investment of operations) to July 31, 2000. These financial statements and financial highlights are the responsibility of the Fund's 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 of America. 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. Our procedures included confirmation of investments owned as of July 31, 2001, by correspondence with the custodian and selling or agent banks. 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 position of the Nuveen Senior Income Fund as of July 31, 2001, the results of its operations, and cash flows for the year then ended, and changes in net assets, and the financial highlights for the year then ended and for the period from October 29, 1999 (commencement of investment operations) to July 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Chicago, Illinois
September 18, 2001

Nuveen Senior Income Fund (NSL)

Portfolio of
Investments July 31, 2001

| | | RATINGS* |
|---------------------------|---|----------|
| PRINCIPAL AMOUNT (000) | DESCRIPTION | MOODY'S |
| | VARIABLE RATE SENIOR LOAN INTERESTS(1) AND INTEREST BEARING SECURITIES - 133.6% | |
| | AEROSPACE/DEFENSE - 6.1% (4.5% OF TOTAL ASSETS) | |
| \$ 4,987 | DeCrane Aircraft Holdings, Inc., Term Loan D | B2 |
| 11,036 | The Fairchild Corporation, Term Loan B | Ba3 |
| 2,000 | Vought Aircraft Industries, Inc., Term Loan A | NR |

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AUTOMOTIVE - 5.5% (4.0% OF TOTAL ASSETS)

| | | |
|-------|---|------|
| 1,327 | Federal-Mogul Corporation, Term Loan A | Caa1 |
| 3,561 | Federal-Mogul Corporation, Term Loan B | Caa1 |
| 3,996 | Metaldyne Corporation/Metalyc Company, LLC, Term Loan B | Ba3 |
| 9,439 | MetalForming Technologies, Inc., Term Loan B | NR |
| 1,549 | Tenneco Auto, Inc. | B2 |

BEVERAGE, FOOD & TOBACCO - 12.6% (9.1% OF TOTAL ASSETS)

| | | |
|-------|---|------|
| 1,800 | Cott Corporation, Purchase Money Term Loan | NR |
| 200 | Cott Corporation, Working Capital Loan | NR |
| 9,278 | Dr. Pepper/Seven Up Bottling Group, Inc., Term Loan B | NR |
| 6,125 | Eagle Family Foods, Inc., Term Loan | B1 |
| 4,000 | Flowers Foods, Inc., Term Loan B | Ba2 |
| 2,000 | Interstate Bakeries Corporation, Term Loan B | Ba1 |
| 3,539 | Merisant Company, Term Loan B | Ba3 |
| 5,500 | Pinnacle Foods Corporation, Term Loan | Ba3 |
| 4,000 | SC International Services, Inc., SCIS Loans | Baa1 |

BROADCASTING/CABLE - 2.9% (2.1% OF TOTAL ASSETS)

| | | |
|-------|--|-----|
| 3,000 | CC VIII Operating, LLC, Term Loan B | Ba3 |
| 2,000 | Century Cable Holdings, LLC, Term Loan B | Ba3 |
| 3,333 | Charter Communications Operating, LLC, Incremental Term Loan | Ba3 |

BROADCASTING/RADIO - 1.6% (1.2% OF TOTAL ASSETS)

| | | |
|-------|---|----|
| 4,667 | Citadel Broadcasting Company, Term Loan B | NR |
|-------|---|----|

BUILDINGS & REAL ESTATE - 5.8% (4.2% OF TOTAL ASSETS)

| | | |
|--------|---|------|
| 10,900 | NRT, Inc., Term Loan | Ba3 |
| 3,000 | Washington Group International, Bond (a) (b) | C |
| 7,960 | Washington Group International, Term Loan B (b) | Caa3 |

CARGO TRANSPORTATION - 3.1% (2.3% OF TOTAL ASSETS)

| | | |
|-------|---------------------------------------|-----|
| 8,865 | North American Van Lines, Term Loan B | B1 |
| 865 | RailAmerica, Inc., Term Loan B | Ba3 |

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CHEMICALS, PLASTICS & RUBBER - 1.6% (1.2% OF TOTAL ASSETS)

| | | |
|-------|---|-----|
| 4,630 | Resolution Performance Products, LLC, Term Loan B | Ba3 |
|-------|---|-----|

CONSTRUCTION MATERIALS - 0.7% (0.5% OF TOTAL ASSETS)

| | | |
|--------|--|----|
| 25,667 | California Pollution Control Financing Authority, CanFibre of Riverside Project, Bonds (a) (b) (c) | NR |
| 7,000 | CanFibre of Lackawana, LLC, Construction Loan (a) (b) (c) | NR |

Nuveen Senior Income Fund (NSL) (continued)

Portfolio of Investments July 31, 2001

| | | RATINGS* |
|------------------------------------|---|----------|
| PRINCIPAL AMOUNT (000) | DESCRIPTION | MOODY'S |
| CONSTRUCTION MATERIALS (continued) | | |
| \$ 1,200 | CanFibre of Lackawana, LLC, Letter of Credit (a) (b) (c) | NR |
| 10,000 | CanFibre of Riverside, Inc., Letter of Credit (a) (b) (c) | NR |
| 533 | CanFibre of Riverside, Inc., Working Capital Loan (a) (b) (c) | NR |

CONTAINERS, PACKAGING & GLASS - 7.5% (5.5% OF TOTAL ASSETS)

| | | |
|-------|--|-----|
| 2,598 | Graham Packaging Company, Term Loan B | B2 |
| 2,153 | Graham Packaging Company, Term Loan C | B2 |
| 3,874 | Greif Bros. Corporation, Term Loan B | Ba3 |
| 2,816 | Stone Container Corporation, Term Loan C | Ba3 |
| 2,593 | Stone Container Corporation, Term Loan D | Ba3 |
| 3,960 | Tekni-Plex, Inc., Term Loan B | B1 |
| 3,989 | United States Can Company, Term Loan B | B1 |

DIVERSIFIED MANUFACTURING - 8.3% (6.0% OF TOTAL ASSETS)

| | | |
|-------|---|-----|
| 3,773 | Actuant Corp., Term Loan B | B1 |
| 5,418 | Blount, Inc., Term Loan B | B1 |
| 4,447 | Dayco Products, LLC, Term Loan B | Ba3 |
| 2,978 | GenTek, Inc., Term Loan C | Ba3 |
| | UCAR Finance, Inc., Term Loan B | Ba3 |
| 5,476 | Western Industries Holding, Inc., Term Loan B | NR |

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| | | |
|---|--|-----|
| ----- | | |
| ----- | | |
| ECOLOGICAL - 2.4% (1.8% OF TOTAL ASSETS) | | |
| 2,758 | Allied Waste North America, Term Loan B | Ba3 |
| 3,310 | Allied Waste North America, Term Loan C | Ba3 |
| 900 | Stericycle, Inc., Term Loan B | B1 |
| ----- | | |
| ----- | | |
| ELECTRONICS/ELECTRONIC SERVICES - 1.4% (1.0% OF TOTAL ASSETS) | | |
| 3,980 | Seagate Technology Holdings, Inc., Term Loan B | NR |
| ----- | | |
| ----- | | |
| FARMING & AGRICULTURAL - 3.1% (2.2% OF TOTAL ASSETS) | | |
| 3,996 | The Scotts Company, Term Loan B | Ba3 |
| 4,821 | Shemin Holdings Corporation, Term Loan B | NR |
| ----- | | |
| ----- | | |
| FINANCE & BANKING - 2.6% (1.9% OF TOTAL ASSETS) | | |
| 8,000 | The Finova Group, Inc., Revolver 2003 (a) (b) | NR |
| ----- | | |
| ----- | | |
| GROCERY - 1.7% (1.3% OF TOTAL ASSETS) | | |
| 4,983 | Pathmark Stores, Inc., Term Loan B | NR |
| ----- | | |
| ----- | | |
| HEALTHCARE - 2.3% (1.7% OF TOTAL ASSETS) | | |
| 1,714 | Community Health Systems, Inc., Term Loan B | NR |
| 1,714 | Community Health Systems, Inc., Term Loan C | NR |
| 1,264 | Community Health Systems, Inc., Term Loan D | NR |
| 2,000 | Triad Hospitals, Inc., Term Loan B | Ba3 |
| ----- | | |
| ----- | | |
| HEALTHCARE & BEAUTY AIDS - 1.8% (1.3% OF TOTAL ASSETS) | | |
| 4,988 | Advance PCS, Term Loan B | Ba3 |
| ----- | | |
| ----- | | |
| HOTELS, MOTELS, INNS & GAMING - 7.0% (5.1% OF TOTAL ASSETS) | | |
| 4,000 | Alliance Gaming Corporation, LLC, Term Loan | B1 |
| 3,077 | Isle of Capri Casinos, Inc., Term Loan B | Ba2 |
| 2,692 | Isle of Capri Casinos, Inc., Term Loan C | Ba2 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION | RATINGS* MOODY'S |
|---|--|---------------------|
| 2,940 | Wyndham International, Inc., Increasing Rate Loan | NR |
| 7,563 | Wyndham International, Inc., Term Loan B | NR |
| ----- | | |
| ----- | | |
| INSURANCE - 6.7% (4.9% OF TOTAL ASSETS) | | |
| \$ 10,000 | Conseco, Inc., Term Loan | NR |
| 4,925 | GAB Robbins North America, Inc., Term Loan B | NR |
| 5,000 | Tack Holdings Corp., Term Loan B | NR |
| ----- | | |
| ----- | | |
| LEISURE & ENTERTAINMENT - 6.4% (4.7% OF TOTAL ASSETS) | | |
| 3,920 | Bally Total Fitness Holding Corporation, Term Loan | B1 |
| 3,405 | Fitness Holdings Worldwide, Inc., Term Loan B | NR |
| 6,475 | Fitness Holdings Worldwide, Inc., Term Loan C | NR |
| 5,000 | Six Flags Theme Parks, Inc., Term Loan B | Ba2 |
| ----- | | |
| ----- | | |
| NON-DURABLE CONSUMER PRODUCTS - 4.6% (3.4% OF TOTAL ASSETS) | | |
| 4,473 | Hartz Mountain Corporation, Term Loan | B1 |
| 5,138 | Norwood Promotional Products, Inc., Term Loan B | NR |
| 4,595 | Norwood Promotional Products, Inc., Term Loan C | NR |
| ----- | | |
| ----- | | |
| PERSONAL & MISCELLANEOUS SERVICES - 1.4% (1.0% OF TOTAL ASSETS) | | |
| 4,069 | Weight Watchers International, Inc., Transferable Loan Certificate Facility | Ba2 |
| ----- | | |
| ----- | | |
| PRINTING & PUBLISHING - 4.5% (3.3% OF TOTAL ASSETS) | | |
| 6,983 | American Media Operations, Inc., Term Loan B-1 | Ba3 |
| 5,000 | PRIMEDIA, Inc., Term Loan B | NR |
| 1,000 | Transwestern Publishing Company, LLC, Term Loan B | Ba3 |
| ----- | | |
| ----- | | |

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RESTAURANTS & FOOD SERVICE - 3.3% (2.4% OF TOTAL ASSETS)

| | | |
|-------|----------------------------------|----|
| 4,752 | Dominos Pizza, Inc., Term Loan B | B1 |
| 4,765 | Dominos Pizza, Inc., Term Loan C | B1 |

RETAIL/CATALOG - 1.6% (1.1% OF TOTAL ASSETS)

| | | |
|-------|------------------------------------|----|
| 4,659 | Micro Warehouse, Inc., Term Loan B | B1 |
|-------|------------------------------------|----|

RETAIL/SPECIALTY - 1.4% (1.0% OF TOTAL ASSETS)

| | | |
|-------|---------------------------------|----|
| 4,000 | Rite Aid Corporation, Term Loan | B1 |
|-------|---------------------------------|----|

RETAIL/STORES - 4.1% (3.0% OF TOTAL ASSETS)

| | | |
|-------|----------------------------------|-----|
| 2,840 | HMV Media Group PLC, Term Loan C | B2 |
| 1,958 | HMV Media Group PLC, Term Loan D | B2 |
| 3,027 | Rent-A-Center, Term Loan D | Ba2 |
| 2,182 | SDM Corporation, Term Loan C | Ba3 |
| 2,182 | SDM Corporation, Term Loan E | Ba3 |

TELECOMMUNICATIONS/CELLULAR/PCS - 5.1% (3.7% OF TOTAL ASSETS)

| | | |
|--------|---|-----|
| 484 | Airgate PCS, Inc., Tranche 1 Loan | NR |
| 1,863 | Airgate PCS, Inc., Tranche 2 Loan | NR |
| 1,263 | American Cellular Corporation, Term Loan B | Ba3 |
| 1,443 | American Cellular Corporation, Term Loan C | Ba3 |
| 10,000 | Centennial Cellular Operating Company, LLC, Term Loan A | B1 |

Nuveen Senior Income Fund (NSL) (continued)

Portfolio of Investments July 31, 2001

| PRINCIPAL AMOUNT (000) | DESCRIPTION | RATINGS* MOODY'S |
|---------------------------|-------------|---------------------|
|---------------------------|-------------|---------------------|

TELECOMMUNICATIONS/COMPETITIVE LOCAL EXCHANGE CARRIER
(CLEC) - 1.9% (1.4% OF TOTAL ASSETS)

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| | | | |
|----|-------|--|------|
| \$ | 5,000 | RCN Corporation, Term Loan B | B2 |
| | 5,000 | Teligent, Inc., Delayed Term Loan (a) (b) | Caa2 |
| | 5,000 | WCI Capital Corporation, Term Loan B (a) (b) | NR |

TELECOMMUNICATIONS/HYBRID - 1.7% (1.2% OF TOTAL ASSETS)

| | | | |
|--|-------|--|----|
| | 5,000 | Nextel Partners Operating Company, Term Loan B | B1 |
|--|-------|--|----|

TELECOMMUNICATIONS/SATELLITE - 1.6% (1.2% OF TOTAL ASSETS)

| | | | |
|--|-------|-------------------------------------|----|
| | 4,991 | Satelites Mexicanos, SA DE CV, Loan | B1 |
|--|-------|-------------------------------------|----|

TELECOMMUNICATIONS/WIRELESS MESSAGING - 0.8% (0.5% OF TOTAL ASSETS)

| | | | |
|--|-------|--|----|
| | 7,231 | Arch Wireless Holding, Inc., Term Loan C | NR |
|--|-------|--|----|

TEXTILES & LEATHER - 3.2% (2.4% OF TOTAL ASSETS)

| | | | |
|--|-------|--|----|
| | 9,725 | Norcross Safety Products, LLC, Term Loan | NR |
|--|-------|--|----|

TRANSPORTATION/RAIL MANUFACTURING - 1.4% (1.0% OF TOTAL ASSETS)

| | | | |
|--|-------|---|-----|
| | 3,980 | Kansas City Southern Railway Company, Term Loan B | Ba1 |
|--|-------|---|-----|

UTILITIES - 5.9% (4.3% OF TOTAL ASSETS)

| | | | |
|--|-------|---------------------------------------|-----|
| | 7,000 | AES EDC Funding II, LLC, Term Loan | NR |
| | 2,008 | AES Texas Funding III, LLC, Term Loan | NR |
| | 3,950 | TNP Enterprises, Inc., Term Loan | Ba2 |
| | 3,960 | Western Resources, Inc., Term Loan B | NR |

Total Variable Rate Senior Loan Interests and Interest Bearing Securities (cost \$)

EQUITIES - 0.0%

CanFibre of Lackawana LLC, Income Participation Certificates, 13 units (a) (b) (c)
 CanFibre of Riverside, Inc., Income Participation Certificates, 17 units (a) (b) (c)

Total Equities (cost \$0)

SHORT-TERM INVESTMENTS - 2.1%

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| | | |
|-------|---------------------------------|----|
| 2,146 | Earthgrains Co., yielding 4.00% | P2 |
| 4,000 | Illinois Power, yielding 3.95% | P2 |

 Total Short-Term Investments (cost \$6,146,000)

Total Investments (cost \$415,504,677) - 135.7%

Borrowings Payable - (35.8)%+

Other Assets Less Liabilities - 0.1%

Net Assets - 100%
 =====

NR Not rated.

* Bank loans rated below Baa by Moody's Investor Service, Inc. or BBB by Standard & Poor's Group are considered to be below investment grade. Ratings are not covered by the Report of Independent Auditors.

** Senior Loans in the Fund's portfolio generally are subject to mandatory and/or optional prepayment. Because of these mandatory prepayment conditions and because there may be significant economic incentives for a Borrower to prepay, prepayments of Senior Loans in the Fund's portfolio may occur. As a result, the actual remaining maturity of Senior Loans held in the Fund's portfolio may be substantially less than the stated maturities shown. The Fund estimates that the actual average maturity of the Senior Loans held in its portfolio will be approximately 18-24 months.

(1) Senior Loans in which the Fund invests generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates are generally (i) the lending rate offered by one or more major European banks, such as the London Inter-Bank Offered Rate ("LIBOR"), (ii) the prime rate offered by one or more major United States banks, and (iii) the certificate of deposit rate. Senior loans are generally considered to be restricted in that the Fund ordinarily is contractually obligated to receive approval from the Agent Bank and/or borrower prior to the disposition of a Senior Loan.

(a) At or subsequent to July 31, 2001, this issue was non-incoming producing.

(b) At or subsequent to July 31, 2001, this issue was under the protection of the federal bankruptcy court.

(c) Each of these positions have a zero cost basis and were acquired as part of a workout program.

+ Borrowings payable as a percentage of total gross assets is 26.1%.

See accompanying notes to financial statements.

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Statement of
Net Assets July 31, 2001

| | |
|--|---------------|
| ----- | |
| ASSETS | |
| Investments, at market value (cost \$415,504,677) | \$390,423,120 |
| Cash | 11,352 |
| Interest receivable | 3,381,269 |
| Other assets | 72,832 |
| ----- | |
| Total assets | 393,888,573 |
| ----- | |
| LIABILITIES | |
| Borrowings payable | 103,000,000 |
| Management fees | 132,226 |
| Taxable Auctioned Preferred Share dividends payable | 23,624 |
| Common Share dividends payable | 2,346,674 |
| Other liabilities | 744,623 |
| ----- | |
| Total liabilities | 106,247,147 |
| ----- | |
| Net assets | \$287,641,426 |
| ===== | |
| Taxable Auctioned Preferred Shares, at liquidation value | \$ 46,000,000 |
| ===== | |
| Taxable Auctioned Preferred Shares outstanding | 1,840 |
| ===== | |
| Common Shares outstanding | 29,709,065 |
| ===== | |
| Net asset value per Common Share outstanding (net assets less Preferred Shares at liquidation value, divided by Common Shares outstanding) | \$ 8.13 |
| ===== | |

See accompanying notes to financial statements.

Statement of
Operations Year Ended July 31, 2001

| | |
|--|---------------|
| ----- | |
| INVESTMENT INCOME | |
| Interest | \$ 41,399,916 |
| Fees | 369,549 |
| ----- | |
| Total investment income | 41,769,465 |
| ----- | |
| EXPENSES | |
| Management fees | 3,431,264 |
| Taxable Auctioned Preferred Shares - auction fees | 115,001 |
| Taxable Auctioned Preferred Shares - dividend disbursing agent fees | 10,001 |
| Shareholders' servicing agent fees and expenses | 161,586 |
| Interest expense | 5,701,723 |
| Custodian's fees and expenses | 380,909 |
| Trustees' fees and expenses | 41,421 |
| Professional fees | 349,052 |

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| | |
|--|----------------|
| Shareholders' reports - printing and mailing expenses | 106,067 |
| Stock exchange listing fees | 43,798 |
| Investor relations expense | 75,955 |
| Other expenses | 813,189 |
| ----- | |
| Total expenses | 11,229,966 |
| Expense waivers from the Adviser | (1,817,626) |
| ----- | |
| Net expenses | 9,412,340 |
| ----- | |
| Net investment income | 32,357,125 |
| ----- | |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS | |
| Net realized gain (loss) from investment transactions | (17,495,522) |
| Change in net unrealized appreciation (depreciation) of investments | (20,933,991) |
| ----- | |
| Net gain (loss) from investments | (38,429,513) |
| ----- | |
| Net increase (decrease) in net assets from operations | \$ (6,072,388) |
| ===== | |

See accompanying notes to financial statements.

Statement of
Changes in Net Assets

| | |
|--|---------|
| | YEAR |
| | 7 |
| ----- | |
| OPERATIONS | |
| Net investment income | \$ 32,3 |
| Net realized gain (loss) from investment transactions | (17,4 |
| Change in net unrealized appreciation (depreciation) of investments | (20,9 |
| ----- | |
| Net increase (decrease) in net assets from operations | (6,0 |
| ----- | |
| DISTRIBUTIONS TO SHAREHOLDERS | |
| From undistributed net investment income: | |
| Common Shareholders | (30,4 |
| Taxable Auctioned Preferred Shareholders | (2,5 |
| From accumulated net realized gains from investment transactions: | |
| Common shareholders | (4 |
| Taxable Auctioned Preferred Shareholders | (|
| ----- | |
| Decrease in net assets from distributions to shareholders | (33,5 |
| ----- | |
| CAPITAL SHARE TRANSACTIONS | |
| Common Shares: | |
| Net proceeds from sale of shares | |
| Net proceeds from shares issued to shareholders due to reinvestment of distributions | 7 |
| Taxable Auctioned Preferred Shares: | |
| Net proceeds from sale of shares | |
| ----- | |
| Net increase in net assets from capital share transactions | 7 |
| ----- | |

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| | |
|---|---------|
| Net increase (decrease) in net assets | (38,8 |
| Net assets at the beginning of period | 326,4 |
| ----- | |
| Net assets at the end of period | \$287,6 |
| ===== | |
| Balance of undistributed net investment income at the end of period | \$ 1,5 |
| ===== | |

See accompanying notes to financial statements.

Statement of
Cash Flows Year Ended July 31, 2001

| | |
|--|----------------|
| CHANGE IN NET ASSETS FROM OPERATIONS | \$ (6,072,388) |
| ----- | |
| Adjustments to Reconcile the Change in Net Assets from Operations to Net Cash provided by Operating Activities: | |
| Decrease in investments at value | 40,897,745 |
| Decrease in interest receivable | 503,535 |
| Decrease in other assets | 320,748 |
| Decrease in management fees | (13,815) |
| Decrease in other liabilities | (606,672) |
| ----- | |
| Net cash provided by operating activities | 35,029,153 |
| ----- | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Change in bank borrowings | (2,000,000) |
| Cash distributions paid to Common Shareholders | (30,428,661) |
| Cash distributions paid to Taxable Auctioned Preferred Shareholders | (2,605,759) |
| ----- | |
| Net cash used for financing activities | (35,034,420) |
| ----- | |
| NET DECREASE IN CASH | (5,267) |
| Cash at the beginning of year | 16,619 |
| ----- | |
| CASH AT THE END OF YEAR | \$ 11,352 |
| ----- | |

See accompanying notes to financial statements.

Notes to
Financial Statements

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Nuveen Senior Income Fund (the "Fund") is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund is listed on the New York Stock Exchange and trades under the ticker symbol "NSL". The Fund was organized as a Massachusetts business trust on August 13, 1999. Prior to commencement of operations on October 29, 1999, the Fund had no operations other than those related to organizational matters and the initial capital contribution of \$100,084 by Nuveen Senior Loan Asset Management Inc. (the "Adviser"), a wholly owned subsidiary of The John Nuveen Company.

The Fund seeks to provide a high level of current income, consistent with

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preservation of capital by investing primarily in senior secured loans whose interest rates float or adjust periodically based on a benchmark interest rate index. The Fund seeks to increase the income available for distribution to Common Shareholders by utilizing financial leverage.

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

Investment Valuation

The prices of senior loans and bonds in the Fund's investment portfolio are provided by independent pricing services approved by the Fund's Board of Trustees. The pricing service providers typically value senior loans and bonds at the mean of the highest bona fide bid and lowest bona fide ask prices when current quotations are readily available. Senior loans and bonds for which current quotations are not readily available are valued at fair value using a wide range of market data and other information and analysis, including credit characteristics considered relevant by such pricing service providers to determine valuations. The Board of Trustees of the Fund has approved procedures which permit the Adviser to override the price provided by the independent pricing service. There were no senior loan price overrides during the fiscal year ended July 31, 2001; however, the Adviser did override one bond price during the fiscal year ended July 31, 2001. Short-term investments which mature within 60 days are valued at amortized cost, which approximates market value.

The senior loans in which the Fund invests are generally not listed on any exchange and the secondary market for those senior loans is comparatively illiquid relative to markets for other fixed income securities. Because of the comparatively illiquid markets, the value of a senior loan may differ significantly from the value that would have been used had there been an active market for that senior loan.

Investment Transactions

Investment transactions are recorded on a trade date basis.

Investment Income

Interest income is determined on the basis of interest accrued, adjusted for amortization of premiums and accretion of discounts. Facility fees on senior loans purchased are treated as market discounts. Market premiums and discounts are amortized over the expected life of each respective borrowing. Fees consists primarily of amendment fees. Amendment fees are earned as compensation for reviewing and accepting changes to the original credit agreement.

Income Taxes

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

Dividends and Distributions to Shareholders

The Fund intends to declare and pay monthly distributions to Common Shareholders. Generally payment is made or reinvestment is credited to shareholder accounts on the first business day after month-end. 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.

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Notes to
Financial Statements (continued)

Distributions to shareholders of net investment income, and net realized capital gains 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. Accordingly, temporary over-distributions as a result of these differences may occur and will be classified as either distributions in excess of net investment income and/or distributions in excess of net realized gains from investment transactions, where applicable. Permanent differences between financial and tax basis reporting for the fiscal year have been identified and appropriately reclassified. During the fiscal year ended July 31, 2001, permanent differences relating to expenses which are not deductible for tax purposes totaling \$82,779 were reclassified from undistributed net investment income to capital.

Taxable Auctioned Preferred Shares

On May 30, 2000, the Fund issued 1,840 Series Th \$25,000 stated value Taxable Auctioned Preferred Shares. The dividend rate paid on the Taxable Auctioned Preferred Shares may change every 28 days, as set by the auction agent.

Derivative Financial Instruments

The Fund may invest in certain derivative financial instruments including futures, forward, swap and option contracts, and other financial instruments with similar characteristics. Although the Fund is authorized to invest in such financial instruments, and may do so in the future, it did not make any such investments during the fiscal year ended July 31, 2001.

Offering Costs

Costs incurred by the Fund in connection with its offering of Common and Taxable Auctioned Preferred Shares were recorded as a reduction of the proceeds from the sale of the shares.

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 from operations during the reporting period. Actual results may differ from those estimates.

Audit Guide

In November 2000, the American Institute of Certified Public Accountants (AICPA) issued a revised version of the AICPA Audit and Accounting Guide for Investment Companies (the "Guide"). The Guide is effective for annual financial statements issued for fiscal years beginning after December 15, 2000. It is not anticipated that the adoption of the Guide will have a significant effect on the financial statements.

2. FUND SHARES

During the fiscal year ended July 31, 2001, 81,022 Common Shares were issued to shareholders due to reinvestment of distributions.

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During the period October 29, 1999 (commencement of operations) through July 31, 2000, 29,600,000 Common Shares and 1,840 Taxable Auctioned Preferred Shares were sold and 17,563 Common Shares were issued to shareholders due to reinvestment of distributions.

3. DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Fund declared a dividend distribution of \$.0790 per Common Share from its net investment income which was paid on September 4, 2001, to shareholders of record on August 15, 2001.

The Fund also declared a dividend distribution of \$.0750 per Common Share from its net investment income which will be paid on October 1, 2001, to shareholders of record on September 15, 2001.

4. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short-term investments) during the fiscal year ended July 31, 2001, aggregated \$227,246,684 and \$198,578,912, respectively.

At July 31, 2001, the identified cost of investments owned for federal income tax purposes was \$433,067,293.

5. UNREALIZED APPRECIATION (DEPRECIATION)

At July 31, 2001, net unrealized depreciation of investments for federal income tax purposes aggregated \$42,644,173 of which \$3,151,636 related to appreciated investments and \$45,795,809 related to depreciated investments.

6. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Under the Fund's investment management agreement with the Adviser, the Fund pays an annual management fee, payable monthly, of .8500 of 1%, which is based upon the average daily managed assets of the Fund. "Managed assets" shall mean the average daily gross asset value of the Fund, minus the sum of the Fund's accrued and unpaid dividends on any outstanding Taxable Auctioned Preferred Shares and accrued liabilities (other than the principal amount of any borrowings incurred, commercial paper or notes issued by the Fund and the liquidation preference of any outstanding Taxable Auctioned Preferred Shares).

The Adviser has agreed to waive part of its management fees or reimburse certain expenses of the Fund in an amount equal to .45% of the average daily managed assets for the period October 29, 1999 (commencement of operations) through October 31, 2004, .35% of the average daily managed assets for the year ended October 31, 2005, .25% of the average daily managed assets for the year ended October 31, 2006, .15% of the average daily managed assets for the year ended October 31, 2007, .10% of the average daily managed assets for the year ended October 31, 2008, and .05% of the average daily managed assets for the year ended October 31, 2009. The Adviser has not agreed to reimburse the Fund for any portion of its fees and expenses beyond October 31, 2009.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Fund pays no compensation directly to those of its Trustees who are affiliated with the Adviser or to their officers, all of whom receive remuneration for their services to the Fund from the Adviser.

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7. COMPOSITION OF NET ASSETS

At July 31, 2001, net assets consisted of:

| | |
|---|---------------|
| ----- | |
| Taxable Auctioned Preferred Shares, \$25,000 stated value per share, at liquidation value | \$ 46,000,000 |
| Common Shares, \$.01 par value per share | 297,091 |
| Paid-in surplus | 282,325,151 |
| Balance of undistributed net investment income | 1,596,263 |
| Accumulated net realized gain (loss) from investment transactions | (17,495,522) |
| Net unrealized appreciation (depreciation) of investments | (25,081,557) |
| ----- | |
| Net assets | \$287,641,426 |
| ===== | |
| Authorized shares: | |
| Common | Unlimited |
| Preferred | Unlimited |
| ===== | |

8. COMMITMENTS

Pursuant to the terms of certain of the Variable Rate Senior Loan agreements, the Fund had unfunded loan commitments of \$4.6 million as of July 31, 2001. The Fund generally will maintain with its custodian short-term investments and/or cash having an aggregate value at least equal to the amount of unfunded loan commitments.

9. SENIOR LOAN PARTICIPATION COMMITMENTS

The Fund invests primarily in assignments, participations, or acts as a party to the primary lending syndicate of a Variable Rate Senior Loan interest to corporations, partnerships, and other entities. If the Fund purchases a participation of a Senior Loan Interest, the Fund would typically enter into a contractual agreement with the lender or other third party selling the participation, but not with the borrower directly. As such, the Fund assumes the credit risk of the Borrower, Selling Participant or other persons interpositioned between the Fund and the Borrower. At July 31, 2001, the Fund held one participation commitment with Chase Manhattan Bank. At July 31, 2001, the par value of this commitment is \$10 million while the market value is \$9.4 million.

10. BORROWINGS

In accordance with its current investment policies, the Fund may utilize financial leverage for investment purposes in an amount currently anticipated to represent approximately 40% of the Fund's total assets, and in no event exceeding 50% of the Fund's total assets.

On May 23, 2000, the Fund entered into a \$150 million commercial paper program with Nuveen Funding, L.L.C., a Delaware limited liability company whose sole purpose is the issuance of commercial paper. Nuveen Funding, L.L.C. has the authority to issue a maximum of \$150 million of commercial paper, at a discount, with maturities of up to 180 days, the proceeds of which are used to make advances to the Fund. This line of credit is secured by the assets of the Fund. For the fiscal year ended July 31, 2001, the average daily balance of borrowings under the commercial paper program agreement was \$97.5 million with an average interest rate of 5.85%.

The Fund has entered into a \$155 million revolving credit agreement with Deutsche Bank AG which expires May 2002. Interest on borrowings is charged at a rate of either the Fed Funds rate plus .50%, LIBOR plus .50% or the Prime Rate. An unused commitment fee of .125% is charged on the unused portion of the facility. During the fiscal year ended July 31, 2001, there were no borrowings

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under the revolving credit agreement and, therefore, there was no outstanding revolving credit balance at July 31, 2001.

Cash paid for interest during the fiscal year ended July 31, 2001, was \$5,970,159.

Financial

Highlights

Selected data for a Common Share outstanding throughout each period:

| | Investment Operations | | | | Less | |
|------------------|---------------------------------|-----------------------------|---|----------|---|---|
| | Beginning Net Asset Value | Net Investment Income | Net Realized/ Unrealized Investment Gain (Loss) | Total | Net Investment Income to Common Share- holders | Net Investment Income to Preferred Share- holders+ |
| ===== | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2001 | \$9.47 | \$1.09 | \$(1.29) | \$ (.20) | \$(1.03) | \$ (.09) |
| 2000 (a) | 9.55 | .75 | (.12) | .63 | (.66) | (.02) |
| ===== | | | | | | |

| | Offering Costs | Ending Net Asset Value | Ending Market Value | Total Ret |
|------------------|-------------------|---------------------------------|---------------------------|----------------------------------|
| | | | | Based on Market Value** |
| ===== | | | | |
| Year Ended 7/31: | | | | |
| 2001 | \$-- | \$8.13 | \$9.9600 | 15.35% |
| 2000 (a) | (.03) | 9.47 | 9.6250 | 3.21 |
| ===== | | | | |

| | Ratios/Supplemental Data | | | |
|------------------|----------------------------------|---|---|---|
| | Ending Net Assets (000) | Ratio of Expenses to Average Net Assets Applicable to Common Shares++ | Before Waiver | |
| | | | Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++ | Ratio of Expenses to Average Total Net Assets Including Preferred++ |
| ===== | | | | |
| Year Ended 7/31: | | | | |
| 2001 | \$287,641 | 4.32% | 11.74% | 3.67% |
| 2000 (a) | 326,479 | 3.81* | 9.82* | 3.67* |
| ===== | | | | |

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| Ratios/Supplemental Data | | | | |
|--------------------------|---|--|---|--|
| After Waiver*** | | | | |
| | Ratio of Expenses to Average Net Assets Applicable to Common Shares++ | Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++ | Ratio of Expenses to Average Net Assets Including Preferred++ | Ratio of Net Investment Income to Average Net Assets Including Preferred++ |
| Year Ended 7/31: | | | | |
| 2001 | 3.62% | 12.44% | 3.08% | 10.57% |
| 2000 (a) | 3.21* | 10.42* | 3.10* | 10.04* |

* Annualized.

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

*** After expense waivers from the investment adviser.

+ The amounts shown are based on Common Share equivalents.

++ Ratios do not reflect the effect of dividend payments to Taxable Auctioned Preferred Shareholders; income ratios reflect income earned on assets attributable to Taxable Auctioned Preferred Shares. Each Ratio of Expenses to Average Net Assets and each Ratio of Net Investment Income to Average Net Assets includes the effect of the interest expense paid on bank borrowings of 2.19% and 2.04% based on Average Net Assets Applicable to Common Shares for the fiscal year ended July 31, 2001 and for the period October 29, 1999 (commencement of operations) through July 31, 2000, respectively, and 1.86% and 1.96% based on Average Total Net Assets Including Preferred for the fiscal year ended July 31, 2001 and for the period October 29, 1999 (commencement of operations) through July 31, 2000, respectively.

(a) For the period October 29, 1999 (commencement of operations) through July 31, 2000.

See accompanying notes to financial statements.

Build Your Wealth
Automatically

NUVEEN EXCHANGE-TRADED FUNDS DIVIDEND REINVESTMENT PLAN

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

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of tax-free compounding. Just like dividends or distributions in cash, there may be times when income or capital gains taxes may be payable on dividends or distributions that are reinvested.

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

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

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

FLEXIBILITY

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

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

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

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

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

Fund
Information

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BOARD OF TRUSTEES

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William E. Bennett
Jack B. Evans
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Thomas E. Leafstrand
Timothy R. Schwertfeger
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