

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2
Form N-CSRS
September 08, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21333

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2006

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

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

SEMIANNUAL REPORT JUNE 30, 2006

NUVEEN INVESTMENTS
EXCHANGE-TRADED
CLOSED-END
FUNDS

NUVEEN PREFERRED
AND CONVERTIBLE
INCOME FUND
JPC

NUVEEN PREFERRED
AND CONVERTIBLE
INCOME FUND 2
JQC

HIGH CURRENT INCOME FROM
A BALANCED PORTFOLIO OF
PREFERRED, CONVERTIBLE AND OTHER
INCOME-PRODUCING SECURITIES
AND EQUITIES

NUVEEN LOGO

COVER PHOTO

INSIDE COVER PHOTO

NOW YOU CAN RECEIVE YOUR

NUVEEN FUND REPORTS FASTER.

NO MORE WAITING.
SIGN UP TODAY TO RECEIVE NUVEEN FUND INFORMATION BY E-MAIL.

It only takes a minute to sign up for E-Reports. Once enrolled, you'll receive an e-mail as soon as your Nuveen Investments Fund information is ready -- no more waiting for delivery by regular mail. Just click on the link within the e-mail to see the report, and save it on your computer if you wish.

IT'S FAST, EASY & FREE: DELIVERY DIRECT TO YOUR E-MAIL IN-BOX

WWW.INVESTORDELIVERY.COM
if you get your Nuveen Fund
dividends and statements from
your financial advisor or
brokerage account.
(Be sure to have the address
sheet that accompanied this
report handy. You'll need it to
complete the enrollment process.)

OR WWW.NUVEEN.COM/ACCOUNTACCESS
if you get your Nuveen Fund
dividends and statements directly
from Nuveen.

NUVEEN LOGO

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

CHAIRMAN'S
LETTER TO SHAREHOLDERS

Dear Shareholder:

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

Portfolio diversification is a recognized way to try to reduce some of the risk that comes with investing. Since one part of your portfolio may be going up when another is going down, portfolio diversification may help smooth your investment returns over time. In addition to providing regular monthly income, an investment like your Fund may help you achieve and benefit from greater portfolio diversification. Your financial advisor can explain these potential advantages in more detail. I urge you to contact him or her soon for more information on this important investment strategy.

"IN ADDITION TO PROVIDING REGULAR MONTHLY INCOME, AN INVESTMENT LIKE YOUR FUND MAY HELP YOU ACHIEVE AND BENEFIT FROM GREATER PORTFOLIO DIVERSIFICATION."

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

Sincerely,

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

August 11, 2006

Nuveen Investments Exchange-Traded Closed-End Funds (JPC and JQC)

PORTFOLIO MANAGERS'
COMMENTS

These Funds are subadvised by a team of specialists from Spectrum Asset Management, Inc. (Spectrum), Froleys, Revy Investment Co., Inc. (Froleys, Revy), and Symphony Asset Management LLC (Symphony), an affiliate of Nuveen Investments.

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

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

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

The Symphony team managing the high yield securities and other debt and equity instruments in both Funds is led by Gunther Stein, Lenny Mason and Igor Lotsvin. Gunther, Lenny, and Igor have more than 35 years of combined investment management experience, much of it in evaluating and purchasing senior corporate loans and other high-yield debt.

Here representatives from Spectrum, Froley, Revy and Symphony talk about their management strategies and the performance of both Funds for the six-month period ended June 30, 2006.

WHAT WAS YOUR OVERALL MANAGEMENT STRATEGY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2006?

On April 28, 2006, the Funds received authorization from their Board of Trustees to expand the range of permissible investments and implement a managed distribution policy. Going forward, Symphony, which acts as sub-advisor for approximately 20% of each Fund's portfolio, will be able to diversify its debt investments across high-yield bonds, senior loans and convertible securities, as well as invest up to 10% of each Fund's portfolio in equity securities. These changes are intended to better enable the Funds to meet their investment objectives and provide for increased capital appreciation potential over time. The investment parameters for the Fund's other sub-advisors, Spectrum and Froley, Revy, did not change. Additionally, the Fund's new managed distribution policy gives the Fund the flexibility to draw upon net investment income as well as realized and unrealized portfolio gains and non-taxable returns of principal when making their monthly distributions to common shareholders. See the Distribution and Share Price Information section of this report immediately following this question and answer section for more details about this managed distribution policy.

In the preferred sleeves of JPC and JQC we generally maintained the 60/40 portfolio mix between the \$25 Par Preferred Securities (retail driven) asset type and the Capital Preferred Securities (institutionally driven) asset type. Dividends Received Deduction (DRD) tax advantaged securities were sold and the proceeds were reinvested roughly equally in fully taxable \$25 Par Preferred Securities and in shares of competitor closed end funds (CEFs, also retail driven). The closed end funds were purchased over the first

4

half of 2006 at prices that were a discount to the net asset value of the funds. Positions in closed end funds were 0.7% and 0.8% of total investments, respectively, at June 30, 2006.

In the Capital Preferred Securities asset type, we decreased concentrations in "Euro-listed" securities and purchased Yankee Tier 1 and Enhanced Capital Advantaged Preferred Securities, "ECAPS," that offered more return potential with less duration risk. We also sold some high coupon, callable Capital Securities that had little potential upside to purchase some new issues that were priced attractively. These actions were part of an ongoing effort to increase book yield while maintaining credit quality and diversity.

The overall management strategy for the convertible sleeves of JPC and JQC remained consistent with our mandate. We continued to focus on the "balanced" portion of the convertible universe, where we find an attractive risk/reward trade off between equity sensitivity and downside risk. The mandate changes

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

during the first half of the year allowed for a lower weighting in investment grade securities from a 50% minimum to 40%. In both JPC and JQC, the weighting at June 30, 2006, was 46%. The Funds continue to be focused on the balanced sector of the convertible universe, making it more equity sensitive than the Merrill Lynch All Convertibles Index (VXA0).

For the high yield debt portion of both Funds, we continued to employ a value-oriented strategy, focusing on relatively higher-quality credits with stronger fundamental business models, more diversified revenue streams, and relatively low earnings volatility. We maintained our investments across a variety of industry sectors and rating tiers. We continued to eliminate positions that we believed had escalating credit issues, limited upside potential or significant downside risk.

HOW DID THE FUNDS PERFORM OVER THE SIX-MONTHS ENDED JUNE 30, 2006?

The performance of each Fund, as well as the performance of several widely followed market indexes, is shown in the nearby chart.

5

TOTAL RETURN ON NET ASSET VALUE

For the 6-month period ended June 30, 2006

| | |
|--------------------------|--------|
| JPC | -0.13% |
| JQC | 0.42% |
| Comparative benchmark(1) | 0.78% |

1 Comparative benchmark performance is a blended return consisting of: 1) 33% of the Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange traded preferred issues with outstanding market values of at least \$30 million and at least one year to maturity; 2) 27% of the Lehman Tier 1 Capital Securities Index, an unmanaged index that includes securities that can generally be viewed as hybrid fixed-income securities that either receive regulatory capital treatment or a degree of "equity credit" from a rating agency; 3) 30% of the Merrill Lynch All U.S. Convertibles Index, consisting of approximately 575 securities with par value greater than \$50 million that were issued by U.S. companies or non-U.S. based issuers that have a significant business presence in the U.S.; and 4) 10% of the CSFB High Yield Index, which includes approximately \$375 billion of \$US-denominated high yield debt with a minimum of \$75 million in par value and at least one rating below investment-grade. Index returns do not include the effects of any management fees or fund expenses. It is not possible to invest directly in an index.

Past performance does not guarantee future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that a shareholder may have to pay on Fund distributions or upon the sale of Fund shares.

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

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

this report.

Early in the year, in the preferred sleeve, we continued to opportunistically increase the Fund's concentration in DRD securities due to the relative attractiveness of the sector. We had purchased Agency DRD securities at yield spreads relative to U.S. Treasuries of comparable maturity ranging between +140-160 basis points in 2005 and sold out the positions in the first half of 2006 at spreads of between +90-100 basis points. Other DRD securities, largely Financial and Banking names, were also sold at yield spreads approximately 85 basis points tighter than our purchase spreads in 2005. We have also benefited from the capital performance of the IPO market for floating rate DRD paper.

In the convertible sleeves of JPC and JQC the sectors that benefited the portfolio relative to the Merrill Lynch All Convertibles Index were Financials, Media, Transportation and Utilities.

Financial services companies represent the largest sector in the convertible universe at just under 20%. Over the past months, exposure to financials in the Funds has increased. There are several reasons for this. We believe that the Federal Reserve is close to ending its rate increases and the issues themselves tend to be of higher credit quality and lower equity sensitivity. In particular, we bought Affiliated Managers, Prudential and Wells Fargo bonds, all three of which have floating rate coupons, giving them very high bond floors. Blackrock Inc, a diversified investment manager, added strongly to returns in the first half due to strong underlying business trends and a merger with Merrill Lynch Investment Management. Media, Transportation and Utilities, combined, make up just over 10% of the convertible universe, but added value against the benchmark due to higher weights in the portfolio, combined with higher performance of the holdings themselves against the Merrill Lynch All Convertibles Index (VXA0) holdings. The real standout name of these was CSX Corp., a freight transportation company.

In the high yield and other securities sleeve Primedia and Cienna Corp performed well in JPC, while solid performers in JQC included OM Group and Primedia.

6

Sectors that negatively impacted the convertible portfolio relative to the convertibles index were Health Care, Technology, Consumer Discretionary, Industrials, Energy and Materials.

The Funds' convertibles Consumer Discretionary Sector performance lagged the index due to a relative underweight in General Motors. In the Materials sector, the Funds did not own (owned very little) Titanium Metals. The security is nearly impossible to invest in; its highly illiquid and 65+% is held by the Chairman of the company. However, Titanium Metals has added 40bps to the performance of the Index year to date. Additionally, it would have benefited the Funds to own more of the equity sensitive mining companies represented in this sector.

Energy and oil prices continued to be volatile. The Funds' convertibles portfolios were not positioned with as much equity sensitivity as the Index and, as a result, their weighted performance was lower, albeit nicely positive for the six month period. Devon Energy exchangeable into Chevron Corp. is one of the Fund's larger relative overweight positions because we considered the fundamentals on Chevron to be tremendously attractive, even though it trades at a discount to the group and has a lower beta.

The Capital Preferred Securities asset type experienced some indigestion when the Securities Valuation Office of the NAIC classified certain preferred

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

securities as common equity for the insurance industry, which forced some insurance companies to sell those securities. We were able to take advantage of the widening yield spreads (relative to U.S. Treasuries) in ECAPS and certain Yankee issues to pick up yield. For example, we sold a Barclays Bank \$25 par issue and bought a similar Barclays Capital Security for a yield pick up of 48 bps. We were also able to trade some of the higher beta issues for short term capital gains amidst the market uncertainty.

The NAIC's classification of the Lehman Brothers ECAPS and then of a Royal Bank of Scotland Yankee Tier 1 issue as common equity surprised the market and caused the Lehman Brothers Tier 1 Capital Security index yield spread relative to Treasuries to widen by 24 bps over the six month period. The Lehman Brothers Tier 1 Capital Security index returned -2.25% for the 1st half, underperforming the Lehman Aggregate Bond Index (a broad index of long-term government and investment grade corporate bonds) by 1.53%. The added volatility in the ECAPS and Tier 1 spaces provided some trading opportunities for the Funds; but, it caused the whole Capital Preferred Securities asset type to weaken. Weakness in global corporate debt was also a factor contributing to the relatively weaker performance of Capital Preferred Securities.

Several high yield bonds had a negative impact on Fund performance during the period. Our holdings in Dole Foods and Fairfax Financial negatively contributed to the overall performance of both JPC and JQC.

7

DISTRIBUTION AND SHARE PRICE INFORMATION

DISTRIBUTION INFORMATION

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

Effective with the distribution payable June 1, 2006, the Funds are also implementing a Managed Distribution Policy, as described in the prospectuses for their respective common share initial public offerings in 2003. Under this policy, the Funds will make monthly distributions of a stated dollar amount per common share, comprised of net investment income, realized capital gains and/or, if necessary, non-taxable distributions (which generally are expected to represent unrealized capital appreciation).

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

We are providing shareholders with an estimate of the source of each Fund's monthly distribution as of June 30, 2006. These estimates may, and likely will, vary over time based on the investment activities of each Fund and changes in the value of portfolio investments. The final determination of the source and tax characteristics of all distributions will be made after December 31, 2006 and reported to you on Form 1099-DIV early in 2007. More details about each Fund's distributions are available monthly on www.nuveen.com/cef.

Each Fund estimates that its monthly distribution is comprised of 75% net investment income and, pursuant to the Fund's managed distribution policy, 25% capital appreciation consisting of either net realized capital gains and/or a return of capital. A portion of each Fund's net investment income represents distribution payments received from securities of real estate investment trusts (REITs) which may be re-characterized by the REITs for tax purposes after calendar year-end.

The foregoing presents information about the expected tax characteristics of the named Funds' distributions, to conform to a federal securities law requirement that any fund paying distributions from any sources other than net income disclose to shareholders the distribution portions attributable to such other sources. The funds provide this type of information on a tax basis, instead of on a generally accepted accounting principles (GAAP) basis, because experience has shown that fund shareholders are most concerned about the tax character of their distributions (and might well be confused by information about distribution characteristics that differed from the tax-based characteristics), and because the funds also believe that the distributions' tax characteristics fairly represent the economic basis of the Funds' distributions and returns. The breakdown of distribution characteristics according to GAAP likely would differ from the expected tax characteristics shown above.

SHARE REPURCHASE AND SHARE PRICE INFORMATION

On February 3, 2006, the Funds' Board of Trustees approved an open market share repurchase program, as part of a broad, ongoing effort designed to support the market prices of the Funds' common shares. Under the terms of the program, each Fund may repurchase up to 10% of its outstanding common shares. As of June 30, 2006, JPC had repurchased 432,200 common shares and JQC had repurchased 511,200 common shares.

As of June 30, 2006, the Funds' common shares were trading at discounts to their NAVs as shown in the accompanying chart:

| | AS OF 6/30/06 DISCOUNT | 6-MONTH AVERAGE DISCOUNT |
|-----|---------------------------|-----------------------------|
| JPC | -9.90% | -11.75% |
| JQC | -10.43% | -12.42% |

Nuveen Preferred and Convertible Income Fund
JPC

Performance

OVERVIEW As of June 30, 2006

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

PORTFOLIO APPLICATION
(as a % of total investments)

| | |
|--|-------|
| \$25 par (or Similar) Preferred Securities | 33.4% |
| Convertible Bonds | 24.2% |
| Capital Preferred Securities | 19.4% |
| Corporate Bonds | 9.4% |
| Convertible Preferred Securities | 7.1% |
| Short-Term Investments | 3.0% |
| Common Stocks | 2.7% |
| Investment Companies | 0.7% |
| Variable Rate Senior Loan Interests | 0.1% |

Bar Chart:
2005-2006 MONTHLY DISTRIBUTIONS PER SHARE

| | |
|-----|-------|
| Jul | 0.090 |
| Aug | 0.090 |
| Sep | 0.085 |
| Oct | 0.085 |
| Nov | 0.085 |
| Dec | 0.085 |
| Jan | 0.085 |
| Feb | 0.085 |
| Mar | 0.085 |
| Apr | 0.085 |
| May | 0.095 |
| Jun | 0.095 |

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

| | |
|---------|-------|
| 7/01/05 | 13.34 |
| | 13.46 |
| | 13.52 |
| | 13.38 |
| | 13.72 |
| | 13.46 |
| | 13.18 |
| | 13.13 |
| | 13.20 |
| | 13.31 |
| | 13.21 |

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

12.81
 12.49
 12.63
 12.37
 11.99
 12.05
 11.99
 12.09
 12.03
 12.12
 12.16
 11.98
 11.88
 11.97
 12.37
 12.47
 12.51
 12.53
 12.71
 12.76
 12.70
 12.71
 12.75
 12.53
 12.53
 12.62
 12.38
 12.27
 11.98
 12.03
 12.12
 12.45
 12.45
 12.43
 12.36
 12.51
 12.41
 12.22
 12.28
 12.29

6/30/06

FUND SNAPSHOT

| | |
|--|-------------|
| Common Share Price | \$12.29 |
| Common Share Net Asset Value | \$13.64 |
| Premium/(Discount) to NAV | -9.90% |
| Current Distribution Rate(1) | 9.28% |
| Net Assets Applicable to Common Shares (\$000) | \$1,359,421 |

AVERAGE ANNUAL TOTAL RETURN

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

(Inception 3/26/03)

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 7.13% | -0.13% |
| 1-Year | 1.80% | 1.89% |
| Since Inception | 3.13% | 7.32% |

INDUSTRIES (as a % of total investments)

| | |
|--|-------|
| Commercial Banks | 20.2% |
| Insurance | 13.0% |
| Real Estate | 9.4% |
| Capital Markets | 6.9% |
| Diversified Financial Services | 4.7% |
| Media | 4.5% |
| Hotels Restaurants & Leisure | 2.8% |
| Thrifts & Mortgage Finance | 2.6% |
| Oil, Gas, & Consumable Fuels | 2.6% |
| Specialty Retail | 2.2% |
| Communications Equipment | 2.2% |
| Pharmaceuticals | 1.6% |
| Diversified Telecommunication Services | 1.6% |
| Biotechnology | 1.4% |
| Aerospace & Defense | 1.2% |
| Software | 1.2% |
| Electric Utilities | 1.2% |
| Energy Equipment & Services | 1.2% |

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

| | |
|----------------------------------|-------|
| Semiconductors & Equipment | 1.2% |
| Health Care Providers & Services | 1.1% |
| Short-Term Investments | 3.0% |
| Other | 14.2% |

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

| | |
|-----------------------------------|------|
| Wachovia Corporation | 1.9% |
| ING Group NV | 1.7% |
| Union Planters Corporation | 1.5% |
| Delphi Financial Group Inc. | 1.5% |
| Countryside Financial Corporation | 1.5% |

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

10

Nuveen Preferred and Convertible Income Fund 2
JQC

Performance
OVERVIEW As of June 30, 2006

PORTFOLIO APPLICATION
(as a % of total investments)

| | |
|--|-------|
| \$25 Par (or similar) Preferred Securities | 31.4% |
| Convertible Bonds | 24.2% |

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

| | |
|-------------------------------------|-------|
| Capital Preferred Securities | 21.0% |
| ----- | |
| Corporate Bonds | 9.6% |
| ----- | |
| Convertible Preferred Securities | 7.1% |
| ----- | |
| Common Stocks | 3.0% |
| ----- | |
| Short-Term Investments | 2.8% |
| ----- | |
| Investment Companies | 0.8% |
| ----- | |
| Variable Rate Senior Loan Interests | 0.1% |
| ----- | |

Bar Chart:
2005-2006 MONTHLY DISTRIBUTIONS PER SHARE

| | |
|-----|--------|
| Jul | 0.0885 |
| Aug | 0.0885 |
| Sep | 0.0840 |
| Oct | 0.0840 |
| Nov | 0.0840 |
| Dec | 0.0840 |
| Jan | 0.0840 |
| Feb | 0.0840 |
| Mar | 0.0840 |
| Apr | 0.0840 |
| May | 0.0950 |
| Jun | 0.0950 |

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

| | |
|---------|-------|
| 7/01/05 | 13.10 |
| | 13.32 |
| | 13.35 |
| | 13.28 |
| | 13.48 |
| | 13.24 |
| | 13.02 |
| | 12.98 |
| | 13.05 |
| | 13.17 |
| | 13.04 |
| | 12.76 |
| | 12.37 |
| | 12.54 |
| | 12.29 |
| | 11.86 |
| | 11.89 |
| | 11.84 |
| | 11.91 |
| | 11.87 |

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

12.02
 12.04
 11.85
 11.70
 12.11
 12.43
 12.49
 12.50
 12.44
 12.49
 12.64
 12.55
 12.57
 12.58
 12.30
 12.38
 12.43
 12.34
 12.26
 11.97
 12.02
 12.10
 12.38
 12.35
 12.32
 12.37
 12.52
 12.47
 12.27
 12.26
 12.28

6/30/06

FUND SNAPSHOT

| | |
|--|-------------|
| Common Share Price | \$12.28 |
| Common Share Net Asset Value | \$13.71 |
| Premium/(Discount) to NAV | -10.43% |
| Current Distribution Rate(1) | 9.28% |
| Net Assets Applicable to Common Shares (\$000) | \$1,925,851 |

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

ON SHARE PRICE ON NAV

6-Month

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

| | | |
|-----------------|-------|-------|
| (Cumulative) | 5.79% | 0.42% |
| ----- | | |
| 1-Year | 2.97% | 2.67% |
| ----- | | |
| Since Inception | 1.72% | 6.50% |
| ----- | | |

INDUSTRIES
(as a % of total investments)

| | |
|--|-------|
| Commercial Banks | 20.3% |
| ----- | |
| Insurance | 13.5% |
| ----- | |
| Real Estate | 7.9% |
| ----- | |
| Capital Markets | 7.4% |
| ----- | |
| Media | 5.4% |
| ----- | |
| Diversified Financial Services | 5.4% |
| ----- | |
| Hotels, Restaurants & Leisure | 2.9% |
| ----- | |
| Oil, Gas & Consumable Fuels | 2.6% |
| ----- | |
| Specialty Retail | 2.2% |
| ----- | |
| Communications Equipment | 2.2% |
| ----- | |
| Diversified Telecommunication Services | 1.8% |
| ----- | |
| Pharmaceuticals | 1.6% |
| ----- | |
| Biotechnology | 1.4% |
| ----- | |
| Thrifts & Mortgage Finance | 1.4% |
| ----- | |
| Semiconductors & Equipment | 1.3% |
| ----- | |
| Energy Equipment & Services | 1.2% |
| ----- | |
| Aerospace & Defense | 1.2% |
| ----- | |
| Short-Term Investments | 2.8% |
| ----- | |
| Other | 17.5% |
| ----- | |

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

| | |
|--------------------------|------|
| Wachovia Corporation | 2.0% |
| JPMorgan Chase & Company | 1.9% |
| Washington Mutual | 1.8% |
| AgFirst Farm Credit Bank | 1.5% |
| Banco Santander | 1.4% |

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

11

Shareholder
MEETING REPORT

The shareholder meeting was held in the offices of Nuveen Investments on March 29, 2006.

JPC

APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS:

| | Common and Preferred shares voting together as a class | Preferred shares voting together as a class |
|-------------------|--|---|
| Robert P. Bremner | | |
| For | 92,225,342 | -- |
| Withhold | 1,694,956 | -- |
| Total | 93,920,298 | -- |
| Lawrence H. Brown | | |
| For | 92,433,983 | -- |
| Withhold | 1,486,315 | -- |
| Total | 93,920,298 | -- |
| Jack B. Evans | | |
| For | 92,485,474 | -- |

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

| | | |
|-------------------------|------------|--------|
| Withhold | 1,434,824 | -- |
| Total | 93,920,298 | -- |
| William C. Hunter | | |
| For | 92,377,688 | -- |
| Withhold | 1,542,610 | -- |
| Total | 93,920,298 | -- |
| David J. Kundert | | |
| For | 92,372,431 | -- |
| Withhold | 1,547,867 | -- |
| Total | 93,920,298 | -- |
| William J. Schneider | | |
| For | -- | 25,032 |
| Withhold | -- | 129 |
| Total | -- | 25,161 |
| Timothy R. Schwertfeger | | |
| For | -- | 25,036 |
| Withhold | -- | 125 |
| Total | -- | 25,161 |
| Judith M. Stockdale | | |
| For | 92,429,685 | -- |
| Withhold | 1,490,613 | -- |
| Total | 93,920,298 | -- |
| Eugene S. Sunshine | | |
| For | 92,484,421 | -- |
| Withhold | 1,435,877 | -- |
| Total | 93,920,298 | -- |

12

Nuveen Preferred and Convertible Income Fund (JPC)

Portfolio of
 INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) |
|--------|--|
| | COMMON STOCKS - 4.2% (2.7% OF TOTAL INVESTMENTS) |
| | AEROSPACE & DEFENSE - 0.1% |
| 3,547 | Hexcel Corporation, (2) |
| 7,816 | Lockheed Martin Corporation |
| 2,470 | Precision Castparts Corporation |

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

| | |
|--------|--|
| | Total Aerospace & Defense |
| | ----- |
| | AIR FREIGHT & LOGISTICS - 0.1% |
| 9,682 | FedEx Corporation |
| 4,970 | Ryder System Inc. |
| | ----- |
| | Total Air Freight & Logistics |
| | ----- |
| | AIRLINES - 0.0% |
| 8,064 | Southwest Airlines Co. |
| | ----- |
| | BEVERAGES - 0.1% |
| 11,660 | Coca-Cola Company |
| 9,436 | Pepsi Bottling Group Inc. |
| 3,436 | PepsiCo, Inc. |
| | ----- |
| | Total Beverages |
| | ----- |
| | BIOTECHNOLOGY - 0.1% |
| 5,533 | Genentech, Inc., (2) |
| 9,188 | Gilead Sciences, Inc., (2) |
| | ----- |
| | Total Biotechnology |
| | ----- |
| | CAPITAL MARKETS - 0.1% |
| 3,875 | Calamos Asset Management, Inc. Class A |
| 2,631 | Greenhill & Co Inc. |
| 7,110 | Lehman Brothers Holdings Inc. |
| 1,493 | OptionsXpress Holdings Inc. |
| | ----- |
| | Total Capital Markets |
| | ----- |
| | CHEMICALS - 0.0% |
| 7,600 | Airgas, Inc. |
| | ----- |
| | COMMERCIAL BANKS - 0.3% |
| 9,230 | Bank of Hawaii Corporation |
| 2,361 | Boston Private Financial Holdings Inc. |
| 6,050 | Colonial BancGroup Inc. |
| 3,064 | Greater Bay Bancorp |
| 4,450 | Marshall and Ilsley Corporation |
| 4,000 | Northern Trust Corporation |
| 13,140 | PNC Financial Services Group, Inc. |
| 8,007 | Washington Mutual, Inc. |
| 7,270 | Whitney Holding Corporation |
| 4,980 | Zions Bancorporation |
| | ----- |
| | Total Commercial Banks |
| | ----- |
| | COMMERCIAL SERVICES & SUPPLIES - 0.3% |
| 2,560 | Administaff, Inc. |
| 1,803 | American Ecology Corporation |
| 3,146 | Consolidated Graphics Inc., (2) |
| 8,739 | Corporate Executive Board Company |
| 5,780 | Equifax Inc. |
| 10,869 | Global Payments Inc. |
| 15,808 | R.R. Donnelley & Sons Company |

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

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) |
|--------|---|
| | COMMERCIAL SERVICES & SUPPLIES (continued) |
| 12,560 | Republic Services, Inc. |
| 2,640 | SEI Investments Company |
| | Total Commercial Services & Supplies |
| | COMMUNICATIONS EQUIPMENT - 0.2% |
| 15,270 | Converse Technology, Inc., (2) |
| 34,990 | Corning Incorporated, (2) |
| 1,463 | Harris Corporation |
| 21,340 | QUALCOMM Inc. |
| | Total Communications Equipment |
| | COMPUTERS & PERIPHERALS - 0.1% |
| 11,321 | Apple Computer, Inc., (2) |
| 16,010 | Hewlett-Packard Company |
| 1,050 | Komag Inc., (2) |
| 4,973 | Network Appliance Inc., (2) |
| | Total Computers & Peripherals |
| | CONSTRUCTION & ENGINEERING - 0.0% |
| 953 | Shaw Group Inc., (2) |
| | CONSUMER FINANCE - 0.1% |
| 51,105 | Americredit Corp., (2) |
| 5,510 | Capital One Financial Corporation |
| | Total Consumer Finance |
| | DISTRIBUTORS - 0.0% |
| 944 | Keystone Automotive Industries Inc., (2) |
| | DIVERSIFIED CONSUMER SERVICES - 0.0% |
| 4,279 | Jackson Hewitt Tax Services Inc. |
| | DIVERSIFIED FINANCIAL SERVICES - 0.0% |
| 4,230 | CBOT Holdings, Inc. Class A, (2) |
| 2,743 | Moody's Corporation |
| | Total Diversified Financial Services |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.1% |
| 39,410 | Sprint Nextel Corporation |
| | ELECTRIC UTILITIES - 0.2% |
| 14,670 | PG&E Corporation |
| 25,414 | TXU Corporation |
| | Total Electric Utilities |

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

| | |
|-------|-----------------------------|
| | ELECTRICAL EQUIPMENT - 0.1% |
| 8,760 | Emerson Electric Co. |
| 1,744 | Ormat Technologies Inc. |
| 2,543 | Smith AO Corporation |

Total Electrical Equipment

| | |
|-------|---|
| | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.1% |
| 1,944 | Itron Inc., (2) |
| 3,848 | Millipore Corporation, (2) |
| 4,497 | Parker Hannifin Corporation |
| 4,224 | Plexus Corporation, (2) |
| 4,247 | Teledyne Technologies Inc., (2) |
| 6,664 | Waters Corporation, (2) |

Total Electronic Equipment & Instruments

| | |
|-------|------------------------------------|
| | ENERGY EQUIPMENT & SERVICES - 0.0% |
| 2,915 | Helix Energy Solutions Group, (2) |
| 3,249 | Unit Corporation, (2) |
| 3,050 | Veritas DGC Inc., (2) |

Total Energy Equipment & Services

| | |
|-------|---------------------------------|
| | FOOD & STAPLES RETAILING - 0.0% |
| 6,240 | Whole Foods Market, Inc. |

14

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

| | |
|--------|--------------------------------|
| | FOOD PRODUCTS - 0.2% |
| 15,842 | Archer-Daniels-Midland Company |
| 24,040 | Monsanto Company |

Total Food Products

| | |
|--------|----------------------|
| | GAS UTILITIES - 0.1% |
| 32,280 | Energen Corporation |

| | |
|--------|--|
| | HEALTH CARE EQUIPMENT & SUPPLIES - 0.2% |
| 4,896 | American Medical Systems Holdings, Inc., (2) |
| 12,760 | Baxter International Inc. |
| 6,810 | Dade Behring Holdings Inc. |
| 2,962 | Express Scripts, Inc., (2) |
| 21,250 | Hospira Inc., (2) |
| 6,573 | Kinetic Concepts Inc., (2) |

Total Health Care Equipment & Supplies

| | |
|--------|---|
| | HEALTH CARE PROVIDERS & SERVICES - 0.2% |
| 4,206 | Healthways Inc., (2) |
| 6,220 | Humana Inc., (2) |
| 14,187 | Quest Diagnostics Incorporated |
| 16,240 | Sierra Health Services Inc., (2) |

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

| | |
|--------|--|
| 4,272 | Surmodics Inc., (2) |
| 1,753 | Wellcare Health Plans Inc., (2) |
| ----- | |
| | Total Health Care Providers & Services |
| ----- | |
| | HOTELS, RESTAURANTS & LEISURE - 0.1% |
| 14,546 | Choice Hotels International, Inc. |
| 2,657 | Panera Bread Company, (2) |
| 4,754 | Starbucks Corporation, (2) |
| 4,967 | Station Casinos Inc. |
| ----- | |
| | Total Hotels, Restaurants & Leisure |
| ----- | |
| | HOUSEHOLD DURABLES - 0.1% |
| 43,271 | Newell Rubbermaid Inc. |
| 1,960 | Stanley Works |
| ----- | |
| | Total Household Durables |
| ----- | |
| | HOUSEHOLD PRODUCTS - 0.1% |
| 12,510 | Colgate-Palmolive Company |
| 5,577 | Kimberly-Clark Corporation |
| ----- | |
| | Total Household Products |
| ----- | |
| | INDUSTRIAL CONGLOMERATES - 0.1% |
| 6,740 | 3M Co. |
| 8,870 | General Electric Company |
| ----- | |
| | Total Industrial Conglomerates |
| ----- | |
| | INSURANCE - 0.2% |
| 15,295 | AFLAC Incorporated |
| 1,021 | First American Corporation |
| 14,553 | HCC Insurance Holdings Inc. |
| 2,387 | Philadelphia Consolidated Holding Corporation, (2) |
| 2,104 | Tower Group Inc. |
| 53,510 | W.R. Berkley Corporation |
| ----- | |
| | Total Insurance |
| ----- | |
| | INTERNET & CATALOG RETAIL - 0.0% |
| 5,536 | Coldwater Creek Inc., (2) |
| 3,631 | MSC Industrial Direct Inc., Class A |
| ----- | |
| | Total Internet & Catalog Retail |
| ----- | |
| | INTERNET SOFTWARE & SERVICES - 0.0% |
| 516 | Google Inc., Class A, (2) |
| 2,128 | j2 Global Communications, Inc., (2) |
| ----- | |
| | Total Internet Software & Services |
| ----- | |

15

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

| SHARES | DESCRIPTION (1) |
|--------|---|
| | IT SERVICES - 0.0% |
| 3,582 | Websense Inc., (2) |
| | MACHINERY - 0.0% |
| 887 | Freightcar America Inc. |
| 4,123 | Harsco Corporation |
| 2,990 | Joy Global Inc. |
| 1,600 | Paccar Inc. |
| | Total Machinery |
| | MEDIA - 0.2% |
| 8,010 | Cablevision Systems Corporation, (2) |
| 3,984 | Comcast Corporation, Class A, (2) |
| 21,340 | DIRECTV Group, Inc., (2) |
| 7,967 | John Wiley and Sons Inc., Class A |
| 6,356 | Liberty Global Inc, A Shares, (2) |
| 6,360 | Liberty Global Inc., Class C, (2) |
| 1,391 | Lodgenet Entertainment Corporation, (2) |
| 8,510 | McGraw-Hill Companies, Inc. |
| 36,390 | Time Warner Inc. |
| | Total Media |
| | METALS & MINING - 0.0% |
| 921 | Phelps Dodge Corporation |
| 2,748 | Quanex Corporation |
| | Total Metals & Mining |
| | MULTILINE RETAIL - 0.1% |
| 3,992 | Casey's General Stores, Inc. |
| 8,620 | Dollar Tree Stores Inc., (2) |
| 14,600 | Kohl's Corporation, (2) |
| | Total Multiline Retail |
| | OIL, GAS & CONSUMABLE FUELS - 0.1% |
| 10,290 | EOG Resources, Inc. |
| 1,550 | Frontier Oil Corporation |
| 1,860 | Houston Exploration Company, (2) |
| 2,046 | Parallel Petroleum Corporation, (2) |
| 3,086 | Pioneer Drilling Company, (2) |
| 8,495 | Sunoco, Inc. |
| 4,802 | Valero Energy Corporation |
| 3,252 | W&T Offshore Inc. |
| | Total Oil, Gas & Consumable Fuels |
| | PAPER & FOREST PRODUCTS - 0.0% |
| 7,800 | Plum Creek Timber Company |
| | PHARMACEUTICALS - 0.1% |
| 4,170 | Allergan Inc. |
| 4,261 | Alpharma Inc. |
| 39,230 | King Pharmaceuticals Inc., (2) |

| | |
|-------|--|
| | Total Pharmaceuticals |
| | ----- |
| | REAL ESTATE - 0.1% |
| 1,250 | American Home Mortgage Investment Corp. |
| 2,450 | Camden Property Trust |
| 3,771 | Equity Inns Inc. |
| 3,390 | Health Care Property Investors Inc. |
| 2,606 | LaSalle Hotel Properties |
| 3,436 | Public Storage, Inc. |
| 2,481 | SL Green Realty Corporation |
| 5,621 | Tanger Factory Outlet Centers |
| 793 | Taubman Centers Inc. |
| 4,073 | United Dominion Realty Trust |
| | ----- |
| | Total Real Estate |
| | ----- |
| | ROAD & RAIL - 0.0% |
| 5,172 | Burlington Northern Santa Fe Corporation |
| | ----- |

16

| SHARES | DESCRIPTION (1) |
|--------|---|
| | ----- |
| | SEMICONDUCTORS & EQUIPMENT - 0.1% |
| 9,378 | Advanced Micro Devices, Inc., (2) |
| 9,149 | Entegris Inc., (2) |
| 13,629 | Freescale Semiconductor, Inc., Class B, (2) |
| 16,560 | Micron Technology, Inc., (2) |
| 2,128 | Microsemi Corporation, (2) |
| 28,780 | National Semiconductor Corporation |
| 1,168 | Netlogic Microsystems Inc., (2) |
| 12,600 | QLogic Corporation, (2) |
| 1,079 | Silicon Laboratories Inc., (2) |
| | ----- |
| | Total Semiconductors & Equipment |
| | ----- |
| | SOFTWARE - 0.1% |
| 3,315 | Aspen Technology Inc., (2) |
| 14,199 | Autodesk, Inc., (2) |
| 2,338 | Blackbaud, Inc. |
| 27,980 | BMC Software Inc., (2) |
| 7,350 | Intuit Inc., (2) |
| 6,690 | Reynolds and Reynolds Company |
| 4,313 | Salesforce.com, Inc., (2) |
| | ----- |
| | Total Software |
| | ----- |
| | SPECIALTY RETAIL - 0.1% |
| 18,680 | Ann Taylor Stores Corporation, (2) |
| 2,156 | Build-A-Bear-Workshop, Inc., (2) |
| 2,776 | Childrens Place Retail Stores Inc., (2) |
| 11,140 | Circuit City Stores, Inc. |
| 5,226 | Claire's Stores, Inc. |
| 7,490 | Select Comfort Corporation, (2) |

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

| | | | |
|-----------|---|--------|----|
| 10,594 | Staples, Inc. | | |
| ----- | | | |
| | Total Specialty Retail | | |
| ----- | | | |
| | TEXTILES, APPAREL & LUXURY GOODS - 0.0% | | |
| 4,309 | Guess Inc., (2) | | |
| 2,239 | Nike Inc., Class B | | |
| 1,601 | Skechers USA Inc., (2) | | |
| ----- | | | |
| | Total Textiles, Apparel & Luxury Goods | | |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.0% | | |
| 6,020 | Washington Federal Inc. | | |
| ----- | | | |
| | TRADING COMPANIES & DISTRIBUTORS - 0.0% | | |
| 2,164 | GATX Corporation | | |
| ----- | | | |
| | TOTAL COMMON STOCKS (COST \$56,545,344) | | |
| ----- | | | |
| SHARES | DESCRIPTION (1) | COUPON | RA |
| ----- | | | |
| | CONVERTIBLE PREFERRED SECURITIES - 10.8% (7.1% OF TOTAL INVESTMENTS) | | |
| | AUTOMOBILES - 0.6% | | |
| 174,725 | Ford Motor Company Capital Trust II | 6.500% | |
| 180,820 | General Motors Corporation, Convertible Notes, Senior Debentures, Series B | 5.250% | |
| ----- | | | |
| | Total Automobiles | | |
| ----- | | | |
| | CAPITAL MARKETS - 1.2% | | |
| 97,750 | Affiliated Managers Group Inc. | 5.100% | |
| 212,750 | E*Trade Financial Corporation | 6.125% | |
| 130,005 | Lazard Limited | 6.625% | |
| ----- | | | |
| | Total Capital Markets | | |
| ----- | | | |
| | CHEMICALS - 0.7% | | |
| 223,800 | Celanese Corporation | 4.250% | |
| 85,255 | Huntsman Corporation | 5.000% | |
| ----- | | | |
| | Total Chemicals | | |
| ----- | | | |
| | COMMERCIAL BANKS - 1.7% | | |
| 3,900,000 | Fortis Insurance NV, 144A | 7.750% | |
| 257,400 | Marshall and Ilsley Corporation | 6.500% | |

17

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

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

| | | | |
|-----------|---|--------|--------|
| | COMMERCIAL BANKS (continued) | | |
| 126,000 | National Australia Bank Limited | | 7.875% |
| 105,800 | Washington Mutual, Inc., Unit 1 Trust | | 5.375% |
| ----- | | | |
| | Total Commercial Banks | | |
| ----- | | | |
| | CONSUMER FINANCE - 0.7% | | |
| 9,800,000 | SLM Corporation | | 5.050% |
| ----- | | | |
| | ELECTRIC UTILITIES - 0.4% | | |
| 66,200 | Entergy Corporation | | 7.625% |
| 56,800 | PNM Resources Inc. | | 6.750% |
| ----- | | | |
| | Total Electric Utilities | | |
| ----- | | | |
| | HEALTH CARE PROVIDERS & SERVICES - 0.2% | | |
| 38,110 | Omnicare Capital Trust II, Series B | | 4.000% |
| ----- | | | |
| | INSURANCE - 3.6% | | |
| 138,190 | Aspen Insurance Holdings Limited | | 5.625% |
| 202,250 | Chubb Corporation | | 7.000% |
| 368,765 | Genworth Financial Inc. | | 6.000% |
| 61,200 | Hartford Financial Services Group, Inc. | | 7.000% |
| 154,345 | IPC Holdings Limited | | 7.250% |
| 418,700 | MetLife Inc., Convertible, Series B | | 6.375% |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | MEDIA - 0.2% | | |
| 96,750 | Interpublic Group Companies Inc., Series A | | 5.375% |
| ----- | | | |
| | METALS & MINING - 0.2% | | |
| 1,755 | Freeport McMoran Copper & Gold, Inc. | | 5.500% |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.6% | | |
| 35,460 | Chesapeake Energy Corporation, 144A | | 5.000% |
| 37,000 | Chesapeake Energy Corporation | | 4.500% |
| 12,965 | Hess Corporation | | 7.000% |
| ----- | | | |
| | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.7% | | |
| 63,350 | New York Community Bancorp Inc Capital Trust V | | 6.000% |
| 239,350 | PMI Group Inc. | | 5.875% |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| | TOTAL CONVERTIBLE PREFERRED SECURITIES (COST \$140,507,095) | | |
| ----- | | | |
| SHARES | DESCRIPTION (1) | COUPON | RA |
| ----- | | | |
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 50.7% (33.4% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 4.8% | | |
| 270,987 | BNY Capital Trust V, Series F | | 5.950% |
| 148,200 | Compass Capital Trust III | | 7.350% |
| 11,300 | CSFB USA, Series 2002-10 (SATURNS) | | 7.000% |
| 41,500 | First Union Institutional Capital II (CORTS) | | 8.200% |
| 4,000 | Goldman Sachs Capital I, Series A (CORTS) | | 6.000% |
| 3,800 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | | 6.000% |

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

| | | |
|---------|--|--------|
| 39,600 | Goldman Sachs Group Inc., Series 2004-4 (CORTS) | 6.000% |
| 5,000 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% |
| 3,000 | Goldman Sachs Group Incorporated (SATURNS) | 5.750% |
| 528,988 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% |
| 2,400 | Lehman Brothers Holdings Capital Trust IV, Series L | 6.375% |
| 29,900 | Merrill Lynch Capital Trust II | 8.000% |
| 149,500 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 124,400 | Merrill Lynch Preferred Capital Trust IV | 7.120% |
| 242,500 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 29,000 | Merrill Lynch Preferred Capital Trust | 7.750% |
| 71,100 | Morgan Stanley Capital Trust II | 7.250% |
| 333,722 | Morgan Stanley Capital Trust III | 6.250% |

18

| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------|--|---------|----|
| ----- | | | |
| | CAPITAL MARKETS (continued) | | |
| 717,800 | Morgan Stanley Capital Trust IV | 6.250% | |
| 18,200 | Morgan Stanley Capital Trust V | 5.750% | |
| ----- | | | |
| | Total Capital Markets | | |
| ----- | | | |
| | COMMERCIAL BANKS - 9.2% | | |
| 20,700 | Abbey National PLC, Series B | 7.375% | |
| 63,400 | Abbey National PLC, Series B | 7.250% | |
| 173,100 | Abbey National PLC, Series C | 7.375% | |
| 35,700 | ABN AMRO Capital Fund Trust V | 5.900% | |
| 10,000 | ABN AMRO Capital Trust Fund VII | 6.080% | |
| 73,500 | ASBC Capital I | 7.625% | |
| 68,785 | BAC Capital Trust I | 7.000% | |
| 136,755 | BAC Capital Trust II | 7.000% | |
| 284,700 | BAC Capital Trust III | 7.000% | |
| 52,569 | Banco Santander | 6.410% | |
| 63,400 | Banco Totta & Acores Finance, Series A | 8.875% | |
| 9,100 | BancorpSouth Capital Trust I | 8.150% | |
| 231,600 | Banesto Holdings, Series A, 144A | 10.500% | |
| 81,700 | Bank One Capital Trust VI | 7.200% | |
| 35,700 | BankNorth Capital Trust II | 8.000% | |
| 6,600,000 | BOI Capital Funding 3, 144A | 6.107% | |
| 62,300 | Chittenden Capital Trust I | 8.000% | |
| 107,000 | Cobank ABC, 144A, (6) | 7.000% | |
| 85,900 | Comerica Capital Trust I | 7.600% | |
| 306,079 | Fleet Capital Trust VII | 1.800% | |
| 338,700 | Fleet Capital Trust VIII | 7.200% | |
| 775,520 | HSBC Finance Corporation | 6.875% | |
| 164,700 | National Commerce Capital Trust II | 7.700% | |
| 43,550 | PNC Capital Trust | 6.125% | |
| 117,538 | Royal Bank of Scotland Group PLC, Series L | 5.750% | |
| 91,395 | Royal Bank of Scotland Group PLC, Series N | 6.350% | |
| 87,500 | SunTrust Capital Trust IV | 7.125% | |
| 74,300 | SunTrust Capital Trust V | 7.050% | |
| 199,300 | USB Capital Trust IV | 7.350% | |
| 81,200 | USB Capital Trust V | 7.250% | |

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

| | | |
|---------|---|--------|
| 400,700 | USB Capital Trust VI | 5.750% |
| 36,050 | USB Capital Trust VII | 5.875% |
| 33,400 | VNB Capital Trust I | 7.750% |
| 47,100 | Well Fargo Capital Trust IX | 5.625% |
| 10,400 | Wells Fargo Capital Trust IV | 7.000% |
| 80,735 | Wells Fargo Capital Trust V | 7.000% |
| 15,100 | Wells Fargo Capital Trust VI | 6.950% |
| 127,369 | Wells Fargo Capital Trust VII | 5.850% |
| 80,700 | Zions Capital Trust B | 8.000% |
| ----- | | |
| | Total Commercial Banks | |
| ----- | | |
| | COMPUTERS & PERIPHERALS - 0.1% | |
| 22,200 | IBM Inc., Series 2001-1 (SATURNS) | 7.125% |
| 4,600 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% |
| 2,400 | IBM Trust II (CORTS) | 7.125% |
| 9,400 | IBM Trust III (CORTS) | 7.200% |
| 2,900 | IBM Trust IV (CORTS) | 7.000% |
| ----- | | |
| | Total Computers & Peripherals | |
| ----- | | |
| | CONSUMER FINANCE - 0.1% | |
| 39,600 | Household Capital Trust VII | 7.500% |
| 39,700 | SLM Corporation | 6.000% |
| ----- | | |
| | Total Consumer Finance | |
| ----- | | |
| | DIVERSIFIED FINANCIAL SERVICES - 5.2% | |
| 15,100 | BBVA Preferred Capital Ltd., Series B | 7.750% |
| 110,100 | CIT Group Inc., Series A, (6) | 6.350% |
| 16,500 | CIT Group Incorporated (CORTS) | 7.750% |
| 63,960 | Citigroup Capital Trust IX | 6.000% |
| 86,500 | Citigroup Capital Trust VII | 7.125% |
| 307,064 | Citigroup Capital Trust VIII | 6.950% |
| 66,300 | Citigroup Inc., Series G, (6) | 6.213% |

19

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|--|--------|----|
| ----- | | | |
| | DIVERSIFIED FINANCIAL SERVICES (continued) | | |
| 63,600 | Citigroup Inc., Series M, (6) | 5.864% | |
| 13,000 | Citigroup, Series CIT (CORTS) | 6.750% | |
| 4,100 | General Electric Capital Corporation (CORTS) | 6.000% | |
| 33,100 | General Electric Capital Corporation | 6.625% | |
| 575,518 | ING Group N.V. | 7.200% | |
| 786,475 | ING Group N.V. | 7.050% | |
| 16,800 | ING Group N.V. | 6.200% | |
| 32,700 | JPM Capital Trust (CORTS) | 7.200% | |
| 54,000 | JPMorgan Chase & Company (PCARS) | 7.125% | |
| 395,367 | JPMorgan Chase Capital Trust X | 7.000% | |
| 22,800 | JPMorgan Chase Capital Trust XVI | 6.350% | |

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

| | | |
|---|--|--------|
| 48,200 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% |
| ----- | | |
| Total Diversified Financial Services | | |
| ----- | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES - 0.5% | | |
| 21,400 | BellSouth Capital Funding (CORTS) | 7.100% |
| 17,400 | BellSouth Corporation (CORTS) | 7.000% |
| 33,200 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% |
| 11,900 | BellSouth Corporation | 7.125% |
| 10,000 | BellSouth Inc. (CORTS) | 7.000% |
| 18,300 | BellSouth Telecommunications (PPLUS) | 7.300% |
| 45,050 | Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS) | 7.875% |
| 17,500 | Verizon Communications (CORTS) | 7.625% |
| 22,200 | Verizon Communications (CORTS) | 7.375% |
| 4,700 | Verizon Communications, Series 2004-1 (SATURNS) | 6.125% |
| 1,300 | Verizon Global Funding Corporation Trust III, Series III (CORTS) | 6.250% |
| 13,900 | Verizon New England Inc., Series B | 7.000% |
| 45,155 | Verizon South Inc., Series F | 7.000% |
| ----- | | |
| Total Diversified Telecommunication Services | | |
| ----- | | |
| ELECTRIC UTILITIES - 0.8% | | |
| 7,000 | Consolidated Edison Company of New York Inc. | 7.500% |
| 10,000 | Consolidated Edison, Inc. | 7.250% |
| 22,200 | DTE Energy Trust I | 7.800% |
| 40,670 | Entergy Louisiana LLC | 7.600% |
| 44,570 | Georgia Power Capital Trust V | 7.125% |
| 153,100 | Georgia Power Company | 5.900% |
| 3,700 | Georgia Power Company | 5.750% |
| 1,100 | National Rural Utilities Cooperative Finance Corporation | 7.400% |
| 6,600 | National Rural Utilities Cooperative Finance Corporation | 6.100% |
| 4,900 | National Rural Utilities Cooperative Finance Corporation | 5.950% |
| 2,100 | Southern Company Capital Trust I (CORTS) | 7.375% |
| 2,800 | Southern Company Capital Trust VI | 7.125% |
| 134,400 | Virginia Power Capital Trust | 7.375% |
| ----- | | |
| Total Electric Utilities | | |
| ----- | | |
| FOOD PRODUCTS - 0.4% | | |
| 58,000 | Dairy Farmers of America Inc., 144A, (6) | 7.875% |
| ----- | | |
| INSURANCE - 11.4% | | |
| 556,210 | Ace Ltd., Series C | 7.800% |
| 50,080 | Aegon N.V. | 6.500% |
| 982,000 | Aegon N.V. | 6.375% |
| 18,000 | Allstate Insurance Company (CORTS) | 8.000% |
| 26,600 | AMBAC Financial Group Inc. | 5.950% |
| 252,200 | Arch Capital Group Limited | 8.000% |
| 1,221,100 | Delphi Financial Group, Inc. | 8.000% |
| 322,955 | EverestRe Capital Trust II | 6.200% |
| 110,400 | EverestRe Group Limited | 7.850% |
| 82,200 | Financial Security Assurance Holdings | 6.250% |
| 225,500 | Hartford Capital Trust III, Series C | 7.450% |
| 38,400 | Lincoln National Capital Trust V, Series E | 7.650% |
| 7,100 | Lincoln National Capital Trust VI | 6.750% |
| 122,400 | MetLife Inc., Series B, (6) | 6.500% |

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

| | | |
|---------|-----------------------------|--------|
| 860,950 | PartnerRe Limited, Series C | 6.750% |
| 4,300 | PartnerRe Limited | 7.900% |
| 82,200 | PLC Capital Trust III | 7.500% |

20

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|---|--------|----|
| ----- | | | |
| | INSURANCE (continued) | | |
| 39,700 | PLC Capital Trust IV | 7.250% | |
| 8,300 | PLC Capital Trust V | 6.125% | |
| 37,400 | Prudential PLC | 6.750% | |
| 325,410 | RenaissanceRe Holdings Limited, Series B | 7.300% | |
| 12,000 | RenaissanceRe Holdings Limited, Series C | 6.080% | |
| 96,100 | RenaissanceRe Holdings Ltd., Series A | 8.100% | |
| 26,300 | Safeco Capital Trust I (CORTS) | 8.750% | |
| 39,100 | Safeco Capital Trust III (CORTS) | 8.072% | |
| 14,700 | Safeco Capital Trust IV (CORTS) | 8.375% | |
| 47,400 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% | |
| 44,900 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% | |
| 75,500 | Saint Paul Capital Trust I | 7.600% | |
| 34,100 | Torchmark Capital Trust I | 7.750% | |
| 1,300 | Torchmark Capital Trust II | 7.750% | |
| 74,000 | W.R. Berkley Capital Trust, Series 2002-1 (CBTCS) | 8.125% | |
| 15,000 | W.R. Berkley Corporation | 6.750% | |
| 151,100 | XL Capital Ltd, Series A | 8.000% | |
| 340,500 | XL Capital Ltd, Series B | 7.625% | |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | MEDIA - 0.1% | | |
| 43,700 | CBS Corporation | 7.250% | |
| 3,700 | Walt Disney Company | 7.000% | |
| ----- | | | |
| | Total Media | | |
| ----- | | | |
| | MULTI-UTILITIES - 0.2% | | |
| 55,600 | Dominion CNG Capital Trust I | 7.800% | |
| 57,400 | Energy East Capital Trust I | 8.250% | |
| ----- | | | |
| | Total Multi-Utilities | | |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.9% | | |
| 477,200 | Nexen Inc. | 7.350% | |
| ----- | | | |
| | REAL ESTATE - 14.0% | | |
| 10,700 | AvalonBay Communities, Inc., Series H | 8.700% | |
| 3,000 | BRE Properties, Series B | 8.080% | |
| 22,500 | BRE Properties, Series C | 6.750% | |
| 327,949 | CarrAmerica Realty Corporation, Series E | 7.500% | |
| 20,600 | Developers Diversified Realty Corporation, Series F | 8.600% | |
| 658,185 | Developers Diversified Realty Corporation, Series G | 8.000% | |
| 74,900 | Developers Diversified Realty Corporation, Series H | 7.375% | |

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

| | | |
|---------|---|--------|
| 81,100 | Duke Realty Corporation, Series L | 6.600% |
| 15,700 | Duke-Weeks Realty Corporation | 6.950% |
| 208,656 | Equity Office Properties Trust, Series G | 7.750% |
| 19,200 | Equity Residential Properties Trust, Series C | 9.125% |
| 11,800 | Equity Residential Properties Trust, Series D | 8.600% |
| 424,173 | Equity Residential Properties Trust, Series N | 6.480% |
| 268,200 | First Industrial Realty Trust, Inc., Series J | 7.250% |
| 311,700 | HRPT Properties Trust, Series B | 8.750% |
| 652,100 | HRPT Properties Trust, Series C | 7.125% |
| 465,187 | Kimco Realty Corporation, Series F | 6.650% |
| 13,693 | New Plan Excel Realty Trust, Series D | 7.800% |
| 904,075 | New Plan Excel Realty Trust, Series E | 7.625% |
| 32,982 | Prologis Trust, Series C | 8.540% |
| 13,600 | Prologis Trust, Series G | 6.750% |
| 13,000 | PS Business Parks, Inc., Series F | 8.750% |
| 2,000 | PS Business Parks, Inc., Series K | 7.950% |
| 900 | Public Storage Inc, Series G | 7.000% |
| 149,000 | Public Storage Inc., Series I | 7.250% |
| 51,900 | Public Storage, Inc., Series E | 6.750% |
| 15,000 | Public Storage, Inc., Series F | 6.450% |
| 97,600 | Public Storage, Inc., Series H | 6.950% |
| 159,800 | Public Storage, Inc., Series R | 8.000% |
| 34,900 | Public Storage, Inc., Series S | 7.875% |
| 28,200 | Public Storage, Inc., Series T | 7.625% |
| 30,200 | Public Storage, Inc., Series U | 7.625% |
| 32,300 | Public Storage, Inc., Series V | 7.500% |
| 3,000 | Public Storage, Inc., Series X | 6.450% |

21

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------|---|--------|----|
| ----- | | | |
| | REAL ESTATE (continued) | | |
| 186,500 | Regency Centers Corporation | 7.450% | |
| 9,100 | Regency Centers Corporation | 7.250% | |
| 32,000 | Regency Centers Corporation | 6.700% | |
| 7,000 | Simon Property Group, Inc., Series G | 7.890% | |
| 2,800 | Vornado Realty Trust, Series F | 6.750% | |
| 16,800 | Vornado Realty Trust, Series G | 6.625% | |
| 3,400 | Vornado Realty Trust, Series H | 6.750% | |
| 54,200 | Vornado Realty Trust, Series I | 6.625% | |
| 1,462,445 | Wachovia Preferred Funding Corporation | 7.250% | |
| 636,930 | Weingarten Realty Trust, Preferred Securities | 6.750% | |
| ----- | | | |
| | Total Real Estate | | |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 2.3% | | |
| 4,300 | Countrywide Capital Trust II, Series II (CORTS) | 8.000% | |
| 99,500 | Countrywide Capital Trust III (PPLUS) | 8.050% | |
| 1,201,200 | Countrywide Capital Trust IV | 6.750% | |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |

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

| WIRELESS TELECOMMUNICATION SERVICES - 0.7% | | | |
|--|--|--------|--|
| 34,100 | AT&T Wireless (CORTS) | 8.000% | |
| 18,300 | AT&T Wireless, Series 2002-B (SATURNS) | 9.250% | |
| 33,900 | United States Cellular Corporation | 8.750% | |
| 272,100 | United States Cellular Corporation | 7.500% | |
| ----- | | | |
| Total Wireless Telecommunication Services | | | |
| ----- | | | |
| TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES (COST \$717,889,379) | | | |
| ----- | | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY (4) |
|--|---|--------|--------------|
| ----- | | | |
| VARIABLE RATE SENIOR LOAN INTERESTS - 0.2% (0.1% OF TOTAL INVESTMENTS) (5) MEDIA - 0.1% | | | |
| \$ 1,000 | Philadelphia Newspapers, Term Loan B, WI/DD | TBD | TBD |
| ----- | | | |
| PAPER & FOREST PRODUCTS - 0.1% | | | |
| 1,155 | Bluegrass Container Company, LLC, Term Loan B, WI/DD | TBD | TBD |
| ----- | | | |
| 2,155 | TOTAL VARIABLE RATE SENIOR LOAN INTERESTS (COST \$2,500,000) | | |
| ----- | | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|--|---|--------|----------|
| ----- | | | |
| CONVERTIBLE BONDS - 36.8% (24.2% OF TOTAL INVESTMENTS) | | | |
| AEROSPACE & DEFENSE - 1.6% | | | |
| \$ 4,500 | AAR Corporation, 144A, (7) | 1.750% | 2/01/26 |
| 5,205 | Armor Holdings Inc. | 2.000% | 11/01/24 |
| 3,410 | L-3 Communications Corporation, Series 144A | 3.000% | 8/01/35 |
| 6,460 | Lockheed Martin Corporation | 4.920% | 8/15/33 |
| ----- | | | |
| 19,575 | Total Aerospace & Defense | | |
| ----- | | | |
| AIRLINES - 0.4% | | | |
| 1,225 | AMR Corporation, Convertible Bonds | 4.500% | 2/15/24 |
| 1,000 | Continental Airlines, Inc. | 5.000% | 6/15/23 |
| 1,650 | JetBlue Airways Corporation | 3.750% | 3/15/35 |
| ----- | | | |
| 3,875 | Total Airlines | | |
| ----- | | | |
| AUTO COMPONENTS - 0.5% | | | |
| 6,695 | ArvinMeritor Inc., 144A | 4.625% | 3/01/26 |
| ----- | | | |
| AUTOMOBILES - 0.1% | | | |
| 785 | Fleetwood Enterprises Inc., 144A | 5.000% | 12/15/23 |
| ----- | | | |
| BIOTECHNOLOGY - 2.1% | | | |
| 7,760 | Amgen Inc., 144A | 0.125% | 2/01/11 |
| 4,000 | Cephalon, Inc. | 0.000% | 6/15/33 |
| 7,855 | Genzyme Corporation | 1.250% | 12/01/23 |

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

22

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| | BIOTECHNOLOGY (continued) | | |
| \$ 5,470 | Gilead Sciences Inc., 144A | 0.625% | 5/01/13 |
| 2,680 | Medimmune Inc. | 1.000% | 7/15/23 |
| 27,765 | Total Biotechnology | | |
| | CAPITAL MARKETS - 0.5% | | |
| 6,600 | Goldman Sachs Group Inc. | 0.125% | 6/28/11 |
| | COMMERCIAL BANKS - 0.2% | | |
| 2,510 | Wells Fargo & Company, Convertible Bond | 5.396% | 5/01/33 |
| | COMMUNICATIONS EQUIPMENT - 3.2% | | |
| 2,560 | ADC Telecommunications Inc. | 1.000% | 6/15/08 |
| 4,475 | ADC Telecommunications Inc. | 5.795% | 6/15/13 |
| 7,057 | Cienna Corporation | 3.750% | 2/01/08 |
| 3,675 | CommScope Inc. | 1.000% | 3/15/24 |
| 5,565 | Converse Technology, Inc. | 0.000% | 5/15/23 |
| 2,500 | Finisar Corporation, Series 144A | 2.500% | 10/15/10 |
| 1,820 | JDS Uniphase Corporation | 0.000% | 11/15/10 |
| 2,520 | Juniper Networks Inc., Convertible Subordinated Notes | 0.000% | 6/15/08 |
| 5,325 | Lucent Technologies Inc. | 2.750% | 6/15/23 |
| 2,985 | Nortel Networks Corp. | 4.250% | 9/01/08 |
| 1,240 | Powerwave Technologies Inc. | 1.875% | 11/15/24 |
| 1,055 | Powerwave Technologies Inc. | 1.825% | 11/15/24 |
| 40,777 | Total Communications Equipment | | |
| | CONSTRUCTION & ENGINEERING - 0.2% | | |
| 3,250 | Quanta Services Inc., Series 144A | 3.750% | 4/30/26 |
| | CONSUMER FINANCE - 0.2% | | |
| 3,225 | American Express Company, Convertible Bond | 1.850% | 12/01/33 |
| | DIVERSIFIED FINANCIAL SERVICES - 0.9% | | |
| 7,500 | CapitalSource Inc. | 3.500% | 7/15/34 |
| 4,545 | Merrill Lynch & Co. Inc., Convertible Bond | 0.000% | 3/13/32 |
| 12,045 | Total Diversified Financial Services | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.8% | | |
| 4,100 | Broadwing Corporation, 144A | 3.125% | 5/15/26 |
| 2,425 | CenturyTel Inc. | 4.750% | 8/01/32 |
| 4,345 | Time Warner Telecom Inc. | 2.375% | 4/01/26 |
| 10,870 | Total Diversified Telecommunication Services | | |
| | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.9% | | |
| 4,250 | Coherent Inc., 144A | 2.750% | 3/01/11 |
| 13,125 | Roper Industries Inc. | 1.481% | 1/15/34 |
| 17,375 | Total Electronic Equipment & Instruments | | |

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

| | | | |
|---|--|--------|----------|
| ENERGY EQUIPMENT & SERVICES - 1.6% | | | |
| 830 | Cal Dive International Inc. | 3.250% | 12/15/25 |
| 4,375 | Cooper Cameron Corporation | 1.500% | 5/15/24 |
| 3,125 | Hanover Compressor Company | 4.750% | 1/15/14 |
| 3,100 | Nabors Industries Inc. | 0.000% | 6/15/23 |
| 1,785 | Oil States International Inc., Series 144A | 2.375% | 7/01/25 |
| 2,440 | Schlumberger Limited | 2.125% | 6/01/23 |
| 15,655 | Total Energy Equipment & Services | | |
| GAS UTILITIES - 0.2% | | | |
| 40 | Southern Union Company, Series B | 5.750% | 8/16/06 |
| HEALTH CARE EQUIPMENT & SUPPLIES - 1.1% | | | |
| 8,835 | Fisher Scientific International Inc. | 3.250% | 3/01/24 |
| 5,450 | Lincare Holdings Inc. | 3.000% | 6/15/33 |
| 14,285 | Total Health Care Equipment & Supplies | | |

23

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---|---|--------|----------|
| HEALTH CARE PROVIDERS & SERVICES - 1.0% | | | |
| \$ 6,600 | Laboratory Corporation of America Holdings | 0.000% | 9/11/21 |
| 2,165 | Manor Care, Inc. | 2.125% | 8/01/35 |
| 6,210 | Roche Holdings Inc., 144A | 0.000% | 7/25/21 |
| 14,975 | Total Health Care Providers & Services | | |
| HOTELS, RESTAURANTS & LEISURE - 2.4% | | | |
| 5,770 | Caesars Entertainment Inc. | 5.028% | 4/15/24 |
| 14,850 | Carnival Corporation | 1.132% | 4/29/33 |
| 1,560 | Four Seasons Hotel Inc. | 1.875% | 7/30/24 |
| 5,800 | Hilton Hotels Corporation | 3.375% | 4/15/23 |
| 2,955 | Kerzner International Limited, 144A | 2.375% | 4/15/24 |
| 2,150 | Scientific Games Corporation | 0.750% | 12/01/24 |
| 33,085 | Total Hotels, Restaurants & Leisure | | |
| INDUSTRIAL CONGLOMERATES - 0.5% | | | |
| 6,980 | 3M Company | 0.000% | 11/21/32 |
| INSURANCE - 1.5% | | | |
| 24 | Alleghany Corporation, Convertible Bond | 5.750% | 6/15/09 |
| 4,840 | American Equity Investment Life Holding Company | 5.250% | 12/06/24 |
| 9,000 | American Financial Group Inc. | 1.486% | 6/02/33 |
| 4,730 | Prudential Financial Inc. | 2.411% | 11/15/35 |

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

| | | | |
|--------|---|--------|----------|
| 18,594 | Total Insurance | | |
| ----- | | | |
| | INTERNET SOFTWARE & SERVICES - 0.6% | | |
| 5,845 | Open Solutions Inc., 144A | 1.467% | 2/02/35 |
| 7,100 | Open Solutions Inc. | 1.467% | 2/02/35 |
| ----- | | | |
| 12,945 | Total Internet Software & Services | | |
| ----- | | | |
| | IT SERVICES - 0.1% | | |
| 1,515 | Digital River Inc. | 1.250% | 1/01/24 |
| ----- | | | |
| | LEISURE EQUIPMENT & PRODUCTS - 0.5% | | |
| 6,195 | K2 Corporation, Convertible Notes, 144A | 5.000% | 6/15/10 |
| ----- | | | |
| | MEDIA - 3.8% | | |
| 215 | Comcast Corporation | 2.000% | 10/15/29 |
| 3,700 | Grey Global Group Inc. | 5.000% | 10/15/33 |
| | Liberty Media Corporation, Senior Debentures | | |
| 10,850 | Exchangeable for Motorola Common Stock | 3.500% | 1/15/31 |
| 8,400 | Liberty Media Corporation | 0.750% | 3/30/23 |
| 1,775 | Lions Gate Entertainment Corporation, 144A | 2.938% | 10/15/24 |
| 2,500 | Lions Gate Entertainment Corporation, 144A | 3.625% | 3/15/25 |
| 3,340 | Omnicom Group Inc. | 0.000% | 6/15/33 |
| 3,240 | Sirius Satellite Radio Inc. | 3.250% | 10/15/11 |
| 6,425 | Walt Disney Company, Convertible Senior Notes | 2.125% | 4/15/23 |
| ----- | | | |
| 40,445 | Total Media | | |
| ----- | | | |
| | METALS & MINING - 0.4% | | |
| 2,875 | Century Aluminum Company | 1.750% | 8/01/24 |
| 1,475 | Placer Dome Inc. | 2.750% | 10/15/23 |
| ----- | | | |
| 4,350 | Total Metals & Mining | | |
| ----- | | | |
| | MULTI-UTILITIES - 0.5% | | |
| 6,325 | Dominion Resources Inc., Series C | 2.125% | 12/15/23 |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.0% | | |
| 900 | Cheniere Energy Inc. | 2.250% | 8/01/12 |
| 1,600 | Chesapeake Energy Corporation, 144A | 2.750% | 11/15/35 |
| 8,775 | Devon Energy Corporation | 4.900% | 8/15/08 |
| ----- | | | |
| 11,275 | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | PHARMACEUTICALS - 2.4% | | |
| 3,390 | Alexion Pharmaceuticals Inc., 144A | 1.375% | 2/01/12 |
| 3,250 | Alexion Pharmaceuticals Inc. | 1.375% | 2/01/12 |
| 3,925 | BioMarin Pharmaceutical Inc. | 2.500% | 3/29/13 |
| 4,225 | Cubist Pharmaceuticals Inc. | 2.250% | 6/15/13 |

24

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

PHARMACEUTICALS (continued)

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

| | | | | |
|----|---------|--|--------|----------|
| \$ | 4,525 | First Horizon Pharmaceutical Corporation | 1.750% | 3/08/24 |
| | 3,415 | Teva Pharmaceutical Finance, Series A | 0.500% | 2/01/24 |
| | 6,400 | Wyeth, 144A | 1.000% | 1/15/24 |
| | 29,130 | Total Pharmaceuticals | | |
| | | ROAD & RAIL - 0.7% | | |
| | 7,700 | CSX Corporation | 0.000% | 10/30/21 |
| | | SEMICONDUCTORS & EQUIPMENT - 1.5% | | |
| | 3,100 | Agere Systems Inc. | 6.500% | 12/15/09 |
| | 2,295 | ASM International NV | 4.250% | 12/06/11 |
| | 4,000 | Intel Corporation, 144A | 2.950% | 12/15/35 |
| | 3,240 | LSI Logic Corporation | 4.000% | 5/15/10 |
| | 2,825 | Photronics Inc., Convertible Notes | 2.250% | 4/15/08 |
| | 5,775 | RF Micro Devices, Inc. | 1.500% | 7/01/10 |
| | 21,235 | Total Semiconductors & Equipment | | |
| | | SOFTWARE - 1.7% | | |
| | 7,200 | Amdocs Limited | 0.500% | 3/15/24 |
| | 3,045 | Cadence Design Systems, Inc. | 0.000% | 8/15/23 |
| | 3,375 | Informatica Corporation, 144A | 3.000% | 3/15/26 |
| | 2,850 | Red Hat Inc., Convertible Bond | 0.500% | 1/15/24 |
| | 3,350 | Sybase, Inc., 144A | 1.750% | 2/22/25 |
| | 3,005 | Sybase, Inc. | 1.750% | 2/22/25 |
| | 22,825 | Total Software | | |
| | | SPECIALTY RETAIL - 2.4% | | |
| | 2,880 | Best Buy Co., Inc. | 2.250% | 1/15/22 |
| | 2,200 | Charming Shoppes Inc. | 4.750% | 6/01/12 |
| | 4,510 | Dick's Sporting Goods Inc. | 1.606% | 2/18/24 |
| | 4,600 | Lowe's Companies, Inc. | 0.861% | 10/19/21 |
| | 3,545 | Sonic Automotive Inc., Convertible Senior Subordinated Notes | 5.250% | 5/07/09 |
| | 8,775 | TJX Companies, Inc. | 0.000% | 2/13/21 |
| | 6,750 | United Auto Group Inc., Series 144A | 3.500% | 4/01/26 |
| | 33,260 | Total Specialty Retail | | |
| | | TRADING COMPANIES & DISTRIBUTORS - 0.4% | | |
| | 4,300 | GATX Corporation | 7.500% | 2/01/07 |
| | | WIRELESS TELECOMMUNICATION SERVICES -- 0.9% | | |
| | 1,790 | American Tower Corporation | 3.000% | 8/15/12 |
| | 6,500 | NII Holdings Inc., 144A | 2.750% | 8/15/25 |
| | 8,290 | Total Wireless Telecommunication Services | | |
| | 468,751 | TOTAL CONVERTIBLE BONDS (COST \$478,955,222) | | |

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

CORPORATE BONDS - 14.4% (9.4% OF TOTAL INVESTMENTS)
AEROSPACE & DEFENSE - 0.3%

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

| | | | |
|----------|--|---------|----------|
| \$ 1,000 | Hexcel Corporation, Term Loan | 6.750% | 2/01/15 |
| 2,500 | K&F Acquisition Inc. | 7.750% | 11/15/14 |
| <hr/> | | | |
| 3,500 | Total Aerospace & Defense | | |
| <hr/> | | | |
| 1,600 | AUTO COMPONENTS - 0.5% Affinia Group Inc. | 9.000% | 11/30/14 |
| 2,575 | Keystone Automotive Operations Inc. | 9.750% | 11/01/13 |
| 2,500 | Tenneco Auto, Inc. | 10.250% | 7/15/13 |
| <hr/> | | | |
| 6,675 | Total Auto Components | | |
| <hr/> | | | |
| 2,000 | CHEMICALS - 0.6% Freeport-McMoran Resources | 7.000% | 2/15/08 |
| 2,000 | Ineos Group Holdings PLC, 144A | 8.500% | 2/15/16 |
| 1,000 | Nell AF Sarl | 8.375% | 8/15/15 |

25

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY | RATING |
|---------------------------|--|---------|----------|--------|
| <hr/> | | | | |
| \$ 1,335 | CHEMICALS (continued) OM Group Inc. | 9.250% | 12/15/11 | |
| 1,500 | Rockwood Specialties Group Inc., Series WI | 7.500% | 11/15/14 | |
| <hr/> | | | | |
| 7,835 | Total Chemicals | | | |
| <hr/> | | | | |
| 4,500 | COMMERCIAL BANKS - 0.3% HBOS PLC, Series 144A | 6.413% | 9/29/49 | |
| <hr/> | | | | |
| 667 | COMMERCIAL SERVICES & SUPPLIES - 0.4% Allied Waste North America, Series B | 9.250% | 9/01/12 | |
| 1,000 | Allied Waste North America | 7.875% | 4/15/13 | |
| 2,740 | DST Systems Inc. | 4.125% | 8/15/23 | |
| 600 | Williams Scotsman Inc., 144A | 8.500% | 10/01/15 | |
| <hr/> | | | | |
| 5,007 | Total Commercial Services & Supplies | | | |
| <hr/> | | | | |
| 1,000 | COMPUTERS & PERIPHERALS - 0.1% GSC Holdings Corporation, 144A | 8.000% | 10/01/12 | |
| <hr/> | | | | |
| 1,520 | CONTAINERS & PACKAGING - 0.6% Berry Plastics Corporation | 10.750% | 7/15/12 | |
| 2,000 | MDP Acquisitions PLC, Senior Notes | 9.625% | 10/01/12 | |
| | Owens-Brockway Glass Containers, Guaranteed Senior | | | |

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

| | | | |
|-------|---|---------|----------|
| 2,000 | Note | 8.250% | 5/15/13 |
| 2,000 | Owens-Illinois Inc. | 7.800% | 5/15/18 |
| <hr/> | | | |
| 7,520 | Total Containers & Packaging | | |
| <hr/> | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.3% | | |
| 2,000 | Intelsat Subsidiary Holding Company Limited | 8.500% | 1/15/13 |
| 1,500 | Valor Telecommunications Enterprises LLC | 7.750% | 2/15/15 |
| <hr/> | | | |
| 3,500 | Total Diversified Telecommunication Services | | |
| <hr/> | | | |
| | ELECTRIC UTILITIES - 0.5% | | |
| 3,000 | Midwest Generation LLC | 8.750% | 5/01/34 |
| 500 | Mirant North America LLC., 144A | 7.375% | 12/31/13 |
| 3,000 | Sierra Pacific Resources, Series 2006 | 6.750% | 8/15/17 |
| <hr/> | | | |
| 6,500 | Total Electric Utilities | | |
| <hr/> | | | |
| | ENERGY EQUIPMENT & SERVICES - 0.2% | | |
| 1,200 | Hanover Compressor Company | 7.500% | 4/15/13 |
| 1,500 | Pride International Inc. | 7.375% | 7/15/14 |
| <hr/> | | | |
| 2,700 | Total Energy Equipment & Services | | |
| <hr/> | | | |
| | FOOD & STAPLES RETAILING - 0.1% | | |
| 2,000 | Stater Brothers Holdings Inc. | 8.125% | 6/15/12 |
| <hr/> | | | |
| | FOOD PRODUCTS - 0.4% | | |
| 356 | Dole Foods Company | 8.875% | 3/15/11 |
| 5,943 | Dole Foods Company | 7.875% | 7/15/13 |
| <hr/> | | | |
| 6,299 | Total Food Products | | |
| <hr/> | | | |
| | HEALTH CARE EQUIPMENT & SUPPLIES - 0.1% | | |
| 1,300 | Select Medical Corporation | 7.625% | 2/01/15 |
| <hr/> | | | |
| | HEALTH CARE PROVIDERS & SERVICES - 0.3% | | |
| 1,000 | US Oncology Inc. | 9.000% | 8/15/12 |
| 2,500 | US Oncology Inc. | 10.750% | 8/15/14 |
| <hr/> | | | |
| 3,500 | Total Health Care Providers & Services | | |
| <hr/> | | | |
| | HOTELS, RESTAURANTS & LEISURE - 1.7% | | |
| 2,000 | Boyd Gaming Corporation | 8.750% | 4/15/12 |
| 2,000 | Boyd Gaming Corporation | 7.750% | 12/15/12 |
| 1,500 | Herbst Gaming Inc. | 7.000% | 11/15/14 |
| 2,900 | Intrawest Corporation | 7.500% | 10/15/13 |
| 700 | Jacob's Entertainment Inc., 144A | 9.750% | 6/15/14 |
| 2,000 | Landry's Restaurants Inc., Series B | 7.500% | 12/15/14 |
| 1,600 | Park Place Entertainment | 8.125% | 5/15/11 |
| 2,500 | Park Place Entertainment | 7.000% | 4/15/13 |
| 2,000 | Pinnacle Entertainment Inc. | 8.250% | 3/15/12 |
| 750 | Pinnacle Entertainment Inc. | 8.750% | 10/01/13 |

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

26

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY | RATING |
|---------------------------|---|---------|----------|--------|
| | HOTELS, RESTAURANTS & LEISURE (continued) | | | |
| \$ 1,283 | Town Sports International Inc. | 9.625% | 4/15/11 | |
| 4,000 | Universal City Development Partners | 11.750% | 4/01/10 | |
| 23,233 | Total Hotels, Restaurants & Leisure | | | |
| | HOUSEHOLD DURABLES - 0.7% | | | |
| 2,000 | K. Hovnanian Enterprises Inc., Senior Subordinated Notes | 8.875% | 4/01/12 | |
| 3,000 | KB Home | 8.625% | 12/15/08 | |
| 4,675 | Technical Olympic USA Inc., Senior Subordinated Notes | 10.375% | 7/01/12 | |
| 9,675 | Total Household Durables | | | |
| | HOUSEHOLD PRODUCTS - 0.1% | | | |
| 1,650 | Central Garden & Pet Company | 9.125% | 2/01/13 | |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1% | | | |
| 400 | NRG Energy Inc. | 7.250% | 2/01/14 | |
| 400 | NRG Energy Inc. | 7.375% | 2/01/16 | |
| 800 | Total Independent Power Producers & Energy Traders | | | |
| | IT SERVICES - 0.5% | | | |
| 1,625 | Global Cash Access LLC | 8.750% | 3/15/12 | |
| 4,750 | SunGard Data Systems Inc., Series 144A | 9.125% | 8/15/13 | |
| 6,375 | Total IT Services | | | |
| | MACHINERY - 0.7% | | | |
| 2,000 | Greenbrier Companies, Inc. | 8.375% | 5/15/15 | |
| 813 | Terex Corporation, Senior Subordinated Notes | 10.375% | 4/01/11 | |
| 6,095 | Terex Corporation, Senior Subordinated Notes | 9.250% | 7/15/11 | |
| 8,908 | Total Machinery | | | |
| | MEDIA - 2.4% | | | |
| 4,000 | Allbritton Communications Company, Series B | 7.750% | 12/15/12 | |
| 2,880 | American Media Operations Inc., Series B | 10.250% | 5/01/09 | |
| 2,000 | American Media Operations Inc. Cablevision Systems | 8.875% | 1/15/11 | |

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

| | | | |
|--------|---|---------|----------|
| 1,000 | Corporation, Series B Cablevision Systems | 8.125% | 8/15/09 |
| 5,000 | Corporation Charter Communications | 7.250% | 7/15/08 |
| 2,000 | Operating LLC, 144A | 8.000% | 4/30/12 |
| 1,975 | Medianews Group Inc. | 6.375% | 4/01/14 |
| 2,950 | Panamsat Corporation | 9.000% | 8/15/14 |
| 7,000 | Primedia Inc., Senior Notes | 8.875% | 5/15/11 |
| 4,550 | Vertis Inc. | 9.750% | 4/01/09 |
| 4,000 | Young Broadcasting Inc., Senior Subordinated Note | 10.000% | 3/01/11 |
| 37,355 | Total Media | | |
| | METALS & MINING - 0.2% | | |
| 2,000 | Chaparral Steel Company | 10.000% | 7/15/13 |
| | MULTILINE RETAIL - 0.2% | | |
| 2,400 | Bon-Ton Department Stores Inc., 144A | 10.250% | 3/15/14 |
| | MULTI-UTILITIES - 0.1% | | |
| 1,600 | Dynegy Holdings Inc., 144A | 8.375% | 5/01/16 |
| | OIL, GAS & CONSUMABLE FUELS - 0.8% | | |
| 2,400 | Baytex Energy Ltd | 9.625% | 7/15/10 |
| 400 | Chaparral Energy Inc., 144A | 8.500% | 12/01/15 |
| 2,345 | Chesapeake Energy Corporation | 7.750% | 1/15/15 |
| 200 | Copano Energy LLC, 144A | 8.125% | 3/01/16 |
| 2,000 | Hilcorp Energy I LP/Hilcorp Finance Company, Series 144A | 7.750% | 11/01/15 |
| 2,000 | SemGroup LP, 144A | 8.750% | 11/15/15 |
| 1,000 | Whiting Petroleum Corporation | 7.000% | 2/01/14 |
| 10,345 | Total Oil, Gas & Consumable Fuels | | |
| | PAPER & FOREST PRODUCTS - 0.5% | | |
| 2,000 | Georgia Pacific Corporation, Debentures | 7.700% | 6/15/15 |
| 5,000 | Georgia Pacific Corporation, Notes | 8.125% | 5/15/11 |
| 7,000 | Total Paper & Forest Products | | |

27

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY | RATING |
|---------------------------|--------------------------|--------|----------|--------|
| | PERSONAL PRODUCTS - 0.1% | | | |

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

| | | | |
|--------------------------------------|--|---------|----------|
| \$ 1,500 | Prestige Brands Inc. | 9.250% | 4/15/12 |
| ----- | | | |
| | REAL ESTATE - 0.2% | | |
| 600 | Saxon Capital Inc., 144A | 12.000% | 5/01/14 |
| 1,000 | Truststreet Properties, Inc. | 7.500% | 4/01/15 |
| 500 | Ventas Realty LP, Series WI | 7.125% | 6/01/15 |
| ----- | | | |
| 2,100 | Total Real Estate | | |
| ----- | | | |
| | REAL ESTATE MANAGEMENT & DEVELOPMENT - 0.1% | | |
| 1,625 | CB Richard Ellis Services Inc. | 9.750% | 5/15/10 |
| ----- | | | |
| | SEMICONDUCTORS & EQUIPMENT - 0.1% | | |
| | Avago Technologies Finance Pte. Ltd., Floating Rate Note, 5.500% plus three-month LIBOR, 144A | 10.125% | 12/01/13 |
| 2,600 | | | |
| ----- | | | |
| | SPECIALTY RETAIL - 0.8% | | |
| 5,100 | Asbury Automotive Group Inc. Stripes Acquisition/Susser Finance Corporation, Series 144A | 9.000% | 6/15/12 |
| 2,000 | | 10.625% | 12/15/13 |
| 5,000 | Warnaco Inc., Senior Notes | 8.875% | 6/15/13 |
| ----- | | | |
| 12,100 | Total Specialty Retail | | |
| ----- | | | |
| | TEXTILES, APPAREL & LUXURY GOODS - 0.2% | | |
| 3,000 | Jostens IH Corporation | 7.625% | 10/01/12 |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.1% | | |
| 1,000 | Caisse Nationale Des Caisses d'Epargne et de Prevoyance | 6.750% | 1/27/49 |
| ----- | | | |
| | TRADING COMPANIES & DISTRIBUTORS - 0.1% | | |
| 2,000 | United Rentals North America Inc. | 6.500% | 2/15/12 |
| ----- | | | |
| 199,102 | TOTAL CORPORATE BONDS (COST \$200,831,982) | | |
| ----- | | | |
| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
| ----- | | | |
| | CAPITAL PREFERRED SECURITIES - 29.5% (19.4% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 3.8% | | |
| 1,000 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 |
| 4,850 | BT Institutional Capital Trust A, 144A | 8.090% | 12/01/26 |
| 3,000 | BT Institutional Capital Trust B, 144A | 7.750% | 12/01/26 |
| 1,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 |
| 27,500 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 |
| 3,000 | First Security Capital I | 8.410% | 12/15/26 |
| 8,000 | UBS Preferred Funding Trust I | 8.622% | 10/29/49 |
| 3,800 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 |
| ----- | | | |
| | Total Capital Markets | | |

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

| COMMERCIAL BANKS - 19.0% | | | |
|--------------------------|--|---------|----------|
| 3,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 |
| 9,500 | Abbey National Capital Trust I | 8.963% | 6/30/50 |
| 6,500 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 |
| 3,000 | Bank One Capital III | 8.750% | 9/01/30 |
| 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 |
| 2,000 | BanPonce Trust I, Series A | 8.327% | 2/01/27 |
| 13,030 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 |
| 200 | Barclays Bank PLC | 6.278% | 12/15/55 |
| 3,000 | Centura Capital Trust I, 144A | 8.845% | 6/01/27 |
| 1,500 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 |
| 6,200 | First Empire Capital Trust I | 8.234% | 2/01/27 |
| 2,000 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 |
| 23,500 | HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 |
| 2,400 | HSEC Capital Funding LP, 144A | 9.547% | 12/31/49 |
| 5,750 | HSEC Capital Funding LP, Debt | 10.176% | 6/30/50 |
| 11,000 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 |
| 6,300 | KeyCorp Institutional Capital Trust A+ | 7.826% | 12/01/26 |
| 18,600 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 |

28

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------------------|--|--------|----------|
| COMMERCIAL BANKS (continued) | | | |
| 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, Capital Securities | 8.700% | 12/15/26 |
| 8,000 | North Fork Capital Trust II | 8.000% | 12/15/27 |
| 1,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 |
| 15,500 | RBS Capital Trust B | 6.800% | 12/31/49 |
| 100 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 |
| 8,000 | Sparebanken Rogaland, Notes, 144A | 6.443% | 5/01/49 |
| 10,500 | St. George Funding Company LLC | 8.485% | 6/30/17 |
| 1,650 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 |
| 2,000 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 |
| 300 | Union Planters Preferred Fund, 144A | 7.750% | 7/15/53 |
| 12,800 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 |
| 3,000 | Washington Mutual Preferred Funding Delaware, Series A-1, 144A | 6.534% | 3/15/49 |
| 5,000 | Zions Institutional Capital Trust, Series A | 8.536% | 12/15/26 |
| Total Commercial Banks | | | |
| DIVERSIFIED FINANCIAL SERVICES - 1.0% | | | |
| 4,000 | BNP Paribas Capital Trust | 7.200% | 12/31/49 |
| 5,000 | Chase Capital Trust I, Series A | 7.670% | 12/01/26 |
| 14,500 | Citigroup Capital X | 6.100% | 9/30/33 |
| 1,700 | Fulton Capital Trust I | 6.290% | 2/01/36 |
| 2,800 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 |

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

| Total Diversified Financial Services | | | |
|--|--|--------|----------|
| SHARES | DESCRIPTION (1) | | |
| ----- | | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES - 0.9% | | | |
| 9,957 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 |
| ----- | | | |
| HOUSEHOLD DURABLES - 0.3% | | | |
| 4,000 | Stanley Works Capital Trust I, 144A | 5.902% | 12/01/45 |
| ----- | | | |
| INSURANCE - 3.1% | | | |
| 2,300 | American General Capital II | 8.500% | 7/01/30 |
| 4,000 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 |
| 3,000 | Oil Insurance Limited, 144A | 7.550% | 12/30/49 |
| 7,250 | Prudential PLC | 6.500% | 6/29/49 |
| 9,500 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 |
| 11,000 | ZFS FINANCE USA TRUST II 144A | 6.450% | 12/15/65 |
| 4,750 | Zurich Capital Trust I, 144A | 8.376% | 6/01/37 |
| ----- | | | |
| Total Insurance | | | |
| ----- | | | |
| OIL, GAS & CONSUMABLE FUELS - 0.5% | | | |
| 1,200 | KN Capital Trust I, Preferred Securities | 8.560% | 4/15/27 |
| 6,110 | KN Capital Trust III | 7.630% | 4/15/28 |
| ----- | | | |
| Total Oil, Gas & Consumable Fuels | | | |
| ----- | | | |
| THRIFTS & MORTGAGE FINANCE - 0.9% | | | |
| 10,000 | Dime Capital Trust I, Series A | 9.330% | 5/06/27 |
| 1,000 | Great Western Financial Trust II, Series A | 8.206% | 2/01/27 |
| ----- | | | |
| Total Thrifts & Mortgage Finance | | | |
| ----- | | | |
| TOTAL CAPITAL PREFERRED SECURITIES (COST \$425,940,756) | | | |
| ----- | | | |
| SHARES | DESCRIPTION (1) | | |
| ----- | | | |
| INVESTMENT COMPANIES -- 1.0% (0.7% OF TOTAL INVESTMENTS) | | | |
| 133,517 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. | | |
| 100,204 | Flaherty and Crumrine/Claymore Total Return Fund Inc. | | |
| 5,894 | John Hancock Preferred Income Fund | | |
| 10,867 | John Hancock Preferred Income Fund II | | |
| 191,204 | John Hancock Preferred Income Fund III | | |
| 50,155 | Preferred and Corporate Strategies Fund Inc. | | |
| 211,094 | Preferred Income Strategies Fund Inc. | | |
| ----- | | | |
| TOTAL INVESTMENT COMPANIES (COST \$13,887,936) | | | |
| ----- | | | |

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

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---|---|--------|----------|
| SHORT-TERM INVESTMENTS - 4.6% (3.0% OF TOTAL INVESTMENTS) | | | |
| \$ 63,089 | Repurchase Agreement with State Street Bank, dated 6/30/06, repurchase price \$63,110,619, collateralized by: \$85,000 U.S. Treasury Notes, 4.000%, due 2/15/14, value \$79,900, \$19,085,000 U.S. Treasury Notes, 3.875%, due 5/15/09, value \$18,521,401, \$45,750,000 U.S. Treasury Notes, 4.625%, due 3/31/08, value \$45,750,000 | 4.130% | 7/03/06 |
| ----- | | | |
| TOTAL SHORT-TERM INVESTMENTS (COST \$63,088,906) | | | |
| ----- | | | |
| TOTAL INVESTMENTS (COST \$2,100,146,620) - 152.2% | | | |
| ----- | | | |
| OTHER ASSETS LESS LIABILITIES - (0.1)% | | | |
| ----- | | | |
| PREFERRED SHARES, AT LIQUIDATION VALUE - (52.1)% | | | |
| ----- | | | |
| NET ASSETS APPLICABLE TO COMMON SHARES - 100% | | | |
| ----- | | | |

INTEREST RATE SWAPS OUTSTANDING AT JUNE 30, 2006:

| COUNTERPARTY | NOTIONAL AMOUNT | FIXED RATE PAID BY THE FUND (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY | FLOATING RATE RECEIVED BY THE FUND (8) | FLOATING RATE PAYMENT FREQUENCY | TERMINATI DA |
|----------------|--------------------|---|------------------------------------|--|---------------------------------------|-----------------|
| JPMorgan Chase | \$71,000,000 | 3.395% | Monthly | 5.138% | Monthly | 7/06/ |
| JPMorgan Chase | 71,000,000 | 2.994 | Monthly | 5.294 | Monthly | 1/22/ |
| Morgan Stanley | 71,000,000 | 2.567 | Monthly | 5.294 | Monthly | 1/22/ |
| Morgan Stanley | 71,000,000 | 3.406 | Monthly | 5.294 | Monthly | 1/22/ |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Non-income producing.
- (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered below investment grade.
- (4) 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 in the Fund's portfolio may be shorter than the stated maturity.

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

- held in the Fund's portfolio may be substantially less than the stated maturities of the
- (5) Senior Loans in which the Fund invests generally pay interest at rates which are periodically adjusted by reference to a base short-term, floating lending rate plus an assigned fixed rate. These floating lending rates are generally (i) the lending rate as referenced by the London Inter-Bank Offered Rate ('LIBOR'), or (ii) the prime rate as published by one or more major United States banks. Senior Loans may be considered restricted if the Fund ordinarily is contractually obligated to receive approval from the lender, the Bank and/or Borrower prior to the disposition of a Senior Loan.
- (6) Investment is eligible for the Dividends Received Deduction.
- (7) Non-income producing security, in the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy.
- (8) Based on USD-LIBOR (United States Dollar-London Interbank Offered Rate).
- N/R Not rated.
- WI/DD Purchased on a when-issued or delayed delivery basis.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.
- CBTCS Corporate Backed Trust Certificates.
- CORTS Corporate Backed Trust Securities.
- PCARS Public Credit and Repackaged Securities.
- PPLUS PreferredPlus Trust.
- SATURNS Structured Asset Trust Unit Repackaging.
- TBD Senior Loan purchased on a when-issued or delayed-delivery basis. Certain details associated with this purchase are not known prior to the settlement date of the transaction. In addition, Senior Loans typically trade without accrued interest and therefore a weighted average coupon rate is not available prior to settlement. At settlement, if still unknown, the borrower or counterparty will provide the Fund with the final weighted average coupon rate and maturity date.

See accompanying notes to financial statements.

30

Nuveen Preferred and Convertible Income Fund 2 (JQC)

Portfolio of
INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) |
|--------|--|
| | COMMON STOCKS - 4.5% (3.0% OF TOTAL INVESTMENTS) |
| | AEROSPACE & DEFENSE - 0.1% |
| 5,423 | Hexcel Corporation, (2) |
| 11,982 | Lockheed Martin Corporation |
| 3,792 | Precision Castparts Corporation |
| | Total Aerospace & Defense |
| | AIR FREIGHT & LOGISTICS - 0.1% |
| 14,832 | FedEx Corporation |
| 7,617 | Ryder System Inc. |
| | Total Air Freight & Logistics |
| | AIRLINES - 0.0% |
| 12,351 | Southwest Airlines Co. |

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

| | |
|--------|--|
| | BEVERAGES - 0.1% |
| 17,860 | Coca-Cola Company |
| 14,451 | Pepsi Bottling Group Inc. |
| 5,271 | PepsiCo, Inc. |
| | Total Beverages |
| | BIOTECHNOLOGY - 0.1% |
| 8,478 | Genentech, Inc., (2) |
| 14,067 | Gilead Sciences, Inc., (2) |
| | Total Biotechnology |
| | CAPITAL MARKETS - 0.1% |
| 5,934 | Calamos Asset Management, Inc. Class A |
| 4,037 | Greenhill & Co Inc. |
| 10,890 | Lehman Brothers Holdings Inc. |
| 2,287 | OptionsXpress Holdings Inc. |
| | Total Capital Markets |
| | CHEMICALS - 0.0% |
| 11,658 | Airgas, Inc. |
| | COMMERCIAL BANKS - 0.1% |
| 14,130 | Bank of Hawaii Corporation |
| 3,608 | Boston Private Financial Holdings Inc. |
| 9,270 | Colonial BancGroup Inc. |
| 4,685 | Greater Bay Bancorp |
| 6,810 | Marshall and Ilsley Corporation |
| 6,130 | Northern Trust Corporation |
| 20,120 | PNC Financial Services Group, Inc. |
| 12,256 | Washington Mutual, Inc. |
| 11,132 | Whitney Holding Corporation |
| 7,627 | Zions Bancorporation |
| | Total Commercial Banks |
| | COMMERCIAL SERVICES & SUPPLIES - 0.1% |
| 3,920 | Administaff, Inc. |
| 2,752 | American Ecology Corporation |
| 4,818 | Consolidated Graphics Inc., (2) |
| 13,382 | Corporate Executive Board Company |
| 8,850 | Equifax Inc. |
| 16,633 | Global Payments Inc. |
| 24,209 | R.R. Donnelley & Sons Company |
| 19,240 | Republic Services, Inc. |

31

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

SHARES DESCRIPTION (1)

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

4,040 COMMERCIAL SERVICES & SUPPLIES (continued)
SEI Investments Company

Total Commercial Services & Supplies

COMMUNICATIONS EQUIPMENT - 0.2%
23,390 Converse Technology, Inc., (2)
53,600 Corning Incorporated, (2)
2,249 Harris Corporation
32,690 QUALCOMM Inc.

Total Communications Equipment

COMPUTERS & PERIPHERALS - 0.1%
17,330 Apple Computer, Inc., (2)
24,510 Hewlett-Packard Company
1,611 Komag Inc., (2)
7,614 Network Appliance Inc., (2)

Total Computers & Peripherals

CONSTRUCTION & ENGINEERING - 0.0%
1,471 Shaw Group Inc., (2)

CONSUMER FINANCE - 0.2%
78,276 Americredit Corp., (2)
8,440 Capital One Financial Corporation

Total Consumer Finance

DISTRIBUTORS - 0.0%
1,456 Keystone Automotive Industries Inc., (2)

DIVERSIFIED CONSUMER SERVICES - 0.0%
6,544 Jackson Hewitt Tax Services Inc.

DIVERSIFIED FINANCIAL SERVICES - 0.1%
6,490 CBOT Holdings, Inc. Class A, (2)
4,215 Moody's Corporation

Total Diversified Financial Services

DIVERSIFIED TELECOMMUNICATION SERVICES - 0.1%
60,360 Sprint Nextel Corporation

ELECTRIC UTILITIES - 0.2%
22,470 PG&E Corporation
38,902 TXU Corporation

Total Electric Utilities

ELECTRICAL EQUIPMENT - 0.1%
13,422 Emerson Electric Co.
2,666 Ormat Technologies Inc.
3,888 Smith AO Corporation

Total Electrical Equipment

ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.1%
2,984 Itron Inc., (2)
5,897 Millipore Corporation, (2)

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

| | |
|--------|---------------------------------|
| 6,875 | Parker Hannifin Corporation |
| 6,461 | Plexus Corporation, (2) |
| 6,511 | Teledyne Technologies Inc., (2) |
| 10,215 | Waters Corporation, (2) |

 Total Electronic Equipment & Instruments

| | |
|-------|------------------------------------|
| | ENERGY EQUIPMENT & SERVICES - 0.0% |
| 4,461 | Helix Energy Solutions Group, (2) |
| 4,984 | Unit Corporation, (2) |
| 4,671 | Veritas DGC Inc., (2) |

 Total Energy Equipment & Services

32

SHARES DESCRIPTION (1)

 FOOD & STAPLES RETAILING - 0.0%
 9,550 Whole Foods Market, Inc.

 FOOD PRODUCTS -- 0.2%
 24,268 Archer-Daniels-Midland Company
 36,820 Monsanto Company

 Total Food Products

GAS UTILITIES - 0.1%
 49,463 Energen Corporation

 HEALTH CARE EQUIPMENT & SUPPLIES - 0.2%
 7,500 American Medical Systems Holdings, Inc., (2)
 19,560 Baxter International Inc.
 10,414 Dade Behring Holdings Inc.
 4,544 Express Scripts, Inc., (2)
 32,530 Hospira Inc., (2)
 10,062 Kinetic Concepts Inc., (2)

 Total Health Care Equipment & Supplies

| | |
|--------|---|
| | HEALTH CARE PROVIDERS & SERVICES - 0.2% |
| 6,449 | Healthways Inc., (2) |
| 9,530 | Humana Inc., (2) |
| 21,734 | Quest Diagnostics Incorporated |
| 24,886 | Sierra Health Services Inc., (2) |
| 6,539 | Surmodics Inc., (2) |
| 2,693 | Wellcare Health Plans Inc., (2) |

 Total Health Care Providers & Services

| | |
|--------|--------------------------------------|
| | HOTELS, RESTAURANTS & LEISURE - 0.1% |
| 22,266 | Choice Hotels International, Inc. |
| 4,080 | Panera Bread Company, (2) |
| 7,287 | Starbucks Corporation, (2) |
| 7,615 | Station Casinos Inc. |

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

| | |
|--------|--|
| | Total Hotels, Restaurants & Leisure |
| | HOUSEHOLD DURABLES - 0.1% |
| 66,302 | Newell Rubbermaid Inc. |
| 3,000 | Stanley Works |
| | Total Household Durables |
| | HOUSEHOLD PRODUCTS - 0.1% |
| 19,160 | Colgate-Palmolive Company |
| 8,547 | Kimberly-Clark Corporation |
| | Total Household Products |
| | INDUSTRIAL CONGLOMERATES - 0.1% |
| 10,320 | 3M Co. |
| 13,580 | General Electric Company |
| | Total Industrial Conglomerates |
| | INSURANCE - 0.2% |
| 23,438 | AFLAC Incorporated |
| 1,566 | First American Corporation |
| 22,284 | HCC Insurance Holdings Inc. |
| 3,654 | Philadelphia Consolidated Holding Corporation, (2) |
| 3,210 | Tower Group Inc. |
| 81,960 | W.R. Berkley Corporation |
| | Total Insurance |
| | INTERNET & CATALOG RETAIL - 0.0% |
| 8,486 | Coldwater Creek Inc., (2) |
| 5,559 | MSC Industrial Direct Inc., Class A |
| | Total Internet & Catalog Retail |

33

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) |
|--------|-------------------------------------|
| | INTERNET SOFTWARE & SERVICES - 0.0% |
| 794 | Google Inc., Class A, (2) |
| 3,248 | j2 Global Communications, Inc., (2) |
| | Total Internet Software & Services |
| | IT SERVICES - 0.0% |
| 5,486 | Websense Inc., (2) |
| | MACHINERY - 0.1% |

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

1,366 Freightcar America Inc.
 6,324 Harsco Corporation
 4,585 Joy Global Inc.
 2,450 Paccar Inc.

Total Machinery

MEDIA - 0.2%
 12,270 Cablevision Systems Corporation, (2)
 6,095 Comcast Corporation, Class A, (2)
 32,680 DIRECTV Group, Inc., (2)
 12,214 John Wiley and Sons Inc., Class A
 9,740 Liberty Global Inc, A Shares, (2)
 9,738 Liberty Global Inc., Class C, (2)
 2,124 Lodgenet Entertainment Corporation, (2)
 13,040 McGraw-Hill Companies, Inc.
 55,730 Time Warner Inc.

Total Media

METALS & MINING - 0.0%
 1,398 Phelps Dodge Corporation
 4,202 Quanex Corporation

Total Metals & Mining

MULTILINE RETAIL - 0.1%
 6,117 Casey's General Stores, Inc.
 13,210 Dollar Tree Stores Inc., (2)
 22,370 Kohl's Corporation, (2)

Total Multiline Retail

OIL, GAS & CONSUMABLE FUELS - 0.2%
 15,760 EOG Resources, Inc.
 2,378 Frontier Oil Corporation
 2,852 Houston Exploration Company, (2)
 3,126 Parallel Petroleum Corporation, (2)
 4,717 Pioneer Drilling Company, (2)
 13,011 Sunoco, Inc.
 7,352 Valero Energy Corporation
 4,972 W&T Offshore Inc.

Total Oil, Gas & Consumable Fuels

PAPER & FOREST PRODUCTS - 0.0%
 11,950 Plum Creek Timber Company

PHARMACEUTICALS - 0.1%
 6,387 Allergan Inc.
 6,524 Alpharma Inc.
 60,110 King Pharmaceuticals Inc., (2)

Total Pharmaceuticals

REAL ESTATE - 0.1%
 1,913 American Home Mortgage Investment Corp.
 3,750 Camden Property Trust
 5,763 Equity Inns Inc.
 5,190 Health Care Property Investors Inc.
 3,987 LaSalle Hotel Properties
 5,271 Public Storage, Inc.

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

3,794 SL Green Realty Corporation
 8,597 Tanger Factory Outlet Centers
 1,214 Taubman Centers Inc.

34

| SHARES | DESCRIPTION (1) |
|--------|---|
| | REAL ESTATE (continued) |
| 6,244 | United Dominion Realty Trust |
| | Total Real Estate |
| | ROAD & RAIL - 0.0% |
| 7,913 | Burlington Northern Santa Fe Corporation |
| | SEMICONDUCTORS & EQUIPMENT - 0.2% |
| 14,370 | Advanced Micro Devices, Inc., (2) |
| 14,017 | Entegris Inc., (2) |
| 20,885 | Freescale Semiconductor, Inc., Class B, (2) |
| 25,370 | Micron Technology, Inc., (2) |
| 3,248 | Microsemi Corporation, (2) |
| 44,090 | National Semiconductor Corporation |
| 1,796 | Netlogic Microsystems Inc., (2) |
| 19,300 | QLogic Corporation, (2) |
| 1,656 | Silicon Laboratories Inc., (2) |
| | Total Semiconductors & Equipment |
| | SOFTWARE - 0.2% |
| 5,075 | Aspen Technology Inc., (2) |
| 21,751 | Autodesk, Inc., (2) |
| 3,584 | Blackbaud, Inc. |
| 42,850 | BMC Software Inc., (2) |
| 11,260 | Intuit Inc., (2) |
| 10,250 | Reynolds and Reynolds Company |
| 6,601 | Salesforce.com, Inc., (2) |
| | Total Software |
| | SPECIALTY RETAIL - 0.2% |
| 28,606 | Ann Taylor Stores Corporation, (2) |
| 3,294 | Build-A-Bear-Workshop, Inc., (2) |
| 4,253 | Childrens Place Retail Stores Inc., (2) |
| 17,067 | Circuit City Stores, Inc. |
| 8,011 | Claire's Stores, Inc. |
| 11,468 | Select Comfort Corporation, (2) |
| 16,241 | Staples, Inc. |
| | Total Specialty Retail |
| | TEXTILES APPAREL & LUXURY GOODS - 0.0% |
| 6,599 | Guess Inc., (2) |
| 3,425 | Nike Inc., Class B |
| 2,456 | Skechers USA Inc., (2) |

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

| SHARES | DESCRIPTION (1) | COUPON | RA |
|--|---|--------|----|
| Total Textiles Apparel & Luxury Goods | | | |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.0% | | |
| 9,230 | Washington Federal Inc. | | |
| ----- | | | |
| | TRADING COMPANIES & DISTRIBUTORS - 0.0% | | |
| 3,314 | GATX Corporation | | |
| ----- | | | |
| TOTAL COMMON STOCKS (COST \$86,609,968) | | | |
| ----- | | | |
| CONVERTIBLE PREFERRED SECURITIES - 10.6% (7.1% OF TOTAL INVESTMENTS) | | | |
| AUTOMOBILES - 0.6% | | | |
| 244,850 | Ford Motor Company Capital Trust II | 6.500% | |
| 252,740 | General Motors Corporation, Convertible Notes, Senior Debentures, Series B | 5.250% | |
| ----- | | | |
| Total Automobiles | | | |
| ----- | | | |
| CAPITAL MARKETS - 1.1% | | | |
| 137,000 | Affiliated Managers Group Inc. | 5.100% | |
| 298,000 | E*Trade Financial Corporation | 6.125% | |
| 182,435 | Lazard Limited | 6.625% | |
| ----- | | | |
| Total Capital Markets | | | |
| ----- | | | |

35

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------------------------|---------------------------------------|--------|----|
| ----- | | | |
| | CHEMICALS - 0.7% | | |
| 313,585 | Celanese Corporation | 4.250% | |
| 89,905 | Huntsman Corporation | 5.000% | |
| ----- | | | |
| Total Chemicals | | | |
| ----- | | | |
| | COMMERCIAL BANKS - 1.8% | | |
| 5,475,000 | Fortis Insurance NV, 144A | 7.750% | |
| 351,450 | Marshall and Ilsley Corporation | 6.500% | |
| 211,500 | National Australia Bank Limited | 7.875% | |
| 150,000 | Washington Mutual, Inc., Unit 1 Trust | 5.375% | |
| ----- | | | |
| Total Commercial Banks | | | |
| ----- | | | |
| | CONSUMER FINANCE - 0.7% | | |
| 13,400,000 | SLM Corporation | 5.050% | |
| ----- | | | |
| ELECTRIC UTILITIES - 0.4% | | | |

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

| | | | |
|---------|---|--------|----|
| 90,550 | Entergy Corporation | 7.625% | |
| 76,430 | PNM Resources Inc. | 6.750% | |
| ----- | | | |
| | Total Electric Utilities | | |
| ----- | | | |
| | GAS UTILITIES - 0.1% | | |
| 37,500 | Southern Union Company | 5.000% | |
| ----- | | | |
| | HEALTH CARE PROVIDERS & SERVICES - 0.2% | | |
| 53,570 | Omnicare Capital Trust II, Series B | 4.000% | |
| ----- | | | |
| | INSURANCE - 3.3% | | |
| 193,015 | Aspen Insurance Holdings Limited | 5.625% | |
| 276,200 | Chubb Corporation | 7.000% | |
| 503,775 | Genworth Financial Inc. | 6.000% | |
| 85,000 | Hartford Financial Services Group, Inc. | 6.000% | |
| 188,920 | IPC Holdings Limited | 7.250% | |
| 570,475 | MetLife Inc., Convertible, Series B | 6.375% | |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | MEDIA - 0.2% | | |
| 135,700 | Interpublic Group Companies Inc., Series A | 5.375% | |
| ----- | | | |
| | METALS & MINING - 0.2% | | |
| 2,400 | Freeport McMoran Copper & Gold, Inc. | 5.500% | |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.6% | | |
| 48,335 | Chesapeake Energy Corporation, 144A | 5.000% | |
| 51,000 | Chesapeake Energy Corporation | 4.500% | |
| 17,370 | Hess Corporation | 7.000% | |
| ----- | | | |
| | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.7% | | |
| 86,650 | New York Community Bancorp Inc Capital Trust V | 6.000% | |
| 337,845 | PMI Group Inc. | 5.875% | |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| | TOTAL CONVERTIBLE PREFERRED SECURITIES (COST \$197,580,088) | | |
| ----- | | | |
| SHARES | DESCRIPTION (1) | COUPON | RA |
| ----- | | | |
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 47.5% (31.4% OF TOTAL INVESTMENTS) | | |
| | AUTOMOBILES - 0.0% | | |
| 3,000 | DaimlerChrysler AG (CORTS) | 7.875% | |
| 2,200 | DaimlerChrysler Corp. (PPLUS) | 7.250% | |
| ----- | | | |
| | Total Automobiles | | |
| ----- | | | |
| | CAPITAL MARKETS - 4.0% | | |
| 269,511 | BNY Capital Trust V, Series F | 5.950% | |
| 219,600 | Compass Capital Trust III | 7.350% | |
| 31,600 | CSFB USA, Series 2002-10 (SATURNS) | 7.000% | |
| 22,600 | First Union Institutional Capital II (CORTS) | 8.200% | |
| 5,300 | Goldman Sachs Capital I (CORTS) | 6.000% | |

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

36

| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------------------------|--|---------|----|
| CAPITAL MARKETS (continued) | | | |
| 4,400 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% | |
| 4,800 | Goldman Sachs Group Inc., Series 2004-04 (SATURNS) | 6.000% | |
| 2,100 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | 6.000% | |
| 11,800 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% | |
| 198,350 | Lehman Brothers Holdings Inc., Series C, (6) | 5.940% | |
| 82,300 | Lehman Brothers Holdings Inc., Series D, (6) | 5.670% | |
| 71,500 | Merrill Lynch Capital Trust II | 8.000% | |
| 267,200 | Merrill Lynch Preferred Capital Trust III | 7.000% | |
| 189,600 | Merrill Lynch Preferred Capital Trust IV | 7.120% | |
| 283,400 | Merrill Lynch Preferred Capital Trust V | 7.280% | |
| 48,400 | Merrill Lynch Preferred Capital Trust | 7.750% | |
| 211,850 | Morgan Stanley Capital Trust II | 7.250% | |
| 185,370 | Morgan Stanley Capital Trust III | 6.250% | |
| 138,400 | Morgan Stanley Capital Trust IV | 6.250% | |
| 14,100 | Morgan Stanley Capital Trust V | 5.750% | |
| 327,800 | Morgan Stanley Capital Trust VI | 6.600% | |
| 315,200 | Morgan Stanley, Series 2006A, WI/DD | 5.777% | |
| ----- | | | |
| | Total Capital Markets | | |
| ----- | | | |
| COMMERCIAL BANKS - 10.1% | | | |
| 36,200 | Abbey National PLC, Series B | 7.375% | |
| 40,000 | Abbey National PLC, Series B | 7.250% | |
| 303,200 | Abbey National PLC, Series C | 7.375% | |
| 715,800 | ABN AMRO Capital Fund Trust V | 5.900% | |
| 79,579 | ABN AMRO Capital Fund Trust VI | 6.250% | |
| 17,021 | ABN AMRO Capital Trust Fund VII | 6.080% | |
| 115,200 | ASBC Capital I | 7.625% | |
| 203,410 | BAC Capital Trust I | 7.000% | |
| 560,200 | BAC Capital Trust II | 7.000% | |
| 153,900 | BAC Capital Trust III | 7.000% | |
| 888,611 | Banco Santander | 6.410% | |
| 71,750 | Banco Totta & Acores Finance, Series A | 8.875% | |
| 6,700 | BancorpSouth Capital Trust I | 8.150% | |
| 28,800 | Banesto Holdings, Series A, 144A | 10.500% | |
| 167,700 | Bank One Capital Trust VI | 7.200% | |
| 51,900 | BankNorth Capital Trust II | 8.000% | |
| 91,042 | Barclays Bank PLC | 6.625% | |
| 9,900,000 | BOI Capital Funding 3, 144A | 6.107% | |
| 146,100 | Chittenden Capital Trust I | 8.000% | |
| 146,500 | Cobank ABC, 144A, (6) | 7.000% | |
| 119,100 | Comerica Capital Trust I | 7.600% | |
| 512,200 | Fleet Capital Trust VII | 1.800% | |
| 430,300 | Fleet Capital Trust VIII | 7.200% | |
| 62,400 | HSBC Finance Corporation | 6.875% | |
| 38,200 | KeyCorp (PCARS) | 7.500% | |
| 90,467 | KeyCorp Capital Trust V | 5.875% | |
| 92,600 | National Commerce Capital Trust II | 7.700% | |
| 21,700 | ONB Capital Trust II | 8.000% | |
| 27,500 | PNC Capital Trust | 6.125% | |
| 180,674 | Royal Bank of Scotland Group PLC, Series L | 5.750% | |
| 124,740 | Royal Bank of Scotland Group PLC, Series N | 6.350% | |

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

| | | |
|---------|-------------------------------|--------|
| 160,600 | SunTrust Capital Trust IV | 7.125% |
| 110,300 | SunTrust Capital Trust V | 7.050% |
| 356,700 | USB Capital Trust IV | 7.350% |
| 301,200 | USB Capital Trust V | 7.250% |
| 31,800 | USB Capital Trust VI | 5.750% |
| 40,100 | USB Capital Trust VII | 5.875% |
| 39,300 | VNB Capital Trust I | 7.750% |
| 11,000 | Wells Fargo Capital Trust IX | 5.625% |
| 40,000 | Wells Fargo Capital Trust IV | 7.000% |
| 483,400 | Wells Fargo Capital Trust V | 7.000% |
| 115,100 | Wells Fargo Capital Trust VI | 6.950% |
| 129,309 | Wells Fargo Capital Trust VII | 5.850% |
| 117,800 | Zions Capital Trust B | 8.000% |

 Total Commercial Banks

37

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------|--|--------|----|
| | COMPUTERS & PERIPHERALS - 0.1% | | |
| 29,900 | IBM Inc., Series 2001-1 (SATURNS) | 7.125% | |
| 14,000 | IBM Trust II (CORTS) | 7.125% | |
| 8,000 | IBM Trust III (CORTS) | 7.200% | |
| 24,800 | IBM Trust IV (CORTS) | 7.000% | |
| | Total Computers & Peripherals | | |
| | CONSUMER FINANCE - 0.6% | | |
| 99,400 | Household Capital Trust VII | 7.500% | |
| 168,600 | SLM Corporation, Series A, (6) | 6.970% | |
| 14,200 | SLM Corporation | 6.000% | |
| | Total Consumer Finance | | |
| | DIVERSIFIED FINANCIAL SERVICES - 5.0% | | |
| 13,800 | BBVA Preferred Capital Ltd., Series B | 7.750% | |
| 168,100 | CIT Group Inc., Series A, (6) | 6.350% | |
| 27,700 | CIT Group Incorporated (CORTS) | 7.750% | |
| 108,880 | Citigroup Capital Trust IX | 6.000% | |
| 197,400 | Citigroup Capital Trust VII | 7.125% | |
| 949,572 | Citigroup Capital Trust VIII | 6.950% | |
| 5,700 | Citigroup, Series CIT (CORTS) | 6.750% | |
| 1,400 | General Electric Capital Corporation (CORTS) | 6.000% | |
| 40,500 | General Electric Capital Corporation | 6.625% | |
| 592,320 | ING Group N.V. | 7.200% | |
| 755,475 | ING Group N.V. | 7.050% | |
| 43,200 | JPM Capital Trust (CORTS) | 7.200% | |
| 71,965 | JPMorgan Chase & Company (PCARS) | 7.125% | |
| 712,420 | JPMorgan Chase Capital Trust X | 7.000% | |
| 32,200 | JPMorgan Chase Capital Trust XVI | 6.350% | |

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

| | | |
|---|--|--------|
| 73,600 | JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS) | 7.125% |
| 60,000 | Royal Bank of Scotland Public Limited Company, Series 2006Q | 6.750% |
| ----- | | |
| Total Diversified Financial Services | | |
| ----- | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES - 0.6% | | |
| 38,500 | BellSouth Capital Funding (CORTS) | 7.100% |
| 29,900 | BellSouth Corporation (CORTS) | 7.000% |
| 50,600 | BellSouth Corporation, Series 2001-3 (SATURNS) | 7.125% |
| 32,600 | BellSouth Inc. (CORTS) | 7.000% |
| 71,100 | BellSouth Telecommunications (PPLUS) | 7.300% |
| 60,600 | Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS) | 7.875% |
| 27,300 | Verizon Communications (CORTS) | 7.625% |
| 48,100 | Verizon Communications (CORTS) | 7.375% |
| 50,700 | Verizon New England Inc., Series B | 7.000% |
| 30,400 | Verizon South Inc., Series F | 7.000% |
| ----- | | |
| Total Diversified Telecommunication Services | | |
| ----- | | |
| ELECTRIC UTILITIES - 0.4% | | |
| 16,300 | Consolidated Edison Company of New York Inc. | 7.500% |
| 6,000 | Consolidated Edison, Inc. | 7.250% |
| 21,100 | DTE Energy Trust I | 7.800% |
| 28,900 | Entergy Louisiana LLC | 7.600% |
| 8,300 | Entergy Mississippi Inc. | 7.250% |
| 3,000 | Georgia Power Capital Trust V | 7.125% |
| 11,700 | Mississippi Power Capital Trust II | 7.200% |
| 5,200 | National Rural Utilities Cooperative Finance Corporation | 7.400% |
| 1,500 | National Rural Utilities Cooperative Finance Corporation | 6.100% |
| 1,900 | National Rural Utilities Cooperative Finance Corporation | 5.950% |
| 33,600 | Northern States Power Company | 8.000% |
| 15,400 | Southern Company Capital Trust I (CORTS) | 8.190% |
| 35,700 | Southern Company Capital Trust I (CORTS) | 7.375% |
| 13,100 | Southern Company Capital Trust VI | 7.125% |
| 122,500 | Virginia Power Capital Trust | 7.375% |
| ----- | | |
| Total Electric Utilities | | |
| ----- | | |
| FOOD PRODUCTS - 0.4% | | |
| 75,000 | Dairy Farmers of America Inc., 144A, (6) | 7.875% |
| ----- | | |

38

| SHARES | DESCRIPTION (1) | COUPON | RA |
|---------------------------------|------------------|--------|----|
| ----- | | | |
| HOUSEHOLD DURABLES - 0.1% | | | |
| 72,700 | Pulte Homes Inc. | 7.375% | |
| ----- | | | |
| INDUSTRIAL CONGLOMERATES - 0.0% | | | |

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

| | | |
|-----------|---|--------|
| 5,000 | General Electric Company, Series GE (CORTS) | 6.800% |
| ----- | | |
| | INSURANCE - 11.4% | |
| 1,211,633 | Ace Ltd., Series C | 7.800% |
| 1,398,400 | Aegon N.V. | 6.375% |
| 6,500 | Allstate Corporation (PCARS) | 7.150% |
| 37,600 | AMBAC Financial Group Inc. | 5.950% |
| 324,173 | Arch Capital Group Limited | 8.000% |
| 236,713 | Arch Capital Group Limited, Series B | 7.875% |
| 676,401 | Delphi Financial Group, Inc. | 8.000% |
| 200,456 | EverestRe Capital Trust II | 6.200% |
| 97,100 | EverestRe Group Limited | 7.850% |
| 339,100 | Hartford Capital Trust III, Series C | 7.450% |
| 56,500 | Lincoln National Capital Trust V, Series E | 7.650% |
| 1,404,200 | Lincoln National Capital Trust VI | 6.750% |
| 175,200 | MetLife Inc., Series B, (6) | 6.500% |
| 903,702 | PartnerRe Limited, Series C | 6.750% |
| 82,700 | PartnerRe Limited | 7.900% |
| 80,900 | PLC Capital Trust III | 7.500% |
| 70,500 | PLC Capital Trust IV | 7.250% |
| 23,900 | PLC Capital Trust V | 6.125% |
| 38,800 | Prudential PLC | 6.750% |
| 124,700 | RenaissanceRe Holdings Limited, Series B | 7.300% |
| 3,400 | RenaissanceRe Holdings Limited, Series C | 6.080% |
| 115,800 | RenaissanceRe Holdings Ltd., Series A | 8.100% |
| 23,700 | Safeco Capital Trust I (CORTS) | 8.750% |
| 47,500 | Safeco Capital Trust III (CORTS) | 8.072% |
| 17,400 | Safeco Capital Trust IV (CORTS) | 8.375% |
| 40,200 | Safeco Corporation, Series 2001-7 (SATURNS) | 8.250% |
| 38,800 | Safeco Corporation, Series 2002-5 (SATURNS) | 8.250% |
| 97,100 | Saint Paul Capital Trust I | 7.600% |
| 61,600 | Torchmark Capital Trust I | 7.750% |
| 121,900 | W.R. Berkley Capital Trust, Series 2002-1 (CBTCS) | 8.125% |
| 709,600 | W.R. Berkley Corporation | 6.750% |
| 68,800 | XL Capital Ltd, Series A | 8.000% |
| 215,640 | XL Capital Ltd, Series B | 7.625% |
| ----- | | |
| | Total Insurance | |
| ----- | | |
| | IT SERVICES - 0.0% | |
| 2,500 | Vertex Industries Inc. (PPLUS) | 7.625% |
| ----- | | |
| | MEDIA - 0.1% | |
| 52,700 | CBS Corporation | 7.250% |
| 4,200 | Walt Disney Company (CORTS) | 6.875% |
| 6,300 | Walt Disney Company | 7.000% |
| ----- | | |
| | Total Media | |
| ----- | | |
| | MULTI-UTILITIES - 0.2% | |
| 52,400 | Dominion CNG Capital Trust I | 7.800% |
| 30,700 | Dominion Resources Capital Trust II | 8.400% |
| 88,100 | Energy East Capital Trust I | 8.250% |
| ----- | | |
| | Total Multi-Utilities | |
| ----- | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.9% | |
| 678,700 | Nexen Inc. | 7.350% |
| ----- | | |
| | PHARMACEUTICALS - 0.1% | |
| 50,800 | Bristol Myers Squibb Company (CORTS) | 6.250% |
| ----- | | |

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

| | | |
|---------|--|--------|
| | REAL ESTATE - 11.8% | |
| 77,100 | AvalonBay Communities, Inc., Series H | 8.700% |
| 166,283 | BRE Properties, Series B | 8.080% |
| 111,466 | BRE Properties, Series D | 6.750% |
| 480,908 | CarrAmerica Realty Corporation, Series E | 7.500% |

39

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| SHARES | DESCRIPTION (1) | COUPON | RA |
|-----------|---|--------|----|
| | REAL ESTATE (continued) | | |
| 104,300 | Developers Diversified Realty Corporation, Series G | 8.000% | |
| 1,264,845 | Developers Diversified Realty Corporation, Series H | 7.375% | |
| 125,600 | Duke Realty Corporation, Series L | 6.600% | |
| 25,000 | Duke-Weeks Realty Corporation, Series B | 7.990% | |
| 82,800 | Duke-Weeks Realty Corporation | 6.950% | |
| 98,000 | Duke-Weeks Realty Corporation | 6.625% | |
| 193,200 | Equity Office Properties Trust, Series G | 7.750% | |
| 3,200 | Equity Residential Properties Trust, Series C | 9.125% | |
| 15,400 | Equity Residential Properties Trust, Series D | 8.600% | |
| 348,522 | Equity Residential Properties Trust, Series N | 6.480% | |
| 140,000 | Federal Realty Investment Trust | 8.500% | |
| 10,400 | First Industrial Realty Trust, Inc., Series C | 8.625% | |
| 744,100 | HRPT Properties Trust, Series B | 8.750% | |
| 532,700 | HRPT Properties Trust, Series C | 7.125% | |
| 99,800 | New Plan Excel Realty Trust, Series E | 7.625% | |
| 3,997 | Prologis Trust, Series C | 8.540% | |
| 96,275 | Prologis Trust, Series G | 6.750% | |
| 125,700 | PS Business Park Inc., Series O | 7.375% | |
| 2,000 | PS Business Parks, Inc., Series F | 8.750% | |
| 700 | PS Business Parks, Inc., Series K | 7.950% | |
| 243,000 | PS Business Parks, Inc., Series L | 7.600% | |
| 299,600 | PS Business Parks, Inc. | 7.000% | |
| 149,000 | Public Storage, Inc., Series E | 6.750% | |
| 18,400 | Public Storage, Inc., Series F | 6.450% | |
| 195,600 | Public Storage, Inc., Series H | 6.950% | |
| 158,950 | Public Storage, Inc., Series R | 8.000% | |
| 55,860 | Public Storage, Inc., Series S | 7.875% | |
| 45,000 | Public Storage, Inc., Series T | 7.625% | |
| 174,500 | Public Storage, Inc., Series U | 7.625% | |
| 31,500 | Public Storage, Inc., Series V | 7.500% | |
| 166,100 | Regency Centers Corporation | 7.450% | |
| 20,500 | Simon Property Group, Inc., Series F | 8.750% | |
| 20,650 | Simon Property Group, Inc., Series G | 7.890% | |
| 2,600 | United Dominion Realty Trust | 8.600% | |
| 30,000 | Vornado Realty Trust, Series E | 7.000% | |
| 1,200 | Vornado Realty Trust, Series F | 6.750% | |
| 165,000 | Vornado Realty Trust, Series G | 6.625% | |
| 183,000 | Vornado Realty Trust, Series H | 6.750% | |
| 1,987,734 | Wachovia Preferred Funding Corporation | 7.250% | |

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

| | | | |
|---------------------------|--|--------|--------------|
| 130,300 | Weingarten Realty Trust, Series E | 6.950% | |
| ----- | | | |
| | Total Real Estate | | |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 1.1% | | |
| 81,500 | Countrywide Capital Trust II, Series II (CORTS) | 8.000% | |
| 70,800 | Countrywide Capital Trust III (PPLUS) | 8.050% | |
| 733,343 | Countrywide Capital Trust IV | 6.750% | |
| 8,400 | Countrywide Financial Corporation Capital Trust I (CORTS) | 8.000% | |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| | WIRELESS TELECOMMUNICATION SERVICES - 0.6% | | |
| 60,100 | AT&T Wireless (CORTS) | 8.000% | |
| 28,000 | AT&T Wireless, Series 2002-B (SATURNS) | 9.250% | |
| 50,600 | United States Cellular Corporation | 8.750% | |
| 344,100 | United States Cellular Corporation | 7.500% | |
| ----- | | | |
| | Total Wireless Telecommunication Services | | |
| ----- | | | |
| | TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES (COST \$953,509,053) | | |
| ----- | | | |
| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY (4) |
| ----- | | | |
| | VARIABLE RATE SENIOR LOAN INTERESTS - 0.1% (0.1% OF TOTAL INVESTMENTS) (5) MEDIA - 0.0% | | |
| \$ 1,000 | Philadelphia Newspapers, Term Loan B, WI/DD | TBD | TBD |
| ----- | | | |
| 40 | | | |
| ----- | | | |
| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY (4) |
| ----- | | | |
| | PAPER & FOREST PRODUCTS - 0.1% | | |
| \$ 1,155 | Bluegrass Container Company, LLC, Term Loan B, WI/DD | TBD | TBD |
| ----- | | | |
| 2,155 | TOTAL VARIABLE RATE SENIOR LOAN INTERESTS (COST \$2,500,000) | | |
| ----- | | | |
| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
| ----- | | | |
| | CONVERTIBLE BONDS - 36.4% (24.2% OF TOTAL INVESTMENTS) | | |
| | AEROSPACE & DEFENSE - 1.5% | | |
| \$ 6,275 | AAR Corporation, 144A, (7) | 1.750% | 2/01/26 |
| 7,250 | Armor Holdings Inc. | 2.000% | 11/01/24 |
| 4,670 | L-3 Communications Corporation, Series 144A | 3.000% | 8/01/35 |

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

| | | | |
|--------|---|--------|----------|
| 8,815 | Lockheed Martin Corporation | 4.920% | 8/15/33 |
| 27,010 | Total Aerospace & Defense | | |
| | AIRLINES - 0.4% | | |
| 1,700 | AMR Corporation, Convertible Bonds | 4.500% | 2/15/24 |
| 1,400 | Continental Airlines, Inc. | 5.000% | 6/15/23 |
| 2,320 | JetBlue Airways Corporation | 3.750% | 3/15/35 |
| 5,420 | Total Airlines | | |
| | AUTO COMPONENTS - 0.5% | | |
| 9,305 | ArvinMeritor Inc., 144A | 4.625% | 3/01/26 |
| | AUTOMOBILES - 0.1% | | |
| 1,025 | Fleetwood Enterprises Inc., 144A | 5.000% | 12/15/23 |
| | BIOTECHNOLOGY - 2.0% | | |
| 10,850 | Amgen Inc., 144A | 0.125% | 2/01/11 |
| 5,000 | Cephalon, Inc. | 0.000% | 6/15/33 |
| 10,700 | Genzyme Corporation | 1.250% | 12/01/23 |
| 7,700 | Gilead Sciences Inc., 144A | 0.625% | 5/01/13 |
| 3,670 | Medimmune Inc. | 1.000% | 7/15/23 |
| 37,920 | Total Biotechnology | | |
| | CAPITAL MARKETS - 0.5% | | |
| 9,300 | Goldman Sachs Group Inc. | 0.125% | 6/28/11 |
| | COMMERCIAL BANKS - 0.2% | | |
| 3,515 | Wells Fargo & Company, Convertible Bond | 5.396% | 5/01/33 |
| | COMMUNICATIONS EQUIPMENT - 3.1% | | |
| 3,570 | ADC Telecommunications Inc. | 1.000% | 6/15/08 |
| 6,265 | ADC Telecommunications Inc. | 5.795% | 6/15/13 |
| 9,200 | Cienna Corporation | 3.750% | 2/01/08 |
| 5,150 | CommScope Inc. | 1.000% | 3/15/24 |
| 7,800 | Comverse Technology, Inc. | 0.000% | 5/15/23 |
| 3,500 | Finisar Corporation, Series 144A | 2.500% | 10/15/10 |
| 2,535 | JDS Uniphase Corporation | 0.000% | 11/15/10 |
| 3,515 | Juniper Networks Inc., Convertible Subordinated Notes | 0.000% | 6/15/08 |
| 7,450 | Lucent Technologies Inc. | 2.750% | 6/15/23 |
| 3,905 | Nortel Networks Corp. | 4.250% | 9/01/08 |
| 1,700 | Powerwave Technologies Inc. | 1.875% | 11/15/24 |
| 1,390 | Powerwave Technologies Inc. | 1.825% | 11/15/24 |
| 55,980 | Total Communications Equipment | | |
| | CONSTRUCTION & ENGINEERING - 0.4% | | |
| 4,545 | Quanta Services Inc., Series 144A | 3.750% | 4/30/26 |
| 3,500 | Quanta Services Incorporated | 4.000% | 7/01/07 |
| 8,045 | Total Construction & Engineering | | |
| | CONSUMER FINANCE - 0.2% | | |
| 4,550 | American Express Company, Convertible Bond | 1.850% | 12/01/33 |
| | DIVERSIFIED FINANCIAL SERVICES - 1.0% | | |
| 10,325 | CapitalSource Inc. | 3.500% | 7/15/34 |

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|--------|----------|
| | DIVERSIFIED FINANCIAL SERVICES (continued) | | |
| \$ 2,650 | JMH Finance Limited | 4.750% | 9/06/07 |
| 6,375 | Merrill Lynch & Co. Inc., Convertible Bond | 0.000% | 3/13/32 |
| 19,350 | Total Diversified Financial Services | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.8% | | |
| 5,750 | Broadwing Corporation, 144A | 3.125% | 5/15/26 |
| 3,325 | CenturyTel Inc. | 4.750% | 8/01/32 |
| 6,075 | Time Warner Telecom Inc. | 2.375% | 4/01/26 |
| 15,150 | Total Diversified Telecommunication Services | | |
| | ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.9% | | |
| 5,925 | Coherent Inc., 144A | 2.750% | 3/01/11 |
| 17,940 | Roper Industries Inc. | 1.481% | 1/15/34 |
| 23,865 | Total Electronic Equipment & Instruments | | |
| | ENERGY EQUIPMENT & SERVICES - 1.6% | | |
| 1,115 | Cal Dive International Inc. | 3.250% | 12/15/25 |
| 6,150 | Cooper Cameron Corporation | 1.500% | 5/15/24 |
| 4,375 | Hanover Compressor Company | 4.750% | 1/15/14 |
| 4,350 | Nabors Industries Inc. | 0.000% | 6/15/23 |
| 2,445 | Oil States International Inc., Series 144A | 2.375% | 7/01/25 |
| 3,325 | Schlumberger Limited | 2.125% | 6/01/23 |
| 21,760 | Total Energy Equipment & Services | | |
| | GAS UTILITIES - 0.1% | | |
| 30 | Southern Union Company, Series B | 5.750% | 8/16/06 |
| | HEALTH CARE EQUIPMENT & SUPPLIES - 1.1% | | |
| 12,300 | Fisher Scientific International Inc. | 3.250% | 3/01/24 |
| 7,650 | Lincare Holdings Inc. | 3.000% | 6/15/33 |
| 19,950 | Total Health Care Equipment & Supplies | | |
| | HEALTH CARE PROVIDERS & SERVICES - 1.0% | | |
| 9,200 | Laboratory Corporation of America Holdings | 0.000% | 9/11/21 |
| 3,045 | Manor Care, Inc. | 2.125% | 8/01/35 |
| 8,510 | Roche Holdings Inc., 144A | 0.000% | 7/25/21 |
| 20,755 | Total Health Care Providers & Services | | |
| | HOTELS RESTAURANTS & LEISURE - 2.4% | | |
| 7,875 | Caesars Entertainment Inc. | 5.028% | 4/15/24 |
| 20,750 | Carnival Corporation | 1.132% | 4/29/33 |

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

| | | | |
|--------|---|--------|----------|
| 2,170 | Four Seasons Hotel Inc. | 1.875% | 7/30/24 |
| 8,535 | Hilton Hotels Corporation | 3.375% | 4/15/23 |
| 3,895 | Kerzner International Limited, 144A | 2.375% | 4/15/24 |
| 3,000 | Scientific Games Corporation | 0.750% | 12/01/24 |
| 46,225 | Total Hotels Restaurants & Leisure | | |
| | INDUSTRIAL CONGLOMERATES - 0.7% | | |
| 14,250 | 3M Company | 0.000% | 11/21/32 |
| | INSURANCE - 1.4% | | |
| 33 | Alleghany Corporation, Convertible Bond | 5.750% | 6/15/09 |
| 6,725 | American Equity Investment Life Holding Company | 5.250% | 12/06/24 |
| 12,640 | American Financial Group Inc. | 1.486% | 6/02/33 |
| 3,840 | Prudential Financial Inc. | 2.411% | 11/15/35 |
| 23,238 | Total Insurance | | |
| | INTERNET SOFTWARE & SERVICES - 0.5% | | |
| 7,885 | Open Solutions Inc., 144A | 1.467% | 2/02/35 |
| 7,800 | Open Solutions Inc. | 1.467% | 2/02/35 |
| 15,685 | Total Internet Software & Services | | |
| | IT SERVICES - 0.1% | | |
| 2,090 | Digital River Inc. | 1.250% | 1/01/24 |

42

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| \$ 1,165 | LEISURE EQUIPMENT & PRODUCTS - 0.1% K2 Corporation, Convertible Notes, 144A | 5.000% | 6/15/10 |
| | MEDIA - 4.2% | | |
| 275 | Comcast Corporation | 2.000% | 10/15/29 |
| 5,200 | Grey Global Group Inc. | 5.000% | 10/15/33 |
| 14,725 | Liberty Media Corporation, Senior Debentures Exchangeable for Motorola Common Stock | 3.500% | 1/15/31 |
| 21,800 | Liberty Media Corporation, Senior Debentures, Exchangeable for PCS Common Stock, Series 1 | 4.000% | 11/15/29 |
| 11,700 | Liberty Media Corporation | 0.750% | 3/30/23 |
| 2,395 | Lions Gate Entertainment Corporation, 144A | 2.938% | 10/15/24 |
| 3,300 | Lions Gate Entertainment Corporation, 144A | 3.625% | 3/15/25 |
| 4,660 | Omnicom Group Inc. | 0.000% | 6/15/33 |
| 4,505 | Sirius Satellite Radio Inc. | 3.250% | 10/15/11 |
| 8,950 | Walt Disney Company, Convertible Senior Notes | 2.125% | 4/15/23 |
| 77,510 | Total Media | | |
| | METALS & MINING - 0.4% | | |
| 4,025 | Century Aluminum Company | 1.750% | 8/01/24 |
| 2,065 | Placer Dome Inc. | 2.750% | 10/15/23 |

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

| | | | |
|--------|--|--------|----------|
| 6,090 | Total Metals & Mining | | |
| ----- | | | |
| | MULTI-UTILITIES - 0.5% | | |
| 8,625 | Dominion Resources Inc., Series C | 2.125% | 12/15/23 |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.0% | | |
| 1,275 | Cheniere Energy Inc. | 2.250% | 8/01/12 |
| 2,250 | Chesapeake Energy Corporation, 144A | 2.750% | 11/15/35 |
| 12,300 | Devon Energy Corporation | 4.900% | 8/15/08 |
| ----- | | | |
| 15,825 | Total Oil, Gas & Consumable Fuels | | |
| ----- | | | |
| | PHARMACEUTICALS - 2.3% | | |
| 4,580 | Alexion Pharmaceuticals Inc., 144A | 1.375% | 2/01/12 |
| 4,150 | Alexion Pharmaceuticals Inc. | 1.375% | 2/01/12 |
| 5,450 | BioMarin Pharmaceutical Inc. | 2.500% | 3/29/13 |
| 5,945 | Cubist Pharmaceuticals Inc. | 2.250% | 6/15/13 |
| 6,350 | First Horizon Pharmaceutical Corporation | 1.750% | 3/08/24 |
| 4,780 | Teva Pharmaceutical Finance, Series A | 0.500% | 2/01/24 |
| 8,500 | Wyeth, 144A | 1.000% | 1/15/24 |
| ----- | | | |
| 39,755 | Total Pharmaceuticals | | |
| ----- | | | |
| | ROAD & RAIL - 0.7% | | |
| 10,500 | CSX Corporation | 0.000% | 10/30/21 |
| ----- | | | |
| | SEMICONDUCTORS & EQUIPMENT - 1.7% | | |
| 8,325 | Agere Systems Inc. | 6.500% | 12/15/09 |
| 3,075 | ASM International NV | 4.250% | 12/06/11 |
| 5,650 | Intel Corporation, 144A | 2.950% | 12/15/35 |
| 4,610 | LSI Logic Corporation | 4.000% | 5/15/10 |
| 3,965 | Photronics Inc., Convertible Notes | 2.250% | 4/15/08 |
| 7,370 | RF Micro Devices, Inc. | 1.500% | 7/01/10 |
| ----- | | | |
| 32,995 | Total Semiconductors & Equipment | | |
| ----- | | | |
| | SOFTWARE - 1.5% | | |
| 10,025 | Amdocs Limited | 0.500% | 3/15/24 |
| 4,255 | Cadence Design Systems, Inc. | 0.000% | 8/15/23 |
| 4,725 | Informatica Corporation, 144A | 3.000% | 3/15/26 |
| 3,990 | Red Hat Inc., Convertible Bond | 0.500% | 1/15/24 |
| 4,215 | Sybase, Inc. | 1.750% | 2/22/25 |
| ----- | | | |
| 27,210 | Total Software | | |
| ----- | | | |
| | SPECIALTY RETAIL - 2.3% | | |
| 4,030 | Best Buy Co., Inc. | 2.250% | 1/15/22 |
| 3,100 | Charming Shoppes Inc. | 4.750% | 6/01/12 |
| 6,130 | Dick's Sporting Goods Inc. | 1.606% | 2/18/24 |
| 6,450 | Lowe's Companies, Inc. | 0.861% | 10/19/21 |

43

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

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

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| | SPECIALTY RETAIL (continued) | | |
| \$ 5,135 | Sonic Automotive Inc., Convertible Senior Subordinated Notes | 5.250% | 5/07/09 |
| 11,975 | TJX Companies, Inc. | 0.000% | 2/13/21 |
| 9,425 | United Auto Group Inc., Series 144A | 3.500% | 4/01/26 |
| 46,245 | Total Specialty Retail | | |
| | TRADING COMPANIES & DISTRIBUTORS - 0.4% | | |
| 5,925 | GATX Corporation | 7.500% | 2/01/07 |
| | WIRELESS TELECOMMUNICATION SERVICES - 0.8% | | |
| 2,435 | American Tower Corporation | 3.000% | 8/15/12 |
| 9,000 | NII Holdings Inc., 144A | 2.750% | 8/15/25 |
| 11,435 | Total Wireless Telecommunication Services | | |
| 667,698 | TOTAL CONVERTIBLE BONDS (COST \$674,999,637) | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|--------|----------|
| | CORPORATE BONDS - 14.4% (9.6% OF TOTAL INVESTMENTS) | | |
| | AEROSPACE & DEFENSE - 0.2% | | |
| \$ 1,000 | Hexcel Corporation, Term Loan | 6.750% | 2/01/15 |
| 2,500 | K&F Acquisition Inc. | 7.750% | 11/15/14 |
| 3,500 | Total Aerospace & Defense | | |
| | AUTO COMPONENTS - 0.2% | | |
| 1,950 | Affinia Group Inc. | 9.000% | 11/30/14 |
| 1,300 | Keystone Automotive Operations Inc. | 9.750% | 11/01/13 |
| 3,250 | Total Auto Components | | |
| | BUILDING PRODUCTS - 0.2% | | |
| 4,000 | Jacuzzi Brands, Inc. | 9.625% | 7/01/10 |
| | CHEMICALS - 0.7% | | |
| 3,000 | Ineos Group Holdings PLC, 144A | 8.500% | 2/15/16 |
| 2,000 | Nell AF Sarl | 8.375% | 8/15/15 |
| 6,500 | OM Group Inc. | 9.250% | 12/15/11 |
| 3,000 | Rockwood Specialties Group Inc., Series WI | 7.500% | 11/15/14 |
| 14,500 | Total Chemicals | | |
| | COMMERCIAL BANKS - 0.3% | | |
| 6,000 | HBOS PLC, Series 144A | 6.413% | 9/29/49 |
| | COMMERCIAL SERVICES & SUPPLIES - 0.4% | | |
| 5,000 | DST Systems Inc. | 4.125% | 8/15/23 |
| 900 | Williams Scotsman Inc., 144A | 8.500% | 10/01/15 |
| 5,900 | Total Commercial Services & Supplies | | |
| | COMPUTERS & PERIPHERALS - 0.1% | | |

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

| | | | |
|---|---|---------|----------|
| 1,000 | GSC Holdings Corporation, 144A | 8.000% | 10/01/12 |
| ----- | | | |
| CONTAINERS & PACKAGING - 0.6% | | | |
| 2,000 | Berry Plastics Corporation | 10.750% | 7/15/12 |
| 3,450 | MDP Acquisitions PLC, Senior Notes | 9.625% | 10/01/12 |
| 3,000 | Owens-Brockway Glass Containers, Guaranteed Senior Note | 8.250% | 5/15/13 |
| 3,000 | Owens-Illinois Inc. | 7.500% | 5/15/10 |
| ----- | | | |
| 11,450 | Total Containers & Packaging | | |
| ----- | | | |
| DIVERSIFIED CONSUMER SERVICES - 0.1% | | | |
| 2,000 | Service Corporation International | 7.700% | 4/15/09 |
| ----- | | | |
| DIVERSIFIED TELECOMMUNICATION SERVICES - 0.1% | | | |
| 2,000 | Intelsat Subsidiary Holding Company Limited | 8.500% | 1/15/13 |
| 750 | Syniverse Technologies Inc., Series B | 7.750% | 8/15/13 |
| ----- | | | |
| 2,750 | Total Diversified Telecommunication Services | | |
| ----- | | | |

44

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---|---------------------------------------|---------|----------|
| ----- | | | |
| ELECTRIC UTILITIES - 0.2% | | | |
| \$ 2,000 | Midwest Generation LLC | 8.750% | 5/01/34 |
| 500 | Mirant North America LLC., 144A | 7.375% | 12/31/13 |
| 1,000 | Sierra Pacific Resources, Series 2006 | 6.750% | 8/15/17 |
| ----- | | | |
| 3,500 | Total Electric Utilities | | |
| ----- | | | |
| ENERGY EQUIPMENT & SERVICES - 0.2% | | | |
| 1,800 | Hanover Compressor Company | 7.500% | 4/15/13 |
| 2,500 | Pride International Inc. | 7.375% | 7/15/14 |
| ----- | | | |
| 4,300 | Total Energy Equipment & Services | | |
| ----- | | | |
| FOOD & STAPLES RETAILING - 0.2% | | | |
| 3,000 | Stater Brothers Holdings Inc. | 8.125% | 6/15/12 |
| ----- | | | |
| FOOD PRODUCTS - 0.8% | | | |
| 7,610 | Del Monte Corporation | 8.625% | 12/15/12 |
| 1,096 | Dole Foods Company | 8.625% | 5/01/09 |
| 7,000 | Dole Foods Company | 7.875% | 7/15/13 |
| ----- | | | |
| 15,706 | Total Food Products | | |
| ----- | | | |
| HEALTH CARE EQUIPMENT & SUPPLIES - 0.0% | | | |
| 700 | Select Medical Corporation | 7.625% | 2/01/15 |
| ----- | | | |
| HEALTH CARE PROVIDERS & SERVICES - 0.2% | | | |
| 3,000 | US Oncology Inc. | 10.750% | 8/15/14 |
| ----- | | | |
| HOTELS, RESTAURANTS & LEISURE - 1.7% | | | |

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

| | | | |
|--------|---|---------|----------|
| 5,190 | Aztar Corporation | 9.000% | 8/15/11 |
| 2,345 | Boyd Gaming Corporation | 8.750% | 4/15/12 |
| 4,075 | Boyd Gaming Corporation | 7.750% | 12/15/12 |
| 1,500 | Herbst Gaming Inc. | 7.000% | 11/15/14 |
| 4,100 | Intrawest Corporation | 7.500% | 10/15/13 |
| 800 | Jacob's Entertainment Inc., 144A | 9.750% | 6/15/14 |
| 2,000 | Landry's Restaurants Inc., Series B | 7.500% | 12/15/14 |
| 2,000 | MGM Mirage, Inc. | 6.750% | 8/01/07 |
| 1,000 | Park Place Entertainment | 9.375% | 2/15/07 |
| 1,000 | Park Place Entertainment | 7.875% | 3/15/10 |
| 2,000 | Pinnacle Entertainment Inc. | 8.250% | 3/15/12 |
| 3,000 | Pinnacle Entertainment Inc. | 8.750% | 10/01/13 |
| 4,000 | Universal City Development Partners | 11.750% | 4/01/10 |
| ----- | | | |
| 33,010 | Total Hotels, Restaurants & Leisure | | |
| ----- | | | |
| | HOUSEHOLD DURABLES - 0.5% | | |
| | K. Hovnanian Enterprises Inc., Senior Subordinated | | |
| 4,500 | Notes | 8.875% | 4/01/12 |
| 5,000 | KB Home | 8.625% | 12/15/08 |
| ----- | | | |
| 9,500 | Total Household Durables | | |
| ----- | | | |
| | INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1% | | |
| 600 | NRG Energy Inc. | 7.250% | 2/01/14 |
| 600 | NRG Energy Inc. | 7.375% | 2/01/16 |
| ----- | | | |
| 1,200 | Total Independent Power Producers & Energy Traders | | |
| ----- | | | |
| | INSURANCE - 0.1% | | |
| 1,000 | Great West Life and Annuity Insurance Company | 7.153% | 5/16/46 |
| ----- | | | |
| | IT SERVICES - 0.4% | | |
| 1,950 | Global Cash Access LLC | 8.750% | 3/15/12 |
| 4,750 | SunGard Data Systems Inc., Series 144A | 9.125% | 8/15/13 |
| ----- | | | |
| 6,700 | Total IT Services | | |
| ----- | | | |
| | MACHINERY - 0.4% | | |
| 3,000 | Greenbrier Companies, Inc. | 8.375% | 5/15/15 |
| 2,000 | Terex Corporation, Senior Subordinated Notes | 10.375% | 4/01/11 |
| 3,000 | Terex Corporation, Senior Subordinated Notes | 9.250% | 7/15/11 |
| ----- | | | |
| 8,000 | Total Machinery | | |
| ----- | | | |

45

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|-----------------|--------|----------|
| | MEDIA - 3.3% | | |

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

| | | | |
|----------|--|---------|----------|
| \$ 6,900 | Allbritton Communications Company, Series B | 7.750% | 12/15/12 |
| 2,000 | AMC Entertainment Inc. | 8.000% | 3/01/14 |
| 4,200 | American Media Operations Inc., Series B | 10.250% | 5/01/09 |
| 1,345 | American Media Operations Inc. | 8.875% | 1/15/11 |
| 5,000 | Cablevision Systems Corporation, Series B | 8.125% | 8/15/09 |
| 3,000 | Cablevision Systems Corporation | 7.250% | 7/15/08 |
| 2,000 | Cablevision Systems Corporation | 8.125% | 7/15/09 |
| 2,000 | Charter Communications Operating LLC, 144A | 8.000% | 4/30/12 |
| 6,000 | Cinemark USA Inc. | 9.000% | 2/01/13 |
| 1,000 | Dex Media West LLC | 8.500% | 8/15/10 |
| 2,198 | Dex Media West LLC | 9.875% | 8/15/13 |
| 4,000 | Medianews Group Inc. | 6.375% | 4/01/14 |
| 2,950 | Panamsat Corporation | 9.000% | 8/15/14 |
| 8,000 | Primedia Inc., Senior Notes | 8.875% | 5/15/11 |
| 2,000 | R. H. Donnelley Finance Corp 1 | 10.875% | 12/15/12 |
| 2,000 | Sun Media Corporation | 7.625% | 2/15/13 |
| 6,200 | Vertis Inc. | 9.750% | 4/01/09 |
| 5,500 | Young Broadcasting Inc., Senior Subordinated Note | 10.000% | 3/01/11 |
| 2,000 | Young Broadcasting Inc. | 8.750% | 1/15/14 |
| 68,293 | Total Media | | |
| | METALS & MINING - 0.3% | | |
| 3,000 | Chaparral Steel Company | 10.000% | 7/15/13 |
| 1,682 | United States Steel Corporation | 9.750% | 5/15/10 |
| 4,682 | Total Metals & Mining | | |
| | MULTILINE RETAIL - 0.2% | | |
| 3,600 | Bon-Ton Department Stores Inc., 144A | 10.250% | 3/15/14 |
| | MULTI-UTILITIES - 0.1% | | |
| 2,400 | Dynegy Holdings Inc., 144A | 8.375% | 5/01/16 |
| 500 | Northwestern Corporation | 5.875% | 11/01/14 |
| 2,900 | Total Multi-Utilities | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.7% | | |
| 600 | Chaparral Energy Inc., 144A | 8.500% | 12/01/15 |
| 4,345 | Chesapeake Energy Corporation | 7.750% | 1/15/15 |
| 300 | Copano Energy LLC, 144A | 8.125% | 3/01/16 |
| 2,000 | Hilcorp Energy I LP/Hilcorp Finance Company, Series 144A | 7.750% | 11/01/15 |
| 2,000 | Premcor Refining Group Inc. | 7.500% | 6/15/15 |
| 3,000 | SemGroup LP, 144A | 8.750% | 11/15/15 |
| 1,500 | Whiting Petroleum Corporation | 7.000% | 2/01/14 |
| 13,745 | Total Oil, Gas, & Consumable Fuels | | |
| | PAPER & FOREST PRODUCTS - 0.4% | | |
| 2,000 | Georgia Pacific Corporation, Debentures | 7.700% | 6/15/15 |
| 5,000 | Georgia Pacific Corporation, Notes | 8.125% | 5/15/11 |
| 7,000 | Total Paper & Forest Products | | |
| | PERSONAL PRODUCTS - 0.1% | | |
| 1,600 | Prestige Brands Inc. | 9.250% | 4/15/12 |
| | REAL ESTATE - 0.1% | | |
| 900 | Saxon Capital Inc., 144A | 12.000% | 5/01/14 |
| 1,000 | Trustreet Properties, Inc. | 7.500% | 4/01/15 |
| 500 | Ventas Realty LP, Series WI | 7.125% | 6/01/15 |

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

| | | | |
|-------|---|---------|----------|
| 2,400 | Total Real Estate | | |
| | SEMICONDUCTORS & EQUIPMENT - 0.1% | | |
| 3,400 | Avago Technologies Finance Pte. Ltd., Floating Rate Note, 5.500% plus three-month LIBOR, 144A | 10.125% | 12/01/13 |
| | SPECIALTY RETAIL - 0.8% | | |
| 7,000 | Asbury Automotive Group Inc. | 9.000% | 6/15/12 |
| 1,000 | Quiksilver Inc. | 6.875% | 4/15/15 |

46

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|------------------------|---|--------|----------|
| | SPECIALTY RETAIL (continued) | | |
| \$ 8,000 | Warnaco Inc., Senior Notes | 8.875% | 6/15/13 |
| 16,000 | Total Specialty Retail | | |
| | TEXTILES APPAREL & LUXURY GOODS - 0.2% | | |
| 4,000 | Jostens IH Corporation | 7.625% | 10/01/12 |
| | THRIFTS & MORTGAGE FINANCE - 0.1% | | |
| 2,000 | Caisse Nationale Des Caisses d'Epargne et de Prevoyance | 6.750% | 1/27/49 |
| | TRADING COS & DISTRIBUTORS - 0.1% | | |
| 2,000 | United Rentals North America Inc. | 6.500% | 2/15/12 |
| | WIRELESS TELECOMMUNICATION SERVICES - 0.2% | | |
| 4,000 | Nextel Communications, Inc., Series D | 7.375% | 8/01/15 |
| 279,586 | TOTAL CORPORATE BONDS (COST \$284,616,783) | | |

| PRINCIPAL AMOUNT (000)/SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|-------------------------------|---|--------|----------|
| | CAPITAL PREFERRED SECURITIES - 31.5% (21.0% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 5.5% | | |
| 6,273 | BT Capital Trust, Series B1 | 7.900% | 1/15/27 |
| 15,000 | BT Institutional Capital Trust A, 144A | 8.090% | 12/01/26 |
| 2,000 | BT Institutional Capital Trust B, 144A | 7.750% | 12/01/26 |
| 1,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 |
| 32,750 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 |
| 3,000 | Compass Trust I, Series A+ | 8.230% | 1/15/27 |
| 3,500 | First Union Capital Trust II, Series A | 7.950% | 11/15/29 |
| 2,000 | First Union Institutional Capital Securities I | 8.040% | 12/01/26 |
| 15,500 | Mellon Capital Trust I, Series A | 7.720% | 12/01/26 |
| 9,000 | State Street Institutional Capital Trust, 144A | 8.035% | 3/15/27 |
| 12,419 | Washington Mutual Capital Trust I | 8.375% | 6/01/27 |

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

| Total Capital Markets | | | |
|--------------------------|---|---------|----------|
| ----- | | | |
| COMMERCIAL BANKS - 17.8% | | | |
| 2,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 |
| 8,000 | Abbey National Capital Trust I | 8.963% | 6/30/50 |
| 43,100 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 |
| 12,120 | Bank One Capital III | 8.750% | 9/01/30 |
| 1,974 | BankAmerica Capital II, Series 2 | 8.000% | 12/15/26 |
| 2,600 | BankAmerica Institutional Capital Trust, Series B, 144A | 7.700% | 12/31/26 |
| 5,000 | BankAmerica Institutional Trust, 144A | 8.070% | 12/31/26 |
| 2,000 | BankBoston Capital Trust I, Series B | 8.250% | 12/15/26 |
| 1,000 | BanPonce Trust I, Series A | 8.327% | 2/01/27 |
| 4,000 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 |
| 700 | Barclays Bank PLC | 6.278% | 12/15/55 |
| 2,200 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 |
| 4,315 | First Chicago NBD Institutional Capital Trust, Series B, 144A | 7.750% | 12/01/26 |
| 5,000 | First Chicago NBD Institutional Capital, 144A | 7.950% | 12/01/26 |
| 5,750 | First Empire Capital Trust I | 8.234% | 2/01/27 |
| 11,000 | First Empire Capital Trust II | 8.277% | 6/01/27 |
| 4,250 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 |
| 36,150 | HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 |
| 12,838 | HSBC Capital Funding LP, 144A | 9.547% | 12/31/49 |
| 14,000 | HSBC Capital Funding LP, Debt | 10.176% | 6/30/50 |
| 19,605 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 |
| 4,000 | KeyCorp Capital III | 7.750% | 7/15/29 |
| 15,000 | KeyCorp Institutional Capital Trust A | 7.826% | 12/01/26 |
| 17,000 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 |
| 1,000 | Nordbanken AB, 144A | 8.950% | 11/29/49 |
| 12,500 | North Fork Capital Trust II | 8.000% | 12/15/27 |
| 2,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 |
| 14,750 | RBS Capital Trust B | 6.800% | 12/31/49 |
| 2,000 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 |
| 1,202 | Republic New York Capital II, Capital Securities | 7.530% | 12/04/26 |

47

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

Portfolio of INVESTMENTS June 30, 2006 (Unaudited)

| PRINCIPAL AMOUNT (000)/SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|-------------------------------------|--|--------|----------|
| ----- | | | |
| COMMERCIAL BANKS (continued) | | | |
| 6,200 | Royal Bank of Scotland Group PLC | 9.118% | 3/31/49 |
| 4,472 | St. George Funding Company LLC, 144A | 8.485% | 12/31/47 |
| 2,250 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 |
| 13,330 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 |
| 3,800 | Union Planters Capital Trust A | 8.200% | 12/15/26 |
| 21,300 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 |
| 7,200 | Washington Mutual Preferred Funding Delaware, Series A-1, 144A | 6.534% | 3/15/49 |

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

| | | | |
|---------|---|--------|----------|
| 2,000 | Zions Institutional Capital Trust, Series A | 8.536% | 12/15/26 |
| ----- | | | |
| | Total Commercial Banks | | |
| ----- | | | |
| | DIVERSIFIED FINANCIAL SERVICES - 2.1% | | |
| 9,000 | BNP Paribas Capital Trust | 7.200% | 12/31/49 |
| 1,000 | Citigroup Capital III | 7.625% | 12/01/36 |
| 2,500 | Fulton Capital Trust I | 6.290% | 2/01/36 |
| 3,000 | JPM Capital Trust II | 7.950% | 2/01/27 |
| 23,600 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 |
| ----- | | | |
| | Total Diversified Financial Services | | |
| ----- | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 1.2% | | |
| 19,080 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 |
| ----- | | | |
| | HOUSEHOLD DURABLES - 0.3% | | |
| 5,700 | Stanley Works Capital Trust I, 144A | 5.902% | 12/01/45 |
| ----- | | | |
| | INSURANCE - 3.9% | | |
| 10,000 | American General Capital II | 8.500% | 7/01/30 |
| 4,980 | American General Institutional Capital, 144A | 8.125% | 3/15/46 |
| 14,250 | Mangrove Bay, Class 3, 144A | 6.102% | 7/15/33 |
| 5,000 | Oil Insurance Limited, 144A | 7.550% | 12/30/49 |
| 3,750 | Prudential PLC | 6.500% | 6/29/49 |
| 13,500 | Sun Life Canada Capital Trust, Capital Securities, 144A | 8.526% | 5/06/47 |
| 18,859 | Zurich Capital Trust I, 144A | 8.376% | 6/01/37 |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | OIL, GAS, & CONSUMABLE FUELS - 0.5% | | |
| 12,355 | KN Capital Trust III | 7.630% | 4/15/28 |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.2% | | |
| 3,365 | Great Western Financial Trust II, Series A | 8.206% | 2/01/27 |
| ----- | | | |
| | TOTAL CAPITAL PREFERRED SECURITIES (COST \$644,929,279) | | |
| ----- | | | |
| SHARES | DESCRIPTION (1) | | |
| ----- | | | |
| | INVESTMENT COMPANIES -- 1.2% (0.8% OF TOTAL INVESTMENTS) | | |
| 268,582 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. | | |
| 150,633 | Flaherty and Crumrine/Claymore Total Return Fund Inc. | | |
| 6,495 | John Hancock Preferred Income Fund | | |
| 24,372 | John Hancock Preferred Income Fund II | | |
| 330,281 | John Hancock Preferred Income Fund III | | |
| 95,073 | Preferred and Corporate Strategies Fund Inc. | | |
| 353,379 | Preferred Income Strategies Fund Inc. | | |
| ----- | | | |
| | TOTAL INVESTMENT COMPANIES (COST \$24,205,922) | | |
| ----- | | | |

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

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---|--|--------|----------|
| | SHORT-TERM INVESTMENTS - 4.2% (2.8% OF TOTAL INVESTMENTS) | | |
| \$ 80,684 | Repurchase Agreement with State Street Bank, dated 6/30/06, repurchase price \$80,712,210, collateralized by \$82,715,000, U.S. Treasury Notes 4.875%, due 4/30/11, value \$82,301,425 | 4.130% | 7/03/06 |
| ----- | | | |
| TOTAL SHORT-TERM INVESTMENTS (COST \$80,684,441) | | | |
| ----- | | | |
| TOTAL INVESTMENTS (COST \$2,949,635,171) - 150.4% | | | |
| ----- | | | |
| OTHER ASSETS LESS LIABILITIES - (0.3)% | | | |
| ----- | | | |
| PREFERRED SHARES, AT LIQUIDATION VALUE - (50.1)% | | | |
| ----- | | | |
| NET ASSETS APPLICABLE TO COMMON SHARES -100% | | | |
| ----- | | | |

INTEREST RATE SWAPS OUTSTANDING AT JUNE 30, 2006:

| COUNTERPARTY | NOTIONAL AMOUNT | FIXED RATE PAID BY THE FUND (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY | FLOATING RATE RECEIVED BY THE FUND (8) | FLOATING RATE PAYMENT FREQUENCY | TERMI |
|-------------------------|--------------------|---|------------------------------------|--|---------------------------------------|-------|
| JPMorgan Chase | \$97,000,000 | 3.395% | Monthly | 5.138% | Monthly | 7/0 |
| JPMorgan Chase | 97,000,000 | 3.360 | Monthly | 5.302 | Monthly | 1/2 |
| Morgan Stanley | 97,000,000 | 3.048 | Monthly | 5.302 | Monthly | 1/2 |
| Royal Bank of Canada | 97,000,000 | 2.679 | Monthly | 5.302 | Monthly | 1/2 |

- (1) All percentages shown in the Portfolio of Investments are based on net assets ap to Common shares unless otherwise noted.
- (2) Non-income producing.
- (3) Ratings: Using the higher of Standard & Poor's or Moody's rating. Ratings below Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered below investment grade.
- (4) Senior Loans in the Fund's portfolio generally are subject to mandatory and/or o prepayment. Because of these mandatory prepayment conditions and because there m significant economic incentives for a Borrower to prepay, prepayments of Senior the Fund's portfolio may occur. As a result, the actual remaining maturity of Se held in the Fund's portfolio may be substantially less than the stated maturitie
- (5) Senior Loans in which the Fund invests generally pay interest at rates which are

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

periodically adjusted by reference to a base short-term, floating lending rate plus an assigned fixed rate. These floating lending rates are generally (i) the lending rate as referenced by the London Inter-Bank Offered Rate ('LIBOR'), or (ii) the prime rate as published by one or more major United States banks. Senior Loans may be considered restricted if the Fund ordinarily is contractually obligated to receive approval from the lender, the Bank and/or Borrower prior to the disposition of a Senior Loan.

| | |
|---------|---|
| (6) | Investment is eligible for the Dividends Received Deduction. |
| (7) | Non-income producing security, in the case of a bond, generally denotes that the issuer has defaulted on the payment of principal or interest or has filed for bankruptcy protection. |
| (8) | Based on USD-LIBOR (United States Dollar-London Interbank Offered Rate). |
| N/R | Not rated. |
| WI/DD | Purchased on a when-issued or delayed delivery basis. |
| 144A | Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers. |
| CBTCS | Corporate Backed Trust Certificates. |
| CORTS | Corporate Backed Trust Securities. |
| PCARS | Public Credit and Repackaged Securities. |
| PPLUS | PreferredPlus Trust. |
| SATURNS | Structured Asset Trust Unit Repackaging. |
| TBD | Senior Loan purchased on a when-issued or delayed-delivery basis. Certain details associated with this purchase are not known prior to the settlement date of the transaction. In addition, Senior Loans typically trade without accrued interest therefore a weighted average coupon rate is not available prior to settlement. At settlement, if still unknown, the borrower or counterparty will provide the Fund with the final weighted average coupon rate and maturity date. |

See accompanying notes to financial statements.

49

Statement of
ASSETS AND LIABILITIES June 30, 2006 (Unaudited)

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|--|---|---|
| <hr/> | | |
| ASSETS | | |
| Investments, at value (cost \$2,100,146,620 and \$2,949,635,171, respectively) | \$2,069,348,139 | \$2,897,285,395 |
| Cash | 71,805 | -- |
| Unrealized appreciation on interest rate swaps | 7,737,752 | 10,206,558 |
| Receivables: | | |
| Dividends | 2,584,116 | 2,534,504 |
| Interest | 10,480,195 | 16,199,507 |
| Investments sold | 12,871,245 | 27,140,834 |
| Reclaims | -- | 69,108 |
| Other assets | 131,462 | 123,298 |
| <hr/> | | |
| Total assets | 2,103,224,714 | 2,953,559,204 |
| <hr/> | | |
| LIABILITIES | | |
| Payable for investments purchased | 34,203,812 | 60,616,057 |
| Accrued expenses: | | |

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

| | | |
|---|-----------------|-----------------|
| Management fees | 898,356 | 1,215,309 |
| Other | 378,927 | 470,566 |
| FundPreferred shares dividends payable | 322,331 | 405,947 |
| ----- | | |
| Total liabilities | 35,803,426 | 62,707,879 |
| ----- | | |
| FundPreferred shares, at liquidation value | 708,000,000 | 965,000,000 |
| ----- | | |
| Net assets applicable to Common shares | \$1,359,421,288 | \$1,925,851,325 |
| ----- | | |
| Common shares outstanding | 99,690,977 | 140,495,800 |
| ----- | | |
| Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) | \$ 13.64 | \$ 13.71 |
| ----- | | |

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

| | | |
|---|-----------------|-----------------|
| Common shares, \$.01 par value per share | \$ 996,910 | \$ 1,404,958 |
| Paid-in surplus | 1,411,120,142 | 1,990,088,778 |
| Undistributed (Over-distribution of) net investment income | (41,403,764) | (47,101,918) |
| Accumulated net realized gain (loss) from investments and derivative transactions | 11,768,729 | 23,602,725 |
| Net unrealized appreciation (depreciation) of investments and derivative transactions | (23,060,729) | (42,143,218) |
| ----- | | |
| Net assets applicable to Common shares | \$1,359,421,288 | \$1,925,851,325 |
| ----- | | |
| Authorized shares: | | |
| Common | Unlimited | Unlimited |
| FundPreferred | Unlimited | Unlimited |
| ----- | | |

See accompanying notes to financial statements.

50

Statement of
OPERATIONS Six Months Ended June 30, 2006 (Unaudited)

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PREFERRED AND CONVERTIBLE INCOME 2 (JQC) |
|---|---|---|
| ----- | | |
| INVESTMENT INCOME | | |
| Dividends | \$ 29,750,741 | \$ 39,340,145 |
| Interest | 29,156,019 | 44,951,951 |
| ----- | | |
| Total investment income | 58,906,760 | 84,292,096 |
| ----- | | |
| EXPENSES | | |
| Management fees | 8,891,662 | 12,166,761 |
| FundPreferred shares - auction fees | 877,727 | 1,196,336 |
| FundPreferred shares - dividend disbursing agent fees | 17,989 | 26,531 |

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

| | | |
|---|----------------|--------------|
| Shareholders' servicing agent fees and expenses | 7,160 | 7,438 |
| Custodian's fees and expenses | 257,475 | 340,356 |
| Trustees' fees and expenses | 30,457 | 35,741 |
| Professional fees | 33,036 | 60,004 |
| Shareholders' reports - printing and mailing expenses | 129,265 | 181,179 |
| Stock exchange listing fees | 18,144 | 25,553 |
| Investor relations expense | 58,056 | 84,777 |
| Other expenses | 27,466 | 35,120 |
| ----- | | |
| Total expenses before custodian fee credit and expense reimbursement | 10,348,437 | 14,159,796 |
| Custodian fee credit | (18,244) | (7,411) |
| Expense reimbursement | (3,355,587) | (4,684,184) |
| ----- | | |
| Net expenses | 6,974,606 | 9,468,201 |
| ----- | | |
| Net investment income | 51,932,154 | 74,823,895 |
| ----- | | |
| REALIZED AND UNREALIZED GAIN (LOSS) | | |
| Net realized gain (loss) from: | | |
| Investments | 9,027,476 | 20,573,173 |
| Interest rate swaps | 2,833,738 | 3,358,315 |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | (50,398,217) | (72,955,745) |
| Interest rate swaps | 97,991 | (148,092) |
| ----- | | |
| Net realized and unrealized gain (loss) | (38,439,012) | (49,172,349) |
| ----- | | |
| DISTRIBUTIONS TO FUNDPREFERRED SHAREHOLDERS | | |
| From and in excess of net investment income | (15,645,314) | (21,502,164) |
| From accumulated net realized gains | -- | -- |
| ----- | | |
| Decrease in net assets applicable to Common shares from distributions to FundPreferred shareholders | (15,645,314) | (21,502,164) |
| ----- | | |
| Net increase (decrease) in net assets applicable to Common shares from operations | \$ (2,152,172) | \$ 4,149,382 |
| ----- | | |

See accompanying notes to financial statements.

51

Statement of
CHANGES IN NET ASSETS (Unaudited)

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | | |
|--------------------------------|---|------------------------|----|
| | SIX MONTHS ENDED 6/30/06 | YEAR ENDED 12/31/05 | |
| ----- | | | |
| OPERATIONS | | | |
| Net investment income | \$ 51,932,154 | \$ 112,807,428 | \$ |
| Net realized gain (loss) from: | | | |

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

| | | |
|--|-----------------|-----------------|
| Investments | 9,027,476 | 19,497,960 |
| Futures | -- | (425,117) |
| Interest rate swaps | 2,833,738 | 1,556,692 |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | (50,398,217) | (96,969,970) |
| Futures | -- | 325,875 |
| Interest rate swaps | 97,991 | 3,055,918 |
| Distributions to FundPreferred shareholders: | | |
| From and in excess of net investment income | (15,645,314) | -- |
| From net investment income | -- | (21,981,246) |
| From accumulated net realized gains | -- | (482,035) |
| ----- | | |
| Net increase (decrease) in net assets applicable to | | |
| Common shares from operations | (2,152,172) | 17,385,505 |
| ----- | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From and in excess of net investment income | (52,914,790) | -- |
| From net investment income | -- | (114,775,658) |
| From accumulated net realized gains | -- | (16,385,704) |
| ----- | | |
| Decrease in net assets applicable to Common shares | | |
| from distributions to Common shareholders | (52,914,790) | (131,161,362) |
| ----- | | |
| CAPITAL SHARE TRANSACTIONS | | |
| Common shares repurchased | (5,457,666) | -- |
| FundPreferred shares offering costs adjustments | -- | -- |
| ----- | | |
| Net increase (decrease) in net assets applicable to | | |
| Common shares from capital share transactions | (5,457,666) | -- |
| ----- | | |
| Net increase (decrease) in net assets applicable to | | |
| Common shares | (60,524,628) | (113,775,857) |
| Net assets applicable to Common shares at the beginning | | |
| of period | 1,419,945,916 | 1,533,721,773 |
| ----- | | |
| Net assets applicable to Common shares at the end of | | |
| period | \$1,359,421,288 | \$1,419,945,916 |
| ----- | | |
| Undistributed (Over-distribution of) net investment | | |
| income at the end of period | \$ (41,403,764) | \$ (24,775,814) |
| ----- | | |

See accompanying notes to financial statements.

52

Notes to FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Investment Valuation

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

Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from investment transactions are determined on the specific identification method. Investments purchased on a when-issued or delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. At June 30, 2006, Preferred and Convertible Income (JPC) and Preferred and Convertible Income 2 (JQC) had outstanding when-issued purchase commitments of \$2,500,000 and \$10,364,688, respectively.

Investment Income

Dividend income on securities purchased and dividend expense on securities sold short are recorded on the ex-dividend date or, for foreign securities, when information is available. Interest income, which includes the amortization of premiums and accretion of discounts for financial reporting purposes, is recorded on an accrual basis.

Federal Income Taxes

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

Dividends and Distributions to Common Shareholders

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

Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

The Funds make monthly cash distributions to Common shareholders of a stated dollar amount per share. Effective with the distribution payable June 1, 2006, and subject to approval and oversight by the Funds' Board of Trustees, each Fund began to make distributions that seek to maintain a stable distribution level designed to deliver the long-term return potential of each Fund's investment strategy through regular monthly distributions (a "Managed Distribution Policy"). Total distributions during a calendar year generally will be made from each Fund's net investment income, net realized capital gains and net unrealized capital gains in the Fund's portfolio, if any. The portion of distributions paid from net unrealized gains, if any, would be distributed from the Fund's assets and would be treated by shareholders as a non-taxable distribution for tax purposes. If a Fund's total return on net asset value exceeds total distributions during a calendar year, the excess will be reflected as an increase in net asset value per share. In the event that total distributions during a calendar year exceed a Fund's total return on net asset value, the difference will be treated as a return of capital for tax purposes and will reduce net asset value per share. The final determination of the source and character of all distributions for the fiscal year are made after the end of the fiscal year and reflected in the financial statements contained in the annual report as of December 31 each year.

Real Estate Investment Trust ("REIT") distributions received by the Funds are generally comprised of ordinary income, long-term and short-term capital gains, and a return of REIT capital. The actual character of amounts received during the period are not known until after the fiscal year-end. For the fiscal year ended December 31, 2005, the character of distributions to the Funds from the REITs was as follows:

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

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

For the six months ended June 30, 2006, the Funds applied the actual percentages for the twelve months ended December 31, 2005, described above, to its receipts from the REITs and treated as income in the Statement of Operations only the amount of ordinary income so calculated. The Funds adjust that estimated breakdown of income type (and consequently their net investment income) as necessary early in the following calendar year when the REITs inform their

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

shareholders of the actual breakdown of income type.

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

The distributions made by the Funds during the six months ended June 30, 2006, are provisionally classified as being "From and in excess of net investment income", and those distributions will be classified as being from net investment income, net realized capital gains and/or a return of capital for tax purposes after the fiscal year end. For purposes of calculating "Undistributed (Over-distribution of) net investment income as of June 30, 2006, the distribution amounts provisionally classified as "From and in excess of net investment income" were treated as being entirely from net investment income. Consequently, the financial statements at June 30, 2006, reflect an over-distribution of net investment income.

54

FundPreferred Shares

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

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|-------------------|--|--------------------|
| ----- | | |
| Number of shares: | | |
| Series M | 4,720 | |
| Series M2 | -- | |
| Series T | 4,720 | |
| Series T2 | -- | |
| Series W | 4,720 | |
| Series W2 | -- | |
| Series TH | 4,720 | |
| Series TH2 | -- | |
| Series F | 4,720 | |
| Series F2 | 4,720 | |
| ----- | | |
| Total | 28,320 | |
| ----- | | |

Interest Rate Swap Transactions

The Funds are authorized to invest in certain derivative financial instruments. The Funds' use of interest rate swap transactions is intended to mitigate the negative impact that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swap transactions involve each Fund's agreement with the counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate each Fund's variable rate payment

obligation on Fund Preferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the interest rate swap contract. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that each Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Funds help manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations and by having the Adviser continually monitor the financial stability of the swap counterparties.

Futures Contracts

Each Fund may use futures contracts to hedge against changes in the values of securities the Fund owns. Each Fund bears the market risk arising from changes in the value of these financial instruments. At the time a Fund enters into a futures contract, the Fund deposits and maintains as collateral an initial margin as required by the exchange on which the transaction is affected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses on futures contracts. Risk may arise from the potential inability of the counterparty to meet the terms of the contract. When a contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the time it was closed. At June 30, 2006, there were no open futures contracts in either Fund.

Short Sales

The Funds are authorized to make short sales of securities if the Funds own at least an equal amount of such securities or securities convertible into securities of the same issuer. To secure its obligation to deliver securities sold short, the Funds have instructed the custodian to segregate assets in an equivalent amount of the securities sold short or securities convertible into or exchangeable for such securities. The Fund is obligated to pay to the party to which the securities were sold short, dividends declared on the stock by the issuer and records such amounts as expense in the Statement of Operations. Short sales are valued daily and the corresponding unrealized gains or losses are included in "Change in net unrealized appreciation (depreciation) of investments." At June 30, 2006, there were no outstanding short sales in either Fund.

Repurchase Agreements

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

55

Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

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

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

investments.

Indemnifications

Under the Funds' organizational documents, their Officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the Funds enter into contracts that provide general indemnifications to other parties. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

Use of Estimates

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

2. FUND SHARES

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

Transactions in Common shares were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | | P |
|-------------------------------------|---|---------------------------|--------------------------------------|
| | SIX MONTHS ENDED 6/30/06 | YEAR ENDED 12/31/05 | CONVERTI SIX MONT END 6/30/ |
| Shares repurchased | (432,200) | -- | (511,2 |
| Average price per share repurchased | \$12.63 | -- | \$12. |

3. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the six months ended June 30, 2006, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|----------------------|--|--------------------|
| Purchases | \$582,569,539 | \$839,4 |
| Sales and maturities | 613,364,057 | 858,9 |

56

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 timing differences in the recognition of income and timing differences in recognizing certain gains and losses on investment transactions.

At June 30, 2006, the cost of investments was as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|---------------------|--|--------------------|
| Cost of investments | \$2,120,399,922 | \$2,979,4 |

Gross unrealized appreciation and gross unrealized depreciation of investments at June 30, 2006, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|---|--|--------------------|
| Gross unrealized: | | |
| Appreciation | \$ 47,136,170 | \$ 53,0 |
| Depreciation | (98,187,953) | (135,1 |
| Net unrealized appreciation (depreciation) of investments | \$ (51,051,783) | \$ (82,1 |

The tax components of undistributed net ordinary income and net long-term capital gains at December 31, 2005, the Funds' last tax year end, were as follows:

| | PREFERRED AND CONVERTIBLE INCOME (JPC) | PRE CONVE IN |
|---|--|--------------------|
| Undistributed net ordinary income * | \$247,471 | \$1,7 |
| Undistributed net long-term capital gains | -- | |

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

* 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 Funds' last tax year ended December 31, 2005, was designated for purposes of the dividends paid deduction as follows:

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

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

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

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

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

57

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

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

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

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

The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the table below. As of June 30, 2006, the complex-level fee rate was .1887%.

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

- (1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate Managed Assets ("Managed Assets" means the average daily net assets of each fund including assets attributable to all types of leverage used by the Nuveen funds) of Nuveen-sponsored funds in the U.S.
- (2) With respect to the complex-wide Managed Assets over \$91 billion, the fee rate or rates that will apply to such assets will be determined at a later date. In the unlikely event that complex-wide Managed Assets reach \$91 billion prior to a determination of the complex-level fee rate or rates to be applied to Managed Assets in excess of \$91 billion, the complex-level fee rate for such complex-wide Managed Assets shall be .1400% until such time as a different rate or rates is determined.

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

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

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

58

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

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

* From the commencement of operations.

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

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

| 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. NEW ACCOUNTING PRONOUNCEMENT

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

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and does not expect the adoption of FIN 48 will have a significant impact on the net assets or results of operations of the Funds.

7. SUBSEQUENT EVENT

Distributions to Common Shareholders

The Funds declared Common share distributions which were paid on August 1, 2006, to shareholders of record on July 15, 2006, as follows:

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

59

Financial

HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

| | Investment Operations | | | | | | |
|---|--|---------------------------------|---|---|--|----|--|
| | Beginning Common Share Net Asset Value | Net Investment Income (b) | Net Realized/ Unrealized Gain (Loss) | Distributions from Net Investment Income to FundPreferred Share- holders+ | Distributions from Capital Gains to FundPreferred Share- holders+ | T | |
| PREFERRED AND CONVERTIBLE INCOME (JPC) | | | | | | | |
| Year Ended 12/31: | | | | | | | |
| 2006(a) | \$ 14.18 | \$.52 | \$ (.37) | \$ (.16)* | \$ -- | \$ | |
| 2005 | 15.32 | 1.13 | (.74) | (.22) | -- | | |
| 8/01/04-12/31/04 | 14.73 | .52 | .85 | (.04) | (.01) | | |
| Year Ended 7/31: | | | | | | | |
| 2004 | 14.12 | 1.25 | .71 | (.08) | -- | | |
| 2003(c) | 14.33 | .30 | (.02) | (.02) | -- | | |

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

PREFERRED AND CONVERTIBLE INCOME 2 (JQC)

| Year Ended 12/31: | | | | | |
|-------------------|-------|------|-------|--------|-------|
| 2006 (a) | 14.20 | .53 | (.34) | (.15)* | -- |
| 2005 | 15.18 | 1.12 | (.70) | (.21) | (.01) |
| 8/01/04-12/31/04 | 14.33 | .51 | .90 | (.05) | -- |
| Year Ended 7/31: | | | | | |
| 2004 | 13.83 | 1.16 | .73 | (.08) | -- |
| 2003 (d) | 14.33 | .04 | (.53) | -- | -- |

Less Distributions

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

PREFERRED AND CONVERT

| Year Ended 12/31: | | | | | | |
|-------------------|----|--------|-------|----------|-------|----------|
| 2006 (a) | \$ | (.53)* | \$ -- | \$ (.53) | \$ -- | \$ 13.64 |
| 2005 | | (1.15) | (.16) | (1.31) | -- | 14.18 |
| 8/01/04-12/31/04 | | (.50) | (.23) | (.73) | -- | 15.32 |
| Year Ended 7/31: | | | | | | |
| 2004 | | (1.22) | (.05) | (1.27) | -- | 14.73 |
| 2003 (c) | | (.30) | -- | (.30) | (.17) | 14.12 |

PREFERRED AND CONVERT

| Year Ended 12/31: | | | | | | |
|-------------------|--|--------|-------|--------|-------|-------|
| 2006 (a) | | (.53)* | -- | (.53) | -- | 13.71 |
| 2005 | | (1.09) | (.09) | (1.18) | -- | 14.20 |
| 8/01/04-12/31/04 | | (.49) | (.02) | (.51) | -- | 15.18 |
| Year Ended 7/31: | | | | | | |
| 2004 | | (1.17) | -- | (1.17) | (.14) | 14.33 |
| 2003 (d) | | -- | -- | -- | (.01) | 13.83 |

* Represents distributions paid "From and in excess of net investment income" for the six months ended June 30, 2006.

** Annualized.

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

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

+ The amounts shown are based on Common share equivalents.

++ - Ratios do not reflect the effect of dividend payments to FundPreferred shareholders.

- Income ratios reflect income earned on assets attributable to FundPreferred shares.

- Each ratio includes the effect of the dividend expense on securities sold short as follows:

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

PREFERRED AND CONVERTIBLE INCOME

(JPC)

Year Ended 12/31:

| | |
|------------------|-------|
| 2005 | .01% |
| 8/01/04-12/31/04 | .04** |

Year Ended 7/31:

| | |
|---------|-----|
| 2004 | .03 |
| 2003(c) | -- |

PREFERRED AND CONVERTIBLE INCOME 2

(JQC)

Year Ended 12/31:

| | |
|------------------|-------|
| 2005 | .01% |
| 8/01/04-12/31/04 | .05** |

Year Ended 7/31:

| | |
|---------|-----|
| 2004 | .03 |
| 2003(d) | -- |

- (a) For the six months ended June 30, 2006.
- (b) Per share Net Investment Income is calculated using the average daily shares method.
- (c) For the period March 26, 2003 (commencement of operations) through July 31, 2003.
- (d) For the period June 25, 2003 (commencement of operations) through July 31, 2003.

60

Ratios/Supplemental Data

| Total Returns | | | Before Credit/Reimbursement | Ratio of Net | After Credit/Reimbursement | Ratio |
|--------------------------|--|---|--|--|--|---------------------------|
| Based on Market Value*** | Based on Common Share Net Asset Value*** | Ending Net Assets Applicable to Common Shares (000) | Ratio of Expenses to Average Net Assets to Common Shares++ | Investment Income to Average Net Assets to Common Shares++ | Ratio of Expenses to Average Net Assets to Common Shares++ | Inve Inc A Net Appl to Sh |
| 7.13% | (.13)% | \$ 1,359,421 | 1.50%** | 7.02%** | 1.01%** | |
| (7.63) | 1.32 | 1,419,946 | 1.50 | 7.25 | 1.03 | |
| 8.06 | 9.07 | 1,533,722 | 1.51** | 7.66** | 1.04** | |
| 4.34 | 13.44 | 1,474,983 | 1.53 | 7.90 | 1.05 | |
| (.89) | .58 | 1,412,983 | 1.29** | 5.67** | .87** | |

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

| | | | | | |
|--------|--------|-----------|--------|--------|--------|
| 5.79 | .42 | 1,925,851 | 1.45** | 7.17** | .97** |
| (4.40) | 1.41 | 2,002,079 | 1.46 | 7.25 | .99 |
| 6.20 | 9.59 | 2,140,563 | 1.47** | 7.81** | 1.00** |
| .10 | 12.25 | 2,021,258 | 1.47 | 7.51 | 1.00 |
| (2.07) | (3.49) | 1,950,622 | .97** | 2.86** | .65** |

Fund Preferred Shares at End of Period

| Aggregate Amount Outstanding (000) | Liquidation and Market Value Per Share | Asset Coverage Per Share |
|---|---|--------------------------------|
| \$ 708,000 | \$ 25,000 | \$ 73,002 |
| 708,000 | 25,000 | 75,139 |
| 708,000 | 25,000 | 79,157 |
| 708,000 | 25,000 | 77,083 |
| 708,000 | 25,000 | 74,893 |
| 965,000 | 25,000 | 74,893 |
| 965,000 | 25,000 | 76,867 |
| 965,000 | 25,000 | 80,455 |
| 965,000 | 25,000 | 77,364 |
| -- | -- | -- |

See accompanying notes to financial statements.

61

ANNUAL INVESTMENT
MANAGEMENT AGREEMENT
APPROVAL PROCESS

The Board of Trustees is responsible for overseeing the performance of the investment adviser to the Funds and determining whether to continue the advisory arrangements. At a meeting held on May 23-25, 2006 (the "May Meeting"), the Board of Trustees of the Funds, including the independent Trustees, unanimously approved the continuance of the Investment Management Agreement between each Fund and NAM and the Sub-Advisory Agreements between NAM and Spectrum, Frolely, Revy and Symphony, respectively (each, a "Sub-Adviser"). NAM and the Sub-Advisers are each a "Fund Adviser."

THE APPROVAL PROCESS

During the course of the year, the Board received a wide variety of materials relating to the services provided by the Fund Advisers and the performance of each Fund. To assist the Board in its evaluation of the advisory contract with a Fund Adviser at the May Meeting, the independent Trustees received extensive materials in advance of their meeting which outlined, among other things:

- the nature, extent and quality of services provided by the Fund Adviser;

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

- the organization and business operations of the Fund Adviser, including the responsibilities of various departments and key personnel;
- the Fund's past performance, the Fund's performance compared to funds of similar investment objectives compiled by an independent third party and with recognized and/or customized benchmarks (as appropriate);
- the profitability of the Fund Adviser and certain industry profitability analyses for unaffiliated advisers;
- the expenses of the Fund Adviser in providing the various services;
- the advisory fees (gross and net management fees) and total expense ratios of the Fund, including comparisons of such fees and expenses with those of comparable, unaffiliated funds based on information and data provided by Lipper (the "Peer Universe") as well as compared to a subset of funds within the Peer Universe (the "Peer Group") to the respective Fund (as applicable);
- the advisory fees the Fund Adviser assesses to other types of investment products or clients;
- the soft dollar practices of the Fund Adviser, if any; and
- from independent legal counsel, a legal memorandum describing, among other things, the duties of the Trustees under the Investment Company Act of 1940 (the "1940 Act") as well as the general principles of relevant state law in reviewing and approving advisory contracts; the requirements of the 1940 Act in such matters; an adviser's fiduciary duty with respect to advisory agreements and compensation; the standards used by courts in determining whether investment company boards of directors have fulfilled their duties and factors to be considered by the board in voting on advisory agreements.

At the May Meeting, NAM made a presentation to and responded to questions from the Board. After the presentations and after reviewing the written materials, the independent Trustees met privately with their legal counsel to review the Board's duties in reviewing advisory contracts and consider the renewal of the advisory contracts. It is with this background that the Trustees considered each advisory contract (which includes the Sub-Advisory Agreements) with the respective Fund Adviser. The independent Trustees, in consultation with independent counsel, reviewed the factors set out in judicial decisions and SEC directives relating to the renewal of advisory contracts. As outlined in more detail below, the Trustees considered all factors they believed relevant with respect to each Fund, including the following: (a) the nature, extent and quality of the services to be provided by the Fund Adviser; (b) the investment performance of the Fund and the Fund Adviser; (c) the costs of the services to be provided and profitability of the Fund Adviser and its affiliates; (d) the extent to which economies of scale would be realized as the Fund grows; and (e) whether fee levels reflect these economies of scale for the benefit of Fund investors.

A. NATURE, EXTENT AND QUALITY OF SERVICES

In reviewing the Fund Advisers, the Trustees considered the nature, extent and quality of the respective Fund Adviser's services. The Trustees reviewed materials outlining, among other things, the Fund Adviser's organization and business; the types of services that the Fund Adviser or its affiliates provide and are expected to provide to the Funds; the performance record of the applicable Fund (as described in further detail below); and any initiatives Nuveen has taken for its fund product line. In connection with their continued service as Trustees, the Trustees also have a good understanding of each Fund Adviser's organization, operations and personnel. In this regard, the Trustees

are familiar with and have evaluated the professional experience, qualifications and credentials of the Fund Adviser's personnel. With respect to each Sub-Adviser, the Trustees also received and reviewed an evaluation of the Sub-Adviser from NAM. Such evaluation outlined, among other things, the Sub-Adviser's organizational history, client base, product mix, investment team and any changes thereto, investment process and any changes to its investment strategy, the Fund's investment objectives and performance (as applicable). The Trustees noted that NAM recommended the renewal of the

62

Sub-Advisory Agreements and considered the basis for such recommendation and any qualifications in connection therewith. Given the Trustees' experience with the Funds (including any other Nuveen funds advised by a Fund Adviser) and each Fund Adviser, the Trustees recognized and considered the quality of their investment processes in making portfolio management decisions as well as any refinements or improvements thereto. In this regard, the Trustees considered the continued quality of the Fund Adviser's investment process in making portfolio management decisions as well as any additional refinements and improvements adopted to the portfolio management processes.

In addition to advisory services, the independent Trustees considered the quality of any administrative or non-advisory services provided. With respect to each Sub-Adviser, the independent Trustees noted that each respective Sub-Advisory Agreement was essentially an agreement for portfolio management services only and the Sub-Adviser was not expected to supply other significant administrative services to the Funds.

With respect to NAM, NAM provides the Funds with such administrative and other services (exclusive of, and in addition to, any such services provided by others for the Funds) and officers and other personnel as are necessary for the operations of the respective Fund. In connection with the review of the Investment Management Agreement, the Trustees considered the extent and quality of these other services which include, among other things, providing: product management (e.g., product positioning, performance benchmarking, risk management); fund administration (e.g., daily net asset value pricing and reconciliation, tax reporting, fulfilling regulatory filing requirements); oversight of third party service providers; administration of board relations (e.g., organizing board meetings and preparing related materials); compliance (e.g., monitoring compliance with investment policies and guidelines and regulatory requirements); and legal support (e.g., helping prepare and file registration statements, amendments thereto, proxy statements and responding to regulatory requests and/or inquiries). As the Funds operate in a highly regulated industry and given the importance of compliance, the Trustees considered, in particular, the additions of experienced personnel to the compliance teams and the enhancements to technology and related systems to support the compliance activities for the Funds (including a new reporting system for quarterly portfolio holdings). In addition to the above, because the Funds utilize Sub-Advisers, the Trustees also considered NAM's ability and procedures to monitor each respective Sub-Adviser's performance, business practices and compliance policies and procedures. In this regard, the Trustees noted the enhancements in the investment oversight process, including increased site visits and departments participating in investment oversight.

In addition to the foregoing, the Trustees also noted the additional services that the Fund Adviser or its affiliates provide to closed-end funds, including, in particular, secondary market support activities. The Trustees recognized Nuveen's continued commitment to supporting the secondary market for the common shares of its closed-end funds through a variety of initiatives designed to raise investor and analyst awareness and understanding of closed-end funds.

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

These efforts include providing advertising and other media relations programs, continued contact with analysts, maintaining and enhancing its website for closed-end funds, and targeted advisor communication programs. With respect to Funds that utilize leverage through the issuance of preferred shares, the Trustees noted Nuveen's continued support for the preferred shares by maintaining, among other things, an in-house preferred trading desk; designating a product manager whose responsibilities include creating and disseminating product information and managing relations in connection with the preferred share auction; and maintaining systems necessary to test compliance with rating agency requirements.

Based on their review, the Trustees found that, overall, the nature, extent and quality of services provided (and expected to be provided) to the respective Funds under the Investment Management Agreement or Sub-Advisory Agreement, as applicable, were of a high level and were satisfactory.

B. THE INVESTMENT PERFORMANCE OF THE FUND AND FUND ADVISERS

The Board considered the investment performance for each Fund, including the Fund's historic performance as well as its performance compared to funds with similar investment objectives identified by an independent third party (the "Performance Peer Group") and recognized and/or customized benchmarks (as applicable). In evaluating the performance information, in certain instances, the Trustees noted that the closest Performance Peer Group for a Fund still may not adequately reflect such Fund's investment objectives, strategies and portfolio duration, thereby limiting the usefulness of the comparisons of such Fund's performance with that of the Performance Peer Group (such as, the Nuveen Diversified Dividend and Income Fund, Nuveen Preferred and Convertible Income Fund, Nuveen Preferred and Convertible Income Fund 2, Nuveen Tax-Advantaged Floating Rate Fund, and the Nuveen Real Estate Income Fund).

In reviewing performance, the Trustees reviewed performance information including, among other things, total return information compared with the Fund's Performance Peer Group as well as recognized and/or customized benchmarks (as appropriate) for the one-, three- and five-year periods (as applicable) ending December 31, 2005. This information supplements the Fund performance information provided to the Board at each of their quarterly meetings. Based on their review, the Trustees determined that the respective Fund's absolute and relative investment performance over time had been satisfactory.

C. FEES, EXPENSES AND PROFITABILITY

1. FEES AND EXPENSES

In evaluating the management fees and expenses of a Fund, the Board reviewed, among other things, the Fund's advisory fees (net and gross management fees) and total expense ratios (before and after expense reimbursements and/or waivers) in absolute terms as well as comparisons to the gross management fees (before waivers), net management fees (after waivers) and total expense ratios (before and after waivers) of comparable funds in the Peer Universe and the Peer Group. The Trustees reviewed data regarding the construction of Peer Groups as well as the methods of measurement for the fee and expense analysis and the performance analysis. In certain cases, due to the small number of peers in the Peer Universe, the Peer

63

ANNUAL INVESTMENT MANAGEMENT AGREEMENT APPROVAL PROCESS (continued)

Universe and the Peer Group may be the same. Further, the Trustees recognized that in certain cases the closest Peer Universe and/or Peer Group may not adequately reflect the Fund's investment objectives and strategies limiting

the usefulness of comparisons. In reviewing comparisons, the Trustees also considered the size of the Peer Universe and/or Peer Group, the composition of the Peer Group (including differences in the use of leverage) as well as differing levels of fee waivers and/or expense reimbursements. In this regard, the Trustees considered the fund-level and complex-wide breakpoint schedules (described in further detail below) and any fee waivers and reimbursements provided by Nuveen (applicable, in particular, for certain funds launched since 1999). Based on their review of the fee and expense information provided, the Trustees determined that each Fund's net total expense ratio was within an acceptable range compared to peers.

2. COMPARISONS WITH THE FEES OF OTHER CLIENTS

The Trustees further reviewed data comparing the advisory fees of NAM with fees NAM charges to other clients (such as separate managed accounts and funds that are not offered by Nuveen Investments but are sub-advised by one of Nuveen's investment management teams). In general, the advisory fees charged for separate accounts are somewhat lower than the advisory fees assessed to the Funds. The Trustees recognized that the differences in fees are attributable to a variety of factors, including the differences in services provided, product distribution, portfolio investment policies, investor profiles, account sizes and regulatory requirements. The Trustees noted, in particular, that the range of services provided to the Funds is more extensive than that provided to managed separate accounts. As described in further detail above, such additional services include, but are not limited to, providing: product management, fund administration, oversight of third party service providers, administration of board relations, and legal support. Funds further operate in a highly regulated industry requiring extensive compliance functions compared to the other investment products. In addition to the costs of the additional services, administrative costs may also be greater for funds as the average account size for separate accounts is notably larger than the retail accounts of funds. Given the differences in the product structures, particularly the extensive services provided to closed-end funds, the Trustees believe such facts justify the different levels of fees.

In considering the advisory fees of a Sub-Adviser, the Trustees also considered the pricing schedule that the Sub-Adviser charges for similar investment management services for other sponsors or clients. With respect to Symphony, the Trustees reviewed the generally higher fees for hedge funds and accounts it manages, which include performance fees.

3. PROFITABILITY OF FUND ADVISERS

In conjunction with its review of fees, the Trustees also considered the profitability of Nuveen Investments for advisory activities (which incorporated Nuveen's wholly-owned affiliated sub-advisers). The Trustees reviewed data comparing Nuveen's profitability with other fund sponsors prepared by three independent third party service providers as well as comparisons of the revenues, expenses and profits margins of various unaffiliated management firms with similar amounts of assets under management prepared by Nuveen. The Trustees further reviewed the 2005 Annual Report for Nuveen Investments. In considering profitability, the Trustees recognized the inherent limitations in determining profitability as well as the difficulties in comparing the profitability of other unaffiliated advisers. Profitability may be affected by numerous factors, including the methodology for allocating expenses, the adviser's business mix, the types of funds managed, the adviser's capital structure and cost of capital. Further, individual fund or product line profitability of other sponsors is generally not publicly available. Accordingly, the profitability information that is publicly available from various investment advisory or management firms may not be representative of the industry.

Notwithstanding the foregoing, in reviewing profitability, the Trustees reviewed

Nuveen's methodology and assumptions for allocating expenses across product lines to determine profitability. In this regard, the methods of allocation used appeared reasonable. The Trustees also, to the extent available, compared Nuveen's profitability margins (including pre- and post-marketing profit margins) with the profitability of various unaffiliated management firms. The Trustees noted that Nuveen's profitability is enhanced due to its efficient internal business model. The Trustees also recognized that while a number of factors affect profitability, Nuveen's profitability may change as fee waivers and/or expense reimbursement commitments of Nuveen to various funds in the Nuveen complex expire. To keep apprised of profitability and developments that may affect profitability, the Trustees have requested profitability analysis be provided periodically during the year. With respect to unaffiliated Sub-Advisers (i.e., Spectrum and Froley, Revy), the Trustees also considered the Sub-Adviser's revenues from serving as a Sub-Adviser to the Funds, expenses (including the basis for allocating expenses) and profitability margins (pre- and post-tax). Based on their review, the Trustees were satisfied that the respective Fund Adviser's level of profitability was reasonable in light of the services provided.

In evaluating the reasonableness of the compensation, the Trustees also considered any other revenues paid to a Fund Adviser as well as any indirect benefits (such as soft dollar arrangements, if any) the Fund Adviser and its affiliates are expected to receive that are directly attributable to their management of the Funds, if any. See Section E below for additional information. Based on their review of the overall fee arrangements of the applicable Fund, the Trustees determined that the advisory fees and expenses of the respective Fund were reasonable.

64

D. ECONOMIES OF SCALE AND WHETHER FEE LEVELS REFLECT THESE ECONOMIES OF SCALE

With respect to economies of scale, the Trustees recognized the potential benefits resulting from the costs of a fund being spread over a larger asset base as a fund grows. To help ensure the shareholders share in these benefits, the Trustees have reviewed and considered the breakpoints in the advisory fee schedules that reduce advisory fees as the applicable Fund's assets grow. In addition to advisory fee breakpoints as assets in a respective Fund rise, after lengthy discussions with management, the Board also approved a complex-wide fee arrangement that was introduced on August 1, 2004. Pursuant to the complex-wide fee arrangement, the fees of the funds in the Nuveen complex, including the Funds, are reduced as the assets in the fund complex reach certain levels. In evaluating the complex-wide fee arrangement, the Trustees considered, among other things, the historic and expected fee savings to shareholders as assets grow, the amount of fee reductions at various asset levels, and that the arrangement would extend to all funds in the Nuveen complex. The Trustees noted that 2005 was the first full year to reflect the fee reductions from the complex wide fee arrangement. The Trustees also considered the impact, if any, the complex-wide fee arrangement may have on the level of services provided. Based on their review, the Trustees concluded that the breakpoint schedule and complex-wide fee arrangement currently was acceptable and desirable in providing benefits from economies of scale to shareholders.

E. INDIRECT BENEFITS

In evaluating fees, the Trustees also considered any indirect benefits or profits the Fund Adviser or its affiliates may receive as a result of its relationship with each Fund. In this regard, the Trustees considered revenues received by affiliates of the Fund Adviser for serving as agent at Nuveen's preferred trading desk and for serving as a co-manager in the initial public offering of new closed-end exchange traded funds.

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

In addition to the above, the Trustees considered whether the Fund Adviser received any benefits from soft dollar arrangements. With respect to NAM, the Trustees noted that NAM does not currently have any soft dollar arrangements and does not pay excess brokerage commissions (or spreads on principal transactions) in order to receive research services; however, NAM may from time to time receive and have access to research generally provided to institutional clients.

The Trustees also considered the soft dollar arrangements, if any, of the Sub-Advisers. With respect to Frole, Revy, the Trustees noted such Sub-Adviser has engaged in soft dollar arrangements. The Trustees recognize this Sub-Adviser benefits from its soft dollar arrangements pursuant to which it receives research from brokers that execute the Fund's portfolio transactions. At the May Meeting and in prior meetings, the Trustees have received and reviewed materials concerning such Sub-Adviser's soft dollar arrangements, including the type of research received. Such Sub-Adviser has agreed to limit the type of research received with the use of soft dollars to that with intellectual content. The Trustees note that such Sub-Adviser's profitability may be lower if it was required to pay for this research with hard dollars. With respect to Spectrum, such Sub-Adviser does not currently use soft dollar arrangements. Finally, with respect to Symphony, Symphony currently does not enter into soft dollar arrangements; however, it has adopted a soft dollar policy in the event it does so in the future.

The Trustees did not identify any single factor discussed previously as all-important or controlling. The Trustees, including a majority of independent Trustees, concluded that the terms of the Investment Management Agreement and Sub-Advisory Agreements were fair and reasonable, that the respective Fund Adviser's fees are reasonable in light of the services provided to each Fund, and that the renewal of the respective Investment Management Agreement and Sub-Advisory Agreements should be approved.

65

Reinvest Automatically
EASILY AND CONVENIENTLY

NUVEEN EXCHANGE-TRADED CLOSED-END FUNDS
DIVIDEND REINVESTMENT PLAN

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

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

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

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

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

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

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

FLEXIBLE

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

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

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

CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

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

66

AUTOMATIC DIVIDEND REINVESTMENT PLAN

NOTICE OF AMENDMENT TO THE TERMS AND CONDITIONS

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

Fund shareholders who elect to participate in the Plan are able to have Fund distributions consisting of income dividends, realized capital gains and returns

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

of capital automatically reinvested in additional Fund shares. Under the Plan's existing terms, the Plan Agent purchases Fund shares in the open market if the Fund's shares are trading at a discount to their net asset value on the payable date for the distribution. If the Fund's shares are trading at or above their net asset value on the payable date for the distribution, the Plan Agent purchases newly-issued Fund shares directly from the Fund at a price equal to the greater of the shares' net asset value or 95% of the shares' market value.

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

67

Notes

68

Notes

69

Notes

70

OTHER USEFUL INFORMATION

QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

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

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

GLOSSARY OF TERMS USED IN THIS REPORT

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

AVERAGE ANNUAL TOTAL RETURN: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

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

NET ASSET VALUE (NAV): A Fund's common share NAV per share is calculated by subtracting the liabilities of the Fund (including any MuniPreferred shares issued in order to leverage 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.

BOARD OF TRUSTEES

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

FUND MANAGER

Nuveen Asset Management
333 West Wacker Drive
Chicago, IL 60606

CUSTODIAN

State Street Bank & Trust Company
Boston, MA

TRANSFER AGENT AND SHAREHOLDER SERVICES

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

LEGAL COUNSEL

Chapman and Cutler LLP
Chicago, IL

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Chicago, IL

The Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. During the period covered by this report JPC and JQC repurchased 432,200 and 511,200 of common shares, respectively. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

(back cover photo)

NUVEEN INVESTMENTS:

SERVING INVESTORS

FOR GENERATIONS

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to the belief that the best approach to investing is to apply conservative risk-management principles to help minimize volatility.

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

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

Managing more than \$149 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 six distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; Symphony, a leading institutional manager of market-neutral alternative investment portfolios; Santa Barbara, a leader in growth equities; and Tradewinds, NWQ a leader in global equities.

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

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

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

- Share prices
- Fund details
- Daily financial news
- Investor education
- Interactive planning tools

LEARN MORE
ABOUT NUVEEN FUNDS AT
WWW.NUVEEN.COM/CEF

ESA-F-0606D

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

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

Not applicable to this filing.

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

Not applicable to this filing.

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

| PERIOD* | (a) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED | (b) AVERAGE PRICE PAID PER SHARE (OR UNIT) | (c) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS | (d) MAXIMUM APPROXI SHARES BE PURC PROGRAM |
|---------------------|---|---|--|---|
| FEBRUARY 3-28, 2006 | | | | |
| MARCH 1-31, 2006 | 304,800 | \$12.57 | 304,800 | 13,695, |
| APRIL 1-30, 2006 | 175,200 | \$12.38 | 480,000 | 13,520, |
| MAY 1-31, 2006 | 20,000 | \$12.01 | 500,000 | 13,500, |
| JUNE 1-30, 2006 | 11,200 | \$12.31 | 511,200 | 13,488, |
| | 0 | \$0 | 511,200 | 13,488, |

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

TOTAL 511,200

* The registrant's repurchase program was announced February 3, 2006. The registrant's repurchase program authorized the repurchase of 14,000,000 shares. The repurchases made by the registrant pursuant to the program were all made through open-market transactions.

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

During this reporting period, the registrant's Board of Trustees implemented a change to the procedures by which shareholders may recommend nominees to the registrant's board of trustees by amending the registrant's by-laws to include a provision specifying the date by which shareholder nominations for election as trustee at a subsequent meeting must be submitted to the registrant. Shareholders must deliver or mail notice to the registrant not less than forty-five days nor more than sixty days prior to the first anniversary date of the date on which the registrant first mailed its proxy materials for the prior year's annual meeting; provided, however, if and only if the annual meeting is not scheduled to be held within a period that commences thirty days before the first anniversary date of the annual meeting for the preceding year and ends thirty days after such anniversary date (an annual meeting date outside such period being referred to as an "Other Annual Meeting Date" hereafter), the shareholder notice must be given no later than the close of business on the date forty-five days prior to such Other Annual Meeting Date or the tenth business day following the date such Other Annual Meeting Date is first publicly announced or disclosed. The shareholder's notice must be in writing and set forth the name, age, date of birth, business address, residence address and nationality of the person(s) being nominated and the class or series, number of all shares of the registrant owned of record or beneficially by each such person(s), any other information regarding such person required by Item 401 of Regulation S-K or Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934, as amended, any other information regarding the person(s) to be nominated that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for election of trustees, and whether such shareholder believes any nominee is or will be an "interested person" (as that term is defined in the Investment Company Act of 1940, as amended) of the registrant or sufficient information to enable the registrant to make that determination and the written and signed consent of the person(s) to be nominated.

ITEM 11. CONTROLS AND PROCEDURES.

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

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

internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

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

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

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

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 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

Jessica R. Droeger
Vice President and Secretary

Date: September 8, 2006

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

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

Gifford R. Zimmerman
Chief Administrative Officer
(principal executive officer)

Date: September 8, 2006

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

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

Date: September 8, 2006

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